

Consolidated Balance Sheet

as at June 30, 2016

| | Note | 2016 ----- Rupees '000 ----- | 2015 ----- |
|---|------|---------------------------------|-------------------------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 1,524,134 | 1,315,911 |
| Long term deposits | 8 | 13,018 | 13,018 |
| | | <u>1,537,152</u> | <u>1,328,929</u> |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | 9 | 55,924 | 55,295 |
| Stock-in-trade | 10 | 947,124 | 899,337 |
| Trade debts | 11 | 447,410 | 558,583 |
| Advances, deposits, prepayments and other receivables | 12 | 11,399 | 10,176 |
| Accrued profit | | 1,316 | 893 |
| Sales tax refundable | | 65,092 | 55,067 |
| Short term investments | 13 | 536,356 | 390,524 |
| Taxation – net | | 112,077 | 32,205 |
| Cash and bank balances | 14 | 329,202 | 331,891 |
| | | <u>2,505,900</u> | <u>2,333,971</u> |
| TOTAL ASSETS | | <u>4,043,052</u> | <u>3,662,900</u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital 40,000,000 (2015: 40,000,000) Ordinary shares of Rs. 5/- each | | <u>200,000</u> | <u>200,000</u> |
| Issued, subscribed and paid-up capital | 15 | 144,000 | 144,000 |
| Reserves | | <u>3,434,534</u> | <u>2,983,477</u> |
| | | <u>3,578,534</u> | <u>3,127,477</u> |
| NON CURRENT LIABILITIES | | | |
| Deferred taxation | 16 | 41,404 | 54,777 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 17 | 423,114 | 366,896 |
| Short term borrowings | 18 | - | 111,609 |
| Accrued mark-up | | - | 2,141 |
| | | <u>423,114</u> | <u>480,646</u> |
| COMMITMENTS | | | |
| | 19 | | |
| TOTAL EQUITY AND LIABILITIES | | <u>4,043,052</u> | <u>3,662,900</u> |

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive

Consolidated Profit & Loss Account

For the year ended June 30, 2016

| | Note | 2016 ----- Rupees '000 ----- | 2015 |
|---|------|---------------------------------|------------------|
| Turnover - net | 20 | 7,137,114 | 5,635,595 |
| Cost of sales | 21 | (5,810,856) | (4,561,518) |
| Gross profit | | 1,326,258 | 1,074,077 |
| Distribution costs | 22 | (128,258) | (88,090) |
| Administrative expenses | 23 | (177,143) | (153,146) |
| | | (305,401) | (241,236) |
| Operating profit | | 1,020,857 | 832,841 |
| Other expenses | 24 | (82,132) | (68,253) |
| Other income | 25 | 32,898 | 38,046 |
| Finance costs | 26 | (3,698) | (8,676) |
| | | (52,932) | (38,883) |
| Profit before taxation | | 967,925 | 793,958 |
| Taxation | 27 | (228,868) | (248,338) |
| Profit after taxation | | 739,057 | 545,620 |
| | | Rupees | Rupees |
| Earnings per share – basic and diluted | 28 | 25.66 | 18.95 |

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2016

| | 2016 | 2015 |
|--|-------------------------|----------------|
| | ----- Rupees '000 ----- | |
| Net profit for the year | 739,057 | 545,620 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 739,057 | 545,620 |

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive

Consolidated Cash Flow Statement

For the year ended June 30, 2016

| | Note | 2016 ----- Rupees '000 ----- | 2015 ----- |
|---|------|---------------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 29 | 1,208,581 | 355,798 |
| Finance costs paid | | (5,839) | (2,418) |
| Income tax paid | | (322,042) | (244,777) |
| Long term deposits | | - | (213) |
| Net cash generated from operations | | 880,700 | 108,390 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditure | | (370,693) | (165,980) |
| Proceeds from disposal of property, plant and equipment | | 4,658 | 2,893 |
| Profit received on term deposit receipts | | 12,590 | 29,731 |
| Profit received on deposit accounts | | 10,278 | 3,562 |
| Net cash used in investing activities | | (343,167) | (129,794) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | | (283,613) | (142,446) |
| Net cash used in financing activities | | (283,613) | (142,446) |
| Net increase / (decrease) in cash and cash equivalents | | 253,920 | (163,850) |
| Cash and cash equivalents at the beginning of the year | | 610,282 | 774,132 |
| Cash and cash equivalents at the end of the year | 30 | 864,202 | 610,282 |

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive

Consolidated Statement of Changes in Equity

For the year ended June 30, 2016

| | Reserves | | | | | Total equity |
|---|--|-----------------|------------------|-----------------------|------------------|------------------|
| | Issued, subscribed and paid-up capital | Capital reserve | Revenue reserves | | Total | |
| | | Share premium | General | Unappropriated profit | | |
| Balance as at June 30, 2014 | 144,000 | 12,598 | 2,335,000 | 234,259 | 2,581,857 | 2,725,857 |
| Final dividend for the year ended June 30, 2014 @ Rs. 5 /- per share | - | - | - | (144,000) | (144,000) | (144,000) |
| Transfer to general reserve | - | - | 170,000 | (170,000) | - | - |
| Profit after taxation for the year | - | - | - | 545,620 | 545,620 | 545,620 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | 545,620 | 545,620 | 545,620 |
| Balance as at June 30, 2015 | 144,000 | 12,598 | 2,505,000 | 465,879 | 2,983,477 | 3,127,477 |
| Final dividend for the year ended June 30, 2015 @ Rs. 7.50 /- per share | - | - | - | (216,000) | (216,000) | (216,000) |
| Interim dividend for the period ended December 31, 2015 @ Rs. 2.50 /- per share | - | - | - | (72,000) | (72,000) | (72,000) |
| Transfer to general reserve | - | - | 170,000 | (170,000) | - | - |
| Profit after taxation for the year | - | - | - | 739,057 | 739,057 | 739,057 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | 739,057 | 739,057 | 739,057 |
| Balance as at June 30, 2016 | 144,000 | 12,598 | 2,675,000 | 746,936 | 3,434,534 | 3,578,534 |

