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VISION

To maximize market share by producing and marketing highest quality vehicles in Pakistan.

MISSION

- As a customer oriented Company, provide highest level of customer satisfaction.
- To accelerate performance in all operating areas, ensuring growth of the Company and increasing return to the stakeholders.
- To create a conducive working environment leading to enhanced productivity, job satisfaction and personal development of the employees.
- To contribute to social welfare by adopting environment friendly practices and processes for the well being of society.

Company Profile

ANNUAL

Chairman
President
Chief Executive Officer

2013

Board of Directors

Mr. Raza Kuli Khan Khattak
Lt.Gen. (Retd.) Ali Kuli Khan Khattak
Mr. Ahmed Kuli Khan Khattak
Mr. Mushtaq Ahmed Khan (FCA)
Ch. Sher Muhammad
Mr. Jamil A. Shah
Syed Haroon Rashid
Mr. Mohammad Zia
Mr. Larbi Hbil

Company Secretary

Mr. Aqiel Amjad Ghani

Registered Office

Ghandhara House
109/2, Clifton, Karachi

Bankers of the Company

National Bank of Pakistan Limited
The Bank of Khyber
Faysal Bank Limited
Soneri Bank Limited
MCB Bank Limited
United Bank Limited
Allied Bank Limited
The Bank of Tokyo – Mitsubishi, Ltd.
NIB Bank Limited
Habib Bank Limited
Askari Commercial Bank Limited

Chief Financial Officer

Mr. Muhammad Saleem Baig

Factory

Truck / Car Plants
Port Bin Qasim, Karachi

Audit Committee

| | |
|---|------------|
| - Mr. Mohammad Zia | - Chairman |
| - Lt.Gen. (Retd.) Ali Kuli Khan Khattak | - Member |
| - Ch. Sher Muhammad | - Member |
| - Mr. Jamil A. Shah | - Member |

Human Resource & Remuneration Committee

| | |
|---|------------|
| - Lt.Gen. (Retd.) Ali Kuli Khan Khattak | - Chairman |
| - Mr. Ahmed Kuli Khan Khattak | - Member |
| - Ch. Sher Muhammad | - Member |
| - Mr. Muhammad Zia | - Member |

Auditors

M/s. Hameed Chaudhri & Co.
Chartered Accountants
5th Floor, Karachi Chambers
Hasrat Mohani Road
Karachi

M/s. Muniff Ziauddin & Co.
Chartered Accountants
Business Executive Centre
F/17/3, Block 8, Clifton
Karachi

Legal & Tax Advisors

Shaukat Law Associates
217-218, Central Hotel Annexe
Abdullah Haroon Road
Karachi

Share Registrars

T.H.K. Associates (Pvt.) Ltd.
Ground Floor, State Life Bldg. No.3
Dr. Zia uddin Ahmed Road
Karachi

GHANDHARA NISSAN LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 31st Annual General Meeting of the Shareholders of Ghandhara Nissan Limited will be held on Wednesday, the 30th October, 2013 at 12:30 P.M., at Ghandhara House 109/2, Clifton, Karachi, to transact the following business:

Ordinary Business:

- To confirm the minutes of the Extraordinary General Meeting held on 7th June, 2013.
- To receive, consider and approve the Audited Accounts of the Company for the year ended 30th June, 2013 together with Directors' and Auditors' Reports thereon.
- To appoint Auditors for the year ending 30th June, 2014 and fix their remuneration. The retiring Auditors, M/s. Hameed Chaudhri & Co., Chartered Accountants and M/s. Muniff Ziauddin & Co., Chartered Accountants being eligible, offer themselves for reappointment.

Special Business:

- i) Additional investment in Ghandhara DF (Pvt.) Limited a wholly owned subsidiary company of Ghandhara Nissan Ltd:

In order to enable Ghandhara DF (Pvt.) Limited to successfully execute its business plan the following investment plan is proposed to the shareholders of the company:

- 1) Equity Rs.150 million
- 2) Corporate Guarantee from Rs.500 million to Rs.1000 million

Subject to regulatory approvals the Board of Directors, in their meeting held on 30th September, 2013 have given their consent to seek approval of the shareholders U/S-208 of the Companies Ordinance, 1984 for the following additional investment in GDFPL:

- Equity from Rs.30 million to Rs.150 million
- Corporate Guarantee from Rs.500 million to Rs.1,000 million, and to pass the following Special Resolution:-

"Resolved that Subject to regulatory approvals the company is hereby authorized to make the following additional investment in Ghandhara DF (Pvt.) Limited, a wholly owned subsidiary of the company:

- Equity from Rs.30 million to Rs.150 million
- Corporate Guarantee from Rs.500 million to Rs.1,000 million."

- ii) Amendment in the Articles of Association of the Company:

The company has partially adopted Table-A, In order to incorporate the changes brought about in the relevant Regulations of Table-A, the following Special Resolution is proposed to be passed:-

"Resolved that

in Article-119 after the word 'dividend' the words and comma "in cash, and/or in specie" be inserted.

Further resolved that

after the Article-94 relating to proceedings of directors, following new Article be inserted as Article 94-A:-

"The directors may hold their meetings through tele/video conferencing in emergent situation where it is not possible for them to be physically present at the venue of the meeting, provided that the minutes of such meeting are approved and signed subsequently by all directors who participated in such meeting, requirements of the requisite quorum and other legal formalities relating to holding of such meetings have been observed and tele/video recording of the proceedings of the meetings are kept for the purpose of the record."

A statement Under Section 160(I)(b) of the Companies Ordinance, 1984 pertaining to the Special Business stated in para (i) and (ii) above is annexed to this Notice of the meeting.

- To transact any other business with the permission of the Chair.

By Order of the Board

**AQIEL AMJAD GHANI
(COMPANY SECRETARY)**

Karachi: 8th October, 2013

NOTES:

1. The Share Transfer Books of the Company will remain closed from 28th October 2013 to 4th November 2013 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to cast his/her vote by proxy. Proxies must be deposited at the Company's Registered Office at Ghandhara House 109/2, Clifton, Karachi not later than 48 hours before the time for holding the meeting.
3. Individual beneficial owners of CDC entitled to attend and vote at this meeting must bring their participant ID and account/sub-account numbers along with original CNIC or passport to verify his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of Attorney with specimen signature of the nominees shall be produced (unless submitted earlier) at the time of meeting.
4. For appointing proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement alongwith participant ID and account / sub-account number together with attested copy of their CNIC or passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his/her original CNIC or passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/Power of Attorney with specimen signature of the proxy shall be produced at the time of meeting (unless submitted earlier) alongwith the proxy form.
5. Members are requested to notify any change in their address, immediately to our Share Registrar's Office – M/s. THK Associates (Pvt.) Ltd., Ground Floor, State Life Bldg. No.3, Dr. Ziauddin Ahmed Road, Karachi.

Statement U/S-160(1)(b) of the Companies Ordinance, 1984**1. Investment in Ghandhara DF (Pvt.) Limited**

Ghandhara Nissan Limited has invested in a 100% owned subsidiary by the name of Ghandhara DF (Pvt) Limited herein after referred to as GDFPL.

The principal activity of GDFPL will be the assembly/progressive manufacture of Dongfeng heavy and light duty commercial vehicles in Pakistan from the CKD Kits to be imported from Dongfeng Commercial Vehicle Company and Dongfeng Automobile Company Limited.

In order to enable GDFPL to carry out sustainable operations it is proposed to increase already approved limit of equity investment in GDFPL by GNL from Rs 30 million to 150 million.

The Board is therefore pleased to share the following information with its members:-

- The purpose of investment is to enable GDFPL to import CKD kits and sell the vehicles in the commercial market that are assembled under contract Assembly agreement with GNL. This will also enable GDFPL to obtain working capital lines from the Banks. The investment will be for indefinite period. Profit derived from the operations of GDFPL will accrue to GNL which may be received in the form of Dividend. Salient features of the Contract Assembly between GNL and GDFPL are as below:-
 - GNL shall provide the labour-force, premises, facilities, equipment, machines and tools required for the assembly operations specified herein as agreed. However, GDFPL shall provide, at its costs and expenses all the specialized equipment to GNL, which shall install and commission the same under the supervision of GDFPL.
 - GDFPL shall be responsible for the timely supply of the required technology, designs, CKD and local components and materials etc for assembly by GNL in accordance with the assembly programmes and Bills of Material agreed between GNL and GDFPL from time to time.
 - Assembly charges will be decided mutually by both the Parties.
- The maximum amount of equity investment will be Rs 150 million including Rs 30 million for which approval was obtained in extraordinary general meeting held on June 7th 2013.
- The Shares of GDFPL will be acquired by GNL at face value i.e Rs 10/share of GDFPL as GDFPL has not yet started operations and its accounts are not available, as such the face value of the shares may be considered as its breakup value.
- The maximum number of shares to be acquired will be 15 million shares including 3 million shares for which approval was obtained in Extraordinary General Meeting held on June 7th 2013. It is pertinent to mention that 1 million shares have already been acquired.
- The percentage of shares held by GNL in GDFPL will remain 100% both before and after the proposed equity investment. However, the number of shares held, will increase from existing one million shares to a maximum of 15 million shares
- It is proposed that funds for this proposed equity investment will be from internal generation of Profits.

In addition to the enhancement in the limit of equity investment it is proposed to increase the already approved limit of Corporate Guarantee of Rs.500 million to Rs.1000 million.

In context of the above proposal regarding increase in limit of corporate guarantee, following information is being disseminated to the members:-

- The proposed amount of corporate guarantee is Rs. 1000 million including Rs. 500 million for which approval was obtained in extraordinary general meeting held on June 7th 2013, but has not been furnished as yet as GDFPL has not yet started operations.
- The purpose of investment is to enable GDFPL to import CKD kits and sell the vehicles in the commercial market that are assembled under contract Assembly arrangement with GNL. This will also enable GDFPL to obtain working capital lines from the Banks. Profit derived from the operations of GDFPL will accrue to GNL which may be received in the form of Dividend.
- The proposed commission on corporate guarantee is 1%.
- GNL shall hold stock and receivables as collateral against Corporate Guarantee provided to GDFPL.
- The information required under S.R.O. 27(I)/2012 is provided below;

| S.No. | Description | Information Required |
|-------|---|---|
| 1. | Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established | Ghandhara DF (Private) Limited a 100% owned subsidiary |
| 2. | Purpose, benefits and period of investment | To enable GDFPL to import CKD kits and sell the vehicles in the commercial market that are assembled under contract Assembly agreement with GNL. |
| 3. | Maximum amount of investment | Rs 150 million |
| 4. | Maximum price at which securities will be acquired | Rs. 10 |
| 5. | maximum number of securities to be acquired | 15 million shares |
| 6. | Number of securities and percentage thereof held before and after the proposed investment | The percentage of shares held by GNL in GDFPL will remain 100% both before and after the proposed equity investment .However, the number of shares held, will increase from existing one million shares to a maximum of 15 million shares |
| 7. | In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be Acquired | Not Applicable |
| 8. | In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1) | The Shares of GDFPL will be acquired by GNL at face value i.e Rs 10/share of GDFPL as GDFPL has not yet started operations and its accounts are not available, as such the face value of the shares may be considered as its breakup value. |
| 9. | Break-up value of securities intended to be acquired on the basis of the latest audited financial statements | Not applicable (Since GDFPL was incorporated in June 2013) |
| 10. | Earning per share of the associated company or associated undertaking for the last three years | Not applicable (Since GDFPL was incorporated in June 2013) |
| 11. | Sources of fund from which securities will be acquired | It is proposed that funds for this proposed equity investment will be from internal generation of Profits |
| 12. | where the securities are intended to be acquired using borrowed funds,- (I) justification for investment through borrowings; and (II) detail of guarantees and assets pledged for obtaining such funds; | Not Applicable |

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| | | |
|-----|--|---|
| 13. | Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment | <ul style="list-style-type: none"> ○ GNL shall provide the labour-force, premises, facilities, equipment, machines and tools required for the assembly operations specified herein as agreed. However, GDFPL shall provide, at its costs and expenses all the specialized equipment to GNL, which shall install and commission the same under the supervision of GDFPL. ○ GDFPL shall be responsible for the timely supply of the required technology, designs, CKD and local components and materials etc for assembly by GNL in accordance with the assembly programmes and Bills of Material agreed between GNL and GDFPL from time to time. ○ Assembly charges will be decided mutually by both the Parties. |
| 14. | Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration | Ghandhara Nissan Limited (GNL) being the sponsor company of the proposed subsidiary company i.e. Ghandhara DF (Pvt.) Limited, will receive dividend and will earn assembly charges on production of Dongfeng vehicles. There is no direct interest of the Directors of GNL in GDFPL. However, the directors of GDFPL are also the directors of GNL, the sponsor company. |
| 15. | Any other important details necessary for the members to understand the transaction | None |
| 16. | <p>In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely,-</p> <p>(I) description of the project and its history since conceptualization;</p> <p>(II) starting and expected dated of completion of work;</p> <p>(III) time by which such project shall become commercially operational; and</p> <p>(IV) expected time by which the project shall start paying return on investment</p> | Not Applicable |

2. Amendment in the Articles of Association

Preamble

As per the Articles of Association of the Company, the company has not adopted the entire Table-A. Accordingly those regulations of Table-A which have been adopted in the Articles of Association of the Company may be amended because of the changes brought about in Table-A through SRO 194 dated March 11, 2013.

In Article-119 relating to dividend; after the word 'dividend' the words and comma "in cash, and/or in specie" be inserted.

After the Article-94 relating to proceedings of directors, following new Article shall be inserted as Article 94-A:-

"The directors may hold their meetings through tele/video conferencing in emergent situation where it is not possible for them to be physically present at the venue of the meeting, provided that the minutes of such meeting are approved and signed subsequently by all directors who participated in such meeting, requirements of the requisite quorum and other legal formalities relating to holding of such meetings have been observed and tele/video recording of the proceedings of the meetings are kept for the purpose of the record."

Chairman's Review

2013

I am pleased to present to you the annual financial statements of your company for the year ended 30th June 2013.

The Economy

The economic conditions of the country during the year remained distressed. Factors like high inflation, law and order situation, severe energy crisis and depreciation of Pak Rupee have all contributed in adversely affecting the economy.

The GDP growth was 3.6% as against 4.4% last year. The inflation recorded during the period was 10%. It is expected that with the change in the Government the energy crisis will be resolved in due course of time and business oriented policies will be introduced and implemented by the government for the growth and development of economy.

Company's Performance

The Company sold 226 units of UD trucks as compared to sale of 230 units last year, besides 70 units of Dongfeng Vehicles were sold in commercial market for the first time in Pakistan which were imported in CBU condition. During the year under the review, the contract assembly business showed an increase over last year. 1,568 units were assembled as compared to 1,379 units last year. The management has been able to maintain administration and selling expenses close to the last year level despite high inflation. During the period under review, the company earned after tax profit of Rs.38.385 million as against a loss of Rs.85.968 million last year.

Future Outlook

I am pleased to state that the Company has been able to establish the Dongfeng Vehicles in the market through the import and sale of CBU vehicles. Now, in order to expand the Dongfeng business and undertake CKD assembly thereof, a wholly owned subsidiary company by the Name of Ghandhara DF (Private) Limited has been established to carry out the operations of Dongfeng Vehicles exclusively.

Acknowledgement

On behalf of Board of Directors and on my own behalf, I would take this opportunity to express our thanks to Nissan Motor Co. Japan, UD Trucks Corporation Japan (Formerly Nissan Diesel Motor Co. Limited Japan), Dongfeng Commercial Vehicle Company, Dongfeng Automobile Company Limited, the Management of Sigma Motors (Pvt.) Ltd., Ghandhara Industries Ltd., Shareholders, Dealers and Vendors for their co-operation. I would also like to express gratitude for sincere efforts of the workers, staff and executives of the Company.

I am also very grateful to our bankers for their cooperation and understanding shown to us and we look forward to mutual beneficial business relationships.

Karachi
Dated: 30th September, 2013

Raza Kuli Khan Khattak
Chairman Board of Directors

Directors' Report

The Directors of your Company are pleased to present their Report together with the Audited Accounts and Auditors' Report thereon for the year ended 30th June 2013.

Financial Results

The financial results for the year ended 30th June 2013 are summarized below:-

| | <u>2013</u> | <u>2012</u> |
|---------------------------------------|-----------------------|-----------------|
| | (Rupees in thousands) | |
| Profit /(Loss) before taxation | 45,919 | (97,683) |
| Taxation | | |
| Current | (9,314) | (14,686) |
| Prior year | 192 | (142) |
| Deferred | 1,588 | 26,543 |
| | (7,534) | 11,715 |
| Profit / (Loss) after taxation | 38,385 | (85,968) |
| Accumulated profit | | |
| Brought forward | 49,226 | 114,349 |
| Incremental depreciation | 20,798 | 20,845 |
| | 70,024 | 135,194 |
| Accumulated profit | | |
| Carried forward | 108,409 | 49,226 |
| Earning / (Loss) per share | 0.85 | (1.91) |

The Board of Directors has recommended nil dividend for the year ended 30th June 2013 with a view to conserve the resources for the new Dongfeng project to be undertaken by Ghandhara DF (Pvt.) Limited 100% owned subsidiary of Ghandhara Nissan Limited.

Operating Results

The company earned a profit after tax of Rs.38.385 million, as against a loss after tax of Rs.86 million in corresponding year.

This was possible due to increase in volume of contract assembly, sale of Dongfeng vehicles in CBU condition and favorable exchange rate movement.

Chairman's Review

The Review included in the Annual Report deals inter-alia with the performance of the Company for the year ended 30th June 2013 and its future outlook. The Directors of the Company endorse the contents of this Review.

Statement of Compliance with Code of Corporate Governance

As required under the code of corporate governance, the Directors are pleased to confirm that:

- The financial statements, prepared by the management of the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of account of the company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been adequately disclosed and explained;
- The system of the internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the company's ability to continue as a going concern;
- Key operating and financial data of last six years has been included in the Annual Report;

- Information about taxes and levies is given in the respective notes to the Financial Statements;
- During the year the company has formed a 100% owned subsidiary by the name of Ghandhara DF (Pvt.) Limited. The purpose of establishing the company is to exclusively undertake the CKD business of Dongfeng vehicles.
- The value of investments made by the staff retirement funds as per their respective audited accounts are given below:

| | <u>Value of investment</u> | <u>Year ended</u> |
|----------------|----------------------------|-------------------|
| Provident Fund | Rs.30.746 million | June 30, 2012 |

- No trading in the shares of the Company was carried out by the Directors, CFO, Company Secretary, their spouses and minor children.

Meetings of Board

During the year 2012-13, five Board meetings were held. Attendances by each Director are as follows:

| <u>S.No.</u> | <u>Name of Director</u> | <u>No. of Meetings Attended</u> |
|--------------|--------------------------------------|---------------------------------|
| 1. | Mr. Raza Kuli Khan Khattak | 5 |
| 2. | Lt.Gen (Retd.) Ali Kuli Khan Khattak | 4 |
| 3. | Mr. Ahmed Kuli Khan Khattak | 4 |
| 4. | Mr. Jamil A. Shah | 5 |
| 5. | Mr. Mushtaq Ahmed Khan (FCA) | 1 |
| 6. | Chaudhry Sher Muhammad | 5 |
| 7. | Mr. Muhammad Zia | 1 |
| 8. | Syed Haroon Rashid | 3 |
| 9. | Mr. Larbi Hbil | - |

Leave of absence was granted to the Directors who could not attend the Board Meetings.

Election of Directors and reappointment of Chief Executive Officer

The following nine persons were elected Directors of the Company for a fresh term of three years effective from 19th February, 2013 in the Election of Directors held on that date:-

- 1 Mr. Raza Kuli Khan Khattak
- 2 Lt.Gen (Retd.) Ali Kuli Khan Khattak
- 3 Mr. Ahmed Kuli Khan Khattak
- 4 Mr. Jamil A. Shah
- 5 Mr. Mushtaq Ahmed Khan (FCA)
- 6 Chaudhry Sher Muhammad
- 7 Mr. Muhammad Zia
- 8 Syed Haroon Rashid
- 9 Mr. Larbi Hbil

The newly elected Board of Directors of the Company in its meeting on 1st March, 2013, has re-appointed Mr. Ahmed Kuli Khan Khattak, the Chief Executive of the Company with effect from 1st March, 2013 for a term of three years.

He is entitled to the same remuneration as per his immediately preceding term, until such time the Board decides to renew his remuneration.

Directors Mr. Raza Kuli Khan Khattak and Lt.Gen.(Retd.) Ali Kuli Khan Khattak are interested in the appointment of CEO by virtue of being close relatives.

Audit Committee

With the election of the new Board, the Audit Committee, was re-established for three years and the following Directors were unanimously appointed on the Committee:-

- | | |
|---|----------|
| 1. Mr. Muhammad Zia | Chairman |
| 2. Lt.Gen.(Retd.) Ali Kuli Khan Khattak | Member |
| 3. Chaudhary Sher Mohammad | Member |
| 4. Mr. Jamil Ahmed Shah | Member |

Meetings of Audit Committee

During the year 2012-13, four Audit Committee meetings were held. Attendances by each member are as follows:

| <u>S.No.</u> | <u>Name of Director</u> | <u>No. of Meetings Attended</u> |
|---------------------|--------------------------------------|--|
| 1. | Lt.Gen (Retd.) Ali Kuli Khan Khattak | 1 |
| 2. | Chaudhry Sher Muhammad | 4 |
| 3. | Mr. Jamil A. Shah | 4 |
| 4. | Mr. Mushtaq Ahmed Khan (FCA) | 1 |

Leave of absence was granted to the Directors who could not attend the Board Meetings.

Human Resource and Remuneration Committee

Consequent upon the election of the new Board of Directors, the Human Resource and Remuneration Committee was re-established for three years. It was unanimously decided to have the following Directors on the Committee.

| | |
|--|----------|
| 1. Lt.Gen. (Retd.) Ali Kuli Khan Khattak | Chairman |
| 2. Mr. Ahmed Kuli Khan Khattak | Member |
| 3. Mr. Jamil Ahmed Shah | Member |
| 4. Mr. Muhammad Zia | Member |

Holding Company

Bibojee Services (Pvt.) Limited with 62.32% shares is the holding Company of Ghandhara Nissan Limited.

Subsequent Events

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

Pattern of Shareholding

The pattern of shareholding as on 30th June 2013 of the company is included in the Annual Report.

Auditors

The present Auditors M/s Hameed Chaudhri & Co. Chartered Accountants and M/s. Muniff Ziauddin & Co. Chartered Accountants, retire, and being eligible, offer themselves for reappointment.

For and on behalf of the
Board of Directors

Karachi: 30 September, 2013

Ahmed Kuli Khan Khattak
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Ghandhara Nissan Limited** as at June 30, 2013 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
Osman Hameed Chaudhri
Karachi ; 30th September 2013

MUNIFF ZIAUDDIN & CO
CHARTERED ACCOUNTANTS
Mohammad Moin Khan
Karachi ; 30th September 2013

**BALANCE SHEET
AS AT JUNE 30, 2013**

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REPORT
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| | Note | 2013 — Rupees in '000 — | 2012 |
|---|------|----------------------------|-------------------------|
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 5 | 1,326,108 | 1,382,669 |
| Intangible assets | 6 | 158 | 211 |
| Long term investments | 7 | 422,190 | 394,182 |
| Long term deposits | 8 | 6,709 | 7,726 |
| | | <u>1,755,165</u> | <u>1,784,788</u> |
| Current assets | | | |
| Stores, spares and loose tools | 9 | 32,268 | 35,990 |
| Stock-in-trade | 10 | 295,470 | 565,196 |
| Trade debts | 11 | 305,183 | 246,889 |
| Loans and advances | 12 | 18,437 | 13,934 |
| Prepayments | 13 | 11,602 | 10,215 |
| Other receivables | 14 | 27,822 | 37,748 |
| Taxation - net | | 48,630 | 11,894 |
| Bank balances | 15 | 52,528 | 33,452 |
| | | <u>791,940</u> | <u>955,318</u> |
| Total assets | | <u>2,547,105</u> | <u>2,740,106</u> |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Share capital | 16 | 450,025 | 450,025 |
| Share premium | | 40,000 | 40,000 |
| Item credited directly in equity by an Associate | | 61,116 | 59,767 |
| Unappropriated profit | | 108,409 | 49,226 |
| Total equity | | <u>659,550</u> | <u>599,018</u> |
| Surplus on Revaluation of Fixed Assets | 17 | 1,014,770 | 1,030,838 |
| Liabilities | | | |
| Non current liabilities | | | |
| Liabilities against assets subject to finance lease | 18 | 111 | 1,115 |
| Long term deposits | 19 | 9,611 | 9,611 |
| Staff benefits | 20 | 90,828 | 89,198 |
| Deferred taxation | 21 | 306 | 7,973 |
| | | <u>100,856</u> | <u>107,897</u> |
| Current liabilities | | | |
| Trade and other payables | 22 | 442,993 | 339,938 |
| Accrued mark-up | 23 | 13,776 | 21,043 |
| Short term finances | 24 | 134,592 | 406,131 |
| Running finances under mark-up arrangements | 25 | 179,419 | 150,738 |
| Current portion of long term financing | 26 | - | 77,778 |
| Current portion of liabilities against assets subject to finance lease | 18 | 1,149 | 6,725 |
| | | <u>771,929</u> | <u>1,002,353</u> |
| Total liabilities | | <u>872,785</u> | <u>1,110,250</u> |
| Contingencies and commitments | 27 | | |
| Total equity and liabilities | | <u>2,547,105</u> | <u>2,740,106</u> |

The annexed notes from 1 to 46 form an integral part of these financial statements.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013**

ANNUAL

| | Note | 2013 — Rupees in '000 — | 2012 |
|---|------|----------------------------|-----------------|
| Revenue - net | 28 | 1,852,238 | 1,388,002 |
| Cost of sales | 29 | (1,626,373) | (1,257,424) |
| Gross profit | | 225,865 | 130,578 |
| Distribution cost | 30 | (18,559) | (21,387) |
| Administrative expenses | 31 | (117,836) | (109,021) |
| Other income | 32 | 10,347 | 25,730 |
| Other expenses | 33 | (1,328) | - |
| Profit from operations | | 98,489 | 25,900 |
| Finance cost | 34 | (80,578) | (109,137) |
| | | 17,911 | (83,237) |
| Share of profit / (loss) of an Associated Company | | 28,008 | (14,446) |
| Profit / (loss) before taxation | | 45,919 | (97,683) |
| Taxation | 35 | (7,534) | 11,715 |
| Profit / (loss) after taxation | | 38,385 | (85,968) |
| Other comprehensive income | | - | - |
| Total comprehensive income / (loss) for the year | | 38,385 | (85,968) |
| | | — Rupees — | |
| Basic and diluted earnings / (loss) per share | 36 | 0.85 | (1.91) |

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

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

ANNUAL
REPORT
2013
2012
— Rupees in '000 —

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|------------------|------------------|
| Profit / (loss) before taxation | 45,919 | (97,683) |
| Adjustments for non-cash charges and other items: | | |
| Depreciation and amortisation | 58,222 | 62,275 |
| Interest income | (1,125) | (1,348) |
| Finance cost | 77,354 | 100,266 |
| Gain on disposal of property, plant and equipment | (1,046) | (10,446) |
| Exchange loss | 1,650 | 6,836 |
| Share of (profit) / loss of an Associated Company | (28,008) | 14,446 |
| Provision for gratuity | 9,744 | 10,112 |
| Payable balances written back | (3,942) | - |
| Operating profit before working capital changes | 158,768 | 84,458 |
| Decrease / (increase) in current assets: | | |
| Stores, spares and loose tools | 3,722 | 85 |
| Stock-in-trade | 269,726 | (34,495) |
| Trade debts | (58,294) | 281,885 |
| Loans and advances | (4,503) | (2,697) |
| Prepayments | (1,387) | 10,981 |
| Other receivables | 9,926 | 36,953 |
| | 219,190 | 292,712 |
| Increase / (decrease) in trade and other payables | 105,347 | (32,035) |
| Cash generated from operations | 483,305 | 345,135 |
| Gratuity and compensated absences paid | (8,114) | (3,587) |
| Finance cost paid | (84,621) | (106,880) |
| Taxes paid | (45,858) | (39,706) |
| Net cash generated from operating activities | 344,712 | 194,962 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (2,414) | (22,739) |
| Proceeds from disposal of property, plant and equipment | 1,852 | 29,656 |
| Interest income received | 1,125 | 1,348 |
| Long term deposits - net | 1,017 | 4,365 |
| Net cash generated from investing activities | 1,580 | 12,630 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Long term financing - repaid | (77,778) | (59,751) |
| Lease finances - repaid | (6,580) | (10,481) |
| Short term finances - net | (271,539) | (61,285) |
| Running finances - net | 28,681 | (73,627) |
| Net cash used in financing activities | (327,216) | (205,144) |
| Net increase in cash and cash equivalents | 19,076 | 2,448 |
| Cash and cash equivalents - at beginning of the year | 33,452 | 31,004 |
| Cash and cash equivalents - at end of the year | 52,528 | 33,452 |

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013**

| | Share capital | Share premium | Item credited directly in equity by an Associate | Unappro- priated profit | Total |
|---|------------------|------------------|--|-------------------------------|----------------|
| | Rupees in '000 | | | | |
| Balance as at July 1, 2011 | 450,025 | 40,000 | 58,418 | 114,349 | 662,792 |
| Total comprehensive loss for the year | - | - | - | (85,968) | (85,968) |
| Surplus on revaluation of fixed assets realised during the year (net of deferred taxation) on account of incremental depreciation | - | - | - | 20,845 | 20,845 |
| Effect of item directly credited in equity by an Associated Company | - | - | 1,349 | - | 1,349 |
| Balance as at June 30, 2012 | 450,025 | 40,000 | 59,767 | 49,226 | 599,018 |
| Total comprehensive income for the year | - | - | - | 38,385 | 38,385 |
| Surplus on revaluation of fixed assets realised during the year (net of deferred taxation) on account of incremental depreciation | - | - | - | 20,798 | 20,798 |
| Effect of item directly credited in equity by an Associated Company | - | - | 1,349 | - | 1,349 |
| Balance as at June 30, 2013 | 450,025 | 40,000 | 61,116 | 108,409 | 659,550 |

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013****1. THE COMPANY AND ITS OPERATIONS**

Ghandhara Nissan Limited (the Company) was incorporated on August 8, 1981 in Pakistan as a private limited company and subsequently converted into a public limited company on May 24, 1992. The registered office of the Company is situated at Ghandhara House, 109/2 Clifton, Karachi. Its manufacturing facilities are located at Port Qasim, Karachi. The Company's shares are listed on Karachi and Islamabad Stock Exchanges.

The principal business of the Company is assembly / progressive manufacture of Nissan passenger Cars, UD Trucks and Buses, import and marketing of Nissan vehicles and assembly of other vehicles under contract agreement.

2. BASIS OF PREPARATION**2.1 Statement of compliance**

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

2.2 Functional and presentation currency

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

2.3 Initial application of standards, amendments or an interpretation to existing standards**2.3.1 Amendments to published standards effective in the current year**

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

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

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

- (a) Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 1, 2013. This set of amendments includes changes to five standards: IFRS 1, 'First time adoption', IAS 1, 'Financial statement presentation', IAS 16, 'Property, plant and equipment', IAS 32, 'Financial instruments; Presentation' and IAS 34, 'Interim financial reporting'. The application of these amendments have no material impact on the Company's financial statements.

(b) IFRS 7 (Amendments), 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 1, 2013. The amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The Company shall apply these amendments from July 1, 2013 and does not expect to have a material impact on its financial statements.

(c) IFRS 9 - 'Financial instruments - classification and measurement'. This is applicable on accounting periods beginning on or after January 1, 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

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

(d) IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 1, 2013. These amendments shall eliminate the corridor approach and calculate finance cost on a net funding basis. The Company shall apply these amendments from July 1, 2013 and its impact on retained earnings shall be Rs.2.072 million due to recognition of current unrecognised actuarial losses on its defined benefit plan.

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

3. BASIS OF MEASUREMENT

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

3.2 The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- useful lives and residual values of property, plant & equipment and intangible assets (note 4.1 and 4.2);
- net realizable values of stores, spares & loose tools and stock-in-trade (note 4.5);
- staff benefits (note 4.10); and
- provision for taxation (note 4.12).

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

Owned assets

Property, plant and equipment except for freehold land, building on freehold land and plant & machinery are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at revalued amount and building on freehold land and plant & machinery are stated at revalued amounts less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent cost

Subsequent cost are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of property, plant and equipment is capitalised and the asset so replaced is retired from use. Normal repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation

Depreciation on all items of property, plant and equipment other than freehold land is charged to income applying the reducing balance method at the rates stated in note 5. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

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

Disposal

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

Revaluation of assets

Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any surplus on revaluation of fixed assets is credited to the surplus on revaluation of fixed assets account.

Leased assets

Fixed assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and present value of the minimum lease payments at inception of the lease less accumulated depreciation and impairment losses, if any.

Impairment

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

4.2 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any.

Cost associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff cost, costs of the software development team and an appropriate portion of relevant overheads.

Subsequent expenditure

Expenditure which enhance or extend the performance of computer software programs beyond their original specifications are recognised as capital improvement and added to the original cost of the software.

Amortisation

Intangible assets are amortised using the reducing balance method at the rate stated in note 6.

4.3 Investments

4.3.1 In an Associated Company

Entities in which the Company has significant influence but not control and which are neither its subsidiaries nor joint ventures are Associates and are accounted for by using equity method of accounting.

This investment is initially recognised at cost, thereafter the carrying amount is increased or decreased to recognise the Company's share of profit or loss of an Associate. Share of post acquisition profit and loss of an Associate is accounted in the Company's profit and loss account. Distribution received from investee reduces the carrying amount of investment. The changes in Associate's equity which are not to be recognised in the Associate's profit and loss account, are recognised directly in the equity of the Company.

4.3.2 Available for sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

Subsequent to initial recognition at cost, these are remeasured at fair value, with any resultant gain or loss being recognised in other comprehensive income. Gains or losses on available for sale investments are recognised in other comprehensive income until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in other comprehensive income is included in current period's profit and loss account.

4.4 Stores, spares and loose tools

Stores, spares and loose tools are stated at the lower of cost and net realisable value. The cost of inventory is based on weighted average cost less provision for obsolescence, if any. Items in transit are stated at cost comprising of invoice value plus other charges thereon accumulated upto the reporting date.

4.5 Stock-in-trade

These are valued at lower of cost and net realizable value. The cost of various classes of stock-in-trade is determined as follows:

| <u>Stock category</u> | <u>Valuation method</u> |
|------------------------------------|---|
| Complete Knock Down Kits | Specific cost identification |
| Complete Built-up Units | Specific cost identification |
| Local raw materials | At cost on weighted average basis. |
| Work-in-process and finished goods | At cost which comprises of raw materials, import incidentals, direct labour and appropriate portion of manufacturing overheads. |
| Stock-in-transit | At invoice price plus all charges paid thereon upto the reporting date. |

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

4.6 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently carried at cost less provision for doubtful debts, if any. Carrying amounts of trade and other receivables are assessed at each reporting date and a provision is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

4.7 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities outstanding for more than 12 months as at the reporting date, in which case, they are classified as non-current assets.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of balances with banks.

4.9 Mark-up bearing loans and borrowings

Mark-up bearing loans and borrowings are recorded at the proceeds received. Finance charges are accounted for on accrual basis.

4.10 Staff benefits

(a) Defined benefit plan

The Company operates unfunded gratuity scheme under which the gratuity is payable on the cessation of employment, subject to a minimum qualifying period of service. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2013 on the basis of the projected unit credit method by an independent Actuary.

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

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

(b) Defined contribution plan

The Company operates defined contribution plan (i.e. recognised provident fund scheme) for all its permanent employees. The Company and the employees make equal monthly contributions to the fund at the rate of 8.33% of the basic salary and cost of living allowance. The assets of the fund are held separately under the control of trustees.

(c) Employees compensated absences

Employees' entitlements to annual leaves are recognised when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees upto the reporting date.

4.11 Trade and other payables

Trade and other payables are stated at their cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

4.12 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years and deferred tax.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of the taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit shall be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

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

4.13 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet includes deposits, trade debts, loans & advances, other receivables, bank balances, long term financing, liabilities against assets subject to finance lease, long term deposits, trade and other payables, accrued mark-up, short term finances and running finances. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.14 Off-setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

4.15 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

4.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is reduced for allowances such as taxes, duties, sales returns and commission. Revenue from different sources is recognised on the following basis:

Trading

- Vehicles are treated as sold when invoiced and delivered. Commission income is recognised on the basis of shipment.
- Spare part sales are recorded on the basis of dispatches made to the customers.

Manufacturing

- Vehicles are treated as sold when invoiced and dispatched to customers.

Other

- Return on bank deposits is accounted for on accrual basis.

4.17 Borrowing cost

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

4.18 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year end foreign exchange rates. Non monetary assets and liabilities are translated using exchange rate that existed when the values were determined. Exchange differences on foreign currency translations are taken to profit and loss account currently.

4.19 Impairment loss

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

4.20 Earnings per share

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

4.21 Dividend and appropriation to reserves

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

4.22 Segment reporting

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

5. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land | Leasehold land | Building on freehold land | Office building | Plant and machinery | Assembly jigs | Furniture and fixtures | Vehicles | | | Office equipment | Computers | Total |
|---------------------------------------|----------------|----------------|---------------------------|-----------------|---------------------|---------------|------------------------|---------------|---------------|-----------------|------------------|--------------|------------------|
| | | | | | | | | Owned | Leased | Other equipment | | | |
| | | | | | | | | | | | | | |
| At July 1, 2011 | | | | | | | | | | | | | |
| Revaluation / cost | 373,500 | 15,000 | 517,468 | 8,905 | 586,770 | 44,959 | 3,146 | 44,003 | 36,932 | 8,794 | 4,571 | 9,124 | 1,653,172 |
| Accumulated depreciation | - | (7,029) | (50,160) | (74) | (57,211) | (39,504) | (2,241) | (25,927) | (9,328) | (7,570) | (4,418) | (8,365) | (211,827) |
| Net book value | 373,500 | 7,971 | 467,308 | 8,831 | 529,559 | 5,455 | 905 | 18,076 | 27,604 | 1,224 | 153 | 759 | 1,441,345 |
| Year ended June 30, 2012 | | | | | | | | | | | | | |
| Opening net book value | 373,500 | 7,971 | 467,308 | 8,831 | 529,559 | 5,455 | 905 | 18,076 | 27,604 | 1,224 | 153 | 759 | 1,441,345 |
| Additions | - | - | - | - | 8,420 | - | - | 12,962 | 552 | - | - | 805 | 22,739 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - cost | - | - | - | (8,905) | - | - | - | (21,343) | - | - | - | - | (30,248) |
| - accumulated depreciation | - | - | - | 405 | - | - | - | 10,633 | - | - | - | - | 11,038 |
| | - | - | - | (8,500) | - | - | - | (10,710) | - | - | - | - | (19,210) |
| Transfers from leased to owned | | | | | | | | | | | | | |
| - cost | - | - | - | - | - | - | - | 16,450 | (16,450) | - | - | - | - |
| - accumulated depreciation | - | - | - | - | - | - | - | (7,176) | 7,176 | - | - | - | - |
| | - | - | - | - | - | - | - | 9,274 | (9,274) | - | - | - | - |
| Depreciation charge for the year | - | (797) | (23,365) | (331) | (26,541) | (1,091) | (91) | (3,909) | (5,245) | (405) | (49) | (381) | (62,205) |
| Closing net book value | 373,500 | 7,174 | 443,943 | - | 511,438 | 4,364 | 814 | 25,693 | 13,637 | 819 | 104 | 1,183 | 1,382,669 |
| As at June 30, 2012 | | | | | | | | | | | | | |
| Revaluation / cost | 373,500 | 15,000 | 517,468 | - | 595,190 | 44,959 | 3,146 | 52,072 | 21,034 | 8,794 | 4,571 | 9,929 | 1,645,663 |
| Accumulated depreciation | - | (7,826) | (73,525) | - | (83,752) | (40,595) | (2,332) | (26,379) | (7,397) | (7,975) | (4,467) | (8,746) | (262,994) |
| Net book value | 373,500 | 7,174 | 443,943 | - | 511,438 | 4,364 | 814 | 25,693 | 13,637 | 819 | 104 | 1,183 | 1,382,669 |
| Year ended June 30, 2013 | | | | | | | | | | | | | |
| Opening net book value | 373,500 | 7,174 | 443,943 | - | 511,438 | 4,364 | 814 | 25,693 | 13,637 | 819 | 104 | 1,183 | 1,382,669 |
| Additions | - | - | - | - | - | - | - | 1,698 | - | 122 | 476 | 118 | 2,414 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - cost | - | - | - | - | - | - | - | (3,194) | - | - | - | - | (3,194) |
| - accumulated depreciation | - | - | - | - | - | - | - | 2,388 | - | - | - | - | 2,388 |
| | - | - | - | - | - | - | - | (806) | - | - | - | - | (806) |
| Transfers from leased to owned | | | | | | | | | | | | | |
| - cost | - | - | - | - | - | - | - | 16,753 | (16,753) | - | - | - | - |
| - accumulated depreciation | - | - | - | - | - | - | - | (8,662) | 8,662 | - | - | - | - |
| | - | - | - | - | - | - | - | 8,091 | (8,091) | - | - | - | - |
| Depreciation charge for the year | - | (717) | (22,197) | - | (25,572) | (873) | (81) | (5,115) | (2,728) | (280) | (191) | (415) | (58,169) |
| Closing net book value | 373,500 | 6,457 | 421,746 | - | 485,866 | 3,491 | 733 | 29,561 | 2,818 | 661 | 389 | 886 | 1,326,108 |
| As at June 30, 2013 | | | | | | | | | | | | | |
| Revaluation / cost | 373,500 | 15,000 | 517,468 | - | 595,190 | 44,959 | 3,146 | 67,329 | 4,281 | 8,916 | 5,047 | 10,047 | 1,644,883 |
| Accumulated depreciation | - | (8,543) | (95,722) | - | (109,324) | (41,468) | (2,413) | (37,768) | (1,463) | (8,255) | (4,658) | (9,161) | (318,775) |
| Net book value | 373,500 | 6,457 | 421,746 | - | 485,866 | 3,491 | 733 | 29,561 | 2,818 | 661 | 389 | 886 | 1,326,108 |
| Depreciation rate (%) | 10 | 5 | 5 | 5 | 5 | 20 | 10 | 20 | 20 | 33 | 33 | 33 | 33 |

5.1 Freehold land, building on freehold land and plant & machinery were revalued on June 30, 1997, June 30, 1999, January 1, 2004 and June 30, 2009. Had the property, plant and equipment been recognised under the cost model, the carrying amount of each revalued class of property, plant and equipment would have been as follows:

| | 2013 | 2012 |
|---------------------------|------------------------|---------|
| | --- Rupees in '000 --- | |
| Freehold land | 61,456 | 61,456 |
| Building on freehold land | 134,403 | 141,477 |
| Plant and machinery | 142,521 | 150,022 |

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

| | | |
|-------------------------|---------------|---------------|
| Cost of sales | 53,021 | 54,196 |
| Administrative expenses | 5,148 | 8,009 |
| | 58,169 | 62,205 |

5.3 The Company's present and future land, building on freehold land and plant & machinery are mortgaged/pledged / hypothecated upto Rs.1,247 million (2012: Rs.1,230.29 million) with banks.

5.4 The detail of property, plant and equipment disposed-off are as follows:

| Particular of assets | Cost | Accumulated depreciation | Net book value | Sale proceeds | Gain | Mode of disposal | Particular of buyers |
|----------------------------|--------------|--------------------------|----------------|---------------|--------------|------------------|--|
| ----- Rupees in '000 ----- | | | | | | | |
| Vehicles | | | | | | | |
| Nissan Sunny | 828 | 584 | 244 | 599 | 355 | Negotiation | Mr. Bashir Ahmed Abbasi, Ex-employee |
| Rexton | 1,800 | 1,240 | 560 | 600 | 40 | Negotiation | Mr. Shah Sikandar, Sector F-10/2, Islamabad |
| Suzuki Bolan | 283 | 282 | 1 | 311 | 310 | Tender | Mr. Muhammad Sajjid, Gulshan-e-Iqbal, Karachi |
| Suzuki Bolan | 283 | 282 | 1 | 342 | 341 | Tender | Mr. Khadim Hussain, Jinnah Staff Colony, Karachi |
| June 30, 2013 | 3,194 | 2,388 | 806 | 1,852 | 1,046 | | |
| June 30, 2012 | 30,248 | 11,038 | 19,210 | 29,656 | 10,446 | | |

6. INTANGIBLE ASSETS

These represent computer softwares.

| | 2013 | 2012 |
|---------------------------------|------------------------|------|
| | --- Rupees in '000 --- | |
| Cost | 500 | 500 |
| Accumulated amortisation | | |
| At beginning of the year | 289 | 219 |
| Add: charge for the year | 53 | 70 |
| At end of the year | 342 | 289 |
| Net book value | 158 | 211 |
| Rate of amortisation (%) | 25 | 25 |

Note

31

7. LONG TERM INVESTMENTS

Associated Company

Note

2013 2012
--- Rupees in '000 ---

Gandhara Industries Limited - Equity basis

5,166,168 (2012: 5,166,168) ordinary shares
of Rs.10 each

| | | | |
|--|-----|----------|----------|
| | 7.1 | 92,635 | 92,635 |
| Cost | | | |
| Share of post acquisition losses | | (17,543) | (45,551) |
| | | 75,092 | 47,084 |
| Share of items directly credited in the equity of Associated Company | | 61,116 | 59,767 |
| Share of surplus on revaluation of fixed assets of Associated Company | | 301,481 | 302,830 |
| Dividend received to date | | (15,499) | (15,499) |
| | | 422,190 | 394,182 |

Others - available for sale

Automotive Testing & Training Center (Private) Limited

187,500 (2012: 187,500) ordinary shares of Rs.10 each - cost

Less: Provision for impairment in the value of investment

| | |
|---------|---------|
| 1,875 | 1,875 |
| (1,875) | (1,875) |
| - | - |
| 422,190 | 394,182 |

7.1 The Company's holding in the investee company's shares as at June 30, 2013 was 24.25% (2012: 24.25%).

7.2 Key information about an Associate

The following information is from unaudited financial statements of the investee company for the nine months period ended March 31, 2013.

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| | --- Rupees in '000 --- | |
| Assets | 4,123,583 | 4,218,271 |
| Liabilities | 2,395,182 | 2,605,371 |
| Unappropriated profit / (accumulated loss) | 69,081 | (51,983) |
| | Nine months period | |
| | March 31, 2013 | March 31, 2012 |
| | --- Rupees in '000 --- | |
| Profit / (loss) before taxation | 118,178 | (84,011) |
| Profit / (loss) after taxation | 92,680 | (53,905) |

7.3 The market value of investment as at June 30, 2013 was Rs.94.799 million (2012: Rs.33.580 million).

2013

| | | 2013 | 2012 |
|--|--|------------------------|----------------|
| | | --- Rupees in '000 --- | |
| 8. LONG TERM DEPOSITS | | | |
| Central Depository Company of Pakistan Limited | | 25 | 25 |
| Deposits against lease facilities | | 440 | 2,430 |
| Utility deposits | | 6,144 | 5,171 |
| Others | | 100 | 100 |
| | | 6,709 | 7,726 |
| 9. STORES, SPARES AND LOOSE TOOLS | | | |
| Stores | | 32,153 | 35,415 |
| Spares and loose tools | | 115 | 575 |
| | | 32,268 | 35,990 |
| 10. STOCK-IN-TRADE | | | |
| Raw materials | | | |
| In hand | | 48,727 | 281,287 |
| In transit | | 168,567 | 200,484 |
| | | 217,294 | 481,771 |
| Work in process | | 24,320 | 25,579 |
| Finished goods | | | |
| Vehicles - Trucks / Buses | | - | 52,394 |
| Complete Built-up Units - Trucks | | 47,239 | 1,198 |
| Spare parts | | 6,617 | 4,254 |
| | | 53,856 | 57,846 |
| | | 295,470 | 565,196 |
| 10.1 | The present and future stock-in-trade, trade debts and receivables aggregating Rs.1,715 million (2012: Rs.1,332 million) are under pledge / joint hypothecation with banks against short term finances and running finances. | | |
| 11. TRADE DEBTS - Unsecured, considered good | Note | 2013 | 2012 |
| | | --- Rupees in '000 --- | |
| Vehicles and assembly charges | 11.1 | 302,104 | 244,282 |
| Spare parts | | 3,079 | 2,607 |
| | | 305,183 | 246,889 |
| 11.1 Trade debts include the following amounts due from Associated Companies: | | | |
| Gandhara Industries Limited | | 69,151 | 84,459 |
| Rehman Cotton Mills Limited | | 57 | - |
| | | 69,208 | 84,459 |
| 11.2 | The ageing of the trade debts receivable from related parties as at the reporting date are as follows: | | |
| | | 2013 | 2012 |
| | | --- Rupees in '000 --- | |
| Up to 3 months | | - | 30,750 |
| 3 to 6 months | | 69,151 | 44,277 |
| more than 6 months | | 57 | 9,432 |
| | | 69,208 | 84,459 |
| | | 69,208 | 84,459 |

| 12. LOANS AND ADVANCES - Unsecured, considered good | Note | 2013 — Rupees in '000 — | 2012 — Rupees in '000 — |
|---|------|----------------------------|----------------------------|
| Advances to: | | | |
| - executives | 12.1 | - | 603 |
| - employees | | 3,084 | 3,912 |
| - suppliers, contractors and others | | 15,353 | 9,419 |
| | | <u>18,437</u> | <u>13,934</u> |
| 12.1 Reconciliation of carrying amount of loans to executives: | | | |
| Balance at beginning of the year | | 603 | 920 |
| Less: recovered during the year | | 603 | 317 |
| Balance at end of the year | | <u>-</u> | <u>603</u> |
| 12.2 The maximum amount due from executives at the end of any month during the year was Rs.0.500 million (2012: Rs.0.750 million). | | | |
| 13. PREPAYMENTS | Note | 2013 — Rupees in '000 — | 2012 — Rupees in '000 — |
| Prepaid | | | |
| - rent [Bibojee Services (Private) Limited - the Holding Company] | | 8,550 | 9,000 |
| - insurance | 13.1 | 3,052 | 1,215 |
| | | <u>11,602</u> | <u>10,215</u> |
| 13.1 Includes Rs.Nil (2012: Rs.1.215 million) which relates to Universal Insurance Company Limited - an Associated Company. | | | |
| 14. OTHER RECEIVABLES - Considered good | Note | 2013 — Rupees in '000 — | 2012 — Rupees in '000 — |
| Sales tax refundable / adjustable | | 12,480 | 24,380 |
| Bank guarantee margin | | 613 | 492 |
| Security deposits and earnest money | | 9,239 | 6,259 |
| Commission | 14.1 | - | 3,409 |
| Others | | 5,490 | 3,208 |
| | | <u>27,822</u> | <u>37,748</u> |
| 14.1 Corresponding figure Included Rs.0.214 million due from Nissan Motor Company Limited - Japan (a related party). | | | |
| 15. BANK BALANCES | Note | 2013 — Rupees in '000 — | 2012 — Rupees in '000 — |
| Cash at banks in: | | | |
| - current accounts | | 46,523 | 27,602 |
| - deposit accounts | 15.1 | 9,917 | 9,762 |
| | | <u>56,440</u> | <u>37,364</u> |
| Less: Provision for doubtful bank balance | 15.2 | 3,912 | 3,912 |
| | | <u>52,528</u> | <u>33,452</u> |

- 15.1 These, during the year, carry mark-up at the rates of 9.00% and 11.50% (2012: 11.50%) per annum.
- 15.2 This represents provision made against bank balance held with Indus Bank Limited whose operations were ceased by the State Bank of Pakistan and is under liquidation. The above balance is net of Rs.42.586 million deposited in the deposit account and margin account against four letters of credit due in May and June 2000. Despite full payments and several reminders, the payment of above letters of credit has not been made to the supplier of goods. The Company considers that it has discharged its obligation against the said letters of credit.

16. SHARE CAPITAL

| Authorized capital | | 2013 | 2012 |
|--|---|--------------------------|----------------|
| | | ---- Rupees in '000 ---- | |
| 80,000,000 (2012: 80,000,000) ordinary shares of Rs.10 each | | 800,000 | 800,000 |
| Issued, subscribed and paid-up capital | | | |
| | 2013 2012 | | |
| | -- No. of shares -- | | |
| 14,800,000 | 14,800,000 Ordinary shares of Rs.10 each fully paid in cash | 148,000 | 148,000 |
| 200,000 | 200,000 Ordinary shares of Rs.10 each issued as fully paid bonus shares | 2,000 | 2,000 |
| 30,002,500 | 30,002,500 Ordinary shares of Rs.10 each issued for acquisition | 300,025 | 300,025 |
| 45,002,500 | 45,002,500 | 450,025 | 450,025 |

- 16.1 The Company is a subsidiary of Bibojee Services (Private) Limited which holds 62.32% (2012: 62.32%) share capital of the Company.

| 16.2 Ordinary shares held by related parties other than the Holding Company as at year end: | | 2013 | 2012 |
|--|--|------------------------|------------------|
| | | -- Number of shares -- | |
| Universal Insurance Company Limited | | 5,000 | 5,000 |
| UD Trucks Corporation, Japan | | 3,647,090 | 3,647,090 |
| | | 3,652,090 | 3,652,090 |

17. SURPLUS ON REVALUATION OF FIXED ASSETS - Net

| | Note | 2013 | 2012 |
|--|-------------|------------------------|------------------|
| | | --- Rupees in '000 --- | |
| Surplus on revaluation of Company's fixed assets | 17.1 | 713,289 | 728,008 |
| Share of surplus on revaluation of fixed assets of an Associated Company | 7 | 301,481 | 302,830 |
| | | 1,014,770 | 1,030,838 |

17.1 Surplus on revaluation of Company's assets

| | | | |
|--|--|-----------------|-----------------|
| Balance at beginning of the year | | 951,987 | 984,057 |
| Less: transferred to unappropriated profit on account of incremental depreciation for the year | | 31,997 | 32,070 |
| | | 919,990 | 951,987 |
| Less: related deferred tax of: | | | |
| - balance at beginning of the year | | 223,979 | 235,204 |
| - incremental depreciation for the year | | (11,199) | (11,225) |
| - effect of change in tax rate | | (6,079) | - |
| - balance at end of the year | | 206,701 | 223,979 |
| Balance at end of the year | | 713,289 | 728,008 |

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | 2013 --- Rupees in '000 --- | 2012 --- Rupees in '000 --- |
|---|--------------------------------|--------------------------------|
| Balance as at July 1, | 7,840 | 18,321 |
| Add: assets acquired during the preceding year | - | 552 |
| Less: repaid / adjusted during the year | 6,580 | 11,033 |
| | <u>1,260</u> | <u>7,840</u> |
| Less: current portion grouped under current liabilities | 1,149 | 6,725 |
| Balance as at June 30, | <u>111</u> | <u>1,115</u> |

18.1 These represent vehicles acquired under finance lease / diminishing musharakah arrangements from various financial institutions. Rentals are payable on monthly and quarterly basis. These finance facilities, during the year, were subject to finance cost at the rates ranging from 12.63% to 18.00% (2012: 15.05% to 18.81%) per annum. These facilities are secured against title of the leased vehicles in the name of lessor. The Company intends to exercise its option to purchase the leased vehicles upon completion of the lease terms.

The future minimum lease payments to which the Company is committed under the agreements will be due as follows:

| Particulars | 2013 | | | 2012 | | |
|--|----------------------------|------------------------|--------------|---------------|------------------------|--------------|
| | Upto one year | From one to five years | | Upto one year | From one to five years | |
| | ----- Rupees in '000 ----- | | | | | |
| Minimum lease payments | 1,202 | 112 | 1,314 | 7,206 | 1,184 | 8,390 |
| Less: finance cost allocated to future periods | 53 | 1 | 54 | 481 | 69 | 550 |
| Present value of minimum lease payments | <u>1,149</u> | <u>111</u> | <u>1,260</u> | <u>6,725</u> | <u>1,115</u> | <u>7,840</u> |

19. LONG TERM DEPOSITS

| | Note | 2013 --- Rupees in '000 --- | 2012 --- Rupees in '000 --- |
|------------------|------|--------------------------------|--------------------------------|
| Dealers' deposit | 19.1 | 9,000 | 9,000 |
| Vendors | | 111 | 111 |
| Others | | 500 | 500 |
| | | <u>9,611</u> | <u>9,611</u> |

19.1 These deposits are interest free and are not refundable during subsistence of dealership.

20. STAFF BENEFITS

| | Note | 2013 --- Rupees in '000 --- | 2012 --- Rupees in '000 --- |
|------------------------------------|------|--------------------------------|--------------------------------|
| Provision for gratuity | 20.1 | 63,140 | 58,837 |
| Provision for compensated absences | | 27,688 | 30,361 |
| | | <u>90,828</u> | <u>89,198</u> |

20.1 Provision for gratuity

Projected unit credit method, based on the following significant assumptions, is used for valuation:

| | | |
|---|----------------|----------------|
| - discount rate | 2013 10.50% | 2012 13.00% |
| - expected rate of growth per annum in future salaries | 10.50% | 13.00% |
| - average expected remaining working life time of employees | 11 years | 11 years |

The amount recognised in the balance sheet is as follows:

| | 2013 | 2012 |
|---|------------------------|---------------|
| | --- Rupees in '000 --- | |
| Present value of defined benefit obligation | 60,895 | 48,553 |
| Benefits payable | 173 | 3,022 |
| Unrecognised actuarial losses | 2,072 | 7,262 |
| Net liability at end of the year | 63,140 | 58,837 |
| Net liability at beginning of the year | 58,837 | 51,306 |
| Charge to profit and loss account | 9,744 | 10,112 |
| Payments made during the year | (5,441) | (2,581) |
| Net liability at end of the year | 63,140 | 58,837 |

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

| | | |
|-----------------------------------|---------------|---------------|
| Balance at beginning of the year | 48,553 | 44,758 |
| Current service cost | 3,651 | 3,846 |
| Interest cost | 6,312 | 6,266 |
| Benefits paid | (2,468) | (1,519) |
| Benefits due but not paid | (125) | - |
| Actuarial loss / (gain) | 4,972 | (4,798) |
| Balance at end of the year | 60,895 | 48,553 |

Expense recognised in profit and loss account:

| | | |
|----------------------------|--------------|---------------|
| Current service cost | 3,651 | 3,846 |
| Interest cost | 6,312 | 6,266 |
| Actuarial gain recognised | (219) | - |
| Charge for the year | 9,744 | 10,112 |

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|------------------------|---------|---------|--------|---------|
| | --- Rupees in '000 --- | | | | |
| Present value of defined benefit obligation | 60,895 | 48,553 | 44,758 | 46,396 | 34,174 |
| Experience adjustment on obligation | 4,972 | (4,798) | (4,812) | 5,105 | (3,371) |

The Company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).

The expected gratuity expense for the year ending June 30, 2014 works-out to Rs.10.726 million (2013: Rs.9.744 million).

2013

21. DEFERRED TAXATION - Net

| | Note | 2013 --- Rupees in '000 --- | 2012 |
|---|------|--------------------------------|--------------|
| The liability for deferred taxation comprises of temporary differences relating to: | | | |
| - accelerated tax depreciation allowance | | 52,753 | 54,514 |
| - surplus on revaluation of fixed assets | | 206,701 | 223,979 |
| - lease finances | | 530 | 2,029 |
| - provision for gratuity | | (21,468) | (20,593) |
| - provision for compensated absences | | (9,414) | (10,626) |
| - provision for bank balances | | (1,330) | (1,369) |
| - minimum tax recoverable against normal tax charge in future years | | (49,502) | (40,223) |
| - unused tax losses | | (177,964) | (199,738) |
| | | 306 | 7,973 |

22. TRADE AND OTHER PAYABLES

| | | | |
|--|------|----------------|----------------|
| Trade creditors | | 82,703 | 105,330 |
| Bills payable | | 259,038 | 129,971 |
| Accrued liabilities | 22.1 | 25,300 | 20,606 |
| Refundable - CKD / CBU business | | 1,403 | 1,403 |
| Customers' credit balances | | 27,696 | 18,150 |
| Commission | | 5,838 | 7,838 |
| Unclaimed gratuity | | 231 | 231 |
| Dealers' deposits against vehicles | | 5,000 | 5,000 |
| Custom duties payable | | - | 14,396 |
| Due to related parties | 22.2 | 24,362 | 26,253 |
| Withholding tax | | 565 | 870 |
| Workers' profit participation fund | | 962 | - |
| Workers' welfare fund | | 366 | - |
| Retention money | | 103 | 2,498 |
| Unclaimed dividend | | 961 | 961 |
| Dealer deposit payable on cancellation of dealership | | 1,000 | 1,000 |
| Others | 22.3 | 7,465 | 5,431 |
| | | 442,993 | 339,938 |

22.1 Includes Rs.15.463 million (2012: Rs.10.672 million) which pertains to a key management person.

| | | 2013 --- Rupees in '000 --- | 2012 |
|---|--|--------------------------------|---------------|
| 22.2 Due to related parties | | | |
| UD Trucks Corporation - Japan | | 5,742 | 3,787 |
| Bibojee Services (Private) Limited | | - | 2,044 |
| Universal Insurance Company Limited | | 3,708 | - |
| The General Tyre and Rubber Company of Pakistan Limited | | 1,904 | 7,623 |
| Gammon Pakistan Limited | | 623 | 1,372 |
| Waqf-e-Kuli Khan | | 12,385 | 11,427 |
| | | 24,362 | 26,253 |

22.3 Other liabilities include deposits and instalments under the Company's staff vehicle policy aggregating Rs.0.355 million (2012: Rs.0.481 million).

23. ACCRUED MARK-UP

| | Note | 2013 — Rupees in '000 — | 2012 |
|-----------------------|------|----------------------------|---------------|
| Mark-up accrued on: | | | |
| - long term financing | | - | 4,895 |
| - short term finances | | 2,228 | 9,066 |
| - running finances | | 11,548 | 7,082 |
| | | <u>13,776</u> | <u>21,043</u> |

24. SHORT TERM FINANCES - Secured

Finance against imported merchandise

| | | | |
|-----------------------------|------|---------------|---------------|
| - National Bank of Pakistan | 24.1 | 53,601 | - |
| - The Bank of Khyber | 24.2 | 24,371 | 99,923 |
| | | <u>77,972</u> | <u>99,923</u> |

Payment against documents

| | | | |
|----------------------|--|---|--------|
| - The Bank of Khyber | | - | 41,966 |
|----------------------|--|---|--------|

Short term demand finance

| | | | |
|-----------------------|------|--------|--------|
| - Faysal Bank Limited | 24.3 | 44,883 | 53,363 |
|-----------------------|------|--------|--------|

Finance against trust receipts

| | | | |
|-----------------------------|------|----------------|----------------|
| - National Bank of Pakistan | 24.4 | 11,737 | 210,879 |
| | | <u>134,592</u> | <u>406,131</u> |

24.1 The Company has arranged Finance against Imported Merchandise (FIM) of Rs.300 million from National Bank of Pakistan. This facility is secured against effective pledge of imported goods and carries mark-up at the rate of 3 months KIBOR plus 200 basis points. FIM is repayable within 120 days of disbursement / creation. This finance facility is available upto October 31, 2013.

24.2 The Company has also arranged FIM of Rs.100 million from the Bank of Khyber. The finance facility is secured against effective pledge of imported consignments and carries mark-up at the rate of 3 months KIBOR plus 300 basis points. FIM is adjustable within 120 days of disbursement / creation. This finance facility is available upto December 31, 2013.

24.3 The Company had arranged short term loan of Rs.330 million from Faysal Bank Limited (the Bank) against outstanding import bills. Originally this loan was repayable in monthly instalments of Rs.22 million each. The Company during the prior years had repaid instalments aggregating Rs.215 million and balance of Rs.115 million was renewed by the Bank. The Company has made principle payments of Rs.70.117 million till June 30, 2013 of this renewed finance facility. Year-end balance of this finance facility has been again renewed by the Bank. This facility is secured against first pari passu charge of Rs.367 million on stocks and receivables, ranking charge of Rs.434 million over stocks & receivables and ranking charges of Rs.400 million on plant and machinery of the Company. The short term loan carries mark-up at the rate of six months KIBOR plus 1.80% per annum.

24.4 The Company has arranged Finance Against Trust Receipts (FATR) facility of Rs.300 million from National Bank of Pakistan. FATR is repayable within 120 days from the date of its creation. The facility is secured against duly signed trust receipts and cumulative charge (equitable and hypothecation) over the Company's land, building and plant & machinery for Rs.400 million and carries mark-up at the rate of 3 months KIBOR plus 2.00% per annum. This finance facility is available upto October 31, 2013.

| 25. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS - Secured | Note | 2013 — Rupees in '000 — | 2012 — Rupees in '000 — |
|--|------|----------------------------|----------------------------|
| Balance as at June 30, | 25.1 | <u>179,419</u> | <u>150,738</u> |
| <p>25.1 Running finance facilities available from commercial banks under mark-up arrangements aggregate to Rs.423.535 million (2012: Rs 225 million) and are secured by way of equitable, hypothecation and pari passu charge over fixed and current assets of the Company. These, during the current financial year, carry mark-up at the rates ranging from 11.28% to 13.95% (2012: 13.91% to 15.04%) per annum. The arrangements are expiring on October 31, 2013.</p> | | | |
| <p>26. CURRENT PORTION OF LONG TERM FINANCING - Secured</p> <p>National Bank of Pakistan, during prior year, had rescheduled overdue instalments aggregating Rs.116.666 million. This rescheduled term finance was repayable in six equal quarterly instalment of Rs.19.447 million each started from November 06, 2011 and carried mark-up at the rate of 3 months KIBOR plus 2.5% per annum. The Company during the year has fully repaid this term finance on April 30, 2013.</p> | | | |
| <p>27. CONTINGENCIES AND COMMITMENTS</p> <p>27.1 There was no known contingency as at June 30, 2013.</p> <p>27.2 Commitment in respect of irrevocable letters of credit as at June 30, 2013 aggregate to Rs.455.004 million (2012: Rs.256.557 million).</p> <p>27.3 Guarantees aggregating Rs.59.926 million (2012: Rs.4.162 million) are issued by banks of the Company to various government and other institutions.</p> | | | |
| 28. REVENUE - Net | Note | 2013 — Rupees in '000 — | 2012 — Rupees in '000 — |
| Revenue - manufactured goods | | 1,719,408 | 1,564,379 |
| Sales tax | | (237,755) | (212,188) |
| Commission | | (16,075) | (16,464) |
| | | <u>1,465,578</u> | <u>1,335,727</u> |
| Revenue - trading goods | | 470,266 | 60,481 |
| Sales tax | | (53,953) | (7,925) |
| Commission | | (29,653) | (281) |
| | | <u>386,660</u> | <u>52,275</u> |
| | | <u>1,852,238</u> | <u>1,388,002</u> |
| <p>29. COST OF SALES</p> <p>Finished goods at beginning of the year</p> | | | |
| | | 57,846 | 53,899 |
| Cost of goods manufactured | 29.1 | 1,212,881 | 1,221,920 |
| Purchases - trading goods | | 409,502 | 39,451 |
| | | <u>1,622,383</u> | <u>1,261,371</u> |
| Finished goods at end of the year | | (53,856) | (57,846) |
| | | <u>1,626,373</u> | <u>1,257,424</u> |

| | | 2013 | 2012 |
|---|-------------|------------------------|------------------|
| | | --- Rupees in '000 --- | |
| 29.1 Cost of goods manufactured | Note | | |
| Work in process at beginning of the year | | 25,579 | 23,655 |
| Raw materials and vendor parts consumed | 29.2 | 946,952 | 991,202 |
| Fabrication of contract vehicles | | 9,450 | 7,042 |
| Stores and spares consumed | | 13,830 | 14,713 |
| Salaries, wages and benefits | 29.3 | 117,024 | 96,213 |
| Transportation | | 11,566 | 9,956 |
| Repair and maintenance | | 6,688 | 5,036 |
| Depreciation | 5.2 | 53,021 | 54,196 |
| Material handling | | 97 | 59 |
| Insurance | | 6,451 | 6,096 |
| Communication | | 554 | 568 |
| Rent, rates and taxes | | 296 | 533 |
| Travelling and entertainment | | 1,020 | 1,942 |
| Power generation costs | | 34,589 | 26,790 |
| Printing, stationery and office supplies | | 641 | 500 |
| Royalty expense | | 3,862 | 4,086 |
| Plant security | | 3,701 | 3,410 |
| Other manufacturing expenses | | 1,880 | 1,502 |
| | | <u>1,237,201</u> | <u>1,247,499</u> |
| Work in process at end of the year | | (24,320) | (25,579) |
| | | <u>1,212,881</u> | <u>1,221,920</u> |
| 29.2 Raw materials and vendor parts consumed | | | |
| Stocks at beginning of the year | | 281,287 | 124,540 |
| Purchases | | 714,392 | 1,147,949 |
| | | <u>995,679</u> | <u>1,272,489</u> |
| Stocks at end of the year | | (48,727) | (281,287) |
| | | <u>946,952</u> | <u>991,202</u> |
| 29.3 | | | |
| Salaries, wages and benefits include Rs.2.871 million (2012: Rs.2.979 million) and Rs.1.971 million (2012: Rs.1.723 million) in respect of staff retirement gratuity and staff provident fund respectively. | | | |
| 30. DISTRIBUTION COST | | | |
| | Note | 2013 | 2012 |
| | | --- Rupees in '000 --- | |
| Salaries, wages and benefits | 30.1 | 12,886 | 12,722 |
| Utilities | | 294 | 294 |
| Insurance | | 15 | 340 |
| Repair and maintenance | | 347 | 204 |
| Travelling and entertainment | | 3,229 | 1,357 |
| Telephone and postage | | 136 | 153 |
| Vehicle running | | 544 | 393 |
| Printing, stationery and office supplies | | 103 | 48 |
| Rent of display centre | | - | 3,000 |
| Security | | 360 | 324 |
| Godown and forwarding | | 143 | 903 |
| Sales promotion expenses | | 426 | 1,505 |
| Others | | 76 | 144 |
| | | <u>18,559</u> | <u>21,387</u> |
| 30.1 | | | |
| Salaries, wages and benefits include Rs.0.152 million (2012: Rs.0.158 million) and Rs.0.735 million (2012: Rs.0.613 million) in respect of staff retirement gratuity and staff provident fund respectively. | | | |

31. ADMINISTRATIVE EXPENSES

| | Note | 2013 — Rupees in '000 — | 2012 — Rupees in '000 — |
|------------------------------------|---------|----------------------------|----------------------------|
| Salaries, wages and other benefits | 31.1 | 75,574 | 68,192 |
| Utilities | | 3,344 | 3,436 |
| Rent, rates and taxes | | 7,476 | 8,376 |
| Directors' fee | | 380 | 350 |
| Insurance | | 1,663 | 2,304 |
| Repairs and maintenance | | 1,007 | 1,313 |
| Depreciation and amortisation | 5.2 & 6 | 5,201 | 8,079 |
| Auditors' remuneration | 31.2 | 500 | 676 |
| Advertising | | 561 | 444 |
| Travelling and conveyance | | 6,638 | 2,769 |
| Legal and professional charges | | 1,749 | 1,983 |
| Vehicle running | | 3,314 | 2,974 |
| Telephone and postage | | 2,531 | 2,367 |
| Printing and stationery | | 1,614 | 1,917 |
| Subscription | | 1,576 | 1,543 |
| Security expenses | | 709 | 858 |
| Donation | 31.3 | 958 | 124 |
| Others | | 3,041 | 1,316 |
| | | 117,836 | 109,021 |

31.1 Salaries, wages and benefits include Rs.6.721 million (2012: Rs.6.975 million) and Rs.2.057 million (2012: Rs.2.045 million) in respect of staff retirement gratuity and staff provident fund respectively.

31.2 Auditors' remuneration

| | 2013 — Rupees in '000 — | 2012 — Rupees in '000 — |
|-----------------------------------|----------------------------|----------------------------|
| Hameed Chaudhri & Co. - audit fee | 250 | 250 |
| Muniff Ziauddin Junaidy & Co. | | |
| - audit fee | 250 | 250 |
| - other services | - | 176 |
| | 250 | 426 |
| | 500 | 676 |

31.3 Donation of Rs.0.958 million (2012: Rs.Nil) charged in these financial statements is payable to Waqf-e-Kuli Khan, 2nd Floor, Gammon House, 400-2, Chour Chowk, Peshawar Road, Rawalpindi (the Trust). Mr. Raza Kuli Khan Khattak, Chairman of the Company, Mr. Ahmed Kuli Khan Khattak, Chief Executive of the Company and Lt. Gen. (Retd.) Ali Kuli Khan Khattak, Director of the Company, are trustees of the Trust.

| 32. OTHER INCOME | Note | 2013 --- Rupees in '000 --- | 2012 |
|---|------|--------------------------------|-----------------|
| Income from financial assets | | | |
| Interest income | | 1,125 | 1,348 |
| Income from non-financial assets | | | |
| Scrap sales | | 1,814 | 8,753 |
| Gain on disposal of property, plant and equipment | 5.4 | 1,046 | 10,446 |
| Payable balances written back | | 3,942 | - |
| Commission income | | 705 | 3,815 |
| Others | | 1,715 | 1,368 |
| | | <u>9,222</u> | <u>24,382</u> |
| | | <u>10,347</u> | <u>25,730</u> |
| 33. OTHER EXPENSES | | | |
| Workers' profit participation fund | | 962 | - |
| Workers' welfare fund | | 366 | - |
| | | <u>1,328</u> | <u>-</u> |
| 34. FINANCE COST | | | |
| Mark-up on: | | | |
| - long term financing | | 4,926 | 16,513 |
| - short term finances | | 39,965 | 52,557 |
| - running finances | | 32,042 | 29,654 |
| Lease finance charges | | 421 | 1,542 |
| Exchange loss | | 1,650 | 6,836 |
| Bank and other charges | | 1,574 | 2,035 |
| | | <u>80,578</u> | <u>109,137</u> |
| 35. TAXATION | | | |
| Current | | | |
| - for the year | 35.1 | (9,314) | (14,686) |
| - for prior year | | 192 | (142) |
| | | <u>(9,122)</u> | <u>(14,828)</u> |
| Deferred | | | |
| - relating to temporary differences | | 6,930 | 26,543 |
| - resulting from reduction in tax rate | | (5,342) | - |
| | | <u>1,588</u> | <u>26,543</u> |
| | | <u>(7,534)</u> | <u>11,715</u> |

35.1 Provision for current taxation mainly represents minimum tax due under section 113 of the Income Tax Ordinance, 2001, therefore, numeric tax reconciliation has not been presented in these financial statements.

36. EARNINGS / (LOSS) PER SHARE

- Basic and diluted

Net profit / (loss) for the year

Weighted average number of ordinary shares
outstanding during the year

Earnings / (loss) per share

| | |
|------------------------|-------------|
| 2013 | 2012 |
| --- Rupees in '000 --- | |

| | |
|---------------|-----------------|
| 38,385 | (85,968) |
|---------------|-----------------|

| | |
|--------------------------|--|
| --- Number of shares --- | |
|--------------------------|--|

| | |
|-------------------|-------------------|
| 45,002,500 | 45,002,500 |
|-------------------|-------------------|

| | |
|----------------|--|
| --- Rupees --- | |
|----------------|--|

| | |
|-------------|---------------|
| 0.85 | (1.91) |
|-------------|---------------|

36.1 There is no dilutive effect on the basic earnings per share of the Company.**37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES**

| | 2013 | | | 2012 | | |
|--------------------------------|----------------------------|--------------|---------------|-----------------|--------------|---------------|
| | Chief Executive | Director | Executives | Chief Executive | Director | Executives |
| | ----- Rupees in '000 ----- | | | | | |
| Managerial remuneration | 9,000 | 3,600 | 33,828 | 9,000 | 3,600 | 23,728 |
| Contribution to provident fund | 456 | - | 1,550 | 456 | - | 1,094 |
| Gratuity | 228 | - | 1,145 | 228 | - | 683 |
| Utilities | - | - | 2,439 | - | - | 1,876 |
| | 9,684 | 3,600 | 38,962 | 9,684 | 3,600 | 27,381 |
| Number of persons | 1 | 1 | 20 | 1 | 1 | 13 |

37.1 The Chief Executive is also entitled for the use of the Company maintained car, security expenses, telephone expenses and medical expenses at actual. He is also entitled to receive other benefits as per Company policy applicable to all management employees.**37.2** Director and certain Executives of the Company are also provided with free use of the Company maintained vehicles.**37.3** Aggregate amount charged in the financial statements for meeting fee to Directors was Rs.0.380 million (2012: Rs.0.350 million).**38. PLANT CAPACITY**

Against the designed annual production capacity of 6,000 vehicles at car plant, on single shift basis, the Company has assembled 636 (2012: 561) vehicles of Land Rover and also processed 1,042 (2012: 1,034) Truck cabs through paint shop. Due to low demand of vehicles on account of economic slow down, the plant capacity remained under-utilized. Against the production capacity of 2,500 trucks and buses on single shift basis, the Company produced 1,146 (2012: 1,130) trucks and buses of Nissan and Isuzu. Capacity of trucks and buses production facility also remained under-utilized due to low demand on account of economic slow down.

39. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Holding Company, Associated Companies, directors of the Company, companies in which directors are interested, staff retirement benefits, key management personnel and close members of the families of the directors & key management personnel. The Company in the normal course of business carries out transactions with various related parties. There were no transactions with key management personnel other than under the terms of employment and remuneration of key management personnel as disclosed in note 37. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

| Name | Nature of relationship | Nature of transaction | 2013 --- Rupees in '000 --- | 2012 |
|---|------------------------|---|--------------------------------|---------|
| Bibojee Services (Private) Limited | Holding company | Rent of showroom | - | 3,000 |
| | | Rent of head office | 5,400 | 5,400 |
| | | Sale of runway sweepers | 76,966 | - |
| Universal Insurance Company Limited | Associated company | Insurance premium | 6,349 | 11,474 |
| | | Sale of parts | - | 10 |
| The General Tyre and Rubber Company of Pakistan Limited | Associated company | Purchase of tyres, tubes and flaps | 15,959 | 35,590 |
| Bannu Woollen Mills Limited | Associated company | Sale of parts | 159 | 194 |
| Ghandhara Industries Limited | Associated company | Contract assembly | 140,662 | 121,278 |
| | | Fabrication of vehicles | 1,320 | 2,525 |
| | | Sale of parts | 2 | 3 |
| | | Repair of vehicles | 504 | 642 |
| | | Reimbursement of expenses | - | 1,425 |
| UD Trucks Corporation, Japan | Related party | Royalty | 3,862 | 4,086 |
| | | Purchases of complete knock down kits | 527,919 | 696,577 |
| Nissan Motor Company Limited, Japan | Related party | Purchases of complete built up units | - | 24,809 |
| | | Commission income | - | 214 |
| Rehman Cotton Mills Limited | Associated company | Sale of parts | 117 | - |
| Gammon Pakistan Limited | Associated company | Office rent | 1,500 | 1,500 |
| Janana De Malucho Textile Mills Limited | Associated company | Sale of parts | - | 47 |
| | | Earnest money received and paid back for sale of trucks | 20,000 | - |
| Staff provident fund | Employees' fund | Contribution made | 4,763 | 4,381 |

40. FINANCIAL RISK MANAGEMENT

The Company has exposures to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including foreign currency risk, interest rate risk and other price risk).

The board of directors has overall responsibility for the establishment and overview of Company's risk management frame work. The board is also responsible for developing and monitoring the Company's risk management policies.

40.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Company.

Credit risk primarily arises from long term deposits, trade debts, loans and advances, other receivables and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. Credit risk on bank balances is limited as the counter parties are banks with reasonably high crediting ratings.

The maximum exposure to credit risk as at June 30, 2013 along with comparative is tabulated below:

| | 2013 | 2012 |
|--------------------|------------------------|----------------|
| | --- Rupees in '000 --- | |
| Long term deposits | 6,709 | 7,726 |
| Trade debts | 305,183 | 246,889 |
| Loans and advances | 3,084 | 4,515 |
| Other receivables | 15,342 | 13,368 |
| Bank balances | 52,528 | 33,452 |
| | 382,846 | 305,950 |

All the trade debts at the reporting date represents domestic parties.

The ageing of trade debts at the reporting date is as follows:

| | 2013 | 2012 |
|--------------------|------------------------|----------------|
| | --- Rupees in '000 --- | |
| Up to 3 months | 193,915 | 187,032 |
| 3 to 6 months | 95,712 | 14,531 |
| more than 6 months | 15,556 | 45,326 |
| | 305,183 | 246,889 |

Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debts past due over six months do not require any impairment.

40.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

| | Carrying amount | Less than 1 year | Between 1 to 5 years | 5 years and above |
|--|-----------------|------------------|----------------------|-------------------|
| ----- Rupees in '000 ----- | | | | |
| June 30, 2013 | | | | |
| Liabilities against assets subject to finance lease | 1,260 | 1,149 | 111 | - |
| Long term deposits | 9,611 | - | - | 9,611 |
| Trade and other payable | 414,732 | 414,732 | - | - |
| Accrued mark-up | 13,776 | 13,776 | - | - |
| Short term finances | 134,592 | 134,592 | - | - |
| Running finances under mark-up arrangements | 179,419 | 179,419 | - | - |
| | 753,390 | 743,668 | 111 | 9,611 |
| | Carrying amount | Less than 1 year | Between 1 to 5 years | 5 years and above |
| ----- Rupees in '000 ----- | | | | |
| June 30, 2012 | | | | |
| Long term financing | 77,778 | 77,778 | - | - |
| Liabilities against assets subject to finance lease | 7,840 | 6,725 | 1,115 | - |
| Long term deposits | 9,611 | - | - | 9,611 |
| Trade and other payable | 306,522 | 306,522 | - | - |
| Accrued mark-up | 21,043 | 21,043 | - | - |
| Short term finances | 406,131 | 406,131 | - | - |
| Running finances under mark-up arrangements | 150,738 | 150,738 | - | - |
| | 979,663 | 968,937 | 1,115 | 9,611 |

40.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures with acceptable parameters, while optimising the return.

(a) Currency risk

Currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on import of raw materials, stores & spares and commission income denominated in U.S. Dollar, Japanese Yen and Chinese Yuan Renminbi (RMB). The Company's exposure to foreign currency risk at the reporting date is as follows:

| | Rupees | Yen | U.S.\$ | RMB |
|-----------------------|----------------|---------------------|---------------|--------------|
| | in '000 | | | |
| June 30, 2013 | | | | |
| Bills payables | 256,796 | 105,682 | 60 | 8,962 |
| | | Rupees | Yen | U.S.\$ |
| | | ----- in '000 ----- | | |
| June 30, 2012 | | | | |
| Bills payables | | 129,971 | 52,767 | 715 |
| Commission receivable | | (3,409) | (2,879) | - |
| Net exposure | | <u>126,562</u> | <u>49,888</u> | <u>715</u> |

The following significant exchange rates have been applied:

| | <u>Balance sheet date rate</u> | |
|------------------|--------------------------------|---------------|
| | 2013 | 2012 |
| Yen to Rupee | 0.9994 / 0.9974 | 1.184 / 1.187 |
| U.S. \$ to Rupee | 98.8 / 98.6 | 94.0 / 94.2 |
| RMB to Rupees | 16.20 | - |

Sensitivity analysis

At the reporting date, if Rupee had strengthened by 5% against U.S. Dollar, Yen and RMB with all other variables held constant, profit before taxation for the year would have been higher by the amount shown below mainly as a result of net foreign exchange loss on translation of financial liabilities.

| | 2013 | 2012 |
|--------------------------------------|------------------------|--------------|
| | --- Rupees in '000 --- | |
| Effect on profit for the year | | |
| Yen to Rupee | 5,281 | 2,961 |
| U.S. \$ to Rupee | 296 | 3,368 |
| RMB to Rupee | 7,259 | - |
| | <u>12,836</u> | <u>6,329</u> |

(b) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

Majority of the interest rate risk of the Company arises from short & long term borrowings from banks and balance held in deposit account. At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

2013 2012
 --- Rupees in '000 ---

Financial asset - fixed rate instruments

| | | |
|--|----------------|----------------|
| Bank balance | <u>9,917</u> | <u>9,762</u> |
| Financial Liabilities - variable rate instruments | | |
| Long term financing | - | 77,778 |
| Liabilities against assets subject to finance lease | 1,260 | 7,840 |
| Short term finances | 134,592 | 406,131 |
| Running finances under mark-up arrangements | 179,419 | 150,738 |
| | <u>315,271</u> | <u>642,487</u> |

Sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect materially loss for the year.

Sensitivity analysis for variable rate instruments

A change of 100 basis point in interest rates at the reporting date would have (decreased) / increased profit for the year by the amounts shown below. This analysis assumed that all other variables, in particular foreign currency rates remain constant. The analysis is performed on the same basis for 2012.

| | Increase | (Decrease) |
|--|--------------------|----------------|
| | — Rupees in '000 — | |
| Cash flow sensitivity - variable rate financial liabilities | | |
| As at June 30, 2013 | <u>3,153</u> | <u>(3,153)</u> |
| As at June 30, 2012 | <u>6,425</u> | <u>(6,425)</u> |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Company.

(c) Other price risk

Price risk is the risk that fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk). Whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at June 30, 2013 / 2012 the Company did not have any material financial instruments dependent on market prices.

40.4 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.

As at June 30, 2013 the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except investment in an Associated Company which is valued under equity method of accounting. Further, staff loans are valued at their original cost less repayments.

41. CAPITAL RISK MANAGEMENT

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares. There was no change to the Company's approach to capital management during the year.

42. OPERATING SEGMENTS

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

- (a) All non-current assets of the Company at June 30, 2013 are located in Pakistan.
- (b) All of the Company's sales relate to customers in Pakistan.
- (c) The Company does not have any customer having sale of ten percent or more during the year ended June 30, 2013.

43. NUMBER OF EMPLOYEES

| | 2013 | 2012 |
|---|------|------|
| Number of employees as at June 30, | | |
| - Permanent | 223 | 245 |
| - Contractual | 381 | 541 |
| Average number of employees during the year | | |
| - Permanent | 232 | 257 |
| - Contractual | 375 | 378 |

44. DISCLOSURE RELATING TO PROVIDENT FUND

2013 2012
— Rupees in '000 —

44.1 The Company operates a recognised Provident Fund (the Fund) for its permanent employees.

| | | |
|---|------------|------------|
| (i) Size of the Fund - total assets | 55,065,666 | 47,877,478 |
| (ii) Cost of investments made / balance with bank | 51,666,667 | 45,334,569 |
| (iii) Percentage of investments made | 93.83% | 94.69% |
| (iv) Fair value of investments | 55,729,817 | 45,960,647 |

44.2 Break-up of the investments is as follows:

| | 2013 — Percentage — | 2012 | 2013 — Rupees in '000 — | 2012 |
|-----------------------------------|------------------------|-------|----------------------------|------------|
| Term deposits | - | 20.89 | - | 10,000,000 |
| Government securities | 77.12 | 28.86 | 42,464,833 | 13,819,066 |
| National Investment Trust - units | 14.06 | 14.47 | 7,741,372 | 6,926,778 |
| | | | 50,206,205 | 30,745,844 |
| Balance with bank | 2.65 | 30.47 | 1,460,462 | 14,588,725 |
| | 93.83 | 94.69 | 51,666,667 | 45,334,569 |

44.3 The figures for year ended June 30, 2013 are based on un-audited financial statements of the Fund. Investment out 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.

45. DATE OF AUTHORISATION FOR ISSUE

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

46. CORRESPONDING FIGURES

Previous year figures have been re-arranged and / or re-classified, whenever necessary, for the purpose of comparison in the financial statements. For the purpose of better presentation re-classifications made in these financial statements were as follows:

| Re-classification from component | Re-classification to component | Note | Rupees in '000 |
|----------------------------------|--------------------------------|------|----------------|
|----------------------------------|--------------------------------|------|----------------|

Balance sheet

| | | | |
|----------------------|-------------------|----|--------|
| Deferred liabilities | Staff benefits | 20 | 89,198 |
| | Deferred taxation | 21 | 7,973 |

Chief Executive

Director

Statement of Compliance with Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in the listing regulations of Karachi and Islamabad Stock exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

| Category | Names |
|-----------------------------|---|
| Executive Directors (2) | Mr. Ahmed Kuli Khan Khattak Mr. Jamil A. Shah |
| Non Executive Directors (6) | Mr. Raza Kuli Khan Khattak Lt. Gen. (Retd.) Ali Kuli Khan Khattak Mr. Mushtaq Ahmed Khan (FCA) Ch. Sher Muhammad Syed Haroon Rashid Mr. Larbi Hbil |
| Independent Director (1) | Mr. Mohammad Zia |

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

Mr. Ahmed Kuli Khan Khattak
Mr. Raza Kuli Khan Khattak
Lt. Gen.(Retd.) Ali Kuli Khan Khattak

The above directors have resigned from one of the listed company subsequent to the balance sheet date.

3 All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution (DFI) or a Non-Banking Finance Institution (NBFI) or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4 No casual vacancy has occurred during the period under the review.

5 The Company has prepared a code of conduct and have ensured that appropriate steps have been taken to disseminate it throughout the Company along with the 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 powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non executive directors have been taken by the Board/Shareholders.

8 The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

- 9 Most of the directors of the Company have more than 14 years of education and 15 years of experience on the board of directors of listed companies.
- 10 The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
- 11 The directors' report for this year has been prepared in compliance with the requirements of the 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 the CEO and the 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 and all of them are non-executive directors.
- 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 Human Resource and Remuneration Committee. It comprises four members of whom three are non-executive directors and the chairman of the Committee is a non-executive director.
- 18 The Board has set up an effective Internal Audit Function.

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- 19 The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on Code of Ethics as adopted by the ICAP.
 - 20 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 - 21 The 'Closed Period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
 - 22 Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
 - 23 We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

For and on behalf of the Board of Directors

Karachi
September 30, 2013

Ahmed Kuli Khan Khattak
Chief Executive Officer

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Ghandhara Nissan Limited** to comply with the Listing Regulations of Karachi and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company'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 Islamabad 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.

As more fully explained in paragraph 2 of Statement of Compliance which describes the status in respect of maximum directorships held by certain directors in listed companies. The directors of the Company have complied with this requirement subsequent to the year end by resigning from one of the listed company.

Based on our review, with exception of the matter described in the preceding paragraph, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Osman Hameed Chaudhri

KARACHI; September 30, 2013

MUNIFF ZIAUDDIN & CO.,
CHARTERED ACCOUNTANTS
Mohammad Moin Khan

KARACHI; September 30, 2013

Key Operating and Financial Data

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Key Operating and Financial Data

(Rs. In '000')

| Particulars | Jun-13 | Jun-12 | Jun-11 | Jun-10 | Jun-09 | Jun-08 | Jun-07 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Sales | 1,852,238 | 1,388,002 | 2,650,068 | 2,402,617 | 2,053,959 | 3,708,889 | 2,894,826 |
| Gross profit / (Loss) | 225,865 | 130,578 | 252,273 | 119,379 | 5,328 | 521,838 | 496,688 |
| Profit/(Loss) before tax | 45,919 | (97,683) | (15,493) | (123,607) | (484,724) | 279,892 | 285,918 |
| Profit/(Loss) after tax | 38,385 | (85,968) | 7,097 | (88,893) | (312,159) | 178,157 | 187,231 |
| Share Capital | 450,025 | 450,025 | 450,025 | 450,025 | 450,025 | 450,025 | 450,025 |
| Shareholders equity | 659,550 | 599,018 | 662,792 | 633,201 | 698,250 | 1,009,328 | 747,940 |
| Fixed Assets - Net | 1,326,266 | 1,382,880 | 1,441,626 | 1,496,609 | 1,535,112 | 922,501 | 952,316 |
| Total Assets | 2,547,105 | 2,740,106 | 3,096,033 | 3,360,482 | 3,392,096 | 3,101,317 | 2,398,619 |
| Unit Produced and Supplied (Contract Assembly) | 1,568 | 1,379 | 1,326 | 1,705 | 2,020 | 2,591 | 2,838 |
| Units Produced | 214 | 236 | 469 | 659 | 801 | 980 | 860 |
| Units Imported (CBU) | 9 | 12 | 7 | 8 | 100 | 416 | 227 |
| Units Sold | 226 | 230 | 602 | 766 | 706 | 1,572 | 1,312 |
| Dividend - Cash | - | - | - | - | - | - | - |
| Dividend - Bonus | - | - | - | - | - | - | - |
| Dividend - Bonus | - | - | - | - | - | - | - |
| Ratios | | | | | | | |
| Profitability | | | | | | | |
| Gross profit margin | 12.2% | 9.4% | 9.52% | 4.97% | 0.26% | 14.06% | 17.16% |
| Profit/(Loss) before tax | 2.5% | (7.04%) | 0.58% | 5.14% | (24%) | 7.55% | 9.88% |
| Profit/(Loss) after tax | 2.1% | (6.19%) | 0.27% | 3.70% | (15%) | 4.80% | 6.47% |
| Return to shareholders: | | | | | | | |
| Return/(Loss) on Equity (BT) | 7.0% | (16.31%) | (2.34%) | (19.52%) | (69.37%) | 27.73% | 38.23% |
| Return/(Loss) on Equity (AT) | 5.8% | (14.35%) | 1.07% | (14.04%) | (44.70%) | 17.65% | 25.03% |
| Earning/(Loss) per share (BT)-Rs. | 1.02 | (2.17) | (0.34) | (2.75) | (10.76) | 6.22 | 6.35 |
| Earning/(Loss) per share (AT)- Rs. | 0.85 | (1.91) | 0.16 | (1.98) | (6.94) | 3.96 | 4.16 |
| Basic Earning Per Share | 0.85 | (1.91) | 0.16 | (1.98) | (6.94) | 3.96 | 4.16 |
| Activity: | | | | | | | |
| Sales to total assets - Times | 0.73 | 0.51 | 0.86 | 0.71 | 0.61 | 1.20 | 1.21 |
| Sales to fixed assets -Times | 1.40 | 1.00 | 1.84 | 1.61 | 1.34 | 4.02 | 3.04 |
| Liquidity: | | | | | | | |
| Current ratio -Times | 1.03 | 0.95 | 1.04 | 1.09 | 1.06 | 1.33 | 1.36 |
| Break-up value per share- Rs. | 14.65 | 13.31 | 14.73 | 14.07 | 15.52 | 22.43 | 16.62 |

**Pattern of Shareholding
As at 30th June 2013**

| No. of Shareholders | Having Shares | | Shares Held | Percentage |
|---------------------|---------------|------------|-------------------|------------|
| | From | To | | |
| 704 | 1 | 100 | 24,732 | 0.0550 |
| 959 | 101 | 500 | 409,352 | 0.9096 |
| 259 | 501 | 1,000 | 225,369 | 0.5008 |
| 405 | 1,001 | 5,000 | 1,121,459 | 2.4920 |
| 104 | 5,001 | 10,000 | 819,129 | 1.8202 |
| 32 | 10,001 | 15,000 | 398,248 | 0.8849 |
| 35 | 15,001 | 20,000 | 649,284 | 1.4428 |
| 17 | 20,001 | 25,000 | 387,327 | 0.8607 |
| 7 | 25,001 | 30,000 | 198,527 | 0.4411 |
| 9 | 30,001 | 35,000 | 292,361 | 0.6497 |
| 7 | 35,001 | 40,000 | 256,837 | 0.5707 |
| 1 | 40,001 | 45,000 | 45,000 | 0.1000 |
| 9 | 45,001 | 50,000 | 445,000 | 0.9888 |
| 4 | 50,001 | 55,000 | 206,218 | 0.4582 |
| 6 | 55,001 | 60,000 | 356,584 | 0.7924 |
| 3 | 60,001 | 65,000 | 188,612 | 0.4191 |
| 2 | 65,001 | 70,000 | 137,000 | 0.3044 |
| 2 | 70,001 | 75,000 | 149,412 | 0.3320 |
| 1 | 75,001 | 80,000 | 75,500 | 0.1678 |
| 2 | 85,001 | 90,000 | 180,000 | 0.4000 |
| 1 | 90,001 | 95,000 | 94,500 | 0.2100 |
| 2 | 95,001 | 100,000 | 200,000 | 0.4444 |
| 1 | 115,001 | 120,000 | 116,000 | 0.2578 |
| 1 | 140,001 | 145,000 | 145,000 | 0.3222 |
| 4 | 145,001 | 150,000 | 596,000 | 1.3244 |
| 1 | 150,001 | 155,000 | 151,000 | 0.3355 |
| 1 | 205,001 | 210,000 | 210,000 | 0.4666 |
| 1 | 245,001 | 250,000 | 245,813 | 0.5462 |
| 1 | 275,001 | 280,000 | 276,000 | 0.6133 |
| 1 | 305,001 | 310,000 | 305,500 | 0.6789 |
| 1 | 410,001 | 415,000 | 410,500 | 0.9122 |
| 1 | 1,310,001 | 1,315,000 | 1,314,000 | 2.9198 |
| 1 | 2,685,001 | 2,690,000 | 2,688,711 | 5.9746 |
| 1 | 3,645,001 | 3,650,000 | 3,647,090 | 8.1042 |
| 1 | 5,115,001 | 5,120,000 | 5,119,820 | 11.3768 |
| 1 | 22,915,001 | 22,920,000 | 22,916,597 | 50.9230 |
| 2,588 | | | 45,002,482 | 100 |

Categories of Shareholders

| Particulars | Shareholders | Shareholding | Percentage |
|---------------------------|--------------|-------------------|-----------------|
| Directors, CEO & Children | 8 | 204,833 | 0.4552 |
| Associated Companies | 3 | 31,698,507 | 70.4372 |
| NIT & ICP | 2 | 2,694,461 | 5.9874 |
| Banks, DFI & NBFI | 2 | 71,391 | 0.1586 |
| Insurance Companies | 1 | 17,800 | 0.0396 |
| Modarabas & Mutual Funds | 1 | 5,312 | 0.0118 |
| General Public (Local) | 2,379 | 9,460,591 | 21.0224 |
| General Public (Foreign) | 170 | 447,968 | 0.9954 |
| Others | 22 | 401,619 | 0.8924 |
| | 2,588 | 45,002,482 | 100.0000 |

Shares Held By**No. of Shares****Associated Companies, Undertakings & Related Parties**

| | |
|--|------------|
| Bibojee Services (Pvt.) Ltd. | 28,046,417 |
| The Universal Insurance Company Ltd. | 5,000 |
| UD Trucks Corporation Japan (Formerly Nissan Diesel Motor Co. Ltd. - Japan) | 3,647,090 |

NIT & ICP

| | |
|--|-----------|
| National Bank Of Pakistan, Trustee Department NI (U)T Fund | 2,688,711 |
| Investment Corporation Of Pakistan | 5,750 |

Directors, CEO, their Spouses & Minor Children

| | |
|--|--------|
| Mr. Raza Kuli Khan Khattak | 62,569 |
| Lt. Gen. (Retd.) Ali Kuli Khan Khattak | 60,070 |
| Mr. Ahmed Kuli Khan Khattak | 69,565 |
| Mr. Mushtaq Ahmed Khan | 3,805 |
| Mr. Muhammad Zia | 512 |
| Choudhry Sher Mohammad | 6,812 |
| Mr. Jamil Ahmed Shah | 1,000 |
| Mr. Larbi Hbil. | 500 |

Banks, Development Financial Institutions, Non-Banking Financial Institutions, Modarabas & Mutual funds etc.

| | |
|---|--------|
| National Bank Of Pakistan | 36,891 |
| The Bank Of Punjab | 34,500 |
| Gulf Insurance Company Ltd. | 17,800 |
| The Pakistan Fund | 5,312 |
| Azeem Services (Pvt.) Ltd. | 100 |
| Sardar Mohammad Ashraf D Baluch (Pvt.) Ltd. | 1,000 |
| Trustees Moosa Lawai Foundation | 500 |
| Trustees Saeedaamin Wake | 50,000 |
| Trustees Mohamad Amin Wakf Estate | 50,000 |
| Loads Ltd. | 315 |
| Uni Pak Securities (Pvt) Ltd. | 500 |
| Sarfraz Mahmood (Pvt.) Ltd | 280 |
| Highlinkcapital (Pvt.) Ltd. | 1,500 |
| Bawa Securities (Pvt.) Ltd. | 5,000 |
| Capital Vision Securities (Pvt.) Ltd. | 25,000 |
| Stock Master Securities (Pvt.) Ltd. | 103 |

| | |
|--|-------------------|
| Darson Securities (Pvt.) Ltd. | 5,501 |
| Mohammad Munir Mohammad Ahmed Khanani Securities (Pvt.) Ltd. | 2,000 |
| Trustee National Bank of Pakistan Employees Pension Fund | 245,813 |
| Trustee National Bank of Pakistan Emp Benevolent Fund Trust | 8,625 |
| Excell Securities (Private) Limited | 1,000 |
| Fikree's (SMC-PVT) Ltd. | 3,500 |
| Wasi Securities (Pvt.) Ltd. | 32 |
| Ismail Abdul Shakoor Securities (Pvt.) Ltd. | 300 |
| Pearl Capital Management (Pvt.) Ltd. | 50 |
| Mazhar Hussain Securities (Pvt.) Ltd. | 500 |
| Others | 9,908,559 |
| | 45,002,482 |

**Shareholders holding 10% or more
Voting interest in the Company**

| | Shares held | Percentage |
|------------------------------|--------------------|-------------------|
| Bibojee Services (Pvt.) Ltd. | 28,046,417 | 62.32 |

Form of Proxy

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I / We _____

Of _____ being

a member(s) of **Ghandhara Nissan Limited** and holder of _____

Ordinary Shares as per Registered Folio No./CDC Participant's ID and Account No.

_____ hereby appoint _____

of _____

or failing him/her _____ of

_____ who is

also member of **Ghandhara Nissan Limited** vide Registered Folio No./CDC Participant's ID

and Account No. _____ as may/our proxy to vote for me/us and on my/our behalf at

the 31st Annual General Meeting of the Company to be held on Wednesday, the 30th October

2013 at 12:30 p.m. and any adjournment thereof.

Signed this _____ day of _____ 2013.



Signature _____

Witness: _____

Name with _____

NIC No.: _____

Witness: _____

Name with _____

NIC No.: _____

Address: _____

Address: _____

IMPORTANT:

1. This form of Proxy duly completed must be deposited at the Company's Registered office Ghandhara House, 109/2, Clifton, Karachi not later than 48 hours before the time of holding the meeting.
2. A Proxy should also be a member of the Company.
3. CDC Shareholders and their Proxies must each attach an attested photocopy of their National Identity Card or Passport with this Proxy Form.