

Balance Sheet

AS AT JUNE 30, 2014

	Note	2014 (Rs. in 000')	2013
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	573,393	504,722
Long term investment	7	1,028,320	703,125
Long term deposits and other receivables	8	6,234	5,714
		1,607,947	1,213,561
CURRENT ASSETS			
Stores, spares and loose tools	9	55,336	75,107
Stock-in-trade	10	442,487	625,925
Trade debts	11	246,250	472,811
Advances, deposits, prepayments and other receivables	12	67,361	23,624
Accrued profit		974	831
Sales tax receivable		7,619	-
Short term investments	13	510,410	50,341
Taxation – net		27,219	-
Cash and bank balances	14	135,344	550,812
		1,493,000	1,799,451
TOTAL ASSETS		3,100,947	3,013,012
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 40,000,000 (2013: 40,000,000) Ordinary shares of Rs. 5/- each		200,000	200,000
Issued, subscribed and paid-up capital	15	144,000	144,000
Reserves		2,665,617	2,515,820
		2,809,617	2,659,820
NON CURRENT LIABILITIES			
Deferred taxation	16	61,055	54,440
CURRENT LIABILITIES			
Trade and other payables	17	230,275	270,217
Taxation – net		-	7,794
Sales tax payable		-	20,741
		230,275	298,752
CONTINGENCIES AND COMMITMENTS			
	18		
TOTAL EQUITY AND LIABILITIES		3,100,947	3,013,012

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



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive

Profit And Loss Account

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rs. in 000')	2013
Turnover - net	19	3,158,800	3,503,624
Cost of sales	20	(2,647,863)	(2,929,021)
Gross profit		510,937	574,603
Distribution costs	21	(56,556)	(54,754)
Administrative expenses	22	(118,245)	(128,970)
Finance costs	23	(89)	(126)
		(174,890)	(183,850)
Operating profit		336,047	390,753
Other charges	24	(37,865)	(32,993)
Other income	25	105,383	81,374
		67,518	48,381
Profit before taxation		403,565	439,134
Taxation	26	(95,327)	(129,714)
Profit after taxation		308,238	309,420
		Rupees	Rupees
Earnings per share – basic and diluted	27	10.70	10.74

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



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive

Statement Of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rs. in 000')	2013
Net profit for the year		308,238	309,420
Other comprehensive income			
Unrealized gain on change in fair value of available-for-sale investments arisen during the year – net of tax		24,476	31,043
Reclassification adjustment for gains included in profit and loss account upon disposal of investments		(24,517)	(32,227)
		(41)	(1,184)
Total comprehensive income for the year		<u>308,197</u>	<u>308,236</u>

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



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		(Rs. in 000')	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28	740,021	320,163
Finance costs paid		(89)	(126)
Income tax paid		(123,725)	(120,203)
Long term deposits		(520)	(1,760)
Net cash generated from operating activities		615,687	198,074
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(143,828)	(119,334)
Proceeds from disposal of property, plant and equipment		9,567	9,568
Proceeds from disposal of short term investment		474,519	657,530
Short term investments		(450,000)	(625,000)
Long term investments into subsidiary		(325,195)	(653,125)
Profit received on term deposit receipts		11,604	33,998
Profit received on deposit accounts		8,639	12,992
Net cash used in investing activities		(414,694)	(683,371)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		-	(211)
Dividends paid		(156,461)	(213,572)
Net cash used in financing activities		(156,461)	(213,783)
Net increase / (decrease) in cash and cash equivalents		44,532	(699,080)
Cash and cash equivalents at the beginning of the year		600,812	1,299,892
Cash and cash equivalents at the end of the year	29	645,344	600,812

