Annual Report 2015

MEL

MILLAT EQUIPMENT LIMITED

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Management

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 benefiting all stake holders.

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
Sohail Bashir Rana

COMPANY SECRETARY

Mian Muhammad Saleem

CHIEF FINANCIAL OFFICER

Mudassar Siddique - ACA

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISORS

Mujtaba Jamal Law Associates
Advocate & Legal Consultants

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

WEBSITE
www.millatgears.com

EMAIL ADDRESS
info@millatgears.com

PLANT SITE
10-K.M. Raiwind Road, Lahore

PRINCIPAL BANKERS
Habib Bank Limited
MCB Bank Limited
United Bank Limited
Faysal Bank Limited
Meezan Bank Limited

Notice of Annual General Meeting

Notice is hereby given that 23rd 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 Tuesday, October 27, 2015 at 12:30 p.m. to transact the following business:

A. ORDINARY BUSINESS

1) To confirm minutes of Extra Ordinary General Meeting held on June 30, 2015.

2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' Reports thereon.

3) To approve final cash dividend of Rs. 8.00 per share i.e. 80% in addition to the interim dividend of Rs. 5.00 per share i.e. 50% already paid making a total cash dividend of Rs. 13.00 per share i.e. 130%.

4) To appoint auditors and fix their remuneration for the year ending June 30, 2016.

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 06, 2015

NOTES

1. The share transfer books of the Company will remain closed from October 20, 2015 to October 27, 2015 (both days inclusive) and no transfer will be accepted during this period. Transfers received, complete in all respect by the close of business on October 19, 2015 will be considered in time for the purpose of payment of final cash dividend and for the purpose of attending and voting at the meeting.

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 at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting. A proxy must be a member of the Company.

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 K.M. 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 No. 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 through Finance Act, 2015 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 12.5%
(b) For non-filers of income tax returns 17.5%

To enable the Company to make tax deduction on the amount of cash dividend @12.5% instead of 17.5%, 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 @17.5% instead of 12.5%.

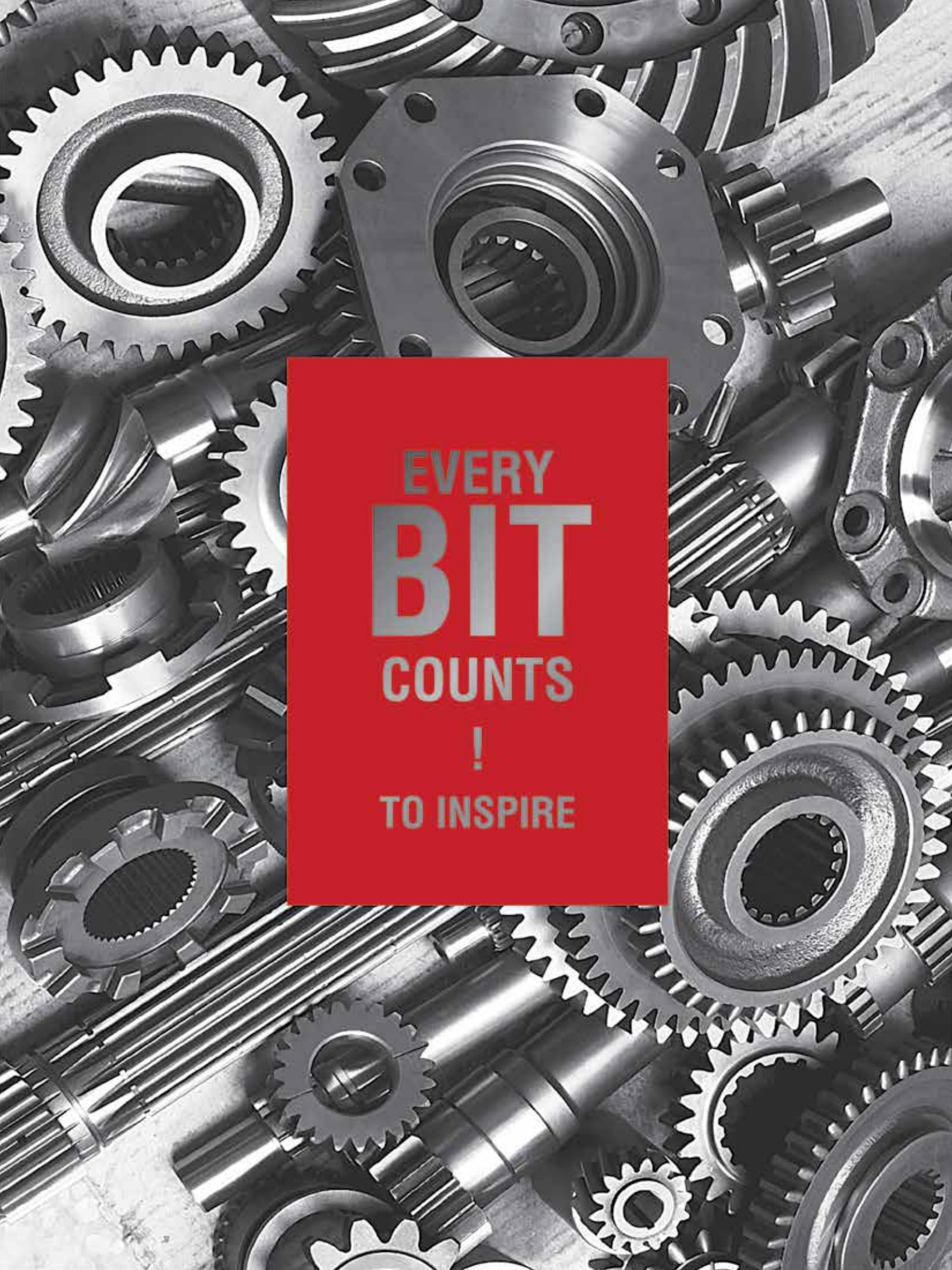
For shareholders holding their shares jointly, as per the clarification issued by the Federal Board of Revenue, withholding tax will be determined separately on 'Filer/Non-Filer' status of principal shareholder as well as joint holder(s) based on their shareholding proportions, in case of joint accounts. 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 of the Company, 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 K.M. Raiwind Road, Lahore. Phone: +92-42-111-200-787, e-mail address: info@millatgears.com, Fax: +92-42-35322714.

6. The Securities and Exchange Commission of Pakistan vide SRO 787(1)/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.


EVERY
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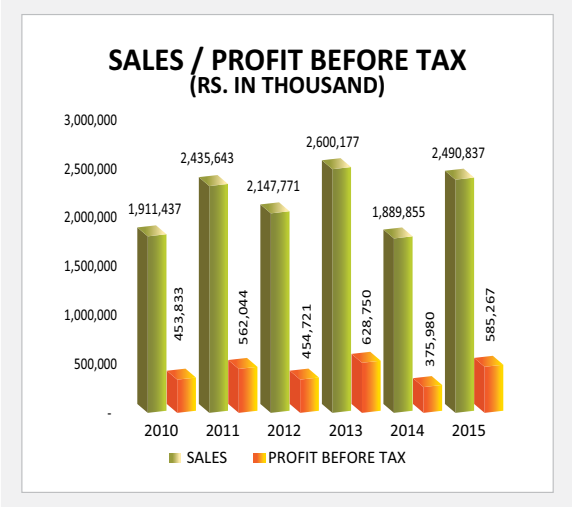
COUNTS
!
TO INSPIRE

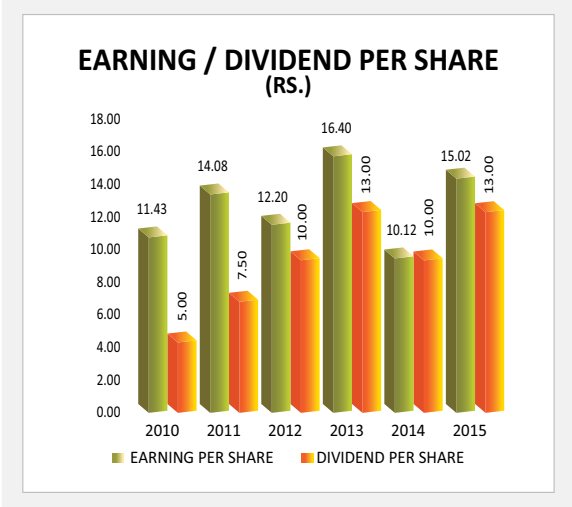
Six Years at a Glance

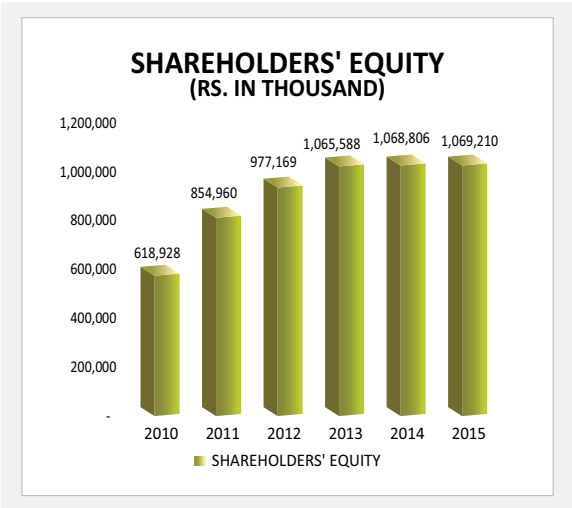
(Rupees in thousand)

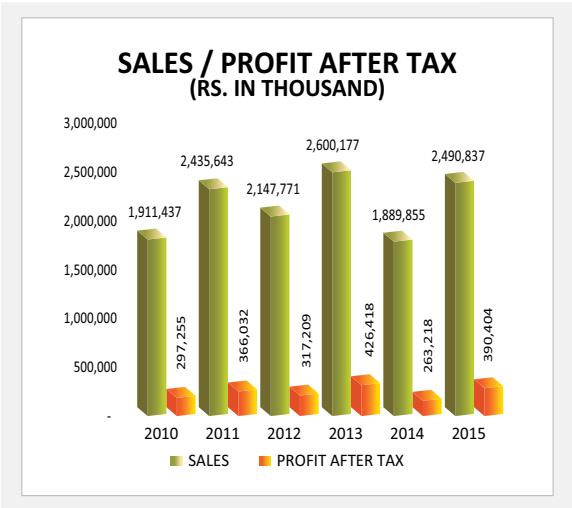
Trading Results		2015	2014	2013	2012	2011	2010
Sales-Net		2,490,837	1,889,855	2,600,177	2,147,771	2,435,643	1,911,437
Gross profit		663,050	444,802	708,869	548,443	669,065	571,152
Operating profit		560,846	363,252	610,179	467,305	584,175	493,767
Profit / (Loss) before tax		585,267	375,980	628,750	454,721	562,044	453,833
Net profit / (Loss) after tax		390,404	263,218	426,418	317,209	366,032	297,255
Balance sheet							
Share capital		260,000	260,000	260,000	260,000	260,000	260,000
Reserves		809,210	808,806	805,588	717,169	594,960	358,928
Property, plant and equipment		526,874	559,660	549,356	549,382	585,014	539,036
Non current assets		3,969	3,705	3,556	3,571	3,794	3,825
Long term liabilities		3,948	3,736	3,188	2,523	2,337	81,519
Deferred liabilities		72,037	81,817	81,993	94,400	102,178	105,885
Investor Information							
Sales growth	%	32	(27)	21	(12)	27	63
Gross profit growth	%	49	(37)	29	(18)	17	105
Pre-tax profit growth	%	56	(40)	38	(19)	24	218
Net profit after tax growth	%	48	(38)	34	(13)	23	217
Gross profit ratio	%	27	24	27	26	27	30
Operating profit ratio	%	23	19	23	22	24	26
Profit before tax ratio	%	23	20	24	21	23	24
Profit after tax ratio	%	16	14	16	15	15	16
Return on capital employed	%	55	36	59	49	67	57
Inventory turnover	Times	8.89	5.21	8.05	5.27	6.20	3.50
Total assets turnover	Times	1.80	1.27	1.66	1.61	1.86	1.44
Fixed assets turnover	Times	4.69	3.35	4.70	3.88	4.14	3.52
Return on assets	%	28.28	17.70	27.17	23.85	27.90	22.37
Long term debts: Equity ratio		-	-	-	-	-	30 : 100
Current ratio		3.61 : 1	2.78 : 1	2.43 : 1	3.04 : 1	2.00 : 1	1.50 : 1
Financial charges coverage	Times	350.22	37.18	261.81	18.36	19.31	9.99
Pay out							
Dividend Rs. per share	Rs.	13.00	10.00	13.00	10.00	7.50	5.00
Earning per share (after tax)	Rs.	15.02	10.12	16.40	12.20	14.08	11.43
Breakup value	Rs.	41.12	41.11	40.98	37.58	32.88	23.80
Return on equity	%	36.51	24.63	40.24	32.46	42.81	48.03
Dividend cover	%	86.55	98.78	79.27	81.96	53.27	43.73

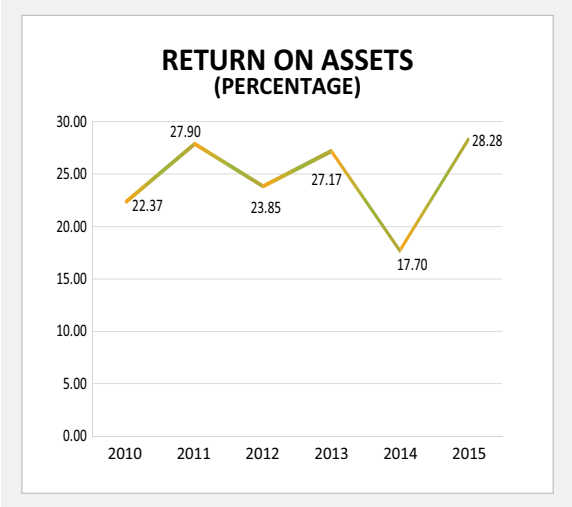
Six Years Financial Performance

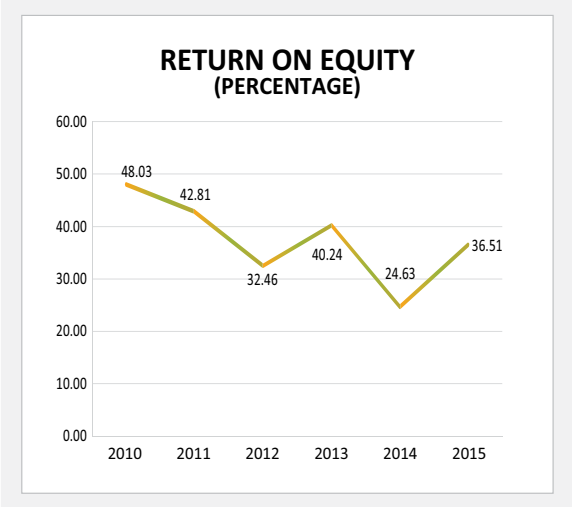












Directors' Report to the Shareholders
for the Year Ended June 30, 2015

The Directors feel pleasure in presenting their 23rd Annual Report together with the Audited Accounts of the Company for the year ended June 30, 2015.

ACCOUNTS / APPROPRIATIONS

Financial results for the year are as follows:

Accumulated profit brought forward	Rs. 808,805,881/-
Profit before Taxation for the year	Rs. 585,266,867/-
Less: Dividend (Year 2014 @ 100%)	Rs. 260,000,000/-
Less: Interim Dividend (Year 2015 @ 50%)	Rs. 130,000,000/-
Less: Current Taxation	Rs. 194,862,892/-
Appropriations	Rs. -
Profit carried forward	Rs. 809,209,856/-

Your Directors recommended payment of cash dividend @ Rs. 8.00 per share (80%) in addition to interim dividend of Rs. 5.00 per share (50%) already paid.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2015 is annexed.

EARNING PER SHARE

The earning per share for the year was Rs. 15.02 compared to a per share profit of Rs.10.12 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 and Syed Muhammad Irfan Aqueel were elected in the Extra Ordinary General Meeting held on June 30, 2015.

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)	3
Mr. Sohail Bashir Rana	4
Mr. Latif Khalid Hashmi	3
Mr. Laeeq Uddin Ansari	3
Mian Muhammad Saleem	4
Mr. Ahsan Imran Shaikh	4
Syed Muhammad Irfan Aqueel	4

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

BOARD AUDIT COMMITTEE

After election of directors on June 30, 2015, the audit committee was reconstituted (with new terms of reference) by the Board in its 69th meeting held on July 01, 2015. The audit committee comprises of the following directors:

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

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, 2016. 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 140 numbers of employees as on June 30, 2015 compared to 137 employees as on June 30, 2014.

SUBSEQUENT EVENTS

No material changes or commitments affecting 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.

Annual Naat Competition

Corporate Social Responsibility

I. CORPORATE PHILANTHROPY

The Company has not contributed towards corporate philanthropy.

II. ENERGY CONSERVATION

The Company is implementing recommendations of energy audit in a phased manner which includes replacement of old lights with energy efficient LEDs, automation of furnace burners and implementation of SCADA systems over air compressors and furnaces to monitor and control efficient usage of energy. A detailed energy conservation policy has already been adopted. 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 contributed an amount of Rs. 351,270 towards welfare.

Annual Dinner

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.

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. 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.

Annual Inter Departmental Cricket Tournament

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 NATIONAL EXCHEQUER

Millat Equipment Limited has contributed Rs. 341 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:
August 20, 2015

To develop the Company on sound technical and financial footings with better productivity


THOME

Pattern of Shareholding

as at June 30, 2015

No. of Shareholders	Size of Holding		Total Shares Held
	From	To	
50	1	1000	33,267
26	1001	2000	44,021
36	2001	3000	100,416
60	3001	4000	210,250
51	4001	5000	241,584
79	5001	10000	602,150
23	10001	15000	292,088
22	15001	20000	395,737
8	20001	25000	175,650
16	25001	30000	458,200
4	30001	35000	132,750
8	35001	40000	302,279
6	40001	45000	261,600
5	45001	50000	241,950
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
2	150001	200000	344,850
4	200001	300000	923,901
2	300001	700000	977,851
4	700001	1905000	6,862,954
1	1905001	11700000	11,699,993
428		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	0.50
	Mrs. Qurat ul Ain	1	3,700.00	0.01
2	NIT and IDBP (ICP UNIT)	-	-	-
3	Executives / Workers	5	56,850.00	0.22
4	Associated Companies, Undertakings & related parties	1	11,699,993.00	45.00
5	Public Sector Companies & Corporations	-	-	-
6	Banks, Development Financial Institution, Non-Banking	-	-	-
7	Shareholders holding 10% or more	-	-	-
8	General Public - Local	414	6,545,902.00	25.18
9	Others			
	Joint Stock Companies	-	-	-
	Trust	-	-	-
	Non-Resident Company	-	-	-
	Others	-	-	-
	Total	428	26,000,000.00	100.00

Financial Statements

for the Year Ended June 30, 2015

Auditors' Report to the Members

We have audited the annexed balance sheet of Millat Equipment Limited as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:
   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   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, 2015 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.

A.F. Ferguson & Co.
Chartered Accountants
Name of engagement partner: Hammad Ali Ahmad
Lahore: August 20, 2015

BALANCE SHEET
AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
30,000,000 (2014: 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 (2014: 26,000,000) ordinary shares			
of Rs. 10 each fully paid in cash	5	260,000,000	260,000,000
Unappropriated profit		809,209,856	808,805,881
		1,069,209,856	1,068,805,881
NON-CURRENT LIABILITIES			
Long term advances	6	3,947,891	3,736,136
Deferred taxation	7	72,036,859	81,816,664
		75,984,750	85,552,800
CURRENT LIABILITIES			
Accumulating compensated absences	8	12,957,405	9,909,838
Trade and other payables	9	181,092,686	293,798,191
Mark-up accrued on secured loans		194,447	190,795
Short term borrowings - secured	10	-	28,841,933
Provision for income tax		41,283,494	-
		235,528,032	332,740,757
CONTINGENCIES AND COMMITMENTS	11		
		1,380,722,638	1,487,099,438

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

Chief Executive

	Note	2015 Rupees	2014 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	526,873,686	559,659,964
Intangible assets	13	450,883	186,355
Long term deposits	14	3,518,330	3,518,330
		530,842,899	563,364,649
CURRENT ASSETS			
Stores, spares and loose tools	15	146,306,591	155,686,515
Stock in trade	16	280,161,721	362,499,723
Trade debts	17	136,590,718	149,637,259
Loans, advances and short term prepayments	18	53,120,343	22,276,569
Taxation-net		-	26,675,626
Short term investments	19	201,038,759	201,613,433
Cash and bank balances	20	32,661,607	5,345,664
		849,879,739	923,734,789
		1,380,722,638	1,487,099,438

Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
Sales	21	2,490,837,191	1,889,855,067
Cost of sales	22	(1,827,787,475)	(1,445,053,437)
Gross profit		663,049,716	444,801,630
Selling and distribution expenses	23	(4,961,388)	(5,101,823)
Administrative expenses	24	(54,031,577)	(48,712,847)
Other operating expenses	25	(43,210,581)	(27,734,674)
Operating profit		560,846,170	363,252,286
Finance cost	26	(1,675,940)	(10,391,211)
Other income	27	26,096,637	23,118,673
Profit before tax		585,266,867	375,979,748
Taxation	28	(194,862,892)	(112,761,368)
Profit after tax		390,403,975	263,218,380
Earnings per share - basic	30	15.02	10.12

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, 2015

	2015 Rupees	2014 Rupees
Profit for the year	390,403,975	263,218,380
Other comprehensive income	-	-
Total comprehensive income for the year	390,403,975	263,218,380

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, 2015

	Share capital	Unappropriated Profit	Total
	Rupees		
Balance as on July 01, 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
Final dividend for the year ended June 30, 2014 (Rs. 10 per share)	-	(260,000,000)	(260,000,000)
Interim dividend for the year ended June 30, 2015 (Rs. 5 per share)	-	(130,000,000)	(130,000,000)
Total comprehensive income for the year	-	390,403,975	390,403,975
Balance as on June 30, 2015	260,000,000	809,209,856	1,069,209,856

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, 2015

	Note	2015 Rupees	2014 Rupees
Cash flows from operating activities			
Cash generated from operations	29	594,222,583	399,192,294
Employee benefits paid		(2,886)	(64,425)
Finance cost paid		(1,672,287)	(10,241,746)
Taxes paid		(144,355,946)	(183,535,539)
Net cash inflow from operating activities		448,191,464	205,350,584
Cash flows from investing activities			
Purchase of property, plant and equipment		(17,508,823)	(66,472,651)
Purchase of intangible assets		(345,000)	(191,360)
Proceeds from sale of property, plant and equipment		1,294,302	5,610,862
Profit on bank deposits received		1,384,857	842,095
Investments made during the year		(627,905,958)	(250,000,000)
Investments disposed off during the year		640,322,457	308,110,533
Net cash outflow from investing activities		(2,758,165)	(2,100,521)
Cash flows from financing activities			
Dividend paid		(389,487,178)	(259,513,056)
Increase in long term advances		211,755	548,009
Net cash used in financing activities		(389,275,423)	(258,965,047)
Net increase / (decrease) in cash and cash equivalents		56,157,876	(55,714,984)
Cash and cash equivalents at the beginning of the year		(23,496,269)	32,218,715
Cash and cash equivalents at the end of the year	29.1	32,661,607	(23,496,269)

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, 2015

1 Legal status and nature of business

Millat Equipment Limited, the Company, 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

Standards or Interpretation	Effective Date (accounting periods beginning on or after)
IAS 32 (Amendment), 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities.	January 1, 2014
IAS 24 (Amendment), 'Related parties'	July 1, 2014

2.2.2 Standards, amendments and interpretations to existing standards effective in current year but not applicable / relevant to the Company's operations

Standards or Interpretation	Effective Date (accounting periods beginning on or after)
IFRIC 21, 'Levies'	January 1, 2014
IAS 39 (Amendment), 'Financial Instruments: Recognition and measurement' on novation of derivatives and hedge accounting	January 1, 2014
Annual improvements 2012; IFRS 2, 'Share-based payment'. IFRS 3, 'Business combinations'. IFRS 8, 'Operating segments'. IFRS 13, 'Fair value measurement'. IAS 16, 'Property, plant and equipment'. IAS 38, 'Intangible assets'	July 1, 2014
Annual improvements 2013; IFRS 1, 'First time adoption'. IFRS 3, 'Business combinations'. IFRS 13, 'Fair value measurement'. IAS 40, 'Investment property'	July 1, 2014

2.2.3 Standards, amendments and interpretation to existing standards that are not yet effective but applicable / relevant to the Company's operations

	Effective Date (accounting periods beginning on or after)
IFRS 13, 'Fair Value Measurement'	January 1, 2015
Disclosure Initiative - Amendments to IAS 1, 'Presentation of Financial Statements'	January 1, 2016
IFRS 15, 'Revenue from Contracts with Customers'	January 1, 2017
IFRS 9, 'Financial Instruments'	January 1, 2018
Annual Improvements to IFRSs 2012-2014 Cycle: IAS 19, 'Employee Benefits'	January 1, 2016

2.2.4 Standards, amendments and interpretations to existing standards that are not yet effective and not applicable / relevant to the Company's operations

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the companies having accounting periods beginning on or after July 01, 2015 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.

4.3 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 profit & loss account.

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

2015	2014		2015	2014
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.

	Note	2015 Rupees	2014 Rupees
7 Deferred taxation			
The liability for deferred taxation comprises temporary differences relating to:			
- Accelerated tax depreciation and amortization		76,041,954	85,054,328
- Accumulating compensated absences		(4,005,095)	(3,237,664)
		72,036,859	81,816,664
8 Accumulating compensated absences			
Opening balance as on July 01		9,909,838	8,360,378
Provision for the year		3,050,453	1,613,885
		12,960,291	9,974,263
Less: Payments made during the year		(2,886)	(64,425)
Closing balance as on June 30		12,957,405	9,909,838
9 Trade and other payables			
Trade creditors	9.1	108,373,198	245,542,761
Accrued and other liabilities		20,044,250	17,042,128
Advances from customers	9.2	2,522,059	2,606,560
Withholding tax payable		333	3,798
Retention money payable		70,732	139,445
Sales tax payable		5,355,987	-
Unclaimed dividend		1,562,722	1,049,900
Workers' profit participation fund	9.3	30,806,002	19,788,408
Workers' welfare fund		12,357,403	7,625,191
		181,092,686	293,798,191

9.1 Trade creditors include amount of Rs. 2,269,602 (2014: Rs. 32,371,737) due to related parties.

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

9.3 Workers' profit participation fund

Opening balance	19,788,408	33,752,394
Provision for the year	30,806,002	19,788,408
	50,594,410	53,540,802
Less: Payments made during the year	(19,788,408)	(33,752,394)
	30,806,002	19,788,408

10 Short term borrowings - secured

Short term borrowings available from commercial banks under mark-up arrangements amount to Rs. 800 million (2014: Rs. 800 million). The rates of mark-up on short term borrowings range from 7.23% to 10.83% per annum (2014: 9.41% to 10.84%) on the balance outstanding and mark-up is payable quarterly.

Of the aggregate facility of Rs. 500 million (2014: Rs. 500 million) for opening of letters of credit, the amount utilized at June 30, 2015 was Rs. 27.155 million (2014: Rs. 8.275 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 (2014: Rs. 6,633,100).

11.2 Commitments

Commitments in respect of outstanding letters of credit amount to Rs. 21,389,563 (2014: Rs. 8,960,726).

		Note	2015 Rupees	2014 Rupees
12	Property, plant and equipment			
	Operating property, plant and equipment	12.1	523,101,907	556,597,948
	Capital work in progress	12.2	2,657,288	2,657,288
	Major stores, spares and loose tools			
	(classified as tools and equipment)	12.3	1,114,491	404,728
			526,873,686	559,659,964

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, 2015									
Opening 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
Additions (at cost)	-	-	2,509,975	1,563,813	466,688	7,801,465	503,320	4,252,500	17,097,761
Disposals (at NBV)	-	-	-	-	-	-	-	(1,294,302)	(1,294,302)
Depreciation charge	-	(4,595,437)	(29,393,065)	(2,999,431)	(877,635)	(6,124,258)	(1,078,940)	(4,230,734)	(49,299,500)
Closing net book value (NBV)	87,109,570	87,313,296	266,535,068	12,972,958	2,196,932	38,322,042	9,929,351	18,722,690	523,101,907
Gross carrying value basis									
As at June 30, 2015									
Cost	87,109,570	135,220,953	547,727,375	60,838,293	9,812,723	84,746,192	22,002,724	35,629,935	983,087,765
Accumulated depreciation	-	(47,907,657)	(281,192,307)	(47,865,335)	(7,615,791)	(46,424,150)	(12,073,373)	(16,907,245)	(459,985,858)
Net book value (NBV)	87,109,570	87,313,296	266,535,068	12,972,958	2,196,932	38,322,042	9,929,351	18,722,690	523,101,907
Depreciation rate % per annum		5%	10%	10% - 20%	20% - 33%	15%	10%	20%	
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%	

		Note	2015 Rupees	2014 Rupees
12.1.1	Depreciation charge for the year has been allocated as follows:			
	Cost of sales	22	43,112,191	43,468,607
	Administrative expenses	24	6,187,309	6,781,393
			49,299,500	50,250,000
12.2	Capital work in progress			
	Movement in capital work in progress (plant and machinery) is as follows:			
	Opening balance		2,657,288	6,044,801
	Additions during the year		-	-
	Capitalized during the year		-	(1,361,576)
	Disposals during the year		-	(2,025,937)
			2,657,288	2,657,288
12.3	Major stores, spares and loose tools			
	Opening balance		404,728	325,901
	Additions during the year		7,234,780	7,372,483
	Transfers-in during the year		298,701	-
	Capitalized during the year		(6,823,718)	(7,293,656)
			1,114,491	404,728

13 Intangible assets - computer software

	Rupees
Net Carrying Value Basis Year ended June 30, 2015	
Opening net book value (NBV)	186,355
Additions (at cost)	345,000
Amortization charge	(80,472)
Closing net book value (NBV)	450,883
Gross Carrying Value basis As at June 30, 2015	
Cost	686,109
Accumulated amortization	(235,226)
Net book value (NBV)	450,883
Amortization rate (%) per annum	33%
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%

		Note	2015 Rupees	2014 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		145,976,091	155,492,434
	Spares and loose tools		330,500	194,081
			146,306,591	155,686,515
16	Stock in trade			
	Raw materials		74,698,426	142,472,367
	Work in process	16.1	131,244,725	129,159,156
	Finished goods		74,218,570	90,868,200
			280,161,721	362,499,723
16.1	This includes work in process amounting to Rs. 17,683,677 (2014: Rs. 23,228,779) held with third parties.			
17	Trade debts - considered good			
	Secured		18,015,755	15,400,774
	Unsecured			
	Related parties	17.1	118,489,857	134,149,459
	Others		85,106	87,026
			136,590,718	149,637,259

17.1 This represents amount due from Millat Tractors Limited, an associated undertaking, out of which an amount of Rs. 2,771,642 (2014: 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	2015 Rupees	2014 Rupees
18	Loans, advances and short term prepayments			
	Advances - considered good:			
	Advance to suppliers		51,111,151	17,731,624
	Advance to employees			
	Chief executive		164	349,650
	Executives		520,413	244,716
	Non-executives		874,681	225,483
			1,395,258	819,849
	Sales tax recoverable		-	3,264,294
	Prepaid insurance		613,934	460,802
			53,120,343	22,276,569
19	Short term investments			
	Held for trading investments	19.1	201,038,759	201,613,433
19.1	Breakup of investments is as follows:			

	2015	No of Units 2014		
MCB Cash Management				
Optimizer	999,834	1,008,497	100,000,000	100,000,000
ABL Cash Fund	-	5,013,487	-	50,000,000
HBL Money Market Fund	-	503,432	-	50,000,000
ABL Government				
Securities Fund	10,063,023	-	100,905,958	-
Total Cost	11,062,857	6,525,416	200,905,958	200,000,000
Unrealized gain				
on remeasurement			132,801	1,613,433
	11,062,857	6,525,416	201,038,759	201,613,433

20	Cash and bank balances			
	Cash at banks			
	- Current accounts		31,443,532	1,121,116
	- Saving accounts		412,257	3,121,583
	- Dividend accounts		783,681	1,049,843
			32,639,470	5,292,542
	Cash in hand		22,137	53,122
			32,661,607	5,345,664

20.1 Rate of return on saving accounts ranges from 5% to 8% (2014: 7.8% to 8.2%).

		Note	2015 Rupees	2014 Rupees
21	Sales			
	Gross sales			
	- Local		2,829,472,673	2,120,271,975
	- Export		72,484,479	76,774,404
			2,901,957,152	2,197,046,379
	Less: Sales tax		(411,119,961)	(307,191,312)
	Net sales		2,490,837,191	1,889,855,067
22	Cost of sales			
	Raw material consumed		1,190,059,261	915,795,580
	Salaries, wages and amenities	22.1	271,604,564	224,577,218
	Fuel and power		131,453,121	130,441,791
	Stores, spares and loose tools consumed		55,185,091	61,588,456
	Oil and lubricants		35,934,363	30,813,735
	Repair and maintenance		54,836,728	52,372,004
	Depreciation	12.1	43,112,191	43,468,607
	Amortization	13	80,472	36,806
	Insurance		6,307,451	5,812,275
	Packing material consumed		6,322,660	2,512,943
	Travelling and conveyance		5,073,652	5,038,763
	Other direct expenses		13,253,860	12,690,912
			1,813,223,414	1,485,149,090
	Opening work in process		129,159,156	119,633,318
	Closing work in process		(131,244,725)	(129,159,156)
			(2,085,569)	(9,525,838)
	Cost of goods manufactured		1,811,137,845	1,475,623,252
	Opening finished goods		90,868,200	60,298,385
	Closing finished goods		(74,218,570)	(90,868,200)
			16,649,630	(30,569,815)
	Cost of sales		1,827,787,475	1,445,053,437

22.1 This includes an amount of Rs. 3,024,078 (2014: Rs. 2,534,790) in respect of contribution towards provident fund.

		Note	2015 Rupees	2014 Rupees
23	Selling and distribution expenses			
	Carriage and freight		4,961,388	5,101,823
24	Administrative expenses			
	Salaries and amenities	24.1	35,363,530	30,803,920
	Rent, rates and taxes		396,323	348,358
	Fee and subscription		409,532	239,050
	Entertainment		141,581	271,451
	Postage		211,063	255,154
	Fuel and power		1,327,809	1,317,594
	Communication		804,253	947,916
	Traveling and conveyance		2,200,760	1,876,453
	Printing, stationery and office supplies		1,023,156	849,927
	Insurance		1,444,516	1,319,240
	Repair and maintenance		535,867	404,360
	Legal and professional		1,548,664	1,835,360
	Auditors' remuneration		573,520	500,000
	Depreciation	12.1	6,187,309	6,781,393
	Advertisement		392,753	650,710
	Others		1,470,941	311,961
			54,031,577	48,712,847

24.1 This includes an amount of Rs. 882,424 (2014: Rs. 916,468) in respect of contribution towards provident fund.

25	Other operating expenses			
	Workers' profit participation fund	9.3	30,806,002	19,788,408
	Workers' welfare fund		12,404,579	7,638,637
	Loss on disposal of property, plant and equipment		-	307,629
			43,210,581	27,734,674
26	Finance cost			
	Mark-up on short term borrowings			
	from local banks - secured		1,136,713	9,613,417
	Bank charges and commission		539,227	777,794
			1,675,940	10,391,211

		Note	2015 Rupees	2014 Rupees
27	Other income			
	Income from financial assets			
	Return on bank deposits		1,384,857	842,095
	Gain on financial assets at fair value through profit or loss			
	Realized		11,709,024	8,064,942
	Un-realized		132,801	1,613,433
			11,841,825	9,678,375
	Exchange gain - net		123,193	603,743
			13,349,875	11,124,213
	Income from assets other than financial assets			
	Scrap sales		10,334,172	10,562,736
	Others		2,412,590	1,431,724
			12,746,762	11,994,460
			26,096,637	23,118,673
28	Taxation			
	Current tax			
	- For the year	28.1	203,598,094	112,480,683
	- Prior years		1,044,603	456,526
			204,642,697	112,937,209
	Deferred tax		(9,779,805)	(175,841)
			194,862,892	112,761,368

28.1 Current tax includes tax expense of Rs. 17,662,352 pertaining to one time Super Tax which has been levied at the rate of 3% for the year 2015 on all the companies having taxable income of Rs. 500 million or above through amendments introduced in the Income Tax Ordinance, 2001 via Finance Act, 2015.

		2015 %	2014 %
28.2	Tax charge reconciliation		
	Numerical reconciliation between the average effective tax rate and the applicable tax rate:		
	Applicable tax rate	33.00%	34.00%
	Tax effect of amounts that are:		
	Effect on opening deferred taxes of reduction in tax rate	-0.42%	-
	Tax effect of super tax	3.02%	-
	Tax effect under presumptive tax regime and others	-2.30%	-4.01%
		0.29%	-4.01%
	Average effective tax rate charged to profit and loss account	33.29%	29.99%

		Note	2015 Rupees	2014 Rupees
29	Cash generated from operations			
	Profit before tax		585,266,867	375,979,748
	Adjustments for:			
	Depreciation of property, plant and equipment		49,299,500	50,250,000
	Amortization of intangible assets		80,472	36,806
	Gain on short term investments		(11,841,825)	(9,678,375)
	Provision for accumulating compensated absences		3,050,453	1,613,885
	Finance cost		1,675,940	10,391,211
	Return on bank deposits		(1,384,857)	(842,095)
	Long term deposits written off		-	5,514
	Loss / (gain) on disposal of property, plant and equipment		-	307,629
	Profit before working capital changes		626,146,550	428,064,323
	Effect of cash flow due to working capital changes:			
	Decrease / (Increase) in stores, spares and loose tools		9,081,223	(16,099,015)
	Decrease / (Increase) in stock in trade		82,338,002	(39,503,190)
	Decrease in trade debts		13,046,541	84,899,473
	Decrease / (Increase) in loans, advances			
	and short term prepayments		(30,843,774)	15,136,618
	(Decrease) in trade and other payables		(105,545,959)	(73,305,915)
			(31,923,967)	(28,872,029)
			594,222,583	399,192,294
29.1	Cash and cash equivalents			
	Cash and bank balances	20	32,661,607	5,345,664
	Short term borrowings - secured	10	-	(28,841,933)
			32,661,607	(23,496,269)

			2015	2014
30	Earnings per share - basic			
	Net profit for the year	Rupees	390,403,975	263,218,380
	Weighted average number of ordinary shares	Number	26,000,000	26,000,000
	Earnings per share	Rupees	15.02	10.12

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	
	2015	2014	2015	2014
	----------Rupees----------			
Remuneration	6,722,170	5,882,497	6,213,810	6,803,880
Medical	274,752	261,962	288,738	382,075
Reimbursable benefits	1,200,030	1,472,115	1,188,652	1,255,288
Bonus and leave fare assistance	176,886	164,545	1,717,215	2,244,052
Contribution to provident fund	-	-	437,266	472,409
Utilities	484,708	511,577	570,014	539,496
	8,858,546	8,292,696	10,415,695	11,697,200
Number of persons	1	1	3	3

Key Management Personnel includes Chief Financial Officer (CFO) and two Deputy General Managers (DGM). 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	2015 Rupees	2014 Rupees
Associated Companies	Sale of goods	2,417,572,729	1,811,685,945
	Purchase of services	11,761,159	5,218,622
	Purchase of components	35,599,332	88,543,780
Provident fund trust	Contributions made during the year	3,906,502	3,451,258

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

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.

	2015	2014
Trade debts - USD	177,498	156,672
Net exposure - USD	177,498	156,672
Average rate	101.74	102.89
Reporting date rate	102.55	98.75

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. 902,950 (2014: Rs. 773,570) 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	
	2015 Rupees	2014 Rupees
Floating rate instruments		
Financial assets		
Cash at bank - saving accounts	412,257	3,121,583
Financial liabilities		
Short term borrowings - secured	-	28,841,933
Net exposure	412,257	(25,720,350)

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. 4,123 (2014: Rs. 257,204) 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:

	2015 Rupees	2014 Rupees
Long term deposits	3,518,330	3,518,330
Trade debts	136,590,718	149,637,259
Advances	1,395,258	819,849
Bank balances	32,639,470	5,292,542
	174,143,776	159,267,980
The trade debts as at the balance sheet date are classified as follows:		
Domestic	118,574,963	134,236,485
Foreign	18,015,755	15,400,774
	136,590,718	149,637,259

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					
	Neither past due nor impaired	0-30 Days	31-60 Days	61-90 Days	91-180 Days	More than 180 Days	Total
	Rupees						
2015							
	-	133,733,970	-	-	-	2,856,748	136,590,718
2014							
	105,393,911	12,650,218	-	-	-	31,593,130	149,637,259

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			2015	2014
	Short term	Long term	Rating Agency	Rupees	Rupees
Banks					
Faysal Bank Limited	A1+	AA	PACRA	412,257	3,121,583
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	292,095	419,343
JS Bank Limited	A1	A+	PACRA	4,182	4,513
Meezan Bank Limited	A-1+	AA	JCR-VIS	461,027	252,266
Habib Bank Limited	A-1+	AAA	JCR-VIS	460,713	9,130
United Bank Limited	A-1+	AA+	JCR-VIS	30,470,857	1,111,686
Bank Al Habib Limited	A1+	AA+	PACRA	393,349	241,014
MCB Bank Limited	A1+	AAA	PACRA	144,990	133,007
				32,639,470	5,292,542

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, 2015, the Company had Rs. 800 million (2014: Rs. 800 million) available borrowing limit from financial institutions and Rs. 32.418 million (2014: Rs. 5.346 million) cash and bank balances. Short term investments as on June 30, 2015 amounted to Rs. 201.038 million (2014: Rs. 201.613 million).

The following are the contractual maturities of financial liabilities as at June 30, 2015:

	Carrying amount	Less than one year	One to five years	More than five years
	Rupees			
Trade and other payables	181,092,686	170,014,627	11,078,059	-
Mark-up accrued on secured loans	194,447	194,447	-	-
Short term borrowings	-	-	-	-
	181,287,133	170,209,074	11,078,059	-
The following are the contractual maturities of financial liabilities as at June 30, 2014:				
Trade and other payables	293,798,191	286,770,792	7,027,399	-
Mark-up accrued on secured loans	190,795	190,795	-	-
Short term borrowings	28,841,933	28,841,933	-	-
	322,830,919	315,803,520	7,027,399	-

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, 2015. 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, 2015.

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, 2015			
Long term deposits	-	3,518,330	3,518,330
Trade debts	-	136,590,718	136,590,718
Loans and advances	-	1,395,258	1,395,258
Short term investments	201,038,759	-	201,038,759
Cash and bank balances	-	32,661,607	32,661,607
	201,038,759	174,165,913	375,204,672
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

	Rupees
Financial liabilities at amortized cost as on June 30, 2015	
Mark-up accrued on secured loans	194,447
Trade and other payables	181,092,686
	181,287,133
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

33.4 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. 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:

	2015 Rupees	2014 Rupees
Short term borrowings	-	28,841,933
Less: Cash and bank balances	(32,661,607)	(5,345,664)
Net debt	(32,661,607)	23,496,269
Share capital	260,000,000	260,000,000
Reserves	809,209,856	808,805,881
Equity	1,069,209,856	1,068,805,881
Total equity and liability	1,036,548,249	1,092,302,150
Gearing ratio	0.00%	2.15%

	2015	2014
34 Number of employees		
Total number of permanent employees as on June 30	140	137
Average number of permanent employees during the year	138	137

35 Provident fund trust

35.1 The salient information of the fund is as follows:

	2015 Rupees	2014 Rupees
Size of the fund	43,238,027	32,119,598
Cost of investment made	26,257,148	23,973,068
Percentage of investment made	60.73%	74.64%
Fair value of investment	33,018,227	27,540,816

35.2 Breakup of investment

	2015 Rupees	2014 Rupees	2015 % of total fund	2014 % of total fund
Listed securities (mutual funds)	15,462,856	13,262,856	35.76%	41.29%
Certificates of investments in scheduled banks	10,794,292	10,710,212	24.96%	33.34%

The figures for 2015 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 August 20, 2015 has announced a final cash dividend in respect of the year ended June 30, 2015 of Rs. 8 per share (2014: 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 August 20, 2015 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

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 23rd Annual General Meeting of the Company to be held at Company's Registered Office, 8.8 K.M. Sheikhupura Road, Lahore on October 27, 2015 at 12:30 p.m. and at every adjournment thereof.

Signed this_____ day of_____ 2015

(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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