KPMG Taseer Hadi & Co.
Chartered Accountants

Loads Limited

Consolidated Financial Statements
For the year ended 30 June 2014

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Auditors' report to the members

We have audited the annexed consolidated financial statements comprising Consolidated Balance Sheet of **Loads Limited** ("the holding company") and its subsidiary companies ("the Group") as at 30 June 2014 and the related Consolidated Profit and Loss account, Consolidated Statement of Comprehensive Income, Consolidated Cash flow Statement and Consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Loads Limited and its subsidiary companies namely Specialized Autoparts Industries (Private) Limited, Multiple Autoparts Industries (Private) Limited and Specialized Motorcycles (Private) Limited.

These financial statements are the responsibility of the Holding Company'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 Loads Limited and its subsidiary companies as at 30 June 2014 and the results of their operations for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Kpmg Taseer Hadi & Co.

Date: 10 October 2014

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Loads Limited

Consolidated Balance Sheet

As at 30 June 2014

ASSETS	Note	2014	2013 *Restated*	2012 *Restated*
Non-current assets				
Property, plant and equipment	4	**443,103,047**	443,070,792	435,444,142
Intangible assets	5	**1,479,001**	4,965,394	7,069,758
Long term investments	6	**164,159,539**	118,435,312	109,885,348
Deferred taxation	17	**-**	-	27,430,043
Long term deposits	7	**5,568,357**	4,899,554	3,412,585
		614,309,944	571,371,052	583,241,876
Current assets				
Stores and spares		**35,018,753**	23,994,712	17,135,317
Loose tools		**-**	808,736	854,287
Stock-in-trade	8	**673,933,164**	672,015,614	581,542,141
Trade debts - unsecured	9	**122,990,039**	112,211,771	91,010,522
Loans and advances	10	**20,897,709**	81,426,511	16,131,206
Short term deposits, prepayments and other receivables	11	**72,662,860**	40,522,851	42,891,667
Taxation - net	12	**135,296,948**	94,659,272	65,147,210
Investments	13	**139,415,027**	119,522,723	38,432,457
Cash and bank balances	14	**40,903,051**	36,746,463	41,687,122
		1,241,117,551	1,181,908,653	894,831,929
Total assets	*Rupees*	**1,855,427,495**	1,753,279,705	1,478,073,805
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised capital				
10,000,000 (2013: 10,000,000) ordinary shares of Rs.10 each	*Rupees*	**100,000,000**	100,000,000	100,000,000
Issued, subscribed and paid-up capital	15	**60,000,000**	60,000,000	60,000,000
Capital reserve		**18,523,763**	24,540,521	26,081,127
Revenue reserve		**1,150,846,541**	1,014,388,999	914,947,168
		1,229,370,304	1,098,929,520	1,001,028,295
Non-current liabilities				
Liabilities against assets subject to finance lease	16	**12,707,151**	20,353,819	7,520,627
Deferred taxation	17	**39,783,229**	33,665,105	-
		52,490,380	54,018,924	7,520,627
Current liabilities				
Current maturities of liabilities against assets subject to finance lease	16	**14,126,938**	12,115,708	3,614,691
Short term borrowings	19	**451,651,743**	415,502,723	286,479,565
Loan from an associated undertaking		**-**	-	40,000,000
Creditors, accrued and other liabilities	20	**107,469,156**	169,570,272	135,038,489
Mobilisation advances		**318,974**	3,142,558	4,392,138
		573,566,811	600,331,261	469,524,883
Total equity and liabilities	*Rupees*	**1,855,427,495**	1,753,279,705	1,478,073,805
Contingencies and commitments	21			

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

Loads Limited
Consolidated Profit and Loss Account
For the year ended 30 June 2014

	Note	2014	2013 Restated
Turnover	22	**2,352,365,782**	2,462,128,822
Cost of sales	23	**(2,043,958,813)**	(2,133,369,901)
Gross profit		**308,406,969**	328,758,921
Administrative and general expenses	24	**(113,062,040)**	(104,975,660)
		195,344,929	223,783,261
Other income	25	**52,335,312**	41,510,597
		247,680,241	265,293,858
Finance costs	26	**(71,002,529)**	(60,534,701)
Other charges	27	**(12,112,630)**	(15,410,251)
		(83,115,159)	(75,944,952)
		164,565,082	189,348,906
Share of profit in associates - net	6.1	**12,681,784**	14,098,620
Profit before taxation		**177,246,866**	203,447,526
Taxation	28	**(42,338,350)**	(101,433,230)
Profit after taxation	Rupees	**134,908,516**	102,014,296
Basic and diluted earnings per share	29 Rupees	**22.48**	17.00

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

Loads Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2014

		2014	2013 *Restated*
Profit after taxation		**134,908,516**	102,014,296
Other comprehensive income:			
Items that may be reclassified to profit and loss account in subsequent periods			
Unrealised (loss) / gain on revaluation of available-for-sale investments		**(5,905,974)**	(1,453,950)
Items not to be reclassified to profit and loss account in subsequent periods			
Remeasurement of defined benefit liability - including share of associate		**1,549,026**	(2,572,465)
Group's share of fair value reserve in associate's available-for-sale investment		**(110,784)**	(86,656)
Total comprehensive income for the year	*Rupees*	130,440,784	97,901,225

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

Loads Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2014

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserves		Total
		Unrealised gain on remeasurement of available-for-sale investments	General reserve	Unappropriated profit	
Balance as at 30 June 2012	60,000,000	26,081,127	590,262,580	313,876,261	990,219,968
Effect of change in accounting policy - note 2.2	-	-	-	10,808,327	10,808,327
Balance as at 30 June 2012 - restated	60,000,000	26,081,127	590,262,580	324,684,588	1,001,028,295
Total comprehensive income for the year ended 30 June 2013					
Profit for the year	-	-	-	102,014,296	102,014,296
Other comprehensive income					
Unrealised loss on re-measurement of available-for-sale investments	-	(1,453,950)	-	-	(1,453,950)
Remeasurement of defined benefit liability	-	-	-	(2,572,465)	(2,572,465)
Parent company's share of fair value reserve in Associate's available for sale investments	-	(86,656)	-	-	(86,656)
Total comprehensive income for the year ended 30 June 2013	-	(1,540,606)	-	99,441,831	97,901,225
Balance as at 30 June 2013-restated	60,000,000	24,540,521	590,262,580	424,126,419	1,098,929,520
Total comprehensive income for the year ended 30 June 2014					
Profit for the year	-	-	-	134,908,516	134,908,516
Other comprehensive income					
Unrealised loss on re-measurement of available-for-sale investments	-	(5,905,974)	-	-	(5,905,974)
Remeasurement of defined benefit liability	-	-	-	1,549,026	1,549,026
Parent company's share of fair value reserve in Associate's available for sale investments	-	(110,784)	-	-	(110,784)
Total comprehensive income for the year ended 30 June 2014	-	(6,016,758)	-	136,457,542	130,440,784
Balance as at 30 June 2014 *Rupees*	**60,000,000**	**18,523,763**	**590,262,580**	**560,583,961**	**1,229,370,304**

The annexed notes 1 to 38 form an integral part of these financial statements.

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Chief Executive

Director

Loads Limited

Consolidated Cash Flow Statement

For the year ended 30 June 2014

	Note		2014	2013
Cash flow from operating activities				*Restated*
Cash generated from operations	*31*		**164,483,403**	117,463,988
Mark up paid			**(48,616,238)**	(56,137,775)
Long term deposits			**(668,803)**	(1,486,969)
Taxes paid			**(74,920,950)**	(69,850,144)
Net cash used in operating activities			**40,277,412**	(10,010,900)
Cash flow from investing activities				
Capital expenditure			**(43,857,472)**	(48,792,726)
Dividend received			**17,729,468**	7,306,689
Purchase of investments			**(32,497,693)**	(81,930,000)
Proceeds from sale of investments			**-**	30,336,004
Proceeds from disposal of fixed assets			**4,394,162**	26,920,043
Net cash used in investing activities			**(54,231,535)**	(66,159,990)
Cash flow from financing activities				
Loan repaid to director and an associated undertaking			**-**	(40,000,000)
Lease rentals paid			**(18,038,309)**	(17,792,927)
Net cash used in financing activities			**(18,038,309)**	(57,792,927)
Net decrease in cash and cash equivalents			**(31,992,432)**	(133,963,817)
Cash and cash equivalents at beginning of the year			**(378,756,260)**	(244,792,443)
Cash and cash equivalents at end of the year	*31.2*	*Rupees*	**(410,748,692)**	(378,756,260)

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

1. STATUS AND NATURE OF BUSINESS

1.1 Loads Limited ("the parent company") was incorporated in Pakistan on 1 January 1979 as a private limited company under the Companies Act, 1913 (now Companies Ordinance, 1984). With effect from 19 December 1993, the status of the parent company was converted from private limited company to unlisted public limited company. The registered office of the parent company is situated at Plot No. 23, Sector 19, Korangi Industrial Area, Karachi 74900.

1.2 The principal activity of the parent company is to manufacture and sell radiators, exhaust systems and other components for automotive industry.

1.3 The parent company has three wholly owned subsidiaries namely Specialized Autoparts Industries (Private) Limited (SAIL), Multiple Autoparts Industries (Private) Limited (MAIL) and Specialized Motorcycles (Private) Limited (SMPL) which were incorporated on 2 June 2004, 14 May 2004 and 28 September 2004 respectively.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the

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recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Currently the amendment will not have an effect on the financial statements of the Company as all the services being currently rendered by an employees of Parent company free of charge.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations joint ventures), associates and / or unconsolidated structured entities, into one place.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January

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2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

  - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

  - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

  - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

2.3 Change in accounting policy

IAS 19 (revised) 'Employee Benefits' amends the accounting for employment benefits which became effective to the Group from 01 July 2013. The changes introduced by the IAS 19 (revised) are as follows:

a) The standard requires past service cost to be recognised immediately in profit or loss;

b) The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year;

c) There is new term "remeasurement". This is made up of actuarial gains and losses, the differences between actual investment returns and return implied by the net interest cost; and

d) The amendment requires an entity to recognise remeasurements immediately in other comprehensive income. Actuarial gains or losses beyond corridor limits were previously amortised over the expected future services of the employees.

The adoption of the said amendments has resulted in a change in the Group's accounting policy related to recognition of actuarial gains and losses (note 19 to the financial statements for the year ended 30 June 2014). Consequently, the Group now recognizes all actuarial gains and losses directly in other comprehensive income with no subsequent recycling through the profit and loss account. Previously, cumulative net amortisation actuarial gains and losses at the end of previous year which exceeded 10% of the present value of the Company's gratuity obligations were amortised over the expected average remaining working lives of the employees.

Further, had the Group not changed its accounting policy, there would be no change in 'Other Comprehensive Income' whereas change on 'Profit and Loss Account' would be immaterial for the year ended June 30, 2014

The change in accounting policy has been applied retrospectively. The effect of the change in accounting policy on the prior period financial statements have been summarised below:

Summary of effect of changes

Effect of changes on balance sheet	As at 30 June 2012		
	As previously reported	Change due to retrospective application	Restated
	(Rupees)		
Current Assets			
Short term deposits, prepayments and other other receivables			
Receivable from gratuity fund	939,707	10,808,327	11,748,034
Total equity			
Revenue reserve	904,138,841	10,808,327	914,947,168

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	As at 30 June 2013		
	As previously reported	Change due to retrospective application	Restated
	----------------------	(Rupees)	----------------------
Current Assets			
Short term deposits, prepayments and other other receivables			
Receivable from gratuity fund	3,310,389	7,539,211	10,849,600
Total equity			
Revenue reserve	1,006,849,788	7,539,211	1,014,388,999

Effect of changes on profit and loss accounts

	For the year ended 30 June 2013		
	As previously reported	Change due to retrospective application	Restated
	----------------------	(Rupees)	----------------------
Administrative and general expenses	104,279,009	696,651	104,975,660

Effect of changes on other comprehensive loss

	For the year ended 30 June 2013		
	As previously reported	Change due to retrospective application	Restated
	----------------------	(Rupees)	----------------------
Remeasurement of defined benefit liability	-	2,572,465	2,572,465
	-	2,572,465	2,572,465

2.4 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for the measurement of investments classified as "investment at fair value through profit or loss" and "available-for-sale" which are stated at fair value and staff retirement benefit (gratuity) which is stated at present value.

2.5 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is also the Group's functional currency.

2.6 Basis of consolidation

The consolidated financial statements include the financial statements of the parent company and its subsidiary companies ("the Group"). Financial statements of subsidiary companies have been consolidated on a line-by-line basis. All material inter-company balances, transactions and resulting unrealised profits / losses have been eliminated.

2.7 Use of estimates ad judgements

The preparation of consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the Group's financial statements and estimates with a significant risk of material adjustment in future years are discussed below:

2.7.1 Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

2.7.2 Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

2.7.3 Impairment

All Group's assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is recognised in the profit and loss account currently.

Investments are considered to be impaired when there has been significant or prolonged decline in the fair value below its cost. The determination what is significant or prolong requires judgment. In making these judgments, management evaluates among other factors, the normal volatility in prices.

2.7.4 Property, plant and equipment

The Group reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

2.7.5 Stock-in-trade and stores and spares

The Group reviews the net realisable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores and spares with a corresponding effect on the profit and loss account of those future years. Net realisable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

2.7.6 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 18.1 to the consolidated financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumption in future years may affect the liability under these schemes in those years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement and other service benefits

Defined benefit plans

The parent company operates a funded gratuity schemes separately for its management and non-management staff. Both the schemes cover all the employees with a qualifying service period of ten years. Contributions to the fund are made on the basis of actuarial valuation and charged to income currently.

Remeasurement of the defined benefit liability/ (asset) which comprises actuarial gain and losses are recognised immediately in other comprehensive income.

Defined contribution plan

The parent company also operates a provident fund scheme for all its regular permanent employees. Contributions are made to the fund equally by the parent company and the employees @ 10% of basic salary for executive employees and 10% of basic salary plus cost of living allowance for non-executive employees.

3.2 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.3 Creditors and other liabilities

Creditors and other liabilities are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

3.4 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and tax rebates, if any, in accordance with the provision of the Income Tax Ordinance, 2001. It also includes any adjustment to tax payable in respect of prior years.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the current rates of taxation.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.5 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment, except for lease hold land and capital work-in-progress, are stated at cost less accumulated depreciation and impairment losses, if any. Lease hold land and capital work-in-progress are stated at cost.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss account as incurred.

Depreciation

Depreciation is charged to income on reducing balance method at the rates specified in note 4.1 to these consolidated financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalised while no depreciation is charged for the month in which the item is disposed off.

The depreciation method, assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

Leased

Assets subject to finance lease are accounted for by recording the assets and related liabilities. These are stated at lower of present value of minimum lease payments under the lease agreements and fair value of assets acquired on lease at the inception of lease. Assets acquired under the finance lease are depreciated on reducing balance method in the same manner as the owned assets.

Finance charge under the lease agreements is allocated over the periods during lease term so as to produce a constant periodic rate of financial charge on the outstanding balance of principal liability of each period.

3.6 Intangible assets

Intangible assets (comprising of computer software and license) are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised under the straight line method at the rate specified in note 5 to these consolidated financial statements.

Cost that are directly associated with identifiable software products and have probable economic benefit beyond one year are recognised as intangible assets.

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Cost associated with maintaining computer software products are recognised as an expense when incurred.

In respect of additions and deletions of intangible assets during the year, amortisation is charged from the month of acquisition and up to the month preceding the deletion, respectively.

3.7 Investments

Investments in associates - Equity method

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

These investments are initially recognised at cost, thereafter the Group's share of the changes in the net assets of the associates are accounted for at each balance sheet date. Share of post acquisition profit and loss of associates is accounted for in the Group's profit and loss account, whereas significant changes in the associate's equity which has not been recognised in the associates' profit and loss account, are recognised directly in the equity of the Group.

Investment at fair value through profit or loss

A non-derivative financial asset is classified as 'at fair value through profit or loss' if it is held for trading or is designated as such upon initial recognition. Investments are designated 'at fair value through profit or loss' if the parent company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit and loss account.

Available-for-sale

Available-for-sale investments are those non- derivative investments that are designated as available-for-sale or are not classified in any other category. These are stated at fair value, with any resultant gain or loss being recognised directly in equity. Gains or losses on available-for-sale investments are recognised directly in equity 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 the equity is included in current year's profit and loss account.

All investments classified as available-for-sale are initially recognised at cost inclusive of transaction costs and subsequently quoted investments are marked to market using the last quoted rate at the close of the financial year.

3.8 Stores and spares

Stores and spares are stated at lower of weighted average cost and net realisable value except items in transit which are stated at invoice value plus other charges incurred thereon.

Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs necessary to make a sale.

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3.9 Stock-in-trade

Stock in trade is stated at the lower of cost and net realisable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods include cost of direct materials, labour and appropriate portion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

3.10 Trade debts and other receivables

Trade debts, loans, advances and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Loans, advances and other receivables considered irrecoverable are written off.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and deposits held with banks. Short term borrowing facilities availed by the Group, which are repayable on demand form an integral part of the Group's cash management and are included as part of cash and cash equivalents for the purpose of the statement of cash flows.

3.12 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are taken to profit and loss account.

3.13 Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Interest income is accrued on a time apportion basis on the principal outstanding and at the rates applicable.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

Unrealised gains / (losses) arising on revaluation of securities classified as 'at fair value through profit or loss ' are included in profit and loss account in the period in which they arise.

Dividend income is recognised when the right to receive dividend is established.

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3.14 Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.15 Impairment losses

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.16 Off-setting of financial assets and financial liability

Financial assets and financial liabilities are set off and the net amount is reported in the balance sheet when there is a legally enforceable right to set off and the Group intends to either settle on a net basis, or to realise the assets and settle the liability simultaneously.

3.17 Policy for dividend and appropriations

Dividends and appropriations to reserves are recognised in the period in which these are approved. The distribution of dividend is subject to the covenant as mentioned in note 19.1

4. PROPERTY, PLANT AND EQUIPMENT

		2014	2013
Operating fixed assets	*4.1*	**424,751,008**	421,406,995
Capital work-in-progress	*4.2*	**18,352,039**	21,663,797
	Rupees	**443,103.047**	443,070,792

4.1 Operating fixed assets

		Freehold Land (note 4.1.1)	Leasehold land (note 21.1.1)	Building on leasehold land	Plant and machinery	Tools and equipment	Furniture, fixtures and office equipments	Vehicles	Total
Net carrying value as at									
Balance as at 01 July 2013 (NBV)		25,080,000	19,703,315	109,673,802	189,901,251	36,606,820	10,813,496	29,628,311	421,406,995
Additions / transfers		-	-	3,310,476	16,543,068	23,090,794	3,789,964	8,379,440	55,113,742
Disposals (at NBV)		-	-		(114,268)	-	-	(1,552,057)	(1,666,325)
Depreciation charge		-	-	(5,820,093)	(20,515,255)	(14,415,072)	(2,442,664)	(6,910,320)	(50,103,404)
Balance as at 30 June 2014 (NBV)	*Rupees*	25,080,000	19,703,315	107,164,185	185,814,796	45,282,542	12,160,796	29,545,374	424,751,008
Gross carrying value as at 30 June 2014									
Cost		25,080,000	19,703,315	163,621,388	392,053,152	160,288,642	31,252,472	68,189,097	860,188,066
Accumulated depreciation		-	-	(56,457,203)	(206,238,356)	(115,006,100)	(19,091,676)	(38,643,723)	(435,437,058)
Net book value	*Rupees*	25,080,000	19,703,315	107,164,185	185,814,796	45,282,542	12,160,796	29,545,374	424,751,008
Net carrying value as at									
Balance as at 01 July 2012 (NBV)		25,080,000	19,703,315	111,103,352	197,421,935	19,066,051	11,002,800	22,098,237	405,475,690
Additions / transfers		-	-	4,498,602	38,763,088	29,186,859	2,538,853	15,034,489	90,021,891
Disposals (at NBV)		-	-		(24,732,045)	-	(182,649)	(991,377)	(25,906,071)
Depreciation charge		-	-	(5,928,152)	(21,551,727)	(11,646,090)	(2,545,508)	(6,513,038)	(48,184,515)
Balance as at 30 June 2013 (NBV)	*Rupees*	25,080,000	19,703,315	109,673,802	189,901,251	36,606,820	10,813,496	29,628,311	421,406,995
Gross carrying value as at 30 June 2013									
Cost		25,080,000	19,703,315	160,310,912	376,510,868	137,197,848	27,462,508	64,399,448	810,664,899
Accumulated depreciation		-	-	(50,637,110)	(186,609,617)	(100,591,028)	(16,649,012)	(34,771,137)	(389,257,904)
Net book value	*Rupees*	25,080,000	19,703,315	109,673,802	189,901,251	36,606,820	10,813,496	29,628,311	421,406,995
Depreciation rate % per annum			-	5	10 - 20	10 - 35	10 - 30	20	

4.1.1 This represents a plot in Lahore of Rs.25.08 million (2013: Rs. 25.08 million) held by the Group for the expansion of business in future. Currently this plot of land is not being used.

4.1.2 Depreciation has been allocated as follows:

		2014	2013
Cost of sales	*23*	**45,114,178**	43,048,531
Administrative and general expenses	*24*	**4,989,226**	5,135,984
	Rupees	**50,103,404**	48,184,515

4.2 Capital-work-in-progress

Building and construction work		**194,241**	284,222
Equipment and fixtures		**3,999,920**	4,567,421
Dies, jigs and fixtures		**6,173,340**	9,789,660
Advance for dies related components		**6,918,055**	4,487,263
Advance for furniture, fixtures and office equipment		**1,066,483**	1,957,939
Others		**-**	577,292
	Rupees	**18,352,039**	21,663,797

5. INTANGIBLE ASSETS

2014

		Cost: As at 1 July 2013	Cost: Addition/ (disposal)	Cost: As at 30 June 2014	Amortisation: As at 1 July 2013	Amortisation: For the year	Amortisation: As at 30 June 2014	Written down value as on 30 June 2014	Rate %
Computer software and licenses	*Rupees*	**13,155,079**	**434,928**	**13,590,007**	**8,189,685**	**3,921,321**	**12,111,006**	**1,479,001**	**33.33%**

2013

		Cost: As at 1 July 2012	Cost: Addition/ (disposal)	Cost: As at 30 June 2013	Amortisation: As at 1 July 2012	Amortisation: For the year	Amortisation: As at 30 June 2013	Written down value as on 30 June 2013	Rate %
Computer software and licenses	*Rupees*	11,323,462	1,831,617	13,155,079	4,253,704	3,935,981	8,189,685	4,965,394	33.33%

6. LONG TERM INVESTMENTS

Investments in equity accounted undertakings

The following associate, over which the parent company has significant influence due to common directorship, are accounted for using equity method of accounting as defined in IAS-28 "Investment in Associates".

2014 (Number of shares)	2013 (Number of shares)			2014	2013
		Quoted			
3,268,820	2,731,000	Treet Corporation Limited (Chief Executive Officer - Syed Shahid Ali)	*Rupees*	**164,159,539**	118,435,312

The above figures, are based on audited financial statements of Treet Corporation Limited, for the year ended 30 June 2014.

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6.1 Movement

		2014	2013
Cost of investment		**58,160,905**	58,160,905
Share of net profit since acquisition date		**61,991,505**	53,354,885
Share of fair value reserve since acquisition date		**(1,717,098)**	(1,630,442)
Balance at beginning of the year		**118,435,312**	109,885,348
Purchase of right shares		**32,772,000**	-
Conversion from Participation term certificate into ordinary shares		**7,580,340**	-
Share of profit for the year		**12,681,784**	14,098,620
Share of fair value reserve for the year		**(110,784)**	(86,656)
Share of remeasurement of defined benefit liability taken to other comprehensive income		**(1,737,113)**	-
Less: dividends received during the year		**(5,462,000)**	(5,462,000)
Balance at end of the year	*Rupees*	**164,159,539**	118,435,312
Equity held as at 30 June		**6.41%**	6.53%

6.2 Market value of investments in associated company is as follows:

Quoted			
Treet Corporation Limited	*Rupees*	**374,835,589**	226,891,480

The parent company's holdings in associate is 6.41% (2013: 6.53%).

6.3 Summarised financial information of associated company is as follows:

Name of investee company	Total assets	Total liabilities	Revenues	Profit
	(Rupees in '000)			
30 June 2014				
Treet Corporation Limited	7,245,375	2,992,801	7,062,133	234,561

7. LONG TERM DEPOSITS

This represents security deposit placed with K- Electric Limited, Pakistan Steel Mills Corporation (Private) Limited, Pakistan Steel Hospital and leasing companies against the supply of electricity, water, medical services and finance lease facilities availed by the Company.

8. STOCK-IN-TRADE

		2014	2013
Raw material and components	*8.1*	**539,540,826**	439,484,867
Work-in-process		**114,153,747**	196,999,052
Finished goods		**20,934,818**	36,227,922
		674,629,391	672,711,841
Provision against slow moving and obsolescence		**(696,227)**	(696,227)
	Rupees	**673,933,164**	672,015,614

8.1 This includes raw material in-transit as at 30 June 2014 of Rs. 61.7 million (2013: Rs. 123.6 million).

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9. TRADE DEBTS - unsecured

		2014	2013
Considered good		**122,990,039**	112,211,771
Considered doubtful		**29,582,934**	29,582,934
		152,572,973	141,794,705
Provision for doubtful debts	*9.1*	**(29,582,934)**	(29,582,934)
	Rupees	**122,990,039**	112,211,771

9.1 Movement of provision for doubtful debts

Opening balance		**29,582,934**	29,602,934
Reversal of provision during the year		-	(20,000)
Closing balance	*Rupees*	**29,582,934**	29,582,934

10. LOANS AND ADVANCES

Loans to employees - considered good	*10.1*	**3,268,145**	4,372,467
Advances - considered good:			
- Suppliers		**12,861,709**	75,309,337
- Employees		**4,767,855**	1,744,707
Others		-	-
	Rupees	**20,897,709**	81,426,511

10.1 These loans carry mark-up @ 10% per annum (2013: 10% per annum) having maturity of 12 to 24 months and are secured against the personal guarantees of other employees.

11. SHORT TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits		**3,355,000**	3,839,103
Prepayments		**2,107,505**	1,218,344
Receivable from provident fund		-	454,649
Receivable from gratuity fund		**11,886,312**	10,849,600
Unclaimed sales input tax		**51,485,809**	22,782,172
Other receivables		**3,828,234**	1,378,983
	Rupees	**72,662,860**	40,522,851

12. TAXATION - net

Opening balance - net		**94,659,272**	65,147,210
Advance tax paid / (deducted) during the year - net		**74,920,950**	69,850,144
Provision for taxation	*28*	**(34,283,274)**	(40,338,082)
		40,637,676	29,512,062
Closing balance - net	*Rupees*	**135,296,948**	94,659,272

13. INVESTMENTS

At fair value through profit or loss	*13.1*	**108,542,939**	82,744,661
Available-for-sale	*13.2*	**30,872,088**	36,778,062
	Rupees	**139,415,027**	119,522,723

13.1 At fair value through profit or loss

The parent company holds investment in ordinary shares / participation term certificates of Rs. 10 each, in the following listed investee companies except for stated otherwise:

2014	2013	Name of investee company	Cost		Market value	
(Number of shares/ certificates)			2014	2013	2014	2013
		Ordinary shares - Quoted				
1	1	Agriautos Industries Limited	23	23	100	75
1	1	Al-Ghazi Tractors Limited *	202	202	264	205
1	1	Atlas Engineering Limited	15	15	30	30
1	1	Atlas Battery Limited	119	119	450	338
1	1	Atlas Honda Limited	126	126	230	181
230	230	Baluchistan Wheels Limited	5,660	5,660	9,775	11,270
1	1	The General Tyre & Rubber Company of Pakistan Limited	52	52	81	42
315	315	Ghandhara Nissan Limited	3,264	3,264	12,669	2,403
150	150	Hino Pak Motors Limited	16,950	16,950	67,307	17,700
1	1	Honda Atlas Cars (Pakistan) Limited	105	105	93	44
200	200	Indus Motor Company Limited	15,620	15,620	107,584	62,200
272	226	Millat Tractors Limited	9,300	9,300	135,734	130,198
63	63	Oil & Gas Development Company Limited	2,017	2,017	16,461	14,411
127	127	Pak Suzuki Motor Company Limited	11,052	11,052	34,784	18,887
1	1	Thal Limited	78	78	207	127
		Participation term certificate - Quoted				
1,831,000	1,831,000	Treet Corporation Limited ** (note 13.1.1)	74,631,926	54,930,000	108,157,170	82,486,550
		Rupees	74,696,509	54,994,583	108,542,939	82,744,661

* It has face value of Rs. 5 per share.

** It has face value of Rs. 30 per certificate

13.1.1 These are mandatorily convertible into ordinary shares of Treet Corporation Limited at the ratio of 2 PTCs into 1 ordinary share in a period of 7 years. Principal amount of PTC will be reduced through redemption (in cash and through share conversion). The principal redemption through cash is Rs. 0.15 per PTC per annum from year 2013 to year 2019 and principal redemption through share conversion is 0.07 share per PTC per annum from year 2013 to year 2018 and 0.08 for the year 2019. During the year, principal redeemed in cash amounted to Rs. 0.27 million and principal redeemed through share conversion amounted to Rs. 7.58 million respectively.

13.2 Available-for-sale

The parent company holds investment in ordinary shares of Rs. 10 each, in the following listed investee companies:

2014	2013	Name of investee company	Cost		Market value	
(Number of shares)			2014	2013	2014	2013
		Quoted				
182,000	182,000	Tri-Pack Films Limited	10,515,113	10,515,113	30,856,280	36,764,000
152	133	ZIL Limited	5,330	5,330	15,808	14,062
		Rupees	10,520,443	10,520,443	30,872,088	36,778,062

13.3 The available for sale investments have been pledged with financial institutions as securities against borrowing facilities.

14. CASH AND BANK BALANCES

	Note	2014	2013
Cash in hand		2,183,452	2,126,281
Cash at bank - profit and loss accounts	*14.1*	1,819,096	9,315,169
Cash at bank - current accounts		36,900,503	25,305,013
	Rupees	40,903,051	36,746,463

14.1 It carries mark-up at the rate of 7.5% (2013: 7.5%) per annum.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		Note	2014	2013
(Number of shares)					
6,000,000	6,000,000	Ordinary shares of Rs. 10 each fully paid in cash	*15.1 Rupees*	60,000,000	60,000,000

15.1 As of 30 June 2014, Escanaba Limited holds 2,541,640 number of ordinary shares (2013: 2,541,640) comprise percentage of 42.36% (2013: 42.36%).

1,611,320 (2013: 1,553,503) ordinary shares were held by Mr. Shahid Ali, an associated person, as at year end.

The Treet Corporation Limited (associate company) holds 1,249,260 number of ordinary shares comprise percentage of 20.82% (2013: 20.82%) as of year end.

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16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

		2014	2013
Opening balance		**32,469,527**	11,135,318
New leases acquired		**7,587,500**	32,743,337
Repayments during the year		**(13,222,938)**	(11,409,128)
		26,834,089	32,469,527
Current maturity		**(14,126,938)**	(12,115,708)
	Rupees	**12,707,151**	20,353,819

Lease payments due are as under:

	2014			2013		
	Principal	**Finance charges allocated to future years**	**Total lease rentals**	Principal	Finance charges allocated to future years	Total lease rentals
Not later than one year	**14,126,938**	**1,833,551**	**15,960,489**	12,115,708	2,881,077	14,996,785
Later than one year but not later than five years	**12,707,151**	**3,353,958**	**16,061,109**	20,353,819	3,353,958	23,707,777
Rupees	**26,834,089**	**5,187,509**	**32,021,598**	32,469,527	6,235,035	38,704,562

The above represents finance leases entered into with leasing companies for vehicles and plant and machinery. Monthly payments of leases bearing pre-determined mark-up rates include finance charge at fixed rate of 9% and a variable rate of 6 months KIBOR plus 5% to 5.5% per annum determined on semi annual basis for future rentals. These leases are having maturity from October 2014 to September 2018.

17. DEFERRED TAXATION

		2014	2013
Taxable temporary differences arising in respect of:			
- Accelerated tax depreciation		**66,676,495**	69,099,948
- Finance lease arrangements		**5,117,951**	2,729,263
Deductible temporary differences arising in respect of:			
- Provision against slow-moving stock-in-trade		**(243,679)**	(243,679)
- Provision against loan and interest receivable		**-**	(751,975)
- Provision against compensated absences		**(1,725,737)**	(1,247,620)
- Provision for bad debts		**(141,962)**	(141,962)
- Carried forward losses		**(29,899,839)**	(35,778,870)
Deferred tax liability / (asset)	*Rupees*	**39,783,229**	33,665,105

18. STAFF RETIREMENT BENEFITS

The holding company operates a funded gratuity scheme for all its employees. The benefits is equal to one month's last drawn basic salary for each year of eligible services or part thereof subject to a minimum 10 years of service. The latest actuarial valuation was carried out as of 30 June 2014 for both executive and non-executive employees using "Projected Unit Credit Method". The main assumptions used for actuarial valuation and information provided has been obtained from the actuarial valuation report which are as follows:

18.1 Actuarial assumptions

- Discount rate used for year end obligation is 13.25% per annum (30 June 2013: 10.5% per annum).
- Discount rate used for interest cost in profit and loss account is 10.5% per annum (30 June 2013: 13% per annum).
- Expected rate of increase in salary level at 12.25% per annum (30 June 2013: 9.5% per annum).
- Mortality rate used is SLIC 2001 - 2005 (30 June 2013: EFU 61 - 66).

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18.2 The amount recognised in the balance sheet is as follows:

		2014			2013		
		Executives	**Non-Executives**	**Total**	Executives	Non-Executives	Total
Present value of defined benefit obligations		**21,086,636**	**10,387,724**	**31,474,360**	18,534,889	8,617,207	27,152,096
Fair value of plan assets		**(28,034,543)**	**(15,326,129)**	**(43,360,672)**	(26,558,708)	(11,442,988)	(38,001,696)
Net (asset) / liability	*Rupees*	**(6,947,907)**	**(4,938,405)**	**(11,886,312)**	(8,023,819)	(2,825,781)	(10,849,600)

18.3 Movement in present value of defined benefit obligation

Obligation as at 1 July		**18,534,889**	**8,617,207**	**27,152,096**	13,194,407	6,739,624	19,934,031
Current service cost		**1,300,904**	**382,681**	**1,683,585**	1,115,035	421,440	1,536,475
Interest cost		**1,933,038**	**892,977**	**2,826,015**	1,715,273	876,151	2,591,424
Benefits paid		**(250,000)**	**(225,323)**	**(475,323)**	(72,800)	-	(72,800)
Remeasurements chargeable in other comprehensive income		**(432,195)**	**720,182**	**287,987**	2,582,974	579,992	3,162,966
Obligation as at 30 June	*Rupees*	**21,086,636**	**10,387,724**	**31,474,360**	18,534,889	8,617,207	27,152,096

18.4 Movement in the fair value of plan assets

Fair value as at 1 July		**26,558,708**	**11,442,988**	**38,001,696**	22,649,139	11,965,709	34,614,848
Expected return on plan assets		**2,698,364**	**1,181,809**	**3,880,173**	2,944,388	1,555,542	4,499,930
Contribution to fund - net of refund from the fund		**(1,470,000)**	**(150,000)**	**(1,620,000)**	(882,588)	(748,195)	(1,630,783)
Benefits paid		**(250,000)**	**(225,323)**	**(475,323)**	(72,800)	-	(72,800)
Return on plan assets excluding interest income		**497,471**	**3,076,655**	**3,574,126**	1,920,569	(1,330,068)	590,501
Fair value as at 30 June	*Rupees*	**28,034,543**	**15,326,129**	**43,360,672**	26,558,708	11,442,988	38,001,696

18.5 Amounts recognised in the profit and loss account

		2014			2013		
		Executives	**Non-Executives**	**Total**	Executives	Non-Executives	Total
Current service cost		**1,300,904**	**382,681**	**1,683,585**	1,115,035	421,440	1,536,475
Interest cost		**1,933,038**	**892,977**	**2,826,015**	1,715,273	876,151	2,591,424
Expected return on plan assets		**(2,698,364)**	**(1,181,809)**	**(3,880,173)**	(2,944,388)	(1,555,542)	(4,499,930)
Expense / (income) for the year	*Rupees*	**535,578**	**93,849**	**629,427**	(114,080)	(257,951)	(372,031)

18.6 Amounts recognised in the other comprehensive income

		2014			2013		
		Executives	**Non-Executives**	**Total**	Executives	Non-Executives	Total
Remeasurement (income) / loss due to change in experience adjustments		(432,195)	720,182	287,987	2,582,974	579,992	3,162,966
Return on plan assets excluding interest income		(497,471)	(3,076,655)	(3,574,126)	(1,920,569)	1,330,068	(590,501)
Expense / (income) for the year	*Rupees*	(929,666)	(2,356,473)	(3,286,139)	662,405	1,910,060	2,572,465

Return on plan assets is as follows:

		2014			2013		
		Executives	**Non-Executives**	**Total**	Executives	Non-Executives	Total
Expected return on plan assets		(2,698,364)	(1,181,809)	(3,880,173)	(2,944,388)	(1,555,542)	(4,499,930)
Return on plan assets excluding interest income		(497,471)	(3,076,655)	(3,574,126)	(1,920,569)	1,330,068	(590,501)
	Rupees	(3,195,835)	(4,258,464)	(7,454,299)	(4,864,957)	(225,474)	(5,090,431)

18.7 Analysis of present value of defined benefit obligation and fair value of plan assets for current and previous four years are as follows:

		2014		2013		2012	
		Executives	**Non-Executives**	Executives	Non-Executives	Executives	Non-Executives
Fair value of plan assets		**28,034,543**	**15,326,129**	26,558,708	11,442,988	22,649,139	11,965,709
Present value of defined benefit obligations		**(21,086,636)**	**(10,387,724)**	(18,534,889)	(8,617,207)	(13,194,407)	(6,739,624)
Surplus	*Rupees*	**6,947,907**	**4,938,405**	8,023,819	2,825,781	9,454,732	5,226,085

		2011		2010	
		Executives	Non-Executives	Executives	Non-Executives
Fair value of plan assets		18,993,748	30,959,457	15,009,528	7,616,043
Present value of defined benefit obligations		(10,451,001)	(17,190,625)	(9,123,372)	(5,449,566)
Surplus	*Rupees*	8,542,747	13,768,832	5,886,156	2,166,477

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18.8 Disaggregation of fair value of plan assets

The fair value of the plan assets at balance sheet date for each category are as follows:

		2014		2013	
		Executives	**Non-Executives**	Executives	Non-Executives
Government bonds	*Rupees*	**27,529,921**	**14,191,995**	26,080,651	12,033,446
Term deposit receipts	*Rupees*	**504,622**	**1,284,330**	478,057	157,913

Balance sheet date sensitivity analysis (± 100 bps) on present value of defined benefit obligation:

		2014	
		Executives	**Non-Executives**
Discount Rate +100 bps	*Rupees*	**19,961,009**	**9,645,288**
Discount Rate -100 bps	*Rupees*	**22,365,376**	**11,214,593**
Salary Increase +100 bps	*Rupees*	**22,379,833**	**11,223,305**
Salary Increase -100 bps	*Rupees*	**19,929,119**	**9,624,734**

Expected charge for the year ending 30 June 2015 is Rs. 439,700

19. **SHORT TERM BORROWINGS**		**2014**	2013
Loads Limited - parent company			
Secured from banking companies			
Running finances under mark-up arrangements	*19.1*	**319,568,350**	157,154,401
Demand finances / import loans	*19.2*	**132,083,393**	258,348,322
	Rupees	**451,651,743**	415,502,723

19.1 The rates of mark-up applicable on running finance are based on 1 month KIBOR plus 2% to 3 month KIBOR plus 0.85% per annum (2013: 1 month KIBOR plus 1.75% to 6 month KIBOR plus 1% per annum). The bank has imposed a condition that prior NOC should be obtained or bank dues should be cleared before declaring any dividend.

19.2 The facilities for demand finance and import loans under mark-up arrangements with various banks amounted to Rs. 450 million (2013: Rs. 450 million) of which the amount remaining unutilised at the year end was Rs. 317.66 million (2013: Rs. 191.65 million).

The facilities for opening the letters of credit and guarantees as at 30 June 2014 amounted to Rs. 1153 million (2013: Rs. 1088 million) of which the amount remaining unutilised at the year end was Rs. 444.885 million (2013: Rs.763.141 million).

The Demand Finance loans carry mark-up at rate of 10.91% (2013: 11.02% per annum). The loans are repayable within 180 days of the disbursement date.

The foreign currency import loans carry mark-up at rates ranging from 1 month LIBOR plus 3% per annum to 4 month LIBOR plus 2.25% per annum (2013: 1 month LIBOR plus 3% per annum to 4 month LIBOR plus 2.25% per annum). The loans are repayable within 120 to 180 days of the disbursement date.

The local currency import loans carry mark-up at rates ranging from 10.12% per annum to 9.88% per annum (2013: 10.73 % to 10.79% per annum). The loans are repayable within 120 to 180 days of the disbursement date.

19.3 The above facilities are secured by way of first pari pasu charge over stocks and book debts and also a first pari pasu charge over plant, machinery, land and building.

20. CREDITORS, ACCRUED AND OTHER LIABILITIES

		2014	2013
Trade creditors		**31,054,366**	20,962,216
Accrued liabilities		**7,852,167**	5,130,392
Accrued mark-up		**8,723,501**	4,244,997
Security deposit		**301,500**	296,000
Sales tax payable		**1,601,147**	566,268
Workers' Profit Participation Fund	*20.1*	**11,071,435**	12,593,005
Workers' Welfare Fund		**4,031,220**	4,791,130
Advance from customer		**28,467,491**	21,380,268
Provision for compensated absences		**4,930,678**	3,564,629
Payable to staff provident fund		**423,369**	-
Payable to Indus Motor Company Limited		**-**	87,211,524
Other payables		**9,012,282**	8,829,843
	Rupees	**107,469,156**	169,570,272

20.1 Workers' Profit Participation Fund

		2014	2013
Balance at beginning of the year		**12,593,005**	15,775,718
Interest charged during the year		**1,033,800**	1,637,804
Charge for the year	*27*	**8,407,463**	10,465,283
		22,034,268	27,878,805
Payments during the year		**(10,962,833)**	(15,285,800)
Balance at end of the year	*Rupees*	**11,071,435**	12,593,005

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 A lawsuit has been filed against the subsidiary company, Specialised Autoparts Industries (Private) Limited (SAIL) by Pakistan Steel Mills Corporation (Private) Limited (PASMIC) claiming possession of the leasehold land of the subsidiary company on the grounds that No Objection Certificate was not obtained from PASMIC when the subsidiary company purchased suit property in court auction. However, the subsidiary company's lawyer is of the view that no condition about specific use was imposed upon the subsidiary company when it purchased the suit property in court auction. Further, the subsidiary company is manufacturing autoparts for the last four years which is in the knowledge of PASMIC. Furthermore, the action of PASMIC is unjustifiable and also contrary to law in as much as no show cause notice was given to the subsidiary company.

The Honourable Court has granted stay to the subsidiary company in this regard. The Group based on lawyer's advice is confident of a favourable outcome.

21.1.2 Guarantees provided by the banks amounted to Rs. 0.45 million (2013: Rs. 0.612 million) to Sui Southern Gas Company Limited in favour of the Company.

21.3 Commitments

Commitments in respect of letters of credit amounted to Rs. 187.67 million (2013: Rs. 324.247 million).

22. TURNOVER

		2014	2013
Local		**2,759,780,259**	2,858,487,915
Sales return		**(10,379,705)**	(10,013,472)
		2,749,400,554	2,848,474,443
Sales tax		**(397,034,772)**	(386,345,621)
	Rupees	**2,352,365,782**	2,462,128,822

23. COST OF SALES

		2014	2013
Raw materials and components consumed	*23.1*	**1,475,037,599**	1,781,650,517
Ancillary materials consumed	*23.2*	**110,878,748**	71,241,209
Manufacturing and assembling expenses			
- Salaries and wages		**160,835,406**	149,445,278
- Other employees' benefits		**43,480,925**	46,676,526
- Provident fund contribution		**1,831,254**	1,662,677
- Gas, power and water		**27,129,897**	23,894,324
- Rent, rates and taxes		**1,346,901**	1,590,390
- Insurance		**3,430,394**	2,679,168
- Depreciation	*4.1.2*	**45,114,178**	43,048,531
- Repairs and maintenance		**12,319,694**	10,892,843
- Postage, telephone and telex		**983,769**	945,519
- Travelling and vehicle running cost		**22,446,749**	17,705,531
- Inward freight and storage charges		**1,448,942**	1,028,128
- Conveyance		**1,136,221**	4,740,174
- Printing, stationery and periodicals		**607,730**	1,052,111
- Subcontracting costs		**42,652,084**	28,489,176
- General expenses		**1,253,135**	1,391,993
- Security services		**198,878**	165,225
- Consultancy		**-**	956,001
		366,216,157	336,363,595
Transferred to CWIP		**(6,312,100)**	(6,279,079)
Manufacturing cost		**1,945,820,404**	2,182,976,242
Opening stock of work-in-process		**196,999,052**	161,829,799
Closing stock of work-in-process		**(114,153,747)**	(196,999,052)
		82,845,305	(35,169,253)
Cost of goods manufactured and assembled		**2,028,665,709**	2,147,806,989
Opening stock of finished goods		**36,227,922**	21,790,834
Closing stock of finished goods		**(20,934,818)**	(36,227,922)
		15,293,104	(14,437,088)
	Rupees	**2,043,958,813**	2,133,369,901

23.1 Raw material and components consumed

		2014	2013
Opening inventory		**439,484,867**	398,617,735
Purchases during the year		**1,575,093,558**	1,822,517,649
		2,014,578,425	2,221,135,384
Closing inventory		**(539,540,826)**	(439,484,867)
	Rupees	**1,475,037,599**	1,781,650,517

23.2 Ancillary materials consumed

Opening inventory		**24,803,448**	17,989,604
Purchases during the year		**123,057,611**	78,879,958
		147,861,059	96,869,562
Capitalised during the year		**(1,963,558)**	(824,905)
		145,897,501	96,044,657
Closing inventory		**(35,018,753)**	(24,803,448)
	Rupees	**110,878,748**	71,241,209

24. ADMINISTRATIVE AND GENERAL EXPENSES

		2014	2013 *Restated*
Salaries and wages		**59,400,437**	53,858,756
Other employees' benefits		**14,932,500**	10,883,550
Electricity		**1,449,296**	405,934
Provident fund contribution		**1,158,224**	1,022,969
Repairs and maintenance		**303,279**	283,686
Postage, telephone and telex		**1,528,482**	1,454,586
Travelling and vehicle running cost		**8,070,782**	6,963,211
Conveyance		**1,197,485**	1,166,926
Entertainment		**187,510**	249,786
Printing, stationery and periodicals		**664,837**	1,001,123
Depreciation	*4.1.2*	**4,989,226**	5,135,984
Amortisation	*5*	**3,921,321**	3,935,981
Security charges		**286,215**	157,052
Rent, rates and taxes		**158,400**	150,150
Legal and professional charges		**3,124,531**	4,207,268
Outward freight		**8,568,200**	9,532,979
Advertising and sales promotion		**505,942**	1,503,476
Auditors' remuneration	*24.1*	**601,630**	456,800
Insurance		**311,708**	254,751
Donation		**141,000**	-
General expenses		**1,561,035**	2,350,692
	Rupees	**113,062,040**	104,975,660

			2014	2013
24.1	**Auditors' remuneration**			
	Audit fee		**525,000**	406,800
	Out of pocket expenses		**76,630**	50,000
		Rupees	**601,630**	456,800

25. OTHER INCOME

		2014	2013
Income from financial assets			
Dividend income		**12,267,468**	1,844,689
Income from assets other than financial assets			
Gain on sale of property, plant and equipment		**2,727,837**	1,013,972
Capital gain on sale of investments		**-**	3,336,004
Interest income on loan to staff		**546,600**	359,521
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss		**33,652,925**	27,614,216
Reversal of provision for bad debt		**-**	20,000
Reversal of provision for bonus to staff		**-**	5,180,378
Profit on bank deposit		**623,004**	336,458
Miscellaneous income		**2,517,478**	1,805,359
		40,067,844	39,665,908
	Rupees	**52,335,312**	41,510,597

26. FINANCE COSTS

		2014	2013
Mark-up on borrowings		**53,407,217**	42,074,394
Mark-up on loan from associated undertaking		**-**	2,236,956
Exchange loss		**9,553,079**	6,110,322
Commission and other charges		**2,935,971**	4,089,325
Finance lease charges		**4,023,431**	4,371,009
Bank charges		**49,031**	14,891
Interest on Workers' Profit Participation fund		**1,033,800**	1,637,804
	Rupees	**71,002,529**	60,534,701

27. OTHER CHARGES

		2014	2013
Workers' Profits Participation Fund	*20.1*	**8,407,463**	10,465,283
Workers' Welfare Fund		**3,705,167**	4,944,968
	Rupees	**12,112,630**	15,410,251

28. TAXATION

		2014	2013
Current		**(34,283,274)**	(37,427,538)
Prior year		**(1,936,950)**	(2,910,544)
Deferred	*17*	**(6,118,126)**	(61,095,148)
	Rupees	**(42,338,350)**	(101,433,230)

28.1 Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for the current year income tax for all subsidiaries has been made under the provisions of minimum tax under Section 113 of the Income Tax Ordinance, 2001 (Ordinance).

29. BASIC AND DILUTED EARNINGS PER SHARE

		2014	2013 *Restated*
Profit for the year	*Rupees*	**134,908,516**	102,014,296
Weighted average number of ordinary shares	*Number*	**6,000,000**	6,000,000
Basic and diluted earnings per share	*Rupees*	**22.48**	17.00

30. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies and other companies with common directorship, employees retirement benefit funds and key management personnel.

Transactions with related parties, other than remuneration to key management personnel under the terms of employment, and balances disclosed elsewhere in these consolidated financial statements are as follows:

30.1 Transactions during the year

Employee retirement benefits	*Rupees*	**3,618,905**	1,616,964

30.2 Balances at the year end

(Payable)/ Receivable from provident fund	*Rupees*	**(423,369)**	454,649
Receivable from gratuity fund	*Rupees*	**11,886,312**	10,849,600

31. CASH GENERATED FROM OPERATIONS

		2014	2013 *Restated*
Profit before tax		**177,246,866**	203,447,526
Adjustment for non cash charges and other items			
Depreciation	*4.1.2*	**50,103,404**	48,184,515
Amortisation	*5*	**3,921,321**	3,935,981
Mark-up on borrowings		**53,407,217**	44,311,350
Finance lease charges		**4,023,431**	4,371,009
Gain / (loss) on disposal of property, plant and equipment		**(2,727,837)**	(1,013,972)
Gain / (loss) on re-measurement of investment		**(33,652,925)**	(27,614,216)
Reversal of provision for bad debts		-	(20,000)
Reversal of provision for bonus to staff		-	(5,180,378)
Share of (profit) in associates		**(12,681,784)**	(14,098,620)
Gain on sale of investment		-	(3,336,004)
Dividend income		-	(1,844,689)
Working capital changes	*31.1*	**(62,888,822)**	(133,678,514)
	Rupees	**164,483,403**	117,463,988

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31.1 Working capital changes

		2014	2013 *Restated*
(Increase) / decrease in current assets			
Stores and spares		**(11,024,041)**	(6,859,395)
Loose tools		**808,736**	45,551
Stock-in-trade		**(1,917,550)**	(90,473,473)
Trade debts		**(10,778,268)**	(21,181,249)
Loans and advances		**60,528,802**	(65,295,305)
Short term deposits, prepayments and other receivables		**(31,103,297)**	(203,649)
		6,514,382	(183,967,520)
Increase / (decrease) in current liabilities			
Creditors, accrued and other liabilities		**(66,579,620)**	51,538,586
Mobilisation advances		**(2,823,584)**	(1,249,580)
	Rupees	**(62,888,822)**	(133,678,514)

31.2 Cash and cash equivalents

Short term borrowings	*19*	**(451,651,743)**	(415,502,723)
Cash and bank balances	*14*	**40,903,051**	36,746,463
	Rupees	**(410,748,692)**	(378,756,260)

32. RISK MANAGEMENT

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is also responsible for developing and monitoring the group's risk management policies. The Group has exposure to the following risks:

32.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Exposure to credit risk

Credit risk of the Group arises principally from trade debts, loans and advance, deposits, bank balances and other receivables.

The maximum exposure to credit risk at the reporting date was as follows:

	2014		2013	
	Balance sheet	**Maximum exposure**	Balance sheet	Maximum exposure
Trade debts - unsecured	**122,990,039**	**122,990,039**	112,211,771	112,211,771
Loans and advances	**20,897,709**	**20,897,709**	81,426,511	81,426,511
Investment in Participation Term Certificates	**108,157,170**	**108,157,170**	82,486,550	82,486,550
Deposits and other receivables	**26,745,408**	**26,745,408**	15,101,022	15,101,022
Bank balances	**1,819,096**	**1,819,096**	9,315,169	9,315,169
Rupees	**280,609,422**	**280,609,422**	300,541,023	300,541,023

Credit rating and collaterals

Detail of the credit rating of balances with banks as 30 June 2014 are as follows:

Short term ratings	**2014**	2013
	Percentage	Percentage
A-1+	**69.88%**	23.51%
A1+	**14.86%**	72.59%
AA+	**3.05%**	-
AAA	**11.19%**	-
A-2	**-**	3.03%
AA-	**1.02%**	-
F1+	**-**	0.87%
	100.00%	100.00%

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group believes that it is not exposed to major concentration of credit risk.

Details of Company's concentration of credit risk for trade debts at the balance sheet date by industrial distribution are as follows:

		2014	2013
Automotive Industry	*Rupees*	**122,990,039**	112,211,771

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Impairment losses and past due balances

The aging of trade debtors and receivables at reporting date was as follows:

	2014		2013	
	Gross	**Impairment**	Gross	Impairment
1 to 14 days	**96,157,911**	-	83,998,390	-
15 to 30 days	-	-	20,343,778	-
30 to 44 days	**21,998,903**	-	5,359,752	-
45 to 60 days	**1,616,457**	-	714,771	-
Above 60 days	**32,799,712**	**29,582,934**	31,378,014	29,582,934
Rupees	**152,572,983**	**29,582,934**	141,794,705	29,582,934

Based on the past experience, consideration of financial position, past track records and recoveries, the Group believes that trade debts past due do not require any impairment except as provided in these financial statements. Further, cash is held only with reputable banks with high quality external credit enhancements.

32.2 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulties in meeting financial obligations as they fall due. Liquidity risk arises because of the possibility that the company could be required to pay its liabilities earliest that expected or difficulty in funds to meet commitments associated with financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Maturity analysis of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows:

	2014				
Non-derivative financial liabilities	**Carrying amount**	**Contractual Cash flows**	**Upto three months**	**More than three months and upto one year**	**More than one year**
Short term borrowing	451,651,743	451,651,743	(225,825,871)	(225,825,872)	-
Creditors, accrued and other liabilities	84,325,718	84,325,718	(75,271,717)	(9,054,001)	-
Liabilities against finance lease	26,834,089	29,828,365	(4,987,864)	(10,972,625)	(13,867,876)
Rupees	562,811,550	565,805,826	(306,085,452)	(245,852,498)	(13,867,876)

	2013				
Non-derivative financial liabilities	Carrying amount	Contractual Cash flows	Upto three months	More than three months and upto one year	More than one year
Short term borrowing	415,502,723	415,502,723	(205,958,697)	(209,544,026)	-
Creditors, accrued and other liabilities	151,619,869	151,619,869	(151,619,869)	-	-
Liabilities against finance lease	32,469,527	36,682,147	(3,749,196)	(10,844,965)	(22,087,986)
Loan from a director and an associate undertaking	40,000,000	40,000,000	-	(40,000,000)	-
Rupees	639,592,119	643,804,739	(361,327,762)	(260,388,991)	(22,087,986)

32.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Group is exposed to all of the three risks which are as follow:

Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based in notional amount:

	2014	2013
	US Dollars	US Dollars
Foreign currency borrowing	**811,718**	1,793,894
Gross balance sheet exposure	**811,718**	1,793,894

The following significant exchange rates applied during the year:

	Average rate		**Balance sheet date rate**	
	2014	2013	**2014**	2013
US Dollars	**102.98**	96.93	**98.75**	99.66

Sensitivity Analysis

A 10 percent strengthening of the Rupee against US Dollar and Japanese Yen at 30 June 2014 would have increased equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2013.

As at 30 June 2014		Income statement	Equity
Effect of change in US Dollars	*Rupees*	**8,015,715**	**8,015,715**
As at 30 June 2013			
Effect of change in US Dollars	*Rupees*	17,877,948	17,877,948

A 10 percent weakening of the Rupee against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on liabilities against assets subject to finance lease, short term borrowings from banks, loans from director / associate undertaking, and loans to employees. At the balance sheet date the interest rate profile of the Group's interest-bearing financial instrument is:

		2014	2013
Variable rate instruments			
Financial liabilities		**(451,651,743)**	(415,502,723)
	Rupees	**(451,651,743)**	(415,502,723)
Fixed rate instruments			
Financial assets		**3,268,145**	13,687,636
Financial liabilities		**(47,883,124)**	(180,619,463)
	Rupees	**(44,614,979)**	(166,931,827)

Fair value sensitivity analysis of fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value. Therefore, change in interest rates at reporting date would not have impact on profit and loss account and equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013.

		Profit and loss		Equity	
As at 30 June 2014		100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow sensitivity - variable rate instruments	*Rupees*	(4,516,517)	4,516,517	(4,516,517)	4,516,517
As at 30 June 2013					
Cash flow sensitivity - variable rate instruments	*Rupees*	(4,155,027)	4,155,027	(4,155,027)	4,155,027

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Other price risk

Other price risk includes equity price risks which is the risk of changes in the fair value of equity securities as a result of changes in the levels of KSE 100 Index and the value of individual shares. The equity price risk exposure arises from investments in equity securities held by the Group for which prices in the future are uncertain.

As at 30 June 2014 the fair value of equity securities exposed to price risk are disclosed in note 13. The table below summarises the sensitivity of the price movements as at 30 June. The analysis is based on the assumption that KSE-100 index increased by 5% (2013: 5%) and decreased by 5% (2013: 5%), with all other variables held constant and that the fair value of the Group's portfolio of equity securities moved according to their historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 index, having regard to the historical volatility of index of past three years (2013 : three years).

The impact below arises from the reasonable possible change in the fair value of listed equity securities:

Effect on assets of an increase in the KSE-100 index		**2014**	2013
Effect on investments	*Rupees*	**6,970,751**	5,976,136
Effect on profit and loss account	*Rupees*	**5,427,147**	4,137,233
Effect on equity	*Rupees*	**1,543,604**	1,838,903
Effect on assets of a decrease in the KSE-100 index			
Effect on investments	*Rupees*	**(6,970,751)**	(5,976,136)
Effect on profit and loss account	*Rupees*	**(5,427,147)**	(4,137,233)
Effect on equity	*Rupees*	**(1,543,604)**	(1,838,903)

The sensitivity analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Company's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of 30 June 2014 is not necessarily indicative of the effect on the Company's assets of future movements in the level of KSE 100 index.

33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of investments is based on the closing market prices prevailing at the day-end. The Group is of the view that the fair market value of most of the remaining financial assets and liabilities are not significantly different from their carrying values.

The Group's accounting policy on fair value measurements is discussed in note 3.7.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

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- Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.

- Level 2: Fair value measurements using 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 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

- As at 30 June 2014, all the investments stated at fair value were categorised in level 1.

34. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and - to maintain a strong capital base to support the sustained development of its businesses.

- The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

- The Group is not subject to externally imposed capital requirements.

35. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

The aggregate amount charged in these financial statements for remuneration, including the benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Managerial remuneration	**5,135,040**	4,438,904	**9,591,534**	10,217,030	**16,763,848**	15,468,442	**31,490,422**	30,124,376
House rent and utilities	**5,555,460**	5,081,171	**8,023,848**	9,186,316	**23,827,915**	22,354,790	**37,407,223**	36,622,277
Bonus	**1,260,672**	1,125,600	**1,049,933**	937,440	**4,986,886**	4,620,186	**7,297,491**	6,683,226
Medical	**377,508**	346,283	**636,512**	1,260,775	**2,317,568**	2,110,686	**3,331,588**	3,717,744
Contribution to retirement benefits funds	**513,150**	443,534	**-**	-	**1,407,229**	1,240,140	**1,920,379**	1,683,674
Rupees	**12,841,830**	11,435,492	**19,301,827**	21,601,561	**49,303,446**	45,794,244	**81,447,103**	78,831,297
Number of persons	**1**	1	**2**	3	**65**	64	**68**	68

35.1 The aggregate amount charged in the account in respect of directors' fees paid to directors was Rs. Nil (2013: Rs. Nil).

35.2 The chief executive and directors are provided with official use of Group maintained cars, according to their entitlements.

35.3 The chief executive and his spouse are covered under group hospitalisation insurance policy.

36. PLANT CAPACITY AND PRODUCTION

The production capacity of the plant cannot be determined as it depends on the relative proportions of various types / sizes of sub-assemblies, components and parts produced for various types of vehicles.

37. NUMBER OF EMPLOYEES

The total number of permanent employees as at year end were 210 and average number of employees were 224. The total number of temporary employees as at year end were 858 and average number of temporary employees were 853.

38. GENERAL

38.1 Reclassification

Certain reclassifications have been made in the prior year's financial statements, details of which are as follows:

Reclassification from	Reclassification to	2013 (Rupees)
Current assets	**Non current assets**	
Short term deposits, prepayments and other receivables	Long term deposits	484,103
Other charges	**Finance cost**	
Others	Interest on Workers' Profit Participation fund	1,637,804

The above balances have been reclassified for better presentation under the fifth schedule of the Companies Ordinance, 1984.

38.2 Date of Authorisation

These financial statements were authorised for issue in the Board of Directors' meeting held on 10 OCT 2014.

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Chief Executive **Director**