



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 registered office of the Company is situated at 88- 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
IAS 1	Presentation of financial statements (Amendments)	July 01, 11
IAS 24	Related Party disclosures (Revised)	July 01, 11
IFRIC 14	IAS 19-The Limit On a Defined Benefit Asset, Minimum funding requirements and their interaction (Amended)	January 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, amendments 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	07 Financial Instruments: Disclosures	January 01, 13
IFRS	09 Financial Instruments	January 01, 13
IFRS	10 Consolidated Financial Statements	January 01, 13
IFRS	11 Joint Ventures	January 01, 13
IFRS	12 Disclosures of Interests in other Entities	January 01, 13
IFRS	13 Fair Value Measurement	January 01, 13
IAS	12 Income Taxes (Amended)	January 01, 12
IAS	19 Employee Benefits	January 01, 13
IAS	27 Separate Financial Statements	January 01, 13
IAS	28 Investments in Associates and Joint Ventures	January 01, 13
IFRIC	20 Stripping Costs in the Production Phase of a Surface Mine	January 01, 13

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, 2012

Disposal of an asset is recognized when significant risks and rewards, incidental to the ownership of the assets have been transferred to the buyer. Gain or Loss on disposal of operating fixed assets is determined by comparing the carrying amount of the assets with the realized sale proceeds and is recognized in the current year's Profit and Loss account.

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, 2012

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, 2012

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, 2012

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.	14 & 15
b) Staff retirement benefits.	7.1
c) Deferred taxation.	7.2
d) Provisions & Contingencies	13
e) Stocks in trade.	19

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.

5- ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2012 Number	2011 Number		2012 Note Rupees	2011 Rupees
7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid up in cash	71,630,000	71,630,000
10,809,368	7,813,973	Ordinary shares of Rupees 10 each allotted as bonus shares	5.1 108,093,680	78,139,730
17,972,368	14,976,973		179,723,680	149,769,730



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

5.1 These shares include 2,995,395 bonus shares of Rs. 10 each (2011: bonus shares 2,496,162 of Rs. 10 each) issued by the Company during the current year.

6- LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	Note	2012 Rupees	2011 Rupees
Present value of minimum lease payments		10,787,613	5,811,509
Less: Current portion shown under current liabilities	11	<u>(4,654,851)</u>	<u>(2,574,756)</u>
		<u>6,132,763</u>	<u>3,236,753</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		5,939,618	3,369,439
Financial charges		<u>1,284,767</u>	<u>794,684</u>
Present value		4,654,851	2,574,756
Due later than one year and not later than five years:			
Minimum lease payments		6,982,883	3,813,875
Financial charges		<u>850,120</u>	<u>577,122</u>
Present value		<u>6,132,763</u>	<u>3,236,753</u>
		<u>10,787,613</u>	<u>5,811,509</u>

The minimum lease payments have been discounted using the effective interest rates implicit in leases ranging from 14.78% to 17.24% 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 4.61 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.

7- DEFERRED LIABILITIES	Note	2012 Rupees	2011 Rupees
Employee benefits	7.1	43,259,188	31,910,881
Deferred taxation	7.2	<u>23,146,644</u>	<u>28,007,269</u>
		<u>66,405,832</u>	<u>59,918,150</u>

7.1 - Employee benefits

Net liability recognized in the balance sheet

Present value of defined benefit obligations		44,350,158	35,808,883
Unrecognized actuarial losses		<u>(1,090,970)</u>	<u>(3,898,002)</u>
		<u>43,259,188</u>	<u>31,910,881</u>

Movement in the net liability recognized in the balance sheet

Net liability as at 1st July		31,910,881	23,785,765
Expense recognized in the income statement		12,395,717	9,891,466
Liability discharged during the year		<u>(1,047,410)</u>	<u>(1,766,350)</u>
		<u>43,259,188</u>	<u>31,910,881</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
Expense recognized in the income statement		
Current service cost	7,350,762	6,723,424
Interest cost	5,013,244	3,157,861
Actuarial loss recognised	31,711	10,181
	12,395,717	9,891,466

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

Cost of sales	8,456,950	6,748,430
Administrative expenses	3,197,681	2,551,668
Distribution Cost	741,086	591,368
	12,395,717	9,891,466

Principal actuarial assumptions

The company has carried out actuarial valuation as at June 30, 2012 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

Discount rate	13% p.a.	14% p.a.
Expected rate of future salary increase	12% p.a.	13% p.a.
Average expected remaining working life time of employees	11 years	10 years

7.2- Deferred taxation

The liability for deferred taxation comprises of temporary differences relating to:

Accelerated depreciation for tax purposes	26,870,582	30,027,209
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	(3,723,938)	(2,008,603)
	23,146,644	28,007,269



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

			2012 Rupees	2011 Rupees
8-	TRADE AND OTHER PAYABLES			
	Creditors		250,928,755	220,009,246
	Advances from customers		2,959,434	6,509,908
	Accrued expenses and others		15,933,138	14,769,262
	Murahaba payable	8.1	36,958,465	-
	Sales tax payable		286,483	3,239,301
	Special excise duty payable		-	531,641
	Income tax deducted at source		255,717	1,978,695
	Unclaimed Dividend		854,308	492,094
	Payable towards:			
	Workers' Profit Participation Fund	8.2	10,527,810	7,965,343
	Workers' Welfare Fund	8.3	4,459,049	3,443,399
			323,163,158	258,938,890
8.1	<p>Total amount of facility available from Meezan Bank Limited under Murahaba arrangement is Rs.40.00 million (June 30, 2011: Rs. Nil) for a maximum period of 180 days. The profit margin is charged at the rate of respective KIBOR plus spread of 2.1% with Floor of 13% and Cap of 24% per annum. This facility is secured against Pari passu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 54.00 million (June 30, 2011: Rs. nil) with 25% margin (June 30, 2011: nil), first Parri passu charge over present and future current assets of the company amounting to Rs.40.00 million (June 30, 2011: nil) and personal guarantees of the directors. The un-utilized amount of this facility as at balance sheet date is Rs.3.04 million (June 30, 2011: Nil).</p>			
8.2	Workers' Profits participation Fund			
	Balance at beginning		7,965,343	4,293,968
	Add: Charged during the year	29	10,527,810	7,965,343
			18,493,153	12,259,311
	Less: payment made during the year		(7,965,343)	(4,293,968)
			10,527,810	7,965,343
8.3	Workers' Welfare Fund			
	Balance at Beginning		3,443,399	2,076,493
	Add: Charged during the year	29	4,042,363	3,066,421
			7,485,762	5,142,914
	Less: Adjustment/Payment made during the year		(3,026,713)	(1,699,515)
			4,459,049	3,443,399



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

			2012	2011
9-	MARK-UP & PROFIT ACCRUED ON LOANS AND OTHER PAYABLES	Note	Rupees	Rupees
	Short term borrowing- secured		960,890	2,956,322
	Liabilities against assets subject to finance lease		47,872	77,481
	Profit on Murahaba Payable		428,617	-
			1,437,379	3,033,803
10-	SHORT TERM BORROWINGS			
	Secured			
	Running finance under mark-up arrangements			
	Allied Bank Limited	10.1	-	23,880,755
	Habib Bank Limited	10.2	-	11,530,605
	Finance against trust receipts			
	Allied Bank Limited	10.3	20,724,699	39,092,979
	Habib Bank Limited	10.4	15,106,233	24,994,444
			35,830,932	99,498,783

10.1- Total amount of finance available under this facility is Rs. 45.00 million (June 30, 2011: Rs. 45.00 million). The mark-up is charged at the rate of three months average ask side Kibor plus 2.5% (June 30, 2011: three months average ask side Kibor plus 2.5 %) with Floor rate of 13% (June 30, 2011: 13%) per annum. This facility is collaterally secured against First charge on the present and future fixed assets for Rs.185.00 million (June 30, 2011: 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, 2011: Rs. 110.00 million) This facility is specifically secured by Hypothecation of stocks of wheel rims, washing machine, refrigerator and their spare parts, with 15% margin (June 30, 2011: 15% margin) on stocks. The un-utilized amount of this facility as at balance sheet date is Rs. 45.00 million. (June 30, 2011: Rs. 21.11 million).

10.2- Total amount of finance available under this facility is Rs. 50.00 million (June 30, 2011: 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, 2011: three months average ask side Kibor + 2.50%) . This facility is collaterally secured against First pari passu charge on fixed assets of Rs. 214.00 million (June 30, 2011: Rs. 190.00 million) and specifically secured against First pari passu Hypothecation Charge of Rs. 90.00 million (June 30, 2011: 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, 2011: Rs. 29.98 million).

10.3- Total amount available under this facility is Rs. 40.00 million (June 30, 2011: Rs. 40.00 million). for a maximum period of 90 days (June 30, 2011: of 90 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50% (June 30, 2011: three months average ask side Kibor plus 2.5%) with floor rate of 13% per annum. (June 30, 2011:13%). This facility is collaterally secured against First charge on present and future fixed assets for Rs. 185.00 million (June 30, 2011: Rs. 190.00 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, 2011: 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. 19.28 million. (June 30, 2011: Rs. 0.91million). 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, 2012

10.4- Total amount available under this facility is Rs. 40.00 million (June 30, 2011: Rs. 25.00 million) for a maximum period of 120 days (June 30, 2011: 120 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50% per annum (June 30, 2011: three months average ask side Kibor plus 2.50%, per annum). This facility is collaterally secured against First pari passu charge of Rs. 214.00 million (June 30, 2011: 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, 2011: 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, (June 30, 2011: 5%), Trust Receipts and accepted bill of exchange. The un-utilised amount of this facility as at balance sheet date is Rs 24.89 million. (June 30, 2011: Rs. 5,556/- only). The un-utilised amount of this facility can be used for opening Letters of Credit.

11- CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2012 Rupees	2011 Rupees
Liabilities against assets subject to finance lease	6	4,654,851	2,574,756
		4,654,851	2,574,756

12- TAXATION - NET

Balance at beginning		59,814,732	34,674,703
Add: Provision for the year			
-Current Year		69,750,637	51,097,737
-Prior Year		4,060,718	2,964,333
Less: Payment/Adjustment during the period		(53,321,539)	(28,922,041)
		80,304,548	59,814,732

13- CONTINGENCIES AND COMMITMENTS

13.1- Contingencies

13.1.1 During the previous year, Cases filed by some customers against the company for the claim of autoparts under warranty was decided by the consumer court. Out of total sixteen cases filed, thirteen cases were decided in favour of company. For remaining three cases company filed an appeal in the honourable Multan High Court, which is still in progress. 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 financial statements.

13.1.2 A customer has filed a case against the company with consumer court Faisalabad for the claim of auto-parts under warranty. The case was decided in favour of the customer for the damages of Rs. 145,000/-. The company has deposited Rs. 70,000/- against this order with the consumer court. The company has also filed an appeal against this order with the Lahore High Court, Lahore. In the opinion of the management, favourable outcome of the appeal is expected, therefore no provision is made in these financial statements.

13.1.3 The appeal filed by the company with ATIR against the order of CIR (Appeals) for disallowance of tax losses of Rs. 1,503,939/- and tax demand of Rs. 545,930/- 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 financial statements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

- 13.1.4** The appeal filed by the company with the CIR (Appeals) against the order of DCIR for tax year 2004 for tax demand of Rs.751,405/- under section 122 (5A) was decided in favour of Income Tax department. The company has filed an appeal against this order with ATIR. In the opinion of the tax consultant, favourable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 13.1.5** During the year DCIR initiated proceedings under section 122 (5A) for tax year 2006 and created a tax demand of Rs.552,910/-. The company has filed an appeal against the order with CIR (Appeals). In the opinion of tax consultant, favourable outcome of the appeal is expected hence no provision is made in these financial statements for this amount.
- 13.1.6** The appeal filed by the Income tax department with ATIR of Income Tax Ordinance 2001 for tax year 2008 has been decided in favour of the company. In accordance with this order the tax provision of Rs.8.088 million as already created in the preceding financial statements has been adjusted against available tax credits.
- 13.1.7** During the previous year, DCIR initiated proceedings under section 122 (1)/122 (5A) for tax year 2009 and created a tax demand of Rs. 21.45 million. The company filed an appeal against this order with CIR (Appeals) and got relief upto Rs.19.18 million. For remaining tax demand of Rs.2.27 million, company has filed an appeal with ATIR. In the opinion of tax consultant, favourable outcome of the appeal is expected, hence no provision is made in these financial statements for this amount.

13.2 Commitments

The facilities for opening Letters of Credit and Guarantees as at June 30, 2012 aggregate Rs. 330.00 million and Rs. 8.04 million respectively with sub-limits of FATR of Rs. 80.00 million as disclosed in note no 10.3 and 10.4 (June 30, 2011: Rs. 230.00 million and Rs. 8.04 million respectively with sub-limits of FATR of Rs. 65.00 million) out of which the amounts utilized as at June 30, 2012 were Rs. 85.48 million and Rs. Nil. respectively. (June 30, 2011: Rs. 75.77 million and Rs. Nil respectively).

14- PROPERTY, PLANT AND EQUIPMENT	Note	2012 Rupees	2011 Rupees
Operating fixed assets	14.1	222,703,925	233,840,926
Capital work in progress	14.3	6,822,805	4,678,369
Advance for asset Subject to finance Lease	14.4	9,500,000	-
Receivable under insurance claim	14.5	1,679,000	-
		240,705,730	238,519,294



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

14.1 - OPERATING FIXED ASSETS - Tangible

2 0 1 2											Rupees
PARTICULARS	COST				Rate %	DEPRECIATION				W.D.V. as at 30-06-2012	
	As at 01-07-2011	Additions / (Deletions)	Transfer	As at 30-06-2012		As at 01-07-2011	For the year	Adjustment	As at 30-06-2012		
	85,164,954	-	-	85,164,954	-	-	-	-	-	85,164,954	
	73,811,298	278,908	-	74,090,206	5 to 10	28,414,206	4,432,125	-	32,846,331	41,243,875	
	154,666,133	5,805,135	-	160,471,268	10	77,305,614	7,960,312	-	85,265,926	75,205,342	
	7,523,822	461,279	-	7,985,101	10	3,211,985	460,488	-	3,672,473	4,312,628	
	1,989,158	416,128	-	2,405,286	10	878,332	148,929	-	1,027,261	1,378,025	
	3,151,868	480,884	-	3,529,273	10	1,216,180	223,031	(43,394)	1,395,817	2,133,456	
	2,187,054	(103,479)	-	2,187,054	10	779,622	140,743	-	920,365	1,266,690	
	20,970,646	89,900	-	17,367,792	20	11,528,727	1,752,021	(1,743,384)	11,537,364	5,830,428	
	349,464,933	7,532,234	-	353,200,934		123,334,665	15,117,650	(1,786,778)	136,665,537	216,535,398	
	-	-	-	-	10	-	-	-	-	-	
	9,293,500	1,679,000	-	9,293,500	20	1,582,842	1,849,948	(307,817)	3,124,973	6,168,527	
	9,293,500	(1,679,000)	-	9,293,500		1,582,842	1,849,948	-	3,124,973	6,168,527	
	358,758,433	9,211,234	-	362,494,434		124,917,507	16,967,597	(1,786,778)	139,790,509	222,703,925	
		(5,475,233)	-					(307,817)			

Details of property, plant and equipment sold are given in note no. 14.6

2 0 1 1											Rupees
PARTICULARS	COST				Rate %	DEPRECIATION				W.D.V. as at 30-06-2011	
	As at 01-07-2010	Additions / (Deletions)	Transfer	As at 30-06-2011		As at 01-07-2010	For the year	Adjustment	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	11,023,000	20,970,646	20	5,029,359	2,276,474	4,824,436	11,528,727	9,441,919	
	305,495,436	21,304,326	23,653,034	349,464,933		101,497,314	15,044,246	7,394,648	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	-	9,293,500		7,754,796	1,222,695	-	1,582,842	7,710,658	
		-	(23,653,034)					(7,394,649)			
TOTAL 2011	331,549,470	28,196,826	23,653,034	358,758,433		109,252,110	16,266,941	7,394,648	124,917,507	233,840,926	
		(987,863)	(23,653,034)					(7,996,191)			

	Note	2012 Rupees	2011 Rupees
14.2 - Depreciation for the year has been allocated as follows:			
Cost of sales	26	13,411,163	12,550,169
Distribution cost	27	1,594,365	1,413,895
Administrative expenses	28	1,962,069	2,302,878
		16,967,597	16,266,941



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

14.3- CAPITAL WORK-IN-PROGRESS	Note	2012 Rupees	2011 Rupees
Tangible			
Plant and machinery			
Opening balance		3,911,156	3,911,156
Additions made during the year		5,130,000	-
		9,041,156	3,911,156
Transferred to Plant & Machinery		3,021,456	-
Claimed as Input Tax		282,400	-
	14.3.1	5,737,300	3,911,156
Civil works			
Opening balance		53,192	3,476,788
Additions made during the year		350,000	7,365,125
		403,192	10,841,913
Transferred to operating fixed assets		-	10,788,721
		403,192	53,192
Intangible			
Opening balance		714,021	854,726
Additions made during the year		75,292	-
		789,313	854,726
Transferred to Intangible Assets		107,000	140,706
		682,313	714,021
		6,822,805	4,678,369

14.3.1 - This includes Rs. 0.61 million (June 30, 2011:Rs. 3.09 million) on account of advances paid to suppliers of machinery.

14.4 - This balance represents the amount of advance paid by the leasing company for the purchase of vehicle.

14.5 - This balance represents the amount of receivable from Jubilee General Insurance Limited against insurance claim on account of total loss of vehicle. This insurance claim will be settled for the purchase of new vehicle.

14.6- 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-----				
Digital Photocopier	103,479	60,085	12,931	Negotiation	Office Automation Group-8/1 Habibullah Road, Off Davis Road, Lahore.
Vehicle--Audi Q07	3,221,754	1,824,229	3,000,000	Negotiation	Maverick (Pvt) Ltd. 1-M, Model Town Extension Road, Lahore.
Vehicle--Santro Plus	400,000	104,202	230,600	Negotiation	Miss Rubina Aamer House # 94/5-A, Tufail Road, Lahore.
Vehicle--Toyota Corolla--GLI	1,679,000	1,371,183	1,679,000	Insurance Claim	Jubilee General Insurance, Mall Mansions Branch, Shahrah-e-Quaid-e-Azam, Lahore.
Motor-bike with net book value less than Rs. 50,000	71,000	20,939	35,000	Negotiation	Mr. Azeem Akhtar House # 06 Street # 01 Mohalla Qilla Lachman Singh Ravi Road, Lahore.
	5,475,233	3,380,638	4,957,531		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

15 - INTANGIBLE ASSETS

(Rupees)

Particulars	Cost			Amortization			Book Value as at 30-06-2012
	As at 01-07-2011	Additions/ (deletion)	As at 30-06-2012	As at 01-07-2011	For the Year	As at 30-06-2012	
Intangible Assets	3,731,306	107,000	3,838,306	3,179,825	156,607	3,336,432	501,874
Jun-12	3,731,306	107,000	3,838,306	3,179,825	156,607	3,336,432	501,874
Jun-11	3,517,730	213,576	3,731,306	2,572,352	607,473	3,179,825	551,481

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

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

2012	2011
Rupees	Rupees

16- LONG TERM LOANS AND ADVANCES - SECURED

Loans and advances - considered good, to:

Executives	1,912,000	645,000
Other Employees	6,226,433	3,194,133
	8,138,433	3,839,133

Less: Amount due within twelve months,
Shown under current loans and advances

3,011,000	1,281,500
5,127,433	2,557,633

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

	Opening Balance as at July 01, 2011	Disbursements	Repayments	Closing Balance as at June 30, 2012
Executives	645,000	1,477,000	210,000	1,912,000
Other Employees	3,194,133	4,692,300	1,660,000	6,226,433
	3,839,133	6,169,300	1,870,000	8,138,433
June 30, 2012	3,839,133	6,169,300	1,870,000	8,138,433
June 30, 2011	2,220,500	2,826,903	1,208,270	3,839,133



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 fourteen years. The maximum amount of loan to executive at the end of any month during the year was Rs. 900,000. (2011: Rs. 755,000).

		2012 Rupees	2011 Rupees
17-	LONG TERM DEPOSITS		
	Deposit with Pakistan Steel Mill	400,000	400,000
	Utilities and others	737,137	442,137
		1,137,137	842,137
18 -	STORES, SPARES AND LOOSE TOOLS		
	Stores	6,746,368	6,290,086
	Spares	625,135	865,345
	Loose tools	30,100	497,744
		7,401,603	7,653,174
19 -	STOCK IN TRADE		
	Raw materials and components	410,481,532	281,635,569
	Work-in-process	13,579,115	9,310,619
	Finished goods	116,965,216	127,073,235
	Packing and other material	19,147	31,670
	Less: Provision for loss of stock	(497,055)	-
		540,547,955	418,051,093
20 -	TRADE DEBTS - Unsecured	20.1	97,289,962
20.1 -	Classification:		
	Considered Good	129,278,444	97,289,962
	Considered Doubtful	7,656,541	7,656,541
	Considered Bad	1,404,080	-
		138,339,065	104,946,503
	Less: Provision for Doubtful debts	(7,656,541)	(7,656,541)
	Bad debts	(1,404,080)	-
		129,278,444	97,289,962
21 -	LOANS & ADVANCES		
	Advances - considered good		
	Current portion of loans and advances to employees for expenses	16	1,281,500
	to suppliers		356,125
		3,011,000	4,913,738
		6,493,753	6,551,363



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

			2012 Rupees	2011 Rupees
22 -	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS	Note		
	Contract securities		1,413,600	2,555,000
	Prepaid expenses		798,100	868,622
	Letter of credit margin		9,174,249	14,138,361
	Letter of credit in process		5,949,266	51,507,484
			17,335,215	69,069,467
23 -	OTHER RECEIVABLES			
	Advance income tax		76,982,666	68,286,259
			76,982,666	68,286,259
24 -	CASH AND BANK BALANCES			
	Cash in hand		51,182	102,086
	Balance with banks on current accounts		8,932,430	973,038
			8,983,613	1,075,125
25 -	SALES - NET			
	Gross sales	25.1	3,236,039,806	3,052,658,946
	Less: Sales tax		444,297,543	467,100,069
	Sales returns		6,474,023	6,586,315
	Commission		59,628,045	36,446,766
			510,399,611	510,133,150
			2,725,640,195	2,542,525,796

25.1 This includes Rs. 15.01 million (June 30, 2011: Rs. 13.45 million) on account of export sales.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
26 - COST OF SALES			
Raw materials and components consumed		2,108,262,625	2,042,451,367
Salaries, wages and other benefits	26.1	125,523,852	108,900,366
Stores, spares and loose tools consumed		26,601,474	28,190,707
Power and fuel charges		61,489,360	57,191,628
Repair and maintenance		28,430,885	24,871,404
Other expenses		3,951,655	3,878,356
Depreciation	14.2	13,411,163	12,550,169
Amortization	15	156,607	607,473
		2,367,827,621	2,278,641,469
Opening work-in-process		9,310,619	17,327,713
		2,377,138,240	2,295,969,182
Closing work-in-process		13,579,115	9,310,619
Cost of goods manufactured		2,363,559,125	2,286,658,563
Opening finished goods		127,073,235	60,944,658
		2,490,632,360	2,347,603,221
Cost of finished goods purchased during the year		22,576,755	48,827,718
		2,513,209,116	2,396,430,939
Closing finished goods		116,965,216	127,073,235
		2,396,243,899	2,269,357,704

26.1 Salaries, wages and other benefits include Rs. 8,456,950 (2011: Rs. 6,748,430) in respect of retirement benefits.

27 - DISTRIBUTION COST

Salaries and other benefits	27.1	13,055,786	8,387,860
Freight and octroi		28,315,112	27,184,865
Travelling and conveyance		3,327,112	2,203,978
Packing material consumed		2,848,990	3,377,925
Advertisement and sale promotion		3,888,776	5,891,939
Insurance		442,524	313,212
After sales service		3,019,308	5,506,933
Printing & Stationery		936,149	820,236
Depreciation	14.2	1,594,365	1,413,895
		57,428,122	55,100,843

27.1 Salaries and other benefits include Rs. 741,086 (2011: Rs. 591,368) in respect of retirement benefits.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

			2012 Rupees	2011 Rupees
28 -	ADMINISTRATIVE EXPENSES	Note		
	Salaries and other benefits	28.1	33,191,489	27,695,340
	Electricity, gas and water charges		605,915	525,274
	Communication expenses		2,736,214	2,618,019
	Vehicle running expenses		4,523,761	3,666,461
	Legal and professional		1,878,497	518,181
	Travelling and conveyance		2,859,426	1,612,876
	Fee and subscription		1,397,371	1,168,556
	Insurance		539,844	526,281
	Rent, rates and taxes		1,225,065	654,843
	Printing and stationery		1,796,150	1,937,789
	Entertainment		1,566,698	559,227
	Office supplies		26,739	20,231
	Miscellaneous expenses		262,185	222,574
	Depreciation	14.2	1,962,069	2,302,878
			54,571,423	44,028,529
28.1	Salaries and other benefits include Rs. 3,197,681 (2011: Rs. 2,551,668) in respect of retirement benefits.			
29 -	OTHER OPERATING EXPENSES			
	Auditors' remuneration	29.1	1,305,000	1,045,000
	Provision for doubtful debts		-	625,751
	Provision for loss of stock		497,055	-
	Bad Debts		1,404,080	-
	Contribution towards:			
	Workers' profit participation fund	8.2	10,527,810	7,965,343
	Workers' welfare fund	8.3	4,042,363	3,066,421
			17,776,308	12,702,515
29.1-	Auditors' remuneration			
	Viqar A. Khan			
	Workers' Profit Participation Fund Audit		15,000	15,000
	Tax services		615,000	380,000
			630,000	395,000
	Kabani & Co.			
	Statutory audit		500,000	500,000
	Half yearly review		150,000	125,000
	Certificate fee		25,000	25,000
			675,000	650,000
			1,305,000	1,045,000
30 -	OTHER OPERATING INCOME			
	Income from financial assets			
	Exchange Gain/(Loss)		44,372	(5,514)
	Income from non financial assets			
	Gain on Sale of Fixed Assets		1,576,893	452,679
	Provision for over-due creditors		1,609,819	-
	Miscellaneous Income		3,921,100	1,459,759
			7,152,184	1,906,924



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

		2012	2011
31 - FINANCE COST	Note	Rupees	Rupees
Mark-up on:			
Long term finances		-	332,262
Short term borrowings - secured		8,979,799	12,863,004
Profit on Murahaba		428,617	-
Interest on Workers' Profit Participation Fund		951,119	511,549
Financial charges on finance lease		892,446	954,022
Bank charges, commission & others		485,736	818,749
		<u>11,737,717</u>	<u>15,479,586</u>
32 - TAXATION			
Current			
For the period		69,750,637	51,097,737
Prior Year	32.1	4,060,718	2,964,333
Deferred			
For the period		(4,860,625)	2,477,648
		<u>68,950,730</u>	<u>56,539,717</u>
a) The income tax assessments of the company have been finalized upto tax year 2011, except as mentioned in note 13.1			
b) Provision for taxation is considered adequate to discharge the expected liability for current year.			
32.1	This amount relates to tax year 2008 and 2011.		
32.2 - Tax charge reconciliation			
Profit before taxation		<u>195,034,910</u>	<u>147,763,543</u>
Tax charge on accounting profit at applicable tax rate as per Income Tax Ordinance, 2001		68,262,218	51,717,240
Tax effect of amounts that are:			
- not deductible for tax purposes		-	2,134,852
- allowable deductions for tax purposes		(3,796,312)	(2,031,586)
Tax effect of profit attributable to presumptive income		(966,609)	(630,461)
Effect of presumptive tax		1,390,714	2,385,340
Adjustment of prior year taxation		4,060,718	2,964,333
Taxation for the year		<u>68,950,730</u>	<u>56,539,717</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

33- EARNINGS PER SHARE - BASIC AND DILUTED

Basic & diluted earnings per share	Note	2012 Rupees	2011 Rupees
Profit after taxation for the year	Rupees	126,084,180	91,223,826
Weighted average number of ordinary shares outstanding during the year	33.1 Numbers	17,972,368	17,972,368
Basic & diluted earnings per share-Rupees	Rupees	7.02	5.08

33.1- 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, 2012.

33.2- 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.

34 - CASH GENERATED FROM OPERATIONS

Profit before taxation		195,034,910	147,763,543
Adjustment for non cash charges and other items:			
Depreciation		16,967,597	16,266,941
Amortization		156,607	607,473
Provision for gratuity		12,395,717	9,891,466
Financial and other charges		28,209,025	27,137,101
Other income		(7,107,812)	(1,912,438)
		50,621,134	51,990,542
		245,656,044	199,754,086
Working capital changes	34.1	(42,449,289)	(112,999,308)
Increase in long term loans and advances		(2,569,800)	(1,074,933)
Cash generated from operations		200,636,955	85,679,845

34.1 - Working capital changes

(Increase) / decrease in current assets:

Store, spares and loose tools		251,571	(3,072,644)
Stock-in-trade		(122,993,917)	(109,820,960)
Trade debts		(33,392,562)	(8,912,408)
Loans & Advances		57,610	6,381,570
Trade Deposits and short term prepayments		51,734,252	(23,156,569)
Other receivables		-	1,954,070

Increase / (decrease) in current liabilities

Trade and other payables		61,893,757	23,627,633
		(42,449,289)	(112,999,308)



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
35 - CASH AND CASH EQUIVALENTS			
Cash and cash equivalents include:			
Cash and bank balances	24	8,983,613	1,075,125
Short term borrowings	10	-	(35,411,359)
		8,983,613	(34,336,235)

36- 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 37.

37- 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		Executive Directors		Non Executive Directors		Executives		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Managerial Remuneration	6,272,727	5,509,091	6,818,182	5,545,455	-	-	13,963,915	11,089,564	27,054,824	22,144,109
Medical allowance	627,273	550,909	681,818	554,545	-	-	1,396,391	1,108,956	2,705,482	2,214,411
Bonus & leave encashment	-	-	-	-	-	-	1,778,361	951,618	1,778,361	951,618
	6,900,000	6,060,000	7,500,000	6,100,000	-	-	17,138,667	13,150,138	31,538,667	25,310,138
Number of persons	1	1	3	3	3	3	8	6	15	13

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

38- 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) AUTO-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, 2012

SEGMENT REPORTING

	Household appliances		Automotive parts		Auto rickshaw		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Segment revenue-Net	23,261,998	19,026,184	340,531,771	446,371,478	2,361,846,426	2,077,128,134	2,725,640,195	2,542,525,796
Segment operating results	1,290,271	1,266,780	19,787,847	31,572,566	195,013,632	140,154,374	216,091,750	172,993,720
Segment assets	51,650,450	51,682,609	247,559,389	249,405,108	630,568,871	519,041,101	929,778,710	820,128,817
Unallocated assets							104,716,713	90,318,170
Total assets							<u>1,034,495,423</u>	<u>910,446,988</u>
Segment liabilities	34,413	27,797	116,281,008	97,976,152	271,857,060	214,611,361	388,172,482	312,615,309
Unallocated liabilities							129,756,981	174,400,558
Total liabilities							<u>517,929,463</u>	<u>487,015,867</u>
Capital expenditure	89,900	23,962	469,369	1,566,979	7,079,965	23,255,158	7,639,234	24,846,100
Depreciation and amortization	478,309	424,168	5,609,599	5,424,366	11,036,295	11,025,879		
Non-cash charges other than depreciation and amortization	118,156	69,560	6,951,499	4,924,865	7,227,196	4,897,041		

39 - FINANCIAL INSTRUMENTS

39.1 - 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	2012 Rupees	2011 Rupees
FINANCIAL ASSETS			
Long term Deposits	17	1,137,137	842,137
Trade debts	20	129,278,444	97,289,962
Loans and Advances	16 & 21	11,621,186	9,108,996
Trade Deposits excluding prepaid expenses	22	16,537,115	68,200,845
Bank Balances	24	8,932,430	973,038
		<u>167,506,313</u>	<u>176,414,978</u>

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

Pakistan	129,278,444	96,364,402
Kenya	-	925,560
	<u>129,278,444</u>	<u>97,289,962</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

	2012 Rupees	2011 Rupees
Institutional Customers	-	-
Corporate Customers	76,640,898	71,949,169
Distributor	5,489,490	2,812,600
Dealers	46,997,857	19,678,285
Others	150,199	2,849,908
	<u>129,278,444</u>	<u>97,289,962</u>

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

	2012	2011
Not past due	108,045,294	78,100,453
Past Due 0-30 days	16,223,012	12,198,450
Past Due 31-120 days	2,264,676	3,545,352
Past Due more than 120 days	2,745,462	3,445,707
	<u>129,278,444</u>	<u>97,289,962</u>

Based on historic record the Company believes that no impairment allowance is necessary in respect of loans and receivables past due more than 120 days.

39.2- 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.

39.3- 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.

39.4- 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.

39.5- 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.

39.5.1- 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 and finished goods 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.48.52 million (2011: Rs. 75.77 million) and outstanding receivables of Rs.nil (2011: Rs. 0.926 million).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

39.5.2-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. 46.62 million (2011: Rs. 105.31 million) which is subject to interest rate risk.

Cash Flow Sensitivity Analysis 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. 0.466 million (2011: Rs. 1.05 million).

39.5.3 -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.

39.6 - 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.

	2012						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Liability under finance lease	10,787,613	12,922,501	2,969,809	2,969,809	4,188,388	2,794,495	-
Trade and other payables	323,163,158	323,163,158	323,163,158	-	-	-	-
Accrued Mark-up & Profit	1,437,379	1,437,379	1,437,379	-	-	-	-
Short term borrowing	35,830,932	35,830,932	35,830,932	-	-	-	-
	<u>371,219,082</u>	<u>373,353,969</u>	<u>363,401,277</u>	<u>2,969,809</u>	<u>4,188,388</u>	<u>2,794,495</u>	<u>-</u>

	2011						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
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	-	-	-	-
	<u>367,282,985</u>	<u>368,654,790</u>	<u>363,156,196</u>	<u>1,684,720</u>	<u>2,507,910</u>	<u>1,305,965</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

		2012	2011
40 - PLANT CAPACITY AND ACTUAL PRODUCTION	Note	Numbers	Numbers
Installed Capacity			
Auto rickshaw (8 hours single shift basis)	40.1	20,000	15,000
 40.1 During the year, the Company re-designed the product and its assembling procedures, due to which the production capacity of Auto Rickshaw was increased from 15,000 units to 20,000 units per annum.			
 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		16,328	15,699
Auto parts			
Wheel - rims		66,500	92,234

41 - NUMBER OF EMPLOYEES

725

711

42 - SUBSEQUENT EVENTS:

The Board of Directors, at their meeting held on August 24, 2012 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 cash dividend of Rupees 2.00 per share i.e., 20% (2011: 20%) for the financial year ending June 30, 2012.

43 - DATE OF AUTHORIZATION FOR ISSUE:

The Board of Directors of the Company has authorized these financial statements for issue on August 24, 2012.

44 - CORRESPONDING FIGURES

There is no material re-arrangement/re-classification of figures except the following:

The amount of Rs.2,518,460/- has been re-arranged from Raw material and Components consumed in Cost of Sales to Packing material Consumed in Distribution cost.

45 - GENERAL

The figures have been rounded off to the nearest rupees.


MIAN ASAD HAMEED
 CHIEF EXECUTIVE


SAEED IQBAL KHAN
 DIRECTOR