

notes to and forming part of the financial statements

for the year ended December 31, 2007

1. THE COMPANY AND ITS OPERATIONS

Hinopak Motors Limited is incorporated in Pakistan as a public limited company and quoted on Karachi and Lahore stock exchanges.

The company's principal activity is the assembly, progressive manufacture and sale of Hino buses and trucks in Pakistan.

The financial statements are presented in Pak Rupee, which is the company's functional and presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

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 notified under Companies Ordinance, 1984, provisions of the directives issued under Companies Ordinance, 1984. In case requirement differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

Accounting standards, amendments and interpretations effective in 2007

Amendments to IAS 1 Presentation of Financial Statements - Capital Disclosures is mandatory for the company's accounting periods beginning on or after January 1, 2007. It introduces new disclosures relating to Company's objectives, policies and processes for managing capital. Adoption of this amendment only impacts the format and extent of the disclosure presented in note 35 to the financial statements.

The other new standards, amendments and interpretations are considered not relevant or have any significant effect to the company's financial statements.

Standards, interpretations and amendments to the published approved accounting standards that are relevant but not yet effective.

Following amendments to approved accounting standards and interpretations have been published that are mandatory for the company's accounting periods beginning on the dates mentioned below:

IAS 23 (Amendment) - Borrowing Cost	effective from January 1, 2009
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Adoption to this amendment will result in change in accounting policy relating to borrowing cost. After this amendment borrowing costs that are directly attributable to the, acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset.

IAS 1 'Presentation of financial statements', issued in September 2007 revises the existing IAS 1 and requires apart from changing the name of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income statement. The revised standard will be effective from January 1, 2009.

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IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

2.3 Staff retirement benefits

Defined benefit plans

The company operates approved funded gratuity and pension schemes for all its permanent employees. The schemes define the amounts of benefit that an employee will receive on or after retirement subject to a minimum qualifying period of service under the schemes. The amounts of retirement benefits are usually dependant on one or more factors such as age, years of service and salary.

The liabilities recognised in respect of gratuity and pension schemes are the present values of the company's obligations under each scheme at the balance sheet date less the fair values of respective plan assets, together with adjustment for unrecognised actuarial gains or losses.

Contribution to pension fund is made by both, the company based on actuarial recommendation, and by employees at 2% and 3% of the basic monthly salary in case of management and non-management staff respectively.

The latest actuarial valuation of the schemes were carried out as at December 31, 2007 using the projected unit credit method. The present values of the obligations are determined by discounting the estimated future cash outflows using interest rates of high quality government securities that have terms to maturity approximating to the terms of the related obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the obligations are charged or credited to profit and loss account separately for each scheme over the employees' expected average remaining working lives.

Defined contribution plan

The company also operates an approved contributory provident fund for all its permanent employees to which equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% of basic salary

2.4 Compensated absences

The company accounts for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

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2.5 Taxation

i. Current

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and taxes paid under the final tax regime.

ii. Deferred

The company accounts for deferred taxation using the liability method on all major temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for taxable temporary differences and deferred tax asset is recognised 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 utilised. Deferred tax is charged or credited in the profit and loss account.

2.6 Provisions

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

2.7 Revenue recognition

- The company recognises sales upon delivery of goods to customers and in the case of exports when the goods are shipped.
- Commission on handling Complete Built Up (CBU) vehicles and spare parts is recognised on accrual basis.
- Return on bank deposits and short term investments is recognised on accrual basis.

2.8 Research and development cost

Research and development cost is charged in the year in which it is incurred.

2.9 Borrowing cost

Borrowing cost is recognised as an expense in the period in which it is incurred.

2.10 Warranty obligations

The company recognises the estimated liability on an accrual basis to repair or replace goods under warranty at the balance sheet date.

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2.11 Financial instruments

Financial instruments include investments, trade and other debts, cash and bank balances, borrowings, liabilities against assets subject to finance leases and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The company enters into derivative transactions mainly to hedge foreign currency liabilities or firm commitments and these are designated as fair value hedge.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged liability that are attributable to the hedged risk.

2.13 Trade and other payable

Trade and other payables are initially measured at cost which is the fair value of the consideration to be paid for goods and services, whether or not billed to the company.

2.14 Fixed assets

2.14.1 Property, plant and equipment

These are stated at cost less accumulated depreciation / amortisation and impairment losses, if any, except capital work-in-progress which is stated at cost.

Depreciation is charged to profit and loss account applying the straight line method, whereby the depreciable amount of an asset, if any, is written off over its estimated useful life. The cost of leasehold land is amortised equally over the lease period. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

The useful lives of assets as estimated by the management are as follows:

- Leasehold land	lease term i.e. 65 to 67 years
- Buildings on leasehold land	40 years
- Plant and machinery	2 to 10 years
- Furniture and fixtures	2 to 10 years
- Vehicles	4 to 5 years
- Electric installations	5 years
- Office and other equipments	3 to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if significant, at each balance sheet date.

During the year as a result of review of useful lives of assets, the company has revised the estimated useful lives of certain components of plant and machinery which were depreciated over 10 years. The revised estimated useful lives of such components range between 2 to 7 years. This change in estimate has resulted in higher depreciation charge for the year by Rs.1.44 million.

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The company has acquired certain vehicles under lease. The leases where the company has acquired substantially all the risks and rewards of ownership are classified as finance leases. Assets under finance leases are capitalised at the lease commencement date at the lower of fair value of the leased asset and the present value of minimum lease payments and the corresponding liability is recognised on the balance sheet. Finance lease charges are allocated to the accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. The assets acquired under finance lease are depreciated over the shorter of the useful life of the asset or the lease term.

Gain or loss on disposal or retirement of property, plant and equipment is included in profit and loss account. Maintenance and normal repairs of plant and machinery costing up to approximately Rs. 50,000 and other assets costing up to approximately Rs. 25,000 are charged to profit and loss account as and when incurred.

2.14.2 Intangible assets - computer software

Computer software licenses acquired by the company are stated at cost less accumulated amortisation. Cost represents the cost incurred to acquire the software licenses and bring them to use. The cost of computer software is amortised over the estimated useful life i.e. 2 to 3 years.

Costs associated with maintaining computer softwares are charged to profit and loss account.

2.14.3 Impairment

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

2.15 Investments

The investments of the company are classified into the following categories:

i) Held to maturity

These are investments with fixed or determinable payments and fixed maturity with the company having positive intent and ability to hold to maturity. These are initially recognised at fair value plus transaction cost, and subsequently at amortised cost.

ii) At fair value through profit and loss account

These are investments designated at fair value through profit and loss account at inception. Investments in this category are classified as current assets if they are expected to be realised within twelve months of the balance sheet date.

Investments at fair value through profit and loss account are recognised at fair value and changes in fair value are taken to profit and loss account.

iii) Available for sale

These represent non derivative investments that are either designated in this category or not classified in any other category. They are included as non-current assets unless management intends to dispose off the investments within twelve months of the balance sheet date.

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Available for sale investments are initially recognised at fair value plus transaction cost, and subsequently at fair value. Changes in fair value are recognised in equity.

The company assesses at each balance sheet date whether there is objective evidence that an investment is impaired. Impairment loss on all investments is recognised in the profit and loss account. In arriving at the provision in respect of any diminution in long-term investments, consideration is given only if there is a permanent impairment in the value of the investment.

2.16 Stores, spares and loose tools

These are valued at cost determined on moving average basis less provision for slow moving and obsolete stores and spares. Items in transit are valued at invoice value plus other charges incurred thereon.

2.17 Stock in trade

These are valued at lower of cost and net realisable value. Cost is determined by first-in first-out method except for materials for fabrication of bus bodies, consumable stores, locally manufactured parts, spares for sale and stock in transit.

Cost of material for fabrication of bus bodies, consumable stores, locally manufactured parts and spares for sale is determined on moving average method. Cost of stock in transit comprises of invoice value plus other charges incurred thereon.

Cost of work in process and finished goods include direct material, labour and appropriate portion of manufacturing expenses.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less cost of completion and estimated costs necessarily to be incurred to make the sale.

2.18 Trade and other debts

Trade and other debts are carried at original invoice amount being the fair value. Provision is made against debts considered doubtful of recovery whereas debts considered irrecoverable are written off.

2.19 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, cheques in hand, balances with banks on current, savings and deposit accounts and running finance under mark-up arrangements.

2.20 Foreign currency translation

Foreign currency transactions are recorded into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account.

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2.21 Dividend distribution

Dividend distribution to shareholders is recognised as liability in the financial statements in the period in which the dividend is approved.

2.22 Accounting estimates and judgements

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

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 company's accounting policies. The matters involving a higher degree of judgment or complexity, or area where assumptions and estimates are significant to the financial statements are as follows:

(a) Provision for doubtful debts, other receivables and stocks

The company has used judgments, based on the history of the transactions, for making provisions for the doubtful debts and other receivables, whereas provision for stocks is based on the current market conditions. Management believes that changes in outcome of estimates will not have material effect on the financial statements.

(b) Staff retirement benefits

The company has post retirement benefit obligations, which are determined through actuarial valuations using various assumptions as disclosed in note 8.3 below. Management believes that the changes in assumptions will not have significant effect on the financial statements.

There have been no critical judgments made by the company's management in applying the accounting policies that would have the most significant effect on the amounts recognised in the financial statements.

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		2007	2006
		Rupees '000	
3. SHARE CAPITAL			
3.1 Authorised share capital			
20,000,000 ordinary shares of Rs. 10 each		<u>200,000</u>	<u>200,000</u>
3.2 Issued, subscribed and paid-up capital			
Ordinary shares of Rs. 10 each			
	6,200,280 shares allotted for consideration paid in cash	62,003	62,003
	4,133,520 shares allotted for consideration other than cash against fixed assets	41,335	41,335
	<u>2,066,760</u> shares allotted as bonus shares	<u>20,668</u>	<u>20,668</u>
	<u>12,400,560</u>	<u>124,006</u>	<u>124,006</u>

- 3.3** At December 31, 2007 and 2006 Hino Motors Ltd, Japan - holding company and Toyota Tsusho Corporation, Japan - associated company respectively held 7,357,665 and 3,678,833 ordinary shares of Rs. 10 each.

		2007	2006
		Rupees '000	
4. RESERVES - revenue			
General reserves		291,000	291,000
Unappropriated profit		<u>1,473,552</u>	<u>1,007,847</u>
		<u>1,764,552</u>	<u>1,298,847</u>

5. SURPLUS ON REVALUATION OF FIXED ASSETS

The surplus on revaluation of fixed assets represents surplus recognised in 1998 on revaluation of certain leasehold land and buildings on leasehold land carried out by an independent professional valuer.

To comply with the requirements of the revised International Accounting Standard 16 - Property, Plant and Equipment, the company adopted the cost model for its fixed assets. Consequently, the revalued figures of such assets as at January 1, 2005 were treated as deemed cost. The surplus on revaluation on these assets shall be held on the balance sheet till realisation in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

		2007	2006
		Rupees '000	
Balance at January 1		290,541	296,401
Less: Transferred to unappropriated profit on account of incremental depreciation for the year		<u>(5,864)</u>	<u>(5,860)</u>
Balance at December 31		<u>284,677</u>	<u>290,541</u>

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	2007	2006
	Rupees '000	
6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of finance lease liabilities		
Not later than 1 year	4,299	3,634
Later than one year and not later than 2 year	-	5,691
	<u>4,299</u>	<u>9,325</u>
Less : Current maturity shown under current liabilities	(4,299)	(3,634)
	<u>-</u>	<u>5,691</u>
Minimum lease payments		
Not later than 1 year	4,439	4,197
Later than one year and not later than 2 year	-	5,851
	<u>4,439</u>	<u>10,048</u>
Future finance charges on finance lease	(140)	(723)
Present value of finance lease liabilities	<u>4,299</u>	<u>9,325</u>

- 6.1** These represent company's obligation for vehicles obtained under finance lease agreements entered into with a Non-Banking Finance Company. The amount is payable by November 2008 in monthly installments. Monthly lease payments include finance charge at six months KIBOR + 1.9% per annum (2006: 6.5% and six months KIBOR + 1.9% per annum), which is used as discounting factor.

	2007	2006
	Rupees '000	
7. DEFERRED TAXATION		
Credit balances arising in respect of:		
- accelerated tax depreciation allowances	79,553	75,523
- surplus on revaluation of fixed assets	28,615	29,556
	<u>108,168</u>	<u>105,079</u>
Debit balances arising in respect of:		
- provision for stores and stock obsolescence	(57,890)	(44,294)
- provision for doubtful trade debts, deposits, advances and other receivables	(16,416)	(11,229)
- liabilities against assets subject to finance lease	(268)	(886)
	<u>(74,574)</u>	<u>(56,409)</u>
	<u>33,594</u>	<u>48,670</u>

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	2007	2006
	Rupees '000	
8. TRADE AND OTHER PAYABLES		
Creditors	177,500	43,092
Bills payable to Toyota Tsusho Corporation, Japan - associated company	893,042	933,119
Accrued liabilities	425,492	427,325
Advances from customers - note 8.1	709,774	342,261
Payable to Hino Motors Ltd. Japan - holding company - Royalty	64,024	21,362
- Technical assistance fee	2,434	-
Workers' welfare fund	21,287	12,732
Payable to Employees' Pension Fund - note 8.3	3,236	-
Workers' profits participation fund - note 20.1	-	27,520
Net unrealised loss on foreign exchange forward contracts	-	13,249
Custom duties payable	112,826	102,724
Payable to employees - note 8.2	21,909	17,200
Excise duty payable	4,532	1,068
Unclaimed dividend	1,393	1,100
Others	2,459	3,391
	2,439,908	1,946,143

8.1 These include Rs. 8.30 million (2006: Rs. 3.26 million) in respect of advance received from Orix Leasing Pakistan Limited - related party.

8.2 These represent contributions made by employees towards the sale price of vehicles provided to them by the company in accordance with the company's vehicle policy.

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8.3 Staff Retirement Benefits

	2007		2006	
	Gratuity Fund	Pension Fund	Gratuity Fund	Pension Fund
	Rupees '000			
8.3.1 Movement in asset / (liability)				
Balance at January 1	2,536	1,728	331	-
Charge for the year	(2,978)	(7,242)	(1,794)	(3,302)
Payments to the fund	666	2,278	3,999	5,030
Balance at December 31	224	(3,236)	2,536	1,728
8.3.2 Balance sheet reconciliation as at December 31				
Fair value of plan assets	69,337	70,040	63,165	61,406
Present value of obligations	(68,920)	(78,546)	(56,221)	(58,482)
Unrecognised actuarial (gain) / loss	(193)	2,295	(4,408)	(1,196)
Past service cost - non vested	-	2,975	-	-
	224	(3,236)	2,536	1,728
8.3.3 Charge for the year				
Current service cost	3,672	3,660	2,982	3,284
Interest cost	5,622	5,848	3,953	4,384
Expected return on plan assets	(6,316)	(6,140)	(4,830)	(4,366)
Actuarial gain recognised during the year	-	-	(311)	-
Past service cost - vested	-	3,874	-	-
	2,978	7,242	1,794	3,302
8.3.4 Actual return on plan assets				
	6,577	6,459	2,707	5,716
8.3.5 Movement in the present value of obligation				
Obligation at January 1	56,221	58,482	43,922	48,712
Current service cost	3,672	3,660	2,982	3,284
Interest cost	5,622	5,848	3,953	4,384
Actuarial loss	4,476	3,810	6,521	2,145
Benefits paid	(1,071)	(103)	(1,157)	(43)
Past service cost - vested	-	3,874	-	-
Past service cost - non vested	-	2,975	-	-
Obligation at December 31	68,920	78,546	56,221	58,482

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	2007		2006	
	Gratuity Fund	Pension Fund	Gratuity Fund	Pension Fund

Rupees '000

8.3.6 Movement in fair value of plan assets

Fair value at January 1	63,165	61,406	53,665	48,511
Expected return on plan assets	6,316	6,140	4,830	4,366
Actuarial gain	261	319	1,828	3,542
Employer contributions	666	2,278	3,999	5,030
Benefits paid	(1,071)	(103)	(1,157)	(43)
Fair value at December 31	69,337	70,040	63,165	61,406

8.3.7 Plan assets comprise of:

Equity (%)	19	43	19	48
Debt (%)	65	40	77	46
Others (%)	16	17	4	6
	100	100	100	100

8.3.8 Key actuarial assumptions used:

Expected rate of return on investments (%)	10	10	10	10
Expected rate of increase in salaries (%)	9	9	9	9
Discount factor used (%)	10	10	10	10
Retirement age (years)	60	60	60	60

8.3.9 Comparison for five years:

	2007	2006	2005	2004	2003
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Rupees '000

Funded gratuity plan					
Fair value of plan assets	69,337	63,165	53,665	50,835	50,126
Present value of defined benefit obligation	(68,920)	(56,221)	(43,922)	(35,900)	(28,840)
Surplus	417	6,944	9,743	14,935	21,286
Experience adjustment					
Actuarial loss / (gain) on obligations	4,476	6,521	603	2,978	(1,927)
Actuarial (gain) / loss on plan assets	(261)	(1,828)	593	3,523	(19,628)
Funded pension plan					
Fair value of plan assets	70,040	61,406	48,511	34,545	-
Present value of defined benefit obligation	(78,546)	(58,482)	(48,712)	(39,433)	(32,522)
(Deficit) / surplus	(8,506)	2,924	(201)	(4,888)	(32,522)
Experience adjustment					
Actuarial loss on obligations	3,810	2,145	1,747	2,025	-
Actuarial gain on plan assets	(319)	(3,542)	(4,098)	(528)	-

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8.3.10 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the plan, at the beginning of the period, for returns over the entire life of the related obligation.

8.3.11 Based on actuary's advice, the amount of expected contribution to gratuity and pension funds in 2008 will be Rs. 4.17 million and Rs. 5.71 million respectively.

9. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

The facilities for running finance under mark-up arrangements with various banks amounted to Rs. 810 million (2006: Rs. 677.5 million) of which the amount remaining unutilised at the year end was Rs. 705 million (2006: Rs. 414 million). The rates of mark-up range between 3 Month's KIBOR + 0.6% to 1 Month's KIBOR + 1.25% per annum (2006: KIBOR + 0.75% to KIBOR + 1.25% per annum). The purchase prices are payable by October 31, 2008.

The facilities for opening the letters of credit and guarantees as at December 31, 2007 amounted to Rs. 4.08 billion (2006: Rs. 2.9 billion) of which the amount remaining unutilised at the year end was Rs. 1.35 billion (2006: Rs. 1.67 billion).

The above facilities are secured by way of hypothecation charge on current assets including stock-in-trade.

	Note	2007	2006
Rupees '000			
10. COMMITMENTS			
Commitments for capital expenditure		58,816	75,641
11. FIXED ASSETS			
Property, plant and equipment	11.1	887,117	864,530
Intangible assets	11.5	3,196	714
		890,313	865,244
11.1 Property, plant and equipment			
Operating assets	11.2	884,341	856,661
Capital work-in-progress	11.3	2,776	7,869
		887,117	864,530

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11.2 Operating assets

	Leasehold Land	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Vehicles		Electrical Installations	Office and other equipments	Total
					Owned	Acquired under finance lease			
Rupees '000									
2006									
At January 1									
Cost	294,451	282,849	325,919	9,507	72,509	19,527	54,440	64,360	1,123,562
Accumulated depreciation / amortisation	(37,518)	(52,827)	(102,075)	(4,719)	(31,556)	(8,829)	(21,265)	(42,614)	(301,403)
Net book value	<u>256,933</u>	<u>230,022</u>	<u>223,844</u>	<u>4,788</u>	<u>40,953</u>	<u>10,698</u>	<u>33,175</u>	<u>21,746</u>	<u>822,159</u>
Year ended December 31									
Opening net book value	256,933	230,022	223,844	4,788	40,953	10,698	33,175	21,746	822,159
Additions	-	31,797	58,694	-	19,456	-	1,207	6,263	117,417
Disposals	-	-	-	-	(2,075)	-	-	-	(2,075)
Depreciation / amortisation charge for the year	(4,475)	(7,535)	(31,269)	(705)	(11,281)	(3,905)	(8,618)	(8,781)	(76,569)
Provision for impairment	-	-	(4,271)	-	-	-	-	-	(4,271)
Closing net book value	<u>252,458</u>	<u>254,284</u>	<u>246,998</u>	<u>4,083</u>	<u>47,053</u>	<u>6,793</u>	<u>25,764</u>	<u>19,228</u>	<u>856,661</u>
At December 31									
Cost	294,451	314,646	384,613	9,507	79,039	19,527	55,647	68,618	1,226,048
Accumulated depreciation / amortisation	(41,993)	(60,362)	(133,344)	(5,424)	(31,986)	(12,734)	(29,883)	(49,390)	(365,116)
Provision for impairment	-	-	(4,271)	-	-	-	-	-	(4,271)
Net book value	<u>252,458</u>	<u>254,284</u>	<u>246,998</u>	<u>4,083</u>	<u>47,053</u>	<u>6,793</u>	<u>25,764</u>	<u>19,228</u>	<u>856,661</u>
2007									
Year ended December 31									
Opening net book value	<u>252,458</u>	<u>254,284</u>	<u>246,998</u>	<u>4,083</u>	<u>47,053</u>	<u>6,793</u>	<u>25,764</u>	<u>19,228</u>	<u>856,661</u>
Additions	-	1,775	70,338	1,045	32,178	-	2,006	10,835	118,177
Disposals	-	(3,566)	(134)	-	(4,493)	(830)	(4)	(11)	(9,038)
Depreciation/amortisation charge for the year	(4,476)	(7,878)	(36,677)	(721)	(10,734)	(2,428)	(8,423)	(10,122)	(81,459)
Closing net book value	<u>247,982</u>	<u>244,615</u>	<u>280,525</u>	<u>4,407</u>	<u>64,004</u>	<u>3,535</u>	<u>19,343</u>	<u>19,930</u>	<u>884,341</u>
At December 31									
Cost	294,451	310,974	452,549	10,552	98,102	16,176	56,849	78,738	1,318,391
Accumulated depreciation / amortisation	(46,469)	(66,359)	(167,753)	(6,145)	(34,098)	(12,641)	(37,506)	(58,808)	(429,779)
Provision for impairment	-	-	(4,271)	-	-	-	-	-	(4,271)
Net book value	<u>247,982</u>	<u>244,615</u>	<u>280,525</u>	<u>4,407</u>	<u>64,004</u>	<u>3,535</u>	<u>19,343</u>	<u>19,930</u>	<u>884,341</u>

notes to and forming part of the financial statements

for the year ended December 31, 2007

11.3 Capital work-in-progress

	2007	2006
	Rupees '000	
Civil works	2,631	-
Plant and machinery	145	7,869
	<u>2,776</u>	<u>7,869</u>

11.4 Details of operating assets sold

The details of operating assets sold, having net book value in excess of Rs. 50,000 each are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees'000					
Scrap of buildings on leasehold land	5,447	1,881	3,566	1,130	Tender	M/s Hajiwala Traders, Karachi
Vehicle	1,206	905	301	444	Company policy	Mr. Fasihul Karim Siddiqi Director
"	1,206	985	221	444	Company policy	Mr. Muhammad Irfan Shaikh Director
"	939	767	172	386	Company policy	Mr. S. Arshad Ali Executive
"	620	165	455	513	Company policy	Mr. S. Tariq Kabeer Ex-employee
"	609	548	61	237	Insurance claim	EFU General Insurance Limited Karachi
"	434	36	398	403	Insurance claim	EFU General Insurance Limited Karachi
"	424	92	332	381	Insurance claim	EFU General Insurance Limited Karachi

11.5 INTANGIBLE ASSETS - Computer Software

At January 1

	2007	2006
	Rupees '000	
Cost	8,214	7,893
Accumulated amortisation	(7,500)	(5,481)
Net book value	<u>714</u>	<u>2,412</u>

Year ended December 31

Opening net book value	714	2,412
Additions	3,971	321
Amortisation	(1,489)	(2,019)
Closing net book value	<u>3,196</u>	<u>714</u>

At December 31

Cost	12,185	8,214
Accumulated amortisation	(8,989)	(7,500)
Net book value	<u>3,196</u>	<u>714</u>

notes to and forming part of the financial statements

for the year ended December 31, 2007

	2007	2006
	Rupees '000	
12. INVESTMENTS - Related Parties		
Available for sale		
Arabian Sea Country Club Limited - note 12.1	5,000	5,000
Automotive Testing & Training Centre (Private) Limited - note 12.2	500	750
	<u>5,500</u>	<u>5,750</u>
Less: Provision for impairment	<u>(5,500)</u>	<u>(5,750)</u>
	<u>-</u>	<u>-</u>

12.1 This represents cost of 500,000 (2006: 500,000) fully paid-up unquoted ordinary shares of Rs. 10 each. Company holds 6.45% of the shares of the investee company. The fair value of the investment is indeterminable.

12.2 This represents cost of 50,000 (2006: 75,000) fully paid-up unquoted ordinary shares of Rs. 10 each. Company holds 3.33% (2006: 5%) of the shares of the investee company. The fair value of these shares is indeterminable. During the year company has surrendered 25,000 shares to Engineering Development Board at Nil value.

	2007	2006
	Rupees '000	
13. LONG-TERM LOANS AND ADVANCES – considered good		
Loans and advances to:		
- executives	2,720	2,080
- other employees	9,064	9,064
	<u>11,784</u>	<u>11,144</u>
Less: Recoverable within one year	<u>(4,663)</u>	<u>(4,389)</u>
	<u>7,121</u>	<u>6,755</u>

13.1 The loans and advances are provided to employees under their terms of employment on interest free basis.

Loans under the schemes have been provided to facilitate purchase of motor vehicles and purchase / construction of house and are repayable over a period of five to twelve years. The motor vehicle loans are secured by joint registration of the vehicle in the name of the company and employee. The loan for purchase / construction is secured against employees' retirement fund balances.

Advances to employees are in respect of house rent assistance and these are repayable upto a period of two years. These are secured against employees' retirement fund balances.

notes to and forming part of the financial statements

for the year ended December 31, 2007

13.2 Reconciliation of carrying amount of loans and advances to executives:

	2007			2006		
	Loans	Advances	Total	Loans	Advances	Total
	Rupees '000					
Opening balances	37	2,043	2,080	22	993	1,015
Add: Disbursements	64	3,940	4,004	37	2,343	2,380
	101	5,983	6,084	59	3,336	3,395
Less: Repayments	(34)	(3,330)	(3,364)	(22)	(1,293)	(1,315)
Closing balances	67	2,653	2,720	37	2,043	2,080

13.3 The maximum aggregate amount of loans and advances due from executives at the end of any month during the year

2007 2006
Rupees '000

6,907 5,410

14. STORES, SPARES AND LOOSE TOOLS

Stores	17,419	17,016
Spares	7,585	5,272
Loose tools	8,240	3,627
	33,244	25,915
Less: Provision for obsolescence	(2,639)	-
	30,605	25,915

15. STOCK-IN-TRADE

Raw Materials and components [including in transit Rs. 265 million (2006: Rs. 242 million)]	1,703,069	1,768,401
Less: Provision for obsolescence	(68,267)	(53,693)
	1,634,802	1,714,708
Work-in-process	64,627	6,342
Finished goods - note 15.1	810,068	629,576
Less: Provision for obsolescence	(58,044)	(39,474)
	752,024	590,102
Trading stock - Spare parts [including in transit Rs. 15.26 million (2006: Rs. 409 thousand)]	118,154	103,521
Less: Provision for obsolescence	(36,448)	(33,387)
	81,706	70,134
	2,533,159	2,381,286

15.1 Finished goods include stocks amounting to Rs. 102.66 million (2006: Rs. 157.21 million) lying with company's authorised dealers.

notes to and forming part of the financial statements

for the year ended December 31, 2007

	2007	2006
	Rupees '000	
16. TRADE DEBTS		
Considered good - unsecured		
Related parties		
Indus Motor Company Limited	14,738	187
Orix Leasing Pakistan Limited	2,375	-
Others	799,273	503,039
	816,386	503,226
Considered doubtful		
Others	29,026	21,280
	845,412	524,506
Less: Provision for doubtful debts	(29,026)	(21,280)
	816,386	503,226
17. LOANS AND ADVANCES		
Considered good		
Current maturity of long term loans and advances to:		
- executives	2,152	1,454
- other employees } note 13	2,511	2,935
	4,663	4,389
Advances to:		
- executives	4,521	3,326
- other employees	16,067	14,923
- suppliers		
Indus Motor Company Limited - related party	994	434
others	64,278	69,252
	85,860	87,935
	90,523	92,324
Considered doubtful		
Advances to suppliers - note 17.1	-	835
	90,523	93,159
Less: Provision for doubtful advances to suppliers	-	(835)
	90,523	92,324

17.1 Advances to suppliers of Rs. 835 thousand have been written off during the year.

notes to and forming part of the financial statements

for the year ended December 31, 2007

	2007	2006
	Rupees '000	
18. TRADE DEPOSITS AND PREPAYMENTS		
Considered good		
Trade deposits	94,840	56,141
Prepayments	1,989	2,502
	<u>96,829</u>	<u>58,643</u>
Considered doubtful		
Trade deposits	15,350	7,440
	<u>112,179</u>	<u>66,083</u>
Less: Provision for doubtful deposits	<u>(15,350)</u>	<u>(7,440)</u>
	<u>96,829</u>	<u>58,643</u>
19. REFUNDS DUE FROM THE GOVERNMENT - SALES TAX		
Considered good	164,817	67,969
Considered doubtful	2,527	2,527
	<u>167,344</u>	<u>70,496</u>
Less: Provision for doubtful refundable	<u>(2,527)</u>	<u>(2,527)</u>
	<u>164,817</u>	<u>67,969</u>

19.1 During the year the company has received provisional refunds of Rs. 180.78 million from the sales tax authorities against bank guarantees.

	2007	2006
	Rupees '000	
20. OTHER RECEIVABLES		
Receivable from related parties - considered good		
Toyota Tsusho Corporation, Japan	1,148	1,427
Employees' Gratuity Fund - note 8.3	224	2,536
Employees' Pension Fund - note 8.3	-	1,728
Workers' profits participation fund - note 20.1	1,287	-
Employees' Provident Fund	350	-
Others - considered good		
Insurance claim receivable	3,393	2,395
Net unrealised gain on foreign exchange forward contracts	4,562	-
Others	1,219	950
	<u>12,183</u>	<u>9,036</u>

notes to and forming part of the financial statements

for the year ended December 31, 2007

	2007	2006
	Rupees '000	
20.1 Workers' Profits Participation Fund		
Opening (liability) / asset	(27,520)	1,043
Allocation for the year	(48,713)	(27,520)
	<u>(76,233)</u>	<u>(26,477)</u>
Interest on funds utilised in company's business	(1,633)	-
	<u>(77,866)</u>	<u>(26,477)</u>
Amounts paid to / (received from) the Fund	79,153	(1,043)
Closing asset / (liability)	<u>1,287</u>	<u>(27,520)</u>

21. CASH AND BANK BALANCES

Balances with banks		
on current accounts	52,514	18,602
on PLS savings accounts	156,377	54,661
on term deposit account	52,000	45,000
Cash in hand	24	34
	<u>260,915</u>	<u>118,297</u>

21.1 At December 31, 2007 the rates of mark-up on savings accounts and term deposits range from 0.25% to 10.5% per annum (2006: 0.25% to 9.5% per annum).

	2007	2006
	Rupees '000	
22. SALES		
Manufactured goods		
Gross sales	7,989,977	7,075,542
Less: Commission and discounts	196,751	200,583
Sales tax and excise duty	84,450	545,171
Sales returns	2,875	30,309
	<u>7,705,901</u>	<u>6,299,479</u>
Trading goods		
Gross sales	169,210	124,883
Less: Commission and discounts	29,338	19,018
Sales tax	18,876	12,837
Sales returns	117	225
	<u>120,879</u>	<u>92,803</u>
	<u>7,826,780</u>	<u>6,392,282</u>

notes to and forming part of the financial statements

for the year ended December 31, 2007

23. OPERATING COST

	Cost of Sales		Distribution Expenses		Administration Expenses		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	Rupees '000							
Raw materials consumed	5,933,569	5,108,993	-	-	-	-	5,933,569	5,108,993
Stores and spares consumed	6,863	13,924	-	767	9	6	6,872	14,697
Staff costs - note 23.2	342,288	281,006	94,242	60,006	62,208	50,672	498,738	391,684
Staff training	1,357	2,119	634	711	741	602	2,732	3,432
Rent, rates and taxes	11,111	7,114	903	727	-	-	12,014	7,841
Insurance	1,395	1,528	722	540	1,129	1,188	3,246	3,256
Fuel and power	27,555	21,439	1,188	3,094	6,301	7,064	35,044	31,597
Repairs and maintenance	38,987	35,064	3,364	603	10,797	8,437	53,148	44,104
Postage, telex and telephone	1,728	1,987	3,153	3,311	2,097	1,399	6,978	6,697
Vehicle running expenses	8,979	8,485	9,174	7,701	5,860	5,832	24,013	22,018
Printing, stationery and office supplies	2,554	2,384	4,101	4,337	1,940	1,533	8,595	8,254
Travelling and entertainment	6,389	6,528	15,654	12,817	4,753	4,084	26,796	23,429
Technical assistance fee	2,499	-	-	-	-	-	2,499	-
Royalty	67,919	42,947	-	-	-	-	67,919	42,947
Depreciation and amortisation	63,790	59,887	5,728	6,797	13,430	11,904	82,948	78,588
Impairment loss	-	4,271	-	-	-	-	-	4,271
Fixed assets charged off	8,326	8,345	251	1,122	2,386	631	10,963	10,098
Research and development	3,417	1,285	42	-	-	-	3,459	1,285
Legal and professional charges	-	-	-	-	7,613	5,420	7,613	5,420
Auditors' remuneration - note 23.3	-	-	-	-	1,630	1,526	1,630	1,526
Security and maintenance	-	-	-	-	16,428	16,202	16,428	16,202
Outward freight and handling	-	-	919	762	-	-	919	762
Advertising and sales promotion	-	-	32,766	26,415	-	-	32,766	26,415
Product maintenance charges	-	-	48,440	37,404	-	-	48,440	37,404
Warranty services	-	-	27,695	11,012	-	-	27,695	11,012
Provision for doubtful trade debts	-	-	7,746	6,189	-	-	7,746	6,189
Provision for doubtful deposits	-	-	7,910	2,539	-	-	7,910	2,539
Other expenses	5,673	5,487	4,348	1,674	3,066	3,221	13,087	10,382
	6,534,399	5,612,793	268,980	188,528	140,388	119,721	6,943,767	5,921,042
Opening stock of work in process	6,342	31,279						
	6,540,741	5,644,072						
Closing stock of work in process	(64,627)	(6,342)						
Cost of goods manufactured	6,476,114	5,637,730						
Opening stock of finished goods	590,102	427,288						
Closing stock of finished goods	(752,024)	(590,102)						
	6,314,192	5,474,916						
Trading goods								
Opening stock	70,134	50,762						
Purchases	136,523	102,158						
	206,657	152,920						
Closing stock	(81,706)	(70,134)						
	124,951	82,786						
	6,439,143	5,557,702						

23.1 Cost of sales includes charge for stock obsolescence of Rs. 38.84 million (2006: Rs. 33.63 million).

notes to and forming part of the financial statements

for the year ended December 31, 2007

23.2 Staff costs

	Cost of Sales		Distribution Expenses		Administration Expenses		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	Rupees '000							
Salaries, wages, allowances and staff welfare	331,612	273,953	90,823	58,179	60,095	49,422	482,530	381,554
Charge for defined benefit plans	6,846	3,728	2,095	812	1,279	556	10,220	5,096
Charge for defined contribution plan	3,830	3,325	1,324	1,015	834	694	5,988	5,034
	<u>342,288</u>	<u>281,006</u>	<u>94,242</u>	<u>60,006</u>	<u>62,208</u>	<u>50,672</u>	<u>498,738</u>	<u>391,684</u>

23.3 Auditors' Remuneration

	2007	2006
	Rupees '000	
Audit fee	750	650
Fee for limited review, audit of workers' profits participation fund, gratuity fund, provident fund, pension fund, special certifications and other assignments	700	710
Out of pocket expenses	180	166
	<u>1,630</u>	<u>1,526</u>

24. OTHER OPERATING INCOME

Income from financial assets		
Return on PLS savings accounts	10,698	12,408
Return on certificates of investment and short term deposits	10,002	25,981
Income from non-financial assets		
Gain on disposal of operating fixed assets	1,178	4,440
Others		
Scrap sales	28,076	18,342
Commission - from related party	935	1,466
Liabilities no longer required written back	4,177	4,608
Others	2,544	5,375
	<u>57,610</u>	<u>72,620</u>

notes to and forming part of the financial statements

for the year ended December 31, 2007

	2007	2006
	Rupees '000	
25. OTHER OPERATING EXPENSES		
Donations - note 25.1	91	78
Workers' profits participation fund - note 20.1	48,713	27,520
Workers' welfare fund	19,297	11,174
	<u>68,101</u>	<u>38,772</u>
25.1 None of the directors or their spouses had any interest in the donee.		
26. FINANCE COST		
Finance lease charges	545	889
Exchange loss	31,283	38,774
Bank charges	6,595	4,983
Interest on workers' profits participation fund - note 20.1	1,633	-
Mark-up on running finance	23,112	3,770
	<u>63,168</u>	<u>48,416</u>
27. TAXATION		
Current - for the year	333,000	194,461
- for prior year	(3,361)	(917)
Deferred	(15,076)	(5,662)
	<u>314,563</u>	<u>187,882</u>
27.1 Relationship between tax expense and accounting profit		
Profit before taxation	<u>904,610</u>	<u>511,763</u>
Tax calculated at the rate of 35%	316,614	179,117
Effect of final tax regime	2,939	3,469
Permanent differences	(1,629)	6,213
Reversal of prior years' tax provision	(3,361)	(917)
Tax charge for the year	<u>314,563</u>	<u>187,882</u>
28. EARNINGS PER SHARE		
Profit after taxation attributable to ordinary shareholders	<u>590,047</u>	<u>323,881</u>
Number of ordinary shares (in '000s) issued and subscribed at the end of the year	<u>12,401</u>	<u>12,401</u>
Earnings per share	<u>Rs. 47.58</u>	<u>Rs. 26.12</u>

A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at December 31, 2006 and 2007 which would have any effect on the earnings per share if the option to convert exercised.

notes to and forming part of the financial statements

for the year ended December 31, 2007

29. CASH GENERATED FROM OPERATIONS

	2007	2006
	Rupees '000	
Profit before taxation	904,610	511,763
Add / (Less): Adjustments for non cash charges and other items		
Depreciation and amortisation	82,948	78,588
Impairment loss	-	4,271
Mark-up on running finance	23,112	3,770
Gain on sale of fixed assets	(1,178)	(4,440)
Return on PLS savings accounts	(10,698)	(12,408)
Return on certificates of investment and short term deposits	(10,002)	(25,981)
	84,182	43,800
Profit before working capital changes	988,792	555,563
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(4,690)	3,887
Stock-in-trade	(151,873)	(590,578)
Trade debts	(313,160)	(180,140)
Loans and advances	1,801	(21,581)
Trade deposits and prepayments	(38,186)	(17,778)
Refunds due from the government - sales tax	(96,848)	(67,414)
Other receivables	(3,147)	(5,080)
	(606,103)	(878,684)
Increase / (decrease) in current liabilities		
Increase in trade and other payables	493,472	676,174
	(112,631)	(202,510)
	876,161	353,053

30. CASH AND CASH EQUIVALENTS

	2007	2006
	Rupees '000	
Cash and bank balances	260,915	118,297
Running finance under mark-up arrangements	(105,178)	(262,486)
	155,737	(144,189)

notes to and forming part of the financial statements

for the year ended December 31, 2007

31. REMUNERATION OF MANAGING DIRECTOR, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for remuneration, including all benefits to the Managing Director, Directors and Executives of the company are as follows:

	Managing Director		Directors		Executives	
	2007	2006	2007	2006	2007	2006
	Rupees '000					
Managerial remuneration and allowances	3,860	3,079	12,767	10,890	42,291	17,432
Bonus	993	2,013	9,009	6,121	14,170	8,293
Retirement benefits	-	-	879	734	2,615	1,726
Rent and utilities	1,906	1,661	5,777	5,050	9,341	6,842
Leave passage	-	288	1,033	812	1,612	1,037
Club expenses	23	23	106	82	267	201
Medical expenses	101	85	394	341	1,460	1,027
	<u>6,883</u>	<u>7,149</u>	<u>29,965</u>	<u>24,030</u>	<u>71,756</u>	<u>36,558</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>21</u>	<u>16</u>

31.1 Consultancy fee paid to the Chairman during the year amounted to Rs. 2.50 million (2006: Rs. 2.18 million). Further, Chairman is provided with free use of company maintained car and certain items of household furniture & fixtures and electrical appliances.

31.2 The Managing Director, Directors and certain executives of the company are provided with free use of company maintained cars and certain items of household furniture & fixtures and electrical appliances in accordance with their terms of employment.

32. PLANT CAPACITY AND PRODUCTION

Plant capacity (single shift without overtime)

	2007	2006
- Chassis	6,000	6,000
- Bodies	1,800	1,800

Actual production

	2007	2006
- Chassis	4,152	2,898
- Bodies	1,747	938

Low production during the year was consequent to low market demand.

notes to and forming part of the financial statements

for the year ended December 31, 2007

33. RELATED PARTY DISCLOSURES

Disclosure of transactions between the company and related parties:

Relationship	Nature of transaction	2007	2006
		Rupees '000	
i. Holding company	- Purchase of goods	89,840	104,465
	- Royalty charge	67,919	42,947
	- Dividend paid	77,255	44,146
	- Technical assistance fee	2,499	-
ii. Associated companies	- Purchase of goods	3,267,225	3,390,642
	- Purchase of services	1,281	148
	- Sale of goods	321,833	520,705
	- Purchase of fixed assets	54,752	29,027
	- Commission earned	935	1,466
	- Dividend paid	38,628	22,073
iii. Employees' Provident Fund	- Contribution paid	6,338	5,034
iv. Employees' Gratuity Fund	- Contribution paid	666	3,999
v. Employees' Pension Fund	- Contribution paid	2,278	5,030
vi. Key Management Personnel	- Compensation	36,848	31,179
	- Sale of fixed assets	888	-

33.1 Outstanding balances with related parties as at year end have been included in trade and other payables, trade debts, loans and advances and other receivables respectively.

33.2 Details of compensation to key management personnel comprising of Managing Director and Directors is disclosed in note 31 above. Further, details of fixed assets sold to key management personnel is disclosed in note 11.4.

notes to and forming part of the financial statements

for the year ended December 31, 2007

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

	Interest / Mark-up bearing			Non Interest / Mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	Rupees '000						
Financial assets							
Loans and advances	-	-	-	4,663	7,121	11,784	11,784
Deposits	-	-	-	94,840	6,002	100,842	100,842
Trade debts	-	-	-	816,386	-	816,386	816,386
Accrued mark-up on deposit account	-	-	-	2,678	-	2,678	2,678
Other receivables	-	-	-	4,541	-	4,541	4,541
Cash and bank balances	208,377	-	208,377	52,538	-	52,538	260,915
December 31, 2007	208,377	-	208,377	975,646	13,123	988,769	1,197,146
December 31, 2006	99,661	-	99,661	607,305	15,054	622,359	722,020
Financial liabilities							
Long-term security deposits	-	-	-	-	32,000	32,000	32,000
Liabilities against assets subject to finance lease	4,299	-	4,299	-	-	-	4,299
Trade and other payables	-	-	-	1,563,885	-	1,563,885	1,563,885
Running finance under mark-up arrangements	105,178	-	105,178	-	-	-	105,178
Mark-up accrued on running finance arrangements	-	-	-	598	-	598	598
December 31, 2007	109,477	-	109,477	1,564,483	32,000	1,596,483	1,705,960
December 31, 2006	266,120	5,691	271,811	1,398,121	30,000	1,428,121	1,699,932

(i) Interest / Mark-up rate risk

The company has no significant interest bearing financial assets or liabilities. The effective mark-up rates for financial assets and liabilities are mentioned in respective notes to the financial statements.

(ii) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised if counterparts failed to perform as contracted. Out of the total financial assets of Rs. 1.2 billion (2006: Rs. 722 million), the assets subject to credit risk amount to Rs. 816 million (2006: Rs. 503 million). The company believes that it is not exposed to credit risk as major part of these receivables comprise of receivable from government agencies and in case of other customers company usually obtains post dated cheques.

The company attempts to control credit risk by monitoring credit exposure, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

(iii) Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitment. The company manages liquidity risk by maintaining sufficient cash and the availability of financing through banking arrangements.

notes to and forming part of the financial statements

for the year ended December 31, 2007

(iv) Foreign exchange risk management

Foreign currency risk arises mainly when receivables and payables exist due to transactions with foreign undertakings. The company manages foreign currency risk arising on import related activity usually by obtaining forward currency contracts.

(v) Fair values of the financial assets and liabilities and derivatives

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. The fair value of forward currency contracts is calculated using the prevailing market rates of forward contracts approximately matching with the term of maturity of the contracts.

35. CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders. The capital structure of the company is equity based with no financing through long term borrowings. Company avails short term borrowings for working capital purposes only.

36. DIVIDEND

The Board of Directors in their meeting held on February 11, 2008 proposed a cash dividend of Rs.24 per share (2006: Rs.10.5 per share) amounting to Rs. 297.610 million (2006: Rs 130.206 million).

37. CORRESPONDING FIGURES

Corresponding figures have been reclassified for the purposes of better presentation. Major re-classifications are as follows:

Nature of reclassification	Reclassification from		Reclassification to		"Rupees '000"
	Note	Component	Note	Component	
Sales tax refundable	20.	Sales tax receivable	19.	Refunds due from the government - sales tax	67,969
Dealer's long-term security deposits	8.	Advances from customers	-	Long-term security deposits	30,000
Contributions made by employees	8.	Others	8.	Payable to employees	17,200

38. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 11, 2008 by the Directors.


Managing Director &
Chief Executive


Chairman