Notes to the Finanical Statments

for the year ended March 31, 2006

1. Legal status and nature of business

The company is a public limited company incorporated in Pakistan on November 4, 1992 and is listed on the Karachi, Islamabad and Lahore Stock Exchanges. The registered office of the company is situated at 1-Mcleod Road, Lahore. Its' principal activities are assembling and progressive manufacturing and sale of Honda vehicles and spare parts. The company commenced commercial production from July 1994.

2. Statement of compliance and basis of measurement

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved International Accounting Standards (IAS) as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved Accounting Standards comprise of such IAS's as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the companies accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Retirement benefit obligations
b) Provision for taxation
c) Accrued liabilities

3. Summary of significant accounting policies

3.1 Employees' retirement benefits and other obligations

The main feature of the schemes operated by the company for its employees are as follows:

3.1.1 Gratuity scheme

The company operates a funded defined benefit gratuity scheme for all its permanent employees. Under the scheme gratuity is payable on the basis of last drawn basic salary at the following rates:

Service in the company	Per completed year of service
0-4 years and 364 days	Nil
5-9 years and 364 days	15 days
10 years or more	30 days

Contributions under the scheme are made to this fund on the basis of actuarial recommendation at the rate of 6.1% (2005: 6.1%) per annum of basic salary and are charged to profit and loss account. The actuarial valuation for the scheme was carried out as at March 31, 2006.

The actual return on the plan assets during the year was Rs 7.3 million (2005: Rs 0.79 million). The actual return on plan assets represents the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

The amount recognized in balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gain and losses and as reduced by the fair value of the plan assets.

The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

Discount rate	9%
Expected increase in eligible pay	8%
Expected rate of return on plan assets	9%

The company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 (Revised 2000) “Employee Benefits”.

3.1.2 Provident fund

The company operates a defined contributory provident fund for all its permanent employees. Contributions are made equally by the company and the employees at the rate of 10% per annum of the basic salary subject to completion of minimum qualifying period of service as determined under the rules of the fund.

3.1.3 Employees compensated absences

Accrual is made for employees compensated absences on the basis of accumulated leaves and the last drawn salary.

3.2 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

3.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss.

Depreciation on all property, plant and equipment except freehold land is charged to income applying the diminishing balance method whereby the cost of an asset is written off over its estimated useful life. Depreciation is being charged at the rates given in note 11.

International Accounting Standard (IAS) 16, "Property, plant and equipment (revised 2003)" is applicable to financial statements covering annual periods beginning on or after January 1, 2005 and requires a review of residual value of assets, useful lives and depreciation method at each financial year end. Accordingly, based on a review of the above, the management has revised the following:

- Depreciation on additions is now 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. Previously, full years depreciation was charged in the year of acquisition while no depreciation was charged in the year of disposal.

The above revisions have been accounted for as changes in accounting estimates in accordance with the requirements of International Accounting Standard (IAS) 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the effect of these changes in accounting estimates has been recognized prospectively in the profit and loss account of the current year. Had there been no change in these estimates, the profit before taxation would have been lower by Rs 19.44 million.

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

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment 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 values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense. Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalised.

3.3.1 Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified impairment loss and represents the cost of software licences, technical drawings of certain components and licences for the right to manufacture Honda vehicles in Pakistan.

Amortization is charged to income on the straight line method so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalised while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged at the rate given in note 12.

The company assesses at each balance sheet date whether there is any indication that intangible assets 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 values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

3.3.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

3.4 Investments

The investments made by the company are classified for the purpose of measurement into the following categories:

a) Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

b) Investment at fair value through profit or loss

In pursuance of revised International Accounting Standard 39 "Financial Instrument: Recognition and Measurement" which is applicable for the accounting years beginning on or after January 01, 2005 the company has designated available for sale investments as investments at fair value through profit or loss having carrying amount of Rs. 634.84 million (2005: Rs. 245.01 million).

Investment at fair value through profit or loss are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Realised and unrealised gains and losses arising from changes in fair value are included in the net profit or loss for the period in which they arise.

Investments intended to be held for less than twelve months from the balance sheet date are included in curent assets, all other investments are classified as non-current asset. Management determines the appropriate classification of it's investments at the time of the purchase and reevaluates such designation periodically.

All purchases and sales of investments are recognized on the trade date which is the date that the company committs to purchase or sell the investment. Cost of purchase includes transaction cost.

At each reporting date, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognized in income.

3.5 Stores and spares

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising of invoice values and other incidental charges paid thereon.

3.6 Stock in trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of moving average cost and net realisable value. Cost of raw materials and trading stock comprises of the invoice value plus other charges paid thereon. Cost of work-in-process and finished goods includes prime cost and appropriate portion of manufacturing overheads. Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Net realisable value signifies the estimated selling prices in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

3.7 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in current liablities to the extent of the amount remaining unpaid.

3.8 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rate prevailing at the date of transaction. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Exchange differences are included in income currently.

3.9 Revenue recognition

Sales of vehicles and spare parts are recognized as revenue when goods are dispatched and invoiced to the customers.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Dividend income on equity investments is recognized as income when the right of receipt is established.

3.10 Borrowing costs

Markup, interest and other charges on finances are capitalized upto the date of commissioning of the related property, plant and equipment, acquired out of the proceeds of such finances. All other markup, interest and other charges are charged to income.

3.11 Provisions

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

3.12 Financial assets and liabilities

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in individual policy statements associated with each item.

a) Long term deposits

These are stated at cost which represents the fair value of consideration given.

b) Receivables

Receivables are measured at original invoice amount less an estimate made for doubtful receivable balances based on the review of all outstanding amounts at the year end. Bad debts are written off when identified.

c) Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term running finances under mark up arrangements. In the balance sheet, finances under mark up arrangements are included in current liabilities.

3.14 Dividend

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

	2006	2005
	(Rupees in thousand)	

4. Issued, subscribed and paid up capital

2006	2005			
(Number of shares)				
40,000,000	40,000,000	ordinary shares of Rs 10 each fully paid in cash	400,000	400,000
2,000,000	2,000,000	ordinary shares of Rs 10 each issued as fully paid bonus shares	20,000	20,000
42,000,000	42,000,000		420,000	420,000

21,420,000 (2005: 21,420,000) ordinary shares of the company are held by Honda Motor Company Ltd., Japan, the holding company.

Ordinary shares of the company held by associated undertakings as at year end are as follows:

	2006	2005
	(Number of shares)	
Atlas Insurance Company Limited (Formerly Muslim Insurance Company Limited)	250,000	250,000
Shirazi Investments (Private) Limited	82,250	82,250
	332,250	332,250

		2006	2005
		(Rupees in thousand)	
5. Reserves			
Movement in and composition of reserves is as follows:			
Capital			
Share premium	- note 5.1	76,000	76,000
Revenue			
General reserve			
- At the beginning of the year		1,436,000	1,206,000
- Transfer from profit and loss account		67,500	230,000
		1,503,500	1,436,000
		1,579,500	1,512,000

5.1 This reserve can be utilized by the company only for the purposes specified in Section 83(2) of the Companies Ordinance, 1984.

		2006	2005
6. Long-term finances			
Long-term loan - secured	- note 6.1	1,000,000	-
Less: Current portion shown under current liablities		(333,333)	-
		666,667	-

6.1 This loan has been obtained from Bank of Tokyo-Mitsubishi UFJ, Limited. It is secured by equitable mortgage charge over all the current and future immovable assets of the company amounting to Rs 1,335 million. It carries a mark-up at six month “Karachi Inter Bank Offered Rates (KIBOR) plus 0.50 percent per annum” and is repayable in six equal semi annual installments commencing from September 30, 2006. The effective mark-up charged during the year was 9.93%.

		2006	2005
		(Rupees in thousand)	
7. Deferred taxation			
Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 35%.			
Opening balance		(17,814)	(44,604)
Charged to profit		23,242	26,790
Deferred tax liability / (asset) as at March 31		5,428	(17,814)
The deferred tax liability / (asset) comprises of temporary differences arising due to:			
Accelerated tax / (accounting) depreciation		5,428	(4,498)
Minimum tax available for carry forward		-	(13,316)
		5,428	(17,814)
8. Short term borrowings			
Short term running finance - secured	- note 8.1	304,873	-
Term finance	- note 8.2	1,150,000	-
		1,454,873	-

8.1 Short term running finances available from commercial banks under mark-up arrangements amount to Rs 1,790 million (2005: Rs 714.60 million). Mark-up is charged at rates ranging from 9.04% to 9.82% on the balances outstanding. The aggregate short term running finances are secured by a first pari passu hypothecation charge over current assets of the company.

Of the aggregate facility of Rs 3,471.00 million (2005: Rs 2,340.00 million) for opening letters of credit, the amount utilized at March 31, 2006 was Rs 1,206.90 million (2005: Rs 1,321.38 million).

8.2 Term finances available from commercial banks under mark up arrangement amounts to Rs 1,150 million (2005: Rs. Nil). These carry mark up ranging from 8.90% to 10.06% per annum. These are secured by first pari passu hypothecation charge over current assets of the company and lien on PIB’s.

		2006	2005
		(Rupees in thousand)	
9. Trade and other payables			
Trade creditors	- note 9.1	517,024	453,185
Accrued liabilities		24,950	17,755
Bills payable	- note 9.2	544,068	611,981
Security deposits	- note 9.3	870,164	1,913
Workers’ profit participation fund	- note 9.4	729	4,142
Workers’ welfare fund		20,309	-
Employees’ retirement benefits and other obligations	- note 9.5	16,015	8,038
Advances from customers	- note 9.6	1,194,154	7,989,363
Licence fee, technical fee and royalties	- note 9.7	315,119	119,857
Provision for custom duties	- note 9.8	429,601	441,611
Unclaimed dividends		5,026	4,716
Others		55,888	45,808
		3,993,047	9,698,369

9.1 Trade creditors include amount due to related parties of Rs 32.14 million (2005: Rs 33.02 million).
9.2 Bills payable include amount due to related parties of Rs. 522.24 million (2005: Rs 591.90 million). These are in the normal course of business and are interest free.
9.3 These respresent interest free security deposits from dealers and contractors and are repayable on demand and termination of contract respectively.

		2006	2005
		(Rupees in thousand)	
9.4 Workers' profit participation fund			
Opening balance		4,142	-
Provision for the year	- note 26	60,729	13,739
Interest for the year		23	-
		60,752	13,739
		64,894	13,739
Less: Payments made during the year		(64,165)	(9,597)
		729	4,142
9.5 Employees' retirement benefits and other obligations			
Staff gratuity	- note 9.5.1	5,284	-
Accumulating compensated absences	- note 9.5.2	10,731	8,038
		16,015	8,038
9.5.1 Staff gratuity			
a) Movement in the liability recognized in the balance sheet:			
Balance at beginning of the year		-	-
Expense for the year		5,284	5,110
Payments to fund during the year		-	(5,110)
Balance at end of the year		5,284	-
b) Reconciliation of the liability recognized in the balance sheet:			
Present value of defined benefit obligation		34,405	26,760
Fair value of plan assets		(31,074)	(25,135)
Deficit		3,331	1,625
Un-recognized actuarial gain / (loss)		1,953	(1,625)
Net liability		5,284	-
9.5.2 Accumulating compensated absences			
Opening balance		8,038	7,167
Provision for the year		8,090	5,612
Less: Payments made during the year		(5,397)	(4,741)
Closing balance		10,731	8,038

9.6 Advances from customers include Rs 1,190 million (2005: Rs 7,986 million) which are against the sale of vehicles. These advances carry mark-up @ 8.1% per annum, being the weighted average rate of three months market treasury bills as at the end of the year, in accordance with the directive issued by the Engineering Development Board, Government of Pakistan on September 17, 2002. The mark-up is calculated and payable after a period of sixty days from the receipt of such advances.

9.7 License fee, technical fee and rayalities include Rs 313.70 million (2005: Rs 119.46 million) due to the holding company, Honda Motor Company Limited, Japan.

	2006	2005
	(Rupees in thousand)	
9.8 Provision for custom duties		
Opening balance	441,611	41,611
Provision for the year	167,000	400,000
	608,611	441,611
Less: Payments made during the year	(179,010)	-
	429,601	441,611

Based on routine audit of the company's deletion programme conducted by the Engineering Development Board, it was identified that certain components of CKD imported by the company, are subject to Completely Built Unit's rate of custom duty resulting in expected additional demand of custom duty, provision for which has been made as mentioned above.

10. Contingencies and commitments

10.1 Contingencies

(i) Claims against the company not acknowledged as debt by the company amount to Rs 9.79 million (2005: Rs 9.79 million). As the management is confident that the matter would be settled in its favour, consequently no provision has been made in these financial statements in respect of the above mentioned disputed liabilities.

(ii) The company received notices from custom authorities for payment of custom duty and sales tax in respect of certain components of Honda Cars imported during prior years. Custom authorities interpreted that CBU rate of duty was applicable on such components and thus raised a demand of Rs. 110 million. It included Rs. 96 million on account of custom duty and Rs. 14 million on account of sales tax.

The company approached custom authorities on the grounds that the components specified in the above mentioned notices included certain components which were duly appearing in the indigenization program of the company for the relevant period. Hence CBU rate of duty was not applicable on import of these components. In the year 2004, the company made a provision of Rs. 42 million against the total demand of Rs. 110 million. As the management is confident that the matter would be settled in its favour, consequently no provision for the balance amount has been made in these financial statements in respect of the above mentioned notices.

10.2 Commitments in respect of

(i) Letters of credit and purchase commitments other than capital expenditure Rs 181.24 million (2005: Rs 708.19 million).

(ii) Letters of credit and purchase commitments for capital expenditure Rs 1,276.32 million (2005: Rs 14.75 million).

(iii) Letters of guarantees issued in favour of collector of customs Rs 13.55 million (2005: Rs Nil).

11. Property, plant and equipment

(Rupees in thousand)

	Cost as at April 01, 2005	Additions/ (deletions)	Cost as at March 31, 2006	Accumulated depreciation as at April 01, 2005	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at March 31, 2006	Book value as at March 31, 2006	Annual depreciation rate %
Freehold Land	51,553	365,766	417,319	-	-	-	417,319	-
Buildings on freehold land	411,888	5,500	417,388	235,150	17,911	253,061	164,327	10
Plant and machinery	992,132	106,275 (8,045)	1,090,362	653,794	97,055 (6,568)	744,281	346,081	20-35
Furniture and office equipment	35,026	10,827 (52)	45,801	13,633	5,442 (35)	19,040	26,761	20
Vehicles	69,362	47,363 (21,705)	95,020	32,448	13,265 (12,655)	33,058	61,962	20
Tools and equipments	43,228	12,447 (8,500)	47,175	25,858	4,588 (7,323)	23,123	24,052	20
Computers	17,149	8,920 (55)	26,014	10,211	4,630 (48)	14,793	11,221	35
March 31, 2006	1,620,338	557,098 (38,357)	2,139,079	971,094	142,891 (26,629)	1,087,356	1,051,723	
March 31, 2005	1,339,124	314,084 (32,870)	1,620,338	846,795	146,411 (22,112)	971,094	649,244	

Plant and Machinery includes:

- Bumpers and Instrument Panel Dies, which have a book value of Rs 79.83 million (2005: Rs 51.68 million) are in the possession of M/s Omer Jibran Engineering Industries (Private) Limited.
- Duct Assembly Instrument Panel Mold, which have a book value of Rs. 1.87 million (2005: 0.86 million) are in the possession of M/s Thermosole Industries (Private) Limited.
- Door lining dies, which have a book value of Rs 14.17 million (2005: Rs Nil) are in possession of M/s Synthetic Products Enterprises (Private) Limited.

Property, plant and equipment include assets of book value of Rs 2.17 million (2005: Rs 6.23 million) which are not in operation.

11.1 The depreciation charge has been allocated as follows:

		2006	2005
		(Rupees in thousand)	
Cost of sales	- note 22	114,841	122,943
Cost of sales-included in cost of sales - Trading goods	- note 22	3,544	2,014
Distribution and marketing expenses	- note 23	10,550	9,187
Administrative expenses	- note 24	13,956	12,267
		142,891	146,411

11.2 Disposal of property, plant and equipment (Rupees in thousand)

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Vehicles	Employees					
	- Mr. Mohammad Ashraf	982	576	406	391	Employees car sale scheme
	- Mr. Yusuf H. Shirazi	1,273	499	774	795	- do -
	- Mr. Aamir H. Shirazi	1,273	499	774	795	- do -
	- Mr. Asad Murad	1,001	240	761	777	- do -
	- Mr. Arif Hamid Dar	979	384	595	609	- do -
	- Mr. Tariq ullah Khan	982	576	406	391	- do -
	- Mr. Sardar Abid Ali Khan	1,006	242	764	777	- do -
	- Mr. Ayaz Hafeez	979	384	595	609	- do -
	- Mr. Nadeem Azam	1,001	240	761	777	- do -
	- Mr. Shahpal Hussain	67	41	26	65	Employees m/c sale scheme
	- Mr. Mohammad Naeem	67	42	25	65	- do -
	- Mr. Imran Naseem	67	42	25	65	- do -
	- Mr. Mohammad Ali	67	42	25	65	- do -
	- Mr. Asif Khan	67	37	30	65	- do -
	- Mr. Imran Farooq	55	19	36	51	- do -
	- Mr. Faisal Latif Khawaja	67	31	36	65	- do -
	Outsiders					
	- Ms. Nusrat Munawar	675	555	120	422	Negotiation
	- Mr. Mohammad Nasir	2,479	1,630	849	765	- do -
	- Mr. Abid Ansar	1,036	600	436	856	- do -
	- Dr. Syed Bakhtawar Ali	580	518	62	510	- do -
	- Mr. Mohammad Abdullah	695	621	74	425	- do -
	- Mr. Mohsin Nadeem Hashmi	659	572	87	445	- do -
	- Mr. Mohammad Nasir	1,027	610	417	885	- do -
	- Mr. Sikander Bakht	687	573	114	486	- do -
	- Mr. Shafique Ahmad	1,339	1,153	186	470	- do -
	- Mr. Asim Saeed Malik	1,036	615	421	930	- do -
	- Mr. Sikander Bakht	754	650	104	428	- do -
	- Mr. Habibullah	805	665	140	522	- do -
Furniture and	Outsiders					
office equipments	- Mr. Mohammad Aslam	52	35	17	16	Negotiation
Computers		55	47	8	-	Assets written off
Tools & equipments		8,500	7,323	1,177	-	- do -
Plant & machinery		8,045	6,568	1,477	-	- do -
		38,357	26,629	11,728	13,522	

12. Intangible assets

	Cost as at April 01, 2005	Additions/ (Adjustments)	Cost as at March 31, 2006	Accumulated amortization as at April 01, 2005	Amortization charge for the year	Accumulated amortization as at March 31, 2006	Book value as at March 31, 2006	Annual Amortization rate %
Licence fee & drawings	91,313	30,565	121,878	75,386	13,290	88,676	33,202	20-25
March 31, 2006	91,313	30,565	121,878	75,386	13,290	88,676	33,202	
March 31, 2005	99,541	3,282 (11,510)	91,313	65,885	9,740 (239)	75,386	15,927	

12.1 The amortization charge has been allocated as follows:

		2006	2005
		(Rupees in thousand)	
Cost of sales	- note 22	13,004	9,239
Administrative expenses	- note 24	286	262
		13,290	9,501

		2006	2005
		(Rupees in thousand)	
13. Capital work-in-progress			
Civil works	- note 13.1	741,890	-
Advance for land		66,171	-
Plant and machinery	- note 13.1 & 13.2	456,337	27,579
Others	- note 13.3	9,832	1,253
		1,274,230	28,832

13.1 Included in civil works and plant and machinery is borrowing cost of Rs 2.75 million as permitted by IAS 23 “Borrowing Costs”.

13.2 Plant and machinery includes goods in transit amounting to Rs 70.07 million (2005: Rs 0.53 million).

13.3 Others include furniture, tools and equipment.

14. Long term investments

These represent investments in:

		2006	2005
Related parties	- note 14.1	634,843	245,014
Others	- note 14.2	509,039	513,405
		1,143,882	758,419
Less: investments shown under current assets		(634,843)	-
		509,039	758,419

14.1 Related parties

		2006	2005
Investments at fair value through profit or loss Quoted			
Atlas stock market fund 223,264 (2005: 198,463) units of Rs. 500 each		165,360	117,510
Atlas income fund 712,037 (2005: 97,656) units of Rs. 500 each		386,102	52,064
Atlas fund of funds 8,338,050 (2005: 7,941,000) fully paid ordinary shares of Rs. 10 each		83,381	75,440
		634,843	245,014

14.2 Others

		2006	2005
Held to maturity			
Pakistan Investment Bonds 5,000,000 (2005: 5,000,000) bonds of Rs. 100 each	- note 14.2.1	509,039	512,655
Available for sale - Unquoted			
Automotive Testing and Training Centre (Pvt) Ltd. 75,000 (2005: 75,000) ordinary shares of Rs. 10 each		750	750
		509,789	513,405
Less: Provision for impairment		(750)	-
		509,039	513,405

14.2.1 Investment in Pakistan Investment Bonds has been made in accordance with the terms of issue of the bonds. The effective interest rate on these bonds is 6.16% per annum receivable semi annually.

		2006	2005
		(Rupees in thousand)	
15. Long term loans, advances and deposits			
Loans to employees - considered good			
- Executives	- note 15.1	7,550	7,744
- Others		34,822	33,732
		42,372	41,476
Less: Receivable within one year			
- Executives		(1,351)	(1,424)
- Others		(6,947)	(6,221)
		(8,298)	(7,645)
Security deposits		2,089	2,229
		36,163	36,060
15.1 Executives			
Opening balance		7,744	8,475
Disbursement during the year		4,710	2,160
		12,454	10,635
Less: Repayment during the year		(4,904)	(2,891)
		7,550	7,744

Loans to employees comprise of staff welfare loan and furniture loan.

Staff welfare loans carry interest at the rate of 6.5% per annum and are recoverable within a period of 7 years commencing from the date of disbursement through monthly deductions from salaries and are secured against retirement benefits of employees and their guarantors. All the loans are granted to the employees of the company in accordance with their terms of employment.

Loans for purchase of furniture are interest free and are repayable between 2 to 4 years. These loans are secured against retirement benefits of employees and their guarantors. All the loans are granted to the employees of the company in accordance with their terms of employment.

The maximum aggregate amount due from executives at the end of any month during the year was Rs 10.99 million (2005: Rs 10.34 million).

16. Stores and spares

Most of the items of stores and spares are of interchangeable nature and can be used as machine spares or consumed as stores. Accordingly it is not practicable to distinguish stores from spares until their actual usage.

Spares amounting to Rs 1.90 million (2005: Rs 1.90 million) are in the possession of M/s Omer Jibran Engineering Industries (Private) Limited.

		2006	2005
		(Rupees in thousand)	
17. Stock in trade			
Raw materials including in transit Rs 1,749.26 million (2005: Rs 1,923.66 million)	- note 17.1	2,830,354	2,889,668
Work in process		76,086	68,701
Finished goods	- note 17.2		
- Own manufactured		1,071,827	68,400
- Trading stock	- note 17.3 & 17.4	190,853	132,384
		4,169,120	3,159,153

17.1 Raw materials amounting to Rs 153.45 million (2005: Rs 106.99 million) are in the possession of various vendors of the company.

17.2 Finished goods amounting to Rs 855.08 million (2005: Rs Nil) are in the possession of various dealers.

17.3 Trading stock includes goods in transit amounting to Rs 19.13 million (2005: Rs 14.29 million).

17.4 Trading stock amounting to Rs 29.01 million (2005: Rs 11.18 million) are valued at net realisable value.

	2006	2005
18. Trade debts - unsecured		
Considered good	-	-
Considered doubtful	16,142	16,142
Less: Provision for doubtful debts	16,142	16,142
	-	-
	-	-

		2006	2005
		(Rupees in thousand)	
19. Trade and other receivables			
Current portion of loans to employees		8,298	7,645
Advances - considered good:			
- to employees	- note 19.1	1,606	1,255
- to suppliers and contractors		67,320	33,488
		68,926	34,743
Due from related parties - considered good	- note 19.2	7,480	3,124
Recoverable from government authorities:			
- Income tax		6,044	226,235
- Sales tax		794,970	895,548
		801,014	1,121,783
Margin against letter of credit		104,166	-
Prepayments		19,566	17,145
Profit receivable on:			
- Long term investments - others		16,973	17,019
- Bank deposits		672	18,131
		17,645	35,150
Other receivables		48,505	10,879
		1,075,600	1,230,469

19.1 Included in advances to employees is an amount of Rs 0.35 million (2005: Rs. 0.25 million) due from executives.

19.2 Due from related parties - considered good

	2006	2005
Honda Motor Company Limited, Japan	3,402	1,091
Honda Automobile (Thailand) Company Limited	1,633	1,477
Honda Trading (Thailand) Company Limited	116	243
Honda Cars Philippines, Inc.	500	105
Honda Trading Corporation, Japan	441	205
Honda Autoparts Manufacturing (M) SDN. BHD. Malaysia	9	3
PT Honda Prospect Motor, Indonesia	442	-
Asian Honda Motor Company, Thailand	921	-
Honda Parts Manufacturing Corporation, Philippines	16	-
	7,480	3,124

These are in the normal course of business and are interest free.

20. Cash and bank balances

	2006	2005
At banks		
- On current accounts	5,725	9,759
- On deposit accounts	-	5,200,000
- On saving accounts [including US $ 94,742 (2005: US $ 219,878)]	354,836	663,868
Cash in hand	58	360
	360,619	5,873,987

The deposit and saving accounts bear mark-up which ranges from 2% to 9% per annum.

		2006	2005
		(Rupees in thousand)	
21. Sales			
Sales - Own manufactured goods		28,931,488	19,297,707
Less: Sales tax		(3,773,556)	(2,516,871)
Commission to dealers		(638,721)	(451,726)
		24,519,211	16,329,110
Sales - Trading goods		1,304,597	296,898
Less: Sales tax		(170,175)	(38,791)
Commission to dealers		(14,935)	-
		1,119,487	258,107
		25,638,698	16,587,217
22. Cost of sales			
Raw material consumed	- note 22.1	23,427,780	15,401,196
Stores and spares consumed		49,552	33,672
Salaries, wages and benefits	- note 22.2	200,930	124,376
Fuel and power		36,797	25,767
Insurance		15,334	9,706
Travelling and vehicle running		64,468	38,224
Freight and handling		60,843	40,770
Repairs and maintenance		10,502	12,391
Technical assistance		17,313	6,494
Depreciation on property, plant and equipment	- note 11.1	114,841	122,943
Amortization on intangible assets	- note 12.1	13,004	9,239
Royalty		491,293	272,415
Canteen subsidy		17,355	10,599
Other expenses		1,306	1,896
		24,521,318	16,109,688
Opening stock of work-in-process		68,701	68,653
Closing stock of work-in-process		(76,086)	(68,701)
		(7,385)	(48)
Cost of goods manufactured		24,513,933	16,109,640
Less: Own work capitalized		(36,828)	(13,009)
Cost of damaged cars		(8,011)	(10,451)
		24,469,094	16,086,180
Opening stock of finished goods		68,400	73,056
Closing stock of finished goods		(1,071,827)	(68,400)
		(1,003,427)	4,656
		23,465,667	16,090,836
Cost of sales - Trading goods	- note 22.3	1,005,517	213,346
		24,471,184	16,304,182

22.1 Included in raw material consumed is an amount of Rs 167.00 million (2005: Rs. 400.00 million) on account of provision for custom duties as referred to in note 9.8.

22.2 Salaries, wages and benefits include following amounts in respect of employees' retirement benefits.

	2006	2005
	(Rupees in thousand)	
Interest cost for the year	1,217	941
Current service cost	2,006	1,678
Past service cost - non vested benefits	-	242
Actuarial loss for the year	924	815
Expected return on plan assets	(1,143)	(856)
	3,004	2,820

In addition to above salaries, wages and benefits include Rs 3.70 million (2005: Rs 2.66 million) on account of provident fund contributions.

22.3 It includes depreciation charge of Rs 3.54 million (2005: Rs 2.01 million)

23. Distribution and marketing expenses

		2006	2005
Salaries, wages and benefits	- note 23.1	30,710	23,475
Fuel and power		2,979	1,081
Insurance		3,307	2,600
Travelling and vehicle running		10,946	9,465
Freight and handling		5,172	5,015
Repairs and maintenance		2,076	1,484
Printing and stationery		6,935	5,002
Warranty costs		13,969	5,573
Advertising		43,982	26,183
Depreciation on property, plant and equipment	- note 11.1	10,550	9,187
Training expenses		3,357	967
Canteen subsidy		1,319	822
Free service claims		7,479	4,253
Rent, rates and taxes		5,154	1,707
Other expenses		1,942	957
		149,877	97,771

23.1 Salaries, wages and benefits include following amounts in respect of employees' retirement benefits.

	2006	2005
Interest cost for the year	352	266
Current service cost	580	475
Past service cost - non vested benefits	-	68
Actuarial loss for the year	267	231
Expected return on plan assets	(331)	(242)
	868	798

In addition to above salaries, wages and benefits include Rs 1.14 million (2005: Rs 0.83 million) on account of provident fund contributions.

		2006	2005
		(Rupees in thousand)	
24. Administrative expenses			
Salaries, wages and benefits	- note 24.1	53,146	45,848
Fuel and power		5,299	4,188
Insurance		2,018	1,689
Travelling and vehicle running		13,809	9,644
Repairs and maintenance		3,411	2,337
Printing and stationery		2,542	2,189
Communications		5,315	5,477
Postage		2,402	1,937
Advertising		5,402	1,331
Auditor's remuneration	- note 24.2	2,248	4,030
Legal and professional charges		1,643	1,581
Depreciation on property, plant and equipment	- note 11.1	13,956	12,267
Amortization on intangible assets	- note 12.1	286	262
Provision for impairment in investments		750	-
Canteen subsidy		3,865	2,480
Security expenses		1,634	1,154
Assets written off		2,662	2,720
Donations	- note 24.3	11,128	610
Other expenses		3,002	1,980
		134,518	101,724

24.1 Salaries, wages and benefits include following amounts in respect of employees' retirement benefits.

	2006	2005
Interest cost for the year	572	498
Current service cost	943	888
Past service cost - non vested benefits	-	128
Actuarial loss for the year	434	431
Expected return on plan assets	(537)	(453)
	1,412	1,492

In addition to above salaries, wages and benefits include Rs 1.76 million (2005: Rs 1.53 million) on account of provident fund contributions.

	2006	2005
	(Rupees in thousand)	
24.2. Auditors remuneration		
The audit fee and remuneration for other services included in the financial statements is as follows:		
Statutory audit	360	335
Half yearly review	90	75
Taxation services	1,510	3,441
Workers' profit participation fund audit, royalty audit and certificates for remittance of foreign currency	188	89
Out of pocket expenses	100	90
	2,248	4,030

24.3 Included in donations is an amount of Rs 10 million deposited into the President's Earthquake Relief Fund. None of the directors and their spouses had any interest in any of the donees.

	2006	2005
25. Other operating income		
Income from financial assets		
Gain on remeasurement of investments at fair value through profit or loss	89,830	15,604
Profit on other long term investments	31,338	17,626
Profit on bank deposits	137,367	98,157
Interest on loans to employees	2,400	1,281
Interest on advances to suppliers including Rs Nil million (2005: Rs 0.06 million) from related party	1,737	1,423
Exchange Gain	574	578
	263,246	134,669
Income from non-financial assets		
Scrap sales	101,067	58,398
Profit on disposal of property, plant and equipment	4,456	174
Others	9,096	3,949
	114,619	62,521
	377,865	197,190
26. Other operating expenses		
Workers' profit participation fund	60,729	13,739
Workers' welfare fund	20,195	2,406
	80,924	16,145
27. Finance Cost		
Interest and mark-up on:		
- Short term borrowings	17,768	51
- Customer advances	27,641	5,154
- Workers' profit participation fund	23	-
Bank charges	924	751
	46,356	5,956

	2006	2005
	(Rupees in thousand)	
28. Taxation		
For the year		
- Current	420,688	85,487
- Deferred	9,927	12,226
	430,615	97,713
Prior year		
- Current	(15,521)	(15,827)
- Deferred	13,316	14,564
	(2,205)	(1,263)
	428,410	96,450

	% age	% age
28.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate.		
Applicable tax rate as per Income Tax Ordinance, 2001	35.00	35.00
Tax effect of:		
- Amounts that are not deductible for tax purposes	0.14	2.38
- Change in prior years' deferred tax asset	1.17	5.63
- Change in prior years' current tax	(1.37)	(6.12)
- Presumptive tax regime and others	2.85	0.40
	2.79	2.29
Average effective tax rate charged to profit and loss account	37.79	37.29

29. Remuneration of Chief Executive, Directors and Executives

29.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the chief executive, working directors and other executives of the company is as follows:

(Rupees in thousand)

	Chief Executive		Directors		Executives	
	2006	2005	2006	2005	2006	2005
Managerial remuneration	710	508	3,462	2,868	19,338	16,186
House rent and utilities	846	702	2,556	1,940	13,375	9,675
Reimbursement of medical expenses	13	12	149	172	129	504
Employees' retirement benefits	-	-	479	421	2,484	2,247
Other allowances and expenses	341	360	2,504	1,251	11,456	8,314
	1,910	1,582	9,150	6,652	46,782	36,926
Number of persons	1	1	3	2	25	20

The Chief Executive, certain directors and executives of the company are provided with free use of company cars and company maintained unfurnished accommodation.

29.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to one director (2005: one director) was Rs 500 (2005: Rs 1,500).

		2006	2005
		(Rupees in thousand)	
30. Cash generated from operations			
Profit before taxation		1,133,704	258,629
Adjustment for:			
Depreciation on property, plant and equipment		142,891	146,411
Profit on disposal of property, plant and equipment		(4,456)	(174)
Provision for impairment in investments		750	-
Unrealised gain on investment in related parties		(89,830)	(15,604)
Profit on other long term investments		(31,338)	(17,626)
Profit on bank deposits		(137,367)	(98,157)
Interest on advances to suppliers		(4,137)	(1,423)
Assets written off		2,662	2,720
Finance cost		46,333	5,956
Provision for employees' retirement benefits and other obligations		13,374	5,110
Provision for custom duties		167,000	400,000
Amortization on intangible assets		13,290	9,501
Royalty		491,293	272,415
Workers' profit participation fund		60,752	13,739
Workers' welfare fund		20,195	2,406
Working capital changes	- note 30.1	(7,117,921)	2,914,063
		(5,292,805)	3,897,966
30.1 Working capital changes			
(Increase)/decrease in current assets			
- Stores and spares		(6,858)	(3,332)
- Stock in trade		(1,009,967)	(1,450,614)
- Loans, advances, deposits, prepayments and other receivables		(82,174)	(26,204)
		(1,098,999)	(1,480,150)
(Decrease)/increase in current liabilities			
- Trade and other payables		(6,018,922)	4,394,213
		(7,117,921)	2,914,063
31. Cash and cash equivalents			
Cash and cash equivalents included in the cash flow statements comprise of the following balance sheet amounts:			
Cash and bank balance		360,619	5,873,987
Short term borrowings	- note 8	(304,873)	-
		55,746	5,873,987

32. Earnings per share

32.1 Basic earnings per share

Net profit for the year	Rupees in thousand	705,294	162,179
Weighted average number of ordinary shares	Number in thousands	42,000	42,000
Basic earnings per share	Rupees	16.79	3.86

32.2 Diluted earnings per share

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

33. Financial assets and liabilities

(Rupees in thousand)

	Interest/mark-up bearing				Non Interest/mark-up bearing				Total		Credit risk	
	Maturity upto one year	Maturity more than year and less than five years	Sub-total 2006	Sub-total 2005	Maturity upto one year	Maturity more than year and less than five years	Sub-total 2006	Sub-total 2005	2006	2005	2006	2005
Financial assets												
On balance sheet												
Investments	-	509,039	509,039	512,655	634,843	-	634,843	245,764	1,143,882	758,419	1,143,882	758,419
Loans to employees	6,379	30,721	37,100	38,132	1,920	3,352	5,272	3,344	42,372	41,476	42,372	41,476
Security deposits	-	-	-	-	-	2,089	2,089	2,229	2,089	2,229	2,089	2,229
Other receivables	-	-	-	9,756	73,630	-	73,630	46,984	73,630	56,740	73,630	56,740
Cash and bank balances	354,836	-	354,836	5,863,868	5,783	-	5,783	10,119	360,619	5,873,987	360,561	5,873,627
	361,215	539,760	900,975	6,424,411	716,176	5,441	721,617	308,440	1,622,592	6,732,851	1,622,534	6,732,491
Off balance sheet	-	-	-	-	-	-	-	-	-	-	-	-
Total	361,215	539,760	900,975	6,424,411	716,176	5,441	721,617	308,440	1,622,592	6,732,851	1,622,534	6,732,491
Financial liabilities												
On balance sheet												
Long term finances	333,333	666,667	1,000,000	-	-	-	-	-	1,000,000	-		
Short term borrowings	1,454,873	-	1,454,.873	-	-	-	-	-	1,454,873	-		
Mark-up accrued on loans and other payables	-	-	-	-	15,719	-	15,719	-	15,719	-		
Trade and other payables	-	-	-	-	2,348,254	-	2,348,254	1,251,161	2,348,254	1,251,161		
	1,788,206	666,667	2,454,873	-	2,363,973	-	2,363,973	1,251,161	4,818,846	1,251,161		
Off balance sheet												
Contracts for capital expenditure	-	-	-	-	1,276,316	-	1,276,316	14,747	1,276,316	14,747		
Letters of credit	-	-	-	-	181,243	-	181,243	708,188	181,243	708,188		
Letters of guarantees	-	-	-	-	13,550	-	13,550	-	13,550	-		
	-	-	-	-	1,471,109	-	1,471,109	722,935	1,471,109	722,935		
Total	1,788,206	666,667	2,454,873	-	3,835,082	-	3,835,082	1,974,096	6,289,955	1,974,096		
On balance sheet gap	(1,426,991)	(126,907)	(1,553,898)	6,424,411	(1,647,797)	5,441	(1,642,356)	(942,721)	(3,196,254)	5,481,690		
Off balance sheet gap	-	-	-	-	(1,471,109)	-	(1,471,109)	(722,935)	(1,471,109)	(722,935)		

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

33.1 Financial risk management objectives

The company's operations expose it to financial risk mainly due to changes in foreign exchange rates. Risk management is carried out by the management under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas like foreign exchange risk, interest rate risk and investing excessive liquidity.

33.2 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 company's credit risk is primarily attributable to its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Out of the total financial assets of Rs 1,622.59 million (2005: Rs 6,732.85 million) the financial assets which are subject to credit risk amount to Rs 1,622.53 million (2005: Rs 6,732.49 million).

33.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings, especially group companies. The company believes that it is not exposed to major foreign exchange risk.

33.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values, except for long term loans, loans to employees and other receivables which are stated at cost / amortized cost. Fair value is determined on the basis of objective evidence at each reporting date.

34. Transactions with related parties

The related parties comprise holding company, fellow subsidiaries, associated undertakings and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of key management personnel is disclosed in note 29. Other significant transactions with related parties are as follows:

	Holding company	Associated undertakings	Other related parties	Total
			(Rupees in thousand)	
For the year ended March 31, 2006				
Purchase of goods	5,897,663	6,819,025	-	12,716,688
Purchase of property, plant and equipment	34,943	276,560	-	311,503
Purchase of intangible assets	29,975	322	-	30,297
Sale of goods	-	45,504	-	45,504
Insurance premium	-	208,977	-	208,977
Royalty	491,363	-	-	491,363
Technical assistance fee	60,118	8,897	-	69,015
Short term investments	-	-	300,000	300,000
	6,514,062	7,359,285	300,000	14,173,347
For the year ended March 31, 2005				
Purchase of goods	5,281,609	3,894,362	-	9,175,971
Purchase of property, plant and equipment	50,643	12,716	-	63,359
Purchase of intangible assets	-	1,742	-	1,742
Sale of goods	-	23,654	-	23,654
Insurance premium	-	147,455	-	147,455
Royalty	271,980	-	-	271,980
Technical assistance fee	17,357	-	-	17,357
Short term investments	-	-	229,410	229,410
	5,621,589	4,079,929	229,410	9,930,928

All transactions with related parties have been carried out on commercial terms and conditions.

35. Plant capacity and actual production

	Capacity		Actual production	
	March 31, 2006 Number	March 31, 2005 Number	March 31, 2006 Number	March 31, 2005 Number
Motor vehicles	30,000	17,500	31,476	20,040

In the previous year the management revised the plant capacity due to enhancement of the production facilities. Consequently the production capacity of the company was 30,000 motor vehicles per annum with all divisions working on double shift basis.

36. Rates of exchange

Liabilities in foreign currencies have been translated into Rupees at the following exchange rates:

US $ 1	=	Rupees	60.10
AUD 1	=	Rupees	43.05
¥ 1	=	Rupees	0.51
THB 1	=	Rupees	1.55

37. Number of employees

	2006	2005
Number of employees at year end	1,198	1,032

38. Date of authorization for issue

These financial statements were authorized for issue on April 29, 2006 by the board of directors of the company.

39. Events after the balance sheet date

The board has recommended to issue bonus shares in proportion of 70 bonus shares (2005: Nil) for every 100 ordinary shares held and proposed transfer of following amounts:

	2006	2005
Transfers from unappropriated profit:	(Rupees in thousand)	
- to general reserves	411,500	67,500
- to reserve for issue of bonus shares	294,000	-
- final cash dividend	-	94,500

Previously appropriations other than dividends made subsequent to the balance sheet date were recorded in the statement of changes in equity. The Company, effective from the current year, has not recorded such appropriations in its statement of changes in equity as it is considered more appropriate for the purpose of presentation. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the benchmark treatment of IAS-8 ‘Net profit or loss for the period, fundamental errors and changes in accounting policy’. However, the change has no effect on the current or prior years’ shareholders’ equity.

40. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

Yusuf H. Shirazi
Chairman

Mamoru Suwama
Chief Executive