NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2008

1. Legal status and nature of business

The company is a public limited company incorporated in Pakistan on November 4, 1992 and is listed on the Karachi, Islamabad and Lahore Stock Exchanges. The registered office of the company is situated at 1-Mcleod Road, Lahore. Its' principal activities are assembling and progressive manufacturing and sale of Honda vehicles and spare parts. The company commenced commercial production from July 1994.

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Standards, interpretations and amendments to published approved accounting standards

2.2.1 Amendments to published standards effective in current year

Amendments to IAS 1 'Presentation of financial statements-Capital Disclosures' is mandatory for the company's accounting periods beginning on or after April 1, 2007. It introduces capital disclosure requirements regarding how the entity manages its capital. Adoption of these amendments only impact the format and extent of disclosures as presented in note 33 to the financial statements.

2.2.2 Standards, amendments and interpretations effective in current year but not relevant

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after April 1, 2007 are considered not to be relevant or have any significant effect to the company's operations.

2.2.3 Amendments to published standards not yet effective

Certain amendments to IAS 1 'Presentation of financial statements' have been published in September 2007 which revises the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in Comprehensive Income statement. The revised standard will be effective from April 1, 2009. Adoption of the above standard will only impact the presentation of financial statements.

3. Basis of measurement

These financial statements have been prepared under the historical cost convention except for recognition of certain employee retirement benefits at present value. The company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Employee retirement benefits - (note 4.1)

b) Provision for taxation - (note 4.2)

c) Useful life and residual values of property, plant and equipment - (note 4.3)

4. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Employees' retirement benefits and other obligations

The main features of the schemes operated by the company for its employees are as follows:

4.1.1 Defined benefit plan

A) Gratuity scheme

The company operates a funded defined benefit gratuity scheme for all its permanent employees. Under the scheme gratuity is payable on the basis of last drawn basic salary at the following rates:

Service in the company	Per completed year of service
0-4 years and 364 days	Nil
5-9 years and 364 days	15 days
10 years or more	30 days

Contributions under the scheme are made to this fund on the basis of actuarial recommendation at the rate of 5.6% (2007: 6.0%) per annum of basic salary and are charged to profit and loss account. The latest actuarial valuation for the scheme was carried out as at March 31, 2008.

The actual return on the plan assets during the year was Rs 7.57 million (2007: Rs 3.5 million). The actual return on plan assets represents the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

The amount recognized in balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gain and losses and as reduced by the fair value of the plan assets.

The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

Discount rate	10%
Expected increase in eligible pay	9%
Expected rate of return on plan assets	10%

The company's policy with regard to actuarial gains / losses is to follow minimum recommended approach under IAS 19 (Revised 2000) "Employee Benefits".

B) Accumulating compensated absences

Accrual is made annually to cover the obligation for accumulating compensated absences on the basis of accumulated leaves and the last drawn salary and are charged to profit.

4.1.2 Defined contribution plan

The company operates a defined contributory provident fund for all its permanent employees. Contributions are made equally by the company and the employees at the rate of 10% per annum of the basic salary subject to completion of minimum qualifying period of service as determined under the rules of the fund.

4.2 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.3 Property, plant and equipment

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss.

Depreciation on all items of property, plant and equipment except for freehold land and model specific plant and machinery is charged to income applying the diminishing balance method so as to write-off the depreciable amount of an asset over its useful life. Depreciation on model specific plant and machinery is provided on a straight line basis so as to write-off the depreciable amount of an asset over the life of the model. Depreciation is being charged at the rates given in note 10.

The asset’s residual values and useful lives are continually reviewed by the company and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its property, plant and equipment as at March 31, 2008 has not required any adjustment as its impact is considered insignificant.

The company, during the year, has reviewed the useful lives of its property, plant and equipment and the pattern in which asset's future economic benefits are expected to be consumed by the company. Consequently, the depreciation rates and method of the following items of property, plant and equipment have been revised as follows to reflect the estimated useful lives and pattern in which the asset's economic benefits are expected to be consumed by the company:

Description of Asset	**New Rate**	**Old Rate**
Building on free hold land	5% (Diminishing balance method)	10% (Diminishing balance method)
Plant and machinery (excluding model specific plant and machinery)	15% (Diminishing balance method)	20% (Diminishing balance method)
Plant and machinery (model specific)	20% (Straight line method)	35% (Diminishing balance method)

The change in accounting estimate has been made prospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors', and effects the current and future accounting periods. These changes in accounting estimates have resulted in decrease in depreciation charge for the year by Rs 263.87 million, with corresponding increase in carrying value of property, plant and equipment and profit before taxation by the same amount.

The company continually assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account for the year. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense. Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalized.

4.4 Intangible assets

Intangible assets, which are stated at cost less accumulated amortization and any identified impairment loss, represent the cost of software licenses, technical drawings of certain components and licenses for the right to manufacture Honda vehicles in Pakistan.

Amortization is charged to income on the straight line method so as to write-off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged at the rate given in note 11.

The company continually assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account for the year. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

4.5 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

4.6 Investments - Available for sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which the quoted market price is not available, are measured at cost as it is not possible to apply any other methodology. Realized and unrealized gains and losses arising from changes in fair value are included in the net profit or loss for the period in which they arise.

All purchases and sales of investments are recognized on the trade date which is the date that the company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At each balance sheet date, the company reviews the carrying amount of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

4.7 Stores and spares

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising of invoice value and other incidental charges paid thereon.

