ISUZU

Annual Report 2012

GHANDHARA INDUSTRIES LIMITED

A Bibojee Group Company

CONTENTS

VISION

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

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
Ch. Sher Muhammad	Director

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

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

BOARD HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Jamil Ahmed Shah	Chairman
Mr. Ahmad Kuli Khan Khattak	Member
Ch. Sher Muhammed	Member

LEGAL ADVISORS

Syed Iqbal Ahmad and Co. Advocates
S. Abid Shirazi & Co.
Syed Qamaruddin Hassan
Hassan & Hassan (Advocates)

BANKERS

National Bank of Pakistan
Al-Baraka Bank (Pakistan) Limited
The Bank of Khyber
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 49th Annual General Meeting

Notice is hereby given that the 49th Annual General Meeting of the shareholders of GHANDHARA INDUSTRIES LIMITED will be held at 10:00 A.M on Friday, 2nd November, 2012 at F-3, Hub Chauki Road, S.I.T.E., Karachi to transact the following business:-

Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting of the company held on April10, 2012.
2. To consider, receive and approve the Annual Audited Accounts of the Company for the year ended June 30, 2012, together with Directors' and Auditors' report thereon.
3. To appoint Auditors for the financial year ending June 30, 2013 and to fix their remuneration. The retiring Auditors M/s. Hameed Chaudhri & Company, Chartered Accountants, being eligible offer themselves for re-appointment.
4. Any other business with the permission of the Chair.

By order of the Board

Karachi
October 10, 2012

Iftikhar Ahmed Khan
Company Secretary

Notes:

(a) The Share Transfer books of the Company shall remain closed from October 26, 2012 to November 02, 2012 (both days inclusive).

(b) A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend speak and vote instead of himself/herself. Proxies in order to be effective must be valid and received by the Registrar Office not less than 48 hours before the time for holding of the Meeting and must be duly stamped, signed and witnessed. A member shall not be entitled to appoint more than one proxy.

(c) CDC shareholders are requested to bring their original Computerized National Identity Cards, Account, Sub Account Number and Participant's Number in the Central Depository System for identification purposes for attending the Meeting. In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

(d) Members are requested to immediately notify change in their mailing addresses, if any.

(e) As per SECP circular 779(I) 2011, dated August 18, 2011 the DIVIDEND WARRANT(s) should bear the CNIC number of the Registered shareholder(s), so please submit a copy of your CNIC on Most Urgent basis, (if not already provided) failing which your dividend warrant(s), if any, will be withheld till the compliance of the above referred notification.

(f) Circular No. 18 of 2012, dated June 05, 2012 issued by SECP regarding Dividend mandate, (optional and not compulsory) is also attached with Annual Accounts-2012.

DIRECTORS' REPORT

The Directors of your company take pleasure in presenting the annual report & the Company's audited financial statements for the year ended on 30th June 2012.

ECONOMY AND MARKET

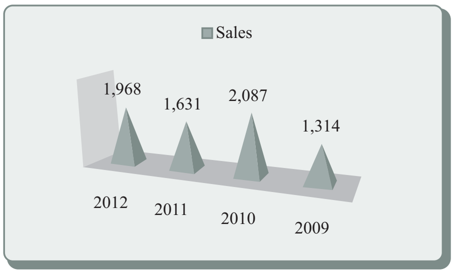
Economic conditions in Pakistan remained highly depressed during the year. Inflation, poor law and order conditions, and appalling energy crisis led to a tough business environment.

All these along with the and the daunting devaluation of Rupee against Japanese Yen have resulted in rise in production costs and fall in sales of Japanese trucks and buses in the country.

OPERATING RESULTS

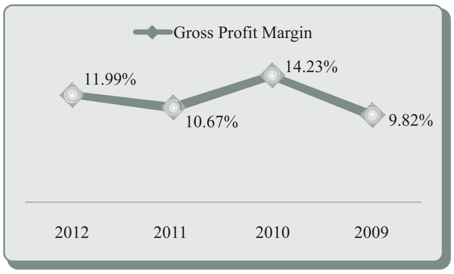
Sales

Nationally, sales of trucks and buses this year have been the lowest as compared to the last couple of years. Despite this your company's sales revenue has increased by 20.7% from the preceding year.



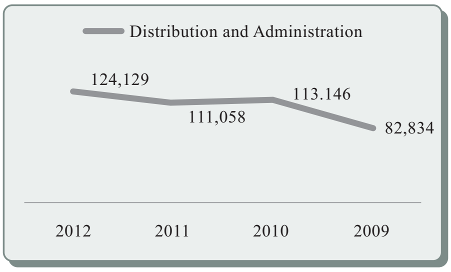
Gross profit

The gross profit ratio has risen from 10.7% in 2011 to 12% this year.



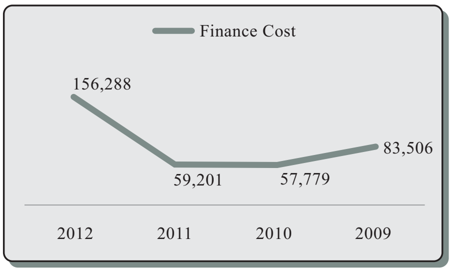
Distribution and administration costs

Distribution and administration costs have increased by 11.77% over last year. The increase is consistent with the inflationary pattern.



Finance costs

Liquidity situation remained under stiff pressures this year. Finance cost of the company has significantly increased in line with increased borrowings obtained to accomplish sales targets.



Loss/ (Profit) after tax

Despite improved gross and operating profits, the company makes pre-tax loss of Rs. 31.1 million against pre-tax profits of Rs. 7.7 million of the preceding period. This is mainly attributable to inflated finance cost of the Company.

Financial performance

The financial results are summarized below:

	2012	2011
	(Rupees in '000')	
(Loss) / profit before tax	(43,263)	7,847
Taxation	12,178	(102)
(Loss) / profit after tax	(31,085)	7,745
Effect of re-statement	-	(25,156)
Write back of reserves	-	43,200
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	5,563	5,563
Accumulated loss brought forward (Re-stated)	(2,250)	(33,602)
Accumulated loss carried forward (Re-stated)	(27,772)	(2,250)

For the year ended June 30, 2012, the Board in its meeting held on October 09, 2012 has proposed a final cash dividend of Rs. Nil per share, considering liquidity needs envisaged for the contracted sales and other commitments.

Earnings/ (loss) per share - basic & diluted

The basic and diluted loss per share for the year is Rs 1.46 against earnings per share Rs 0.36 for the preceding.

Auditor's report to the members

The position in respect of paragraph (e) of the Auditor's report is clarified as under:

In the light of the legal opinion obtained by the management of the company coupled with a constitutional petition sub-judiced before Sindh High Court, the Board is of the view that it is not liable for Workers Profit Participation Fund as detailed in note # 26.1 (iii) to the financial statements.

Code of Corporate Governance

The Board is pleased to state that the management of the Company is compliant with the best practices of corporate governance. The Board acknowledges its responsibility in respect of the corporate and financial reporting framework and thus states that:

- The financial statement prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and charges in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statement.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The highlights of operating and financial data for the last six years are annexed.
- The value of investments of the Company's gratuity as on June 30, 2012 is Rs. Nil.

Audit committee

The committee consists of three members; all are non-executive including the chairman of the committee. The Committee held four meetings during the year.

Board meetings

During the year under review four Board meetings were held. Attendance at the Board meetings was as below:

Name of Director	Meetings attended			
Mr. Raza Kuli Khan Khattak	☐	☐	✓	✓
Mr. Ahmad Kuli Khan Khattak	✓	✓	✓	✓
Lt. Gen. (R) Ali Kuli Khan Khattak	✓	✓	✓	☐
Mr. Mushtaq Ahmad Khan	✓	✓	☐	☐
Dr. Pervez Hassan	✓	☐	✓	☐
Mr. Jamil Ahmed Shah	✓	☐	✓	✓
Ch. Sher Muhammad	✓	✓	✓	✓

Auditors

M/s Hameed Chaudhri & Co, Chartered Accountants, the present Auditors of the Company, retire and being eligible offer themselves for reappointment. The Board of Directors endorses recommendation of the Audit Committee for their reappointment as auditors of the Company for the financial year ending June 30, 2013.

Pattern of shareholding

The pattern of shareholding as on 30th June 2012 & additional information thereabout required under Code of Corporate Governance are annexed.

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 the date of report.

Future outlook

Falling rupee, rising material and energy costs, and ever worsening law and order are preventing the businesses to thrive. Management of your company is confident that there are good business opportunities which may be successfully availed by the company through improved product mix. In addition to this the orders already in hand assures growth in sales revenue and consequently assures improved profitability.

Acknowledgement

The Board would like to take the opportunity to thank the shareholders, valued suppliers, clients and bankers for the co-operation extended by them during the course of business activities. The Board is also pleased to record their appreciation for the continued diligence and devotion of the staff members and workers of the Company. The Board would also like to thank Isuzu Motors Limited and Marubeni Corporation for their support and assistance.

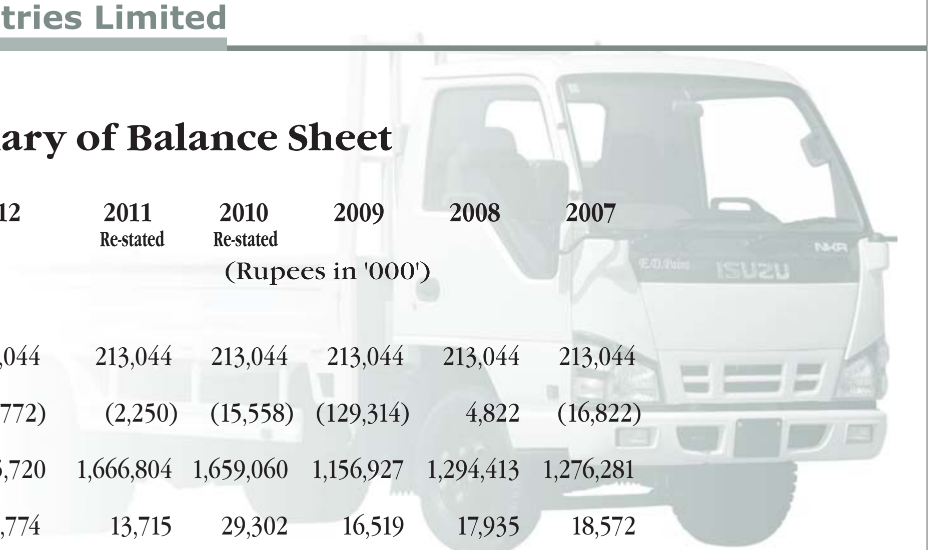
By order of the Board

Karachi
Dated: October 09, 2012

Ahmad Kuli Khan Khattak
Chief Executive

Financial Performance

		2012	2011 Re-stated	2010 Re-stated	2009	2008	2007
Financial Performance-Profitability							
Gross profit margin	%	12.01	10.68	14.22	9.84	7.70	17.87
EBITDA margin to sales	%	7.09	5.81	11.72	(3.17)	4.13	13.61
Pre tax margin	%	(2.20)	0.48	5.65	(10.69)	1.59	10.55
Net profit margin	%	(1.58)	0.47	6.50	(10.46)	0.98	6.63
Return on equity-before tax	%	(2.60)	0.47	8.07	(10.85)	2.28	15.77
Return on equity-after tax	%	(1.87)	0.47	9.28	(10.62)	1.40	9.91
Operating Performance / Liquidity							
Total assets turnover	Times	0.56	0.49	0.74	0.68	0.87	0.83
Fixed assets turnover	Times	1.25	1.04	1.32	1.18	1.65	1.69
Debtors turnover	Times	12.69	12.64	22.20	16.41	26.46	43.44
Debtors turnover	Days	29	29	16	22	14	8
Inventory turnover	Times	2.14	2.08	3.30	2.81	3.07	2.33
Inventory turnover	Days	171	176	111	130	119	157
Creditors turnover	Times	11.44	10.14	21.26	10.42	14.20	9.05
Creditors turnover	Days	32	36	17	35	26	40
Operating cycle	Days	168	169	110	117	107	125
Current ratio		1.05	1.08	1.13	1.08	1.24	1.19
Quick / acid test ratio		0.54	0.66	0.48	0.58	0.67	0.52
Capital Structure Analyses							
Breakup value / share	Rs	76.78	78.24	77.87	54.30	60.75	59.91
Earning per share (pre tax)	Rs	(2.03)	0.37	5.54	(6.59)	1.38	9.44
Earning per share (after tax)	Rs	(1.46)	0.36	6.36	(6.45)	0.85	6.07



Summary of Balance Sheet

	2012	2011 Re-stated	2010 Re-stated	2009	2008	2007
			(Rupees in '000')			
Summary of Balance Sheet						
Share capital	213,044	213,044	213,044	213,044	213,044	213,044
Reserves	(27,772)	(2,250)	(15,558)	(129,314)	4,822	(16,822)
Shareholder's fund / equity	1,635,720	1,666,804	1,659,060	1,156,927	1,294,413	1,276,281
Deferred liabilities	14,774	13,715	29,302	16,519	17,935	18,572
Property, plant & equipment	1,447,944	1,465,156	1,476,350	1,018,986	1,028,798	1,028,668
Long term assets	6,186	8,122	7,755	5,844	5,860	5,881
Net current assets / Working capital	86,836	135,216	139,917	60,154	194,682	184,098
Summary of Profit & Loss						
Net sales	1,968,409	1,631,208	2,086,520	1,313,808	1,857,058	1,908,051
Gross profit	236,420	174,180	296,792	129,302	143,027	340,923
Operating profit	113,025	67,048	175,707	(56,921)	57,726	227,921
Profit before tax	(43,263)	7,847	117,928	(140,427)	29,462	201,243
Profit after tax	(31,085)	7,745	135,563	(137,485)	18,132	126,482
EBITDA	139,469	94,763	193,966	(38,661)	76,708	259,744
Summary of Cash Flows						
Net cash flow from operating activities	(582,793)	(110,497)	319,801	(224,484)	(86,334)	78,038
Net cash flow from investing activities	(9,389)	(12,697)	4,940	(4,212)	(17,940)	2,039
Net cash flow from financing activities	(6,737)	(17,643)	(13,328)	(9,926)	(9,408)	22,683
Changes in cash & cash equivalents	(598,919)	(140,838)	311,413	(238,622)	(113,682)	102,760
Cash & cash equivalents - Year end	(752,758)	(153,839)	(13,000)	(306,042)	(67,420)	46,262

Horizontal Analyses

Rupees '000

Balance Sheet	2012 Rs.	12Vs.11 %	2011 Rs.	11Vs.10 %	2010 Rs.	10Vs.09 %	2009 Rs.	09Vs.08 %	2008 Rs.	08Vs.07 %	2007 Rs.	07Vs.06 %
			-------Re-stated-------		-------Re-stated-------							
Assets												
Non-Current Assets												
Property, plant & equipment	1,447,944	(1.17)	1,465,156	(0.76)	1,476,350	44.88	1,018,986	(0.95)	1,028,798	0.01	1,028,668	(0.43)
Intangible assets	949	(24.11)	1,251	183.03	442	100.00	-	-	-	-	-	-
Investment properties	90,145	(0.28)	90,395	(0.29)	90,654	(0.29)	90,914	(0.28)	91,173	(0.28)	91,432	(0.28)
Long term Investment	1,400	-	1,400	-	1,400	-	1,400	-	1,400	-	1,400	-
Long term loans	972	(29.65)	1,382	115.94	640	144.27	262	(43.17)	461	(27.40)	635	-
Long term deposits	3,814	(28.57)	5,340	(6.57)	5,715	36.66	4,182	4.58	3,999	3.98	3,846	422.55
Deferred taxation	32,049	27,254.06	117	100.00	-	-	-	-	-	-	-	-
	1,577,273	0.78	1,565,041	(0.65)	1,575,201	41.18	1,115,744	(0.90)	1,125,831	(0.01)	1,125,981	(0.08)
Current Assets												
Stores and spares parts	1,714	(60.09)	4,294	(26.87)	5,872	39,046.67	15	(28.57)	21	-	-	-
Stock-in-trade	928,892	34.29	691,703	(2.81)	711,728	90.38	373,852	(20.13)	468,052	(27.91)	649,269	(6.68)
Trade debts	136,939	(21.02)	173,375	104.52	84,771	(17.86)	103,203	81.37	56,903	(31.82)	83,457	1,801.50
Loans and advances	385,279	463.26	68,402	216.29	21,626	36.16	15,883	28.09	12,400	(20.05)	15,510	110.02
Trade deposits and prepayments	166,166	(75.30)	672,658	1,283.42	48,623	(22.34)	62,607	(58.45)	150,662	38.12	109,077	18.23
Other receivables	1,246	(88.36)	10,704	277.16	2,838	-	2,838	(0.11)	2,841	-	-	(100.00)
Sales tax refundable/adjustable and taxation - payment less provision	205,626	23.65	166,290	(28.21)	231,649	1.69	227,789	32.33	172,133	206.92	56,084	(1,002.40)
Cash and bank balances	91,218	857.84	9,523	(93.64)	149,688	595.90	21,510	(6.15)	22,919	(82.16)	128,467	(51.05)
	1,917,080	6.69	1,796,949	42.98	1,256,795	55.60	807,697	(8.83)	885,931	(14.97)	1,041,864	(1.34)
	3,494,353	3.94	3,361,990	18.71	2,831,997	47.24	1,923,441	(4.39)	2,011,762	(7.20)	2,167,845	(0.69)
Equity And Liabilities												
Share Capital And Reserves												
Share capital	213,044	-	213,044	-	213,044	-	213,044	-	213,044	-	213,044	67.51
Reserves	(27,772)	1,134.07	(2,250)	(85.54)	(15,558)	(87.97)	(129,314)	-	4,822	(128.66)	(16,822)	(79.71)
Surplus on revaluation of fixed assets	1,450,448	(0.38)	1,456,011	(0.38)	1,461,574	36.19	1,073,197	(0.31)	1,076,546	(0.33)	1,080,058	(0.32)
	1,635,720	(1.86)	1,666,805	0.47	1,659,060	43.40	1,156,927	(10.62)	1,294,412	1.42	1,276,280	13.16
Non-Current Liabilities												
Liabilities against assets subject to finance leases	13,614	(31.03)	19,738	(26.23)	26,757	991.23	2,452	(69.97)	8,165	(46.37)	15,226	-
Deferred liabilities	14,774	7.72	13,715	(53.19)	29,302	77.38	16,519	(7.90)	17,935	(3.43)	18,572	(13.38)
	28,388	(15.14)	33,453	(40.33)	56,059	195.50	18,971	(27.31)	26,100	(22.78)	33,798	57.64
Current Liabilities												
Trade and other payable	943,781	(35.41)	1,461,200	59.66	915,182	130.66	396,773	(31.99)	583,402	(23.34)	760,985	8.41
Current maturity of liabilities against assets subject to finance leases	5,670	(9.78)	6,284	(26.57)	8,558	40.20	6,104	(23.59)	7,989	24.19	6,433	-
Accrued mark up/ Interest	36,817	19.20	30,887	1.44	30,450	77.92	17,114	79.77	9,520	16.90	8,144	(36.44)
Short term borrowings	843,976	416.63	163,362	0.41	162,688	(50.33)	327,552	262.58	90,339	9.89	82,205	(74.23)
	1,830,244	10.14	1,661,733	48.78	1,116,878	49.41	747,543	8.14	691,250	(19.41)	857,767	(17.02)
	3,494,353	3.94	3,361,990	18.71	2,831,997	47.24	1,923,441	(4.39)	2,011,762	(7.20)	2,167,845	(0.69)

Profit & Loss	2012 Rs.	12Vs.11 %	2011 Rs.	11Vs.10 %	2010 Rs.	10Vs.09 %	2009 Rs.	09Vs.08 %	2008 Rs.	08Vs.07 %	2007 Rs.	07Vs.06 %
Net sales	1,968,409	20.67	1,631,208	(21.82)	2,086,520	58.81	1,313,808	(29.25)	1,857,058	(2.67)	1,908,051	24.82
Cost of sales	1,731,989	18.87	1,457,028	(18.59)	1,789,728	51.09	1,184,506	(30.89)	1,714,031	9.37	1,567,128	22.42
Gross profit	236,420	35.73	174,180	(41.31)	296,792	129.53	129,302	(9.60)	143,027	(58.05)	340,923	37.22
Distribution cost	74,570	31.18	56,844	(20.46)	71,469	47.07	48,596	(7.21)	52,372	(13.66)	60,657	47.35
Administrative expenses	49,559	(8.59)	54,214	30.08	41,677	21.73	34,238	(19.02)	42,280	(22.49)	54,550	123.65
Other operating expenses	1,899	40.14	1,355	(87.77)	11,079	(90.62)	118,065	5,338.28	2,171	(86.54)	16,134	63.42
Other operating income	2,633	(50.14)	5,281	68.17	3,140	(78.60)	14,676	27.37	11,522	(37.17)	18,339	(95.46)
Profit / (loss) from operations	113,025	68.57	67,048	(61.84)	175,707	(408.69)	(56,921)	(198.61)	57,726	(74.67)	227,921	(60.48)
Finance cost	156,288	163.99	59,201	2.46	57,779	(30.81)	83,506	195.45	28,264	5.94	26,678	43.77
(Loss) / profit before tax	(43,263)	(651.35)	7,847	(93.35)	117,928	(183.98)	(140,427)	(576.64)	29,462	(85.36)	201,243	(63.95)
Taxation	(12,178)	(12,087.92)	102	(100.58)	(17,635)	499.44	(2,942)	(74.03)	(11,330)	(84.85)	(74,761)	99.40
(Loss) / profit after tax	(31,085)	(501.35)	7,745	(94.29)	135,563	(198.60)	(137,485)	(858.25)	18,132	(85.66)	126,482	(75.71)

Vertical Analyses

Rupees '000

Balance Sheet	2012 Rs.	%	2011 Rs.	%	2010 Rs.	%	2009 Rs.	%	2008 Rs.	%	2007 Rs.	%
			------Re-stated------		------Re-stated------							
Assets												
Non-Current Assets												
Property, plant & equipment	1,447,944	41.44	1,465,156	43.58	1,476,350	52.13	1,018,986	52.98	1,028,798	51.14	1,028,668	47.45
Intangible assets	949	0.03	1,251	0.04	442	0.02	-	-	-	-	-	-
Investment properties	90,145	2.58	90,395	2.69	90,654	3.20	90,914	4.73	91,173	4.53	91,432	4.22
Long term Investment	1,400	0.04	1,400	0.04	1,400	0.05	1,400	0.07	1,400	0.07	1,400	0.06
Long term loans	972	0.03	1,382	0.04	640	0.02	262	0.01	461	0.02	635	0.03
Long term deposits	3,814	0.11	5,340	0.16	5,715	0.20	4,182	0.22	3,999	0.20	3,846	0.18
Deferred taxation	32,049	0.92	117	0.00	-	-	-	-	-	-	-	-
	1,577,273	45.14	1,565,041	46.55	1,575,201	55.62	1,115,744	58.01	1,125,831	55.96	1,125,981	51.94
Current Assets												
Stores and spares parts	1,714	0.05	4,294	0.13	5,872	0.21	15	0.00	21	0.00	-	-
Stock-in-trade	928,892	26.58	691,703	20.57	711,728	25.13	373,852	19.44	468,052	23.27	649,269	29.95
Trade debts	136,939	3.92	173,375	5.16	84,771	2.99	103,203	5.37	56,903	2.83	83,457	3.85
Loans and advances	385,279	11.03	68,402	2.03	21,626	0.76	15,883	0.83	12,400	0.62	15,510	0.72
Trade deposits and prepayments	166,166	4.76	672,658	20.01	48,623	1.72	62,607	3.25	150,662	7.49	109,077	5.03
Other receivables	1,246	0.04	10,704	0.32	2,838	0.10	2,838	0.15	2,841	0.14	-	-
Sales tax refundable/adjustable and taxation - payment less provision	205,606	5.88	166,290	4.95	231,649	8.18	227,789	11.84	172,133	8.56	56,084	2.59
Cash and bank balances	91,218	2.61	9,523	0.28	149,688	5.29	21,510	1.12	22,919	1.14	128,467	5.93
	1,917,080	54.86	1,796,949	53.45	1,256,795	44.38	807,697	41.99	885,931	44.04	1,041,864	48.06
	3,494,353	100.00	3,361,990	100.00	2,831,997	100.00	1,923,441	100.00	2,011,762	100.00	2,167,845	100.00
Equity And Liabilities												
Share Capital And Reserves												
Share capital	213,044	6.10	213,044	6.34	213,044	7.52	213,044	11.08	213,044	10.59	213,044	9.83
Reserves	(27,772)	(0.79)	(2,250)	(0.07)	(15,558)	(0.55)	(129,314)	(6.72)	4,822	0.24	(16,822)	(0.78)
Surplus on revaluation of fixed assets	1,450,448	41.51	1,456,011	43.31	1,461,574	51.61	1,073,197	55.80	1,076,546	53.51	1,080,058	49.82
	1,635,720	46.81	1,666,805	49.58	1,659,060	58.58	1,156,927	60.15	1,294,412	64.34	1,276,280	58.87
Non-Current Liabilities												
Liabilities against assets subject to finance leases	13,614	0.39	19,738	0.59	26,757	0.94	2,452	0.13	8,165	0.41	15,226	0.70
Deferred liabilities	14,774	0.42	13,715	0.41	29,302	1.03	16,519	0.86	17,935	0.89	18,572	0.86
	28,388	0.81	33,453	1.00	56,059	1.98	18,971	0.99	26,100	1.30	33,798	1.56
Current Liabilities												
Trade and other payable	943,781	27.01	1,461,200	43.46	915,182	32.32	396,773	20.63	583,402	29.00	760,985	35.10
Current maturity of liabilities against assets subject to finance leases	5,670	0.16	6,284	0.19	8,558	0.30	6,104	0.32	7,989	0.40	6,433	0.30
Accrued mark up/ Interest	36,817	1.05	30,887	0.92	30,450	1.08	17,114	0.89	9,520	0.47	8,144	0.38
Short term borrowings	843,976	24.15	163,362	4.86	162,688	5.74	327,552	17.03	90,339	4.49	82,205	3.79
	1,830,244	62.38	1,661,733	49.43	1,116,878	39.44	747,543	38.86	691,250	34.36	857,767	39.57
	3,494,353	100.00	3,361,990	100.00	2,831,997	100.00	1,923,441	100.00	2,011,762	100.00	2,167,845	100.00

Profit & Loss	2012 Rs.	%	2011 Rs.	%	2010 Rs.	%	2009 Rs.	%	2008 Rs.	%	2007 Rs.	%
Net sales	1,968,409	100.00	1,631,208	100.00	2,086,520	100.00	1,313,808	100.00	1,857,058	100.00	1,908,051	100.00
Cost of sales	1,731,989	87.99	1,457,028	89.32	1,789,728	85.78	1,184,506	90.16	1,714,031	92.30	1,567,128	82.13
Gross profit	236,420	12.01	174,180	10.68	296,792	14.22	129,302	9.84	143,027	7.70	340,923	17.87
Distribution cost	74,570	3.79	56,844	3.48	71,469	3.43	48,596	3.70	52,372	2.82	60,657	3.18
Administrative expenses	49,559	2.52	54,214	3.32	41,677	2.00	34,238	2.61	42,280	2.28	54,550	2.86
Other operating expenses	1,899	0.10	1,355	0.08	11,079	0.53	118,065	8.99	2,171	0.12	16,134	0.85
Other operating income	2,633	0.15	5,281	0.32	3,140	0.15	14,676	1.12	11,522	0.62	18,339	0.96
Profit / (loss) from operations	113,025	5.74	67,048	4.11	175,707	8.42	(56,921)	(4.33)	57,726	3.11	227,921	11.95
Finance cost	156,288	7.94	59,201	3.63	57,779	2.77	83,506	6.36	28,264	1.52	26,678	1.40
(Loss) / profit before tax	(43,263)	(2.20)	7,847	0.48	117,928	5.65	(140,427)	(10.69)	29,462	1.59	201,243	10.55
Taxation	(12,178)	(0.62)	102	0.01	(17,635)	(0.85)	(2,942)	(0.22)	(11,330)	(0.61)	(74,761)	(3.92)
(Loss) / profit after tax	(31,085)	(1.58)	7,745	0.47	135,563	6.50	(137,485)	(10.46)	18,132	0.98	126,482	6.63

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2012

Number of Shareholders	Shareholding From		Shareholding To	Number of Shares Held	Percentage
3464	1	-	100	63,051	0.30
598	101	-	500	171,543	0.81
207	501	-	1,000	170,188	0.80
317	1,001	-	5,000	810,230	3.80
79	5,001	-	10,000	597,444	2.80
33	10,001	-	15,000	406,707	1.91
14	15,001	-	20,000	256,553	1.20
11	20,001	-	25,000	261,288	1.23
8	25,001	-	30,000	221,967	1.04
4	30,001	-	35,000	125,935	0.59
3	35,001	-	40,000	114,615	0.54
2	40,001	-	45,000	88,800	0.42
1	50,001	-	55,000	54,000	0.25
2	60,001	-	65,000	125,301	0.59
1	65,001	-	70,000	67,080	0.31
1	70,001	-	75,000	75,000	0.35
2	95,001	-	100,000	195,804	0.92
1	100,001	-	105,000	100,700	0.47
1	125,001	-	130,000	130,000	0.61
1	255,001	-	260,000	258,577	1.21
1	320,001	-	325,000	325,000	1.53
1	350,001	-	355,000	352,000	1.65
1	1,180,001	-	1,185,000	1,184,148	5.56
1	1,635,001	-	1,639,000	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
4757				**21,304,422**	**100.00**

Shareholders Category	Number of Shareholders	Number of Share Held	Percentage of Holding
Individuals	4,705	4,130,889	19.39
Associated Companies	7	14,823,821	69.58
Financial Institutions	9	351,514	1.65
Investment Companies	6	8,079	0.04
ICP	1	4,314	0.02
Insurance Companies	5	5,343	0.03
Joint Stock Companies	14	60,935	0.29
Cooperative Societies	1	16,000	0.08
Charitable Trusts	1	5,000	0.02
Mutual Funds	1	258,577	1.20
Private Companies	7	1,639,950	7.70
	4,757	**21,304,422**	**100.00**

	No. of shares
Investment Corporation of Pakistan	4,314
Public Sector Companies and Corporations	100
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas, Mutual Funds	623,513

Shareholders holding ten percent or more voting interest

Bibojee Services (Pvt.) Limited	8,343,397
Ghandhara Nissan Limited	5,166,168

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

Category	**Names**
Executive Directors	Mr. Ahmad Kuli Khan Khattak
Non-Executive Directors	Mr. Raza Kuli Khan Khattak
	Lt. Gen. (R) Ali Kuli Khan Khattak
	Mr. Mushtaq Ahmed Khan
	Dr. Parvez Hassan
	Mr. Jamil Ahmed Shah
	Ch. Sher Muhammad

*The present Board was elected on April 10, 2012, prior to issuance of the revised Code on April 11, 2012. The Code 2012 requires atleast one independent director as per the definition of independent director, which would be applicable from next election of directors.

2. The directors, except for the following, have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

   Mr. Raza Kuli Khan Khattak
   Mr. Ahmad Kuli Khan Khattak
   Lt. Gen. (R) Ali Kuli Khan Khattak

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

4. No casual vacancy occurred in the Board during the year.

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

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

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

8. 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, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Company arranges orientation courses/ meetings for its directors to apprise them of their role and responsibilities. Further, a booklet on Code of Corporate Governance has been circulated amongst the directors on the Board. However, no training program was arranged for the directors during the year.

10. The board has approved appointment of Head of Internal Audit. There was no change in the position of CFO and Company Secretary. However, the board has approved their remuneration and terms and conditions of employment.

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

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

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

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises three members, who are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.

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

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

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

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

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

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

For and on behalf of the Board of Directors

Ahmad Kuli Khan Khattak
Chief Executive

Dated: October 09, 2012

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 Ghandhara Industries Limited ("the Company") to comply with the Listing Regulations of the Karachi Stock Exchange, the Lahore Stock Exchange and the Islamabad 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 enquiries of the Company's personnel and review of various documents prepared by the Company to comply with Code.

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

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval the related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail on arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the subject requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June, 2012.

KARACHI; October 09, 2012

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of GHANDHARA INDUSTRIES LIMITED ("the Company") as at 30 June, 2012 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 purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2012 and of the loss, its cash flows and changes in equity for the year then ended; and

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

(e) Without qualifying our opinion, we draw attention to note 26.1 (iii) to the financial statements, the Company has written back in the financial statements for the year ended 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 Company's 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 become payable.

KARACHI; October 09, 2012

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012	2011 Re-stated	2010 Re-stated
		(Rupees in '000')		
ASSETS				
Non-Current Assets				
Property, plant and equipment	6	**1,447,944**	1,465,156	1,476,350
Intangible assets	7	**949**	1,251	442
Investment property	8	**90,145**	90,395	90,654
Long term Investment	9	**1,400**	1,400	1,400
Long term loans	10	**972**	1,382	640
Long term deposits	11	**3,814**	5,340	5,715
Deferred taxation	12	**32,049**	117	-
		1,577,273	1,565,041	1,575,202
Current Assets				
Stores and spares parts	13	**1,714**	4,294	5,872
Stock-in-trade	14	**928,892**	691,703	711,728
Trade debts	15	**136,939**	173,375	84,771
Loans and advances	16	**385,279**	68,402	21,626
Trade deposits and prepayments	17	**166,166**	672,658	48,623
Other receivables		**1,246**	10,704	2,838
Sales tax refundable / adjustable		**127,152**	111,381	176,948
Taxation - payments less provision		**78,474**	54,909	54,701
Cash and bank balances	18	**91,218**	9,523	149,688
		1,917,080	1,796,949	1,256,795
Total Assets		**3,494,353**	3,361,990	2,831,997
EQUITY AND LIABILITIES				
Share Capital and Reserves				
Share capital	19	**213,044**	213,044	213,044
Accumulated loss		**(27,772)**	(2,250)	(15,558)
		185,272	210,794	197,486
Surplus on Revaluation of Fixed Assets	20	**1,450,448**	1,456,011	1,461,574
Non-Current Liabilities				
Liabilities against assets subject to finance lease	21	**13,614**	19,738	26,757
Deferred liabilities	22	**14,774**	13,715	29,302
		28,388	33,453	56,059
Current Liabilities				
Trade and other payable	23	**943,781**	1,461,200	915,182
Current maturity of liabilities against assets subject to finance lease	21	**5,670**	6,284	8,558
Accrued mark-up / interest	24	**36,817**	30,887	30,450
Short term borrowings	25	**843,976**	163,362	162,688
		1,830,244	1,661,733	1,116,878
Contingencies and Commitments	26	-	-	-
Total Equity and Liabilities		**3,494,353**	3,361,990	2,831,997

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

Ahmad Kuli Khan Khattak
Chief Executive

Jamil Ahmed Shah
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		(Rupees in '000')	
Sales	27	**1,968,409**	1,631,208
Cost of sales	28	**(1,731,989)**	(1,457,028)
Gross profit		**236,420**	174,180
Distribution cost	29	**(74,570)**	(56,844)
Administrative expenses	30	**(49,559)**	(54,214)
Other operating expenses	31	**(1,899)**	(1,355)
Other operating income	32	**2,633**	5,281
Profit from operations		**113,025**	67,048
Finance cost	33	**(156,288)**	(59,201)
(Loss) / profit before taxation		**(43,263)**	7,847
Taxation	34	**12,178**	(102)
(Loss) / profit after taxation		**(31,085)**	7,745
Other comprehensive income		**-**	-
Total comprehensive (loss) / income		**(31,085)**	7,745
		(Rupees)	
(Loss) / earnings per share - basic and diluted	35	**(1.46)**	0.36

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

Ahmad Kuli Khan Khattak
Chief Executive

Jamil Ahmed Shah
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011 Re-stated	2010 Re-stated
		(Rupees in '000')		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash (used in) / generated from operations	36	**(387,876)**	(38,564)	396,515
Gratuity paid		**(3,177)**	(740)	(1,246)
Finance cost paid		**(150,357)**	(53,566)	(60,913)
Income tax paid		**(43,319)**	(17,261)	(12,644)
Long term loans - net		**410**	(742)	(378)
Increase / (decrease) in long term deposits		**1,526**	375	(1,533)
Net cash (used in) / generated from operating activities		**(582,793)**	(110,497)	319,801
CASH FLOWS FROM INVESTING ACTIVITIES				
Fixed capital expenditure		**(13,747)**	(19,513)	(10,176)
Sale proceeds on disposal of property, plant and equipment		**4,218**	6,634	14,500
Interest received		**140**	181	616
Net cash (used in) / generated from investing activities		**(9,389)**	(12,697)	4,940
NET CASH FLOWS FROM FINANCING ACTIVITIES				
Liabilities against asset subject to finance lease - net		**(6,737)**	(17,643)	(13,328)
Net (decrease) / increase in cash and cash equivalents		**(598,919)**	(140,838)	311,413
Cash and cash equivalents - at beginning of the year		**(153,839)**	(13,000)	(324,413)
Cash and cash equivalents - at end of the year	37	**(752,758)**	(153,839)	(13,000)

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

Ahmad Kuli Khan Khattak
Chief Executive

Jamil Ahmed Shah
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Share Capital	Capital reserves			Revenue reserves		Total
		Tax holiday reserve	Fixed assets replacement reserve	Contingency reserve	General reserve	Accumulated loss	
	Rupees in '000'						
Balance as at July 1, 2010 - as previously reported	**213,044**	**5,500**	**10,000**	**25,300**	**2,400**	**(33,602)**	**222,642**
Effect of re-statement as referred in note - 5	-	-	-	-	-	(25,156)	(25,156)
Balance as at July 1, 2010 - as re-stated	**213,044**	**5,500**	**10,000**	**25,300**	**2,400**	**(58,758)**	**197,486**
Write back of reserves	-	(5,500)	(10,000)	(25,300)	(2,400)	43,200	-
Total comprehensive income for the year	-	-	-	-	-	7,745	7,745
Surplus on revaluation of fixed assets realised during the year (net of deferred taxation) on account of incremental depreciation	-	-	-	-	-	5,563	5,563
Balance as at June 30, 2011 - restated	**213,044**	**-**	**-**	**-**	**-**	**(2,250)**	**210,794**
Balance as at July 1, 2011- as previously reported	**213,044**	**-**	**-**	**-**	**-**	**22,906**	**235,950**
Effect of re-statement as referred in note - 5	-	-	-	-	-	(25,156)	(25,156)
Balance as at July 1, 2011 - as re-stated	**213,044**	**-**	**-**	**-**	**-**	**(2,250)**	**210,794**
Total comprehensive loss for the year	-	-	-	-	-	(31,085)	(31,085)
Surplus on revaluation of fixed assets realised during the year (net of deferred taxation) on account of incremental depreciation	-	-	-	-	-	5,563	5,563
Balance as at June 30, 2012	**213,044**	**-**	**-**	**-**	**-**	**(27,772)**	**(185,272)**

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

Ahmad Kuli Khan Khattak
Chief Executive

Jamil Ahmed Shah
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. CORPORATE INFORMATION

Ghandhara Industries Limited (the Company) was incorporated on February 23, 1963. The Company's shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is assembly and progressive manufacturing of Isuzu trucks and buses.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional currency of the Company. All financial information presented in Pak Rupees has been rounded-off to the nearest thousand, unless otherwise stated.

2.3 Amendments to approved accounting standards that are effective in the current year and are relevant to the Company

The following amendments to the approved accounting standards are mandatory for the periods beginning on or after July 1, 2011 and are relevant to the Company:

(a) IFRS 7 (Amendment), 'Financial Instruments: Disclosures'. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with the financial instruments. The amendment does not have any material impact on the Company's financial statements, other than certain additional disclosures.

(b) IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any material impact on the Company's financial statements.

2.4 Standards, amendments to approved accounting standards and interpretations that are effective in current year but are not relevant to the Company

There are certain new accounting standards, amendments to approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011, but are considered not to be relevant or did not have any significant impact on the Company's financial statements and are, therefore, not detailed in these financial statements.

2.5 Standards, amendments to approved accounting standards and interpretations that are published and considered relevant but not yet effective

Following new accounting standards and amendments to existing standards have been published that are mandatory for accounting periods beginning on the dates mentioned below:

(a) IFRS 9, 'Financial Instruments' (effective for the periods beginning on or after January 1, 2015). This is the first standard issued as part of a wider project to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets at (a) amortized cost and (b) fair value. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. The Company is yet to assess the full impact of IFRS 9, however, initial indications are that it may not significantly affect the Company's financial assets.

(b) IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for the periods beginning on or after July 1, 2012). The main change resulting from these amendments is a requirement for the entities to group items presented in 'other comprehensive income' on the basis of whether they can be potentially reclassified to profit and loss subsequently (reclassification adjustments). Since, the Company currently does not have any items of other comprehensive income, the amendments are not expected to have a significant impact on the Company's financial statements.

(c) IAS 19 (Revised), 'Employee benefits' (effective for the periods beginning on or after January 1, 2013). The amendments (a) eliminate the 'corridor method' for recognising actuarial gains and losses and make it mandatory for all the actuarial gains and losses to be recognised immediately, (b) streamline the presentation of changes in assets and liabilities arising from defined benefit plans by reclassifying their presentation in other comprehensive income and (c) enhance disclosure requirements for providing better information about the characteristics of the defined benefit plans and the risks that entities are exposed to through participation in these plans. The Company is yet to assess the full impact of these amendments.

2.6 Standards, amendments to approved accounting standards and interpretations that are not yet effective and are not considered relevant

There are other new accounting standards, amendments to approved accounting standards and interpretations that are mandatory for future years. However these are not expected to affect materially the financial statements of the Company for accounting periods on the dates prescribed therein.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except for certain class of property, plant and equipment which has been included at revalued amounts and staff retirement benefit which has been recognised at present value as determined by actuary.

3.2 The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates / judgments and associated assumptions are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

3.3 The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects the both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are:

- residual values and useful lives of depreciable and intangible assets (note 4.1);
- net realizable values of stores & spares parts and stock-in-trade (note 4.6);
- provision for current and deferred taxation (note 4.9);
- staff retirement benefit (note 4.11); and
- provisions (note 4.18).

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant & equipment

Leasehold land is stated at revalued amount and buildings on leasehold land are stated at revalued amount less accumulated depreciation and impairment loss (if any). Other classes of property, plant and equipment are stated at cost less accumulated depreciation and impairment loss (if any). Capital work-in-progress is stated at cost less impairment loss (if any). All expenditure connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Plant and machinery were revalued in 1995 by independent valuers and showed at revalued amount. The Company subsequently adopted cost model for plant and machinery and revalued amounts were treated as deemed costs. The surplus on revaluation of these assets, however, was recognised in accordance with section 235 of the Companies Ordinance, 1984.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenances are charged to the profit and loss account as and when incurred.

Depreciation on all property, plant and equipment is charged using the straight line method in accordance with the rates specified in note 6 to these financial statements and after taking into account residual values. The depreciation method, residual values and useful lives of items of property, plant and equipment 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 depreciation charge for the current and future periods.

Depreciation on additions is charged from the month in which the assets become available for use, while on disposals depreciation is charged upto the month of deletion.

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sale proceeds and the carrying amounts of assets and are included in the profit and loss account.

Any surplus arising on revaluation of property, plant and equipment is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to reserves.

The Company assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

4.2 **Intangible assets** - computer software

Computer software licenses acquired by the Company are stated at cost less accumulated amortization. Cost represents the cost incurred to acquire the software licenses and bringing them to use. The cost of computer software is amortized over the estimated useful life i.e. 5 years using straight-line method.

Costs associated with maintaining computer software are charged to profit and loss account as and when incurred.

4.3 Investments

4.3.1 Investment property

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

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

Investment property were revalued in 1996 by independent valuers and showed at revalued amounts. The Company subsequently adopted cost model for investments property and the revalued amounts were treated as deemed costs. The surplus on revaluation of these assets, however was recognised in accordance with section 235 of the Companies Ordinance, 1984.

Leasehold land and buildings are depreciated on straight line method at the rates stated in note 8.

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

4.3.2 Long term investments

Investment in Subsidiary Company is carried at cost less impairment, if any.

4.4 Long term deposits

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

4.5 Stores and spare parts

These are valued at the lower of cost determined on a first-in-first-out basis and net realizable value. Items in transit are stated at invoice value plus other charges thereon accumulated up to the reporting date.

Provision for obsolete and slow moving stores and spares parts is determined based on management's estimate regarding their future usability.

4.6 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 thereon accumulated up to the reporting date. 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 finished stocks including components include direct wages and applicable manufacturing overheads.

Net realizable value represents the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

4.7 Trade debts and other receivables

Trade and other debts are carried at original invoice amount being the fair value. Provision is made against debts considered doubtful of recovery whereas debts considered irrecoverable are written off.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks and short term borrowings.

4.9 Taxation

Current

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited to equity in which case it is included in equity.

4.10 Assets subject to finance lease / finance lease

Leases that transfer substantially all the risk and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments, each determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The finance cost is charged to profit and loss account and is included under finance cost.

4.11 Staff retirement benefit - defined benefit plan

The Company operates an unfunded gratuity scheme. The scheme defines the amounts of benefits that an employee will receive on or after retirement subject to a minimum qualifying period of service under the scheme. The amount of retirement benefit is usually dependent on one or more factors such as age, years of service and salary.

The liability recognised in respect of gratuity scheme is the present value of the Company's obligation under the scheme at the reporting date, together with adjustment for unrecognised actuarial gains or losses.

Latest actuarial valuation of the scheme was carried out as at June 30, 2012 using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high quality government securities that have terms to maturity approximating to the terms of the related obligation.

Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions in excess of the greater of 10% of the obligation are charged to profit and loss account over the employees' expected average remaining working life.

4.12 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, whether or not billed to the Company.

4.13 Revenue recognition

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

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

4.14 Borrowings and their cost

Borrowings are recorded at the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

4.15 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the reporting date. Exchange gains and losses are taken to profit and loss account.

4.16 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year. All financial assets and 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. The particular measurement methods adopted are disclosed in individual policy statement associated with each item.

4.17 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

4.18 Provisions

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.

4.19 Warranty

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

4.20 Dividend

Dividend distribution to the shareholders is accounted for as a liability in the financial statements in the period in which the dividend is declared.

4.21 Impairment loss

The carrying amounts of the Company's assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

4.22 Earning per share

The Company present basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss after taxation attributable to ordinary shareholders of the Company by weighted average numbers of ordinary shares outstanding during the period.

4.23 Segment Reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information, as required by the approved accounting standards, is presented in note 42 to these financial statements.

5. RE-STATEMENT

During the current financial year, the Company’s liability in respect of its borrowings from financial institutions was revisited and it was mutually concluded with a financial institute that the same should have been recorded by higher amounts in the prior periods. Accordingly, the Company has re-stated the financial information retrospectively in accordance with International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors' by adjusting the opening balance of short term borrowings, accrued mark-up / interest, deferred taxation and accumulated loss for the earliest prior period presented.

Effects of the re-statement are as follows:

	As at June 30, 2011			As at July 1, 2010		
	As previously stated	As Re-stated	Re-statement	As previously stated	As Re-stated	Re-statement
	Rupees in '000					
Effect on balance sheet						
Reserve / (accumulated loss)	22,906	(2,250)	(25,156)	9,598	(15,558)	(25,156)
Deferred taxation *	13,428	(117)	(13,545)	30,379	16,834	(13,545)
Accrued mark-up / interest	10,557	30,887	20,330	10,120	30,450	20,330
Short term borrowings	144,991	163,362	18,371	144,317	162,688	18,371
Decrease in equity			(25,156)			(25,156)

	For the year ended June 30, 2011			For the year ended June 30, 2010		
	As previously stated	As Re-stated	Re-statement	As previously stated	As Re-stated	Re-statement
	Rupees in '000					
Effect on cash flow statement						
Cash and cash equivalents at the beginning of the year	5,371	(13,000)	(18,371)	(306,042)	(324,413)	18,371
Cash and cash equivalents at the end of the year	(135,468)	(153,839)	(18,371)	5,371	(13,000)	(18,371)

* In case of deferred tax liability this appears under deferred liabilities in note 22.
There was no impact on profit and loss account and earnings per share for the year ended June 30, 2011 as a result of this re-statement.

6. PROPERTY, PLANT AND EQUIPMENT

Particulars	OWNED										LEASED				
	Lease hold land	Building on leasehold land	Plant & machinery	Permanent tools	Furniture & fixtures	Motor vehicles	Lift trucks	Office machines & equipments	Computers	Jigs and special tools	Car	Truck	Lifters	Plant & machinery	Total
	(Rupees in '000)														
At June 30, 2010															
Cost \ revaluation	1,239,915	177,302	47,618	4,273	4,284	40,767	3,122	9,843	3,346	29,312	8,404	6,000	27,500	-	1,601,687
Accumulated depreciation	-	-	46,430	3,138	1,249	30,825	3,122	5,455	2,174	25,756	3,280	700	3,208	-	125,337
Net book value	**1,239,915**	**177,302**	**1,188**	**1,135**	**3,035**	**9,942**	**-**	**4,388**	**1,172**	**3,556**	**5,124**	**5,300**	**24,292**	**-**	**1,476,350**
Year ended June 30, 2011															
Opening net book value	1,239,915	177,302	1,188	1,135	3,035	9,942	-	4,388	1,172	3,556	5,124	5,300	24,292	-	1,476,350
Additions	-	-	1,639	966	1,045	-	-	3,894	426	9,714	3,151	-	-	770	21,605
Transfer from leased to owned at net book value	-	-	-	-	-	861	-	-	-	-	(861)	-	-	-	-
Disposals															
- cost	-	-	-	-	-	1,865	-	-	-	-	835	-	6,500	-	9,200
- accumulated depreciation	-	-	-	-	-	(1,529)	-	-	-	-	(237)	-	(1,842)	-	(3,607)
	-	-	-	-	-	336	-	-	-	-	598	-	4,658	-	5,592
Depreciation charge	-	8,865	292	196	259	5,317	-	1,066	436	2,285	1,988	1,200	5,283	19	27,207
Closing net book value	**1,239,915**	**168,437**	**2,536**	**1,905**	**3,822**	**5,150**	**-**	**7,216**	**1,162**	**10,986**	**4,827**	**4,100**	**14,350**	**751**	**1,465,156**
At June 30, 2011															
Cost \ revaluation	1,239,915	177,302	49,257	5,240	5,329	43,260	3,122	13,738	3,772	39,026	6,359	6,000	21,000	770	1,614,090
Accumulated depreciation	-	8,865	46,721	3,335	1,507	38,110	3,122	6,522	2,610	28,040	1,532	1,900	6,650	19	148,933
Net book value	**1,239,915**	**168,437**	**2,536**	**1,905**	**3,822**	**5,150**	**-**	**7,216**	**1,162**	**10,986**	**4,827**	**4,100**	**14,350**	**751**	**1,465,156**
Year ended June 30, 2012															
Opening net book value	1,239,915	168,437	2,536	1,905	3,822	5,150	-	7,216	1,162	10,986	4,827	4,100	14,350	751	1,465,156
Additions	-	-	2,622	72	4	3,928	-	105	613	-	5,268	-	-	1,135	13,747
Disposals															
- cost	-	-	-	-	-	2,159	-	-	53	-	-	-	8,000	-	10,212
- accumulated depreciation	-	-	-	-	-	(2,159)	-	-	(53)	-	-	-	(2,933)	-	(5,145)
	-	-	-	-	-	-	-	-	-	-	-	-	5,067	-	5,067
Depreciation charge	-	8,865	511	283	276	2,868	-	1,320	477	4,457	2,064	1,200	3,400	171	25,892
Closing net book value	**1,239,915**	**159,572**	**4,647**	**1,694**	**3,550**	**6,210**	**-**	**6,001**	**1,298**	**6,529**	**8,031**	**2,900**	**5,883**	**1,715**	**1,447,944**
At June 30, 2012															
Cost \ revaluation	1,239,915	177,302	51,879	5,312	5,333	45,029	3,122	13,843	4,332	39,026	11,627	6,000	13,000	1,905	1,617,625
Accumulated depreciation	-	17,730	47,232	3,618	1,783	38,819	3,122	7,842	3,034	32,497	3,596	3,100	7,117	190	169,680
Net book value	**1,239,915**	**159,572**	**4,647**	**1,694**	**3,550**	**6,210**	**-**	**6,001**	**1,298**	**6,529**	**8,031**	**2,900**	**5,883**	**1,715**	**1,447,944**
Rates of depreciation	**-**	**5%**	**10%**	**12.50%**	**6.25%**	**20%**	**20%**	**12.50%**	**20%**	**33%**	**20%**	**20%**	**20%**	**10%**	

6.1 Depreciation charged for the year has been allocated as follow

	Note	2012	2011
		(Rupees in '000')	
Cost of goods manufactured	28.1	**15,316**	12,578
Distribution cost	29	**6,567**	7,806
Administrative expenses	30	**4,009**	6,823
		25,892	27,207

6.2 Leasehold land and buildings on leasehold land of the Company were last revalued in June 2010 by K.G. Traders (Private) Limited (PBA approved asset valuers and stocks inspectors) on the basis of present market value and depreciated market value. The latest revaluation resulted in a net surplus of Rs.437 million over the net book value of Rs.978 million which had been incorporated in the books of the Company on June 30, 2010. Out of the revaluation surplus resulting from all the revaluations carried out to date, an amount of Rs.1,394 million (2011: Rs.1,403 million) remains un-depreciated as at June 30, 2012.

6.3 Had the property, plant and equipment been recognised under the cost model, the carrying amount of building on leasehold land would have been Rs.5,516 thousand (2011: Rs.5,823 thousand).

6.4 Details of operating assets sold

Assets description	Cost	Accumulated Depreciation	Net book value	Sale Proceed	Gain / (loss)	Mode of Disposal	Particulars of buyers
	---------------(Rupees in '000)----------------						
Motor vehicles							
Nissan Sunny	974	974	-	97	97	Sold	Mr. M.R. Banka (Employee)
Nissan Sunny	1,185	1,185	-	119	119	Sold	Mr. Abdur Rahim (Ex-employee)
	2,159	2,159	-	216	216		
Truck	8,000	2,933	5,067	4,000	(1,067)	Sold	Crescent Syndicate, West Wharf, Karachi
Computer	53	53	-	2	2	Sold	Mr. Abdur Rahim (Ex-employee)
2012	**10,212**	**5,145**	**5,067**	**4,218**	**(849)**		
2011	9,200	3,607	5,593	6,634	1,042		

7. INTANGIBLE ASSETS

	Note	2012	2011
		(Rupees in '000')	
These represent computer softwares.			
Cost			
At beginning of the year		**1,508**	450
Addition		-	1,058
At end of the year		**1,508**	1,508
Accumulated amortization			
At beginning of the year		**257**	8
Charge for the year	7.1	**302**	249
At end of the year		**559**	257
Net book value		**949**	1,251
Rate of amortization		**20%**	20%

7.1 Amortization charged for the year has been allocated as follows:

	Note	2012	2011
Cost of goods manufactured	28.1	**212**	159
Administrative expenses	30	**90**	90
		302	249

8. INVESTMENT PROPERTY

	Lease hold land	Building on Leasehold land	Total
		(Rupees in '000')	
At June 30, 2010			
Cost	97,392	416	97,808
Accumulated depreciation	6,801	353	7,154
Book value	**90,591**	**63**	**90,654**
Year ended June 30, 2011			
Opening book value	90,591	63	90,654
Depreciation charge	243	16	259
Closing book value	**90,348**	**47**	**90,395**
As at June 30, 2011			
Cost	97,392	416	97,808
Accumulated depreciation	7,044	369	7,413
Book Value	**90,348**	**47**	**90,395**
Year ended June 30, 2012			
Opening book value	90,348	47	90,395
Depreciation charge	243	7	250
Closing book value	**90,105**	**40**	**90,145**
As at June 30, 2012			
Cost	97,392	416	97,808
Accumulated depreciation	7,287	376	7,663
Book Value	**90,105**	**40**	**90,145**
Depreciation rate	**0.25%**	**2.5% to 6.25%**	

8.1 Depreciation for the year has been grouped under administrative expenses (note 30).

8.2 In the opinion of the directors, the market value of investment property at the reporting date has not changed materially from last year.

	2012	2011
	(Rupees in '000')	
9. LONG TERM INVESTMENT - at cost		
Subsidiary Company - Un-quoted		
Marghzar Industries (Private) Limited		
140,000 (2011: 140,000) fully paid		
ordinary shares of Rs.10 each.	**1,400**	1,400
Equity held: 70% (2011: 70%)		

The Company has been granted an exemption under section 237(8) of the Companies Ordinance, 1984; hence provisions of sub-section 1 to 7 of section 237 of the Companies Ordinance, 1984 does not apply for the financial year ended June 30, 2012 in relation to its Subsidiary Company.

However, the annual audited accounts of Marghzar Industries (Private) Limited are available for inspection at Registered Office of the Company and are also available to the members on request without any cost.

	Note	2012	2011
		(Rupees in '000')	
10. LONG TERM LOANS - Secured,			
- Considered good			
Due from:			
- Executives	10.1	**1,870**	650
- Non-executives		**1,526**	1,392
	10.2	**3,396**	2,042
Less: Installments recoverable within twelve months			
- Executives		**1,555**	170
- Non-executives		**869**	490
	16	**2,424**	660
		972	1,382
10.1 Reconciliation of loans to executives			
Balance at beginning of the year		**650**	-
Add: Disbursement		**1,885**	1,350
		2,535	1,350
Less: Recovered during the year		**665**	700
Balance at end of the year		**1,870**	650

10.2 Interest free loans have been provided for personal expenses. These are repayable in monthly installments over a period of one to five years. These are secured against staff gratuity.

10.3 Maximum aggregate amount due from executives at the end of any month was Rs.1,870 thousand (2011: Rs.1,350 thousand).

11. LONG TERM DEPOSITS - Considered good

	2012	2011
	(Rupees in '000')	
Deposit held with / for:		
Leasing companies	**2,904**	3,413
Utilities	**608**	304
Others	**302**	1,622
	3,814	5,340

12. DEFERRED TAXATION

	2012	2011 Re-stated	2010 Re-stated
	(Rupees in '000')		
This is composed of following:			
- accelerated tax depreciation allowance	**(3,961)**	(4,898)	(3,915)
- surplus on revaluation of fixed assets	**(49,545)**	(52,541)	(55,537)
- liabilities against assets subject to finance lease	**263**	960	208
- gain on sale and lease back of fixed assets	**85**	765	1,992
- provision for gratuity	**5,086**	4,035	2,372
- provision for obsolescence of inventories	**14,489**	14,489	14,489
- provision for bad / doubtful debts and receivables	**1,308**	1,308	1,549
- minimum tax recoverable against normal tax charge in future years	**39,924**	22,455	8,463
- unused tax losses	**24,400**	13,545	13,545
	32,049	117	(16,834)

Deferred tax asset has been recognised on unused tax losses and minimum tax credit as the Company is expected to have sufficient taxable income in the future periods against which the above deferred tax asset may be utilised.

13. STORES AND SPARE PARTS

		2012	2011
		(Rupees in '000')	
Stores		**1,714**	4,294
Spare parts		**6,316**	6,316
		8,030	10,610
Less: provision for obsolescence		**6,316**	6,316
		1,714	4,294

14. STOCK-IN-TRADE

		2012	2011
Raw materials & components			
In hand	14.1	**562,266**	471,429
Less: provision for slow moving raw materials		**20,150**	20,150
		542,116	451,279
In transit		**2,659**	9,178
		544,775	460,457
Work-in-process		**151,332**	100,288
Finished goods including components		**194,158**	97,217
Trading stocks		**53,559**	48,673
Less: provision for slow moving stock		**14,932**	14,932
		38,627	33,741
		928,892	691,703

14.1 This includes raw material carried at net realizable value, amounting to Rs.10 million (2011: Rs.10 million).

14.2 Stock-in-trade includes stock of Rs.434,433 thousand (2011: Rs.213,284 thousand) held with third parties out of which stock of Rs.428,988 thousand (2011: Rs.209,714 thousand) is held with Ghandhara Nissan Limited (an Associated Company).

		Note	2012	2011
			(Rupees in '000')	
15.	**TRADE DEBTS** - Unsecured			
	Considered good			
	Government and semi-government agencies		**108,493**	117,887
	Others		**28,446**	55,488
			136,939	173,375
15.1	**The aging of trade debts at the reporting date was:**			
	Past due 0-30 days		**84,593**	136,421
	Past due 31-180 days		**47,178**	34,447
	Over 180 days		**5,168**	2,507
			136,939	173,375
16.	**LOANS AND ADVANCES** - Unsecured			
	Considered good			
	Loan and advances due from:			
	- employees		**584**	291
	- suppliers and contractors		**382,271**	67,451
			382,855	67,742
	Current portion of long term loans to employees	10	**2,424**	660
	Considered doubtful			
	Government and semi-government agencies		**1,175**	1,175
	Less: provision for doubtful advances		**1,175**	1,175
			-	-
			385,279	68,402
17.	**TRADE DEPOSITS AND PREPAYMENTS**			
	Tender deposits		**16,724**	11,310
	Deposits with suppliers		**4,085**	-
	Margins against bank guarantees		**81,735**	588,394
	Less: provision for doubtful margin deposit		**330**	330
			81,405	588,064
	Margin against letters of credit		**62,527**	72,394
	Prepaid insurance - Universal Insurance Company Limited		**586**	-
	Prepaid rent		**839**	889
			166,166	672,658
18.	**CASH AND BANK BALANCES**			
	Cash in hand		**441**	459
	Cash with banks on:			
	- current accounts		**73,791**	10,612
	- saving accounts	18.1	**19,175**	644
	- foreign currency account	18.2	**44**	41
			93,010	11,297
	Less: provision for a doubtful bank account	18.3	**2,233**	2,233
			91,218	9,523

18.1 These carry mark-up at the rates upto 6.85% per annum.

18.2 Foreign currency accounts include JPY 31,559 equivalent to Rs.37,457 and US$ 126 equivalent to Rs.11,844 (2011:JPY 31,541 equivalent to Rs.33,798 and US $ 126 equivalent to Rs. 7,386).

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

19. SHARE CAPITAL

	2012	2011
	(Rupees in '000')	
Authorized capital		
50,000,000 (2011: 50,000,000) ordinary shares of Rs.10 each	**500,000**	500,000

2012	2011		2012	2011
(No. of shares)			(Rupees in '000')	
		Issued, subscribed and paid-up capital		
17,650,862	17,650,862	Ordinary shares of Rs.10 each fully paid in cash	**176,509**	176,509
358,206	358,206	Ordinary shares of Rs.10 each issued for consideration other than cash	**3,582**	3,582
3,295,354	3,295,354	Ordinary shares of Rs.10 each issued as fully paid bonus shares	**32,953**	32,953
21,304,422	21,304,422		**213,044**	213,044

19.1 Bibojee Services (Private) Limited, the ultimate Holding Company, held 8,343,397 (2011: 8,343,397) ordinary shares of Rs.10 each as at the year end.

19.2 Ordinary shares held by related parties other than the ultimate Holding Company are as follows

	2012	2011
	No. of Shares	
Ghandhara Nissan Limited	**5,166,168**	5,166,168
Universal Insurance Company Limited	**1,192,148**	1,192,148
The General Tyre and Rubber Company of Pakistan Limited	**100,700**	100,700
Bibojee Investment (Private) Limited	**21,408**	21,408
	6,480,424	6,480,424

20. SURPLUS ON REVALUATION OF FIXED ASSETS

	2012	2011
	(Rupees in '000')	
Balance at the beginning of the year	**1,508,552**	1,517,111
Less: Transferred to accumulated loss on account of incremental depreciation for the year	**8,559**	8,559
	1,499,993	1,508,552
Less: deferred tax on:		
- opening balance of surplus	**52,541**	55,537
- incremental depreciation for the year	**(2,996)**	(2,996)
	49,545	52,541
Balance at the end of the year	**1,450,448**	1,456,011

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

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:

	2012			2011		
	Minimum lease payments	Finance cost	Present value of minimum lease payments	Minimum lease payments	Finance cost	Present value of minimum lease payments
	R u p e e s in 000					
Not later than one year	**7,949**	**2,279**	**5,670**	9,969	3,685	6,284
Later than one year but not later than five years	**15,240**	**1,626**	**13,614**	23,634	3,897	19,738
Total minimum lease payments	**23,189**	**3,905**	**19,284**	33,603	7,582	26,022

The Company has acquired motor vehicles and machinery under finance lease arrangements from various leasing companies. The arrangements are secured by title of leased assets in the name of the lessor. Rentals are payable in monthly instalments. Repair and insurance cost are borne by the Company. The rates of financial charges applied range from 15% to 18% (2011: 15% to 18%) per annum.

At the end of the lease term, the ownership of the assets shall be transferred to the Company against security deposits paid.

	Note	2012	2011 Re-stated	2010 Re-stated
		(Rupees in '000')		
22. DEFERRED LIABILITIES				
Deferred taxation	12	-	-	16,834
Gain on sale and lease back of fixed asset	22.1	**243**	2,186	5,690
Staff retirement benefit	22.2	**14,531**	11,529	6,778
		14,774	13,715	29,302

	2012	2011
	(Rupees in '000')	
22.1 Gain on sale and lease back of fixed asset		
Balance at beginning of the year	**2,186**	5,690
Amortization for the year	**(1,943)**	(3,504)
	243	2,186

The Company had entered into sale and leaseback transactions during the financial year ended June 30, 2010 which resulted in finance leases. The excess of sale proceeds over the net book value of motor vehicles under sale and leaseback arrangements had been recognised as deferred income and is being amortized over the period of the lease term.

	2012	2011
	(Rupees in '000')	
22.2 Staff retirement benefit - gratuity		
(a) The amount re cognised in the balance sheet is as follows:		
Present value of defined benefit obligation	**14,597**	11,109
Unrecognised actuarial (loss) / gains	**(66)**	420
Net liability at end of the year	**14,531**	11,529

		2012	2011
		(Rupees in '000')	
(b)	**Movement in the account of liability**		
	Balance at beginning of the year	**11,529**	6,778
	Add: Charge for the year	**6,179**	5,491
		17,708	12,269
	Less: Payments made during the year	**3,177**	740
	Balance at end of the year	**14,531**	11,529
(c)	**Movement in the present value of defined benefit obligation is as follows**		
	Balance at beginning of the year	**11,109**	7,685
	Current service cost	**4,624**	4,555
	Interest cost	**1,555**	922
	Actuarial losses / (gains) charged	**486**	(1,313)
	Benefits paid	**(3,177)**	(740)
	Balance at end of the year	**14,597**	11,109
(d)	**Charge for the year**		
	Current service cost	**4,624**	4,555
	Interest cost	**1,555**	922
	Actuarial losses charged	**-**	14
		6,179	5,491
(e)	**The expense is recognised in the following line items in the income statement**		
	Cost of goods manufactured	**2,413**	2,144
	Distribution costs	**1,488**	1,322
	Administrative expenses	**2,278**	2,024
		6,179	5,491
(f)	**Principal actuarial assumptions at the reporting date**		
	Rate of discount	**12%**	14%
	Expected rate of increment of salary	**11%**	13%
	Expected retirement age	**60 years**	60 years
	Average expected remaining working life time of employees	**11 years**	11 years

(g) Comparison for five years

	2012	2011	2010	2009	2008
	Rupees in 000				
Present value of defined benefit obligations	**14,597**	11,109	7,686	3,662	1,531
Experience adjustments	**486**	(1,313)	763	145	N/A

	Note	2012	2011
		(Rupees in '000')	
23. TRADE AND OTHER PAYABLE			
Creditors		**133,252**	170,050
Accrued liabilities		**75,988**	78,616
Advances from customers		**587,243**	764,919
Advance against sale of investment in immovable property		**5,000**	5,000
Custom duty payable		**1,470**	16,666
Payable to trustees' provident fund		**178**	178
Retention money		**20**	20
Unclaimed dividends		**6,913**	6,914
Withholding tax		**505**	1,778
Due to related parties	23.1	**108,091**	390,249
Due to Subsidiary Company		**2,169**	2,103
Corporate assets tax		**2,000**	2,000
Workers' profit participation fund	23.2	**19,555**	18,543
Worker welfare fund	23.3	**-**	3,021
Others		**1,397**	1,144
		943,781	1,461,201

23.1 Due to related parties

		2012	2011
Bibojee Services (Private) Limited		**-**	70,694
The General Tyre and Rubber Company of Pakistan Limited		**12,291**	16,556
Ghandhara Nissan Limited		**84,459**	96,729
Universal Insurance Company Limited		**-**	14,407
Isuzu Motors Limited		**3,023**	183,294
Gammon Pakistan Limited		**-**	250
Waqf-e-Kuli Khan		**8,318**	8,318
		108,091	390,249

23.2 Workers' Profit Participation Fund

	Note	2012	2011
Balance at beginning of the year		**18,543**	17,082
Add : Allocation for the year	31	**-**	417
Add: Interest on funds utilised in the Company's business	33	**1,012**	1,045
Balance at end of the year		**19,555**	18,543

23.3 Workers' Welfare Fund

	Note	2012	2011
Balance at beginning of the year		**3,021**	2,948
Add: Charge for the current year	31	**-**	73
Less: Adjusted / payment made during the year		**(3,021)**	-
Balance at end of the year		**-**	3,021

		Note	2012	2011 Re-stated	2010 Re-stated
			(Rupees in '000')		
24.	**ACCRUED MARK-UP / INTEREST**				
	Mark-up / interest accrued on:				
	- Short term borrowings - secured		**32,303**	26,373	25,936
	- Long term loans - unsecured		**4,514**	4,514	4,514
			36,817	30,887	30,450
25.	**SHORT TERM BORROWINGS - Secured**				
	From banking companies				
	Running finances	25.1	**214,754**	163,362	162,688
	Finance against imported merchandise	25.2	**129,222**	-	-
	Istisna finance	25.3	**500,000**	-	-
			843,976	163,362	162,688

25.1 The Company has facilities for short term running finances aggregating Rs.240 million (2011: Rs.145 million and 2010: Rs.145 million) from a bank. Mark-up is charged at the rate of 3 months KIBOR plus 2% (2011 and 2010: 3 months KIBOR plus 3%) payable on quarterly basis. The facilities are primarily secured against first pari passu charge by way of hypothecation over stocks and book debts aggregating Rs.321 million. These facilities are collateralized against equitable mortgage over land and building for an amount of Rs.259 million. Facility of Rs 70 million is on one-off basis while tenor for the rest in one year on roll over basis.

25.2 The Company has facility of Rs.700 million for opening of letters of credit from a bank. This facility is secured against cash margin and consignment of import documents in bank's favour. Finance against Imported Merchandise (FIM) of Rs.500 million is a sub-limit of abovementioned facility. FIM is secured against pledge of goods and mark-up is charged at the rate of 3 months KIBOR plus 2% and is payable on quarterly basis. This facility is valid for one year on roll over basis.

25.3 The Istisna facility of Rs.500 million (2011: Rs.Nil) is available from a bank for a tenor of 365 days. Profit is charged at the rate of 1 year KIBOR plus 2.5% and is payable along with the repayment of principal. The facility is secured against first pari passu hypothecation charge on current assets of Rs 667 million and personal guarantees of directors.

25.4 The Company has an export / inland bills discounting facility of Rs 150 million. The facility is secured against lien over accepted bills under LCs. The facility has a maximum tenor of 180 days on roll over basis. Local bills are discounted at rate applicable for running finance facility.

25.5 The Company has an export refinance pre-shipment facility (with sublimit of export refinance post shipment facility) of Rs.100 million. Primary security against this facility is first pari passu charge by way of hypothecation over stocks and book debts of Rs.134 million while collateral against the same is equitable mortgage of Rs 100 million. The facility is priced at SBP export re-finance rate plus 1%. Tenor of individual tranche is 180 days on roll over. The facility was unutilized at the year-end.

25.6 The facilities for bank guarantees of Rs 932.68 million. These are secured against cash margin and equitable mortgage over immovable assets of the Company to an extent of Rs 900 million.

25.7 All above facilities that are subject to roll over will be due for renewal on November 30, 2012.

26. CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

(i) Suit against the Company by the supplier for the recovery of Rs.25.867 million (2011: 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 defence.

(ii) Various demands have been raised by the Central Excise and Sales Tax Departments aggregating Rs.4.896 million (2011: Rs.4.896 million). The Company filed Sales Tax Reference in High Court of Sindh against the order of Sales Tax Appellate Tribunal. The Sales Tax Reference had been decided vide order dated January 21, 2009 wherein the High Court of Sindh has set aside the order of the Tribunal and the remanded the case to the Tribunal. No provision has been made in these financial statements as, in the opinion of legal advisors, the Company will have favourable decision.

(iii) 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 June 30, 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 had written back in the financial statements for the year ended June 30, 2007 the amount of contribution of worker's participation fund provided during the year June 30, 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 sub-judice before Sindh High Court as the Supreme Court of Pakistan accepted the petition of another company and remanded the case to the Sindh High Court for fresh decision in accordance with its order.

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

(iv) The Assistant Collector Refund Group V has disallowed adjustment of Rs.28.91 million against output tax. The Company has filed appeal before Sales Tax Appellate Tribunal against the order passed by the Collector Appeals, whereby he had maintained the order of the Assistant Collector Refund. No provision is made in these financial statements as the hearing of the above referred appeal which is pending adjudication for want of the constitution of bench of Sales Tax Appellate Tribunal.

	2012	2011
	(Rupees in '000')	
26.2 Commitments		
Bank guarantees	**932,684**	926,257
Letters of credit	**475,425**	381,125

		Note	2012	2011
			(Rupees in '000')	
27.	**SALES - Net**			
	Manufactured goods			
	Gross sales			
	- local		2,137,982	1,530,460
	- export		115,741	104,811
			2,253,723	1,635,271
	Less: sales tax		294,985	12,692
			1,958,738	1,622,579
	Trading goods			
	Sales - local		11,218	10,091
	Less: sales tax		1,547	1,463
			9,671	8,628
			1,968,409	1,631,208
28.	**COST OF SALES**			
	Manufactured goods			
	Stock at beginning of year		97,217	79,930
	Cost of goods manufactured	28.1	1,821,584	1,468,700
			1,918,801	1,548,630
	Stock at end of year		(194,158)	(97,217)
			1,724,643	1,451,413
	Trading goods			
	Stock at beginning of year		33,741	31,736
	Purchases		12,232	7,619
			45,973	39,355
	Stock at end of year		(38,627)	(33,741)
			7,346	5,614
			1,731,989	1,457,028
28.1	**Cost of goods manufactured**			
	Raw materials and components consumed	28.2	1,651,192	1,365,208
	Stores and spares consumed		8	141
	Salaries, wages and other benefits	28.3	61,800	51,427
	Fuel and power		13,675	10,996
	Rent, rates and taxes		271	573
	Insurance		10,117	5,254
	Research and development		626	151
	Repair and maintenance		3,194	3,922
	Printing, stationery and office supplies		1,603	104
	Travelling and entertainment		6,119	1,837
	Outside assembly charges		101,165	60,717
	Depreciation	6.1	15,316	12,578
	Amortization of Intangible assets	7.1	212	159
	Freight and handling		3,919	3,068
	Other expenses		3,411	1,322
			1,872,628	1,517,457
	Work-in-process adjustment		(51,044)	(48,757)
			1,821,584	1,468,700

		2012	2011
28.2	**Raw materials and components consumed**	(Rupees in '000')	
	Stock at beginning of year	**460,457**	548,532
	Add : purchases including duties, taxes and other charges	**1,735,510**	1,277,133
		2,195,967	1,825,665
	Stock at end of year	**(544,775)**	(460,457)
		1,651,192	1,365,208

28.3 Salaries, wages and benefits include Rs.2,413 thousand (2011: Rs.2,144 thousand) in respect of staff retirement benefit - gratuity.

		Note	2012	2011
29.	**DISTRIBUTION COST**		(Rupees in '000')	
	Salaries and benefits	29.1	**22,254**	18,092
	Commission		**20,013**	12,970
	Rent, rates and taxes		**950**	2,273
	Insurance		**5,152**	2,422
	Repair and maintenance		**8**	8
	Utilities		**108**	137
	Travelling and entertainment		**6,214**	3,041
	Communication and stationery		**740**	530
	After sale services and warranty		**5,754**	2,521
	Advertisement		**2,370**	716
	Legal and professional charges		**327**	-
	Subscriptions		**-**	186
	Late delivery charges		**-**	62
	Depreciation	6.1	**6,567**	7,806
	Freight forwarding and handling		**3,057**	4,740
	Other expenses		**1,056**	1,339
			74,570	56,844

29.1 Salaries and benefits include Rs.1,488 thousand (2011: Rs.1,322 thousand) in respect of staff retirement benefit - gratuity.

		Note	2012	2011
30.	**ADMINISTRATIVE EXPENSES**		(Rupees in '000')	
	Salaries and benefits	30.1	**20,258**	20,254
	Rent, rates and taxes		**4,386**	2,776
	Insurance		**1,495**	1,634
	Repair and maintenance		**924**	2,850
	Utilities		**-**	218
	Travelling and entertainment		**6,342**	8,991
	Communication and stationery		**2,237**	2,932
	Advertisement		**-**	698
	Legal and professional charges		**1,320**	2,085
	Subscriptions		**444**	691
	Depreciation	6.1	**4,009**	6,823
	Amortization	7.1	**90**	90
	Depreciation of investment property	8.1	**250**	259
	Security expenses		**4,412**	2,652
	Other expenses		**3,392**	1,259
			49,559	54,214

30.1 Salaries and benefits include Rs.2,278 thousand (2011: Rs.2,024 thousand) in respect of staff retirement benefit - gratuity.

		Note	2012	2011
			(Rupees in '000')	
31.	**OTHER OPERATING EXPENSES**			
	Auditors' remuneration			
	- audit fee		**500**	500
	- out of pocket expenses		**10**	10
			510	510
	Workers' profits participation fund	23.2	-	417
	Workers' welfare fund	23.3	-	73
	Loss on sale of property, plant and equipment	6.4	**849**	-
	Donation	31.1	**540**	356
			1,899	1,355

31.1 None of the directors or their spouses had any interest in the donees.

		Note	2012	2011
			(Rupees in '000')	
32.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Profit on saving accounts		**140**	181
	Exchange gain - net		**550**	553
	Income from non financial assets			
	Gain on sale of property, plant and equipment		-	1,042
	Amortization of gain on sale and lease back of fixed asset	22.1	**1,943**	3,504
			2,633	5,281
33.	**FINANCE COST**			
	Mark-up / interest on:			
	- lease finance		**3,870**	5,199
	- finance against imported merchandise		**49,717**	9,396
	- istisna / running finance		**91,734**	31,504
	- loan from Subsidiary Company		**317**	310
	Interest on bills discounting		**1,118**	-
	Interest on workers' profits participation fund	23.2	**1,012**	1,045
	Bank charges and commission		**8,520**	11,747
			156,288	59,201
34.	**TAXATION**			
	Current	34.1	**19,754**	17,052
	Deferred		**(31,932)**	(16,950)
			(12,178)	102

34.1 The provision for taxation for the year ended June 30, 2012 has been made on the basis of the minimum tax @ 1% of turnover in these financial statements in accordance with section 113 of the Income Tax Ordinance, 2001, therefore, numeric tax reconciliation has not been presented in these financial statements.

		Note	2012	2011
			(Rupees in '000')	
35.	**(LOSS) / EARNINGS PER SHARE** - basis and diluted			
	(Loss) / profit after taxation for the year		**(31,085)**	7,745
			---- No. of shares ---- (in '000')	
	Weighted average number of ordinary shares outstanding during the year		**21,304**	21,304
			------- Rupees -------	
	Basic (loss) / earnings per share		**(1.46)**	0.36

35.1 There is no dilutive effect on the basic earnings per share of the Company.

		Note	2012	2011 Re-stated	2010 Re-stated
			(Rupees in '000')		
36.	**CASH GENERATED FROM OPERATIONS**				
	(Loss) / profit before taxation		**(43,263)**	7,847	117,928
	Adjustment for non cash charges and other items:				
	Depreciation / amortization on:				
	- property, plant and equipment		**25,892**	27,207	17,992
	- Intangible assets		**302**	249	8
	- Investment property		**250**	259	259
	Loss / (gain) on disposal of fixed assets		**849**	(1,042)	-
	Amortization of gain on sale and lease back of fixed asset		**(1,943)**	(3,504)	(938)
	Finance cost		**156,288**	59,201	57,779
	Interest income		**(140)**	(181)	(616)
	Provision for gratuity		**6,179**	5,491	4,506
			144,414	95,527	196,918
	Working capital changes	36.1	**(532,290)**	(134,091)	199,597
			(387,876)	(38,564)	396,514
36.1	**Working capital changes**				
	(Increase) / decrease in current assets				
	Stores and spare parts		**2,580**	1,578	(5,857)
	Stock-in-trade		**(237,189)**	20,025	(337,876)
	Trade debts		**36,436**	(88,604)	18,432
	Loans and advances		**(316,877)**	(46,776)	(5,743)
	Trade deposits and prepayments		**506,492**	(624,035)	13,984
	Other receivables		**9,458**	(7,866)	-
	Sales tax refundable / adjustable		**(15,771)**	65,568	(1,753)
			(14,871)	(680,109)	(318,813)
	Increase / (decrease) in trade and other payable		**(517,419)**	546,018	518,410
			(532,290)	(134,091)	199,597

37. CASH AND CASH EQUIVALENTS

	Note	2012	2011 Re-stated	2010 Re-stated
		(Rupees in '000')		
Cash and bank balances	18	**91,218**	9,523	149,688
Short term borrowings	25	**(843,976)**	(163,362)	(162,688)
		(752,758)	(153,839)	(13,000)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

38.1 **Financial** risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest / mark-up rate risk). The Company's overall risk management program focuses on having cost effective funding as well as manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

38.2 Financial assets and liabilities by category and their respective maturities

	Interest / Mark-up bearing			**Non interest / Mark-up bearing**			**Total**
	Maturity up to one Year	Maturity after one Year	Sub-total	Maturity up to one Year	Maturity after one Year	Sub-total	
On Balance Sheet	---------------------------------Rupees in '000---------------------------------						
Financial assets							
Long term investment	-	-	-	-	1,400	1,400	1,400
Loans and advances	-	-	-	3,008	972	3,980	3,980
Deposits	-	-	-	164,741	3,814	168,555	168,555
Trade debts	-	-	-	136,939	-	136,939	136,939
Other receivables	-	-	-	1,246	-	1,246	1,246
Cash and bank balances	19,175	-	19,175	72,043	-	72,043	91,218
2012	**19,175**	**-**	**19,175**	**377,977**	**6,186**	**384,163**	**403,338**
2011	644	-	644	933,128	2,782	935,910	936,554
Financial liabilities							
At amortised cost							
Trade and other payables	-	-	-	328,008	-	328,008	328,008
Liabilities against asset subject to finance lease	5,670	13,614	19,284	-	-	-	19,284
Short term borrowings	843,976	-	843,976	-	-	-	843,976
Accrued mark-up / interest	-	-	-	36,817	-	36,817	36,817
2012	**849,646**	**13,614**	**863,260**	**364,825**	**-**	**364,825**	**1,228,085**
2011 - Re-stated	169,646	19,738	189,384	680,160	-	680,160	869,544
On Balance Sheet Gap							
2012	**(830,471)**	**(13,614)**	**(844,085)**	**13,152**	**6,186**	**19,338**	**(824,747)**
2011 - Re-stated	(169,002)	(19,738)	(188,740)	252,968	2,782	255,750	67,010
Off Balance Sheet							
Letters of credit							475,425
Letters of guarantee							932,684
						2012	**1,408,109**
						2011	1,307,383

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

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

38.3 Credit risk

Credit risk represents the accounting loss that would be recognised if counterparts failed to perform as contracted. Credit risk mainly arises from loans & advances, trade debts, deposits, other receivables and bank balances. The financial assets exposed to credit risk aggregate to Rs.401,497 thousand (2011: Rs.936,095 thousand).

Trade debts mainly represent receivables from government and semi-government agencies and are therefore not materially exposed to credit risk.

Deposits mainly include deposits with banks against letters of credit and guarantees and like bank balances represent low credit risk as they are placed with banks having good credit ratings assigned by credit rating agencies.

The Company attempts to control credit risk by monitoring credit exposure, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Other financial assets are also not exposed to any significant credit risk.

38.4 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet its commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements.

38.5 Market risk

(a) Foreign exchange risk

Foreign currency risk arises mainly when receivables and payables exist due to transactions based on currencies other than Pak Rupee. As at June 30, 2012, receivables and payables exposed to foreign currency risk are Rs.23,482 thousand (2011: Rs. 214,753 thousand) and Rs.Nil (2011: Rs 34,718 thousand) respectively.

As at June 30, 2012 if Pakistani Rupee had weakened / strengthened by 9% against U.S.$ with all other variables held constant, loss / profit before tax for the year would have been higher / lower by Rs. 2,119 thousand (2011: Rs.78 thousand), mainly as a result of foreign exchange losses / gains on translation of U.S.$ denominated financial assets and liabilities.

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the Company as at the balance sheet date. The volatility percentage for movement in foreign exchange rates has been used due to the fact that historically (5 years) rate has moved on average basis by the mentioned percentage per annum.

(b) Interest / mark-up rate risk

The Company's interest rate / mark-up risk mainly arises from bank borrowings. The Company has no significant interest bearing assets. Borrowings at variable rates exposes the Company to cash flow interest rate risk.

Interest / mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. As at June 30, 2012, the Company's interest bearing financial liabilities of Rs.863,260 thousand represent the short term borrowings at floating rate to manage the working capital requirements of the Company and obligation under asset subject to finance lease. These liabilities are re-priced at a maximum period of three months. The effective mark-up rates for financial assets and liabilities are mentioned in respective notes to the financial statements.

For the above mentioned interest bearing financial liabilities, had the interest rates varied by 150 basis points with all the other variables held constant, loss / profit before tax for the year would have been approximately higher / lower by Rs.15,159 thousand (2011: higher / lower by Rs.5,632 thousand), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 150 basis points movement in the interest rates has been used as historically (five years) floating interest rates have moved by an average of 150 basis per annum.

39. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

During the year, the Company's strategy was to maintain leveraged gearing. The net debt to equity ratios as at June 30 is as follows:

	Note	2012	2011 Re-stated
		(Rupees in '000')	
Liabilities against asset subject to finance lease		**19,284**	26,022
Short term borrowings		**843,976**	163,362
Cash and bank balances		**(91,218)**	(9,523)
Net debt		**772,042**	179,861
Total equity		**185,272**	210,794
Total capital		**957,314**	390,655
Net debt to equity ratio		**81%**	46%

The capital structure of the Company is equity based with no financing through long term borrowings except for liabilities against asset subject to finance lease. However, the Company avails short term borrowings for working capital purposes only.

40. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise the Subsidiary Company, Associated Companies, technological suppliers, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, amounts due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below:

	Name of related party and nature of relationship	Nature of transaction	2012	2011
			(Rupees in '000')	
(a)	**Subsidiary Company**			
	Marghzar Industries (Private) Limited	Financial charges	**317**	310
(b)	**Associated Companies**			
	The General Tyre and Rubber Company of Pakistan Limited (Common Directorship)	Purchase of tyres	**45,960**	43,380
		Sale of vehicle	-	1,900
	Ghandhara Nissan Limited (Common Directorship)	Assembly charges	**104,550**	60,717
		Sales - fabrication	**2,525**	-
		Sale of parts	**998**	-
	Universal Insurance Company Limited (Common Directorship)	Insurance premium	**27,350**	16,913
	Rehman Cotton Mills Limited (Common Directorship)	Rent paid	**1,200**	1,200
	Gammon Pakistan Limited (Common Directorship)	Rent paid	**1,500**	1,500
	Hasan & Hasan Advocates (Common Directorship)	Retainership fee	**120**	120
	(c) Technology suppliers			
	Isuzu Motors Limited - Japan	Parts purchased	**50,179**	228,263

41. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executive	
	2012	2011	**2012**	2011	**2012**	2011
			(Rupees in '000')			
Managerial remuneration and allowances	**-**	-	**-**	-	**34,269**	28,073
Gratuity	**-**	-	**-**	-	**3,206**	2,108
Others	**-**	-	**-**	-	**454**	402
	-	-	**-**	-	**37,929**	30,583
Number of persons	**-**	-	**-**	-	**35**	26

41.1 Some executives are provided with free use of car maintained by the Company in accordance with their term of employment.

41.2 The amount charged in these financial statements in addition to those that are shown above is Rs.270 thousand (2011: Rs.320 thousand) in relation to meeting fee for directors.

42. OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment.

(a) All non-current assets of the Company at June 30, 2012 are located in Pakistan.

(b) 94.12% (2011: 93.57%) of the Company's sales relate to customers in Pakistan.

(c) The Company has earned revenue from one (2011: one) customer amounting to Rs 669.87 million (2011: Rs.165 million) during the year which constituted 34.03% (2011: 10.11%) of the total sales.

43. PRODUCTION CAPACITY

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

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

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 9, 2012 by the Board of Directors of the Company.

Ahmad Kuli Khan Khattak	**Jamil Ahmed Shah**
Chief Executive	Director

Ghandhara Industries Limited

DIVIDEND MANDATE FORM

To:

Name of Member :____________________________
Folio #: __________________________________
Address: _________________________________
____

Dear Shareholder(s)

Subject: **DIVIDEND MANDATE FORM**

It is to inform you that Under Section 250 of the Companies Ordinance, 1984 a shareholder may, direct the Company to pay dividend through his/her/its bank account.

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan Vide Circular # 18 of 2012 dated June 05, 2012 an opportunity is hereby given to authorize the Company to directly credit shareholders bank account with cash dividend, if any, declared by the Company in future.

(Please note that this Dividend Mandate is Optional and not Compulsory, in case you do not wish your dividend to be directly credited into your bank account then the same shall be paid to you through the dividend warrants.)

Do you wish the cash dividend declared by the Company, if any, is directly credit in your bank account, instead of issuance of dividend warrants. (✔) Please tick any of the following boxes:

YES NO

If yes then please provide the following information:

Transferee Detail	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Cell Number of Transferee	
Landline Number of Transferee, if any	

It is stated that the above-mentioned information is correct, that I will intimate the changes in the above mentioned information to the Company and the concerned Share Registrar as soon as these occur. In case of shareholders having CDC investors/Sub-Accounts, the duly filled Forms should be submitted to CDC Customers service or the respective Participants.

Signature of the member /shareholder Date :__________________

Ghandhara Industries Limited

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 Mr./Ms.___________________________ of

____ or failing him / her

Mr./Ms.__________________________ of _______________________ as my / our Proxy to vote for

me / us and on my / our behalf at the 49th Annual General Meeting of the Company to be held at F-3, Ghandhara Industries Limited, S.I.T.E., Karachi on Friday November 02, 2012 at 10:00 A.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 __________________________________
CNIC / Passport No. _____________________	CNIC / Passport No. _____________________
Address : ______________________________	Address : ______________________________

Notes:

1. This Proxy Form, 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. 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.
3. The Proxy shall produce his original CNIC or original passport at the time of meeting.
4. 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 Form.
5. In case of a corporate entity, the Board of Directors Resolution / Power of Attorney with specimen signature of the nominee shall be provided at the time of meeting (unless it has been provided earlier along with the proxy form).

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

CORPORATE