KPMG Taseer Hadi & Co.
Chartered Accountants

Loads Limited

Consolidated Financial Statements

For the year ended 30 June 2015

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Auditors' report to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Loads Limited** ("the Holding Company") and its subsidiary companies as at 30 June 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Loads Limited and its subsidiary companies namely Specialized Autoparts Industries (Private) Limited, Multiple Autoparts Industries (Private) Limited and Specialized Motorcycles (Private) Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Loads Limited and its subsidiary companies as at 30 June 2015 and the results of their operations for the year then ended.

KPMG Taseer Hadi & Co.

Date: 24 August 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Loads Limited
Consolidated Balance Sheet
As at 30 June 2015

ASSETS	Note	30 June 2015	30 June 2014
		(Rupees)	
Non-current assets			
Property, plant and equipment	4	**453,326,462**	443,103,047
Intangible assets	5	**-**	1,479,001
Long term investments	6	**368,544,268**	164,159,539
Long term deposits	7	**7,461,337**	5,568,357
		829,332,067	614,309,944
Current assets			
Stores and spares		**46,727,368**	35,018,753
Stock-in-trade	8	**940,154,402**	673,933,164
Trade debts - net and unsecured	9	**226,898,911**	122,990,039
Loans and advances	10	**87,619,418**	20,897,709
Short term deposits, prepayments and other receivables	11	**188,546,178**	72,662,860
Advance tax - net	12	**162,352,748**	135,296,948
Investments	13	**150,200,557**	139,415,027
Cash and bank balances	14	**63,925,477**	40,903,051
		1,866,425,059	1,241,117,551
Total assets		**2,695,757,126**	1,855,427,495
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
150,000,000 (2014: 10,000,000) ordinary shares of Rs.10 each		**1,500,000,000**	100,000,000
Issued, subscribed and paid-up capital	15	**750,000,000**	60,000,000
Capital reserve		**21,219,627**	18,523,763
Revenue reserve		**668,061,461**	1,150,846,541
		1,439,281,088	1,229,370,304
Non-current liabilities			
Liabilities against assets subject to finance lease	16	**18,254,716**	12,707,151
Deferred tax liability - net	17	**84,397,796**	39,783,229
		102,652,512	52,490,380
Current liabilities			
Current maturities of liabilities against assets subject to finance lease	16	**12,907,268**	14,126,938
Short term borrowings - secured	19	**979,445,862**	451,651,743
Creditors, accrued and other liabilities	20	**161,151,422**	107,469,156
Mobilisation advances		**318,974**	318,974
		1,153,823,526	573,566,811
Total equity and liabilities		**2,695,757,126**	1,855,427,495
Contingencies and commitments	21		

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive **Director**

Loads Limited

Consolidated Profit and Loss Account

For the year ended 30 June 2015

	Note	30 June 2015	30 June 2014
		(Rupees)	
Turnover	22	**3,332,572,072**	2,352,365,782
Cost of sales	23	**(2,838,082,094)**	(2,043,958,813)
Gross profit		**494,489,978**	308,406,969
Administrative and selling expenses	24	**(134,281,088)**	(113,062,040)
		360,208,890	195,344,929
Other income	25	**62,350,493**	52,335,312
		422,559,383	247,680,241
Finance costs	26	**(85,524,995)**	(71,002,529)
Other charges	27	**(25,415,248)**	(12,112,630)
		(110,940,243)	(83,115,159)
		311,619,140	164,565,082
Share of profit in associate - net	6.1	**10,784,220**	12,681,784
Profit before taxation		**322,403,360**	177,246,866
Taxation	28	**(111,349,963)**	(42,338,350)
Profit after taxation		**211,053,397**	134,908,516
			(Restated)
		(Rupees)	
Basic and diluted earnings per share	29	**2.81**	1.80

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive **Director**

Loads Limited

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	30 June 2015	30 June 2014
		(Rupees)	
Profit after taxation		**211,053,397**	134,908,516
Other comprehensive income:			
Items that may be reclassified to profit and loss account in subsequent periods			
Unrealised gain / (loss) on revaluation of available-for-sale investments	*13.2.1*	**2,695,864**	(5,905,974)
Items not to be reclassified to profit and loss account in subsequent periods			
Remeasurement of defined benefit liability-net of tax		**(3,838,477)**	1,549,026
Group's share of fair value reserve in associate's available-for-sale investment	*6.1*	-	(110,784)
Total comprehensive income for the year		**209,910,784**	130,440,784

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive

Director

Loads Limited

Consolidated Cash Flow Statement

For the year ended 30 June 2015

	Note	30 June 2015	30 June 2014
		(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	*31*	(123,188,130)	164,483,403
Mark up paid		(65,535,125)	(48,616,238)
Long term deposits		(1,892,980)	(668,803)
Provision against impaired debts		636,657	-
Taxes paid		(89,421,534)	(74,920,950)
Net cash (used) in / generated from operating activities		(279,401,112)	40,277,412
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(48,090,800)	(43,857,472)
Dividend received		18,933,510	17,729,468
Purchase of investments		(254,774,250)	(32,497,693)
Proceeds from disposal of investment in associate		74,169,436	-
Proceeds from disposal of fixed assets		10,940,154	4,394,162
Net cash used in investing activities		(198,821,950)	(54,231,535)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		(26,548,631)	(18,038,309)
Net cash used in financing activities		(26,548,631)	(18,038,309)
Net decrease in cash and cash equivalents		(504,771,693)	(31,992,432)
Cash and cash equivalents at beginning of the year		(410,748,692)	(378,756,260)
Cash and cash equivalents at end of the year	*31.2*	(915,520,385)	(410,748,692)

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive **Director**

Loads Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2015

	Issued, subscribed and paid-up capital	Capital reserve: Unrealised gain on remeasurement of available-for-sale investments	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Total
	(Rupees)				
Balance as at 30 June 2013	60,000,000	24,540,521	590,262,580	424,126,419	1,098,929,520
Total comprehensive income for the year ended 30 June 2014					
Profit for the year	-	-	-	134,908,516	134,908,516
Other comprehensive income					
Unrealised loss on re-measurement of available-for-sale investments	-	(5,905,974)	-	-	(5,905,974)
Remeasurement of defined benefit liability	-	-	-	1,549,026	1,549,026
Parent Company's share of fair value reserve in Associate's available for sale investments	-	(110,784)	-	-	(110,784)
Total comprehensive income for the year ended 30 June 2014	-	(6,016,758)	-	136,457,542	130,440,784
Balance as at 30 June 2014	60,000,000	18,523,763	590,262,580	560,583,961	1,229,370,304
Total comprehensive income for the year ended 30 June 2015					
Profit for the year	-	-	-	211,053,397	211,053,397
Other comprehensive income					
Unrealised gain on remeasurement of available for sale investments	-	2,695,864	-	-	2,695,864
Remeasurement of defined benefit liability	-	-	-	(3,838,477)	(3,838,477)
	-	2,695,864	-	207,214,920	209,910,784
Transactions with Owners					
Bonus shares issue @ 1150% for the year	690,000,000	-	(590,262,580)	(99,737,420)	-
Balance as at 30 June 2015	750,000,000	21,219,627	-	668,061,461	1,439,281,088

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive

Director

1. STATUS AND NATURE OF BUSINESS

1.1 Loads Limited ("the Parent Company") was incorporated in Pakistan on 1 January 1979 as a private limited company under the Companies Act, 1913 (now Companies Ordinance, 1984). With effect from 19 December 1993, the status of the Parent Company was converted from private limited company to unlisted public limited company. The registered office of the Parent Company is situated at Plot No. 23, Sector 19, Korangi Industrial Area, Karachi.

1.2 The principal activity of the Parent Company is to manufacture and sell radiators, exhaust systems and other components for automotive industry.

1.3 The Parent Company has three wholly owned subsidiaries namely Specialized Autoparts Industries (Private) Limited (SAIL), Multiple Autoparts Industries (Private) Limited (MAIL) and Specialized Motorcycles (Private) Limited (SMPL) which were incorporated on 2 June 2004, 14 May 2004 and 28 September 2004 respectively.

1.4 During the year, the Board of Directors in their meeting held on 20 January 2015 has decided to file an application for listing of its securities on all the stock exchanges in Pakistan.

1.5 During the year, the management of the Parent Company have decided that it intends to cease the operations of the subsidiary company, SMPL from 1 July 2015. Accordingly, the assets and liabilities of SMPL have been stated on realisation / settlement value basis. However, no adjustment has been recorded in the assets and liabilities of SMPL due to above change in basis of measurement.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated 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 (IFRSs) 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 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 01 January, 2016) introduce restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments have no impact on these consolidated financial statements.

