



KPMG Taseer Hadi & Co.  
Chartered Accountants

**Loads Limited**

**Unconsolidated Financial  
Statements  
For the year ended 30 June 2014**



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
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### **Auditors' Report to the Members**

We have audited the annexed unconsolidated balance sheet of **Loads Limited** ("the Company") as at 30 June 2014 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.2.1 with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 30 June 2014 and of the profit, cash flows and changes in equity for the year then ended; and



KPMG Taseer Hadi & Co.

- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Date: 10 October 2014

Karachi

*KPMG Taseer Hadi & Co.*  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
Mazhar Saleem



# Loads Limited

## Balance Sheet

As at 30 June 2014

	Note	2014	2013 Restated	2012 Restated
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	298,527,384	292,582,739	283,736,893
Intangible assets	5	1,375,856	4,373,490	6,350,108
Long term investments	6	348,513,245	308,160,905	308,160,905
Long term deposits		3,007,887	2,823,187	853,450
		<u>651,424,372</u>	<u>607,940,321</u>	<u>599,101,356</u>
<b>Current assets</b>				
Stores and spares		21,112,457	14,361,977	9,237,430
Loose tools		-	808,736	854,287
Stock-in-trade	7	671,994,452	668,828,650	579,270,656
Trade debts - unsecured	8	120,478,586	106,524,065	88,325,597
Loans and advances	9	19,829,426	80,364,357	14,855,696
Short term deposits, prepayments and other receivables	10	73,371,910	47,410,894	41,195,621
Interest accrued	11	-	-	-
Taxation - net	12	112,905,071	84,966,211	62,584,738
Investments	13	139,415,027	119,522,723	38,432,457
Cash and bank balances	14	6,939,410	18,592,015	40,114,050
		<u>1,166,046,339</u>	<u>1,141,379,628</u>	<u>874,870,532</u>
<b>Total assets</b>	<i>Rupees</i>	<u><u>1,817,470,711</u></u>	<u><u>1,749,319,949</u></u>	<u><u>1,473,971,888</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
<b>Authorised capital</b>				
10,000,000 (2013: 10,000,000) ordinary shares of Rs.10 each	<i>Rupees</i>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up capital	16	60,000,000	60,000,000	60,000,000
Capital reserve		20,351,645	26,257,619	27,711,569
Revenue reserve		1,106,567,950	995,686,722	879,435,643
		<u>1,186,919,595</u>	<u>1,081,944,341</u>	<u>967,147,212</u>
<b>Non-current liabilities</b>				
Liabilities against assets subject to finance lease	17	12,707,151	20,353,819	7,520,627
Deferred taxation	18	14,479,251	13,582,551	4,558,022
		<u>27,186,402</u>	<u>33,936,370</u>	<u>12,078,649</u>
<b>Current liabilities</b>				
Current maturity of liabilities against assets subject to finance lease	17	14,126,938	12,115,708	3,614,691
Short term borrowings	20	451,651,743	415,502,723	286,479,565
Loan from an associated undertaking		-	-	40,000,000
Creditors, accrued and other liabilities	21	137,267,059	202,678,249	160,259,633
Mobilisation advances		318,974	3,142,558	4,392,138
		<u>603,364,714</u>	<u>633,439,238</u>	<u>494,746,027</u>
<b>Total equity and liabilities</b>	<i>Rupees</i>	<u><u>1,817,470,711</u></u>	<u><u>1,749,319,949</u></u>	<u><u>1,473,971,888</u></u>
<b>Contingencies and commitments</b>	15			

The annexed notes 1 to 40 form an integral part of these financial statements.

*Signature*



Chief Executive Officer



Director



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

	<i>Note</i>	<b>2014</b>	<b>2013</b> <i>Restated</i>
Turnover	22	2,315,750,144	2,438,434,656
Cost of sales	23	(2,051,894,106)	(2,172,406,000)
Gross profit		<u>263,856,038</u>	<u>266,028,656</u>
Administrative and general expenses	24	(100,494,710)	(93,114,168)
Operating profit		<u>163,361,328</u>	<u>172,914,488</u>
Other income	25	<u>59,257,621</u>	<u>66,354,346</u>
		222,618,949	239,268,834
Finance costs	26	(70,907,535)	(60,357,150)
Other charges	27	(10,619,799)	(12,494,760)
		(81,527,334)	(72,851,910)
Profit before taxation		<u>141,091,615</u>	<u>166,416,924</u>
Taxation	28	(33,496,526)	(47,593,380)
Profit after taxation		<u>107,595,089</u>	<u>118,823,544</u>
		<i>Rupees</i>	
Basic and diluted earnings per share	29	<u>17.93</u>	<u>19.80</u>
		<i>Rupees</i>	

The annexed notes 1 to 40 form an integral part of these financial statements.

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**Chief Executive Officer**

  
**Director**

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

	2014	2013 <i>Restated</i>
Profit after taxation	107,595,089	118,823,544
<b><u>Other comprehensive income:</u></b>		
Unrealised loss on revaluation of available-for-sale investments	(5,905,974)	(1,453,950)
<i>Items not to be reclassified to profit and loss account in subsequent periods</i>		
Remeasurement of defined benefit liability	3,286,139	(2,572,465)
<b>Total comprehensive income for the year</b>	<i>Rupees</i> <u><u>104,975,254</u></u>	<u><u>114,797,129</u></u>

The annexed notes 1 to 40 form an integral part of these financial statements.