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

1. THE GROUP AND ITS OPERATIONS

- 1.1 Agriauto Industries Limited (the Holding Company) was incorporated in Pakistan on June 25, 1981 as a public limited company, under the Companies Act, 1913 (now the Companies Ordinance, 1984), and is listed on Pakistan Stock Exchange (formerly Karachi and Lahore Stock Exchanges) since June 1984. The Holding Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors. The registered office of the Holding Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

The Group comprises of the Holding Company and Agriauto Stamping Company (Private) Limited (the Subsidiary Company). The Subsidiary Company was incorporated in Pakistan on January 20, 2012 as a private limited company, under the Companies Ordinance, 1984. The Subsidiary Company is engaged in stamping of sheet metal parts, dies, fixtures primarily for the automotive industry and has commenced its commercial operations on 02 July, 2014. The registered office of the Subsidiary Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) 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.

3. BASIS OF MEASUREMENT

- 3.1 These consolidated financial statements have been prepared under the historical cost convention.
- 3.2 These consolidated financial statements are presented in Pak Rupees which is the Group's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except as described below:

4.1 New / revised standards, interpretations and amendments

The Company has adopted the following revised standards, amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 – Equity Method in Separate Financial Statements
IAS 28 – Investments in Associates and Joint Ventures

The adoption of the above accounting standards did not have any effect on the financial statements.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

4.2 Standards and amendments to approved accounting standards that are not yet effective

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

| Standard or Interpretation | Effective date (accounting periods Beginning on or after) |
|--|--|
| IFRS 2: Share-based Payments – Classification and measurement of Share based Payments Transaction (Amendments) | 01 January 2018 |
| IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities (Amendment) | 01 January 2016 |
| IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment) | 01 January 2016 |
| IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment) | 01 January 2016 |
| IAS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment) | 01 January 2017 |
| IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments) | 01 January 2017 |
| IAS 16 Property, Plant and Equipment and IAS 38 intangible assets – Clarification of Acceptable Method of Depreciation and Amortization (Amendment) | 01 January 2016 |
| IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment) | 01 January 2016 |
| IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment) | 01 January 2016 |

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

| Standard | IASB Effective date (accounting periods Beginning on or after) |
|--|---|
| IFRS 9 – Financial Instruments: Classification and Measurement | 01 January 2018 |
| IFRS 14 – Regulatory Deferral Accounts | 01 January 2016 |
| IFRS 15 – Revenue from Contracts with Customers | 01 January 2018 |
| IFRS 16 – Leases | 01 January 2019 |

5. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Holding Company and its Subsidiary Company for the year ended June 30, 2016.

The Subsidiary Company's assets, liabilities, income and expenses have been consolidated on a line by line basis from the date of its incorporation. The financial statements of the Subsidiary Company are prepared, using accounting policies consistent with those of the Holding Company. All intra-group balances, transaction, gains and losses resulting from intra-group transactions and dividends are eliminated in full.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the consolidated financial statements:

| | Note |
|---|------------------|
| - determining the residual values and useful lives of property, plant and equipment | 6.1 & 7 |
| - valuation of inventories | 6.2, 6.3, 9 & 10 |
| - provision against trade debts | 6.4 & 11 |
| - provision for tax and deferred tax | 6.10, 16 & 27 |
| - warranty obligations | 6.12 & 17.3 |

6.1 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment loss except for freehold land and capital work in progress which are stated at cost.

Depreciation on fixed assets is charged to the profit and loss account applying the reducing balance method at the rates specified in note 7 to the consolidated financial statements. Depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal. Maintenance and normal repairs are charged to profit and loss account as and when incurred, while major renewals and improvements are capitalised. Gains or losses on disposals of fixed assets, if any, are included in consolidated profit and loss account.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

Leasehold land is amortised in equal installments over the lease period.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or related cash-generating units are written down to their recoverable amount.

Depreciation is charged to income on the same basis as for the Group's owned assets.

6.2 Stores, spares and loose tools

These are stated at the lower of cost and Net Realisable Value (NRV) except for goods-in-transit which are stated at invoice price plus other charges incurred thereon upto the date of the balance sheet. Cost is determined on weighted moving average basis.

Stores, spares and loose tools are regularly reviewed by the management and any obsolete items are brought down to their NRV.

6.3 Stock-in-trade

Stock-in-trade, except goods-in-transit, is stated at the lower of NRV and cost determined as follows:

| | | |
|---------------------------|---|--|
| Raw and packing materials | - | Moving average basis. |
| Work-in-process | - | Cost of direct materials plus conversion cost is valued on the basis of equivalent production units. |
| Finished goods | - | Cost of direct materials plus conversion cost is valued on time proportion basis. |

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the balance sheet date.

Stock-in-trade is regularly reviewed by the management and any obsolete items are brought down to their NRV.

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

6.4 Trade debts and other receivables

Trade debts originated by the Group are recognised and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on the management's assessment of customers' outstandings and creditworthiness. Bad debts are written-off as and when identified.

6.5 Investments

Held-to-maturity

Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity.

Gains or losses on held-to-maturity investments are recognised in income when the investments are derecognised or impaired.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

Available-for-sale

Investments which are not classified in the above category and which the management intends to hold for indefinite period, but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

All investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment. Transaction costs in the case of held-for-trading investments are charged to income when incurred. After initial recognition, investments classified as available-for-sale are remeasured at fair values and held-to-maturity investments are measured at amortised cost.

Gains or losses on revaluation of available-for-sale investments are recognised in equity until the investment is sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

6.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term investments with a maturity of three months or less from the date of acquisition net of short-term running finance. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

6.7 Financial instruments

All financial assets and liabilities are recognised at the time when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights under the instruments are realised, expired or surrendered. Financial liabilities are derecognised when the obligation is extinguished, discharged, cancelled or expired. Any gain or loss on recognition or derecognition of the financial assets and financial liabilities is taken to the profit and loss account.

6.8 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

6.9 Employees' benefits

Provident fund

The Group operates a recognised provident fund scheme (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Group's policy. Contributions in respect thereto are made in accordance with the terms of the scheme.

Compensated absences

The Group accounts for these benefits in the period in which the absences are earned.

6.10 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover or Alternate Corporate Tax whichever is higher and tax paid on final tax regime basis. Alternate Corporate Tax is calculated in

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

accordance with the provisions of Section 113C of Income Tax Ordinance. The Subsidiary Company is entitled to tax credit, under Section 65D of the Income Tax Ordinance, 2001 (the Ordinance), equal to 100% of tax payable including minimum tax and final tax arising under any of the provisions of the Ordinance. The above tax credit is available to the Company for five years from the date of commercial production.

Deferred

Deferred tax is provided, proportionate to local sales, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of recognised or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

6.11 Provisions

Provision is recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

6.12 Warranty obligations

The Group recognises the estimated liability to repair or replace products under warranty at the balance sheet date on the basis of historical experience.

6.13 Foreign currency transactions

Transactions denominated in foreign currencies are recorded on initial recognition in Pak. Rupees, by applying to the foreign currency amount the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak. Rupees equivalents using the exchange rate at the balance sheet date. Exchange differences are included in consolidated profit and loss account.

6.14 Revenue recognition

Sales are recorded when goods are dispatched to the customers.

Profit on term deposit receipts is recognised on constant rate of return to maturity.

Profit on deposit accounts is recognised on accrual basis.

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

6.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

6.16 Research and development costs

Research and development costs are expensed as incurred, except for development costs that relate to the design of new or improved products which are recognised as an asset to the extent that it is expected that such asset will meet the recognition criteria mentioned in IAS – 38 “Intangible Assets”.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

6.17 Dividends and appropriation to reserve

Dividend and appropriation to reserve are recognised in the consolidated financial statements in the period in which these are approved.

7. PROPERTY, PLANT AND EQUIPMENT

Operating assets – tangible
Capital work-in-progress

| | | |
|-------------|-------------------------|-------------|
| | 2016 | 2015 |
| Note | ----- Rupees '000 ----- | ----- |

| | | |
|-----|-------------------------|------------------|
| 7.1 | 1,436,495 | 1,314,818 |
| 7.4 | 87,639 | 1,093 |
| | <u>1,524,134</u> | <u>1,315,911</u> |

7.1 Operating assets - tangible

| | C O S T | | | Depreciation rate | ACCUMULATED DEPRECIATION | | | | WRITTEN DOWN VALUE |
|----------------------------|-------------------------|-------------------------------|-------------------------|-------------------|--------------------------|-----------------------|------------------------|-----------------------|-------------------------|
| | As at July 01, 2015 | Additions/ (disposals) | As at June 30, 2016 | | As at July 01, 2015 | Charge for the Year | Disposals for the Year | As at June 30, 2016 | As at June 30, 2016 |
| | ----- Rupees '000 ----- | | | % | ----- Rupees '000 ----- | | | | ----- |
| Owned | | | | | | | | | |
| Freehold land | 1,652 | - | 1,652 | - | - | - | - | - | 1,652 |
| Leasehold land | 29,418 | - | 29,418 | 1.79 | 1,576 | 525 | - | 2,101 | 27,317 |
| Building on freehold land | 160,815 | 22,142 | 182,957 | 10 | 67,423 | 9,855 | - | 77,278 | 105,679 |
| Building on leasehold land | 308,883 | 1,095 | 309,978 | 10 | 30,798 | 27,845 | - | 58,643 | 251,335 |
| Plant and machinery | 1,224,528 | 205,999 (3,567) | 1,426,960 | 10 – 20 | 389,953 | 94,851 | (2,435) | 482,369 | 944,591 |
| Furniture and fittings | 16,513 | 2,097 | 18,610 | 15 | 5,632 | 1,407 | - | 7,039 | 11,571 |
| Vehicles | 76,923 | 14,124 (5,964) | 85,083 | 20 | 35,178 | 10,407 | (3,550) | 42,035 | 43,048 |
| Office equipment | 5,973 | 830 | 6,803 | 20 | 2,253 | 584 | - | 2,837 | 3,966 |
| Computer equipment | 35,739 | 1,604 (62) | 37,281 | 33 | 24,108 | 4,047 | (25) | 28,130 | 9,151 |
| Dies and tools | 37,891 | 36,252 | 74,143 | 40 | 26,596 | 9,362 | - | 35,958 | 38,185 |
| 2016 | <u>1,898,335</u> | <u>284,143 (9,593)</u> | <u>2,172,885</u> | | <u>583,517</u> | <u>158,883</u> | <u>(6,010)</u> | <u>736,390</u> | <u>1,436,495</u> |

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

| | C O S T | | | Depreciation rate | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|----------------------------|-------------------------|-------------------------|---------------------|-------------------|--------------------------|-------------------------|------------------------|---------------------|
| | As at July 01, 2014 | Additions/ (disposals) | As at June 30, 2015 | | As at July 01, 2014 | Charge for the Year | Disposals for the Year | As at June 30, 2015 |
| | ----- Rupees '000 ----- | | | % | ----- Rupees '000 ----- | | | |
| Owned | | | | | | | | |
| Freehold land | 1,652 | - | 1,652 | - | - | - | - | 1,652 |
| Leasehold land | 29,418 | - | 29,418 | 1.79 | 1,051 | 525 | 1576 | 27,842 |
| Building on freehold land | 127,410 | 33,405 | 160,815 | 10 | 60,449 | 6,974 | 67,423 | 93,392 |
| Building on leasehold land | - | 308,883 | 308,883 | 10 | - | 30,798 | 30,798 | 278,085 |
| Plant and machinery | 748,668 | 487,046 (11,186) | 1,224,528 | 10 – 20 | 305,924 | 93,143 (9,114) | 389,953 | 834,575 |
| Furniture and fittings | 8,442 | 8,106 (35) | 16,513 | 15 | 4,369 | 1,297 (34) | 5,632 | 10,881 |
| Vehicles | 58,999 | 20,420 (2,496) | 76,923 | 20 | 28,467 | 7,685 (974) | 35,178 | 41,745 |
| Office equipment | 3,225 | 2,847 (99) | 5,973 | 20 | 1,802 | 547 (96) | 2,253 | 3,720 |
| Computer equipment | 27,553 | 8,901 (715) | 35,739 | 33 | 19,698 | 5,079 (669) | 24,108 | 11,631 |
| Dies and tools | 35,381 | 2,510 | 37,891 | 40 | 20,193 | 6,403 | 26,596 | 11,295 |
| 2015 | 1,040,748 | 872,118 (14,531) | 1,898,335 | | 441,953 | 152,451 (10,887) | 583,517 | 1,314,818 |

7.2 Depreciation charge for the year has been allocated as follows :

Cost of sales
Distribution costs
Administrative expenses

Note **2016** **2015**
----- Rupees '000 -----

| | | |
|----|----------------|----------------|
| 21 | 145,926 | 140,922 |
| 22 | 2,285 | 1,563 |
| 23 | 10,672 | 9,966 |
| | 158,883 | 152,451 |

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

7.3 The following property, plant and equipment were disposed off during the year:

| Particulars | Cost | Accumulated Depreciation | Book value | Sales proceeds | Gain/ (loss) | Mode of Disposal | Particulars of buyer |
|---|---------------|-----------------------------|---------------|-------------------|-----------------|---------------------|----------------------------------|
| | | | | | | | |
| Plant and machinery / Dies and tools | | | | | | | |
| Plant, machinery & equipment | 3,567 | 2,435 | 1,132 | 1,175 | 43 | Auction | Pioneer Auctioneers |
| Computer equipment | | | | | | | |
| Computers & printers | 62 | 25 | 37 | 40 | 3 | Negotiation | Mr. Nadeem Athar |
| Vehicles | | | | | | | |
| Toyota Corolla | 1,283 | 782 | 501 | 528 | 27 | Company Policy | Mr. Fahim Kapadia –CEO |
| Toyota Corolla | 1,426 | 989 | 437 | 756 | 319 | Company Policy | Mr. Aslam Khan (Employee) |
| Suzuki Alto | 712 | 407 | 305 | 565 | 260 | Negotiation | Mr. Saeed Ahmed |
| Suzuki Cultus | 970 | 513 | 457 | 633 | 176 | Company Policy | Mr. Hassan M. Khan (Employee) |
| Suzuki Cultus | 830 | 622 | 208 | 401 | 193 | Company Policy | Mr. Tanveer ul Hassan (Employee) |
| Suzuki Mehran | 673 | 213 | 460 | 500 | 40 | Negotiation | Mr. Wajahat Ahmed Bhutto |
| Honda CD-70 | 70 | 24 | 46 | 60 | 14 | Insurance Claim | Habib Insurance Co. |
| | 5,964 | 3,550 | 2,414 | 3,443 | 1,029 | | |
| 2016 | <u>9,593</u> | <u>6,010</u> | <u>3,583</u> | <u>4,658</u> | <u>1,075</u> | | |
| 2015 | <u>14,531</u> | <u>10,887</u> | <u>3,644</u> | <u>2,893</u> | <u>(751)</u> | | |

Plant and machinery Civil works Total

(Rs. in 000')

7.4 Capital work-in-progress

Balance as at July 01, 2015

1,093 - 1,093

Capital expenditure incurred /

advances made during the year

150,994 59,927 210,921

Transfer to operating assets during the year

(103,659) (20,716) (124,375)

Balance as at June 30, 2016

48,428 39,211 87,639

Note 2016 2015
----- Rupees '000 -----

8. LONG TERM DEPOSITS

Security deposits – considered good

8.1 13,018 13,018

8.1 Represents interest free deposits.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

| | 2016 | 2015 |
|--|-------------------------|---------|
| Note | ----- Rupees '000 ----- | |
| 9. STORES, SPARES AND LOOSE TOOLS | | |
| Stores | 26,700 | 23,022 |
| Spares | 24,734 | 27,315 |
| Loose tools | 4,490 | 4,958 |
| | 55,924 | 55,295 |
| 10. STOCK-IN-TRADE | | |
| Raw material | 680,899 | 636,619 |
| Packing material | 3,956 | 6,077 |
| Work-in-process | 51,475 | 89,976 |
| Finished goods | 36,007 | 31,157 |
| Goods-in-transit | 174,787 | 135,508 |
| | 947,124 | 899,337 |

10.1 The amount of stock-in-trade written down to NRV was Rs. 3.244 million (2015: Rs. 2.921million).

| | 2016 | 2015 |
|---|-------------------------|---------|
| Note | ----- Rupees '000 ----- | |
| 11. TRADE DEBTS – unsecured | | |
| Considered good | 447,410 | 558,583 |
| Considered doubtful | 318 | 445 |
| Provision for impairment | (318) | (445) |
| | 447,410 | 558,583 |
| 11.1 Reconciliation of provision for impairment is as follows: | | |
| Balance at the beginning of the year | | |
| Reversal for the year | 445 | 1,526 |
| Write-offs during the year | (17) | (1,060) |
| Balance at the end of the year | (110) | (21) |
| | 318 | 445 |

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

| | 2016 | 2015 |
|--|-------------------------|---------------|
| Note | ----- Rupees '000 ----- | |
| 12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | |
| Advances – unsecured, considered good | | |
| Suppliers | 2,326 | 1,880 |
| Contractors | 1,860 | 1,245 |
| Employees | 1,090 | 143 |
| | <u>5,276</u> | <u>3,268</u> |
| Deposits | 215 | 215 |
| Prepayments | | |
| Insurance | 3,588 | 2,276 |
| Rent | 2,308 | 726 |
| | <u>5,896</u> | <u>3,002</u> |
| Other receivables – unsecured, considered good | | |
| Others | 12 | 3,691 |
| | <u>11,399</u> | <u>10,176</u> |

12.1 These advances, trade deposits and other receivables are interest free.

| | 2016 | 2015 |
|-----------------------------------|-------------------------|----------------|
| Note | ----- Rupees '000 ----- | |
| 13. SHORT TERM INVESTMENTS | | |
| Held- to- maturity | 535,000 | 390,000 |
| Term deposit receipts | 1,356 | 524 |
| Accrued profit thereon | <u>536,356</u> | <u>390,524</u> |

13.1 Represents one to three month term deposit receipts with a commercial bank under conventional banking relationship carrying profit rate ranging from 5.35% to 6.15% (2015: 6.6%) per annum and will mature by 27 September 2016. (Conventional banking)

| | 2016 | 2015 |
|-----------------------------------|-------------------------|----------------|
| Note | ----- Rupees '000 ----- | |
| 14. CASH AND BANK BALANCES | | |
| In hand | 114 | 65 |
| With banks in | | |
| - current accounts | 14.1 110,608 | 117,862 |
| - deposit accounts | 14.2 218,480 | 213,964 |
| | <u>329,088</u> | <u>331,826</u> |
| | <u>329,202</u> | <u>331,891</u> |

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

14.1 These carry profit rates ranging from 4% to 4.75% (2015: 5.5% to 6%) per annum.

14.2 Bank balances with deposits and saving accounts are placed under interest / mark-up arrangements. The Company has conventional banking relationships with all the banks.

| | 2016 | 2015 |
|------|-------------|-------|
| Note | ----- | ----- |
| | Rupees '000 | |

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 5/- each

| Number of shares in ('000') | | | | |
|-----------------------------|---------------|-----------------------------------|----------------|----------------|
| 2016 | 2015 | | 2016 | 2015 |
| 22,800 | 22,800 | Fully paid in cash | 114,000 | 114,000 |
| 6,000 | 6,000 | Issued as fully paid bonus shares | 30,000 | 30,000 |
| <u>28,800</u> | <u>28,800</u> | | <u>144,000</u> | <u>144,000</u> |

15.1 Related parties held 2,115,600 (2015: 2,115,600) Ordinary shares of Rs. 5/- each in the Holding Company at year end.

| | 2016 | 2015 |
|------|-------------|-------|
| Note | ----- | ----- |
| | Rupees '000 | |

16. DEFERRED TAXATION

Taxable temporary differences arising due to:
- accelerated tax depreciation

88,493 87,640

Deductible temporary differences arising due to:
- provisions

(47,089) (32,863)

41,404 54,777

17. TRADE AND OTHER PAYABLES

| | | | |
|------------------------------------|------|----------------|----------------|
| Creditors | | 90,990 | 98,817 |
| Royalty payable | | 32,602 | 20,333 |
| Accrued liabilities | | 184,130 | 174,909 |
| Advance from customers | | 63 | 3,004 |
| Payable to provident fund | 17.1 | 1,706 | 1,468 |
| Workers' Profit Participation Fund | 17.2 | 8,031 | 4,161 |
| Workers' Welfare Fund | | 21,613 | 16,609 |
| Warranty obligations | 17.3 | 44,562 | 27,485 |
| Unclaimed dividends | | 18,412 | 14,025 |
| Guarantee bond payable | 17.4 | 16,227 | 1,111 |
| Tax deducted at source | | 1,404 | 2,707 |
| Retention money | | 1,105 | 714 |
| Others | | 2,269 | 1,553 |
| | | <u>423,114</u> | <u>366,896</u> |

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

| | Note | 2016 ----- (Unaudited) ----- | 2015 |
|---------------------------------|--------|---------------------------------|---------|
| 17.1 General Disclosures | | | |
| Size of the fund | | 182,645 | 166,231 |
| Cost of investments | | 146,853 | 114,830 |
| Fair value of investments | 17.1.1 | 170,518 | 155,162 |
| Percentage of investments | | 94% | 93.28% |

17.1.1 The breakup of fair value of investments is:

| | 2016 ----- (Unaudited) ----- --- Rupees '000 --- % | | 2015 ----- (Unaudited) ----- --- Rupees '000 --- % | |
|-----------------------------|--|------------|--|---------------|
| Special Saving Certificates | 87,684 | 49% | 122,712 | 74% |
| Pakistan Investment Bond | 19,582 | 11% | - | - |
| Term Finance Certificates | 20,664 | 11% | 10,609 | 6% |
| Mutual fund units | 6,666 | 4% | 6,123 | 4% |
| Shares in listed companies | 3,272 | 2% | 3,427 | 2% |
| Bank balance | 32,650 | 18% | 11,828 | 7% |
| Others | - | - | 463 | 0.28% |
| Total | <u>170,518</u> | <u>94%</u> | <u>155,162</u> | <u>93.28%</u> |

17.1.2 Investments of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

| | Note | 2016 ----- Rupees '000 ----- | 2015 |
|--|------|---------------------------------|--------------|
| 17.2 Workers' Profit Participation Fund | | | |
| Balance at the beginning of the year | | 4,161 | (10,123) |
| Allocation for the year | 24 | 52,016 | 42,661 |
| | | 56,171 | 32,538 |
| Less: Payment made during the year | | (48,146) | (28,377) |
| Balance at end of the year | | <u>8,031</u> | <u>4,161</u> |

17.3 Warranty obligations

| | | | |
|--------------------------------------|----|---------------|---------------|
| Balance at the beginning of the year | | 27,485 | 18,277 |
| Provision for the year | 22 | 39,444 | 14,083 |
| | | 66,929 | 32,360 |
| Less: Claims paid during the year | | (22,367) | (4,875) |
| Balance at end of the year | | <u>44,562</u> | <u>27,485</u> |

17.4 The Group has provided bank guarantees to Collector of Customs as a security against the import duty.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

| | | 2016 | 2015 |
|--|------|-------------------------|---------|
| | Note | ----- Rupees '000 ----- | |
| 18. SHORT TERM BORROWINGS – unsecured | | | |
| Running finance under markup arrangements | 18.1 | - | 111,609 |

18.1 The aggregate facilities for short term running finance available from Habib Bank Limited as of June 30, 2016 amounted to Rs. 120 (2015: Rs. 120 million), of which Rs. 120 (2015: Rs. 8,391 million) remained unutilized at year end. These facilities are secured against hypothecation of current assets of the Company. These facilities carry the rate of mark up at 1 month KIBOR plus 0.75% per annum, payable quarterly.

19. COMMITMENTS

- (i) Commitments in respect of outstanding letters of credit for raw material amount to Rs. 488.76 million (2015: Rs. 387.954 million).
- (ii) Commitments in respect of capital expenditure amount to Rs. 86.886 million (2015: Rs. 8.235 million).
- (iii) Outstanding bank guarantees issued to Sui Southern Gas Company Limited amounts to Rs. 0.385 million (2015: Rs. 0.385 million).

| | | 2016 | 2015 |
|---------------------------|------|-------------------------|-----------|
| | Note | ----- Rupees '000 ----- | |
| 20. TURNOVER – net | | | |
| Sales | | 8,354,907 | 6,596,589 |
| Less: Trade discount | | 163 | 134 |
| Sales tax | | 1,217,630 | 960,860 |
| | | 1,217,793 | 960,994 |
| | | 7,137,114 | 5,635,595 |

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

| | | 2016 | 2015 |
|---|------|-------------------------|------------------|
| | Note | ----- Rupees '000 ----- | |
| 21. COST OF SALES | | | |
| Raw material consumed | | | |
| Opening stock | | 636,619 | 326,267 |
| Purchases | | 4,651,633 | 3,974,705 |
| | | <u>5,288,252</u> | <u>4,300,972</u> |
| Closing stock | 10 | <u>(680,899)</u> | <u>(636,619)</u> |
| | | <u>4,607,353</u> | <u>3,664,353</u> |
| Manufacturing expenses | | | |
| Salaries, wages and benefits | | 401,830 | 320,227 |
| Stores, spares and loose tools consumed | | 171,020 | 144,686 |
| Packing material consumed | | 25,818 | 20,958 |
| Fuel and power | | 108,830 | 104,079 |
| Transportation and traveling | | 88,676 | 71,644 |
| Depreciation | 7.2 | 145,926 | 140,922 |
| Repairs and maintenance | | 75,467 | 72,893 |
| Royalty and technical fees | | 126,761 | 61,447 |
| Research and development costs | | 5,126 | 560 |
| Communications and professional fees | | 2,972 | 1,739 |
| Printing and stationery | | 1,982 | 927 |
| Insurance | | 3,648 | 3,886 |
| Rent, rates and taxes | | 7,424 | 6,728 |
| Others | | 4,372 | 4,114 |
| | | <u>1,169,852</u> | <u>954,810</u> |
| Work-in-process | | | |
| Opening stock | | 89,976 | 46,291 |
| Closing stock | 10 | <u>(51,475)</u> | <u>(89,976)</u> |
| | | <u>38,501</u> | <u>(43,685)</u> |
| Cost of goods manufactured | | | |
| | | <u>5,815,706</u> | <u>4,575,478</u> |
| Finished goods | | | |
| Opening stock | | 31,157 | 17,197 |
| Closing stock | 10 | <u>(36,007)</u> | <u>(31,157)</u> |
| | | <u>(4,850)</u> | <u>(13,960)</u> |
| | | <u>5,810,856</u> | <u>4,561,518</u> |
| 22. DISTRIBUTION COSTS | | | |
| Salaries and benefits | | 13,075 | 14,325 |
| Advertisement and sales promotion | | 31,888 | 23,242 |
| Carriage and forwarding | | 33,843 | 30,372 |
| Traveling and conveyance | | 4,161 | 3,506 |
| Depreciation | 7.2 | 2,285 | 1,563 |
| Provision for warranty claims | 17.3 | 39,444 | 14,083 |
| Reversal for impairment of trade debts | 11.1 | (17) | (1,060) |
| Rent, rates and taxes | | 164 | - |
| Communications and professional fee | | 237 | 258 |
| Insurance | | 1,770 | 964 |
| Repairs and maintenance | | 598 | 444 |
| Others | | 810 | 393 |
| | | <u>128,258</u> | <u>88,090</u> |

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

| | | 2016 | 2015 |
|-------------------------------------|------|-------------------------|----------------|
| | Note | ----- Rupees '000 ----- | |
| 23. ADMINISTRATIVE EXPENSES | | | |
| Salaries and benefits | | 62,154 | 61,221 |
| Legal and professional charges | | 49,376 | 37,364 |
| Repairs and maintenance | | 10,464 | 7,943 |
| Depreciation | 7.2 | 10,672 | 9,966 |
| Printing and stationery | | 1,852 | 1,272 |
| Rent, rates and taxes | | 756 | 3,478 |
| Traveling and conveyance | | 19,033 | 15,393 |
| Communications and professional fee | | 5,469 | 4,123 |
| Utilities | | 1,513 | 1,529 |
| Security services | | 10,177 | 5,772 |
| Insurance | | 1,111 | 1,043 |
| Auditors' remuneration | 23.1 | 1,521 | 1,366 |
| Advertisement | | 1,902 | 1,479 |
| Others | | 1,143 | 1,197 |
| | | <u>177,143</u> | <u>153,146</u> |

23.1 Auditors' remuneration

| | | |
|--|--------------|--------------|
| Audit fee for standalone financial statements | 950 | 910 |
| Audit fee for consolidated financial statements | 145 | 138 |
| Fee for review of half yearly financial statements | 120 | 66 |
| Other certifications | 172 | 135 |
| Out of pocket expenses | 134 | 117 |
| | <u>1,521</u> | <u>1,366</u> |

24. OTHER EXPENSES

| | | | |
|------------------------------------|------|---------------|---------------|
| Workers' Profit Participation Fund | 17.2 | 52,016 | 42,661 |
| Workers' Welfare Fund | | 20,377 | 16,609 |
| Donations | 24.1 | 9,739 | 8,983 |
| | | <u>82,132</u> | <u>68,253</u> |

24.1 Donations include the following donee in whom director or spouse have interest:

| Name of Donee | Address of Donee | Name of Director | 2016 | 2015 |
|--------------------------------|-------------------------------|---------------------|-------------------------|------|
| | | | ----- Rupees '000 ----- | |
| RCKD Foundation Endowment Fund | 15-H, Block VI, PECHS Karachi | Mr. Sohail P. Ahmed | 225 | - |

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

| | | 2016 | 2015 |
|--|------|-------------------------|---------------|
| | Note | ----- Rupees '000 ----- | |
| 25. OTHER INCOME | | | |
| Income from financial assets | | | |
| Profit on: | | | |
| - term deposit receipts | 25.1 | 13,422 | 21,397 |
| - deposit accounts | 25.2 | 10,701 | 11,150 |
| | | <u>24,123</u> | <u>32,547</u> |
| Liabilities no longer payable - written back | | 643 | 62 |
| Income from non-financial assets | | | |
| Gain / (loss) on disposal of property, plant and equipment | 7.3 | 1,075 | (751) |
| Scrap sales | | 4,213 | 4,876 |
| Miscellaneous income | | 2,844 | 1,312 |
| | | <u>8,132</u> | <u>5,437</u> |
| | | <u>32,898</u> | <u>38,046</u> |

25.1 Represents profit on term deposit receipts with a commercial bank under conventional banking relationship.

25.2 Represents markup on bank accounts under conventional banking relationship.

| | | 2016 | 2015 |
|---------------------------------------|--|-------------------------|----------------|
| | | ----- Rupees '000 ----- | |
| 26. FINANCE COSTS | | | |
| Discounting charges on receivables | | 1,797 | 4,117 |
| Mark-up on short term running finance | | 1,401 | 4,135 |
| Bank charges | | 500 | 424 |
| | | <u>3,698</u> | <u>8,676</u> |
| 27. TAXATION | | | |
| Current | | 219,007 | 232,791 |
| Prior | | 917 | (773) |
| Super tax | | 22,317 | 22,598 |
| Deferred | | (13,373) | (6,278) |
| | | <u>228,868</u> | <u>248,338</u> |

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

| | 2016 | 2015 |
|--|-------------------------|----------------|
| | ----- Rupees '000 ----- | |
| 27.1 Relationship between tax expense and accounting profit | | |
| Profit before taxation | 967,925 | 793,958 |
| Tax at the rate of 32% (2015: 33%) | 309,736 | 262,006 |
| Tax effects of: | | |
| Expenses that are admissible in determining taxable profit | 9,779 | 6,553 |
| Effects of previous years tax charge | 917 | (773) |
| Tax rebates | (19,038) | (15,784) |
| Effect of change in tax rate | (2,314) | 233 |
| Deferred | (92,529) | (26,495) |
| Super tax | 22,317 | 22,598 |
| | <u>228,868</u> | <u>248,338</u> |

27.2 As at the year end, there is a deferred tax liability of Rs. 71.730 million (2015: Rs. 7.426 million) in the Subsidiary Company which has not been recognized in these consolidated financial statements as the Subsidiary Company has opted for tax credit for a period of five years as provided under Section 65 D of the Income Tax Ordinance, 2001.

28. EARNINGS PER SHARE – basic and diluted

There is no dilutive effect on the basic earnings per share of the Group, which is based on:

| | 2016 | 2015 |
|--|-------------------------|---------|
| | ----- Rupees '000 ----- | |
| Profit after taxation (Rs. in 000') | 739,057 | 545,620 |
| Weighted average number of ordinary shares outstanding during the year (in 000') | 28,800 | 28,800 |
| Basic earnings per share (Rs.) | 25.66 | 18.95 |

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

| | | 2016 | 2015 |
|--|------|-------------------------|-----------|
| | Note | ----- Rupees '000 ----- | |
| 29. CASH GENERATED FROM OPERATIONS | | | |
| Profit before taxation | | 967,925 | 793,958 |
| Adjustments for | | 158,883 | 152,451 |
| Depreciation | | 3,698 | 4,559 |
| Finance costs | | (17) | (1,060) |
| Reversal for impairment of trade debts | | (643) | (62) |
| Liabilities no longer payable - written back | | (13,422) | (21,397) |
| Profit on term deposit receipts | | (10,700) | (11,150) |
| Profit on deposit accounts | | (1,075) | 751 |
| (Gain) / loss on disposal of property, plant and equipment | | 136,724 | 124,092 |
| | | 1,104,649 | 918,050 |
| Decrease / (increase) in current assets | | | |
| Stores, spares and loose tools | | (630) | (7,069) |
| Stock-in-trade | | (47,787) | (378,272) |
| Trade debts | | 114,604 | (316,746) |
| Advances, deposits, prepayments and other receivables | | (1,221) | 59,264 |
| Sales tax refundable | | (10,027) | - |
| | | 54,939 | (642,823) |
| Increase in current liabilities | | | |
| Trade and other payables | | 48,993 | 76,343 |
| Sales tax payable | | - | 4,228 |
| | | 48,993 | 80,571 |
| | | 1,208,581 | 355,798 |
| 30. CASH AND CASH EQUIVALENTS | | | |
| Short term investments – term deposit receipts | 13 | 535,000 | 390,000 |
| Cash and bank balances | 14 | 329,202 | 331,891 |
| Short-term running finance | 18 | - | (111,609) |
| | | 864,202 | 610,282 |
| 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES | | | |
| The main risks arising from the Group's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below: | | | |
| 31.1 Market risk | | | |
| Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates. | | | |
| (i) Interest rate risk | | | |
| Interest rate risk is the risk that the value of financial instrument will fluctuate due to the changes in market interest rates. The Group is exposed to interest rate risk in respect of bank deposits, term deposit receipts and investment in income based mutual funds. Management of the Group estimates that 1% increase in the market interest rate, with all other factor remaining constant, would increase the Group's profit after tax by Rs. 6.148 million (2015: Rs. 4.365 million) and a 1% decrease would result in the decrease in the Group's profit after tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis. | | | |

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2016, the Group does not have any financial assets or financial liabilities which are denominated in foreign currencies.

