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 **MILLAT EQUIPMENT LIMITED**





# Vision

Aspired to reach and sustain at ultimate heights of value and excellence in engineering.



# Mission

To be a preferred choice for customers and suppliers, competing in the domestic and overseas markets by continuously delivering value on a long term basis through a high performance team driven by innovation and adherence to Health, Safety and Environmental standards benefiting all stake holders.



## Company Information

### BOARD OF DIRECTORS

Sikandar Mustafa Khan (Chairman)  
Ahsan Imran Shaikh (Chief Executive)  
Latif Khalid Hashmi  
Sohail Bashir Rana  
Laeq Uddin Ansari  
Mian Muhammad Saleem  
Syed Muhammad Irfan Aqueel

### BOARD AUDIT COMMITTEE

Latif Khalid Hashmi  
Laeq Uddin Ansari  
Sohail Bashir Rana

### COMPANY SECRETARY

Mian Muhammad Saleem

### CHIEF FINANCIAL OFFICER

Mudassar Siddique - ACA

### AUDITORS

A.F. Ferguson & Co.  
Chartered Accountants

### LEGAL ADVISORS

Mujtaba Jamal Law Associates  
Advocate & Legal Consultants



**MILLAT EQUIPMENT LIMITED**



**REGISTERED ADDRESS**

8.8 km Lahore Sheikhpura Road,  
Shahdara, Lahore.

**WEBSITE**

[www.millatgears.com](http://www.millatgears.com)

**EMAIL ADDRESS**

[info@millatgears.com](mailto:info@millatgears.com)

**PLANT SITE**

10 km Raiwind Road, Lahore

**PRINCIPAL BANKERS**

Habib Bank Limited  
MCB Bank Limited  
United Bank Limited  
Faysal Bank Limited  
Meezan Bank Limited



## Notice of Annual General Meeting

Notice is hereby given that 24th Annual General Meeting of Millat Equipment Limited will be held at the Registered Office of the Company at 8.8 km Sheikhpura Road, Shahdara, Lahore, on Thursday, October 27, 2016 at 04:00 p.m. to transact the following business:

### A. ORDINARY BUSINESS

- 1) To confirm minutes of 23rd Annual General Meeting held on October 27, 2015.
- 2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2016 together with the Directors' and Auditors' Reports thereon.
- 3) To approve final cash dividend of Rs. 10.00 per share i.e. 100%.
- 4) To appoint auditors and fix their remuneration for the year ending June 30, 2017.

### B. ANY OTHER BUSINESS

To transact any other business with the permission of the Chair.

Lahore:  
October 06, 2016

BY ORDER OF THE BOARD

Mian Muhammad Saleem  
(Company Secretary)



## NOTES

1. The share transfer books of the Company will remain closed from October 20, 2016 to October 27, 2016 (both days inclusive) and no transfer will be accepted during this period. Transfers received, complete in all respect by the close of business on October 19, 2016 will be considered in time for the purpose of payment of final cash dividend and for the purpose of attending and voting at the meeting.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.
3. Shareholders are requested to notify the change of address, if any, immediately and submit, if applicable, the CZ-50 Form (for non deduction of Zakat) to the Company at 10 km Raiwind Road, Lahore. This will assist in prompt receipt of Dividend.
4. As per directive of Securities and Exchange Commission of Pakistan (SECP) contained in SRO No. 831(I) / 2012 dated July 05, 2012 read with SRO No. 19 (I) / 2014 dated January 10, 2014, the dividend warrants should bear the Computerized National Identity Card (CNIC) numbers of the registered members or the authorized person except in the case of minor(s) and corporate members. CNIC numbers of the members are, therefore, mandatory for the issuance of future dividend warrants and in the absence of such information, payment of dividend may be withheld. Therefore, the members who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) to the Company.



5. The Government of Pakistan through Finance Act, 2016 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These rates are as follows:

- (a) For filers of income tax returns 12.5%
- (b) For non-filers of income tax returns 20%

To enable the Company to make tax deduction from cash dividend @12.5% instead of 20%, all the shareholders whose names are not entered in the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend will be deducted @20% instead of 12.5%.

For shareholders holding their shares jointly, as per the clarification issued by the Federal Board of Revenue, withholding tax will be determined separately on 'Filer/Non-Filer' status of principal shareholder as well as joint holder(s) based on their shareholding proportions, in case of joint accounts. Therefore all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint holder(s) in respect of shares held by them to the Company as follows:

Company Name	Folio #	Total Shares	Principal shareholder		Joint shareholder	
			Name and CNIC #	Shareholding Proportion (# of Shares)	Name and CNIC #	Shareholding Proportion (# of Shares)

The above required information must be provided to the Company Secretary, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint holder(s).

For any further query / problem / information, the investors may contact the Company Representative at 10 km Raiwind Road, Lahore. (Phone: +92-42-35323212-17, Mobile: +92-301-8484412-13 & +92-301-8484918-19, E-mail address: info@millatgears.com, Fax: +92-42-35322714).

6. The Securities and Exchange Commission of Pakistan vide SRO 787(1)/2014 dated September 08, 2014 has allowed companies to circulate annual balance sheet, profit & loss account, auditors' report and directors' report along with notice of annual general meeting to its members through e-mail. Members who wish to avail this facility may give their consent to the Company Secretary.





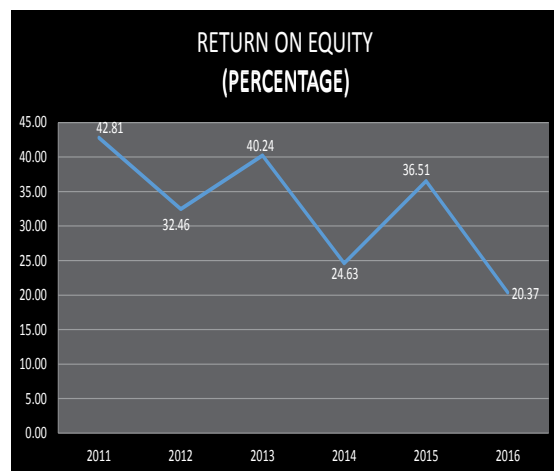
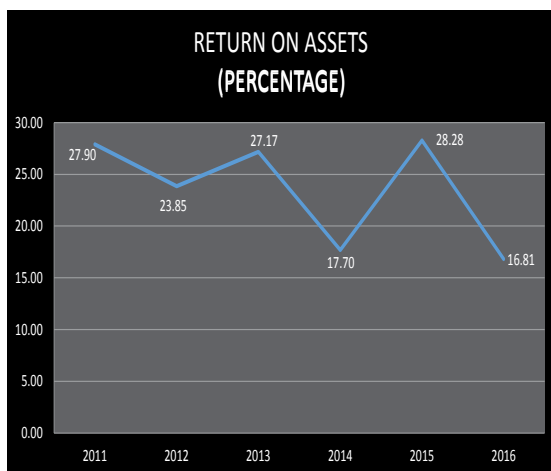
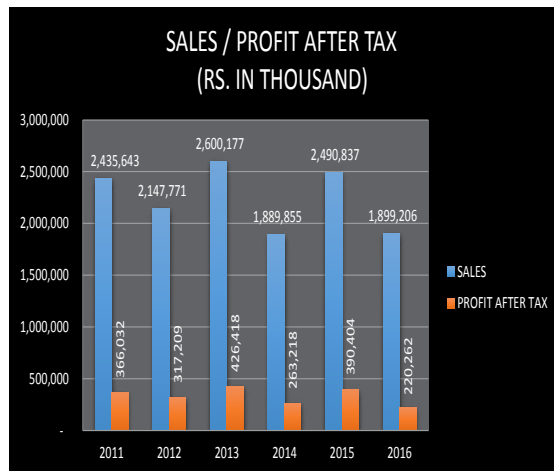
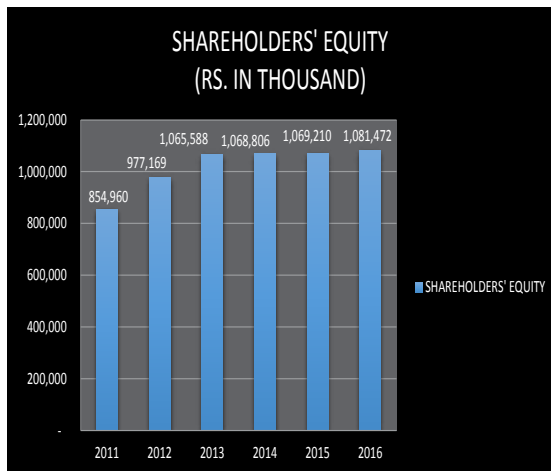
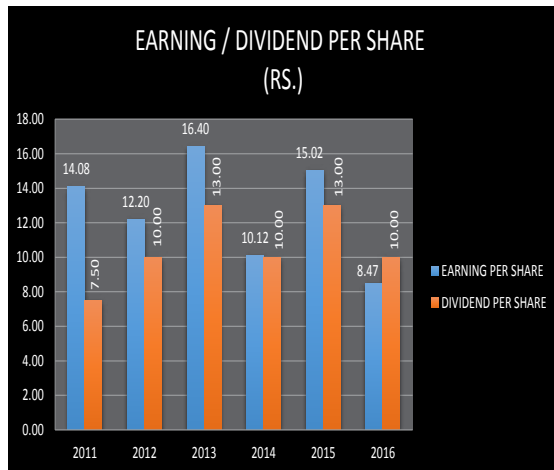
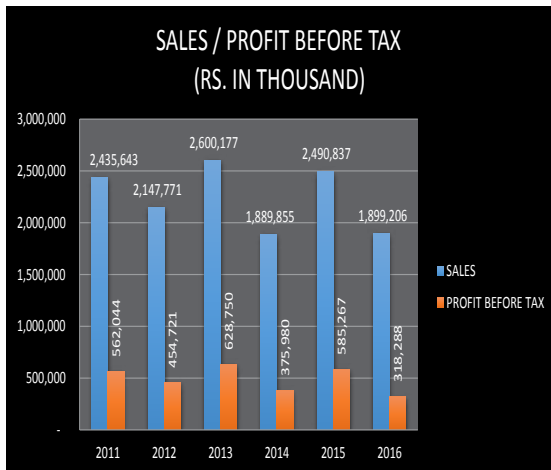


## Six Years at a Glance

(Rupees in thousand)

