

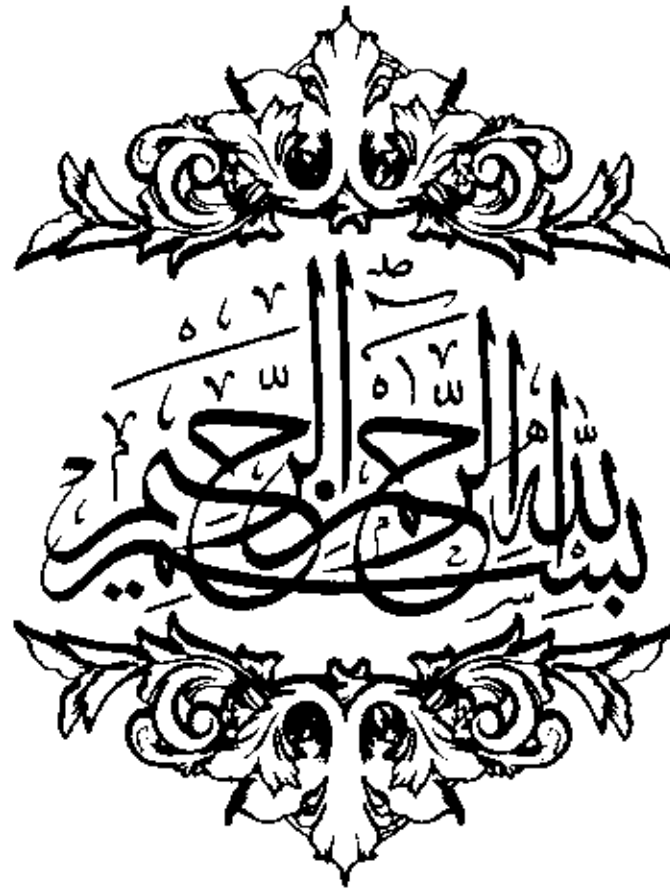


ESTABLISHED 1940

THE CLIMAX

ENGINEERING COMPANY LIMITED

ANNUAL REPORT 2014



THE CLIMAX

ENGINEERING COMPANY LIMITED

CONTENTS

Company Information	3
Vision and Mission	4
Statement of Ethics	5
Notice of the Annual General Meeting	6
Compliance of Corporate Governance	7
Chief Executive's Review	9
Directors' Report	10
Pattern of Shareholding	13
Auditors' Review Report	15
Auditors' Report	16
Balance Sheet	17
Profit & Loss Account	19
Statement of Comprehensive Income	20
Cash Flow Statement	21
Statement of Changes in Equity	22
Notes to the Accounts	23
Form of Proxy	



COMPANY INFORMATION

BOARD OF DIRECTORS :

- | | |
|----------------------------|-----------------|
| 1. CH. M. A. HAMEED | Chairman |
| 2. CH. M. A. QAYYUM | Chief Executive |
| 3. CH. ABDUL SALAM | |
| 4. CH. IMTIAZ. A. HAMEED | |
| 5. CH. MAHMOOD GHANI FAIZI | |
| 6. CH. USMAN GHANI FAIZI | |
| 7. CH. ZIA-UL-HAMEED | |

AUDIT COMMITTEE :

- | | |
|--------------------------|----------|
| 1. CH. USMAN GHANI FAIZI | Chairman |
| 2. CH. IMTIAZ. A. HAMEED | Member |
| 3. CH. ABDUL SALAM | Member |

HUMAN RESOURCE AND REMUNERATION COMMITTEE :

- | | |
|----------------------------|----------|
| 1. CH. ZIA -UL-HAMEED | Chairman |
| 2. CH. ABDUL SALAM | Member |
| 3. CH. MAHMOOD GHANI FAIZI | Member |

COMPANY SECRETARY :

SH. MUHAMMAD ASLAM

CHIEF FINANCIAL OFFICER :

SH. JAMIL AHMAD

AUDITORS:

M/s. QADEER & Co.
Chartered Accountants

SHARE REGISTRAR:

M/s. Corplink (Pvt) Ltd.
Wings Arcade. I-K, Commercial, Model Town,
Lahore.

LEGAL ADVISORS:

ABDUL HAKIM AWAN

REGISTERED OFFICE & WORKS :

CLIMAXABAD, G.T. ROAD,
GUJRANWALA,

BANKERS :

NIB BANK LIMITED
HABIB BANK LIMITED
NATIONAL BANK OF PAKISTAN LIMITED
STANDARD CHARTERED BANK LIMITED

Vision Statement

To be the Best in Engineering
Business in the Region

Mission Statement

To grown Engineering business consistently and aggressively by maintaining market leadership through positive relationship with customers to attain full customer satisfaction level and to bring continuous improvement by adopting only those business practices which add value for its customers, employees and shareholders.

Our Core Values

Define and direct every decision we make and every action we take at
The Climax Engineering Company Limited

Integrity

We adhere to a code of conduct, which produces consistently ethical
behaviour

Excellence

We do the right things in a superior manner while striving for
continuous improvements.

Respect

We deal with and treat others the way we want to be dealt with and
treated.

Financial Success

We consistently focus on our business to create economic value today
and into the future



STATEMENT OF ETHICS AND BUSINESS PRACTICES

It is a strong belief of the management of the Company that a clear vision, a positive mission and fully spelled out code of ethics and business practices is a pre-requisite to good corporate governance.

Therefore, the Company in addition to the adherence of its mission statement shall observe the compliance of the following codes of ethics and best business practices.

ETHICS

Discipline

It shall be the joint and several responsibility of management and every employee of the company to maintain the discipline in the Company.

Coordination among staff

The management shall provide a conducive environment for the effective coordination among the members of the staff and management.

Conflict of interest

Management and employees of the Company are hereby committed not to engage in any activity which is against the interest of the Company. Staff members shall not conduct any personal business in the Company premises and with the use of facilities provided by the Company for official use. If any employee has a direct or indirect relationship with any organization dealing with the Company he should disclose it immediately to the Company.

Confidentiality

Management and employees of the Company are hereby committed to the confidentiality of the business information to the outsider of the Company unless it is required by a competent authority having jurisdiction to the affairs of the Company. Even if they leave the Company shall not loose the confidentiality of Company secrets.

Commitment

A bi-lateral commitment with the employees, management, shareholders, suppliers and customers shall be of prime importance in every instance. All the management and employee of the Company shall not make any commitment, the compliance of which is beyond their control and if they commit, every effort shall be made to fulfill the commitment.

Relationship with Govt. Officials, Suppliers, Customers and Agents

Only the concerned and knowledgeable members of the relevant field of the Company shall conduct dealing with Govt. officials, suppliers, customers and agents. The dealing members shall always maintain the integrity and reputation of the Company.

Training

Training of the employees shall be an important part of business practices. The management shall take steps that training of every employee is ensured from his joining to the retirement.

GENERAL

The Company shall neither support any political party nor contribute funds to groups or Associations whose activities promote political interest.

IMPLEMENTATION

Company Board ensures implementation of these codes, regular monitoring, review for modification / amendment where necessary.

Notice of the Annual General Meeting

Notice is hereby given that the 56th Annual General Meeting of the shareholders of The Climax Engineering Company Limited ('the Company') will be held on Friday 31st October 2014 at 03:00 P.M. at The Registered Office of the Company at Climaxabad, G.T. Road, Gujranwala to transact the following business:

A. Ordinary Business

1. To confirm the minutes of the last Annual General Meeting of the company held on 31st October, 2013.
2. To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2014 together with the Directors' and Auditors' Reports there-on.
3. To appoint Auditors for the next financial year ending on June 30, 2015, and to fix their remuneration. **M/S Qadeer & Company, Chartered Accountants**, retire and being eligible have offered themselves for re-appointment.
4. To transact any other business with permission of the Chairman.

Gujranwala

By order of the Board

(Mr. Sheikh Muhammad Aslam)
Company Secretary

Dated: September 30, 2014

Notes:

1. The Share Transfer Books of the Company will remain closed from 22 October 2014 to 31 October 2014 (both days inclusive). Physical transfers received in order at the Registered Office of the Company up to the close of business on 21 October 2014 will be considered in time for the determination of entitlement of shareholders to attend and vote at the meeting.
2. A member entitled to attend and vote at this meeting may appoint any other members as his / her proxy to attend and vote. The instrument appointing a proxy must be deposited at the Registered Office of the Company at least forty eight (48) hours before the time of Meeting.
3. In case of individuals, the account holder and / or sub-account holder shall authenticate his identity by showing his original CNIC or original Passport at the time of attending the Meeting.
4. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
5. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
6. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
7. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
8. Shareholders are requested to notify the company promptly of the changes in their address.



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange (Guarantee) Ltd., for the purpose of establishing a framework of good corporate governance, where by a listed company is managed in compliance with the best practices of corporate governess.

