



Annual Report  
2010

**ISUZU**



**GHANDHARA INDUSTRIES LIMITED**  
A Bibojee Group Company

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# VISION

To acquire market leadership and contribute to the society by providing high quality and environment friendly Isuzu Vehicles in Pakistan market.

# MISSION

- To assist the society in fight against pollution hazards by introducing environment friendly vehicles.
- To maximize share of Isuzu in Pakistan.
- To be a market & customer oriented organization.
- To provide effective & efficient after sales services to the customers.
- To enhance performance in all operating areas, ensuring growth of the Company and optimum return to the stakeholders.
- To create conducive operational environments for optimum productivity, job satisfaction, carrier development and well being of employees.

# COMPANY INFORMATION

## BOARD OF DIRECTORS

Mr. Raza Kuli Khan Khattak	Chairman
Mr. Ahmad Kuli Khan Khattak	Chief Executive
Lt. Gen. (R) Ali Kuli Khan Khattak	Director
Mr. Mushtaq Ahmed Khan (FCA)	Director
Dr. Parvez Hassan	Director
Mr. Jamil Ahmed Shah	Director
Ch. Sher Muhammad	Director

## COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr. Iftikhar A. Khan

## AUDITORS

Hameed Chaudhri & Co.  
Chartered Accountants

## AUDIT COMMITTEE

Lt. Gen. (R) Ali Kuli Khan Khattak	Chairman
Mr. Mushtaq Ahmed Khan (FCA)	Member
Mr. Jamil Ahmed Shah	Member

## LEGAL ADVISORS

Syed Iqbal Ahmad Barrister at Law  
S. Abid Shirazi & Co.  
Syed Qamaruddin Hassan

## BANKERS

Bank Al-Habib Limited  
National Bank of Pakistan  
Soneri Bank Limited  
The Bank of Tokyo - Mitsubishi UFJ, Limited  
The Bank of Khyber  
NIB Bank Limited  
Faysal Bank Limited

## REGISTERED OFFICE

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

## SHARE REGISTRAR

Hameed Majeed Associates (Pvt.) Ltd.  
5th Floor, Karachi Chambers,  
Hasrat Mohani Road, Karachi.



## NOTICE OF 47TH ANNUAL GENERAL MEETING

Notice is hereby given that the 47th Annual General Meeting of the shareholders of GHANDHARA INDUSTRIES LIMITED will be held at 11:00 A.M on Tuesday, 19th October, 2010 at F-3, Hub Chauki Road, S.I.T.E., Karachi to transact the following business:-

### ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting of the Company held on October 28, 2009.
2. To consider, receive and approve the Annual Audited Accounts of the Company for the year ended June 30, 2010, together with Directors and Auditors report thereon.
3. To appoint Auditors for the financial year ending June 30, 2011 and to fix their remuneration. The retiring Auditors M/s. Hameed Chaudhri & Company, Chartered Accountants, being eligible offer themselves for re-appointment.

### SPECIAL BUSINESS

4. To seek consent of the shareholders of the Company for disposal of a portion of the Company's leasehold land and if deemed fit pass the following special resolution with or without modification:

"RESLOVED THAT the consent of the shareholders be and is hereby accorded to sell a portion of the Company's leasehold land admeasuring approximately 8 acres out of 18.93 acres of plot No. F/3, S.I.T.E, Karachi."

"FURTHER RESOLVED THAT the Chief Executive and a director of the Company jointly be and are hereby authorized to carry out necessary steps and measures in this regard and execute necessary documents / papers thereof and cause a deal of Conveyance thereof registered".

5. Any other business with the permission of the Chair.

By order of the Board

Karachi  
September 28, 2010

Iftikhar Ahmed Khan  
Company Secretary

### Notes:

- (a) The Share Transfer books of the Company shall remain closed from October 11, 2010 to October 19, 2010 (both days inclusive).
- (b) A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of himself/herself. Proxies in order to be effective must be valid and received by the Registrar Office not less than 48 hours before the time for holding of the Meeting and must be duly stamped, signed and witnessed. A member shall not be entitled to appoint more than one proxy.
- (c) CDC shareholders are requested to bring their original computerized National Identity Card, Account, Sub Account Number and Participant's Number in the Central Depository System for identification purposes for attending the Meeting. In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
- (d) Members are requested to immediately notify any change in their mailing addresses, if any.



STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984

The land that is proposed by the Board of Directors to be sold out is located at plot No F/3, S.I.T.E, Karachi. Total area of the land is 18.93 acre. The cost of the land is Rs Nil. The latest revalued amount and book value of the land is Rs 1,239,915,000. The approximate current market price/ fair value of the land is expected to be close to its book value. Area proposed to be disposed off is around 8 acre.

The proposed manner of disposal of the land shall be through negotiations.

The reasons for the disposal are to relocate the Company's head office and plant facilities and to provide financial stability / liquidity to the Company for its development and expansion. Plant facilities are intended to be relocated at Port Qasim where most of the automobile plants are located. This relocation will, thus, likely to reduce logistical costs, hassles, financial burdens and other attendant risks significantly.

None of the Directors of the Company has any interest in the proposed resolution of the Company.





## DIRECTORS' REPORT

The Directors of your company take pleasure in presenting the annual report & the Company's audited financial statements for the year ended on June 30, 2010.

### OVERVIEW OF ECONOMY AND MARKET

Economic conditions in Pakistan remained challenging during the year. Inflation, adverse law and order conditions, and energy crisis led to slow down of overall economic activities. All these and in particular depreciation of Rupee against Japanese Yen have resulted in falling sales of Japanese trucks and buses in the country.

Despite all these your company has made significant profits as against losses suffered by the competing companies.



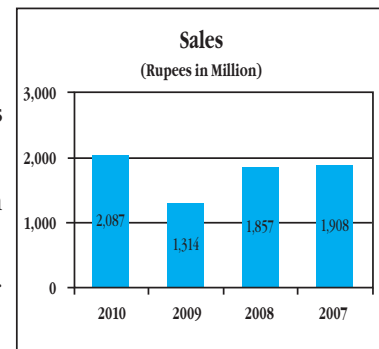
### REVIEW OF OPERATING RESULTS

#### Sales

Despite constrained market and economic conditions your company's sales revenue has been the highest-ever.

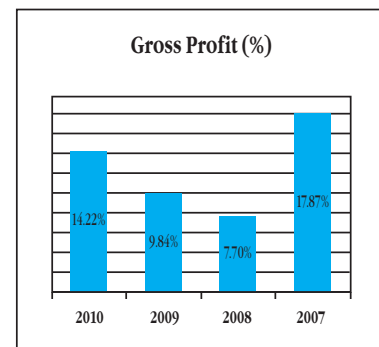
Sales revenue increased by 59% from the preceding year. The increase in revenues is mainly attributable to better pricing and better product mix.

Front engine ISUZU buses were exported to Bangladesh and Mauritius. Your company foresees growth in exports in the ensuing periods.



#### Gross profit

The gross profit ratio has increased from 9.8% in 2009 to 14.2% this year.

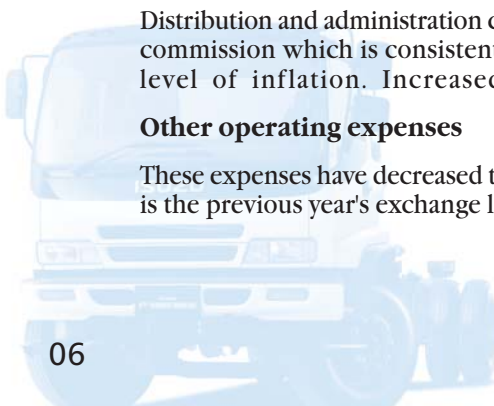


#### Distribution and administration costs

Distribution and administration costs have increased by 36.8% over last year. The increase is attributable to increased commission which is consistent with the increased sales revenue, after sale services and warranty, and general level of inflation. Increased depreciation charge has also contributed to increase in expenses.

#### Other operating expenses

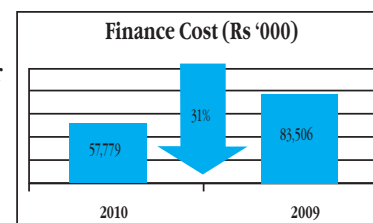
These expenses have decreased to 8.2 million as compared to previous year's 117.8 million. Reason for this downfall is the previous year's exchange loss of Rs. 116.8 million.





### Finance costs

Finance costs have reduced from Rs. 84 million to Rs. 58 million due to better cash inflows during the year.



### Profit before tax

Despite stiff competition, depreciation of Rupee against Yen and overall unfavorable business conditions your company was able to make pre-tax profits of Rs. 118 million against pre-tax losses of Rs. 140 million of the preceding period.

### Financial performance

The financial results are summarized below:

	2010	2009
	Rupees' 000	
Profit / (loss) before tax	117,928	(140,427)
Taxation	17,635	2,942
Profit / (loss) after tax	135,563	(137,485)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	3,349	3,349
Accumulated loss brought forward	(172,514)	(38,378)
Accumulated loss carried forward	<u>(33,602)</u>	<u>(172,514)</u>

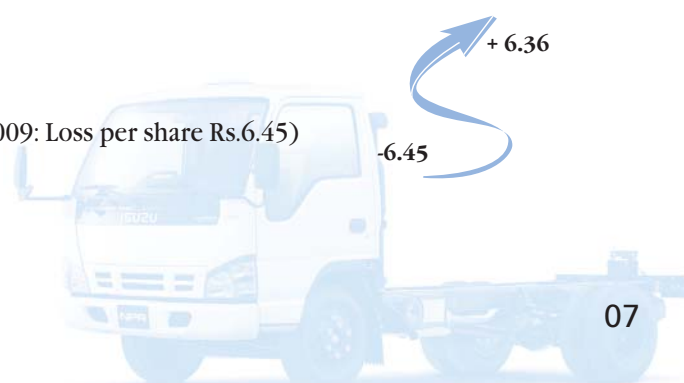
For the year ended June 30, 2010, the Board in its meeting concluded on September 23 2010 has proposed a final cash dividend of Rs. Nil per share, considering the liquidity needs envisaged for the contracted sales commitments.

The Board in the same meeting has approved the write-back of the following reserves into un-appropriated profit / accumulated loss:

Title of Reserve	Amount Rupees'000
Tax holiday reserve	5,500
Fixed assets replacement reserve	10,000
General reserve	2,400
Contingency reserve	25,300
<b>Total</b>	<u><b>43,200</b></u>

### Earnings / (loss) per share - basic & diluted

The basic and diluted profit per share for the year is Rs.6.36 (2009: Loss per share Rs.6.45)







### Auditor's report to the members

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

In view of the legal opinion obtained by the management coupled with the constitutional petitions pending adjudication in Sindh High Court the Board is of the view that the Company is not liable for Workers Profit Participation Fund as detailed in note # 23.1 (iv) to the financial statements.

### Compliance with the best practices of corporate governance as per clause XIX of Code of Corporate Governance

The Board is pleased to state that the management of the Company is compliant with the best practices of corporate governance. The Board acknowledges its responsibility in respect of the corporate and financial reporting framework and thus states that:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statement.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The highlights of operating and financial data for the last six years are annexed.
- The value of investments of the Company's gratuity as on June 30, 2010 is Rs.Nil.

### Audit committee

The committee consists of three members; all are non-executive including the chairman of the committee. The Committee held four meetings during the year.

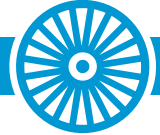
### Board meetings

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

#### Name of Director

#### No. of Meetings attended

Mr. Raza Kuli Khan Khattak	<input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Lt. Gen. ® Ali Kuli Khan Khattak	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Mr. Ahmad Kuli Khan Khattak	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Mr. Mushtaq Ahmad Khan	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>
Dr. Pervez Hassan	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Mr. Jamil Ahmad Shah	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Ch. Sher Muhammad / Mr. Muhammad Zia (Alternate Director)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>



### **Auditors**

M/s Hameed Chaudhri & Co, Chartered Accountants, the present Auditors of the Company, retire and being eligible offer themselves for re-appointment. The Board of Directors endorses recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year ending June 30, 2011.

### **Pattern of shareholding**

The pattern of shareholding as on June 30, 2010 & additional information thereabout required under Code of Corporate Governance are annexed.

### **Subsequent events**

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

### **Future outlook**

Our contracted sales commitments coupled with our profit stream that has started from this year make us foresee profitable operations ahead, however, falling rupee and rising inflation continue to build pressures.

### **Acknowledgement**

The Board would like to recognize the efforts and contributions of the management and the employees which enabled us to earn profits in these hard times. The Board would like to appreciate the enormous support of our bankers and vendors without which our efforts would not have materialized.

By order of the Board

Karachi  
Dated: September 23, 2010

**Ahmad Kuli Khan Khattak**  
Chief Executive





## Financial Performance

		2010	2009	2008	2007	2006	2005
<b>Financial Performance-Profitability</b>							
Gross profit margin	%	14.22	9.84	7.70	17.87	16.25	9.57
EBITDA margin to sales	%	9.30	(3.17)	4.13	13.61	39.35	2.05
Pre tax margin	%	5.65	(10.69)	1.59	10.55	36.52	(0.40)
Net profit margin	%	6.50	(10.46)	0.98	6.63	34.07	9.49
Return on equity - before tax	%	10.19	(10.85)	2.28	15.77	49.49	-
Return on equity - after tax	%	11.72	(10.62)	1.40	9.91	46.17	-
<b>Operating Performance / Liquidity</b>							
Total assets turnover	Times	0.88	0.68	0.87	0.83	0.69	1.30
Fixed assets turnover	Times	1.55	1.18	1.65	1.69	1.36	3.13
Debtors turnover	Times	22.20	16.41	26.46	43.44	81.28	30.54
Debtors turnover	Days	16	22	14	8	4	12
Inventory turnover	Times	3.30	2.81	3.07	2.33	2.40	2.48
Inventory turnover	Days	110.70	129.71	118.97	156.63	152.00	147.41
Creditors turnover	Times	15.58	10.42	14.20	9.05	8.83	8.06
Creditors turnover	Days	23	35	26	40	41	45
Operating cycle	Days	104	117	107	125	115	114
Current ratio		1.17	1.08	1.24	1.19	1.02	0.45
Quick / acid test ratio		0.50	0.58	0.67	0.52	0.37	0.09
<b>Capital Structure Analyses</b>							
Breakup value / share	Rs	79.05	54.30	60.75	59.91	162.64	(52.90)
Earning per share (pre tax)	Rs	5.54	(6.59)	1.38	9.44	61.93	(0.62)
Earning per share (after tax)	Rs	6.36	(6.45)	0.85	6.07	57.77	14.69





## Summary of Balance Sheet

	2010	2009	2008	2007	2006	2005
	(Rupees in '000')					
Share capital	213,044	213,044	213,044	213,044	65,553	65,553
Reserves	9,598	(129,314)	4,822	(16,822)	(82,903)	(602,075)
Shareholder's fund / equity	1,684,216	1,156,927	1,294,413	1,276,281	1,127,849	(327,593)
Deferred liabilities	42,847	16,519	17,935	18,572	21,440	102,164
Property, plant & equipment	1,476,350	1,018,986	1,028,798	1,028,668	1,033,099	230,383
Long term assets	7,755	5,844	5,860	5,881	2,136	2,023
Net current assets / Working capital	178,618	60,154	194,682	184,098	22,363	(549,785)

### Summary of Profit & Loss

Sale-net	2,086,520	1,313,808	1,857,058	1,908,051	1,528,611	1,014,582
Gross profit	296,792	129,302	143,027	340,923	248,444	97,065
Operating profit	175,707	(56,921)	57,726	227,921	196,747	3,400
Profit before tax	117,928	(140,427)	29,462	201,243	558,224	(4,042)
Profit after tax	135,563	(137,485)	18,132	126,482	520,732	96,288
EBITDA	193,966	(38,661)	76,708	259,744	592,531	20,632

### Summary of Cash Flows

Net cash flow from operating activities	319,801	(224,484)	(86,334)	78,038	116,745	(1,035)
Net cash flow from investing activities	4,940	(4,212)	(17,940)	2,039	(299)	197,900
Net cash flow from financing activities	(13,328)	(9,926)	(9,408)	22,683	2,179	-
Changes in cash & cash equivalents	311,413	(238,622)	(113,682)	102,760	118,625	196,865
Cash & cash equivalents - Year end	5,371	(306,042)	(67,420)	46,262	(56,498)	(175,123)

### Quantitative Data

Units produced	445	617	1,004	1,128	1,012	804
Units sold - trucks	562	495	911	934	924	483
Units sold - buses	89	135	199	138	86	272





## Horizontal Analyses

Balance Sheet	Rupees '000											
	2010 Rs.	10Vs.09 %	2009 Rs.	09Vs.08 %	2008 Rs.	08Vs.07 %	2007 Rs.	07Vs.06 %	2006 Rs.	06Vs.05 %	2005 Rs.	05Vs.04 %
<b>ASSETS</b>												
<b>NON-CURRENT ASSETS</b>												
Property, plant & equipment	1,476,350	44.88	1,018,986	(0.95)	1,028,798	0.01	1,028,668	(0.43)	1,033,099	348.43	230,383	(20.09)
Intangible assets	442	-	-	-	-	-	-	-	-	-	-	-
Investment properties	90,655	(0.28)	90,914	(0.28)	91,173	(0.28)	91,432	(0.28)	91,691	(0.28)	91,950	(72.72)
Long term investments	1,400	0.00	1,400	0.00	1,400	0.00	1,400	0.00	1,400	0.00	1,400	0.00
Long term loans and advances	640	144.09	262	(43.17)	461	(27.40)	635	-	-	-	-	-
Long term deposits	5,715	36.66	4,182	4.58	3,999	3.98	3,846	422.55	736	18.14	623	(2.35)
	<b>1,575,201</b>	<b>41.18</b>	<b>1,115,744</b>	<b>(0.90)</b>	<b>1,125,831</b>	<b>(0.01)</b>	<b>1,125,981</b>	<b>(0.08)</b>	<b>1,126,926</b>	<b>247.43</b>	<b>324,356</b>	<b>(48.31)</b>
<b>CURRENT ASSETS</b>												
Stores spares and loose tools	5,872	39.046	15	(29)	21	-	-	-	-	(100)	1,562	(3)
Stock-in-trade	711,729	90.38	373,852	(20.13)	468,052	(27.91)	649,269	(6.68)	695,713	87.76	370,542	10.52
Trade debts	84,771	(17.86)	103,203	81.37	56,903	(31.82)	83,457	1.802	4,389	(86.79)	33,224	(55.79)
Loans and advances	21,626	36.16	15,883	28.09	12,400	(20.05)	15,510	110.02	7,385	74.50	4,232	(74.09)
Trade deposits and prepayments	48,623	(22.34)	62,607	(58.45)	150,662	38.12	109,077	18.23	92,260	161.77	35,245	(1.45)
Other receivables	2,838	0.01	2,838	(0.11)	2,841	-	-	(100.00)	83	151.52	33	-
Sales tax refundable/adjustable and Taxation - payments less provision	231,648	1.69	227,789	32.33	172,133	206.92	56,084	(1.002)	(6,215)	(867.28)	810	(76.49)
Cash and bank balances	149,688	596	21,510	(6)	22,919	(82)	128,467	(51)	262,436	11,994	2,170	(59)
	<b>1,256,795</b>	<b>55.60</b>	<b>807,697</b>	<b>(8.83)</b>	<b>885,931</b>	<b>(14.97)</b>	<b>1,041,864</b>	<b>(1.34)</b>	<b>1,056,051</b>	<b>135.82</b>	<b>447,818</b>	<b>(5.30)</b>
	<b>2,831,997</b>	<b>47.24</b>	<b>1,923,441</b>	<b>(4.39)</b>	<b>2,011,762</b>	<b>(7.20)</b>	<b>2,167,845</b>	<b>(0.69)</b>	<b>2,182,977</b>	<b>182.71</b>	<b>772,174</b>	<b>(29.82)</b>
<b>EQUITY AND LIABILITIES</b>												
<b>SHARE CAPITAL AND RESERVES</b>												
Share capital	213,044	0.00	213,044	0.00	213,044	0.00	213,044	67.51	127,182	50.07	84,750	0.00
Reserves	9,598	(107.42)	(129,314)	-	4,822	(128.66)	(16,822)	(79.71)	(82,903)	(86.23)	(602,075)	(32.67)
Surplus on revaluation	1,461,574	36.19	1,073,197	(0.31)	1,076,546	(0.33)	1,080,058	(0.32)	1,083,570	471.11	189,732	(50.79)
<b>NON-CURRENT LIABILITIES</b>												
Liabilities against assets subject to finance leases	26,757	991.22	2,452	(69.97)	8,165	(46.37)	15,226	-	-	-	-	-
Deferred liabilities	42,847	159.38	16,519	(7.90)	17,935	(3.43)	18,572	(13.38)	21,440	(79.01)	102,164	(51.59)
	69,604	266.89	18,971	(27.31)	26,100	(22.78)	33,798	57.64	21,440	(79.01)	102,164	(51.59)
<b>CURRENT LIABILITIES</b>												
Trade and other payables	915,182	130.66	396,773	(31.99)	583,402	(23.34)	760,985	8.41	701,941	77.67	395,092	(23.60)
Current maturity of liabilities against assets subject to finance leases	8,558	40.20	6,104	(23.59)	7,989	24.19	6,433	-	-	-	-	-
Accrued mark up	10,120	(40.87)	17,114	79.77	9,520	16.90	8,144	(36.44)	12,813	(96.99)	425,218	1.55
Short term borrowings	144,317	(55.94)	327,552	262.58	90,339	9.89	82,205	(74.23)	318,934	79.89	177,293	(53.01)
	1,078,177	44.23	747,543	8.14	691,250	(19.41)	857,767	(17.02)	1,033,688	3.62	997,603	(24.03)
	<b>2,831,997</b>	<b>47.24</b>	<b>1,923,441</b>	<b>(4.39)</b>	<b>2,011,762</b>	<b>(7.20)</b>	<b>2,167,845</b>	<b>(0.69)</b>	<b>2,182,977</b>	<b>182.71</b>	<b>772,174</b>	<b>(29.82)</b>
<b>Profit &amp; Loss</b>												
Sales	2,086,520	58.81	1,313,808	(29.25)	1,857,058	(2.67)	1,908,051	24.82	1,528,611	50.66	1,014,582	58.36
Cost of sales	1,789,728	51.09	1,184,506	(30.89)	1,714,031	9.37	1,567,128	22.42	1,280,167	39.53	917,517	60.94
Gross Profit	296,792	129.53	129,302	(9.60)	143,027	(58.05)	340,923	37.22	248,444	155.96	97,065	37.54
Distribution cost	71,469	47.07	48,596	(7.21)	52,372	(13.66)	60,657	47.35	41,166	125.88	18,225	129.53
Administrative cost	41,677	21.73	34,238	(19.02)	42,280	(22.49)	54,550	123.65	24,391	74.51	13,977	(0.35)
Other operating expenses	11,079	(90.62)	118,065	5,338	2,171	(87)	16,134	63	9,873	(84)	61,463	1,466
Other operating income	3,140	(78.60)	14,676	27.37	11,522	(37.17)	18,339	(95.46)	403,767	27,145	1,482	21.58
Profit / (loss) from operations	175,707	(408.69)	(56,921)	(198.61)	57,726	(74.67)	227,921	(60.48)	576,781	11,714	4,882	(89.36)
Finance cost	57,779	(30.81)	83,506	195.45	28,264	5.94	26,678	43.77	18,556	107.93	8,924	4,352
Profit / (loss) before taxation	117,928	(183.98)	(140,427)	(577)	29,462	(85)	201,243	(64)	558,225	(13,911)	(4,042)	(109)
Taxation	(17,635)	499.44	(2,942)	(74.03)	(11,330)	(84.85)	(74,761)	99.40	(37,493)	(137.37)	100,330	(11,150)
Profit / (loss) after taxation	135,563	(198.60)	(137,485)	(858)	18,132	(86)	126,482	(76)	520,732	441	96,288	115



## Vertical Analyses

Balance Sheet	2010		2009		2008		2007		2006		2005	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
<b>Rupees '000</b>												
<b>ASSETS</b>												
<b>NON-CURRENT ASSETS</b>												
Property, plant & equipment	1,476,350	52.13	1,018,986	52.98	1,028,798	51.14	1,028,668	47.45	1,033,099	47.33	230,383	29.84
Intangible assets	442	0.02	-	-	-	-	-	-	-	-	-	-
Investment properties	90,655	3.20	90,914	4.73	91,173	4.53	91,432	4.22	91,691	4.20	91,950	11.91
Long term investments	1,400	0.05	1,400	0.07	1,400	0.07	1,400	0.06	1,400	0.06	1,400	0.18
Long term loans and advances	640	0.02	262	0.01	461	0.02	635	0.03	-	0.00	-	0.00
Long term deposits	5,715	0.20	4,182	0.22	3,999	0.20	3,846	0.18	736	0.03	623	0.08
	<b>1,575,201</b>	<b>55.62</b>	<b>1,115,744</b>	<b>58.01</b>	<b>1,125,831</b>	<b>55.96</b>	<b>1,125,981</b>	<b>51.94</b>	<b>1,126,926</b>	<b>51.62</b>	<b>324,356</b>	<b>42.01</b>
<b>CURRENT ASSETS</b>												
Stores spares and loose tools	5,872	0.21	15	0.00	21	0.00	-	0.00	-	0.00	1,562	0.20
Stock-in-trade	711,729	25.13	373,852	19.44	468,052	23.27	649,269	29.95	695,713	31.87	370,542	47.99
Trade debts	84,771	2.99	103,203	5.37	56,903	2.83	83,457	3.85	4,389	0.20	33,224	4.30
Loans and advances	21,626	0.76	15,883	0.83	12,400	0.62	15,510	0.72	7,385	0.34	4,232	0.55
Trade deposits and prepayments	48,623	1.72	62,607	3.25	150,662	7.49	109,077	5.03	92,260	4.23	35,245	4.56
Other receivables	2,838	0.10	2,838	0.15	2,841	0.14	-	0.00	83	0.00	33	0.00
Sales tax refundable/adjustable and Taxation - payments less provision	231,648	8.18	227,789	11.84	172,133	8.56	56,084	2.59	(6,215)	(0.28)	810	0.10
Cash and bank balances	149,688	5.29	21,510	1.12	22,919	1.14	128,467	5.93	262,436	12.02	2,170	0.28
	<b>1,256,795</b>	<b>44.38</b>	<b>807,697</b>	<b>41.99</b>	<b>885,931</b>	<b>44.04</b>	<b>1,041,864</b>	<b>48.06</b>	<b>1,056,051</b>	<b>48.38</b>	<b>447,818</b>	<b>57.99</b>
	<b>2,831,997</b>	<b>100.00</b>	<b>1,923,441</b>	<b>100.00</b>	<b>2,011,762</b>	<b>100.00</b>	<b>2,167,845</b>	<b>100.00</b>	<b>2,182,977</b>	<b>100.00</b>	<b>772,174</b>	<b>100.00</b>
<b>EQUITY AND LIABILITIES</b>												
<b>SHARE CAPITAL AND RESERVES</b>												
Share capital	213,044	7.52	213,044	11.08	213,044	10.59	213,044	9.83	127,182	5.83	84,750	10.98
Reserves	9,598	0.34	(129,314)	(6.72)	4,822	0.24	(16,822)	(0.78)	(82,903)	(3.80)	(602,075)	(77.97)
Surplus on revaluation	1,461,574	51.61	1,073,197	55.80	1,076,546	53.51	1,080,058	49.82	1,083,570	49.64	189,732	24.57
<b>NON-CURRENT LIABILITIES</b>												
Liabilities against assets subject to finance leases	26,757	0.94	2,452	0.13	8,165	0.41	15,226	0.70	-	0.00	-	0.00
Deferred liabilities	42,847	1.51	16,519	0.86	17,935	0.89	18,572	0.86	21,440	0.98	102,164	13.23
	69,604	2.46	18,971	0.99	26,100	1.30	33,798	1.56	21,440	0.98	102,164	13.23
<b>CURRENT LIABILITIES</b>												
Trade and other payables	915,182	32.32	396,773	20.63	583,402	29.00	760,985	35.10	701,941	32.16	395,092	51.17
Current maturity of liabilities against assets subject to finance leases	8,558	0.30	6,104	0.32	7,989	0.40	6,433	0.30	-	0.00	-	0.00
Accrued mark up	10,120	0.36	17,114	0.89	9,520	0.47	8,144	0.38	12,813	0.59	425,218	55.07
Short term borrowings	144,317	5.10	327,552	17.03	90,339	4.49	82,205	3.79	318,934	14.61	177,293	22.96
	<b>1,078,177</b>	<b>38.07</b>	<b>747,543</b>	<b>38.86</b>	<b>691,250</b>	<b>34.36</b>	<b>857,767</b>	<b>39.57</b>	<b>1,033,688</b>	<b>47.35</b>	<b>997,603</b>	<b>129.19</b>
	<b>2,831,997</b>	<b>100.00</b>	<b>1,923,441</b>	<b>100.00</b>	<b>2,011,762</b>	<b>100.00</b>	<b>2,167,845</b>	<b>100.00</b>	<b>2,182,977</b>	<b>100.00</b>	<b>772,174</b>	<b>100.00</b>
<b>Profit &amp; Loss</b>												
Sales	2,086,520	100.00	1,313,808	100.00	1,857,058	100.00	1,908,051	100.00	1,528,611	100.00	1,014,582	100.00
Cost of sales	1,789,728	85.78	1,184,506	90.16	1,714,031	92.30	1,567,128	82.13	1,280,167	83.75	917,517	90.43
Gross Profit	296,792	14.22	129,302	9.84	143,027	7.70	340,923	17.87	248,444	16.25	97,065	9.57
Distribution cost	71,469	3.43	48,596	3.70	52,372	2.82	60,657	3.18	41,166	2.69	18,225	1.80
Administrative cost	41,677	2.00	34,238	2.61	42,280	2.28	54,550	2.86	24,391	1.60	13,977	1.38
Other operating expenses	11,079	0.53	118,065	8.99	2,171	0.12	16,134	0.85	9,873	0.65	61,463	6.06
Other operating income	3,140	0.15	14,676	1.12	11,522	0.62	18,339	0.96	403,767	26.41	1,482	0.15
Profit / (loss) from operations	175,707	8.42	(56,921)	(4.33)	57,726	3.11	227,921	11.95	576,781	37.73	4,882	0.48
Finance cost	57,779	2.77	83,506	6.36	28,264	1.52	26,678	1.40	18,556	1.21	8,924	0.88
Profit / (loss) before taxation	117,928	5.65	(140,427)	(10.69)	29,462	1.59	201,243	10.55	558,225	36.52	(4,042)	(0.40)
Taxation	(17,635)	(0.85)	(2,942)	(0.22)	(11,330)	(0.61)	(74,761)	(3.92)	(37,493)	(2.45)	100,330	9.89
Profit / (loss) after taxation	135,563	6.50	(137,485)	(10.46)	18,132	0.98	126,482	6.63	520,732	34.07	96,288	9.49



**PATTERN OF SHAREHOLDING AS AT JUNE 30, 2010**

Number of Shareholders	From	Categories	To	Number of Shares Held	Percentage
3354	1	-	100	62,842	0.29%
647	101	-	500	190,930	0.90%
233	501	-	1,000	197,121	0.93%
319	1,001	-	5,000	790,532	3.71%
78	5,001	-	10,000	605,108	2.84%
29	10,001	-	15,000	357,279	1.68%
9	15,001	-	20,000	163,300	0.77%
12	20,001	-	25,000	278,419	1.31%
10	25,001	-	30,000	279,645	1.31%
5	30,001	-	35,000	158,205	0.74%
2	35,001	-	40,000	75,037	0.35%
1	40,001	-	45,000	40,500	0.19%
1	45,001	-	50,000	50,000	0.23%
1	50,001	-	55,000	50,689	0.24%
2	60,001	-	65,000	125,799	0.59%
1	65,001	-	70,000	70,000	0.33%
1	70,001	-	75,000	74,500	0.35%
1	85,001	-	90,000	87,500	0.41%
4	95,001	-	100,000	396,000	1.86%
1	100,001	-	105,000	100,700	0.47%
1	130,001	-	135,000	134,100	0.63%
1	195,001	-	200,000	200,000	0.94%
1	220,001	-	225,000	225,000	1.06%
1	255,001	-	260,000	258,577	1.21%
1	1,180,001	-	1,185,000	1,184,148	5.56%
1	1,635,001	-	1,639,000	1,638,926	7.69%
1	2,255,001	-	2,260,000	2,258,242	10.60%
1	5,165,001	-	5,170,000	5,166,168	24.25%
1	6,085,001	-	6,090,000	6,085,155	28.56%
4720				21,304,422	100.00%

Shareholders Category	Number of Shareholders	Number of Share Held	Percentage of Holding
Individuals	4649	3,745,684	17.58%
Associated Companies	7	14,823,821	69.58%
Financial Institutions	10	292,119	1.37%
Investment Companies	7	8,081	0.04%
ICP	1	4,314	0.02%
Insurance Companies	5	90,300	0.42%
Joint Stock Companies	31	559,053	2.62%
Cooperative Societies	1	2,000	0.01%
Charitable Trusts	1	5,000	0.02%
Mutual Funds	1	134,100	0.63%
Private Companies	7	1,639,950	7.70%
	4720	21,304,422	100.00%



## CATEGORIES OF SHAREHOLDERS As at June 30, 2010

### Categories of shareholders As at June 30, 2010

SHARES HELD BY:	SHARES HELD
<b>Individual</b>	3,745,684
<b>Associated Companies, Undertakings &amp; Related Parties</b>	
Bibojee Services (Pvt) Ltd.	8,343,397
Gandhara Nissan Limited	5,166,168
Universal Insurance Co. Ltd.	1,192,148
The General Tyre & Rubber Co. of Pakistan Ltd.	100,700
Bibojee Investment (Pvt) Ltd.	21,408
<b>ICP</b>	
Investment Corporation of Pakistan	4,314
<b>Directors, CEO, their Spouses &amp; Minor Children</b>	
Mr. Ahmad Kuli Khan Khattak	12,000
Mr. Raza Kuli Khan Khattak	10,000
Lt. Gen. (R) Ali Kuli Khan Khattak	9
Mr. Mushtaq Ahmed Khan	52
Dr. Parvez Hassan	4
Mr. Jamil Ahmed Shah	400
Mr. Sher Muhammad	2,024
<b>Banks, Development Financial Institutions, Non-banking Financial Institutions, Modaraba &amp; Mutual Funds etc.</b>	
National Bank Of Pakistan (T. Dept.)	550
National Bank Of Pakistan (T. Dept.)	258,577
National Bank Of Pakistan	24,615
National Investment Trust Limited	6,659
National Bank Of Pakistan F.T.Centre	371
National Bank Of Pakistan	252
United Bank Limited	313
Muslim Commercial Bank Limited	139
Allied Bank Of Pakistan Limited	388
The American Express International Banking Corporation	2
National Industrial Co-Op. Bank Ltd.	255
National Industrial Co-Op. Finance Corporation Ltd.	6,000
Combined Investment (Pvt.) Ltd.	228
Sherian F. Irani Investment (Trust) Ltd.	6
Pak Libya Holding Co. Ltd.	200
Pakistan Masonic Institution	1,645
Premier Ins. Co. Of Pakistan	500
E F U General Insurance Limited	100
Central Insurance Corporation	1,700
Pakistan Re-Insurance Company Ltd.	87,500
State Life Insurance Corporation	500
Trustees Moosa Lawai Foundation	5,000







Sultan textile mills karachi limited	2,000
G. R. Securities (Smc-Pvt) Limited	1,089
Prudential Securities Limited	100
Ali Husain Rajabali Ltd.	63,988
Moosani Securities (Pvt) Ltd.	12,009
Y. S. Securities & Services (Pvt) Ltd.	20,800
Sultan Textile Mills (K) Limited	16,000
Fateh Textile Mills Limited	100
N. H. Securities (Pvt) Ltd.	200
H.M Investments (Pvt) Ltd.	20
Darson Securities (Private) Limited	6,000
Ace Securities (Pvt) Limited	300
Pace Investment & Securities (Pvt) Ltd.	1,200
Mazhar Hussain Securities (Pvt) Ltd.	500
Anam Fabrics (Pvt) Ltd.	11,000
Dosslani'S Securities (Pvt) Limited	200
Capital Vision Securities (Pvt) Ltd.	1,000
Mian Mohammed Akram Securities (Pvt) Limited	1,000
Time Securities (Pvt) Ltd.	11,000
B & B Securities (Priavate) Limited	12,700
United Capital Securities Pvt. Ltd.	1,000
Darson Securities (Pvt) Ltd.	4,350
Mohammad Munir Mohammad Ahmed Khanani Securities (Pvt) Ltd.	100,000
Maan Securities (Pvt) Ltd.	225,000
Adeel Zafar Securities (Pvt) Limited	29,501
Awj Securities (Smc-Private) Limited	591
M. R. Securities (Smc-Pvt) Limited	1,500
Stock Master Securities (Private) Limited	6,700
Durvesh Securities (Pvt) Limited	105
Equity Master Securities (Pvt) Ltd.	4,000
F. M. Securities (Pvt) Limited	500
Adeel Zafar Securities (Pvt) Limited	26,600
First Capital Mutual Fund Limited	134,100

**Private Companies**

Pakistan Shipping Agency Ltd.	3
The Alamgir Rayon Mills (Pvt) Ltd.	266
The Imperial Electric Co. Ltd.	227
Globe Automobile (Pvt) Ltd.	215
The Cloth Merchants Asso(Karachi)	113
Zam Zam (Pvt) Ltd.	200
Essar Asset Management (Pvt) Ltd.	1,638,926
<b>TOTAL</b>	<b>21,304,422</b>

**Voting Interest In The Company**

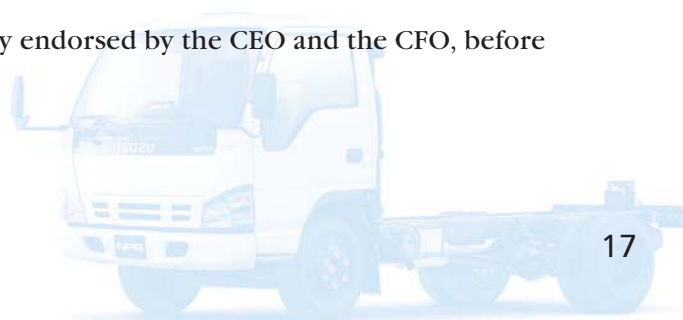
	Shares	% age
Bibojee Services (Pvt) Limited	8,343,397	39.16%
Gandhara Nissan Limited	5,166,168	24.25%



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance.

1. The Company encourages representation of independent non-executive Directors on its Board of Directors. At present, the Board includes six independent non-executive Directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the Directors of the Company are registered as tax payers in Pakistan and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Company has a vision/mission statement and overall corporate strategy. All policies of the Company are governed by the "Corporate Governance Charter" which has been approved by the Board.
5. The Company has prepared "Statement of Ethics and Business Practices", which has been signed by the Directors and employees of the Company.
6. No casual vacancy occurred in the Board of Directors during the year ended June 30, 2010.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, CFO / Company Secretary and other executive director have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. No new appointment of CFO / Company Secretary and Head of Internal Audit has been made during the year.
10. The Board has carried an orientation course of the Code of Corporate Governance for its directors to apprise them of their role & responsibilities. Further, a booklet on Code of Corporate Governance has been circulated amongst the directors on the Board.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code 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.
15. The Board has formed an Audit Committee. It comprises three members, all are non-executive Directors.
16. The Board has set up an effective Internal Audit Function.
17. The meetings of the Audit Committee were held at least once in every quarter prior to the approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. 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.
20. The related party transactions were placed before the Audit Committee and approved by the Board of Directors.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors

Dated September 23, 2010

**Ahmad Kuli Khan Khattak**  
Chief Executive





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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Gandhara Industries Limited** ("the Company") to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange, the Lahore Stock Exchange and the Islamabad Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provision of the Code of Corporate Governance and report if it does not. A review is limited primarily to enquiries of the Company's personnel and review of various documents prepared by the Company to comply with code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's Statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii-a) of Listing Regulation No. 35 notified by the Karachi, Lahore and Islamabad Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval the related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail on arm's length transaction and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the subject requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transaction before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended as on June 30, 2010.

**HAMEED CHAUDHRI & CO.**  
CHARTERED ACCOUNTANTS  
KARACHI: 23 September 2010





## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of GHANDHARA INDUSTRIES LIMITED ("the Company") as at June 30, 2010 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as described in Note 2.1.1 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, 2010 and of the profits, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
- (e) Without qualifying our opinion, we draw attention to note 23.1 (iv) to the financial statements, the Company has written back in the financial statements for the year ended June 30, 2007 provision for Workers' Profit Participation Fund for the year ended June 30, 2006 based on a legal opinion and in a view of constitutional petition pending adjudication in the Sindh High Court on this matter.

If it is established that the provisions of the Company's Profits (Workers' Participation) Act, 1968 are applicable to the Company, provision in respect of year ended June 30, 2006 amounting to Rs. 7.722 million including any penalties may become payable.

KARACHI; 23 September 2010

**HAMEED CHAUDHRI & CO.,**  
CHARTERED ACCOUNTANTS  
Engagement Partner: Abdul Majeed Chaudhri



## BALANCE SHEET AS AT JUNE 30, 2010

ASSETS	Note	2010 (Rupees in '000')	2009
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	3	1,476,350	1,018,986
Intangible assets	4	442	-
Investment properties	5	90,655	90,914
Long term Investments	6	1,400	1,400
Long term loans	7	640	262
Long term deposits	8	5,715	4,182
<b>CURRENT ASSETS</b>			
Stores and spares parts	9	5,872	15
Stock-in-trade	10	711,728	373,852
Trade debts	11	84,771	103,203
Loans and advances	12	21,626	15,883
Trade deposits and prepayments	13	48,623	62,607
Other receivables		2,838	2,838
Sales tax refundable / adjustable		176,948	175,195
Taxation-payments less provision		54,701	52,594
Cash and bank balances	14	149,688	21,510
		<u>1,256,795</u>	<u>807,697</u>
<b>TOTAL ASSETS</b>		<u>2,831,997</u>	<u>1,923,441</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	15	213,044	213,044
Reserves	16	9,598	(129,314)
		<u>222,642</u>	<u>83,730</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	17	1,461,574	1,073,197
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance leases	18	26,757	2,452
Deferred liabilities	19	42,847	16,519
<b>CURRENT LIABILITIES</b>			
Trade and other payable	20	915,182	396,773
Current maturity of liabilities against assets subject to finance leases	18	8,558	6,104
Accrued mark up/ Interest	21	10,120	17,114
Short term borrowings	22	144,317	327,552
		<u>1,078,177</u>	<u>747,543</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	23	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,831,997</u>	<u>1,923,441</u>

The annexed notes from 1 to 42 form an integral part of these financial statements

Chief Executive

Director



**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Note</b>	<b>2010</b> (Rupees in '000')	<b>2009</b>
Net sales	24	2,086,520	1,313,808
Cost of sales	25	(1,789,728)	(1,184,506)
Gross profit		<u>296,792</u>	<u>129,302</u>
Distribution cost	26	(71,469)	(48,596)
Administrative expenses	27	(41,677)	(34,238)
Other operating expenses	28	(11,079)	(118,065)
Other operating income	29	3,140	14,676
Profit / (loss) from operations		<u>175,707</u>	<u>(56,921)</u>
Finance cost	30	(57,779)	(83,506)
Profit / (loss) before tax		<u>117,928</u>	<u>(140,427)</u>
Taxation	31	17,635	2,942
Profit / (loss) after tax		<u>135,563</u>	<u>(137,485)</u>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<u><u>135,563</u></u>	<u><u>(137,485)</u></u>
<b>Earnings / (loss) per share - basic and diluted</b>	32	<u><u>6.36</u></u>	<u><u>(6.45)</u></u>

The annexed notes from 1 to 42 form an integral part of these financial statements



Chief Executive

Director



**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 (Rupees in '000')	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	33	396,515	(131,347)
Gratuity paid		(1,246)	(36)
Finance cost paid		(60,913)	(74,916)
Income tax paid		(12,644)	(18,201)
Long-term loans		(378)	199
Long-term deposits		(1,533)	(183)
Net cash generated from / (used in) operating activities		319,801	(224,484)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(10,176)	(6,000)
Sale proceeds on disposal of property, plant and equipment		14,500	1,646
Interest received		616	142
Net cash generated from / (used in) investing activities		4,940	(4,212)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		-	(12)
Liabilities against asset subject to finance lease		(13,328)	(9,914)
Net cash used in financing activities		(13,328)	(9,926)
Net increase / (decrease) in cash and cash equivalents		311,413	(238,622)
Cash and cash equivalents at beginning of the year		(306,042)	(67,420)
Cash and cash equivalents at the end of the year	34	5,371	(306,042)

The annexed notes from 1 to 42 form an integral part of these financial statements

Chief Executive

Director







**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Issued subscribed and paid- up capital	Capital reserves			Revenue reserves		Total
	Tax holiday reserve	Fixed assets replacement reserve	Contingency reserve	General reserve	Accumulated loss	

Rupees in '000'

Balance as at July 01, 2008	213,044	5,500	10,000	25,300	2,400	(38,378)	217,866
Loss for the year						(137,485)	(137,485)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation						3,349	3,349
Balance as at 30 June 2009	<u>213,044</u>	<u>5,500</u>	<u>10,000</u>	<u>25,300</u>	<u>2,400</u>	<u>(172,514)</u>	<u>83,730</u>
Profit for the year						135,563	135,563
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation						3,349	3,349
<b>Balance as at June 30, 2010</b>	<u><u>213,044</u></u>	<u><u>5,500</u></u>	<u><u>10,000</u></u>	<u><u>25,300</u></u>	<u><u>2,400</u></u>	<u><u>(33,602)</u></u>	<u><u>222,642</u></u>

The annexed notes from 1 to 42 form an integral part of these financial statements



Chief Executive

Director



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### 1. CORPORATE INFORMATION

Ghandhara Industries Limited ("the Company") was incorporated on 23 February 1963. The Company's shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is assembly and progressive manufacturing of Isuzu trucks and buses.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provision of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provision of or directives issued under the Companies Ordinance, 1984 shall prevail.

#### 2.1.1 Changes in accounting policies and disclosures

Accounting standards, amendments and interpretations which have been effective and adopted by the Company:

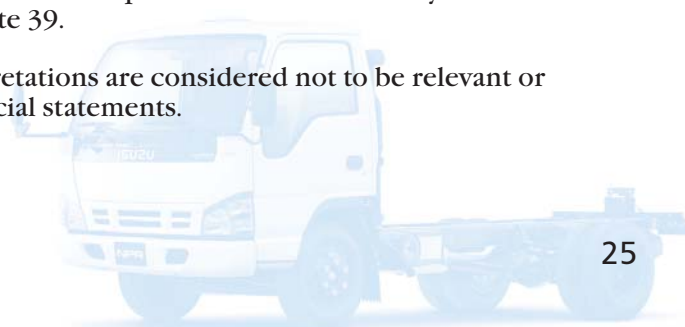
IAS 1 (revised) - 'Presentation of financial statements', requires presentation of transactions with owners in statement of changes in equity and with non-owners in the statement of comprehensive income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Company has applied IAS 1 (revised) and elected to present one performance statement (i.e. the profit and loss account). However, since there are no non-owner changes in equity, there is no impact of such revised standard on these financial statements.

IAS 23 (Amendment) - 'Borrowing costs', requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs has been removed. Further, the definition of borrowing costs has been amended so that interest expense calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. There is no material impact on the Company's financial statements due to change in the interest calculation method.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings per share.

IFRS 8 - 'Operating segments' replaces IAS 14 and requires a 'management approach', under which 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 segment. Management has determined that the Company has single reportable segment and therefore the adoption of said IFRS has only resulted in some entity wide disclosures as described in Note 39.

The other new standards, amendments and interpretations are considered not to be relevant or have any significant effect on the Company's financial statements.





### **New accounting standards and IFRIC interpretations that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards are effective from the dates specified below and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

IFRS 2 (amendments) - Share-based payments and withdrawal of IFRIC 8-Scope of IFRS 2 and IFRIC 11 - Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 January 2010). Amendments provide guidance on the accounting for share based payment transactions among group entities.

International Accounting Standard (IAS) 24 (revised): Related Party Disclosures (effective for annual period beginning on or after 1 January 2011). The amendments to IAS 24 simplify the disclosure requirement for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.

Amendments to IAS 32: Classification of Rights Issues (effective for period beginning on or after 1 February 2010). Under the amendment to IAS 32 rights, options and warrants - otherwise meeting the definition of equity instruments in IAS 32.11 - issued to acquire a fixed number of an entity's own non-derivative equity instrument for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non- derivative equity instruments.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instrument (effective for period beginning on or after 1 July 2010). IFRIC 19 clarifies the accounting when an entity extinguish the liability by issuing its own equity instruments to the creditor.

Amendments to IFRIC 14:Prepayment of a Minimum Funding Requirement (effective for period beginning on or after 1 July 2011). IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction has been amended to remedy an unintended consequence of IFRIC 14 where entities are in certain circumstances not permitted to recognise prepayments of minimum funding contributions, as an asset.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second and Third annual improvements project. The effective dates for these amendments vary by standards.

## **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

## **2.3 Significant accounting judgments and estimates**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

### **2.3.1 Taxation**

The Company accounts for provision for income tax based on current best estimates. However, where the final tax outcome is different from the amounts that were initially recorded, such differences impact the income tax provision in the period in which such determination is made.



### 2.3.2 Post employment benefits

Significant estimates relating to post employment benefits are disclosed in note 19.3

### 2.3.3 Provisions

Provisions are considered, among others, for legal matters, disputed indirect taxes, employee termination costs and restructuring where a legal or constructive obligation exists at the balance sheet date and reliable estimate can be made of the likely outcome. The nature of these costs is such that judgement is involved in estimating the timing and amount of cash flows.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There have been no critical judgements made by the Company's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

### 2.4 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

### 2.5 Property, plant & equipment

Leasehold land and buildings on leasehold land are stated at revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Plant and machinery, furniture and fixtures, office equipment and other operating assets are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Capital work-in-progress are stated at cost less accumulated impairment losses (if any). All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Plant and machinery were revalued in 1995 by independent valuers, which are shown at revalued figures. The Company subsequently adopted cost model for plant and machinery and the revalued figures were treated as deemed costs. The surplus on revaluation of these assets, however, is recognised in accordance with section 235 of the Companies Ordinance, 1984.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All repairs and maintenances are charged to the profit and loss account as and when incurred.

Depreciation / amortisation on all property, plant and equipment is charged using the straight line method in accordance with the rates specified in note 3.1 to these financial statements and after taking into account residual values, (if any). The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month in which the assets become available for use, while on disposals depreciation is charged upto the month of deletion.

Any surplus arising on revaluation of property plant and equipment is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to reserves.



## 2.6 Intangible assets - computer software

Computer software licenses acquired by the Company are stated at cost less accumulated amortisation. Cost represents the cost incurred to acquire the software licenses and bring them to use. The cost of computer software is amortised over the estimated useful life i.e. 5 years using straight-line method.

Costs associated with maintaining computer software are charged to profit and loss account as and when incurred.

## 2.7 Investments

### 2.7.1 Investment properties

Property held for capital appreciation and rental yield, which is not in use of the Company is classified as investment property. Investment properties comprise of leasehold land and buildings.

Investment properties are carried at cost or valuation (i.e. deemed cost) less accumulated depreciation and impairment if any.

Investment properties were revalued in 1996 by independent valuers, which are shown at revalued figures. The Company subsequently adopted cost model for investments properties and the revalued figures were treated as deemed costs. The surplus on revaluation of these assets, however is recognised in accordance with section 235 of the Companies Ordinance, 1984.

Building is depreciated on straight line method at the rate of (2.5 to 6.25)%

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

### 2.7.2 Long term investments

Investment in subsidiary is stated at cost.

## 2.8 Long term deposits

These are stated at cost which represents the fair value of the consideration given.

## 2.9 Stores and spare parts

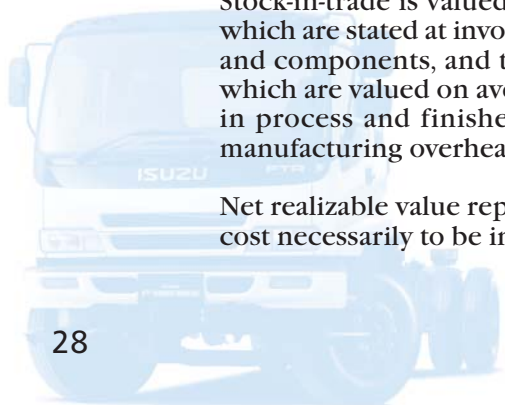
These are valued at the lower of cost determined on a first-in-first-out basis and net realizable value. Items in transit are stated at invoice value plus other charges incurred thereon.

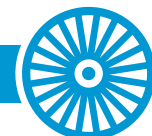
Provision is made in the financial statements for obsolete and slow moving items based on management's best estimate regarding their future usability.

## 2.10 Stock in trade

Stock-in-trade is valued at the lower of cost and net realizable value except for goods in transit which are stated at invoice values plus other charges paid thereon. Cost in relation to raw materials and components, and trading stock (except for parts and accessories included in trading stock which are valued on average basis) is arrived at principally on first in first out basis. Cost of work in process and finished stocks including components includes direct wages and applicable manufacturing overheads.

Net realizable value represents the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.





## 2.11 Trade debts and other receivables

Trade and other debts are carried at original invoice amount being the fair value. Provision is made against debts considered doubtful of recovery whereas debts considered irrecoverable are written off.

## 2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks and running finances which are payable on demand.

## 2.13 Taxation

### Current

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under final tax regime.

### Deferred tax

Deferred tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities, and their carrying amount in the financial statements.

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

Deferred tax is calculated at the rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

## 2.14 Staff retirement benefits

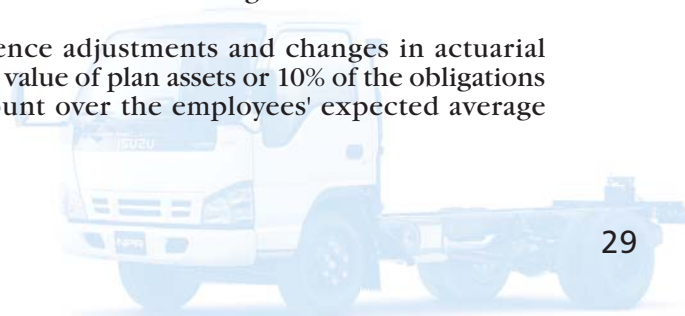
### 2.14.1 Defined benefit plans

The Company operates unfunded gratuity scheme. The scheme defines the amounts of benefits that an employee will receive on or after retirement subject to a minimum qualifying period of service under the scheme. The amounts of retirement benefits are usually dependent on one or more factors such as age, years of service and salary.

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

Latest actuarial valuations of the scheme were carried out as at June 30, 2010 using the projected unit credit method. The present values of the obligations are determined by discounting the estimated future cash outflows using interest rates of high quality government securities that have terms to maturity approximating to the terms of the related obligations.

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



**2.15 Trade and other payables**

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

**2.16 Revenue recognition**

Sales are recognised when goods are invoiced and delivered to customers. Rental and interest income is recorded on accrual basis.

Interest income is accrued on a time-proportionate basis, by reference to the principal outstanding and the interest rate applicable.

**2.17 Borrowings and their cost**

Borrowings are recorded at the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

**2.18 Foreign currency transactions & translations.**

Foreign currency transactions are converted into Pak Rupees, using the exchange rates prevailing at the dates of the transactions.

All monetary assets and liabilities in foreign currencies are retranslated into Pak Rupees at the exchange rates prevailing at balance sheet date. Exchange gain and losses are recognised in the profit and loss account.

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

**2.19 Financial assets and liabilities**

Financial assets and financial liabilities are recognised when the Company become a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

**2.20 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements if the Company has a legal right to set off the recognised amounts and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**2.21 Provisions and contingent assets and contingent liabilities**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**2.22 Warranty**

The Company recognises the estimated liability to repair or replace products still under warranty at the balance sheet date to the extent of non-reimbursable portion from the principal.



### 2.23 Dividend

Dividend distribution to the shareholders is accounted for as a liability in the financial statements in the period in which the dividend is declared.

### 2.24 Impairment

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

### 2.25 Finance Leases

Leases that transfer substantially all the risk and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments, each determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The finance cost is charged to profit and loss account and is included under finance cost.

	Note	2010 (Rupees in '000')	2009
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	3.1	1,476,350	1,018,536
Capital work-in-progress - at cost		-	450
		<u>1,476,350</u>	<u>1,018,986</u>







### 3.1 Operating fixed assets

Particulars	OWNED										LEASED			Total
	Lease hold land	Building on leasehold land	Plant & machinery	Permanent tools	Furniture & fixtures	Motor vehicles	Lift trucks	Office machines & equipments	Computers	Jigs and special tools	Car	Truck	Lifters	
(Rupees in '000)														
<b>At June 30, 2008</b>														
Cost	946,500	68,450	47,831	3,164	2,508	18,272	9,219	9,057	2,392	25,630	26,256	-	-	1,159,279
Accumulated depreciation	13,719	10,644	46,681	3,023	951	13,221	3,516	3,972	1,484	25,630	7,865	-	-	130,706
<b>Book value</b>	<b>932,781</b>	<b>57,806</b>	<b>1,150</b>	<b>141</b>	<b>1,557</b>	<b>5,051</b>	<b>5,703</b>	<b>5,085</b>	<b>908</b>	<b>-</b>	<b>18,391</b>	<b>-</b>	<b>-</b>	<b>1,028,573</b>
<b>Year ended June 30, 2009</b>														
Additions	-	-	192	33	468	4,247	-	318	517	-	1,320	-	-	7,095
Disposals:														
- Cost	-	-	311	-	-	2,351	-	49	-	-	-	-	-	2,711
- depreciation	-	-	(311)	-	-	(538)	-	(49)	-	-	-	-	-	(898)
	932,781	57,806	1,342	174	2,025	7,485	5,703	5,403	1,425	-	19,711	-	-	1,033,855
Depreciation charge	-	5,323	154	21	129	2,022	1,219	735	299	-	5,417	-	-	15,319
<b>Net book value as at June 30, 2009</b>	<b>932,781</b>	<b>52,483</b>	<b>1,188</b>	<b>153</b>	<b>1,896</b>	<b>5,463</b>	<b>4,484</b>	<b>4,668</b>	<b>1,126</b>	<b>-</b>	<b>14,294</b>	<b>-</b>	<b>-</b>	<b>1,018,536</b>
<b>Year ended June 30, 2010</b>														
Additions	-	-	156	1,076	1,308	3,000	-	517	437	3,682	2,727	27,500	6,000	46,403
Revaluation Surplus	293,414	108,852	-	-	-	-	-	-	-	-	-	-	-	402,267
Elimination of accumulated depreciation due to revaluation of Land and Buildings	13,719	21,289	-	-	-	-	-	-	-	-	-	-	-	35,009
Total revaluation surplus	307,134	130,142	-	-	-	-	-	-	-	-	-	-	-	437,276
Reclassification from lease to own														
- Cost	-	-	-	-	-	21,899	-	-	-	-	(21,899)	-	-	-
- depreciation	-	-	-	-	-	13,139	-	-	-	-	(13,139)	-	-	-
	-	-	-	-	-	8,760	-	-	-	-	(8,760)	-	-	-
Disposals:														
- Cost	-	-	250	-	-	4,300	6,096	-	-	-	-	-	-	10,646
- depreciation	-	-	(250)	-	-	(403)	(2,121)	-	-	-	-	-	-	(2,774)
	1,239,915	182,625	1,344	1,229	3,204	13,326	509	5,185	1,563	3,682	8,261	27,500	6,000	1,494,343
Depreciation charge	-	5,322	155	94	169	3,384	509	797	391	126	3,138	3,208	700	17,993
<b>Net book value at June 30, 2010</b>	<b>1,239,915</b>	<b>177,303</b>	<b>1,189</b>	<b>1,135</b>	<b>3,035</b>	<b>9,942</b>	<b>(0)</b>	<b>4,388</b>	<b>1,172</b>	<b>3,556</b>	<b>5,124</b>	<b>24,292</b>	<b>5,300</b>	<b>1,476,350</b>
<b>As at June 30, 2009</b>														
Cost	946,500	68,450	47,712	3,197	2,976	20,168	9,219	9,326	2,909	25,630	27,576	-	-	1,163,663
Accumulated depreciation	13,719	15,967	46,524	3,044	1,080	14,705	4,735	4,658	1,783	25,630	13,282	-	-	145,127
<b>Book value</b>	<b>932,781</b>	<b>52,483</b>	<b>1,188</b>	<b>153</b>	<b>1,896</b>	<b>5,463</b>	<b>4,484</b>	<b>4,668</b>	<b>1,126</b>	<b>-</b>	<b>14,294</b>	<b>-</b>	<b>-</b>	<b>1,018,536</b>
<b>As at June 30, 2010</b>														
Cost	1,239,915	177,302	47,618	4,273	4,284	40,767	3,123	9,843	3,346	29,312	8,404	27,500	6,000	1,601,688
Accumulated depreciation	-	-	46,430	3,138	1,249	30,825	3,123	5,455	2,174	25,756	3,280	3,208	700	125,337
<b>Book value</b>	<b>1,239,915</b>	<b>177,303</b>	<b>1,189</b>	<b>1,135</b>	<b>3,035</b>	<b>9,942</b>	<b>-</b>	<b>4,388</b>	<b>1,172</b>	<b>3,556</b>	<b>5,124</b>	<b>24,292</b>	<b>5,300</b>	<b>1,476,350</b>
<b>Depreciation rate %</b>	-	2.5 to 6.25	10.00	12.50	6 to 6.25	20.00	20.00	12.50	20.00	33.00	20.00	20.00	20.00	



	Note	2010 (Rupees in '000')	2009
<b>3.2 Depreciation charged for the year has been allocated as follow:</b>			
- Cost of goods manufactured	25.1	6,672	6,455
- Distribution cost	26	5,856	2,495
- Administrative expenses	27	5,465	6,369
		<u>17,993</u>	<u>15,319</u>

3.3 Lease hold land and buildings on leasehold land of the Company were last revalued in June 2010 by K.G. Traders (Pvt.) Ltd (PBA approved asset valuers and stocks inspectors) on the basis of present market values. The revaluation resulted in a net surplus of Rs. 437 million over the written down values of Rs. 978 million which had been incorporated in the books of the Company on June 30, 2010. Out of the revaluation surplus resulting from all the revaluations carried out to date, an amount of Rs.1,411 million (2009: Rs. 978 million) remains undepreciated as at June 30, 2010.

3.4 Had there been no revaluation, the book value of buildings on leasehold land would have been as under:

Building on leasehold land - cost	6,810	6,810
Accumulated depreciation	681	511
Book value	<u>6,129</u>	<u>6,299</u>

### 3.5 Details of operating assets sold/ written off:

Assets	Cost	Accumulated Depreciation	W.D.V.	Sale Proceed	Profit / (Loss)	Mode of Disposal	Particulars of buyers
------( Rupees in '000 )-----							
<b>MOTOR VEHICLES</b>							
Truck FVM 33QT	1,500	50	1,450	3,500	2,050	Sale and lease back	Orix Leasing Pakistan Limited
Truck FVM 33QT	1,500	50	1,450	3,500	2,050		
Van NPS 7L	1,300	303	997	1,500	503		
	<u>4,300</u>	<u>403</u>	<u>3,897</u>	<u>8,500</u>	<u>4,603</u>		
<b>FORK LIFTERS</b>							
TCM FD-70ZB	2,920	1,168	1,752	3,000	1,248	Sale and lease back	Orix Leasing Pakistan Limited
HD NISSAN	3,176	953	2,223	3,000	777		
	<u>6,096</u>	<u>2,121</u>	<u>3,975</u>	<u>6,000</u>	<u>2,025</u>		
<b>OFFICE MACHINES &amp; EQUIPMENTS</b>							
Sewing machine	55	55	-	-	-	Written off	
Sewing machine	58	58	-	-	-	Written off	
Sewing machine	53	53	-	-	-	Written off	
	<u>166</u>	<u>166</u>	<u>-</u>	<u>-</u>	<u>-</u>		
<b>AGGREGATE VALUES OF ITEMS WHERE WDV IS LESS THAN RS. 50,000</b>							
-Assets written off	<u>84</u>	<u>84</u>	<u>-</u>	<u>-</u>	<u>-</u>		
<b>2010</b>	<u>10,646</u>	<u>2,774</u>	<u>7,872</u>	<u>14,500</u>	<u>6,628</u>		
<b>2009</b>	<u>2,711</u>	<u>898</u>	<u>1,813</u>	<u>1,646</u>	<u>167</u>		





	Note	2010 (Rupees in '000')	2009
<b>4. INTANGIBLE ASSETS - Computers Softwares</b>			
Opening net book value		-	-
Addition		450	-
Accumulated amortization		8	-
Closing net book value		<u>442</u>	<u>-</u>

**5. INVESTMENT PROPERTIES**

	Lease hold land	Building on Leasehold land	Total
(Rupees in '000')			
<b>At June 30, 2008</b>			
Cost	97,392	416	97,808
Accumulated depreciation	6,313	322	6,635
Book value	<u>91,079</u>	<u>94</u>	<u>91,173</u>
Year ended June 30, 2009			
Depreciation charge	243	16	259
<b>Net book value as at June 30, 2009</b>	<u>90,836</u>	<u>78</u>	<u>90,914</u>
Year ended June 30, 2010			
Depreciation charge	243	16	259
<b>Net book value as at June 30, 2010</b>	<u>90,593</u>	<u>62</u>	<u>90,655</u>
<b>As at June 30, 2009</b>			
Cost	97,392	416	97,808
Accumulated depreciation	6,556	338	6,894
<b>Book value</b>	<u>90,836</u>	<u>78</u>	<u>90,914</u>
<b>As at June 30, 2010</b>			
Cost	97,392	416	97,808
Accumulated depreciation	6,799	354	7,153
	<u>90,593</u>	<u>62</u>	<u>90,655</u>

5.1 Depreciation for the year amounting Rs. 259 thousand (2009: Rs. 259 thousand) is allocated to Administrative expenses - Note 27.

5.2 The fair value of investment property as at June 30, 2010 was Rs. 376 million (2009: Rs. 376 million).

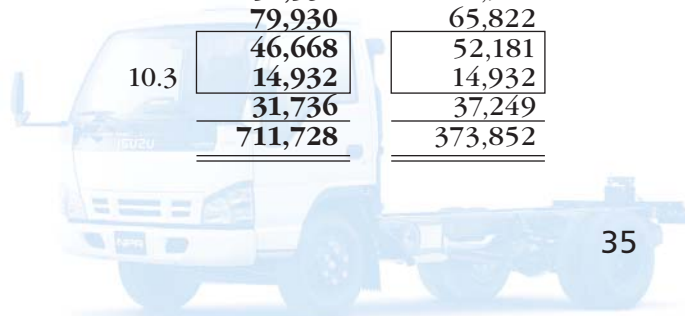
**6. LONG TERM INVESTMENT**

	Note	2010 (Rupees in '000')	2009
<b>Subsidiary Company - Un-quoted</b>			
Marghzar Industries (Private) Limited 140,000 (2009: 140,000) fully paid ordinary shares of Rs. 10 each. Equity held 70 %		<u>1,400</u>	<u>1,400</u>





	Note	2010	2009
(Rupees in '000')			
<b>7. LONG TERM LOANS</b>			
<b>Considered Good</b>			
Due from:			
Executives	7.1	-	520
Non executives		<u>1,011</u>	<u>727</u>
		<u>1,011</u>	<u>1,247</u>
Less: Instalments recoverable within twelve months			
Executives		-	100
Non executives	12	<u>371</u>	<u>885</u>
		<u>640</u>	<u>262</u>
<b>7.1 Reconciliation of loans and advances to executives</b>			
Balance at beginning of the year		520	663
Add: Disbursement / addition		-	60
		<u>520</u>	<u>723</u>
Less: Recovered during the year		<u>520</u>	<u>203</u>
		<u>-</u>	<u>520</u>
7.2 Interest free loans have been provided for personal expenses. These are repayable in monthly instalments over a period of one to five years. These are secured against staff gratuity.			
7.3 Maximum aggregate amount due from executives at the end of any month was Rs. 507 thousand (2009: Rs. 637 thousand).			
<b>8. LONG TERM DEPOSITS</b>	Note	2010	2009
(Rupees in '000')			
<b>Considered Good</b>			
Leasing companies		4,898	3,443
Utilities		304	316
Others		<u>513</u>	<u>423</u>
		<u>5,715</u>	<u>4,182</u>
<b>9. STORES &amp; SPARE PARTS</b>			
Stores		5,872	15
Spare parts		<u>6,316</u>	<u>6,316</u>
		<u>12,188</u>	<u>6,331</u>
Less: provision for obsolescence		<u>6,316</u>	<u>6,316</u>
		<u>5,872</u>	<u>15</u>
<b>10. STOCK-IN-TRADE</b>			
<b>Raw materials &amp; components</b>			
In hand	10.1	287,876	247,635
Less: provision for slow moving raw material	10.2	<u>20,150</u>	<u>21,076</u>
		<u>267,726</u>	<u>226,559</u>
In transit		<u>280,805</u>	<u>39,262</u>
		<u>548,531</u>	<u>265,821</u>
Work in process		51,531	4,960
Finished goods including components		79,930	65,822
Trading stocks		<u>46,668</u>	<u>52,181</u>
Less: provision for slow moving stock	10.3	<u>14,932</u>	<u>14,932</u>
		<u>31,736</u>	<u>37,249</u>
		<u>711,728</u>	<u>373,852</u>





10.1 This includes raw material carried at net realisable value, amounting to Rs. 10 million (2009: Rs. 10 million).

Note	2010	2009
	(Rupees in '000')	

**10.2 Provision for slow moving raw material**

Opening balance as on July 1	21,076	21,076
Less: Material used	926	-
Closing balance as on June 30	<u>20,150</u>	<u>21,076</u>

**10.3 Provision for slow moving trading stock**

Opening balance as on July 1	14,932	15,169
Less: Stock used	-	237
Closing balance as on June 30	<u>14,932</u>	<u>14,932</u>

10.4 Stock in trade includes Rs 304.183 million (2009: 257.013 million) held with third parties out of which Rs. 303.409 million (2009: Rs. 255.214 million) is held with Ghandhra Nissan Limited (an associated company).

**11. TRADE DEBTS**

Note	2010	2009
	(Rupees in '000')	

**Considered good - Unsecured**

Government and semi-government agencies	19,249	4,067
Others	<u>65,522</u>	<u>99,136</u>
	<u>84,771</u>	<u>103,203</u>

**11.1 The aging of trade debtors at the balance sheet date was:**

Due from 0-30 days	33,491	92,537
Due from 31-180 days	43,717	4,322
Due from over 180 days	<u>7,563</u>	<u>6,344</u>
	<u>84,771</u>	<u>103,203</u>

**12. LOANS AND ADVANCES**

**Considered good - unsecured**

Loan and advances due from:

Employees	272	105
Suppliers and contractors	<u>20,983</u>	<u>14,793</u>
	<u>21,255</u>	<u>14,898</u>

**Considered doubtful**

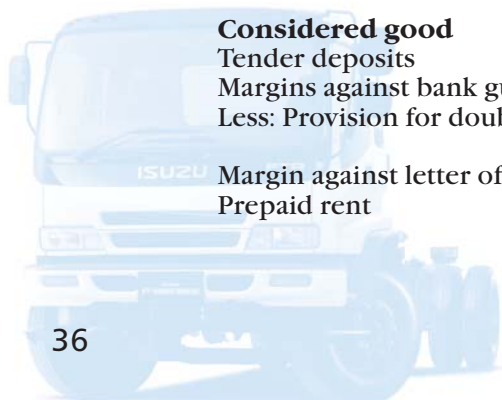
Government and semi-government agencies	1,175	1,175
Less: provision for doubtful debts	<u>1,175</u>	<u>1,175</u>

Current portion of long term loans to employees	<u>371</u>	<u>985</u>
	<u>21,626</u>	<u>15,883</u>

**13. TRADE DEPOSITS AND PREPAYMENTS**

**Considered good**

Tender deposits	19,073	17,286
Margins against bank guarantees	<u>8,263</u>	<u>588</u>
Less: Provision for doubtful margin against bank guarantees	<u>330</u>	<u>330</u>
	7,933	258
Margin against letter of credit	20,649	44,073
Prepaid rent	<u>968</u>	<u>990</u>
	<u>48,623</u>	<u>62,607</u>





	Note	2010 (Rupees in '000')	2009 (Rupees in '000')
<b>14. CASH AND BANK BALANCES</b>			
Cash in hand		275	232
Cash with banks			
- on current accounts		151,101	22,814
- on saving accounts	14.1	507	663
- on foreign accounts	14.2	38	34
		<b>151,646</b>	<b>23,511</b>
Less: Provision for doubtful bank account	14.3	2,233	2,233
		<b>149,688</b>	<b>21,510</b>

14.1 Saving accounts include Rs. 312 thousand (2009: Rs. 7 thousand) that are subject to lien with bank against bank guarantees.

14.2 Foreign currency accounts include JPY 31,541 equivalent to Rs. 30,402 and US\$ 126 equivalent to Rs. 7,386 (2009: JPY 31,541 equivalent to Rs. 26,731 and US \$ 126 equivalent to Rs. 7,386).

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

#### 15. SHARE CAPITAL

2010 (No. of shares)	2009 (No. of shares)		2010 (Rupees in '000')	2009 (Rupees in '000')
		<b>Authorised Capital</b>		
50,000,000	50,000,000	Ordinary shares of Rs. 10 each	500,000	500,000
		<b>Issued, subscribed and paid up capital</b>		
		Ordinary shares of Rs. 10 each;		
17,650,862	17,650,862	Fully paid up in cash	176,509	176,509
3,295,354	3,295,354	Fully paid bonus shares.	32,953	32,953
358,206	358,206	Issued for consideration other than cash	3,582	3,582
<b>21,304,422</b>	<b>21,304,422</b>		<b>213,044</b>	<b>213,044</b>

15.1 The Company has one class of ordinary shares which carry no right to fixed income.

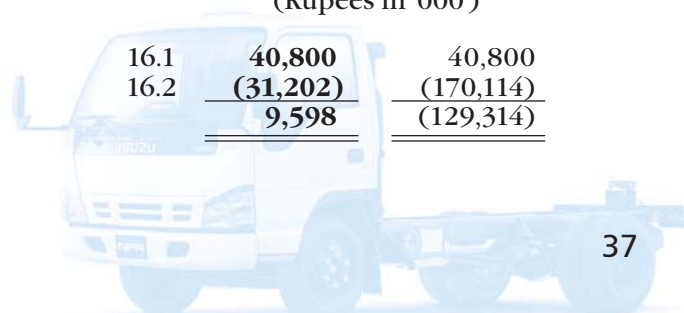
15.2 Bibojee Services (Pvt) Ltd., the ultimate holding company, held 8,343,397 (2009: 8,343,397) ordinary shares of Rs.10/- each as at the year end.

15.3 Ordinary shares of Rs. 10 each were held by associated undertakings as at June 30, 2010 are as follows:

	No. of Shares	
Gandhara Nissan Limited	5,166,168	5,166,168
Universal Insurance Company Limited	1,192,148	1,192,148
The General Tyre and Rubber Company of Pakistan Limited	100,700	100,700
Bibojee Investment (Private) Limited	21,408	21,408
	<b>6,480,424</b>	<b>6,480,424</b>

#### 16. RESERVES

	(Rupees in '000')	
Capital Reserves	16.1	40,800
Revenue Reserves	16.2	(31,202)
		<b>9,598</b>
		<b>(170,114)</b>
		<b>(129,314)</b>





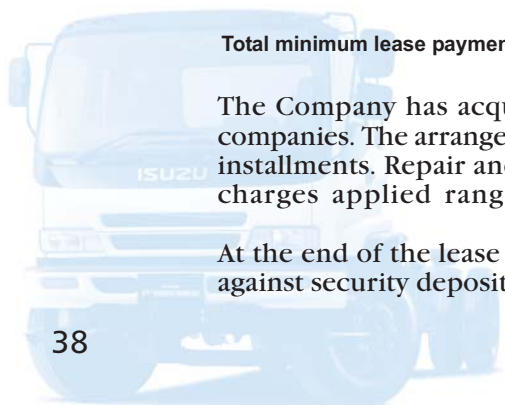
	Note	2010 (Rupees in '000')	2009 (Rupees in '000')
<b>16.1 Capital Reserves</b>			
Tax holiday reserve		5,500	5,500
Fixed assets replacement reserve		10,000	10,000
Contingency reserve		25,300	25,300
		<u>40,800</u>	<u>40,800</u>
<b>16.2 Revenue Reserves</b>			
General reserve		2,400	2,400
Accumulated loss		(33,602)	(172,514)
		<u>(31,202)</u>	<u>(170,114)</u>
<b>17. SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
Balance as at 1 July		1,084,987	1,090,139
Add : Surplus arising during the year		437,276	-
Surplus relating to incremental depreciation charged during the year		(5,152)	(5,152)
		<u>1,517,111</u>	<u>1,084,987</u>
Less: Related deferred tax			
Deferred Tax on revaluation as at 1st July		11,790	13,593
On surplus arising during the year		45,550	
Transferred to accumulated loss on account of incremental depreciation charged during the year		(1,803)	(1,803)
		<u>55,537</u>	<u>11,790</u>
		<u>1,461,574</u>	<u>1,073,197</u>
<b>18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES</b>			

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

	2010			2009		
	Minimum lease payments	Finance cost	Present value of minimum lease payments	Minimum lease payments	Finance cost	Present value of minimum lease payments
----- Rupees in 000 -----						
Not later than one year	13,240	4,682	8,558	6,967	863	6,104
Later than one year and not later than five years	33,203	6,446	26,757	3,055	603	2,452
<b>Total minimum lease payments</b>	<u>46,443</u>	<u>11,128</u>	<u>35,315</u>	<u>10,022</u>	<u>1,466</u>	<u>8,556</u>

The Company has acquired motor vehicles under finance lease arrangements from leasing companies. The arrangements are secured by title of assets leased. Rentals are payable in monthly installments. Repair and insurance cost are to be borne by the Company. The rate of financial charges applied ranges from 14.08% to 18.23% (2009: 13.70% to 21.18%) per annum.

At the end of the lease term, the ownership of the assets shall be transferred to the Company against security deposits paid.





	Note	2010 (Rupees in '000')	2009
<b>19. DEFERRED LIABILITIES</b>			
Deferred taxation	19.1	30,379	13,001
Gain on sale and lease back of fixed asset	19.2	5,690	-
Staff gratuity	19.3	6,778	3,518
		<u>42,847</u>	<u>16,519</u>

**19.1 Deferred taxation**

Deferred taxation comprises:

Accelerated tax depreciation		3,915	17,477
Revaluation of fixed assets		55,537	11,790
Obligation under finance lease		(208)	2,010
Gain on sale and lease back of fixed assets		(1,992)	-
Recoupable minimum tax		(8,463)	-
Provision for gratuity		(2,372)	(1,231)
Provision for obsolescence:			
- Stores and spares		(2,210)	(2,210)
- Stock in trade		(12,279)	(12,603)
Provision for bad / doubtful:			
- Trade debts		(241)	(241)
- Advance to supplier		(411)	(411)
- Bank guarantee		(115)	(116)
- Sundry receivables		-	(682)
- Cash at bank		(782)	(782)
		<u>30,379</u>	<u>13,001</u>

**19.2 Gain on sale and lease back of fixed asset**

Gain on sale and lease back of motor vehicle		6,628	1,386
Amortised to date		(938)	(1,386)
		<u>5,690</u>	<u>-</u>

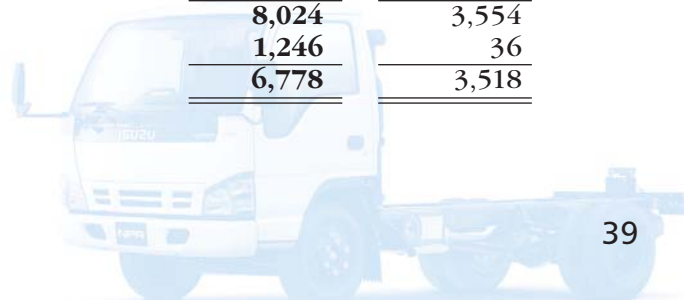
The Company had entered into a sale and leaseback transaction during the year which has resulted in a finance lease. The excess of sale proceeds over the net book value of motor vehicles under a sale and leaseback arrangement has been recognised as deferred income and is being amortised over the period of the lease term.

**Unfunded Gratuity**

2010	2009
(Rupees in '000')	

**19.3 Staff gratuity**

Opening balance	3,518	1,531
Charge for the year	4,506	2,023
	<u>8,024</u>	<u>3,554</u>
Less: Payments made during the year	1,246	36
Closing balance	<u>6,778</u>	<u>3,518</u>







	Unfunded Gratuity	
	2010	2009
	(Rupees in '000')	
<b>Charge for the year</b>		
Current service cost	4,067	1,839
Interest cost	439	184
Present value of defined benefit obligation as at June 30	4,506	2,023

**Movement in the present value of defined benefit obligation is as follows:**

Present value of defined benefit obligation as at July 1	3,518	1,531
Current service cost	4,067	1,839
Interest cost	439	184
Benefit paid	(1,246)	(36)
Present value of defined benefit obligation as at June 30	6,778	3,518

**The expense is recognized in the following line items in the income statement:**

Cost of goods manufactured	1,450	762
Distribution costs	1,193	546
Administrative expenses	1,863	715
	4,506	2,023

**Principal actuarial assumptions at the balance sheet date:**

Rate of discount (%)	12	12
Expected rate of increment of salary (%)	11	11
Expected retirement age (years)	60	60
Average expected remaining working life time of employees (years)	10	9

**COMPARISON FOR FIVE YEARS:**

	2010	2009	2008	2007	2006
	(Rupees in '000')				
Present value of defined benefit obligations	7,686	3,662	1,531	N/A	N/A
Experience adjustment arising on plan liabilities (gain)/ losses	763	145	Nil	N/A	N/A





	Note	2010 (Rupees in '000')	2009
<b>20. TRADE AND OTHER PAYABLE</b>			
Creditors		81,969	86,097
Accrued liabilities		72,484	60,589
Advance from customers		496,598	40,286
Advance against sale of investment in immovable property		5,000	5,000
Custom duty payable		14,082	8,218
Payable to trustees' provident fund		178	178
Retention money		1,020	1,000
Unclaimed dividends		6,914	6,860
Withholding tax		703	708
Due to related parties	20.1	210,897	168,801
Due to subsidiary company		2,180	2,144
Federal Excise Duty payable		-	423
Corporate assets tax		2,000	2,000
Sales Tax Payable		-	14
Worker profit participation fund	20.2	17,082	12,671
Worker Welfare fund	20.3	2,948	589
Others		1,127	1,195
		<u>915,182</u>	<u>396,773</u>
<b>20.1 Due to related parties</b>			
Bibojee Services (Private) Limited		160,639	102,239
The General Tyre & Rubber Company of Pakistan Limited		4,773	19,609
Gandhara Nissan Limited		35,716	35,464
Universal Insurance Company Limited		1,451	2,773
Rehman Cotton Mills Limited		-	398
Waqf-e-Kuli Khan		8,318	8,318
		<u>210,897</u>	<u>168,801</u>
<b>20.2 Workers' Profit Participation Fund</b>			
Opening balance as at July 1		12,671	12,410
Allocation for the year	28	6,331	-
Interest on funds utilised in the company's business		106	261
Disbursement during the year		(2,026)	-
Closing balance as at June 30		<u>17,082</u>	<u>12,671</u>
<b>20.3 Workers' Welfare Fund</b>			
Balance at beginning		589	589
Add: Charge for the current year / period	28	2,359	-
		<u>2,948</u>	<u>589</u>
<b>21. ACCRUED MARK UP/ INTEREST</b>			
Mark up on:			
Short term loan / running finances & borrowings - secured		5,606	12,600
Long term loans - unsecured		4,514	4,514
		<u>10,120</u>	<u>17,114</u>



	Note	2010 (Rupees in '000')	2009
<b>22. SHORT TERM BORROWINGS</b>			
<b>From banking companies-secured</b>			
Finance against imported merchandise	22.1	-	38,170
Running finance from bank	22.2	<u>144,317</u>	<u>289,382</u>
		<u>144,317</u>	<u>327,552</u>

22.1 the Company has arranged finance against imported merchandise facility amounting to Rs. 99 million (2009: 101 million). This facility is secured by pledge of Isuzu truck and bus chassis in CKD condition and 2nd equitable mortgage over land and building amounting to Rs. 300 million (2009: 300 million). The rate of mark-up on these facilities is 6 Month KIBOR + 2.5% per annum (2009: 3 months KIBOR plus 2.5%).

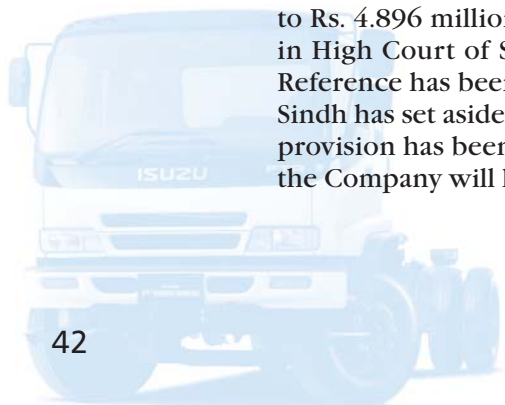
22.2 The Company has facility for short-term running finance amounting to Rs. 145 million (2009: Rs. 289 million) from a bank. Mark up is based on 3 months KIBOR plus 3% (2009: 3 months KIBOR plus 3%) payable quarterly. The arrangement is secured by way of equitable mortgage over Land, Building, and Machinery for Rs. 750 million (2009: Rs.750 million) with a token registered charge of Rs. 0.5 million (2009: Rs. 0.5 million) over company property bearing F-3 SITE, Karachi and hypothecation charge over moveables and receivables for Rs. 200 million (2009: Rs.200 million). The facilities will expire in June 2011 (2009: December 2009).

22.3 The facility for opening letters of credit and issuance of bank guarantees as at June 30, 2010 amounted to Rs. 759 million (June 30, 2009: Rs. 493 million) of which the amount remaining unutilized at the year-end was Nil (2009: Rs. 308 million). These facilities are secured against import documents, pledge of stocks, 2nd equitable mortgage over land and building amounting to Rs 300 million (2009: Rs. 300 million) and hypothecation of stock amounting to Rs 160 million (2009: Rs 160 million).

**23. CONTINGENCIES AND COMMITMENTS**

**23.1 Contingencies**

- (i) Claims against the Company not acknowledged as debt amounting to Rs. 3.917 million (2009: Rs.27.043 million) relating to sales tax on 10,000 units of rear axles each claimed by a supplier which is being contested by the Company.
- (ii) Suit against the Company by the supplier for the recovery of Rs. 25.867 million (2009: Rs. 25.867 million) as compensation for breach of agreement. The suit is being defended by the Company on a number of legal grounds. The suit is at present in evidence stage and the Company has plausible defense.
- (iii) Various demands have been raised by the Central Excise and Sales Tax Departments amounting to Rs. 4.896 million (2009: Rs. 4.896 million). The Company has filed Sales Tax Reference in High Court of Sindh against the order of Sales Tax Appellate Tribunal. The Sales Tax Reference has been decided vide order dated January 21, 2009 wherein the High Court of Sindh has set aside the order of the Tribunal and has remanded the case to the Tribunal. No provision has been made in these financial statements as, in the opinion of legal advisors, the Company will have favorable decision.





- (iv) The Company had obtained legal advice in connection with the establishment of Worker's Participation Fund (the Fund) under the Companies Profits (Workers; Participation) Act, 1968 (the Act). The legal advisor is of the view that since, during the year ended June 30, 2006, the Company did not employ any person who falls under the definition of worker as defined in the Act of 1968, it was not legally or factually possible to constitute the Fund as required by section 3 of the Act. As a consequence, the Company was not required to make contributions to the fund established pursuant to Workers' Welfare Fund Ordinance 1971. The Company based on legal advice has written back in the financial statements for the year ended as on June 30, 2007 the amount of Worker's Profit Fund provided during the year June 30, 2006.

Furthermore, the question whether a Company to which the Act of 1968 and its scheme applies but which does not employ any worker is nevertheless obliged to establish and pay contributions into the fund under the act and thereafter transfer the same to the fund established under the Workers' Welfare Fund Ordinance, 1971 is pending adjudication in Sindh High Court at Karachi on constitutional petition filed by another Company in December 2003.

If it is established that the above provisions of the Act are applicable to the Company, provision in respect of year ended June 30, 2006 amounting to Rs. 7.722 million including any penalties may become payable.

- (v) The Assistant Collector Refund Group V has disallowed adjustment of Rs. 28.91 million against output tax. The Company has filed appeal before Sales Tax Appellate Tribunal against the order passed by the Collector Appeals, whereby he had maintained the order of the Assistant Collector Refund. No provision is made in these accounts as the hearing of the above referred appeal which is pending adjudication for want of the constitution of bench of Sales Tax Appellate Tribunal.
- (vi) A customer has filed a suit in High Court against the Company and others for warranty claim of Rs. 1.042 million. The case has been decided in customer's favor and the Company has appealed against the subject order.

	Note	2010 (Rupees in '000')	2009
<b>23.2 Commitments</b>			
Bank guarantees		479,756	93,359
Letters of credit		279,391	214,536
<b>24. NET SALES</b>			
<b>Manufactured goods</b>			
Gross sales			
Local		2,057,866	1,314,039
Export		22,153	-
		2,080,019	1,314,039
Less: Sales tax		15,610	11,906
		2,064,409	1,302,133
<b>Trading stock</b>			
Sales		23,872	13,549
Less: Sales tax		1,761	1,874
		22,111	11,675
		2,086,520	1,313,808



	2010	2009
	(Rupees in '000')	
<b>25. COST OF SALES</b>		
<b>Manufactured goods</b>		
Stock at beginning of year	65,822	57,931
Cost of goods manufactured	25.1 <u>1,786,812</u>	<u>1,176,808</u>
	<u>1,852,634</u>	<u>1,234,739</u>
Stock at end of year	<u>(79,930)</u>	<u>(65,822)</u>
	<u>1,772,704</u>	<u>1,168,917</u>
<b>Trading stock</b>		
Stock at beginning of year	<u>37,248</u>	<u>35,362</u>
Purchases	<u>11,512</u>	<u>17,475</u>
	<u>48,760</u>	<u>52,837</u>
Stock at end of year	<u>(31,736)</u>	<u>(37,248)</u>
	<u>17,024</u>	<u>15,589</u>
	<u>1,789,728</u>	<u>1,184,506</u>

**25.1 COST OF GOODS MANUFACTURED**

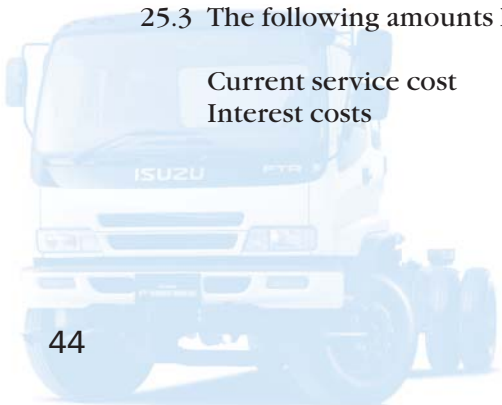
Raw material and components consumed	25.2 <u>1,733,298</u>	<u>1,081,976</u>
Stores and spares consumed	<u>280</u>	<u>1,461</u>
Salaries, wages and other benefits	25.3 <u>35,939</u>	<u>30,194</u>
Fuel and power	<u>6,871</u>	<u>5,297</u>
Rent, rates and taxes	<u>462</u>	<u>502</u>
Insurance	<u>4,680</u>	<u>5,433</u>
Research & development	<u>623</u>	<u>93</u>
Repairs and maintenance	<u>4,107</u>	<u>3,645</u>
Traveling & entertainment	<u>1,059</u>	<u>490</u>
Out side assembly charges	<u>37,074</u>	<u>42,965</u>
Depreciation	3.2 <u>6,672</u>	<u>6,455</u>
Other expenses	<u>2,318</u>	<u>3,257</u>
	<u>1,833,383</u>	<u>1,181,768</u>
Work-in-process (opening less closing)	<u>(46,571)</u>	<u>(4,960)</u>
	<u>1,786,812</u>	<u>1,176,808</u>

**25.2 RAW MATERIAL & COMPONENTS CONSUMED**

Stock at beginning of year	<u>265,821</u>	<u>374,759</u>
Purchases including duties, taxes and other charges	<u>2,016,009</u>	<u>973,038</u>
	<u>2,281,830</u>	<u>1,347,797</u>
Stock at end of year	<u>(548,532)</u>	<u>(265,821)</u>
	<u>1,733,298</u>	<u>1,081,976</u>

25.3 The following amounts have been charged to cost of sales during the year in respect of gratuity:

Current service cost	<u>1,309</u>	<u>693</u>
Interest costs	<u>141</u>	<u>69</u>
	<u>1,450</u>	<u>762</u>





	Note	2010 (Rupees in '000')	2009
<b>26. DISTRIBUTION COST</b>			
Salaries, wages and benefits	26.1	16,201	14,004
Commission		32,161	20,118
Rent, rates and taxes		1,720	647
Insurance		1,358	1,226
Repairs and maintenance		35	202
Utilities		131	158
Travelling and entertainment		3,513	2,863
Communication and stationery		722	781
After sale services and warranty		4,729	489
Advertisement		363	831
Legal and professional charges		9	139
Subscriptions		33	26
Late delivery charges		-	1,388
Depreciation	3.2	5,856	2,495
Freight forwarding		3,152	2,352
Other expenses		1,486	877
		<u>71,469</u>	<u>48,596</u>

26.1 The following amounts have been charged to distribution during the year in respect of gratuity:

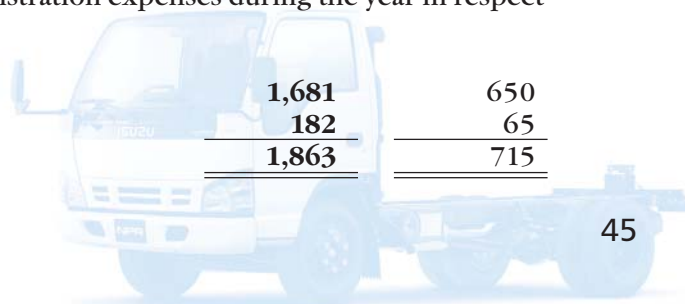
Current service cost	1,077	314
Interest costs	116	-
	<u>1,193</u>	<u>314</u>

## 27. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	27.1	17,691	14,026
Rent, rates and taxes	27.2	1,787	1,039
Insurance		1,476	1,132
Repairs and maintenance		880	498
Utilities		220	10
Travelling and entertainment		6,547	4,576
Communication and stationery		2,380	2,291
Advertisement		178	457
Legal and professional charges	27.3	1,245	1,430
Subscriptions		545	583
Depreciation on property plant and equipment	3.2	5,465	6,369
Amortisation	4	8	-
Depreciation on investment properties	5.1	259	259
Security Expenses		1,697	1,503
Other expenses		1,299	65
		<u>41,677</u>	<u>34,238</u>

27.1 The following amounts have been charged to administration expenses during the year in respect of gratuity:

Current service cost	1,681	650
Interest costs	182	65
	<u>1,863</u>	<u>715</u>





27.2 This includes rent paid to Rehman Cotton Mills Limited (associated Company) amounting to Rs. 0.3 million (2009: Rs. 0.210 million).

27.3 This includes retainership fee amounting to Rs. 0.12 million (2009: Rs.0.12 million) paid to Hasan & Hasan. Dr. Parvez Hasan, Director, is partner of the firm.

	Note	2010 (Rupees in '000')	2009
<b>28. OTHER OPERATING EXPENSES</b>			
Auditor's remuneration		500	250
Audit fee		10	10
Out of pocket expenses		510	260
Workers' Profits Participation Fund	20.2	6,331	-
Workers' Welfare Fund	20.3	2,359	-
Donation	28.1	1,879	813
Loss on sale of fixed assets		-	167
Exchange loss		-	116,825
		<u>11,079</u>	<u>118,065</u>

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

**29. OTHER OPERATING INCOME**

**From financial assets**

Profit on bank deposits		616	142
Exchange gain		224	-

**From non financial assets**

Scrap sales		900	35
Amortisation of gain on sale and lease back of fixed asset	19.2	938	462
Others		462	56
Royalty waived by Technology Supplier		-	13,981
		<u>3,140</u>	<u>14,676</u>

**30. FINANCE COST**

Mark-up / interest on:

Finance lease		3,860	996
Finance against imported merchandise		4,725	27,664
Running finance		44,189	52,388
Interest on loan from subsidiary company		322	210
Interest on workers' profits participation fund		106	261
Bank charges and commission		4,577	1,987
		<u>57,779</u>	<u>83,506</u>

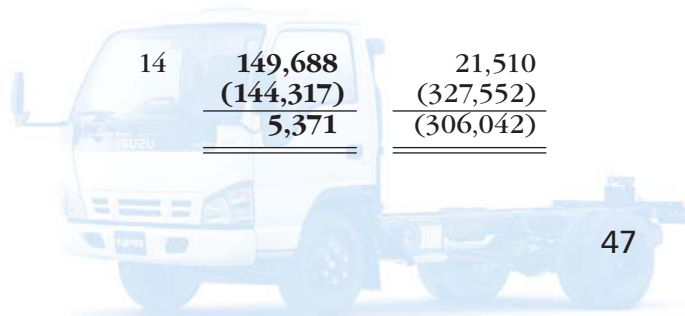
**31. TAXATION**

Current		10,537	-
Deferred		(28,172)	(2,942)
		<u>(17,635)</u>	<u>(2,942)</u>



31.1 The provision for taxation for the year ended June 30, 2010 has been made on the basis of the minimum tax @ 0.5% of turnover in these financial statements in accordance with section 113 of the Income Tax Ordinance, 2001, therefore, a numeric tax reconciliation has not been included in these financial statement.

	Note	2010 (Rupees in '000')	2009
<b>32. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED</b>			
Profit / (loss) after taxation for the year		<u>135,563</u>	<u>(137,485)</u>
		Number of shares ( in '000')	
Weighted average number of ordinary shares outstanding during the year	15	<u>21,304</u>	<u>21,304</u>
		R u p e e s	
Earnings / (loss) per share - basic and diluted		<u>6.36</u>	<u>(6.45)</u>
<b>33. CASH GENERATED FROM OPERATIONS</b>			
Profit / (loss) before taxation		117,928	(140,427)
Adjustment for non cash charges and other items:			
Depreciation / amortisation on ;			
Fixed assets	3.1	17,993	15,319
Intangibles	4	8	-
Investment properties	5	259	259
Gain on disposal of fixed assets	3.5	-	167
Amortisation of gain on sale and lease back of fixed asset	29	(938)	(462)
Interest expense	30	57,779	83,506
Interest income	29	(616)	(142)
Provision for gratuity	19.3	4,506	2,023
		<u>196,919</u>	<u>(39,757)</u>
Working capital changes	33.1	<u>199,596</u>	<u>(91,590)</u>
		<u>396,515</u>	<u>(131,347)</u>
<b>33.1 Working capital changes</b>			
(Increase) / decrease in current assets			
Stores & spare parts		(5,857)	6
Stock-in-trade		(337,876)	94,200
Trade debts		18,432	(46,300)
Loans and advances		(5,743)	(3,483)
Trade deposits and prepayments		13,984	88,055
Sales tax refundable / adjustable		(1,753)	(37,450)
		<u>(318,813)</u>	<u>95,028</u>
Increase / (Decrease) in current liabilities			
Trade and other payable		<u>518,409</u>	<u>(186,618)</u>
		<u>199,596</u>	<u>(91,590)</u>
<b>34. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	14	149,688	21,510
Short-term borrowings - running finances		(144,317)	(327,552)
		<u>5,371</u>	<u>(306,042)</u>





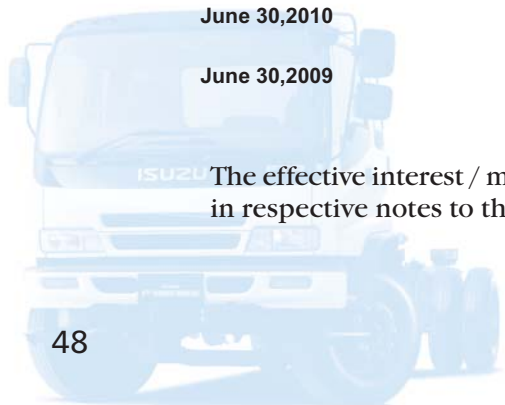


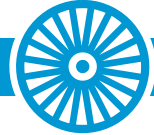
### 35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### Financial assets and liabilities

	Interest / Mark-up bearing			Non interest / Mark-up bearing			Total
	Maturity up to one Year	Maturity after one Year	Sub-total	Maturity up to one Year	Maturity after one Year	Sub-total	
-----Rupees in '000-----							
<b>ON BALANCE SHEET</b>							
<b>FINANCIAL INSTRUMENTS</b>							
<b>Financial assets</b>							
<b>Loans and receivable</b>							
Loans and advances	-	-	-	21,626	640	22,266	22,266
Deposits	-	-	-	47,655	-	47,655	47,655
Trade debts	-	-	-	84,771	-	84,771	84,771
Other receivable	-	-	-	2,838	-	2,838	2,838
Cash and bank balances	507	-	507	149,181	-	149,181	149,688
<b>June 30,2010</b>	<b>507</b>	<b>-</b>	<b>507</b>	<b>306,071</b>	<b>640</b>	<b>306,711</b>	<b>307,218</b>
<b>June 30,2009</b>	<b>663</b>	<b>-</b>	<b>663</b>	<b>205,378</b>	<b>262</b>	<b>205,640</b>	<b>206,303</b>
<b>Financial liabilities</b>							
<b>At amortised cost</b>							
Trade and other payables	-	-	-	871,453	-	871,453	871,453
Liabilities against asset subject to finance lease	8,558	26,757	35,315	-	-	-	35,315
Short-term borrowings	144,317	-	144,317	-	-	-	144,317
Accrued mark-up	-	-	-	10,120	-	10,120	10,120
<b>June 30,2010</b>	<b>152,875</b>	<b>26,757</b>	<b>179,632</b>	<b>881,573</b>	<b>-</b>	<b>881,573</b>	<b>1,061,205</b>
<b>June 30,2009</b>	<b>333,656</b>	<b>2,452</b>	<b>336,108</b>	<b>413,887</b>	<b>-</b>	<b>413,887</b>	<b>749,995</b>
<b>On balance sheet gap</b>							
<b>June 30,2010</b>	<b>(152,368)</b>	<b>(26,757)</b>	<b>(179,125)</b>	<b>(575,502)</b>	<b>640</b>	<b>(574,862)</b>	<b>(753,987)</b>
<b>June 30,2009</b>	<b>(332,993)</b>	<b>(2,452)</b>	<b>(335,445)</b>	<b>(208,509)</b>	<b>262</b>	<b>(208,247)</b>	<b>(543,692)</b>
<b>OFF BALANCE SHEET</b>							
<b>FINANCIAL INSTRUMENTS</b>							
Letters of credit	-	-	-	279,391	-	279,391	279,391
Letters of guarantee	-	-	-	479,756	-	479,756	479,756
<b>June 30,2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>759,147</b>	<b>-</b>	<b>759,147</b>	<b>759,147</b>
<b>June 30,2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>307,895</b>	<b>-</b>	<b>307,895</b>	<b>307,895</b>

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





### 35.1 Interest / Mark-up rate risk

The Company's interest rate / mark-up risk arises from borrowings as the Company has no significant interest bearing assets. Borrowings at variable rates exposes the Company to cash flow interest rate risk.

Interest / mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. As at June 30,2010 the Company's interest bearing financial liabilities of Rs. 152 million represent the short term borrowings at floating rate to manage the working capital requirements of the Company and obligation under asset subject to finance lease. These liabilities are reprised at a maximum period of six months. Hence the management believes that the Company is not materially exposed to interest rate changes. The effective mark-up rates for financial assets and liabilities are mentioned in respective notes to the financial statements.

For the above mentioned interest bearing financial liabilities, had the interest rates varied by 200 basis points with all the other variables held constant, loss / profit before tax for the year would have been approximately higher / lower by Rs. 6.87 million (2009: higher / lower by Rs. 10.55 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 200 basis points movement in the interest rates has been used as historically (five years) floating interest rates have moved by an average of 200 basis per annum.

### 35.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised if counterparts failed to perform as contracted. The financial assets exposed to credit risk amounts to Rs. 308 million (2009:Rs. 206 million).

The bank balances represents low credit risk as they are placed with scheduled commercial banks.

The Company attempts to control credit risk by monitoring credit exposure, limiting transaction with specific counterparties and continually assessing the creditworthiness of counterparties.

### 35.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet its commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements.

### 35.4 Foreign exchange risk management.

Foreign currency risk arises mainly when receivables and payables exist due to transaction with foreign undertakings. As at June 30,2010 payable exposed to foreign currency risk is of Rs. Nil (2009 Rs. Nil).

As at June 30,2010 if the Pakistani Rupee had weakened / strengthened by 16% against Japanese Yen with all other variables held constant, loss / profit before tax for the year would have been higher / lower by Rs. 113 million (2009: Rs. 134 million), mainly as a result of increased cost of imported raw material and parts.

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the Company as at the balance sheet date. The volatility percentage for movement in foreign exchange rates has been used due to the fact that historically (5 years) rate has moved on average basis by the mentioned percentage per annum.





### 35.5 Fair values of the financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statement approximate their fair values.

### 36 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

During the year, the Company's strategy was to lower the degree of leverage as to reduce the risk. The gearing ratio as at June 30, 2010 is as follows:

	2010	2009
	(Rupees in '000')	
Liabilities against asset subject to finance lease	35,315	8,556
Short term borrowings	154,437	344,666
Cash and bank	(149,688)	(21,510)
Net debt	40,064	331,712
Total Equity	222,642	83,730
Total Capital	262,706	415,442
Gearing ratio	15%	80%

The capital structure of the Company is equity based with no financing through long term borrowings except for liabilities against asset subject to finance lease however company avails short-term borrowings for working capital purposes only.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

### 37. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise the subsidiary company, associated companies, technological suppliers, directors and executives. The Company in the normal course of business carries out transactions at arm's length with various related parties. Amounts due from and to related parties, amounts due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below:

Name of Related Party and nature of relationship	Nature of transaction	2010	2009
		(Rupees in '000')	
<b>(a) Subsidiary company</b>			
Marghazar Industries (Private) Limited	Financial charges	332	210



Name of Related Party and nature of relationship	Nature of transaction	2010 (Rupees in '000')	2009 (Rupees in '000')
<b>(b) Associated companies</b>			
General Tyre & Rubber Company of Pakistan Limited (Common Directorship)	Purchase of Tyres	27,462	42,062
	Sale of Vehicle	1,750	-
Ghandhara Nissan Limited (Common Directorship)	Assembly charges	43,999	49,839
	Purchase of Parts	9,057	-
	Sales - Fabrication	8,711	8,828
Universal Insurance Limited (Common Directorship)	Insurance Premium	12,675	9,564
	Insurance Claim	524	333
Rehman Cotton Mills Limited	Rent paid	300	210
Hasan & Hasan	Retainership fee	120	120
<b>(c) Technology suppliers</b>			
Isuzu Motors Limited Japan	CKD purchased	9,685	-
	CBU purchased	752,789	-
	Parts Purchased	14,802	19,039
		<b>2010</b>	<b>2009</b>
		<b>(Rupees in '000')</b>	

### 38. REMUNERATION OF THE DIRECTORS AND EXECUTIVES

Managerial remuneration and allowances	20,001	16,074
Gratuity	2,307	1,200
Others	276	292
	<u>22,584</u>	<u>17,858</u>
Number of persons	<u>20</u>	<u>18</u>

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

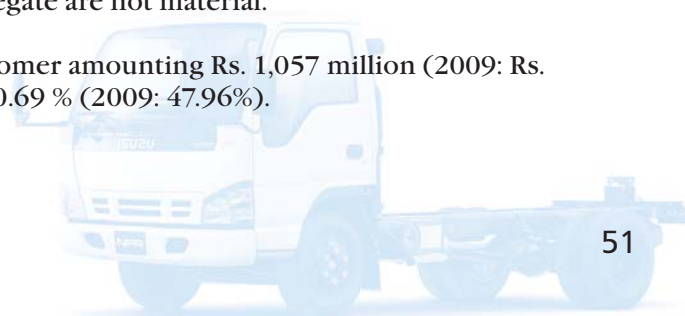
38.2 The amount charged in these financial statements in addition to those that are shown above is Rs. 0.25 million (2009: Nil) in relation to meeting fees of five directors.

### 39. OPERATING SEGMENT

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

The Company does not hold non-current assets in any foreign country. Revenue from external customers attributed to foreign countries in aggregate are not material.

The Company has earned revenues from one customer amounting Rs. 1,057 million (2009: Rs. 630 million) during the year which constituted 50.69 % (2009: 47.96%).



**40. PRODUCTION CAPACITY**

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

The Company has outsourced the assembly of trucks and buses to Ghandhara Nissan Limited (Associated Undertaking) therefore figures for the actual production for the current year has not been given.

**41. CORRESPONDING FIGURES**

The following prior period figure has been reclassified for the purpose of better presentation and comparison. Material changes made during the year is as follows:

Reclassification from component	Reclassification to component	Amount Rupees'000
<b>a) Administrative expenses</b>	<b>Other operating expenses</b>	
Donations	Donations	813
Auditor's remuneration	Auditor's remuneration	260
<b>b) Trade and other payables</b>	<b>Trade and other payables</b>	
Other dealers' credit balances	Advances from customers	1,085
<b>c) Trade and other payables</b>	<b>Trade and other payables</b>	
Others	Unclaimed dividends	53
<b>d) Loans and advances</b>	<b>Taxation-payments less provision</b>	<b>52,594</b>
Income tax deducted / paid in advance		
<b>e) Other receivables</b>	<b>Sales tax refundable / adjustable</b>	<b>175,195</b>
Sales tax refundable / adjustable		

**42. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on September 23, 2010 by the Board of Directors of the Company.

Chief Executive

Director





**Gandhara Industries Limited  
And its subsidiary  
Consolidated Financial Statements  
For the year ended  
June 30, 2010**





## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Ghandhara Industries Limited and its subsidiary company, Marghazar Industries (Private) Limited as at June 30, 2009 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 opinions on the financial statements of Ghandhara Industries Limited and its subsidiary company, Marghazar Industries (Private) Limited. These financial statements are responsibility of the Holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. 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.

In our opinion, the consolidated financial statements present fairly the financial position of Ghandhara Industries Limited and its subsidiary company, Marghazar Industries (Private) Limited as at June 30, 2010 and the results of its operations for the year then ended.

Without qualifying our opinion, we draw attention to the note 22.1 (iv) to the consolidated financial statements, the Holding company has written back in the consolidated financial statements for the year ended as on June 30, 2007 provision for Workers' Profit Participation Fund for the year ended June 30, 2006 based on a legal opinion and in a view of constitutional petition pending adjudication in the Sindh High Court on this matter.

If it is established that the provisions of the Companies Profits (Workers' Participation) Act, 1968 are applicable to the Holding company, provision in respect of year ended June 30, 2006 amounting to Rs. 7.722 million including any penalties may become payable.

Date: 23 September 2010  
Karachi.

**HAMEED CHAUDHRI & CO.**  
CHARTERED ACCOUNTANTS  
Engagement Partner: Abdul Majeed Chaudhri



## CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2010

ASSETS	Note	2010 (Rupees in '000')	2009
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	3	1,476,350	1,018,986
Intangible assets	4	442	-
Investment properties	5	90,655	90,914
Long term loans	6	640	262
Long term deposits	7	5,715	4,182
<b>CURRENT ASSETS</b>			
Stores and spares parts	8	5,872	15
Stock-in-trade	9	711,728	373,852
Trade debts	10	84,771	103,203
Loans and advances	11	21,626	15,883
Trade deposits and prepayments	12	48,623	62,607
Other receivables		2,838	2,838
Sales tax refundable / adjustable		176,948	175,195
Taxation-payments less provision		54,678	52,572
Cash and bank balances	13	149,708	21,530
		<u>1,256,792</u>	<u>807,695</u>
<b>TOTAL ASSETS</b>		<u>2,830,594</u>	<u>1,922,039</u>
<b>EQUITY AND LIABILITIES</b>			
<b>ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT</b>			
Share capital	14	213,044	213,044
Reserves	15	10,081	(128,862)
		<u>223,125</u>	84,182
<b>NON-CONTROLLING INTEREST</b>		<u>206</u>	<u>194</u>
Total equity		223,331	84,376
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	16	1,461,574	1,073,197
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance leases	17	26,757	2,452
Deferred liabilities	18	42,847	16,519
<b>CURRENT LIABILITIES</b>			
Trade and other payable	19	913,090	394,725
Current maturity of liabilities against assets subject to finance leases	17	8,558	6,104
Accrued mark up/ interest	20	10,120	17,114
Short term borrowings	21	144,317	327,552
		<u>1,076,085</u>	<u>745,495</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	22	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,830,594</u>	<u>1,922,039</u>

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements

Chief Executive

Director





**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Note</b>	<b>2010</b> (Rupees in '000')	<b>2009</b>
Net sales	23	2,086,520	1,313,808
Cost of sales	24	<u>(1,789,728)</u>	<u>(1,184,506)</u>
Gross profit		296,792	129,302
Distribution cost	25	(71,469)	(48,596)
Administrative expenses	26	(41,929)	(34,382)
Other operating expenses	27	(11,083)	(118,069)
Other operating income	28	<u>3,140</u>	<u>14,676</u>
Profit / (loss) from operations		175,451	(57,069)
Finance cost	29	<u>(57,457)</u>	<u>(83,296)</u>
Profit / (loss) before tax		117,994	(140,365)
Taxation	30	<u>17,612</u>	<u>2,914</u>
Profit / (loss) after tax		135,606	(137,451)
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<u><u>135,606</u></u>	<u><u>(137,451)</u></u>
Attributable to:			
Equity holders of the parent		135,594	(137,461)
Non-controlling interest		<u>12</u>	<u>10</u>
		<u><u>135,606</u></u>	<u><u>(137,451)</u></u>
<b>Earnings / (loss) per share - basic and diluted</b>	31	<u><u>6.37</u></u>	<u><u>(6.45)</u></u>

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements

Chief Executive

Director



**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 (Rupees in '000')	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	32	396,215	(131,537)
Gratuity paid		(1,246)	(36)
Finance cost paid		(60,613)	(74,706)
Income tax paid		(12,644)	(18,221)
Long-term loans		(378)	199
Long-term deposits		(1,533)	(183)
Net cash generated from / (used in) operating activities		319,801	(224,484)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(10,176)	(6,000)
Sale proceeds on disposal of property, plant and equipment		14,500	1,646
Interest received		616	142
Net cash generated from / (used in) investing activities		4,940	(4,212)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		-	(12)
Liabilities against asset subject to finance lease		(13,328)	(9,914)
Net cash used in financing activities		(13,328)	(9,926)
Net increase / (decrease) in cash and cash equivalents		311,413	(238,622)
Cash and cash equivalents at beginning of the year		(306,022)	(67,400)
Cash and cash equivalents at the end of the year	33	5,391	(306,022)

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements

Chief Executive

Director





**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2010**

	Attributable To Equity Holders Of Parent							Non-Controlling Interest	Total Equity
	Issued subscribed and paid-up capital	Capital reserves			Revenue reserves		Total		
		Tax holiday reserve	Fixed assets replacement reserve	Contingency reserve	General reserve	Accumulated loss			
	<b>Rupees '000</b>								
Balance as at July 01, 2008	213,044	5,500	10,000	25,300	2,400	(37,950)	218,294	184	218,478
Loss for the year						(137,461)	(137,461)	10	(137,451)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation									
						3,349	3,349	-	3,349
<b>Balance as at June 30, 2009</b>	<u>213,044</u>	<u>5,500</u>	<u>10,000</u>	<u>25,300</u>	<u>2,400</u>	<u>(172,062)</u>	<u>84,182</u>	<u>194</u>	<u>84,376</u>
Profit for the year						135,594	135,594	12	135,606
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation									
						3,349	3,349	-	3,349
<b>Balance as at June 30, 2010</b>	<u>213,044</u>	<u>5,500</u>	<u>10,000</u>	<u>25,300</u>	<u>2,400</u>	<u>(33,119)</u>	<u>223,125</u>	<u>206</u>	<u>223,331</u>

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements



Chief Executive

Director



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2010

### 1. CORPORATE INFORMATION

Gandhara Industries Limited ("the Holding company") was incorporated on 23 February 1963. The Holding company's shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Holding company is assembly and progressive manufacturing of Isuzu trucks and buses.

Gandhara Industries Limited holds 70% equity in Marghazar Industries (Private) Limited.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Statement of compliance

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

#### 2.1.1 Changes in accounting policies and disclosures

Accounting standards, amendments and interpretations which have been effective and adopted by the Group companies:

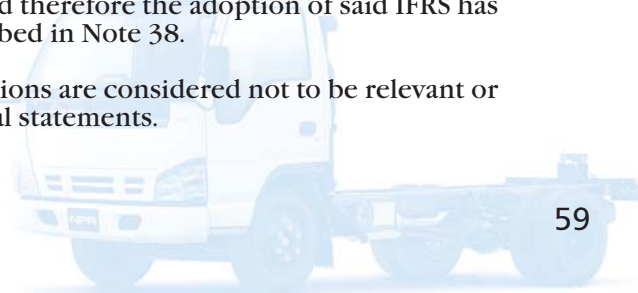
IAS 1 (revised) - 'Presentation of financial statements', requires presentation of transactions with owners in statement of changes in equity and with non-owners in the statement of comprehensive income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Group companies has applied IAS 1 (revised) and elected to present one performance statement (i.e. the profit and loss account). However, since there are no non-owner changes in equity, there is no impact of such revised standard on these financial statements.

IAS 23 (Amendment) - 'Borrowing costs', requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs has been removed. Further, the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. There is no material impact on the Group Company's financial statements due to change in the interest calculation method.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings per share.

IFRS 8 - 'Operating segments' replaces IAS 14 and requires a 'management approach', under which 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 segment. Management of the Group have determined that the Companies have single reportable segment and therefore the adoption of said IFRS has only resulted in some entity wide disclosures as described in Note 38.

The other new standards, amendments and interpretations are considered not to be relevant or have any significant effect on the consolidated financial statements.





### **New accounting standards and IFRIC interpretations that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards are effective from the dates specified below and are either not relevant to the Group companies operations or are not expected to have significant impact on the Group companies financial statements other than certain increased disclosures:

IFRS 2 (amendments) - Share-based payments and withdrawal of IFRIC 8-Scope of IFRS 2 and IFRIC 11 - Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 January 2010). Amendments provide guidance on the accounting for share based payment transactions among Group entities.

International Accounting Standard (IAS) 24 (revised): Related Party Disclosures (effective for annual period beginning on or after 1 January 2011). The amendments to IAS 24 simplify the disclosure requirement for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.

Amendments to IAS 32: Classification of Rights Issues (effective for period beginning on or after 1 February 2010). Under the amendment to IAS 32 rights, options and warrants - otherwise meeting the definition of equity instruments in IAS 32.11 - issued to acquire a fixed number of an entity's own non-derivative equity instrument for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non- derivative equity instruments.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instrument (effective for period beginning on or after 1 July 2010). IFRIC 19 clarifies the accounting when an entity extinguish the liability by issuing its own equity instruments to the creditor.

Amendments to IFRIC 14:Prepayment of a Minimum Funding Requirement (effective for period beginning on or after 1 July 2011). IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction has been amended to remedy an unintended consequence of IFRIC 14 where entities are in certain circumstances not permitted to recognise prepayments of minimum funding contributions, as an asset.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second and Third annual improvements project. The effective dates for these amendments vary by standards.

## **2.2 Basis of consolidation**

The consolidated financial statements include the financial statements of Ghandhara Industries Limited and its subsidiary Marghazar Industries (Private) Limited ("the Group companies").

## **2.3 Significant accounting judgments and estimates**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

### **2.3.1 Taxation**

The Group companies accounts for provision for income tax based on current best estimates. However, where the final tax outcome is different from the amounts that were initially recorded, such differences impact the income tax provision in the period in which such determination is made.



### 2.3.2 Post employment benefits

Significant estimates relating to post employment benefits are disclosed in note 18.3

### 2.3.3 Provisions

Provisions are considered, among others, for legal matters, disputed indirect taxes, employee termination costs and restructuring where a legal or constructive obligation exists at the balance sheet date and reliable estimate can be made of the likely outcome. The nature of these costs is such that judgement is involved in estimating the timing and amount of cash flows.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There have been no critical judgements made by the Group companies management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

### 2.4 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Companies operate. The consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

### 2.5 Property, plant & equipment

Leasehold land and buildings on leasehold land are stated at revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Plant and machinery, furniture and fixtures, office equipment and other operating assets are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Capital work-in-progress are stated at cost less accumulated impairment losses (if any). All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Plant and machinery were revalued in 1995 by independent valuers, which are shown at revalued figures. The Holding company subsequently adopted cost model for plant and machinery and the revalued figures were treated as deemed costs. The surplus on revaluation of these assets, however, is recognised in accordance with section 235 of the Companies Ordinance, 1984.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenances are charged to the profit and loss account as and when incurred.

Depreciation / amortisation on all property, plant and equipment is charged using the straight line method in accordance with the rates specified in note 3.1 to these consolidated financial statements and after taking into account residual values, (if any). The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month in which the assets become available for use, while on disposals depreciation is charged upto the month of deletion.

Any surplus arising on revaluation of property plant and equipment is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to reserves.



## 2.6 Intangible assets - computer software

Computer software licenses acquired by the Holding company are stated at cost less accumulated amortisation. Cost represents the cost incurred to acquire the software licenses and bring them to use. The cost of computer software is amortised over the estimated useful life i.e. 5 years using straight-line method.

Costs associated with maintaining computer software are charged to profit and loss account as and when incurred.

## 2.7 Investment properties

Property held for capital appreciation and rental yield, which is not in use of the Company is classified as investment property. Investment properties comprise of leasehold land and buildings.

Investment properties are carried at cost or valuation (i.e. deemed cost) less accumulated depreciation and impairment if any.

Investment properties were revalued in 1996 by independent valuers, which are shown at revalued figures. The Holding company subsequently adopted cost model for investments properties and the revalued figures were treated as deemed costs. The surplus on revaluation of these assets, however is recognised in accordance with section 235 of the Companies Ordinance, 1984.

Building is depreciated on straight line method at the rate of (2.5 to 6.25)%

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

## 2.8 Long term deposits

These are stated at cost which represents the fair value of the consideration given.

## 2.9 Stores and spare parts

These are valued at the lower of cost determined on a first-in-first-out basis and net realizable value. Items in transit are stated at invoice value plus other charges incurred thereon.

Provision is made in the consolidated financial statements for obsolete and slow moving items based on management's best estimate regarding their future usability.

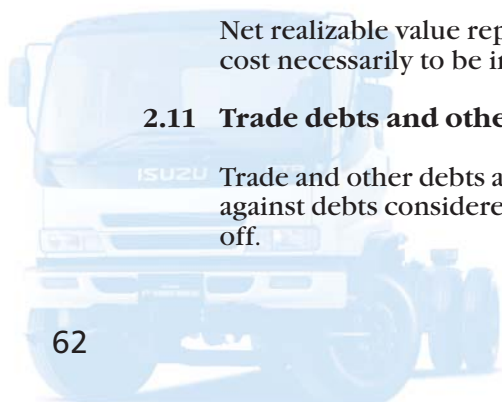
## 2.10 Stock in trade

Stock-in-trade is valued at the lower of cost and net realizable value except for goods in transit which are stated at invoice values plus other charges paid thereon. Cost in relation to raw materials and components, and trading stock (except for parts and accessories included in trading stock which are valued on average basis) is arrived at principally on first in first out basis. Cost of work in process and finished stocks including components includes direct wages and applicable manufacturing overheads.

Net realizable value represents the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

## 2.11 Trade debts and other receivables

Trade and other debts are carried at original invoice amount being the fair value. Provision is made against debts considered doubtful of recovery whereas debts considered irrecoverable are written off.





## 2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks and running finances which are payable on demand.

## 2.13 Taxation

### Current

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under final tax regime.

### Deferred tax

Deferred tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities, and their carrying amount in the financial statements.

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

Deferred tax is calculated at the rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

## 2.14 Staff retirement benefits

### 2.14.1 Defined benefit plans

The Holding company operates unfunded gratuity scheme. The scheme defines the amounts of benefits that an employee will receive on or after retirement subject to a minimum qualifying period of service under the scheme. The amounts of retirement benefits are usually dependent on one or more factors such as age, years of service and salary.

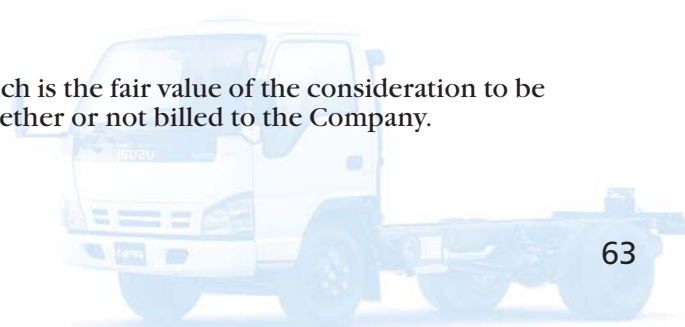
The liabilities recognised in respect of gratuity scheme are the present values of the Holding company's obligation under the scheme at the balance sheet date, together with adjustment for unrecognised actuarial gains or losses.

Latest actuarial valuations of the scheme were carried out as at June 30, 2010 using the projected unit credit method. The present values of the obligations are determined by discounting the estimated future cash outflows using interest rates of high quality government securities that have terms to maturity approximating to the terms of the related obligations.

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

## 2.15 Trade and other payables

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







## 2.16 Revenue recognition

Sales are recognised when goods are invoiced and delivered to customers. Rental and interest income is recorded on accrual basis.

Interest income is accrued on a time-proportionate basis, by reference to the principal outstanding and the interest rate applicable.

## 2.17 Borrowings and their cost

Borrowings are recorded at the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

## 2.18 Foreign currency transactions & translations.

Foreign currency transactions are converted into Pak Rupees, using the exchange rates prevailing at the dates of the transactions.

All monetary assets and liabilities in foreign currencies are retranslated into Pak Rupees at the exchange rates prevailing at balance sheet date. Exchange gain and losses are recognised in the profit and loss account.

The consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

## 2.19 Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Gorup's become a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

## 2.20 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial statements if the Group companies have a legal right to set off the recognised amounts and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## 2.21 Provisions and contingent assets and contingent liabilities

Provisions are recognised when the Gorup companies have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## 2.22 Warranty

The Holding company recognises the estimated liability to repair or replace products still under warranty at the balance sheet date to the extent of non-reimbursable portion from the principal.

## 2.23 Dividend

Dividend distribution to the shareholders is accounted for as a liability in the financial statements in the period in which the dividend is declared.



## 2.24 Impairment

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

## 2.25 Finance Leases

Leases that transfer substantially all the risk and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments, each determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The finance cost is charged to consolidated profit and loss account and is included under finance cost.

## 3. PROPERTY, PLANT AND EQUIPMENT

	Note	2010 (Rupees in '000')	2009
Operating fixed assets	3.1	1,476,350	1,018,536
Capital work-in-progress - at cost		-	450
		1,476,350	1,018,986





3.1 Operating fixed assets

Particulars	OWNED										LEASED			Total
	Lease hold land	Building on leasehold land	Plant & machinery	Permanent tools	Furniture & fixtures	Motor vehicles	Lift trucks	Office machines & equipments	Computers	Jigs and special tools	Car	Truck	Lifters	
----- ( Rupees in '000 ) -----														
<b>At June 30, 2008</b>														
Cost	946,500	68,450	47,831	3,164	2,508	18,272	9,219	9,057	2,392	25,630	26,256	-	-	1,159,279
Accumulated depreciation	13,719	10,644	46,681	3,023	951	13,221	3,516	3,972	1,484	25,630	7,865	-	-	130,706
<b>Book value</b>	<b>932,781</b>	<b>57,806</b>	<b>1,150</b>	<b>141</b>	<b>1,557</b>	<b>5,051</b>	<b>5,703</b>	<b>5,085</b>	<b>908</b>	<b>-</b>	<b>18,391</b>	<b>-</b>	<b>-</b>	<b>1,028,573</b>
<b>Year ended June 30, 2009</b>														
Additions	-	-	192	33	468	4,247	-	318	517	-	1,320	-	-	7,095
Disposals:														
- Cost	-	-	311	-	-	2,351	-	49	-	-	-	-	-	2,711
- depreciation	-	-	(311)	-	-	(538)	-	(49)	-	-	-	-	-	(898)
	932,781	57,806	1,342	174	2,025	7,485	5,703	5,403	1,425	-	19,711	-	-	1,033,855
Depreciation charge	-	5,323	154	21	129	2,022	1,219	735	299	-	5,417	-	-	15,319
<b>Net book value as at June 30, 2009</b>	<b>932,781</b>	<b>52,483</b>	<b>1,188</b>	<b>153</b>	<b>1,896</b>	<b>5,463</b>	<b>4,484</b>	<b>4,668</b>	<b>1,126</b>	<b>-</b>	<b>14,294</b>	<b>-</b>	<b>-</b>	<b>1,018,536</b>
<b>Year ended June 30, 2010</b>														
Additions	-	-	156	1,076	1,308	3,000	-	517	437	3,682	2,727	27,500	6,000	46,403
Revaluation Surplus	293,414	108,852	-	-	-	-	-	-	-	-	-	-	-	402,267
Elimination of accumulated depreciation due to revaluation of Land and Buildings	13,719	21,289	-	-	-	-	-	-	-	-	-	-	-	35,009
Total revaluation surplus	307,134	130,142	-	-	-	-	-	-	-	-	-	-	-	437,276
Reclassification from lease to own														
- Cost	-	-	-	-	-	21,899	-	-	-	-	(21,899)	-	-	-
- depreciation	-	-	-	-	-	13,139	-	-	-	-	(13,139)	-	-	-
	-	-	-	-	-	8,760	-	-	-	-	(8,760)	-	-	-
Disposals:														
- Cost	-	-	250	-	-	4,300	6,096	-	-	-	-	-	-	10,646
- depreciation	-	-	(250)	-	-	(403)	(2,121)	-	-	-	-	-	-	(2,774)
	1,239,915	182,625	1,344	1,229	3,204	13,326	509	5,185	1,563	3,682	8,261	27,500	6,000	1,494,343
Depreciation charge	-	5,322	155	94	169	3,384	509	797	391	126	3,138	3,208	700	17,993
<b>Net book value at June 30, 2010</b>	<b>1,239,915</b>	<b>177,303</b>	<b>1,189</b>	<b>1,135</b>	<b>3,035</b>	<b>9,942</b>	<b>(0)</b>	<b>4,388</b>	<b>1,172</b>	<b>3,556</b>	<b>5,124</b>	<b>24,292</b>	<b>5,300</b>	<b>1,476,350</b>
<b>As at June 30, 2009</b>														
Cost	946,500	68,450	47,712	3,197	2,976	20,168	9,219	9,326	2,909	25,630	27,576	-	-	1,163,663
Accumulated depreciation	13,719	15,967	46,524	3,044	1,080	14,705	4,735	4,658	1,783	25,630	13,282	-	-	145,127
<b>Book value</b>	<b>932,781</b>	<b>52,483</b>	<b>1,188</b>	<b>153</b>	<b>1,896</b>	<b>5,463</b>	<b>4,484</b>	<b>4,668</b>	<b>1,126</b>	<b>-</b>	<b>14,294</b>	<b>-</b>	<b>-</b>	<b>1,018,536</b>
<b>As at June 30, 2010</b>														
Cost	1,239,915	177,302	47,618	4,273	4,284	40,767	3,123	9,843	3,346	29,312	8,404	27,500	6,000	1,601,688
Accumulated depreciation	-	-	46,430	3,138	1,249	30,825	3,123	5,455	2,174	25,756	3,280	3,208	700	125,337
<b>Book value</b>	<b>1,239,915</b>	<b>177,303</b>	<b>1,189</b>	<b>1,135</b>	<b>3,035</b>	<b>9,942</b>	<b>-</b>	<b>4,388</b>	<b>1,172</b>	<b>3,556</b>	<b>5,124</b>	<b>24,292</b>	<b>5,300</b>	<b>1,476,350</b>
<b>Depreciation rate %</b>	-	2.5 to 6.25	10.00	12.50	6 to 6.25	20.00	20.00	12.50	20.00	33.00	20.00	20.00	20.00	



	Note	2010 (Rupees in '000')	2009
<b>3.2 Depreciation charged for the year has been allocated as follow:</b>			
- Cost of goods manufactured	24.1	6,672	6,455
- Distribution cost	25	5,856	2,495
- Administrative expenses	26	5,465	6,369
		<u>17,993</u>	<u>15,319</u>

**3.3** Lease hold land and buildings on leasehold land of the Holding company were last revalued in June 2010 by K.G. Traders (Pvt.) Ltd (PBA approved asset valuers and stocks inspectors) on the basis of present market values. The revaluation resulted in a net surplus of Rs. 437 million over the written down values of Rs. 978 million which had been incorporated in the books of the Holding company on June 30, 2010. Out of the revaluation surplus resulting from all the revaluations carried out to date, an amount of Rs.1,411 million (2009: Rs. 978 million) remains undepreciated as at June 30, 2010.

	2010 (Rupees in '000')	2009
<b>3.4</b> Had there been no revaluation, the book value of buildings on leasehold land would have been as under:		
Building on leasehold land - cost	6,810	6,810
Accumulated depreciation	681	511
Book value	<u>6,129</u>	<u>6,299</u>

**3.5 Details of operating assets sold/ written off:**

Assets	Cost	Accumulated Depreciation	W.D.V.	Sale Proceed	Profit / (Loss)	Mode of Disposal	Particulars of buyers
------( Rupees in '000 )-----							
<b>MOTOR VEHICLES</b>							
Truck FVM 33QT	1,500	50	1,450	3,500	2,050	Sale and lease back	Orix Leasing Pakistan Limited
Truck FVM 33QT	1,500	50	1,450	3,500	2,050		
Van NPS 7L	1,300	303	997	1,500	503		
	<u>4,300</u>	<u>403</u>	<u>3,897</u>	<u>8,500</u>	<u>4,603</u>		
<b>FORK LIFTERS</b>							
TCM FD-70ZB	2,920	1,168	1,752	3,000	1,248	Sale and lease back	Orix Leasing Pakistan Limited
HD NISSAN	3,176	953	2,223	3,000	777		
	<u>6,096</u>	<u>2,121</u>	<u>3,975</u>	<u>6,000</u>	<u>2,025</u>		
<b>OFFICE MACHINES &amp; EQUIPMENTS</b>							
Sewing machine	55	55	-	-	-	Written off	
Sewing machine	58	58	-	-	-	Written off	
Sewing machine	53	53	-	-	-	Written off	
	<u>166</u>	<u>166</u>	<u>-</u>	<u>-</u>	<u>-</u>		
<b>AGGREGATE VALUES OF ITEMS WHERE WDV IS LESS THAN RS. 50,000</b>							
-Assets written off	<u>84</u>	<u>84</u>	<u>-</u>	<u>-</u>	<u>-</u>		
<b>2010</b>	<u>10,646</u>	<u>2,774</u>	<u>7,872</u>	<u>14,500</u>	<u>6,628</u>		
2009	<u>2,711</u>	<u>898</u>	<u>1,813</u>	<u>1,646</u>	<u>167</u>		





	2010	2009
	(Rupees in '000')	
<b>4. INTANGIBLE ASSETS - Computers Softwares</b>		
Opening net book value	-	-
Addition	450	-
Accumulated amortization	8	-
Closing net book value	<u>442</u>	<u>-</u>

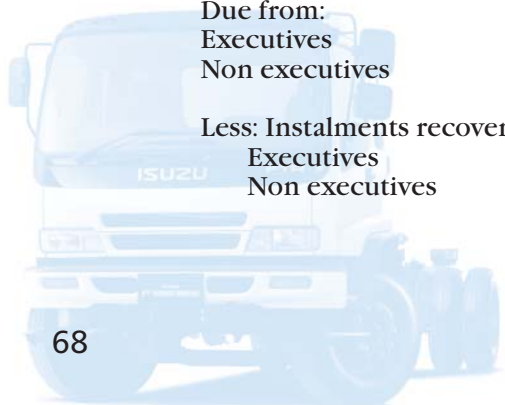
**5. INVESTMENT PROPERTIES**

	Lease hold land	Buildings on Leasehold land	Total
	(Rupees in '000')		
<b>At June 30, 2008</b>			
Cost	97,392	416	97,808
Accumulated depreciation	6,313	322	6,635
Book value	<u>91,079</u>	<u>94</u>	<u>91,173</u>
Year ended June 30, 2009			
Depreciation charge	243	16	259
<b>Net book value as at June 30, 2009</b>	<b>90,836</b>	<b>78</b>	<b>90,914</b>
Year ended June 30, 2010			
Depreciation charge	243	16	259
<b>Net book value at June 30, 2010</b>	<b><u>90,593</u></b>	<b><u>62</u></b>	<b><u>90,655</u></b>
<b>As at June 30, 2009</b>			
Cost	97,392	416	97,808
Accumulated depreciation	6,556	338	6,894
<b>Book value</b>	<b><u>90,836</u></b>	<b><u>78</u></b>	<b><u>90,914</u></b>
<b>As at June 30, 2010</b>			
Cost	97,392	416	97,808
Accumulated depreciation	6,799	354	7,153
	<u>90,593</u>	<u>62</u>	<u>90,655</u>

**5.1** Depreciation for the year amounting Rs. 259 thousand (2009: Rs. 259 thousand) is allocated to Administrative expenses - Note 26.

**5.2** The fair value of investment property as at June 30, 2010 was Rs. 376 million (2009: Rs. 376 million).

	Note	2010	2009
		(Rupees in '000')	
<b>6. LONG TERM LOANS</b>			
Considered Good			
Due from:			
Executives	6.1	-	520
Non executives		<u>1,011</u>	<u>727</u>
		<u>1,011</u>	<u>1,247</u>
Less: Instalments recoverable within twelve months			
Executives		<u>-</u>	<u>100</u>
Non executives		<u>371</u>	<u>885</u>
	11	<u>371</u>	<u>985</u>
		<u>640</u>	<u>262</u>





	Note	2010	2009
(Rupees in '000')			
<b>6.1 Reconciliation of loans and advances to executives</b>			
Balance at beginning of the year		520	663
Add: Disbursement / addition		-	60
		<u>520</u>	<u>723</u>
Less: Recovered during the year		<u>520</u>	<u>203</u>
		<u>-</u>	<u>520</u>

6.2 Interest free loans have been provided for personal expenses. These are repayable in monthly instalments over a period of one to five years. These are secured against staff gratuity.

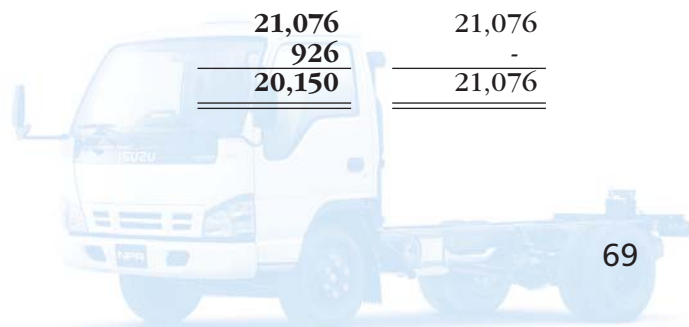
6.3 Maximum aggregate amount due from executives at the end of any month was Rs. 507 thousand (2009: Rs. 637 thousand).

		2010	2009
(Rupees in '000')			
<b>7. LONG TERM DEPOSITS</b>			
<b>Considered Good</b>			
Leasing companies		4,898	3,443
Utilities		304	316
Others		513	423
		<u>5,715</u>	<u>4,182</u>
<b>8. STORES &amp; SPARE PARTS</b>			
Stores		5,872	15
Spare parts		6,316	6,316
		<u>12,188</u>	<u>6,331</u>
Less: provision for obsolescence		<u>6,316</u>	<u>6,316</u>
		<u>5,872</u>	<u>15</u>
<b>9. STOCK-IN-TRADE</b>			
Raw materials & components			
In hand	9.1	287,876	247,635
Less: provision for slow moving raw material	9.2	<u>20,150</u>	<u>21,076</u>
		<u>267,726</u>	<u>226,559</u>
In transit		<u>280,805</u>	<u>39,262</u>
		<u>548,531</u>	<u>265,821</u>
Work in process		51,531	4,960
Finished goods including components		79,930	65,822
Trading stocks		46,668	52,181
Less: provision for slow moving stock	9.3	<u>14,932</u>	<u>14,932</u>
		<u>31,736</u>	<u>37,249</u>
		<u>711,728</u>	<u>373,852</u>

9.1 This includes raw material carried at net realisable value, amounting to Rs. 10 million (2009: Rs. 10 million).

**9.2 Provision for slow moving raw material**

Opening balance as on July 1	21,076	21,076
Less: Material used	926	-
Closing balance as on June 30	<u>20,150</u>	<u>21,076</u>





	Note	2010 (Rupees in '000')	2009 (Rupees in '000')
<b>9.3 Provision for slow moving trading stock</b>			
Opening balance as on July 1		14,932	15,169
Less: Stock used		-	237
Closing balance as on June 30		<u>14,932</u>	<u>14,932</u>
<b>9.4</b> Stock in trade includes Rs 304.183 million (2009: 257.013 million) held with third parties out of which Rs. 303.409 million (2009: Rs. 255.214 million) is held with Gandhra Nissan Limited (an associated company).			
<b>10. TRADE DEBTS</b>			
<b>Considered good - Unsecured</b>			
Government and semi-government agencies		19,249	4,067
Others		<u>65,522</u>	<u>99,136</u>
		<u>84,771</u>	<u>103,203</u>
<b>10.1</b> The aging of trade debtors at the balance sheet date was:			
Due from 0-30 days		33,491	92,537
Due from 31-180 days		43,717	4,322
Due from over 180 days		<u>7,563</u>	<u>6,344</u>
		<u>84,771</u>	<u>103,203</u>
<b>11. LOANS AND ADVANCES</b>			
<b>Considered good - unsecured</b>			
Loan and advances due from:			
Employees		272	105
Suppliers and contractors		<u>20,983</u>	<u>14,793</u>
		<u>21,255</u>	<u>14,898</u>
<b>Considered doubtful</b>			
Government and semi-government agencies		1,175	1,175
Less: provision for doubtful debts		<u>1,175</u>	<u>1,175</u>
		-	-
Current portion of long term loans to employees		<u>371</u>	<u>985</u>
		<u>21,626</u>	<u>15,883</u>
<b>12. TRADE DEPOSITS AND PREPAYMENTS</b>			
<b>Considered good</b>			
Tender deposits		19,073	17,286
Margins against bank guarantees		<u>8,263</u>	<u>588</u>
Less: Provision for doubtful margin against bank guarantees		<u>330</u>	<u>330</u>
		7,933	258
Margin against letter of credit		20,649	44,073
Prepaid rent		<u>968</u>	<u>990</u>
		<u>48,623</u>	<u>62,607</u>
<b>13. CASH AND BANK BALANCES</b>			
Cash in hand		275	232
Cash with banks			
- on current accounts		<u>151,121</u>	<u>22,834</u>
- on saving accounts	13.1	<u>507</u>	<u>663</u>
- on foreign accounts	13.2	<u>38</u>	<u>34</u>
		151,666	23,531
Less: Provision for doubtful bank account	13.3	<u>2,233</u>	<u>2,233</u>
		<u>149,708</u>	<u>21,530</u>



- 13.1 Saving accounts include Rs. 312 thousand (2009: Rs. 7 thousand) that are subject to lien with bank against bank guarantees.
- 13.2 Foreign currency accounts include JPY 31,541 equivalent to Rs. 30,402 and US\$ 126 equivalent to Rs. 7,386 (2009: JPY 31,541 equivalent to Rs. 26,731 and US \$ 126 equivalent to Rs. 7,386).
- 13.3 This represents provision made against balances held with Indus Bank Limited under liquidation.

#### 14. SHARE CAPITAL

2010 (No. of shares)	2009	Authorised Capital	2010 (Rupees in '000')	2009
50,000,000	50,000,000	Ordinary shares of Rs. 10 each	500,000	500,000
		<b>Issued, subscribed and paid up capital</b>		
		<b>Ordinary shares of Rs. 10 each;</b>		
17,650,862	17,650,862	Fully paid up in cash	176,509	176,509
3,295,354	3,295,354	Fully paid bonus shares.	32,953	32,953
358,206	358,206	Issued for consideration other than cash	3,582	3,582
<u>21,304,422</u>	<u>21,304,422</u>		<u>213,044</u>	<u>213,044</u>

- 14.1 The Holding company has one class of ordinary shares which carry no right to fixed income.
- 14.2 Bibojee Services (Pvt) Ltd., the ultimate Holding company, held 8,343,397 (2009: 8,343,397) ordinary shares of Rs.10/- each as at the year end.
- 14.3 Ordinary shares of Rs. 10 each were held by associated undertakings as at June 30, 2010 are as follows:

	Note	2010 (No. of shares)	2009
Gandhara Nissan Limited		5,166,168	5,166,168
Universal Insurance Company Limited		1,192,148	1,192,148
The General Tyre and Rubber Company of Pakistan Limited		100,700	100,700
Bibojee Investment (Private) Limited		21,408	21,408
		<u>6,480,424</u>	<u>6,480,424</u>

#### 15. RESERVES

(Rupees in '000')

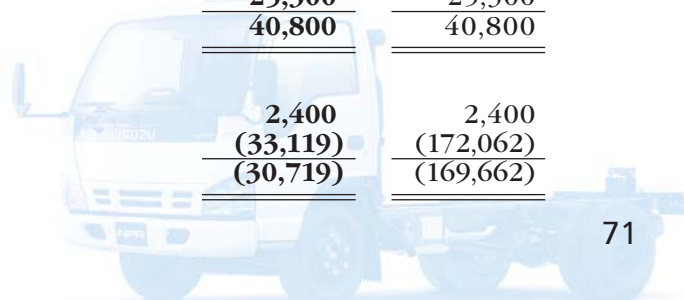
Capital Reserves	15.1	40,800	40,800
Revenue Reserves	15.2	(30,719)	(169,662)
		<u>10,081</u>	<u>(128,862)</u>

##### 15.1 Capital Reserves

Tax holiday reserve	5,500	5,500
Fixed assets replacement reserve	10,000	10,000
Contingency reserve	25,300	25,300
	<u>40,800</u>	<u>40,800</u>

##### 15.2 Revenue Reserves

General reserve	2,400	2,400
Accumulated loss	(33,119)	(172,062)
	<u>(30,719)</u>	<u>(169,662)</u>







	2010	2009
	(Rupees in '000')	
<b>16. SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
Balance as at 1 July	1,084,987	1,090,139
Add : Surplus arising during the year	437,276	-
Surplus relating to incremental depreciation charged during the year	<u>(5,152)</u>	<u>(5,152)</u>
	<u>1,517,111</u>	<u>1,084,987</u>
Less: Related deferred tax		
Deferred Tax on revaluation as at 1st July	11,790	13,593
On surplus arising during the year	45,550	
Transferred to accumulated loss on account of incremental depreciation charged during the year	<u>(1,803)</u>	<u>(1,803)</u>
	<u>55,537</u>	<u>11,790</u>
	<u>1,461,574</u>	<u>1,073,197</u>

**17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES**

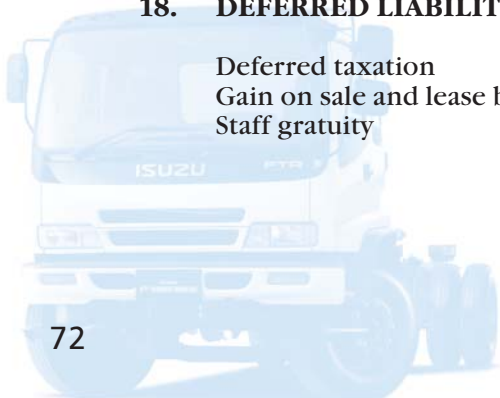
The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

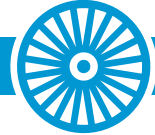
	2010			2009		
	Minimum lease payments	Finance cost	Present value of minimum lease payments	Minimum lease payments	Finance cost	Present value of minimum lease payments
	----- Rupees in 000 -----					
Not later than one year	13,240	4,682	8,558	6,967	863	6,104
Later than one year and not later than five years	33,203	6,446	26,757	3,055	603	2,452
<b>Total minimum lease payments</b>	<u>46,443</u>	<u>11,128</u>	<u>35,315</u>	<u>10,022</u>	<u>1,466</u>	<u>8,556</u>

The Holding company has acquired motor vehicles under finance lease arrangements from leasing companies. The arrangements are secured by title of assets leased. Rentals are payable in monthly installments. Repair and insurance cost are to be borne by the Holding company. The rate of financial charges applied ranges from 14.08% to 18.23% (2009: 13.70% to 21.18%) per annum.

At the end of the lease term, the ownership of the assets shall be transferred to the Holding company against security deposits paid.

	Note	2010	2009
		(Rupees in '000')	
<b>18. DEFERRED LIABILITIES</b>			
Deferred taxation	18.1	30,379	13,001
Gain on sale and lease back of fixed asset	18.2	5,690	-
Staff gratuity	18.3	<u>6,778</u>	<u>3,518</u>
		<u>42,847</u>	<u>16,519</u>

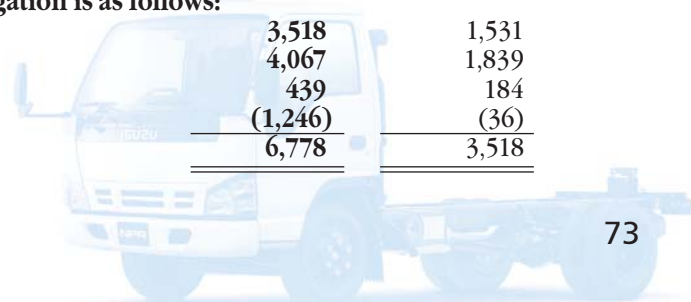




	2010	2009
	(Rupees in '000')	
<b>18.1 Deferred taxation</b>		
Deferred taxation comprises:		
Accelerated tax depreciation	3,915	17,477
Revaluation of fixed assets	55,537	11,790
Obligation under finance lease	(208)	2,010
Gain on sale and lease back of fixed assets	(1,992)	-
Recoupable minimum tax	(8,463)	-
Provision for gratuity	(2,372)	(1,231)
Provision for obsolescence:		
- Stores and spares	(2,210)	(2,210)
- Stock in trade	(12,279)	(12,603)
Provision for bad / doubtful:		
- Trade debts	(241)	(241)
- Advance to supplier	(411)	(411)
- Bank guarantee	(115)	(116)
- Sundry receivables	-	(682)
- Cash at bank	(782)	(782)
	<u>30,379</u>	<u>13,001</u>
<b>18.2 Gain on sale and lease back of fixed asset</b>		
Gain on sale and lease back of motor vehicle	6,628	1,386
Amortised to date	(938)	(1,386)
	<u>5,690</u>	<u>-</u>

The Holding company entered into a sale and leaseback transaction during the year which has resulted in a finance lease. The excess of sale proceeds over the net book value of motor vehicles under a sale and leaseback arrangement has been recognised as deferred income and is being amortised over the period of the lease term.

	Unfunded Gratuity	
	2010	2009
	(Rupees in '000')	
<b>18.3 Staff gratuity</b>		
Opening balance	3,518	1,531
Charge for the year	4,506	2,023
	<u>8,024</u>	<u>3,554</u>
Less: Payments made during the year	1,246	36
Closing balance	<u>6,778</u>	<u>3,518</u>
<b>Charge for the year</b>		
Current service cost	4,067	1,839
Interest cost	439	184
Present value of defined benefit obligation as at June 30	<u>4,506</u>	<u>2,023</u>
<b>Movement in the present value of defined benefit obligation is as follows:</b>		
Present value of defined benefit obligation as at July 1	3,518	1,531
Current service cost	4,067	1,839
Interest cost	439	184
Benefit paid	(1,246)	(36)
Present value of defined benefit obligation as at June 30	<u>6,778</u>	<u>3,518</u>





	Unfunded Gratuity	
	2010	2009
	(Rupees in '000')	
<b>The expense is recognized in the following line items in the income statement:</b>		
Cost of goods manufactured	1,450	762
Distribution costs	1,193	546
Administrative expenses	1,863	715
	<u>4,506</u>	<u>2,023</u>

**Principal actuarial assumptions at the balance sheet date:**

Rate of discount (%)	12	12
Expected rate of increment of salary (%)	11	11
Expected retirement age (years)	60	60
Average expected remaining working life time of employees (years)	10	9

**COMPARISON FOR FIVE YEARS:**

	2010	2009	2008	2007	2006
	(Rupees in '000')				
Present value of defined benefit obligations	7,686	3,662	1,531	N/A	N/A
Experience adjustment arising on plan liabilities (gain)/ losses	763	145	Nil	N/A	N/A

19. TRADE AND OTHER PAYABLE	Note	2010	2009
		(Rupees in '000')	
Creditors		81,969	86,097
Accrued liabilities		72,572	60,685
Advance from customers		496,598	40,286
Advance against sale of investment in immovable property		5,000	5,000
Custom duty payable		14,082	8,218
Payable to trustees' provident fund		178	178
Retention money		1,020	1,000
Unclaimed dividends		6,914	6,860
Withholding tax		703	708
Due to related parties	19.1	210,897	168,801
Federal Excise Duty payable		-	423
Corporate assets tax		2,000	2,000
Sales Tax Payable		-	14
Worker profit participation fund	19.2	17,082	12,671
Worker Welfare fund	19.3	2,948	589
Others		1,127	1,195
		<u>913,090</u>	<u>394,725</u>

**19.1 Due to related parties**

Bibojee Services (Private) Limited	160,639	102,239
The General Tyre & Rubber Company of Pakistan Limited	4,773	19,609
Ghandhara Nissan Limited	35,716	35,464
Universal Insurance Company Limited	1,451	2,773
Rehman Cotton Mills Limited	-	398
Waqf-e-Kuli Khan	8,318	8,318
	<u>210,897</u>	<u>168,801</u>



	Note	2010 (Rupees in '000')	2009
<b>19.2 Workers' Profit Participation Fund</b>			
Opening balance as at July 1		12,671	12,410
Allocation for the year	27	6,331	-
Interest on funds utilised in the Company's business		106	261
Disbursement during the year		(2,026)	-
Closing balance as at June 30		<u>17,082</u>	<u>12,671</u>
<b>19.3 Workers' Welfare Fund</b>			
Balance at beginning		589	589
Add: Charge for the current year / period	27	<u>2,359</u>	<u>-</u>
		<u>2,948</u>	<u>589</u>
<b>20. ACCRUED MARK UP/ INTEREST</b>			
Mark up on:			
Short term loan / running finances & borrowings - secured		5,606	12,600
Long term loans - unsecured		<u>4,514</u>	<u>4,514</u>
		<u>10,120</u>	<u>17,114</u>
<b>21. SHORT TERM BORROWINGS</b>			
<b>From banking companies-secured</b>			
Finance against imported merchandise	21.1	-	38,170
Running finance from bank	21.2	<u>144,317</u>	<u>289,382</u>
		<u>144,317</u>	<u>327,552</u>

**21.1** The Holding company has arranged finance against imported merchandise facility amounting to Rs. 99 million (2009: 101 million). This facility is secured by pledge of Isuzu truck and bus chassis in CKD condition and 2nd equitable mortgage over land and building amounting to Rs. 300 million (2009: 300 million). The rate of mark-up on these facilities is 6 Month KIBOR + 2.5% per annum (2009: 3 months KIBOR plus 2.5%).

**21.2** The Holding company has facility for short-term running finance amounting to Rs. 145 million (2009: Rs. 289 million) from a bank. Mark up is based on 3 months KIBOR plus 3% (2009: 3 months KIBOR plus 3%) payable quarterly. The arrangement is secured by way of equitable mortgage over Land, Building, and Machinery for Rs. 750 million (2009: Rs.750 million) with a token registered charge of Rs. 0.5 million (2009: Rs. 0.5 million) over company property bearing F-3 SITE, Karachi and hypothecation charge over moveables and receivables for Rs. 200 million (2009: Rs.200 million). The facilities will expire in June 2011 (2009: December 2009).

**21.3** The facility for opening letters of credit and issuance of bank guarantees as at June 30, 2010 amounted to Rs. 759 million (June 30, 2009: Rs. 493 million) of which the amount remaining unutilized at the year-end was Nil (2009: Rs. 308 million). These facilities are secured against import documents, pledge of stocks, 2nd equitable mortgage over land and building amounting to Rs 300 million (2009: Rs. 300 million) and hypothecation of stock amounting to Rs 160 million (2009: Rs 160 million).

## 22. CONTINGENCIES AND COMMITMENTS

### 22.1 Contingencies

- (i) Claims against the Holding company not acknowledged as debt amounting to Rs. 3.917 million (2009: Rs.27.043 million) relating to sales tax on 10,000 units of rear axles each claimed by a supplier which is being contested by the Holding company.



- (ii) Suit against the Holding company by the supplier for the recovery of Rs. 25.867 million (2009: Rs. 25.867 million) as compensation for breach of agreement. The suit is being defended by the Holding company on a number of legal grounds. The suit is at present in evidence stage and the Holding company has plausible defense.
- (iii) Various demands have been raised by the Central Excise and Sales Tax Departments amounting to Rs. 4.896 million (2009: Rs. 4.896 million). The Holding company has filed Sales Tax Reference in High Court of Sindh against the order of Sales Tax Appellate Tribunal. The Sales Tax Reference has been decided vide order dated January 21, 2009 wherein the High Court of Sindh has set aside the order of the Tribunal and has remanded the case to the Tribunal. No provision has been made in these consolidated financial statements as, in the opinion of legal advisors, the Holding company will have favorable decision.
- (iv) The Holding company had obtained legal advice in connection with the establishment of Worker's Participation Fund (the Fund) under the Companies Profits (Workers; Participation) Act, 1968 (the Act). The legal advisor is of the view that since, during the year ended June 30, 2006, the Holding company did not employ any person who falls under the definition of worker as defined in the Act of 1968, it was not legally or factually possible to constitute the Fund as required by section 3 of the Act. As a consequence, the Holding company was not required to make contributions to the fund established pursuant to Workers' Welfare Fund Ordinance 1971. The Holding company based on legal advice has written back in the consolidated financial statements for the year ended as on June 30, 2007 the amount of Worker's Profit Fund provided during the year June 30, 2006.

Furthermore, the question whether a company to which the Act of 1968 and its scheme applies but which does not employ any worker is nevertheless obliged to establish and pay contributions into the fund under the act and thereafter transfer the same to the fund established under the Workers' Welfare Fund Ordinance, 1971 is pending adjudication in Sindh High Court at Karachi on constitutional petition filed by another company in December 2003.

If it is established that the above provisions of the Act are applicable to the Holding company, provision in respect of year ended June 30, 2006 amounting to Rs. 7.722 million including any penalties may become payable.

- (v) The Assistant Collector Refund Group V has disallowed adjustment of Rs. 28.91 million against output tax. The Holding company has filed appeal before Sales Tax Appellate Tribunal against the order passed by the Collector Appeals, whereby he had maintained the order of the Assistant Collector Refund. No provision is made in these accounts as the hearing of the above referred appeal which is pending adjudication for want of the constitution of bench of Sales Tax Appellate Tribunal.
- (vi) A customer has filed a suit in High Court against the Holding company and others for warranty claim of Rs. 1.042 million. The case has been decided in customer's favor and the Holding company has appealed against the subject order.

## 22.2 Commitments

Bank guarantees  
Letters of credit

	2010	2009
	(Rupees in '000')	
Bank guarantees	479,756	93,359
Letters of credit	279,391	214,536



23. NET SALES	Note	2010 (Rupees in '000')	2009
<b>Manufactured goods</b>			
Gross sales			
Local		2,057,866	1,314,039
Export		22,153	-
		<u>2,080,019</u>	<u>1,314,039</u>
Less: Sales tax		15,610	11,906
		<u>2,064,409</u>	<u>1,302,133</u>
<b>Trading stock</b>			
Sales		23,872	13,549
Less: Sales tax		1,761	1,874
		<u>22,111</u>	<u>11,675</u>
		<u>2,086,520</u>	<u>1,313,808</u>
<b>24. COST OF SALES</b>			
<b>Manufactured goods</b>			
Stock at beginning of year		65,822	57,931
Cost of goods manufactured	24.1	1,786,812	1,176,808
		<u>1,852,634</u>	<u>1,234,739</u>
Stock at end of year		(79,930)	(65,822)
		<u>1,772,704</u>	<u>1,168,917</u>
<b>Trading stock</b>			
Stock at beginning of year		37,248	35,362
Purchases		11,512	17,475
		<u>48,760</u>	<u>52,837</u>
Stock at end of year		(31,736)	(37,248)
		<u>17,024</u>	<u>15,589</u>
		<u>1,789,728</u>	<u>1,184,506</u>
<b>24.1 COST OF GOODS MANUFACTURED</b>			
Raw material and components consumed	24.2	1,733,298	1,081,976
Stores and spares consumed		280	1,461
Salaries, wages and other benefits	24.3	35,939	30,194
Fuel and power		6,871	5,297
Rent, rates and taxes		462	502
Insurance		4,680	5,433
Research & development		623	93
Repairs and maintenance		4,107	3,645
Traveling & entertainment		1,059	490
Out side assembly charges		37,074	42,965
Depreciation	3.2	6,672	6,455
Other expenses		2,318	3,257
		<u>1,833,383</u>	<u>1,181,768</u>
Work-in-process (opening less closing)		(46,571)	(4,960)
		<u>1,786,812</u>	<u>1,176,808</u>
<b>24.2 RAW MATERIAL &amp; COMPONENTS CONSUMED</b>			
Stock at beginning of year		265,821	374,759
Purchases including duties, taxes and other charges		2,016,009	973,038
		<u>2,281,830</u>	<u>1,347,797</u>
Stock at end of year		(548,532)	(265,821)
		<u>1,733,298</u>	<u>1,081,976</u>
<b>24.3 The following amounts have been charged to cost of sales during the year in respect of gratuity:</b>			
Current service cost		1,309	693
Interest costs		141	69
		<u>1,450</u>	<u>762</u>



	Note	2010 (Rupees in '000')	2009
<b>25. DISTRIBUTION COST</b>			
Salaries, wages and benefits	25.1	16,201	14,004
Commission		32,161	20,118
Rent, rates and taxes		1,720	647
Insurance		1,358	1,226
Repairs and maintenance		35	202
Utilities		131	158
Travelling and entertainment		3,513	2,863
Communication and stationery		722	781
After sale services and warranty		4,729	489
Advertisement		363	831
Legal and professional charges		9	139
Subscriptions		33	26
Late delivery charges		-	1,388
Depreciation	3.2	5,856	2,495
Freight forwarding		3,152	2,352
Other expenses		1,486	877
		<u>71,469</u>	<u>48,596</u>

25.1 The following amounts have been charged to distribution during the year in respect of gratuity:

Current service cost	1,077	314
Interest costs	116	-
	<u>1,193</u>	<u>314</u>

**26. ADMINISTRATIVE EXPENSES**

Salaries, wages and benefits	26.1	17,931	14,158
Rent, rates and taxes	26.2	1,787	1,039
Insurance		1,476	1,132
Repairs and maintenance		880	498
Utilities		220	10
Travelling and entertainment		6,547	4,576
Communication and stationery		2,380	2,291
Advertisement		178	457
Legal and professional charges	26.3	1,257	1,442
Subscriptions		545	583
Depreciation on property plant and equipment	3.2	5,465	6,369
Amortisation	4	8	-
Depreciation on investment properties	5.1	259	259
Security Expenses		1,697	1,503
Other expenses		1,299	65
		<u>41,929</u>	<u>34,382</u>

26.1 The following amounts have been charged to administration expenses during the year in respect of gratuity:

Current service cost	1,681	650
Interest costs	182	65
	<u>1,863</u>	<u>715</u>

26.2 This includes rent paid to Rehman Cotton Mills Limited (associated Company) amounting to Rs. 0.3 million (2009: Rs. 0.210 million).

26.3 This includes retainership fee amounting to Rs. 0.12 million (2009: Rs.0.12 million) paid to Hasan & Hasan. Dr. Parvez Hasan, Director of the Holding company, is partner of the firm.



	Note	2010 (Rupees in '000')	2009
<b>27. OTHER OPERATING EXPENSES</b>			
Auditor's remuneration		504	254
Audit fee		10	10
Out of pocket expenses		514	264
Workers' Profits Participation Fund	19.2	6,331	-
Workers' Welfare Fund	19.3	2,359	-
Donation	27.1	1,879	813
Loss on sale of fixed assets		-	167
Exchange loss		-	116,825
		<u>11,083</u>	<u>118,069</u>

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

## 28. OTHER OPERATING INCOME

### From financial assets

Profit on bank deposits		616	142
Exchange gain		224	-

### From non financial assets

Scrap sales		900	35
Amortisation of gain on sale and lease back of fixed asset	18.2	938	462
Others		462	56
Royalty waived by Technology Supplier		-	13,981
		<u>3,140</u>	<u>14,676</u>

## 29. FINANCE COST

### Mark-up / interest on:

Finance lease		3,860	996
Finance against imported merchandise		4,725	27,664
Running finance		44,189	52,388
Interest on workers' profits participation fund		106	261
Bank charges and commission		4,577	1,987
		<u>57,457</u>	<u>83,296</u>

## 30. TAXATION

Current		10,560	28
Deferred		(28,172)	(2,942)
		<u>(17,612)</u>	<u>(2,914)</u>

30.1 The provision for taxation for the year ended June 30, 2010 has been made on the basis of the minimum tax @ 0.5% of turnover in these consolidated financial statements in accordance with section 113 of the Income Tax Ordinance, 2001, therefore, a numeric tax reconciliation has not been included in these financial statement.

## 31. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

	Note	2010 (Rupees in '000')	2009
Profit / (loss) after taxation for the year		<u>135,606</u>	<u>(137,451)</u>
Weighted average number of ordinary shares outstanding during the year	14	<u>21,304</u>	<u>21,304</u>
Earnings / (loss) per share - basic and diluted		<u>6.37</u>	<u>(6.45)</u>





32. CASH GENERATED FROM OPERATIONS	Note	2010 (Rupees in '000')	2009
Profit / (loss) before taxation		117,994	(140,365)
Adjustment for non cash charges and other items:			
Depreciation / amortisation on ;			
Fixed assets	3.1	17,993	15,319
Intangibles	4	8	-
Investment properties	5	259	259
Gain on disposal of fixed assets	3.5	-	167
Amortisation of gain on sale and lease back of fixed asset	28	(938)	(462)
Interest expense	29	57,457	83,296
Interest income	28	(616)	(142)
Provision for gratuity	18.3	4,506	2,023
		<u>196,663</u>	<u>(39,905)</u>
Working capital changes	32.1	199,552	(91,632)
		<u>396,215</u>	<u>(131,537)</u>
<b>32.1 Working capital changes</b>			
(Increase) / decrease in current assets			
Stores & spare parts		(5,857)	6
Stock-in-trade		(337,876)	94,200
Trade debts		18,432	(46,300)
Loans and advances		(5,743)	(3,483)
Trade deposits and prepayments		13,984	88,055
Sales tax refundable / adjustable		(1,753)	(37,450)
		<u>(318,813)</u>	<u>95,028</u>
Increase / (Decrease) in current liabilities			
Trade and other payable		518,365	(186,660)
		<u>199,552</u>	<u>(91,632)</u>
<b>33. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	13	149,708	21,510
Short-term borrowings - running finances		(144,317)	(327,552)
		<u>5,391</u>	<u>(306,042)</u>





### 34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### Financial assets and liabilities

	Interest / Mark-up bearing			Non interest / Mark-up bearing			Total
	Maturity up to one Year	Maturity after one Year	Sub-total	Maturity up to one Year	Maturity after one Year	Sub-total	
-----Rupees in '000-----							
<b>ON BALANCE SHEET</b>							
<b>FINANCIAL INSTRUMENTS</b>							
<b>Financial assets</b>							
<b>Loans and receivable</b>							
Loans and advances	-	-	-	21,626	640	22,266	22,266
Deposits	-	-	-	47,655	-	47,655	47,655
Trade debts	-	-	-	84,771	-	84,771	84,771
Other receivable	-	-	-	2,838	-	2,838	2,838
Cash and bank balances	507	-	507	149,201	-	149,201	149,708
<b>June 30,2010</b>	<b>507</b>	<b>-</b>	<b>507</b>	<b>306,091</b>	<b>640</b>	<b>306,731</b>	<b>307,238</b>
<b>June 30,2009</b>	<b>663</b>	<b>-</b>	<b>663</b>	<b>205,378</b>	<b>262</b>	<b>205,640</b>	<b>206,303</b>
<b>Financial liabilities</b>							
<b>At amortised cost</b>							
Trade and other payables	-	-	-	869,361	-	869,361	869,361
Liabilities against asset subject to finance lease	8,558	26,757	35,315	-	-	-	35,315
Short-term borrowings	144,317	-	144,317	-	-	-	144,317
Accrued mark-up	-	-	-	10,120	-	10,120	10,120
<b>June 30,2010</b>	<b>152,875</b>	<b>26,757</b>	<b>179,632</b>	<b>879,481</b>	<b>-</b>	<b>879,481</b>	<b>1,059,113</b>
<b>June 30,2009</b>	<b>333,656</b>	<b>2,452</b>	<b>336,108</b>	<b>413,887</b>	<b>-</b>	<b>413,887</b>	<b>749,995</b>
<b>On balance sheet gap</b>							
<b>June 30,2010</b>	<b>(152,368)</b>	<b>(26,757)</b>	<b>(179,125)</b>	<b>(573,390)</b>	<b>640</b>	<b>(572,750)</b>	<b>(751,875)</b>
<b>June 30,2009</b>	<b>(332,993)</b>	<b>(2,452)</b>	<b>(335,445)</b>	<b>(208,509)</b>	<b>262</b>	<b>(208,247)</b>	<b>(543,692)</b>
<b>OFF BALANCE SHEET</b>							
<b>FINANCIAL INSTRUMENTS</b>							
Letters of credit	-	-	-	279,391	-	279,391	279,391
Letters of guarantee	-	-	-	479,756	-	479,756	479,756
<b>June 30,2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>759,147</b>	<b>-</b>	<b>759,147</b>	<b>759,147</b>
<b>June 30,2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>307,895</b>	<b>-</b>	<b>307,895</b>	<b>307,895</b>

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



### 34.1 Interest / Mark-up rate risk

The Group companies' interest rate / mark-up risk arises from borrowings as the Group companies have no significant interest bearing assets. Borrowings at variable rates exposes the Group companies to cash flow interest rate risk.

Interest / mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. As at June 30, 2010 the Group companies' interest bearing financial liabilities of Rs. 152 million represent the short term borrowings at floating rate to manage the working capital requirements of the Group companies and obligation under asset subject to finance lease. These liabilities are reprised at a maximum period of six months. Hence the management believes that the Group companies are not materially exposed to interest rate changes. The effective mark-up rates for financial assets and liabilities are mentioned in respective notes to the consolidated financial statements.

For the above mentioned interest bearing financial liabilities, had the interest rates varied by 200 basis points with all the other variables held constant, loss / profit before tax for the year would have been approximately higher / lower by Rs. 6.87 million (2009: higher / lower by Rs. 10.55 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 200 basis points movement in the interest rates has been used as historically (five years) floating interest rates have moved by an average of 200 basis per annum.

### 34.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised if counterparts failed to perform as contracted. The financial assets exposed to credit risk amounts to Rs. 308 million (2009:Rs. 206 million).

The bank balances represents low credit risk as they are placed with scheduled commercial banks.

The Group companies attempt to control credit risk by monitoring credit exposure, limiting transaction with specific counterparties and continually assessing the creditworthiness of counterparties.

### 34.3 Liquidity risk

Liquidity risk reflects the Group companies' inability in raising funds to meet its commitments. The Group companies manage liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements.

### 34.4 Foreign exchange risk management.

Foreign currency risk arises mainly when receivables and payables exist due to transaction with foreign undertakings. As at June 30, 2010 payable exposed to foreign currency risk is of Rs. Nil (2009 Rs. Nil).

As at June 30, 2010 if the Pakistani Rupee had weakened / strengthened by 16% against Japanese Yen with all other variables held constant, loss / profit before tax for the year would have been higher / lower by Rs. 113 million (2009: Rs. 134 million), mainly as a result of increased cost of imported raw material and parts.

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the Group companies as at the balance sheet date. The volatility percentage for movement in foreign exchange rates has been used due to the fact that historically (5 years) rate has moved on average basis by the mentioned percentage per annum.

### 34.5 Fair values of the financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the consolidated financial statement approximate their fair values.



### 35 CAPITAL RISK MANAGEMENT

The objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

During the year, the Holding company's strategy was to lower the degree of leverage as to reduce the risk. The gearing ratio as at June 30, 2010 is as follows:

	2010	2009
	(Rupees in '000')	
Liabilities against asset subject to finance lease	35,315	8,556
Short term borrowings	154,437	344,666
Cash and bank	(149,708)	(21,530)
Net debt	40,044	331,692
Total Equity	223,125	84,182
Total Capital	263,169	415,874
Gearing ratio	15%	80%

The capital structure of the Holding company is equity based with no financing through long term borrowings except for liabilities against asset subject to finance lease however Holding company avails short-term borrowings for working capital purposes only.

Taken as a whole, risk arising from the Holding company's financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

### 36. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Holding company comprise the subsidiary company, associated companies, technological suppliers, directors and executives. The Holding company in the normal course of business carries out transactions at arm's length with various related parties. Amounts due from and to related parties, amounts due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below:

Name of Related Party and nature of relationship	Nature of transaction	2010	2009
		(Rupees in '000')	
<b>(a) Associated companies</b>			
General Tyre & Rubber Company of Pakistan Limited (Common Directorship)	Purchase of Tyres	27,462	42,062
	Sale of Vehicle	1,750	-
Gandhara Nissan Limited (Common Directorship)	Assembly charges	43,999	49,839
	Purchase of Parts	9,057	-
	Sales - Fabrication	8,711	8,828
Universal Insurance Limited (Common Directorship)	Insurance Premium	12,675	9,564
	Insurance Claim	524	333
Rehman Cotton Mills Limited	Rent paid	300	210
Hasan & Hasan Advocates	Retainership fee	120	120
<b>(b) Technology suppliers</b>			
Isuzu Motors Limited	CKD purchased	9,685	-
Japan	CBU purchased	752,789	-
	Parts Purchased	14,802	19,039



	2010	2009
	(Rupees in '000')	
<b>37. REMUNERATION OF THE DIRECTORS AND EXECUTIVES</b>		
Managerial remuneration and allowances	20,001	16,074
Gratuity	2,307	1,200
Others	276	292
	22,584	17,858
Number of persons	20	18

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

**37.2** The amount charged in these consolidated financial statements in addition to those that are shown above is Rs. 0.25 million (2009: Nil) in relation to meeting fees of five directors.

**38. OPERATING SEGMENT**

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

The Group companies does not hold non-current assets in any foreign country. Revenue from external customers attributed to foreign countries in aggregate are not material.

The Holding company has earned revenues from one customer amounting Rs. 1,057 million (2009: Rs. 630 million) during the year which constituted 50.69 % (2009: 47.96%).

**39. PRODUCTION CAPACITY**

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

The Holding company have outsourced the assembly of trucks and buses to Ghandhara Nissan Limited (Associated Undertaking) therefore figures for the actual production for the current year has not been given.

**40. CORRESPONDING FIGURES**

The following prior period figure has been reclassified for the purpose of better presentation and comparison. Material changes made during the year is as follows:

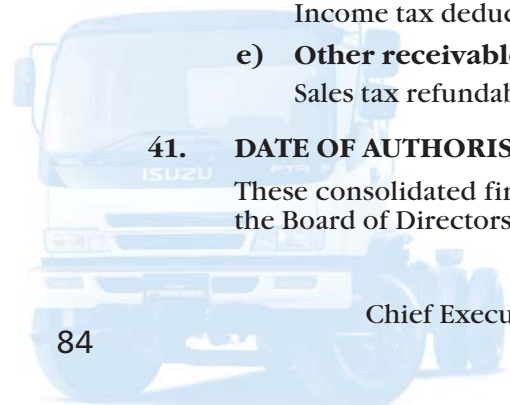
Reclassification from component	Reclassification to component	Amount Rupees'000
<b>a) Administrative expenses</b>	<b>Other operating expenses</b>	
Donations	Donations	813
Auditor's remuneration	Auditor's remuneration	264
<b>b) Trade and other payables</b>	<b>Trade and other payables</b>	
Other dealers' credit balances	Advances from customers	1,085
<b>c) Trade and other payables</b>	<b>Trade and other payables</b>	
Others	Unclaimed dividends	53
<b>d) Loans and advances</b>	<b>Taxation-payments less provision</b>	52,594
Income tax deducted / paid in advance		
<b>e) Other receivables</b>	<b>Sales tax refundable / adjustable</b>	175,195
Sales tax refundable / adjustable		

**41. DATE OF AUTHORISATION FOR ISSUE**

These consolidated financial statements were authorised for issue on September 23, 2010 by the Board of Directors of the Holding company.

Chief Executive

Director





## PROXY FORM

The Company Secretary,  
Gandhara Industries Limited,  
F-3, Hub Chauki Road, S.I.T.E,  
Karachi-75730

I / We \_\_\_\_\_ of \_\_\_\_\_ being a member(s) of Gandhara Industries Limited and holder of \_\_\_\_\_ Ordinary Shares as per Registered Folio No. \_\_\_\_\_ and / or CDC Participant's I.D No. \_\_\_\_\_ and Account / Sub-Account No. \_\_\_\_\_ hereby appoint Mr./Ms. \_\_\_\_\_ of \_\_\_\_\_ or failing him / her Mr./Ms. \_\_\_\_\_ of \_\_\_\_\_ as my / our Proxy to vote for me / us and on my / our behalf at the 47th Annual General Meeting of the Company to be held at F-3, Gandhara Industries Limited, S.I.T.E., Karachi on Tuesday October 19, 2010 at 11:00 A.M. and any adjournment thereof.

Signature of Shareholder \_\_\_\_\_

Name of Shareholder \_\_\_\_\_

Folio No. / CDC No. \_\_\_\_\_

Signature on  
Revenue Stamp  
of Rs. 5/-

### WITNESSES:

Signature \_\_\_\_\_ Signature \_\_\_\_\_

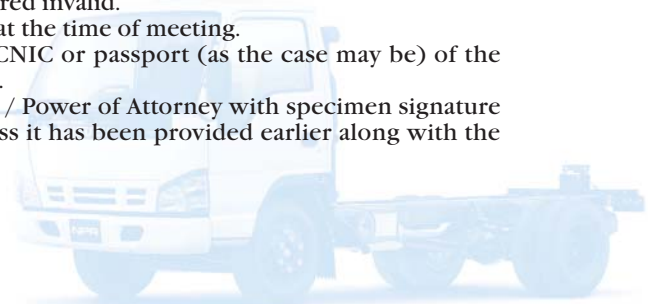
Name \_\_\_\_\_ Name \_\_\_\_\_

CNIC / Passport No. \_\_\_\_\_ CNIC / Passport No. \_\_\_\_\_

Address : \_\_\_\_\_ Address : \_\_\_\_\_

### Notes:

1. This Proxy Form, duly completed, signed and witnessed, must be deposited at the registered office of the Company not later than forty eight (48) hours before the time appointed for the meeting.
2. If a Member appoints more than one proxy and more than one instruments of proxy are deposited by a Member with the Company, all such instruments or proxy shall be rendered invalid.
3. The Proxy shall produce his original CNIC or original passport at the time of meeting.
4. In case of individual CDC Account holders, attested copy of CNIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy Form.
5. In case of a corporate entity, the Board of Directors Resolution / Power of Attorney with specimen signature of the nominee shall be provided at the time of meeting (unless it has been provided earlier along with the proxy form).





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