# Notice of the meeting

**NOTICE is hereby given that the thirty second Annual General Meeting of the Company will be held at the Pearl Continental Hotel, Karachi on Tuesday, October 29, 2013 at 11:00 a.m. to transact the following business:**

**ORDINARY BUSINESS:**

1. To receive and adopt the Audited Accounts for the year ended June 30, 2013 together with the Report of the Directors' and Auditors' thereon.

2. To approve the payment of cash dividend @110 % i.e. Rs. 5.50 per share as recommended by the Board of Directors for the year ended June 30, 2013.

3. To appoint Auditors for the year 2013-2014 and to fix their remuneration. The present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder (Chartered Accountants) being eligible offer themselves for re-appointment.

By Order of the Board,

**Karachi, August 29, 2013**

AQEEL LOON
Company Secretary

## NOTES :

i) The Share transfer books of the company will remain closed from October 23, 2013 to October 29, 2013 (Both days inclusive) and the final dividend will be paid to the Shareholders whose names will appear in the Register of Members on October 23, 2013. Shareholders (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/S Noble Computer Services (Pvt) Limited., Share Department, 1st Floor, House of Habib, 3 Jinnah Cooperative Housing Society, Sharah-e-Faisal, Karachi-75350, Tel: (021) 34325482-84, Fax: (021) 34325442, Email: ncsl@noble-computer.com. All the Shareholders holding the shares through the CDC are requested to please update their addresses and Zakat status with their Participants. This will assist in the prompt receipt of dividend.

ii) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective, instrument of appointing proxy must be received at the registered office of the company duly stamped and signed not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.

iii) Members who have not yet submitted photocopy of their computerized national identity card to the Company are requested to send the same at the earliest.

**CDC Accounts Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.**

### A. For Attending the Meeting:

i) In case of individuals the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall authenticate identity by showing his / her original national identity card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominees shall be produced (unless provided earlier) at the time of meeting.

### B. For Appointing Proxies:

i) In case of individuals the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall submit the proxy form as per the above requirements.

ii) The proxy form shall be witnessed by two person whose names, addresses and CNIC number shall be mentioned on the form.

iii) Attested photocopies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.

v) In case of corporate entity, the Board of Directors' resolution / power of attorney with the specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

### Submission of copies of CNIC:

Pursuant to the directive of the Securities & Exchange Commission of Pakistan, CNIC numbers of the shareholders are mandatorily required to be mentioned on dividend warrants. Shareholders are therefore requested to submit a copy of their CNIC (if not already provided) to the Company's Share Registrar, M/s. Noble Computer Services (Pvt) Limited.

### Payment of Cash Dividend Electronically (Optional)

The Company wishes to inform to its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders wishing to exercise this option may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of bank. CDC account holders should submit their requests directly to their broker (participant)/CDC.

# Directors' Report to the Shareholders

FOR THE YEAR ENDED JUNE 30, 2013

**Dear Shareholders,**

## The Directors of your Company have the pleasure of presenting the annual report based on the results of its operations along with the audited accounts for the year ended June 30, 2013.

**Consequent to the General Elections, the new Government faces numerous uphill tasks and challenges, most critical being the deteriorating law & order, power shortage, economic slowdown, inflation, unemployment and increasing poverty which need to be taken up on priority to improve the industrial climate of the country.**

The Board of Directors' is pleased to recommend a cash dividend of 110% i.e. Rs. 5.50 per share. The Board has also recommended appropriation of Rs. 175.0 million from un-appropriated profits to General Reserve.

### PAKISTAN's ECONOMY

The year 2013 started with continuing economic issues such as inflation, the growing current account deficit, problems of power and gas shortages along with other internal and external challenges. Low agriculture productivity, narrow tax and export bases, trade policy distortions are among the other issues that require immediate attention. The circular debt kept on increasing despite injections by the government. The working of the Public Sector Enterprises also deteriorated levying additional burden on budget.

The adverse impact of these economic difficulties was further compounded by the ongoing war against extremism/terrorism which continues unabatedly, causing irreparable loss to the economy and depriving the masses of mental peace and harmony. Despite these challenges, the overall growth of GDP was registered at 3.6% as compared to 4.4% last year.

Next year is again going to be as challenging for us as all the impediments of the last year have been carried forward without any solution. It includes uncertain policies, energy crisis, and deteriorating law and order situation.


## AUTOMOTIVE SECTOR

Auto Industry in the last year remained unpredictable due to wavering Government policies and frequent and fluctuating customers' demand. The passenger car segment was lower by 22% as compared to last year, mainly on account of carryover stock of the imported used cars. The second main reason for the slowdown in the local car production was on account of the amnesty scheme to the owners of the non-duty paid smuggled vehicles. However, under this relief, there was an influx of luxury cars brought from Afghanistan, Iran which was regularized on payment of duty/taxes based on used car formula. It has been reported that 50,850 vehicles were regularized under this scheme.

Tractor segment, which was badly hit last year improved by 6% this year. This growth in the tractor segment was possible after the rationalization of Sales Tax on tractor from 16% to 5% from July 2012 and thereafter to 10% from January 2013. Although the Sindh and Punjab Government announced subsidies on tractor purchase but the impact of these incentives on the overall market was negligible.

Motorcycle segment is unique in a sense that there are many approved assemblers making motorcycles largely on imports of CKD's from China. This year many of such assemblers have closed down their operations on account of stiff competition. The ones survived are the ones whose production volumes are sizeable. We expect this segment has lot of potential for growth.

Summarized automobile production figures comparing 2013 with 2012 appears below:

| | 2013 | 2012 | Change |
|---|---|---|---|
| Passenger Cars | 120,332 | 154,255 | (22%) |
| Light Commercial Vehicles | 15,992 | 21,380 | (25%) |
| Trucks & Buses | 2,445 | 3,165 | (23%) |
| Tractors | 50,856 | 48,120 | 6% |
| Motorcycles (2 & 3 Wheelers) | 1,736,238 | 1,691,527 | 3% |

## 1. SUMMARY OF FINANCIAL RESULTS

Following are the summarized financial results of the Company for the year 2013:

**(Rs. '000)**

| | 2013 | 2012 |
|---|---|---|
| Turnover | 3,503,624 | 4,286,674 |
| Gross Profit | 574,603 | 925,703 |
| Profit before Taxation | 439,134 | 830,446 |
| Taxation | (129,714) | (245,382) |
| Profit after Taxation | 309,420 | 585,064 |
| Earnings Per Share (Rs.) | 10.74 | 20.31 |

Sales during the year 2013 remained at Rs. 3.5 billion as compared to last year's Rs. 4.28 billion, registering a decline of 18% over last year. The profit before tax for the year has also declined by 391.0 million as compared with last year. The main reason for the decline in sales & profitability is attributable to reduction in volume of the passenger car segment which has dropped by 22%.

## 2. UP-GRADATION OF MANUFACTURING FACILITIES

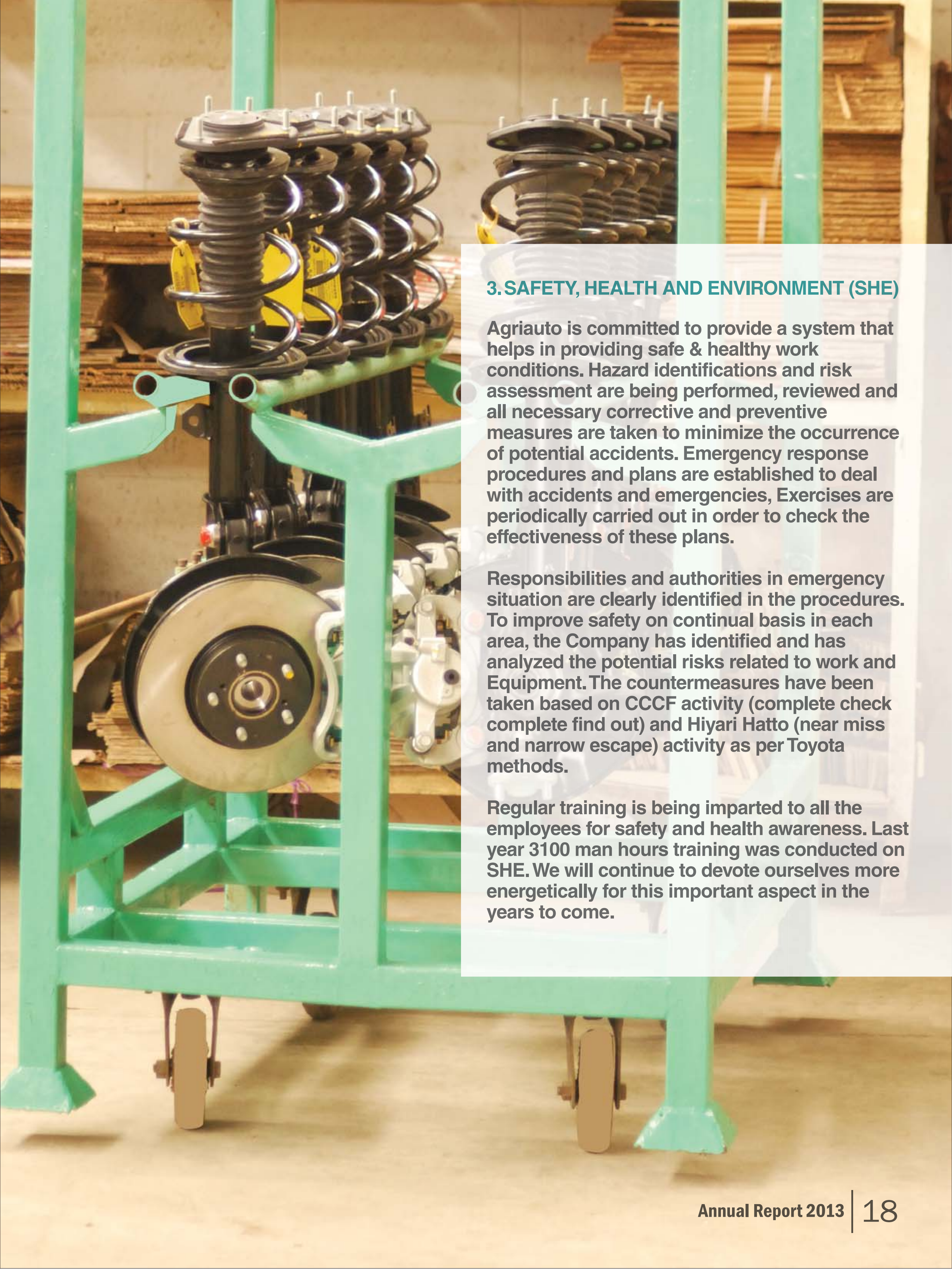
Regular up-gradation and balancing is required to keep the manufacturing facilities updated and to supply the parts to the customers as per their requirement. During the year, plant & machinery worth Rs. 67.9 million were added:

### Nissin Grinding Machine

After the successful working of new Grinding Machine last year, another new machine has been added to the Pipe Fork machining line. Pipe Forks are supplied to M/s. Atlas Honda Motorcycles and by adding this machine the capacity has increased to 72,000 pipe forks per month which would cater for the monthly requirement of 36,000 motorcycles.

### CNC Machining Center for Steering Box

Steering Box is supplied to Millat Tractor and until the introduction of this new CNC machine the machining was done on conventional manual type machines. After the addition of this machine the entire Steering Box Housing is machined within minutes



## 3. SAFETY, HEALTH AND ENVIRONMENT (SHE)

Agriauto is committed to provide a system that helps in providing safe & healthy work conditions. Hazard identifications and risk assessment are being performed, reviewed and all necessary corrective and preventive measures are taken to minimize the occurrence of potential accidents. Emergency response procedures and plans are established to deal with accidents and emergencies, Exercises are periodically carried out in order to check the effectiveness of these plans.

Responsibilities and authorities in emergency situation are clearly identified in the procedures. To improve safety on continual basis in each area, the Company has identified and has analyzed the potential risks related to work and Equipment. The countermeasures have been taken based on CCCF activity (complete check complete find out) and Hiyari Hatto (near miss and narrow escape) activity as per Toyota methods.

Regular training is being imparted to all the employees for safety and health awareness. Last year 3100 man hours training was conducted on SHE. We will continue to devote ourselves more energetically for this important aspect in the years to come.

# Agriauto Stamping Company (Private) Limited

## The Company established a wholly owned subsidiary last year by the name of Agriauto Stamping Company (Private) Limited (ASC).

**The new Company has signed a Technical Assistance, Service & Consultancy Agreement with Ogihara Thailand Company Limited (OTC). OTC is the subsidiary of world renowned die & tool maker, M/s. Ogihara International, Japan. The total project cost is estimated at Rs. 1.05 billion and till June 2013 Rs. 703.125 million has been invested in the new Company.**

By the Grace of God – the project is coming up as per schedule and the supply of commercial production will commence from July 2014. During the year the Komatsu 4 press tandem line was purchased and currently it is being installed under the supervision of a Japanese expert. The dedicated electricity connection of 2.1MW has been sanctioned and it is expected that the electricity would be energized soon. The trainees who have undertaken six months extensive training at Ogihara, Thailand are back and are part of the executing team in their respective areas.

Apart from the facility development the prototype parts produced from the dies being developed in Thailand have been approved and the dies will now be shipped for local trial production. The material source has also been selected and sample lot will be ordered soon.

We are anxiously working on this new project and are very hopeful that the desired results from the new project will be attained.

### 4. NEW PRODUCTS

During the year the Company embarked upon a Technical Assistance Agreement with M/s. Shiroki Corporation, Japan for the progressive manufacturing of manual type Widow Regulator for passenger cars. Currently, three technical personnel are on training in Japan for a 3 week term. This training will entail smooth transition of technology for the local manufacturing which is scheduled to start from July 2014.

Consequent to the successful development of manual type window regulator, we have been given assurance from the technical partner that the power type regulator would also be considered for localization. We are quite hopeful that with the initial introduction of manual type regulator will pave the way for the power type regulator which has higher volumes with the vehicle assemblers.

# 5. corporate social responsibility

The Company is mindful of its obligations towards the community. During the year, the company contributed Rs. 4.3 million to various institutions working toward human cause and for the betterment of the underprivileged. The company contributes 1% of PBT toward CSR activities.

a. Continued Support to Medical and Educational Institutes at Hub

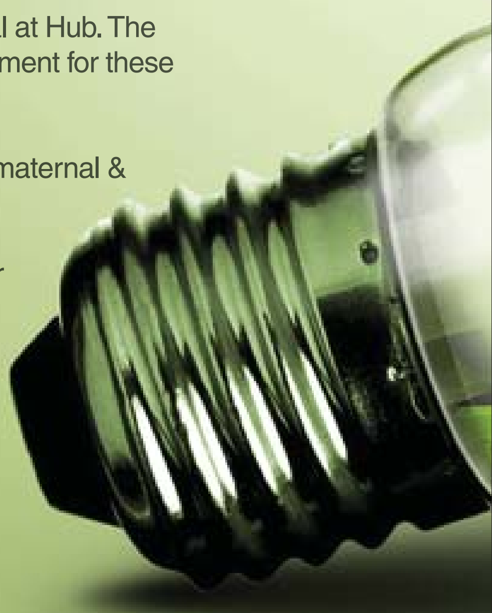
We continued our endeavor to maintain and improve the facilities at a Hospital at Hub. The Laboratory and the Operation Theatre is being maintained by providing equipment for these facilities.

The company has also rendered financial assistance for the improvement of maternal & neonatal health standards.

Like preceding years, this year too we donated stationary and 6000 copies for distribution amongst needy/poor students of Girls School at Hub, for the new academic year.

b. Provision of Rations

To cater for the needs of community at Hub, the company distributed Ration Hampers to the widows/poor families at Hub during the month of Ramzan.



## 6. Industrial Harmony

We are enjoying cordial management- Labor relations. Major/important decisions are shared with the workers during monthly morning assemblies. To ensure that the workforce remains committed and motivated, the employees are rewarded for good job done and successes are celebrated at shop floor. Employee of the month ceremony is regularly held to incentivize good performance of individuals/teams.

The company also distributed Ration Hampers to all the workers as a Ramadan Gift.

## Medical Camp

Free Medical and Eye Camp is being carried out for all employees. The members with poor eye sight were provided with free eye glasses.

## 7. CONTRIBUTION TO NATIONAL EXCHEQUER

During the year your Company contributed 0.868 billion to the National Exchequer.

## 8. HUMAN RESOURCE

### Training

To respond to the rapidly changing business landscape, managing and developing our human assets, remain the hallmark of our HR Strategy. Our focus remained on providing meaningful training to our employees in order to build up their skills, motivation and behavioral aspects.

A specialized training on Total Productive Management (TPM) was arranged for our executives through the aegis of Japan Technical Systems Institute (JTSI). The training which comprised ten intensive sessions was attended by 50 executives including the top management.

To ensure that the contents of the training are disseminated to the shop floor level, our workers were also given the training through in-house sessions.

As a post training initiative we have also planned TPM Consultancy sessions during this year, which is in progress.

Foreign trainings were also organized for Agriauto Stamping Company at Ogihara Thailand and regularly our members are trained through Association for Overseas Technical Scholarship, Japan (AOTS)

### Values Sessions

To foster the spirit of ownership and self- reliance, regular value sessions are being conducted.

### 5S

To inculcate team sprit amongst the employees, extensive 5S activities are carried out to simplify and improve the working environment. To ensure total commitment, span of 5S Activities has been extended to support functions as well.

## 9.FUTURE OUTLOOK

Notwithstanding various attempts by the Automobile industry to recommend a long term industry friendly policy to encourage local production and indigenization, the government continues to burden this industry by increasing registration fees, sales tax. Besides that, the production cost of the cars would go up, resulting in a further price hike. The compound effect of these taxes is so high on the price of the products which will make the next year more challenging.

We urge the Government to have a long term policy for automobile industry as the frequent changes lessen the confidence of the industry and it is not utilized to its optimum level.

Our focus this year will primarily be on motor cycle's segment as this segment has lot of potential for growth.

## 10. PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2013 is annexed.

## 11. CORPORATE AND FINANCIAL REPORTING

In compliance with the listing regulation # 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange, the Directors of the Company do hereby declare the following:

a. The financial statements prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
b. Proper books of account have been maintained.
c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed.
e. The system of internal control is sound in design ands has been effectively implemented and monitored.
f. There are no significant doubts upon the Company's ability to continue as a going concern.
g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

The value of investments made by the Provident Fund for the year ended June 30, 2013 amounted to Rs.132.749 million.

## 12. NUMBER OF BOARD MEETINGS

During the year, four Board meeting were held and attendance is given hereunder:

| SL # | Names | No of meetings Attended/held |
|---|---|---|
| 1 | Mr. Yutaka Arae | 7/7 |
| 2 | Mr. Fahim Kapadia | 7/7 |
| 3 | Mr. Sohail P. Ahmed | 5/7 |
| 4 | Mr. Owaisul Mustafa | 6/7 |
| 5 | Mr. Asif Rizvi | 4/7 |
| 6 | Mr. Alireza M. Alladin | 5/7 |
| 7 | Mr. Danesh Dinshaw | 6/7 |

## 13. AUDITORS

The existing Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co (Chartered Accountants) retired and have offered themselves for re-appointment. The reappointment has also been recommended by the Audit Committee of the Board.

## 14. STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement of compliance to the Code of Corporate Governance is annexed herewith.

## 15. ACKNOWLEDGMENT

We are pleased to acknowledge that the relations with employees remained cordial and harmonious throughout the year. The Management recognizes and records its sincere appreciation to all employees for their continued dedication, commitment and hard work for the growth and prosperity of the company, without which this performance would not have been possible. Once again we expect the same zeal and commitment to continue and prevail.

On behalf of the Board of Directors, we would like to place on record our appreciation to all our Patrons, Dealers, Suppliers and Employees for their valuable help, steady support and contribution to the Company. We are also thankful to all our overseas technical collaborators, M/s Gabriel Ride Control Products (GRC), Inc. USA, M/s KYB Corporation, Japan, M/s Aisin Seiki Co. Ltd, Japan, M/s. Shiroki Corporation, Japan and M/s. Ogihara (Thailand) Co. Ltd for their technical assistance and advice.

On behalf of the Board of Directors.

**Fahim Kapadia**
Chief Executive

**KARACHI**
**DATED : August 29,2013**

## Agriauto Industries Limited

# 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 listing regulations of Karachi and Lahore 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. Agriauto Industries Limited (the Company) has applied the principles contained in the Code of Corporate Governance in the following manner:**

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors (the Board). At present, the Board comprises of seven directors which includes five non-executive directors.

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

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

4. No casual vacancies occurred during the year.

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

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

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

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. Two directors of the Company are certified directors from Pakistan Institute of Corporate Governance and one director is exempted from the requirement by virtue of his experience as prescribed by SECP in clause (xi) of CCG.

10. No new appointment of CFO/Company Secretary has been made during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance 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 Code of Corporate Governance.

15. The Board has formed an Audit Committee. It comprises three members, of whom three are non-executive directors and the chairman of the committee is a non-executive director.

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 Code of Corporate Governance. 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 of five members, of whom three are non-executive directors and the chairman of the committee is a non executive director.

18. The Board has outsourced the internal audit function to Noble Computer Services (Private) Limited who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

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 Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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 Code of Corporate Governance have been complied with, except that the position of the Company Secretary and CFO is held by the same person. The said decision has been taken by the Board keeping in view the size of the Company.

**On behalf of the Board**

**Yutaka Area**
Chairman

**Fahim Kapadia**
Chief Executive

**Karachi: August 29, 2013**

EY
Building a better working world

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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended **30 June 2013** prepared by the Board of Directors of Agriauto Industries Limited (the Company) to comply with the Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code 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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 procedures and risks.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, 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 requirement to the extent of approval of 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended **30 June 2013**.

Ernst & Young Ford Rhodes Sidat Hyder
**Chartered Accountants**

29 August 2013

**Karachi**

A member firm of Ernst & Young Global Limited

Building a better working world

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ey.com/pk

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Agriauto Industries Limited (the Holding Company)** and its subsidiary company (together referred to as Group) as at **30 June 2013** and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company Agriauto Stamping Company (Private) Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary company as at **30 June 2013** and the results of their operations for the year then ended.

Ernst & Young Ford Rhodes Sidat Hyder
**Chartered Accountants**

**Audit Engagement Partner:** Riaz A. Rehman Chamdia

**29 August 2013**
**Karachi**

# Balance Sheet
AS AT JUNE 30, 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | 6 | **504,722** | 457,785 |
| Long term deposits and other receivables | 7 | **5,714** | 3,954 |
| Long term investment | 8 | **703,125** | 50,000 |
| | | **1,213,561** | 511,739 |
| **CURRENT ASSETS** | | | |
| Stores, spares and loose tools | 9 | **75,107** | 77,772 |
| Stock-in-trade | 10 | **625,925** | 681,927 |
| Trade debts | 11 | **472,811** | 315,856 |
| Advances, deposits, prepayments and other receivables | 12 | **23,624** | 11,216 |
| Accrued profit | | **831** | 1,607 |
| Short term investments | 13 | **50,341** | 966,650 |
| Taxation – net | | **-** | 8,309 |
| Cash and bank balances | 14 | **550,812** | 344,892 |
| | | **1,799,451** | 2,408,229 |
| **TOTAL ASSETS** | | **3,013,012** | 2,919,968 |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorised capital | | | |
| 40,000,000 (2012: 40,000,000) Ordinary shares of Rs. 5/- each | | **200,000** | 200,000 |
| Issued, subscribed and paid-up capital | 15 | **144,000** | 144,000 |
| Reserves | | **2,515,820** | 2,423,584 |
| | | **2,659,820** | 2,567,584 |
| **NON CURRENT LIABILITIES** | | | |
| Deferred taxation | 16 | **54,440** | 51,506 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 17 | **270,217** | 278,186 |
| Current portion of liabilities against assets subject to finance lease | | **-** | 434 |
| Taxation – net | | **7,794** | - |
| Sales tax payable | | **20,741** | 22,258 |
| | | **298,752** | 300,878 |
| **CONTINGENCIES AND COMMITMENTS** | 18 | | |
| **TOTAL EQUITY AND LIABILITIES** | | **3,013,012** | 2,919,968 |

The annexed notes from 1 to 40 form an integral part of these financial statements.

**Yutaka Arae**
Chairman

**Fahim Kapadia**
Chief Executive

# Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| Turnover - net | 19 | **3,503,624** | 4,286,674 |
| Cost of sales | 20 | **(2,929,021)** | (3,360,971) |
| **Gross profit** | | **574,603** | 925,703 |
| Distribution costs | 21 | **(54,754)** | (62,059) |
| Administrative expenses | 22 | **(128,970)** | (110,125) |
| Finance costs | 23 | **(126)** | (434) |
| | | **(183,850)** | (172,618) |
| **Operating profit** | | **390,753** | 753,085 |
| Other charges | 24 | **(32,993)** | (69,896) |
| Other income | 25 | **81,374** | 147,257 |
| | | **48,381** | 77,361 |
| **Profit before taxation** | | **439,134** | 830,446 |
| Taxation | 26 | **(129,714)** | (245,382) |
| **Profit after taxation** | | **309,420** | 585,064 |
| | | **Rupees** | **Rupees** |
| **Earnings per share – basic and diluted** | 27 | **10.74** | 20.31 |

The annexed notes from 1 to 40 form an integral part of these financial statements.

**Yutaka Arae**
Chairman

**Fahim Kapadia**
Chief Executive

# Statement of Comprehensive Income
FOR THE YEAR ENDED JUNE 30, 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **Net profit for the year** | | **309,420** | 585,064 |
| **Other comprehensive income** | | | |
| Unrealized gain on change in fair value of available-for-sale investments arisen during the year – net of tax | | **31,043** | 57,102 |
| Reclassification adjustment for gains included in profit and loss account upon disposal of investments | | **(32,227)** | (81,165) |
| | | **(1,184)** | (24,063) |
| **Total comprehensive income for the year** | | **308,236** | 561,001 |

The annexed notes from 1 to 40 form an integral part of these financial statements.

**Yutaka Arae**
Chairman

**Fahim Kapadia**
Chief Executive

# Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 28 | **320,163** | 714,292 |
| Finance costs paid | | **(126)** | (434) |
| Income tax paid | | **(120,203)** | (225,558) |
| Long term deposits | | **(1,760)** | 295 |
| **Net cash generated from operating activities** | | **198,074** | 488,595 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Fixed capital expenditure | | **(119,334)** | (161,218) |
| Proceeds from disposal of property, plant and equipment | | **9,568** | 42,014 |
| Proceeds from disposal of short term investment | | **657,530** | 686,165 |
| Acquisition of short term investments | | **(625,000)** | (255,000) |
| Acquisition of long term investments | | **(653,125)** | (50,000) |
| Profit received on term deposit receipts | | **33,998** | 45,202 |
| Profit received on deposit accounts | | **12,992** | 12,014 |
| **Net cash (used in) / generated from investing activities** | | **(683,371)** | 319,177 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Lease rentals paid | | **(211)** | (2,008) |
| Dividends paid | | **(213,572)** | (142,413) |
| **Net cash used in financing activities** | | **(213,783)** | (144,421) |
| **Net (decrease) / increase in cash and cash equivalents** | | **(699,080)** | 663,351 |
| Cash and cash equivalents at the beginning of the year | | **1,299,892** | 636,541 |
| **Cash and cash equivalents at the end of the year** | 29 | **600,812** | 1,299,892 |

The annexed notes from 1 to 40 form an integral part of these financial statements.

**Yutaka Arae**
Chairman

**Fahim Kapadia**
Chief Executive

# Statement of Changes in Equity
## FOR THE YEAR ENDED JUNE 30, 2013

| | Issued, subscribed and paid-up capital | Reserves | | | | | | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | Capital reserve | Revenue reserves | | Gain / (loss) on changes in fair value of available-for-sale investments | Total | | |
| | | Share premium | General | Unappropriated profit | | | | |
| | (Rs. in 000') | | | | | | | |
| **Balance as at June 30, 2011** | 144,000 | 12,598 | 1,525,000 | 443,697 | 25,288 | 2,006,583 | | 2,150,583 |
| Final dividend for the year ended June 30, 2011 @ Rs. 5 /- per share | - | - | - | (144,000) | - | (144,000) | | (144,000) |
| Transfer to general reserve | - | - | 290,000 | (290,000) | - | - | | - |
| Profit after taxation for the year | - | - | - | 585,064 | - | 585,064 | | 585,064 |
| Other comprehensive loss | - | - | - | - | (24,063) | (24,063) | | (24,063) |
| Total comprehensive income for the year | - | - | - | 585,064 | (24,063) | 561,001 | | 561,001 |
| **Balance as at June 30, 2012** | **144,000** | **12,598** | **1,815,000** | **594,761** | **1,225** | **2,423,584** | | **2,567,584** |
| Final dividend for the year ended June 30, 2012 @ Rs. 7.5 /- per share | **-** | **-** | **-** | **(216,000)** | **-** | **(216,000)** | | **(216,000)** |
| Transfer to general reserve | **-** | **-** | **345,000** | **(345,000)** | **-** | **-** | | **-** |
| Profit after taxation for the year | **-** | **-** | **-** | **309,420** | **-** | **309,420** | | **309,420** |
| Other comprehensive loss | **-** | **-** | **-** | **-** | **(1,184)** | **(1,184)** | | **(1,184)** |
| Total comprehensive income for the year | **-** | **-** | **-** | **309,420** | **(1,184)** | **308,236** | | **308,236** |
| **Balance as at June 30, 2013** | **144,000** | **12,598** | **2,160,000** | **343,181** | **41** | **2,515,820** | | **2,659,820** |

The annexed notes from 1 to 40 form an integral part of these financial statements.

**Yutaka Arae**
Chairman

**Fahim Kapadia**
Chief Executive

# Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2013

**1. THE COMPANY AND ITS OPERATIONS**

**1.1** Agriauto Industries Limited (the Company) was incorporated in Pakistan on June 25, 1981 as a public limited company, under the Companies Act, 1913 (now the Companies Ordinance, 1984), and is listed on the Karachi and Lahore stock exchanges of Pakistan since June 1984. The Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors. The registered office of the Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

These financial statements are separate financial statements of the Company in which investments in subsidiary is accounted for on the basis of direct equity interest and is not consolidated or accounted for using equity method.

**2. STATEMENT OF COMPLIANCE**

**2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are as 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 Standards and amendments to approved accounting standards that are not yet effective**

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| **Standard or Interpretation** | **Effective date (accounting periods Beginning on or after)** |
|---|---|
| IFRS 7 – Financial Instruments : Disclosures – (Amendments)<br>-Amendments enhancing disclosures about offsetting of financial assets and financial liabilities | 01 January 2013 |
| IAS 19 – Employee Benefits –(Revised) | 01 January 2013 |
| IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment) | 01 January 2014 |

The Company expects that the adoption of the above revisions and amendments of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| **Standard** | **IASB Effective date (accounting periods beginning on or after)** |
|---|---|
| IFRS 9 – Financial Instruments: Classification and Measurement | 01 January 2015 |
| IFRS 10 – Consolidated Financial Statements | 01 January 2013 |
| IFRS 11 – Joint Arrangements | 01 January 2013 |
| IFRS 12 – Disclosure of Interests in Other Entities | 01 January 2013 |
| IFRS 13 – Fair Value Measurement | 01 January 2013 |

# Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2013

**3. BASIS OF MEASUREMENT**

**3.1** These financial statements have been prepared under the historical cost convention except for available-for-sale investments which are valued as stated in note 4.6 to the financial statements.

**3.2** These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

**4.1 New and amended standards and interpretations**

The Company has adopted the following amendments to IFRSs which became effective during the year:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements.

**4.2 Property, plant and equipment**

**Owned**

These are stated at cost less accumulated depreciation and impairment loss except for freehold land and capital work in progress which are stated at cost.

Depreciation on fixed assets is charged to the profit and loss account applying the reducing balance method at the rates specified in note 6 to the financial statements. Depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal. Maintenance and normal repairs are charged to profit and loss account as and when incurred, while major renewals and improvements are capitalised. Gains or losses on disposals of fixed assets, if any, are included in income currently.

Leasehold land is amortised in equal installments over the lease period.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or related cash-generating units are written down to their recoverable amount.

**Finance leases**

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease less financial charges allocated to future periods are recorded as liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation is charged to income on the same basis as for the Company's owned assets.

**4.3 Stores, spares and loose tools**

These are stated at the lower of cost and Net Realisable Value (NRV) except for goods-in-transit which are stated at invoice price plus other charges incurred thereon upto the date of the balance sheet. Cost is determined on weighted moving average basis.

Stores, spares and loose tools are regularly reviewed by the management and any obsolete items are brought down to their NRV.

**4.4 Stock-in-trade**

Stock-in-trade, except goods-in-transit, is stated at the lower of NRV and cost determined as follows:

| | | |
|---|---|---|
| Raw and packing materials | - | Moving average basis. |
| Work-in-process | - | Cost of direct materials plus conversion cost is valued on the basis of equivalent production units. |
| Finished goods | - | Cost of direct materials plus conversion cost is valued on time proportion basis. |

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the balance sheet date.

Stock-in-trade is regularly reviewed by the management and any obsolete items are brought down to their NRV.

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**4.5 Trade debts and other receivables**

Trade debts originated by the Company are recognised and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on the management's assessment of customers' outstandings and creditworthiness. Bad debts are written-off as and when identified.

**4.6 Investments**

**Investment in subsidiary company**

Investment in subsidiary is stated at cost less impairment, if any.

**Held-to-maturity**

Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity.

Gains or losses on held-to-maturity investments are recognised in income when the investments are derecognised or impaired.

**Available-for-sale**

Investments which are not classified in the above category and which the management intends to hold for indefinite period, but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

All investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment. Transaction costs in the case of held-for-trading investments are charged to income when incurred. After initial recognition, investments classified as available-for-sale are remeasured at fair values and held-to-maturity investments are measured at amortised cost.
Gains or losses on revaluation of available-for-sale investments are recognised in equity until the investment is sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

**4.7 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term investments with a maturity of three months or less from the date of acquisition net of short-term running finance. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

**4.8 Financial instruments**

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights under the instruments are realised, expired or surrendered. Financial liabilities are derecognised when the obligation is extinguished, discharged, cancelled or expired. Any gain or loss on recognition or derecognition of the financial assets and financial liabilities is taken to the profit and loss account.

**4.9 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

**4.10 Employees' benefits**

**Provident fund**

The Company operates a recognised provident fund scheme (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Company's policy. Contributions in respect thereto are made in accordance with the terms of the scheme.

**Compensated absences**

The Company accounts for these benefits in the period in which the absences are earned.

**4.11 Taxation**

**Current**

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, or 0.5 percent of turnover, whichever is higher. Tax on export sales is calculated under final tax regime under Section 154 of the Income Tax Ordinance, 2001.

**Deferred**

Deferred tax is provided, proportionate to local sales, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of recognised or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

**4.12 Provisions**

Provision is recognised in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

**4.13 Warranty obligations**

The Company recognises the estimated liability to repair or replace products under warranty at the balance sheet date on the basis of historical experience.

**4.14 Foreign currency transactions**

Transactions denominated in foreign currencies are recorded on initial recognition in Pak. Rupees, by applying to the foreign currency amount the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak. Rupees equivalents using the exchange rate at the balance sheet date. Exchange differences are included in income currently.

**4.15 Revenue recognition**

Sales are recorded when goods are dispatched to the customers.

Profit on term deposit receipts is recognised on constant rate of return to maturity.

Profit on deposit accounts is recognised on accrual basis.

Dividend income is recognised when the right to receive the dividend is established.

**4.16 Dividends and appropriation to reserve**

Dividend and appropriation to reserve are recognised in the financial statements in the period in which these are approved.

**4.17 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**4.18 Research and development costs**

Research and development costs are expensed as incurred, except for development costs that relate to the design of new or improved products which are recognised as an asset to the extent that it is expected that such asset will meet the recognition criteria mentioned in IAS – 38 “Intangible Assets”.

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

| | Notes |
|---|---|
| - determining the residual values and useful lives of property, plant and equipment | 4.2 & 6 |
| - valuation of inventories | 4.3, 4.4, 9 & 10 |
| - provision against trade debts | 4.5 & 11 |
| - provision for tax and deferred tax | 4.11, 16 & 26 |
| - provision for employee’s benefits | 4.10 & 17.1 |
| - warranty obligations | 4.13 & 17.3 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000’) | |
| **6. PROPERTY, PLANT AND EQUIPMENT** | | | |
| Operating assets – tangible | 6.1 | **463,273** | 457,371 |
| Capital work-in-progress | 6.4 | **41,449** | 414 |
| | | **504,722** | 457,785 |

## 6.1 Operating assets

| | COST | | | | ACCUMULATED DEPRECIATION | | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|
| | **As at July 01, 2012** | **Additions/ (disposals)/ transfers*** | **As at June 30, 2013** | **Depreciation rate** | **As at July 01, 2012** | **Charge/ transfers* for the year** | **Disposals for the Year** | **As at June 30, 2013** | **As at June 30, 2013** |
| | ---------------(Rs. In 000') | --------------- | | % | ------------------------------- (Rs. In 000') | -------------------------- | | | |
| **Owned** | | | | | | | | | |
| Freehold land | 1,652 | - | 1,652 | - | - | - | - | - | 1,652 |
| Building on freehold land | 109,501 | -<br>(2,450) | 107,051 | 10 | 50,858 | 5,862 | (2,253) | 54,467 | 52,584 |
| Plant and machinery | 589,153 | 67,983<br>(32,908) | 624,228 | 10 – 20 | 257,796 | 39,709 | (28,153) | 269,352 | 354,876 |
| Furniture and fittings | 6,785 | 1,327<br>(70) | 8,042 | 15 | 3,137 | 596 | (51) | 3,682 | 4,360 |
| Vehicles | 56,181 | 7,152<br>(7,338)<br>2,306* | 58,301 | 20 | 17,886 | 8,367<br>1,053* | (2,572) | 24,734 | 33,567 |
| Office equipment | 2,243 | 654 | 2,897 | 20 | 1,234 | 290 | - | 1,524 | 1,373 |
| Computer equipment | 25,736 | 1,183<br>(157) | 26,762 | 33 | 11,237 | 4,914 | (67) | 16,084 | 10,678 |
| Dies and tools | 20,667 | - | 20,667 | 40 | 13,695 | 2,789 | - | 16,484 | 4,183 |
| | 811,918 | 78,299<br>(42,923)<br>2,306* | 849,600 | | 355,843 | 62,527<br>1,053* | (33,096) | 386,327 | 463,273 |
| **Leased** | | | | | | | | | |
| Vehicles | 2,306 | (2,306)* | - | 20 | 1,010 | 43<br>(1,053)* | - | - | - |
| **2013** | **814,224** | **78,299<br>(42,923)<br>- *** | **849,600** | | **356,853** | **62,570<br>- *** | **(33,096)** | **386,327** | **463,273** |

| | COST | | | | ACCUMULATED DEPRECIATION | | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|
| | **As at July 01, 2011** | **Additions/ (disposals)/ transfers*** | **As at June 30, 2012** | **Depreciation rate** | **As at July 01, 2011** | **Charge/ transfers* for the year** | **Disposals for the Year** | **As at June 30, 2012** | **As at June 30, 2012** |
| | ---------------(Rs. In 000') | --------------- | | % | ------------------------------- (Rs. In 000') | -------------------------- | | | |
| **Owned** | | | | | | | | | |
| Freehold land | 1,652 | - | 1,652 | - | - | - | - | - | 1,652 |
| Leasehold land | 29,418 | -<br>(29,418) | - | 3.03 | 3,021 | 773 | (3,794) | - | - |
| Building on freehold land | 93,360 | 16,141 | 109,501 | 10 | 44,940 | 5,918 | - | 50,858 | 58,643 |
| Plant and machinery | 450,850 | 155,363<br>(17,060) | 589,153 | 10 – 20 | 238,659 | 29,866 | (10,729) | 257,796 | 331,357 |
| Furniture and fittings | 6,068 | 1,003<br>(286) | 6,785 | 15 | 2,858 | 525 | (246) | 3,137 | 3,648 |
| Vehicles | 46,215 | 15,942<br>(9,274)<br>3,298* | 56,181 | 20 | 10,414 | 8,137<br>3,762* | (4,427) | 17,886 | 38,295 |
| Office equipment | 1,927 | 336<br>(20) | 2,243 | 20 | 1,033 | 214 | (13) | 1,234 | 1,009 |
| Computer equipment | 10,452 | 15,284 | 25,736 | 33 | 5,809 | 5,428 | - | 11,237 | 14,499 |
| Dies and tools | 23,670 | -<br>(3,003) | 20,667 | 40 | 10,324 | 5,035 | (1,664) | 13,695 | 6,972 |
| | 663,612 | 204,069<br>(59,061)<br>3,298* | 811,918 | | 317,058 | 55,896<br>3,762* | (20,873) | 355,843 | 456,075 |
| **Leased** | | | | | | | | | |
| Vehicles | 5,604 | -<br>(3,298)* | 2,306 | 20 | 4,127 | 645<br>(3,762)* | - | 1,010 | 1,296 |
| **2012** | **669,216** | **204,069<br>(59,061)<br>-*** | **814,224** | | **321,185** | **56,541<br>-*** | **(20,873)** | **356,853** | **457,371** |

**6.2** Depreciation charge for the year has been allocated as follows :

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| Cost of sales | 20 | **52,466** | 45,588 |
| Distribution costs | 21 | **777** | 784 |
| Administrative expenses | 22 | **9,327** | 10,169 |
| | | **62,570** | 56,541 |

**6.3** The following property, plant and equipment were disposed off during the year:

| Particulars | Cost | Accumulated depreciation | Book value | Sales proceeds | (Loss) / gain | Mode of disposal | Particulars of buyer |
|---|---|---|---|---|---|---|---|
| | | | (Rs. in 000') | | | | |
| **Plant and machinery / Dies and Tools** | | | | | | | |
| Machinery | 4,840 | 3,744 | 1,096 | 748 | (348) | Auction | Pioneer Auctioner, Karachi |
| Plant, machinery & equipment | 27,983 | 24,338 | 3,645 | 1,919 | (1,726) | Auction | Pioneer Auctioner, Karachi |
| Items below 50,000 WDV | 312 | 188 | 124 | 114 | (10) | Various | Various |
| | **33,135** | **28,270** | **4,865** | **2,781** | **(2,084)** | | |
| **Building on freehold land** | | | | | | | |
| Building - debris | **2,450** | **2,253** | **197** | **345** | **148** | Auction | Pioneer Auctioner, Karachi |
| **Vehicles** | | | | | | | |
| Toyota Corolla | 1,299 | 732 | 567 | 1,035 | 468 | Negotiation | Mr. Khalid, Karachi |
| Toyota Corolla | 482 | 147 | 335 | 302 | (33) | Company Policy | Mr. Shiraz Ahmed, Employee |
| Daihatsu Cuore | 456 | 306 | 150 | 150 | - | Company Policy | Mr. Hassan M. Khan, Employee |
| Daihatsu Cuore | 665 | 275 | 390 | 675 | 285 | Negotiation | Mr. Yarbat Khan, Karachi |
| Suzuki HiRoof | 367 | 295 | 72 | 310 | 238 | Negotiation | Mr. Muhammad Yaqoob, Karachi |
| Suzuki Alto | 712 | 146 | 566 | 685 | 119 | Negotiation | Mrs. Aisha Atif, Karachi |
| Suzuki Alto | 712 | 125 | 587 | 708 | 121 | Negotiation | Mrs. Shameem Bano, Karachi |
| Suzuki Alto | 678 | 208 | 470 | 690 | 220 | Negotiation | Mr. Faizullah. Karachi |
| Suzuki Cultus | 990 | 66 | 924 | 915 | (9) | Negotiation | Mr. Taj Muhammad Seelro, Karachi |
| Suzuki Cultus | 910 | 266 | 644 | 910 | 266 | Insurance Claim | Habib Insurance Co., Karachi |
| Honda CD-70 | 67 | 7 | 60 | 62 | 2 | Insurance Claim | Habib Insurance Co., Karachi |
| | **7,338** | **2,573** | **4,765** | **6,442** | **1,677** | | |
| **2013** | **42,923** | **33,096** | **9,827** | **9,568** | **(259)** | | |
| 2012 | 59,061 | 20,873 | 38,188 | 42,013 | 3,825 | | |

**6.4 Capital work-in-progress**

| | Plant and machinery | Dies and tools | Total |
|---|---|---|---|
| | | (Rs. in '000') | |
| Balance as at July 01, 2012 | - | 414 | 414 |
| Capital expenditure incurred / advances made during the year | 35,737 | 5,298 | 41,035 |
| Transfer to fixed assets during the year | - | - | - |
| **Balance as at June 30, 2013** | **35,737** | **5,712** | **41,449** |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **7. LONG TERM DEPOSITS AND OTHER RECEIVABLES** | | | |
| Security deposits – considered good | | **5,714** | 3,954 |
| Other receivable - considered doubtful | | **49,252** | 49,252 |
| Less: Provision for impairment | 7.1 | **(49,252)** | (49,252) |
| | | **-** | - |
| | | **5,714** | 3,954 |

**7.1** During the year ended 30 June 2010, Company sold its shareholding in Makro-Habib Pakistan Limited (MHPL) to Thal Limited (TL), a related party under a Share Purchase Agreement (SPA) dated May 14, 2010, at an aggregate consideration of Rs.157.658 million. In terms of the SPA, the Company received an amount of Rs.108.406 million from TL towards the purchase consideration of the said shares. However, the balance consideration amounting to Rs. 49.252 million shall only be payable by TL subject to the following:

a) TL determines that the Group tax relief for the years 2008-2010, as claimed by TL, can be fully sustained or is unable to make such determination by June 2014; and

b) TL determines that MHPL will not incur an impairment loss in case of closure of its Sadder store or is unable to make such determination about the impairment by June 2014.

Accordingly, the contingent balance payment for (a) and (b) above, amounts to Rs. 28.710 million and Rs. 20.542 million respectively. The management, as a matter of prudence, has made a full provision against the said contingent receivable in these financial statements.

During the months of June and July 2011, TL's tax assessments with respect to Group tax relief for the years 2008-2010 were finalized by the Commissioner Inland Revenue (CIR) (Appeals), whereby such relief was allowed to TL. Subsequently, the tax department filed an appeal with the Income Tax Appellant Tribunal (ITAT) against the said Order of the CIR (Appeals). ITAT confirmed CIR (Appeals) Order for the tax years 2008 - 2010. However, the CIR filed an appeal against the Order of ITAT before the High Court of Sindh and with the Chairman ITAT for the tax year 2008 which is pending adjudication.

The Supreme Court status quo order dated March 17, 2010 in relation of Saddar Store still prevails as no further order/direction has been given by the Supreme Court.

| | **2013** | **2012** |
|---|---|---|
| | **(Rs. in 000')** | |
| **8. LONG TERM INVESTMENT** | | |
| **Investment in a subsidiary company - at cost** | | |
| Agriauto Stamping Company (Private) Limited | **703,125** | 50,000 |

**8.1** The Board of Directors of the Company in its meeting held on January 9, 2012 has approved the project for the stamping of sheet metal parts, dies, fixtures primarily for the automotive sector and the establishment of wholly owned subsidiary in the name of Agriauto Stamping Company (Private) Limited for this project. The manufacturing facilities of the new project would be located at Port Qasim with an estimated total investment of Rs.1.05 billion. The subsidiary company was incorporated on January 20, 2012 and the Company has made an investment of Rs 703.125 million as at 30 June 2013. The Company holds 100 percent shares in the subsidiary company directly and through nominee directors.

| | **2013** | **2012** |
|---|---|---|
| | **(Rs. in 000')** | |
| **9. STORES, SPARES AND LOOSE TOOLS** | | |
| Stores | **38,710** | 40,465 |
| Spares | **30,748** | 30,758 |
| Loose tools | **5,649** | 6,549 |
| | **75,107** | 77,772 |
| **10. STOCK-IN-TRADE** | | |
| Raw material | **475,256** | 544,286 |
| Packing material | **4,160** | 4,241 |
| Work-in-process | **47,436** | 55,253 |
| Finished goods | **11,433** | 22,731 |
| Goods-in-transit | **87,640** | 55,416 |
| | **625,925** | 681,927 |

**10.1** The amount of written down to NRV in respect of stock-in-trade was Rs. 35.408 million (2012: Rs. 7.667 million).

# Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2013

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rs. in 000') | |
| **11.** | **TRADE DEBTS – unsecured** | | | |
| | Considered good | | **472,811** | 315,856 |
| | Considered doubtful | | **931** | 1,585 |
| | Provision for impairment | 11.1 | **(931)** | (1,585) |
| | | | **-** | - |
| | | | **472,811** | 315,856 |
| **11.1** | **Reconciliation of provision for impairment is as follows:** | | | |
| | Balance at the beginning of the year | | **1,585** | 3,874 |
| | Reversal for the year | 21 | **(444)** | (2,289) |
| | Write-offs during the year | | **(210)** | - |
| | Balance at the end of the year | | **931** | 1,585 |
| **12.** | **ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES** | | | |
| | **Advances – unsecured, considered good** | | | |
| | Suppliers | | **5,416** | 2,318 |
| | Contractors | | **6,008** | 735 |
| | Employees | | **122** | 695 |
| | | | **11,546** | 3,748 |
| | **Deposits** | | **200** | 330 |
| | **Prepayments** | | | |
| | Insurance | | **7,536** | 6,605 |
| | Rent | | **2,200** | - |
| | Others | | **1,848** | - |
| | | | **11,584** | 6,605 |
| | **Other receivables – unsecured, considered good** | | | |
| | Insurance claim receivable | | **294** | 141 |
| | Workers' profit participation Fund | | **-** | 392 |
| | | | **294** | 533 |
| | | | **23,624** | 11,216 |
| **13.** | **SHORT TERM INVESTMENTS** | | | |
| | **Held- to- maturity** | | | |
| | Term deposit receipts | 13.1 | **50,000** | 955,000 |
| | Accrued profit thereon | | **300** | 10,425 |
| | | | **50,300** | 965,425 |
| | **Available-for-sale** | | | |
| | Atlas Money Market Fund | | **-** | 1,184 |
| | NAFA Government Securities Liquid Fund | | **-** | 41 |
| | UBL Liquidity Plus Fund | | **41** | - |
| | | | **50,341** | 966,650 |

**13.1** Represents three months term deposit receipts with a commercial bank carrying profit rate 8.75% (2012: 11.50% to 11.90%) per annum and will mature by September 2013.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **14. CASH AND BANK BALANCES** | | | |
| **In hand** | | **25** | 12 |
| **With banks in** | | | |
| - current accounts | | **27,680** | 40,392 |
| - deposit accounts | 14.1 | **523,107** | 304,488 |
| | | **550,787** | 344,880 |
| | | **550,812** | 344,892 |

**14.1** These carry profit rates ranging from 6% to 7.5% (2012: 6% to 10%) per annum.

## 15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

**Ordinary shares of Rs. 5/- each**

| Number of shares in (000') 2013 | 2012 | | 2013 (Rs. in 000') | 2012 |
|---|---|---|---|---|
| **22,800** | 22,800 | Fully paid in cash | **114,000** | 114,000 |
| **6,000** | 6,000 | Issued as fully paid bonus shares | **30,000** | 30,000 |
| **28,800** | 28,800 | | **144,000** | 144,000 |

**15.1** Related parties held 2,115,600 (2012: 2,115,600) Ordinary shares of Rs. 5/- each in the Company at year end.

| | 2013 | 2012 |
|---|---|---|
| | (Rs. in 000') | |
| **16. DEFERRED TAXATION** | | |
| Taxable temporary differences arising due to: | | |
| - accelerated tax depreciation | **81,103** | 79,997 |
| Deductable temporary differences arising due to: | | |
| - assets subject to finance lease | **-** | (152) |
| - provisions | **(26,663)** | (28,339) |
| | **(26,663)** | (28,491) |
| | **54,440** | 51,506 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **17. TRADE AND OTHER PAYABLES** | | | |
| Creditors | | **86,568** | 104,209 |
| Royalty payable | | **12,560** | 15,137 |
| Accrued liabilities | | **64,224** | 63,060 |
| Advance from customers | | **1,513** | 2,156 |
| Payable to provident fund | 17.1 | **1,263** | 1,085 |
| Workers' Profit Participation Fund | 17.2 | **12,231** | - |
| Workers' Welfare Fund | | **11,208** | 16,951 |
| Warranty obligations | 17.3 | **18,052** | 23,885 |
| Infrastructure cess payable | 17.4 | **45,767** | 39,232 |
| Unclaimed and unpaid dividends | | **10,531** | 8,103 |
| Guarantee bond payable | 17.5 | **1,110** | 1,110 |
| Tax deducted at source | | **2,837** | 1,645 |
| Others | | **2,353** | 1,613 |
| | | **270,217** | 278,186 |
| **17.1 General Disclosures** | | ------- (Unaudited) ------ | |
| Size of the fund | | **132,749** | 111,160 |
| Cost of investments | | **107,382** | 91,116 |
| Fair value of investments | 17.1.1 | **132,749** | 111,160 |
| Percentage of investments | | **100%** | 100% |

**17.1.1 The breakup of fair value of investments is:**

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | -------------- (Unaudited) ------------- | | | |
| | (Rs. in 000') | (%) | (Rs. in 000') | (%) |
| Special Saving Certificates | **36,314** | **27** | 81,156 | 73 |
| Term Deposit Receipts | **59,386** | **45** | - | - |
| Term Finance Certificates | **13,732** | **10** | 13,480 | 12 |
| Mutual fund units | **6,458** | **5** | 4,205 | 4 |
| Shares in listed companies | **1,972** | **1** | 1,335 | 1 |
| Bank balance | **7,375** | **6** | 2,337 | 2 |
| Others | **7,512** | **6** | 8,647 | 8 |
| Total | **132,749** | **100** | 111,160 | **100** |

**17.1.2** Investments of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **17.2 Workers' Profit Participation Fund** | | | |
| Balance at the beginning of the year | | **(392)** | 1,120 |
| Allocation for the year | 24 | **19,601** | 44,608 |
| | | **19,209** | 45,728 |
| Less: (Refund) / payment made during the year | | **(6,978)** | 46,120 |
| Balance at end of the year | | **12,231** | (392) |
| **17.3 Warranty obligations** | | | |
| Balance at the beginning of the year | | **23,885** | 24,346 |
| Provision for the year | 21 | **2,613** | 11,076 |
| | | **26,498** | 35,422 |
| Less: Claims paid during the year | | **8,446** | 11,537 |
| Balance at end of the year | | **18,052** | 23,885 |

**17.4** During the financial year 2009, the Honourable High Court of Sindh declared the levy of the Infrastructure cess / fee by the Excise and Taxation Department, Government of Sindh upto December 27, 2006 as ultra vires of the Constitution. However, the levy subsequent to December 27, 2006 was declared as valid and constitutional. The Company had filed an appeal before the Honourable Supreme Court of Pakistan against the above order of High Court and as per the directions of the Supreme Court, approached the High Court by filing a fresh constitution petition in May 2011. The High Court has granted stay on said petition on the following terms:

- Any bank guarantee/security furnished for consignment released upto December 27, 2006 shall be discharged and returned; and

- Any bank guarantee/security furnished for consignment released after December 27, 2006 shall be encashed to the extent of 50% of the guaranteed/secured amount only and the bank guarantee/security for the balance amount will be kept alive till the disposal of the petitions.

In view of the interim nature of arrangement as provided in the above referred order of the High Court, the Company has retained full provision against the infrastructure cess fee payable for the period from December 2006 till June 2013.

The Company has provided a bank guarantee in favour of Excise and Taxation Department, amounting to Rs. 40.154 million (2012: Rs. 33.154 million), out of which Rs. 0.985 million (2012: 0.519 million) remain un-utilized as of the year end.

**17.5** The Company has provided bank guarantees to Collector of Customs as a security against the import duty.

## 18. CONTINGENCIES AND COMMITMENTS

**Commitments**

(i) Commitments in respect of outstanding letters of credit for raw material amount to Rs. 169.459 million (2012: Rs. 226.217 million).

(ii) Commitments in respect of capital expenditure amount to Rs.17.641 million (2012: Rs. 1.720 million).

(iii) Outstanding bank guarantees issued to Sui Southern Gas Company Limited amounts to Rs. 0.385 million (2012: Rs. 0.385 million)

## 19. TURNOVER – net

| | 2013 | 2012 |
|---|---|---|
| | (Rs. in 000') | |
| Sales | **4,068,990** | 4,973,812 |
| Less: Sales tax | **565,145** | 686,941 |
| Trade discount | **221** | 197 |
| | **565,366** | 687,138 |
| | **3,503,624** | 4,286,674 |

# Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **20. COST OF SALES** | | | |
| **Raw material consumed** | | | |
| Opening stock | | **544,286** | 415,846 |
| Purchases | | **2,224,301** | 2,878,513 |
| | | **2,768,587** | 3,294,359 |
| Closing stock | | **(475,256)** | (544,286) |
| | | **2,293,331** | 2,750,073 |
| **Manufacturing expenses** | | | |
| Salaries, wages and benefits | | **207,912** | 179,932 |
| Stores, spares and loose tools consumed | | **110,030** | 108,841 |
| Packing material consumed | | **19,828** | 17,277 |
| Fuel and power | | **71,695** | 68,914 |
| Transportation and traveling | | **49,565** | 44,848 |
| Depreciation | 6.2 | **52,466** | 45,588 |
| Repairs and maintenance | | **39,345** | 81,053 |
| Royalty and technical fees | | **43,494** | 32,141 |
| Research and development costs | | **128** | 2,596 |
| Communications and professional fee | | **1,922** | 11,318 |
| Printing and stationery | | **765** | 1,130 |
| Insurance | | **3,899** | 2,380 |
| Rent, rates and taxes | | **10,206** | 6,951 |
| Others | | **5,320** | 3,846 |
| | | **616,575** | 606,815 |
| **Work-in-process** | | | |
| Opening stock | | **55,253** | 45,484 |
| Closing stock | | **(47,436)** | (55,253) |
| | | **7,817** | (9,769) |
| **Cost of goods manufactured** | | **2,917,723** | 3,347,119 |
| **Finished goods** | | | |
| Opening stock | | **22,731** | 36,583 |
| Closing stock | | **(11,433)** | (22,731) |
| | | **11,298** | 13,852 |
| | | **2,929,021** | 3,360,971 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| **21. DISTRIBUTION COSTS** | | | |
| Salaries and benefits | | **12,568** | 10,063 |
| Advertisement and sales promotion | | **13,940** | 13,196 |
| Carriage and forwarding | | **21,013** | 19,720 |
| Traveling and conveyance | | **2,858** | 2,402 |
| Depreciation | 6.2 | **777** | 784 |
| Provision for warranty claims | 17.3 | **2,613** | 11,076 |
| Reversal of provision for impairment of trade debts | 11.1 | **(444)** | (2,289) |
| Rent, rates and taxes | | **99** | 121 |
| Communications | | **209** | 201 |
| Insurance | | **225** | 225 |
| Repairs and maintenance | | **657** | 6,380 |
| Others | | **239** | 180 |
| | | **54,754** | 62,059 |

# Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2013

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rs. in 000') | |
| **22.** | **ADMINISTRATIVE EXPENSES** | | | |
| | Salaries and benefits | | **57,779** | 43,917 |
| | Legal and professional charges | | **23,992** | 21,090 |
| | Repairs and maintenance | | **10,467** | 5,759 |
| | Depreciation | 6.2 | **9,327** | 10,169 |
| | Printing and stationery | | **1,068** | 723 |
| | Computer supplies | | **299** | 237 |
| | Rent, rates and taxes | | **3,179** | 1,930 |
| | Traveling and conveyance | | **11,593** | 11,970 |
| | Communications and professional fee | | **2,696** | 6,452 |
| | Utilities | | **1,678** | 1,365 |
| | Security services | | **4,218** | 3,337 |
| | Insurance | | **1,150** | 1,013 |
| | Auditors' remuneration | 22.1 | **828** | 804 |
| | Advertisement | | **198** | 493 |
| | Others | | **498** | 866 |
| | | | **128,970** | 110,125 |
| **22.1** | **Auditors' remuneration** | | | |
| | Audit fee for standalone financial statements | | **550** | 550 |
| | Audit fee for consolidated financial statements | | **125** | 100 |
| | Fee for review of half yearly financial statements | | **55** | 55 |
| | Other certifications | | **28** | 28 |
| | Out of pocket expenses | | **70** | 71 |
| | | | **828** | 804 |
| **23.** | **FINANCE COSTS** | | | |
| | Mark-up on finance lease | | **7** | 181 |
| | Bank charges | | **119** | 253 |
| | | | **126** | 434 |
| **24.** | **OTHER CHARGES** | | | |
| | Workers' Profit Participation Fund | 17.2 | **19,601** | 44,608 |
| | Workers' Welfare Fund | | **8,962** | 16,951 |
| | Donations | 24.1 | **4,430** | 8,337 |
| | | | **32,993** | 69,896 |

**24.1** None of the directors or their spouses had any interest in any of the donees to whom donations were made during the year.

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rs. in 000') | |
| **25.** | **OTHER INCOME** | | | |
| | **Income from financial assets** | | | |
| | Profit on: | | | |
| | - term deposit receipts | | **23,873** | 46,251 |
| | - deposit accounts | | **12,215** | 12,874 |
| | Gain on sale of available-for-sale investments | | **32,227** | 81,165 |
| | | | **68,315** | 140,290 |
| | Liabilities no longer payable - written back | | **622** | 384 |
| | **Income from non-financial assets** | | | |
| | (Loss) / gain on disposal of property, plant and equipment | 6.3 | **(259)** | 3,825 |
| | Scrap sales | | **5,326** | 2,758 |
| | | | **5,067** | 6,583 |
| | Refund of Workers' Profit Participation Fund | | **7,370** | - |
| | | | **81,374** | 147,257 |

| | 2013 | 2012 |
|---|---|---|
| | (Rs. in 000') | |

## 26. TAXATION

| | 2013 | 2012 |
|---|---|---|
| Current | **127,573** | 210,782 |
| Prior | **(793)** | 989 |
| Deferred | **2,934** | 33,611 |
| | **129,714** | 245,382 |

### 26.1 Relationship between tax expense and accounting profit

| | 2013 | 2012 |
|---|---|---|
| Profit before taxation | **439,134** | 830,446 |
| Tax at the rate of 35% | **153,697** | 290,656 |
| **Tax effects of:** | | |
| Income exempt from tax or taxed at reduced rate | **(14,363)** | (57,163) |
| Prior year | **(793)** | 989 |
| Tax rebates | **(11,761)** | (23,855) |
| Workers' Welfare Fund on tax profit exceeding accounting profit | **-** | 1,144 |
| Deferred | **2,934** | 33,611 |
| | **129,714** | 245,382 |

## 27. EARNINGS PER SHARE – basic and diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

| | 2013 | 2012 |
|---|---|---|
| Profit after taxation (Rs. in 000') | **309,420** | 585,064 |
| Weighted average number of ordinary shares outstanding during the year (in 000') | **28,800** | 28,800 |
| Basic earnings per share (Rs.) | **10.74** | 20.31 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **28. CASH GENERATED FROM OPERATIONS** | | | |
| Profit before taxation | | **439,134** | 830,446 |
| **Adjustments for** | | | |
| Depreciation | | **62,570** | 56,541 |
| Finance costs | | **126** | 434 |
| Reversal of provision for impairment of trade debts | | **(444)** | (2,246) |
| Liabilities no longer payable - written back | | **(622)** | (384) |
| Gain on disposal of available-for-sale investment | | **(32,227)** | (81,165) |
| Profit on term deposit receipts | | **(23,873)** | (46,251) |
| Profit on deposit accounts | | **(12,215)** | (12,874) |
| Loss / (gain) on disposal of property, plant and equipment | | **259** | (3,825) |
| | | **(6,426)** | (89,770) |
| | | **432,708** | 740,676 |
| **Increase / (decrease) in current assets** | | | |
| Stores, spares and loose tools | | **2,665** | (16,416) |
| Stock-in-trade | | **56,002** | (76,160) |
| Trade debts | | **(156,511)** | 41,611 |
| Advances, deposits, prepayments and other receivables | | **(12,408)** | (5,217) |
| | | **(110,252)** | (56,182) |
| **(Decrease) / increase in current liabilities** | | | |
| Trade and other payables | | **(777)** | 8,607 |
| Sales tax payable | | **(1,516)** | 21,191 |
| | | **(2,293)** | 29,798 |
| | | **320,163** | 714,292 |

## 29. CASH AND CASH EQUIVALENTS

| | Note | 2013 | 2012 |
|---|---|---|---|
| Cash and bank balances | 14 | **550,812** | 344,892 |
| Short term investments – term deposit receipts | 13 | **50,000** | 955,000 |
| | | **600,812** | 1,299,892 |

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

### 30.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

#### (i) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to the changes in market interest rates. The Company is exposed to interest rate risk in respect of bank deposits, term deposit receipts and investment in income based mutual funds. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would increase the Company's profit after tax by Rs. 3.726 million (2012 : 8.187 million) and a 1% decrease would result in the decrease in the Company's profit after tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

#### (ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2013, the Company does not have any financial assets or financial liabilities which are denominated in foreign currencies.

**30.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is mainly exposed to credit risk mainly on trade debts, short term investments and bank balances. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

| | 2013 | 2012 |
|---|---|---|
| | (Rs. in 000') | |
| **Trade debts** | | |
| The analysis of trade debts is as follows: | | |
| Neither past due nor impaired | **447,472** | 305,420 |
| Past due but not impaired – 30 to 90 days | **25,339** | 10,436 |
| | **472,811** | 315,856 |
| **Bank balances** | | |
| **Ratings** | | |
| A-1+ | **13,741** | - |
| A1+ | **536,831** | 343,758 |
| P1 | **215** | 1,122 |
| | **550,787** | 344,880 |
| **Short term investments** | | |
| **Ratings** | | |
| A1+ | **-** | 41 |
| AA+ | **-** | 1,184 |
| A-1+ | **41** | - |
| | **41** | 1,225 |

**30.3 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management of the Company believes that is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Company on the basis of expected cashflow considering the level of liquid assets necessary to mitigate the liquidity risk.

| 2013 | On demand | Less than 3 months | 3 to 12 Months | Total |
|---|---|---|---|---|
| | ---------------------- (Rupees in '000) ---------------------- | | | |
| Trade and other payables | **79,613** | **179,396** | **11,208** | **270,217** |

| 2012 | On demand | Less than 3 months | 3 to 12 Months | Total |
|---|---|---|---|---|
| | ---------------------- (Rupees in '000) ---------------------- | | | |
| Trade and other payables | 77,496 | 183,740 | 16,950 | 278,186 |
| Liabilities against assets subject to finance lease | - | - | 434 | 434 |
| | 77,496 | 183,740 | 17,384 | 278,620 |

## 31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of the mutual fund units is determined by using the net asset value as disclosed by the Fund Manager at each balance sheet date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

**Fair value hierarchy**

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active market for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2013, the Company has available-for-sale investments measured at fair value using level 1 valuation technique.

## 32. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital is to safeguard the Company's ability to continue to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through equity and working capital. The capital structure of the Company is equity based with no financing through long term borrowings.

## 33. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than disclosed elsewhere in the financial statements, are as follows:

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| Purchases of goods | **1,749** | 18,840 |
| Contribution to the Provident fund | **4,866** | 4,380 |

The receivable/payable balances with related parties as at June 30, 2013 are disclosed in the respective notes to the financial statements.

## 34. REMUNERATION OF THE CHAIRMAN, CHIEF EXECUTIVE AND EXECUTIVES

**34.1** Aggregate amounts charged in the financial statements are as follows:

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Chairman | Chief Executive | Executives | Chairman | Chief Executive | Executives |
| | (Rs. in `000) | | | | | |
| Managerial remuneration | **15,028** | **9,308** | **40,030** | 10,140 | 8,132 | 34,959 |
| Retirement benefits | **-** | **368** | **1,806** | - | 333 | 1,233 |
| Utilities | **634** | **122** | **869** | 337 | - | 875 |
| Medical expenses | **166** | **20** | **457** | 94 | 29 | 413 |
| | **15,828** | **9,818** | **43,162** | 10,571 | 8,494 | 37,480 |
| Number of persons | **1** | **1** | **18** | 1 | 1 | 19 |

**34.2** The Chairman, Chief Executive and certain Executives are also provided with free use of Company maintained vehicles in accordance with the Company's policy.

## 35. PRODUCTION CAPACITY

The production capacity of the Company cannot be determined as this depends on the relative proportions of various types of vehicles and agricultural tractors produced by OEMs.

## 36. UNUTILIZED CREDIT FACILITIES

As of the balance sheet date, the Company has unutilized facilities for short term running finance available from various banks amounted to Rs. 160 million (2012: Rs. 160 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25% (2012: 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25%). The facilities are secured by way of pari passu hypothecation of Company's stock-in-trade, stores, spares, loose tools and trade debts.

## 37. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 29, 2013 (i) approved the transfer of Rs. 175 million from unappropriated profit to general reserve and (ii) proposed cash dividend of Rs. 5.50 per share for the year ended June 30, 2013 amounting to Rs. 158.40 million for approval of the members at the Annual General Meeting to be held on October 29, 2013.

## 38. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 265 (2012: 243) and the average number of persons employed during the year were 258 (2012: 232).

## 39. GENERAL

**39.1** Figures have been rounded off to the nearest thousands.

**39.2** There were no material reclassifications to report.

## 40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 29, 2013 by the Board of Directors of the Company.

**Yutaka Arae**
Chairman

**Fahim Kapadia**
Chief Executive

# Consolidated Balance Sheet
AS AT JUNE 30, 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | 7 | **1,027,749** | 489,276 |
| Long term deposits and other receivable | 8 | **12,285** | 3,954 |
| | | **1,040,034** | 493,230 |
| **CURRENT ASSETS** | | | |
| Stores, spares and loose tools | 9 | **75,107** | 77,772 |
| Stock-in-trade | 10 | **625,925** | 681,927 |
| Trade debts | 11 | **472,811** | 315,856 |
| Advances, deposits, prepayments and other receivables | 12 | **23,755** | 11,216 |
| Accrued profit | | **1,548** | 1,607 |
| Short term investments | 13 | **50,341** | 966,650 |
| Sales tax refundable | | **8,571** | - |
| Taxation – net | | **9,045** | 8,414 |
| Cash and bank balances | 14 | **650,457** | 348,430 |
| | | **1,917,560** | 2,411,872 |
| **TOTAL ASSETS** | | **2,957,594** | 2,905,102 |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorised capital | | | |
| 40,000,000 (2012: 40,000,000) Ordinary shares of Rs. 5/- each | | **200,000** | 200,000 |
| Issued, subscribed and paid-up capital | 15 | **144,000** | 144,000 |
| Reserves | | **2,469,897** | 2,408,618 |
| | | **2,613,897** | 2,552,618 |
| **NON CURRENT LIABILITIES** | | | |
| Deferred taxation | 16 | **54,440** | 51,506 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 17 | **289,257** | 278,286 |
| Current portion of liabilities against assets subject to finance lease | | **-** | 434 |
| Sales tax payable | | **-** | 22,258 |
| | | **289,257** | 300,978 |
| **CONTINGENCIES AND COMMITMENTS** | 18 | | |
| **TOTAL EQUITY AND LIABILITIES** | | **2,957,594** | 2,905,102 |

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

**Yutaka Arae**
Chairman

**Fahim Kapadia**
Chief Executive

# Consolidated Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| Turnover - net | 19 | **3,503,624** | 4,286,674 |
| Cost of sales | 20 | **(2,929,021)** | (3,360,971) |
| **Gross profit** | | **574,603** | 925,703 |
| Distribution costs | 21 | **(54,754)** | (62,059) |
| Administrative expenses | 22 | **(166,696)** | (126,125) |
| Finance costs | 23 | **(185)** | (449) |
| | | **(221,635)** | (188,633) |
| **Operating profit** | | **352,968** | 737,070 |
| Other charges | 24 | **(32,993)** | (69,896) |
| Other income | 25 | **88,202** | 148,306 |
| | | **55,209** | 78,410 |
| **Profit before taxation** | | **408,177** | 815,480 |
| Taxation | 26 | **(129,714)** | (245,382) |
| **Profit after taxation** | | **278,463** | 570,098 |
| | | **Rupees** | **Rupees** |
| **Earnings per share – basic and diluted** | 27 | **9.67** | 19.80 |

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

**Yutaka Arae**
Chairman

**Fahim Kapadia**
Chief Executive

# Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED JUNE 30, 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **Net profit for the year** | | **278,463** | 570,098 |
| **Other comprehensive income** | | | |
| Unrealized gain on change in fair value of available-for-sale investments arisen during the year – net of tax | | **31,043** | 57,102 |
| Reclassification adjustment for gains included in profit and loss account upon disposal of investments | | **(32,227)** | (81,165) |
| | | **(1,184)** | (24,063) |
| **Total comprehensive income for the year** | | **277,279** | 546,035 |

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

**Yutaka Arae**
Chairman

**Fahim Kapadia**
Chief Executive

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 28 | **272,460** | 696,321 |
| Finance costs paid | | **(185)** | (449) |
| Income tax paid | | **(136,938)** | (225,662) |
| Long term deposits | | **(8,331)** | 295 |
| **Net cash generated from operating activities** | | **127,006** | 470,505 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Fixed capital expenditure | | **(611,395)** | (161,218) |
| Proceeds from disposal of property, plant and equipment | | **9,568** | 12,595 |
| Proceeds from disposal of short term investment | | **657,530** | 686,166 |
| Acquisition of short term investments | | **(625,000)** | (255,000) |
| Profit received on term deposit receipts | | **33,998** | 45,202 |
| Profit received on deposit accounts | | **19,103** | 13,062 |
| **Net cash (used in) / generated from investing activities** | | **(516,196)** | 340,807 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Lease rentals paid | | **(211)** | (2,010) |
| Dividends paid | | **(213,572)** | (142,413) |
| **Net cash used in financing activities** | | **(213,783)** | (144,423) |
| **Net (decrease) / increase in cash and cash equivalents** | | **(602,973)** | 666,889 |
| Cash and cash equivalents at the beginning of the year | | **1,303,430** | 636,541 |
| **Cash and cash equivalents at the end of the year** | 29 | **700,457** | 1,303,430 |

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

**Yutaka Arae**
Chairman

**Fahim Kapadia**
Chief Executive

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2013

| | Issued, subscribed and paid-up capital | Reserves: Capital reserve – Share premium | Reserves: Revenue reserves – General | Reserves: Revenue reserves – Unappropriated profit | Reserves: Gain / (loss) on changes in fair value of available-for-sale investments | Reserves: Total | Total equity |
|---|---|---|---|---|---|---|---|
| | (Rs. in 000') | | | | | | |
| **Balance as at June 30, 2011** | 144,000 | 12,598 | 1,525,000 | 443,697 | 25,288 | 2,006,583 | 2,150,583 |
| Final dividend for the year ended June 30, 2011 @ Rs. 5 /- per share | - | - | - | (144,000) | - | (144,000) | (144,000) |
| Transfer to general reserve | - | - | 290,000 | (290,000) | - | - | - |
| Profit after taxation for the year | - | - | - | 570,098 | - | 570,098 | 570,098 |
| Other comprehensive loss | - | - | - | - | (24,063) | (24,063) | (24,063) |
| Total comprehensive income for the year | - | - | - | 570,098 | (24,063) | 546,035 | 546,035 |
| **Balance as at June 30, 2012** | **144,000** | **12,598** | **1,815,000** | **579,795** | **1,225** | **2,408,618** | **2,552,618** |
| Final dividend for the year ended June 30, 2012 @ Rs. 7.5 /- per share | **-** | **-** | **-** | **(216,000)** | **-** | **(216,000)** | **(216,000)** |
| Transfer to general reserve | **-** | **-** | **345,000** | **(345,000)** | **-** | **-** | **-** |
| Profit after taxation for the year | **-** | **-** | **-** | **278,463** | **-** | **278,463** | **278,463** |
| Other comprehensive loss | **-** | **-** | **-** | **-** | **(1,184)** | **(1,184)** | **(1,184)** |
| Total comprehensive income for the year | **-** | **-** | **-** | **278,463** | **(1,184)** | **277,279** | **277,279** |
| **Balance as at June 30, 2013** | **144,000** | **12,598** | **2,160,000** | **297,258** | **41** | **2,469,897** | **2,613,897** |

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

**Yutaka Arae**
Chairman

**Fahim Kapadia**
Chief Executive

# Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED JUNE 30, 2013

**1. THE GROUP AND ITS OPERATIONS**

**1.1** Agriauto Industries Limited (the Holding Company) was incorporated in Pakistan on June 25, 1981 as a public limited company, under the Companies Act, 1913 (now the Companies Ordinance, 1984), and is listed on the Karachi and Lahore stock exchanges of Pakistan since June 1984. The Holding Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors. The registered office of the Holding Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

The Group comprises of the Holding Company and Agriauto Stamping Company (Private) Limited (the Subsidiary Company). The Subsidiary Company was incorporated in Pakistan on January 20, 2012 as a private limited company, under the Companies Ordinance, 1984. The Subsidiary Company will be engaged in stamping of sheet metal parts, dies, fixtures primarily for the automotive industry and has not yet commenced its operations. The registered office of the Subsidiary Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

**2. STATEMENT OF COMPLIANCE**

**2.1** These consolidated 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as are as 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 Standards and amendments to approved accounting standards that are not yet effective**

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or Interpretation | Effective date (accounting periods Beginning on or after) |
|---|---|
| IFRS 7 – Financial Instruments : Disclosures – (Amendments)<br>-Amendments enhancing disclosures about offsetting of financial assets and financial liabilities | 01 January 2013 |
| IAS 19 – Employee Benefits –(Revised) | 01 January 2013 |
| IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment) | 01 January 2014 |

The Group expects that the adoption of the above revisions and amendments of the standards will not affect the Group's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard | IASB Effective date (accounting periods beginning on or after) |
|---|---|
| IFRS 9 – Financial Instruments: Classification and Measurement | 01 January 2015 |
| IFRS 10 – Consolidated Financial Statements | 01 January 2013 |
| IFRS 11 – Joint Arrangements | 01 January 2013 |
| IFRS 12 – Disclosure of Interests in Other Entities | 01 January 2013 |
| IFRS 13 – Fair Value Measurement | 01 January 2013 |

**3. BASIS OF MEASUREMENT**

**3.1** These consolidated financial statements have been prepared under the historical cost convention except for available-for-sale investments which are valued as stated in note 5.6 to the consolidated financial statements.

**3.2** These consolidated financial statements are presented in Pak Rupees which is the Group's functional and presentation currency.

**4. BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Holding Company and its Subsidiary Company as at June 30, 2013.

The Subsidiary Company's assets, liabilities, income and expenses have been consolidated on a line by line basis from the date of its incorporation. The financial statements of the Subsidiary Company are prepared, using accounting policies consistent with those of the Holding Company. All intra-group balances, transaction, gains and losses resulting from intra-group transactions and dividends are eliminated in full.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

**5.1 New and amended standards and interpretations**

The Group has adopted the following amendments to IFRSs which became effective during the year:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the consolidated financial statements.

**5.2 Property, plant and equipment**

**Owned**

These are stated at cost less accumulated depreciation and impairment loss except for freehold land and capital work in progress which are stated at cost.

Depreciation on fixed assets is charged to the profit and loss account applying the reducing balance method at the rates specified in note 7 to the consolidated financial statements. Depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal. Maintenance and normal repairs are charged to profit and loss account as and when incurred, while major renewals and improvements are capitalised. Gains or losses on disposals of fixed assets, if any, are included in income currently.

Leasehold land is amortised in equal installments over the lease period.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or related cash-generating units are written down to their recoverable amount.

**Finance leases**

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease less financial charges allocated to future periods are recorded as liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation is charged to income on the same basis as for the Group's owned assets.

**5.3 Stores, spares and loose tools**

These are stated at the lower of cost and Net Realisable Value (NRV) except for goods-in-transit which are stated at invoice price plus other charges incurred thereon upto the date of the balance sheet. Cost is determined on weighted moving average basis.

Stores, spares and loose tools are regularly reviewed by the management and any obsolete items are brought down to their NRV.

**5.4 Stock-in-trade**

Stock-in-trade, except goods-in-transit, is stated at the lower of NRV and cost determined as follows:

| | | |
|---|---|---|
| Raw and packing materials | - | Moving average basis. |
| Work-in-process | - | Cost of direct materials plus conversion cost is valued on the basis of equivalent production units. |
| Finished goods | - | Cost of direct materials plus conversion cost is valued on time proportion basis. |

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the balance sheet date.

Stock-in-trade is regularly reviewed by the management and any obsolete items are brought down to their NRV.

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**5.5 Trade debts and other receivables**

Trade debts originated by the Group are recognised and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on the management's assessment of customers' outstandings and creditworthiness. Bad debts are written-off as and when identified.

**5.6 Investments**

**Held-to-maturity**

Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity.

Gains or losses on held-to-maturity investments are recognised in income when the investments are derecognised or impaired.

**Available-for-sale**

Investments which are not classified in the above category and which the management intends to hold for indefinite period, but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

All investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment. Transaction costs in the case of held-for-trading investments are charged to income when incurred. After initial recognition, investments classified as available-for-sale are remeasured at fair values and held-to-maturity investments are measured at amortised cost.

Gains or losses on revaluation of available-for-sale investments are recognised in equity until the investment is sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

**5.7 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term investments with a maturity of three months or less from the date of acquisition net of short-term running finance. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

**5.8 Financial instruments**

All financial assets and liabilities are recognised at the time when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights under the instruments are realised, expired or surrendered. Financial liabilities are derecognised when the obligation is extinguished, discharged, cancelled or expired. Any gain or loss on recognition or derecognition of the financial assets and financial liabilities is taken to the profit and loss account.

**5.9 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

**5.10 Employees' benefits**

**Provident fund**

The Group operates a recognised provident fund scheme (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Group's policy. Contributions in respect thereto are made in accordance with the terms of the scheme.

**Compensated absences**

The Group accounts for these benefits in the period in which the absences are earned.

**5.11 Taxation**

**Current**

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, or 0.5 percent of turnover, whichever is higher. Tax on export sales is calculated under final tax regime under Section 154 of the Income Tax Ordinance, 2001.

**Deferred**

Deferred tax is provided, proportionate to local sales, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of recognised or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

**5.12 Provisions**

Provision is recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

**5.13 Warranty obligations**

The Group recognises the estimated liability to repair or replace products under warranty at the balance sheet date on the basis of historical experience.

**5.14 Foreign currency transactions**

Transactions denominated in foreign currencies are recorded on initial recognition in Pak. Rupees, by applying to the foreign currency amount the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak. Rupees equivalents using the exchange rate at the balance sheet date. Exchange differences are included in income currently.

**5.15 Revenue recognition**

Sales are recorded when goods are dispatched to the customers.

Profit on term deposit receipts is recognised on constant rate of return to maturity.

Profit on deposit accounts is recognised on accrual basis.

Dividend income is recognised when the right to receive the dividend is established.

**5.16 Dividends and appropriation to reserve**

Dividend and appropriation to reserve are recognised in the consolidated financial statements in the period in which these are approved.

**5.17 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**5.18 Research and development costs**

Research and development costs are expensed as incurred, except for development costs that relate to the design of new or improved products which are recognised as an asset to the extent that it is expected that such asset will meet the recognition criteria mentioned in IAS – 38 “Intangible Assets”.

**6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the consolidated financial statements:

| | **Notes** |
|---|---|
| - determining the residual values and useful lives of property, plant and equipment | 5.2 & 7 |
| - valuation of inventories | 5.3, 5.4, 9 & 10 |
| - provision against trade debts | 5.5 & 11 |
| - provision for tax and deferred tax | 5.11, 16 & 26 |
| - provision for employee’s benefits | 5.10 & 17.1 |
| - warranty obligations | 5.13 & 17.3 |

| | **Note** | **2013** | **2012** |
|---|---|---|---|
| | | **(Rs. in 000’)** | |
| **7. PROPERTY, PLANT AND EQUIPMENT** | | | |
| Operating assets – tangible | 7.1 | **492,166** | 486,789 |
| Capital work-in-progress | 7.4 | **535,583** | 2,487 |
| | | **1,027,749** | 489,276 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

## 7.1 Operating assets

| | COST | | | | ACCUMULATED DEPRECIATION | | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|
| | As at July 01, 2012 | Additions/ (disposals)/ transfers* | As at June 30, 2013 | Depreciation rate | As at July 01, 2012 | Charge/ transfers* for the year | Disposals/ adjustment* for the Year | As at June 30, 2013 | As at June 30, 2013 |
| | --------------(Rs. In 000') -------------- | | | % | ----------------------------- (Rs. In 000') -------------------------------- | | | | |
| **Owned** | | | | | | | | | |
| Freehold land | 1,652 | - | 1,652 | - | - | - | - | - | 1,652 |
| Leasehold land | 29,418 | - | 29,418 | 1.79 | - | 525 | - | 525 | 28,893 |
| Building on freehold land | 109,501 | -<br>(2,450) | 107,051 | 10 | 50,858 | 5,862 | (2,253) | 54,467 | 52,584 |
| Plant and machinery | 589,153 | 67,983<br>(32,908) | 624,228 | 10 – 20 | 257,796 | 39,709 | (28,153) | 269,352 | 354,876 |
| Furniture and fittings | 6,785 | 1,327<br>(70) | 8,042 | 15 | 3,137 | 596 | (51) | 3,682 | 4,360 |
| Vehicles | 56,181 | 7,152<br>(7,338)<br>2,306* | 58,301 | 20 | 17,886 | 8,367<br>1,053* | (2,572) | 24,734 | 33,567 |
| Office equipment | 2,243 | 654 | 2,897 | 20 | 1,234 | 290 | - | 1,524 | 1,373 |
| Computer equipment | 25,736 | 1,183<br>(157) | 26,762 | 33 | 11,237 | 4,914 | (67) | 16,084 | 10,678 |
| Dies and tools | 20,667 | - | 20,667 | 40 | 13,695 | 2,789 | - | 16,484 | 4,183 |
| | 841,336 | 78,299<br>(42,923)<br>2,306* | 879,018 | | 355,843 | 63,052<br>1.053* | (33,096) | 386,852 | 492,166 |
| **Leased** | | | | | | | | | |
| Vehicles | 2,306 | (2,306)* | - | 20 | 1,010 | 43<br>(1,053)* | - | - | - |
| **2013** | **843,642** | **78,299<br>(42,923)<br>- *** | **879,018** | | **356,853** | **63,095<br>- *** | **(33,096)** | **386,852** | **492,166** |

| | COST | | | | ACCUMULATED DEPRECIATION | | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|
| | As at July 01, 2011 | Additions/ (disposals)/ transfers* | As at June 30, 2012 | Depreciation rate | As at July 01, 2011 | Charge/ transfers* for the Year | Disposals/ adjustment* for the Year | As at June 30, 2012 | As at June 30, 2012 |
| | --------------- (Rs. In 000') -------------- | | | % | ----------------------------- (Rs. In 000') ------------------------------ | | | | |
| **Owned** | | | | | | | | | |
| Freehold land | 1,652 | - | 1,652 | - | - | - | - | - | 1,652 |
| Leasehold land | 29,418 | - | 29,418 | 3.03 | 3,021 | 773 | (3,794) | - | 29,418 |
| Building on freehold land | 93,360 | 16,141 | 109,501 | 10 | 44,940 | 5,918 | - | 50,858 | 58,643 |
| Plant and machinery | 450,850 | 155,363<br>(17,060) | 589,153 | 10 – 20 | 238,659 | 29,866 | (10,729) | 257,796 | 331,357 |
| Furniture and fittings | 6,068 | 1,003<br>(286) | 6,785 | 15 | 2,858 | 525 | (246) | 3,137 | 3,648 |
| Vehicles | 46,215 | 15,942<br>(9,274)<br>3,298* | 56,181 | 20 | 10,414 | 8,137<br>3,762* | (4,427) | 17,886 | 38,295 |
| Office equipment | 1,927 | 336<br>(20) | 2,243 | 20 | 1,033 | 214 | (13) | 1,234 | 1,009 |
| Computer equipment | 10,452 | 15,284 | 25,736 | 33 | 5,809 | 5,428 | | 11,237 | 14,499 |
| Dies and tools | 23,670 | -<br>(3,003) | 20,667 | 40 | 10,324 | 5,035 | (1,664) | 13,695 | 6,972 |
| | 663,612 | 204,069<br>(29,643)<br>3,298* | 841,336 | | 317,058 | 55,896<br>3,762* | (20,873) | 355,843 | 485,493 |
| **Leased** | | | | | | | | | |
| Vehicles | 5,604 | -<br>(3,298)* | 2,306 | 20 | 4,127 | 645<br>(3,762)* | | 1,010 | 1,296 |
| **2012** | **669,216** | **204,069<br>(29,643)<br>-*** | **843,642** | | **321,185** | **56,541<br>-*** | **(20,873)** | **356,853** | **486,789** |

**7.2** Depreciation charge for the year has been allocated as follows :

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| Cost of sales | 20 | **52,466** | 45,588 |
| Distribution costs | 21 | **777** | 784 |
| Administrative expenses | 22 | **9,852** | 10,169 |
| | | **63,095** | 56,541 |

**7.3** The following property, plant and equipment were disposed off during the year:

| Particulars | Cost | Accumulated depreciation | Book value | Sales proceeds | (Loss) / gain | Mode of disposal | Particulars of buyer |
|---|---|---|---|---|---|---|---|
| | | | (Rs. in 000') | | | | |
| **Plant and machinery / Dies and Tools** | | | | | | | |
| Machinery | 4,840 | 3,744 | 1,096 | 748 | (348) | Auction | Pioneer Auctioner, Karachi |
| Plant, machinery & equipment | 27,983 | 24,338 | 3,645 | 1,919 | (1,726) | Auction | Pioneer Auctioner, Karachi |
| Items below 50,000 WDV | 312 | 188 | 124 | 114 | (10) | Various | Various |
| | **33,135** | **28,270** | **4,865** | **2,781** | **(2,084)** | | |
| **Building on freehold land** | | | | | | | |
| Building - debris | **2,450** | **2,253** | **197** | **345** | **148** | Auction | Pioneer Auctioner, Karachi |
| **Vehicles** | | | | | | | |
| Toyota Corolla | 1,299 | 732 | 567 | 1,035 | 468 | Negotiation | Mr. Khalid, Karachi |
| Toyota Corolla | 482 | 147 | 335 | 302 | (33) | Group Policy | Mr. Shiraz Ahmed, Employee |
| Daihatsu Cuore | 456 | 306 | 150 | 150 | - | Group Policy | Mr. Hassan M. Khan, Employee |
| Daihatsu Cuore | 665 | 275 | 390 | 675 | 285 | Negotiation | Mr. Yarbat Khan, Karachi |
| Suzuki HiRoof | 367 | 295 | 72 | 310 | 238 | Negotiation | Mr. Muhammad Yaqoob, Karachi |
| Suzuki Alto | 712 | 146 | 566 | 685 | 119 | Negotiation | Mrs. Aisha Atif, Karachi |
| Suzuki Alto | 712 | 125 | 587 | 708 | 121 | Negotiation | Mrs. Shameem Bano, Karachi |
| Suzuki Alto | 678 | 208 | 470 | 690 | 220 | Negotiation | Mr. Faizullah. Karachi |
| Suzuki Cultus | 990 | 66 | 924 | 915 | (9) | Negotiation | Mr. Taj Muhammad Seelro, Karachi |
| Suzuki Cultus | 910 | 266 | 644 | 910 | 266 | Insurance Claim | Habib Insurance Co., Karachi |
| Honda CD-70 | 67 | 7 | 60 | 62 | 2 | Insurance Claim | Habib Insurance Co., Karachi |
| | **7,338** | **2,573** | **4,765** | **6,442** | **1,677** | | |
| **2013** | **42,923** | **33,096** | **9,827** | **9,568** | **(259)** | | |
| 2012 | 29,643 | 17,079 | 12,564 | 12,595 | 31 | | |

**7.4** **Capital work-in-progress**

| | Plant and machinery | Civil works | Dies and tools | Advance to suppliers / contractors | Total |
|---|---|---|---|---|---|
| | | | (Rs. in '000') | | |
| Balance as at July 01, 2012 | - | - | 414 | 2,073 | 2,487 |
| Capital expenditure incurred / advances made during the year | 296,230 | 222,569 | 5,298 | 8,999 | 533,096 |
| Transfer to fixed assets during the year | - | - | - | - | - |
| **Balance as at June 30, 2013** | **296,230** | **222,569** | **5,712** | **11,072** | **535,583** |

**8.** **LONG TERM DEPOSITS AND OTHER RECEIVABLE**

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| Security deposits – considered good | | **12,285** | 3,954 |
| Other receivable - considered doubtful | | **49,252** | 49,252 |
| Less: Provision for impairment | 8.1 | **(49,252)** | (49,252) |
| | | **-** | - |
| | | **12,285** | 3,954 |

**8.1** During the year ended 30 June 2010, Group sold its shareholding in Makro-Habib Pakistan Limited (MHPL) to Thal Limited (TL), a related party under a Share Purchase Agreement (SPA) dated May 14, 2010, at an aggregate consideration of Rs.157.658 million. In terms of the SPA, the Group received an amount of Rs.108.406 million from TL towards the purchase consideration of the said shares. However, the balance consideration amounting to Rs. 49.252 million shall only be payable by TL subject to the following:

a) TL determines that the Group tax relief for the years 2008-2010, as claimed by TL, can be fully sustained or is unable to make such determination by June 2014; and

b) TL determines that MHPL will not incur an impairment loss in case of closure of its Sadder store or is unable to make such determination about the impairment by June 2014.

Accordingly, the contingent balance payment for (a) and (b) above, amounts to Rs. 28.710 million and Rs. 20.542 million respectively. The management, as a matter of prudence, has made a full provision against the said contingent receivable in these consolidated financial statements.

During the months of June and July 2011, TL's tax assessments with respect to Group tax relief for the years 2008-2010 were finalized by the Commissioner Inland Revenue(CIR) (Appeals), whereby such relief was allowed to TL. Subsequently, the tax department filed an appeal with the Income Tax Appellant Tribunal (ITAT) against the said Order of the CIR (Appeals). ITAT confirmed CIR (Appeals) Order for the tax years 2008 - 2010. However, the CIR filed an appeal against the Order of ITAT before the High Court of Sindh and with the Chairman ITAT for the tax year 2008 which is pending adjudication.

The Supreme Court status quo order dated March 17, 2010 in relation of Saddar Store still prevails as no further order/direction has been given by the Supreme Court.

| | | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **9.** | **STORES, SPARES AND LOOSE TOOLS** | | |
| | Stores | **38,710** | 40,465 |
| | Spares | **30,748** | 30,758 |
| | Loose tools | **5,649** | 6,549 |
| | | **75,107** | 77,772 |
| **10.** | **STOCK-IN-TRADE** | | |
| | Raw material | **475,256** | 544,286 |
| | Packing material | **4,160** | 4,241 |
| | Work-in-process | **47,436** | 55,253 |
| | Finished goods | **11,433** | 22,731 |
| | Goods-in-transit | **87,640** | 55,416 |
| | | **625,925** | 681,927 |

**10.1** The amount of written down to NRV in respect of stock-in-trade was Rs. 35.408 million (2012: Rs. 7.667 million).

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rs. in 000') | |
| **11.** | **TRADE DEBTS – unsecured** | | | |
| | Considered good | | **472,811** | 315,856 |
| | Considered doubtful | | **931** | 1,585 |
| | Provision for impairment | 11.1 | **(931)** | (1,585) |
| | | | **-** | - |
| | | | **472,811** | 315,856 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **11.1 Reconciliation of provision for impairment is as follows:** | | | |
| Balance at the beginning of the year | | **1,585** | 3,874 |
| Reversal for the year | 21 | **(444)** | (2,289) |
| Write-offs during the year | | **(210)** | - |
| Balance at the end of the year | | **931** | 1,585 |
| **12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES** | | | |
| **Advances – unsecured, considered good** | | | |
| Suppliers | | **5,416** | 2,318 |
| Contractors | | **6,082** | 735 |
| Employees | | **123** | 695 |
| | | **11,621** | 3,748 |
| **Deposits** | | **200** | 330 |
| **Prepayments** | | | |
| Insurance | | **7,536** | 6,605 |
| Rent | | **2,256** | - |
| Others | | **1,848** | - |
| | | **11,640** | 6,605 |
| **Other receivables – unsecured, considered good** | | | |
| Insurance claim receivable | | **294** | 141 |
| Workers' profit participation Fund | | **-** | 392 |
| | | **294** | 533 |
| | | **23,755** | 11,216 |
| **13. SHORT TERM INVESTMENTS** | | | |
| **Held- to- maturity** | | | |
| Term deposit receipts | 13.1 | **50,000** | 955,000 |
| Accrued profit thereon | | **300** | 10,425 |
| | | **50,300** | 965,425 |
| **Available-for-sale** | | | |
| Atlas Money Market Fund | | **-** | 1,184 |
| NAFA Government Securities Liquid Fund | | **-** | 41 |
| UBL Liquidity Plus Fund | | **41** | - |
| Meezan Cash Fund | | **-** | - |
| | | **50,341** | 966,650 |

**13.1** Represents three months term deposit receipts with a commercial bank carrying profit rate 8.75% (2012: 11.50% to 11.90%) per annum and will mature by September 2013.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **14. CASH AND BANK BALANCES** | | | |
| **In hand** | | **25** | 12 |
| **With banks in** | | | |
| - current accounts | | **28,185** | 40,891 |
| - deposit accounts | 14.1 | **622,247** | 307,527 |
| | | **650,432** | 348,418 |
| | | **650,457** | 348,430 |

**14.1** These carry profit rates ranging from 6% to 7.5% (2012: 6% to 10%) per annum.

| | | | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rs. in 000') | |

## 15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

**Ordinary shares of Rs. 5/- each**

| Number of shares in (000') 2013 | 2012 | | 2013 | 2012 |
|---|---|---|---|---|
| **22,800** | 22,800 | Fully paid in cash | **114,000** | 114,000 |
| **6,000** | 6,000 | Issued as fully paid bonus shares | **30,000** | 30,000 |
| **28,800** | 28,800 | | **144,000** | 144,000 |

**15.1** Related parties held 2,115,600 (2012: 2,115,600) Ordinary shares of Rs. 5/- each in the Holding Company at year end.

## 16. DEFERRED TAXATION

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| Taxable temporary differences arising due to: | | | |
| - accelerated tax depreciation | | **81,103** | 79,997 |
| Deductable temporary differences arising due to: | | | |
| - assets subject to finance lease | | **-** | (152) |
| - provisions | | **(26,663)** | (28,339) |
| | | **(26,663)** | (28,491) |
| | | **54,440** | 51,506 |

## 17. TRADE AND OTHER PAYABLES

| | Note | 2013 | 2012 |
|---|---|---|---|
| Creditors | | **99,830** | 104,209 |
| Royalty payable | | **12,560** | 15,137 |
| Accrued liabilities | | **64,324** | 63,160 |
| Advance from customers | | **1,513** | 2,156 |
| Payable to provident fund | 17.1 | **1,263** | 1,085 |
| Workers' Profit Participation Fund | 17.2 | **12,231** | - |
| Workers' Welfare Fund | | **11,208** | 16,951 |
| Warranty obligations | 17.3 | **18,052** | 23,885 |
| Infrastructure cess payable | 17.4 | **45,767** | 39,232 |
| Unclaimed and unpaid dividends | | **10,531** | 8,103 |
| Guarantee bond payable | 17.5 | **1,110** | 1,110 |
| Tax deducted at source | | **2,837** | 1,645 |
| Retention money | | **5,678** | - |
| Others | | **2,353** | 1,613 |
| | | **289,257** | 278,286 |

### 17.1 General Disclosures

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ------- (Unaudited) ------ | |
| Size of the fund | | **132,749** | 111,160 |
| Cost of investments | | **107,382** | 91,116 |
| Fair value of investments | 17.1.1 | **132,749** | 111,160 |
| Percentage of investments | | **100%** | 100% |

**17.1.1 The breakup of fair value of investments is:**

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | -------------- (Unaudited) ------------- | | | |
| | (Rs. in 000') | (%) | (Rs. in 000') | (%) |
| Special Saving Certificates | **36,314** | **27** | 81,156 | 73 |
| Term Deposit Receipts | **59,386** | **45** | - | - |
| Term Finance Certificates | **13,732** | **10** | 13,480 | 12 |
| Mutual fund units | **6,458** | **5** | 4,205 | 4 |
| Shares in listed companies | **1,972** | **1** | 1,335 | 1 |
| Bank balance | **7,375** | **6** | 2,337 | 2 |
| Others | **7,512** | **6** | 8,647 | 8 |
| Total | **132,749** | **100** | 111,160 | **100** |

**17.1.2** Investments of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **17.2 Workers' Profit Participation Fund** | | | |
| Balance at the beginning of the year | | **(392)** | 1,120 |
| Allocation for the year | 24 | **19,601** | 44,608 |
| | | **19,209** | 45,728 |
| Less: (Refund) / payment made during the year | | **(6,972)** | 46,120 |
| Balance at end of the year | | **12,231** | (392) |
| **17.3 Warranty obligations** | | | |
| Balance at the beginning of the year | | **23,885** | 24,346 |
| Provision for the year | 21 | **2,613** | 11,076 |
| | | **26,498** | 35,422 |
| Less: Claims paid during the year | | **8,446** | 11,537 |
| Balance at end of the year | | **18,052** | 23,885 |

**17.4** During the financial year 2009, the Honourable High Court of Sindh declared the levy of the Infrastructure cess / fee by the Excise and Taxation Department, Government of Sindh upto December 27, 2006 as ultra vires of the Constitution. However, the levy subsequent to December 27, 2006 was declared as valid and constitutional. The Group had filed an appeal before the Honourable Supreme Court of Pakistan against the above order of High Court and as per the directions of the Supreme Court, approached the High Court by filing a fresh constitution petition in May 2011. The High Court has granted stay on said petition on the following terms:

- Any bank guarantee/security furnished for consignment released upto December 27, 2006 shall be discharged and returned; and

- Any bank guarantee/security furnished for consignment released after December 27, 2006 shall be encashed to the extent of 50% of the guaranteed/secured amount only and the bank guarantee/security for the balance amount will be kept alive till the disposal of the petitions.

In view of the interim nature of arrangement as provided in the above referred order of the High Court, the Group has retained full provision against the infrastructure cess fee payable for the period from December 2006 till June 2013.

The Group has provided a bank guarantee in favour of Excise and Taxation Department, amounting to Rs. 40.154 million (2012: Rs. 33.154 million), out of which Rs. 0.985 million (2012: 0.519 million) remain un-utilized as of the year end.

**17.5** The Group has provided bank guarantees to Collector of Customs as a security against the import duty.

**18. CONTINGENCIES AND COMMITMENTS**

**Commitments**

(i) Commitments in respect of outstanding letters of credit for raw material amount to Rs. 169.459 million (2012: Rs. 226.217 million).

(ii) Commitments in respect of capital expenditure amount to Rs. 33.990 million (2012: Rs. 1.720 million).

(iii) Outstanding bank guarantees issued to Sui Southern Gas Company Limited amounts to Rs. 0.385 million (2012: Rs. 0.385 million)

| | 2013 | 2012 |
|---|---|---|
| | (Rs. in 000') | |
| **19. TURNOVER – net** | | |
| Sales | **4,068,990** | 4,973,812 |
| Less: Sales tax | **565,145** | 686,941 |
| Trade discount | **221** | 197 |
| | **565,366** | 687,138 |
| | **3,503,624** | 4,286,674 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **20. COST OF SALES** | | | |
| **Raw material consumed** | | | |
| Opening stock | | **544,286** | 415,846 |
| Purchases | | **2,224,301** | 2,878,513 |
| | | **2,768,587** | 3,294,359 |
| Closing stock | | **(475,256)** | (544,286) |
| | | **2,293,331** | 2,750,073 |
| **Manufacturing expenses** | | | |
| Salaries, wages and benefits | | **207,912** | 179,932 |
| Stores, spares and loose tools consumed | | **110,030** | 108,841 |
| Packing material consumed | | **19,828** | 17,277 |
| Fuel and power | | **71,695** | 68,914 |
| Transportation and traveling | | **49,565** | 44,848 |
| Depreciation | 7.2 | **52,466** | 45,588 |
| Repairs and maintenance | | **39,345** | 81,053 |
| Royalty and technical fees | | **43,494** | 32,140 |
| Research and development costs | | **128** | 2,596 |
| Communications and professional fees | | **1,922** | 11,318 |
| Printing and stationery | | **765** | 1,130 |
| Insurance | | **3,899** | 2,380 |
| Rent, rates and taxes | | **10,206** | 6,951 |
| Others | | **5,320** | 3,847 |
| | | **616,575** | 606,815 |
| **Work-in-process** | | | |
| Opening stock | | **55,253** | 45,484 |
| Closing stock | | **(47,436)** | (55,253) |
| | | **7,817** | (9,769) |
| **Cost of goods manufactured** | | **2,917,723** | 3,347,119 |
| **Finished goods** | | | |
| Opening stock | | **22,731** | 36,583 |
| Closing stock | | **(11,433)** | (22,731) |
| | | **11,298** | 13,852 |
| | | **2,929,021** | 3,360,971 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| **21. DISTRIBUTION COSTS** | | | |
| Salaries and benefits | | **12,568** | 10,063 |
| Advertisement and sales promotion | | **13,940** | 13,196 |
| Carriage and forwarding | | **21,013** | 19,720 |
| Traveling and conveyance | | **2,858** | 2,402 |
| Depreciation | 7.2 | **777** | 784 |
| Provision for warranty claims | 17.3 | **2,613** | 11,076 |
| Reversal of provision for impairment of trade debts | 11.1 | **(444)** | (2,289) |
| Rent, rates and taxes | | **99** | 121 |
| Communications and professional fee | | **209** | 201 |
| Insurance | | **225** | 225 |
| Repairs and maintenance | | **657** | 6,380 |
| Others | | **239** | 180 |
| | | **54,754** | 62,059 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **22. ADMINISTRATIVE EXPENSES** | | | |
| Salaries and benefits | | **57,779** | 43,917 |
| Legal and professional charges | | **26,852** | 25,614 |
| Repairs and maintenance | | **11,394** | 5,759 |
| Technical fees | | **27,333** | 11,349 |
| Depreciation | 7.2 | **9,852** | 10,169 |
| Printing and stationery | | **1,068** | 723 |
| Computer supplies | | **299** | 237 |
| Rent, rates and taxes | | **3,236** | 1,930 |
| Traveling and conveyance | | **11,593** | 11,970 |
| Communications and professional fee | | **2,696** | 6,452 |
| Utilities | | **6,838** | 1,365 |
| Security services | | **4,218** | 3,337 |
| Insurance | | **1,490** | 1,013 |
| Auditors' remuneration | 22.1 | **928** | 904 |
| Advertisement | | **198** | 493 |
| Others | | **922** | 893 |
| | | **166,696** | 126,125 |
| **22.1 Auditors' remuneration** | | | |
| Audit fee | | **775** | 750 |
| Fee for review of half yearly financial statements | | **55** | 55 |
| Other certifications | | **28** | 28 |
| Out of pocket expenses | | **70** | 71 |
| | | **928** | 904 |
| **23. FINANCE COSTS** | | | |
| Mark-up on finance lease | | **7** | 181 |
| Bank charges | | **178** | 268 |
| | | **185** | 449 |
| **24. OTHER CHARGES** | | | |
| Workers’ Profit Participation Fund | 17.2 | **19,601** | 44,608 |
| Workers’ Welfare Fund | | **8,962** | 16,951 |
| Donations | 24.1 | **4,430** | 8,337 |
| | | **32,993** | 69,896 |

**24.1** None of the directors or their spouses had any interest in any of the donees to whom donations were made during the year.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rs. in 000') | |
| **25. OTHER INCOME** | | | |
| **Income from financial assets** | | | |
| Profit on: | | | |
| - term deposit receipts | | **23,873** | 46,251 |
| - deposit accounts | | **19,043** | 13,923 |
| Gain on sale of available-for-sale investments | | **32,227** | 81,165 |
| | | **75,143** | 141,339 |
| Liabilities no longer payable - written back | | **622** | 384 |
| **Income from non-financial assets** | | | |
| (Loss) / gain on disposal of property, plant and equipment | 7.3 | **(259)** | 3,825 |
| Scrap sales | | **5,326** | 2,758 |
| | | **5,067** | 6,583 |
| Refund of Workers' Profit Participation Fund | | **7,370** | - |
| | | **88,202** | 148,306 |
| **26. TAXATION** | | | |
| Current | | **127,573** | 210,782 |
| Prior | | **(793)** | 989 |
| Deferred | | **2,934** | 33,611 |
| | | **129,714** | 245,382 |
| **26.1 Relationship between tax expense and accounting profit** | | | |
| Profit before taxation | | **408,177** | 815,480 |
| Tax at the rate of 35% | | **142,862** | 285,418 |
| **Tax effects of:** | | | |
| Income exempt from tax or taxed at reduced rate | | **(14,363)** | (57,163) |
| Prior year | | **(793)** | 989 |
| Tax rebates | | **(11,761)** | (23,855) |
| Workers' Welfare Fund on tax profit exceeding accounting profit | | **-** | 1,144 |
| Effect of change in tax rate | | **459** | **-** |
| Deferred | | **13,310** | 38,849 |
| | | **129,714** | 245,382 |

**26.2** As at the year end, there is a deferred tax asset of Rs. 15.614 million (2012: Rs.5.238 million) in the Subsidiary Company which has not been recognized in these consolidated financial statements in view of uncertainty with regard to its realization in the foreseeable future.

## 27. EARNINGS PER SHARE – basic and diluted

There is no dilutive effect on the basic earnings per share of the Group, which is based on:

| | 2013 | 2012 |
|---|---|---|
| Profit after taxation (Rs. in 000') | **278,463** | 570,098 |
| Weighted average number of ordinary shares outstanding during the year (in 000') | **28,800** | 28,800 |
| Basic earnings per share (Rs.) | **9.67** | 19.80 |

## 28. CASH GENERATED FROM OPERATIONS

| | Note | 2013 (Rs. in 000') | 2012 (Rs. in 000') |
|---|---|---|---|
| Profit before taxation | | **408,177** | 815,480 |
| **Adjustments for** | | | |
| Depreciation | | **63,095** | 56,541 |
| Finance costs | | **185** | 449 |
| Reversal of provision for impairment of trade debts | | **(444)** | (2,246) |
| Liabilities no longer payable - written back | | **(622)** | (384) |
| Gain on disposal of available-for-sale investment | | **(32,227)** | (81,165) |
| Profit on term deposit receipts | | **(23,873)** | (46,251) |
| Profit on deposit accounts | | **(19,043)** | (13,922) |
| Loss / (gain) on disposal of property, plant and equipment | | **259** | (3,825) |
| | | **(12,670)** | (90,803) |
| | | **395,507** | 724,677 |
| **Increase / (decrease) in current assets** | | | |
| Stores, spares and loose tools | | **2,665** | (16,416) |
| Stock-in-trade | | **56,002** | (76,160) |
| Trade debts | | **(156,511)** | 41,611 |
| Advances, deposits, prepayments and other receivables | | **(12,539)** | (7,288) |
| Sales tax refundable | | **(30,828)** | - |
| | | **(141,211)** | (58,253) |
| **Increase in current liabilities** | | | |
| Trade and other payables | | **18,164** | 8,707 |
| Sales tax payable | | **-** | 21,190 |
| | | **18,164** | 29,897 |
| | | **272,460** | 696,321 |

## 29. CASH AND CASH EQUIVALENTS

| | Note | 2013 | 2012 |
|---|---|---|---|
| Cash and bank balances | 14 | **650,457** | 348,430 |
| Short term investments – term deposit receipts | 13 | **50,000** | 955,000 |
| | | **700,457** | 1,303,430 |

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

**30.1 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

**(i) Interest rate risk**

Interest rate risk is the risk that the value of financial instrument will fluctuate due to the changes in market interest rates. The Group is exposed to interest rate risk in respect of bank deposits, term deposit receipts and investment in income based mutual funds. Management of the Group estimates that 1% increase in the market interest rate, with all other factor remaining constant, would increase the Group's profit after tax by Rs. 4.717 million ( 2012: 8.217 million ) and a 1% decrease would result in the decrease in the Group's profit after tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

**(ii) Foreign currency risk**

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2013, the Group does not have any financial assets or financial liabilities which are denominated in foreign currencies.

**30.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group is mainly exposed to credit risk mainly on trade debts, short term investments and bank balances. The Group seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

| | 2013 | 2012 |
|---|---|---|
| | (Rs. in 000') | |
| **Trade debts** | | |
| The analysis of trade debts is as follows: | | |
| Neither past due nor impaired | **447,472** | 305,420 |
| Past due but not impaired – 30 to 90 days | **25,339** | 10,436 |
| | **472,811** | 315,856 |
| **Bank balances** | | |
| **Ratings** | | |
| A-1+ | **13,741** | - |
| A1+ | **635,971** | 347,296 |
| P1 | **720** | 1,122 |
| | **650,432** | 348,418 |
| **Short term investments** | | |
| **Ratings** | | |
| A1+ | **-** | 41 |
| AA+ | **-** | 1,184 |
| A-1+ | **41** | - |
| | **41** | 1,225 |

### 30.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management of the Group believes that it is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Group on the basis of expected cashflow considering the level of liquid assets necessary to mitigate the liquidity risk.

| 2013 | On demand | Less than 3 months | 3 to 12 Months | Total |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| Trade and other payables | **79,613** | **198,436** | **11,208** | **289,257** |

| 2012 | On demand | Less than 3 months | 3 to 12 Months | Total |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| Trade and other payables | 77,496 | 183,840 | 16,950 | 278,286 |
| Liabilities against assets subject to finance lease | - | - | 434 | 434 |
| | 77,496 | 183,840 | 17,384 | 278,720 |

## 31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of the mutual fund units is determined by using the net asset value as disclosed by the Fund Manager at each balance sheet date. The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

**Fair value hierarchy**

The Group uses the following hierarchy for disclosure of the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active market for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2013, the Group has available-for-sale investments measured at fair value using level 1 valuation technique.

## 32. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard the Group's ability to continue to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is currently financing majority of its operations through equity and working capital. The capital structure of the Group is equity based with no financing through long term borrowings.

## 33. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group comprise companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than disclosed elsewhere in the consolidated financial statements, are as follows:

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| Purchases of goods | **1,749** | 18,840 |
| Contribution to the Provident fund | **4,866** | 4,380 |

The receivable/payable balances with related parties as at June 30, 2013 are disclosed in the respective notes to the consolidated financial statements.

## 34. REMUNERATION OF THE CHAIRMAN, CHIEF EXECUTIVE AND EXECUTIVES

**34.1** Aggregate amounts charged in the consolidated financial statements are as follows:

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Chairman | Chief Executive | Executives | Chairman | Chief Executive | Executives |
| | (Rs. in `000) | | | | | |
| Managerial remuneration | **15,028** | **9,308** | **40,030** | 10,140 | 8,132 | 34,959 |
| Retirement benefits | **-** | **368** | **1,806** | - | 333 | 1,233 |
| Utilities | **634** | **122** | **869** | 337 | - | 875 |
| Medical expenses | **166** | **20** | **457** | 94 | 29 | 413 |
| | **15,828** | **9,818** | **43,162** | 10,571 | 8,494 | 37,480 |
| Number of persons | **1** | **1** | **18** | 1 | 1 | 19 |

**34.2** The Chairman, Chief Executive and certain Executives are also provided with free use of Group maintained vehicles in accordance with the Group's policy.

**34.3** No remuneration has been paid to Chief Executive of the Subsidiary Company during the year.

## 35. PRODUCTION CAPACITY

The production capacity of the Group cannot be determined as this depends on the relative proportions of various types of vehicles and agricultural tractors produced by OEMs.

## 36. UNUTILIZED CREDIT FACILITIES

As of the balance sheet date, the Group has unutilized facilities for short term running finance available from various banks amounted to Rs. 160 million (2012: Rs. 160 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25% (2012: 1 to 3 months KIBOR plus rates varying from 0.75% to 1.50%). The facilities are secured by way of pari passu hypothecation of Group's stock-in-trade, stores, spares, loose tools and trade debts.

# Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED JUNE 30, 2013

**37. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on August 29, 2013 (i) approved the transfer of Rs. 175 million from unappropriated profit to general reserve and (ii) proposed cash dividend of Rs. 5.50 per share for the year ended June 30, 2013 amounting to Rs. 158.40 million for approval of the members at the Annual General Meeting to be held on October 29, 2013.

**38. NUMBER OF EMPLOYEES**

Number of persons employed as at year end were 265 (2012: 243) and the average number of persons employed during the year were 258 (2012: 232).

**39. GENERAL**

**39.1** Figures have been rounded off to the nearest thousands.

**39.2** There were no material reclassifications to report.

**40. DATE OF AUTHORISATION FOR ISSUE**

These consolidated financial statements were authorized for issue on August 29, 2013 by the Board of Directors of the Holding Company.

**Yutaka Arae**
Chairman

**Fahim Kapadia**
Chief Executive

# Pattern of Shareholding
AS AT JUNE 30, 2013

| Number of Share Holders | Size of Share Holdings From | | Size of Share Holdings To | Total Shares Held |
|---|---|---|---|---|
| 1,650 | 1 | - | 100 | 45,164 |
| 832 | 101 | - | 500 | 203,513 |
| 340 | 501 | - | 1,000 | 239,935 |
| 394 | 1,001 | - | 5,000 | 849,976 |
| 51 | 5,001 | - | 10,000 | 344,759 |
| 24 | 10,001 | - | 15,000 | 307,611 |
| 12 | 15,001 | - | 20,000 | 206,839 |
| 12 | 20,001 | - | 25,000 | 286,380 |
| 17 | 25,001 | - | 30,000 | 449,708 |
| 5 | 30,001 | - | 35,000 | 167,165 |
| 12 | 35,001 | - | 40,000 | 455,134 |
| 3 | 40,001 | - | 45,000 | 130,705 |
| 8 | 45,001 | - | 50,000 | 379,346 |
| 1 | 50,001 | - | 55,000 | 55,000 |
| 2 | 55,001 | - | 60,000 | 115,545 |
| 4 | 60,001 | - | 65,000 | 247,938 |
| 2 | 65,001 | - | 70,000 | 132,033 |
| 2 | 70,001 | - | 75,000 | 142,500 |
| 5 | 75,001 | - | 80,000 | 384,424 |
| 3 | 85,001 | - | 90,000 | 263,588 |
| 2 | 95,001 | - | 100,000 | 195,325 |
| 1 | 105,001 | - | 110,000 | 107,660 |
| 3 | 115,001 | - | 120,000 | 353,819 |
| 1 | 120,001 | - | 125,000 | 123,741 |
| 1 | 130,001 | - | 135,000 | 131,832 |
| 2 | 145,001 | - | 150,000 | 292,869 |
| 1 | 160,001 | - | 165,000 | 162,122 |
| 1 | 165,001 | - | 170,000 | 165,859 |
| 1 | 180,001 | - | 185,000 | 181,800 |
| 1 | 190,001 | - | 195,000 | 191,661 |
| 1 | 215,001 | - | 220,000 | 216,600 |
| 1 | 245,001 | - | 250,000 | 250,000 |
| 1 | 270,001 | - | 275,000 | 275,000 |
| 1 | 310,001 | - | 315,000 | 312,393 |
| 5 | 360,001 | - | 365,000 | 1,812,222 |
| 1 | 395,001 | - | 400,000 | 400,000 |
| 1 | 450,001 | - | 455,000 | 451,080 |
| 1 | 525,001 | - | 530,000 | 525,626 |
| 1 | 565,001 | - | 570,000 | 567,047 |
| 5 | 595,001 | - | 600,000 | 2,996,700 |
| 1 | 600,001 | - | 605,000 | 605,000 |
| 1 | 625,001 | - | 630,000 | 627,960 |
| 1 | 800,001 | - | 805,000 | 801,500 |
| 1 | 895,001 | - | 900,000 | 900,000 |
| 1 | 1,045,001 | - | 1,050,000 | 1,048,920 |
| 1 | 1,215,001 | - | 1,220,000 | 1,215,600 |
| 1 | 1,245,001 | - | 1,250,000 | 1,248,139 |
| 1 | 1,305,001 | - | 1,310,000 | 1,308,720 |
| 1 | 5,920,001 | - | 5,925,000 | 5,923,542 |
| **3,420** | | | | **28,800,000** |

# Pattern of Shareholding

AS AT JUNE 30, 2013

| No. | Categories of Shareholders | Number of Shares held | Category wise No. of Folios/CDC A/Cs | Category wise shares held | % |
|---|---|---|---|---|---|
| 1 | **INDIVIDUALS** | | 3,317 | 7,842,076 | 27.23% |
| 2 | **INVESTMENT COMPANIES** | | 5 | 6,489 | 0.02% |
| 3 | **JOINT STOCK COMPANIES** | | 27 | 1,810,388 | 6.29% |
| 4 | **DIRECTORS', CHIEF EXECUTIVE OFFICER AND THEIR SPOUSES & MINOR CHILDREN** | | 8 | 9,909 | 0.03% |
| | Yutaka Arae | 1,000 | | | |
| | Fahim Kapadia | 3,000 | | | |
| | Sohail P.Ahmed | 1,599 | | | |
| | Owais ul Mustafa | 1,310 | | | |
| | Asfi Rizvi | 1,000 | | | |
| | Daneshwar F. Dinshaw | 1,000 | | | |
| | Alireza M. Alladin | 1,000 | | | |
| | | 9,909 | | | |
| 5 | **EXECUTIVES** | - | - | - | 0.00% |
| 6 | **ASSOCIATED COMPANIES** | | 2 | 2,115,600 | 7.35% |
| | Thal Limited | 2,115,600 | | | |
| 7 | **PUBLIC SECTOR COMPANIES & CORP.** | - | - | - | 0.00% |
| 8 | **BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & PENSION FUNDS** | | 18 | 1,012,453 | 3.52% |
| | Banks, DFIs & NBFIs | 859,140 | | | |
| | Insurance Companies | 83,093 | | | |
| | Modaraba | 30,320 | | | |
| | Pension Funds | 39,900 | | | |
| | | 1,012,453 | | | |
| 9 | **MUTUAL FUNDS** | | 6 | 2,584,380 | 8.97% |
| | AKD Index Tracker Fund | 3,000 | | | |
| | Golden Arrow Selected | 3,000 | | | |
| | Al Meezan Mutual Fund | 627,960 | | | |
| | Meezan Tahaffuz Pension Fund | 45,000 | | | |
| | Meezan Islamic Fund | 596,700 | | | |
| | National Bank of Pakistan-Trustee Department | 1,308,720 | | | |
| | | 2,584,380 | | | |
| 10 | **FOREIGN INVESTORS** | | 23 | 12,686,323 | 44.05% |
| | **Holding 5% or more voting interest** | | | | |
| | Robert Finance Corporation, AG | 7,171,681 | | | |
| | Others - holding below 5% | 5,514,642 | | | |
| | | 12,686,323 | | | |
| 11 | **CO-OPERATIVE SOCIETIES** | | 1 | 1,542 | 0.01% |
| 12 | **CHARITABLE INSTITUTIONS** | | 7 | 356,261 | 1.24% |
| 13 | **OTHERS** | | 6 | 374,579 | 1.30% |
| | ***TOTAL*** | | 3,420 | 28,800,000 | 100.00% |

**SHARE-HOLDERS HOLDING TEN(10) PERCENT OR MORE VOTING INTEREST IN THE COMPANY**

| NAME(S) OF SHARE-HOLDER(S) | DESCRIPTION | NO OF SHARES HELD | % AGE |
|---|---|---|---|
| Robert Finance Corporation, AG (Foreign Investor) | FALLS IN CATEGORY # 10 | 7,171,681 | 24.90% |