

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE  
OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **DADABHOY CONSTRUCTION TECHNOLOGY LIMITED**, (the Company) for the year ended June 30, 2016 to comply with the Regulations of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited) where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company (the Board). 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 and report if it does not and to highlight any non-compliance with the requirement of the Code. A review is limited primarily to inquiries of the management personnel and review of various documents prepared by the management 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 control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the management'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 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 upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

A member of

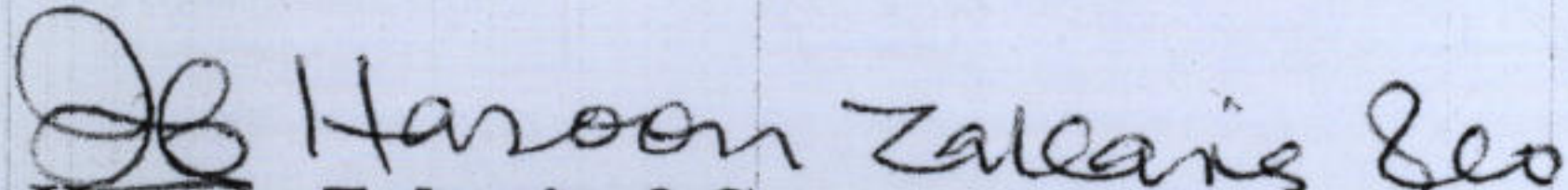


Room M1-M4, Mezzanine Floor,  
Progressive Plaza,  
Plot No. 5-CL-10, Civil Lines Quarter,  
Beaumont Road. Near Dawood Centre,

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 as applicable to the Company for the year ended June 30, 2016.

Further, we highlight below instances of non-compliances with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement of Compliance:

Paragraph 1	There is no representation of any independent director on the Board.
Paragraph 10 and 18	There is no internal audit function in the Company.
Paragraph 15	Code prescribes the Chairman of the Audit Committee to be an independent director and other members should be amongst the non-executive directors. While the Company has Audit Committee comprising of executive directors and the chairman is a non-executive director.
Paragraph 17	Human Resource and Remuneration Committee comprises of members not on the board of the Company.
Paragraph 23 (i)	Executive directors of the Company are more than one-third of the elected directors.
Paragraph 23 (ii)	Half year review was conducted by a non-QCR rated Chartered Accountant.

  
**Haroon Zakaria & Company**  
Chartered Accountants

**Place:** Karachi

**Dated:** 02 JAN 2017

**Engagement Partner:**  
**Mohammad Iqbal**

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **DADABHOY CONSTRUCTION TECHNOLOGY LIMITED** as at June 30, 2016 and 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 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) During the current year, the Company has incurred after tax loss amounting to Rs. 0.81 (2015: Rs. 0.01 profit) million rising its accumulated losses to Rs. 64.80 (2015: Rs. 64) million resulting in the negative shareholders' equity to Rs. 41.58 (2015: Rs. 40.77) million. Further, current liabilities of the Company exceed the current assets by Rs. 44.42 (2015: Rs. 43.86) million. The operations of the Company are very slow since financial year 2014 and the Company has been reporting only meager sales since then due to which, it is suffering from continuous losses together with the liquidity issues. The Company is fully dependent upon the financial support of Directors and Sponsors to fulfill its operational and financial obligations.

These factors indicate the existence of material uncertainty that may cast doubts regarding the Company's ability to continue as a going concern and accordingly, Company may not be able to realize its assets and settle its liabilities at stated amounts in the normal course of business. The financial statements do not disclose this fact. Further, the mitigating factors disclosed by the management in the financial statements in note # 1.2 reflect only initial steps taken by the management for restarting the operational activities of the Company which have not been materialized till the issue of these financial statements.

- b) in our opinion, except as stated in paragraph (a) above, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- c) in our opinion:
  - i) except for paragraph (a) above, the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the 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.
- d) Owing to the significance of the matters stated in paragraph (a) above, 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 do not give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

As part of our audit of the financial statements for the year ended June 30, 2016, we also audited the adjustment as described in note # 8.1 to the annexed financial statements that is applied to amend the prior period financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review or apply any procedures to the prior period financial statements of the Company other than with respect to the adjustment mentioned above and, accordingly, we do not express an opinion or any other form of assurance on the prior period financial statements taken as a whole.

The Company is required to convene its annual general meeting (AGM) of the shareholders and lay therein audited financial statements within four months from the close of the year end. The said required AGM and subsequent corporate actions of the financial year ended on June 30, 2016 have been delayed which entails penalties from the regulator. The disclosure and attributable reasons whereof have not been stated in these financial statements.

The financial statements of the Company for the year ended June 30, 2015 were audited by another firm of Chartered Accountants who expressed an unmodified opinion on those statements in their report dated September 11, 2015.

