

## **GHANDARA NISSAN LIMITED ANNUAL REPORT 2003**

### **Company Profile**

Board Of Directors

Mr. Raza Kuli Khan Khattak

Chairman

Lt. Gen. (Retd) All Kuli Khan Khattak

Chief Executive

Mr. Ahmed Kuli Khan Khattak

Mr. Jamil A. Shah

Mr. Mushtaq Ahmed Khan (FCA)

Ch. Sher Mohammad

Brig. (Retd) Tariq Khalil

Mr. Muhammad Zia

Nominee of NIT

Mr. Anis Wahab Zubari

Nominee of Creditors

Mr. Tasnimul Haq Farooqui

Company Secretary

Mr. Mohammad Saleem Baig

Registered Office

Gandhara House

109/2, Clifton Karachi.

Banker of The Company

Allied Bank of Pakistan Limited

The Hong Kong & Shanghai Banking Corp.

United Bank Limited

American Express Bank Limited

The Muslim Commercial Bank Limited

The Bank of Tokyo - Mistubishi Limited

Askari Commercial Bank

Bank Al-Falah

National Bank of Pakistan

Union Bank Limited

Legal & Tax Advisor

Shaukat Law Associates

217-218, Central Hotel Annexe

Abdullah Haroon Road, Karachi

Auditors

M/s. Hameed Chaudhri & Co.

M/s. Muniff Ziauddin & Co.

Chartered Accountants

Chartered Accountants

5th Floor, Karachi Chambers

5, Victoria Chambers

Hasrat Mohani Road

Abdullah Haroon Road,

Karachi

Karachi

Share Registrar

T.H.K. Associates (Pvt) Ltd.

Ground Floor, Sheikh Sultan

Trust Building No. 2,

Beaumont Road, Karachi.

The number of Board of Directors' Meetings held During  
the year and Attendance of each Director

During the year four Board meetings were held for consideration and approval of accounts  
alongwith other matters of significant importance. Attendance were as follows:-

#### **Name**

Mr. Raza Kuli Khan Khattak

2

Lt. Gen. (Retd) AN Kuli Khan Khattak

4

Mr. Ahmed Kuli Khan Khattak

4

Mr. Jamil A. Shah

3

#### **Attendance**

Brig. (Retd) Tariq Khalil	3
Mr. Mushtaq Ahmed Khan (FCA)	4
Ch. Sher Mohammad	4
Mr. Anis Wahab Zubari	3
Mr. Muhammad Zia	3
Mr. Tasnimul Haq Farooqui	1

## Holding Company

Ghandhara Nissan Limited is a subsidiary of Bibojee Services (Pvt.) Limited.

## Key Operating & Financial data for the Last Six Years

Past six years key Operating and Financial Data is annexed.

## Pattern of Shareholding

The Pattern of Shareholding of the Company is annexed.

## Auditors

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

## Chairman's Review

I am pleased to welcome you to the 21st Annual General Meeting of shareholders of the company and to present you the Annual Report for the year ended 30th June, 2003.

### Economy

By the grace of Almighty ALLAH the condition of Pakistan's economy has improved and the production and sales of the Auto Sector rose by almost 50% and 43% respectively during the financial year ended 30th June 2003. This growth was facilitated by the increased liquidity with banks, attractive Car financing Schemes introduced by Financial Institutions, foreign remittances from overseas Pakistanis and new models introduced by the Car Assemblers.

### Revival Plan

The unusual growth in the Automobile Industry alongwith the continuing efforts and with the Grace of Almighty ALLAH the management of Ghandhara Nissan Limited has successfully re-structured the Company's debts through a settlement agreement with the existing Lease Creditors and a Bank. We are grateful to PKICL, PLHC, NDLC, ORIX, Security Leasing, First DDL Modaraba and Hongkong Shanghai Bank who have very kindly agreed to the Management's Debts Settlement proposal as a result of which their entire dues have been settled at Rs. 226.372 millions.

We are also in the final stages of arranging a long term financing arrangement with a Commercial Bank at a very competitive markup rate.

(f) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(g) 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 a change indicated in note no 5.01 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;
- (h) except for the financial effect of the matters referred to in paras (a), (b), (c), (d) and (e) above, 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 30th June 2003 and of the profit, its cash flows and changes in equity for the year then ended; and
- (i) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our report we draw attention to the fact that the accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 2 to the financial statements, although the company has earned profit in the current year but accumulated loss stood at Rs. 622.985 millions as at 30th June 2003 and the Company's total liabilities as on that date exceeded its total assets by Rs. 364.450 millions. Management's plans in regard to these matters are also described in note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Director's Report

The Directors of your Company are presenting their Report together with the Audited Accounts and Auditors' Report thereon for the year ended 30<sup>th</sup> June 2003.

	<b>2003</b>	<b>2002</b>
	<b>(Rupees in '000')</b>	
Profit / (Loss) Before Taxation	294,933	-111,748
Taxation		
Current year	-528	-400
Deferred	3,708	-
	3,108	-400
Profit / (Loss) After Taxation	298,113	-112,148
Accumulated Loss		
Brought Forward	-978,713	-866,565
Incremental Depreciation	57,615	-
	-921,098	-866,565
Accumulated Loss		
Carried Forward	-622,985	-978,713
Loss Per Share	19.87	-7.48
	<b>Note</b>	
	<b>2003</b>	<b>2002</b>
	<b>(Rupees in '000')</b>	
<b>NET SALES</b>	28	101,437
COST OF SALES	29	88,456
Cost including fixed overheads		-87,796
Unabsorbed fixed overheads		-80,146
		-131,482
		-30,045
		-79,486
<b>GROSS LOSS</b>		
OPERATING EXPENSES		
Administrative and selling expenses	30	-11,416
OPERATING LOSS		-41,461
SHARE OF PROFIT / (LOSS) OF ASSOCIATED COMPANY	31	62,311
MISCELLANEOUS INCOME	32	75
		1,039

		62,386	-276
		20,925	-92,504
OTHERS			
FINANCIAL EXPENSES	33	-116,577	-86,799
LIABILITIES WRITTEN BACK	34	390,585	67,555
		274,008	-19,244
PROFIT / (LOSS) FOR THE YEAR BEFORE TAXATION		294,933	-111,748
TAXATION			
Current	35	-528	-400
Deferred		3,708	
		3,180	-400
PROFIT / (LOSS) FOR THE YEAR AFTER TAXATION		298,113	-112,148
ACCUMULATED LOSS BROUGHT FORWARD		-978,713	-866,565
ADD: INCREMENTAL DEPRECIATION ON REVALUED FIXED ASSETS		57,615	
		-921,098	-866,565
ACCUMULATED LOSS CARRIED FORWARD TO BALANCE SHEET		-622,985	-978,713
BASIC EARNING / (LOSS) PER SHARE	36	19.87	-7.48

	Share Capital	Share Premium Rupees in thousand	Accumulated Loss	Total
YEAR ENDED 30 <sup>TH</sup> JUNE 2002				
Balance as at 1st July 2001	150,000	40,000	-866,565	-676,565
Loss for the year	-	-	-112,148	-112,148
Balance as at 30th June 2002	150,000	40,000	-978,713	-788,713
YEAR ENDED 30TH JUNE 2003				
Balance as at 1st July 2002	150,000	40,000	-978,713	-788,713
Transferred from surplus on revaluation of Fixed Assets on account of incremental depreciation charged in prior year	-	-	50,730	50,730
	1 50,000	40,000	-927,983	-737,983
Profit for the year	-	-	298,113	298,113
Transferred from surplus on revaluation of Fixed Assets on account of incremental depreciation for the year	-	-	6,885	6,885
Balance as at 30th June 2003	150,000	40,000	-622,985	-432,985

#### AUDITORS' REPORT TO MEMBERS

We have audited the annexed balance sheet of GHANDHARA NISSAN LIMITED as at 30th June 2003 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 purpose 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 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) as explained in note 17 to the financial statements, the subordinated loan of Rs. 150 millions from the contracting company remained unconfirmed at the year end;

(b) as more fully explained in note 18, 19 and 34 to the financial statement the management has finalized a settlement agreement with lease creditors and a Commercial Bank on 17th October 2003. Under the agreement sponsors have paid Rs. 226.372 millions to the creditors in settlement of dues amounting to Rs., 616.957 millions. Consequent upon this settlement remission of principal liability and waiver of interest amounting to Rs. 390.585 millions has been accounted for in the accounts for the year ended 30th June 2003, although concluded in the period subsequent to the balance sheet date.

(c) as explained in note 18 and 19 to the financial statements. The settlement agreement has been complied with however, we have not received direct confirmations from leasing companies / financial institutions in respect of their outstanding balances at the year end. However, the management has provided us with nil balance confirmation certificates dated 1st December 2003.

(d) as explained in note 23 to the financial statements, Allied Bank of Pakistan Limited has not confirmed their outstanding balances due from the company in respect of running finance and mark-up accrued thereon;

(e) as explained in note 45 to the financial statement the management has not provided workers profit participation fund and workers welfare fund on the waiver of interest and principal in these accounts.

### **3. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities & Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take the precedence.

### **4. BASIS OF PREPARATION**

The financial statements are presented in Rupees, rounded to nearest thousand. The financial statements have been prepared on historical cost basis except for revaluation of certain fixed assets. The principal accounting policies adopted are set out below:

### **5. SIGNIFICANT ACCOUNTING POLICIES**

5.01 Change in accounting policy on adoption of IAS 12 Income Taxes (Revised 2000)

During the year the company adopted International Accounting 12- Income Taxes (revised 2000) (IAS 12) which has become effective for all periods beginning on or after 1 January, 2002 as notified by the Institute of Chartered Accountants of Pakistan. Accordingly deferred tax is now recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and unused tax losses. Previously the company did not account for deferred tax assets as a matter of prudence and deferred tax liabilities if these were not likely to reverse in the foreseeable future. In accordance the allowed alternative treatment prescribed in IAS 8 " Net Profit and Loss for the period, Fundamental Errors and Changes in the Accounting Policies.; the above change in police has been applied prospectively and the comparative information has not been restated. Had the accounting policy not been changed the profit after taxation for the year would have been lower by Rs. 3.708 millions.

5.02 Employee Benefits

Defined Benefit Plan

The Company operates an unfunded gratuity scheme for all employees who have completed their minimum qualifying period of service with the company. Under the scheme gratuity is payable on the basis of last drawn basic salary. The depreciation method and useful lives of item of fixed assets are reviewed periodically and altered if circumstances or expectation have changed significantly. Any change is accounted for as change in accounting estimate by changing the depreciation charge for the current and future periods. The estimate for depreciation on fixed assets has been changed from the straight line to reducing balance method. The management feel that the reducing balance method is more appropriate in view of remaining useful life of fixed assets and their utility. Had there been no change in the accounting estimate, the profit for the year after taxation would have been lower by Rs. 20.405 millions. and accumulated loss would have been higher by Rs. 20.405 millions. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Normal repairs and maintenance are charged to expenses as and when incurred. Major renewals and replacements are capitalized.

#### Leased

Assets held under finance leases are recognized as assets of the Company at the lower of present value of minimum lease payments and fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Depreciation is charged to income applying the reducing balance method at the rates indicated in note 6.

#### 5.05 Investments

Investment in associated companies

As per IAS 28, Investment in Associates, associated companies are those enterprises in which the Company has significant influence, but not control, over the financial and operating policies.

Investment in associated companies is recorded applying the equity method of accounting in accordance with requirements of IAS 28.

#### 5.06 Stores, spares and tools

Stores, spares and tools are stated at the lower of cost and net realisable value.

The cost of inventory is based on weighted average cost. Item in transit are stated at cost accumulated to balance sheet date.

### **BALANCE SHEET AS AT 30<sup>TH</sup> JUNE 2003**

#### **ASSETS**

##### NON CURRENT ASSETS

	Note	2003 (Rupees in '000')	2002
Operating Fixed Assets	6	387,491	435,521
Long Term Investment	7	68,520	43,718
Long Term Deposits	8	594	2,904
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	9	24,574	24,733
Stock-in-trade	10	47,465	78,027
Trade debtors	11	995	5,877
Advances, deposits, prepayments and other receivables	12	15,191	17,955
Bank balances	13	2,295	4,724
		90,520	131,316

		547,125	613,459
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	14	150,000	150,000
Reserves	15	40,000	40,000
Accumulated loss		-622,985	-978,713
Shareholders' Equity		-432,985	-788,713
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	16	68,535	200,731
<b>NON CURRENT LIABILITIES</b>			
Subordinate Loans	17	254,389	203,578
Long Term Loan	18-		73,259
Obligation under Finance Lease	19-		220,087
Engineering and Technical fee payable	20-		51,673
Long Term Deposits	21	15,611	20,111
Deferred Liability	22	44,131	9,255
<b>CURRENT LIABILITIES</b>			
Finance under markup arrangements	23	101,653	146,041
Engineering and Technical fee payable	20	49,385-	
Current maturity of long term liabilities	24	192,257	79,415
Creditors, accrued expenses, provisions and other liabilities	25	251,515	395,916
Provision for taxation	26	2,634	2,106
		597,444	623,478
<b>CONTINGENT LIABILITIES &amp; COMMITMENTS</b>	27		
		547,125	613,459

The annexed notes form an integral part of these accounts.

#### Provision

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

#### 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.

#### Financial Instruments

##### Financial assets

The Company's principal financial assets are cash & bank balances, trade debtors, advances, deposits and other receivables.

##### Trade debtors

Trade debtors are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, if any.

##### Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include subordinate loan, long term loans, finance lease obligations, engineering and technical fee, short term financing, creditors & other liabilities and proposed dividend.

#### Share Capital

Ordinary shares are classified as equity. Dividend on ordinary shares are recognised in equity in the period to which they are related.

#### Cash and cash equivalents

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

#### Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds

received, net of direct issue costs, if any. Finance charges are accounted for on an accrual basis and are added to carrying amount of the instrument to the extent that are not settled in the periods in which they arise.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2003

	Note	2003 (Rupees in '000')	2002
Net cash from Operating Activities	37	24,944	57,606
<b>INVESTING ACTIVITIES</b>			
Fixed capital expenditure		-95	-57
Sale proceeds of fixed assets		-	300
Net cash (used in) / from Investing Activities		-95	243
Net cash before Financing Activities		24,849	57,849
<b>FINANCING ACTIVITIES</b>			
Lease finances paid		-3,606	-1,376
(Decrease) / Increase in finance under mark-up arrangement		-26,019	-50,433
(Decrease) / Increase in Engineering fee payable		-2,288	-2,952
Payable to holding company transfer to subordinated Loans		2,325	-
Long term deposits received		2,310	-
Net Cash (used-in) Financing Activities		-27,278	-54,761
(Decrease) / Increase in cash & cash equivalents	38	-2,429	3,088

	Note	2003 (Rupees in thousands)	2002
Depreciation for the year has been apportioned as follows:			
Productions Expenses	29.01	47,839	70,288
Administrative and Selling Expenses	30	286	865
		48,125	71,153

## 7 LONG TERM INVESTMENTS

Associated company - Listed

Ghandhara Nissan Diesel Limited

2,827,730 Ordinary Shares of Rs. 107- each

Equity held 22.75% (2002: 22.75%)

Market value Rs. 9 40)

Cost		15,738	15,738
Share of post acquisition Profits / (Losses)		54,695	-7,616
Share of surplus on revaluation of fixed assets		6,571	44,080
Dividend received		-8,484	-8,484
		68,520	43,718

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2003

### 1. CORPORATE INFORMATION

Ghandhara Nissan Limited (the Company) was incorporated on 8th August 1981 in Pakistan as a Private Limited Company and subsequently converted into a Public Limited Company on 24th May 1992. The registered office of the Company is situated at Ghandhara House, 109/2 Clifton, Karachi. Its manufacturing facilities are located at Port Qasim, Karachi. The Company's shares are listed on Karachi Stock Exchange. The principal activity of the Company is assembly/progressive manufacture of Nissan passenger cars, import and marketing of Nissan vehicles and marketing of Nissan Diesel Trucks assembled in Pakistan by Ghandhara Nissan Diesel Limited, an associated company and assembly of other vehicles under contract agreement. The company employed 72 (2002:88) persons as at 30th June 2003.

### 2. FUNDAMENTAL ACCOUNTING ASSUMPTIONS



The company has earned profit after tax amounting to Rs. 298.1 13 millions during the year ended 30th June 2003 and current liabilities as at that date exceed its current assets by Rs. 506.924 millions and the total accumulated loss as on that date amounted to Rs. 622.985 millions. The losses are mainly due to the under utilization of plant capacity. The plant has not been fully utilized due to change of model and lack of working capital.

However, these financial statements have been prepared under going concern assumption due to the following:

- (a) Subsequent to the balance sheet date, management has finalized a settlement agreement with lease creditors and a commercial Bank on 17th October, 2003 Under the agreement sponsors have paid Rs. 226.372 millions to the creditors in settlement of dues amounting to Rs. 616.957 millions. The sponsors have also paid Rs. 61.714 millions to Nissan Motor Co. Japan on account of outstanding Engineering fee, Technical fee and Royalty. The company is in the process of finalizing long term financing arrangements with a commercial bank. Further, Company has also planned to launch Nissan Sunny new models by 3rd quarter 2004.
- (b) The company continues to produce cars. 49 vehicles were produced in the year under review as against 89 vehicles in the preceding year
- (c) The company has continue to produce Land Rover 4x4 vehicles under contract assembly agreement with Sigma Motors. Sigma Motors is the licensee of Land Rover U.K. During the year the Company has produced 485 Land Rover Vehicles.

	Note	2003 (Rupees in thousands)	2002
<b>STOCK-IN-TRADE</b>			
Raw materials & components (average cost)			
Local parts	29.02	629	2,800
Work in Process		14,770	55,571
Finished Goods			
Vehicles	10.01	3,894	11,432
Trucks	10.02	19,950-	
Spare parts	10.03	8,222	8,224
		32,066	19,656
		47,465	78,027
<b>TRADE DEBTORS</b>			
Unsecured - Considered Good	11.01.		151
Due from Bibojee Services (Private) Limited	11.02	995	5,726
Others		995	5,877

The maximum amount due from Bibojee Service (Private) Limited at end of any month was Rs. Ni thousand (2002: Rs. 151 thousand)

Trade debtors comprise amounts receivable from the sale of goods. The directors consider that the carrying amount of trade debts approximates their fair value.

These are stated at net realisable value. The cost of these vehicles was 4,464 thousands (2002: 13,007 thousands).

These are held with Director of procurement. Ministry of defence, Government of Pakistan, for sale subsequent to year end.

These are stored at Gandhara Industries limited - an associated company.

The stock-in-trade is under pledge/joint hypothecation with banks against 'short term running finance' and 'payment against documents/finance against imported merchandise' facilities.

**Employee Compensated Absences**

The company makes provision for absences accumulated by its employees in accordance with the International Accounting Standard 19 'Employee benefits' (Revised 2002).

**Taxation****Current**

The charge for the current tax is based on the results for the year as adjusted for items which are non assessable or disallowed. It is calculated using applicable tax rate after taking into account available tax credits, if any, or one half percent of turnover, whichever is higher.

**Deferred**

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 for financial statements reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are recognised 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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

**Operating fixed assets and depreciation****Owned**

Fixed assets are stated at cost less accumulated depreciation except for land, factory building, plant and machinery which are 'Stated at revalued amounts less accumulated depreciation. On disposal, cost of assets and the depreciation is adjusted from both the accounts and the resultant gain or loss is dealt with through profit and loss account. The portion relating to revaluation on disposal is transferred to profit and loss account from surplus on revaluation of fixed assets account. The last revaluation was carried out on 30th June, 1999.

Depreciation on assets other than freehold land is charged to income applying the reducing balance method at the rates indicated in note 6 from the date assets are put in use upto the date assets are in use.

	<b>Note</b>	<b>2003</b>	<b>2002</b>
		<b>Rupees in thousands</b>	
The Company has one class of ordinary shares which carry no right to fixed income. There was no movement in the share capital of the Company during the year. The Company is subsidiary of Bibojee Service (Private) Limited (BSL). BSL holds 9,574,265 ordinary shares representing 63.83% of the total capital of the Company (2002: 8,018,715 ordinary shares representing 53.45%)			
<b>RESERVES</b>			
Share Premium			
Balance at beginning and end of year		40,000	40,000
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
Surplus on revaluation of land, factory building, and plant and machinery	16.01	61,964	156,651
Share of surplus on revaluation of Ghandhara Nissan Diesel Limited's fixed assets		6,571	44,080
		68,535	200,731
Surplus on revaluation of fixed assets			
Balance as at 1st July, 2002		156,651	156,651
Less: Transferred to unappropriated Profit/loss on account of incremental depreciation charged in previous years		50,730-	
		105,921	156,651

Related deferred tax	37,072-	
Less: Transferred to unappropriated Profit/loss on account of incremental depreciation for the year net of deferred tax	6,885-	
Balance as at 30th June, 2003	61,964	156,651

<b>Note</b>	<b>2003</b>	<b>2002</b>
	<b>Rupees in thousands</b>	

(b) The term loan carries markup at the rate of 1.4 per cent and was repayable in 28 quarterly installments commencing from April / September, 1997. This loan is secured by hypothecation of plant and machinery and pledge of shares of Ghandhara Industries Limited and Ghandhara Nissan Diesel Limited (associated companies).

(c) Under the agreement dated 17th October, 2003 with PKIC & PLHC the company has negotiated to settle the outstanding dues of LMM amounting to Rs. 91.687 millions at Rs. 46.462 millions. The settlement amount as on the balance sheet date has accordingly been transferred to current liabilities.

(e) Also refer to note 19.02

### 19. OBLIGATIONS UNDER FINANCE LEASE

Balance at beginning of year		285,480	286,856
Less: Repaid, during the year		3,606	1,376
	19.01	281,874	285,480
Less: Waiver		135,279	-
		146,595	285,480
Less: Due within the following twelve months		145,795	60,987
Less: Overdue lease finance payable		800	4,406
	10.01	146,595	65,393
Balance at end of the year		-	220,087

<b>Note</b>	<b>2003</b>	<b>2002</b>
	<b>(Rupees in '000)</b>	

Ghandhara Industries Limited			
1,291,271 Ordinary Shares of Rs. 10/-each	7.01		
Equity held 19.70%			
Market value Rs. 14,849,617(2002: Rs. 1,420,398)			
Cost		53,897	53,897
Share of post acquisition losses		-53,897	-53,897
		68,520	43,718

### LONG TERM DEPOSITS

Deposits against lease facility		314	2,310
Tenders		200	314
Central Depository Company		80	200
Others		594	80
			2,904

### STORES, SPARES & TOOLS

Stores		24,051	24,148
Spares and loose tools		523	585
		24,574	24,733

In case of Ghandhara Industries Limited, the loss has been accounted for to the extent of company's investment. If Ghandhara Industries Limited subsequently reports profits, it will be accounted for after the Company's share of profit equals the share of net losses not recognised.

2,827,730 ordinary shares of Ghandhara Nissan Diesel Limited and 784,571 ordinary shares of Ghandhara Industries Limited are under pledge with Pak Kuwait Company (Private) Limited (PKIC).

	Note	2003	2002
		Rupees in thousands	
<b>22. DEFERRED LIABILITY</b>			
Provision for Gratuity	22.01	3,425	2,645
Provision for compensated absences		7,342	6,610
Deferred taxation	22.02	33,364	
		44,131	9,255
<b>22.01 PROVISION FOR GRATUITY</b>			
Balance at beginning of year		5,717	5,475
Add: Charge for the year		918	372
		6,635	5,847
Less: Payments during the year		77	130
Less: Transfer to accrued expenses		3,133	3,072
Balance at end of year		3,425	2,645
<b>22.02 DEFERRED TAX</b>			
Deferred tax Credit on		33,364	
Surplus on revaluation of fixed assets		-	
<b>23. FINANCE UNDER MARKUP ARRANGEMENTS</b>			
Secured			
Running finances from Banks	23.01	49,097	54,984
Payment against documents / Finance against imported merchandise	23.02	12,556	51,057
	23.03	40,000	40,000
Short term trade finance		101,653	146,041
	Note	2003	2002
		(Rupees in thousands)	
<b>ADVANCES, DEPOSITS, PREPAYMENTS &amp; OTHER RECEIVABLES</b>			
Unsecured - Considered Good			
Advances to			
Executives	12.01	245	245
Staff		161	80
Contractors and Vendors		1,741	2,963
		2,147	3,288
Tax deducted at source		6,970	7,861
Sales tax refundable		1,950	4,936
Prepayments	12.02	952	853
Commission receivable		624	624
Other receivables		2,548	393
		15,191	17,955
<b>BANK BALANCES</b>			
On current accounts with banks		2,295	3,851
Cheques in hand		-	873
		2,295	4,724
<b>SHARE CAPITAL</b>			
Authorised			
80,000,000 Ordinary Shares of Rs. 1 0 each		800,000	800,000
Issued, subscribed and paid - up			
Ordinary shares of	14.01		
14,800,000 Fully paid up in cash		148,000	148,000
200,000 Issued as fully paid bonus shares		2,000	2,000
		150,000	150,000
	Note	2003	2002

## Rupees in thousands

**PROVISION FOR TAXATION**

Balance at beginning of year	2,106	1,706
Add: Provision made for the current year	528	400
	2,634	2,106

**CONTINGENT LIABILITIES**

Guarantees		
Issued by bank / financial institution	4,225	4,225
Guarantees are issued in favour of Government agencies. These are issued under normal operations.		

**Contingencies**

The contracting company has filed a suit and claimed Rs. 346.36 millions which has not been acknowledged by the company, however the company has also filled a case for the recovery of Rs. 602 millions on account of non performance of contract.

**Post Dated Cheques**

Post dated cheques amounting to Rs. 599.651 millions (2002: 599.651 millions) on account of duty differential in favour of Collector of Customs have been issued. These cheques will be returned on submission of Consumption Certificates (compliance with deletion program)

The future minimum lease payment to which the Company is committed under the agreements are due as follows:-

	2003		2002		2003		2002	
	Minimum lease payments		Financial charges		Present value of minimum lease payment		Present value of minimum lease payment	
	Rupees in thousand							
Within 1 year	146,595	181,413-			116,020	146,595	65,393	
1 to 5 year	-	285,554-			65,467	220,087		
	146,595	466,967-			181,487	146,595	285,280	

Classified as under:

Long Term Obligation under finance lease	145,795	220,087
Current obligation under finance lease	800	60,987
Overdue lease finances payable		4,406
	146,595	285,480

**ENGINEERING AND TECHNICAL FEE PAYABLE**

Balance at beginning of year	51,673	52,869
Exchange Difference	-2,288	-1,196
	49,385	51,673
Less: Transferred to current liabilities	49,385	-
Balance at end of the year	-	51,673

**LONG TERM DEPOSITS**

Dealer deposits	15,000	19,500
Vendor	111	111
Others	500	500
	15,611	20,111

**Note**                      **2003**                      **2002**

(Rupees in '000)

**COST OF GOODS MANUFACTURED**

Work in process at beginning of year		55,571	104,868
Raw materials & vendor parts consumed	29.02	6,862	16,344
Stores and spares consumed		6,486	5,388
Salaries, wages and benefits	29.03	9,534	7,590
Transportation		975	841
Repair and maintenance		957	1,353
Depreciation	6.01	47,839	70,288
Insurance		1,209	1,555
Communication		171	235
Rent, rates and taxes		402	420
Travelling and entertainment		463	271
Power generation costs		5,408	5,047
Legal and Professional		60-	
Vehicle running		17	5
Printing, stationery and office supplies		226	106
Parts development cost		1,445	1,563
Royalty expense		162	286
Plant security		294	220
Staff terminal dues		547	384
Miscellaneous		67	76
		138,695	216,840
Work in Process at end of year	10	-14,770	-55,571
Cost allocated to contract services		-30,911	-5,304
		93,017	155,965
Raw material and vendor parts consumed			
Stock at beginning of year		2,800	9,593
Purchases		4,691	9,551
		7,491	19,144
Stock at end of year		629	2,800
		6,862	16,344

**Note**                      **2003**                      **2002**  
**Rupees in thousands**

This represent demand finance facility from the bank. This carries markup at the rate of 18 per cent per annum (2002: 18 per cent per annum). Bibojee Services (Private) Limited has provided security against this facility.

The Allied Bank of Pakistan Limited has not confirmed their outstanding balances against the company as at year end.

**CURRENT MATURITY OF LONG TERM LIABILITIES**

Long term loans	18.01	46,462	18,428
Obligations under finance lease	19	145,795	60,987
		192,257	79,415

**CREDITORS, ACCRUED EXPENSES, PROVISK AND OTHER LIABILITIES**

Creditors for goods and services		37,702	54,026
Other creditor		9,359	25,000
Royalty		6,783	6,911
Refundable - CBU Business		2,478	2,478
Advance from customers and dealers		13,632	12,527
Mark-up on short term bank finances		50,856	59,842
Mark-up on Technical, engineering fee and royalty		40,707-	
Mark-up on lease finances and long term loans	25.01-		106,445
		91,563	166,287
Commission		7,301	9,535

Gratuity payable	3,133	3,072
Custom duty	4,799	2,915
Overdue lease finance payable	800	4,406
Due to Bibojee Service (Private) Limited	-	48,486
Due to associated companies	49,269	37,987
Due to contracting company	14,514	14,514
Payable to Trustees' provident fund	1,485	1,694
Withholding tax	106	174
Retention money	2,594	2,594
Central Excise Duty	1,063	2,763
Others	4,935	547
	251,515	395,916

<b>Note</b>	<b>2003</b>	<b>2002</b>
	<b>(Rupees in thousands)</b>	

**SHARE OF PROFIT / LOSS OF ASSOCIATED COMPANIES**

Share of Profit/(loss) of Ghandhara Nissan Diesel Limited	26,422	-1,315
Share of incremental depreciation transferred to unappropriated prof it /(loss)	35,889-	
	62,311	-1,315

**MISCELLANEOUS REVENUE**

Gain on sale of fixed assets	.	300
Scrap sales	75	611
Others	-	128
	75	1,039

**FINANCIAL EXPENSES**

Markup on import bills	7,945	12,541
Markup on short term finance	16,440	22,758
Finance charges on leased assets	40,851	47,838
Markup on long term loan	11,252	12,836
Markup on Technical, Engineering fee and Royalty	40,707	-
Markup on Bank guarantee	1,883	-
Exchange (gain)/loss	-2,578	-9,302
Bank and other charges	77	128
	116,577	86,799

<b>2003</b>	<b>2002</b>
<b>(Rupees in '000)</b>	

**BASIC EARNING / (LOSSES) PER SHARE**

Net Loss after taxation for the year attributable to Ordinary Shareholders	298,113	-112,148
Weighted average number of ordinary shares outstanding at year-end	15,000	15,000
Earnings/ (Losses) per share	19.87	<u>-7.48</u>

**RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH FROM OPERATING ACTIVITIES**

Profit / (Loss) for the year before taxation	294,933	-111,748
Adjustments		
Depreciation	48,125	71,153
Markup / interest expenses and lease finance charges	117,195	95,973
Liabilities and financial charges written back	-390,585	-67,555
Profit on sale of fixed assets	-	-300
Provision for gratuity	918	372
Provision for compensated absences	732-	

Share of (profit)/ loss from associated company	-62,311	1,315
Operating profit / (Loss) before working capital changes	9,007	-10,790
(Increase) / Decrease in Current Assets		
Stores, spares and tools	159	3,432
Stock-in-trade	30,562	63,556
Trade debtors	4,882	-3,153
Advances, deposits & prepayments		
(excluding tax deducted at source)	1,873	5,697
	37,476	69,532
Increase / (Decrease) in Current Liabilities		
Creditors, provisions, accrued charges & other liabilities (excluding accrued interest/ markup)	-22,146	2,868
Working Capital changes	15,330	72,400
Gratuity Paid	-77	-130
Interest/ markup and lease finance charges paid	-207	-3,825
Income tax (paid) / refund received including deducted at source	891	-49
	607	-4,004
Cash flow from / (used-in) operating activities	24,944	57,606

<b>Note</b>	<b>2003</b>	<b>2002</b>
	<b>(Rupees in '000)</b>	

**ADMINISTRATIVE AND SELLING EXPENSES**

Salaries, wages and other benefits	30.01	4,022	4,779
Rent, rates & taxes		954	1,210
Insurance		342	317
Repairs and maintenance		406	381
Auditors' remuneration	30.02	150	150
Depreciation	6.01	286	865
Travelling and conveyance		263	262
Legal and Professional charges		1,259	428
Vehicle running		116	209
Telephone and postage		799	881
Utilities		768	755
Printing and stationery		429	496
Subscription		5	146
Security expenses	-		142
Office canteen and staff expenses		128	385
Fine and penalties	-		32
Sales, services and corporate expenses		137	169
Godown and forwarding		196	242
Provision for staff terminal dues		931	598
Share registrar services		138	206
Miscellaneous		87	89
		11,416	12,742

<b>2003</b>	<b>2002</b>
<b>(Rupees in Thousand)</b>	

**RELATED PARTY TRANSACTIONS**

Name of Related Party and Nature of relationship	Nature of Transaction	Transaction Value	Transaction Value
Holding Company			
Bibojee Services (Private) Limited	Sale	.	795
	Liabilities repaid on behalf of the Company	1,000	7,273



	Loan received	2,325	-
Associated Companies			
Ghandhara Nissan Diesel Limited (Investment in Equity)	Purchase of Trucks	20,200	-
	Cab Painting Charges	22,824	5,304
	Commission charged	6,450	4,440
	Cost allocated	4,800	9,600
Universal Insurance Company Limited	Insurance premium	1,678	1,193
(Common Directorship)	Sale	4,775	800
The General Tyre and Rubber Company of Pakistan Limited (Common Directorship)	Purchase of Tyres	250	446
Babri Cotton Mills Limited (Common Directorship)	Sale	973	.
Rehman Cotton Mills Limited (Common Directorship)	Sale	2,863	795
Janana De Malucho Textile Mills Limited	Sale	873	1,500
(Common Directorship)			
Bannu Wollen Mills Limited (Common Directorship)	Sale	-	750

## LIABILITIES WRITTEN BACK

The management has finalized a settlement agreement with Lease Creditors and a Commercial Bank on 17th October, 2003. Under the agreement sponsors have paid Rs. 226.372 millions to the creditors in settlement of dues amounting to Rs. 616.957 millions. Consequent upon this settlement remission of principal liability and waiver of interest amounting to Rs. 390.585 millions has been accounted for in the accounts for the year ended 30th June, 2003 although concluded in the period subsequent to the balance sheet date. The management is of the view that as these liabilities have been paid and settled before the approval of the accounts, therefore the accounts would not give a true and fair view of the state of the Company's affairs until and unless the resultant remission of principal and waiver of interest is duly accounted for and liabilities are reduced to the amount actually paid in the subsequent period. Break-up of remission of principal and waiver of mark-up is as under:

### Remission of principal liability

	Leasing Companies	Hong Kong Shanghai Bank	Total
Principal amount payable	372,761	52,484	425,245
Less: Settlement amount	192,257	34,115	226,372
Total	180,504	18,369	198,873
Waiver of financial charges			
Mark-up	158,341	33,371	191,712
	338,845	51,740	390,585

## TAXATION

### Current

The tax liability of the company represents the minimum tax at the rate of 0.5 per cent of turnover under section 113 of Income Tax Ordinance 2001 (2002: 80(D) of the Income Tax Ordinance, 1979). The income tax assessment of the Company has been finalised upto and including assessment year 2001-2002 (Income year ended 30th June 2001).

### Deferred

The Company has assessed losses brought forward amounting to Rs. 303.359 millions (2002: 250.79 million) vide assessment order for the assessment year 2001-2002. Due to available assessed losses brought forward the Company has not accounted for deferred tax debit balance which amount to Rs. 106.151 millions (2002: 160.511 millions).

## Statement of Compliance with the code of Corporate Governance

### FOR THE YEAR ENDED JUNE 30, 2003

This statement is being presented to comply with Code of Corporate Governance contained in the Listing Regulation No. 37 of the Karachi Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practices of Corporate Governance.

- The Company encourages representation of independent non-executive Directors on its Board of Directors. At present, the board includes seven independent non-executive Directors.
- The Directors have confirmed that none of them is serving as director in more than ten listed companies, including this Company.
- To the best of our knowledge all the Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking Company, a DPI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- Casual vacancies occurred in the Board during the year were simultaneously filled up by the continuing Directors.
- The Company has prepared "Statement of Ethics and Business Practices", which has been signed by the Directors and employees of the company.
- The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company while certain other policies are in the process of being developed. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 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, have been taken by the Board.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- An orientation course is being arranged for the Directors during the year to apprise them of their duties and responsibilities.
- The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit. However, their remuneration and terms & conditions of employment, in case of future appointments, will be approved by the Board.

	Note	2003 (Rupees in '000)	2002
<b>ANALYSIS OF CHANGES IN CASH &amp; CASH EQUIVALENTS</b>			
Balance at beginning of year		4,724	1,636
Increase in cash & cash equivalents		-2,429	3,088
Balance at end of year	13	2,295	4,724
<b>EXECUTIVES' REMUNERATION</b>			
Managerial Remuneration		2,080	2,724
Provident fund		-	41
Utilities		144	185
		2,224	2,950
Number of persons		8	9

### PLANT CAPACITY

Against the designed annual production capacity of 6,000 vehicles, company has produced 49

(2002: 89) vehicles during the year. Lack of sufficient working capital is the main reason for low production.

#### APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 3rd December, 2003.

#### CORRESPONDING FIGURES

Corresponding figures have been restated for the purpose of comparison. Significant re-arrangements made are as follows:

Amount of gratuity payable to employees no more with company

transferred from Deferred Liabilities to current liabilities	3,133	3,072
Amount of provision for compensated absences transferred from Creditors for goods & services to Deferred liabilities	7,342	6,610
Income from Cab painting included in sales and services previous included in Other Income	46,995	7,344

The above figures have been re-arranged as the re-classification is considered more appropriate for purpose of disclosure.

#### Pattern of Shareholding No of Shareholders

From	To	Shares Held	Percentage	
425	1	100	42400	0.2826
2161	101	500	984217	6.5614
151	501	1000	148433	0.9895
175	1001	5000	481850	3.2123
36	5001	10000	280400	1.8693
11	10001	15000	138400	0.9226
6	15001	20000	104800	0.6986
3	20001	25000	65700	0.438
1	25001	30000	28000	0.1866
1	30001	35000	31500	0.21
2	35001	40000	74000	0.4933
1	40001	45000	40500	0.27
1	45001	50000	48000	0.32
1	50001	55000	52100	0.3473
1	90001	95000	94200	0.628
1	105001	110000	110000	0.7333
1	115001	120000	116000	0.7733
1	225001	230000	228000	1.52
1	395001	400000	400000	2.6666
1	500001	505000	502400	3.3493
1	535001	540000	537835	3.5855
1	925001	930000	927000	6.18
1	9560001	9565000	9564265	63.7617
2984			15000000	100

#### Categories of Shareholders

Particulars	Shareholders	Shareholding	Percentage
Individuals	2468	453278530.2185	
Insurance Companies	2	188000.1252	
Joint Stock Companies	40	969146564.6097	
Financial Institutions	4	5201503.4676	
Non-Resident (US \$)	459	2232001.488	
Non-Resident (Pak Rs.)	11	136000.0906	
Total	2984	15000000100	

**Additional Information**

Name	Balance Held	Percent
Financial Institutions		
Investment Corporation of Pakistan	3750	0.025
National Bank of Pakistan, Trustee Deptt	502400	3.3493
Prime Commercial Bank Limited	1000	0.0066
Islamic Investment Bank Limited	13000	0.0866

## Holding Ten Percent and Above

Bibojee Service (Pvt.) Ltd.	9574265	63.828
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## Directors' Shareholding

Name	No. of Shares	Percentage
	%	
Mr. Raza Kuli Khan Khattak	1777	0.011
Lt. Gen. (Retd.) Ali Kuli Khan Khattak	1278	0.00085
Mr. Ahmed Kuli Khan Khattak	6778	0.0045
Mr. Mushtaq Ahmed Khan (FCA)	1000	0.00067
Ch. Sher Muhammad	6500	0.0043
Mr. Jamil A. Shah	1000	0.00067
Brig. (Retd.) Tariq Khalil	-	-Nominee of BSL
Mr. Muhammad Zia	-	
Mr. Anis Wahab Zubari	-	Nominee of NIT
Mr. Tasnimul Haq Farooqui		