



Financial Statements

2008-09 at a Glance

- Change in financial year end - **December 31 to March 31.**
- Ever highest sales revenue - **Rs. 12 billion.**
- Exchange loss of **Rs. 563 million** as a result of Rupee depreciation and Yen appreciation.
- 3rd consecutive **best corporate report award.**
- Contribution to national exchequer **Rs. 878 million.**
- Donation of **Rs. 7 million** for Corporate Social Responsibility.

Key Financial Indicators

| | |
|---|--------|
| Sales volume (units) | 3705 |
| Sales revenue (Rs. in million) | 12,151 |
| Gross profit (Rs. in million) | 1,251 |
| Gross profit margin | 10.3% |
| Profit before taxation (Rs. in million) | 116 |
| Profit after taxation (Rs. in million) | 70 |
| Profit after taxation margin | 0.6% |
| Earnings per share (Rs.) | 5.64 |
| Dividend per share (Rs.) | 1.75 |
| Dividend payout | 31% |
| Current ratio | 1.34 |
| Capital expenditures (Rs. in million) | 208 |

Auditors' Report to the members

A.F. Ferguson & Co
Chartered Accountants
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11 Chundrigar Road, P.O. BOX 4716
Karachi- 74000, Pakistan
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We have audited the annexed balance sheet of Hinopak Motors Limited as at March 31, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the fifteen months period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the fifteen months period was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the fifteen months period were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at March 31, 2009 and of the profit, its cash flows and changes in equity for the fifteen months period then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



A.F. Ferguson & Co.
Chartered Accountants

Karachi

Dated: April 30, 2009

Balance Sheet

as at March 31, 2009

| | | March 31, 2009 | December 31, 2007 |
|---|------|-------------------|----------------------|
| | Note | Rupees in '000 | |
| SHARE CAPITAL AND RESERVES | | | |
| Share Capital | 3 | 124,006 | 124,006 |
| Reserves | 4 | 1,544,049 | 1,764,552 |
| | | <u>1,668,055</u> | <u>1,888,558</u> |
| SURPLUS ON REVALUATION OF FIXED ASSETS | | | |
| | 5 | 277,490 | 284,677 |
| NON-CURRENT LIABILITIES | | | |
| Long-term security deposits | | 32,000 | 32,000 |
| Deferred taxation | 6 | 11,499 | 33,594 |
| | | <u>43,499</u> | <u>65,594</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 7 | 1,617,511 | 2,439,908 |
| Short-term borrowings | 8 | 1,355,557 | 105,178 |
| Liability against assets subject to finance lease | | - | 4,299 |
| Accrued mark-up | | 44,934 | 598 |
| Taxation | | - | 122,719 |
| | | <u>3,018,002</u> | <u>2,672,702</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 9 | | |
| | | <u>5,007,046</u> | <u>4,911,531</u> |

| | | March 31, 2009 | December 31, 2007 |
|---------------------------------|------|-------------------|----------------------|
| | Note | Rupees in '000 | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 948,535 | 887,117 |
| Intangible assets | 11 | 5,499 | 3,196 |
| Investments | 12 | - | - |
| Long-term loans and advances | 13 | 13,094 | 7,121 |
| Long-term deposits | | 5,475 | 6,002 |
| | | 972,603 | 903,436 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | 14 | 33,309 | 30,605 |
| Stock-in-trade | 15 | 2,398,605 | 2,533,159 |
| Trade debts | 16 | 1,135,332 | 816,386 |
| Loans and advances | 17 | 51,886 | 90,523 |
| Trade deposits and prepayments | 18 | 53,398 | 96,829 |
| Accrued mark-up | | - | 2,678 |
| Refunds due from the government | 19 | 149,202 | 164,817 |
| Other receivables | 20 | 9,135 | 12,183 |
| Taxation | | 133,370 | - |
| Cash and bank balances | 21 | 70,206 | 260,915 |
| | | 4,034,443 | 4,008,095 |
| | | 5,007,046 | 4,911,531 |

The annexed notes 1 to 37 form an integral part of these financial statements.


**Managing Director &
Chief Executive**


Chairman

Profit and Loss Account

for the fifteen months period ended March 31, 2009

| | Note | Fifteen months period ended March 31, | Year ended December 31, |
|--------------------------|------|---|-------------------------------|
| | | 2009 | 2007 |
| | | Rupees in '000 | |
| Sales - net | 22 | 12,151,021 | 7,826,780 |
| Cost of sales | 23 | (10,899,778) | (6,439,143) |
| Gross profit | | 1,251,243 | 1,387,637 |
| Distribution expenses | 23 | (399,777) | (268,980) |
| Administration expenses | 23 | (206,769) | (140,388) |
| Other operating income | 24 | 169,610 | 57,610 |
| Other operating expenses | 25 | (19,953) | (68,101) |
| Profit from operations | | 794,354 | 967,778 |
| Finance cost | 26 | (678,526) | (63,168) |
| Profit before taxation | | 115,828 | 904,610 |
| Taxation | 27 | (45,905) | (314,563) |
| Profit after taxation | | 69,923 | 590,047 |
| Earnings per share | 28 | Rs. 5.64 | Rs. 47.58 |

The annexed notes 1 to 37 form an integral part of these financial statements.



**Managing Director &
Chief Executive**



Chairman

Cash Flow Statement

for the fifteen months period ended March 31, 2009

| | | Fifteen months period ended March 31, 2009 | Year ended December 31, 2007 |
|---|------|--|--|
| | Note | Rupees in '000 | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash (used in) / generated from operations | 29 | (615,743) | 876,161 |
| Mark-up paid on short-term borrowings | | (57,719) | (23,010) |
| Return on investments, savings and term deposit accounts | | 52,658 | 20,864 |
| Taxes paid | | (324,089) | (336,242) |
| Decrease in long-term deposits | | 527 | 2,297 |
| Increase in long-term loans and advances | | (5,973) | (366) |
| Increase in long-term security deposits | | - | 2,000 |
| Net cash (utilised) / generated from operating activities | | (950,339) | 541,704 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditure incurred | | (207,500) | (117,055) |
| Proceeds from sale of property, plant and equipment | | 18,092 | 10,216 |
| Net cash used in investing activities | | (189,408) | (106,839) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Decrease in liability against assets subject to finance lease | | (4,299) | (5,026) |
| Short-term loan received | | 50,682 | - |
| Short-term loan paid | | (50,682) | - |
| Dividend paid | | (297,042) | (129,913) |
| Net cash used in financing activities | | (301,341) | (134,939) |
| Net (decrease) / increase in cash and cash equivalents | | (1,441,088) | 299,926 |
| Cash and cash equivalents at the beginning of the period | | 155,737 | (144,189) |
| Cash and cash equivalents at the end of the period | 30 | (1,285,351) | 155,737 |

The annexed notes 1 to 37 form an integral part of these financial statements.


**Managing Director &
 Chief Executive**


Chairman

Statement of Changes in Equity

for the fifteen months period ended March 31, 2009

| | Share Capital | Reserves - Revenue | | Total |
|--|------------------|--------------------|-------------------------------|------------------|
| | | General | Unappro- priated profit | |
| Rupees '000 | | | | |
| Balance at January 1, 2007 | 124,006 | 291,000 | 1,007,847 | 1,422,853 |
| Dividend for the year 2006 @ Rs. 10.5 per share | - | - | (130,206) | (130,206) |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation | - | - | 5,864 | 5,864 |
| Profit after taxation for the year | - | - | 590,047 | 590,047 |
| Balance at December 31, 2007 | 124,006 | 291,000 | 1,473,552 | 1,888,558 |
| Dividend for the year 2007 @ Rs. 24 per share | - | - | (297,613) | (297,613) |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation | - | - | 7,187 | 7,187 |
| Profit after taxation for the period | - | - | 69,923 | 69,923 |
| Balance at March 31, 2009 | 124,006 | 291,000 | 1,253,049 | 1,668,055 |

The annexed notes 1 to 37 form an integral part of these financial statements.



**Managing Director &
Chief Executive**



Chairman

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

1. THE COMPANY AND ITS OPERATIONS

Hinopak Motors Limited is incorporated in Pakistan as a public limited company and listed on Karachi and Lahore stock exchanges.

The company's principal activity is the assembly, progressive manufacturing and sale of Hino buses and trucks in Pakistan.

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

The company has changed its financial year end from December 31 to March 31 and has prepared these financial statements for the fifteen months period ended on March 31, 2009. The comparative figures given in these financial statements are for the year ended December 31, 2007. The change in financial year has been made by the company to coincide with the financial year of the parent company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

2.1 Basis of preparation

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

Accounting standards, amendments and interpretations which have been effective

IFRIC 14 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' is mandatory for the company's accounting periods beginning on or after January 1, 2008. The interpretation provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the retirement benefit asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the company's financial statements.

The other new standards, amendments and interpretations are considered not relevant or have any significant effect on the company's financial statements.

Standards, interpretations and amendments to the published approved accounting standards that are relevant but not yet effective

Following amendments to approved accounting standards and interpretations have been published that are mandatory for the company's accounting periods beginning on the dates mentioned below:

IAS 23 (Amendment) - Borrowing Cost effective from January 1, 2009

Adoption to this amendment will result in change in accounting policy relating to borrowing cost. After this amendment borrowing costs that are directly attributable to the, acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

IFRS 7 'Financial instruments: Disclosures', introduces new disclosures relating to financial instruments. The standard shall be applicable on accounting periods beginning on or after July 1, 2008. Adoption of the standard will only impact the format and extent of disclosures presented in the financial statements.

IFRS 8 'Operating segments' replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The new standard is applicable on accounting periods beginning on or after January 1, 2009. The management is reviewing the implications on the company's financial statements' presentation.

IAS 1 'Presentation of financial statements', issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain components of financial statements, presentation of transactions with owners in the statement of changes in equity and with non-owners in the comprehensive income statement. The revised standard is applicable on accounting periods beginning on or after January 1, 2009 and it will impact mainly the presentation of the financial statements.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

2.3 Staff retirement benefits

Defined benefit plans

The company operates approved funded gratuity and pension schemes for all its permanent employees. The schemes define the amounts of benefit that an employee will receive on or after retirement subject to a minimum qualifying period of service under the schemes. The amounts of retirement benefits are usually dependant on one or more factors such as age, years of service and salary.

The liabilities recognised in respect of gratuity and pension schemes are the present values of the company's obligations under each scheme at the balance sheet date less the fair values of respective plan assets, together with adjustment for unrecognised actuarial gains or losses.

Contribution to pension fund is made by both, the company based on actuarial recommendation, and by employees at 2% and 3% of the basic monthly salary in case of management and non-management staff respectively.

Latest actuarial valuations of the schemes were carried out as at March 31, 2009 using the projected unit credit method. The present values of the obligations are determined by discounting the estimated future cash outflows using interest rates of high quality government securities that have terms to maturity approximating to the terms of the related obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the obligations are charged or credited to profit and loss account separately for each scheme over the employees' expected average remaining working lives.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

Defined contribution plan

The company also operates an approved contributory provident fund for all its permanent employees to which equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% of basic salary.

2.4 Compensated absences

The company accounts for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

2.5 Taxation

i. Current

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and taxes paid under the final tax regime.

ii. Deferred

The company accounts for deferred taxation using the liability method on all major temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for taxable temporary differences and deferred tax asset is recognised 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 utilised. Deferred tax is charged or credited in the profit and loss account.

2.6 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.7 Revenue recognition

- The company recognises sales upon delivery of goods to customers and in the case of exports when the goods are shipped.
- Commission on handling Complete Built Up (CBU) vehicles and spare parts is recognised on accrual basis.
- Return on bank deposits and short term investments is recognised on accrual basis.

2.8 Research and development cost

Research and development cost is charged in the year in which it is incurred.

2.9 Borrowing cost

Borrowing cost is recognised as an expense in the period in which it is incurred.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

2.10 Warranty obligations

The company recognises the estimated liability on an accrual basis to repair or replace goods under warranty at the balance sheet date.

2.11 Financial instruments

Financial instruments include investments, trade and other debts, cash and bank balances, borrowings, liability against assets subject to finance lease and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The company enters into derivative transactions mainly to hedge foreign currency liabilities or firm commitments and these are designated as fair value hedge.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged liability that are attributable to the hedged risk.

2.13 Trade and other payables

Trade and other payables are initially measured at cost which is the fair value of the consideration to be paid for goods and services, whether or not billed to the company.

2.14 Property, plant and equipment

These are stated at cost less accumulated depreciation / amortisation and impairment losses, if any, except capital work-in-progress which is stated at cost.

Depreciation is charged to profit and loss account applying the straight line method, whereby the depreciable amount of an asset, if any, is written off over its estimated useful life. The cost of leasehold land is amortised equally over the lease period. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

The useful lives of assets as estimated by the management are as follows:

| | |
|-------------------------------|--------------------------------|
| - Leasehold land | lease term i.e. 65 to 67 years |
| - Buildings on leasehold land | 40 years |
| - Plant and machinery | 2 to 10 years |
| - Furniture and fixtures | 2 to 10 years |
| - Vehicles | 4 to 5 years |
| - Electric installations | 5 years |
| - Office and other equipments | 3 to 7 years |

The assets' residual values and useful lives are reviewed, and adjusted if significant, at each balance sheet date.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

Gain or loss on disposal or retirement of property, plant and equipment is included in profit and loss account. Maintenance and normal repairs of plant and machinery costing up to approximately Rs. 50,000 and other assets costing up to approximately Rs. 25,000 are charged to profit and loss account as and when incurred.

2.15 Intangible assets - computer softwares

Computer software licenses acquired by the company are stated at cost less accumulated amortisation. Cost represents the cost incurred to acquire the software licenses and bring them to use. The cost of computer software is amortised over the estimated useful life i.e. 2 to 3 years.

Costs associated with maintaining computer softwares are charged to profit and loss account.

2.16 Impairment

The carrying values of non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

2.17 Investments

The investments of the company are classified into the following categories:

i) Held to maturity

These are investments with fixed or determinable payments and fixed maturity with the company having positive intent and ability to hold to maturity. These are initially recognised at fair value plus transaction cost, and subsequently at amortised cost.

ii) At fair value through profit and loss account

These are investments designated at fair value through profit and loss account at inception. Investments in this category are classified as current assets if they are expected to be realised within twelve (12) months of the balance sheet date.

Investments at fair value through profit and loss account are recognised at fair value and changes in fair value are taken to profit and loss account.

iii) Available for sale

These represent non derivative investments that are either designated in this category or not classified in any other category. They are included as non-current assets unless management intends to dispose off the investments within twelve (12) months of the balance sheet date.

Available for sale investments are initially recognised at fair value plus transaction cost, and subsequently at fair value. Changes in fair value are recognised in equity.

The company assesses at each balance sheet date whether there is objective evidence that an investment is impaired. Impairment loss on all investments is recognised in the profit and loss account.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

2.18 Stores, spares and loose tools

These are valued at cost determined on moving average basis less provision for slow moving and obsolete stores and spares. Items in transit are valued at invoice value plus other charges incurred thereon.

2.19 Stock-in-trade

These are valued at lower of cost and net realisable value. Cost is determined by first-in first-out method except for materials for fabrication of bus bodies, consumable stores, locally manufactured parts, spares for sale and stock in transit.

Cost of material for fabrication of bus bodies, consumable stores, locally manufactured parts and spares for sale is determined on moving average method. Cost of stock in transit comprises of invoice value plus other charges incurred thereon.

Cost of work in process and finished goods include direct material, labour and appropriate portion of manufacturing expenses.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less cost of completion and estimated costs necessarily to be incurred to make the sale.

2.20 Trade and other debts

Trade and other debts are carried at original invoice amount being the fair value. Provision is made against debts considered doubtful of recovery whereas debts considered irrecoverable are written off.

2.21 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash, cheques in hand, balances with banks on current, savings and deposit accounts and running finance under mark-up arrangements.

2.22 Foreign currency translation

Foreign currency transactions are recorded into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account.

2.23 Dividend distribution

Dividend distribution to shareholders is recognised as liability in the financial statements in the period in which the dividend is declared.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

2.24 Accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The matters involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements are as follows:

(a) Provision for doubtful debts, other receivables and stocks

The company has used judgments, based on the history of the transactions, for making provisions for doubtful debts and other receivables, whereas provision for stocks is based on the current market conditions. Management believes that changes in outcome of estimates will not have material effect on the financial statements.

(b) Staff retirement benefits

The company has post retirement benefit obligations, which are determined through actuarial valuations as carried out by independent actuary using various assumptions as disclosed in note 7.2.8 below.

There have been no critical judgments made by the company's management in applying the accounting policies that would have the most significant effect on the amounts recognised in the financial statements.

| | March 31, 2009 | December 31, 2007 |
|--|-------------------|----------------------|
| | Rupees in '000 | |
| 3. SHARE CAPITAL | | |
| 3.1 Authorised share capital | | |
| 20,000,000 ordinary shares of Rs. 10 each | <u>200,000</u> | <u>200,000</u> |
| 3.2 Issued, subscribed and paid-up capital | | |
| Ordinary shares of Rs. 10 each | | |
| 6,200,280 shares allotted for consideration paid in cash | 62,003 | 62,003 |
| 4,133,520 shares allotted for consideration other than cash - fixed assets | 41,335 | 41,335 |
| 2,066,760 shares allotted as bonus shares | 20,668 | 20,668 |
| <u>12,400,560</u> | <u>124,006</u> | <u>124,006</u> |

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

- 3.3** At March 31, 2009 and December 31, 2007 Hino Motors Ltd, Japan - holding company and Toyota Tsusho Corporation, Japan - associated company respectively held 7,357,665 and 3,678,833 ordinary shares of Rs. 10 each.

| March 31, 2009 | December 31, 2007 |
|-------------------|----------------------|
| Rupees in '000 | |

4. RESERVES - revenue

| | | |
|-----------------------|------------------|------------------|
| General reserves | 291,000 | 291,000 |
| Unappropriated profit | 1,253,049 | 1,473,552 |
| | <u>1,544,049</u> | <u>1,764,552</u> |

5. SURPLUS ON REVALUATION OF FIXED ASSETS

The surplus on revaluation of fixed assets represents surplus recognised in 1998 on revaluation of certain leasehold land and buildings on leasehold land carried out by an independent professional valuer.

To comply with the requirements of the revised International Accounting Standard 16 - Property, Plant and Equipment, the company adopted the cost model for its fixed assets. Consequently, the revalued figures of such assets as at January 1, 2005 were treated as deemed cost. The surplus on revaluation on these assets shall be held on the balance sheet till realisation in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

| March 31, 2009 | December 31, 2007 |
|-------------------|----------------------|
| Rupees in '000 | |

| | | |
|--|----------------|----------------|
| Opening balance | 284,677 | 290,541 |
| Transferred to unappropriated profit on account of incremental depreciation for the period | (7,187) | (5,864) |
| Closing balance | <u>277,490</u> | <u>284,677</u> |

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

| | March 31, 2009 | December 31, 2007 |
|--|-------------------|----------------------|
| | Rupees in '000 | |
| 6. DEFERRED TAXATION | | |
| Credit balances arising in respect of: | | |
| - accelerated tax depreciation allowances | 82,215 | 79,553 |
| - surplus on revaluation of fixed assets | 27,516 | 28,615 |
| | <u>109,731</u> | <u>108,168</u> |
| Debit balances arising in respect of: | | |
| - provision for stores and stocks obsolescence | (58,086) | (57,890) |
| - provision for doubtful trade debts, deposits and other receivables | (40,146) | (16,416) |
| - liability against assets subject to finance lease | - | (268) |
| | <u>(98,232)</u> | <u>(74,574)</u> |
| | <u>11,499</u> | <u>33,594</u> |
| 7. TRADE AND OTHER PAYABLES | | |
| Creditors | 69,289 | 177,500 |
| Bills payable to Toyota Tsusho Corporation, Japan – associated company | 273,970 | 893,042 |
| Accrued liabilities | 478,580 | 425,492 |
| Advances from customers | 575,468 | 709,774 |
| Custom duties payable | 158,832 | 112,826 |
| Payable to Hino Motors Ltd. Japan - holding company | | |
| - royalty | 7,568 | 64,024 |
| - technical assistance fee | - | 2,434 |
| Employees related obligation - note 7.1 | 23,629 | 21,909 |
| Payable to employees' pension fund - note 7.2 | 945 | 3,236 |
| Workers' profits participation fund - note 7.3 | 6,286 | - |
| Workers' welfare fund | 6,974 | 21,287 |
| Excise duty payable | 2,659 | 4,532 |
| Unclaimed dividend | 1,964 | 1,393 |
| Net unrealised loss on foreign currency option contracts - 7.4 | 4,230 | - |
| Others | 7,117 | 2,459 |
| | <u>1,617,511</u> | <u>2,439,908</u> |

- 7.1** These represent contributions made by employees towards the sale price of vehicles provided to them by the company in accordance with the company's vehicle policy.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

| | March 31, | | December 31, | |
|--|---------------|--------------|---------------|--------------|
| | 2009 | | 2007 | |
| | Gratuity Fund | Pension Fund | Gratuity Fund | Pension Fund |
| | Rupees '000 | | | |
| 7.2 Staff Retirement Benefits | | | | |
| 7.2.1 Movement in asset / (liability) | | | | |
| Opening balance | 224 | (3,236) | 2,536 | 1,728 |
| Charge for the period | (4,885) | (8,542) | (2,978) | (7,242) |
| Payments to the fund | 9,686 | 10,833 | 666 | 2,278 |
| Closing balance | 5,025 | (945) | 224 | (3,236) |
| 7.2.2 Balance sheet reconciliation as at March 31, 2009 | | | | |
| Fair value of plan assets | 73,784 | 65,290 | 69,337 | 70,040 |
| Present value of obligations | (83,592) | (94,797) | (68,920) | (78,546) |
| Unrecognised actuarial loss / (gain) | 14,833 | 25,952 | (193) | 2,295 |
| Past service cost - non vested | - | 2,610 | - | 2,975 |
| | 5,025 | (945) | 224 | (3,236) |
| 7.2.3 Charge for the period | | | | |
| Current service cost | 4,430 | 5,773 | 3,672 | 3,660 |
| Interest cost | 9,998 | 11,364 | 5,622 | 5,848 |
| Expected return on plan assets | (9,695) | (9,405) | (6,316) | (6,140) |
| Actuarial loss recognised during the period | 152 | 445 | - | - |
| Past service cost - vested | - | 365 | - | 3,874 |
| | 4,885 | 8,542 | 2,978 | 7,242 |
| 7.2.4 Movement in the present value of obligation | | | | |
| Opening balance | 68,920 | 78,546 | 56,221 | 58,482 |
| Current service cost | 4,430 | 5,773 | 3,672 | 3,660 |
| Interest cost | 9,998 | 11,364 | 5,622 | 5,848 |
| Actuarial loss | 9,350 | 2,216 | 4,476 | 3,810 |
| Benefits paid | (9,106) | (6,077) | (1,071) | (103) |
| Past service cost - vested | - | 365 | - | 3,874 |
| Past service cost - non vested | - | 2,610 | - | 2,975 |
| Closing balance | 83,592 | 94,797 | 68,920 | 78,546 |

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

| | March 31, | | December 31, | | |
|--|-----------------|----------------|---------------|---------------|----------------|
| | 2009 | | 2007 | | |
| | Gratuity Fund | Pension Fund | Gratuity Fund | Pension Fund | |
| | Rupees '000 | | | | |
| 7.2.5 Movement in fair value of plan assets | | | | | |
| Opening balance | 69,337 | 70,040 | 63,165 | 61,406 | |
| Expected return on plan assets | 9,695 | 9,405 | 6,316 | 6,140 | |
| Actuarial (loss) / gain | (5,828) | (18,911) | 261 | 319 | |
| Employer contributions | 9,686 | 10,833 | 666 | 2,278 | |
| Benefits paid | (9,106) | (6,077) | (1,071) | (103) | |
| Closing balance | <u>73,784</u> | <u>65,290</u> | <u>69,337</u> | <u>70,040</u> | |
| 7.2.6 Actual return / (loss) on plan assets | <u>3,867</u> | <u>(9,506)</u> | <u>6,577</u> | <u>6,459</u> | |
| 7.2.7 Plan assets comprise of: | | | | | |
| Equity (%) | 13 | 33 | 19 | 43 | |
| Debt (%) | 15 | 53 | 65 | 40 | |
| Others (%) | 72 | 14 | 16 | 17 | |
| | <u>100</u> | <u>100</u> | <u>100</u> | <u>100</u> | |
| 7.2.8 Key actuarial assumptions used | | | | | |
| Expected rate of return on investments (%) | 15 | 15 | 10 | 10 | |
| Expected rate of increase in salaries (%) | 14 | 14 | 9 | 9 | |
| Discount factor used (%) | 15 | 15 | 10 | 10 | |
| Retirement age (years) | 60 | 60 | 60 | 60 | |
| 7.2.9 Comparison for five years | | | | | |
| | March 31, | December 31, | December 31, | December 31, | December 31, |
| | 2009 | 2007 | 2006 | 2005 | 2004 |
| | Rupees '000 | | | | |
| Gratuity fund | | | | | |
| Fair value of plan assets | 73,784 | 69,337 | 63,165 | 53,665 | 50,835 |
| Present value of defined benefit obligation | (83,592) | (68,920) | (56,221) | (43,922) | (35,900) |
| (Deficit) / surplus | <u>(9,808)</u> | <u>417</u> | <u>6,944</u> | <u>9,743</u> | <u>14,935</u> |
| Experience adjustment | | | | | |
| Actuarial loss on obligations | 9,350 | 4,476 | 6,521 | 603 | 2,978 |
| Actuarial loss / (gain) on plan assets | 5,828 | (261) | (1,828) | 593 | 3,523 |
| Pension fund | | | | | |
| Fair value of plan assets | 65,290 | 70,040 | 61,406 | 48,511 | 34,545 |
| Present value of defined benefit obligation | (94,797) | (78,546) | (58,482) | (48,712) | (39,433) |
| (Deficit) / surplus | <u>(29,507)</u> | <u>(8,506)</u> | <u>2,924</u> | <u>(201)</u> | <u>(4,888)</u> |
| Experience adjustment | | | | | |
| Actuarial loss on obligations | 2,216 | 3,810 | 2,145 | 1,747 | 2,025 |
| Actuarial loss / (gain) on plan assets | (18,911) | (319) | (3,542) | (4,098) | (528) |

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

7.2.10 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the plan, at the beginning of the period, for returns over the entire life of the related obligation.

7.2.11 Based on actuary's advice, the amount of expected contribution to gratuity and pension funds in 2009-10 will be Rs. 7.32 million and Rs. 12.40 million respectively.

| | March 31, 2009 | December 31, 2007 |
|--|-------------------|----------------------|
| | Rupees in '000 | |
| 7.3 Workers' Profits Participation Fund | | |
| Opening (asset) / liability | (1,287) | 27,520 |
| Allocation for the period | 6,390 | 48,713 |
| | <u>5,103</u> | <u>76,233</u> |
| Interest on funds utilised in company's business | - | 1,633 |
| | <u>5,103</u> | <u>77,866</u> |
| Amounts received from / (paid to) the Fund | 1,183 | (79,153) |
| Closing liability / (asset) | <u>6,286</u> | <u>(1,287)</u> |

7.4 This represents unrealised loss on foreign currency option contracts entered into by the company with various banks to hedge foreign currency exposure. The option contracts have maturity upto three months. The aggregate notional value and fair value of these contracts as at March 31, 2009 amounted to Rs. 292 million and Rs. 288 million respectively.

8. SHORT-TERM BORROWINGS - Running finance under mark-up arrangements

The facilities for running finance under mark-up arrangements with various banks amounted to Rs.1.78 billion (December 31, 2007: Rs. 810 million) of which the amount remaining unutilised at the year end was Rs. 424 million (December 31, 2007: Rs. 705 million). The rates of mark-up are based on KIBOR and range from 12.14% per annum to 18.02% per annum (December 31, 2007: 10.35% per annum to 10.77% per annum). The purchase prices are payable by November 30, 2009.

The facilities for opening the letters of credit and guarantees as at March 31, 2009 amounted to Rs. 5.32 billion (December 31, 2007: Rs. 4.08 billion) of which the amount remaining unutilised at the period end was Rs. 3.26 billion (December 31, 2007: Rs. 1.35 billion).

The above facilities are secured by way of hypothecation charge on stock-in-trade.

9. CONTINGENCIES AND COMMITMENTS

9.1 As at March 31, 2009 the company has received provisional refunds of Rs. 516.16 million (December 31, 2007: Rs. 180.78 million) from the sales tax authorities against bank guarantees.

9.2 Commitments for capital expenditures as at March 31, 2009 amounted to Rs. 16.89 million (December 31, 2007: Rs. 58.82 million).

| | | March 31, 2009 | December 31, 2007 |
|--|-------------|-------------------|----------------------|
| | | Rupees in '000 | |
| 10. PROPERTY, PLANT AND EQUIPMENT | Note | | |
| Operating assets | 10.1 | 937,240 | 884,341 |
| Capital work-in-progress | | 11,295 | 2,776 |
| | | <u>948,535</u> | <u>887,117</u> |

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

10.1 Operating assets

| | Leasehold Land | Buildings on leasehold land | Plant and machinery | Furniture and fittings | Vehicles | | Electrical Installations | Office and other equipments | TOTAL |
|---|----------------|-----------------------------|---------------------|------------------------|---------------|------------------------------|--------------------------|-----------------------------|----------------|
| | | | | | Owned | Acquired under finance lease | | | |
| Rupees '000 | | | | | | | | | |
| 2009 | | | | | | | | | |
| Fifteen months period ended March 31 | | | | | | | | | |
| Opening net book value | 247,982 | 244,615 | 280,525 | 4,407 | 64,004 | 3,535 | 19,343 | 19,930 | 884,341 |
| Additions | - | 70,261 | 53,895 | 2,428 | 38,382 | - | 12,148 | 15,238 | 192,352 |
| Cost - transfer | - | - | - | - | 16,176 | (16,176) | - | - | - |
| Disposals - at NBV | - | (7,875) | (1,423) | - | (9,910) | - | (258) | (55) | (19,521) |
| Depreciation / amortisation charge for the period | (6,445) | (11,470) | (53,546) | (1,189) | (17,755) | (3,535) | (12,455) | (13,537) | (119,932) |
| Depreciation - transfer | - | - | - | - | (16,176) | 16,176 | - | - | - |
| Closing net book value | <u>241,537</u> | <u>295,531</u> | <u>279,451</u> | <u>5,646</u> | <u>74,721</u> | <u>-</u> | <u>18,778</u> | <u>21,576</u> | <u>937,240</u> |
| At March 31 | | | | | | | | | |
| Cost | 294,451 | 370,735 | 498,627 | 12,266 | 132,157 | - | 68,445 | 87,585 | 1,464,266 |
| Accumulated depreciation / amortisation | (52,914) | (75,204) | (214,905) | (6,620) | (57,436) | - | (49,667) | (66,009) | (522,755) |
| Provision for impairment | - | - | (4,271) | - | - | - | - | - | (4,271) |
| Net book value | <u>241,537</u> | <u>295,531</u> | <u>279,451</u> | <u>5,646</u> | <u>74,721</u> | <u>-</u> | <u>18,778</u> | <u>21,576</u> | <u>937,240</u> |
| 2007 | | | | | | | | | |
| Year ended December 31 | | | | | | | | | |
| Opening net book value | 252,458 | 254,284 | 246,998 | 4,083 | 47,053 | 6,793 | 25,764 | 19,228 | 856,661 |
| Additions | - | 1,775 | 70,338 | 1,045 | 32,178 | - | 2,006 | 10,835 | 118,177 |
| Disposals - at NBV | - | (3,566) | (134) | - | (4,493) | (830) | (4) | (11) | (9,038) |
| Depreciation / amortisation charge for the year | (4,476) | (7,878) | (36,677) | (721) | (10,734) | (2,428) | (8,423) | (10,122) | (81,459) |
| Closing net book value | <u>247,982</u> | <u>244,615</u> | <u>280,525</u> | <u>4,407</u> | <u>64,004</u> | <u>3,535</u> | <u>19,343</u> | <u>19,930</u> | <u>884,341</u> |
| At December 31 | | | | | | | | | |
| Cost | 294,451 | 310,974 | 452,549 | 10,552 | 98,102 | 16,176 | 56,849 | 78,738 | 1,318,391 |
| Accumulated depreciation / amortisation | (46,469) | (66,359) | (167,753) | (6,145) | (34,098) | (12,641) | (37,506) | (58,808) | (429,779) |
| Provision for impairment | - | - | (4,271) | - | - | - | - | - | (4,271) |
| Net book value | <u>247,982</u> | <u>244,615</u> | <u>280,525</u> | <u>4,407</u> | <u>64,004</u> | <u>3,535</u> | <u>19,343</u> | <u>19,930</u> | <u>884,341</u> |

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

10.2 Details of operating assets sold

The details of operating assets sold, having net book value in excess of Rs 50,000 each are as follows:

| Description | Cost | Accumulated depreciation | Book value | Sale proceeds | Mode of disposal | Particulars of purchaser |
|--------------------------------------|-------------|--------------------------|------------|---------------|------------------|--|
| | Rupees '000 | | | | | |
| Scrap of buildings on leasehold land | 10,500 | 2,625 | 7,875 | 3,084 | Tender | Mr. Taj Muhammad M-II-E-74, Block C, Street No. 6, Jinnah Road, Shershah, Karachi |
| Vehicle | 609 | 548 | 61 | 265 | Company policy | Mr. Abid Iqbal - Executive |
| " | 849 | 750 | 99 | 313 | " | Mr. Zafar Iqbal - Employee |
| " | 469 | 203 | 266 | 306 | " | Mr. M. A. Rahman - Employee |
| " | 555 | 278 | 277 | 351 | " | Mr. Shahb Anwar - Executive |
| " | 969 | 646 | 323 | 637 | " | Mr. Muhammad Zaman Khan Executive |
| " | 469 | 78 | 391 | 429 | " | Mr. Ahmad Rizwan Qureshi Employee |
| " | 879 | 425 | 454 | 627 | " | Mr. S. Rahmatullah - Executive |
| " | 969 | 371 | 598 | 698 | " | Mr. Ahmad Rauf - Executive |
| " | 344 | 75 | 269 | 306 | Negotiation | K.Z.Catering Service 3-A, 4/1, Nazimabad, Karachi |
| " | 600 | 140 | 460 | 544 | " | — do — |
| Plant and machinery | 170 | 74 | 96 | 9 | Tender | M/S Suleman Alladina & Co. Shop No. 3, Abigal Street, Off Nishtar Road, Karachi |
| " | 1,257 | 147 | 1,110 | 1,100 | " | M/S Crisis Management (Pvt.) Ltd C-1, S.I.T.E., Manghopir Road, Karachi-75700 |
| Electrical Installations | 552 | 295 | 257 | 78 | " | M/S Khalid & Sons, Lahore |

March 31, 2009 December 31, 2007

11. INTANGIBLE ASSETS - Computer Softwares

Rupees in '000

Opening balance

| | | |
|--------------------------|---------|---------|
| Cost | 12,185 | 8,214 |
| Accumulated amortisation | (8,989) | (7,500) |
| Net book value | 3,196 | 714 |

Fifteen months period ended March 31, 2009

| | | |
|------------------------|---------|---------|
| Opening net book value | 3,196 | 714 |
| Additions | 6,629 | 3,971 |
| Amortisation | (4,326) | (1,489) |
| Closing net book value | 5,499 | 3,196 |

Closing balance

| | | |
|--------------------------|----------|---------|
| Cost | 18,814 | 12,185 |
| Accumulated amortisation | (13,315) | (8,989) |
| Net book value | 5,499 | 3,196 |

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

| | March 31, 2009 | December 31, 2007 |
|--|---|-----------------------------|
| | Rupees in '000 | |
| 12. INVESTMENTS - Related Parties | | |
| Available for sale | | |
| Arabian Sea Country Club Limited - note 12.1 | 5,000 | 5,000 |
| Automotive Testing & Training Centre (Private) Limited - note 12.2 | 500 | 500 |
| | <u>5,500</u> | <u>5,500</u> |
| Less: Provision for impairment | <u>(5,500)</u> | <u>(5,500)</u> |
| | <u>-</u> | <u>-</u> |
| 12.1 | This represents cost of 500,000 (December 31, 2007: 500,000) fully paid-up unquoted ordinary shares of Rs. 10 each. Company holds 6.45% of the shares of the investee company. The fair value of the investment is indeterminable. | |
| 12.2 | This represents cost of 50,000 (December 31, 2007: 50,000) fully paid-up unquoted ordinary shares of Rs. 10 each. Company holds 2.77% of the shares of the investee company. The fair value of these shares is indeterminable. | |
| 13. LONG-TERM LOANS AND ADVANCES – considered good | | |
| Loans and advances to: | | |
| - executives | 7,701 | 2,720 |
| - other employees | 10,979 | 9,064 |
| | <u>18,680</u> | <u>11,784</u> |
| Less: Recoverable within one year - note 17 | <u>(5,586)</u> | <u>(4,663)</u> |
| | <u>13,094</u> | <u>7,121</u> |
| 13.1 | The loans and advances are provided to employees under their terms of employment on interest free basis. | |
| | Loans under the schemes have been provided to facilitate purchase of motor vehicles and purchase / construction of house and are repayable over a period of five to twelve years. The motor vehicle loans are secured by joint registration of the vehicle in the name of the company and employee. The loan for purchase / construction of house is secured against employees' retirement fund balances. | |
| | Advances to employees are in respect of house rent assistance and these are repayable upto a period of two to five years. These are secured against employees' retirement fund balances. | |
| 13.2 Reconciliation of carrying amount of loans and advances to executives: | | |
| Opening balances | 2,720 | 2,080 |
| Add: Disbursements | 9,876 | 4,004 |
| | <u>12,596</u> | <u>6,084</u> |
| Less: Repayments | <u>(4,895)</u> | <u>(3,364)</u> |
| Closing balances | <u>7,701</u> | <u>2,720</u> |

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

- 13.3** The maximum aggregate amount of loans and advances due from executives at the end of any month, during the period was Rs. 8.78 million (December 31, 2007: Rs. 6.1 million).

| | March 31, 2009 | December 31, 2007 |
|--|-------------------|----------------------|
| Rupees in '000 | | |
| 14. STORES, SPARES AND LOOSE TOOLS | | |
| Stores | 18,903 | 17,419 |
| Spares | 9,893 | 7,585 |
| Loose tools | 10,435 | 8,240 |
| | <u>39,231</u> | <u>33,244</u> |
| Less: Provision for obsolescence | (5,922) | (2,639) |
| | <u>33,309</u> | <u>30,605</u> |
| 15. STOCK-IN-TRADE | | |
| Raw Materials and components [including in transit Rs. 117 million (December 31, 2007: Rs. 265 million)] | 1,859,168 | 1,703,069 |
| Less: Provision for obsolescence | (77,970) | (68,267) |
| | <u>1,781,198</u> | <u>1,634,802</u> |
| Work-in-process | 9,576 | 64,627 |
| Finished goods - note 15.1 | 528,659 | 810,068 |
| Less: Provision for obsolescence | (38,902) | (58,044) |
| | <u>489,757</u> | <u>752,024</u> |
| Trading stock - Spare parts [including in transit Rs. 12 million (December 31, 2007: Rs. 15 million)] | 161,238 | 118,154 |
| Less: Provision for obsolescence | (43,164) | (36,448) |
| | <u>118,074</u> | <u>81,706</u> |
| | <u>2,398,605</u> | <u>2,533,159</u> |

- 15.1** Finished goods include stocks held with company's authorised dealers amounting to Rs. 54.57 million (December 31, 2007: Rs. 102.66 million).

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

| | March 31, 2009 | December 31, 2007 |
|--|-------------------|----------------------|
| | Rupees in '000 | |
| 16. TRADE DEBTS | | |
| Considered good - unsecured | | |
| Related parties: | | |
| - Indus Motor Company Limited | 4,526 | 14,738 |
| - Orix Leasing Pakistan Limited | - | 2,375 |
| Others | <u>1,130,806</u> | <u>799,273</u> |
| | <u>1,135,332</u> | <u>816,386</u> |
| Considered doubtful | | |
| Others | <u>87,930</u> | <u>29,026</u> |
| | <u>1,223,262</u> | <u>845,412</u> |
| Less: Provision for doubtful debts | <u>(87,930)</u> | <u>(29,026)</u> |
| | <u>1,135,332</u> | <u>816,386</u> |
| 17. LOANS AND ADVANCES | | |
| Considered good | | |
| Current maturity of long term loans and advances to: | | |
| - executives | 2,327 | 2,152 |
| - other employees | <u>3,259</u> | <u>2,511</u> |
| | <u>5,586</u> | <u>4,663</u> |
| Advances to: | | |
| - executives | 3,955 | 4,521 |
| - other employees | 16,274 | 16,067 |
| - suppliers | <u>26,071</u> | <u>65,272</u> |
| | <u>46,300</u> | <u>85,860</u> |
| | <u>51,886</u> | <u>90,523</u> |
| 18. TRADE DEPOSITS AND PREPAYMENTS | | |
| Considered good | | |
| Trade deposits | 41,978 | 94,840 |
| Prepayments | 3,670 | 1,989 |
| Margin against imports letters of credit | <u>7,750</u> | <u>-</u> |
| | <u>53,398</u> | <u>96,829</u> |
| Considered doubtful | | |
| Trade deposits | <u>21,536</u> | <u>15,350</u> |
| | <u>74,934</u> | <u>112,179</u> |
| Less: Provision for doubtful deposits | <u>(21,536)</u> | <u>(15,350)</u> |
| | <u>53,398</u> | <u>96,829</u> |

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

| | March 31, 2009 | December 31, 2007 |
|--|-------------------|----------------------|
| | Rupees in '000 | |
| 19. REFUNDS DUE FROM THE GOVERNMENT | | |
| Sales tax | | |
| Considered good | 149,202 | 164,817 |
| Considered doubtful | 5,239 | 2,527 |
| | <u>154,441</u> | <u>167,344</u> |
| Less: Provision for doubtful refundable | (5,239) | (2,527) |
| | <u>149,202</u> | <u>164,817</u> |
| 20. OTHER RECEIVABLES | | |
| Receivable from related parties - considered good | | |
| Toyota Tsusho Corporation, Japan | 2,551 | 1,148 |
| Employees' Gratuity Fund - note 7.2 | 5,025 | 224 |
| Workers' Profits Participation Fund - note 7.3 | - | 1,287 |
| Employees' Provident Fund | - | 350 |
| Others - considered good | | |
| Insurance claim receivable | - | 3,393 |
| Net unrealised gain on foreign exchange forward contracts | - | 4,562 |
| Others | 1,559 | 1,219 |
| | <u>9,135</u> | <u>12,183</u> |
| 21. CASH AND BANK BALANCES | | |
| Balances with banks: | | |
| - on current accounts | 3,527 | 52,514 |
| - on PLS savings accounts | 66,679 | 156,377 |
| - on term deposit accounts | - | 52,000 |
| Cash in hand | - | 24 |
| | <u>70,206</u> | <u>260,915</u> |

21.1 At March 31, 2009 the rates of mark-up on savings accounts range from 5% to 9.5% per annum (December 31, 2007: 0.25% to 10.5% per annum).

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

| | Fifteen months period ended March 31, | Year ended December 31, |
|--------------------------------|---|-------------------------------|
| | 2009 | 2007 |
| | Rupees in '000 | |
| 22. SALES | | |
| Manufactured goods | | |
| Gross sales | 12,283,569 | 7,989,977 |
| Less: Commission and discounts | 284,214 | 196,751 |
| Sales tax and excise duty | 94,552 | 84,450 |
| Sales returns | 6,734 | 2,875 |
| | <u>11,898,069</u> | <u>7,705,901</u> |
| Trading goods | | |
| Gross sales | 347,154 | 169,210 |
| Less: Commission and discounts | 56,273 | 29,338 |
| Sales tax | 37,529 | 18,876 |
| Sales returns | 400 | 117 |
| | <u>252,952</u> | <u>120,879</u> |
| | <u><u>12,151,021</u></u> | <u><u>7,826,780</u></u> |

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

23. OPERATING COST

| | COST OF SALES | | DISTRIBUTION EXPENSES | | ADMINISTRATION EXPENSES | | TOTAL | |
|--|-----------------------------|-------------------|-----------------------------|-------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| | Fifteen months period ended | Year ended | Fifteen months period ended | Year ended | Fifteen months period ended | Year ended | Fifteen months period ended | Year ended |
| | March 31, 2009 | December 31, 2007 | March 31, 2009 | December 31, 2007 | March 31, 2009 | December 31, 2007 | March 31, 2009 | December 31, 2007 |
| | Rupees '000 | | | | | | | |
| Raw materials consumed | 9,546,150 | 5,933,569 | - | - | - | - | 9,546,150 | 5,933,569 |
| Stores and spares consumed | 3,269 | 6,863 | - | - | 12 | 9 | 3,281 | 6,872 |
| Staff costs - Note 23.2 | 462,324 | 342,288 | 141,039 | 94,242 | 84,982 | 62,208 | 688,345 | 498,738 |
| Staff training | 3,636 | 1,357 | 1,056 | 634 | 858 | 741 | 5,550 | 2,732 |
| Depreciation and amortisation | 95,834 | 63,790 | 10,361 | 5,728 | 18,063 | 13,430 | 124,258 | 82,948 |
| Fixed assets charged off | 7,135 | 8,326 | 1,009 | 251 | 2,191 | 2,386 | 10,335 | 10,963 |
| Rent, rates and taxes | 18,113 | 11,111 | 1,182 | 903 | 100 | - | 19,395 | 12,014 |
| Insurance | 1,622 | 1,395 | 1,226 | 722 | 1,270 | 1,129 | 4,118 | 3,246 |
| Vehicle running and maintenance expenses | 12,825 | 8,979 | 12,905 | 9,174 | 9,541 | 5,860 | 35,271 | 24,013 |
| Fuel and power | 36,512 | 27,555 | 2,047 | 1,188 | 10,334 | 6,301 | 48,893 | 35,044 |
| Travelling and entertainment | 7,638 | 6,389 | 20,880 | 15,654 | 8,172 | 4,753 | 36,690 | 26,796 |
| Repairs and maintenance | 46,631 | 38,987 | 2,333 | 3,364 | 14,385 | 10,797 | 63,349 | 53,148 |
| Printing, stationery and office supplies | 4,414 | 2,554 | 6,332 | 4,101 | 3,141 | 1,940 | 13,887 | 8,595 |
| Communication | 2,927 | 1,728 | 3,966 | 3,153 | 2,135 | 2,097 | 9,028 | 6,978 |
| Technical assistance fee | 2,642 | 2,499 | - | - | - | - | 2,642 | 2,499 |
| Royalty | 61,442 | 67,919 | - | - | - | - | 61,442 | 67,919 |
| Research and development | 2,215 | 3,417 | - | 42 | - | - | 2,215 | 3,459 |
| Legal and professional charges | - | - | - | - | 18,169 | 7,613 | 18,169 | 7,613 |
| Auditors' remuneration - Note 23.3 | - | - | - | - | 2,200 | 1,630 | 2,200 | 1,630 |
| Security and maintenance | - | - | - | - | 28,772 | 16,428 | 28,772 | 16,428 |
| Outward freight and handling | - | - | 870 | 919 | - | - | 870 | 919 |
| Advertising and sales promotion | - | - | 33,504 | 32,766 | - | - | 33,504 | 32,766 |
| Product maintenance charges | - | - | 71,292 | 48,440 | - | - | 71,292 | 48,440 |
| Warranty services | - | - | 16,825 | 27,695 | - | - | 16,825 | 27,695 |
| Provision for doubtful trade debts | - | - | 58,904 | 7,746 | - | - | 58,904 | 7,746 |
| Provision for doubtful receivables | - | - | 8,898 | 7,910 | - | - | 8,898 | 7,910 |
| Other expenses | 6,546 | 5,673 | 5,148 | 4,348 | 2,444 | 3,066 | 14,138 | 13,087 |
| | 10,321,875 | 6,534,399 | 399,777 | 268,980 | 206,769 | 140,388 | 10,928,421 | 6,943,767 |
| Opening stock of work in process | 64,627 | 6,342 | | | | | | |
| | 10,386,502 | 6,540,741 | | | | | | |
| Closing stock of work in process | (9,576) | (64,627) | | | | | | |
| Cost of goods manufactured | 10,376,926 | 6,476,114 | | | | | | |
| Opening stock of finished goods | 752,024 | 590,102 | | | | | | |
| Closing stock of finished goods | (489,757) | (752,024) | | | | | | |
| | 10,639,193 | 6,314,192 | | | | | | |
| Trading goods | | | | | | | | |
| Opening stock | 81,706 | 70,134 | | | | | | |
| Purchases | 296,953 | 136,523 | | | | | | |
| | 378,659 | 206,657 | | | | | | |
| Closing stock | (118,074) | (81,706) | | | | | | |
| | 260,585 | 124,951 | | | | | | |
| | 10,899,778 | 6,439,143 | | | | | | |

23.1 Cost of sales includes charge for stores and stocks obsolescence of Rs. 0.56 million (December 31, 2007: Rs. 38.84 million).

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

23.2 Staff costs

| | COST OF SALES | | DISTRIBUTION EXPENSES | | ADMINISTRATION EXPENSES | | TOTAL | |
|---|--|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|
| | Fifteen months period ended March 31, 2009 | Year ended December 31, 2007 | Fifteen months period ended March 31, 2009 | Year ended December 31, 2007 | Fifteen months period ended March 31, 2009 | Year ended December 31, 2007 | Fifteen months period ended March 31, 2009 | Year ended December 31, 2007 |
| | Rupees '000 | | | | | | | |
| Salaries, wages, allowances and staff welfare | 448,269 | 331,612 | 135,634 | 90,823 | 82,361 | 60,095 | 666,264 | 482,530 |
| Charge for defined benefit plans | 8,546 | 6,846 | 3,295 | 2,095 | 1,586 | 1,279 | 13,427 | 10,220 |
| Charge for defined contribution plan | 5,509 | 3,830 | 2,110 | 1,324 | 1,035 | 834 | 8,654 | 5,988 |
| | <u>462,324</u> | <u>342,288</u> | <u>141,039</u> | <u>94,242</u> | <u>84,982</u> | <u>62,208</u> | <u>688,345</u> | <u>498,738</u> |

| | Fifteen months period ended March 31, 2009 | Year ended December 31, 2007 |
|--|--|------------------------------|
| | 2009 | 2007 |
| | Rupees in '000 | |

23.3 Auditors' Remuneration

| | | |
|---|--------------|--------------|
| Audit fee | 1,075 | 750 |
| Fee for limited review of half yearly financial statements and other certifications | 925 | 700 |
| Out of pocket expenses | 200 | 180 |
| | <u>2,200</u> | <u>1,630</u> |

24. OTHER OPERATING INCOME

| | | |
|---|----------------|---------------|
| Income from financial assets | | |
| Return on PLS savings accounts | 18,163 | 10,698 |
| Return on bank term deposits | 31,817 | 10,002 |
| | <u>49,980</u> | <u>20,700</u> |
| Income from non-financial assets | | |
| Gain on disposal of operating fixed assets | - | 1,178 |
| Others | | |
| Scrap sales | 66,541 | 28,076 |
| Commission from associated company | 40,692 | 935 |
| Liabilities no longer required written back | 8,098 | 4,177 |
| Others | 4,299 | 2,544 |
| | <u>169,610</u> | <u>57,610</u> |

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

| | Fifteen months period ended March 31, | Year ended December 31, |
|---|--|-------------------------------|
| | 2009 | 2007 |
| | Rupees in '000 | |
| 25. OTHER OPERATING EXPENSES | | |
| Donations - note 25.1 | 7,164 | 91 |
| Workers' profits participation fund - note 7.3 | 6,390 | 48,713 |
| Workers' welfare fund | 4,970 | 19,297 |
| Loss on disposal of property, plant and equipment | 1,429 | - |
| | <u>19,953</u> | <u>68,101</u> |
| 25.1 | None of the directors or their spouses had any interest in the donees. | |
| 26. FINANCE COST | | |
| Mark-up on short-term borrowings | 102,055 | 23,112 |
| Exchange loss | 562,961 | 31,283 |
| Bank charges | 12,458 | 6,595 |
| Finance lease charges | 1,052 | 545 |
| Interest on workers' profits participation fund | - | 1,633 |
| | <u>678,526</u> | <u>63,168</u> |
| 27. TAXATION | | |
| Current - for the period | 68,000 | 333,000 |
| - for prior year | - | (3,361) |
| Deferred | <u>(22,095)</u> | <u>(15,076)</u> |
| | <u>45,905</u> | <u>314,563</u> |
| 27.1 Relationship between tax expense and accounting profit | | |
| Profit before taxation | <u>115,828</u> | <u>904,610</u> |
| Tax calculated at the rate of 35% | 40,540 | 316,614 |
| Effect of final tax regime | 4,986 | 2,939 |
| Tax effect of other than temporary differences | 379 | (1,629) |
| Reversal of prior years' tax provision | - | (3,361) |
| Tax charge for the year | <u>45,905</u> | <u>314,563</u> |
| 28. EARNINGS PER SHARE | | |
| Profit after taxation attributable to ordinary shareholders | <u>69,923</u> | 590,047 |
| Number of ordinary shares (in '000s) issued and subscribed at the end of the period | <u>12,401</u> | 12,401 |
| Earnings per share | <u>Rs. 5.64</u> | Rs. 47.58 |
| 28.1 | A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at December 31, 2007 and March 31, 2009 which would have any effect on the earnings per share if the option to convert exercised. | |

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

| | Fifteen months period ended March 31, 2009 | Year ended December 31, 2007 |
|---|--|--|
| Rupees in '000 | | |
| 29. CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | 115,828 | 904,610 |
| Add / (Less): Adjustments for non cash charges and other items | | |
| Depreciation and amortisation | 124,258 | 82,948 |
| Loss / (Gain) on sale of property, plant and equipment | 1,429 | (1,178) |
| Mark-up on short-term borrowings | 102,055 | 23,112 |
| Return on PLS savings accounts | (18,163) | (10,698) |
| Return on bank term deposits | (31,817) | (10,002) |
| | 177,762 | 84,182 |
| Profit before working capital changes | 293,590 | 988,792 |
| EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES | | |
| (Increase) / Decrease in current assets | | |
| Stores, spares and loose tools | (2,704) | (4,690) |
| Stock-in-trade | 134,554 | (151,873) |
| Trade debts | (318,946) | (313,160) |
| Loans and advances | 38,637 | 1,801 |
| Trade deposits and prepayments | 43,431 | (38,186) |
| Refunds due from the government | 15,615 | (96,848) |
| Other receivables | 3,048 | (3,147) |
| | (86,365) | (606,103) |
| (Decrease) / Increase in current liabilities - trade and other payables | (822,968) | 493,472 |
| | (909,333) | (112,631) |
| | (615,743) | 876,161 |
| 30. CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 70,206 | 260,915 |
| Running finance under mark-up arrangements | (1,355,557) | (105,178) |
| | (1,285,351) | 155,737 |

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

31. REMUNERATION OF MANAGING DIRECTOR, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for remuneration of the Managing Director, Directors and Executives of the company are as follows:

| | MANAGING DIRECTOR | | DIRECTORS | | EXECUTIVES | |
|--|--|------------------------------|--|------------------------------|--|------------------------------|
| | Fifteen months period ended March 31, 2009 | Year ended December 31, 2007 | Fifteen months period ended March 31, 2009 | Year ended December 31, 2007 | Fifteen months period ended March 31, 2009 | Year ended December 31, 2007 |
| | Rupees '000 | | | | | |
| Managerial remuneration and allowances | 5,733 | 3,860 | 18,681 | 12,767 | 44,197 | 42,291 |
| Bonus | 3,104 | 993 | 7,398 | 9,009 | 18,727 | 14,170 |
| Retirement benefits | - | - | 821 | 879 | 4,515 | 2,615 |
| Rent and utilities | 2,731 | 1,906 | 6,510 | 5,777 | 16,264 | 9,341 |
| Leave passage | 504 | - | 984 | 1,033 | 2,106 | 1,612 |
| Club expenses | 29 | 23 | 126 | 106 | 339 | 267 |
| Medical expenses | 144 | 101 | 434 | 394 | 2,493 | 1,460 |
| | <u>12,245</u> | <u>6,883</u> | <u>34,954</u> | <u>29,965</u> | <u>88,641</u> | <u>71,756</u> |
| Number of persons | <u>1</u> | <u>1</u> | <u>4</u> | <u>4</u> | <u>25</u> | <u>21</u> |

31.1 Consultancy fee paid to the Chairman during the period aggregating to Rs. 3.69 million (December 31, 2007: Rs. 2.50 million). Further, Chairman is provided with free use of company maintained car.

31.2 The Managing Director, Executive Directors and certain executives of the company are provided with free use of company maintained cars and certain items of household furniture & fixtures and electrical appliances in accordance with their terms of employment.

| 32. PLANT CAPACITY AND PRODUCTION | Fifteen months period ended March 31, 2009 | Year ended December 31, 2007 |
|---|--|------------------------------|
| | Units | |
| Plant capacity (single shift without overtime) | | |
| - Chassis | <u>7,500</u> | <u>6,000</u> |
| - Bodies | <u>2,250</u> | <u>1,800</u> |
| Actual production | | |
| - Chassis | <u>5,128</u> | <u>4,152</u> |
| - Bodies | <u>2,258</u> | <u>1,747</u> |

32.1 Low chassis production during the period was consequent to low market demand.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

33. RELATED PARTY DISCLOSURES

| Disclosure of transactions between the company and related parties: | | Fifteen months period ended March 31, | Year ended December 31, |
|---|--|---|-------------------------------|
| Relationship | Nature of transaction | 2009 | 2007 |
| Rupees in '000 | | | |
| i. Holding company | - Purchase of goods | 197,656 | 89,840 |
| | - Royalty charge | 61,442 | 67,919 |
| | - Dividend paid | 176,584 | 77,255 |
| | - Technical assistance fee | 2,642 | 2,499 |
| ii. Associated companies | - Purchase of goods | 6,287,007 | 3,267,225 |
| | - Purchase of services | 315 | 1,281 |
| | - Sale of goods | 471,058 | 321,833 |
| | - Purchase of property, plant and equipment | 27,106 | 54,752 |
| | - Commission earned | 40,692 | 935 |
| | - Dividend paid | 88,292 | 38,628 |
| iii. Staff retirement funds | - Payments to retirement benefit plans | 37,493 | 9,282 |

33.1 Outstanding balances with related parties as at period end have been included in trade and other payables, trade debts, loans and advances and other receivables respectively.

33.2 Details of compensation to key management personnel comprising of Managing Director and Directors are disclosed in note 31 above.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial assets and liabilities

| | Interest / Mark-up bearing | | | Non Interest / Mark-up bearing | | | Total |
|------------------------------|----------------------------|-------------------------|------------------|--------------------------------|-------------------------|------------------|------------------|
| | Maturity up to one year | Maturity after one year | Sub-total | Maturity up to one year | Maturity after one year | Sub-total | |
| | Rupees '000 | | | | | | |
| Financial assets | | | | | | | |
| Loans and advances | - | - | - | 5,586 | 13,094 | 18,680 | 18,680 |
| Deposits | - | - | - | 41,978 | 5,475 | 47,453 | 47,453 |
| Trade debts | - | - | - | 1,135,332 | - | 1,135,332 | 1,135,332 |
| Other receivables | - | - | - | 9,135 | - | 9,135 | 9,135 |
| Cash and bank balances | 66,679 | - | 66,679 | 3,527 | - | 3,527 | 70,206 |
| March 31, 2009 | 66,679 | - | 66,679 | 1,195,558 | 18,569 | 1,214,127 | 1,280,806 |
| December 31, 2007 | 208,377 | - | 208,377 | 975,646 | 13,123 | 988,769 | 1,197,146 |
| Financial liabilities | | | | | | | |
| Long-term security deposits | - | - | - | - | 32,000 | 32,000 | 32,000 |
| Trade and other payables | - | - | - | 1,042,043 | - | 1,042,043 | 1,042,043 |
| Short-term borrowings | 1,355,557 | - | 1,355,557 | - | - | - | 1,355,557 |
| Accrued Mark-up | - | - | - | 44,934 | - | 44,934 | 44,934 |
| March 31, 2009 | 1,355,557 | - | 1,355,557 | 1,086,977 | 32,000 | 1,118,977 | 2,474,534 |
| December 31, 2007 | 109,477 | - | 109,477 | 1,564,483 | 32,000 | 1,596,483 | 1,705,960 |

(i) Interest / Mark-up rate risk

Interest / mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. As at March 31, 2009 the company's interest bearing financial liabilities of Rs. 1.36 billion represents the short-term borrowings at floating rate to manage the working capital requirements of the company. These borrowings are repriced at a maximum period of three months. Hence the management believes that the company is not materially exposed to interest rate changes. The effective mark-up rates for financial assets and liabilities are mentioned in respective notes to the financial statements.

(ii) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised if counterparts failed to perform as contracted. Out of the total financial assets of Rs. 1.28 billion (December 31, 2007: Rs. 1.20 billion), the major balance that is subject to credit risk is trade debts of Rs. 1.14 billion (December 31, 2007: Rs. 816 million). The company believes that it is not materially exposed to credit risk as major part of these receivables comprises of receivable from government agencies. In case of other customers, company usually obtains post dated cheques.

The company attempts to control credit risk by monitoring credit exposure, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

(iii) Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet its commitments. The company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements.

(iv) Foreign exchange risk management

Foreign currency risk arises mainly when receivables and payables exist due to transactions with foreign undertakings. As at March 31, 2009 payable exposed to foreign exchange risk is of Rs. 282 million (December 31, 2007: Rs. 960 million). The company manages foreign currency risk arising on import related activity usually by obtaining foreign currency forward and option contracts.

(v) Fair values of the financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

35. CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits for other stakeholders.

The capital structure of the company is equity based with no financing through long term borrowings. Company avails short-term borrowings for working capital purposes only.

36. DIVIDEND

The Board of Directors in their meeting held on April 30, 2009 proposed a cash dividend of Rs. 1.75 per share (December 31, 2007: Rs. 24 per share) amounting to Rs. 21.70 million (December 31, 2007: Rs. 297.61 million).

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorised for issue by the Directors on April 30, 2009.



**Managing Director &
Chief Executive**



**K. Adria
Chairman**