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Chief Executive Officer

  
Director



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

	Issued, subscribed and paid-up capital	Capital reserve Unrealised gain on remeasurement of available-for-sale investments	Revenue reserves General reserve	Unappropriated profit	Total
Balance as at 30 June 2012	60,000,000	27,711,569	590,262,580	278,364,736	956,338,885
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	27,711,569	590,262,580	289,173,063	967,147,212
<i>Total comprehensive income for the year ended 30 June 2013</i>					
Profit for the year	-	-	-	118,823,544	118,823,544
Other comprehensive income					
Unrealised gain on remeasurement of available for sale investments	-	(1,453,950)	-	-	(1,453,950)
Remeasurement of defined benefit liability	-	-	-	(2,572,465)	(2,572,465)
Total comprehensive income for the year ended 30 June 2013	-	(1,453,950)	-	116,251,079	114,797,129
Balance as at 30 June 2013- restated	60,000,000	26,257,619	590,262,580	405,424,142	1,081,944,341
<i>Total comprehensive income for the year ended 30 June 2014</i>					
Profit for the year	-	-	-	107,595,089	107,595,089
Other comprehensive income					
Unrealised loss on remeasurement of available for sale investments	-	(5,905,974)	-	-	(5,905,974)
Remeasurement of defined benefit liability	-	-	-	3,286,139	3,286,139
Total comprehensive income for the year ended 30 June 2014	-	(5,905,974)	-	110,881,228	104,975,254
Balance as at 30 June 2014	<i>Rupees</i> 60,000,000	20,351,645	590,262,580	516,305,370	1,186,919,595

The annexed notes 1 to 40 form an integral part of these financial statements.

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Chief Executive Officer



Director



**Loads Limited**  
**Cash Flow Statement**  
*For the year ended 30 June 2014*

	Note	2014	2013 <i>Restated</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	31	148,384,036	91,752,929
Mark-up paid		(48,957,782)	(56,137,775)
Long term deposits		(184,700)	(1,969,737)
Taxes paid		(60,538,686)	(60,950,324)
Net cash used in operating activities		38,702,868	(27,304,907)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(40,362,653)	(39,302,345)
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	25,448,982
Net cash used in investing activities		(68,466,184)	(65,447,359)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Lease rentals paid		(18,038,309)	(17,792,927)
Loan repaid to director and an associated undertaking		-	(40,000,000)
Net cash used in financing activities		(18,038,309)	(57,792,927)
Net decrease in cash and cash equivalents		(47,801,625)	(150,545,193)
Cash and cash equivalents at beginning of the year		(396,910,708)	(246,365,515)
Cash and cash equivalents at end of the year	31.2 Rupees	(444,712,333)	(396,910,708)

The annexed notes 1 to 40 form an integral part of these financial statements.

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**Chief Executive Officer**

  
**Director**

# Loads Limited

## Notes to the Financial Statements

*For the year ended 30 June 2014*

### **1. STATUS AND NATURE OF BUSINESS**

- 1.1** Loads Limited ("the Company") was incorporated in Pakistan on 1 January 1979 as a private limited company under Companies Act, 1913 (now Companies Ordinance, 1984). With effect from 19 December 1993, the status of the Company was converted from private limited company to unlisted public limited company. The registered office of the Company is situated at Plot No. 23, Sector 19, Korangi Industrial Area, Karachi - 74900.
- 1.2** The principal activity of the Company is manufacture and sale of radiators, exhaust systems and other components for automotive industry.
- 1.3** These financial statements represent financial statements of the holding company and consolidated financial statements are prepared separately.

### **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 (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.

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- 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 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

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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 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.

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- 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.

### 2.2.1 Change in accounting policy

IAS 19 (revised) 'Employee Benefits' amends the accounting for employment benefits which became effective to the Company 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 Company'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 Company 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 Company 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

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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)	
<b>Current Assets</b>			
<i>Short term deposits, prepayments and other other receivables</i>			
Receivable from gratuity fund	939,707	10,808,327	11,748,034
<b>Total equity</b>			
Revenue reserve	868,627,316	10,808,327	879,435,643

	As at 30 June 2013		
	As previously reported	Change due to retrospective application	Restated
		(Rupees)	
<b>Current Assets</b>			
<i>Short term deposits, prepayments and other other receivables</i>			
Receivable from gratuity fund	3,310,389	7,539,211	10,849,600
<b>Total equity</b>			
Revenue reserve	988,147,511	7,539,211	995,686,722

#### 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	92,417,517	696,651	93,114,168

#### 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

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## **2.3 Basis of measurement**

These financial statements have been prepared on the historical cost basis, except for investments classified as "investment at fair value through profit or loss" and "available for sale" which are stated at fair value.

## **2.4 Functional and presentation currency**

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

## **2.5 Use of estimates and judgments**

The preparation of 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 financial statements and estimates with a significant risk of material adjustment in future years are discussed below:

### **2.5.1 Income taxes**

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

### **2.5.2 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.

### **2.5.3 Impairment**

All Company'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 and prolonged decline in the fair value below its cost. The determination of what is significant and prolonged requires judgment. In making this judgment, management evaluates among other factors, the normal volatility in prices.

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#### **2.5.4 Property, plant and equipment**

The Company 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, if any.

#### **2.5.5 Stock in trade, stores, spares and loose tools**

The Company reviews the net realisable value of stock-in-trade, stores, spares and loose tools 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, stores, spares and loose tools 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.

#### **2.5.6 Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in note 19.1 to the 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 Company operates 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. Actuarial gains and losses are amortised over the expected average remaining working life of the employees as allowed under the relevant provisions of IAS 19 "Employee Benefits".

##### *Defined contribution plan*

The Company also operates a provident fund scheme for all its regular permanent employees. Contributions are made to the fund equally by the 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 Company 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.

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### **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 utilised. 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 costs*

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 Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised 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 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.

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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 financial statements.

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

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

#### *Subsidiaries and associates*

Investments in subsidiaries and associates are carried at cost less impairment, if any. These are classified as 'long term investment' in the financial statements.

#### *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 Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost 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.

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### **3.8 Stores and spares**

These 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.

### **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 Company 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 Company, which are repayable on demand form an integral part of the Company'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. 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 proportion 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.

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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.