4.8 Stock in trade

Stock of raw materials except for those in transit, work-in-process and finished goods are valued principally at the lower of moving average cost and net realizable value. Cost of raw materials and trading stock comprises of the invoice value plus other charges paid thereon. Cost of work-in-process and finished goods includes prime cost and appropriate portion of manufacturing overheads. Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Net realizable value signifies the estimated selling prices in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

4.9 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

4.10 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

The financial statements are presented in Pak Rupees which is the company's functional and presentation currency.

4.11 Revenue recognition

Sales of vehicles and spare parts are recognized as revenue when goods are dispatched and invoiced to the customers.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Dividend income on equity investments is recognized as income when the right of receipt is established.

4.12 Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its' commissioning.

4.13 Provisions

Provisions are recognized when the company has a present obligation as a result of past event, and 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 the obligation.

4.14 Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and de-recognized when the company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.15 Long term deposits

These are stated at cost which represents the fair value of consideration given.

4.16 Receivables

Receivables are measured at original invoice amount less an estimate made for doubtful receivable balances based on the review of all outstanding amounts at the balance sheet date. Bad debts are written off when identified.

4.17 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

4.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and demand deposits.

4.19 Dividend

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

			2008	2007
			(Rupees in thousand)	

5. Issued, subscribed and paid up capital

2008	2007			
(Number of shares)				
111,400,000	40,000,000	ordinary shares of Rs 10 each fully paid in cash	1,114,000	400,000
31,400,000	31,400,000	ordinary shares of Rs 10 each issued as fully paid bonus shares	314,000	314,000
142,800,000	71,400,000		1,428,000	714,000

72,828,000 (2007: 36,414,000) ordinary shares of the company are held by Honda Motor Company Ltd., Japan, the holding company.

Ordinary shares of the company held by associated undertakings as at year end are as follows:

	2008	2007
	(Number of shares)	
Atlas Insurance Limited	850,000	425,000
Shirazi Investments (Private) Limited	279,650	139,825
	1,129,650	564,825

6. Reserves

Movement in and composition of reserves is as follows:

		2008	2007
		(Rupees in thousand)	
Capital			
Share premium	- note 6.1	76,000	76,000
Revenue			
General reserve			
- At the beginning of the year		1,915,000	1,503,500
- Transferred (to) / from unappropriated profit		(264,000)	411,500
		1,651,000	1,915,000
		1,727,000	1,991,000

6.1 This reserve can be utilized by the company only for the purposes specified in Section 83(2) of the Companies Ordinance, 1984.

7. Long-term finances - secured

		2008	2007
The Bank of Tokyo - Mitsubishi UFJ, Limited	- note 7.1	500,000	666,667
MCB Bank Limited	- note 7.2	-	750,000
ABN AMRO Bank (Pakistan) Limited	- note 7.3	-	375,000
Standard Chartered Bank (Pakistan) Limited	- note 7.4	-	750,000
		500,000	2,541,667
Less: Current portion shown under current liablities		-	(583,333)
		500,000	1,958,334

7.1 It carries mark-up at six month's Karachi Inter Bank Offer Rate (KIBOR) plus 0.50 percent per annum, payable semi annually. It is secured by first pari passu equitable mortgage over all the current and future immovable assets of the company amounting to Rs 667 million and is repayable in lump sum on April 30, 2010. The effective mark-up charged during the year is 10.72% per annum. Of the aggregate facility of Rs 500 million (2007: Rs 1,000 million) the amount outstanding as at March 31, 2008 is Rs 500 million (2007: Rs 666.67 million).

7.2 It carried mark-up at three month's KIBOR plus 0.85 percent per annum payable quarterly. It was secured by first pari passu equitable mortgage charge over all the current and future immovable assets of the company amounting to Rs 1,000 million and was repaid in full during the year. The effective mark-up charged was 10.81% per annum.

7.3 It carried mark-up at six month's KIBOR plus 0.75 percent per annum payable semi annually. It was secured by first pari passu equitable mortgage over all the current and future immovable assets of the company amounting to Rs 667 million and was repaid in full during the year. The effective mark-up charged was 11.30% per annum.

7.4 It carried mark-up at three month's KIBOR plus 0.85 percent per annum payable quarterly. It was secured by first pari passu hypothecation charge over stocks and book debts of the company amounting to Rs 750 million and was repaid in full during the year. The effective mark-up charged was 11.04% per annum.

		2008	2007
		(Rupees in thousand)	
8. Trade and other payables			
Creditors	- note 8.1	130,159	275,419
Accrued liabilities		21,026	32,854
Bills payable	- note 8.2	420,350	424,794
Deposits against display cars	- note 8.3	1,147,643	1,196,631
Workers' profit participation fund	- note 8.4	3,417	-
Workers' welfare fund		1,298	-
Employees' retirement benefits and other obligations	- note 8.5	15,921	14,165
Advances from customers	- note 8.6	1,115,617	889,182
Licence fee, technical fee and royalties	- note 8.7	135,270	111,296
Provision for custom duties	- note 8.8	32,169	273,449
Unclaimed dividends		4,842	4,940
Others		27,325	60,425
		3,055,037	3,283,155

8.1 Creditors include amount due to related parties of Rs 18.41 million (2007: Rs 23.82million).

8.2 Bills payable include amount due to related parties of Rs. 420.35 million (2007: Rs 384.58 million). These are in the normal course of business and are interest free.