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- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 01 January, 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 01 January 2016. The adoption of this standard would have no impact on these consolidated financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 01 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has been now named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 01 January 2016. The adoption of this standard would have no impact on these consolidated financial statements.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 01 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or join ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard would have no impact on these consolidated financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 01 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard would have no impact on these consolidated financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 01 January 2016) will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments have no impact on these consolidated financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 01 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 01 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Annual Improvement 2012-2014 cycles (amendments are effective for annual periods beginning on or after 01 January 2016). The new cycle of improvements contain amendments to the following standards:

  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from 'held for distribution to owners' to 'held for sale or vice versa without any time lag', then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

  - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere, should be cross referred.

2.3 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for the measurement of investments classified as "investment at fair value through profit or loss" and "available-for-sale" which are stated at fair value. Further as mentioned in note 1.5, the assets and liabilities of the subsidiary company, SMPL, are stated at realisation / settlement values.

2.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is also the Group's functional currency.

2.5 Basis of consolidation

These consolidated financial statements include the financial statements of the Parent Company and its subsidiary companies ("the Group"). Financial statements of subsidiary companies have been consolidated on a line-by-line basis. All material inter-company balances, transactions and resulting unrealised profits / losses have been eliminated.

2.6 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the Group's financial statements and estimates with a significant risk of material adjustment in future years are discussed below:

2.6.1 Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

2.6.2 Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

2.6.3 Impairment

All Group's assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is recognised in the profit and loss account currently.

Investments are considered to be impaired when there has been significant or prolonged decline in the fair value below its cost. The determination what is significant or prolong requires judgment. In making these judgments, management evaluates among other factors, the normal volatility in prices.

2.6.4 Property, plant and equipment

The Group reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment, if any.

2.6.5 Stock in trade, stores, spares and loose tools

The Group reviews the net realisable value of stock-in-trade and stores, spares and loose tools to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores and spares with a corresponding effect on the profit and loss account of those future years. Net realisable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

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2.6.6 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 18.1 to the consolidated financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumption in future years may affect the liability under these schemes in those years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement and other service benefits

Defined benefit plans

The Parent Company operates a funded gratuity schemes separately for its management and non-management staff. Both the schemes cover all the employees with a qualifying service period of ten years.

Contributions to the fund are made on the basis of actuarial valuation and charged to income currently. Actuarial gains and losses are amortised over the expected average remaining working life of the employees as allowed under the relevant provisions of IAS 19 "Employee Benefits".

Defined contribution plan

The Parent Company also operates a provident fund scheme for all its regular permanent employees. Contributions are made to the fund equally by the Parent Company and the employees @ 10% of basic salary for executive employees and 10% of basic salary plus cost of living allowance for non-executive employees.

3.2 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.3 Creditors and other liabilities

Creditors and other liabilities are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

3.4 Taxation

Income tax on the profit or loss for the period comprises current and deferred tax.

i) *Current*

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and tax rebates, if any, in accordance with the provision of the Income Tax Ordinance, 2001. It also includes any adjustment to tax payable in respect of prior years.

ii) *Deferred*

Deferred taxation is recognised, using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amounts of deferred tax recognised is based on the expected manner of the realisation or settlement of the carrying amount of assets and liabilities, using rates of taxation enacted or substantively enacted at the balance sheet date.

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Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax assets, are reduced to the extent that they are no longer probable that the related tax benefit will be realised.

3.5 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment, except for freehold land, lease hold land and capital work-in-progress, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, Lease hold land and capital work-in-progress are stated at cost.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss account as incurred.

Depreciation

Depreciation on operating fixed assets, other than freehold land and leasehold land, is charged to income on reducing balance method at the rates specified in note 4.1 to these consolidated financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalised while no depreciation is charged for the month in which the item is disposed off.

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

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

Leased

Assets subject to finance lease are accounted for by recording the assets and related liabilities. These are stated at lower of present value of minimum lease payments under the lease agreements and fair value of assets acquired on lease at the inception of lease. Assets acquired under the finance lease are depreciated on reducing balance method in the same manner as the owned assets.

Finance charge under the lease agreements is allocated over the periods during lease term so as to produce a constant periodic rate of financial charge on the outstanding balance of principal liability of each period.

3.6 Intangible assets

Intangible assets (comprising of computer software and license) are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised under the straight line method at the rate specified in note 5 to these consolidated financial statements.

Cost that are directly associated with identifiable software products and have probable economic benefit beyond one year are recognised as intangible assets.

Cost associated with maintaining computer software products are recognised as an expense when incurred.

In respect of additions and deletions of intangible assets during the year, amortisation is charged from the month of acquisition and up to the month preceding the deletion, respectively.

3.7 Investments

Investments in associates - Equity method

Entities in which the Group has significant influence but not control and which are neither its subsidiary nor joint ventures are associates and are accounted for by using the equity method of accounting.

These investments are initially recognised at cost, thereafter the Group's share of the changes in the net assets of the associates are accounted for at each balance sheet date. Share of post acquisition profit and loss of associates is accounted for in the Group's profit and loss account, whereas significant changes in the associate's equity which has not been recognised in the associates' profit and loss account, are recognised directly in the equity of the Group.

Investment at fair value through profit or loss

A non-derivative financial asset is classified as 'at fair value through profit or loss' if it is held for trading or is designated as such upon initial recognition. Investments are designated 'at fair value through profit or loss' if the Parent Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit and loss account.

Available-for-sale

Available-for-sale investments are those non- derivative investments that are designated as available-for-sale or are not classified in any other category. These are stated at fair value, with any resultant gain or loss being recognised directly in equity. Gains or losses on available-for-sale investments are recognised directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in the equity is included in current year's profit and loss account.

All investments classified as available-for-sale are initially recognised at cost inclusive of transaction costs and subsequently quoted investments are marked to market using the last quoted rate at the close of the financial year.

3.8 Stores and spares

Stores and spares are stated at lower of weighted average cost and net realisable value except items in transit which are stated at invoice value plus other charges incurred thereon.

Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs necessary to make a sale.

3.9 Stock in trade

Stock in trade is stated at the lower of cost and net realisable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods include cost of direct materials, labour and appropriate portion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

3.10 Trade debts and other receivables

Trade debts, loans, advances and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Loans, advances and other receivables considered irrecoverable are written off.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and deposits held with banks. Short term borrowing facilities availed by the Group, which are repayable on demand form an integral part of the Group's cash management and are included as part of cash and cash equivalents for the purpose of the statement of cash flows.

3.12 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are taken to profit and loss account.

3.13 Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Interest income is accrued on a time apportion basis on the principal outstanding and at the rates applicable.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

Unrealised gains / (losses) arising on revaluation of securities classified as 'at fair value through profit or loss ' are included in profit and loss account in the period in which they arise.

Dividend income is recognised when the right to receive dividend is established.

3.14 Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.15 Impairment losses

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets other than inventories and deferred tax assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.16 Off-setting of financial assets and financial liability

Financial assets and financial liabilities are set off and the net amount is reported in the balance sheet when there is a legally enforceable right to set off and the Group intends to either settle on a net basis, or to realise the assets and settle the liability simultaneously.

3.17 Policy for dividend and appropriations

Dividends and appropriations to reserves are recognised in the period in which these are approved. The distribution of dividend is subject to the covenant as mentioned in note 19.1

		30 June 2015	30 June 2014
4. PROPERTY, PLANT AND EQUIPMENT		**(Rupees)**	
Operating fixed assets	*4.1*	**417,921,741**	424,751,008
Capital work-in-progress	*4.2*	**35,404,721**	18,352,039
		453,326,462	443,103,047

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4.1 Operating fixed assets

	Freehold land (note 4.1.1)	Leasehold land (note 21.1.1)	Building on leasehold land	Plant and machinery	Tools and equipment	Furniture, fixtures and office equipments	Vehicles	Total
	(Rupees)							
Net carrying value as at								
Balance as at 01 July 2014 (NBV)	25,080,000	19,703,315	107,164,185	185,814,796	45,282,542	12,160,796	29,545,374	424,751,008
Additions	-	-	1,330,200	18,352,735	5,486,054	4,529,404	27,153,359	56,851,752
Disposals (at NBV)	-	-	-	(2,295,441)	-	(94,524)	(5,648,740)	(8,038,705)
Depreciation charge	-	-	(5,633,029)	(20,820,130)	(16,719,362)	(3,235,637)	(9,234,156)	(55,642,314)
Balance as at 30 June 2015 (NBV)	25,080,000	19,703,315	102,861,356	181,051,960	34,049,234	13,360,039	41,815,837	417,921,741
Gross carrying value as at 30 June 2015								
Cost	25,080,000	19,703,315	160,452,986	394,369,999	136,587,837	33,233,660	68,139,782	837,567,579
Accumulated depreciation	-	-	(57,591,630)	(213,318,039)	(102,538,603)	(19,873,621)	(26,323,945)	(419,645,838)
Net book value	25,080,000	19,703,315	102,861,356	181,051,960	34,049,234	13,360,039	41,815,837	417,921,741
Net carrying value as at								
Balance as at 01 July 2013 (NBV)	25,080,000	19,703,315	109,673,802	189,901,251	36,606,820	10,813,496	29,628,311	421,406,995
Additions	-	-	3,310,476	16,543,068	23,090,794	3,789,964	8,379,440	55,113,742
Disposals (at NBV)	-	-		(114,268)	-	-	(1,552,057)	(1,666,325)
Depreciation charge	-	-	(5,820,093)	(20,515,255)	(14,415,072)	(2,442,664)	(6,910,320)	(50,103,404)
Balance as at 30 June 2014 (NBV)	25,080,000	19,703,315	107,164,185	185,814,796	45,282,542	12,160,796	29,545,374	424,751,008
Gross carrying value as at 30 June 2014								
Cost	25,080,000	19,703,315	163,621,388	392,053,152	160,288,642	31,252,472	68,189,097	860,188,066
Accumulated depreciation	-	-	(56,457,203)	(206,238,356)	(115,006,100)	(19,091,676)	(38,643,723)	(435,437,058)
Net book value	25,080,000	19,703,315	107,164,185	185,814,796	45,282,542	12,160,796	29,545,374	424,751,008
Depreciation rate % per annum	-	-	5	10 - 20	10 - 35	10 - 30	20	

4.1.1 This represents a plot in Lahore of Rs.25.08 million (30 June 2014: Rs. 25.08 million) held by the Group for the expansion of business in future. Currently this plot of land is not being used.

4.1.2 Depreciation has been allocated as follows:

		30 June 2015	30 June 2014
		(Rupees)	
Cost of sales	23	49,292,536	45,114,178
Administrative and selling expenses	24	6,349,778	4,989,226
		55,642,314	50,103,404

4.2 Capital-work-in-progress

Dies, jigs and fixtures	14,588,334	6,173,340
Advance for dies related components	13,500,095	6,918,055
Advance for furniture, fixtures and office equipment	2,115,495	4,314,496
Machinery and equipment	4,631,989	751,907
Building and construction work	568,808	194,241
	35,404,721	18,352,039

5. INTANGIBLE ASSETS

30 June 2015

	Cost: As at 1 July 2014	Cost: Addition / (disposal)	Cost: As at 30 June 2015	Amortisation: As at 1 July 2014	Amortisation: For the year	Amortisation: As at 30 June 2015	Written down value as on 30 June 2015	Rate %
	(Rupees)							
Computer software and licenses	13,590,007	147,500	13,737,507	12,111,006	1,626,501	13,737,507	-	33.33%

30 June 2014

	Cost: As at 1 July 2013	Cost: Addition / (disposal)	Cost: As at 30 June 2014	Amortisation: As at 1 July 2013	Amortisation: For the year	Amortisation: As at 30 June 2014	Written down value as on 30 June 2014	Rate %
	(Rupees)							
Computer software and licenses	13,155,079	434,928	13,590,007	8,189,685	3,921,321	12,111,006	1,479,001	33.33%

6. LONG TERM INVESTMENTS

Investments in equity accounted undertakings

The following associate, over which the Parent Company has significant influence due to common directorship, is accounted for using equity method of accounting as defined in IAS-28 "Investment in Associates".

30 June 2015	30 June 2014		30 June 2015	30 June 2014
(Number of shares)		Quoted	(Rupees)	
7,492,475	3,268,820	Treet Corporation Limited (Chief Executive Officer - Syed Shahid Ali)	368,544,268	164,159,539

The above figures are based on un-audited consolidated financial statements of Treet Corporation Limited for the year ended 30 June 2015.

6.1 Movement

	2015	2014
Cost of investment	98,513,245	58,160,905
Share of net profit since acquisition date	69,211,289	61,991,505
Share of other comprehensive income since acquisition date	(3,564,995)	(1,717,098)
Balance at beginning of the year	164,159,539	118,435,312
Subscription of right shares	254,774,250	32,772,000
Conversion from participation term certificate into ordinary shares	7,580,340	7,580,340
Shares sold during the year	(61,462,566)	-
Share of profit for the year	10,784,220	12,681,784
Share of other comprehensive income for the year		
- fair value reserve	-	(110,784)
- remeasurement of defined benefit liability	(753,875)	(1,737,113)
Less: dividends received during the year	(6,537,640)	(5,462,000)
Balance at end of the year	368,544,268	164,159,539
Equity held at end of the year	5.56%	6.41%

6.2 Market value of investments in associated company is as follows:

Quoted		
Treet Corporation Limited	540,582,071	374,835,589

Holding in associate as at 30 June 2015 is 5.56% (2014: 6.41%).

6.3 Summarised financial information based on un-audited consolidated financial statements of associated company is as follows:

Name of investee company	Total assets	Total liabilities	Revenues	Profit
	(Rupees in '000)			
30 June 2015				
Treet Corporation Limited	10,906,591	4,008,429	7,020,891	166,412

7. LONG TERM DEPOSITS

This represents security deposit placed with K-Electric Limited, Pakistan Steel Mills Corporation (Private) Limited, Pakistan Steel Hospital and Soneri Bank against the supply of electricity, water, medical services and deposit for supply of gas to the Group.

8. STOCK-IN-TRADE

		30 June 2015	30 June 2014
		(Rupees)	
Raw material and components	*8.1*	**782,578,700**	539,540,826
Work-in-process		**68,169,176**	114,153,747
Finished goods		**90,102,753**	20,934,818
		940,850,629	674,629,391
Provision against slow moving and obsolescence		**(696,227)**	(696,227)
		940,154,402	673,933,164

8.1 This includes raw material in-transit as at 30 June 2015 of Rs. 144.5 million (30 June 2014: Rs.61.7 million).

9. TRADE DEBTS - net and unsecured

Considered good		**226,898,911**	122,990,039
Considered bad and doubtful		**34,308,278**	29,582,934
		261,207,189	152,572,973
Bad debts written off directly to profit and loss account		**(4,088,687)**	-
Provision for doubtful debts	*9.1*	**(30,219,591)**	(29,582,934)
		226,898,911	122,990,039

9.1 Provision against impaired debts

Opening Balance	**29,582,934**	29,582,934
Charge for the year	**636,657**	-
Balance as at year ended	**30,219,591**	29,582,934

10. LOANS AND ADVANCES

Loans to employees - considered good	*10.1*	**3,988,036**	3,268,145
Loans to workers - considered good	*10.2*	**5,752,624**	4,767,855
Advance to suppliers		**48,412,342**	12,861,709
Advance bonus to employees		**29,466,416**	-
		87,619,418	20,897,709

10.1 These loans carry mark-up @ 10% per annum (30 June 2014: 10% per annum) having maturity of 12 to 24 months and are secured against personal guarantees of other employees.

10.2 These represents loans given to workers for personal expenses and are repayable in 12 equal monthly installments. These loans carry mark-up @ 10% per annum (30 June 2014: 10%).

			30 June 2015	30 June 2014
11.	**SHORT TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**		(Rupees)	
	Trade and other deposits		4,889,888	3,355,000
	Receivable against sale of investment		30,424,559	
	Prepayments		875,577	2,107,505
	Receivable from gratuity fund		6,341,922	11,886,312
	Receivable from provident fund	*11.1*	16,042,778	-
	Unclaimed input sales tax		114,879,602	51,485,809
	Other receivables		15,091,852	3,828,234
			188,546,178	72,662,860

11.1 This represents amount paid by the Parent Company in respect of outgoing members of the fund.

12. ADVANCE TAX - net

	30 June 2015	30 June 2014
Opening refundable - net	135,296,948	94,659,272
Advance tax paid during the year	128,400,397	74,920,950
Refunds / adjusted during the year	(38,978,863)	-
Provision for taxation	(62,365,734)	(34,283,274)
	27,055,800	40,637,676
Closing refundable - net	162,352,748	135,296,948

13. INVESTMENTS

		30 June 2015	30 June 2014
At fair value through profit or loss	*13.1*	116,632,605	108,542,939
Available-for-sale	*13.2*	33,567,952	30,872,088
		150,200,557	139,415,027

13.1 At fair value through profit or loss

The Parent Company holds investment in ordinary shares / participation term certificates of Rs. 10 each, in the following listed investee companies except for stated otherwise:

30 June 2015	30 June 2014	Name of investee company	Cost 30 June 2015	Cost 30 June 2014	Market value 30 June 2015	Market value 30 June 2014
(Number of shares / certificates)		Ordinary shares - Quoted	(Rupees)		(Rupees)	
1	1	Agriautos Industries Limited	23	23	186	100
1	1	Al-Ghazi Tractors Limited *	202	202	489	264
1	1	Atlas Engineering Limited (note 13.1.2)	15	15	-	30
1	1	Atlas Battery Limited	119	119	704	450
1	1	Atlas Honda Limited	126	126	335	230
230	230	Baluchistan Wheels Limited	5,660	5,660	13,375	9,775
1	1	The General Tyre & Rubber Company of Pakistan Limited	52	52	146	81
315	315	Ghandhara Nissan Limited	3,264	3,264	31,151	12,669
150	150	Hino Pak Motors Limited	16,950	16,950	125,489	67,307
1	1	Honda Atlas Cars (Pakistan) Limited	105	105	219	93
1	1	Thal Limited	78	78	285	207
200	200	Indus Motor Company Limited	15,620	15,620	249,800	107,584
272	272	Millat Tractors Limited	9,300	9,300	186,542	135,734
63	63	Oil & Gas Development Company Ltd	2,017	2,017	11,293	16,461
127	127	Pak Suzuki Motor Company Limited	11,052	11,052	55,361	34,784
		Participation term certificate - Quoted				
1,831,000	1,831,000	Treet Corporation Limited **(note 13.1.3)	54,930,000	54,930,000	115,957,230	108,157,170
			54,994,583	54,994,583	116,632,605	108,542,939

* It has face value of Rs. 5 per share.

** It has face value of Rs. 30 per certificate

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13.1.1 Net unrealized gain on remeasurement of investments at fair value through profit and loss

	30 June 2015	30 June 2014
	(Rupees)	
Market value of investments	**116,632,605**	108,542,939
Less : Carrying value of investments	**(100,687,950)**	(74,890,014)
	15,944,655	33,652,925

13.1.2 These represent investment in shares which have been delisted and fully written off during the current year.

13.1.3 These are mandatorily convertible into ordinary shares of Treet Corporation Limited at the ratio of 2 PTCs into 1 ordinary share in a period of 7 years. Principal amount of PTC will be reduced through redemption (in cash and through share conversion). The principal redemption through cash is Rs. 0.15 per PTC per annum from year 2013 to year 2019 and principal redemption through share conversion is 0.07 share per PTC per annum from year 2013 to year 2018 and 0.08 for the year 2019. During the year, principal redeemed in cash amounted to Rs. 0.27 million and principal redeemed through share conversion amounted to Rs. 7.58 million respectively.

13.2 Available-for-sale

The Parent Company holds investment in ordinary shares of Rs. 10 each, in the following listed investee companies:

30 June 2015	30 June 2014	Name of investee company	Cost		Market value	
			30 June 2015	30 June 2014	30 June 2015	30 June 2014
(Number of shares)		Ordinary shares - Quoted	(Rupees)		(Rupees)	
182,000	182,000	Tri-Pack Films Limited	**10,515,113**	10,515,113	**33,557,160**	30,856,280
152	152	ZIL Limited	**5,330**	5,330	**10,792**	15,808
			10,520,443	10,520,443	**33,567,952**	30,872,088

13.2.1 Net unrealized gain / (loss) on remeasurement of investments at available-for-sale

	30 June 2015	30 June 2014
	(Rupees)	
Market value of investments	**33,567,952**	30,872,088
Less : Carrying value of investments	**(30,872,088)**	(36,778,062)
	2,695,864	(5,905,974)

13.2.2 The above investments having an aggregate market value of Rs.33.6 million (30 June 2014: Rs.30.9 million) have been pledged with financial institutions as securities against borrowing facilities.

14. CASH AND BANK BALANCES

	Note	30 June 2015	30 June 2014
Cash in hand		**1,991,325**	2,183,452
Cash at bank - profit and loss accounts	*14.1*	**14,415,662**	1,819,096
Cash at bank - current accounts		**47,518,490**	36,900,503
		63,925,477	40,903,051

14.1 It carries mark-up at the rate of 5.5% (30 June 2014: 7.5%) per annum.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

30 June 2015	30 June 2014			
(Number of shares)				
3,770,000	3,770,000	Ordinary shares of Rs. 10 each fully paid in cash	**37,700,000**	37,700,000
71,230,000	2,230,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**712,300,000**	22,300,000
75,000,000	6,000,000		**750,000,000**	60,000,000

15.1 As of 30 June 2015, Escanaba Limited holds 31,770,500 number of ordinary shares (30 June 2014: 2,541,640) comprising 42.36% (30 June 2014: 42.36%).

15.2 As of 30 June 2015, Treet Corporation Limited (associate company) holds 15,615,750 number of ordinary shares (30 June 2014: 1,249,260) comprising 20.82% (30 June 2014: 20.82%).

15.3 The Board of Directors and shareholders of the Parent Company in their meeting held on 13 February 2015 and 9 March 2015 respectively, have approved the increase in authorized capital to Rs. 1,500 million from existing Rs. 100 million. All the formalities to increase in authorized share capital have been completed.

17.2 Movement in deferred tax liability is as follows:

	Balance at 1 July 2013	Recognized in profit and loss	Balance at 30 June 2014	Recognized in profit and loss	Recognized in other comprehensive income	Balance at 30 June 2015
	(Rupees)					
Taxable temporary differences arising in respect of:						
- Accelerated tax depreciation	69,099,948	(2,423,453)	66,676,495	(12,421,285)	-	54,255,210
- Finance lease arrangements	2,729,263	2,388,688	5,117,951	3,414,038	-	8,531,989
- Provision for unrealised gain on re-measurement of investments at fair value through profit or loss	-	-	-	18,918,441	-	18,918,441
- Share of profit from associated company	-	-	-	6,535,587	-	6,535,587
Deductible temporary differences arising in respect of:						
- Provision against slow-moving stock-in-trade	(243,679)	-	(243,679)	27,849	-	(215,830)
- Provision against loan and interest receivable	(751,975)	751,975	-	-	-	-
- Provision against compensated absences	(1,247,620)	(478,117)	(1,725,737)	(390,290)	-	(2,116,027)
- Provision for bad debts	(141,962)	-	(141,962)	16,224	-	(125,738)
- Remeasurement of defined benefit liability	-	-	-	-	(1,385,836)	(1,385,836)
- Carried forward tax losses	(35,778,872)	5,879,033	(29,899,839)	29,899,839	-	-
	33,665,103	6,118,126	39,783,229	46,000,403	(1,385,836)	84,397,796

18. STAFF RETIREMENT BENEFITS

The Parent Company operates an approved funded gratuity scheme for all its employees. The benefits is equal to one month's last drawn basic salary for each year of eligible services or part thereof subject to a minimum 10 years of service. The latest actuarial valuation was carried out as of 30 June 2015 for both executive and non-executive employees using "Projected Unit Credit Method". The main assumptions used for actuarial valuation and information provided has been obtained from the actuarial valuation report which are as follows:

18.1 Actuarial assumptions

- Discount rate used for year end obligation is 9.75% per annum (30 June 2014: 13.25% per annum).
- Discount rate used for interest cost in profit and loss account is 13.25% per annum (30 June 2014: 10.5% per annum).
- Expected rate of increase in salary level at 8.75% per annum (30 June 2014: 12.25% per annum).
- Mortality rate used is SLIC 2001 - 2005 (30 June 2014: SLIC 2001 - 2005).

18.2 Amount recognised in the balance sheet

	30 June 2015			30 June 2014		
	Executives	Non-Executives	Total	Executives	Non-Executives	Total
	(Rupees)					
Present value of defined benefit obligations	22,286,372	11,251,358	33,537,730	21,086,636	10,387,724	31,474,360
Fair value of plan assets	(28,171,187)	(11,708,465)	(39,879,652)	(28,034,543)	(15,326,129)	(43,360,672)
Net asset at end of the year	(5,884,815)	(457,107)	(6,341,922)	(6,947,907)	(4,938,405)	(11,886,312)

18.2.1 Movement in present value of defined benefit obligation

	Executives	Non-Executives	Total	Executives	Non-Executives	Total
Balance as at 1 July	21,086,636	10,387,724	31,474,360	18,534,889	8,617,207	27,152,096
Current service cost	1,452,588	454,724	1,907,312	1,300,904	382,681	1,683,585
Interest cost	2,642,280	1,343,682	3,985,962	1,933,038	892,977	2,826,015
Benefits paid by the plan	(2,289,800)	(493,454)	(2,783,254)	(250,000)	(225,323)	(475,323)
Remeasurement (gain) / loss on obligation	(605,332)	(441,318)	(1,046,650)	(432,195)	720,182	287,987
Closing Balance	22,286,372	11,251,358	33,537,730	21,086,636	10,387,724	31,474,360

18.2.2 Movement in the fair value of plan assets

	Executives	Non-Executives	Total	Executives	Non-Executives	Total
Balance as at 1 July	28,034,543	15,326,129	43,360,672	26,558,708	11,442,988	38,001,696
Interest income	3,622,834	1,891,988	5,514,822	2,698,364	1,181,809	3,880,173
Contribution paid / (received) into / (from) the plan	905,000	(1,600,500)	(695,500)	(1,470,000)	(150,000)	(1,620,000)
Benefits paid by the plan	(2,289,800)	(493,454)	(2,783,254)	(250,000)	(225,323)	(475,323)
Remeasurement (loss) / gain on plan assets	(2,101,390)	(3,415,698)	(5,517,088)	497,471	3,076,655	3,574,126
Closing Balance	28,171,187	11,708,465	39,879,652	28,034,543	15,326,129	43,360,672

18.2.3 Amounts recognised in the profit and loss account

	For the year ended 30 June 2015			For the year ended 30 June 2014		
	(Rupees)					
Current service cost	1,452,588	454,724	1,907,312	1,300,904	382,681	1,683,585
Interest cost	2,642,280	1,343,682	3,985,962	1,933,038	892,977	2,826,015
Interest income	(3,622,834)	(1,891,988)	(5,514,822)	(2,698,364)	(1,181,809)	(3,880,173)
Expense / (income) for the year	472,034	(93,582)	378,452	535,578	93,849	629,427

18.2.4 **Amounts recognised in other comprehensive income**

	For the year ended 30 June 2015			For the year ended 30 June 2014		
	Executives	Non-Executives	Total	Executives	Non-Executives	Total
	(Rupees)					
Remeasurement (gain) / loss on obligation	(605,332)	(441,318)	(1,046,650)	(432,195)	720,182	287,987
Remeasurement of fair value of plan assets	2,101,390	3,415,698	5,517,088	(497,471)	(3,076,655)	(3,574,126)
Remeasurement loss / (gain) for the year	1,496,058	2,974,380	4,470,438	(929,666)	(2,356,473)	(3,286,139)

18.2.4.1 **Amounts recognised in the other comprehensive income - including share of associate's other comprehensive income**

		For the year ended 30 June 2015	For the year ended 30 June 2014
		(Rupees)	
Remeasurement loss / (gain) for the year	*18.2.4*	4,470,438	(3,286,139)
Share of loss in associate's defined benefit plan recognised in other comprehensive income	*6.1*	753,875	1,737,113
		5,224,313	(1,549,026)

18.2.4.2 **Remeasurement loss / (gain) on obligation**

	For the year ended 30 June 2015			For the year ended 30 June 2014		
	Executives	Non-Executives	Total	Executives	Non-Executives	Total
	(Rupees)					
Gain due to change in financial assumptions	-	-	-	(67,742)	(42,574)	(110,316)
(Gain) / loss due to change in experience adjustments	(605,332)	(441,318)	(1,046,650)	(364,453)	762,756	398,303
	(605,332)	(441,318)	(1,046,650)	(432,195)	720,182	287,987

18.2.4.3 **Remeasurement of fair value of plan assets - Net (expense) / income of plan assets over interest income**

	Executives	Non-Executives	Total	Executives	Non-Executives	Total
Actual return on plan assets	1,521,444	(1,523,710)	(2,266)	3,195,835	4,258,464	7,454,299
Interest income on plan assets	(3,622,834)	(1,891,988)	(5,514,822)	(2,698,364)	(1,181,809)	(3,880,173)
	(2,101,390)	(3,415,698)	(5,517,088)	497,471	3,076,655	3,574,126

18.2.5 **Net recognized asset**

	30 June 2015			30 June 2014		
	Executives	Non-Executives	Total	Executives	Non-Executives	Total
	(Rupees)					
Net asset at beginning of the year	(6,947,907)	(4,938,405)	(11,886,312)	(8,023,819)	(2,825,781)	(10,849,600)
Expense / (income) recognised in profit and loss account	472,034	(93,582)	378,452	535,578	93,849	629,427
Contribution (paid) / received (into) / from the plan	(905,000)	1,600,500	695,500	1,470,000	150,000	1,620,000
Remeasurement losses / (gains) recognised in other comprehensive income	1,496,058	2,974,380	4,470,438	(929,666)	(2,356,473)	(3,286,139)
Net asset at end of the year	(5,884,815)	(457,107)	(6,341,922)	(6,947,907)	(4,938,405)	(11,886,312)

18.3 Plan asset comprise of the following:

	30 June 2015		30 June 2014	
	Executives	Non-Executives	Executives	Non-Executives
	(Rupees)			
Government bonds	(28,128,584)	(11,149,968)	(27,529,921)	(14,191,995)
Term deposit receipts	(42,603)	(104,477)	(504,622)	(1,284,330)
Equity shares	-	(454,020)	-	-
Fair value of plan assets at end of the year	(28,171,187)	(11,708,465)	(28,034,543)	(15,476,325)

18.4 **Sensitivity analysis for actuarial assumptions**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

	30 June 2015 (Rupees)	
	Executives	Non-Executives
Discount rate +100 bps	21,082,304	10,471,435
Discount rate -100 bps	23,655,140	12,117,705
Salary increase +100 bps	23,669,595	12,126,604
Salary increase -100 bps	21,048,464	10,449,603

Expected charge for the year ending 30 June 2016 is Rs. 1,136,095.

Kamran

19. SHORT TERM BORROWINGS - Secured, from banking companies

		30 June 2015	30 June 2014
		(Rupees)	
Running finances under mark-up arrangements	*19.1*	**823,016,962**	319,568,350
Demand finances / import loans	*19.2*	**-**	132,083,393
Islamic Financing	*19.3*	**156,428,900**	-
		979,445,862	451,651,743

19.1 The rates of mark-up applicable on running finance are based on 1 month KIBOR plus 1.75% to 6 month KIBOR plus 0.85% per annum (30 June 2014: 1 month KIBOR plus 2% to 3 month KIBOR plus 0.85% per annum). The bank has imposed a condition that prior NOC should be obtained or bank dues should be cleared before declaring any dividend.

19.2 The facilities for demand finance and import loans under mark-up arrangements with various banks amounted to Rs. 450 million (30 June 2014: Rs. 450 million). All the import loans / demand finances were repaid during the year. The whole amount of Rs. 450 million (30 June 2014: Rs. 317.66 million) remained unutilised as at the year end.

The facilities for opening the letters of credit and guarantees as at 30 June 2015 amounted to Rs. 1,200 million (30 June 2014: Rs. 1,203 million) of which the amount remaining unutilised at the year end was Rs. 1,038 million (30 June 2014: Rs. 445 million).

The demand finance loans carry mark-up at the rate of 1 month KIBOR plus 1% per annum (30 June 2014: 1 month KIBOR plus 1% per annum). The loans are repayable within 180 days of the disbursement date.

The foreign currency import loans carry mark-up at rates ranging from 3 month LIBOR plus 3% per annum to 4 month LIBOR plus 4% per annum (30 June 2014: 3 month LIBOR plus 3% per annum to 4 month LIBOR plus 2.25% per annum). The loans are repayable within 120 to 180 days of the disbursement date.

The local currency import loans carry mark-up at rates ranging from 3 months KIBOR plus 1.25% to 1.5% per annum (30 June 2014: 3 months KIBOR plus 1.25% to 1.5% per annum). The loans are repayable within 120 to 180 days of the disbursement date.

19.3 During the year, the Parent Company availed Islamic finance (Murabaha and Istisna facility) from a scheduled bank having limits of Rs. 75 million and 150 million respectively for procurement of raw materials and manufacturing of mufflers, radiators and exhaust system. These facilities carry mark-up at 6 month KIBOR + 0.8% per annum (30 June 2014: NIL) and is repayable within 120 days of the disbursement date.

19.4 The above facilities are secured by way of first pari pasu charge over stocks, book debts and plant, machinery, land and building and also by way of pledge of shares having an aggregate market value of Rs. 33.6 million.

20. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

		30 June 2015	30 June 2014
		(Rupees)	
Trade creditors		**40,107,872**	31,054,366
Accrued liabilities		**9,243,399**	7,852,167
Accrued mark-up on short term borrowing		**17,215,741**	8,723,501
Security deposit from contractors		**305,000**	301,500
Sales tax payable		**627,572**	1,601,147
Workers' Profit Participation Fund	*20.1*	**20,876,909**	11,071,435
Workers' Welfare Fund		**8,244,071**	4,031,220
Advance from customer		**50,945,068**	28,467,491
Provision for compensated absences		**6,825,895**	4,930,678
Withholding sales tax payable	*20.2*	**926,067**	-
Payable to staff provident fund		**1,320,742**	423,369
Other payables		**4,513,086**	9,012,282
		161,151,422	107,469,156

			30 June 2015	30 June 2014
20.1	**Workers' Profit Participation Fund**		**(Rupees)**	
	Balance at beginning of the year		**11,071,435**	12,593,005
	Allocation for the year	*27*	**17,497,769**	8,407,463
	Interest charged during the year	*26*	**1,208,652**	1,033,800
			29,777,856	22,034,268
	Payments during the year		**(8,900,947)**	(10,962,833)
	Balance at end of the year		**20,876,909**	11,071,435

20.2 This represent sales tax withheld by subsidiary company, SMPL for the month of June 2015 which was deposited into the government treasury subsequent to year end.

