Karachi Tools, Dies and Moulds Centre

Financial Statements
For the year ended June 30, 2017

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21-3454 1314

www.deloitte.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Karachi Tools, Dies and Moulds Centre (the Company)** as at June 30, 2017 and the related income and expenditure account, cash flow statement and the statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

(i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the surplus, its cash flows and changes in equity for the year then ended; and

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

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

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Date: 10 NOV 2017
Karachi:

Member of
Deloitte Touche Tohmatsu Limited

KARACHI TOOLS, DIES AND MOULDS CENTRE

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

BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
Non - current assets			
Property, plant and equipment	4	252,931,236	262,546,611
Intangibles	5	223,981	335,969
Long term security deposits		1,103,999	1,134,445
Current assets			
Stores, spares and loose tools	6	21,183,900	21,271,115
Stock-in-trade	7	10,855,002	10,135,907
Trade debts	8	27,678,582	45,599,398
Advances		4,774,261	388,415
Short term prepayments		478,670	428,976
Interest accrued		1,019,420	669,904
Tax refund due from Government	9	39,073,243	30,464,240
Cash and bank balances	10	129,919,155	100,139,280
		234,982,233	209,097,235
Total assets		489,241,449	473,114,260
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital 50,000,000 (2016:50,000,000) ordinary shares of Rs. 10/-each		500,000,000	500,000,000
Issued, subscribed and paid-up capital 49,425,000 (2016: 49,425,000) ordinary shares of Rs. 10/- each fully paid in cash		494,250,000	494,250,000
Accumulated deficit		(15,864,096)	(38,451,058)
		478,385,904	455,798,942
Current liabilities			
Trade and other payables	11	10,855,545	17,315,318
Total equity and liabilities		489,241,449	473,114,260
CONTINGENCIES AND COMMITMENTS	12		

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

KARACHI TOOLS, DIES AND MOULDS CENTRE

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

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
INCOME			
Revenue from:			
Manufacturing	13	125,658,730	125,161,136
Toll Manufacturing	14	1,742,000	886,000
Heat treatment	15	3,848,790	3,739,930
Training		7,602,175	7,375,310
Reverse engineering		620,500	1,374,000
		139,472,195	138,536,376
Other income	16	6,745,080	6,479,803
		146,217,275	145,016,179
EXPENDITURE			
Direct cost	17	100,949,452	117,986,702
Administrative expenses	18	22,680,861	19,741,004
		123,630,313	137,727,706
Surplus for the year		22,586,962	7,288,473
Other comprehensive income		-	-
Total comprehensive income for the year		22,586,962	7,288,473

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

KARACHI TOOLS, DIES AND MOULDS CENTRE

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	26,527,100	7,994,629
Long term deposits paid		30,446	-
Net cash generated from operating activities		26,557,546	7,994,629
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(2,849,492)	(4,620,594)
Proceeds from disposal of property, plant and equipment		167,103	500,960
Profit received on bank deposits and saving accounts		5,904,718	6,070,741
Net cash generated from investing activities		3,222,329	1,951,107
Net increase in cash and cash equivalents		29,779,875	9,945,736
Cash and cash equivalent at beginning of the year		100,139,280	90,193,544
Cash and cash equivalent at end of the year	10	129,919,155	100,139,280

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

KARACHI TOOLS, DIES AND MOULDS CENTRE

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	Share capital	Accumulated deficit	Total
	<-------------	Rupees -------------	>
Balance at June 30, 2015	494,250,000	(45,739,531)	448,510,469
Total comprehensive income for the year			
Surplus for the year	-	7,288,473	7,288,473
Other comprehensive income	-	-	-
	-	7,288,473	7,288,473
Balance at June 30, 2016	494,250,000	(38,451,058)	455,798,942
Total comprehensive income for the year			
Surplus for the year	-	22,586,962	22,586,962
Other comprehensive income	-	-	-
	-	22,586,962	22,586,962
Balance at June 30, 2017	**494,250,000**	**(15,864,096)**	**478,385,904**

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

1. LEGAL STATUS AND NATURE OF OPERATIONS

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the requirements of the repealed Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the Accounting Standard for Not for Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the repealed Companies Ordinance, 1984. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

During the year, the Companies Act, 2017 (the new Companies Act) was enacted and promulgated by the SECP on May 30, 2017. However, SECP has notified through Circular No. 17 of July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the Company shall prepare the financial statements for periods closing after June 30, 2017 in accordance with the provisions of the new Companies Act. The Company is currently in process of determining impact, if any, on future financial statements due to implementation of the Act.

2.2 Accounting Convention

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

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

2.3 Critical accounting estimates and judgments

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

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

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

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

2.4 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2017

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016

Certain annual improvements have also been made to a number of IFRSs.

2.4.1 New accounting standards / amendments and IFRS interpretations that are not yet effective

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

	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018

MA

	Effective from accounting period beginning on or after:
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

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

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

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

24A

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

3.1.1 Capital work-in-progress

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

3.2 Intangibles

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

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

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

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

3.3 Impairment of assets

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

3.4 Stores, spares and loose tools

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

3.5 Stock in trade

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

Raw material is valued at weighted average cost basis.

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

D4A

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

3.6 Trade debts and other receivables

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

3.7 Provisions

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

3.8 Cash and cash equivalents

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

3.9 Trade and other payables

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

3.10 Taxation

The Company has been approved as a non-profit organization under section 2(36)(c) of the Income Tax Ordinance, 2001. The Company is allowed tax credit equal to 100% of the tax payable including minimum tax and final taxes, under section 100C of the Income Tax Ordinance, 2001. The managment intends to avail a tax credit equal to 100% of the tax payable. Accordingly, no tax charge has been recorded in the financial statements.

3.11 Financial instruments

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

3.12 Off-setting of financial assets and financial liabilities

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

3.13 Revenue recognition

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

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

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

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

3.14 Foreign currency transactions and translations

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

	Note	2017 Rupees	2016 Rupees
4. PROPERTY PLANT AND EQUIPMENT			
Property plant and equipment	4.1	252,866,186	262,500,185
Capital work in progress		65,050	46,426
		252,931,236	262,546,611

NUA

4.1 Property, plant and equipment

	Buildings	Plant and machinery	Furniture and fittings	Vehicles	Office equipment	Computer and data processing equipment	Electronic and electrical equipment	Total
			Rupees					
At July 01, 2015								
Cost	105,264,569	230,989,912	7,453,831	7,932,888	1,326,593	8,762,903	10,788,483	372,519,179
Accumulated depreciation	(13,596,377)	(64,347,247)	(6,289,332)	(4,272,415)	(465,486)	(7,561,378)	(4,806,163)	(101,338,398)
Net book amount	91,668,192	166,642,665	1,164,499	3,660,473	861,107	1,201,525	5,982,320	271,180,781
Year ended June 2016								
Opening net book amount	91,668,192	166,642,665	1,164,499	3,660,473	861,107	1,201,525	5,982,320	271,180,781
Additions	-	2,844,872	272,685	-	63,000	273,760	1,119,851	4,574,168
Disposals								
Cost	-	-	64,268	-	63,290	34,000	379,522	541,080
Accumulated Depreciation	-	-	(64,268)	-	(4,836)	(34,000)	(114,945)	(218,049)
	-	-	-	-	58,454	-	264,577	323,031
Depreciation charge	1,833,334	8,462,644	397,740	732,096	86,803	770,565	648,551	12,931,733
Closing net book amount	89,834,858	161,024,893	1,039,444	2,928,377	778,850	704,720	6,189,043	262,500,185
At July 01, 2016								
Cost	105,264,569	233,834,784	7,662,248	7,932,888	1,326,303	9,002,663	11,528,812	376,552,267
Accumulated depreciation	(15,429,711)	(72,809,891)	(6,622,804)	(5,004,511)	(547,453)	(8,297,943)	(5,339,769)	(114,052,082)
Net book amount	89,834,858	161,024,893	1,039,444	2,928,377	778,850	704,720	6,189,043	262,500,185
Year ended June 2017								
Opening net book amount	89,834,858	161,024,893	1,039,444	2,928,377	778,850	704,720	6,189,043	262,500,185
Additions	-	157,500	312,197	1,105,730	15,500	790,605	449,336	2,830,868
Disposals								
Cost	-	-	169,145	120,000	36,421	2,796,238	321,790	3,443,594
Accumulated Depreciation	-	-	(169,145)	(50,570)	(23,549)	(2,796,238)	(169,105)	(3,208,607)
	-	-	-	69,430	12,872	-	152,685	234,987
Depreciation charge	1,796,669	8,056,557	357,071	662,855	78,177	645,307	633,244	12,229,880
Closing net book amount	88,038,189	153,125,836	994,570	3,301,822	703,301	850,018	5,852,450	252,866,186
At June 30, 2017								
Cost	105,264,569	233,992,284	7,805,300	8,918,618	1,305,382	6,997,030	11,656,358	375,939,541
Accumulated depreciation	(17,226,380)	(80,866,448)	(6,810,730)	(5,616,796)	(602,081)	(6,147,012)	(5,803,908)	(123,073,355)
Net book amount	88,038,189	153,125,836	994,570	3,301,822	703,301	850,018	5,852,450	252,866,186
Rate of depreciation (%)	2	5	15	20	10	33	10	

4.1.1 Depreciation for the year has been allocated as under

	Note	2017 Rupees	2016 Rupees
Manufacturing cost	17.1	5,965,498	6,181,602
Toll manufacturing cost	17.2	85,769	69,911
Heat treatment cost	17.3	1,661,423	1,762,883
Reverse engineering cost	17.4	514,631	562,691
Training cost	17.5	636,920	626,241
Other overheads	17.6	1,803,216	2,234,679
Administrative expenses	18	1,562,423	1,493,726
		12,229,880	12,931,733

5. INTANGIBLES

	Cost			Accumulated amortization				
	At July 01, 2016	Addition during the year	At June 30, 2017	At July 01, 2016	Charge for the year	At June 30, 2017	Carrying amount at June 30, 2017	Annual rate of amortization
	<- - - - - - - - - - - - -	- - - - - -	- - - - - -	Rupees	- - - - - -	- - - - - -	- - - - - - - - ->	%
Computer software	10,123,915	-	10,123,915	9,787,946	111,988	9,899,934	223,981	20
2016	10,123,915	-	10,123,915	9,669,248	118,698	9,787,946	335,969	20

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

	Note	2017 Rupees	2016 Rupees
Reverse engineering cost	17.4	**11,199**	11,199
Training cost	17.5	**55,994**	57,671
Other overheads	17.6	**33,596**	35,274
Administrative expenses	18	**11,199**	14,554
		111,988	118,698

AYA

		Note	2017 Rupees	2016 Rupees
6.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		4,791,782	4,835,726
	Loose tools		16,392,118	16,435,389
			21,183,900	21,271,115
7.	**STOCK-IN-TRADE**			
	Raw material		4,520,993	4,317,066
	Work in process		6,334,009	5,818,841
			10,855,002	10,135,907
8.	**TRADE DEBTS**			
	Unsecured - considered good		25,908,162	44,525,777
	- considered doubtful		658,343	203,009
	Fee receivable – considered good		1,770,420	1,073,621
	– considered doubtful		258,178	304,797
			28,595,103	46,107,204
	Provision for doubtful debts	8.1	(916,521)	(507,806)
			27,678,582	45,599,398

8.1 Provision for doubtful debts

	Note	2017 Rupees	2016 Rupees
Balance at July 1		507,806	752,621
Add: provision made	18	408,715	334,299
Less: doubtful debts written off		-	(579,114)
Balance at June 30		916,521	507,806

9. **TAX REFUND DUE FROM GOVERNMENT**

These balances are based on returns of income filed with tax authorities except for tax year 2017 for which return of income will be filed on or before December 31, 2017. The Company has applied for the tax refunds in respect of years prior to 2017.

10. **CASH AND BANK BALANCES**

	Note	2017 Rupees	2016 Rupees
Cash and cash equivalent			
- Term deposit receipts	10.1	99,400,000	84,400,000
- PLS saving accounts	10.2	30,368,155	15,588,280
- Current account		1,000	1,000
		129,769,155	99,989,280
Cash in hand		150,000	150,000
		129,919,155	100,139,280

10.1 These carry profit at rate ranging from 4.14% to 6.3% (2016: 5.5% to 6.3%) per annum have maturity of not more than three months.

10.2 These carry profit at rate ranging from 3.21% to 4.77% (2016: 2.4% to 5.88%) per annum.

AMA

	Note	2017 Rupees	2016 Rupees

11. TRADE AND OTHER PAYABLES

	Note	2017 Rupees	2016 Rupees
Creditors		910,362	519,020
Accrued liabilities		2,159,825	3,834,142
Advances from customers		2,661,169	5,523,232
Capital expenditure		3,858,203	3,791,483
Sales tax		1,141,484	3,553,410
Withholding tax		124,502	94,031
		10,855,545	17,315,318

12. CONTINGENCIES AND COMMITMENTS

The Company does not have any contingencies and commitments as at June 30, 2017 and June 30, 2016.

13. REVENUE FROM MANUFACTURING

	2017 Rupees	2016 Rupees
Sales	147,020,714	146,438,529
Less : Sales tax	(21,361,984)	(21,277,393)
	125,658,730	125,161,136

14. REVENUE FROM TOLL MANUFACTURING

	2017 Rupees	2016 Rupees
Sales	2,038,140	1,036,620
Less : Sales tax	(296,140)	(150,620)
	1,742,000	886,000

15. REVNENUE FROM HEAT TREATMENT

	2017 Rupees	2016 Rupees
Sales	4,503,084	4,375,718
Less : Sales tax	(654,294)	(635,788)
	3,848,790	3,739,930

16. OTHER INCOME

	Note	2017 Rupees	2016 Rupees
Income from financial assets			
Profit on bank deposits and saving accounts		6,254,234	5,904,441
Income from non-financial assets			
Proceed from disposal of scrap material		-	198,500
(Loss) / gain on disposal of fixed assets		(67,884)	177,929
Others	16.1	558,730	198,933
		6,745,080	6,479,803

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

AMA

17. DIRECT COSTS

	Note	2017 Rupees	2016 Rupees
Manufacturing	17.1	56,372,517	73,374,122
Toll manufacturing	17.2	315,560	238,228
Heat treatment	17.3	3,926,300	6,097,616
Reverse engineering	17.4	3,082,857	3,525,875
Training	17.5	11,095,625	9,517,968
Other overheads	17.6	26,156,593	25,232,893
		100,949,452	117,986,702

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

17.1 Manufacturing cost

	Note	2017 Rupees	2016 Rupees
Raw material consumed	17.1.1	27,201,278	30,788,841
Salaries and allowances		9,657,871	10,278,148
Depreciation	4.1	5,965,498	6,181,602
Utilities		3,213,593	3,973,470
Heat treatment		3,306,124	4,082,707
Repairs and maintenance		2,808,594	3,077,857
Tooling		3,557,574	3,929,651
Outsourced manufacturing		1,051,830	6,083,470
Insurance		125,323	135,165
Total manufacturing cost		56,887,685	68,530,911
Add : Opening stock - work-in-process		5,818,841	10,662,052
Less: Closing stock - work-in-process	7	(6,334,009)	(5,818,841)
Cost of goods manufactured		56,372,517	73,374,122

17.1.1 Raw material consumed

	Note	2017 Rupees	2016 Rupees
Opening stock		4,317,066	4,609,817
Purchases during the year		27,405,205	30,496,090
		31,722,271	35,105,907
Less: closing stock	7	(4,520,993)	(4,317,066)
Raw materials consumed during the year		27,201,278	30,788,841

17.2 Toll manufacturing cost

	Note	2017 Rupees	2016 Rupees
Salaries and allowances		90,347	39,874
Depreciation	4.1	85,769	69,911
Utilities		40,863	39,537
Repairs and maintenance		51,831	37,190
Tooling		45,281	50,555
Insurance		1,469	1,161
		315,560	238,228

ALA

17.3 Heat treatment cost

	Note	2017 Rupees	2016 Rupees
Salaries and allowances		1,018,532	1,003,746
Depreciation	4.1	1,661,423	1,762,883
Stores and spares consumables		578,034	601,954
Utilities		138,480	460,300
Repairs and maintenance		259,572	1,971,175
Insurance		76,049	58,405
Rental charges		105,551	101,203
Office expenses		75,343	71,001
Vehicles running		12,139	36,223
Others		1,177	30,726
		3,926,300	6,097,616

17.4 Reverse engineering cost

	Note	2017 Rupees	2016 Rupees
Salaries and allowances		1,821,007	1,927,607
Depreciation	4.1	514,631	562,691
Utilities		356,882	479,886
Repairs and maintenance		104,715	231,806
Vehicles running		71,952	101,714
Tooling		46,175	45,039
Outsourced manufacturing		-	10,800
Insurance		50,185	50,140
Office expenses		85,114	75,284
Printing and stationery		20,042	26,143
Amortization	5.1	11,199	11,199
Others		955	3,566
		3,082,857	3,525,875

MYA

	Note	2017 Rupees	2016 Rupees
17.5 Training cost			
Salaries and allowances		6,530,884	5,336,621
Utilities		713,137	879,919
Depreciation	4.1	636,920	626,241
Office expenses		204,769	216,407
Repairs and maintenance		727,954	518,775
Visiting faculty charges		491,500	324,639
Vehicles running		221,862	257,417
Fees and subscription		352,425	296,448
Transport facility for students		270,250	285,000
Advertisement		189,580	239,606
Traveling and conveyance		73,500	52,220
Material and tooling		73,537	143,038
Insurance		139,971	111,368
Research and Development		292,794	39,335
Amortization	5.1	55,994	57,671
Entertainment		19,635	55,061
Printing and stationery		72,646	66,006
Others		28,267	12,196
		11,095,625	9,517,968

	Note	2017 Rupees	2016 Rupees
17.6 Other overheads			
Salaries and allowances		16,974,099	15,432,177
Depreciation	4.1	1,803,216	2,234,679
Stores and spares consumables		274,530	383,398
Repairs and maintenance		2,617,868	2,639,734
Consultancy charges		658,110	232,912
Vehicles running		619,698	914,731
Office expenses		911,091	852,570
Insurance		963,739	796,627
Utilities		733,194	760,790
Other overheads		9,900	61,556
Traveling and conveyance		255,162	481,220
Advertisement		57,291	96,119
Amortization	5.1	33,596	35,274
Printing and stationery		93,282	86,553
Entertainment		112,608	106,098
Postage and courier		39,209	39,234
Janitorial services		-	79,221
		26,156,593	25,232,893

MYA

18. ADMINISTRATIVE EXPENSES

	Note	2017 Rupees	2016 Rupees
Salaries and allowances		12,996,653	10,869,776
Directors fee		435,000	-
Depreciation	4.1	1,562,423	1,493,726
Utilities		1,223,402	1,478,678
Repairs and maintenance		550,672	640,060
Janitorial services		1,230,298	997,082
Security		992,800	952,600
Vehicles running		350,662	399,327
Office expense		693,469	635,196
Provision for bad debts	8.1	408,715	334,299
Insurance		378,240	324,426
Traveling and conveyance		389,124	383,211
Postage and courier		252,167	329,499
Fees and subscription		72,533	36,552
Legal and professional		308,400	240,200
Printing and stationery		142,573	125,145
Auditors' remuneration		271,315	214,250
Entertainment		122,436	106,746
Advertisement		272,595	146,840
Amortization	5.1	11,199	14,554
Others		16,185	18,837
		22,680,861	19,741,004

19. CASH USED IN OPERATIONS

	Note	2017 Rupees	2016 Rupees
Surplus for the year		22,586,962	7,288,473
Adjustments for:			
Depreciation on property, plant and equipment	4	12,229,880	12,931,733
Provision against doubtful debts	8.1	408,715	334,299
Amortization	5	111,988	118,698
Loss / (gain) on sale of property, plant and equipment		67,884	(177,929)
Profit on bank deposits		(6,254,234)	(5,904,441)
		6,564,233	7,302,360
		29,151,195	14,590,833
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		87,215	(2,493,679)
Stock in trade		(719,095)	5,135,962
Trade debts		17,512,101	155,009
Advances		(4,385,846)	1,853,733
Tax refund due from Government		(8,609,003)	(7,702,081)
Short term prepayments		(49,694)	(137,336)
		3,835,678	(3,188,392)
(Decrease) in current liabilities			
Trade and other payables		(6,459,773)	(3,407,812)
Cash generated from operations		26,527,100	7,994,629

D4A

20. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive	Key Executives	Chief Executive	Key Executives
	June 30, 2017		June 30, 2016	
	Rupees		Rupees	
Remuneration	798,863	13,185,346	2,649,600	10,029,288
House rent allowance	279,602	4,614,871	927,360	3,510,251
Utilities	119,829	1,977,802	397,440	1,504,393
	1,198,294	19,778,019	3,974,400	15,043,932
No. of person (s)	1	22	1	18

21. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets		
Loans and receivable		
Security deposits	1,103,999	1,134,445
Trade debts	27,678,582	45,599,398
Interest accrued	1,019,420	669,904
Cash and bank balances	129,919,155	100,139,280
	159,721,156	147,543,027
Financial liabilities		
At amortized cost		
Creditors	910,362	519,020
Accrued liabilities	2,159,825	3,834,142
Capital expenditure	3,858,203	3,791,483
	6,928,390	8,144,645

22. FINANCIAL RISK MANAGEMENT

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

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

22.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur financial loss. Total financial assets of Rs. 159,721,156 (2016: Rs. 147,543,027) are subject to credit risk. The Company is exposed to credit risk mainly on short term investments, trade debts and bank balances.

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

	2017		2016	
	Gross	Impairment	Gross	Impairment
	Rupees			
Not past due	17,591,379	-	32,815,600	-
Past due 1 - 60 days	2,891,720	-	544,101	-
Past due 61 days - 1 year	4,289,073	-	11,168,082	-
More than one year	3,822,931	916,521	1,579,421	(507,806)
	28,595,103	916,521	46,107,204	(507,806)

MA

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

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

22.2 Liquidity risk management

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

22.3 Market risk management

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

22.3.1 Interest rate risk management

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

If interest rates would have been higher / lower by 50 basis points and all other variables remain constant, the Company's surplus for the year ended June 30, 2017 would decrease / increase by Rs, 1,148,782 (2016: 950,154).

22.3.2 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has no foreign currency financial instruments therefore is not exposed to the risk of changes in foreign exchange rates.

22.3.3 Equity price risk managem

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

DMA

22.4 Determination of fair values

Fair value of financial instruments

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

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

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

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

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

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

23. TRANSACTIONS WITH RELATED PARTIES

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

Name of related party and relationship with the Company	Nature of transaction	2017 Rupees	2016 Rupees
Directors fee	Fee paid for attending meetings of the Company	435,000	-

24. NUMBER OF EMPLOYEES

Total number of employees at the year end was 89 (2016 : 83). Average number of employees during the year was 86 (2016: 76).

25. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 10 NOV 2017 by the Board of Directors of the Company.

26. GENERAL

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

CHIEF EXECUTIVE OFFICER

DIRECTOR