

Selected Notes to the Financial Statements for the period of nine months ended December 31, 2005 (Un-audited)

1. These financial statements are un-audited and are being submitted to the shareholders in accordance with the requirements of the Companies Ordinance, 1984.
2. The accounting policies adopted for the preparation of these quarterly financial statements are the same as those applied in the preparation of preceding audited financial statements of the company for the year ended March 31, 2005.
3. These accounts have been prepared in accordance with the requirements of the International Accounting Standard 34 'Interim Financial Reporting'.
4. Contingencies and Commitments

Contingencies

- i) Claims against the company not acknowledged as debt by the company amounting to Rs. 9.79 million (March 31, 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 have 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 that relevant period. Hence CBU rate of duty was not applicable on import of these components. The company has already made a provision of Rs. 42 million in previous years 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.

Commitments in respect of

- i) Letters of credit and purchase commitments other than capital expenditure Rs. 830.52 million (March 31, 2005: Rs. 708.19 million).
- ii) Letters of credit and purchase commitments for capital expenditure Rs. 988.96 million (March 31, 2005: Rs. 14.75 million).

		December 31, 2005	March 31, 2005
	Note	(Rupees in thousand)	
5. Property, plant and equipment			
Opening book value		649,244	492,329
Add: Additions during the period	-note 5.1	534,440	314,084
		<u>1,183,684</u>	<u>806,413</u>
Less: Disposals / scrap during the period (at book value)-note 5.2		12,368	10,758
Depreciation charged during the period		120,855	146,411
		<u>133,223</u>	<u>157,169</u>
		<u>1,050,461</u>	<u>649,244</u>
5.1 Following is the detail of additions during the period:			
- Free hold land		365,766	-
- Building		5,127	47,011
- Plant and machinery		97,262	218,034
- Furniture and office equipments		6,871	15,897
- Vehicles		43,361	21,857
- Tools and equipments		7,636	6,471
- Computers		8,417	4,814
		<u>534,440</u>	<u>314,084</u>
5.2 Following is the detail of disposals/scrap during the period:			
- Plant and machinery		2,898	1,350
- Furniture and office equipment		18	76
- Vehicles		9,445	8,001
- Tools and equipments		-	1,096
- Computers		7	235
		<u>12,368</u>	<u>10,758</u>
		October to December 2005	April to December 2005
		2004	2004
		(Rupees in thousand)	
6. Sales			
Sales - Vehicles		5,366,493	5,343,431
Less: Sales Tax		699,860	696,990
Commission to dealers		124,989	128,477
		<u>4,541,644</u>	<u>4,517,964</u>
Sales - Completely built units		295,027	-
Less: Sales tax		38,489	-
Commission to dealers		4,810	-
		<u>251,728</u>	<u>-</u>
Sales - Spare parts		100,187	75,454
Less: Sales tax		13,068	9,788
		<u>87,119</u>	<u>65,666</u>
		<u>4,880,491</u>	<u>4,583,630</u>
		<u>20,856,805</u>	<u>13,004,365</u>
		<u>2,720,324</u>	<u>1,695,990</u>
		<u>466,149</u>	<u>308,653</u>
		<u>17,670,332</u>	<u>10,999,722</u>
		<u>779,625</u>	<u>-</u>
		<u>101,697</u>	<u>-</u>
		<u>12,800</u>	<u>-</u>
		<u>665,128</u>	<u>-</u>
		<u>286,996</u>	<u>210,583</u>
		<u>37,434</u>	<u>27,532</u>
		<u>249,562</u>	<u>183,051</u>
		<u>18,585,022</u>	<u>11,182,773</u>

	October to December		April to December	
	2005	2004	2005	2004
Note	(Rupees in thousand)		(Rupees in thousand)	
7. Cost of goods sold				
Raw material consumed	5,573,144	4,110,173	17,977,179	10,123,032
Stores and spares consumed	15,166	9,037	30,738	17,273
Salaries, wages and benefits	54,442	35,613	157,571	91,378
Fuel and power	7,880	6,401	28,207	18,660
Insurance	3,674	2,528	10,117	6,920
Travelling and vehicle running	18,099	11,294	47,660	26,224
Freight and handling	15,046	10,137	49,823	25,888
Repairs and maintenance	2,192	3,282	8,201	9,455
Technical assistance	4,136	1,453	13,673	5,189
Depreciation	44,364	35,747	100,035	91,385
Royalty	91,091	67,873	354,133	165,609
Amortization - licence fee	3,248	778	6,550	7,264
Canteen subsidy	3,606	2,708	12,438	7,147
Others	597	375	2,215	1,366
	5,836,685	4,297,399	18,798,540	10,596,790
Opening stock of work-in-process	135,776	119,399	68,701	68,653
Closing stock of work-in-process	(90,656)	(115,571)	(90,656)	(115,571)
	45,120	3,828	(21,955)	(46,918)
Cost of goods manufactured	5,881,805	4,301,227	18,776,585	10,549,872
Less: Own work capitalized	-	4,572	22,281	9,513
Cost of damaged cars	-	624	7,339	10,451
	5,881,805	4,296,031	18,746,965	10,529,908
Opening stock of finished goods	170,937	153,457	68,400	73,056
Closing stock of finished goods	(1,660,103)	(69,098)	(1,660,103)	(69,098)
	(1,489,166)	84,359	(1,591,703)	3,958
	4,392,639	4,380,390	17,155,262	10,533,866
Cost of completely built units purchased for resale	227,685	-	602,007	-
Cost of spare parts purchased for resale **	77,767	53,640	217,060	149,952
	4,698,091	4,434,030	17,974,329	10,683,818

** Includes depreciation charge of Rs. 1.54 million (2004: Rs. 1.51 million).

	April to December	
	2005	2004
	(Rupees in thousand)	
8. Transactions with related parties		
Sale of goods	37,383	19,018
Purchase of goods	9,854,087	6,001,798
Fixed capital expenditure	249,778	60,164
Long term investments	300,000	250,000
Insurance premium	158,965	98,783
Technical assistance	43,894	10,798
Licence Fee	29,775	-
Royalty	354,044	165,317
9. Cash generated from operations		
Profit before taxation	612,536	425,217
Adjustment for non cash charges and other items:		
- Depreciation	120,855	108,254
- Gain on sale of property, plant and equipment	(3,943)	(1,314)
- Assets written off	2,898	185
- Profit accrued on bank deposits / investments	(188,587)	(62,259)
- Finance cost	20,528	4,490
- Provision for staff gratuity	4,500	2,501
- Royalty	354,133	165,609
- Amortization of intangible assets	6,764	7,454
- Worker's profit participation fund	32,781	22,722
- Worker's welfare fund	10,333	6,511
Working capital changes	- note 9.1 (4,187,290)	1,925,999
	<u>(3,214,492)</u>	<u>2,605,369</u>
9.1 Working capital changes		
(Increase)/decrease in current assets		
- Stores and spares	(2,300)	(4,776)
- Stock in trade	(1,621,634)	(849,469)
- Advances, deposits, prepayments and other receivables	(225,179)	47,753
Increase/(decrease) in current liabilities		
- Trade and other payables	(2,338,177)	2,732,491
	<u>(4,187,290)</u>	<u>1,925,999</u>

Limited

	December 31, 2005	March 31, 2005
	(Rupees in thousand)	

10. Cash and cash equivalents


Cash and bank balances	<u>851,738</u>	<u>4,632,656</u>
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11. Date of authorization for issue

These financial statements were authorized for issue on January 27, 2006 by the Board of Directors of the company.

12. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.


Yusuf H. Shirazi
Chairman


Mamoru Suwama
Chief Executive