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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Karachi Tools, Dies and Moulds Centre (the Company)** as at June 30, 2016 and the related income and expenditure account, cash flow statement and the statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and income and expenditure 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 accounts and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the surplus, its cash flows and changes in equity for the year then ended; and

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

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Date: November 20, 2016
Karachi.

KARACHI TOOLS, DIES AND MOULDS CENTRE

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ORDINANCE, 1984)

BALANCE SHEET

AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non - current assets			
Property, plant and equipment	4	262,546,611	271,180,781
Intangibles	5	335,969	454,667
Long term security deposits		1,134,445	1,134,445
Current assets			
Stores, spares and loose tools	6	21,271,115	18,777,436
Stock-in-trade	7	10,135,907	15,271,869
Trade debts	8	45,599,398	46,088,706
Advances		388,415	2,242,148
Short term prepayments		428,976	291,640
Interest accrued		669,904	836,204
Tax refund due from Government	9	30,464,240	22,762,159
Cash and bank balances	10	100,139,280	90,193,544
		209,097,235	196,463,706
Total assets		473,114,260	469,233,599
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital 50,000,000 (2014:50,000,000) ordinary shares of Rs. 10/-each		500,000,000	500,000,000
Issued, subscribed and paid-up capital 49,425,000 (2015: 49,425,000) ordinary shares of Rs. 10/- each fully paid in cash		494,250,000	494,250,000
Accumulated deficit		(38,451,058)	(45,739,531)
		455,798,942	448,510,469
Current liabilities			
Trade and other payables	11	17,315,318	20,723,130
Total equity and liabilities		473,114,260	469,233,599
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

KARACHI TOOLS, DIES AND MOULDS CENTRE

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ORDINANCE, 1984)

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
INCOME			
Revenue from:			
Manufacturing	13	125,161,136	98,815,424
Toll Manufacturing	14	886,000	2,146,350
Heat treatment	15	3,739,930	3,545,726
Reverse engineering		1,374,000	1,198,000
Training		7,375,310	6,566,460
		138,536,376	112,271,960
Other income	16	6,479,803	8,814,797
		145,016,179	121,086,757
EXPENDITURE			
Direct costs	17	117,986,702	97,704,650
Administrative expenses	18	19,741,004	18,836,840
		137,727,706	116,541,490
Surplus for the year		7,288,473	4,545,267
Other comprehensive income		-	-
Total comprehensive income for the year		7,288,473	4,545,267

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

KARACHI TOOLS, DIES AND MOULDS CENTRE

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ORDINANCE, 1984)

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	15,696,710	8,891,872
Income tax paid		(7,702,081)	(6,725,286)
Long term deposits received		-	188,306
Net cash generated from operating activities		7,994,629	2,354,892
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(4,620,594)	(13,083,991)
Proceeds from sale of property, plant and equipment		500,960	636,754
Profit received on bank deposit		6,070,741	8,647,874
Net cash generated from / (used in) investing activities		1,951,107	(3,799,363)
Net increase / (decrease) in cash and cash equivalents		9,945,736	(1,444,471)
Cash and cash equivalent at beginning of the year		90,193,544	91,638,015
Cash and cash equivalent at end of the year	10	100,139,280	90,193,544

The annexed notes from 1 to 26 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

DIRECTOR

KARACHI TOOLS, DIES AND MOULDS CENTRE

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ORDINANCE, 1984)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Share capital	Accumulated deficit	Total
	<-------------	Rupees	------------->
Balance at June 30, 2014	494,250,000	(50,284,798)	443,965,202
Total comprehensive income for the year			
Surplus for the year	-	4,545,267	4,545,267
Other conprehensive income	-	-	-
	-	4,545,267	4,545,267
Balance at June 30, 2015	494,250,000	(45,739,531)	448,510,469
Total comprehensive income for the year			
Surplus for the year	-	7,288,473	7,288,473
Other conprehensive income	-	-	-
	-	7,288,473	7,288,473
Balance at June 30, 2016	494,250,000	(38,451,058)	455,798,942

