Notice of the Meeting

NOTICE is hereby given that the thirty first Annual General Meeting of the Company will be held at the Institute of Chartered Accountants of Pakistan Auditorium, Clifton, Karachi on Thursday, October 25, 2012 at 11:00 a.m.to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Accounts for the year ended June 30, 2012 together with the Report of the Directors' and Auditors' thereon.

2. To approve the payment of cash dividend @ 1S00/0 i.e. Rs.7.50 per share as recommended by the Board of Directors.

3. To appoint Auditors for the year 2012-2013 and to fix their remuneration. The present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder (Chartered Accountants) being eligible offer themselves for re-appointment.

SPECIAL BUSINESS:

1. To adopt a new set of Articles of Association and for this purpose to pass the following resolution as a Special Resolution:

RESOLVED THAT the regulations contained in the printed document submitted to this meeting, and for the purpose of identification subscribed by the Chairman hereof, be approved and adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of, all the existing Articles thereof.

By Order of the Board,

Karachi, August 29, 2012

AQEEL LOON
Company Secretary

Notes:

i) The Share transfer books of the company will remain closed from October 19, 2012 to October 25, 2012 (Both days inclusive) and the final dividend will be paid to the Shareholders whose names will appear in the Register of Members on October 19, 2012. Shareholders (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company MIS Noble Computer Services (Pvt) Limited., 1st Floor, House of Habib, 3 Jinnah C.H. Society, Sharah-e-Faisal, Karachi. All the Shareholders holding the shares through the CDC are requested to please update their addresses and Zakat status with their Participants. This will assist in the prompt receipt of dividend.

ii) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective, instrument of appointing proxy must be received at the registered office of the company duly stamped and signed not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.

iii) Members who have not yet submitted photocopy of their computerized national identity card to the Company are requested to send the same at the earliest.

CDC Accounts Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

A. For Attending the Meeting:

i) In case of individuals the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall authenticate identity by showing his / her original national identity card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominees shall be produced (unless provided earlier) at the time of meeting.

B. For Appointing Proxies:

i) In case of individuals the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall submit the proxy form as per the above requirements.

ii) The proxy form shall be witnessed by two person whose names, addresses and CNIC number shall be mentioned on the form.

iii) Attested photocopies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with the specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

Statement under section 160(1)(b) of the Companies Ordinance 1984

The material facts concerning the special business to be transacted at the General Meeting of the Company to be held on October 25, 2012.

Alterations in the Articles of Association of the Company:

The Board of Directors of the Company has recommended that the Company's Articles of Association be substituted for, and to the exclusion, of all the existing articles by a new set of articles of association. The new set of the articles of association updates the Company's existing Articles of Association by taking into account the several changes made in the Companies Ordinance, 1984 since the time that the Articles were last amended in November 1999.

A copy of the new set of Articles of Association is attached.

The resolution required for the above purpose is set forth as item No. 1 under the Special Business in the notice convening the Annual General Meeting and that resolution will be proposed and passed as a Special Resolution.

Directors' Report to the Shareholders for the year ended June 30, 2012

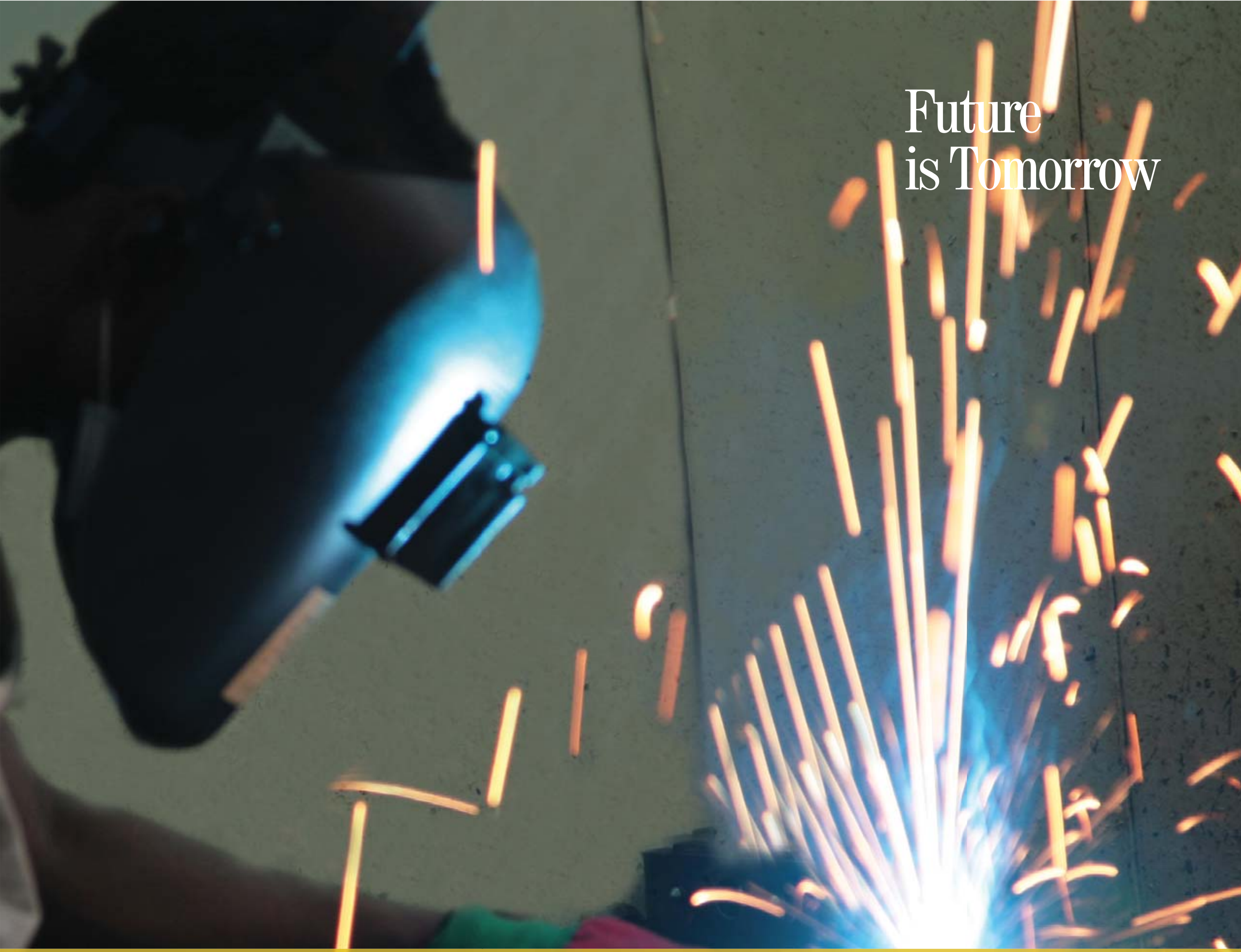
Dear Shareholders,

The Directors of your Company have the pleasure of presenting the annual report based on the results of its operations along with the audited accounts for the year ended June 30, 2012.

The year 2012 started with un-certainties and remained indeterminate throughout . The influx of the used cars, ban on the import of CNG kits, threats of opening up trade with India, imposition of sales tax on tractors coupled with the adverse effects of continued power shortages made the year even more challenging.

Inspite of these challenges, the Company unflinchingly managed to increase its profit after taxation by 33% over the last year.

The Board of Directors' is therefore pleased to recommend a highest ever cash dividend of 150% i.e. Rs. 7.50 per share. The Board has also recommended appropriation of Rs. 345.0 million from un-appropriated profits to General Reserve.



1. SUMMARY OF FINANCIAL RESULTS

Following are the summarized financial results of the Company for the year 2012:

Rs. '000

	2012	2011
Turnover	**4,286,674**	3,980,258
Gross Profit	**925,703**	809,331
Profit before Taxation	**830,446**	672,581
Taxation	**(245,382)**	(233,621)
Profit after Taxation	**585,064**	438,960
Earnings Per Share (Rs.)	**20.31**	15.24

2. PAKISTAN's ECONOMY

The year 2012 remained a difficult year for the Pakistan economy as GDP growth slowed down and the fiscal deficit widened amid increase in the current account deficit. GDP expanded by 3.7% ,slightly less than the targeted 4.2% .This was primarily driven by growth in the Agriculture and Services sectors , as growth in manufacturing sectors remained subdued due to severe shortage of electricity/gas. Pak Rupee depreciated by 9% during the year as the country's foreign exchange reserves depleted.

Next year is again going to be as challenging for us as all the impediments of the last year have been carried forward without any solution. It includes uncertain policies, energy crisis, deteriorating law and order situation.

3. AUTOMOTIVE SECTOR

The importance of the auto industry for a country cannot be understated. In Pakistan especially, the automobile sector has contributed handsomely to the GDP and is always a popular destination for Foreign Direct Investment. There are apprehensions that the potential this sector offers vis-a-vis poor decision-making at the top always ends up hurting the local industry.

The main objective of the government is to provide economic protection to its industries and offer incentives such as capital, tax benefits etc thereby creating employment opportunities for the well being of its people. It is however felt that the current government, instead of providing incentives to its local industries has relaxed the conditions for the import of used cars which is adversely affecting the local auto part manufacturers. Last year alone, 55,000 used vehicles were imported which accounts for almost 25% of the market.

Tractor segment was badly hit last year due to the imposition of sales tax and increased prices. Resultantly the demand fell. However, the Government realized this situation and reduced the incidence of tax immediately with a progressive increase over a period of three years. After this change the demand has stabilized.

Summarized automobile production figures comparing 2012 with 2011 appears below:

	2012	2011	Change
Passenger Cars	**154,255**	133,972	15.14%
Light Commercial Vehicles	**21,380**	20,025	6.76%
Trucks & Buses	**3,165**	3,300	(4.0%)
Tractors	**48,120**	70,770	(32.0%)
Motorcycles (2 & 3 Wheelers)	**1,602,702**	1,637,450	(2.12%)

Future is Tomorrow

Second-hand cars dominate market

By Aamir Shafaat Khan

KARACHI, July 27: A leading car manufacturer has cut down on production in July owing to slowdown in demand due to an increased buyers' interest in used cars coupled with reduced working hours in Ramazan.

An official in Indus Motor Company (IMC) told Dawn that the company has been observing non-production day (NPD) in Toyota Corolla and Toyota Hilux during the current month.

"We will not assemble 1,400-1,500 vehicles in July from the total monthly production of 4,500 units," the official.

The company is actually feeling the pinch of huge influx of used cars which is eroding the market share of locally produced vehicles, he added.

Out of total import of 55,703 units in July-June 2011-2012, the share of cars up to 1,000cc is 24,530 units, followed by arrival of 17,872 units of 1,300-1,500cc used cars.

According to Pakistan Bureau of Statistics (PBS), total import of cars (over 90 per cent used vehicles) rose by 145 per cent to $371 million in 2011-2012 from $151 million in 2010-2011.

A leading vendor of IMC said the company had already ... the parts procure... 2012 ...ply from July 27 till August 7 (A Shift Morning). The IMC official also asked the vendors not to dispatch any supplies during the above mention time duration. He added that the company also plans to change its sales mechanism.

Meanwhile, an official at Honda Atlas Pakistan said that the company had not altered its planned production plan for July 2012.

"However, the import of used cars is retarding the growth of local industry," he added. Honda Atlas produces average 2,000 units of Civic and City per month.

An official in Pak Suzuki Motor Company Limited (PSMCL) said that the company is facing 20-30 per cent reduced sales in July 2012 as huge stocks of used cars lure prospective buyers.

He did not confirm about slowing down production but said that the company had enough stocks in the marke... and plant for sale up to ne... one and a half months.

The official said that company had dispa... 20,000 Suzuki Mehra... Bolan to Punjab gove... for taxi scheme from 2011 to June 2012 ... caused overall im... in car sales figu... June 2011-2012 ... sales in 2011 ... 157,325 units ... units in 2010 ... On the co...

B.R. 11-08-2012

Used car importers accused of violating anti-money laundering law

IQBAL MIRZA

KARACHI: Used car importers are violat...ing anti-money laundering regulations as ...ost of the payments are being made ...ough "Hundi" and "Hawala" and other ...al channels, according to stakeholders.

...informed sources in banking industry ...most of the funds to import used ...ng made through illegal channels. ...ined that payment through ...affecting exchange rate nega... ...urther damaging our country ...corded for this fiscal is ...

...misusing the facility, ...seas Pakistanis. They ...auctions of used ...ey are importing ...

...only affect... ...ause unem... ...ufacturing ... loss of ... service ... which ... leads to idle industrial production capacities including loss of investments, bankruptcy and closure of small vendors businesses. "This illegal practice is not only affecting domestic auto industry but also causing loss of revenues to the government as unscrupulous importers do not pay income tax and other related duties," they said.

The domestic auto and vendor industries are fully documented and pay their full shares of taxes, they said, adding that these industries are among the top taxpayers in the country. These fully documented industries are contributing huge share in government revenue generation, they said.

They explained that the SRO 577 (issued in 2005) gives special dispensation (fixed duty and depreciation up to 60 per cent) to overseas Pakistanis (for which there is no legal justification). Further, the duties were fixed in US dollars some six years ago (and are not applied as percent of C&F value) ...

...dealers.

The buyers are attracted to used cars because of gadgets/gimmicks installed in Japanese cars, which have no practical value/use in the country as against rugged cars manufactured in Pakistan to suit local road conditions.

"In the long run, buyers suffer losses due to non-availability of parts/service and low resale value of used cars", experts said. Spare parts of these imported cars are either unavailable in the domestic market or are very expensive.

Local market sources revealed these imported used cars have no resale value and the selling ratio of these imported cars from general public is very thin. The person who once purchases any imported car is bound to use it for the entire remaining life as there is no buyer to purchase it. Leading ...

The Nation, Lahore | Wednesday, August 1, 2012

Car plants closure to render thousands jobless

SALMAN ABDUHU

LAHORE – The closure of car plants by major assemblers will render hundreds of thousands of skilled workforce jobless, as Pak Suzuki and Indus Motor Companies are considering to shut down their factories in view of constant decline in demand for their vehicles.

The auto parts manufacturers demanded the government to intervene and ask the local car assemblers to resume their productions. The association, showing grave concern over shutting down of main car manufacturing plants, observed that production of auto parts has also come to a massive slowdown as a result of the flawed policies of the gov... ment, result... well as unskilled workers, employed directly and indirectly by this vendor industry.

Business Forum of Punjab and PAAPAM chairman Syed Nabeel Hashmi stated that this grim situation arisen has come to pass, because federal government has failed to pay heed to all the warnings about controlling the import of used cars. In addition to this flawed policy on used cars, government has clamped down on sale of CNG cars by car assemblers. Further more, without ensuring availability of Euro-II compliance diesel, government has legislated that Euro-II vehicles be launched from 1st July 2012 thereby increasing the ... petrol ... interest rates and it is ex... tremely unfair that the gov... ernment is giving preference to imported used junk instead of promoting and supporting loca... employment generation.

The Vice Chairman Muni... Bana appealed to the govern... ment that it should take im... mediate remedial actions by banning import of used vehi... cles (or at least bring the ag... limit down from 5 to 3 years) in order to bring stability to the auto industrial sector and sav... the employment of thousan... of workers, employed by the vendor industry, who m... come on the road ...

B.R 13-08-2012

Rising imports haunt local auto manufacturing

Plagued by the same old ghosts who have consistently been foraging away at the demand for locally manufactured automobiles, the auto industry has experienced a throwback yet again; posting worryingly dismal figures at the end of July 2012.

Plunging down by 46 percent over June alone, car sales stood at 10,435 units at the end of July 2012, according to figures releases by PAMA, which highlights generally subdued buyer interest.

Compared year on year, industry's sales fell by 41 percent, clearly attributable to a high base effect witnessed as a result of below the line sales in Jul'11 when customers deferred buying in anticipation of a tariff cut expected to be announced in the FY12 budget.

Also compounding the effect was the phasing out of the Punjab Taxi Scheme, in lieu of which an additional 20,000 units had been sold during last year. As a result, PSMC – which was a market leader in terms of sales last year- witnessed a massive 53 percent YoY decline in units sold.

Indus Motors, while managing to post record year-end profits, suffered pretty much the same fate, with its total car sales suffering a 32 percent YoY decline, going down to 3,087 units in July 2012, from 4,551 units sold in the same period last year.

Largely anticipated, these declines in sales' figures come principally off the back of mounting pressure from imports which have been made even more attractive due to the price differentials between local and foreign manufactured vehicles.

Continuing to remain a thorn in the side of the local auto manufacturing industry, foreign imports of CBU's rose by 25 percent from last month to 4,950 units in July 2012, catering to roughly 32 percent of the consumer demand in the market.

On the other hand, making the situation worse is the Engineering Development Board, which is responsible for the drafting of the much awaited AIDP-II policy.

Managing to strike fear into the hearts of the local auto industry's stakeholders, EDB is expected to lay the stamp on further import tariff reductions, supposedly allowing for a level playing field in the local auto industry, which according to EDB's officials has long been monopolised by the existing giants.

While market voices differ in their opinion on the issue of rising imports and its affect on the local market dynamic, the consensus remains that policy-makers should not allow for unfair advantage against localised manufacturing.

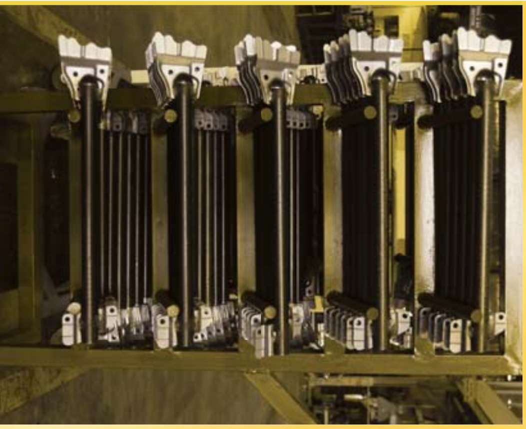
"We don't need to have policies that essentially create win-lose situation" points out Ali Habib, Chairman Indus Motors, in a recent interview to Business Recorder. "We do not oppose imports at all", he reiterates.

"What we do oppose is this biased and flawed policy which is taxing local production more than it is taxing imports, without taking into consideration the millions of people in the auto industry workforce who are going to be directly affected by the extraordinary concessions being afforded to the relatively undocumented used car sector".

FIND US @

http://www.brecorder.com/br_research.html

Comments & feedback at: research@br-mail.com



Sales during the year 2012 remained at Rs. 4.28 billion as compared to last year's Rs. 3.98 billion, registering an increase of 7.7% over last year. The profit after tax for the period has also increased by 146.6 million as compared with last year. There has been an increase of 7.3% in distribution cost over corresponding last year on account of freight, advertising & sales promotion, which are in line with the increase in sales and on account of inflationary factor. The administrative costs have increased by 23.5% on account of depreciation, legal & professional charges and salaries.

There is a 116% growth in the other operating income as well. The Company, during the year realized the income on investments in the money market funds. The Management of the Company is very careful in investing its excess liquidity and lot of prominence is given on security rather than the returns.

4. UP-GRADATION OF MANUFACTURING FACILITIES

This year, plant & machinery worth Rs. 155.363 million were added mainly to increase the productivity and quality of our products. All investments are approved only after detailed scrutiny and cost / benefit analysis.

Key investments during the year were on the following :

Centralized Parting Cell

The Company used to part off its tubes & rods at two different locations without having storage facility in the past. Due to the similar nature of operation at these locations it was felt that these operations could be combined at one location along-with the material. The project was successfully completed during the year and there has been savings on account of manpower, efficiency and proper control over the material.

Straightening & CNC Grinding Machine

In order to improve the quality of the Front Pipe Forks being supplied to Atlas Honda Motorcycles and anticipating a healthy growth in the two wheeler segment this investment was initiated. After the induction of these machines your Company would be able to produce 60,000 pipe forks in a month which can cater for the monthly production of 30,000 motorcycles.

Damping Force Testing Machine

This machine is used for final checking of the shock absorbers for passenger cars. The machine clears the shocks for onward supply to customer after evaluating the damping in accordance with the standards. This is the additional machine as a back-up of the existing machine which is 5years old.

Welding Machines

The entire welding line for the passenger car shock absorbers was changed in the year with new and power efficient machines.

Torquing & Riveting Machine

There was an abnormal in-house rejection of shock absorbers on account of riveting. After assessment it was revealed that the problem is with the torquing and riveting machine. The matter was then discussed with the Technical partner, KYB and this machine has been added on their recommendation.

5. SAFETY, HEALTH AND ENVIRONMENT (SHE)

Your management firmly believes that effective management and implementation of workplace safety, health and environment programs add significant value to individuals and companies by reducing the work-related injuries and illnesses. To achieve this objective, a SHE Steering Committee comprising of Top Management and Head of Departments has been formed, responsible for monitoring progress of "Risk Assessment Activities" and actions taken after assessments.

Provision of Safety Walk Ways, Fire Assembly Points and Weekly Safety Walks are recent achievements of SHE Department. A dedicated person has also been hired to monitor the accidents and to devise countermeasures. Your Company aggressively pursued the 5S activities throughout the year to clean-up and uplift the conditions of the facility. The work place is now more worker friendly and the customers visiting our facility are appreciating the efforts we made.

6. BUSINESS PROCESS AUTOMATION THROUGH SAP

During the year your Company has successfully launched SAP (ECC 6.0) which has been duly implemented w.e.f 1st Feb 2012 within record period of six months. The Management is committed to embrace Information Technology advancements for the sake of maintaining competitive edge and preserving its market leadership position.

7. AGRIAUTO STAMPING COMPANY (PRIVATE) LIMITED

We are pleased to inform that the Company has established a wholly owned subsidiary by the name of Agriauto Stamping Company (Private) Limited (ASC). This new Company has signed a Technical Assistance, Service & Consultancy Agreement with Ogihara Thailand Company Limited (OTC). OTC is the subsidiary of world renowned die & tool maker, M/s. Ogihara International, Japan.

We are keenly viewing this new venture positively, as a viable project which is expected to yield sustainable revenue, and which would set forth a renewed pace for the development and localization of automobile parts in Pakistan. The new Company would be initially engaged in the production of sheet metal stamping parts, primarily for automobiles. The production facility is under construction at Port Qasim and the commercial production is going to roll out from July 2014.

The total project cost is estimated to be Rs. 1.05 billion, and till June 2012 an investment of Rs. 50 million has already been made. The most important milestone was to search for the presses. After an extensive search , a tandem line of Komatsu presses has been procured. The Company has also sent it's team to Thailand for a long term on-job training in the field of die designing, die maintenance, production processes & control and machine maintenance. The Company would also hire the services of the dedicated foreign technical expert to oversee the operations.

The project timeline is very tight and the Management is making all out effort to meet its deadline and make this project a bench mark model for all the vendors in Pakistan.

8. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a responsible corporate entity, Agriauto has contributed Rs.8.3 million to various NGOs / Institution working towards betterment of humanity. The company contributes 1% of PBT towards CSR.

a. Continued Support to Medical and Educational Institutes at Hub.

The company has made concerted efforts to improve the medical facilities of Jam Ghulam Qadir Hospital at Hub with mutual consultation of the hospital authorities. To better equip the laboratory, Hematology Analyzer was donated. In addition, Operation Theatre and laboratory were also renovated.

Agriauto continues its efforts in uplifting educational facilities at Hub. The classrooms of Girls School, Hub were furnished by providing Desk-chairs. For the new academic year, books, stationary and uniforms were donated to the needy students of the School.

b. Contribution to Educational institute for underprivileged

The Garage school is devoted toward providing better education to the underprivileged, residing in Karachi. To support them in this noble cause, following donations were made for:

- purchase of desk and chairs for the classrooms.
- setting up of a lab with basic chemistry practical facilities
- for purchase of new building

c. Provision of Rations

The Company regularly provides assistance to the local community. This year rations were distributed to over 200 poor / needy families and widows in Hub.