8.3 These respresent interest free deposits from dealers against display cars and are repayable on demand.

		2008	2007
		(Rupees in thousand)	
8.4 Workers' profit participation fund			
Opening balance		-	729
Provision for the year	- note 26	3,417	-
Interest for the year		-	39
		3,417	39
		3,417	768
Less: Payments made during the year		-	(768)
		3,417	-
8.5 Employees' retirement benefits and other obligations			
Accumulating compensated absences	- note 8.5.1	15,921	14,165
Staff gratuity	- note 8.5.2	-	-
		15,921	14,165

	2008	2007
8.5.1 Accumulating compensated absences		
Opening balance	14,165	10,731
Accrual for the year	12,159	10,390
Less: Payments made during the year	(10,403)	(6,956)
Closing balance	15,921	14,165
8.5.2 Staff gratuity		
The amounts recognized in the balance sheet are as follows:		
Fair value of plan assets	(55,758)	(39,884)
Present value of defined benefit obligation	55,306	45,268
(Surplus) / Deficit	(452)	5,384
Un-recognized actuarial gain /(loss)	452	(5,384)
Net liability as at March 31	-	-
Net liability as at April 01	-	5,284
Charge to profit and loss account	12,354	3,824
Payments to fund during the year	(12,354)	(9,108)
Net liability as at March 31	-	-
The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation	45,268	34,405
Current service cost	6,431	5,953
Interest cost	4,527	3,097
Benefits paid	(4,054)	(408)
Actuarial loss	3,134	2,221
Present value of defined benefit obligation	55,306	45,268
The movement in the fair value of plan assets is as follows:		
Fair value of plan asset as at April 01	39,884	31,074
Expected return on plan asset	3,989	3,273
Contributions	12,354	9,108
Benefits paid	(4,054)	(408)
Actuarial gain/(loss)	3,585	(3,163)
Fair value of plan asset as at March 31	55,758	39,884

	2008	2007
	(Rupees in thousand)	
Plan assets comprises:		
Debt	5,087	8,152
Mutual Funds	33,431	26,309
Cash	17,240	5,423
	55,758	39,884

Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund for five years is as follows:

As at March 31	**2008**	**2007**	**2006**	**2005**	**2004**
Present value of defined benefit obligation	(55,306)	(45,268)	(34,405)	(26,760)	(21,308)
Fair value of plan assets	55,758	39,884	31,074	25,135	19,392
Surplus/(Deficit)	452	(5,384)	(3,331)	(1,625)	(1,916)
Experience adjustment on obligation	6%	5%	10%	3%	4%
Experience adjustment on plan assets	6%	-8%	17%	-3%	-7%

8.6 Advances from customers include Rs 1,110.40 million (2007: Rs 884.89 million) against the sale of vehicles including sales tax amounting to Rs 143.58 million (2007: Rs 115.42 million) and special excise duty amounting to Rs 9.57 million (2007: Rs Nil). These advances carry mark-up @ 9.38% per annum, being the weighted average rate of three months market treasury bills as at the end of the year, in accordance with the directive issued by the Engineering Development Board, Government of Pakistan on September 17, 2002. The mark-up is calculated and payable only if vehicles are delivered after sixty days from the receipt of such advances.

8.7 License fee, technical fee and royalties include Rs 131.67 million (2007: Rs 108.70 million) due to the holding company, Honda Motor Company Limited, Japan.

	2008	2007
	(Rupees in thousand)	
8.8 Provision for custom duties		
Opening balance	273,449	429,601
Provision for the year	-	-
	273,449	429,601
Less: Payments made during the year	(241,280)	(156,152)
	32,169	273,449

9. Contingencies and commitments

9.1 Contingencies

(i) Claims against the company not acknowledged as debt by the company amount to Rs 9.79 million (2007: Rs 9.79 million). As the management is confident that the matter would be settled in its favor, consequently no provision has been made in these financial statements in respect of the above mentioned disputed liabilities.

(ii) In previous years the company received notices from custom authorities for payment of custom duty and sales tax in respect of certain components of Honda Cars imported during prior years. Custom authorities interpreted that CBU rate of duty was applicable on such components and thus raised a demand of Rs. 110 million. It included Rs. 96 million on account of custom duty and Rs.14 million on account of sales tax.

The company approached custom authorities on the grounds that the components specified in the above mentioned notices included certain components which were duly appearing in the indigenization program of the company for the relevant period. Hence CBU rate of duty was not applicable on import of these components. In 2004 the company made a provision of Rs. 42 million against the total demand of Rs. 110 million. As the management is confident that the matter would be settled in its favor, consequently no provision for the balance amount has been made in these financial statements in respect of the above mentioned notices.

9.2 Commitments in respect of

(i) Letters of credit and purchase commitments other than capital expenditure Rs 163.89 million (2007: Rs 89.65 million).

(ii) Letters of credit and purchase commitments for capital expenditure Rs 70.21 million (2007: Rs 11.73 million).

(iii) Letters of guarantees issued in favor of collector of customs Rs Nil (2007: Rs 13.55 million).

10. Property, plant and equipment

(Rupees in thousand)

	Cost as at April 01, 2007	Additions/ (deletions)	Cost as at March 31, 2008	Accumulated depreciation as at April 01, 2007	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at March 31, 2008	Book value as at March 31, 2008	Annual depreciation rate %
Freehold land	417,319	-	417,319	-	-	-	417,319	-
Buildings on freehold land	1,949,026	2,102 -	1,951,128	328,152	81,123 -	409,275	1,541,853	5
Plant and machinery	2,784,048	208,260 (425)	2,991,883	919,777	339,886 (320)	1,259,343	1,732,540	15-20
Furniture and office equipment	84,404	6,366 (130)	90,640	27,309	12,336 (81)	39,564	51,076	20
Vehicles	116,867	41,795 (40,496)	118,166	44,366	16,471 (15,553)	45,284	72,882	20
Tools and equipments	62,384	6,091 (316)	68,159	24,167	8,297 (282)	32,182	35,977	20
Computers	33,149	6,261 -	39,410	20,471	6,059 -	26,530	12,880	35
2008	5,447,197	270,875 (41,367)	5,676,705	1,364,242	464,172 (16,236)	1,812,178	3,864,527	
2007	2,139,079	3,532,506 (224,388)	5,447,197	1,087,356	457,812 (180,926)	1,364,242	4,082,955	

a) Plant and Machinery includes dies and moulds having book value of Rs 170.03 million (2007: Rs 166.91 million) are in possession of various vendors.

b) Borrowing costs of Rs Nil (2007: Rs 143.31 million) were capitalized during the year and are included in additions in buildings and plant and machinery.

		2008	2007
		(Rupees in thousand)	
10.1 The depreciation charge has been allocated as follows:			
Cost of sales	- note 22	434,677	422,095
Cost of sales - Trading goods	- note 22	3,144	7,651
Distribution and marketing expenses	- note 23	11,564	12,039
Administrative expenses	- note 24	14,787	16,027
		464,172	457,812

10.2 Disposal of property, plant and equipment

(Rupees in thousand)

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Vehicles	**Employees**					
	Mr. Muhammad Naeem	979	591	388	390	Employee car sale scheme
	Mr. Ayaz Mahmood	799	284	515	520	- do -
	Mr. Hamid Asghar	979	591	388	390	- do -
	Mr. Basharat Ali Rana	1,115	262	853	913	- do -
	Mr. Asif Mahmood	1,052	421	631	615	- do -
	Mr. Muhammad Ashraf	1,232	492	740	761	- do -
	Mr. Sohail Nawaz	1,115	262	853	912	- do -
	Mr. Imran Farooq	1,052	421	631	615	- do -
	Mr. Kashif Mustafa Khan	1,052	421	631	615	- do -
	Mr. Asad Murad	1,165	274	891	951	- do -
	Mr. Rizwan Shafiq	1,014	238	776	768	- do -
	Mr. Tariq Ullah Khan	1,168	467	701	730	- do -
	Mr. Razi Ur Rehman	1,232	492	740	761	- do -
	Mr. Nadeem Azam	1,168	467	701	730	- do -
	Mr. Ayaz Hafeez	1,232	492	740	761	- do -
	Mr. Sami Shafi	1,114	262	852	913	- do -
	Mr. Arif Hamid Dar	1,232	492	740	761	- do -
	Mr. Tariq Ullah Khan - ex employee	1,311	66	1,245	1,310	- do -
	Mr. Muhammad Naeem - ex employee	1,305	109	1,196	1,339	- do -
	Mr. Mehmood Ullah	54	26	28	51	Employee m/ cycle sale scheme
	Mr. Khuram Riaz	54	11	43	52	- do -
	Mr. M.Sattar Anjum	57	36	21	55	- do -
	Mr. Abdul Qadoos Abbasi	54	29	25	51	- do -
	Mr. Muhammad Yousaf	54	15	39	52	- do -
	Mr. Asif Iqbal	57	37	20	55	- do -
	Mr. Shamas Din	57	37	20	55	- do -
	Mr. Muhammad Yousaf	57	37	20	55	- do -
	Mr. Aneel Anwer	57	37	20	55	- do -
	Mr. Muhammed Asghar	54	30	24	51	- do -
	Mr. Javed Iqbal	54	17	37	52	- do -
	Outsiders					
	M/s Izhar Construction (Pvt) Ltd.	1,812	323	1,489	1,175	Negotiation
	M/s Argosy Enterprises	2,244	801	1,443	1,676	Negotiation
	M/s Izhar Construction (Pvt) Ltd.	338	265	73	245	Negotiation
	M/s Izhar Construction (Pvt) Ltd.	2,369	1,196	1,173	1,711	Negotiation
	Mr. Ch. Ateeq Ahmad	703	552	151	430	Negotiation
	M/s Argosy Enterprises	1,233	507	726	882	Negotiation
	Mr. Muhammad Aamer	1,233	507	726	936	Negotiation
	Mr. Muhammad Nasir	1,233	507	726	867	Negotiation
	M/s Argosy Enterprises	1,232	506	726	858	Negotiation
	Mr. Muhammad Sagheer	1,162	289	873	1,001	Negotiation
	M/s Argosy Enterprises	1,138	623	515	782	Negotiation
	M/s Argosy Enterprises	1,232	506	726	883	Negotiation
	Mr. Shakil Azmat Malik	1,758	1,285	473	368	Negotiation
	Atlas Insurance Limited	884	270	614	614	Insurance
Furniture and office equipments	Mr. Tariq Ullah Khan - ex employee	22	1	21	21	Negotiation
	Mr. Muhammad Naeem - ex employee	39	25	14	14	Negotiation
	Mr. Rasheed Saman	14	7	7	7	Negotiation
	Mr. Imtiaz Hussain Khan - employee	16	10	6	3	Negotiation
		39	38	1	-	Assets written off
Tools and equipments	M/s Super Equipment	290	275	15	125	Negotiation
		26	7	19	-	Assets written off
Plant and machinery		425	320	105	-	Assets written off
		41,367	16,236	25,131	27,937	

11. Intangible assets

(Rupees in thousand)

	Cost as at April 01, 2007	Additions	Cost as at March 31, 2008	Accumulated amortization as at April 01, 2007	Amortization charge for the year	Accumulated amortization as at March 31, 2008	Book value as at March 31, 2008	Annual Amortization rate %
License fees and drawings	187,067	28,713	215,780	126,094	28,627	154,721	61,059	20-45
Softwares	5,758	-	5,758	828	1,353	2,181	3,577	20-25
2008	192,825	28,713	221,538	126,922	29,980	156,902	64,636	
2007	121,878	70,947	192,825	88,676	38,246	126,922	65,903	

11.1 The amortization charge has been allocated as follows:

		2008	2007
		(Rupees in thousand)	
Cost of sales	- note 22	29,524	37,365
Cost of sales - Trading goods		170	595
Administrative expenses	- note 24	286	286
		29,980	38,246

12. Capital work-in-progress

		2008	2007
Civil works		-	1,335
Plant and machinery	- note 12.1	75,738	187,850
Others		5,008	2,657
		80,746	191,842

12.1 Plant and machinery includes goods in transit amounting to Rs 40.12 million (2007: Rs 109.43 million).

13. Long term investments

Available for sale - unquoted

	2008	2007
Automotive Testing and Training Centre (Pvt) Ltd.		
75,000 (2007: 75,000) ordinary shares of Rs 10 each	750	750
Less: Provision for impairment	(750)	(750)
	-	-

		2008	2007
		(Rupees in thousand)	
14. Long term loans and advances			
Loans to employees - considered good			
- Executives	- note 14.1	9,787	10,380
- Others		29,087	26,371
		38,874	36,751
Less: Receivable within one year			
- Executives		(1,943)	(1,841)
- Others		(7,881)	(6,805)
		(9,824)	(8,646)
		29,050	28,105

14.1 Executives

	2008	2007
Opening balance	10,380	7,550
Disbursement during the year	2,736	5,750
	13,116	13,300
Less: Repayment during the year	(3,329)	(2,920)
	9,787	10,380

Loans to employees comprise of staff welfare loan and furniture loan.

Staff welfare loans carry interest at the rate of 8.0% per annum and are recoverable within a period of 7 years commencing from the date of disbursement through monthly deductions from salaries and are secured against retirement benefits of employees and their guarantors. All the loans are granted to the employees of the company in accordance with their terms of employment.

Loans for purchase of furniture are interest free and are repayable between 2 to 4 years. These loans are secured against retirement benefits of employees and their guarantors. All the loans are granted to the employees of the company in accordance with their terms of employment.

The maximum aggregate amount due from executives at the end of any month during the year was Rs 12.69 million (2007: Rs 10.75 million).

		2008	2007
		(Rupees in thousand)	
15. Deferred taxation			
Deferred tax is calculated in full on temporary differences under the liability method			
Opening balance		251,008	(5,428)
Charged to profit		87,157	256,436
Deferred tax asset as at March 31		338,165	251,008
The deferred tax asset comprises of temporary differences arising due to:			
Accelerated tax depreciation		(549,902)	(569,968)
Minimum tax carried forward		163,549	62,706
Unused tax losses carried forward		713,259	758,270
Others		11,259	-
		338,165	251,008

16. Stores and spares

Most of the items of stores and spares are of interchangeable nature and can be used as machine spares or consumed as stores. Accordingly it is not practicable to distinguish stores from spares until their actual usage.

Spares amounting to Rs 8.99 million (2007: Rs 5.07 million) are in the possession of various vendor.

		2008	2007
		(Rupees in thousand)	
17. Stock in trade			
Raw materials including in transit Rs 433.96 million (2007: Rs 500.28 million)	- note 17.1	764,977	1,485,871
Work in process		188,496	173,408
Finished goods	- note 17.2		
- Own manufactured		400,312	672,368
- Trading stock including in transit Rs. 21.01 million (2007: Rs 40.58 million)	- note 17.3	258,911	373,299
		1,612,696	2,704,946

17.1 Raw materials amounting to Rs 109.24 million (2007: Rs 153.60 million) are in the possession of various vendors of the company.

17.2 Finished goods at sale value amounting to Rs 372.93 million (2007: Rs 680.44) are in the possession of various dealers.

17.3 Trading stock costing Rs 46.45 million (2007: Rs 32.88 million) are valued at their net realisable value amounting to Rs 36.91 million (2007: Rs 30.45 million).

		2008	2007
		(Rupees in thousand)	
18. Trade debts - unsecured			
Considered good		-	-
Considered doubtful		16,142	16,142
Less: Provision for doubtful debts		(16,142)	(16,142)
		-	-
		-	-
19. Advances, prepayments and other receivables			
Current portion of loans to employees	- note 14	9,824	8,646
Advances - considered good:			
- to employees	- note 19.1	590	1,277
- to suppliers and contractors		76,486	39,530
		77,076	40,807
Due from related parties - considered good	- note 19.2	10,035	10,994
Recoverable from government authorities:			
- Income tax		81,046	86,308
- Sales tax and special excise duty		262,506	443,757
		343,552	530,065
Margin against letter of credit		7,589	31,014
Prepayments		10,874	26,208
Profit receivable on bank deposits		13	20
Other receivables		48,889	58,338
		507,852	706,092

19.1 Included in advances to employees is an amount of Rs 0.25 million (2007: Rs. 0.71 million) due from executives.

19.2 Due from related parties - considered good

	2008	2007
Honda Motor Company Limited, Japan	3,440	2,355
Honda Automobile (Thailand) Company Limited	5,883	4,167
Honda Trading (Thailand) Company Limited	84	288
Honda Cars Philippines, Inc.	71	2,603
Honda Trading Corporation, Japan	74	219
Honda Autoparts Manufacturing (M) SDN. BHD. Malaysia	24	27
Asian Honda Motor Company, Thailand	336	1,335
Honda Trading (South China) Company Limited	123	-
	10,035	10,994

These are in the normal course of business and are interest free.

20. Cash and bank balances	2008	2007
At banks		
- On current accounts	4,844	5,483
- On saving accounts [including US $ 70,631 (2007: US $ 10,229)]	225,513	213,475
Cash in hand	1,523	901
	231,880	219,859

The saving accounts bear mark-up which ranges from 2.0% to 10.0% per annum.

		2008	2007
		(Rupees in thousand)	
21. Sales			
Sales - Own manufactured goods		16,605,711	19,295,373
Less: Sales tax and special excise duty	- note 21.1	(2,251,638)	(2,516,418)
Commission to dealers		(352,605)	(424,987)
		14,001,468	16,353,968
Sales - Trading goods		825,094	810,947
Less: Sales tax		(107,602)	(105,745)
Commission to dealers		(3,465)	(4,055)
		714,027	701,147
		14,715,495	17,055,115

21.1 Special excise duty at the rate of 1% of ex-factory price has been levied on sale of assembled cars with effect from July 1, 2007.

		2008	2007
22. Cost of sales			
Raw material consumed		12,022,266	14,605,476
Stores and spares consumed		35,438	43,131
Salaries, wages and benefits	- note 22.1	202,079	263,375
Fuel and power		39,051	40,962
Insurance		28,918	29,265
Travelling and vehicle running		62,258	69,126
Freight and handling		16,098	20,534
Repairs and maintenance		12,306	27,643
Technical assistance		26,852	44,970
Depreciation on property, plant and equipment	- note 10.1	434,677	422,095
Amortization on intangible assets	- note 11.1	29,524	37,365
Royalty		296,486	339,723
Canteen subsidy		10,272	13,951
Other expenses		2,367	1,192
		13,218,592	15,958,808
Opening stock of work-in-process		173,408	76,086
Closing stock of work-in-process		(188,496)	(173,408)
		(15,088)	(97,322)
Cost of goods manufactured		13,203,504	15,861,486
Less: Own work capitalized and others		(38,637)	(11,138)
Cost of damaged cars		(713)	(2,749)
		13,164,154	15,847,599
Opening stock of finished goods		672,368	1,071,827
Closing stock of finished goods		(400,312)	(672,368)
		272,056	399,459
		13,436,210	16,247,058
Cost of sales - Trading goods	- note 22.2	651,791	635,142
		14,088,001	16,882,200

22.1 Salaries, wages and benefits include following amounts in respect of employees' retirement benefits.

	2008	2007
	(Rupees in thousand)	
Interest cost for the year	2,663	1,815
Current service cost	3,783	3,489
Actuarial loss/(gain) for the year	3,167	(1,145)
Expected return on plan assets	(2,346)	(1,918)
	7,267	2,241

In addition to above salaries, wages and benefits include Rs 5.54 million (2007: Rs 4.95 million) on account of provident fund contributions.

22.2 This includes depreciation charge of Rs 3.14 million (2007: Rs 7.65 million)

23. Distribution and marketing costs

		2008	2007
Salaries, wages and benefits	- note 23.1	49,234	46,145
Fuel and power		2,601	3,246
Insurance		4,219	3,515
Travelling and vehicle running		15,230	13,050
Freight and handling		16,232	11,528
Repairs and maintenance		3,454	3,071
Printing and stationery		5,495	5,521
Warranty costs		11,735	16,359
Advertising		72,919	82,316
Depreciation on property, plant and equipment	- note 10.1	11,564	12,039
Training expenses		1,401	2,167
Canteen subsidy		1,182	1,289
Free service claims		4,698	6,437
Rent, rates and taxes		7,449	6,064
Other expenses		2,264	2,142
		209,677	214,889

23.1 Salaries, wages and benefits include following amounts in respect of employees' retirement benefits.

	2008	2007
Interest cost for the year	788	762
Current service cost	1,119	1,466
Actuarial loss/(gain) for the year	937	(481)
Expected return on plan assets	(694)	(806)
	2,150	941

In addition to above salaries, wages and benefits include Rs 1.81 million (2007: Rs 1.48 million) on account of provident fund contributions.

		2008	2007
		(Rupees in thousand)	

24. Administrative expenses

Salaries, wages and benefits	- note 24.1	68,582	73,563
Fuel and power		3,160	5,214
Insurance		2,057	2,177
Travelling and vehicle running		15,547	16,341
Repairs and maintenance		5,250	6,324
Printing and stationery		1,977	2,119
Communications		4,966	5,366
Postage		2,126	2,326
Advertising		941	771
Auditor's remuneration	- note 24.2	3,976	3,200
Legal and professional charges		4,110	3,299
Depreciation on property, plant and equipment	- note 10.1	14,787	16,027
Amortization on intangible assets	- note 11.1	286	286
Fees and subscription		5,884	1,538
Canteen subsidy		2,697	3,085
Security expenses		1,775	1,974
Other expenses		1,042	3,664
		139,163	147,274

24.1 Salaries, wages and benefits include following amounts in respect of employees' retirement benefits.

Interest cost for the year	1,076	519
Current service cost	1,529	998
Actuarial loss/(gain) for the year	1,281	(327)
Expected return on plan assets	(949)	(548)
	2,937	642

In addition to above salaries, wages and benefits include Rs 2.45 million (2007: Rs 2.15 million) on account of provident fund contributions.

	2008	2007
	(Rupees in thousand)	
24.2. Auditors remuneration		
The audit fee and remuneration for other services included in the financial statements is as follows:		
Statutory audit	360	360
Half yearly review	90	90
Taxation services	3,132	2,511
Workers' profit participation fund audit, royalty audit and certificates for remittance of foreign currency	292	138
Out of pocket expenses	102	101
	3,976	3,200
25. Other operating income		
Income from financial assets		
Gain on sale of short term investments	-	23,883
Dividend income	-	12,507
Profit on long term investments	-	28,055
Profit on bank deposits	10,860	306
Interest on loans to employees	2,583	2,182
Interest on advances to suppliers	1,738	4,719
Exchange Gain	133	-
	15,314	71,652
Income from non-financial assets		
Profit on disposal of property, plant and equipment	2,931	712
Others	5,344	5,240
	8,275	5,952
	23,589	77,604
26. Other operating expenses		
Workers' profit participation fund	3,417	-
Workers' welfare fund	1,298	-
Loss on sale of long term investments	-	24,538
Assets written off	125	38,610
Donations - note 26.1	135	107
Exchange loss	-	1,259
	4,975	64,514

26.1 None of the directors and their spouses had any interest in the donee.

	2008	2007
27. Finance cost		
Interest and mark-up on:		
- Long term borrowings	129,840	81,702
- Short term borrowings	92,636	209,738
- Customer advances	10,399	13,109
- Workers' profit participation fund	-	39
Bank charges	776	903
	233,651	305,491

	2008	2007
	(Rupees in thousand)	

28. Taxation

	2008	2007
For the year		
- Current	75,764	87,785
- Deferred	(63,540)	(256,436)
	12,224	(168,651)
Prior year		
- Current	-	(48,458)
- Deferred	(23,617)	-
	(23,617)	(48,458)
	(11,393)	(217,109)

28.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	% age	% age
Applicable tax rate as per Income Tax Ordinance, 2001	35.00	(35.00)
Tax effect of:		
- Change in prior years' tax	(37.12)	(10.06)
- Effect of lower tax rates / Presumptive tax regime and others	(15.78)	(0.02)
	(52.90)	(10.08)
Average effective tax rate charged to profit and loss account	(17.90)	(45.08)

29. Remuneration of Chief Executive, Directors and Executives

29.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the chief executive, working directors and other executives of the company is as follows:

(Rupees in thousand)

	Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
Managerial remuneration	894	937	5,943	4,863	31,589	24,955
House rent and utilities	1,421	981	4,397	3,735	22,888	17,636
Bonus	-	-	766	1,954	5,053	13,178
Reimbursement of medical expenses	-	30	205	174	249	269
Employees' retirement benefits	-	-	630	455	3,972	2,833
Other allowances and expenses	1,981	3,593	5,350	5,498	19,491	12,765
	4,296	5,541	17,291	16,679	83,242	71,636
Number of persons	**1**	**1**	**3**	**3**	**32**	**28**

The Chief Executive, certain directors and executives of the company are provided with free use of company cars and company maintained furnished accommodation.

29.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to one director (2007: one director) was Rs 1,000 (2007: Rs 1,500).

		2008	2007
		(Rupees in thousand)	
30. Cash generated from operations			
Profit / (Loss) before taxation		63,617	(481,649)
Adjustment for:			
Depreciation on property, plant and equipment		464,172	457,812
Profit on disposal of property, plant and equipment		(2,931)	(712)
Profit on sale of short term investments		-	(23,883)
Profit on long term investments		-	(28,055)
Loss on sale of long term investments		-	24,538
Dividend income		-	(12,507)
Profit on bank deposits		(10,860)	(306)
Interest on advances to suppliers		(1,738)	(4,719)
Interest on loans to employees		(2,583)	(2,182)
Assets written off and donated		125	38,717
Finance cost		233,651	305,452
Provision for employees' retirement benefits and other obligations		24,512	14,214
Amortization on intangible assets		29,980	38,246
Royalty		282,367	339,723
Working capital changes	- note 30.1	997,882	1,335,263
		2,078,194	1,999,952
30.1 Working capital changes			
(Increase)/decrease in current assets			
- Stores and spares		(32,785)	(20,580)
- Stock in trade		1,092,250	1,464,174
- Advances, prepayments and other receivables		194,149	432,495
		1,253,614	1,876,089
Decrease in current liabilities			
- Trade and other payables		(255,732)	(540,826)
		997,882	1,335,263

31. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise of the following balance sheet amounts:

	2008	2007
Cash and bank balance	231,880	219,859

32. Earnings / (Loss) per share

32.1 Basic earnings / (Loss) per share

		2008	2007
Net profit / (loss) for the year	**Rupees in thousand**	75,010	(264,540)
Weighted average number of ordinary shares	**Number in thousands**	136,788	126,898
Basic earnings / (Loss) per share	**Rupees**	0.55	(2.08)

Weighted average number of ordinary shares have been adjusted for issue of right shares at a rate below the market value of share of company.

32.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.

33. Financial assets and liabilities

(Rupees in thousand)

	Interest/mark-up bearing				Non Interest/mark-up bearing				Total		Credit risk	
	Maturity upto one year	Maturity more than year and less than five years	Sub-total 2008	Sub-total 2007	Maturity upto one year	Maturity more than year and less than five years	Sub-total 2008	Sub-total 2007	2008	2007	2008	2007
Financial assets												
On balance sheet												
Loans to employees	5,764	21,891	27,655	31,617	4,060	7,159	11,219	5,134	38,874	36,751	38,874	36,751
Security deposits	-	-	-	-	-	4,091	4,091	4,091	4,091	4,091	4,091	4,091
Other receivables	-	-	-	-	41,049	-	41,049	100,366	41,049	100,366	41,049	100,366
Cash and bank balances	225,513	-	225,513	213,475	6,367	-	6,367	6,384	231,880	219,859	230,357	218,958
	231,277	21,891	253,168	245,092	51,476	11,250	62,726	115,975	315,894	361,067	314,371	360,166
Off balance sheet	-	-	-	-	-	-	-	-	-	-	-	-
Total	231,277	21,891	253,168	245,092	51,476	11,250	62,726	115,975	315,894	361,067	314,371	360,166
Financial liabilities												
On balance sheet												
Long term finances	-	500,000	500,000	2,541,667	-	-	-	-	500,000	2,541,667		
Mark-up accrued on loans and other payables	-	-	-	-	32,029	-	32,029	39,627	32,029	39,627		
Trade and other payables	-	-	-	-	1,902,536	-	1,902,536	2,120,524	1,902,536	2,120,524		
	-	500,000	500,000	2,541,667	1,934,565	-	1,934,565	2,160,151	2,434,565	4,701,818		
Off balance sheet												
Contracts for capital expenditure	-	-	-	-	70,207	-	70,207	11,734	70,207	1,276,316		
Letters of credit	-	-	-	-	163,888	-	163,888	89,654	163,888	181,243		
Letters of guarantees	-	-	-	-	-	-	-	13,550	-	13,550		
	-	-	-	-	234,095	-	234,095	114,938	234,095	1,471,109		
Total	-	500,000	500,000	2,541,667	2,168,660	-	2,168,660	2,275,089	2,668,660	6,172,927		
On balance sheet gap	231,277	(478,109)	(246,832)	(2,296,575)	(1,883,089)	11,250	(1,871,839)	(2,044,176)	(2,118,671)	(4,340,751)		
Off balance sheet gap	-	-	-	-	(234,095)	-	(234,095)	(114,938)	(234,095)	(1,471,109)		

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

33.1 Financial risk management objectives

The company's operations expose it to financial risk mainly due to changes in foreign exchange rates. Risk management is carried out by the management under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas like foreign exchange risk, interest rate risk and investing excessive liquidity.

33.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Out of the total financial assets of Rs 315.89 million (2007: Rs 361.07 million) the financial assets which are subject to credit risk amount to Rs 314.37 million (2007: Rs 360.17 million).

33.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings, especially group companies. Payables exposed to foreign risks are covered through forward exchange contracts, wherever require, on the basis of management's assessment.

33.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values, except for long term loans, loans to employees and other receivables which are stated at cost /amortized cost. Fair value is determined on the basis of objective evidence at each reporting date.

33.5 Capital risk management

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares and other measures commensurating to the circumstances.

34. Transactions with related parties

The related parties comprise holding company, fellow subsidiaries, associated undertakings and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of key management personnel is disclosed in note 29. Other significant transactions with related parties are as follows:

(Rupees in thousand)

	Holding company	Associated undertakings	Other related parties	Total
For the year ended March 31, 2008				
Purchase of goods	2,137,561	4,377,118	-	6,514,679
Purchase of property, plant and equipment	8,036	52,717	-	60,753
Sale of goods	-	133,484	-	133,484
Insurance premium	-	114,000	-	114,000
Royalty	280,869	940	-	281,809
License fee	799	-	-	799
Technical assistance and training charges	28,478	13,328	-	41,806
Interest on bank account	-	9,539	-	9,539
For the year ended March 31, 2007				
Purchase of goods	1,959,850	5,347,110	-	7,306,960
Purchase of property, plant and equipment	1,073	613,305	-	614,378
Purchase of intangible assets	62,605	23,003	-	85,608
Sale of goods	-	83,632	-	83,632
Insurance premium	-	147,708	-	147,708
Royalty	327,381	-	-	327,381
Technical assistance and training charges	115,162	6,889	-	122,051
Sale of short term investments	-	66,704	592,022	658,726

All transactions with related parties have been carried out on mutually aggreed commercial terms and conditions.

35. Plant capacity and actual production

	Capacity		Production	
	2008 Number	2007 Number	2008 Number	2007 Number
Motor vehicles	50,000	35,000	15,080	18,240

Pursuant to the completion of plant expansion during the last year, the comany has been operating at a capacity of 50,000 motor vehicles per annum on double shift basis from January 2007.

36. Rates of exchange

Liabilities in foreign currencies have been translated into Rupees at the following exchange rates:

US $ 1	=	Rupees	62.77
¥ 1	=	Rupees	0.63
THB 1	=	Rupees	1.99

37. Short term running finance - secured

Short term running finances available from commercial banks under mark-up arrangements amount to Rs 3,710 million (2007: Rs 3,610 million). Mark-up for the finances utilized during the year is charged at rates ranging from 9.83% to 12.13% per annum on the balances outstanding. The aggregate short term running finances are secured by a first pari passu hypothecation charge over current assets of the company.

Of the aggregate facility of Rs 4,278.00 million (2007: Rs 3,945.00 million) for opening letters of credit, the amount utilized at March 31, 2008 was Rs 643.16 million (2007: Rs 496.67 million).

38. Date of authorization for issue

These financial statements were authorized for issue on May 05, 2008 by the board of directors of the company.

39. Events after the balance sheet date

The board has recommended following appropriations:

	2008	2007
Transfers from/to unappropriated profit/loss:	(Rupees in thousand)	
- To/(from) general reserves	74,500	(264,000)

40. Corresponding figures

Corresponding figures have been rearranged, where necessary, for the purpose of comparison. For the purpose of better presentation, income from sale of CKD packing material (Rs 72.98 million), previously classified as other operating income, has been netted off against raw material consumed included in cost of sales.

Yusuf H. Shirazi
Chairman

Atsushi Yamazaki
Chief Executive