Trading Results		2016	2015	2014	2013	2012	2011
Sales-Net		1,899,206	2,490,837	1,889,855	2,600,177	2,147,771	2,435,643
Gross profit		384,523	663,050	444,802	708,869	548,443	669,065
Operating profit		300,129	560,846	363,252	610,179	467,305	584,175
Profit / (Loss) before tax		318,288	585,267	375,980	628,750	454,721	562,044
Net profit / (Loss) after tax		220,262	390,404	263,218	426,418	317,209	366,032
<b>Balance sheet</b>							
Share capital		260,000	260,000	260,000	260,000	260,000	260,000
Reserves		821,472	809,210	808,806	805,588	717,169	594,960
Property, plant and equipment		504,531	526,874	559,660	549,356	549,382	585,014
Non current assets		3,820	3,969	3,705	3,556	3,571	3,794
Long term liabilities		4,839	3,948	3,736	3,188	2,523	2,337
Deferred liabilities		64,737	72,037	81,817	81,993	94,400	102,178
<b>Investor Information</b>							
Sales growth	%	(24)	32	(27)	21	(12)	27
Gross profit growth	%	(42)	49	(37)	29	(18)	17
Pre-tax profit growth	%	(46)	56	(40)	38	(19)	24
Net profit after tax growth	%	(44)	48	(38)	34	(13)	23
Gross profit ratio	%	20	27	24	27	26	27
Operating profit ratio	%	16	23	19	23	22	24
Profit before tax ratio	%	17	23	20	24	21	23
Profit after tax ratio	%	12	16	14	16	15	15
Return on capital employed	%	30	55	36	59	49	67
Inventory turnover	Times	9.21	8.89	5.21	8.05	5.27	6.20
Total assets turnover	Times	1.45	1.80	1.27	1.66	1.61	1.86
Fixed assets turnover	Times	3.74	4.69	3.35	4.70	3.88	4.14
Return on assets	%	16.81	28.28	17.70	27.17	23.85	27.90
Long term debts: Equity ratio		-	-	-	-	-	-
Current ratio		5.03 : 1	3.61 : 1	2.78 : 1	2.43 : 1	3.04 : 1	2.00 : 1
Financial charges coverage	Times	226.84	350.22	37.18	261.81	18.36	19.31
<b>Pay out</b>							
Dividend Rs. per share	Rs.	10.00	13.00	10.00	13.00	10.00	7.50
Earning per share (after tax)	Rs.	8.47	15.02	10.12	16.40	12.20	14.08
Breakup value	Rs.	41.60	41.12	41.11	40.98	37.58	32.88
Return on equity	%	20.37	36.51	24.63	40.24	32.46	42.81
Dividend cover	%	118.06	86.55	98.78	79.27	81.96	53.27

## Six Years Financial Performance







## Directors' Report to the Shareholders for the Year Ended June 30, 2016

The Directors feel pleasure in presenting their 24th Annual Report together with the Audited Accounts of the Company for the year ended June 30, 2016.

### ACCOUNTS / APPROPRIATIONS

Financial results for the year are as follows:

Accumulated profit brought forward	Rs. 809,209,856/-
Profit before taxation for the year	Rs. 318,288,235/-
Less: Dividend (Year 2015 @ 80%)	Rs. 208,000,000/-
Less: Current taxation	Rs. 98,026,247/-
Appropriations	Rs. Nil
Profit carried forward	Rs. 821,471,844/-



Your Directors recommended payment of cash dividend @ Rs. 10.00 per share (100%).

#### **PATTERN OF SHAREHOLDING**

The pattern of shareholding as on June 30, 2016 is annexed.

#### **EARNING PER SHARE**

The earning per share for the year was Rs. 8.47 compared to Rs. 15.02 for the prior year.

#### **DIRECTORS**

The board comprises of seven directors. Since the last report, there has been no change in its composition.

During the year, five board meetings were held. The number of meetings attended by each director is given hereunder:



Name of Director	Meetings attended
Mr. Sikandar Mustafa Khan (Chairman)	5
Mr. Sohail Bashir Rana	5
Mr. Latif Khalid Hashmi	3
Mr. Laeeq Uddin Ansari	3
Mian Muhammad Saleem	5
Mr. Ahsan Imran Shaikh	5
Syed Muhammad Irfan Aqueel	5

The director(s) who could not attend the meetings were granted leave of absence.

#### BOARD AUDIT COMMITTEE

The audit committee comprises of the following directors:

Mr. Latif Khalid Hashmi, Non-Executive Director	Chairman
Mr. Laeeq Uddin Ansari, Non-Executive Director	Member
Mr. Sohail Bashir Rana, Non-Executive Director	Member

The Audit Committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board. The Audit Committee also reviewed internal audit findings.

#### DUTY & TAXES

Information relating to duty & taxes has been given in the respective notes to the accounts.

#### AUDITORS

The present Auditors, M/s A.F. Ferguson & Co., Chartered Accountants retire and offer themselves for re-appointment for the year ending June 30, 2017. The Board of Directors of the Company has endorsed their appointment for shareholders' consideration at the forthcoming Annual General Meeting. The external auditors have been given satisfactory rating under the Quality Control Review of the Institute of Chartered Accountants of Pakistan and being eligible, offer themselves for re-appointment.

#### NUMBER OF EMPLOYEES

There were 145 numbers of employees as on June 30, 2016 compared to 140 employees as on June 30, 2015.

#### ABSTRACT UNDER SECTION 218(1) OF THE COMPANIES ORDINANCE, 1984

The following abstracts under section 218(1) of the Companies Ordinance, 1984 were previously circulated to the shareholders.

The shareholders are notified that the Board of Directors in their meeting held on October 09, 2015 passed the following resolutions for appointment of Chief Executive of the Company and fixation of his remuneration.



**I. Appointment of Chief Executive**

“Resolved that Mr. Ahsan Imran Shaikh be and is hereby appointed as Chief Executive of the Company with effect from October 10, 2015.”

**II. Fixation of Remuneration of Chief Executive**

“RESOLVED that the Board hereby approves and authorizes holding of office of profit and payment of remuneration to Mr. Ahsan Imran Shaikh, CEO not exceeding Rs. 16.5 million per annum inclusive of perquisites and benefits but exclusive of terminal benefits and medical expenses for self and dependents. The above remuneration shall be subject to such increases, adjustments and restructuring within the approved limit as approved by the Chairman. The above remuneration shall be inclusive of bonuses as may be granted at any time and from time to time by the Company in accordance with the Company’s policy and terms of his appointment.”

“FURTHER RESOLVED that Mr. Ahsan Imran Shaikh be and is hereby authorized for free use of Company maintained transport for official and private purposes and the Chairman be and is hereby authorized to determine his entitlement in this regard.”

Being interested, Mr. Ahsan Imran Shaikh did not participate in the resolutions

**SUBSEQUENT EVENTS**

No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report except as disclosed in this report.





*Captain of winning team receiving trophy from Mr. Ahsan Imran Shaikh, CEO MEL*

## CORPORATE SOCIAL RESPONSIBILITY

### I. CORPORATE PHILANTHROPY

The Company has not contributed towards corporate philanthropy.

### II. ENERGY CONSERVATION

The Company is implementing recommendations of energy audit in a phased manner which includes replacement of old lights with energy efficient LEDs, automation of furnace burners and implementation of SCADA systems over air compressors and furnaces to monitor and control efficient usage of energy. A detailed energy conservation policy has already been adopted. New methods of energy conservation are being explored. The Company makes a conscious effort to conserve energy at our offices, including a voluntary shut down of air conditioners and excessive lights during idle hours.

### III. ENVIRONMENTAL PROTECTION MEASURES

The Company has initiated plantation and horticulture drive within its premises and outside. Moreover, employees are encouraged to participate in tree plantation activities.

### IV. COMMUNITY INVESTMENT AND WELFARE SCHEMES

The Company contributed an amount of Rs. 417,341 towards welfare.

### V. CONSUMER PROTECTION MEASURES

The Company manufactures its products for OEMs only and does not manufacture any consumer product.





At the occasion of ACCA New Member Ceremony 2016 - MEL bagging the Approved Employer status



MEL team expedition 2016, Mushkpuri - Nathia Gali





*Annual Sports Gala 2016 - A capture during tug of war match*

#### **VI. WELFARE SPENDING FOR UNDER-PRIVILEGED CLASSES**

The Company did not spend any money on under-privileged classes yet.

#### **VII. INDUSTRIAL RELATIONS**

The Company is discharging all liabilities stipulated in all applicable Laws. The Company also ensures that all legal dues and liabilities are being met by its labour contractors.

#### **VIII. EMPLOYMENT OF SPECIAL PERSONS**

The Company has not employed any special person during the year.

#### **IX. OCCUPATIONAL SAFETY & HEALTH**

All employees at Millat Equipment Limited are fully committed to maintain their personal safety & health and ensure to prevent harm to their fellow colleagues as well as to the environment. A fume extraction system was installed at our factory site which has directly reduced the hazard levels in the factory and made the area safer for work.



*At the Annual Iftar-cum-dinner 2016*



MEL showcasing its products at Expo Centre, Lahore

To accomplish and enhance our safety program, all possible steps have been taken to recognize and eliminate occurrence of unsafe acts and conditions through training and development of people along with providing them the required safety gadgets. Management at all levels recognizes the responsibility of preventing injuries, occupational illnesses, property loss, and harm to the environment and of providing a safe and healthful workplace.

#### X. BUSINESS ETHICS AND ANTI CORRUPTION MEASURES

The Company abides by all business ethics and discourages every type of corruption and every corrupt practice.

#### XI. NATIONAL CAUSE DONATIONS

The Company has not yet allocated any budget towards national cause donations owing to cash flow constraints during the year.

#### XII. CONTRIBUTION TO NATIONAL EXCHEQUER

Millat Equipment Limited has contributed Rs. 298 million to the National Exchequer in the shape of direct and indirect taxes.

#### XIII. RURAL DEVELOPMENT PROGRAMS

The Company carries out all its operations in urban areas therefore the Company has not made any contribution towards rural development programs.

For and on behalf of the Board

  
 CHIEF EXECUTIVE OFFICER

Lahore:  
September 02, 2016

**8- روزگار برائے معذور افراد:**

دوران سال کمپنی نے کسی معذور فرد کی تقرری نہیں کی۔

**9- پیشہ وارانہ حفاظت اور صحت:**

کمپنی پیشہ وارانہ حفاظت اور صحت کے متعلق اپنی تمام ذمہ داریوں سے بخوبی واقف ہے اور اس سلسلے میں کمپنی نے کئی مثبت اقدامات اٹھائے ہیں۔ دوران ڈیوٹی حفاظتی تدابیر کا اختیار کرنا، ماحولیاتی بچاؤ اور ملازمین کیلئے مناسب حفاظتی ساز و سامان کی فراہمی، جسمانی و ذہنی تحفظ کیلئے ماحول کے تحفظ کو یقینی بنایا گیا ہے۔ کسی بھی ناخوشگوار واقع سے بچنے کے لئے تمام ملازمین اور ورکرز کو مناسب ٹریننگ اور حفاظتی آلات فراہم کئے گئے ہیں۔

**10- کاروباری اخلاقیات اور انسداد بدعنوانی کے اقدامات:**

کمپنی نے ہمیشہ کاروباری اخلاقیات کو ملحوظ خاطر رکھا ہے اور ساتھ ہی ساتھ بدعنوانی کی بھی حوصلہ شکنی کی ہے۔

**11- عطیات برائے قومی مقاصد:**

کمپنی نے عطیات برائے قومی مقاصد کے لئے کوئی رقم مختص نہیں کی۔

**12- قومی خزانے میں جمع کرائی گئی رقم:**

کمپنی نے 298 ملین روپے کی رقم بل واسطہ اور بلا واسطہ ٹیکس کی صورت میں قومی خزانے میں جمع کرائی ہے۔

**13- دیہی ترقیاتی پروگرام:**

کمپنی نے اس ضمن میں کوئی حصہ نہیں لیا۔

*Ansheel*  
چیف ایگزیکٹو آفیسر

لاہور

02 ستمبر 2016



## مجوزہ بعد ازاں واقعات:

کمپنی کے مالی سال کے اختتام تک کوئی کبھی قابل ذکر تبدیلی جو کہ کمپنی کی مالی حالت کو اثر انداز کرے، نہیں آئی۔ سوائے اس کے جو رپورٹ میں درج ہے۔

## کارپوریٹ سماجی ذمہ داری:

### 1- کارپوریٹ خدمت خلق:

کمپنی نے کسی کارپوریٹ خدمت خلق میں شرکت نہیں کی۔

### 2- توانائی کا تحفظ:

کمپنی توانائی آڈٹ کی سفارشات پر مرحلہ وار عمل درآمد کر رہی ہے جس میں پرانی لائٹس کی توانائی موثر LEDs سے تبدیلی، بھٹیوں کی آٹومیشن اور فرنسز اور ایئر کمپریسر پر SCADA سسٹم کو لاگو کرنا شامل ہے تاکہ توانائی کے موثر استعمال کو کنٹرول اور مانیٹر کیا جاسکے۔ تفصیلی پالیسی برائے تحفظ توانائی پہلے ہی اپنائی جا چکی ہے۔ توانائی کے تحفظ کے نئے طریقے دریافت کیے جا رہے ہیں۔ توانائی کے تحفظ کے لئے غیر ضروری ایئر کنڈیشنرز اور لائٹس کو دوران ڈیوٹی بند رکھا جاتا ہے۔

### 3- اقدامات برائے تحفظ ماحولیات:

کمپنی نے اپنے احاطے اور اس کے باہر شجر کاری مہم شروع کی ہے۔ مزید براں ملازمین کی درخت لگانے کی سرگرمیوں میں شمولیت کے لیے حوصلہ افزائی کی جاتی ہے۔

### 4- معاشرتی سرمایہ کاری اور فلاحی منصوبے:

کمپنی نے فلاحی امور کی جانب -/417,341 روپے کا حصہ ڈالا۔

### 5- صارفین کے تحفظ کے لئے اقدامات:

کمپنی اپنی مصنوعات صرف OEMs کے لیے تیار کرتی ہے اور مصارف مصنوعات تیار نہیں کرتی۔

### 6- فلاح برائے پسماندہ طبقہ:

کمپنی نے اس طبقہ کیلئے کوئی رقم ادا نہیں کی۔

### 7- صنعتی تعلق:

کمپنی انڈسٹریل ریلیشن آرڈیننس اور لیبر لاء کے مطابق صنعتی تعلق کی اپنی تمام ذمہ داریاں احسن طریقے سے ادا کر رہی ہے۔ اور اپنے تمام قانونی واجبات اور ذمہ داریوں کو پورا کرنے کی یقین دہانی کراتی ہے۔

## آڈیٹرز:

موجودہ آڈیٹر میسرز اے۔ ایف۔ فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو چکے ہیں۔ اور انہوں نے اہل ہونے کی حیثیت سے خود کو دوبارہ 30 جون 2017 کی تقرری کے لیے پیش کیا ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز نے ان کی تقرری کو حصص یافتگان کی نظر ثانی کے لیے آنے والے سالانہ اجلاس میں پیش کیا ہے۔ بیرونی آڈیٹر نے آئی کیپ سے اپنی کیوسی آر کی تسلی بخش ریٹنگ دی ہے۔ اور تقرری کی پیش کش کے لیے اہل قرار دیا ہے۔

## ملازمین کی تعداد:

30 جون 2016 کو مستقل ملازمین کی تعداد 145 تھی۔ جو کہ 30 جون 2015 کو 140 تھی۔

## کمپنیز آرڈیننس، 1984 کے سیکشن (1) 218 کے تحت خلاصہ:

کمپنیز آرڈیننس، 1984 کے سیکشن (1) 218 کے تحت درج ذیل خلاصہ حصص یافتگان کو سرکولٹ کیا گیا تھا۔  
حصص یافتگان کو مطلع کیا گیا کہ بورڈ آف ڈائریکٹرز نے منعقدہ اجلاس بتاریخ اکتوبر 09، 2015 کو درج ذیل قرارداد کمپنی کے چیف ایگزیکٹو کی تقرری اور ان کے معاوضے کے تعین کے لیے منظور کی۔

## چیف ایگزیکٹو کی تقرری:

یہ کہ جناب احسن عمران شیخ کا تقرری کمپنی کے چیف ایگزیکٹو کے طور پر اکتوبر 10، 2015 سے کیا جاتا ہے۔

## چیف ایگزیکٹو کے معاوضے کا تعین:

یہ کہ بورڈ جناب احسن عمران شیخ کو بطور CEO دفتری معاملات میں بااختیار کرتا ہے اور معاوضے بشمول مراعات علاوہ بعد از ریٹائرمنٹ فوائد اور اپنے اور زیر کفالت افراد کے میڈیکل اخراجات کی ادائیگی جو کہ 16.5 ملین روپے سالانہ سے تجاوز نہ کرے منظور کرتا ہے۔  
درج بالا معاوضے میں ایسا کوئی بھی اضافہ، ایڈجسٹ منٹ اور تنظیم نو منظور شدہ حد میں ہوگا جیسا کہ چیئر مین منظور کرے گا۔ درج بالا معاوضے میں تمام بونس شامل ہوں گے جو کمپنی کی طرف سے کمپنی کی پالیسی اور تقرری کی شرائط کے مطابق کسی بھی وقت اور وقتاً فوقتاً ادا کیے جائیں گے۔

مزید یہ کہ جناب احسن عمران شیخ کو بااختیار کیا جاتا ہے کہ وہ کمپنی کی فراہم کردہ ٹرانسپورٹ کو دفتری اور ذاتی مقاصد کے لیے استعمال کر سکیں اور اس ضمن میں ان کے استحقاق کا تعین کرنے کے مختار چیئر مین ہوں گے۔

اسٹیک ہولڈر ہونے کے ناطے جناب احسن عمران شیخ نے اس قرارداد میں شمولیت اختیار نہیں کی تھی۔

مع حاضری رکارڈ درج ذیل ہیں:

شرکت کردہ اجلاس کی تعداد

**ڈائریکٹرز**

5	جناب سکندر مصطفیٰ خان (چیئرمین)
5	جناب سہیل بشیر رانا
3	جناب لطیف خالد ہاشمی
3	جناب لئیق الدین انصاری
5	میاں محمد سلیم
5	جناب احسن عمران شیخ
5	سید محمد عرفان عقیل

جو ڈائریکٹرز حضرات اجلاس میں شرکت نہیں کر سکتے تھے، ان کو غیر حاضری کی اجازت تھی۔

**بورڈ آڈٹ کمیٹی:**

بورڈ آف ڈائریکٹرز کی تشکیل کردہ آڈٹ کمیٹی کے ممبران مندرجہ ذیل ہیں۔

جناب لطیف خالد ہاشمی	(چیئرمین)
جناب لئیق الدین انصاری	(ممبر)
جناب سہیل بشیر رانا	(ممبر)

آڈٹ کمیٹی بورڈ کو رپورٹ پیش کرنے سے پہلے مالی تفصیلات کا سہ ماہی، چھ ماہی اور سالانہ جائزہ لیتی ہے۔ اور اندرونی آڈٹ کے نتائج کا بھی جائزہ لیتی ہے۔

**ڈیوٹی اور ٹیکس:**

اس کے علاوہ ٹیکس اور ڈیوٹی کے متعلق معلومات اکاؤنٹ میں متعلقہ تفصیل میں مہیا کر چکے ہیں۔



## ڈائریکٹرز کی رپورٹ

ڈائریکٹرز انتہائی مسرت کے ساتھ کمپنی کی چوبیسویں سالانہ رپورٹ بمعہ آڈیٹڈ اکاؤنٹ برائے سال 30 جون 2016 پیش کرتے ہیں۔

### جمع شدہ منافع کی سرمایہ بندی:

اس سال کے مالیاتی نتائج مندرجہ ذیل ہیں۔

809,209,856	روپے۔	سال کے آغاز پر جمع شدہ منافع:
318,288,235	روپے۔	برائے سال جمع آمدنی قبل از ٹیکس:
208,000,000	روپے۔	منہا: ڈیوڈینڈ
98,026,247	روپے۔	موجودہ ٹیکسیشن:
821,471,844	روپے۔	آئیندہ سال کے لیے لیجا یا گیا منافع:

ڈائریکٹرز نے کیش ڈیوڈینڈ مالی سال 30 جون 2016 کے لیے دس روپے یعنی 100% کی سفارش کی ہے۔

### شیر ہولڈرز کا پیٹرن:

30 جون 2016 کا پیٹرن، شیر ہولڈرز رپورٹ میں شامل ہے۔

### فی حصص آمدنی:

گزشتہ سال 15.02 روپے کے مقابلے سال رواں میں آمدنی فی حصص 8.47 روپے رہی۔

### بورڈ آف ڈائریکٹرز:

بورڈ سات ڈائریکٹرز پر مشتمل ہے۔ اس میں کوئی تبدیلی نہیں ہوئی ہے۔

سال 2016 کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔





## Pattern of Shareholding as at June 30, 2016

No. of Shareholders	Size of Holding		Total Shares Held
	From	To	
47	1	1000	30,267
32	1001	2000	55,171
36	2001	3000	99,916
57	3001	4000	199,000
50	4001	5000	237,000
81	5001	10000	626,884
27	10001	15000	336,638
24	15001	20000	435,987
9	20001	25000	202,400
15	25001	30000	431,200
3	30001	35000	99,550
10	35001	40000	381,479
6	40001	45000	261,600
5	45001	50000	241,950
3	50001	55000	158,900
4	55001	60000	234,450
2	60001	65000	127,800
2	65001	75000	143,859
2	75001	100000	200,000
2	100001	120000	239,200
3	120001	150000	407,700
2	150001	200000	361,950
4	200001	300000	923,901
2	300001	700000	1,000,251
4	700001	1905000	6,862,954
1	1905001	11700000	11,699,993
<b>433</b>		<b>Total</b>	<b>26,000,000</b>



## Categories of Shareholders

Particulars	No. of Shareholders	Shares held	Percentage of issued capital	
1	Directors, CEO and their spouses and minor children			
	Mr. Sikandar Mustafa Khan	1	1,625,001.00	6.25
	Mr. Latif Khalid Hashmi	1	1,625,001.00	6.25
	Mr. Sohail Bashir Rana	1	1,708,951.00	6.57
	Mr. Laeeq Uddin Ansari	1	1,904,001.00	7.32
	Mian Muhammad Saleem	1	600,001.00	2.31
	Syed Muhammad Irfan Aqueel	1	100,000.00	0.38
	Mr. Ahsan Imran Shaikh	1	130,600.00	0.50
	Mrs. Qurat ul Ain	1	3,700.00	0.01
2	NIT and IDBP (ICP UNIT)	-	-	-
3	Executives / Workers	5	56,850.00	0.22
4	Holding Company	1	11,699,993.00	45.00
5	Public Sector Companies & Corporations	-	-	-
6	Banks, Development Financial Institution, Non-Banking	-	-	-
7	Shareholders Holding 10% or more	-	-	-
8	General Public - Local	419	6,545,902.00	25.18
9	Others			
	Joint Stock Companies	-	-	-
	Trust	-	-	-
	Non-Resident Companies	-	-	-
	Others	-	-	-
	<b>Total</b>	<b>433</b>	<b>26,000,000.00</b>	<b>100.00</b>



# Financial Statements

for the Year Ended June 30, 2016

## Auditors' Report to the Members

We have audited the annexed balance sheet of Millat Equipment Limited ("the Company") as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity 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 balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and 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 June 30, 2016 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.



A.F. Ferguson & Co.  
Chartered Accountants  
Name of engagement partner: Hammad Ali Ahmad  
Lahore: September 02, 2016





## BALANCE SHEET

AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
30,000,000 (2015: 30,000,000) ordinary shares of Rs. 10 each		300,000,000	300,000,000
Issued, subscribed and paid up share capital			
26,000,000 (2015: 26,000,000) ordinary shares of Rs. 10 each fully paid in cash	5	260,000,000	260,000,000
Unappropriated profit		821,471,844	809,209,856
		1,081,471,844	1,069,209,856
<b>NON-CURRENT LIABILITIES</b>			
Long term advances	6	4,839,022	3,947,891
Deferred taxation	7	64,736,813	72,036,859
		69,575,835	75,984,750
<b>CURRENT LIABILITIES</b>			
Accumulating compensated absences	8	15,572,661	12,957,405
Trade and other payables	9	143,969,635	181,092,686
Mark-up accrued on secured loans		31,549	194,447
Short term borrowings - secured	10	-	-
Provision for income tax		-	41,283,494
		159,573,845	235,528,032
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11		
		1,310,621,524	1,380,722,638

The annexed notes 1 to 40 form an integral part of these financial statements.

  
Chief Executive

	Note	2016 Rupees	2015 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	504,530,985	526,873,686
Intangible assets	13	302,092	450,883
Long term deposits	14	3,518,330	3,518,330
		508,351,407	530,842,899
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	15	133,509,254	146,306,591
Stock in trade	16	206,308,379	280,161,721
Trade debts	17	122,391,065	136,590,718
Loans, advances and short term prepayments	18	28,407,236	53,120,343
Taxation-net		56,148,941	-
Short term investments	19	201,537,494	201,038,759
Cash and bank balances	20	53,967,748	32,661,607
		802,270,117	849,879,739
		1,310,621,524	1,380,722,638



Director



## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales	21	1,899,206,208	2,490,837,191
Cost of sales	22	(1,514,683,502)	(1,827,787,475)
Gross profit		384,522,706	663,049,716
Selling and distribution expenses	23	(2,627,551)	(4,961,388)
Administrative expenses	24	(57,735,777)	(54,031,577)
Other operating expenses	25	(24,030,341)	(43,210,581)
Operating profit		300,129,037	560,846,170
Finance cost	26	(1,409,335)	(1,675,940)
Other income	27	19,568,533	26,096,637
Profit before tax		318,288,235	585,266,867
Taxation	28	(98,026,247)	(194,862,892)
Profit after tax		220,261,988	390,403,975
Earnings per share	30	8.47	15.02

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Director





## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
Profit for the year	220,261,988	390,403,975
Other comprehensive income	-	-
Total comprehensive income for the year	220,261,988	390,403,975

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Director



## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2016

	Share capital	Unappropriated Profit	Total
	Rupees		
<b>Balance as on July 01, 2014</b>	260,000,000	808,805,881	1,068,805,881
Final dividend for the year ended June 30, 2014 (Rs. 10 per share)	-	(260,000,000)	(260,000,000)
Interim dividend for the year ended June 30, 2015 (Rs. 5 per share)	-	(130,000,000)	(130,000,000)
Total comprehensive income for the year	-	390,403,975	390,403,975
<b>Balance as on June 30, 2015</b>	260,000,000	809,209,856	1,069,209,856
Final dividend for the year ended June 30, 2015 (Rs. 8 per share)	-	(208,000,000)	(208,000,000)
Total comprehensive income for the year	-	220,261,988	220,261,988
<b>Balance as on June 30, 2016</b>	<b>260,000,000</b>	<b>821,471,844</b>	<b>1,081,471,844</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	458,199,659	594,222,583
Employee benefits paid		(20,684)	(2,886)
Finance cost paid		(1,572,233)	(1,672,287)
Taxes paid		(214,712,159)	(144,355,946)
<b>Net cash inflow from operating activities</b>		<b>241,894,583</b>	<b>448,191,464</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(27,318,882)	(17,508,823)
Purchase of intangible assets		-	(345,000)
Proceeds from sale of property, plant and equipment		2,435,262	1,294,302
Profit on bank deposits received		1,579,818	1,384,857
Investments made during the year		(668,919,866)	(627,905,958)
Investments disposed off during the year		677,581,365	640,322,457
<b>Net cash outflow from investing activities</b>		<b>(14,642,303)</b>	<b>(2,758,165)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(206,837,270)	(389,487,178)
Increase in long term advances		891,131	211,755
<b>Net cash used in financing activities</b>		<b>(205,946,139)</b>	<b>(389,275,423)</b>
<b>Net increase in cash and cash equivalents</b>		<b>21,306,141</b>	<b>56,157,876</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>32,661,607</b>	<b>(23,496,269)</b>
<b>Cash and cash equivalents at the end of the year</b>	29.1	<b>53,967,748</b>	<b>32,661,607</b>

The annexed notes 1 to 40 form an integral part of these financial statements.



Chief Executive



Director



# Notes to and forming part of the Financial Statements

## for the year ended June 30, 2016

### 1 Legal status and nature of business

Millat Equipment Limited, the Company, was incorporated as a private limited company under the Companies Ordinance 1984, and was converted into an unlisted public limited company on April 20, 2004. The registered office of the Company is situated at Sheikhpura Road, Lahore. The Company is engaged in the business of manufacturing of automotive, agricultural and industrial vehicles, parts and components thereof.

Consequent to the application of IFRS 10 - Consolidated Financial Statements, Millat Tractors Limited holding 45% of the shares of the Company has decided to consolidate its accounts due to which the Company has now become a subsidiary of the Millat Tractors Limited.

### 2 Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance, provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS, the requirements of the Ordinance or the requirements of the said directives prevail.

### 2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

#### 2.2.1 Standards, amendments to published standards and interpretations effective in current year

Standards or Interpretation	Effective Date (accounting periods beginning on or after)
IFRS 13, 'Fair Value Measurement'	January 1, 2015

#### 2.2.2 Standards, amendments and interpretation to existing standards that are not yet effective but applicable / relevant to the Company's operations

Standards or Interpretation	Effective Date (accounting periods beginning on or after)
Disclosure Initiative - Amendments to IAS 1, 'Presentation of Financial Statements'	January 1, 2016
IFRS 15, 'Revenue from Contracts with Customers'	January 1, 2018
IFRS 9, 'Financial Instruments'	January 1, 2018
Amendment to IAS 7, 'Cashflow statements', Disclosure initiative	January 1, 2017



### 2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective and not applicable / relevant to the Company's operations

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the companies having accounting periods beginning on or after July 01, 2016 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

## 3 Basis of measurement

These financial statements have been prepared under the historical cost convention.

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgement or estimation involved in their application and their impact on these financial statements. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgements involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgements or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

### a) Provision for taxation and deferred tax

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

A deferred tax is recognized for all temporary differences. The amount of deferred tax asset recognized is based upon the likely timing and level of future taxable profits expected to be available against which the deferred tax asset can be utilized.

### b) Useful life and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

### c) Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated and impairment losses are recognized in the profit and loss account.

## 4 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.



#### 4.1 Taxation

##### 4.1.1 Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

##### 4.1.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply for the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

#### 4.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any), except freehold land and capital work in progress, which have been stated at cost. Cost includes purchase price and all incidental expenses incurred up to the date of operation.

Depreciation is charged to profit and loss account on reducing balance method over the estimated useful life of an asset so as to write off the historical cost of an asset at the rates specified in note 12.1. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

#### 4.3 Intangible assets

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and that the cost of such an asset can also be measured reliably. Intangible assets are stated at cost less accumulated amortization and any identified

impairment loss.

Amortization is charged to profit and loss account on reducing balance method over the estimated useful life of an asset so as to write off the historical cost of an asset at the rates specified in note 13. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

#### 4.4 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. Capital work in progress is transferred to operating fixed assets when assets are available for intended use. All expenses including borrowing costs are capitalized at the time of commencement of commercial operations of relevant assets of the Company.

#### 4.5 Impairment of non-financial assets

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment and intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts, assets are written down to their recoverable amounts and the differences are recognized in profit & loss account.

#### 4.6 Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use. Such borrowing costs are capitalized as part of the cost of the qualifying asset. Financial charges, apart from borrowing cost, are charged to profit and loss account on an accrual basis.

#### 4.7 Stores, spares and loose tools

These are measured at lower of net realizable value and moving weighted average cost except items in transit which are valued at cost comprising invoice value plus other charges incurred till balance sheet date. Provision is made for slow moving and obsolete items.

Major stores, spares and loose tools are treated as property, plant and equipment when they are expected to be used for more than one period.

#### 4.8 Stock in trade

Raw materials are measured at lower of moving weighted average cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. Raw material in transit is stated at cost comprising invoice value plus other charges incurred till balance sheet date. Work in process and finished goods are measured at lower of cost and net realizable value. Cost comprises of direct materials, labour and appropriate manufacturing overheads.

#### 4.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks in current and savings accounts, demand deposits, other short term highly liquid investments that are readily convertible into known amounts and which are subject to insignificant risk in change in value and short term finances.



#### **4.10 Trade debts**

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off when identified.

#### **4.11 Trade and other payables**

Liabilities for trade and other payables are carried at their cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

#### **4.12 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### **4.13 Employees Retirement Benefits**

##### **4.13.1 Provident fund scheme**

The Company operates a recognized provident fund scheme that is a defined contribution plan for all of its employees. Equal monthly contributions are made both by the Company and the employees to the fund at the rate of 10% of basic salary.

##### **4.13.2 Accumulating compensated absences**

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit and loss account.

#### **4.14 Foreign currency transactions and translations**

##### **4.14.1 Functional and presentation currency**

These financial statements are presented in 'Pak Rupees', which is the Company's functional and presentation currency.

##### **4.14.2 Transactions and balances**

Foreign currency transactions are translated into 'Pak Rupees' using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account.

#### **4.15 Investments**

Investments classified as held for trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

#### **4.16 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the Company loses control of the contractual rights that comprise the financial asset or portion of financial asset, while a financial liability or part of financial liability is derecognized from the balance sheet when, and only



when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets are long term deposits, trade debts, loans and advances, short term investments and cash and bank balances. These are stated at their nominal values as reduced by the appropriate allowances for estimating irrecoverable amount.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are short term borrowings utilized under mark-up arrangements and trade and other payables.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the future cash flows of the financial asset that can be reliably estimated.

#### 4.17 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

#### 4.18 Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

- Sales of automotive, agricultural and industrial vehicles, parts and components thereof is recognized as revenue when goods are dispatched and invoiced to the customers.

- Profit earned on saving accounts is accrued on time proportion basis by reference to the principal outstanding at the applicable rate of return.

#### 4.19 Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

#### 4.20 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved.

### 5 Issued, subscribed and paid up capital

2016 No. of shares	2015 No. of shares		2016 Rupees	2015 Rupees
26,000,000	26,000,000	Ordinary shares of Rs. 10 each fully paid in cash	260,000,000	260,000,000

## 6 Long term advances

This represents the amounts received from employees of the Company for purchase of Company's vehicles in future as per the terms of Company policy.

	Note	2016 Rupees	2015 Rupees
<b>7</b>	<b>Deferred taxation</b>		
	The liability for deferred taxation comprises temporary differences relating to:		
	- Accelerated tax depreciation and amortization	69,326,917	76,041,954
	- Accumulating compensated absences	(4,590,104)	(4,005,095)
		<u>64,736,813</u>	<u>72,036,859</u>
<b>8</b>	<b>Accumulating compensated absences</b>		
	Opening balance as on July 01	12,957,405	9,909,838
	Provision for the year	2,635,940	3,050,453
		<u>15,593,345</u>	<u>12,960,291</u>
	Less: Payments made during the year	(20,684)	(2,886)
	Closing balance as on June 30	<u>15,572,661</u>	<u>12,957,405</u>
<b>9</b>	<b>Trade and other payables</b>		
	Trade creditors	100,274,692	108,373,198
	Accrued and other liabilities	19,952,106	20,044,250
	Advances from customers	3,263,507	2,522,059
	Withholding tax payable	2,248,833	333
	Retention money payable	70,732	70,732
	Sales tax payable	-	5,355,987
	Unclaimed dividend	2,701,212	1,562,722
	Dividend Payable	24,240	-
	Workers' profit participation fund	8,116,399	30,806,002
	Workers' welfare fund	7,317,914	12,357,403
		<u>143,969,635</u>	<u>181,092,686</u>
<b>9.1</b>	Trade creditors include amount of Rs. 211,758 (2015: Rs. 2,269,602) due to related parties.		
<b>9.2</b>	This represents advances and security deposits received from customers against scrap sales.		
<b>9.3</b>	<b>Workers' profit participation fund</b>		
	Opening balance	30,806,002	19,788,408
	Provision for the year	17,116,399	30,806,002
		<u>47,922,401</u>	<u>50,594,410</u>
	Less: Payments made during the year	(39,806,002)	(19,788,408)
		<u>8,116,399</u>	<u>30,806,002</u>

## 10 Short term borrowings - secured

Short term borrowings available from commercial banks under mark-up arrangements amount to Rs. 800 million (2015: Rs. 800 million). The rates of mark-up on short term borrowings range from 6.64% to 7.40% per annum (2015: 7.23% to 10.83%) on the balance outstanding and mark-up is payable quarterly.

Of the aggregate facility of Rs. 500 million (2015: Rs. 500 million) for opening of letters of credit, the amount utilized at June 30, 2016 was Rs. 13.867 million (2015: Rs. 27.155 million). The facility for opening letter of credits of Rs. 500 million is a sub-facility of the short term borrowings obtained i.e. Rs. 800 million.

The aggregate short term borrowings are secured by way of pari passu hypothecation charge over current assets of the Company and lien over import documents.

## 11 Contingencies and commitments

### 11.1 Contingencies

Guarantees issued by banks on behalf of the Company in the normal course of business amount to Rs. 8,633,100 (2015: Rs. 6,633,100).

### 11.2 Commitments

Commitments in respect of outstanding letters of credit amount to Rs. 13,997,628 (2015: Rs. 21,389,563).

	Note	2016 Rupees	2015 Rupees
<b>12 Property, plant and equipment</b>			
Operating property, plant and equipment	12.1	499,795,845	523,101,907
Capital work in progress	12.2	3,671,531	2,657,288
Major stores, spares and loose tools (classified as tools and equipment)	12.3	1,063,609	1,114,491
		<b>504,530,985</b>	<b>526,873,686</b>

**12.1 Operating property, plant and equipment** Note

	Freehold land	Building on freehold land	Plant and machinery	Electric equipment and installations	Office equipment	Tools and equipment	Furniture, fittings and equipment	Vehicles	Total
----- Rupees -----									
<b>Net Carrying Value Basis</b>									
<b>Year ended June 30, 2016</b>									
Opening net book value (NBV)	87,109,570	87,313,296	266,535,068	12,972,958	2,196,932	38,322,042	9,929,351	18,722,690	523,101,907
Additions (at cost)	-	-	2,605,551	2,750,563	957,205	12,728,432	1,379,440	5,970,500	26,391,691
Disposals and write offs (at NBV)	-	-	-	(262,255)	(134,784)	(748,449)	(412,662)	(1,181,466)	(2,739,616)
Depreciation charge	-	(4,365,665)	(26,829,698)	(2,889,766)	(906,848)	(6,599,859)	(1,039,294)	(4,327,007)	(46,958,137)
Closing net book value (NBV)	87,109,570	82,947,631	242,310,921	12,571,500	2,112,505	43,702,166	9,856,835	19,184,717	499,795,845
<b>Gross carrying value basis</b>									
<b>As at June 30, 2016</b>									
Cost	87,109,570	135,220,953	550,332,926	61,555,921	10,375,868	93,933,889	22,588,507	37,695,635	998,813,269
Accumulated depreciation	-	(52,273,322)	(308,022,005)	(48,984,421)	(8,263,363)	(50,231,723)	(12,731,672)	(18,510,918)	(499,017,424)
Net book value (NBV)	87,109,570	82,947,631	242,310,921	12,571,500	2,112,505	43,702,166	9,856,835	19,184,717	499,795,845
<b>Depreciation rate % per annum</b>									
		5%	10%	10% - 20%	20% - 33%	15%	10%	20%	
<b>Net Carrying Value Basis</b>									
<b>Year ended June 30, 2015</b>									
Opening net book value (NBV)	87,109,570	91,908,733	293,418,158	14,408,576	2,607,879	36,644,835	10,504,971	19,995,226	556,597,948
Additions (at cost)	-	-	2,509,975	1,563,813	466,688	7,801,465	503,320	4,252,500	17,097,761
Disposals (at NBV)	-	-	-	-	-	-	-	(1,294,302)	(1,294,302)
Depreciation charge	-	(4,595,437)	(29,393,065)	(2,999,431)	(877,635)	(6,124,258)	(1,078,940)	(4,230,734)	(49,299,500)
Closing net book value (NBV)	87,109,570	87,313,296	266,535,068	12,972,958	2,196,932	38,322,042	9,929,351	18,722,690	523,101,907
<b>Gross carrying value basis</b>									
<b>As at June 30, 2015</b>									
Cost	87,109,570	135,220,953	547,727,375	60,838,293	9,812,723	84,746,192	22,002,724	35,629,935	983,087,765
Accumulated depreciation	-	(47,907,657)	(281,192,307)	(47,865,335)	(7,615,791)	(46,424,150)	(12,073,373)	(16,907,245)	(459,985,858)
Net book value (NBV)	87,109,570	87,313,296	266,535,068	12,972,958	2,196,932	38,322,042	9,929,351	18,722,690	523,101,907
<b>Depreciation rate % per annum</b>									
		5%	10%	10% - 20%	20% - 33%	15%	10%	20%	



12.1.1 Depreciation charge for the year has been allocated as follows:		Note	2016 Rupees	2015 Rupees		
Cost of sales	22		40,684,987	43,112,191		
Administrative expenses	24		6,273,149	6,187,309		
			<u>46,958,136</u>	<u>49,299,500</u>		
12.1.2 Disposal of Property, plant and equipment to employees and others having book value of more than Rs. 50,000						
2016						
Particulars of assets	Sold to	Cost	Accumulated		Sale proceeds	Mode of disposal
			depreciation	Book value		
(Rupees)						
<b>Vehicles</b>	<b>Executives</b>					
Suzuki Cultus	Mr. Raheel Rafique Khan	862,000	(303,424)	558,576	558,576	Company Policy
Suzuki Alto	Mr. Faisal Chaudhary	619,000	(456,733)	162,267	162,267	Company Policy
Toyota Corolla - Xli	Mr. Arif Ahmad Abbassi	1,269,000	(936,339)	332,661	332,661	Company Policy
<b>Office equipment</b>	<b>Related Party</b>					
Apple Mac Book	Bolan Castings Limited	102,703	(16,946)	85,757	85,757	Company Policy
<b>Vehicles</b>	<b>Outsiders</b>					
Hyundai Shehzor	Mr. Khurram Ayub	677,890	(613,493)	64,397	930,000	Auction
Suzuki Bolan	Mr. Muhammad Altaf	476,910	(413,345)	63,564	366,000	Auction
2015						
Particulars of assets	Sold to	Cost	Accumulated		Sale proceeds	Mode of disposal
			depreciation	Book value		
(Rupees)						
<b>Vehicles</b>	<b>Executives</b>					
Suzuki Swift	Mr. Kashif Saddique	862,000	(293,080)	568,920	568,920	Company Policy
Suzuki Alto	Mr. Jahanzeb Hashmi	619,000	(428,632)	190,368	190,368	Company Policy
Suzuki Swift	Mr. Ammar Hussain Baig	862,000	(326,985)	535,015	535,015	Company Policy



	Note	2016 Rupees	2015 Rupees
<b>12.2 Capital work in progress</b>			
Movement in capital work in progress (plant and machinery) is as follows:			
Opening balance		2,657,288	2,657,288
Additions during the year	12.2.1	1,014,243	-
Capitalized / disposed off during the year		-	-
		<u>3,671,531</u>	<u>2,657,288</u>
<b>12.2.1</b> This includes advances paid to suppliers against capital expenditure.			
<b>12.3 Major stores, spares and loose tools</b>			
Opening balance		1,114,491	404,728
Additions during the year		12,641,382	7,234,780
Transfers-in during the year		36,168	298,701
Capitalized during the year		(12,728,432)	(6,823,718)
		<u>1,063,609</u>	<u>1,114,491</u>
<b>13 Intangible assets</b>			Rupees
<b>Net Carrying Value Basis Year ended June 30, 2016</b>			
Opening net book value (NBV)			450,883
Additions (at cost)			-
Amortization charge			(148,791)
Closing net book value (NBV)			<u>302,092</u>
<b>Gross Carrying Value basis As at June 30, 2016</b>			
Cost			686,109
Accumulated amortization			(384,017)
Net book value (NBV)			<u>302,092</u>
Amortization rate (%) per annum			33%
<b>Net Carrying Value Basis Year ended June 30, 2015</b>			
Opening net book value (NBV)			186,355
Additions (at cost)			345,000
Amortization charge			(80,472)
Closing net book value (NBV)			<u>450,883</u>
<b>Gross Carrying Value basis As at June 30, 2015</b>			
Cost			686,109
Accumulated amortization			(235,226)
Net book value (NBV)			<u>450,883</u>
Amortization rate (%) per annum			33%

	Note	2016 Rupees	2015 Rupees
<b>14 Long term deposits</b>			
These represent security deposits given to Companies against provision of utilities and services.			
<b>15 Stores, spares and loose tools</b>			
Stores		132,753,087	145,976,091
Spares and loose tools		756,167	330,500
		<b>133,509,254</b>	<b>146,306,591</b>
<b>16 Stock in trade</b>			
Raw materials		82,166,180	74,698,426
Work in process	16.1	83,665,507	131,244,725
Finished goods		40,476,692	74,218,570
		<b>206,308,379</b>	<b>280,161,721</b>
<b>16.1</b>	This includes work in process amounting to Rs. 14,990,023 (2015: Rs. 17,683,677) held with third parties.		
<b>17 Trade debts - considered good</b>			
Secured trade debts		-	18,015,755
Unsecured trade debts:			
Related parties	17.1	122,391,065	118,489,857
Others		-	85,106
		<b>122,391,065</b>	<b>136,590,718</b>
<b>17.1</b>	This represents amount due from Millat Tractors Limited. The age analysis is as follows:		
Upto 30 days		119,619,423	115,718,215
31 to 60 days		-	-
61 to 90 days		-	-
91 to 180 days		-	-
More than 180 days		2,771,642	2,771,642
		<b>122,391,065</b>	<b>118,489,857</b>

The amount has been acknowledged by Millat Tractors Limited and is therefore considered good by the Company.



	Note	2016 Rupees	2015 Rupees
<b>18 Loans, advances and short term prepayments</b>			
Advances - considered good :			
Advance to suppliers		20,535,475	51,111,151
Advance to employees			
Chief executive		-	164
Executives		645,943	520,413
Non-executives		937,435	874,681
		1,583,378	1,395,258
Sales tax recoverable		4,115,916	-
Prepaid insurance		2,172,467	613,934
		<b>28,407,236</b>	<b>53,120,343</b>
<b>18.1</b> The advances to suppliers include an advance of Rs. Nil (2015 : Rs. 36,162) due from Millat Tractors Limited.			
<b>19 Short term investments</b>			
Held for trading investments		201,537,494	201,038,759
<b>19.1 Breakup of investments is as follows:</b>			
		2016	2015
	No of Units		
MCB Cash Management			
Optimizer		996,632	999,834
ABL Cash Fund		-	-
NAFA Government			
Securities Savings Fund		-	-
ABL Government			
Securities Fund		10,110,879	10,063,023
Total Cost		11,107,511	11,062,857
Unrealized gain on remeasurement			
			71,787
		11,107,511	11,062,857
		201,537,494	201,038,759
<b>20 Cash and bank balances</b>			
Cash at banks			
- Current accounts		2,185,290	31,443,532
- Saving accounts	20.1	49,315,726	412,257
- Dividend accounts		2,217,361	783,681
		53,718,377	32,639,470
Cash in hand		249,371	22,137
		<b>53,967,748</b>	<b>32,661,607</b>
<b>20.1</b> Rate of return on saving accounts ranges from 5% to 6% (2015: 5% to 8%).			



	Note	2016 Rupees	2015 Rupees
<b>21 Sales</b>			
Gross sales			
- Local		2,217,060,133	2,829,472,673
- Export		4,283,017	72,484,479
		2,221,343,150	2,901,957,152
Less: Sales tax		(322,136,942)	(411,119,961)
Net sales		1,899,206,208	2,490,837,191
<b>22 Cost of sales</b>			
Raw material consumed		848,753,087	1,190,059,261
Salaries, wages and amenities	22.1	277,027,596	271,604,564
Fuel and power		87,637,790	131,453,121
Stores, spares and loose tools consumed		64,236,080	55,185,091
Oil and lubricants		23,460,372	35,934,363
Repair and maintenance		60,903,478	54,836,728
Depreciation	12.1.1	40,684,987	43,112,191
Amortization	13	148,791	80,472
Insurance		6,936,019	6,307,451
Packing material consumed		4,058,409	6,322,660
Travelling and conveyance		5,379,205	5,073,652
Other direct expenses		14,136,592	13,253,860
		1,433,362,406	1,813,223,414
Opening work in process		131,244,725	129,159,156
Closing work in process		(83,665,507)	(131,244,725)
		47,579,218	(2,085,569)
<b>Cost of goods manufactured</b>		1,480,941,624	1,811,137,845
Opening finished goods		74,218,570	90,868,200
Closing finished goods		(40,476,692)	(74,218,570)
		33,741,878	16,649,630
<b>Cost of sales</b>		1,514,683,502	1,827,787,475

22.1 This includes an amount of Rs. 3,345,957 (2015: Rs. 3,024,078) in respect of contribution towards provident fund.



	Note	2016 Rupees	2015 Rupees
<b>23</b>			
<b>Selling and distribution expenses</b>			
Carriage and freight		2,627,551	4,961,388
<b>24</b>			
<b>Administrative expenses</b>			
Salaries and amenities	24.1	40,505,186	35,363,530
Rent, rates and taxes		1,199,257	396,323
Fee and subscription		246,829	409,532
Entertainment		212,372	141,581
Postage		178,419	211,063
Fuel and power		885,230	1,327,809
Communication		703,625	804,253
Traveling and conveyance		1,626,668	2,200,760
Printing, stationery and office supplies		898,435	1,023,156
Insurance		1,412,482	1,444,516
Repair and maintenance		130,825	535,867
Legal and professional		1,201,347	1,548,664
Auditors' remuneration	24.2	698,090	573,520
Depreciation	12.1.1	6,273,149	6,187,309
Advertisement		555,720	392,753
Others		1,008,143	1,470,941
		57,735,777	54,031,577
<b>24.1</b>	This includes an amount of Rs. 1,054,506 (2015: Rs. 882,424) in respect of contribution towards provident fund.		
<b>24.2</b>	Auditors' remuneration		
	Fee for annual audit	575,000	525,000
	Out of pocket expenses	123,090	48,520
		698,090	573,520
<b>25</b>			
<b>Other operating expenses</b>			
Workers' profit participation fund	9.3	17,116,399	30,806,002
Workers' welfare fund		6,913,942	12,404,579
Loss on disposal of property, plant and equipment		-	-
		24,030,341	43,210,581
<b>26</b>			
<b>Finance cost</b>			
Mark-up on short term borrowings from local banks - secured		1,089,859	1,136,713
Bank charges and commission		319,476	539,227
		1,409,335	1,675,940

	Note	2016 Rupees	2015 Rupees
<b>27 Other income</b>			
Income from financial assets			
Return on bank deposits		1,579,818	1,384,857
Gain on financial assets at fair value through profit or loss			
Realized		9,088,447	11,709,024
Un-realized		71,787	132,801
		9,160,234	11,841,825
Exchange gain - net		39,902	123,193
		10,779,954	13,349,875
Income from assets other than financial assets			
Scrap sales		5,796,216	10,334,172
Gain on disposal of operating fixed assets		1,168,039	-
Others		1,824,324	2,412,590
		8,788,579	12,746,762
		19,568,533	26,096,637
<b>28 Taxation</b>			
Current tax			
- For the year		96,588,739	203,598,094
- Prior years		8,737,554	1,044,603
		105,326,293	204,642,697
Deferred tax		(7,300,046)	(9,779,805)
		98,026,247	194,862,892
<b>28.1 Tax charge reconciliation</b>		2016 %	2015 %
Numerical reconciliation between the average effective tax rate and the applicable tax rate:			
Applicable tax rate		32.00%	33.00%
Tax effect of amounts that are:			
Effect on opening deferred taxes of reduction in tax rate		-0.71%	-0.42%
Tax effect of super tax		0.00%	3.02%
Tax effect under presumptive tax regime and others		-0.49%	-2.30%
		-1.20%	0.29%
Average effective tax rate charged to profit and loss account		30.80%	33.29%



	Note	2016 Rupees	2015 Rupees
<b>29 Cash generated from operations</b>			
Profit before tax		318,288,235	585,266,867
Adjustments for:			
Depreciation of property, plant and equipment		46,958,136	49,299,500
Amortization of intangible assets		148,791	80,472
Gain on short term investments		(9,160,234)	(11,841,825)
Provision for accumulating compensated absences		2,635,940	3,050,453
Finance cost		1,409,335	1,675,940
Return on bank deposits		(1,579,818)	(1,384,857)
Non-Current Assets Written off		1,472,393	-
Loss / (gain) on disposal of property, plant and equipment		(1,168,039)	-
Profit before working capital changes		359,004,739	626,146,550
Effect of cash flow due to working capital changes:			
Decrease in stores, spares and loose tools		12,761,169	9,081,223
Decrease in stock in trade		73,853,342	82,338,002
Decrease in trade debts		14,199,653	13,046,541
Decrease / (Increase) in loans, advances and short term prepayments		24,713,107	(30,843,774)
(Decrease) in trade and other payables		(26,332,351)	(105,545,959)
		99,194,920	(31,923,967)
		458,199,659	594,222,583
<b>29.1 Cash and cash equivalents</b>			
Cash and bank balances	20	53,967,748	32,661,607
Short term borrowings - secured	10	-	-
		53,967,748	32,661,607
<b>30 Earnings per share - basic</b>		2016	2015
<b>30.1 Basic earning per share</b>			
Net profit for the year	Rupees	220,261,988	390,403,975
Weighted average number of ordinary shares	Number	26,000,000	26,000,000
Earnings per share	Rupees	8.47	15.02
<b>30.2 Diluted earning per share</b>			

A diluted earning per share has not been presented as the company does not have any convertible instruments in issue as at June 30, 2016 and June 30, 2015 which would have any effect on the earning per share if the option to convert is exercised.



### 31 Remuneration of chief executive and executives

The aggregate amount for the year charged in the financial statements for remuneration including certain benefits to the Chief Executive and executives of the Company is as follows:

	Chief Executive		Executives	
	2016	2015	2016	2015
-----Rupees-----				
Remuneration	7,858,434	6,722,170	18,143,117	13,050,892
Medical	173,620	274,752	1,318,920	720,738
Reimbursable benefits	1,030,002	1,200,030	1,505,317	2,004,840
Bonus and leave fare assistance	1,026,761	176,886	4,931,446	3,921,281
Contribution to provident fund	-	-	1,251,256	908,789
Utilities	357,446	484,708	1,335,515	1,041,537
	<u>10,446,263</u>	<u>8,858,546</u>	<u>28,485,571</u>	<u>21,648,077</u>
Number of persons	<u>1</u>	<u>1</u>	<u>13</u>	<u>10</u>

The chief executive and certain executives of the Company are provided with free use of Company maintained cars in accordance with their terms of employment.

### 32 Related party transactions

The related parties comprises of parent company, associated companies, companies in which directors are interested, staff retirement funds, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due to / due from related parties are shown under note 9 and note 17 and remuneration of key management personnel is disclosed in note 31. Other significant transactions are as follows:

Relationship	Nature and description of related party transaction	2016 Rupees	2015 Rupees
<b>Parent Company</b>			
Millat Tractors Limited	Sale of goods	1,894,794,870	2,417,572,729
	Purchase of services	12,359,687	11,761,159
	Purchase of components	3,720,636	14,653,393
<b>Associated Company</b>			
Bolan Castings Limited	Purchase of components	3,245,400	20,920,349
	Sale of fixed asset	85,757	-
Millat Industrial Products Limited	Purchase of components	12,906	25,590
Tipeg Intertrade DMCC	Sale of goods	4,283,017	33,432,181
<b>Staff retirement benefit</b>			
Provident fund trust	Contributions made during the year	4,400,463	3,906,502

Transactions with related parties are carried out on mutually agreed terms.

### 33 Capacity and production

The normal production capacity of the Company is not determinable due to the fact that the installed machines can produce interchangeable components having different production cycle time.

## 34 Financial risk management

### 34.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

#### (a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

Monetary items, including financial assets and financial liabilities, denominated in currency other than functional currency of the Company are periodically restated to Pak rupee equivalent and the associated gain or loss is taken to the profit and loss account.

The following analysis demonstrates the sensitivity to a reasonably possible change in US\$ exchange rate, with all other variables held constant, of the Company's profit before tax.

	2016	2015
Trade debts - USD	-	177,498
Net exposure - USD	-	177,498
Average rate	103.63	101.74
Reporting date rate	104.70	102.55

If the functional currency, at reporting date, had fluctuated by 5% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs. Nil (2015: Rs. 902,950) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

### (ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is neither exposed to equity securities price risk nor commodity price risk.

### (iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets and the Company's interest rate risk arises from short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying Values	
	2016 Rupees	2015 Rupees
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Cash at bank - saving accounts	49,315,726	412,257
<b>Financial liabilities</b>		
Short term borrowings - secured		-
<b>Net exposure</b>	<b>49,315,726</b>	<b>412,257</b>

### Fair value sensitivity analysis for fixed rate instruments

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

### Cash flow sensitivity analysis for variable rate instruments

If interest rates on floating rate financial instruments, at the year end date, fluctuate by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs. 493,157 (2015: Rs. 4,123) higher / lower, mainly as a result of higher / lower interest income on saving accounts.

**(b) Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to long term deposits, trade debts, loans and advances, short term investments and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2016 Rupees	2015 Rupees
Long term deposits	3,518,330	3,518,330
Trade debts	122,391,065	136,590,718
Advances	1,583,378	1,395,258
Bank balances	53,718,377	32,639,470
	<u>181,211,150</u>	<u>174,143,776</u>
The trade debts as at the balance sheet date are classified as follows:		
Domestic	122,391,065	118,574,963
Foreign	-	18,015,755
	<u>122,391,065</u>	<u>136,590,718</u>

The Company's exposure to credit risk is limited to the carrying amount of unsecured long term deposits, trade debts, loans and advances, short term investments and bank balances. The aging analysis of trade debts is as follows:

	Past due but not impaired						Total
	Neither past due nor impaired	0-30 Days	31-60 Days	61-90 Days	91-180 Days	More than 180 Days	
	-----Rupees-----						
2016	-	119,619,423	-	-	-	2,771,642	<u>122,391,065</u>
2015	-	133,733,970	-	-	-	2,856,748	<u>136,590,718</u>

Based on past experience, the management believes that no impairment is necessary in respect of trade debts past due, as some trade debts have been recovered subsequent to the year end and for other receivables, there are reasonable grounds to believe that the amounts will be recovered in short course of time.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2016	2015
	Short term	Long term		Rupees	Rupees
<b>Banks</b>					
Faysal Bank Limited	A1+	AA	PACRA	49,315,726	412,257
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	178,849	292,095
JS Bank Limited	A1+	A+	PACRA	4,182	4,182
Meezan Bank Limited	A-1+	AA	JCR-VIS	211,417	461,027
Habib Bank Limited	A-1+	AAA	JCR-VIS	34,910	460,713
United Bank Limited	A-1+	AAA	JCR-VIS	2,350,184	30,470,857
Bank Al Habib Limited	A1+	AA+	PACRA	1,528,065	393,349
MCB Bank Limited	A1+	AAA	PACRA	95,044	144,990
				<b>53,718,377</b>	<b>32,639,470</b>

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counterparties on their obligations towards the Company. Accordingly, credit risk is minimal.

### (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash, short term borrowings from commercial banks and short term investments readily convertible to cash. As on June 30, 2016, the Company had Rs. 800 million (2015: Rs. 800 million) available borrowing limit from financial institutions and Rs. 53.968 million (2015: Rs. 32.662 million) cash and bank balances. Short term investments as on June 30, 2016 amounted to Rs. 201.537 million (2015: Rs. 201.038 million).

The following are the contractual maturities of financial liabilities as at June 30, 2016:

	Carrying amount	Less than one year	One to five years	More than five years
	-----Rupees-----			
Trade and other payables	143,969,635	128,900,163	10,287,505	4,781,967
Mark-up accrued on secured loans	31,549	31,549	-	-
Short term borrowings	-	-	-	-
	<b>144,001,184</b>	<b>128,931,712</b>	<b>10,287,505</b>	<b>4,781,967</b>

The following are the contractual maturities of financial liabilities as at June 30, 2015:

Trade and other payables	181,092,686	170,014,627	11,078,059	-
Mark-up accrued on secured loans	194,447	194,447	-	-
Short term borrowings	-	-	-	-
	<b>181,287,133</b>	<b>170,209,074</b>	<b>11,078,059</b>	<b>-</b>



### 34.2 Fair value estimation

The different levels for fair value estimation of financial instruments used by the Company have been explained as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Short term investments amounting to Rs. 201.54 million (2015: Rs. 201.03 million) held by the Company as at June 30, 2016 are included in Level 1. The short term investments comprises of investment in units of mutual funds, their fair value is determined based on redemption prices as at the close of the business day.

The Company does not hold any instruments which can be included in Level 2 and Level 3 as on June 30, 2016. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

### 34.3 Financial instruments by categories

	At fair value through profit and loss account	Loans and receivables	Total
	-----Rupees-----		
<b>Financial assets as on June 30, 2016</b>			
Long term deposits	-	3,518,330	3,518,330
Trade debts	-	122,391,065	122,391,065
Loans and advances	-	1,583,378	1,583,378
Short term investments	201,537,494	-	201,537,494
Cash and bank balances	-	53,967,748	53,967,748
	<u>201,537,494</u>	<u>181,460,521</u>	<u>382,998,015</u>
<b>Financial assets as on June 30, 2015</b>			
Long term deposits	-	3,518,330	3,518,330
Trade debts	-	136,590,718	136,590,718
Loans and advances	-	1,395,258	1,395,258
Short term investments	201,038,759	-	201,038,759
Cash and bank balances	-	32,661,607	32,661,607
	<u>201,038,759</u>	<u>174,165,913</u>	<u>375,204,672</u>

	Rupees
<b>Financial liabilities at amortized cost as on June 30, 2016</b>	
Mark-up accrued on secured loans	31,549
Trade and other payables	143,969,635
	<u>144,001,184</u>
<b>Financial liabilities at amortized cost as on June 30, 2015</b>	
Mark-up accrued on secured loans	194,447
Trade and other payables	181,092,686
	<u>181,287,133</u>

#### 34.4 Capital Risk Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. Capital includes ordinary share capital and reserves.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital employed. Net debt is calculated as total loans and borrowings, less cash and bank balances. Total capital employed signifies equity as shown in the balance sheet plus net debt.

The gearing ratios as at June 30 are as follows:

	2016 Rupees	2015 Rupees
Short term borrowings	-	-
Less: Cash and bank balances	(53,967,748)	(32,661,607)
Net debt	(53,967,748)	(32,661,607)
Share capital	260,000,000	260,000,000
Reserves	821,471,844	809,209,856
Equity	1,081,471,844	1,069,209,856
Total equity and liability	<u>1,027,504,096</u>	<u>1,036,548,249</u>
Gearing ratio	0.00%	0.00%
	2016	2015
<b>35 Number of employees</b>		
Total number of permanent employees as on June 30	145	140
Average number of permanent employees during the year	142	138

**36 Provident fund trust****36.1 The salient information of the fund is as follows:**

	2016 Rupees	2015 Rupees
Size of the fund	52,176,598	43,238,027
Cost of investment made	30,523,506	26,257,148
Percentage of investment made	58.50%	60.73%
Fair value of investment	41,402,032	33,018,227

**36.2 Breakup of investment**

	2016 Rupees	2015 Rupees	2016 % of total fund	2015 %
Listed securities (mutual funds)	19,665,051	15,462,856	37.69%	35.76%
Certificates of investments in scheduled banks	10,858,455	10,794,292	20.81%	24.96%

The figures for 2016 are based on the un-audited financial statements of the provident fund. Investments out of provident fund have been made in accordance with the provisions of section 227 of the Ordinance and the rules formulated for this purpose.

**37 Events after the balance sheet date**

The Board of Directors in its meeting held on September 02, 2016 has announced a final cash dividend in respect of the year ended June 30, 2016 of Rs. 10 per share (2015: Rs. 8 per share). These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

**38 Date of authorization for issue**

These financial statements were authorized for issue on September 02, 2016 by the Board of Directors of the Company.

**39 Corresponding figures**

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made in these financial statements.

**40 General**

Figures have been rounded off to the nearest rupee unless otherwise specified.

  
Chief Executive

  
Director



## PROXY FORM

### 24th ANNUAL GENERAL MEETING

I / We \_\_\_\_\_  
 of \_\_\_\_\_ being a member of Millat Equipment Limited and holder  
 of \_\_\_\_\_ Ordinary shares as per Shares Register Folio No. \_\_\_\_\_  
 hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_  
 of \_\_\_\_\_ or failing him / her \_\_\_\_\_ of \_\_\_\_\_ as my proxy to vote for me and on my  
 behalf at the Annual General Meeting of the Company to be held on Thursday, October 27, 2016 at 04:00 p.m.  
 at Company's Registered Office, 8.8 km Sheikhpura Road, Shahdara, Lahore and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

Witness:

1. Signature : \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_  
 CNIC or  
 Passport No: \_\_\_\_\_

2. Signature : \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_  
 CNIC or  
 Passport No: \_\_\_\_\_

Signature

Please affix  
 Rupees five  
 revenue stamp

(Signature should agree with  
 the specimen signature  
 registered with the Company)

#### Important:

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as a proxy who is not a member of the Company except that a corporation may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member(s) or by his / her attorney duly authorized in writing. If the member is a corporation, its common seal should be affixed to the instrument.
3. This Proxy Form, duly completed, must be deposited at the Company's Registered Office, 8.8 km Sheikhpura Road, Lahore, not less than 48 hours before the time of holding the meeting.

## تشکیل نیابت داری

24 واں سالانہ اجلاس عام

میں / ہم \_\_\_\_\_ ساکن \_\_\_\_\_ ملٹ ایکویپمنٹ لمیٹڈ  
 رکن و حاصل \_\_\_\_\_ عام حصص برطابق شیئر رجسٹر فو لیو نمبر \_\_\_\_\_،  
 ساکن \_\_\_\_\_ یا بصورت دیگر \_\_\_\_\_ ساکن \_\_\_\_\_  
 کو اپنی جگہ بروز جمعرات مورخہ 27- اکتوبر 2016ء وقت 04:00 بجے سہ پہر، بمقام کمپنی کے رجسٹرڈ آفس 8.8 کلومیٹر شیخوپورہ روڈ  
 شاہدرہ لاہور میں منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا ہوں۔

دستخط کئے گئے مورخہ \_\_\_\_\_ 2016

گواہان:

براہ کرم پانچ روپے مالیت کے  
 ریونیو ٹکٹ چسپاں کریں۔

دستخط

(دستخط کمپنی میں درج نمونہ کے  
 دستخط کے مطابق ہونے چاہئے)

- 1 دستخط: \_\_\_\_\_  
 نام: \_\_\_\_\_  
 پتہ: \_\_\_\_\_  
 سی این آئی سی یا پاسپورٹ نمبر: \_\_\_\_\_
- 2 دستخط: \_\_\_\_\_  
 نام: \_\_\_\_\_  
 پتہ: \_\_\_\_\_  
 سی این آئی سی یا پاسپورٹ نمبر: \_\_\_\_\_

نوٹ:

- ۱- پراسی کا کمپنی کا ممبر ہونا لازمی ہے، البتہ کارپوریشن ایک ایسے شخص کو منتخب کر سکتی ہے جو ممبر نہ ہو۔
- ۲- ضروری ہے کہ فارم برائے منتخب پراسی دستخط شدہ ہو ممبر سے یا اس کے وکیل سے۔
- ۳- پراسی کے مؤثر ہونے کے لئے لازم ہے کہ وہ اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کو اس کے رجسٹرڈ آفس 8.8 کلومیٹر شیخوپورہ روڈ لاہور پر موصول ہوں۔



## ELECTRONIC TRANSMISSION CONSENT

Pursuant to the allowance granted through SRO 787(I)/2014 of September 08, 2014, by the Securities Exchange Commission of Pakistan, the Company can circulate its annual balance sheet and profit and loss accounts, auditors' report and directors' report etc. ("Audited Financial Statements") along with the Company's Notice of Annual General Meeting through email to its shareholders. Those shareholders who wish to receive the Company's Annual Report via email are requested to provide a completed consent form to the Company Secretary.

PLEASE NOTE THAT RECEIPT OF THE ANNUAL REPORT VIA EMAIL IS OPTIONAL AND NOT COMPULSORY.

### ELECTRONIC TRANSMISSION CONSENT FORM

The Company Secretary,

Dated: \_\_\_\_\_

8.8 km Sheikhpura Road,

Lahore.

Pursuant to the directions given by the Securities Exchange Commission of Pakistan through its SRO 787(I)/2014 of September 08, 2014, I, Mr./Mrs. \_\_\_\_\_ S/o,D/o,W/o \_\_\_\_\_

hereby consent to have Millat Equipment Limited's audited financial statements and Notice of Annual General Meeting delivered to me via

email on my email address provided below:

Name of Member / Shareholder \_\_\_\_\_

Folio Number \_\_\_\_\_

Email Address \_\_\_\_\_

It is stated that the above mentioned information is true and correct and that I shall notify the Company in writing of any change in my email address or withdrawal of my consent to email delivery of the Company's audited financial statements and Notice of Annual General Meeting.

\_\_\_\_\_  
Signature of the Member / Shareholder

## اظہار رضامندی بابت ترسیل برق روی

سیکیورٹیز اینڈ ایکسچینج آف پاکستان کے ایس آر او 2014/787(1) مورخہ 8 ستمبر 2014 کے بموجب سہولت مہیا کی گئی ہے کہ کمپنی اپنی سالانہ بیلنس شیٹ اور نفع و نقصان کے گوشوارے محاسب و نظمہ کی مرتب کردہ اطلاعی معلومات (پڑتال شدہ مالیاتی حسابات) بشمول سالانہ اجلاس عام کی اطلاع اپنے حصص یافتگان کو بذریعہ ای میل ارسال کر سکتی ہے۔ وہ تمام حصص داران جو کمپنی کی سالانہ رپورٹ بذریعہ ای میل حاصل کرنے کے خواہشمند ہیں ان سے التماس ہے کہ تکمیل شدہ رضامندی کے فارم کمپنی سیکرٹری کو مہیا کریں۔

یاد دہانی رہے کہ سالانہ رپورٹ کی بذریعہ ای میل وصولی اختیاری ہے لازمی نہیں ہے۔

## اظہار رضامندی بابت ترسیل برق روی فارم

کمپنی سیکرٹری

تاریخ:

8.8 کلومیٹر شیٹھو پورہ روڈ،  
لاہور

سیکیورٹیز اینڈ ایکسچینج آف پاکستان کے ایس آر او 2014/787(1) مورخہ 8 ستمبر 2014 کی تعمیل کرتے ہوئے میں مسماۃ \_\_\_\_\_

ولدیت / زوجیت \_\_\_\_\_

ملت ایکویٹیمنٹ لمیٹڈ کے پڑتال شدہ مالیاتی گوشوارے اور سالانہ اجلاس عام کی اطلاع بذریعہ ای میل مندرجہ ذیل ای میل پتے پر حاصل کرنا چاہتا/چاہتی ہوں

ممبر / حصص دار کا نام: \_\_\_\_\_

فولیو نمبر: \_\_\_\_\_

ای میل ایڈریس: \_\_\_\_\_

ہر گاہ اقرار کیا جاتا ہے کہ مندرجہ ذیل بلا معلومات صحیح اور درست ہیں اور یہ کہ میں کمپنی کو تحریری طور پر ای میل ایڈریس میں تبدیلی یا بذریعہ ای میل کمپنی کے پڑتال شدہ حسابات اور سالانہ اجلاس عام کی اطلاع کی وصولی یا منسوخی کے بارے میں مطلع کروں گا۔

ممبر / حصص دار کے دستخط: \_\_\_\_\_