The Company has applied the principles contained in the CCG in the following manner:-

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes :

Category	Names
Executive Directors	Ch. M. A. Hameed Ch. M. A. Qayyum Ch. Imtiaz A.Hameed Ch. Mehmood Ghani Faizi
Non-Executive Directors	Ch. Abdul Salam Ch. Usman Ghani Faizi Ch. Zia-ul-Hameed

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision & mission statement , overall corporate strategy and significant Policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO other Executive and non- executive Directors, have been taken by the Board.
7. The meetings of the board were presided over by the chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notice of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. There was no change in the position of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit during the year.

9. The Director's report for the year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
10. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the board.
11. The Directors, CEO, and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
12. The company has complied with all the corporate and financial reporting requirements of the CCG.
13. The board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.
14. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
15. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.
16. The board has set up an effective internal audit function. The staff is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
17. The statutory auditors of Company have confirmed that they have been given a satisfactory rating under the quality control review program of the institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with international Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the institute of Chartered Accountants of Pakistan (ICAP)
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
20. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
21. We confirm that all other material principals enshrined in the CCG have been complied with.

Gujranwala

For and on behalf of the board

September 30, 2014

M. A. QAYYUM
Chief Executive



CHIEF EXECUTIVE REPORT TO THE SHAREHOLDERS

Dear Shareholders,

I feel pleasure to welcome you on the 56th Annual General Meeting of your company and to Place before you the Annual Accounts for the year ended June 30, 2014 along with Director's Report thereon.

Financial Review

The year under review has shown sales of Rs. 67.162 Million as compared to Sale of 92.523 Million in the previous year.

Company's before tax Loss is amounting to Rs. 28.385 Million as compared to last year's before tax Loss of Rs. 62.888 Million.

Main reason for lesser sales is due to decrease in transformer section sales because of non availability of business from WAPDA due to new design. More over sever electricity and gas load shading is also effecting the production program very badly. The price of electricity and Gas have been increased enormously resulting in increase of market prices of raw material and components also thereby increasing the input costs but due to heavy competition in the market the prices of finished products are not increased proportionately thus effecting the profitability of the Company.

The sale of land of the company is in progress and the funds are being used for the payments of bank liabilities, arranging infrastructure at new premises and for working Capital.

The management is trying its best to improve the working of the company as far as possible in the present circumstances and also to complete construction of new factory as quickly as possible.

The management has very cordial relation with the Collective Bargaining Agents and we would like to thank all the employees of the Company for their commendable contributions.

Dated : 30th Sep, 2014.

CH. M. A. QAYYUM
Chief Executive

DIRECTORS REPORT TO THE SHARE HOLDERS.

The Board of Directors are Pleased to Present the annual report of the Company along with the audited financial statements for the year ended June 30, 2014. In compliance with the Code of Corporate Governance, These financial statements have been endorsed by the Chief Executive officer and Chief Financial Officer of the Company, recommended by the Audit Committee of the Board and approved by the Board of Director's for presentation.

OPERATING RESULTS

In year 2013-2014, your company has achieved sales at Rs. 67,162 Million as compared to last year sale of Rs. 92.523 Million. Summary of key financial results are given below:

	June 30, Rupees 2014	June 30, Rupees 2013
Sale	67,162,106	92,523,017
Gross (Loss)/Profit	(18,956,214)	(34,695,003)
Finance Cost	(341304)	(1,671,431)
Loss before Taxation	(28,385,750)	(62,888,754)
Loss after Taxation	(28,385,750)	(63,351,377)
Loss per share Basic and Diluted (In Rupees)	(8.57)	(19.13)

During the year the sales have been decreased due to lesser work order from the market and also because we could not procure any order of transformers from WAPDA. Sever loud shading of electricity and Gas also effected the production program very badly. Extensive increases in the rates of electricity and Gas has also effected the overall business of the Company. However every effort is being made to improve the working of the Company as far as possible under the prevailing economic condition of the country as a whole.

FUTURE PROSPECTUS

The shareholders of the Company have approved the plan of shifting factory and head office of the Company from existing place to sialkot road Gujranwala in Extra Ordinary General Meeting held on February 22, 2012 in order to generate funds for repayments of Bank loan and for meeting working capital for better utilization of the capacity to increase production and sale of the Company.

AUDIT COMMITTEE

The Board of Directors has re-constituted the Audit Committee in compliance with the Code of Corporate Governance with the Corporate following members:

- | | | |
|----|------------------------------|-----------------|
| 1. | Ch. Usman Ghani Faizi | Chairman |
| 2. | Ch. Imtiaz Hameed | Member |
| 3. | Ch. Abdul Salam | Member |

The Audit Committee reviewed the quarterly, half yearly and annual financial statements before their submission to the Board and their publication. The CFO, Head of internal Audit and a representative of external auditors attended the meetings where issues relating to accounts and audit were discussed. The Audit Committee also reviewed internal audit findings and held separate meetings with internal and external auditors as required under the Code of Corporate governance. Related Parties Transactions were also placed before the Audit Committee prior to their approval by the Board.

Human Resource and Remuneration (HR & R) Committee

During the year, the Board of Directors, in compliance with the Code of Corporate Governance has established HR&R Committee consisting of the following members:

- | | | |
|----|--------------------------------|-----------------|
| 1. | Ch. Zia -Ul-Hameed | Chairman |
| 2. | Ch. Abdul Salam | Member |
| 3. | Ch. Mehmood Ghani Faizi | Member |

The HR&R Committee is mainly responsible for:

1. Recommending human resource management policies to the Board,



2. Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
3. Recommending to the Board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and
4. Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

Directors' Training Programs:

The Board has been provided with detailed in-house briefings and information package to apprise them of their duties and responsibilities.

Compliance with the Code of Corporate Governance:

The requirements of the Code of Corporate Governance-2012 set out by the Karachi Stock Exchange in their listing regulations have been adopted by the Company and have been duly complied with. A statement to this effect is annexed to the report.

Corporate and Financial Reporting Framework:

Following are the statements on Corporate and financial Reporting Framework:

- i. The financial statements together with notes thereon have been drawn up by the management in conformity with the companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.
- ii. Proper books of accounts of the Company have been maintained.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Financial Reporting standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. There are no significant doubts upon the Company's ability to continue as a going concern.
- vii. The Key operating and financial data for the last six years is annexed.

Health, Safety and Environment:

Health and Safety of employees, contractors and visitors along with protection of Environment associated with Company's activities remains the top priority at Climax Engg co Ltd. We actively strive for eliminating all possible causes of accidents, preventing environmental pollution, minimizing waste, energy conservation, safety awareness, training, emergency preparedness and managing environmental impact that can affect the surrounding communities and the environment at large. The Company has been certified for ISO 9001: 2000 –Quality Management System.

Corporate Social Responsibility:

Climax is a socially responsible corporate entity and is working diligently for the welfare of communities where we operate and the society in general. Your Company is actively involved in the various social responsibility initiatives in the field of education and health care. Climax continued to provide financial support to various organization operating in the fields of Education, Health and Social uplift.

AUDITORS

The present Auditor, M/s. **Qadeer & Company**, Chartered Accountants, retire and being eligible have offered themselves for re-appointment for the next year ending June 30, 2015.

DIVIDEND

Due to losses incurred by the company, directors do not recommend any Dividend for the year ended 30th June, 2014.

RELATED PARTIES

The Board of Directors has approved the policy for transaction / contract between Company and its related parties on an arm's length basis and relevant rates are to be determined as per the "comparable un-controlled price method"

MATERIAL CHANGES

There have no material changes Since June30, 2014 and the Company has not entered into any commitment which would effect its financial position at the date.

EARNING PER SHARE.

During the year ended June30, 2014 earning per share of the Company concluded at Rs: (8.57) as compared to Rs: (19.13) per share during the year ended June30, 2013.

PATTERN OF SHAREHOLDING

The pattern of shareholding as per Section 236 of the Companies Ordinance, 1984 is attached herewith.

DIRECTORS MEETING:

During the year 6 meeting of board of Directors were held.