### 3.14 Financial instruments

Financial assets and liabilities are recognised when the Company 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 or amortised 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 Company 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 as liability in the Company's financial statements in the period in which these are approved. The distribution of dividend is subject to the covenant as mentioned in note 20.1

## 4. PROPERTY, PLANT AND EQUIPMENT

		2014	2013
Operating fixed assets	4.1	284,369,506	276,347,877
Capital work-in-progress	4.2	14,157,878	16,234,862
<i>Konkani</i>	<i>Rupees</i>	<u>298,527,384</u>	<u>292,582,739</u>



#### 4.1 Operating fixed assets

	2014									
	Cost				Depreciation				Net book value as at 30 June 2014	Rate %
	As at 01 July 2013	Additions	(Disposals)	As at 30 June 2014	As at 01 July 2013	For the year	(Disposal)	As at 30 June 2014		
	(Rupees)									
Owned										
Free hold land (note 4.1.1)	25,080,000	-	-	25,080,000	-	-	-	-	25,080,000	-
Building on leasehold land	37,136,769	2,025,473	-	39,162,242	19,104,471	935,210	-	20,039,681	19,122,561	5
Plant and machinery	307,597,424	13,994,865	(1,000,784)	320,591,505	170,676,462	14,462,168	(886,516)	184,252,114	136,339,391	10 - 20
Tools and equipment	142,013,851	22,950,794	-	164,964,645	104,266,771	14,389,723	-	118,656,494	46,308,151	10 - 35
Furniture, fixtures and office equipment	22,124,688	3,033,577	-	25,158,265	14,760,342	1,803,709	-	16,564,051	8,594,214	10 - 30
Vehicles	23,377,550	-	(4,589,791)	18,787,759	13,531,552	1,915,333	(3,037,734)	12,409,151	6,378,608	20
Leased										
Lease hold land	1,089,774	-	-	1,089,774	-	-	-	-	1,089,774	-
Plant and machinery	23,503,337	-	-	23,503,337	2,396,268	2,326,124	-	4,722,392	18,780,945	10 - 20
Vehicles	29,578,845	8,379,440	-	37,958,285	10,418,495	4,863,928	-	15,282,423	22,675,862	20
	<u>611,502,238</u>	<u>50,384,149</u>	<u>(5,590,575)</u>	<u>656,295,812</u>	<u>335,154,361</u>	<u>40,696,195</u>	<u>(3,924,250)</u>	<u>371,926,306</u>	<u>284,369,506</u>	
2013										
	Cost				Depreciation				Net book value as at 30 June 2013	Rate %
	As at 01 July 2012	Additions	(Disposals)	As at 30 June 2013	As at 01 July 2012	For the year	(Disposal)	As at 30 June 2013		
	(Rupees)									
Owned										
Free hold land (note 4.1.1)	25,080,000	-	-	25,080,000	-	-	-	-	25,080,000	-
Building on leasehold land	36,027,212	1,109,557	-	37,136,769	18,176,976	927,495	-	19,104,471	18,032,298	5
Plant and machinery	322,941,925	11,627,042	(26,971,543)	307,597,424	158,039,235	15,367,160	(2,729,933)	170,676,462	136,920,962	10 - 20
Tools and equipment	113,008,712	29,005,139	-	142,013,851	92,629,428	11,637,343	-	104,266,771	37,747,080	10 - 35
Furniture, fixtures and office equipment	20,122,041	2,240,496	(237,849)	22,124,688	12,997,521	1,961,880	(199,059)	14,760,342	7,364,346	10 - 30
Vehicles	20,292,477	3,781,699	(696,626)	23,377,550	11,832,789	2,232,796	(534,033)	13,531,552	9,845,998	20
Leased										
Lease hold land	1,089,774	-	-	1,089,774	-	-	-	-	1,089,774	-
Plant and machinery	-	23,503,337	-	23,503,337	-	2,396,268	-	2,396,268	21,107,069	10 - 20
Vehicles	18,973,195	11,252,790	(647,140)	29,578,845	6,331,641	4,108,425	(21,571)	10,418,495	19,160,350	20
	<u>557,535,336</u>	<u>82,520,060</u>	<u>(28,553,158)</u>	<u>611,502,238</u>	<u>300,007,590</u>	<u>38,631,367</u>	<u>(3,484,596)</u>	<u>335,154,361</u>	<u>276,347,877</u>	

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

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4.1.2 Depreciation has been allocated as follows:

		2014	2013
Cost of goods manufactured	23	35,824,349	33,568,151
Administrative and general expenses	24	4,871,846	5,063,216
	Rupees	<u>40,696,195</u>	<u>38,631,367</u>

4.2 Capital work-in-progress

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
	Rupees	<u>14,157,878</u>	<u>16,234,862</u>

5. Intangible assets

	2014							Rate %
	COST			AMORTISATION			Written down	
	As at 1 July 2013	Addition/ (disposal)	As at 30 June 2014	As at 1 July 2013	For the year	As at 30 June 2014	value as on 30 June 2014	
	(Rupees)							
Computer software and licenses	11,602,469	434,928	12,037,397	7,228,979	3,432,562	10,661,541	1,375,856	33.33%

  

	2013							Rate %
	COST			AMORTISATION			Written down	
	As at 1 July 2012	Addition/ (disposal)	As at 30 June 2013	As at 1 July 2012	For the year	As at 30 June 2013	value as on 30 June 2013	
	(Rupees)							
Computer software and licenses	10,089,772	1,512,697	11,602,469	3,739,664	3,489,315	7,228,979	4,373,490	33.33%

6. LONG-TERM INVESTMENTS

		2014	2013
Investments in subsidiary companies	6.1	325,000,020	325,000,020
Less: Provision for impairment against investment in subsidiary companies	6.1.1	(75,000,020)	(75,000,020)
Net investment in subsidiary companies		<u>250,000,000</u>	<u>250,000,000</u>
Investment in associates	6.2	98,513,245	58,160,905
	Rupees	<u>348,513,245</u>	<u>308,160,905</u>

6.1 Subsidiary companies

2014 (Number of shares)	2013				
		<u>Unquoted</u>			
17,500,000	17,500,000	Specialized Autoparts Industries (Private) Limited (SAIL) (Chief Executive - Munir K. Bana)		175,000,000	175,000,000
7,500,000	7,500,000	Multiple Autoparts Industries (Private) Limited (MAIL) (Chief Executive - Munir K. Bana)		75,000,000	75,000,000
7,500,000	7,500,000	Specialized Motorcycles (Private) Limited (SMPL) (Chief Executive - Munir K. Bana)	6.1.1	75,000,000	75,000,000
2	2	Loads Assets (Private) Limited (Chief Executive - Munir K. Bana)	6.1.1	20	20
			Rupees	<u>325,000,020</u>	<u>325,000,020</u>



6.1.1 These investments in subsidiaries are fully provided by the Company.

6.1.2 Break-up value per share of investment in subsidiaries is given below. These are based on their latest audited financial statements for the year ended 30 June 2014.

