

ISUZU

**CONDENSED INTERIM
FINANCIAL INFORMATION**
for the Quarter and
Nine Months Ended
March 31, 2014
(Un-Audited)



GANDHARA INDUSTRIES LIMITED
A Bibojee Group Company



CONTENTS

- COMPANY INFORMATION3
- DIRECTORS' REVIEW4
- CONDENSED INTERIM BALANCE SHEET5
- CONDENSED INTERIM PROFIT & LOSS ACCOUNT6
- CONDENSED INTERIM CASH FLOW STATEMENT7
- CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY8
- NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION9



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

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.



DIRECTORS' REVIEW

FOR THE NINE MONTHS ENDED MARCH 31, 2014

The directors of your company take pleasure in presenting the unaudited accounts for the nine-months ended on March 31, 2014.

Financial results

During the period, total sales of the Company have fallen as compared to the same period of the last year, this is mainly due to the fact that a large sales contract of Pak Army was underway then. The results for the quarter and nine months ended are as follows:

	Quarter ended March 31		Nine months ended March 31	
	2014	2013	2014	2013
Sales (Rs '000)	566,573	915,102	1,657,921	2,126,104
Gross profit (Rs '000)	71,627	132,852	201,506	341,418
Profit from operations (Rs '000)	84,581	99,477	138,745	248,121
Profit before tax (Rs '000)	43,021	53,944	9,807	118,178
Profit after tax (Rs '000)	43,069	52,536	13,170	92,680
Earnings per share (Rs)	2.02	2.47	0.62	4.35

Despite lower sales volume and higher inflationary pressures, the Company has been able to achieve positive bottom lines

Future outlook

The existing adverse law and order conditions, influx of Chinese products in the market and general inflationary trend of the economy continues to pose challenges. The management of your company is working hard to earn profits for its shareholders and expects that the ensuing quarters will show better profitability.

By order of the Board

Karachi:
April 25, 2014

AHMAD KULI KHAN KHATTAK
Chief Executive



CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2014

	Note	Un-audited March 31, 2014	Audited June 30, 2013 (Re-stated)
(Rupees '000)			
ASSETS			
Non-current Assets			
Property, plant & equipment	5	1,684,228	1,703,088
Intangible assets		422	647
Investment properties		89,706	89,895
Long term Investment		1,400	1,400
Long term loans		664	1,311
Long term deposits		4,935	4,633
Deferred taxation		1,419	-
		<u>1,782,774</u>	<u>1,800,974</u>
Current Assets			
Stores and spares parts		3,093	2,285
Stock-in-trade	6	1,142,321	1,355,715
Trade debts	7	381,322	293,428
Loans and advances		241,197	247,162
Trade deposits and prepayments		128,685	147,548
Other receivables		62,162	2,454
Sales tax refundable / adjustable		124,248	132,025
Taxation - payments less provision		131,742	114,440
Cash and bank balances		22,742	40,289
		<u>2,237,512</u>	<u>2,335,346</u>
Total Assets		<u>4,020,286</u>	<u>4,136,320</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital 50,000,000 (June 30, 2013: 50,000,000) ordinary shares of Rs.10 each		<u>500,000</u>	<u>500,000</u>
Issued, subscribed and paid-up capital 21,304,422 (June 30, 2013: 21,304,422) ordinary shares of Rs.10 each		<u>213,044</u>	<u>213,044</u>
Unappropriated profit		<u>120,817</u>	<u>103,933</u>
		<u>333,861</u>	<u>316,977</u>
Surplus on Revaluation of fixed Assets		<u>1,674,879</u>	<u>1,678,594</u>
Non-current Liabilities			
Liabilities against assets subject to finance lease		<u>10,874</u>	<u>15,102</u>
Deferred liabilities		<u>21,791</u>	<u>21,819</u>
Deferred taxation		-	<u>26,865</u>
		<u>32,665</u>	<u>63,786</u>
Current Liabilities			
Trade and other payables	8	<u>664,845</u>	<u>822,680</u>
Current maturity of liabilities against assets subject to finance lease		<u>6,463</u>	<u>7,486</u>
Accrued mark-up/ interest		<u>73,908</u>	<u>32,261</u>
Short term borrowings		<u>1,233,665</u>	<u>1,214,536</u>
		<u>1,978,881</u>	<u>2,076,963</u>
Contingencies And Commitments	9	<u>-</u>	<u>-</u>
Total Equity and Liabilities		<u>4,020,286</u>	<u>4,136,320</u>

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive Officer

Director



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2014**

	Note	Quarter ended		Nine months ended	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
(Rupees '000)					
Sales - net		566,573	915,102	1,657,921	2,126,104
Cost of sales	10	(494,947)	(782,250)	(1,456,416)	(1,784,686)
Gross profit		71,627	132,852	201,506	341,418
Distribution cost		(26,233)	(26,033)	(68,513)	(61,153)
Administrative expenses		(16,885)	(17,604)	(52,531)	(46,962)
Other expenses		(1,054)	(4,434)	(7,210)	(9,799)
Other income		57,127	14,696	65,494	24,617
Profit from operations		84,581	99,477	138,745	248,121
Finance cost		(41,560)	(45,533)	(128,938)	(129,943)
Profit before taxation		43,021	53,944	9,807	118,178
Taxation		48	(1,408)	3,363	(25,498)
Profit after taxation		43,069	52,536	13,170	92,680
Other comprehensive income		-	-	-	-
Total comprehensive income		43,069	52,536	13,170	92,680
(Rupees)					
Earnings per share - basic and diluted		2.02	2.47	0.62	4.35

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive Officer

Director



**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

	Note	Nine months ended	
		March 31, 2014	March 31, 2013
		———— (Rupees '000) ————	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated / (used) in operations	11	106,177	(366,596)
Gratuity paid		(6,000)	(1,514)
Finance cost paid		(87,291)	(131,942)
Income tax paid		(42,227)	(33,987)
Long term loans - net		647	(3,544)
Long term deposits		(302)	132
Net cash used in operating activities		(28,996)	(537,451)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(2,180)	(11,638)
Sale proceeds on disposal of property, plant and equipment		286	389
Interest received		482	383
Net cash used in investing activities		(1,412)	(10,866)
CASH FLOWS FROM FINANCING ACTIVITIES			
Liabilities against asset subject to finance lease		(6,268)	(4,442)
Net cash used in financing activities		(6,268)	(4,442)
Net decrease in cash and cash equivalents		(36,676)	(552,759)
Cash and cash equivalents - at beginning of the period		(1,174,247)	(752,758)
Cash and cash equivalents - at end of the period	12	(1,210,923)	(1,305,517)

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive Officer

Director



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

	Issued subscribed and paid-up capital	(Accumulated loss) / unappropriated profit	Total
(Rupees '000)			
Balance as at July 1, 2012	213,044	(27,772)	185,272
Effect of change in accounting policy due to application of IAS 19 (Revised) - note 3.2.1 (net of tax)	-	(44)	(44)
Balance as at July 1, 2012 - as restated	213,044	(27,816)	185,228
Profit for the nine months ended March 31, 2013	-	92,680	92,680
Other comprehensive income	-	-	-
	-	92,680	92,680
Surplus on revaluation of fixed assets realised during the period (net of deferred taxation) on account of incremental depreciation	-	4,173	4,173
Balance as at March 31, 2013 - as restated	213,044	69,037	282,081
Balance as at July 1, 2013 - as previously reported	213,044	105,527	318,571
Effect of change in accounting policy due to application of IAS 19 (Revised) - note 3.2.1 (net of tax)	-	(1,594)	(1,594)
Balance as at July 1, 2013 - as restated	213,044	103,933	316,977
Profit for the nine months ended March 31, 2014	-	13,170	13,170
Other comprehensive income	-	-	-
Surplus on revaluation of fixed assets realised during the period (net of deferred taxation) on account of incremental depreciation	-	3,715	3,715
Balance as at March 31, 2014	213,044	120,817	333,861

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive Officer

Director



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2014

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.

Bibojee Services (Private) Limited, the ultimate Holding Company, held 8,343,397 (June 30, 2013: 8,343,397) ordinary shares of Rs.10 each as at March 31, 2014.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The figures for the nine months ended March 31, 2014 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the audited annual financial statements for the year ended June 30, 2013.

3. ACCOUNTING POLICIES

3.1 The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding audited annual published financial statements of the Company for the year ended June 30, 2013 except for the adoption of a new accounting policy as detailed in note 3.2.1.

3.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates.

3.2.1 Amendments to published standards effective in current year

Certain standards, amendments and an interpretation to accounting standards are effective for accounting period beginning on July 1, 2013 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore not detailed in this condensed interim financial information except for IAS 19 - 'Employee Benefits' (revised in June 2011) as detailed below.

IAS 19 (Revised) requires past service cost to be recognised immediately in the profit or loss and replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at beginning of the year. Further, a new term "re-measurements" has been introduced which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognise all re-measurement gain or loss / actuarial gain or loss in the other comprehensive income immediately as they occur.

The Company has applied IAS 19 retrospectively in accordance with the transitional provisions as set out in this standard and consequently the earliest period presented in condensed interim balance sheet and condensed interim statement of changes in equity has been restated. The impacts of retrospective application are as follows:



	Accumulated loss) / unappro- priated profit	Deferred liabilities	Deferred taxation
	(Rupees '000)		
Balance as at June 30, 2012 - as previously reported	(27,772)	14,774	(32,049)
Restatement - recognition of re-measurement loss	(44)	66	(22)
Balance as at June 30, 2012 - as restated	(27,816)	14,840	(32,071)
Balance as at June 30, 2013 - as previously reported	105,527	19,404	27,686
Restatement - recognition of re-measurement loss			
- For the year 2012	(44)	66	(22)
- For the year 2013	(1,550)	2,349	(799)
Balance as at June 30, 2013 - as restated	103,933	21,819	26,865

The Company follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact on this and comparative condensed interim profit and loss account are not quantifiable and are also considered immaterial.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

During the preparation of this condensed interim financial information, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2013.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	Un-audited March 31, 2014	Audited June 30, 2013
		(Rupees '000)	
Operating fixed assets	5.1	1,682,529	1,701,672
Capital work-in-progress			
- advance against computer software		1,698	1,416
		1,684,228	1,703,088



	Note	Un-audited March 31, 2014	Audited June 30, 2013
		(Rupees '000)	
5.1 PROPERTY, PLANT AND EQUIPMENT			
Book value at the beginning of the period / year		1,701,672	1,447,944
Additions during the period / year	5.2	2,917	20,732
Revaluation during the period / year		-	259,447
Less:			
Disposal during the period / year - at book value	5.3	-	925
Depreciation charged during the period / year		22,060	25,526
		<u>1,682,529</u>	<u>1,701,672</u>
5.2 Additions during the period / year			
Plant & machinery			
-Owned		33	4,640
Furniture & fixture		24	138
Office machines and equipment		483	362
Motor vehicles			
-Owned		777	3,122
-Leased		1,019	9,135
Computers		581	3,335
		<u>2,917</u>	<u>20,732</u>
5.3 Disposal during the period / year - at book value			
Motor Vehicles			
-Owned		-	661
-Leased		-	264
		<u>-</u>	<u>925</u>
6. STOCK-IN-TRADE			
Raw materials and components			
In hand		600,143	657,807
Less: provision for slow moving raw material		20,150	20,150
		579,993	637,657
In transit		62,818	132,509
		<u>642,811</u>	<u>770,166</u>
Work in Process		95,201	121,974
Finished goods including components		336,138	425,594
Trading stocks		83,104	52,913
Less: provision for slow moving stock		14,932	14,932
		68,171	37,981
		<u>1,142,321</u>	<u>1,355,715</u>
7. TRADE DEBTS - Unsecured and considered good			
Government and semi-government agencies		241,637	230,852
Others		139,685	62,576
		<u>381,322</u>	<u>293,428</u>



8. TRADE AND OTHER PAYABLES

This includes payables to related parties amounting to PKR 104.17 Million (June 30, 2013: PKR 174.5 Million)

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 The Company had obtained legal advice in connection with the establishment of Worker's Profit 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 the 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 Rs.7.722 million including any penalties may become payable.

9.1.2 There is no change in status of contingencies as disclosed in note 25.1 of the audited annual financial statements of the Company for the year ended June 30, 2013.

	Un-audited March 31, 2014	Audited June 30, 2013
	———— (Rupees '000) ————	
9.2 Commitments		
Bank guarantees	<u>914,542</u>	<u>930,757</u>
Letters of credit	<u>212,450</u>	<u>212,450</u>

10. COST OF SALES

		For the quarter ended		For the nine months ended	
	Note	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
		———— (Rupees '000) ————			
Stock at beginning		432,746	576,500	463,575	232,785
Cost of goods manufactured	10.1	449,888	529,145	1,352,706	1,872,952
Trading Stock		16,622	6,707	44,444	9,051
		<u>899,256</u>	<u>1,112,352</u>	<u>1,860,725</u>	<u>2,114,788</u>
Stock at end		<u>(404,309)</u>	<u>(330,102)</u>	<u>(404,309)</u>	<u>(330,102)</u>
		<u>494,947</u>	<u>782,250</u>	<u>1,456,416</u>	<u>1,784,686</u>


10.1 COST OF GOODS MANUFACTURED

Note	For the quarter ended		For the nine months ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	(Rupees '000)			
Work-in-process at beginning	45,997	104,261	121,974	151,332
Raw materials and components consumed	418,758	429,885	1,121,935	1,544,119
Direct Labour and overheads	80,333	34,557	203,997	217,059
	<u>545,089</u>	<u>568,703</u>	<u>1,447,907</u>	<u>1,912,510</u>
Work-in-process at end	(95,201)	(39,558)	(95,201)	(39,558)
	<u>449,888</u>	<u>529,145</u>	<u>1,352,706</u>	<u>1,872,952</u>

Note	Un-audited March 31, 2014	Un-audited March 31, 2013
	(Rupees '000)	
11. CASH GENERATED / (USED) IN OPERATIONS		
Profit before taxation	9,807	118,178
Adjustment for non cash charges and other items:		
Depreciation / amortization on ;		
Fixed assets	22,060	18,913
Intangibles	226	226
Investment properties	188	188
Gain on disposal of fixed assets	(286)	(125)
Amortization of gain on sale and lease back of fixed asset	(75)	(76)
Interest expense	128,938	129,943
Interest income	(482)	(383)
Provision for gratuity	6,048	4,895
	<u>166,424</u>	<u>271,759</u>
Working capital changes	11.1 (60,246)	(638,355)
	<u>106,177</u>	<u>(366,596)</u>
11.1 Working capital changes		
(Increase) / decrease in current assets		
Stores & spare parts	(808)	(3,840)
Stock-in-trade	213,394	(302,679)
Trade debts	(87,894)	(538,370)
Loans and advances	5,965	121,975
Trade deposits and prepayments	18,863	27,942
Other receivables	(59,708)	(1,618)
Sales tax refundable / adjustable	7,777	34,433
	<u>97,589</u>	<u>(662,157)</u>
Increase / (decrease) in current liabilities		
Trade and other payable	(157,835)	23,802
	<u>(60,246)</u>	<u>(638,355)</u>
12. CASH AND CASH EQUIVALENTS		
Cash and bank balances	22,742	54,344
Short-term borrowings - running finances	(1,233,665)	(1,359,861)
	<u>(1,210,923)</u>	<u>(1,305,517)</u>



13. TRANSACTIONS WITH RELATED PARTIES

13.1 Significant transactions with related parties are as follows:

Name of related party and nature of relationship	Nature of transaction	March 31, 2014	March 31, 2013
		————— (Rupees '000) —————	
(a) Subsidiary Company			
Marghzar Industries (Pvt.) Ltd.	Financial charges	251	253
(b) Associated Companies			
The General Tyre and Rubber Co. of Pakistan Ltd. (Common Directorship)	Purchase of tyres Rental income	33,000 1,800	30,341
Gandhara Nissan Limited (Common Directorship)	Assembly charges Sale - fabrication Purchase of parts Sale of parts Purchase of fixed assets	63,250 1,452 - - 566	140,662 1,320 2 494 -
The Universal Insurance Co. Ltd (Common Directorship)	Insurance Premium	1,693	8,268
Rehman Cotton Mills Ltd. (Common Directorship)	Rent expense	900	900
Gammon Pakistan Ltd. (Common Directorship)	Rent expense	1,125	1,125
Hasan & Hasan Advocates (Common Directorship)	Retainership fee	90	90
(c) Technology supplier			
Isuzu Motors Ltd. - Japan	Purchase of parts Commission earned Royalty charge Reimbursement of expenses Warranty claims received	- 63,151 4,754 3,499 418	2,714 13,611 - - -
(d) Key management personnel	Remuneration and other benefits	15,181	15,614

14. GENERALS

14.1 Figures have been rounded off to the nearest thousand rupees except stated otherwise.

14.2 This condensed interim financial information was authorized for issue on April 25, 2014 by the Board of Directors of the Company.

**15. CORRESPONDING FIGURES**

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of audited annual financial statements of preceding financial year, whereas, the condensed interim profit and loss account and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. For the purpose of implementation of IAS 19 - 'Employee Benefits', certain corresponding figures have been restated in condensed interim balance sheet and condensed interim statement of changes in equity to reflect the retrospective changes required under the standard, as summarised in note 3.2.1.

Chief Executive Officer

Director

BOOK POST



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

CORPORATE