

# GEARING PROSPERITY

ANNUAL REPORT 2018



**Millat Equipment Limited**

ISO 50001:2011 Energy Certified Company



## Gearing Prosperity

Processing from raw to powerful transmission components exhibits the maximum energy. Agri-auto Industry is always important and the role of transmission component for the development of economy is vital. Millat Equipment Limited is well built for transmission components with clear vision & engaging modern technologies. We are committed to serve our customers by providing best services.

Our journey of growth through gearing prosperity is continuous.....



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# Vision

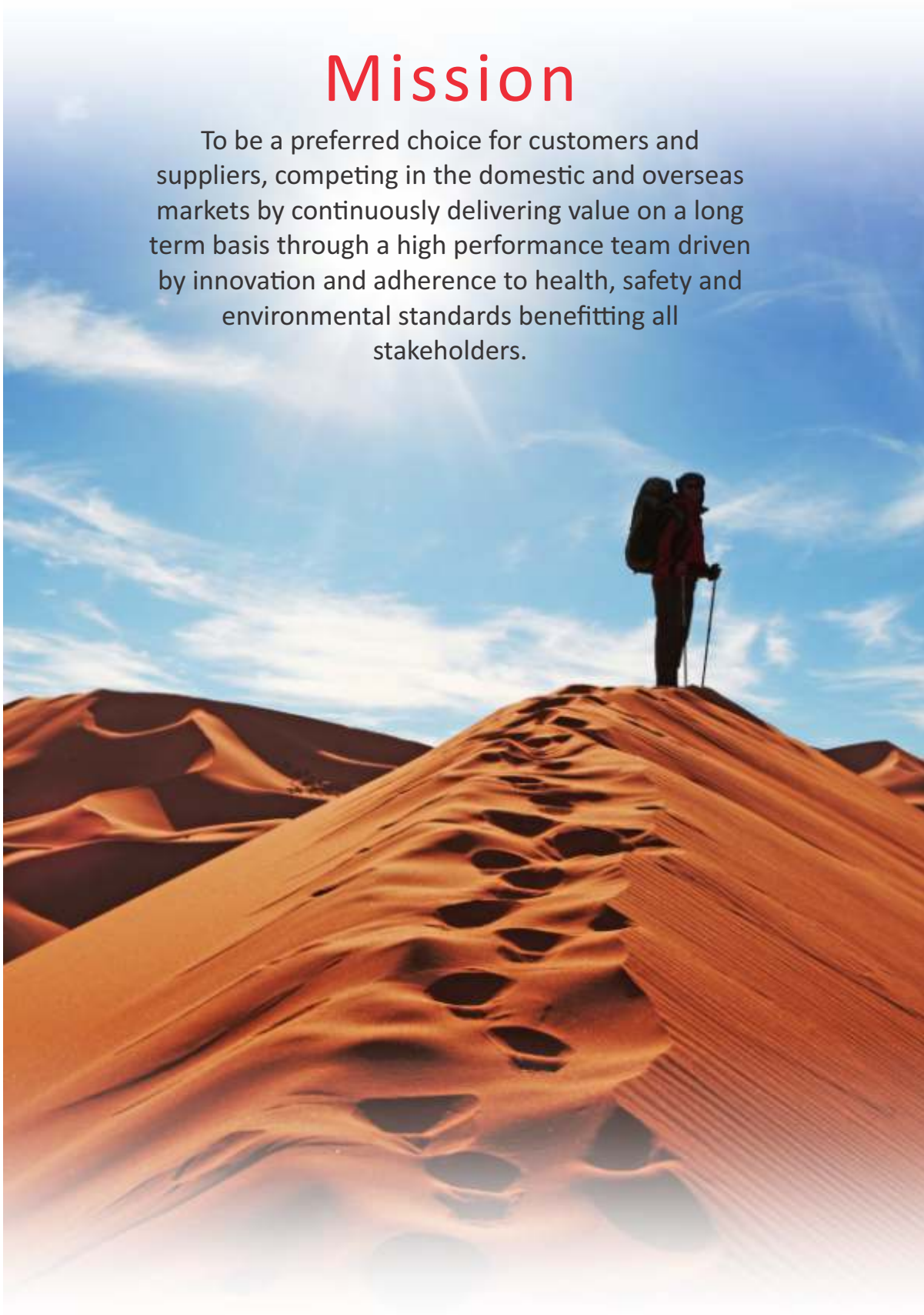
Aspired to reach and sustain  
at ultimate heights of value and  
excellence in engineering.





# Mission

To be a preferred choice for customers and suppliers, competing in the domestic and overseas markets by continuously delivering value on a long term basis through a high performance team driven by innovation and adherence to health, safety and environmental standards benefitting all stakeholders.







## Company Information

### BOARD OF DIRECTORS

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

### BOARD AUDIT COMMITTEE

Latif Khalid Hashmi	(Chairman)
Laeeq Uddin Ansari	(Member)
Sohail Bashir Rana	(Member)

### CHIEF FINANCIAL OFFICER/COMPANY SECRETARY

Mudassar Siddique - ACA

### AUDITORS

A.F. Ferguson & Co.  
 Chartered Accountants

### LEGAL ADVISORS

Asjad Saeed  
 Advocate & Legal Consultants



# PMENT LIMITED



## REGISTERED ADDRESS

8.8 km Lahore Sheikhpura Road,  
Shahdara, Lahore.

## WEBSITE

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

## E-MAIL ADDRESS

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

## PLANT SITE

10 km Raiwind Road, Lahore.

## PRINCIPAL BANKERS

Habib Bank Limited  
MCB Bank Limited  
United Bank Limited  
Faysal Bank Limited  
Meezan Bank Limited  
Bank Alfalah Limited  
Bank AL Habib Limited



## **Board of Directors**



Mr. Sikandar Mustafa Khan  
Chairman



Mr. Latif Khalid Hashmi  
Director



Mr. Sohail Bashir Rana  
Director





Mian Muhammad Saleem  
Director



Mr. Laeeq Uddin Ansari  
Director



Syed Muhammad Irfan Aqueel  
Director



Mr. Ahsan Imran Shaikh  
CEO



## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that 26th Annual General Meeting of Millat Equipment Limited will be held at the Registered Office of the Company at 8.8 K.M. Sheikhpura Road, Shahdara, Lahore, on Friday, October 26, 2018 at 04:00 P.M to transact the following business:

### **A. ORDINARY BUSINESS**

- 1) To confirm minutes of Extra Ordinary General Meeting held on June 30, 2018.
- 2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2018 together with the Directors' and Auditors' Reports thereon.
- 3) To approve final cash dividend of Rs. 18.00 per share i.e., 180% in addition to the interim dividend of Rs. 15.00 per share i.e., 150% already paid, making a total cash dividend of Rs. 33.00 per share i.e., 330%.
- 4) To appoint auditors and fix their remuneration for the year ending June 30, 2019.

## B. SPECIAL BUSINESS

- 1) To ratify and approve transactions conducted with Related Parties for the year ended June 30, 2018 by passing the following special resolution with or without modification.

“Resolved that the following transactions conducted with Related Parties for the year ended June 30, 2018 be and are hereby ratified, approved and confirmed.”

NAME(S)	2018 (AMOUNTS IN RUPEES)	
	PURCHASES	SALES
MILLAT TRACTORS LIMITED	6,126,722	4,243,775,152
BOLAN CASTINGS LIMITED	27,083,929	-
MILLAT INDUSTRIAL PRODUCTS LIMITED	16,928	-
TIPEG Intertrade DMCC	-	501,039
<b>TOTAL</b>	<b>33,227,579</b>	<b>4,244,276,191</b>

- 2) To authorize Chief Executive of the Company to approve transactions with Related Parties for the year ending June 30, 2019 by passing the following special resolution with or without modification.

“Resolved that the Chief Executive of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis during the year ending June 30, 2019.

Resolved further that these transactions shall be placed before the shareholders in the next general meeting for their ratification/approval.”

## C. ANY OTHER BUSINESS

- 1) To transact any other business with the permission of the Chair.

By order of the Board



**Mudassar Siddique**  
Company Secretary

**Lahore:**  
**October 05, 2018**

## NOTES

1. The share transfer books of the Company will remain closed from October 20, 2018 to October 26, 2018 (both days inclusive) and no transfer will be accepted during this period. The members whose names appear in the Register of Members as at the close of business on October 19, 2018 will qualify for the payment of cash dividend.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Shareholders are requested to notify the change of address, if any, immediately and submit, if applicable, the CZ-50 Form (for non deduction of Zakat) to the Company at 10 km, Raiwind Road, Lahore. This will assist in prompt receipt of Dividend.





4. As per directive of Securities and Exchange Commission of Pakistan (SECP) contained in SRO No. 831(I) / 2012 dated July 05, 2012 read with SRO 19 (I) / 2014 dated January 10, 2014, the dividend warrants should bear the Computerized National Identity Card (CNIC) numbers of the registered members or the authorized person except in the case of minor(s) and corporate members. CNIC numbers of the members are, therefore, mandatory for the issuance of future dividend warrants and in the absence of such information, payment of dividend may be withheld. Therefore, the members who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) to the Company.
5. The Government of Pakistan has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These rates are as follows:
  - (a) For filers of income tax returns - 15.00%
  - (b) For non-filers of income tax returns - 20.00%

To enable the Company to make tax deduction from cash dividend @15.00% instead of 20.00%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend will be deducted @20.00% instead of 15.00%.

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

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

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

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

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

#### **STATEMENT U/S 134(3) OF THE COMPANIES ACT, 2017**

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on October 26, 2018.

1. Approval/Ratification of Related Party Transactions(RPTs) conducted during financial year ended on June 30, 2018

Pursuant to newly promulgated Companies Act, 2017, the transactions conducted with group companies

are to be approved/ratified by the shareholders in general meeting as the majority of Company's Directors were interested in these transactions due to their common directorship and holding of shares in the group companies, the quorum of directors could not be formed for approval of these transactions pursuant to section 207 of the Companies Act, 2017. Now the transactions with group companies for the year ended June 30, 2018 are being placed before the shareholders for their consideration and approval/ratification.

It may be noted that principal activity of the company is manufacture of intricate tractor components i.e., major tractor gears & shafts etc respectively for which limited sources are available in the country. The commercial reasons for entering into RPTs are the following.

- i) Availability of state of the art production facilities
- ii) Advanced technical know how
- iii) Dedicated production facilities
- iv) Elaborated testing facilities for MTL
- v) Smooth supply chain

The common directors are namely Mr. Sikandar Mustafa Khan, Latif Khalid Hashmi, Sohail Bashir Rana, Laeeq Uddin Ansari, Mian Muhammad Saleem and Syed Muhammad Irfan Aqueel.

The Directors are interested in the resolution to the extent of their common directorships and shareholding in the group companies.

## 2. Authorization to CEO For Related Party Transactions(RPTs)

The Company shall be conducting Related Party Transactions (RPTs) with group companies during the year ending June 30, 2019 in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship and shareholding in the group companies. Therefore these transactions with group companies have to be approved by the shareholders.

In order to ensure smooth supply during the year, the shareholders may authorize the Chief Executive to approve transactions with group on case to case basis for the year ending June 30, 2019. However, these transactions shall be placed before the shareholders in the next AGM for their approval/ratification.

The Directors are interested in the resolution to the extent of their common directorships and shareholding in the group companies.





## Six Years at a Glance

(Rupees in thousand)

Trading Results		2018	2017	2016	2015	2014	2013
Sales-Net		4,244,660	3,303,592	1,899,206	2,490,837	1,889,855	2,600,177
Gross profit		1,436,728	1,041,655	384,523	663,050	444,802	708,869
Operating profit		1,240,463	898,430	300,129	560,846	363,252	610,179
Profit/ (Loss) before tax		1,278,246	946,599	318,288	585,267	375,980	628,750
Net profit/(Loss) after tax		868,353	624,217	220,262	390,404	263,218	426,418
Balance Sheet							
Share capital		260,000	260,000	260,000	260,000	260,000	260,000
Reserves		1,066,042	977,688	821,472	809,210	808,806	805,588
Property, plant and equipment		618,596	623,906	504,531	526,874	559,660	549,356
Non current assets		3,654	3,721	3,820	3,969	3,705	3,556
Long term liabilities		6,680	6,372	4,839	3,948	3,736	3,188
Deferred liabilities		65,103	62,103	64,737	72,037	81,817	81,993
Investor Information							
Sales growth	%	28	74	(24)	32	(27)	21
Gross profit growth	%	38	171	(42)	49	(37)	29
Pre tax profit growth	%	35	197	(46)	56	(40)	38
Net profit after tax growth	%	39	183	(44)	48	(38)	34
Gross profit ratio	%	34	32	20	27	24	27
Operating profit ratio	%	29	27	16	23	19	23
Profit before tax ratio	%	30	29	17	23	20	24
Profit after tax ratio	%	20	19	12	16	14	16
Return on capital employed	%	96	77	30	55	36	59
Inventory turnover	Times	9.09	12.29	9.21	8.89	5.21	8.05
Total assets turnover	Times	2.47	2.08	1.45	1.80	1.27	1.66
Fixed assets turnover	Times	6.82	5.26	3.74	4.69	3.35	4.70
Return on assets	%	50.60	39.24	16.81	28.28	17.70	27.17
Long term debts: Equity ratio		-	-	-	-	-	-
Current ratio		3.44 : 1	3.38 : 1	5.03 : 1	3.61 : 1	2.78 : 1	2.43 : 1
Financial charges coverage	Times	1161.39	1106.99	226.84	350.22	37.18	261.81
Pay out							
Dividend Rs. per share	Rs.	33.00	23.00	10.00	13.00	10.00	13.00
Earning per share (after tax)	Rs.	33.40	24.01	8.47	15.02	10.12	16.40
Breakup value	Rs.	51.00	47.60	41.60	41.12	41.11	40.98
Return on equity	%	65.48	50.43	20.37	36.51	24.63	40.24
Dividend cover	%	98.80	95.79	118.06	86.55	98.78	79.27





*CEO MEL receiving 1st Position Award for Forging & Machining Vendors from Chairman Millat Group of Companies*



*Worker operating latest CNC Gear Manufacturing Machine*



## Directors' Report To The Shareholders for the Year Ended June 30, 2018

The Directors feel pleasure in presenting their 26th Annual Report together with the Audited Accounts of the Company for the year ended June 30, 2018.

### ACCOUNTS / APPROPRIATIONS

Financial results for the year are as follows:

Accumulated profit brought forward	Rs. 977,688,363
Profit before taxation for the year	Rs. 1,278,245,508
Less: final dividend (Year 2017 @ 150%)	Rs. 390,000,000
Less: interim dividend (Year 2018 @ 150%)	Rs. 390,000,000
Less: current taxation	Rs. 409,892,130
Appropriations	Rs. NIL
Profit carried forward	Rs. 1,066,041,741

Your Directors recommended payment of cash dividend @ Rs. 18.00 per share (180%) in addition to interim dividend of Rs. 15.00 per share (150%) already paid.



#### **PATTERN OF SHAREHOLDING**

The pattern of shareholding as on June 30, 2018 is annexed.

#### **EARNING PER SHARE**

The earning per share for the year was Rs. 33.40 compared to Rs. 24.01 for the prior year.

#### **DIRECTORS**

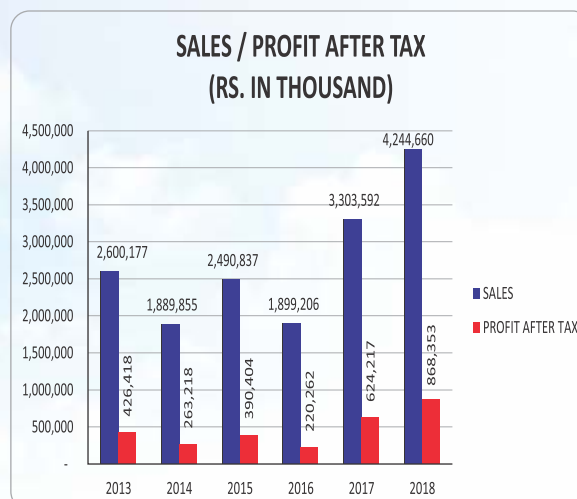
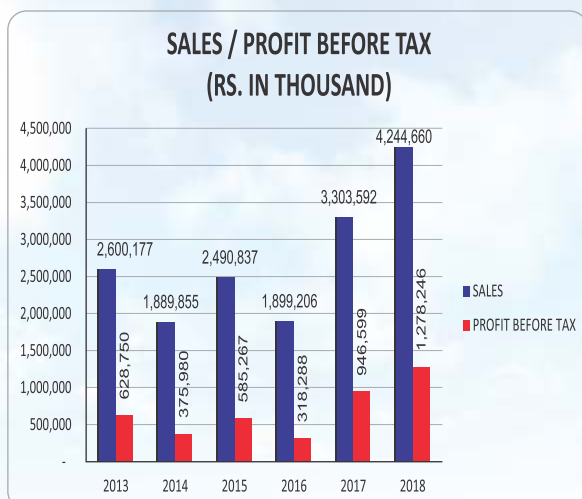
On expiry of three year term of the previous board, six directors namely Mr. Sikandar Mustafa Khan, Mr. Latif Khalid Hashmi, Mr. Sohail Bashir Rana, Mr. Laeeq Uddin Ansari, Mian Muhammad Saleem and Syed Muhammad Irfan Aqueel were elected in the Extra Ordinary General Meeting held on June 30, 2018.

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

<b>Name of Director</b>	<b>Meetings attended</b>
Mr. Sikandar Mustafa Khan (Chairman)	3
Mr. Sohail Bashir Rana	3
Mr. Latif Khalid Hashmi	4
Mr. Laeeq Uddin Ansari	4
Mian Muhammad Saleem	4
Mr. Ahsan Imran Shaikh (CEO)	4
Syed Muhammad Irfan Aqueel	3

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





### BOARD AUDIT COMMITTEE

The audit committee comprises of the following Directors:

Mr. Latif Khalid Hashmi, Executive Director

Chairman

Mr. Laeeq Uddin Ansari, Non-Executive Director

Member

Mr. Sohail Bashir Rana, Non-Executive Director

Member

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

### DUTY & TAXES

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

### PRINCIPAL ACTIVITIES, DEVELOPMENTS & PERFORMANCE

The company's principal activities remained the same as per previous years i.e., producing a range of transmission shafts and gears for the various models of Massey Ferguson tractors in Pakistan. Furthermore, the financial performance of the company during the year was exceptional as ever highest financial results in terms of sales, production & profitability were achieved.

### FUTURE PROSPECTS OF PROFIT

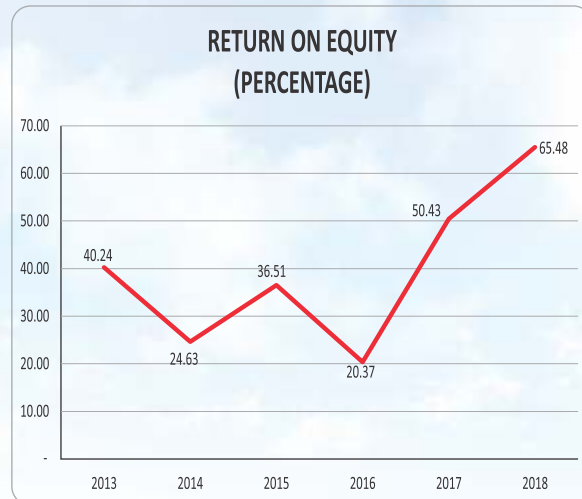
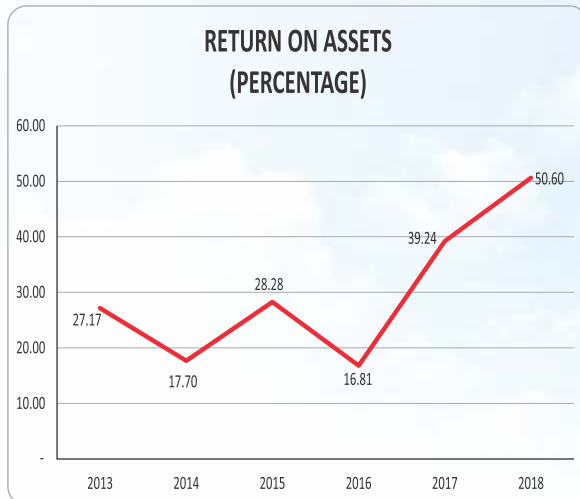
With the increasing GDP, particularly positive growth of industrial sector, improved law & order situation in the country and the ongoing mega infrastructural projects, the demand for tractors is expected to increase. This increase in tractor's demand shall directly cause increase in the activity level of our Company. Resultantly, the aforementioned premise, profitability of the company is expected to increase.

### INTERNAL FINANCIAL CONTROLS

Adequate internal financial controls are already operational and the board audit committee is there to make sure the complete implementation of these controls.

### RISK & UNCERTAINTIES

In an apparent view, other than being a single customer company and risk associated with it there appears no odd that may have any material adverse effect on company's business in a foreseeable future.



### AUDITORS

As per Company's policy, external auditors are changed after every five years. Keeping in view the above policy, the Board's Audit Committee and the Board of Directors have endorsed the appointment of M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants in place of retiring auditors M/s A.F Ferguson & Co., Chartered Accountants at the forth coming Annual General Meeting. They have been given satisfactory rating under the Quality Control Review of the Institute of Chartered Accountants of Pakistan and being eligible have accepted the appointment.

### NUMBER OF EMPLOYEES

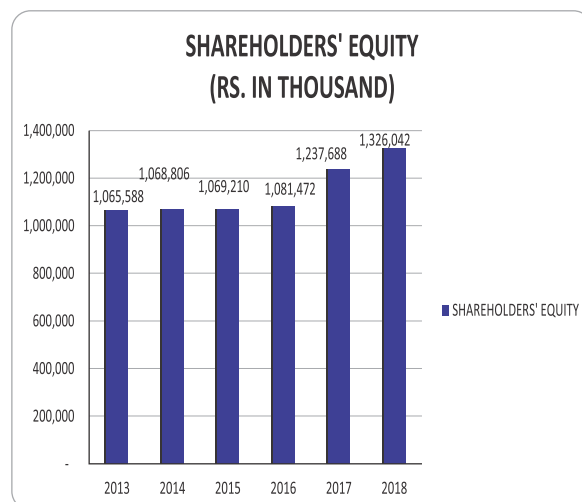
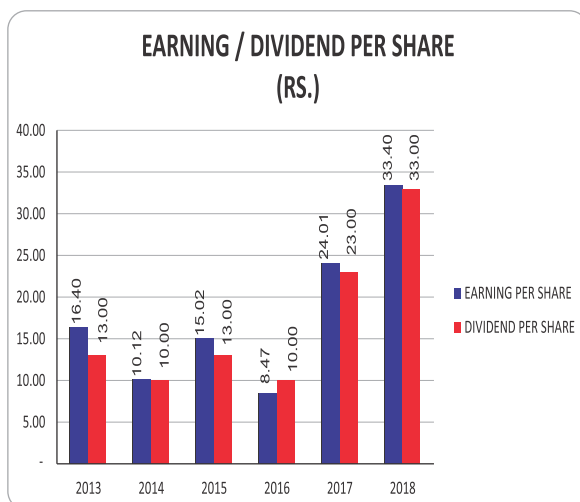
There were 146 numbers of employees as on June 30, 2018 compared to 146 employees as on June 30, 2017.

### SUBSEQUENT EVENTS

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

### HOLDING OF OFFICE OF PROFIT HELD BY DIRECTOR

The director namely Mr. Latif Khalid Hashmi is holding office of profit and drawing remuneration from MEL w.e.f. July 01, 2018 as approved by the members of the Company in EOGM held on June 30, 2018 as per section 171 (1) (c) (i) of the Companies Act, 2017 in view of current expansion and expected growth of the Company anticipated in future. He is working as a whole time working director and is involved in major financial, marketing and HR functions of the Company. As a member of the Board's Committee for supervision (BCS) Mr. Latif Khalid Hashmi is actively participating in operating activity of the Company. For performing extra services, he is being paid remuneration by the company.



## Corporate Social Responsibility



### **I. CORPORATE PHILANTHROPY**

The Company has not contributed towards corporate philanthropy.

### **II. ENERGY CONSERVATION**

The Company has successfully completed energy audit of ISO 50001 and MEL is only the 3rd energy certified company in Pakistan. SCADA systems over air compressors and furnaces to monitor and control efficient usage of energy have also been implemented. A compliance of detailed energy conservation policy adopted previously is being ensured. New methods of energy conservation are also being explored. The Company makes a conscious effort to conserve energy at our offices, including a voluntary shut down of air conditioners and excessive lights during idle hours.

### **III. ENVIRONMENTAL PROTECTION MEASURES**

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

### **IV. COMMUNITY INVESTMENT AND WELFARE SCHEMES**

The Company did not invest any amount for community investment & welfare schemes.

### **V. CONSUMER PROTECTION MEASURES**

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

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

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

### **VII. INDUSTRIAL RELATIONS**

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

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

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





*Energy Management Certification being presented to Mr. Ahsan Imran, CEO MEL*

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

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

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

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

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



*Group photo with golf players, Governor's Cup Golf Tournament*



*Mr. Robin Bagh receiving Governor's Cup Golf Tournament trophy, sponsored by MEL*



## State of the Art Gear Manufacturing and Testing Equipments







*Signing ceremony regarding IFS implementation*



*Plantation activities on 14th August 2018*



*Independence day celebrations*





## Annual Dinner Highlights



## Annual Sports Highlights 2017-18



### XI. NATIONAL CAUSE DONATIONS

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

### XII. CONTRIBUTION TO NATIONAL EXCHEQUER

Millat Equipment Limited has contributed Rs. 647.487 million to the National Exchequer in the shape of direct and indirect taxes.

### XIII. RURAL DEVELOPMENT PROGRAMS

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



CHIEF EXECUTIVE

For and on behalf of the Board



DIRECTOR

Lahore:  
August 20, 2018



## ۸۔ معذور افراد کی بھرتی:

کمپنی نے سال بھر کے دوران کسی بھی معذور شخص کو ملازمت نہیں دی۔

## ۹۔ پیشہ ورانہ تحفظ اور صحت:

ملٹ ایکویپمنٹ لمیٹڈ کے تمام ملازمین نہ صرف ذاتی تحفظ اور صحت کو یقینی بناتے ہیں بلکہ اپنے ساتھی ملازمین اور ارد گرد کے ماحول کے تحفظ کے لئے بھی پرعزم رہتے ہیں۔ اس حوالے سے فیکٹری کے اندر فیوم ایکسٹرکشن سسٹم نصب کیا گیا ہے جس کے باعث کام کے دوران کوئی خطرہ پیش آنے کے خدشے میں خاطر خواہ کمی آئی ہے اور کام کرنے کی جگہوں کو بھی محفوظ قرار دیا گیا ہے۔

مختلف تربیتی پروگراموں کے ذریعے سیفٹی پروگرام کو مزید فعال بنایا جاتا ہے تاکہ غیر محفوظ اور نقصان دہ حالات سے بچاؤ ممکن ہو سکے۔ اس کے ساتھ ساتھ ملازمین کو حفاظتی آلات فراہم کر کے ان کے تحفظ کو یقینی بنایا جاتا ہے۔ کمپنی مینجمنٹ تمام سطحوں پر اپنی ذمہ داریاں بخوبی نبھاتی ہے اور ملازمین کو کسی بھی بیماری، حادثے یا نقصان سے دور رکھتے ہوئے کام کے لئے محفوظ اور صحت افزاء ماحول مہیا کرتی ہے۔

## ۱۰۔ کاروباری اخلاقیات اور رد عنوانی کے خلاف اقدامات:

کمپنی تمام تر کاروباری اخلاقیات کی مکمل پاسداری کرتی ہے اور کسی بھی قسم کی بد عنوانی اور بُرے عمل کی ممانعت کرتی ہے۔

## ۱۱۔ عطیات برائے قومی مقاصد:

کمپنی کی جانب سے سال بھر کے دوران قومی عطیے کی مد میں کوئی رقم خرچ نہیں کی گی۔

## ۱۲۔ قومی خزانے میں شراکت:

ملٹ ایکویپمنٹ لمیٹڈ نے بلواسطہ یا بلاواسطہ ٹیکسز کی مد میں قومی خزانے میں 647.487 ملین روپے جمع کروائے ہیں۔

## ۱۳۔ دیہی ترقیاتی پروگرام:

کمپنی کے تمام تر آپریشنز شہری علاقوں سے متعلقہ ہیں۔ اس لئے کمپنی نے کسی بھی دیہی ترقیاتی پروگرام میں حصہ نہیں لیا۔

*Pol Aurada*  
ڈائریکٹر

*an shail*

چیف ایگزیکٹو

لاہور

20 اگست، 2018



## کارپوریٹ سماجی ذمہ داری

### ۱۔ کارپوریٹ فلاح و بہبود

کمپنی نے کسی بھی قسم کی کارپوریٹ فلاح و بہبود میں حصہ نہیں لیا۔

### ۲۔ توانائی کی بچت:

کمپنی نے ISO 50001 کے انرجی آڈٹ کو کامیابی سے مکمل کر لیا ہے اور اس حوالے سے ملت ایکویپمنٹ لمیٹڈ پاکستان میں تیسری مستند کمپنی ہے۔ توانائی کے موثر استعمال اور بہتر جانچ پڑتال کے لئے کمپیوٹرز اور فرنسز پر SCADA سسٹمز نافذ کر دیے گئے ہیں۔ توانائی بچاؤ حکمت عملی پر عملدرآمد کو یقینی بنایا جا رہا ہے۔ اس کے ساتھ ساتھ توانائی کو محفوظ کرنے کے نئے طریقے اپنائے جا رہے ہیں۔ اس ضمن میں کمپنی اپنے آفسز میں مؤثر اقدامات اٹھاتی رہی ہے جیسا کہ رضا کارانہ طور پر انٹرکنڈیشنڈ بند کرنا اور فارغ اوقات میں زیادہ لائٹس کے استعمال سے گریز کرنا۔

### ۳۔ اقدامات برائے ماحولیاتی تحفظ:

کمپنی نے کمپنی احاطہ کے اندرونی و بیرونی احاطہ میں باغبانی اور شجرکاری مہم کا آغاز کیا ہے۔ مزید برآں شجرکاری مہم میں حصہ لینے والے ملازمین کی حوصلہ افزائی بھی کی جاتی ہے۔

### ۴۔ اجتماعی سرمایہ کاری اور فلاحی اسکیمیں:

کمپنی نے کسی بھی قسم کی اجتماعی سرمایہ کاری اور فلاحی اسکیم میں حصہ نہیں لیا۔

### ۵۔ صارفین کے تحفظ کے لئے اقدامات:

کمپنی صرف اور صرف OEMs کے لئے اپنی مصنوعات تیار کرتی ہے جبکہ ایسی کوئی بھی مصنوعات تیار نہیں کرتی جس کا بلا واسطہ تعلق صارف کے ساتھ ہو۔

### ۶۔ ضرورت مند طبقے اور مستحق افراد کے لئے فلاحی اخراجات:

کمپنی نے ضرورت مند طبقے کی فلاح و بہبود کے لئے ابھی تک کوئی پیسہ خرچ نہیں کیا۔

### ۷۔ صنعتی تعلقات:

ملت ایکویپمنٹ لمیٹڈ تمام قابل اطلاق قوانین کی مکمل پاسداری کرتی ہے۔ اس کے ساتھ ساتھ کمپنی اس بات کو بھی یقینی بناتی ہے کہ تمام قانونی واجبات اور ذمہ داریاں لیبر قوانین کے عین مطابق ہوں۔

گی اور نتیجے کے طور پر کمپنی کے منافع میں بھی خاطر خواہ اضافہ نظر آئے گا۔

### اندرونی مالیاتی کنٹرولز:

کمپنی کے اندرونی مالیاتی کنٹرولز پہلے ہی فعال طور پر اپنا کردار ادا کر رہے ہیں جبکہ بورڈ آڈٹ کمیٹی ان کنٹرولز کے موثر نفاذ کو یقینی بنانے کے لئے کاربند ہے۔

### بے یقینی اور بنیادی خطرات:

ظاہری طور پر واحد کسٹمر کمپنی اور اس سے منسلک خطرات کے علاوہ کوئی دیگر وجوہات نہیں جو مستقبل میں کمپنی کا روباہر متاثر کریں۔

### آڈیٹرز:

کمپنی پالیسی کے تحت ہر پانچ سال بعد بیرونی آڈیٹرز تبدیل کیے جاتے ہیں چنانچہ بورڈ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants کی تقرری کی تصدیق کی ہے آنے والی سالانہ جنرل میٹنگ میں۔ انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان کے کوالٹی کنٹرول ریویو کے تحت بیرونی آڈیٹرز کی تسلی بخش درجہ بندی کی گئی ہے اور اہل ہونے کی حیثیت سے M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants نے خود کو تقرری کے لئے قبول کر لیا ہے۔

### ملازمین کی تعداد:

30 جون 2018 کو ختم ہونے والے سال پر ملازمین کی تعداد 146 تھی جبکہ 30 جون 2017 کو یہ تعداد 146 تھی۔

### بعد میں رونما ہونے والے واقعات:

مالیاتی سال تختہ اور اس رپورٹ کی تاریخ کے درمیان کوئی ایسی واضح تبدیلی نہیں ہوئی جس سے مالیاتی پوزیشن میں کوئی فرق آیا ہو۔

### ڈائریکٹر کا منافع کے عہدے کا سنبھالنا:

لطیف خالد ہاشمی صاحب نے منافع کا عہدہ سنبھالا ہوا ہے اور وہ ملت ایکویٹمنٹ لمیٹڈ سے معاوضہ وصول کر رہے ہیں موجودہ توسیع اور متوقع ترقی کے پیش نظر اور جو کہ موثر ہے 01 July, 2018 سے اور جو کہ منظور شدہ ہے کمپنی کے حصص یافتگان سے غیر معمولی اجلاس عام میں جو 30 June, 2018 کو منعقد ہوئی بمطابق سیکشن (i) (c) (1) 171 آف 2017 Companies Act۔ لطیف خالد ہاشمی صاحب ایک ہولڈنگ ورکنگ ڈائریکٹر کے طور پر کام کر رہے ہیں اور اہم مالیاتی، مارکیٹنگ اور HR معاملات میں حصہ لیتے ہیں۔ بورڈ کمیٹی برائے نگرانی کے ممبر کی حیثیت سے آپ کمپنی کے آپریٹنگ معاملات میں بڑھ چڑھ کر حصہ لیتے ہیں۔ اضافی ذمہ داریاں نبھانے کے عوض کمپنی آپ کو معاوضہ ادا کر رہی ہے۔

## ڈائریکٹرز کے نام میٹنگز میں شمولیت کی تعداد

- 1- جناب سکندر مصطفیٰ خان (چیرمین) 3
  - 2- جناب سہیل بشیر رانا 3
  - 3- جناب لطیف خالد ہاشمی 4
  - 4- جناب لئیق الدین انصاری 4
  - 5- میاں محمد سلیم 4
  - 6- جناب احسن عمران شیخ (چیف ایگزیکٹو) 4
  - 7- سید محمد عرفان عقیل 3
- میٹنگز میں شرکت نہ کرنے والے ڈائریکٹر حضرات کی رخصت منظور کی گئی۔

## بورڈ آڈٹ کمیٹی:

آڈٹ کمیٹی مندرجہ ذیل ڈائریکٹر حضرات پر مشتمل ہے۔

- |        |   |
|--------|---|
| چیرمین | جناب لطیف خالد ہاشمی، ایگزیکٹو ڈائریکٹر       |
| ممبر   | جناب لئیق الدین انصاری، نان ایگزیکٹو ڈائریکٹر |
| ممبر   | جناب سہیل بشیر رانا، نان ایگزیکٹو ڈائریکٹر    |

آڈٹ کمیٹی نے بورڈ میں پیشگی سے قبل سہ ماہی، ششماہی اور سالانہ مالیاتی گوشواروں کا جائزہ لیا۔ مزید برآں آڈٹ کمیٹی کی جانب سے آڈٹ کے اندرونی نتائج کا جائزہ بھی لیا گیا۔

## ڈیوٹی اینڈ ٹیکسز:

ڈیوٹی اور ٹیکسز سے متعلقہ معلومات بلحاظ حوالہ جات اکاؤنٹس میں فراہم کر دی گئی ہیں۔

## رہنما سرگرمیاں، اقدامات اور کارکردگی:

کمپنی کی بنیادی سرگرمیاں گزشتہ سال جیسی ہی ہیں یعنی پاکستان میں میسی فرگوسن ٹریکٹرز کے مختلف ماڈلز کے لئے ٹرانسمیشن شافٹس اینڈ گیرز کی پیداوار کرنا۔ مزید برآں سال بھر کے دوران کمپنی کی مالی کارکردگی غیر معمولی رہی جبکہ سیلز، پروڈکشن اور منافع کی مد میں پچھلے تمام سالوں کی نسبت ریکارڈ اضافہ ہوا۔

## مستقبل میں منافع کے امکانات:

جی ڈی پی میں نمایاں اضافہ، صنعتی شعبہ میں مثبت ترقی، امن و امان کی بہتر صورتحال اور ملک میں جاری تعمیراتی منصوبے ایسے عوامل ہیں جن کی وجہ سے ٹریکٹر کی مانگ میں اضافہ متوقع ہے۔ ٹریکٹر کی مانگ میں اضافے سے ہماری کمپنی کی کاروباری سرگرمیاں نمایاں طور پر بڑھیں گی۔



## ڈائریکٹرز رپورٹ برائے حصص داران

برائے سال ختمہ 30 جون 2018

ڈائریکٹر حضرات کی جانب سے کمپنی کی چھبیسویں سالانہ رپورٹ ہمراہ کمپنی آڈیٹڈ اکاؤنٹس برائے سال ختمہ 30 جون 2018 بصدر خوشی پیش کی جاتی ہے۔

### اکاؤنٹس / تخصیص

سال بھر کے مالیاتی نتائج مندرجہ ذیل ہیں۔

سال کے آغاز پر جمع شدہ منافع:	977,688,363 روپے
سال بھر کے لئے قبل از ٹیکسیشن منافع:	1,278,245,508 روپے
کمی: حتمی ڈیویڈنڈ (برائے سال 2017 @ 150%)	390,000,000 روپے
کمی: عبوری ڈیویڈنڈ (برائے سال 2018 @ 150%)	390,000,000 روپے
کمی: موجودہ ٹیکسیشن	409,892,130 روپے
تخصیص:	صفر

منافع گیری فارورڈ: 1,066,041,741 روپے

آپ کے ڈائریکٹرز نے حتمی کیش ڈیویڈنڈ 18 روپے فی حصص (180%) کے حساب سے تجویز کیا۔ جبکہ یہ ادائیگی پہلے سے ادا شدہ عبوری ڈیویڈنڈ 15 روپے فی حصص (150%) کے علاوہ ہوگی۔

### شیئر ہولڈنگ کا تناسب:

شیئر ہولڈنگ کا تناسب 30 جون 2018 کے حساب سے منسلک کیا گیا ہے۔

### فی حصص آمدنی:

30 جون 2018 کو ختم ہونے والے سال پر فی حصص آمدنی 33.40 روپے رہی جبکہ گزشتہ سال فی حصص آمدنی 24.01 روپے تھی۔

### ڈائریکٹرز:

پچھلے بورڈ کے تین سال کی مدت ختم ہونے پر چھ ڈائریکٹرز یعنی جناب سکندر مصطفیٰ خان، جناب سہیل بشیر رانا، جناب لطیف خالد ہاشمی، جناب لئیق الدین انصاری، میاں محمد سلیم اور سید محمد عرفان عقیل 30 جون 2018 پر ہونے والے غیر معمولی اجلاس عام میں منتخب ہوئے تھے۔ سال بھر کے دوران 4 بورڈ میٹنگز کا انعقاد کیا گیا۔ ہر ڈائریکٹر کی میٹنگ میں شمولیت کی تفصیلات مندرجہ ذیل ہیں۔





MEL as Authorised Training Employer for Institute of Chartered Accountants of England and Wales



CFO MEL receiving ACCA Practical Experience Supervisor Certificate



MEL Employees demonstrating their skills during fire drill



MEL team expedition 2017, Mushkpuri - Douna Gali



## PATTERN OF SHAREHOLDING

as at June 30, 2018

No. of Shareholders	Size of Holding		Total Shares Held
	From	To	
47	1	1000	29,466
40	1001	2000	65,204
41	2001	3000	112,585
55	3001	4000	192,450
49	4001	5000	232,000
82	5001	10000	622,884
27	10001	15000	337,938
22	15001	20000	397,737
10	20001	25000	223,525
15	25001	30000	429,800
4	30001	35000	135,550
10	35001	40000	381,479
4	40001	45000	171,600
5	45001	50000	243,400
3	50001	55000	159,200
4	55001	60000	234,450
3	60001	65000	190,925
5	65001	75000	353,859
2	75001	100000	200,000
2	100001	120000	239,200
4	120001	150000	557,200
2	150001	200000	361,950
2	200001	300000	464,400
2	300001	700000	1,000,251
4	700001	2005000	6,962,954
1	2005001	11700000	11,699,993
<b>445</b>		<b>Total</b>	<b>26,000,000</b>

## CATEGORIES OF SHAREHOLDERS

Particulars	No. of Shareholders	Shares held	Percentage of issued capital
<b>1 Directors, CEO and their spouses and minor children</b>			
Mr. Sikandar Mustafa Khan	1	1,625,001.00	6.25
Mr. Latif Khalid Hashmi	1	1,625,001.00	6.25
Mr. Sohail Bashir Rana	1	1,708,951.00	6.57
Mr. Laeeq Uddin Ansari	1	2,004,001.00	7.71
Mian Muhammad Saleem	1	600,001.00	2.31
Syed Muhammad Irfan Aqueel	1	100,000.00	0.38
Mr. Ahsan Imran Shaikh	1	130,600.00	0.50
Mrs. Qurat ul Ain	1	3,700.00	0.01
<b>2 NIT and IDBP (ICP UNIT)</b>	-	-	-
<b>3 Executives / Workers</b>	8	68,650.00	0.26
<b>4 Holding Company (Millat Tractors Limited)</b>	1	11,699,993.00	45.00
<b>5 Public Sector Companies &amp; Corporations</b>	-	-	-
<b>6 Banks, Development Financial Institutions, Non-Banking Financial Institutions &amp; Pension Funds</b>	-	-	-
<b>7 Shareholders holding 10% or more</b>	-	-	-
<b>8 General Public</b>			
a. Local	428	6,434,102.00	24.75
b. Foreign	-	-	-
<b>9 Others</b>			
Joint Stock Companies	-	-	-
Trusts	-	-	-
Non-Resident Companies	-	-	-
Others	-	-	-
<b>Total</b>	<b>445</b>	<b>26,000,000.00</b>	<b>100.00</b>





# FINANCIAL STATEMENTS

for the year Ended June 30, 2018





# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLAT EQUIPMENT LIMITED

## Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of Millat Equipment Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Company and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Hammad Ali Ahmad.



Chartered Accountants

Lahore

Date : September 12, 2018





# STATEMENT OF FINANCIAL POSITION

## AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
30,000,000 (2017: 30,000,000) ordinary shares			
of Rs. 10 each		300,000,000	300,000,000
Issued, subscribed and paid up share capital			
26,000,000 (2017: 26,000,000) ordinary shares			
of Rs. 10 each fully paid in cash	5	260,000,000	260,000,000
Unappropriated profit		1,066,041,741	977,688,363
		1,326,041,741	1,237,688,363
<b>NON-CURRENT LIABILITIES</b>			
Long term advances	6	6,679,656	6,371,609
Deferred taxation	7	65,103,179	62,102,567
		71,782,835	68,474,176
<b>CURRENT LIABILITIES</b>			
Accumulating compensated absences	8	21,178,480	17,433,507
Trade and other payables	9	272,183,487	235,567,832
Mark-up accrued on secured loans		218,404	188,465
Unclaimed dividend		2,650,890	2,873,202
Provision for income tax		21,935,413	28,703,339
		318,166,674	284,766,345
<b>CONTINGENCIES AND COMMITMENTS</b>	11		
		1,715,991,250	1,590,928,884

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

Chief Executive

  
Director



## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales	21	4,244,660,314	3,303,592,267
Cost of sales	22	(2,807,932,760)	(2,261,936,787)
Gross profit		1,436,727,554	1,041,655,480
Selling and distribution expenses	23	(3,216,600)	(3,025,797)
Administrative expenses	24	(98,536,874)	(69,624,595)
Other operating expenses	25	(94,511,321)	(70,575,220)
Operating profit		1,240,462,759	898,429,868
Finance cost	26	(1,101,569)	(855,885)
Other income	27	38,884,318	49,024,808
Profit before tax		1,278,245,508	946,598,791
Taxation	28	(409,892,130)	(322,382,272)
Profit after tax		868,353,378	624,216,519
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>868,353,378</b>	<b>624,216,519</b>
Earnings per share - basic and diluted	30	33.40	24.01

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

Chief Executive

Director





## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED JUNE 30, 2018

	Share capital	Unappropriated profit	Total
	-----Rupees-----		
<b>Balance as on July 01, 2016</b>	260,000,000	821,471,844	1,081,471,844
Final dividend for the year ended			
June 30, 2016 (Rs. 10 per share)	-	(260,000,000)	(260,000,000)
Interim dividend for the year ended			
June 30, 2017 (Rs. 8 per share)	-	(208,000,000)	(208,000,000)
Total comprehensive income for the year	-	624,216,519	624,216,519
<b>Balance as on June 30, 2017</b>	260,000,000	977,688,363	1,237,688,363
Final dividend for the year ended			
June 30, 2017 (Rs. 15 per share)	-	(390,000,000)	(390,000,000)
Interim dividend for the year ended			
June 30, 2018 (Rs. 15 per share)	-	(390,000,000)	(390,000,000)
Total comprehensive income for the year	-	868,353,378	868,353,378
<b>Balance as on June 30, 2018</b>	<b>260,000,000</b>	<b>1,066,041,741</b>	<b>1,326,041,741</b>

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

Chief Executive

Director



## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	1,096,484,321	1,046,795,487
Employee benefits paid		(147,092)	(88,978)
Finance cost paid		(1,071,630)	(698,969)
Taxes paid		(413,659,444)	(247,535,582)
<b>Net cash inflow from operating activities</b>		681,606,155	798,471,958
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(46,592,627)	(167,338,340)
Purchase of intangible assets		-	-
Proceeds from sale of property, plant and equipment		2,039,577	2,548,308
Profit on bank deposits received		6,644,818	3,400,396
Investments made during the year		(650,000,000)	(785,000,000)
Investments disposed off during the year		912,750,441	603,854,530
<b>Net cash outflow from investing activities</b>		224,842,209	(342,535,106)
<b>Cash flows from financing activities</b>			
Dividend paid		(780,222,312)	(467,852,250)
Increase in long term advances		308,047	1,532,587
<b>Net cash used in financing activities</b>		(779,914,265)	(466,319,663)
<b>Net increase in cash and cash equivalents</b>		126,534,099	(10,382,811)
<b>Cash and cash equivalents at the beginning of the year</b>		43,584,937	53,967,748
<b>Cash and cash equivalents at the end of the year</b>	20	170,119,036	43,584,937

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

Chief Executive

Director

## Notes to and forming part of the Financial Statements FOR THE YEAR ENDED JUNE 30, 2018

### 1. Corporate and general information

#### 1.1 Legal status and operations

Millat Equipment Limited, the Company, was incorporated as a private limited company under the repealed Companies Ordinance 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017), and was converted into an unlisted public limited company on April 20, 2004. The Company is engaged in the business of manufacturing of automotive, agricultural and industrial vehicles, parts and components thereof.

The geographical location and address of the Company's business units, including plant is as under:

- The registered office of the Company is situated at Sheikhpura Road, Lahore.
- The manufacturing facility of the Company is situated at 10 km Raiwind Road, Lahore.

The Company is a subsidiary of Millat Tractors Limited (the parent company) a listed public company in Pakistan, in accordance with the provision of International Financial Reporting Standard (IFRS) 10 - Consolidated Financial Statements.

#### 1.2 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Revenue of the Company increased by Rs. 941 million (28 %) as compared to the prior year due to increase in volume. (Refer to note 21).
- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified.

### 2 Basis of preparation

**2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Act, 2017. Approved accounting standards comprise of such IFRS issued by the International Accounting Standards Board as are notified under the provisions of the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. Wherever the requirements of the Act or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS, the requirements of the Act or the requirements of the said directives prevail. During the year, the Company has opted for the presentation of combined 'Statement of Profit or Loss and other Comprehensive Income' instead of presentation separate 'Statement of Profit and Loss' and 'Statement of Comprehensive Income' as allowed in the Companies Act, 2017 in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

#### 2.2 Changes in accounting standards, interpretations and pronouncements that became effective during the year

- a) The Companies Act, 2017 has also brought certain changes with regard to preparation and presentation of financial statements of the Company. These changes also include change in nomenclature of the primary statements, etc.





Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements;
- incorporation of significant additional disclosures; and
- a single statement of profit and loss and other comprehensive income which was previously prepared as two separate statements.

Keeping in view of the above, the presentation of these financial statements has been realigned with the provisions contained in the Act, however, does not have any impact on the recognition and measurement of the amounts included in these financial statements of the Company.

- b) There are new accounting standards, amendments that are mandatory from accounting periods beginning on or after July 01, 2017 and are considered not to be relevant to the Company's financial statements and are therefore, not detailed in these financial statements.

**2.3 Standard, interpretations and amendments to approved published accounting standards that are not yet effective**

Certain new amendments to existing approved accounting standards and new interpretations that will be effective on or after July 1, 2018 are considered not to have any significant impact on the financial statements when they are effective and are, therefore, not detailed in these financial statements.

**3. Basis of measurement**

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

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

**a) Provision for taxation and deferred tax**

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

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

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

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

**c) Impairment**

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

**4. Significant accounting policies**

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

**4.1 Taxation**

**4.1.1 Current**

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

**4.1.2 Deferred**

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

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

**4.2 Property, plant and equipment**

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

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

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

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

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

#### **4.3 Intangible assets**

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

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

#### **4.4 Capital work in progress**

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

#### **4.5 Impairment of non-financial assets**

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

#### **4.6 Borrowing costs**

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production



of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use. Such borrowing costs are capitalized as part of the cost of the qualifying asset. Financial charges, apart from borrowing cost, are charged to the statement of profit or loss and other comprehensive income on an accrual basis.

#### **4.7 Stores, spares and loose tools**

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

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

#### **4.8 Stock in trade**

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

#### **4.9 Cash and cash equivalents**

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

#### **4.10 Trade debts**

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

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

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

#### **4.12 Provisions**

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



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

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

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

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

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to the statement of profit or loss and other comprehensive income.

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

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

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

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

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

#### **4.15 Investments**

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

#### **4.16 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the Company loses control of the contractual rights that comprise the financial asset or portion of financial asset, while a financial liability or part of financial liability is derecognized from the balance sheet when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

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

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

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

#### 4.17 Offsetting

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

#### 4.18 Revenue recognition

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

- Sales of automotive, agricultural and industrial vehicles, parts and components thereof is recognized as revenue when goods are dispatched and invoiced to the customers.
- Profit earned on saving accounts is accrued on time proportion basis by reference to the principal outstanding at the applicable rate of return.

#### 4.19 Loans and borrowings

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

#### 4.20 Dividend

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

### 5 Issued, subscribed and paid up capital

2018 No. of shares	2017		2018 Rupees	2017 Rupees
26,000,000	26,000,000	Ordinary shares of Rs. 10 each fully paid in cash	260,000,000	260,000,000
6	Long term advances	6.1	6,679,656	6,371,609

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





**6.1** This includes Rs. 613,509 (2017: Rs. 654,509) due to the related parties of the Company.

	Note	2018 Rupees	2017 Rupees
<b>7</b>	<b>Deferred taxation</b>		
The liability for deferred taxation comprises temporary differences relating to:			
- Accelerated tax depreciation and amortization		71,232,317	67,313,225
- Accumulating compensated absences		(6,129,138)	(5,210,658)
		<u>65,103,179</u>	<u>62,102,567</u>
<b>8</b>	<b>Accumulating compensated absences</b>		
Opening balance as on July 01		17,433,507	15,572,661
Provision for the year		3,892,065	1,949,824
		<u>21,325,572</u>	<u>17,522,485</u>
Less: Payments made during the year		(147,092)	(88,978)
Closing balance as on June 30		<u>21,178,480</u>	<u>17,433,507</u>
<b>9</b>	<b>Trade and other payables</b>		
Trade creditors	9.1	163,065,772	151,582,355
Accrued and other liabilities		8,618,507	7,073,405
Advances from customers	9.2	5,707,063	2,929,659
Withholding tax payable		263,524	-
Retention money payable		70,731	70,731
Sales tax payable		-	3,389,893
Workers' Profit Participation Fund	9.3	68,635,170	50,641,128
Workers' Welfare Fund		25,822,720	19,880,661
		<u>272,183,487</u>	<u>235,567,832</u>
<b>9.1</b>	Trade creditors include amount of Rs. 3,718,793 (2017: Rs. 256,174) due to related parties.		
<b>9.2</b>	This represents advances and security deposits received from customers against scrap sales, which by virtue of agreement are interest free and are repayable on demand or on the cancellation of agreement.		
<b>9.3</b>	<b>Workers' Profit Participation Fund</b>		
		2018 Rupees	2017 Rupees
Opening balance		50,641,128	8,116,399
Provision for the year		68,635,170	50,641,128
		<u>119,276,298</u>	<u>58,757,527</u>
Less: Payments made during the year		(50,641,128)	(8,116,399)
		<u>68,635,170</u>	<u>50,641,128</u>

## 10 Short term borrowings - secured

Short term borrowing facilities from commercial banks under mark-up arrangements amount to Rs. 800 million (2017: Rs. 800 million). The rates of mark-up on short term borrowing facilities range from 6.61% to 7.32% per annum (2017: 6.40% to 6.69%) on the balance outstanding and mark-up is payable quarterly.

Of the aggregate facility of Rs. 650 million (2017: Rs. 550 million) for opening of letters of credit, the amount utilized at June 30, 2018 was Rs. 74.933 million (2017: Rs. 45.807 million). The facility for opening letter of credits of Rs. 650 million is a sub-facility of the short term borrowings obtained i.e. Rs. 800 million.

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

## 11 Contingencies and commitments

### 11.1 Contingencies

Guarantees issued by banks on behalf of the Company in the normal course of business amount to Rs. 8,633,100 (2017: Rs. 8,816,100).

### 11.2 Commitments

Commitments in respect of outstanding letters of credit amount to Rs. 74,933,169 (2017: Rs. 45,807,319).

	Note	2018 Rupees	2017 Rupees
<b>12 Property, plant and equipment</b>			
Operating property, plant and equipment	12.1	569,944,473	490,495,162
Capital work in progress	12.2	46,949,940	132,432,905
Major stores, spares and loose tools (classified as tools and equipment)	12.3	1,701,773	978,230
		<b>618,596,186</b>	<b>623,906,297</b>

**12.1 Operating property, plant and equipment**

Note

	Freehold land	Building on freehold land	Plant and machinery	Electric equipment and installations	Office equipment	Tools and equipment	Furniture, fittings and equipment	Vehicles	Total
<b>Net Carrying Value Basis</b>									
<b>Year ended June 30, 2018</b>									
Opening net book value (NBV)	87,109,570	81,488,844	228,975,771	13,343,611	3,535,468	40,299,180	9,373,505	26,369,213	490,495,162
Additions (at cost)	-	3,762,367	94,357,803	5,355,994	2,607,336	13,574,471	694,878	11,500,000	131,352,849
Disposals (at NBV)	-	-	-	-	(41,266)	-	-	(1,998,311)	(2,039,577)
Depreciation charge	-	(4,112,155)	(26,638,788)	(2,936,217)	(1,626,795)	(7,086,821)	(953,604)	(6,509,581)	(49,863,961)
Closing net book value (NBV)	87,109,570	80,639,056	296,694,786	15,763,388	4,474,743	46,786,830	9,114,779	29,361,321	569,944,473
<b>Gross carrying value basis</b>									
<b>As at June 30, 2018</b>									
Cost	87,109,570	141,264,920	656,519,446	70,568,707	15,119,438	110,937,861	23,816,022	51,361,838	1,156,697,802
Accumulated depreciation	-	(60,625,864)	(359,824,660)	(54,805,319)	(10,644,695)	(64,151,031)	(14,701,243)	(22,000,517)	(586,753,329)
Net book value (NBV)	87,109,570	80,639,056	296,694,786	15,763,388	4,474,743	46,786,830	9,114,779	29,361,321	569,944,473
<b>Depreciation rate % per annum</b>	-	5%	10%	10% - 20%	20% - 33%	15%	10%	20%	
<b>Net Carrying Value Basis</b>									
<b>Year ended June 30, 2017</b>									
Opening net book value (NBV)	87,109,570	82,947,631	242,310,921	12,571,500	2,112,505	43,702,166	9,856,835	19,184,717	499,795,845
Additions (at cost)	-	2,781,600	11,828,717	3,656,792	2,471,586	3,429,501	532,638	14,052,594	38,753,428
Disposals and write offs (at NBV)	-	-	-	-	(88,954)	-	-	(1,551,076)	(1,640,030)
Depreciation charge	-	(4,240,387)	(25,163,867)	(2,884,681)	(959,669)	(6,832,487)	(1,015,968)	(5,317,022)	(46,414,081)
Closing net book value (NBV)	87,109,570	81,488,844	228,975,771	13,343,611	3,535,468	40,299,180	9,373,505	26,369,213	490,495,162
<b>Gross carrying value basis</b>									
<b>As at June 30, 2017</b>									
Cost	87,109,570	138,002,553	562,161,643	65,212,713	12,645,250	97,363,390	23,121,144	45,326,338	1,030,942,601
Accumulated depreciation	-	(56,513,709)	(333,185,872)	(51,869,102)	(9,109,782)	(57,064,210)	(13,747,639)	(18,957,125)	(540,447,439)
Net book value (NBV)	87,109,570	81,488,844	228,975,771	13,343,611	3,535,468	40,299,180	9,373,505	26,369,213	490,495,162
<b>Depreciation rate % per annum</b>	-	5%	10%	10% - 20%	20% - 33%	15%	10%	20%	
<b>12.1.1 Depreciation charge for the year has been allocated as follows:</b>									
								<b>2018</b>	<b>2017</b>
								<b>Rupees</b>	<b>Rupees</b>
Cost of sales	22							40,773,981	39,121,422
Administrative expenses	24							9,089,980	7,292,659
								49,863,961	46,414,081
<b>12.1.2</b>	The freehold land represents 113 Kanal and 12.5 Marlas of land, situated at Mauza Bhoptian, tehsil and district Lahore.								



12.1.3 Disposal of Property, plant and equipment

2018

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale Proceeds	Mode of disposal
<b>(Rupees)</b>						
<b>Vehicles</b>	<b>Executives</b>					
Toyota Corolla - Gli	Mr. Shehbaz Ahmad	1,374,000	(1,013,814)	360,186	360,186	Company Policy
Suzuki WagonR	Mr. Asif Mehmood	862,000	(71,833)	790,167	790,167	Company Policy
Suzuki Swift	Mr. Abdullah Haroon	862,000	(636,032)	225,968	225,968	Company Policy
Suzuki Alto	Mr. Abdul Mannan	742,000	(547,489)	194,511	194,511	Company Policy
<b>Vehicles</b>	<b>Related Party</b>					
Toyota Corolla - Altis	Millat Tractors Limited	1,624,500	(1,197,021)	427,479	427,479	Company Policy
<b>2017</b>						
<b>Particulars of assets</b>	<b>Sold to</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Book value</b>	<b>Sale Proceeds</b>	<b>Mode of disposal</b>
<b>(Rupees)</b>						
<b>Vehicles</b>	<b>Executives</b>					
Toyota Corolla - Gli	Mr. Shahzad Nadeem	845,000	(623,488)	221,512	221,512	Company Policy
Suzuki Alto	Mr. Saeed Iqbal	714,000	(526,829)	187,171	187,171	Company Policy
Suzuki Alto	Mr. Zagham Ali	714,000	(526,829)	187,171	187,171	Company Policy
Suzuki Alto	Mr. Azeem	714,000	(526,829)	187,171	187,171	Company Policy
Suzuki Alto	Mr. Asif Mehmood	714,000	(526,829)	187,171	187,171	Company Policy
Honda City	Mr. Zunnuren Usman	714,000	(526,829)	187,171	187,171	Company Policy
<b>Vehicles</b>	<b>Related Party</b>					
Toyota Corolla - GLI	Millat Tractors Limited	1,300,000	(960,014)	339,986	339,986	Company Policy
<b>Office equipment</b>	<b>Related Party</b>					
Apple Mac Book	Millat Tractors Limited	102,703	(44,857)	57,846	57,846	Company Policy
<b>Vehicles</b>	<b>Outsiders</b>					
Hyundai Shehzor	Mr. Muhammad Munir	706,890	(653,168)	53,722	962,000	Auction

**12.2 Capital work in progress**

Movement in capital work in progress (plant and machinery) is as follows:

	Note	2018 Rupees	2017 Rupees
Opening balance		132,432,905	3,671,531
Additions during the year	12.2.1	22,774,564	129,775,617
Capitalized / disposed off during the year		(108,257,529)	(1,014,243)
		<u>46,949,940</u>	<u>132,432,905</u>

**12.2.1** This includes the advances paid to suppliers against capital expenditure.

**12.3 Major stores, spares and loose tools**

Opening balance		978,230	1,063,609
Additions during the year		13,461,602	3,253,039
Transfers-in during the year		800	91,083
Capitalized during the year		(12,738,859)	(3,429,501)
		<u>1,701,773</u>	<u>978,230</u>

**13 Intangible assets****Rupees****Net Carrying Value Basis****Year ended June 30, 2018**

Opening Net Book Value (NBV)		202,402
Additions (at cost)		-
Amortization charge	22	(66,793)
Closing NBV		<u>135,609</u>

**Gross Carrying Value basis As at June 30, 2018**

Cost		686,109
Accumulated amortization		(550,500)
NBV		<u>135,609</u>

Amortization rate (%) per annum

33%

**Net Carrying Value Basis****Year ended June 30, 2017**

Opening NBV		302,092
Additions (at cost)		-
Amortization charge	22	(99,690)
Closing NBV		<u>202,402</u>

			Rupees
<b>Gross Carrying Value basis</b>			
<b>As at June 30, 2017</b>			
Cost			686,109
Accumulated amortization			(483,707)
NBV			202,402
Amortization rate (%) per annum			33%
<b>14</b>	<b>Long term deposits</b>		
These represent security deposits given to Companies against provision of utilities and services.			
<b>15</b>	<b>Stores, spares and loose tools</b>		
	Note	2018 Rupees	2017 Rupees
	Stores	160,122,543	132,201,718
	Spares and loose tools	667,864	664,592
		160,790,407	132,866,310
	Less : Provision for obsolescence of stores, spares and loose tools	15.1 (614,903)	-
		160,175,504	132,866,310
<b>15.1</b>	<b>Provision for obsolescence of stores, spares and loose tools</b>		
	Opening balance	-	-
	Provision for the year	614,903	-
	Closing balance	614,903	-
<b>16</b>	<b>Stock in trade</b>		
	Raw materials	197,361,594	121,184,725
	Work in process	16.1 150,212,313	88,791,209
	Finished goods	119,159,342	58,815,912
		466,733,249	268,791,846
<b>16.1</b>	This includes work in process amounting to Rs. 55,201,019 (2017: Rs. 22,399,672) held with third parties.		
<b>17</b>	<b>Trade debts - considered good</b>		
	Secured trade debts	-	-
	Unsecured trade debts:		
	Related parties	57,090,348	68,645,871
	Others	28,738	1,004,711
		57,119,086	69,650,582



	2018 Rupees	2017 Rupees
<b>17.1</b> The age analysis of the related party Millat Tractors Limited is as follows:		
Upto 30 days	46,589,719	65,889,977
31 to 60 days	7,744,735	-
61 to 90 days	-	-
91 to 180 days	-	-
More than 180 days	2,755,894	2,755,894
	<b>57,090,348</b>	<b>68,645,871</b>

The management believes that no impairment / provision is necessary in respect of trade debts as there are reasonable grounds to believe that amount will be recovered in the future.

<b>17.2</b> The maximum amount outstanding from related parties at any month end during the year is as follows:		
Millat Tractors Limited	238,849,603	171,274,623
TIPEG Intertrade DMCC	-	15,010,228

<b>17.3</b> Information about the related party incorporated outside the Pakistan with whom the company had entered into transactions is as follows	
Name of Company :	TIPEG Intertrade DMCC
Registered office of the Company :	Unit No. 705, Fortune Executive Tower, Jumeirah Lake Towers, Dubai, United Arab Emirates
Company of incorporation	United Arab Emirates
Basis of Association	Common directorship
Aggregate percentage of shareholding	Nil
Managing Director	Mr. Sohail Bashir Rana
Operational status	Operational
Auditors opinion on latest financial statements	Unmodified opinion

<b>18</b> <b>Loans, advances and short term prepayments</b>		
Advances - considered good	84,398,987	45,317,964
Advance to suppliers		
Advance to employees	1,614,940	842,256
Executives	246,080	776,938
Non-Executives	1,861,020	1,619,194
Sales tax recoverable	1,401,536	-
Prepaid expenses	592,444	943,536
	<b>88,253,987</b>	<b>47,880,694</b>



			2018 Rupees	2017 Rupees
<b>19</b>	<b>Short term investments</b>			
	Held for trading investments		151,340,263	400,527,486
		<b>2018</b> <b>2017</b>		
		<b>No of Units</b>		
<b>19.1</b>	<b>Breakup of investments is as follows:</b>			
	MCB Cash Management Optimizer	-      996,466	-	100,000,000
	ABL Cash Fund	-      9,906,287	-	100,000,000
	NAFA Government Securities Liquid Fund	-      9,851,246	-	100,000,000
	ABL Government Securities Fund	-      9,994,303	-	100,000,000
	HBL Cash Fund	1,428,231      -	150,000,000	-
	Total cost	1,428,231      30,748,302	150,000,000	400,000,000
	Unrealized gain on remeasurement		1,340,263	527,486
		1,428,231      30,748,302	151,340,263	400,527,486
<b>20</b>	<b>Cash and bank balances</b>	<b>Note</b>		
	Cash at banks			
	- Current accounts		15,245,526	9,343,961
	- Saving accounts	20.1	152,027,535	31,322,359
	- Dividend account		2,782,661	2,880,460
			170,055,722	43,546,780
	Cash in hand		63,314	38,157
			170,119,036	43,584,937
<b>20.1</b>	Rate of return on saving accounts ranges from 4% to 6% (2017: 4% to 5%).			
<b>21</b>	<b>Sales</b>			
	Gross sales			
	- Local		4,965,666,352	3,847,640,986
	- Export		501,039	15,010,228
			4,966,167,391	3,862,651,214
	Less: Sales tax		(721,507,077)	(559,058,947)
	Net sales		4,244,660,314	3,303,592,267



	Note	2018 Rupees	2017 Rupees
<b>22 Cost of sales</b>			
Raw material consumed		2,048,194,685	1,521,545,772
Salaries, wages and amenities	22.1	441,190,890	386,601,916
Fuel and power		127,133,720	115,966,515
Stores, spares and loose tools consumed		97,105,712	74,572,832
Oil and lubricants		49,041,375	38,832,582
Repair and maintenance		83,823,014	70,749,395
Depreciation	12.1.1	40,773,981	39,121,422
Amortization	13	66,793	99,690
Insurance		6,675,132	6,774,664
Packing material consumed		7,369,504	7,310,085
Travelling and conveyance		7,625,446	6,718,040
Other direct expenses		20,697,042	17,108,796
		2,929,697,294	2,285,401,709
Opening work in process		88,791,209	83,665,507
Closing work in process		(150,212,313)	(88,791,209)
		(61,421,104)	(5,125,702)
<b>Cost of goods manufactured</b>		2,868,276,190	2,280,276,007
Opening finished goods		58,815,912	40,476,692
Closing finished goods		(119,159,342)	(58,815,912)
		(60,343,430)	(18,339,220)
<b>Cost of sales</b>		2,807,932,760	2,261,936,787
<b>22.1</b> This includes an amount of Rs. 4,256,844 (2017: Rs. 3,692,959) in respect of contribution towards provident fund.			
<b>23 Selling and distribution expenses</b>			
Carriage and freight		3,216,600	3,025,797

	Note	2018 Rupees	2017 Rupees
<b>24 Administrative expenses</b>			
Salaries and amenities	24.1	75,052,189	50,350,037
Rent, rates and taxes		892,422	771,787
Fee and subscription		629,564	362,140
Entertainment		270,148	150,073
Postage		179,497	206,552
Fuel and power		1,284,179	1,171,379
Communication		774,630	773,367
Traveling and conveyance		1,953,201	1,816,052
Printing, stationery and office supplies		1,572,502	1,115,435
Insurance		1,904,318	1,627,841
Repair and maintenance		69,166	19,426
Legal and professional		1,514,298	1,319,662
Auditors' remuneration	24.2	767,749	784,791
Depreciation	12.1.1	9,089,980	7,292,659
Advertisement		864,159	306,327
Others		1,718,872	1,557,067
		<u>98,536,874</u>	<u>69,624,595</u>
<b>24.1</b>	This includes an amount of Rs. 1,234,065 (2017: Rs. 1,102,514) in respect of contribution towards provident fund.		
<b>24.2 Auditor's remuneration</b>			
Fee for annual audit		630,000	600,000
Out of pocket expenses		137,749	184,791
		<u>767,749</u>	<u>784,791</u>
<b>25 Other operating expenses</b>			
Workers' Profit Participation Fund	9.3	68,635,170	50,641,128
Workers' Welfare Fund		25,876,151	19,934,092
		<u>94,511,321</u>	<u>70,575,220</u>
<b>26 Finance cost</b>			
Mark-up on short term borrowings from local banks - secured		664,642	560,518
Bank charges and commission		436,927	295,367
		<u>1,101,569</u>	<u>855,885</u>
<b>27 Other income</b>			
<b>Income from financial assets</b>			
Return on bank deposits under mark up arrangements		6,644,818	3,400,396
Gain on financial assets at fair value through profit or loss			
Realized		12,222,955	17,317,036
Un-realized		1,340,263	527,486
		<u>13,563,218</u>	<u>17,844,522</u>
Exchange gain / (loss)		(434)	43,244
		<u>20,207,602</u>	<u>21,288,162</u>



	Note	2018 Rupees	2017 Rupees
<b>Income from assets other than financial assets</b>			
Scrap sales		9,935,020	8,503,068
Gain on disposal of operating fixed assets		-	908,278
Others		8,741,696	18,325,300
		18,676,716	27,736,646
		38,884,318	49,024,808
<b>28 Taxation</b>			
Current tax			
- For the year	28.1	408,470,402	325,068,156
- Prior years		(1,578,884)	(51,638)
		406,891,518	325,016,518
Deferred tax		3,000,612	(2,634,246)
		409,892,130	322,382,272
<b>28.1</b> Current tax includes tax expense of Rs. 38,366,796 (2017 : 29,774,434) pertaining to Super Tax which has been levied at the rate of 3%.			
<b>28.2 Management's assessment on sufficiency of provision for income tax</b>			
A comparison of provision on account of income taxes with the most recent tax assessment for last three tax years is as			
	2017	2016	2015
	Rupees	Rupees	Rupees
Tax assessed as per most recent tax assessment	323,486,516	96,458,516	212,271,478
Provision in accounts for income tax	325,016,518	105,326,293	204,642,697
As at June 30, 2018, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.			
<b>28.3 Tax charge reconciliation</b>			
		2018	2017
		%	%
Numerical reconciliation between the average effective tax rate and the applicable tax rate:			
Applicable tax rate		30.00%	31.00%
Tax effect of amounts that are:			
Effect on opening deferred taxes of change in tax rate		-0.16%	-0.22%
Tax effect of super tax		3.00%	3.15%
Tax effect under presumptive tax regime and others		-0.77%	0.13%
		2.07%	3.06%
Average effective tax rate charged to profit or loss account and other comprehensive income		32.07%	34.06%



	Note	2018 Rupees	2017 Rupees
<b>29</b>	<b>Cash generated from operations</b>		
Profit before tax		1,278,245,508	946,598,791
Adjustments for:			
Depreciation of property, plant and equipment		49,863,961	46,414,081
Amortization of intangible assets		66,793	99,690
Provision for obsolete stores & spares		614,903	-
Gain on short term investments		(13,563,218)	(17,844,522)
Provision for accumulating compensated absences		3,892,065	1,949,824
Finance cost		1,101,569	855,885
Return on bank deposits		(6,644,818)	(3,400,396)
Gain on disposal of property, plant and equipment		-	(908,278)
Profit before working capital changes		1,313,576,763	973,765,075
Effect of cash flow due to working capital changes:			
(Increase) / Decrease in stores, spares and loose tools		(27,924,897)	551,861
(Increase) in stock in trade		(197,941,403)	(62,483,467)
Decrease in trade debts		12,531,496	52,740,483
Increase in loans, advances and short term prepayments		(40,373,293)	(19,473,458)
Increase in trade and other payables		36,615,655	101,694,993
		(217,092,442)	73,030,412
		1,096,484,321	1,046,795,487
		<b>2018</b>	<b>2017</b>
<b>30</b>	<b>Earnings per share</b>		
<b>30.1</b>	<b>Basic earnings per share</b>		
Net profit for the year	Rupees	868,353,378	624,216,519
Weighted average number of ordinary shares	Number	26,000,000	26,000,000
Earnings per share	Rupees	33.40	24.01

### 30.2 Diluted earnings per share

A diluted earning per share has not been presented as the company does not have any convertible instruments in issue as at June 30, 2018 and June 30, 2017 which would have any effect on the earning per share if the option to convert is exercised.

### 31 Remuneration of Chief Executive, Director and Executives

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



Chief Executive		Director		Executives	
2018	2017	2018	2017	2018	2017

-----Rupees-----

Remuneration	10,946,502	8,008,403	17,520,833	4,558,491	13,258,696	6,392,569
Medical	208,562	189,356	291,556	-	2,131,228	248,447
Reimbursable benefits	1,532,935	1,510,731	1,325,378	167,180	1,253,575	660,674
Bonus and leave fare assistance	1,530,072	1,942,948	1,618,200	-	4,752,834	1,863,828
Contribution to provident fund	-	-	-	-	914,393	440,867
Utilities	339,036	408,914	895,980	328,972	841,042	446,932
	14,557,107	12,060,352	21,651,947	5,054,643	23,151,768	10,053,317
Number of persons	1	1	1	1	5	2

**31.1** The Chief Executive and certain Executives of the Company are provided with free use of Company maintained cars in accordance with their terms of employment.

**31.2** The Companies Act, 2017 has changed the definition of "Executives" therefore, for the purpose of comparability, corresponding figures of executive remuneration has been changed.

### 32 Related party transactions

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

The following transactions were carried out with the related parties during the year:

Name of the related party	Relationship and percentage shareholding	Nature and description of related party transaction	2018 Rupees	2017 Rupees
Parent Company				
Millat Tractors Limited	Parent Company holds	Sale of goods	4,243,347,673	3,284,680,003
	45% (2017: 45%)	Sale of fixed assets	427,479	130,665
	share capital	Purchase of services	5,839,617	9,499,886
		Purchase of components	287,105	8,605,715
Associated Company				
Bolan Castings Limited	Associated company	Purchase of components	27,083,929	8,614,934
	by virtue of common directorship	Sale of fixed asset	-	-
Millat Industrial Products Limited	Associated company	Purchase of components	16,928	13,924
	by virtue of common directorship			
TIPEG Intertrade DMCC	Associated company	Sale of goods	501,039	15,010,228
	by virtue of common directorship			
Staff retirement benefit				
Provident fund trust	Other related party	Contributions made during the year	5,490,909	4,795,473

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

### 33 Capacity and production

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

## 34 Financial Risk management

### 34.1 Financial Risk factors

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

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

#### (a) Market risk

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

#### (I) Currency risk

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

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

The Company does not have any trade debts designated in foreign currency at the reporting date therefore if the functional currency, at reporting date, had fluctuated by 5% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs. Nil (2017: Rs. Nil).

#### (ii) Other price risk

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

#### (iii) Interest rate risk

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

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

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

	Carrying Values	
	2018 Rupees	2017 Rupees
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Cash at bank - saving accounts	152,027,535	31,322,359

### Fair value sensitivity analysis for fixed rate instruments

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

### Cash flow sensitivity analysis for variable rate instruments

If interest rates on floating rate financial instruments, at the year end date, fluctuate by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs. 1,520,275 (2017: Rs. 313,224) higher / lower, mainly as a result of higher / lower interest income on saving accounts.

### (b) Credit risk

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

	2018 Rupees	2017 Rupees
Long term deposits	3,518,330	3,518,330
Trade debts	57,119,086	69,650,582
Advances	1,861,020	1,619,194
Short term investments	151,340,263	400,527,486
Bank balances	170,055,722	43,546,780
	<u>383,894,421</u>	<u>518,862,372</u>
The trade debts as at the balance sheet date are classified as follows:		
Domestic trade debts	<u>57,119,086</u>	<u>69,650,582</u>

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

	Past due but not impaired						Total
	Neither past due nor impaired	0-30 Days	31-60 Days	61-180 Days	More than 180 Days		
2018	-	46,589,765	7,744,735	-	2,784,586		<u>57,119,086</u>
2017	-	65,899,128	987,329	8,231	2,755,894		<u>69,650,582</u>

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

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

	Credit Rating		Rating Agency	2018 Rupees	2017 Rupees
	Short term	Long term			
Banks					
Faysal Bank Limited	A1+	AA	PACRA	12,548,001	29,050,472
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	15,822	2,294
JS Bank Limited	A1+	AA-	PACRA	4,182	4,182
Meezan Bank Limited	A1+	AA	JCR-VIS	285,884	1,870,001
Habib Bank Limited	A1+	AAA	JCR-VIS	1,654,118	6,216,721
United Bank Limited	A1+	AAA	JCR-VIS	5,241,992	5,629,538
Bank Al Habib Limited	A1+	AA+	PACRA	1,797,051	8,715
MCB Bank Limited	A1+	AAA	PACRA	1,199,862	764,857
Bank Alfalah Limited	A1+	AA+	PACRA	147,308,810	-
				170,055,722	43,546,780

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

### (c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash, short term borrowings from commercial banks and short term investments readily convertible to cash. As on June 30, 2018, the Company had Rs. 800 million (2017: Rs. 800 million) available borrowing limit from financial institutions and Rs. 170.119 million (2017: Rs. 43.585 million) cash and bank balances. Short term investments as on June 30, 2018 amounted to Rs. 151.340 million (2017: Rs. 400.527 million).

The following are the contractual maturities of financial liabilities as at June 30, 2018:

	Carrying amount	Less than one year	One to five years	More than five years
	-----Rupees-----			
Trade and other payables	272,183,487	265,330,140	6,150,653	702,694
Mark-up accrued on secured loans	218,404	218,404	-	-
Unclaimed dividend	2,650,890	1,103,922	1,286,124	260,844
	<u>275,052,781</u>	<u>266,652,466</u>	<u>7,436,777</u>	<u>963,538</u>

The following are the contractual maturities of financial liabilities as at June 30, 2017:

	Carrying amount	Less than one year	One to five years	More than five years
	-----Rupees-----			
Trade and other payables	235,567,832	225,620,448	4,842,849	5,104,535
Mark-up accrued on secured loans	188,465	188,465	-	-
Unclaimed dividend	2,873,202	440,809	2,153,027	279,366
	<u>238,629,499</u>	<u>226,249,722</u>	<u>6,995,876</u>	<u>5,383,901</u>



### 34.2 Fair value estimation

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

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

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

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

Short term investments amounting to Rs. 151.34 million (2017: 400.53 million million) held by the Company as at June 30, 2018 are included in Level 1. The short term investments comprises of investment in units of mutual funds, their fair value is determined based on redemption prices as at the close of the business day.

The Company does not hold any instruments which can be included in Level 2 and Level 3 as on June 30, 2018. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

### 34.3 Financial instruments by categories

	Note	At fair value through profit and loss account	Loans and receivables	Total
-----Rupees-----				
<b>Financial assets as on June 30, 2018</b>				
Long term deposits	14	-	3,518,330	3,518,330
Trade debts	17	-	57,119,086	57,119,086
Loans and advances	18	-	1,861,020	1,861,020
Short term investments	19	151,340,263	-	151,340,263
Cash and bank balances	20	-	170,119,036	170,119,036
		<u>151,340,263</u>	<u>232,617,472</u>	<u>383,957,735</u>
<b>Financial assets as on June 30, 2017</b>				
Long term deposits	14	-	3,518,330	3,518,330
Trade debts	17	-	69,650,582	69,650,582
Loans and advances	18	-	1,619,194	1,619,194
Short term investments	19	400,527,486	-	400,527,486
Cash and bank balances	20	-	43,584,937	43,584,937
		<u>400,527,486</u>	<u>118,373,043</u>	<u>518,900,529</u>
<b>Rupees</b>				
<b>Financial liabilities at amortized cost as on June 30, 2018</b>				
Mark-up accrued on secured loans				218,404
Trade and other payables				272,183,487
Unclaimed dividend				2,650,890
				<u>275,052,781</u>
<b>Financial liabilities at amortized cost as on June 30, 2017</b>				
Mark-up accrued on secured loans				188,465
Trade and other payables				235,567,832
Unclaimed dividend				2,873,202
				<u>238,629,499</u>

#### 34.4 Capital Risk Management

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

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

	2018 Rupees	2017 Rupees
<b>The gearing ratios as at June 30 are as follows:</b>		
Short term borrowings	-	-
Less: Cash and bank balances	(170,119,036)	(43,584,937)
Net debt	(170,119,036)	(43,584,937)
Share capital	260,000,000	260,000,000
Reserves	1,066,041,741	977,688,363
Equity	1,326,041,741	1,237,688,363
Total equity and liability	1,155,922,705	1,194,103,426
Gearing ratio	0.00%	0.00%
	<b>2018</b>	<b>2017</b>
<b>35</b>	<b>Number of employees</b>	
Total number of employees as on June 30	146	146
Average number of employees during the year	146	146
Total number of factory employees as on June 30	110	112
Average number of factory employees during the year	111	111
<b>36</b>	<b>Provident fund trust</b>	
<b>36.1</b>	<b>The salient information of the fund is as follows:</b>	
Size of the fund	71,559,480	64,618,166
Cost of investment made	40,313,011	34,238,360
Percentage of investment made	56.33%	52.99%
Fair value of investment	43,578,227	44,847,959
<b>36.2</b>	<b>Breakup of investment</b>	
	<b>2018</b>	<b>2017</b>
	<b>Rupees</b>	<b>Rupees</b>
		<b>% of total fund</b>
Listed securities (mutual funds)	19,837,750	19,824,859
Certificates of investments in scheduled banks	20,475,261	14,413,501



The figures for 2018 are based on the un-audited financial statements of the provident fund. Investments out of provident fund have been made in accordance with the provisions of section 218 of the Act and the conditions specified thereunder.

**37 Events after the balance sheet date**

The Board of Directors in its meeting held on August 20, 2018 has announced a final cash dividend in respect of the year ended June 30, 2018 of Rs.18.00 per share (2017: Rs. 15 per share). These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

**38 Date of authorization for issue**

These financial statements were authorized for issue on August 20, 2018 by the Board of Directors of the Company.

**39 Corresponding figures**

The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with requirements in Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. However, no significant rearrangements have been made.

**40 General**

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

**Chief Executive**

**Director**



# Proxy Form

## 26th ANNUAL GENERAL MEETING

I / We \_\_\_\_\_  
 of \_\_\_\_\_ being a member of Millat Equipment Limited and holder  
 of \_\_\_\_\_ Ordinary shares as per Shares Register Folio No. \_\_\_\_\_  
 hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_  
 of \_\_\_\_\_ or failing him / her \_\_\_\_\_ of \_\_\_\_\_ as my proxy to vote for me and on  
 my behalf at the Annual General Meeting of the Company to be held on Friday, October 26, 2018 at 04:00 p.m.  
 at Company's Registered Office, 8.8 km Sheikhpura Road, Shahdara, Lahore and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

Witness:

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

Signature

Please affix  
 Rupees five  
 revenue stamp

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

### Important:

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

# تشکیل نیابت داری

26 واں سالانہ اجلاس عام

میں / ہم \_\_\_\_\_  
 ساکن \_\_\_\_\_  
 رکن و حاصل \_\_\_\_\_ عام حصص بمطابق شیئر رجسٹر فو لیو نمبر \_\_\_\_\_،  
 ساکن \_\_\_\_\_ یا بصورت دیگر \_\_\_\_\_ ساکن \_\_\_\_\_  
 کو اپنی جگہ بروز جمعہ مورخہ 26 اکتوبر 2018ء وقت 04:00 بجے سہ پہر، بمقام کمپنی کے رجسٹرڈ آفس 8.8 کلومیٹر شیٹھ پورہ روڈ  
 شاہدرہ لاہور میں منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا ہوں۔

دستخط کئے گئے مورخہ \_\_\_\_\_ 2018

گواہان:

1 \_\_\_\_\_ دستخط:

\_\_\_\_\_ نام:

\_\_\_\_\_ پتہ:

\_\_\_\_\_ سی این آئی سی یا پاسپورٹ نمبر:

2 \_\_\_\_\_ دستخط:

\_\_\_\_\_ نام:

\_\_\_\_\_ پتہ:

\_\_\_\_\_ سی این آئی سی یا پاسپورٹ نمبر:

براہ کرم پانچ روپے مالیت کے  
 ریونیوٹ چسپاں کریں۔

دستخط

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

نوٹ:

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





# Electronic Transmission Consent

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

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

## ELECTRONIC TRANSMISSION CONSENT FORM

The Company Secretary,

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

8.8 km Sheikhpura Road,

Lahore.

Pursuant to the directions given by the Securities Exchange Commission of Pakistan through its SRO 787(I)/2014 of

September 08, 2014, I, Mr./Mrs. \_\_\_\_\_ S/o,D/o,W/o \_\_\_\_\_

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

Meeting delivered to me via email on my email address provided below:

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

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

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

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

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

## اظہار رضامندی بابت ترسیل برق روی

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

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

## اظہار رضامندی بابت ترسیل برق روی فارم

کمپنی سیکرٹری

تاریخ: \_\_\_\_\_

8.8 کلومیٹر شیخوپورہ روڈ،  
لاہور

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

ولدیت / زوجیت \_\_\_\_\_

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

ممبر / حصص دار کا نام: \_\_\_\_\_

فولیو نمبر: \_\_\_\_\_

ای میل ایڈریس: \_\_\_\_\_

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








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