



KPMG Taseer Hadi & Co.
Chartered Accountants

Loads Limited

**Unconsolidated Financial
Statements**
For the year ended 30 June 2015



KPMG Taseer Hadi & Co.
Chartered Accountants
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Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of **Loads Limited** ("the Company") as at 30 June 2015 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the profit, its cash flows and changes in equity for the year then ended; and



KPMG Taseer Hadi & Co.

- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: 24 August 2015

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Loads Limited

Balance Sheet

As at 30 June 2015

	Note	30 June 2015	30 June 2014
ASSETS			
Non-current assets			
Property, plant and equipment	4	305,375,733	298,527,384
Intangible assets	5	-	1,375,856
Long term investments	6	619,487,835	348,513,245
Long term deposits		4,900,867	3,007,887
		<u>929,764,435</u>	<u>651,424,372</u>
Current assets			
Stores and spares		32,657,297	21,112,457
Stock-in-trade	7	940,154,402	671,994,452
Trade debts - net and unsecured	8	220,871,727	120,478,586
Loans and advances	9	75,746,283	19,829,426
Short term deposits, prepayments and other receivables	10	186,646,527	73,371,910
Advance tax - net	11	151,034,947	112,905,071
Investments	12	150,200,557	139,415,027
Cash and bank balances	13	9,094,309	6,939,410
		<u>1,766,406,049</u>	<u>1,166,046,339</u>
Total assets		<u><u>2,696,170,484</u></u>	<u><u>1,817,470,711</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
150,000,000 (30 June 2014: 10,000,000) ordinary shares of Rs.10 each		<u>1,500,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up capital	15	750,000,000	60,000,000
Capital reserve		23,047,509	20,351,645
Revenue reserve		<u>562,452,030</u>	<u>1,106,567,950</u>
		<u>1,335,499,539</u>	<u>1,186,919,595</u>
Non-current liabilities			
Liabilities against assets subject to finance lease	16	18,254,716	12,707,151
Deferred tax liability - net	17	43,672,983	14,479,251
		<u>61,927,699</u>	<u>27,186,402</u>
Current liabilities			
Current maturity 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
Loan from subsidiary companies - unsecured	20	105,831,892	-
Creditors, accrued expenses and other liabilities	21	200,239,250	137,267,059
Mobilisation advances		318,974	318,974
		<u>1,298,743,246</u>	<u>603,364,714</u>
Total equity and liabilities		<u><u>2,696,170,484</u></u>	<u><u>1,817,470,711</u></u>
Contingencies and commitments			
	14		

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

[Signature]

[Signature]

Chief Executive Officer

[Signature]

Director

Loads Limited
Profit and Loss Account
For the year ended 30 June 2015

	Note	30 June 2015	30 June 2014
		(Rupees)	
Turnover	22	3,259,791,651	2,315,750,144
Cost of sales	23	(2,951,895,908)	(2,051,894,106)
Gross profit		307,895,743	263,856,038
Administrative and selling expenses	24	(120,060,091)	(100,494,710)
Operating profit		187,835,652	163,361,328
Other income	25	138,143,751	59,257,621
		325,979,403	222,618,949
Finance costs	26	(88,563,582)	(70,907,535)
Other charges	27	(15,924,228)	(10,619,799)
		(104,487,810)	(81,527,334)
Profit before taxation		221,491,593	141,091,615
Taxation	28	(72,522,911)	(33,496,526)
Profit after taxation		148,968,682	107,595,089
		(Restated)	
		(Rupees)	
Basic and diluted earnings per share	29	1.99	1.43

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

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Chief Executive Officer


Director

Loads Limited

Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	30 June 2015	30 June 2014
(Rupees)			
Profit after taxation		148,968,682	107,595,089
Other comprehensive income:			
<i>Items that may be reclassified to profit and loss account in subsequent periods</i>			
Unrealised gain / (loss) on revaluation of available-for-sale investments	12.2.1	2,695,864	(5,905,974)
<i>Items not to be reclassified to profit and loss account in subsequent periods</i>			
Remeasurement of defined benefit liability - net of tax		(3,084,602)	3,286,139
Total comprehensive income for the year		148,579,944	104,975,254

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

10/11/2015



Chief Executive Officer



Director

Loads Limited

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	(201,439,809)	148,384,036
Mark-up paid		(65,535,125)	(48,957,782)
Long term deposits		(1,892,980)	(184,700)
Taxes paid		(80,073,219)	(60,538,686)
Net cash (used) / generated from operating activities		(348,941,133)	38,702,868
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(36,483,107)	(40,362,653)
Purchase of investments		(304,774,250)	(32,497,693)
Proceeds from disposal of fixed assets		10,940,154	4,394,162
Proceeds from disposal of investment in associate		74,169,436	-
Net cash used in investing activities		(256,147,767)	(68,466,184)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		(26,382,212)	(18,038,309)
Loan from subsidiary companies - unsecured		105,831,892	-
Net cash generated / (used) in financing activities		79,449,680	(18,038,309)
Net decrease in cash and cash equivalents		(525,639,220)	(47,801,625)
Cash and cash equivalents at beginning of the year		(444,712,333)	(396,910,708)
Cash and cash equivalents at end of the year	31.2	(970,351,553)	(444,712,333)

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

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Chief Executive Officer



Director

Loads Limited
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		Total
			General reserve	Unappropriated profit	
	(Rupees)				
Balance as at 30 June 2013	60,000,000	26,257,619	590,262,580	405,424,142	1,081,944,341
<i>Total comprehensive income for the year ended 30 June 2014</i>					
Profit for the year	-	-	-	107,595,089	107,595,089
Other comprehensive income					
Unrealised gain on remeasurement of available for sale investments	-	(5,905,974)	-	-	(5,905,974)
Remeasurement of defined benefit liability	-	-	-	3,286,139	3,286,139
	-	(5,905,974)	-	110,881,228	104,975,254
Balance as at 30 June 2014	60,000,000	20,351,645	590,262,580	516,305,370	1,186,919,595
<i>Total comprehensive income for the year ended 30 June 2015</i>					
Profit for the year	-	-	-	148,968,682	148,968,682
Other comprehensive income					
Unrealised loss on remeasurement of available for sale investments	-	2,695,864	-	-	2,695,864
Remeasurement of defined benefit liability	-	-	-	(3,084,602)	(3,084,602)
	-	2,695,864	-	145,884,080	148,579,944
<i>Transactions with Owners</i>					
Bonus shares issue @ 1150% for the year ended 30 June 2015	690,000,000	-	(590,262,580)	(99,737,420)	-
Balance as at 30 June 2015	<u>750,000,000</u>	<u>23,047,509</u>	<u>-</u>	<u>562,452,030</u>	<u>1,335,499,539</u>

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


Chief Executive Officer


Director

Loads Limited

Notes to the Financial Statements

For the year ended 30 June 2015

1. STATUS AND NATURE OF BUSINESS

- 1.1 Loads Limited ("the Company") was incorporated in Pakistan on 1 January 1979 as a private limited company under Companies Act, 1913 (now Companies Ordinance, 1984). With effect from 19 December 1993, the status of the Company was converted from private limited company to unlisted public limited company. The registered office of the Company is situated at Plot No. 23, Sector 19, Korangi Industrial Area, Karachi.
- 1.2 The principal activity of the Company is manufacture and sale of radiators, exhaust systems and other components for automotive industry.
- 1.3 These financial statements represent financial statements of the holding company and consolidated financial statements are prepared separately.
- 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 it's securities on all the stock exchanges in Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (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 Company's 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 Company's 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 Company's 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 joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard would have no impact on Company's 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 Company's 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 Company's 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 financial statements have been prepared on the historical cost basis, except for investments classified as "investment at fair value through profit or loss" and "available for sale" which are stated at fair value.

2.4 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency and has been rounded to the nearest rupees.

2.5 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the

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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 financial statements and estimates with a significant risk of material adjustment in future years are discussed below:

2.5.1 Income taxes

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

2.5.2 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.

2.5.3 Impairment

All Company'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 and prolonged decline in the fair value below its cost. The determination of what is significant and prolonged requires judgment. In making this judgment, management evaluates among other factors, the normal volatility in prices.

2.5.4 Property, plant and equipment

The Company 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.

2.5.5 Stock in trade, stores, spares and loose tools

The Company reviews the net realisable value of stock-in-trade, 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, stores, spares and loose tools with a corresponding effect

to be seen

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.

2.5.6 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 18.1 to the 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 Company operates 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 Company also operates a provident fund scheme for all its regular permanent employees. Contributions are made to the fund equally by the 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 Company 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.

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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.

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

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 costs

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 Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised 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 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.

Notes

Finance charges 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 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

Subsidiaries and associates

Investments in subsidiaries and associates are carried at cost less impairment, if any. These are classified as 'long term investment' in the financial statements.

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 Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost 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.

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3.8 Stores and spares

These 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 Company 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 Company, which are repayable on demand form an integral part of the Company'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. 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 proportion basis on the principal outstanding and at the rates applicable.

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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 Company 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 or amortised cost as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

The Company derecognises the financial asset & financial liabilities when it ceases to be a party to such contractual provisions to the instruments.

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.

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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 Company 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 as liability in the Company's financial statements in the period in which these are approved. The distribution of dividend is subject to the covenant as mentioned in note 19.1.

4. PROPERTY, PLANT AND EQUIPMENT

	30 June 2015	30 June 2014
	(Rupees)	
Operating fixed assets	4.1 275,171,809	284,369,506
Capital work-in-progress	4.2 30,203,924	14,157,878
	<u>305,375,733</u>	<u>298,527,384</u>

4.1 Operating fixed assets

	30 June 2015											Net book value as at 30 June 2015	Rate %
	Cost					Depreciation							
	As at 01 July 2014	Additions	Transfers	(Disposals)	As at 30 June 2015	As at 01 July 2014	For the year	Transfers	(Disposal)	As at 30 June 2015			
(Rupees)													
Owned													
Freehold land (note 4.1.1)	25,080,000	-	-	-	25,080,000	-	-	-	-	-	25,080,000	-	
Building on leasehold land	39,162,242	988,989	-	-	40,151,231	20,039,681	968,263	-	-	21,007,944	19,143,287	5	
Plant and machinery	320,591,505	9,069,963	-	(5,044,343)	324,617,125	184,252,114	14,671,236	-	(2,748,902)	196,174,448	128,442,677	10 - 20	
Tools and equipment	164,964,645	5,426,054	-	-	170,390,699	118,656,494	16,679,381	-	-	135,335,875	35,054,824	10 - 35	
Furniture, fixtures and office equipment	25,158,265	2,891,755	-	(472,122)	27,577,898	16,564,051	2,390,495	-	(377,598)	18,576,948	9,000,950	10 - 30	
Vehicles	18,787,759	1,912,800	11,572,151	(14,389,951)	17,882,759	12,409,151	1,213,572	7,324,841	(8,741,211)	12,206,353	5,676,406	20	
Leased													
Leasehold land	1,089,774	-	-	-	1,089,774	-	-	-	-	-	1,089,774	-	
Plant and machinery	23,503,337	-	-	-	23,503,337	4,722,392	2,050,429	-	-	6,772,821	16,730,516	10 - 20	
Vehicles	37,958,285	24,240,559	(11,572,151)	-	50,626,693	15,282,423	7,715,736	(7,324,841)	-	15,673,318	34,953,375	20	
	656,295,812	44,530,120	-	(19,906,416)	680,919,516	371,926,306	45,689,112	-	(11,867,711)	405,747,707	275,171,809		

	30 June 2014											
	Cost					Depreciation					Net book	Rate
	As at 01	Additions	Transfers	(Disposals)	As at 30	As at 01	For the	Transfers	(Disposal)	As at 30	value as at	%
	July 2013				June 2014	July 2013	year			June 2014	30 June 2014	
	(Rupees)											
Owned												
Freehold land (note 4.1.1)	25,080,000	-	-	-	25,080,000	-	-	-	-	-	25,080,000	-
Building on leasehold land	37,136,769	2,025,473	-	-	39,162,242	19,104,471	935,210	-	-	20,039,681	19,122,561	5
Plant and machinery	307,597,424	13,994,865	-	(1,000,784)	320,591,505	170,676,462	14,462,168	-	(886,516)	184,252,114	136,339,391	10 - 20
Tools and equipment	142,013,851	22,950,794	-	-	164,964,645	104,266,771	14,389,723	-	-	118,656,494	46,308,151	10 - 35
Furniture, fixtures and office equipment	22,124,688	3,033,577	-	-	25,158,265	14,760,342	1,803,709	-	-	16,564,051	8,594,214	10 - 30
Vehicles	23,377,550	-	-	(4,589,791)	18,787,759	13,531,552	1,915,333	-	(3,037,734)	12,409,151	6,378,608	20
Leased												
Leasehold land	1,089,774	-	-	-	1,089,774	-	-	-	-	-	1,089,774	-
Plant and machinery	23,503,337	-	-	-	23,503,337	2,396,268	2,326,124	-	-	4,722,392	18,780,945	10 - 20
Vehicles	29,578,845	8,379,440	-	-	37,958,285	10,418,495	4,863,928	-	-	15,282,423	22,675,862	20
	611,502,238	50,384,149	-	(5,590,575)	656,295,812	335,154,361	40,696,195	-	(3,924,250)	371,926,306	284,369,506	

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

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4.1.2 Depreciation has been allocated as follows:

		30 June 2015	30 June 2014
		(Rupees)	
Cost of sales	23	39,652,858	35,824,349
Administrative and selling expenses	24	6,036,254	4,871,846
		<u>45,689,112</u>	<u>40,696,195</u>

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	1,066,483
		<u>30,203,924</u>	<u>14,157,878</u>

5. Intangible assets

	30 June 2015							
	COST			AMORTISATION			Written down	Rate
	As at 1 July 2014	Addition / (disposal)	As at 30 June 2015	As at 1 July 2014	For the year	As at 30 June 2015	value as on 30 June 2015	%
	(Rupees)							
Computer software and licenses	12,037,397	147,500	12,184,897	10,661,541	1,523,356	12,184,897	-	33.33%

	30 June 2014							
	COST			AMORTISATION			Written down	Rate
	As at 1 July 2013	Addition / (disposal)	As at 30 June 2014	As at 1 July 2013	For the year	As at 30 June 2014	value as on 30 June 2014	%
	(Rupees)							
Computer software and licenses	11,602,469	434,928	12,037,397	7,228,979	3,432,562	10,661,541	1,375,856	33.33%

6. LONG-TERM INVESTMENTS

		30 June 2015	30 June 2014
		(Rupees)	
Investments in subsidiary companies	6.1	325,000,000	325,000,000
Less: Provision for impairment against investment in a subsidiary company	6.1.1	(25,000,000)	(75,000,000)
Net investment in subsidiary companies		<u>300,000,000</u>	<u>250,000,000</u>
Investment in associate	6.2	319,487,835	98,513,245
		<u>619,487,835</u>	<u>348,513,245</u>

6.1 Subsidiary companies

30 June 2015 (Number of shares)	30 June 2014				
		<u>Unquoted</u>			
17,500,000	17,500,000	Specialized Autoparts Industries (Private) Limited (SAIL) (Chief Executive - Munir K. Bana)		175,000,000	175,000,000
7,500,000	7,500,000	Multiple Autoparts Industries (Private) Limited (MAIL) (Chief Executive - Munir K. Bana)		75,000,000	75,000,000
7,500,000	7,500,000	Specialized Motorcycles (Private) Limited (SMPL) (Chief Executive - Munir K. Bana)	6.1.1	75,000,000	75,000,000
				<u>325,000,000</u>	<u>325,000,000</u>

6.1.1 Provision for impairment against investment in subsidiary company:

	30 June 2015	30 June 2014
	(Rupees)	
Opening Balance	75,000,000	75,000,000
Reversals during the year	(50,000,000)	-
Balance as at year ended	<u>25,000,000</u>	<u>75,000,000</u>

During the year, the company has reversed provision in SMPL due to improvement in net equity, current ratio and positive operating cashflows. The key information and ratios of SMPL are as follows:

Net equity	Rupees	<u>58,258,079</u>	<u>21,852,546</u>
Current Ratio	Percentage	<u>8.71</u>	<u>4.21</u>
Cashflows	Rupees	<u>46,913,477</u>	<u>(5,900,573)</u>

- 6.1.2 The Company holds 100% shares in all of its subsidiaries. Break-up value per share of investment in subsidiaries based on their latest audited financial statements for the year ended 30 June 2015 are as follows :

	30 June 2015	30 June 2014
	(Rupees)	
<u>Unquoted</u>		
Specialized Autoparts Industries (Private) Limited	<u>12.31</u>	<u>9.41</u>
Multiple Autoparts Industries (Private) Limited	<u>13.76</u>	<u>9.96</u>
Specialized Motorcycles (Private) Limited	<u>7.77</u>	<u>2.91</u>

6.2 Associate

30 June 2015	30 June 2014		Quoted
(Number of shares)			
7,492,475	3,268,820	Treet Corporation Limited (Chief Executive Officer - Syed Shahid Ali)	<u>319,487,835</u> <u>98,513,245</u>

- 6.2.1 Market value of investment in associate is as follows:

<u>Quoted</u>	
Treet Corporation Limited	<u>540,582,071</u> <u>374,835,589</u>

- 6.2.2 The above investments include 2,396,990 shares having an aggregate market value of Rs. 172.9 million, which have been pledged with financial institutions as securities against borrowing facilities.

- 6.3 The Company's holding in associate of 5.56% (30 June 2014: 6.41%) is considered associate by virtue of common directorship i.e. (5 directors are common out of 8 directors).

7. STOCK IN TRADE

Raw material and components	7.1	782,578,700	539,540,826
Work-in-process		68,169,176	114,153,747
Finished goods	7.2	<u>90,102,753</u>	<u>18,996,106</u>
		<u>940,850,629</u>	<u>672,690,679</u>
Provision for slow-moving and obsolescence		<u>(696,227)</u>	<u>(696,227)</u>
		<u>940,154,402</u>	<u>671,994,452</u>

- 7.1 This includes raw material in-transit and in possession of Company's subsidiaries as at 30 June 2015 of Rs. 144.5 million (30 June 2014: Rs. 61.7 million) and Rs.146.7 million (30 June 2014: Rs. 111.616 million) respectively.

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- 7.2 This includes finished goods in possession of Company's subsidiaries as at 30 June 2015 of Rs. 58.3 million (30 June 2014: Rs. 15.22 million).

8. TRADE DEBTS - net and unsecured		30 June 2015	30 June 2014
		(Rupees)	
Considered good		220,871,727	120,478,586
Considered bad and doubtful		4,494,293	405,606
		<u>225,366,020</u>	<u>120,884,192</u>
Bad debts written off directly to profit and loss account	24	(4,088,687)	-
Provision for doubtful debts		(405,606)	(405,606)
		<u>220,871,727</u>	<u>120,478,586</u>

9. LOANS AND ADVANCES

Loans to employees - considered good	9.1	3,634,151	2,845,679
Loans to workers - considered good	9.2	4,635,317	4,122,038
Advance bonus to employees		19,064,473	-
Advance to suppliers		48,412,342	12,861,709
		<u>75,746,283</u>	<u>19,829,426</u>

- 9.1 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.

- 9.2 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%).

10. SHORT TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Trade and other deposits		3,355,000	3,355,000
Receivable against sale of investment		30,424,559	-
Receivable from gratuity fund	18.2	6,341,922	11,886,312
Receivable from provident fund	10.1	16,042,778	-
Unclaimed input sales tax		114,879,602	51,485,809
Prepayments		428,187	410,180
Due from related parties - unsecured	10.2	93,636	2,682,704
Other receivables	10.3	15,080,843	3,551,905
		<u>186,646,527</u>	<u>73,371,910</u>

- 10.1 This represents amount paid by the Company to outgoing members of the fund.

10.2 Due from related parties - unsecured

Specialized Autoparts Industries (Private) Limited	10.2.1	93,636	-
Multiple Autoparts Industries (Private) Limited		-	2,682,704
		<u>93,636</u>	<u>2,682,704</u>

- 10.2.1 The above balance is mark-up free, unsecured and represent amount paid by the Company to Total PARCO Limited for fuel utilized by Specialized Autoparts Industries (Private) Limited.

- 10.3 This includes Rs. 14.625 million in respect of tax receivable from Escanaba Limited and directors on bonus shares issued by the Company, which have been received subsequent to the year end.

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11. ADVANCE TAX - NET

		30 June 2015	30 June 2014
		(Rupees)	
Opening refundable		112,905,071	84,966,211
Refunds / adjusted during the year		(38,630,578)	(40,021,649)
		74,274,493	44,944,562
Advance tax paid during the year		116,464,478	98,789,668
Provision for taxation	28	(39,704,024)	(30,829,159)
Closing refundable		151,034,947	112,905,071

12. INVESTMENTS

At fair value through profit or loss	12.1	116,632,605	108,542,939
Available-for-sale	12.2	33,567,952	30,872,088
		150,200,557	139,415,027

12.1 At fair value through profit or loss

The 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		Market value	
			30 June 2015	30 June 2014	30 June 2015	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 12.1.2)	15	15	-	30
1	1	Atlas Battery Limited	119	119	704	450
1	1	Atlas Honda Limited	126	126	335	230
1	1	The General Tyre & Rubber Company of Pakistan Limited	52	52	146	81
1	1	Honda Atlas Cars (Pakistan) Limited	105	105	219	93
1	1	Thal Limited	78	78	285	207
230	230	Baluchistan Wheels Limited	5,660	5,660	13,375	9,775
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
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 Limited	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 (PTC) - Quoted						
1,831,000	1,831,000	Treet Corporation Limited ** (note 12.1.3)	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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12.1.1 Net unrealized gain on remeasurement of investments at fair value through profit or 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)
	<u>15,944,655</u>	<u>33,652,925</u>

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

12.1.3 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.

12.2 Available-for-sale

The 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	
(Number of shares / certificates)			30 June 2015 (Rupees)	30 June 2014 (Rupees)	30 June 2015 (Rupees)	30 June 2014 (Rupees)
<u>Ordinary shares - Quoted</u>						
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

12.2.1 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)
	<u>2,695,864</u>	<u>(5,905,974)</u>

12.2.2 During the year, the above investments having an aggregate market value of Rs.33.6 million have been pledged with financial institutions as securities against borrowing facilities.

13. CASH AND BANK BALANCES

In hand	1,028,298	1,031,519
In bank - current accounts	8,066,011	5,907,891
	<u>9,094,309</u>	<u>6,939,410</u>

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

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.

14.2 Commitments

Commitments in respect of letters of credit amounted to Rs. 161.201 million (30 June 2014: Rs. 187.67 million).

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15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

30 June 2015 (Number of shares)	30 June 2014		30 June 2015 (Rupees)	30 June 2014
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
<u>75,000,000</u>	<u>6,000,000</u>		<u>750,000,000</u>	<u>60,000,000</u>

- 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 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.