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 A lawsuit has been filed against the subsidiary company, SAIL, by Pakistan Steel Mills Corporation (Private) Limited (PASMIC) claiming possession of the leasehold land of SAIL on the grounds that No Objection Certificate was not obtained from PASMIC when SAIL purchased the suit property in court auction. However, SAIL's lawyer is of the view that no condition about specific use was imposed upon SAIL when it purchased the suit property in court auction. Further, SAIL is manufacturing autoparts for the last eight years which is in the knowledge of PASMIC. Furthermore, the action of PASMIC is unjustifiable and also contrary to law in as much as no show cause notice was given to SAIL.

The Honourable Court has restrained PASMIC from dispossessing SAIL from the suit property. SAIL based on lawyer's advice is confident of a favourable outcome.

21.1.2 During the year ended 30 June 2015, the subsidiary company, SMPL, received show cause notice dated 20 March 2015 under section 21(2) of the Sales Tax Act, 1990 from Federal board of Revenue (FBR) for non-filing of sales tax returns for six consecutive months. SMPL replied for the aforesaid notice that it is in the process of changing sales tax status from manufacturer to distributor and has filed application for change in particulars/status several times but applications were rejected owing to delay in filing of requisite documents. Finally, the application filed on 10 March 2015 was acknowledged by FBR and forwarded for verification and subsequently no further order is received from tax authorities. The management of SMPL is confident that no liability arises in respect of non-filing of sales tax return and therefore, no provision is required to be made in these consolidated financial statements.

21.1.3 Guarantees provided by the banks amounted to Rs. 0.64 million (30 June 2014: Rs. 0.45 million) to Sui Southern Gas Company Limited in favour of the Company.

21.2 Commitments

Commitments in respect of letters of credit amounted to Rs. 161.2 million (30 June 2014: Rs. 187.67 million).

			30 June 2015	30 June 2014
22.	**TURNOVER**		**(Rupees)**	
	Local sales		**3,879,582,411**	2,759,780,259
	Sales return		**(18,044,816)**	(10,379,705)
			3,861,537,595	2,749,400,554
	Sales tax	*22.1*	**(528,965,523)**	(397,034,772)
			3,332,572,072	2,352,365,782

22.1 Subject to SRO 896(I) /2013 dated 4 October 2013, in exercise of the powers conferred by Section 71 of the Sales Tax Act, 1990 read with Section 8(1), the Federal Government has made certain amendments in Chapter XIII, Rule 58S of the Sales Tax Special Procedure Rules, 2007. The amendments include extra tax @ 2% on value of supplies of certain goods including auto-parts and accessories and disallowance of total input tax on purchases of afore-mentioned goods. From 1st July 2014, the subsidiary company, SMPL is paying extra tax @ 2% on purchase of auto parts and issuing sales tax exempt invoices to its customers, therefore no sales tax liability has been recorded by SMPL for the current year.

23. COST OF SALES

		30 June 2015	30 June 2014
		(Rupees)	
Raw materials and components consumed	*23.1*	**2,362,785,640**	1,475,037,599
Ancillary materials consumed	*23.2*	**95,112,686**	110,878,748
Manufacturing and assembling expenses			
- Salaries and wages		**182,883,171**	160,835,406
- Other employees' benefits		**60,640,375**	43,480,925
- Provident fund contribution		**1,978,939**	1,831,254
- Gas, power and water		**39,293,377**	27,129,897
- Rent, rates and taxes		**921,405**	1,346,901
- Insurance		**3,750,470**	3,430,394
- Depreciation	*4.1.2*	**49,292,536**	45,114,178
- Repairs and maintenance		**14,107,098**	12,319,694
- Postage, telephone and telex		**1,660,021**	983,769
- Travelling and vehicle running cost		**10,156,538**	22,446,749
- Inward freight and storage charges		**1,908,488**	1,448,942
- Conveyance		**13,584,881**	1,136,221
- Printing, stationery and periodicals		**1,067,688**	607,730
- Subcontracting costs		**29,402,594**	42,652,084
- General expenses		**1,609,694**	1,253,135
- Security services		**187,526**	198,878
- Others		**109,584**	-
		412,554,385	366,216,157
Transferred to CWIP		**(9,187,253)**	(6,312,100)
Manufacturing cost		**2,861,265,458**	1,945,820,404
Opening stock of work-in-process		**114,153,747**	196,999,052
Closing stock of work-in-process		**(68,169,176)**	(114,153,747)
		45,984,571	82,845,305
Cost of goods manufactured and assembled		**2,907,250,029**	2,028,665,709
Opening stock of finished goods		**20,934,818**	36,227,922
Closing stock of finished goods		**(90,102,753)**	(20,934,818)
		(69,167,935)	15,293,104
		2,838,082,094	2,043,958,813

23.1 Raw material and components consumed

Opening inventory	**539,540,826**	439,484,867
Purchases during the year	**2,605,823,514**	1,575,093,558
	3,145,364,340	2,014,578,425
Closing inventory	**(782,578,700)**	(539,540,826)
	2,362,785,640	1,475,037,599

			30 June 2015	30 June 2014
23.2	**Ancillary materials consumed**		**(Rupees)**	
	Opening inventory		**35,018,753**	24,803,448
	Purchases during the year		**111,067,696**	123,057,611
			146,086,449	147,861,059
	Capitalised during the year		**(4,246,395)**	(1,963,558)
			141,840,054	145,897,501
	Closing inventory		**(46,727,368)**	(35,018,753)
			95,112,686	110,878,748

24. ADMINISTRATIVE AND SELLING EXPENSES

Salaries and wages		**61,814,458**	59,400,437
Other employees' benefits		**22,009,585**	14,932,500
Provident fund contribution		**1,268,062**	1,158,224
Electricity		**711,072**	1,449,296
Repairs and maintenance		**253,684**	303,279
Postage, telephone and telex		**1,825,290**	1,528,482
Travelling and vehicle running cost		**7,073,186**	8,070,782
Conveyance		**1,291,480**	1,197,485
Entertainment		**244,755**	187,510
Printing, stationery and periodicals		**351,867**	664,837
Depreciation	*4.1.2*	**6,349,778**	4,989,226
Amortisation	*5*	**1,626,501**	3,921,321
Security charges		**-**	286,215
Rent, rates and taxes		**81,051**	158,400
Legal and professional charges		**11,616,568**	3,124,531
Outward freight		**7,279,848**	8,568,200
Bad debts written off		**5,869,165**	-
Provision against impaired debts	*9.1*	**636,657**	-
Advertising and sales promotion		**1,283,855**	505,942
Auditors' remuneration	*24.1*	**602,650**	601,630
Insurance		**508,756**	311,708
Donation		**-**	141,000
Commission		**924,185**	-
General expenses		**658,635**	1,561,035
		134,281,088	113,062,040

24.1 Auditors' remuneration

Audit fee	**525,000**	525,000
Out of pocket expenses	**77,650**	76,630
	602,650	601,630

			30 June 2015	30 June 2014
25.	**OTHER INCOME**		**(Rupees)**	
	Income from financial assets			
	Interest income from participation term certificate		**12,395,870**	12,267,468
	Unrealised gain on re-measurement of investments at fair value through profit or loss	*13.1.1*	**15,944,655**	33,652,925
	Capital gain on sale of investment in associate		**12,706,870**	-
	Dividend Income		**33,078**	-
	Income from assets other than financial assets			
	Gain on sale of property, plant and equipment		**2,901,449**	2,727,837
	Interest on loan to employees		**1,180,865**	546,600
	Profit on bank deposit		**477,076**	623,004
	Miscellaneous income		**16,710,630**	2,517,478
			21,270,020	6,414,919
			62,350,493	52,335,312

26.	**FINANCE COSTS**			
	Mark-up on bank loan and borrowings		**74,027,365**	53,407,217
	Exchange loss		**3,362,320**	9,553,079
	Finance lease charges		**4,915,392**	4,023,431
	Interest on Workers' Profit Participation Fund		**1,208,652**	1,033,800
	Interest / penalty on late payment of Provident Fund	*26.1*	**158,574**	-
	Commission and other charges		**1,852,692**	2,985,002
			85,524,995	71,002,529

26.1 This represents interest for delay in depositing the contribution in a special account of a scheduled bank within the stipulated time period of 15 days.

27.	**OTHER CHARGES**			
	Workers' Profits Participation Fund		**17,497,769**	8,407,463
	Workers' Welfare Fund		**7,917,479**	3,705,167
			25,415,248	12,112,630

28. TAXATION

28.1 Details of tax charge:

Current			
- for the year		**60,210,999**	34,283,274
- for prior years		**5,138,561**	1,936,950
Deferred	*28.4*	**46,000,403**	6,118,126
		111,349,963	42,338,350

28.2 Reconciliation between income tax expense and accounting profit

	30 June 2015	30 June 2014
	(Rupees)	
Profit before taxation	**322,403,360**	177,246,866
Tax at the applicable rate of 33% (30 June 2014: 34%)	**106,393,109**	58,491,466
Tax effect of change in tax rates	**(7,514,423)**	349,607
Tax effect of prior years	**5,138,561**	1,936,950
Tax effect of income taxed at lower rate	**(1,511,265)**	(4,254,990)
Tax effect of exempt income	**(4,193,267)**	-
Tax effect of unrealized gain on remeasurement of investment	**13,975,598**	(11,442,111)
Tax effect of share of profit from asssociate	**6,535,587**	-
Tax effect of credit under section 65A	**(1,001,204)**	(792,145)
Tax effect of minimum tax	**-**	3,454,115
Tax effect of provision against impaired debts	**210,097**	-
Tax effect of absorbed tax losses	**(6,583,408)**	(5,376,787)
Others	**(99,422)**	(27,755)
	111,349,963	42,338,350

28.3 The returns of income tax of the Parent Company and its subsidiaries have been filed up to and including tax year 2014 (corresponding to financial year ended upto 30 June 2014). These, except for those mentioned below, are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001.

The income tax return of the Parent Company for tax year 2011 was selected for audit by the Commissioner Inland Revenue under section 177 of the Income Tax Ordinance, 2001 ("the Ordinance"). The audit proceedings culminated in amended order under section 122(1)/(5) in which short credit of tax deducted and refund adjustment has been allowed, and for which rectification application under section 221 had been moved, which is not yet passed and therefore, the mistake is treated to have been rectified under section 221(3) of the Ordinance. Therefore, net demand of Rs. 1,287,177 is payable as against incorrect demand of Rs. 4,074,807 created in amended order. Accordingly as a matter of prudence the Parent Company had made a provision of above amount in these consolidated financial statements.

During the year, the Commissioner Inland Revenue, Large Taxpayer Unit, Karachi intimated the Parent Company vide letter dated 03 April 2015 that Tax year 2014 (corresponding to financial year 2014) has been selected for audit under section 177 of the Ordinance. However, no proceedings have yet been commenced.

In respect of tax year 2011 (corresponding to financial year ended 30 June 2011), the commissioner has issued an intimation letter to the subsidiary company, MAIL dated 25 July 2012 for audit u/s 177 of Income Tax Ordinance, 2001 but no audit proceeding has yet been commenced.

The commissioner conducted audit u/s 177 of the Ordinance in respect of Income Tax return filed for the tax year 2010 of MAIL (corresponding to financial year ended 30 June 2010) which culminated in amended Order u/s 122 (1)/(5) dated 29 June 2012 for a demand of Rs. 1,116,901. MAIL challenged the above amended order before the Commissioner Inland Revenue (Appeals -II) which was adjudicated by the Commissioner vide Appeal Order dated 31 January 2013 allowing relief to MAIL, whereby demand was fully vacated. However tax department has filed a second appeal before Appellate tribunal challenging above appeal order which is pending for hearing. The management of MAIL based on the advice of its tax consultants is confident that no provision in respect of these items is required to be made in these consolidated financial statements.

In respect of tax year 2011 (corresponding to financial year ended 30 June 2011) of subsidiary company, SAIL, the commissioner conducted audit u/s 177 of the Ordinance, which culminated in amended Order u/s 122 (1)/(5) dated 28 June 2012 for a demand of Rs. 1,344,073. SAIL has challenged the above amended order before the commissioner Inland Revenue (Appeals -II) which has been adjudicated by Commissioner vide Appeal Order dated 29 January 2013 allowing relief to the SAIL, whereby demand is fully vacated. However tax department has filed a second appeal before Appellate tribunal challenging above appeal order which is pending for hearing.

In respect of tax year 2014 (corresponding to financial year ended 30 June 2014), notices were issued during the year to the Parent and all subsidiary companies by tax authorities under Rule 44 (4) of the Income Tax Rules 2002 for filing reconciliation of expenses incurred (pertaining to sections 149 and 165 of the Ordinance) for the year 01 July 2013 to 30 June 2014. The replies to the aforesaid notices were filed by the subsidiary companies during the year and since then no further order is received from tax authorities.

28.4 In respect of subsidiary company, SMPL, the deferred tax asset of Rs. 9.54 million (30 June 2014: 17.195 million) arising on deductible temporary difference has not been recognised in these financial statements as the management of SMPL believes that sufficient future taxable profit may not be available in the short term against which assets can be utilised.

29. BASIC AND DILUTED EARNINGS PER SHARE

		30 June 2015	30 June 2014 *(Restated)*
Profit for the year	*Rupees*	**211,053,397**	134,908,516
Weighted average number of ordinary shares	*Number*	**75,000,000**	75,000,000
Basic and diluted earnings per share	*Rupees*	**2.81**	1.80

30. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies and other companies with common directorship, employees retirement benefit funds and key management personnel.

Transactions with related parties, other than remuneration to key management personnel under the terms of employment, and balances disclosed elsewhere in these consolidated financial statements are as follows:

	30 June 2015	30 June 2014
30.1 Transactions during the year		
Employee retirement benefits:		
- Expense for the year	**378,452**	629,427
- Contribution received during the year	**(695,500)**	(1,620,000)
Expenses pertaining to Orient Trading Company (Pvt.) Ltd net off payments	**50,340**	13,350

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30.2 Balances at the year end

	30 June 2015	30 June 2014
	(Rupees)	
Receivable / (payable) from provident fund	14,722,036	(423,369)
Receivable from gratuity fund	6,341,922	11,886,312
Orient Trading Company (Pvt.) Ltd	25,726	76,066
Tax receivable on bonus shares from Escanaba Limited	14,614,430	-
Tax receivable on bonus shares from directors	11,500	-

30.3 The remuneration to key management personnel is given in note 33 to these consolidated financial statements.

31. CASH GENERATED FROM OPERATIONS

		30 June 2015	30 June 2014
Profit before tax		322,403,360	177,246,866
Adjustment for non cash charges and other items			
Depreciation	*4.1.2*	55,642,314	50,103,404
Amortisation	*5*	1,626,501	3,921,321
Mark-up on borrowings	*26*	74,027,365	53,407,217
Finance lease charges	*26*	4,915,392	4,023,431
Capital gain on sale of investment in associate	*25*	(12,706,870)	-
Gain on disposal of property, plant and equipment	*25*	(2,901,449)	(2,727,837)
Gain on re-measurement of investment classified as at fair value through profit or loss	*13.1.1*	(15,944,655)	(33,652,925)
Share of profit in associate	*6.1*	(10,784,220)	(12,681,784)
Interest income from participation term certificate	*25*	(12,395,870)	(12,267,468)
Working capital changes	*31.1*	(527,069,998)	(62,888,822)
		(123,188,130)	164,483,403

31.1 Working capital changes

	30 June 2015	30 June 2014
(Increase) / decrease in current assets		
Stores and spares	(11,708,615)	(11,024,041)
Loose tools	-	808,736
Stock-in-trade	(266,221,238)	(1,917,550)
Trade debts	(108,634,216)	(10,778,268)
Loans and advances	(66,721,709)	60,528,802
Short term deposits, prepayments and other receivables	(118,974,246)	(31,103,297)
	(572,260,024)	6,514,382
Increase / (decrease) in current liabilities		
Creditors, accrued expenses and other liabilities	45,190,026	(66,579,620)
Mobilisation advances	-	(2,823,584)
	(527,069,998)	(62,888,822)

			30 June 2015	30 June 2014
31.2	**Cash and cash equivalents**		(Rupees)	
	Short term borrowings	*19*	(979,445,862)	(451,651,743)
	Cash and bank balances	*14*	63,925,477	40,903,051
			(915,520,385)	(410,748,692)

32. RISK MANAGEMENT

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies. The Group has exposure to the following risks:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

32.1 Credit risk

Credit risk is the risk that counter party to a financial instrument will fail to discharge its obligation or commitment that it has entered into with the Group, and cause the other party to incur financial loss without taking into account the fair value of any collateral.

Exposure to credit risk

Credit risk of the Group arises principally from trade debts, loans and advance, deposits, bank balances and other receivables.

The maximum exposure to credit risk at the reporting date was as follows:

	30 June 2015		30 June 2014	
	Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
	(Rupees)			
Trade debts - unsecured	226,898,911	226,898,911	122,990,039	122,990,039
Loans and advances	9,740,660	9,740,660	8,036,000	8,036,000
Deposits and other receivables	27,443,077	27,443,077	12,751,591	12,751,591
Bank balances	61,934,152	61,934,152	38,719,599	38,719,599
	326,016,800	326,016,800	182,497,229	182,497,229

Credit rating and collaterals

Balances with bank is only held with reputable banks having sound credit ratings. The credit quality of the Group's bank balances can be assessed with reference of external credit ratings as follows:

Bank	Rating Agency	Short term Rating	30 June 2015 (Rupees)	30 June 2015 Percentage
Bank Al-Habib Limited	PACRA	A1+	44,715,801	72.20%
National Bank of Pakistan	JCR-VIS	A1+	9,332,760	15.07%
Meezan Bank Limited	JCR-VIS	A1+	383,668	0.62%
Habib Bank Limited	JCR-VIS	A1+	10,000	0.02%
Habib Metropolitan Bank Limited	PACRA	A1+	3,636,560	5.87%
Soneri Bank Limited	PACRA	A1+	1,646,185	2.66%
Standard Chartered Bank Limited	PACRA	A1+	-	0.00%
Al-Baraka Bank	PACRA	A1	2,209,178	3.56%
			61,934,152	100.00%

Concentration of credit risk

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. The Group is not significantly exposed to concentration of credit risk. All of the Group's receivables are from distributors of automotive industries.

Impairment losses and past due balances

The aging of trade debtors at reporting date was as follows:

	30 June 2015		30 June 2014	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
1 to 30 days	213,435,011	-	96,157,911	-
31 to 60 days	4,156,972	-	23,615,350	-
Above 60 days	43,615,206	34,308,278	32,799,712	29,582,934
	261,207,189	34,308,278	152,572,973	29,582,934

Based on the past experience, consideration of financial position, past track records and recoveries, the Group believes that trade debts past due do not require any impairment except as provided in these consolidated financial statements.

32.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting financial obligations as they fall due. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earliest that expected or difficulty in funds to meet commitments associated with financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Maturity analysis of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows:

	30 June 2015				
Non-derivative financial liabilities	Carrying amount	Contractual Cash flows	Upto three months	More than three months and upto one year	More than one year
	(Rupees)				
Short term borrowing	979,445,862	979,445,862	489,722,931	489,722,931	-
Creditors, accrued expenses and other liabilities	78,210,993	78,210,993	40,107,872	38,103,121	-
Liabilities against finance lease	31,161,984	31,161,984	3,226,817	9,680,451	18,254,716
	1,088,818,839	1,088,818,839	533,057,620	537,506,503	18,254,716

Non-derivative financial liabilities	30 June 2014 Carrying amount	Contractual Cash flows	Upto three months	More than three months and upto one year	More than one year
	(Rupees)				
Short term borrowing	451,651,743	451,651,743	225,825,872	225,825,871	-
Creditors, accrued and other liabilities	61,874,494	61,874,494	31,054,366	30,820,128	-
Liabilities against finance lease	26,834,089	26,834,089	3,531,734	10,595,204	12,707,151
	540,360,326	540,360,326	260,411,972	267,241,203	12,707,151

32.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Group is exposed to all of the three risks which are as follow:

32.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based in notional amount:

	30 June 2015 **US Dollars**	30 June 2014 US Dollars
	(Rupees)	
Foreign currency borrowing	-	811,718
Gross balance sheet exposure	-	811,718

The following significant exchange rates applied during the year:

	Average rate		**Balance sheet date rate**	
	30 June 2015	30 June 2014	**30 June 2015**	30 June 2014
US Dollars	**101.46**	102.98	**101.78**	98.75

Sensitivity Analysis

A 10 percent strengthening of the Rupee against US Dollar at 30 June 2015 would have increased equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2014.

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As at 30 June 2015	Income statement	Equity
	(Rupees)	
Effect of change in US Dollars	-	-
As at 30 June 2014		
Effect of change in US Dollars	8,015,715	8,015,715

A 10 percent weakening of the Rupee against the above currencies at 30 June would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

32.3.2 *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure arises from bank balances in profit and loss sharing account.

At balance sheet date, details of the interest rate profile of the Group's interest bearing financial instruments were as follows:

Variable rate instruments	**30 June 2015**	30 June 2014
	(Rupees)	
Financial liabilities	(995,653,262)	(469,849,272)
Fixed rate instruments		
Financial assets	**9,740,660**	8,036,000
Financial liabilities	**(14,954,584)**	(8,636,560)
	(5,213,924)	(600,560)

Fair value sensitivity analysis of fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, change in interest rates at reporting date would not have impact on profit and loss account and equity of the Group.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

	Profit and loss		**Equity**	
	100 bps increase	**100 bps decrease**	**100 bps increase**	**100 bps decrease**
	(Rupees)		**(Rupees)**	
As at 30 June 2015				
Cash flow sensitivity - variable rate instruments	(9,956,533)	9,956,533	(9,956,533)	9,956,533
As at 30 June 2014				
Cash flow sensitivity - variable rate instruments	(4,698,493)	4,698,493	(4,698,493)	4,698,493

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32.3.3 *Other price risk*

Other price risk includes equity price risks which is the risk of changes in the fair value of equity securities as a result of changes in the levels of KSE 100 Index and the value of individual shares. The equity price risk exposure arises from investments in equity securities held by the Group for which prices in the future are uncertain.

As at 30 June 2015, the fair value of equity securities exposed to price risk are disclosed in note 13. The table below summarises the sensitivity of the price movements as at 30 June 2015. The analysis is based on the assumption that KSE-100 index increased by 5% (30 June 2014: 5%) and decreased by 5% (30 June 2014: 5%), with all other variables held constant and that the fair value of the Group's portfolio of equity securities moved according to their historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 index, having regard to the historical volatility of index of past three years (30 June 2014: three years).

The impact below arises from the reasonable possible change in the fair value of listed equity securities:

Effect on assets of an increase in the KSE-100 index	**30 June 2015**	30 June 2014
	(Rupees)	
Effect on investments	**7,510,028**	6,970,751
Effect on profit and loss account	**5,831,630**	5,427,147
Effect on equity	**1,678,398**	1,543,604
Effect on assets of a decrease in the KSE-100 index		
Effect on investments	**(7,510,028)**	(6,970,751)
Effect on profit and loss account	**(5,831,630)**	(5,427,147)
Effect on equity	**(1,678,398)**	(1,543,604)

The sensitivity analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Group's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of 30 June 2015 is not necessarily indicative of the effect on the Group's assets of future movements in the level of KSE 100 index.

32.4 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Group's operations either internally within the Group or externally at the Group's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Group's activities.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for stakeholders.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.
- senior management ensures that the Group's staff have adequate training and experience and fosters effective communication related to operational risk management.

32.5 Fair value of financial instruments

The fair value of investments is based on the closing market prices prevailing at the day-end. The Group is of the view that the fair market value of most of the remaining financial assets and liabilities are not significantly different from their carrying values.

The Group's accounting policy on fair value measurements is discussed in note 3.7.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at 30 June 2015, all the investments stated at fair value were categorised in level 1.

32.6 Capital Management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the sustained development of its businesses.

The Group 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 Group may adjust the amount of dividend paid to the shareholders or issue bonus / new shares.

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33. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Directors		Executives		Total	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	(Rupees)							
Managerial remuneration	5,588,154	5,135,040	6,526,320	9,591,534	19,209,141	16,763,848	31,323,615	31,490,422
House rent and utilities	6,046,338	5,555,460	6,231,662	8,023,848	27,002,604	23,827,915	39,280,604	37,407,223
Bonus	1,411,953	1,260,672	1,175,925	1,049,933	7,621,530	4,986,886	10,209,408	7,297,491
Medical	1,838,999	377,508	4,398,523	636,512	3,136,402	2,317,568	9,373,924	3,331,588
Contribution to retirement benefits funds	558,456	513,150	-	-	1,560,524	1,407,229	2,118,980	1,920,379
	15,443,900	12,841,830	18,332,430	19,301,827	58,530,201	49,303,446	92,306,531	81,447,103
Number of persons	1	1	2	2	72	65	75	68

33.1 The aggregate amount charged in the account in respect of directors' fees paid to directors was NIL (30 June 2014: NIL).

33.2 The chief executive and directors are provided with official use of Group maintained cars, according to their entitlements.

33.3 The chief executive and his spouse are covered under Group hospitalisation insurance policy.

34. PROVIDENT FUND

The following information is based on latest unaudited financial statements of the Fund:

	30 June 2015 (Un-audited)	30 June 2014 (Un-audited)
	(Rupees)	
Size of the Fund	69,555,681	83,842,649
Cost of investment made	46,609,851	47,310,800
Fair value / amortised cost of investments	72,514,660	64,748,543
Percentage of investments made - based on fair value / amortised cost	104.25%	77.23%

Break-up of investments in terms of amount and percentage of the size of provident fund are as follows:

	30 June 2015 (Un-audited)	30 June 2014 (Un-audited)	30 June 2015	30 June 2014
	(Rupees)		*(% of total investment)*	
Term Finance Certificates	71,715,938	64,015,136	99%	99%
Mutual Funds	798,722	733,407	1%	1%
	72,514,660	64,748,543	100%	100%

The above investments out of provident Fund have been made in accordance with the requirement of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

35. PLANT CAPACITY AND PRODUCTION

The production capacity of the plant cannot be determined as it depends on the relative proportions of various types / sizes of sub-assemblies, components and parts produced for various types of vehicles.

36. NUMBER OF EMPLOYEES

The total number of permanent employees as at 30 June 2015 were 238 and average number of employees were 234. The total number of temporary employees as at 30 June 2015 were 1,041 and average number of temporary employees were 929.

37. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue in the Board of Directors' meeting held on 24 AUG 2015.

Chief Executive

Director