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PROXY FORM

# Vision

To acquire market leadership and contribute to the society by providing high quality and environment friendly Isuzu Vehicle in Pakistan market.

# Mission

- To assist the society in fight against pollution hazards by introducing environment friendly vehicles.
- To maximize share of Isuzu in Pakistan.
- To be a market & customer oriented organization.
- To provide effective & efficient after sales services to the customers.
- To enhance performance in all operating areas, ensuring growth of the company and optimum return to the stakeholders.
- To create conducive operational environments for optimum productivity, job satisfaction, carrier development and well being of employees.

# Board of Directors

## COMPANY INFORMATION

### BOARD OF DIRECTORS

|                                    |                 |
|------------------------------------|-----------------|
| Mr. Raza Kuli Khan Khattak         | Chairman        |
| Mr. Ahmad Kuli Khan Khattak        | Chief Executive |
| Lt. Gen. (R) Ali Kuli Khan Khattak | Director        |
| Mr. Mushtaq Ahmed Khan (FCA)       | Director        |
| Dr. Parvez Hassan                  | Director        |
| Mr. Jamil Ahmed Shah               | Director        |
| Mr. Sher Muhammad                  | Director        |

### SECRETARY

Mr. Iftikhar A. Khan

### AUDITORS

Hameed Chaudhri & Co.  
Chartered Accountants

### AUDIT COMMITTEE

|                                    |          |
|------------------------------------|----------|
| Lt. Gen. (R) Ali Kuli Khan Khattak | Chairman |
| Mr. Mushtaq Ahmed Khan (FCA)       | Member   |
| Mr. Jamil Ahmed Shah               | Member   |

### LEGAL ADVISORS

Syed Iqbal Ahmad Barrister at Law  
S. Abid Shirazi & Co.  
Syed Qamaruddin Hassan

### BANKERS

Bank Al-Habib Limited  
National Bank of Pakistan  
Soneri Bank Limited  
The Bank of Tokyo - Mitsubishi UFJ, Limited  
The Bank of Khyber  
NIB Bank Limited  
Faysal Bank Limited

### REGISTERED OFFICE

F-3, Hub Chauki Road, S.I.T.E.,  
Post Box No.2706,  
Karachi-75730

### SHARE REGISTRAR

Hameed Majeed Associates (Pvt.) Ltd.  
5th Floor, Karachi Chambers,  
Hasrat Mohani Road, Karachi.



## NOTICE OF MEETING

Notice is hereby given that 45th Annual General Meeting of the Shareholders of Ghandhara Industries Limited will be held on Friday, 31st October 2008 at 3:00 P.M., at F-3 Ghandhara Industries Limited, Hub Chauki Road, S.I.T.E., Karachi, to transact the following business:

### Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on 31st October 2007.
2. To receive, consider and approve the Audited Accounts of the Company for the year ended 30th June, 2008 together with Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year ending 30th June, 2009 and fix their remuneration. The retiring Auditors, M/s. Hameed Chaudhri & Co., Chartered Accountants being eligible offer themselves for reappointment.

### Special Business

To discuss and approve the matter regarding investment in the equity of The General Tyre & Rubber Co. of Pakistan Ltd. and if thought fit to pass the following special resolution with or without modification.

"Resolved that the Company is hereby authorized to invest an amount upto Rs.100 million in the shares of an associated undertaking namely The General Tyre & Rubber Co. of Pakistan Ltd. in compliance with Section 208 of the Companies Ordinance, 1984.

Further Resolved that any Director or the Company Secretary singly or jointly be and is/are hereby authorized to take all such steps as may be necessary or incidental to complete the legal formalities in this behalf."

4. To transact any other business with the permission of the chair.

By Order of the Board  
**IFTIKHAR AHMED KHAN**  
(COMPANY SECRETARY)

Karachi: 10th October, 2008

**Statements under Section 160(1)(b) of the Companies Ordinance, 1984 pertaining to special business are attached to this notice.**

### NOTES:

1. The Share Transfer Books of the Company will be closed from 22nd October 2008 to 31st October 2008 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to cast his/her vote by proxy. Proxies must be deposited at the Company's Registered Office at F-3 Ghandhara Industries Limited, Hub Chauki Road, S.I.T.E, Karachi not later than 48 hours before the time for holding the meeting.
3. Individual beneficial owners of CDC entitled to attend and vote at this meeting must bring their participant ID and account/sub-account numbers along with original CNIC or passport to verify his/her identity. In case of Corporate entity, resolution of the Board of Director/Power of Attorney with specimen signature of the nominees shall be produced (unless submitted earlier) at the time of meeting.
4. For appointing proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement alongwith participant ID and account / sub-account number together with attested copy of their CNIC or passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his/her original CNIC or passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/Power of Attorney with specimen signature of the proxy shall be produced at the time of meeting (unless submitted earlier) alongwith the proxy form.



5. Members are requested to notify any change in their address, immediately to our Share Registrar's Office - M/s. Hameed Majeed Associates (Pvt.) Ltd., 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.

**Statement of Material Facts U/S-160(1)(b) of the Companies Ordinance 1984**

Ghandhara Industries Limited (GIL) being an associated company of The General Tyre & Rubber Company of Pakistan Limited (GTR) intends to invest in the shares of GTR.

The investment in GTR will ensure constant and timely supply of Tyres for our Commercial Vehicles.

The investee Company is engaged in the manufacture of Tyres for Passenger Cars and Heavy Commercial vehicles in Pakistan. This is a Joint Venture with world renowned Continental Tyre AG of Germany. The Company has great potential to cater for the growing requirements of the market.

GTR has recently made investment in expansion/BMR which has improved quality and increased the production capacity of the GTR plant. The investee Company will produce larger volume of Tyres and generate increased revenue which will be passed on to the stakeholders including GIL.

The material facts relating to this investment are as follows:-

- |   |   |   |
|---|---|---|
| 1. Name of the investee Company                             | : | The General Tyre & Rubber Co. of Pakistan Ltd.  |
| 2. Nature, amount and extent of Investment                  | : | Equity investment to the extent of Rs.100 million   |
| 3. Average market Price during last six months              | : | Rs.25.67  |
| 4. Breakup value on the basis of Last published financials  | : | Rs.20.45  |
| 5. Price at which shares will be purchased                  | : | At negotiated price   |
| 6. Earning per share during last 3 years                    | : | 2008 : (Rs.0.28)<br>2007 : Rs.1.05<br>2006 : Rs.2.12  |
| 7. Payout to shareholders during the last six years.        | : | 2007 : 20%<br>2006 : 17.5%<br>2005 : -<br>2004 : -<br>2003 : 20%<br>2002 : 50% & 250% (Bonus issue)   |
| 8. Source of Funds  | : | <b>Company Operation</b>  |
| 9. Period for which investment will be made                 | : | As long as the Company derives financial & other benefit from the operations of investee Company.   |
| 10. Purpose of investment                                   | : | To ensure continuity of the supply of Tyres of required specification as detailed above and just in time delivery, thus saving substantial amount of foreign exchange and local funds to the Company. We also expect fair return on investment from the year 2010.  |
| 11. Benefits of Investment to the Company                   | : | Presently the management of GTR is vested in three major groups i.e. Bibojee Services (Pvt.) Ltd., Continental A.G., Pak Kuwait Investment Co. Ltd., Bibojee and Continental have a close link with the business of the Company, Bibojee being holding Company of two public companies in the Automobile Sector, and Continental being the technology supplier of GTR, the proposed investment will help the management in taking timely and effective decisions for improved performance of the Company, eventually passing on higher yield to the shareholders of the investee Company. |
| 12. Interest of Directors or relatives in Investee company. | : | The sponsor Directors are also sponsors of the investee Company.  |



## DIRECTORS REPORT

The Directors of your company take pleasure in presenting to you the Annual Accounts for the year ended on 30th June 2008.

### Financial Results

|  | 2008        | 2007      |
|--|-------------|-----------|
| The Financial Results for the year ended on 30th June 2008 are summarized below: (Rupees in '000') |             |           |
| Net Sales  | 1,857,058   | 1,908,051 |
| Cost of Sales  | 1,714,031   | 1,567,128 |
| Gross Profit   | 143,027     | 340,923   |
| Operating Expenses   | 96,823      | 131,341   |
| Other operating Income   | 11,522      | 18,339    |
|  | 57,726      | 227,921   |
| Financial Cost   | 28,264      | 26,678    |
| Profit before Taxation   | 29,462      | 201,243   |
| Taxation   | 11,330      | 74,761    |
| Profit for the Year before taxation  | 18,132      | 126,482   |
| Earning per share - basic & diluted  | Rupees 0.85 | 6.07      |

The position in regard to point raised in Auditor's Report at (e) is clarified as under:

In view of the legal opinion obtained by the management and constitution petitions pending adjudication in Sindh High Court, the Board is of the view that the Company is not liable for Workers Profit Participation Fund.

### Operational Performance

Your company produced 1004 Vehicles during the year under review as against 1128 Vehicles produced during the corresponding period last year.

The company sold 1110 Vehicles during the year ended on 30th June 2008, which is 3.55 % higher, compared to last years sale of 1072 vehicles.

### Financial performance

Net Sales recorded during the year were Rs.1,857 million as against sales of Rs.1,908 million for the year 2006-2007. This shows a decrease of Rs 51 million in sales. The reason for this decline in value is the product mix, in spite of the fact that 3.55 % more vehicles were sold this year as compared to last year.

Cost of sales was Rs.1,714 million which is 92.30 % of Sales as compared to cost of sales of Rs.1,567 million which was 82.13 % for the correspondence period last year. The reason for higher cost of sales this year was depreciation of Pak Rupee viz-a viz Japanese Yen, (Japanese Yen was traded at Rs.0.4920 per yen on 30th June, 2007 whereas it was traded at Rs.0.6418 per yen on 30th June, 2008), unprecedented rise in steel prices and higher manufacturing expenses.

The Distribution cost, Administration expenses and other operating expenses for the year under review amounted to Rs. 96,823 million that is 5.21 % of sales as against last years figure of Rs.131,341 million which was 6.88 % of sales.

Profit before tax for the year under review was Rs. 29.462 million as against last year's pre- tax profit of Rs. 201.243 million. The decrease in profit before tax is attributed to higher cost of sales as explained above.

Earnings per share amounted to Rs.0.85 as against Rs.6.07 last year.

### Future Prospects

The steep depreciation of the Pak Rupee, inflationary trend in steel and oil prices, higher cost of vendorized parts and the overall gloomy picture of the economy pose a big challenge to the management. A 35% margin on opening Letter of credit imposed by State Bank of Pakistan in May, 2008 is yet another blow to the already precarious business conditions. Your management however is fully alive to face these challenges. The management has already started introduction of new products to beat the competition. A short wheel Isuzu bus and Prime Movers are being added to strengthen the existing model line of 65 seater Isuzu bus MT-133, 30 seater Isuzu NPR bus, Isuzu 4x2 FTR truck, Isuzu 4x4 FTS and NPS trucks. Similarly engine of an NPR Diesel Bus has been converted into CNG engine and test and trials of this converted bus are underway. Efforts are also afoot to convert engine of an NPR Truck into CNG operated engine.

Isuzu Motors Limited introduced new model line in Japan last year and the project has been named as P-700. Your management has also in studied and selected new models for Pakistan under P-700 keeping in view the demand of the local market. It is hoped that these new models with latest technology will be introduced in Pakistani market around end of 2009.



### Audit Committee

An audit committee is working in accordance with the code of Corporate Governance with the following Members:

|                                    |          |
|------------------------------------|----------|
| Lt General ® Ali Kuli Khan Khattak | Chairman |
| Mr. Mushtaq Ahmad Khan (FCA)       | Member   |
| Mr. Jamil Ahmad Shah               | Member   |

### Proposed Investment upto Rs.100 million in the equity of The General Tyre & Rubber Company of Pakistan Ltd.

Ghandhara Industries Limited (GIL) being an associated company of the General Tyre & Rubber Company of Pakistan Limited (GTR) intends to invest in the shares of GTR. The Investment in GTR will ensure constant and timely supply of tyres for our commercial vehicles.

The investee Company is engaged in the manufacture of Tyres for Passenger Cars and Heavy Commercial vehicles in Pakistan. This is a Joint Venture with world renowned Continental Tyre AG of Germany. The Company has great potential to cater for the growing requirements of the market.

GTR has recently made investment in expansion/BMR which has improved quality and increased the production capacity of the GTR plant. The investee Company will produce larger volume of tyres and generate increased revenue which will be passed on to the stakeholders including GIL.

### Board Meetings

During the year 4 Board meetings were held for approval of Accounts and other important matters. Attendance at the Board meetings was as below

| Name of Director               | No. of Meetings attended |
|--------------------------------|--------------------------|
| Mr. Raza Kuli Khan Khattak     | 3                        |
| Lt.Gen ® Ali Kuli Khan Khattak | 3                        |
| Mr. Ahmad Kuli Khan Khattak    | 4                        |
| Mr. Mushtaq Ahmad Khan (FCA)   | 3                        |
| Dr. Parvez Hassan              | 1                        |
| Mr. Jamil Ahmad Shah           | 4                        |
| Mr. Sher Muhammad              | 4                        |

### Market Share Price at Karachi Stock Exchange

The maximum and minimum share price at the Karachi Stock Exchange during the year under review was Rs.64.50 and Rs.23.35 respectively.

### Auditors

M/s Hameed Chaudhri & Co. Chartered Accountants, the present Auditors of the company, retire and being eligible offer themselves for re-appointment. As required by the Code of Corporate Governance the Board Audit Committee has recommended their appointment as Auditors of the company for the year 2008-09.

### Key Operating and Financial Data

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

### Statement of compliance with best practices on transfer pricing

The company has fully complied with the best practices as contained in the listing regulations of the stock exchange.

### Pattern of Shareholding

The pattern of shareholding as on 30th June 2008 is enclosed.

### Subsequent Events

No material changes or commitments affecting the financial position of the company have taken place between the end of the financial year and date of the report.

For and on behalf of the Board of Directors

**Ahmad Kuli Khan Khattak**  
Chief Executive

Dated 8 October 2008



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2008

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulation No.37 of the Karachi Stock Exchange 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.

1. The Company encourages representation of independent non-executive Directors on its Board of Directors.  
At present, the Board includes six independent non-executive Directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. To the best of our knowledge all the Directors of the Company are registered as tax payers in Pakistan and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Company has prepared "Statement of Ethics and Business Practices", which has been signed by the Directors and employees of the Company.
5. The Company has a vision/mission statement and overall corporate strategy. All policies of the Company are governed by the "Corporate Governance Charter" which has been approved by BOD.
6. 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 Chief Executive, have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. The Board of Directors is in the process of arranging orientation courses for its directors to further apprise them of their duties and responsibilities.
9. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit. However, their remuneration and terms & condition of employment, in case of future appointments, will be approved by the Board.
10. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by the CEO and the CFO, before approval of the Board.
12. 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.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises three members, all are non-executive Directors.





15. The meetings of the Audit Committee were held at least once every quarter prior to the approval of quarterly, half yearly and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
16. The Board has set up an effective Internal Audit Function.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
18. 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.
19. We confirm that all other material principles contained in the Code have been complied with.
20. The Company has fully complied with the best practices on Transfer Pricing as contained in the regulation No.38 of the Karachi Stock Exchange.

For and on behalf of the Board of Directors

**Ahmad Kuli Khan Khattak**  
Chief Executive



## **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 contained in the Code of Corporate Governance prepared by the Board of Directors of **Gandhara Industries Limited** to comply with the Listing Regulation No.37 of the Karachi Stock Exchange 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 effective as at 30th June 2008.

**HAMEED CHAUDHRI & CO.**  
CHARTERED ACCOUNTANTS  
Karachi, October 08, 2008



## Key Operating and Financial Data

(Rs in '000')

| Particulars  | 2008      | 2007      | 2006      | 2005      | 2004      | 2003      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Sale Net   | 1,857,058 | 1,908,051 | 1,528,611 | 1,014,582 | 640,675   | 225,894   |
| Gross Profit/ (Loss)                               | 143,027   | 340,923   | 248,444   | 97,065    | 70,574    | 33,010    |
| Porfit / (Loss before tax)                         | 29,462    | 201,243   | 558,225   | (4,042)   | 50,319    | 35,132    |
| Porfit / (Loss after tax)                          | 18,132    | 126,482   | 520,732   | 96,288    | 49,411    | 36,150    |
| Share Capital                                      | 213,044   | 213,044   | 65,553    | 65,553    | 65,553    | 65,553    |
| Shareholders equity                                | 1,294,413 | 1,276,281 | 1,066,220 | (346,790) | (443,078) | (492,489) |
| Fixed Assets - Net                                 | 1,028,798 | 1,028,668 | 1,033,099 | 230,383   | 288,305   | 289,650   |
| Total Assets                                       | 2,143,311 | 2,286,358 | 2,222,937 | 782,918   | 1,106,458 | 824,900   |
| Units Produced                                     | 1,004     | 1,128     | 1,012     | 804       | 359       | 162       |
| Units Sold   | 1,110     | 1,072     | 1,010     | 755       | 443       | 123       |
| Dividend- Cash                                     | -         | -         | 35 %      | -         | -         | -         |
| Dividend - (Bonus)                                 | -         | -         | -         | -         | -         | -         |
| <b>Ratios</b>                                      |           |           |           |           |           |           |
| <b>Profitability</b>                               |           |           |           |           |           |           |
| Gross profit margin                                | 7.70%     | 17.87%    | 16.25%    | 9.57%     | 11.02%    | 14.61%    |
| Profit before tax (inculding Extra ordinary items) | 1.59%     | 10.54%    | 36.52%    | 0.00%     | 7.85%     | 15.55%    |
| Profit after tax (inculding Extra ordinary items)  | 0.98%     | 6.63%     | 34.06%    | 9.49%     | 7.71%     | 16.00%    |
| <b>Return to Shareholders:</b>                     |           |           |           |           |           |           |
| Return on Equity (BT)                              | 2.28%     | 15.77%    | 52.35%    | -         | -         | -         |
| Return on Equity (AT)                              | 1.40%     | 9.90%     | 48.84%    | -         | -         | -         |
| Earning per share (BT)-Rs.                         | 1.38%     | 9.44%     | 85.15     | -         | 7.68      | 5.36      |
| Earning per share (AT)-Rs.                         | 0.85%     | 5.94%     | 79.44     | 14.67     | 7.54      | 5.51      |
| <b>Activity</b>                                    |           |           |           |           |           |           |
| Sales to total assets -Times                       | 0.87      | 0.82      | 0.68      | 1.29      | 0.58      | 0.27      |
| Sales to fixed assets - Times                      | 1.81      | 1.82      | 1.46      | 4.37      | 2.22      | 0.78      |
| <b>Liquidity</b>                                   |           |           |           |           |           |           |
| Current ratio - Times                              | 1.24      | 1.19      | 1.02      | 0.45      | 0.36      | 0.18      |
| Break -up value per share - Rs.                    | 60.75     | 59.91     | 162.64    | (52.90)   | (67.59)   | (75.13)   |

Breakup Value and Shareholders Equity takes into consideration the surplus on revaluation of Property, Plant & Equipment & Investment Properties.



## PATTERN OF SHAREHOLDING AS AT 30 JUNE 2008

| Number of Shareholders | From      | Categories | To        | Number of Shares Held | Percentage     |
|------------------------|-----------|------------|-----------|-----------------------|----------------|
| 3308                   | 1         | -          | 100       | 62,368                | 0.29%          |
| 645                    | 101       | -          | 500       | 192,939               | 0.91%          |
| 234                    | 501       | -          | 1,000     | 201,598               | 0.95%          |
| 289                    | 1,001     | -          | 5,000     | 684,039               | 3.21%          |
| 62                     | 5,001     | -          | 10,000    | 474,577               | 2.23%          |
| 21                     | 10,001    | -          | 15,000    | 254,016               | 1.19%          |
| 9                      | 15,001    | -          | 20,000    | 157,809               | 0.74%          |
| 8                      | 20,001    | -          | 25,000    | 187,469               | 0.88%          |
| 6                      | 25,001    | -          | 30,000    | 172,300               | 0.81%          |
| 5                      | 30,001    | -          | 35,000    | 160,310               | 0.75%          |
| 2                      | 40,001    | -          | 45,000    | 88,431                | 0.42%          |
| 1                      | 45,001    | -          | 50,000    | 50,000                | 0.23%          |
| 1                      | 55,001    | -          | 60,000    | 59,000                | 0.28%          |
| 1                      | 80,001    | -          | 85,000    | 85,000                | 0.40%          |
| 1                      | 95,001    | -          | 100,000   | 97,000                | 0.46%          |
| 1                      | 100,001   | -          | 105,000   | 100,700               | 0.47%          |
| 1                      | 130,001   | -          | 135,000   | 130,293               | 0.61%          |
| 1                      | 255,001   | -          | 260,000   | 258,577               | 1.21%          |
| 1                      | 265,001   | -          | 270,000   | 266,357               | 1.25%          |
| 1                      | 295,001   | -          | 300,000   | 300,000               | 1.41%          |
| 1                      | 385,001   | -          | 390,000   | 386,500               | 1.81%          |
| 1                      | 600,001   | -          | 605,000   | 602,500               | 2.83%          |
| 1                      | 1,180,001 | -          | 1,185,000 | 1,184,148             | 5.56%          |
| 1                      | 1,635,001 | -          | 1,640,000 | 1,638,926             | 7.69%          |
| 1                      | 2,255,001 | -          | 2,260,000 | 2,258,242             | 10.60%         |
| 1                      | 5,165,001 | -          | 5,170,000 | 5,166,168             | 24.25%         |
| 1                      | 6,085,001 | -          | 6,090,000 | 6,085,155             | 28.56%         |
| <b>4605</b>            |           |            |           | <b>21,304,422</b>     | <b>100.00%</b> |

| Shareholders Category          | Number of Shareholders | Number of Share Held | Percentage of Holding |
|--------------------------------|------------------------|----------------------|-----------------------|
| Individuals                    | 4538                   | 3,912,482            | 18.36%                |
| Associated Companies           | 7                      | 14,823,821           | 69.58%                |
| Financial Institutions         | 9                      | 527,202              | 2.47%                 |
| Investment Companies           | 8                      | 17,981               | 0.08%                 |
| ICP                            | 1                      | 4,514                | 0.02%                 |
| Insurance Companies            | 6                      | 176,524              | 0.83%                 |
| Joint Stock Companies          | 24                     | 186,361              | 0.87%                 |
| Modarabas Management Companies | 1                      | 8,400                | 0.04%                 |
| Cooperative Societies          | 1                      | 2,000                | 0.01%                 |
| Charitable Trusts              | 1                      | 5,000                | 0.02%                 |
| Private Companies              | 7                      | 1,639,950            | 7.70%                 |
| Public Sector Company          | 1                      | 100                  | 0.00%                 |
| Others                         | 1                      | 87                   | 0.00%                 |
|                                | <b>4605</b>            | <b>21,304,422</b>    | <b>100.00%</b>        |



## CATEGORIES OF SHAREHOLDERS As at June 30, 2008

### Categories of Shareholders As at June 30, 2008

#### SHARES HELD BY: Individual

SHARE HELD  
3,912,482

#### Associated Companies, Undertakings & Related Parties

|  |           |
|--|-----------|
| Bibojee Services (Pvt) Ltd.                    | 8,343,397 |
| Gandhara Nissan Limited                        | 5,166,168 |
| Universal Insurance Co. Ltd.                   | 1,192,148 |
| The General Tyre & Rubber Co. of Pakistan Ltd. | 100,700   |
| Bibojee Investment (Pvt) Ltd.                  | 21,408    |

#### ICP

|                                    |       |
|------------------------------------|-------|
| Investment Corporation of Pakistan | 4,514 |
|------------------------------------|-------|

#### Directors, CEO, their Spouses & Minor Children

|                                    |        |
|------------------------------------|--------|
| Mr. Ahmad Kuli Khan Khattak        | 12,000 |
| Mr. Raza Kuli Khan Khattak         | 10,000 |
| Lt. Gen. (R) Ali Kuli Khan Khattak | 9      |
| Mr. Mushtaq Ahmed Khan             | 52     |
| Dr. Parvez Hassan                  | 4      |
| Mr. Jamil Ahmed Shah               | 400    |
| Mr. Sher Muhammad                  | 2,024  |

#### Banks, Development Financial Institutions, Non-banking Financial Institutions, Modaraba & Mutual Funds etc.

|  |         |
|--|---------|
| National Bank Of Pakistan (T-Dept.)                    | 259,127 |
| NBP Trustee - NI(U) T (LOC) Fund                       | 266,357 |
| National Bank Of Pakistan F.T.Centre                   | 371     |
| National Bank Of Pakistan                              | 252     |
| United Bank Limited                                    | 313     |
| Muslim Commercial Bank Limited                         | 139     |
| Allied Bank Of Pakistan Limited                        | 388     |
| The American Express International Banking Corporation | 2       |
| National Industrial Co-Op..Bank Ltd.                   | 255     |
| National Industrial Co-Op. Finance Corporation Ltd.    | 7,400   |
| RS Holdings (Private) Limited                          | 8,500   |
| Combined Investment (Pvt) Ltd..                        | 228     |
| Sherian F. Irani Investment (Trust) Ltd.               | 6       |
| Pak-Libya Holding Co. Ltd.                             | 200     |
| Pakistan Masonic Institution                           | 1,645   |
| Premier Insurance Co. Of Pakistan                      | 500     |
| E F U General Insurance Limited                        | 100     |
| Central Insurance Corporation                          | 1,700   |
| Pakistan Re-Insurance Company Ltd.                     | 173,724 |
| State Life Insurance Corporation                       | 500     |
| Trustees Moosa Lawai Foundation                        | 5,000   |
| Sultan Textile Mills Karachi Limited                   | 2,000   |
| Moosa, Noor Mohammad, Shahzada & Co. Pvt. Ltd.         | 10,000  |
| Amz Securities (Pvt) Ltd.                              | 2,132   |
| Ali Husain Rajabali Ltd.                               | 9,000   |



|   |        |
|---|--------|
| Moosani Securities (Pvt) Ltd.                     | 16,509 |
| Y. S. Securities & Services (Pvt) Ltd.            | 1,500  |
| Sultan Textile Mills (K) Limited                  | 16,000 |
| Azee Securities (Private) Limited                 | 6,500  |
| N. H. Securities (Pvt) Ltd.                       | 200    |
| M. H. Investments (Pvt) Ltd.                      | 20     |
| Mazhar Hussain Securities (Pvt) Ltd.              | 500    |
| Sat Securities (Pvt) Ltd.                         | 8,000  |
| Dosslani's Securities (Pvt) Limited               | 500    |
| Capital Vision Securities (Pvt) Ltd.              | 1,000  |
| Time Securities (Pvt) Ltd.                        | 27,500 |
| B & B Securities (Private) Limited                | 15,500 |
| Apex Capital Securities (Pvt) Ltd.                | 7,000  |
| Cliktrade Limited                                 | 1,500  |
| Darson Securities (Pvt) Ltd.                      | 1,000  |
| Progressive Securities (Pvt) Ltd.                 | 3,500  |
| Pasha Securities (Pvt) Ltd.                       | 3,000  |
| Bhayani Securities (Pvt) Ltd.                     | 30,000 |
| Ismail Abdul Shakoor Securities (Private) Limited | 15,500 |
| Zahid Mahmood Equities (Pvt) Ltd.                 | 4,000  |
| Stock Master Securities (Private) Limited         | 6,000  |
| First Prudential Modaraba                         | 8,400  |
| Islamabad Stock Exchange (G) Limited              | 87     |

#### **PUBLIC SECTORS COMPANIES & CORPORATIONS**

|                             |     |
|-----------------------------|-----|
| Fateh Textile Mills Limited | 100 |
|-----------------------------|-----|

#### **PRIVATE COMPANIES**

|                                    |           |
|------------------------------------|-----------|
| Pakistan Shipping Agency Ltd.      | 3         |
| The Alamgir Rayon Mills (Pvt) Ltd. | 266       |
| The Imperial Electric Co. Ltd.     | 227       |
| Globe Automobile (Pvt) Ltd.        | 215       |
| The Cloth Merchants Asso(Karachi)  | 113       |
| Zam Zam (Pvt) Ltd.                 | 200       |
| Essar Asset Management (Pvt) Ltd.  | 1,638,926 |

#### **TOTAL**

21,304,422

#### **VOTING INTEREST IN THE COMPANY**

|                                | <b>Shares</b> | <b>% age</b> |
|--------------------------------|---------------|--------------|
| Bibojee Services (Pvt) Limited | 8,343,397     | 39.16%       |
| Ghandhara Nissan Limited       | 5,166,168     | 24.25%       |



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ghandhara Industries Limited ("the Company") as at 30 June 2008 and the related profit and loss account, 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 purpose of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2008 and of the profit, 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.
- (e) Without qualifying our opinion, we draw attention to the note 26.1 (iv) to the financial statements, the company has written back in the financial statements for the year ended as on June 30, 2007 provision for Workers' Profit Participation Fund for the year ended 30 June 2006 based on a legal opinion and in a view of constitutional petition pending adjudication in the Sindh High Court on this matter.

If it is established that the provisions of the the Companies Profits (Workers' Participation) Act, 1968 are applicable to the Company, provision in respect of year ended 30 June 2006 amounting to Rs. 7.722 million including any penalties may be become payable.

Date: 08 October 2008  
KARACHI

**HAMEED CHAUDHRI & CO.**  
CHARTERED ACCOUNTANTS



## BALANCE SHEET AS AT 30 JUNE 2008

|   | Note | 2008<br>(Rupees in '000') | 2007             |
|---|------|---------------------------|------------------|
| <b>ASSETS</b>   |      |                           |                  |
| <b>NON CURRENT ASSETS</b>   |      |                           |                  |
| Property, Plant & Equipment   | 5    | 1,028,798                 | 1,028,668        |
| Investment Properties   | 6    | 91,173                    | 91,432           |
| Long term Investments   | 7    | 1,400                     | 1,400            |
| Long term loans and advances  | 8    | 461                       | 635              |
| Long Term Deposits  | 9    | 3,999                     | 3,846            |
| <b>CURRENT ASSETS</b>   |      |                           |                  |
| Stores,spares parts and loose tools   | 10   | 21                        | -                |
| Stock-in-trade  | 11   | 468,052                   | 649,269          |
| Trade debts   | 12   | 56,903                    | 83,457           |
| Loans and advances  | 13   | 178,340                   | 120,050          |
| Deposits and Prepayments  | 14   | 150,662                   | 109,077          |
| Other receivables   | 15   | 140,583                   | 70,057           |
| Cash and Bank balances  | 16   | 22,919                    | 128,467          |
|   |      | <b>1,017,480</b>          | <b>1,160,377</b> |
| <b>TOTAL ASSETS</b>   |      | <b>2,143,311</b>          | <b>2,286,358</b> |
| <b>EQUITY AND LIABILITIES</b>   |      |                           |                  |
| <b>SHARE CAPITAL AND RESERVES</b>   |      |                           |                  |
| Share Capital   |      |                           |                  |
| Authorised<br>50,000,000 ordinary shares of Rs. 10 each                     |      | <u>500,000</u>            | <u>500,000</u>   |
| Issued, subscribed and paid-up capital                                      | 17   | 213,045                   | 213,045          |
| Reserves  | 18   | 43,200                    | 43,200           |
| Accumulated Loss  |      | <u>(38,378)</u>           | <u>(60,022)</u>  |
|   |      | 217,867                   | 196,223          |
| <b>SURPLUS ON REVALUATION OF FIXED ASSETS<br/>AND INVESTMENT PROPERTIES</b> | 19   | 1,076,546                 | 1,080,058        |
| <b>NON CURRENT LIABILITIES</b>  |      |                           |                  |
| Liabilities against assets subject to finance leases                        | 20   | 8,165                     | 15,226           |
| Deferred Liabilities  | 21   | 17,935                    | 18,572           |
| <b>CURRENT LIABILITIES</b>  |      |                           |                  |
| Trade and other payable   | 22   | 583,402                   | 760,985          |
| Accrued mark up / Interest  | 23   | 9,520                     | 8,144            |
| Running Finance and Borrowings  | 24   | 90,339                    | 82,205           |
| Current maturity of liabilities against assets subject<br>to finance leases |      | 7,989                     | 6,433            |
| Provision for taxation  | 25   | 131,548                   | 118,512          |
|   |      | <b>822,798</b>            | <b>976,279</b>   |
| <b>CONTINGENT LIABILITIES &amp; COMMITMENTS</b>                             | 26   |                           |                  |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |      | <b>2,143,311</b>          | <b>2,286,358</b> |

The annexed notes from 1 to 43 form an integral part of these financial statements

Chief Executive

Director





## PROFIT AND LOSS ACCOUNT AS AT 30 JUNE 2008

|                                       | Note | 2008<br>(Rupees in '000') | 2007                  |
|---------------------------------------|------|---------------------------|-----------------------|
| Net sales                             | 27   | 1,857,058                 | 1,908,051             |
| Cost of sales                         | 28   | <u>1,714,031</u>          | <u>1,567,128</u>      |
| Gross profit                          |      | 143,027                   | 340,923               |
| Distribution expenses                 | 29   | <u>52,372</u>             | <u>60,657</u>         |
| Administrative expenses               | 30   | <u>42,280</u>             | <u>54,550</u>         |
|                                       |      | <u>94,652</u>             | <u>115,207</u>        |
| Operating profit                      |      | 48,375                    | 225,716               |
| Other operating expenses              | 31   | <u>2,171</u>              | <u>16,134</u>         |
|                                       |      | <u>46,204</u>             | <u>209,582</u>        |
| Other operating income                | 32   | <u>11,522</u>             | <u>18,339</u>         |
|                                       |      | <u>57,726</u>             | <u>227,921</u>        |
| Finance cost                          | 33   | <u>28,264</u>             | <u>26,678</u>         |
| Profit for the year before taxation   |      | 29,462                    | 201,243               |
| Taxation                              | 34   | <u>(11,330)</u>           | <u>(74,761)</u>       |
| Profit for the year after taxation    |      | <u><u>18,132</u></u>      | <u><u>126,482</u></u> |
| Earning per share - basic and diluted | 35   | <u><u>0.85</u></u>        | <u><u>6.07</u></u>    |

The annexed notes from 1 to 43 form an integral part of these financial statements

Chief Executive

Director



## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

|   | Note | 2008<br>(Rupees in '000') | 2007     |
|---|------|---------------------------|----------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                  |      |                           |          |
| Cash (used) / generated from operations                     | 36   | (542)                     | 205,400  |
| Interest paid   |      | (24,413)                  | (31,346) |
| Taxes paid (including tax deducted at source)               |      | (61,400)                  | (92,460) |
| Long term loans and advances                                |      | 174                       | (446)    |
| Long terms deposits   |      | (153)                     | (3,110)  |
| Net cash flows from operating activities                    |      | (86,334)                  | 78,038   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                  |      |                           |          |
| Fixed capital expenditure                                   |      | (18,179)                  | (15,682) |
| Sale proceeds of fixed assets                               |      | 239                       | 2,721    |
| Proceeds of sale and lease back of motor vehicle            |      | -                         | 15,000   |
| Net cash flows from investing activities                    |      | (17,940)                  | 2,039    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |                           |          |
| Right shares subscription                                   |      | -                         | 85,862   |
| Dividend paid   |      | (495)                     | (59,516) |
| Payment of lease rentals                                    |      | (8,913)                   | (3,663)  |
| Net cash flows from financing activities                    |      | (9,408)                   | 22,683   |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>(113,682)</b>          | 102,760  |
| <b>Cash and cash equivalents at beginning of the year</b>   |      | <b>46,262</b>             | (56,498) |
| <b>Cash and cash equivalents at end of the year</b>         | 37   | <b>(67,420)</b>           | 46,262   |

The annexed notes from 1 to 43 form an integral part of these financial statements

Chief Executive

Director



## STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2008

|  | Share Capital<br>Issued,<br>subscribed<br>and paid-up | Capital Reserves          |  |                        | Revenue<br>Reserve  | Accumulated<br>Loss    | Total                 |
|--|---|---------------------------|--|------------------------|---------------------|------------------------|-----------------------|
|  |   | Tax<br>Holiday<br>Reserve | Fixed Assets<br>Replacement<br>Reserve | Contingency<br>Reserve |                     |                        |                       |
| <b>Rupees in Thousand</b>  |   |                           |  |                        |                     |                        |                       |
| <b>Balance as at 1 July 2006</b>   | 65,553  | 5,500                     | 10,000                                 | 25,300                 | 2,400               | (126,103)              | (17,350)              |
| Issue of shares  | 147,491   | -                         |  |                        |                     | -                      | 147,491               |
| Profit for the year  |   |                           |  |                        |                     | 126,482                | 126,482               |
| Final Dividend paid (Rs.3 per share)   |   |                           |  |                        |                     | (63,913)               | (63,913)              |
| Transfer from surplus on revaluation of<br>fixed assets on account of incremental<br>depreciation charged for year |   |                           |  |                        |                     | 3,512                  | 3,512                 |
| <b>Balance as at 30 June 2007</b>  | <u>213,044</u>  | <u>5,500</u>              | <u>10,000</u>                          | <u>25,300</u>          | <u>2,400</u>        | <u>(60,022)</u>        | <u>196,222</u>        |
| Profit for the year  |   |                           |  |                        |                     | 18,132                 | 18,132                |
| Transfer from surplus on revaluation of<br>fixed assets on account of incremental<br>depreciation charged for year |   |                           |  |                        |                     | 3,512                  | 3,512                 |
| <b>Balance as at 30 June 2008</b>  | <u><u>213,044</u></u>                                 | <u><u>5,500</u></u>       | <u><u>10,000</u></u>                   | <u><u>25,300</u></u>   | <u><u>2,400</u></u> | <u><u>(38,378)</u></u> | <u><u>217,866</u></u> |

The annexed notes from 1 to 43 form an integral part of these financial statements

Chief Executive

Director



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

### 1 CORPORATE INFORMATION

Ghandhara Industries Limited was incorporated on 23 February 1963. The Company's shares are listed on Karachi and Lahore Stock Exchanges. The principal activity of the Company is assembly and progressive manufacture of Isuzu trucks and buses.

### 2 STATEMENT OF COMPLIANCE

**2.1** 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 Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case the requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

#### **2.2 Amendments to published standard and new interpretation effective in 2007 - 2008:**

The following standards, amendments and interpretations to existing approved accounting standards have been published that are mandatory for the company's accounting periods beginning on or after July 1, 2007 or later periods:

- Amendments to IAS 1, 'Presentation of financial statements - Capital disclosures' introduces new disclosures relating to capital risk management and does not have any impact on the classification and valuation of the company's financial statements.
- Islamic Financial Accounting Standard 2 - Ijarah is mandatory for the company's accounting period beginning on or after July 1, 2007 for those ijarah agreements which commenced on or after this. It requires the recognition of 'ujrah payments' (lease rentals) against ijarah financing as an expense in the profit loss account on a straight line basis over the ijarah term. Presently, this standard does not have any affect on the company's financial statements.

#### **2.3 Standards, amendments and interpretations effective in 2007-2008 but not relevant:**

There are certain new standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2007 but are considered not to be relevant or have any significant effect to the company's operations and are therefore not disclosed in these financial statements.

#### **2.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective:**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after July 1, 2008 or later periods:

- IFRS 7, 'Financial instruments: Disclosures' (effective from July 1, 2008) introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the financial instruments.
- IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.
- IFRIC 14 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The management has assessed that the adoption would not have a material impact on the Company's financial statements.



### **3 BASIS OF PREPARATION**

#### **3.1 MEASUREMENT**

These financial statements have been prepared under the historical cost convention, except as otherwise disclosed in the accounting policies below.

#### **3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the companies accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Provision for taxation
- b) Accrued liabilities
- c) Useful life of depreciable assets
- d) Provision for doubtful receivables and slow moving inventories
- e) Estimation of net realisable value
- f) Accounting for retirement benefits

#### **3.3 FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are presented in Pak Rupees which is the company's functional currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand.

### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **4.1 PROPERTY, PLANT & EQUIPMENT**

Property, plant & equipment are stated at cost or valuation less accumulated depreciation and any identified impairment loss. Property, plant & equipment acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses.

Capital work-in-progress is stated at cost accumulated up to the balance sheet date.

Depreciation on all operating assets, except leasehold land, is charged to profit on a straight line method so as to write off the cost or valuation of an asset less its estimated salvage value over its useful life. Depreciation is charged at the annual rates mentioned in note 5 to these accounts.

During the year, the company has changed its accounting estimate in respect of depreciation of lease hold land which is now charged on original cost as compared to previously charging the same on revalued amount. This change in accounting estimate has been applied prospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in these estimate, the profit before taxation would have been lower by Rs. 13.719 million.

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.



The depreciation method and useful lives of items of fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future years.

Any surplus arising on revaluation of leasehold land, building on leasehold land, plant and machinery is credited to the surplus on revaluation account. Valuations are performed frequently enough to ensure that the fair value of the revalued asset does not differ materially from its carrying amount. An amount equivalent to difference between depreciation based on the revalued carrying amount of the assets and depreciation based on original cost is transferred from Surplus on revaluation and deferred taxation to unappropriated profit and Profit and loss account respectively.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gain/losses on sale of property, plant and equipment are charged to profit and loss account currently, except that the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

Maintenance and normal repairs are charged to expenses as and when incurred. Major renewals and improvements are capitalised and are depreciated over the remaining useful life of the related asset.

## **4.2 INVESTMENT**

### **Investment properties**

Property held for capital appreciation and rental yield, which is not in use of the company is classified as investment property. Investment properties comprise of leasehold land and buildings.

Investment properties are carried at cost or valuation (i.e. deemed cost) less accumulated depreciation and impairment if any.

Investment properties are depreciated on straight line method at the annual rates mentioned in note 6 to these accounts, depending upon the class of assets.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and repairs are capitalised.

If an investment property becomes owner occupied, it is reclassified as fixed asset.

### **In shares**

Investments held by the company other than investments in subsidiary are classified as being available for sale and stated at fair value.

Investment in subsidiary is stated at cost.

All purchases and sales are recognised on the trade dates. Realised gains and losses are included in the period in which they arise.

## **4.3 LONG TERM DEPOSITS**

These are stated at cost which represents the fair value of the consideration given.

## **4.4 STORES, SPARES AND LOOSE TOOLS**

These are valued at the lower of cost computed principally on a first-in-first-out basis and net realizable value. Items in transit are stated at cost accumulated to balance sheet date.

## **4.5 STOCK IN TRADE**

Stock-in-trade is valued at the lower of cost and net realizable value except for goods in transit which are stated at invoice values plus other charges paid thereon. Cost in relation to raw materials and components and trading stock (except for parts and accessories included in trading stock which are valued on average basis) is arrived at principally on first in first out basis. Cost of work in process and manufactured stocks including components includes direct wages and applicable manufacturing overheads.



Net realizable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

#### **4.6 TRADE DEBTS AND OTHER RECEIVABLES**

These are carried at original invoice amount less an estimate made for doubtful receivable balances based on review of age analysis of outstanding debts. Debts considered irrecoverable are written off.

#### **4.7 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents are comprise of cash in hand, cash at banks and running finances which are payable on demand.

#### **4.8 STAFF RETIREMENT BENEFITS**

The Company has established unfunded gratuity scheme for all of its employees. Contributions under the schemes are made on the basis of actuarial valuation and are charged to Profit and Loss account. The valuation of both schemes was carried out on June 30, 2008 using the "Projected Unit Credit Method".

Actuarial gains and losses arising from the actuarial valuation are recognised over the average remaining service lives of employees.

#### **4.9 TAXATION**

##### **Current**

Provision for current year's taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or the minimum tax liability at the rate of 0.5% of turnover.

##### **Deferred**

Deferred tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial statements reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit 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 when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

#### **4.10 TRADE AND OTHER PAYABLES**

Trade and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

#### **4.11 REVENUE RECOGNITION**

Sales are recognized when goods are invoiced and dispatch to customers. Rental and interest income is recorded on accrual basis.

#### **4.12 BORROWING COST**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are those assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are dealt with income in the period in which they are incurred.



#### **4.13 FOREIGN CURRENCY TRANSLATION**

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated into pak rupees at the exchange rates prevailing on the balance sheet date.

Exchange gain and losses are recognised in the income currently.

#### **4.14 FINANCIAL ASSETS AND LIABILITIES**

Financial assets and financial liabilities are recognised when the company become a party to the contractual provisions of the instrument. All financial assets and 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, amortised cost or cost as the case may be.

#### **4.15 OFFSETTING OF FINANCIAL INSTRUMENTS**

Financial assets and financial liability is set-off and the net amount is reported in the balance sheet if the company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **4.16 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, 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 the obligation.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

#### **4.17 WARRANTY**

The company recognises the estimated liability to repair or replace products still under warranty at the balance sheet date to the extent of non-reimbursable portion from the principal.

#### **4.18 DIVIDEND**

Dividend distribution to the shareholders is accounted for as a liability in the period in which it is approved by the shareholders.

#### **4.19 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value.

#### **4.20 INTEREST / MARK-UP BEARING LOANS AND BORROWINGS**

Loans and borrowings are recorded at the proceeds received. Finance charges are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the periods in which they arise.

#### **4.21 RELATED PARTY TRANSACTIONS**

Transactions with related parties are carried out at arm's length price determined in accordance with the methods prescribed in the Companies Ordinance, 1984. Royalty is stated in accordance with Technical agreement duly registered with the State Bank of Pakistan .





Note **2008** **2007**  
(Rupees in '000')

## 5 PROPERTY, PLANT AND EQUIPMENT

|                          |     |                  |                  |
|--------------------------|-----|------------------|------------------|
| Operating fixed assets   | 5.1 | <b>1,028,573</b> | 1,028,668        |
| Capital work in progress | 5.7 | <b>225</b>       | -                |
|                          |     | <b>1,028,798</b> | <b>1,028,668</b> |

### 5.1 Operating fixed assets

|   | OWNED          |                            |                   |                 |                      |                |             |                              |           |                        | LEASED         | TOTAL     |
|---|----------------|----------------------------|-------------------|-----------------|----------------------|----------------|-------------|------------------------------|-----------|------------------------|----------------|-----------|
|   | Leasehold land | Building on leasehold land | Plant & Machinery | Permanent tools | Furniture & fixtures | Motor vehicles | Lift trucks | Office machines & equipments | Computers | Jigs and special tools | Motor vehicles |           |
| (Rupees in '000)                          |                |                            |                   |                 |                      |                |             |                              |           |                        |                |           |
| <b>At June 30, 2006</b>                   |                |                            |                   |                 |                      |                |             |                              |           |                        |                |           |
| Cost                                      | 946,500        | 68,450                     | 47,112            | 3,023           | 935                  | 14,936         | 3,123       | 3,830                        | 1,416     | 25,630                 | -              | 1,114,955 |
| Accumulated depreciation                  | -              | -                          | 46,486            | 3,022           | 918                  | 12,820         | 3,122       | 3,507                        | 1,086     | 10,895                 | -              | 81,856    |
| Book value                                | 946,500        | 68,450                     | 626               | 1               | 17                   | 2,116          | 1           | 323                          | 330       | 14,735                 | -              | 1,033,099 |
| <b>Year ended June 30, 2007</b>           |                |                            |                   |                 |                      |                |             |                              |           |                        |                |           |
| Additions                                 | -              | -                          | -                 | -               | -                    | 14,422         | -           | 783                          | 477       | -                      | 25,323         | 41,005    |
| <b>Disposals:</b>                         |                |                            |                   |                 |                      |                |             |                              |           |                        |                |           |
| - Cost                                    | -              | -                          | -                 | -               | -                    | 15,305         | -           | -                            | -         | -                      | -              | 15,305    |
| - depreciation                            | -              | -                          | -                 | -               | -                    | (1,692)        | -           | -                            | -         | -                      | -              | (1,692)   |
|   | 946,500        | 68,450                     | 626               | 1               | 17                   | 2,925          | 1           | 1,106                        | 807       | 14,735                 | 25,323         | 1,060,491 |
| Depreciation charge                       | 13,719         | 5,322                      | 78                | -               | 3                    | 1,289          | -           | 115                          | 188       | 8,451                  | 2,658          | 31,823    |
| <b>Net book value as at June 30, 2007</b> | 932,781        | 63,128                     | 548               | 1               | 14                   | 1,636          | 1           | 991                          | 619       | 6,284                  | 22,665         | 1,028,668 |
| <b>Year ended June 30, 2008</b>           |                |                            |                   |                 |                      |                |             |                              |           |                        |                |           |
| Additions                                 | -              | -                          | 719               | 141             | 1,573                | 4,482          | 6,096       | 4,444                        | 499       | -                      | 933            | 18,887    |
| <b>Disposals:</b>                         |                |                            |                   |                 |                      |                |             |                              |           |                        |                |           |
| - Cost                                    | -              | -                          | -                 | -               | -                    | 263            | -           | -                            | -         | -                      | -              | 263       |
| - depreciation                            | -              | -                          | -                 | -               | -                    | (263)          | -           | -                            | -         | -                      | -              | (263)     |
|   | 932,781        | 63,128                     | 1,267             | 142             | 1,587                | 6,118          | 6,097       | 5,435                        | 1,118     | 6,284                  | 23,598         | 1,047,555 |
| Depreciation charge                       | -              | 5,322                      | 117               | 1               | 30                   | 1,067          | 394         | 350                          | 210       | 6,286                  | 5,205          | 18,982    |
| <b>Net book value at June 30, 2008</b>    | 932,781        | 57,806                     | 1,150             | 141             | 1,557                | 5,051          | 5,703       | 5,085                        | 908       | (2)                    | 18,393         | 1,028,573 |
| <b>As at June 30, 2007</b>                |                |                            |                   |                 |                      |                |             |                              |           |                        |                |           |
| Cost                                      | 946,500        | 68,450                     | 47,112            | 3,023           | 935                  | 14,053         | 3,123       | 4,613                        | 1,893     | 25,630                 | 25,323         | 1,140,655 |
| Accumulated depreciation                  | 13,719         | 5,322                      | 46,564            | 3,022           | 921                  | 12,417         | 3,122       | 3,622                        | 1,274     | 19,346                 | 2,658          | 111,987   |
| <b>Book value</b>                         | 932,781        | 63,128                     | 548               | 1               | 14                   | 1,636          | 1           | 991                          | 619       | 6,284                  | 22,665         | 1,028,668 |
| <b>As at June 30, 2008</b>                |                |                            |                   |                 |                      |                |             |                              |           |                        |                |           |
| Cost                                      | 946,500        | 68,450                     | 47,831            | 3,164           | 2,508                | 18,272         | 9,219       | 9,057                        | 2,392     | 25,630                 | 26,256         | 1,159,279 |
| Accumulated depreciation                  | 13,719         | 10,644                     | 46,681            | 3,023           | 951                  | 13,221         | 3,516       | 3,972                        | 1,484     | 25,632                 | 7,863          | 130,706   |
| <b>Book value</b>                         | 932,781        | 57,806                     | 1,150             | 141             | 1,557                | 5,051          | 5,703       | 5,085                        | 908       | (2)                    | 18,393         | 1,028,573 |
| <b>Depreciation rate %</b>                | 1.47           | 25 to 6.25                 | 10                | 12.5            | 6 to 6.25            | 20             | 20          | 12.5                         | 20        | 33                     | 20             |           |



|   | Note | 2008<br>(Rupees in '000') | 2007          |
|---|------|---------------------------|---------------|
| <b>5.2 Depreciation for the year is allocated as follows:</b> |      |                           |               |
| Cost of goods manufactured                                    | 28.1 | 11,375                    | 24,099        |
| Distribution expenses   | 29   | 2,804                     | 2,908         |
| Administrative expenses                                       | 30   | 4,803                     | 4,816         |
|   |      | <u>18,982</u>             | <u>31,823</u> |

5.3 The company's leasehold land and buildings thereon were revalued on 31 March 1971, 27 June 1992 and 30 June 1995 (including plant and machinery). The leasehold land was again revalued on 30 June 1996. The latest valuation was carried out by Yunus Mirza & Co. (Pvt) Limited, Incorporated Architects, Engineers, Town Planner and Bank's Approved Surveyors on 30 June 2006. The valuation of leasehold land was based on current market trends and prevailing value in the vicinity of the plot and valuation of buildings was based on current construction cost minus the accumulated depreciation.

5.4 Jigs and special tools having book value of Rs. Nil (2007: Rs. 6.28) million are held with Ghandhara Nissan Limited, associated undertaking for assembly of Trucks and Buses on behalf of the Company.

5.5 The dates and amounts of revaluation surplus included in the book value of fixed assets as at 30 June 2008 is given below:

|                             | Leasehold<br>land | Buildings on<br>leasehold<br>land | Plant &<br>machinery | Total          |
|-----------------------------|-------------------|-----------------------------------|----------------------|----------------|
| (Rupees in '000')           |                   |                                   |                      |                |
| (a) At March 31,1971        |                   |                                   |                      |                |
| Revaluation surplus         | 3,000             | 2,792                             | -                    | 5,792          |
| Less:Depreciation surplus   | <u>30</u>         | <u>140</u>                        | <u>-</u>             | <u>170</u>     |
|                             | <u>2,970</u>      | <u>2,652</u>                      | <u>-</u>             | <u>5,622</u>   |
| (b) At June 27, 1992        |                   |                                   |                      |                |
| Revaluation surplus         | 91,891            | 32,734                            | -                    | 124,625        |
| Less:Depreciation surplus   | <u>1,138</u>      | <u>3,493</u>                      | <u>-</u>             | <u>4,631</u>   |
|                             | <u>90,753</u>     | <u>29,241</u>                     | <u>-</u>             | <u>119,994</u> |
| (c) At June 27, 1995        |                   |                                   |                      |                |
| Revaluation surplus         | 88,723            | 14,834                            | 23,474               | 127,031        |
| Less:Depreciation surplus   | <u>1,141</u>      | <u>1,886</u>                      | <u>23,474</u>        | <u>26,501</u>  |
|                             | <u>87,582</u>     | <u>12,948</u>                     | <u>-</u>             | <u>100,530</u> |
| (d) At 30 June 1996         |                   |                                   |                      |                |
| Revaluation surplus         | 11,782            | -                                 | -                    | 11,782         |
| Less:Depreciation surplus   | <u>154</u>        | <u>-</u>                          | <u>-</u>             | <u>154</u>     |
|                             | <u>11,628</u>     | <u>-</u>                          | <u>-</u>             | <u>11,628</u>  |
| (e) At 30 June 2006         |                   |                                   |                      |                |
| Revaluation surplus         | 751,104           | 11,279                            | -                    | 762,383        |
| Less:Depreciation surplus   | <u>11,256</u>     | <u>4,786</u>                      | <u>-</u>             | <u>16,042</u>  |
|                             | <u>739,848</u>    | <u>6,493</u>                      | <u>-</u>             | <u>746,341</u> |
| Total cost or revaluation   | 946,501           | 68,450                            | 47,831               | 1,062,782      |
| Less: Depreciation there on | <u>13,719</u>     | <u>10,645</u>                     | <u>46,681</u>        | <u>71,045</u>  |
| Net Book Value              | <u>932,782</u>    | <u>57,805</u>                     | <u>1,150</u>         | <u>991,737</u> |

5.6 Had there been no revaluation, the book value of buildings on leasehold land and plant and machinery as on 30 June 2008 would have been as under:

|                            | Cost   | Accumulated<br>Depreciation<br>(Rupees in '000') | Book Value |
|----------------------------|--------|--|------------|
| Building on Leasehold Land | 6,810  | 341  | 6,469      |
| Plant and Machinery        | 24,357 | 23,207   | 1,150      |

5.7 This represents advance given for acquisition of software.



## 6 INVESTMENT PROPERTIES

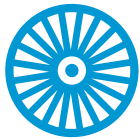
|   | Leasehold<br>land | Buildings on<br>leasehold<br>land<br>(Rupees in '000') | Total         |
|---|-------------------|--|---------------|
| <b>At June 30, 2006</b>                   |                   |  |               |
| Cost                                      | 97,392            | 416  | 97,808        |
| Accumulated depreciation                  | 5,827             | 290  | 6,117         |
| Book value                                | <u>91,565</u>     | <u>126</u>   | <u>91,691</u> |
| <b>Year ended June 30, 2007</b>           |                   |  |               |
| Additions                                 | -                 | -  | -             |
| Disposals:                                |                   |  |               |
| - Cost                                    | -                 | -  | -             |
| - depreciation                            | -                 | -  | -             |
|   | <u>91,565</u>     | <u>126</u>   | <u>91,691</u> |
| Depreciation charge                       | 243               | 16   | 259           |
| <b>Net book value as at June 30, 2007</b> | <u>91,322</u>     | <u>110</u>   | <u>91,432</u> |
| <b>Year ended June 30, 2008</b>           |                   |  |               |
| Additions                                 | -                 | -  | -             |
| Disposals:                                |                   |  |               |
| - Cost                                    | -                 | -  | -             |
| - depreciation                            | -                 | -  | -             |
|   | <u>91,322</u>     | <u>110</u>   | <u>91,432</u> |
| Depreciation charge                       | 243               | 16   | 259           |
| <b>Net book value at June 30, 2008</b>    | <u>91,079</u>     | <u>94</u>  | <u>91,173</u> |
| <b>As at June 30, 2007</b>                |                   |  |               |
| Cost                                      | 97,392            | 416  | 97,808        |
| Accumulated depreciation                  | 6,070             | 306  | 6,376         |
| Book value                                | <u>91,322</u>     | <u>110</u>   | <u>91,432</u> |
| <b>As at June 30, 2008</b>                |                   |  |               |
| Cost                                      | 97,392            | 416  | 97,808        |
| Accumulated depreciation                  | 6,313             | 322  | 6,635         |
|   | <u>91,079</u>     | <u>94</u>  | <u>91,173</u> |
|   | <u>0.25</u>       | <u>2.5 to 6.25</u>                                     |               |

|   | Note | 2008<br>(Rupees in '000') | 2007       |
|---|------|---------------------------|------------|
| <b>6.1</b> Depreciation for the year is allocated as follows: |      |                           |            |
| Administrative expenses                                       | 30   | 259                       | 259        |
|   |      | <u>259</u>                | <u>259</u> |

**6.2** The execution of a lease deed for land at Haroonabad in Sindh Industrial Trading Estate, Karachi has not been finalised.

**6.3** The company's leasehold land and buildings thereon were revalued on 27 June 1992 and 30 June 1995. The leasehold land was again revalued on 30 June 1996. The latest revaluation was carried out by Iqbal A. Nanjee & Co. Valuation Consultants on 30 June 1996. The valuation was based on current market values.

**6.4** The Market value as on 30 June, 2008 was Rs. 377 (2007: Rs. 377) million.



6.5 The dates and amounts of revaluation surplus included in the book value of investment properties as at 30 June 2008 is given below:

|                             | Leasehold<br>land | Buildings on<br>leasehold<br>land<br>(Rupees in '000') | Total         |
|-----------------------------|-------------------|--|---------------|
| (a) At June 27 1992         |                   |  |               |
| Revaluation surplus         | 47,889            | 33   | 47,922        |
| Less: Depreciation surplus  | 4,008             | 13   | 4,021         |
|                             | <u>43,881</u>     | <u>20</u>  | <u>43,901</u> |
| (b) At 30 June 1995         |                   |  |               |
| Revaluation surplus         | 37,780            | 146  | 37,926        |
| Less: Depreciation surplus  | 1,587             | 119  | 1,706         |
|                             | <u>36,193</u>     | <u>27</u>  | <u>36,220</u> |
| (c) At 30 June 1996         |                   |  |               |
| Revaluation surplus         | 10,634            | -  | 10,634        |
| Less: Depreciation surplus  | 292               | -  | 292           |
|                             | <u>10,342</u>     | <u>-</u>   | <u>10,342</u> |
| Total cost or revaluation   | 97,392            | 416  | 97,808        |
| Less: Depreciation there on | 6,071             | 321  | 6,392         |
| Net Book Value              | <u>91,321</u>     | <u>95</u>  | <u>91,416</u> |
|                             | <b>Note</b>       | <b>2008</b>  | 2007          |
|                             |                   | (Rupees in '000')                                      |               |

## 7 LONG TERM INVESTMENTS

### 7.1 Subsidiary Company - Un-quoted

#### Marghzar Industries (Private) Limited

140,000 Fully paid-up ordinary shares  
of Rs.10 each (2007: 140,000 shares)  
Equity held 70%

Break up value per share Rs. 10.06 (2007: Rs.14.08 )

1,400                      1,400

### 7.2 Other Company - Listed

#### Available for sale investment

#### Bela Engineers Limited

160 Fully paid-up ordinary shares  
of Rs. 10 each - at cost (2007: 160 shares)  
Less: Provision for impairment in  
value of investment

Less: Written off against provision

|              |              |
|--------------|--------------|
| 1            | 1            |
| -            | 1            |
| 1            | -            |
| -            | -            |
| <u>1,400</u> | <u>1,400</u> |



## 8 LONG TERM LOANS AND ADVANCES

### Unsecured Considered Good

Executives  
Non executives

Note  
2008  
(Rupees in '000')

2007

|            |              |
|------------|--------------|
| 663        | 917          |
| 257        | 118          |
| <u>920</u> | <u>1,035</u> |

Less: Installments recoverable within twelve months

Executives  
Non executives

|            |            |
|------------|------------|
| 273        | 342        |
| 186        | 58         |
| <u>459</u> | <u>400</u> |
| <u>461</u> | <u>635</u> |

### 8.1 Reconciliation of loans and advances to executives

Balance at beginning of the year  
Add: Disbursement

|            |              |
|------------|--------------|
| 917        | 267          |
| 75         | 990          |
| <u>992</u> | <u>1,257</u> |

Less: Recovered during the year

|            |            |
|------------|------------|
| 329        | 340        |
| <u>663</u> | <u>917</u> |

8.2 Interest free loans have been provided to executives for purchase / construction of house and to employees for personal use. These are repayable in monthly installments over a period of one to five years.

8.3 Maximum amount due from executives at the end of any month was Rs. 0.887 million (2007: Rs.1.305 million).

## 9 LONG TERM DEPOSITS

### Considered Good Deposits

|              |              |
|--------------|--------------|
| <u>3,999</u> | <u>3,846</u> |
|--------------|--------------|

## 10 STORES, SPARES PARTS AND LOOSE TOOLS

Stores  
Spares parts

|              |              |
|--------------|--------------|
| 21           | -            |
| <u>6,316</u> | <u>6,316</u> |

6,337 6,316

Less: Provision for Obsolescence

|       |       |
|-------|-------|
| 6,316 | 6,316 |
|-------|-------|

|           |          |
|-----------|----------|
| <u>21</u> | <u>-</u> |
|-----------|----------|

## 11 STOCK IN TRADE

Raw materials and components  
In hand

11.2 392,551 472,014

Less: Provision for slow moving raw material

|        |        |
|--------|--------|
| 21,076 | 21,076 |
|--------|--------|

371,475 450,938

In transit

|                |                |
|----------------|----------------|
| 3,284          | 5,284          |
| <u>374,759</u> | <u>456,222</u> |

Manufactured stock including components

11.3 57,931 164,578

Trading stocks

|        |        |
|--------|--------|
| 50,531 | 43,638 |
|--------|--------|

Less: Provision for slow moving trading stock

|               |               |
|---------------|---------------|
| 15,169        | 15,169        |
| <u>35,362</u> | <u>28,469</u> |

|                |                |
|----------------|----------------|
| <u>468,052</u> | <u>649,269</u> |
|----------------|----------------|



|             | Note  | 2008<br>(Rupees in '000') | 2007           |
|-------------|---|---------------------------|----------------|
| <b>11.1</b> | Of the aggregate amount, stocks which were in the custody of third parties are as follows:                          |                           |                |
|             | Precision Engineering Works   | 1,368                     | 1,406          |
|             | Ghandhara Nissan Limited (Associated Undertaking)   | 392,104                   | 568,351        |
|             | Multan Motors   | 2,250                     | -              |
|             | Punjab Motors   | 3,400                     | -              |
|             | Meraj (Pvt.) Ltd.   | 1,250                     | -              |
|             | Aries International   | 1,250                     | -              |
|             | A.R. Engineering  | 2                         | -              |
|             |   | <u>401,624</u>            | <u>569,757</u> |
| <b>11.2</b> | This includes raw material carried at net realisable value, amounting to Rs. 21.1 million (2007: Rs. 21.1 million). |                           |                |
| <b>11.3</b> | This includes manufactured stock carried at net realisable value, amounting to Rs. 8.5 million (2007: 8.5 million). |                           |                |
| <b>12</b>   | <b>TRADE DEBTS</b>  |                           |                |
|             | Unsecured   |                           |                |
|             | <b>Considered Good</b>  |                           |                |
|             | Government and semi-government agencies   | 39,380                    | 43,752         |
|             | Others  | 17,523                    | 39,705         |
|             |   | <u>56,903</u>             | <u>83,457</u>  |
|             | <b>Considered Doubtful</b>  |                           |                |
|             | Government and semi-government agencies   | 688                       | 688            |
|             | Less: Provision there against   | 688                       | 688            |
|             |   | <u>-</u>                  | <u>-</u>       |
|             |   | <u>56,903</u>             | <u>83,457</u>  |
| <b>13</b>   | <b>LOANS AND ADVANCES</b>   |                           |                |
|             | Unsecured   |                           |                |
|             | <b>Considered Good</b>  |                           |                |
|             | Employees   | 135                       | 305            |
|             | Advances to Suppliers and others  | 11,806                    | 14,805         |
|             |   | <u>11,941</u>             | <u>15,110</u>  |
|             | <b>Considered Doubtful</b>  |                           |                |
|             | Advances to Suppliers   | 1,175                     | 1,175          |
|             | Less: Provision thereagainst  | 1,175                     | 1,175          |
|             |   | <u>-</u>                  | <u>-</u>       |
|             | Income Tax Deducted at source / Paid in Advance   | 165,940                   | 104,540        |
|             | Current portion of loans and advances   | 459                       | 400            |
|             |   | <u>178,340</u>            | <u>120,050</u> |
| <b>14</b>   | <b>DEPOSIT AND PREPAYMENTS</b>  |                           |                |
|             | <b>Tender Deposits</b>  | 42,246                    | 22,959         |
|             | <b>Margins Against Bank Guarantees</b>  | 588                       | 2,843          |
|             | Less: Provision for doubtful margin against bank guarantees   | 330                       | 330            |
|             |   | <u>258</u>                | <u>2,513</u>   |
|             | <b>L/C Margin</b>   | 108,158                   | 71,274         |
|             | <b>FIM Margin</b>   | -                         | 12,331         |
|             |   | <u>150,662</u>            | <u>109,077</u> |
| <b>15</b>   | <b>OTHER RECEIVABLES</b>  |                           |                |
|             | Sales tax refundable - considered good  | 137,745                   | 70,057         |
|             | Sundry receivables - Considered good  | 2,838                     | -              |
|             | <b>Considered Doubtful-Sundry Receivables</b>   | 1,948                     | 1,948          |
|             | Less: Provision there against   | 1,948                     | 1,948          |
|             |   | <u>-</u>                  | <u>-</u>       |
|             |   | <u>140,583</u>            | <u>70,057</u>  |



## 16 CASH AND BANK BALANCES

|   | Note | 2008<br>(Rupees in '000') | 2007           |
|---|------|---------------------------|----------------|
| Cash in hand                              |      | 211                       | 591            |
| With banks                                |      |                           |                |
| In current accounts                       |      | 16,986                    | 129,530        |
| In deposit accounts                       | 16.1 | 3,457                     | 556            |
| In foreign currency accounts              | 16.2 | 28                        | 23             |
|   |      | 20,471                    | 130,109        |
| Less: Provision for doubtful bank account | 16.3 | 2,233                     | 2,233          |
|   |      | <u>18,238</u>             | <u>127,876</u> |
| Term deposit                              | 16.4 | 4,470                     | -              |
|   |      | <u>22,919</u>             | <u>128,467</u> |

16.1 This includes deposits amounting to Rs. 1.060 million under lien against bank guarantee.

16.2 Foreign currency accounts include J¥ 31,532 equivalent to Rs. 20,237 and US\$ 126 equivalent to Rs.7,386 (2007:J¥ 31,523 equivalent to Rs.15,459 and US\$ 126 equivalent to Rs.7,386)

16.3 This represents provision made against balances held with Indus Bank Limited under liquidation.

16.4 Term deposit is under lien against bank guarantee.

## 17 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| No. of shares                 |                   |  |                |                |
|-------------------------------|-------------------|--|----------------|----------------|
| 2008                          | 2007              |  |                |                |
| Ordinary shares of Rs.10 each |                   |  |                |                |
| 17,650,862                    | 17,650,862        | Fully paid up in cash                    | 176,509        | 176,509        |
| 3,295,354                     | 3,295,354         | Fully paid bonus shares                  | 32,953         | 32,953         |
| 358,206                       | 358,206           | Issued for consideration other than cash | 3,582          | 3,582          |
| <u>21,304,422</u>             | <u>21,304,422</u> |  | <u>213,044</u> | <u>213,044</u> |

### 17.1 Movement in share capital during the year

| No. of shares     |                   |   |                |                |
|-------------------|-------------------|---|----------------|----------------|
| 2008              | 2007              |   |                |                |
| 21,304,422        | 6,555,300         | As at June 30   | 213,044        | 65,553         |
| -                 | 14,749,122        | Issued right shares of Rs 10 each as fully paid up shares | -              | 147,491        |
| <u>21,304,422</u> | <u>21,304,422</u> |   | <u>213,044</u> | <u>213,044</u> |

17.2 The company has one class of ordinary shares which carry no right to fixed income.

17.3 6,480,424 (2007:6,480,424) ordinary shares of Rs. 10/- each were held by associated companies as at the year end.

17.4 Bibojee Services (Private) Limited, the ultimate holding company, held 8,343,397 ( 2007: 8,343,397) ordinary shares of Rs. 10/- each as at the year end.

## 18 RESERVES

|                  |      |               |               |
|------------------|------|---------------|---------------|
| Capital Reserves | 18.1 | 40,800        | 40,800        |
| Revenue Reserves | 18.2 | 2,400         | 2,400         |
|                  |      | <u>43,200</u> | <u>43,200</u> |

### 18.1 Capital Reserves

|                                  |  |               |               |
|----------------------------------|--|---------------|---------------|
| Tax holiday reserve              |  |               |               |
| Balance as at beginning and end  |  | 5,500         | 5,500         |
| Fixed assets replacement reserve |  |               |               |
| Balance as at beginning and end  |  | 10,000        | 10,000        |
| Contingency reserve              |  |               |               |
| Balance as at beginning and end  |  | 25,300        | 25,300        |
|                                  |  | <u>40,800</u> | <u>40,800</u> |

### 18.2 Revenue Reserves

|                                 |  |              |              |
|---------------------------------|--|--------------|--------------|
| Balance as at beginning and end |  | <u>2,400</u> | <u>2,400</u> |
|---------------------------------|--|--------------|--------------|



## 19 SURPLUS ON REVALUATION OF FIXED ASSETS AND IMMOVABLE PROPERTIES

|  | Note | 2008<br>(Rupees in '000') | 2007<br>(Rupees in '000') |
|--|------|---------------------------|---------------------------|
| Balance as at 1 July   |      | 1,095,542                 | 1,100,945                 |
| Deferred Taxation on unrealised surplus reversed as no longer considered necessary             |      | -                         | -                         |
| Add: Revaluation during the year   |      | -                         | -                         |
| Transferred to accumulated profit:   |      |                           |                           |
| Surplus relating to incremental depreciation charged during the year                           |      | (5,403)                   | (5,403)                   |
|  |      | <u>1,090,139</u>          | <u>1,095,542</u>          |
| Less: Related deferred tax   |      |                           |                           |
| Deferred Tax on revaluation as at 1st July   |      | 15,484                    | 17,375                    |
| Transferred to accumulated loss on account of incremental depreciation charged during the year |      | (1,891)                   | (1,891)                   |
|  |      | <u>13,593</u>             | <u>15,484</u>             |
|  |      | <u>1,076,546</u>          | <u>1,080,058</u>          |

## 20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The company has acquired motor vehicles under finance lease arrangements from leasing companies. The arrangements are secured by title of assets leased. Rentals are payable in monthly installments. Repair and insurance cost are to be borne by the company. The rate of financial charges applied ranges from 13.78 % to 18.37 % per annum (2007: 13.78% to 16%).

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

|  | June 30, 2008          |   | June 30, 2007          |   |
|--|------------------------|---|------------------------|---|
|  | Minimum lease payments | Present value of minimum lease payments | Minimum lease payments | Present value of minimum lease payments |
|  | -----Rupees '000'----- |   |                        |   |
| Year ended June 30, 2008                               | -                      | -                                       | 8,660                  | 6,433                                   |
| Year ended June 30, 2009                               | 9,400                  | 7,989                                   | 8,842                  | 7,593                                   |
| Year ended June 30, 2010                               | 6,581                  | 6,244                                   | 6,207                  | 5,977                                   |
| Year ended June 30, 2011                               | 1,984                  | 1,921                                   | 1,736                  | 1,656                                   |
| <b>Total minimum lease payments</b>                    | <u>17,965</u>          | <u>16,154</u>                           | <u>25,445</u>          | <u>21,659</u>                           |
| Less: Financial charges allocated to future periods    | 1,811                  | -                                       | 3,786                  | -                                       |
| Present value of minimum lease payments                | <u>16,154</u>          | <u>16,154</u>                           | <u>21,659</u>          | <u>21,659</u>                           |
| Less: Current maturity shown under current liabilities | 7,989                  | 7,989                                   | 6,433                  | 6,433                                   |
|  | <u>8,165</u>           | <u>8,165</u>                            | <u>15,226</u>          | <u>15,226</u>                           |

## 21 DEFERRED LIABILITIES

|  | Note | 2008<br>(Rupees in '000') | 2007<br>(Rupees in '000') |
|--|------|---------------------------|---------------------------|
| 21.1 Deferred Taxation                           | 21.1 | 15,942                    | 17,648                    |
| 21.2 Gain on sale and lease back of fixed assets | 21.2 | 462                       | 924                       |
| 21.3 Provision for gratuity                      | 21.3 | 1,531                     | -                         |
|  |      | <u>17,935</u>             | <u>18,572</u>             |





|  | Note | 2008<br>(Rupees in '000') | 2007          |
|--|------|---------------------------|---------------|
| <b>21.1 Deferred Taxation</b>  |      | <b>15,942</b>             | <b>17,648</b> |
| <b>The following are the major tax liabilities and assets recognised by the company:</b> |      |                           |               |
| Accelerated tax depreciation   |      | 19,391                    | 20,199        |
| Revaluation of fixed assets  |      | 13,593                    | 1,891         |
| Obligation under finance lease   |      | 784                       | -             |
| Gain on sale and lease back of fixed assets  |      | (162)                     | -             |
| Provision for gratuity   |      | (536)                     | -             |
| Provision for obsolescence:  |      |                           |               |
| Stores and spares  |      | (2,210)                   | (2,210)       |
| Stock in trade   |      | (12,686)                  | -             |
| Provision for bad / doubtful:  |      |                           |               |
| Trade Debts  |      | (241)                     | (241)         |
| Advance to Supplier  |      | (411)                     | (411)         |
| Bank Guarantee   |      | (116)                     | (116)         |
| Sundry Receivables   |      | (682)                     | (682)         |
| Cash at bank   |      | (782)                     | (782)         |
| Deferred taxation  |      | <u>15,942</u>             | <u>17,648</u> |
| <b>21.2 Gain on sale and lease back of fixed asset</b>                                   |      |                           |               |
| Gain on sale and lease back of motor vehicle   |      | 1,386                     | 1,386         |
| Amortised to date  |      | (924)                     | (462)         |
|  |      | <u>462</u>                | <u>924</u>    |

The company had entered into a sale and leaseback transaction with Orix Leasing Pakistan Limited during the year ended June 30, 2007 which has resulted in a finance lease. The excess of sale proceeds over the net book value of motor vehicle under a sale and leaseback arrangement has been recognised as deferred income and is being amortised over the period of the lease term.

### 21.3 PROVISION FOR GRATUITY

|                                     |  |              |   |
|-------------------------------------|--|--------------|---|
| Balance at beginning                |  | -            | - |
| Add: Charge for the year            |  | 1,531        | - |
|                                     |  | <u>1,531</u> | - |
| Less: Benefits paid during the year |  | -            | - |
|                                     |  | <u>1,531</u> | - |

Movement in the present value of defined benefit obligation is as follows:

|   |  |              |   |
|---|--|--------------|---|
| Present value of defined benefit obligation as at July 1  |  | -            | - |
| Current service cost                                      |  | 1,531        | - |
| Interest cost   |  | -            | - |
| Benefit paid  |  | -            | - |
| Actuarial (gain) / loss                                   |  | -            | - |
| Present value of defined benefit obligation as at June 30 |  | <u>1,531</u> | - |

The expense is recognized in the following line items in the income statement:

|                            |      |              |   |
|----------------------------|------|--------------|---|
| Cost of goods manufactured | 29.3 | 427          | - |
| Distribution cost          | 30.1 | 314          | - |
| Administrative expenses    | 31.1 | 791          | - |
|                            |      | <u>1,532</u> | - |

Principal actuarial assumptions at the balance sheet date for:

|   |  |         |   |
|---|--|---------|---|
| Discount rate   |  | 12%     | - |
| Future salary increases                                   |  | 11%     | - |
| Average expected remaining working life time of employees |  | 9 years | - |



|  | Note | 2008<br>(Rupees in '000') | 2007           |
|--|------|---------------------------|----------------|
| <b>22 TRADE AND OTHER PAYABLE</b>                        |      |                           |                |
| Creditors  |      | 120,737                   | 74,368         |
| Bills payable  |      | 271,111                   | 365,563        |
| Accrued liabilities                                      |      | 40,278                    | 40,236         |
| Customers credit balances                                |      | 22,971                    | 64,592         |
| Other dealers' credit balances                           |      | 1,085                     | 1,085          |
| Advance against sale of investment in immovable property |      | 5,000                     | 5,000          |
| Custom duty payable                                      |      | 5,969                     | 24,092         |
| Payable to trustees' provident fund                      |      | 178                       | 178            |
| Unclaimed dividends                                      |      | 6,872                     | 7,367          |
| Retention money  |      | -                         | 433            |
| Earnest money  |      | -                         | 24             |
| Withholding tax  |      | 1,150                     | 1,096          |
| Due to associated companies                              | 22.1 | 67,029                    | 134,626        |
| Due to subsidiary company                                |      | 2,086                     | 2,032          |
| Royalty payable  |      | 13,981                    | 11,231         |
| Federal Excise Duty payable                              |      | 423                       | 423            |
| Drawing fee payable                                      |      | -                         | 625            |
| Corporate assets tax                                     |      | 2,000                     | 2,000          |
| Waqf-e-Kuli Khan   |      | 8,318                     | 8,318          |
| Sales Tax Payable  |      | 14                        | 14             |
| Worker profit participation fund                         | 22.2 | 12,410                    | 10,828         |
| Worker Welfare fund                                      |      | 589                       | 4,489          |
| Others   |      | 1,202                     | 2,366          |
|  |      | <u>583,403</u>            | <u>760,986</u> |
| <b>22.1 Due to associated companies</b>                  |      |                           |                |
| Bibojee Services (Private) Limited                       |      | 48,001                    | 56,848         |
| The General Tyre & Rubber Company of Pakistan Limited    |      | 7,365                     | 14,387         |
| Ghandhara Nisan Limited                                  |      | 9,051                     | 57,583         |
| Universal Insurance Company Limited                      |      | 2,402                     | 5,335          |
| Rehman Cotton Mills Limited                              |      | 210                       | 473            |
|  |      | <u>67,029</u>             | <u>134,626</u> |
| <b>22.2 Worker profit participation fund</b>             |      |                           |                |
| Balance at beginning of year                             |      | 10,828                    | 7,723          |
| Add: Charge for the year                                 |      | 1,582                     | 10,828         |
|  |      | <u>12,410</u>             | <u>18,551</u>  |
| Less: Reversal / Payments during the year                |      | -                         | 7,723          |
| Balance at end of year                                   |      | <u>12,410</u>             | <u>10,828</u>  |
| <b>23 ACCRUED MARK UP/ INTEREST</b>                      |      |                           |                |
| Mark up on   |      |                           |                |
| Short term loan / Running finances & Borrowings secured  |      | 5,006                     | 3,630          |
| Long term loans unsecured                                |      | 4,514                     | 4,514          |
|  |      | <u>9,520</u>              | <u>8,144</u>   |



## 24 RUNNING FINANCES AND BORROWINGS

### Secured

Finance against imported material

Running finance from bank

| Note | 2008<br>(Rupees in '000') | 2007          |
|------|---------------------------|---------------|
|      | -                         | 82,205        |
| 24.2 | <u>90,339</u>             | <u>-</u>      |
|      | <u>90,339</u>             | <u>82,205</u> |

24.1 The facility for opening letters of credit as at 30 June 2008 amounted to Rs. 713 million (30 June 2007: Rs. 660 million) of which the amount remaining unutilized at the year-end was 205 million (2007: Rs. 151 million). These facilities are secured against hypothecation of books debts, stocks and other receivables amounting to Rs. 160 million (2007: Rs.160 million) and mortgage of company property amounting to Rs. 375 million and pledge of company's stock. Further, it is also secured against personal guarantees of chief executive and a director of the company. These facilities will expire on September 30, 2008 (2007: February 28, 2008).

24.2 The Company has facility for short-term running finance amounting to Rs. 150 million (2007: Rs. 50 million) from a bank. The rate of mark up is based on 3 months KIBOR plus 3% payable quarterly. The arrangement is secured by way of equitable charge over fixed assets with a token registered charge of Rs. 0.5 million over company property bearing F-3 SITE, Karachi and hypothecation charge over moveables and receivables of Rs. 200 million.

## 25 PROVISION FOR TAXATION

|                            |                |                |
|----------------------------|----------------|----------------|
| Balance at beginning       | 118,512        | 39,960         |
| Provided during the year   | 13,036         | 78,552         |
| Adjustment during the year | -              | -              |
|                            | <u>131,548</u> | <u>118,512</u> |

## 26 CONTINGENCIES & COMMITMENTS

### 26.1 Contingent Liabilities

- Claims against the company not acknowledged as debt Rs. 27.043 million (2006: Rs.27.0430) relating to sales tax on 10,000 units of gear boxes and rear axles each claimed by a supplier which has been contested by the company.
- Suit against the company by the supplier for the recovery of Rs. 25.867 million (2006: Rs. 25.867 million) as compensation for breach of agreement. The suit is being defended by the company on a number of legal grounds. The suit is at present in evidence stage and the company has plausible defense.
- Various demands have been raised by the Central Excise and Sales Tax Departments amounting to Rs. 4.896 million (2006: Rs. 4.896 million). No provision has been made in these financial statements as, in the opinion of legal advisors, the company will have favorable decision.



(iv) The Company had obtained legal advice in connection with the establishment of Worker's Participation Fund (the Fund) under the Companies Profits (Workers' Participation) Act, 1968 (the Act). The legal advisor is of the view that since, during the year ended 30 June 2006, the Company did not employ any person who falls under the definition of worker as defined in the Act of 1968, it was not legally or factually possible to constitute the Fund as required by section 3 of the Act. As a consequence, the Company was not required to make contributions to the fund established pursuant to Workers' Welfare Fund Ordinance 1971. The company based on legal advice has written back in the financial statements for the year ended as on June 30, 2007 the amount of Worker's Profit Partiipation Fund provided during the year 30 June 2006.

Furthermore, the question whether a company to which the Act of 1968 and its scheme applies but which does not employ any worker is nevertheless obliged to establish and pay contributions into the fund under the act and thereafter transfer the same to the fund established under the Workers' Welfare Fund Ordinance, 1971 is pending adjudication in Sindh High Court at Karachi on a constitutional petition filed by another compny in December 2003.

If it is established that the above provisions of the Act are applicable to the Company, provision in respect of year ended 30 June 2006 amounting to Rs. 7.722 million including any penalties may become payable.

|  | Note | 2008<br>(Rupees in '000') | 2007             |
|--|------|---------------------------|------------------|
| <b>26.2 Guarantees</b>   |      |                           |                  |
| Issued by banks  |      | <u>74,546</u>             | <u>95,928</u>    |
| Guarantees are issued to Government and Semi-government institutions and shall be released on delivery of trucks and buses. These are issued under normal operations.                  |      |                           |                  |
| <b>26.3 Post dated cheques</b>   |      |                           |                  |
|  |      | <u>103,760</u>            | <u>460,891</u>   |
| Post dated cheques have been issued in favour of Collector of Customs on account of duty differential. These cheques will be returned after necessary verification by the authorities. |      |                           |                  |
| <b>26.4 Commitments</b>  |      |                           |                  |
| Confirmed letters of credit-CKD  |      | <u>153,896</u>            | <u>105,157</u>   |
| <b>27 NET SALES</b>  |      |                           |                  |
| <b>Manufactured goods</b>  |      |                           |                  |
| Sales  |      | <u>1,858,850</u>          | <u>1,918,746</u> |
| Sale tax   |      | <u>(12,637)</u>           | <u>(13,447)</u>  |
|  |      | <u>1,846,213</u>          | <u>1,905,299</u> |
| <b>Trading stock</b>   |      |                           |                  |
| Sales  |      | <u>11,152</u>             | <u>3,117</u>     |
| Sales Tax  |      | <u>(307)</u>              | <u>(365)</u>     |
|  |      | <u>10,845</u>             | <u>2,752</u>     |
|  |      | <u>1,857,058</u>          | <u>1,908,051</u> |
| <b>28 COST OF SALES</b>  |      |                           |                  |
| <b>Manufactured goods</b>  |      |                           |                  |
| Stock at beginning of year   |      | <u>164,578</u>            | <u>143,073</u>   |
| Cost of goods manufactured   | 28.1 | <u>1,594,532</u>          | <u>1,586,114</u> |
|  |      | <u>1,759,110</u>          | <u>1,729,187</u> |
| Stock at end of year   |      | <u>(57,931)</u>           | <u>(164,578)</u> |
|  |      | <u>1,701,179</u>          | <u>1,564,609</u> |
| <b>Trading stock</b>   |      |                           |                  |
| Stock at beginning of year   |      | <u>28,469</u>             | <u>23,852</u>    |
| Purchases  |      | <u>19,745</u>             | <u>7,136</u>     |
|  |      | <u>48,214</u>             | <u>3,098,8</u>   |
| Stock at end of year   |      | <u>(35,362)</u>           | <u>(28,469)</u>  |
|  |      | <u>12,852</u>             | <u>2,519</u>     |
|  |      | <u>1,714,031</u>          | <u>1,567,128</u> |



|  | Note | 2008<br>(Rupees in '000') | 2007             |
|--|------|---------------------------|------------------|
| <b>28.1 COST OF GOODS MANUFACTURED</b>   |      |                           |                  |
| Work-in-process at beginning of year   |      | -                         | 26,656           |
| Raw material and components consumed   | 28.2 | 1,466,826                 | 1,451,935        |
| Stores and spares consumed   |      | 488                       | 62               |
| Salaries, wages and other benefits   | 28.3 | 23,501                    | 14,839           |
| Fuel and power   |      | 3,249                     | 2,764            |
| Rent, rates and taxes  |      | 585                       | 553              |
| Insurance  |      | 4,549                     | 2,701            |
| Research & development   |      | 10                        | 672              |
| Repairs and maintenance  |      | 94                        | 635              |
| Travelling & entertainment   |      | 778                       | 842              |
| Out side assembly charges  |      | 70,348                    | 50,760           |
| Depreciation on fixed assets   | 5.2  | 11,375                    | 24,099           |
| Running Royalty  |      | 11,201                    | 8,454            |
| Federal Excise Duty on royalty   |      | -                         | 423              |
| Other Expenses   |      | 1,528                     | 719              |
|  |      | <u>1,594,532</u>          | <u>1,586,114</u> |
| Work-in-process at end of year   |      | -                         | -                |
|  |      | <u>1,594,532</u>          | <u>1,586,114</u> |
| <b>28.2 RAW MATERIAL &amp; COMPONENTS CONSUMED</b>   |      |                           |                  |
| Stock at beginning of year   |      | 456,222                   | 502,132          |
| Purchases including duties, taxes and other charges  |      | <u>1,385,363</u>          | <u>1,406,025</u> |
|  |      | 1,841,585                 | 1,908,157        |
| Stock at end of year   |      | (374,759)                 | (456,222)        |
|  |      | <u>1,466,826</u>          | <u>1,451,935</u> |
| <b>28.3 The following amounts have been charged to cost of sales during the year in respect of gratuity:</b>         |      |                           |                  |
| Current service cost   |      | <u>427</u>                | -                |
| <b>29 DISTRIBUTION EXPENSES</b>  |      |                           |                  |
| Salaries, wages and benefits   | 29.1 | 8,370                     | 3,594            |
| Commission   |      | 28,721                    | 35,725           |
| Rent, rates and taxes  |      | 396                       | 104              |
| Insurance  |      | 425                       | 229              |
| Repairs and maintenance  |      | 756                       | 1,564            |
| Utilities  |      | 59                        | 37               |
| Travelling and entertainment   |      | 1,528                     | 1,046            |
| Communication and stationery   |      | 918                       | 327              |
| After sale services and warranty   |      | 2,159                     | 740              |
| Advertisement  |      | 3,486                     | 659              |
| Legal and professional charges   |      | -                         | 72               |
| Subscriptions  |      | 86                        | 109              |
| Late Delivery Charges  |      | -                         | 7,992            |
| Depreciation on fixed assets   | 5.2  | 2,804                     | 2,908            |
| Freight forwarding   |      | 2,024                     | 4,398            |
| Other expenses   |      | 640                       | 1,153            |
|  |      | <u>52,372</u>             | <u>60,657</u>    |
| <b>29.1 The following amounts have been charged to distribution expenses during the year in respect of gratuity:</b> |      |                           |                  |
| Current service cost   |      | <u>314</u>                | -                |



|   | Note | 2008<br>(Rupees in '000') | 2007          |
|---|------|---------------------------|---------------|
| <b>30 ADMINISTRATION EXPENSES</b>   |      |                           |               |
| Salaries, wages and benefits  | 30.1 | 15,045                    | 12,704        |
| Rent, rates and taxes   | 30.2 | 438                       | 689           |
| Insurance   |      | 1,092                     | 590           |
| Repairs and maintenance   |      | 7,149                     | 11,856        |
| Utilities   |      | 24                        | 13            |
| Travelling and entertainment  |      | 4,327                     | 4,360         |
| Communication and stationery  |      | 2,616                     | 3,671         |
| Advertisement   |      | 285                       | 768           |
| Auditor's remuneration  |      |                           |               |
| Audit fee   |      | 250                       | 250           |
| Out of pocket expenses  |      | 10                        | 10            |
|   |      | 260                       | 260           |
| Legal and professional charges  | 30.3 | 1,617                     | 1,514         |
| Subscriptions   |      | 528                       | 655           |
| Donation  | 30.4 | 1,423                     | 10,298        |
| Depreciation on fixed assets  | 5.2  | 4,803                     | 4,816         |
| Depreciation on investment in immovable properties  | 6.1  | 259                       | 259           |
| Security Expenses   |      | 1,810                     | 1,468         |
| Other expenses  |      | 604                       | 629           |
|   |      | <u>42,280</u>             | <u>54,550</u> |
| <b>30.1</b> The following amounts have been charged to administration expenses during the year in respect of gratuity:  |      |                           |               |
| Current service cost  |      | 791                       | -             |
| <b>30.2</b> This includes rent paid to Rehman Cotton Mills Limited (Associated Company) amounting to Rs. 0.110 million.   |      |                           |               |
| <b>30.3</b> This includes retainership fee amounting to Rs. 0.120 million paid to Hasan & Hasan. Dr. Parvez Hasan, director of the company, is the partner of the firm.   |      |                           |               |
| <b>30.4</b> Donation of Rs. Nil (2007: Rs. 8.168 million) charged in these financial statements is payable to Waqf-e-Kuli Khan, 2nd Floor, Gardee Trust Building, Napier Road, Lahore, a trust. Lt. Gen. (Retd) Ali Kuli Khan Khattak, Mr. Ahmed Kuli Khan Khattak, Mr. Raza uli Khan Khattak and Mr. Mustaq Ahmed Khan, the directors of the company, are trustees of the trust. |      |                           |               |
| <b>31 OTHER OPERATING EXPENSES</b>  |      |                           |               |
| Worker Profit Particiapation Fund   |      | 1,582                     | 10,828        |
| Worker Welfare fund   |      | 589                       | 4,489         |
| Commission paid   |      | -                         | 817           |
|   |      | <u>2,171</u>              | <u>16,134</u> |
| <b>32 OTHER OPERATING INCOME</b>  |      |                           |               |
| <b>From financial assets</b>  |      |                           |               |
| Profit on bank deposits   |      | 651                       | 1,439         |
| <b>From non financial assets</b>  |      |                           |               |
| Scrap sales   |      | -                         | 1,432         |
| Gain on sale of fixed assets  |      | 239                       | 2,707         |
| Amortisation of gain on sale and lease back of fixed asset  | 21.2 | 462                       | 462           |
| Commission received   |      | -                         | 3,870         |
| Others  |      | 35                        | 168           |
| Reversal of WPPF  |      | -                         | 7,723         |
| Exchange gain   |      | -                         | 538           |
| Late delivery charges recovered   |      | 7,081                     | -             |
| Reversal of long outstanding credit balances  |      | 3,054                     | -             |
|   |      | <u>11,522</u>             | <u>18,339</u> |



| <b>33 FINANCE COST</b>   | <b>Note</b> | <b>2008</b><br>(Rupees in '000') | <b>2007</b>     |
|--|-------------|----------------------------------|-----------------|
| Finance charge on finance lease  |             | 2,475                            | 860             |
| Markup on finance against merchandise  |             | 3,512                            | 12,707          |
| Markup on payments against documents   |             | -                                | 6,398           |
| Markup on running finance  |             | 16,744                           | -               |
| Discounting of bills   |             | 459                              | 2,821           |
| L/G charges  |             | 1,044                            | 568             |
| Amount due to subsidiary company   |             | 204                              | 199             |
| Bank charges and commission  |             | 1,543                            | 3,125           |
| Exchange loss  |             | 1,739                            | -               |
| Loss on remeasurement of derivatives   |             | 544                              | -               |
|  |             | <u>28,264</u>                    | <u>26,678</u>   |
| <br><b>34 TAXATION</b>   |             |                                  |                 |
| Current  |             |                                  |                 |
| for the year   |             | (13,036)                         | (78,552)        |
| prior year   |             |                                  | -               |
| Deferred   |             | 1,706                            | 3,791           |
|  |             | <u>(11,330)</u>                  | <u>(74,761)</u> |
| <br><b>34.1 Relationship between tax expense and accounting profit</b>             |             |                                  |                 |
| Profit before taxation   |             | <u>29,462</u>                    | <u>201,243</u>  |
| Tax at the applicable income tax rate 35% (2007: 35%)                              |             | 10,313                           | 70,435          |
| Tax effect of expenses that are not deductible for tax purposes                    |             | 8,750                            | 11,530          |
| Deductible for tax purposes  |             | (6,027)                          | (3,413)         |
| Deferred tax charge  |             | (1,706)                          | (3,791)         |
|  |             | <u>11,330</u>                    | <u>74,761</u>   |
| <br><b>35 BASIC EARNING PER SHARE</b>  |             |                                  |                 |
| Profit after taxation for the year   |             | 18,132                           | 126,482         |
|  |             | <b>Numbers</b>                   |                 |
| Weighted average number of outstanding ordinary shares outstanding during the year |             | 21,304                           | 20,842          |
|  |             | <b>Rupees</b>                    |                 |
| Basic and diluted earnings per share   |             | <u>0.85</u>                      | <u>6.07</u>     |



| <b>36 CASH GENERATED FROM OPERATIONS</b>                      | <b>Note</b> | <b>2008</b><br>(Rupees in '000') | <b>2007</b> |
|---|-------------|----------------------------------|-------------|
| Profit/(Loss) before taxation                                 |             | <b>29,462</b>                    | 201,243     |
| <b>Adjustment for non cash charges and other items</b>        |             |                                  |             |
| Depreciation  |             |                                  |             |
| Fixed assets  |             | <b>18,982</b>                    | 31,823      |
| Investment properties   |             | <b>259</b>                       | 259         |
| Gain on sale of fixed assets                                  |             | <b>(239)</b>                     | (2,707)     |
| Amortisation of gain on sale and lease back<br>of fixed asset |             | <b>(462)</b>                     | (462)       |
| Interest expense  |             | <b>28,264</b>                    | 26,678      |
| Provision for gratuity  |             | <b>1,531</b>                     | -           |
| Operating profit before working capital changes               |             | <b>77,797</b>                    | 256,834     |
| Working capital changes                                       | 36.1        | <b>(78,339)</b>                  | (51,434)    |
|   |             | <b>(542)</b>                     | 205,400     |

### 36.1 Working Capital Changes

|  |  |                  |           |
|--|--|------------------|-----------|
| (Increase) / Decrease in current assets      |  |                  |           |
| Stores and spares                            |  | <b>(21)</b>      | -         |
| Stock-in-trade                               |  | <b>181,217</b>   | 46,444    |
| Trade debts                                  |  | <b>26,554</b>    | (79,068)  |
| Loans and Advances                           |  | <b>3,110</b>     | (8,314)   |
| Deposits and Prepayments                     |  | <b>(41,585)</b>  | (16,817)  |
| Other receivables                            |  | <b>(70,526)</b>  | (48,326)  |
|  |  | <b>98,749</b>    | (106,081) |
| (Decrease) / Increase in current liabilities |  |                  |           |
| Trade and other payable                      |  | <b>(177,088)</b> | 54,647    |
|  |  | <b>(78,339)</b>  | (51,434)  |

### 37 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the Balance sheet.

|                                      |  |                 |          |
|--------------------------------------|--|-----------------|----------|
| Cash and bank balances               |  | <b>22,919</b>   | 128,467  |
| Short-term loan and running finances |  | <b>(90,339)</b> | (82,205) |
|                                      |  | <b>(67,420)</b> | 46,262   |





## 38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 38.1 Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table provides information about the exposure of the company to interest / mark-up rate risk at the balance sheet date.

|  | Intrest/Markup bearing  |                         |                | Non Intrest/Markup bearing bearing |                         |                | Total          | Total          |
|--|-------------------------|-------------------------|----------------|------------------------------------|-------------------------|----------------|----------------|----------------|
|  | Maturity up to one year | Maturity after one year | Sub total      | Maturity after one year            | Maturity after one year | Sub total      | 2008           | 2007           |
| ----- ( Ru p e s 000) -----                          |                         |                         |                |                                    |                         |                |                |                |
| <b>Financial assets</b>                              |                         |                         |                |                                    |                         |                |                |                |
| Investments  | -                       | -                       | -              | -                                  | 1,400                   | 1,400          | 1,400          | 1,400          |
| Long term loan and advances                          | -                       | -                       | -              | 459                                | 461                     | 920            | 920            | 1,035          |
| Long term Deposits                                   | -                       | -                       | -              | -                                  | 3,999                   | 3,999          | 3,999          | 3,846          |
| Loans and advances                                   | -                       | -                       | -              | 178,340                            | -                       | 178,340        | 178,340        | 120,050        |
| Trade debts  | -                       | -                       | -              | 56,903                             | -                       | 56,903         | 56,903         | 83,457         |
| Other receivables                                    | -                       | -                       | -              | 140,583                            | -                       | 140,583        | 140,583        | 70,057         |
| Deposits -   | -                       | -                       | -              | 150,662                            | -                       | 150,662        | 150,662        | 109,077        |
| Cash and bank balances                               | 7,955                   | -                       | 7,955          | 14,964                             | -                       | 14,964         | 22,919         | 128,467        |
| <b>2008</b>  | <b>7,955</b>            | <b>-</b>                | <b>7,955</b>   | <b>541,911</b>                     | <b>5,860</b>            | <b>547,771</b> | <b>555,726</b> | <b>517,389</b> |
| <b>2007</b>  | <b>556</b>              | <b>-</b>                | <b>556</b>     | <b>510,952</b>                     | <b>5,881</b>            | <b>516,833</b> | <b>517,389</b> |                |
| <b>Financial liabilities</b>                         |                         |                         |                |                                    |                         |                |                |                |
| Liabilities against assets subject to finance leases | 7,989                   | 8,165                   | 16,154         | -                                  | -                       | -              | 16,154         | 21,659         |
| Running finances under mark-up arrangements          | 90,339                  | -                       | 90,339         | -                                  | -                       | -              | 90,339         | 82,205         |
| Trade and other payables                             | -                       | -                       | -              | 583,389                            | -                       | 583,389        | 583,389        | 760,346        |
| Accrued mark-up                                      | -                       | -                       | -              | 9,520                              | -                       | 9,520          | 9,520          | 8,144          |
| <b>2008</b>  | <b>98,328</b>           | <b>8,165</b>            | <b>106,493</b> | <b>592,909</b>                     | <b>-</b>                | <b>592,909</b> | <b>699,402</b> | <b>872,354</b> |
| <b>2007</b>  | <b>88,638</b>           | <b>15,226</b>           | <b>103,864</b> | <b>768,490</b>                     | <b>-</b>                | <b>768,490</b> | <b>872,354</b> |                |

38.2 The effective interest rates for financial assets and liabilities are as follows:

|                         | 2008       | 2007         |
|-------------------------|------------|--------------|
| <b>Financial Assets</b> |            |              |
| Cash and Bank Balances  | 2.5% to 9% | 2.5% to 3.5% |



|  | 2008                              | 2007  |
|--|-----------------------------------|---|
| <b>Financial Liabilities</b>                       |                                   |   |
| Finance against imported merchandise               | -                                 | one year KIBOR plus 3% with a floor of 14 % |
| Running finance                                    | <b>Three months KIBOR plus 3%</b> | -   |
| Liabilities against asset subject to finance lease | <b>13.78 % to 18.37 %</b>         | 13.78% to 16%                               |

### 38.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its receivables.

To manage exposure to credit risk, the company applies credit limits to its customers. Further, it obtains advance against sales and coverage under the agreements. Receivables includes balances due from the Government of Pakistan and other government departments. The company believes that it is not exposed to any specific credit risk in respect of these balances.

### 38.4 Foreign exchange risk management

Foreign currency risk arises mainly where payables exist due to imports of goods. Foreign currency risks relating to payables are covered through forward foreign exchange contracts if the company assesses that the exposure would have an unfavourable impact. As at the year end the company had liabilities in foreign currencies aggregating Rs. 285.515 million (2007: Rs. 377.419 million).

### 38.5 Capital risk management

The company's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to the shareholders or issue new shares.

### 38.6 Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its funding requirements. The company implies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines.

### 38.7 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, trade deposits and other receivables which are stated at cost / amortised cost.



### 39 RELATED PARTY TRANSACTIONS

| Name of Related Party and nature of relationship                               | Nature of transaction  | 2008              | 2007    |
|--|--|-------------------|---------|
|  |  | (Rupees in '000') |         |
| <b>(a) Subsidiary company</b>  |  |                   |         |
| Marghzar Industries (Private) Limited  | Financial charges  | 204               | 199     |
| <b>(b) Associated companies</b>  |  |                   |         |
| The General Tyre & Rubber Company of Pakistan Limited<br>(Common Directorship) | Purchase of Tyres  | 52,739            | 44,674  |
|  | Advance received against right shares (302,100 ordinary shares of Rs 10 each) and adjusted against shares issued to Bibojee Services (Private) Limited | -                 | 3,021   |
|  | Dividend paid  | -                 | 290     |
| Ghandhara Nissan Limited<br>(Common Directorship)                              | Assembly charges   | 70,348            | 50,760  |
|  | Right shares issued (3,874,626 ordinary shares of Rs 10 each)  | -                 | 38,746  |
|  | Dividend paid  | -                 | 15,499  |
|  | Sales - Fabrication  | 2,328             | -       |
|  | Reimbursement of expenses  | 9                 | -       |
| Universal Insurance Limited<br>(Common Directorship)                           | Insurance Premium  | 8,045             | 5,890   |
|  | Insurance Claim  | 181               | 1,836   |
|  | Right shares issued (1,187,507 ordinary shares of Rs 10 each)  | -                 | 11,875  |
|  | Dividend paid  | -                 | 3,576   |
| Bibojee Services (Private) Limited<br>(Common Directorship)                    | Sale of Vehicle  | 10,830            | 21,000  |
|  | Purchase of Vehicle  | 2,300             | -       |
|  | Right shares issued (6,388,773 ordinary shares of Rs 10 each)  | -                 | 63,888  |
|  | Dividend paid  | -                 | 24,597  |
| Rehman Cotton Mills Limited  | Rent paid  | 110               | -       |
| Hasan & Hasan Advocates  | Retainership fee   | 120               | -       |
| <b>(c) Technology suppliers</b>  |  |                   |         |
| Isuzu Motors Limited, Japan  | Running Royalty charges  | 7,149             | 7,798   |
|  | Initial royalty  | 3,460             | -       |
|  | Technical assistance/ training fee   | 592               | 656     |
|  | CKD Purchased  | -                 | 588,207 |
|  | Parts Purchased  | 20,119            | 1,772   |
|  | Reimbursement of advertisement expenses  | 782               | 1,254   |



#### 40 REMUNERATION OF THE DIRECTORS AND EXECUTIVES

|  | 2008                     | 2007          |
|--|--------------------------|---------------|
|  | <b>Executives</b>        |               |
|  | <b>(Rupees in '000')</b> |               |
| Managerial remuneration and allowances | 12,528                   | 11,148        |
|  | <u>12,528</u>            | <u>11,148</u> |
| Number of persons                      | <u>12</u>                | <u>12</u>     |

**40.1** Some executives are provided with free use of car maintained by the company.

**40.2** The amount charged in these financial statements in addition to those that are shown above is Rs 0.245 million (2007: Rs 0.175 million) in relation to fee for seven (2007: seven) directors.

#### 41 PRODUCTION CAPACITY

The production capacity of the plant cannot be determined as this depends upon the mix of various product assembly of trucks, buses & fabrication of commercial bodies.

The Company has outsourced the assembly of trucks and buses to Ghandhara Nissan Limited (Associated Undertaking) therefore figures for the actual production for the current year has not been given.

#### 42 CORRESPONDING FIGURES

The following items have been reclassified for the purpose of better presentation. Accordingly prior year figures have been reclassified.

|            | <b>Reclassification</b> |                       |                          |
|------------|-------------------------|-----------------------|--------------------------|
|            | <u>from component</u>   | <u>to component</u>   | <b>(Rupees in '000')</b> |
| Commission | Sales                   | Distribution expenses | 35,725                   |

#### 43 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 8, 2008 by the board of directors of the Company.

Chief Executive

Director



**Gandhara Industries Limited**  
**And its subsidiary**  
**Consolidated Financial Statements**  
**For the year ended**  
**June 30, 2008**



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Ghandhara Industries Limited and its subsidiary company, Marghzar Industries (Private) Limited as at 30 June 2008 and the related consolidated profit and loss account, 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 separate opinions on the financial statements of Ghandhara Industries Limited and its subsidiary company, Marghzar Industries (Pvt.) Limited. These financial statements are responsibility of the Company's management. Our responsibility is to express an opinion on these financial 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.

In our opinion, the consolidated financial statements present fairly the financial position of Ghandhara Industries Limited and its subsidiary company, Marghzar Industries (Private) Limited as at 30 June 2008 and the results of its operations for the year then ended.

Without qualifying our opinion, we draw attention to the note 27.1 (iv) to the financial statements, the holding company has written back for the year ended as on June 30, 2007 provision for Workers' Profit Participation Fund for the year ended 30 June 2006 based on a legal opinion and in a view of constitutional petition pending adjudication in the Sindh High Court on this matter.

If it is established that the provisions of the Companies Profits (Workers' Participation) Act, 1968 are applicable to the holding company, provision in respect of year ended 30 June 2006 amounting to Rs. 7.722 million including any penalties may be become payable.

Date 08 October 2008  
Karachi

**HAMEED CHAUDHRI & CO.**  
CHARTERED ACCOUNTANTS



## CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008

| ASSETS   | Note | 2008<br>(Rupees in '000') | 2007                    |
|--|------|---------------------------|-------------------------|
| <b>NON CURRENT ASSETS</b>  |      |                           |                         |
| Property, Plant & Equipment  | 5    | 1,028,798                 | 1,028,668               |
| Investment Properties  | 7    | 91,173                    | 91,432                  |
| Long term Investments  | 8    | -                         | -                       |
| Long term loans and advances   | 9    | 461                       | 635                     |
| Long Term Deposits   | 10   | 3,999                     | 3,846                   |
| <b>CURRENT ASSETS</b>  |      |                           |                         |
| Stores, spares parts and loose tools                                     | 11   | 21                        | -                       |
| Stock-in-trade   | 12   | 468,052                   | 649,269                 |
| Trade debts  | 13   | 56,903                    | 83,457                  |
| Loans and advances   | 14   | 178,620                   | 120,312                 |
| Deposits and Prepayments   | 15   | 150,662                   | 109,077                 |
| Other receivables  | 16   | 140,583                   | 70,057                  |
| Cash and Bank balances   | 17   | 22,939                    | 128,487                 |
|  |      | <b>1,017,780</b>          | <b>1,160,659</b>        |
| <b>TOTAL ASSETS</b>  |      | <b><u>2,142,211</u></b>   | <b><u>2,285,240</u></b> |
| <b>EQUITY AND LIABILITIES</b>  |      |                           |                         |
| <b>SHARE CAPITAL AND RESERVES</b>  |      |                           |                         |
| <b>Share Capital</b>   |      |                           |                         |
| <b>Authorised</b>  |      |                           |                         |
| 50,000,000 ordinary shares of Rs. 10 each                                |      | <u>500,000</u>            | <u>500,000</u>          |
| <b>Issued, subscribed and paid-up capital</b>                            | 18   | 213,045                   | 213,045                 |
| <b>Reserves</b>  | 19   | 43,200                    | 43,200                  |
| <b>Accumulated Loss</b>  |      | <u>(37,950)</u>           | <u>(59,620)</u>         |
| <b>Minority Interest</b>   |      | 218,295                   | 196,625                 |
|  |      | <u>184</u>                | <u>172</u>              |
|  |      | <b>218,479</b>            | <b>196,797</b>          |
| <b>SURPLUS ON REVALUATION OF FIXED ASSETS AND INVESTMENT PROPERTIES</b>  | 20   | 1,076,546                 | 1,080,058               |
| <b>NON CURRENT LIABILITIES</b>   |      |                           |                         |
| Liabilities against assets subject to finance leases                     | 21   | 8,165                     | 15,226                  |
| Deferred Liabilities   | 22   | 17,935                    | 18,572                  |
| <b>CURRENT LIABILITIES</b>   |      |                           |                         |
| Trade and other payable  | 23   | 581,396                   | 759,019                 |
| Accrued mark up / Interest   | 24   | 9,520                     | 8,144                   |
| Running Finance and Borrowings   | 25   | 90,339                    | 82,205                  |
| Current maturity of liabilities against assets subject to finance leases |      | 7,989                     | 6,433                   |
| Provision for taxation   | 26   | 131,842                   | 118,786                 |
|  |      | <b>821,086</b>            | <b>974,587</b>          |
| <b>CONTINGENT LIABILITIES &amp; COMMITMENTS</b>                          | 27   |                           |                         |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                      |      | <b><u>2,142,211</u></b>   | <b><u>2,285,240</u></b> |

The annexed notes from 1 to 44 form an integral part of these financial statements

Chief Executive

Director



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

### AS AT 30 JUNE 2008

|  | Note | 2008<br>(Rupees in '000') | 2007             |
|--|------|---------------------------|------------------|
| Net sales  | 28   | 1,857,058                 | 1,908,051        |
| Cost of sales                                      | 29   | <u>1,714,031</u>          | <u>1,567,128</u> |
| Gross profit                                       |      | 143,027                   | 340,923          |
| Distribution expenses                              | 30   | <u>52,372</u>             | <u>60,657</u>    |
| Administrative expenses                            | 31   | <u>42,426</u>             | <u>54,698</u>    |
|  |      | <u>94,798</u>             | <u>115,355</u>   |
| Operating profit                                   |      | 48,229                    | 225,568          |
| Other operating expenses                           | 32   | <u>2,171</u>              | <u>16,134</u>    |
|  |      | 46,058                    | 209,434          |
| Other operating income                             | 33   | <u>11,522</u>             | <u>18,339</u>    |
|  |      | 57,580                    | 227,773          |
| Finance cost                                       | 34   | <u>28,060</u>             | <u>26,479</u>    |
| Profit for the year before taxation                |      | 29,520                    | 201,294          |
| Taxation   | 35   | <u>(11,350)</u>           | <u>(74,779)</u>  |
| Profit for the year after taxation                 |      | <u>18,170</u>             | <u>126,515</u>   |
| Attributable to:                                   |      |                           |                  |
| Equity holders of the parent                       |      | 18,158                    | 126,505          |
| Minority interest                                  |      | <u>12</u>                 | <u>10</u>        |
|  |      | <u>18,170</u>             | <u>126,515</u>   |
| Combined earning per share - basic and diluted Rs. | 36   | 0.85                      | 6.07             |

The annexed notes from 1 to 44 form an integral part of these financial statements

Chief Executive

Director





## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

|   | Note | 2008<br>(Rupees in '000') | 2007            |
|---|------|---------------------------|-----------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                  |      |                           |                 |
| Cash (used) / generated from operations                     | 37   | (728)                     | 205,218         |
| Interest paid   |      | (24,209)                  | (31,148)        |
| Taxes paid (including tax deducted at source)               |      | (61,418)                  | (92,476)        |
| Long term loans and advances                                |      | 174                       | (446)           |
| Long terms deposits   |      | (153)                     | (3,110)         |
| Net cash flows from operating activities                    |      | (86,334)                  | 78,038          |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                  |      |                           |                 |
| Fixed capital expenditure                                   |      | (18,179)                  | (15,682)        |
| Sale proceeds of fixed assets                               |      | 239                       | 2,721           |
| Proceeds of sale and lease back of motor vehicle            |      | -                         | 15,000          |
| Net cash flows from investing activities                    |      | (17,940)                  | 2,039           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |                           |                 |
| Right shares subscription                                   |      | -                         | 85,862          |
| Dividend paid   |      | (495)                     | (59,516)        |
| Payment of lease rentals                                    |      | (8,913)                   | (3,663)         |
| Net cash flows from financing activities                    |      | (9,408)                   | 22,683          |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>(113,682)</b>          | <b>102,760</b>  |
| <b>Cash and cash equivalents at beginning of the year</b>   |      | <b>46,282</b>             | <b>(56,478)</b> |
| <b>Cash and cash equivalents at end of the year</b>         | 38   | <b>(67,400)</b>           | <b>46,282</b>   |

The annexed notes from 1 to 44 form an integral part of these financial statements

Chief Executive

Director



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2008

|  | Share Capital                  | Capital Reserves    |                                  |                     | Revenue Reserve | Accumulated Loss | Total          | Minority Interest | Total Equity   |
|--|--------------------------------|---------------------|----------------------------------|---------------------|-----------------|------------------|----------------|-------------------|----------------|
|  | Issued, subscribed and paid-up | Tax Holiday Reserve | Fixed Assets Replacement Reserve | Contingency Reserve |                 |                  |                |                   |                |
| <b>Rupees in '000'</b>   |                                |                     |                                  |                     |                 |                  |                |                   |                |
| Balance as at 1 July 2006  | 65,553                         | 5,500               | 10,000                           | 25,300              | 2,400           | (125,724)        | (16,971)       | 162               | (16,809)       |
| Issue of shares  | 147,491                        |                     |                                  |                     |                 |                  | 147,491        | -                 | 147,491        |
| Profit for the year  |                                |                     |                                  |                     |                 | 126,505          | 126,505        | 10                | 126,515        |
| Final Dividend paid (Rs.3 per share)   |                                |                     |                                  |                     |                 | (63,913)         | (63,913)       | -                 | (63,913)       |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation charged for year |                                |                     |                                  |                     |                 | 3,512            | 3,512          | -                 | 3,512          |
| <b>Balance as at 30 June 2007</b>  | <u>213,044</u>                 | <u>5,500</u>        | <u>10,000</u>                    | <u>25,300</u>       | <u>2,400</u>    | <u>(59,620)</u>  | <u>196,624</u> | <u>172</u>        | <u>196,796</u> |
| Profit for the year  |                                |                     |                                  |                     |                 | 18,158           | 18,158         | 12                | 18,170         |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation charged for year |                                |                     |                                  |                     |                 | 3,512            | 3,512          | -                 | 3,512          |
| <b>Balance as at 30 June 2008</b>  | <u>213,044</u>                 | <u>5,500</u>        | <u>10,000</u>                    | <u>25,300</u>       | <u>2,400</u>    | <u>(37,950)</u>  | <u>218,294</u> | <u>184</u>        | <u>218,478</u> |

The annexed notes from 1 to 44 form an integral part of these financial statements

Chief Executive

Director



## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 1 CORPORATE INFORMATION

Gandhara Industries Limited (the holding company) was incorporated on 23 February 1963. The holding company's shares are listed on Karachi and Lahore Stock Exchanges. The principal activity of the holding company is assembly and progressive manufacture of Isuzu trucks and buses.

Gandhara Industries Limited hold 70% equity in Marghzar Industries (Private) Limited.

### 2 STATEMENT OF COMPLIANCE

**2.1** 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 Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case the requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

#### **2.2 Amendments to published standard and new interpretation effective in 2007 - 2008:**

The following standards, amendments and interpretations to existing approved accounting standards have been published that are mandatory for the company's accounting periods beginning on or after July 1, 2007 or later periods:

- Amendments to IAS 1, 'Presentation of financial statements - Capital disclosures' introduces new disclosures relating to capital risk management and does not have any impact on the classification and valuation of the company's financial statements.
- Islamic Financial Accounting Standard 2 - Ijarah is mandatory for the company's accounting period beginning on or after July 1, 2007 for those ijarah agreements which commenced on or after this. It requires the recognition of 'ujrah payments' (lease rentals) against ijarah financing as an expense in the profit loss account on a straight line basis over the ijarah term. Presently, this standard does not have any affect on the company's financial statements.

#### **2.3 Standards, amendments and interpretations effective in 2007-2008 but not relevant:**

There are certain new standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2007 but are considered not to be relevant or have any significant effect to the company's operations and are therefore not disclosed in these financial statements.

#### **2.4 Standards, interpretations and amendments to approve accounting standards that are not yet effective:**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after July 1, 2008 or later periods:

- IFRS 7, 'Financial instruments: Disclosures' (effective from July 1, 2008) introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the financial instruments.
- IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.
- IFRIC 14 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The management has assessed that the adoption would not have a material impact on the Company's financial statements.



### 3 BASIS OF CONSOLIDATION

These consolidated financial statements comprise the financial statements of Ghandhara Industries Limited and its subsidiary, Marghzar Industries (Private) Limited. The financial statements of the subsidiary are included in the consolidated financial statements from the date the control commences, until the date when that control ceases. The financial statements of the subsidiary have been consolidated on line by line basis.

All material inter-group transactions and balances have been eliminated.

### 4 BASIS OF PREPARATION

#### 4.1 MEASUREMENT

These financial statements have been prepared under the historical cost convention, except as otherwise disclosed in the accounting policies below.

#### 4.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the companies accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Provision for taxation
- b) Accrued liabilities
- c) Useful life of depreciable assets
- d) Provision for doubtful receivables and slow moving inventories
- e) Estimation of net realisable value
- f) Accounting for retirement benefits

#### 4.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pak Rupees which is the company's functional currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand.

### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 5.1 PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment are stated at cost or valuation less accumulated depreciation and any identified impairment loss. Property, plant & equipment acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses.

The holding company has adopted the cost model for its Plant and Machinery. Consequently, the revalued figures of such assets as at July 1, 2005 have been treated as deemed cost. The surplus on revaluation on these assets shall be held on balance sheet till realisation in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

Capital work-in-progress is stated at cost accumulated up to the balance sheet date.

Depreciation on all operating assets, except leasehold land, is charged to profit on a straight line method so as to write off the cost or valuation of an asset less its estimated salvage value over its useful life. Depreciation is charged at the annual rates mentioned in note 6 to these accounts.



During the year, the holding company has changed its accounting estimate in respect of depreciation of lease hold land which is now charged on original cost as compared to previously charging the same on revalued amount. This change in accounting estimate has been applied prospectively in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. Had there been no change in these estimate, the profit before taxation would have been lower by Rs. 13.719 million.

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The depreciation method and useful lives of items of fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future years.

Any surplus arising on revaluation of leasehold land, building on leasehold land, plant and machinery is credited to the surplus on revaluation account. Valuations are performed frequently enough to ensure that the fair value of the revalued asset does not differ materially from its carrying amount. An amount equivalent to difference between depreciation based on the revalued carrying amount of the assets and depreciation based on original cost is transferred from surplus on revaluation and deferred taxation to unappropriated profit and Profit and loss account respectively.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gain/losses on sale of property, plant and equipment are charged to profit and loss account currently, except that the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

Maintenance and normal repairs are charged to expenses as and when incurred. Major renewals and improvements are capitalised and are depreciated over the remaining useful life of the related asset.

## **5.2 INVESTMENT**

### **Investment properties**

Property held for capital appreciation and rental yield, which is not in use of the holding company is classified as investment property. Investment properties comprise of leasehold land and buildings.

The holding company has adopted the cost model for its investment properties. Consequently, the revalued figures of such assets as at July 1, 2005 have been treated as deemed cost. The surplus on revaluation on these assets shall be held on the balance sheet till realisation in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

Investment properties are depreciated on straight line method at the annual rates mentioned in note 6 to these accounts, depending upon the class of assets.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and repairs are capitalised.

If an investment property becomes owner occupied, it is reclassified as fixed asset.

### **In shares**

Investments held by the holding company are classified as being available for sale and stated at fair value.

All purchases and sales are recognised on the trade dates. Realised gains and losses are included in the period in which they arise.

## **5.3 LONG TERM DEPOSITS**

These are stated at cost which represents the fair value of the consideration given.



#### **5.4 STORES, SPARES AND LOOSE TOOLS**

These are valued at the lower of cost computed principally on a first-in-first-out basis and net realizable value. Items in transit are stated at cost accumulated to balance sheet date.

#### **5.5 STOCK IN TRADE**

Stock-in-trade is valued at the lower of cost and net realizable value except for goods in transit which are stated at invoice values plus other charges paid thereon. Cost in relation to raw materials and components and trading stock (except for parts and accessories included in trading stock which are valued on average basis) is arrived at principally on first in first out basis. Cost of work in process and manufactured stocks including components includes direct wages and applicable manufacturing overheads.

Net realizable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

#### **5.6 TRADE DEBTS AND OTHER RECEIVABLES**

These are carried at original invoice amount less an estimate made for doubtful receivable balances based on review of age analysis of outstanding debts. Debts considered irrecoverable are written off.

#### **5.7 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents are comprise of cash in hand, cash at banks and running finances which are payable on demand.

#### **5.8 STAFF RETIREMENT BENEFITS**

The holding company has established unfunded gratuity scheme for all of its employees. Contributions under the schemes are made on the basis of actuarial valuation and are charged to Profit and Loss account. The valuation of both schemes was carried out on June 30, 2008 using the "Projected Unit Credit Method".

Actuarial gains and losses arising from the actuarial valuation are recognised over the average remaining service lives of employees.

#### **5.9 TAXATION**

##### **Current**

Provision for current year's taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or the minimum tax liability at the rate of 0.5% of turnover.

##### **Deferred**

Deferred tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial statements reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit 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 when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

#### **5.10 TRADE AND OTHER PAYABLES**

Trade and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.



#### **5.11 REVENUE RECOGNITION**

Sales are recognized when goods are invoiced and dispatch to customers. Rental and interest income is recorded on accrual basis.

#### **5.12 BORROWING COST**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are those assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are dealt with income in the period in which they are incurred.

#### **5.13 FOREIGN CURRENCY TRANSLATION**

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak rupees at the exchange rates prevailing on the balance sheet date.

Exchange gain and losses are recognised in the income currently.

#### **5.14 FINANCIAL ASSETS AND LIABILITIES**

Financial assets and financial liabilities are recognised when the company become a party to the contractual provisions of the instrument. All financial assets and 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, amortised cost or cost as the case may be.

#### **5.15 OFFSETTING OF FINANCIAL INSTRUMENTS**

Financial assets and financial liability is set-off and the net amount is reported in the balance sheet if the company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **5.16 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, 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 the obligation.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

#### **5.17 WARRANTY**

The holding company recognises the estimated liability to repair or replace products still under warranty at the balance sheet date to the extent of non-reimbursable portion from the principal.

#### **5.18 DIVIDEND**

Dividend distribution to the shareholders is accounted for as a liability in the period in which it is approved by the shareholders.

#### **5.19 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value.



## 5.20 INTEREST / MARK-UP BEARING LOANS AND BORROWINGS

Loans and borrowings are recorded at the proceeds received. Finance charges are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the periods in which they arise.

## 5.21 RELATED PARTY TRANSACTIONS

Transactions with related parties are carried out at arm's length price determined in accordance with the methods prescribed in the Companies Ordinance, 1984. Royalty is stated in accordance with Technical agreement duly registered with the State Bank of Pakistan .

|                          | Note | 2008<br>(Rupees in '000') | 2007             |
|--------------------------|------|---------------------------|------------------|
| Operating fixed assets   | 6.1  | 1,028,573                 | 1,028,668        |
| Capital work in progress | 6.7  | 225                       | -                |
|                          |      | <u>1,028,798</u>          | <u>1,028,668</u> |

## 6 PROPERTY, PLANT AND EQUIPMENT

### 6.1 Operating fixed assets

|                                    | OWNED            |                             |                   |                 |                      |                |             |                              |           |                        | LEASED         | TOTAL     |
|------------------------------------|------------------|-----------------------------|-------------------|-----------------|----------------------|----------------|-------------|------------------------------|-----------|------------------------|----------------|-----------|
|                                    | Leasehold land   | Building on lease hold land | Plant & Machinery | Permanent tools | Furniture & fixtures | Motor vehicles | Lift trucks | Office machines & equipments | Computers | Jigs and special tools | Motor vehicles |           |
| At June 30, 2006                   | (Rupees in '000) |                             |                   |                 |                      |                |             |                              |           |                        |                |           |
| Cost                               | 946,500          | 68,450                      | 47,112            | 3,023           | 935                  | 14,936         | 3,123       | 3,830                        | 1,416     | 25,630                 | -              | 1,114,955 |
| Accumulated depreciation           | -                | -                           | 46,486            | 3,022           | 918                  | 12,820         | 3,122       | 3,507                        | 1,086     | 10,895                 | -              | 81,856    |
| Book value                         | 946,500          | 68,450                      | 626               | 1               | 17                   | 2,116          | 1           | 323                          | 330       | 14,735                 | -              | 1,033,099 |
| Year ended June 30, 2007           |                  |                             |                   |                 |                      |                |             |                              |           |                        |                |           |
| Additions                          | -                | -                           | -                 | -               | -                    | 14,422         | -           | 783                          | 477       | -                      | 25,323         | 41,005    |
| Disposals:                         |                  |                             |                   |                 |                      |                |             |                              |           |                        |                |           |
| - Cost                             | -                | -                           | -                 | -               | -                    | 15,305         | -           | -                            | -         | -                      | -              | 15,305    |
| - depreciation                     | -                | -                           | -                 | -               | -                    | (1,692)        | -           | -                            | -         | -                      | -              | (1,692)   |
| Depreciation charge                | 946,500          | 68,450                      | 626               | 1               | 17                   | 2,925          | 1           | 1,106                        | 807       | 14,735                 | 25,323         | 1,060,491 |
| Net book value as at June 30, 2007 | 13,719           | 5,322                       | 78                | -               | 3                    | 1,289          | -           | 115                          | 188       | 8,451                  | 2,658          | 31,823    |
| Year ended June 30, 2008           |                  |                             |                   |                 |                      |                |             |                              |           |                        |                |           |
| Additions                          | -                | -                           | 719               | 141             | 1,573                | 4,482          | 6,096       | 4,444                        | 499       | -                      | 933            | 18,887    |
| Disposals:                         |                  |                             |                   |                 |                      |                |             |                              |           |                        |                |           |
| - Cost                             | -                | -                           | -                 | -               | -                    | 263            | -           | -                            | -         | -                      | -              | 263       |
| - depreciation                     | -                | -                           | -                 | -               | -                    | (263)          | -           | -                            | -         | -                      | -              | (263)     |
| Depreciation charge                | 932,781          | 63,128                      | 1,267             | 142             | 1,587                | 6,118          | 6,097       | 5,435                        | 1,118     | 6,284                  | 23,598         | 1,047,555 |
| Net book value at June 30, 2008    | -                | 5,322                       | 117               | 1               | 30                   | 1,067          | 394         | 350                          | 210       | 6,286                  | 5,205          | 18,982    |
| Year ended June 30, 2008           |                  |                             |                   |                 |                      |                |             |                              |           |                        |                |           |
| As at June 30, 2007                |                  |                             |                   |                 |                      |                |             |                              |           |                        |                |           |
| Cost                               | 932,781          | 63,128                      | 1,150             | 141             | 1,557                | 5,051          | 5,703       | 5,085                        | 908       | (2)                    | 18,393         | 1,028,573 |
| As at June 30, 2008                |                  |                             |                   |                 |                      |                |             |                              |           |                        |                |           |
| Cost                               | 946,500          | 68,450                      | 47,831            | 3,164           | 2,508                | 18,272         | 9,219       | 9,057                        | 2,392     | 25,630                 | 26,256         | 1,159,279 |
| Accumulated depreciation           | 13,719           | 10,644                      | 46,681            | 3,023           | 951                  | 13,221         | 3,516       | 3,972                        | 1,484     | 25,632                 | 7,863          | 130,706   |
| Book value                         | 932,781          | 57,806                      | 1,150             | 141             | 1,557                | 5,051          | 5,703       | 5,085                        | 908       | (2)                    | 18,393         | 1,028,573 |
| Depreciation rate %                | 1.47             | 2.5 to 6.25                 | 10                | 12.5            | 6 to 6.25            | 20             | 20          | 12.5                         | 20        | 33                     | 20             |           |





|   | Note | 2008<br>(Rupees in '000') | 2007<br>(Rupees in '000') |
|---|------|---------------------------|---------------------------|
| <b>6.2 Depreciation for the year is allocated as follows:</b> |      |                           |                           |
| Cost of goods manufactured                                    | 29.1 | 11,375                    | 24,099                    |
| Distribution expenses   | 30   | 2,804                     | 2,908                     |
| Administrative expenses                                       | 31   | 4,803                     | 4,816                     |
|   |      | <u>18,982</u>             | <u>31,823</u>             |

**6.3** The holding company's leasehold land and buildings thereon were revalued on 31 March 1971, 27 June 1992 and 30 June 1995 (including plant and machinery). The leasehold land was again revalued on 30 June 1996. The latest valuation was carried out by Yunus Mirza & Co. (Pvt) Limited, Incorporated Architects, Engineers, Town Planner and Bank's Approved Surveyors on 30 June, 2006. The valuation of leasehold land was based on current market trends and prevailing value in the vicinity of the plot and valuation of buildings was based on current construction cost minus the accumulated depreciation.

**6.4** Jigs and special tools having book value of Rs. Nil (2007: Rs. 6.28) million are held with Ghandhara Nissan Limited, associated undertaking for assembly of Trucks and Buses on behalf of the holding company.

**6.5** The dates and amounts of revaluation surplus included in the book value of fixed assets as at 30 June 2008 is given below:

|                              | Leasehold<br>land | Buildings<br>on<br>leasehold<br>(Rupees in '000') | Plant and<br>machinery | Total          |
|------------------------------|-------------------|---|------------------------|----------------|
| <b>(a) At March 31, 1971</b> |                   |   |                        |                |
| Revaluation surplus          | 3,000             | 2,792   | -                      | 5,792          |
| Less: Depreciation surplus   | <u>30</u>         | <u>140</u>  | <u>-</u>               | <u>170</u>     |
|                              | <u>2,970</u>      | <u>2,652</u>                                      | <u>-</u>               | <u>5,622</u>   |
| <b>(b) At June 27, 1992</b>  |                   |   |                        |                |
| Revaluation surplus          | 91,891            | 32,734  | -                      | 124,625        |
| Less: Depreciation surplus   | <u>1,138</u>      | <u>3,493</u>                                      | <u>-</u>               | <u>4,631</u>   |
|                              | <u>90,753</u>     | <u>29,241</u>                                     | <u>-</u>               | <u>119,994</u> |
| <b>(c) At June 27, 1995</b>  |                   |   |                        |                |
| Revaluation surplus          | 88,723            | 14,834  | 23,474                 | 127,031        |
| Less: Depreciation surplus   | <u>1,141</u>      | <u>1,886</u>                                      | <u>23,474</u>          | <u>26,501</u>  |
|                              | <u>87,582</u>     | <u>12,948</u>                                     | <u>-</u>               | <u>100,530</u> |
| <b>(d) At 30 June 1996</b>   |                   |   |                        |                |
| Revaluation surplus          | 11,782            | -   | -                      | 11,782         |
| Less: Depreciation surplus   | <u>154</u>        | <u>-</u>  | <u>-</u>               | <u>154</u>     |
|                              | <u>11,628</u>     | <u>-</u>  | <u>-</u>               | <u>11,628</u>  |
| <b>(e) At 30 June 2006</b>   |                   |   |                        |                |
| Revaluation surplus          | 751,104           | 11,279  | -                      | 762,383        |
| Less: Depreciation surplus   | <u>11,256</u>     | <u>4,786</u>                                      | <u>-</u>               | <u>16,042</u>  |
|                              | <u>739,848</u>    | <u>6,493</u>                                      | <u>-</u>               | <u>746,341</u> |
| Total cost or revaluation    | 946,501           | 68,450  | 47,831                 | 1,062,782      |
| Less: Depreciation there on  | <u>13,719</u>     | <u>10,645</u>                                     | <u>46,681</u>          | <u>71,045</u>  |
| Net Book Value               | <u>932,782</u>    | <u>57,805</u>                                     | <u>1,150</u>           | <u>991,737</u> |



6.6 Had there been no revaluation, the book value of buildings on leasehold land and plant and machinery as on 30 June 2008 would have been as under:

|                            | Cost              | Accumulated Depreciation | Book Value |
|----------------------------|-------------------|--------------------------|------------|
|                            | (Rupees in '000') |                          |            |
| Building on Leasehold Land | 6,810             | 341                      | 6,469      |
| Plant and Machinery        | 24,357            | 23,207                   | 1,150      |

6.7 This represents advance given for acquisition of software.

## 7 INVESTMENT PROPERTIES

|   | Leasehold land    | Building on leasehold land | Total         |
|---|-------------------|----------------------------|---------------|
|   | (Rupees in '000') |                            |               |
| <b>At June 30, 2006</b>                   |                   |                            |               |
| Cost                                      | 97,392            | 416                        | 97,808        |
| Accumulated depreciation                  | 5,827             | 290                        | 6,117         |
| Book value                                | 91,565            | 126                        | 91,691        |
| <b>Year ended June 30, 2007</b>           |                   |                            |               |
| Additions                                 | -                 | -                          | -             |
| Disposals:                                |                   |                            |               |
| - Cost                                    | -                 | -                          | -             |
| - depreciation                            | -                 | -                          | -             |
|   | 91,565            | 126                        | 91,691        |
| Depreciation charge                       | 243               | 16                         | 259           |
| <b>Net book value as at June 30, 2007</b> | <b>91,322</b>     | <b>110</b>                 | <b>91,432</b> |
| <b>Year ended June 30, 2008</b>           |                   |                            |               |
| Additions                                 | -                 | -                          | -             |
| Disposals:                                |                   |                            |               |
| - Cost                                    | -                 | -                          | -             |
| - depreciation                            | -                 | -                          | -             |
|   | 91,322            | 110                        | 91,432        |
| Depreciation charge                       | 243               | 16                         | 259           |
| <b>Net book value at June 30, 2008</b>    | <b>91,079</b>     | <b>94</b>                  | <b>91,173</b> |
| <b>As at June 30, 2007</b>                |                   |                            |               |
| Cost                                      | 97,392            | 416                        | 97,808        |
| Accumulated depreciation                  | 6,070             | 306                        | 6,376         |
| Book value                                | 91,322            | 110                        | 91,432        |
| <b>As at June 30, 2008</b>                |                   |                            |               |
| Cost                                      | 97,392            | 416                        | 97,808        |
| Accumulated depreciation                  | 6,313             | 322                        | 6,635         |
|   | 91,079            | 94                         | 91,173        |
|   | 0.25              | 2.5 to 6.25                |               |



- |   | Note | 2008<br>(Rupees in '000') | 2007<br>(Rupees in '000') |
|---|------|---------------------------|---------------------------|
| <b>7.1 Depreciation for the year is allocated as follows:</b>   |      |                           |                           |
| Administrative expenses   | 31   | 259                       | 259                       |
|   |      | <u>259</u>                | <u>259</u>                |
| <b>7.2 The execution of a lease deed for land at Haroonabad in Sindh Industrial Trading Estate, Karachi has not been finalised.</b>   |      |                           |                           |
| <b>7.3 The holding company's leasehold land and buildings thereon were revalued on 27 June 1992 and 30 June 1995. The leasehold land was again revalued on 30 June 1996. The latest revaluation was carried out by Iqbal A. Nanjee &amp; Co. Valuation Consultants on 30 June 1996. The valuation was based on current market values.</b> |      |                           |                           |
| <b>7.4 The Market value as on 30 June, 2008 was Rs 377 (2007: Rs. 377) million.</b>   |      |                           |                           |
| <b>7.5 The dates and amounts of revaluation surplus included in the book value of investment properties as at 30 June 2008 is given below:</b>  |      |                           |                           |

|                             | Leasehold<br>land            | Building on<br>leasehold land | Total         |
|-----------------------------|------------------------------|-------------------------------|---------------|
|                             | ----- (Rupees in '000) ----- |                               |               |
| <b>(a) At June 27 1992</b>  |                              |                               |               |
| Revaluation surplus         | 47,889                       | 33                            | 47,922        |
| Less: Depreciation surplus  | 4,008                        | 13                            | 4,021         |
|                             | <u>43,881</u>                | <u>20</u>                     | <u>43,901</u> |
| <b>(b) At 30 June 1995</b>  |                              |                               |               |
| Revaluation surplus         | 37,780                       | 146                           | 37,926        |
| Less: Depreciation surplus  | 1,587                        | 119                           | 1,706         |
|                             | <u>36,193</u>                | <u>27</u>                     | <u>36,220</u> |
| <b>(c) At 30 June 1996</b>  |                              |                               |               |
| Revaluation surplus         | 10,634                       | -                             | 10,634        |
| Less: Depreciation surplus  | 292                          | -                             | 292           |
|                             | <u>10,342</u>                | <u>-</u>                      | <u>10,342</u> |
| Total cost or revaluation   | 97,392                       | 416                           | 97,808        |
| Less: Depreciation there on | 6,071                        | 321                           | 6,392         |
| Net Book Value              | <u>91,321</u>                | <u>95</u>                     | <u>91,416</u> |

|   | Note | 2008<br>(Rupees in '000') | 2007<br>(Rupees in '000') |
|---|------|---------------------------|---------------------------|
| <b>8 LONG TERM INVESTMENTS</b>                        |      |                           |                           |
| - Listed  |      |                           |                           |
| Available for sale investment                         |      |                           |                           |
| Bela Engineers Limited                                |      |                           |                           |
| 160 Fully paid-up ordinary shares                     |      |                           |                           |
| of Rs. 10 each - at cost (2007: 160 shares)           |      | 1                         | 1                         |
| Less: Provision for impairment in value of investment |      | -                         | 1                         |
| Less: Written off against provision                   |      | 1                         | -                         |
|   |      | <u>1</u>                  | <u>-</u>                  |
|   |      | <u>-</u>                  | <u>-</u>                  |



|   | 2008              | 2007         |
|---|-------------------|--------------|
|   | (Rupees in '000') |              |
| <b>9 LONG TERM LOANS AND ADVANCES</b>   |                   |              |
| <b>Unsecured<br/>Considered Good</b>  |                   |              |
| Executives  | 663               | 917          |
| Non executives  | 257               | 118          |
|   | <u>920</u>        | <u>1,035</u> |
| Less: Installments recoverable within twelve months   |                   |              |
| Executives  | 273               | 342          |
| Non executives  | 186               | 58           |
|   | 459               | 400          |
|   | <u>461</u>        | <u>635</u>   |
| <b>9.1 Reconciliation of loans and advances to executives</b>   |                   |              |
| Balance at beginning of the year  | 917               | 267          |
| Add: Disbursement   | 75                | 990          |
|   | <u>992</u>        | <u>1,257</u> |
| Less: Recovered during the year   | 329               | 340          |
|   | <u>663</u>        | <u>917</u>   |
| <b>9.2</b> Interest free loans have been provided to executives for purchase / construction of house and to employees for personal use. These are repayable in monthly installments over a period of one to five years. |                   |              |
| <b>9.3</b> Maximum amount due from executives at the end of any month was Rs. 0.887 million (2007: Rs.1.305 million).   |                   |              |
| <b>10 LONG TERM DEPOSITS</b>  |                   |              |
| Considered Good<br>Deposits   | <u>3,999</u>      | <u>3,846</u> |
| <b>11 STORES, SPARES PARTS AND LOOSE TOOLS</b>  |                   |              |
| Stores  | 21                | -            |
| Spares parts  | 6,316             | 6,316        |
|   | 6,337             | 6,316        |
| Less: Provision for Obsolescence  | 6,316             | 6,316        |
|   | <u>21</u>         | <u>-</u>     |



|  |   | 2008              | 2007    |
|--|---|-------------------|---------|
|  |   | (Rupees in '000') |         |
| <b>12 STOCK IN TRADE</b>                         |   |                   |         |
| Raw materials and components                     |   |                   |         |
| In hand  | 12.2  | 392,551           | 472,014 |
| Less: Provision for slow moving raw material     |   | 21,076            | 21,076  |
|  |   | 371,475           | 450,938 |
| In transit                                       |   | 3,284             | 5,284   |
|  |   | 374,759           | 456,222 |
| Manufactured stock including components          | 12.3  | 57,931            | 164,578 |
| Trading stocks                                   |   | 50,531            | 43,638  |
| Less: Provision for slow moving trading stock    |   | 15,169            | 15,169  |
|  |   | 35,362            | 28,469  |
|  |   | 468,052           | 649,269 |
| <b>12.1</b>                                      | Of the aggregate amount, stocks which were in the custody of third parties are as follows:                          |                   |         |
| Precision Engineering Works                      |   | 1,368             | 1,406   |
| Gandhara Nissan Limited (Associated Undertaking) |   | 392,104           | 568,351 |
| Multan Motors                                    |   | 2,250             | -       |
| Punjab Motors                                    |   | 3,400             | -       |
| Meraj (Pvt.) Ltd.                                |   | 1,250             | -       |
| Aries International                              |   | 1,250             | -       |
| A.R. Engineering                                 |   | 2                 | -       |
|  |   | 401,624           | 569,757 |
| <b>12.2</b>                                      | This includes raw material carried at net realisable value, amounting to Rs. 21.1 million (2007: Rs. 21.1 million). |                   |         |
| <b>12.3</b>                                      | This includes manufactured stock carried at net realisable value, amounting to Rs. 8.5 million (2007: 8.5 million). |                   |         |
| <b>13 TRADE DEBTS</b>                            |   |                   |         |
| <b>Unsecured</b>                                 |   |                   |         |
| <b>Considered Good</b>                           |   |                   |         |
| Government and semi-government agencies          |   | 39,380            | 43,752  |
| Others   |   | 17,523            | 39,705  |
|  |   | 56,903            | 83,457  |
| <b>Considered Doubtful</b>                       |   |                   |         |
| Government and semi-government agencies          |   | 688               | 688     |
| Less: Provision there against                    |   | 688               | 688     |
|  |   | -                 | -       |
|  |   | 56,903            | 83,457  |
| <b>14 LOANS AND ADVANCES</b>                     |   |                   |         |
| <b>Unsecured</b>                                 |   |                   |         |
| <b>Considered Good</b>                           |   |                   |         |
| Employees  |   | 135               | 305     |
| Advances to Suppliers and others                 |   | 11,806            | 14,805  |
|  |   | 11,941            | 15,110  |
| <b>Considered Doubtful</b>                       |   |                   |         |
| Advances to Suppliers                            |   | 1,175             | 1,175   |
| Less: Provision there against                    |   | 1,175             | 1,175   |
|  |   | -                 | -       |
| Income Tax Deducted at source / Paid in Advance  |   | 166,220           | 104,802 |
| Current portion of loans and advances            |   | 459               | 400     |
|  |   | 178,620           | 120,312 |



|   | 2008              | 2007    |
|---|-------------------|---------|
|   | (Rupees in '000') |         |
| <b>15 DEPOSIT AND PREPAYMENTS</b>                           |                   |         |
| <b>Tender Deposits</b>                                      | <b>42,246</b>     | 22,959  |
| Margins Against Bank Guarantees                             | 588               | 2,843   |
| Less: Provision for doubtful margin against bank guarantees | 330               | 330     |
|   | 258               | 2,513   |
| <b>L/C Margin</b>   | <b>108,158</b>    | 71,274  |
| <b>FIM Margin</b>   | -                 | 12,331  |
|   | <b>150,662</b>    | 109,077 |
| <b>16 OTHER RECEIVABLES</b>                                 |                   |         |
| Sales tax refundable - considered good                      | <b>137,745</b>    | 70,057  |
| Sundry receivables - Considered good                        | <b>2,838</b>      | -       |
| Considered Doubtful-Sundry Receivables                      | 1,948             | 1,948   |
| Less: Provision there against                               | 1,948             | 1,948   |
|   | -                 | -       |
|   | <b>140,583</b>    | 70,057  |
| <b>17 CASH AND BANK BALANCES</b>                            |                   |         |
| Cash in hand  | <b>211</b>        | 591     |
| With banks  |                   |         |
| In current accounts   | 17,006            | 129,550 |
| In deposit accounts   | 17.1 3,457        | 556     |
| In foreign currency accounts                                | 17.2 28           | 23      |
|   | 20,491            | 130,129 |
| Less: Provision for doubtful bank account                   | 17.3 2,233        | 2,233   |
|   | <b>18,258</b>     | 127,896 |
| Term deposit  | 17.4 4,470        | -       |
|   | <b>22,939</b>     | 128,487 |

17.1 This includes deposits amounting to Rs. 1.060 million under lien against bank guarantee.

17.2 Foreign currency accounts include J¥ 31,532 equivalent to Rs. 20,237 and US\$ 126 equivalent to Rs.7,386 (2007:J¥ 31,523 equivalent to Rs.15,459 and US\$ 126 equivalent to Rs.7,386)

17.3 This represents provision made against balances held with Indus Bank Limited under liquidation.

17.4 Term deposit is under lien against bank guarantee.



| 18 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL |                   | 2008              |  | 2007              |                |
|---|-------------------|-------------------|--|-------------------|----------------|
|   |                   | No. of Shares     |  | (Rupees in '000') |                |
|   | 2008              | 2007              |  |                   |                |
|   | 17,650,862        | 17,650,862        | Ordinary shares of Rs.10 each            |                   |                |
|   | 3,295,354         | 3,295,354         | Fully paid up in cash                    | 176,509           | 176,509        |
|   | 358,206           | 358,206           | Fully paid bonus shares                  | 32,953            | 32,953         |
|   |                   |                   | Issued for consideration other than cash | 3,582             | 3,582          |
|   | <u>21,304,422</u> | <u>21,304,422</u> |  | <u>213,044</u>    | <u>213,044</u> |

### 18.1 Movement in share capital during the year

| 18.1 Movement in share capital during the year |                   | 2008              |   | 2007           |                |
|--|-------------------|-------------------|---|----------------|----------------|
|  | No. of Shares     |                   |   |                |                |
|  | 2008              | 2007              |   |                |                |
|  | 21,304,422        | 6,555,300         | As at June 30   | 213,044        | 65,553         |
|  | -                 | 14,749,122        | Issued right shares of Rs 10 each as fully paid up shares | -              | 147,491        |
|  | <u>21,304,422</u> | <u>21,304,422</u> |   | <u>213,044</u> | <u>213,044</u> |

18.2 The company has one class of ordinary shares which carry no right to fixed income.

18.3 6,480,424 (2007:6,480,424) ordinary shares of Rs. 10/- each were held by associated companies as at the year end.

18.4 Bibojee Services (Private) Limited, the ultimate holding company, held 8,343,397 (2007: 8,343,397) ordinary shares of Rs. 10/- each as at the year end.

### 19 RESERVES

|                                  |      |               |               |
|----------------------------------|------|---------------|---------------|
| Capital Reserves                 | 19.1 | 40,800        | 40,800        |
| Revenue Reserves                 | 19.2 | 2,400         | 2,400         |
|                                  |      | <u>43,200</u> | <u>43,200</u> |
| <b>19.1 Capital Reserves</b>     |      |               |               |
| Tax holiday reserve              |      |               |               |
| Balance as at beginning and end  |      | 5,500         | 5,500         |
| Fixed assets replacement reserve |      |               |               |
| Balance as at beginning and end  |      | 10,000        | 10,000        |
| Contingency reserve              |      |               |               |
| Balance as at beginning and end  |      | 25,300        | 25,300        |
|                                  |      | <u>40,800</u> | <u>40,800</u> |
| <b>19.2 Revenue Reserves</b>     |      |               |               |
| Balance as at beginning and end  |      | 2,400         | 2,400         |
|                                  |      | <u>2,400</u>  | <u>2,400</u>  |



|  | 2008                    | 2007                    |
|--|-------------------------|-------------------------|
|  | (Rupees in '000')       |                         |
| <b>20 SURPLUS ON REVALUATION OF FIXED ASSETS AND IMMOVABLE PROPERTIES</b>                      |                         |                         |
| Balance as at 1 July   | 1,095,542               | 1,100,945               |
| Deferred Taxation on unrealised surplus reversed as no longer considered necessary             | -                       |                         |
| Add: Revaluation during the year   | -                       |                         |
| Transferred to accumulated profit:   |                         |                         |
| Surplus relating to incremental depreciation charged during the year                           | (5,403)                 | (5,403)                 |
|  | <u>1,090,139</u>        | <u>1,095,542</u>        |
| Less: Related deferred tax   |                         |                         |
| Deferred Tax on revaluation as at 1st July   | 15,484                  | 17,375                  |
| Transferred to accumulated loss on account of incremental depreciation charged during the year | (1,891)                 | (1,891)                 |
|  | <u>13,593</u>           | <u>15,484</u>           |
|  | <u><u>1,076,546</u></u> | <u><u>1,080,058</u></u> |

## 21 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The holding company has acquired motor vehicles under finance lease arrangements from leasing companies. The arrangements are secured by title of assets leased. Rentals are payable in monthly installments. Repair and insurance cost are to be borne by the company. The rate of financial charges applied ranges from 13.78 % to 18.37 % per annum (2007: 13.78% to 16%).

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

|  | June 30, 2008          |   | June 30, 2007          |   |
|--|------------------------|---|------------------------|---|
|  | Minimum lease payments | Present value of minimum lease payments | Minimum lease payments | Present value of minimum lease payments |
|  | Rupees '000'           |   |                        |   |
| Year ended June 30, 2008                               | -                      | -                                       | 8,660                  | 6,433                                   |
| Year ended June 30, 2009                               | 9,400                  | 7,989                                   | 8,842                  | 7,593                                   |
| Year ended June 30, 2010                               | 6,581                  | 6,244                                   | 6,207                  | 5,977                                   |
| Year ended June 30, 2011                               | 1,984                  | 1,921                                   | 1,736                  | 1,656                                   |
| <b>Total minimum lease payments</b>                    | <u>17,965</u>          | <u>16,154</u>                           | <u>25,445</u>          | <u>21,659</u>                           |
| Less: Financial charges allocated to future periods    | 1,811                  | -                                       | 3,786                  | -                                       |
| Present value of minimum lease payments                | <u>16,154</u>          | <u>16,154</u>                           | <u>21,659</u>          | <u>21,659</u>                           |
| Less: Current maturity shown under current liabilities | 7,989                  | 7,989                                   | 6,433                  | 6,433                                   |
|  | <u><u>8,165</u></u>    | <u><u>8,165</u></u>                     | <u><u>15,226</u></u>   | <u><u>15,226</u></u>                    |





|                                |   | 2008              | 2007          |
|--------------------------------|---|-------------------|---------------|
|                                |   | (Rupees in '000') |               |
| <b>22 DEFERRED LIABILITIES</b> |   |                   |               |
| 22.1                           | Deferred Taxation                           | 15,942            | 17,648        |
| 22.2                           | Gain on sale and lease back of fixed assets | 462               | 924           |
| 22.3                           | Provision for gratuity                      | 1,531             | -             |
|                                |   | <u>17,935</u>     | <u>18,572</u> |

|                               |  |               |               |
|-------------------------------|--|---------------|---------------|
| <b>22.1 Deferred Taxation</b> |  | <b>15,942</b> | <b>17,648</b> |
|-------------------------------|--|---------------|---------------|

The following are the major tax liabilities and assets recognised by the company:

|   |          |         |
|---|----------|---------|
| Accelerated tax depreciation                | 19,391   | 20,199  |
| Revaluation of fixed assets                 | 13,593   | 1,891   |
| Obligation under finance lease              | 784      |         |
| Gain on sale and lease back of fixed assets | (162)    |         |
| Provision for gratuity                      | (536)    |         |
| Provision for obsolescence:                 |          |         |
| Stores and spares                           | (2,210)  | (2,210) |
| Stock in trade                              | (12,686) | -       |

|                               |       |       |
|-------------------------------|-------|-------|
| Provision for bad / doubtful: |       |       |
| Trade Debts                   | (241) | (241) |
| Advance to Supplier           | (411) | (411) |
| Bank Guarantee                | (116) | (116) |
| Sundry Receivables            | (682) | (682) |
| Cash at bank                  | (782) | (782) |

|                   |               |               |
|-------------------|---------------|---------------|
| Deferred taxation | <u>15,942</u> | <u>17,648</u> |
|-------------------|---------------|---------------|

|  |            |            |
|--|------------|------------|
| <b>22.2 Gain on sale and lease back of fixed asset</b> |            |            |
| Gain on sale and lease back of motor vehicle           | 1,386      | 1,386      |
| Amortised to date                                      | (924)      | (462)      |
|  | <u>462</u> | <u>924</u> |

The holding company had entered into a sale and leaseback transaction with Orix Leasing Pakistan Limited during the year ended June 30, 2007 which has resulted in a finance lease. The excess of sale proceeds over the net book value of motor vehicle under a sale and leaseback arrangement has been recognised as deferred income and is being amortised over the period of the lease term.

### 22.3 PROVISION FOR GRATUITY

|                                     |              |          |
|-------------------------------------|--------------|----------|
| Balance at beginning                | -            | -        |
| Add: Charge for the year            | 1,531        | -        |
|                                     | <u>1,531</u> | <u>-</u> |
| Less: Benefits paid during the year | -            | -        |
|                                     | <u>1,531</u> | <u>-</u> |

Movement in the present value of defined benefit obligation is as follows:

|   |              |          |
|---|--------------|----------|
| Present value of defined benefit obligation as at July 1  | -            | -        |
| Current service cost                                      | 1,531        | -        |
| Interest cost   | -            | -        |
| Benefit paid  | -            | -        |
| Actuarial (gain)/ loss                                    | -            | -        |
| Present value of defined benefit obligation as at June 30 | <u>1,531</u> | <u>-</u> |

The expense is recognized in the following line items in the income statement:

|                            |      |              |          |
|----------------------------|------|--------------|----------|
| Cost of goods manufactured | 29.3 | 427          | -        |
| Distribution cost          | 30.1 | 314          | -        |
| Administrative expenses    | 31.1 | 791          | -        |
|                            |      | <u>1,532</u> | <u>-</u> |

Principal actuarial assumptions at the balance sheet date for:

|   |         |   |
|---|---------|---|
| Discount rate   | 12%     | - |
| Future salary increases                                   | 11%     | - |
| Average expected remaining working life time of employees | 9 years | - |



|  | 2008              | 2007           |
|--|-------------------|----------------|
|  | (Rupees in '000') |                |
| <b>23 TRADE AND OTHER PAYABLE</b>                        |                   |                |
| Creditors  | 120,737           | 74,368         |
| Bills payable  | 271,111           | 365,563        |
| Accrued liabilities                                      | 40,358            | 40,302         |
| Customers credit balances                                | 22,971            | 64,592         |
| Other dealers' credit balances                           | 1,085             | 1,085          |
| Advance against sale of investment in immovable property | 5,000             | 5,000          |
| Custom duty payable                                      | 5,969             | 24,092         |
| Payable to trustees' provident fund                      | 178               | 178            |
| Unclaimed dividends                                      | 6,872             | 7,367          |
| Retention money  | -                 | 433            |
| Earnest money  | -                 | 24             |
| Withholding tax  | 1,150             | 1,096          |
| Due to associated companies                              | 23.1 67,029       | 134,626        |
| Royalty payable  | 13,981            | 11,231         |
| Federal Excise Duty payable                              | 423               | 423            |
| Drawing fee payable                                      | -                 | 625            |
| Corporate assets tax                                     | 2,000             | 2,000          |
| Waqf-e-Kuli Khan   | 8,318             | 8,318          |
| Sales Tax Payable  | 14                | 14             |
| Worker profit participation fund                         | 23.2 12,410       | 10,828         |
| Worker Welfare fund                                      | 589               | 4,489          |
| Others   | 1,202             | 2,366          |
|  | <u>581,397</u>    | <u>759,020</u> |
| <b>23.1 Due to associated companies</b>                  |                   |                |
| Bibojee Services (Private) Limited                       | 48,001            | 56,848         |
| The General Tyre & Rubber Company of Pakistan Limited    | 7,365             | 14,387         |
| Gandhara Nisan Limited                                   | 9,051             | 57,583         |
| Universal Insurance Company Limited                      | 2,402             | 5,335          |
| Rehman Cotton Mills Limited                              | 210               | 473            |
|  | <u>67,029</u>     | <u>134,626</u> |
| <b>23.2 Worker profit participation fund</b>             |                   |                |
| Balance at beginning of year                             | 10,828            | 7,723          |
| Add: Charge for the year                                 | 1,582             | 10,828         |
|  | <u>12,410</u>     | <u>18,551</u>  |
| Less: Reversal /Payments during the year                 | -                 | 7,723          |
| Balance at end of year                                   | <u>12,410</u>     | <u>10,828</u>  |
| <b>24 ACCRUED MARK UP/ INTEREST</b>                      |                   |                |
| Mark up on   |                   |                |
| Short term loan / Running finances & Borrowings secured  | 5,006             | 3,630          |
| Long term loans unsecured                                | 4,514             | 4,514          |
|  | <u>9,520</u>      | <u>8,144</u>   |



## 25 RUNNING FINANCES AND BORROWINGS

### Secured

Finance against imported material  
Running finance from bank

| Note | 2008              | 2007          |
|------|-------------------|---------------|
|      | (Rupees in '000') |               |
|      | -                 | 82,205        |
| 25.2 | 90,339            | -             |
|      | <u>90,339</u>     | <u>82,205</u> |

**25.1** The facility for opening letters of credit as at 30 June 2008 amounted to Rs. 713 million (30 June 2007: Rs. 660 million) of which the amount remaining unutilized at the year-end was 205 million (2007: Rs. 151 million). These facilities are secured against hypothecation of books debts, stocks and other receivables amounting to Rs. 160 million (2007: Rs.160 million) and mortgage of company property amounting to Rs. 375 million and pledge of company's stock. Further, it is also secured against personal guarantees of chief executive and a director of the company. These facilities will expire on September 30, 2008 (2007: February 28, 2008).

**25.2** The holding company has facility for short-term running finance amounting to Rs. 150 million (2007: Rs. 50 million) from a bank. The rate of mark up is based on 3 months KIBOR plus 3% payable quarterly. The arrangement is secured by way of equitable charge over fixed assets with a token registered charge of Rs. 0.5 million over company property bearing F-3 SITE, Karachi and hypothecation charge over moveables and receivables of Rs. 200 million.

## 26 PROVISION FOR TAXATION

|                            |                |                |
|----------------------------|----------------|----------------|
| Balance at beginning       | 118,786        | 40,216         |
| Provided during the year   | 13,056         | 78,570         |
| Adjustment during the year |                | -              |
|                            | <u>131,842</u> | <u>118,786</u> |

## 27 CONTINGENCIES & COMMITMENTS

### 27.1 Contingent Liabilities

- (i) Claims against the holding company not acknowledged as debt Rs. 27.043 million (2007: Rs.27.043 million) relating to sales tax on 10,000 units of gear boxes and rear axles each claimed by a supplier which has been contested by the company.
- (ii) Suit against the holding company by the supplier for the recovery of Rs. 25.867 million (2007: Rs. 25.867 million) as compensation for breach of agreement. The suit is being defended by the holding company on a number of legal grounds. The suit is at present in evidence stage and the company has plausible defense.
- (iii) Various demands have been raised by the Central Excise and Sales Tax Departments amounting to Rs. 4.896 million (2007: Rs. 4.896 million). No provision has been made in these financial statements as, in the opinion of legal advisors, the company will have favourable decision.



(iv) The holding company had obtained legal advice in connection with the establishment of Worker's Participation Fund (the Fund) under the Companies Profits (Workers' Participation) Act, 1968 (the Act). The legal advisor is of the view that since, during the year ended 30 June 2006, the holding company did not employ any person who falls under the definition of worker as defined in the Act of 1968, it was not legally or factually possible to constitute the Fund as required by section 3 of the Act. As a consequence, the holding company was not required to make contributions to the fund established pursuant to Workers' Welfare Fund Ordinance 1971. The holding company based on legal advice has written back in the financial statements for the year ended as on June 30, 2007 the amount of Worker's Profit Participation Fund provided during the year 30 June 2006.

Furthermore, the question whether a company to which the Act of 1968 and its scheme applies but which does not employ any worker is nevertheless obliged to establish and pay contributions into the fund under the act and thereafter transfer the same to the fund established under the Workers' Welfare Fund Ordinance, 1971 is pending adjudication in Sindh High Court at Karachi on a constitutional petition filed by another company in December 2003.

If it is established that the above provisions of the Act are applicable to the holding company, provision in respect of year ended 30 June 2006 amounting to Rs. 7.722 million including any penalties may become payable.

|  | Note | 2008              | 2007             |
|--|------|-------------------|------------------|
|  |      | (Rupees in '000') |                  |
| <b>27.2 Guarantees</b>   |      |                   |                  |
| Issued by banks  |      | <u>74,546</u>     | <u>95,928</u>    |
| Guarantees are issued to Government and Semi-government institutions and shall be released on delivery of trucks and buses. These are issued under normal operations.                  |      |                   |                  |
| <b>27.3 Post dated cheques</b>   |      | <u>103,760</u>    | <u>460,891</u>   |
| Post dated cheques have been issued in favour of Collector of Customs on account of duty differential. These cheques will be returned after necessary verification by the authorities. |      |                   |                  |
| <b>27.4 Commitments</b>  |      |                   |                  |
| Confirmed letters of credit-CKD  |      | <u>153,896</u>    | <u>105,157</u>   |
| <b>28 NET SALES</b>  |      |                   |                  |
| <b>Manufactured goods</b>  |      |                   |                  |
| Sales  |      | <u>1,858,850</u>  | <u>1,918,746</u> |
| Sale tax   |      | <u>(12,637)</u>   | <u>(13,447)</u>  |
|  |      | <u>1,846,213</u>  | <u>1,905,299</u> |
| <b>Trading stock</b>   |      |                   |                  |
| Sales  |      | <u>11,152</u>     | <u>3,117</u>     |
| Sales Tax  |      | <u>(307)</u>      | <u>(365)</u>     |
|  |      | <u>10,845</u>     | <u>2,752</u>     |
|  |      | <u>1,857,058</u>  | <u>1,908,051</u> |
| <b>29 COST OF SALES</b>  |      |                   |                  |
| <b>Manufactured goods</b>  |      |                   |                  |
| Stock at beginning of year   |      | <u>164,578</u>    | <u>143,073</u>   |
| Cost of goods manufactured   | 29.1 | <u>1,594,532</u>  | <u>1,586,114</u> |
|  |      | <u>1,759,110</u>  | <u>1,729,187</u> |
| Stock at end of year   |      | <u>(57,931)</u>   | <u>(164,578)</u> |
|  |      | <u>1,701,179</u>  | <u>1,564,609</u> |
| <b>Trading stock</b>   |      |                   |                  |
| Stock at beginning of year   |      | <u>28,469</u>     | <u>23,852</u>    |
| Purchases  |      | <u>19,745</u>     | <u>7,136</u>     |
|  |      | <u>48,214</u>     | <u>30,988</u>    |
| Stock at end of year   |      | <u>(35,362)</u>   | <u>(28,469)</u>  |
|  |      | <u>12,852</u>     | <u>2,519</u>     |
|  |      | <u>1,714,031</u>  | <u>1,567,128</u> |



|  | Note | 2008              | 2007             |
|--|------|-------------------|------------------|
|  |      | (Rupees in '000') |                  |
| <b>29.1 COST OF GOODS MANUFACTURED</b>   |      |                   |                  |
| Work-in-process at beginning of year   |      | -                 | 26,656           |
| Raw material and components consumed   | 29.2 | 1,466,826         | 1,451,935        |
| Stores and spares consumed   |      | 488               | 62               |
| Salaries, wages and other benefits   | 29.3 | 23,501            | 14,839           |
| Fuel and power   |      | 3,249             | 2,764            |
| Rent, rates and taxes  |      | 585               | 553              |
| Insurance  |      | 4,549             | 2,701            |
| Research & development   |      | 10                | 672              |
| Repairs and maintenance  |      | 94                | 635              |
| Travelling & entertainment   |      | 778               | 842              |
| Out side assembly charges  |      | 70,348            | 50,760           |
| Depreciation on fixed assets   | 6.2  | 11,375            | 24,099           |
| Running Royalty  |      | 11,201            | 8,454            |
| Federal Excise Duty on royalty   |      | -                 | 423              |
| Other Expenses   |      | 1,528             | 719              |
|  |      | <u>1,594,532</u>  | <u>1,586,114</u> |
| Work-in-process at end of year   |      | -                 | -                |
|  |      | <u>1,594,532</u>  | <u>1,586,114</u> |
| <b>29.2 RAW MATERIAL &amp; COMPONENTS CONSUMED</b>   |      |                   |                  |
| Stock at beginning of year   |      | 456,222           | 502,132          |
| Purchases including duties, taxes and other charges  |      | <u>1,385,363</u>  | <u>1,406,025</u> |
|  |      | <u>1,841,585</u>  | <u>1,908,157</u> |
| Stock at end of year   |      | (374,759)         | (456,222)        |
|  |      | <u>1,466,826</u>  | <u>1,451,935</u> |
| <b>29.3 The following amounts have been charged to cost of sales during the year in respect of gratuity:</b>         |      |                   |                  |
| Current service cost   |      | <u>427</u>        | -                |
| <b>30 DISTRIBUTION EXPENSES</b>  |      |                   |                  |
| Salaries, wages and benefits   | 30.1 | 8,370             | 3,594            |
| Commission   |      | 28,721            | 35,725           |
| Rent, rates and taxes  |      | 396               | 104              |
| Insurance  |      | 425               | 229              |
| Repairs and maintenance  |      | 756               | 1,564            |
| Utilities  |      | 59                | 37               |
| Travelling and entertainment   |      | 1,528             | 1,046            |
| Communication and stationery   |      | 918               | 327              |
| After sale services and warranty   |      | 2,159             | 740              |
| Advertisement  |      | 3,486             | 659              |
| Legal and professional charges   |      | -                 | 72               |
| Subscriptions  |      | 86                | 109              |
| Late Delivery Charges  |      | -                 | 7,992            |
| Depreciation on fixed assets   | 6.2  | 2,804             | 2,908            |
| Freight forwarding   |      | 2,024             | 4,398            |
| Other expenses   |      | 640               | 1,153            |
|  |      | <u>52,372</u>     | <u>60,657</u>    |
| <b>30.1 The following amounts have been charged to distribution expenses during the year in respect of gratuity:</b> |      |                   |                  |
| Current service cost   |      | <u>314</u>        | -                |



|  | Note | 2008              | 2007          |
|--|------|-------------------|---------------|
|  |      | (Rupees in '000') |               |
| <b>31 ADMINISTRATION EXPENSES</b>                  |      |                   |               |
| Salaries, wages and benefits                       | 31.1 | 15,175            | 12,836        |
| Rent, rates and taxes                              | 31.2 | 438               | 689           |
| Insurance  |      | 1,092             | 590           |
| Repairs and maintenance                            |      | 7,149             | 11,856        |
| Utilities  |      | 24                | 13            |
| Travelling and entertainment                       |      | 4,327             | 4,360         |
| Communication and stationery                       |      | 2,616             | 3,671         |
| Advertisement                                      |      | 285               | 768           |
| Auditor's remuneration                             |      |                   |               |
| Audit fee  |      | 254               | 254           |
| Out of pocket expenses                             |      | 10                | 10            |
|  |      | 264               | 264           |
| Legal and professional charges                     | 31.3 | 1,629             | 1,526         |
| Subscriptions                                      |      | 528               | 655           |
| Donation   | 31.4 | 1,423             | 10,298        |
| Depreciation on fixed assets                       | 6.2  | 4,803             | 4,816         |
| Depreciation on investment in immovable properties | 7.1  | 259               | 259           |
| Security Expenses                                  |      | 1,810             | 1,468         |
| Other expenses                                     |      | 604               | 629           |
|  |      | <u>42,426</u>     | <u>54,698</u> |

**31.1** The following amounts have been charged to administration expenses during the year in respect of gratuity:

|                      |     |   |
|----------------------|-----|---|
| Current service cost | 791 | - |
|----------------------|-----|---|

**31.2** This includes rent paid to Rehman Cotton Mills Limited (Associated Company) amounting to Rs. 0.110 million.

**31.3** This includes retainership fee amounting to Rs. 0.120 million paid to Hasan & Hasan. Dr. Parvez Hasan, director of the company, is the partner of the firm.

**31.4** Donation of Rs. Nil (2007: Rs. 8.168 million) charged in these financial statements is payable to Waqf-e-Kuli Khan, 2nd Floor, Gardee Trust Building, Napier Road, Lahore, a trust. Lt. Gen. (Retd) Ali Kuli Khan Khattak, Mr. Ahmed Kuli Khan Khattak, Mr. Raza Kuli Khan Khattak and Mr. Mustaq Ahmed Khan, the directors of the company, are trustees of the trust.

### 32 OTHER OPERATING EXPENSES

|                                  |  |              |               |
|----------------------------------|--|--------------|---------------|
| Worker Profit Participation Fund |  | 1,582        | 10,828        |
| Worker Welfare fund              |  | 589          | 4,489         |
| Commission paid                  |  | -            | 817           |
|                                  |  | <u>2,171</u> | <u>16,134</u> |

### 33 OTHER OPERATING INCOME

|  |      |               |               |
|--|------|---------------|---------------|
| <b>From financial assets</b>                               |      |               |               |
| Profit on bank deposits                                    |      | 651           | 1,439         |
| <b>From non financial assets</b>                           |      |               |               |
| Scrap sales  |      | -             | 1,432         |
| Gain on sale of fixed assets                               |      | 239           | 2,707         |
| Amortisation of gain on sale and lease back of fixed asset | 22.2 | 462           | 462           |
| Commission received  |      | -             | 3,870         |
| Others   |      | 35            | 168           |
| Reversal of WPPF   |      | -             | 7,723         |
| Exchange gain  |      | -             | 538           |
| Late delivery charges recovered                            |      | 7,081         | -             |
| Reversal of long outstanding credit balances               |      | 3,054         | -             |
|  |      | <u>11,522</u> | <u>18,339</u> |



|  | 2008              | 2007            |
|--|-------------------|-----------------|
|  | (Rupees in '000') |                 |
| <b>34 FINANCE COST</b>   |                   |                 |
| Finance charge on finance lease  | 2,475             | 860             |
| Markup on finance against merchandise  | 3,512             | 12,707          |
| Markup on payments against documents   | -                 | 6,398           |
| Markup on running finance  | 16,744            | -               |
| Discounting of bills   | 459               | 2,821           |
| L/G charges  | 1,044             | 568             |
| Bank charges and commission  | 1,543             | 3,125           |
| Exchange loss  | 1,739             | -               |
| Loss on remeasurement of derivatives   | 544               | -               |
|  | <u>28,060</u>     | <u>26,479</u>   |
| <b>35 TAXATION</b>   |                   |                 |
| Current  |                   |                 |
| for the year   | (13,056)          | (78,570)        |
| prior year   | -                 | -               |
| Deferred   | 1,706             | 3,791           |
|  | <u>(11,350)</u>   | <u>(74,779)</u> |
| <b>35.1 Relationship between tax expense and accounting profit</b>                 |                   |                 |
| Profit before taxation   | <u>29,520</u>     | <u>201,294</u>  |
| Tax at the applicable income tax rate 35% (2007: 35%)                              | 10,333            | 70,453          |
| Tax effect of expenses that are not deductible for tax purposes                    | 8,750             | 11,530          |
| Deductible for tax purposes  | (6,027)           | (3,413)         |
| Deferred tax charge  | (1,706)           | (3,791)         |
|  | <u>11,350</u>     | <u>74,779</u>   |
| <b>36 COMBINED EARNING PER SHARE</b>   |                   |                 |
| Net profit after taxation for the year attributable to equity holders              | 18,158            | 126,505         |
|  | <b>Numbers</b>    |                 |
| Weighted average number of outstanding ordinary shares outstanding during the year | 21,304            | 20,842          |
|  | <b>Rupees</b>     |                 |
| Combined basic and diluted earnings per share                                      | <u>0.85</u>       | <u>6.07</u>     |



|  | 2008                 | 2007                  |
|--|----------------------|-----------------------|
|  | (Rupees in '000')    |                       |
| <b>37 CASH GENERATED FROM OPERATIONS</b>                   |                      |                       |
| Profit/(Loss) before taxation                              | 29,520               | 201,294               |
| <b>Adjustment for non cash charges and other items</b>     |                      |                       |
| Depreciation   |                      |                       |
| Fixed assets   | 18,982               | 31,823                |
| Investment properties                                      | 259                  | 259                   |
| Gain on sale of fixed assets                               | (239)                | (2,707)               |
| Amortisation of gain on sale and lease back of fixed asset | (462)                | (462)                 |
| Interest expense   | 28,060               | 26,479                |
| Provision for gratuity                                     | 1,531                | -                     |
| <b>Operating profit before working capital changes</b>     | <u>77,651</u>        | <u>256,686</u>        |
| Working capital changes                                    | 37.1 <u>(78,379)</u> | <u>(51,468)</u>       |
|  | <u><u>(728)</u></u>  | <u><u>205,218</u></u> |

#### 37.1 Working Capital Changes

##### (Increase) / Decrease in current assets

|                          |                 |                 |
|--------------------------|-----------------|-----------------|
| Stores and spares        | (21)            | -               |
| Stock-in-trade           | 181,217         | 46,444          |
| Trade debts              | 26,554          | (79,068)        |
| Loans and Advances       | 3,110           | (8,314)         |
| Deposits and Prepayments | (41,585)        | (16,817)        |
| Other receivables        | <u>(70,526)</u> | <u>(48,326)</u> |
|                          | 98,749          | (106,081)       |

##### (Decrease) / Increase in current liabilities

|                         |                        |                        |
|-------------------------|------------------------|------------------------|
| Trade and other payable | <u>(177,128)</u>       | 54,613                 |
|                         | <u><u>(78,379)</u></u> | <u><u>(51,468)</u></u> |

#### 38 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the Balance sheet.

|                                      |                        |                      |
|--------------------------------------|------------------------|----------------------|
| Cash and bank balances               | 22,939                 | 128,487              |
| Short-term loan and running finances | <u>(90,339)</u>        | <u>(82,205)</u>      |
|                                      | <u><u>(67,400)</u></u> | <u><u>46,282</u></u> |





## 39 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 39.1 Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table provides information about the exposure of the company to interest / mark-up rate risk at the balance sheet date.

|  | Interest/Markup bearing |                         |                | Non-Interest/Markup bearing |                         |                | Total          | Total          |
|--|-------------------------|-------------------------|----------------|-----------------------------|-------------------------|----------------|----------------|----------------|
|  | Maturity upto one year  | Maturity after one year | Sub-total      | Maturity upto one year      | Maturity after one year | Sub-total      | 2008           | 2007           |
| (Rupees in '000)                                     |                         |                         |                |                             |                         |                |                |                |
| <b>Financial assets</b>                              |                         |                         |                |                             |                         |                |                |                |
| Long term loan and advances                          | -                       | -                       | -              | 459                         | 461                     | 920            | 920            | 1,035          |
| Long term Deposits                                   | -                       | -                       | -              | -                           | 3,999                   | 3,999          | 3,999          | 3,846          |
| Loans and advances                                   | -                       | -                       | -              | 178,620                     | -                       | 178,620        | 178,620        | 120,312        |
| Trade debts  | -                       | -                       | -              | 56,903                      | -                       | 56,903         | 56,903         | 83,457         |
| Other receivables                                    | -                       | -                       | -              | 140,583                     | -                       | 140,583        | 140,583        | 70,057         |
| Deposits   | -                       | -                       | -              | 150,662                     | -                       | 150,662        | 150,662        | 109,077        |
| Cash and bank balances                               | 7,955                   | -                       | 7,955          | 14,984                      | -                       | 14,984         | 22,939         | 128,487        |
| <b>2008</b>  | <b>7,955</b>            | <b>-</b>                | <b>7,955</b>   | <b>542,211</b>              | <b>4,460</b>            | <b>546,671</b> | <b>554,626</b> | <b>516,271</b> |
| 2007   | 556                     | -                       | 556            | 511,234                     | 4,481                   | 515,715        | 516,271        |                |
| <b>Financial liabilities</b>                         |                         |                         |                |                             |                         |                |                |                |
| Liabilities against assets subject to finance leases | 7,989                   | 8,165                   | 16,154         | -                           | -                       | -              | 16,154         | 21,659         |
| Running finances under mark-up arrangements          | 90,339                  | -                       | 90,339         | -                           | -                       | -              | 90,339         | 82,205         |
| Trade and other payables                             | -                       | -                       | -              | 581,383                     | -                       | 581,383        | 581,383        | 760,346        |
| Accrued mark-up                                      | -                       | -                       | -              | 9,520                       | -                       | 9,520          | 9,520          | 8,144          |
| <b>2008</b>  | <b>98,328</b>           | <b>8,165</b>            | <b>106,493</b> | <b>590,903</b>              | <b>-</b>                | <b>590,903</b> | <b>697,396</b> | <b>872,354</b> |
| 2007   | 88,638                  | 15,226                  | 103,864        | 768,490                     | -                       | 768,490        | 872,354        |                |

39.2 The effective interest rates for financial assets and liabilities are as follows:

|                         | 2008       | 2007         |
|-------------------------|------------|--------------|
| <b>Financial Assets</b> |            |              |
| Cash and Bank Balances  | 2.5% to 9% | 2.5% to 3.5% |



|  | 2008                       | 2007  |
|--|----------------------------|---|
| <b>Financial Liabilities</b>                       |                            |   |
| Finance against imported merchandise               | -                          | one year KIBOR plus 3% with a floor of 14 % |
| Running finance                                    | Three months KIBOR plus 3% | -   |
| Liabilities against asset subject to finance lease | 13.78 % to 18.37 %         | 13.78% to 16%                               |

### 39.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its receivables.

To manage exposure to credit risk, the company applies credit limits to its customers. Further, it obtains advance against sales and coverage under the agreements. Receivables includes balances due from the Government of Pakistan and other government departments. The company believes that it is not exposed to any specific credit risk in respect of these balances.

### 39.4 Foreign exchange risk management

Foreign currency risk arises mainly where payables exist due to imports of goods. Foreign currency risks relating to payables are covered through forward foreign exchange contracts if the company assesses that the exposure would have an unfavourable impact. As at the year end the company had liabilities in foreign currencies aggregating Rs. 285.515 million (2007: Rs. 377.419 million).

### 39.5 Capital risk management

The company's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to the shareholders or issue new shares.

### 39.6 Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its funding requirements. The company implies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines.

### 39.7 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, trade deposits and other receivables which are stated at cost / amortised cost.



#### 40 RELATED PARTY TRANSACTIONS

| Name of Related Party and nature of relationship                               | Nature of transaction  | 2008<br>(Rupees in '000') | 2007<br>(Rupees in '000') |
|--|--|---------------------------|---------------------------|
| <b>(a) Associated companies</b>  |  |                           |                           |
| The General Tyre & Rubber Company of Pakistan Limited<br>(Common Directorship) | Purchase of Tyres  | 52,739                    | 44,674                    |
|  | Advance received against right shares (302,100 ordinary shares of Rs 10 each) and adjusted against shares issued to Bibojee Services (Private) Limited | -                         | 3,021                     |
| Ghandhara Nissan Limited<br>(Common Directorship)                              | Dividend paid  | -                         | 290                       |
|  | Assembly charges   | 70,348                    | 50,760                    |
|  | Right shares issued (3,874,626 ordinary shares of Rs 10 each)  | -                         | 38,746                    |
|  | Dividend paid  | -                         | 15,499                    |
|  | Sales - Fabrication  | 2,328                     | -                         |
|  | Reimbursement of expenses  | 9                         | -                         |
| Universal Insurance Limited<br>(Common Directorship)                           | Insurance Premium  | 8,045                     | 5,890                     |
|  | Insurance Claim  | 181                       | 1,836                     |
|  | Right shares issued (1,187,507 ordinary shares of Rs 10 each)  | -                         | 11,875                    |
|  | Dividend paid  | -                         | 3,576                     |
| Bibojee Services (Private) Limited<br>(Common Directorship)                    | Sale of Vehicle  | 10,830                    | 21,000                    |
|  | Purchase of Vehicle  | 2,300                     | -                         |
|  | Right shares issued (6,388,773 ordinary shares of Rs 10 each)  | -                         | 63,888                    |
|  | Dividend paid  | -                         | 24,597                    |
| Rehman Cotton Mills Limited  | Rent paid  | 110                       | -                         |
| Hasan & Hasan Advocate   | Retainership fee   | 120                       | -                         |
| <b>(b) Technology suppliers</b>  |  |                           |                           |
| Isuzu Motors Limited, Japan  | Running Royalty charges  | 7,149                     | 7,798                     |
|  | Initial royalty  | 3,460                     | -                         |
|  | Technical assistance/ training fee   | 592                       | 656                       |
|  | CKD Purchased  | -                         | 588,207                   |
|  | Parts Purchased  | 20,119                    | 1,772                     |
|  | Reimbursement of advertisement expenses  | 782                       | 1,254                     |



#### 41 REMUNERATION OF THE DIRECTORS AND EXECUTIVES

|  | 2008                     | 2007          |
|--|--------------------------|---------------|
|  | <b>Executives</b>        |               |
|  | <b>(Rupees in '000')</b> |               |
| Managerial remuneration and allowances | 12,660                   | 11,226        |
| House rent and utilities               | -                        | 54            |
|  | <u>12,660</u>            | <u>11,280</u> |
| Number of persons                      | <u>13</u>                | <u>13</u>     |

41.1 Some executives are provided with free use of car maintained by the company.

41.2 The amount charged in these financial statements in addition to those that are shown above is Rs 0.245 million (2007: Rs 0.175 million) in relation to fee for seven (2007: seven) directors.

#### 42 PRODUCTION CAPACITY

The production capacity of the plant cannot be determined as this depends upon the mix of various product assembly of trucks, buses & fabrication of commercial bodies.

The holding company has outsourced the assembly of trucks and buses to Gandhara Nissan Limited (Associated Undertaking) therefore figures for the actual production for the current year has not been given.

#### 43 CORRESPONDING FIGURES

The following items have been reclassified for the purpose of better presentation. Accordingly prior year figures have been reclassified.

|            | <b>Reclassification</b>  |                       |
|------------|--------------------------|-----------------------|
|            | <b>from component</b>    | <b>to component</b>   |
|            |                          |                       |
|            | <b>(Rupees in '000')</b> |                       |
| Commission | Sales                    | Distribution expenses |
|            |                          | <b>35,725</b>         |

#### 44 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 8, 2008 by the board of directors of the Company.

Chief Executive

Director



## Proxy Form

The Company Secretary,  
Ghandhara Industries Limited,  
F-3, Hub Chauki Road, S.I.T.E,  
Karachi-75730

I / We \_\_\_\_\_ of

\_\_\_\_\_ being a member(s)

of Ghandhara Industries Limited and holder of \_\_\_\_\_ Ordinary Shares as per Registered Folio

No. \_\_\_\_\_ and / or CDC Participant's I.D No. \_\_\_\_\_ and Account / Sub-Account

No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of

\_\_\_\_\_ or failing him / her

\_\_\_\_\_ as my / our Proxy to vote for

me / us and on my / our behalf at the 45th Annual General Meeting of the Company to be held at F-3,

Ghandhara Industries Limited, S.I.T.E., Karachi on Friday October 31, 2008 at 03:00 P.M. and any adjournment

thereof.

Signature of Shareholder \_\_\_\_\_

Name of Shareholder \_\_\_\_\_

Folio No. / CDC No. \_\_\_\_\_

Signature on  
Revenue Stamp  
of Rs. 5/-

### WITNESSES:

Signature \_\_\_\_\_ Signature \_\_\_\_\_

Name \_\_\_\_\_ Name \_\_\_\_\_

NIC / Passport No. \_\_\_\_\_ NIC / Passport No. \_\_\_\_\_

Address : \_\_\_\_\_ Address : \_\_\_\_\_

### Notes:

1. This Proxy, duly completed, signed and witnessed, must be deposited at the registered office of the Company not later than forty eight (48) hours before the time appointed for the Meeting.
2. No person shall be act as proxy who is not a Member of the Company
3. If a Member appoints more than one proxy and more than one instruments of proxy are deposited by a Member with the Company, all such instruments or proxy shall be rendered invalid.
4. The Proxy shall produce his original CNIC or original passport at the time of the Meeting.
5. In case of individual CDC Account holders, attested copy of CNIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy.
6. In case of a corporate entity, the Board of Directors Resolution / Power of Attorney with specimen signature of the nominee shall be submitted alongwith this Proxy (unless it has been provided earlier).