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HALF YEARLY REPORT 2019










GHANDHARA
INDUSTRIES LIMITED



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Company Information

Legal Advisors

S. Abid Sherazi & Co.
Ahmed and Qazi
Hassan & Hassan (Advocates)

Bankers

National Bank of Pakistan
Al-Baraka Bank (Pakistan) Ltd.
JS Bank Ltd.
Faysal Bank Ltd.
The Bank of Punjab
MCB Islamic
Bank Al Falah Ltd.
Meezan Bank Ltd.
Bank Al Habib Ltd.
Samba Bank Limited
Habib Metropolitan Bank Limited

Share Registrar

Hameed Majeed Associates (Pvt.) Ltd.
4th Floor, Karachi Chamber,
Hasrat Mohani Road, Karachi.

Registered Office

F-3, Hub Chawki Road, S.I.T.E.
Post Box No. 2706, Karachi - 75730

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

Board of Directors

| | |
|------------------------------------|-----------------|
| Lt. Gen. (R) Ali Kuli Khan Khattak | Chairman |
| Mr. Ahmad Kuli Khan Khattak | Chief Executive |
| Mrs. Shahnaz Sajjad Ahmad | Director |
| Maj. (R) Muhammad Zia | Director |
| Mr. Muhammad Kuli Khan Khattak | Director |
| Mr. Shahid Kamal Khan | Ind. Director |
| Mr. Sohail Hameed Khan | Ind. Director |

Audit Committee

| | |
|------------------------|-----------|
| Mr. Sohail Hameed Khan | Chairman |
| Maj. (R) Muhammad Zia | Member |
| Mr. Shahid Kamal Khan | Member |
| Mr. Shahnawaz Damji | Secretary |

Human Resource & Remuneration

Committee

| | |
|-----------------------------|-----------|
| Mr. Shahid Kamal Khan | Chairman |
| Mr. Ahmad Kuli Khan Khattak | Member |
| Maj. (R) Muhammad Zia | Member |
| Mr. Sohail Hameed Khan | Member |
| Mr. Hassan Mahmood | Secretary |

Chief Financial Officer

Mr. Iftikhar Ahmed Khan

Company Secretary

Mr. Talha Ahmed Zaidi

Auditors

M/s. ShineWing Hameed Chaudhri & Co.
Chartered Accountants
5th Floor, Karachi Chambers
Hasrat Mohani Road, Karachi.

Directors' Review

The directors of your company hereby present the unaudited financial statements both standalone and consolidated for the half year ended December 31, 2019.

Financial results

The overall truck and bus market has decreased by 45% as compared with same period of last year, however overall market share of the company stood at approximately 42% for the half year ended December 31, 2019. The company is aware of the challenges being faced by the economy and is accordingly adapting measures to phase out negative impacts from the bottom line figures of the Company.

The results for the half year ended are as follows:

| | STANDALONE | | CONSOLIDATED | |
|--|-----------------------------|-----------|-----------------------------|-----------|
| | Half Year ended 31 December | | Half Year ended 31 December | |
| | 2019 | 2018 | 2019 | 2018 |
| | ----- Rupees in 000 ----- | | | |
| Sales | 5,880,616 | 7,567,541 | 5,880,616 | 7,567,541 |
| Gross profit | 752,755 | 1,054,332 | 752,755 | 1,054,332 |
| Profit from operations | 343,909 | 639,210 | 343,758 | 639,065 |
| (Loss) / Profit before taxation | (144,323) | 384,117 | (144,290) | 384,149 |
| (Loss) / Profit after taxation | (105,075) | 383,116 | (105,052) | 383,139 |
| (Loss) / Earnings per share - basic and diluted (Rupees) | (2.47) | 8.99 | (2.47) | 8.99 |

Operating results

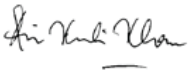
The Company's gross profit observed a decline by 29% as compared with same period last year whereas the Company posted loss after tax of Rs. 105 million as compared with profit of Rs. 383.1 Million during same period last year due to increasing costs on account of currency devaluation, inflationary pressures along with surge in finance cost which alone rose by 91% as compared with corresponding period of last year on account of increased policy rates, these all factors ultimately translated into Loss per share (LPS) of Rs. 2.47 as against EPS of Rs. 8.99 for the corresponding period of last year.

Future outlook

The overall economic indicators of Pakistan still show a challenging outlook, interest rates and increasing inflation have adversely affected overall industry's progress. In order to revamp sustained growth and boost customer confidence government need to introduce policies that will restore market confidence and accelerate economic activities across the board especially focusing on decreasing policy rates and controlling the inflation keeping in view other fiscal and monetary measures. This could further be confirmed by the fact that had the KIBOR rate fixed at that of the June 2018 the company would still have posted profit during these six months ended December 31, 2019.

However, keeping in view the economic trends, the Company is making all necessary efforts to improve its position on the back of enhanced product line and improved competitiveness which will create sufficient potential demand in local market which will ultimately benefit the stakeholders of the Company and Economy as a whole.

By order of the Board



Ali Kuli Khan Khattak
Chairman



Ahmad Kuli Khan Khattak
Chief Executive Officer

Karachi
February 19, 2020

ڈائریکٹرز کا جائزہ:

ہم گندھارا انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کے 31 دسمبر 2019ء کی ششماہی کی غیر آڈٹ شدہ عبوری مالیاتی معلومات پیش کرتے ہیں۔

مالیاتی نتائج:

پچھلے سال کی اسی مدت کے مقابل میں مجموعی اعتبار سے ٹرک اور بس کی مارکیٹ میں 45 فیصد کمی واقع ہوئی ہے، تاہم 31 دسمبر 2019 کو ختم ہونے والے نصف سال کے دوران کمپنی کا مجموعی طور پر مارکیٹ شیئر 42 فیصد رہا۔ کمپنی معیشت کو درپیش چیلنجوں سے آگاہ ہے اور اس کے مطابق کمپنی منفی اثرات کو زائل کرنے کے اقدامات اٹھا رہی ہے۔

اس مدت کے اہم نتائج درج ذیل ہیں:

| | STANDALONE | | CONSOLIDATED | |
|--|-----------------------------|-----------|-----------------------------|-----------|
| | Half Year ended 31 December | | Half Year ended 31 December | |
| | 2019 | 2018 | 2019 | 2018 |
| | ----- Rupees in 000 ----- | | | |
| Sales | 5,880,616 | 7,567,541 | 5,880,616 | 7,567,541 |
| Gross profit | 752,755 | 1,054,332 | 752,755 | 1,054,332 |
| Profit from operations | 343,909 | 639,210 | 343,758 | 639,065 |
| (Loss) / Profit before taxation | (144,323) | 384,117 | (144,290) | 384,149 |
| (Loss) / Profit after taxation | (105,075) | 383,116 | (105,052) | 383,139 |
| (Loss) / Earnings per share - basic and diluted (Rupees) | (2.47) | 8.99 | (2.47) | 8.99 |

عملی نتائج:

پچھلے سال کی اسی مدت کے مجموعی نفع کے مقابل میں کمپنی کے مجموعی نفع میں 29 فیصد کمی واقع ہوئی جبکہ ٹیکس کی ٹوٹی کے بعد 105 ملین روپے کا نقصان ہوا جو کہ اسی مدت میں پچھلے سال بعد از ٹیکس نفع 383.1 ملین روپے تھا۔ جس کی وجہ پچھلے سال کی اسی مدت کے مقابلے میں کرنسی کی گرتی ہوئی ساکھ، مالی لاگت میں 91 فیصد اضافہ، مہنگائی کا دباؤ اور شرح سود میں اضافہ ہے۔ ان سارے عوامل کے نتیجے میں فی حصص 2.47 روپے نقصان ہوا جو کہ پچھلے سال اسی مدت میں نفع فی حصص 8.99 روپے تھا۔

مستقبل پر نظر:

پاکستان کے معاشی اشارے اب بھی تقابلی نقطہ نظر کو ظاہر کرتے ہیں۔ شرح سود اور بڑھتی ہوئی افراط زر نے مجموعی صنعت کو بُری طرح متاثر کیا ہے۔ مستحکم ٹوکو بہتر بنانے اور صارفین کے اعتماد میں اضافے کے لیے حکومت کو ایسی حکمت عملی اپنانے کی ضرورت ہے جو مارکیٹ میں اعتماد بحال کرے اور ہر شعبہ میں معاشی سرگرمیوں کو تیز کرے خاص طور پر مہنگائی کی روک تھام اور افراط زر میں کمی کے اقدامات پر توجہ کی ضرورت ہے۔ مزید برآں اس بات کی تصدیق اس حقیقت سے کی جاسکتی ہے کہ اگر شرح سود (KIBOR) جون 2018 کی سطح پر برقرار رکھی جاتی تو کمپنی 31 دسمبر 2019 کو اختتام پذیر ہونے والی ششماہی میں بھی نفع کا اندراج کرتی۔

تاہم، معاشی رجحانات کو مد نظر رکھتے ہوئے، کمپنی، بہتر مصنوعات کی صف میں اپنی ساکھ بہتر بنانے اور مسابقت میں بہتری کی ہر ممکنہ کوشش کر رہی ہے جس سے مقامی مارکیٹ میں طلب کار رجحان بڑھے گا جس سے بل آخر معیشت، کمپنی اور اس کے حصص یافتگان مستفید ہوں گے۔

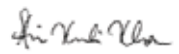
تکمیل پورڈ

کراچی: فروری 19، 2020



احمد علی خان خٹک

چیف ایگزیکٹو آفیسر



احمد علی خان خٹک

چیرمین

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statements of financial position of Ghandhara Industries Limited as at December 31, 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cashflows, and notes to the financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2019.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditors' review report is Osman Hameed Chaudhri.

SHINEWING HAMEED CHAUDHRI & CO.

CHARTERED ACCOUNTANTS
KARACHI;

Date: February 19, 2020

Condensed Interim Statement Of Financial Position

AS AT DECEMBER 31, 2019

| | Note | (Un-audited) December 31, 2019 | (Audited) June 30, 2019 |
|------------------------------------|------|--------------------------------------|-------------------------------|
| ------(Rupees in '000)----- | | | |
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 5 | 2,755,561 | 2,770,727 |
| Intangible assets | | 197 | 260 |
| Investment property | | 88,292 | 88,413 |
| Long term investment | | 1,400 | 1,400 |
| Long term loans | | 2,260 | 3,639 |
| Long term deposits | | 23,738 | 21,948 |
| Deferred taxation | | 229,317 | 87,158 |
| | | 3,100,765 | 2,973,545 |
| Current assets | | | |
| Stores | | 4,068 | 8,328 |
| Stock-in-trade | 6 | 8,826,142 | 10,359,425 |
| Trade debts | 7 | 507,273 | 88,406 |
| Loans and advances | | 165,635 | 133,759 |
| Trade deposits and prepayments | | 468,852 | 542,834 |
| Other receivables | | 10,840 | 6,981 |
| Sales tax refundable / adjustable | | 777,631 | 390,789 |
| Taxation - payments less provision | | 1,052,865 | 918,194 |
| Cash and bank balances | | 65,057 | 500,441 |
| | | 11,878,363 | 12,949,157 |
| Total assets | | 14,979,128 | 15,922,702 |

The annexed notes 1 to 16 form an integral part of the condensed interim financial statements.



Ahmad Kuli Khan Khattak

Chief Executive



Maj. (R) Muhammad Zia

Director



Iftikhar Ahmed Khan

Chief Financial Officer

Condensed Interim Statement Of Financial Position

AS AT DECEMBER 31, 2019

| | Note | (Un-audited) December 31, 2019 ------(Rupees in '000)----- | (Audited) June 30, 2019 |
|---|------|---|-------------------------------|
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorised capital | | | |
| 100,000,000 (June 30, 2019: 50,000,000) ordinary shares of Rs.10 each | | 1,000,000 | 500,000 |
| Issued, subscribed and paid up capital | | | |
| 42,608,844 (June 30, 2019: 42,608,844) ordinary shares of Rs.10 each | | 426,088 | 426,088 |
| Revenue reserve | | | |
| Unappropriated profit | | 2,071,656 | 2,172,735 |
| Capital reserve | | | |
| Surplus on revaluation of fixed assets | | 2,045,565 | 2,049,561 |
| | | 4,543,309 | 4,648,384 |
| Liabilities | | | |
| Non current liabilities | | | |
| Lease liabilities | | 78,182 | 51,745 |
| Compensated absences | | 14,623 | 13,045 |
| Deferred liabilities | | 26,071 | 19,759 |
| | | 118,876 | 84,549 |
| Current liabilities | | | |
| Trade and other payables | | 3,343,731 | 4,582,157 |
| Unpaid dividends | | 78,959 | 78,959 |
| Unclaimed dividends | | 22,068 | 22,151 |
| Accrued mark-up / interest | | 279,503 | 196,453 |
| Short term borrowings | 8 | 6,564,399 | 6,296,614 |
| Current maturity of lease liabilities | | 28,283 | 13,435 |
| | | 10,316,943 | 11,189,769 |
| Total liabilities | | 10,435,819 | 11,274,318 |
| Contingencies and commitments | 9 | | |
| Total equity and liabilities | | 14,979,128 | 15,922,702 |

The annexed notes 1 to 16 form an integral part of the condensed interim financial statements.



Ahmad Kuli Khan Khattak

Chief Executive



Maj. (R) Muhammad Zia

Director



Iftikhar Ahmed Khan

Chief Financial Officer

Condensed Interim Statement Of Profit Or Loss And Other Comprehensive Income (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

| Note | Quarter ended | | Half year ended | |
|--|------------------|----------------|------------------|------------------|
| | December 31, | December 31, | December 31, | December 31, |
| | 2019 | 2018 | 2019 | 2018 |
| ----- (Rupees in '000) ----- | | | | |
| Sales - net | 2,852,104 | 3,183,699 | 5,880,616 | 7,567,541 |
| Cost of sales | (2,506,327) | (2,752,169) | (5,127,861) | (6,513,209) |
| Gross profit | 345,777 | 431,530 | 752,755 | 1,054,332 |
| Distribution cost | (130,880) | (139,259) | (279,010) | (275,689) |
| Administrative expenses | (81,885) | (78,945) | (146,342) | (142,156) |
| Other expenses | (3,898) | (2,756) | (4,371) | (22,265) |
| Other income | 12,494 | 21,856 | 20,878 | 24,988 |
| Profit from operations | 141,607 | 232,426 | 343,909 | 639,210 |
| Finance cost | (266,641) | (162,122) | (488,233) | (255,093) |
| (Loss) / profit before taxation | (125,033) | 70,304 | (144,323) | 384,117 |
| Taxation | 6,251 | 9,109 | 39,248 | (1,001) |
| (Loss) / profit after taxation | (118,782) | 79,413 | (105,075) | 383,116 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive (loss) / income | (118,782) | 79,413 | (105,075) | 383,116 |
| ----- (Rupees) ----- | | | | |
| Basic and diluted (loss) / earnings per share | (2.79) | 1.86 | (2.47) | 8.99 |

The annexed notes 1 to 16 form an integral part of the condensed interim financial statements.



Ahmad Kuli Khan Khattak
Chief Executive



Maj. (R) Muhammad Zia
Director



Iftikhar Ahmed Khan
Chief Financial Officer

Condensed Interim Statement Of Changes In Equity (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

| | Share capital | Revenue Reserve Unappro- priated profit | Capital Reserve Surplus on revaluation of fixed assets | Total |
|--|------------------------------|--|---|------------------|
| | ----- (Rupees in '000) ----- | | | |
| Balance as at July 1, 2018 (Audited) | 213,044 | 2,651,071 | 1,860,014 | 4,724,129 |
| Transaction with owners recognised directly in equity | | | | |
| Final dividend for the year ended June 30, 2018 at the rate of Rs.15.6 per share | - | (332,349) | - | (332,349) |
| Bonus shares issued | 213,044 | (213,044) | - | - |
| Total comprehensive income for the half year ended December 31, 2018 | | | | |
| Profit for the period | - | 383,116 | - | 383,116 |
| Other comprehensive income | - | - | - | - |
| | - | 383,116 | - | 383,116 |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred taxation | - | 2,229 | (2,229) | - |
| Balance as at December 31, 2018 (Un-audited) | 426,088 | 2,491,023 | 1,857,785 | 4,774,896 |
| Balance as at July 1, 2019 (Audited) | 426,088 | 2,172,735 | 2,049,561 | 4,648,384 |
| Total comprehensive income for the half year ended December 31, 2019 | | | | |
| Loss for the period | - | (105,075) | - | (105,075) |
| Other comprehensive income | - | - | - | - |
| | - | (105,075) | - | (105,075) |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred taxation | - | 3,996 | (3,996) | - |
| Balance as at December 31, 2019 (Un-audited) | 426,088 | 2,071,656 | 2,045,565 | 4,543,309 |

The annexed notes 1 to 16 form an integral part of the condensed interim financial statements.



Ahmad Kuli Khan Khattak
Chief Executive



Maj. (R) Muhammad Zia
Director



Iftikhar Ahmed Khan
Chief Financial Officer

Condensed Interim Statement of Cash Flows

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

| Note | Half year ended | |
|---|----------------------|----------------------|
| | December 31, 2019 | December 31, 2018 |
| ----- (Rupees in '000) ----- | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash used in operations | 11 (20,154) | (4,165,125) |
| Gratuity paid | (4,732) | (338) |
| Compensated absences paid | (53) | - |
| Finance cost paid | (405,183) | (193,005) |
| Income tax paid | (237,582) | (388,889) |
| Long term loans - net | 1,379 | 532 |
| Long term deposits - net | (1,790) | (7,615) |
| Net cash used in operating activities | (668,115) | (4,754,440) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (46,617) | (124,886) |
| Proceeds from sale of operating fixed assets | 3,824 | 2,717 |
| Interest received | 2,210 | 1,291 |
| Net cash used in investing activities | (40,583) | (120,878) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Lease liabilities - net | 5,612 | (5,023) |
| Dividend paid | (83) | (298,648) |
| Net cash generated from / (used in) financing activities | 5,529 | (303,671) |
| Net decrease in cash and cash equivalents | (703,169) | (5,178,989) |
| Cash and cash equivalents - at beginning of the period | (5,796,173) | (3,134,590) |
| Cash and cash equivalents - at end of the period | (6,499,342) | (8,313,579) |

The annexed notes 1 to 16 form an integral part of the condensed interim financial statements.



Ahmad Kuli Khan Khattak

Chief Executive



Maj. (R) Muhammad Zia

Director



Iftikhar Ahmed Khan

Chief Financial Officer

Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

Ghandhara Industries Limited (the Company) was incorporated on February 23, 1963. The Company's shares are quoted on Pakistan Stock Exchange Limited. The principal activity is the assembly, progressive manufacturing and sale of Isuzu trucks, buses and pick ups. The registered office of the Company is at F-3, Hub Chowki Road, S.I.T.E, Karachi.

Bibojee Services (Private) Limited, the ultimate Holding Company, held 16,686,794 (June 30, 2019: 16,686,794) ordinary shares of Rs.10 each of the Company.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where the provision of and directives issues under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements have been subjected to limited scope review by the auditors, as required under section 237 of Companies Act, 2017 and should be read in conjunction with audited annual financial statements of the Company for the year ended June 30, 2019.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended June 30, 2019.

The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending June 30, 2020.

The Company has initially adopted IFRS 16 'Leases' from July 1, 2019. A number of other new standards are effective from July 1, 2019 but they do not have a material effect on these condensed interim financial statements.

IFRS 16 'Leases' affects primarily the accounting by lessees and results in the recognition of almost all leases on statement of financial position. The standard removes distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors does not significantly changed. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IFRS 16, for sale and lease back transactions a transfer of asset is accounted for as a sale when a performance obligation is satisfied as required by IFRS 15.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach, the cumulative effect of initial application to be recognized in retained earnings at July 1, 2019. Accordingly, the comparative information presented for 2019 has not been restated - i.e. it is presented as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below:

Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16 the Company recognizes right to use assets and lease liabilities for leases - i.e. these leases are on the statement of financial position. On initial application, the Company has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Some lease contracts of the Company are extendable through mutual agreement between the Company and the lessor or cancellable by both parties immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that such contracts are short-term in nature. The Company recognizes the lease payments associated with these leases as an expense in statement of profit or loss.

The Company presents right to use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The Company present its lease liabilities as a separate line item in the statement of financial position.

The Company recognizes a right to use asset and a lease liability at the lease commencement date. The right to use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurement of the lease liability. At transition, the Company recognised right to use assets equal to the present value of lease payments.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate is used.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited annual financial statements for the year ended June 30, 2019.

| | Note | (Un-audited) December 31, 2019 ----- (Rupees in '000) ----- | (Audited) June 30, 2019 |
|--------------------------|------|--|-------------------------------|
| Operating fixed assets | 5.1 | 2,604,632 | 2,681,578 |
| Right to use assets | 5.3 | 76,928 | - |
| Capital work-in-progress | | 74,001 | 89,149 |
| | | <u>2,755,561</u> | <u>2,770,727</u> |

Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

| | Note | (Un-audited) December 31, 2019 ----- (Rupees in '000) ----- | (Audited) June 30, 2019 |
|--|------|--|-------------------------------|
| 5.1 Operating fixed assets | | | |
| Net book value at beginning of the period / year | | 2,681,578 | 2,045,429 |
| Transfer to right to use assets costing Rs.82,758 thousand | | (53,884) | |
| Additions during the period / year | 5.2 | 61,765 | 792,239 |
| Disposals and written off, costing Rs.3,695 thousand (June 30, 2019: Rs.76,810 thousand) - at net book value | | (1,616) | (14,434) |
| Depreciation charge for the period / year | | (83,211) | (141,656) |
| Net book value at end of the period / year | | <u>2,604,632</u> | <u>2,681,578</u> |
| 5.2 Revaluation / additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year | | | |
| Owned | | | |
| - Leasehold land | | - | 189,300 |
| - Building on leasehold land | | 44,375 | 143,039 |
| - Plant and machinery | | 297 | 71,094 |
| - Permanent tools | | 115 | 16,262 |
| - Furniture and fixture | | 734 | 1,388 |
| - Motor vehicles | | 11,598 | 32,133 |
| - Trucks / lift trucks | | - | 20,923 |
| - Office machines & equipment | | 2,187 | 10,400 |
| - Computers | | 542 | 2,769 |
| - Jigs and special tools | | 1,917 | 274,633 |
| Leased - Cars | | - | 30,298 |
| | | <u>61,765</u> | <u>792,239</u> |
| 5.3 Right to use assets | | | |
| Transfer from operating fixed assets costing Rs.82,758 thousand | | 53,884 | - |
| Amount recognised on initial application | | 32,380 | - |
| Additions during the period | | 3,293 | - |
| Depreciation charge for the period | | (12,629) | - |
| Net book value at end of the period | | <u>76,928</u> | - |
| 6. STOCK-IN-TRADE | | | |
| Raw materials and components | | 4,901,543 | 7,300,167 |
| Work-in-process | | 87,176 | 153,698 |
| Finished goods including components | | 3,087,181 | 2,295,343 |
| Trading stocks | | 750,242 | 610,217 |
| | | <u>8,826,142</u> | <u>10,359,425</u> |

Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

| | (Un-audited) December 31, 2019 ----- (Rupees in '000) ----- | (Audited) June 30, 2019 |
|---|--|-------------------------------|
| 7. TRADE DEBTS - Unsecured | | |
| Government and semi-government agencies | 10,468 | 2,072 |
| Others including dealers - net | 496,805 | 86,334 |
| | <u>507,273</u> | <u>88,406</u> |
| 8. SHORT TERM BORROWINGS - Secured | | |
| Running finances | 1,832,311 | 1,753,234 |
| Finance against imported merchandise | 2,280,235 | 2,941,765 |
| Istisna | 2,241,949 | 1,440,727 |
| Murabaha | 209,904 | 160,888 |
| | <u>6,564,399</u> | <u>6,296,614</u> |

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

There has been no significant change in status of contingencies other than describe below and as disclosed in note 27.1 of the audited annual financial statements of the Company for the year ended June 30, 2019.

| | (Un-audited) December 31, 2019 ----- (Rupees in '000) ----- | (Audited) June 30, 2019 |
|------------------------|--|-------------------------------|
| 9.2 Commitments | | |
| Bank guarantees | 3,649,783 | 3,943,290 |
| Letters of credit | <u>1,279,071</u> | <u>1,453,626</u> |

| | (Un-audited) | | | |
|--------------------------|------------------------------|----------------------|----------------------|----------------------|
| | Quarter ended | | Half year ended | |
| Note | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| 10. COST OF SALES | ----- (Rupees in '000) ----- | | | |

| | | | | |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Stocks at beginning of the period | 2,963,558 | 2,233,730 | 2,905,560 | 1,963,261 |
| Cost of goods manufactured | 3,389,802 | 4,462,159 | 5,647,288 | 8,349,429 |
| Trading goods - purchases | (9,610) | 182,179 | 412,436 | 326,418 |
| | <u>3,380,192</u> | <u>4,644,338</u> | <u>6,059,724</u> | <u>8,675,847</u> |
| | 6,343,750 | 6,878,068 | 8,965,284 | 10,639,108 |
| Stocks at end of the period | <u>(3,837,423)</u> | <u>(4,125,899)</u> | <u>(3,837,423)</u> | <u>(4,125,899)</u> |
| | <u>2,506,327</u> | <u>2,752,169</u> | <u>5,127,861</u> | <u>6,513,209</u> |

Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

10.1 Cost of goods manufactured

Work in process at beginning of the period
Raw materials and components consumed
Direct labour and factory overheads

Work in process at end of the period

| Note | (Un-audited) | | | |
|------|---------------|--------------|-----------------|--------------|
| | Quarter ended | | Half year ended | |
| | December 31, | December 31, | December 31, | December 31, |
| | 2019 | 2018 | 2019 | 2018 |

----- (Rupees in '000) -----

| | | | |
|-----------|-----------|-----------|-----------|
| 102,579 | 154,803 | 153,698 | 109,209 |
| 3,116,130 | 4,233,709 | 5,118,237 | 7,842,122 |
| 258,269 | 310,322 | 462,529 | 634,773 |
| 3,374,399 | 4,544,031 | 5,580,766 | 8,476,895 |
| 3,476,978 | 4,698,834 | 5,734,464 | 8,586,104 |
| (87,176) | (236,675) | (87,176) | (236,675) |
| 3,389,802 | 4,462,159 | 5,647,288 | 8,349,429 |

11. CASH USED IN OPERATIONS

(Loss) / profit before taxation
Adjustment for non cash charges and other items

Depreciation / amortization on:

- property, plant and equipment
- right to use asset
- intangible assets
- investment property

Gain on disposal of operating fixed assets

Provision for compensated absences

Provision for doubtful advances

Amortization of gain on sale and lease back
of fixed asset

Exchange loss

Provision for gratuity

Interest income

Finance cost

Working capital changes - net

| Note | (Un-audited) | |
|------|-----------------|--------------|
| | Half year ended | |
| | December 31, | December 31, |
| | 2019 | 2018 |

----- (Rupees in '000) -----

| | |
|-----------|-------------|
| (144,323) | 384,117 |
| 83,211 | 55,322 |
| 12,629 | - |
| 63 | 63 |
| 121 | 123 |
| (2,208) | (2,714) |
| 1,631 | - |
| 3,730 | - |
| (179) | (181) |
| 23 | 119 |
| 11,223 | 12,431 |
| (2,210) | (1,291) |
| 488,233 | 255,093 |
| 451,944 | 703,082 |
| (472,098) | (4,868,207) |
| (20,154) | (4,165,125) |

11.1

Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

| Note | (Un-audited) Half year ended | |
|--|---------------------------------|----------------------|
| | December 31, 2019 | December 31, 2018 |
| | ----- (Rupees in '000) ----- | |
| 11.1 Working capital changes | | |
| Decrease / (increase) in current assets: | | |
| Stores | 4,260 | (4,278) |
| Stock-in-trade | 1,533,283 | (4,713,504) |
| Trade debts | (422,597) | (28,340) |
| Loans and advances | (31,876) | 32,114 |
| Trade deposits and prepayments | 73,982 | 194,157 |
| Other receivables | (3,882) | (16,310) |
| Sales tax refundable / adjustable | (386,842) | (297,524) |
| | 766,328 | (4,833,685) |
| Decrease in trade and other payables | (1,238,426) | (34,522) |
| | (472,098) | (4,868,207) |
| 12. CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 65,057 | 243,936 |
| Short term borrowings | (6,564,399) | (8,557,515) |
| | (6,499,342) | (8,313,579) |

13. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk).

The condensed interim financial statements does not include all financial risk management information and disclosures required in the audited annual financial statements and should be read in conjunction with the audited annual financial statement of the Company as at June 30, 2019.

There have been no changes in the risk management policies since the year end.

Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

14. TRANSACTIONS WITH RELATED PARTIES

14.1 Significant transactions with related parties are as follows:

| Name of related party and nature of relationship | Nature of transactions | (Un-audited) | |
|--|------------------------------------|----------------------|----------------------|
| | | Half year ended | |
| | | December 31, 2019 | December 31, 2018 |
| ---- (Rupees in '000) ---- | | | |
| (a) Holding Company | | | |
| Bibojee Services (Pvt.) Ltd. | Dividend paid | - | 130,157 |
| | Bonus shares issued | - | 83,434 |
| (b) Subsidiary Company | | | |
| Marghzar Industries (Pvt.) Ltd. | Financial charges | 185 | 177 |
| | Reimbursement of expenses | 152 | 145 |
| (c) Associated Companies | | | |
| The General Tyre and Rubber Co. of Pakistan Ltd. (Common Directorship) | Purchase of tyres | 73,918 | 117,957 |
| | Dividend paid | - | 1,571 |
| | Bonus shares issued | - | 1,007 |
| | Services rendered | - | 70 |
| | Sale of truck and parts | - | - |
| Ghandhara Nissan Ltd. (Common Directorship) | Assembly charges | 255,949 | 396,659 |
| | Purchase of parts | - | - |
| | Sale of parts | 50 | 32 |
| | Dividend paid | - | 63,432 |
| | Rental income | 1,597 | 1,430 |
| | Reimbursement of expenses | 444 | 24 |
| | Bonus shares issued | - | 40,662 |
| The Universal Insurance Company Limited (Common Directorship) | Dividend paid | - | 18,473 |
| | Bonus shares issued | - | 11,841 |
| Bibojee Investments (Pvt.) Ltd. (Common Directorship) | Dividend paid | - | 334 |
| | Bonus shares issued | - | 214 |
| Rehman Cotton Mills Ltd. (Common Directorship) | Rent expense | 900 | 900 |
| Gammon Pakistan Ltd. (Common Directorship) | Rent expense | 1,500 | 1,500 |
| | Reimbursement of expenses | 63 | 1,533 |
| Janana De Maluchho Textile Mills Limited (Common Directorship) | Reimbursement of expenses | 1,077 | 834 |
| Ghandhara DF (Pvt.) Ltd. (Common Directorship) | Rental income | 1,597 | - |
| | Sales | - | 8 |
| | Purchase of parts | 2 | 22 |
| (d) Other | | | |
| Provident fund | Contribution paid | 4,732 | - |
| Key management personnel | Remuneration and other benefits | 64,810 | 64,566 |

Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

| | (Un-audited) December 31, 2019 ----- (Rupees in '000) ----- | (Audited) June 30, 2019 |
|--|--|-------------------------------|
| 14.2 Period / year end balances are as follows: | | |
| Receivables from related parties | | |
| Long term investment | 1,400 | 1,400 |
| Loans and advances | 290 | 340 |
| Other receivables | 10,840 | 6,981 |
| Payable to related parties | | |
| Compensated absences | 4,640 | 3,598 |
| Trade and other payables | 114,370 | 120,205 |

15. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2019, whereas, the condensed interim statement of profit or loss account and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of condensed interim financial statements of the Company for the period ended December 31, 2018. Corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary, the effect of which is not material.

16. DATE OF AUTHORIZATION

This condensed interim financial statement was authorized for issue on February 19, 2020 by the Board of Directors of the Company.



Ahmad Kuli Khan Khattak
Chief Executive



Maj. (R) Muhammad Zia
Director



Iftikhar Ahmed Khan
Chief Financial Officer

Consolidated Condensed Interim Statement Of Financial Position

AS AT DECEMBER 31, 2019

| | Note | (Un-audited) December 31, 2019 ------(Rupees in '000)----- | (Audited) June 30, 2019 |
|------------------------------------|------|---|-------------------------------|
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 5 | 2,755,561 | 2,770,727 |
| Intangible assets | | 197 | 260 |
| Investment property | | 88,292 | 88,413 |
| Long term loans | | 2,260 | 3,639 |
| Long term deposits | | 23,738 | 21,948 |
| Deferred taxation | | 229,317 | 87,158 |
| | | 3,099,365 | 2,972,145 |
| Current assets | | | |
| Stores | | 4,068 | 8,328 |
| Stock-in-trade | 6 | 8,826,142 | 10,359,425 |
| Trade debts | 7 | 507,273 | 88,406 |
| Loans and advances | | 165,635 | 133,759 |
| Trade deposits and prepayments | | 468,852 | 542,834 |
| Other receivables | | 10,840 | 6,981 |
| Sales tax refundable / adjustable | | 777,631 | 390,789 |
| Taxation - payments less provision | | 1,052,832 | 918,170 |
| Cash and bank balances | | 65,057 | 500,441 |
| | | 11,878,330 | 12,949,133 |
| Total assets | | 14,977,695 | 15,921,278 |

The annexed notes 1 to 16 form an integral part of the consolidated condensed interim financial statements.



Ahmad Kuli Khan Khattak
Chief Executive



Maj. (R) Muhammad Zia
Director



Iftikhar Ahmed Khan
Chief Financial Officer

Consolidated Condensed Interim Statement Of Financial Position

AS AT DECEMBER 31, 2019

| | Note | (Un-audited) December 31, 2019 ------(Rupees in '000)----- | (Audited) June 30, 2019 |
|---|------|---|-------------------------------|
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorised capital 100,000,000 (June 30, 2019: 50,000,000) ordinary shares of Rs.10 each | | 1,000,000 | 500,000 |
| Issued, subscribed and paid up capital 42,608,844 (June 30, 2019: 42,608,844) ordinary shares of Rs.10 each | | 426,088 | 426,088 |
| Revenue reserve Unappropriated profit | | 2,072,635 | 2,173,691 |
| Capital reserve Surplus on revaluation of fixed assets | | 2,045,565 | 2,049,561 |
| | | 4,544,288 | 4,649,340 |
| Non - controlling interest | | 5 | 5 |
| | | 4,544,293 | 4,649,345 |
| Liabilities | | | |
| Non current liabilities | | | |
| Lease liabilities | | 78,182 | 51,745 |
| Compensated absences | | 14,623 | 13,045 |
| Deferred liabilities | | 26,071 | 19,759 |
| | | 118,876 | 84,549 |
| Current liabilities | | | |
| Trade and other payables | | 3,341,314 | 4,579,772 |
| Unpaid dividends | | 78,959 | 78,959 |
| Unclaimed dividends | | 22,068 | 22,151 |
| Accrued mark-up / interest | | 279,503 | 196,453 |
| Short term borrowings | 8 | 6,564,399 | 6,296,614 |
| Current maturity of lease liabilities | | 28,283 | 13,435 |
| | | 10,314,526 | 11,187,384 |
| Total liabilities | | 10,433,402 | 11,271,933 |
| Contingencies and commitments | 9 | | |
| Total equity and liabilities | | 14,977,695 | 15,921,278 |

The annexed notes 1 to 16 form an integral part of the consolidated condensed interim financial statements.



Ahmad Kuli Khan Khattak
Chief Executive



Maj. (R) Muhammad Zia
Director



Iftikhar Ahmed Khan
Chief Financial Officer

Consolidated Condensed Interim Statement Of Profit Or Loss And Other Comprehensive Income (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

| Note | Quarter ended | | Half year ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| ----- (Rupees in '000) ----- | | | | |
| Sales - net | 2,852,104 | 3,183,699 | 5,880,616 | 7,567,541 |
| Cost of sales | (2,506,327) | (2,752,169) | (5,127,861) | (6,513,209) |
| Gross profit | 345,777 | 431,530 | 752,755 | 1,054,332 |
| Distribution cost | (130,880) | (139,259) | (279,010) | (275,689) |
| Administrative expenses | (81,977) | (79,030) | (146,494) | (142,301) |
| Other expenses | (3,898) | (2,756) | (4,371) | (22,265) |
| Other income | 12,494 | 21,856 | 20,878 | 24,988 |
| Profit from operations | 141,515 | 232,341 | 343,758 | 639,065 |
| Finance cost | (266,548) | (162,033) | (488,048) | (254,916) |
| (Loss) / profit before taxation | (125,032) | 70,308 | (144,290) | 384,149 |
| Taxation | 6,250 | 9,108 | 39,238 | (1,010) |
| (Loss) / profit after taxation | (118,782) | 79,416 | (105,052) | 383,139 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive (loss) / income | (118,782) | 79,416 | (105,052) | 383,139 |
| ----- (Rupees) ----- | | | | |
| Basic and diluted (loss) / earnings per share | (2.79) | 1.86 | (2.47) | 8.99 |

The annexed notes 1 to 16 form an integral part of the consolidated condensed interim financial statements.



Ahmad Kuli Khan Khattak
Chief Executive



Maj. (R) Muhammad Zia
Director



Iftikhar Ahmed Khan
Chief Financial Officer

Consolidated Condensed Interim Statement Of Changes In Equity (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

| | Share capital | Revenue Reserve Unappropriated profit | Capital Reserve Surplus on revaluation of fixed assets | Total | Non - controlling interest |
|--|------------------|---|---|------------------|----------------------------------|
| | | ----- (Rupees in '000) ----- | | | |
| Balance as at July 1, 2018 (Audited) | 213,044 | 2,651,071 | 1,860,014 | 4,724,129 | 5 |
| Transaction with owners recognised directly in equity | | | | | |
| Final dividend for the year ended June 30, 2018 at the rate of Rs.15.6 per share | - | (332,349) | - | (332,349) | - |
| Bonus shares issued | 213,044 | (213,044) | - | - | - |
| Total comprehensive income for the half year ended December 31, 2018 | | | | | |
| Profit for the period | - | 383,139 | - | 383,139 | - |
| Other comprehensive income | - | - | - | - | - |
| | - | 383,139 | - | 383,139 | - |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred taxation | - | 2,229 | (2,229) | - | - |
| Balance as at December 31, 2018 (Un-audited) | 426,088 | 2,491,046 | 1,857,785 | 4,774,919 | 5 |
| Balance as at July 1, 2019 (Audited) | 426,088 | 2,173,691 | 2,049,561 | 4,649,340 | 5 |
| Total comprehensive income for the half year ended December 31, 2019 | | | | | |
| Loss for the period | - | (105,052) | - | (105,052) | - |
| Other comprehensive income | - | - | - | - | - |
| | - | (105,052) | - | (105,052) | - |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred taxation | - | 3,996 | (3,996) | - | - |
| Balance as at December 31, 2019 (Un-audited) | 426,088 | 2,072,635 | 2,045,565 | 4,544,288 | 5 |

The annexed notes 1 to 16 form an integral part of the consolidated condensed interim financial statements.



Ahmad Kuli Khan Khattak
Chief Executive



Maj. (R) Muhammad Zia
Director



Iftikhar Ahmed Khan
Chief Financial Officer

Consolidated Condensed Interim Statement Of Cash Flows (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

| | | Half year ended | |
|--|------|------------------------------|----------------------|
| | Note | December 31, 2019 | December 31, 2018 |
| | | ----- (Rupees in '000) ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash used in operations | 11 | (20,338) | (4,165,125) |
| Gratuity paid | | (4,732) | (338) |
| Compensated absences paid | | (53) | - |
| Finance cost paid | | (404,998) | (193,005) |
| Income tax paid | | (237,583) | (388,889) |
| Long term loans - net | | 1,379 | 532 |
| Long term deposits - net | | (1,790) | (7,615) |
| Net cash used in operating activities | | (668,115) | (4,754,440) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (46,617) | (124,886) |
| Proceeds from sale of operating fixed assets | | 3,824 | 2,717 |
| Interest received | | 2,210 | 1,291 |
| Net cash used in investing activities | | (40,583) | (120,878) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Lease liabilities - net | | 5,612 | (5,023) |
| Dividend paid | | (83) | (298,648) |
| Net cash geneared from / (used in) financing activities | | 5,529 | (303,671) |
| Net decrease in cash and cash equivalents | | (703,169) | (5,178,989) |
| Cash and cash equivalents - at beginning of the period | | (5,796,173) | (3,134,590) |
| Cash and cash equivalents - at end of the period | 12 | (6,499,342) | (8,313,579) |

The annexed notes 1 to 16 form an integral part of the consolidated condensed interim financial statements.



Ahmad Kuli Khan Khattak
Chief Executive



Maj. (R) Muhammad Zia
Director



Iftikhar Ahmed Khan
Chief Financial Officer

Consolidated Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

1. THE GROUP AND ITS OPERATIONS

The Group consists of Ghandhara Industries Limited (the Holding Company) Marghazar Industries (Private) Limited (the Subsidiary Company).

1.1 Ghandhara Industries Limited

Ghandhara Industries Limited (the Holding Company) was incorporated on February 23, 1963. The Company's shares are quoted on Pakistan Stock Exchange Limited. The principal activity is the assembly, progressive manufacturing and sale of Isuzu trucks, buses and pick ups. The registered office of the Company is at F-3, Hub Chowki Road, S.I.T.E., Karachi. The manufacturing facilities of the Company are located at S.I.T.E., Karachi with branches at Lahore, Multan, Rawalpindi and Peshawar.

1.2 Marghazar Industries (Private) Limited

Marghazar Industries (Private) Limited (the Subsidiary Company) was incorporated as a private limited company on March 7, 1969. The registered office of the Company is located at Gardee Trust Building, Napier Road, Lahore. The Company is subsidiary of Ghandhara Industries Limited; which holds 140,000 ordinary shares representing 99.79% of the total capital of the Company.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where the provision of and directives issues under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Group for the year ended June 30, 2019.

The changes in accounting policies are also expected to be reflected in the Group's financial statements as at and for the year ending June 30, 2020.

The Group has initially adopted IFRS 16 'Leases' from July 1, 2019. A number of other new standards are effective from July 1, 2019 but they do not have a material effect on these condensed interim financial statements.

IFRS 16 'Leases' affects primarily the accounting by lessees and results in the recognition of almost all leases on statement of financial position. The standard removes distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors does not significantly changed. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IFRS 16, for sale and lease back transactions a transfer of asset is accounted for as a sale when a performance obligation is satisfied as required by IFRS 15.

Consolidated Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

The Group has applied IFRS 16 using the modified retrospective approach. Under this approach, the cumulative effect of initial application to be recognized in retained earnings at July 1, 2019. Accordingly, the comparative information presented for 2019 has not been restated - i.e. it is presented as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below:

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16 the Group recognizes right to use assets and lease liabilities for leases - i.e. these leases are on the statement of financial position. On initial application, the Group has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Some lease contracts of the Group are extendable through mutual agreement between the Group and the lessor or cancellable by both parties immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Group concluded that such contracts are short-term in nature. The Group recognizes the lease payments associated with these leases as an expense in statement of profit or loss.

The Group presents right to use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The Group present its lease liabilities as a separate line item in the statement of financial position.

The Group recognizes a right to use asset and a lease liability at the lease commencement date. The right to use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurement of the lease liability. At transition, the Group recognised right to use assets equal to the present value of lease payments.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate is used.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited annual financial statements for the year ended June 30, 2019.

5. PROPERTY, PLANT AND EQUIPMENT

| | Note | (Un-audited) December 31, 2019 ----- (Rupees in '000) ----- | (Audited) June 30, 2019 |
|--------------------------|------|--|-------------------------------|
| Operating fixed assets | 5.1 | 2,604,632 | 2,681,578 |
| Right to use assets | 5.3 | 76,928 | - |
| Capital work-in-progress | | 74,001 | 89,149 |
| | | <u>2,755,561</u> | <u>2,770,727</u> |

Consolidated Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

| | Note | (Un-audited) December 31, 2019 ----- (Rupees in '000) ----- | (Audited) June 30, 2019 |
|--|------|--|-------------------------------|
| 5.1 Operating fixed assets | | | |
| Net book value at beginning of the period / year | | 2,681,578 | 2,045,429 |
| Transfer to right to use assets costing Rs.82,758 thousand | | (53,884) | |
| Additions during the period / year | 5.2 | 61,765 | 792,239 |
| Disposals and written off, costing Rs.3,695 thousand (June 30, 2019: Rs.76,810 thousand) - at net book value | | (1,616) | (14,434) |
| Depreciation charge for the period / year | | (83,211) | (141,656) |
| Net book value at end of the period / year | | <u>2,604,632</u> | <u>2,681,578</u> |
| 5.2 Revaluation / additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year | | | |
| Owned | | | |
| - Leasehold land | | - | 189,300 |
| - Building on leasehold land | | 44,375 | 143,039 |
| - Plant and machinery | | 297 | 71,094 |
| - Permanent tools | | 115 | 16,262 |
| - Furniture and fixture | | 734 | 1,388 |
| - Motor vehicles | | 11,598 | 32,133 |
| - Trucks / lift trucks | | - | 20,923 |
| - Office machines & equipment | | 2,187 | 10,400 |
| - Computers | | 542 | 2,769 |
| - Jigs and special tools | | 1,917 | 274,633 |
| Leased - Cars | | - | 30,298 |
| | | <u>61,765</u> | <u>792,239</u> |
| 5.3 Right to use assets | | | |
| Transfer from operating fixed assets costing Rs.82,758 thousand | | 53,884 | - |
| Amount recognised on initial application | | 32,380 | - |
| Additions during the period | | 3,293 | - |
| Depreciation charge for the period | | (12,629) | - |
| Net book value at end of the period | | <u>76,928</u> | <u>-</u> |
| 6. STOCK-IN-TRADE | | | |
| Raw materials and components | | 4,901,543 | 7,300,167 |
| Work-in-process | | 87,176 | 153,698 |
| Finished goods including components | | 3,087,181 | 2,295,343 |
| Trading stocks | | 750,242 | 610,217 |
| | | <u>8,826,142</u> | <u>10,359,425</u> |

Consolidated Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

(Un-audited)
December 31,
2019
----- (Rupees in '000) -----
(Audited)
June 30,
2019

7. TRADE DEBTS - Unsecured

Government and semi-government agencies
Others including dealers - net

| | |
|----------------|---------------|
| 10,468 | 2,072 |
| 496,805 | 86,334 |
| 507,273 | 88,406 |

8. SHORT TERM BORROWINGS - Secured

Running finances
Finance against imported merchandise
Istisna
Murabaha

| | |
|------------------|------------------|
| 1,832,311 | 1,753,234 |
| 2,280,235 | 2,941,765 |
| 2,241,949 | 1,440,727 |
| 209,904 | 160,888 |
| 6,564,399 | 6,296,614 |

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

There has been no significant change in status of contingencies other than describe below and as disclosed in note 26.1 of the audited annual financial statements of the Group for the year ended June 30, 2019.

(Un-audited)
December 31,
2019
----- (Rupees in '000) -----
(Audited)
June 30,
2019

9.2 Commitments

Bank guarantees
Letters of credit

| | |
|------------------|------------------|
| 3,649,783 | 3,943,290 |
| 1,279,071 | 1,453,626 |

Note Quarter ended Half year ended
December 31, December 31, December 31, December 31,
2019 2018 2019 2018
----- (Rupees in '000) -----

10. COST OF SALES

Stocks at beginning of the period
Cost of goods manufactured
Trading goods - purchases

| | | | | |
|------|------------------|------------------|------------------|------------------|
| 10.1 | 2,963,558 | 2,233,730 | 2,905,560 | 1,963,261 |
| | 3,389,802 | 4,462,159 | 5,647,288 | 8,349,429 |
| | (9,610) | 182,179 | 412,436 | 326,418 |
| | 3,380,192 | 4,644,338 | 6,059,724 | 8,675,847 |
| | 6,343,750 | 6,878,068 | 8,965,284 | 10,639,108 |
| | (3,837,423) | (4,125,899) | (3,837,423) | (4,125,899) |
| | 2,506,327 | 2,752,169 | 5,127,861 | 6,513,209 |

10.1 Cost of goods manufactured

Work in process at beginning of the period
Raw materials and components consumed
Direct labour and factory overheads

| | | | |
|------------------|------------------|------------------|------------------|
| 102,579 | 154,803 | 153,698 | 109,209 |
| 3,116,130 | 4,233,709 | 5,118,237 | 7,842,122 |
| 258,269 | 310,322 | 462,529 | 634,773 |
| 3,374,399 | 4,544,031 | 5,580,766 | 8,476,895 |
| 3,476,978 | 4,698,834 | 5,734,464 | 8,586,104 |
| (87,176) | (236,675) | (87,176) | (236,675) |
| 3,389,802 | 4,462,159 | 5,647,288 | 8,349,429 |

Consolidated Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

| | | (Un-audited) Half year ended | |
|--|------|---------------------------------|----------------------|
| | Note | December 31, 2019 | December 31, 2018 |
| ----- (Rupees in '000) ----- | | | |
| 11. CASH USED IN OPERATIONS | | | |
| (Loss) / profit before taxation | | (144,290) | 384,149 |
| Adjustment for non cash charges and other items | | | |
| Depreciation / amortization on: | | | |
| - property, plant and equipment | | 83,211 | 55,322 |
| - right to use asset | | 12,629 | - |
| - intangible assets | | 63 | 63 |
| - investment property | | 121 | 123 |
| Gain on disposal of operating fixed assets | | (2,208) | (2,714) |
| Provision for compensated absences | | 1,631 | - |
| Provision for doubtful advances | | 3,730 | - |
| Amortization of gain on sale and lease back of fixed asset | | (179) | (181) |
| Exchange loss | | 23 | 119 |
| Provision for gratuity | | 11,223 | 12,431 |
| Interest income | | (2,210) | (1,291) |
| Finance cost | | 488,048 | 254,916 |
| | | 451,792 | 702,937 |
| Working capital changes - net | 11.1 | (472,130) | (4,868,062) |
| | | (20,338) | (4,165,125) |
| 11.1 Working capital changes | | | |
| Decrease / (increase) in current assets: | | | |
| Stores | | 4,260 | (4,278) |
| Stock-in-trade | | 1,533,283 | (4,713,504) |
| Trade debts | | (422,597) | (28,340) |
| Loans and advances | | (31,876) | 32,114 |
| Trade deposits and prepayments | | 73,982 | 194,157 |
| Other receivables | | (3,882) | (16,310) |
| Sales tax refundable / adjustable | | (386,842) | (297,524) |
| | | 766,328 | (4,833,685) |
| Decrease in trade and other payables | | (1,238,458) | (34,377) |
| | | (472,130) | (4,868,062) |
| 12. CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | 65,057 | 243,936 |
| Short term borrowings | | (6,564,399) | (8,557,515) |
| | | (6,499,342) | (8,313,579) |

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk).

The condensed interim financial statements does not include all financial risk management information and disclosures required in the audited annual financial statements and should be read in conjunction with the audited annual financial statement of the Group as at June 30, 2019.

There have been no changes in the risk management policies since the year end.

Consolidated Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

14. TRANSACTIONS WITH RELATED PARTIES

14.1 Significant transactions with related parties are as follows:

| Name of related party and nature of relationship | Nature of transactions | (Un-audited) Half year ended | |
|--|------------------------------------|---------------------------------|----------------------|
| | | December 31, 2019 | December 31, 2018 |
| ---- (Rupees in '000) ---- | | | |
| (a) Ultimate Holding Company | | | |
| Bibojee Services (Pvt.) Ltd. | Dividend paid | - | 130,157 |
| | Bonus shares issued | - | 83,434 |
| (b) Associated Companies | | | |
| The General Tyre and Rubber Co. of Pakistan Ltd. (Common Directorship) | Purchase of tyres | 73,918 | 117,957 |
| | Dividend paid | - | 1,571 |
| | Bonus shares issued | - | 1,007 |
| | Services rendered | - | 70 |
| | Sale of truck and parts | - | - |
| Ghandhara Nissan Ltd. (Common Directorship) | Assembly charges | 255,949 | 396,659 |
| | Purchase of parts | - | - |
| | Sale of parts | 50 | 32 |
| | Dividend paid | - | 63,432 |
| | Rental income | 1,597 | 1,430 |
| | Reimbursement of expenses | 444 | 24 |
| | Bonus shares issued | - | 40,662 |
| The Universal Insurance Company Limited (Common Directorship) | Dividend paid | - | 18,473 |
| | Bonus shares issued | - | 11,841 |
| Bibojee Investments (Pvt.) Ltd. (Common Directorship) | Dividend paid | - | 334 |
| | Bonus shares issued | - | 214 |
| Rehman Cotton Mills Ltd. (Common Directorship) | Rent expense | 900 | 900 |
| Gammon Pakistan Ltd. (Common Directorship) | Rent expense | 1,500 | 1,500 |
| | Reimbursement of expenses | 63 | 1,533 |
| Janana De Maluchho Textile Mills Limited (Common Directorship) | Reimbursement of expenses | 1,077 | 834 |
| Ghandhara DF (Pvt.) Ltd. (Common Directorship) | Rental income | 1,597 | - |
| | Sales | - | 8 |
| | Purchase of parts | 2 | 22 |
| (c) Other | | | |
| Provident fund | Contribution paid | 4,732 | - |
| Key management personnel | Remuneration and other benefits | 64,810 | 64,566 |

(Un-audited) (Audited)
December 31, June 30,
2019 2019
----- (Rupees in '000) -----

14.2 Period / year end balances are as follows: Receivables from related parties

| | | |
|----------------------------|---------|---------|
| Loans and advances | 290 | 340 |
| Other receivables | 10,840 | 6,981 |
| Payable to related parties | | |
| Compensated absences | 4,640 | 3,598 |
| | 114,370 | 120,205 |

Consolidated Notes To The Condensed Interim Financial Statements (Un-Audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

15. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of audited annual financial statements of the Group for the year ended June 30, 2019, whereas, the condensed interim statement of profit or loss account and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of condensed interim financial statements of the Group for the period ended December 31, 2018. Corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary, the effect of which is not material.

16. DATE OF AUTHORIZATION

This condensed interim financial statement was authorized for issue on February 19, 2020 by the Board of Directors of the Holding Company.



Ahmad Kuli Khan Khattak

Chief Executive



Maj. (R) Muhammad Zia

Director



Iftikhar Ahmed Khan

Chief Financial Officer



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