



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1- LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan on September 21, 1991 as a Private Limited Company under the Companies Ordinance, 1984 and converted into a Public Limited Company on November 21, 1994. The Company is listed on all the Stock Exchanges of Pakistan. The Company is engaged in the manufacture and sale of automobiles, automotive parts and household electric appliances. The registered office of the Company is situated at 88- Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore.

2- BASIS OF PREPARATION

2.1- STATEMENT OF COMPLIANCE

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

2.2- Basis of measurement

These financial statements have been prepared on the historical cost convention except for the recognition of employees retirement benefits at present value.

2.3- Functional and Presentation Currency

These financial statements are presented in Pak Rupee, which is the functional and presentation currency of the company.

2.4- New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are effective in current year:

The revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan became effective in current year;

IFRS-9 Financial Instruments

IFRS-12 Disclosures of Interest in other Entities

IAS-1 Financial Statement Presentation

IAS-12 Income Tax (Amended)

The above standards, amendments and interpretations are either not relevant to the Company's operations or not expected to have significant impact on the Company's financial statements except for increased disclosures in certain cases.

2.5- New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are not effective in current year:

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective on and after the dates mentioned below against the respective standard or interpretation.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

		Effective date
IFRS-1	First Time Adoption of International Financial Reporting Standards	January 01, 13
IFRS-7	Financial Instruments: Disclosures (Amendments) & Classification and Measurement	January 01, 13
IFRS-9	Financial Instruments	January 01, 15
IFRS-12	Disclosure of Interests in Other Entities	January 01, 13
IFRS-13	Fair Value Measurement	January 01, 13
IAS-1	Financial Statement Presentation	January 01, 13
IAS-16	Property Plant, & Equipment	January 01, 13
IAS-19	Employees Benefits: (Amendments)	January 01, 13
IAS-32	Financial Instruments Presentation	January 01, 13
IAS-34	Interim Financial Reporting	January 01, 13
IAS-27	Separate Financial Statements	January 01, 13
IAS-36	Impairment of Assets	January 01, 14
IAS-39	Financial Instruments: Recognition and Measurement	January 01, 14

The above standards, amendments and interpretations except amendment in IAS-19 are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases. The amendment in IAS-19 requires immediate recognition of actuarial gain or loss and revised basis of calculation for net finance cost.

3- SIGNIFICANT ACCOUNTING POLICIES

The Significant accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied to all the years presented.

3.1 - Employee benefits

Defined benefit plan

Defined benefit plan is a post-employment benefit plan other than the defined contribution plan.

The Company operates an unfunded gratuity scheme for all its permanent employees. The provision is made on the basis of actuarial valuation by using the projected unit credit method.

In calculating the Company's obligation in respect of a plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds ten percent of the present value of the defined benefit obligation, it is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

3.2 - Property, Plant and Equipment-Owned

Operating fixed assets except freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Land and capital work in progress are stated at cost. Cost in relation to self manufactured assets includes direct cost of materials, labour and applicable manufacturing overheads. Cost of tangible fixed assets consists of historical cost, borrowing cost pertaining to the construction/erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on all property, plant and equipment except freehold land is charged by applying the reducing balance method in accordance with the rates specified in note no.14.1 of these financial statements, whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Normal maintenance and repairs are charged to income as and when incurred. Major renewals and replacements are capitalized.

Disposal of an asset is recognized when significant risks and rewards, incidental to the ownership of the assets have been transferred to the buyer. Gain or Loss on disposal of Property, Plant and Equipment is determined by comparing the carrying amount of the assets with the realized sale proceeds and is recognized in the current year's profit and Loss account-other income.

3.3- Impairment of fixed assets

The company assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amount.

3.4 - Intangible Assets

The Intangible Assets are stated at cost less accumulated amortization and identified impairment loss, if any. The cost of intangible assets is amortized over a period of five (5) years using the straight line method.

Amortization on additions to the intangible assets is charged from the month in which an asset is capitalized and / or is available for use, while no amortization is charged for the month in which the asset is disposed off. The amortization expense is charged to the current year income.

International Accounting Standard (IAS) 38 "Intangible Assets" requires review of amortization period and the amortization method at least at each financial year end. Accordingly the management assesses at each balance sheet date the assets' residual values and useful lives in addition to considering any indication of impairment, and adjustments are made if impact on amortization is significant.

3.5- Assets subject to finance lease

Lease that substantially transfers all the risks and rewards, incidental to the ownership of an asset to the company is classified as finance lease.

Assets under finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets at the inception of the lease. The aggregate amount of obligation relating to these assets are accounted for at net present value of liabilities. Depreciation on these assets is charged in line with normal depreciation policy adopted for assets owned by the company.

3.6- Taxation

Current and Prior Year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted by the balance sheet date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any and taxes paid under the final tax regime. The tax charged also includes adjustment, where necessary, relating to prior years which arise from assessments finalized during the year.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the balance sheet date.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is charged or credited in the profit and loss account, except in case where the item to which the deferred tax asset or liability pertains, is recorded in other comprehensive income or equity, the corresponding deferred tax charge is also recognized in other comprehensive income or equity.

3.7- Trade debts and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful receivables which is determined based on management's review of outstanding amounts and previous repayment history. Balances considered bad and irrecoverable are written off.

3.8- Store, spares and loose tools

These are valued at weighted average cost except items in transit which are valued at cost comprising invoice value and other charges paid thereon.

The company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form. Impairment, if any, is also made for slow moving items identified as surplus to the requirements of the company.

3.9- Stock-in-trade

Stock in trade is valued at the lower of weighted average cost and net realizable value. The average cost in relation to work in process and finished goods represents direct costs of raw materials, labour and appropriate portion of overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

The company reviews the carrying amount of stock in trade on a regular basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in its usage pattern and physical form.

Cost of work in process and finished goods include direct material, labour and appropriate portion of manufacturing expenses.

3.10- Foreign currency conversion

Transactions in foreign currencies are translated into Pak rupees using the exchange rate prevailing on the dates of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak rupees at the rates of exchange approximating those prevalent at the balance sheet date. All exchange differences are charged to Profit and Loss Account.

3.11- Revenue recognition

Revenue from sales is recognized on dispatch of goods to customers. Goods are considered dispatched when risk and rewards are transferred to customers.

3.12- Borrowing Costs

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

All other borrowing costs are charged to profit and loss account in the period in which they are incurred.

3.13 - Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, a reportable segment is identified where it becomes a distinguishable component that is engaged in providing an individual product or service or a group of related products or services within a particular economic environment and that is subject to risks and returns that are different from those of other segments. Expenses which cannot be directly allocated activity-wise, are apportioned on appropriate basis as required by Chief Operating Decision Maker.

