

**ISUZU**

**ANNUAL REPORT**

**2013**



**GHANDHARA INDUSTRIES LIMITED**  
A Bibojee Group Company

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## **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.  
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 50<sup>th</sup> Annual General Meeting

Notice is hereby given that the 50th Annual General Meeting of the shareholders of GHANDHARA INDUSTRIES LIMITED will be held at 2:00 P.M on Friday, 25th October, 2013 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 Annual General Meeting of the Company held on November 02, 2012.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2013, together with Directors' and Auditors' report thereon.
3. To appoint Auditors for the financial year ending June 30, 2014 and to fix their remuneration.
4. Any other business with the permission of the Chair.

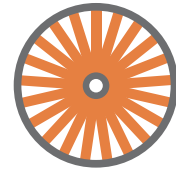
By order of the Board

Karachi  
October 04, 2013

Iftikhar Ahmed Khan  
Company Secretary

## Notes:

- (a) The Share Transfer books of the Company shall remain closed from October 18, 2013 to October 25, 2013 (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.



## DIRECTORS' REPORT

The directors of your company take pleasure in presenting the 50th annual report & the Company's audited financial statements for the year ended on June 30, 2013.

### ECONOMY AND MARKET

The year under review remained quite challenging for our economy that continued to face numerous challenges during 2013 from the impact of devaluation, poor law and order situation and energy crises.

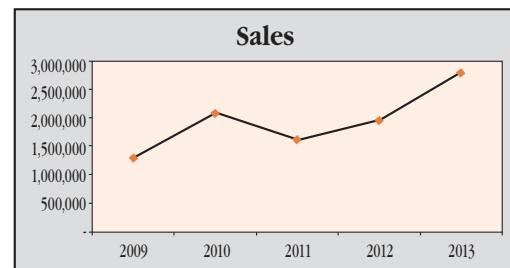
Despite significant challenges to the industry, your company has shown remarkable performance.

### OPERATING RESULTS

#### Sales

Nationally, sales of trucks and buses this year have been the lowest as compared to the last couple of years.

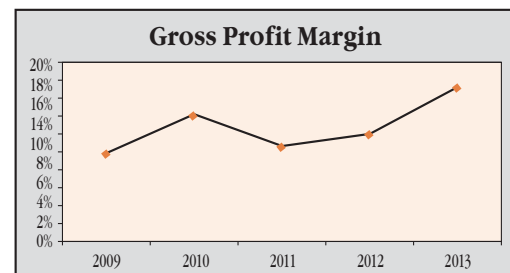
Despite all challenges and a downward sales trend of the industry, sales revenue of your company has increased by 42.91% from the preceding year.



#### Gross profit

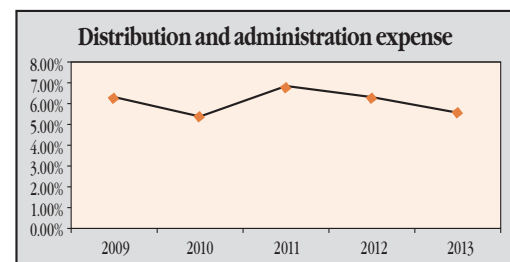
The gross profit ratio has risen from 12.01% in 2012 to 17.23% this year.

This improvement is reflective of effective cost management and control.



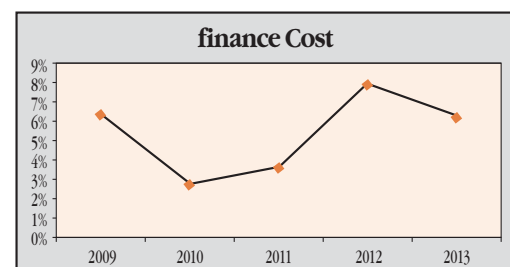
#### Distribution and administration costs

Distribution and administration costs in relation to sales have decreased to 5.6% from 6.31% of the preceding year.



#### Finance costs

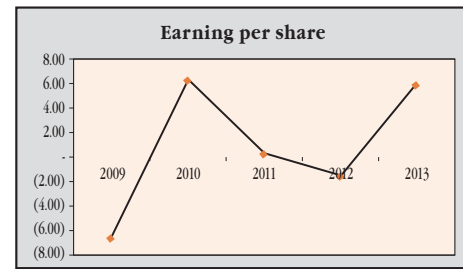
Finance cost of the company has decreased in relation to sales from 7.94% of the preceding to 6.25%.



### Profit/ (loss) after tax

The company has made a pre-tax profit of Rs. 183.2 million against pre-tax loss of Rs. 43.3 million of the preceding period.

Earnings per share increased to Rs. 6 as compared to the previous year's loss per share of Rs. 1.46.



### Financial performance

The financial results are summarized below:

	2013	2012
	(Rupees in '000')	
Profit from operation	359,061	113,025
Finance cost	(175,895)	(156,288)
Profit/ (loss) before tax	183,166	(43,263)
Taxation	(55,430)	12,178
Profit/ (loss) after tax	127,736	(31,085)
Earnings/ (loss) per share	6.00	(1.46)

For the year ended June 30, 2013, the Board in its meeting held on September 30, 2013 has proposed a final cash dividend of Rs. Nil per share, considering liquidity needs envisaged for repayment of borrowings and for sales commitments.

### Auditor's report to the members

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

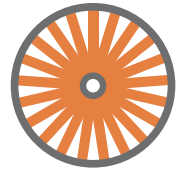
In the light of the legal opinion obtained by the management of the company coupled with a constitutional petition sub-judiced before Sindh High Court, the Board is of the view that it is not liable for Workers Profit Participation Fund as detailed in note # 25.1 (iii) to the financial statements.

### 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 changes 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, 2013 is Rs. Nil.

#### Audit Committee

The committee consists of three members; all are non-executive including the chairman of the committee. The terms of reference of this committee have been determined in accordance with guidelines provided in the listing regulations. The committee held four meetings during the year.

#### Board Human Resource & Remuneration Committee

The committee consists of three members; majority thereof including the chairman of the committee is non-executive. The terms of reference of this Committee have been determined in accordance with guidelines provided in the listing regulations.

#### Board meetings

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

Name of Director	No. of Meetings attended			
Mr. Raza Kuli Khan Khattak	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Mr. Ahmad Kuli Khan Khattak	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Lt. Gen. (R) Ali Kuli Khan Khattak	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Mr. Mushtaq Ahmad Khan	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Dr. Pervez Hassan	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Mr. Jamil Ahmed Shah	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ch. Sher Muhammad	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

#### Auditors

Present auditors, Messrs Hameed Chaudhri & Co, Chartered Accountants, have retired. Being eligible, they have offered themselves for re-appointment. The Board of Directors endorses recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year ending June 30, 2014.

#### Pattern of shareholding

The pattern of shareholding as on 30th June 2013 & 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

It is anticipated the product demand and market to remain satisfactory, although the cost pressures will remain on account of Rupee devaluation, higher raw material prices, rising cost of utilities and other inflationary factors, Your management is determined to avail full benefits of the opportunities by continued focus on quality, productivity and cost control to improve its competitiveness.

#### Acknowledgement

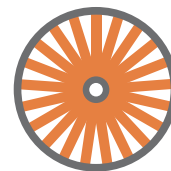
We would like to take this opportunity on the 50th anniversary of your Company to thank our esteemed shareholders, employees, customers, suppliers, financial institutions and other stake holders for their support, confidence and co-operation during these 50 years. The results of your Company are a reflection of the dedication, commitment and contribution of all the employees of your Company.

By order of the Board



## Financial Performance

		2013	2012	2011	2010	2009	2008
<b>Financial Performance-Profitability</b>							
Gross profit margin	%	17.23	12.01	10.68	14.22	9.84	7.70
EBITDA margin to sales	%	13.69	7.09	5.81	11.72	(3.17)	4.13
Pre tax margin	%	6.51	(2.20)	0.48	5.65	(10.69)	1.59
Net profit margin	%	4.54	(1.58)	0.47	6.50	(10.46)	0.98
Return on equity-before tax	%	9.17	(2.60)	0.47	8.07	(10.85)	2.28
Return on equity-after tax	%	6.40	(1.87)	0.47	9.28	(10.62)	1.40
<b>Operating Performance / Liquidity</b>							
Total assets turnover	Times	0.68	0.56	0.49	0.74	0.68	0.87
Fixed assets turnover	Times	1.56	1.25	1.04	1.32	1.18	1.65
Debtors turnover	Times	13.07	12.69	12.64	22.20	16.41	26.46
Debtors turnover	Days	28	29	29	16	22	14
Inventory turnover	Times	2.04	2.14	2.08	3.30	2.81	3.07
Inventory turnover	Days	179	171	176	111	130	119
Creditors turnover	Times	15.37	11.44	10.14	21.26	10.42	14.20
Creditors turnover	Days	24	32	36	17	35	26
Operating cycle	Days	183	168	169	110	117	107
Current ratio		1.12	1.05	1.08	1.13	1.08	1.24
Quick / acid test ratio		0.47	0.54	0.66	0.48	0.58	0.67
<b>Capital Structure Analyses</b>							
Breakup value / share	Rs	93.74	76.78	78.24	77.87	54.30	60.75
Earning per share (pre tax)	Rs	8.60	(2.03)	0.37	5.54	(6.59)	1.38
Earning per share (after tax)	Rs	6.00	(1.46)	0.36	6.36	(6.45)	0.85



## Summary of Balance Sheet

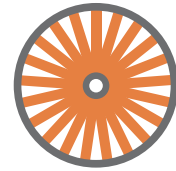
	2013	2012	2011	2010	2009	2008
	(Rupees in '000')					
<b>Summary of Balance Sheet</b>						
Share capital	213,044	213,044	213,044	213,044	213,044	213,044
Reserves	105,527	(27,772)	(2,250)	(15,558)	(129,314)	4,822
Shareholder's fund / equity	1,997,165	1,635,720	1,666,804	1,659,060	1,156,927	1,294,413
Deferred liabilities	19,404	14,774	13,715	29,302	16,519	17,935
Property, plant & equipment	1,703,088	1,447,944	1,465,156	1,476,350	1,018,986	1,028,798
Long term assets	7,344	6,186	8,122	7,755	5,844	5,860
Net current assets / Working capital	258,384	86,836	135,216	139,917	60,154	194,682
<b>Summary of Profit &amp; Loss</b>						
Net sales	2,812,958	1,968,409	1,631,208	2,086,520	1,313,808	1,857,058
Gross profit	484,624	236,420	174,180	296,792	129,302	143,027
Operating profit	359,061	113,025	67,048	175,707	(56,921)	57,726
Profit before tax	183,166	(43,263)	7,847	117,928	(140,427)	29,462
Profit after tax	127,736	(31,085)	7,745	135,563	(137,485)	18,132
EBITDA	385,138	139,469	94,763	193,966	(38,661)	76,708
<b>Summary of Cash Flows</b>						
Net cash flow from operating activities	(401,667)	(582,793)	(110,497)	319,801	(224,484)	(86,334)
Net cash flow from investing activities	(11,426)	(9,389)	(12,697)	4,940	(4,212)	(17,940)
Net cash flow from financing activities	(8,396)	(6,737)	(17,643)	(13,328)	(9,926)	(9,408)
Changes in cash & cash equivalents	(421,489)	(598,919)	(140,838)	311,413	(238,622)	(113,682)
Cash & cash equivalents - Year end	(1,174,247)	(752,758)	(153,839)	(13,000)	(306,042)	(67,420)

## Horizontal Analyses

Rupees '000

Balance Sheet	2013 Rs.	13 Vs 12 %	2012 Rs.	12Vs.11 %	2011 Rs.	11Vs.10 %	2010 Rs.	10Vs.09 %	2009 Rs.	09Vs.08 %	2008 Rs.	08Vs.07 %
	---Re-stated---											
<b>Assets</b>												
<b>Non-Current Assets</b>												
Property, plant & equipment	1,703,088	17.62	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
Intangible assets	647	(31.85)	949	(24.11)	1,251	183.03	442	100.00	-	100.00	-	-
Investment properties	89,895	(0.28)	90,145	(0.28)	90,395	(0.29)	90,654	(0.29)	90,914	(0.28)	91,173	(0.28)
Long term Investment	1,400	-	1,400	-	1,400	-	1,400	-	1,400	-	1,400	-
Long term loans	1,311	34.84	972	(29.65)	1,382	115.94	640	144.27	262	(43.17)	461	(27.40)
Long term deposits	4,633	21.47	3,814	(28.57)	5,340	(6.57)	5,715	36.66	4,182	4.58	3,999	3.98
Deferred taxation	-	(100.00)	32,049	27,254.06	117	100	-	-	-	-	-	-
	1,800,974	14.18	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)
<b>Current Assets</b>												
Stores and spares parts	2,285	33.31	1,714	(60.09)	4,294	(26.87)	5,872	39,046.67	15	(28.57)	21	-
Stock-in-trade	1,355,715	45.95	928,892	34.29	691,703	(2.81)	711,728	90.38	373,852	(20.13)	468,052	(27.91)
Trade debts	293,428	114.28	136,939	(21.02)	173,375	104.52	84,771	(17.86)	103,203	81.37	56,903	(31.82)
Loans and advances	247,162	(35.85)	385,279	463.26	68,402	216.29	21,626	36.16	15,883	28.09	12,400	(20.05)
Trade deposits and prepayments	147,548	(11.20)	166,166	(75.30)	672,658	1,283.42	48,623	(22.34)	62,607	(58.45)	150,662	38.12
Other receivables	2,454	96.95	1,246	(88.36)	10,704	277.16	2,838	-	2,838	(0.11)	2,841	-
Sales tax refundable/adjustable and taxation - payment less provision	246,465	19.86	205,626	23.65	166,290	(28.21)	231,649	1.69	227,789	32.33	172,133	206.92
Cash and bank balances	40,289	(55.83)	91,218	857.84	9,523	(93.64)	149,688	595.90	21,510	(6.15)	22,919	(82.16)
	2,335,346	21.82	1,917,080	6.69	1,796,949	42.98	1,256,795	55.60	807,697	(8.83)	885,931	(14.97)
	4,136,320	18.37	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)
<b>Equity And Liabilities</b>												
<b>Share Capital And Reserves</b>												
Share capital	213,044	-	213,044	-	213,044	-	213,044	-	213,044	-	213,044	-
Unappropriated profit / (accumulated loss)	105,527	(479.97)	(27,772)	1,134.07	(2,250)	(85.53)	(15,558)	(87.97)	(129,314)	-	4,822	(128.66)
Surplus on revaluation of fixed assets	1,678,594	15.73	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)
	1,997,165	22.10	1,635,720	(1.86)	1,666,804	0.47	1,659,060	43.40	1,156,927	(10.62)	1,294,412	1.42
<b>Non-Current Liabilities</b>												
Liabilities against assets subject to finance lease	15,102	10.93	13,614	(31.03)	19,738	(26.23)	26,757	991.23	2,452	(69.97)	8,165	(46.37)
Deferred liabilities	19,404	31.34	14,774	7.72	13,715	10.00	12,468	254.41	3,518	(80.38)	1,993	115.69
Deferred taxation	27,686	100.00	-	-	-	(100)	16,834	29.48	13,001	18.45	15,942	(9.67)
	62,192	119.08	28,388	(15.14)	33,453	(40.33)	56,059	195.50	18,971	(27.31)	26,100	40.53
<b>Current Liabilities</b>												
Trade and other payables	822,680	(12.83)	943,781	(35.41)	1,461,200	59.66	915,182	130.66	396,773	(31.99)	583,402	(23.34)
Accrued mark up	32,261	(12.37)	36,817	19.20	30,887	1.44	30,450	77.92	17,114	79.77	9,520	16.90
Short term borrowings	1,214,536	43.91	843,976	416.63	163,362	0.41	162,688	(50.33)	327,552	262.58	90,339	9.89
Current maturity of liabilities against assets subject to finance lease	7,486	32.04	5,670	(9.78)	6,284	(26.57)	8,558	40.20	6,104	(23.59)	7,989	24.19
	2,076,963	13.48	1,830,244	10.14	1,661,733	48.78	1,116,878	49.41	747,543	8.14	691,250	(19.41)
	4,136,320	18.37	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)

Profit & Loss	2013 Rs.	13 Vs 12 %	2012 Rs.	12Vs.11 %	2011 Rs.	11Vs.10 %	2010 Rs.	10Vs.09 %	2009 Rs.	09Vs.08 %	2008 Rs.	08Vs.07 %
Net sales	2,812,958	42.91	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)
Cost of sales	2,328,334	34.43	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
<b>Gross profit</b>	484,624	104.98	236,420	35.73	174,180	(41.31)	296,792	129.53	129,302	(9.60)	143,027	(58.05)
Distribution expenses	84,518	13.34	74,570	31.18	56,844	(20.46)	71,469	47.07	48,596	(7.21)	52,372	(13.66)
Administrative expenses	73,046	47.39	49,559	(8.59)	54,214	30.08	41,677	21.73	34,238	(19.02)	42,280	(22.49)
Other operating expenses	14,641	670.99	1,899	40.10	1,355	(87.77)	11,079	(90.62)	118,065	5,338.28	2,171	(86.54)
Other operating income	46,642	1,671.44	2,633	(50.14)	5,281	68.17	3,140	(78.60)	14,676	27.37	11,522	(37.17)
<b>Profit / (loss) from operations</b>	359,061	(217.68)	113,025	68.57	67,048	(61.84)	175,707	(408.69)	(56,921)	(198.61)	57,726	(74.67)
Finance cost	175,895	12.55	156,288	163.99	59,201	2.46	57,779	(30.81)	83,506	195.45	28,264	5.94
<b>Profit / (loss) before taxation</b>	183,166	523.38	(43,263)	(651.35)	7,847	(93.35)	117,928	(183.98)	(140,427)	(576.64)	29,462	(85.36)
Taxation	55,430	555.15	(12,178)	(12,087.91)	102	(100.58)	(17,635)	499.42	(2,942)	(74.03)	(11,330)	(84.85)
<b>Profit / (loss) after taxation</b>	127,736	510.93	(31,085)	(501.35)	7,745	(94.29)	135,563	(198.60)	(137,485)	(858.25)	18,132	(85.66)



## Vertical Analyses

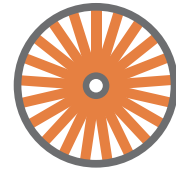
Balance Sheet	2013		2012		2011		2010		2009		2008	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
			Re-stated	Re-stated	Re-stated	Re-stated						
<b>Assets</b>												
<b>Non-Current Assets</b>												
Property, plant & equipment	1,703,088	41.17	1,447,944	41.44	1,465,156	41.93	1,476,350	42.25	1,018,986	29.16	1,028,798	29.44
Intangible assets	647	0.02	949	0.03	1,251	0.04	442	0.01	-	-	-	-
Investment properties	89,895	2.17	90,145	2.58	90,395	2.59	90,654	2.59	90,914	2.60	91,173	2.61
Long term Investment	1,400	0.03	1,400	0.04	1,400	0.04	1,400	0.04	1,400	0.04	1,400	0.04
Long term loans	1,311	0.03	972	0.03	1,382	0.04	640	0.02	262	0.01	461	0.01
Long term deposits	4,633	0.11	3,814	0.11	5,340	0.15	5,715	0.16	4,182	0.12	3,999	0.11
Deferred taxation	-	-	32,049	0.92	117	0.00	-	-	-	-	-	-
	1,800,974	43.54	1,577,273	45.14	1,565,041	44.79	1,575,201	45.08	1,115,744	31.93	1,125,831	32.22
<b>Current Assets</b>												
Stores and spares parts	2,285	0.06	1,714	0.05	4,294	0.12	5,872	0.17	15	0.00	21	0.00
Stock-in-trade	1,355,715	32.78	928,892	26.58	691,703	19.79	711,728	20.37	373,852	10.70	468,052	13.39
Trade debts	293,428	7.09	136,939	3.92	173,375	4.96	84,771	2.43	103,203	2.95	56,903	1.63
Loans and advances	247,162	5.98	385,279	11.03	68,402	1.96	21,626	0.62	15,883	0.45	12,400	0.35
Trade deposits and prepayments	147,548	3.57	166,166	4.76	672,658	19.25	48,623	1.39	62,607	1.79	150,662	4.31
Other receivables	2,454	0.06	1,246	0.04	10,704	0.31	2,838	0.08	2,838	0.08	2,841	0.08
Sales tax refundable/adjustable and taxation - payment less provision	246,465	5.96	205,626	5.88	166,290	4.76	231,649	6.63	227,789	6.52	172,133	4.93
Cash and bank balances	40,289	0.97	91,218	2.61	9,523	0.27	149,688	4.28	21,510	0.62	22,919	0.66
	2,335,346	56.46	1,917,080	54.86	1,796,949	51.42	1,256,795	35.97	807,697	23.11	885,931	25.35
	4,136,320	100.00	3,494,354	100.00	3,361,990	96.21	2,831,996	81.04	1,923,441	55.04	2,011,762	57.57
<b>Equity And Liabilities</b>												
<b>Share Capital And Reserves</b>												
Share capital	213,044	5.19	213,044	6.10	213,044	6.10	213,044	6.10	213,044	6.10	213,044	6.10
Unappropriated profit / (accumulated loss)	105,527	2.57	(27,772)	(0.79)	(2,250)	(0.06)	(15,558)	(0.45)	(129,314)	(3.70)	4,822	0.14
Surplus on revaluation of fixed assets	1,678,594	40.86	1,450,448	41.51	1,456,011	41.67	1,461,574	41.83	1,073,197	30.71	1,076,546	30.81
	1,997,165	48.61	1,635,720	46.81	1,666,804	47.70	1,659,060	47.48	1,156,927	33.11	1,294,412	37.04
<b>Non-Current Liabilities</b>												
<b>Liabilities against assets subject to finance lease</b>												
Deferred liabilities	15,102	0.37	13,614	0.39	19,738	0.56	26,757	0.77	2,452	0.07	8,165	0.23
Deferred taxation	19,404	0.47	14,774	0.42	13,715	0.39	12,468	0.36	3,518	0.10	1,993	0.06
	27,686	0.67	-	-	-	-	16,834	.48	13,001	0.37	15,942	0.46
	34,506	0.84	28,388	0.81	33,453	0.96	56,059	1.60	18,971	0.54	26,100	0.75
<b>Current Liabilities</b>												
Trade and other payables	822,680	20.02	943,781	27.01	1,461,200	41.82	915,182	26.19	396,773	11.35	583,402	16.70
Accrued mark up	32,261	0.79	36,817	1.05	30,887	0.88	30,450	0.87	17,114	0.49	9,520	0.27
Short term borrowings	1,214,536	29.56	843,976	24.15	163,362	4.68	162,688	4.66	327,552	9.37	90,339	2.59
Current maturity of liabilities against assets subject to finance lease	7,486	0.18	5,670	0.16	6,284	0.18	8,558	0.24	6,104	0.17	7,989	0.23
	2,076,963	50.55	1,830,244	52.38	1,661,733	47.55	1,116,878	31.96	747,543	21.39	691,250	19.78
	4,108,633	100.00	3,494,352	100.00	3,361,990	96.21	2,831,997	81.04	1,923,441	55.04	2,011,762	57.57

Profit & Loss	2013		2012		2011		2010		2009		2008	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Net sales	2,812,958	100.00	1,968,409	100.00	1,106,691	56.22	2,086,520	106.00	1,313,808	66.74	1,857,058	100.00
Cost of sales	2,328,334	82.77	1,731,989	87.99	968,163	49.19	1,789,728	90.92	1,184,506	60.18	1,714,031	92.30
<b>Gross profit</b>	484,624	17.23	236,420	12.01	138,528	7.04	296,792	15.08	129,302	6.57	143,027	7.70
Distribution expenses	84,518	3.00	74,570	3.79	42,096	2.14	71,469	3.63	48,596	2.47	52,372	2.82
Administrative expenses	73,046	2.60	49,559	2.52	40,795	2.07	41,677	2.12	34,238	1.74	42,280	2.28
Other operating expenses	14,641	0.52	1,899	0.10	1,549	0.08	11,079	0.56	118,065	6.00	2,171	0.12
Other operating income	46,642	1.66	2,633	0.13	1,896	0.10	3,140	0.16	14,676	0.75	11,522	0.62
<b>Profit / (loss) from operations</b>	359,061	12.76	113,027	5.74	55,984	2.84	175,707	8.93	(56,921)	(2.89)	57,726	3.11
Finance cost	175,895	6.25	156,288	7.94	45,171	2.29	57,779	2.94	83,506	4.24	28,264	1.52
<b>Profit / (loss) before taxation</b>	183,166	6.51	(43,261)	(2.20)	10,813	0.55	117,928	5.99	(140,427)	(7.13)	29,462	1.59
Taxation	55,430	1.97	(12,178)	(0.62)	(2,596)	(0.13)	(17,635)	(0.90)	(2,942)	(0.15)	(11,330)	(0.61)
<b>Profit / (loss) after taxation</b>	127,736	4.54	(31,083)	(1.58)	13,410	0.68	135,564	6.89	(137,484)	(6.98)	40,793	0.98

## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2013

Number of Shareholders	Shareholding		Number of Shares Held	Percentage
	From	To		
3,474	1	100	62,779	0.29
584	101	500	168,044	0.79
228	501	1,000	196,291	0.92
287	1,001	5,000	715,924	3.36
66	5,001	10,000	505,766	2.37
17	10,001	15,000	207,516	0.97
21	15,001	20,000	377,476	1.77
16	20,001	25,000	370,110	1.74
7	25,001	30,000	197,300	0.93
5	30,001	35,000	160,239	0.75
2	35,001	40,000	80,000	0.38
4	40,001	45,000	170,561	0.80
4	45,001	50,000	200,000	0.94
1	50,001	55,000	55,000	0.26
1	60,001	65,000	65,000	0.31
1	70,000	75,000	74,000	0.35
1	75,001	80,000	77,000	0.36
1	95,001	100,000	97,000	0.46
1	100,001	105,000	100,700	0.47
1	110,001	115,000	115,000	0.54
1	115,001	120,000	117,000	0.55
1	255,001	260,000	258,577	1.21
1	270,001	275,000	275,000	1.29
1	325,001	330,000	325,500	1.53
1	1,180,001	1,185,000	1,184,148	5.56
1	1,635,001	1,640,000	1,638,926	7.69
1	2,255,001	2,260,000	2,258,242	10.60
1	5,165,001	5,170,000	5,166,168	24.25
1	6,085,001	6,090,000	6,085,155	28.56
<b>4,731</b>			<b>21,304,422</b>	<b>100.00</b>

Shareholders Category	Number of Shareholders	Number of Share Held	Percentage of Holding
Director's, CEO, Their Spouse and Minor Children	7	24,489	0.11
Associated Companies, Undertakings and Related Parties	7	14,823,821	69.58
NIT & ICP	2	262,891	1.23
Banks, NBFCs, DFIs, Takaful and Pension Funds	18	1,667,670	7.83
Investments Companies	2	428	0.00
Insurance Companies	3	1,100	0.01
Joint Stock Companies	9	398,133	1.87
Other Companies, Corporate Bodies, Trust etc	16	59,563	0.28
General Public (Local)	4,667	4,066,327	19.09
	<b>4,731</b>	<b>21,304,422</b>	<b>100.00</b>



## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2013

SR #	CATEGORIES OF SHAREHOLDERS	SHARES HELD	Percentage
<b>1</b>	<b>Director's, CEO, Their Spouse and Minor Children</b>		
	Mr. Raza Kuli Khan Khattak (Chairman)	10,000	0.047
	Mr. Ahmad Kuli Khan Khattak (Chief Executive)	12,000	0.056
	Lt. Gen. (Retd.) Ali Kuli Khan Khattak (Director)	9	0.000
	Mr. Mushtaq Ahmed Khan (Director)	52	0.000
	Dr. Parvez Hassan (Director)	4	0.000
	Mr. Jamil Ahmed Shah (Director)	400	0.002
	Mr. Ch. Sher Muhammad (Director)	2,024	0.010
<b>2</b>	<b>Associated Companies, Undertaking and Related Parties</b>		
	Bibojee Services (Pvt) Limited	8,343,397	39.163
	Bibojee Investments (Pvt) Limited	21,408	0.100
	The General Tyre and Rubber Company of Pakisatan Limited	100,700	0.473
	Gandhara Nissan Limited	5,166,168	24.249
	The Universal Insurance Company Limited	1,192,148	5.596
<b>3</b>	<b>NIT &amp; ICP</b>		
	Investment Corporation of Pakistan	4,314	0.020
	National Bank of Pakistan Trustee Department NI(U)T Fund	258,577	1.214
<b>4</b>	<b>Banks, NBFCs, DFIs, Takaful and Pension Funds</b>	1,667,670	7.828
<b>5</b>	<b>Investments Companies</b>	428	0.002
<b>6</b>	<b>Insurance Compaines</b>	1,100	0.005
<b>7</b>	<b>Joint Stock Companies</b>	398,133	1.869
<b>8</b>	<b>Other Companies, Corporate Bodies, Trust etc</b>	59,563	0.280
<b>9</b>	<b>General Public (Local)</b>	4,066,327	19.087
		21,304,422	100.00
<b>10</b>	<b>Shareholders Holding 05.00% Or More</b>		
	Bibojee Services (Pvt) Limited	8,343,397	39.163
	Universal Insurance Co. Limited	1,184,148	5.558
	Gandhara Nissan Limited	5,166,168	24.249

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

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 Ahmad Khan Dr. Parvez Hassan Mr. Jamil Ahmad Shah Ch. Sher Muhammad

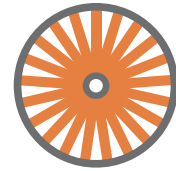
\*The present Board was elected on April 10, 2012, prior to issuance of the revised Code on April 11, 2012. The Code 2012 requires atleast one independent director as per the definition of independent director, which would be applicable from next election of directors.

2. The directors, except for the followings, 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 NBFIs 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, determination of remuneration, if any, 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 Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including 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 of 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 and 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: September 30, 2013

**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.

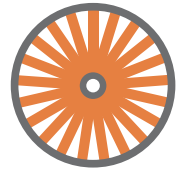
As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on Internal Control covers all 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, 2013.

KARACHI; September 30, 2013

**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, 2013 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, 2013 and of the profit, 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 25.1 (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; September 30, 2013

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

## BALANCE SHEET

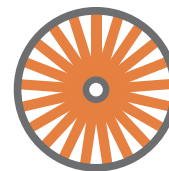
AS AT JUNE 30, 2013

		2013	2012
	Note	(Rupees in '000')	
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	5	1,703,088	1,447,944
Intangible assets	6	647	949
Investment property	7	89,895	90,145
Long term Investment	8	1,400	1,400
Long term loans	9	1,311	972
Long term deposits	10	4,633	3,814
Deferred taxation	21	-	32,049
		<u>1,800,974</u>	<u>1,577,273</u>
<b>Current assets</b>			
Stores and spares parts	11	2,285	1,714
Stock-in-trade	12	1,355,715	928,892
Trade debts	13	293,428	136,939
Loans and advances	14	247,162	385,279
Trade deposits and prepayments	15	147,548	166,166
Other receivables		2,454	1,246
Sales tax refundable / adjustable		132,025	127,152
Taxation - payments less provision		114,440	78,474
Cash and bank balances	16	40,289	91,218
		<u>2,335,346</u>	<u>1,917,080</u>
<b>Total assets</b>		<u>4,136,320</u>	<u>3,494,353</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	17	213,044	213,044
Unappropriated profit / (accumulated loss)		105,527	(27,772)
		<u>318,571</u>	<u>185,272</u>
<b>Surplus on revaluation of fixed assets</b>	18	1,678,594	1,450,448
<b>Non current liabilities</b>			
Liabilities against assets subject to finance lease	19	15,102	13,614
Deferred liabilities	20	19,404	14,774
Deferred taxation	21	27,686	-
		<u>62,192</u>	<u>28,388</u>
<b>Current liabilities</b>			
Trade and other payables	22	822,680	943,781
Accrued mark-up / interest	23	32,261	36,817
Short term borrowings	24	1,214,536	843,976
Current maturity of liabilities against assets subject to finance lease	19	7,486	5,670
		<u>2,076,963</u>	<u>1,830,244</u>
<b>Contingencies and commitments</b>	25	-	-
<b>Total equity and liabilities</b>		<u>4,136,320</u>	<u>3,494,353</u>

The annexed notes from 1 to 45 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, 2013

		2013	2012
	Note	(Rupees in '000')	
Sales	26	2,812,958	1,968,409
Cost of sales	27	(2,328,334)	(1,731,989)
<b>Gross profit</b>		<b>484,624</b>	<b>236,420</b>
Distribution cost	28	(84,518)	(74,570)
Administrative expenses	29	(73,046)	(49,559)
Other expenses	30	(14,641)	(1,899)
Other income	31	46,642	2,633
<b>Profit from operations</b>		<b>359,061</b>	<b>113,025</b>
Finance cost	32	(175,895)	(156,288)
<b>Profit / (loss) before taxation</b>		<b>183,166</b>	<b>(43,263)</b>
Taxation	33	(55,430)	12,178
<b>Profit / (loss) after taxation</b>		<b>127,736</b>	<b>(31,085)</b>
Other comprehensive income		-	-
<b>Total comprehensive income / (loss)</b>		<b>127,736</b>	<b>(31,085)</b>
		(Rupees)	
<b>Basis and diluted earnings / (loss) per share</b>	34	<b>6.00</b>	<b>(1.46)</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

**Ahmad Kuli Khan Khattak**  
Chief Executive

**Jamil Ahmed Shah**  
Director

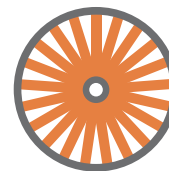
**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
Note	(Rupees in '000')	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash used in operations	35 (162,696)	(387,876)
Gratuity paid	(2,527)	(3,177)
Finance cost paid	(180,451)	(150,357)
Income tax paid	(54,835)	(43,319)
Long term loans - net	(339)	410
(Decrease) / increase in long term deposits	(819)	1,526
<b>Net cash used in operating activities</b>	<b>(401,667)</b>	<b>(582,793)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(13,013)	(13,747)
Sale proceeds from disposal of operating fixed assets	1,050	4,218
Interest received	537	140
<b>Net cash used in investing activities</b>	<b>(11,426)</b>	<b>(9,389)</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Liabilities against assets subject to finance lease - net	(8,396)	(6,737)
<b>Net decrease in cash and cash equivalents</b>	<b>(421,489)</b>	<b>(598,919)</b>
<b>Cash and cash equivalents - at beginning of the year</b>	<b>(752,758)</b>	<b>(153,839)</b>
<b>Cash and cash equivalents - at end of the year</b>	<b>36 (1,174,247)</b>	<b>(752,758)</b>

The annexed notes from 1 to 45 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, 2013

	Share Capital	(Accumulated loss) / unappropriated profit	Total
	-----	Rupees in '000'	-----
<b>Balance as at July 1, 2011</b>	213,044	(2,250)	210,794
Total comprehensive loss for the year	-	(31,085)	(31,085)
Surplus on revaluation of fixed assets realized during the year (net of deferred taxation) on account of incremental depreciation	-	5,563	5,563
<b>Balance as at June 30, 2012</b>	<u>213,044</u>	<u>(27,772)</u>	<u>185,272</u>
<b>Balance as at July 1, 2012</b>	213,044	(27,772)	185,272
Total comprehensive income for the year	-	127,736	127,736
Surplus on revaluation of fixed assets realized during the year (net of deferred taxation) on account of incremental depreciation	-	5,563	5,563
<b>Balance as at June 30, 2013</b>	<u>213,044</u>	<u>105,527</u>	<u>318,571</u>

The annexed notes from 1 to 45 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, 2013**

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

**2.2 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is the functional currency of the Company and figures are rounded off to the nearest thousand of rupees unless otherwise specified.

**2.3 Initial application of standards, amendments or an interpretation to existing standards**

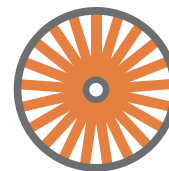
**2.3.1 Amendments to published standards effective in the current year**

Certain amendments to approved accounting standards are effective for accounting periods beginning on July 1, 2012 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

**2.3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

The following new standards and amendments to published standards are not effective (although available for early adoption) for the financial year beginning on or after July 1, 2012 and have not been early adopted by the Company:

- (a) Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 1, 2013. This set of amendments includes changes to five standards: IFRS 1, 'First time adoption', IAS 1, 'Financial statements presentation', IAS 16, 'Property, plant and equipment', IAS 32, 'Financial instruments; Presentation' and IAS 34, 'Interim financial reporting'. The application of these amendments have no material impact on the Company's financial statements.
- (b) IFRS 7 (Amendments), 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 1, 2013. The amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The Company shall apply these amendments from July 1, 2013 and does not expect to have a material impact on its financial statements.
- (c) IFRS 9 - 'Financial instruments - classification and measurement'. This is applicable on accounting periods beginning on or after January 1, 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.



The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The Company shall apply this standard from July 1, 2015 and does not expect to have a material impact on its financial statements.

- (d) IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 1, 2013. It eliminates the corridor approach and recognizes all actuarial gains and losses in other comprehensive income as they occur, immediately recognizes all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The financial statements for the next year will incorporate the unrecognized actuarial gains and losses in the other comprehensive income. The change will be recognized in accordance with IAS 8 - "Accounting policies, changes in accounting estimates and errors" as change in accounting policy.
- (e) There are other new accounting standards, amendments to approved accounting standards and interpretations that are mandatory for future years. However they are not considered relevant to the Company and therefore are not expected to materially effect 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 classes of property, plant and equipment which have been included at revalued amounts and staff retirement benefit which has been recognized at present value as determined by the Actuary.
- 3.2 The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

- residual values and useful lives of depreciable and intangible assets (note 4.1 and 4.2);
- net realizable values of stores & spares parts and stock-in-trade (note 4.6);
- provision for 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 and 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 recognized in accordance with section 235 of the Companies Ordinance, 1984.

Subsequent costs are included in the asset's carrying amounts or recognized 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 5.1 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.

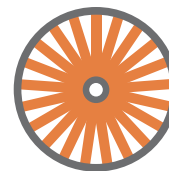
Any surplus arising on revaluation of property plant and equipment is credited to the surplus on revaluation account. Revaluation is carried-out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation 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 softwares 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 revaluation (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 recognized 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 7.

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

#### 4.3.2 Long term investment

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 upto 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 upto the reporting date. Cost in relation to raw materials, 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 running finances.

## 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 recognized 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 recognized 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 utilized. 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 recognized 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 realized 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 capitalized 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.

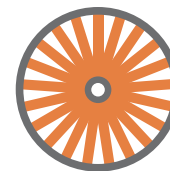
## 4.11 Staff retirement benefit - defined benefit plan

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 recognized 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 unrecognized actuarial losses.

Latest actuarial valuation of the scheme was carried-out as at June 30, 2013 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 consideration to be paid in future for goods and services received, whether or not billed to the Company.

#### **4.13 Revenue recognition**

Sales are recognized when goods are invoiced and delivered to customers.

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 recognized 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 capitalized 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 recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized 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, amortized 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 recognized amounts and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

#### **4.18 Provisions**

Provisions are recognized 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 recognizes 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 and appropriation to reserves**

Dividend and other appropriations to reserves are recognized in the period in which they are approved.

**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 recognized in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

**4.22 Earnings per share**

The Company presents 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 41 to these financial statements.

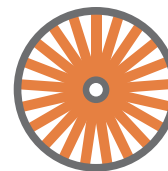
**5. PROPERTY, PLANT AND EQUIPMENT**

Operating fixed assets

Capital work-in-progress  
- computer software

Note	2013	2012
	(Rupees in '000')	
5.1	1,701,672	1,447,944
	1,416	-
	<u>1,703,088</u>	<u>1,447,944</u>





## 5.1 Operating fixed assets

Particulars	OWNED										LEASED				Total
	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	
----- ( Rupees in '000 ) -----															
<b>At July 01, 2011</b>															
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
<b>Net book value</b>	<b>1,239,915</b>	<b>168,437</b>	<b>2,536</b>	<b>1,905</b>	<b>3,822</b>	<b>5,150</b>	<b>-</b>	<b>7,216</b>	<b>1,162</b>	<b>10,986</b>	<b>4,827</b>	<b>4,100</b>	<b>14,350</b>	<b>751</b>	<b>1,465,156</b>
<b>Year ended June 30, 2012</b>															
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)
Depreciation charge for the year	-	8,865	511	283	276	2,868	-	1,320	477	4,457	2,064	1,200	3,400	171	25,892
<b>Closing net book value</b>	<b>1,239,915</b>	<b>159,572</b>	<b>4,647</b>	<b>1,694</b>	<b>3,550</b>	<b>6,210</b>	<b>-</b>	<b>6,001</b>	<b>1,298</b>	<b>6,529</b>	<b>8,031</b>	<b>2,900</b>	<b>5,883</b>	<b>1,715</b>	<b>1,447,944</b>
<b>At June 30, 2012</b>															
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
<b>Net book value</b>	<b>1,239,915</b>	<b>159,572</b>	<b>4,647</b>	<b>1,694</b>	<b>3,550</b>	<b>6,210</b>	<b>-</b>	<b>6,001</b>	<b>1,298</b>	<b>6,529</b>	<b>8,031</b>	<b>2,900</b>	<b>5,883</b>	<b>1,715</b>	<b>1,447,944</b>
<b>Year ended June 30, 2013</b>															
Opening 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
Additions	-	-	4,640	-	138	3,122	-	362	3,335	-	9,135	-	-	-	20,732
Disposals															
- cost	-	-	-	-	-	4,387	-	-	-	-	1,320	-	-	-	5,707
- accumulated depreciation	-	-	-	-	-	(3,726)	-	-	-	-	(1,056)	-	-	-	(4,782)
Revaluation adjustments															
- cost / revaluation	179,835	53,017	-	-	-	-	-	-	-	-	-	-	-	-	232,852
- accumulated depreciation	-	26,595	-	-	-	-	-	-	-	-	-	-	-	-	26,595
Depreciation charge for the year	-	8,865	962	286	278	1,815	-	1,347	820	4,421	2,741	1,200	2,600	191	25,526
<b>Closing net book value</b>	<b>1,419,750</b>	<b>230,319</b>	<b>8,325</b>	<b>1,408</b>	<b>3,410</b>	<b>6,856</b>	<b>-</b>	<b>5,016</b>	<b>3,813</b>	<b>2,108</b>	<b>14,161</b>	<b>1,700</b>	<b>3,283</b>	<b>1,524</b>	<b>1,701,672</b>
<b>At June 30, 2013</b>															
Cost \ revaluation	1,419,750	230,319	56,519	5,312	5,471	43,764	3,122	14,205	7,667	39,026	19,442	6,000	13,000	1,905	1,865,502
Accumulated depreciation	-	-	48,194	3,904	2,061	36,908	3,122	9,189	3,854	36,918	5,281	4,300	9,717	381	163,830
<b>Net book value</b>	<b>1,419,750</b>	<b>230,319</b>	<b>8,325</b>	<b>1,408</b>	<b>3,410</b>	<b>6,856</b>	<b>-</b>	<b>5,016</b>	<b>3,813</b>	<b>2,108</b>	<b>14,161</b>	<b>1,700</b>	<b>3,283</b>	<b>1,524</b>	<b>1,701,672</b>
<b>Rates of depreciation</b>	<b>-</b>	<b>5%</b>	<b>10%</b>	<b>12.50%</b>	<b>6.25%</b>	<b>20%</b>	<b>20%</b>	<b>12.50%</b>	<b>20%</b>	<b>33%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>10%</b>	

