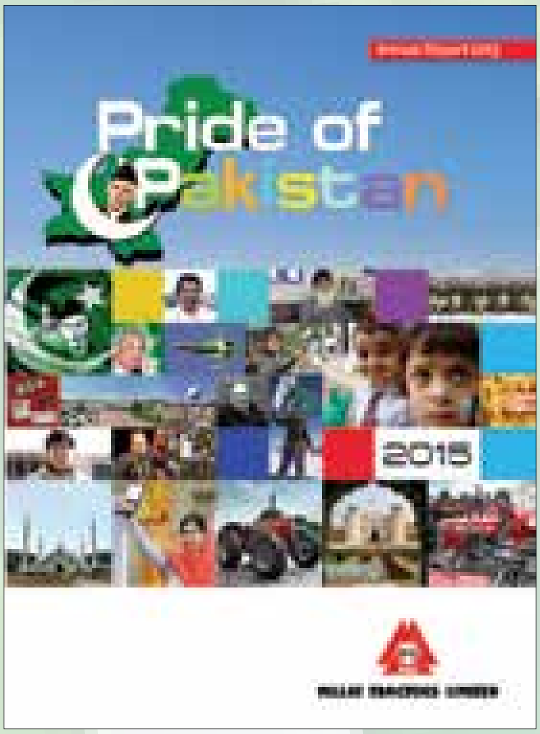
Annual Report 2015

Pride of Pakistan

MILLAT TRACTORS LIMITED

Cover Concept



Pride of Pakistan

It takes a moment to piece together an idea, a few decades to apply it and see it bloom – but a whole lifetime to turn it into a thriving organization that is bent to serve the nation.

Such is the story of Millat Tractors Limited; for over fifty years the company has strived to put its values to practice, boosting food production and delivering products that are consistent with the evolution of the tractor manufacturing industry of Pakistan.

On the cover of this year's annual report, MTL pays homage to all the visionaries who have helped put Pakistan on the map towards progress and development. Much like MTL, the successes of these individuals are anchored in their beliefs of integrity and passion – which have helped them become the "Pride of Pakistan".

Financial Highlights

Item	Unit	2015	2014
Sales Revenue	Rs. in Million	22,938	16,590
Profit After Tax	Rs. in Million	2,382	1,482
Number of Outsanding Shares	(000's)	44,293	44,293
Earnings per Share- Basic and Diluted	Rs.	53.79	33.46
Dividend	Rs. / Share	52.50	40.00
Dividend Payout Ratio	Percentage	97.60	119.56
Long Term Investments	Rs. in Million	370	346
Total Assets	Rs. in Million	7,709	7,018
Shareholders Equity	Rs. in Million	4,711	4,488
Return on Capital Employed	Percentage	51.27	33.33
Current Ratio	Times	2.1:1	2.17:1
Debt : Equity	Times	0:100	0:100
Martket Capitalization (Year End)	Rs. in Million	30,377	22,108
Martket Capitalization (Year End)	US $ in Million	299	224
Price to Earning Ratio	Times	12.75	14.92
Net Assets per Share	Rs.	106.37	101.32

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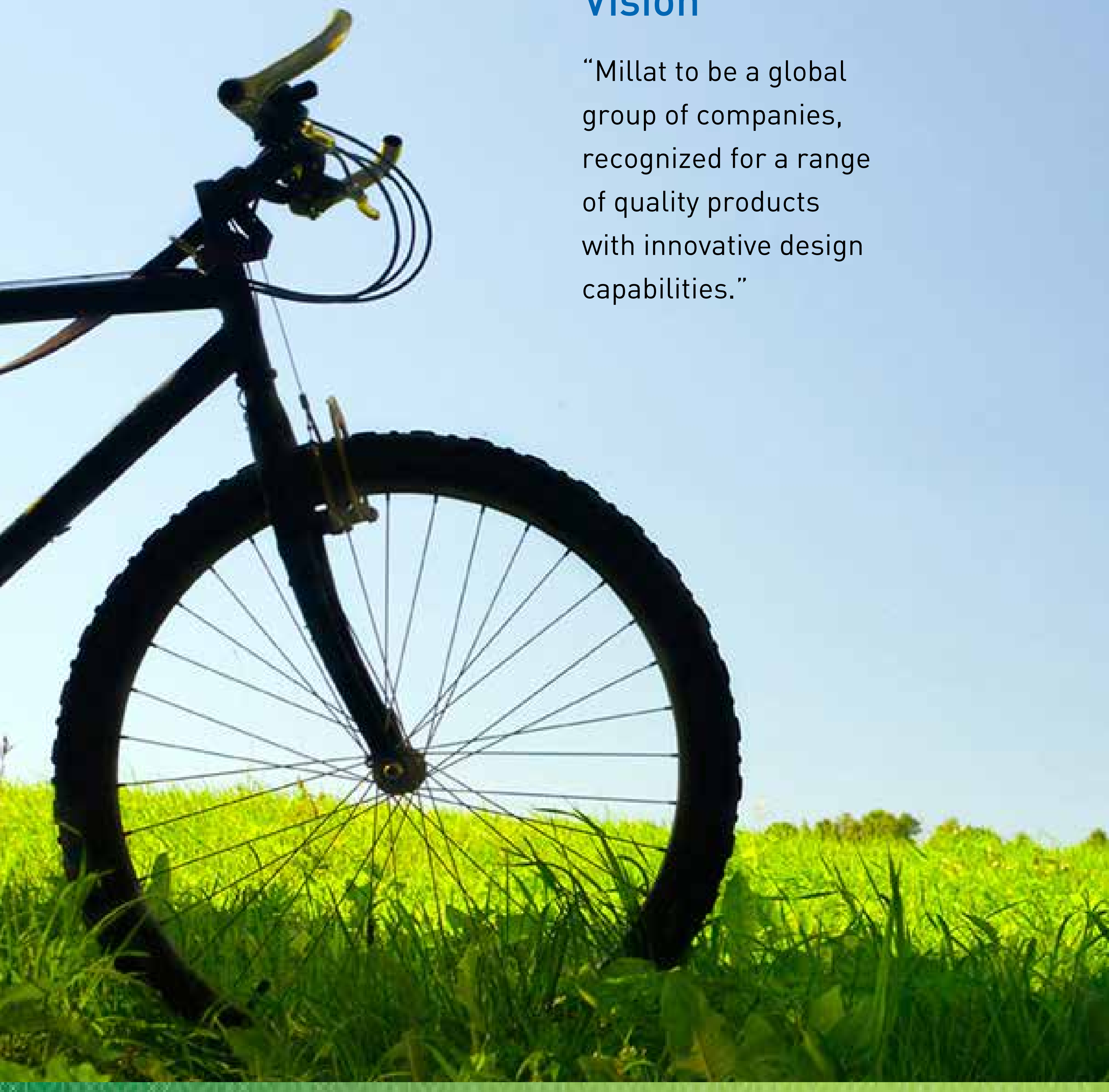
Vision & Mission Statement

Vision

“Millat to be a global group of companies, recognized for a range of quality products with innovative design capabilities.”



Mission

"To be market leader in agricultural tractors and machinery, building company's image through innovation and competitiveness, grow by expanding market and investing into group companies, ensuring satisfaction to customer and stakeholders and to fulfill social obligations."

Corporate Information

BOARD OF DIRECTORS

Chairman
Mr. Sikandar Mustafa Khan

Chief Executive
Syed Muhammad Irfan Aqueel

Mr. Latif Khalid Hashmi
Mr. Sohail Bashir Rana
Mr. Laeeq Uddin Ansari
Mian Muhammad Saleem
Syed Zubair Ahmed Shah (NIT Nominee)
Mr. Saad Iqbal

Company Secretary
Mian Muhammad Saleem

Chief Financial Officer
Mr. Sohail Ahmed Nisar

Auditors
M/s. Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

Legal Advisors
Mujtaba Jamal Law Associates (MJLA)

Akhtar Ali & Associates

Ch. Law Associates Inn

Company Share Registrars
M/s. Hameed Majeed Associates (Pvt.) Ltd.,
1st Floor, H.M. House, 7-Bank Square, Lahore.
Tel: 042-37235081-82
Fax: 042-37358817
E-mail: shares@hmaconsultants.com

Bankers
Bank Alfalah Ltd.
Habib Bank Ltd.
MCB Bank Ltd.
Standard Chartered Bank
United Bank Ltd.
Allied Bank Ltd.
Meezan Bank Ltd.

Registered Office and Plant
Sheikhupura Road, Distt. Sheikhupura.
Tel: 042-37911021-25, UAN: 111-200-786
Fax: 042-37924166, 37925835
Website: www.millat.com.pk
E-mail: info@millat.com.pk

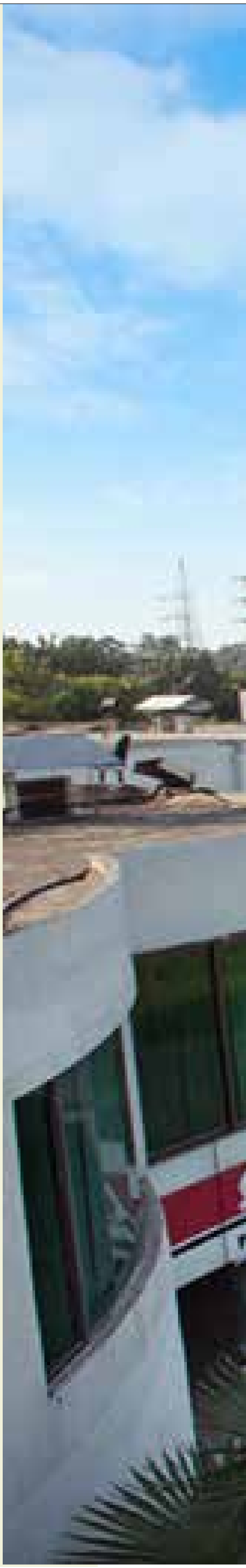
REGIONAL OFFICES

Karachi
3-A, Faiyaz Centre, Sindhi Muslim
Co-operative Housing Society,
Tel: 021-34553752, UAN: 111-200-786
Fax: 021-34556321

Multan Cantt.
Garden Town, (Daulatabad), Shershah Road,
Tel: 061-6537371, Fax: 061-6539271

Islamabad
H. No. 22, St. No. 41, Sector F-6/1,
Tel: 051-2271470, UAN: 111-200-786
Fax: 051-2270693

Sukkur
A-3, Professor Housing Society,
Shikarpur Road,
Tel: 071-5633042, Fax: 071-5633187



Board Committees

AUDIT COMMITTEE

1.	Syed Zubair Ahmed Shah	Chairman
2.	Mr. Latif Khalid Hashmi	Member
3.	Mr. Sohail Bashir Rana	Member
4.	Mr. Saad Iqbal	Member

The terms of reference of the Audit Committee are as follows :

i) To recommend to the Board of Directors, the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the Company in addition to audit of financial statements.

ii) determination of appropriate measures to safeguard the Company's assets;

iii) review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
- major judgmental areas;
- significant adjustments resulting from the audit;
- the going concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards;
- compliance with listing regulations and other statutory and regulatory requirements; and
- significant related party transactions.

iv) review of preliminary announcements of results prior to publication;

v) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

vi) review of management letter issued by external auditors and management's response thereto;

vii) ensuring co-ordination between the internal and external auditors of the Company;

viii) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

ix) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;

x) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

xi) review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;

xii) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;

xiii) determination of compliance with relevant statutory requirements;

xiv) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

xv) consideration of any other issue or matter as may be assigned by the Board of Directors.

HUMAN RESOURCE AND REMUNERATION COMMITTEE (HR & R)

1.	Mr. Sikandar Mustafa Khan	Chairman
2.	Mr. Latif Khalid Hashmi	Member
3.	Mr. Sohail Bashir Rana	Member

Board Committees

The terms of reference of HR&R committee are as follows:

i) recommending human resource management policies to the Board;

ii) recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;

iii) recommending to the Board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and

iv) consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

DIRECTORS' REMUNERATION COMMITTEE

1.	Mr. Sikandar Mustafa Khan	Chairman
2.	Mr. Sohail Bashir Rana	Member
3.	Mr. Latif Khalid Hashmi	Member
4.	Syed Zubair Ahmed Shah	Member

The duties of the Remuneration Committee are as follows:

i) to make recommendations to the Board.

ii) to determine the specific remuneration packages of directors and, including, without limitation, base salaries, deferred compensation, stock options and any benefits in kind, pension rights and incentive payments and any compensation payable for loss or termination of their office or appointment, and to make recommendation to the Board on the remuneration of directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment, responsibilities of the directors and employment conditions elsewhere in the group and in the market and desirability of performance-based remuneration; while considering remuneration of individual Director, his qualification, experience, field of specialization if any, exposure on company Boards and commitment etc shall form basis of remuneration package.

iii) to review and recommend compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

iv) to ensure that no director or any of his associates is involved in determining his own remuneration;

FINANCE COMMITTEE

1.	Mr. Latif Khalid Hashmi	Chairman
2.	Mr. Laeeq Uddin Ansari	Member
3.	Syed M. Irfan Aqueel	Member
4.	Mian Muhammad Saleem	Member

The terms of reference of the Finance Committee are as follows:

i) Product(s) pricing including tractors:
ii) Investment/disinvestment of funds:
iii) Capital Expenditure:
iv) Review Budget proposals prior to finalization.
v) Approval of Travelling Abroad up to Executive Grade
vi) Retainership (approval and fixation of compensation).
vii) Any matter(s) brought to the notice of committee for consideration.

The Chairman of Board shall monitor functioning of the Comitee.

MARKETING COMMITTEE

1.	Mr. Sohail Bashir Rana	Chairman
2.	Syed M. Irfan Aqueel	Member
3.	Mian Muhammad Saleem	Member
4.	Mr. Muhammad Akram	Member

The terms of reference of the Marketing Committee are as follows:

i) Formulation of sales/marketing strategy.
ii) Appointment/termination of dealers including agreements.
iii) Allowing commission /discounts.
iv) Introducing of incentive schemes.
v) Other matters relating to sales & marketing.

The Chairman of Board shall monitor functioning of the Committee.

Management Committees & their terms of reference

1. Board Committee for Group Supervision

Mr. Sikandar Mustafa Khan	Chairman
Mr. Latif Khalid Hashmi	Member
Mr. Sohail Bashir Rana	Member
Mr. Laeeq Uddin Ansari	Member
Mian Muhammad Saleem	Member

The Board Committee for Group Supervision is responsible for reviewing over all business performance,major projects including new investment of group companies.

2. Business Development & Review Committee

Chief Executive	Chairman
G.M Production	Member
G.M Marketing	Member
CFO	Member

The Business Development Committee is responsible for preparing a plan for the future growth, expansion and new projects of the Company and shall forward the recommendations to the Board's Committee for group supervision.

3. Business Strategy Committee

Chief Executive	Chairman
CFO	Member
GM Marketing	Member

The Business Strategy Committee is responsible for preparing the strategic plan and execution/implementation of the decisions of Board's Committee for group supervision.

4. Management Co-ordination Committee

Chief Executive	Chairman
All department Heads	Member
CFO	Member

The Management Co-ordination Committee plays an active participative role in all operational and functional activities of the business to achieve targets and formulates strategies to ensure greater depth in decision making on important issues.

5. Systems & Technology Committee

GM IT	Chairman
CFO	Member

The Systems & Technology Committee is responsible for developing and implementing an IT strategy for the Company. The Committee oversees the automation of processes and systems in line with latest technology. The Committee is also responsible for development of contingency and disaster recovery plan.

6. Safety Committee

GM, Admin	Chairman
Sr. Mgr. Production	Member
DGM Service	Member
DGM Maintenance	Member

The Safety Committee reviews and monitors Company safety practices. It oversees the safety planning function of the Company and is responsible for safety training and awareness initiatives.

7. Risk Management Committee

CFO	Chairman
GM Engineering	Member
GM Marketing	Member

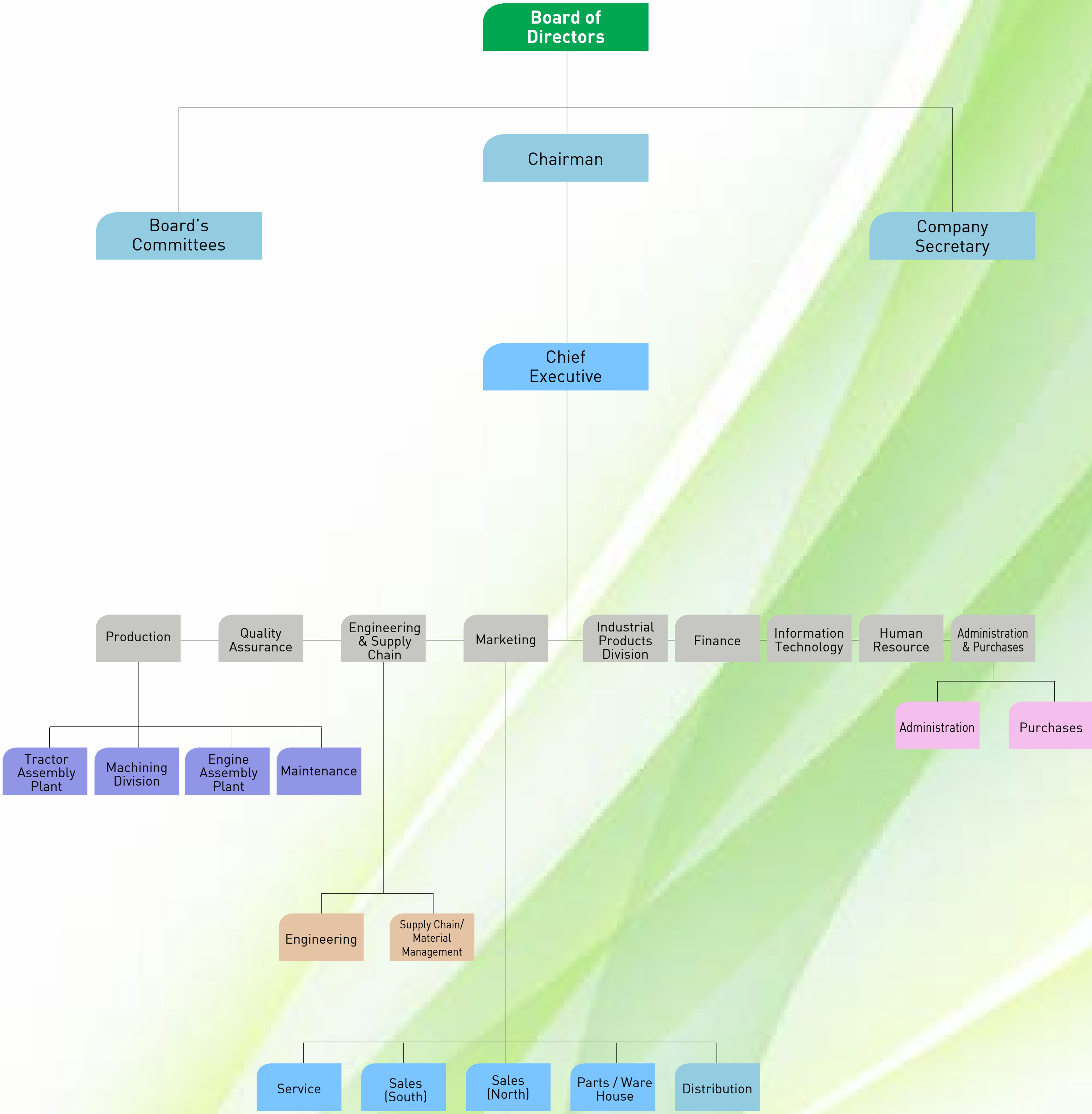
The Risk Management Committee is responsible for ensuring that procedures to identify and continuously update risks are in place. The Committee oversees the process of assessment of the possible impact and likelihood of occurrence of identified risks. The committee is also responsible for formulating a risk management response to effectively address and manage risks.

8. Environmental Committee

GM Admin	Chairman
Sr. Manager Admin	Member

The Environmental Committee is responsible to ensure environment friendly operations, products and services. It establishes objectives & targets for continual improvement in resource conservation by waste control and safe operating practices. It promotes environmental awareness to all employees and community.

Organization Structure



Objectives & Strategic Planning

OBJECTIVES

Constantly endeavour to be market leader in terms of market share and technology pace-setters in areas of operations and to continuously improve efficiency and competitive strength. To offer customers quality products and support services at competitive prices and to their satisfaction.

By continuously improving performance, aim to generate earnings sufficient to ensure a secure future for the Company and to protect and increase shareholders' return. To enhance creativity and job satisfaction, provide employees opportunity for personal development. Be an integral part of national economy with a strong sense of responsibility to society and the environment.

STRATEGIC PLANNING

To make optimum use of ancillary industry in Pakistan to maximize indigenization of tractor parts and farm equipment. To create in-house plant facilities for manufacture of components for tractors and other agricultural machinery which cannot be fabricated by the ancillary industry, where investments required are heavy or where technology involved is intricate.

MTL will maintain a strong R&D Department to provide technical assistance to local manufacturers and for product development. Ensure customer satisfaction by providing quality products at competitive prices which warranty coverage and ensuring after sale service.

Code of Conduct

The Company's Code of Conduct conforms to the Millat Group Vision and the Company's Mission Statement.

The Code of Conduct defines the expected behaviors for all employees of Millat Tractors Limited (MTL). MTL will conduct its business fairly, impartially, in an ethical and proper manner, in full compliance with all applicable laws and regulations, and consistent with the values of the Company, Integrity must be ensured in all Company business relationships, including those with customers, suppliers, shareholders, other communities and among employees. The highest standards of ethical business conduct are required of employees in the performance of their responsibilities. Employees will not engage in any conduct or activity that may raise doubts to the honesty, impartiality and reputation of the organization or result in embarrassment to the Company.

Every employee of the Company will ensure that he/she:

- Will not engage in any activity that might create a conflict of interest for him/her or MTL. Conflict of interest shall be disclosed where it exits and guidance sought.

- Will not take advantage of his/her position for personal gain through the inappropriate use of Company name or non-public information or abuse his position.

- Will refrain from insider trading.

- Will follow all restrictions on use and disclosure of information. This includes protecting Company's information and ensuring that non-company proprietary information is used and disclosed only as authorized by the owner of the information or as otherwise permitted by law and abide by the employee non-disclosure & confidentiality undertaking already signed by him/her.

- Will observe fair dealing in all of his/her transactions and interactions.

- Will protect all assets of the Company and use them only for appropriate Company-approved activities.

- Without exception, will comply with all statutory applicable laws, regulations, company policies and rules etc.

Core Values

- Our Customers are our first priority.
- Profitability for the prosperity of our stakeholders that allows us to constantly invest, improve and succeed.
- Corporate Social Responsibilities to Enrich the Lives of community where we operate.
- Recognition and Reward for the talented and high performing employees.
- Excellence in every thing we do.
- Integrity in all our dealings.
- Respect for our customers and each other.

Safety, Health & Environment Policy

SAFETY POLICY

All the employees have been provided safety equipment during performance of their duties.

An upgraded fire fighting system has ben installed to cope with any mishap.

All the machinery has been fenced properly to avoid any type of accident causing injury to the employees as well as to the machinery.

Special arrangements have been made for the availability of filtered drinking water for the employees.

All the employees are insured under Group Life Insurance Scheme.

HEALTH POLICY

All the employees are got medically checked periodically through the Company's panel Hospitals to diagnose diseases if any. In case some one is found suffering from some disease, the Company provides him medical treatment at its own expenses or through insurance company.

ENVIRONMENT POLICY

The Company has a separate horticulture department to make the environment pleasant, green and full of flowers. The Company also participates in various competitions on horticulture arranged by Government and other Institutions.

Notice of Annual General Meeting

Notice is hereby given that 52nd Annual General Meeting of Millat Tractors Limited will be held at the Registered Office of the Company at 9 K.M. Sheikhupura Road, Shahdara, Lahore, on Friday October 30, 2015 at 4:00 P.M to transact the following business:

A. ORDINARY BUSINESS

1) To confirm minutes of the 51st Annual General Meeting held on October 29, 2014.

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

3) To approve final cash dividend of Rs. 27.50 per share i.e., 275% in addition to the interim dividend of Rs. 25.00 per share i.e., 250% already paid making a total cash dividend of Rs. 52.50 per share i.e., 525%.

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

5) To elect seven directors of the Company for a period of three years. The retiring directors are M/s. Sikandar Mustafa Khan, Latif Khalid Hashmi, Sohail Bashir Rana, Laeeq Uddin Ansari, Mian Muhammad Saleem, Syed Zubair Ahmed Shah and Saad Iqbal.

As resolved by the Board in its meeting held on September 04, 2015 the number of Directors to be elected shall be seven.

B. SPECIAL BUSINESS

1) To ratify and approve Related Party Transactions of sale and purchase of goods to/ from associated companies for the year ended June 30, 2015.

"Resolved that the following Related Party Transactions of sale and purchase of goods to/ from associated companies for the year ended June 30, 2015 be and are hereby ratified, approved and confirmed."

	2015 (AMOUNTS IN RUPEES)		
NAME(S)	PURCHASES	SALES	SERVICES
MILLAT EQUIPMENT LIMITED	2,423,244,033	28,243,631	20,644,473
BOLAN CASTINGS LIMITED	1,591,355,124	10,977,450	-
MILLAT INDUSTRIAL PRODUCTS LIMITED	173,709,878	11,426	-
TIPEG INTERTRADE DMCC	276,025,151	100,306,392	7,706,145
TOTAL	**4,464,334,186**	**139,538,899**	**28,350,618**

2) To authorize Chief Executive of the Company to approve Related Party Transactions for sale and purchase of goods to/from associated companies for the year ending June 30, 2016 by passing the following resolution with or without modification.

"Resolved that the Chief Executive of the Company be and is hereby authorized to approve the Related Party Transactions for sale and purchase of goods to/from associated companies on case to case basis during the year ending June 30, 2016.

Resolved further that these transactions shall be placed before the shareholders in the next AGM for their ratification/ approval."

3) To consider, adopt with or without modification the following resolution to amend Article 77 of the Articles of Association of the Company.

"Resolved that in Article 77 the words and figure 'Rs.20,000' be and is hereby substituted with the words and figure 'Rs. 30,000'."

C. 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 05, 2015

NOTES

1. The share transfer books of the Company will remain closed from October 24, 2015 to October 30, 2015 (both days inclusive) and no transfer will be accepted during this period. Transfers received, complete in all respect by the Shares Registrar, M/s. Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore by the close of business on October 23, 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, who have deposited their shares into Central Depository Company of Pakistan will further have to follow the under mentioned guidelines.

A. Attending of Meeting in Person:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC)/ original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of meeting.

B. Appointment of Proxies:

i) In case of individuals, the account holder or sub-account holder and /or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC/original passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the Company.

4. Non CDC 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 Registrar of the Company M/s. Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore. All the shareholders holding shares through CDC are requested to update their addresses and Zakat status with their participants. This will assist in prompt receipt of Dividend.
5. 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 Shares Registrar.
6. SECP through Circular no. 18 of 2012 dated June 5, 2012 have advised all listed companies to adopt e-dividend mechanism for the benefit of their members. In e-dividend mechanism, shareholders can get amount of the dividend credited into their respective bank accounts electronically. Please note that this e-dividend mandate is optional and not compulsory, in case the shareholders do not wish his/her dividend to be directly credited into bank account, the same shall be paid directly. The shareholders are encouraged to provide dividend mandate in favour of e-dividend by providing Dividend Mandate Form duly filled in and signed.
7. The Government of Pakistan through Finance Act, 2015 has made certain amendments in 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 cash dividend, otherwise tax on their 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 Share registrar as follows.

			Principal shareholder		Joint shareholder	
Company Name	Folio/CDS Account#	Total Shares	Name and CNIC#	Shareholding Proportion (No. of Shares)	Name and CNIC#	Shareholding Proportion (No. of Shares)

The above required information must be provided to Share Registrar, 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 Share Registrar: M/s. Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore, Phone: 042-37235081-82, e-mail address shares@hmaconsultants.com Fax: 042-37358817.

The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or the Shares Registrar. The shareholders while sending NTN certificates, must quote company name and their respective folio numbers.

8. The financial statements of the Company for the year ended June 30, 2015 along with reports have been placed at the website of the Company www.millat.com.pk.

9. 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 can give their consent on the Standard Request Form available on Company's website.

10. As required u/s 178(3), any member who seeks to contest an election to the office of a director, shall whether he/she is retiring director or otherwise, file with the Company, not later than fourteen days before the date of meeting at which elections are to be held, a notice of his/her intention to offer himself/herself for election as a director along with consent to act as a director in form 28, duly completed as required under section 184(1) of the Companies Ordinance, 1984; and a detailed personal profile along with office address for placement on the Company's website in accordance with SECP's SRO No.634(I)/2014 dated July 10, 2014.

    The following declaration should also be furnished as required under the Code of Corporate Governance-2012 and Listing Regulations of the Stock Exchanges, I hereby declare that:

    a) I am not serving as a director on the Boards of more than seven (07) listed companies.

    b) I am a registered tax payer and my National Tax No. is ------------------.

    c) I have never been declared defaulter in payment of any loan to banking company, a Development Financial Institution or a Non Banking Financial Institution.

    d) Neither I nor my spouse has ever been engaged in the business of "Stock Brokerage" in any Stock Exchange.

STATEMENT U/S 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

1) Related Party Transactions(RPTs)

The transactions with associated Companies for the sale and purchase of goods had to be approved by the Board duly recommended by the Audit Committee on quarterly basis pursuant to clause (x) of the Code of Corporate Governance, 2012.

However, the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the Associated Companies, the quorum of directors could not be formed for approval of these transactions pursuant to section 216 of the Companies Ordinance, 1984 and therefore, these transactions have to be approved by the shareholders in the General Meeting.

It may be noted that Bolan Castings Limited (BCL) and Millat Equipment Limited (MEL) manufacture intricate tractor components i.e., major tractor castings and gears & shafts etc respectively for which limited sources are available in the country. Millat Industrial Products Limited (MIPL) manufactures tractor batteries while tractors and components are exported through TIPEG INTERTRADE DMCC (TIPEG). In addition, components are imported through TIPEG for in house use by the Company.

During the year sale of scrap and swarf etc was also made to BCL for in house consumption.
The commercial reasons for entering into RPTs are the following.

a. Availability of state of the art production facilities.
b. Advanced Technical Know How.
c. Dedicated production facilities.
d. Elaborated testing facilities for MTL.
e. Smooth supply chain

The transactions with all related parties are entered into on arm's length basis as per policy approved by the Board.
The Company has the following equity in the associated Companies.

Bolan Castings Limited	46.26%
Millat Equipment Limited	45.00%
Millat Industrial Products Limited	64.09%
TIPEG Inter Trade DMCC	75.00%

The common directors have the following shareholding in the associated companies.

		BCL	MEL	MIPL	TIPEG
Sr. No.	Name of Director(s)	No. of Shares	No. of Shares	No. of Shares	No. of Shares
1	Mr. Sikandar Mustafa Khan	166,369	1,625,001	543,750	100
2	Mr. Latif Khalid Hashmi	132,270	1,625,001	362,500	100
3	Mr. Sohail Bashir Rana	144,359	1,708,951	362,500	100
4	Mr. Laeeq Uddin Ansari	733,120	1,904,001	362,500	100
5	Mian Muhammad Saleem	2,993	600,001	200,000	100
6	Syed Muhammad Irfan Aqueel	-	100,000	-	-
	TOTAL	**1,179,381**	**7,562,955**	**1,831,250**	**500**
	PERCENTAGE OF SHAREHOLDING	**10.28%**	**29.088 %**	**20 %**	**25 %**

In the last Annual General Meeting, the share holders had authorized the Chief Executive of the Company to approve these transactions in the normal course of business subject to final approval/ratification by the shareholders. Therefore these transactions are being placed before the shareholders for final approval/ratification.
The Directors are interested in the resolution to the extent of their common directorships and shareholding in the associated companies.

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

The Company shall be conducting transactions of sale and purchase of goods with associated companies during the year ending June 30, 2016 in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship and shareholding in the associated companies. Therefore these transactions with associated companies have to be approved by the shareholders.

In order to ensure smooth supply during the year, the shareholders may authorize the Chief Executive to approve transactions of sale/purchase of goods with associated companies on case to case basis for the year ending June 30, 2016. The summary of commercial reasons, nature and scope of RPTs is explained under no. 1 above. However, these transactions shall be placed before the shareholders in the next AGM for their approval.

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

3) Amendment in Articles of Association

The remuneration being paid to directors for attending meeting of the Board or committees of the Board was last approved in the Annual General Meeting held on October 15, 2010. The aforesaid increase in meeting fee to Rs. 30,000/- has been approved by the Board in its meeting held on September 04, 2015. A copy of the amended Articles of Association of the Company is available with the Company Secretary for inspection by the members.

Being interested Director(s) M/s. Syed Zubair Ahmed Shah and Saad Iqbal did not participate and the other directors were not interested in the resolution.

Chairman's Review

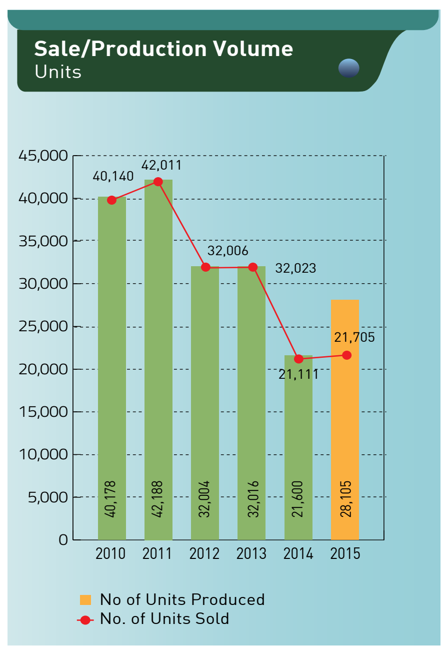
Sikandar Mustafa Khan
Chairman

It is my pleasure to present the annual report and performance for the year ended June 30, 2015.

The current year marked significant increase in business performance translating into improved results. It's a matter of pride that your company has kept its lead as largest tractor manufacturer in Pakistan. We at MTL are committed to all our customers to provide affordable high performance products. We also endeavor to continue for further expansion in markets to meet the expectation of our shareholders.

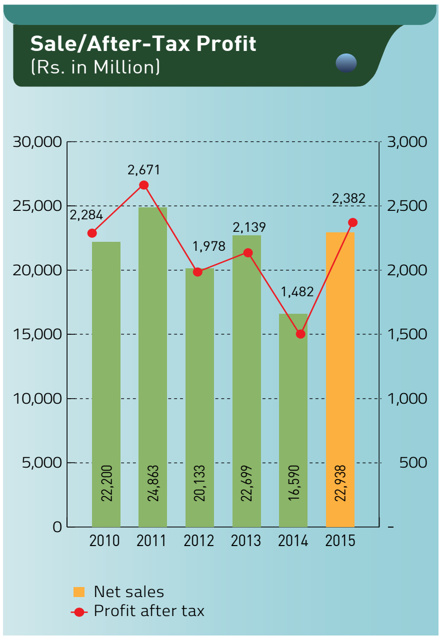
2014-15 Economic Outlook

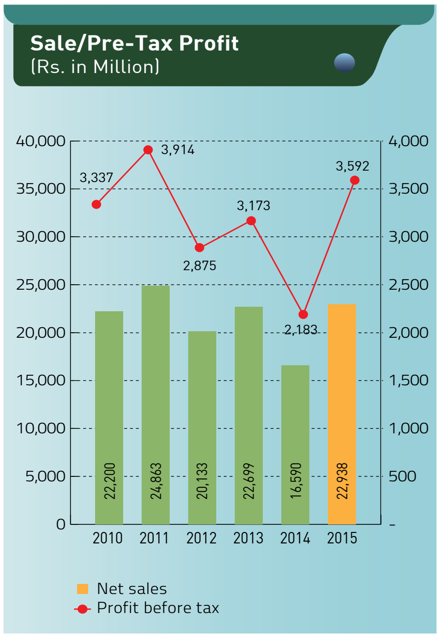
Global economy showed some signs of improvement especially in high income economies along with some of the developing economies. The Dollar is strengthening against Euro and other currencies. International drop in fuel prices has released pressure on forex payments and balance payment of net oil importing economies. This has resulted in the stability of Rupee vs. US Dollar. The international credit agencies have also improved the rating of Pakistan which will further improve the growth of FDI in Pakistan which in turn will have positive impact on economy of Pakistan and shall provide an opportunity to uplift social economic conditions.

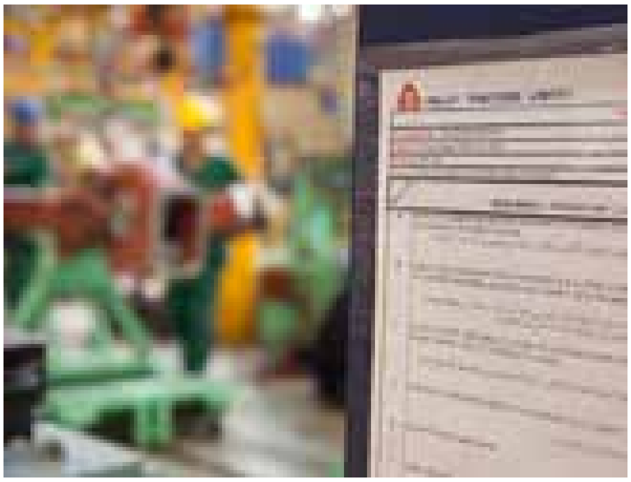


Chairman's Review

Pakistan economy likewise has shown continued improvement with economic growth rate of 4.24% in 2014-15 against a growth of 4.03% recorded in the last year marking the highest level achieved in the last seven years. The growth in agricultural sector was 2.9% against 2.7% during last year. Industrial sector recorded growth of 3.62% as compared to last year level of 4.45%. The main component leading to this decrease in growth is Large Scale Manufacturing (LSM) which registered a growth of 2.38% against growth of 3.99% last year. Macroeconomic indicators are showing positive signs of stable growth with the lowest inflation of 4.8% in a decade. Accordingly, central bank has also reduced the discount rate to 7% which is lowest in last 42 years reflecting significant improvement in macroeconomic conditions.







Agricultural Sector

The Agricultural Sector accounted for 20.9% of GDP and 43.5% of employment with a strong backward and forward linkage with the industry. Inspite of an improved harvest the farmer faced a liquidity crunch due to heavy rains and flooding as well as appreciable drop in commodity prices.
The scarcity of water and conventional irrigation methods have resulted in continuing financial loss to the country. Wheat and sugarcane production registered decrease of 1.9% and 7.1% respectively over last year. However, rice and cotton production showed an increase of 3% and 9.5% as compared to last year. Banks increased their lending during the year by disbursing 326 billion against disbursement of 256 billion during the last year, thereby achieving 65% of their annual target of 500 billion. MTL in line with policy to provide support to the farming community has already introduced financial products at competitive prices through financial institutions.

Tractor Industry

Tractor Industry witnessed substantial recovery against last year as 47,700 tractors were booked against 31,000 tractors last year. The delivery increased to 46,800 units against 33,600 tractors last year. Stability in GST rates @ 10% contributed in improving tractor sales. Keeping in view the expectation of farming community and hardship being faced by them, the Government of Punjab has earmarked Rs.5 billion for 25,000 tractors under Green Tractor Scheme. In this respect Government of Sindh has also allocated budget for subsidy scheme for 29,000 tractors. However, the actual announcement and details are yet to come. It is expected that the schemes would not only provide assistance to cash strapped farmer but will

Chairman's Review

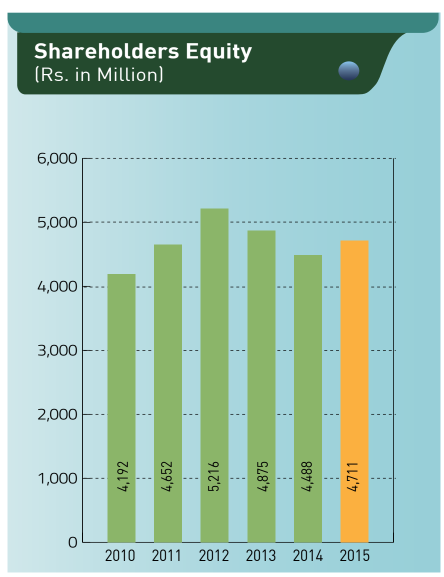
also result in increased industrial activities. During the year MTL has started to focus on establishing the "Millat" brand. In this respect necessary regulatory registrations have been obtained.

Company Performance 2014-15

The aforementioned factors contributed in increasing the sales and profitability of MTL. MTL booked 29,544 tractors against a booking of 19,793 units in 2013-14 reflecting an increase of 49% while the deliveries of tractors increased to 28,705 units against delivery of 21,111 units in last year showing an increase of 36%. The sales of spare parts, agricultural implements and multi-application products increased to Rs. 788 million against Rs. 693 million last year depicting an increase of 13.7% over last year.

Financial Performance.

MTL has achieved sales revenue of Rs. 22.9 billion compared to 16.6 billion last year showing an increase of approximately 38%. The company managed to increase its gross profit percentage from 17.9% to 19.2% through efficient management of all resources which translated into increased profit before taxation of Rs. 3.59 billion



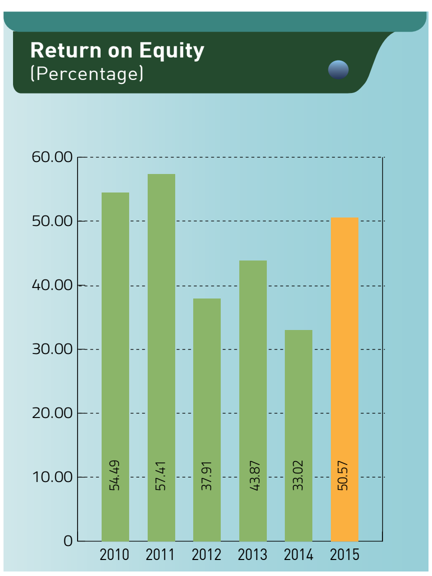
against last year profit before tax of Rs. 2.18 billion. The net profit also increased to Rs. 2.38 billion against Rs. 1.48 billion last year.

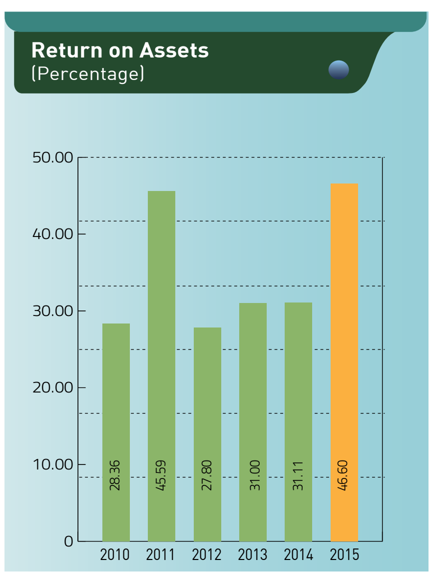
During the current year imposition of additional tax in the name of super tax @ 3% of taxable income has also decreased our net income after tax for the year. The management reiterates its commitment to meet all challenges and shall strive relentlessly towards increasing customer satisfaction.

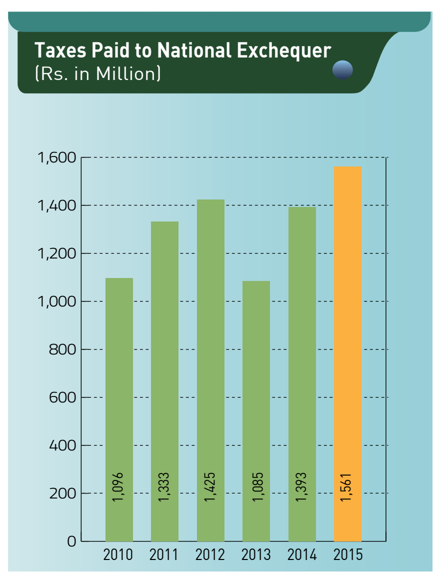
Our business model encompasses improved performance through indigenization and cost control with increased productivity through technology leading to sustainable business development. We shall continue our focus to maintain our lead in all areas.

Quality Management

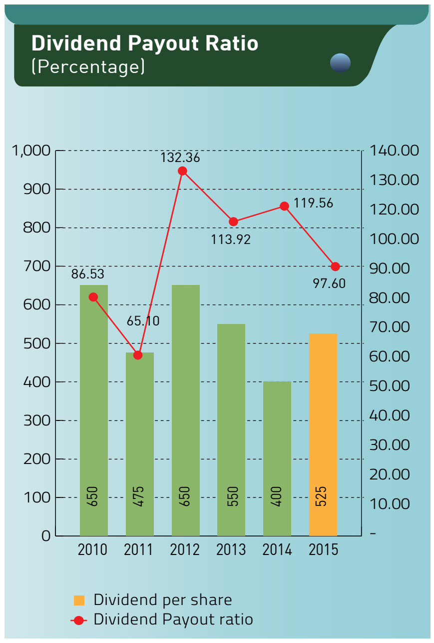
Quality Assurance department is making all out efforts to improve the product quality and reliability. In this respect third party quality audits both local as well as international have been instituted to bring out improvements. The

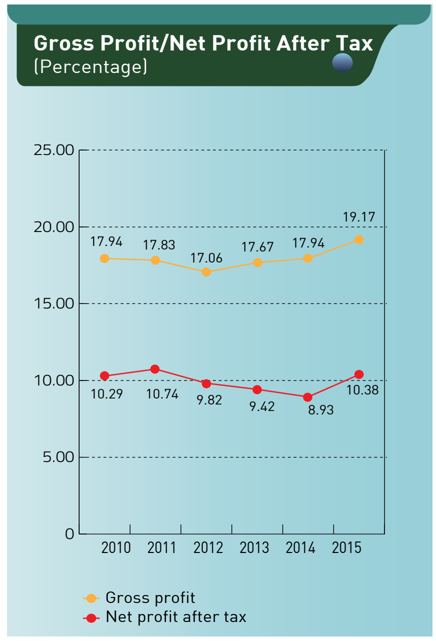






Chairman's Review





management has introduced latest quality testing equipment to ensure that all quality standards are achieved. Local and foreign trainings are in focus to develop human resource being the key success factor.

Our state of the art green engine test lab is fully functional now. We are further investing in increasing the capabilities of these latest testing equipment. This will augment our endeavor to enter the international market by catering to emission complaint green engines for global exports.

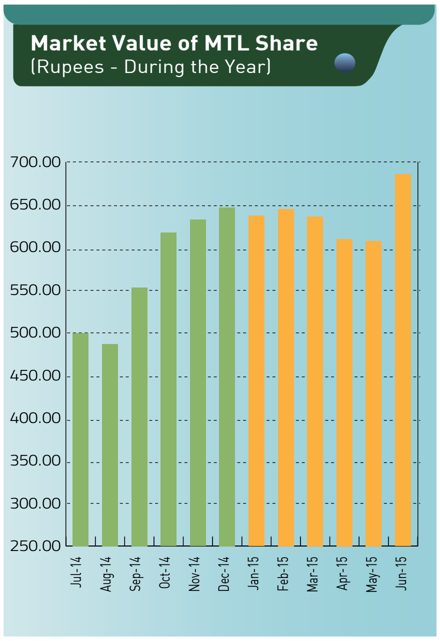
Information Technology

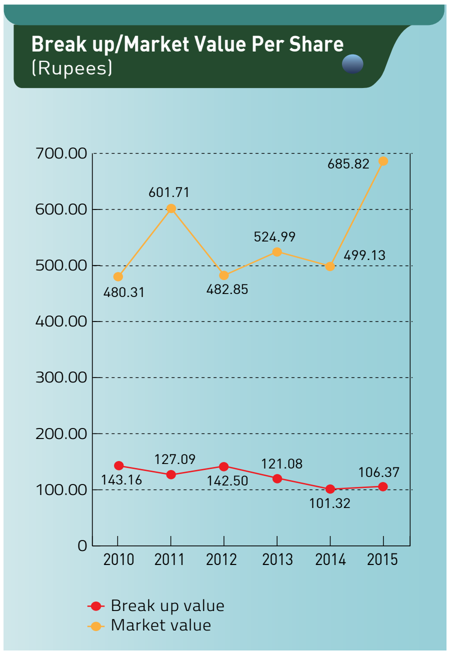
The company recognizes the importance of IT to meet present day challenges and is committed to invest in state of the art I.T infrastructure. In this respect, necessary investments have already been made which will improve business efficiency as well as operational controls.

Future Prospects

Future tractor sales prospects are positive. The Government has set a growth target of 5.5% with a growth target of 3.9% in agricultural sector and conducive measures are being taken to meet the targets. It is expected that the current regime of GST @ 10% shall prevail and tractor loaning by ZTBL and other commercial banks will increase significantly. We expect the demand of locally manufactured tractors would continue its pace due to imposition of 15% custom duty on import of CBU tractors. This will help sustain not only the investments of vendor industry but will ensure indigenization process in the tractor manufacturing industry.

Early this year we received notices from AGCO for the withdrawal of the Trade Mark License Agreement and Agriculture Distributor Agreement. The BOD was immediately informed and as per SECP and Stock Exchange regulations and other relevant statutory requirements all concerned departments and institutions were notified. The impact of this announcement was positive on the share value of MTL which is proof of the strength of MTL and faith of the customer in the Millat brand. Consequently your company fast tracked establishment of Millat brand. In this





respect necessary regulatory approvals/ certifications have been secured. However, efforts were made from both sides to reach a win win solution and continue with the 50 year old collaboration. In this regard several meetings have been held and ground work is in an advanced stage to export tractors to Europe, Africa and Middle East. We expect AGCO to withdraw the notice and reinstate the original agreement, albeit with some amendments. We foresee positive results by exploring new avenues of growth. Our subsidiary M/s. Tipeg Intertrade DMCC has established itself as a new trading arm of the group and is handling all import and export needs of MTL as well as the other Millat group companies.

Appreciation

Before concluding my review, I extend deep appreciation to the employees of MTL for their untiring and relentless efforts towards success and for their commitment to achieve highest standards. I would like to thank fellow members of the board who have shown their leadership skills and wisdom over the years to make MTL a national success.

Sikandar Mustafa Khan
Chairman

Lahore
September 04, 2015


MILLAT
TRACTORS
LIMITED
MILLAT

Directors' Report
to the Shareholders

Syed Muhammad Irfan Aqueel
Chief Executive

The Directors feel pleasure in presenting their 52nd annual report together with audited accounts of the Company for the year ended June 30, 2015.

APPROPRIATIONS

Your Directors recommended a payment of final cash dividend @ Rs. 27.50 per share (275%).

The aforesaid payout shall be in addition to the interim cash dividend of Rs. 25.00 per share (250%) making a total of Rs. 52.50 per share (525%) as cash dividend.

The following appropriations were made during the year:

	(Rupees in thousand)	
	General reserve	Un-appropriated profit
Opening balance	3,263,551	739,006
Less: Final dividend @ 200%	(146,845)	(739,006)
Transfer to general reserves	-	-
Profit for the year ended June 30, 2015	-	2,194,172
Less: Interim dividend @ 250%	-	(1,107,314)
Un-appropriated profit carried forward	3,116,706	1,086,858

Directors' Report
to the Shareholders

EARNINGS PER SHARE

Earning per share for the year ended June 30, 2015 was Rs. 53.79 as against Rs. 33.46 of the preceding year.

BOARD OF DIRECTORS

The Board comprises of eight directors of which seven were elected in the Extra Ordinary General Meeting held on November 01, 2012. During the year there has been no change in the composition of the Board.

On the expiry of three years term, seven directors shall be elected in the 52nd Annual General Meeting. As resolved by the Board in its 153rd meeting held on September 04, 2015, the number of directors to be elected shall be seven in terms of section 178(1) of the Companies Ordinance, 1984.

The present directors who shall stand retired are the following:

M/s. Sikandar Mustafa Khan, Latif Khalid Hashmi, Sohail Bashir Rana, Laeeq Uddin Ansari, Mian Muhammad Saleem, Syed Zubair Ahmed Shah and Saad Iqbal.

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 M. Khan - Chairman	4
Syed Muhammad Irfan Aqueel-CEO	4
Mr. Latif Khalid Hashmi	3
Mr. Sohail Bashir Rana	4
Mr. Laeeq Uddin Ansari	4
Mian Muhammad Saleem	4
Syed Zubair Ahmed Shah	4
Mr. Saad Iqbal	3

BOARD COMMITTEE'S

AUDIT COMMITTEE

The Board has formed an Audit Committee. During the year four meetings of the Audit Committee were held. The number of meetings attended by each member is given hereunder:

Name of Member(s)	Meetings attended	
Syed Zubair Ahmed Shah	Chairman	4
Mr. Latif Khalid Hashmi	Member	3
Mr. Sohail Bashir Rana	Member	4
Mr. Saad Iqbal	Member	0

The Committee comprises four members, of whom three are non-executive and one independent director. The chairman of the committee is a non-executive director. The Audit Committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board and their publication. CFO, Head of Internal Audit and a representative of external auditors attended the meetings where issues relating to accounts and audit were discussed. The Audit Committee also reviewed internal audit findings and held separate meetings with internal and external auditors as required under the Code of Corporate Governance. Related Party Transactions other than conducted with associated companies were also placed before the Audit Committee.

FINANCE COMMITTEE

The Finance Committee was constituted by the Board in its 139th meeting held on November 12, 2012 comprising the following members. During the year seventeen meetings of the Committee were held. The number of meetings attended by each member is given hereunder:

Name of Member(s)	Meetings attended	
Mr. Latif Khalid Hashmi	Chairman	17
Mr. Laeeq Uddin Ansari	Member	17
Mian Muhammad Saleem	Member	17
Syed Muhammad Irfan Aqueel	Member	17

MARKETING COMMITTEE

The Marketing Committee was constituted by the Board in its 139th meeting held on November 12, 2012 comprising the following members. During the year twelve meetings of the Committee were held. The number of meetings attended by each member is given hereunder:

Name of Member(s)	Meetings attended	
Mr. Sohail Bashir Rana	Chairman	12
Mian Muhammad Saleem	Member	12
Syed Muhammad Irfan Aqueel	Member	12
Mr. Muhammad Akram	Member	12

DIRECTORS' REMUNERATION COMMITTEE

The Directors' Remuneration Committee was re-constituted by the Board in its 146th meeting held on April 25, 2014. During the period no meeting of the Committee was held.

Name of Member(s)	
Mr. Sikandar Mustafa Khan	Chairman
Mr. Latif Khalid Hashmi	Member
Mr. Sohail Bashir Rana	Member
Syed Zubair Ahmed Shah	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

The Human Resource & Remuneration Committee was constituted by the Board in its 139th meeting held on November 12, 2012 comprising the following members. During the period two meeting of the Committee was held.

Name of Member(s)	Meetings attended	
Mr. Sikandar Mustafa Khan	Chairman	2
Mr. Latif Khalid Hashmi	Member	2
Mr. Sohail Bashir Rana	Member	2
Mr. Laeeq Uddin Ansari	Member	2

DUTY & TAXES

Information about taxes and levies is given in the respective notes to the accounts.

AUDITORS

The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, Lahore retire and offer themselves for re-appointment. The Board Audit Committee and Board of Directors of the Company have 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.

DIRECTORS' TRANING PROGRAM

An orientation course was arranged for the Directors to acquaint them with the code, applicable laws, their duties and responsibilities to enable them to effectively manage affairs of the Company for and on behalf of the shareholders. Written material was also provided to them.

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.

STATEMENT ON CORPORATE FINANCIAL REPORTING FRAME WORK

The Company has complied with all the requirements of the Code of Corporate Governance as required by the listing regulations.

Accordingly, the Directors are pleased to confirm the following:

a) The financial statements together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

b) Proper books of accounts of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in the preparation of financial statements which conform to the International Accounting Standards as applicable in Pakistan. The accounting estimates, wherever required are based on reasonable and prudent judgement.

d) The International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of Corporate Governance, as required by the listing regulations.

h) The key operating and financial data for the last six years is annexed.

i) The value of investments of provident, gratuity and pension funds based on their audited accounts as on June 30, 2015 were the following:

-	Provident Fund	Rs. 608 million
-	Gratuity Fund	Rs. 485 million
-	Pension Fund	Rs.1,015 million

The value of investment includes accrued interest & profits.

Directors' Report
to the Shareholders

j) The purchase and sale of shares by directors during the year was as follows:-

PURCHASE OF SHARES	No. of shares purchased
Mr. Laeeq Uddin Ansari	83,000

SALES OF SHARES	No. of shares sold
Mr. Latif Khalid Hashmi	300,000

CODE OF CONDUCT

In order to put in place professional standards and corporate values for promotion of integrity of the Board, senior management and other employees, the board has approved and disseminated a Code of Conduct, defining therein acceptable and unacceptable behaviours. The same has also been placed on the Company's website.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Stock Exchanges in their Listing Regulations, relevant for the year ended June 30, 2015 have been duly complied with. A statement to this effect is annexed with the report.

CHAIRMAN'S REVIEW

The Directors of your Company endorse the contents of the Chairman's Review which forms part of the Directors' Report.

PATTERN OF SHAREHOLDING

The pattern of shareholding is annexed.

NUMBER OF EMPLOYEES

The number of permanent employees as on June 30, 2015 were 428 compared to 434 of last year.

CONSOLIDATED FINANCIAL STAEMENTS

Consolidated financial statements of the Company as on June 30, 2015 are annexed.

CORPORATE SOCIAL RESPONSIBILITY

Disclosure as required by the Corporate Social Responsibility General Order, 2009 is annexed and forms part of this report.

ABSTRACT(S) UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

The abstract(s) under section 218 (1) of the Companies Ordinance, 1984 is annexed, the same has previously been circulated to the shareholders.

WEB PRESENCE

Company's periodic financial statements for the current financial year including annual reports for the last three years are available on the Company's website www.millat.com.pk for information of the investors.

For and on behalf of the Board

SYED MUHAMMAD IRFAN AQUEEL
Chief Executive

Lahore:
September 04, 2015


260 TURBO
Turbo

Abstract Under Section 218 (1) of the Companies Ordinance, 1984

The Board of Directors passed the following resolution by circulation dated December 19, 2014 for appointment of Syed Muhammad Irfan Aqueel as Chief Executive of the Company with effect from January 01, 2015. The resolution has already been circulated to shareholders u/s 218(3) of the Companies Ordinance, 1984.

1. **Appointment of CEO**

   "Resolved that Syed Muhammad Irfan Aqueel be & is hereby appointed as Chief Executive of the Company W.e.f January 01, 2015 for a period of three years."

2. **Fixation of remuneration of CEO**

   "RESOLVED that the Board hereby approves and authorizes holding of office of profit and payment of remuneration to Syed Muhammad Irfan Aqueel, Chief Executive, not exceeding Rs. 25 million per annum inclusive of perquisites and benefits but exclusive of terminal benefits and medical expenses for self and dependants. The above remuneration shall be subject to such increases, adjustments and restructuring within the approved limit including bonus/profit share as may be granted at any time and from time to time by the Company in accordance with the Company's policy and terms of his appointment."

"FURTHER RESOLVED that Syed Muhammad Irfan Aqueel, Chief Executive be and is hereby authorized for free use of Company maintained transport for official and private purposes and the Chairman be and is hereby authorized to determine his entitlement in this regard."

"FURTHER RESOLVED that the Chairman be and is hereby authorized to issue necessary letter of reappointment."

Being interested Syed Muhammad Irfan Aqueel restrained to sign the resolutions.

Millat Tractors Limited (MTL)
Commitment Towards CSR

The Company practices active corporate citizenship through corporate philanthropy, energy conservation, environmental protection measures, community investments and welfare schemes, consumer protection measures, welfare spending for under privileged classes, industrial relations, encouragement for employment of special persons, occupational safety & health, business ethics and anticorruption measures, national cause donations, contributing to national exchequer and rural development programs.

MTL discharges the Corporate Social Responsibilities (CSR) that would positively impact its customers, employees, shareholders, communities, and the environment in various aspects of its operations.

The detail of the above is as follows.

1. Corporate Philanthropy

During the year the Company donated Rs. 5.00 million to Institute of Business Administration (IBA), Karachi as contribution to general endowment fund and Rs.0.50 million to progressive Education Network for the betterment of academic initiatives in public schools.

2. Energy Conservation

The Company implemented all possible measures for energy conservation. Some of the steps taken by the Company are as follows.

- Air conditioners were only used after 11:00 A.M and all air conditioners and other electrical equipment were switched off during lunch break.
- Use of electric & gas heaters were restricted.
- Electric bulbs & tubes were replaced with energy savers and LED's.
- Energy efficient and latest electrical appliances are being installed.

To overcome the prevailing energy crisis the Company has installed stand by generators to have uninterrupted power supply.

3. Environmental Protection Measures

Our horticulture division plays a key role in providing a healthy and pollution-free environment by providing seasonal flowers and indoor plants for display in offices and for exhibitions. MTL actively participates in tree plantation campaigns for reduction of pollution and to contribute towards a greener Pakistan.

Due to higher environmental pollution concerns, the Green Engine Technology has become need of the hour. Green Engine is a terminology used for environment friendly engines with low emissions of toxic exhaust gases. MTL, while maintaining its reputation of pioneering, is once again a step ahead to adapt this technology in Pakistan and has established an indigenous test laboratory with National University of Science & Technology (NUST), Islamabad. The

Millat Tractors Limited (MTL)
Commitment Towards CSR

Company is utilizing this facility at nominal expenses compared to high cost of foreign laboratories.

4. Community Investment and Welfare Schemes

During the year the Company donated Rs. 100,000/- and Rs. 48,000/- to Lahore Businessmen Association for Rehabilitation of the Disabled (LABARD) and Fatimid Foundation respectively.

5. Consumer Protection Measures

The Company strives to protect its customers by providing quality products at competitive price. The products are generally related to mechanization of agriculture. The Company offers one year free service, after sale warranty and spare parts through its dealers/ workshop networks at district & Tehsil level along with prompt redressing of customer complaints. Company's experts guide customers in selection of products and for economical use of products, proper maintenance and risks involved in improper usage.

6. Welfare spending for under-privileged classes

During the year no significant contribution was made on this account.

7. Industrial relations

The Company considers mutual trust and respect between labour and management as a key fundamental principle and enjoys a good relationship between its management and employees. The Company has a "Employees Children Scholarship Scheme" under which top performers are rewarded with cash scholarships. During the year Rs. 93,500/- were given under this scheme.

The Company sends its 12 employees every year for performing Hajj at the Company's expense. So far 170 employees have performed Hajj under this scheme.

8. Employment of Special persons

At present five disabled persons are employed in different departments. During the year no disabled person was employed.

9. Occupational Safety and Health

The Company has a conducive environment for its employees, to work free of injury and illness. It is ensured that operations comply with applicable occupational health and safety regulations. During the year all workers were duly scanned / tested for identification of any disease.

The employees are capable and accountable for preventing works related injuries and illnesses. The Company also requires adoption of sound occupational health and safety management practices by our suppliers & contractors. The Company also has a first aid facility for providing emergency treatment in addition to a vehicle dedicated for meeting any eventuality.

10. Business ethics and anti-corruption measures

The Company conducts all of its business according to the principles of business ethics. We are committed to conducting our business activities with honesty, and in full compliance with the laws and regulations of the state. We also believe in treating our employees with the same principles. The Company also has a Code of Conduct.

11. National–Cause Donations

During the year no significant contribution was made on this account.

12. Contribution to National exchequer

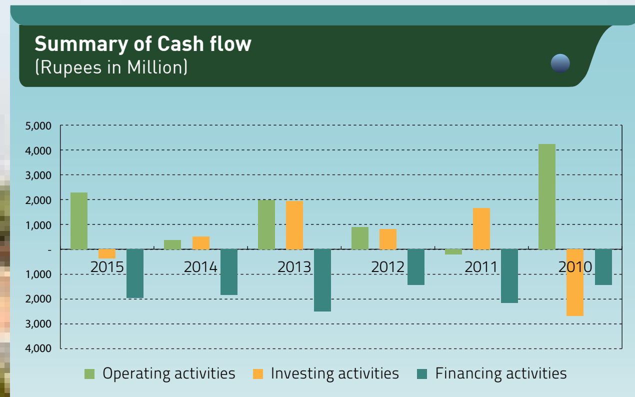
Millat Tractors is one of the leading contributors to the National Exchequer in terms of Corporate Income Tax and other levies. All government Taxes are paid in time and the Company never defaulted in payment of Government dues. During the Year Company paid Rs. 1,561 million as Income Tax and other levies.

13. Rural Development Programs

No significant work was done during the year under rural development program.

Summary of Cash Flow

	2015	2014	2013	2012	2011	2010
			(Rupees in thousand)			
Net Cash from / (Used in)						
Operating activities	2,294,250	365,624	1,990,541	896,969	(212,753)	4,238,512
Investing activities	(371,970)	512,669	1,951,648	813,277	1,669,972	(2,684,029)
Financing activities	(1,958,284)	(1,847,699)	(2,509,415)	(1,448,942)	(2,172,772)	(1,440,801)
Net increase / (decrease) in cash and cash equivalent	(36,004)	(969,406)	1,432,774	261,304	(715,553)	113,682
Cash and cash equivalent at the beginning of the year	1,118,174	2,087,580	654,806	393,502	1,109,055	995,373
Cash and cash equivalent at the end of the year	1,082,170	1,118,174	2,087,580	654,806	393,502	1,109,055

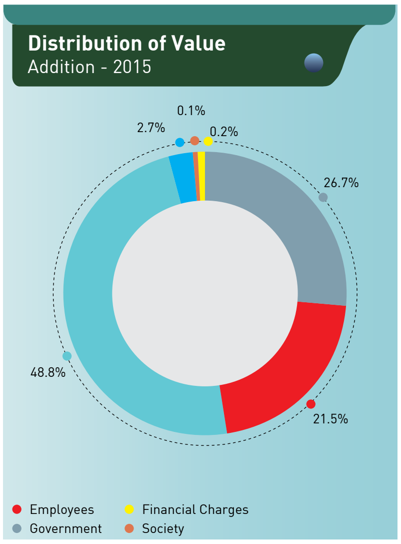


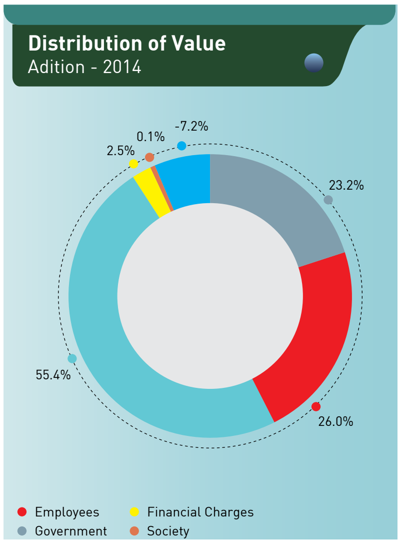
Six Years at a Glance

		2015	2014	2013	2012	2011	2010
Profit & Loss Summary							
Net sales	Rs thousand	22,937,917	16,589,996	22,698,651	20,133,130	24,863,264	22,199,909
Gross profit	Rs thousand	4,396,469	2,976,691	4,010,267	3,433,817	4,431,963	3,982,800
Operating profit	Rs thousand	3,462,142	2,123,208	3,175,819	2,639,248	3,584,625	3,143,484
Profit before tax	Rs thousand	3,592,389	2,183,480	3,172,972	2,875,345	3,914,284	3,336,621
Profit after tax	Rs thousand	2,382,421	1,481,864	2,138,646	1,977,618	2,670,736	2,284,498
Earning before interest, tax, depreciation & amortization (EBITDA)	Rs thousand	3,673,462	2,322,428	3,296,625	2,945,723	3,990,563	3,402,644
Balance Sheet Summary							
Share capital	Rs thousand	442,926	442,926	402,660	366,055	366,055	292,844
General reserves	Rs thousand	3,116,706	3,263,551	3,306,590	3,368,710	2,766,678	2,467,776
Property, plant & equipment	Rs thousand	485,721	481,293	448,375	415,926	435,516	411,759
Non current assets	Rs thousand	984,201	1,115,518	1,056,250	889,203	723,226	749,411
Current assets	Rs thousand	6,239,303	5,421,289	8,732,156	9,038,370	7,426,242	10,604,724
Current liabilities	Rs thousand	2,976,973	2,500,805	5,331,414	5,098,772	3,896,657	7,555,574
Net working capital	Rs thousand	3,262,330	2,920,484	3,400,742	3,939,598	3,529,585	3,049,150
Long term / deferred liabilities	Rs thousand	20,809	29,437	30,148	28,530	36,091	17,913
Profitibility Ratios							
Gross profit	%	19.17	17.94	17.67	17.06	17.83	17.94
Operating profit	%	15.09	12.80	13.99	13.11	14.42	14.16
Profit before tax	%	15.66	13.16	13.98	14.28	15.74	15.03
Net profit after tax	%	10.39	8.93	9.42	9.82	10.74	10.29
EBITDA margin	%	16.01	14.00	14.52	14.63	16.05	15.33
Operating leverage	%	1.55	1.12	0.96	1.40	1.44	2.20
Return on equity	%	50.57	33.02	43.87	37.91	57.41	54.49
Return on capital employed	%	51.27	33.33	44.33	38.10	57.76	54.82
Return on assets	%	46.60	31.11	31.00	27.80	45.59	28.36
Liquidity Ratios							
Current	Times	2.1:1	2.17 : 1	1.64 : 1	1.77 : 1	1.88 : 1	1.39 : 1
Quick / Acid test	Times	1.24:1	1.15 : 1	1.12 : 1	1.17 : 1	1.19 : 1	1.05 : 1
Cash to current liabilities	Times	0.36:1	0.45 : 1	0.39 : 1	0.13 : 1	0.10 : 1	0.15 : 1
Cash flow from operations to sales	Times	0.18:1	0.02 : 1	0.09 : 1	0.04 : 1	-0.01 : 1	0.19 : 1
Activity / Turnover Ratios							
Inventory turnover ratio	Times	7.28	5.15	6.46	5.79	7.71	7.70
No. of Days in Inventory	Days	50	71	57	63	47	47
Debtor turnover ratio	Times	149.87	30.28	32.77	68.51	78.82	76.33
No. of Days in Receivables	Days	2	12	11	5	5	5
Creditor turnover ratio	Times	19.99	7.51	7.94	9.76	15.60	20.00
No.of Days in Creditors	Days	18	49	46	37	23	18
Total assets turnover ratio	Times	2.98	2.36	2.22	1.95	2.90	1.89
Fixed assets turnover ratio	Times	32.99	23.91	34.79	34.46	42.09	39.14
Operating cycle	Days	34	34	22	31	29	34
Investment / Market Ratios							
Earning per share (after tax)	Rs	53.79	33.46	48.28	49.11	72.96	62.41
Price earning	Times	12.75	14.92	10.87	9.83	8.25	7.70
Dividend yield	%	8.93	7.96	9.81	13.32	9.49	16.10
Dividend payout ratio (after tax)	%	97.60	119.56	113.92	132.36	65.10	86.53
Dividend cover	Times	1.02	0.84	1.02	0.83	1.54	1.16
Cash Dividend per share	Rs	52.5	40.00	55.00	65.00	47.50	65.00
Bonus per share	%	-	-	19.00	-	-	25.00
Market value per share:							
Year end	Rs	685.82	499.13	524.99	482.85	601.71	480.31
During the year:							
Highest	Rs	710.99	571.54	646.00	625.80	610.70	529.25
Average	Rs	587.99	502.64	560.50	487.95	500.35	403.63
Lowest	Rs	465.00	433.73	475.00	350.09	390.00	278.01
Break-up value per share (With / without surplus on revaluation of fixed assets)	Rs	106.37	101.32	121.08	142.50	127.09	143.16
Capital Structure Ratios							
Debt to Equity ratio	Times	0 : 100	0 : 100	0 : 100	0 : 100	0 : 100	0 : 100
Financial charges coverage	Times	444	29.14	52.02	499.76	504.83	395.73

Statement of Value Addition & its Distribution

	2015		2014	
	Rs. ('000)	%	Rs. ('000)	%
VALUE ADDITION				
Net Sales	22,937,917		16,589,996	
Material and services	(18,572,493)		(13,689,764)	
Other income	404,157		299,483	
	4,769,581		3,199,715	
VALUE DISTRIBUTION				
Employees				
Salaries wages and ammenities	830,844	17.42	716,684	22.40
Worker's profit participation fund	192,538	4.04	114,922	3.59
	1,023,382	21.46	831,606	25.99
Government				
Tax	1,209,968	25.37	701,616	21.93
Workers welfare fund	65,838	1.38	40,991	1.28
	1,275,806	26.75	742,607	23.21
Share holders				
Cash Dividend	2,325,361	48.75	1,771,702	55.37
Bouns Shares	–	–	–	–
	2,325,361	48.75	1,771,702	55.37
Financial Charges				
Finance Cost	9,360	0.20	79,208	2.48
	9,360	0.20	79,208	2.48
Society				
Donation	5,648	0.12	4,060	0.13
	5,648	0.12	4,060	0.13
Retained in business				
Depreciation	72,964	1.53	60,370	1.89
Retained profit	57,061	1.20	(289,838)	(9.06)
	130,025	2.73	(229,468)	(7.17)
	4,769,581	100.00	3,199,715	100.00





Horizontal Analysis

	2015		2014	
		Increase/ (Decrease)		Increase/ (Decrease)
	Rs. ('000)	%	Rs. ('000)	%
Balance Sheet Items				
Property, Plant and Equipment	485,721	0.9	481,293	7.3
Capital Work in Progress	209,660	(1.3)	212,431	4.1
Intangible Assets	3,867	(34.3)	5,888	600.1
Investment Property	255,708	-	255,708	-
Long Term Investments	369,543	6.9	345,750	(2.4)
Long Term Loans	1,911	(1.5)	1,941	(6.0)
Employee benefits	143,512	(51.2)	293,800	22.7
Stores and Spares	107,141	(11.4)	120,951	(9.4)
Stock in Trade	2,429,982	(0.2)	2,433,690	(6.5)
Trade Debts	184,377	51.5	121,731	(87.5)
Loans and Advances	68,683	(43.7)	122,047	70.7
Trade Deposits and Prepayments	22,748	(6.0)	24,198	(11.6)
Balance with statutory authority	767,295	141.4	317,853	(83.3)
Other receivables	61,506	(48.6)	119,679	38.4
Taxation - net	815,198	(13.5)	942,966	221.7
Short Term Investments	700,203	600.2	100,000	(81.9)
Cash and Bank balances	1,082,170	(3.2)	1,118,174	(46.4)
Total Assets	7,709,225	9.8	7,018,100	(31.4)
Share Holder's Equity	4,711,443	5.0	4,487,858	(7.9)
Non Current Liabilities	20,809	(29.3)	29,437	(2.4)
Current Liabilities	2,976,973	19.0	2,500,805	(53.1)
Total Liabilities and Equity	7,709,225	9.8	7,018,100	(31.4)
Profit & Loss Items				
Net Sales	22,937,917	38.3	16,589,996	(26.9)
Cost of Sales	18,541,448	36.2	13,613,305	(27.2)
Gross Profit	4,396,469	47.7	2,976,691	(25.8)
Distribution and marketing expenses	515,007	5.7	487,292	(1.4)
Administrative Expenses	419,320	14.5	366,191	7.7
Operating Profit	3,462,142	63.1	2,123,208	(33.1)
Other Operating Income	404,157	35.0	299,483	(0.6)
Other Operating Expenses	264,550	65.3	160,003	(33.2)
Finance Cost	9,360	(88.2)	79,208	22.7
Profit before Tax	3,592,389	64.5	2,183,480	(31.2)
Taxation	1,209,968	72.5	701,616	(32.2)
Profit after Tax	2,382,421	60.8	1,481,864	(30.7)

2013		2012		2011		2010	
	Increase/ (Decrease)		Increase/ (Decrease)		Increase/ (Decrease)		Increase/ (Decrease)
Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%
448,375	7.8	415,926	(4.5)	435,516	5.8	411,759	1.5
204,112	21.3	168,260	8.5	155,137	(0.2)	155,476	49.0
841	(85.7)	5,871	(66.7)	17,614	(40.0)	29,357	(2.8)
255,708	-	255,708	-	255,708	(6.4)	273,203	-
354,119	22.9	288,187	(1.3)	291,907	1.3	288,187	0.4
2,065	(23.6)	2,702	(5.5)	2,860	(10.3)	3,188	(5.5)
239,405	42.1	168,475	98.3	84,969	21.7	69,839	28.6
133,485	95.1	68,419	(48.0)	131,559	19.0	110,599	43.2
2,601,698	(12.9)	2,986,120	15.7	2,580,293	4.2	2,475,904	19.2
974,158	136.8	411,326	133.1	176,430	(61.2)	454,465	257.3
71,498	(60.6)	181,535	(15.7)	215,293	(10.1)	239,358	135.1
27,384	9.1	25,103	31.2	19,132	(16.8)	23,008	44.9
1,904,916	15.5	1,649,132	156.9	641,908	(66.0)	1,885,387	83.4
86,483	(11.4)	97,630	31.1	74,474	1.1	73,676	187.5
293,083	(41.7)	502,439	265.7	137,386	194.7	46,612	1,326.8
551,871	(77.6)	2,461,860	(17.1)	2,971,296	(27.8)	4,116,821	250.8
2,087,580	218.8	654,806	66.4	393,502	(64.5)	1,109,055	11.4
10,236,781	(1.0)	10,343,499	20.5	8,584,984	(27.0)	11,765,894	73.5
4,875,219	(6.5)	5,216,197	12.1	4,652,236	11.0	4,192,407	24.4
30,148	5.7	28,530	(20.9)	36,091	101.5	17,913	(65.2)
5,331,414	4.6	5,098,772	30.8	3,896,657	(48.4)	7,555,574	124.8
10,236,781	(1.0)	10,343,499	20.5	8,584,984	(27.0)	11,765,894	73.5
22,698,651	12.7	20,133,130	(19.0)	24,863,264	12.0	22,199,909	39.5
18,688,384	11.9	16,699,313	(18.3)	20,431,301	12.2	18,217,109	35.1
4,010,267	16.8	3,433,817	(22.5)	4,431,963	11.3	3,982,800	64.5
494,367	2.2	483,940	(10.5)	540,461	(1.2)	546,976	29.2
340,081	9.5	310,629	1.2	306,877	5.0	292,340	20.4
3,175,819	20.3	2,639,248	(26.4)	3,584,625	14.0	3,143,484	79.0
301,383	(36.2)	472,618	(30.5)	679,561	50.8	450,555	126.5
239,676	4.2	230,113	(32.4)	340,340	37.3	247,920	52.5
64,554	907.4	6,408	(33.0)	9,562	0.7	9,498	(76.2)
3,172,972	10.4	2,875,345	(26.5)	3,914,284	17.3	3,336,621	90.4
1,034,326	15.2	897,727	(27.8)	1,243,548	18.2	1,052,123	95.8
2,138,646	8.1	1,977,618	(26.0)	2,670,736	16.9	2,284,498	88.0

Vertical Analysis

	2015		2014	
	Rs. ('000)	%	Rs. ('000)	%
Balance Sheet Items				
Property, Plant and Equipment	485,721	6.3	481,293	6.9
Capital Work in Progress	209,660	2.7	212,431	3.0
Intangible Assets	3,867	0.1	5,888	0.1
Investment Property	255,708	3.3	255,708	3.6
Long Term Investments	369,543	4.8	345,750	4.9
Long Term Loans	1,911	0.0	1,941	0.0
Employee benefits	143,512	1.9	293,800	4.2
Stores and Spares	107,141	1.4	120,951	1.7
Stock in Trade	2,429,982	31.5	2,433,690	34.7
Trade Debts	184,377	2.4	121,731	1.7
Loans and Advances	68,683	0.9	122,047	1.7
Trade Deposits and Prepayments	22,748	0.3	24,198	0.3
Balance with statutory authority	767,295	10.0	317,853	4.5
Other receivables	61,506	0.8	119,679	1.7
Taxation - net	815,198	10.6	942,966	13.4
Short Term Investments	700,203	9.1	100,000	1.4
Cash and Bank balances	1,082,170	14.0	1,118,174	15.9
Total Assets	7,709,225	100.0	7,018,100	100.0
Share Holder's Equity	4,711,443	61.1	4,487,858	63.9
Non Current Liabilities	20,809	0.3	29,437	0.4
Current Liabilities	2,976,973	38.6	2,500,805	35.6
Total Liabilities and Equity	7,709,225	100.0	7,018,100	100.0
Profit & Loss Items				
Net Sales	22,937,917	100.0	16,589,996	100.0
Cost of Sales	18,541,448	80.8	13,613,305	82.1
Gross Profit	4,396,469	19.2	2,976,691	17.9
Distribution and marketing expenses	515,007	2.2	487,292	2.9
Administrative Expenses	419,320	1.8	366,191	2.2
Operating Profit	3,462,142	15.1	2,123,208	12.8
Other Operating Income	404,157	1.8	299,483	1.8
Other Operating Expenses	264,550	1.2	160,003	1.0
Finance Cost	9,360	0.0	79,208	0.5
Profit before Tax	3,592,389	15.7	2,183,480	13.2
Taxation	1,209,968	5.3	701,616	4.2
Profit after Tax	2,382,421	10.4	1,481,864	8.9

2013		2012		2011		2010	
Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%
448,375	4.4	415,926	4.0	435,516	5.1	411,759	3.5
204,112	2.0	168,260	1.6	155,137	1.8	155,476	1.3
841	0.0	5,871	0.1	17,614	0.2	29,357	0.2
255,708	2.5	255,708	2.5	255,708	3.0	273,203	2.3
354,119	3.5	288,187	2.8	291,907	3.4	288,187	2.4
2,065	0.0	2,702	0.0	2,860	0.0	3,188	0.0
239,405	2.3	168,475	1.6	84,969	1.0	69,839	0.6
133,485	1.3	68,419	0.7	131,559	1.5	110,599	0.9
2,601,698	25.4	2,986,120	28.9	2,580,293	30.1	2,475,904	21.0
974,158	9.5	411,326	4.0	176,430	2.1	454,465	3.9
71,498	0.7	181,535	1.8	215,293	2.5	239,358	2.0
27,384	0.3	25,103	0.2	19,132	0.2	23,008	0.2
1,904,916	18.6	1,649,132	15.9	641,908	7.5	1,885,387	16.0
86,483	0.8	97,630	0.9	74,474	0.9	73,676	0.6
293,083	2.9	502,439	4.9	137,386	1.6	46,612	0.4
551,871	5.4	2,461,860	23.8	2,971,296	34.6	4,116,821	35.0
2,087,580	20.4	654,806	6.3	393,502	4.6	1,109,055	9.4
10,236,781	100.0	10,343,499	100.0	8,584,984	100.0	11,765,894	100.0
4,875,219	47.6	5,216,197	50.4	4,652,236	54.2	4,192,407	35.6
30,148	0.3	28,530	0.3	36,091	0.4	17,913	0.2
5,331,414	52.1	5,098,772	49.3	3,896,657	45.4	7,555,574	64.2
10,236,781	100.0	10,343,499	100.0	8,584,984	100.0	11,765,894	100.0
22,698,651	100.0	20,133,130	100.0	24,863,264	100.0	22,199,909	100.0
18,688,384	82.3	16,699,313	82.9	20,431,301	82.2	18,217,109	82.1
4,010,267	17.7	3,433,817	17.1	4,431,963	17.8	3,982,800	17.9
494,367	2.2	483,940	2.4	540,461	2.2	546,976	2.5
340,081	1.5	310,629	1.5	306,877	1.2	292,340	1.3
3,175,819	14.0	2,639,248	13.1	3,584,625	14.4	3,143,484	14.2
301,383	1.3	472,618	2.3	679,561	2.7	450,555	2.0
239,676	1.1	230,113	1.1	340,340	1.4	247,920	1.1
64,554	0.3	6,408	0.0	9,562	0.0	9,498	0.0
3,172,972	14.0	2,875,345	14.3	3,914,284	15.7	3,336,621	15.0
1,034,326	4.6	897,727	4.5	1,243,548	5.0	1,052,123	4.7
2,138,646	9.4	1,977,618	9.8	2,670,736	10.7	2,284,498	10.3

Review Report
TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices (the statement) contained in the Code of Corporate Governance prepared by the Board of Directors of Millat Tractors Limited (the Company) for the year ended 30 June 2015 to comply with the Regulation No. 5.19 of Rule Book of Karachi Stock Exchange Limited and Regulation No. 35 of Chapter XI contained in listing Regulations of the Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls covers all the risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2015.

Chartered Accountants
Engagement Partner: Naseem Akbar
Lahore: 04 September 2015

Statement of Compliance
with the Code of Corporate Governance [See clause (xl)]

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 5.19 of the Karachi Stock Exchange Limited Regulations and Regulation No. 35 of Chapter XI contained in listing Regulations of the Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director(s)	1. Mr. Saad Iqbal
Executive Directors(s)	1. Mian Muhammad Saleem
	2. S.M Irfan Aqueel
Non-Executive Director(s)	1. Mr. Sikandar Mustafa Khan
	2. Mr. Latif Khalid Hashmi
	3. Mr. Sohail Bashir Rana
	4. Mr. Laeeq Uddin Ansari
	5. Syed Zubair Ahmed Shah

The independent director meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the board of directors of the Company during the year.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board were applicable.

8. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Company arranged an orientation course for its directors. Six directors meet the criteria of minimum of 14 years of education and 15 years of experience on the board of listed Companies. Remaining two directors have already obtained the desired certification.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment in terms of Code of Corporate Governance, 2012.

Statement of Compliance
with the Code of Corporate Governance [See clause (xl)]

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG. The transactions with associated companies shall be laid for approval of the members in the ensuing general meeting.

15. The board has formed an Audit Committee. It comprises four members, of whom three are non-executive and one independent director. The chairman of the committee is a non-executive director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance. All the requirements of CCG with respect to Audit Committee were complied with except that the Chairman Audit Committee was unable to attend the preceding Annual General Meeting of the Company. However, the Audit Committee was represented by its member on the Chairman's behalf as authorized by him.

17. The board has formed an HR and Remuneration Committee. It comprises 03 members, of whom all are non-executive directors and the chairman of the committee is a non-executive director.

18. The board has set up an effective internal audit function, the staff is suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

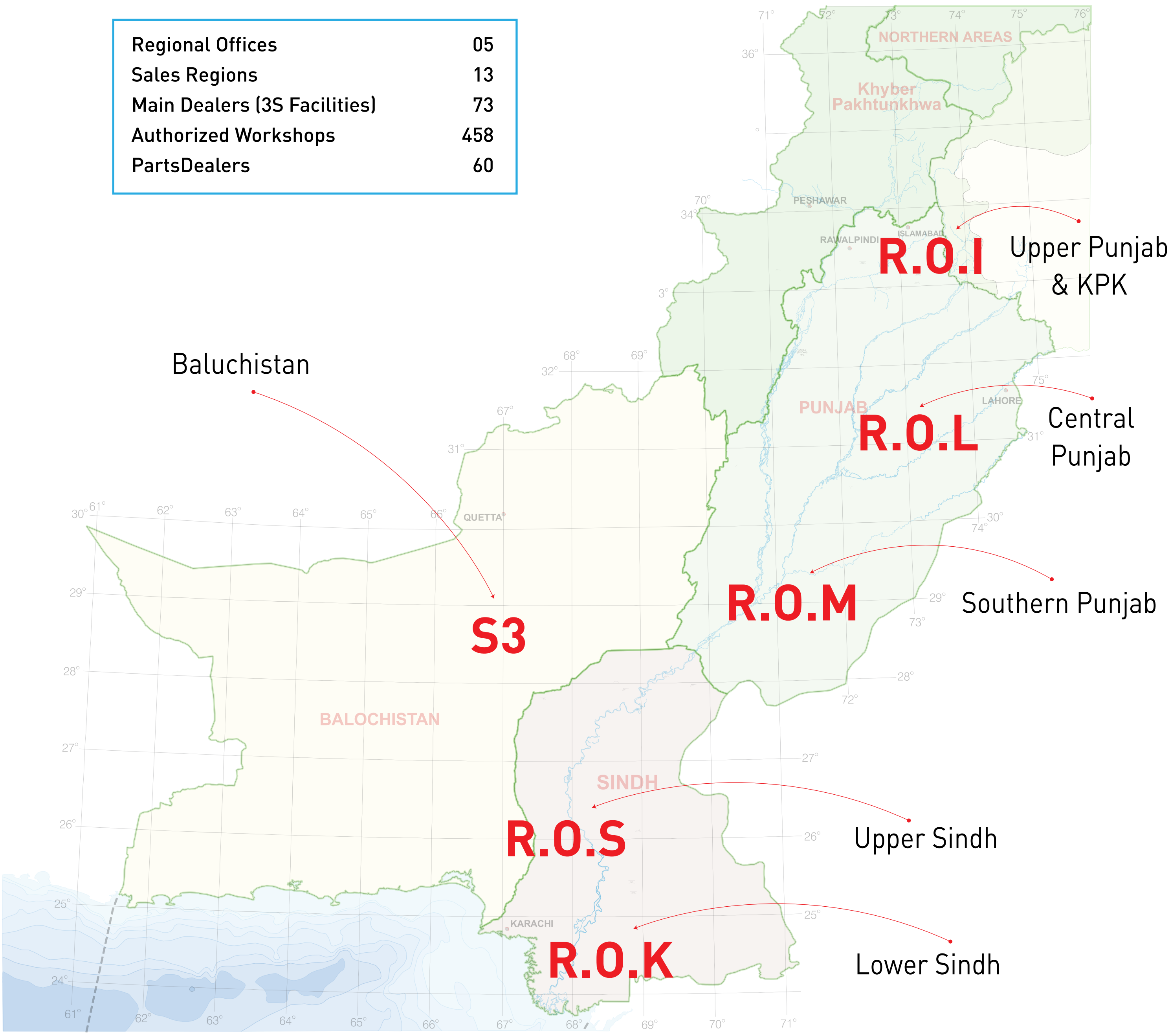
23. We confirm that all other material principles enshrined in the CCG have been complied with.

(SYED MUHAMMAD IRFAN AQUEEL)
Chief Executive

Lahore:
September 04, 2015

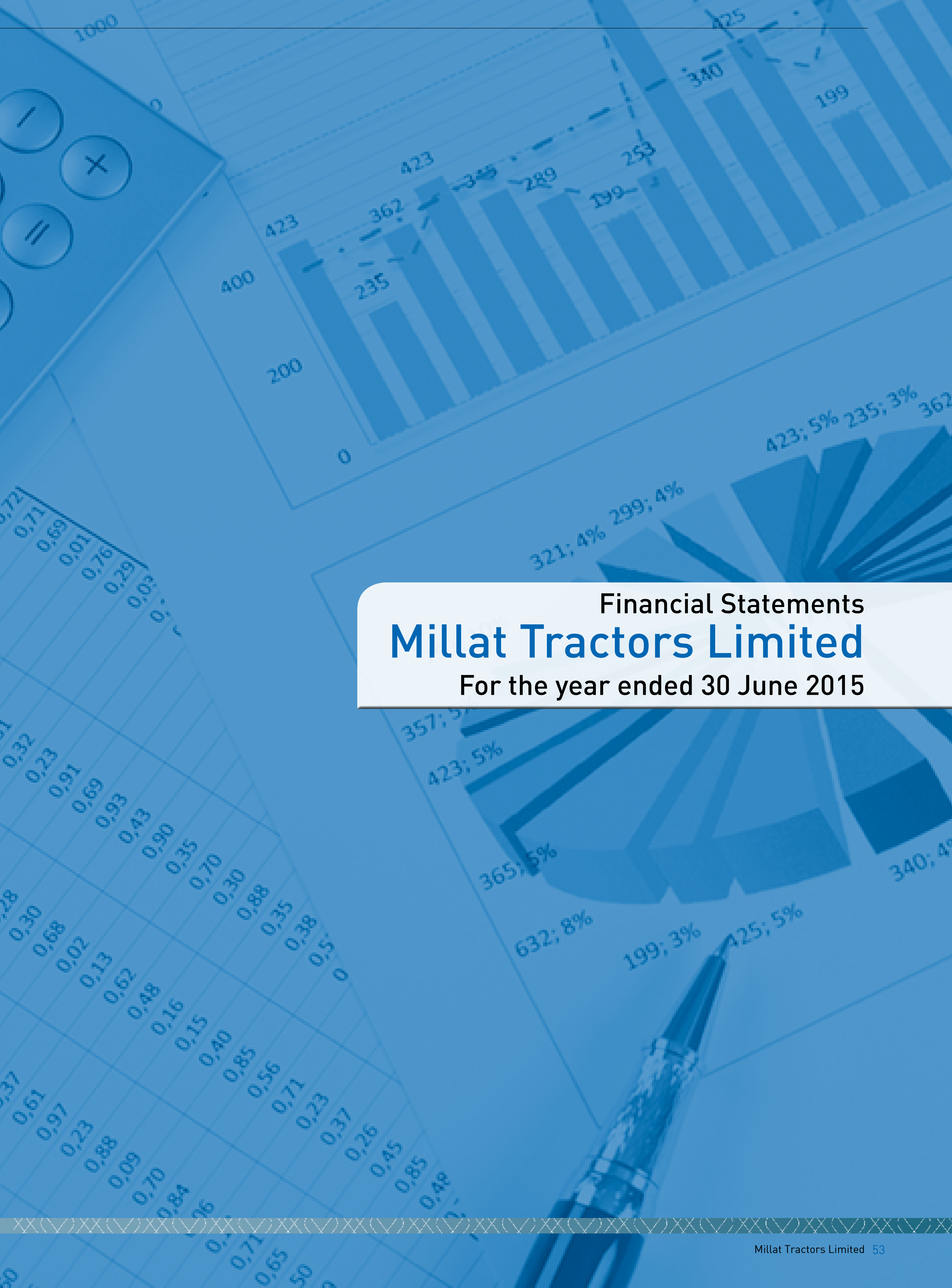
MTL's - Geographical Coverage by Marketing Network

Regional Offices	05
Sales Regions	13
Main Dealers (3S Facilities)	73
Authorized Workshops	458
PartsDealers	60



ROI:	Regional Office Islamabad
ROL:	Regional Office Lahore
ROM:	Regional Office Multan
ROS:	Regional Office Sukkur
ROK:	Regional Office Karachi


FIRST TIME

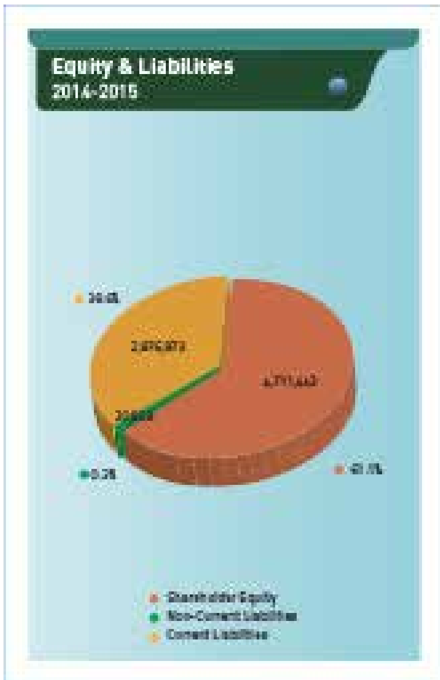


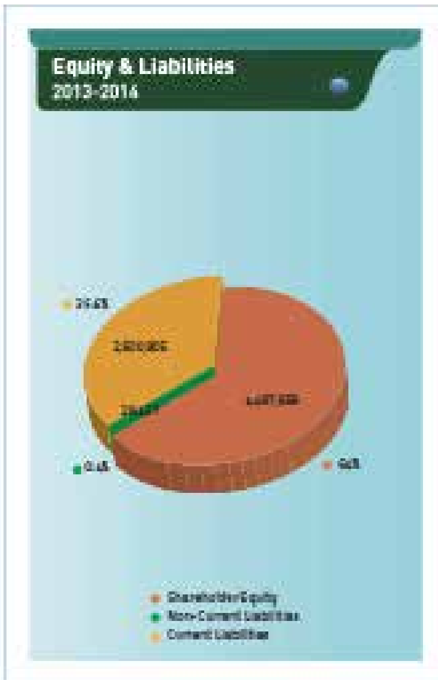
Financial Statements

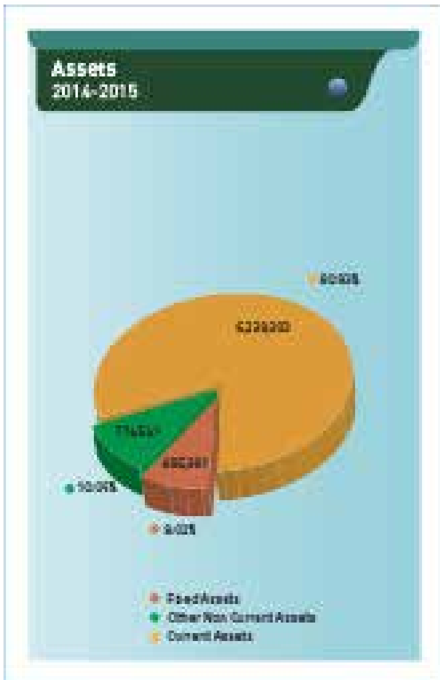
Millat Tractors Limited

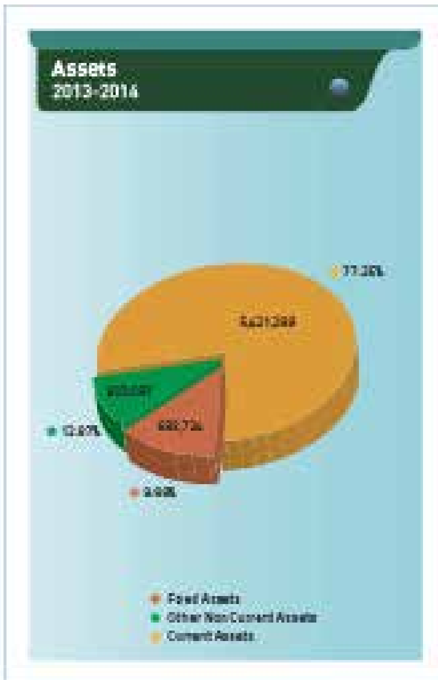
For the year ended 30 June 2015

Graphical Analysis of
Balance Sheet









Auditors' Report
to the Members

We have audited the annexed balance sheet of Millat Tractors Limited ("the Company") as at 30 June 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion

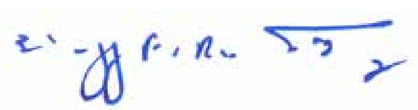
(i) the balance sheet and profit and loss account together with notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

(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, 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 Ordnance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 30 June 2015 and of the profit, 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.



Chartered Accountants
Engagement Partner: Naseem Akbar
Lahore: 04 September 2015

Balance Sheet
as at June 30, 2015

	Note	2015	2014
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
50,000,000 (2014: 50,000,000) ordinary			
shares of Rs. 10/- each		500,000	500,000
Issued, subscribed and paid up capital	5	442,926	442,926
General reserves		3,116,706	3,263,551
Unappropriated profit		1,086,858	739,006
Fair value reserve		64,953	42,375
		4,711,443	4,487,858
Non-current liabilities			
Long term deposits	6	10,595	10,515
Deferred taxation	7	10,214	18,922
		20,809	29,437
Current liabilities			
Accumulating compensated absences		90,311	77,650
Trade and other payables	8	2,884,862	2,419,555
Mark-up accrued on short term borrowings	9	1,800	3,600
		2,976,973	2,500,805
CONTINGENCIES AND COMMITMENTS	10	–	–
		7,709,225	7,018,100

The annexed notes from 1 to 46 form an integral part of these financial statements.

Syed Muhammad Irfan Aqueel
Chief Executive

	Note	2015	2014
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment			
Operating fixed assets	11	485,721	481,293
Capital work in progress	12	209,660	212,431
Intangible asset	13	3,867	5,888
Investment property	14	255,708	255,708
Long term investments	15	369,543	345,750
Long term loans	16	1,911	1,941
Employees' defined benefit plan	17	143,512	293,800
		1,469,922	1,596,811
Current assets			
Stores and spares	18	107,141	120,951
Stock in trade	19	2,429,982	2,433,690
Trade debts	20	184,377	121,731
Loans and advances	21	68,683	122,047
Trade deposits and short term prepayments		22,748	24,198
Balances with statutory authorities	22	767,295	317,853
Other receivables	23	61,506	119,679
Tax refunds due from the Government		815,198	942,966
Short term investments	24	700,203	100,000
Cash and bank balances	25	1,082,170	1,118,174
		6,239,303	5,421,289
		7,709,225	7,018,100

Latif Khalid Hashmi
Director

Profit and Loss Account
For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in thousand)	
Sales - net	26	22,937,917	16,589,996
Cost of sales	27	18,541,448	13,613,305
Gross profit		4,396,469	2,976,691
Distribution and marketing expenses	28	515,007	487,292
Administrative expenses	29	419,320	366,191
		934,327	853,483
Operating profit		3,462,142	2,123,208
Other income	30	404,157	299,483
		3,866,299	2,422,691
Finance cost	31	9,360	79,208
Other operating expenses	32	264,550	160,003
		273,910	239,211
Profit before taxation		3,592,389	2,183,480
Taxation	33	1,209,968	701,616
Profit after taxation		2,382,421	1,481,864
Earnings per share - basic and diluted (Rupees)	37	53.79	33.46

The annexed notes from 1 to 46 form an integral part of these financial statements.

Syed Muhammad Irfan Aqueel
Chief Executive

Latif Khalid Hashmi
Director

Statement of Comprehensive Income

For the year ended 30 June 2015

	2015	2014
	(Rupees in thousand)	
Profit for the year	2,382,421	1,481,864
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Unrealized gain / (loss) on revaluation of available for sale investments	22,578	(8,339)
Items not to be reclassified to profit or loss in subsequent periods:		
Remeasurement (losses) / gain on defined benefit plans	(188,249)	31,614
Total other comprehensive (loss) / income, net of tax	(165,671)	23,275
Total comprehensive income for the year	2,216,750	1,505,139

The annexed notes from 1 to 46 form an integral part of these financial statements.

Syed Muhammad Irfan Aqueel
Chief Executive

Latif Khalid Hashmi
Director

Cash Flow Statement
For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	4,066,956	405,932
Interest and mark-up paid		(11,160)	(78,008)
Net decrease in long term loans to employees		30	124
Workers' Profit Participation Fund paid		(169,801)	(115,632)
Workers' Welfare Fund paid		(41,136)	(59,845)
Taxes (paid) / refund		(1,540,350)	235,233
Employee benefits paid		(10,369)	(21,800)
Long term security deposits received / (paid)		80	(380)
		(1,772,706)	(40,308)
Net cash flows from operating activities		2,294,250	365,624
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(83,272)	(111,945)
Purchase of intangible assets		(362)	(6,033)
Proceeds from disposal of property, plant and equipment		11,587	12,538
Short term invesments (made) / redeemed - net		(521,687)	457,089
Profit on bank deposits received		25,080	30,621
Dividend received		196,684	130,399
Net cash flows (used in) / from investing activities		(371,970)	512,669
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,958,284)	(1,847,699)
Net cash flows used in financing activities		(1,958,284)	(1,847,699)
Net decrease in cash and cash equivalents		(36,004)	(969,406)
Cash and cash equivalents at the beginning of the year		1,118,174	2,087,580
Cash and cash equivalents at the end of the year	25	1,082,170	1,118,174

The annexed notes from 1 to 46 form an integral part of these financial statements.

Syed Muhammad Irfan Aqueel
Chief Executive

Latif Khalid Hashmi
Director

Statement of Changes in Equity

For the year ended 30 June 2015

	Share capital	Revenue reserves: General reserves	Revenue reserves: Unappropriated profit	Fair value reserve	Total
	(Rupees in thousand)				
Balance as on 01 July 2013	402,660	3,306,590	1,115,255	50,714	4,875,219
Final dividend for the year ended					
30 June 2013 @ Rs. 25 per share	–	(43,039)	(963,610)	–	(1,006,649)
Issue of ordinary shares of Rs.10/- each					
as fully paid bonus shares	40,266	–	(40,266)	–	–
Interim dividend for the year ended					
30 June 2014 @ Rs. 20/- per share	–	–	(885,851)	–	(885,851)
Total comprehensive income for the					
year ended 30 June 2014	–	–	1,513,478	(8,339)	1,505,139
Balance as on 30 June 2014	442,926	3,263,551	739,006	42,375	4,487,858
Final dividend for the year ended					
30 June 2014 @ Rs. 20 per share	–	(146,845)	(739,006)	–	(885,851)
Interim dividend for the year ended					
30 June 2015 @ Rs. 25/- per share	–	–	(1,107,314)	–	(1,107,314)
Total comprehensive income for the					
year ended 30 June 2015	–	–	2,194,172	22,578	2,216,750
Balance as on 30 June 2015	442,926	3,116,706	1,086,858	64,953	4,711,443

The annexed notes from 1 to 46 form an integral part of these financial statements.

Syed Muhammad Irfan Aqueel
Chief Executive

Latif Khalid Hashmi
Director

Notes to the Financial Statements
For the year ended 30 June 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

The Company is a public limited Company incorporated in Pakistan under the Companies Ordinance 1984, and is listed on the Karachi, Islamabad and Lahore Stock Exchanges. The registered office of the Company is situated at Sheikhupura Road, District Sheikhupura. It is principally engaged in assembling and manufacturing of agricultural tractors, implements and multi-application products.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

3.2 Use of estimates and judgments

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 judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

3.2.1 Employees' retirement benefits and other obligations

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.3.1.

3.2.2 Provision for taxation

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 are in accordance with law, the amounts are shown as contingent liabilities.

3.2.3 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 respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

3.2.4 Provision for inventories

The Company regularly reviews the inventories for impairment. Provision for obsolete and slow-moving inventories is based on management estimate.

3.2.5 Provision for receivables

The Company regularly reviews its receivables for impairment, if any. The provision in this regard is made, based on management's estimate, where the prospects of recovery are doubtful.

3.3 Functional currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of financial statements of the Company are consistent with previous year except as discussed in Note 4.1 and are as follows:

4.1 New, amended standards and interpretations become effective

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IAS 19	–	Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions
IAS 32	–	Financial Instruments : Presentation – (Amendment) offsetting Financial Assets and Financial Liabilities
IAS 36	–	Impairment of Assets – (Amendment) Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	–	Financial Instruments: Recognition and Measurement – (Amendment) - Novation of derivatives and continuation of hedge accounting
IFRIC 21	–	Levies

Improvements to Accounting Standards Issued by the IASB

IFRS 2 Share-based Payment	–	Definitions of vesting conditions
IFRS 3 Business Combinations	–	Accounting for contingent consideration in a business combination
IFRS 3 Business Combinations	–	Scope exceptions for joint ventures
IFRS 8 Operating Segments	–	Aggregation of operating segments
IFRS 8 Operating Segments	–	Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13 Fair Value Measurement	–	Scope of paragraph 52 (portfolio exception)

IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation

IAS 24 Related Party Disclosures – Key management personnel

IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

Notes to the Financial Statements
For the year ended 30 June 2015

4.2 Segment reporting

The key financial decision maker consider the whole business as one operating segment.

4.3 Employees' retirement benefits and other obligations

The main features of the schemes operated by the Company for its employees are as follows:

4.3.1 Defined benefit plan

4.3.1.1 Pension

The Company operates a funded defined benefit pension scheme for all its eligible employees. Contributions under the scheme are made to this fund on the basis of actuarial recommendation at 17% (2014: 17%) of basic salary per annum and are charged to profit and loss account. The latest actuarial valuation for the scheme was carried out as at 30 June, 2015.

The amount recognized in balance sheet represents the present value of the plan assets reduced by value of defined benefit obligation.

The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

	2015	2014
Expected rate of increase in salary level	8.8%	12.3%
Expected rate of return	13.3%	10.5%
Discount rate	9.8%	13.3%
Average expected remaining working life of employees	9 years	8 years

4.3.2 Defined contribution plans

4.3.2.1 Gratuity

The Company operates an approved defined contribution funded gratuity scheme for permanent employees who joined the Company before 01 July 2004. Under the scheme, based on the graduated scale, the contributions are calculated with reference to last drawn salary of the employees and are paid over to the Employees Gratuity Fund Trust.

4.3.2.2 Provident fund

The Company operates an approved defined contribution provident fund for all permanent employees. Equal contributions are made by employees and the Company at the rate of 10 percent of basic salary per month.

4.3.3 Accumulating compensated absences

The Company provides for accumulating compensated absences, when the employees render services that increase their entitlement to future compensated absences and are charged to profit and loss account.

4.4 Taxation

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.

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 to 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 in which case it is included in other comprehensive income.

4.5 Property, plant and equipment

Property, plant and equipment except for freehold and leasehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold and leasehold land is stated at cost less any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item 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.

Depreciation on all items of property, plant and equipment except for leasehold office building is charged to profit and loss account applying the diminishing balance method so as to write-off the depreciable amount of an asset over its useful life. Depreciation on leasehold office building is provided on a straight line basis so as to write off the depreciable amount of an asset over the life of the asset. Depreciation is being charged at the rates given in note 11. 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 Company continually assesses at each balance sheet date whether there is any indication that property, plant and equipment 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 amount and the resulting impairment loss is recognized in profit and loss account for the year. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount, and the increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized.

4.6 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

4.7 Intangible assets

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method over a period of three years.

Amortization on additions to intangible assets 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.

The Company assesses at each balance sheet date whether there is any indication that 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 amount. Where carrying amounts 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. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.8 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Company comprises land and is valued using the cost method, at cost less any identified impairment loss.

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

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized in profit and loss account.

4.9 Investments and other financial assets

4.9.1 Subsidiary and associated undertakings

Investments in subsidiary and associated undertakings where the Company has significant influence are carried at cost less impairment loss, if any.

At each balance sheet date, the Company reviews the carrying amounts of the investments in subsidiary and associates to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. In making an estimate of recoverable amount of these investments, the management considers future dividend stream and an estimate of the terminal value of these investments. Impairment losses are recognized as expense in the profit and loss account.

4.9.2 Others

Financial assets in the scope of IAS 39 : "Financial Instruments - Recognition and Measurement", are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial assets are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets are subsequently measured at fair value or cost as the case may be. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

4.9.3 Financial assets at fair value through profit or loss

Financial assets classified as held-for-trading are included in the category 'Financial assets at fair value through profit or loss'. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and are effective hedging instruments. Gains or losses on investments held for trading are recognized in profit and loss account.

4.9.4 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity and are initially measured at cost. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

4.9.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit and loss account when the loans and receivables are derecognized or impaired, as well as through the amortization process.

4.9.6 Available-for-sale financial assets

The financial assets including investments in associated undertakings where the Company has not significant influence that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available-for-sale.

Investments classified as available-for-sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

At each balance sheet date, the Company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. In respect of 'available-for-sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognized in profit and loss account, is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

4.10 Stores and spares

Stores and spares are valued at lower of net realizable value or moving average cost. Items in transit are valued at cost comprising of invoice value and other incidental charges paid thereon.

Provision for obsolete and slow-moving stores and spares is based on management estimate.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision for obsolete and slow-moving stores and spares is based on management estimate.

4.11 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of moving average cost and net realizable value.

Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Cost of raw materials and trading stock comprises the invoice value plus other charges paid thereon.

Cost of work-in-process and finished goods include direct material, labour and appropriate portion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision for obsolete and slow-moving stock-in-trade is based on management estimate.

4.12 Trade debts

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

4.13 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash which are subject to insignificant risk of changes in values.

4.14 Revenue recognition

Revenue from sale of goods is recognized on dispatch of goods to customers.

Revenue from maintenance services is recognized on the basis of services performed to date as a percentage of total services to be performed.

Dividend is recognized as income when the right to receive dividend is established.

Profit on bank deposits is recognized on effective rate of interest method.

Investment income is recognized when right to receive the income is established.

4.15 Research cost

These costs are charged to profit and loss account when incurred.

4.16 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 a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

4.17 Trade and other payables

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

4.18 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 amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.19 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.20 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.21 Offsetting of financial assets and liabilities

Financial assets and 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.

4.22 Dividend and appropriations

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

4.23 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	01 January 2015
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	01 January 2015
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11 – Joint Arrangements	01 January 2015
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 – Fair Value Measurement	01 January 2015
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard or Interpretation	IASB Effective Date (Annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2015	2014		2015	2014
(Number of shares in thousand)			(Rupees in thousand)	
2,543	2,543	Ordinary shares of Rs.10 each fully paid in cash	25,429	25,429
		Ordinary shares of Rs.10 each issued as fully paid bonus shares		
41,750	37,724	- Opening balance	417,497	377,231
–	4,026	- Issued during the year	–	40,266
41,750	41,750		417,497	417,497
44,293	44,293		442,926	442,926

6. LONG TERM DEPOSITS

These represent security deposits received from dealers which, by virtue of agreement, are interest free. These are repayable on cancellation of dealership contract with dealers.

	Note	2015	2014
		(Rupees in thousand)	
7. DEFERRED TAXATION			
The liability for deferred tax comprises temporary differences relating to:			
Taxable temporary differences:			
Accelerated tax depreciation		50,835	56,636
Deductible temporary differences:			
Accumulating compensated absences		(28,900)	(25,625)
Provision for doubtful receivables		(11,721)	(12,089)
		(40,621)	(37,714)
Net deferred tax liability at the year end		10,214	18,922

	Deferred tax liability		Deferred tax asset		
	Accelerated tax depreciation	Change in fair value of short term	Accumulating compensated absences	Provision for doubtful receivables	Net liability
	(Rupees in thousand)				
Balance as at 01 July 2013	52,437	125	(20,854)	(12,455)	19,253
Charged/(credited) to profit and loss account	4,199	(125)	(4,771)	366	(331)
Balance as at 30 June 2014	56,636	–	(25,625)	(12,089)	18,922
Charged/(credited) to profit and loss account	(5,801)	–	(3,275)	368	(8,708)
Balance as at 30 June 2015	50,835	–	(28,900)	(11,721)	10,214

Notes to the Financial Statements
For the year ended 30 June 2015

		Note	2015	2014
			(Rupees in thousand)	
8.	**TRADE AND OTHER PAYABLES**			
	Trade creditors	(8.1)	1,037,575	817,848
	Accrued liabilities		122,270	118,932
	Bills payable		31,913	24,647
	Advances from customers	(8.2)	1,109,037	973,588
	Security deposits	(8.3)	6,524	5,299
	Trademark fee payable		97,356	108,391
	Workers' Welfare Fund		125,857	101,155
	Unclaimed dividends		245,519	210,638
	Worker's Profit Participation Fund	(8.4)	17,659	–
	Others		91,152	59,057
			2,884,862	2,419,555

8.1 These include balances due to related parties amounting Rs. 232,893 thousand (2014: Rs.152,625 thousand).

8.2 These represent advances from customers against sale of tractors and carry no mark-up.

8.3 These represent security deposits from contractors which, by virtue of agreement, are interest free, repayable on demand and are used in the Company's business.

		Note	2015	2014
			(Rupees in thousand)	
8.4	**Workers' Profit Participation Fund**			
	Opening balance		5,078	4,368
	Add: payments made during the year		169,801	115,632
			174,879	120,000
	Less: allocation for the year	(32)	(192,538)	(114,922)
	Closing balance		17,659	5,078

9. MARK-UP ACCRUED ON SHORT TERM BORROWINGS

This represents accrued interest payable on short term borrowings availed during the year, while the balance of short term borrowings as on 30 June 2015 is Nil (2014: Nil).

9.1 Short term borrowings are available from various banks against aggregate sanctioned limit of Rs.3,914,000 thousand (2014: Rs. 3,914,000 thousand). The rates of mark up range between KIBOR plus 0.25% to KIBOR plus 0.4% (2014: KIBOR plus 0.25% to KIBOR plus 0.4%) per annum.

9.2 The Company has facilities for opening of letters of credit and guarantees aggregating to Rs. 3,400,000 thousand (2014: Rs. 3,400,000 thousand) out of which Rs. 2,944,000 thousand (2014: Rs. 3,018,000 thousand) remained unutilized at the end of the year.

9.3 These facilities are secured by pari passu hypothecation charge over current assets and book debts of the Company, lien over import documents and counter guarantees of the Company.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 The Company has given guarantee amounting to Rs. 5,000 thousand to bank for repayment of loan by employees. An amount of Rs. 4,500 thousand (2014: Rs. 3,780 thousand) was utilized by employees as at 30 June 2015.

10.1.2 Guarantees issued by the banks on behalf of the Company in the normal course of business amount to Rs. 167,969 thousand (2014: Rs.92,094 thousand).

10.1.3 The income tax assessments of the Company have been finalized up to and including tax year 2014. While finalizing income tax assessments up to tax year 2014, income tax authorities have made certain add backs with aggregate tax impact of Rs. 548 million. As a result of appeals filed by the Company before appellate authorities, most of the add backs have been deleted. However, the Company and Tax Department are in appeals before higher forums against unfavorable decisions. Pending finalization of appeals, no provision has been made by the Company on aggregate sum of Rs.548 million. The management is confident that, on the basis of earlier decisions by the said forum in favour of Company, the outcome of these appeals will also be in favour of the Company.

10.1.4 The Company is defending a demand notice issued by Vice Commissioner Punjab Employees' Social Security Institution amounting to Rs. 36 million. After further investigation, the demand notice was reduced to Rs. 12 million. The Company is in the process of filing objection against the reduced demand notice. The management and legal advisor are confident that the outcome of the case would be decided in their favour hence no provision relating to aforesaid demand has been made in the financial statements.

10.1.5 The Company is defending a suit for Rs. 19,579 thousand, filed in previous years by an ex-vendor on account of damages and inconvenience. Previously the case was pending before the Civil Court, Lahore. However during the last year it was held by the Civil Court that the damages of Rs. 15,000 thousand has been awarded in favour of vendor for the aforementioned inconvenience. In addition to that the Company is also required to pay the amount of parts already supplied by the vendor which amounts to Rs 4,579 thousand along with mark up @ 7% per annum till its realization. However the Company has preferred an appeal in the Honourable High Court against the aforesaid order of Civil Court. The management and the legal advisor are confident that outcome of the case would be in the Company's favour and no payment in this regard would be required, hence no provision there against has been made in these financial statements. The case is pending in the Honourable High Court, Lahore.

10.1.6 The Company is defending a demand of Rs. 3,944 thousand from the Additional Commissioner Inland Revenue, Lahore, regarding non payment of sales tax on replacements of warranty parts supplied by the Company to its customers. The Company filed the appeal in 2010 against the aforementioned order passed, to Commissioner of Inland Revenue, Lahore. Which held that the Company is liable to pay the amount of sales tax on warranty parts which amounts to Rs 3,944 thousand along with default surcharge and penalty @ 5% under section 33 of sales tax act 1990. The Company has filed an appeal against the aforementioned order in the Honourable High Court Lahore. The management and the legal advisor are confident of favourable outcome of the case, hence no provision in this regard has been made in these financial statements. The case is pending in the Honourable High Court, Lahore.

10.1.7 The Company is defending a demand of Rs. 31,869 thousand from the Customs Authorities, alleging the Company for non payment of custom and other additional duties. The demand is on account of purcahse of certain starter motors and alternators to be used for the manufacture of the tractors. The Company filed an appeal against the said demand and the order passed by Additional Collector, Lahore and Collector Appeals, Lahore before the Customs Appellate Tribunal, Lahore. The Company made the payment of Rs. 8,000 thousand under protest in response to demand notice served and obtained the stay order from Honourable High Court, Lahore agianst the further recovery action of Authorities. The management and legal advisor are confident that the outcome of the case would be decided in their favour hence no provison relating to aforesaid demand has been made in the financial statement. The appeal is pending before the Custom Appellate Tribunal Lahore.

10.2 Commitments

Commitments in respect of outstanding letters of credit for import of raw material amounting to Rs. 287,944 thousand (2014: Rs. 290,000 thousand) at the balance sheet date.

11. OPERATING FIXED ASSETS

	Land		Buildings		Plant and machinery	Furniture and office equipment	Vehicles	Tools and equipments	Computers	Total
	Freehold	leasehold	On freehold land	On leasehold land						
	(Rupees in thousand)									
Net carrying value basis										
Year ended 30 June 2015										
Opening net book value	58,307	8	28,795	–	184,925	30,258	145,387	24,626	8,987	481,293
Additions (at cost)	–	–	2,090	–	9,563	3,940	50,480	758	19,212	86,043
Disposals	–	–	–	–	–	–	(10,320)	-	(714)	(11,034)
Depreciation charge	–	–	(2,679)	–	(19,136)	(3,884)	(34,331)	(3,770)	(6,781)	(70,581)
Closing net book value	58,307	8	28,206	–	175,352	30,314	151,216	21,614	20,704	485,721
Gross carrying value basis										
As at 30 June 2015										
Cost	58,307	8	176,418	2,900	484,839	67,880	279,980	85,268	45,799	1,201,399
Accumulated depreciation	–	–	(148,212)	(2,900)	(309,487)	(37,566)	(128,764)	(63,654)	(25,095)	(715,678)
Net book value	58,307	8	28,206	–	175,352	30,314	151,216	21,614	20,704	485,721
Depreciation rate % per annum	–	–	5-10	5	10	10-20	20	10-15	33	
Net carrying value basis										
Year ended 30 June 2014										
Opening net book value	58,307	8	28,196	–	186,782	28,171	116,895	27,174	2,842	448,375
Additions (at cost)	–	–	3,155	–	17,480	5,758	67,954	1,762	7,517	103,626
Disposals	–	–	–	–	–	–	(10,319)	–	(19)	(10,338)
Depreciation charge	–	–	(2,556)	–	(19,337)	(3,671)	(29,143)	(4,310)	(1,353)	(60,370)
Closing net book value	58,307	8	28,795	–	184,925	30,258	145,387	24,626	8,987	481,293
Gross carrying value basis										
As at 30 June 2014										
Cost	58,307	8	174,329	2,900	475,275	63,940	253,860	84,509	27,721	1,140,849
Accumulated depreciation	–	–	(145,534)	(2,900)	(290,350)	(33,682)	(108,473)	(59,883)	(18,734)	(659,556)
Net book value	58,307	8	28,795	–	184,925	30,258	145,387	24,626	8,987	481,293
Depreciation rate % per annum	–	–	5-10	5	10	10-20	20	10-15	33	

		Note	2015	2014
			(Rupees in thousand)	
11.1	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	(27)	35,601	33,900
	Distribution and marketing expenses	(28)	8,088	8,163
	Administrative expenses	(29)	26,892	18,307
			70,581	60,370

11.2 Disposal of property, plant and equipment

Particulars	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Vehicles		(Rupees in thousand)				
	Directors					
	Mr. Latif Khaild Hashmi	4,145	3,032	1,113	1,113	Company car scheme
	Employees					
	Mr.Javed Munir	3,125	549	2,576	2,576	Company car scheme
	Mr. Athar Zubair	1,973	576	1,397	1,397	Company car scheme
	Mr. Athar Zubair	1,625	636	988	988	Company car scheme
	Mr. Javed Munir	1,426	910	516	516	Company car scheme
	Mr. Farogh Iqbal	1,319	969	350	350	Company car scheme
	Mr. Qamar Islam	1,300	765	535	535	Company car scheme
	Mr. Ali Akhtar	824	606	218	218	Company car scheme
	Mr. Ejaz Ahmed Malik	671	405	266	266	Company car scheme
	Mr. Ghulam Mustafa	671	442	229	229	Company car scheme
	Mr. Muhammad Imran	649	477	172	172	Company car scheme
	Mr. Masood Ahmed	649	477	172	172	Company car scheme
	Mr. Shoaib Usman Banday	619	455	164	164	Company car scheme
	Mr. Najeeb Arif	619	455	164	164	Company car scheme
	Mr. Rashid Ahmad	589	433	156	156	Company car scheme
	Mr. Akhtar Saleem	559	411	148	148	Company car scheme
	Mr. Waqas Raffique	86	-	86	86	Company motorcycle scheme
	Mr. Muhammad Sharif	85	16	68	68	Company motorcycle scheme
	Mr. Hafiz Faheem Afzal	76	36	40	40	Company motorcycle scheme
	Mr. Muhammad Iqbal	70	47	23	23	Company motorcycle scheme
	Mr. Muhammad Saleem	70	47	23	23	Company motorcycle scheme
	Mr. Ahmad Saeed Akbar	70	47	23	23	Company motorcycle scheme
	Mr. Muhammad Aslam	70	47	23	23	Company motorcycle scheme
	Mr. Noor Ahmad	70	47	23	23	Company motorcycle scheme
	Mr. Ihtisham Ullah	70	47	23	23	Company motorcycle scheme
	Mr. Arshad	70	42	28	28	Company motorcycle scheme

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Particulars	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Vehicles		(Rupees in thousand)				
	Mr. Muhammad Iqbal	70	47	23	23	Company motorcycle scheme
	Mr. Mahmood Ali	70	47	23	23	Company motorcycle scheme
	Mr. Ashfaq Ali	69	46	24	24	Company motorcycle scheme
	Mr. Waseem Ahmad	67	31	35	35	Company motorcycle scheme
	Mr. Zia Ur Rehman	66	25	41	41	Company motorcycle scheme
	Mr. Muhammad Afzal	66	29	37	37	Company motorcycle scheme
	Mr. Muhammad Affar	66	26	40	40	Company motorcycle scheme
	Mr. Faisal Javed	66	26	40	40	Company motorcycle scheme
	Mr. Abdul Zaheer	66	24	42	42	Company motorcycle scheme
	Mr. Muhammad Naeem	63	42	21	21	Company motorcycle scheme
	Mr. Muhammad Yousaf	63	42	21	21	Company motorcycle scheme
	Mr. Liaqat Ali	63	41	22	22	Company motorcycle scheme
	Mr. Mubashar Ch.	63	42	21	21	Company motorcycle scheme
	Mr. Nawaz Khan	63	38	25	25	Company motorcycle scheme
	Mr. Munawar Hussain	63	42	21	21	Company motorcycle scheme
	Mr. Muhammad Ishaq	63	42	21	21	Company motorcycle scheme
	Mr. Muhammad Asghar	63	42	21	21	Company motorcycle scheme
	Mr. Muhammad Tayyab	63	42	21	21	Company motorcycle scheme
	Mr. Maqsood Ahmed	63	42	21	21	Company motorcycle scheme
	Mr. Faiz ur Rehman	63	42	21	21	Company motorcycle scheme
	Mr. Asghar Ali	63	42	21	21	Company motorcycle scheme
	Mr. Amjad Mahmood	63	37	25	25	Company motorcycle scheme
	Mr. Zeshan Arif	63	40	23	23	Company motorcycle scheme
	Mr. Mahfooz Ahmed Butt	63	42	21	21	Company motorcycle scheme
	Mr. Shazar Khan	63	42	21	21	Company motorcycle scheme
	Mr. Javed Malik	63	42	21	21	Company motorcycle scheme
	Mr. Nadeem Ejaz	63	42	21	21	Company motorcycle scheme
	Mr. Shamim Ahmed Siddiqui	63	42	21	21	Company motorcycle scheme
	Mr. Farooq Ahmad	63	42	21	21	Company motorcycle scheme
	Others					
	Pool Vehicles	999	936	63	615	Open market auction

		Note	2015	2014
			(Rupees in thousand)	
12.	**CAPITAL WORK IN PROGRESS**			
	Plant and machinery		115	25,111
	Advance for office building	(12.1)	198,295	187,320
	Advance for vehicles		11,250	–
			209,660	212,431

12.1 This represents office floors at Tricon Corporate Centre.

		Note	2015	2014
			(Rupees in thousand)	
13.	**INTANGIBLE ASSET**			
	Net carrying value basis			
	Opening net book value		5,888	841
	Additions		362	6,033
	Amortization charge	(29)	(2,383)	(986)
			3,867	5,888
	Gross carrying value basis			
	Cost		42,238	36,205
	Additions		362	6,033
	Accumulated amortization		(38,733)	(36,350)
			3,867	5,888
	Rate of amortization		33%	33%
14.	**INVESTMENT PROPERTY**			
	Land		258,444	258,444
	Provision for impairment		(2,736)	(2,736)
			255,708	255,708

14.1 Based on the valuation carried out by an independent valuer as at 30 June 2015, the fair value of investment property is Rs. 266,400 thousand (2014: Rs. 370,000 thousand).

Notes to the Financial Statements
For the year ended 30 June 2015

		2015	2014
		(Rupees in thousand)	
15.	LONG TERM INVESTMENTS		
	Investment in related parties		
	In subsidiary undertaking		
	Unquoted		
	Millat Industrial Products Limited		
	5,737,500 (2014: 5,737,500) fully paid ordinary shares of Rs. 10/- each	57,375	57,375
	Equity held 64.09% (2014: 64.09%)		
	Value of investment based on net assets as shown in the audited accounts		
	as at 30 June 2015 is Rs. 249,284 thousand (2014: Rs. 196,437 thousand)		
	Tipeg Intertrade DMCC		
	1,500 (2014: 1,500) fully paid ordinary shares of AED 1,000/- each	41,460	40,245
	Equity held 75% (2014: 75%)		
	Value of investment based on net assets as shown in the reviewed accounts		
	as at 30 June 2015 is Rs. 81,149 thousand (2014: Rs. 36,627 thousand)		
	In associated companies		
	Quoted		
	Bolan Castings Limited		
	5,306,979 (2014: 5,306,979) fully paid ordinary shares of Rs. 10/- each	76,610	76,610
	Equity held 46.26% (2014: 46.26%). Market Value		
	as at 30 June 2015 is Rs. 444,459 thousand (2014: Rs. 202,543 thousand)		
	Unquoted		
	Millat Equipment Limited		
	11,699,993 (2014: 11,699,993) fully paid ordinary shares of Rs. 10/- each	117,000	117,000
	Equity held 45% (2014: 45%)		
	Value of investment based on net assets as shown in the audited accounts		
	as at 30 June 2015 is Rs. 481,144 thousand (2014: Rs. 480,963 thousand)		
	Arabian Sea Country Club Limited		
	500,000 (2014: 500,000) fully paid ordinary shares of Rs. 10/- each	5,000	5,000
	Equity held 6.45% (2014: 6.45%)		
	Value of investment based on the net assets shown in the audited accounts		
	as at 30 June 2010 is Rs. 12,020 thousand (2009: Rs. 10,575 thousand).		
	Less: Impairment loss	(5,000)	(5,000)
		–	–
	Other investment - available-for-sale		
	Quoted		
	Baluchistan Wheels Limited		
	1,282,825 (2014: 1,282,825) fully paid ordinary shares of Rs. 10/- each	12,145	12,145
	Surplus on revaluation of investment	64,953	42,375
	Market value as at 30 June	77,098	54,520
		369,543	345,750

	Note	2015	2014
		(Rupees in thousand)	
16. LONG TERM LOANS - considered good			
Loan to employees:			
Company loan	(16.1)	1,823	1,517
Motor cycle loan	(16.2)	1,823	2,093
		3,646	3,610
Less: current portion included in current assets	(21)	(1,735)	(1,669)
		1,911	1,941

16.1 These represent interest free loans to employees secured against their gratuity and provident fund balances. These loans are repayable in monthly instalments over a period of two years.

16.2 These represent interest free loans to employees for purchase of motor cycles secured by joint registration of motor cycles in the name of the Company and employees. These loans are repayable in monthly instalments over a period of five years.

16.3 Reconciliation of carrying amount of loans to executives:

	Balance as at 01 July 2014	Disbursement during the year	Repayments during the year	Balance as at 30 June 2015
	(Rupees in thousand)			
Due from executives	205	150	187	168

	Note	2015	2014
		(Rupees in thousand)	
17. EMPLOYEES' DEFINED BENEFIT PLAN			
This comprises:			
Fair value of plan assets		1,015,336	929,695
Present value of defined benefit obligation		(871,824)	(635,895)
Asset recognized in the balance sheet		143,512	293,800
Credit for the year			
Salaries, wages and amenities include the following in respect of employees' pension scheme:			
Current service cost		13,156	14,238
Interest cost		81,225	64,646
Expected return on plan assets		(120,911)	(90,376)
		(26,530)	(11,492)
The movement in present value of defined benefit obligation is as follows:			
Present value of defined benefit obligation as at 01 July		635,895	634,660
Interest cost		81,225	64,646
Current service cost		13,156	14,238
Benefits due but not paid		(3)	–
Benefits paid		(45,753)	(37,971)
Actuarial loss/(gain)		187,304	(39,678)
Present value of defined benefit obligation as at 30 June		871,824	635,895

	Note	2015	2014
		(Rupees in thousand)	
The movement in fair value of plan assets is as follows:			
Fair value of plan assets as at 01 July		929,695	874,065
Expected return on assets		120,911	90,376
Contributions		11,431	11,289
Benefits paid		(45,753)	(37,971)
Benefits due but not paid		(3)	–
Actuarial gain		(945)	(8,064)
Fair value of plan assets as at 30 June		1,015,336	929,695
Actual return on plan assets		119,966	82,312
Plan assets comprise:			
Term deposit receipts		550,723	723,548
Bonds and mutual funds		460,622	176,994
Accrued interest and bank balance		3,994	29,153
Benefits due but not paid		(3)	–
		1,015,336	929,695

Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of pension fund is as follows:

	2015	2014	2013	2012	2011
			(Rupees in thousand)		
As at 30 June					
Present value of defined benefit obligation	871,824	635,895	634,660	638,562	544,061
Fair value of plan assets	1,015,336	929,695	874,065	807,037	731,550
Surplus	143,512	293,800	239,405	168,475	187,489
Experience adjustment on obligation	187,304	(39,678)	(65,577)	36,486	(13,040)
Experience adjustment on plan assets	945	8,064	(8,477)	(7,560)	4,238

Sensitivity analysis

Significant assumption for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Discount rate + 100 bps	(70,195)
Discount rate - 100 bps	81,513
Salary increase + 100 bps	17,971
Salary increase - 100 bps	(16,961)

18. STORES AND SPARES

Most of the items of stores and spares are of inter-changeable nature and can be used as machine spares or consumed as stores. Accordingly, it is not practical to distinguish stores from spares until their actual usage.

		Note	2015	2014
			(Rupees in thousand)	
19.	STOCK IN TRADE			
	Raw material	(19.1)	2,090,507	1,799,999
	Work-in-process		18,222	53,434
	Finished goods :			
	Manufacturing		206,667	465,983
	Trading		114,586	94,274
	Others		–	20,000
			321,253	580,257
			2,429,982	2,433,690

19.1 This includes stock in transit amounting to Rs. 245,354 thousand (2014: Rs. 62,419 thousand).

19.2 Included in stocks are raw materials and components held with third parties amounting to Rs. 94,395 thousand (2014: Rs. 73,633 thousand).

		Note	2015	2014
			(Rupees in thousand)	
20.	TRADE DEBTS - considered good			
	Considered good	(20.1)	207,617	121,731
	Less: bad debts written off	(29)	23,240	–
			184,377	121,731

20.1 These are unsecured but considered good by the management.

20.2 Trade debts include balances due from following related parties

	Note	2015	2014
		(Rupees in thousand)	
Millat Equipment Limited		18,917	32,069
Bolan Castings Limited		61	6,741
Tipeg Intertrade DMCC		8,562	–
	(20.2.1)	27,540	38,810

20.2.1 Aging of due from related parties:

	2015		2014	
	Neither past due not impaired	Past due 1-6 months but not impaired	Neither past due not impaired	Past due 1-6 months but not impaired
	(Rupees in thousand)			
Millat Equipment Limited	–	18,917	7,616	24,453
Bolan Castings Limited	–	61	5,477	1,264
Tipeg Intertrade DMCC	–	8,562	–	–
	–	27,540	13,093	25,717

Notes to the Financial Statements
For the year ended 30 June 2015

		Note	2015	2014
			(Rupees in thousand)	
21.	LOANS AND ADVANCES			
	Current portion of long term loans to employees	(16)	1,735	1,669
	Advances to employees - considered good	(21.1) & (21.2)	1,790	1,273
	Advances to suppliers - considered good	(21.3)	61,459	115,942
			64,984	118,884
	Advances to suppliers - considered doubtful		2,485	2,485
	Less: provision for doubtful advances		(2,485)	(2,485)
			–	–
	Letter of credit opening charges		3,699	3,163
			68,683	122,047

21.1 Included in advances to employees are amounts due from the Chief Executive Officer was Nil (2014: Rs. 291 thousands) in respect of travel advance.

21.2 The maximum aggregate amount at the end of any month during the year due from the Chief Executive Officer is Rs. 138 thousand (2014: Rs.151 thousand) and Directors Rs. 320 thousand (2014 Rs. 520 thousand) in respect of travel advance.

21.3 Advances to suppliers include advances to vendors of Rs. 46,796 thousand (2014: Rs. 96,632 thousand) which carry mark-up @ 18% (2014: 18%) per annum. Included in advances to vendors are advances to related parties, namely Bolan Casting Limited of Rs. Nil (2014: 18,144 thousand).

		Note	2015	2014
			(Rupees in thousand)	
22.	BALANCES WITH STATUTORY AUTHORITIES			
	Special excise duty payable		(43)	(652)
	Sales tax recoverable		801,485	352,652
	Less: provision for doubtful claims		(34,147)	(34,147)
			767,338	318,505
			767,295	317,853
23.	OTHER RECEIVABLES			
	Claims receivable from foreign suppliers		51,728	103,796
	Profit / interest accrued		3,915	7,768
	Workers' profit participation fund		–	5,078
	Other	(23.1)	5,863	3,037
			61,506	119,679

23.1 This represents balance due from related party namely Tipeg Intertrade DMCC.

		Note	2015	2014
			(Rupees in thousand)	
24.	SHORT TERM INVESTMENTS			
	Financial asset at fair value through profit and loss	(24.1)	700,203	–
	Investment in Term Deposit Receipts (TDR)	(24.2)	–	100,000
			700,203	100,000

24.1 This represents investment in mutual funds as follows:

Mutual Funds	30 June 2015 Number of units (Number in thousand)	Fair value per unit (Rupees)	Total (Rupees in thousand)
MCB Cash Management Optimizer Fund	1,500	100.13	150,191
ABL Cash Fund	20,014	10.02	200,504
HBL Money Market Fund	1,486	101.13	150,278
Askari Sovereign Cash Fund	1,976	100.82	199,230
	24,976	312.10	700,203

Mutual Funds	30 June 2014 Number of units (Number in thousand)	Fair value per unit (Rupees)	Total (Rupees in thousand)
MCB Cash Management Optimizer Fund	–	–	–
ABL Cash Fund	–	–	–
HBL Money Market Fund	–	–	–
Askari Sovereign Cash Fund	–	–	–
	–	–	–

24.2 These carried mark-up at the rate of 9.2% per annum.

	Note	2015 (Rupees in thousand)	2014 (Rupees in thousand)
25. CASH AND BANK BALANCES			
In hand:			
Cash		1,042	4,582
Cheques in hand		249,658	556,170
		250,700	560,752
At banks:			
Current accounts		509,654	532,140
Deposit accounts	(25.1)	321,816	25,282
		831,470	557,422
		1,082,170	1,118,174

25.1 These carry mark-up at the rate of 6% to 7% (2014: 5% to 10.5%) per annum.

Notes to the Financial Statements
For the year ended 30 June 2015

		Note	2015	2014
			(Rupees in thousand)	
26.	**SALES - net**			
	Local			
	Tractors		24,168,663	18,041,742
	Implements		61,153	51,349
	Multi-application products		462,902	291,717
	Trading goods		325,953	419,851
			25,018,671	18,804,659
	Less:			
	Discount		(18,779)	(14,317)
	Sales tax and special excise duty		(2,268,809)	(2,198,355)
			(2,287,588)	(2,212,672)
			22,731,083	16,591,987
	Export			
	Tractors		429,528	201,178
	Trading goods		35,985	4,941
	Implements		2,663	–
			468,176	206,119
			23,199,259	16,798,106
	Less: commission		(261,342)	(208,110)
			22,937,917	16,589,996
27.	**COST OF SALES**			
	Components consumed		17,178,067	12,933,963
	Salaries, wages and amenities	(27.1)	272,585	240,314
	Contract services		214,071	171,139
	Fuel and power		87,217	83,253
	Communication		132	223
	Travelling and vehicle running		9,968	8,616
	Printing and stationery		2,657	2,468
	Insurance		13,785	14,313
	Repairs and maintenance		63,520	65,859
	Stores and spares consumed		90,992	82,161
	Depreciation	(11.1)	35,601	33,900
	Other expenses		21,774	9,891
			17,990,369	13,646,100
	Add: opening work-in-process		53,434	77,224
	Less: closing work-in-process		(18,222)	(53,434)
	Increase in work-in-process		35,212	23,790
	Cost of goods manufactured		18,025,581	13,669,890
	Add: opening finished goods		465,983	203,711
	Less: closing finished goods		(206,667)	(465,983)
	Increase / (decrease) in finished goods stock		259,316	(262,272)
	Cost of sales - manufactured		18,284,897	13,407,618
	Cost of sales - trading	(27.2)	256,551	205,687
			18,541,448	13,613,305

		Note	2015	2014
			(Rupees in thousand)	
27.1	It includes the following staff retirement benefits:			
	Defined benefit plan - pension		(10,146)	(5,746)
	Defined contribution plan - gratuity		4,949	5,077
	Defined contribution plan - provident fund		6,038	2,161
	Provision for compensated absences		6,550	10,387
			7,391	11,879
27.2	**Cost of sales - trading**			
	Opening stock		94,274	63,112
	Purchases		276,863	236,849
			371,137	299,961
	Closing stock		(114,586)	(94,274)
			256,551	205,687
28.	**DISTRIBUTION AND MARKETING EXPENSES**			
	Salaries and amenities	(28.1)	93,863	84,440
	Contract services		29,747	20,433
	Fuel and power		8,819	7,634
	Communication		385	639
	Travelling and vehicle running		15,504	14,609
	Printing and stationery		2,882	3,233
	Insurance		6,717	6,757
	Trademark fee		279,269	214,978
	Advertisement and sales promotion		21,490	21,904
	Depreciation	(11.1)	8,088	8,163
	Meeting / convention		7,219	10,638
	After sales support		28,439	81,706
	Research cost		–	96
	Other expenses		12,585	12,062
			515,007	487,292
28.1	It includes the following staff retirement benefits:			
	Defined benefit plan - pension		(6,269)	(2,873)
	Defined contribution plan - gratuity		2,960	2,694
	Defined contribution plan - provident fund		3,429	1,314
	Provision for compensated absences		4,109	5,373
			4,229	6,508

Notes to the Financial Statements
For the year ended 30 June 2015

		Note	2015	2014
			(Rupees in thousand)	
29.	ADMINISTRATIVE EXPENSES			
	Salaries and amenities	(29.1)	187,834	174,781
	Contract services		32,744	25,577
	Fuel and power		14,365	12,718
	Communication		4,543	4,975
	Travelling and vehicle running		24,319	28,005
	Insurance		6,813	6,439
	Repairs and maintenance		9,236	9,919
	Security		11,858	11,675
	Legal and professional	(29.2)	11,483	13,542
	Depreciation	(11.1)	26,892	18,307
	Amortization of intangible asset	(13)	2,383	986
	Rent, rates and taxes		6,060	5,308
	Fee and subscription		3,876	3,833
	Entertainment		4,933	4,938
	Bad debts	(20)	23,240	–
	Other expenses		48,741	45,188
			419,320	366,191
29.1	It includes the following staff retirement benefits:			
	Defined benefit plan - pension		(10,116)	(2,873)
	Defined contribution plan - gratuity		2,459	2,740
	Defined contribution plan - provident fund		4,965	2,940
	Provision for compensated absences		8,170	12,340
			5,478	15,147
29.2	Legal and professional expenses include following in respect of auditors' services:			
	Statutory audit		1,340	1,275
	Half year review		160	150
	Special reports and sundry certifications		230	220
	Out of pocket expenses		100	100
			1,830	1,745
30.	OTHER INCOME			
	Income from financial assets			
	Dividend income		3,972	1,924
	Return on bank deposits		21,227	35,789
	Accrued interest on Term Deposit Receipts (TDR)		3,982	5,218
	Gain on sale of short term investments		74,534	12,309
	Gain on translation of foreign investment		1,215	–
	Interest charged on early payments and advances		88,289	85,744
			193,219	140,984
	Income from investment in associates			
	Dividend income from Millat Equipment Limited		175,500	117,000
	Dividend income from Millat Industrial Products Limited		17,212	11,475
			192,712	128,475
	Income from assets other than financial assets			
	Rental income		5,302	5,114
	Scrap sales		9,873	10,665
	Exchange gain		–	2,732
	Gain on disposal of property, plant and equipment		553	2,200
	Others		2,498	9,313
			18,226	30,024
			404,157	299,483

	Note	2015	2014
		(Rupees in thousand)	

31. FINANCE COST

	Note	2015	2014
Mark-up on short term borrowings - secured		8,109	77,592
Bank charges and commission		1,251	1,616
		9,360	79,208

32. OTHER OPERATING EXPENSES

	Note	2015	2014
Workers' Profit Participation Fund	(8.4)	192,538	114,922
Workers' Welfare Fund		65,838	40,991
Donations	(32.1)	5,648	4,060
Loss on exchange rate and price difference		526	–
Loss on translation of foreign investment		–	30
		264,550	160,003

32.1 None of the directors were interested in the donee institutions.

33. TAXATION

	Note	2015	2014
For the year:			
Current		1,218,677	698,309
Deferred		(8,709)	(331)
		1,209,968	697,978
Prior years:			
Current		–	3,638
	(33.1)	1,209,968	701,616

33.1 Numerical reconciliation between average effective tax rate and the applicable tax rate.

	2015 %	2014 %
Applicable tax rate	33.00	34.00
- Effect of change in prior year	–	0.17
- Income exempt for tax purposes	0.005	0.034
- Income chargeable to tax at lower rate	(2.49)	(1.96)
- Effect on opening deferred taxes on reduction of rate	(0.01)	(0.03)
- Others	3.18	(0.08)
	0.69	(1.87)
Average effective tax rate	33.69	32.13

34. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on 04 September 2015 has proposed a final cash dividend of Rs. 27.50 per share (2014: Rs. 20 per share) in respect of the year ended 30 June 2015. The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

35. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for the year for remuneration including certain benefits to the Chief Executive Officer, Directors and Executives of the Company are as follows :

	Chief Executive Officer		Directors				Executives	
	2015	2014	2015		2014		2015	2014
			Non Executive Directors	Executive Directors	Non Executive Directors	Executive Directors		
	(Rupees in thousand)							
Number of persons	1	1	5		5		77	54
Remuneration	6,568	5,489	17,826	2,439	15,929	2,180	73,831	48,222
Cost of living allowance	-	-	17,826	2,439	15,929	2,180	39,573	31,553
Bonus	2,952	2,326	7,269	796	5,057	692	26,438	14,335
House rent	2,956	2,470	8,021	1,098	7,168	981	27,323	16,851
Contribution to provident fund and gratuity funds	659	549	-	244	-	218	13,945	10,149
Pension contribution	-	-	-	-	-	-	6,582	5,364
Medical expenses	177	113	2,183	126	1,654	94	6,522	4,951
Utilities	437	433	2,030	291	2,139	310	8,009	5,352
Other reimbursable expenses	1,465	1,254	5,168	653	5,272	888	13,204	9,782
	15,214	12,634	60,323	8,086	53,148	7,543	215,427	146,559

The Company also provides the Chief Executive Officer, Directors and certain employees with free use of Company maintained cars and residential telephones.

35.1 Aggregate amount charged to profit and loss account for the year in respect of meeting fee to two directors (2014: two directors) was Rs. 200 thousand (2014: Rs. 140 thousand) and travelling expenses Rs. 392 thousand (2014: Rs. 461 thousand).

36. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise subsidiary, 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 from and to related parties are shown under respective notes to the financial statements. Amounts of assets sold during the year are mentioned in note 11.1. Amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 35. Other significant transactions with related parties are as follows:

Relation with undertaking	Nature of transaction	2015	2014
		(Rupees in thousand)	
Subsidiary	Sale of goods	100,318	25,341
	Purchase of components	449,735	133,268
	Dividend income	17,212	11,475
Associates	Sale of goods	39,221	56,524
	Purchase of components	4,014,599	2,805,159
	Dividend income	175,500	117,000
Retirement benefit plans	Contribution to staff retirement benefit plans	21,800	21,800

The Company intends to take the approval of the transactions with associated companies from the shareholders in General Meeting.

37. EARNINGS PER SHARE- BASIC AND DILUTED

37.1 Basic earnings per share

Earnings per share are calculated by dividing the net profit for the year by weighted average number of shares outstanding during the year as follows:

	2015	2014
	(Rupees in thousand)	
Profit for the year after tax	2,382,421	1,481,864
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year	44,293	44,293
	Rupees	
Earnings per share	53.79	33.46

37.2 Diluted earnings per share

No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

Notes to the Financial Statements
For the year ended 30 June 2015

		Note	2015	2014
			(Rupees in thousand)	
38.	CASH GENERATED FROM OPERATIONS			
	Profit before taxation		3,592,389	2,183,480
	Adjustment for:			
	Depreciation on property, plant and equipment		70,581	60,370
	Amortization of intangible asset		2,383	986
	Bad debts written off		23,240	–
	Provision for accumulating compensated absences		12,661	16,315
	Profit on bank deposits		(21,227)	(41,007)
	Dividend income		(196,684)	(130,399)
	Provision for pension obligation		(37,961)	(11,492)
	Provision for gratuity		10,369	10,511
	Gain on disposal of property, plant and equipment		(553)	(2,200)
	Gain on sale of short term investments		(78,516)	–
	(Gain) / loss on change in fair value of investments		(1,215)	30
	Finance cost		9,360	79,208
	Workers' Profit Participation Fund		192,538	114,922
	Workers' Welfare Fund		65,838	40,991
	Working capital changes	(38.1)	423,753	(1,915,783)
			4,066,956	405,932
38.1	Working capital changes			
	Decrease / (increase) in current assets			
	Stores and spares		13,810	12,534
	Stock-in-trade		3,708	168,008
	Trade debts		(85,886)	852,427
	Loans and advances		53,364	(50,549)
	Trade deposits and short term prepayments		1,450	3,186
	Other receivables		31,583	(27,318)
			18,029	958,288
	Increase / (decrease) in current liabilities			
	Trade and other payables		405,724	(2,874,071)
			423,753	(1,915,783)

39. FINANCIAL RISK MANAGEMENT

Financial instruments comprise loans and advances, deposits, interest accrued, trade debts, other receivables, cash and bank balances, short term borrowings, interest/mark-up accrued and trade and other payables.

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

39.1 Market risk

(a) 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 exchange rates, with all other variables held constant, of the Company's profit before tax.

	Changes in rate	Effects on proft before tax 2015	Effects on proft before tax 2014
		(Rupees in thousand)	
Receivables/ (Trade and other payables) - GBP	+1	8	(839)
	-1	(8)	839
Receivables/ (Trade and other payables) - USA	+1	286	(586)
	-1	(286)	586
Receivables/ (Trade and other payables) - EUR	+1	76	(455)
	-1	(76)	455

	2015	2014
Reporting date rate per:		
GBP	159.91	168.10
USD	101.70	98.80
EUR	113.79	134.70

(b) 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 not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers. The equity instrument held by the Company does not trade on a regular basis on the stock exchange and historically, it does not have a direct correlation with the equity index of the Karachi Stock Exchange (KSE). Therefore, it is not possible to measure the impact of increase / decrease in the KSE Index on the Company's profit after taxation for the year and on equity (fair value reserve).

(c) 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. 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:

	2015	2014
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balances - deposit accounts	210,863	25,282

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a change in interest rates, with all other variables held constant, of the Company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

		Changes in interest rate	Effects on profit before tax
		(Rupees in thousand)	
Bank balances - deposit accounts	2015	+1	1,110
		-1	(1,110)
	2014	+1	253
		-1	(253)

39.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of total financial assets of Rs. 2,878,085 thousand (2014: Rs. 2,122,992 thousand), the financial assets which are subject to credit risk amounted to Rs. 2,794,509 thousand (2014: Rs. 1,767,777 thousand). The Company is not exposed to major concentration of credit risk.

The credit risk on liquid funds is limited because the counter parties are banks and mutual funds with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and subscribers in case of trade debts.

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	2014
	(Rupees in thousand)	
Trade debts	184,377	121,731
Other receivables	61,506	114,601
Balances with statutory authorities	767,295	317,853
Short term investments	700,203	100,000
Bank balances	1,081,128	1,113,592
	2,794,509	1,767,777

The aging of trade receivables at the reporting date is:		
Past due 1 - 3 Months	168,746	94,973
Past due 4 - 6 Months	1,571	–
Past due to above one year	14,060	26,758
	184,377	121,731

Based on past experience the management believes that no impairment is necessary in respect of trade receivables past due, as some receivables 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 or to historical information about counterparty default rate. The table below shows the bank balances and investment held with some major counterparties at the balance sheet date:

	Rating			2015	2014
	Short term	Long term	Agency	(Rupees in thousand)	
Meezan Bank Limited	A-1+	AA	JCR-VIS	9,797	6,442
Allied Bank Limited	A-1+	AA	PACRA	32,771	5,665
Zarai Taraqiati Bank Limited	A-1+	AAA	JCR-VIS	210,863	193,724
Bank Alfalah Limited	A-1+	AA	PACRA	23,732	65,352
Standard Chartered Bank	A-1+	AAA	PACRA	20,194	900
United Bank Limited	A-1+	AA+	JCR-VIS	347,513	206,645
The Bank of Punjab	A-1+	AA-	PACRA	551	20,172
MCB Bank Limited	A-1+	AAA	PACRA	7,549	3,950
Habib Bank Limited	A-1+	AAA	JCR-VIS	63,695	51,589
Sindh Bank Limited	A-1+	AA-	JCR-VIS	84,368	1,900
National Bank of Pakistan	A-1+	AAA	JCR-VIS	30,436	665
				831,469	557,004

Mutual funds / Term Deposit Receipts	Rating	Agency	2015	2014
			(Rupees in thousand)	
MCB Cash Management Optimizer Fund	AA(f)	PACRA	150,191	–
ABL Cash Fund	AA(f)	JCR-VIS	200,504	–
HBL Money Market Fund	AA(f)	JCR-VIS	150,278	–
Askari Sovereign Cash Fund	AAA(f)	PACRA	199,230	–
Dubai Islamic Bank -Term Deposit Receipt	A-1	JCR-VIS	–	100,000
			700,203	100,000

39.3 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 and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2015, the Company had Rs. 3,914,000 thousand available borrowing limits from financial institutions and Rs.1,082,170 thousand cash and bank balances.

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

	Carrying amount	Less than one year	One to five year	More than five year
	(Rupees in thousand)			
Trade and other payables	2,884,862	2,884,862	–	–
Mark-up accrued on short term borrowings	1,800	1,800	–	–
	2,886,662	2,886,662	–	–

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

	Carrying amount	Less than one year	One to five year	More than five year
	(Rupees in thousand)			
Trade and other payables	2,419,555	2,419,555	–	–
Mark-up accrued on short term borrowings	3,600	3,600	–	–
	2,423,155	2,423,155	–	–

39.4 Fair values of financial assets and liabilities

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

The carrying values of other financial assets and financial liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

39.5 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2015, the Company held the following financial instruments carried at fair value:

	2015	Level 1	Level 2	Level 3
		(Rupees in thousand)		
Assets measured at fair value - available for sale				
Equity shares	77,098	77,098	–	–
Investment in mutual funds	700,203	700,203	–	–
	777,301	777,301	–	–

Date of valuation : 30 June 2015
There were no liabilities measured at fair value as at 30 June 2015.

As at 30 June 2014, the Company held the following financial instruments carried at fair value:

	2014	Level 1	Level 2	Level 3
		(Rupees in thousand)		
Assets measured at fair value - available for sale				
Equity shares	54,520	54,520	–	–

Date of valuation : 30 June 2014
There were no liabilities measured at fair value as at 30 June 2014.

39.6 Financial instruments by categories

	Available-for-sale		At fair value through profit and loss		Loans and receivables		Investments at cost		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees in thousand)									
Financial assets as per balance sheet										
Long term investments	77,098	54,520	–	–	-	–	–	291,230	77,098	345,750
Long term loans	–	–	–	–	1,911	1,941	–	–	1,911	1,941
Loans to employees	–	–	–	–	3,525	2,942	–	–	3,525	2,942
Trade debts	–	–	–	–	184,377	121,731	–	–	184,377	121,731
Balances with statutory authorities	–	–	–	–	767,295	317,853	–	–	767,295	317,853
Other receivables	–	–	–	–	61,506	114,601	–	–	61,506	114,601
Short term investments	–	–	700,203	–	–	–	–	100,000	700,203	100,000
Cash and bank balances	–	–	–	–	1,082,170	1,118,174	–	–	1,082,170	1,118,174
	77,098	54,520	700,203	-	2,100,784	1,677,242	–	391,230	2,878,085	2,122,992

Financial liabilities as per balance sheet	2015	2014
	(Rupees in thousand)	
Trade and other payables	2,884,862	2,419,555
Mark-up accrued on short term borrowings	1,800	3,600
	2,886,662	2,423,155

39.7 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits for other stakeholders. The capital structure of the Company is equity based with no long term financing. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or other measures commensurating to the circumstances.

40. PROVIDENT FUND TRUST

40.1 The Company has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984, and the rules formulated for this purpose. The salient information of the fund is as follows:

	Note	2015	2014
		(Rupees in thousand)	
Size of the fund		608,297	586,566
Cost of investment made	(40.2)	497,988	503,079
Percentage of investment made		81.87%	85.77%
Fair value of investment		1,001,959	829,383

40.2 Breakup of investment - amount

	2015		2014	
	(Rupees in thousand)	Percentage of total fund	(Rupees in thousand)	Percentage of total fund
Investment in shares (listed securities)	7,721	1%	9,090	2%
Term Deposit Receipts (TDR)	490,267	81%	493,989	84%
	497,988	82%	503,079	86%

40.3 The above information is based on audited financial statements of the provident fund for the year ended 30 June 2015.

41. TAX ON UNDISTRIBUTED RESERVES

The Finance Act, 2015 introduced a tax on every public company at the rate of 10 percent of such undistributed reserves which exceeds the amount of its paid up capital. However, this tax shall not apply in case of a public company which distribute cash dividend equal to at least either 40 percent of its after tax profits or 50 percent of its paid up capital, within the prescribed time after the end of the relevant tax year.

Based on the fact the Board of Directors of the Company has proposed a dividend amounting to Rs 1,107 million in their meeting held on 23rd February 2015 for the financial and tax year 2015 which exceeds the prescribed minimum dividend requirement as referred above, the Company believes that it would not be liable to pay tax on its undistributed reserves as of 30 June 2015.

	2015	2014
	Units per annum	
42. CAPACITY AND PRODUCTION		
Tractors		
Plant capacity (double shift)	30,000	30,000
Actual production	28,105	21,600

The Company has a normal capacity of producing 30,000 tractors per annum on double shift basis. However, the reason for low production over normal capacity is due to less demand during the year.

Notes to the Financial Statements
For the year ended 30 June 2015

		2015	2014
43.	**NUMBER OF EMPLOYEES**		
	Number of employees at the end of the year	428	434
	Average number of employees during the year	431	443

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved for issue by Board of Directors of the Company on 04 September 2015.

45. CORRESPONDING FIGURES

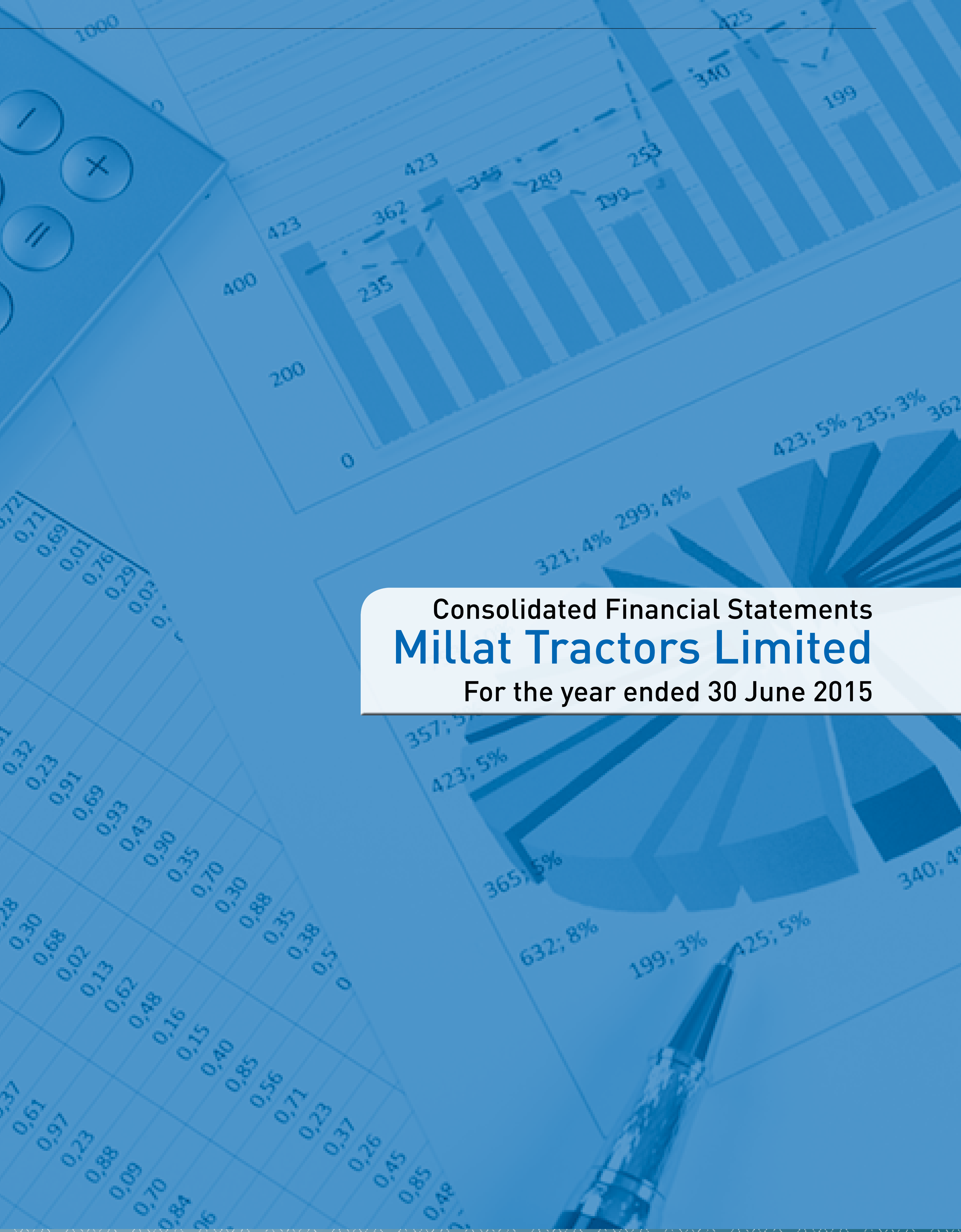
Corresponding figures have been re-arranged, wherever necessary, for better and fair presentation. However, no significant reclassifications / restatements have been made.

46. GENERAL

Figures have been rounded off to the nearest thousand of rupees.

Syed Muhammad Irfan Aqueel
Chief Executive

Latif Khalid Hashmi
Director



Consolidated Financial Statements
Millat Tractors Limited
For the year ended 30 June 2015

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Group Directors' Report
as on June 30, 2015

The Directors are pleased to present their report together with the audited Group Consolidated Financial Statements for the year ended June 30, 2015.

THE GROUP

The Group comprises Millat Tractors Limited (MTL) (Holding Company) and its subsidiaries i.e., Millat Industrial Products Limited (MIPL) and TIPEG INTERTRADE DMCC (formely TIPEG ENTERTRADE JLT) Dubai, U.A.E.

The Directors' reports, giving complete information about the performance of Millat Tractors Limited and Millat Industrial Products Limited for the year ended June 30, 2015 have been presented separately along with their respective financial statements. Additional information of the subsidiaries is as hereunder.

MILLAT INDUSTRIAL PRODUCTS LIMITED

MIPL is engaged in manufacture of automotive batteries for MTL as well as the after sale market. MIPL earned an after tax profit of Rs. 108.884 million and registered sale of Rs. 1,080.636 million for the year under review.

TIPEG INTERTRADE DMCC

Tipeg Intertrade DMCC, Dubai, U.A.E is a Limited Liability Company registered with Dubai Multi Commodities Centre Authority. Millat Tractors Limited has a holding of 75% in the equity of the Company.

The principal activity of the Company is trading in machinery and heavy equipment and parts thereof. The principal place of business of the Company is located at Jumeirah Lake Towers, Dubai, UAE. The Company was incorporated on December 25, 2012. There is a cumulative net profit of 935,919 UAE Dirhams as on June 30, 2015.

SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Group Companies have occurred between the end of the financial year of the Companies and the date of this report except as disclosed in their respective annual reports.

PATTERN OF SHAREHOLDING

The pattern of shareholding of MTL is annexed to the Directors' Report and the shareholding pattern of TIPEG & MIPL is as under.

Shareholding of TIPEG as on June 30, 2015

Name(s)	Designation	Shares	%
Mr. Sikandar Mustafa Khan	Director	100	05
Mr. Latif Khalid Hashmi	Director	100	05
Mr. Sohail Bashir Rana	Director	100	05
Mr. Laeeq Uddin Ansari	Director	100	05
Mian Muhammad Saleem	Director	100	05
Millat Tractors Limited	Shareholder	1500	75
Total		**2000**	**100**

Group Directors' Report
as on June 30, 2015

Shareholding of MIPL as on June 30, 2015

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children		
Directors		
Mr. Sikandar M. Khan	543,750	6.07%
Mr. Latif Khalid Hashmi	362,500	4.05%
Mr. Sohail Bashir Rana	362,500	4.05%
Mr. Laeeq uddin Ansari	362,500	4.05%
Mian Muhammad Saleem	200,000	2.23%
Mr. Ahsan Imran Shaikh	33,650	0.37%
Associated Companies, undertakings and related parties	5,737,500	64.09%
NIT and ICP	–	–
Banks Development Financial Institutions, Non Banking Financial Institutions	–	–
Insurance Companies	–	–
Modarabas and Mutual Funds	–	–
Shareholders holding 10%	–	–
General Public		
a. Local	–	–
b. Foreign	–	–
Others	1,350,440	15.09%
	8,952,840	100.00%

EARNINGS PER SHARE

Earning per share for the year ended June 30, 2015 was Rs. 57.13 as against Rs. 32.54 of the preceding year.

SYED MUHAMMAD IRFAN AQUEEL
CHIEF EXECUTIVE
Lahore: September 04, 2015

Auditors' Report
to the Members

We have audited the annexed consolidated financial statements comprising the consolidated balance sheet of Millat Tractors Limited (the holding company) and its subsidiary Companies as at 30 June 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of the Millat Tractors Limited, while the financial statement of its subsidiaries, Millat Industrial Product Limited and Tipeg Intertrade DMCC were audited and reviewed by other firms of auditors respectively, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such Companies, is based solely on the report of such other auditors. These consolidated financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures, as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Millat Tractors Limited and its subsidiary companies as at 30 June 2015 and the results of their operations for year then ended.

Chartered Accountants
Engagement Partner: Naseem Akbar
Lahore: 04 September 2015

Consolidated Balance Sheet
as at June 30, 2015

	Note	2015	2014
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
50,000,000 (2014: 50,000,000) ordinary			
shares of Rs. 10/- each		500,000	500,000
Issued, subscribed and paid up capital	5	442,926	442,926
General reserves		3,116,706	3,263,551
Unappropriated profit		1,761,505	1,313,338
Exchange translation reserve		145	231
Fair value reserve		51,616	29,038
		5,372,898	5,049,084
Non-controlling interests		156,657	118,823
Non-current liabilities			
Long term deposits	6	10,595	10,515
Deferred taxation	7	15,553	23,722
		26,148	34,237
Current liabilities			
Accumulating compensated absences		90,311	77,650
Trade and other payables	8	2,953,948	2,425,347
Mark-up accrued on short term borrowings	9	1,800	3,814
		3,046,059	2,506,811
CONTINGENCIES AND COMMITMENTS	10		
		8,601,762	7,708,955

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Syed Muhammad Irfan Aqueel
Chief Executive

	Note	2015	2014
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment			
Operating fixed assets	11	556,497	544,867
Capital work in progress	12	209,660	212,431
Intangible asset	13	3,867	5,888
Investment property	14	255,708	255,708
Long term investments	15	719,336	674,873
Long term loans	16	1,911	1,941
Employees' defined benefit plan	17	143,512	293,800
		1,890,491	1,989,508
Current assets			
Stores and spares	18	118,573	129,639
Stock in trade	19	2,566,614	2,543,726
Trade debts	20	247,990	157,743
Loans and advances	21	83,279	135,502
Trade deposits and short term prepayments		26,493	27,438
Other receivables	22	64,171	111,792
Balances with statutory authorities	23	767,295	302,081
Tax refunds due from the Government		834,983	954,097
Short term investments	24	845,203	100,000
Cash and bank balances	25	1,156,670	1,257,429
		6,711,271	5,719,447
		8,601,762	7,708,955

Latif Khalid Hashmi
Director

Consolidated Profit and Loss Account

For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in thousand)	
Sales - net	26	23,928,950	17,422,122
Cost of sales	27	19,249,335	14,290,770
Gross profit		4,679,615	3,131,352
Distribution and marketing expenses	28	539,853	509,872
Administrative expenses	29	468,976	403,844
		1,008,829	913,716
Operating profit		3,670,786	2,217,636
Other income	30	214,012	172,927
		3,884,798	2,390,563
Finance cost	31	11,286	81,267
Other operating expenses	32	276,368	166,682
		287,654	247,949
		3,597,144	2,142,614
Share of profit of associates	33	296,511	101,492
Profit before taxation		3,893,655	2,244,106
Taxation			
- Group	34	1,264,284	733,142
- Associates		99,126	69,625
		1,363,410	802,767
Profit after taxation		2,530,245	1,441,339
Attributable to:			
- Equity holders of the holding Company		2,482,736	1,422,207
- Non-controlling interests		47,509	19,132
		2,530,245	1,441,339
Earnings per share - basic and diluted (Rupees)	38	57.13	32.54

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Syed Muhammad Irfan Aqueel
Chief Executive

Latif Khalid Hashmi
Director

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2015

	2015	2014
	(Rupees in thousand)	
Profit for the year	2,530,245	1,441,339
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(115)	371
Unrealized gain / (loss) on revaluation of available for sale investments	22,578	(8,339)
	22,463	(7,968)
Items not to be reclassified to profit or loss in subsequent period:		
Actuarial (loss) / gain on defined benefit plans	(188,249)	31,614
Total other comprehensive income, net of tax	(165,786)	23,646
Total comprehensive income for the year	2,364,459	1,464,985
Attributable to:		
- Equity holders of the holding Company	2,316,950	1,445,853
- Non-controlling interest	47,509	19,132
	2,364,459	1,464,985

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Syed Muhammad Irfan Aqueel
Chief Executive

Latif Khalid Hashmi
Director

Conslidated Cash Flow Statement

For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	39	4,396,601	488,602
Interest and mark-up paid		(13,300)	(79,854)
Net decrease in long term loans to employees		30	124
Workers' :Profit Participation Fund paid		(174,651)	(120,156)
Workers' Welfare Fund paid		(68,994)	(62,455)
Taxes (paid) / refund		(1,888,322)	196,644
Employee benefits paid		150,288	(21,800)
Long term security deposits received / (paid)		80	(380)
		(1,994,869)	(87,877)
Net cash from operating activities		2,401,732	400,725
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(87,347)	(130,351)
Purchase of intangible assets		(362)	(6,033)
Proceeds from disposal of property, plant and equipment		553	12,595
Investment (made) / redeemed - net		(670,669)	464,180
Profit on bank deposits received		23,713	37,605
Dividend received		196,684	118,924
Net cash (used in) / from investing activities		(537,428)	496,920
CASH FLOWS FROM FINANCING ACTIVITIES			
Investment of non controlling interest in foreign subsidiary		37,863	–
Dividends paid to non controlling interests		(9,646)	(6,431)
Dividends paid to equity holder of the holding company		(1,993,165)	(1,847,680)
Net cash used in financing activities		(1,964,948)	(1,854,111)
Net decrease in cash and cash equivalents		(100,644)	(956,466)
Cash and cash equivalents at the beginning of the year		1,257,429	2,213,524
Foreign exchange difference		(115)	371
Cash and cash equivalents at the end of the year	25	1,156,670	1,257,429

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Syed Muhammad Irfan Aqueel
Chief Executive

Latif Khalid Hashmi
Director

Conslidated Statement of Changes in Equity

For the year ended 30 June 2015

	Share capital	Revenue reserves: General	Revenue reserves: Unappropriated profit	Exchange translation reserve	Fair value reserve	Non-controlling interests	Total
	(Rupees in thousand)						
Balance as on 01 July 2013	402,660	3,306,590	1,749,244	(47)	37,377	106,029	5,601,853
Final dividend for the year ended 30 June 2013 @ Rs. 25/- per share	–	(43,039)	(963,610)	–	–	–	(1,006,649)
Issue of ordinary shares of Rs.10/- each as fully paid bonus shares	40,266	–	(40,266)	–	–	–	–
Interim dividend for the year ended 30 June 2014 @ Rs. 20/- per share	–	–	(885,851)	–	–	–	(885,851)
Dividend payment to non controlling interests	–	–	–	–	–	(6,431)	(6,431)
Exchange differences on translation of foreign operations	–	–	–	278	–	93	371
Total comprehensive income for the year ended 30 June 2014	-	-	1,453,821	–	(8,339)	19,132	1,464,614
Balance as on 30 June 2014	442,926	3,263,551	1,313,338	231	29,038	118,823	5,167,907
Final dividend for the year ended 30 June 2014 @ Rs. 20 per share	–	(146,845)	(739,006)	–	–	–	(885,851)
Interim dividend for the year ended 30 June 2015 @ Rs. 25/- per share	–	–	(1,107,314)	–	–	–	(1,107,314)
Dividend payment to non controlling interests	–	–	–	–	–	(9,646)	(9,646)
Exchange differences on translation of foreign operations	–	–	–	(86)	–	(29)	(115)
Total comprehensive income for the year ended 30 June 2015	–	–	2,294,487	-	22,578	47,509	2,364,574
Balance as on 30 June 2015	442,926	3,116,706	1,761,505	145	51,616	156,657	5,529,555

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Syed Muhammad Irfan Aqueel
Chief Executive

Latif Khalid Hashmi
Director

Notes to the Consolidated Financial Statements
For the year ended 30 June 2015

1. THE GROUP AND ITS OPERATIONS

The Company is a public limited Company incorporated in Pakistan under the Companies Ordinance 1984, and is listed on the Karachi, Islamabad and Lahore Stock Exchanges. The registered office of the Company is situated at Sheikhupura Road, District Sheikhupura. It is principally engaged in assembly and manufacture of agricultural tractors, implements and multi-application products.

Holding Company

Millat Tractors Limited - (MTL)

Subsidiary Companies

Millat Industrial Products Limited (MIPL), an unlisted public Company registered under the Companies Ordinance 1984, is a subsidiary of Millat Tractors Limited which holds 64.09% equity. MIPL is engaged in the business of manufacturing of industrial, domestical and vehicular batteries, cells and components.

Tipeg Intertrade DMCC, Dubai, a limited liability Company registered with Dubai Multi Commodities Centre Authority, is a subsidiary of Millat Tractors Limited which holds 75% equity. The principal place of business of the Company is located at Jumeirah Lake Towers, Dubai-UAE. The Company is formed for trading of machinery and heavy equipment and Company has recently started its operations.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

3.2 Use of estimates and judgments

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

3.2.1 Employees' retirement benefits and other obligations

The Group uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.4.1.

3.2.2 Provision for taxation

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

3.2.3 Useful life and residual values of property, plant and equipment

The Group 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 respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

3.2.4 Provision for inventories

The Group regularly reviews the inventories for impairment. Provision for obsolete and slow-moving inventories is based on management estimate.

3.2.5 Provision for receivables

The Group regularly reviews its receivables for impairment, if any. The provision in this regard is made, based on management's estimate, where the prospects of recovery are doubtful.

3.3 Functional currency

The consolidated financial statements are presented in Pak Rupees which is the Group's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of these consolidated financial statements of the Group are consistent with previous year except as discussed in Note 4.1 and are as follows:

4.1 New, amended standards and interpretations that become effective

The Group has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IAS 19	–	Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions
IAS 32	–	Financial Instruments : Presentation – (Amendment) offsetting Financial Assets and Financial Liabilities
IAS 36	–	Impairment of Assets – (Amendment) Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	–	Financial Instruments: Recognition and Measurement – (Amendment) - Novation of derivatives and continuation of hedge accounting
IFRIC 21	–	Levies

Improvements to Accounting Standards Issued by the IASB

IFRS 2 Share-based Payment	–	Definitions of vesting conditions
IFRS 3 Business Combinations	–	Accounting for contingent consideration in a business combination
IFRS 3 Business Combinations	–	Scope exceptions for joint ventures
IFRS 8 Operating Segments	–	Aggregation of operating segments
IFRS 8 Operating Segments	–	Reconciliation of the total of the reportable segments' assets to the entity's assets

IFRS 13 Fair Value Measurement – Scope of paragraph 52 (portfolio exception)

IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation

IAS 24 Related Party Disclosures – Key management personnel

IAS 40 Investment Property – Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

4.2 Principles of consolidation

4.2.1 Subsidiaries

The consolidated financial statements include Millat Tractors Limited and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of parent and subsidiaries are prepared up to the same reporting date using consistent accounting policies and are consolidated on line by line basis.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account. Inter-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. The accounting policies used in preparation of consolidated financial statements of the holding company are consistent with accounting policies of its subsidiaries. When necessary, adjustments are made to bring the accounting policies in line with that of the holding Company.

All significant intra-group transactions and balances between Group enterprises and unrealised profits are eliminated on consolidation.

4.2.2 Non-controlling interest

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the profit and loss account.

4.2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the profit and loss account.

4.3 Segment reporting

The key financial decision maker consider the whole business as one operating segment.

4.4 Employees' retirement benefits and other obligations

The main features of the schemes operated by the Group for its employees are as follows:

4.4.1 Defined benefit plan

4.4.1.1 Pension

MTL operates a funded defined benefit pension scheme for all its eligible employees. Contributions under the scheme are made to this fund on the basis of actuarial recommendation at 17% (2014: 17%) of basic salary per annum and are charged to profit and loss account. The latest actuarial valuation for the scheme was carried out as at June 30, 2015.

The amount recognized in balance sheet represents the present value of the plan assets reduced by value of defined benefit obligation. The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

	2015	2014
Expected rate of increase in salary level	8.8%	12.3%
Expected rate of return	13.3%	10.5%
Discount rate	9.8%	13.3%
Average expected remaining working life of employees	9 years	8 years

4.4.2 Defined contribution plans

4.4.2.1 Gratuity

MTL operates an approved defined contribution funded gratuity scheme for permanent employees who joined the Group before 01 July 2004. Under the scheme, based on the graduated scale, the contributions are calculated with reference to last drawn salary of the employees and are paid over to the Employees Gratuity Fund Trust.

4.4.2.2 Provident fund

The Group operates an approved defined contribution provident funds for all permanent employees. Equal contributions are made by employees and the Group at the rate of 10 percent of basic salary per month.

4.4.3 Accumulating compensated absences

MTL provides for accumulating compensated absences, when the employees render services that increase their entitlement to future compensated absences and are charged to profit and loss account.

4.5 Taxation

4.5.1 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.

4.5.2 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 consolidated 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 to 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 in which case it is included in equity.

4.6 Property, plant and equipment

Property, plant and equipment except for freehold and leasehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold and leasehold land is stated at cost less any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group 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.

Depreciation on all items of property, plant and equipment except for leasehold office building is charged to profit and loss account applying the diminishing balance method so as to write-off the depreciable amount of an asset over its useful life. Depreciation on leasehold office building is provided on a straight line basis so as to write off the depreciable amount of an asset over the life of the asset. Depreciation is being charged at the rates given in note 11. 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 Group continually assesses at each balance sheet date whether there is any indication that property, plant and equipment 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 amount and the resulting impairment loss is recognized in profit and loss account for the year. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount, and the increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized.

4.7 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

4.8 Intangible assets

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method over a period of three years.

Amortization on additions to intangible assets 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.

The Group assesses at each balance sheet date whether there is any indication that 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 amount. Where carrying amounts 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. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.9 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Group comprises land and is valued using the cost method, at cost less any identified impairment loss.

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

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.10 Investments and other financial assets

Financial assets in the scope of IAS 39 : "Financial Instruments - Recognition and Measurement", are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets are subsequently measured at fair value or cost as the case may be. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

4.10.1 Financial assets at fair value through profit or loss

Financial assets classified as held-for-trading are included in the category 'Financial assets at fair value through profit or loss'. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and are effective hedging instruments. Gains or losses on investments held for trading are recognized in profit and loss account.

4.10.2 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity and are initially measured at cost. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

4.10.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit and loss account when the loans and receivables are derecognized or impaired, as well as through the amortization process.

4.10.4 Available-for-sale financial assets

The financial assets including investments in associated undertakings where the Group does not have significant influence that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available-for-sale.

Investments classified as available-for-sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

At each balance sheet date, the Group reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. In respect of 'available-for-sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognized in profit and loss account, is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

All purchases and sales of investments are recognized on the trade date which is the date that the Group commits to purchase or sell the investment. Cost of purchase includes transaction cost.

4.11 Stores and spares

Stores and spares are valued at lower of net realizable value or moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising of invoice value and other incidental charges paid thereon.

Provision for obsolete and slow-moving stores and spares is based on management estimate.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision for obsolete and slow-moving stores and spares is based on management estimate.

4.12 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of moving average cost and net realizable value.

Cost of raw materials and trading stock comprises the invoice value plus other charges paid thereon.

Cost of work-in-process and finished goods include direct material, labour and appropriate portion of manufacturing overheads.

Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision for obsolete and slow-moving stock-in-trade is based on management estimate.

4.13 Trade debts

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

4.14 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash which are subject to insignificant risk of changes in values.

4.15 Revenue recognition

Revenue from sale of goods is recognized on dispatch of goods to customers.

Revenue from maintenance services is recognized on the basis of services performed to date as a percentage of total services to be performed.

Dividend is recognized as income when the right to receive dividend is established.

Profit on bank deposits is recognized when earned.

Investment income is recognized when right to receive the income is established.

4.16 Research cost

These costs are charged to profit and loss account when incurred.

4.17 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 a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

4.18 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

4.19 Provisions

Provisions are recognized when the Group 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 amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.20 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

On consolidation, the assets and liabilities of foreign operations are translated into Pak Rupees at the rate of exchange prevailing at the reporting date and their profit and loss account are translated at average rates prevailing during the year. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit and loss account.

4.21 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument and de-recognized when The Group loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.22 Offsetting of financial assets and liabilities

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

4.23 Dividend and appropriations

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

4.24 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	01 January 2015

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is expected to have material impact on the currently held investments in associates of the Group. The management is in the process of estimating the impact of IFRS 10 on the financial statements of the Group.

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	01 January 2015
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11 – Joint Arrangements	01 January 2015
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2015

IFRS 12 prescribes disclosures related to consolidated financial statements and an entity's interests in subsidiaries, joint arrangements, associates and structured entities. It is expected that adoption of IFRS 12 will result in enhanced disclosures in the consolidated financial statements of the Group for future periods

IFRS 13 – Fair Value Measurement 01 January 2015

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected.

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment) 01 January 2016

IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment) 01 January 2016

IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment) 01 January 2016

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment) 01 January 2016

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard or Interpretation			IASB Effective Date (Annual periods beginning on or after)
IFRS 9	–	Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14	–	Regulatory Deferral Accounts	01 January 2016
IFRS 15	–	Revenue from Contracts with Customers	01 January 2018

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2015	2014		2015	2014
(Number of shares in thousand)			(Rupees in thousand)	
2,543	2,543	Ordinary shares of Rs.10 each fully paid in cash	25,429	25,429
		Ordinary shares of Rs.10 each issued as fully paid bonus shares		
41,750	37,724	- Opening balance	417,497	377,231
–	4,026	- Issued during the year	–	40,266
41,750	41,750		417,497	417,497
44,293	44,293		442,926	442,926

6. LONG TERM DEPOSITS

These represent security deposits received from dealers which, by virtue of agreement, are interest free. These are repayable on cancellation of dealership contract with dealers.

	Note	2015	2014
		(Rupees in thousand)	
7. DEFERRED TAXATION			
The liability for deferred tax comprises temporary differences relating to:			
Taxable temporary differences:			
Accelerated tax depreciation		57,202	62,496
Change in fair value of short term investments		–	–
		57,202	62,496
Deductible temporary differences:			
Accumulating compensated absences		(28,900)	(25,625)
Provision for doubtful receivables		(12,749)	(13,149)
		(41,649)	(38,774)
Net deferred tax liability at the year end		15,553	23,722

	Deferred tax liability		Deferred tax asset		
	Accelerated tax depreciation	Change in fair value of short term investment	Accumulating compensated absences	Provision for doubtful receivables	Net liability
	(Rupees in thousand)				
Balance as at 01 July 2013	57,173	125	(20,854)	(13,295)	23,149
Charged/(credited) to					
profit and loss account	5,323	(125)	(4,771)	146	573
Balance as at 30 June 2014	62,496	–	(25,625)	(13,149)	23,722
Charged/(credited) to					
profit and loss account	(5,294)	–	(3,275)	400	(8,169)
Balance as at 30 June 2015	57,202	–	(28,900)	(12,749)	15,553

	Note	2015	2014
		(Rupees in thousand)	
8. TRADE AND OTHER PAYABLES			
Trade creditors	(8.1)	1,060,909	804,362
Accrued liabilities		140,713	121,243
Bills payable		31,913	24,647
Advances from customers	(8.2)	1,118,656	983,090
Security deposits	(8.3)	6,524	5,299
Trademark fee payable		97,356	108,391
Income tax deducted at source		–	67
Workers' profit participation fund	(8.4)	26,321	–
Workers' welfare fund		130,856	102,998
Unclaimed dividends		245,728	210,793
Others		94,972	64,457
		2,953,948	2,425,347

8.1 These include balances due to related parties amounting Rs. 240,127 thousand (2014: Rs. 136,363 thousand).

8.2 These represent advances from customers against sale of tractors and carry no mark-up.

8.3 These represent security deposits from contractors which, by virtue of agreement, are interest free, repayable on demand and are used in the Group's business.

		Note	2015	2014
			(Rupees in thousand)	
8.4	Workers' profit participation fund			
	Opening balance		(228)	144
	Allocation for the year	(32)	201,200	119,784
			200,972	119,928
	Payments made during the year		(174,651)	(120,156)
	Closing balance		26,321	(228)

9. MARK-UP ACCRUED ON SHORT TERM BORROWINGS

This represents accrued interest payable on short term borrowings availed during the year, while the balance of short term borrowings as on 30 June 2015 is Nil (2014: Nil).

9.1 Short term borrowings facilities are available from various banks against aggregate sanctioned limit of Rs. 4,014,000 thousand (2014: Rs. 4,014,000 thousand). The rates of mark up range between KIBOR plus 0.25% to KIBOR plus 0.4% (2014: KIBOR plus 0.25% to KIBOR plus 0.4%) per annum.

9.2 The Group has facilities for opening of letters of credit and guarantees aggregating to Rs. 3,400,000 thousand (2014: Rs. 3,430,000 thousand) out of which Rs. 2,944,000 thousand (2014: Rs. 3,048,000 thousand) remained unutilized at the end of the year.

9.3 These facilities are secured by pari passu hypothecation charge over current assets and book debts of the Group, lien over import documents and counter guarantees of the Group.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 The Group has given guarantee amounting to Rs. 5,000 thousand to bank for repayment of loan by employees. An amount of Rs. 4,500 thousand (2014: Rs. 3,780 thousand) was utilized by employees as at 30 June 2015.

10.1.2 Guarantees issued by the banks on behalf of the Group in the normal course of business amount to Rs. 169,036 thousand (2014: Rs.93,162 thousand).

10.1.3 The income tax assessments of the Group have been finalized up to and including tax year 2014. While finalizing income tax assessments up to tax year 2014, income tax authorities have made certain add backs with aggregate tax impact of Rs. 548 million. As a result of appeals filed by the Group before appellate authorities, most of the add backs have been deleted. However, the Group and Tax Department are in appeals before higher forums against unfavorable decisions. Pending finalization of appeals, no provision has been made by the Group on aggregate sum of Rs.548 million. The management is confident that, on the basis of earlier decisions by the said forum in favour of Group, the outcome of these appeals will also be in favour of the Group.

10.1.4 The Group is defending a demand notice issued by Vice Commissioner Punjab Employees' Social Security Institution amounting to Rs. 36 million. After further investigation, the demand notice was reduced to Rs. 12 million. The Group is in the process of filing objection against the reduced demand notice. The management and legal advisor are confident that the outcome of the case would be decided in their favour hence no provision relating to aforesaid demand has been made in the financial statements.

10.1.5 The Group is defending a suit for Rs. 19,579 thousand, filed in previous years by an ex-vendor on account of damages and inconvenience. Previously the case was pending before the Civil Court, Lahore. However during the previous year it was held by the Civil Court that the damages of Rs. 15,000 thousand has been awarded in favour of vendor for the aforementioned inconvenience. In addition to that the Group is also required to pay the amount of parts already supplied by the vendor which amounts to Rs 4,579 thousand along with mark up @ 7% per annum till its realization. However the Group has preferred an appeal in the Honourable High Court against the aforesaid order of Civil Court. The management and the legal advisor are confident that outcome of the case would be in the Group's favour and no payment in this regard would be required, hence no provision there against has been made in these financial statements. The case is pending in the Honourable High Court, Lahore.

10.1.6 The Group is defending a demand of Rs. 3,944 thousand from the Additional Commissioner Inland Revenue, Lahore, regarding non payment of sales tax on replacements of warranty parts supplied by the Group to its customers. The Group filed the appeal in 2010 against the aforementioned order passed, to Commissioner of Inland Revenue, Lahore. Which held that the Group is liable to pay the amount of sales tax on warranty parts which amounts to Rs 3,944 thousand along with default surcharge and penalty @ 5% under section 33 of sales tax act 1990. The Group has filed an appeal against the aforementioned order in the Honourable High Court Lahore. The management and the legal advisor are confident of favourable outcome of the case, hence no provision in this regard has been made in these financial statements. The case is pending in the Honourable High Court, Lahore.

10.1.7 The Group is defending a demand of Rs. 31,869 thousand from the Customs Authorities, alleging the Group for non payment of custom and other additional duties. The demand is on account of purcahse of certain starter motors and alternators to be used for the manufacture of the tractors. The Group filed an appeal against the said demand and the order passed by Additional Collector, Lahore and Collector Appeals, Lahore before the Customs Appellate Tribunal, Lahore. The Group made the payment of Rs. 8,000 thousand under protest in response to demand notice served and obtained the stay order from Honourable High Court, Lahore agianst the further recovery action of Authorities. The management and legal advisor are confident that the outcome of the case would be decided in their favour hence no provison relating to aforesaid demand has been made in the financial statement. The appeal is pending before the Custom Appellate Tribunal Lahore.

10.1.8 During the year, appeal against the order of DCIR u/s 122(5) of the Income Tax Ordinance, 2001, from ATIR was finalized who confirmed the order of CIR (Appeals) for re-assesment proceedings. No demand is outstanding at this stage. Re-assesment proceedings have not been initiated so far. It is very hopeful that no further additional demand will be created at the time of re-assesment.

10.1.9 The taxation officer raised a demand of Rs.11,407,595/- u/s 161/205 of the Income Tax Ordinance, 2001, for tax year 2011. Group filed appeal before CIR(Appeals) who confirmed the default of Rs.5,720 only and remanded the case for re-assessment. Re-assessment proceedings have not been initiated so far. The taxation officer earlier made recovery of demand, amounting to Rs.2,000,000/- from the Group against the demand. The Group is under appeal before ATIR. It is hopeful that relief from ATIR shall be secured and no additional demand shall be created.

10.1.10 The taxation officer has raised a demand of Rs.17,423,326/- u/s 161/205 of the Income Tax Ordinance, 2001, for tax year 2014 during the year. The Group has filed appeal before CIR(A) which has not been heard till date. The taxation officer with coercive measures has made recovery of Rs.16,639,659/- against the purported demand during the year. The Group has not recorded the purported withholding tax default demand as liability in these financial statements. It is highly likely that all the issues assessed against the Group in assessment order will be settled in favour of the Group at appellate stage.

10.1.11 Suit no. 3452/2013, State Vs Muhammad Iqbal Qureshi is pending before the Vth Judicial Magistrate, South Karachi; no specific amount mentioned. Bail Application No. 12/2014, Muhammad Iqbal Qureshi Vs State is pending before the Hon'ble High Court of Sindh at Karachi for hearing: no specific amount mentioned. Suit No. 735/2014, Muhammad Iqbal Qureshi Vs Millat Industrial Products Limited and others, is pending before IVth Senior Civil Judge, Karachi East: no specific amount mentioned.

10.2 Commitments

Commitments in respect of outstanding letters of credit for import of raw material amounting to Rs. 293,405 thousand (2014: Rs. 296,596 thousand) at the balance sheet date.

11. OPERATING FIXED ASSETS

	Land		Buildings		Plant and machinery	Furniture and office equipment	Vehicles	Tools and equipments	Computers	Total
	Freehold	leasehold	On freehold land	On leasehold land						
	(Rupees in thousand)									
Net carrying value basis:										
Year ended 30 June 2015										
Opening net book value	68,762	8	50,510	–	196,497	32,712	152,795	34,201	9,382	544,867
Additions (at cost)	–	–	6,206	–	13,753	4,282	52,245	6,135	19,356	101,977
Disposals	–	–	–	–	–	–	(11,145)	–	(714)	(11,859)
Depreciation charge	–	–	(5,089)	–	(20,881)	(4,270)	(35,833)	(5,498)	(6,917)	(78,488)
Closing net book value	68,762	8	51,627	–	189,369	32,724	158,062	34,838	21,107	556,497
Gross carrying value basis:										
As at 30 June, 2015										
Cost	68,762	8	207,103	2,900	516,101	72,328	293,949	111,542	47,272	1,319,965
Accumulated depreciation	–	–	(155,476)	(2,900)	(326,732)	(39,604)	(135,887)	(76,704)	(26,165)	(763,468)
Net book value	68,762	8	51,627	-	189,369	32,724	158,062	34,838	21,107	556,497
Depreciation rate % per annum	–	–	5-10	5	10	10-20	20	10-15	33	
Net carrying value basis:										
Year ended 30 June 2014										
Opening net book value	68,762	8	36,383	–	198,516	30,556	124,577	36,808	3,248	498,858
Additions (at cost)	–	–	17,507	–	19,091	6,202	69,304	3,308	7,639	123,051
Disposals	–	–	–	–	–	–	(10,376)	–	(19)	(10,395)
Depreciation charge	–	–	(3,380)	–	(21,110)	(4,046)	(30,710)	(5,915)	(1,486)	(66,647)
Closing net book value	68,762	8	50,510	–	196,497	32,712	152,795	34,201	9,382	544,867
Gross carrying value basis:										
As at 30 June 2014										
Cost	68,762	8	200,895	2,900	502,736	68,047	284,924	106,793	29,572	1,264,637
Accumulated depreciation	–	–	(150,385)	(2,900)	(306,239)	(35,335)	(132,129)	(72,592)	(20,190)	(719,770)
Net book value	68,762	8	50,510	–	196,497	32,712	152,795	34,201	9,382	544,867
Depreciation rate % per annum	–	–	5-10	5	10	10-20	20	10-15	33	

		Note	2015	2014
			(Rupees in thousand)	
11.1	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	(27)	42,177	39,307
	Distribution and marketing expenses	(28)	8,532	8,453
	Administrative expenses	(29)	27,779	18,887
			78,488	66,647

11.2 Disposal of property, plant and equipment

Particulars	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Vehicles		(Rupees in thousand)				
	Directors					
	Mr. Latif Khaild Hashmi	4,145	3,032	1,113	1,113	Company car scheme
	Employees					
	Mr. Javed Munir	3,125	549	2,576	2,576	Company car scheme
	Mr. Athar Zubair	1,973	576	1,397	1,397	Company car scheme
	Mr. Athar Zubair	1,625	636	988	988	Company car scheme
	Mr. Javed Munir	1,426	910	516	516	Company car scheme
	Mr. Farogh Iqbal	1,319	969	350	350	Company car scheme
	Mr. Qamar Islam	1,300	765	535	535	Company car scheme
	Mr. Ali Akhtar	824	606	218	218	Company car scheme
	Mr. Ejaz Ahmed Malik	671	405	266	266	Company car scheme
	Mr. Ghulam Mustafa	671	442	229	229	Company car scheme
	Mr. Muhammad Imran	649	477	172	172	Company car scheme
	Mr. Masood Ahmed	649	477	172	172	Company car scheme
	Mr. Shoaib Usman Banday	619	455	164	164	Company car scheme
	Mr. Najeeb Arif	619	455	164	164	Company car scheme
	Mr. Rashid Ahmad	589	433	156	156	Company car scheme
	Mr. Akhtar Saleem	559	411	148	148	Company car scheme
	Mr. Waqas Raffique	86	-	86	86	Company motorcycle scheme
	Mr. Muhammad Sharif	85	16	68	68	Company motorcycle scheme
	Mr. Hafiz Faheem Afzal	76	36	40	40	Company motorcycle scheme
	Mr. Muhammad Iqbal	70	47	23	23	Company motorcycle scheme
	Mr. Muhammad Saleem	70	47	23	23	Company motorcycle scheme
	Mr. Ahmad Saeed AKbar	70	47	23	23	Company motorcycle scheme
	Mr. Muhammad Aslam	70	47	23	23	Company motorcycle scheme
	Mr. Noor Ahmad	70	47	23	23	Company motorcycle scheme
	Mr. Ihtisham Ullah	70	47	23	23	Company motorcycle scheme
	Mr. Arshad	70	42	28	28	Company motorcycle scheme

Particulars	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Vehicles			(Rupees in thousand)			
	Mr. Muhammad Iqbal	70	47	23	23	Company motorcycle scheme
	Mr. Mahmood Ali	70	47	23	23	Company motorcycle scheme
	Mr. Ashfaq Ali	69	46	24	24	Company motorcycle scheme
	Mr. Waseem Ahmad	67	31	35	35	Company motorcycle scheme
	Mr. Zia Ur Rehman	66	25	41	41	Company motorcycle scheme
	Mr. Muhammad Afzal	66	29	37	37	Company motorcycle scheme
	Mr. Muhammad Affar	66	26	40	40	Company motorcycle scheme
	Mr. Faisal Javed	66	26	40	40	Company motorcycle scheme
	Mr. Abdul Zaheer	66	24	42	42	Company motorcycle scheme
	Mr. Muhammad Naeem	63	42	21	21	Company motorcycle scheme
	Mr. Muhammad Yousf	63	42	21	21	Company motorcycle scheme
	Mr. Liaqat Ali	63	41	22	22	Company motorcycle scheme
	Mr. Mubashar	63	42	21	21	Company motorcycle scheme
	Mr. Nawaz Khan	63	38	25	25	Company motorcycle scheme
	Mr. Munawar Hussain	63	42	21	21	Company motorcycle scheme
	Mr. Muhammad Ishaq	63	42	21	21	Company motorcycle scheme
	Mr. Muhammad Asghar	63	42	21	21	Company motorcycle scheme
	Mr. Muhammad Tayyab	63	42	21	21	Company motorcycle scheme
	Mr. Maqsood Ahmed	63	42	21	21	Company motorcycle scheme
	Mr. Faiz ur Rehman	63	42	21	21	Company motorcycle scheme
	Mr. Asghar Ali	63	42	21	21	Company motorcycle scheme
	Mr. Amjad Mahmood	63	37	25	25	Company motorcycle scheme
	Mr. Zeshan Arif	63	40	23	23	Company motorcycle scheme
	Mr. Mahfooz Ahmed Butt	63	42	21	21	Company motorcycle scheme
	Mr. Shazar Khan	63	42	21	21	Company motorcycle scheme
	Mr. Javed Malik	63	42	21	21	Company motorcycle scheme
	Mr. Nadeem Ejaz	63	42	21	21	Company motorcycle scheme
	Mr. Shamim Ahmed Siddiqui	63	42	21	21	Company motorcycle scheme
	Mr. Farooq Ahmad	63	42	21	21	Company motorcycle scheme
	Others					
	Pool Vehicles	999	936	63	615	Open market auction

		Note	2015	2014
			(Rupees in thousand)	
12.	**CAPITAL WORK IN PROGRESS**			
	Plant and machinery		115	25,111
	Advance for office building	(12.1)	198,295	187,320
	Advance for vehicles		11,250	–
			209,660	212,431

12.1 This represents office floors at Tricon Corporate Centre.

		Note	2015	2014
13.	**INTANGIBLE ASSET**			
	Net carrying value basis			
	Opening net book value		5,888	841
	Additions		362	6,033
	Amortization charge	(29)	(2,383)	(986)
			3,867	5,888
	Gross carrying value basis			
	Cost		42,238	36,205
	Additions		362	6,033
	Accumulated amortization		(38,733)	(36,350)
			3,867	5,888
	Rate of amortization		33%	33%
14.	**INVESTMENT PROPERTY**			
	Land		258,444	258,444
	Provision for impairment		(2,736)	(2,736)
			255,708	255,708

14.1 Based on the valuation carried out by an independent valuer as at 30 June 2015, the fair value of investment property is Rs. 266,400 thousand (2014: Rs. 370,000 thousand).

		2015	2014
		(Rupees in thousand)	
15.	LONG TERM INVESTMENTS		
	In associated companies		
	Quoted		
	Bolan Castings Limited		
	5,306,979 (2014: 5,306,979) fully paid ordinary shares of Rs. 10/- each	187,127	165,424
	Equity held 46.26% (2014: 46.26%). Market Value		
	as at 30 June 2015 is Rs. 444,459 thousand (2014: Rs. 202,543 thousand)		
	Unquoted		
	Millat Equipment Limited		
	11,699,993 (2014: 11,699,993) fully paid ordinary shares of Rs. 10/- each	455,111	454,929
	Equity held 45% (2014: 45%)		
	Value of investment based on net assets as shown in the audited accounts		
	as at 30 June 2015 is Rs. 481,144 thousand (2014: Rs. 480,963 thousand)		
	Arabian Sea Country Club Limited		
	500,000 (2014: 500,000) fully paid ordinary shares of Rs. 10/- each	5,000	5,000
	Equity held 6.45% (2014: 6.45%)		
	Value of investment based on the net assets shown in the audited accounts		
	as at 30 June 2010 is Rs. 12,020 thousand (2009: Rs. 10,575 thousand).		
	Less: Impairment loss	(5,000)	(5,000)
		–	–
	Other investment - Available-for-sale		
	Quoted		
	Baluchistan Wheels Limited		
	1,282,825 (2014: 1,282,825) fully paid ordinary shares of Rs. 10/- each	12,145	12,145
	Surplus on revaluation of investment	64,953	42,375
	Market value as at 30 June	77,098	54,520
		719,336	674,873

15.1 The Group's share of result of its associates, all of which are incorporated in Pakistan, and its share of the assets and liabilities in case of those associates, are as follow

(Rupees in thousand)

Name	Percentage interest held	Assets	Liabilities	Revenue	Profit
30 June 2015					
Bolan Castings Limited*	46.26%	556,819	336,341	784,439	33,141
Millat Equipment Limited*	45.00%	621,325	140,181	1,120,877	263,370
30 June 2014					
Bolan Castings Limited*	46.26%	476,321	272,633	514,054	(67,699)
Millat Equipment Limited*	45.00%	669,195	188,232	850,435	169,191

Share of profit / (loss) is before taxation.

	Note	2015	2014
		(Rupees in thousand)	
16. LONG TERM LOANS - considered good			
Loan to employees:			
Company loan	(16.1)	1,823	1,517
Motor cycle loan	(16.2)	1,823	2,093
		3,646	3,610
Less: current portion included in current assets	(21)	(1,735)	(1,669)
		1,911	1,941

16.1 This represents interest free loans to employees secured against their gratuity and provident fund balances. These loans are repayable in monthly instalments over a period of two years.

16.2 This represents interest free loans to employees for purchase of motor cycles secured by joint registration of motor cycles in the name of the Group and employees. These loans are repayable in monthly instalments over a period of five years.

16.3 Reconciliation of carrying amount of loans to executives:

	Balance as at 01 July 2014	Disbursement during the year	Repayments during the year	Balance as at 30 June 2015
	(Rupees in thousand)			
Due from executives	205	150	187	168

	Note	2015	2014
		(Rupees in thousand)	
17. EMPLOYEES' DEFINED BENEFIT PLAN			
This comprises:			
Fair value of plan assets		1,015,336	929,695
Present value of defined benefit obligation		(871,824)	(635,895)
Asset recognized in the balance sheet		143,512	293,800
Credit for the year			
Salaries, wages and amenities include the following in respect of employees' pension scheme:			
Current service cost		13,156	14,238
Interest cost		81,225	64,646
Expected return on plan assets		(120,911)	(90,376)
		(26,530)	(11,492)
The movement in present value of defined benefit obligation is as follows:			
Present value of defined benefit obligation as at 01 July		635,895	634,660
Interest cost		81,225	64,646
Current service cost		13,156	14,238
Benefits due but not paid		(3)	–
Benefits paid		(45,753)	(37,971)
Actuarial gain		187,304	(39,678)
Present value of defined benefit obligation as at 30 June		871,824	635,895

	Note	2015	2014
		(Rupees in thousand)	
The movement in fair value of plan assets is as follows:			
Fair value of plan assets as at 01 July		929,695	874,065
Expected return on assets		120,911	90,376
Contributions		11,431	11,289
Benefits paid		(45,753)	(37,971)
Benefits due but not paid		(3)	–
Actuarial gain		(945)	(8,064)
Fair value of plan assets as at 30 June		1,015,336	929,695
Actual return on plan assets		119,966	82,312
Plan assets comprise:			
Term deposit receipts		550,723	723,548
Bonds and mutual funds		460,622	176,994
Accrued interest and bank balance		3,994	29,153
Benefits due but not paid		(3)	–
		1,015,336	929,695

Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of pension fund is as follows:

	2015	2014	2013	2012	2011
			(Rupees in thousand)		
As at 30 June					
Present value of defined benefit obligation	871,824	635,895	634,660	638,562	544,061
Fair value of plan assets	1,015,336	929,695	874,065	807,037	731,550
Surplus	143,512	293,800	239,405	168,475	187,489
Experience adjustment on obligation	187,304	(39,678)	(65,577)	36,486	(13,040)
Experience adjustment on plan assets	945	8,064	(8,477)	(7,560)	4,238

Sensitivity analysis

Significant assumption for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Discount rate + 100 bps	(70,195)
Discount rate - 100 bps	81,513
Salary increase + 100 bps	17,971
Salary increase - 100 bps	(16,961)

18. STORES AND SPARES

Most of the items of stores and spares are of inter-changeable nature and can be used as machine spares or consumed as stores. Accordingly, it is not practical to distinguish stores from spares until their actual usage.

		Note	2015	2014
			(Rupees in thousand)	
19.	**STOCK IN TRADE**			
	Raw material	(19.1)	2,154,734	1,846,733
	Work in process		82,697	102,425
	Finished goods :			
	Manufacturing		214,597	480,294
	Trading		114,586	94,274
	Others		–	20,000
			329,183	594,568
			2,566,614	2,543,726

19.1 This includes stock in transit amounting to Rs. 245,354 thousand (2014: Rs. 62,419 thousand).

19.2 Included in stocks are raw materials and components held with third parties amounting to Rs. 96,314 thousand (2014: Rs. 75,202 thousand).

		Note	2015	2014
			(Rupees in thousand)	
20.	**TRADE DEBTS**			
	Considered good	(20.1)	271,230	157,743
	Less: bad debts written off	(29)	23,240	–
			247,990	157,743

20.1 These are unsecured but considered good by the management except for Rs. 21,589 thousand (2014: Rs. 32,251 thousand) which are secured against deposits and post dated cheques.

20.2 Trade debts include balances due from following related parties

	Note	2015	2014
		(Rupees in thousand)	
Millat Equipment Limited		18,917	32,069
Bolan Castings Limited		61	6,741
	(20.2.1)	18,978	38,810

20.2.1 Aging of due from related parties:

	2015		2014	
	Neither past due not impaired	Past due 1-6 months but not impaired	Neither past due not impaired	Past due 1-6 months but not impaired
	(Rupees in thousand)			
Millat Equipment Limited	–	18,917	7,616	24,453
Bolan Castings Limited	–	61	5,477	1,264
	–	18,978	13,093	25,717

		Note	2015	2014
			(Rupees in thousand)	
21.	LOANS AND ADVANCES			
	Current portion of long term loans to employees	(16)	1,735	1,669
	Advances to employees - considered good	(21.1) & (21.2)	1,790	1,273
	Advances to suppliers - considered good	(21.3)	70,558	129,397
			74,083	132,339
	Advances to suppliers - considered doubtful		2,485	2,485
	Less: Provision for doubtful advances		(2,485)	(2,485)
			–	–
	Letter of credit opening charges		9,196	3,163
			83,279	135,502

21.1 Included in advances to employees are amounts due from the Chief Executive Officer was Nil (2014: Rs 291 thousands) in respect of travel advance.

21.2 The maximum aggregate amount at the end of any month during the year due from the Chief Executive Officer is Rs. 138 thousand (2014: Rs. 151 thousand) and Directors Rs. 320 thousand (2014 Rs. 520 thousand) in respect of travel advance.

21.3 Advances to suppliers include advances to vendors of Rs. 46,796 thousand (2014: Rs. 96,632 thousand) which carry mark-up @ 18% (2014: 18%) per annum. Included in advances to vendors are advances to related parties, namely Bolan Casting Limited of Rs. Nil (2014: 18,144 thousand).

		Note	2015	2014
			(Rupees in thousand)	
22.	OTHER RECEIVABLES			
	Claims receivable from suppliers		60,256	103,796
	Profit / interest accrued		3,915	7,768
	Workers' Profit Participation Fund	(8.4)	–	228
			64,171	111,792
23.	BALANCES WITH STATUTORY AUTHORITIES			
	Special excise duty payable		(43)	(652)
	Sales tax recoverable		801,485	336,880
	Less: provision for doubtful claims		(34,147)	(34,147)
			767,338	302,733
			767,295	302,081
24.	SHORT TERM INVESTMENTS			
	Financial asset at fair value through profit and loss	(24.1)	700,203	–
	Investment in Term Deposit Receipts (TDR)	(24.2)	145,000	100,000
			845,203	100,000

24.1 This represents investment in mutual funds as follows:

Mutual Funds	30 June 2015 Number of units (Number in thousand)	Fair value per unit (Rupees)	Total (Rupees in thousand)
MCB Cash Management Optimizer Fund	1,500	100.13	150,191
ABL Cash Fund	20,014	10.02	200,504
HBL Money Market Fund	1,486	101.13	150,278
Askari Sovereign Cash Fund	1,976	100.82	199,230
	24,976	312.10	700,203

Mutual Funds	30 June 2014 Number of units (Number in thousand)	Fair value per unit (Rupees)	Total (Rupees in thousand)
MCB Cash Management Optimizer Fund	–	–	–
ABL Cash Fund	–	–	–
HBL Money Market Fund	–	–	–
Askari Sovereign Cash Fund	–	–	–
	–	–	–

24.2 These carry mark-up at the rate of 7% (2014: 9.2%) per annum.

	Note	2015 (Rupees in thousand)	2014 (Rupees in thousand)
25. CASH AND BANK BALANCES			
In hand:			
Cash		1,696	5,595
Cheque in hand		249,658	556,170
		251,354	561,765
At banks:			
Current accounts		583,500	670,382
Deposit accounts	(25.1)	321,816	25,282
		905,316	695,664
		1,156,670	1,257,429

25.1 These carry mark-up at the rate of 6% to 7% (2014: 5% to 10.5%) per annum.

		Note	2015	2014
			(Rupees in thousand)	
26.	SALES - net			
	Local			
	Tractors		24,168,663	18,042,459
	Implements		61,153	51,349
	Multi-application products		462,902	291,717
	Trading goods		325,953	419,851
	Batteries		1,217,014	937,354
			26,235,685	19,742,730
	Less:			
	Discount		(138,950)	(14,317)
	Sales tax and special excise duty		(2,461,949)	(2,198,355)
			(2,600,899)	(2,212,672)
			23,634,786	17,530,058
	Export			
	Tractors		549,619	201,431
	Trading goods		–	7,670
	Implements		2,663	–
	Batteries		3,224	–
			555,506	209,101
			24,190,292	17,739,159
	Less: commission		(261,342)	(317,037)
			23,928,950	17,422,122
27.	COST OF SALES			
	Components consumed		17,372,231	13,460,027
	Salaries, wages and amenities	(27.1)	314,772	273,843
	Contract services		214,071	171,139
	Fuel and power		142,189	138,094
	Communication		444	585
	Travelling and vehicle running		10,419	9,353
	Printing and stationery		4,994	2,468
	Insurance		15,543	15,856
	Repairs and maintenance		66,246	67,564
	Stores and spares consumed		110,880	98,218
	Depreciation	(11.1)	42,177	39,307
	Other expenses		35,207	22,136
			18,329,173	14,298,590
	Add: opening work-in-process		102,425	129,960
	Less: closing work-in-process		(82,697)	(102,425)
	Increase in work-in-process		19,728	27,535
	Cost of goods manufactured		18,348,901	14,326,125
	Add: Opening finished goods		480,294	210,023
	Less: Closing finished goods		(214,597)	(480,294)
	Increase / (decrease) in finished goods stock		265,697	(270,271)
	Cost of sales - manufactured		18,614,598	14,055,854
	Cost of sales - trading	(27.2)	634,737	234,916
			19,249,335	14,290,770

		Note	2015	2014
			(Rupees in thousand)	
27.1	It includes the following staff retirement benefits:			
	Defined benefit plan - pension		(10,146)	(5,746)
	Defined contribution plan - gratuity		4,949	5,077
	Defined contribution plan - provident fund		6,361	2,412
	Provision for compensated absences		6,550	10,387
			7,714	12,130
27.2	**Cost of sales - trading**			
	Opening stock		94,274	63,112
	Purchases		655,049	266,078
	Closing stock		(114,586)	(94,274)
			634,737	234,916
28.	**DISTRIBUTION AND MARKETING EXPENSES**			
	Salaries and amenities	(28.1)	99,671	89,936
	Contract services		29,747	20,433
	Fuel and power		10,671	9,142
	Communication		514	874
	Travelling and vehicle running		24,521	18,840
	Printing and stationery		5,402	5,458
	Insurance		8,246	8,164
	Trademark fee		279,269	214,978
	Advertisement and sales promotion		22,718	22,435
	Depreciation	(11.1)	8,532	8,453
	Meeting / convention		7,219	10,638
	After sales support		28,439	81,706
	Research cost		–	96
	Other expenses		14,904	18,719
			539,853	509,872
28.1	It includes the following staff retirement benefits:			
	Defined benefit plan - pension		(6,269)	(2,873)
	Defined contribution plan - gratuity		2,960	2,694
	Defined contribution plan - provident fund		3,604	1,506
	Provision for compensated absences		4,109	5,373
			4,404	6,700

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For the year ended 30 June 2015

		Note	2015	2014
			(Rupees in thousand)	
29.	ADMINISTRATIVE EXPENSES			
	Salaries and amenities	(29.1)	214,560	193,113
	Contract services		32,744	25,577
	Fuel and power		18,621	16,237
	Communication		4,716	5,126
	Travelling and vehicle running		29,409	32,252
	Insurance		7,377	6,877
	Repairs and maintenance		10,116	10,585
	Security		13,940	13,451
	Legal and professional	(29.2)	14,506	16,141
	Depreciation	(11.1)	27,779	18,887
	Amortization of intangible asset	(13)	2,383	986
	Rent, rates and taxes		8,010	8,028
	Fee and subscription		4,572	3,833
	Entertainment		5,871	5,784
	Bad debts		23,240	–
	Other expenses		51,132	46,967
			468,976	403,844
29.1	It includes the following staff retirement benefits:			
	Defined benefit plan - pension		(10,116)	(2,873)
	Defined contribution plan - gratuity		2,459	2,740
	Defined contribution plan - provident fund		5,597	3,500
	Provision for compensated absences		8,170	12,340
			6,110	15,707
29.2	Legal and professional expenses include following in respect of auditors' services:			
	Statutory audit		1,670	1,575
	Half year review		160	150
	Special reports and sundry certifications		544	403
	Out of pocket expenses		125	125
			2,499	2,253
30.	OTHER INCOME			
	Income from financial assets:			
	Dividend income		3,972	1,924
	Return on bank deposits		23,713	37,555
	Accrued interest on Term Deposit Receipts (TDR)		3,982	5,218
	Gain on sale of short term investments		74,534	12,309
	Gain on translation of foreign investment		1,215	–
	Interest charged on early payments and advances		88,289	85,744
			195,705	142,750
	Income from assets other than financial assets			
	Rental income		5,302	5,114
	Scrap sales		9,873	10,665
	Exchange gain		–	2,732
	Gain on disposal of property, plant and equipment		553	2,200
	Others		2,579	9,466
			18,307	30,177
			214,012	172,927

		Note	2015	2014
			(Rupees in thousand)	
31.	**FINANCE COST**			
	Mark-up on short term borrowings - secured		8,793	78,908
	Bank charges and commission		2,493	2,359
			11,286	81,267
32.	**OTHER OPERATING EXPENSES**			
	Workers' Profit Participation Fund	(8.4)	201,200	119,784
	Workers' Welfare Fund		68,994	42,838
	Donations	(32.1)	5,648	4,060
	Loss on exchange rate and price difference		526	–
			276,368	166,682

32.1 None of the directors were interested in the donee institutions.

		2015	2014
33.	**SHARE OF PROFIT OF ASSOCIATES**		
	Bolan Castings Limited	33,141	(67,699)
	Millat Equipment Limited	263,370	169,191
		296,511	101,492
34.	**TAXATION**		
	For the year:		
	Current	1,272,454	727,843
	Deferred	(8,029)	683
		1,264,425	728,526
	Prior years:		
	Current	–	4,727
	Deferred	(141)	(111)
		(141)	4,616
		1,264,284	733,142

34.1 Numerical reconciliation between average effective tax rate and the applicable tax rate.

	2015 %	2014 %
Applicable tax rate	33.00	34.00
- Effect of change in prior year	(0.100)	0.170
- Income exempt for tax purposes	(0.300)	0.034
- Income chargeable to tax at lower rate	(2.50)	(1.96)
- Effect on opening deferred taxes on reduction of rate	–	(0.03)
- Others	3.20	2.01
	0.30	0.22
Average effective tax rate	33.30	34.22

35. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the parent undertaking in its meeting held on 04 September 2015 has proposed a cash dividend of Rs. 27.50 per share (2014: Rs. 20 per share) in respect of the year ended 30 June 2015. The appropriation will be approved by the members in the forthcoming Annual General Meeting. These consolidated financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

36. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for the year for remuneration including certain benefits to the Chief Executive Officer, Directors and Executives of the Group are as follows :

	Chief Executive Officer		Directors				Executives	
	2015	2014	2015		2014		2015	2014
			Non Executive Directors	Executive Directors	Non Executive Directors	Executive Directors		
	(Rupees in thousand)							
Number of persons	2	2	5		6		81	59
Remuneration	11,113	9,339	17,826	2,439	15,929	6,030	78,126	50,997
Cost of living allowance	-	-	17,826	2,439	15,929	2,180	39,573	31,553
Bonus	3,988	3,429	7,269	796	5,057	1,795	27,511	15,302
House rent	4,452	3,720	8,021	1,098	7,168	2,231	29,031	17,948
Contribution to provident fund and gratuity funds	992	827	-	244	-	496	14,232	10,393
Pension contribution	-	-	-	-	-	-	6,582	5,364
Medical expenses	177	113	2,183	126	1,654	94	6,522	4,951
Utilities	692	636	2,030	291	2,139	513	8,388	5,596
Other reimbursable expenses	2,605	2,481	5,168	653	5,272	2,115	14,005	10,542
	24,019	20,545	60,323	8,086	53,148	15,454	223,970	152,646

The Group also provides the Chief Executive Officer, Directors and certain employees with free use of Company maintained cars and residential telephones.

36.1 Remuneration to other directors

Aggregate amount charged to profit and loss account for the year in respect of meeting fee to two directors (2014: two directors) was Rs. 200 thousand (2014: Rs. 140 thousand) and travelling expenses Rs. 392 thousand (2014: Rs. 461 thousand).

37. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise, associated companies, companies in which directors are interested, staff retirement funds, directors and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Amount of assets sold to directors during the year are shown in Note 11.2. Amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in Note 36. Other significant transactions with related parties are as follows:

Relation with undertaking	Nature of transaction	2015	2014
		(Rupees in thousand)	
Associates	Sale of goods	39,221	56,524
	Purchase of components	4,014,599	2,805,159
	Dividend income	175,500	117,000
Retirement benefit plans	Contribution to staff retirement benefit plans	21,800	21,800

The Company intends to take the approval of the transactions with associated companies from the shareholders in General Meeting.

38. EARNINGS PER SHARE - BASIC AND DILUTED

38.1 Combined basic earnings per share

Earnings per share are calculated by dividing the net profit for the year by weighted average number of shares outstanding during the year as follows:

	2015	2014
	(Rupees in thousand)	
Profit for the year after tax	2,530,245	1,441,339
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year	44,293	44,293
	Rupees	
Earnings per share	57.13	32.54

38.2 Combined diluted earnings per share

No figure for diluted earnings per share has been presented as the Group has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

	Note	2015	2014
		(Rupees in thousand)	
39. CASH GENERATED FROM OPERATIONS			
Profit before taxation		3,893,655	2,244,106
Adjustment for:			
Depreciation on property, plant and equipment		78,488	66,647
Amortization of intangible asset		2,383	986
Share of profit of associates		(296,511)	(101,492)
Provision for accumulating compensated absences		12,661	16,314
Bad debts written off		23,240	–
Profit on bank deposits		(23,713)	(42,773)
Dividend income		(3,972)	(1,924)
Pension		37,961	(11,492)
Provision for gratuity		10,369	10,511
Gain on disposal of property, plant and equipment		(553)	(2,200)
Gain on sale of short term investments		(74,534)	(12,309)
Gain on change in fair value of investments		(21,885)	–
Finance cost		11,286	81,267
Workers' Profit Participation Fund		201,200	119,784
Workers' Welfare Fund		68,994	42,838
Working capital changes	(39.1)	477,532	(1,921,661)
		4,396,601	488,602
39.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		11,066	11,865
Stock in trade		(22,888)	151,448
Trade debts		(113,487)	852,882
Loans and advances		52,223	(51,525)
Trade deposits and short term prepayments		945	2,940
Other receivables		47,621	(22,991)
		(24,520)	944,619
(Decrease) / increase in current liabilities			
Trade and other payables		502,052	(2,866,280)
		477,532	(1,921,661)

40. FINANCIAL RISK MANAGEMENT

Financial instruments comprise loans and advances, deposits, interest accrued, trade debts, other receivables, cash and bank balances, long term financings, short term borrowings, interest/mark-up accrued and trade and other payables.

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors has the overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Group's activities.

40.1 Market risk

(a) 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 Group 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 exchange rates, with all other variables held constant, of the Group's profit before tax.

	Changes in rate	Effects on proft before tax 2015	Effects on proft before tax 2014
		(Rupees in thousand)	
Receivables/ (Trade and other payables) - GBP	+1	8	(839)
	-1	(8)	839
Receivables/ (Trade and other payables) - USA	+1	286	(586)
	-1	(286)	586
Receivables/ (Trade and other payables) - EUR	+1	76	(455)
	-1	(76)	455

	2015	2014
Reporting date rate per:		
GBP	159.91	168.10
USD	101.70	98.80
EUR	113.79	134.70

(b) 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 Group is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers. The equity instrument held by the Group does not trade on a regular basis on the stock exchange and historically, it does not have a direct correlation with the equity index of the Karachi Stock Exchange (KSE). Therefore, it is not possible to measure the impact of increase / decrease in the KSE Index on the Group's profit after taxation for the year and on equity (fair value reserve).

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

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

	2015	2014
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balances - deposit accounts	210,863	25,282

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a change in interest rates, with all other variables held constant, of the Group's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

		Changes in interest rate	Effects on profit before tax
		(Rupees in thousand)	
Bank balances - deposit accounts	2015	+1	1,110
		-1	(1,110)
	2014	+1	253
		-1	(253)

40.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of total financial assets of Rs. 3,806,101 thousand (2014: Rs. 2,608,573 thousand), the financial assets which are subject to credit risk amounted to Rs. 2,829,975 thousand (2014: Rs. 1,367,052 thousand). The Group is not exposed to major concentration of credit risk.

The credit risk on liquid funds is limited because the counter parties are banks and mutual funds with reasonably high credit ratings. The Group believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and subscribers in case of trade debts.

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	2014
	(Rupees in thousand)	
Trade debts	247,990	157,743
Other receivables	64,171	111,564
Balances with statutory authorities	767,295	302,081
Short term investments	845,203	100,000
Bank balances	905,316	695,664
	2,829,975	1,367,052
The aging of trade receivables at the reporting date is:		
Past due 1 - 3 Months	192,818	130,985
Past due 4 - 6 Months	1,571	–
Past due 7 - 12 Months	39,541	–
Past due to above one year	14,060	26,758
	247,990	157,743

Based on past experience the management believes that no impairment is necessary in respect of trade receivables past due, as some receivables 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 or to historical information about counterparty default rate. The table below shows the bank balances and investment held with some major counterparties at the balance sheet date:

	Rating			2015	2014
	Short term	Long term	Agency	(Rupees in thousand)	
Meezan Bank Limited	A-1+	AA	JCR-VIS	9,797	6,442
Allied Bank Limited	A-1+	AA	PACRA	32,771	5,665
Zarai Taraqiati Bank Limited	A-1+	AAA	JCR-VIS	210,863	194,058
Bank Alfalah Limited	A-1+	AA	PACRA	23,732	65,352
Standard Chartered Bank	A-1+	AAA	PACRA	20,194	900
United Bank Limited	A-1+	AA+	JCR-VIS	348,934	294,473
The Bank of Punjab	A-1+	AA-	PACRA	551	20,172
MCB Bank Limited	A-1+	AAA	PACRA	27,992	3,950
Habib Bank Limited	A-1+	AAA	JCR-VIS	63,917	53,147
Sindh Bank	A-1+	AA-	JCR-VIS	84,368	1,900
National Bank of Pakistan	A-1+	AAA	JCR-VIS	30,436	665
Emirates NBD	F1	A+	FITCH	51,761	48,940
				905,316	695,664

Mutual funds / Term Deposit Receipts	Rating	Agency	2015	2014
			(Rupees in thousand)	
NAFA Government Securities Liquid Fund	AA(f)	PACRA	150,191	–
ABL Cash Fund	AA(f)	JCR-VIS	200,504	–
HBL Money Market Fund	AA(f)	JCR-VIS	150,278	–
Askari Sovereign Cash Fund	AAA(f)	PACRA	199,230	–
Dubai Islamic Bank -Term Deposit Receipt	A-1	JCR-VIS	–	100,000
UBL	A-1+	JCR-VIS	145,000	–
			845,203	100,000

40.3 Liquidity risk

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

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2015, the Group had Rs. 4,014,000 thousand available borrowing limits from financial institutions and Rs. 1,156,670 thousand cash and bank balances.

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

	Carrying amount	Less than one year	One to five year	More than five year
		(Rupees in thousand)		
Trade and other payables	2,953,948	2,953,948	–	–
Mark-up accrued on short term borrowings	1,800	1,800	–	–
	2,955,748	2,955,748	–	–

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

	Carrying amount	Less than one year	One to five year	More than five year
		(Rupees in thousand)		
Trade and other payables	2,425,347	2,425,347	–	–
Mark-up accrued on short term borrowings	3,814	3,814	–	–
	2,429,161	2,429,161	–	–

40.4 Fair values of financial assets and liabilities

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

The carrying values of other financial assets and financial liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

40.5 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2015, the Group held the following financial instruments carried at fair value:

	2015	Level 1	Level 2	Level 3
		(Rupees in thousand)		
Assets measured at fair value - available for sale				
Equity shares	77,098	77,098	–	–

Date of valuation : 30 June 2015
There were no liabilities measured at fair value as at 30 June 2015.

As at 30 June 2014, the Group held the following financial instruments carried at fair value:

	2014	Level 1	Level 2	Level 3
		(Rupees in thousand)		
Assets measured at fair value - available for sale				
Equity shares	54,520	54,520	–	–

Date of valuation : 30 June 2014
There were no liabilities measured at fair value as at 30 June 2014.

40.6 Financial instruments by categories

	Available for sale		At fair value through profit and loss		Loans and receivables		Investments at cost		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees in thousand)									
Financial assets as per balance sheet										
Long term investments	77,098	54,520	–	–	–	–	642,238	620,353	719,336	674,873
Long term loans	–	–	–	–	1,911	1,941	–	–	1,911	1,941
Loans to employees	–	–	–	–	3,525	2,942	–	–	3,525	2,942
Trade debts	–	–	–	–	247,990	157,743	–	–	247,990	157,743
Other receivables	–	–	–	–	64,171	111,564	–	–	64,171	111,564
Balances with statutory authorities	–	–	–	–	767,295	302,081	–	–	767,295	302,081
Short term investments	–	–	700,203	–	–	–	145,000	100,000	845,203	100,000
Cash and bank balances	–	–	–	–	1,156,670	1,257,429	–	–	1,156,670	1,257,429
	77,098	54,520	700,203	–	2,241,562	1,833,700	787,238	720,353	3,806,101	2,608,573

Financial liabilities as per balance sheet	2015	2014
	(Rupees in thousand)	
Trade and other payables	2,953,948	2,425,347
Mark-up accrued on short term borrowings	1,800	3,814
	2,955,748	2,429,161

40.7 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits for other stakeholders. The capital structure of the Group is equity based with no financing through long term financing. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares and other measures commensurating to the circumstances.

41. PROVIDENT FUND TRUST

41.1 The Group has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984, and the rules formulated for this purpose. The salient information of the fund is as follows:

	Note	2015	2014
		(Rupees in thousand)	
Size of the fund		617,925	596,603
Cost of investment made	(41.2)	505,764	511,127
Percentage of investment made		82%	85.67%
Fair value of investment		1,009,802	838,085

41.2 Breakup of investment - amount

	2015		2014	
	(Rupees in thousand)	Percentage of total fund	(Rupees in thousand)	Percentage of total fund
Investment in shares (listed securities)	7,721	1.25%	9,090	1.52%
Term Deposit Receipts (TDR)	491,543	79.55%	499,674	83.75%
Special Saving Certificate (SSC)	6,500	1.05%	2,363	0.40%
	505,764	81.85%	511,127	85.67%

41.3 The above information is based on audited financial statements of the provident fund for the year ended 30 June 2015 .

	2015	2014
	Units per annum	
42. CAPACITY AND PRODUCTION		
Tractors		
Plant capacity (double shift)	30,000	30,000
Actual production	28,105	21,600

The Group has a normal capacity of producing 30,000 tractors per annum on double shift basis. However, the reason for low production over normal capacity is due to less demand during the year.

Batteries

The actual production capacity of the battery plant cannot be determined as it depends on the proportion of different types of the batteries produced which varies in relation to the consumer demand.

	2015	2014
43. NUMBER OF EMPLOYEES		
Number of employees at the end of the year	462	462
Average number of employees during the year	462	471

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved for issue by Board of Directors of the Group in their board meeting held on 04 September 2015.

45. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for better and fair presentation. However, no significant reclassifications / restatements have been made.

46. GENERAL

Figures have been rounded off to the nearest thousand of rupees.

Syed Muhammad Irfan Aqueel Chief Executive	Latif Khalid Hashmi Director

Pattern of Shareholding

as on June 30, 2015

No. of share Holders	Shareholding From	To	Number of Shares Held	% of Capital
961	1	100	35,395	0.08
809	101	500	228,071	0.51
384	501	1000	293,234	0.66
667	1001	5000	1,604,821	3.62
231	5001	10000	1,632,597	3.69
90	10001	15000	1,106,716	2.50
40	15001	20000	712,500	1.61
39	20001	25000	883,058	1.99
25	25001	30000	702,549	1.59
7	30001	35000	235,037	0.53
9	35001	40000	330,113	0.75
11	40001	45000	465,156	1.05
9	45001	50000	430,100	0.97
3	50001	55000	157,260	0.36
9	55001	60000	516,574	1.17
4	60001	65000	243,219	0.55
3	65001	70000	196,706	0.44
2	70001	75000	145,700	0.33
2	75001	80000	153,518	0.35
5	80001	85000	417,046	0.94
3	85001	90000	259,231	0.59
2	90001	95000	183,762	0.41
2	95001	100000	193,741	0.44
2	100001	105000	201,389	0.45
1	105001	110000	107,698	0.24
2	115001	120000	234,244	0.53
2	130001	135000	265,871	0.60
2	135001	140000	275,452	0.62
2	140001	145000	282,570	0.64
1	145001	150000	145,200	0.33
2	150001	155000	301,761	0.68
1	160001	165000	162,140	0.37
1	165001	170000	169,594	0.38
1	180001	185000	181,960	0.41
1	195001	200000	199,000	0.45
1	205001	210000	206,236	0.47
1	215001	220000	216,848	0.49
1	235001	240000	236,342	0.53
1	240001	245000	243,254	0.55
1	245001	250000	246,926	0.56

No. of share Holders	Shareholding From	To	Number of Shares Held	% of Capital
1	265001	270000	265,364	0.60
1	275001	280000	279,082	0.63
1	280001	285000	283,158	0.64
1	290001	295000	294,973	0.67
1	295001	300000	299,600	0.68
1	305001	310000	307,524	0.69
1	410001	415000	413,785	0.93
1	425001	430000	428,838	0.97
1	450001	455000	452,896	1.02
1	465001	470000	469,211	1.06
1	530001	535000	532,724	1.20
1	585001	590000	585,259	1.32
1	600001	605000	600,859	1.36
1	615001	620000	617,579	1.39
1	745001	750000	747,703	1.69
2	770001	775000	1,544,317	3.49
1	890001	895000	894,400	2.02
1	975001	980000	978,813	2.21
1	1230001	1235000	1,234,368	2.79
1	1310001	1315000	1,311,180	2.96
1	1890001	1895000	1,893,125	4.27
1	2045001	2050000	2,046,799	4.62
3	2335001	2340000	2,335,494	5.27
2	3270001	3275000	3,274,810	7.39
1	3580001	3585000	3,582,342	8.09
1	3815001	3820000	3,815,752	8.61
3,367	TOTAL		44,292,544	100.00

Categories of Shareholding
as on June 30, 2015

	Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
1	**Directos, CEO and their spouse & minor children**			
	Mr. Sikandar Mustafa Khan	1	3,582,342	8.09
	Syed Muhammad Irfan Aqueel	1	100,079	0.23
	Mr. Latif Khalid Hashmi	1	1,893,125	4.27
	Mr. Sohail Bashir Rana	1	2,335,494	5.27
	Mr. Laeeq Uddin Ansari	1	3,274,810	7.39
	Mian Muhammad Saleem	1	978,813	2.21
	Mr. Saad Iqbal	1	772,497	1.74
	Mrs. Cyma Khan	1	58,657	0.13
	Mrs. Ayesha Sohail	1	243,254	0.55
			13,239,071	29.89
2	**Associated Companies, Undertaking and related parties**			
	a) MTL Employees welfare Trust.	1	40,619	0.09
	b) MTL Provident Fund Trust.	1	585,259	1.32
	c) MTL Gratuity Fund Trust.	1	428,838	0.97
			1,054,716	2.38
3	**Executives/ Workers**	261	4,533,277	10.23
4	**Public Sector Companies and Corporations**			
	State Life Insurance Corporation of Pakistan.	1	2,046,799	4.62
5	**NIT and IDBP (ICP UNIT)**			
	IDBP (ICP Unit)	2	96	0.0002
6	**Banks, Development Financial Institutions , Non-Banking Financial Institutions**	9	166,575	0.38
7	**Insurance Companies**			
	a) Adamjee Insurance Company Ltd.	1	452,896	1.02
	b) Jubilee General Insurance Company Ltd.	1	199,000	0.45
	c) Habib Insurance Company Ltd.	1	20,000	0.05
	d) EFU Life Assurance Ltd.	1	307,524	0.69
	e) Jubilee Life Insurance Company Limited.	1	771,820	1.74
	f) Century Insurance Company Limited.	1	2,200	0.0050
			1,753,440	3.96
8	**Modaraba**			
	B.R.R. Guardian Modaraba.	1	4,020	0.0091

Categories of Shareholders		No. of Shareholders	Shares Held	Percentage
9	Mutual Funds			
	CDC- Trustee NIT- Equity Market Opportunity Fund.	1	55,183	0.12
	CDC- Trustee NIT Islamic Equity Fund.	1	14,100	0.03
	CDC- Trustee National Investment (Unit) Trust.	1	617,579	1.39
	CDC- Trustee Meezan Balanced Fund.	1	11,800	0.03
	CDC- Trustee Meezan Islamic Fund.	1	141,200	0.32
	CDC- Trustee Al- Meezan Mutual Fund.	1	16,500	0.04
	CDC- Trustee Atlas Stock Market Fund.	1	43,000	0.10
	CDC- Trustee Atlas Islamic Stock Fund.	1	20,000	0.05
	CDC- Trustee Askari Equity Fund.	1	10,000	0.02
	MCFSL- Trustee Askari Islamic Asset Alloction.	1	21,200	0.05
	CDC- Trustee Askari Asset Allocation Fund.	1	34,000	0.08
	CDC- Trustee APIF- Equity Sub Fund.	1	4,000	0.0090
	CDC- Trustee APF- Equity Sub Fund.	1	3,500	0.01
	CDC- Trustee JS Islamic Fund.	1	50,000	0.11
	MCBFSL- Trustee ABL Islamic Stock Fund.	1	81,500	0.18
	CDC- Trustee ABL Stock Fund.	1	45,150	0.10
	CDC- Trustee MCB Pakistan Stock Market Fund.	1	17,097	0.04
	CDC- Trustee MCB Pakistan Asset Allocation Fund.	1	70,900	0.16
	CDC- Trustee Al- Ameen Islamic Asset Allocation FU.	1	46,800	0.11
	CDC- Trustee Al- Ameen Shariah Stock Fund.	1	299,600	0.68
	CDC- Trustee First Capital Mutual Fund.	1	4,566	0.01
	CDC- Trustee AKD Index Tracker Fund.	1	3,793	0.01
	CDC- Trustee Pakistan Strategic Allocation Fund.	1	10,000	0.02
	CDC- Trustee PAK.INT. Element Islamic Asset Allocation.	1	35,000	0.08
	CDC- Trustee Lakson Equtiy Fund.	1	27,950	0.06
			1,684,418	3.80
10	Shareholders Holding 5% or more Voting Interest	*	–	–
11	General Public			
	a-Local	2969	12,544,549	28.32
	b-Foreign	–	–	–
12	Others			
	Joint Stock Companies	32	139,243	0.31
	Trust	1	85	0.00
	Non-Resident Company	1	3,815,752	8.61
	Others	47	3,310,503	7.47
		3,367	44,292,544	100.00

*	Shareholders Holding 5% or more Voting Interest (Separately Included above).			
	- Mr. Sikandar Mustafa Khan	1	3,582,342	8.09
	- Mr. Sohail Bashir Rana	1	2,335,494	5.27
	- Mr. Laeeq Uddin Ansari	1	3,274,810	7.39
	- M/s Oversease Investment Company Ltd.	1	3,815,752	8.61

Tractor Dealers

PUNJAB

Ahmer Brother, Attock
Haji Sher Muhammad & Brothers, Attock
Sahgol Motors, Rawalpindi
Friends Corporation, Mandi Bahauddin
Hassan Corp., (Pvt) Ltd., Gujranwala
Zeshan Tractors, Gujrat
Kashmir Tractors, Jhelum
Globe Automobiles (Pvt) Limited, Lahore
Zamindar Tractors & Equipment, Kasur
Shahrah Autos (Pvt) Ltd., Sheikhupura
Bilal Tractors, Nankana
Jhang Tractor House, Jhang
Muhammad Yousaf & Co., Faisalabad
Sheraz Tractors, Toba Tek Singh
Ahmed K. Agencies, Jhang
Sahiwal Tractor House (Pvt) Ltd., Sahiwal
Khawaja Autos, Okara
Pakistan Tractor House, Sargodha
Super United Tractors, Mianwali
Shaheen Tractor House, Bhakkar
Multan Autos, Multan
Chenab Tractor House, Muzaffargarh
Universal Autos, D.G. Khan
Haleem Sons Ltd., Khanewal
Thal Agro Services, Leiah
Al-Hassan Traders, Bahawalpur
Panjnad Tractors Ltd., R.Y. Khan
Aziz Sons Tractor Corporation, R.Y. Khan
Vehari Tractors, Vehari
Sutluj Traders, Chishtian
Sargodha Services Ltd. Bahawalnagar
Shabbir Trading Co., Depalpur, Distt. Okara
Iqbal Enterprises, Chakwal
Pak Ghazi Tractors, Jampur, Distt. Rajanpur
Kissan Brothers, Kasur
Usman Enterprises, Opp: Millat Tractors Limited, Ferozewala
Pak Tractor House, Khushab
Al-Hassan Traders, Hasilpur
Syed Tractors, Lodhran
Al-Jabbar Tractors, Sialkot
Zahid Brothers, Shakargarh, Distt. Norowal
Kissan Tractors House, Pakpattan
Ishtiaq Tractor House, Jhelum

BALUCHISTAN

Ravi Tractor House, Chaman, Qila Abdullah
National Agricultural Engineering & Services, Jhat Pat, Naseerabad
Daavi Autos, Quetta
Zamindar Tractors, Pishin
Bolan Tractors House, Loralai
Baluchistan Tractors & Services, Quetta

KHYBER PAKHTOONKHWA

Indus Autos, D.I. Khan
Khurram Tractors, Sarai Naurang, Bannu
Kohat Automobiles, Kohat
Samir Tractor Agency, Parachinar
Hunza Motors, Gilgit
Tractor House, Charsadda
Tractor House, Peshawar
Zahoor Tractor House, Mardan
Saiyar Tractor Agency, Kurram Agency

SINDH

Popular Tractor Co., Sukkur
Larkana Tractor House,Larkana
Sind Trading Company, Jacobabad
Good Luck Tractor Co., Khairpur
Pakistan Zaree Industries, Hyderabad
Mehran Trading Co., Sanghar
Al-Hamd Tractors, Dadu
Millat Farm Machinery, Nawabshah
Agrico International, Karachi
Tharparkar Tractor House, Mirpurkhas
Al-Davi Tractors House, ShahdadKot
Kashmor Tractor Co., Kashmoor
K.K. Tractors, Tandu Allah Yar

Spare Parts Dealers

PUNJAB

Chisti Sabri Auto Store, Lahore
Jamshid Tractor Centre, Lahore
Shakoor Auto, Lahore
New Mukhtar Sons, Lahore
Mian Autos, Lahore
Goshia Traders, Lahore
Malik Tractors, Lahore
Muslim Tractor Corp., Lahore
Ghazi Autos, Lahore
Pak Tractor House (Pvt) Ltd., Lahore
Sadar Auto Traders, Lahore
Farhan Tractors, Lahore
Rana Auto Store, Pattoki
Tractors Parts, Sahiwal
Khurram Autos, Sheikhupura
Madina Tractors, Muridkey, Sheikhupura
Kissan Tractor House, Sialkot
Madina Autos Servies, Sambrial
Mukhtar Autos, Sahiwal
Madina Autos, Arifwala
Crescent Autos, Pakpattan
Madina Autos, Burewala
Umer Nawaz Auto Store, Multan
Ishtiaq Auto Store, Multan
New Altaaf Autos, Multan
Kohistan Autos, Multan
M. Latif & Brothers, Mian Channu
Mian Autos, Manawala
Pak Autos, Pirmahal
Baloch Tractor House, Jhang
Farooq Autos, Faisalabad
786 Auto Tractors, Faisalabad
Chaudhry Tractor Centre, Sargodha
Pak Auto Store,Haroonabad
Mushtaq Parts Centre, Wazirabad
Mukhtar Autos, Daska
Awami Tractor Workshop, Narowal
Riaz Autos,Mandi Faizabad, Sheikhupura
Kashmir Auto & Hardware House, Daska
Sargodha Tractor Parts, Gujranwala
Kissan Autos, Fateh Jang
Usman Yaseen Tractor Parts, Okara
Ali Akbar & Sons, Bahawalpur
Amin Autos, Bahawalpur
Nazar Tractor Workshop, Muzaffargarah
Madina Tractor & Tyer House, Kasur
Ali Auto Centre, Distt. Muzaffargarah
Tahal Auto Store, Joharabad
Punjnand Traders, Rahim Yar Khan
Somoro Auto Store, Rohjan City, Rajan Pur
Gohar Auto Tractor Parts, Muzaffargarah
Ch. Autos, Leiah
Millat Autos Store, D.G. Khan

KHYBER PAKHTOONKHWA

Millat Tractors House, Mardan
Quresh Mechanical Engineering Works,
Khurram Agency
Nisar Tractor, Haji Camp, Peshawar

SINDH

Genuine Tractors, Hyderabad
Abdul Khaliq Khoosa Autos, Dera Allah Yar
Tractor Corporation, Murad Jamal
Master Autos, Larkana
Kisan Tractor Parts, Jackabad
Madni Tractor, Hyderabad

Notes

AGM

on Friday, October 30th, 2015 at 4:00 p.m.

at every adjournment thereof.

Form of Proxy

Millat Tractors Limited

I / We ____ full

address) ____

Being a member / members of Millat Tractors 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 52nd Annual General Meeting of the Company to be held at Company's Registered Office, 9 K.M. Sheikhupura Road, Lahore, on Friday, October 30, 2015 at 4:00 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 adn 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 personwho is not a member.

2. The instrument appointing a proxy should be signed by teh 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. The proxy form, duly completed, must be deposited at teh Company's Registered Office, 9 K.M. Sheikhupura Road, Lahore, not less than 48 hours before the time of holding.

Millat Tractors Limited
Sheikhupura Road, Lahore - Pakistan
UAN: 111 200 786


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Sheikhupura Road, Lahore - Pakistan
Tel: +92 42 37911021-25
UAN: 111 200 786