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises 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 indicates the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group is mainly exposed to credit risk mainly on trade debts, short term investments and bank balances. The Group seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

| | 2016 | 2015 |
|--|-------------------------|----------------|
| | ----- Rupees '000 ----- | |
| Trade debts | | |
| The analysis of trade debts is as follows: | | |
| Neither past due nor impaired | 348,031 | 429,237 |
| Past due but not impaired – 30 to 90 days | 99,379 | 129,346 |
| | <u>447,410</u> | <u>558,583</u> |
| Bank balances | | |
| Ratings | | |
| A-1+ | 85,719 | 53,020 |
| A1+ | 243,154 | 278,591 |
| P1 | 215 | 215 |
| | <u>329,088</u> | <u>331,826</u> |
| Short term investments | | |
| Ratings | | |
| A1+ | 535,000 | 390,000 |
| | <u>535,000</u> | <u>390,000</u> |

31.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management of the Group believes that it is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Group on the basis of expected cashflow considering the level of liquid assets necessary to mitigate the liquidity risk.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

| | 2016 | | | |
|--------------------------|------------------------------|--------------------|----------------|---------|
| | On demand | Less than 3 months | 3 to 12 Months | Total |
| | ----- (Rupees in '000) ----- | | | |
| Trade and other payables | 167,701 | 233,800 | 21,613 | 423,114 |

| | 2015 | | | |
|--------------------------|------------------------------|--------------------|----------------|---------|
| | On demand | Less than 3 months | 3 to 12 Months | Total |
| | ----- (Rupees in '000) ----- | | | |
| Trade and other payables | 110,273 | 241,250 | 15,373 | 366,896 |

32. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard the Group's ability to continue to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is currently financing majority of its operations through equity and working capital. The capital structure of the Group is equity based with no financing through long term borrowings.

33. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group comprise companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than disclosed elsewhere in the consolidated financial statements, are as follows:

| | 2016 | 2015 |
|------------------------------------|-------------------------|-------|
| | ----- Rupees '000 ----- | |
| Purchase of goods | 1,681 | 1,096 |
| Contribution to the Provident Fund | 7,427 | 6,374 |

The receivable/payable balances with related parties as at June 30, 2016 are disclosed in the respective notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

34. REMUNERATION OF THE CHAIRMAN, CHIEF EXECUTIVE AND EXECUTIVES

34.1 Aggregate amounts charged in the consolidated financial statements are as follows:

| | 2016 | | | 2015 | | |
|-------------------------|------------------------------|-----------|------------|----------|-----------|------------|
| | Chief | | | Chief | | |
| | Chairman | Executive | Executives | Chairman | Executive | Executives |
| | ----- (Rupees in '000) ----- | | | | | |
| Managerial remuneration | - | 13,650 | 78,323 | 7,353 | 13,125 | 52,799 |
| Retirement benefits | - | 540 | 2,509 | - | 521 | 2,455 |
| Utilities | - | 158 | 322 | 316 | 92 | 269 |
| Medical expenses | - | 60 | 869 | 100 | 54 | 717 |
| Leave encashment | - | - | 24 | - | - | - |
| | - | 14,408 | 82,047 | 7,769 | 13,792 | 56,240 |
| Number of persons | 1 | 1 | 35 | 1 | 1 | 25 |

34.2 The Chairman, Chief Executive and certain Executives are also provided with free use of Group maintained vehicles in accordance with the Group's policy. The Chairman remuneration is only for the period he was acting as an executive.

35. PRODUCTION CAPACITY

The production capacity of the Group cannot be determined as this depends on the relative proportions of various types of vehicles and agricultural tractors produced by OEMs.

36. UNUTILIZED CREDIT FACILITIES

As of the balance sheet date, the Group has unutilized facilities for short term running finance available from various banks amounted to Rs. 160 million (2015: Rs. 160 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25% (2015: 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25%). The facilities are secured by way of pari passu hypothecation of Group's stock-in-trade, stores, spares, loose tools and trade debts.

37. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

37.1 The Board of Directors in its meeting held on August 29, 2016(i) approved the transfer of Rs.300 million from unappropriated profit to general reserve and (ii) proposed cash dividend of Rs. 6.25 per share for the year ended June 30, 2016 amounting to Rs. 180 million for approval of the members at the Annual General Meeting to be held on September 29, 2016.

37.2 The Finance Act, 2015 introduced a tax on every public company at the rate of 10% of such undistributed reserves which exceeds the amount of its paid up capital. However, this tax shall not apply in case of a public company which distribute cash dividend equal to at least either 40% of its after tax profits or 50% of its paid up capital, within the prescribed time after the end of the relevant tax year.

Based on the fact that the Board of Directors of the Holding Company has proposed 10 % dividend for the financial and tax year 2016 which exceeds the prescribed minimum dividend requirement as aforesaid. The Holding Company believes that it would not eventually be liable to pay tax on its undistributed reserves as of 30 June 2016.

38. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 262 (2015: 253) and the average number of persons employed during the year were 255 (2015: 253).

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

39. INFORMATION ABOUT OPERATING SEGMENTS

The activities of the Group are organized into one operating segment i.e. manufacture and sale of automotive parts. The Group operates in the said reportable operating segment based on the nature of products, risks and returns, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these financial statements relates to the Group's only reportable segment.

The operating interests of the Group are confined to Pakistan in terms of production areas and customers. Accordingly, the figures reported in these consolidated financial statements relate to the Group's only reportable operating segment in Pakistan.

Of the Company's sale, two customers account for more than 10% each.

40. GENERAL

Figures have been rounded off to the nearest thousands.

41. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on August 29, 2016 by the Board of Directors of the Holding Company.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive