

Selected Notes to the Financial Statements for the period of Nine months ended December 31, 2006 (Un-audited)

1. These accounts are unaudited and are being submitted to the shareholders in accordance with the requirements of the Companies Ordinance, 1984.
2. The accounting policies adopted for the preparation of these quarterly accounts are the same as those applied in the preparation of preceding audited financial statements of the company for the year ended March 31, 2006.
3. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting".

	December 31, 2006	March 31, 2006
Note	(Rupees in thousand)	
4. Long term finances - secured		
Opening balance	1,000,000	-
Disbursements during the period	<u>1,250,000</u>	<u>1,000,000</u>
	2,250,000	1,000,000
Less: Repaid during the period	<u>166,667</u>	<u>-</u>
Current portion shown under current liabilities	<u>1,333,333</u>	<u>333,333</u>
	<u>1,500,000</u>	<u>333,333</u>
	<u>750,000</u>	<u>666,667</u>
5. Short term borrowings		
Short term running finance	1,539,662	304,873
Term finance	<u>1,000,000</u>	<u>1,150,000</u>
	<u>2,539,662</u>	<u>1,454,873</u>
6. Contingencies and Commitments		
Contingencies		
i) Claims against the company not acknowledged as debt by the company amounting to Rs. 9.79 million (March 31, 2005: Rs 9.79 million). As the management is confident that the matter would be settled in its favour, consequently no provision has been made in these financial statements in respect of the above mentioned disputed liabilities.		
ii) 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 is applicable on such components and have 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. Last year the company has 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 favour, consequently no provision for the balance amount has been made in these financial statements in respect of the above mentioned notices.

Commitments in respect of

- i) Letters of credit and purchase commitments other than capital expenditure Rs.232 million (March 31 , 2006: Rs. 181 million).
- ii) Letters of credit and purchase commitments for capital expenditure Rs. 51 million (March 31 , 2006: Rs. 1,276 million).
- iii) Letters of guarantees issued in favour of collector of customs Rs. 13.55 million (March 31 , 2006 Rs 13.55 million).

(Pakistan) Limited

	December 31,	March 31,
	2006	2006
	(Rupees in thousand)	
Note		
7. Property, Plant and Equipment		
Opening book value	1,051,723	649,244
Add: Additions during the period	-note 7.1 3,297,329	557,098
	<u>4,349,052</u>	<u>1,206,342</u>
Less: Disposals/Scrap during the period (at book value)	-note 7.2 4,699	11,728
Depreciation charged during the period	<u>260,221</u>	<u>142,891</u>
	<u>264,920</u>	<u>154,619</u>
	<u>4,084,132</u>	<u>1,051,723</u>
7.1 Following is the detail of additions during the period:		
- Land	-	365,766
- Building	1,548,598	5,500
- Plant and machinery	1,658,075	106,275
- Furniture and office equipments	32,596	10,827
- Vehicles	29,608	47,363
- Tools and equipments	21,553	12,447
- Computers	6,899	8,920
	<u>3,297,329</u>	<u>557,098</u>
7.2 Following is the detail of disposals during the period:		
- Plant and machinery	-	1,477
- Furniture and office equipments	-	17
- Vehicles	4,610	9,050
- Tools and equipments	-	1,177
- Computers	89	7
	<u>4,699</u>	<u>11,728</u>

	October - December		April - December	
	2006	2005	2006	2005
	(Rupees in thousand)		(Rupees in thousand)	
8. Sales				
Sales - Own manufactured goods	3,665,224	5,366,493	13,539,469	20,856,805
Less: Sales Tax	478,046	699,860	1,765,743	2,720,324
Commission to dealers	77,952	124,989	293,105	466,149
	<u>3,109,226</u>	<u>4,541,644</u>	<u>11,480,621</u>	<u>17,670,332</u>
Sales - Trading goods	230,683	395,214	606,767	1,066,621
Less: Sales tax	30,071	51,557	79,120	139,131
Commission to dealers	1,440	4,810	3,295	12,800
	<u>199,172</u>	<u>338,847</u>	<u>524,352</u>	<u>914,690</u>
	<u>3,308,398</u>	<u>4,880,491</u>	<u>12,004,973</u>	<u>18,585,022</u>
9. Cost of goods sold				
Raw material consumed	2,221,414	5,573,144	10,762,497	17,977,179
Stores and spares consumed	8,943	15,166	27,178	30,738
Salaries, wages and benefits	91,616	54,442	214,616	157,571
Fuel and power	9,316	7,880	31,786	28,207
Insurance	7,588	3,674	19,502	10,117
Travelling and vehicle running	16,969	18,099	53,755	47,660
Freight and handling	3,206	15,046	16,438	49,823
Repairs and maintenance	6,596	2,192	20,202	8,201
Technical assistance	8,939	4,136	33,491	13,673
Depreciation	133,898	44,364	234,790	100,035
Royalty	69,461	91,091	237,202	354,133
Amortization - licence fee	10,383	3,248	26,920	6,550
Canteen subsidy	2,394	3,606	10,917	12,438
Others	246	597	907	2,215
	<u>2,590,968</u>	<u>5,836,685</u>	<u>11,690,201</u>	<u>18,798,540</u>
Opening stock of work-in-process	180,187	135,776	76,086	68,701
Closing stock of work-in-process	(144,750)	(90,656)	(144,750)	(90,656)
	<u>35,437</u>	<u>45,120</u>	<u>(68,664)</u>	<u>(21,955)</u>
Cost of goods manufactured	<u>2,626,405</u>	<u>5,881,805</u>	<u>11,621,537</u>	<u>18,776,585</u>
Less: Own work capitalized	1,662	-	11,137	22,281
Cost of damaged cars	802	-	802	7,339
	<u>2,623,941</u>	<u>5,881,805</u>	<u>11,609,598</u>	<u>18,746,965</u>
Opening stock of finished goods	1,961,747	170,937	1,071,827	68,400
Closing stock of finished goods	(1,298,850)	(1,660,103)	(1,298,850)	(1,660,103)
	<u>662,897</u>	<u>(1,489,166)</u>	<u>(227,023)</u>	<u>(1,591,703)</u>
	<u>3,286,838</u>	<u>4,392,639</u>	<u>11,382,575</u>	<u>17,155,262</u>
Cost of sales - Trading goods	174,587	305,452	472,872	819,067
	<u>3,461,425</u>	<u>4,698,091</u>	<u>11,855,447</u>	<u>17,974,329</u>

	April - December	
	2006	2005
	(Rupees in thousand)	
10. Transactions with associated companies		
Sales	66,312	37,383
Purchases	6,156,490	9,854,087
Fixed assets	535,754	249,778
Short term investments	-	300,000
Insurance premium	125,692	158,965
Technical assistance	110,733	43,894
Royalty	229,874	354,045
Licence fee	60,900	29,975
11. Cash generated from operations		
Profit / (Loss) before taxation	(219,475)	612,536
Adjustment for non cash charges & other items:		
- Depreciation	260,221	120,855
- Loss on disposal of property, plant and equipment	(516)	(3,943)
- Assets written off	196	2,898
- Profit accrued on bank deposits, investments, loans to employees and advances to suppliers	(29,547)	(188,587)
- Dividend received	(12,507)	-
- Finance cost	198,570	20,528
- Provision for staff gratuity	9,858	4,500
- Amortization of intangible assets	27,135	6,764
- Royalty	237,202	354,133
- Worker's profit participation fund	-	32,781
- Worker's welfare fund	-	10,333
Working capital changes	- note 11.1 (6,476)	(4,187,290)
	<u>464,661</u>	<u>(3,214,492)</u>
11.1 Working capital changes		
(Increase)/decrease in current assets		
- Stores and spares	(5,882)	(2,300)
- Stock in trade	(623,747)	(1,621,634)
- Loans, advances, deposits, prepayments & other receivables	147,832	(225,179)
Increase/(decrease) in current liabilities		
- Trade and other payables	475,321	(2,338,177)
	<u>(6,476)</u>	<u>(4,187,290)</u>

December 31, March 31,
2006 2006
(Rupees in thousand)


12. Cash and cash equivalents


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

Cash and bank balances	15,532	360,619
Short term running finances	<u>(1,539,662)</u>	<u>(304,873)</u>
	<u>(1,524,130)</u>	<u>55,746</u>

13. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.


Yusuf H. Shirazi
Chairman


Mamoru Suwama
Chief Executive