

Selected Notes to the Accounts

for the period of Three months ended June 30, 2007 (Un-audited)

1. These financial statements 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 financial statements are the same as those applied in the preparation of preceding audited financial statements of the company for the year ended March 31, 2007.
3. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting".

	June 30, 2007	March 31, 2007
	(Rupees in thousand)	
4. Long-term finances		
Opening balance	2,541,667	1,000,000
Disbursements during the period	-	1,875,000
	<u>2,541,667</u>	<u>2,875,000</u>
Less: Current portion shown under current liabilities	1,333,333	583,333
Repayment during the period	<u>750,000</u>	<u>333,333</u>
	<u>2,083,333</u>	<u>916,666</u>
	<u>458,334</u>	<u>1,958,334</u>
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5. Contingencies and Commitments		

Contingencies

- i) Claims against the company not acknowledged as debt by the company amount to Rs. 9.79 million (March 31, 2007: 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 was 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. In the year 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 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 160.37 million (March 31 , 2007: Rs. 89.65 million).
- ii) Letters of credit and purchase commitments for capital expenditure Rs 3.53 million (March 31 , 2007: Rs. 11.73 million)..
- iii) Letters of guarantees issued in favour of collector of customs Rs. Nil (March 31 , 2007 Rs 13.55 million).

	June 30,	March 31,
	2007	2007
Note	(Rupees in thousand)	
6. Property, Plant and Equipment Opening book value	4,082,955	1,051,723
Add: Additions during the period	-note 6.1 78,443	3,532,506
	4,161,398	4,584,229
Less: Disposals during the period (at book value)	-note 6.2 6,208	43,462
Depreciation charged during the period	176,674	457,812
	182,882	501,274
	<u>3,978,516</u>	<u>4,082,955</u>
 6.1 Following is the detail of additions during the period:		
- Building	1,908	1,565,704
- Plant and machinery	58,510	1,864,958
- Furniture and office equipments	3,191	38,802
- Vehicles	10,449	30,458
- Tools and equipments	1,318	25,225
- Computers	3,067	7,359
	<u>78,443</u>	<u>3,532,506</u>
 6.2 Following is the detail of assets disposed/written off during the period:		
- Building	-	11,799
- Plant and machinery	-	23,266
- Furniture and office equipments	13	137
- Vehicles	6,161	4,731
- Tools and equipments	34	3,440
- Computers	-	89
	<u>6,208</u>	<u>43,462</u>



	April - June	
	2007	2006
	(Rupees in thousand)	
7. Sales		
Sales -Own manufactured goods	5,139,814	5,128,080
Less: Sales Tax	670,375	668,554
Commission to dealers	109,889	116,094
	<u>4,359,550</u>	<u>4,343,432</u>
Sales - Trading goods	203,347	136,009
Less: Sales tax	26,530	17,740
Commission to dealers	740	360
	<u>176,077</u>	<u>117,909</u>
	<u>4,535,627</u>	<u>4,461,341</u>
8. Cost of sales		
Raw material consumed	3,489,736	4,850,965
Stores and spares consumed	6,137	7,249
Salaries, wages and benefits	40,273	55,830
Fuel and power	10,795	10,326
Insurance	7,293	5,627
Travelling and vehicle running	14,581	17,116
Freight and handling	4,380	9,403
Repairs and maintenance	3,051	4,755
Printing & stationery	220	137
Technical assistance	5,031	15,860
Depreciation	167,921	27,253
Royalty	91,710	87,060
Amortization - licence fee	10,501	6,285
Others	3,637	4,616
	<u>3,855,268</u>	<u>5,102,482</u>
Opening stock of work-in-process	173,408	76,086
Closing stock of work-in-process	(172,573)	(75,276)
	<u>835</u>	<u>810</u>
Cost of goods manufactured	3,856,103	5,103,292
Less: Own work capitalized	9,923	6,171
	<u>3,846,179</u>	<u>5,097,121</u>
Opening stock of finished goods	672,368	1,071,827
Closing stock of finished goods	(294,178)	(2,097,233)
	<u>378,190</u>	<u>(1,025,406)</u>
	4,224,369	4,071,715
**Cost of sales - Trading goods	154,518	104,709
	<u>4,378,887</u>	<u>4,176,424</u>

** Includes depreciation charge of Rs. 1.38 million (June 30, 2006 : Rs 1.30 million)

	April - June	
	2007	2006
	(Rupees in thousand)	
9. Transactions with related parties		
Sales	43,665	3,940
Purchases	1,808,000	2,831,080
Fixed assets	4,862	75,395
Insurance premium	55,910	59,129
Technical assistance	16,279	43,732
Royalty	87,401	87,007
	<u>2,016,117</u>	<u>3,100,283</u>
10. Cash generated from operations		
Profit before taxation	30,993	181,708
Adjustment for:		
- Depreciation on property, plant & equipment	176,673	34,500
- Profit/(Loss) on disposal of property, plant and equipment	(953)	196
- Assets written off	19	-
- Utilized gain/(loss) on investment in related parties	-	(8,111)
- Profit on long-term investments	-	(7,822)
- Profit on bank deposits	(9,518)	(232)
- Interest on advances to suppliers & employees	(1,385)	(1,648)
- Finance cost	73,449	53,975
- Provision for employees retirement benefits & other obligations	5,453	2,576
- Amortization on intangible assets	10,743	6,357
- Royalty	91,710	87,060
- Worker's profit participation fund	1,665	9,736
- Worker's welfare fund	633	3,274
- Working capital changes	- note 10.1 374,861	(2,765,017)
	<u>754,341</u>	<u>(2,403,448)</u>
10.1 Working capital changes		
(Increase)/decrease in current assets		
- Stores and spares	(5,115)	(748)
- Stock in trade	704,996	(1,398,771)
- Trade & other receivables	(185,792)	(199,792)
Increase/(decrease) in current liabilities		
- Trade and other payables	(139,228)	(1,165,706)
	<u>374,861</u>	<u>(2,765,017)</u>

