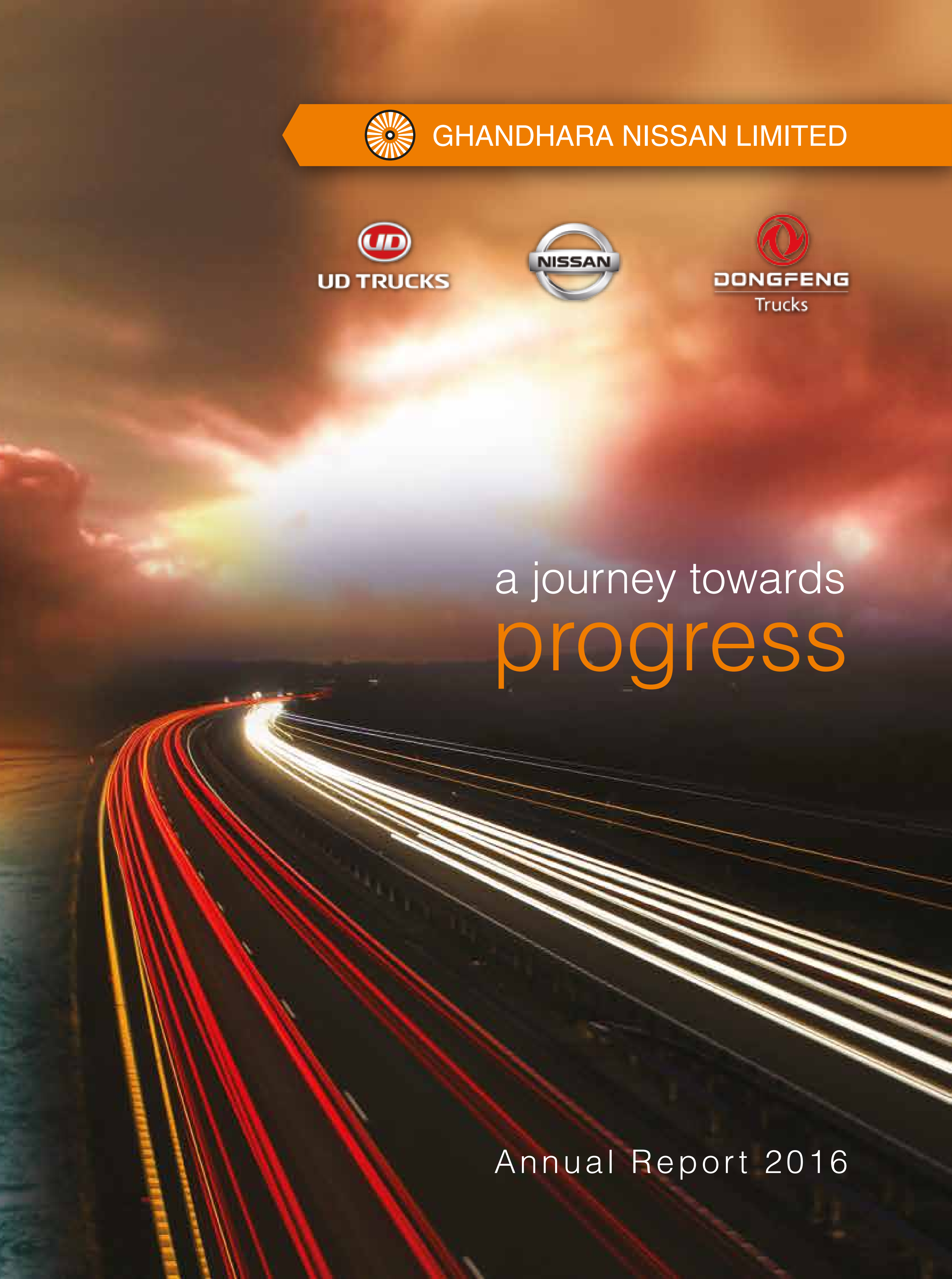


# GHANDHARA NISSAN LIMITED

UD TRUCKS

NISSAN

DONGFENG Trucks

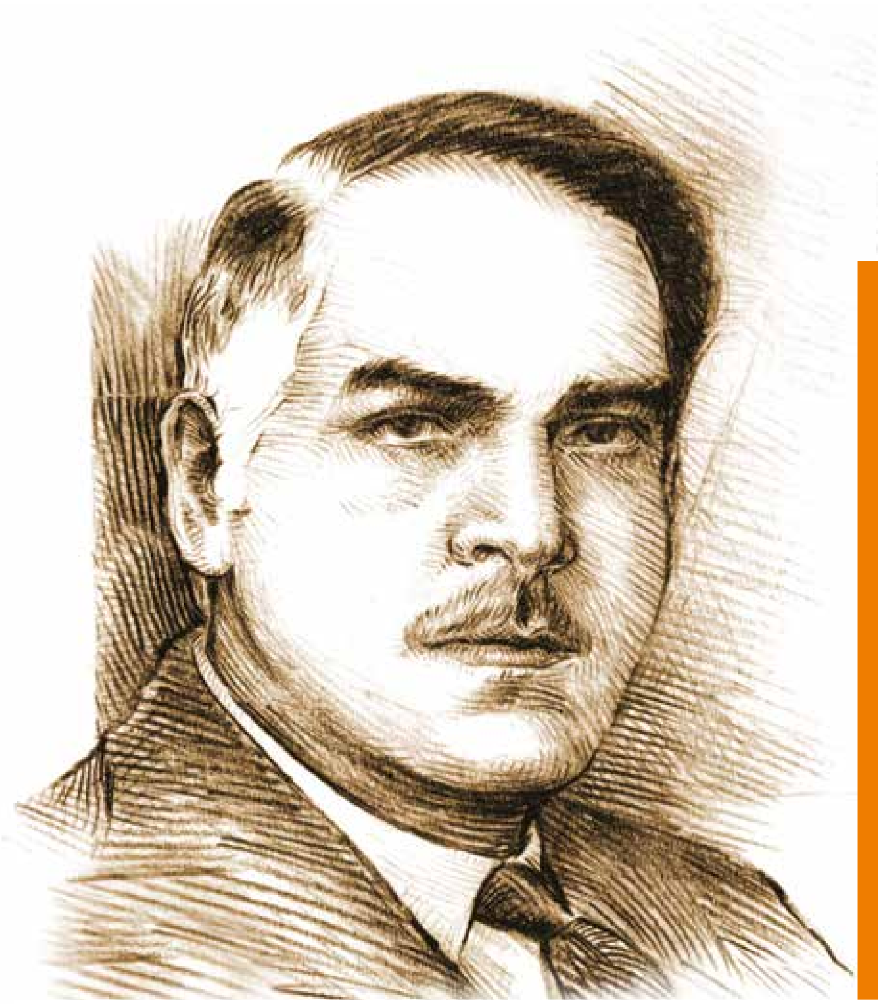
## a journey towards progress

Annual Report 2016


a journey towards
success

# Contents

## Founder Chairman



General Habibullah Khan Khattak was the Founder Chairman of the Bibojee Group of Companies. Today, the Group is an industrial empire with an extensive portfolio of businesses comprising three cotton spinning mills, a woolen mill, two automobile assembling plants with extensive marketing setups, a general insurance company, Pakistan's largest tyre manufacturing company, a construction company and two Trusts for supporting education and wildlife protection.

**Late General Habibullah Khan Khattak**

# AT THE HELM OF THE WHEEL

## An Illustrious Founder

Fondly known as ‘Bibojee’, General Habibullah Khan Khattak was born on October 17, 1913 in Wana. He was the son of the renowned personality Khan Bahadur Kuli Khan Khattak. He completed his F.Sc from Islamia College, Peshawar and gave an early glimpse of his potential when in 1934, he became one of 25 candidates to be selected from the Subcontinent from the First Course ‘The Pioneers’ at the Indian Military Academy, Dehradun.

During his career as a soldier, he rose swiftly through the ranks to become the Chief of Staff of the Pakistan Army at the young age of 45. He was mentioned in dispatches for gallantry in the Second World War and was later awarded Sitara-e-Pakistan and the American Legion of Merit.

He retired from the Pakistan Army in December 1959 at the young age of 46 but instead of resting on his laurels, he soon embarked upon a new career as an industrialist, which was to bring him even greater fame and respect.

### Core Values: Perseverance, Dynamism and Professionalism

The business empire of General Habibullah was built on the above-mentioned core values and with his innate knack of identifying sick units and expertly reviving them he made his Group emerge as one of the fastest growing industrial conglomerates of Pakistan.

A man of vision, General Habibullah developed an informed insight into Pakistan's economy and was blessed with the Midas touch, essential for successful entrepreneurship. He is also credited with introducing the trend of professional management which was subsequently emulated by other Pakistani business houses. He believed that Human Resource is the most important and lasting asset of any business.

### Philanthropy: The Love of Giving Back

In addition to being a gifted entrepreneur, General Habibullah was also a great philanthropist who believed in generously giving back to his country - his expertise, experience and financial resources. It was in that spirit that he founded the Waqf-e-Kuli Khan (WKK) in memory of his late father. WKK promotes education and is a fine example of Corporate Social Responsibility which has benefitted thousands of deserving students.

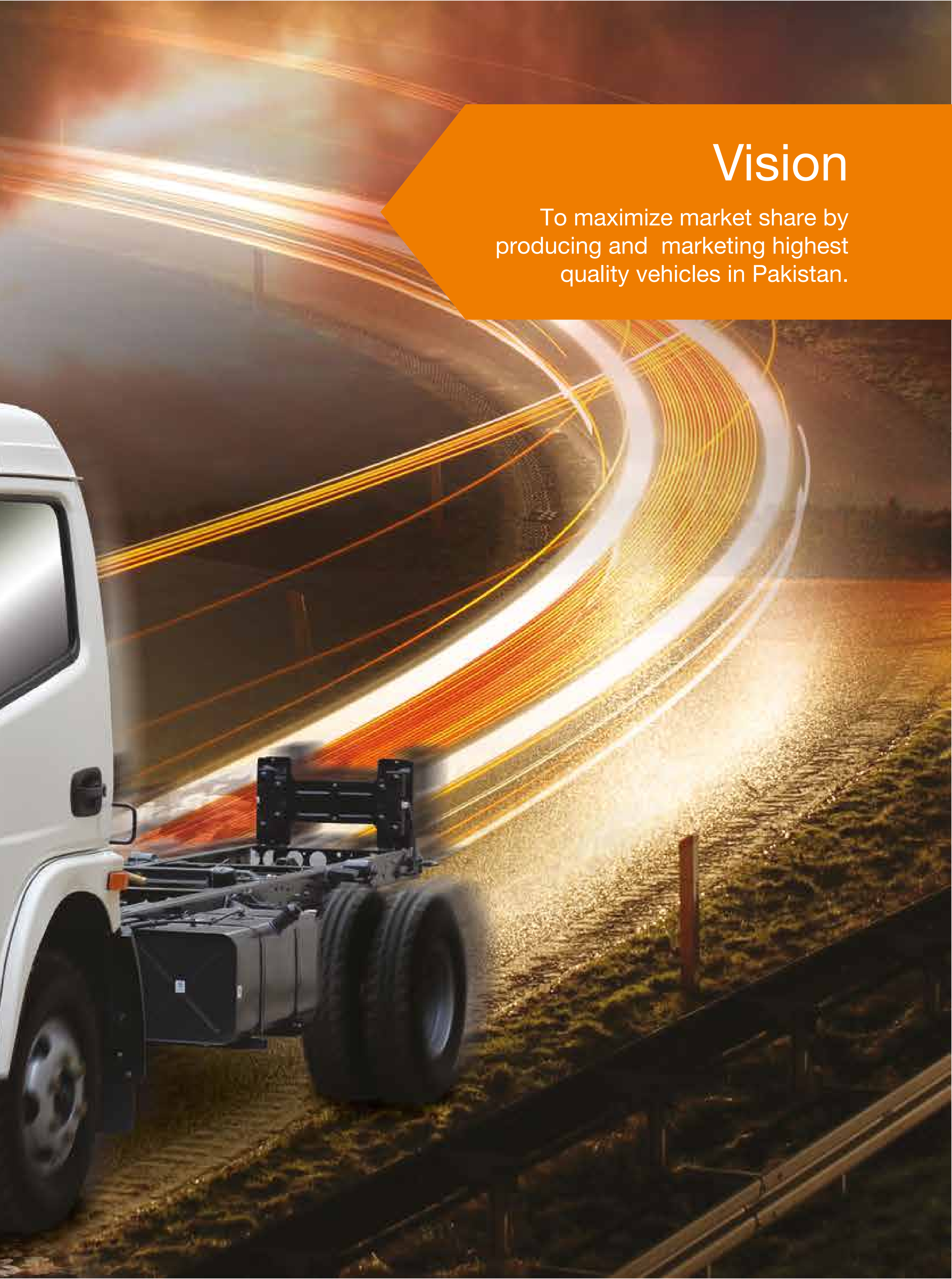
The General was also a well-known animal lover, who established The Pakistan Wildlife Conservation Foundation (PWCF) for supporting wildlife in Pakistan.

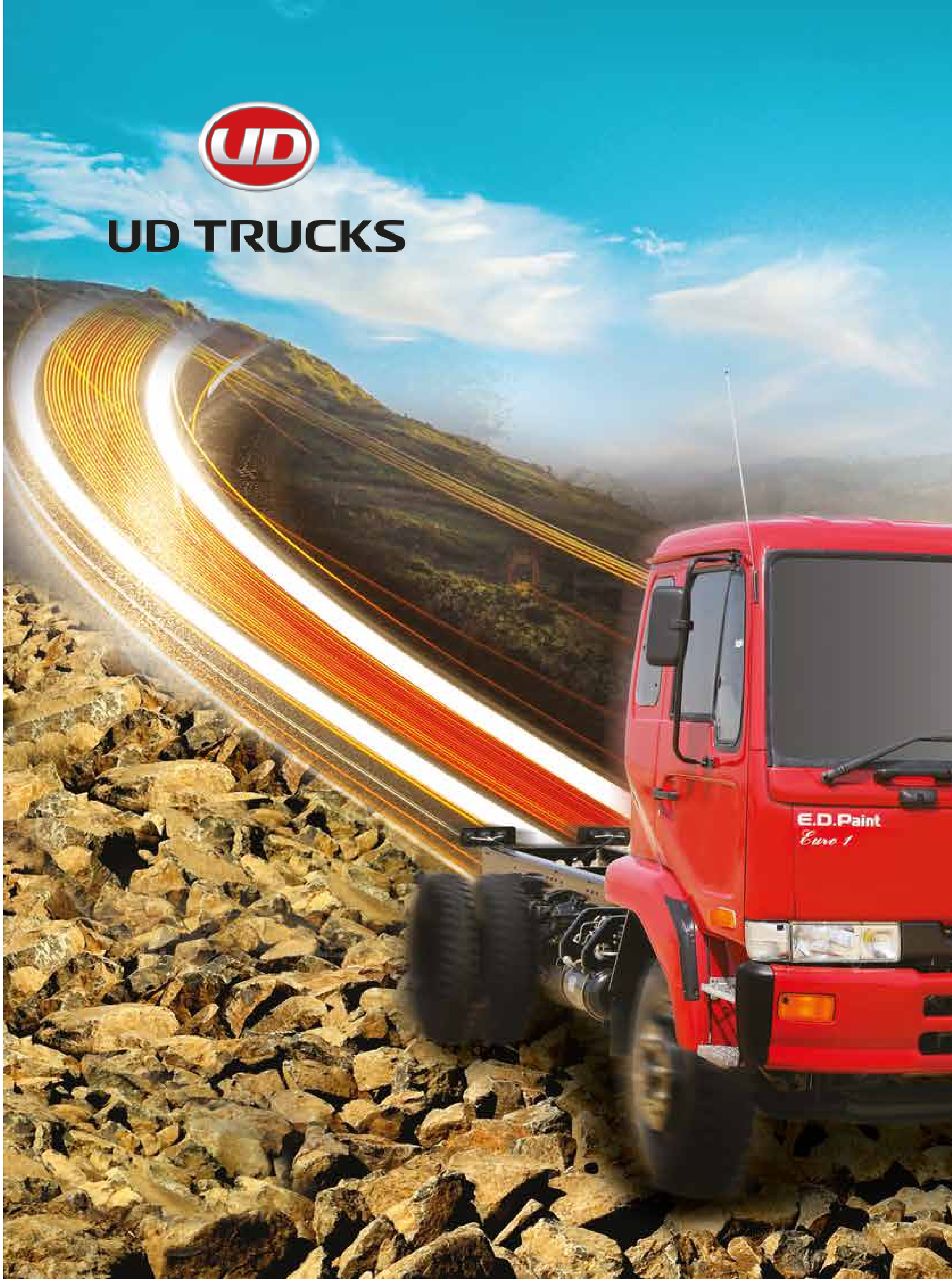
General Habibullah passed away on December 23, 1994 leaving behind a legacy of dynamic leadership, brilliant foresight and exceptional business acumen.


DFAC
CAPTAIN
DONGFENG

# Vision

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

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UD TRUCKS
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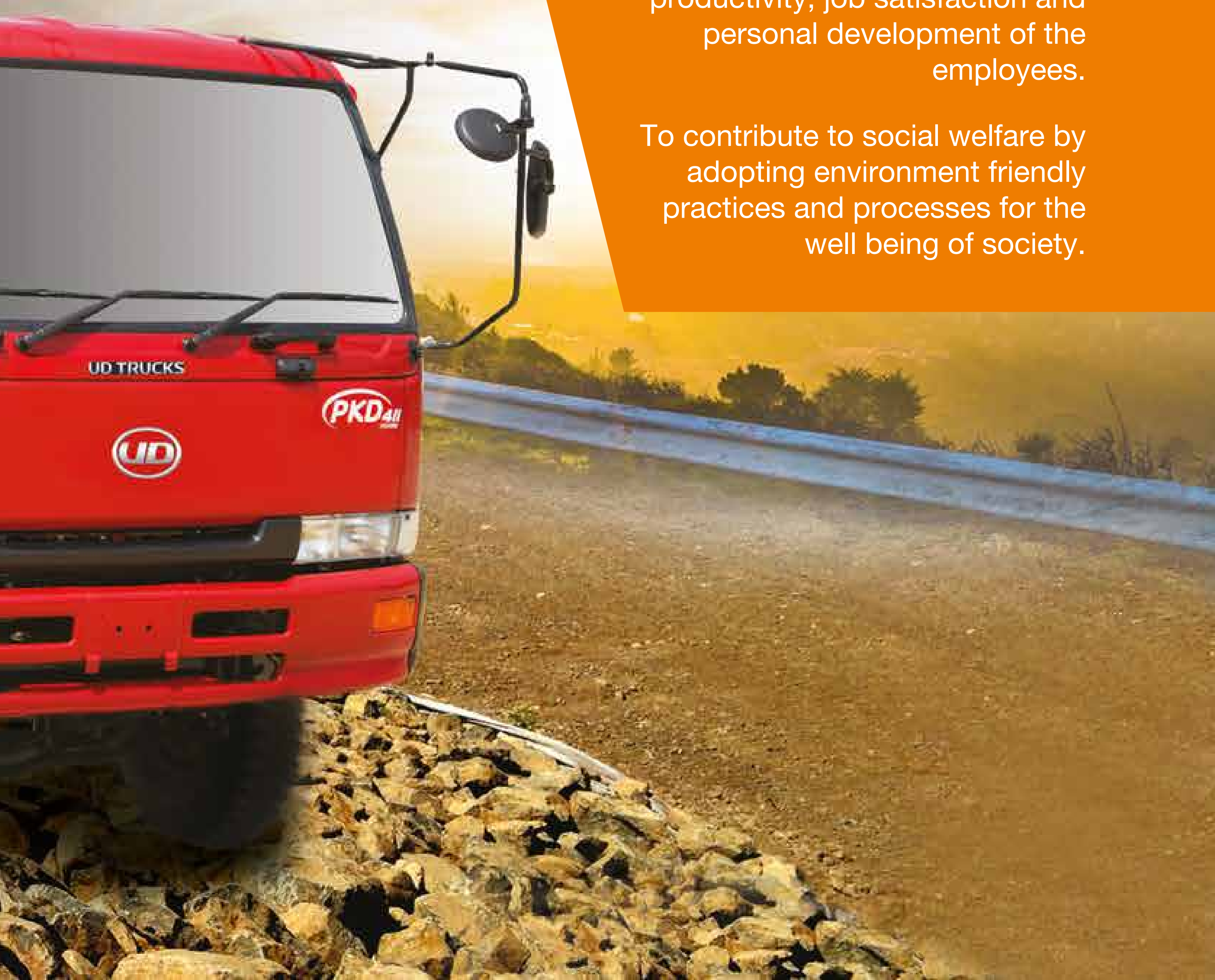
# Mission

As a customer oriented Company, provide highest level of customer satisfaction.

To accelerate performance in all operating areas, ensuring growth of the Company and increasing return to the stakeholders.

To create a conducive working environment leading to enhanced productivity, job satisfaction and personal development of the employees.

To contribute to social welfare by adopting environment friendly practices and processes for the well being of society.



# Company Profile

## Board of Directors

| | |
|---|---|
| Mr. Raza Kuli Khan Khattak | Chairman |
| Lt. Gen. (Retd.) Ali Kuli Khan Khattak | President |
| Mr. Ahmed Kuli Khan Khattak | Chief Executive Officer |
| Mr. Mushtaq Ahmed Khan (FCA) | |
| Mr. Jamil A. Shah | |
| Syed Haroon Rashid | |
| Mr. Mohammad Zia | |
| Mr. Behram Hasan | |
| Mr. Muhammad Saleem Baig | |

## Company Secretary

Mr. Muhammad Sheharyar Aslam

## Chief Financial Officer

Mr. Muhammad Umair

## Registered Office

F-3, Hub Chowki Road, S.I.T.E., Karachi

## Factory

Truck / Car Plants
Port Bin Qasim, Karachi

## Bankers of the Company

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

## Audit Committee

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

## Human Resource & Remuneration Committee

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

a journey towards
innovation

## Auditors

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

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

## Legal & Tax Advisors

Ahmed & Qazi Associates
Advocates & Legal Consultants
404 Clifton Centre, Clifton
Karachi

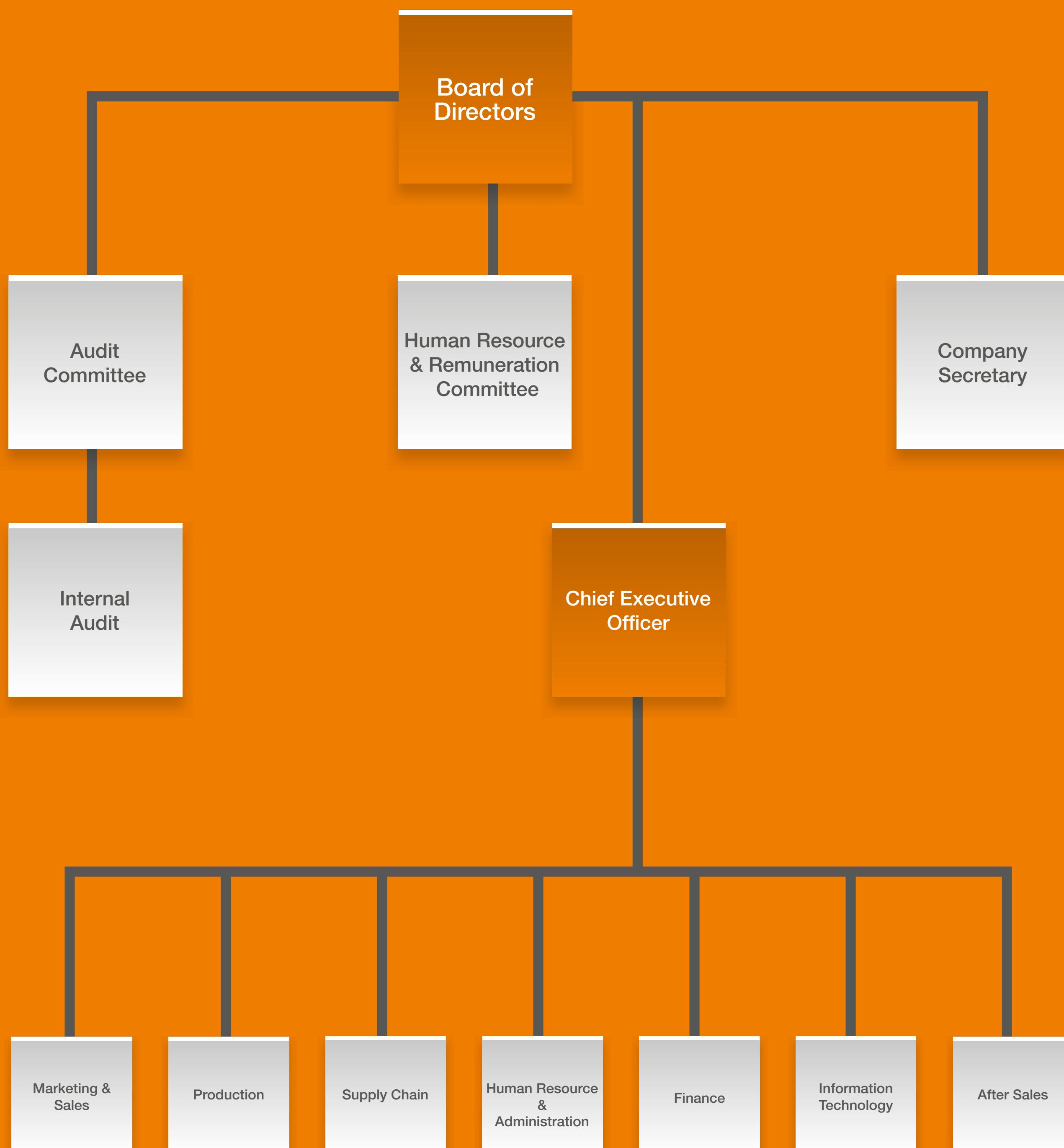
Shaukat Law Associates
217-218, Central Hotel Annexe
Abdullah Haroon Road
Karachi

Shekha & Mufti
Chartered Accountants
C-253, P.E.C.H.S., Block 6
Off Shahrah-e-Faisal
Karachi

## Share Registrars

T.H.K. Associates (Pvt.) Ltd.
2nd Floor, State Life Bldg. No.3
Dr. Zia uddin Ahmed Road
Karachi

# Organization Chart



# Notice of Annual General Meeting

**Notice is hereby given that 34th Annual General Meeting of the Shareholders of Ghandhara Nissan Limited will be held on Wednesday, 19th October 2016 at 11:00 A.M., at F-3, Hub Chauki Road, S.I.T.E., Karachi, to transact the following business:**

## Ordinary Business:

- To confirm the minutes of the Extraordinary General Meeting held on 8th June 2016.
- To receive, consider and approve the Audited Accounts of the Company for the year ended 30th June, 2016 together with Directors' and Auditors' Reports thereon.
- To consider and approve the payment of final Cash Dividend. The Board of Directors has recommended payment of final Cash Dividend of Rs.5/- per share (50%) for the year ended 30th June, 2016.
- To appoint Auditors for the year ending 30th June, 2017 and fix their remuneration. The retiring Auditors, M/s. Shinewing Hameed Chaudhri & Co., Chartered Accountants and M/s. Muniff Ziauddin & Co., Chartered Accountants being eligible, offer themselves for reappointment.

## Special Business:

- Alternation in Clause-78 of the Articles of Association of the Company (Qualification of Director) :

  The Board of Directors, in their meeting held on 31st August, 2016 have given their consent for amending the Clause-78 of Articles of Association of the Company to be in line with Companies Ordinance 1984, the following special resolution to be approved by the shareholders at the Annual General Meeting:

  "Resolved that Clause-78 of the Articles of Association of the Company be amended to be read as "A Director should be a member of the Company" and eliminate the qualification share requirement."

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

  In order to enable Ghandhara DF (Pvt.) Limited to successfully execute its business plan, it is proposed to extend advance upto Rs.800 million subject to regulatory approvals.

  The Board of Directors, in their meeting held on 31st August, 2016 have given their consent to seek approval of the shareholders U/S-208 of the Companies Ordinance, 1984 for this propose, and to pass the following special resolution:

  "Resolved that shareholders have given their approval for the renewal of existing advance and cash advance limit already granted to Ghandhara DF (Pvt.) Ltd. (GDFPL), for its Working Capital requirements, be extended to Rs.800 million, all other terms remaining unchanged.

  Further resolved that the Board of Directors be and is hereby authorized to review the said facility every year during the term of the same."

  A statement U/S 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Business stated above is annexed to this Notice of the meeting.

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

**By Order of the Board**

Karachi: 26th September, 2016

**M. SHEHARYAR ASLAM**
**(COMPANY SECRETARY)**

## NOTES:

1. The Share Transfer Books of the Company will remain closed from 13th October, 2016 to 19th October, 2016 (both days inclusive). Transfers in good order, received at the office of Company's Share Registrar M/s. THK Associates (Pvt.) Ltd., 2nd Floor, State Life Bldg. No.3, Dr. Ziauddin Ahmed Road, Karachi by the close of business on 12th October, 2016 will be treated in time for the purpose of payment of Final Dividend to the transferees.

2. A member entitled to attend and vote at the Annual General Meeting is entitled to cast his/her vote by proxy. Proxies must be deposited at the Company's Registered Office at F-3, Hub Chauki Road, S.I.T.E., Karachi at least 48 hours before the time of the meeting.

3. Individual beneficial owners of CDC entitled to attend and vote at this meeting must bring their participant ID and account/sub-account numbers along with original CNIC or passport to verify his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of Attorney with specimen signature of the nominees shall be produced (unless submitted earlier) at the time of meeting.

4. For appointing proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement alongwith participant ID and account / sub-account number together with attested copy of their CNIC or passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his/her original CNIC or passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/Power of Attorney with specimen signature and attested copy of valid CNIC of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted along with proxy form to the Company.

5. Members should quote their Folio Number in all correspondence and at the time of attending the Meeting.

6. Securities and Exchange Commission of Pakistan (SECP) vide notifications dated August 18, 2011 and July 05, 2012 made it mandatory that dividend warrants should bear CNIC number of the registered members, therefore, members who have not yet submitted photocopy of their valid Computerized National Identity Cards to the Company are requested to send the same at the earliest directly to M/s. THK Associates (Pvt.) Ltd., 2nd Floor, State Life Bldg. No.3, Dr. Ziauddin Ahmed Road, Karachi. Failure to provide the same would constrain the Company to withhold dispatch of dividend warrants.

7. As directed by SECP vide Circular No. 18 of 2012 dated August 18, 2012, we have already given opportunity to shareholders to authorize the Company to directly credit in his/their bank account with cash dividend, if any, declared by the Company in future. If you still wish that the cash dividend, if declared by the Company be directly credited into your bank account, instead of issuing a dividend warrant, please submit the prescribed Dividend Mandate details to Share Registrar of the Company.

8. Shareholders are informed that Income Tax Ordinance, as amended by Finance Act, 2015, has prescribed 20% withholding tax on dividend payment to non-filers while filers of income tax returns will be liable to withholding tax @12.5%. Shareholders are advised to provide their NTN to Share Registrars of the Company for availing the benefit of withholding tax rate applicable to filers.

9. To enable to make tax deduction on the amount of cash dividend @12.5% instead of 20% all the members whose names are not entered in the active tax payers list (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact the they are filers, are advised to make sure that their names are entered into ATL by October 12, 2016 otherwise tax on their cash dividend will be deducted @20% instead of 12.5%.

10. Members are requested to notify any change in their address, immediately to our Share Registrar's Office – M/s. THK Associates (Pvt.) Ltd., 2nd Floor, State Life Bldg. No.3, Dr. Ziauddin Ahmed Road, Karachi.

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

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

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

In order to enable GDFPL to carry out sustainable operations it is proposed to extend advance upto Rs.800 million charging interest @KIBOR+3%.

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

- The purpose of investment is to enable GDFPL to import CKD kits and sell the vehicles in the commercial market that are assembled under contract Assembly agreement with GNL. This will also enable GDFPL to carry on business smoothly. Profit derived from the operations of GDFPL will accrue to GNL which may be received in the form of Dividend.

- The information required under S.R.O. 27(1)/2012 is provided below:

| S.No. | Description | Information Required |
|---|---|---|
| i | Name of associated company or associated undertaking alongwith criteria based on which the associated relationship is established | Ghandhara DF (Private) Limited, a 100% owned subsidiary of Ghandhara Nissan Limited |
| ii | Amount of loans or advances | Advance to increase from previously approved Rs 500 Million to Rs 800 Million |
| iii | Purpose of loans and advances and benefits likely to accrue to the investing company and its members from such loans or advances. | To supplement the working capital requirements.<br>The benefit of this arrangement is to increase revenue and in turn profits for all stakeholders of GNL. |
| iv | In case any loan has already been granted to the associated company or associated undertaking, the complete details thereof | Rs.500 million already granted |
| v | Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements | Please refer Annexure 1 |
| vi | Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period | 6 M KIBOR + 2.5% |
| vii | Rate of interest, mark up, profit, fees of commission, etc. to be charged | The advance will carry profit @ 6 M KIBOR + 3% |
| viii | Source of funds from where loans or advances will be given | Retained Earning |
| ix | Where loans or advances are being granted using borrowed funds:<br>a. Justification for granting loan or advance out of borrowed funds<br>b. Detail of guarantees / assets pledged for obtaining such funds, if any<br>c. Repayment schedules of borrowing of the investing company | Not applicable |
| x | Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any | Not applicable |
| xi | If the loans or advance carry conversion feature, i.e. it is convertible to securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion maybe exercisable | Not applicable |
| xii | Repayment schedule and terms of loans or advances to be given to the investee company | The advance will be for a period of three years from the date of first such payment of GNL.<br>GDFPL can repay the advance or any part thereof.<br>Markup shall be paid by GDFPL to GNL quarterly in arrears. |

| | | |
|---|---|---|
| xiii | Salient features of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment | a. GNL shall advance to GDFPL any amount as requested by GDFPL to meet its working capital requirements and to satisfy both, its obligations and operational expenses; provided that the outstanding amount at any point in time shall not exceed Rs 800 Million.<br>b. GDFPL shall pay the mark-up due to GNL quarterly in arrears. |
| xiv | Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration | GNL, being the parent company of GDFPL, will receive dividend. There is no direct interest of the Directors of GNL in GDFPL, except that they are nominated by GNL. |
| xv | Any other important detail necessary for the members to understand the transaction | GDFPL, being a wholly owned subsidiary of GNL, has been engaged in CKD operations of Dongfeng vehicles during the financial year 2015-16.<br>The proposed mechanism will not only augment the commercial operations of GDFPL but will also provide synergy to the stakeholder.<br>In the current year revenue has increased substantially as compared to last year and is expected to increase further in the year ahead. |
| xvi | In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely:<br>a. A description of the project and its history since conceptualization<br>b. Starting date and expected date of completion<br>c. Time by which such project shall become commercially operational<br>d. Expected return on total capital employed in the project<br>e. Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts. | Not applicable |

Annexure 1

## FINANCIAL POSITION – GDFPL
## EXTRACTS FROM FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

**(Rs.in million)**

| | |
|---|---|
| Total Assets | Rs.1,076 |
| Total Liabilities | Rs.866 |
| Equity | Rs.210 |
| Revenue – Net | Rs.774 |
| Gross Profit | Rs.103 |
| Operating Profit | Rs.95 |
| Net Profit After tax | Rs.50 |

# Chairman's Review

Your Company has shown a noticeable improvement in the current year and has attained an after tax profit of Rs.546.3 million (Rs.508.9 million last year) despite the decline in net revenue by Rs.440 million. This increase in profit is achieved due to better absorption of factory overheads as a result of increase in assembly business.

## Company's Performance

The Company sold 804 units of UD trucks as compared to 856 units last year. Moreover 69 units of Dongfeng vehicles were sold in commercial market which were imported in CBU condition as compared to 87 units last year. This reduction is primarily due to the shift in sale of Dongfeng Trucks from CBU to CKD condition. Needless to mention that the CKD operations of Dongfeng Trucks are being managed by Ghandhara DF (Pvt.) Ltd. (GDFPL) (a wholly owned subsidiary company of GNL).

In addition to above, the company also undertook contract assembly of 1,689 units as against 1,527 units last year.

Overall market conditions remained competitive and despite the challenges, our performance has been encouraging.

## Future Outlook

Whilst the positive economic scenario in the country gives us confidence about the continued prosperity of your company, the company is cognisant of the growing market needs. Adapting to the shift in the overall market conditions, the company is equally focusing on the Chinese make to improve business portfolio and to meet customers' demands. In this respect, the performance of GDFPL speaks volumes for itself which eventually contributes to the net worth of GNL.

Foregoing in view, we feel short to medium term outlook of your company is quite positive and are confident that the good results of 2016 will be sustained in 2017 also.

## Acknowledgement

As good results are first and foremost due to people, we would like to thank all the employees whose efforts played major role in achieving the good results during the current year.

We would also like to express our thanks to Nissan Motor Co. Japan, UD Trucks Corporation Japan (Formerly Nissan Diesel Motor Co. Limited Japan), Dongfeng Commercial Vehicle Company, Dongfeng Automobile Company Limited, the Management of Sigma Motors (Pvt.) Ltd., Ghandhara Industries Ltd., Shareholders, Dealers, Customers and Vendors for their co-operation and the trust shown in our products.

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

Karachi
Dated: 31st August, 2016

**Raza Kuli Khan Khattak**
Chairman Board of Directors

# Directors' Report

The Directors of your Company are pleased to present their Report together with the Audited Accounts and Auditors' Report thereon for the year ended 30th June 2016.

## Financial Results

The financial results for the year ended 30th June 2016 are summarized below.

| | 2016 | 2015 |
|---|---|---|
| | (Rupees in thousands) | |
| **Profit before taxation** | **832,511** | 787,277 |
| **Taxation** | | |
| Current | **(279,989)** | (141,103) |
| Deferred | **(6,259)** | (137,307) |
| | **(286,248)** | (278,410) |
| Profit after taxation | **546,263** | 508,867 |
| Other comprehensive Income/(Loss) | **(2,275)** | (1,401) |
| Total comprehensive Income | **543,988** | 507,466 |
| **Accumulated profit** | | |
| Brought forward | **784,086** | 334,375 |
| Incremental depreciation | **30,631** | 32,250 |
| Final Dividend | **(247,514)** | (90,005) |
| | **567,203** | 276,620 |
| **Accumulated profit** | | |
| Carried forward | **1,111,191** | 784,086 |
| **Earnings Per Share** | **12.14** | 11.31 |

The Board of Directors have recommended 50% final Cash Dividend for the year ended 30th June 2016 at Rs.5/- per share and conserved the remaining resources for up-gradation and renovation of the Plant and to meet the requirement of potential business case under consideration.

## Operating Results

The company earned profit after tax of Rs.546.3 million, as against profit after tax of Rs.508.9 million in corresponding year.

This was mainly due to dividend received from associated company and improvement in liquidity during the year resulting in increased income on surplus funds and corresponding reduction in finance cost.

## Chairman's Review

The Review included in the Annual Report deals inter-alia with the performance of the Company for the year ended 30th June 2016 and its future outlook. The Directors of the Company endorse the contents of this Review.

## Statement of Compliance with Code of Corporate Governance

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

- The financial statements, prepared by the management of the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of account of the company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been adequately disclosed and explained;
- The system of the internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the company's ability to continue as a going concern;
- Key operating and financial data of last six years has been included in the Annual Report;
- Information about taxes and levies is given in the respective notes to the Financial Statements;
- During the year Company has made investment of Rs.50 million in the equity of Ghandhara DF (Pvt.) Limited (A wholly owned subsidiary company).
- The value of investments made by the staff retirement funds as per their respective audited accounts are given below:

| | Value of investment | Year ended |
|---|---|---|
| Provident Fund | Rs.68.2 million | June 30, 2015 |

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

## Meetings of Board

During the year 2015-16, five Board meetings were held. Attendance by each Director is as follows:

| S.No. | Name of Director | No. of Meetings Attended |
|---|---|---|
| 1. | Mr. Raza Kuli Khan Khattak | 5/5 |
| 2. | Lt. Gen (Retd.) Ali Kuli Khan Khattak | 4/5 |
| 3. | Mr. Ahmed Kuli Khan Khattak | 5/5 |
| 4. | Mr. Jamil A. Shah | 3/5 |
| 5. | Mr. Mushtaq Ahmed Khan (FCA) [a] | 0/5 |
| 6. | Chaudhry Sher Muhammad [b] | 3/3 |
| 7. | Mr. Muhammad Zia | 4/5 |
| 8. | Syed Haroon Rashid | 3/5 |
| 9. | Mr. Larbi Hbil [c] | 0/3 |
| 10. | Mr. Behram Hasan [d] | 1/1 |
| 11. | Mr. Muhammad Saleem Baig [e] | 2/2 |

| | |
|---|---|
| a | Could not attend on medical grounds |
| b | Passed away during the current year |
| c | Was an outgoing director during the current year |
| d | Appointed during the year |
| e | Elected during the year |

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

### Meetings of Audit Committee

During the year 2015-16, four Audit Committee meetings were held. Attendance by each member is as follows:

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

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

### Human Resource and Remuneration Committee

The Human Resource and Remuneration Committee of the Company has been meeting as per Corporate Governance Policy.

### Performance Evaluation

The Board of Directors has performed evaluation of the directors.

### Holding Company

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

### Subsequent Events

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

### Pattern of Shareholding

The pattern of shareholding as on 30th June 2016 of the company is included in the Annual Report.

### Auditors

The present Auditors M/s Shinewing Hameed Chaudhri & Co. Chartered Accountants and M/s. Muniff Ziauddin & Co. Chartered Accountants, retire, and being eligible, offer themselves for reappointment. The Board of Directors recommends their appointment.

For and on behalf of the Board of Directors

Karachi:
Dated: 31st August, 2016

**Ahmed Kuli Khan Khattak**
Chief Executive

# Auditors' Report to the Members

We have audited the annexed balance sheet of Ghandhara Nissan Limited as at June 30, 2016 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

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

Muhammad Ali
Karachi; 31st August, 2016

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

Muhammad Moin Khan
Karachi; 31st August, 2016


DONGFENG
Trucks
DONGFENG

# a journey towards new horizons

# financial statements

a journey towards
growth

# Balance Sheet

As at June 30, 2016

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ---- Rupees in '000 ---- | |
| **ASSETS** | | | |
| **Non current assets** | | | |
| Property, plant and equipment | 5 | 1,852,218 | 1,749,285 |
| Intangible assets | 6 | 66 | 88 |
| Long term investments | 7 | 242,630 | 192,630 |
| Long term loans | 8 | 9,438 | 6,477 |
| Long term deposits | 9 | 17,487 | 16,633 |
| Due from Subsidiary Company | 10 | 478,444 | - |
| | | 2,600,283 | 1,965,113 |
| **Current assets** | | | |
| Stores, spares and loose tools | 11 | 68,048 | 50,174 |
| Stock-in-trade | 12 | 604,689 | 623,847 |
| Trade debts | 13 | 188,332 | 345,727 |
| Loans and advances | 14 | 51,116 | 40,212 |
| Deposits and prepayments | 15 | 18,317 | 39,094 |
| Other receivables | 16 | 86,131 | 27,934 |
| Accrued interest / mark-up | 17 | 6,648 | 2,815 |
| Short term investment | | - | 30,092 |
| Taxation - net | | 82,118 | 117,341 |
| Bank balances | 18 | 375,408 | 328,915 |
| | | 1,480,807 | 1,606,151 |
| **Total assets** | | 4,081,090 | 3,571,264 |
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| Share capital | 19 | 450,025 | 450,025 |
| Share premium | | 40,000 | 40,000 |
| Unappropriated profit | | 1,111,191 | 784,086 |
| **Total equity** | | 1,601,216 | 1,274,111 |
| **Surplus on revaluation of fixed assets** | 20 | 1,017,664 | 1,048,295 |
| **Liabilities** | | | |
| **Non current liabilities** | | | |
| Liabilities against assets subject to finance lease | 21 | 40,177 | 45,635 |
| Long term deposits | 22 | 8,611 | 9,611 |
| Deferred liabilities | 23 | 11 | 111,969 |
| Deferred taxation | 24 | 273,566 | 268,329 |
| | | 322,365 | 435,544 |
| **Current liabilities** | | | |
| Trade and other payables | 25 | 1,126,050 | 642,881 |
| Accrued mark-up | 26 | 136 | 7,985 |
| Short term finances | 27 | - | 32,259 |
| Running finances under mark-up arrangements | 28 | - | 118,802 |
| Current portion of liabilities against assets subject to finance lease | 21 | 13,659 | 11,387 |
| | | 1,139,845 | 813,314 |
| **Total liabilities** | | 1,462,210 | 1,248,858 |
| **Contingencies and commitments** | 29 | | |
| **Total equity and liabilities** | | 4,081,090 | 3,571,264 |

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

Ahmed Kuli Khan Khattak
Chief Executive Officer

Syed Haroon Rashid
Director

# Profit and Loss Account

For the year ended June 30, 2016

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ---- Rupees in '000 ---- | |
| Revenue | 30 | 5,005,148 | 5,445,392 |
| Cost of sales | 31 | (3,912,947) | (4,314,378) |
| Gross profit | | 1,092,201 | 1,131,014 |
| Distribution cost | 32 | (55,528) | (56,435) |
| Administrative expenses | 33 | (204,369) | (168,995) |
| Other income | 34 | 80,351 | 26,335 |
| Other expenses | 35 | (61,701) | (58,348) |
| Profit from operations | | 850,954 | 873,571 |
| Finance cost | 36 | (18,443) | (86,294) |
| Profit before taxation | | 832,511 | 787,277 |
| Taxation | 37 | (286,248) | (278,410) |
| Profit after taxation | | 546,263 | 508,867 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Re-measurement of staff retirement benefit obligation | | (3,297) | (2,061) |
| Impact of deferred tax | | 1,022 | 660 |
| Other comprehensive loss for the year - net of tax | | (2,275) | (1,401) |
| Total comprehensive income for the year | | 543,988 | 507,466 |
| | | -------- Rupees -------- | |
| Earnings per share - basic and diluted | 38 | 12.14 | 11.31 |

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

Ahmed Kuli Khan Khattak
Chief Executive Officer

Syed Haroon Rashid
Director

# Cash Flow Statement

For the year ended June 30, 2016

| | 2016 | 2015 |
|---|---|---|
| | ---- Rupees in '000 ---- | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | 832,511 | 787,277 |
| **Adjustments for non-cash charges and other items:** | | |
| Depreciation and amortisation | 87,002 | 75,575 |
| Provision for gratuity and compensated absences | 20,910 | 20,027 |
| Interest income | (39,329) | (10,076) |
| Dividend income | (23,248) | - |
| Gain on disposal of property, plant and equipment | (1,699) | (1,290) |
| Amortization of gain on sale and lease back of fixed assets | (5) | (4) |
| Finance cost | 13,252 | 71,935 |
| Exchange loss - net | 3,854 | 10,055 |
| **Operating profit before working capital changes** | 893,248 | 953,499 |
| (Increase) / decrease in current assets: | | |
| Stores, spares and loose tools | (17,874) | (6,119) |
| Stock-in-trade | 19,158 | 68,627 |
| Trade debts | 157,395 | 49,856 |
| Loans and advances | (10,904) | (14,671) |
| Deposit and prepayments | 20,777 | (23,373) |
| Other receivables | (58,197) | 20,544 |
| | 110,355 | 94,864 |
| Increase / (decrease) in trade and other payables | 413,410 | (126,130) |
| **Cash generated from operations** | 1,417,013 | 922,233 |
| Gratuity and compensated absences paid | (69,122) | (4,930) |
| Long term loans - net | (2,961) | (1,613) |
| Long term deposits paid | (1,000) | (1,000) |
| Finance cost paid | (24,955) | (79,183) |
| Taxes paid | (244,766) | (162,374) |
| **Net cash generated from operating activities** | 1,074,209 | 673,133 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Fixed capital expenditure | (188,715) | (17,517) |
| Proceeds from disposal of property, plant and equipment | 3,159 | 5,812 |
| Interest income received | 35,496 | 7,885 |
| Investment made in Subsidiary Company | (50,000) | (40,000) |
| Due from Subsidiary Company | (478,444) | - |
| Short term investment - net | 30,092 | 8,017 |
| Long term deposits - net | (854) | (8,602) |
| Dividend received | 23,248 | - |
| **Net cash used in investing activities** | (626,018) | (44,405) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Lease finances - net | (5,844) | (7,417) |
| Short term finances - net | (32,259) | (416,602) |
| Running finances - net | (118,802) | 64,422 |
| Dividend paid | (244,793) | (88,834) |
| **Net cash used in financing activities** | (401,698) | (448,431) |
| **Net increase in cash and cash equivalents** | 46,493 | 180,297 |
| Cash and cash equivalents at beginning of the year | 328,915 | 148,618 |
| **Cash and cash equivalents at end of the year** | 375,408 | 328,915 |

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

Ahmed Kuli Khan Khattak
Chief Executive Officer

Syed Haroon Rashid
Director

# Statement of Changes in Equity

For the year ended June 30, 2016

| | Share capital | Share premium | Unappro-priated profit | Total |
|---|---|---|---|---|
| | ------------------ | Rupees in '000 | ------------------ | |
| Balance as at July 1, 2014 | 450,025 | 40,000 | 334,375 | 824,400 |
| Transaction with owners, recognised directly in equity | | | | |
| Final dividend for the year ended June 30, 2014 at the rate of Rs.2.00 per share | - | - | (90,005) | (90,005) |
| Total comprehensive income for the year ended June 30, 2015 | | | | |
| Profit for the year | - | - | 508,867 | 508,867 |
| Other comprehensive loss | - | - | (1,401) | (1,401) |
| | - | - | 507,466 | 507,466 |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax | - | - | 32,250 | 32,250 |
| Balance as at June 30, 2015 | 450,025 | 40,000 | 784,086 | 1,274,111 |
| Transactions with owners, recognised directly in equity | | | | |
| Final dividend for the year ended June 30, 2015 at the rate of Rs.4.50 per share | - | - | (202,511) | (202,511) |
| Interim dividend for the year ended June 30, 2016 at the rate of Re.1.00 per share | - | - | (45,003) | (45,003) |
| | - | - | (247,514) | (247,514) |
| Total comprehensive income for the year ended June 30, 2016 | | | | |
| Profit for the year | - | - | 546,263 | 546,263 |
| Other comprehensive loss | - | - | (2,275) | (2,275) |
| | - | - | 543,988 | 543,988 |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax | - | - | 30,631 | 30,631 |
| Balance as at June 30, 2016 | 450,025 | 40,000 | 1,111,191 | 1,601,216 |

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

Ahmed Kuli Khan Khattak
Chief Executive Officer

Syed Haroon Rashid
Director

## 1. THE COMPANY AND ITS OPERATIONS

Ghandhara Nissan Limited (the Company) was incorporated on August 8, 1981 in Pakistan as a private limited company and subsequently converted into a public limited company on May 24, 1992. The Company is a subsidiary of Bibojee Services (Private) Limited. The registered office of the Company is situated at F-3, Hub Chowki Road, S.I.T.E, Karachi. Its manufacturing facilities are located at Port Qasim, Karachi. The Company's shares are listed on Pakistan Stock Exchange Limited.

The principal business of the Company is assembly / progressive manufacturing of Nissan passenger Cars, UD Trucks and Buses, import and marketing of Nissan vehicles, import and sale of DongFeng Complete Built-up Trucks and assembly of other vehicles under contract agreement.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Functional and presentation currency

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

### 2.3 Changes in accounting standards and interpretations

#### 2.3.1 Standards and amendments to approved accounting standards effective in current year

New and amended standards mandatory for the first time for the financial year beginning July 1, 2015:

(a) IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Company's financial statements.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2015 and have not been early adopted by the Company:

(a) 'IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 1, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company has yet to assess the impact of these changes on its financial statements.

(b) Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities' and IAS 28, 'Investments in associates and joint ventures' are applicable to accounting periods beginning on or after January 1, 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The Company shall apply these amendments from January 1, 2016 and does not expect to have a material impact on its financial statements.

(c) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company has yet to assess the impact of this standard on its financial statements.

(d) IFRS 16, 'Leases' is applicable on accounting periods beginning to or after January 1, 2019. The IASB has issued a new standard for leases accounting. At the simplest level, the accounting treatment of leases by lessees will change fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. The Company has yet to assess the impact of this standard on its financial statements.

(e) Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative are applicable to annual periods beginning on or after January 1, 2016, The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Notes – confirmation that the notes do not need to be presented in a particular order. Other comprehensive income (OCI) arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards / accounting policies are not required for these amendments. These amendments likely to only affects the disclosures in the Company's financial statements.

(f) IAS 27 (Amendments), 'Separate financial statements' are applicable to accounting periods beginning on or after January 1, 2016. These provide entities the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Company shall apply these amendments from January 01, 2016 and has not yet evaluated whether it shall change its accounting policy to avail this option.

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

## 3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except for certain classes of property, plant and equipment which have been included at revalued amounts and provision for gratuity which is carried at present value of defined benefit obligation net of fair value of plan assets.

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

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

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

(i) Estimate of useful lives and residual values of property, plant & equipment and intangible assets (notes 4.1 and 4.2)

(ii) Stock-in-trade (note 4.5)

(iii) Provision for staff benefits (note 4.10)

(iv) Provision for warranty (note 4.12)

(v) Provision for taxation (note 4.14)

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Property, plant and equipment

### 4.1.1 Operating fixed assets

#### Owned assets

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

#### Subsequent cost

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

#### Depreciation

Depreciation on all items of operating fixed assets other than freehold land is charged to profit and loss account applying the reducing balance method at the rates stated in note 5.1. Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

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

#### Disposal

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

#### Revaluation of assets

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

#### Leased assets

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

#### Impairment

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

### 4.1.2 Capital work-in-progress

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

### 4.2 Intangible assets

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

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

### Subsequent expenditure

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

### Amortisation

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

## 4.3 Investments

### 4.3.1 Investments in Subsidiary and Associated Company

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

### 4.3.2 Held to maturity

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. They are included in non-current assets unless the investment matures or management intends to dispose-off it within 12 months of the end of the reporting date.

Subsequent to initial recognition held to maturity investments are carried at amortised cost using the effective interest method. Interest on held to maturity investments is calculated using the effective interest method and is recognised in the profit and loss account.

### 4.3.3 Available for sale

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

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

## 4.4 Stores, spares and loose tools

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

## 4.5 Stock-in-trade

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

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

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

### 4.6 Trade debts and other receivables

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

### 4.7 Loans and receivables

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

### 4.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents include deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

### 4.9 Mark-up bearing loans and borrowings

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

### 4.10 Staff benefits

#### 4.10.1 Defined benefit plan

The Company operates funded gratuity scheme which defines the amount of benefit that an employee will receive on retirement subject to minimum qualifying period of service under the scheme. The amount of retirement benefit is usually dependent on one or more factors such as age, years of service and salary. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2016 on the basis of the projected unit credit method by an independent Actuary. The liability recognised in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

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

### 4.10.2 Defined contribution plan

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

### 4.10.3 Employees compensated absences

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

### 4.11 Trade and other payables

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

### 4.12 Warranty obligations

The Company recognises the estimated liability, on an accrual basis, to repair parts of trucks under warranty at the reporting date, and recognises the estimated product warranty costs in profit and loss account when the sale is recognised.

### 4.13 Research and development cost

Research and development cost is charged in the year in which it is incurred. Development costs previously charged to income are not recognised as an asset in the subsequent period.

### 4.14 Taxation

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

#### Current

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

#### Deferred

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

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

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

### 4.15 Financial assets and liabilities

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

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

### 4.16 Off-setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

### 4.17 Provisions, contingent assets and contingent liabilities

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

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

### 4.18 Revenue recognition

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

### Trading

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

### Manufacturing

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

### Other

- Return on bank deposits, term deposit receipts and advance to Subsidiary Company is accounted for on accrual basis.
- Dividend income is recognised when the right to receive payment is established.

### 4.19 Borrowing cost

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

### 4.20 Foreign currency translation

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

### 4.21 Impairment loss

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

### 4.22 Earnings per share

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

### 4.23 Dividend and appropriation to reserves

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

## 5. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Operating fixed assets | 5.1 | 1,846,454 | 1,749,285 |
| Capital work-in-progress - vehicles | | 5,764 | - |
| | | 1,852,218 | 1,749,285 |

5.1 Operating fixed assets

| | Freehold land | Leasehold land | Buildings on freehold land | Plant and machinery | Assembly jigs | Furniture and fixtures | Vehicles Owned | Vehicles Leased | Other equipment | Office equipment | Computers | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees in '000 | | | | | | | | | | | |
| **At July 1, 2014** | | | | | | | | | | | | |
| Revaluation / cost | 498,938 | 15,000 | 675,883 | 599,482 | 44,959 | 3,146 | 66,455 | 21,462 | 9,188 | 5,530 | 10,264 | 1,950,307 |
| Accumulated depreciation | - | (9,189) | - | (70,550) | (41,842) | (2,486) | (41,699) | (2,313) | (8,489) | (4,910) | (9,464) | (190,942) |
| Net book value | 498,938 | 5,811 | 675,883 | 528,932 | 3,117 | 660 | 24,756 | 19,149 | 699 | 620 | 800 | 1,759,365 |
| **Year ended June 30, 2015** | | | | | | | | | | | | |
| Opening net book value | 498,938 | 5,811 | 675,883 | 528,932 | 3,117 | 660 | 24,756 | 19,149 | 699 | 620 | 800 | 1,759,365 |
| Additions | - | - | - | 11,720 | 1,445 | - | 6,962 | 46,738 | 159 | 755 | 1,149 | 68,928 |
| Disposals | | | | | | | | | | | | |
| - cost | - | - | - | - | - | - | (10,019) | - | - | - | - | (10,019) |
| - accumulated depreciation | - | - | - | - | - | - | 6,556 | - | - | - | - | 6,556 |
| | - | - | - | - | - | - | (3,463) | - | - | - | - | (3,463) |
| Transfer from leased to owned | | | | | | | | | | | | |
| - cost | - | - | - | - | - | - | 5,442 | (5,442) | - | - | - | - |
| - accumulated depreciation | - | - | - | - | - | - | (2,487) | 2,487 | - | - | - | - |
| | - | - | - | - | - | - | 2,955 | (2,955) | - | - | - | - |
| Transfer from owned to leased | | | | | | | | | | | | |
| - cost | - | - | - | - | - | - | (1,039) | 1,039 | - | - | - | - |
| - accumulated depreciation | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | (1,039) | 1,039 | - | - | - | - |
| Depreciation charge | - | (581) | (33,794) | (26,495) | (768) | (66) | (6,215) | (6,626) | (252) | (370) | (378) | (75,545) |
| Closing net book value | 498,938 | 5,230 | 642,089 | 514,157 | 3,794 | 594 | 23,956 | 57,345 | 606 | 1,005 | 1,571 | 1,749,285 |
| **At June 30, 2015** | | | | | | | | | | | | |
| Revaluation / cost | 498,938 | 15,000 | 675,883 | 611,202 | 46,404 | 3,146 | 67,801 | 63,797 | 9,347 | 6,285 | 11,413 | 2,009,216 |
| Accumulated depreciation | - | (9,770) | (33,794) | (97,045) | (42,610) | (2,552) | (43,845) | (6,452) | (8,741) | (5,280) | (9,842) | (259,931) |
| Net book value | 498,938 | 5,230 | 642,089 | 514,157 | 3,794 | 594 | 23,956 | 57,345 | 606 | 1,005 | 1,571 | 1,749,285 |
| **Year ended June 30, 2016** | | | | | | | | | | | | |
| Opening net book value | 498,938 | 5,230 | 642,089 | 514,157 | 3,794 | 594 | 23,956 | 57,345 | 606 | 1,005 | 1,571 | 1,749,285 |
| Additions | - | 162,724 | - | 13,672 | - | 294 | 4,581 | 2,658 | 185 | 220 | 1,275 | 185,609 |
| Disposals | | | | | | | | | | | | |
| - cost | - | - | - | - | - | - | (4,098) | (693) | - | (177) | - | (4,968) |
| - accumulated depreciation | - | - | - | - | - | - | 3,245 | 90 | - | 173 | - | 3,508 |
| | - | - | - | - | - | - | (853) | (603) | - | (4) | - | (1,460) |
| Depreciation charge | - | (10,015) | (32,104) | (25,984) | (759) | (78) | (4,912) | (11,736) | (239) | (398) | (755) | (86,980) |
| Closing net book value | 498,938 | 157,939 | 609,985 | 501,845 | 3,035 | 810 | 22,772 | 47,664 | 552 | 823 | 2,091 | 1,846,454 |
| **At June 30, 2016** | | | | | | | | | | | | |
| Revaluation / cost | 498,938 | 177,724 | 675,883 | 624,874 | 46,404 | 3,440 | 68,284 | 65,762 | 9,532 | 6,328 | 12,688 | 2,189,857 |
| Accumulated depreciation | - | (19,785) | (65,898) | (123,029) | (43,369) | (2,630) | (45,512) | (18,098) | (8,980) | (5,505) | (10,597) | (343,403) |
| Net book value | 498,938 | 157,939 | 609,985 | 501,845 | 3,035 | 810 | 22,772 | 47,664 | 552 | 823 | 2,091 | 1,846,454 |
| Depreciation rate (% per annum) | | 10 | 5 | 5 | 20 | 10 | 20 | 20 | 33 | 33 | 33 | |

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

The Company as on June 30, 2014 again revalued its freehold land, buildings on freehold land, plant & machinery and assembly jigs. The revaluation exercise was carried out by independent valuer - Harvester Services (Pvt.) Ltd., (Approved valuers of Pakistan Banks' Association and Leasing Association of Pakistan) I. I. Chundrigar Road, Karachi. Freehold land was revalued on the basis of current market price whereas buildings on freehold land, plant & machinery and assembly jigs were revalued on the basis of depreciated market value (level 2).

The different levels have been defined in IFRS 13 as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future) (level 3).

The appraisal surplus arisen on latest revaluation exercise aggregating Rs.468.345 million has been incorporated in the books of the Company in accordance with the provisions of section 235 of the Companies Ordinance, 1984.

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

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Freehold land | | 61,456 | 61,456 |
| Buildings on freehold land | | 115,234 | 121,299 |
| Plant and machinery | | 146,678 | 140,297 |
| Assembly Jigs | | 2,828 | 3,535 |

5.4 Depreciation charge has been allocated as follows:

| | Note | 2016 | 2015 |
|---|---|---|---|
| Cost of goods manufactured | 31.1 | 73,396 | 66,612 |
| Administrative expenses | 33 | 13,584 | 8,933 |
| | | 86,980 | 75,545 |

5.5 The details of operating fixed assets disposed-off are as follows:

| Particular of assets | Cost | Accumu-lated deprec-iation | Net book value | Sale proceeds | Gain / (loss) | Mode of disposal | Particular of buyers |
|---|---|---|---|---|---|---|---|
| | ---- Rupees in '000 ---- | | | | | | |
| Items having book value exceeding Rs.50,000 each | | | | | | | |
| Vehicles | | | | | | | |
| Nissan sunny | 877 | 728 | 149 | 625 | 476 | Negotiation | Mr. Muhammad Rafiq Patel (Key management person) |
| Nissan sunny | 949 | 815 | 134 | 625 | 491 | Negotiation | Mr. Muhammad Khalid Mehr (Key management person) |
| Nissan sunny | 1,170 | 824 | 346 | 675 | 329 | Negotiation | Mr. Muhammad Younus (Key management person) |
| Suzuki mehran | 552 | 336 | 216 | 112 | (104) | Company policy | Mr. Abdul Hafeez (employee) |
| Suzuki mehran | 693 | 90 | 603 | 650 | 47 | Insurance claim | Premier Insurance Limited |
| | 4,241 | 2,793 | 1,448 | 2,687 | 1,239 | | |
| Items having book value upto Rs.50,000 each | 727 | 715 | 12 | 472 | 460 | | |
| June 30, 2016 | 4,968 | 3,508 | 1,460 | 3,159 | 1,699 | | |
| June 30, 2015 | 10,019 | 6,556 | 3,463 | 4,753 | 1,290 | | |

5.6 The Company's present and future land, buildings on freehold land and plant & machinery are under mortgaged / hypothecated charged upto Rs.1,647 million (2015: Rs.1,647 million) with banks for short term finance facilities.

## 6. INTANGIBLE ASSETS

These represent computer software licenses.

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Cost | | 500 | 500 |
| Accumulated amortisation | | | |
| At beginning of the year | | 412 | 382 |
| Add: charge for the year | 33 | 22 | 30 |
| At end of the year | | 434 | 412 |
| Net book value | | 66 | 88 |
| Rate of amortisation (% - per annum) | | 25 | 25 |

| | | Note | 2016 | 2015 |
|---|---|---|---|---|
| | | | ----- Rupees in '000 ----- | |
| 7. | LONG TERM INVESTMENTS | | | |
| | Subsidiary Company - at cost | | | |
| | Ghandhara DF (Private) Limited | | | |
| | 14,999,500 (2015: 9,999,500) ordinary shares of Rs.10 each | | 149,995 | 99,995 |
| | Equity held: 99.99% (2015: 99.99%) | | | |
| | Break-up value per share on the basis of latest financial statements is Rs.13.90 (2015:Rs.10.97) | | | |
| | Associated Company - at cost | | | |
| | Ghandhara Industries Limited | | | |
| | 5,166,168 (2015: 5,166,168) ordinary shares of Rs.10 each | | 92,635 | 92,635 |
| | Equity held: 24.25% (2015: 24.25%) | | | |
| | Fair value: Rs.2,096.896 million (2015: Rs.367.986 million) | | | |
| | Others - available for sale | | | |
| | Automotive Testing & Training Center (Private) Limited | | | |
| | 187,500 (2015: 187,500) ordinary shares of Rs.10 each - cost | | 1,875 | 1,875 |
| | Provision for impairment | | (1,875) | (1,875) |
| | | | - | - |
| | | | 242,630 | 192,630 |
| 8. | LONG TERM LOANS - Unsecured, considered good and interest free | | | |
| | Loans to employees | | | |
| | - executives | 8.1 & 8.2 | 6,180 | - |
| | - other employees | 8.1 | 6,108 | 7,957 |
| | | | 12,288 | 7,957 |
| | Less: amounts recoverable within one year and grouped under current assets | | | |
| | - executives | | 1,387 | - |
| | - other employees | | 1,463 | 1,480 |
| | | | 2,850 | 1,480 |
| | | | 9,438 | 6,477 |

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

## 8.2 Reconciliation of carrying amount of loans to executives

| | 2016 | 2015 |
|---|---|---|
| | --- Rupees in '000 --- | |
| Disbursements during the year | 7,286 | - |
| Repayments during the year | (1,106) | - |
| Balance at end of the year | 6,180 | - |

8.3 The maximum aggregate amount outstanding at the end of any month during the year ended June 30, 2016 from executives aggregated to Rs.6.306 million (2015: Rs.Nil).

## 9. LONG TERM DEPOSITS - Unsecured, considered good and interest free

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| Deposits held with / against: | | |
| Central Depository Company of Pakistan Limited | 25 | 25 |
| Lease facilities | | |
| - shariah compliant | 9,094 | 8,240 |
| - conventional | 2,094 | 2,094 |
| | 11,188 | 10,334 |
| Utilities | 6,174 | 6,174 |
| Others | 100 | 100 |
| | 17,487 | 16,633 |

## 10. DUE FROM SUBSIDIARY COMPANY - Unsecured and interest bearing

The Company, during the year, approved aggregate cash limit of Rs.500 million to Ghandhara DF (Private) Limited (the Subsidiary Company) for its working capital requirements after obtaining requisite approval from the shareholders. This advance is unsecured and has been granted for a period of three years. It carries mark-up at rate of six months KIBOR + 3.00% per annum and is recoverable on quarterly basis.

## 11. STORES, SPARES AND LOOSE TOOLS

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| Stores | 67,862 | 50,059 |
| Spares and loose tools | 186 | 115 |
| | 68,048 | 50,174 |

## 12. STOCK-IN-TRADE

| | 2016 | 2015 |
|---|---|---|
| **Raw materials** | | |
| In hand | 346,421 | 264,099 |
| less: provision for obsolete / slow moving stock | (15,000) | (15,000) |
| | 331,421 | 249,099 |
| In transit | 159,682 | 239,775 |
| | 491,103 | 488,874 |
| **Finished goods** | | |
| **In hand** | | |
| Complete Built-up Units (CBU) - trucks and cars | 58,545 | 46,872 |
| Spare parts | 31,485 | 24,583 |
| **Held with third parties** | | |
| CBU - trucks | 23,556 | 49,218 |
| **In transit** | | |
| CBU - trucks | - | 14,300 |
| | 113,586 | 134,973 |
| | 604,689 | 623,847 |

12.1 The present and future stock-in-trade, trade debts and receivables aggregating Rs.1,715 million (2015: Rs.1,715 million) are under pledge / joint hypothecation charge with banks against short term finances and running finances.

## 13. TRADE DEBTS - Unsecured considered good

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Vehicles and assembly charges | 13.1 | 182,897 | 343,297 |
| Spare parts | | 5,435 | 2,430 |
| | | 188,332 | 345,727 |

### 13.1 Trade debts include the following amounts due from related parties:

| | | 2016 | 2015 |
|---|---|---|---|
| Ghandhara DF (Private) Limited | | 9,398 | 5,920 |
| Ghandhara Industries Limited | | 39,952 | 34,713 |
| Gammon Pakistan Limited | | - | 3 |
| | | 49,350 | 40,636 |

13.2 The ageing of the trade debts receivable from related parties as at the reporting date is as follows:

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Up to 3 months | | 47,816 | 37,337 |
| 3 to 6 months | | 1,534 | 3,299 |
| | | 49,350 | 40,636 |

## 14. LOANS AND ADVANCES - Unsecured, considered good and interest free

| | Note | 2016 | 2015 |
|---|---|---|---|
| Current portion of long term loans | 8 | 2,850 | 1,480 |
| Loans to: | | | |
| - executives | 14.1 & 14.2 | 100 | 890 |
| - other employees | 14.1 | 693 | 1,070 |
| | | 793 | 1,960 |
| Advances to: | | | |
| - executives | | 215 | 127 |
| - other employees | | 880 | 3,679 |
| - suppliers, contractors and others | 14.4 | 38,108 | 26,490 |
| | | 39,203 | 30,296 |
| Letters of credit | | 8,270 | 6,476 |
| | | 51,116 | 40,212 |

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

## 14.2 Reconciliation of carrying amount of loans to executives

| | 2016 | 2015 |
|---|---|---|
| | --- Rupees in '000 --- | |
| Balance at beginning of the year | 890 | 1,910 |
| Disbursements | 175 | - |
| | 1,065 | 1,910 |
| Repayments | (965) | (1,020) |
| Balance at end of the year | 100 | 890 |

14.3 The maximum aggregate amount outstanding at the end of any month during the year ended June 30, 2016 from executives aggregated to Rs.0.830 million (2015: Rs.1.825 million).

14.4 Includes Rs.0.220 million (2015: Rs.2.102 million) advanced to The General Tyre and Rubber Company of Pakistan Limited - an Associated Company for purchase of tyres.

## 15. DEPOSITS AND PREPAYMENTS

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Deposits - considered good and interest free | | 2,614 | 2,727 |
| Prepaid | | | |
| - rent [Bibojee Services (Private) Limited - the Holding Company] | | - | 3,718 |
| - others | | 5,529 | 1,095 |
| | | 5,529 | 4,813 |
| Current account balances with statutory authorities | | 10,174 | 31,554 |
| | | 18,317 | 39,094 |

## 16. OTHER RECEIVABLES

Considered good and interest free

| | Note | 2016 | 2015 |
|---|---|---|---|
| Due from Subsidiary Company | 16.1 | 2,976 | - |
| Sales tax refundable / adjustable | | 47,365 | - |
| Bank guarantee margin | | 7,574 | 8,186 |
| Letters of credit margin | | 22,867 | 4,427 |
| Security deposits and earnest money - interest free | | 4,955 | 15,186 |
| Others | | 394 | 135 |
| | | 86,131 | 27,934 |

16.1 This represents commission accrued on counter guarantees given to the commercial banks by the Company against letters of credit facilities utilised by the Subsidiary Company.

## 17. ACCRUED INTEREST / MARK-UP

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Interest / mark-up accrued on: | | | |
| - long term advance to Subsidiary Company | | 6,310 | - |
| - term deposits receipts | | 338 | 2,815 |
| | | 6,648 | 2,815 |

## 18. BANK BALANCES

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Cash at banks on: | | | |
| - current accounts | | 208,403 | 85,910 |
| - deposit accounts | 18.1 | 9,917 | 9,917 |
| - term deposits receipts | 18.2 | 161,000 | 237,000 |
| | | 379,320 | 332,827 |
| Provision for doubtful bank balance | 18.3 | (3,912) | (3,912) |
| | | 375,408 | 328,915 |

18.1 These, during the year, carry mark-up upto 5.50% (2015: 9.00%) per annum.

18.2 Term deposit receipts (TDRs) have maturity days ranging from seven to one hundred eighty two days from respective dates of acquisition. These TDRs carry mark-up at rates ranging from 4.30% to 5.60% (2015: 6.00% to 7.40%) per annum.

18.3 This represents provision made against bank balance held with Indus Bank Limited whose operations were ceased by the State Bank of Pakistan and is under liquidation. The above balance is net of Rs.42.586 million deposited in the deposit account and margin account against four letters of credit due in May and June 2000. Despite full payments and several reminders, the payment of above letters of credit has not been made to the supplier of goods. The Company considers that it has discharged its obligation against the said letters of credit.

18.4 The Company has banking relationships with banks having conventional banking system except an account maintained under shariah compliant banking system.

## 19. SHARE CAPITAL

### 19.1 Authorized capital

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| 80,000,000 (2015: 80,000,000) ordinary shares of Rs.10 each | 800,000 | 800,000 |

### 19.2 Issued, subscribed and paid-up capital

| 2016 | 2015 | | 2016 | 2015 |
|---|---|---|---|---|
| -- No. of shares -- | | | Rupees in '000 | |
| 14,800,000 | 14,800,000 | Ordinary shares of Rs.10 each fully paid in cash | 148,000 | 148,000 |
| 200,000 | 200,000 | Ordinary shares of Rs.10 each issued as fully paid bonus shares | 2,000 | 2,000 |
| 30,002,500 | 30,002,500 | Ordinary shares of Rs.10 each issued for acquisition | 300,025 | 300,025 |
| 45,002,500 | 45,002,500 | | 450,025 | 450,025 |

19.3 At June 30, 2016 and June 30, 2015 Bibojee Services (Private) Limited (the Holding Company) and UD Trucks Corporation, Japan, a related party, respectively held 28,046,417 and 3,647,090 ordinary shares of the Company.

## 20. SURPLUS ON REVALUATION OF FIXED ASSETS - Net

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| Balance at beginning of the year | 1,311,867 | 1,357,938 |
| Transferred to unappropriated profit on account of incremental depreciation for the year | (43,758) | (46,071) |
| | 1,268,109 | 1,311,867 |
| Less: related deferred tax of: | | |
| - opening balance | 263,572 | 303,750 |
| - incremental depreciation for the year | (13,127) | (13,821) |
| - effect of change in tax rate | - | (26,357) |
| - closing balance | 250,445 | 263,572 |
| Balance at end of the year | 1,017,664 | 1,048,295 |

## 21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

| | 2016 | 2015 |
|---|---|---|
| Balance at beginning of the year | 57,022 | 16,662 |
| Assets acquired during the year | 8,358 | 47,777 |
| Repaid / adjusted during the year | (11,544) | (7,417) |
| | 53,836 | 57,022 |
| Current portion grouped under current liabilities | (13,659) | (11,387) |
| Balance at end of the year | 40,177 | 45,635 |

21.1 These represent vehicles acquired under finance lease / diminishing musharakah arrangements from various financial institutions. Rentals are payable on monthly basis. These finance facilities, during the year, were subject to finance cost at the rates ranged from 8.36% to 17.50% (2015: 11.00% to 17.50%) per annum. These facilities are secured against title of the leased vehicles in the name of lessor. The Company intends to exercise its option to purchase the leased vehicles upon completion of the lease terms.

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

| Particulars | Upto one year | From one to five years | 2016 | Upto one year | From one to five years | 2015 |
|---|---|---|---|---|---|---|
| | ----- Rupees in '000 ----- | | | | | |
| Minimum lease payments | 17,600 | 44,304 | 61,904 | 16,513 | 52,520 | 69,033 |
| Finance cost allocated to future periods | (3,941) | (4,127) | (8,068) | (5,126) | (6,885) | (12,011) |
| Present value of minimum lease payments | 13,659 | 40,177 | 53,836 | 11,387 | 45,635 | 57,022 |

## 22. LONG TERM DEPOSITS - Interest free

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Dealers' deposit | 22.1 | 8,000 | 9,000 |
| Vendors | | 111 | 111 |
| Others | | 500 | 500 |
| | | 8,611 | 9,611 |

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

## 23. DEFERRED LIABILITIES

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Provision for gratuity | 23.1 | - | 83,370 |
| Provision for compensated absences | 23.2 | - | 28,583 |
| Gain on sale and lease back of fixed assets | 23.3 | 11 | 16 |
| | | 11 | 111,969 |

### 23.1 Provision for gratuity

Previously the Company operated an unfunded gratuity scheme which defines the amount of benefit that employees will receive on retirement subject to minimum qualifying period of service under the scheme. During the current year, the Company decided to contribute to the Fund - 'Ghandhara Nissan Limited - Employees Gratuity Fund' established under an irrevocable trust to pay / manage gratuities of eligible employees. This is a trustee-administered fund and is governed by local regulations which mainly includes Trust Act, 1882, Companies Ordinance, 1984, Income Tax Rules, 2002 and Rules under the Trust deed of the Scheme. Responsibility for governance of the Scheme, including investment decisions and contributions schedules lies with the board of trustees. Trustee of the Fund are appointed by the Company and are employees of the Company.

The latest actuarial valuation of the Scheme as at June 30, 2016 was carried out using the 'Projected Unit Credit Method'. Details of the Scheme as per the actuarial valuation are as follows:

| | Funded gratuity scheme 2016 | Unfunded gratuity scheme 2015 |
|---|---|---|
| **23.1.1 Balance sheet reconciliation** | ----- Rupees in '000 ----- | |
| Present value of defined benefit obligation | 95,390 | 80,791 |
| Fair value of plan assets | (30,000) | - |
| Benefits payable | 1,648 | 2,579 |
| | 67,038 | 83,370 |
| Payable within next twelve months | (67,038) | - |
| Net liability at end of the year | - | 83,370 |
| **23.1.2 Net liability recognised** | | |
| Net liability at beginning of the year | 83,370 | 70,404 |
| Charge to profit and loss account | 13,215 | 14,020 |
| Contributions made by the Company | (30,000) | - |
| Re-measurement recognised in other comprehensive income | 3,297 | 2,061 |
| Benefits paid during the year | (2,844) | (3,115) |
| Net liability at end of the year | 67,038 | 83,370 |
| Payable within next twelve months | (67,038) | - |
| | - | 83,370 |

| | Funded gratuity scheme 2016 | Unfunded gratuity scheme 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| **23.1.3 Movement in the present value of defined benefit obligation** | | |
| Balance at beginning of the year | 80,791 | 70,356 |
| Current service cost | 5,431 | 5,072 |
| Interest cost | 7,784 | 8,948 |
| Benefits paid | (1,328) | (3,115) |
| Benefits due but not paid | (585) | (2,531) |
| Re-measurement on obligation | 3,297 | 2,061 |
| Balance at end of the year | 95,390 | 80,791 |
| **23.1.4 Movement in the fair value of plan assets** | | |
| Contribution received during the year | 30,000 | - |
| 23.1.5 Plan assets represent bank balances. | | |
| **23.1.6 Expense recognised in profit and loss account** | | |
| Current service cost | 5,431 | 5,072 |
| Interest cost | 7,784 | 8,948 |
| | 13,215 | 14,020 |
| **23.1.7 Re-measurement recognised in other comprehensive income** | | |
| Experience adjustments | 3,297 | 2,061 |

| | Funded gratuity scheme 2016 | Unfunded gratuity scheme 2015 |
|---|---|---|
| **23.1.8 Significant actuarial assumptions and sensitivity** | --- % per annum --- | |
| Discount rate | 7.75 | 9.75 |
| Expected rate of increase in future salaries | 7.75 | 9.75 |
| Mortality rates (for death in service) | SLIC 2001-2005 | SLIC 2001-2005 |

The sensitivity of the defined benefit obligation to changes in principal assumptions is :

| | Impact on define benefit obligation | | |
|---|---|---|---|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| | | --- Rupees in '000 --- | |
| Discount rate | 1.00% | 88,534 | 101,494 |
| Increase in future salaries | 1.00% | 101,501 | 88,414 |

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

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

23.1.9 Based on actuary's advice, the expected charge to profit and loss account for the year ending June 30, 2017 amounts to Rs.10.762 million.

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

### 23.1.11 Historical information

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| | Rupees in '000 | | | | |
| Present value of defined benefit obligation | 95,390 | 80,791 | 70,356 | 60,895 | 48,553 |
| Experience adjustment on obligation | 3,297 | 2,061 | 3,636 | 4,972 | (4,798) |

### 23.1.12 Expected maturity analysis of undiscounted retirement benefit plan:

| | Less than a year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| | Rupees in '000 | | | | |
| At June 30, 2016 | 24,565 | 4,358 | 23,515 | 433,749 | 486,187 |

| 23.2 Provision for compensated absences | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Balance at beginning of the year | | 28,583 | 24,391 |
| Provision for the year | | 7,695 | 6,007 |
| | | 36,278 | 30,398 |
| En-cashed during the year | 23.2.1 | (36,278) | (1,815) |
| Balance at end of the year | | - | 28,583 |

23.2.1 Management, during the year, has fully repaid the employees entitlement to their leaves and leave compensation policy has been abolished.

### 23.3 Gain on sale and lease back of fixed assets

The Company has entered into a sale and lease back transaction during the preceding year which results in finance lease. The excess of sale proceeds over the net book value of vehicle under sale and lease back arrangement has been recognised as deferred income and is amortized over the period of lease term.

## 24. DEFERRED TAXATION - Net

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| The liability for deferred taxation comprises of temporary differences relating to: | | | |
| - accelerated tax depreciation allowance | | 50,479 | 49,566 |
| - surplus on revaluation of fixed assets | | 250,445 | 263,572 |
| - lease finances | | (142) | 97 |
| - provision for gratuity | | (20,447) | (25,845) |
| - provision for compensated absences | | - | (8,861) |
| - provision for warranty claims | | (946) | (4,226) |
| - provision for obsolete / slow moving stock | | (4,650) | (4,800) |
| - provision for bank balances | | (1,174) | (1,174) |
| | | 273,566 | 268,329 |

## 25. TRADE AND OTHER PAYABLES

| | Note | 2016 | 2015 |
|---|---|---|---|
| Trade creditors | | 117,686 | 65,093 |
| Bills payable | | 56,908 | 123,414 |
| Accrued liabilities | 25.1 | 140,145 | 50,443 |
| Refundable - CKD / CBU business | | 1,403 | 1,403 |
| Customers' credit balances | 25.2 | 581,026 | 231,899 |
| Commission | | 12,337 | 6,874 |
| Unclaimed gratuity | | 231 | 231 |
| Dealers' deposits against vehicles - interest free | | 21,900 | 24,400 |
| Payable to gratuity fund | 23.1 | 67,038 | - |
| Due to related parties | 25.3 | 31,465 | 30,219 |
| Withholding tax | | 3,941 | 5,530 |
| Sales tax payable - net | | - | 523 |
| Workers' profit participation fund | 25.4 | 44,711 | 42,281 |
| Workers' welfare fund | | 16,990 | 21,579 |
| Retention money | | 240 | 103 |
| Unclaimed dividend | | 4,853 | 2,132 |
| Warranty claims | | 8,051 | 13,207 |
| Others | 25.5 & 25.6 | 17,125 | 23,550 |
| | | 1,126,050 | 642,881 |

25.1 Includes Rs.27.900 million (2015: Rs.20.173 million) which pertains to a key management person.

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

### 25.3 Due to related parties

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| UD Trucks Corporation - Japan | | 13,899 | 10,334 |
| Rehman Cotton Mills Limited | | - | 10,000 |
| Bibojee Services (Private) Limited | | 7,681 | - |
| Waqf-e-Kuli Khan | | 9,885 | 9,885 |
| | | 31,465 | 30,219 |

### 25.4 Workers' profit participation fund

| | Note | 2016 | 2015 |
|---|---|---|---|
| Balance at beginning of the year | | 42,281 | 14,484 |
| Allocation for the year | 35 | 44,711 | 42,281 |
| Interest on funds utilised in the Company's business | 36 | 4,418 | 1,631 |
| | | 91,410 | 58,396 |
| Payment made during the year | | (46,699) | (16,115) |
| Balance at end of the year | | 44,711 | 42,281 |

25.5 Includes Rs.1.479 million (2015: Rs.2.479 million) which pertain to a key management person.

25.6 Includes deposits and instalments under the Company's staff vehicle policy aggregating Rs.7.196 million (2015: Rs.5.083 million).

## 26. ACCRUED MARK-UP

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Mark-up accrued on: | | | |
| - short term finances | | - | 586 |
| - running finances | | 136 | 7,399 |
| | | 136 | 7,985 |

## 27. SHORT TERM FINANCES - Secured

| | Note | 2016 | 2015 |
|---|---|---|---|
| Balance as at June 30, | 27.1 | - | 32,259 |

27.1 The Company had arranged short term loan of Rs.330 million from Faysal Bank Limited (the Bank) against outstanding import bills. Originally this loan was repayable in monthly instalments of Rs.22 million each. The Company during the prior years had repaid instalments aggregating Rs.215 million and balance of Rs.115 million was renewed by the Bank. The Company, during the year, has fully repaid the outstanding balance against this loan. The short term loan carried mark-up at the rate of six months KIBOR plus 1.80% per annum.

## 28. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS - Secured

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Balance as at June 30, | 28.1 | - | 118,802 |

28.1 Running finance facilities available from commercial banks under mark-up arrangements aggregate to Rs.375 million (2015: Rs.375 million) and are secured by way of equitable, hypothecation and pari passu charge over fixed and current assets of the Company. These, during the current financial year, carry mark-up at the rates ranging from 7.95% to 8.51% (2015: 9.79% to 12.21%) per annum. The arrangements are expiring on October 31, 2016.

28.2 The facilities for opening letters of credit as at June 30, 2016 aggregate to Rs.2,350 million (2015: Rs.1,577 million) of which the amount remained unutilised at the year-end was Rs.848.430 million (2015: Rs.891.344 million). Further, the Company also has Finance against Import Merchandise facilities aggregating Rs.2,150 million (2015: Rs.1,270 million) and letters of guarantee facilities aggregating Rs.310 million (2015: Rs.110 million) as sub limits of these letters of credit facilities. These facilities are secured against effective pledge of imported consignments, first pari passu charge over land along with buildings and plant & machinery and hypothecation charge over present and future stocks & books debts.

28.3 Facilities aggregated Rs.1,250 million (2015: Rs.Nil) out of the abovementioned facilities are also available to the Subsidiary Company.

## 29. CONTINGENCIES AND COMMITMENTS

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

29.2 Commitment in respect of irrevocable letters of credit as at June 30, 2016 aggregate to Rs.1,501.570 million (2015: Rs.665.609 million).

29.3 Guarantees aggregating Rs.11.022 million (2015: Rs.20.047 million) are issued by banks of the Company to various government and other institutions. Further, the Company has issued corporate guarantees aggregating Rs.1,441 million (2015: Rs.500 million) to the commercial banks against letters of credit facilities utilised by the Subsidiary Company.

## 30. REVENUE - Net

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| **Manufacturing activity** | | | |
| Local sales | | 5,450,618 | 5,891,705 |
| Less: | | | |
| - sales tax | | 791,970 | 856,060 |
| - commission | | 80,400 | 76,559 |
| | | 872,370 | 932,619 |
| | | 4,578,248 | 4,959,086 |
| **Trading activity** | | | |
| Local sales | | 504,800 | 573,621 |
| Export sales | | 2,179 | 1,360 |
| | | 506,979 | 574,981 |
| Less: | | | |
| - sales tax | | 73,602 | 83,414 |
| - discount and commission | | 6,477 | 5,261 |
| | | 80,079 | 88,675 |
| | | 426,900 | 486,306 |
| | | 5,005,148 | 5,445,392 |

## 31. COST OF SALES

| | Note | 2016 | 2015 |
|---|---|---|---|
| Finished goods at beginning of the year | | 134,973 | 58,621 |
| Cost of goods manufactured | 31.1 | 3,572,661 | 3,892,247 |
| Purchases - trading goods | | 318,899 | 498,483 |
| | | 3,891,560 | 4,390,730 |
| Finished goods at end of the year | 12 | (113,586) | (134,973) |
| | | 3,912,947 | 4,314,378 |

### 31.1 Cost of goods manufactured

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Raw materials and parts consumed | 31.2 | 3,053,024 | 3,442,427 |
| Fabrication of contract vehicles | | 1,352 | 16,869 |
| Stores and spares consumed | | 50,943 | 61,368 |
| Provision for obsolete / slow moving stock | | - | 15,000 |
| Salaries, wages and benefits | 31.3 | 195,900 | 142,555 |
| Transportation | | 8,039 | 8,291 |
| Repair and maintenance | | 44,865 | 19,744 |
| Depreciation | 5.4 | 73,396 | 66,612 |
| Material handling | | 11,829 | 7,390 |
| Insurance | | 3,115 | 4,059 |
| Communication | | 539 | 524 |
| Rent, rates and taxes | | 33,433 | 15,056 |
| Travelling and entertainment | | 2,635 | 952 |
| Power generation costs | | 49,208 | 52,736 |
| Printing, stationery and office supplies | | 1,226 | 837 |
| Royalty expense | | 28,440 | 15,420 |
| Product up-gradation charges | | 6,900 | 8,700 |
| Plant security | | 4,921 | 5,486 |
| Research and development cost | | - | 5,075 |
| Other manufacturing expenses | | 2,896 | 3,146 |
| | | 3,572,661 | 3,892,247 |

### 31.2 Raw materials and parts consumed

| | 2016 | 2015 |
|---|---|---|
| Stocks at beginning of the year | 249,099 | 331,465 |
| Purchases | 3,135,346 | 3,360,061 |
| | 3,384,445 | 3,691,526 |
| Stocks at end of the year | (331,421) | (249,099) |
| | 3,053,024 | 3,442,427 |

31.3 Salaries, wages and benefits include Rs.3.866 million (2015: Rs.4,681 million) and Rs.2.810 million (2015: Rs.2.528 million) in respect of staff retirement gratuity and staff provident fund respectively.

## 32. DISTRIBUTION COST

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Salaries and benefits | 32.1 | 28,350 | 19,486 |
| Utilities | | 246 | 289 |
| Rent of showroom | | 12,000 | 12,000 |
| Insurance | | 9 | 26 |
| Repair and maintenance | | 363 | 475 |
| Travelling and entertainment | | 8,919 | 7,433 |
| Telephone and postage | | 142 | 125 |
| Vehicle running | | 291 | 448 |
| Printing, stationery and office supplies | | 69 | 354 |
| Security | | 915 | 773 |
| Warranty services | | 3,001 | 13,527 |
| Godown and forwarding | | 44 | 443 |
| Sales promotion expenses | | 1,004 | 664 |
| Others | | 175 | 392 |
| | | 55,528 | 56,435 |

32.1 Salaries and benefits include Rs.0.209 million (2015: Rs.0.171 million) and Rs.1.018 million (2015: Rs.0.867 million) in respect of staff retirement gratuity and staff provident fund respectively.

## 33. ADMINISTRATIVE EXPENSES

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Salaries and benefits | 33.1 | 127,449 | 113,011 |
| Utilities | | 5,338 | 4,346 |
| Rent, rates and taxes | | 9,142 | 9,697 |
| Directors' fee | | 1,200 | 725 |
| Insurance | | 2,571 | 2,530 |
| Repairs and maintenance | | 3,089 | 2,565 |
| Depreciation and amortisation | 5.4 & 6 | 13,606 | 8,963 |
| Auditors' remuneration | 33.2 | 1,000 | 600 |
| Advertising | | 1,887 | 463 |
| Travelling and conveyance | | 12,190 | 3,278 |
| Legal and professional charges | | 3,612 | 4,655 |
| Vehicle running | | 4,167 | 2,926 |
| Telephone and postage | | 4,575 | 3,556 |
| Printing and stationery | | 5,241 | 4,040 |
| Subscription | | 2,254 | 2,400 |
| Security expenses | | 3,575 | 1,737 |
| Donation | 33.3 | 335 | 150 |
| Others | | 3,138 | 3,353 |
| | | 204,369 | 168,995 |

33.1 Salaries and benefits include Rs.9.140 million (2015: Rs.9.167 million) and Rs.2.624 million (2015: Rs.2.064 million) in respect of staff retirement gratuity and staff provident fund respectively.

### 33.2 Auditors' remuneration

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| Audit fee | | |
| ShineWing Hameed Chaudhri & Co. | 500 | 300 |
| Muniff Ziauddin & Co. | 500 | 300 |
| | 1,000 | 600 |

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

## 34. OTHER INCOME

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| **Income from financial assets** | | | |
| Interest / mark-up earned on: | | | |
| - deposit accounts | 34.1 | 836 | 1,910 |
| - term deposit receipts | 34.1 | 21,917 | 8,166 |
| - long term advance to Subsidiary Company | 34.2 | 16,576 | - |
| Dividend income - Ghandhara Industries Limited (an Associated Company) | | 23,248 | - |
| | | 62,577 | 10,076 |
| **Income from non-financial assets** | | | |
| Scrap sales - net of sales tax | | 3,815 | 4,128 |
| Gain on disposal of operating fixed assets | 5.5 | 1,699 | 1,290 |
| Amortization of gain on sale and lease back of fixed assets | | 5 | 4 |
| Commission income | | 11,516 | 6,579 |
| Others | 34.3 | 739 | 4,258 |
| | | 17,774 | 16,259 |
| | | 80,351 | 26,335 |

34.1 Interest at the rates ranged from 4.00% to 7.40% (2015: 6.00% to 8.50%) per annum has been earned during the year on term deposit receipts and deposit accounts placed under conventional banking system.

34.2 Interest at the rates ranged from 9.36% to 9.57% per annum has been earned during the year on long term advance to Subsidiary Company.

34.3 This represents interest free income from various sources.

## 35. OTHER EXPENSES

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Workers' profit participation fund | 25.4 | 44,711 | 42,281 |
| Workers' welfare fund | | 16,990 | 16,067 |
| | | 61,701 | 58,348 |

## 36. FINANCE COST

| | Note | 2016 | 2015 |
|---|---|---|---|
| Mark-up on: | | | |
| - short term finances | | 1,250 | 35,688 |
| - running finances | | 2,864 | 30,885 |
| Lease finance charges | | 4,720 | 3,731 |
| Exchange loss - net | 36.1 | 3,854 | 10,055 |
| Interest on workers' profit participation fund | 25.4 | 4,418 | 1,631 |
| Bank and other charges | | 1,337 | 4,304 |
| | | 18,443 | 86,294 |

36.1 This represents exchange loss / gain - net arising on revaluation of actual currency financial assets and financial liabilities.

| | 2016 | 2015 |
|---|---|---|
| **37. TAXATION** | ----- Rupees in '000 ----- | |
| Current - for the year | 279,989 | 141,103 |
| Deferred | | |
| - origination and reversal of temporary differences | 5,560 | 167,550 |
| - impact of change in tax rate | 699 | (30,243) |
| | 6,259 | 137,307 |
| | 286,248 | 278,410 |

**37.1 Relationship between income tax expense and accounting profit**

| | 2016 | 2015 |
|---|---|---|
| Net profit before taxation | 832,511 | 787,277 |
| Tax at the applicable income tax rate of 32% (2015: 33%) | 266,404 | 259,801 |
| Tax effect of expenses, which are not deductible for tax purposes and are taken to profit and loss account | 36,479 | 43,533 |
| Tax effect of expenses, which are deductible for tax purposes but are not taken to profit and loss account | (38,868) | (14,140) |
| Effect of tax credits | (1,367) | (95,175) |
| Tax effect of unused tax losses | - | (70,074) |
| Tax effect of income subject to final tax regime | (7,412) | (1,831) |
| Super tax | 24,753 | 18,989 |
| Deferred taxation | 6,259 | 137,307 |
| | 286,248 | 278,410 |

37.2 Section 5A of the Income Tax Ordinance, 2001 imposes tax at the rate of ten percent on every public company other than a scheduled bank or modaraba, that derives profits for tax a year but does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that it's reserves, after such distribution, are in excess of 100% of it's paid-up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40% of its after-tax profits or 50% of it's issued, subscribed and paid-up capital, whichever is less, within six months of the end of the tax year.

The Board of Directors in their meeting held on August 31, 2016 has distributed sufficient cash dividend for the year ended June 30, 2016 (note 46) which complies with the above-stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognised in these financial statements for the year ended June 30, 2016.

| | 2016 | 2015 |
|---|---|---|
| **38. EARNINGS PER SHARE** | ----- Rupees in '000 ----- | |
| **38.1 Basic earnings per share** | | |
| Net profit for the year | 546,263 | 508,867 |
| | -- Number of shares -- | |
| Weighted average ordinary shares in issue | 45,002,500 | 45,002,500 |
| | -------- Rupees -------- | |
| Earnings per share | 12.14 | 11.31 |

### 38.2 Diluted earnings per share

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

## 39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Chief Executive | Directors | Executives | Chief Executive | Director | Executives |
| | ---------------------------- Rupees in '000 | | | ---------------------------- | | |
| Managerial remuneration | 12,979 | 5,444 | 61,913 | 9,000 | 3,600 | 52,761 |
| Bonus | - | - | 5,876 | - | - | - |
| Contribution to provident fund | 587 | 75 | 2,587 | 456 | - | 2,154 |
| Gratuity | 425 | 75 | 1,897 | 228 | - | 1,700 |
| Utilities | - | - | 2,718 | - | - | 2,403 |
| Leave passage | - | - | 3,074 | - | - | - |
| | 13,991 | 5,594 | 78,065 | 9,684 | 3,600 | 59,018 |
| Number of persons | 1 | 2 | 33 | 1 | 1 | 30 |

39.1 The Chief Executive is also entitled for the use of the Company maintained car, security, telephone, club and medical expenses at actual. He is also entitled to receive other benefits as per Company policy applicable to all management employees.

39.2 Directors and certain Executives of the Company are also provided with free use of the Company maintained vehicles.

39.3 Aggregate amount charged in the financial statements for meeting fee to Directors was Rs.1.200 million (2015: Rs.0.725 million).

## 40. TRANSACTIONS WITH RELATED PARTIES

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

| Name | Nature of transaction | 2016 | 2015 |
|---|---|---|---|
| | | --- Rupees in '000 --- | |
| **(i) Holding Company** | | | |
| Bibojee Services | Rent | 17,400 | 17,400 |
| (Private) Limited | Dividend | 154,255 | 56,093 |
| **(ii) Subsidiary Company** | | | |
| Ghandhara DF (Private) | Investment made | 50,000 | 40,000 |
| Limited | Contract assembly | 20,177 | 4,733 |
| | Sale of truck and parts | 762 | 2,187 |
| | Long term advance net off | 478,444 | - |
| | Repayment | | |
| | | | - |
| | Interest accrued on long term | | - |
| | advance | 16,576 | - |
| | Amount received against interest | 10,266 | - |
| | Guarantee commission | 2,976 | - |
| **(iii) Associated Companies** | | | |
| Universal Insurance | | | |
| Company Limited | Insurance premium | - | 1,542 |
| The General Tyre and | | | |
| Rubber Company of | Purchase of tyres, tubes | | |
| Pakistan Limited | and flaps | 80,468 | 73,354 |
| Ghandhara Industries | Contract assembly | 174,283 | 88,218 |
| Limited | Fabrication of vehicles | 676 | 6,700 |
| | Purchase of vehicle | - | 2,250 |
| | Expense reimbursement | - | 180 |
| | Purchase of parts | 5 | - |
| | Sale of vehicles | 34,410 | - |
| | Dividend received | 23,248 | - |
| Rehman Cotton Mills | | | |
| Limited | Purchase of plant & machinery | - | 10,000 |
| Gammon Pakistan | Office rent | 2,250 | 1,500 |
| Limited | Sale of parts | - | 3 |
| **(iv) Others** | | | |
| UD Trucks Corporation, | Royalty | 12,963 | 14,041 |
| Japan | Purchases of complete | | |
| | knock down kits | 2,138,934 | 2,274,299 |
| | Dividend | 20,059 | 7,294 |
| Staff provident fund | Contribution made | 6,452 | 5,459 |
| Staff gratuity fund | Contribution made | 30,000 | - |
| Key management | Remuneration and other | | |
| personnel | short term benefits | 54,445 | 32,636 |
| | Sale of fleet vehicles | 1,925 | - |

## 41. PLANT CAPACITY

Against the production capacity of 2,500 trucks and buses on single shift basis, the Company produced 2,704 (2015: 1,922) trucks and buses of UD, Isuzu, DongFeng and Kamaz. The Company has also processed 2,496 (2015: 1,842) Truck cabs through paint shop.

Against the designed annual production capacity of 6,000 vehicles at car plant, on single shift basis, the Company has assembled 169 (2015: 446) vehicles of Land Rover. Due to low demand the plant capacity remained under-utilized.

## 42. FINANCIAL RISK MANAGEMENT

### 42.1 Financial risk factors

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

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

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

### (a) Credit risk

Credit risk represents the risk of financial loss being caused if counterparty fails to perform as contracted or discharge an obligation.

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

The maximum exposure to credit risk as at June 30, 2016 along with comparative is tabulated below:

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| Long term loans | 9,438 | 6,477 |
| Long term deposits | 6,299 | 6,299 |
| Due from Subsidiary Company | 478,444 | - |
| Trade debts | 188,332 | 345,727 |
| Loans and advances | 3,643 | 3,440 |
| Deposits and prepayments | 2,614 | 2,727 |
| Other receivables | 38,766 | 27,934 |
| Accrued interest / mark-up | 6,648 | 2,815 |
| Short term investment | - | 30,092 |
| Bank balances | 375,408 | 328,915 |
| | 1,109,592 | 754,426 |

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

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| Domestic | 188,332 | 345,151 |
| Export | - | 576 |
| | 188,332 | 345,727 |

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

| | 2016 | 2015 |
|---|---|---|
| Up to 3 months | 150,921 | 294,070 |
| 3 to 6 months | 35,846 | 49,989 |
| more than 6 months | 1,565 | 1,668 |
| | 188,332 | 345,727 |

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

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty, in meeting obligation associated with financial liabilities. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

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

| | Carrying amount | Less than 1 year | Between 1 to 5 years | 5 years and above |
|---|---|---|---|---|
| June 30, 2016 | ---------------- Rupees in '000 ---------------- | | | |
| Liabilities against assets subject to finance lease | 53,836 | 13,659 | 40,177 | - |
| Long term deposits | 8,611 | - | - | 8,611 |
| Trade and other payables | 479,382 | 479,382 | - | - |
| Accrued mark-up | 136 | 136 | - | - |
| | 541,965 | 493,177 | 40,177 | 8,611 |

| June 30, 2015 | Carrying amount | Less than 1 year | Between 1 to 5 years | 5 years and above |
|---|---|---|---|---|
| | ----------------- Rupees in '000 ----------------- | | | |
| Liabilities against assets subject to finance lease | 57,022 | 11,387 | 45,635 | - |
| Long term deposits | 9,611 | - | - | 9,611 |
| Trade and other payables | 341,069 | 341,069 | - | - |
| Accrued mark-up | 7,985 | 7,985 | - | - |
| Short term finances | 32,259 | 32,259 | - | - |
| Running finances under mark-up arrangements | 118,802 | 118,802 | - | - |
| | 566,748 | 511,502 | 45,635 | 9,611 |

## (c) Market risk

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

### Foreign exchange risk

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

| | Rupees | Yen |
|---|---|---|
| June 30, 2016 | --------- in '000 --------- | |
| Trade and other payables | 56,908 | 55,869 |

| | Rupees | Yen | U.S.$ | RMB |
|---|---|---|---|---|
| June 30, 2015 | ------------------------ in '000 ------------------------ | | | |
| Trade and other payables | 123,414 | 123,547 | 140 | 471 |
| Trade debts | (576) | - | (6) | - |
| | 122,838 | 123,547 | 134 | 471 |

The following significant exchange rates have been applied:

| | Reporting date rate | |
|---|---|---|
| | 2016 | 2015 |
| Yen to Rupee | 1.019 | 0.821 |
| U.S. $ to Rupee | - | 101.70 / 101.50 |
| RMB to Rupee | - | 16.39 |

### Sensitivity analysis

At June 30, 2016, if Rupee had strengthened by 5% against Yen, Dollar and RMB with all other variables held constant, profit before taxation for the year would have been higher/ (lower) by the amount shown below mainly as a result of net foreign exchange gain / (loss) on translation of net financial liabilities.

| | 2016 | 2015 |
|---|---|---|
| **Effect on profit for the year** | ----- Rupees in '000 ----- | |
| Yen to Rupee | 2,845 | 5,073 |
| U.S. $ to Rupee | - | 681 |
| RMB to Rupee | - | 386 |
| | 2,845 | 6,140 |

### Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flow of a financial instrument will fluctuate because of change in market interest rates.

Majority of the interest rate risk of the Company arises from short term borrowings from banks, due from Subsidiary Company, short term investment and balances held with banks. At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

| | 2016 | 2015 |
|---|---|---|
| **Fixed rate instruments - financial assets** | ----- Rupees in '000 ----- | |
| Short term investment | - | 30,000 |
| Bank balances | 170,917 | 246,917 |
| | 170,917 | 276,917 |
| **Variable rate instruments** | | |
| **Financial assets** | | |
| Due from Subsidiary Company | 478,444 | - |
| **Financial liabilities** | | |
| Liabilities against assets subject to finance lease | 53,836 | 57,022 |
| Short term finances | - | 32,259 |
| Running finances under mark-up arrangements | - | 118,802 |
| | 53,836 | 208,083 |

### Sensitivity analysis

At June 30, 2016, if the interest rates on the Company's variable rate instruments had been 1% higher / (lower) with all other variables held constant, profit before tax for the year would have been Rs.4,246 thousand (2015: Rs.2,081 thousand) lower / higher mainly as a result of net higher / (lower) interest income.

### Price risk

Price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from foreign exchange risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.. At June 30, 2016 / 2015 the Company did not have any financial instruments dependent on market prices.

### 42.2 Fair value of financial assets and liabilities

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

## 43. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

## 44. NUMBER OF EMPLOYEES

| | 2016 | 2015 |
|---|---|---|
| Number of employees as at June 30, | | |
| - Permanent | 239 | 226 |
| - Contractual | 402 | 302 |
| Average number of employees during the year | | |
| - Permanent | 236 | 221 |
| - Contractual | 315 | 277 |

## 45. PROVIDENT FUND RELATED DISCLOSURES

45.1 The following information is based on un-audited financial statements of the Fund for the year ended June 30, 2016:

| | 2016 | 2015 |
|---|---|---|
| | --- Rupees in '000 --- | |
| Size of the Fund - total assets | 85,794 | 73,177 |
| Cost of investments made | 80,686 | 68,221 |
| Percentage of investments made | 94.05% | 93.23% |
| Fair value of investments | 91,977 | 78,999 |

45.2 Break-up of the investments is as follows:

| | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|
| | ----- Percentage ----- | | --- Rupees in '000 --- | |
| Bank deposits | 7.78 | 1.67 | 6,674 | 1,219 |
| Government securities | 71.49 | 76.25 | 61,330 | 55,796 |
| National Investment Trust - units | 14.78 | 15.31 | 12,682 | 11,206 |

45.3 Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 46. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on August 31, 2016 have proposed final cash dividend of Rs. 5 (2015: Rs.4.50) per share, amounting to Rs. 225.013 million (2015: Rs.202.511 million), for the year ended June 30, 2016. The proposed dividend will be approved in the forthcoming annual general meeting to be held on October 19, 2016.

These financial statements do not reflect the proposed dividend, which will be accounted for in the statement of changes in equity as appropriation from unappropriated profit in year ending June 30, 2017.

## 47. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and /or re-classified for the purpose of better presentation the effect of which is not material.

## 48. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 31, 2016 by the Board of Directors of the Company.

Ahmed Kuli Khan Khattak
Chief Executive Officer

Syed Haroon Rashid
Director

# Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in the Regulation No. 5.19 of the Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

| Category | Names |
|---|---|
| Independent Director | Mr. Behram Hasan |
| Executive Directors | Mr. Ahmed Kuli Khan Khattak |
| | Mr. Muhammad Saleem Baig |
| Non-Executive Directors | Mr. Raza Kuli Khan Khattak |
| | Lt. Gen. (Retd.) Ali Kuli Khan Khattak |
| | Mr. Jamil A. Shah |
| | Mr. Mushtaq Ahmed Khan (FCA) |
| | Syed Haroon Rashid |
| | Mr. Mohammad Zia |

The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

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

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

4 A casual vacancy occurring on the Board on 16th March, 2016 was filled up by the directors within 90 days.

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

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

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

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

9 All directors of the Company have more than 14 years of education and 15 years of experience on the board of directors of listed companies, except one director who has been elected on 19th February 2016. The management expects to arrange training of newly elected director by December 2016.

10 The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

# Statement of Compliance with the Code of Corporate Governance

11 The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12 The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.

13 The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14 The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.

15 The board has formed an Audit Committee. It comprises of four members, of whom all are non-executive directors including chairman of the Committee.

16 The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17 The board has formed a Human Resource and Remuneration Committee. It comprises four members, of whom three are non-executive directors and the chairman of the committee is a non-executive director.

18 The Board has set up an effective Internal Audit Function.

19 The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on Code of Ethics as adopted by the ICAP.

20 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21 The 'Closed Period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22 Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23 We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

For and on behalf of the Board of Directors

Karachi;
Dated: August 31, 2016

Ahmed Kuli Khan Khattak
Chief Executive Officer

# Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Ghandhara Nissan Limited (the Company) for the year ended June 30, 2016 to comply with the Code contained in regulation No.5.19 of the Rule Book of Pakistan Stock Exchange Limited.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

Further, we highlight the instances of non-compliance with the requirements of the Code as reflected in paragraphs 9 and 15 of the Statement of Compliance which state that the training of a newly elected director has not been conducted and one executive director remained part of audit committee till July 2016. The Company expects to arrange the training by December 2016.

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
KARACHI; August 31, 2016

MUNIFF ZIAUDDIN & CO.
CHARTERED ACCOUNTANTS
KARACHI; August 31, 2016

# Key Operating and Financial Data

(Rs. In '000')

| Particulars | Jun-16 | Jun-15 | Jun-14 | Jun-13 (Restated) | Jun-12 | Jun-11 | Jun-10 |
|---|---|---|---|---|---|---|---|
| Sales | 5,005,148 | 5,445,392 | 2,619,910 | 1,852,238 | 1,388,002 | 2,650,068 | 2,402,617 |
| Gross profit / (Loss) | 1,092,201 | 1,131,014 | 471,089 | 225,800 | 130,578 | 252,273 | 119,379 |
| Profit/(Loss) before tax | 832,511 | 787,277 | 269,695 | 17,693 | (97,683) | (15,493) | (123,607) |
| Profit/(Loss) after tax | 546,263 | 508,867 | 173,930 | 10,234 | (85,968) | 7,097 | (88,893) |
| Share Capital | 450,025 | 450,025 | 450,025 | 450,025 | 450,025 | 450,025 | 450,025 |
| Shareholders equity | 1,601,216 | 1,274,111 | 824,400 | 632,844 | 599,018 | 662,792 | 633,201 |
| Fixed Assets - Net | 1,852,218 | 1,749,285 | 1,764,038 | 1,326,266 | 1,382,880 | 1,441,626 | 1,496,609 |
| Total Assets | 4,081,090 | 3,571,264 | 3,434,954 | 2,217,550 | 2,740,106 | 3,096,033 | 3,360,482 |
| Unit Produced and Supplied (Contract Assembly) | 2,106 | 1,527 | 1,628 | 1,568 | 1,379 | 1,326 | 1,705 |
| Units Produced | 804 | 852 | 384 | 214 | 236 | 469 | 659 |
| Units Sold (CBU) | 69 | 87 | 52 | 9 | 12 | 7 | 8 |
| Units Sold (CKD) | 804 | 856 | 380 | 226 | 230 | 602 | 766 |
| Interim Dividend - Cash | 10% | | | | | | |
| Final Dividend - Cash | 50% | 45% | 20% | - | - | - | - |
| Ratios | | | | | | | |
| Profitability | | | | | | | |
| Gross profit margin | 21.8% | 20.8% | 18.0% | 12.2% | 9.4% | 9.52% | 4.97% |
| Profit/(Loss) before tax | 16.6% | 14.5% | 10.3% | 1.0% | (7.04%) | 0.58% | 5.14% |
| Profit/(Loss) after tax | 10.9% | 9.3% | 6.6% | 0.6% | (6.19%) | 0.27% | 3.70% |
| Return to shareholders: | | | | | | | |
| Return/(Loss) on Equity (BT) | 52.0% | 61.8% | 32.7% | 2.8% | (16.31%) | (2.34%) | (19.52%) |
| Return/(Loss) on Equity (AT) | 34.1% | 39.9% | 21.1% | 1.6% | (14.35%) | 1.07% | (14.04%) |
| Earning/(Loss) per share (BT)-Rs. | 18.50 | 17.49 | 5.99 | 0.39 | (0.002) | 0.34 | (2.75) |
| Earning/(Loss) per share (AT)- Rs. | 12.14 | 11.31 | 3.86 | 0.23 | (1.91) | 0.16 | (1.98) |
| Basic Earning Per Share | 12.14 | 11.31 | 3.86 | 0.23 | (1.91) | 0.16 | (1.98) |
| Activity: | | | | | | | |
| Sales to total assets - Times | 1.23 | 1.52 | 0.76 | 0.84 | 0.51 | 0.86 | 0.71 |
| Sales to fixed assets -Times | 2.70 | 3.11 | 1.49 | 1.40 | 1.00 | 1.84 | 1.61 |
| Liquidity: | | | | | | | |
| Current ratio -Times | 1.30 | 1.97 | 1.18 | 1.02 | 0.95 | 1.04 | 1.09 |
| Break-up value per share- Rs. | 11.12 | 12.10 | 5.82 | 4.12 | 13.31 | 14.73 | 14.07 |

# Pattern of Shareholding

As at 30th June 2016

| No. of Shareholders | Having Shares From | To | Shares Held | Percentage |
|---|---|---|---|---|
| 867 | 1 | 100 | 41,127 | 0.091 |
| 1,448 | 101 | 500 | 587,885 | 1.306 |
| 554 | 501 | 1,000 | 495,676 | 1.101 |
| 729 | 1,001 | 5,000 | 1,834,584 | 4.077 |
| 148 | 5,001 | 10,000 | 1,132,542 | 2.517 |
| 40 | 10,001 | 15,000 | 517,645 | 1.150 |
| 44 | 15,001 | 20,000 | 795,859 | 1.768 |
| 10 | 20,001 | 25,000 | 227,548 | 0.506 |
| 13 | 25,001 | 30,000 | 367,377 | 0.816 |
| 4 | 35,001 | 40,000 | 154,900 | 0.344 |
| 1 | 40,001 | 45,000 | 44,000 | 0.098 |
| 7 | 45,001 | 50,000 | 343,000 | 0.762 |
| 2 | 55,001 | 60,000 | 116,584 | 0.259 |
| 3 | 60,001 | 65,000 | 187,624 | 0.417 |
| 2 | 65,001 | 70,000 | 137,000 | 0.304 |
| 2 | 70,001 | 75,000 | 149,600 | 0.332 |
| 1 | 85,001 | 90,000 | 90,000 | 0.200 |
| 1 | 95,001 | 100,000 | 100,000 | 0.222 |
| 1 | 140,001 | 145,000 | 141,400 | 0.314 |
| 1 | 145,001 | 150,000 | 150,000 | 0.333 |
| 1 | 245,001 | 250,000 | 245,813 | 0.546 |
| 1 | 620,001 | 625,000 | 624,100 | 1.387 |
| 1 | 1,145,001 | 1,150,000 | 1,148,700 | 2.553 |
| 1 | 1,215,001 | 1,220,000 | 1,215,211 | 2.700 |
| 1 | 2,470,001 | 2,475,000 | 2,470,800 | 5.490 |
| 1 | 3,645,001 | 3,650,000 | 3,647,090 | 8.104 |
| 1 | 5,115,001 | 5,120,000 | 5,119,820 | 11.377 |
| 1 | 22,915,001 | 22,920,000 | 22,916,597 | 50.923 |
| 3,886 | | | 45,002,482 | 100.000 |

# Categories of Shareholders

As at 30th June 2016

| S.No. | Categories of Shareholders | Number of Shares held | Category wise no. of Folios/ CDC Accounts | Category wise Shares held | Parcentage |
|---|---|---|---|---|---|
| 1 | Director, CEO & Children | | 19 | 198,521 | 0.441 |
| | Mr. Raza Kuli Khan Khattak | 62,569 | | | |
| | Lt. Gen. (Retd.) Ali Kuli Khan Khattak | 60,070 | | | |
| | Mr. Ahmed Kuli Khan Khattak | 69,565 | | | |
| | Mr. Mushstaq Ahmed Khan | 3,805 | | | |
| | Mr. Jamil Ahmed Shah | 1,000 | | | |
| | Mr. Muhammad Zia | 512 | | | |
| | Mr. Muhammad Saleem Baig | 500 | | | |
| | Mr. Behram Hassan | 500 | | | |
| 2 | Associate Companies | | 4 | 31,693,507 | 70.426 |
| | Bibojee Services (Pvt) Ltd. | 28,046,417 | | | |
| | UD Truck Corporation Japan | 3,647,090 | | | |
| | *(Formerly Nissan Diesel Motor Co. Ltd. Japan)* | | | | |
| 3 | NIT & ICP | | 2 | 1,220,961 | 2.713 |
| | CDC - Trustee National Investment (unit) Trust | 1,215,211 | | | |
| | Investment Corporation of Pakistan | 5,750 | | | |
| 4 | Banks, DFI & NBFI | | 2 | 1,760 | 0.004 |
| | National Bank of Pakistan | 1,760 | | | |
| 5 | Insurance Companies | | 4 | 2,538,600 | 5.641 |
| | Gulf Insurance Company Limited | 17,800 | | | |
| | EFU General Insurance Limited | 25,000 | | | |
| | EFU Life Assurance Limited | 2,470,800 | | | |
| | Allianz EFU Health Insurance Limited | 25,000 | | | |
| 6 | Modarabas & Mutual Funds | | 5 | 64,712 | 0.144 |
| | First Equity Modaraba | 13,900 | | | |
| | The Pakistan Fund | 5,312 | | | |
| | Pak Asian Fund Limited | 1,300 | | | |
| | Pak Qatar Individual Family Participant, Investment Fund | 38,200 | | | |
| | CDC – Trustee First Capital Mutual Fund | 6,000 | | | |
| 7 | General Public (Local) | | 3,573 | 7,029,325 | 15.620 |
| 8 | General Public (Foreign) | | 230 | 309,810 | 0.688 |
| 9 | Foreign Company | | 1 | 1,148,700 | 2.553 |
| 10 | Others | | 46 | 796,586 | 1.770 |
| | | | 3,886 | 45,002,482 | 100.000 |

Shareholders holding 10% or more

| Voting interest in the Company | Share held | Percentage |
|---|---|---|
| Bibojee Services (Pvt) Limited | 28,046,417 | 62.32 |

# Directors' Report

The directors are pleased to present their report together with consolidated financial statements of Ghandhara Nissan Limited (GNL) and its subsidiary Ghandhara DF (Pvt.) Limited for the year ended 30th June 2016.

The Company has annexed consolidated financial statements alongwith its standalone financial statements in accordance with the requirements of the International Financial Reporting Standard-10 (Consolidated Financial Statements).

## Ghandhara DF (Pvt.) Limited

Ghandhara DF (Pvt.) Limited (GDFPL) has shown a substantial improvement in the current year with an increase in the Net revenue and the profit after tax by approx. 4 times. The revenue has increase to Rs. 774.3 million from Rs. 155.3 million last year resulting in an increase in profit after tax by Rs. 40 million in the current year. This is a result of an overwhelming demand for Dongfeng trucks in the local market.

For and on behalf of the Board of Directors

Karachi
Dated: August 31, 2016

**Ahmed Kuli Khan Khattak**
Chief Executive Officer

# Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Ghandhara Nissan Limited (GNL) and its subsidiary company, Ghandhara DF (Private) Limited as at June 30, 2016 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of GNL. The financial statements of the subsidiary company was audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor. These financial statements are the responsibility of GNL's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of GNL and its subsidiary company as at June 30, 2016 and the results of their operations for the year then ended.

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
Muhammad Ali
Karachi; August 31, 2016

MUNIFF ZIAUDDIN & CO.,
CHARTERED ACCOUNTANTS
Muhammad Moin Khan
Karachi; August 31, 2016

# financial statements consolidated

a journey towards

future

# Consolidated Balance Sheet

As at June 30, 2016

| | Note | 2016 | 2015 |
|---|---|---|---|
| **ASSETS** | | ---- Rupees in ‘000 ---- | |
| **Non current assets** | | | |
| Property, plant and equipment | 5 | 1,862,949 | 1,762,699 |
| Intangible assets | 6 | 344 | 88 |
| Long term investments | 7 | 647,079 | 508,761 |
| Long term loans | 8 | 9,438 | 6,477 |
| Long term deposits | 9 | 17,487 | 16,633 |
| | | 2,537,297 | 2,294,658 |
| **Current assets** | | | |
| Stores, spares and loose tools | 10 | 68,048 | 50,174 |
| Stock-in-trade | 11 | 1,249,977 | 878,968 |
| Trade debts | 12 | 448,895 | 375,973 |
| Loans and advances | 13 | 51,993 | 40,405 |
| Deposits and prepayments | 14 | 23,333 | 41,845 |
| Other receivables | 15 | 158,323 | 54,284 |
| Short term investment | | - | 30,092 |
| Taxation - net | | 132,113 | 131,658 |
| Cash and bank balances | 16 | 394,789 | 351,724 |
| | | 2,527,471 | 1,955,123 |
| **Total assets** | | 5,064,768 | 4,249,781 |
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| Share capital | 17 | 450,025 | 450,025 |
| Share premium | | 40,000 | 40,000 |
| Items credit directly in equity by an Associate | | 66,516 | 64,158 |
| Unappropriated profit | | 1,306,554 | 790,961 |
| **Equity attributable to shareholders of the Holding Company** | | 1,863,095 | 1,345,144 |
| **Non-controlling interest** | | 11 | 6 |
| **Total equity** | | 1,863,106 | 1,345,150 |
| **Surplus on revaluation of fixed assets** | 18 | 1,370,097 | 1,403,086 |
| **Liabilities** | | | |
| **Non current liabilities** | | | |
| Liabilities against assets subject to finance lease | 19 | 40,177 | 45,635 |
| Long term deposits | 20 | 8,611 | 9,611 |
| Deferred liabilities | 21 | 11 | 111,969 |
| Deferred taxation | 22 | 274,145 | 269,262 |
| | | 322,944 | 436,477 |
| **Current liabilities** | | | |
| Trade and other payables | 23 | 1,494,826 | 894,635 |
| Accrued mark-up | 24 | 136 | 7,985 |
| Short term finances | 25 | - | 32,259 |
| Running finances under mark-up arrangements | 26 | - | 118,802 |
| Current portion of liabilities against assets subject to finance lease | 19 | 13,659 | 11,387 |
| | | 1,508,621 | 1,065,068 |
| **Total liabilities** | | 1,831,565 | 1,501,545 |
| **Contingencies and commitments** | 27 | | |
| **Total equity and liabilities** | | 5,064,768 | 4,249,781 |

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Ahmed Kuli Khan Khattak
Chief Executive Officer

Syed Haroon Rashid
Director

# Consolidated Profit and Loss Account

For the year ended June 30, 2016

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ---- Rupees in '000 ---- | |
| Revenue | 28 | 5,761,498 | 5,596,436 |
| Cost of sales | 29 | (4,565,798) | (4,448,751) |
| Gross profit | | 1,195,700 | 1,147,685 |
| Distribution cost | 30 | (61,959) | (56,819) |
| Administrative expenses | 31 | (206,919) | (170,035) |
| Other income | 32 | 37,827 | 27,240 |
| Other expenses | 33 | (61,701) | (58,348) |
| Profit from operations | | 902,948 | 889,723 |
| Finance cost | 34 | (19,950) | (87,482) |
| | | 882,998 | 802,241 |
| Share of profit of an Associate | | 161,643 | 18,874 |
| Profit before taxation | | 1,044,641 | 821,115 |
| Taxation | 35 | (309,808) | (283,188) |
| Profit after taxation | | 734,833 | 537,927 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Re-measurement of staff retirement benefit obligation | | (3,297) | (2,061) |
| Share of other comprehensive loss of an Associate | | (77) | (349) |
| Impact of deferred tax | | 1,022 | 660 |
| Other comprehensive loss for the year - net of tax | | (2,352) | (1,750) |
| Total comprehensive income for the year | | 732,481 | 536,177 |
| Attributable to: | | | |
| - Shareholders of the Holding Company | | 732,476 | 536,176 |
| - Non-controlling interest | | 5 | 1 |
| | | 732,481 | 536,177 |
| | | -------- Rupees -------- | |
| Earnings per share - basic and diluted | 36 | 16.33 | 11.95 |

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Ahmed Kuli Khan Khattak
Chief Executive Officer

Syed Haroon Rashid
Director

# Consolidated Cash Flow Statement

For the year ended June 30, 2016

| | 2016 | 2015 |
|---|---|---|
| | ---- Rupees in '000 ---- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 1,044,641 | 821,115 |
| Adjustments for non-cash charges and other items: | | |
| Depreciation and amortisation | 89,749 | 78,094 |
| Interest income | (22,913) | (10,727) |
| Finance cost | 13,252 | 71,935 |
| Gain on disposal of property, plant and equipment | (1,699) | (1,290) |
| Exchange loss | 3,854 | 11,202 |
| Share of profit of an Associate | (161,643) | (18,874) |
| Provision for gratuity and compensated absences | 20,910 | 20,027 |
| Amortization of gain on sale and lease back of fixed assets | (5) | (4) |
| Operating profit before working capital changes | 986,146 | 971,478 |
| (Increase) / decrease in current assets: | | |
| Stores, spares and loose tools | (17,874) | (6,119) |
| Stock-in-trade | (371,009) | (161,582) |
| Trade debts | (72,922) | 19,610 |
| Loans and advances | (11,588) | (14,701) |
| Deposits and prepayments | 18,512 | (26,124) |
| Other receivables | (106,516) | 1,498 |
| | (561,397) | (187,418) |
| Increase in trade and other payables | 530,432 | 125,083 |
| Cash generated from operations | 955,181 | 909,143 |
| Gratuity and compensated absences paid | (69,122) | (4,930) |
| Long term loans - net | (2,961) | (1,613) |
| Long term deposits - net | (1,000) | (1,000) |
| Finance cost paid | (24,955) | (80,330) |
| Taxes paid | (304,358) | (179,575) |
| Net cash generated from operating activities | 552,785 | 641,695 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (188,715) | (26,745) |
| Proceeds from disposal of property, plant and equipment | 3,159 | 5,812 |
| Intangible assets purchased | (342) | - |
| Interest income received | 25,390 | 8,536 |
| Short term investment - net | 30,092 | 8,017 |
| Long term deposits - net | (854) | (8,602) |
| Dividend received | 23,248 | - |
| Net cash used in investing activities | (108,022) | (12,982) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Lease finances - net | (5,844) | (7,417) |
| Short term finances - net | (32,259) | (416,602) |
| Running finances - net | (118,802) | 64,422 |
| Dividend paid | (244,793) | (88,834) |
| Net cash used in financing activities | (401,698) | (448,431) |
| Net increase in cash and cash equivalents | 43,065 | 180,282 |
| Cash and cash equivalents - at beginning of the year | 351,724 | 171,442 |
| Cash and cash equivalents - at end of the year | 394,789 | 351,724 |

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Ahmed Kuli Khan Khattak
Chief Executive Officer

Syed Haroon Rashid
Director

# Consolidated Statement of Changes In Equity

For the year ended June 30, 2016

| | Share capital | Share premium | Items credit directly in equity by an Associate | Unappro-priated profit | Total | Non-controlling interest |
|---|---|---|---|---|---|---|
| | ---------- | ---------- | ---------- | Rupees in '000 | ---------- | ---------- |
| Balance as at July 1, 2014 | 450,025 | 40,000 | 62,354 | 312,540 | 864,919 | 5 |
| Transactions with owners | | | | | | |
| Final dividend for the year ended June 30, 2014 at the rate of Rs.2.00 per share | - | - | - | (90,005) | (90,005) | - |
| Total comprehensive income for the year ended June 30, 2015 | | | | | | |
| Profit for the year | - | - | - | 537,926 | 537,926 | 1 |
| Other comprehensive loss | - | - | - | (1,750) | (1,750) | - |
| | - | - | - | 536,176 | 536,176 | 1 |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred taxation | - | - | - | 32,250 | 32,250 | - |
| Effect of item directly credited in equity by an Associated Company | - | - | 1,804 | - | 1,804 | - |
| Balance as at June 30, 2015 | 450,025 | 40,000 | 64,158 | 790,961 | 1,345,144 | 6 |
| Transactions with owners | | | | | | |
| Final dividend for the year ended June 30, 2015 at the rate of Rs.4.50 per share | - | - | - | (202,511) | (202,511) | - |
| Interim dividend for the year ended June 30, 2016 at the rate of Re.1.00 per share | - | - | - | (45,003) | (45,003) | - |
| | - | - | - | (247,514) | (247,514) | - |
| Total comprehensive income for the year ended June 30, 2016 | | | | | | |
| Profit for the year | - | - | - | 734,828 | 734,828 | 5 |
| Other comprehensive loss | - | - | - | (2,352) | (2,352) | - |
| | - | - | - | 732,476 | 732,476 | 5 |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred taxation | - | - | - | 30,631 | 30,631 | - |
| Effect of item directly credited in equity by an Associated Company | - | - | 2,358 | - | 2,358 | - |
| Balance as at June 30, 2016 | 450,025 | 40,000 | 66,516 | 1,306,554 | 1,863,095 | 11 |

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Ahmed Kuli Khan Khattak
Chief Executive Officer

Syed Haroon Rashid
Director

## 1. THE GROUP AND ITS OPERATIONS

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

### 1.2 Ghandhara Nissan Limited

Ghandhara Nissan Limited (the Holding Company) was incorporated on August 8, 1981 in Pakistan as a private limited company and subsequently converted into a public limited company on May 24, 1992. The registered office of the Holding Company is situated at F-3, Hub Chowki Road, S.I.T.E, Karachi. Its manufacturing facilities are located at Port Qasim, Karachi. The Holding Company's shares are listed on Pakistan Stock Exchange Limited. Bibojee Services (Private) Limited is the ultimate holding company of the Group.

The principal business of the Holding Company is assembly / progressive manufacturing of Nissan passenger Cars, UD Trucks and Buses, import and marketing of Nissan vehicles, import and sale of DongFeng Complete Built-up Trucks and assembly of other vehicles under contract agreement.

### 1.3 Ghandhara DF (Private) Limited

Ghandhara DF (Private) Limited (the Subsidiary Company) was incorporated on June 25, 2013 in Pakistan as a private limited company. The registered office of the Subsidiary Company is situated at Ghandhara House, 109/2 Clifton, Karachi. It has outsourced assembly of the vehicles to the Holding Company.

The Subsidiary Company has cooperation agreement with DongFeng Commercial Vehicles Limited dated December 11, 2013 as well as 'Motor Vehicles & Related Products Distribution' agreements with Wuhan DongFeng Foreign Trade Company Limited (a subsidiary company of DongFeng Automobile Company Limited) dated January 24, 2014.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Basis of consolidation

These consolidated financial statements include the financial statements of Holding Company and its Subsidiary Company. The Holding Company's direct interest in the Subsidiary Company is 99.99% as at June 30, 2016 and June 30, 2015.

Subsidiary is an entity over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

- it has power to direct the relevant activities of the subsidiary;

- is exposed to variable returns from the subsidiary; and

- decision making power allows the Group to affects its variable returns from the subsidiary.

Subsidiary is fully consolidated from the date on which control is transferred to the Group and is de-recognized from the date the control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses (unrealized) are also eliminated.

## 2.3 Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

## 2.4 Functional and presentation currency

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

## 2.5 Changes in accounting standards and interpretations

### 2.5.1 Standards and amendments to approved accounting standards effective in current year

New and amended standards mandatory for the first time for the financial year beginning July 1, 2015:

(a) IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The application of this standard has no material impact on the Group's financial statements.

(b) IFRS 12 'Disclosure of interests in other entities' includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Group's accounting policy is in line with the requirements of this standard.

(c) Amendments to IFRS 10, 11 and 12 provide additional transition relief in IFRS 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The application of these amendments has no material impact on the Group's financial statements.

(d) IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Group's financial statements.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

### 2.4.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Group

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2015 and have not been early adopted by the Group:

(a) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 1, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Group has yet to assess the impact of these changes on its financial statements.

(b) Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities' and IAS 28, 'Investments in associates and joint ventures' are applicable to accounting periods beginning on or after January 1, 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The Group shall apply these amendments from January 1, 2016 and does not expect to have a material impact on its financial statements.

(c) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Group has yet to assess the impact of this standard on its financial statements.

(d) IFRS 16, 'Leases' is applicable to accounting periods beginning to or after January 1, 2019. The IASB has issued a new standard for leases accounting. At the simplest level, the accounting treatment of leases by lessees will change fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. The Group has yet to assess the impact of this standard on its financial statements.

(e) Amendments to IAS 1, 'Presentation of financial statements' to the disclosure initiative are applicable on annual periods beginning to or after January 1, 2016, The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Notes – confirmation that the notes do not need to be presented in a particular order. Other comprehensive income (OCI) arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards / accounting policies are not required for these amendments. These amendments likely to only affects the disclosures in the Group's financial statements.

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

## 3. BASIS OF MEASUREMENT

3.1 These consolidated financial statements have been prepared under the historical cost convention, except for certain classes of property, plant and equipment which have been included at revalued amounts and provision for gratuity which is carried at present value of defined benefit obligation net of fair value of plan assets.

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

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

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

(i) Estimate of useful lives and residual values of property, plant & equipment and intangible assets (notes 4.1 and 4.2)

(ii) Stock-in-trade (note 4.5)

(iii) Provision for staff benefits (note 4.10)

(iv) Provision for warranty (note 4.12)

(v) Provision for taxation (note 4.14)

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Property, plant and equipment

#### 4.1.1 Operating fixed assets

**Owned assets**

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

**Subsequent cost**

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

**Depreciation**

Depreciation on all items of operating fixed assets other than freehold land is charged to income applying the reducing balance method at the rates stated in note 5.1. Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

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

### Disposal

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

### Revaluation of assets

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

### Leased assets

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

### Impairment

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

### 4.1.2 Capital work-in-progress

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

### 4.2 Intangible assets

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

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

### Subsequent expenditure

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

### Amortisation

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

### 4.3 Investments

#### 4.3.1 Investments in Associated Company

Investment in an Associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss of the Investee after the date of acquisition.

The Group's share of post acquisition profit or loss is recognised in the profit and loss account, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with the corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an Associate equals or exceeds its interest in the Associate the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the Associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the Associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value and recognises the amount adjacent to share of profit / loss of an Associate in the profit and loss account.

#### 4.3.2 Held to maturity

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. They are included in non-current assets unless the investment matures or management intends to dispose-off it within 12 months of the end of the reporting date.

Subsequent to initial recognition held to maturity investments are carried at amortised cost using the effective interest method. Interest on held to maturity investments is calculated using the effective interest method and is recognised in the profit and loss account.

#### 4.3.3 Available for sale

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

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

### 4.4 Stores, spares and loose tools

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

### 4.5 Stock-in-trade

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

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

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

### 4.6 Trade debts and other receivables

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

### 4.7 Loans and receivables

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

### 4.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

### 4.9 Mark-up bearing loans and borrowings

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

### 4.10 Staff benefits - The Holding Company

#### 4.10.1 Defined benefit plan

The Holding Company operates funded gratuity scheme which defines the amount of benefit that an employee will receive on retirement subject to minimum qualifying period of service under the scheme. The amount of retirement benefit is usually dependent on one or more factors such as age, years of service and salary. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2016 on the basis of the projected unit credit method by an independent Actuary. The liability recognised in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

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

### 4.10.2 Defined contribution plan

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

### 4.10.3 Employees compensated absences

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

### 4.11 Trade and other payables

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

### 4.12 Warranty obligations

The Group recognises the estimated liability, on an accrual basis, to repair parts of trucks under warranty at the reporting date, and recognises the estimated product warranty costs in profit and loss account when the sale is recognised.

### 4.13 Research and development cost

Research and development cost is charged in the year in which it is incurred. Development costs previously charged to income are not recognised as an asset in the subsequent period.

### 4.14 Taxation

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

#### Current

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

#### Deferred

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

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

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

### 4.15 Financial assets and liabilities

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

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

### 4.16 Off-setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counter party.

### 4.17 Provisions, contingent assets and contingent liabilities

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

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

### 4.18 Revenue recognition

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

#### Trading

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

Manufacturing

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

Other

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

### 4.19 Borrowing cost

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

### 4.20 Foreign currency translation

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

### 4.21 Impairment loss

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

### 4.22 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Group considers itself to be a single reportable segment.

### 4.23 Earnings per share

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

### 4.24 Dividend and appropriation to reserves

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

## 5. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Operating fixed assets | 5.1 | 1,857,185 | 1,762,699 |
| Capital work-in-progress - vehicles | | 5,764 | - |
| | | 1,862,949 | 1,762,699 |

5.1 Operating fixed assets

| | Freehold land | Leasehold land | Buildings on freehold land | Plant and machinery | Assembly jigs | Furniture and fixtures | Vehicles Owned | Vehicles Leased | Other equipment | Office equipment | Computers | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees in '000 | | | | | | | | | | | |
| At July 1, 2014 | | | | | | | | | | | | |
| Revaluation / cost | 498,938 | 15,000 | 675,883 | 599,482 | 44,959 | 3,146 | 66,455 | 21,462 | 9,188 | 5,530 | 10,264 | 1,950,307 |
| Accumulated depreciation | - | (9,189) | - | (70,550) | (41,842) | (2,486) | (41,699) | (2,313) | (8,489) | (4,910) | (9,464) | (190,942) |
| Net book value | 498,938 | 5,811 | 675,883 | 528,932 | 3,117 | 660 | 24,756 | 19,149 | 699 | 620 | 800 | 1,759,365 |
| Year ended June 30, 2015 | | | | | | | | | | | | |
| Opening net book value | 498,938 | 5,811 | 675,883 | 528,932 | 3,117 | 660 | 24,756 | 19,149 | 699 | 620 | 800 | 1,759,365 |
| Additions | - | - | - | 11,720 | 15,358 | - | 8,982 | 46,738 | 159 | 755 | 1,149 | 84,861 |
| Disposals | | | | | | | | | | | | |
| - cost | - | - | - | - | - | - | (10,019) | - | - | - | - | (10,019) |
| - accumulated depreciation | - | - | - | - | - | - | 6,556 | - | - | - | - | 6,556 |
| | - | - | - | - | - | - | (3,463) | - | - | - | - | (3,463) |
| Transfer from leased to owned | | | | | | | | | | | | |
| - cost | - | - | - | - | - | - | 5,442 | (5,442) | - | - | - | - |
| - accumulated depreciation | - | - | - | - | - | - | (2,487) | 2,487 | - | - | - | - |
| | - | - | - | - | - | - | 2,955 | (2,955) | - | - | - | - |
| Transfer from owned to leased | | | | | | | | | | | | |
| - cost | - | - | - | - | - | - | (1,039) | 1,039 | - | - | - | - |
| - accumulated depreciation | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | (1,039) | 1,039 | - | - | - | - |
| Depreciation charge | - | (581) | (33,794) | (26,495) | (3,087) | (66) | (6,415) | (6,626) | (252) | (370) | (378) | (78,064) |
| Closing net book value | 498,938 | 5,230 | 642,089 | 514,157 | 15,388 | 594 | 25,776 | 57,345 | 606 | 1,005 | 1,571 | 1,762,699 |
| At June 30, 2015 | | | | | | | | | | | | |
| Revaluation / cost | 498,938 | 15,000 | 675,883 | 611,202 | 60,317 | 3,146 | 69,821 | 63,797 | 9,347 | 6,285 | 11,413 | 2,025,149 |
| Accumulated depreciation | - | (9,770) | (33,794) | (97,045) | (44,929) | (2,552) | (44,045) | (6,452) | (8,741) | (5,280) | (9,842) | (262,450) |
| Net book value | 498,938 | 5,230 | 642,089 | 514,157 | 15,388 | 594 | 25,776 | 57,345 | 606 | 1,005 | 1,571 | 1,762,699 |
| Year ended June 30, 2016 | | | | | | | | | | | | |
| Opening net book value | 498,938 | 5,230 | 642,089 | 514,157 | 15,388 | 594 | 25,776 | 57,345 | 606 | 1,005 | 1,571 | 1,762,699 |
| Additions | - | 162,724 | - | 13,672 | - | 294 | 4,581 | 2,658 | 185 | 220 | 1,275 | 185,609 |
| Disposals | | | | | | | | | | | | |
| - cost | - | - | - | - | - | - | (4,098) | (693) | - | (177) | - | (4,968) |
| - accumulated depreciation | - | - | - | - | - | - | 3,245 | 90 | - | 173 | - | 3,508 |
| | - | - | - | - | - | - | (853) | (603) | - | (4) | - | (1,460) |
| Depreciation charge | - | (10,015) | (32,104) | (28,303) | (759) | (78) | (5,276) | (11,736) | (239) | (398) | (755) | (89,663) |
| Closing net book value | 498,938 | 157,939 | 609,985 | 499,526 | 14,629 | 810 | 24,228 | 47,664 | 552 | 823 | 2,091 | 1,857,185 |
| At June 30, 2016 | | | | | | | | | | | | |
| Revaluation / cost | 498,938 | 177,724 | 675,883 | 624,874 | 60,317 | 3,440 | 70,304 | 65,762 | 9,532 | 6,328 | 12,688 | 2,205,790 |
| Accumulated depreciation | - | (19,785) | (65,898) | (125,348) | (45,688) | (2,630) | (46,076) | (18,098) | (8,980) | (5,505) | (10,597) | (348,605) |
| Net book value | 498,938 | 157,939 | 609,985 | 499,526 | 14,629 | 810 | 24,228 | 47,664 | 552 | 823 | 2,091 | 1,857,185 |
| Depreciation rate (% per annum) | | 10 | 5 | 5 - 20 | 20 | 10 | 20 | 20 | 33 | 33 | 33 | |

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

The Holding Company as on June 30, 2014 again revalued its freehold land, buildings on freehold land, plant & machinery and assembly jigs. The revaluation exercise was carried out by independent valuer - Harvester Services (Pvt.) Ltd., (Approved valuers of Pakistan Banks' Association and Leasing Association of Pakistan) I. I. Chundrigar Road, Karachi. Freehold land was revalued on the basis of current market price whereas buildings on freehold land, plant & machinery and assembly jigs were revalued on the basis of depreciated market value (level 2).

The different levels have been defined in IFRS 13 as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future (level 3).

The appraisal surplus arisen on latest revaluation exercise aggregating Rs.468.345 million has been incorporated in the books in accordance with the provisions of section 235 of the Companies Ordinance, 1984.

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

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Freehold land | | 61,456 | 61,456 |
| Buildings on freehold land | | 115,234 | 121,299 |
| Plant and machinery | | 156,404 | 151,891 |
| Assembly Jigs | | 2,828 | 3,535 |

### 5.4 Depreciation charge has been allocated as follows:

| | Note | 2016 | 2015 |
|---|---|---|---|
| Cost of goods manufactured | 29.1 | 76,076 | 69,131 |
| Administrative expenses | 31 | 13,587 | 8,933 |
| | | 89,663 | 78,064 |

### 5.5 The details of operating fixed assets disposed-off are as follows:

| Particular of assets | Cost | Accumulated depreciation | Net book value | Sale proceeds | Gain / (loss) | Mode of disposal | Particular of buyers |
|---|---|---|---|---|---|---|---|
| | ------------------ Rupees in '000 ------------------ | | | | | | |
| Items having book value exceeding Rs.50,000 each | | | | | | | |
| Vehicles | | | | | | | |
| Nissan sunny | 877 | 728 | 149 | 625 | 476 | Negotiation | Mr. Muhammad Rafiq Patel (Key management person) |
| Nissan sunny | 949 | 815 | 134 | 625 | 491 | Negotiation | Mr. Muhammad Khalid Mehr (Key management person) |
| Nissan sunny | 1,170 | 824 | 346 | 675 | 329 | Negotiation | Mr. Muhammad Younus (Key management person) |
| Suzuki mehran | 552 | 336 | 216 | 112 | (104) | Company policy | Mr. Abdul Hafeez (employee) |
| Suzuki mehran | 693 | 90 | 603 | 650 | 47 | Insurance claim | Premier Insurance Limited |
| | 4,241 | 2,793 | 1,448 | 2,687 | 1,239 | | |
| Items having book value upto Rs.50,000 each | 727 | 715 | 12 | 472 | 460 | | |
| June 30, 2016 | 4,968 | 3,508 | 1,460 | 3,159 | 1,699 | | |
| June 30, 2015 | 10,019 | 6,556 | 3,463 | 4,753 | 1,290 | | |

5.6 The Holding Company's present and future land, buildings on freehold land and plant & machinery are under mortgaged / hypothecated charged upto Rs.1,647 million (2015: Rs.1,647 million) with banks for short term finance facilities.

## 6. INTANGIBLE ASSETS

These represent computer software licenses.

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| **Cost** | | | |
| At beginning of the year | | 500 | 500 |
| Add: charge for the year | | 342 | - |
| At end of the year | | 842 | 500 |
| **Accumulated amortisation** | | | |
| At beginning of the year | | 412 | 382 |
| Add: charge for the year | 31 | 86 | 30 |
| At end of the year | | 498 | 412 |
| **Net book value** | | 344 | 88 |
| **Rate of amortisation** (% - per annum) | | 25 | 25 |

## 7. LONG TERM INVESTMENTS

| | Note | 2016 | 2015 |
|---|---|---|---|
| Associate - equity accounted investment | 7.1 | 647,079 | 508,761 |
| Others - available for sale | 7.2 | - | - |
| | | 647,079 | 508,761 |

### 7.1 Associated Company - equity accounted investment

| | 2016 | 2015 |
|---|---|---|
| **Ghandhara Industries Limited** | | |
| Balance at beginning of the year | 508,761 | 490,236 |
| Share of profit / OCI for the year | 161,566 | 18,525 |
| Dividend received | (23,248) | - |
| Balance at end of the year | 647,079 | 508,761 |

7.1.1 Investment in Ghandhara Industries Limited (GIL) represents 5,166,168 (2015: 5,166,168) fully paid ordinary shares of Rs.10 each representing 24.25% (2015: 24.25%) of its issued, subscribed and paid-up capital as at June 30, 2016. GIL was incorporated on February 23, 1963 and its shares are quoted on Pakistan Stock Exchange Limited. The principal activity of GIL is the assembly, progressive manufacturing and sale of Isuzu trucks and buses.

7.1.2 The summary of financial information / reconciliation of GIL as of March 31, 2016 is as follows:

| | As at March 31, 2016 | As at March 31, 2015 |
|---|---|---|
| | --- Rupees in '000 --- | |
| **Summarised Balance Sheet** | | |
| Non current assets | 1,818,835 | 1,768,239 |
| Current assets | 2,337,319 | 1,724,894 |
| | 4,156,154 | 3,493,133 |
| Non current liabilities | 92,021 | 46,545 |
| Current liabilities | 1,406,609 | 1,359,444 |
| | 1,498,630 | 1,405,989 |
| **Net asset** | 2,657,524 | 2,087,144 |

| | As at March 31, 2016 | As at March 31, 2015 |
|---|---|---|
| | --- Rupees in '000 --- | |
| **Reconciliation to carrying amount** | | |
| Opening net assets | 2,087,144 | 2,008,740 |
| Profit for the year | 660,865 | 77,830 |
| Other comprehensive loss | (318) | (1,440) |
| Other adjustment | 5,703 | 2,014 |
| Dividend paid | (95,870) | - |
| Closing net assets | 2,657,524 | 2,087,144 |
| Company's share (Percentage) | 24.25% | 24.25% |
| Company's share | 644,450 | 506,132 |
| Goodwill and other adjustment | 2,629 | 2,629 |
| Carrying amount of investment | 647,079 | 508,761 |

| | Nine months period ended | |
|---|---|---|
| **Summarised Profit and Loss Account** | March 31, 2016 | March 31, 2015 |
| Revenue | 3,503,692 | 1,987,005 |
| Profit before tax | 735,478 | 87,361 |
| Profit after tax | 504,007 | 66,932 |

7.1.3 The above figures are based on unaudited condensed interim financial information of GIL as at March 31, 2016. The latest financial statements of GIL as at June 30, 2016 are not presently available. Accordingly, results of operations of first three quarters of financial year 2016 and last quarter of financial year 2015 have been considered.

7.1.4 The market value of investment as at June 30, 2016 was Rs.2,096.896 million (2015: Rs.367.986 million).

| | Note | 2016 | 2015 |
|---|---|---|---|
| 7.2 **Others - available for sale** | | ----- Rupees in '000 ----- | |
| **Automotive Testing & Training Center (Private) Limited** | | | |
| 187,500 (2015: 187,500) ordinary shares of Rs.10 each - cost | | 1,875 | 1,875 |
| Provision for impairment | | (1,875) | (1,875) |
| | | - | - |

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| **8. LONG TERM LOANS - Unsecured, considered good and interest free** | | | |
| Loans to employees | | | |
| - executives | 8.1 & 8.2 | 6,180 | - |
| - other employees | 8.1 | 6,108 | 7,957 |
| | | 12,288 | 7,957 |
| Less: amounts recoverable within one year and grouped under current assets | | | |
| - executives | | 1,387 | - |
| - other employees | | 1,463 | 1,480 |
| | | 2,850 | 1,480 |
| | | 9,438 | 6,477 |

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

| 8.2 Reconciliation of carrying amount of loans to executives | 2016 | 2015 |
|---|---|---|
| | --- Rupees in '000 --- | |
| Disbursements during the year | 7,286 | - |
| Repayments during the year | (1,106) | - |
| Balance at end of the year | 6,180 | - |

8.3 The maximum aggregate amount outstanding at the end of any month during the year ended June 30, 2016 from executives aggregated to Rs.6.306 million (2015: Rs.Nil).

| 9. LONG TERM DEPOSITS - Unsecured, considered good and interest free | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| Deposits held with / against: | | |
| Central Depository Company of Pakistan Limited | 25 | 25 |
| Lease facilities | | |
| Shariah compliant | 9,094 | 8,240 |
| Conventional | 2,094 | 2,094 |
| | 11,188 | 10,334 |
| Utilities | 6,174 | 6,174 |
| Others | 100 | 100 |
| | 17,487 | 16,633 |

| 10. STORES, SPARES AND LOOSE TOOLS | 2016 | 2015 |
|---|---|---|
| Stores | 67,862 | 50,059 |
| Spares and loose tools | 186 | 115 |
| | 68,048 | 50,174 |

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |

## 11. STOCK-IN-TRADE

| | 2016 | 2015 |
|---|---|---|
| **Raw materials** | | |
| - In hand | 824,944 | 379,145 |
| - Provision for obsolete / slow moving stock | (15,000) | (15,000) |
| | 809,944 | 364,145 |
| - In transit | 274,220 | 371,509 |
| | 1,084,164 | 735,654 |
| **Finished goods** | | |
| **In hand** | | |
| Complete Built-up Units (CBU) - trucks and cars | 110,772 | 46,872 |
| Spare parts | 31,485 | 32,924 |
| **Held with third parties** | | |
| CBU - trucks | 23,556 | 49,218 |
| **In transit** | | |
| CBU - trucks | - | 14,300 |
| | 165,813 | 143,314 |
| | 1,249,977 | 878,968 |

11.1 The present and future stock-in-trade, trade debts and receivables aggregating Rs.1,715 million (2015: Rs.1,715 million) of the Holding Company are under pledge / joint hypothecation charge with banks against short term finances and running finances.

## 12. TRADE DEBTS - Unsecured considered good

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Vehicles and assembly charges | 12.1 | 443,460 | 373,543 |
| Spare parts | | 5,435 | 2,430 |
| | | 448,895 | 375,973 |

**12.1 Trade debts include the following amounts due from related parties:**

| | 2016 | 2015 |
|---|---|---|
| Ghandhara Industries Limited | 39,922 | 34,413 |
| Gammon Pakistan Limited | - | 3 |
| | 39,922 | 34,416 |

12.2 The ageing of the trade debts receivable from related parties as at the reporting date are as follows:

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Up to 3 months | | 39,922 | 34,416 |

## 13. LOANS AND ADVANCES - Unsecured, considered good and interest free

| | Note | 2016 | 2015 |
|---|---|---|---|
| Current portion of long term loans | 8 | 2,850 | 1,480 |
| Loans to: | | | |
| - executives | 13.1 & 13.2 | 100 | 890 |
| - other employees | 13.1 | 693 | 1,070 |
| | | 793 | 1,960 |
| Advances to: | | | |
| - executives | | 215 | 127 |
| - other employees | | 909 | 3,685 |
| - suppliers, contractors and others | 13.4 | 38,929 | 26,677 |
| | | 40,053 | 30,489 |
| Letters of credit | | 8,297 | 6,476 |
| | | 51,993 | 40,405 |

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

### 13.2 Reconciliation of carrying amount of loans to executives

| | 2016 | 2015 |
|---|---|---|
| | --- Rupees in '000 --- | |
| Balance at beginning of the year | 890 | 1,910 |
| Disbursements | 175 | - |
| | 1,065 | 1,910 |
| Repayments | (965) | (1,020) |
| Balance at end of the year | 100 | 890 |

13.3 The maximum aggregate amount outstanding at the end of any month during the year ended June 30, 2016 from executives aggregated to Rs.0.830 million (2015: Rs.1.825 million).

13.4 Includes Rs.0.220 million (2015: Rs.2.102 million) advanced to The General Tyre and Rubber Company of Pakistan Limited - an Associated Company for purchase of tyres.

## 14. DEPOSITS AND PREPAYMENTS

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| Deposits - considered good and interest free | 7,155 | 5,410 |
| Prepaid | | |
| - rent [Bibojee Services (Private) Limited - the Ultimate Holding Company] | - | 3,718 |
| - others | 5,589 | 1,095 |
| | 5,589 | 4,813 |
| Current account balances with statutory authorities | 10,589 | 31,622 |
| | 23,333 | 41,845 |

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |

## 15. OTHER RECEIVABLES

Considered good and interest free

| | Note | 2016 | 2015 |
|---|---|---|---|
| Sales tax refundable / adjustable | | 121,395 | 23,535 |
| Bank guarantee margin | | 7,574 | 8,186 |
| Letters of credit margin | | 23,667 | 4,427 |
| Security deposits and earnest money - interest free | | 4,955 | 15,186 |
| Accrued interest | | 338 | 2,815 |
| Others | | 394 | 135 |
| | | 158,323 | 54,284 |

## 16. CASH AND BANK BALANCES

| | Note | 2016 | 2015 |
|---|---|---|---|
| Cash in hand | | 1 | 1 |
| Cash at banks on: | | | |
| - current accounts | | 227,783 | 108,718 |
| - deposit accounts | 16.1 | 9,917 | 9,917 |
| - term deposits receipts | 16.2 | 161,000 | 237,000 |
| | | 398,700 | 355,635 |
| Provision for doubtful bank balance | 16.3 | (3,912) | (3,912) |
| | | 394,788 | 351,723 |
| | | 394,789 | 351,724 |

16.1 These, during the year, carry mark-up upto 5.50% (2015: 9.00%) per annum.

16.2 Term deposit receipts (TDRs) have maturity days ranging from seven to one hundred eighty two days from respective dates of acquisition. These TDRs carry mark-up at rates ranging from 4.30% to 5.60% (2015: 6.00% to 7.40%) per annum.

16.3 This represents provision made against bank balance held with Indus Bank Limited whose operations were ceased by the State Bank of Pakistan and is under liquidation. The above balance is net of Rs.42.586 million deposited in the deposit account and margin account against four letters of credit due in May and June 2000. Despite full payments and several reminders, the payment of above letters of credit has not been made to the supplier of goods. The Group considers that it has discharged its obligation against the said letters of credit.

16.4 The Group has banking relationships with banks having conventional banking system except an account maintained under shariah compliant banking system.

## 17. SHARE CAPITAL

### 17.1 Authorized capital

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| 80,000,000 (2015: 80,000,000) ordinary shares of Rs.10 each | 800,000 | 800,000 |

## 17.2 Issued, subscribed and paid-up capital

| 2016 | 2015 | | | |
|---|---|---|---|---|
| -- No. of shares -- | | | | |
| 14,800,000 | 14,800,000 | Ordinary shares of Rs.10 each fully paid in cash | 148,000 | 148,000 |
| 200,000 | 200,000 | Ordinary shares of Rs.10 each issued as fully paid bonus shares | 2,000 | 2,000 |
| 30,002,500 | 30,002,500 | Ordinary shares of Rs.10 each issued for acquisition | 300,025 | 300,025 |
| 45,002,500 | 45,002,500 | | 450,025 | 450,025 |

17.3 At June 30, 2016 and June 30, 2015 Bibojee Services (Private) Limited (the Ultimate Holding Company) and UD Trucks Corporation, Japan, a related party, respectively held 28,046,417 and 3,647,090 ordinary shares.

| 18. SURPLUS ON REVALUATION OF FIXED ASSETS - Net | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Surplus on revaluation of the Holding Company's fixed assets | 18.1 | 1,017,664 | 1,048,295 |
| Share of surplus on revaluation of fixed assets of an Associated Company | | 352,433 | 354,791 |
| | | 1,370,097 | 1,403,086 |

### 18.1 Surplus on revaluation of the Holding Company's fixed assets

| | 2016 | 2015 |
|---|---|---|
| Balance at beginning of the year | 1,311,867 | 1,357,938 |
| Transferred to unappropriated profit on account of incremental depreciation for the year | (43,758) | (46,071) |
| | 1,268,109 | 1,311,867 |
| Less: related deferred tax of: | | |
| - opening balance | 263,572 | 303,750 |
| - incremental depreciation for the year | (13,127) | (13,821) |
| - effect of change in tax rate | - | (26,357) |
| - closing balance | 250,445 | 263,572 |
| Balance at end of the year | 1,017,664 | 1,048,295 |

## 19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

| | 2016 | 2015 |
|---|---|---|
| Balance at beginning of the year | 57,022 | 16,662 |
| Assets acquired during the year | 8,358 | 47,777 |
| Repaid / adjusted during the year | (11,544) | (7,417) |
| | 53,836 | 57,022 |
| Current portion grouped under current liabilities | (13,659) | (11,387) |
| Balance at end of the year | 40,177 | 45,635 |

19.1 These represent vehicles acquired under finance lease / diminishing musharakah arrangements from various financial institutions. Rentals are payable on monthly basis. These finance facilities, during the year, were subject to finance cost at the rates ranged from 8.36% to 17.50% (2015: 11.00% to 17.50%) per annum. These facilities are secured against title of the leased vehicles in the name of lessor. The Group intends to exercise its option to purchase the leased vehicles upon completion of the lease terms.

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

| Particulars | Upto one year | From one to five years | 2016 | Upto one year | From one to five years | 2015 |
|---|---|---|---|---|---|---|
| | --------------------------- | | Rupees in '000 | --------------------------- | | |
| Minimum lease payments | 17,600 | 44,304 | 61,904 | 16,513 | 52,520 | 69,033 |
| Finance cost allocated to future periods | (3,941) | (4,127) | (8,068) | (5,126) | (6,885) | (12,011) |
| Present value of minimum lease payments | 13,659 | 40,177 | 53,836 | 11,387 | 45,635 | 57,022 |

## 20. LONG TERM DEPOSITS - Interest free

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Dealers' deposit | 20.1 | 8,000 | 9,000 |
| Vendors | | 111 | 111 |
| Others | | 500 | 500 |
| | | 8,611 | 9,611 |

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

## 21. DEFERRED LIABILITIES

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Provision for gratuity | 21.1 | - | 83,370 |
| Provision for compensated absences | 21.2 | - | 28,583 |
| Gain on sale and lease back of fixed assets | 21.3 | 11 | 16 |
| | | 11 | 111,969 |

### 21.1 Provision for gratuity

Previously the Holding Company operated an unfunded gratuity scheme which defines the amount of benefit that employees will receive on retirement subject to minimum qualifying period of service under the scheme. During the current year, the Holding Company decided to contribute to the Fund - Ghandhara Nissan Limited - Employees Gratuity Fund established under an irrevocable trust to pay / manage gratuities of eligible employees. This is a trustee-administered fund and is governed by local regulations which mainly includes Trust Act, 1882, Companies Ordinance, 1984, Income Tax Rules, 2002 and Rules under the Trust deed of the Scheme. Responsibility for governance of the Scheme, including investment decisions and contributions schedules lies with the board of trustees. Trustee of the Fund are appointed by the Holding Company and are employees of the Holding Company.

The latest actuarial valuation of the Scheme as at June 30, 2016 was carried out using the 'Projected Unit Credit Method'. Details of the Scheme as per the actuarial valuation are as follows:

| | Funded gratuity scheme 2016 | Unfunded gratuity scheme 2015 |
|---|---|---|
| **21.1.1 Balance sheet reconciliation** | ----- Rupees in '000 ----- | |
| Present value of defined benefit obligation | 95,390 | 80,791 |
| Fair value of plan assets | (30,000) | - |
| Benefits payable | 1,648 | 2,579 |
| | 67,038 | 83,370 |
| Payable within next twelve months | (67,038) | - |
| Net liability | - | 83,370 |
| **21.1.2 Net liability recognised** | | |
| Net liability at beginning of the year | 83,370 | 70,404 |
| Charge to profit and loss account | 13,215 | 14,020 |
| Contributions made by the Company | (30,000) | - |
| Re-measurement recognised in other comprehensive income | 3,297 | 2,061 |
| Benefits paid during the year | (2,844) | (3,115) |
| Net liability at end of the year | 67,038 | 83,370 |
| Payable within next twelve months | (67,038) | - |
| Net liability | - | 83,370 |
| **21.1.3 Movement in the present value of defined benefit obligation** | | |
| Balance at beginning of the year | 80,791 | 70,356 |
| Current service cost | 5,431 | 5,072 |
| Interest cost | 7,784 | 8,948 |
| Benefits paid | (1,328) | (3,115) |
| Benefits due but not paid | (585) | (2,531) |
| Re-measurement on obligation | 3,297 | 2,061 |
| Balance at end of the year | 95,390 | 80,791 |
| **21.1.4 Movement in the fair value of plan assets** | | |
| Contribution received during the year | 30,000 | - |

21.1.5 Plan assets represent bank balances.

| | Funded gratuity scheme 2016 | Unfunded gratuity scheme 2015 |
|---|---|---|
| **21.1.6 Expense recognised in profit and loss account** | | |
| Current service cost | 5,431 | 5,072 |
| Interest cost | 7,784 | 8,948 |
| | 13,215 | 14,020 |
| **21.1.7 Re-measurement recognised in other comprehensive income** | | |
| Experience adjustments | 3,297 | 2,061 |

| | Funded gratuity scheme 2016 | Unfunded gratuity scheme 2015 |
|---|---|---|
| **21.1.8 Significant actuarial assumptions and sensitivity** | --- % per annum --- | |
| Discount rate | 7.75 | 9.75 |
| Expected rate of increase in future salaries | 7.75 | 9.75 |
| Mortality rates (for death in service) | SLIC 2001-2005 | SLIC 2001-2005 |

The sensitivity of the defined benefit obligation to changes in principal assumptions is :

| | Impact on define benefit obligation | | |
|---|---|---|---|
| | Change in assum-ption | Increase in assumption | Decrease in assumption |
| | | --- Rupees in '000 --- | |
| Discount rate | 1.00% | 88,534 | 101,494 |
| Increase in future salaries | 1.00% | 101,501 | 88,414 |

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

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

21.1.9 Based on actuary's advice, the expected charge to profit and loss account for the year ending June 30, 2017 amounts to Rs.10.762 million.

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

**21.1.11 Historical information**

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| | ------------------------ Rupees in '000 ------------------------ | | | | |
| Present value of defined benefit obligation | 95,390 | 80,791 | 70,356 | 60,895 | 48,553 |
| Experience adjustment on obligation | 3,297 | 2,061 | 3,636 | 4,972 | (4,798) |

**21.1.12 Expected maturity analysis of undiscounted retirement benefit plan:**

| | Less than a year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| | ------------------------ Rupees in '000 ------------------------ | | | | |
| As at June 30, 2016 | 24,565 | 4,358 | 23,515 | 433,749 | 486,187 |

### 21.2 Provision for compensated absences

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Balance at beginning of the year | | 28,583 | 24,391 |
| Provision for the year | | 7,695 | 6,007 |
| | | 36,278 | 30,398 |
| Encashed during the year | 21.2.1 | (36,278) | (1,815) |
| Balance at end of the year | | - | 28,583 |

21.2.1 Management, during the year, has fully repaid the employees entitlement to their leaves and leave compensation policy has been abolished.

### 21.3 Gain on sale and lease back of fixed assets

The Holding Company has entered into a sale and lease back transaction during the year which results in finance lease. The excess of sale proceeds over the net book value of vehicle under sale and lease back arrangement has been recognised as deferred income and is amortized over the period of lease term.

## 22. DEFERRED TAXATION - Net

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| The liability for deferred taxation comprises of temporary differences relating to: | | | |
| - accelerated tax depreciation allowance | | 51,058 | 50,499 |
| - surplus on revaluation of fixed assets | | 250,445 | 263,572 |
| - lease finances | | (142) | 97 |
| - provision for gratuity | | (20,447) | (25,845) |
| - provision for compensated absences | | - | (8,861) |
| - provision for warranty claims | | (946) | (4,226) |
| - provision for obsolete / slow moving stock | | (4,650) | (4,800) |
| - provision for bank balances | | (1,174) | (1,174) |
| | | 274,145 | 269,262 |

## 23. TRADE AND OTHER PAYABLES

| | Note | 2016 | 2015 |
|---|---|---|---|
| Trade creditors | | 163,078 | 75,773 |
| Bills payable | | 313,752 | 322,476 |
| Accrued liabilities | 23.1 | 142,381 | 50,725 |
| Refundable - CKD / CBU business | | 1,403 | 1,403 |
| Customers' credit balances | 23.2 | 604,066 | 242,999 |
| Commission | | 17,869 | 7,604 |
| Unclaimed gratuity | | 231 | 231 |
| Dealers' deposits against vehicles - interest free | | 53,900 | 54,400 |
| Payable to gratuity fund | 21.1 | 67,038 | - |
| Due to related parties | 23.3 | 31,705 | 30,339 |
| Withholding tax | | 4,270 | 5,809 |
| Workers' profit participation fund | 23.4 | 44,711 | 42,281 |
| Workers' welfare fund | | 16,990 | 21,579 |
| Retention money | | 240 | 103 |
| Unclaimed dividend | | 4,853 | 2,132 |
| Warranty claims | | 8,051 | 13,207 |
| Others | 23.5 & 23.6 | 20,288 | 23,574 |
| | | 1,494,826 | 894,635 |

23.1 Includes Rs.27.900 million (2015: Rs.20.173 million) which pertains to a key management person.

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

### 23.3 Due to related parties

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| Bibojee Services (Private) Limited | 7,921 | 120 |
| UD Trucks Corporation - Japan | 13,899 | 10,334 |
| Rehman Cotton Mills Limited | - | 10,000 |
| Waqf-e-Kuli Khan | 9,885 | 9,885 |
| | 31,705 | 30,339 |

### 23.4 Workers' profit participation fund

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Balance at beginning of the year | | 42,281 | 14,484 |
| Allocation for the year | 33 | 44,711 | 42,281 |
| Interest on funds utilised in the Holding Company's business | 34 | 4,418 | 1,631 |
| | | 91,410 | 58,396 |
| Payment made during the year | | (46,699) | (16,115) |
| Balance at end of the year | | 44,711 | 42,281 |

23.5 Includes Rs.1.479 million (2015: Rs.2.479 million) which pertain to a key management person.

23.6 Includes deposits and instalments under the Holding Company's staff vehicle policy aggregating Rs.7.196 million (2015: Rs.5.083 million).

## 24. ACCRUED MARK-UP

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Mark-up accrued on: | | | |
| - short term finances | | - | 586 |
| - running finances | | 136 | 7,399 |
| | | 136 | 7,985 |

## 25. SHORT TERM FINANCES - Secured

| | Note | 2016 | 2015 |
|---|---|---|---|
| Balance as at June 30, | 25.1 | - | 32,259 |

25.1 The Holding Company had arranged short term loan of Rs.330 million from Faysal Bank Limited (the Bank) against outstanding import bills. Originally this loan was repayable in monthly instalments of Rs.22 million each. The Holding Company during the prior years had repaid instalments aggregating Rs.215 million and balance of Rs.115 million was renewed by the Bank. The Holding Company, during the year, has fully repaid the outstanding balance against this loan. The short term loan carried mark-up at the rate of six months KIBOR plus 1.80% per annum.

## 26. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS - Secured

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Balance as at June 30, | 26.1 | - | 118,802 |

26.1 Running finance facilities available from commercial banks under mark-up arrangements aggregate to Rs.375 million (2015: Rs.375 million) and are secured by way of equitable, hypothecation and pari passu charge over fixed and current assets of the Holding Company. These, during the current financial year, carry mark-up at the rates ranging from 7.95% to 8.51% (2015: 9.79% to 12.21%) per annum. The arrangements are expiring on October 31, 2016.

26.2 The facilities for opening letters of credit as at June 30, 2016 aggregate to Rs.2,350 million (2015: Rs.1,577 million) of which the amount remained unutilised at the year-end was Rs.840.530 million (2015: Rs.891.344 million). Further, the Holding Company also has Finance against Import Merchandise (FIM) facilities aggregating Rs.2,150 million (2015: Rs.1,270 million) and letters of guarantee facilities aggregating Rs.310 million (2015: Rs.110 million) as sub limits of these letters of credit facilities. These facilities are secured against effective pledge of imported consignments, first pari passu charge over land along with buildings and plant & machinery and hypothecation charge over present and future stocks & books debts.

26.3 Facilities aggregated Rs.1,250 million (2015: Rs.Nil) out of the abovementioned facilities are also available at Group level.

## 27. CONTINGENCIES AND COMMITMENTS

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

27.2 Commitment in respect of irrevocable letters of credit as at June 30, 2016 aggregate to Rs.1,509.470 million (2015: Rs.714.432 million).

27.3 Guarantees aggregating Rs.11.022 million (2015: Rs.20.047 million) are issued by banks of the Holding Company to various government and other institutions. Further, the Holding Company has issued corporate guarantees aggregating Rs.1,441 million (2015: Rs.500 million) to the commercial banks against letters of credit facilities utilised by the Subsidiary Company.

## 28. REVENUE - Net

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| **Manufactured activity** | | |
| Local sales | 6,348,257 | 6,072,446 |
| Less: | | |
| - sales tax | 924,902 | 882,910 |
| - commission | 88,025 | 79,239 |
| | 1,012,927 | 962,149 |
| | 5,335,330 | 5,110,297 |
| **Trading activity** | | |
| Local sales | 504,073 | 573,454 |
| Export sales | 2,179 | 1,360 |
| | 506,252 | 574,814 |
| Less: | | |
| - sales tax | 73,607 | 83,414 |
| - discount and commission | 6,477 | 5,261 |
| | 80,084 | 88,675 |
| | 426,168 | 486,139 |
| | 5,761,498 | 5,596,436 |

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |

## 29. COST OF SALES

| | Note | 2016 | 2015 |
|---|---|---|---|
| Finished goods at beginning of the year | | 143,314 | 59,543 |
| Cost of goods manufactured | 29.1 | 4,269,368 | 4,026,476 |
| Purchases - trading goods | | 318,929 | 506,046 |
| | | 4,588,297 | 4,532,522 |
| Finished goods at end of the year | 11 | (165,813) | (143,314) |
| | | 4,565,798 | 4,448,751 |

### 29.1 Cost of goods manufactured

| | Note | 2016 | 2015 |
|---|---|---|---|
| Raw materials and parts consumed | 29.2 | 3,736,073 | 3,573,881 |
| Fabrication of contract vehicles | | 2,376 | 17,125 |
| Stores and spares consumed | | 50,943 | 61,368 |
| Provision for obsolete / slow moving stock | | - | 15,000 |
| Salaries, wages and benefits | 29.3 | 195,911 | 142,555 |
| Transportation | | 8,039 | 8,291 |
| Repair and maintenance | | 44,877 | 19,744 |
| Depreciation | 5.4 | 76,076 | 69,131 |
| Material handling | | 11,829 | 7,390 |
| Insurance | | 3,649 | 4,059 |
| Communication | | 539 | 524 |
| Rent, rates and taxes | | 33,433 | 15,056 |
| Travelling and entertainment | | 2,635 | 952 |
| Power generation costs | | 49,208 | 52,736 |
| Printing, stationery and office supplies | | 1,226 | 837 |
| Royalty expense | | 37,837 | 15,420 |
| Product upgradation charges | | 6,900 | 8,700 |
| Plant security | | 4,921 | 5,486 |
| Research and development cost | | - | 5,075 |
| Other manufacturing expenses | | 2,896 | 3,146 |
| | | 4,269,368 | 4,026,476 |

### 29.2 Raw materials and parts consumed

| | Note | 2016 | 2015 |
|---|---|---|---|
| Stocks at beginning of the year | | 364,145 | 355,455 |
| Purchases | | 4,181,872 | 3,582,571 |
| | | 4,546,017 | 3,938,026 |
| Stocks at end of the year | | (809,944) | (364,145) |
| | | 3,736,073 | 3,573,881 |

29.3 Salaries, wages and benefits include Rs.3.866 million (2015: Rs.4.681 million) and Rs.Rs.2.810 million (2015: Rs.2.528 million) in respect of staff retirement gratuity and staff provident fund respectively.

## 30. DISTRIBUTION COST

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Salaries and benefits | 30.1 | 29,410 | 19,696 |
| Utilities | | 345 | 289 |
| Rent of showroom | | 12,000 | 12,000 |
| Insurance | | 9 | 26 |
| Repair and maintenance | | 363 | 475 |
| Travelling and entertainment | | 9,012 | 7,433 |
| Telephone and postage | | 142 | 125 |
| Vehicle running | | 291 | 448 |
| Printing, stationery and office supplies | | 69 | 420 |
| Security | | 915 | 773 |
| Warranty services | | 4,004 | 13,600 |
| Godown and forwarding | | 1,172 | 443 |
| Sales promotion expenses | | 4,005 | 664 |
| Others | | 222 | 427 |
| | | 61,959 | 56,819 |

30.1 Salaries and benefits include Rs.0.209 million (2015: Rs.0.171 million) and Rs.1.018 million (2015: Rs.0.867 million) in respect of staff retirement gratuity and staff provident fund respectively.

## 31. ADMINISTRATIVE EXPENSES

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Salaries and benefits | 31.1 | 127,659 | 113,123 |
| Utilities | | 5,338 | 4,346 |
| Rent, rates and taxes | | 10,138 | 10,087 |
| Directors' fee | | 1,236 | 737 |
| Insurance | | 2,571 | 2,530 |
| Repairs and maintenance | | 3,089 | 2,565 |
| Depreciation and amortisation | 5.4 & 6 | 13,673 | 8,963 |
| Auditors' remuneration | 31.2 | 1,280 | 740 |
| Advertising | | 1,887 | 463 |
| Travelling and conveyance | | 12,738 | 3,278 |
| Legal and professional charges | | 3,636 | 4,941 |
| Vehicle running | | 4,167 | 2,926 |
| Telephone and postage | | 4,575 | 3,556 |
| Printing and stationery | | 5,253 | 4,040 |
| Subscription | | 2,266 | 2,418 |
| Security expenses | | 3,575 | 1,737 |
| Donation | 31.3 | 535 | 150 |
| Others | | 3,303 | 3,435 |
| | | 206,919 | 170,035 |

31.1 Salaries and benefits include Rs.9.140 million (2015: Rs.9.167 million) and Rs.2.624 million (2015: Rs.2.064 million) in respect of staff retirement gratuity and staff provident fund respectively.

| | | | 2016 | 2015 |
|---|---|---|---|---|
| 31.2 | Auditors' remuneration | | ----- Rupees in '000 ----- | |
| | Audit fee | | | |
| | ShineWing Hameed Chaudhri & Co. | | 500 | 300 |
| | Muniff Ziauddin & Co. | | 500 | 300 |
| | Junaidy Shoaib Asad | | 280 | 140 |
| | | | 1,280 | 740 |

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

## 32. OTHER INCOME

| | Note | 2016 | 2015 |
|---|---|---|---|
| **Income from financial assets** | | | |
| Interest / mark-up earned on: | | | |
| - deposit accounts | 32.1 | 836 | 1,910 |
| - term deposit receipts | 32.1 | 22,077 | 8,817 |
| | | 22,913 | 10,727 |
| **Income from non-financial assets** | | | |
| Scrap sales - net of sales tax | | 3,815 | 4,128 |
| Gain on disposal of operating fixed assets | 5.5 | 1,699 | 1,290 |
| Amortization of gain on sale and lease back of fixed assets | | 5 | 4 |
| Commission income | | 8,540 | 6,579 |
| Others | 32.2 | 855 | 4,512 |
| | | 14,914 | 16,513 |
| | | 37,827 | 27,240 |

32.1 Interest at the rates ranged from 4.00% to 7.40% (2015: 6.00% to 8.50%) per annum has been earned during the year on term deposit receipts and deposit accounts placed under conventional banking system.

32.2 This represents interest free income from various sources.

## 33. OTHER EXPENSES

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----- Rupees in '000 ----- | |
| Workers' profit participation fund | 23.4 | 44,711 | 42,281 |
| Workers' welfare fund | | 16,990 | 16,067 |
| | | 61,701 | 58,348 |

## 34. FINANCE COST

| | Note | 2016 | 2015 |
|---|---|---|---|
| Mark-up on: | | | |
| - short term finances | | 1,250 | 35,688 |
| - running finances | | 2,864 | 30,885 |
| Lease finance charges | | 4,720 | 3,731 |
| Exchange loss - net | 34.1 | 3,854 | 11,202 |
| Interest on workers' profit participation fund | 23.4 | 4,418 | 1,631 |
| Bank and other charges | | 2,844 | 4,345 |
| | | 19,950 | 87,482 |

34.1 This represents exchange loss / gain - net arising on revaluation of actual currency financial assets and financial liabilities.

## 35. TAXATION

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| Current - for the year | 303,903 | 144,948 |
| Deferred | | |
| - origination and reversal of temporary differences | 5,206 | 168,483 |
| - impact of change in tax rate | 699 | (30,243) |
| | 5,905 | 138,240 |
| | 309,808 | 283,188 |

### 35.1 Relationship between income tax expense and accounting profit

| | 2016 | 2015 |
|---|---|---|
| Net profit before taxation | 1,044,641 | 821,115 |
| Tax at the applicable income tax rate of 32% (2015: 33%) | 334,285 | 270,968 |
| Tax effect of expenses, which are not deductible for tax purposes and are taken to profit and loss account | 44,239 | 42,447 |
| Tax effect of expenses, which are deductible for tax purposes but are not taken to profit and loss account | (38,869) | (14,148) |
| Tax effect of share of profit of an Associate | (51,726) | (6,228) |
| Effect of tax credits | (1,367) | (95,175) |
| Tax effect of unused tax losses | - | (70,074) |
| Tax effect of income subject to final tax regime | (7,412) | (1,831) |
| Super tax | 24,753 | 18,989 |
| Deferred taxation | 5,905 | 138,240 |
| | 309,808 | 283,188 |

35.2 Section 5A of the Income Tax Ordinance, 2001 imposes tax at the rate of ten percent on every public company other than a scheduled bank or modaraba, that derives profits for tax a year but does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that it's reserves, after such distribution, are in excess of 100% of it's paid-up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40% of its after-tax profits or 50% of it's issued, subscribed and paid-up capital, whichever is less, within six months of the end of the tax year.

The Board of Directors in their meeting held on August ---, 2016 has distributed sufficient cash dividend for the year ended June 30, 2016 (note 45) which complies with the above-stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognised in these financial statements for the year ended June 30, 2016.

## 36. EARNINGS PER SHARE

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| **36.1 Basic earnings per share** | | |
| Net profit for the year | 734,828 | 537,926 |
| | -- Number of shares -- | |
| Weighted average ordinary shares in issue | 45,002,500 | 45,002,500 |
| | -------- Rupees -------- | |
| Earnings per share | 16.33 | 11.95 |

### 36.2 Diluted earnings per share

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

## 37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Chief Executive | Directors | Executives | Chief Executive | Director | Executives |
| | ---------------------------- Rupees in '000 ---------------------------- | | | | | |
| Managerial remuneration | 12,979 | 5,444 | 61,913 | 9,000 | 3,600 | 52,761 |
| Bonus | - | - | 5,876 | - | - | - |
| Contribution to provident fund | 587 | 75 | 2,587 | 456 | - | 2,154 |
| Gratuity | 425 | 75 | 1,897 | 228 | - | 1,700 |
| Utilities | - | - | 2,718 | - | - | 2,403 |
| Leave passage | - | - | 3,074 | - | - | - |
| | 13,991 | 5,594 | 78,065 | 9,684 | 3,600 | 59,018 |
| Number of persons | 1 | 2 | 33 | 1 | 1 | 30 |

37.1 No remuneration has been paid or is payable by the Subsidiary Company on account of remuneration of Chief Executive and Executives for the year.

37.2 The Chief Executive of the Holding Company is also entitled for the use of the company maintained car, security, telephone, club and medical expenses at actual. He is also entitled to receive other benefits as per the Holding Company policy applicable to all management employees.

37.3 Director and certain Executives of the Holding Company are also provided with free use of the Company maintained vehicles.

37.4 Aggregate amount charged in the consolidated financial statements for meeting fee to Directors of the Holding Company and Subsidiary Company was Rs.1.236 million (2015: Rs.0.737 million).

## 38. TRANSACTIONS WITH RELATED PARTIES

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

| Name | Nature of transaction | 2016 | 2015 |
|---|---|---|---|
| | | --- Rupees in '000 --- | |
| (i) Ultimate Holding Company | | | |
| Bibojee Services (Private) Limited | Rent | 17,520 | 17,520 |
| | Dividend | 154,255 | 56,093 |
| (ii) Associated Companies | | | |
| Universal Insurance Company Limited | Insurance premium | - | 1,542 |
| The General Tyre and Rubber Company of Pakistan Limited | Purchase of tyres, tubes and flaps | 106,587 | 73,354 |
| Ghandhara Industries Limited | Contract assembly | 174,283 | 88,218 |
| | Fabrication of vehicles | 706 | 7,000 |
| | Purchase of vehicle | - | 2,250 |
| | Expense reimbursement | - | 180 |
| | Purchase of parts | 5 | - |
| | Sale of vehicles | 34,410 | - |
| | Dividend received | 23,248 | - |
| Rehman Cotton Mills Limited | Purchase of plant & machinery | - | 10,000 |
| Gammon Pakistan Limited | Office rent | 2,250 | 1,500 |
| | Sale of parts | - | 3 |
| (iv) Others | | | |
| UD Trucks Corporation, Japan | Royalty | 12,963 | 14,041 |
| | Purchases of complete knock down kits | 2,138,934 | 2,274,299 |
| | Dividend | 20,059 | 7,294 |
| Staff provident fund | Contribution made | 6,452 | 5,459 |
| Staff gratuity fund | Contribution made | 30,000 | - |
| Key management personnel | Remuneration and other short term benefits | 54,445 | 32,636 |
| | Sale of fleet vehicles | 1,925 | - |

## 39. PLANT CAPACITY

### The Holding Company

Against the production capacity of 2,500 trucks and buses on single shift basis, the Holding Company produced 2,704 (2015: 1,922) trucks and buses of UD, Isuzu, DongFeng and Kamaz. The Company has also processed 2,496 (2015: 1,842) Truck cabs through paint shop.

Against the designed annual production capacity of 6,000 vehicles at car plant, on single shift basis, the Holding Company has assembled 169 (2015: 446) vehicles of Land Rover. Due to low demand the plant capacity remained under-utilized.

## 40. FINANCIAL RISK MANAGEMENT

### 40.1 Financial risk factors

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

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

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

### (a) Credit risk

Credit risk represents the risk of financial loss being caused if counterparty fails to perform as contracted or discharge an obligation.

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

The maximum exposure to credit risk as at June 30, 2016 along with comparative is tabulated below:

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| Long term loans | 9,438 | 6,477 |
| Long term deposits | 6,299 | 6,299 |
| Trade debts | 448,895 | 375,973 |
| Loans and advances | 3,643 | 3,440 |
| Deposits and prepayments | 7,155 | 5,410 |
| Other receivables | 36,928 | 30,749 |
| Short term investment | - | 30,092 |
| Bank balances | 394,788 | 351,723 |
| | 907,146 | 810,163 |

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

| | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 ----- | |
| Domestic | 448,895 | 375,397 |
| Export | - | 576 |
| | 448,895 | 375,973 |

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

| | 2016 | 2015 |
|---|---|---|
| Up to 3 months | 349,763 | 311,996 |
| 3 to 6 months | 88,405 | 62,309 |
| more than 6 months | 10,727 | 1,668 |
| | 448,895 | 375,973 |

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

(b) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty, in meeting obligation associated with financial liabilities. The Group's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent and ensuring the availability of adequate credit facilities. The Group's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

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

| | Carrying amount | Less than 1 year | Between 1 to 5 years | 5 years and above |
|---|---|---|---|---|
| | ----------------- Rupees in '000 ----------------- | | | |
| June 30, 2016 | | | | |
| Liabilities against assets subject to finance lease | 53,836 | 13,659 | 40,177 | - |
| Long term deposits | 8,611 | - | - | 8,611 |
| Trade and other payables | 824,789 | 824,789 | - | - |
| Accrued mark-up | 136 | 136 | - | - |
| | 887,372 | 838,584 | 40,177 | 8,611 |

| | Carrying amount | Less than 1 year | Between 1 to 5 years | 5 years and above |
|---|---|---|---|---|
| | ----------------- Rupees in '000 ----------------- | | | |
| June 30, 2015 | | | | |
| Liabilities against assets subject to finance lease | 57,022 | 11,387 | 45,635 | - |
| Long term deposits | 9,611 | - | - | 9,611 |
| Trade and other payables | 581,967 | 581,967 | - | - |
| Accrued mark-up | 7,985 | 7,985 | - | - |
| Short term finances | 32,259 | 32,259 | - | - |
| Running finances under mark-up arrangements | 118,802 | 118,802 | - | - |
| | 807,646 | 752,400 | 45,635 | 9,611 |

## (c) Market risk

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

### Foreign exchange risk

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

| June 30, 2016 | Rupees | Yen | RMB |
|---|---|---|---|
| | ---------------- | in '000 | ---------------- |
| Trade and other payables | 301,880 | 55,869 | 15,495 |

| June 30, 2015 | Rupees | Yen | U.S.$ | RMB |
|---|---|---|---|---|
| | ---------------------- | in '000 | | ---------------------- |
| Trade and other payables | 322,476 | 135,692 | 140 | 471 |
| Trade debts | (576) | - | (6) | - |
| | 321,900 | 135,692 | 134 | 471 |

The following significant exchange rates have been applied:

| | Reporting date rate | |
|---|---|---|
| | 2016 | 2015 |
| Yen to Rupee | 1.019 | 0.821 |
| U.S. $ to Rupee | - | 101.70 / 101.50 |
| RMB to Rupee | 15.81 | 16.39 |

### Sensitivity analysis

At June 30, 2016, if Rupee had strengthened by 5% against Yen, Dollar and RMB with all other variables held constant, profit before taxation for the year would have been higher/ (lower) by the amount shown below mainly as a result of net foreign exchange gain on translation of net financial liabilities.

| Effect on profit for the year | 2016 | 2015 |
|---|---|---|
| | ----- Rupees in '000 | ----- |
| Yen to Rupee | 789 | 5,572 |
| U.S. $ to Rupee | - | 681 |
| RMB to Rupee | 12,249 | 386 |
| | 13,038 | 6,639 |

### Interest rate risk

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

Majority of the interest rate risk of the Group arises from short term borrowings from banks, short term investment and balances held with banks. At the reporting date the profile of the Group's interest bearing financial instruments is as follows:

| | 2016 | 2015 |
|---|---|---|
| **Fixed rate instruments - financial assets** | ----- Rupees in '000 ----- | |
| Short term investment | - | 30,000 |
| Bank balances | 170,917 | 246,917 |
| | 170,917 | 276,917 |
| **Variable rate instruments - financial liabilities** | | |
| Liabilities against assets subject to finance lease | 53,836 | 57,022 |
| Short term finances | - | 32,259 |
| Running finances under mark-up arrangements | - | 118,802 |
| | 53,836 | 208,083 |

### Sensitivity analysis

At June 30, 2016, if the interest rates on the Group's variable rate instruments had been 1% higher / (lower) with all other variables held constant, profit before tax for the year would have been Rs.538 thousand (2015: Rs.2,081 thousand) lower / higher mainly as a result of higher / (lower) interest expense.

### Price risk

Price risk is the risk that fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk). Whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At June 30, 2016 / 2015 the Group did not have any financial instruments dependent on market prices.

### 40.2 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values.

## 41. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

## 42. OPERATING SEGMENTS

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

(a) All non-current assets of the Group at June 30, 2016 and 2015 are located in Pakistan.

(b) 99.96% (2015: 99.98%) of the Group's sales relate to customers in Pakistan.

(c) During the year, the Company's customers base remains diverse with no single customer accounting for more than 10% of net revenue.

## 43. NUMBER OF EMPLOYEES

| | 2016 | 2015 |
|---|---|---|
| Number of employees as at June 30, | | |
| - Permanent | 256 | 234 |
| - Contractual | 402 | 302 |
| Average number of employees during the year | | |
| - Permanent | 252 | 229 |
| - Contractual | 315 | 277 |

## 44. PROVIDENT FUND RELATED DISCLOSURES

44.1 The Holding Company operates a recognised provident fund for all its permanent employees. The following information is based on un-audited financial statements of the Holding Company's Fund for the year ended June 30, 2016:

| | 2016 | 2015 |
|---|---|---|
| | --- Rupees in '000 --- | |
| Size of the Fund - total assets | 85,794 | 73,177 |
| Cost of investments made | 80,686 | 68,221 |
| Percentage of investments made | 94.05% | 93.23% |
| Fair value of investments | 91,977 | 78,999 |

44.2 Break-up of the investments is as follows:

| | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|
| | ----- Percentage ----- | | --- Rupees in '000 --- | |
| Bank deposits | 7.78 | 1.67 | 6,674 | 1,219 |
| Government securities | 71.49 | 76.25 | 61,330 | 55,796 |
| National Investment Trust - units | 14.78 | 15.31 | 12,682 | 11,206 |

44.3 Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 45. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in their meeting held on August 31, 2016 have proposed final cash dividend of Rs. 5 (2015: Rs.4.50) per share, amounting to Rs. 225.013 million (2015: Rs.202.511 million), for the year ended June 30, 2016. The proposed dividend will be approved in the forthcoming annual general meeting to be held on October 19, 2016.

These consolidated financial statements do not reflect the proposed dividend, which will be accounted for in the consolidated statement of changes in equity as appropriation from unappropriated profit in year ending June 30, 2017.

## 46. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and /or re-classified for the purpose of better presentation the effect of which is not material.

## 47. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on August 31, 2016 by the Board of Directors of the Holding Company.

| Ahmed Kuli Khan Khattak | Syed Haroon Rashid |
| --- | --- |
| Chief Executive Officer | Director |

# Form of Proxy

I / We ________________________________________________________________

of _____________________________________________________________ being

a member(s) of Ghandhara Nissan Limited and holder of ______________________

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

________________________ hereby appoint _________________________________

of________________________________________________________________

or failing him/her ____________________________________of ____________

_____________________________________________ who is also member of Ghandhara Nissan Limited vide Registered Folio No./CDC Participant's ID and Account No. ____________ as may/our proxy to vote for me/us and on my/our behalf at the 34th Annual General Meeting of the Company to be held on Wednesday, 19th October 2016 at 11:00 A.M. and any adjournment thereof.

Signed this ______________ day of _____________ 2016.

Signature ________________________

| | | | |
|---|---|---|---|
| Witness: | ________________________ | Witness: | ________________________ |
| Name with CNIC No.: | ________________________ | Name with CNIC No.: | ________________________ |
| Address: | ________________________ | Address: | ________________________ |

AFFIX
REVENUE
STAMP
Rs.5/-

IMPORTANT:

1. This form of Proxy duly completed must be deposited at the Company's registered office F-3, Hub Chauki Road, S.I.T.E., Karachi, not later than 48 hours before the time of holding the meeting.

2. A Proxy should also be a member of the Company.

3. CDC Shareholders and their Proxies must each attach an attested photocopy of their computerized National Identity Card or Passport with this Proxy Form.

# Dividend Mandate Form

**T.H.K. Associates (Pvt.) Ltd.**
2nd Floor, State Life Bldg. No.3
Dr. Zia uddin Ahmed Road
Karachi

Date: ___/ ___/ ___/

I / We, Mr. / Ms. / Mrs. / M/s, ________________________________________, holding CNIC No. / Passport No. / NTN ____________________________________________________________ and being the registered shareholder of Ghandhara Nissan Limited hereby authorize the Company to directly credit in my bank account cash dividend, if any declared by the Company in future, instead of issuance of dividend warrant. Following are my details to facilitate the aforementioned request:

SHAREHOLDER'S INFORMATION & BANK DETAILS

| | |
|---|---|
| Name of Shareholder | |
| Folio No. | |
| CNIC No. / NTN / Passport No. | |
| (please attach an attested photocopy) | |
| Title of Bank Account | |
| Bank Account Number (COMPLETE) | |
| Bank's Name | |
| Bank's Branch Name | |
| Branch Code | |
| Address of Bank Branch | |
| | |
| | |
| Telephone Number (Landline) | |
| Telephone Number (Mobile) | |

It is stated that the above-mentioned information is correct and that I will intimate the changes in the above mentioned information to the company and its share registrar as soon as these occur.

Signature of Member: __________________________

Name: ______________________________________________
(PLEASE WRITE NAME IN BLOCK LETTERS)


**Ghandhara Nissan Limited**

F-3, Hub Chowki Road,
S.I.T.E., Karachi-75730
Tel: 021-32556901-10
UAN: 111-190-190
Fax: 021-32556911-12
Email: info@ghandhara.com.pk
Web: www.ghandhara.com.pk