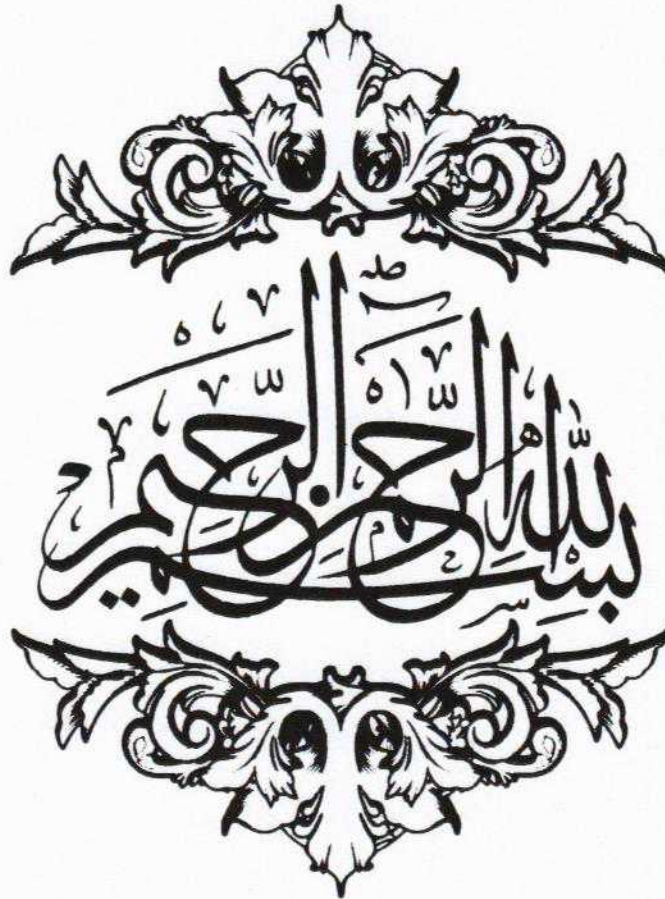




ESTABLISHED 1940

**THE CLIMAX**  
ENGINEERING COMPANY LIMITED

**ANNUAL REPORT 2015**



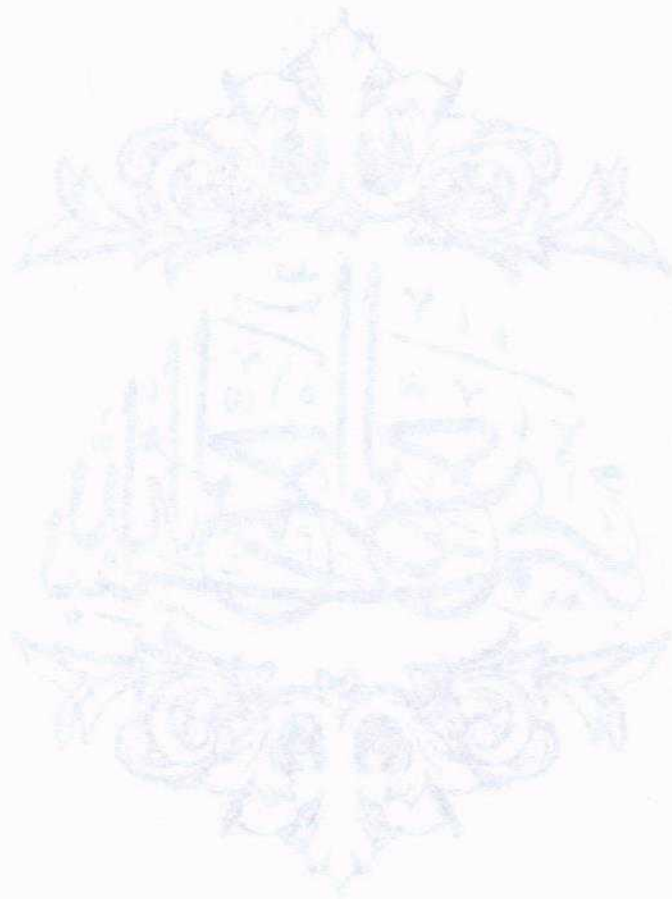
# **THE CLIMAX**

**ENGINEERING COMPANY LIMITED**



CLIMAX ENGINEERING COMPANY LIMITED

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THE CLIMAX  
ENGINEERING COMPANY LIMITED



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## 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       |                 |

### COMPANY SECRETARY :

SH. MUHAMMAD ASLAM

### 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   |

### CHIEF FINANCIAL OFFICER :

SH. JAMIL AHMAD

### AUDITORS:

M/s. QADEER & Co.  
Chartered Accountants

### LEGAL ADVISORS:

KHURRAM SAEED  
ABDUL HAKIM AWAN

### REGISTERED OFFICE & WORKS :

CLIMAXABAD, G.T. ROAD,  
GUJRANWALA,

### BANKERS :

THE BANK OF KHYBER LIMITED  
HABIB BANK LIMITED  
NATIONAL BANK OF PAKISTAN LIMITED  
HABIB METRO POLITAN 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 57<sup>th</sup> Annual General Meeting of the shareholders of The Climax Engineering Company Limited ('the Company') will be held on Saturday 31<sup>st</sup> October 2015 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 31<sup>st</sup> October 2014.
2. To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2015 together with the Directors' and Auditors' Reports there-on.
3. To appoint Auditors for the next financial year ending on June 30, 2016, 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, 2015**

**Notes:**

1. The Share Transfer Books of the Company will remain closed from 22<sup>nd</sup> October 2015 to 31<sup>st</sup> October 2015 (both days inclusive). Physical transfers received in order at the Registered Office of the Company up to the close of business on 21 October 2015 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 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 governance.

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
<b>Executive Directors</b>	<b>Ch. M. A. Hameed (Chairman)</b> <b>Ch. M.A. Qayyum</b> <b>Ch. Mehmood Ghani Faizi</b>
<b>Non-Executive Directors</b>	<b>Ch. Abdul Salam</b> <b>Ch. Usman Ghani Faizi</b> <b>Ch. Zia-ul-Hameed</b> <b>Ch. Imtiaz A.Hameed</b>

Company is in the process of appointing an independent director.

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 NBFIs 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. All the directors are exempted from attending training session under exemption criteria of 14 years of education and 15 years of experience on the board of listed company
9. There was no change in the position of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit during the year.
10. 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.

11. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the board.
12. 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
13. The company has complied with all the corporate and financial reporting requirements of the CCG.
14. The board has formed an audit committee. It comprises three members, of whom all are non-executive directors including the chairman of the committee.
15. 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.
16. 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.
17. 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.
18. 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).
19. 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.
20. 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.
21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
22. We confirm that all other material principals enshrined in the CCG have been complied with.
23. Company is in the process of developing a mechanism for the purpose of evaluation of Board's performance.

**Gujranwala**

For and on behalf of the board

September 30, 2015

**M. A. QAYYUM**  
Chief Executive





## CHIEF EXECUTIVE REPORT TO THE SHAREHOLDERS

**Dear Shareholders,**

I feel pleasure to welcome you on the 57<sup>th</sup> Annual General Meeting of your company and to place before you the Annual Accounts for the year ended June 30, 2015 along with Director's Report thereon

### **Financial Re w**

The year under review has shown sales of Rs. 54.434 Million as compared to Sale of 67.162 Million in the previous year.

Company's before tax Loss is amounting to Rs. 44.922 Million as compared to last year's before tax Loss of Rs. 28.385Million.

Main reason for decrease in sales is due to lesser sales in Transformer , Motor and Fan section. The market position is very competitive and stagnant because of political and economic condition of the county. The industrialization and public works are not very healthy . More over sever electricity and gas load sheding is also effecting the production badly.

The sale of land of the Company is in progress. The funds has been used to pay off total bank liabilities, purchase of new land at Sialkot Road and the construction work for new factory building has been started.

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 : 30<sup>th</sup> Sep, 2015.**

**CH. M. A. QAYYUM**  
**Chief Executive**



**DIRECTORS REPORT TO THE SHARE HOLDERS.**

**Dear Shareholders,**

On behalf of the Board of Directors , the under signed takes pleasure to present before you the 57<sup>th</sup> Annual report for the financial year ended June 30, 2015. along with Auditor's Report there on.

**OPERATING RESULTS**

During the year under review, your company has achieved sales at Rs. 54.434 Million as compared to last year sale of Rs67.162 Million. Summary of key financial results are given below:

	<b>June 30, 2015 Rupees</b>	<b>June 30, 2014 Rupees</b>
<b>Sale</b>	<b>54,434,288</b>	<b>67,162,106</b>
<b>Gross(Loss)Profit</b>	<b>(22,036,603)</b>	<b>(18,956,214)</b>
<b>LossafterTaxation</b>	<b>(44,922,118)</b>	<b>(28,385,750)</b>
<b>Loss per share Basic and Diluted (In Rupees)</b>	<b>(13.56)</b>	<b>(8.57)</b>

The main reason of loss during the year is due to decrease in sales, increase in the input costs and sever competition in the market. The electricity and Gas load sheding, political and economic condition of the country are also effecting the working of the Company.

**FUTURE PROSPECTUS**

The management of the company is continuously making efforts to improve the working of the company we are planning to shift the old factory to new place at Sialkot Road. Total bank liabilities have already been paid off and we hope the working of the Company will improve in the near future.

**AUDIT COMMITTEE**

The board of directors in compliance to the code of corporate governance has established an audit committee and the following one independent non-executive director and two non-executive directors are its member.

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

The Audit Committee held 4 meetings during the year under review, each before the board of directors meeting to review the financial statements, internal audit reports and compliance with the corporate governance requirements. These meetings included meeting with external auditors before and after completion of audit and other statutory meeting as required by the code of corporate governance.

**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 non-executives directors are its members:

- |           |                                |                 |
|-----------|--------------------------------|-----------------|
| <b>1.</b> | <b>Ch. Zia -UI-Hameed</b>      | <b>Chairman</b> |
| <b>2.</b> | <b>Ch. Abdul Salam</b>         | <b>Member</b>   |
| <b>3.</b> | <b>Ch. Mehmood Ghani Faizi</b> | <b>Member</b>   |

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 position who report directly to CEO or COO.





### **Directors' Training Programs:**

During the year no director attended director's training certificate program. The Board already consists of certain directors who are exempted from the director's training program in accordance with the regulation No. 35(xi) of Listing Regulations of the Stock Exchanges due to having minimum of 14 years of education and 15 years of Experience on the board of a listed company.

### **Statements of Compliance with the Code of Corporate Governance:**

The company has fully complied with the requirement of the code of corporate governance as contained in the listing regulation of the stock exchanges. A statement to this effect is annexed with this 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. management positions who report directly to CEO or COO.

### **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.

### **Auditors Observation:**

We draw our attention to the note 3.02 of the financial Statements which may cast a significant doubt on the entity ability to continue as a going concern. And to the note 14.05 which state that the Company hasn't been carried out the revaluation of the land, factory building and plant and machinery periodically in accordance with International Accounting Standard 16.

**Note 3.02 of the Financial Statement is Reproduced as under :** Company's sales during the year decreased to Rs. 54,434,288/- which is 18.95% below as compared to last years and only 9.4% of its total assets. At this sales level, company incurred a gross loss of Rs. 22 million and a net loss of Rs. 44.9 million. The decrease in sales is due to lesser sales orders because the Company faces severe competition in transformer market.

Adverse operating results creates financial crisis for the Company. However, this situation is further aggravated by the following other circumstances;

During the year, Company also faces difficulty in recovering outstanding balances from some of its local market customers and finally creates a provision for doubtful debts as stated in note 19.01.



Company's stocks stand at Rs. 140 million which were manufactured and maintained at this level in prior years due to expectation of future favourable market, remain in high ranking in the market and avoid downsizing of its experienced labour. During the last few years, Company could not materialize these stocks into cash and continuously incurring its handling costs. However, Company is actively locating reliable prospective buyers and hopeful to materialize these stocks into cash.

In February 2012, Company through extra ordinary general meeting approved a restructuring plan by disposing off its extra land and set up a new factory. The realizations from these disposal were also delayed from Qasim and Company and on June 30, 2015 it is further extended for another one year to avoid any legal deadlocks. As disclosed in note 14.04 delay in receipts from Qasim and company creates an obstacle in setting up new factory on time.

In view of the above operating and financial difficulties, although material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business, however, management is strongly committed to maintaining the going concern status of the Company. Management of confident that these financial and operating crisis are temporary and would reverse in the near future. However, these financial statements have been prepared on the assumption that the Company will continue as a going concern.

**Note 14.5 of the Financial Statement is Reproduced as under:**

Company had not carried out revaluation of its land and factory building because it had entered into an agreement for sale of such land and building. Further, board of directors is of the opinion that carrying amount of plant and machinery does not differ materially from its fair value which necessitate revaluation.

**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 June30, 2016.

**DIVIDEND**

Due to losses incurred by the company, directors do not recommend any Dividend for the year ended 30<sup>th</sup> June, 2015.

**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, 2015 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, 2015 earning per share of the Company concluded at Rs: (13.56) as compared to Rs: (8.57) per share during the year ended June30, 2015.





## PATTERN OF SHAREHOLDING

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

## DIRECTORS MEETING:

During the year 4 meetings of Board of Directors were held

<u>Name of Directors</u>	<u>Numbers of meeting attended.</u>
Ch. M. A. Hameed	4
Ch. M. A. Qayyum	4
Ch. Abdul Salam	4
Ch. Imtiaz A. Hameed	4
Ch. Mehmood Ghani Faizi	4
Ch. Usman Ghani Faizi	4
Ch. Zia-ul-Hameed	4

Rupees in Thousand

Particulars	2015	2014	2013	2012	2011	2010
Sales	54,434	67,162	92,523	168,303	189,233	270,633
Cost of Goods Sold	76,470	86,118	127,008	203,833	175,785	249,559
Gross Profit	(22,036)	(18,956)	(34,485)	(35,529)	(13,448)	(21,074)
Operating Profit / (Loss)	(75,091)	(35,009)	(61,218)	(73,244)	(19,059)	(21,625)
Financial Charges	(4,382)	(3,413)	(1,671)	(8,548)	(10,444)	(10,591)
Profit / (Loss) before Tax	(44,922)	(28,385)	(62,888)	(59,414)	(29,670)	(31,929)
Profit / (Loss) after Tax	(44,922)	(28,385)	(63,351)	(61,326)	(31,564)	(28,143)
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: 30-09-2015