3.14 - Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalent consists of cash in hand, balances with banks and short term running finance facilities.

3.15 - Trade and accrued liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether billed or not to the Company.

3.16 - Provisions

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

3.17 - Financial instruments

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

3.18 - Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to set off the recognized amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.19 - Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in the income statement as an expense as incurred.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labor, an appropriate proportion of overheads and other directly attributable expenditure. Other development expenditure is recognized in the income statement as an expense as incurred.

Expenditure on development activities, capitalized during the year, are classified under "Intangible Assets".

3.20 - Related party transaction

All transactions with related parties are at arm's length prices determined in accordance with the pricing method as approved by the Board of Directors.

3.21 - Earning Per Share

The Company presents Earnings Per Share (EPS) data for its ordinary shares, EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighed average number of shares outstanding during the year.

3.22 - Dividends

Dividend distribution to the shareholders is recognised as a liability in the period in which it is approved.

3.23 - Warranty Expenses

Warranty expenses are recorded as and when valid claims are received from customers.

4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

	Notes
a) Useful life of depreciable Property, Plant and Equipment and amortizable Intangible assets.	3.2 & 3.4
b) Liability in respect of staff retirement benefits.	3.1
c) Taxation.	3.6
d) Contingencies and Commitments	13
e) Stocks in trade.	3.9

Estimates and judgments are continually evaluated and are based on historic experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

5- ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2013 Number	2012 Number		Note	2013 Rupees	2012 Rupees
7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid up in cash		71,630,000	71,630,000
10,809,368	10,809,368	Ordinary shares of Rupees 10 each allotted as bonus shares	5.1	108,093,680	108,093,680
<u>17,972,368</u>	<u>17,972,368</u>			<u>179,723,680</u>	<u>179,723,680</u>

5.1 These shares include Nil bonus shares of Rs. Nil each (2012: bonus shares 2,995,395 of Rs. 10 each) issued by the Company during the current year.

6- LIABILITIES AGAINST ASSETS SUBJECT OF FINANCE LEASE

		2013 Rupees	2012 Rupees
Present value of minimum lease payments		11,530,104	10,787,613
Less: Current portion shown under current liabilities	11	<u>(5,017,469)</u>	<u>(4,654,851)</u>
		<u>6,512,635</u>	<u>6,132,763</u>

The amount of future payments and the periods in which these payments will become due are as under:

Due not later than one year:

Minimum lease payments	5,941,562	5,939,618
Financial charges	924,093	1,284,767
Present value	<u>5,017,469</u>	<u>4,654,851</u>

Due later than one year and not later than five years:

Minimum lease payments	7,191,717	6,982,883
Financial charges	679,082	850,120
Present value	<u>6,512,635</u>	<u>6,132,763</u>
	<u>11,530,104</u>	<u>10,787,613</u>

The minimum lease payments have been discounted using the effective interest rates implicit in leases ranging from 12.24% to 16.99% per annum (June 30, 2012: From 14.78% to 17.24%) to arrive at the present value. Rentals are payable in monthly installments. Repairs and maintenance costs are to be borne by the lessee. The liability is secured by deposit of Rupees 5.19 million, leased assets and personal guarantees of some directors of the Company. The Company intends to exercise its option to purchase the leased assets at the termination of lease period.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees		
7- DEFERRED LIABILITIES					
Employee benefits	7.1	48,446,159	43,259,188		
Deferred taxation	7.2	27,157,015	23,146,644		
		<u>75,603,174</u>	<u>66,405,832</u>		
7.1- Employee benefits					
7.1.1 Net liability recognized in the balance sheet					
Present value of defined benefit obligations		55,900,510	44,350,158		
Unrecognized actuarial losses		(7,454,351)	(1,090,970)		
		<u>48,446,159</u>	<u>43,259,188</u>		
7.1.2 Movement in the net liability recognized in the balance sheet					
Net liability as at 1st July		43,259,188	31,910,881		
Expense recognized in the income statement	7.1.3	13,644,061	12,395,717		
Liability discharged during the year		(8,457,090)	(1,047,410)		
		<u>48,446,159</u>	<u>43,259,188</u>		
7.1.3 Expense recognized in the income statement					
Current service cost		7,878,540	7,350,762		
Interest cost		5,765,521	5,013,244		
Actuarial loss recognised		-	31,711		
		<u>13,644,061</u>	<u>12,395,717</u>		
7.1.4 Distribution of expense recognized in the income statement					
The expense is recognized in the following line items in the income statement under the head salaries, wages and other benefits.					
Cost of sales		9,945,660	8,456,950		
Administrative expenses		2,841,996	3,197,681		
Distribution Cost		856,405	741,086		
		<u>13,644,061</u>	<u>12,395,717</u>		
7.1.5 Comparison of five year data					
Comparison of present value of defined benefit obligation and the Experience adjustment for current and four years are as follows:					
As at June 30	2013	2012	2011	2010	2009
Present Value of Defined Benefit Obligation					
Present value of defined obligation at the end of the year	55,900,510	44,350,158	35,808,883	26,315,510	19,049,337
Experience adjustment					
Experience adjustment arising on plan liabilities (gains)/losses	6,361,381	(2,775,321)	1,378,438	(86,193)	1,187,608



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
Principal actuarial assumptions			
The company has carried out actuarial valuation as at June 30, 2013 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:			
Discount rate		10.5% p.a.	13% p.a.
Expected rate of future salary increase		9.5% p.a.	12% p.a.
Average expected remaining working life time of employees		11 years	11 years
7.2- Deferred taxation			
The liability for deferred taxation comprises of temporary differences relating to:			
Accelerated depreciation for tax purposes		31,144,529	26,870,582
Liabilities under finance lease that are deducted for tax purposes only when paid		(3,987,514)	(3,723,938)
		<u>27,157,051</u>	<u>23,146,644</u>
8- TRADE AND OTHER PAYABLES			
Creditors		226,050,283	250,928,755
Advances from customers		5,305,799	2,959,434
Accrued liabilities		16,609,359	15,933,138
Murabaha payable:			
Meezan Bank Limited	8.1	7,594,883	36,958,465
Habib Bank Limited	10.5	29,196,874	-
Sales tax payable		7,854,379	286,483
Income tax deducted at source		221,226	255,717
Unclaimed Dividend		987,109	854,308
Payable towards:			
Workers' Profit Participation Fund	8.2	5,180,758	10,527,810
Workers' Welfare Fund	8.3	1,974,150	4,459,049
		<u>300,974,821</u>	<u>323,163,158</u>
8.1	Total amount of facility available from Meezan Bank Limited under Murabaha arrangement is Rs.40.00 million (June 30, 2012: Rs. 40 Million) for a maximum period of 180 days(June 30, 2012: 180 Days). The profit margin is charged at the rate of respective KIBOR plus spread of 2.1% (June 30, 2012: KIBOR plus spread of 2.1%) with Floor of 10% (June 30, 2012: 13%) and Cap of 24%(June 30, 2012: 24%) per annum. This facility is secured against Paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 54.00 million (June 30, 2012: Rs. 54 Million) with 25% margin (June 30, 2012: 25%), first Parripassu charge over present and future current assets of the company amounting to Rs.40.00 million (June 30, 2012: 40 M) and personal guarantees of the directors. The un-utilized amount of this facility as at balance sheet date is Rs.32.41 million (June 30, 2012: 3.04).		