## 5.2 Depreciation charge for the year has been allocated as follows:

Cost of goods manufactured  
Distribution cost  
Administrative expenses

Note

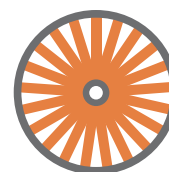
	2013	2012
(Rupees in '000')		
27.1	15,087	15,316
28	5,482	6,567
29	4,957	4,009
	<b>25,526</b>	<b>25,892</b>

**5.3** Leasehold land and buildings on leasehold land of the Company had previously been revalued in June 2010 by K.G. Traders (Private) Limited (PBA approved asset valuers and stocks inspectors). This revaluation exercise resulted in net surplus of Rs.437,276 thousand. Leasehold land and buildings on leasehold land of the Company has been again revalued in June 2013 by Sadruddin Associates (Private) Limited (PBA approved valuers) on the basis of present market value and depreciated market value. The latest revaluation exercise resulted in a net surplus of Rs.259,447 thousand over the net book value of Rs.1,390,622 thousand which has been incorporated in the books of the Company on June 30, 2013. Out of the revaluation surplus resulting from all the revaluations carried-out to date, an amount of Rs.1,644,859 thousand (2012: Rs.1,393,971 thousand) remains un-depreciated as at June 30, 2013.

**5.4** Had the property, plant and equipment been recognized under the cost model, the carrying amount of building on leasehold would have been Rs.5,210 thousand (2012: Rs.5,516 thousand).

**5.5** The detail of operating fixed assets disposed-off is as follows:

Assets description	Cost	Accumulated Depreciation	Net book value	Sale Proceed	Gain / (loss)	Mode of Disposal	Particulars of buyers
----- ( Rupees in '000 ) -----							
<b>Motor vehicles</b>							
Chevrolet	545	545	-	125	125	Negotiation	M/S Farhan Auto Engineering Works, RB. 12-13, Ratan Talao, Ratan Street, Karachi.
Suzuki Cultus	660	528	132	132	-	Company Policy	Mr. Mudassir Butt (Employee)
Suzuki Cultus	660	528	132	132	-	Company Policy	Mr. Irfan Qureshi (Employee)
Suzuki Alto	590	489	101	101	-	Company Policy	Mr. Iqbal Adil (Ex-employee)
Suzuki Cultus	682	562	120	120	-	Company Policy	Mr. Shahid Raza (Ex-employee)
Suzuki Alto	590	489	101	101	-	Company Policy	Mr. Sheikh Mumtaz (Employee)
Suzuki Alto	660	557	103	103	-	Company Policy	Mr. Cap. Inamullah Khan (Ex-employee)
Suzuki Alto	660	542	118	118	-	Company Policy	Mr. Muhammad Rashid (Employee)
Suzuki Alto	660	542	118	118	-	Company Policy	Mr. Rana Qamar (Employee)
<b>2013</b>	<b>5,707</b>	<b>4,782</b>	<b>925</b>	<b>1,050</b>	<b>125</b>		
<b>2012</b>	<b>10,212</b>	<b>5,145</b>	<b>5,067</b>	<b>4,218</b>	<b>(849)</b>		



	Note	2013	2012
(Rupees in '000')			
<b>6. INTANGIBLE ASSETS</b>			
These represent computer softwares.			
<b>Cost</b>			
As at June 30,		1,508	1,508
<b>Accumulated amortization</b>			
At beginning of the year		559	257
Add : charge for the year	6.1	302	302
At end of the year		861	559
<b>Net book value</b>		<b>647</b>	<b>949</b>
<b>Rate of amortization</b>			
		20%	20%
<b>6.1 Amortization charge for the year has been allocated as follows:</b>			
Cost of goods manufactured	27.1	212	212
Administrative expenses	29	90	90
		<b>302</b>	<b>302</b>
<b>7. INVESTMENT PROPERTY</b>			
		<b>Lease hold land</b>	<b>Building on Leasehold land</b>
		(Rupees in '000')	
<b>At June 30, 2011</b>			
Cost		97,392	416
Accumulated depreciation		7,044	369
<b>Book Value</b>		<b>90,348</b>	<b>47</b>
<b>Year ended June 30, 2012</b>			
Opening book value		90,348	47
Depreciation charge		243	7
<b>Closing book value</b>		<b>90,105</b>	<b>40</b>
<b>As at June 30, 2012</b>			
Cost		97,392	416
Accumulated depreciation		7,287	376
<b>Book Value</b>		<b>90,105</b>	<b>40</b>
<b>Year ended June 30, 2013</b>			
Opening book value		90,105	40
Depreciation charge		243	7
<b>Closing book value</b>		<b>89,862</b>	<b>33</b>
<b>As at June 30, 2013</b>			
Cost		97,392	416
Accumulated depreciation		7,530	383
<b>Book Value</b>		<b>89,862</b>	<b>33</b>
<b>Depreciation rate</b>		<b>0.25%</b>	<b>2.5% to 6.25%</b>

**8. LONG TERM INVESTMENT - at cost**

**Subsidiary Company** - Un-quoted Marghzar Industries (Private) Limited 140,000 (2012: 140,000) fully paid ordinary shares of Rs.10 each. Equity held: 70% (2012: 70%)

2013	2012
(Rupees in '000')	
<b>1,400</b>	1,400

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, 2013 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.

**9. LONG TERM LOANS - Secured, considered good**

Due from:  
- Executives  
- Non-executives

Less: Installments recoverable within twelve months:  
- Executives  
- Non-executives

Note	2013	2012
	(Rupees in '000')	
9.1	3,376	1,870
	752	1,526
9.2	4,128	3,396
	2,383	1,555
	434	869
14	2,817	2,424
	<b>1,311</b>	972
9.1	1,870	650
	2,080	1,885
	3,950	2,535
	574	665
	<b>3,376</b>	1,870

**9.1 Reconciliation of loans to executives:**

Balance at beginning of the year  
Add: disbursement

Less: recovered during the year  
Balance at end of the year

9.2 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 their respective gratuity.

9.3 Maximum aggregate amount due from executives at the end of any month was Rs.3,707 thousand (2012: Rs.1,870 thousand).



		2013	2012
		(Rupees in '000')	
<b>10.</b>	<b>LONG TERM DEPOSITS - Considered good</b>		
	Deposit held with / for:		
	Leasing companies	3,685	2,904
	Utilities	608	608
	Others	340	302
		<u>4,633</u>	<u>3,814</u>
<b>11.</b>	<b>STORES AND SPARE PARTS</b>		
	Stores	2,285	1,714
	Spare parts	6,316	6,316
		<u>8,601</u>	<u>8,030</u>
	Less: provision for obsolescence	6,316	6,316
		<u>2,285</u>	<u>1,714</u>
<b>12.</b>	<b>STOCK-IN-TRADE</b>		
	Raw materials and components		
	In hand	657,807	562,266
	Less: provision for slow moving raw materials	20,150	20,150
		<u>637,657</u>	<u>542,116</u>
	In transit	132,509	2,659
		<u>770,166</u>	<u>544,775</u>
	Work-in-process	121,974	151,332
	Finished goods including components	425,594	194,158
	Trading stocks	52,913	53,559
	Less: provision for slow moving stock	14,932	14,932
		<u>37,981</u>	<u>38,627</u>
		<u>1,355,715</u>	<u>928,892</u>

12.1 This includes raw material carried at net realizable value, amounting to Rs.10 million (2012: Rs.10 million).

12.2 Stock-in-trade includes stock of Rs.725,448 thousand (2012: Rs.434,433 thousand) held with third parties out of which stock of Rs.682,186 thousand (2012: Rs.428,988 thousand) is held with Gandhara Nissan Limited (an Associated Company).

		2013	2012
		(Rupees in '000')	
<b>13.</b>	<b>TRADE DEBTS - Unsecured, considered good</b>		
	Government and semi-government agencies	230,852	108,493
	Others	62,576	28,446
		<u>293,428</u>	<u>136,939</u>

**13.1 The ageing of trade debts at June 30, is as follows:**

Upto 30 days  
31 - 180 days  
Over 180 days

Note	2013	2012
	(Rupees in '000')	
	88,031	84,593
	140,231	47,178
	65,166	5,168
	<u>293,428</u>	<u>136,939</u>

**14. LOANS AND ADVANCES - Unsecured Considered good**

Loans and advances due from:  
- employees  
- suppliers and contractors

Current portion of long term loans to employees  
Considered doubtful  
Government and semi-government agencies  
Less: provision for doubtful advances

9

3,361	584
240,984	382,271
<u>244,345</u>	<u>382,855</u>
2,817	2,424
<u>1,175</u>	<u>1,175</u>
<u>1,175</u>	<u>1,175</u>
-	-
<u>247,162</u>	<u>385,279</u>

**15. TRADE DEPOSITS AND PREPAYMENTS**

Tender deposits  
Deposits with suppliers  
Margins against bank guarantees  
Less: provision for doubtful margin deposit

Margin against letters of credit  
Prepaid insurance  
Prepaid rent

15.1

20,920	16,724
-	4,085
<u>87,128</u>	<u>81,735</u>
330	330
86,798	81,405
37,292	62,527
1,769	586
769	839
<u>147,548</u>	<u>166,166</u>

**15.1** Includes Rs.Nil (2012: Rs.586 thousand) which relates to Universal Insurance Company Limited - an Associated Company.

**16. CASH AND BANK BALANCES**

Cash in hand  
Cash with banks on:  
- current accounts  
- saving accounts  
- foreign currency accounts

Less: provision for a doubtful bank account

Note	2013	2012
	(Rupees in '000')	
	408	441
	<u>39,605</u>	73,791
	2,465	19,175
	44	44
	42,114	93,010
	2,233	2,233
	<u>40,289</u>	<u>91,218</u>

16.1 & 16.2

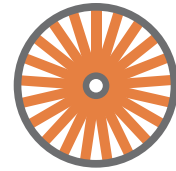
16.2

16.3

**16.1** These carry mark-up at the rates upto 6.78% (2012: 6.85%) per annum.

**16.2** Foreign currency accounts include JPY.31,559 equivalent to Rs.31,540 and US\$.126 equivalent to Rs.12,424 (2012: JPY.31,559 equivalent to Rs.37,457 and US\$.126 equivalent to Rs.11,844).

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



**17. SHARE CAPITAL**

**Authorized capital**

50,000,000 (2012: 50,000,000) ordinary shares of Rs.10 each

2013	2012
(No. of shares)	
17,650,862	17,650,862
358,206	358,206
3,295,354	3,295,354
<u>21,304,422</u>	<u>21,304,422</u>

**Issued, subscribed and paid-up capital**

Ordinary shares of Rs.10 each fully paid in cash  
 Ordinary shares of Rs.10 each issued for consideration other than cash  
 Ordinary shares of Rs.10 each issued as fully paid bonus shares

2013	2012
(Rupees in '000')	
500,000	500,000
176,509	176,509
3,582	3,582
32,953	32,953
<u>213,044</u>	<u>213,044</u>

17.1 Bibojee Services (Private) Limited, the ultimate Holding Company, held 8,343,397 (2012: 8,343,397) ordinary shares of Rs.10 each as at the year end.

**17.2 Ordinary shares held by related parties other than the ultimate Holding Company are as follows:**

Gandhara Nissan Limited  
 Universal Insurance Company Limited  
 The General Tyre and Rubber Company of Pakistan Limited  
 Bibojee Investment (Private) Limited

2013	2012
No. of Shares	
5,166,168	5,166,168
1,192,148	1,192,148
100,700	100,700
21,408	21,408
<u>6,480,424</u>	<u>6,480,424</u>

**18. SURPLUS ON REVALUATION OF FIXED ASSETS**

Balance at the beginning of the year  
 Add: surplus arisen on revaluation carried-out during the year  
 Less: transferred to unappropriated profit on account of incremental depreciation for the year  
 Less: related deferred tax of:  
 - balance at beginning of the year  
 - surplus arisen during the year  
 - incremental depreciation for the year  
 - effect of change in tax rate  
 - balance at end of the year  
 Balance at the end of the year

2013	2012
(Rupees in '000')	
1,499,993	1,508,552
259,447	-
8,559	8,559
<u>1,750,881</u>	<u>1,499,993</u>
49,545	52,541
27,068	-
(2,996)	(2,996)
(1,330)	-
72,287	49,545
<u>1,678,594</u>	<u>1,450,448</u>



**19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

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:

	2013			2012		
	Minimum lease payments	Finance cost	Present value of minimum lease payments	Minimum lease payments	Finance cost	Present value of minimum lease payments
	----- Rupees in 000 -----					
Not later than one year	9,785	2,299	7,486	7,949	2,279	5,670
Later than one year but not later than five years	18,336	3,234	15,102	15,240	1,626	13,614
<b>Total minimum lease payments</b>	<b>28,121</b>	<b>5,533</b>	<b>22,588</b>	<b>23,189</b>	<b>3,905</b>	<b>19,284</b>

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 installments. Repair and insurance cost are borne by the Company. The rates of financial charges applied range from 12.30% to 18.25% (2012: 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.

**20. DEFERRED LIABILITIES**

Gain on sale and lease back of fixed assets 20.1  
Staff retirement benefit 20.2

	2013	2012
	(Rupees in '000')	
	142	243
	19,262	14,531
	<b>19,404</b>	<b>14,774</b>
	243	2,186
	(101)	(1,943)
	<b>142</b>	<b>243</b>

**20.1 Gain on sale and lease back of fixed assets**

Balance at beginning of the year  
Less : amortization for the year  
Balance at end of the year

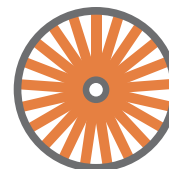
The Company had entered into sale and leaseback transactions during the financial year ended June 30, 2010 which resulted in finance leases. The excess of sale proceeds over the net book value of motor vehicles under sale and leaseback arrangements had been recognized as deferred income and are being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

**20.2 Staff retirement benefit - gratuity**

**(a) The amount recognized in the balance sheet is as follows:**

Present value of defined benefit obligation  
Unrecognized actuarial losses  
Net liability at end of the year

	2013	2012
	(Rupees in '000')	
	21,677	14,597
	(2,415)	(66)
	<b>19,262</b>	<b>14,531</b>



	2013	2012
	(Rupees in '000')	
<b>(b) Movement in the account of liability</b>		
Balance at beginning of the year	14,531	11,529
Add: charge for the year	7,258	6,179
Less: payments made during the year	(2,527)	(3,177)
Balance at end of the year	19,262	14,531
<b>(c) Movement in the present value of defined benefit obligation is as follows</b>		
Balance at beginning of the year	14,597	11,109
Current service cost	5,506	4,624
Interest cost	1,752	1,555
Actuarial losses	2,349	486
Benefits paid	(2,527)	(3,177)
Balance at end of the year	21,677	14,597
<b>(d) Expense recognized in profit and loss account</b>		
Current service cost	5,506	4,624
Interest cost	1,752	1,555
	7,258	6,179
<b>(e) Significant actuarial assumptions at the reporting date</b>		
Discount rate	10%	12%
Expected rate of increment of salary	9%	11%
Expected retirement age	60 years	60 years
Average expected remaining working life time of employees	9 years	11 years

**(f) Comparison for five years**

	2013	2012	2011	2010	2009
	----- Rupees in 000 -----				
Present value of defined benefit obligations	21,677	14,597	11,109	7,686	3,662
Experience adjustments	(2,349)	486	(1,313)	763	145

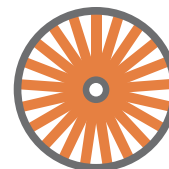
**21. DEFERRED TAXATION - Net**

This is composed of following:

- accelerated tax depreciation allowance
- surplus on revaluation of fixed assets
- liabilities against assets subject to finance lease
- gain on sale and lease back of fixed assets
- provision for gratuity
- provision for obsolescence of inventories
- provision for bad / doubtful debts and receivables
- minimum tax recoverable against normal tax charge in future years
- unused tax losses

Note

	2013	2012
	(Rupees in '000')	
	4,073	3,961
	72,287	49,545
	(653)	(263)
	(48)	(85)
	(6,549)	(5,086)
	(14,075)	(14,489)
	(1,271)	(1,308)
	(26,078)	(39,924)
	-	(24,400)
	<b>27,686</b>	<b>(32,049)</b>
<b>22. TRADE AND OTHER PAYABLES</b>		
Creditors	191,625	133,252
Accrued liabilities	109,120	75,988
Advances from customers	279,827	587,243
Advance against sale of investment in immovable property	5,000	5,000
Custom duty payable	17,937	1,470
Payable to trustees' provident fund	178	178
Retention money	20	20
Unclaimed dividends	6,913	6,913
Withholding tax	2,836	505
Due to related parties	22.1 172,238	108,091
Due to the Subsidiary Company	2,240	2,169
Corporate assets tax	-	2,000
Workers' profit participation fund	22.2 30,229	19,555
Worker welfare fund	22.3 3,738	-
Others	779	1,397
	<b>822,680</b>	<b>943,781</b>
<b>22.1 Due to related parties</b>		
The General Tyre and Rubber Company of Pakistan Limited	21,162	12,291
Ghandhara Nissan Limited	69,151	84,459
Universal Insurance Company Limited	1,766	-
Isuzu Motors Limited	71,591	3,023
Gammon Pakistan Limited	250	-
Waqf-e-Kuli Khan	8,318	8,318
	<b>172,238</b>	<b>108,091</b>



		2013	2012
		(Rupees in '000')	
<b>22.2</b>	<b>Workers' Profit Participation Fund</b>		
	Balance at beginning of the year	19,555	18,543
	Add : allocation for the year	9,837	-
	Add: interest on funds utilized in the Company's business	837	1,012
	Balance at end of the year	30,229	19,555
<b>22.3</b>	<b>Workers' Welfare Fund</b>		
	Balance at beginning of the year	-	3,021
	Add: charge for the year	3,738	-
	Less: adjusted / payment made during the year	-	(3,021)
	Balance at end of the year	3,738	-
<b>23.</b>	<b>ACCRUED MARK-UP / INTEREST</b>		
	Mark-up / interest accrued on:		
	- Short term borrowings - secured	27,747	32,303
	- Long term loans - unsecured	4,514	4,514
		32,261	36,817
<b>24.</b>	<b>SHORT TERM BORROWINGS - Secured</b>		
	From banking companies		
	Running finances	78,180	214,754
	Finance against imported merchandise	365,524	129,222
	Istisna	447,106	500,000
	Murabaha	249,726	-
	Export refinance	74,000	-
		1,214,536	843,976

24.1 The Company has facility for short-term running finance amounting to Rs.170 million (2012: Rs.240 million) from a bank. Mark-up is based on 3 months KIBOR plus 2% per annum payable on quarterly basis. The facility is primarily secured against first pari passu charge by way of hypothecation over stocks and book debts aggregating Rs.227 million (2012: Rs.321 million). This facility is collateralized against equitable mortgage over land and buildings for an amount of Rs.189 million (2012: Rs.259 million). The facility has one year validity on roll over basis and is due for renewal on November 30, 2013.

24.2 The Company has arranged facilities aggregating to Rs.1,000 million (2012: Rs.700 million) for opening of letters of credit from banks. These facilities are secured against cash margin, consignment of import documents in bank's favor and personal guarantees of directors. Finance against Imported Merchandise (FIM) aggregating to Rs.740 million (2012: Rs.500 million) are sub-limits of abovementioned facilities. FIM is secured against cash margin and pledge of goods. Mark-up on FIM is payable on quarterly basis at rates ranging from 3 months KIBOR plus 2% to 3 months KIBOR plus 3% per annum. LC facility of Rs.700 million (with sub-limit of Rs.500) is valid for one year on roll over basis and is due for renewal on November 30, 2013 while rest of the facility are on one time basis.

- 24.3** The Company has Istisna and Murabaha facilities of Rs.498 million (2012: Rs.500 million) and Rs.250 million (Rs.Nil) respectively. Profit on both facilities is charged at the rate of matching KIBOR plus 2.5% per annum and is payable alongwith the repayment of principal. These facilities are secured against first pari passu hypothecation charge on current assets of Rs.1,000 million and personal guarantees of directors. These facilities shall be available till December 31, 2013.
- 24.4** The Company has an export refinance pre-shipment facility (with sublimit of export refinance post shipment facility) of Rs.100 million (2012: 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% per annum. Tenor of individual tranche is 180 days on rollover basis. The facility has one year validity on roll over basis and is due to renewal on November 30, 2013.
- 24.5** 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. The facility has one year validity on roll over basis and is due to renewal on November 30, 2013.
- 24.6** The facilities for bank guarantees of Rs.930.757 million (2012: 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. The facility has one year validity on roll over basis and is due to renewal on November 30, 2013.

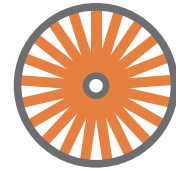
## **25. CONTINGENCIES AND COMMITMENTS**

### **25.1 Contingencies**

- (i)** Suit against the Company by the supplier for the recovery of Rs.25.867 million (2012: 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 (2012: 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.

		2013	2012
		(Rupees in '000')	
	<b>Note</b>		
<b>25.2 Commitments</b>			
Bank guarantees		930,757	932,684
Letters of credit		212,450	475,425
Capital expenditure		5,878	-
<b>26. SALES - Net</b>			
<b>Manufactured goods</b>			
Gross sales			
- local		3,070,129	2,137,982
- export		136,894	115,741
		3,207,023	2,253,723
Less: sales tax		409,948	294,985
		2,797,075	1,958,738
<b>Trading goods</b>			
Sales - local		18,429	11,218
Less: sales tax		2,546	1,547
		15,883	9,671
		2,812,958	1,968,409
<b>27. COST OF SALES</b>			
<b>Manufactured goods</b>			
Stocks at beginning of year		194,158	97,217
Cost of goods manufactured	27.1	2,552,029	1,821,584
		2,746,187	1,918,801
Stocks at end of year		(425,594)	(194,158)
		2,320,593	1,724,643
<b>Trading goods</b>			
Stocks at beginning of year		38,627	33,741
Purchases		7,095	12,232
		45,722	45,973
Stocks at end of year		(37,981)	(38,627)
		7,741	7,346
		2,328,334	1,731,989

**27.1 Cost of goods manufactured**

	Note	2013	2012
(Rupees in '000')			
Raw materials and components consumed	27.2	2,271,716	1,651,192
Stores and spares consumed		857	8
Salaries, wages and other benefits	27.3	71,913	61,800
Fuel and power		20,002	13,675
Rent, rates and taxes		324	271
Insurance		7,442	10,117
Research and development		780	626
Repair and maintenance		2,982	3,194
Travelling and entertainment		2,523	4,651
Vehicle running and maintenance		398	1,468
Printing, stationery and office supplies		146	1,476
Communication		199	127
Royalty expense		1,563	-
Outside assembly charges		121,260	101,165
Depreciation	5.2	15,087	15,316
Amortization of Intangible assets	6.1	212	212
Freight and handling		4,481	3,919
Other expenses		786	3,411
		<u>2,522,671</u>	<u>1,872,628</u>
Work-in-process adjustment		29,358	(51,044)
		<u>2,552,029</u>	<u>1,821,584</u>

**27.2 Raw materials and components consumed**

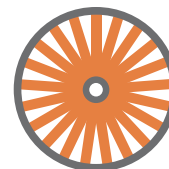
Stocks at beginning of year	544,775	460,457
Add : purchases including duties, taxes and other charges	2,497,107	1,735,510
	<u>3,041,882</u>	<u>2,195,967</u>
Stocks at end of year	(770,166)	(544,775)
	<u>2,271,716</u>	<u>1,651,192</u>

27.3 Salaries, wages and other benefits include Rs.2,918 thousand (2012: Rs.2,413 thousand) in respect of staff retirement benefit - gratuity.

**28. DISTRIBUTION COST**

	Note	2013	2012
(Rupees in '000')			
Salaries and benefits	28.1	28,059	22,254
Commission		23,205	20,013
Rent, rates and taxes		1,943	950
Insurance		1,298	5,152
Repair and maintenance		22	8
Utilities		96	108
Travelling and entertainment		4,543	4,617
Vehicle running and maintenance		2,204	1,597
Printing, stationery and office supplies		446	250
Communication		501	490
After sale services and warranty		4,639	5,754
Advertisement		2,404	2,370
Legal and professional charges		-	327
Late delivery charges		3,083	-
Depreciation	5.2	5,482	6,567
Freight forwarding and handling		4,670	3,057
Other expenses		1,923	1,056
		<u>84,518</u>	<u>74,570</u>





28.1 Salaries and benefits include Rs.1,927 thousand (2012: Rs.1,488 thousand) in respect of staff retirement benefit - gratuity.

		2013	2012
	<b>Note</b>	<b>(Rupees in '000')</b>	
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	29.1	26,247	20,258
Staff training and ancillary cost		1,699	-
Rent, rates and taxes		3,523	4,386
Insurance		1,258	1,495
Repair and maintenance		238	924
Utilities		11,042	-
Travelling and entertainment		12,041	4,322
Vehicle running and maintenance		1,504	2,020
Printing, stationery and office supplies		1,657	1,102
Communication		905	1,135
Legal and professional charges		1,681	1,320
Fee and subscriptions		1,608	444
Depreciation	5.2	4,957	4,009
Amortization of intangible assets	6.1	90	90
Depreciation of investment property	7.1	250	250
Security expenses		3,183	4,412
Other expenses		1,163	3,392
		<b>73,046</b>	<b>49,559</b>

29.1 Salaries and benefits include Rs.2,413 thousand (2012: Rs.2,278 thousand) in respect of staff retirement benefit - gratuity.

		2013	2012
	<b>Note</b>	<b>(Rupees in '000')</b>	
<b>30. OTHER EXPENSES</b>			
Auditor's remuneration			
- audit fee		500	500
- out of pocket expenses		15	10
		515	510
Workers' profits participation fund	22.2	9,837	-
Workers' welfare fund	22.3	3,738	-
Loss on sale of property, plant and equipment	5.5	-	849
Donation		551	540
		<b>14,641</b>	<b>1,899</b>

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

**31. OTHER INCOME**

Income from financial assets  
 Profit on saving accounts  
 Exchange gain - net  
 Income from non financial assets  
 Gain on sale of property, plant and equipment  
 Commission  
 Amortization of gain on sale and lease back  
 of fixed assets  
 Liabilities no longer required written back

Note

2013

2012

(Rupees in '000')

537	140
19,219	550
125	-
24,660	-
101	1,943
2,000	-
<b>46,642</b>	<b>2,633</b>

**32. FINANCE COST**

Mark-up / interest on:  
 - lease finance  
 - finance against imported merchandise  
 - istisna / running finance / export refinance  
 - loan from Subsidiary Company  
 Interest on bills discounting  
 Interest on workers' profits participation fund  
 Bank charges and commission

22.2

2,565	3,870
53,792	49,717
107,027	91,734
327	317
2,343	1,118
837	1,012
9,004	8,520
<b>175,895</b>	<b>156,288</b>

**33. TAXATION**

Current  
 - for the year  
 - for prior year  
 - adjustment of recoupable minimum tax

Deferred  
 - relating to temporary differences  
 - resulting from reduction in tax rate

31,089	19,754
4,219	-
(13,874)	-
<b>21,434</b>	<b>19,754</b>

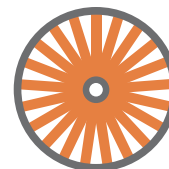
35,100	(31,932)
(1,104)	-
33,996	(31,932)
<b>55,430</b>	<b>(12,178)</b>

**33.1 Relationship between tax expense and accounting profit**

Profit before taxation  
 Tax at the applicable rate of 35%  
 Tax effect of lower rate on certain income / expenses  
 Charge of prior years' tax provision  
 Others

183,166	%
64,108	35.00
(11,412)	(6.23)
4,219	2.30
(1,485)	(0.81)
<b>55,430</b>	<b>30.26</b>

**33.2** No numeric tax rate reconciliation for preceding year is given in the financial statements, as provision made during the preceding year was minimum tax due under section 113 of the Income Tax Ordinance, 2001.



		2013	2012
<b>34. EARNINGS / (LOSS) PER SHARE</b>	<b>Note</b>		
<b>- basis and diluted</b>		(Rupees in '000')	
Net profit / (loss) for the year		<u>127,736</u>	<u>(31,085)</u>
		--- No. of shares --- (in '000')	
Weighted average number of ordinary shares outstanding during the year		<u>21,304,422</u>	<u>21,304,422</u>
		----- Rupees -----	
Basic earnings / (loss) per share		<u>6.00</u>	<u>(1.46)</u>

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

		2013	2012
<b>35. CASH GENERATED FROM OPERATIONS</b>	<b>Note</b>		
		(Rupees in '000')	
Profit / (loss) before taxation		<u>183,166</u>	<u>(43,263)</u>
<b>Adjustment for non cash charges and other items:</b>			
Depreciation / amortization on:			
- property, plant and equipment		25,526	25,892
- intangible assets		302	302
- investment property		250	250
(Gain) / loss on disposal of operating fixed assets		(125)	849
Amortization of gain on sale and lease back of fixed asset		(101)	(1,943)
Liabilities no longer required written back		(2,000)	-
Unrealized exchange gain		(19,219)	-
Finance cost		175,895	156,288
Interest income		(537)	(140)
Provision for gratuity		7,258	6,179
		<u>370,415</u>	<u>144,414</u>
Working capital changes	35.1	<u>(533,111)</u>	<u>(532,290)</u>
		<u>(162,696)</u>	<u>(387,876)</u>
<b>35.1 Working capital changes</b>			
(Increase) / decrease in current assets:			
Stores and spare parts		(571)	2,580
Stock-in-trade		(426,823)	(237,189)
Trade debts		(156,489)	36,436
Loans and advances		138,117	(316,877)
Trade deposits and prepayments		18,618	506,492
Other receivables		(1,208)	9,458
Sales tax refundable / adjustable		(4,873)	(15,771)
		<u>(433,229)</u>	<u>(14,871)</u>
Decrease in trade and other payables		<u>(99,882)</u>	<u>(517,419)</u>
		<u>(533,111)</u>	<u>(532,290)</u>

**36. CASH AND CASH EQUIVALENTS**

Cash and bank balances  
Short term borrowings

Note	2013	2012
	(Rupees in '000')	
16	40,289	91,218
24	(1,214,536)	(843,976)
	<u>(1,174,247)</u>	<u>(752,758)</u>

**37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

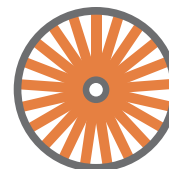
	Chief Executive		Directors		Executive	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000')					
Managerial remuneration and allowances	-	-	-	-	44,220	34,269
Gratuity	-	-	-	-	3,553	3,206
Others	-	-	-	-	1,069	454
	-	-	-	-	<u>48,842</u>	<u>37,929</u>
Number of persons	-	-	-	-	40	35

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

**37.2** Aggregate amount charged in the financial statements for meeting fee to Directors was Rs.290 thousand (2012: Rs.270 thousand).

**38. TRANSACTIONS WITH RELATED PARTIES**

Related parties of the Company comprise of 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	2013	2012
		(Rupees in '000')	
<b>(i) Holding Company</b>			
Bibojee Services (Pvt.) Ltd.	Sale of trucks	36,400	-
<b>(ii) Subsidiary Company</b>			
Marghzar Industries (Pvt.) Ltd.	Financial charges	327	317
<b>(iii) Associated Companies</b>			
The General Tyre and Rubber Co. of Pakistan Ltd. (Common Directorship)	Purchase of tyres	39,928	45,960
Gandhara Nissan Limited (Common Directorship)	Assembly charges	121,260	104,550
	Sale - fabrication	1,320	2,525
	Purchase of parts	2	-
	Sale of parts	504	998
The Universal Insurance Co. Ltd. (Common Directorship)	Insurance premium	12,580	27,350
Rehman Cotton Mills Ltd. (Common Directorship)	Rent paid	1,200	1,200
Gammon Pakistan Ltd. (Common Directorship)	Rent paid	1,500	1,500
Hasan & Hasan Advocates (Common Directorship)	Retainership fee	120	120
<b>(iv) Technology supplier</b>			
Isuzu Motors Ltd. - Japan	Purchase of parts	192,383	50,179
	Commission earned	24,660	-
	Royalty accrued	1,563	-
<b>(v) Key management personnel</b>			
	Remuneration and other benefits	19,532	19,319

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### 39.1 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.

**39.2 Financial Assets and Liabilities by category and their respective maturities**

On Balance Sheet	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	
-----Rupees in '000-----							
<b>Financial assets</b>							
Long term investment	-	-	-	-	1,400	1,400	1,400
Loans and advances	-	-	-	6,178	1,311	7,489	7,489
Deposits	-	-	-	145,010	4,633	149,643	149,643
Trade debts	-	-	-	293,428	-	293,428	293,428
Other receivables	-	-	-	2,454	-	2,454	2,454
Cash and bank balances	2,465	-	2,465	37,824	-	37,824	40,289
<b>2013</b>	<b>2,465</b>	<b>-</b>	<b>2,465</b>	<b>484,894</b>	<b>7,344</b>	<b>492,238</b>	<b>494,703</b>
2012	19,175	-	19,175	377,977	6,186	384,163	403,338
<b>Financial liabilities</b>							
<b>At amortised cost</b>							
Trade and other payables	-	-	-	483,113	-	483,113	483,113
Accrued mark-up / interest	-	-	-	32,261	-	32,261	32,261
Short term borrowings	1,214,536	-	1,214,536	-	-	-	1,214,536
Liabilities against asset subject to finance lease	7,486	15,102	22,588	-	-	-	22,588
<b>2013</b>	<b>1,222,022</b>	<b>15,102</b>	<b>1,237,124</b>	<b>515,374</b>	<b>-</b>	<b>515,374</b>	<b>1,752,498</b>
2012	849,646	13,614	863,260	364,825	-	364,825	1,228,085
<b>On Balance Sheet Gap</b>							
<b>2013</b>	<b>(1,219,557)</b>	<b>(15,102)</b>	<b>(1,234,659)</b>	<b>(30,480)</b>	<b>7,344</b>	<b>(23,136)</b>	<b>(1,257,795)</b>
2012	(830,471)	(13,614)	(844,085)	13,152	6,186	19,338	(824,747)
<b>Off Balance Sheet</b>							
Letters of credit							212,450
Letters of guarantee							930,757
Commitment for capital expenditure							5,878
						<b>2013</b>	<b>1,149,085</b>
						2012	1,408,109

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

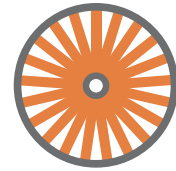
**39.3 Credit risk**

Credit risk represents the accounting loss that would be recognized if counterparts failed to perform as contracted. Credit risk mainly arises from loans & advances, deposits, trade debts, other receivables and bank balances. The financial assets exposed to credit risk aggregate to Rs.492,895 thousand (2012: Rs.401,497 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.



### 39.4 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.

### 39.5 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, 2013, receivables and payables exposed to foreign currency risk are Rs.1,805 thousand (2012: Rs.23,482 thousand) and Rs.81,943 thousand (2012: Rs Nil) respectively.

As at June 30, 2013 if the Pakistani Rupee had weakened / strengthened by 10% against Japanese Yen with all other variables held constant, profit/ loss before tax for the year would have been higher / lower by Rs. 7,797 thousand (2012: Rs. Nil), mainly as a result of foreign exchange losses/ gains on translation of Japanese Yen denominated financial assets and liabilities.

As at June 30, 2013 if the Pakistani Rupee had weakened / strengthened by 8% against U.S.\$ with all other variables held constant, profit/ loss before tax for the year would have been higher / lower by Rs. 688 thousand (2012: Rs. 1,884 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, 2013, the Company's interest bearing financial liabilities of Rs.1,237,124 thousand (2012: Rs.863,260 thousand) represent the short term borrowings at floating rate to manage the working capital requirements of the Company and obligation under assets 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 100 basis points with all the other variables held constant, profit before tax for the year would have been approximately higher / lower by Rs.13,290 thousand (2012: higher / lower by Rs.10,106 thousand), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 100 basis points movement in the interest rates has been used as historically (five years) floating interest rates have moved by an average of 100 basis per annum.

### 39.6 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflects in the financial statements approximate their fair value.



**40. 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 gearing ratio as at June 30, is as follows:

	2013	2012
	(Rupees in '000')	
Total borrowings	1,237,124	863,260
Cash and bank balances	(40,289)	(91,218)
Net debt	1,196,835	772,042
Total equity	318,571	185,272
Total capital	1,515,406	957,314
Gearing ratio	79%	81%

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.

**41. OPERATING SEGMENTS**

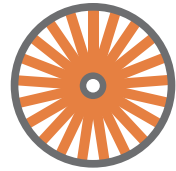
These financial statements have been prepared on the basis of a single reportable segment.

- (a) All non-current assets of the Company at June 30, 2013 are located in Pakistan.
- (b) 95.13% (2012: 94.12%) of the Company's sales relate to customers in Pakistan.
- (c) The Company has earned revenue from one (2012: one) customer amounting to Rs.1,517,476 thousand (2012: Rs.669.870 thousand) during the year which constituted 53.95% (2012: 34.03%) of the total sales.

**42. PRODUCTION CAPACITY**

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



	2013	2012
	(Rupees in '000')	
<b>43. NUMBER OF EMPLOYEES</b>		
Number of employees as at June 30,		
- Permanent	149	135
- Contractual	298	280
Average number of employees during the year		
- Permanent	144	130
- Contractual	286	275

**44. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue on September 30, 2013 by the Board of Directors of the Company.

**45. CORRESPONDING FIGURES**

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison and better presentation, the effect of which is not material.

**Ahmad Kuli Khan Khattak**  
Chief Executive

**Jamil Ahmed Shah**  
Director

**PROXY FORM**

I/We \_\_\_\_\_ of \_\_\_\_\_  
being a Shareholder of Ghandhara Industries Limited and holding \_\_\_\_\_ Ordinary Shares as per Register Folio No \_\_\_\_\_ or 'CDC Participant's I.D. No. \_\_\_\_\_ A/c No. \_\_\_\_\_ hereby appoint Mr / Mrs \_\_\_\_\_ of \_\_\_\_\_ or failing him/her Mr / Mrs \_\_\_\_\_ of \_\_\_\_\_ as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 50th Annual General Meeting of the Company to be held on Friday 25th October, 2013 at 2:00 P.M and any adjournment thereof.

**Affix Revenue Stamp(s) of Rupees five**  
**Executant's Signature on Revenue Stamp(s)**  
(Signature should agree with the Specimen Signature registered with the Company).

**Executant's Computerised National identity Card Number (cNio or Passport Number)**

<p>_____ <b>First Witness Signature</b></p> <p>_____ Name in Block letters and Address</p> <p>_____ Computerised National Identity Card Number or Passport Number of Witness</p>	<p>_____ <b>Second Witness Signature</b></p> <p>_____ Name in Block letters and Address</p> <p>_____ Computerised National Identity Card Number or Passport Number of Witness</p>
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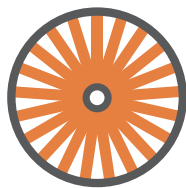
\_\_\_\_\_  
**Proxy's Signature**

\_\_\_\_\_  
Proxy's CNIC Number or Passport Number

\_\_\_\_\_  
**Proxy's Signature**

\_\_\_\_\_  
Proxy's CNIC Number or Passport Number

- NOTES:**
1. A shareholder entitled to attend and vote at the Annual General Meeting of the Company may appoint any person as his/her proxy to attend and vote instead of him/her. The proxy shall have the right to attend, speak and vote in place of the shareholder appointing him/her at the meeting.
  2. The instrument appointing a proxy should be signed by the Shareholder or by his/her Attorney, duly authorised in writing and person appointed proxy. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted alongwith proxy form to the company.
  3. The Proxy Form duly completed, must be deposited at the Company's Registered Office at F-3, Hub Chauki Road S.I.T.E, Karachi not less than 48 hours before the time of holding the meeting.
  4. Shareholders whose holdings are in the Central Depository System (CDS) and their proxies both, should attach with this form, attested copies of their Computerised National Identity Card or (attested copies of first four pages of their passport). To facilitate identification at the AGM, the proxy should bring his/her original Computerised National Identity Card or passport. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.



GHANDHARA INDUSTRIES LIMITED  
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