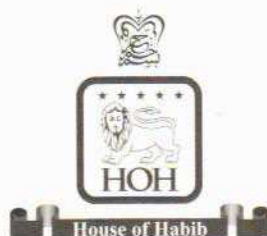
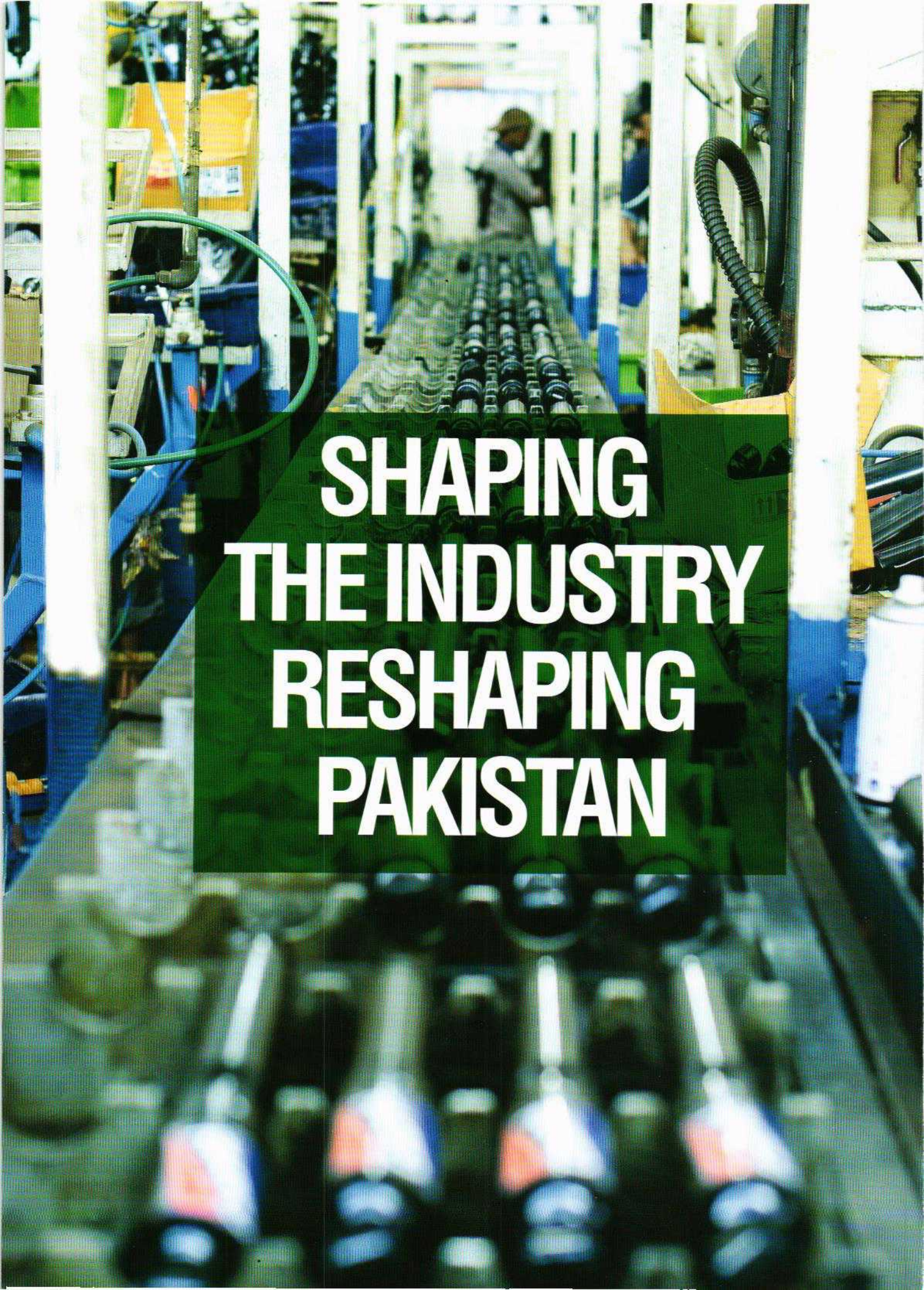


Agriauto Industries Limited

2014
annual report



A photograph of a factory floor. In the background, a worker wearing a cap and a light-colored shirt is visible, working on a production line. The floor is filled with rows of dark, cylindrical components. The scene is brightly lit, with various pipes and machinery visible. A large green semi-transparent box is overlaid on the center of the image, containing white text.

**SHAPING
THE INDUSTRY
RESHAPING
PAKISTAN**



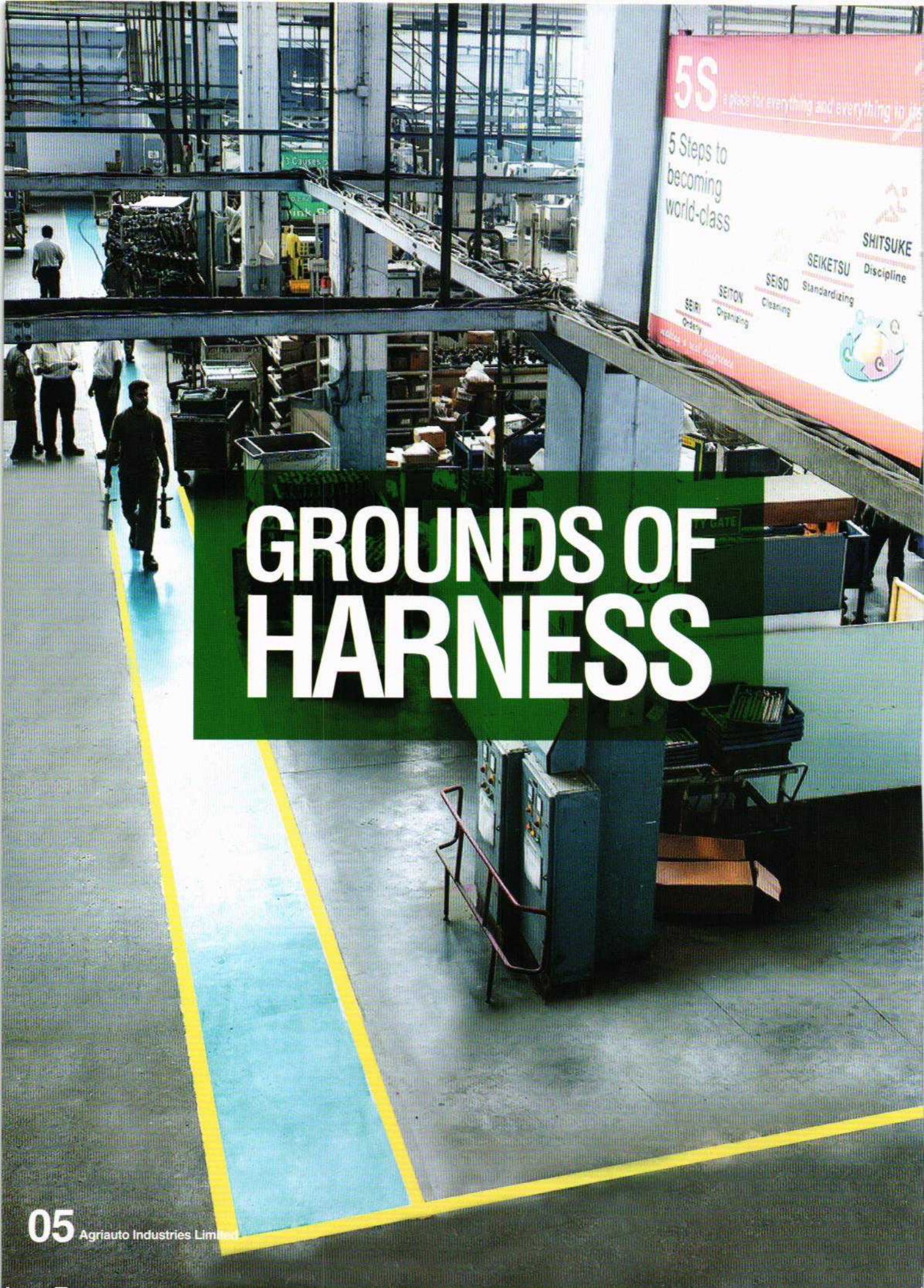
Pakistan the land of the pure.
It is the country where progress is natural and
the people are warm.
We dedicate this theme to Pakistan and its
progress in the industrial sector.



ELEMENT OF PROGRESS

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5S a place for everything and everything in its place

5 Steps to becoming world-class

- SEIRI** Order
- SEITON** Organizing
- SEISO** Cleaning
- SEIKETSU** Standardizing
- SHITSUKE** Discipline



GROUNDS OF HARNESS

Vision

A world class manufacturer and supplier of high entry barrier automotive components providing competitive returns to all stakeholders.



EXISTENCE OF EXCELLENCE

Corporate Information

BOARD OF DIRECTORS

Yutaka Arae	Chairman
Fahim Kapadia	Chief Executive
Sohail P. Ahmed	Director
Owaisul Mustafa	Director
Asif Rizvi	Director
Zafar Iqbal Sobani	Director
Muhammad Ali Jameel	Director

AUDIT COMMITTEE

Owaisul Mustafa	Chairman
Sohail P. Ahmed	Member
Asif Rizvi	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Sohail P. Ahmed	Chairman
Yutaka Arae	Member
Fahim Kapadia	Member
Asif Rizvi	Member
Zafar Iqbal Sobani	Member

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Aqeel Loon

AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

SHARE REGISTRAR

Noble Computer Services (Pvt.) Ltd.
1st Floor, House of Habib (Siddiqsons Tower),
3-Jinnah Co-operative Housing Society,
Main Shahrah-e-Faisal, Karachi.
Tel: 34325482-87

REGISTERED OFFICE

5th Floor, House of Habib
3 JCHS, Main Shahrah-e-Faisal,
Karachi.

Website: www.agriauto.com.pk
Email: info@agriauto.com.pk

FACTORY

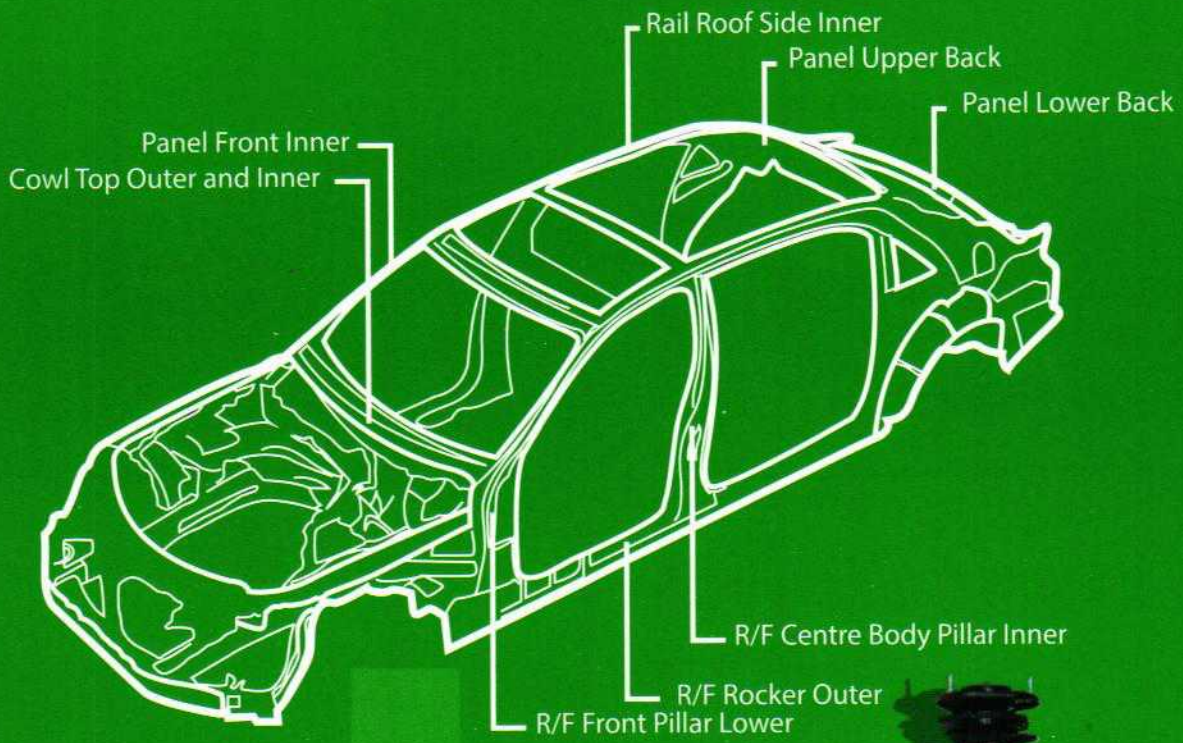
Agriauto Industries Limited
Mouza Baroot, Hub Chowki,
Distt. Lasbella, Balochistan.

Agriauto Stamping Company (Pvt.) Ltd

DSU-12B, Down Stream Industrial Estate
Pakistan Steel, Bin Qasim, Karachi

Our Products





Notice of the Meeting

NOTICE is hereby given that the 33rd Annual General Meeting of the Company will be held at the Institute of Chartered Accountants of Pakistan Auditorium, Clifton, Karachi on Monday, September 29, 2014 at 9:00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2014 together with the Report of the Directors' and Auditors' thereon.
2. To approve the payment of cash dividend @ 100% i.e. Rs. 5.00 per share as recommended by the Board of Directors for the year ended June 30, 2014.
3. To appoint Auditors for the year 2014-2015 and to fix their remuneration. The present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder (Chartered Accountants) being eligible offer themselves for re-appointment.
4. To elect 07 (seven) directors of the Company as fixed by the Board of Directors for a period of three years in accordance with the provisions of Section 178(1) of the Companies Ordinance 1984. The retiring Directors are: Mr. Yutaka Arae, Mr. Fahim Kapadia, Mr. Sohail P. Ahmed, Mr. Owaisul Mustafa, Mr. Asif Rizvi, Mr. Zafar Iqbal Sobani and Mr. Muhammad Ali Jameel.

By Order of the Board,
AQEEL LOON
Company Secretary

Karachi, August 29, 2014

NOTES:

1. Any person who seeks to contest the election of Directors shall file with the Company at its registered office not later than fourteen days before the above said meeting his / her intention to offer himself / herself for the election of the Directors in terms of Section 178(3) of the Companies Ordinance, 1984 together with:
 - (a) Consent to act as Director in Form 28 duly completed as required under Section 184(1) of Companies Ordinance 1984;
 - (b) Declaration in respect of being compliant with the requirements of the Code of Corporate Governance 2012 and the eligibility criteria as set out in the Companies Ordinance, 1984 to act as Director of a listed Company; and
2. The Share Transfer Books of the Company will remain closed from September 23, 2014 to September 29, 2014 (both days inclusive) and the final dividend will be paid to the Shareholders whose names will appear in the Register of Members on September 22, 2014. Shareholders (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Share Registrar of the Company "M/s. Noble Computer Services (Private) Limited,, Share Department, First Floor, House of Habib Building, (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi-75350, Tel: (021) 34325482-87, Fax: (021) 34325442, Email: ncs1@noble-computers.com". All the Shareholders holding the shares through the CDC are requested to please update their addresses and Zakat status with their Participants. This will assist in the prompt receipt of Dividend.

3. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective, instrument of appointing proxy must be received at the registered office of the company duly stamped and signed not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.
4. Shareholders are requested to promptly notify change in their registered postal address, if any, to the Company's Share Registrar.
5. Shareholders are also requested to provide the following information to enable the Company to comply with the directives of the Securities & Exchange Commission of Pakistan.

• **Submission of copies of CNIC:**

It is hereby reiterated that the Securities and Exchange Commission of Pakistan (SECP) vide Notification S.R.O. 779(I)/2011 dated August 18, 2011 and Notification S.R.O. 831 (1)/2012 dated July 5, 2012 has directed all the listed companies to issue dividend warrant only crossed as "A/c Payee only" and ensure that the Dividend Warrant should bear the Computerized National Identity Card (CNIC) Numbers of the registered members except in the case of minor(s) and corporate shareholder(s). The Company has already requested for the same vide advertisement in newspapers dated August 27, 2014 and through letters dated September 17, 2012, October 14, 2013 and May 05, 2014 sent to its shareholders.

All those shareholders (**holding physical shares**) who have not submitted their valid CNICs are once again requested to send a photocopy of their valid CNIC / NTN along with the Folio number(s) to the Company's Share Registrar.

In case of non-availability of a valid copy of the CNIC in the records of the Company, the Company will be constrained to withhold the Dividend Warrant in terms of section 251(2)(a) of the Companies Ordinance 1984, which will be released by the Share Registrar only upon compliance with the aforesaid notifications.

Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance , 2001

Pursuant to the provisions of the Finance Act 2014 effective July 1, 2014, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

- | | |
|--|-----|
| (a) Rate of tax deduction for filer of income tax returns | 10% |
| (b) Rate of tax deduction for non-filers of income tax returns | 15% |

All shareholders/ members of the Company who hold shares in **physical form** are therefore requested to send a valid copy of their CNIC and NTN Certificate, to the Company's Shares Registrar, M/s. Noble Computer Services (Pvt.) Limited at the

above mentioned address, to allow the Company to ascertain the status of the shareholder/member.

Shareholders/ members of the Company who hold shares in **scrip-less form on Central Depository System (CDS) of Central Depository Company of Pakistan Limited (CDC)** are requested to send valid copies of their CNIC and NTN Certificate to their CDC Participants / CDC Investor Account Services.

Where the required documents are not submitted, the Company will be constrained to treat the non-complying shareholder/ member as a non-filer thereby attracting a higher rate of withholding tax.

• **Dividend Mandate (Optional):**

The Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders wishing to exercise this option may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant) / CDC.

CDC Account Holders are further required to follow the guidelines mentioned hereinbelow as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

1. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the CDC Regulations shall authenticate their identity by showing their original Computerized National Identity Card ("CNIC") or original passport at the time of attending the meeting.
2. In case of corporate entities, board of directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of the meeting.

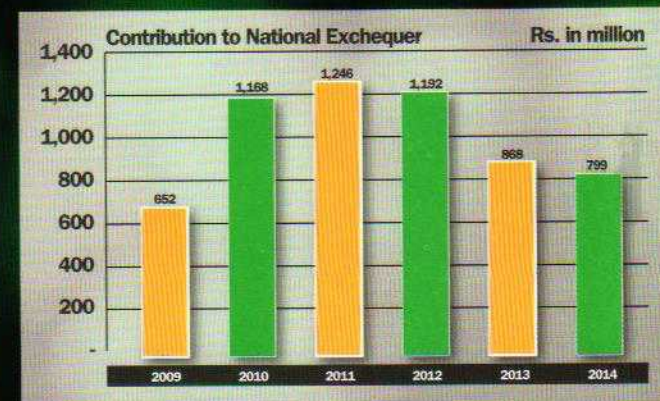
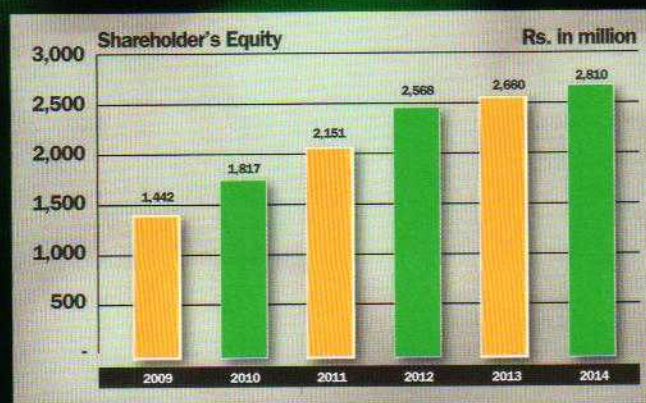
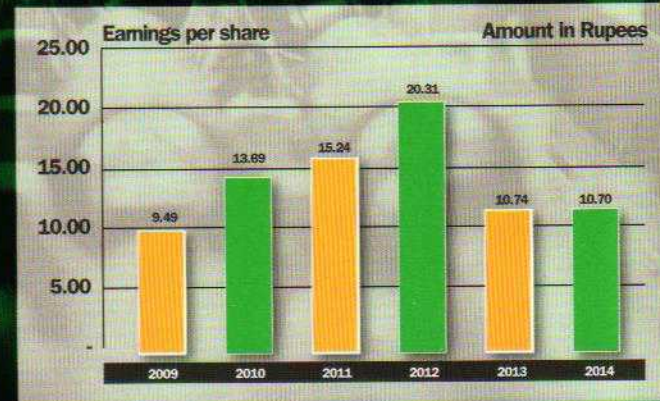
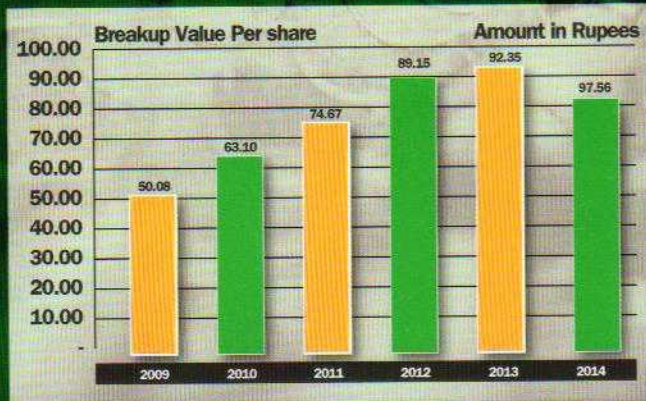
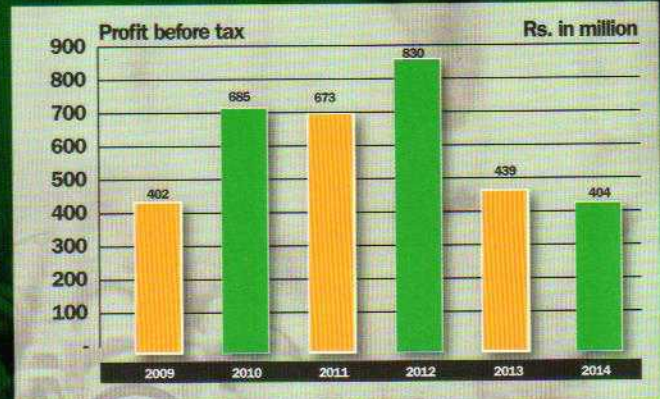
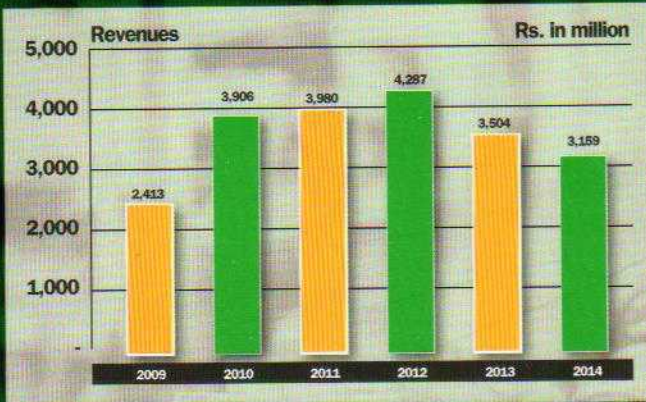
B. For Appointing Proxies:

1. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the CDC Regulations shall submit the proxy form as per the abovementioned requirements.
2. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
3. Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
4. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
5. In case of corporate entities, board of directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless provided earlier) along with the proxy form to Company.

Six years' at a Glance

	Rs. '000'					
	2014	2013	2012	2011	2010	2009
Operating Results						
Net Sales	3,158,800	3,503,624	4,286,674	3,980,258	3,906,482	2,413,309
Gross Profit	510,937	574,603	925,703	809,331	956,234	485,166
Profit Before Tax	403,565	439,134	830,446	672,581	685,273	401,878
Profit After Tax	308,238	309,420	585,064	438,960	394,242	273,371
Earnings per share	10.70	10.74	20.31	15.24	13.69	9.49
Cash Dividend	100%	110%	150%	100%	90%	40%
Financial Position						
Current Ratio	6.48: 1	6.02: 1	8.00: 1	7.42: 1	5.95: 1	5.69: 1
Paid up share capital	144,000	144,000	144,000	144,000	144,000	144,000
Reserve & unappropriated profit	2,665,617	2,515,820	2,423,584	2,006,583	1,673,326	1,298,168
Shareholders' equity	2,809,617	2,659,820	2,567,584	2,150,583	1,817,326	1,442,168
Breakup value per share	97.56	92.35	89.15	74.67	63.10	50.08
Return on Equity	10.97%	11.63%	22.79%	20.41%	21.69%	18.96%

Financial Highlights



Board of



YUTAKA ARAE
Chairman



FAHIM KAPADIA
Chief Executive



SOHAIL P. AHMED

Directors



OWAISUL MUSTAFA



ASIF RIZVI



ZAFAR IQBAL SOBANI



MUHAMMAD ALI JAMEEL

Directors' Report

TO THE SHAREHOLDERS

FOR THE YEAR ENDED JUNE 30, 2014

Dear Shareholders,

The Directors of your Company have the pleasure of presenting the Annual Report based on the results of its operations along with the audited accounts for the year ended June 30, 2014.

The Board of Directors is pleased to recommend a cash dividend of 100% i.e. Rs. 5.00 per share. The Board has also recommended appropriation of Rs. 170.0 million from un-appropriated profits to General Reserve.

PAKISTAN'S ECONOMY

The GDP growth registered an increase from last year's 3.7 per cent to 4.1 percent in the year 2013-14, against the targeted 4.4 per cent for the year. The agriculture sector grew by 2.1% against growth of 2.9% last year and the Large Scale Manufacturing grew by 5.3% as compared to 4.1% of last year.

The preceding year witnessed some major successes such as economic growth, containment of inflation at single digit, improvements in the tax collection, reduction in the fiscal deficit and strengthening of Rupee in view of rising foreign exchange reserves. Still, the factors hampering growth and foreign investment like the power related issues and war in the northern part of the country are yet to be resolved.

AUTOMOTIVE SECTOR

Auto Industry, in particular the tractor industry was badly affected due to the sharp increase in the general sales tax from 10% to 16%. There were few months during the year under review where the supply of tractor parts remained zero.

In the passenger car segment, the year under review was dull, as the much expected Auto Industry Development Plan (AIDP) could not be finalized. The discussions on opening up of trade with India also remained uncertain. Resultantly, this segment showed a 3% negative growth.

Summarized automobile production figures comparing 2014 with 2013 appears below:

	2014	2013	Change
Passenger Cars	116,281	120,332	(3%)
Light Commercial Vehicles	18,694	15,992	17%
Trucks & Buses	3,232	2,445	32%
Tractors	34,521	50,856	(32%)
Motorcycles (2 & 3 Wheelers)	1,728,137	1,675,071	3%

Source : PAMA

1. SUMMARY OF FINANCIAL RESULTS

Following are the summarized financial results of the Company for the year 2014:

	2014	2013
	(Rs. '000)	
Turnover	3,158,800	3,503,624
Gross Profit	510,937	574,603
Profit before Taxation	403,565	439,134
Taxation	(95,327)	(129,714)
Profit after Taxation	308,238	309,420
Earnings Per Share (Rs.)	10.70	10.74

Sales for the year 2014 are 10% less than last year. Major contributors for this reduction are the negative growth in the passenger car segment and a substantial decline in the sale of tractor parts. The profit after tax has marginally reduced.

Despite the inflationary pressures the distribution and administrative costs remained under control. Other Income increased due to the reversal of provision for impairment amounting to Rs. 49.2 million on account of the sale of Makro Habib Pakistan Limited shares to Thal Limited.

2. NEW PRODUCTS

Your Company always strives to add new products to cater for the demand of the auto industry. During the year under review, Manual type Window Regulator was successfully developed with technical assistance from Shiroki Corporation, Japan and the commercial production has started. This successful implementation will pave the way for the development of power type window regulator.

The Company has also started the development of front shock absorbers for an upcoming new Japanese motorcycle assembler in Pakistan. The Company will be signing a Technical Service Agreement with KYB Motorcycle Suspension Co Ltd, Japan for the technical assistance for development of this shock absorber assembly.

The Company has also started development of shock absorbers for the major auto assembler.

3. PROCESS IMPROVEMENT ACTIVITIES

The Company during the year has also signed a Technical Assistance Agreement with M/s. Sannou Riken, Japan for the improvement of Hard Chrome Plating Process. Hard Chrome is the basic requirement for the piston rod of the shock absorber. We are very hopeful that with the assistance and support from the Japanese Consultant, the technical level of our processes and the efficiency will increase to cater for the higher demand in the future.

Quarterly TPM (Total Productivity Management) Consultancy sessions by a Japanese expert were held during the year under review. These trainings have been very effective for the maintenance of the machines and improvement of various processes. These sessions will continue for the next year as well.



4. AGRIAUTO STAMPING COMPANY (PRIVATE) LIMITED

The Company established a wholly owned subsidiary by the name of Agriauto Stamping Company (Private) Limited (ASC) in the year 2012. Technical Assistance Agreement was signed with Ogihara Thailand Company Limited (OTC). The commercial production commenced from July 2014.

With the help of the technical partner and the untiring efforts of all our team members, the project was completed in-time within the budgeted project cost. The project was inaugurated on June 09, 2014 in an impressive gathering of all our customers, dealers and the representative of the auto parts manufacturers association. This is a great achievement as this project will pave the way for development of complex high tensile sheet metal parts at competitive prices.



Commercial supplies from the new plant started on July 02, 2014. The plant is running since then with no major problems.





5. SAFETY, HEALTH AND ENVIRONMENT (SHE)

Throughout the year, our SHE Department has continued its mission to prevent injury and ill health at work place. We have focused our efforts in inculcating and motivating behavioral change and improving health and safety standards.

- Our proactive inspections are targeted in areas of highest risks and the countermeasures have been taken based on hazards identification activity in each plants.
- No major accident was reported during the year.
- Ensured provision and monitoring of safe drinking water for the Company employees and monthly check from the Laboratory.
- We are focusing on prevention of all types of emissions.

6. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company proactively follows the ten guiding principles of United Nation Global Compact (UNGC). Our CSR Policy envisages continuous support to the local community and wellness of its stakeholders. The projects under taken during the year under review are;

a. Support to Educational Institutes

- Construction of under-ground water tank for Government Girls Secondary School, Hub.
- Provision of books to various schools.
- Repair & renovation work for different educational institutions.

b. Support to Medical Institutes

- Contributed to Murshid Hospital for Janum Project, to increase the level of health services / training of the hospital staff through specialized personnel.

c. Provision of Rations

- To cater for the needs of community at Hub, the company distributed Ration Hampers to the widows/poor families at Hub during the month of Ramadan.

7. INDUSTRIAL HARMONY

Company remains committed to fulfilling its legal obligations towards the workforce and complies with regulations regarding their wages and benefits, thus leading to excellent industrial harmony and amicable management of labor relations.

a. Distribution of Rations

- The Company distributed Ration Hampers to all the workers as a Ramadan Gift.

b. Medical Camp

- Free medical and Eye Camp was carried out for all employees. The members with poor eye sight were provided with free eye glasses.

8. CONTRIBUTION TO NATIONAL EXCHEQUER

During the year under review, your Company contributed Rs. 0.798 billion to the National Exchequer.

9. HUMAN RESOURCE

As in the preceding years, our Human Resource Department remained committed to cultivating a participative culture, providing benefits to employees that promote health, wellness and work-life balance. Through employee's orientation and professional development, we foster the values of inclusiveness, camaraderie and continuous learning. In all areas of work our HR firmly upholds the tenets of accountability and trust.

a. Training & Development

A variety of Training and Development opportunities were offered to various tiers of Management:-

- Two of our executives were sent on Association for Overseas Technical Scholarship (AOTS) Training to Japan.
- Three executives were sent to Japan for one month training on Shiroki Project.
- One Executive sent for three months training to Thailand for High Tensile Welding.
- Three Executives attended training course on "Chrome Plating Process" conducted by Sannou Riken Co. Ltd at Japan.
- Active discussion on 'Values' and various in house training sessions for officers and junior team members remained a regular feature.

b. Reward & Recognition

As part of our Reward & Recognition Policy, long services recognition awards were given to the employees during the year.



10. FUTURE OUTLOOK

The outlook for local auto sector in terms of sales growth appears quite healthy in view of some decisions in the Federal and Provincial Budgets and the launching of the new models.

The most encouraging news was the cut in general sales tax on tractor industry from 16% to 10%. This reduction in sales tax will definitely give boost to the local tractor industry as the price of tractor would reduce between Rs. 30,000 to Rs. 90,000.

Another boost for the auto industry is the announcement by the Punjab government for allocating Rs. 25 billion for the tax scheme. We have got the orders for the supply of parts of 50,000 additional Van/Pickup starting Oct 2014.

We are also projecting increase in sales of parts for the new model of our largest customer which has been launched recently.

In the motorcycle segment, a new Japanese assembler is setting up its new plant in the Port Qassim area. They have extended us the development work for the front shock absorber. The supply is expected in the middle of 2015.

In all we are foreseeing a much better year ahead with a hope that political conditions in the country remain stable.

We urge the Government to finalize the Auto Industry Development Plan (AIDP) which has now been pending for long. This long term plan will encourage the vendors to introduce new products as the frequent changes always disturb the feasibility for the new products.

11. PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2014 is annexed.

12. CORPORATE AND FINANCIAL REPORTING

In compliance with the listing regulation # 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange, the Directors of the Company do hereby declare the following:

- a. The financial statements prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of account have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.



- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

The value of investments made by the Provident Fund for the year ended June 30, 2014 amounted to Rs. 146 million.

13. NUMBER OF BOARD MEETINGS

During the year, five Board meeting were held and attendance is given hereunder:

SL #	Names	No of meetings Attended/held
1	Mr. Yutaka Arae	5/5
2	Mr. Fahim Kapadia	5/5
3	Mr. Sohail P. Ahmed	5/5
4	Mr. Owaisul Mustafa	5/5
5	Mr. Asif Rizvi	4/5
6	Mr. Alireza M. Alladin *	3/5
7	Mr. Daneshwar F. Dinshaw *	5/5

* Subsequent to the year end, Mr. Zafar Iqbal Sobani and Mr. Muhammad Ali Jameel have been appointed as Directors on the Board upon resignation from Mr. Alireza M. Alladin and Mr. Daneshwar F. Dinshaw. The Board acknowledges the valuable contribution made by Mr. Alladin and Mr. Dinshaw during their association with the Company and welcomes Mr. Sobani and Mr. Jameel on to the Board.

14. AUDITORS

The existing Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co (Chartered Accountants) retired and have offered themselves for re-appointment. The reappointment has also been recommended by the Audit Committee of the Board.

15. STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement of compliance to the Code of Corporate Governance is annexed herewith.



16. ACKNOWLEDGMENT

We are pleased to acknowledge that the relations with employees remained cordial and harmonious throughout the year. The Management recognizes and records its sincere appreciation to all employees for their continued dedication, commitment and hard work for the growth and prosperity of the company, without which this performance would not have been possible. Once again we expect the same zeal and commitment to continue and prevail.

On behalf of the Board of Directors, we would like to place on record our appreciation to all our Patrons, Dealers, Suppliers and Employees for their valuable help, steady support and contribution to the Company. We are also thankful to all our overseas technical collaborators, M/s Gabriel Ride Control Products (GRC), Inc. USA, M/s KYB Corporation, Japan, M/s Aisin Seiki Co. Ltd, Japan, M/s. Shiroki Corporation, Japan, M/s. Sannou Riken Co Ltd, Japan and M/s. Ogihara (Thailand) Co. Ltd for their technical assistance and advice.

On behalf of the Board of Directors.



Fahim Kapadia
Chief Executive

KARACHI
DATED : August 29,2014

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. Agriauto Industries Limited (the Company) has applied the principles contained in the Code of Corporate Governance in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors (the Board). At present, the Board comprises of seven directors which includes five non-executive directors.
2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange
4. No casual vacancies occurred during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause (xi) of the Code, two directors of the Company are exempted from the requirement of the Directors' Training Program, two directors are certified from Pakistan Institute of Corporate Governance and the rest of the Directors will be trained within the prescribed time period during June 30, 2012 to June 30, 2016. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Board had arranged an orientation course of the Code of Corporate Governance for its directors in the previous years to apprise them of their role and responsibilities.

10. No new appointment of CFO/Company Secretary has been made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an Audit Committee. It comprises three members, of whom three are non-executive directors and the chairman of the committee is a non-executive director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of five members, of whom three are non-executive directors and the chairman of the committee is a non executive director.
18. The board has outsourced the internal audit function to Noble Computer Services (Private) Limited who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with, except that the position of the Company secretary and CFO is held by the same person. The said decision has been taken by the Board keeping in view the size of the Company.

On behalf of the Board



Chairman



Chief Executive

Karachi: August 29, 2014

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Agriauto Industries Limited (the Company) for the year ended **30 June 2014** to comply with the requirements of Listing Regulations No. 35 Chapter XI of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended **30 June 2014**.



Chartered Accountants

Date: 29 August 2014

Place: Karachi

AUDITORS' REPORT TO THE MEMBERS

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

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014, and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of the Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

Date: 29 August 2014

Place: Karachi

Balance Sheet

AS AT JUNE 30, 2014

	Note	2014	2013
		(Rs. in 000')	
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
		<u>1,607,947</u>	<u>1,213,561</u>
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
		<u>1,493,000</u>	<u>1,799,451</u>
TOTAL ASSETS		<u>3,100,947</u>	<u>3,013,012</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
40,000,000 (2013: 40,000,000) Ordinary shares of Rs. 5/- each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up capital	15	144,000	144,000
Reserves		<u>2,665,617</u>	<u>2,515,820</u>
		<u>2,809,617</u>	<u>2,659,820</u>
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
		<u>230,275</u>	<u>298,752</u>
CONTINGENCIES AND COMMITMENTS			
	18		
TOTAL EQUITY AND LIABILITIES		<u>3,100,947</u>	<u>3,013,012</u>

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		308,197	308,236

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

Issued, subscribed and paid-up capital	Reserves				Gain / (loss) on changes in fair value of available-for-sale investments	Total	Total equity
	Capital reserve	Revenue reserves		Total			
	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 Arae
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')	(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')	(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 (Rs. in 000')	2013
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 proceeds (Rs. in 000')	Gain / (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 Courre	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 Courre	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	<u>1,028,320</u>	<u>703,125</u>

- 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)
		-	-
		<u>6,234</u>	<u>5,714</u>

- 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
	<u>55,336</u>	<u>75,107</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

		2014	2013
		(Rs. in 000')	
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')	
11.	TRADE DEBTS – unsecured		
	Considered good	246,250	472,811
	Considered doubtful	1,526	931
	Provision for impairment	(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	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	215	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	-
		59,375	294
		67,361	23,624
13. SHORT TERM INVESTMENTS			
Held-to- maturity			
Term deposit receipts	13.1	510,000	50,000
Accrued profit thereon		410	300
		510,410	50,300
Available-for-sale - Money Market Fund			
		-	41
		510,410	50,341

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
		135,304	550,787
		135,344	550,812

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

22,800	22,800	Fully paid in cash	114,000	114,000
6,000	6,000	Issued as fully paid bonus shares	30,000	30,000
28,800	28,800		144,000	144,000

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
		<u>230,275</u>	<u>270,217</u>

(Unaudited)

17.1 General Disclosures			
Size of the fund		146,275	132,749
Cost of investments		106,050	107,382
Fair value of investments	17.1.1	146,275	132,749
Percentage of investments		100%	100%

17.1.1 The breakup of fair value of investments is:

	2014		2013	
	(Unaudited)			
	(Rs. in 000')	(%)	(Rs. in 000')	(%)
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	<u>146,275</u>	<u>100</u>	<u>132,749</u>	<u>100</u>

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
		118,245	128,970
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
		1,056	828
23. FINANCE COSTS			
Mark-up on finance lease		-	7
Bank charges		89	119
		89	126
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
		37,865	32,993

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	-
		94,265	68,315
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	-
		8,502	5,067
Refund of Workers' Profit Participation Fund		-	7,370
		105,383	81,374
26. TAXATION			
Current		87,581	127,573
Prior		1,131	(793)
Deferred		6,615	2,934
		95,327	129,714
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
		95,327	129,714

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	309,420
Weighted average number of ordinary shares outstanding during the year (in 000')	28,800	28,800
Basic earnings per share (Rs.)	10.70	10.74

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	432,708
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	320,163
29. CASH AND CASH EQUIVALENTS		
Cash and bank balances	14	135,344
Short term investments – term deposit receipts	13	510,000
		645,344
		550,812
		50,000
		600,812

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			
	On demand	Less than 3 months (Rupees in '000)	3 to 12 Months	Total
Trade and other payables	86,514	135,448	8,313	230,275
	2013			
	On demand	Less than 3 months (Rupees in '000)	3 to 12 Months	Total
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	2013
	(Rs. in 000')	
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		Executives	Chief		Executives
	Chairman	Executive		Chairman	Executive	
(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



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Agriauto Industries Limited (the Holding Company)** and its subsidiary company (together referred to as Group) as at **30 June 2014** and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company Agriauto Stamping Company (Private) Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary company as at **30 June 2014** and the results of their operations for the year then ended.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

Date: 29 August 2014

Place: Karachi

Consolidated Balance Sheet

AS AT JUNE 30, 2014

	Note	2014 (Rs. in 000')	2013
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	1,306,026	1,027,749
Long term deposits and other receivable	8	12,805	12,285
		1,318,831	1,040,034
CURRENT ASSETS			
Stores, spares and loose tools	9	56,274	75,107
Stock-in-trade	10	483,939	625,925
Trade debts	11	245,968	472,811
Advances, deposits, prepayments and other receivables	12	67,478	23,755
Accrued profit		1,754	1,548
Sales tax refundable		61,255	8,571
Short term investments	13	510,410	50,341
Taxation – net		50,353	9,045
Cash and bank balances	14	264,132	650,457
		1,741,563	1,917,560
TOTAL ASSETS		3,060,394	2,957,594
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		2,581,857	2,469,897
		2,725,857	2,613,897
NON CURRENT LIABILITIES			
Deferred taxation	16	61,055	54,440
CURRENT LIABILITIES			
Trade and other payables	17	273,482	289,257
CONTINGENCIES AND COMMITMENTS			
	18		
TOTAL EQUITY AND LIABILITIES		3,060,394	2,957,594

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive

Consolidated Profit And Loss Account

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		(Rs. in 000')	
Turnover - net	19	3,158,518	3,503,624
Cost of sales	20	(2,647,581)	(2,929,021)
Gross profit		510,937	574,603
Distribution costs	21	(56,556)	(54,754)
Administrative expenses	22	(162,927)	(166,696)
Finance costs	23	(157)	(185)
		(219,640)	(221,635)
Operating profit		291,297	352,968
Other charges	24	(37,865)	(32,993)
Other income	25	112,296	88,202
		74,431	55,209
Profit before taxation		365,728	408,177
Taxation	26	(95,327)	(129,714)
Profit after taxation		270,401	278,463
		Rupees	Rupees
Earnings per share – basic and diluted	27	9.39	9.67

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rs. in 000')	2013
Net profit for the year		270,401	278,463
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		270,360	277,279

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive

Consolidated 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	653,614	272,460
Finance costs paid		(157)	(185)
Income tax paid		(130,020)	(136,938)
Long term deposits		(520)	(8,331)
Net cash generated from operating activities		522,917	127,006
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(353,960)	(611,395)
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)
Profit received on term deposit receipts		11,604	33,998
Profit received on deposit accounts		15,489	19,103
Net cash used in investing activities		(292,781)	(516,196)
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		73,675	(602,973)
Cash and cash equivalents at the beginning of the year		700,457	1,303,430
Cash and cash equivalents at the end of the year	29	774,132	700,457

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive

Consolidated Statement of Changes In Equity

FOR THE YEAR ENDED JUNE 30, 2014

Issued, subscribed and paid-up capital	Reserves				Gain / (loss) on changes in fair value of available-for-sale investments	Total	Total equity
	Capital reserve	Revenue reserves		Unappropriated profit			
	Share premium	General					
(Rs. in 000')							
Balance as at June 30, 2012	144,000	12,598	1,815,000	579,795	1,225	2,408,618	2,552,618
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	-	-	-	278,463	-	278,463	278,463
Other comprehensive loss	-	-	-	-	(1,184)	(1,184)	(1,184)
Total comprehensive income for the year	-	-	-	278,463	(1,184)	277,279	277,279
Balance as at June 30, 2013	144,000	12,598	2,160,000	297,258	41	2,469,897	2,613,897
Final dividend for the year ended June 30, 2013 @ Rs. 5.5 /- per share	-	-	-	(158,400)	-	(158,400)	(158,400)
Transfer to general reserve	-	-	175,000	(175,000)	-	-	-
Profit after taxation for the year	-	-	-	270,401	-	270,401	270,401
Other comprehensive loss	-	-	-	-	(41)	(41)	(41)
Total comprehensive income for the year	-	-	-	270,401	(41)	270,360	270,360
Balance as at June 30, 2014	144,000	12,598	2,335,000	234,259	-	2,581,857	2,725,857

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arai
Chairman



Fahim Kapadia
Chief Executive

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

1. THE GROUP AND ITS OPERATIONS

- 1.1 Agriauto Industries Limited (the Holding 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 Holding Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors. The registered office of the Holding Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

The Group comprises of the Holding Company and Agriauto Stamping Company (Private) Limited (the Subsidiary Company). The Subsidiary Company was incorporated in Pakistan on January 20, 2012 as a private limited company, under the Companies Ordinance, 1984. The Subsidiary Company will be engaged in stamping of sheet metal parts, dies, fixtures primarily for the automotive industry and has commenced its commercial operations on 02 July, 2014. The registered office of the Subsidiary Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

2. STATEMENT OF COMPLIANCE

- 2.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (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

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

The Group is currently evaluating the impact of the above standards and interpretation on the Group'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 consolidated financial statements have been prepared under the historical cost convention except for available-for-sale investments which are valued as stated in note 5.6 to the consolidated financial statements.

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

4. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Holding Company and its Subsidiary Company as at June 30, 2014.

The Subsidiary Company's assets, liabilities, income and expenses have been consolidated on a line by line basis from the date of its incorporation. The financial statements of the Subsidiary Company are prepared, using accounting policies consistent with those of the Holding Company. All intra-group balances, transaction, gains and losses resulting from intra-group transactions and dividends are eliminated in full.

5. 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:

5.1 New / revised standards, interpretations and amendments

The Group 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.

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

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 consolidated financial statements.

5.2 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 7 to the consolidated 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 Group's owned assets.

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

5.3 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.

5.4 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.

5.5 Trade debts and other receivables

Trade debts originated by the Group 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.

5.6 Investments

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.

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

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.

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.

5.7 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.

5.8 Financial instruments

All financial assets and liabilities are recognised at the time when the Group 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.

5.9 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 Group 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.

5.10 Employees' benefits

Provident fund

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

Compensated absences

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

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

5.11 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.

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.

5.12 Provisions

Provision is recognised in the balance sheet when the Group 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.

5.13 Warranty obligations

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

5.14 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.

5.15 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.

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

5.16 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.

5.17 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".

5.18 Dividends and appropriation to reserve

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

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated 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 Group'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 estimates and judgments which are significant to the consolidated financial statements:

	Notes
- determining the residual values and useful lives of property, plant and equipment	5.2 & 7
- valuation of inventories	5.3, 5.4, 9 & 10
- provision against trade debts and other receivables	5.5, 8 & 11
- provision for tax and deferred tax	5.11, 16 & 26
- provision for employee's benefits	5.10 & 17.1
- warranty obligations	5.13 & 17.3

Note	2014	2013
	(Rs. in 000')	

7. PROPERTY, PLANT AND EQUIPMENT

Operating assets – tangible	7.1	598,796	492,166
Capital work-in-progress	7.4	707,230	535,583
		<u>1,306,026</u>	<u>1,027,749</u>

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

7.1 Operating assets

	C O S T				ACCUMULATED DEPRECIATION				WRITTEN
	As at	As at	As at	Depreciation	As at	Charge	Disposals	As at	DOWN
	July 01, 2013	June 30, 2014	June 30, 2014		rate	July 01, 2013	for the Year	for the Year	June 30, 2014
(Rs. In 000')	(Rs. In 000')	(Rs. In 000')	%	(Rs. In 000')	(Rs. In 000')	(Rs. In 000')	(Rs. In 000')	(Rs. In 000')	
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Leasehold land	29,418	-	29,418	1.79	525	525	-	1,050	28,368
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	879,018	182,312 (20,582)	1,040,748		386,852	70,079	(14,979)	441,952	598,796

	C O S T				ACCUMULATED DEPRECIATION				WRITTEN
	As at	As at	As at	Depreciation	As at	Charge	Disposals	As at	DOWN
	July 01, 2012	June 30, 2013	June 30, 2013		rate	July 01, 2012	transfers* for the Year	adjustment* for the Year	June 30, 2013
(Rs. In 000')	(Rs. In 000')	(Rs. In 000')	%	(Rs. In 000')	(Rs. In 000')	(Rs. In 000')	(Rs. In 000')	(Rs. In 000')	
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Leasehold land	29,418	-	29,418	1.79	-	525	-	525	28,893
Building on freehold land	109,501	-	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
	841,336	78,299 (42,923) 2,306*	879,018		355,843	63,052 1,053*	(33,096)	386,852	492,166
Leased									
Vehicles	2,306	(2,306)*	-	20	1,010	43 (1,053)*	-	-	-
2013	843,642	78,299 (42,923)	879,018		356,853	63,095	(33,096)	386,852	492,166

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

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

	Note	2014 (Rs. in 000')	2013
Cost of sales	21	61,150	52,466
Distribution costs	22	872	777
Administrative expenses	23	8,057	9,852
		<u>70,079</u>	<u>63,095</u>

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

Particulars	Accumulated		Book value (Rs. in 000')	Sales proceeds	Gain / (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	<u>20,582</u>	<u>14,979</u>	<u>5,603</u>	<u>9,567</u>	<u>3,964</u>		
2013	<u>42,923</u>	<u>33,096</u>	<u>9,827</u>	<u>9,568</u>	<u>(259)</u>		

7.4 Capital work-in-progress

	Plant and machinery	Civil works	Dies and tools	Advance to suppliers / contractors	Total
	(Rs. in 000')				
Balance as at July 01, 2013	296,230	222,569	5,712	11,072	535,583
Capital expenditure incurred / advances made during the year	148,501	120,111	-	-	268,612
Transfer to fixed assets / advance adjusted against civil works during the year	(64,119)	(17,865)	(5,712)	(9,269)	(96,965)
Balance as at June 30, 2014	<u>380,612</u>	<u>324,815</u>	<u>-</u>	<u>1,803</u>	<u>707,230</u>

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
(Rs. in 000')			
8. LONG TERM DEPOSITS AND OTHER RECEIVABLE			
Security deposits – considered good		12,805	12,285
Other receivable - considered doubtful		-	49,252
Less: Provision for impairment	8.1	-	(49,252)
		-	-
		12,805	12,285

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:

- 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
- 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.

	Note	2014	2013
(Rs. in 000')			
9. STORES, SPARES AND LOOSE TOOLS			
Stores		20,665	38,710
Spares		30,690	30,748
Loose tools		4,919	5,649
		56,274	75,107
10. STOCK-IN-TRADE			
Raw material		326,267	475,256
Packing material		4,419	4,160
Work-in-process		46,291	47,436
Finished goods		17,197	11,433
Goods-in-transit		89,765	87,640
		483,939	625,925

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).

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rs. in 000')	2013
11. TRADE DEBTS – unsecured			
Considered good		245,968	472,811
Considered doubtful		1,526	931
Provision for impairment	11.1	(1,526)	(931)
		-	-
		<u>245,968</u>	<u>472,811</u>
11.1 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	6,082
Employees		145	123
		<u>313</u>	<u>11,621</u>
Deposits		215	200
Prepayments			
Insurance		5,306	7,536
Rent		2,269	2,256
Others		-	1,848
		<u>7,575</u>	<u>11,640</u>
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>67,478</u>	<u>23,755</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>

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

- 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		85,419	28,185
- deposit accounts	14.1	178,673	622,247
		<u>264,092</u>	<u>650,432</u>
		<u>264,132</u>	<u>650,457</u>

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

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

		2014	2013
(Rs. in 000')			
Ordinary shares of Rs. 5/- each			
Number of shares in (000')			
	<u>2014</u>	<u>2013</u>	
22,800	22,800	Fully paid in cash	114,000
6,000	6,000	Issued as fully paid bonus shares	30,000
<u>28,800</u>	<u>28,800</u>		<u>144,000</u>

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

16. DEFERRED TAXATION

	2014	2013
(Rs. in 000')		
Taxable temporary differences arising due to:		
- accelerated tax depreciation	89,658	81,103
Deductable temporary differences arising due to:		
- provisions	(28,603)	(26,663)
	<u>61,055</u>	<u>54,440</u>

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

17. TRADE AND OTHER PAYABLES

	Note	2014 (Rs. in 000')	2013
Creditors		100,368	99,830
Royalty payable		11,149	12,560
Accrued liabilities		108,211	110,091
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
Retention money		10,706	5,678
Others		535	2,353
		273,482	289,257

17.1 General Disclosures	Note	2014 — (Unaudited) —	2013
Size of the fund		146,275	132,749
Cost of investments		106,050	107,382
Fair value of investments	17.1.1	146,275	132,749
Percentage of investments		100%	100%

17.1.1 The breakup of fair value of investments is:

	2014 (Rs. in 000')		2013 (Rs. in 000')	
	(Rs. in 000')	(%)	(Rs. in 000')	(%)
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

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.

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	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: (Refund) / payment made during the year		48,015	(6,978)
Balance at end of the year		<u>(10,123)</u>	<u>12,231</u>

	Note	2014 (Rs. in 000')	2013
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 Group 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. 341.645 million (2013: Rs. 169.459 million).
- (ii) Commitments in respect of capital expenditure amount to Rs. 15.230 million (2013: Rs. 33.990 million).
- (iii) Outstanding bank guarantees issued to Sui Southern Gas Company Limited amounts to Rs. 0.385 million (2013: Rs. 0.385 million)

19. TURNOVER – net

	Note	2014 (Rs. in 000')	2013
Sales		3,704,493	4,068,990
Less: Trade discount		7,091	221
Sales tax		538,884	565,145
		<u>545,975</u>	<u>565,366</u>
		<u>3,158,518</u>	<u>3,503,624</u>

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

20. COST OF SALES	Note	2014 (Rs. in 000')	2013
Raw material consumed			
Opening stock		475,256	544,286
Purchases		1,862,725	2,224,301
		2,306,342	2,768,587
Closing stock		(326,267)	(475,256)
		2,011,714	2,293,331
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	7.2	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 fees		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			
		2,653,345	2,917,723
Finished goods			
Opening stock		11,433	22,731
Closing stock		(17,197)	(11,433)
		(5,764)	11,298
		2,647,581	2,929,021
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	7.2	872	777
Provision for warranty claims	17.3	5,760	2,613
Provision / (reversal) for impairment of trade debts	11.1	595	(444)
Rent, rates and taxes		140	99
Communications and professional fee		272	209
Insurance		231	225
Repairs and maintenance		451	657
Others		77	239
		56,556	54,754

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rs. in 000')	2013
22. ADMINISTRATIVE EXPENSES			
Salaries and benefits		58,378	57,779
Legal and professional charges		21,818	26,852
Repairs and maintenance		13,501	11,394
Technical fees		20,548	27,333
Depreciation	7.2	8,057	9,852
Printing and stationery		808	1,068
Computer supplies		423	299
Rent, rates and taxes		3,464	3,236
Traveling and conveyance		11,885	11,593
Communications and professional fee		3,209	2,696
Utilities		6,231	6,838
Security services		4,916	4,218
Insurance		1,460	1,490
Auditors' remuneration	22.1	1,198	928
Advertisement		169	198
Others		6,862	922
		162,927	166,696
22.1 Auditors' remuneration			
Audit fee for standalone financial statements		725	650
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		103	70
		1,198	928
23. FINANCE COSTS			
Mark-up on finance lease		-	7
Bank charges		157	178
		157	185
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
		37,865	32,993
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.		

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		(Rs. in 000')	
25. OTHER INCOME			
Income from financial assets			
Profit on:			
- term deposit receipts		11,715	23,873
- deposit accounts		15,694	19,043
Gain on sale of available-for-sale investments		24,517	32,227
Reversal of provision for impairment		49,252	-
		101,178	75,143
Liabilities no longer payable - written back		2,616	622
Income from non-financial assets			
Gain / (loss) on disposal of property, plant and equipment	7.3	3,964	(259)
Scrap sales		1,445	5,326
Miscellaneous income		3,093	-
		8,502	5,067
Refund of Workers' Profit Participation Fund		-	7,370
		112,296	88,202
26. TAXATION			
Current		87,581	127,573
Prior		1,131	(793)
Deferred		6,615	2,934
		95,327	129,714
26.1 Relationship between tax expense and accounting profit			
Profit before taxation		365,728	408,177
Tax at the rate of 34% (2013: 35%)		124,348	142,862
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)
Effect of change in tax rate		837	459
Deferred		18,642	13,310
		95,327	129,714

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

- 26.2** As at the year end, there is a deferred tax asset of Rs. 28.478 million (2013: Rs. 15.614 million) in the Subsidiary Company which has not been recognized in these consolidated financial statements in view of the Company's intentions to opt for tax credit for a period of five years as provided under section 65 D of the Income Tax Ordinance, 2001.

27. EARNINGS PER SHARE – basic and diluted

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

	Note	2014 (Rs. in 000')	2013
Profit after taxation (Rs. in 000')		270,401	278,463
Weighted average number of ordinary shares outstanding during the year (in 000')		28,800	28,800
Basic earnings per share (Rs.)		9.39	9.67
	Note	2014 (Rs. in 000')	2013

28. CASH GENERATED FROM OPERATIONS

Profit before taxation		365,728	408,177
Adjustments for			
Depreciation		70,079	63,095
Finance costs		157	185
Provision / (reversal) 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		(15,694)	(19,043)
(Gain) / loss on disposal of property, plant and equipment		(3,965)	259
		12,324	(12,670)
		378,052	395,507
(Increase) / decrease in current assets			
Stores, spares and loose tools		18,833	2,665
Stock-in-trade		141,986	56,002
Trade debts		225,966	(156,511)
Advances, deposits, prepayments and other receivables		(43,723)	(12,539)
Sales tax refundable		(31,943)	(30,828)
		311,119	(141,211)
(Decrease) / increase in current liabilities			
Trade and other payables		(14,816)	18,164
Sales tax payable		(20,741)	-
		(35,557)	18,164
		653,614	272,460

29. CASH AND CASH EQUIVALENTS

Cash and bank balances	14	264,132	650,457
Short term investments – term deposit receipts	13	510,000	50,000
		774,132	700,457

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group'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.

(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 Group is exposed to interest rate risk in respect of bank deposits, term deposit receipts and investment in income based mutual funds. Management of the Group estimates that 1% increase in the market interest rate, with all other factor remaining constant, would increase the Group's profit after tax by Rs. 4.979 million (2013: Rs. 4.717 million) and a 1% decrease would result in the decrease in the Group'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 Group 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 Group's performance to developments affecting a particular industry.

The Group is mainly exposed to credit risk mainly on trade debts, short term investments and bank balances. The Group 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.

	Note	2014 (Rs. in 000')	2013
Trade debts			
The analysis of trade debts is as follows:			
Neither past due nor impaired		218,643	447,472
Past due but not impaired – 30 to 90 days		27,325	25,339
		245,968	472,811

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	Note	2014 (Rs. in '000')	2013
Bank balances			
Ratings			
A-1+		59,259	13,741
A1+		204,119	635,971
P1		714	720
		<u>264,092</u>	<u>650,432</u>
Short term investments			
Ratings			
A1+		510,000	-
A-1+		-	41
		<u>510,000</u>	<u>41</u>

30.3 Liquidity risk

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

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

2014

	On demand	Less than 3 months (Rupees in '000)	3 to 12 Months	Total
Trade and other payables	<u>97,220</u>	<u>167,949</u>	<u>8,313</u>	<u>273,482</u>

2013

	On demand	Less than 3 months (Rupees in '000)	3 to 12 Months	Total
Trade and other payables	<u>79,613</u>	<u>198,436</u>	<u>11,208</u>	<u>289,257</u>

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 consolidated financial statements approximate their fair values.

Fair value hierarchy

The Group 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.

Consolidated Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

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 Group has available-for-sale investments measured at fair value using level 1 valuation technique.

32. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard the Group'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 Group is currently financing majority of its operations through equity and working capital. The capital structure of the Group is equity based with no financing through long term borrowings.

33. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group 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 consolidated financial statements, are as follows:

	Note	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 consolidated financial statements.

34. REMUNERATION OF THE CHAIRMAN, CHIEF EXECUTIVE AND EXECUTIVES

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

	2014			2013		
	Chief Chairman	Chief Executive	Executives	Chief Chairman	Chief 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 Group maintained vehicles in accordance with the Group's policy.

34.3 No remuneration has been paid to Chief Executive of the Subsidiary Company during the year.

35. PRODUCTION CAPACITY

The production capacity of the Group 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 Group 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 Group'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.

Subsequent to the balance sheet date, the Company completed the testing and trial of its production facility and has started commercial production from July 02, 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. INFORMATION ABOUT OPERATING SEGMENTS

The activities of the Group are organized into one operating segment i.e. manufacture and sale of automotive parts. The Group operates in the said reportable operating segment based on the nature of products, risks and returns, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these financial statements relates to the Group's only reportable segment.

The operating interests of the Group are confined to Pakistan in terms of production areas and customers. Accordingly, the figures reported in these financial statements relate to the Group's only reportable operating segment in Pakistan.

Of the Company's sale, three customers account for more than 10% each.

40. GENERAL

40.1 Figures have been rounded off to the nearest thousands.

40.2 There were no material reclassifications to report.

41. DATE OF AUTHORISATION FOR ISSUE

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



Yutaka Arae
Chairman



Fahim Kapadia
Chairman

Pattern of Shareholding

As at June 30, 2014

Number of Share Holders	Size of Share Holdings			Total Shares Held
	From		To	
1,656	1	-	100	44,286
836	101	-	500	209,485
353	501	-	1,000	258,084
408	1,001	-	5,000	917,467
59	5,001	-	10,000	420,936
27	10,001	-	15,000	352,156
18	15,001	-	20,000	322,652
12	20,001	-	25,000	286,548
15	25,001	-	30,000	400,411
3	30,001	-	35,000	99,003
11	35,001	-	40,000	413,394
3	40,001	-	45,000	130,705
7	45,001	-	50,000	338,531
1	50,001	-	55,000	50,139
4	55,001	-	60,000	234,900
3	60,001	-	65,000	185,799
3	65,001	-	70,000	199,633
6	75,001	-	80,000	464,424
1	80,001	-	85,000	84,042
4	85,001	-	90,000	353,588
2	95,001	-	100,000	199,000
1	100,001	-	105,000	100,325
1	105,001	-	110,000	107,660
3	115,001	-	120,000	355,292
1	120,001	-	125,000	123,741
1	130,001	-	135,000	131,832
2	145,001	-	150,000	292,869
2	160,001	-	165,000	326,582
1	165,001	-	170,000	165,859
1	180,001	-	185,000	181,800
1	190,001	-	195,000	191,661
1	215,001	-	220,000	216,600
1	245,001	-	250,000	250,000
1	270,001	-	275,000	275,000
1	340,001	-	345,000	341,700
5	360,001	-	365,000	1,812,222
1	395,001	-	400,000	400,000
1	450,001	-	455,000	451,080
1	525,001	-	530,000	525,626
1	535,001	-	540,000	536,000
1	565,001	-	570,000	567,047
4	595,001	-	600,000	2,400,000
1	715,001	-	720,000	715,500
1	720,001	-	725,000	721,500
1	895,001	-	900,000	900,000
1	1,045,001	-	1,050,000	1,048,920
1	1,215,001	-	1,220,000	1,215,600
1	1,245,001	-	1,250,000	1,248,139
1	1,305,001	-	1,310,000	1,308,720
1	5,920,001	-	5,925,000	5,923,542
3,472				28,800,000

Pattern of Shareholding

As at June 30, 2014

No.	Categories of Shareholders	Number of Shares held	Category wise No. of Folios/CDC A/Cs	Category wise shares held	%
1	INDIVIDUALS		3,372	8,224,781	28.56%
	INVESTMENT COMPANIES		4	3,489	0.01%
3	JOINT STOCK COMPANIES		24	1,704,165	5.92%
4	DIRECTORS', CHIEF EXECUTIVE OFFICER AND THEIR SPOUSES & MINOR CHILDREN		8	9,909	0.03%
	Yutaka Arae	1,000			
	Fahim Kapadia	3,000			
	Sohail P.Ahmed	1,599			
	Owais ul Mustafa	1,310			
	Asfi Rizvi	1,000			
	Daneshwer F. Dinshaw	1,000			
	Alireza M. Alladin	1,000			
		9,909			
5	EXECUTIVES	-	-	-	0.00%
6	ASSOCIATED COMPANIES Holding 5% or more voting interest		2	2,115,600	7.35%
	Thal Limited	2,115,600			
7	PUBLIC SECTOR COMPANIES & CORP.	-	-	-	0.00%
8	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & PENSION FUNDS		19	1,137,956	3.95%
	Banks, DFIs & NBFIs	681,266			
	Insurance Companies	83,093			
	Modaraba	30,320			
	Pension Funds	343,277			
		1,137,956			
9	MUTUAL FUNDS		8	2,456,880	8.53%
	JS Value Fund	536,000			
	JS Aggressive Asset Allocation Fund	17,000			
	Atlas Islamic Stock Fund	36,000			
	APIF Equity Sub Fund	50,000			
	Golden Arrow Selected	3,000			
	Al Meezan Mutual Fund	164,460			
	Meezan Islamic Fund	341,700			
	National Bank of Pakistan-Trustee Department	1,308,720			
		2,456,880			
10	FOREIGN INVESTORS Holding 5% or more voting interest		21	12,612,238	43.79%
	Robert Finance Corporation, AG	7,171,681			
11	CO-OPERATIVE SOCIETIES		1	1,542	0.01%
12	CHARITABLE INSTITUTIONS		7	356,261	1.24%
13	OTHERS		6	177,179	0.62%
	TOTAL		3,472	28,800,000	100.00%

SHARE-HOLDERS HOLDING FIVE(5) PERCENT OR MORE VOTING INTEREST IN THE COMPANY

NAME(S) OF SHARE-HOLDER(S)	DESCRIPTION	NO OF SHARES HELD	% AGE
Thal Limited	FALLS IN CATEGORY # 6	2,115,600	7.35%
Robert Finance Corporation, AG	FALLS IN CATEGORY # 10	7,171,681	24.90%

Form of Proxy

The Secretary
Agriauto Industries Limited House
of Habib, 5th floor
Shahrah -e- Faisal,
Karachi -75350

I/We _____
of _____ in the district of _____
being a member of Agriauto Industries Limited and holder of _____
_____ Ordinary shares as per Share Register Folio
(No. of Shares) _____
No. _____ and/or CDC Participant I.D. No. _____
And Sub. Account No. _____ hereby appoint _____
of _____ in the district of _____
or failing him _____ of _____
as my/our proxy to vote for me/us and on my/our behalf at the 33rd Annual General Meeting of the Company to be
held on September 29, 2014 and at any adjournment thereof.

Signed this _____ day of _____ 2014.

WITNESSES

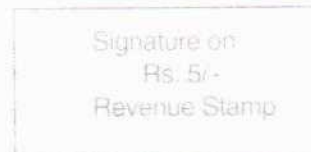
Signature _____
Name _____
Address _____

(Signature should agree with the specimen
signature registered with the Company).

NIC or
Passport No. _____

Signature _____
Name _____
Address _____

NIC or
Passport No. _____



Note :

1. This proxy form duly completed and signed, must be received at the Registered Office of the Company or Share Registrar of the Company, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/she himself/herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoint more than one proxy and more than one instrument of proxy are deposited by a member with the Company, at such instruments of proxy shall be considered valid.

For CDC Account Holders / Corporate Entities:

In addition to the above the following requirements have to be met:

- i. The proxy form shall be witnessed by two (two) persons whose names are mentioned in the form.
- ii. Attested copies of CNIC or the passport of the beneficial owner of the proxy shall be furnished with the proxy form.
- iii. The proxy shall produce his original CNIC or original passport at the time of meeting.
- iv. In case of a corporate entity, the Board of Directors' resolution (power of attorney) with specimen signature shall be submitted unless it has been provided when filed with the proxy form to the Company.



agriauto
INDUSTRIES LIMITED

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