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
8.2 Workers' Profits participation Fund			
Balance at beginning		10,527,810	7,965,343
Charged during the year	29	5,180,758	10,527,810
		<u>15,708,568</u>	<u>18,493,153</u>
Payment made during the year		(10,527,810)	(7,965,343)
		<u>5,180,758</u>	<u>10,527,810</u>
8.3 Workers' Welfare Fund			
Balance at Beginning of the year		4,459,049	3,443,399
Charged during the year		1,974,150	4,042,363
Adjustment for prior years		(501,157)	-
	29	<u>1,472,993</u>	<u>4,042,363</u>
		5,932,042	7,485,762
Payment made during the year		(3,957,892)	(3,026,713)
		<u>1,974,150</u>	<u>4,459,049</u>
9- MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES			
Short term borrowing- secured		262,456	960,890
Liabilities against assets subject to finance lease		4,421	47,872
Profit on Murahaba Payable		256,360	428,617
		<u>523,237</u>	<u>1,437,379</u>
10- SHORT TERM BORROWINGS			
Secured			
Running finance under mark-up arrangements			
Allied Bank Limited	10.2	-	-
Habib Bank Limited	10.3	-	-
Finance against trust receipts			
Allied Bank Limited	10.4	16,776,763	20,724,699
Habib Bank Limited	10.5	-	15,106,233
		<u>16,776,763</u>	<u>35,830,932</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

- 10.1 During the year the company has been sanctioned the Islamic banking facility by Habib Bank Limited as sublimit of existing credit facilities. The detail is given as below;

2013		
Amount	Facilities under mark-up Finance arrangement	Facilities under Islamic Finance arrangement
50 M	Running Finance	-
110 M	LC Sight/LC DA (inland)/ DOD / Acceptance/SG	LC Sight/LC DA (inland)/ DOD / Acceptance/SG
40 M	FATR, Sublimit of Above Limit	Murabaha, Sublimit of Above limit

2012		
Amount	Facilities under mark-up Finance arrangement	Facilities under Islamic Finance arrangement
50 M	Running Finance	-
110 M	LC Sight/LC DA (inland)/ DOD / Acceptance/SG	-
40 M	FATR, Sublimit of Above Limit	-

The Company has an option to utilize the Banking Finance Facilities available from Habib Bank Limited either under Mark-up finance arrangement or Islamic finance arrangement. The Company intends to utilize these facilities under the Islamic Finance arrangements. The FATR facility, when it is utilized under Islamic system it will be created under Import Murabaha Facility and will be disclosed under the head of Trade and other payable (Note no.8).

- 10.2 Total amount of finance available under this facility is Rs. 45.00 million (June 30, 2012: Rs. 45.00 million). The mark-up is charged at the rate of three months average ask side Kibor plus 2.5% (June 30, 2012: three months average ask side Kibor plus 2.5%) with Floor rate of nil (June 30, 2012: 13%) per annum. This facility is collaterally secured against First charge on the present and future fixed assets for Rs. 185.00 million (June 30, 2012: Rs.185 million) and First Pari Passu Charge on present and future current assets of the Company to the extent of Rs.110.00 million. (June 30, 2012: Rs. 110.00 million) This facility is specifically secured by Hypothecation of current assets of the Company, comprising of raw material, work in process, finished goods, etc and receivable and book debts of the Company with 25% margin (June 30, 2012: 15% margin) on stocks. The un-utilized amount of this facility as at balance sheet date is Rs. 45.00 million. (June 30, 2012: Rs. 45.00 million).
- 10.3 Total amount of finance available under this facility is Rs. 50.00 million (June 30, 2012: Rs. 50.00 million). The mark-up is charged at the rate of three months average ask side Kibor + 2.5% per annum (June 30, 2012: three months average ask side Kibor + 2.50 %). This facility is collaterally secured against First pari passu charge on fixed assets of Rs. 214.00 million (June 30, 2012: Rs. 214.00 million) and specifically secured against First pari passu Hypothecation Charge of Rs. 90.00 million (June 30, 2012: Rs. 90.00 million) over current assets of the Company, comprising of raw material, work in process, finished goods, etc. and receivable and book debts of the Company with 20% margin (June 30, 2012: 20% margin). The un-utilized amount of this facility as at balance sheet date is Rs 50.00 million. (June 30, 2012: Rs. 50.00 million).
- 10.4 Total amount available under this facility is Rs. 48.00 million (June 30, 2012: Rs. 40.00 million) for a maximum period of 90 days (June 30, 2012: of 90 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50% (June 30, 2012: three months average ask side Kibor plus 2.5%) with floor rate of nil per annum. (June 30, 2012: 13 %). This facility is collaterally secured against First charge on present and future fixed assets for Rs. 185.00 million (June 30, 2012: Rs. 185.00 million) and First Pari Passu Charge on current assets of the company to the extent of Rs. 110.00 million. (June 30, 2012: Rs. 110.00 million). This facility is specifically secured by way of bank's lien on title to goods imported and Trust Receipts at nil margin (June 30, 2012: Nil Margin). The un-utilized amount of this facility as at balance sheet date is Rs. 31.22 million. (June 30, 2012: Rs. 19.28 million). The un-utilized amount of this facility can be used for opening Letter of Credit.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

10.5 Total amount available under this facility is Rs. 40 million (June 30, 2012: Rs. 40.00 million) with an option to utilize under Murabaha Facility, for a maximum period of 120 days. (June 30, 2012: 120 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50%, per annum (June 30, 2012: three months average ask side Kibor plus 2.50%, per annum). This facility is collaterally secured against First pari passu charge of Rs. 214 Million (June 30, 2012: Rs. 214.00 million) on fixed assets of the company and specifically secured against First pari passu Hypothecation Charge of Rs. 90 Million (June 30, 2012: Rs.90.00 million) over current assets of the Company, comprising of raw material, work in process, finished goods, receivable and book debts with 20% margin (June 30, 2012: 20%) of the Company, 5% Cash margin, (June 30, 2012: 5%), Trust Receipts and accepted bill of exchange. Out of this facility a sum of Rs. 29.20 has been utilized on account of Murabaha Facility (Note No.8) The balance unutilized amount of this facility as at balance sheet date is Rs. 10.80. (June 30, 2012: Rs.24.89 Million) which can be used for opening of Letter of Credit.

10.6 The usage of total amount of facilities of Rs.143 Million (June 30, 2012: Rs. 135 Million) available from Allied Bank Limited under Running Finance, Finance Against Trust Receipts and In-land Letter of Credit is allowed in aggregate only to the extent of Rs. 130 Million (June 30, 2012: Nil) at any point of time.

11- CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2013 Rupees	2012 Rupees
Liabilities against assets subject to finance lease	6	5,017,469	4,654,851
		5,017,469	4,654,851

12- PROVISION FOR TAXATION

Balance at beginning		80,304,548	59,814,732
Add: Provision for the year			
-Current Year		32,738,126	69,750,637
-Prior Year		(7,164,810)	4,060,718
Less: Payment/Adjustment during the period		(73,139,738)	(53,321,539)
		32,738,126	80,304,548

13- CONTINGENCIES AND COMMITMENTS

13.1- Contingencies

13.1.1 During the previous years, Sixteen cases, filed by some customers against the company for the claim of auto parts under warranty, were decided by the consumer court. Out of these sixteen cases filed, thirteen cases were decided in favour whereas three cases were decided against the company. For these three cases, The company filed two appeals with Honorable Multan High Court, Multan and one appeal filed with Honorable Lahore High Court, Lahore. All the three cases are still pending. The management of the company is of opinion that outcome of these cases will be settled in favour of the company, hence no provision is made in these financial statements.

13.1.2 A Case was filed by customer with Consumer Court Faisalabad during the previous years, which was decided in favor of customer for the recovery of damages of Rs. 145,000/- from the company. The company was in appeal with Honorable Lahore high Court, Lahore. During the year the Honorable Lahore high Court, Lahore remanded back the case for rehearing to the Consumer Court Faisalabad and also ordered to release the amount of Rs. 70,000/- already deposited by the Company against the submission of surety bond. The Consumer Court Faisalabad released the deposited amount in accordance with the order. The case is pending with The Consumer Court. In the opinion of



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

the management, favorable outcome of the hearing is expected, therefore no provision is made in these financial statements.

- 13.1.3 The appeal filed by the company with ATIR against the order of CIR (Appeals) for disallowance of tax losses of Rs. 1,503,939/- and tax demand of Rs. 545,930/- for tax year 2003 under section 122 (5A) is still pending. In the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 13.1.4 The appeal filed by the company with the CIR (Appeals) against the order of DCIR for tax year 2004 for tax demand of Rs.751,405/- under section 122 (5A) was decided in favour of Income Tax department. The company has filed an appeal against this order with ATIR. In the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 13.1.5 During the previous years, DCIR initiated proceedings under section 122 (1)/122 (5A) for tax year 2009 and created a tax demand of Rs. 21.45 million. The company filed an appeal against this order with CIR (Appeals) and got relief up to Rs.19.18 million. For remaining tax demand of Rs.2.27 million, company has filed an appeal with ATIR. Further during the year, the DCIR has also filed an appeal against the Relief of Rs. 15.03 Million given by the CIR (A). In the opinion of tax consultant, favorable outcome of the appeals are expected, hence no provision is made in these financial statements for this amount.

13.2 Commitments

Commitments in respect of:

2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees
----------------	----------------	----------------	----------------

LIMIT Nos.	PARTICULARS	LIMITS AVAILABLE	LIMITS UTILIZED
	Not Later Than one Year		
1	Foreign LC Sight/ Inland LC - Gross	370,000,000	330,000,000
2	FATR - Sublimit of Limit No.1	88,000,000	80,000,000
3	Murabaha Sublimit of Limit no.2	40,000,000	-
4	Murabaha Sublimit of Limit no.1	40,000,000	40,000,000
5	Guarantee	8,040,000	8,040,000

	Note	2013 Rupees	2012 Rupees
14- PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	14.1	235,207,254	222,703,925
Capital work in progress	14.3	12,773,212	6,822,805
Advance for asset Subject to finance Lease	14.4	1,886,500	9,500,000
Advance for purchase of owned vehicle	14.5	1,632,150	-
Receivable under insurance claim	14.6	-	1,679,000
		<u>251,499,116</u>	<u>240,705,730</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

14.1 - OPERATING FIXED ASSETS - Tangible

2 0 1 3										Rupees
PARTICULARS	COST				Rate %	DEPRECIATION				W.D.V. as at 30-06-2013
	As at 01-07-2012	Additions / (Deletions)	Transfer	As at 30-06-2013		As at 01-07-2012	For the year	Adjustment	As at 30-06-2013	
Freehold land	85,164,954	-	-	85,164,954	-	-	-	-	-	85,164,954
Buildings and Civil Works										
on freehold land	74,090,206	4,335,888	-	78,426,094	5 to 10	32,846,331	4,234,969	-	37,081,300	41,344,794
Plant and Machinery	160,471,268	9,227,766	-	169,699,034	10	85,265,926	7,917,740	-	93,183,666	76,515,368
Electric Fittings	7,985,101	45,500	-	8,030,601	10	3,672,473	433,805	-	4,106,278	3,924,323
Furniture and Fitting	2,405,286	41,000	-	2,446,286	10	1,027,261	141,255	-	1,168,516	1,277,770
Office Equipment	3,529,273	323,961	-	3,853,234	10	1,395,817	234,426	-	1,630,243	2,222,991
Electric Installations	2,187,054	1,115,703 (173,265)	-	3,129,492	10	920,365	175,643	(129,307)	966,701	2,162,791
Vehicles	17,367,792	1,546,500 (8,400,400)	2,945,000	13,458,892	20	11,537,364	1,482,372	1,261,680 (5,700,321)	8,581,095	4,877,797
Assets subject to Finance Lease	353,200,934	16,636,318 (8,573,665)	2,945,000	364,208,587		136,665,537	14,620,210	1,261,680 (5,829,628)	146,717,799	217,490,788
Vehicles	9,293,500	17,155,500	(2,945,000)	23,504,000	20	3,124,973	3,924,241	(1,261,680)	5,787,534	17,716,466
	9,293,500	17,155,500	(2,945,000)	23,504,000		3,124,973	3,924,241	-	5,787,534	17,716,466
								(1,261,680)		
TOTAL 2013	362,494,434	33,791,818 (8,573,665)	-	387,712,587		139,790,509	18,544,451	1,261,680 (7,091,309)	152,505,332	235,207,254

Details of property, plant and equipment sold are given in note no. 14.7

2 0 1 2										Rupees
PARTICULARS	COST				Rate %	DEPRECIATION				W.D.V. as at 30-06-2012
	As at 01-07-2011	Additions / (Deletions)	Transfer	As at 30-06-2012		As at 01-07-2011	For the year	Adjustment	As at 30-06-2012	
Freehold land	85,164,954	-	-	85,164,954	-	-	-	-	-	85,164,954
Buildings and Civil Works										
on freehold land	73,811,298	278,908	-	74,090,206	5 to 10	28,414,206	4,432,125	-	32,846,331	41,243,875
Plant and Machinery	154,666,133	5,805,135	-	160,471,268	10	77,305,614	7,960,312	-	85,265,926	75,205,342
Electric Fittings	7,523,822	461,279	-	7,985,101	10	3,211,985	460,488	-	3,672,473	4,312,628
Furniture and Fitting	1,989,158	416,128	-	2,405,286	10	878,332	148,929	-	1,027,261	1,378,025
Office Equipment	3,151,868	480,884 (103,479)	-	3,529,273	10	1,216,180	223,031	(43,394)	1,395,817	2,133,456
Electric Installations	2,187,054	-	-	2,187,054	10	779,622	140,743	-	920,365	1,266,690
Vehicles	20,970,646	89,900 (3,692,754)	-	17,367,792	20	11,528,727	1,752,021	(1,743,384)	11,537,364	5,830,428
Assets subject to Finance Lease	349,464,933	7,532,234 (3,796,233)	-	353,200,934		123,334,665	15,117,650	(1,786,778)	136,665,537	216,535,398
Plant and Machinery	-	-	-	-	10	-	-	-	-	-
Vehicles	9,293,500	1,679,000 (1,679,000)	-	9,293,500	20	1,582,842	1,849,948	(307,817)	3,124,973	6,168,527
	9,293,500	1,679,000 (1,679,000)	-	9,293,500		1,582,842	1,849,948	-	3,124,973	6,168,527
								(307,817)		
TOTAL 2012	358,758,433	9,211,234 (5,475,233)	-	362,494,434		124,917,507	16,967,597	(1,786,778) (307,817)	139,790,509	222,703,925

14.2 - Depreciation for the year has been allocated as follows:	Note	2013 Rupees	2012 Rupees
Cost of sales	27	13,165,219	13,411,163
Distribution cost	28	1,360,916	1,594,365
Administrative expenses	29	4,018,316	1,962,069
		<u>18,544,451</u>	<u>16,967,597</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

14.3- CAPITAL WORK-IN-PROGRESS	Note	2013 Rupees	2012 Rupees
Tangible			
Plant and machinery			
Opening balance		5,737,300	3,911,156
Additions made during the year		14,736,734	5,130,000
		<u>20,474,034</u>	<u>9,041,156</u>
Transferred to Plant & Machinery		8,144,786	3,021,456
Claimed as Input Sales Tax		979,938	282,400
	14.3.1	<u>11,349,310</u>	<u>5,737,300</u>
Civil works			
Opening balance		403,192	53,192
Additions made during the year		3,857,891	350,000
		<u>4,261,083</u>	<u>403,192</u>
Transferred to operating fixed assets		3,340,015	-
		<u>921,068</u>	<u>403,192</u>
Intangible			
Opening balance		682,313	714,021
Additions made during the year		-	75,292
		<u>682,313</u>	<u>789,313</u>
Transferred to Intangible Assets		179,479	107,000
		<u>502,834</u>	<u>682,313</u>
		<u>12,773,212</u>	<u>6,822,805</u>

14.3.1 - This includes Rs. 9.50 million (June 30, 2012:Rs. 0.61 million) on account of advances paid to suppliers of machinery.

14.4 - This balance represents the amount of advance paid by the leasing company for the purchase of vehicle.

14.5 This balance represents the amount of advance paid to Millat Tractor Limited for the purchase of Forklift Truck.

14.6 This balance represents the amount of receivable from Jubilee General Insurance Limited against insurance claim on account of total loss of vehicle. The insurance claim has been settled for the purchase of new vehicle during the year.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

14.7- The detail of property, plant and equipment disposed off, having net book value in excess of Rs. 50,000 is as follows:

Particulars	Cost	Net Book Value	Sale price	Mode of Disposal	Particulars of purchaser
Honda CG 125	89,900	68,324	75,000	Insurance Claim	Jubilee General Insurance, Mall Mansions Branch Shahrach-e-Quaid-e-Azam, Lahore.
Suzuki Mehran	544,000	345,743	450,000	Negotiation	Roomi Enterprises, Plot # 16 Sector 23 Korangi Industrial Area Karachi.
Suzuki Bolan	404,000	82,519	350,000	Negotiation	Mr. Sohail Aslam, H # 36/1 Mohalla Jail Road Mazang chungi Lytton Road, Lahore.
Honda Civic	1,330,500	392,986	1,300,000	Negotiation	Mrs. Humaira Imtiaz, House # 8 Burney Street, Ghari Shahu, Lahore.
Honda Civic	1,557,000	488,231	1,180,000	Negotiation	Mr. Aamir Ashfaq, 159- Ravi Block, Allama Iqbal Town, Lahore.
Mercedes Benz	4,475,000	1,322,277	3,200,000	Negotiation	Mr. Muhammad Shahjahan, 31- Shahjamal Colony, Lahore
Air Conditioners	173,265	43,958	3,500	Negotiation	Maqbool & Brothers, 433-A Revenue Society, Haderi Chowk, Lahore
	<u>8,573,665</u>	<u>2,744,037</u>	<u>6,558,500</u>		

15 - INTANGIBLE ASSETS

(Rupees)

Particulars	Cost			Amortization			Book Value as at 30-06-2013
	As at 01-07-2012	Additions/ (deletion)	As at 30-06-2013	As at 01-07-2012	For the Year	As at 30-06-2013	
Intangible Assets	3,838,306	291,533	4,129,839	3,336,432	187,178	3,523,610	606,229
Jun-13	3,838,306	291,533	4,129,839	3,336,432	187,178	3,523,610	606,229
Jun-12	3,731,306	107,000	3,838,306	3,179,825	156,607	3,336,432	501,874

15.1- Intangible assets include cost incurred on patents, copyrights, trade marks and designs.

15.2- The amortization cost is included in cost of sales.

2013 **2012**
Rupees **Rupees**

16- LONG TERM LOANS AND ADVANCES - SECURED

Loans and advances - considered good, to:

Executives	2,656,000	1,912,000
Non-Executives	6,238,744	6,226,433
	<u>8,894,744</u>	<u>8,138,433</u>
Less: Amount due within twelve months, Shown under current loans and advances	<u>3,400,375</u>	<u>3,011,000</u>
	<u>5,494,369</u>	<u>5,127,433</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Reconciliation of carrying amount of loans and advances to executives and non-Executives:

	Opening Balance as at July 01, 2012	Disbursements	Repayments	Closing Balance as at June 30, 2013
Executives	1,912,000	1,872,969	1,128,969	2,656,000
Non-Executives	6,226,433	3,594,040	3,581,729	6,238,744
	<u>8,138,433</u>	<u>5,467,009</u>	<u>4,710,698</u>	<u>8,894,744</u>
June 30, 2012	<u><u>3,839,133</u></u>	<u><u>6,169,300</u></u>	<u><u>1,870,000</u></u>	<u><u>8,138,433</u></u>

These loans and advances have been granted under staff loan and advances policy to facilitate the employees for purchase of house and meeting other household payments. These are secured against the gratuity payable to employees. These are interest free loans which are repayable within fourteen Years. The maximum amount of loan outstanding to executive at the end of any month during the year was Rs. 1,552,000/-. (2012: Rs. 900,000).

	Note	2013 Rupees	2012 Rupees
17- LONG TERM DEPOSITS			
Deposit with Pakistan Steel Mill		400,000	400,000
Utilities and others		1,257,137	737,137
		<u>1,657,137</u>	<u>1,137,137</u>
18 - STORES, SPARES AND LOOSE TOOLS			
-in hand			
Stores		3,832,511	6,746,368
Spares		696,109	625,135
Loose tools		36,088	30,100
		<u>4,564,708</u>	<u>7,401,603</u>
19 - STOCK IN TRADE			
-in hand			
Raw materials and components		288,666,198	410,481,532
Work-in-process		7,897,939	13,579,115
Finished goods		91,927,688	116,965,216
Packing and other material		13,477	19,147
Less: Provision for loss of stock		-	(497,055)
		<u>388,505,301</u>	<u>540,547,955</u>
20 - TRADE DEBTS - Unsecured	20.1	<u>133,661,024</u>	<u>129,278,444</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

			Note	2013 Rupees	2012 Rupees		
20.1 -	Classification:						
	Considered Good			133,661,024	129,278,444		
	Considered Doubtful			6,523,837	7,656,541		
	Considered Bad			1,132,704	1,404,080		
	Less:			141,317,565	138,339,065		
	Provision for Doubtful debts			(6,523,837)	(7,656,541)		
	Bad debts			(1,132,704)	(1,404,080)		
				133,661,024	129,278,444		
21 -	LOANS & ADVANCES						
	Advances - considered good						
	-Current portion of loans and advances	16		3,400,375	3,011,000		
	-to employees for incurring business expenses			123,125	264,125		
	-to suppliers-unsecured			9,073,763	3,218,628		
				12,597,263	6,493,753		
22 -	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS						
	Contract securities			1,760,100	1,413,600		
	Prepaid expenses			734,709	798,100		
	Letter of credit margin			9,380,804	9,174,249		
	Letter of credit in process			20,152,133	5,949,266		
				32,027,746	17,335,215		
23 -	OTHER RECEIVABLES						
	Advance income tax			45,015,475	76,982,666		
	Others			75,000	-		
				45,090,475	76,982,666		
24 -	CASH AND BANK BALANCES						
	Cash in hand			89,598	51,182		
	Balance with banks in current accounts			127,453,890	8,932,430		
				127,543,489	8,983,613		



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

25 - SALES - NET	Note	2013 Rupees	2012 Rupees
Gross sales	25.1	2,225,281,902	3,236,039,806
Less:			
Sales tax		307,130,220	444,297,543
Sales returns		5,787,332	6,474,023
Commission		30,868,439	59,628,045
		<u>343,785,991</u>	<u>510,399,611</u>
		<u>1,881,495,911</u>	<u>2,725,640,195</u>

25.1 This includes Rs. 1.21 million (June 30, 2012: Rs. 15.01 million) on account of export sales.

26 - COST OF SALES

Raw materials and components consumed		1,398,746,050	2,108,262,625
Salaries, wages and other benefits	26.1	129,893,279	125,523,852
Stores, spares and loose tools consumed		28,677,837	26,601,474
Power and fuel charges		49,668,523	61,489,360
Repair and maintenance		16,808,473	28,430,885
Other expenses		5,449,378	3,951,655
Depreciation	14.2	13,165,219	13,411,163
Amortization	15	187,179	156,607
		<u>1,642,595,938</u>	<u>2,367,827,621</u>
Opening work-in-process		13,579,115	9,310,619
		<u>1,656,175,053</u>	<u>2,377,138,240</u>
Closing work-in-process		7,897,939	13,579,115
Cost of goods manufactured		1,648,277,114	2,363,559,125
Opening finished goods		116,965,216	127,073,235
		<u>1,765,242,330</u>	<u>2,490,632,360</u>
Cost of finished goods purchased during the year		5,562,348	22,576,755
		<u>1,770,804,678</u>	<u>2,513,209,116</u>
Closing finished goods		91,927,688	116,965,216
		<u>1,678,876,991</u>	<u>2,396,243,899</u>

26.1 Salaries, wages and other benefits include Rs. 9,945,660 (2012: Rs. 6,748,430) in respect of retirement benefits.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
27 - DISTRIBUTION COST			
Salaries and other benefits	27.1	11,851,440	13,055,786
Freight and octroi		19,466,018	28,315,112
Traveling and conveyance		1,927,363	3,327,112
Packing material consumed		2,837,918	2,848,990
Advertisement and sale promotion		2,785,606	3,888,776
Insurance		380,549	442,524
Rent, rates and taxes		1,242,130	-
After sales service		1,893,528	3,019,308
Printing & Stationery		420,542	936,149
Depreciation	14.2	1,360,916	1,594,365
		<u>44,166,011</u>	<u>57,428,122</u>

27.1 Salaries and other benefits include Rs. 856,405 (2012: Rs. 741,086) in respect of retirement benefits.

28 - ADMINISTRATIVE EXPENSES

Salaries and other benefits	28.1	27,483,090	33,191,489
Electricity, gas and water charges		539,004	605,915
Communication expenses		2,544,905	2,609,064
Vehicle running expenses		5,466,935	4,523,761
Legal and professional		671,469	1,878,497
Travelling and conveyance		1,874,393	2,859,426
Fee and subscription		1,253,054	1,397,371
Insurance		565,330	539,844
Rent, rates and taxes		808,067	1,225,065
Printing and stationery		1,705,310	1,796,150
Entertainment		760,934	1,566,698
Research Expenses		1,942,825	-
Office supplies		34,444	26,739
Miscellaneous expenses		476,463	262,185
Depreciation	14.2	4,018,316	1,962,069
		<u>50,144,539</u>	<u>54,444,273</u>

28.1 Salaries and other benefits include Rs. 2,841,996 (2012: Rs. 3,197,681) in respect of retirement benefits.

29 - OTHER OPERATING EXPENSES

Auditors' remuneration	29.1	1,495,000	1,305,000
Provision for loss of stock		-	497,055
Bad Debts		-	1,404,080
Contribution towards:			
Workers' profit participation fund	8.2	5,180,758	10,527,810
Workers' welfare fund	8.3	1,472,993	4,042,363
		<u>8,148,751</u>	<u>17,776,308</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
29.1- Auditors' remuneration			
Viqar A. Khan			
Workers' Profit Participation Fund Audit		15,000	15,000
Tax services		820,000	615,000
		835,000	630,000
Kabani & Co.			
Statutory audit		525,000	500,000
Half yearly review		135,000	150,000
Certificate fee		-	25,000
		660,000	675,000
		<u>1,495,000</u>	<u>1,305,000</u>
30 - OTHER OPERATING INCOME			
Income from financial assets			
Exchange Gain		3,633	44,372
Income from non financial assets			
Gain/ (Loss) on Sale of Fixed Assets		3,814,463	1,576,893
Provision for over-due creditors		-	1,609,819
Reversal of Provision for Loss of stock		497,055	-
Miscellaneous Income		1,625,664	3,793,950
		<u>5,940,815</u>	<u>7,025,034</u>
31 - FINANCE COST			
Mark-up on:			
Short term borrowings - secured		4,814,084	8,979,799
Profit on Murabaha		2,637,294	428,617
Interest on Workers' Profit Participation Fund		870,683	951,119
Financial charges on finance lease		1,558,294	892,446
Bank charges, commission & others		129,354	485,736
		<u>10,009,708</u>	<u>11,737,717</u>
32 - TAXATION			
Current			
For the Year		32,738,126	69,750,637
Prior Year	32.1	(7,164,810)	4,060,718
Deferred			
For the Year		4,010,372	(4,860,625)
		<u>29,583,688</u>	<u>68,950,730</u>

- a) The income tax assessments of the company have been finalized upto tax year 2012, except as mentioned in note 13.1
- b) Provision for taxation is considered adequate to discharge the expected liability for current year.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
32.1	This amount relates to tax years from 2004 to 2006 and from 2008 to 2012 (June 30, 2012 : 2008 and 2011) on account of adjustment of provision for taxation.		
32.2 -	Tax charge reconciliation		
	Profit before taxation	<u>96,090,726</u>	<u>195,034,910</u>
	Tax charge on accounting profit at applicable tax rate as per Income Tax Ordinance, 2001	33,631,754	68,262,218
	Tax effect of amounts that are:		
	- not deductible for tax purposes	-	-
	- allowable deductions for tax purposes	3,429,419	(3,796,312)
	Tax effect of profit attributable to presumptive income	(400,329)	(966,609)
	Effect of presumptive tax	263,057	1,390,714
	Tax effect due to reversal of prior year's WWF	(175,405)	-
	Adjustment of prior year taxation	(7,164,810)	4,060,718
	Taxation for the year	<u>29,583,688</u>	<u>68,950,730</u>
33-	EARNINGS PER SHARE - BASIC AND DILUTED		
	Basic & diluted earnings per share		
	Profit after taxation for the year	Rupees 66,507,038	126,084,180
	Weighted average number of ordinary shares outstanding during the year	33.1 Number 17,972,368	17,972,368
	Basic & diluted earnings per share-Rupees	Rupees 3.70	7.02
33.1-	Number of ordinary shares outstanding at the close of corresponding year presented.		
33.2-	Diluted earnings per shares		
	There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.		



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
34 - CASH GENERATED FROM OPERATIONS			
Profit before taxation		96,090,726	195,034,910
Adjustment for non cash charges and other items:			
Depreciation		18,544,451	16,967,597
Amortization		187,178	156,607
Provision for gratuity		13,644,061	12,395,717
Financial and other charges		15,190,466	28,209,025
Other income		(5,937,182)	(7,107,812)
		41,628,975	50,621,134
		137,719,701	245,656,044
Working capital changes	34.1	115,016,268	(42,449,289)
(Increase)/Decrease in long term loans and advances		(366,936)	(2,569,800)
Cash generated from operations		252,369,032	200,636,955
34.1 - Working capital changes			
(Increase) / decrease in current assets:			
Store, spares and loose tools		2,836,895	251,571
Stock-in-trade		152,042,653	(122,993,917)
Trade debts		(4,382,580)	(33,392,562)
Loans & Advances		(6,103,510)	57,610
Trade Deposits and short term prepayments		(14,692,531)	51,734,252
Increase / (decrease) in current liabilities			
Trade and other payables		(14,684,661)	61,893,757
		115,016,268	(42,449,289)
35 - CASH AND CASH EQUIVALENTS			
Cash and cash equivalents include:			
Cash and bank balances	23	127,543,489	8,983,613
Short term borrowings	10	-	-
		127,543,489	8,983,613
36- TRANSACTIONS WITH RELATED PARTIES			
The related parties comprise directors and key management personnel. The remuneration of directors and key management personnel is shown in note 37.			



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

37- REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

(Rupees)

	Chief Executive Officer		Executive Directors		Non Executive Directors		Executives		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Managerial Remuneration	6,272,727	6,272,727	6,818,182	6,818,182	-	-	16,300,145	13,963,915	29,391,055	27,054,823
Medical allowance	627,273	627,273	681,818	681,818	-	-	1,630,015	1,396,391	2,939,105	2,705,483
Bonus & leave encashment	-	-	-	-	-	-	972,405	1,778,361	972,405	1,778,361
	6,900,000	6,900,000	7,500,000	7,500,000	-	-	18,902,565	17,138,667	33,302,565	31,538,667
Number of persons	1	1	3	3	3	3	8	8	15	15

The Company also provides free use of Company maintained cars to some of the directors and executives for Business use.

38- SEGMENT REPORTING

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segment are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). Segment performance is generally evaluated based on certain key performance indicators including business volume and gross profit.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The management has determined the operating segments and segment wise assets and liabilities based on the reports reviewed by the CODM that are used to make strategic and business decision.

i) HOUSEHOLD APPLIANCES

This segment relates to the sale of imported household appliances.

ii) AUTO-PARTS

This segment relates to the sale of auto-parts manufactured by the Company.

iii) AUTO-RICKSHAW

This segment relates to the sale of auto-rickshaw assembled by the Company.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	Household appliances		Automotive parts		Auto rickshaw		Total	
	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees
Segment revenue-Net	25,526,184	23,261,998	383,952,266	340,531,771	1,472,017,461	2,361,846,426	1,881,495,911	2,725,640,195
Segment operating results	130,198	1,291,356	21,190,987	19,803,733	85,492,185	195,123,814	106,813,370	216,218,900
Segment assets	45,409,167	51,650,450	270,935,794	247,559,389	501,842,545	630,568,871	818,187,506	929,778,710
Unallocated assets							185,059,350	104,716,713
Total assets							<u>1,003,246,855</u>	<u>1,034,495,423</u>
Segment liabilities	42,456	34,413	115,816,405	116,281,008	251,656,417	271,857,060	367,515,279	388,172,480
Unallocated liabilities							70,630,946	129,756,981
Total liabilities							<u>438,146,224</u>	<u>517,929,461</u>
Capital expenditure	—	89,900	1,295,437	469,369	22,742,238	7,079,965	24,037,675	7,639,234
Depreciation and amortization	408,275	478,309	6,086,096	5,609,599	12,237,258	11,036,295		
Non-cash charges other than depreciation and amortization	82,041	118,156	6,522,228	6,951,499	6,542,738	7,227,196		

39 - FINANCIAL INSTRUMENTS

39.1 - Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2013 Rupees	2012 Rupees
FINANCIAL ASSETS			
Long term Deposits	17	1,657,137	1,137,137
Trade debts	20	133,661,024	129,278,444
Loans and Advances	16 & 21	18,091,632	11,621,186
Trade Deposits	22	32,027,746	16,537,115
Bank Balances	24	127,543,489	8,932,430
		<u>312,981,027</u>	<u>167,506,313</u>

The maximum exposure to credit risk for trade debts on geographical basis:

Pakistan	133,661,024	129,278,444
	<u>133,661,024</u>	<u>129,278,444</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The maximum exposure to credit risk for trade debts, at the reporting date by type of parties was:

	2013 Rupees	2012 Rupees
Institutional Customers	-	-
Corporate Customers	83,783,355	76,640,898
Distributor	389,091	5,489,490
Dealers	47,692,077	46,997,857
Others	1,796,501	150,199
	133,661,024	129,278,444

The aging of trade debts, at the reporting date was:

Not past due	103,403,872	108,045,294
Past Due 0-30 days	16,472,820	16,223,012
Past Due 31-120 days	5,171,511	2,264,676
Past Due more than 120 days	8,612,821	2,745,462
	133,661,024	129,278,444

Based on historic record the Company believes that no impairment allowance is necessary in respect of loans and receivables past due more than 120 days.

39.2- Foreign exchange risk management

Foreign currency risk arises mainly where payable exist due to transactions with foreign undertakings. Payable exposed to foreign currency risks are identified as either creditors or bills payable. The Company does not view hedging as being financially feasible owing to the excessive costs involved.

39.3- Capital Risk Management

The Company's objective when managing capital is to safe guard the company's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. 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 shareholders or issue new shares.

39.4- Fair value of financial instruments

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

39.5- Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises of three types of risk: Currency risk, interest rate risk and price risk.

39.5.1- Currency Risk

Currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to currency risk on import of raw materials and finished goods being denominated in US dollars. The Company's exposure to foreign currency risk for US Dollars is on account of outstanding letter of credits of Rs.84.60 million (2012: Rs. 48.52 million).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

39.5.2- Interest Rate Risk

Interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial liabilities include balance of Rs. 26.71 million (2012: Rs. 46.62 million) which is subject to interest rate risk.

Cash Flow Sensitivity Analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date, with all other variables remaining constant, the net income for the year would have been lower or higher by Rs. 0.267 million (2012: Rs. 0.466 million).

39.5.3 -Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices (Other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At present, the company is not exposed to price risk as there are no investments in marketable securities.

39.5.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

	2013						
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Liability under finance lease	11,530,104	13,133,279	3,656,765	2,975,906	5,251,062	1,249,547	-
Trade and other payables	300,974,821	300,974,821	300,974,821	-	-	-	-
Mark-up & Profit accrued on loans and other payables	523,237	523,237	523,237	-	-	-	-
Short term borrowing	16,776,763	16,776,763	16,776,763	-	-	-	-
	329,804,924	331,408,099	321,931,585	2,975,906	5,251,062	1,249,547	-

	2012						
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Liability under finance lease	10,787,613	12,922,501	2,969,809	2,969,809	4,188,388	2,794,495	-
Trade and other payables	323,163,158	323,163,158	323,163,158	-	-	-	-
Mark-up & Profit accrued on loans and other payables	1,437,379	1,437,379	1,437,379	-	-	-	-
Short term borrowing	35,830,932	35,830,932	35,830,932	-	-	-	-
	371,219,082	373,353,969	363,401,277	2,969,809	4,188,388	2,794,495	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

40 - PLANT CAPACITY AND ACTUAL PRODUCTION

During the current Year, the production capacity of the Auto-Rickshaw manufacturing plant has been revised on account of addition of new product i.e, "Motorcycles" of all sorts and kinds. The revised annual production capacity of this segment would be as below:

Name of Product	Existing Production Capacity (8 hours single shift basis) (Units Per Annum)	Revised Production Capacity (8 hours single shift basis) (Units Per Annum)
Auto-Rickshaw	20,000	12,000
Motorcycle	-	30,000

The production capacity of Auto Rickshaw and Motorcycles may interchangeably be used in accordance with the demand of the products.

There is not any change in the production capacity of wheel Rim manufacturing Plant.

Actual Production	2013 Numbers	2012 Numbers
Auto Rickshaw	10,244	16,328
Auto parts Wheel - rims	71,017	66,500

41 - NUMBER OF EMPLOYEES

Average number of employees during the year	640	725
---	-----	-----

42- NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, at their meeting held on August 16, 2013 has recommended a final Cash dividend @ 10% i.e, Rupee 1.00 per share (June 30, 2012: 20%) for the financial year ending June 30, 2013.

These Financial Statements for the year ended June 30, 2013 do not include the effect of the above dividend, which will be accounted for in the financial statements for the year ended June 30, 2014, once the dividend is approved in the forthcoming 22nd Annual General Meeting.

43 - DATE OF AUTHORIZATION FOR ISSUE:

The Board of Directors of the Company has authorized these financial statements for issue on August 16, 2013.

44 - CORRESPONDING FIGURES

The corresponding figures have been re-classified for the purpose of better presentation.

From	To	Nature	2013 Rupees	2012 Rupees
Other Operating Income	Communication Expenses	Courier charges recovery	125,500	127,150



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

45 - GENERAL

The figures have been rounded off to the nearest rupees.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR