

## Selected Notes to the Condensed Interim Financial Statements

for the period of nine months ended December 31, 2007 (Un-audited)

1. This interim financial information is un-audited and is being submitted to the shareholders, as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges.
2. The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended March 31, 2007.
3. This condensed interim financial information have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting".

|   | December 31<br>2007  | March 31<br>2007 |
|---|----------------------|------------------|
|   | (Rupees in thousand) |                  |
| <b>4. Long-term finances</b>                          |                      |                  |
| Opening balance                                       | 2,541,667            | 1,000,000        |
| Add: Disbursement during the period                   | -                    | 2,750,000        |
|   | 2,541,667            | 3,750,000        |
| Less: Current portion shown under current liabilities | 333,333              | 583,333          |
| Repayment during the period                           | 2,041,667            | 1,208,333        |
|   | 2,375,000            | 1,791,666        |
|   | 166,667              | 1,958,334        |

### 5. Contingencies and Commitments

#### Contingencies

There is no significant change in contingencies from the preceding annual published accounts of the company for the year ended March 31, 2007.

#### Commitments in respect of

- i) Letters of credit and purchase commitments other than capital expenditure Rs. 86.64 million (March 31, 2007: Rs. 89.65 million).
- ii) Letters of credit and purchase commitments for capital expenditure Rs. 1.01 million (March 31, 2007: Rs. 11.73 million).
- iii) Letters of guarantees issued in favour of collector of customs Rs. Nil (March 31, 2007: Rs. 13.55 million).

|   | <u>December 31,</u><br><u>2007</u>                   | <u>March 31,</u><br><u>2007</u>                    |                   |                   |
|---|--|--|-------------------|-------------------|
|   | (Rupees in thousand)                                 |  |                   |                   |
| <b>6. Property, plant and equipment</b>                         |  |  |                   |                   |
| Opening book value  | 4,082,955  | 1,051,723  |                   |                   |
| Add: Additions during the period                                | -note 6.1<br>247,140                                 | 3,532,506  |                   |                   |
|   | <u>4,330,095</u>                                     | <u>4,584,229</u>                                   |                   |                   |
| Less: Disposals during the period (at book value)               | -note 6.2<br>23,026                                  | 43,462   |                   |                   |
| Depreciation charged during the period                          | 540,946  | 457,812  |                   |                   |
|   | <u>563,972</u>                                       | <u>501,274</u>                                     |                   |                   |
|   | <u>3,766,123</u>                                     | <u>4,082,955</u>                                   |                   |                   |
| <br>6.1 Following is the detail of additions during the period: |  |  |                   |                   |
| - Building on freehold land                                     | 2,102  | 1,565,704  |                   |                   |
| - Plant and machinery   | 187,884  | 1,864,958  |                   |                   |
| - Furniture and office equipments                               | 5,994  | 38,802   |                   |                   |
| - Vehicles  | 40,852   | 30,458   |                   |                   |
| - Tools and equipments  | 4,616  | 25,225   |                   |                   |
| - Computers   | 5,692  | 7,359  |                   |                   |
|   | <u>247,140</u>                                       | <u>3,532,506</u>                                   |                   |                   |
| <br>6.2 Following is the detail of disposals during the period: |  |  |                   |                   |
| - Building on freehold land                                     | -  | 11,799   |                   |                   |
| - Plant and machinery   | -  | 23,266   |                   |                   |
| - Furniture and office equipments                               | 28   | 137  |                   |                   |
| - Vehicles  | 22,964   | 4,731  |                   |                   |
| - Tools and equipments  | 34   | 3,440  |                   |                   |
| - Computers   | -  | 89   |                   |                   |
|   | <u>23,026</u>  | <u>43,462</u>                                      |                   |                   |
|   |  |  |                   |                   |
|   | <u>October - December</u><br><u>2007</u> <u>2006</u> | <u>April - December</u><br><u>2007</u> <u>2006</u> |                   |                   |
|   | (Rupees in thousand)                                 |  |                   |                   |
| <b>7. Sales</b>   |  |  |                   |                   |
| Sales - Own manufactured goods                                  | 3,156,247  | 3,665,224  | 12,487,644        | 13,539,469        |
| Less: Sales Tax and special excise duty                         | 435,113  | 478,046  | 1,683,601         | 1,765,743         |
| Commission to dealers   | 66,934   | 77,952   | 266,204           | 293,105           |
|   | <u>2,654,200</u>                                     | <u>3,109,226</u>                                   | <u>10,537,839</u> | <u>11,480,621</u> |
| Sales - Trading goods   | 199,241  | 230,683  | 608,356           | 606,767           |
| Less: Sales tax   | 25,985   | 30,071   | 79,357            | 79,120            |
| Commission to dealers   | 940  | 1,440  | 2,415             | 3,295             |
|   | <u>172,316</u>                                       | <u>199,172</u>                                     | <u>526,584</u>    | <u>524,352</u>    |
|   | <u>2,826,516</u>                                     | <u>3,308,398</u>                                   | <u>11,064,423</u> | <u>12,004,973</u> |

|   | October - December   |                  | April - December     |                   |
|---|----------------------|------------------|----------------------|-------------------|
|   | 2007                 | 2006             | 2007                 | 2006              |
|   | (Rupees in thousand) |                  | (Rupees in thousand) |                   |
| <b>8. Cost of sales</b>                       |                      |                  |                      |                   |
| Raw material consumed                         | 2,602,247            | 2,221,414        | 9,618,945            | 10,762,497        |
| Stores and spares consumed                    | 8,115                | 8,943            | 24,648               | 27,178            |
| Salaries, wages and benefits                  | 71,825               | 91,616           | 156,497              | 214,616           |
| Fuel and power                                | 8,442                | 9,316            | 30,293               | 31,786            |
| Insurance                                     | 7,538                | 7,588            | 22,632               | 19,502            |
| Travelling and vehicle running                | 15,975               | 16,969           | 46,109               | 53,755            |
| Freight and handling                          | 3,141                | 3,206            | 12,252               | 16,438            |
| Repairs and maintenance                       | 4,126                | 6,596            | 10,131               | 20,202            |
| Technical assistance                          | 8,367                | 8,939            | 19,685               | 33,491            |
| Depreciation on property, plant and equipment | 177,017              | 133,898          | 513,342              | 234,790           |
| Royalty                                       | 56,474               | 69,461           | 223,015              | 237,202           |
| Amortization - on intangible assets           | 7,075                | 10,383           | 22,373               | 26,920            |
| Others expenses                               | 2,315                | 2,639            | 9,304                | 11,824            |
|   | <u>2,972,657</u>     | <u>2,590,968</u> | <u>10,709,226</u>    | <u>11,690,201</u> |
| Opening stock of work-in-process              | 191,453              | 180,187          | 173,408              | 76,086            |
| Closing stock of work-in-process              | (165,472)            | (144,750)        | (165,472)            | (144,750)         |
|   | <u>25,981</u>        | <u>35,437</u>    | <u>7,936</u>         | <u>(68,664)</u>   |
| Cost of goods manufactured                    | 2,998,638            | 2,626,405        | 10,717,162           | 11,621,537        |
| Less: Own work capitalized                    | -                    | 1,662            | 37,842               | 11,137            |
| Cost of damaged cars                          | -                    | 802              | -                    | 802               |
|   | <u>2,998,638</u>     | <u>2,623,941</u> | <u>10,679,320</u>    | <u>11,609,598</u> |
| Opening stock of finished goods               | 724,557              | 1,961,747        | 672,368              | 1,071,827         |
| Closing stock of finished goods               | (1,101,430)          | (1,298,850)      | (1,101,430)          | (1,298,850)       |
|   | <u>(376,873)</u>     | <u>662,897</u>   | <u>(429,062)</u>     | <u>(227,023)</u>  |
|   | <u>2,621,765</u>     | <u>3,286,838</u> | <u>10,250,258</u>    | <u>11,382,575</u> |
| Cost of sales - Trading goods                 | 158,880              | 174,587          | 471,574              | 472,872           |
|   | <u>2,780,645</u>     | <u>3,461,425</u> | <u>10,721,832</u>    | <u>11,855,447</u> |

**9. Taxation**

Tax charge reversal for the period April 2007 to December 2007 Rs. 23.40 million includes prior year tax of Rs. 17.36 million.

**April - December**  
**2007                      2006**  
**(Rupees in thousand)**

**10. Transactions with associated companies / related parties**

|  |           |           |
|--|-----------|-----------|
| Sale of goods                              | 120,775   | 66,312    |
| Purchase of goods                          | 5,518,444 | 6,156,490 |
| Purchase of property, plant and equipments | 17,327    | 535,754   |
| Purchase of intangible assets              | -         | 60,900    |
| Insurance premium                          | 99,061    | 125,692   |
| Technical assistance fee                   | 33,329    | 110,733   |
| Royalty                                    | 212,073   | 229,874   |
| Profit on bank accounts                    | 9,363     | -         |

**December 31                      March 31**  
**2007                                      2007**  
**(Rupees in thousand)**

Related party balances at period / year end are as follows:

|                                 |         |         |
|---------------------------------|---------|---------|
| Receivable from related parties | 38,882  | 27,351  |
| Payable to related parties      | 179,373 | 543,101 |

**April - December**  
**2007                      2006**  
**(Rupees in thousand)**

**11. Cash generated from operations**


|  |                         |                |
|--|-------------------------|----------------|
| Profit before taxation   | (23,921)                | (219,475)      |
| Adjustment for:  |                         |                |
| - Depreciation on property, plant and equipment                                      | 540,946                 | 260,221        |
| - Profit on disposal of property, plant and equipment                                | (2,718)                 | (516)          |
| - Assets written off   | 19                      | 196            |
| - Profit on bank deposits, investments, loans to employees and advances to suppliers | (13,812)                | (42,054)       |
| - Finance cost   | 187,221                 | 198,570        |
| - Provision for employee's retirement benefits and other obligations                 | 18,610                  | 9,858          |
| - Amortization on intangible assets  | 22,757                  | 27,135         |
| - Royalty  | 212,395                 | 237,202        |
| - Working capital changes  | - note 11.1 (1,462,109) | (6,476)        |
|  | <u>(520,612)</u>        | <u>464,661</u> |

|  | April - December     |                    |
|--|----------------------|--------------------|
|  | 2007                 | 2006               |
|  | (Rupees in thousand) |                    |
| <b>11.1 Working capital changes</b>                |                      |                    |
| (Increase)/decrease in current assets              |                      |                    |
| - Stores and spares                                | (22,793)             | (5,882)            |
| - Stock in trade                                   | (364,452)            | (623,747)          |
| - Trade and other receivables                      | (194,368)            | 147,832            |
| <b>Increase/ (Decrease) in current liabilities</b> |                      |                    |
| - Trade and other payables                         | (880,496)            | 475,321            |
|  | <u>(1,462,109)</u>   | <u>(6,476)</u>     |
| <br><b>12. Cash and cash equivalents</b>           |                      |                    |
| Cash and bank balances                             | 35,597               | 15,532             |
| Short term running finance                         | <u>(2,230,035)</u>   | <u>(1,539,662)</u> |
|  | <u>(2,194,438)</u>   | <u>(1,524,130)</u> |

**13. Corresponding figures**

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

  
**Yusuf H. Shirazi**  
Chairman

  
**Atsushi Yamazaki**  
Chief Executive