

ANNUAL REPORT 2014



GHANDHARA NISSAN LIMITED

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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

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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

Chairman
President
Chief Executive Officer

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. (R) Ali Kuli Khan Khattak	- Member
- Ch. Sher Muhammad	- Member
- Mr. Jamil A. Shah	- Member

Human Resource & Remuneration Committee

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 32nd Annual General Meeting of the Shareholders of Ghandhara Nissan Limited will be held on Tuesday, 28th October 2014 at 10:30 A.M., at Ghandhara House 109/2, Clifton, Karachi, to transact the following business:

Ordinary Business:

- To confirm the minutes of the 31st Annual General Meeting held on 30th October, 2013.
- To receive, consider and approve the Audited Accounts of the Company for the year ended 30th June, 2014 together with Directors' and Auditors' Reports thereon.
- To consider and approve the payment of final Cash Dividend. The Board of Directors has recommended payment of final Cash Dividend of Rs.2/- per share (20%) for the year ended 30th June, 2014.
- To appoint Auditors for the year ending 30th June, 2015 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:

- To amend Article 86 of the Articles of Association of the Company to enhance the Directors' meeting fee from Rs.10,000/- to Rs.25,000/- and pass the following special resolution:-

"Resolved that Directors' meeting fee be and is hereby enhanced from Rs.10,000/- to Rs.25,000/-.

Further resolved that Article 86 of the Articles of Association of the Company be and is hereby amended to substitute the figure 'Rs.10,000/-' by the figure 'Rs.25,000/-' "

A statement U/S 160(1)(b) of the Companies Ordinance, 1984 is annexed.

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

Karachi:
3rd October, 2014

By Order of the Board
AQIEL AMJAD GHANI
(COMPANY SECRETARY)

NOTES:

1. The Share Transfer Books of the Company will remain closed from 24th October, 2014 to 30th October, 2014 (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 Gandhara 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 should quote their Folio Number in all correspondence and at the time of attending the Meeting.
6. Securities and Exchange Commission of Pakistan (SECP) vide notifications dated August 18, 2011 and July 05, 2012 made it mandatory that dividend warrants should bear CNIC number of the registered members, therefore, members who have not yet submitted photocopy of their valid Computerized National Identity Cards to the Company are requested to send the same at the earliest to enable the Company to comply with relevant laws. Failure to provide the same would constrain the Company to withhold dispatch of dividend warrants.

7. As directed by SECP vide Circular No. 18 of 2012 dated August 18, 2012, we have already given opportunity to shareholders to authorize the Company to directly credit in his/their bank account with cash dividend, if any, declared by the Company in future. If you still wish that the cash dividend, if declared by the Company be directly credited into your bank account, instead of issuing a dividend warrant, please provide the relevant details.
8. Shareholders are informed that Income Tax Ordinance 2001, as amended by Finance Act, 2014, has prescribed 15% withholding tax on dividend payment to non filers while filers of income tax returns will be liable to withholding tax @10%. Shareholders are advised to provide their NTN to Share Registrars of the Company for availing the benefit of withholding tax rate applicable to filers.
9. 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

The Board of Directors in their meeting held on 24th September, 2014 proposed to enhance Directors' Meeting Fee from Rs.10,000/- to Rs.25,000/-. The meeting fee was last revised on 31st October, 2008.

It is therefore proposed to amend Article-86 of the Articles of Association of the Company to substitute the figure "Rs.10,000/-" by the figure "Rs.25,000/-"

Shareholders' approval is being sought to give effect to the proposed change, and it is proposed to pass the following Special Resolution:-

"Resolved that Directors' Meeting Fee be and is hereby enhanced from Rs.10,000/- to Rs.25,000/-.

Further, resolved that Article-86 of the Articles of Association of the Company be amended to substitute the figure 'Rs.10,000/-' by the figure 'Rs.25,000/-'."

CHAIRMAN'S REVIEW

ANNUAL
REPORT

I am grateful to Almighty Allah for the very encouraging results of your company for the year ended 30th June, 2014.

Your Company has made a remarkable recovery and has attained an after tax profit of Rs.173.93 million as against after tax profit of Rs.10.23 million last year.

Company's Performance

The Company sold 380 units of UD trucks as compared to 226 units last year. Moreover 52 units of Dongfeng vehicles were sold in commercial market which were imported in CBU condition. During the year under review the contract assembly of 1628 units was undertaken as against 1,568 units last year.

Future Outlook

Dongfeng CKD operations are commenced by Ghandhara DF (Pvt.) Ltd., a wholly owned subsidiary of Ghandhara Nissan Ltd., and it will be in full swing henceforth. Keeping in view the encouraging response from the market, Dongfeng vehicles will yield substantial revenues to your company in days ahead.

I am pleased to state that in addition to normal business, received firm order for the sale of 500 UD Trucks. This will have a positive impact on the profitability of the company.

Acknowledgement

On behalf of Board of Directors and on my own behalf, I would like 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 my appreciation for the sincere efforts of the workers, staff and executives of the Company.

I would also like to record our gratitude to our bankers for their cooperation and understanding shown to us and we look forward to mutual beneficial business relationships.

Karachi

Dated: 24th September, 2014.

RazaKuli Khan Khattak

Chairman Board of Directors

DIRECTORS' REPORT

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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 2014.

Financial Results

The financial results for the year ended 30th June 2014 are summarized below. The figures for the year 2013 have been Re-stated, in compliance with IAS-19 (revised), IAS-27 and IAS-28.

	<u>2014</u>	<u>Re-stated</u> <u>2013</u>
	(Rupees in thousands)	
Profit before taxation	269,695	17,693
Taxation		
Current	(44,984)	(9,314)
Prior year	64	192
Deferred	(50,845)	1,663
	(95,765)	(7,459)
Profit after taxation	173,930	10,234
Other comprehensive Income	(2,436)	(3,282)
Total comprehensive Income	171,494	6,952
Accumulated profit		
Brought forward	142,819	115,069
Incremental depreciation	20,062	20,798
	162,881	135,867
Accumulated profit		
Carried forward	334,375	142,819
Earnings Per Share	3.86	0.23

The Board of Directors have proposed a final cash dividend of 20% at Rs.2/- per share.

Operating Results

The company earned a profit after tax of Rs.173.93 million, as against a profit after tax of Rs.10.23 million in corresponding year.

This was possible due to increase in sales volume of UD vehicles, sale of Dongfeng vehicles in CBU condition, favorable exchange rate movement and reduced finance cost.

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 2014 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;
- **Subsidiary Company:-** The company has formed a wholly owned subsidiary by the name of Ghandhara DF (Pvt.) Limited (GDFPL). The purpose of establishing the company is to exclusively undertake the CKD business of Dongfeng vehicles. During the year Company has made investment of Rs.59.99 million in the equity of GDFPL.
- The value of investments made by the staff retirement funds as per their respective audited accounts are given below:

	Value of investment	Year ended
Provident Fund	Rs.50.30 million	June 30, 2013

- 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 2013-14, four Board meetings were held. Attendance by each Director is as follows:

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

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

Mr. LarbiHbil could not attend the Board meetings because of security reasons. Mr. Mushtaq Ahmed Khan could not attend on medical grounds.

Meetings of Audit Committee

During the year 2013-14, four Audit Committee meetings were held. Attendance by each member is as follows:

S.No.	Name of Director	No. of Meetings Attended
1.	Lt.Gen (Retd.) Ali Kuli Khan Khattak	3
2.	Chaudhry Sher Muhammad	4
3.	Mr. Jamil A. Shah	4
4.	Mr. Muhammad Zia	3

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

Human Resource and Remuneration Committee

The Human Resource and Remuneration Committee of the Company met in April 2014. The existing company policies related to Human Resource were provided to the members.

Holding Company

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

Volvo has globally acquired UD operations.

Pattern of Shareholding

The pattern of shareholding as on 30th June 2014 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. The Board of Directors recommends their appointment.

Karachi:
24th September, 2014

For and on behalf of the Board of Directors
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, 2014 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 conduct 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 except for the changes as stated in note 5 with which we concur;
 - (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, 2014 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 ; 24th September 2014

**MUNIFF ZIAUDDIN & CO.,
CHARTERED ACCOUNTANTS**

Mohammad Moin Khan
Karachi ; 24th September 2014

**BALANCE SHEET
AS AT JUNE 30, 2014**

Re-stated
July 1,
2012

ASSETS	Note	2014	Re-stated 2013	Re-stated July 1, 2012
		Rupees in '000		
Non current assets				
Property, plant and equipment	6	1,764,038	1,326,108	1,382,669
Intangible assets	7	118	158	211
Long term investments	8	152,630	92,635	92,635
Long term loans	9	4,864	1,223	-
Long term deposits	10	8,031	6,709	7,726
		1,929,681	1,426,833	1,483,241
Current assets				
Stores, spares and loose tools	11	44,055	32,268	35,990
Stock-in-trade	12	692,474	295,470	565,196
Trade debts	13	395,583	305,183	246,889
Loans and advances	14	25,541	17,214	13,934
Deposits and prepayments	15	15,721	14,673	10,215
Other receivables	16	49,211	24,751	37,748
Short term investment	17	38,000	-	-
Taxation - net		96,070	48,630	11,894
Bank balances	18	148,618	52,528	33,452
		1,505,273	790,717	955,318
Total assets		3,434,954	2,217,550	2,438,559
EQUITY AND LIABILITIES				
Share capital and reserves				
Share capital	19	450,025	450,025	450,025
Share premium		40,000	40,000	40,000
Unappropriated profit		334,375	142,819	115,069
Total equity		824,400	632,844	605,094
Surplus on revaluation of fixed assets	20	1,054,188	713,289	728,008
Liabilities				
Non current liabilities				
Liabilities against assets subject to finance lease	21	13,006	111	1,115
Long term deposits	22	9,611	9,611	9,611
Staff benefits	23	94,795	88,756	81,936
Deferred taxation	24	158,039	1,010	10,442
		275,451	99,488	103,104
Current liabilities				
Trade and other payables	25	768,840	442,993	339,938
Accrued mark-up	26	5,178	13,776	21,043
Short term finances	27	448,861	134,592	406,131
Running finances under mark-up arrangements	28	54,380	179,419	150,738
Current portion of long term financing		-	-	77,778
Current portion of liabilities against assets subject to finance lease	21	3,656	1,149	6,725
		1,280,915	771,929	1,002,353
Total liabilities		1,556,366	871,417	1,105,457
Contingencies and commitments	29			
Total equity and liabilities		3,434,954	2,217,550	2,438,559

The annexed notes from 1 to 48 form an integral part of these financial statements.

Ahmed Kuli Khan Khattak
Chief Executive

Jamil A. Shah
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014 --- Rupees in '000 ---	Re-stated 2013
Revenue	30	2,619,910	1,852,238
Cost of sales	31	(2,148,821)	(1,626,438)
Gross profit		471,089	225,800
Distribution cost	32	(19,318)	(18,562)
Administrative expenses	33	(124,565)	(117,986)
Other income	34	12,695	10,347
Other expenses	35	(19,988)	(1,328)
Profit from operations		319,913	98,271
Finance cost	36	(50,218)	(80,578)
Profit before taxation		269,695	17,693
Taxation	37	(95,765)	(7,459)
Profit after taxation		173,930	10,234
Other comprehensive income			
Items that will not be reclassified to Profit or Loss			
Loss on re-measurement of staff retirement benefit obligation		(3,636)	(4,972)
Impact of deferred tax		1,200	1,690
		(2,436)	(3,282)
Total comprehensive income		171,494	6,952
----- Rupees -----			
Earnings per share - basic and diluted	38	3.86	0.23

The annexed notes from 1 to 48 form an integral part of these financial statements.

Ahmed Kuli Khan Khattak
Chief Executive

Jamil A. Shah
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014**

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2014

Re-sated
2013
--- Rupees in '000 ---

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	269,695	17,693
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	54,580	58,222
Interest income	(2,183)	(1,125)
Finance cost	40,235	77,354
Gain on disposal of property, plant and equipment	(568)	(1,046)
Exchange loss	5,733	1,650
Provision for gratuity	10,482	9,963
Payable balances written back	-	(3,942)
Operating profit before working capital changes	377,974	158,769
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(11,787)	3,722
Stock-in-trade	(397,004)	269,726
Trade debts	(90,400)	(58,294)
Loans and advances	(8,327)	(4,503)
Deposit and prepayments	(1,048)	(1,387)
Other receivables	(23,727)	9,926
	(532,293)	219,190
Increase in trade and other payables	320,114	105,346
Cash generated from operations	165,795	483,305
Gratuity and compensated absences paid	(8,079)	(8,114)
Long term loans	(3,641)	-
Finance cost paid	(48,833)	(84,621)
Taxes paid	(92,360)	(45,858)
Net cash generated from operating activities	12,882	344,712
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(7,859)	(2,414)
Proceeds from disposal of property, plant and equipment	1,483	1,852
Interest income received	1,450	1,125
Investment made in subsidiary	(59,995)	-
Short term investment	(38,000)	-
Long term deposits - net	(1,322)	1,017
Net cash (used in) / generated from investing activities	(104,243)	1,580
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - repaid	-	(77,778)
Lease finances - net	(1,779)	(6,580)
Short term finances - net	314,269	(271,539)
Running finances - net	(125,039)	28,681
Net cash generated from / (used in) financing activities	187,451	(327,216)
Net increase in cash and cash equivalents	96,090	19,076
Cash and cash equivalents - at beginning of the year	52,528	33,452
Cash and cash equivalents - at end of the year	148,618	52,528

The annexed notes from 1 to 48 form an integral part of these financial statements.

Ahmed Kuli Khan Khattak
Chief Executive

Jamil A. Shah
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Share capital	Share premium	Item credited directly in equity by an Associate	Unappropriated profit	Total
	----- Rupees in '000 -----				
Balance as at July 1, 2012					
- as previously reported	450,025	40,000	59,767	49,226	599,018
Effect of retrospective application of changes in accounting policies - note 5 (net of tax)	-	-	(59,767)	65,843	6,076
Balance as at July 1, 2012					
- as re-stated	450,025	40,000	-	115,069	605,094
Total comprehensive income for the year ended June 30, 2013					
Profit for the year	-	-	-	10,234	10,234
Other comprehensive loss	-	-	-	(3,282)	(3,282)
	-	-	-	6,952	6,952
Surplus on revaluation of fixed assets realised during the year (net of deferred taxation) on account of incremental depreciation	-	-	-	20,798	20,798
Balance as at June 30, 2013					
- as re-stated	450,025	40,000	-	142,819	632,844
Total comprehensive income for the year ended June 30, 2014					
Profit for the year	-	-	-	173,930	173,930
Other comprehensive loss	-	-	-	(2,436)	(2,436)
	-	-	-	171,494	171,494
Surplus on revaluation of fixed assets realised during the year (net of deferred taxation) on account of incremental depreciation	-	-	-	20,062	20,062
Balance as at June 30, 2014	450,025	40,000	-	334,375	824,400

The annexed notes from 1 to 48 form an integral part of these financial statements.

Ahmed Kuli Khan Khattak
Chief Executive

Jamil A. Shah
Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

ANNUAL

1. THE COMPANY AND ITS OPERATIONS

Gandhara 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 Gandhara 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 New and amended standards and interpretations

2.3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

- (a) The amendments to the following standards have been adopted by the Company for the first time for the financial year beginning on July 1, 2013:

Amendment to IAS 1, 'Financial statement presentation' regarding disclosure requirements for comparative information. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as at the beginning of the preceding period if it applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the balance sheet at the beginning of the preceding period, i.e. the opening position. No notes are required to support this balance sheet.

- (b) IAS 19, 'Employee benefits' was revised in June 2011. Revised standard eliminates the corridor approach and calculates finance costs on a net funding basis. IAS 19 (Revised) amends the accounting for the Company's defined benefit plan. The Company has applied this standard retrospectively and its impact on the Company's financial statements has been explained in note 5.1.

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

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the accounting periods beginning on July 1, 2013 are considered not to be relevant or to have any significant effect on the Company's financial reporting and are, therefore, not detailed in these financial statements.

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

The following amendments to published standards are not effective (although available for early adoption) for the financial year beginning on July 1, 2013 and have not been early adopted by the Company:

- (a) Annual improvements 2012 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2010-2012 cycle of annual improvements project that affect seven standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment', IAS 24, 'Related party disclosures' and IAS 38, 'Intangible assets'. The Company does not expect to have material impact on its financial statements due to application of these amendments.
- (b) Annual improvements 2013 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2011-2013 cycle of annual improvements project that affect four standards: IFRS 1, 'First time adoption of International Financial Reporting Standards', IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'. These amendments do not have any impact on Company's financial statements.
- (c) IAS 32 (Amendment), 'Financial Instruments: presentation', is applicable on accounting periods beginning on or after January 1, 2014. This amendment updates the application guidance in IAS 32, 'Financial Instruments: presentations', to clarify some of the requirements for offsetting financial assets and financial liabilities on the reporting date. The Company shall apply this amendment from July 1, 2014 and does not expect to have a material impact on its financial statements.
- (d) IAS 36 (Amendment), 'Impairment of assets', is applicable on accounting periods beginning on or after January 1, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Company shall apply this amendment from July 1, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

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 benefit which has 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:

- (i) Estimate of useful lives and residual values of property, plant & equipment and intangible assets (notes 4.1 and 4.2)
- (ii) Net realisable values of stores, spares & loose tools and stock-in-trade (note 4.5)
- (iii) Provision for staff benefits (note 4.10)
- (iv) Provision for taxation (note 4.12)

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as stated in note 5.

4.1 Property, plant and equipment

4.1.1 Operating fixed assets

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 operating fixed assets other than freehold land is charged to income applying the reducing balance method at the rates stated in note 6.1. Depreciation on additions to operating fixed assets 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 operating fixed assets 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 operating fixed assets 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.

4.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

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 7.

4.3 Investments

4.3.1 Investments in Subsidiary and Associated Company

Investments in Subsidiary and Associated Company are carried at cost less impairment, if any. Impairment losses are recognised as an expense. At each reporting date, the Company reviews the carrying amounts of investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists, the carrying amount of the investments is adjusted to the extent of impairment loss which is recognised as an expense in profit and loss account.

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 re-measured 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 realisable value. The cost of various classes of stock-in-trade is determined as follows:

Stock category	Valuation method
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 realisable 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 include deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

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

4.10.1 Defined benefit plan

The Company operates unfunded gratuity scheme which defines the amount of benefit that an employee will receive on retirement subject to minimum qualifying period of service under the scheme. The amount of retirement benefit is usually dependent on one or more factors such as age, years of service and salary. 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, 2014 on the basis of the projected unit credit method by an independent Actuary. The liability recognised in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period.

The amount arising as a result of re-measurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past-service cost, if any, are recognised immediately in income.

4.10.2 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.

4.10.3 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 long term loans, long term deposits, trade debts, loans & advances, short term deposits, short term investment, other receivables, bank balances, 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, 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.

5. CHANGE IN ACCOUNTING POLICIES

5.1 Initial application of IAS 19 (Revised) - Employee benefits

IAS 19 (Revised) - 'Employee benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for Company's defined benefit plan. The revised standard requires past service cost to be recognised immediately in the profit or loss and replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. Further, a new term "re-measurements" has been introduced which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires "re-measurements" to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Following the application of IAS 19 (Revised), the Company's policy for 'Staff benefits - defined benefit plan' stands amended as follows:

The amount arising as a result of re-measurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past-service cost, if any, are recognised immediately in the profit and loss account.

5.2 Investment in an Associated Company

On July 26, 2013, the Company has acquired a subsidiary, Ghandhara DF (Private) Limited thereby necessitating preparation of consolidated financial statements in accordance with the requirements of the Companies Ordinance, 1984. Due to this all equity accounted investments to be carried at cost in accordance with the requirements of IAS 27 - 'Separate Financial Statements' and IAS 28 - 'Investments in Associates and Joint Ventures'. Consequent to this, the Company now accounts for its investment in an Associate at cost. Consolidated financial statements of the Company are prepared separately.

The changes in accounting policies have been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting policies, changes in accounting estimates and errors' and comparative figures have been restated. Effects of restatements are as follows:

	As at June 30, 2013			As at July 1, 2012		
	As previously reported	As restated	Re- statement	As previously reported	As restated	Re- statement
	----- Rupees in '000 -----			----- Rupees in '000 -----		
Effect on balance sheet						
Long term investments	422,190	92,635	(329,555)	394,182	92,635	(301,547)
Item credited directly in by an Associate	61,116	-	(61,116)	59,767	-	(59,767)
Unappropriated profit	108,409	142,819	34,410	49,226	115,069	65,843
Surplus on revaluation of fixed assets	1,014,770	713,289	(301,481)	1,030,838	728,008	(302,830)
Staff benefits	90,828	88,756	(2,072)	89,198	81,936	(7,262)
Deferred taxation	306	1,010	704	7,973	10,442	2,469

For the year ended June 30, 2013

	As previously reported	As restated	Re- statement
	----- Rupees in '000 -----		
Effect on profit and loss account			
Cost of sales	1,626,373	1,626,438	65
Distribution cost	18,559	18,562	3
Administrative expenses	117,836	117,986	150
Share of profit of an Associated Company	28,008	-	(28,008)
Taxation	7,534	7,459	(75)
Other comprehensive income			
Re-measurement loss of staff retirement benefit obligation	-	(4,972)	(4,972)
Impact of deferred tax	-	1,690	1,690
Effect on earnings per share			
Earnings per share - basic and diluted	0.85	0.23	0.62

There was no cash flow impact as a result of the retrospective application of changes in accounting policies.

6. PROPERTY, PLANT AND EQUIPMENT	Note	2014	2013
		--- Rupees in '000 ---	
Operating fixed assets	6.1	1,759,365	1,326,108
Capital work-in-progress - advance payments against vehicles		4,673	-
		<u>1,764,038</u>	<u>1,326,108</u>

6.1 Operating fixed assets

	Freehold land	Leasehold land	Buildings on freehold land	Plant and machinery	Assembly jigs	Furniture and fixtures	Vehicles		Other equipment	Office equipment	Computers	Total
							Owned	Leased				
Rupees in '000												
At July 1, 2012												
Revaluation / cost	373,500	15,000	517,468	595,190	44,959	3,146	52,072	21,094	8,794	4,571	9,929	1,645,663
Accumulated depreciation	-	(7,826)	(79,525)	(83,752)	(40,595)	(2,332)	(26,379)	(7,397)	(7,575)	(4,467)	(8,746)	(262,994)
Net book value	373,500	7,174	448,943	511,438	4,364	814	25,693	13,697	819	104	1,183	1,382,669
Year ended June 30, 2013												
Opening net book value	373,500	7,174	448,943	511,438	4,364	814	25,693	13,697	819	104	1,183	1,382,669
Additions	-	-	-	-	-	-	1,688	-	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	-	(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	601	389	886	1,326,108
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)	(4,638)	(9,161)	(318,775)
Net book value	373,500	6,457	421,746	485,866	3,491	733	29,561	2,818	601	389	886	1,326,108
Year ended June 30, 2014												
Opening net book value	373,500	6,457	421,746	485,866	3,491	733	29,561	2,818	601	389	886	1,326,108
Additions	-	-	-	-	-	-	2,214	17,181	272	483	217	20,367
Revaluation adjustments												
- cost	125,438	-	158,415	4,292	-	-	-	-	-	-	-	288,145
- accumulated depreciation	-	-	116,809	63,067	324	-	-	-	-	-	-	180,202
	125,438	-	275,224	67,359	324	-	-	-	-	-	-	468,346
Disposals												
- cost	-	-	-	-	-	-	(3,088)	-	-	-	-	(3,088)
- accumulated depreciation	-	-	-	-	-	-	2,173	-	-	-	-	2,173
	-	-	-	-	-	-	(915)	-	-	-	-	(915)
Depreciation charge	-	(646)	(21,087)	(24,293)	(598)	(73)	(6,104)	(850)	(234)	(252)	(303)	(54,540)
Closing net book value	498,938	5,811	675,883	528,932	3,117	660	24,756	19,149	699	620	800	1,759,965
At June 30, 2014												
Revaluation / cost	498,938	15,000	675,883	599,482	44,959	3,146	66,455	21,462	9,188	5,520	10,264	1,950,307
Accumulated depreciation	-	(3,189)	-	(70,550)	(41,842)	(2,486)	(41,699)	(2,313)	(8,489)	(4,910)	(9,464)	(190,942)
Net book value	498,938	5,811	675,883	528,932	3,117	660	24,756	19,149	699	620	800	1,759,965
Depreciation rate (%)		10	5	5	20	10	20	20	33	33	33	

- 6.2 Freehold land, buildings on freehold land and plant & machinery had previously been revalued on June 30, 1997, June 30, 1999, January 1, 2004 and June 30, 2009.

The Company, as at June 30, 2014, has again revalued its freehold land, buildings on freehold land, plant & machinery and assembly jigs. The revaluation exercise has been carried out by independent valuer - Harvester Services (Pvt.) Ltd., (Approved valuers of Pakistan Banks' Association and Leasing Association of Pakistan) I. I. Chundrigar Road, Karachi. Freehold land has been revalued on the basis of current market price whereas buildings on freehold land, plant & machinery and assembly jigs have been revalued on the basis of depreciated market value. The appraisal surplus arisen on latest revaluation exercise aggregating Rs.468.345 million has been incorporated in the books of the Company in accordance with the provisions of section 235 of the Companies Ordinance, 1984.

- 6.3 Had the operating fixed assets been recognised under the cost model, the carrying amount of each revalued class of operating fixed assets would have been as follows:

	Note	2014 — Rupees in '000 —	2013
Freehold land		61,456	61,456
Building on freehold land		127,683	134,403
Plant and machinery		135,395	142,521
Assembly Jigs		2,793	-

- 6.4 Depreciation charge has been allocated as follows:

	Note	2014	2013
Cost of sales	31.1	51,422	53,021
Administrative expenses	33	3,118	5,148
		<u>54,540</u>	<u>58,169</u>

- 6.5 The Company's present and future land, building on freehold land and plant & machinery are under mortgaged / hypothecated charged upto Rs.1,647 million (2013: Rs.1,647 million) with banks for short term finance facilities.

- 6.6 The details of operating fixed assets 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	1,170	639	531	566	35	Negotiation	Gandhara Industries Limited - an Associated Company
Nissan Sunny	1,045	848	197	461	284	Company policy	Mr. Aqiel Amjad Ghani - Employee
Nissan Sunny	873	686	187	456	269	Company policy	Mr. Aqiel Amjad Ghani - Employee
June 30, 2014	3,088	2,173	915	1,483	568		
June 30, 2013	3,194	2,388	806	1,852	1,046		

7. INTANGIBLE ASSETS		2014	2013
		--- Rupees in '000 ---	
These represent computer software licenses.			
Cost		500	500
Accumulated amortisation			
At beginning of the year		342	289
Add: charge for the year	33	40	53
At end of the year		382	342
Net book value		118	158
Rate of amortisation (%)		25	25
8. LONG TERM INVESTMENTS			
		2014	Re-stated 2013
		--- Rupees in '000 ---	
Subsidiary Company - at cost			
Gandhara DF (Private) Limited			
5,999,500 (2013: Nil) ordinary shares of Rs.10 each		59,995	-
Equity held: 99.99% (2013: Nil)			
Break-up value per share on the basis of latest financial statements is Rs.10			
Associated Company - at cost			
Gandhara Industries Limited - at cost			
5,166,168 (2013: 5,166,168) ordinary shares of Rs.10 each			
Equity held: 24.25% (2013: 24.25%)		92,635	92,635
Fair value: Rs.173.945 million (2013: Rs.94.799 million)			
Others - available for sale			
Automotive Testing & Training Center (Private) Limited			
187,500 (2013: 187,500) ordinary shares of Rs.10 each - cost		1,875	1,875
Provision for impairment		(1,875)	(1,875)
		-	-
		152,630	92,635
8.1	Refer content of note 5.2.		
9. LONG TERM LOANS - Unsecured, considered good			
Loans to employees - other than executive		6,258	1,912
Amounts recoverable within one year and grouped under current assets		(1,394)	(689)
		4,864	1,223
9.1	These represent interest free loans provided to employees of the Company as per terms of employment for various purposes. These loans are repayable on monthly instalments, which varies from case to case.		

10. LONG TERM DEPOSITS

2014 2013
— Rupees in '000 —

Deposit held with / against:

- Central Depository Company of Pakistan Limited
- lease facilities
- utilities
- others

	25	25
	1,732	440
	6,174	6,144
	100	100
	<u>8,031</u>	<u>6,709</u>

11. STORES, SPARES AND LOOSE TOOLS

Stores
Spares and loose tools

	43,940	32,153
	115	115
	<u>44,055</u>	<u>32,268</u>

12. STOCK-IN-TRADE

Raw materials

In hand

In transit

	331,465	48,727
	302,388	168,567
	<u>633,853</u>	<u>217,294</u>

Work in process

Finished goods

In hand

Vehicles - Trucks / Buses

Spare parts

In transit

Complete Built-up Units - Trucks

	-	24,320
	15,693	-
	11,324	-
	31,604	47,239
	<u>58,621</u>	<u>53,856</u>
	<u>692,474</u>	<u>295,470</u>

12.1 The present and future stock-in-trade, trade debts and receivables aggregating Rs.1,715 million (2013: Rs.1,715 million) are under pledge / joint hypothecation charge with banks against short term finances and running finances.

13. TRADE DEBTS - Unsecured, considered good

Note

2014 2013
— Rupees in '000 —

Vehicles and assembly charges

Spare parts

13.1

	393,093	302,104
	2,490	3,079
	<u>395,583</u>	<u>305,183</u>

13.1 Trade debts include the following amounts due from Associated Companies:

Ghandhara Industries Limited

Rehman Cotton Mills Limited

	91,117	69,151
	5	57
	<u>91,122</u>	<u>69,208</u>

13.2 The ageing of the trade debts receivable from Associated Companies as at the reporting date are as follows:

	Note	2014 — Rupees in '000 —	2013
Up to 3 months		54,013	-
3 to 6 months		37,109	69,151
more than 6 months		-	57
		<u>91,122</u>	<u>69,208</u>

14. **LOANS AND ADVANCES** - Unsecured, considered good

	Note	2014	2013
Current portion of long term loans	9	1,394	689
Loans to:			
- executives	14.1 & 14.2	1,910	-
- employees other than executives	14.1	375	236
		2,285	236
Advances to:			
- executives		254	56
- employees		1,785	880
- suppliers, contractors and others		19,823	15,353
		21,862	16,289
		<u>25,541</u>	<u>17,214</u>

14.1 These represent interest free general loans and special loans provided to employees in accordance with Company's policy and have maturities upto twelve months.

14.2 Reconciliation of carrying amount of loans to executives

	2014 — Rupees in '000 —	2013
Balance at beginning of the year	-	603
Disbursements	2,764	-
	<u>2,764</u>	<u>603</u>
Repayments	(854)	(603)
Balance at end of the year	<u>1,910</u>	<u>-</u>

14.3 The maximum aggregate amount outstanding at the end of any month during the year ended June 30, 2014 from executives aggregated to Rs.2.095 million (2013: Rs.0.500 million).

15. **DEPOSITS AND PREPAYMENTS**

	2014 — Rupees in '000 —	2013
Deposits against lease facilities	440	-
Prepaid		
- rent [Bibojee Services (Private) Limited - the Holding Company]	9,118	8,550
- insurance	4,948	3,052
	14,066	11,602
Current account balances with statutory authorities	1,215	3,071
	<u>15,721</u>	<u>14,673</u>

16. OTHER RECEIVABLES - Considered good

	2014	2013
	--- Rupees in '000 ---	
Sales tax refundable / adjustable	32,039	12,480
Bank guarantee margin	613	613
Security deposits and earnest money	13,079	9,239
Accrued interest	733	-
Others	2,747	2,419
	<u>49,211</u>	<u>24,751</u>

17. SHORT TERM INVESTMENT

This represents investment in a Term Deposit Receipt (TDR) having face value of Rs.38.00 million placed with National Bank of Pakistan for a term of 120 days. This TDR carries mark-up at the rate of 7% per annum and is maturing on October 13, 2014.

18. BANK BALANCES

	Note	2014	2013
		--- Rupees in '000 ---	
Cash at banks in:			
- current accounts		88,232	46,523
- deposit accounts	18.1	10,298	9,917
- term deposits receipts	18.2	54,000	-
		<u>152,530</u>	<u>56,440</u>
Provision for doubtful bank balance	18.3	<u>(3,912)</u>	<u>(3,912)</u>
		<u>148,618</u>	<u>52,528</u>

18.1 These, during the year, carry mark-up at the rates of 8.8 and 9.00% (2013: 9.00% and 11.50%) per annum.

18.2 Term deposit receipts (TDRs) have maturity days ranging from eighty three to ninety three days from respective dates of acquisition. These TDRs carry mark-up at rates of 7.00% and 8.50% per annum.

18.3 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.

19. SHARE CAPITAL

	2014	2013
	--- Rupees in '000 ---	
19.1 Authorized capital		
80,000,000 (2013: 80,000,000) ordinary shares of Rs.10 each	<u>800,000</u>	<u>800,000</u>
19.2 Issued, subscribed and paid-up capital		
2014 2013		
- 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
	<u>450,025</u>	<u>450,025</u>

19.3 The Company is a subsidiary of Bibojee Services (Private) Limited which holds 62.32% (2013: 62.32%) share capital of the Company.

19.4 Ordinary shares held by related parties other than the Holding Company as at year end:

	2014	2013
	— Number of shares —	
Universal Insurance Company Limited	5,000	5,000
UD Trucks Corporation, Japan	3,647,090	3,647,090
	<u>3,652,090</u>	<u>3,652,090</u>

20. SURPLUS ON REVALUATION OF FIXED ASSETS - Net

	Note	2014	Re-stated 2013
		— Rupees in '000 —	
Balance at beginning of the year		919,990	951,987
Surplus arisen on revaluation carried-out during the year	6.2	468,345	-
Transferred to unappropriated profit on account of incremental depreciation for the year		(30,397)	(31,997)
		<u>1,357,938</u>	<u>919,990</u>
Less: related deferred tax of:			
- balance at beginning of the year		206,701	223,979
- surplus arisen during the year		113,159	-
- incremental depreciation for the year		(10,335)	(11,199)
- effect of change in tax rate		(5,775)	(6,079)
- balance at end of the year		303,750	206,701
Balance at end of the year		<u>1,054,188</u>	<u>713,289</u>

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance at beginning of the year	1,260	7,840
Assets acquired during the year	17,315	-
Repaid / adjusted during the year	(1,913)	(6,580)
	<u>16,662</u>	<u>1,260</u>
Current portion grouped under current liabilities	(3,656)	(1,149)
Balance at end of the year	<u>13,006</u>	<u>111</u>

21.1 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 15.22% to 17.32% (2013: 12.63% to 18.00%) 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	Upto one year	From one to five years	2014	Upto one year	From one to five years	2013
	Rupees in '000					
Minimum lease payments	5,695	15,592	21,287	1,202	112	1,314
Finance cost allocated to future periods	(2,039)	(2,586)	(4,625)	(53)	(1)	(54)
Present value of minimum lease payments	3,656	13,006	16,662	1,149	111	1,260

22. LONG TERM DEPOSITS

	Note	2014	2013
		--- Rupees in '000 ---	
Dealers' deposit	22.1	9,000	9,000
Vendors		111	111
Others		500	500
		9,611	9,611

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

23. STAFF BENEFITS

	Note	2014	Re-stated 2013
		--- Rupees in '000 ---	
Provision for gratuity	23.1	70,404	61,068
Provision for compensated absences		24,391	27,688
		94,795	88,756

23.1 The Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

23.1.1 Amount recognised in the balance sheet is as follows

	2014	Re-stated 2013
		--- Rupees in '000 ---
Present value of defined benefit obligation	70,356	60,895
Benefits payable	48	173
Net liability at end of the year	70,404	61,068
Net liability at beginning of the year	61,068	51,575
Charge to profit and loss account	10,482	9,963
Re-measurement recognised in other comprehensive income	3,636	4,972
Payments made during the year	(4,782)	(5,442)
Net liability at end of the year	70,404	61,068

23.1.2 Movement in the present value of defined benefit obligation

	2014	2013
Balance at beginning of the year	60,895	48,553
Current service cost	4,333	3,651
Interest cost	6,149	6,312
Benefits paid	(4,657)	(2,468)
Benefits due but not paid	-	(125)
Re-measurement on obligation	3,636	4,972
Balance at end of the year	70,356	60,895

23.1.3 Expense recognised in profit and loss account	2014	Re-stated 2013
	--- Rupees in '000 ---	
Current service cost	4,333	3,651
Interest cost	6,149	6,312
	<u>10,482</u>	<u>9,963</u>
23.1.4 Re-measurement recognised in other comprehensive income		
Experience adjustments	<u>3,636</u>	<u>4,972</u>
	2014	2013
23.1.5 Actuarial assumptions used	--- % per annum ---	
Discount rate	13.25	10.50
Expected rate of increase in future salaries	13.25	10.50
Mortality rates (for death in service)	SUC	EFU
	2001-2005	61-66

23.1.6 Sensitivity analysis for actuarial assumptions

The calculation of defined benefit obligation is sensitive to assumptions set-out in note 23.1.5. The following table summarises how the net defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in respective assumptions.

	Change in assum- ption	Increase in assumption --- Rupees in '000 ---	Decrease in assumption
Discount rate	1.00%	<u>65,033</u>	<u>74,658</u>
Increase in future salaries	1.00%	<u>74,672</u>	<u>64,941</u>

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

23.1.7 Based on actuary's advice, the expected charge for the year ending June 30, 2015 amounts to Rs.13.256 million.

23.1.8 The weighted average duration of the scheme is 7 years.

23.1.9 Historical information

	2014	2013	2012	2011	2010
	----- Rupees in '000 -----				
Present value of defined benefit obligation	<u>70,356</u>	<u>60,895</u>	<u>48,553</u>	<u>44,758</u>	<u>46,396</u>
Experience adjustment on obligation	<u>3,636</u>	<u>4,972</u>	<u>(4,798)</u>	<u>(4,812)</u>	<u>5,105</u>

23.1.10 Expected maturity analysis of undiscounted retirement benefit plan:

Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
----- Rupees in '000 -----				
17,175	6,575	39,955	773,395	837,100

24. DEFERRED TAXATION - Net

	Note	2014 ----- Rupees in '000 -----	Re-stated 2013
The liability for deferred taxation comprises of temporary differences relating to:			
- accelerated tax depreciation allowance		50,806	52,753
- surplus on revaluation of fixed assets		303,750	206,701
- lease finances		821	530
- provision for gratuity		(23,584)	(20,764)
- provision for compensated absences		(8,531)	(9,414)
- provision for bank balances		(1,291)	(1,330)
- minimum tax recoverable against normal tax charge in future years		(75,912)	(49,502)
- excess of alternative corporate tax over corporate taxes recoverable in future years		(17,946)	-
- unused tax losses		(70,074)	(177,964)
		<u>158,039</u>	<u>1,010</u>

25. TRADE AND OTHER PAYABLES

		2014 ----- Rupees in '000 -----	2013
Trade creditors		86,065	82,703
Bills payable		241,038	259,038
Accrued liabilities	25.1	20,376	25,300
Refundable - CKD / CBU business		1,403	1,403
Customers' credit balances	25.2	288,616	27,696
Commission		17,918	5,838
Unclaimed gratuity		231	231
Dealers' deposits against vehicles		52,800	5,000
Custom duties payable		2,263	-
Due to related parties	25.3	21,894	24,362
Withholding tax		1,214	565
Workers' profit participation fund	25.4	14,484	962
Workers' welfare fund		5,512	366
Retention money		103	103
Unclaimed dividend		961	961
Dealer deposit payable on cancellation of dealership		1,000	1,000
Others	25.5 & 25.6	12,962	7,465
		<u>768,840</u>	<u>442,993</u>

25.1 Includes Rs.13.704 million (2013: Rs.15.463 million) which pertains to a key management person.

25.2 These represent advances from customers against sale of trucks and carry no mark-up.

25.3	Due to related parties	Note	2014	2013
			— Rupees in '000 —	
	UD Trucks Corporation - Japan		7,676	5,742
	Universal Insurance Company Limited		3,958	3,708
	The General Tyre and Rubber Company of Pakistan Limited		3	1,904
	Gammon Pakistan Limited		372	623
	Waqf-e-Kuli Khan		9,885	12,385
			<u>21,894</u>	<u>24,362</u>
25.4	Workers' profit participation fund			
	Balance at beginning of the year		962	-
	Allocation for the year	35	14,484	962
	Interest on funds utilised in the Company's business	36	87	-
			<u>15,533</u>	<u>962</u>
	Payment made during the year		(1,049)	-
	Balance at end of the year		<u>14,484</u>	<u>962</u>

25.5 Includes Rs.3.675 million (2013: Rs.1.043 million) which pertain to key management personnel.

25.6 Includes deposits and instalments under the Company's staff vehicle policy aggregating Rs.2.654 million (2013: Rs.0.566 million).

26.	ACCRUED MARK-UP	Note	2014	2013
			— Rupees in '000 —	
	Mark-up accrued on:			
	- short term finances		2,973	2,228
	- running finances		2,205	11,548
			<u>5,178</u>	<u>13,776</u>

27. **SHORT TERM FINANCES - Secured**

Finance against imported merchandise

- National Bank of Pakistan	27.1	-	53,601
- The Bank of Khyber	27.2	181,245	24,371
		<u>181,245</u>	<u>77,972</u>

Finance against trust receipts

- National Bank of Pakistan	27.1	225,743	11,737
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Short term demand finance

- Faysal Bank Limited	27.3	41,873	44,883
		<u>448,861</u>	<u>134,592</u>

- 27.1** The Company has arranged Finance against Imported Merchandise (FIM) and Finance Against Trust Receipts (FATR) facilities of an aggregate limit of Rs.500 million (2013 : Rs.300 million) from National Bank of Pakistan. These facilities are secured against effective pledge of imported goods, duly signed trust receipts and cumulative charge (equitable and hypothecation) over the Company's land, building and plant & machinery for Rs.467 million. These facilities carry mark-up at the rate of 3 months KIBOR plus 200 basis points. FIM and FATR are repayable within 120 days of disbursement / creation. These finance facilities are available upto October 31, 2014.
- 27.2** The Company has also arranged FIM of Rs. 250 million (2013: Rs.100 million) from the Bank of Khyber. This 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, 2014.
- 27.3** 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 principal payments of Rs.73.127 million till June 30, 2014 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.

28. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS - Secured

	Note	2014 — Rupees in '000 —	2013
Balance as at June 30,	28.1	54,380	179,419

- 28.1** Running finance facilities available from commercial banks under mark-up arrangements aggregate to Rs.375 million (2013: Rs.423.535 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 11.06% to 12.17% (2013: 11.28% to 13.95%) per annum. The arrangements are expiring on March 31, 2015.
- 28.2** The facilities for opening letters of credit and guarantees as at June 30, 2014 aggregated to Rs.1,562 million (2013: Rs.635 million) of which the amount remained unutilised at the year-end was Rs.774.362 million (2013: Rs.120.070 million).

29. CONTINGENCES AND COMMITMENTS

- 29.1** Certain cases have been filed against the company in respect of employees matters. These cases are pending in labour courts, high court and before National Industrial Relations Commission, Karachi. The management is confident that the outcome of these cases will be in the Company's favour.
- 29.2** Commitment in respect of irrevocable letters of credit as at June 30, 2014 aggregate to Rs.777.335 million (2013: Rs.455.004 million).
- 29.3** Guarantees aggregating Rs.10.303 million (2013: Rs.59.926 million) are issued by banks of the Company to various government and other institutions.

30. REVENUE - Net		2014	2013
		--- Rupees in '000 ---	
Manufactured activity			
Local		2,770,406	1,719,408
Export		30,965	-
		<u>2,801,371</u>	<u>1,719,408</u>
Less:			
- sales tax		402,538	237,755
- commission		39,850	16,075
		<u>442,388</u>	<u>253,830</u>
		<u>2,358,983</u>	<u>1,465,578</u>
Trading activity			
Local		317,524	470,266
Export		2,902	-
		<u>320,426</u>	<u>470,266</u>
Less:			
- sales tax		46,175	53,953
- discount and commission		13,324	29,653
		<u>59,499</u>	<u>83,606</u>
		<u>260,927</u>	<u>386,660</u>
		<u>2,619,910</u>	<u>1,852,238</u>
31. COST OF SALES			Re-stated
		2014	2013
		--- Rupees in '000 ---	
Finished goods at beginning of the year		53,856	57,846
Cost of goods manufactured	31.1	1,905,707	1,212,946
Purchases - trading goods		247,879	409,502
		<u>2,153,586</u>	<u>1,622,448</u>
Finished goods at end of the year	12	(58,621)	(53,856)
		<u>2,148,821</u>	<u>1,626,438</u>
31.1 Cost of goods manufactured			
Work In process at beginning of the year		24,320	25,579
Raw materials and parts consumed	31.2	1,597,503	946,952
Fabrication of contract vehicles		7,881	9,450
Stores and spares consumed		27,908	13,830
Salaries, wages and benefits	31.3	114,548	117,089
Transportation		9,209	11,566
Repair and maintenance		2,883	6,688
Depredation	6.4	51,422	53,021
Material handling		1,160	97
Insurance		3,492	6,451
Communication		476	554
Rent, rates and taxes		414	296
Travelling and entertainment		664	1,020
Power generation costs		47,109	34,589
Printing, stationery and office supplies		910	641
Royalty expense		9,469	3,862
Plant security		4,698	3,701
Other manufacturing expenses		1,641	1,880
		<u>1,905,707</u>	<u>1,237,266</u>
Work In process at end of the year		-	(24,320)
		<u>1,905,707</u>	<u>1,212,946</u>

	2014	2013
	--- Rupees in '000 ---	
31.2 Raw materials and parts consumed		
Stocks at beginning of the year	48,727	281,287
Purchases	1,880,241	714,392
	<u>1,928,968</u>	<u>995,679</u>
Stocks at end of the year	(331,465)	(48,727)
	<u>1,597,503</u>	<u>946,952</u>

31.3 Salaries, wages and benefits include Rs.3.160 million (2013: Rs.2.937 million) and Rs.2.327 million (2013: Rs.1.971 million) in respect of staff retirement gratuity and staff provident fund respectively.

32. DISTRIBUTION COST

		2014	Re-stated 2013
	Note	--- Rupees in '000 ---	
Salaries and benefits	32.1	13,037	12,889
Utilities		203	294
Insurance		-	15
Repair and maintenance		76	347
Travelling and entertainment		2,627	3,229
Telephone and postage		148	136
Vehicle running		743	544
Printing, stationery and office supplies		287	103
Security		511	360
Godown and forwarding		281	143
Sales promotion expenses		1,129	426
Others		276	76
		<u>19,318</u>	<u>18,562</u>

32.1 Salaries and benefits include Rs.0.167 million (2013: Rs.0.155 million) and Rs.0.823 million (2013: Rs.0.735 million) in respect of staff retirement gratuity and staff provident fund respectively.

33. ADMINISTRATIVE EXPENSES

		2014	Re-stated 2013
	Note	--- Rupees in '000 ---	
Salaries and benefits	33.1	86,605	75,724
Utilities		4,887	3,344
Rent, rates and taxes		7,627	7,476
Directors' fee		450	380
Insurance		852	1,663
Repairs and maintenance		1,505	1,007
Depreciation and amortisation	6.3 & 7	3,158	5,201
Auditors' remuneration	33.2	500	500
Advertising		374	561
Travelling and conveyance		3,336	6,638
Legal and professional charges		1,125	1,749
Vehicle running		3,193	3,314
Telephone and postage		3,058	2,531
Printing and stationery		2,773	1,614
Subscription		1,554	1,576
Security expenses		879	709
Donation	33.3	415	958
Others		2,274	3,041
		<u>124,565</u>	<u>117,986</u>

33.1 Salaries and benefits include Rs.7.155 million (2013: Rs.6.871 million) and Rs.1.831 million (2013: Rs.2.057 million) in respect of staff retirement gratuity and staff provident fund respectively.

33.2 Auditors' remuneration		2014	2013
		--- Rupees in '000 ---	
Audit fee			
	Hameed Chaudhri & Co.	250	250
	Muniff Ziauddin & Co.	250	250
		<u>500</u>	<u>500</u>

33.3 Donation of Rs.Nil (2013: Rs.0.958 million) 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.

34. OTHER INCOME	Note	2014	2013
		--- Rupees in '000 ---	
Income from financial assets			
	Interest income	34.1	2,183
Income from non-financial assets			
	Scrap sales - net of sales tax	3,921	1,814
	Gain on disposal of operating fixed assets	6.6	568
	Payable balances written back	-	3,942
	Commission Income	5,254	705
	Others	769	1,715
		<u>10,512</u>	<u>9,222</u>
		<u>12,695</u>	<u>10,347</u>

34.1 Interest at the rates ranged from 7.00% to 9.00% (2013: 9.00% to 11.50%) per annum has been earned during the year on term deposit receipts and deposit accounts.

35. OTHER EXPENSES	Note	2014	2013
		--- Rupees in '000 ---	
	Workers' profit participation fund	25.4	14,484
	Workers' welfare fund	5,504	366
		<u>19,988</u>	<u>1,328</u>

36. FINANCE COST		2014	2013
		--- Rupees in '000 ---	
Mark-up on:			
	- long term financing	-	4,926
	- short term finances	16,920	39,965
	- running finances	22,575	32,042
	Lease finance charges	653	421
	Exchange loss	5,733	1,650
	Interest on workers' profit participation fund	25.4	87
	Bank and other charges	4,250	1,574
		<u>50,218</u>	<u>80,578</u>

37. TAXATION

	Note	2014 --- Rupees in '000 ---	Re-stated 2013
Current			
- for the year	37.1	44,984	9,314
- for prior year		(64)	(192)
		<u>44,920</u>	<u>9,122</u>
Deferred			
- origination and reversal of temporary differences		46,251	(7,005)
- impact of change in tax rate		4,594	5,342
		<u>50,845</u>	<u>(1,663)</u>
		<u>95,765</u>	<u>7,459</u>

37.1 Provision for the current year mainly represents alternative corporate tax payable under section 113C and tax deducted under sections 154 of the Income Tax Ordinance, 2001.

38. EARNINGS PER SHARE

38.1 Basic earnings per share

	2014 --- Rupees in '000 ---	Re-stated 2013
Net profit for the year	<u>173,930</u>	<u>10,234</u>
	-- Number of shares --	
Weighted average ordinary shares in issue	<u>45,002,500</u>	<u>45,002,500</u>
	----- Rupees -----	
Earnings per share	<u>3.86</u>	<u>0.23</u>

38.2 Diluted earnings per share

No figures for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2014			2013		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	----- Rupees in '000 -----					
Managerial remuneration	9,000	3,600	37,351	9,000	3,600	33,828
Contribution to provident fund	456	-	1,694	456	-	1,550
Gratuity	228	-	1,263	228	-	1,145
Utilities	-	-	2,645	-	-	2,439
	<u>9,684</u>	<u>3,600</u>	<u>42,953</u>	<u>9,684</u>	<u>3,600</u>	<u>38,962</u>
Number of persons	<u>1</u>	<u>1</u>	<u>23</u>	<u>1</u>	<u>1</u>	<u>20</u>

- 39.1 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.
- 39.2 Director and certain Executives of the Company are also provided with free use of the Company maintained vehicles.
- 39.3 Aggregate amount charged in the financial statements for meeting fee to Directors was Rs.0.450 million (2013: Rs.0.380 million).

40. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Holding Company, the Subsidiary Company, Associated Companies, directors of the Company, companies in which directors are interested, staff retirement benefit plan, 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. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

Name	Nature of transaction	2014 --- Rupees in '000 ---	2013
(i) Holding Company			
Bibojee Services (Private) Limited	Rent of head office	5,400	5,400
	Sale of runway sweepers	-	76,966
(ii) Subsidiary Company			
Gandhara DF (Private) Limited	Investment made	59,995	-
(iii) Associated Companies			
Universal Insurance Company Limited	Insurance premium	250	6,349
The General Tyre and Rubber Company of Pakistan Limited	Purchase of tyres, tubes and flaps	38,823	15,959
	Sale of parts	59	-
Bannu Woollen Mills Limited	Sale of parts	-	159
Gandhara Industries Limited	Contract assembly	117,257	140,662
	Fabrication of vehicles	1,241	1,320
	Sale of parts	-	2
	Repair of vehicles	-	504
	Sale of fleet vehicle	566	-
Rehman Cotton Mills Limited	Sale of parts	5	117
Gammon Pakistan Limited	Office rent	1,500	1,500
Janana De Malucho Textile Mills Limited	Earnest money received and paid back for sale of trucks	-	20,000

Name	Nature of transaction	2014 --- Rupees in '000 ---	2013
(iv) Others			
UD Trucks Corporation, Japan	Royalty	9,469	3,862
	Purchases of complete knock down kits	1,469,303	527,919
Staff provident fund	Contribution made	4,981	4,763
Key management personnel	Remuneration and other short term benefits	28,774	28,034
	Sale of fleet vehicles	917	-

41. PLANT CAPACITY

Against the designed annual production capacity of 6,000 vehicles at car plant, on single shift basis, the Company has assembled 803 (2013: 636) vehicles of Land Rover and also processed 1,115 (2013: 1,042) 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 1,246 (2013: 1,146) trucks and buses of UD and Isuzu. Capacity of trucks and buses production facility also remained under-utilized due to low demand on account of economic slow down.

42. 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 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.

42.1 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 loans, long term deposits, trade debts, loans and advances, other receivables, short term investment 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 crediting ratings.

The maximum exposure to credit risk as at June 30, 2014 along with comparative is tabulated below:

	2014 --- Rupees in '000 ---	2013
Long term loans	4,864	1,223
Long term deposits	6,299	6,269
Trade debts	395,583	305,183
Loans and advances	3,679	925
Other receivables	17,172	12,271
Short term investment	38,000	-
Bank balances	148,618	52,528
	614,215	378,399

The maximum exposure to credit risk for trade debts at the reporting date by geographic region is as follows:

	2014	2013
	--- Rupees in '000 ---	
Domestic	395,279	305,183
Export	304	-
	<u>395,583</u>	<u>305,183</u>

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

Up to 3 months	122,917	193,915
3 to 6 months	112,318	95,712
more than 6 months	160,348	15,556
	<u>395,583</u>	<u>305,183</u>

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.

42.2 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, 2014				
Liabilities against assets subject to finance lease	16,662	3,656	13,006	-
Long term deposits	9,611	-	-	9,611
Trade and other payables	456,751	456,751	-	-
Accrued mark-up	5,178	5,178	-	-
Short term finances	448,861	448,861	-	-
Running finances under mark-up arrangements	54,380	54,380	-	-
	<u>991,443</u>	<u>968,826</u>	<u>13,006</u>	<u>9,611</u>
	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 payables	413,404	413,404	-	-
Accrued mark-up	13,776	13,776	-	-
Short term finances	134,592	134,592	-	-
Running finances under mark-up arrangements	179,419	179,419	-	-
	<u>752,062</u>	<u>742,340</u>	<u>111</u>	<u>9,611</u>

42.3 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
June 30, 2014	----- in '000 -----			
Trade and other payables	227,346	188,049	-	4,113
Trade debts	(304)	-	(3)	-
Net exposure	227,042	188,049	(3)	4,113
June 30, 2013	----- in '000 -----			
Trade and other payables	256,796	105,682	60	8,962

The following significant exchange rates have been applied:

	Reporting date rate	
	2014	2013
Yen to Rupee	0.9748 / 0.9728	0.9994 / 0.9974
U.S. \$ to Rupee	98.55	98.8 / 98.6
RMB to Rupees	15.91	16.20

Sensitivity analysis

At the reporting date, if Rupee had strengthened by 5% against Yen, Dollar 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 gain on translation of net financial liabilities.

	2014	2013
	--- Rupees in '000 ---	
Effect on profit for the year		
Yen to Rupee	9,166	5,281
U.S. \$ to Rupee	(15)	296
RMB to Rupee	3,272	7,259
	12,423	12,836

(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, short term investment and balances held with banks. At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

	2014	2013
	--- Rupees in '000 ---	
Financial asset - fixed rate instruments		
Short term investment	38,000	-
Bank balance	64,298	9,917
	<u>102,298</u>	<u>9,917</u>
Financial Liabilities - variable rate instruments		
Liabilities against assets subject to finance lease	16,662	1,260
Short term finances	448,861	134,592
Running finances under mark-up arrangements	54,380	179,419
	<u>519,903</u>	<u>315,271</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 profit 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 2013.

	Increase	(Decrease)
	-- Rupees in '000 --	
Cash flow sensitivity - variable rate financial liabilities		
As at June 30, 2014	<u>5,199</u>	<u>(5,199)</u>
As at June 30, 2013	<u>3,153</u>	<u>(3,153)</u>

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

(c) 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, 2014 / 2013 the Company did not have any financial instruments dependent on market prices.

42.4 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, 2014 the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for staff loans which are valued at their original cost less repayments.

43. 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.

44. NUMBER OF EMPLOYEES

Number of employees as at June 30,

- Permanent
- Contractual

Average number of employees during the year

- Permanent
- Contractual

2014 2013

	227	223
	231	381
	226	232
	230	375

45. DISCLOSURE RELATING TO PROVIDENT FUND

45.1 The following information is based on un-audited financial statements of the Fund for the year ended June 30, 2014:

	2014	2013
	-- Rupees in '000 --	
Size of the Fund - total assets	63,621	55,066
Cost of investments made	60,050	51,667
Percentage of investments made	94.39%	93.83%
Fair value of investments	69,641	55,730

45.2 Break-up of the investments is as follows:

	2014	2013	2014	2013
	--- Percentage ---		-- Rupees in '000 --	
Bank deposits	1.74	2.65	1,105	1,461
Government securities	78.94	77.12	50,220	42,465
National Investment Trust - units	13.71	14.06	8,725	7,741

45.3 Investments 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.

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 24, 2014 by the Board of Directors of the Company.

47. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on September 24, 2014 have proposed final cash dividend of Rs.2.00 per share, amounting to Rs.90.005 million, for the year ended June 30, 2014. The proposed dividend will be approved in the forthcoming annual general meeting to be held on October 28, 2014.

These financial statements do not reflect the proposed dividend, which will be accounted for in the statement of changes in equity as appropriation from unappropriated profit in year ending June 30, 2015.

48. CORRESPONDING FIGURES

Prior year's figures have been restated consequent to the retrospective application of IAS 19 (Revised) and recognition of equity accounted investment at cost in accordance with the requirements of IAS 27 and IAS 28, as more fully explained in note 5. For the purpose of better presentation following corresponding figures have also been re-arranged / re-classified:

Re-classification from component	Re-classification to component	Note	Rupees in '000
Loans and advances	Long term loans	9	1,223
Other receivables	Deposits and prepayments	15	3,071

Ahmed Kuli Khan Khattak
Chief Executive

Jamil A. Shah
Director

Karachi ; 24 September 2014

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 Director (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. None of the Directors is serving on the Board of more than seven listed companies.
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 All 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 of four members. Three 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 a Human Resource and Remuneration Committee. It comprises of four members of whom three are non-executive directors including the Chairman of the Committee.
- 18 The Board has set up an effective Internal Audit Function.
- 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.
- 24 The Board performs self evaluation annually.

Karachi
September 24, 2014

For and on behalf of the Board of Directors
Ahmed Kuli Khan Khattak
Chief Executive Officer

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Gandhara Nissan Limited** for the year ended June 30, 2014 to comply with the requirements of Listing Regulations of the Karachi and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

**HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS**

Osman Hameed Chaudhri
Karachi ; 24th September 2014

**MUNIFF ZIAUDDIN & CO.,
CHARTERED ACCOUNTANTS**

Mohammad Moin Khan
Karachi ; 24th September 2014

Key Operating and Financial Data

(Rs. in '000')

Particulars	Jun-14	Jun-13 (Restated)	Jun-12	Jun-11	Jun-10	Jun-09	Jun-08
Sales	2,619,910	1,852,288	1,388,002	2,650,068	2,402,617	2,053,959	3,708,889
Gross profit / (Loss)	471,089	225,800	130,578	252,273	119,379	5,328	521,838
Profit/(Loss) before tax	269,695	17,693	(97,683)	(15,493)	(123,607)	(484,724)	279,892
Profit/(Loss) after tax	173,930	10,234	(85,968)	7,097	(88,893)	(312,159)	178,157
Share Capital	450,025	450,025	450,025	450,025	450,025	450,025	450,025
Shareholders equity	824,400	632,844	599,018	662,792	633,201	698,250	1,009,328
Fixed Assets - Net	1,764,156	1,326,266	1,382,880	1,441,626	1,496,609	1,535,112	922,501
Total Assets	3,434,954	2,217,550	2,740,106	3,096,033	3,360,482	3,392,096	3,101,317
Unit Produced and Supplied (Contract Assembly)	1,628	1,568	1,379	1,326	1,705	2,020	2,591
Units Produced	384	214	236	469	659	801	980
Units Imported (CBU)	52	9	12	7	8	100	416
Units Sold	380	226	230	602	766	706	1,572
Dividend - Cash	20%	-	-	-	-	-	-
Dividend - Bonus	-	-	-	-	-	-	-
Ratios							
Profitability							
Gross profit margin	18.0%	12.2%	9.4%	9.52%	4.97%	0.26%	14.06%
Profit/(Loss) before tax	10.3%	1.0%	(7.04%)	0.58%	5.14%	(24%)	7.55%
Profit/(Loss) after tax	6.6%	0.6%	(6.19%)	0.27%	3.70%	(15%)	4.80%
Return to shareholders:							
Return/(Loss) on Equity (BT)	32.7%	2.8%	(16.31%)	(2.34%)	(19.52%)	(69.37%)	27.73%
Return/(Loss) on Equity (AT)	21.1%	1.6%	(14.35%)	1.07%	(14.04%)	(44.70%)	17.65%
Earning/(Loss) per share (BT)-Rs.	5.99	0.39	(0.002)	0.34	(2.75)	(10.76)	6.22
Earning/(Loss) per share (AT)- Rs.	3.86	0.23	(1.91)	0.16	(1.98)	(6.94)	3.96
Basic Earning Per Share	3.86	0.23	(1.91)	0.16	(1.98)	(6.94)	3.96
Activity:							
Sales to total assets - Times	0.76	0.84	0.51	0.86	0.71	0.61	1.20
Sales to fixed assets -Times	1.49	1.40	1.00	1.84	1.61	1.34	4.02
Liquidity:							
Current ratio -Times	1.18	1.02	0.95	1.04	1.09	1.06	1.33
Break-up value per share- Rs.	5.82	4.12	13.31	14.73	14.07	15.52	22.43

**Pattern of Shareholding
As at 30th June 2014**

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
715	1	100	24,034	0.0534
999	101	500	439,270	0.9761
325	501	1,000	295,665	0.6570
437	1,001	5,000	1,220,398	2.7118
116	5,001	10,000	931,126	2.0691
35	10,001	15,000	457,098	1.0157
36	15,001	20,000	675,655	1.5014
26	20,001	25,000	620,559	1.3789
8	25,001	30,000	228,527	0.5078
5	30,001	35,000	161,361	0.3586
5	35,001	40,000	191,550	0.4256
4	40,001	45,000	168,000	0.3733
7	45,001	50,000	344,500	0.7655
1	50,001	55,000	51,500	0.1144
4	55,001	60,000	236,084	0.5246
2	60,001	65,000	123,624	0.2747
1	70,001	75,000	75,000	0.1667
3	75,001	80,000	235,500	0.5233
1	80,001	85,000	85,000	0.1889
3	85,001	90,000	267,000	0.5933
5	95,001	100,000	500,000	1.1110
1	100,001	105,000	102,500	0.2278
1	105,001	110,000	110,000	0.2444
1	135,001	140,000	140,000	0.3111
2	145,001	150,000	300,000	0.6666
1	160,001	165,000	165,000	0.3666
2	205,001	210,000	415,500	0.9233
1	220,001	225,000	225,000	0.5000
2	245,001	250,000	491,313	1.0917
1	255,001	260,000	257,000	0.5711
1	305,001	310,000	308,000	0.6844
1	395,001	400,000	400,000	0.8888
1	465,001	470,000	470,000	1.0444
1	495,001	500,000	500,000	1.1110
1	665,001	670,000	668,500	1.4855
1	1,430,001	1,435,000	1,434,711	3.1881
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
2,759			45,002,482	100

Categories of Shareholders

Particulars	Shareholders	Shareholding	Percentage
Directors, CEO & Children	8	202,333	0.4496
Associates Companies	2	31,693,507	70.4261
NIT & ICP	2	1,440,461	3.2008
Banks, DFI & NBFI	1	1,760	0.0039
Insurance Companies	2	17,800	0.0396
Modarabas & Mutual Funds	5	1,180,812	2.6239
General Public (Local)	2,530	8,272,473	18.3823
General Public (Foreign)	176	335,268	0.7450
Others	33	1,858,068	4.1288
	2,759	45,002,482	100

Shares Held By

Associated Companies, Undertakings & Related Parties

Bibojee Services (Pvt.) Ltd.	28,046,417
UD Trucks Corporation Japan <i>(Formerly Nissan Diesel Motor Co. Ltd. - Japan)</i>	3,647,090

NIT & ICP

Investment Corporation Of Pakistan	5,750
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,434,711

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	4,312
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	1,760
Gulf Insurance Company Ltd.	17,800
The Pakistan Fund	5,312
Azeem Services (Pvt.) Ltd.	100
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
Bawa Securities (Pvt.) Ltd.	5,000
Stock Master Securities (Pvt.) Ltd.	103
Darson Securities (Pvt.) Ltd.	5,000
Trustee National Bank of Pakistan Employees Pension Fund	245,813
Trustee National Bank of Pakistan Emp Benevolent Fund Trust	8,625
Fikree's (SMC-PVT) Ltd.	3,500
Wasi Securities (Pvt.) Ltd.	32
Ismail Abdul Shakoor Securities (Pvt.) Ltd.	300

CDC - TRUSTEE NAFA STOCK FUND	668,500
CDC- TRUSTEE NAFA MULTI ASSET FUND	165,000
CDC - TRUSTEE ISLAMIC ASSET ALLOCATION FUND	85,000
CDC- TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND	257,000
Intermarket Securities Ltd	245,500
Standard Capital Securities (Pvt) Ltd	9,500
Moosani Securities (Pvt) Ltd	2,500
Rang Commodities	110,000
Fawad Yusuf Securities (Pvt) Ltd	308,000
Zillion Capital Securities (Pvt) Ltd	12,000
Trustee Momin Adamjee Welfare Trust	25,000
DJM securities (Pvt) Ltd	50,000
Sherman securities (Pvt) Ltd	400,000
Adeel & Nadeem Securities (Pvt) Ltd	25,000
NCC - Pre Settlement Delivery Account	102,500
GMI Capital securities (Pvt) Ltd	30,000
JS Global Capital Limited	5,000
Trustee-The Kot Addu Power Co .Ltd Employees Pension fund	18,000
CDC Trustee NAFA pension fund equity sub-fund account	36,000
CDC Trustee NAFA islamic pension fund equity account	77,500
Others	8,639,241
	45,002,482

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

	Shares held	Percentage
Bibojee Services (Pvt.) Ltd.	28,046,417	62

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DIRECTORS' REPORT

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2014

The directors are pleased to present their report together with consolidated financial statements of Ghandhara Nissan Limited (GNL) and its subsidiary Ghandhara DF (Pvt.) Limited for the year ended 30th June 2014.

The Company has annexed consolidated financial statements alongwith its separate financial statements in accordance with the requirements of the International Accounting Standard-27 (Consolidated and Separate Financial Statements)

Ghandhara DF (Pvt.) Limited

Ghandhara DF (Pvt.) Limited (GDFPL) was incorporated in Pakistan as a private limited company under the Companies Ordinance, 1984 on 25th June 2013. GNL holds 99.99% shares of GDFPL as on 30th June 2014, to carry on exclusive business of Dongfeng vehicles.

The principal activity of the subsidiary company is assembly/progressive manufacture under toll assembly agreement with GNL and sale of Dongfeng Commercial vehicles.

Karachi
Dated: 24th September, 2014

For and on behalf of the Board of Directors
Ahmed Kuli Khan Khattak
Chief Executive Officer

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **GHANDHARA NISSAN LIMITED (GNL)** and its subsidiary company, Ghandhara DF (Private) Limited as at June 30, 2014 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of GNL. The financial statements of the subsidiary company was audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor. These financial statements are the responsibility of GNL's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of GNL and its subsidiary company as at June 30, 2014 and the results of their operations for the year then ended.

**HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS**

Osman Hameed Chaudhri
Karachi ; 24th September 2014

**MUNIFF ZIAUDDIN & CO.,
CHARTERED ACCOUNTANTS**

Mohammad Moin Khan
Karachi ; 24th September 2014

**CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2014**

Re-stated
July 1,
2012

ASSETS	Note	2014	Re-stated 2013	Re-stated July 1, 2012
		Rupees in '000		
Non current assets				
Property, plant and equipment	6	1,770,743	1,326,108	1,382,669
Intangible assets	7	118	158	211
Long term investments	8	490,236	422,190	394,182
Long term loans	9	4,864	1,223	-
Long term deposits	10	8,031	6,709	7,726
		<u>2,273,992</u>	<u>1,756,388</u>	<u>1,784,788</u>
Current assets				
Stores, spares and loose tools	11	44,055	32,268	35,990
Stock-in-trade	12	717,386	295,470	565,196
Trade debts	13	395,583	305,183	246,889
Loans and advances	14	25,704	17,214	13,934
Deposits and prepayments	15	15,721	14,673	10,215
Other receivables	16	53,700	24,751	37,748
Short term investment	17	38,000	-	-
Taxation - net		97,031	48,630	11,894
Cash and bank balances	18	171,442	52,528	33,452
		<u>1,558,622</u>	<u>790,717</u>	<u>955,318</u>
Total assets		<u>3,832,614</u>	<u>2,547,105</u>	<u>2,740,106</u>
EQUITY AND LIABILITIES				
Share capital and reserves				
Share capital	19	450,025	450,025	450,025
Share premium		40,000	40,000	40,000
Item credited directly in equity by an Associate		62,354	61,116	59,767
Unappropriated profit		312,540	109,777	54,019
Equity attributable to shareholders of the Holding Company		<u>864,919</u>	<u>660,918</u>	<u>603,811</u>
Non-controlling interest		<u>5</u>	<u>-</u>	<u>-</u>
Total equity		<u>864,924</u>	<u>660,918</u>	<u>603,811</u>
Surplus on revaluation of fixed assets	20	<u>1,410,783</u>	<u>1,014,770</u>	<u>1,030,838</u>
Liabilities				
Non current liabilities				
Liabilities against assets subject to finance lease	21	13,006	111	1,115
Long term deposits	22	9,611	9,611	9,611
Staff benefits	23	94,795	88,756	81,936
Deferred taxation	24	158,039	1,010	10,442
		<u>275,451</u>	<u>99,488</u>	<u>103,104</u>
Current liabilities				
Trade and other payables	25	769,381	442,993	339,938
Accrued mark-up	26	5,178	13,776	21,043
Short term finances	27	448,861	134,592	406,131
Running finances under mark-up arrangements	28	54,380	179,419	150,738
Current portion of long term financing		-	-	77,778
Current portion of liabilities against assets subject to finance lease	21	3,656	1,149	6,725
		<u>1,281,456</u>	<u>771,929</u>	<u>1,002,353</u>
Total liabilities		<u>1,556,907</u>	<u>871,417</u>	<u>1,105,457</u>
Contingencies and commitments	29			
Total equity and liabilities		<u>3,832,614</u>	<u>2,547,105</u>	<u>2,740,106</u>

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.

Ahmed Kuli Khan Khattak
Chief Executive

Jamil A. Shah
Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014**

Re-stated
2013

	Note	2014 --- Rupees in '000 ---	2013
Revenue	30	2,619,910	1,852,238
Cost of sales	31	(2,148,821)	(1,626,438)
Gross profit		471,089	225,800
Distribution cost	32	(19,318)	(18,562)
Administrative expenses	33	(125,053)	(117,986)
Other income	34	12,695	10,347
Other expenses	35	(19,988)	(1,328)
Profit from operations		319,425	98,271
Finance cost	36	(50,218)	(80,578)
		269,207	17,693
Share of profit of an Associated Company		11,694	28,008
Profit before taxation		280,901	45,701
Taxation	37	(95,765)	(7,459)
Profit after taxation		185,136	38,242
Other comprehensive income			
Items that will not be reclassified to Profit or Loss			
Loss on re-measurement of staff retirement benefit obligation		(3,636)	(4,972)
Impact of deferred tax		1,200	1,690
		(2,436)	(3,282)
Total comprehensive income		182,700	34,960
Attributable to:			
- Shareholders of the Holding Company		182,701	34,960
- Non-controlling interest		(1)	-
		182,700	34,960
		---	---
		4.11	0.85

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.

Ahmed Kuli Khan Khattak
Chief Executive

Jamil A. Shah
Director

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014**

ANNUAL
2014 Re-sated
— Rupees in '000 — 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	280,901	45,701
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	54,580	58,222
Interest income	(2,183)	(1,125)
Finance cost	40,235	77,354
Gain on disposal of property, plant and equipment	(568)	(1,046)
Exchange loss	5,733	1,650
Share of profit of an Associated Company	(11,694)	(28,008)
Provision for gratuity	10,482	9,963
Payable balances written back	-	(3,942)
Operating profit before working capital changes	377,486	158,769
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(11,787)	3,722
Stock-in-trade	(421,916)	269,726
Trade debts	(90,400)	(58,294)
Loans and advances	(8,490)	(4,503)
Deposit and prepayments	(1,048)	(1,387)
Other receivables	(28,216)	9,926
	(561,857)	219,190
Increase in trade and other payables	320,655	105,346
Cash generated from operations	136,284	483,305
Gratuity and compensated absences paid	(8,079)	(8,114)
Long term loans	(3,641)	-
Finance cost paid	(48,833)	(84,621)
Taxes paid	(93,321)	(45,858)
Net cash (used in) / generated from operating activities	(17,590)	344,712
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(14,563)	(2,414)
Proceeds from disposal of property, plant and equipment	1,483	1,852
Interest income received	1,450	1,125
Short term investment	(38,000)	-
Long term deposits - net	(1,322)	1,017
Net cash (used in) / generated from investing activities	(50,952)	1,580
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares subscribed by directors of the Subsidiary Company	5	-
Long term financing - repaid	-	(77,778)
Lease finances - net	(1,779)	(6,580)
Short term finances - net	314,269	(271,539)
Running finances - net	(125,039)	28,681
Net cash generated from / (used in) financing activities	187,456	(327,216)
Net increase in cash and cash equivalents	118,914	19,076
Cash and cash equivalents - at beginning of the year	52,528	33,452
Cash and cash equivalents - at end of the year	171,442	52,528

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.

Ahmed Kuli Khan Khattak
Chief Executive

Jamil A. Shah
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014**

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	Share capital	Share premium	Item credited directly in equity by an Associate	Unappropriated profit	Total	Non-controlling interest
Rupees in '000						
Balance as at July 1, 2012 - as previously reported	450,025	40,000	59,767	49,226	599,018	-
Effect of retrospective application of change in accounting policy - note 5 (net of tax)	-	-	-	4,793	4,793	-
Balance as at July 1, 2012 - as re-stated	450,025	40,000	59,767	54,019	603,811	-
Total comprehensive income for the year ended June 30, 2013						
Profit for the year	-	-	-	38,242	38,242	-
Other comprehensive loss	-	-	-	(3,282)	(3,282)	-
	-	-	-	34,960	34,960	-
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 - as re-stated	450,025	40,000	61,116	109,777	660,918	-
Transaction with owners						
Non-controlling Interest arising on business combination	-	-	-	-	-	6
Total comprehensive income for the year ended June 30, 2014						
Profit / (loss) for the year	-	-	-	185,137	185,137	(1)
Other comprehensive loss	-	-	-	(2,436)	(2,436)	-
	-	-	-	182,701	182,701	(1)
Surplus on revaluation of fixed assets realised during the year (net of deferred taxation) on account of incremental depreciation	-	-	-	20,062	20,062	-
Effect of item directly credited in equity by an Associated Company	-	-	1,238	-	1,238	-
Balance as at June 30, 2014	450,025	40,000	62,354	312,540	864,919	5

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.

Ahmed Kuli Khan Khattak
Chief Executive

Jamil A. Shah
Director

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

ANNUAL
REPORT

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of Ghandhara Nissan Limited (the Holding Company) and Ghandhara DF (Private) Limited (the Subsidiary Company).

1.2 Ghandhara Nissan Limited

Ghandhara Nissan Limited (the Holding 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 Holding 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.

1.3 Ghandhara DF (Private) Limited

Ghandhara DF (Private) Limited (the Subsidiary Company) was incorporated on June 25, 2013 in Pakistan as a private limited company. 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 principal business of the Subsidiary Company is to carry-out CKD operations of DongFeng vehicles.

2. BASIS OF PREPARATION

Consequent to acquisition of share capital of the Subsidiary Company during the year, the Holding Company has prepared consolidated financial statements of the Group for the first time with corresponding figures of the Holding Company's individual financial statements for the year ended June 30, 2013.

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the 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 of and directives of the Companies Ordinance, 1984 shall prevail.

2.2 Principle of consolidation

These consolidated financial statements of the Group include the financial statements of Holding Company and of its Subsidiary Company. The Holding Company's direct interest in the Subsidiary Company is 99.99% as at June 30, 2014 (June 30, 2013: Nil).

Consolidated financial statements combine like items of assets, liabilities, equity, income, expenses and cash flows of the Holding Company with those of its Subsidiary, offset (eliminate) the carrying amount of the Holding Company's investment in Subsidiary and the Holding Company's portion of equity of Subsidiary and eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group.

Non-controlling interest is equity in the Subsidiary Company not attributable, directly or indirectly, to the Holding Company.

2.3 Functional and presentation currency

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

2.4 New and amended standards and interpretations

2.4.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

The amendments to the following standards have been adopted by the Company for the first time for the financial year beginning on July 1, 2013:

- (a) Amendment to IAS 1, 'Financial statement presentation' regarding disclosure requirements for comparative information. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as at the beginning of the preceding period if it applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the balance sheet at the beginning of the preceding period, i.e. the opening position. No notes are required to support this balance sheet.
- (b) IAS 19, 'Employee benefits' was revised in June 2011. Revised standard eliminates the corridor approach and calculates finance costs on a net funding basis. IAS 19 (Revised) amends the accounting for defined benefit plan. The Group has applied this standard retrospectively and its impact on the Group's financial statements has been explained in note 5.

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

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the accounting periods beginning on July 1, 2013 are considered not to be relevant or to have any significant effect on the Group's financial reporting and are, therefore, not detailed in these consolidated financial statements.

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

The following amendments to published standards are not effective (although available for early adoption) for the financial year beginning on July 1, 2013 and have not been early adopted by the Group:

- (a) Annual improvements 2012 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2010-2012 cycle of annual improvements project that affect seven standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment', IAS 24, 'Related party disclosures' and IAS 38, 'Intangible assets'. The Group does not expect to have material impact on its financial statements due to application of these amendments.
- (b) Annual improvements 2013 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2011-2013 cycle of annual improvements project that affect four standards: IFRS 1, 'First time adoption of International Financial Reporting Standards', IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'. These amendments do not have any impact Group's financial statements.
- (c) IAS 32 (Amendment), 'Financial instruments: presentation', is applicable on accounting periods beginning on or after January 1, 2014. This amendment updates the application guidance in IAS 32, 'Financial instruments: presentations', to clarify some of the requirements for offsetting financial assets and financial liabilities on the reporting date. The Group shall apply this amendment from July 1, 2014 and does not expect to have a material impact on its consolidated financial statements.

- (d) IAS 36 (Amendment), 'Impairment of assets', is applicable on accounting periods beginning on or after January 1, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group shall apply this amendment from July 1, 2014 and this will only affect the disclosures in the consolidated financial statements in the event of impairment.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Group and therefore, have not been presented here.

3. BASIS OF MEASUREMENT

3.1 These consolidated 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 benefit which has been recognized at present value as determined by the Actuary.

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

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

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

- (i) Estimate of useful lives and residual values of property, plant & equipment and intangible assets (notes 4.1 and 4.2)
- (ii) Net realisable values of stores, spares & loose tools and stock-in-trade (note 4.5)
- (iii) Provision for staff benefits (note 4.10)
- (iv) Provision for taxation (note 4.12)

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except as stated in note 5.

4.1 Property, plant and equipment

4.1.1 Operating fixed assets

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 operating fixed assets other than freehold land is charged to income applying the reducing balance method at the rates stated in note 6.1. Depreciation on additions to operating fixed assets 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 operating fixed assets 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 Group assesses at each reporting date whether there is any indication that operating fixed assets 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.

4.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

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 Group 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 7.

4.3 Investments**4.3.1 In an Associated Company**

Entities in which the Group 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 Group's share of profit or loss of an Associate. Share of post acquisition profit and loss of an Associate is accounted in the Group'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 Group.

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 re-measured 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 realisable value. The cost of various classes of stock-in-trade is determined as follows:

Stock category	Valuation method
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 realisable 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 include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

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

4.10.1 Defined benefit plan

The Holding Company operates unfunded gratuity scheme which defines the amount of benefit that an employee will receive on retirement subject to minimum qualifying period of service under the scheme. The amount of retirement benefit is usually dependent on one or more factors such as age, years of service and salary. 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, 2014 on the basis of the projected unit credit method by an independent Actuary. The liability recognised in the consolidated balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period.

The amount arising as a result of re-measurements are recognised in the consolidated balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past-service cost, if any, are recognised immediately in income.

4.10.2 Defined contribution plan

The Holding Company operates defined contribution plan (i.e. recognised provident fund scheme) for all its permanent employees. The Holding 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.

4.10.3 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.

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 consolidated 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 consolidated 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 Group becomes a party to the contractual provisions of the instrument and derecognised when the Group 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 consolidated profit and loss account for the year.

Financial instruments carried on the consolidated balance sheet includes long term loans, long term deposits, trade debts, loans & advances, short term deposits, short term investment, other receivables, cash and bank balances, 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 consolidated 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 Group 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 Group 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, 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 consolidated profit and loss account currently.

4.19 Impairment loss

The carrying amounts of the Group'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 consolidated profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

4.20 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 Group considers itself to be a single reportable segment; however, certain information, as required by the approved accounting standards, is presented in note 44 to these consolidated financial statements.

4.21 Earnings per share

The Group 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 Holding Company by the weighted average number of ordinary shares outstanding during the period.

4.22 Dividend and appropriation to reserves

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

5. CHANGE IN ACCOUNTING POLICY

IAS 19 (Revised) - 'Employee benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for Group's defined benefit plan. The revised standard requires past service cost to be recognised immediately in the profit or loss and replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "re-measurements" has been introduced which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires "re-measurements" to be recognised in the consolidated balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The application of IAS 19 (Revised) only affect the Holding Company's policy for 'Staff benefits - defined benefit plan' which stands amended as follows:

The amount arising as a result of re-measurements are recognised in the consolidated balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past-service cost, if any, are recognised immediately in the consolidated profit and loss account.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting policies, changes in accounting estimates and errors' and comparative figures have been restated. The effects have been summarised below:

	As at June 30, 2013			As at July 1, 2012		
	As previously reported	As re-stated	Re-statement	As previously reported	As re-stated	Re-statement
	----- Rupees in '000 -----			----- Rupees in '000 -----		
Effect on balance sheet						
Unappropriated profit	108,409	109,777	1,368	49,226	54,019	4,793
Staff benefits	90,828	88,756	(2,072)	89,198	81,936	(7,262)
Deferred taxation	306	1,010	704	7,973	10,442	2,469
For the year ended June 30, 2013						
	As previously reported	As re-stated	Re-statement	----- Rupees in '000 -----		
Effect on profit and loss account						
Cost of sales	1,826,373	1,826,438	65			
Distribution cost	18,559	18,562	3			
Administrative expenses	117,836	117,986	150			
Taxation	7,534	7,459	(75)			
Other comprehensive income						
Re-measurement loss of staff retirement benefit obligation	-	(4,972)	(4,972)			
Impact of deferred tax	-	1,690	1,690			

The effect of change in accounting policy, due to application of IAS 19 (Revised) on 'earnings per share' is immaterial in the overall context of these consolidated financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
		----- Rupees in '000 -----	
Operating fixed assets	6.1	1,759,365	1,326,108
Capital work-in-progress:	6.7	11,378	-
		<u>1,770,743</u>	<u>1,326,108</u>

6.1 Operating fixed assets

	Freehold land	Leasehold land	Building on freehold land	Plant and machinery	Assembly jigs	Furniture and fixtures	Vehicles		Other equipment	Office equipment	Computers	Total
							Owned	Leased				
Rupees in '000												
At July 1, 2012												
Revaluation / cost	373,500	15,000	517,468	395,190	44,959	3,146	52,072	21,034	8,794	4,571	9,329	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	184	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	184	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	-	(717)	(22,397)	(25,572)	(873)	(81)	(5,135)	(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
At June 30, 2013												
Revaluation / cost	373,500	15,000	517,468	395,190	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)	(37,764)	(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
Year ended June 30, 2014												
Opening net book value	373,500	6,457	421,746	485,866	3,491	733	29,561	2,818	661	389	886	1,326,108
Additions	-	-	-	-	-	-	2,214	17,181	272	483	217	20,367
Revaluation adjustments	-	-	-	-	-	-	-	-	-	-	-	-
- cost	125,438	-	158,415	4,292	-	-	-	-	-	-	-	288,145
- accumulated depreciation	-	-	116,809	63,067	324	-	-	-	-	-	-	180,200
	125,438	-	275,224	67,359	324	-	-	-	-	-	-	468,345
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
- cost	-	-	-	-	-	-	(3,088)	-	-	-	-	(3,088)
- accumulated depreciation	-	-	-	-	-	-	2,173	-	-	-	-	2,173
	-	-	-	-	-	-	(915)	-	-	-	-	(915)
Depreciation charge	-	(646)	(21,087)	(24,295)	(698)	(73)	(6,104)	(850)	(234)	(252)	(303)	(54,540)
Closing net book value	498,938	5,811	675,883	528,982	3,117	660	24,756	19,149	699	620	800	1,759,365
At June 30, 2014												
Revaluation / cost	498,938	15,000	675,883	599,482	44,959	3,146	66,455	21,462	9,188	5,530	10,264	1,950,307
Accumulated depreciation	-	(9,189)	-	(70,550)	(41,842)	(2,486)	(41,699)	(2,313)	(8,489)	(4,910)	(9,164)	(180,942)
Net book value	498,938	5,811	675,883	528,982	3,117	660	24,756	19,149	699	620	800	1,759,365
Depreciation rate (%)		10	5	5	20	10	20	20	33	33	33	

- 6.2 Freehold land, buildings on freehold land and plant & machinery of the Holding Company had previously been revalued on June 30, 1997, June 30, 1999, January 1, 2004 and June 30, 2009.

The Holding Company, as at June 30, 2014, has again revalued its freehold land, buildings on freehold land, plant & machinery and assembly jigs. The revaluation exercise has been carried out by independent valuer - Harvester Services (Pvt.) Ltd., (Approved valuers of Pakistan Banks' Association and Leasing Association of Pakistan) I. I. Chundrigar Road, Karachi. Freehold land has been revalued on the basis of current market price whereas buildings on freehold land, plant & machinery and assembly jigs have been revalued on the basis of depreciated market value. The appraisal surplus arisen on latest revaluation exercise aggregating Rs.468.345 million has been incorporated in the books in accordance with the provisions of section 235 of the Companies Ordinance, 1984.

- 6.3 Had the operating fixed assets been recognised under the cost model, the carrying amount of each revalued class of operating fixed assets would have been as follows:

	Note	2014 — Rupees in '000 —	2013
Freehold land		61,456	61,456
Building on freehold land		127,683	134,403
Plant and machinery		135,395	142,521
Assembly Jigs		2,793	-
6.4 Depreciation charge has been allocated as follows:			
Cost of sales	31.1	51,422	53,021
Administrative expenses	33	3,118	5,148
		<u>54,540</u>	<u>58,169</u>

- 6.5 The Holding Company's present and future land, building on freehold land and plant & machinery are under mortgaged / hypothecated charged upto Rs.1,647 million (2013: Rs.1,647 million) with banks for short term finance facilities.

- 6.6 The details of operating fixed assets 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	1,170	639	531	566	35	Negotiation	Gandhara Industries Limited - an Associated Company
Nissan Sunny	1,045	848	197	481	264	Company policy	Mr. Aqiel Amjad Ghani - Employee
Nissan Sunny	873	686	187	456	269	Company policy	Mr. Aqiel Amjad Ghani - Employee
June 30, 2014	<u>3,088</u>	<u>2,173</u>	<u>915</u>	<u>1,483</u>	<u>568</u>		
June 30, 2013	<u>3,194</u>	<u>2,388</u>	<u>806</u>	<u>1,852</u>	<u>1,046</u>		

- 6.7 **Capital work-in-progress:**
- | | Note | 2014
— Rupees in '000 — | 2013 |
|-----------------------------------|-------|----------------------------|----------|
| Machinery | 6.7.1 | 6,705 | - |
| Advance payments against vehicles | | 4,673 | - |
| | | <u>11,378</u> | <u>-</u> |

6.7.1 During the year, the Subsidiary Company has imported machinery for the purpose of assembling. However, the same is in the process of installation and, therefore, has been classified under work-in-progress.

7. INTANGIBLE ASSETS

Note 2014 2013
— Rupees in '000 —

These represent computer software licenses.

Cost

500

500

Accumulated amortisation

At beginning of the year

342

289

Add: charge for the year

33

40

53

At end of the year

382

342

Net book value

118

158

Rate of amortisation (%)

25

25

8. LONG TERM INVESTMENTS

Associated Company

Gandhara Industries Limited - Equity basis

5,166,168 (2013: 5,166,168) ordinary shares of Rs.10 each

Equity held: 24.25% (2013: 24.25%)

Cost

92,635

92,635

Share of post acquisition losses

(5,849)

(17,543)

86,786

75,092

Share of items directly credited in the equity of Associated Company

62,354

61,116

Share of surplus on revaluation of fixed assets of Associated Company

356,595

301,481

Dividend received to date

(15,499)

(15,499)

490,236

422,190

Others - available for sale

Automotive Testing & Training Center (Private) Limited

187,500 (2013: 187,500) ordinary shares of Rs.10 each - cost

1,875

1,875

Provision for impairment

(1,875)

(1,875)

-

-

490,236

422,190

8.1 The above figures are based on unaudited condensed interim financial information of the investee company as at March 31, 2014. The latest financial statements of the investee company as at June 30, 2014 are not presently available.

8.2 Summarised financial information of the investee company as at March 31, 2014 is as follows:

	As at March 31, 2014	As at March 31, 2013
	— Rupees in '000 —	
Total assets	<u>4,020,286</u>	<u>4,123,583</u>
Total liabilities	<u>2,011,546</u>	<u>2,395,182</u>
Accumulated profit	<u>120,817</u>	<u>69,081</u>
	Nine months period ended March 31,	
	2014	March 31, 2013
	— Rupees in '000 —	
Revenues	<u>1,657,921</u>	<u>2,126,104</u>
Profit before taxation	<u>9,807</u>	<u>118,178</u>
Profit after taxation	<u>13,170</u>	<u>92,680</u>

8.3 The market value of investment as at June 30, 2014 was Rs.173.945 million (2013: Rs.94.799 million).

9. LONG TERM LOANS - Unsecured, considered good	Note	2014	2013
		— Rupees in '000 —	
Loans to employees - other than executive	9.1	6,258	1,912
Amounts recoverable within one year and grouped under current assets		(1,394)	(689)
		<u>4,864</u>	<u>1,223</u>

9.1 These represent interest free loans provided to employees as per terms of employment for various purposes. These loans are repayable on monthly instalments, which varies from case to case.

10. LONG TERM DEPOSITS	2014	2013
	— Rupees in '000 —	
Deposit held with / against:		
- Central Depository Company of Pakistan Limited	25	25
- lease facilities	1,732	440
- utilities	6,174	6,144
- others	100	100
	<u>8,031</u>	<u>6,709</u>
11. STORES, SPARES AND LOOSE TOOLS		
Stores	43,940	32,153
Spares and loose tools	115	115
	<u>44,055</u>	<u>32,268</u>

12. STOCK-IN-TRADE

2014 2013
— Rupees in '000 —

Raw materials

In hand

355,455

48,727

In transit

302,388

168,567

657,843

217,294

Work in process

-

24,320

Finished goods

In hand

Vehicles - Trucks / Buses

15,693

-

Spare parts

12,246

6,617

In transit

Complete Built-up Units - Trucks

31,604

47,239

59,543

53,856

717,386

295,470

12.1 The present and future stock-in-trade, trade debts and receivables aggregating Rs.1,715 million (2013: Rs.1,715 million) are under pledge / joint hypothecation charge with banks against short term finances and running finances.

13. TRADE DEBTS - Unsecured, considered good

Note

2014 2013
— Rupees in '000 —

Vehicles and assembly charges

13.1

393,093

302,104

Spare parts

2,490

3,079

395,583

305,183

13.1 Trade debts include the following amounts due from Associated Companies:

Gandhara Industries Limited

91,117

69,151

Rehman Cotton Mills Limited

5

57

91,122

69,208

13.2 The ageing of the trade debts receivable from Associated Companies as at the reporting date are as follows:

2014 2013
— Rupees in '000 —

Up to 3 months

54,013

-

3 to 6 months

37,109

69,151

more than 6 months

-

57

91,122

69,208

14. LOANS AND ADVANCES - Unsecured, considered good	Note	2014	2013
		--- Rupees in '000 ---	
Current portion of long term loans	9	1,394	689
Loans to:			
- executives	14.1 & 14.2	1,910	-
- employees other than executives	14.1	375	236
		2,285	236
Advances to:			
- executives		254	56
- employees		1,785	880
- suppliers, contractors and others		19,986	15,353
		22,025	16,289
		25,704	17,214
14.1	These represent interest free general loans and special loans provided to employees in accordance with Group's policy and have maturities upto twelve months.		
14.2	Reconciliation of carrying amount of loans to executives		
		2014	2013
		--- Rupees in '000 ---	
Balance at beginning of the year		-	603
Disbursements		2,764	-
		2,764	603
Repayments		(854)	(603)
Balance at end of the year		1,910	-
14.3	The maximum aggregate amount outstanding at the end of any month during the year ended June 30, 2014 from executives aggregated to Rs.2.095 million (2013: Rs.0.500 million).		
15.	DEPOSITS AND PREPAYMENTS		
		2014	2013
		--- Rupees in '000 ---	
Deposits against lease facilities		440	-
Prepaid			
- rent [Bibojee Services (Private) Limited - the Ultimate Holding Company]		9,118	8,550
- insurance		4,948	3,052
		14,066	11,602
Current account balances with statutory authorities		1,215	3,071
		15,721	14,673
16.	OTHER RECEIVABLES - Considered good		
Sales tax refundable / adjustable		36,128	12,480
Bank guarantee margin		613	613
Security deposits and earnest money		13,479	9,239
Accrued interest		733	-
Others		2,747	2,419
		53,700	24,751

17. SHORT TERM INVESTMENT

This represents investment in a Term Deposit Receipt (TDR) having face value of Rs.38.00 million placed with National Bank of Pakistan for a term of 120 days. This TDR carries mark-up at the rate of 7% per annum and is maturing on October 13, 2014.

18. CASH AND BANK BALANCES

	Note	2014	2013
		----- Rupees in '000 -----	
Cash in hand		1	-
Cash at banks in:			
- current accounts		111,055	46,523
- deposit accounts	18.1	10,298	9,917
- term deposits receipts	18.2	54,000	-
		175,353	56,440
Provision for doubtful bank balance	18.3	(3,912)	(3,912)
		171,441	52,528
		171,442	52,528

18.1 These, during the year, carry mark-up at the rates of 8.88% and 9.00% (2013: 9.00% and 11.50%) per annum.

18.2 Term deposit receipts (TDRs) have maturity days ranging from eighty three to ninety three days from respective dates of acquisition. These TDRs carry mark-up at rates of 7.00% and 8.50% per annum.

18.3 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 Holding Company considers that it has discharged its obligation against the said letters of credit.

19. SHARE CAPITAL

		2014	2013
		----- Rupees in '000 -----	
19.1 Authorized capital			
80,000,000 (2013: 80,000,000) ordinary shares of Rs.10 each		800,000	800,000
19.2 Issued, subscribed and paid-up capital			
	2014	2013	
	-- No. of shares --		
14,800,000	14,800,000	Ordinary shares of Rs.10 each fully paid in cash	148,000
200,000	200,000	Ordinary shares of Rs.10 each issued as fully paid bonus shares	2,000
30,002,500	30,002,500	Ordinary shares of Rs.10 each issued for acquisition	300,025
45,002,500	45,002,500		450,025

19.3 Bibojee Services (Private) Limited (the Ultimate Holding Company) holds 62.32% (2013: 62.32%) share capital of the Holding Company.

	Note	2014 — Number of shares —	2013
19.4 Ordinary shares held by other related parties as at year end:			
Universal Insurance Company Limited		5,000	5,000
UD Trucks Corporation, Japan		3,647,090	3,647,090
		<u>3,652,090</u>	<u>3,652,090</u>
20. SURPLUS ON REVALUATION OF FIXED ASSETS - Net		2014	2013
		— Rupees in '000 —	
Surplus on revaluation of the Holding Company's fixed assets	20.1	1,054,188	713,289
Share of surplus on revaluation of fixed assets of an Associated Company	8	356,595	301,481
		<u>1,410,783</u>	<u>1,014,770</u>
20.1 Surplus on revaluation of the Holding Company's fixed assets			
Balance at beginning of the year		919,990	951,987
Surplus arisen on revaluation carried-out during the year	6.2	468,345	-
Transferred to unappropriated profit on account of incremental depreciation for the year		(30,397)	(31,997)
		<u>1,357,938</u>	<u>919,990</u>
Related deferred tax of:			
- balance at beginning of the year		206,701	223,979
- surplus arisen during the year		113,159	-
- incremental depreciation for the year		(10,335)	(11,199)
- effect of change in tax rate		(5,775)	(6,079)
- balance at end of the year		303,750	206,701
Balance at end of the year		<u>1,054,188</u>	<u>713,289</u>
21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Balance at beginning of the year		1,260	7,840
Assets acquired during the year		17,315	-
Repaid / adjusted during the year		(1,913)	(6,580)
		<u>16,662</u>	<u>1,260</u>
Current portion grouped under current liabilities		(3,656)	(1,149)
Balance at end of the year		<u>13,006</u>	<u>111</u>

21.1 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 15.22% to 17.32% (2013: 12.63% to 18.00%) per annum. These facilities are secured against title of the leased vehicles in the name of lessor. The Group intends to exercise its option to purchase the leased vehicles upon completion of the lease terms.

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

Particulars	Upto one year	From one to five years	2014	Upto one year	From one to five years	2013
	Rupees in '000					
Minimum lease payments	5,695	15,592	21,287	1,202	112	1,314
Finance cost allocated to future periods	(2,039)	(2,586)	(4,625)	(53)	(1)	(54)
Present value of minimum lease payments	<u>3,656</u>	<u>13,006</u>	<u>16,662</u>	<u>1,149</u>	<u>111</u>	<u>1,260</u>

22. LONG TERM DEPOSITS

	Note	2014	2013
		Rupees in '000	
Dealers' deposit	22.1	9,000	9,000
Vendors		111	111
Others		500	500
		<u>9,611</u>	<u>9,611</u>

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

23. STAFF BENEFITS

	Note	2014	Re-stated 2013
		Rupees in '000	
Provision for gratuity	23.1	70,404	61,068
Provision for compensated absences		24,391	27,688
		<u>94,795</u>	<u>88,756</u>

23.1 The Holding Company operates unfunded gratuity scheme which defines the amount of benefit that an employee will receive on retirement subject to minimum qualifying period of service under the scheme. Obligation under the scheme as per the latest actuarial valuation is as follows:

23.1.1 Amount recognised in the balance sheet is as follows	2014	Re-stated 2013
	Rupees in '000	
Present value of defined benefit obligation	70,356	60,895
Benefits payable	48	173
Net liability at end of the year	<u>70,404</u>	<u>61,068</u>
Net liability at beginning of the year	61,068	51,575
Charge to profit and loss account	10,482	9,963
Re-measurement recognised in other comprehensive income	3,636	4,972
Payments made during the year	(4,782)	(5,442)
Net liability at end of the year	<u>70,404</u>	<u>61,068</u>

	2014	Re-stated 2013
	— Rupees in '000 —	
23.1.2 Movement in the present value of defined benefit obligation		
Balance at beginning of the year	60,895	48,553
Current service cost	4,333	3,651
Interest cost	6,149	6,312
Benefits paid	(4,657)	(2,468)
Benefits due but not paid	-	(125)
Re-measurement on obligation	3,636	4,972
Balance at end of the year	<u>70,356</u>	<u>60,895</u>
23.1.3 Expense recognised in profit and loss account		
Current service cost	4,333	3,651
Interest cost	6,149	6,312
	<u>10,482</u>	<u>9,963</u>
23.1.4 Re-measurement recognised in other comprehensive Income		
Experience adjustments	<u>3,636</u>	<u>4,972</u>
23.1.5 Actuarial assumptions used	2014	2013
	— % per annum —	
Discount rate	13.25	10.50
Expected rate of increase in future salaries	13.25	10.50
Mortality rates (for death in service)	SLIC	EFU
	2001-2005	61-66
23.1.6 Sensitivity analysis for actuarial assumptions		

The calculation of defined benefit obligation is sensitive to assumptions set-out in note 23.1.5. The following table summarises how the net defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in respective assumptions.

	Change in assum- ption	Increase in assumption — Rupees in '000 —	Decrease in assumption
Discount rate	1.00%	<u>65,033</u>	<u>74,658</u>
Increase in future salaries	1.00%	<u>74,672</u>	<u>64,941</u>

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

23.1.7 Based on actuary's advice, the expected charge for the year ending June 30, 2015 amounts to Rs.13.256 million.

23.1.8 The weighted average duration of the scheme is 7 years.

23.1.9 Historical information	2014	2013	2012	2011	2010
	----- Rupees in '000 -----				
Present value of defined benefit obligation	70,356	60,895	48,553	44,758	46,396
Experience adjustment on obligation	3,636	4,972	(4,798)	(4,812)	5,105

23.1.10 Expected maturity analysis of undiscounted retirement benefit plan:	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees in '000 -----				
As at June 30, 2014	17,175	6,575	39,955	773,395	837,100

24. DEFERRED TAXATION - Net	Note	2014	Re-stated 2013
		----- Rupees in '000 -----	
The liability for deferred taxation comprises of temporary differences relating to:			
- accelerated tax depreciation allowance		50,806	52,753
- surplus on revaluation of fixed assets		303,750	206,701
- lease finances		821	530
- provision for gratuity		(23,584)	(20,764)
- provision for compensated absences		(8,531)	(9,414)
- provision for bank balances		(1,291)	(1,330)
- minimum tax recoverable against normal tax charge in future years		(75,912)	(49,502)
- excess of alternative corporate tax over corporate taxes recoverable in future years		(17,946)	-
- unused tax losses		(70,074)	(177,964)
		<u>158,039</u>	<u>1,010</u>

25. TRADE AND OTHER PAYABLES		2014	2013
		----- Rupees in '000 -----	
Trade creditors		86,198	82,703
Bills payable		241,038	259,038
Accrued liabilities	25.1	20,376	25,300
Refundable - CKD / CBU business		1,403	1,403
Customers' credit balances	25.2	288,616	27,696
Commission		17,918	5,838
Unclaimed gratuity		231	231
Dealers' deposits against vehicles		52,800	5,000
Custom duties payable		2,263	-
Due to related parties	25.3	21,894	24,362
Withholding tax		1,214	565
Workers' profit participation fund	25.4	14,484	962
Workers' welfare fund		5,512	366
Retention money		103	103
Unclaimed dividend		961	961
Dealer deposit payable on cancellation of dealership		1,000	1,000
Others	25.5 & 25.6	13,370	7,465
		<u>769,381</u>	<u>442,993</u>

25.1	Includes Rs.13.704 million (2013: Rs.15.463 million) which pertains to a key management person.			
25.2	These represent advances from customers against sale of trucks and carry no mark-up.			
25.3	Due to related parties	Note	2014 — Rupees in '000 —	2013 — Rupees in '000 —
	UD Trucks Corporation - Japan		7,676	5,742
	Universal Insurance Company Limited		3,958	3,708
	The General Tyre and Rubber Company of Pakistan Limited		3	1,904
	Gammon Pakistan Limited		372	623
	Waqf-e-Kuli Khan		9,885	12,385
			<u>21,894</u>	<u>24,362</u>
25.4	Workers' profit participation fund			
	Balance at beginning of the year		962	-
	Allocation for the year	35	14,484	962
	Interest on funds utilised in the Company's business	36	87	-
			<u>15,533</u>	<u>962</u>
	Payment made during the year		(1,049)	-
	Balance at end of the year		<u>14,484</u>	<u>962</u>
25.5	Includes Rs.3.675 million (2013: Rs.1.043 million) which pertain to key management personnel.			
25.6	Includes deposits and instalments under the Holding Company's staff vehicle policy aggregating Rs.2.654 million (2013: Rs.0.566 million).			
26.	ACCRUED MARK-UP		2014 — Rupees in '000 —	2013 — Rupees in '000 —
	Mark-up accrued on:	Note		
	- short term finances		2,973	2,228
	- running finances		2,205	11,548
			<u>5,178</u>	<u>13,776</u>
27.	SHORT TERM FINANCES - Secured			
	Finance against imported merchandise			
	- National Bank of Pakistan	27.1	-	53,601
	- The Bank of Khyber	27.2	181,245	24,371
			<u>181,245</u>	<u>77,972</u>
	Finance against trust receipts			
	- National Bank of Pakistan	27.1	225,743	11,737
	Short term demand finance			
	- Faysal Bank Limited	27.3	41,873	44,883
			<u>448,861</u>	<u>134,592</u>

27.1 The Holding Company has arranged Finance against Imported Merchandise (FIM) and Finance Against Trust Receipts (FATR) facilities of an aggregate limit of Rs.500 million (2013 : Rs.300 million) from National Bank of Pakistan. These facilities are secured against effective pledge of imported goods, duly signed trust receipts and cumulative charge (equitable and hypothecation) over the Holding Company's land, building and plant & machinery for Rs.467 million. These facilities carry mark-up at the rate of 3 months KIBOR plus 200 basis points. FIM and FATR are repayable within 120 days of disbursement / creation. These finance facilities are available upto October 31, 2014.

27.2 The Holding Company has also arranged FIM of Rs.250 million (2013: Rs.100 million) from the Bank of Khyber. This 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, 2014.

27.3 The Holding 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 Holding Company during the prior years had repaid instalments aggregating Rs.215 million and balance of Rs.115 million was renewed by the Bank. The Holding Company has made principal payments of Rs.73.127 million till June 30, 2014 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. The short term loan carries mark-up at the rate of six months KIBOR plus 1.80% per annum.

28. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS - Secured

Note	2014 — Rupees in '000 —	2013
Balance as at June 30,	28.1 <u>54,380</u>	<u>179,419</u>

28.1 Running finance facilities available to the Holding Company from commercial banks under mark-up arrangements aggregate to Rs.375 million (2013: Rs.423.535 million) and are secured by way of equitable, hypothecation and pari passu charge over fixed and current assets of the Holding Company. These, during the current financial year, carry mark-up at the rates ranging from 11.06% to 12.17% (2013: 11.28% to 13.95%) per annum. The arrangements are expiring on March 31, 2015.

28.2 The facilities for opening letters of credit and guarantees as at June 30, 2014 aggregated to Rs.1,562 million (2013: Rs.635 million) of which the amount remained unutilised at the year-end was Rs.774.362 million (2013: Rs.120.070 million).

29. CONTINGENCIES AND COMMITMENTS

29.1 Certain cases have been filed against the Holding Company in respect of employees matters. These cases are pending in labour courts, high court and before National Industrial Relations Commission, Karachi. The management is confident that the outcome of these cases will be in the Holding Company's favour.

29.2 Commitment in respect of irrevocable letters of credit as at June 30, 2014 aggregate to Rs.813.560 million (2013: Rs.455.004 million).

29.3 Guarantees aggregating Rs.10.303 million (2013: Rs.59.926 million) are issued by banks of the Holding Company to various government and other institutions.

30. REVENUE - Net		2014	2013
		— Rupees in '000 —	
	Note		
Manufactured activity			
Local		2,770,406	1,719,408
Export		30,965	-
		<u>2,801,371</u>	<u>1,719,408</u>
Less:			
- sales tax		402,538	237,755
- commission		39,850	16,075
		<u>442,388</u>	<u>253,830</u>
		<u>2,358,983</u>	<u>1,465,578</u>
Trading activity			
Local		317,524	470,266
Export		2,902	-
		<u>320,426</u>	<u>470,266</u>
Less:			
- sales tax		46,175	53,953
- discount and commission		13,324	29,653
		<u>59,499</u>	<u>83,606</u>
		<u>260,927</u>	<u>386,660</u>
		<u>2,619,910</u>	<u>1,852,238</u>
31. COST OF SALES		2014	Re-stated 2013
		— Rupees in '000 —	
Finished goods at beginning of the year		53,856	57,846
Cost of goods manufactured	31.1	1,905,707	1,212,946
Purchases - trading goods		248,801	409,502
		<u>2,154,508</u>	<u>1,622,448</u>
Finished goods at end of the year	12	(59,543)	(53,856)
		<u>2,148,821</u>	<u>1,626,438</u>
31.1 Cost of goods manufactured			
Work in process at beginning of the year		24,320	25,579
Raw materials and parts consumed	31.2	1,597,503	946,952
Fabrication of contract vehicles		7,881	9,450
Stores and spares consumed		27,908	13,830
Salaries, wages and benefits	31.3	114,548	117,089
Transportation		9,209	11,566
Repair and maintenance		2,883	6,688
Depreciation	6.4	51,422	53,021
Material handling		1,160	97
Insurance		3,492	6,451
Communication		476	554
Rent, rates and taxes		414	296
Travelling and entertainment		664	1,020
Power generation costs		47,109	34,589
Printing, stationery and office supplies		910	641
Royalty expense		9,469	3,862
Plant security		4,698	3,701
Other manufacturing expenses		1,641	1,880
		<u>1,905,707</u>	<u>1,237,266</u>
Work in process at end of the year		-	(24,320)
		<u>1,905,707</u>	<u>1,212,946</u>

	2014	2013
	----- Rupees in '000 -----	
31.2 Raw materials and parts consumed		
Stocks at beginning of the year	48,727	281,287
Purchases	1,904,231	714,392
	<u>1,952,958</u>	<u>995,679</u>
Stocks at end of the year	(355,455)	(48,727)
	<u>1,597,503</u>	<u>946,952</u>
31.3	Salaries, wages and benefits include Rs.3.160 million (2013: Rs.2.937 million) and Rs.2.327 million (2013: Rs.1.971 million) in respect of staff retirement gratuity and staff provident fund respectively.	

		2014	Re-stated 2013
		----- Rupees in '000 -----	
32. DISTRIBUTION COST			
	Note		
Salaries and benefits	32.1	13,037	12,889
Utilities		203	294
Insurance		-	15
Repair and maintenance		76	347
Travelling and entertainment		2,627	3,229
Telephone and postage		148	136
Vehicle running		743	544
Printing, stationery and office supplies		287	103
Security		511	360
Godown and forwarding		281	143
Sales promotion expenses		1,129	426
Others		276	76
		<u>19,318</u>	<u>18,562</u>

32.1 Salaries and benefits include Rs.0.167 million (2013: Rs.0.155 million) and Rs.0.823 million (2013: Rs.0.735 million) in respect of staff retirement gratuity and staff provident fund respectively.

		2014	Re-stated 2013
		----- Rupees in '000 -----	
33. ADMINISTRATIVE EXPENSES			
	Note		
Salaries and benefits	33.1	86,605	75,724
Pre-incorporation expenses		323	-
Utilities		4,887	3,344
Rent, rates and taxes		7,627	7,476
Directors' fee		450	380
Insurance		852	1,663
Repairs and maintenance		1,505	1,007
Depreciation and amortisation	6.3 & 7	3,158	5,201
Auditors' remuneration	33.2	586	500
Advertising		374	561
Travelling and conveyance		3,336	6,638
Legal and professional charges		1,204	1,749
Vehicle running		3,193	3,314
Telephone and postage		3,058	2,531
Printing and stationery		2,773	1,614
Subscription		1,554	1,576
Security expenses		879	709
Donation	33.3	415	958
Others		2,274	3,041
		<u>125,053</u>	<u>117,986</u>

33.1 Salaries and benefits include Rs.7.155 million (2013: Rs.6.871 million) and Rs.1.831 million (2013: Rs.2.057 million) in respect of staff retirement gratuity and staff provident fund respectively.

33.2 Auditors' remuneration

Audit fee

Hameed Chaudhri & Co.

Muniff Ziauddin & Co.

Junaldy Shoaib Asad

2014 2013

----- Rupees in '000 -----

250 250

250 250

86 -

586 500

33.3 Donation of Rs.Nil (2013: Rs.0.958 million) 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 Holding Company, Mr. Ahmed Kuli Khan Khattak, Chief Executive of the Holding Company and Lt. Gen. (Retd.) Ali Kuli Khan Khattak, Director of the Holding Company, are trustees of the Trust.

34. OTHER INCOME

Note

2014 2013

----- Rupees in '000 -----

Income from financial assets

Interest income

34.1 2,183 1,125

Income from non-financial assets

Scrap sales - net of sales tax

3,921 1,814

Gain on disposal of operating fixed assets

6.6 568 1,046

Payable balances written back

- 3,942

Commission income

5,254 705

Others

769 1,715

10,512 9,222

12,695 10,347

34.1 Interest at the rates ranged from 7.00% to 9.00% (2013: 9.00% to 11.50%) per annum has been earned during the year on term deposit receipts and deposit accounts.

35. OTHER EXPENSES

Note

2014 2013

----- Rupees in '000 -----

Workers' profit participation fund

25.4 14,484 962

Workers' welfare fund

5,504 366

19,988 1,328

36. FINANCE COST

Mark-up on:

- long term financing

- 4,926

- short term finances

16,920 39,965

- running finances

22,575 32,042

Lease finance charges

653 421

Exchange loss

5,733 1,650

Interest on workers' profit participation fund

25.4 87 -

Bank and other charges

4,250 1,574

50,218 80,578

37. TAXATION

	Note	2014 Rupees in '000	Re-stated 2013
Current			
- for the year	37.1	44,984	9,314
- for prior year		(64)	(192)
		<u>44,920</u>	<u>9,122</u>
Deferred			
- origination and reversal of temporary differences		46,251	(7,005)
- impact of change in tax rate		4,594	5,342
		<u>50,845</u>	<u>(1,663)</u>
		<u>95,765</u>	<u>7,459</u>

37.1 Provision for the current year mainly represents alternative corporate tax payable under section 113C and tax deducted under sections 154 of the Income Tax Ordinance, 2001.

38. EARNINGS PER SHARE

38.1 Basic earnings per share

	2014 Rupees in '000	Re-stated 2013
Net profit for the year	<u>185,136</u>	<u>38,242</u>
	- Number of shares -	
Weighted average ordinary shares in issue	<u>45,002,500</u>	<u>45,002,500</u>
	----- Rupees -----	
Earnings per share	<u>4.11</u>	<u>0.85</u>

38.2 Diluted earnings per share

No figures for diluted earnings per share has been presented as the Group has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Aggregate amount charged in these consolidated financial statements in respect of remuneration of the Holding Company's Chief Executive, directors and executives are given below:

	2014			2013		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	----- Rupees in '000 -----					
Managerial remuneration	9,000	3,600	37,351	9,000	3,600	33,828
Contribution to provident fund	456	-	1,694	456	-	1,550
Gratuity	228	-	1,263	228	-	1,145
Utilities	-	-	2,645	-	-	2,439
	<u>9,684</u>	<u>3,600</u>	<u>42,953</u>	<u>9,684</u>	<u>3,600</u>	<u>38,962</u>
Number of persons	<u>1</u>	<u>1</u>	<u>23</u>	<u>1</u>	<u>1</u>	<u>20</u>

- 39.1 No remuneration has been paid or is payable by the Subsidiary Company on account of remuneration of Chief executive officer, directors and executives for the year.
- 39.2 The Chief Executive of the Holding Company 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 the Holding Company policy applicable to all management employees.
- 39.3 Director and certain Executives of the Holding Company are also provided with free use of the Company maintained vehicles.
- 39.4 Aggregate amount charged in the consolidated financial statements for meeting fee to Directors of the Holding Company was Rs.0.450 million (2013: Rs.0.380 million).

40. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Ultimate Holding Company, Associated Companies, directors of the Group, companies in which directors are interested, staff retirement benefit plan, key management personnel and close members of the families of the directors & key management personnel. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

Name	Nature of transaction	2014 -- Rupees in '000 --	2013
(i) Ultimate Holding Company			
Bibojee Services (Private) Limited	Rent of head office Sale of runway sweepers	5,400 -	5,400 76,966
(ii) Associated Companies			
Universal Insurance Company Limited	Insurance premium	250	6,349
The General Tyre and Rubber Company of Pakistan Limited	Purchase of tyres, tubes and flaps Sale of parts	38,823 59	15,959 -
Bannu Woollen Mills Limited	Sale of parts	-	159
Gandhara Industries Limited	Contract assembly Fabrication of vehicles Sale of parts Repair of vehicles Sale of fleet vehicle	117,257 1,241 - - 566	140,662 1,320 2 504 -
Rehman Cotton Mills Limited	Sale of parts	5	117
Gammon Pakistan Limited	Office rent	1,500	1,500
Janana De Malucho Textile Mills Limited	Earnest money received and paid back for sale of trucks	-	20,000

Name	Nature of transaction	2014 --- Rupees in '000 ---	2013
(iii) Others			
UD Trucks Corporation, Japan	Royalty	9,469	3,862
	Purchases of complete knock down kits	1,469,303	527,919
Staff provident fund	Contribution made	4,981	4,763
Key management personnel	Remuneration and other short term benefits	28,774	28,034
	Sale of fleet vehicles	917	-

41. PLANT CAPACITY

41.1 The Holding Company

Against the designed annual production capacity of 6,000 vehicles at car plant, on single shift basis, the Holding Company has assembled 803 (2013: 636) vehicles of Land Rover and also processed 1,115 (2013: 1,042) 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 1,246 (2013: 1,146) trucks and buses of UD and Isuzu. Capacity of trucks and buses production facility also remained under-utilized due to low demand on account of economic slow down.

41.2 The Subsidiary Company

The Subsidiary Company is in the process of establishing its manufacturing and assembling facilities.

42. FINANCIAL RISK MANAGEMENT

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

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

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

42.1 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 Group.

Credit risk primarily arises from long term loans, long term deposits, trade debts, loans and advances, other receivables, short term investment 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 crediting ratings.

The maximum exposure to credit risk as at June 30, 2014 along with comparative is tabulated below:

	2014	2013
	--- Rupees in '000 ---	
Long term loans	4,864	1,223
Long term deposits	6,299	6,269
Trade debts	395,583	305,183
Loans and advances	3,679	925
Other receivables	17,572	12,271
Short term investment	38,000	-
Bank balances	171,441	52,528
	<u>637,438</u>	<u>378,399</u>

The maximum exposure to credit risk for trade debts at the reporting date by geographic region is as follows:

	2014	2013
	--- Rupees in '000 ---	
Domestic	395,279	305,183
Export	304	-
	<u>395,583</u>	<u>305,183</u>

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

Up to 3 months	122,917	193,915
3 to 6 months	112,318	95,712
more than 6 months	160,348	15,556
	<u>395,583</u>	<u>305,183</u>

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

42.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group'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, 2014				
Liabilities against assets subject to finance lease	16,662	3,656	13,006	-
Long term deposits	9,611	-	-	9,611
Trade and other payables	457,292	457,292	-	-
Accrued mark-up	5,178	5,178	-	-
Short term finances	448,861	448,861	-	-
Running finances under mark-up arrangements	54,380	54,380	-	-
	<u>991,984</u>	<u>969,367</u>	<u>13,006</u>	<u>9,611</u>

	Carrying amount	Less than 1 year	Between 1 to 5 years	5 years and above
June 30, 2013	Rupees in '000			
Liabilities against assets subject to finance lease	1,260	1,149	111	-
Long term deposits	9,611	-	-	9,611
Trade and other payables	413,404	413,404	-	-
Accrued mark-up	13,776	13,776	-	-
Short term finances	134,592	134,592	-	-
Running finances under mark-up arrangements	179,419	179,419	-	-
	752,062	742,340	111	9,611

42.3 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 Group'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 Group 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 Group's exposure to foreign currency risk at the reporting date is as follows:

	Rupees	Yen	U.S.\$	RMB
June 30, 2014	in '000			
Trade and other payables	227,346	188,049	-	4,113
Trade debts	(304)	-	(3)	-
Net exposure	227,042	188,049	(3)	4,113
June 30, 2013	in '000			
Trade and other payables	256,796	105,682	60	8,962

The following significant exchange rates have been applied:

	Reporting date rate	
	2014	2013
Yen to Rupee	0.9748 / 0.9728	0.9994 / 0.9974
U.S. \$ to Rupee	98.55	98.8 / 98.6
RMB to Rupees	15.91	16.20

Sensitivity analysis

At the reporting date, if Rupee had strengthened by 5% against Yen, Dollar 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 gain on translation of net financial liabilities.

Effect on profit for the year	2014	2013
	— Rupees in '000 —	
Yen to Rupee	9,166	5,281
U.S. \$ to Rupee	(15)	296
RMB to Rupee	3,272	7,259
	<u>12,423</u>	<u>12,836</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 Group arises from short & long term borrowings from banks, short term investment and balances held with banks. At the reporting date the profile of the Group's interest bearing financial instruments is as follows:

Financial asset - fixed rate instruments	2014	2013
	— Rupees in '000 —	
Short term investment	38,000	-
Bank balance	64,298	9,917
	<u>102,298</u>	<u>9,917</u>
Financial Liabilities - variable rate instruments		
Liabilities against assets subject to finance lease	16,662	1,260
Short term finances	448,861	134,592
Running finances under mark-up arrangements	54,380	179,419
	<u>519,903</u>	<u>315,271</u>

Sensitivity analysis for fixed rate instruments

The Group 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 profit 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 2013.

Cash flow sensitivity - variable rate financial liabilities	Increase	(Decrease)
	— Rupees in '000 —	
As at June 30, 2014	<u>5,199</u>	<u>(5,199)</u>
As at June 30, 2013	<u>3,153</u>	<u>(3,153)</u>

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

(c) 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, 2014 / 2013 the Group did not have any financial instruments dependent on market prices.

42.4 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, 2014 the carrying values of all financial assets and liabilities reflected in the consolidated 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.

43. CAPITAL RISK MANAGEMENT

The Group'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 Group 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 Group may adjust the amount of dividend paid to shareholders and / or issue new shares. There was no change to the Group's approach to capital management during the year.

44. OPERATING SEGMENTS

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

- (a) All non-current assets of the Group at June 30, 2014 are located in Pakistan.
- (b) 98.71% (2013: 100%) of the Group's sales relate to customers in Pakistan.
- (c) The Group has earned revenue from one customer amounting Rs.633.197 million (2013: Rs.Nil) during the year which constituted 24.17% (2013: Nil) of the total sales.

45. NUMBER OF EMPLOYEES

	2014	2013
Number of employees as at June 30,		
- Permanent	<u>227</u>	<u>223</u>
- Contractual	<u>231</u>	<u>381</u>
Average number of employees during the year		
- Permanent	<u>226</u>	<u>232</u>
- Contractual	<u>230</u>	<u>375</u>

46. DISCLOSURE RELATING TO PROVIDENT FUND

- 46.1** The Holding Company operates a recognised provident fund for all its permanent employees. The following information is based on un-audited financial statements of the Holding Company's Fund for the year ended June 30, 2014:

2014 2013

— Rupees in '000 —

Size of the Fund - total assets	63,621	55,066
Cost of investments made	60,050	51,667
Percentage of investments made	94.39%	93.83%
Fair value of investments	69,641	55,730

46.2 Break-up of the investments is as follows:

	2014	2013	2014	2013
	— Percentage —		— Rupees in '000 —	
Bank deposits	1.74	2.65	1,105	1,461
Government securities	78.94	77.12	50,220	42,465
National Investment Trust - units	13.71	14.06	8,725	7,741

46.3 Investments 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.

47. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on September 24, 2014 by the Board of Directors of the Holding Company.

48. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in their meeting held on September 24, 2014 have proposed final cash dividend of Rs.2.00 per share, amounting to Rs.90.005 million, for the year ended June 30, 2014. The proposed dividend will be approved in the forthcoming annual general meeting to be held on October 28, 2014.

These financial statements do not reflect the proposed dividend, which will be accounted for in the statement of changes in equity as appropriation from unappropriated profit in year ending June 30, 2015.

49. CORRESPONDING FIGURES

Prior year's figures have been restated consequent to the retrospective application of IAS 19 (Revised) as more fully explained in note 5. For the purpose of better presentation following corresponding figures have also been re-arranged / re-classified:

Re-classification from component	Re-classification to component	Note	Rupees in '000
Loans and advances	Long term loans	9	1,223
Other receivables	Deposits and prepayments	15	3,071

Ahmed Kull Khan Khattak
Chief Executive

Karachi ; 24 September 2014

Jamil A. Shah
Director

Form of Proxy

I / We _____

Of _____ being

a member(s) of **Gandhara 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 **Gandhara 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

32nd Annual General Meeting of the Company to be held on Tuesday, the 28th October 2014

at 10:30 A.M. and any adjournment thereof.

Signed this _____ day of _____ 2014.

AFFIX REVENUE STAMP Rs.5/-

Signature _____

Witness: _____

Name with _____

NIC No.: _____

Address: _____

Witness: _____

Name with _____

NIC No.: _____

Address: _____

IMPORTANT:

1. This form of Proxy duly completed must be deposited at the Company's Registered office Gandhara 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.