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Opening balance	26,834,089	32,469,527
New leases acquired	25,961,134	7,587,500
Repayments made during the year	<u>(21,633,239)</u>	<u>(13,222,938)</u>
	31,161,984	26,834,089
Current maturity	<u>(12,907,268)</u>	<u>(14,126,938)</u>
Closing balance	<u>18,254,716</u>	<u>12,707,151</u>

Lease payments due are as under:

	30 June 2015			30 June 2014		
	Principal	Finance charges allocated to future years	Total lease rentals	Principal	Finance charges allocated to future years	Total lease rentals
	(Rupees)					
Not later than one year	12,907,268	2,443,080	15,350,348	14,126,938	1,833,551	15,960,489
Later than one year but not later than five years	18,254,716	274,468	18,529,184	12,707,151	1,160,725	13,867,876
	<u>31,161,984</u>	<u>2,717,548</u>	<u>33,879,532</u>	<u>26,834,089</u>	<u>2,994,276</u>	<u>29,828,365</u>

The above represents finance leases entered into with leasing companies for vehicles and plant and machinery. Monthly payments of leases bearing pre-determined mark-up rates include finance charge at fixed rate of 9% (30 June 2014: 9%) and variable rates ranging from 6 months KIBOR plus 2% to 5.5% per annum (30 June 2014: 6 months KIBOR plus 5% to 5.5% per annum) determined on semi annual basis for future rentals. These leases are having maturity from September 2015 to February 2020 (30 June 2014: October 2014 to September 2018).

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17. DEFERRED TAX LIABILITY - net

17.1 Deferred tax liability comprises of taxable / (deductible) temporary differences in respect of the following:

	30 June 2015	30 June 2014
	(Rupees)	
Taxable temporary differences arising in respect of:		
- Accelerated tax depreciation	27,815,984	37,722,685
- Finance lease arrangements	8,531,989	5,117,951
- Provision for unrealised gain on re-measurement of investments at fair value through profit or loss	18,918,441	-
Deductible temporary differences arising in respect of:		
- Provision against slow-moving stock-in-trade	(215,830)	(243,679)
- Provision against compensated absences	(2,116,027)	(1,725,737)
- Provision for bad debts	(125,738)	(141,962)
- Remeasurement of defined benefit liability	(1,385,836)	-
- Provision for impairment against investment in Specialized Motorcycles (Private) Limited	(7,750,000)	(26,250,007)
	<u>43,672,983</u>	<u>14,479,251</u>

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						
- Accelerated tax depreciation	39,488,523	(1,765,838)	37,722,685	(9,906,701)	-	27,815,984
- 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
Deductible temporary differences						
- Provision against slow-moving stock-in-trade	(243,679)	-	(243,679)	27,849	-	(215,830)
- 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)
- Provision against interest receivable from Specialized Motorcycles (Private) Limited	(751,975)	751,975	-	-	-	-
- Remeasurement of defined benefit liability	-	-	-	-	(1,385,836)	(1,385,836)
- Provision for impairment against investment in Specialized Motorcycles (Private) Limited	(26,250,000)	(7)	(26,250,007)	18,500,007	-	(7,750,000)
	<u>13,582,551</u>	<u>896,701</u>	<u>14,479,251</u>	<u>30,579,568</u>	<u>(1,385,836)</u>	<u>43,672,983</u>

18. STAFF RETIREMENT BENEFITS

The 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).

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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:

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)
Remeasurements (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:

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)
Remeasurements (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

	Year ended 30 June 2015			Year ended 30 June 2014		
	Executives	Non-Executives	Total	Executives	Non-Executives	Total
	(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 the other comprehensive income

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 Remeasurements loss / (gain) on obligation:

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

18.2.4.2 Remeasurement on plan assets - Net (expense) / income of plan assets over interest income:

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

	30 June 2015			30 June 2014		
	Executives	Non-Executives	Total	Executives	Non-Executives	Total
	(Rupees)					

18.2.5 Net recognized asset

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 assets 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)	(14,041,799)
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)	(15,326,129)

BRM/2014

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. 1,336,095.

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	-
		<u>979,445,862</u>	<u>451,651,743</u>

- 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. 1,038.8 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.

Manager

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 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 passu 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.

	30 June 2015	30 June 2014
	(Rupees)	
20. LOAN FROM SUBSIDIARY COMPANIES - unsecured		
Specialized Autoparts Industries (Private) Limited	49,300,000	-
Multiple Autoparts Industries (Private) Limited	20,000,000	-
Specialized Motorcycle (Private) Limited	36,531,892	-
	<u>105,831,892</u>	<u>-</u>

These are repayable on demand carrying mark up at the rate of 1 month KIBOR plus 1.75%.

21. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Creditors		34,203,491	27,576,478
Accrued liabilities		3,323,253	1,843,691
Accrued mark-up on short term borrowing		17,215,741	8,723,501
Accrued mark-up on loan from subsidiary companies	20	3,274,198	-
Security deposit from contractors		172,000	168,500
Workers' Profit Participation Fund	21.1	14,710,739	10,249,543
Workers' Welfare Fund		4,549,779	3,034,228
Advance from customer		45,803,637	24,192,942
Provision for compensated absences		6,825,895	4,930,678
Payable to provident fund		1,320,742	423,369
Due to related parties	21.2	65,304,541	47,459,755
Other payables		3,535,234	8,664,374
		<u>200,239,250</u>	<u>137,267,059</u>

21.1 Workers' Profit Participation Fund

Opening balance		10,249,543	11,181,896
Charge for the year	27	11,374,449	7,585,571
Interest charged during the year	26	1,127,450	958,768
		<u>22,751,442</u>	<u>19,726,235</u>
Less: Payments during the year		(8,040,703)	(9,476,692)
Closing balance		<u>14,710,739</u>	<u>10,249,543</u>

21.2 Due to related parties

Specialized Motorcycle (Private) Limited		-	15,157,672
Specialized Autoparts Industries (Private) Limited	21.2.1	42,641,807	32,302,083
Multiple Autoparts Industries (Private) Limited	21.2.1	22,662,734	-
		<u>65,304,541</u>	<u>47,459,755</u>

