NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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- Functional and Presentation Currency

These financial statements are presented in Pak Rupee, which is the functional currency of the Company.

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

The 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 period
IFRS	2	Share based payment (Amendments)	July 01, 10
IFRS	3	Business combinations (Revised)	July 01, 10
IFRS	5	Non-current assets held for sale and discontinued operations (Amendments)	July 01, 10
IFRS	8	Operating segments	July 01, 10
IAS	1	Presentation of financial statements (Amendments)	July 01, 10
IAS	7	Statements of cash flows (Amendments)	July 01, 10
IAS	17	Leases (Amendments)	July 01, 10
IAS	36	Impairment of assets (Amendments)	July 01, 10
IAS	38	Intangible assets (Amendments)	July 01, 10
IAS	39	Financial instruments: Recognition and measurement (Amendments)	July 01, 10
IFRIC	16	Hedges of a net investment in a foreign operation	July 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, 2011

2.5- 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 interpreations 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	7	Disclosures on transfers of financial assets (Amendments)	July 01, 12
IFRS	9	Financial instruments	July 01, 13
IFRS	13	Fair Value Measurement	Jan 01, 13
IAS	1	Presentation of financial statements (Amendments)	July 01, 11
IAS	12	Income Taxes (Amended)	Jan 01, 12
IAS	24	Related party disclosures (Revised)	Jan 01, 11
IFRIC	14	IAS 19 - The Limit On a Defined Benefit Asset, Minimum funding requirements and their interaction (Amended)	Jan 01, 11
IFRIC	19	Extinguishing financial liabilities with equity instruments	July 01, 11

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.

3- SIGNIFICANT ACCOUNTING POLICIES

3.1 - Employee benefits

Defined benefit plan

Defined benefit plan is a post-employment benefit plan other than the defined contribution 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 freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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.

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

Lease that substantially transfers all the risks and rewards, incidental to the ownership of an asset to the Company is classified as 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 and Prior Year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted by the balance sheet date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any and taxes paid under the final tax regime. The tax charged also includes adjustment, where necessary, relating to prior years which arise from assessments finalized during the year.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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.

Deferred tax is charged or credited in the profit and loss account, except in case where the item to which the deferred tax asset or liability pertains, is recorded in other comprehensive income or equity, the corresponding deferred tax charge is also recognised in other comprehensive income or equity.

3.7 - Store, spares and loose tools

These are valued at weighted average cost except items in transit which are valued at cost comprising invoice value and other charges paid thereon. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form. Impairment, if any, is also made for slow moving items identified as surplus to the requirements of the Company.

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.

The Company reviews the carrying amount of stock in trade on a regular basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in its usage pattern and physical form.

3.9 - Foreign currency conversion

Transactions in foreign currencies are translated into Pak rupees using the exchange rate prevailing on the dates of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into 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.

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

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, a reportable

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 as required by Chief Operating Decision Maker.

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.

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".

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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) Contingencies & Commitments	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 belived to be reasonable under the circumstances.

5- ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2011 Number	2010 Number		Note	2011 Rupees	2010 Rupees
7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid up in cash		71,630,000	71,630,000
7,813,973	5,317,811	Ordinary shares of Rupees 10 each allotted as bonus shares	5.1	78,139,730	53,178,110
14,976,973	12,480,811			149,769,730	124,808,110

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

5.1 These shares include 2,496,162 bonus share of Rs. 10 each (2010: bonus shares 2,080,135 of Rs. 10 each) issued by the Company during the current year.

6- LONG TERM FINANCING	Note	2011 Rupees	2010 Rupees
Secured			
Demand Finance facility	6.1	-	4,200,000
Less: Current portion shown under current liabilities	12	-	2,400,000
		-	1,800,000

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% (June 30, 2010: three months average ask side KIBOR + 3 % per annum), payable on quarterly basis. During the current year Company has repaid the whole outstanding balance.

7 - LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments		5,811,509	4,509,012
Less: Current portion shown under current liabilities	12	(2,574,756)	(3,552,328)
		3,236,753	956,684

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	3,369,439	3,861,027
Financial charges	794,684	308,699
Present value	2,574,756	3,552,328
Due later than one year and not later than five years:		
Minimum lease payments	3,813,875	1,061,308
Financial charges	577,122	104,624
Present value	3,236,753	956,684
	5,811,509	4,509,012

The minimum lease payments have been discounted using the effective interest rates implicit in leases ranging from 16.15% to 16.99% 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 1.39 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	2011 Rupees	2010 Rupees
Employee benefits	8.1	31,910,881	23,785,765
Deferred taxation	8.2	28,007,269	25,540,960
		59,918,150	49,326,725

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
8.1 - Employee benefits			
Net liability recognized in the balance sheet			
Present value of defined benefit obligations		35,808,883	26,315,510
Unrecognized actuarial losses		(3,898,002)	(2,529,745)
		31,910,881	23,785,765
Movement in the net liability recognized in the balance sheet			
Net liability as at 1st July 2010		23,785,765	16,353,642
Expense recognized in the income statement		9,891,466	8,663,753
Liability discharged during the year		(1,766,350)	(1,231,630)
		31,910,881	23,785,765
Expense recognized in the income statement			
Current service cost		6,723,424	6,306,242
Interest cost		3,157,861	2,277,754
Acturial loss recognised		10,181	79,757
		9,891,466	8,663,753

The expense is recognized in the following line items in the income statement under the head salaries, wages and other benefits.

Cost of sales		6,748,430	5,669,420
Administrative expenses		2,551,668	2,478,425
Distribution Cost		591,368	515,908
		9,891,466	8,663,753

Principal actuarial assumptions

The company has carried out actuarial valuation as at June 30, 2011 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

	2011	2010
Discount rate	14% p.a.	12% p.a.
Expected rate of future salary increase	13% 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, 2011

		Note	2011 Rupees	2010 Rupees
8.2-	**Deferred taxation**			
	The liability for deferred taxation comprises of temporary differences relating to:			
	Accelerated depreciation for tax purposes		30,027,209	27,095,309
	Exchange gain on translation of foreign operations that is taxable only when realized		(11,338)	11,338
	Liabilities under finance lease that are deducted for tax purposes only when paid		(2,008,603)	(1,565,687)
			28,007,269	25,540,960

		Note	2011 Rupees	2010 Rupees
9-	**TRADE AND OTHER PAYABLES**			
	Creditors		220,009,246	205,610,215
	Advances from customers		6,509,908	2,993,321
	Accrued expenses and others		14,769,262	11,703,302
	Sales tax payable		3,239,301	699,702
	Special excise duty payable		531,641	293,800
	Income tax deducted at source		1,978,695	1,780,427
	Payable against purchase of fixed asset		-	329,654
	Unclaimed Dividend		492,094	-
	Payable towards:			
	Workers' Profit Participation Fund	9.1	7,965,343	4,293,968
	Workers' Welfare Fund	9.2	3,443,399	2,076,493
			258,938,890	229,780,882

		Note	2011 Rupees	2010 Rupees
9.1	Workers' Profits participation Fund			
	Balance at beginning		4,293,968	1,470,565
	Add: Charged during the year	29	7,965,343	4,293,968
			12,259,311	5,764,533
	Less: payment made during the year		(4,293,968)	(1,470,565)
			7,965,343	4,293,968
9.2	Workers' Welfare Fund			
	Balance at Beginning		2,076,493	984,223
	Add: Charge during the year	29	3,066,421	1,628,264
			5,142,914	2,612,487
	less: Adjustment/Payment made during the year		(1,699,515)	(535,994)
			3,443,399	2,076,493

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

		Note	2011 Rupees	2010 Rupees
10 -	**MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES**			
	Long term financing		-	177,145
	Short term borrowing- secured		2,956,322	1,918,538
	Liabilities against assets subject to finance lease		77,481	53,477
			3,033,803	2,149,160
11-	**SHORT TERM BORROWINGS**			
	Secured			
	Running finance under mark-up arrangements			
	Allied Bank Limited	11.1	23,880,755	14,391,998
	Habib Bank Limited	11.2	11,530,605	-
	Finance against trust receipts			
	Allied Bank Limited	11.3	39,092,979	33,467,811
	Habib Bank Limited	11.4	24,994,444	23,698,633
			99,498,783	71,558,442

11.1 - Total amount of finance available under this facility is Rs. 45.00 million (June 30, 2010: Rs. 45.00 million). The mark-up is charged at the rate of three months average ask side Kibor plus 2.5%(June 30, 2010: three months average ask side Kibor plus 2.5 %) with Floor rate of 13% (June 30, 2010: 13%) per annum. This facility is collaterally secured against First charge on the present and future fixed assets for Rs.190.00 million (June 30, 2010: Rs. 190 million) and First Pari Passu Charge on present and future current assets of the Company to the extent of Rs.110.00 million. (June 30, 2010: Rs. 110.00 million)This facility is specifically secured by Hypothecation of stocks of weel rims, washing machine, refrigerator 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. 21.11 million. (June 30, 2010: Rs. 30.61 million).

11.2 - Total amount of finance available under this facility is Rs. 50.00 million (June 30, 2010: 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, 2010: 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 of Rs. 190.00 million (June 30, 2010: Rs. 190.00 million) and specifically secured against First pari passu Hypothecation Charge of Rs. 90.00 million(June 30, 2010: 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. 29.98 million.(June 30, 2010: Rs. 50.00 million).

11.3 - Total amount available under this facility is Rs. 40.00 million (June 30, 2010: Rs. 40.00 million). for a maximum period of 90 days (June 30, 2010: of 90days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50% (June 30, 2010: three months average ask side Kibor plus 2.5%) with floor rate of 13% per annum. (June 30, 2010:13%). This facility is collaterally secured against First charge on present and future fixed assets for Rs. 190.00 million (June 30, 2010: 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. (June 30, 2010: Rs. 110.00 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. 0.91 million. (June 30, 2010: Rs. 6.53million). The un-utilised amount of this facility can be used for opening Letters of Credit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

11.4 - Total amount available under this facility is Rs. 25.00 million (June 30, 2010: Rs. 25.00 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, 2010: three months average ask side Kibor plus 2.50% per annum). This facility is collaterally secured against First pari passu charge of Rs. 190.00 million (June 30, 2010: Rs. 190.00 million) on fixed assets of the Company and specifically secured against First pari passu Hypothecation Charge of Rs. 90.00 million (June 30, 2010: Rs. 90.00 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 5,556/- only.(June 30, 2010: Rs. 1.30 million). The un-utilised amount of this facility can be used for opening Letters of Credit.

12 - CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2011 Rupees	2010 Rupees
Long term financing	6	-	2,400,000
Liabilities against assets subject to finance lease	7	2,574,756	3,552,328
		2,574,756	5,952,328

13 - PROVISION FOR TAXATION

Balance at beginning	34,674,703	12,459,999
Add: Provision for the year		
-Current Year	51,097,737	26,876,058
-Prior	2,964,333	3,515,046
Less: Payment/Adjustment during the periodyear	(28,922,041)	(8,176,400)
	59,814,732	34,674,703

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 The appeal filed by the Company with ATIR against the order of CIR (Appeals) for disallowance of tax losses of Rs. 1,503,939/- for tax year 2003 under section 122 (5A) is still in progress. 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 122 (5A) for tax year 2004 and created a tax demand of Rs. 751,405/-. The company has filed an appeal against the 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 for this amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

14.1.4 The appeal filed by the Company with CIR (Appeals) against the order of DCIR for tax demand of Rs. 588,391/- under section 161/205 for tax year 2004 was decided in the favour of the Company. The department has filed an appeal against the order with ATIR. 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 appeal filed by the Company with CIR (Appeals) against the order of DCIR for tax demand of Rs. 1,430,291/- under section 161/205 for tax year 2005 was decided in the favour of the Company. The department has filed an appeal against the order with ATIR. In the opinion of the tax consultant, favourable outcome of the appeal is expected, hence no provision is made in these accounts.

14.1.6 During the previous year, the proceedings of income tax audit of the company under section 177(4) of the Income Tax Ordinance 2001 for the tax year 2008 was completed and the DCIR created a tax demand of Rs. 24.272 million out of which a sum of Rs. 1.50 million was paid. The company filed an appeal against the order of the department with the CIR (Appeals) and got relief upto Rs.10.318 million. The department is in appeal against this order with the ATIR. In the opinion of the tax consultant, favourable outcome of the appeal is expected, hence no provision is made in these accounts. For remaining tax demand of Rs. 12.454 million, 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.8.088 million, company has sufficient existing tax provision to discharge the liability, therefore no further provision is made in these accounts.

14.1.7 During the year DCIR initiated proceedings under section 122/(1)/122(5) for tax year 2009 and created a tax demand of Rs. 21.45 million. The company has filed an appeal against this demand 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.

14-2 Commitments

The facilities for opening Letters of Credit and Guarantees as at June 30, 2011 aggregate Rs. 230.00 million and Rs. 8.04 million respectively with a sub-limits of FATR of Rs. 65.00 million as disclosed in note no 11.3 and 11.4 (June 30, 2010: Rs. 70.00 million and Rs. 8.04 million respectively with a sub-limits of FATR of Rs. 65.00 million) out of which the amounts utlilised as at June 30, 2011 were Rs. 75.77 million and Rs. Nil. respectively. (June 30, 2010: Rs. 55.95 million and Rs. Nil respectively).

	Note	2011 Rupees	2010 Rupees
15- PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	15.1	233,840,926	222,297,360
Capital work in progress	15.3	4,678,369	8,242,670
		238,519,294	230,540,030

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

15.1 - OPERATING FIXED ASSETS - Tangible

2011 — Rupees

PARTICULARS	COST				DEPRECIATION					W.D.V.
	As at 01-07-2010	Additions / (Deletions)	Transfer	As at 30-06-2011	Rate %	As at 01-07-2010	For the year	Adjustment	As at 30-06-2011	as at 30-06-2011
Freehold land	85,164,954	-		85,164,954	-	-	-	-	-	85,164,954
Buildings and Civil Works										
on freehold land	63,022,577	10,788,721		73,811,298	5 to 10	24,502,145	3,912,061	-	28,414,206	45,397,092
Plant and Machinery	133,684,072	8,352,027	12,630,034	154,666,133	10	66,737,692	7,997,710	2,570,212	77,305,614	77,360,519
Electric Fittings	6,708,347	815,475		7,523,822	10	2,803,541	408,444	-	3,211,985	4,311,837
Furniture and Fitting	1,848,991	140,167		1,989,158	10	763,000	115,332	-	878,332	1,110,826
Office Equipment	2,597,048	554,820		3,151,868	10	1,038,337	177,843	-	1,216,180	1,935,688
Electric Installations	2,187,054	-		2,187,054	10	623,240	156,382	-	779,622	1,407,433
Vehicles	10,282,393	653,116 (987,863)	11,023,000	20,970,646	20	5,029,359	2,276,474	4,824,436 (601,542)	11,528,727	9,441,919
	305,495,436	21,304,326 (987,863)	23,653,034	349,464,933		101,497,314	15,044,246	7,394,648 (601,542)	123,334,665	226,130,268
Assets subject to Finance Lease										
Plant and Machinery	12,630,034	-	(12,630,034)	-	10	2,570,213	-	(2,570,213)	-	-
Vehicles	13,424,000	6,892,500	(11,023,000)	9,293,500	20	5,184,583	1,222,695	(4,824,436)	1,582,842	7,710,658
	26,054,034	6,892,500 -	- (23,653,034)	9,293,500		7,754,796	1,222,695	- (7,394,649)	1,582,842	7,710,658
TOTAL 2011	331,549,470	28,196,826 (987,863)	23,653,034 (23,653,034)	358,758,433		109,252,110	16,266,941	7,394,648 (7,996,191)	124,917,507	233,840,926

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

2010 — Rupees

PARTICULARS	COST				DEPRECIATION					W.D.V.
	As at 01-07-2009	Additions / (Deletions)	Transfer	As at 30-06-2010	Rate %	As at 01-07-2009	For the year	Adjustment	As at 30-06-2010	as at 30-06-2010
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 Fitting	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
	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
Assets subject to Finance Lease										
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 -	- (29,910,403)	26,054,034		16,299,775	3,027,548	- (11,572,527)	7,754,796	18,299,238
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

15.2 - Depreciation for the year has been allocated as follows:

	Note	2011 Rupees	2010 Rupees
Cost of sales	27	12,550,169	12,687,219
Distribution cost	28	1,413,895	1,465,059
Administrative expenses	29	2,302,878	2,168,278
		16,266,941	16,320,556

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

15.3- CAPITAL WORK-IN-PROGRESS

	Note	2011 Rupees	2010 Rupees
Tangible			
Plant and machinery			
Opening balance		3,911,156	3,348,626
Additions made during the year		-	1,757,330
		3,911,156	5,105,956
Transferred to operating fixed assets		-	1,194,800
	15.3.1	3,911,156	3,911,156
Civil works		3,476,788	628,351
Opening balance		7,365,125	6,526,394
Additions made during the year		10,841,913	7,154,745
		10,788,721	3,677,957
Transferred to operating fixed assets		53,192	3,476,788
Intangible			
Opening balance		854,726	577,902
Additions made during the year		-	1,017,979
		854,726	1,595,881
Transferred to Intangible Assets		140,706	741,155
		714,021	854,726
		4,678,369	8,242,670

15.3.1- This includes Rs. 3.09 million (June 30, 2010:Rs. 3.09 million) on account of advances paid to suppliers of machinery.

15.4- DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSALS

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----				
Suzuki Bolan	404,000	115,173	300,000	Negotiation	Mr. Muhammad Sadiq, Akbar Shaheed Colony, KotLakhpat, Lahore
Suzuki Mehran	395,000	166,174	370,000	Negotiation	Mr Muhammad Farooq Bilo Chak Dakhana Sahoowala, Sialkot.
Sazgar Auto-Rickshaw	117,863	77,266	135,000	Negotiation	Mr. Iftikhar Haider H.# 54 Block # 15 Township, Lahore
Motor-bike with net book value less than Rs. 50,000	71,000	27,708	34,000	Negotiation	Mr. Saqib Ali, Lahore Hotel, Lahore.
	987,863	386,321	839,000		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

16 - INTANGIBLE ASSETS

(Rupees)

Particulars	Cost			Amortization			Book Value
	As at 01-07-2010	Additions/ (deletion)	As at 30-06-2011	As at 01-07-2010	For the period	As at 30-06-2011	as at 30-06-2011
Intangible Assets	3,517,730	213,576	3,731,306	2,572,352	607,473	3,179,825	551,481
Jun-11	3,517,730	213,576	3,731,306	2,572,352	607,473	3,179,825	551,481
Jun-10	3,051,300	466,430	3,517,730	1,945,830	626,522	2,572,352	945,378

16.1- Intangible assets include cost incurred on patents, copyrights, trade marks and designs.

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

17- LONG TERM LOANS AND ADVANCES - SECURED

	2011 Rupees	2010 Rupees
Loans and advances - considered good, to:		
Executives	645,000	760,000
Other Employees	3,194,133	1,460,500
	3,839,133	2,220,500
Less: Amount due within twelve months, Shown under current loans and advances	1,281,500	737,800
	2,557,633	1,482,700

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

	Opening Balance as at July 01, 2010	Disbursements	Repayments	Closing Balance as at June 30, 2011
Executives	760,000	75,000	190,000	645,000
Other Employees	1,460,500	2,751,903	1,018,270	3,194,133
June 30, 2011	**2,220,500**	**2,826,903**	**1,208,270**	**3,839,133**
June 30, 2010	**-**	**2,857,100**	**636,600**	**2,220,500**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 fourteenYears. The maximum amount of loan to executive at the end of any month during the year was Rs. 755,000. (2010: Rs. 992,500).

		Note	2011 Rupees	2010 Rupees
18-	**LONG TERM DEPOSITS**			
	Deposit with Pakistan Steel Mill		400,000	700,000
	Utilities and others		442,137	432,137
			842,137	1,132,137
19 -	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		6,290,086	3,214,085
	Spares		865,345	764,049
	Loose tools		497,744	602,396
			7,653,174	4,580,530
20 -	**STOCK IN TRADE**			
	Raw materials and components		281,635,569	229,952,136
	Work-in-process		9,310,619	17,327,713
	Finished goods		127,073,235	60,944,658
	Packing and other material		31,670	5,626
			418,051,093	308,230,133
21 -	**TRADE DEBTS - Unsecured**	21.1	97,289,962	89,003,305
21.1 -	**Classification:**			
	Considered Good		97,289,962	89,003,305
	Considered Doubtful		7,656,541	7,030,790
			104,946,503	96,034,095
	Less:			
	Provision for Doubtful debts		(7,656,541)	(7,030,790)
			97,289,962	89,003,305
22 -	**LOANS & ADVANCES**			
	Advances - considered good			
	Current portion of loans and advances	17	1,281,500	737,800
	to employees for expenses		356,125	532,325
	to suppliers		4,913,738	11,662,808
			6,551,363	12,932,933

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

		Note	2011 Rupees	2010 Rupees
23 -	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Contract securities		2,555,000	300,000
	Prepaid expenses		868,622	716,354
	Letter of credit margin		14,138,361	14,266,713
	Letter of credit in process		51,507,484	30,629,831
			69,069,467	45,912,898
24 -	**OTHER RECEIVABLES**			
	Advance income tax		68,286,259	50,258,092
	Sales Tax		-	1,954,070
			68,286,259	52,212,162
25 -	**CASH AND BANK BALANCES**			
	Cash in hand		102,086	93,692
	Balance with banks on current accounts		973,038	8,786,767
			1,075,125	8,880,459
26 -	**SALES - NET**			
	Gross sales	26.1	3,052,658,946	2,166,360,018
	Less: Sales tax		467,100,069	311,638,715
	Sales returns		6,586,315	11,610,746
	Commission		36,446,766	19,136,850
			510,133,150	342,386,311
			2,542,525,796	1,823,973,707

26.1 This includes Rs. 13.45 million (June 30, 2010: Rs. 7.60 million) on account of export sales.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

27 - COST OF SALES

	Note	2011 Rupees	2010 Rupees
Raw materials and components consumed		2,044,969,827	1,446,012,857
Salaries, wages and other benefits	27.1	108,900,366	100,016,138
Stores, spares and loose tools consumed		28,190,707	32,126,964
Power and fuel charges		57,191,628	45,694,610
Repair and maintenance		24,871,404	15,898,739
Other expenses		3,878,356	4,985,936
Depreciation	15.2	12,550,169	12,687,219
Amortization	16	607,473	626,522
		2,281,159,929	1,658,048,985
Opening work-in-process		17,327,713	21,179,856
		2,298,487,642	1,679,228,841
Closing work-in-process		9,310,619	17,327,713
Cost of goods manufactured		2,289,177,023	1,661,901,128
Opening finished goods		60,944,658	33,360,733
		2,350,121,681	1,695,261,861
Cost of finished goods purchased during the year		48,827,718	3,716,299
		2,398,949,399	1,698,978,160
Closing finished goods		127,073,235	60,944,658
		2,271,876,164	1,638,033,502

27.1 Salaries, wages and other benefits include Rs. 6,748,430 (2010: Rs. 5,669,420) in respect of retirement benefits.

28 - DISTRIBUTION COST

	Note	2011 Rupees	2010 Rupees
Salaries and other benefits		8,387,860	6,799,276
Freight and octroi		27,184,865	19,308,126
Travelling and conveyance		2,203,978	2,418,013
Packing material consumed		859,465	114,884
Advertisement and sale promotion		5,891,939	3,538,938
Insurance		313,212	397,090
After sales service		5,506,933	5,658,453
Printing & Stationery		820,236	679,947
Depreciation	15.2	1,413,895	1,465,059
		52,582,383	40,379,786

28.1 Salaries and other benefits include Rs. 591,368 (2010: Rs. 515,908) in respect of retirement benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

29 - ADMINISTRATIVE EXPENSES

	Note	2011 Rupees	2010 Rupees
Salaries and other benefits	29.1	27,695,340	24,495,858
Electricity, gas and water charges		525,274	510,761
Communication expenses		2,618,019	2,676,919
Vehicle running expenses		3,666,461	2,917,221
Legal and professional		518,181	2,014,875
Travelling and conveyance		1,612,876	1,635,102
Fee and subscription		1,168,556	821,594
Insurance		526,281	400,671
Rent, rates and taxes		654,843	869,194
Printing and stationery		1,937,789	1,622,298
Entertainment		559,227	490,245
Office supplies		20,231	77,656
Miscellaneous expenses		222,574	370,191
Depreciation	15.2	2,302,878	2,168,278
		44,028,529	41,070,863

29.1 Salaries and other benefits include Rs. 2,551,668 (2010: Rs. 2,478,425) in respect of retirement benefits.

30 - OTHER OPERATING EXPENSES

	Note	2011 Rupees	2010 Rupees
Auditors' remuneration	30.1	1,045,000	1,542,500
Provision for doubtful debts		625,751	6,508,237
Contribution towards:			
Workers' profit participation fund	9.2	7,965,343	4,293,968
Workers' welfare fund	9.3	3,066,421	1,628,264
		12,702,515	13,972,969

30.1- Auditors' remuneration

	2011 Rupees	2010 Rupees
Viqar A. Khan		
Workers' Profit Participation Fund Audit	15,000	12,500
Tax services	380,000	890,000
	395,000	902,500
Kabani & Co.		
Statutory audit	500,000	500,000
Half yearly review	125,000	125,000
Certificate fee	25,000	15,000
	650,000	640,000
	1,045,000	1,542,500

31 - OTHER OPERATING INCOME

	2011 Rupees	2010 Rupees
Income from financial assets		
Exchange Gain/(Loss)	(5,514)	(24,702)
Income from non financial assets		
Profit on sale of fixed assets	452,679	158,481
Miscellaneous Income	1,459,759	1,034,044
	1,906,924	1,167,823

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

32 - FINANCE COST

		2011 Rupees	2010 Rupees
Mark-up on:			
Long term finances		332,262	876,038
Short term borrowings - secured		12,863,004	9,006,251
Intrest on Workers' Profit Participation Fund		511,549	172,203
Financial charges on finance lease		954,022	1,328,550
Bank charges, commission & others		818,749	516,435
		15,479,586	11,899,477

33 - TAXATION

Current			
For the period		51,097,737	26,876,058
Prior Year	33.1	2,964,333	3,515,046
Deferred			
For the period		2,477,648	1,400,070
		56,539,717	31,791,174

a) The income tax assessments of the company have been finalized upto tax year 2010, except as mentioned in note 14.1

b) Provision for taxation is considered adequate to discharge the expected liability for current year.

33.1 This amount relates to tax year 2010.

33.2 - Tax charge reconciliation

Profit before taxation	147,763,543	79,784,934
Tax charge on accounting profit at applicable tax rate as per Income Tax Ordinance, 2001	51,717,240	27,924,727
Tax effect of amounts that are:		
- not deductible for tax purposes	2,134,852	1,144,793
- allowable deductions for tax purposes	(2,031,586)	(736,217)
Tax effect of profit attributable to presumptive income	(630,461)	(216,803)
Effect of presumptive tax	2,385,340	159,628
Adjustment of prior year taxation	2,964,333	3,515,046
Taxation for the year	56,539,717	31,791,174

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

34 - EARNINGS PER SHARE - BASIC AND DILUTED

Basic & diluted earnings per share	Note		2011 Rupees	2010 Rupees
Profit after taxation for the year		Rupees	91,223,826	47,993,760
Weighted average number of ordinary shares outstanding during the year	34.1	Numbers	14,976,973	14,976,973
Basic & diluted earnings per share-Rupees		Rupees	6.09	3.20

34.1- Number of ordinary shares outstanding at the close of corresponding year presented has been increased to reflect the bonus shares issued during the current period ended June 30, 2011.

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.

35 - CASH GENERATED FROM OPERATIONS

	Note	2011 Rupees	2010 Rupees
Profit before taxation		147,763,543	79,784,934
Adjustment for non cash charges and other items:			
Depreciation		16,266,941	16,320,556
Amortization		607,473	626,522
Provision for gratuity		9,891,466	8,663,753
Financial and other charges		27,137,101	24,329,946
Other income		(1,912,438)	(1,171,362)
		51,990,542	48,769,415
		199,754,086	128,554,349
Working capital changes	35.1	(112,999,308)	(105,715,068)
(Increase)/ Decrease in long term loans and advances		(1,074,933)	(1,482,700)
Cash generated from operations		85,679,845	21,356,581

35.1 - **Working capital changes**

	2011 Rupees	2010 Rupees
(Increase) / decrease in current assets:		
Store, spares and loose tools	(3,072,644)	857,998
Stock-in-trade	(109,820,960)	(113,462,846)
Trade debts	(8,912,408)	307,681
Loans & Advances	6,381,570	(2,087,313)
Trade Deposits and short term prepayments	(23,156,569)	(12,679,920)
Other receivables	1,954,070	(1,766,070)
Increase / (decrease) in current liabilities		
Trade and other payables	23,627,633	23,115,403
	(112,999,308)	(105,715,068)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

36 - CASH AND CASH EQUIVALENTS

	Note	2011 Rupees	2010 Rupees
Cash and cash equivalents include:			
Cash and bank balances	25	1,075,125	8,880,459
Short term borrowings	11	(35,411,359)	(14,391,998)
		(34,336,235)	(5,511,539)

37- TRANSACTIONS WITH RELATED PARTIES

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

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	
	2011	2010	2011	2010	2011	2010	2011	2010
Managerial Remuneration	5,509,091	5,127,273	5,545,455	4,363,636	11,089,564	8,263,636	22,144,109	17,754,545
Medical allowance	550,909	512,727	554,545	436,364	1,108,956	826,364	2,214,411	1,775,455
Bonus & leave encashment	-	-	-	-	951,618	1,084,575	951,618	1,084,575
	6,060,000	5,640,000	6,100,000	4,800,000	13,150,138	10,174,575	25,310,138	20,614,575
Number of persons	1	1	3	2	6	4	10	7

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

39- SEGMENT REPORTING

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segment are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). Segment performance is generally evaluated based on certain key performance indicators including business volume and gross profit.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The management has determined the operating segments and segment wise assets and liabilities based on the reports reviewed by the CODM that are used to make strategic and business decision.

i) **HOUSEHOLD APPLIANCES**
This segment relates to the sale of imported household appliances.

ii) **AUTOMOTIVE-PARTS**
This segment relates to the sale of auto-parts manufactured by the Company.

iii) **AUTO-RICKSHAW**
This segment relates to the sale of auto-rickshaw assembled by the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

39 - SEGMENT REPORTING

	Household appliances		Auto parts		Auto rickshaw		Total	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
Segment revenue-Net	19,026,184	7,001,436	446,371,478	457,845,603	2,077,128,134	1,359,126,668	2,542,525,796	1,823,973,707
Segment operating results	1,266,780	131,215	31,572,566	33,309,842	140,154,374	69,505,999	172,993,720	102,947,056
Segment assets	51,682,609	8,574,987	249,405,108	242,981,331	519,041,101	417,650,049	820,128,817	669,206,367
Unallocated assets							90,318,170	86,646,297
Total assets							910,446,988	755,852,665
Segment liabilities	27,797	13,036	97,976,152	63,184,779	214,611,361	214,606,209	312,615,309	277,804,024
Unallocated liabilities							174,400,558	118,394,900
Total liabilities							487,015,867	396,198,924
Capital expenditure	23,962	26,297	1,566,979	1,719,615	23,255,158	29,114,972	24,846,100	30,860,884
Depreciation and amortization	424,168	439,518	5,424,366	8,156,602	11,025,879	8,350,958		
Non-cash charges other than depreciation and amortization	69,560	63,147	4,924,865	4,432,912	4,897,041	10,691,532		

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	2011 Rupees	2010 Rupees
FINANCIAL ASSETS			
Long term Deposits	18	842,137	1,132,137
Trade debts	21	97,289,962	89,003,305
Loans and Advances	17 & 22	9,108,996	14,415,633
Trade Deposits	23	68,200,845	45,196,544
Bank Balances	25	973,038	8,786,767
		176,414,978	158,534,386

The maximum exposure to credit risk for trade debits on geographical basis:

	2011	2010
Pakistan	96,364,402	87,065,878
Kenya	925,560	1,937,427
	97,289,962	89,003,305

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

	Note	2011 Rupees	2010 Rupees
Institutional Customers		-	2,345,000
Corporate Customers		71,949,169	67,045,991
Distributor		2,812,600	2,939,400
Dealers		19,678,285	10,485,751
Others		2,849,908	6,187,163
		97,289,962	89,003,305

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

	2011	2010
Not past due	78,100,453	58,295,672
Past Due 0-30 days	12,198,450	21,699,147
Past Due 31-120 days	3,545,352	3,419,432
Past Due more than 120 days	3,445,707	5,589,054
	97.289,962	89,003,305

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.

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.75.77 million (2010: Rs. 55.95 million) and outstanding receivables of Rs.0.926 million (2010: Rs. 1.937 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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. 105.31 million (2010: Rs. 80.60 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. 1.05 million (2010: Rs. 805,971).

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.

	2011						(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	-	-	-	-	-	-	-
Liability under finance lease	5,811,509	7,183,314	1,684,720	1,684,720	2,507,910	1,305,965	-
Trade and other payables	258,938,890	258,938,890	258,938,890	-	-	-	-
Accrued Mark-up	3,033,803	3,033,803	3,033,803	-	-	-	-
Short term borrowing	99,498,783	99,498,783	99,498,783	-	-	-	-
	367,282,984	368,654,790	363,156,195	1,684,720	2,507,910	1,305,965	-

	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	229,451,228	229,451,228	229,451,228	-	-	-	-
Accrued Mark-up	2,149,160	2,149,160	2,149,160	-	-	-	-
Short term borrowing	71,888,096	71,888,096	71,888,096	-	-	-	-
	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, 2011

41 - PLANT CAPACITY AND ACTUAL PRODUCTION	Note	2011 Numbers	2010 Numbers
Installed Capacity			
Auto rickshaw (8 hours single shift basis)		15,000	13,500
Auto Parts			

The capacity of the plant and machinery relating to automotive parts is indeterminable due to the versatility of production.

	Note	2011 Numbers	2010 Numbers
Actual Production			
Auto Rickshaw	41.1	15,699	10,863
Automotive parts			
Wheel - rims		92,234	105,814
Console panel		-	1,140

41.1 The excess production of Auto-Rickshaw over normal capacity is due to working on over time schedule to meet increased demand.

42 - NUMBER OF EMPLOYEES

	2011	2010
Average number of employees during the year	711	686

43 - SUBSEQUENT EVENTS:

The Board of Directors, at their meeting held on August 25, 2011, has recommended a final Cash dividend of Rupee 1.00 per share i.e., 10% in addition to Interim Cash Dividend of Rupee 1.00 per share i.e., 10% already paid thus making a total of Rupees 2.00 per share i.e., 20% (2010: 10%). In addition to this the Board of Directors has also recommended 20% bonus shares i.e., 20 ordinary shares for every 100 ordinary shares (2010: 20%).

These recommendation are subject to the approval of shareholders in the forthcoming 20th 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 August 25, 2011.

45 - CORRSEPONDING FIGURES

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

46 - GENERAL

The figures have been rounded off to the nearest rupees.

MIAN ASAD HAMEED	SAEED IQBAL KHAN
CHIEF EXECUTIVE	DIRECTOR