<u>Name of Directors</u>	<u>Numbers of meeting attended.</u>
Ch. M A Hameed	6
Ch. M A Qavium	6
Ch. Abdul Salam	6
Ch. Imtiaz A. Hameed	6
Ch. Mahmood Ghani Faizi	6
Ch. Usman Ghani Faizi	6
Ch. Zia-ul-Hameed	6

Rupees in Thousands

Particulars	2014	2013	2012	2011	2010	2009
Sales	67,162	92,523	168,303	189,233	270,633	300,511
Cost of Goods Sold	86,118	127,008	203,833	175,785	249,559	274,609
Gross Profit	(18,956)	(34,695)	35,529	13,448	21,074	25,902
Operating Profit / (Loss)	(35,009)	(61,218)	(73,244)	(19,059)	(21,625)	(11,636)
Financial Charges	(3,41)	(1,671)	(8,548)	(10,444)	(10,591)	(11,476)
Profit / (Loss) before tax	(28,385)	(62,888)	(59,414)	(29,670)	(31,929)	22,024)
Profit / (Loss) after tax	(28,385)	(63,351)	(61,326)	(31,564)	(28,143)	25,146)
Paid up Capital	33,120	33,120	33,120	33,120	33,120	33,120

ACKNOWLEDGMENT

We would like to take this opportunity to express our appreciation to the management and employees of the Company for their hard work and dedication. We also express our gratitude to our valued customers.

For and on behalf of the Board

Dated: 30-09-2014

Director



**PATTERN OF SHAREHOLDING
HELD BY THE SHAREHOLDERS AS ON JUNE 30 2014**

1. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
253	1	100	11,065
329	101	500	84,651
64	501	1,000	47,889
80	1,001	5,000	189,595
13	5,001	10,000	91,700
14	10,001	15,000	160,410
1	15,001	20,000	16,700
3	20,001	25,000	69,850
6	25,001	30,000	162,090
1	30,001	35,000	30,100
3	35,001	40,000	113,390
4	40,001	45,000	172,260
2	50,001	55,000	101,590
2	55,001	60,000	113,890
2	60,001	65,000	125,740
3	65,001	70,000	204,560
1	70,001	75,000	74,500
2	85,001	90,000	175,390
1	90,001	95,000	91,440
2	95,001	100,000	195,020
3	100,001	105,000	327,160
3	125,001	130,000	377,100
1	155,001	180,000	155,100
1	220,001	225,000	220,810
794			3,312,000

2. Categories of shareholders	Share held	Percentage
2.1 Directors, Chief Executive Officers, and their spouse and minor children	1,240,220	37.4463%
2.2 Associated Companies, undertakings and related parties.	201,960	6.0978%
2.3 NIT and ICP	9,460	0.2856%
2.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	25,000	0.7548%
2.5 Insurance Companies	114,050	3.4435%
2.6 Modarabas and Mutual Funds	0	0.0000%
2.7 Share holders holding 10% or more	0	0.0000%
2.8 General Public		
a. Local	1,715,040	51.7826%
b. Foreign		
2.9 Others (to be specified)		
1- Joint Stock Companies	5,180	0.1564%
2- Others	1,090	0.0329%

PATTERN OF SHAREHOLDING Additional Information

information on shareholding required under reporting framework of the Code of Corporate Governance is as follows.

Sr. No.	Name	No. of Shares Held	Percentage
---------	------	--------------------	------------

Associated Companies, Undertakings and Related Parties (Name Wise Detail):

1	CLIMAX AGENCIES LTD.	112,320	3.3913%
2	HAMID IMTIAZ (PVT.) LIMITED	86,840	2.6220%
3	NATIONAL PRODUCTS (PVT.) LTD.	2,800	0.0845%

Mutual Funds (Name Wise Detail)

- -

Directors and their Spouse and Minor Children (Name Wise Detail):

1	MR. MEHMOOD G. FAIZI	220,810	6.6670%
2	CH. M. A. HAMID	68,520	2.0688%
3	MR. IMTIAZ A. HAMID	88,550	2.6736%
4	MR. ZIA UL HAMID	125,840	3.7995%
5	CH. M. A. QAYYUM	58,860	1.7772%
6	CH. ABDUL SALAM	51,580	1.5574%
7	MR. USMAN GHANI FAIZI	155,100	4.6830%
8	MRS. NAGHMA BEGUM W/O CH. IMTIAZ A. HAMID	63,460	1.9161%
9	MRS. SUGHRA KHANUM W/O CH. M. A. HAMID	113,500	3.4269%
10	MRS. NUSRAT BEGUM W/O M. A. QAYYUM	91,440	2.7609%
11	MRS. RAFAQAT BEGUM W/O CH. ABDUL SALAM	74,500	2.2494%
12	MRS. FARYAL MEHMOOD FAIZI W/O MEHMOOD G. FAIZI	16,700	0.5042%
13	MRS. BUSHRA USMAN W/O USMAN GHANI FAIZI	97,820	2.9535%
14	MR. HARIS MEHMOOD FAIZI (MINOR)	13,540	0.4088%

Executives:

101,340 3.0598%

Public Sector Companies & Corporations:

- -

Banks, Development Finance Institutions, Non Banking Finance

139,050 4.1984%

Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:

Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)

S. No.	Name	Holding	Percentage
1	MR. MEHMOOD G. FAIZI	220,810	6.6670%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed: NIL



REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of THE CLIMAX ENGINEERING COMPANY LIMITED (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulations No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon the recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Lahore
Dated: September 30, 2014

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN, FCA

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **THE CLIMAX ENGINEERING COMPANY LIMITED** (the Company) as at June 30, 2014 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 except for the changes as described in note 2.02 to the financial statements, with which we concur;
 - (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 the 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, 2014 and of the loss, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, no Zakat was deducted at source under the Zakat and Ushr Ordinance, 1980 (XIII of 1980).

Lahore
Dated: September 30, 2014

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN, FCA



THE CLIMAX ENGINEERING COMPANY LIMITED
BALANCE SHEET AS AT JUNE 30, 2014

	NOTE	2014 RUPEES	Restated	
			2013 RUPEES	2012 RUPEES
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized capital 5,000,000 (2013: 5,000,000) ordinary shares of Rs.10/- each		50,000,000	50,000,000	50,000,000
Issued, subscribed and paid up capital	6	33,120,000	33,120,000	33,120,000
ACCUMULATED PROFIT/(LOSS)		28,954,346	(34,295,817)	30,057,811
SHAREHOLDERS' EQUITY		62,074,346	(1,175,817)	63,177,811
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	273,304,501	358,910,620	364,375,220
NON-CURRENT LIABILITIES				
Due to related parties	8	62,110,874	61,455,061	61,302,294
Deferred liabilities	9	29,689,041	39,040,423	29,207,424
		91,799,915	100,495,484	90,509,718
CURRENT LIABILITIES				
Trade and other payables	10	272,618,522	303,681,777	245,621,442
Accrued markup and interest	11	-	3,400,000	2,438,375
Short term finance - secured	12	-	15,032,514	47,999,904
Provision for taxation	13	-	462,623	1,912,057
Unclaimed Dividend	14	13,535	13,535	13,535
		272,632,057	322,590,449	297,985,313
CONTINGENCIES AND COMMITMENTS	15	-	-	-
		699,810,819	780,820,736	816,048,062

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

CHIEF EXECUTIVE

DIRECTOR

THE CLIMAX ENGINEERING COMPANY LIMITED
BALANCE SHEET AS AT JUNE 30, 2014

ASSETS	NOTE	2014 RUPEES	Restated	
			2013 RUPEES	2012 RUPEES
NON-CURRENT ASSETS				
Property, plant and equipment	18	321,082,738	409,854,618	418,848,766
Capital work in progress	17	4,857,115	2,882,615	-
Long term security deposits	18	420,000	370,000	346,000
		326,369,853	413,107,233	419,194,766
CURRENT ASSETS				
Stores, spare parts and loose tools	19	1,532,410	1,543,870	1,554,607
Stock in trade	20	148,444,172	147,460,750	179,337,259
Trade debts	21	177,887,926	177,212,872	166,035,121
Due from related parties	22	649,154	649,154	649,154
Loans and advances - unsecured	23	13,636,288	13,334,212	16,463,568
Trade deposits and short term prepayments	24	74,444	233,603	342,225
Other receivables	25	24,600,526	26,907,826	27,951,835
Cash and bank balances	26	6,616,046	371,215	4,519,527
		373,440,966	367,713,503	396,853,296
		<u>699,810,819</u>	<u>780,820,736</u>	<u>816,048,062</u>

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

CHIEF EXECUTIVE

DIRECTOR



THE CLIMAX ENGINEERING COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	NOTE	2014 RUPEES	2013 RUPEES
SALES	27	67,162,106	92,523,017
COST OF SALES	28	<u>(86,118,320)</u>	<u>(127,218,020)</u>
GROSS (LOSS)/PROFIT		(18,956,214)	(34,695,003)
OPERATING EXPENSES			
Selling and Distribution cost	29	<u>(947,358)</u>	<u>(4,762,607)</u>
Administrative and general expenses	30	<u>(15,105,548)</u>	<u>(21,761,222)</u>
		<u>(16,052,906)</u>	<u>(26,523,829)</u>
OPERATING LOSS		(35,009,120)	(61,218,832)
Finance cost	31	(341,304)	(1,671,431)
OTHER OPERATING INCOME	32	<u>6,964,674</u>	<u>1,509</u>
LOSS BEFORE TAXATION		(28,385,750)	(62,888,754)
TAXATION	33	-	(462,623)
LOSS FOR THE YEAR		<u>(28,385,750)</u>	<u>(63,351,377)</u>
LOSS PER SHARE - BASIC AND DILUTED (IN RUPEES)	34	<u>(8.57)</u>	<u>(19.13)</u>

CHIEF EXECUTIVE

DIRECTOR

THE CLIMAX ENGINEERING COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	NOTE	2014 RUPEES	<u>Restated</u> 2013 RUPEES
(LOSS) FOR THE YEAR		(28,385,750)	(63,351,377)
OTHER COMPREHENSIVE INCOME		-	-
REMEASUREMENT		6,029,794	(6,466,852)
TOTAL COMPREHENSIVE INCOME / LOSS FOR THE YEAR		<u>(22,355,956)</u>	<u>(69,818,229)</u>

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

CHIEF EXECUTIVE

DIRECTOR



THE CLIMAX ENGINEERING COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	NOTE	2014 RUPEES	<u>Restated</u> 2013 RUPEES
Cash Flow from operating activities:			
Cash generated from/(used in) operations	38	(54,278,880)	36,606,406
Finance cost paid		(3,741,304)	(7,09,806)
Tax paid		(780,987)	(1,912,057)
Gratuity paid during the year		<u>(6,153,548)</u>	<u>(2,382,117)</u>
Net cash inflow/(outflow) from operating activities		(64,954,719)	31,602,426
Cash flow from investing activities:			
Fixed capital expenditure		(1,974,500)	(2,882,615)
Long term security deposit		(50,000)	(24,000)
Property, Plant and Equipment Purchased		(27,000)	(29,500)
Proceeds from sale of property, plant and equipment		<u>87,627,750</u>	<u>-</u>
Net cash inflow/(outflow) from investing activities		85,576,250	(2,936,115)
Cash flow from financing activities:			
Increase/(decrease) in due to related parties		655,813	152,767
Net cash inflow/(outflow) from financing activities		<u>655,813</u>	<u>152,767</u>
Net increase/(decrease) in cash and cash equivalents		21,277,344	28,819,078
Cash and cash equivalents at the beginning of the year		(14,661,298)	(43,480,377)
Cash and cash equivalents at the end of the year	A	<u>6,616,046</u>	<u>(14,661,298)</u>
A Cash and cash equivalents			
Cash and bank balances	26	6,616,046	371,215
Short term finances	12	<u>-</u>	<u>(15,032,514)</u>
		<u>6,616,046</u>	<u>(14,661,298)</u>

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

CHIEF EXECUTIVE

DIRECTOR

THE CLIMAX ENGINEERING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	AMOUNT IN RUPEES			Total
	Share capital	Accumulated (loss)/ Profit	Revaluation Surplus	
As at July 01, 2012	33,120,000	25,039,410	364,375,220	422,534,630
Effect of Change in accounting policy	-	5,018,401	-	5,018,401
As at July 01, 2012 as restated	<u>33,120,000</u>	<u>30,057,811</u>	<u>364,375,220</u>	<u>427,553,031</u>
Total Comprehensive (loss) / income for the year	-	(69,818,229)	-	(69,818,229)
Transferred from Revaluation Surplus on Disposed off Land and Plant & Machinery.	-	-	-	-
Incremental depreciation on revalued assets-net of deferred tax	-	5,464,600	(5,464,600)	-
As at June 30, 2013 (Restated)	<u>33,120,000</u>	<u>(34,295,817)</u>	<u>358,910,619</u>	<u>357,734,802</u>
As at July 01, 2013	33,120,000	(34,295,817)	358,910,619	357,734,802
Total Comprehensive (loss) / income for the year	-	(22,355,956)	-	(22,355,956)
Transferred from Revaluation Surplus on Disposed off Land.	-	80,523,434	(80,523,434)	-
Incremental depreciation on revalued assets-net of deferred tax	-	5,082,684	(5,082,684)	-
As at June 30, 2014	<u>33,120,000</u>	<u>28,954,346</u>	<u>273,304,501</u>	<u>335,378,846</u>

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

CHIEF EXECUTIVE

DIRECTOR



THE CLIMAX ENGINEERING COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2014

1 LEGAL STATUS AND OPERATIONS

The Climax Engineering Company Limited ('the company'), which was established in 1940 as a partnership concern, was incorporated on May 02, 1958 under the Companies Act, 1913, (now the Companies Ordinance, 1984) as a Private Limited Company. It was converted into Public Limited Company in June, 1970. Its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company is principally engaged in the manufacturing and sale of electric capital goods.

2 STATEMENT OF COMPLIANCE

2.01 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 Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.02.1 New Accounting Standards, IFRIC interpretations and amendments to the published approved accounting standards that are effective in current year

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2013 but are considered not to be relevant or to have any significant effect on company's operations and are, therefore, not detailed in these financial statements except for the amendments as explained below:

Amendments to IAS 1, 'Financial statements presentation' regarding other comprehensive Income. The main charge from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' on the basis of whether they are potentially re-classifiable to profit and loss subsequently (reclassification adjustment). The new amendment is not expected to materially affect the disclosures in the financial statements of the company.

IAS 19 (revised) 'Employee Benefits' which is effective for accounting period beginning on or after January 01, 2013. Consequent to the changes in IAS-19 'Employee benefits' The entity is required to recognize all actuarial gain and losses directly to equity through the Statement of Other Comprehensive Income as these occur. The change in accounting policy has been accounted for retrospectively as required under International Accounting Standard-8 ' Accounting Policies, Changes in Accounting Estimates and Errors' and the comparative financial statement have been re-stated.

2.03 New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are not effective in current year and have not been early adopted by the Company.

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

	Effective Date
IFRS-2 Share based payments (Amendments)	January 01 ,2014
IFRS-3 Business combinations (Amendment)	January 01 ,2014
IFRS-8 Operating segments (Amendments)	January 01 ,2014
IFRS-14 Regulatory deferral accounts	January 01 ,2016
IFRS-15 Revenue from contracts with customers	January 01 ,2017
IAS-16 & 38 Clarification of acceptance method of depreciation and amortization	January 01 ,2016
IAS-16 & 40 Agriculture: Bearer Plants	January 01 ,2016
IAS-19 Employees Benefits	January 01 ,2014
IAS-32 Offsetting financial assets and financial liabilities-(Amendments)	January 01 ,2014
IAS-36 Recoverable	January 01 ,2014
IFRIC-21 Levies	January 01 ,2014

The above standards, amendments and interpretations are either not relevant to the Company operations or are not expected to have significant impact on the Company financial statements except for the increased disclosures in certain cases.

3 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value and certain items of property, plant and equipment that are stated at revalued amounts and recognition of staff retirement benefits at present value. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

4 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pak Rupees which is company's functional currency.

5 SIGNIFICANT ACCOUNTING POLICIES

5.01 Surplus on revaluation of fixed assets

Incremental depreciation arising out of the revaluation of fixed assets has been charged to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS-16 (Property, Plant and Equipment) as allowed through amended Section 235 of the Companies Ordinance, 1984. An equivalent amount of surplus on revaluation of fixed assets representing accumulated incremental depreciation for the current year net of deferred tax has been transferred to retained earnings through statement of changes in equity during the current year.

5.02 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in income currently.

5.03 Staff retirement benefits

The company operates an unfunded gratuity scheme covering all permanent employees eligible for the benefit. Provision is made annually to cover obligation under the scheme. The most recent actuarial valuation of the scheme was carried out as at June 30, 2014. The actuary used the 'Projected Unit Credit (PUC) Actuarial Cost Method' relying on the following significant assumptions:

	2014	2013
Discount rate	12%	10%
Annual incremental rate	11%	9%
Average remaining working life time of employee	4 Years	6 Years

5.04 Tangible fixed assets and depreciation

a) Owned

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost in relation to certain property, plant and equipment signifies historical cost, applicable exchange differences on foreign currency loans and directly attributable cost of bringing the asset to working condition. Borrowing cost pertaining to the construction/ erection period is also capitalized as part of historical cost. Freehold land is stated at cost.

Residual value and the useful life of assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that cost of the item can be measured reliably. All other repair and maintenance cost are charged to profit and loss account during the year in which they are incurred.



b) Assets Subject to Finance Lease

These are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated over their respective useful life of the assets on reducing balance method using the same rate as of owned assets. Depreciation of leased assets is charged to current year's income.

c) Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost/depreciable amount of the assets over their estimated useful lives at the rates specified in note 16. The company charges the depreciation on additions from the date when the asset is available for use and on deletion up to the date when the asset is derecognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

d) De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

5.05 Taxation

a) 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, under the provision of Income Tax Ordinance, 2001.

b) Deferred

The company accounts for deferred taxation, using the liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. Accordingly deferred tax liability is recognized and is reduced by the deferred tax asset expected to be realized in due course of time.

5.06 Stores and Spares

Usable stores and spares are valued principally at moving average basis, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising of invoice value and other incidental charges paid there on.

5.07 Stock-in-trade

The stock is valued at lower of cost and estimated net realizable value. The cost of finished goods includes materials at average cost, direct labor and proportionate production overheads.

The cost of work-in-process includes material at average cost, direct labor and appropriate manufacturing overheads depending upon the stage of completion.

Cost of materials and components is determined on the basis of first-in-first out while items considered obsolete are carried at Nil value.

Net realizable value signifies the estimated selling price in the ordinary course of business less net of estimated cost of completion and selling expenses.

5.08 Revenue recognition

Sales are recorded on dispatch of goods. Price adjustments, if any, on supplies to WAPDA are recognized and included in the sales for the year in which such adjustments are sanctioned by the WAPDA.

5.09 Long term security deposits

These are stated at cost which represents the fair value of consideration given.

5.10 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

5.11 Trade and other payables

Liabilities for trade and other payable are carried at 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.

5.12 Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past event, 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.

5.13 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, cash at banks in current account and deposits accounts and short term finances readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

5.14 Related party transactions and transfer pricing

Transactions and contracts with related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

5.15 Financial instruments

All the financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit or loss account currently.

5.16 Offsetting of financial assets and financial liabilities

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

5.17 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. If any such indication exists, the recoverable amount of such assets are estimated and impairment losses or reversal of impairment losses are recognized in the profit and loss account. Reversal of impairment loss is restricted to the original cost of asset.

5.18 Borrowing cost

All the borrowing cost 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 asset.

5.19 Significant and accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards required the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually (at least at each financial year end) 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 the accounting estimates are recognized in the period in the estimate is recognized and in any future periods effected.



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

- Recognition of taxation and deferred taxation.
- Determination of the residual values and useful lives of property, plant and equipment.
- Adjustment of inventories to their Net Realizable Value.
- Provision for doubtful debts and bills payable.
- Estimation of liability in respect of staff retirement benefits.

5.20 Contingencies and commitments

Capital commitments and contingencies, unless those are actual liabilities are not incorporated in the financial statements.

	NOTE	2014 RUPEES	<u>Restated</u> 2013 RUPEES
6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
34,420 (2013: 34,420) ordinary shares of Rs. 10/- each fully paid in cash		344,200	344,200
72,260 (2013: 72,260) ordinary shares of Rs. 10/- each issued for consideration other than cash		722,600	722,600
3,205,320 (2013: 3,205,320) ordinary shares of Rs. 10/- each issued as fully paid bonus shares		<u>32,053,200</u>	<u>32,053,200</u>
		<u>33,120,000</u>	<u>33,120,000</u>
7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net of tax			
Freehold land		307,059,012	307,059,012
Factory building		19,028,101	21,142,334
Office building		5,083,975	5,351,553
Residential quarters		749,598	833,505
Plant and machinery		<u>26,989,934</u>	<u>29,988,816</u>
		358,910,619	364,375,220
Less: Transferred to retained earning on disposal of land Net of deferred tax		<u>80,523,434</u>	-
		278,387,185	364,375,220
Less: Incremental depreciation transferred to retained earning		<u>5,082,684</u>	<u>5,464,600</u>
		<u>273,304,501</u>	<u>358,910,620</u>

The surplus on revaluation of fixed assets represents surplus resulting from the revaluation of freehold land, buildings on freehold land and plant and machinery. Revaluation was carried out on June 27, 2003 by M/s. Iqbal A. Nanjee & Co., on July 11, 2006 by F.K.S Building Services and subsequently by Indus Surveyors on July 21, 2009, an independent valuer consultants and surveyors on the basis of market, replacement and current values respectively.

		2014 RUPEES	2013 RUPEES
8 DUE TO RELATED PARTIES			
	8.01	<u>62,110,874</u>	<u>61,455,061</u>

8.01 This loan has been obtained from spouses and close family members of directors. It is unsecured, interest free and not payable within next twelve months.

9 DEFERRED LIABILITIES	NOTE	2014	<u>Restated</u>			
		RUPEES	2013 RUPEES			
Staff retirement benefits	9.1	29,689,041	39,040,423			
Deferred taxation	9.2	-	-			
		<u>29,689,041</u>	<u>39,040,423</u>			
9.1 Staff retirement benefits						
9.01 Movement during the year in the net liability recognized in the financial statements is as under:						
Opening liability		39,040,423	29,207,424			
Current service cost		555,800	1,951,299			
Mark up cost for the year		2,276,160	3,796,965			
Remeasurement		(6,029,794)	6,466,852			
Charge for the year		(3,197,834)	12,215,116			
		35,842,589	41,422,540			
Less: Paid during the year		6,153,548	2,382,117			
		<u>29,689,041</u>	<u>39,040,423</u>			
9.02 The amount recognized in balance sheet is as follows:						
Present value of defined benefit obligation		<u>29,689,041</u>	<u>39,040,423</u>			
Total balance sheet liability		<u>29,689,041</u>	<u>39,040,423</u>			
9.03 Expense recognized in the profit and loss account is:						
Current service cost		555,800	1,951,299			
Interest cost		2,276,160	3,796,965			
		<u>2,831,960</u>	<u>5,748,264</u>			
9.04 Historical information for gratuity:						
		2014	2013	2012	2011	2010
		AMOUNT IN RUPEES				
Present value of defined benefit obligation		<u>29,689,041</u>	<u>22,761,603</u>	<u>29,207,424</u>	<u>29,317,671</u>	<u>26,028,000</u>
Experience adjustment arising on plan liabilities		<u>6,029,794</u>	<u>(6,466,852)</u>	<u>4,322,654</u>	<u>695,747</u>	<u>3,153,000</u>
9.2 Deferred Taxation						
Deferred tax Credit/(Debit) arising in respect of temporary taxable differences due to:						
Accelerated tax depreciation				45,775		6,371
Staff retirement benefits				(9,797,384)		(13,010,354)
Surplus on revaluation of fixed assets				23,821,251		27,920,096
Taxable temporary differences				<u>(14,069,642)</u>		<u>(14,916,113)</u>
				<u>-</u>		<u>-</u>

Deferred tax asset of Rs. 13,723,028 has not been accounted for due to uncertainty of future tax profits.



	NOTE	2014 RUPEES	<u>Restated</u> 2013 RUPEES
10 TRADE AND OTHER PAYABLES			
Trade creditors		1,373,054	1,373,054
Accrued liabilities		16,258,044	11,194,939
Bills payable-Local	10.01	85,642,217	70,876,540
Due to Directors	10.02	46,440,700	43,641,911
Due to Associated undertakings	10.03	5,834,941	5,877,942
Advances against sale of land	10.04	64,530,884	121,866,634
Advances from customers		49,011,623	41,580,831
Sales tax Payable		3,197,704	6,173,982
Others payables	10.05	329,355	1,095,944
		<u>272,618,522</u>	<u>303,681,777</u>
10.01 Bills payable - local			
Bills payable		<u>85,642,217</u>	<u>70,876,540</u>
		<u>85,642,217</u>	<u>70,876,540</u>
10.02 Due to Directors			
This loan has been obtained from Directors of the Company, and is interest free. There is neither fixed nor defined schedule for repayment of this loan. According to the loan agreement, the lenders shall not demand repayment and the same is entirely at the Company's option. The Company may repay the loan in cash or may issue shares in lieu of the outstanding amount in form of right shares or otherwise subject to approval as required under the Companies Ordinance, 1984.			
10.03 Due to Related Parties			
Hamid Imtiaz (Private) Limited.		1,933,098	1,933,098
National Products (Private) Limited.		3,863,843	3,906,844
Faizi Industries (Private) Limited.		35,369	35,369
Faizi Industries Gujranwala		2,631	2,631
		<u>5,834,941</u>	<u>5,877,942</u>
These relates to normal business transactions of the Company.			
10.04	These include amount received from Qasim & Company Rs. 49,608,850 (2013: Rs.106,869,600)		
10.05 Other payables			
Employees group insurance claim		191,000	231,000
Income tax - deducted at source		20,965	747,554
Canteen expense payable		4,807	4,807
Unpaid salaries and wages		87,371	87,371
15% Flood Surcharges		25,212	25,212
		<u>329,355</u>	<u>1,095,944</u>

11 ACCRUED MARKUP AND INTEREST

Markup/interest on:

Short term borrowings	-	<u>3,400,000</u>
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12 SHORT-TERM FINANCE SECURED

	Limit (Rupees in Million)		
<i>From Banking Company</i>	48.00	12.01	
Running Finance			<u>15,032,514</u>

12.01 This facility has been obtained from NIB Bank Limited to meet the working capital requirements. It is secured against first hypothecation charge of Rs. 100 M on stocks, receivables and Plant & Machinery registered with SECP; first charge/ Equitable mortgage charge of Rs 100.00 million on factory (Land, building and machinery) measuring 60 Kanals & 4 Marlas situated at Climaxabad, G.T Road, Gujranwala owned by the Company; and personal guarantees of all Guarantors/directors. The facility has been fully settled during the year.

13 TAXATION

Current taxation	13.1	-	<u>462,623</u>
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13.1 Company has incurred gross loss during the year therefore no provision for taxation is recognized for the year.

14 DIVIDEND

	NOTE	2014 RUPEES	<u>Restated 2013 RUPEES</u>
Unclaimed		<u>13,535</u>	<u>13,535</u>

15 CONTINGENCIES AND COMMITMENTS

- a) Letter of guarantee issued in the favor of Lahore Electric Supply Company Limited, Lahore; amounting to Rs. 592,900 (2013: Rs.592,900).
- b) Custom Duty amounting to Rs. 29.362 million for the year 1999 is disputed and case is pending in the honorable Court. The management of the Company is hopeful to get the decision made in favor of the Company.
- c) There are no other significant contingencies and commitments as at balance sheet date.



16 PROPERTY, PLANT AND EQUIPMENT

Particulars	COST/REVALUED				Rate %	DEPRECIATION			Written down value as at June 30, 2014
	As at July 01, 2013	Additions/ (Deletions)	Revaluations	As at June 30, 2014		As at July 01, 2013	Adjustment	For the year	
Owned:									
Land-freehold	325,399,580	(88,661,080)	-	244,738,500	-	-	-	-	244,738,500
Building on freehold land									
Factory building	46,591,103	-	-	46,591,103	10	16,022,719	-	3,056,838	19,079,567
Office building	18,226,643	-	-	10,226,643	05	1,697,043	-	416,480	2,313,523
Residential quarters	3,559,000	-	-	3,559,000	10	2,318,723	-	124,028	2,442,751
Warehouse building	214,000	-	-	214,000	05	169,160	-	2,242	171,402
Plant and machinery	65,490,499	-	-	65,490,499	10	22,533,770	-	4,295,673	26,829,443
Furniture and fixture	1,146,500	-	-	1,146,500	10	1,079,869	-	6,663	1,086,532
Office equipment	4,663,580	27,000	-	4,690,580	15	4,066,210	-	93,655	4,159,865
Air conditioners	806,000	-	-	806,000	20	789,717	-	3,257	792,974
Vehicles	7,886,758	(309,991)	-	7,576,767	20	7,251,834	(307,417)	128,473	7,070,887
Rupees 2014	465,983,663	(88,943,991)	-	385,039,672		56,129,345	(307,417)	8,125,306	63,946,934
Rupees 2013	465,354,163	29,500	-	465,383,663		47,105	-	9,023,648	56,129,045

16.01 Depreciation for the year has been allocated as under:

	2014 Rs.	2013 Rs.
Cost of sales	7,352,511	8,169,457
Administrative expenses	772,795	854,191
	<u>8,125,306</u>	<u>9,023,648</u>

16.02 Had the assets not been revalued the carrying values would have been:

	2014	2013
Land-Freehold	454,430	616,019
Building on free hold land:		
Factory building	1,143,801	1,270,890
Office building	95,033	105,593
Residential quarters	78,732	87,480
Plant and machinery	2,352,791	2,614,212
	<u>4,124,787</u>	<u>4,694,193</u>

ANNUAL REPORT 2014

	NOTE	2014 RUPEES	Restated 2013 RUPEES
17	CAPITAL WORK IN PROGRESS New Factory Building	<u>4,857,115</u>	<u>2,882,615</u>
	As per the resolution passed in extra ordinary general meeting on Wednesday February 22, 2013. The company is in the process of constructing factory building at Sialkot Road Gujranwala and after construction of building the company will be shifted at new place accordingly.		
18	LONG TERM SECURITY DEPOSITS Statutory authorities Office building Telephone and others	<u>273,000</u> <u>87,000</u> <u>60,000</u> <u>420,000</u>	<u>223,000</u> <u>87,000</u> <u>60,000</u> <u>370,000</u>
19	STORES, SPARE PARTS AND LOOSE TOOLS Stores Spare parts	<u>313,260</u> <u>1,219,151</u> <u>1,532,410</u>	<u>324,719</u> <u>1,219,151</u> <u>1,543,870</u>
	19.01 No identifiable stores and spares are held for specific capitalization.		
20	STOCK-IN-TRADE Raw material and components Finished goods Work in process Packing materials	<u>13,430,215</u> <u>22,139,069</u> <u>112,874,887</u> <u>-</u> <u>148,444,172</u>	<u>6,837,543</u> <u>16,450,588</u> <u>124,146,237</u> <u>26,382</u> <u>147,460,750</u>
	20.01 No stock in trade has been pledged with any institution / party.		
21	TRADE DEBTS-UNSECURED - Considered good Less: Provision for doubtful debts	<u>177,887,926</u> <u>-</u> <u>177,887,926</u>	<u>177,212,872</u> <u>-</u> <u>177,212,872</u>
22	DUE FROM RELATED PARTIES Due from related parties	<u>649,154</u>	<u>649,154</u>
	The balance is due from related parties and is unsecured. Related parties comprise of "Majid Munir (Pvt.) Limited, Faizi Brothers and Climax Foundation" the associated concerns of the company.		
23	LOANS AND ADVANCES-UNSECURED Considered good: Advances to suppliers Amount due from employees Advance for purchase of Land	<u>10,723,845</u> <u>682,043</u> <u>2,230,400</u> <u>13,636,288</u>	<u>10,415,294</u> <u>688,518</u> <u>2,230,400</u> <u>13,334,212</u>
24	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS- CONSIDERED GOOD Letters of guarantee-margin deposits Prepayments	<u>74,444</u> <u>-</u> <u>74,444</u>	<u>111,024</u> <u>122,579</u> <u>233,603</u>
25	OTHER RECEIVABLES Balances with statutory authorities - Sales tax refundable - Custom duty Advance income tax Others	<u>9,323,339</u> <u>7,138,469</u> <u>8,069,524</u> <u>69,194</u> <u>24,600,526</u>	<u>12,032,387</u> <u>7,059,171</u> <u>7,751,160</u> <u>65,108</u> <u>26,907,826</u>



	NOTE	2014 RUPEES	Restated 2013 RUPEES
26 CASH AND BANK BALANCES			
Cash in hand		684,804	312,444
Cash at bank			
- In current accounts		5,931,242	58,771
		<u>6,616,046</u>	<u>371,215</u>
27 SALES - NET			
Sales - Net of Sales tax	27.01	67,162,106	92,603,017
Less: Commission		-	80,000
		<u>67,162,106</u>	<u>92,523,017</u>
27.01	Sales are net off sales tax amounting Rs. 11,442,934 (2013: Rs. 14,883,488).		
28 COST OF SALES			
Raw material consumed	28.01	50,708,732	60,077,947
Salaries, wages and other benefits	28.02	16,986,208	25,774,753
Fuel and power		5,446,625	5,338,885
Repair and maintenance		9,700	53,150
Insurance		31,675	82,432
Depreciation	16.01	7,352,511	8,169,457
		<u>80,535,451</u>	<u>99,496,624</u>
Work-in-process			
Opening		124,146,237	140,931,196
Closing		(112,874,887)	(124,146,237)
		<u>11,271,350</u>	<u>16,784,959</u>
COST OF GOODS MANUFACTURED		91,806,801	116,281,584
Finished goods			
Opening		16,450,588	27,387,024
Closing		(22,139,069)	(16,450,588)
		<u>(5,688,481)</u>	<u>10,936,436</u>
		<u>86,118,320</u>	<u>127,218,020</u>
28.01 Raw material consumed			
Opening stock		8,381,413	12,501,120
Material purchased		57,289,945	55,958,240
		65,671,358	68,459,360
Closing stock		(14,962,626)	(8,381,413)
		<u>50,708,732</u>	<u>60,077,947</u>
28.02	Salaries wages and other benefits include provision for gratuity for the year Rs. 1,415,980 (2013: Rs. 2,664,366).		
29 SELLING AND DISTRIBUTION COST			
Packing and forwarding		241,703	720,358
Advertisement		126,054	51,500
Transformer testing fee		537,470	3,949,253
Miscellaneous expenses		42,131	41,496
		<u>947,358</u>	<u>4,762,607</u>
30 ADMINISTRATIVE AND GENERAL EXPENSES			
Directors' remuneration and fee		1,792,200	1,792,200
Salaries, wages and other benefits	30.01	8,176,572	11,297,748
Vehicle running and maintenance		1,052,961	2,576,930
Traveling and entertainment		571,442	1,062,996
Rent, rates and taxes		358,345	898,274
Postage, telegram and telephone		400,027	809,900
Printing and stationery		204,393	210,618
Donations	30.02	200	19,650
Legal and professional charges		756,414	419,076
Auditors remuneration	30.03	375,000	375,000
Depreciation	16.01	772,795	854,191
Bad Debts Written Off		45,719	644,377
Miscellaneous expenses		599,480	800,263
		<u>15,105,548</u>	<u>21,761,222</u>

30.01 Salaries wages and other benefits include provision for gratuity for the year Rs. 1,415,980 (2013: Rs. 2,664,366).

30.02 Donations
No directors or their spouses had any interest in the donee's funds.

	NOTE	2014 RUPEES	Restated 2013 RUPEES
30.03 Auditors' remuneration			
Audit fee		250,000	250,000
Half yearly review		50,000	50,000
Certification charges		50,000	50,000
Reimbursable expenses		<u>25,000</u>	<u>25,000</u>
		<u>375,000</u>	<u>375,000</u>
31 FINANCE COST			
Mark up on short term borrowing		289,486	1,495,235
Bank charges		<u>51,818</u>	<u>176,196</u>
		<u>341,304</u>	<u>1,671,431</u>
32 OTHER OPERATING INCOME			
Income from non-financial assets			
Gain on sale of fixed assets	32.01	6,964,176	-
Miscellaneous receipts		<u>498</u>	<u>1,509</u>
		<u>6,964,674</u>	<u>1,509</u>
32.01 Gain on sale of fixed assets			
Land		6,721,750	-
Vehicle		<u>242,426</u>	<u>-</u>
		<u>6,964,176</u>	<u>-</u>
33 TAXATION			
Current			462,623
Deferred	9.2	-	-
		<u>-</u>	<u>462,623</u>

- No numeric tax reconciliation has been given as the company is not liable to pay tax due to assessed losses under the provisions of Income Tax Ordinance, 2001.

- Income tax return has been filed to the income tax authorities up to tax year 2013 under the provisions of the Income Tax Ordinance, 2001.

34 EARNINGS/(LOSS) PER SHARE

34.01 Basic Earnings/(Loss) per share			
Net Profit/(Loss) after tax		<u>(28,385,750)</u>	<u>(63,351,377)</u>
Average ordinary shares	Number	<u>3,312,000</u>	<u>3,312,000</u>
Earnings/(Loss) per share - basic	Rupees	<u>(8.57)</u>	<u>(19.13)</u>

34.02 Diluted Earnings/(Loss) per share

There is no dilution effect on the basic earnings/(loss) per share of the company because the company has no such commitments.



35 FINANCIAL INSTRUMENTS BY CATEGORY	2014 Rupees	2013 Rupees
Financial assets as per balance sheet		
Long term security deposits	420,000	370,000
Trade debts	177,887,926	177,212,872
Due from related parties	649,154	649,154
Loans and advances - unsecured	13,636,288	13,334,212
Trade deposits and short term prepayments	74,444	142,699
Other receivables	69,194	65,108
Cash and bank balances	6,616,046	371,215
Financial liabilities as per balance sheet		
Due to related parties	82,110,874	61,455,061
Trade and other payables	272,618,522	303,681,777
Accrued markup and interest	-	3,400,000
Short term finance - secured	-	15,032,514
Unclaimed Dividend	13,535	13,535

35.01 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

36 FINANCIAL ASSETS AND LIABILITIES

36.01 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors.

(a) Market risk

(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.

The Company manages its currency risk by close monitoring of currency markets. However, the Company does not hedge its currency risk exposure.

During the year under report, the company did not enter into foreign currency transactions.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

At the reporting date, the interest rate profile of the company's significant interest bearing financial instruments was as follows:

	2014	2013	2014	2013
	Effective rate (In percent)		RUPEES Carrying amount	
Financial liabilities				
Short term borrowings	-	16.65 to 18.29	-	15,032,514

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate 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 not exposed to equity securities price risk as it has no investment.

(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge an obligation.

Credit risk arises from deposits with banks, trade debts, loans and advances, deposits and other receivables. The company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. Where considered necessary, advance payments are obtained from certain parties. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

Geographically, there is no concentration of credit risk.

The maximum exposure to credit risk for loans and receivables at the reporting date by type of goods are:

	2014	2013
	RUPEES	RUPEES
Transformers	159,045,267	159,685,010
Fans	17,843,313	16,624,590
Motors	<u>999,346</u>	<u>903,272</u>
	<u>177,887,926</u>	<u>177,212,872</u>

The aging of loans and receivables at the reporting date was:

Past due 6-12 months	106,732,766	106,327,723
More than one year	71,155,170	70,885,149
More than two years	-	-
	<u>177,887,926</u>	<u>177,212,872</u>

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

Long term deposits	420,000	370,000
Trade debts	177,887,926	177,212,872
Due from related parties	649,154	649,154
Loans and advances	682,043	688,518
Trade deposits	74,444	111,024
Other receivables	69,194	65,108
Bank balances	<u>5,931,242</u>	<u>58,771</u>
	<u>185,714,003</u>	<u>179,155,447</u>

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank Name	Rating agency	Rating	
		Short term	Long term
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Standard Chartered Bank	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
Bank Al-Falah Limited	PACRA	A1+	AA
Allied Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
The Bank of Punjab	PACRA	A1+	AA-
Habib Bank Limited	JCR-VIS	A-1+	AA+
Silk Bank	JCR-VIS	A-2	A-
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+
Bank of Khyber	PACRA	A1	A

(c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to growing nature of the businesses the Company maintains flexibility in funding by maintaining committed credit lines available.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.



The following are the contractual maturities of the financial liabilities, including estimated interest payments:

2014	AMOUNT IN RUPEES						Total
	Interest/ mark up bearing			Non interest bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
FINANCIAL ASSETS							
Long-term security deposit	-	-	-	-	420,000	420,000	420,000
Trade debts	-	-	-	177,887,926	-	177,887,926	177,887,926
Due from related parties	-	-	-	649,154	-	649,154	649,154
Loans and advances	-	-	-	682,043	-	682,043	682,043
Trade deposits and short term prepayments	-	-	-	74,444	-	74,444	74,444
Other receivables	-	-	-	69,194	-	69,194	69,194
Cash and bank balances	-	-	-	6,616,046	-	6,616,046	6,616,046
	-	-	-	185,976,807	420,000	186,396,807	186,396,807
FINANCIAL LIABILITIES							
Due to related parties	-	-	-	-	62,110,874	62,110,874	62,110,874
Short term borrowings	-	-	-	-	-	-	-
Trade and other payables	-	-	-	208,087,638	-	208,087,638	208,087,638
Accrued markup on short term finances	-	-	-	-	-	-	-
Unclaimed dividend	-	-	-	13,535	-	13,535	13,535
	-	-	-	208,101,173	62,110,874	270,212,047	270,212,047
Net Liquidity	-	-	-	(22,122,366)	(61,690,874)	(83,813,240)	(83,813,240)
2013							
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
FINANCIAL ASSETS							
Long-term security deposit	-	-	-	-	370,000	370,000	370,000
Trade debts	-	-	-	177,212,872	-	177,212,872	177,212,872
Due from related parties	-	-	-	649,154	-	649,154	649,154
Loans and advances	-	-	-	688,518	-	688,518	688,518
Trade deposits and short term prepayments	-	-	-	111,024	-	111,024	111,024
Other receivables	-	-	-	65,108	-	65,108	65,108
Cash and bank balances	-	-	-	371,215	-	371,215	371,215
	-	-	-	179,097,891	370,000	179,467,892	179,467,892
FINANCIAL LIABILITIES							
Due to related parties	-	-	-	-	61,455,061	61,455,061	61,455,061
Short term borrowings	15,032,514	-	15,032,514	-	-	-	15,032,514
Trade and other payables	-	-	-	262,100,946	-	262,100,946	262,100,946
Accrued markup on short term finances	3,400,000	-	3,400,000	-	-	-	3,400,000
Unclaimed dividend	-	-	-	13,535	-	13,535	13,535
	18,432,513	-	18,432,513	262,114,481	61,455,061	323,569,542	342,002,056
Net Liquidity	(18,432,513)	-	(18,432,513)	(83,016,590)	(61,085,061)	(144,101,650)	(162,534,163)

36.02 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed Capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2014 and 2013 were as follows:

	2014	2013
	RUPEES	RUPEES
Total Debt-Short term borrowings	-	15,032,514
Total Equity	<u>62,074,346</u>	<u>(1,175,817)</u>
Total Capital	<u>62,074,346</u>	<u>13,856,696</u>
Gearing Ratio	<u>0.00%</u>	<u>108.49%</u>

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF-EXECUTIVE		DIRECTORS	
	2014	2013	2014	2013
	RUPEES	RUPEES	RUPEES	RUPEES
Managerial remuneration	210,000	210,000	954,000	954,000
House rent and utilities	94,000	94,000	429,000	429,000
Medical Expenses	11,000	11,000	46,000	46,000
Utilities	10,000	10,000	38,000	38,000
	<u>325,000</u>	<u>325,000</u>	<u>1,467,000</u>	<u>1,467,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>6</u>	<u>6</u>

37.01 The Chief Executive is also provided with free use of company's maintained car and reimbursement of residential telephone expenses.



	NOTE	2014 RUPEES	Restated 2013 RUPEES
38 CASH GENERATED FROM / (USED IN) OPERATIONS			
Cash flow from operating activities:			
Profit/(Loss) before taxation		(28,385,750)	(62,888,754)
Adjustment for non cash charges and other items:			
Depreciation		8,125,306	9,023,648
Gain on sale of fixed assets		(6,964,176)	-
Finance cost		341,304	1,671,431
Provision for staff retirement benefits		2,831,960	5,748,264
		<u>4,334,394</u>	<u>16,443,343</u>
Cash flow before working capital changes		(24,051,356)	(46,445,411)
(Increase)/decrease in current assets:			
Stores, spares and loose tools		11,460	10,737
Stocks in trade		(983,422)	31,876,509
Trade debts		(675,054)	(11,177,751)
Loans and advances		(302,076)	3,129,355
Trade deposits and short term prepayments		159,159	(16,170,198)
Other receivables		2,625,664	1,044,009
		835,731	8,712,661
Increase/(decrease) in current liabilities:			
Trade and other payables		(31,063,255)	74,339,156
Cash generated from/(used in) operations		<u>(54,278,880)</u>	<u>36,606,406</u>

39 RELATED PARTY TRANSACTIONS

Related parties comprise of associated companies, directors of the company, key management personnel and close members of the families of the directors and key management personnel. Amounts due to related parties are shown in the relevant notes to the financial statements and are carried out at mutual agreed terms. Transactions with related parties and associated undertakings are as follows:

	Nature of Relationship		
Purchase of goods			
National Products (Private) Limited	Related Party	-	-
		<u>-</u>	<u>-</u>
Purchase of spare parts/stores			
National Products (Private) Limited	Related Party	-	1,109,969
H.M Brothers	Related Party	-	637,580
FICO Hi-Tech (Private) Limited	Related Party	-	13,224
Fico Industry (Pvt) Ltd. Gujranwala.	Related Party	-	-
New Tri Star Filling Station	Related Party	-	784,000
		<u>-</u>	<u>2,544,773</u>

40 NUMBER OF EMPLOYEES

The average number of employees during the year and as at June 30, 2014 and 2013 respectively are as follows:

Average number of employees during the year	<u>140</u>	<u>221</u>
Number of employees as at June 30, 2014 / 2013.	<u>127</u>	<u>152</u>

41 ACCOUNTING ESTIMATES AND JUDGMENT

Income taxes:

The company takes into account the current income tax law and decisions taken by the appellate authorities. Instances where the company's view differs from the view taken by the income tax departments at the assessment stage and where the company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. Furthermore, the company may be able to avail the benefit of the payment of turnover tax, provided sufficient taxable profits are available in next five years when this credit can be utilized.

Property, plant and equipment:

The company reviews the value of assets for possible impairment on an annual basis. Any changes in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

Staff retirement benefit - gratuity:

Certain actuarial assumptions have been adopted as disclosed in the financial statements for valuation of present value of defined benefit obligation. Any changes in these assumptions in future year might affect unrecognized gains and losses in those years.

Stock in trade and stores, spare parts and loose tools:

The Company reviews the net realizable value of stock in trade and stores and spares to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make sales.

42 CAPACITY AND PRODUCTION

	Plant Capacity		Actual Production	
	2014	2013	2014	2013
MAIN ITEMS	NUMBERS		NUMBERS	
Transformers	15,000	15,000	258	253
Electric Fans	100,000	100,000	6,594	5,237
Electric Motors	20,000	20,000	403	100
Electric Meters	200,000	200,000	-	-
Pumps and Turbines	3,500	3,500	-	-
Air conditioners	5,250	5,250	-	-

The capacity is expressed in numbers regardless of the wide range of ratings and various types of the products particularly; power transformers (13 KVA to 4500 KVA), welding transformers, current/voltage transformers, electric motors (1/2 HP to 80 HP), electric fans and pumps (various sizes and descriptions). However, the under utilization of capacity is due to:

- i) Change in the pattern of orders from higher to lower Kilo Volt ampere transformers.
- ii) Severe competition in the market of electric fans, motors and electric meters.

43 OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segments.

- 43.01** Revenue from sale of Transformers is represents 84.9 %(2013: 84.8%) of the total income of the company. However Cost can not be allocated to segments on consistent basis due to nature of operation of the Company.
- 43.02** 100% (2013: 100%) of the gross sales of the Company are made to customers located in Pakistan.
- 43.03** All non current assets of the Company at 30 June, 2014 are located in Pakistan.
- 43.04** None of the customer of the Company accounts for more than 10% of the gross sales of the Company for the year.



44 DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 30, 2014 by the Board of Directors of the Company.

45 GENERAL

- Figures have been rounded off to the nearest of rupees in the current year and comparative figures have also been presented in rupees.
- Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

FORM OF PROXY

The Secretary,
THE CLIMAX ENGINEERING CO. LTD.,
Climaxabad, G.T. Road, Gujranwala

I,.....
of.....the district of.....
being a member of **THE CLIMAX ENGINEERING COMPANY** and holder of
.....Ordinary Shares as per
Registered Folio No.hereby appoint
Mr.....
of.....
Mr.....
of.....who is also a
member of **THE CLIMAX ENGINEERING COMPANY LIMITED** vide registered Folio No.
.....as my/our proxy to vote for and on my/our behalf at the 56th
Annual General Meeting of the Company to be held at the Registered Office
Climaxabad, G. T. Road, Gujarnawala on 31st October, 2014 at 03:00 P.M and at any
adjournment thereof.

Witness _____

Affix Re. 5 Revenue Stamp

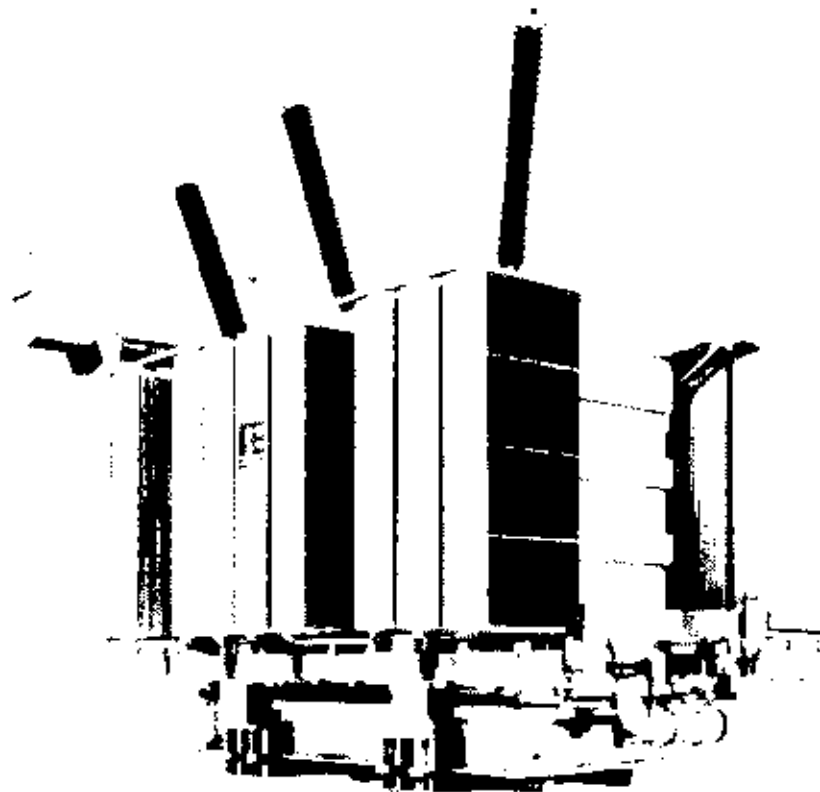
(Signature should agree
with specimen signature
registered with the Company

Date :

Note: A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend and vote instead of him / her at the meeting. Proxies, on this form or on plain paper duly stamped, must be deposited at the Company's Registered Office not less than forty eight hours before the time of holding the meeting.

THE CLIMAX

LEADERS ALL THE WAY



THE CLIMAX ENGINEERING CO. LTD.

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