The annexed notes from 1 to 26 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER **DIRECTOR**

1. LEGAL STATUS AND NATURE OF OPERATIONS

Karachi Tools, Dies and Moulds Centre (the Company) was incorporated in 2006 as a company limited by guarantee having share capital under section 42 of the Companies Ordinance, 1984 (the Ordinance) under the license issued by the Securities and Exchange Commission of Pakistan. The registered office of the Company is situated at Sector Number 38, Deh Dih, NC Number 24, Korangi Creek Industrial Park, Karachi, Pakistan. The primary objective of the Company is to establish and run an Information Technology (IT) based common facility centre, primarily for improving the skills of engineers and designers, enhancing the quality of designing, engineering and manufacturing of local tools, dies and moulds. The Company is a wholly owned subsidiary of Pakistan Industrial Development Corporation (Private) Limited (PIDC) – the holding company.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

The financial statements for the year ended June 30, 2015 and prior years were prepared in accordance with the requirements of Accounting and Financial Reporting Standards (AFRSs) for Medium-Sized Entities issued by the Institute of Chartered Accountants of Pakistan as notified by the SECP. However, due to amendment in the fifth schedule of the Ordinance and re-categorization of non-listed and public sector companies alongwith applicable accounting framework vide SRO 928 (I)/2015 and SRO 929 (I)/2015 issued on September 10, 2015, the financial statements of the current year were prepared on IFRSs as notified by the SCEP and are applicable in Pakistan.

The above mentioned change in accounting framework for the preparation of the financial statements has not resulted in any material adjustments to the carrying values of the assets and liabilities of the Company as at June 30, 2016 or at previous reporting date and does not require any significant change in accounting policies of the Company. However, the change in accounting framework has resulted in certain additional disclosures relating to financial risk management which are given in notes 21 and 22 to these financial statements.

2.2 Accounting Convention

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

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

2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if revision affects in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Company's financial statement or where judgements were exercised in application of approved accounting standards as applicable in Pakistan are as follows-

- Residual values and useful lives of property, plant and equipment
- Useful life of intangible assets
- Impairment of assets
- Provision against slow moving stores, spares and loose tools
- Provision against slow moving stock
- Provision against doubtful debts

2.4 New accounting standards and amendments that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. Certain annual improvements have also been made to a number of IFRSs. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standard or Amendments	Effective date (accounting periods beginning on or after)
IFRS 2 - Share-based Payment - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures - Sale or contribution of assets between an investor and its associate or joint venture	Not yet finalized
IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 - Investments in Associates and Joint Ventures - Investment Entities: Applying the consolidation exception	January 01, 2016
IFRS 11 - Joint Arrangements - Accounting for acquisitions of interests in joint operations	January 01, 2016
IAS 1 - Presentation of Financial Statements - Disclosure initiative	January 01, 2016
IAS 7 - Statement of Cash Flows - Amendments as a result of the disclosure initiative	January 01, 2016
IAS 12 - Income Taxes - Recognition of deferred tax assets for unrealised losses	January 01, 2017
IAS 16 - Property Plant and Equipment and IAS 38 - Intangible Assets - Clarification of acceptable methods of depreciation and amortization	January 01, 2016
IAS 16 - Property Plant and Equipment and IAS 41 - Agriculture - Measurement of bearer plants	January 01, 2016
IAS 27 - Separate Financial Statements - Equity method in separate financial statements	January 01, 2016

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Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All accounting policies have been consistently applied which are given below:

3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation on property, plant and equipment is charged to the income and expenditure account applying the reducing balance method except for furniture and fittings, and computer and data processing equipment on which depreciation is charged applying straight line method. Full month's depreciation is charged in the month of addition while no depreciation is charged in the month of disposal.

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end, if impact of depreciation is significant.

Maintenance and normal repairs are charged to income and expenditure account as and when incurred, while major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment is included in the income and expenditure account for the year.

3.1.1 Capital work-in-progress

Capital work-in-progress are stated at cost less any identified impairment loss and consist of all expenditure incurred and advances made in the course of construction and installation. These are transferred to specific assets as and when these assets are available for use.

3.2 Intangibles

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably and it does not result from expenditure incurred internally on an intangible item.

These are stated at cost less accumulated amortization and impairment loss, if any.

Amortization is charged on intangibles using straight line method reflecting the pattern in which economic benefits are consumed by the Company. Full month's amortization is charged in the month of addition while no amortization is charged in the month of disposal.

The asset's residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate, at each financial year end, if impact of amortization is significant.

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3.3 **Impairment of assets**

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax asset and inventories may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's 'fair value less costs to sell' and 'value in use'.

3.4 **Stores , spares and loose tools.**

These are valued at weighted average cost, except for items in transit, which are stated at invoice plus other charges incurred thereon upto the balance sheet date. Provision is made for slow moving items and obsolete items where considered necessary.

3.5 **Stock in trade**

These are valued at the lower of cost or net realizable value except for items in transit which are valued at invoice price and related expenses incurred upto the balance sheet date. Cost of inventory is determined as follows:

Raw material is valued at weighted average cost basis.

Finished goods and work-in-process consist of cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity.

Net realizable value (NRV) signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

3.6 **Trade debts and other receivables**

Trade debts and other receivables are recognized initially at fair value and subsequently measured at cost less estimate made for doubtful receivables based on review of outstanding amounts at year end according to the original terms of receivable . Where the payment of a debt becomes doubtful a provision is made and charged to the income and expenditure account. Debt considered bad and irrecoverable are written off to income and expenditure account.

3.7 **Provisions**

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

3.8 **Cash and cash equivalents**

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

3.9 **Trade and other payables**

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at cost using the effective interest method.

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3.10 Taxation

The Company is allowed tax credit equal to 100% of the tax payable including minimum tax and final taxes, under section 100C of the Income Tax Ordinance, 2001, consequently no provision for taxation is made in these financial statements.

3.11 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.12 Off-setting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the transaction and also intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.13 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the associated cost incurred or to be incurred can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Revenue from sale of goods is recognized when the title is passed to the customer which usually coincides with physical delivery.

Income from training services, toll manufacturing, heat treatment and reverse engineering are recognized on accrual basis.

Other income including profit on bank accounts and on term deposit receipts is recognized on accrual basis.

3.14 Foreign currency transactions and translations

Transactions in foreign currencies are translated in Pak Rupee (functional currency) at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Pak Rupees (reporting currency) at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All differences are taken to the income and expenditure account currently.

	Note	2016 Rupees	2015 Rupees
4. PROPERTY PLANT AND EQUPMENT			
Property plant and equipment	4.1	262,500,185	271,180,781
Capital work in progress		46,426	-
		262,546,611	271,180,781

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4.1 Property, plant and equipment

	Buildings	Plant and machinery	Furniture and fittings	Vehicles	Office equipment	Computer and data processing equipment	Electronic and electrical equipment	Total
	Rupees							
At July 01, 2014								
Cost	104,441,841	222,009,112	7,271,121	7,472,908	1,419,094	8,310,332	10,712,252	361,636,660
Accumulated depreciation	(11,740,906)	(55,959,501)	(5,399,218)	(4,121,938)	(461,066)	(6,892,629)	(4,252,736)	(88,827,994)
Net book amount	92,700,935	166,049,611	1,871,903	3,350,970	958,028	1,417,703	6,459,516	272,808,666
Year ended June 2015								
Opening net book amount	92,700,935	166,049,611	1,871,903	3,350,970	958,028	1,417,703	6,459,516	272,808,666
Additions	822,728	8,980,800	219,400	1,390,000	75,499	636,613	399,016	12,524,056
Disposals								
Cost	-	-	36,690	930,020	168,000	184,042	322,785	1,641,537
Accumulated Depreciation	-	-	(23,270)	(748,144)	(94,936)	(184,042)	(100,378)	(1,150,770)
	-	-	13,420	181,876	73,064	-	222,407	490,767
Depreciation charge	1,855,471	8,387,746	913,384	898,621	99,356	852,791	653,805	13,661,174
Closing net book amount	91,668,192	166,642,665	1,164,499	3,660,473	861,107	1,201,525	5,982,320	271,180,781
At July 01, 2015								
Cost	105,264,569	230,989,912	7,453,831	7,932,888	1,326,593	8,762,903	10,788,483	372,519,179
Accumulated depreciation	(13,596,377)	(64,347,247)	(6,289,332)	(4,272,415)	(465,486)	(7,561,378)	(4,806,163)	(101,338,398)
Net book amount	91,668,192	166,642,665	1,164,499	3,660,473	861,107	1,201,525	5,982,320	271,180,781
Year ended June 2016								
Opening net book amount	91,668,192	166,642,665	1,164,499	3,660,473	861,107	1,201,525	5,982,320	271,180,781
Additions	-	2,844,872	272,685	-	63,000	273,760	1,119,851	4,574,168
Disposals								
Cost	-	-	64,268	-	63,290	34,000	379,522	541,080
Accumulated Depreciation	-	-	(64,268)	-	(4,836)	(34,000)	(114,945)	(218,049)
	-	-	-	-	58,454	-	264,577	323,031
Depreciation charge	1,833,334	8,462,644	397,740	732,096	86,803	770,565	648,551	12,931,733
Closing net book amount	89,834,858	161,024,893	1,039,444	2,928,377	778,850	704,720	6,189,043	262,500,185
At June 30, 2016								
Cost	105,264,569	233,834,784	7,662,248	7,932,888	1,326,303	9,002,663	11,528,812	376,552,267
Accumulated depreciation	(15,429,711)	(72,809,891)	(6,622,804)	(5,004,511)	(547,453)	(8,297,943)	(5,339,769)	(114,052,082)
Net book amount	89,834,858	161,024,893	1,039,444	2,928,377	778,850	704,720	6,189,043	262,500,185
Rate of depreciation (%)	2	5	15	20	10	33	10	

4.1.1 Depreciation for the year has been allocated as under

	Note	2016 Rupees	2015 Rupees
Manufacturing cost	17.1	6,181,602	6,428,685
Toll manufacturing cost	17.2	69,911	96,477
Heat treatment cost	17.3	1,762,883	1,472,541
Reverse engineering cost	17.4	562,691	647,242
Training cost	17.5	626,241	921,622
Other overheads	17.6	2,234,679	2,418,780
Administrative expenses	18	1,493,726	1,675,827
		12,931,733	13,661,174

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5. INTANGIBLES

	Cost			Accumulated amortization				
	At July 01, 2015	Addition during the year	At June 30, 2016	At July 01, 2015	Charge for the period	At June 30, 2016	Carrying amount at June 30, 2016	Annual rate of amortization
	<- - - - - - - - - - - -	- - - - - - - - - - - -	- - - - - - - - - -	- - - - Rupees - - - -	- - - - - - - - - - - -	- - - - - - - - - - - -	- - - - - - - - - - - ->	%
Computer software	10,123,915	-	10,123,915	9,669,248	118,698	9,787,946	335,969	20
2015	9,563,980	559,935	10,123,915	9,398,582	270,666	9,669,248	454,667	20

5.1 Amortization for the year has been allocated as under: -

	Note	2016 Rupees	2015 Rupees
Reverse engineering Cost	17.4	11,199	11,196
Training cost	17.5	57,671	133,845
Other overheads	17.6	35,274	93,633
Administrative expenses	18	14,554	31,992
		118,698	270,666

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		Note	2016 Rupees	2015 Rupees
6.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		4,835,726	3,497,296
	Loose tools		16,435,389	15,280,140
			21,271,115	18,777,436

		Note	2016 Rupees	2015 Rupees
7.	**STOCK-IN-TRADE**			
	Raw material		4,317,066	4,609,817
	Work in process		5,818,841	10,662,052
			10,135,907	15,271,869
8.	**TRADE DEBTS**			
	Unsecured - considered good		44,525,777	45,145,503
	- considered doubtful		203,009	519,746
	Fee receivable - considered good		1,073,621	943,203
	- considered doubtful		304,797	232,875
			46,107,204	46,841,327
	Provision for doubtful debts	8.1	(507,806)	(752,621)
			45,599,398	46,088,706

8.1 Provision for doubtful debts

	Note	2016 Rupees	2015 Rupees
Balance at July 1		(752,621)	(396,536)
Add: provision made during the year	18.	(334,299)	(428,501)
Less: doubtful debts written off during the year		579,114	72,416
Balance at June 30		(507,806)	(752,621)

9. **TAX REFUND DUE FROM GOVERNMENT**

These balances are based on returns of income filed with tax authorities except for tax year 2016 for which return of income will be filed on or before December 31, 2016.

10. **CASH AND BANK BALANCES**

	Note	2016 Rupees	2015 Rupees
Cash and cash equivalent:			
- Term deposit receipts	10.1	84,400,000	84,767,500
- PLS saving accounts	10.2	15,588,280	5,275,044
- Current account		1,000	1,000
		99,989,280	90,043,544
Cash in hand		150,000	150,000
		100,139,280	90,193,544

10.1 These carry profit at rates ranging from 5.5% to 6.3% (2015: 5.97% to 9.7%) per annum have maturity of not more than three months.

10.2 These carry profit at rates ranging from 2.40% to 5.88% (2015: 5.80% to 9%) per annum.

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	Note	2016 Rupees	2015 Rupees

11. TRADE AND OTHER PAYABLES

		2016 Rupees	2015 Rupees
Creditors		519,020	1,991,537
Accrued liabilities		3,834,142	8,575,267
Advances from customers		5,523,232	4,632,005
Capital expenditure		3,791,483	3,876,683
Sales tax		3,553,410	1,384,002
Withholding tax		94,031	263,636
		17,315,318	20,723,130

12. CONTINGENCIES AND COMMITMENTS

The Company does not have any contingencies and commitments as at June 30, 2016 and June 30, 2015.

13. REVENUE FROM MANUFACTURING

		2016 Rupees	2015 Rupees
Sales		146,438,529	115,614,046
Less : Sales tax		(21,277,393)	(16,798,622)
		125,161,136	98,815,424

14. REVENUE FROM TOLL MANUFACTURING

		2016 Rupees	2015 Rupees
Sales		1,036,620	2,511,230
Less : Sales tax		(150,620)	(364,880)
		886,000	2,146,350

15. REVNENUE FROM HEAT TREATMENT

		2016 Rupees	2015 Rupees
Sales		4,375,718	4,148,499
Less : Sales tax		(635,788)	(602,773)
		3,739,930	3,545,726

16. OTHER INCOME

	Note	2016 Rupees	2015 Rupees
Income from financial assets			
Profit on bank deposits		5,904,441	8,144,652
Income from non-financial assets			
Proceeds from disposal of scrap material		198,500	396,301
Gain on disposal of fixed assets		177,929	145,987
Others	16.1	198,933	127,857
		6,479,803	8,814,797

16.1 Others include welding services, transportation and penalties from students.

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		Note	2016 Rupees	2015 Rupees
17.	**DIRECT COSTS**			
	Manufacturing	17.1	73,374,122	50,769,788
	Toll manufacturing	17.2	238,228	474,517
	Heat treatment	17.3	6,097,616	5,446,543
	Reverse engineering	17.4	3,525,875	3,944,679
	Training	17.5	9,517,968	9,872,614
	Other overheads	17.6	25,232,893	27,196,509
			117,986,702	97,704,650

During the year, the Company has allocated direct costs based on actual cost incurred by each department. Unallocated costs are charged to other overheads.

17.1 Manufacturing cost

	Note	2016 Rupees	2015 Rupees
Raw material consumed	17.1.1	30,788,841	23,697,606
Salaries and allowances		10,278,148	7,596,196
Depreciation	4.1	6,181,602	6,428,685
Utilities		3,973,470	4,346,724
Heat treatment		4,082,707	2,094,577
Repairs and maintenance		3,077,857	3,432,077
Tooling		3,929,651	2,736,155
Outsourced manufacturing		6,083,470	1,456,435
Insurance		135,165	9,615
Total manufacturing cost		68,530,911	51,798,070
Add : Opening stock - work-in-process		10,662,052	9,633,770
Less: Closing stock - work-in-process	7	(5,818,841)	(10,662,052)
Cost of goods manufactured		73,374,122	50,769,788

17.1.1 Raw material consumed

	Note	2016 Rupees	2015 Rupees
Opening stock		4,609,817	4,435,117
Purchases during the year		30,496,090	23,872,306
		35,105,907	28,307,423
Less: closing stock	7	(4,317,066)	(4,609,817)
Raw materials consumed during the year		30,788,841	23,697,606

17.2 Toll manufacturing cost

	Note	2016 Rupees	2015 Rupees
Salaries and allowances		39,874	61,769
Outsourced manufacturing		-	133,675
Depreciation	4.1	69,911	96,477
Utilities		39,537	68,599
Repairs and maintenance		37,190	57,797
Tooling		50,555	35,689
Raw material		-	20,331
Insurance		1,161	180
		238,228	474,517

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		Note	2016 Rupees	2015 Rupees
17.3	**Heat treatment cost**			
	Salaries and allowances		1,003,746	1,336,088
	Depreciation	4.1	1,762,883	1,472,541
	Consumables		601,954	986,251
	Utilities		428,540	741,438
	Repairs and maintenance		1,971,175	344,129
	Insurance		58,405	189,791
	Rental charges		101,203	140,788
	Outsourced Manufacturing		-	97,900
	Office expenses		71,001	60,895
	Vehicle running expense		36,223	30,119
	Water tanker		31,760	26,924
	Travelling and Conveyance		28,985	12,170
	Printing and stationery		1,173	6,689
	Postage and courier		568	820
			6,097,616	5,446,543

		Note	2016 Rupees	2015 Rupees
17.4	**Reverse engineering cost**			
	Salaries and allowances		1,927,607	1,814,368
	Depreciation	4.1	562,691	647,242
	Utilities		448,126	643,194
	Repairs and maintenance		231,806	334,966
	Vehicles running expense		101,714	111,774
	Tooling		45,039	92,967
	Outsourced manufacturing		10,800	73,200
	Insurance		50,140	71,630
	Office expense		75,284	69,478
	Printing and stationery		26,143	44,386
	Water tanker		31,760	26,923
	Amortization	5.1	11,199	11,196
	Postage and courier		566	2,230
	Traveling and conveyance		3,000	1,125
			3,525,875	3,944,679

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		Note	2016 Rupees	2015 Rupees
17.5	**Training cost**			
	Salaries and allowances		5,336,621	4,608,589
	Utilities		816,399	885,599
	Depreciation	4.1	626,241	921,622
	Office expense		216,407	481,671
	Repairs and maintenance		518,775	440,865
	Visiting faculty charges		324,639	341,094
	Vehicles running		257,417	339,305
	Fees and subscription		296,448	322,050
	Transport facility for students		285,000	285,000
	Advertisement		239,606	247,133
	Traveling and conveyance		52,220	224,554
	Material and tooling		143,038	194,761
	Insurance		111,368	156,160
	Research and Development		39,335	136,450
	Amortization	5.1	57,671	133,845
	Water tanker		63,520	53,847
	Entertainment		55,061	42,202
	Printing and stationery		66,006	40,342
	Postage and courier		12,196	12,755
	Books and periodicals		-	4,770
			9,517,968	9,872,614

		Note	2016 Rupees	2015 Rupees
17.6	**Other overheads**			
	Salaries and allowances		15,432,177	14,887,125
	Depreciation	4.1	2,234,679	2,418,780
	Consumables		383,398	2,146,167
	Repairs and maintenance		2,639,734	1,718,748
	Consultancy charges		232,912	1,416,403
	Vehicles running		914,731	1,228,258
	Office expenses		852,570	813,686
	Insurance		796,627	704,398
	Utilities		506,710	437,135
	Other overheads		61,556	342,954
	Traveling and conveyance		481,220	305,959
	Advertisement		96,119	230,802
	Water tanker		254,080	215,386
	Amortization	5.1	35,274	93,633
	Printing and stationery		86,553	92,104
	Entertainment		106,098	87,782
	Postage and courier		39,234	57,189
	Janitorial services		79,221	-
			25,232,893	27,196,509

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18. ADMINISTRATIVE EXPENSES

	Note	2016 Rupees	2015 Rupees
Salaries and allowances		10,869,776	9,421,167
Depreciation	4.1	1,493,726	1,675,827
Utilities		1,478,678	1,554,787
Repairs and maintenance		640,060	808,424
Janitorial services		997,082	863,494
Security		952,600	831,400
Vehicles running expense		399,327	506,189
Office expense		635,196	624,988
Provision for bad debts	8.1	334,299	428,501
Insurance		324,426	343,511
Traveling and conveyance		383,211	329,423
Postage and courier		329,499	304,019
Fees and subscription		36,552	227,205
Legal and professional		240,200	270,650
Printing and stationery		125,145	185,283
Auditors' remuneration		214,250	151,250
Entertainment		106,746	131,242
Advertisement		146,840	41,460
Amortization	5.1	14,554	31,992
Training		2,000	18,750
Books and periodicals		7,940	6,864
Others		8,897	80,414
		19,741,004	18,836,840

19. CASH USED IN OPERATIONS

	Note	2016 Rupees	2015 Rupees
Surplus for the year		7,288,473	4,545,267
Adjustments for:			
Depreciation on property, plant and equipment	4	12,931,733	13,661,174
Provision for doubtful debts	8.1	334,299	428,501
Amortization	5	118,698	270,666
Gain on sale of property, plant and equipment		(177,929)	(145,987)
Profit on bank deposits		(5,904,441)	(8,144,652)
		7,302,360	6,069,702
		14,590,833	10,614,969
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(2,493,679)	(1,615,331)
Stock in trade		5,135,962	(1,202,982)
Trade debts		155,009	(3,699,260)
Advances		1,853,733	(1,103,245)
Short term prepayments		(137,336)	(181,849)
		4,513,689	(7,802,667)
(Decrease) / increase in current liabilities			
Trade and other payables		(3,407,812)	6,079,570
Cash generated from operations		15,696,710	8,891,872

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20. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive	Key Executives	Chief Executive	Key Executives
	June 30, 2016		June 30, 2015	
	Rupees		Rupees	
Remuneration	2,649,600	10,029,288	2,649,600	6,478,473
House rent allowance	927,360	3,510,251	927,360	2,267,466
Utilities	397,440	1,504,393	397,440	971,771
	3,974,400	15,043,932	3,974,400	9,717,710
No. of person (s)	1	18	1	9

21. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets		
Loans and receivable		
Security deposits	1,134,445	1,134,445
Trade debts	45,599,398	46,088,706
Interest accrued	669,904	836,204
Cash and bank balances	99,989,280	90,043,544
	147,393,027	138,102,899
Financial liabilities		
At amortized cost		
Creditors	519,020	1,991,537
Accrued liabilities	3,834,142	8,575,267
Capital expenditure	3,791,483	3,876,683
	8,144,645	14,443,487

22. FINANCIAL RISK MANAGEMENT

The Company's financial assets comprises of cash and bank balances, investments, security deposit and interest accrued. The Company's financial liabilities are creditors and accrued liabilities.

The Board through its Finance Committee oversees risk management function of the Company. The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and price risk).

22.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur financial loss. Total financial assets of Rs. 147,393,027 (2015: Rs. 138,102,899) are subject to credit risk. The Company is exposed to credit risk mainly on short term investments, trade debts and bank balances.

The aging of trade debts balances at the balance sheet date was as follows:

	2016		2015	
	Gross	Impairment	Gross	Impairment
	Rupees			
Not past due	32,815,600	-	30,080,555	-
Past due 1 - 60 days	544,101	-	1,270,503	-
Past due 61 days - 1 year	11,168,082	-	2,451,092	-
More than one year	1,579,421	(507,806)	13,039,177	(752,621)
	46,107,204	(507,806)	46,841,327	(752,621)

The Company limits its exposure to credit risk by deposits with banks and financial institutions having minimum 'A' rating. The credit quality of Company's bank balances and investments can be assessed with reference to external credit rating as follows:

Name of bank	Rating agency	Short-term rating	Long-term rating
National Bank of Pakistan	PACRA	A-1 +	AAA
Bank Alfalah Limited	PACRA	A-1 +	AA
Meezan Bank Limited	JCR-VIS	A-1 +	AA
Summit Bank Limited	JCR-VIS	A-1	A-
Sind Bank	JCR-VIS	A-1 +	AA

22.2 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash. The Company aims at maintaining flexibility in funding by keeping appropriate liquidity position available. The Company has adequate liquid reserves at present and as such there are no long term obligations.

22.3 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

22.3.1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's term deposit receipts and PLS saving accounts.

If interest rates would have been higher / lower by 50 basis points and all other variables remain constant, the Company's surplus for the year ended June 30, 2016 would decrease / increase by Rs. 950,154 (2015: 907,025).

22.3.2 Foreign exchange risk management

Foreign 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 has no foreign currency financial instruments therefore is not exposed to the risk of changes in foreign exchange rates.

22.3.3 Equity price risk management

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Company is not exposed to equity price risks arising from equity investments, as the Company does not hold any equity security as at balance sheet date.

22.4 Determination of fair values

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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The Company classifies financial instruments measured at fair value using fair value hierarchy that reflect significance of the inputs used in measuring of the fair value of financial instruments . The three different level have been defined as follows:

level 1: quoted price (unadjusted) in active markets for identical assets or liabilities

Level 2 : inputs other than quoted price included within level 1 that are observable for the asset opt liability, either directly (i.e., as prices) or indirectly (i.e., derive from prices)

Level 3 : input for the asset or liability that are not based on observable market data (unobservable inputs)

The Company does not have any financial instruments as at year end which require classification in the above levels.

23. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, directors of the company and key management personnel. Amounts due from and to other related parties, directors and key management personnel are shown under respective notes of receivable. The Company carries out transactions with various related parties in the normal course of business. Remuneration of key management personnel is disclosed in note 20 to the financial statements. Other significant transactions with related parties are as follows: -

Name of related party and relationship with the Company	Nature of transaction	2016 Rupees	2015 Rupees
Associates			
Millat Equipment Limited	Service income - heat treatment	-	1,532,950
Dawood Engineering (Pvt) Limited.	Service income - reverse engineering	-	20,500
Directors fee	Fee paid for attending meetings of the Company	-	24,000

24. NUMBER OF EMPLOYEES

Total number of employees at the year end was 83 (2015 : 69). Average number of employees during the year was 76 (2015: 72).

25. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 31 OCT 2016 by the Board of Directors of the Company.

26. GENERAL

Figures in these financial statements have been rounded off to the nearest Rupee.

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CHIEF EXECUTIVE OFFICER

DIRECTOR