Director

**THE COMPANIES ORDINANCE 1984 (Section 236(1) and 464)  
PATTERN OF SHAREHOLDING**

1. Name of the Company **THE CLIMAX ENGINEERING CO. LTD.**  
2. Pattern of holding of the shares held by the shareholders as at **30-06-2015**

3. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
256	1	100	10,834
326	101	500	85,355
58	501	1,000	42,490
71	1,001	5,000	172,701
10	5,001	10,000	73,930
14	10,001	15,000	160,410
2	15,001	20,000	32,200
6	25,001	30,000	164,940
1	30,001	35,000	34,000
4	35,001	40,000	147,190
3	40,001	45,000	128,690
2	50,001	55,000	104,150
1	55,001	60,000	58,860
2	60,001	65,000	125,490
3	65,001	70,000	206,940
2	85,001	90,000	172,840
4	95,001	100,000	392,510
1	105,001	110,000	109,640
1	110,001	115,000	112,320
1	125,001	130,000	125,100
2	135,001	140,000	277,800
1	140,001	145,000	140,100
1	185,001	190,000	185,700
1	245,001	250,000	247,810
<b>773</b>			<b>3,312,000</b>

4. Categories of shareholders	Share held	Percentage
4.1 Directors, Chief Executive Officers, and their spouse and minor children	1,353,320	40.8611%
4.2 Associated Companies, undertakings and related parties.	201,960	6.0978%
4.3 NIT and ICP	4,960	0.1498%
4.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	9,500	0.2868%
4.5 Insurance Companies	106,150	3.2050%
4.6 Modarabas and Mutual Funds	0	0.0000%
4.7 Share holders holding 10% or more	0	0.0000%
4.8 General Public	1,632,049	49.2768%
4.9 Others (to be specified)		
1- Joint Stock Companies	2,981	0.0900%
2- Others	1,080	0.0326%





**THE CLIMAX ENGINEERING COMPANY LIMITED**  
**Catagories of Shareholding required under Code of Corporate Governance (CCG)**  
**As on June 30, 2015**

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	247,810	7.4822%
2	CH. M. A. HAMID	68,520	2.0688%
3	MR. IMTIAZ A. HAMID	99,550	3.0057%
4	MR. ZIA UL HAMID	138,740	4.1890%
5	CH. M. A. QAYYUM	58,860	1.7772%
6	CH. ABDUL SALAM	53,580	1.6178%
7	MR. USMAN GHANI FAIZI	185,700	5.6069%
8	MRS. NAGHMA BEGUM W/O CH. IMTIAZ A. HAMID	63,460	1.9161%
9	MRS. SUGHRA KHANUM W/O CH. M. A. HAMID	125,100	3.7772%
10	MRS. NUSRAT BEGUM W/O M. A. QAYYUM	97,940	2.9571%
11	MRS. RAFAQAT BEGUM W/O CH. ABDUL SALAM	86,000	2.5966%
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:** 109,640 3.3104%

**Public Sector Companies & Corporations:** - -

**Banks, Development Finance Institutions, Non Banking Finance** 115,650 3.4918%

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

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

S. No.	Name	Holding	Percentage
1	MR. MEHMOOD G. FAIZI	247,810	7.4822%
2	MR. USMAN GHANI FAIZI	185,700	5.6069%

**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:**

S. No.	Name	Sale	Purchase
1	MR. MEHMOOD G. FAIZI	0	27,000
2	MR. IMTIAZ A. HAMID	0	11,000
3	MR. ZIA UL HAMID	0	12,900
4	CH. ABDUL SALAM	0	2,000
5	MR. USMAN GHANI FAIZI	0	30,600
6	MRS. SUGHRA KHANUM W/O CH. M. A. HAMID	0	11,600
7	MRS. NUSRAT BEGUM W/O M. A. QAYYUM	0	6,500
8	MRS. RAFAQAT BEGUM W/O CH. ABDUL SALAM	0	11,500



**AUDITORS' REVIEW REPORT TO THE MEMBERS**  
**On Statement of Compliance with Best Practices of 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, 2015 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, 2015.

Further, we would like to highlight below instances of non-compliance with the requirements of the code as reflected in point reference where these are stated in the statement of Compliance.

<b>Paragraph Reference</b>	<b>Description</b>
1	Which describe the non-compliance with respect to having at least one independent director.
1	Which indicate the non-compliance with respect to maximum no. of executive directors as compared to non executive director.
1	The chairman of the board of director is not a non executive director

Lahore  
 Dated: September 30, 2015

**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, 2015 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) As stated in Note # 14.05 Company had not carried out revaluation of land, factory building and plant and machinery periodically in accordance with International Accounting Standard 16. Accordingly, we were unable to determine, with any degree of certainty, the carrying value that should have been recognized in respect of the land, factory building and plant and machinery and its corresponding effect on Surplus on revaluation of fixed assets and deferred tax.
- b) In our opinion, except for the matter stated in paragraph (a) above, we report that proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- c) In our opinion:
  - I. Except for the matter stated in paragraph (a) above, 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;
- d) Except for the effect of the adjustments on the annexed financial statements of the matter referred to in paragraph (a) above, if any, that might have been determined to be necessary had we been able to satisfy ourselves in that respect, 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, 2015 and of the Profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- e) In our opinion no Zakat was deductible at source under the Zakat & Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to;

1. note # 3.02 to the annexed financial statements which elaborates the factors due to which the Company is in enormous operating and financial difficulties. These factors indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter; and
2. note # 13 (b) to the annexed financial statements which elaborates the outstanding of an investigation order initiated by the Securities and Exchange Commission of Pakistan (SECP). Our opinion is not qualified in respect of this matter

Lahore  
Dated: September 30, 2015

QADEER AND COMPANY  
CHARTERED ACCOUNTANTS  
NAWAZ KHAN, FCA

**THE CLIMAX ENGINEERING COMPANY LIMITED**  
**BALANCE SHEET AS AT JUNE 30, 2015**

EQUITY AND LIABILITIES	NOTE	2015 RUPEES	2014 RUPEES
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 5,000,000 (2014: 5,000,000) ordinary shares of Rs.10/- each		<u>50,000,000</u>	<u>50,000,000</u>
Issued, subscribed and paid up capital	6	33,120,000	33,120,000
ACCUMULATED PROFIT		<u>52,839,948</u>	<u>28,954,346</u>
SHAREHOLDERS' EQUITY		85,959,948	62,074,346
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	205,264,022	273,304,501
<b>NON-CURRENT LIABILITIES</b>			
Due to related parties	8	62,358,794	62,110,874
Deferred liabilities	9	20,562,229	29,689,041
		82,921,023	91,799,915
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	206,227,562	272,618,522
Provision for taxation	11	-	-
Unclaimed Dividend	12	13,535	13,535
		206,241,097	272,632,057
CONTINGENCIES AND COMMITMENTS	13	-	-
		<u>580,386,090</u>	<u>699,810,819</u>

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, 2015

ASSETS	NOTE	2015 RUPEES	2014 RUPEES
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	267,013,290	321,092,738
Capital work In progress	15	4,857,115	4,857,115
Long term security deposits	16	420,000	420,000
		272,290,405	326,369,853
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	17	1,500,430	1,532,410
Stock in trade	18	142,681,868	148,444,172
Trade debts	19	119,446,679	177,887,926
Due from related parties	20	649,154	649,154
Loans and advances - unsecured	21	14,306,436	13,636,288
Trade deposits and short term prepayments	22	74,444	74,444
Other receivables	23	23,636,054	24,600,526
Cash and bank balances	24	5,800,621	6,616,046
		308,095,685	373,440,966
		580,386,090	699,810,819

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, 2015**

	NOTE	2015 RUPEES	2014 RUPEES
<b>SALES</b>	25	54,434,288	67,162,106
<b>COST OF SALES</b>	26	<u>(76,470,891)</u>	<u>(86,118,320)</u>
<b>GROSS (LOSS)/PROFIT</b>		(22,036,603)	(18,956,214)
<b>OPERATING EXPENSES</b>			
Selling and Distribution cost	27	(220,000)	(947,358)
Administrative and general expenses	28	(52,835,106)	(15,105,548)
		<u>(53,055,106)</u>	<u>(16,052,906)</u>
<b>OPERATING LOSS</b>		(75,091,709)	(35,009,120)
Finance cost	29	43,820	341,304
<b>OTHER OPERATING INCOME</b>	30	<u>30,213,411</u>	<u>6,964,674</u>
<b>LOSS BEFORE TAXATION</b>		(44,922,118)	(28,385,750)
<b>TAXATION</b>	31	-	-
<b>LOSS FOR THE YEAR</b>		<u>(44,922,118)</u>	<u>(28,385,750)</u>
<b>(LOSS) PER SHARE - BASIC AND DILUTED (IN RUPEES)</b>	32	<u>(13.56)</u>	<u>(8.57)</u>

CHIEF EXECUTIVE

DIRECTOR





**THE CLIMAX ENGINEERING COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	NOTE	2015 RUPEES	2014 RUPEES
(LOSS) FOR THE YEAR		(44,922,118)	(28,385,750)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR:			
Items that may be subsequently reclassified to profit or loss:		-	-
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of staff retirement benefit		767,240	6,029,794
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>		<u>(44,154,878)</u>	<u>(22,355,956)</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, 2015**

	NOTE	2015 RUPEES	2014 RUPEES
<b>Cash Flow from operating activities:</b>			
Cash generated from / (used in) operations	36	(42,262,879)	(54,278,880)
Finance cost paid		(43,820)	(3,741,304)
Tax paid		(685,006)	(780,987)
Gratuity paid during the year		<u>(10,463,459)</u>	<u>(6,153,548)</u>
Net cash inflow/(outflow) from operating activities		(53,455,164)	(64,954,719)
<b>Cash flow from investing activities:</b>			
Fixed capital expenditure		(42,230,400)	(2,001,500)
Long term security deposit		-	(50,000)
Proceeds from sale of property, plant and equipment		94,622,219	87,627,750
Net cash inflow/(outflow) from investing activities		52,391,819	85,576,250
<b>Cash flow from financing activities:</b>			
Increase/(decrease) in due to related parties		247,920	655,813
Net cash inflow/(outflow) from financing activities		247,920	655,813
Net increase/(decrease) in cash and cash equivalents		(815,425)	21,277,344
Cash and cash equivalents at the beginning of the year		6,616,046	(14,661,298)
Cash and cash equivalents at the end of the year		<u>5,800,621</u>	<u>6,616,046</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, 2015**

	AMOUNT IN RUPEES			Total
	Share capital	Accumulated (loss) / Profit	Revaluation Surplus	
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)	-
<b>As at June 30, 2014</b>	<b>33,120,000</b>	<b>28,954,346</b>	<b>273,304,501</b>	<b>335,378,846</b>
As at July 01, 2014	33,120,000	28,954,346	273,304,501	335,378,847
Total Comprehensive (loss) / income for the year		(44,154,878)		(44,154,878)
Transferred from Revaluation Surplus on Disposed off Land and Building.	-	63,438,182	(63,438,182)	-
Incremental depreciation on revalued assets-net of deferred tax		4,602,298	(4,602,298)	-
<b>As at June 30, 2015</b>	<b>33,120,000</b>	<b>52,839,948</b>	<b>205,264,021</b>	<b>291,223,969</b>

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, 2015**

**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 Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

**2.02 New Accounting Standards, IFRIC interpretations and amendments to the published approved accounting standards that are effective in current year but not relevant:**

The new standards, amendments and interpretations to approved accounting standards that are effective for accounting periods beginning on or after July 01, 2014 but are considered not to be relevant or to have any significant effect on company's financial statements and are, therefore, not detailed in these financial statements.

**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.

	<b>Effective Date</b>
IFRS 10 Consolidated Financial Statements	January 01 ,2015
IFRS 10, 12 Investment Entities (Amendment) & IAS 27	January 01 ,2015
IFRS 10, 12 Investment Entities: Applying the Consolidation Exception & IAS 27 (Amendment)	January 01 ,2016
IFRS 10 & IAS 28 Sale or Contribution of Assets between an investor and its associates or joint venture (Amendment)	January 01 ,2016
IFRS 11 Joint Arrangements	January 01 ,2015
IFRS 11 Accounting for Acquisition of interest in joint operation (Amendment)	January 01 ,2016
IFRS 12 Disclosure of interests in other entities	January 01 ,2015
IFRS 13 Fair value measurement	January 01 ,2015
IAS-1 Disclosure initiative (Amendment)	January 01 ,2016
IAS-16 & 38 Clarification of acceptable method of depreciation and amortization (Amendment)	January 01 ,2016
IAS-16 & 41 Agriculture bearer plants (Amendment)	January 01 ,2016
IAS-27 Equity method in separate financial statements (Amendment)	January 01 ,2016

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

#### 3.01 Basis of Measurement

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.

#### 3.02 Basis of going concern

Company's sales during the year decreased to Rs. 54,434,288/- which is 18.95% below as compared to last years and only 9.4% of its total assets. At this sales level, company incurred a gross loss of Rs. 22 million and a net loss of Rs. 44.9 million. The decrease in sales is due to lesser sales orders because the Company faces severe competition in transformer market.

Adverse operating results creates financial crisis for the Company. However, this situation is further aggravated by the following other circumstances;

During the year, Company also faces difficulty in recovering outstanding balances from some of its local market customers and finally creates a provision for doubtful debts as stated in note 19.01.

Company's stocks stand at Rs. 140 million which were manufactured and maintained at this level in prior years due to expectation of future favourable market, remain in high ranking in the market and avoid downsizing of its experienced labour. During the last few years, Company could not materialize these stocks into cash and continuously incurring its handling costs. However, Company is actively locating reliable prospective buyers and hopeful to materialize these stocks into cash.

In February 2012, Company through extra ordinary general meeting approved a restructuring plan by disposing off its extra land and set up a new factory. The realizations from these disposal were also delayed from Qasim and Company and on June 30, 2015 it is further extended for another one year to avoid any legal deadlocks. As disclosed in note 14.04 delay in receipts from Qasim and company creates an obstacle in setting up new factory on time.

In view of the above operating and financial difficulties, although material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business, however, management is strongly committed to maintaining the going concern status of the Company. Management is confident that these financial and operating crisis are temporary and would reverse in the near future. However, these financial statements have been prepared on the assumption that the Company will continue as a going concern.

### 4 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pak Rupees, which is Company's functional and presentation 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 charged to income for the year.



**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, 2015. The actuary used the Projected Unit Credit (PUC) Actuarial Cost Method relying on the following significant assumptions:

	<b>2015</b>	<b>2014</b>
Discount rate	9%	12%
Annual incremental rate	7%	11%
Average remaining working life time of employee	3 Years	4 Years

**5.04 Tangible fixed assets and depreciation**

a) Owned

Property, plant and equipment except freehold land are stated at cost or Revalued amounts 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.

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 will be probable that future economic benefits associated with the item will flow to the company and the 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) Capital Work In Progress

Capital Work in Progress is stated at cost less impairment Losses. If any;

c) 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.

d) 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 property, plant and equipment note. 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, depreciation methods and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

e) 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, except that the related surplus on revaluation of fixed assets ( net of deferred tax) is transferred directly to un-appropriated Profit.

**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 Balance Sheet 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.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **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**

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the company and the amount of revenue can be measured reliably. Consequently, 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, and Bank Balances.

#### **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	2015 RUPEES	2014 RUPEES
<b>6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
34,420 (2014: 34,420) ordinary shares of Rs. 10/- each fully paid in cash		344,200	344,200
72,260 (2014: 72,260) ordinary shares of Rs. 10/- each issued for consideration other than cash		722,600	722,600
3,205,320 (2014: 3,205,320) ordinary shares of Rs. 10/- each issued as fully paid bonus shares		32,053,200	32,053,200
		33,120,000	33,120,000
<b>7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net of tax</b>			
Freehold land		226,535,578	307,059,012
Factory building		17,066,743	19,028,101
Office building		4,821,955	5,083,975
Residential quarters		672,332	749,598
Plant and machinery		24,207,895	26,989,934
		273,304,502	358,910,619





	NOTE	2015 RUPEES	2014 RUPEES
Less: Incremental depreciation transferred to retained earning		4,602,298	5,082,684
Less: Transferred to retained earning on disposal of land and building Net of deferred tax		63,438,182	80,523,434
		<u>205,264,022</u>	<u>273,304,501</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.

## 8 DUE TO RELATED PARTIES

Due to related parties	8.01	<u>62,358,794</u>	<u>62,110,874</u>
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**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

Staff retirement benefits	9.1	20,562,229	29,689,041
Deferred taxation	9.2	-	-
		<u>20,562,229</u>	<u>29,689,041</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		29,689,041	39,040,423
Current service cost		430,714	555,800
Mark up cost for the year		1,673,173	2,276,160
Remeasurement		(767,240)	(6,029,794)
Charge for the year		1,336,647	(3,197,834)
		31,025,688	35,842,589
Less: Paid during the year		10,463,459	6,153,548
		<u>20,562,229</u>	<u>29,689,041</u>

9.02 The amount recognized in balance sheet is as follows:

Present value of defined benefit obligation		20,562,229	29,689,041
Total balance sheet liability		<u>20,562,229</u>	<u>29,689,041</u>

9.03 Expense recognized in the profit and loss account is:

Current service cost		430,714	555,800
Interest cost		1,673,173	2,276,160
		<u>2,103,887</u>	<u>2,831,960</u>

9.04 Historical information for gratuity:

	2015	2014	2013	2012	2011
	AMOUNT IN RUPEES				
Present value of defined benefit obligation	20,562,229	29,689,041	22,761,603	29,207,424	29,317,671
Experience adjustment arising on plan liabilities	767,240	6,029,794	(6,466,852)	4,322,654	695,747

9.2 Deferred Taxation	NOTE	2015 RUPEES	2014 RUPEES
Deferred tax Credit / (Debit) arising in respect of temporary taxable differences due to:			
Accelerated tax depreciation		139,168	45,775
Staff retirement benefits		(6,579,913)	(9,797,384)
Surplus on revaluation of fixed assets		14,855,582	23,821,251
Taxable temporary differences		<u>(8,414,837)</u>	<u>(14,069,642)</u>
		<u>-</u>	<u>-</u>

Deferred tax asset of Rs. 28,402,232 (2014: Rs. 13,723,028) has not been accounted for due to uncertainty of future taxable profits.

**10 TRADE AND OTHER PAYABLES**

Trade creditors		1,373,054	1,373,054
Accrued liabilities		9,126,936	16,258,044
Bills payable-Local	10.01	67,863,756	85,642,217
Due to Directors	10.02	48,064,952	46,440,700
Due to Associated undertakings	10.03	5,834,941	5,834,941
Advances against sale of land	10.04	24,115,659	64,530,884
Advances from customers		48,529,748	49,011,623
Sales tax Payable		1,011,467	3,197,704
Others payables	10.05	307,049	329,355
		<u>206,227,562</u>	<u>272,618,522</u>

**10.01 Bills payable - local**

Bills payable		92,451,168	85,642,217
Less: provision for bill payables written back		24,587,412	-
		<u>67,863,756</u>	<u>85,642,217</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 associated undertakings**

Hamid Imtiaz (Private) Limited.		1,933,098	1,933,098
National Products (Private) Limited.		3,863,843	3,863,843
Faizi Industries (Private) Limited.		35,369	35,369
Faizi Industries Gujranwala		2,631	2,631
		<u>5,834,941</u>	<u>5,834,941</u>

These relates to normal business transactions of the Company.

**10.04** These include amount received from Qasim & Company Rs. 9,851,594 (2014: Rs.49,608,850).

**10.05 Other payables**

Employees group insurance claim		141,000	191,000
Income tax - deducted at source		48,659	20,965
Canteen expense payable		4,807	4,807
Unpaid salaries and wages		87,371	87,371
15% Flood Surcharges		25,212	25,212
		<u>307,049</u>	<u>329,355</u>

**11 TAXATION**

Current taxation	11.1	<u>-</u>	<u>-</u>
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11.1 Company has incurred gross loss during the year therefore no provision for taxation is recognized for the year.





	<b>NOTE</b>	<b>2015 RUPEES</b>	<b>2014 RUPEES</b>
<b>12 DIVIDEND</b>			
Unclaimed		<u>13,535</u>	<u>13,535</u>

**13 CONTINGENCIES AND COMMITMENTS**

- a) 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.
- b) Company received an order of investigation under section 263 of the Companies Ordinance 1984 from Enforcement Department of SECP regarding sale of its lands from 2004 to 2012 dated January 31, 2013. In the order, the inspectors were authorized to conduct complete and effective investigation on all aspects of the Company including sale processes of land measuring 354 kanals. However, till date Company had not received any further order from SECP; and management is hopeful to receive the order in favour of the Company.
- c) There are no other significant contingencies and commitments as at balance sheet date.

**14 PROPERTY, PLANT AND EQUIPMENT**

RUPEES

Particulars	C O S T / R E V A L U E D			Rate %	D E P R E C I A T I O N			Written down value as at June 30, 2015
	As at July 01, 2014	Additions / (Deletions)	As at June 30, 2015		As at July 01, 2014	Adjustment	For the year	
<b>Owned:</b>								
Land-freehold	244,738,580	42,230,400 (69,054,083)	217,914,897	-				217,914,897
Building on freehold land								
Factory building	46,591,103	(23,295,552)	23,295,551	10	19,079,557	(10,915,355)	2,751,155	10,915,356
Office building	10,226,643	(10,226,643)	-	05	2,313,523	(2,709,179)	395,656	-
Residential quarters	3,559,000		3,559,000	10	2,442,751		111,625	2,554,376
Warehouse building	214,000		214,000	05	171,402		2,130	173,532
Plant and machinery	65,490,499		65,490,499	10	26,829,443		3,866,106	30,695,549
Furniture and fixture	1,146,500		1,146,500	10	1,086,532		5,997	1,092,529
Office equipment	4,690,580		4,690,580	15	4,159,865		79,607	4,239,472
Air conditioners	806,000		806,000	20	792,974		2,605	795,579
Vehicles	7,576,767	(1,841,000)	5,735,767	20	7,070,887	(1,796,523)	98,748	5,373,112
Total 2015	385,039,672	(62,186,878)	322,852,795		63,946,934	(15,421,058)	7,313,629	55,839,505
Total 2014	465,983,663	(80,943,991)	385,039,672		56,129,045	(307,417)	8,125,306	63,946,934

<b>14.01 Depreciation for the year has been allocated as under:</b>	<b>2015 Rs.</b>	<b>2014 Rs.</b>
Cost of sales	6,617,261	7,352,511
Administrative expenses	696,368	772,795
	<u>7,313,629</u>	<u>8,125,306</u>

<b>14.02 Had the assets not been revalued the carrying values would have been</b>	<b>2015</b>	<b>2014</b>
Land-Freehold	42,556,611	454,430
Building on free hold land:		
Factory building	524,224	1,164,945
Office building	-	482,695
Residential quarters	70,510	78,345
Plant and machinery	1,161,340	1,290,378
	<u>44,312,686</u>	<u>3,470,793</u>

**14.03** Company purchased a piece of land measuring 50 kanal in Sialkot Road Gujranwala and take complete possession by paying the balancing amount. This land is purchased to setup the new factory as per resolution passed in 22nd February 2012.

**14.04** Company entered into an agreement for sale of factory land and building to Qasim and Company. Receipts were agreed to be settled within one and half years from March 27, 2012. But, receipts were postponed twice on mutual understanding and on June 30, 2015 receipt of remaining balance of Rs. 109,426,906/- has been extended upto June 30, 2016.



14.05 Company had not carried out revaluation of its land and factory building because it had entered into an agreement for sale of such land and building. Further, board of directors is of the opinion that carrying amount of plant and machinery does not differ materially from its fair value which necessitate revaluation.

14.06 Property, plant and equipment disposal

	Cost / Revalued	Accumulated depreciation	Book value	Sale Proceeds	Gain	Mode of disposal	Particulars of purchaser
	Rs.	Rs.	Rs.	Rs.	Rs.		
Land - freehold	69,054,083	-	69,054,083	69,338,750	284,667	Auction	Qasim and Company
Factory building	23,295,552	(10,915,355)	12,380,197	15,342,030	2,961,833	Auction	Qasim and Company
Office building	10,226,643	(2,709,179)	7,517,464	9,315,939	1,798,475	Auction	Qasim and Company
<b>Vehicles</b>							
LOV-6975	305,000	(302,468)	2,532	150,000	147,468	Negotiation	Mr. Sh. Jamil Ahmad
LOV-7169	207,000	(205,179)	1,821	70,000	68,179	Negotiation	Mr. Mohammad Ashraf
LHV-5227	300,000	(298,238)	1,762	205,500	203,738	Negotiation	Mr. Ikram Ullah Azhar
LXW-3500	1,029,000	(990,638)	38,362	200,000	161,638	Negotiation	Mr. Mohammad Akhtar

15 CAPITAL WORK IN PROGRESS	NOTE	2015	2014
		RUPEES	RUPEES
Factory Building		4,857,115	4,857,115

As per the resolution passed in extra ordinary general meeting on Wednesday February 22, 2012. 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.

16 LONG TERM SECURITY DEPOSITS		2015	2014
		RUPEES	RUPEES
	Statutory authorities	273,000	273,000
	Office building	87,000	87,000
	Telephone and others	60,000	60,000
		<u>420,000</u>	<u>420,000</u>

17 STORES, SPARE PARTS AND LOOSE TOOLS	NOTE	2015	2014
		RUPEES	RUPEES
	Stores, spare parts and loose tools	1,500,430	1,532,410

17.01 No identifiable stores and spares are held for specific capitalization.

18 STOCK-IN-TRADE		2015	2014
		RUPEES	RUPEES
	Raw material and components	13,858,498	13,430,215
	Finished goods	14,197,642	22,139,069
	Work in process	114,625,728	112,874,887
		<u>142,681,868</u>	<u>148,444,171</u>

18.01 No stock in trade has been pledged with any institution / party.

19 TRADE DEBTS-UNSECURED		NOTE	2015	2014
			RUPEES	RUPEES
	Considered good		160,845,760	177,887,926
	Less: Provision for doubtful debts	19.01	<u>41,399,081</u>	-
			<u>119,446,679</u>	<u>177,887,926</u>
19.01	Provision for doubtful debt			
	Opening		-	-
	Provision during the year		41,399,081	45,719
	Write off during the year		-	(45,719)
	Closing		<u>41,399,081</u>	-





	NOTE	2015 RUPEES	2014 RUPEES
<b>20 DUE FROM RELATED PARTIES</b>			
Due from related parties		649,154	649,154
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.			
<b>21 LOANS AND ADVANCES-UNSECURED</b>			
<b>Considered good:</b>			
Advances to suppliers		13,644,192	10,723,845
Amount due from employees		662,244	682,043
Advance for purchase of Land		-	2,230,400
		<u>14,306,436</u>	<u>13,636,288</u>
<b>22 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS- CONSIDERED GOOD</b>			
Letters of guarantee-margin deposits		74,444	74,444
<b>23 OTHER RECEIVABLES</b>			
Balances with statutory authorities			
- Sales tax refundable		7,673,860	9,323,339
- Custom duty		7,138,469	7,138,469
Advance income tax		8,754,531	8,069,524
Others		69,194	69,194
		<u>23,636,054</u>	<u>24,600,526</u>
<b>24 CASH AND BANK BALANCES</b>			
Cash in hand		790,268	684,804
Cash at bank			
- In current accounts		5,010,353	5,931,242
		<u>5,800,621</u>	<u>6,616,046</u>
<b>25 SALES - NET</b>			
Sales		64,024,369	78,605,040
Less: Sales tax		(9,590,081)	(11,442,934)
		<u>54,434,288</u>	<u>67,162,106</u>
<b>26 COST OF SALES</b>			
Raw material consumed	26.01	44,909,753	50,708,732
Salaries, wages and other benefits	26.02	15,518,878	16,986,208
Fuel and power		3,230,113	5,446,625
Repair and maintenance		4,300	9,700
Insurance		-	31,675
Depreciation	16.01	6,617,261	7,352,511
		70,280,305	80,535,451
<b>Work-in-process</b>			
Opening		112,874,887	124,146,237
Closing		(114,625,728)	(112,874,887)
		(1,750,841)	11,271,350
<b>COST OF GOODS MANUFACTURED</b>		68,529,464	91,806,801
<b>Finished goods</b>			
Opening		22,139,069	16,450,588
Closing		(14,197,642)	(22,139,069)
		7,941,427	(5,688,481)
		<u>76,470,891</u>	<u>86,118,320</u>

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	NOTE	2015 RUPEES	2014 RUPEES
<b>26.01 Raw material consumed</b>			
Opening stock		14,962,626	8,381,413
Material purchased		45,306,055	57,289,945
		60,268,681	65,671,358
Closing stock		(15,358,928)	(14,962,626)
		44,909,753	50,708,732
<b>26.02</b>	Salaries wages and other benefits include provision for gratuity for the year Rs. 1,015,944 (2014: Rs. 1,415,980).		
<b>27 SELLING AND DISTRIBUTION COST</b>			
Packing and forwarding		154,500	241,703
Advertisement		56,000	126,054
Transformer testing fee		-	537,470
Miscellaneous expenses		9,500	42,131
		220,000	947,358
<b>28 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Directors' remuneration and fee		1,792,200	1,792,200
Salaries, wages and other benefits	28.01	5,937,741	8,176,572
Vehicle running and maintenance		272,856	1,052,961
Traveling and entertainment		343,502	571,442
Rent, rates and taxes		665,984	358,345
Postage, telegram and telephone		252,968	400,027
Printing and stationery		187,079	204,393
Donations	28.02	100	200
Legal and professional charges		435,000	756,414
Auditors remuneration	28.03	375,000	375,000
Depreciation	16.01	696,368	772,795
Provision for doubtful debts		41,399,081	45,719
Miscellaneous expenses		477,227	599,480
		52,835,106	15,105,548
<b>28.01</b>	Salaries wages and other benefits include provision for gratuity for the year Rs. 1,051,944 (2014: Rs. 1,415,980).		
<b>28.02 Donations</b>	No directors or their spouses had any interest in the donee's funds.		
<b>28.03 Auditors' remuneration</b>			
Audit fee		250,000	250,000
Half yearly review		50,000	50,000
Certification charges		50,000	50,000
Reimbursable expenses		25,000	25,000
		375,000	375,000
<b>29 FINANCE COST</b>			
Mark up on short term borrowing		-	289,486
Bank charges		43,820	51,818
		43,820	341,304
<b>30 OTHER OPERATING INCOME</b>			
<b>Income from non-financial assets</b>			
Gain on sale of fixed assets	30.01	5,625,999	6,964,176
Provision for bill payables written back		24,587,412	-
Miscellaneous receipts		-	498
		30,213,411	6,964,674





	2015 Rupees	2014 Rupees
<b>30.01 Gain on sale of fixed assets</b>		
Land	284,667	6,721,750
Building	4,760,308	-
Vehicle	581,023	242,426
	<u>5,625,999</u>	<u>6,964,176</u>

### 31 TAXATION

Current	-	-
Deferred	9.2	-
	<u>-</u>	<u>-</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 2014 under the provisions of the Income Tax Ordinance, 2001.

### 32 EARNINGS / (LOSS) PER SHARE

#### 32.01 Basic Earnings/(Loss) per share

Net Profit/(Loss) after tax	Rupees	(44,922,118)	(28,385,750)
Average ordinary shares	Number	3,312,000	3,312,000
Earnings/(Loss) per share - basic	Rupees	(13.56)	(8.57)

#### 32.02 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.

### 33 FINANCIAL INSTRUMENTS BY CATEGORY

#### Financial assets as per balance sheet - Loans and receivables

	Rupees	Rupees
Long term security deposits	420,000	420,000
Trade debts	119,446,679	177,887,926
Due from related parties	649,154	649,154
Loans and advances - unsecured	14,306,436	13,636,288
Trade deposits and short term prepayments	74,444	74,444
Other receivables	69,194	69,194
Cash and bank balances	5,800,621	6,616,046

#### Financial liabilities as per balance sheet

Due to related parties	62,358,794	62,110,874
Trade and other payables	206,227,562	272,618,522
Unclaimed Dividend	13,535	13,535

#### 33.01 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.

### 34 FINANCIAL ASSETS AND LIABILITIES

#### 34.01 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.

**(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:

	<b>2015</b>	<b>2014</b>
	<b>RUPEES</b>	<b>RUPEES</b>
Transformers	106,561,749	159,045,267
Fans	11,742,769	17,843,313
Motors	1,142,161	999,346
	<u>119,446,679</u>	<u>177,887,926</u>
The aging of loans and receivables at the reporting date was:		
Past due 6-12 months	44,736,161	49,819,644
More than one year	13,686,089	47,653,248
More than two years	43,024,429	80,415,034
	<u>119,446,679</u>	<u>177,887,926</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	420,000
Trade debts	119,446,679	177,887,926
Due from related parties	649,154	649,154
Loans and advances	682,043	682,043
Trade deposits	74,444	74,444
Other receivables	69,194	69,194
Bank balances	5,010,353	5,931,242
	<u>126,351,867</u>	<u>185,714,003</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+	AAA
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.

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.

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AMOUNT IN RUPEES							
	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	
<b>2015</b>							<b>Total</b>
<b>FINANCIAL ASSETS</b>							
Long-term security deposit	-	-	-	-	420,000	420,000	420,000
Trade debts	-	-	-	119,446,679	-	119,446,679	119,446,679
Due from related parties	-	-	-	649,154	-	649,154	649,154
Loans and advances	-	-	-	14,306,436	-	14,306,436	14,306,436
Trade deposits and short term prepayments	-	-	-	74,444	-	74,444	74,444
Other receivables	-	-	-	69,194	-	69,194	69,194
Cash and bank balances	-	-	-	5,800,621	-	5,800,621	5,800,621
	-	-	-	140,346,528	420,000	140,766,528	140,766,528
<b>FINANCIAL LIABILITIES</b>							
Due to related parties	-	-	-	-	62,358,794	62,358,794	62,358,794
Trade and other payables	-	-	-	182,111,903	-	182,111,903	182,111,903
Unclaimed dividend	-	-	-	13,535	-	13,535	13,535
	-	-	-	182,125,438	62,358,794	244,484,232	244,484,232
<b>Net Liquidity</b>	-	-	-	(41,778,910)	(61,938,794)	(103,717,704)	(103,717,704)
<b>2014</b>							<b>Total</b>
<b>FINANCIAL ASSETS</b>							
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	-	-	-	11,405,888	-	11,405,888	11,405,888
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
	-	-	-	196,702,652	420,000	197,122,652	197,122,652
<b>FINANCIAL LIABILITIES</b>							
Liability against assets subject to finance lease	-	-	-	-	-	-	-
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
<b>Net Liquidity</b>	-	-	-	(11,398,521)	(61,690,874)	(73,089,395)	(73,089,395)





#### 34.02 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 totally financed by equity

#### 35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS	
	2015 RUPEES	2014 RUPEES	2015 RUPEES	2014 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
	<b>325,000</b>	<b>325,000</b>	<b>1,467,000</b>	<b>1,467,000</b>
Number of persons	1	1	6	6

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

#### 36 CASH GENERATED FROM / (USED IN) OPERATIONS

Cash flow from operating activities:

Profit/(Loss) before taxation	(44,922,118)	(28,385,750)
Adjustment for non cash charges and other items:		
Depreciation	7,313,629	8,125,306
Gain on sale of fixed assets	(5,625,999)	(6,964,176)
Finance cost	43,820	341,304
Provision for staff retirement benefits	2,103,887	2,831,960
	<b>3,835,336</b>	<b>4,334,394</b>
Cash flow before working capital changes	(41,086,781)	(24,051,356)
(Increase)/decrease in current assets:		
Stores, spares and loose tools	31,980	11,460
Stocks in trade	5,762,304	(983,422)
Trade debts	58,441,247	(675,054)
Loans and advances	(670,148)	(302,076)
Trade deposits and short term prepayments	-	159,159
Other receivables	1,649,479	2,625,664
	<b>65,214,862</b>	<b>835,731</b>
Increase/(decrease) in current liabilities:		
Trade and other payables	(66,390,960)	(31,063,255)
Cash generated from/(used in) operations	<b>(42,262,879)</b>	<b>(54,278,881)</b>

	2015 RUPEES	2014 RUPEES
<b>37 RELATED PARTY TRANSACTIONS</b>		
<p>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:</p>		
	<b>Nature of Relationship</b>	
<b>Loan received from Directors</b>		
CH. USMAN GHANI FAIZI	Director	128,129
CH. M.A. HAMEED	Director	2,089,638
CH.ABDUL SALAM	Director	345,000
CH.IMTIAZ HAMEED.	Director	230,100
CH.MEHMOOD GHANI FAIZI.	Director	38,142
		230,100
		130,536
		128,127
		85,541
CH.ZIA UL HAMEED	Director	238,200
CH. M.A. QAYYUM	Director	119,674
		324,596
		101,564
		1,624,252
		2,798,789
<b>Loan received from related parties</b>		
		-
CH.IQBAL NAZIR.	Related Party	247,920
MR.MOHD MOHSIN QAYYUM.	Related Party	155,813
		-
		500,000
		247,920
		655,813
<b>38 NUMBER OF EMPLOYEES</b>	<b>0</b>	<b>0</b>
Average number of employees during the year	108	140
Number of employees as at 30th June	94	127

**39 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 and / or taxable losses, provided sufficient taxable profits are available in next years when these credits 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.





#### 40 CAPACITY AND PRODUCTION

MAIN ITEMS	Plant Capacity		Actual Production	
	2015	2014	2015	2014
	NUMBERS		NUMBERS	
Transformers	15,000	15,000	201	258
Electric Fans	100,000	100,000	247	6,594
Electric Motors	20,000	20,000	309	403
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.

#### 41 OPERATING SEGMENT

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

**41.01** Revenue from sale of transformers represents 93% (2014: 84.9 %) of the total revenue of the company. However, costs can not be allocated to segments on consistent basis due to the nature of operation of the Company.

**41.02** 100 % (2014: 100%) of the gross sales of the Company are made to customers located in Pakistan.

**41.03** All non current assets of the Company as at 30 June, 2015 are located in Pakistan.

**41.04** None of the customers of the Company accounts for more than 10% of the gross sales of the Company for the year.

#### 42 GENERAL

- Figures have been rounded off to the nearest of rupees.
- Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

#### 43 DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 30, 2015 by the Board of Directors of the Company.

CHIEF EXECUTIVE

DIRECTOR

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 57<sup>th</sup>  
Annual General Meeting of the Company to be held at the Registered Office  
Climaxabad, G. T. Road, Gujarnawala on 31<sup>st</sup> October, 2015 at 3:00 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.





FORM OF PROXY

The Secretary  
THE CLIMAX ENGINEERING CO. LTD.  
Clmax Road, G.T. Road, Ghanakwadi

I, the undersigned, being a member of THE CLIMAX ENGINEERING COMPANY and holder of the shares of the said company, hereby appoint  
Registered for the  
Mr.  
of  
the  
of  
member of THE CLIMAX ENGINEERING COMPANY LIMITED and holder of the shares of the said company, to act as my proxy to attend and vote at the Annual General Meeting of the Company to be held at the registered office of the Company, G.T. Road, Ghanakwadi on 31<sup>st</sup> October 2014 at 11.00 A.M. and at any adjournment thereof.

Signature  
No. 2  
Registered Office

Witness  
\_\_\_\_\_

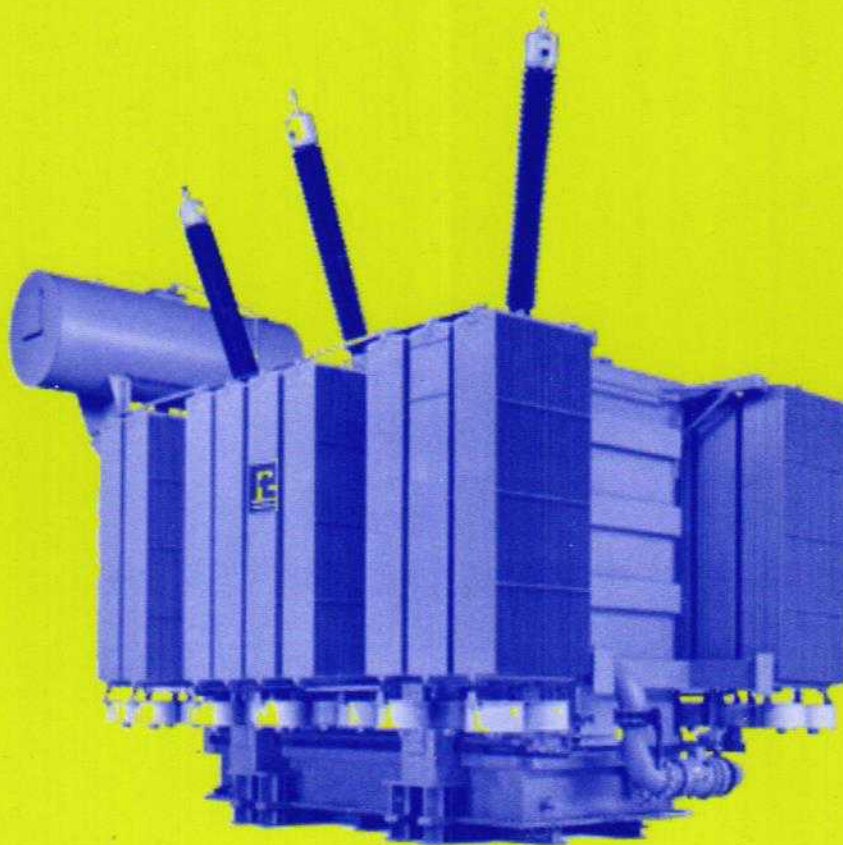
Signature  
Registered with the Company

Date: \_\_\_\_\_

Note: A member entitled to attend and vote at the meeting may appoint another person as his proxy to attend and vote at the meeting. A proxy on the 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.

# CLIMAX

**LEADERS ALL THE WAY**



**CLIMAX**

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