21.2.1 These represent payable against toll manufacturing services provided to the Company.

Unaudited

22. TURNOVER

	30 June 2015	30 June 2014
	(Rupees)	
Local sales	3,836,469,570	2,717,917,607
Sales returns	(18,044,816)	(10,379,705)
	<u>3,818,424,754</u>	<u>2,707,537,902</u>
Sales tax	(558,633,103)	(391,787,758)
	<u><u>3,259,791,651</u></u>	<u><u>2,315,750,144</u></u>

23. COST OF SALES

Raw materials and components consumed	23.1	2,362,785,640	1,475,037,599
Ancillary materials consumed	23.2	35,770,394	88,304,941
Manufacturing expenses			
- Salaries and wages		102,250,600	86,443,716
- Other employees' benefits		29,521,190	22,639,108
- Provident fund contribution		1,978,939	1,831,254
- Gas, power and water		17,399,199	11,929,185
- Rent, rates and taxes		209,382	436,927
- Insurance		3,010,047	2,982,779
- Depreciation	4.1.2	39,652,858	35,824,349
- Repairs and maintenance		6,366,703	4,672,061
- Postage, telephone and telex		1,077,818	388,152
- Travelling and vehicle running cost		9,949,910	9,075,663
- Inward freight and storage charges		1,643,628	1,205,592
- Conveyance		994,491	1,136,221
- Printing, stationery and periodicals		479,069	124,339
- Subcontracting costs		371,958,120	218,721,972
- General expenses		977,249	429,961
- Security services		180,000	132,230
		<u>587,649,203</u>	<u>397,973,509</u>
Transferred to capital work in progress		(9,187,253)	(6,312,100)
Manufacturing cost		<u>578,461,950</u>	<u>391,661,409</u>
Opening stock of work-in-process		114,153,747	196,999,052
Closing stock of work-in-process		(68,169,176)	(114,153,747)
		<u>45,984,571</u>	<u>82,845,305</u>
Cost of goods manufactured		<u>3,023,002,555</u>	<u>2,037,849,254</u>
Opening stock of finished goods		18,996,106	33,040,958
Closing stock of finished goods		(90,102,753)	(18,996,106)
		<u>(71,106,647)</u>	<u>14,044,852</u>
		<u><u>2,951,895,908</u></u>	<u><u>2,051,894,106</u></u>

KPMG-TM

		30 June 2015	30 June 2014
23.1	Raw material and components consumed	(Rupees)	
	Opening inventory	539,540,826	439,484,867
	Purchases during the year	2,605,823,514	1,575,093,558
		<u>3,145,364,340</u>	<u>2,014,578,425</u>
	Closing inventory	(782,578,700)	(539,540,826)
		<u>2,362,785,640</u>	<u>1,475,037,599</u>
23.2	Ancillary material consumed		
	Opening inventory	21,112,457	15,170,713
	Purchases during the year	51,561,629	96,210,243
		<u>72,674,086</u>	<u>111,380,956</u>
	Capitalised during the year	(4,246,395)	(1,963,558)
		<u>68,427,691</u>	<u>109,417,398</u>
	Closing inventory	(32,657,297)	(21,112,457)
		<u>35,770,394</u>	<u>88,304,941</u>
24.	ADMINISTRATIVE AND SELLING EXPENSES		
	Salaries and wages	53,816,509	52,173,516
	Other employees' benefits	20,064,333	13,456,469
	Provident fund contribution	1,268,062	1,158,224
	Electricity	711,072	1,449,296
	Repairs and maintenance	223,830	286,314
	Conveyance	1,291,480	1,197,485
	Entertainment	244,755	187,510
	Depreciation 4.1.2	6,036,254	4,871,846
	Amortisation 5	1,523,356	3,432,562
	Printing, stationery and periodicals	201,270	366,215
	Insurance	508,756	311,708
	Postage, telephone and telex	1,825,290	1,523,635
	Travelling and vehicle running cost	6,858,251	7,638,572
	Rent, rates and taxes	-	108,400
	Legal and professional charges	10,218,518	2,485,855
	Outward freight	7,279,848	8,568,200
	Advertising and sales promotion	1,283,855	480,067
	Donation	-	141,000
	Bad debts written off 8 & 24.1	5,869,165	-
	Auditors' remuneration 24.2	250,000	248,980
	General expenses	585,487	408,856
		<u>120,060,091</u>	<u>100,494,710</u>
24.1	Write off during the year include Rs. 1.780 million pertaining to advance to suppliers.		
24.2	Auditors' remuneration		
	Audit fee	225,000	225,000
	Out of pocket expenses	25,000	23,980
	<i>None</i>	<u>250,000</u>	<u>248,980</u>

25. OTHER INCOME

30 June
2015

30 June
2014

(Rupees)

Income from financial assets

Reversal of provision against investment in subsidiary company, SMPL

6.1.1

50,000,000

-

Reversal of provision against interest receivable from SMPL

-

2,148,481

Interest income from Participation Term Certificates

12,395,870

12,267,468

Unrealised gain on re-measurement of investments at fair value through profit or loss

12.1.1

15,944,655

33,652,925

Capital gain on sale of investment in associate

32,789,436

-

Dividend income

- Associated company

6,537,640

5,443,922

- Others

33,078

18,078

117,700,679

53,530,874

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

830,993

481,432

Liabilities written back

14,491,460

-

Miscellaneous income

2,219,170

2,517,478

20,443,072

5,726,747

138,143,751

59,257,621

26. FINANCE COSTS

Mark-up on bank loan and borrowings

74,027,365

53,407,217

Mark-up on loan from subsidiary companies

20

3,274,198

29,069

Exchange loss

3,362,320

9,553,079

Finance lease charges

4,915,392

4,023,431

Interest on Workers' Profit Participation Fund

1,127,450

958,768

Interest / penalty on late payment of Provident Fund

26.1

18,927

-

Commission and other charges

1,837,930

2,935,971

88,563,582

70,907,535

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' Profit Participation Fund

11,374,449

7,585,571

Workers' Welfare Fund

4,549,779

3,034,228

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15,924,228

10,619,799

28.	TAXATION	30 June 2015	30 June 2014
28.1	Details of tax charge:	(Rupees)	
	Current		
	- for the year	39,704,024	30,829,159
	- for prior years	2,239,319	1,770,666
	Deferred	30,579,568	896,701
		<u>72,522,911</u>	<u>33,496,526</u>
28.2	Reconciliation between income tax expense and accounting profit:		
	Profit before taxation	<u>221,491,593</u>	<u>141,091,615</u>
	Tax at the applicable rate of 33% (30 June 2014: 34%)	73,092,226	47,971,149
	Tax effect of change in tax rates	(3,627,647)	25,620
	Tax effect of prior years	2,239,319	1,770,666
	Tax effect of income taxed at lower rate	(1,511,265)	(4,254,990)
	Tax effect of exempt income	(10,820,514)	-
	Tax effect of unrealized gain on remeasurement of investment	13,975,598	(11,442,111)
	Tax effect of credit under section 65A	(1,001,204)	(792,145)
	Others	176,398	218,337
		<u>72,522,911</u>	<u>33,496,526</u>

- 28.3 The returns of income tax 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 U/S 120 of the Income Tax Ordinance, 2001.

The income tax return 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 Company had made a provision of above amount in the financial statements.

During the year ended 30 June 2015, the Commissioner Inland Revenue, Large Taxpayer Unit, Karachi intimated the 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.

During the year ended 30 June 2015, in respect of tax year 2014 (corresponding to financial year ended 30 June 2014) a notice dated 15 April 2015 was issued by tax authorities to the Company 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 and various indirect expenses) during the year 01 July 2013 to 30 June 2014. The replies to the aforesaid notice were submitted by the Company and since then no further order is received from tax authorities.

KPMG

29.	BASIC AND DILUTED EARNINGS PER SHARE	30 June 2015	30 June 2014 (Restated)
	Profit for the year	<i>Rupees</i> <u>148,968,682</u>	<u>107,595,089</u>
	Weighted average number of ordinary shares	<i>Numbers</i> <u>75,000,000</u>	<u>75,000,000</u>
	Basic and diluted earnings per share	<i>Rupees</i> <u>1.99</u>	<u>1.43</u>

30. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of subsidiaries, associated company and other companies with common directorship, with significant influence, 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 financial statements are as follows:

30.1 Transactions during the year

Sub-let work from:

- Specialized Autoparts Industries (Private) Limited	<u>231,637,985</u>	<u>124,655,554</u>
- Multiple Autoparts Industries (Private) Limited	<u>109,518,486</u>	<u>72,515,480</u>

Sale to Specialized Motorcycle (Private) Limited	<u>186,548,321</u>	<u>129,737,169</u>
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Markup charged by subsidiary companies	<u>3,274,198</u>	<u>29,069</u>
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Expenses pertaining to Orient Trading Company (Pvt.) Ltd net off payments	<u>50,340</u>	<u>13,350</u>
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Employee retirement benefits:

- Expense for the year	<u>378,452</u>	<u>629,427</u>
- Contribution received during the year	<u>(695,500)</u>	<u>(1,620,000)</u>

Dividend and interest income from Treet Corporation	<u>18,933,510</u>	<u>17,711,390</u>
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30.2 Balances at the year end

(Due to) / Due from related party - net:

- Loan from subsidiary	<u>(105,831,892)</u>	<u>-</u>
- Accrued markup on loan from subsidiary companies	<u>(3,274,198)</u>	<u>-</u>
- Specialized Motorcycle (Private) Limited	<u>-</u>	<u>(15,157,672)</u>
- Specialized Autoparts Industries (Private) Limited	<u>(42,548,171)</u>	<u>(32,302,083)</u>
- Multiple Autoparts Industries (Private) Limited	<u>(22,662,734)</u>	<u>2,682,704</u>

Orient Trading Company (Pvt.) Ltd	<u>25,726</u>	<u>76,066</u>
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Receivable from / (payable to) provident fund	<u>14,722,036</u>	<u>(423,369)</u>
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Receivable from gratuity fund	<u>6,341,922</u>	<u>11,886,312</u>
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Tax receivable on bonus shares from Escanaba Limited	<u>14,614,430</u>	<u>-</u>
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Tax receivable on bonus shares from directors	<u>11,500</u>	<u>-</u>
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30.3 The remuneration to key management personnel is given in note 33 to these financial statements.

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31.	CASH GENERATED FROM OPERATIONS	30 June 2015	30 June 2014
		(Rupees)	
	Profit before taxation	221,491,593	141,091,615
	Adjustment for non cash-charges and other items		
	Depreciation	45,689,112	40,696,195
	Amortisation	1,523,356	3,432,562
	Markup expense	77,301,563	53,436,286
	Finance lease charges	4,915,392	4,023,431
	Capital gain on sale of investment in associate	(32,789,436)	-
	Gain on disposal of property, plant and equipment	(2,901,449)	(2,727,837)
	Gain on re-measurement of investment classified as at fair value through profit or loss	(15,944,655)	(33,652,925)
	Working capital changes	31.1 (500,725,285)	(57,915,291)
		<u>(201,439,809)</u>	<u>148,384,036</u>

31.1 Working capital changes

Decrease / (increase) in current assets

Stores and spares	(11,544,840)	(6,750,480)
Loose tools	-	808,736
Stock-in-trade	(268,159,950)	(3,165,802)
Trade debts	(100,393,141)	(13,954,521)
Loans and advances	(55,916,857)	60,534,931
Short term deposits, prepayments and other receivables	(115,916,250)	(22,674,877)
	<u>(551,931,038)</u>	<u>14,797,987</u>

(Decrease) / increase in current liabilities

Creditors, accrued and other liabilities	51,205,753	(69,889,694)
Mobilisation advances	-	(2,823,584)
	<u>(500,725,285)</u>	<u>(57,915,291)</u>

31.2 Cash and cash equivalents

Short term borrowings	19	(979,445,862)	(451,651,743)
Cash and bank balances	13	9,094,309	6,939,410
		<u>(970,351,553)</u>	<u>(444,712,333)</u>

32. RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company has exposure to following risks from its use of financial instrument:

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

Risk Management

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 Company, 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 Company 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	220,871,727	220,871,727	120,478,586	120,478,586
Deposits and other receivables	23,336,710	23,336,710	9,914,792	9,914,792
Loans and advances	8,269,468	8,269,468	6,967,717	6,967,717
Bank balances	8,066,011	8,066,011	5,907,891	5,907,891
	<u>260,543,916</u>	<u>260,543,916</u>	<u>143,268,986</u>	<u>143,268,986</u>

Credit rating and collaterals

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

Bank	Rating Agency	Short term Rating	30 June 2015	
			(Rupees)	(%)
Bank AL Habib Limited	PACRA	A1+	1,557	0.0%
National Bank of Pakistan	JCR-VIS	A1+	1,820,412	22.5%
Meezan Bank Limited	JCR-VIS	A1+	383,668	4.8%
Habib Bank Limited	JCR-VIS	A1+	10,000	0.1%
Habib Metropolitan Bank Limited	PACRA	A1+	3,636,560	45.1%
Sonari Bank Limited	PACRA	A1+	4,636	0.1%
Al-Baraka Bank	JCR-VIS	A1	2,209,178	27.4%
			<u>8,066,011</u>	<u>100%</u>

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 company's performance to developments affecting a particular industry. The Company is not significantly exposed to concentration of credit risk. All of the Company'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	207,407,827	-	95,748,102	-
31 to 60 days	4,156,972	-	21,513,716	-
Above 60 days	13,801,221	4,494,293	3,216,768	405,606
	<u>225,366,020</u>	<u>4,494,293</u>	<u>120,478,586</u>	<u>405,606</u>

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

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32.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company'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 Company's reputation.

Maturity analysis of financial liabilities

The table below analyses the Company'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					
	Carrying amount	Contractual Cash flows	Less than one month	One to three months	Three months to one year
(Rupees)					
<i>Non-derivative financial liabilities</i>					
Short term borrowing	979,445,862	979,445,862	489,722,931	489,722,931	-
Creditors, accrued expenses and other liabilities	133,854,353	133,854,353	34,203,491	34,346,321	65,304,541
Liabilities against finance lease	31,161,984	31,161,984	3,226,817	9,680,451	18,254,716
	<u>1,144,462,199</u>	<u>1,144,462,199</u>	<u>527,153,239</u>	<u>533,749,703</u>	<u>83,559,257</u>
30 June 2014					
	Carrying amount	Contractual Cash flows	Upto three months	More than three months and upto one year	More than one year
(Rupees)					
<i>Non-derivative financial liabilities</i>					
Short term borrowing	451,651,743	451,651,743	225,825,871	225,825,871	-
Creditors, accrued expenses and other liabilities	99,366,977	99,366,977	27,576,478	24,330,744	47,459,755
Liabilities against finance lease	26,834,089	26,834,089	3,531,734	10,595,204	12,707,151
	<u>577,852,809</u>	<u>577,852,809</u>	<u>256,934,083</u>	<u>260,751,819</u>	<u>60,166,906</u>

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 Company is exposed to all of the three risks which are as follows:

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

	30 June 2015 US Dollars (Rupees)	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 for 2014.

As at 31 June 2015

	Income statement (Rupees)	Equity
Effect of change in US Dollars	-	-
Gross exposure	-	-

As at 30 June 2014

Effect in US Dollars	8,015,715	8,015,715
Gross exposure	8,015,715	8,015,715

The Company doesn't have any foreign currency borrowing as at 30 June 2015.

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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 Company's interest bearing financial instruments were as follows:

	30 June 2015	30 June 2014
Variable rate instruments	(Rupees)	
Financial liabilities	<u>(995,653,262)</u>	<u>(469,849,272)</u>
Fixed rate instruments		
Financial assets	8,269,468	6,967,717
Financial liabilities	<u>(14,954,584)</u>	<u>(8,636,560)</u>
	<u>(6,685,116)</u>	<u>(1,668,843)</u>

Fair value sensitivity analysis of fixed rate instruments

The Company 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 company.

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	<u>(9,956,533)</u>	<u>9,956,533</u>	<u>(9,956,533)</u>	<u>9,956,533</u>
As at 30 June 2014				
Cash flow sensitivity - variable rate instruments	<u>(4,698,493)</u>	<u>4,698,493</u>	<u>(4,698,493)</u>	<u>4,698,493</u>

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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 Company 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 12. 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 Company'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 Company'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 Company'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 Company'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 Company's operations either internally within the Company or externally at the Company'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 behavior. Operational risks arise from all of the Company's activities.

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

The Company 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.

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32.6 Capital Management

The Company's objectives when managing capital are:

- to safeguard the entity'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 Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue bonus / new shares.

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
	<u>15,443,900</u>	<u>12,841,830</u>	<u>18,332,430</u>	<u>19,301,827</u>	<u>58,530,201</u>	<u>49,303,446</u>	<u>92,306,531</u>	<u>81,447,103</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>72</u>	<u>65</u>	<u>75</u>	<u>68</u>

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	<u>69,555,681</u>	<u>83,842,649</u>
Cost of investment made	<u>46,609,851</u>	<u>47,310,800</u>
Fair value / amortised cost of investments	<u>72,514,660</u>	<u>64,748,543</u>
Percentage of investments made - based on fair value / amortised cost	<u>104.25%</u>	<u>77.23%</u>

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 (% of total investment)	30 June 2014 (% of total investment)
	(Rupees)			
Term Finance Certificates	71,715,938	64,015,136	99%	99%
Mutual Funds	798,722	733,407	1%	1%
	<u>72,514,660</u>	<u>64,748,543</u>	<u>100%</u>	<u>100%</u>

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 406 and average number of temporary employees were 356.

37. DATE OF AUTHORISATION

These financial statements were authorised for issue in the Board of Directors meeting held on

24 AUG 2015.

Ransom



Chief Executive Officer



Director