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



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive

Statement Of Changes In Equity

FOR THE YEAR ENDED JUNE 30, 2014

	R e s e r v e s					Total	Total equity
	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserves		Gain / (loss) on changes in fair value of available-for-sale investments		
		Share premium	General	Unappropriated profit			
(Rs. in 000')							
Balance as at June 30, 2012	144,000	12,598	1,815,000	594,761	1,225	2,423,584	2,567,584
Final dividend for the year ended June 30, 2012 @ Rs. 7.5 /- per share	-	-	-	(216,000)	-	(216,000)	(216,000)
Transfer to general reserve	-	-	345,000	(345,000)	-	-	-
Profit after taxation for the year	-	-	-	309,420	-	309,420	309,420
Other comprehensive loss	-	-	-	-	(1,184)	(1,184)	(1,184)
Total comprehensive income for the year	-	-	-	309,420	(1,184)	308,236	308,236
Balance as at June 30, 2013	144,000	12,598	2,160,000	343,181	41	2,515,820	2,659,820
Final dividend for the year ended June 30, 2013 @ Rs. 5.50 /- per share	-	-	-	(158,400)	-	(158,400)	(158,400)
Transfer to general reserve	-	-	175,000	(175,000)	-	-	-
Profit after taxation for the year	-	-	-	308,238	-	308,238	308,238
Other comprehensive loss	-	-	-	-	(41)	(41)	(41)
Total comprehensive income for the year	-	-	-	308,238	(41)	308,197	308,197
Balance as at June 30, 2014	144,000	12,598	2,335,000	318,019	-	2,665,617	2,809,617

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



Yutaka Arai
Chairman



Fahim Kapadia
Chief Executive

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

1. THE COMPANY AND ITS OPERATIONS

1.1 Agriauto Industries Limited (the Company) was incorporated in Pakistan on June 25, 1981 as a public limited company, under the Companies Act, 1913 (now the Companies Ordinance, 1984), and is listed on the Karachi and Lahore stock exchanges of Pakistan since June 1984. The Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors. The registered office of the Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

These financial statements are separate financial statements of the Company in which investments in subsidiary is accounted for on the basis of direct equity interest and is not consolidated or accounted for using equity method.

2. STATEMENT OF COMPLIANCE

2.1 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 (IASB) as are as 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 and amendments to approved accounting standards that are not yet effective

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	01 January 2015
IFRS 11 – Joint Arrangements	01 January 2015
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 – Fair Value Measurement	01 January 2015
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 19 – Employee Contributions	01 July 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	01 January 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	01 January 2014

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

The Company is currently evaluating the impact of the above standards and interpretation on the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2017

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except for available-for-sale investments which are valued as stated in note 4.6 to the financial statements.

3.2 These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

4.1 New / revised standards, interpretations and amendments

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IAS 19 – Employee Benefits –(Revised)

IFRS 7 – Financial Instruments : Disclosures – (Amendments)
-Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

4.2 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment loss except for freehold land and capital work in progress which are stated at cost.

Depreciation on fixed assets is charged to the profit and loss account applying the reducing balance method at the rates specified in note 6 to the financial statements. Depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal. Maintenance and normal repairs are charged to profit and loss account as and when incurred, while major renewals and improvements are capitalised. Gains or losses on disposals of fixed assets, if any, are included in income currently.

Leasehold land is amortised in equal installments over the lease period.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or related cash-generating units are written down to their recoverable amount.

Finance leases

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease less financial charges allocated to future periods are recorded as liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation is charged to income on the same basis as for the Company's owned assets.

4.3 Stores, spares and loose tools

These are stated at the lower of cost and Net Realisable Value (NRV) except for goods-in-transit which are stated at invoice price plus other charges incurred thereon upto the date of the balance sheet. Cost is determined on weighted moving average basis.

Stores, spares and loose tools are regularly reviewed by the management and any obsolete items are brought down to their NRV.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

4.4 Stock-in-trade

Stock-in-trade, except goods-in-transit, is stated at the lower of NRV and cost determined as follows:

Raw and packing materials	- Moving average basis.
Work-in-process	- Cost of direct materials plus conversion cost is valued on the basis of equivalent production units.
Finished goods	- Cost of direct materials plus conversion cost is valued on time proportion basis.

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the balance sheet date.

Stock-in-trade is regularly reviewed by the management and any obsolete items are brought down to their NRV.

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.5 Trade debts and other receivables

Trade debts originated by the Company are recognised and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on the management's assessment of customers' outstandings and creditworthiness. Bad debts are written-off as and when identified.

4.6 Investments

Investment in subsidiary company

Investment in subsidiary is stated at cost less impairment, if any.

Held-to-maturity

Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity.

Gains or losses on held-to-maturity investments are recognised in income when the investments are derecognised or impaired.

Available-for-sale

Investments which are not classified in the above category and which the management intends to hold for indefinite period, but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

All investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment. Transaction costs in the case of held-for-trading investments are charged to income when incurred. After initial recognition, investments classified as available-for-sale are remeasured at fair values and held-to-maturity investments are measured at amortised cost.

Gains or losses on revaluation of available-for-sale investments are recognised in equity until the investment is sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

4.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term investments with a maturity of three months or less from the date of acquisition net of short-term running finance. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

4.8 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights under the instruments are realised, expired or surrendered. Financial liabilities are derecognised when the obligation is extinguished, discharged, cancelled or expired. Any gain or loss on recognition or derecognition of the financial assets and financial liabilities is taken to the profit and loss account.

4.9 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 a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

4.10 Employees' benefits

Provident fund

The Company operates a recognised provident fund scheme (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Company's policy. Contributions in respect thereto are made in accordance with the terms of the scheme.

Compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

4.11 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, or 1 percent of turnover, whichever is higher. Tax on export sales is calculated under final tax regime under Section 154 of the Income Tax Ordinance, 2001.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

Deferred

Deferred tax is provided, proportionate to local sales, for temporary differences between the carrying amounts 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 recognised or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

4.12 Provisions

Provision is recognised in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.13 Warranty obligations

The Company recognises the estimated liability to repair or replace products under warranty at the balance sheet date on the basis of historical experience.

4.14 Foreign currency transactions

Transactions denominated in foreign currencies are recorded on initial recognition in Pak. Rupees, by applying to the foreign currency amount the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak. Rupees equivalents using the exchange rate at the balance sheet date. Exchange differences are included in income currently.

4.15 Revenue recognition

Sales are recorded when goods are dispatched to the customers.

Profit on term deposit receipts is recognised on constant rate of return to maturity.

Profit on deposit accounts is recognised on accrual basis.

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

4.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

4.17 Research and development costs

Research and development costs are expensed as incurred, except for development costs that relate to the design of new or improved products which are recognised as an asset to the extent that it is expected that such asset will meet the recognition criteria mentioned in IAS – 38 “Intangible Assets”.

4.18 Dividends and appropriation to reserve

Dividend and appropriation to reserve are recognised in the financial statements in the period in which these are approved.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following judgments and estimates which are significant to the financial statements:

	Notes
- determining the residual values and useful lives of property, plant and equipment	4.2 & 6
- valuation of inventories	4.3, 4.4, 9 & 10
- provision against trade debts and other receivables	4.5, 8 & 11
- provision for tax and deferred tax	4.11, 16 & 26
- provision for employee’s benefits	4.10 & 17.1
- warranty obligations	4.13 & 17.3

	Note	2014	2013
(Rs. in 000’)			
6. PROPERTY, PLANT AND EQUIPMENT			
Operating assets – tangible	6.1	570,428	463,273
Capital work-in-progress	6.4	2,965	41,449
		<u>573,393</u>	<u>504,722</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

6.1 Operating assets

	C O S T				Depreciation rate %	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at July 01, 2013	Additions/ (disposals)	As at June 30, 2014			As at July 01, 2013	Charge for the Year	Disposals for the Year	As at June 30, 2014	As at June 30, 2014
	(Rs. In 000')						(Rs. In 000')			
Owned										
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652	
Building on freehold land	107,051	20,359	127,410	10	54,467	5,982	-	60,449	66,961	
Plant and machinery	624,228	136,094 (11,654)	748,668	10-20	269,352	47,388	(10,816)	305,924	442,744	
Furniture and fittings	8,042	400	8,442	15	3,682	687	-	4,369	4,073	
Vehicles	58,301	9,554 (8,856)	58,999	20	24,734	7,838	(4,105)	28,467	30,532	
Office equipment	2,897	328	3,225	20	1,524	278	-	1,802	1,423	
Computer equipment	26,762	863 (72)	27,553	33	16,084	3,672	(58)	19,698	7,855	
Dies and tools	20,667	14,714	35,381	40	16,484	3,709	-	20,193	15,188	
2014	849,600	182,312 (20,582)	1,011,330		386,327	69,554	(14,979)	440,902	570,428	

	C O S T				Depreciation rate %	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at July 01, 2012	Additions/ (disposals)/ transfers*	As at June 30, 2013			As at July 01, 2012	Charge/ transfers* for the Year	Disposals for the Year	As at June 30, 2013	As at June 30, 2013
	(Rs. In 000')						(Rs. In 000')			
Owned										
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652	
Building on freehold land	109,501	- (2450)	107,051	10	50,858	5,862	(2,253)	54,467	52,584	
Plant and machinery	589,153	67,983 (32,908)	624,228	10-20	257,796	39,709	(28,153)	269,352	354,876	
Furniture and fittings	6,785	1,327 (70)	8,042	15	3,137	596	(51)	3,682	4,360	
Vehicles	56,181	7,152 (7,338) 2,306*	58,301	20	17,886	8,367 1,053*	(2,572)	24,734	33,567	
Office equipment	2,243	654	2,897	20	1,234	290	-	1,524	1,373	
Computer equipment	25,736	1,183 (157)	26,762	33	11,237	4,914	(67)	16,084	10,678	
Dies and tools	20,667	-	20,667	40	13,695	2,789	-	16,484	4,183	
	811,918	78,299 (42,923) 2,306*	849,600		355,843	62,527 1,053*	(33,096)	386,327	463,273	
Leased										
Vehicles	2,306	(2,306)*	-	20	1,010	43 (1,053)*	-	-	-	
2013	814,224	78,299 (42,923) *	849,600		356,853	62,570 *	(33,096)	386,327	463,273	

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

6.2 Depreciation charge for the year has been allocated as follows :

	Note	2014	2013
		(Rs. in 000')	
Cost of sales	20	61,150	52,466
Distribution costs	21	872	777
Administrative expenses	22	7,532	9,327
		69,554	62,570

6.3 The following property, plant and equipment were disposed off during the year:

Particulars	Accumulated		Sales Book value (Rs. In 000')	Gain / proceeds (loss)	Mode of Disposal	Particulars of buyer
	Cost	Depreciation				
Plant and machinery / Dies and Tools						
Plant, machinery & equipment	11,654	10,816	838	1,911	1,073	Auction New ABC Neelam Ghar
IT Equipment						
Laptop	72	58	14	40	26	Insurance Claim Habib Insurance Company Limited
Vehicles						
Daihatsu Coure	665	358	307	665	358	Insurance Claim Habib Insurance Company Limited
Toyota Corolla	1,399	592	807	1,280	473	Negotiation Mr. Muhammad Amin
Honda CD-70	63	34	29	45	16	Negotiation Mr. Aamir Mehboob - Employee
Honda CD-70	63	32	31	35	4	Negotiation Mr. Alam Alvi - Employee
Daihatsu Coure	759	336	423	690	267	Negotiation Mr. Inayat Ali
Suzuki Cultus	855	420	435	775	340	Negotiation Mr. Muhammad Shafique Ahmed
Suzuli Alto	678	271	407	690	283	Negotiation Mr. Ali Gul Sangi
Toyota Corolla	1,554	602	952	1,300	348	Company policy Mr. M. Noman Khan - Ex - Employee
Suzuli Alto	712	259	453	690	237	Negotiation Mr. Rasheeduddin
Suzuki Cultus	1,010	135	875	1,010	135	Insurance Claim Habib Insurance Company Limited
Honda CD-70	51	37	14	49	35	Negotiation Mr. Abdul Wahab - Employee
Honda CD-70	51	37	14	49	35	Negotiation Mr. Aamir Mehboob - Employee
Fork Lifter	996	992	4	338	334	Negotiation Mr. Adam
	8,856	4,105	4,751	7,616	2,865	
2014	20,582	14,979	5,603	9,567	3,964	
2013	42,923	33,096	9,827	9,568	(259)	

6.4 Capital work-in-progress

	Plant and machinery	Civil works	Dies and tools	Total
	(Rs. in 000')			
Balance as at July 01, 2013	35,737	-	5,712	41,449
Capital expenditure incurred / advances made during the year	31,347	17,865	-	49,212
Transfer to fixed assets during the year	(64,119)	(17,865)	(5,712)	(87,696)
Balance as at June 30, 2014	2,965	-	-	2,965

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rs. in 000')	
7. LONG TERM INVESTMENT		
Investment in a subsidiary company - at cost		
Agriauto Stamping Company (Private) Limited	1,028,320	703,125

- 7.1** The subsidiary company was incorporated on January 20, 2012 and the Company has made an investment of Rs 1,028.320 million (2013: Rs. 703.125 million) as at 30 June 2014. The Company holds 100 percent shares in the subsidiary company.

	Note	2014	2013
		(Rs. in 000')	
8. LONG TERM DEPOSITS AND OTHER RECEIVABLES			
Security deposits – considered good		6,234	5,714
Other receivable - considered doubtful		-	49,252
Less: Provision for impairment	8.1	-	(49,252)
		-	-
		6,234	5,714

- 8.1** During the year ended 30 June 2010, Company sold its shareholding in Makro-Habib Pakistan Limited (MHPL) to Thal Limited (TL), a related party under a Share Purchase Agreement (SPA) dated May 14, 2010, at an aggregate consideration of Rs.157.658 million. In terms of the SPA, the Company received an amount of Rs.108.406 million from TL towards the purchase consideration of the said shares. However, the balance consideration amounting to Rs. 49.252 million shall only be payable by TL subject to the following:

- a) TL determines that the Group tax relief for the years 2008-2010, as claimed by TL, can be fully sustained or is unable to make such determination by June 2014; and
- b) TL determines that MHPL will not incur an impairment loss in case of closure of its Sadder store or is unable to make such determination about the impairment by June 2014.

Accordingly, the contingent balance payment for (a) and (b) above, amounts to Rs.28.710 million and Rs. 20.542 million respectively. The management, upon fulfilment of the aforementioned conditions, has reversed the provision for impairment and recognized it as other income. The receivable balance of Rs. 49.252 million from Thal Limited has been reclassified to current assets in the financial statements for the year ended 30 June 2014 as the said receivable has been received subsequent to the year end.

	2014	2013
	(Rs. in 000')	
9. STORES, SPARES AND LOOSE TOOLS		
Stores	19,727	38,710
Spares	30,690	30,748
Loose tools	4,919	5,649
	55,336	75,107

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rs. in 000 ³)	
10. STOCK-IN-TRADE		
Raw material	294,628	475,256
Packing material	4,419	4,160
Work-in-process	46,291	47,436
Finished goods	17,197	11,433
Goods-in-transit	79,952	87,640
	<u>442,487</u>	<u>625,925</u>

10.1 The amount of written down to NRV in respect of stock-in-trade was Rs. 3.513 million (2013: Rs. 35.408 million).

	Note	2014	2013
		(Rs. in 000 ³)	
11. TRADE DEBTS – unsecured			
Considered good	11.1	246,250	472,811
Considered doubtful		1,526	931
Provision for impairment	11.2	(1,526)	(931)
		-	-
		<u>246,250</u>	<u>472,811</u>

11.1 This includes an amount of Rs. 0.282 million due from a related party.

11.2 Reconciliation of provision for impairment is as follows:

Balance at the beginning of the year		931	1,585
Charge / (Reversal) for the year	21	595	(444)
Write-offs during the year		-	(210)
Balance at the end of the year		<u>1,526</u>	<u>931</u>

12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances – unsecured, considered good

Suppliers	68	5,416
Contractors	100	6,008
Employees	145	122
	<u>313</u>	<u>11,546</u>

Deposits

200

Prepayments

Insurance	5,249	7,536
Rent	2,209	2,200
Others	-	1,848
	<u>7,458</u>	<u>11,584</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
(Rs. in 000')			
Other receivables – unsecured, considered good			
Insurance claim receivable		-	294
Workers' profit participation Fund	17.2	10,123	-
Against sale of shares	8.1	49,252	-
		<u>59,375</u>	<u>294</u>
		<u>67,361</u>	<u>23,624</u>
13. SHORT TERM INVESTMENTS			
Held- to- maturity			
Term deposit receipts	13.1	510,000	50,000
Accrued profit thereon		410	300
		<u>510,410</u>	<u>50,300</u>
Available-for-sale - Money Market Fund			
		-	41
		<u>510,410</u>	<u>50,341</u>

13.1 Represents three months term deposit receipts with a commercial bank carrying profit rate ranging from 8.5% to 9.5% (2013: 8.75%) per annum and will mature by September 2014.

	Note	2014	2013
(Rs. in 000')			
14. CASH AND BANK BALANCES			
In hand			
		40	25
With banks in			
- current accounts		84,003	27,680
- deposit accounts	14.1	51,301	523,107
		<u>135,304</u>	<u>550,787</u>
		<u>135,344</u>	<u>550,812</u>

14.1 These carry profit rates ranging from 7% to 8% (2013: 6% to 7.5%) per annum.

		2014	2013
(Rs. in 000')			
15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Ordinary shares of Rs. 5/- each			
Number of shares in (000')			
		2014	2013
		<u>22,800</u>	22,800
		6,000	<u>6,000</u>
		<u>28,800</u>	<u>28,800</u>
		<u>114,000</u>	114,000
		30,000	<u>30,000</u>
		<u>144,000</u>	<u>144,000</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

- 15.1** Related parties held 2,115,600 (2013: 2,115,600) Ordinary shares of Rs. 5/- each in the Company at year end.

Note 2014 2013
(Rs. in 000')

16. DEFERRED TAXATION

Taxable temporary differences arising due to:
- accelerated tax depreciation

89,658 81,103

Deductible temporary differences arising due to:
- assets subject to finance lease
- provisions

-	-
(28,603)	(26,663)
(28,603)	(26,663)
61,055	54,440

17. TRADE AND OTHER PAYABLES

Creditors		67,996	86,568
Royalty payable		11,149	12,560
Accrued liabilities		108,109	109,991
Advance from customers		1,073	1,513
Payable to provident fund	17.1	-	1,263
Workers' Profit Participation Fund	17.2	-	12,231
Workers' Welfare Fund		8,313	11,208
Warranty obligations	17.3	18,277	18,052
Unclaimed and unpaid dividends		12,471	10,531
Guarantee bond payable	17.4	1,110	1,110
Tax deducted at source		1,269	2,837
Others		508	2,353
		230,275	270,217

(Unaudited)

17.1	General Disclosures		
	Size of the fund	146,275	132,749
	Cost of investments	106,050	107,382
	Fair value of investments	146,275	132,749
	Percentage of investments	100%	100%

17.1.1 The breakup of fair value of investments is:

	2014		2013	
	(Rs. in 000')	(%)	(Rs. in 000')	(%)
	----- (Unaudited) -----			
Special Saving Certificates	110,712	75	36,314	27
Term Deposit Receipts	-	-	59,386	45
Term Finance Certificates	12,575	9	13,732	10
Mutual fund units	5,462	4	6,458	5
Shares in listed companies	2,901	2	1,972	1
Bank balance	3,775	3	7,375	6
Others	10,850	7	7,512	6
Total	146,275	100	132,749	100

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

17.1.2 Investments of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	Note	2014 (Rs. in 000')	2013
17.2 Workers' Profit Participation Fund			
Balance at the beginning of the year		12,231	(392)
Prior year's adjustment	24	3,784	-
Allocation for the year	24	21,877	19,601
		<u>37,892</u>	<u>19,209</u>
Less: Payment made during the year		48,015	(6,978)
Balance at end of the year		<u>(10,123)</u>	<u>12,231</u>

17.3 Warranty obligations

Balance at the beginning of the year		18,052	23,885
Provision for the year	21	5,760	2,613
		<u>23,812</u>	<u>26,498</u>
Less: Claims paid during the year		5,535	8,446
Balance at end of the year		<u>18,277</u>	<u>18,052</u>

17.4 The Company has provided bank guarantees to Collector of Customs as a security against the import duty.

18. CONTINGENCIES AND COMMITMENTS

Commitments

- (i) Commitments in respect of outstanding letters of credit for raw material amount to Rs. 231.358 million (2013: Rs. 169.459 million).
- (ii) Commitments in respect of capital expenditure amount to Rs.3.134 million (2013: Rs. 17.641 million).
- (iii) Outstanding bank guarantees issued to Sui Southern Gas Company Limited amounts to Rs. 0.385 million (2013: Rs. 0.385 million)

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		(Rs. in 000')	
19. TURNOVER – net			
Sales		3,704,775	4,068,990
Less: Trade discount		7,091	221
Sales tax		538,884	565,145
		545,975	565,366
		<u>3,158,800</u>	<u>3,503,624</u>
20. COST OF SALES			
Raw material consumed			
Opening stock		475,256	544,286
Purchases		1,831,368	2,224,301
		2,306,624	2,768,587
Closing stock		(294,628)	(475,256)
		<u>2,011,996</u>	<u>2,293,331</u>
Manufacturing expenses			
Salaries, wages and benefits		227,639	207,912
Stores, spares and loose tools consumed		112,445	110,030
Packing material consumed		18,949	19,828
Fuel and power		73,445	71,695
Transportation and traveling		59,286	49,565
Depreciation	6.2	61,150	52,466
Repairs and maintenance		37,815	39,345
Royalty and technical fees		33,907	43,494
Research and development costs		95	128
Communications and professional fee		1,968	1,922
Printing and stationery		866	765
Insurance		2,552	3,899
Rent, rates and taxes		5,343	10,206
Others		5,026	5,320
		640,486	616,575
Work-in-process			
Opening stock		47,436	55,253
Closing stock		(46,291)	(47,436)
		1,145	7,817
Cost of goods manufactured		<u>2,653,627</u>	<u>2,917,723</u>
Finished goods			
Opening stock		11,433	22,731
Closing stock		(17,197)	(11,433)
		(5,764)	11,298
		<u>2,647,863</u>	<u>2,929,021</u>
21. DISTRIBUTION COSTS			
Salaries and benefits		14,090	12,568
Advertisement and sales promotion		12,767	13,940
Carriage and forwarding		18,329	21,013
Traveling and conveyance		2,972	2,858
Depreciation	6.2	872	777
Provision for warranty claims	17.3	5,760	2,613
Provision / (reversal) for impairment of trade debts	11.2	595	(444)
Rent, rates and taxes		140	99
Communications		272	209
Insurance		231	225
Repairs and maintenance		451	657
Others		77	239
		<u>56,556</u>	<u>54,754</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rs. in 000')	2013
22. ADMINISTRATIVE EXPENSES			
Salaries and benefits		56,880	57,779
Legal and professional charges		17,007	23,992
Repairs and maintenance		9,923	10,467
Depreciation	6.2	7,532	9,327
Printing and stationery		808	1,068
Computer supplies		423	299
Rent, rates and taxes		3,247	3,179
Traveling and conveyance		11,046	11,593
Communications and professional fee		3,156	2,696
Utilities		1,566	1,678
Security services		3,923	4,218
Insurance		911	1,150
Auditors' remuneration	22.1	1,056	828
Advertisement		169	198
Others		598	498
		<u>118,245</u>	<u>128,970</u>
22.1 Auditors' remuneration			
Audit fee for standalone financial statements		600	550
Audit fee for consolidated financial statements		125	125
Fee for review of half yearly financial statements		60	55
Other certifications		185	28
Out of pocket expenses		86	70
		<u>1,056</u>	<u>828</u>
23. FINANCE COSTS			
Mark-up on finance lease		-	7
Bank charges		89	119
		<u>89</u>	<u>126</u>
24. OTHER CHARGES			
Workers' Profit Participation Fund	17.2	25,661	19,601
Workers' Welfare Fund		8,313	8,962
Donations	24.1	3,891	4,430
		<u>37,865</u>	<u>32,993</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

24.1 None of the directors or their spouses had any interest in any of the donees to whom donations were made during the year.

	Note	2014 (Rs. in 000')	2013
25. OTHER INCOME			
Income from financial assets			
Profit on:			
- term deposit receipts		11,715	23,873
- deposit accounts		8,781	12,215
Gain on sale of available-for-sale investments		24,517	32,227
Reversal of provision for impairment	8.1	49,252	-
		<u>94,265</u>	<u>68,315</u>
Liabilities no longer payable - written back		2,616	622
Income from non-financial assets			
Gain / (loss) on disposal of property, plant and equipment	6.3	3,964	(259)
Scrap sales		3,093	5,326
Miscellaneous income		1,445	-
		<u>8,502</u>	<u>5,067</u>
Refund of Workers' Profit Participation Fund		-	7,370
		<u>105,383</u>	<u>81,374</u>
26. TAXATION			
Current		87,581	127,573
Prior		1,131	(793)
Deferred		6,615	2,934
		<u>95,327</u>	<u>129,714</u>
26.1 Relationship between tax expense and accounting profit			
Profit before taxation		403,565	439,134
Tax at the rate of 34% (2013: 35%)		137,212	153,697
Tax effects of:			
Expenses that are admissible in determining taxable profit		(33,396)	(14,363)
Prior year		1,131	(793)
Tax rebates		(16,235)	(11,761)
Deferred		6,615	2,934
		<u>95,327</u>	<u>129,714</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

27. EARNINGS PER SHARE – basic and diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2014	2013
Profit after taxation (Rs. in 000')	308,238	<u>309,420</u>
Weighted average number of ordinary shares outstanding during the year (in 000')	28,800	<u>28,800</u>
Basic earnings per share (Rs.)	10.70	<u>10.74</u>

28. CASH GENERATED FROM OPERATIONS

Profit before taxation	403,565	439,134
Adjustments for		
Depreciation	69,554	62,570
Finance costs	89	126
Provision for impairment of trade debts	595	(444)
Liabilities no longer payable - written back	(2,616)	(622)
Gain on disposal of available-for-sale investment	(24,517)	(32,227)
Profit on term deposit receipts	(11,715)	(23,873)
Profit on deposit accounts	(8,781)	(12,215)
(Gain) / loss on disposal of property, plant and equipment	(3,965)	259
	18,644	(6,426)
	422,209	<u>432,708</u>
Decrease / (increase) in current assets		
Stores, spares and loose tools	19,771	2,665
Stock-in-trade	183,438	56,002
Trade debts	225,966	(156,511)
Advances, deposits, prepayments and other receivables	(43,737)	(12,408)
Sales tax receivable	(7,619)	-
	377,819	(110,252)
(Decrease) / increase in current liabilities		
Trade and other payables	(39,266)	(777)
Sales tax payable	(20,741)	(1,516)
	(60,007)	(2,293)
	740,021	<u>320,163</u>
29. CASH AND CASH EQUIVALENTS		
Cash and bank balances	14	135,344
Short term investments – term deposit receipts	13	510,000
		<u>645,344</u>
		<u>550,812</u>
		<u>50,000</u>
		<u>600,812</u>

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

30.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to the changes in market interest rates. The Company is exposed to interest rate risk in respect of bank deposits, term deposit receipts and investment in income based mutual funds. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would increase the Company's profit after tax by Rs. 3.705 million (2013 : 3.726 million) and a 1% decrease would result in the decrease in the Company's profit after tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2014, the Company does not have any financial assets or financial liabilities which are denominated in foreign currencies.

30.2 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.

Concentration of credit risk arises when a number of counterparties 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 economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk mainly on trade debts, short term investments and bank balances. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

	2014	2013
	(Rs. in 000')	
Trade debts		
The analysis of trade debts is as follows:		
Neither past due nor impaired	218,925	447,472
Past due but not impaired – 30 to 90 days	27,325	25,339
	<u>246,250</u>	<u>472,811</u>
Bank balances		
Ratings		
A-1+	58,342	13,741
A1+	76,747	536,831
P1	215	215
	<u>135,304</u>	<u>550,787</u>
Short term investments		
Ratings		
A1+	510,000	50,000
A-1+	-	41
	<u>510,000</u>	<u>50,041</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

30.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management of the Company believes that is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Company on the basis of expected cashflow considering the level of liquid assets necessary to mitigate the liquidity risk.

	2014			Total
	On demand	Less than 3 months	3 to 12 Months	
	(Rupees in '000)			
Trade and other payables	86,514	135,448	8,313	230,275
	2013			
	On demand	Less than 3 months	3 to 12 Months	Total
	(Rupees in '000)			
Trade and other payables	79,613	179,396	11,208	270,217

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of the mutual fund units is determined by using the net asset value as disclosed by the Fund Manager at each balance sheet date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Fair value hierarchy

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active market for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2014, the Company has available-for-sale investments measured at fair value using level 1 valuation technique.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

32. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital is to safeguard the Company's ability to continue to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through equity and working capital. The capital structure of the Company is equity based with no financing through long term borrowings.

33. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than disclosed elsewhere in the financial statements, are as follows:

	2014 (Rs. in 000')	2013
Purchases of goods	311	1,749
Contribution to the Provident fund	5,159	4,866

The receivable/payable balances with related parties as at June 30, 2014 are disclosed in the respective notes to the financial statements.

34. REMUNERATION OF THE CHAIRMAN, CHIEF EXECUTIVE AND EXECUTIVES

34.1 Aggregate amounts charged in the financial statements are as follows:

	2014			2013		
	Chief			Chief		
	Chairman	Executive	Executives	Chairman	Executive	Executives
	(Rupees in '000)					
Managerial remuneration	15,477	10,134	42,500	15,028	9,308	40,030
Retirement benefits	-	449	1,748	-	368	1,806
Utilities	391	149	866	634	122	869
Medical expenses	140	61	727	166	20	457
	16,008	10,793	45,841	15,828	9,818	43,162
Number of persons	1	1	20	1	1	18

34.2 The Chairman, Chief Executive and certain Executives are also provided with free use of Company maintained vehicles in accordance with the Company's policy.

35. PRODUCTION CAPACITY

The production capacity of the Company cannot be determined as this depends on the relative proportions of various types of vehicles and agricultural tractors produced by OEMs.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

36. UNUTILIZED CREDIT FACILITIES

As of the balance sheet date, the Company has unutilized facilities for short term running finance available from various banks amounted to Rs. 160 million (2013: Rs. 160 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25% (2013: 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25%). The facilities are secured by way of pari passu hypothecation of Company's stock-in-trade, stores, spares, loose tools and trade debts.

37. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 29, 2014 (i) approved the transfer of Rs. 170 million from unappropriated profit to general reserve and (ii) proposed cash dividend of Rs. 5.00 per share for the year ended June 30, 2014 amounting to Rs. 144 million for approval of the members at the Annual General Meeting to be held on September 29, 2014.

38. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 276 (2013: 265) and the average number of persons employed during the year were 264 (2013: 258).

39. GENERAL

39.1 Figures have been rounded off to the nearest thousands.

39.2 There were no material reclassifications to report.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 29, 2014 by the Board of Directors of the Company.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive