



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1- LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan on September 21, 1991 as a Private Limited Company under the Companies Ordinance, 1984 and converted into a Public Limited Company on November 21, 1994. The Company is listed on all the Stock Exchanges of Pakistan. The Company is engaged in the manufacture and sale of automobiles, automotive parts and household electric appliances. The Company has commenced foreign operation in Kenya for the marketing and sale of Company's products in Kenya and its surrounding regions effective from March 2010. The registered office of the Company is situated at 171- Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore.

2- BASIS OF PREPARATION

2.1- STATEMENT OF COMPLIANCE

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 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- BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the recognition of employees retirement benefits at present value.

2.3- New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are effective in current year:

IAS 1 (Revised), 'Presentation of Financial statements became effective from accounting periods beginning on or after January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (i.e., 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a statement of other comprehensive income, but entities can choose whether to present one statement of comprehensive income or two statements (the statement of comprehensive income and statement of other comprehensive income). The company has adopted IAS 1 (Revised) from July 1, 2009 and chosen to present two performance statements (the profit and loss account and the statement of comprehensive income). The company has also opted to maintain the existing titles.

The other revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan became effective from the dates mentioned below against the respective standard or interpretation.

		Effective for period
IFRS 1	First time adoption of IFRS (Revised)	July 01, 09
IFRS 2	Share based payment (Amendments)	Jan 01, 09
IFRS 3	Business combinations (Revised)	July 01, 09
IFRS 4	Insurance contracts (Amendments)	Jan 01, 09
IFRS 5	Non-current assets held for sale and discontinued operations (Amendments)	Jan 01, 09
IFRS 7	Financial instruments: Disclosure (Amendments)	Jan 01, 09



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

IFRS	8	Operating segments	Jan 01, 09
IAS	7	Statement of cash flows (Amendments)	Jan 01, 09
IAS	12	Income taxes (Amendments)	Jan 01, 09
IAS	16	Property, plant and equipment (Amendments)	Jan 01, 09
IAS	18	Revenue (Amendments)	Jan 01, 09
IAS	19	Employee benefits (Amendments)	Jan 01, 09
IAS	20	Government grants and disclosure of government assistance (Amendments)	Jan 01, 09
IAS	21	The effects of changes in foreign exchange rates (Amendments)	Jan 01, 09
IAS	23	Borrowing costs (Revised)	Jan 01, 09
IAS	27	Consolidated and separate financial statement (Amendments)	July 01, 09
IAS	28	Investment in associates (Amendments)	Jan 01, 09
IAS	31	Interests in joint venture (Amendments)	Jan 01, 09
IAS	32	Financial instruments: presentation (Amendments)	Jan 01, 09
IAS	33	Earnings per shares (Amendments)	Jan 01, 09
IAS	34	Interim financial reporting (Amendments)	Jan 01, 09
IAS	36	Impairment of assets (Amendments)	Jan 01, 09
IAS	38	Intangible assets (Amendments)	Jan 01, 09
IAS	39	Financial instruments: Recognition and measurement (Amendments)	Jan 01, 09
IAS	40	Investment property (Amendments)	Jan 01, 09
IAS	41	Agriculture (Amendments)	Jan 01, 09
IFRIC	1	Change in existing decommissioning, restoration and similar liabilities (Amendments)	Jan 01, 09
IFRIC	2	Member's share in corporate entities and similar liabilities (Amendments)	Jan 01, 10
IFRIC	14	The limit on a defined benefit asset, minimum funding requirements and their interaction (Amendments)	Jan 01, 09
IFRIC	15	Agreements for the construction of real estate	Jan 01, 09
IFRIC	17	Distributions of non-cash assets to owners	July 01, 09

The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statement except for increased disclosures in certain cases.

2.4- New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are not effective in current year:

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation.

IFRS	2	Share-based payment (Amended)	Jul 01, 10
IFRS	5	Measurement of non-current assets (or disposal groups) classified as held for sale	Jul 01, 10
IAS	24	Related party disclosures (Revised)	Jan 01, 11
IAS	32	Financial instruments: Presentation (Amended)	Jul 01, 10
IFRIC	14	IAS 19 - The Limit On a Defined Benefit Asset, Minimum funding requirements and their interaction (Amended)	Jul 01, 11
IFRIC	19	Extinguishing financial liabilities with equity instruments	Jan 01, 10

The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for increased disclosures in certain cases.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

3- SIGNIFICANT ACCOUNTING POLICIES

3.1 - Employee benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for all its permanent employees. The provision is made on the basis of actuarial valuation by using the projected unit credit method.

In calculating the Company's obligation in respect of a plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds ten percent of the present value of the defined benefit obligation, it is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

3.2 - Property, Plant and Equipment

Operating fixed assets except land and capital work in progress are stated at cost less accumulated depreciation. Land and capital work in progress are stated at cost. Cost in relation to self manufactured assets includes direct cost of materials, labour and applicable manufacturing overheads. Cost of tangible fixed assets consists of historical cost, borrowing cost pertaining to the construction/erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on all property, plant and equipment except freehold land is charged by applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Normal maintenance and repairs are charged to income as and when incurred. Major renewals and replacements are capitalized.

Profit or loss on disposal of operating fixed assets is included in the current income.

3.3 - Impairment of fixed assets

The company assesses at each balance sheet date whether there is any indication that a fixed asset 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 value exceeds recoverable amount, assets are written down to the recoverable amount.

3.4 - Intangible Assets

The Intangible Assets are stated at cost less accumulated amortization and identified impairment loss, if any. The cost of intangible assets is amortized over a period of five (5) years using the straight line method.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Amortization on additions to the intangible assets is charged from the month in which an asset is capitalized and / or is available for use, while no amortization is charged for the month in which the asset is disposed off. The amortization expense is charged to the current year income.

International Accounting Standard (IAS) 38 "Intangible Assets" requires review of amortization period and the amortization method at least at each financial year end. Accordingly the management assesses at each balance sheet date the assets' residual values and useful lives in addition to considering any indication of impairment, and adjustments are made if impact on amortization is significant.

3.5 - Assets subject to finance lease

Assets under finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets at the inception of the lease. The aggregate amount of obligation relating to these assets are accounted for at net present value of liabilities. Depreciation on these assets is charged in line with normal depreciation policy adopted for assets owned by the Company.

3.6 - Taxation

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.7 - Store, spares and loose tools

These are valued at moving average cost except items in transit which are valued at cost comprising invoice value and other charges paid thereon.

3.8 - Stock in trade

Stock in trade is valued at the lower of weighted average cost and net realizable value. The average cost in relation to work in process and finished goods represents direct costs of raw materials, labour and appropriate portion of overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

3.9 - Foreign currency conversion

Transactions in foreign currencies are recorded in Pak rupees at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are reported in Pak rupees at the rates of exchange approximating those prevalent at the balance sheet date. All exchange differences are charged to Profit and Loss Account.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

3.10- Revenue recognition

Revenue from sales is recognised on dispatch of goods to customers. Goods are considered dispatched when risk and rewards are transferred to customers.

3.11- Borrowing Costs

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to profit and loss account in the period in which they are incurred.

3.12- Segment reporting

A reportable segment is identified where it becomes a distinguishable component that is engaged in providing an individual product or service or a group of related products or services within a particular economic environment and that is subject to risks and returns that are different from those of other segments. Expenses which cannot be directly allocated activity-wise, are apportioned on appropriate basis.

3.13- Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent consists of cash in hand, balances with banks and short term running finance facilities.

3.14- Trade and accrued liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether billed or not to the Company.

3.15- Provisions

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

3.16- Financial instruments

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

3.17 - Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labor, an appropriate proportion of overheads and other directly attributable expenditure. Other development expenditure is recognized in the income statement as an expense as incurred.

Expenditure on development activities, capitalized during the year, are classified under "Intangible Assets".

3.18 - Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has legally enforceable right to set off the recognized amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.19 - Related party transaction

All transactions with related parties are at arm's length prices determined in accordance with the pricing method as approved by the Board of Directors.

3.20 - Dividends

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

3.21 - Warranty Expenses

Warranty expenses are recorded as and when valid claims are received from customers.

4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards. These standards require 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

	Notes
a) Useful life of depreciable and amortizable assets.	15 & 16
b) Staff retirement benefits.	8.1
c) Deferred taxation.	8.2
d) Provisions and contingencies.	14
e) Stocks in trade.	20

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

5- ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2010 Number	2009 Number	Note	2010 Rupees	2009 Rupees
7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid up in cash	71,630,000	71,630,000
5,317,811	3,237,676	Ordinary shares of Rupees 10 each allotted as bonus shares 5.1	53,178,110	32,376,760
<u>12,480,811</u>	<u>10,400,676</u>		<u>124,808,110</u>	<u>104,006,760</u>

5.1 These shares include 2,080,135 bonus share of Rs. 10 each (2009: bonus shares 1,733,446 of Rs. 10 each) issued by the Company during the current year.

6- LONG TERM FINANCING	Note	2010 Rupees	2009 Rupees
Secured			
Demand Finance facility	6.1	4,200,000	6,600,000
Less: Current portion shown under current liabilities	12	<u>2,400,000</u>	<u>2,400,000</u>
		<u>1,800,000</u>	<u>4,200,000</u>

6.1 - The Company has obtained a loan from Habib Bank Limited of Rs.12 million. This facility is secured against 1st pari passu charge over the fixed asset of the Company (land, building and machinery), to the extent of Rs. 190 million. It carries mark-up at the rate of three months average ask side KIBOR + 3% per annum (June 30, 2009: three months average ask side KIBOR + 3 % Floor 13% per annum,) payable on quarterly basis. This finance is repayable in 20 equal quarterly installments of Rs. 0.6 Million each, which commenced from June 2007.

7- LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments		4,509,012	10,085,005
Less: Current portion shown under current liabilities	12	<u>(3,552,328)</u>	<u>(7,172,935)</u>
		<u>956,684</u>	<u>2,912,070</u>

The amounts of future payments and the periods in which these payments will become due are as under:

Due not later than one year:			
Minimum lease payments		3,861,027	8,079,050
Financial charges		<u>308,699</u>	<u>906,115</u>
Present value		<u>3,552,328</u>	<u>7,172,935</u>
Due later than one year and not later than five years:			
Minimum lease payments		1,061,308	3,011,980
Financial charges		<u>104,624</u>	<u>99,910</u>
Present value		<u>956,684</u>	<u>2,912,070</u>
		<u>4,509,012</u>	<u>10,085,005</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The minimum lease payments have been discounted using the effective interest rates implicit in leases ranging from 12.96% to 16.22% per annum to arrive at the present value. Rentals are payable in monthly installments. Repairs and maintenance costs are to be borne by the lessee. The liability is secured by deposit of Rupees 4.35 million, leased assets and personal guarantees of some directors of the Company. The Company intends to exercise its option to purchase the leased assets at the termination of lease period.

8 -	DEFERRED LIABILITIES	Note	2010 Rupees	2009 Rupees
	Employee benefits	8.1	23,785,765	16,353,642
	Deferred taxation	8.2	25,540,960	24,129,552
			<u>49,326,725</u>	<u>40,483,194</u>
8.1 -	Employee benefits			
	Net liability recognized in the balance sheet			
	Present value of defined benefit obligations		26,315,510	19,049,337
	Unrecognized actuarial losses		(2,529,745)	(2,695,695)
			<u>23,785,765</u>	<u>16,353,642</u>
	Movement in the net liability recognized in the balance sheet			
	Net liability as at 1st July		16,353,642	12,304,593
	Expense recognized in the income statement		8,663,753	6,956,889
	Liability discharged during the year		(1,231,630)	(2,907,840)
			<u>23,785,765</u>	<u>16,353,642</u>
	Expense recognized in the income statement			
	Current service cost		6,306,242	5,291,087
	Interest cost		2,277,754	1,651,118
	Actuarial loss recognised		79,757	14,684
			<u>8,663,753</u>	<u>6,956,889</u>
	The expense is recognized in the following line items in the income statement under the head salaries, wages and other benefits.			
	Cost of sales		5,669,420	5,115,689
	Administrative expenses		2,478,425	1,430,600
	Distribution Cost		515,908	410,600
			<u>8,663,753</u>	<u>6,956,889</u>

Principal actuarial assumptions

The company has carried out actuarial valuation as at June 30, 2010 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

Discount rate	12% p.a.	12% p.a.
Expected rate of future salary increase	11% p.a.	11% p.a.
Average expected remaining working life time of employees	10 years	10 years



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 Rupees	2009 Rupees
8.2- Deferred taxation			
The liability for deferred taxation comprises of temporary differences relating to:			
Accelerated depreciation for tax purposes		27,095,309	27,639,538
Exchange gain on translation of foreign operations that is taxable only when realized		11,338	-
Liabilities under finance lease that are deducted for tax purposes only when paid		(1,565,687)	(3,509,985)
		<u>25,540,960</u>	<u>24,129,552</u>
9- TRADE AND OTHER PAYABLES			
Creditors			
Advances from customers		205,610,215	179,195,643
Accrued expenses and others		2,993,321	3,238,385
Sales tax payable		11,703,302	11,514,548
Special excise duty payable		699,702	4,513,438
Income tax deducted at source		293,800	485,634
Payable against purchase of fix asset		1,780,427	1,347,370
Payable towards:			
Workers' Profit Participation Fund	9.1	329,654	-
Workers' Welfare Fund	9.2	4,293,968	1,470,565
	9.3	2,076,493	984,223
		<u>229,780,882</u>	<u>202,749,806</u>
9.1	This represents the balance amount payable against purchase of Generator from M/S Millat Tractors Limited on installment basis. Total invoice value is payable in 13 monthly installments along with mark up calculated @ 19.96% per annum commencing from April 2010. Upto the date of balancer sheet, company has paid three instalments.		
9.2	Workers' Profits participation Fund		
Balance at beginning		1,470,565	11,222,632
Add: Charged during the year	30	<u>4,293,968</u>	<u>1,470,565</u>
		5,764,533	12,693,197
Less: payment made during the year		<u>(1,470,565)</u>	<u>(11,222,632)</u>
		<u>4,293,968</u>	<u>1,470,565</u>
9.3	Workers' Welfare Fund		
Balance at Beginning		984,223	3,939,383
Add: Charge during the year	30	<u>1,628,264</u>	<u>529,547</u>
		2,612,487	4,468,930
less: Adjustment/Payment made during the year		<u>(535,994)</u>	<u>(3,484,707)</u>
		<u>2,076,493</u>	<u>984,223</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

10 -	MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES	Note	2010 Rupees	2009 Rupees
	Long term financing		177,145	278,561
	Short term borrowing- secured		1,918,538	731,408
	Liabilities against assets subject to finance lease		53,477	113,198
			<u>2,149,160</u>	<u>1,123,167</u>
11 -	SHORT TERM BORROWINGS			
	Secured			
	Running finance under mark-up arrangements			
	Allied Bank Limited	11.1	14,391,998	-
	Habib Bank Limited	11.2	-	-
	Finance against trust receipts			
	Allied Bank Limited	11.3	33,467,811	16,671,652
	Habib Bank Limited	11.4	23,698,633	4,923,476
			<u>71,558,442</u>	<u>21,595,128</u>

11.1 - Total amount of finance available under this facility is Rs. 45.00 million (June 30, 2009: Rs. 45.00 million). The mark-up is charged at the rate of three months average ask side Kibor plus 2.5% (June 30, 2009: three months average ask side Kibor plus 2.5 %) with Floor rate of 13% (June 30, 2009: 13%) per annum. This facility is collaterally secured against First charge on the present and future fixed assets for Rs.190 million and First Pari Passu Charge on present and future current assets of the Company to the extent of Rs.110.00M. This facility is specifically secured by, Hypothecation of stocks of wheel rims, washing machine, refrigerators and their spare parts, duly insured with banks's clause with 15% margin on stocks. The un utilized amount of this facility as at balance sheet date is Rs. 30.61 million. (June 30, 2009: Rs. 45.00 million).

11.2 - Total amount of finance available under this facility is Rs. 50.00 million (June 30, 2009: Rs. 50.00 million). The mark-up is charged at the rate of three months average ask side Kibor + 2.5% per annum (June 30, 2009: three months average ask side Kibor + 2.50%, floor rate of 13% per annum). This facility is collaterally secured against First pari passu charge on fixed assets for Rs. 190.00 million and specifically secured against First pari passu Hypothecation Charge of Rs. 90.00 million over current assets of the Company, comprising of raw material, work in process, finished goods, etc. and receivable and book debts of the Company. The un-utilized amount of this facility as at balance sheet date is Rs. 50.00 million. (June 30, 2009: Rs. 50.00 million).

11.3 - Total amount available under this facility is Rs. 40.00 million (June 30, 2009: Rs. 20.00 million). for a maximum period of 90 days (June 30, 2009: of 90days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50% (June 30, 2009: three months average ask side Kibor + 2.5%) with floor rate of 13% per annum. (June 30, 2009:13%). This facility is collaterally secured against First charge on present and future fixed assets for Rs. 190.00 million and First pari passu Charge on present and future current assets of the Company to the extent of Rs. 110 million. This facility is specifically secured by way of Bank's lien on title to goods imported and Trust Receipts at nil margin. The un-utilized amount of this facility as at balance sheet date is Rs. 6.53 million. (June 30, 2009: Rs. 3.33million).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

- 11.4- Total amount available under this facility is Rs. 25.00 million (June 30, 2009: Rs. 20.00 million) for a maximum period of 120 days. The mark-up is charged at the rate of three months average ask side Kibor plus 2.50% per annum (June 30, 2009: three months average ask side Kibor plus 2.50% with floor rate of 13% per annum). This facility is collaterally secured against First pari passu charge of Rs. 190.00 million on fixed assets of the Company and specifically secured against and First pari passu Hypothecation Charge of Rs. 90 million over current assets of the Company, comprising of raw material, work in process, finished goods, receivable and book debts of the Company, 5% Cash margin, Trust Receipts and accepted bill of exchange. The un utilised amount of this facility as at balance sheet date is Rs 1.30 million. (June 30, 2009: Rs. 15.077 million).

12- CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2010 Rupees	2009 Rupees
Long term financing	6	2,400,000	2,400,000
Liabilities against assets subject to finance lease	7	3,552,328	7,172,935
		<u>5,952,328</u>	<u>9,572,935</u>

13- TAXATION--NET

Balance at beginning	12,459,999	68,573,796
Add: Provision for the year		
-Current Year	26,876,058	3,648,921
-Prior year	3,515,046	2,695,335
Less: Payment/Adjustment during the Year	(8,176,400)	(62,458,053)
	<u>34,674,703</u>	<u>12,459,999</u>

14- CONTINGENCIES AND COMMITMENTS

14.1- Contingencies

- 14.1.1 Cases filed by some customers against the company for the claim of autoparts under warranty have been decided by the consumer court. Out of total sixteen cases filed, thirteen have been decided in favour of company. For remaining three cases company has filed an appeal in the honourable Multan High Court. The management of the company is of opinion that outcome of these cases will be settled in favour of the company, hence no provision is made in these accounts.
- 14.1.2 During the year CIR (Appeals) made a decision against the company and disallowed the tax losses of Rs. 1,503,939/- for the tax year 2003. The company has filed an appeal with ATIR against an order U/S 122 (5A) passed by the CIR (Appeals), defending the tax losses amounting to Rs. 1,503,939/-. In the opinion of the tax consultant, favourable outcome of the appeal is expected, hence no provision is made in these accounts.
- 14.1.3 During the year DCIR initiated proceedings under section 161/205 for tax year 2004 and created a tax demand of Rs. 588,391/-. The company has filed an appeal against this demand order with CIR (Appeals). In the opinion of the tax consultant, favourable outcome of the appeal is expected, hence no provision is made in these accounts.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

14.1.4 During the year DCIR initiated proceedings under section 161/205 for tax year 2005 and created a tax demand of Rs. 1,430,291/-. The company has filed an appeal against this demand order with CIR (Appeals). In the opinion of the tax consultant, favourable outcome of the appeal is expected, hence no provision is made in these accounts.

14.1.5 The proceedings of income tax audit of the company under section 177(4) of the Income Tax Ordinance 2001 for the tax year 2008 have been completed and the DCIR has made a tax demand of Rs. 24.272M out of which a sum of Rs. 1.50M has been paid. The company filed an appeal against the order of the department with the CIR (Appeals) and got relief upto Rs.10.318M. The department is in appeal against this order with the ATIR. For remaining tax demand of Rs. 12.454M, company has filed an appeal with ATIR. In the opinion of the management, the company will get relief upto Rs. 4.366M. For balance tax demand of Rs.8.088M, company has sufficient existing tax provision to discharge the liability, therefore no further provision has been made in these accounts.

14-2 Commitments

The facilities for opening Letters of Credit and Guarantees as at June 30, 2010 aggregate Rs. 70.00 million and Rs. 8.04 million respectively (June 30, 2009: Rs. 80.00 million and Rs. 8.00 million respectively) of which the amounts utilised as at June 30, 2010 were Rs. 55.95 million and Rs. Nil. respectively. (June 30, 2009: Rs. 56.31 million and Nil respectively).

	Note	2010 Rupees	2009 Rupees
15- PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	15.1	222,297,360	218,278,804
Capital work in progress	15.3	8,242,670	4,554,879
		<u>230,540,030</u>	<u>222,833,683</u>

15.1 - OPERATING FIXED ASSETS - Tangible

2010										Rupees
PARTICULARS	COST			As at 30-06-2010	Rate %	DEPRECIATION			As at 30-06-2010	W.D.V. as at 30-06-2010
	As at 01-07-2009	Additions / (Deletions)	Transfer			As at 01-07-2009	For the year	Adjustment		
Freehold land	77,586,954	7,578,000		85,164,954	-	-	-	-	-	85,164,954
Buildings and Civil Works on freehold land	59,344,620	3,677,957		63,022,577	5 to 10	20,649,912	3,852,233	-	24,502,145	38,520,432
Plant and Machinery	105,540,010	2,986,159	25,157,903	133,684,072	10	49,988,808	7,296,294	9,452,590	66,737,692	66,946,380
Electric Fittings	6,508,997	199,350		6,708,347	10	2,389,012	414,529	-	2,803,541	3,904,806
Furniture and Fixture	1,823,974	25,017		1,848,991	10	643,875	119,125	-	763,000	1,085,991
Office Equipment	2,201,609	395,439		2,597,048	10	883,152	155,185	-	1,038,337	1,558,711
Electric Installations	1,578,979	608,075		2,187,054	10	469,750	153,490	-	623,240	1,563,814
Vehicles	3,890,639	3,221,754 (1,582,500)	4,752,500	10,282,393	20	2,436,135	1,302,152	2,119,937 (828,865)	5,029,359	5,253,034
Assets subject to Finance Lease	258,475,782	18,691,751 (1,582,500)	29,910,403	305,495,436		77,460,644	13,293,008	11,572,527 (828,865)	101,497,314	203,998,122
Plant and Machinery	37,787,937	-	(25,157,903)	12,630,034	10	10,905,045	1,117,758	(9,452,590)	2,570,213	10,059,821
Vehicles	15,775,500	2,401,000	(4,752,500)	13,424,000	20	5,394,730	1,909,790	(2,119,937)	5,184,583	8,239,417
	53,563,437	2,401,000	-	26,054,034		16,299,775	3,027,548	-	7,754,796	18,299,238
		-	(29,910,403)					(11,572,527)		
TOTAL 2010	312,039,219	21,092,751 (1,582,500)	29,910,403 (29,910,403)	331,549,470		93,760,419	16,320,556	11,572,527 (12,401,392)	109,252,110	222,297,360

Details of property, plant and equipment sold are given in Note No. 15.4



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

2009										Rupees
PARTICULARS	COST			DEPRECIATION					W.D.V. as at 30-06-2009	
	As at 01-07-2008	Additions / (Deletions)	Transfer	As at 30-06-2009	Rate %	As at 01-07-2008	For the year	Adjustment	As at 30-06-2009	
Freehold land	55,277,254	22,309,700		77,586,954	-	-	-	-	-	77,586,954
Buildings and Civil Works on freehold land	52,669,453	6,675,167		59,344,620	5 to 10	16,990,402	3,659,510	-	20,649,912	38,694,708
Plant and Machinery	86,819,378	18,720,632		105,540,010	10	44,680,416	5,308,392	-	49,988,808	55,551,202
Electric Fittings	5,798,627	710,370		6,508,997	10	1,971,456	417,556	-	2,389,012	4,119,986
Furniture and Fixture	1,635,074	188,900		1,823,974	10	517,284	126,591	-	643,875	1,180,099
Office Equipment	2,163,609	38,000		2,201,609	10	737,436	145,716	-	883,152	1,318,457
Electric Installations	1,381,634	197,345		1,578,979	10	359,396	110,354	-	469,750	1,109,229
Vehicles	3,415,913	235,726 (1,437,500)	1,676,500	3,890,639	20	2,041,668	319,049	989,806 (914,388)	2,436,135	1,454,505
Assets subject to Finance Lease	209,160,942	49,075,840 (1,437,500)	1,676,500	258,475,782		67,298,058	10,087,168	989,806 (914,388)	77,460,644	181,015,140
Plant and Machinery	37,787,937	-	-	37,787,937	10	7,918,057	2,986,988	-	10,905,045	26,882,893
Vehicles	17,452,000	-	(1,676,500)	15,775,500	20	3,789,343	2,595,193	(989,806)	5,394,730	10,380,771
	55,239,937	-	(1,676,500)	53,563,437		11,707,400	5,582,181	(989,806)	16,299,775	37,263,664
TOTAL 2009	264,400,879	49,075,840 (1,437,500)	1,676,500 (1,676,500)	312,039,219		79,005,458	15,669,349	989,806 (1,904,194)	93,760,419	218,278,804

	Note	2010 Rupees	2009 Rupees
15.2 - Depreciation for the year has been allocated as follows:			
Cost of sales	27	12,687,219	12,520,067
Distribution cost	28	1,465,059	1,109,883
Administrative expenses	29	2,168,278	2,039,399
		<u>16,320,556</u>	<u>15,669,349</u>

15.3 - CAPITAL WORK-IN-PROGRESS

Tangible

Plant and machinery

Opening balance	3,348,626	19,037,229
Additions made during the year	1,757,330	2,381,512
	<u>5,105,956</u>	<u>21,418,741</u>
Transferred to operating fixed assets	1,194,800	18,070,115
15.3.1	<u>3,911,156</u>	<u>3,348,626</u>

Civil works

Opening balance	628,351	-
Additions made during the year	6,526,394	7,165,140
	<u>7,154,745</u>	<u>7,165,104</u>
Transferred to operating fixed assets	3,677,957	6,536,753
	<u>3,476,788</u>	<u>628,351</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
Intangible		
Development work		
Opening balance	577,902	510,652
Additions made during the year	1,017,979	67,250
	1,595,881	577,902
Transferred to Intangible Assets	741,155	-
	854,726	577,902
	8,242,670	4,554,879

15.3.1- This includes Rs. 3.09 million (June 30, 2009:Rs. 2.45 million) on account of advances paid to suppliers of machinery.

15.3.2- This includes Rs. 3.48 million (June 30, 2009: Rs. Nil) on account of advance paid to construction contractor.

15.4- DETAIL OF PROPERTY, PLANT AND EQUIPMENT DISPOSAL

The detail of property, plant and equipment disposal, having net book value in excess of Rs. 50,000 is as follows:

Particulars	Cost	Net Book Value	Sale price	Mode of Disposal	Particulars of purchaser
-----Rupees-----					
Honda CIVIC VTI	1,192,500	592,116	592,116	Company Policy	Mr Zubair Aamir, Employee of Company.
Suzuki Mehran	390,000	161,519	320,000	Negotiation	Mr Muhammad Nadeem 195-M Model Town Lahore
		-			

16 - INTANGIBLE ASSETS

(Rupees)

Particulars	Cost			Amortization			Book Value As at 30-06-2010
	As at 01-07-2009	Additions/ (deletion)	As at 30-06-2010	As at 01-07-2009	For the period	As at 30-06-2010	
Development Cost	3,051,300	466,430	3,517,730	1,945,830	626,522	2,572,352	945,378
Jun-10	3,051,300	466,430	3,517,730	1,945,830	626,522	2,572,352	945,378
Jun-09	3,051,300	-	3,051,300	1,326,899	618,931	1,945,830	1,105,471

16.1- Development cost represents cost incurred on patents, copyrights, trade marks and designs.

16.2- The amortization cost is included in cost of sales.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

	2010 Rupees	2009 Rupees
17- LONG TERM LOANS AND ADVANCES - SECURED		
Loans and advances - considered good, to:		
Executives	760,000	-
Other Employees	1,460,500	-
	<u>2,220,500</u>	<u>-</u>
Less: Amount due within twelve months, Shown under current loans and advances	737,800	-
	<u>1,482,700</u>	<u>-</u>

Reconciliation of carrying amount of loans and advances to executives and other employees:

	Opening Balance as at July 01, 2009	Disbursements	Repayments	Closing Balance as at June 30, 2010
Executives	-	1,048,300	288,300	760,000
Other Employees	-	1,808,800	348,300	1,460,500
	<u>-</u>	<u>2,857,100</u>	<u>636,600</u>	<u>2,220,500</u>
June 30, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

These loans and advances have been granted under staff loan and advances policy to facilitate the employees for purchase of house and meeting other household payments. These are secured against the gratuity payable to employees. These are interest free loans which are repayable within fifteen Years. The maximum amount of loan to executive at the end of any month during the year was Rs. 992,500. (2009: Rs. Nil).

18- LONG TERM DEPOSITS

Deposit with Pakistan Steel Mill	700,000	400,000
Utilities and others	432,137	416,457
	<u>1,132,137</u>	<u>816,457</u>

19 - STORES, SPARES AND LOOSE TOOLS

Stores	3,214,085	4,956,654
Spares	764,049	320,121
Loose tools	602,396	161,753
	<u>4,580,530</u>	<u>5,438,528</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 Rupees	2009 Rupees
20 - STOCK IN TRADE			
Raw materials and components		229,952,136	140,161,113
Work-in-process		17,327,713	21,179,856
Finished goods		60,944,658	33,360,733
Packing and other material		5,626	65,585
		<u>308,230,133</u>	<u>194,767,287</u>
21 - TRADE DEBTS - Unsecured	21.1	<u>89,003,305</u>	<u>96,341,775</u>
21.1 - Classification:			
Considered Good		89,003,305	96,341,775
Considered Doubtful		7,030,790	522,533
Considered Bad		-	44,622
		<u>96,034,095</u>	<u>96,908,950</u>
Less			
Provision for Doubtful debts		(7,030,790)	(522,553)
Bad debts		-	(44,622)
		<u>89,003,305</u>	<u>96,341,775</u>
Debts which are considered doubtful and Bad are shown under other operating expenses.			
22 - LOANS & ADVANCES			
Advances - considered good			
Current portion of loans and advances to employees	17	737,800	-
to suppliers	22.1	532,325	808,319
		<u>11,662,808</u>	<u>10,037,301</u>
		<u>12,932,933</u>	<u>10,845,620</u>
22.1- This amount includes maximum aggregate balance due from the Executives during the year of Rs. Nil (June 30, 2009: Rs. 205,000).			
23 - TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Contract securities		300,000	600,000
Prepaid expenses		716,354	567,632
Letter of credit margin		14,266,713	13,238,114
Letter of credit in process		30,629,831	18,827,232
		<u>45,912,898</u>	<u>33,232,978</u>
24 - OTHER RECEIVABLES			
Advance income tax		50,258,092	21,344,093
Sales Tax		1,954,070	-
Other Receivable		-	188,000
		<u>52,212,162</u>	<u>21,532,093</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 Rupees	2009 Rupees
25 - CASH AND BANK BALANCES			
Cash in hand		93,692	39,331
Balance with banks on current accounts		<u>8,786,767</u>	<u>19,793,232</u>
		<u>8,880,459</u>	<u>19,832,563</u>
26 - SALES - NET			
Gross sales	26.1	2,166,360,018	1,140,685,970
Less: Sales tax		311,638,715	157,130,672
Sales returns		11,610,746	17,506,070
Commission		19,136,850	13,509,295
		<u>342,386,311</u>	<u>188,146,037</u>
		<u>1,823,973,707</u>	<u>952,539,933</u>
26.1	This includes Rs. 7.60 million (June 30, 2009: Rs. 1.48 million) on account of export sales.		
27 - COST OF SALES			
Raw materials and components consumed		1,446,012,857	719,401,373
Salaries, wages and other benefits	27.1	100,016,138	75,371,800
Stores, spares and loose tools consumed		32,126,964	13,400,263
Power and fuel charges		45,694,610	25,740,080
Repair and maintenance		15,898,739	18,357,790
Other expenses		4,985,936	4,358,474
Depreciation	15.2	12,687,219	12,520,067
Amortization	16	626,522	618,931
		<u>1,658,048,985</u>	<u>869,768,778</u>
Opening work-in-process		21,179,856	16,247,744
		<u>1,679,228,841</u>	<u>886,016,522</u>
Closing work-in-process		17,327,713	21,179,856
Cost of goods manufactured		<u>1,661,901,128</u>	<u>864,836,666</u>
Opening finished goods		33,360,733	8,035,421
		<u>1,695,261,861</u>	<u>872,872,087</u>
Cost of finished goods purchased during the year		3,716,299	9,209,448
		<u>1,698,978,160</u>	<u>882,081,535</u>
Closing finished goods		60,944,658	33,360,733
		<u>1,638,033,502</u>	<u>848,720,802</u>

27.1 Salaries, wages and other benefits include Rs. 5,669,420 (2009: Rs. 5,115,689) in respect of retirement benefits.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 Rupees	2009 Rupees
28 - DISTRIBUTION COST			
Salaries and other benefits		6,799,276	7,653,998
Freight and octroi		19,308,126	9,823,143
Traveling and conveyance		2,418,013	1,233,717
Packing material consumed		114,884	-
Advertisement and sale promotion		3,538,938	2,678,581
Insurance		397,090	381,234
After sales service		5,658,453	1,737,840
Printing & Stationery		679,947	772,484
Depreciation	15.2	1,465,059	1,109,883
		<u>40,379,786</u>	<u>25,390,880</u>

28.1 Salaries and other benefits include Rs. 515,908 (2009: Rs. 410,600) in respect of retirement benefits.

29 - ADMINISTRATIVE EXPENSES

Salaries and other benefits	29.1	24,495,858	21,928,396
Electricity, gas and water charges		510,761	301,113
Communication expenses		2,676,919	2,426,591
Vehicle running expenses		2,917,221	799,428
Legal and professional		2,014,875	1,431,644
Travelling and conveyance		1,635,102	1,915,196
Fee and subscription		821,594	524,179
Insurance		400,671	378,109
Rent, rates and taxes		869,194	705,186
Printing and stationery		1,622,298	1,468,377
Entertainment		490,245	561,338
Office supplies		77,656	32,537
Research expenses		-	143,834
Miscellaneous expenses		370,191	365,206
Depreciation	15.2	2,168,278	2,039,399
		<u>41,070,863</u>	<u>35,020,533</u>

29.1 Salaries and other benefits include Rs. 2,478,425 (2009: Rs. 1,430,600) in respect of retirement benefits.

30 - OTHER OPERATING EXPENSES

Auditors' remuneration	30.1	1,542,500	732,500
Bad debts		-	44,622
Provision for doubtful debts		6,508,237	522,553
Contribution towards:			
Workers' profit participation fund	9.2	4,293,968	1470,565
Workers' welfare fund	9.3	1,628,264	529,547
		<u>13,972,969</u>	<u>3,299,787</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 Rupees	2009 Rupees
30.1- Auditors' remuneration			
Viqar A. Khan			
Workers' Profit Participation Fund Audit		12,500	12,500
Tax services		890,000	200,000
		902,500	212,500
Kabani Saeed Kamran Patel & Co.			
Statutory audit		500,000	375,000
Half yearly review		125,000	125,000
Certificate fee		15,000	20,000
		640,000	520,000
		<u>1,542,500</u>	<u>732,500</u>
31 - OTHER OPERATING INCOME			
Income from financial assets			
Exchange Gain/(Loss)		(24,702)	91,297
Income from non financial assets			
Profit on sale of fixed assets		158,481	69,417
Miscellaneous Income		1,034,044	1,017,485
		<u>1,167,823</u>	<u>1,178,199</u>
32 - FINANCE COST			
Mark-up on:			
Long term finances		876,038	1,396,996
Short term borrowings - secured		9,006,251	9,501,745
Intrest on Workers' Profit Participation Fund		172,203	1,463,357
Financial charges on finance lease		1,328,550	2,311,048
Bank charges, commission & others		516,435	665,160
		<u>11,899,477</u>	<u>15,338,306</u>
33 - TAXATION			
Current			
For the period		26,876,058	3,648,921
Prior Year	33.1	3,515,046	2,695,335
Deferred			
For the period		1,400,070	5,373,588
		<u>31,791,174</u>	<u>11,717,844</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

- a) The income tax assessments of the company have been finalized upto tax year 2009, except as mentioned in note 14.1.2 and 14.1.3
- b) Provision for taxation is considered adequate to discharge the expected liability for current year.

33.1 This amount includes a tax demand of Rs. 2.72 M created and recovered by tax department as a result of amendment of assessment for tax year 2004. The Company is in appeal against this order.

	2010 Rupees	2009 Rupees
33.2 - Tax charge reconciliation		
Profit before taxation	<u>79,784,934</u>	<u>25,947,824</u>
Tax charge on accounting profit at applicable tax rate as per Income Tax Ordinance, 2001	27,924,727	9,081,739
Tax effect of amounts that are:		
- not deductible for tax purposes	1,144,793	(24,697)
- allowable deductions for tax purposes	(736,217)	(24,142)
Tax effect of profit attributable to presumptive income	(216,803)	(21,707)
Effect of presumptive tax	159,628	11,317
Adjustment of prior year taxation	<u>3,515,046</u>	<u>2,695,335</u>
Taxation for the year	<u>31,791,174</u>	<u>11,717,844</u>

34 - EARNINGS PER SHARE - BASIC AND DILUTED

Basic & diluted earnings per share

Profit after taxation for the year	Rupees	47,993,760	14,229,980
Weighted average number of ordinary shares outstanding during the year - Note 34.1	Numbers	12,480,811	12,480,811
Basic & diluted earnings per share	Rupees	3.85	1.14

- 34.1-** Number of ordinary shares outstanding at the close of corresponding period presented has been increased to reflect the bonus shares issued during the current period ended June 30, 2010.

Diluted earnings per shares

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



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 Rupees	2009 Rupees
35 - CASH GENERATED FROM OPERATIONS			
Profit before taxation		79,784,934	25,947,824
Adjustment for non cash charges and other items:			
Depreciation		16,320,556	15,669,349
Amortization		626,522	618,931
Provision for gratuity		8,663,753	6,956,889
Financial and other charges		24,329,946	17,905,593
Other income		(1,171,362)	(1,086,902)
		<u>48,769,415</u>	<u>40,063,860</u>
		128,554,349	66,011,684
Working capital changes	35.1	(105,715,068)	117,872,156
(Increase)/ Decrease in long term loans and advances		(1,482,700)	-
		<u>21,356,581</u>	<u>183,883,840</u>
35.1 - Working capital changes			
(Increase) / decrease in current assets:			
Store, spares and loose tools		857,998	(1,770,155)
Stock-in-trade		(113,462,846)	(1,449,437)
Trade debts		307,681	105,106,143
Loans & Advances		(2,087,313)	(2,385,935)
Trade Deposits and short term prepayments		(12,679,920)	(7,739,022)
Other receivables		(1,766,070)	(188,000)
Increase / (decrease) in current liabilities			
Trade and other payables		23,115,403	26,298,562
		<u>(105,715,068)</u>	<u>117,872,156</u>
36 - CASH AND CASH EQUIVALENTS			
Cash and cash equivalents include:			
Cash and bank balances	25	8,880,459	19,832,563
Short term borrowings	11	(14,391,998)	-
		<u>(5,511,539)</u>	<u>19,832,563</u>
37- TRANSACTIONS WITH RELATED PARTIES			

The related parties comprise directors, key management personnel. The remuneration of Directors and key management personnel is shown in note 38.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

38- REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these accounts for the year for remuneration, including certain benefits to the Chief Executive, Directors and Executives of the Company is as follows:

(Rupees)

	Chief Executive		Directors		Executives		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Managerial Remuneration	5,127,273	5,127,273	4,363,636	4,363,636	8,263,636	7,373,227	17,754,545	16,864,136
Medical allowance	512,727	512,727	436,364	436,364	826,364	737,323	1,775,455	1,686,414
Bonus & leave encashment	-	-	-	-	1,084,575	518,723	1,084,575	518,723
	5,640,000	5,640,000	4,800,000	4,800,000	10,174,575	8,629,273	20,614,575	19,069,273
Number of persons	1	1	2	2	4	4	7	7

The Company also provides free use of Company maintained cars to some of the directors and executives.

39 - SEGMENT REPORTING

	Household appliances		Auto parts		Auto rickshaw		Total	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
Segment revenue-Net	7,001,436	5,623,436	457,845,603	366,354,971	1,359,126,668	580,561,526	1,823,973,707	952,539,933
Segment operating results	131,215	376,643	33,176,142	36,340,654	69,639,699	5,957,921	102,947,056	42,675,218
Segment assets	8,574,987	14,841,047	242,981,331	271,059,145	417,650,049	259,902,840	669,206,367	545,803,032
Unallocated assets							86,646,297	60,943,423
Total assets							<u>755,852,665</u>	<u>606,746,455</u>
Segment liabilities	13,036	28,868	63,184,779	126,227,690	214,606,209	136,406,013	277,804,024	262,662,571
Unallocated liabilities							<u>118,394,900</u>	<u>32,433,728</u>
Total liabilities							<u>396,198,924</u>	<u>295,096,299</u>
Capital expenditure	26,297	-	1,719,615	2,381,512	29,114,972	30,264,096	30,860,884	32,645,608
Depreciation and amortization	439,518	278,965	8,156,602	8,360,077	8,350,958	7,649,238		
Non-cash charges other than depreciation and amortization	63,147	87,646	4,432,912	3,538,701	10,691,532	3,330,542		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

40 - FINANCIAL INSTRUMENTS

40.1 - 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 carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2010 Rupees	2009 Rupees
FINANCIAL ASSETS			
Long term Deposits	18	1,132,137	816,457
Trade debts	21	89,003,305	96,341,775
Loans and Advances	17 & 22	14,415,633	10,845,620
Trade Deposits	23	45,196,544	32,665,346
Other Receivables	24	-	188,000
Bank Balances	25	8,786,767	19,793,232
		<u>158,534,386</u>	<u>160,650,430</u>
The maximum exposure to credit risk for trade debts on geographical basis:			
Pakistan		87,065,878	-
Kenya		1,937,427	-
		<u>89,003,305</u>	<u>-</u>

The maximum exposure to credit risk for trade debts, at the reporting date by type of parties was:

Institutional Customers	2,345,000	21,334,547
Corporate Customers	67,045,991	52,947,842
Distributor	2,939,400	3,415,153
Dealers	10,485,751	5,626,870
Others	6,187,163	14,013,682
	<u>89,003,305</u>	<u>97,338,094</u>

The aging of trade debts, at the reporting date was:

Not past due	58,295,672	60,728,640
Past Due 0-30 days	21,699,147	14,349,016
Past Due 31-120 days	3,419,432	2,701,241
Past Due more than 120 days	5,589,054	19,559,197
	<u>89,003,305</u>	<u>97,338,094</u>

Based on historic record the company believes that no impairment allowance is necessary in respect of trade debts past due more than 120 days.

40.2- Foreign exchange risk management

Foreign currency risk arises mainly where payable exist due to transactions with foreign undertakings. Payable exposed to foreign currency risks are identified as either creditors or bills payable. The Company does not view hedging as being financially feasible owing to the excessive costs involved.

40.3- Capital Risk Management

The Company's objective when managing capital is to safe guard the company's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders or issue new shares.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

40.4- Fair value of financial instruments

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

40.5- Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises of three types of risk: Currency risk, interest rate risk and price risk.

40.5.1- Currency Risk

Currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to currency risk on import of raw materials, finished goods and receivables from foreign operations being denominated in US dollars. The Company's exposure to foreign currency risk for US Dollars is on account of outstanding letter of credits of Rs.55.95 million (2009: Rs. 56.31 million) and outstanding receivables of Rs.1.937 million (2009: Rs. Nil).

40.5.2- Interest Rate Risk

Interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial liabilities include balance of Rs. 80.60 million (2009: Rs. 38.280 million) which is subject to interest rate risk.

Cash Flow Sensitivity for variable rate instruments

A change of 100 basis points in interest rates at the reporting date, with all other variables remaining constant, the net income for the year would have been lower or higher by Rs. 805,971 (2009: Rs. 382,801).

40.5.3 -Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices (Other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At present, the company is not exposed to price risk as there are no investments in marketable securities.

40.6 - Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

	2010						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Long term financing	4,200,000	4,841,340	1,383,240	1,383,240	2,074,860	-	-
Liability under finance lease	4,509,012	4,922,335	1,930,514	1,930,514	849,046	212,262	-
Trade and other payables	229,780,882	229,780,882	229,780,882	-	-	-	-
Accrued Mark-up	2,149,160	2,149,160	2,149,160	-	-	-	-
Short term borrowing	71,558,442	71,558,442	71,558,442	-	-	-	-
	312,197,496	313,252,159	306,802,238	3,313,754	2,923,906	212,262	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2009						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Long term financing	6,600,000	7,607,820	1,383,240	1,383,240	2,766,480	2,074,860	-
Liability under finance lease	10,085,005	11,091,030	4,039,525	4,039,525	3,011,980	-	-
Trade and other payables	202,749,806	202,749,806	202,749,806	-	-	-	-
Accrued Mark-up	1,123,167	1,123,167	1,123,167	-	-	-	-
Short term borrowing	21,595,128	21,595,128	21,595,128	-	-	-	-
	<u>242,153,106</u>	<u>244,166,951</u>	<u>230,890,866</u>	<u>5,422,765</u>	<u>5,778,460</u>	<u>2,074,860</u>	<u>-</u>

41 - PLANT CAPACITY AND ACTUAL PRODUCTION

	2010 Numbers	2009 Numbers
Installed Capacity		
Auto rickshaw (8 hours single shift basis)	13,500	10,000
Auto Parts		
The capacity of the plant and machinery relating to auto parts is indeterminable due to the versatility of production.		
Actual Production		
Auto Rickshaw	10,863	4,690
Auto parts		
Wheel - rims	105,814	90,530
Console panel	1,140	9,147

42 - NUMBER OF EMPLOYEES

Average number of employees during the year	686	635
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43 - SUBSEQUENT EVENTS:

The Board of Directors, at their meeting held on September 24, 2010, has recommended a Cash dividend @ 10% i.e, Rupee 1.00 per share (2009:Rupee Nil) and 20% bonus shares i.e. 20 ordinary shares for every 100 ordinary shares for the year ended June 30, 2010 (2009: 20% bonus shares) subject to the approval of the members at the 19th Annual General Meeting of the Company.

44 - DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these financial statements for issue on September 24, 2010.



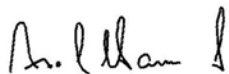
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

45 - CORRESPONDING FIGURES

There is no re-arrangement/re-classification of corresponding figures.

46 - GENERAL

The figures have been rounded off to the nearest rupee.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR