Annual Report 2014

MILLAT EQUIPMENT LIMITED

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MILLAT EQUIPMENT LIMITED
MEL

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
Laeeq Uddin Ansari

COMPANY SECRETARY

Mian Muhammad Saleem

CHIEF FINANCIAL OFFICER

Sohail Ahmad Nisar - FCA

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISORS

Walker Martineau Saleem
Advocate & Legal Consultants

REGISTERED ADDRESS

8.8-K.M. Lahore Sheikhupura Road,
Shahdara, Lahore.

PLANT SITE

10-K.M. Raiwind Road, Lahore

PRINCIPAL BANKERS

Habib Bank Limited
Bank Al-Habib Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
United Bank Limited
JS Bank Limited
Faysal Bank Limited
Meezan Bank Limited

Notice of Annual General Meeting

Notice is hereby given that 22nd Annual General Meeting of Millat Equipment Limited will be held at the Registered Office of the Company at 8.8 K.M. Sheikhupura Road, Shahdara, Lahore, on Thursday, October 30, 2014 at 4:30 p.m. to transact the following business:

A. ORDINARY BUSINESS

1) To confirm minutes of 21st Annual General Meeting held on September 16, 2013.

2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.

3) To approve final cash dividend of Rs. 10.00 per share i.e. 100%.

4) To appoint auditors and fix their remuneration for the year ending June 30, 2015

B. ANY OTHER BUSINESS

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

BY ORDER OF THE BOARD

Mian Muhammad Saleem
(Company Secretary)

Lahore:
October 01, 2014

NOTES

1. The share transfer books of the Company will remain closed from October 24, 2014 to October 30, 2014 (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 23, 2014 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.

4. Members who have not yet submitted photocopy of their Computerized National Identity Card (CNIC) to the Company are requested to send the same at the earliest.

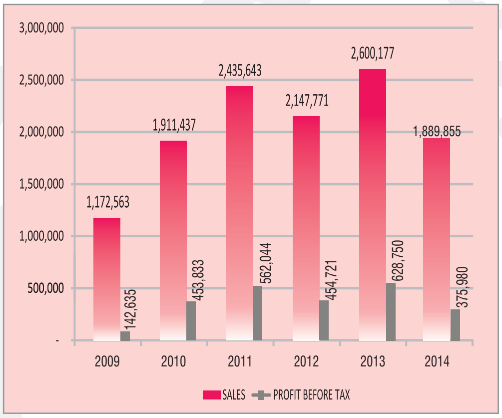
Six years at a Glance

(Rupees in thousand)

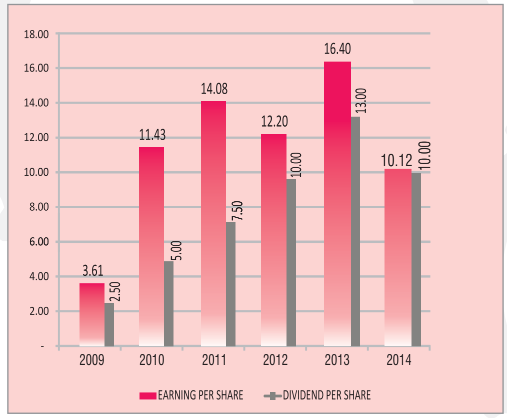
Trading Results		2014	2013	2012	2011	2010	2009
Sales-Net		1,889,855	2,600,177	2,147,771	2,435,643	1,911,437	1,172,563
Gross profit		444,802	708,869	548,443	669,065	571,152	278,233
Operating profit		363,252	610,179	467,305	584,175	493,767	232,569
Profit / (loss) before tax		375,980	628,750	454,721	562,044	453,833	142,635
Net profit / (loss) after tax		263,218	426,418	317,209	366,032	297,255	93,864
Balance sheet							
Share capital		260,000	260,000	260,000	260,000	260,000	260,000
Reserves		808,806	805,588	717,169	594,960	358,928	126,673
Property, plant and equipment		559,660	549,356	549,382	585,014	539,036	536,455
Non current assets		3,705	3,556	3,571	3,794	3,825	376
Long term liabilities		3,736	3,188	2,523	2,337	81,519	142,332
Deferred Liabilities		81,817	81,993	94,400	102,178	105,885	90,270
Investor Information							
Sales growth	%	(27)	21	(12)	27	63	81
Gross profit growth	%	(37)	29	(18)	17	105	44
Pre tax profit growth	%	(40)	38	(19)	24	218	61
Net profit after tax growth	%	(38)	34	(13)	23	217	105
Gross profit ratio	%	24	27	26	27	30	24
Operating profit ratio	%	19	23	22	24	26	20
Profit before tax ratio	%	20	24	21	23	24	12
Profit after tax ratio	%	14	16	15	15	16	8
Return on capital employed	%	36	59	49	67	57	27
Inventory turnover	Times	5.21	8.05	5.27	6.20	3.50	4.07
Total assets turnover	Times	1.27	1.66	1.61	1.86	1.44	1.11
Fixed assets turnover	Times	3.35	4.70	3.88	4.14	3.52	2.18
Return on assets	%	17.70	27.17	23.85	27.90	22.37	8.92
Long term debts : Equity ratio		-	-	-	-	30:100	50:100
Current ratio		2.78 : 1	2.43 : 1	3.04 : 1	2.00 : 1	1.50 : 1	1.10 : 1
Financial charges coverage	Times	37.18	261.81	18.36	19.31	9.99	2.52
Pay out							
Dividend Rs. per share	Rs.	10.00	13.00	10.00	7.50	5.00	2.50
Earning per share (after tax)	Rs.	10.12	16.40	12.20	14.08	11.43	3.61
Breakup value	Rs.	41.11	40.98	37.58	32.88	23.80	14.87
Return on equity	%	24.63	40.24	32.46	42.81	48.03	24.27
Dividend cover	%	98.78	79.27	81.96	53.27	43.73	69.25

Six Years Financial Performance

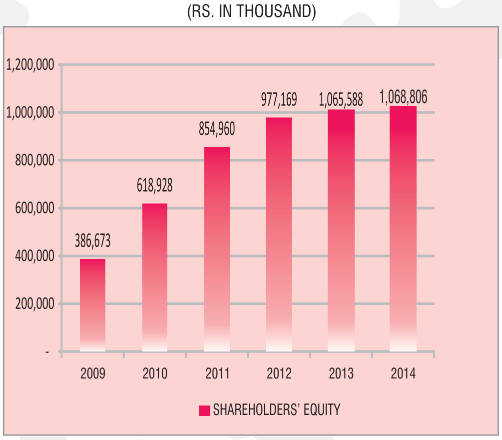
SALES / PROFIT BEFORE TAX
(RS. IN THOUSAND)



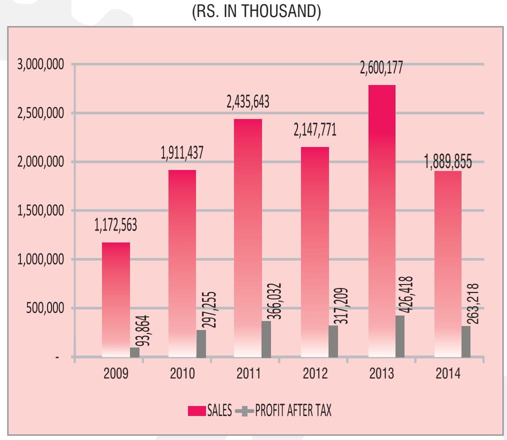
EARNING / DIVIDEND PER SHARE
(RS.)



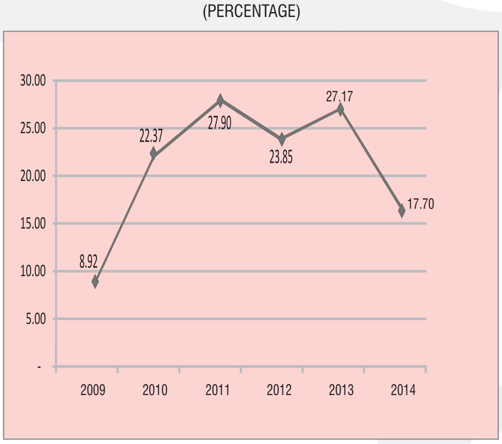
SHAREHOLDERS' EQUITY
(RS. IN THOUSAND)



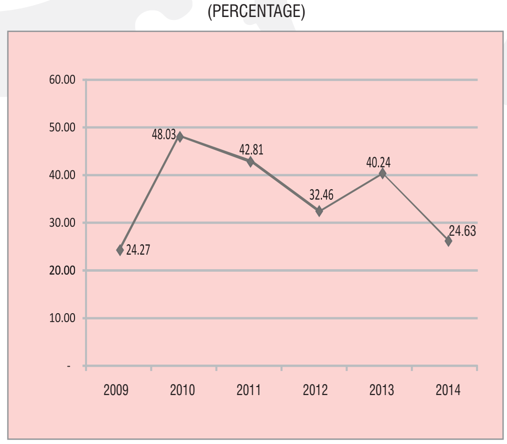
SALES / PROFIT AFTER TAX
(RS. IN THOUSAND)



RETURN ON ASSETS
(PERCENTAGE)



RETURN ON EQUITY
(PERCENTAGE)



Directors' Report to the Shareholders

for the year ended June 30, 2014

The Directors feel pleasure in presenting their 22nd Annual Report together with the Audited Accounts of the Company for the year ended June 30, 2014.

ACCOUNTS / APPROPRIATIONS

Financial results for the year are as follows:

Accumulated profit brought forward	Rs. 805,587,501
Profit before taxation for the year	Rs. 375,979,748
Less: Dividend (Year 2013 @ 10%)	Rs. 260,000,000
Less: Current taxation	Rs. 112,761,368
Appropriations	Rs. -
Profit carried forward	Rs. 808,805,881

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

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2014 is annexed.

EARNING PER SHARE

The earning per share for the year was Rs.10.12 compared to a per share profit of Rs.16.40 for the prior year.

DIRECTORS

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

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

Name of Director	Meetings attended
Mr. Sikandar Mustafa Khan (Chairman)	04
Mr. Sohail Bashir Rana	03
Mr. Latif Khalid Hashmi	04
Mr. Laeeq Uddin Ansari	03
Mian Muhammad Saleem	04
Mr. Ahsan Imran Shaikh	04
Syed Muhammad Irfan Aqueel	03

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

BOARD AUDIT COMMITTEE

The Committee comprises of the following Directors:

Mr. Latif Khalid Hashmi, Non- Executive Director	Chairman
Mr. Laeeq Uddin Ansari, 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 financial statements.

AUDITORS

The present Auditors, M/s A.F. Ferguson & Co., Chartered Accountants retire and offer themselves for re-appointment for the year ending June 30, 2015. The Board of Directors of the Company has endorsed their appointment for shareholders' consideration at the forthcoming Annual General Meeting. The external auditors have been given satisfactory rating under the Quality Control Review of the Institute of Chartered Accountants of Pakistan and being eligible offer themselves for re-appointment .

NUMBER OF EMPLOYEES

There were 137 numbers of employees as on June 30, 2014 compared to 137 employees as on June 30, 2013.

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.

CORPORATE SOCIAL RESPONSIBILITY

I. CORPORATE PHILANTHROPY

The Company has not made any contribution towards corporate philanthropy because the Company just emerged out of bank borrowings. Reduced sales during the year resulted into cash flow constraints.

II. ENERGY CONSERVATION

Millat Equipment Limited is fully committed towards energy conservation. MEL has conducted an energy audit for conservation of energy. The recommendations of this report are under phased implementation including replacement of lights, automation of furnace burners and SCADA systems. A detailed energy conservation policy has already been adopted. Based on the recommendations of previous energy audits, energy efficient fixtures have been installed and new methods of energy conservation are being explored. The Company makes a conscious effort to conserve energy at our offices, including a voluntary shut down of air conditioners and excessive lights during idle hours.

III. ENVIRONMENTAL PROTECTION MEASURES

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

IV. COMMUNITY INVESTMENT AND WELFARE SCHEMES

The Company could not contribute to any welfare schemes because of repayment of debts and borrowings.

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 Industrial Relation Ordinance and Labour Laws. The Company also ensures that all legal dues and liabilities are being met by its labour contractors.

VIII. EMPLOYMENT OF SPECIAL PERSONS

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

IX. OCCUPATIONAL SAFETY & HEALTH

All employees at Millat Equipment Limited are fully committed to maintain their personal Safety & Health and ensure to prevent harm to their fellow colleagues as well as to the environment. Following the same theme, a new fume extraction system was installed at our factory site. The installation of this new extraction system has directly reduced the hazard levels in the factory and made the area even 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.

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 EX-CHEQUER

Millat Equipment Limited has contributed Rs.428 million to the National Exchequer in the shape of direct and indirect taxes.

XIII. RURAL DEVELOPMENT PROGRAMS

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

For and on behalf of the Board

CHIEF EXECUTIVE

Lahore:
September 04, 2014

Pattern of Shareholding as at June 30, 2014

No. of Shareholders	Size of Holding		Total Shares Held
	From	To	
47	1	1000	31,072
26	1001	2000	44,684
36	2001	3000	100,416
63	3001	4000	221,400
49	4001	5000	232,000
84	5001	10000	635,717
24	10001	15000	305,888
23	15001	20000	411,037
9	20001	25000	200,650
15	25001	30000	428,600
4	30001	35000	130,950
8	35001	40000	302,279
5	40001	45000	217,400
5	45001	50000	244,850
3	50001	55000	160,850
6	55001	60000	351,600
2	60001	65000	127,800
3	65001	75000	211,359
2	75001	100000	200,000
2	100001	120000	239,200
3	120001	150000	407,700
3	150001	200000	544,850
3	200001	300000	713,900
2	300001	700000	972,851
4	700001	1905000	6,862,954
1	1905001	11700000	11,699,993
432		Total	26,000,000

CATEGORIES OF SHAREHOLDERS

Particulars		No. of Shareholders	Shares held	Percentage of issued capital
1	Directors, CEO and their spouses and minor children			
	Mr. Sikandar Mustafa Khan	1	1,625,001.00	6.25
	Mr. Latif Khalid Hashmi	1	1,625,001.00	6.25
	Mr. Sohail Bashir Rana	1	1,708,951.00	6.57
	Mr. Laeeq Uddin Ansari	1	1,904,001.00	7.32
	Mian Muhammad Saleem	1	600,001.00	2.31
	Syed Muhammad Irfan Aqueel	1	100,000.00	0.38
	Mr. Ahsan Imran Shaikh	1	130,600.00	0.5
	Mrs. Qurat ul Ain	1	3,700.00	0.01
2	Associated Companies, Undertakings and related parties	9	11,772,143.00	45.28
	a) Millat Tractors Limited (11,699,993 shares i.e. 45%)			
	b) 08 Executives/workers (72,150 shares i.e. 0.28%)			
3	NIT and ICP	-	-	-
4	Banks, Development Financial Institution, Non-Banking	-	-	-
5	Insurance Companies	-	-	-
6	Modaraba and Mutual Funds	-	-	-
7	Shareholders Holding 10% or more	-	-	-
8	General Public			
	a) Local	415	6,530,602.00	25.12
	b) Foreign	-	-	-
9	Others	-	-	-
	Total	432	26,000,000.00	100.00

Auditors' Report to the Members

We have audited the annexed balance sheet of MILLAT EQUIPMENT LIMITED ("the Company") as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied expect for the change as stated in note 4.2.1 with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

The financial statements of the Company for the year ended June 30, 2013 were audited by another firm of Chartered Accountants who expressed an unqualified opinion thereon vide their report dated July 25, 2013.

Afferguson &Co

A.F. Ferguson & Co.
Chartered Accountants
Name of engagement partner: Hammad Ali Ahmad
Lahore: September 04, 2014

Balance Sheet as at June 30, 2014

	Note	2014 Rupees	(Restated) 2013 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 30,000,000 (2013: 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 (2013: 26,000,000) ordinary shares of Rs. 10 each fully paid in cash	5	260,000,000	260,000,000
Unappropriated profit		808,805,881	805,587,501
		1,068,805,881	1,065,587,501
NON-CURRENT LIABILITIES			
Long term advances	6	3,736,136	3,188,127
Deferred taxation	7	81,816,664	81,992,504
		85,552,800	85,180,631
CURRENT LIABILITIES			
Accumulating compensated absences	8	9,909,838	8,360,378
Trade and other payables	9	293,798,191	366,617,163
Mark-up accrued on secured loans		190,795	41,330
Short term borrowings - secured	10	28,841,933	-
Provision for income tax		-	43,922,704
		332,740,757	418,941,575
CONTINGENCIES AND COMMITMENTS	11		
		1,487,099,438	1,569,709,707

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

	Note	2014 Rupees	(Restated) 2013 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	559,659,964	549,355,804
Intangible assets	13	186,355	31,801
Long term deposits	14	3,518,330	3,523,844
		563,364,649	552,911,449
CURRENT ASSETS			
Stores, spares and loose tools	15	155,686,515	139,587,500
Stock in trade	16	362,499,723	322,996,533
Trade debts	17	149,637,259	234,536,732
Loans, advances and short term prepayments	18	22,276,569	37,413,187
Taxation-net		26,675,626	-
Short term investments	19	201,613,433	250,045,591
Cash and bank balances	20	5,345,664	32,218,715
		923,734,789	1,016,798,258
		1,487,099,438	1,569,709,707

Director

Profit and Loss Account for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales	21	1,889,855,067	2,600,176,714
Cost of sales	22	(1,445,053,437)	(1,891,307,810)
Gross profit		444,801,630	708,868,904
Selling and distribution expenses	23	(5,101,823)	(6,075,355)
Administrative expenses	24	(48,712,847)	(46,317,123)
Other operating expenses	25	(27,734,674)	(46,297,809)
Operating profit		363,252,286	610,178,617
Finance cost	26	(10,391,211)	(2,410,804)
Other income	27	23,118,673	20,982,252
Profit before tax		375,979,748	628,750,065
Taxation	28	(112,761,368)	(202,331,916)
Profit after tax		263,218,380	426,418,149
Earnings per share - basic	30	10.12	16.40

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Statement of Comprehensive Income for the year ended June 30, 2014

	2014 Rupees	2013 Rupees
Profit for the year	263,218,380	426,418,149
Other comprehensive income	-	-
Total comprehensive income for the year	263,218,380	426,418,149

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement for the year ended June 30, 2014

	Note	2014 Rupees	(Restated) 2013 Rupees
Cash flows from operating activities			
Cash generated from operations	29	399,192,294	781,068,543
Employee benefits paid		(64,425)	(304,980)
Finance cost paid		(10,241,746)	(5,699,303)
Taxes paid		(183,535,539)	(151,686,632)
Net cash inflow from operating activities		205,350,584	623,377,628
Cash flows from investing activities			
Purchase of property, plant and equipment		(66,472,651)	(29,124,521)
Purchase of intangible assets		(191,360)	-
Proceeds from sale of property, plant and equipment		5,610,862	1,802,686
Profit on bank deposits received		842,095	2,025,159
Short term investments disposed / (purchased)		50,045,591	(250,000,000)
Realized gain on short term investments		8,064,942	-
Net cash outflow from investing activities		(2,100,521)	(275,296,676)
Cash flows from financing activities			
Dividend paid		(259,513,056)	(337,906,441)
Increase in long term advances		548,009	665,229
Net cash used in financing activities		(258,965,047)	(337,241,212)
Net (decrease) / increase in cash and cash equivalents		(55,714,984)	10,839,740
Cash and cash equivalents at the beginning of the year		32,218,715	21,378,975
Cash and cash equivalents at the end of the year	29.1	(23,496,269)	32,218,715

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity for the year ended June 30, 2014

	Share capital	Un-appropriated profit	Total
	Rupees		
Balance as on July 01, 2012	260,000,000	717,169,352	977,169,352
Final dividend for the year ended June 30, 2012 (Rs. 10 per share)	-	(260,000,000)	(260,000,000)
Interim dividend for the year ended June 30, 2013 (Rs. 3 per share)	-	(78,000,000)	(78,000,000)
Total comprehensive income for the year	-	426,418,149	426,418,149
Balance as on June 30, 2013	260,000,000	805,587,501	1,065,587,501
Final dividend for the year ended June 30, 2013 (Rs. 10 per share)	-	(260,000,000)	(260,000,000)
Total comprehensive income for the year	-	263,218,380	263,218,380
Balance as on June 30, 2014	260,000,000	808,805,881	1,068,805,881

The annexed notes 1 to 39 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, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

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

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

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

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

There are no new amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or before July 01, 2013 that would have a material effect on the Company's operations and are, therefore, not detailed in these financial statements except for amendments to IAS 16, 'Property, Plant and Equipment'. The Company has applied the amendments retrospectively and the impact on the Company has been explained in note 4.2.1.

2.2.2 Standards, amendments and interpretations to existing standards applicable to the Company not yet effective

Standard or Interpretation :	Effective date (accounting periods beginning on or after)
Annual improvements 2012 - IAS 16, 'Property, Plant and Equipment', IAS 38, 'Intangible Assets', IFRS 9, 'Financial Instruments', IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', IAS 39, 'Financial Instruments: Recognition and Measurement'	July 01, 2014
IFRIC 21, An interpretation of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets’	January 01, 2014
Amendment to IAS 36, ‘Impairment of Assets’ on recoverable amount disclosures	January 01, 2014
IAS 32, 'Financial Instruments: Presentation', on offsetting financial assets and financial liabilities	January 01, 2014
IFRS 9, 'Financial Instruments'	January 01, 2015

The impact on the financial statements in the period of initial application is not reasonably estimable.

2.2.3 Standards, amendments and interpretations to existing standards not yet effective and not applicable/relevant to the Company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2014 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

3. BASIS OF MEASUREMENT

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

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

a) Provision for taxation and deferred tax

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

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

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

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

c) Impairment

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Taxation

4.1.1 Current

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

4.1.2 Deferred

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

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

4.2 Property, plant and equipment

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

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

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

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

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

4.2.1 Change in accounting policy

Amendments to IAS 16, 'Property, Plant and Equipment' require an entity to classify items such as spare parts, stand-by equipment and servicing equipment having useful life of more than one period as property, plant and equipment irrespective of whether they have been issued in connection with plant and machinery or are being held for capitalization.

Previously, the Company classifed stores, spares and loose tools having useful life of more than one period in current assets. Issued stores, spares and loose tools were carried at their amortized cost in current assets based on their useful life.

The amendment to IAS 16, 'Property, Plant and Equipment' is considered to be a change in the presentation of items in the financial statements and has been applied retrospectively to all periods presented. As there is no material effect in the information in the balance sheet at the beginning of the earliest period presented, the Company has not presented that balance sheet.

In further detail, the effects arising on the statement of financial position presented for comparative purposes are as follows:

Reclassification from	Reclassification to	As on June 30, 2014	As on June 30, 2013	As on July 01, 2012
		-----------------Rupees---------------		
Stores, spares and loose tools - note 15	Property, plant and equipment - note 12	29,767,035	26,873,702	22,727,924

4.3 Intangible assets

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

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

4.4 Capital work in progress

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

4.5 Impairment of non-financial assets

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

4.6 Borrowing costs

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

4.7 Stores, spares and loose tools

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

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

4.8 Stock in trade

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

4.9 Cash and cash equivalents

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

4.10 Trade Debts

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

4.11 Trade and other payables

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

4.12 Provisions

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

4.13 Employees Retirement Benefits

4.13.1 Provident fund scheme

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

4.13.2 Accumulating compensated absences

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

4.14 Foreign currency transactions and translations

4.14.1 Functional and presentation currency

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

4.14.2 Transactions and balances

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

4.15 Investments

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

4.16 Financial instruments

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

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

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

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

4.17 Offsetting

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

4.18 Revenue Recognition

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

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

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

4.19 Loans and borrowings

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

4.20 Dividend

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

5. Issued, subscribed and paid up capital

2014	2013		2014	2013
No. of shares			Rupees	Rupees
26,000,000	26,000,000	Ordinary shares of Rs. 10 each fully paid in cash	260,000,000	260,000,000

6. LONG TERM ADVANCES

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

7. DEFERRED TAXATION

	Note	2014 Rupees	2013 Rupees
The liability for deferred taxation comprises temporary differences relating to:			
- Accelerated tax depreciation and amortization		85,054,328	84,686,368
- Accumulating compensated absences		(3,237,664)	(2,693,864)
		81,816,664	81,992,504

8. ACCUMULATING COMPENSATED ABSENCES

	Note	2014 Rupees	2013 Rupees
Opening balance as on July 01		8,360,378	6,576,736
Provision for the year		1,613,885	2,088,622
		9,974,263	8,665,358
Less: Payments made during the year		(64,425)	(304,980)
Closing balance as on June 30		9,909,838	8,360,378

9. TRADE AND OTHER PAYABLES

	Note	2014 Rupees	2013 Rupees
Trade creditors	9.1	245,542,761	280,745,232
Accrued and other liabilities		17,042,128	20,854,734
Advances from customers	9.2	2,606,560	4,667,998
Withholding tax payable		3,798	70,169
Retention money payable		139,445	168,845
Sales tax payable		-	13,249,420
Unclaimed dividends		1,049,900	562,956
Workers' profit participation fund	9.3	19,788,408	33,752,394
Workers' welfare fund		7,625,191	12,545,415
		293,798,191	366,617,163

9.1 Trade creditors include amount of Rs. 32,371,737 (2013: Rs. 6,853,327) due to related parties.

9.2 This represents advances and security deposits received from customers against scrap sales.

9.3 Workers' profit participation fund

	2014 Rupees	2013 Rupees
Opening balance	33,752,394	24,264,352
Provision for the year	19,788,408	33,752,394
	53,540,802	58,016,746
Less: Payments made during the year	(33,752,394)	(24,264,352)
	19,788,408	33,752,394

10. SHORT TERM BORROWINGS - SECURED

Short term borrowings available from commercial banks under mark-up arrangements amount to Rs. 800 million (2013: Rs. 700 million). The rates of mark-up on short term borrowings range from 9.41% to 10.84% per annum (2013: 9.59% to 12.64%) on the balance outstanding and mark-up is payable quarterly.

Of the aggregate facility of Rs. 500 million (2013: Rs. 550 million) for opening of letters of credit, the amount utilized at June 30, 2014 was Rs. 8.275 million (2013: Rs. 57.316 million). The facility for opening letter of credits of Rs. 500 million is a sub-facility of the short term borrowings obtained i.e. Rs. 800 million.

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

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

Guarantees issued by banks on behalf of the Company in the normal course of business amount to Rs. 6,633,100 (2013: Rs. 6,633,100).

11.2 Commitments

Commitments in respect of outstanding letters of credit amount to Rs. 8,960,726 (2013: Rs. 56,570,738).

	Note	2014 Rupees	(Restated) 2013 Rupees
12 PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	12.1	556,597,948	542,985,102
Capital work in progress	12.2	2,657,288	6,044,801
Major stores, spares and loose tools	12.3	404,728	325,901
		559,659,964	549,355,804

12.1 Operating property, plant and equipment

	Freehold land	Building on freehold land	Plant and machinery	Electric equipment and installations	Office equipment	Tools and equipment	Furniture, fittings and equipment	Vehicles	Total
	(Rupees)								
Net Carrying Value Basis									
Year ended June 30, 2014									
Opening net book value (NBV)	87,109,570	93,565,284	278,267,894	16,095,912	3,042,281	35,115,481	11,277,539	18,511,141	542,985,102
Additions (at cost)	-	3,084,100	46,971,430	1,808,557	615,320	7,293,656	373,137	7,609,200	67,755,400
Disposals (at NBV)	-	-	(2,219,490)	(133,915)	-	-	-	(1,539,149)	(3,892,554)
Depreciation charge	-	(4,740,651)	(29,601,676)	(3,361,978)	(1,049,722)	(5,764,302)	(1,145,705)	(4,585,966)	(50,250,000)
Closing net book value (NBV)	87,109,570	91,908,733	293,418,158	14,408,576	2,607,879	36,644,835	10,504,971	19,995,226	556,597,948
Gross carrying value basis									
As at June 30, 2014									
Cost	87,109,570	135,220,953	545,217,401	59,274,480	9,346,035	76,944,727	21,499,404	33,720,435	968,333,005
Accumulated depreciation	-	(43,312,220)	(251,799,243)	(44,865,904)	(6,738,156)	(40,299,892)	(10,994,433)	(13,725,209)	(411,735,057)
Net book value (NBV)	87,109,570	91,908,733	293,418,158	14,408,576	2,607,879	36,644,835	10,504,971	19,995,226	556,597,948
Depreciation rate % per annum		5%	10%	10% - 20%	20% - 33%	15%	10%	20%	
Net carrying value basis									
Year ended June 30, 2013									
Opening net book value (NBV)	87,109,570	96,526,582	295,949,649	17,442,982	2,693,407	31,992,450	12,063,935	15,465,097	559,243,672
Additions (at cost)	-	1,889,090	12,441,982	2,317,146	1,412,531	8,622,129	430,825	8,506,000	35,619,703
Disposals (at NBV)	-	-	-	-	-	-	-	(1,692,312)	(1,692,312)
Depreciation charge	-	(4,850,388)	(30,123,737)	(3,664,216)	(1,063,657)	(5,499,098)	(1,217,221)	(3,767,644)	(50,185,961)
Closing net book value (NBV)	87,109,570	93,565,284	278,267,894	16,095,912	3,042,281	35,115,481	11,277,539	18,511,141	542,985,102
Gross Carrying Value Basis									
As at June 30, 2013									
Cost	87,109,570	132,136,853	502,816,022	58,448,335	8,730,715	69,555,361	21,126,267	27,835,235	907,758,358
Accumulated depreciation	-	(38,571,569)	(224,548,128)	(42,352,423)	(5,688,434)	(34,439,880)	(9,848,728)	(9,324,094)	(364,773,256)
Net book value (NBV)	87,109,570	93,565,284	278,267,894	16,095,912	3,042,281	35,115,481	11,277,539	18,511,141	542,985,102
Depreciation rate % per annum		5%	10%	10% - 20%	20% - 33%	15%	10%	20%	

		Note	2014 Rupees	2013 Rupees
12.1.1	Depreciation charge for the year has been allocated as follows:			
	Cost of sales	22	43,468,607	44,137,439
	Administrative expenses	24	6,781,393	6,048,522
			50,250,000	50,185,961
12.2	Capital work in progress			
	Movement in capital work in progress (plant and machinery) is as follows:			
	Opening balance		6,044,801	12,050,786
	Additions during the year		-	2,693,420
	Capitalized during the year		(1,361,576)	(8,699,405)
	Disposals during the year		(2,025,937)	-
			2,657,288	6,044,801

		2014 Rupees	(Restated) 2013 Rupees
12.3	Major stores, spares and loose tools		
	Opening balance	325,901	815,098
	Additions during the year	7,372,483	8,132,932
	Capitalized during the year	(7,293,656)	(8,622,129)
		404,728	325,901

13. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	Rupees
Net Carrying Value Basis Year ended June 30, 2014	
Opening net book value (NBV)	31,801
Additions (at cost)	191,360
Amortization charge	(36,806)
Closing net book value (NBV)	186,355
Gross Carrying Value basis As at June 30, 2014	
Cost	341,109
Accumulated amortization	(154,754)
Net book value (NBV)	186,355
Amortization rate (%) per annum	33%
Net Carrying Value Basis Year ended June 30, 2013	
Opening net book value (NBV)	47,464
Additions (at cost)	-
Amortization charge	(15,663)
Closing net book value (NBV)	31,801
Gross Carrying Value basis As at June 30, 2013	
Cost	149,749
Accumulated amortization	(117,948)
Net book value (NBV)	31,801
Amortization rate (%) per annum	33%

		2014 Rupees	(Restated) 2013 Rupees
14. LONG TERM DEPOSITS			
These represent security deposits given to Companies against provision of utilities and services.			
15. STORES, SPARES AND LOOSE TOOLS			
Stores		155,492,434	139,402,350
Spares and loose tools		194,081	185,150
		155,686,515	139,587,500

	Note	2014 Rupees	2013 Rupees
16. STOCK IN TRADE			
Raw materials		142,472,367	143,064,830
Work in process	16.1	129,159,156	119,633,318
Finished goods		90,868,200	60,298,385
		362,499,723	322,996,533

16.1 This includes work in process amounting to Rs. 23,228,779 (2013: Rs. 45,899,000) held with third parties.

	Note	2014 Rupees	2013 Rupees
17. TRADE DEBTS - Considered Good			
Secured		15,400,774	34,213,287
Unsecured			
Related parties	17.1	134,149,459	200,238,289
Others		87,026	85,156
		149,637,259	234,536,732

17.1 This represents amount due from Millat Tractors Limited, an associated undertaking, out of which an amount of Rs. 31,506,106 is past due by over 180 days. The amount has been acknowledged as a debt by Millat Tractors Limited and is therefore considered good.

	Note	2014 Rupees	2013 Rupees
18. LOANS, ADVANCES AND SHORT TERM PREPAYMENTS			
Advances - considered good:			
Advance to suppliers		17,731,624	36,255,970
Advance to employees			
Chief executive		349,650	-
Executives		244,716	232,046
Non-executives		225,483	293,372
		819,849	525,418
Sales tax recoverable		3,264,294	-
Prepaid insurance		460,802	631,799
		22,276,569	37,413,187
19. SHORT TERM INVESTMENTS			
Held for trading investments	19.1	201,613,433	250,045,591

19.1 Breakup of investments is as follows:

	2014	2013	2014 Rupees	2013 Rupees
	-----No of Units----			
MCB Cash Management Optimizer	1,008,497	692,861	100,000,000	70,000,000
ABL Cash Fund	5,013,487	7,998,400	50,000,000	80,000,000
HBL Money Market Fund	503,432	987,709	50,000,000	100,000,000
Total Cost	6,525,416	9,678,970	200,000,000	250,000,000
Unrealized gain on remeasurement			1,613,433	45,591
	6,525,416	9,678,970	201,613,433	250,045,591

	2014 Rupees	2013 Rupees
20. CASH AND BANK BALANCES		
Cash at banks		
- Current accounts	1,121,116	3,840,616
- Saving accounts	3,121,583	27,788,884
- Dividend accounts	1,049,843	564,376
	5,292,542	32,193,876
Cash in hand	53,122	24,839
	5,345,664	32,218,715

20.1 Rate of return on saving accounts ranges from 7.8% to 8.2% (2013: 6% to 8.2%).

		2014 Rupees	2013 Rupees
21. SALES			
Gross sales			
- local		2,120,271,975	2,903,586,930
- export		76,774,404	98,704,899
		2,197,046,379	3,002,291,829
Less: sales tax		(307,191,312)	(402,115,115)
Net sales		1,889,855,067	2,600,176,714

	Note	2014 Rupees	(Restated) 2013 Rupees
22. COST OF SALES			
Raw material consumed		915,795,580	1,220,898,681
Salaries, wages and amenities	22.1	224,577,218	224,771,505
Fuel and power		130,441,791	151,817,880
Stores, spares and loose tools consumed		61,588,456	79,516,763
Oil and lubricants		30,813,735	32,682,782
Repair and maintenance		52,372,004	54,471,143
Depreciation	12.1.1	43,468,607	44,137,439
Amortization	13	36,806	15,663
Insurance		5,812,275	4,400,187
Packing material consumed		2,512,943	4,134,031
Travelling and conveyance		5,038,763	4,969,799
Other direct expenses		12,690,912	9,603,672
		1,485,149,090	1,831,419,545
Opening work in process		119,633,318	161,145,371
Closing work in process		(129,159,156)	(119,633,318)
		(9,525,838)	41,512,053
Cost of goods manufactured		1,475,623,252	1,872,931,598
Opening finished goods		60,298,385	78,674,597
Closing finished goods		(90,868,200)	(60,298,385)
		(30,569,815)	18,376,212
Cost of sales		1,445,053,437	1,891,307,810

22.1 This includes an amount of Rs. 2,534,790 (2013: Rs. 2,203,019) in respect of contribution towards provident fund.

	Note	2014 Rupees	2013 Rupees
23. SELLING AND DISTRIBUTION EXPENSES			
Carriage and freight		5,101,823	5,995,363
Insurance		-	79,992
		5,101,823	6,075,355
24. ADMINISTRATIVE EXPENSES			
Salaries and amenities	24.1	30,803,920	30,787,026
Rent, rates and taxes		348,358	342,677
Fee and subscription		239,050	245,625
Entertainment		271,451	321,821
Postage		255,154	197,013
Fuel and power		1,317,594	1,760,690
Communication		947,916	829,594
Traveling and conveyance		1,876,453	1,685,681
Printing, stationery and office supplies		849,927	765,750
Insurance		1,319,240	966,334
Repair and maintenance		404,360	670,679
Legal and professional		1,835,360	735,500
Auditors' remuneration		500,000	460,000
Depreciation	12.1.1	6,781,393	6,048,522
Advertisement		650,710	300,022
Others		311,961	200,189
		48,712,847	46,317,123

24.1 This includes an amount of Rs. 916,468 (2013: Rs. 689,823) in respect of contribution towards provident fund.

	Note	2014 Rupees	2013 Rupees
25. OTHER OPERATING EXPENSES			
Workers' profit participation fund	9.3	19,788,408	33,752,394
Workers' welfare fund		7,638,637	12,545,415
Loss on disposal of property, plant and equipment		307,629	-
		27,734,674	46,297,809
26 FINANCE COST			
Mark-up on short term borrowings from local banks - secured		9,613,417	1,783,831
Bank charges and commission		777,794	626,973
		10,391,211	2,410,804

	Note	2014 Rupees	2013 Rupees
27. OTHER INCOME			
Income from financial assets			
Return on bank deposits		842,095	2,025,159
Gain on financial assets at fair value through profit or loss			
Realized		8,064,942	-
Un-realized		1,613,433	45,591
		9,678,375	45,591
Exchange gain - net		603,743	163,419
		11,124,213	2,234,169
Income from assets other than financial assets			
Scrap sales		10,562,736	17,072,771
Gain on disposal of operating fixed assets		-	110,374
Others		1,431,724	1,564,938
		11,994,460	18,748,083
		23,118,673	20,982,252

28. TAXATION

		2014 Rupees	2013 Rupees
Current tax			
- For the year		112,480,683	209,286,161
- Prior years		456,526	(1,123,624)
		112,937,209	208,162,537
Deferred tax		(175,841)	(5,830,621)
		112,761,368	202,331,916

28.1 Tax charge reconciliation

	2014 %	2013 %
Numerical reconciliation between the average effective tax rate and the applicable tax rate:		
Applicable tax rate	34.00%	35.00%
Tax effect of amounts that are:		
Tax effects of amounts that are not deductible for tax purposes	-	-1.09%
Effect on opening deferred taxes of reduction in tax rate	-	-1.24%
Tax effect under presumptive tax regime and others	-4.01%	-0.49%
	-4.01%	-2.82%
Average effective tax rate charged to profit and loss account	29.99%	32.18%

	2014 Rupees	(Restated) 2013 Rupees
29 CASH GENERATED FROM OPERATIONS		
Profit before tax	375,979,748	628,750,065
Adjustments for:		
Depreciation of property, plant and equipment	50,250,000	50,185,961
Amortization of intangible assets	36,806	15,663
Gain on short term investments	(9,678,375)	(45,591)
Provision for accumulating compensated absences	1,613,885	2,088,622
Finance cost	10,391,211	2,410,804
Return on bank deposits	(842,095)	(2,025,159)
Long term deposits written off	5,514	-
Loss / (gain) on disposal of property, plant and equipment	307,629	(110,374)
Profit before working capital changes	428,064,323	681,269,991
Effect of cash flow due to working capital changes:		
(Increase) / Decrease in stores, spares and loose tools	(16,099,015)	7,811,798
(Increase) / Decrease in stock in trade	(39,503,190)	84,473,664
Decrease / (Increase) in trade debts	84,899,473	(87,666,065)
Decrease / (Increase) in loans, advances and short term prepayments	15,136,618	(18,783,062)
(Decrease) / Increase in trade and other payables	(73,305,915)	113,962,217
	(28,872,029)	99,798,552
	399,192,294	781,068,543

29.1 Cash and cash equivalents

	Note	2014 Rupees	2013 Rupees
Cash and bank balances	20	5,345,664	32,218,715
Short term borrowings - secured	10	(28,841,933)	-
		(23,496,269)	32,218,715

30. EARNINGS PER SHARE - BASIC

		2014	2013
Net profit for the year	Rupees	263,218,380	426,418,149
Weighted average number of ordinary shares	Number	26,000,000	26,000,000
Earnings per share	Rupees	10.12	16.40

31. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief Executive		Key Management Personnel	
	2014	2013	2014	2013
	Rupees			
Remuneration	5,882,497	5,212,977	6,803,880	5,863,513
Medical	261,962	145,277	382,075	304,002
Reimbursable benefits	1,472,115	2,004,126	1,255,288	1,148,300
Bonus and leave fare assistance	164,545	140,038	2,244,052	1,907,574
Contribution to provident fund	-	-	472,409	404,352
Utilities	511,577	345,179	539,496	501,540
	8,292,696	7,847,597	11,697,200	10,129,281
Number of persons	1	1	3	3

The Chief Executive and executives of the Company are provided with free use of Company maintained cars.

32. RELATED PARTY TRANSACTIONS

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

Relationship	Nature and description of related party transaction	2014	2013
		Rupees	Rupees
Associated Companies	Sale of goods	1,811,685,945	2,473,113,736
	Purchase of services	5,218,622	4,577,274
	Purchase of components	88,543,780	77,602,847
Provident fund trust	Contributions made during the year	3,451,258	2,892,842

Transactions with related parties are carried out on commercial terms and conditions.

33. FINANCIAL RISK MANAGEMENT

33.1 Financial risk factors

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

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

(a) Market risk

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

(i) Currency risk

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

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

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

	2014	2013
Trade debts - USD	156,672	319,794
Net exposure - USD	156,672	319,794
Average rate	102.89	96.86
Reporting date rate	98.75	98.95

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. 773,570 (2013: Rs. 1,582,181) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

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

(iii) Interest rate risk

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

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

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

	Carrying Values	
	2014 Rupees	2013 Rupees
Floating rate instruments		
Financial assets		
Cash at bank - saving accounts	3,121,583	27,788,884
Financial liabilities		
Short term borrowings - secured	28,841,933	-
Net exposure	(25,720,350)	27,788,884

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on floating rate financial instruments, at the year end date, fluctuate by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs. 257,204 (2013: Rs. 277,889) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

(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:

	2014 Rupees	2013 Rupees
Long term deposits	3,518,330	3,523,844
Trade debts	149,637,259	234,536,732
Advances	819,849	525,718
Bank balances	5,292,542	32,193,876
	159,267,980	270,780,170
The trade debts as at the balance sheet date are classified as follows:		
Domestic	134,236,485	200,323,445
Foreign	15,400,774	34,213,287
	149,637,259	234,536,732

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:

	Neither past due nor impaired	Past due but not impaired					
		0-30 Days	31-60 Days	61-90 Days	91-180 Days	More than 180 Days	Total
	----------Rupees----------						
2014	105,393,911	12,650,218	-	-	-	31,593,130	149,637,259
2013	234,451,599	-	-	-	-	85,133	234,536,732

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

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

	Rating			2014	2013
	Short term	Long term	Rating Agency	Rupees	Rupees
Banks					
Faysal Bank Limited	A1+	AA	PACRA	3,121,583	27,788,884
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	419,343	101,383
JS Bank Limited	A1	A+	PACRA	4,513	14,513
Meezan Bank Limited	A-1+	AA	JCR-VIS	252,266	133,268
Habib Bank Limited	A-1+	AAA	JCR-VIS	9,130	874,105
United Bank Limited	A-1+	AA+	JCR-VIS	1,111,686	2,188,009
Bank Al Habib Limited	A1+	AA+	PACRA	241,014	857,928
MCB Bank Limited	A1+	AAA	PACRA	133,007	235,786
				5,292,542	32,193,876

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

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash, short term borrowings from commercial banks and short term investments readily convertible to cash. As on June 30, 2014, the Company had Rs. 800 million (2013: Rs. 700 million) available borrowing limit from financial institutions and Rs 5.346 million (2013: Rs. 32.219 million) cash and bank balances. Short term investments as on June 30, 2014 amounted to Rs. 201.613 million (2013: Rs. 250.046 million).

The following are the contractual maturities of financial liabilities as at June 30, 2014:

	Carrying amount	Less than one year	One to five years	More than five years
	---Rupees---			
Trade and other payables	293,798,191	293,798,191	-	-
Mark-up accrued on secured loans	190,795	190,795	-	-
Short term borrowings	28,841,933	28,841,933	-	-
	322,830,919	322,830,919	-	-
The following are the contractual maturities of financial liabilities as at June 30, 2013:				
Trade and other payables	366,617,163	366,617,163	-	-
Mark-up accrued on secured loans	41,330	41,330	-	-
Short term borrowings	-	-	-	-
	366,658,493	366,658,493	-	-

33.2 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 held by the Company are included in Level 1. The Company does not hold any instruments which can be included in Level 2 and Level 3 as on June 30, 2014. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2. If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The Company has no such type of financial instruments as on June 30, 2014.

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.

33.3 Financial instruments by categories

	At fair value through profit and loss account	Loans and receivables	Total
	------------------Rupees-------------------		
Financial assets as on June 30, 2014			
Long term deposits	-	3,518,330	3,518,330
Trade debts	-	149,637,259	149,637,259
Loans and advances	-	819,849	819,849
Short term investments	201,613,433	-	201,613,433
Cash and bank balances	-	5,345,664	5,345,664
	201,613,433	159,321,102	360,934,535
Financial assets as on June 30, 2013			
Long term deposits	-	3,523,844	3,523,844
Trade debts	-	234,536,732	234,536,732
Loans and advances	-	525,718	525,718
Short term investments	250,045,591	-	250,045,591
Cash and bank balances	-	32,218,715	32,218,715
	250,045,591	270,805,009	520,850,600

	Rupees
Financial liabilities at amortized cost as on June 30, 2014	
Mark-up accrued on secured loans	190,795
Trade and other payables	293,798,191
	293,988,986
Financial liabilities at amortized cost as on June 30, 2013	
Mark-up accrued on secured loans	41,330
Trade and other payables	366,617,163
	366,658,493

33.4 Capital 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. Net debt is calculated as total loans and borrowings including any finance cost thereon, creditors, accrued and other liabilities, less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt.

The gearing ratios as at June 30 are as follows:

	2014 Rupees	2013 Rupees
Short term borrowings	28,841,933	-
Less: Cash and bank balances	(5,345,664)	(32,218,715)
Net debt	23,496,269	(32,218,715)
Share capital	260,000,000	260,000,000
Reserves	808,805,881	805,587,501
Equity	1,068,805,881	1,065,587,501
Total equity and liability	1,092,302,150	1,033,368,786
Gearing ratio	2.15%	0.00%

34 NUMBER OF EMPLOYEES

	2014	2013
Total number of permanent employees as on June 30	137	137
Average number of permanent employees during the year	137	136

35 PROVIDENT FUND TRUST

35.1 The salient information of the fund is as follows:

	2014 Rupees	2013 Rupees
Size of the fund	32,119,598	23,820,441
Cost of investment made	23,973,068	15,368,738
Percentage of investment made	74.64%	64.52%
Fair value of investment	27,540,816	17,368,968

35.2 Breakup of investment

	2014 Rupees	2013 Rupees	2014 % of total fund	2013 % of total fund
Listed securities (mutual funds)	13,262,856	9,762,856	41.29%	40.99%
Certificates of investments in scheduled banks	10,710,212	5,605,882	33.34%	23.53%

The figures for 2014 are based on the un-audited financial statements of the provident fund. Investments out of provident fund have been made in accordance with the provisions of section 227 of the Ordinance and the rules formulated for this purpose.

36. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 04, 2014 has announced a final cash dividend in respect of the year ended June 30, 2014 of Rs. 10 per share (2013: Rs. 10 per share). These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

37. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 04, 2014 by the Board of Directors of the Company.

38. CORRESPONDING FIGURES

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

39. GENERAL

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

Chief Executive

Director


GROB
SWITZERLAND

MILLAT EQUIPMENT LIMITED

Proxy Form

Please quote your Folio No.
as in the Register of Members

Folio No. ....

I/We ______________________________

of ______________________________ (FULL ADDRESS)

being a member/members of MILLAT EQUIPMENT LIMITED hereby appoint

______________________________ (NAME)

of ______________________________ (FULL ADDRESS)

another member of the Company or failing him/her

______________________________ (NAME)

of ______________________________ (FULL ADDRESS)

another member of the Company as my/our proxy to attend and vote for me /us and on my/our behalf at the 22nd Annual General Meeting of the Company to be held at Company's Registered Office, 8.8 K.M. Sheikhupura Road, Lahore on October 30, 2014 at 4:30 p.m. and at every adjournment thereof.

Signed this ______________ day of ______________ 2014

(Signature on
Five Rupees
Revenue Stamp)

(Signature should agree with 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 Regional Office, 8.8 K. M., Sheikhupura Road, Lahore, not less than 48 hours before the time of holding the meeting.

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