  
**Haroon Zakaria & Company**  
Chartered Accountants

**Place: Karachi**  
**Dated: 10 2 JAN 2017**

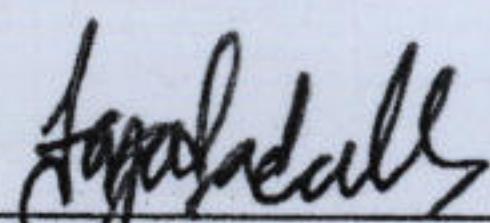
**Engagement Partner:**  
**Mohammad Iqbal**

**DADABHOY CONSTRUCTION TECHNOLOGY LIMITED**

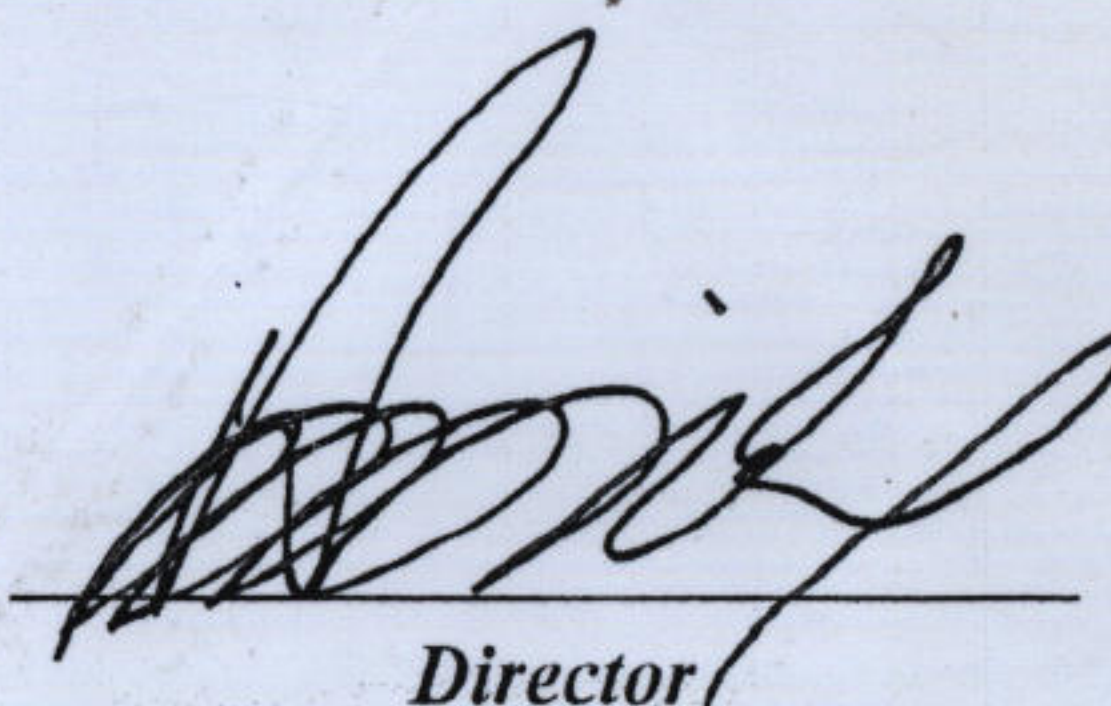
**BALANCE SHEET  
AS AT JUNE 30, 2016**

<u>ASSETS</u>	<i>Note</i>	<i>2016 Rupees</i>	<i>2015 Rupees Restated</i>
<b>Non-Current Assets</b>			
Property and equipment	4	4,034,597	4,416,994
Long term security deposits	15	-	108,000
		<u>4,034,597</u>	<u>4,524,994</u>
<b>Current Assets</b>			
Stock-in-trade	5	-	806,265
Trade debts	6	-	106,536
Tax refunds due from government	15	-	491,595
Bank balances		16,470	13,125
		<u>16,470</u>	<u>1,417,521</u>
<b>Total assets</b>		<u><u>4,051,067</u></u>	<u><u>5,942,515</u></u>
 <u>EQUITY AND LIABILITIES</u>			
<b>Authorized Share Capital</b>			
5,000,000 Ordinary shares of Rs. 10 each		<u>50,000,000</u>	<u>50,000,000</u>
Issued, subscribed and paid up capital	7	23,228,000	23,228,000
Accumulated losses		(64,804,967)	(63,995,846)
<b>Shareholders' equity</b>		<u>(41,576,967)</u>	<u>(40,767,846)</u>
<b>Non Current Liabilities</b>			
Security deposit from dealers		-	20,000
Deferred tax liability	8	1,191,112	1,413,438
		<u>1,191,112</u>	<u>1,433,438</u>
<b>Current Liabilities</b>			
Trade and other payables	9	831,300	1,690,231
Short term borrowings	10	43,455,450	43,436,520
Provision for taxation		150,172	150,172
		<u>44,436,922</u>	<u>45,276,923</u>
<b>Contingencies and commitments</b>	11	-	-
<b>Total equity and liabilities</b>		<u><u>4,051,067</u></u>	<u><u>5,942,515</u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.



Chief Executive

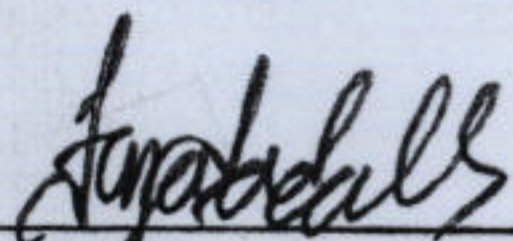



Director

**DADABHOY CONSTRUCTION TECHNOLOGY LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<i>Note</i>	<i>2016 Rupees</i>	<i>2015 Rupees Restated</i>
Sales	12	331,281	824,469
Cost of sales	13	<u>(1,267,470)</u>	<u>(760,552)</u>
<b>Gross (loss) / profit</b>		<b>(936,189)</b>	<b>63,917</b>
Administrative expenses	14	<u>(86,715)</u>	<u>(72,087)</u>
Selling and distribution costs		<u>(10,000)</u>	<u>(6,300)</u>
Bank charges		<u>(500)</u>	<u>(1,100)</u>
<b>Operating loss</b>		<b>(97,215)</b>	<b>(79,487)</b>
		<u>(1,033,404)</u>	<u>(15,570)</u>
Other operating expenses	15	(946,974)	(104,120)
Other income	16	948,931	-
<b>Loss before taxation</b>		<u>(1,031,447)</u>	<u>(119,690)</u>
Taxation	17	222,326	124,886
<b>(Loss) / profit after taxation</b>		<u>(809,121)</u>	<u>5,196</u>
<b>(Loss) / profit per share - basic and diluted</b>	18	<u>(0.348)</u>	<u>0.002</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

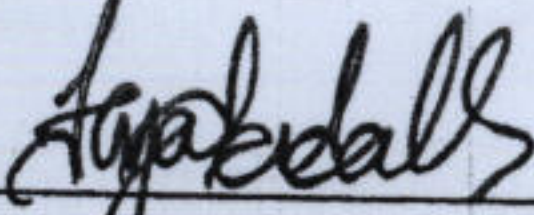
  
 Chief Executive

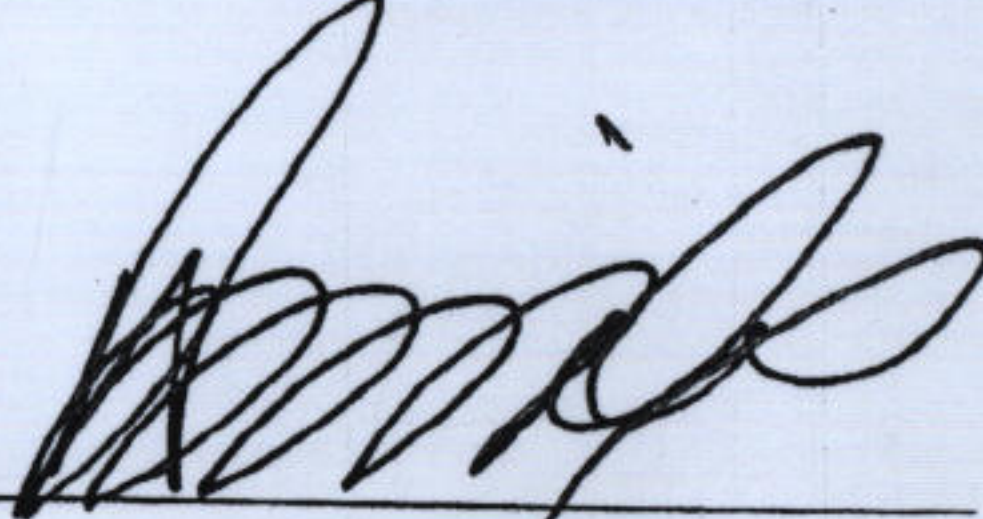
  
 Director

**DADABHOY CONSTRUCTION TECHNOLOGY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<i>2016</i> <i>Rupees</i>	<i>2015</i> <i>Rupees</i> <i>Restated</i>
<b>(Loss) / profit after taxation</b>	(809,121)	5,196
Other comprehensive income for the year:	-	-
<b>Total comprehensive (loss) / profit for the year</b>	<u>(809,121)</u>	<u>5,196</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

  
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*Chief Executive*

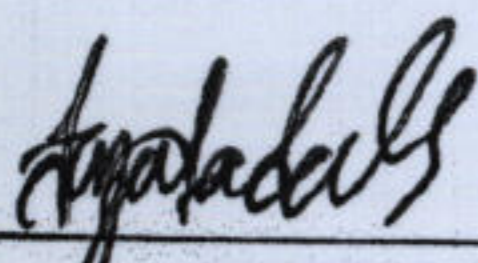
  
\_\_\_\_\_  
*Director*

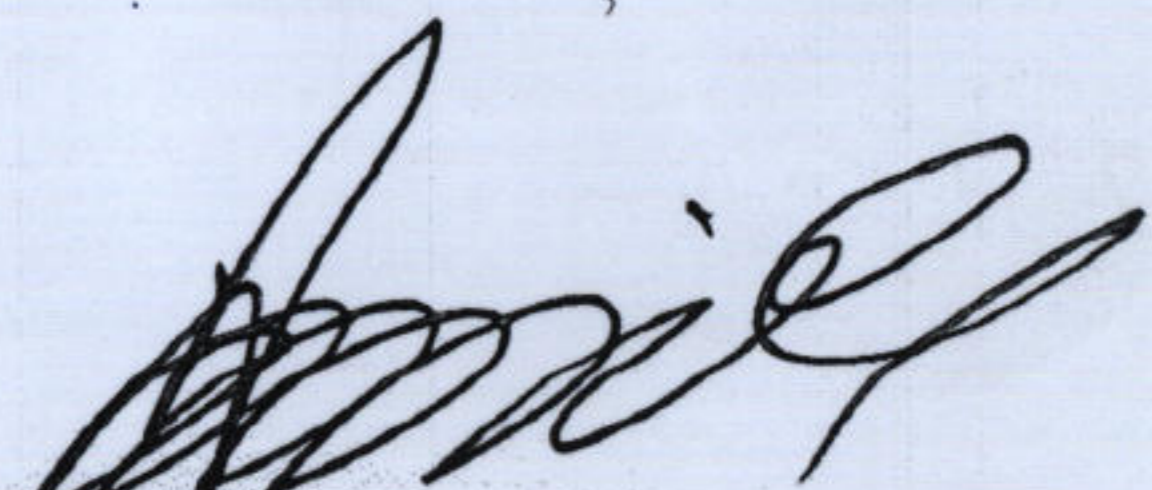


**DADABHOY CONSTRUCTION TECHNOLOGY LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2016</b>	<b>2015</b>
	<i>Rupees</i>	<i>Rupees</i>
		<i>Restated</i>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(1,031,447)	(119,690)
Adjustments for:		
Depreciation	211,554	244,594
Impairment loss on fixed assets	170,843	-
Liabilities written back	(948,931)	-
Financial charges	500	1,100
	(566,034)	245,694
Cash (outflow) / inflow before working capital changes	(1,597,481)	126,004
<b>Working Capital Changes</b>		
(Increase) / decrease in current assets		
Stock-in-trade	806,265	(120,769)
Trade debts	106,536	-
	1,512,396	(120,769)
Increase in current liabilities		
Trade and other payables	70,000	52,325
Cash (used in) / generated from operations	(15,085)	57,560
Financial charges paid	(500)	(1,100)
Net cash (used in) / generated from operating activities	(15,585)	56,460
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowings received / (repaid)	18,930	(55,500)
Net cash generated from / (used in) financing activities	18,930	(55,500)
Net increase in cash and cash equivalents	3,345	960
Cash and cash equivalents at beginning of year	13,125	12,165
Cash and cash equivalents at end of the period ended	16,470	13,125

The annexed notes from 1 to 24 form an integral part of these financial statements.

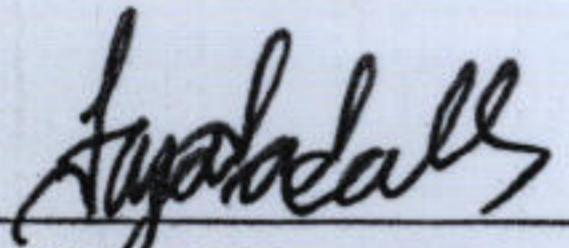




**DADABHOY CONSTRUCTION TECHNOLOGY LIMITED.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<i>Issued, subscribed and paid up capital</i>	<i>Accumulated losses</i>	<i>Total</i>
	-----Rupees-----		
<b>Balance as at June 30, 2014 - before restatement</b>	23,228,000	(62,462,718)	(39,234,718)
Effect of restatement - unrecognized deferred tax (note 8.1)	-	(1,538,324)	(1,538,324)
<b>Balance as at June 30, 2014 - restated</b>	<u>23,228,000</u>	<u>(64,001,042)</u>	<u>(40,773,042)</u>
Total comprehensive income for the year - restated	-	5,196	5,196
<b>Balance as at June 30, 2015 - restated</b>	<u>23,228,000</u>	<u>(63,995,846)</u>	<u>(40,767,846)</u>
Total comprehensive loss for the year	-	(809,121)	(809,121)
<b>Balance as at June 30, 2016</b>	<u><u>23,228,000</u></u>	<u><u>(64,804,967)</u></u>	<u><u>(41,576,967)</u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

  
 \_\_\_\_\_  
 Chief Executive

  
 \_\_\_\_\_  
 Director

**DADABHOY CONSTRUCTION TECHNOLOGY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR JUNE 30, 2016**

**1 THE COMPANY AND ITS OPERATIONS**

**1.1** The company was incorporated on April 7, 1981 by the name of Pak German Prefabs Limited (PGPL) as Public Limited Company, listed on Karachi Stock Exchange Limited (now the Pakistan Stock Exchange Limited - PSX). However, during the financial year 2005, the Company changed its name to Dadabhoy Construction Technology Limited after the merger with its associated company. The principal activity of the Company is to manufacture and sell the sealing chemicals / bonds used in the construction including Hi Bond Cement and allied products. The company's registered office is situated at Suite # 4, 2nd Floor, Plot no. 28-30 / C, Noor Centre, Khayaban-e-Ittehad, Lane no.12, Phase VII, D.H.A., Karachi.

Trading in shares of the Company was suspended by the Stock Exchanges on August 01, 2012 due to non compliances with respect to PSX regulations.

**1.2 Going Concern Assumption:**

During the current year, the Company has incurred after tax loss amounting to Rs. 0.81 (2015: Rs. 0.01 - profit) million rising its accumulated losses to Rs. 64.8 (2015: Rs. 64) million resulting in the negative shareholders' equity to Rs. 41.58 (2015: Rs. 40.77) million. Further, the current liabilities of the Company exceed the current assets by Rs. 44.42 (2015: Rs. 43.86). The operations of the Company are very slow since financial year 2014 and reporting only meager sales due to which the Company is facing financial and operational difficulties and is unable to discharge its liabilities in due course of business. The operations of the Company are directly dependent upon the operations of its associated company, Dadabhoy Cement Industries Limited (DCIL), which is the major customer of the Company and is facing the financial and operational problems and its operations are also closed.

The management of the Company has prepared these financial statements on going concern basis due to the following reasons:

- a.** Subsequent to year end, Company intends to issue shares to the respective Directors against their loans, in respective proportions, subject to the approval of members and fulfillment of other secretarial compliances. This would result in wiping off the negative shareholders' equity and would improve the overall financial outlook of the Company.
- b.** During the current year, DCIL has entered into an agreement with a renowned Chinese firm, which has taken interest in the refurbishment and "Operations and Maintenance (O & M)" of the existing plant of DCIL and for setting up a new cement plant with the capacity of 5,000 tones per day. Necessary financing for the project will be arranged by the firm, on behalf of DCIL, from Chinese financial institutions for which the negotiations are at the final stages.

Management of DCIL is confident that the planned work of refurbishment at plant will be commenced by the end of June 30, 2017. Considering these factors, the management of the Company has prepared these financial statements on going concern basis as the revival of DCIL will help the Company to recommence its operations.

## **2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

### **2.1 Statement of compliance**

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

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except otherwise disclosed in these financial statements. Further, accrual basis of accounting is followed except for cash flow information.

### **2.3 Functional and presentation currency**

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

### **2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with the approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of approved accounting standard as, applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows: -

#### ***Property and equipment***

The Company's management determines the estimated useful lives and related depreciation charge for its property and equipment. This also includes estimating the residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding affect on the depreciation charge and impairment (if any).

## **Trade debts**

The Company reviews its trade debts against any provision required for any doubtful balances on a on-going basis. The provision is made while taking into consideration expected recoveries, if any.

### **2.5 New / revised standards that became effective for**

The following new / revised standards are effective for the year ended June 30, 2016. These standards are, either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than certain additional disclosures:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 (Revised 2011) 'Separate Financial Statements'
- IAS 28 (Revised 2011) 'Investments in Associates and Joint Ventures'

IFRS 13 'Fair Value Measurement' also became effective in the current year. IFRS 13 consolidates the guidance on how to measure fair value, which was spread across various IFRSs, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 did not have an impact on the financial statements of the company, except for certain additional disclosures.

### **2.6 Amendments to published approved accounting standards that are not yet effective**

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

	<i>Effective Date (accounting periods beginning on or after)</i>
- Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 1, 2018
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Applying the consolidation exception	January 1, 2016
- Amendments to IFRS 11 'Joint Arrangements' - Amendments regarding the accounting for acquisitions for an interest in a joint venture	January 1, 2016
- Amendments to IAS 1 'Presentation of Financial Statements' - Amendments as a result of the disclosure initiative	January 1, 2016
- Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 1, 2017
- Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses	January 1, 2017

- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization January 1, 2016
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' - Bearer plants January 1, 2016
- Amendments to IAS 27 'Separate Financial Statements' - equity method in separate financial statements January 1, 2016

2.7 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:

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

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Property and equipment

##### *Owned*

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except for freehold land which is stated at cost. Depreciation is charged on all assets using the reducing balance method at the rates stated in note 4.

Depreciation on addition is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed.

Gains and losses on sale of fixed assets are included in profit and loss, except that is related to surplus on revaluation of fixed assets (net of deferred taxation), is transferred directly to accumulated profit.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceed their recoverable amount, an impairment loss is recognized in the profit and loss account.

#### 3.2 Stock-in-trade

Stock -in-trade, except for stock -in- transit, are valued at the lower of cost and net realizable value.

Methods used to determine cost are:

- |                    |                                     |
|--------------------|-------------------------------------|
| - Raw material     | First-in-first-out                  |
| - Finished Goods   | Average manufacturing cost          |
| - Goods in transit | Cost plus expenses incurred thereon |

Net realizable value signifies the estimated selling price in the ordinary course of business.

### **3.3 Trade debts**

Trade debts are carried at original invoice amount less provision made for doubtful receivable balances, if any. Debts are written off when identified as irrecoverable.

### **3.4 Cash and cash equivalents**

It comprises of cash in hand and cash at banks which are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash at banks.

### **3.5 Trade and other payables**

Liabilities for trade and other payables are stated at their nominal values which is the fair value of the consideration required to settle the related obligations.

### **3.6 Taxation**

#### ***Current***

Provision for taxation is determined in accordance with the provisions of Income Tax Ordinance, 2001.

#### ***Deferred***

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The Company recognizes a deferred tax asset only to the extent that it is probable that future taxable profit for the foreseeable future will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **3.7 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 can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### **3.8 Impairment**

#### ***Financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

#### ***Non-Financial assets***

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units)

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **3.9 *Financial instruments***

All financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortized cost as the case may be. The Company derecognizes the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

### **3.10 *Off setting of financial assets and financial liabilities***

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

### **3.11 *Dividend and appropriation to reserves***

Dividend and appropriations to reserves are recognized in the statement of changes in equity in the period in which these are approved.



4 PROPERTY AND EQUIPMENT

Operating fixed assets - tangible

2016  
Rupees

2015  
Rupees

4,034,597

4,41

4.1 Operating fixed assets - tangible

Description	As at June 30, 2016								
	Cost as at July 01, 2015	Impairment	Cost as at June 30, 2016	Rate %	Accumulated depreciation as at July 01, 2015	Impairment	Depreciation for the year	Accumulated depreciation as at June 30, 2016	WDV as June 30, .
	----- (Rupees)-----					----- (Rupees)-----			
<b>Owned Assets</b>									
Freehold land	192,300	-	192,300	0	-	-	-	-	192,
Building on freehold land	13,595,922	-	13,595,922	5	9,718,409	-	193,876	9,912,285	3,683,
Tools and equipment	1,393,810	-	1,393,810	10	1,256,121	-	13,769	1,269,890	123,
Steel shuttering	1,682,875	-	1,682,875	25	1,682,580	-	74	1,682,654	.
Furniture and fixtures	1,425,457	(1,075,000)	350,457	10	1,269,456	(957,353)	3,835	315,938	34,.
Computer and accessories	112,303	(112,303)	-	33	109,606	(109,606)	-	-	.
Motor vehicle	664,942	(664,942)	-	20	658,874	(658,874)	-	-	.
Electric installation	97,373	(97,373)	-	10	52,942	(52,942)	-	-	.
2016	<u>19,164,982</u>	<u>(1,949,618)</u>	<u>17,215,364</u>		<u>14,747,988</u>	<u>(1,778,775)</u>	<u>211,554</u>	<u>13,180,767</u>	<u>4,034,5</u>

<i>As at June 30, 2015</i>									
<i>Description</i>	<i>Cost as at July 01, 2014</i>	<i>Addition</i>	<i>Cost as at June 30, 2015</i>	<i>Rate %</i>	<i>Accumulated depreciation as at July 01, 2014</i>	<i>Impairment</i>	<i>Depreciation for the year</i>	<i>Accumulated depreciation as at June 30, 2015</i>	<i>WDV at June 30,</i>
	----- (Rupees)-----				----- (Rupees)-----				
<b><i>Owned Assets</i></b>									
Freehold Lands	192,300	-	192,300	0	-	-	-	-	19%
Building on freehold lands	13,595,922	-	13,595,922	5	9,514,329	-	204,080	9,718,409	3,87%
Tools and equipment	1,393,810	-	1,393,810	10	1,240,822	-	15,299	1,256,121	13%
Steel shuttering	1,682,875	-	1,682,875	25	1,682,482	-	98	1,682,580	
Furniture and fixtures	1,425,457	-	1,425,457	10	1,252,122	-	17,334	1,269,456	15%
Computer and accessories	112,303	-	112,303	33	108,277	-	1,329	109,606	2
Motor vehicle	664,942	-	664,942	20	657,357	-	1,517	658,874	6
Electric installation	97,373	-	97,373	10	48,005	-	4,937	52,942	44%
	<b>2015</b>	<b>-</b>	<b>19,164,982</b>		<b>14,503,394</b>	<b>-</b>	<b>244,594</b>	<b>14,747,988</b>	<b>4,416%</b>

**4.2 Depreciation for the year has been allocated as follows.**

	<i>Note</i>	<i>2016 Rupees</i>	<i>2015 Rupees</i>
Cost of sales	13	207,719	219,4
Administrative expenses	14	3,835	25,1
		<b>211,554</b>	<b>244,5</b>

		2016 Rupees	2015 Rupees
<b>5</b>	<b>STOCK-IN-TRADE</b>		
	Raw materials	-	610,655
	Finished goods	-	195,610
		<u>-</u>	<u>806,265</u>

<b>6</b>	<b>TRADE DEBTS</b>		
	Considered good	-	106,536
	Considered doubtful	400,945	400,945
		<u>400,945</u>	<u>507,481</u>
	Less: provision against doubtful debts	(400,945)	(400,945)
		<u>-</u>	<u>106,536</u>

**7 ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

<i>Number of shares</i>			2016 Rupees	2015 Rupees
2016	2015			
		<i>Ordinary shares of Rs. 10 each</i>		
1,129,500	1,129,500	Fully paid in cash	11,295,000	11,295,000
1,065,800	1,065,800	Issued for consideration other than cash	10,658,000	10,658,000
127,500	127,500	Issued as fully paid bonus shares	1,275,000	1,275,000
<u>2,322,800</u>	<u>2,322,800</u>		<u>23,228,000</u>	<u>23,228,000</u>

7.1 823,769 (2015: 823,769) Ordinary shares of Rs. 10 each are held by the associated company - Dadabhoy Trading Corporation (Pvt.) Limited as at the year end, representing 35.46% of the total shareholding of the Company.

7.2 1,065,800 shares issued in prior years to the Directors against their loans given to the Company.

		2016 Rupees	2015 Rupees Restated
<b>8</b>	<b>DEFERRED TAX LIABILITY</b>		
<i>Deferred tax liability comprises of taxable temporary differences in respect of the following: -</i>			
	Accelerated tax depreciation	<u>1,191,112</u>	<u>1,413,438</u>

**8.1 CORRECTION OF PRIOR PERIOD ERROR:**

Deferred tax expense was not recognized in prior years as per the requirements of IAS - 12. This was an inadvertent error on the part of management which has been rectified in the current financial year by restating the comparative figures and opening accumulated losses of the corresponding period.

		2016 Rupees	2015 Rupees
<b>9</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Creditors	658,033	1,508,033
	Accrued expenses	173,267	100,100

	Note	2016 Rupees	2015 Rupees
<b>10 SHORT TERM BORROWINGS</b>			
- From Related Parties - unsecured			
- From Directors	10.1	<u>43,455,450</u>	<u>43,436,520</u>

10.1 These loans are unsecured, interest free and payable on demand. These have been given by the related parties to facilitate the Company for fulfilling its operational and financial obligations. The treatment has been done in accordance with the guidelines given under Technical Release (TR) 32 "Accounting Directors' Loan" as issued by the Institute of Chartered Accountants of Pakistan (ICAP).

Furthermore, Company intends to issue shares to the respective directors, subsequent to year end, against their loans subject to the approval of members and fulfillment of other secretarial compliances.

## 11 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments binding on the Company as on the balance sheet date.

	2016 Rupees	2015 Rupees
<b>12 SALES</b>	<u>331,281</u>	<u>824,469</u>

12.1 The Company was de-registered from the sales tax as per the rules envisaged under the Sales Tax Rules, 2005, promulgated through S.R.O. 533 (1) / 2005, due to non compliances with respect to Sales Tax Act, 1990 and the rules made thereunder.

### 12.2 Reason for the reduction in sales:

The tremendous reduction in sales is due to the cost disadvantage for the Company as the Company uses imported chemical locally purchased to meet the quality standards while the competitors in the market use locally manufactured low quality chemical.

	Note	2016 Rupees	2015 Rupees
<b>13 COST OF SALES</b>			
Opening stock of raw material		610,655	513,365
Purchases		116,955	289,177
Less: closing stock of raw material	5	-	(610,655)
<b>Raw material consumed</b>		<u>727,610</u>	<u>191,887</u>
Salaries, wages and other benefits		43,616	237,170
Factory rent		50,000	88,000
Other manufacturing overheads		42,915	47,497
Depreciation	4.2	207,719	219,477
<b>Cost of goods produced</b>		<u>1,071,860</u>	<u>784,031</u>
Opening stock of finished goods		195,610	172,131
<b>Cost of goods available for sale</b>		<u>1,267,470</u>	<u>956,162</u>
Less: closing stock of finished goods	5	-	(195,610)

	Note	2016 Rupees	2015 Rupees
<b>14 ADMINISTRATIVE EXPENSES</b>			
Printing and stationery		-	1,250
Fees and subscription		-	9,870
Rent, rates and taxes		-	3,135
Professional charges		62,850	10,000
Conveyance		3,500	800
Vehicles repairs and maintenance		-	8,915
Repairs and maintenance		-	13,000
Travel and entertainment		4,740	-
Water charges		7,490	-
Office expenses		4,300	-
Depreciation	4.2	3,835	25,117
		<u>86,715</u>	<u>72,087</u>

**15 OTHER OPERATING EXPENSES**

Auditors' remuneration	15.1	70,000	50,000
Impairment loss on fixed assets		170,843	-
Debts written off	6	106,536	54,120
Security deposits written off		108,000	-
Advance tax written off		491,595	-
		<u>946,974</u>	<u>104,120</u>

**15.1 Auditors' Remuneration**

Audit fees		50,000	50,000
Review of Code of Corporate Governance		15,000	-
Out of pocket		5,000	-
		<u>70,000</u>	<u>50,000</u>

**16 OTHER INCOME**

*Income from other than financial assets*  
Liabilities written back

	<u>948,931</u>	<u>-</u>
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**17 TAXATION**

		2016 Rupees	2015 Rupees Restated
Current	17.1	-	-
Deferred	8.1	(222,326)	(124,886)
		<u>(222,326)</u>	<u>(124,886)</u>

**17.1** The Company is not liable to current tax, including minimum tax, on account of gross loss.

**17.2** Income Tax Returns of the Company have been finalized up to and including the tax year 2015 which are considered to be the deemed assessment subject to amendment w/e 100 0 1 -

	2016 Rupees	2015 Rupees
<b>18 (LOSS) / PROFIT PER SHARE</b>		
<i>- Basic and Diluted</i>		
(Loss) / profit after taxation	(809,121)	5,196
Weighted average number of ordinary shares outstanding	2,322,800	2,322,800
(Loss) / profit per share - basic and diluted	<u>(0.348)</u>	<u>0.002</u>

**19 REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS**

In view of the current operational and financial position of the Company, the Directors of the Company have voluntarily waived their remuneration.

**20 TRANSACTIONS WITH RELATED PARTIES**

20.1 The related parties comprise of group companies (associated companies), Directors and their close family members, executives, major shareholders of the Company. The transactions with related parties are as follows:

	Note	2016 Rupees	2015 Rupees
Loan received from / (repaid to) Directors - net		<u>18,930</u>	<u>(55,500)</u>

**20 FINANCIAL INSTRUMENTS BY CATEGORY**

*Financial Assets*

*- Loans and receivables at amortized cost*

Long term security deposits		-	108,000
Trade debts	6	-	106,536
Bank balances		16,470	13,125
		<u>16,470</u>	<u>227,661</u>

*Financial Liabilities*

*- At amortized cost*

Security deposit from dealers		-	20,000
Trade and other payables	9	728,033	1,586,964
Short term borrowings	10	43,455,450	43,436,520
		<u>44,183,483</u>	<u>45,043,484</u>

## 21 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest / mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has 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.

### 21.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fails to meet its contractual obligation and it mainly arises from balances with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit ratings.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk before any provisions at the reporting date is:

	<i>2016</i> <i>Rupees</i>	<i>2015</i> <i>Rupees</i>
Long term security deposits	-	108,000
Trade debts	-	106,536
Bank balances	<b>16,470</b>	13,125
	<b><u>16,470</u></b>	<b><u>227,661</u></b>

### *Quality of financial assets*

The Company keeps its fund with banks having good credit ratings. Currently the funds are kept with a bank having rating of A-1.

### 21.2 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with the financial liabilities as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of Company's reputation. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfill its obligation, monitoring balance sheet liquidity ratios against internal and

Following are the contractual maturities of the financial liabilities:

		2016		
Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than twelve months
----- (Rupees) -----				
<b>Financial Liabilities</b>				
Security deposit from dealers	-	-	-	-
Trade and other payables	728,033	728,033	728,033	-
Short term borrowings	43,455,450	43,455,450	-	43,455,450
	<u>44,183,483</u>	<u>44,183,483</u>	<u>728,033</u>	<u>43,455,450</u>
<b>2015</b>				
Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than twelve months
----- (Rupees) -----				
<b>Financial Liabilities</b>				
Security deposit from dealers	20,000	20,000	-	20,000
Trade and other payables	1,586,964	1,586,964	1,586,964	-
Short term borrowings	43,436,520	43,436,520	43,436,520	-
	<u>45,043,484</u>	<u>45,043,484</u>	<u>45,023,484</u>	<u>20,000</u>

### 21.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is not exposed to any foreign exchange risk, interest rate risk and other price risk as at the balance sheet date.

### 21.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying values of all the financial assets and liabilities reported in the financial statements approximate their fair values.

### 21.5 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensuration to the circumstances. The Company finances its expansions projects through equity, borrowings and management of its working capital with a view to maintain an appropriate mix between various sources of finance to



The Company monitors capital using a gearing ratio, which is net debt divided by total shareholders equity plus net debt. Net debt is calculated as total loans and borrowings from banking companies including any finance cost thereon, less cash and bank balances. The Company's strategy is to maintain leveraged gearing. Since the Company has not taken any loan or borrowings from financial institutions, hence its gearing ratio is nil as on the balance sheet date.

## 22 CORRESPONDING FIGURES

Corresponding figures have been re-arranged / reclassified, whenever necessary, for the purpose of compliance, comparison and better presentation. Major changes made during the year are as follows:

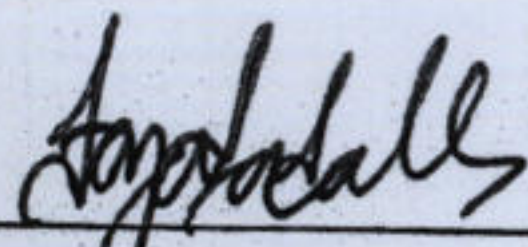
<i>Reclassification from the caption component</i>	<i>Reclassification to the caption component</i>	<i>Note</i>	<i>Amount (Rs.)</i>
Trade and other payables Withholding tax payable	Trade and other payables Accrued expenses	9	<u>103,267</u>

## 23 GENERAL

- Figures have been rounded-off nearest to the rupee unless stated otherwise.
- Number of employees as on the balance sheet date and average number of employees during the year were 1 (2015: 4) and 2 (2015: 2).

## 24 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorized for issue on 02 JAN 2017 by the Board of Directors of the Company.

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director