	2014	2013
<b>Unquoted</b>		
Specialized Autoparts Industries (Private) Limited	<i>Rupees</i> <u>9.41</u>	<u>9.16</u>
Multiple Autoparts Industries (Private) Limited	<i>Rupees</i> <u>9.96</u>	<u>9.48</u>
Specialized Motorcycles (Private) Limited	<i>Rupees</i> <u>2.91</u>	<u>1.02</u>

6.1.3 The Company holds 100% shares in all of its subsidiaries.

## 6.2 Associates

2014 (Number of shares)	2013	Quoted		
3,268,820	2,731,000	Treet Corporation Limited (Chief Executive Officer - Syed Shahid Ali)	<i>Rupees</i> <u>98,513,245</u>	<u>58,160,905</u>

6.2.1 Market value of investment in associate is as follows:

<b>Quoted</b>		
Treet Corporation Limited	<i>Rupees</i> <u>374,835,589</u>	<u>226,891,480</u>

6.3 The Company's holding in associate is considered associate by virtue of common directorship i.e. (4 directors are common out of 8 directors ) 6.41% (2013: 6.53%).

## 7. STOCK IN TRADE

Raw material and components	7.1	<u>539,540,826</u>	439,484,867
Work-in-process	7.2	<u>114,153,747</u>	196,999,052
Finished goods	7.3	<u>18,996,106</u>	33,040,958
		<u>672,690,679</u>	669,524,877
Provision for slow-moving and obsolescence		<u>(696,227)</u>	<u>(696,227)</u>
	<i>Rupees</i>	<u>671,994,452</u>	<u>668,828,650</u>

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

7.2 This includes raw material in possession of Company's subsidiaries as at 30 June 2014 of Rs.111.616 million (2013: Rs. 104.97 million).

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- 7.3 This includes finished goods in possession of Company's subsidiaries as at 30 June 2014 of Rs. 15.22 million (2013: Rs. 28.081 million).

8. TRADE DEBTS -UNSECURED	2014	2013
Unsecured		
- Considered good	120,478,586	106,524,065
- Considered doubtful	405,606	405,606
	<u>120,884,192</u>	<u>106,929,671</u>
- Provision for doubtful debts	8.1 (405,606)	(405,606)
	<u>Rupees 120,478,586</u>	<u>106,524,065</u>

8.1 Movement of provision for doubtful debts

Opening balance	405,606	405,606
Charge for the year	-	-
Closing balance	<u>Rupees 405,606</u>	<u>405,606</u>

9. LOANS AND ADVANCES

Loans to employees - considered good	9.1	2,845,679	3,942,706
Advance to:			
- Suppliers		12,861,709	75,309,337
- Employees		4,122,038	1,112,314
	<u>Rupees</u>	<u>19,829,426</u>	<u>80,364,357</u>

- 9.1 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.

10. SHORT TERM DEPOSITS, PREPAYMENTS  
AND OTHER RECEIVABLES

Trade and other deposits		3,355,000	3,355,000
Receivable from gratuity fund	19.2	11,886,312	10,849,600
Receivable from provident fund		-	454,649
Unclaimed input sales tax		51,485,809	21,199,713
Prepayments		410,180	57,242
Due from related parties	10.1	2,682,704	10,145,118
Other receivable		3,551,905	1,349,572
<i>Kancon</i>	<u>Rupees</u>	<u>73,371,910</u>	<u>47,410,894</u>



<b>10.1 Due from related parties</b>		<b>2014</b>	<b>2013</b>
Multiple Autoparts Industries (Private) Limited		<b>2,682,704</b>	-
Specialised Motorcycle (Private) Limited		-	10,145,118
	<i>Rupees</i>	<u><b>2,682,704</b></u>	<u>10,145,118</u>
<b>11. INTEREST ACCRUED</b>			
Specialized Motorcycles (Private) Limited	<i>11.1</i>	-	2,148,481
		-	2,148,481
Provision against interest receivable from Specialized Motorcycles (Private) Limited		-	(2,148,481)
	<i>Rupees</i>	<u>-</u>	<u>-</u>
<b>11.1</b>	Markup due from Specialised Motorcycles (Private) Limited has been received during the year.		
<b>12. TAXATION - NET</b>			
Opening refundable		<b>84,966,211</b>	62,584,738
Refunds during the year		<b>(40,021,649)</b>	(57,614,286)
		<u><b>44,944,562</b></u>	<u>4,970,452</u>
Advance tax paid during the year		<b>98,789,668</b>	118,564,610
Provision for taxation	<i>28</i>	<b>(30,829,159)</b>	(38,568,851)
Closing refundable	<i>Rupees</i>	<u><b>112,905,071</b></u>	<u>84,966,211</u>
<b>13. INVESTMENTS</b>			
At fair value through profit or loss	<i>13.1</i>	<b>108,542,939</b>	82,744,661
Available-for-sale	<i>13.2</i>	<b>30,872,088</b>	36,778,062
<i>KMSM</i>	<i>Rupees</i>	<u><b>139,415,027</b></u>	<u>119,522,723</u>

### 13.1 At fair value through profit or loss

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

2014 (Number of shares / certificates)	2013	Name of investee company	Cost / Carrying Amount		Market value	
			2014	2013	2014	2013
		<u>Ordinary shares - Quoted</u>				
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
1	1	The General Tyre & Rubber Company of Pakistan Limited	52	52	81	42
1	1	Honda Atlas Cars (Pakistan) Limited	105	105	93	44
1	1	Thal Limited	78	78	207	127
230	230	Baluchistan Wheels Limited	5,660	5,660	9,775	11,270
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
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
		<u>Participation term certificate (PTC) - Quoted</u>				
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
			<i>Rupees</i>			
			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.

Kamran



### 13.2 Available-for-sale

The 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 / certificates)			2014	2013	2014	2013
<u>Ordinary shares - Quoted</u>						
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 investments having an aggregate market value of Rs.30.9 million (2013: Rs.36.8 million) have been pledged with financial institutions as securities against borrowing facilities.

14. CASH AND BANK BALANCES	2014	2013
In hand	1,031,519	1,229,872
In bank - current accounts	5,907,891	17,362,143
	<i>Rupees</i> <u>6,939,410</u>	<u>18,592,015</u>

### 15. CONTINGENCIES AND COMMITMENTS

#### 15.1 Contingencies

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.

#### 15.2 Commitments

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

### 16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014 (Number of shares)	2013	Ordinary shares of Rs. 10 each fully paid in cash	<i>Rupees</i>	60,000,000	60,000,000
6,000,000	6,000,000				

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

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

### 17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

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

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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	1,160,725	13,867,876	20,353,819	3,353,958	23,707,777
<i>Rupees</i>	<u>26,834,089</u>	<u>2,994,276</u>	<u>29,828,365</u>	<u>32,469,527</u>	<u>6,235,035</u>	<u>38,704,562</u>

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.

#### 18. DEFERRED TAXATION

2014

2013

Taxable temporary differences arising in respect of:

- Accelerated tax depreciation	37,722,685	39,488,524
- 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 interest receivable from Specialized Motorcycles (Private) Limited	-	(751,975)
- Provision against compensated absences	(1,725,737)	(1,247,620)
- Provision for bad debts	(141,962)	(141,962)
- Provision for impairment against investment in Specialized Motorcycles (Private) Limited	(26,250,007)	(26,250,000)
<i>Rupees</i>	<u>14,479,251</u>	<u>13,582,551</u>

#### 19. STAFF RETIREMENT BENEFITS

The 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:

*LMC/DA*



### 19.1 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).

### 19.2 The amount recognised in the balance sheet is as follows:

	2014			2013		
	Executives	Non-Executives	Total	Executives	Non-Executives	Total
	----- (Rupees) -----					
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)
Receivable as at 30 June	(6,947,907)	(4,938,405)	(11,886,312)	(8,023,819)	(2,825,781)	(10,849,600)

### 19.3 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	21,086,636	10,387,724	31,474,360	18,534,889	8,617,207	27,152,096

### 19.4 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	28,034,543	15,326,129	43,360,672	26,558,708	11,442,988	38,001,696

### 19.5 Amounts recognised in the profit and loss account

	2014			2013		
	Executives	Non-Executives	Total	Executives	Non-Executives	Total
	----- (Rupees) -----					
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	535,578	93,849	629,427	(114,080)	(257,951)	(372,031)

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19.6 Amounts recognised in the other comprehensive income

	2014			2013		
	Executives	Non-Executives	Total	Executives	Non-Executives	Total
	(Rupees)					
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	<u>(929,666)</u>	<u>(2,356,473)</u>	<u>(3,286,139)</u>	<u>662,405</u>	<u>1,910,060</u>	<u>2,572,465</u>

Return on plan assets is as follows:

	2014			2013		
	Executives	Non-Executives	Total	Executives	Non-Executives	Total
	(Rupees)					
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)
	<u>(3,195,835)</u>	<u>(4,258,464)</u>	<u>(7,454,299)</u>	<u>(4,864,957)</u>	<u>(225,474)</u>	<u>(5,090,431)</u>

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
	(Rupees)					
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	<u>6,947,907</u>	<u>4,938,405</u>	<u>8,023,819</u>	<u>2,825,781</u>	<u>9,454,732</u>	<u>5,226,085</u>

  

	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	<u>8,542,747</u>	<u>13,768,832</u>	<u>5,886,156</u>	<u>2,166,477</u>

19.7 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

*Amos*



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

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

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

## 20. SHORT TERM BORROWINGS

Secured from Banking Companies		2014	2013
Running finances under mark-up arrangements	20.1	319,568,350	157,154,401
Demand finances / import loans	20.2	132,083,393	258,348,322
	<i>Rupees</i>	<u>451,651,743</u>	<u>415,502,723</u>

20.1 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.

20.2 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.

20.3 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.

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21. CREDITORS, ACCRUED AND OTHER LIABILITIES		2014	2013
Creditors		27,576,478	15,396,022
Accrued liabilities		1,843,691	3,309,523
Accrued mark-up		8,723,501	4,244,997
Security deposit from contractors		168,500	163,000
Workers' Profit Participation Fund	21.1	10,249,543	11,181,896
Workers' Welfare Fund	27	3,034,228	3,440,586
Advance from customer		24,192,942	16,817,529
Provision for compensated absences		4,930,678	3,564,629
Due to related parties	21.2	47,883,124	48,742,040
Payable to Indus Motor Company Limited		-	87,211,524
Other payables		8,664,374	8,606,503
	Rupees	<u>137,267,059</u>	<u>202,678,249</u>

#### 21.1 Workers' Profit Participation Fund

Opening balance		11,181,896	12,728,627
Charge for the year	27	7,585,571	9,054,174
Interest charged during the year	26	958,768	1,475,144
		<u>19,726,235</u>	<u>23,257,945</u>
Less: Payments during the year		(9,476,692)	(12,076,049)
Closing balance	Rupees	<u>10,249,543</u>	<u>11,181,896</u>

#### 21.2 Due to related parties

Specialized Motorcycle (Private) Limited		15,157,672	-
Specialized Autoparts Industries (Private) Limited		32,302,083	41,080,715
Multiple Autoparts Industries (Private) Limited		-	7,661,325
Employees provident fund		423,369	-
	Rupees	<u>47,883,124</u>	<u>48,742,040</u>

#### 22. TURNOVER

Local sales		2,717,917,607	2,830,923,462
Sales returns		(10,379,705)	(10,013,472)
		<u>2,707,537,902</u>	<u>2,820,909,990</u>
Sales tax		(391,787,758)	(382,475,334)
	Rupees	<u>2,315,750,144</u>	<u>2,438,434,656</u>

## 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	88,304,941	36,968,250
<b>Manufacturing expenses</b>			
- Salaries and wages		86,443,716	80,871,131
- Other employees' benefits		22,639,108	28,531,755
- Provident fund contribution		1,831,254	1,662,677
- Gas, power and water		11,929,185	11,203,069
- Rent, rates and taxes		436,927	1,007,466
- Insurance		2,982,779	2,269,566
- Depreciation	4.1.2	35,824,349	33,568,151
- Repairs and maintenance		4,672,061	4,853,051
- Postage, telephone and telex		388,152	518,265
- Travelling and vehicle running cost		9,075,663	8,090,259
- Inward freight and storage charges		1,205,592	564,197
- Conveyance		1,136,221	1,153,520
- Printing, stationery and periodicals		124,339	618,893
- Subcontracting costs		218,721,972	231,774,999
- General expenses		429,961	996,174
- Security services		132,230	118,000
- Consultancy services		-	956,001
		397,973,509	408,757,174
Transferred to capital work in progress		(6,312,100)	(6,279,079)
Manufacturing cost		391,661,409	402,478,095
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		2,037,849,254	2,185,927,609
Opening stock of finished goods		33,040,958	19,519,349
Closing stock of finished goods		(18,996,106)	(33,040,958)
		14,044,852	(13,521,609)
	Rupees	2,051,894,106	2,172,406,000

### 23.1 Raw material and components consumed

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)
<i>Kemora</i>	Rupees 1,475,037,599	1,781,650,517

23.2 Ancillary material consumed	2014	2013
Opening inventory	15,170,713	10,091,717
Purchases during the year	96,210,243	42,872,151
	<u>111,380,956</u>	<u>52,963,868</u>
Capitalised during the year	(1,963,558)	(824,905)
	<u>109,417,398</u>	<u>52,138,963</u>
Closing inventory	(21,112,457)	(15,170,713)
	<u>Rupees 88,304,941</u>	<u>36,968,250</u>

24. ADMINISTRATIVE AND GENERAL EXPENSES	2014	2013 <i>Restated</i>
Salaries and wages	52,173,516	47,482,230
Other employees' benefits	13,456,469	10,214,421
Provident fund contribution	1,158,224	1,022,969
Electricity	1,449,296	405,934
Repairs and maintenance	286,314	255,194
Conveyance	1,197,485	1,166,926
Entertainment	187,510	249,786
Depreciation	4.1.2 4,871,846	5,063,216
Amortisation	5 3,432,562	3,489,315
Printing, stationery and periodicals	366,215	815,207
Insurance	311,708	254,751
Postage, telephone and telex	1,523,635	1,426,586
Travelling and vehicle running cost	7,638,572	6,675,878
Rent, rates and taxes	108,400	100,000
Legal and professional charges	2,485,855	2,142,368
Outward freight	8,568,200	9,532,979
Advertising and sales promotion	480,067	1,478,476
Donation	24.1 141,000	-
Auditors' remuneration	24.2 248,980	198,050
General expenses	408,856	1,139,882
	<u>Rupees 100,494,710</u>	<u>93,114,168</u>

24.1 No director or his spouse has any interest in the donee's fund.

#### 24.2 Auditors' remuneration

Audit fee	225,000	181,800
Out of pocket expenses	23,980	16,250
<i>KMP&amp;A</i>	<u>Rupees 248,980</u>	<u>198,050</u>



<b>25. OTHER INCOME</b>	<b>2014</b>	<b>2013</b>
<b>Income from financial assets</b>		
Reversal of provision against interest receivable from SMPL	2,148,481	20,456,847
Capital gain on sale of investments	-	3,336,004
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss	33,652,925	27,614,216
<b>Dividend income</b>		
- Associated company	17,711,390	5,462,000
- Others	18,078	1,844,689
	<u>53,530,874</u>	<u>58,713,756</u>
<b>Income from assets other than financial assets</b>		
Gain on sale of property, plant and equipment	2,727,837	380,420
Interest on loan to employees	481,432	328,396
Reversal of provision for bonus to staff	-	5,180,378
Miscellaneous income	2,517,478	1,751,396
	<u>5,726,747</u>	<u>7,640,590</u>
	<u>Rupees 59,257,621</u>	<u>66,354,346</u>
<b>26. FINANCE COSTS</b>		
Mark-up on bank loan and borrowings	53,407,217	42,074,394
Mark-up on loan from associated undertaking	29,069	2,236,956
Exchange loss	9,553,079	6,110,322
Finance lease charges	4,023,431	4,371,009
Interest on workers' profit participation fund	958,768	1,475,144
Commission and other charges	2,935,971	4,089,325
	<u>Rupees 70,907,535</u>	<u>60,357,150</u>
<b>27. OTHER CHARGES</b>		
Workers' Profit Participation Fund	21.1 7,585,571	9,054,174
Workers' Welfare Fund	3,034,228	3,440,586
<i>Kemora</i>	<u>Rupees 10,619,799</u>	<u>12,494,760</u>

28. TAXATION		2014	2013
Current	28.1	30,829,159	35,658,307
Prior year	28.2	1,770,666	2,910,544
Deferred		896,701	9,024,529
	<i>Rupees</i>	<u>33,496,526</u>	<u>47,593,380</u>

- 28.1 The income tax assessment of the Company have been completed upto and including tax year 2013. In accordance with the provision of section 120 of the Income Tax Ordinance, 2001 returns of income filed for tax years upto 2013 are treated as assessment orders on self-assessment basis.

The income tax return for tax year 2011 was selected for audit by the Commissioner Inland Revenue under section 177 of the Income Tax Ordinance, 2001 (Ordinance). The audit proceedings culminated in amended order under section 122(1)/(5) in which short credit of tax deducted and refund adjustment has been allowed, and for which rectification application under section 221 had been moved, which is not yet passed and therefore, the mistake is treated to have been rectified under section 221(3) of the Ordinance. Therefore, net demand of Rs. 1,287,177 is payable as against incorrect demand of Rs. 4,074,807 created in amended order. Accordingly as a matter of prudence the Company had made a provision of above amount in the financial statements.

- 28.2 This amount has been party adjusted from advance tax and partly paid directly to tax authorities.

28.3 **Reconciliation between accounting profit and tax expense for the year**

Accounting profit before taxation	<i>Rupees</i>	<u>141,091,615</u>	<u>167,113,575</u>
Tax at the applicable rate of 34% (2013: 35%)		47,971,149	58,489,751
Tax effect of income taxed at different rate		(4,254,990)	(2,660,673)
Tax effect of unrealised loss / (gain) on re-measurement of investment		(11,442,111)	(9,664,976)
Tax effect of credit u/s 65A		(750,707)	(887,026)
Tax effect of credit on donation		(41,438)	-
Tax effect of prior years		1,770,666	2,910,544
Others		243,957	(594,240)
	<i>Rupees</i>	<u>33,496,526</u>	<u>47,593,380</u>

29. BASIC AND DILUTED EARNINGS PER SHARE		2014	2013 <i>Restated</i>
Profit for the year	<i>Rupees</i>	<u>107,595,089</u>	<u>118,823,544</u>
Weighted average number of ordinary shares	<i>Number</i>	<u>6,000,000</u>	<u>6,000,000</u>
Basic and diluted earnings per share	<i>Rupees</i>	<u>17.93</u>	<u>19.80</u>

30. **TRANSACTIONS WITH RELATED PARTIES**

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

*KPMG*



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

<b>30.1 Transactions during the year</b>	<b>2014</b>	<b>2013</b>
<i>Sub-let work from:</i>		
- Specialized Autoparts Industries (Private) Limited	Rupees <u>124,655,554</u>	<u>136,543,177</u>
- Multiple Autoparts Industries (Private) Limited	Rupees <u>72,515,480</u>	<u>70,470,735</u>
Sale to Specialized Motorcycle (Private) Limited	Rupees <u>129,737,169</u>	<u>123,137,979</u>
Loan repayment to MIS Global Econo Trade (Private) Limited	Rupees <u>-</u>	<u>40,000,000</u>
Employee retirement benefits	Rupees <u>2,989,478</u>	<u>1,616,964</u>
Dividend income from Treet Corporation	Rupees <u>17,711,390</u>	<u>5,462,000</u>
<b>30.2 Balances at the year end</b>		
<i>(Due to) / Due from related party:</i>		
- Specialized Motorcycle (Private) Limited	Rupees <u>(15,157,672)</u>	<u>10,145,118</u>
- Specialized Autoparts Industries (Private) Limited	Rupees <u>(32,302,083)</u>	<u>(52,475,685)</u>
- Multiple Autoparts Industries (Private) Limited	Rupees <u>2,682,704</u>	<u>(15,684,890)</u>
(Payable)/ Receivable from provident fund	Rupees <u>(423,369)</u>	<u>454,649</u>
Receivable from gratuity fund	Rupees <u>11,886,312</u>	<u>3,310,389</u>
<i>Interest receivable from:</i>		
- Specialized Autoparts Industries (Private) Limited	Rupees <u>-</u>	<u>11,394,970</u>
- Multiple Autoparts Industries (Private) Limited	Rupees <u>-</u>	<u>8,023,565</u>
<i>Interest payable to :</i>		
- Specialized Motorcycle (Private) Limited	Rupees <u>-</u>	<u>(153,707)</u>

**30.3** The remuneration to key management personnel is given in note 35 to these financial statements.

*Unaudited*

31. CASH GENERATED FROM OPERATIONS	2014	2013 <i>Restated</i>
Profit before taxation	141,091,615	166,416,924
<b>Adjustment for non cash-charges and other items</b>		
Depreciation	40,696,195	38,631,367
Amortisation	3,432,562	3,489,315
Markup expense	53,436,286	44,311,350
Finance lease charges	4,023,431	4,371,009
(Gain) / loss on disposal of property, plant and equipment	(2,727,837)	(380,420)
Gain on sale of investment	-	(3,336,004)
(Gain) / loss on re-measurement of investment classified as at fair value through profit or loss	(33,652,925)	(27,614,216)
Working capital changes	31.1 (57,915,291)	(134,136,396)
	<i>Rupees</i> 148,384,036	91,752,929

### 31.1 Working capital changes

#### Decrease / (increase) in current assets

Stores and spares	(6,750,480)	(5,124,547)
Loose tools	808,736	45,551
Stock-in-trade	(3,165,802)	(89,557,994)
Trade debts	(13,954,521)	(18,198,468)
Loans and advances	60,534,931	(65,508,661)
Short term deposits, prepayments and other receivables excluding gratuity receivable.	(22,674,877)	(8,787,738)
	14,797,987	(187,131,857)

#### (Decrease) / increase in current liabilities

Creditors, accrued and other liabilities	(69,889,694)	54,245,041
Mobilisation advances	(2,823,584)	(1,249,580)
	<i>Rupees</i> (57,915,291)	(134,136,396)

### 31.2 Cash and cash equivalents

Short term borrowings	20 (451,651,743)	(415,502,723)
Cash and bank balances	14 6,939,410	18,592,015
	<i>Rupees</i> (444,712,333)	(396,910,708)



## 32. RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Company 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 Company's performance to developments affecting a particular industry.

#### *Exposure to credit risk*

Credit risk of the Company 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	120,478,586	120,478,586	106,524,065	106,524,065
Deposits and other receivables	24,483,808	24,483,808	21,437,915	21,437,915
Loans and advances	19,829,426	19,829,426	82,486,550	82,486,550
Interest accrued	-	-	5,055,020	5,055,020
Bank balances	5,907,891	5,907,891	17,362,143	17,362,143
<i>Rupees</i>	<u>170,699,711</u>	<u>170,699,711</u>	<u>232,865,693</u>	<u>232,865,693</u>

#### *Credit rating and collaterals*

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

Rating	2014 Percentage	2013 Percentage
AAA	73.54%	32.35%
AA+	19.97%	62.86%
A1	0.00%	1.48%
AA-	6.49%	0.03%
BBB	0.00%	3.28%
<i>Kennam</i>	<u>100.00%</u>	<u>100.00%</u>

### *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 Company's total credit exposure. The Company believes that it is not exposed to major concentration of credit risk.

### *Impairment losses and past due balances*

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

	2014		2013	
	Gross	Impairment	Gross	Impairment
1 to 30 days	95,748,102	-	99,849,014	-
30 to 60 days	21,513,716	-	5,359,752	-
Above 60 days	3,216,768	-	1,315,298	405,605
<i>Rupees</i>	<u>120,478,586</u>	<u>-</u>	<u>106,524,064</u>	<u>405,605</u>

Based on the past experience, consideration of financial position, past track records and recoveries, the Company 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 Company 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 Company'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 Company's reputation.

*KMPM*

### *Maturity analysis of financial liabilities*

The table below analyses the Company'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				
	Carrying amount	Contractual Cash flows	Upto three months	More than three months and upto one year	More than one year
	----- (Rupees) -----				
<i>Non-derivative financial liabilities</i>					
Short term borrowing	451,651,743	(451,651,743)	(225,825,872)	(225,825,872)	-
Creditors, accrued and other liabilities	113,074,117	(113,074,117)	113,074,117	-	-
Liabilities against finance lease	26,834,089	(29,828,365)	(4,987,864)	(10,972,625)	(13,867,876)
	<u>591,559,949</u>	<u>(594,554,225)</u>	<u>(117,739,619)</u>	<u>(236,798,497)</u>	<u>(13,867,876)</u>
	2013				
	Carrying amount	Contractual Cash flows	Upto three months	More than three months and upto one year	More than one year
	----- (Rupees) -----				
<i>Non-derivative financial liabilities</i>					
Short term borrowing	415,502,723	415,502,723	(205,958,696)	(209,544,027)	-
Creditors, accrued and other liabilities	188,055,767	188,055,767	(188,055,767)	-	-
Liabilities against finance lease	32,469,527	36,682,147	(3,749,196)	(10,844,965)	(22,087,986)
	<u>636,028,017</u>	<u>640,240,637</u>	<u>(397,763,659)</u>	<u>(220,388,992)</u>	<u>(22,087,986)</u>

### 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 Company is exposed to all of the three risks which are as follows:

*KPMG*



### 32.3.1 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 US Dollars	2013 US Dollars
Foreign currency borrowing		811,718	1,793,894
Gross balance sheet exposure	Rupees	<u>811,718</u>	<u>1,793,894</u>

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 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 for 2013.

As at 30 June 2014		Income statement	Equity
Effect of change in US Dollars		8,015,715	8,015,715
Gross exposure	Rupees	<u>8,015,715</u>	<u>8,015,715</u>

As at 30 June 2013

Effect in US Dollars		17,877,948	17,877,948
Gross exposure	Rupees	<u>17,877,948</u>	<u>17,877,948</u>

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 currency to the amounts shown above, on the basis that all other variables remain constant.

*KPMG*

### 32.3.2 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, loan, to subsidiary companies and loans to employees. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument is:

Variable rate instruments	2014	2013
Financial liabilities	<u>(451,651,743)</u>	<u>(267,352,787)</u>
	<i>Rupees</i> <u>(451,651,743)</u>	<u>(267,352,787)</u>
<b>Fixed rate instruments</b>		
Financial assets	2,845,679	3,942,706
Financial liabilities	<u>(47,883,124)</u>	<u>(180,619,463)</u>
	<i>Rupees</i> <u>(45,037,445)</u>	<u>(176,676,757)</u>

#### *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	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
<b>As at 30 June 2014</b>				
Cash flow sensitivity - variable rate instruments	<i>Rupees</i> <u>(4,516,517)</u>	<u>4,516,517</u>	<u>(4,516,517)</u>	<u>4,516,517</u>
<b>As at 30 June 2013</b>				
Cash flow sensitivity - variable rate instruments	<i>Rupees</i> <u>(2,673,528)</u>	<u>2,673,528</u>	<u>(2,673,528)</u>	<u>2,673,528</u>

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### 32.3.3 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 Company 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 Company'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	<i>Rupees</i>	<u>6,970,751</u>	<u>5,976,136</u>
Effect on profit and loss account	<i>Rupees</i>	<u>5,427,147</u>	<u>4,137,233</u>
Effect on equity	<i>Rupees</i>	<u>1,543,604</u>	<u>1,838,903</u>

#### *Effect on assets of a decrease in the KSE-100 index*

Effect on investments	<i>Rupees</i>	<u>(6,970,751)</u>	<u>(5,976,136)</u>
Effect on profit and loss account	<i>Rupees</i>	<u>(5,427,147)</u>	<u>(4,137,233)</u>
Effect on equity	<i>Rupees</i>	<u>(1,543,604)</u>	<u>(1,838,903)</u>

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

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

*Long*



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

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 objective of the Company when managing capital is to safeguard its 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 Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue bonus / new shares.

### 35. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	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
<i>Rupees</i>	<u>12,841,830</u>	<u>11,435,492</u>	<u>19,301,827</u>	<u>21,601,561</u>	<u>49,303,446</u>	<u>45,794,244</u>	<u>81,447,103</u>	<u>78,831,297</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>65</u>	<u>64</u>	<u>68</u>	<u>68</u>

35.1 The aggregate amount charged in the account in respect of directors' fees paid to directors was NIL (2013: 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. PROVIDENT FUND

The following information is based on latest financial statements of the Fund:

	2014 (Un-audited) (Rupees)	2013 (Un-audited) (Rupees)
Size of the Fund	<u>83,842,649</u>	<u>75,204,594</u>
Cost of investment made	<u>47,310,800</u>	<u>49,917,050</u>
Fair value of investments	<u>64,748,543</u>	<u>60,624,296</u>
Percentage of investments made	<u>56%</u>	<u>66%</u>

Break-up of investments in terms of amount and percentage of the size of provident fund are as follows:

	2014 (Un-audited) (Rupees)	2013 (Un-audited) (Rupees)	2014 (% of total investment)	2013 (% of total investment)
Term Finance Certificates	64,015,136	60,184,225	99%	99%
Mutual Funds	733,407	440,071	1%	1%
	<u>64,748,543</u>	<u>60,624,296</u>	<u>100%</u>	<u>100%</u>

Kamran

The above investments out of provident Fund have been made in accordance with the requirement of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

**37. 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.

**38. 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 348 and average number of temporary employees were 307.

**39. RECLASSIFICATION OF COMPARATIVE FIGURES**

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

Reclassification from	Reclassification to	2013 (Rupees)
<b>Current assets</b>	<b>Non current assets</b>	
Short term deposits, prepayments and other receivables	Long term deposits	484,103
<b>Other charges</b>	<b>Finance cost</b>	
Others	Interest on workers' profit participation fund	1,475,144

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

**40. DATE OF AUTHORISATION**

\*These financial statements were authorised for issue in the Board of Directors meeting held on

**10 OCT 2014**

*LOMA*



Chief Executive Officer



Director