Future is Tomorrow

9. Industrial Harmony

At Agriauto workforce is not only respected but is encouraged to make full use of their diverse knowledge and talents.

Distribution of ration to all Workers, celebrating company successes and recognizing contribution of employees has strengthened the Agriauto as a Team.

10. CONTRIBUTION TO NATIONAL EXCHEQUER

During the year your Company contributed 1.2 billion to the National Exchequer.

11. HUMAN RESOURCE

Our employees come from diverse backgrounds. Such a workforce must be supported by an environment that encourages innovative and strategic thinking at all levels. The HR department is consistently and creatively meeting this objective. Employee training and development remained the prime focus, and several foreign, Ex-house and In-house trainings were imparted to Officers and workers, aiming towards establishing higher standards and expectations pertaining to their respective roles. The feedback from participants was overwhelmingly positive.

To enhance and optimize the productivity levels of our team members, Motivational and Reward and recognition strategies continue to be implemented religiously.

The bar for Kaizen and 5S has been raised with the implementation of 'Step-up' plan. An excellent way to develop the disciplines necessary for lean implementation and to make improvements by involving employees at all levels.

Mr. Masaki Ota, who joined the Company in the year 2010 as a Technical Advisor, left the Company after completing his term for two years. During his association with us, he made significant changes in the appearance of the plants and motivated all members to focus on the 5S and Kaizen activities. We all thank him for his valuable contribution to the Company and wish him good luck in his future endeavors.

With the incorporation of Agriauto Stamping Company (Private) Limited (ASC), efforts are being made to recruit best available talent for the Company.

12. FUTURE OUTLOOK

Next year seems to be another difficult year. The beginning of the year has already witnessed a drop in the passenger cars volumes thus affecting our sales and profitability; as the major portion of our sales is attributed to that segment. The sales of passenger cars have dropped because of un-restricted import of used cars in the market. The import of used cars are taking away the employment and foreign exchange of the country and also hurting the local vendor industry which has invested heavily, to meet the increasing demands of the local assemblers.

In order to offset this decline in the passenger car segment ,our focus this year would primarily be on the tractors and motor cycle segments, as their volumes are continuously increasing. However, meeting the increasing volumes of the two wheelers and greater focus on the tractors, would in no way compensate for the loss which is likely to accrue due to the decline in the production and sale of the passenger cars.

We, therefore urge the Government to restrict this import of used cars so the local industry survives and becomes more competitive with reasonable volumes.

13. PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2012 is annexed.

14. CORPORATE AND FINANCIAL REPORTING

In compliance with the listing regulation # 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange, the Directors of the Company do hereby declare the following:

a. The financial statements prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b. Proper books of account have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.

d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed.

e. The system of internal control is sound in design ands has been effectively implemented and monitored.

f. There are no significant doubts upon the Company's ability to continue as a going concern.

g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

The value of investments made by the Provident Fund base on the audited accounts for the year ended June 30, 2011 amounted to Rs.74.27 million.

15. NUMBER OF BOARD MEETINGS

During the year, six Board meeting were held and attendance is given hereunder:

SL #	Names	No of meetings Attended/ held
1	Yutaka Arae	5/6
2	Fahim Kapadia	6/6
3	Sohail P. Ahmed	5/6
4	Owaisul Mustafa	4/6
5	Asif Rizvi	4/6
6	Alireza M. Alladin	5/6
7	Daneshwar F. Dinshaw	5/6

16. AUDITORS

The existing Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co (Chartered Accountants) retired and have offered themselves for re-appointment. The reappointment has also been recommended by the Audit Committee of the Board.

17. STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement of compliance to the Code of Corporate Governance is annexed herewith.

18. ACKNOWLEDGMENT

We are pleased to acknowledge that the relations with employees remained cordial and harmonious throughout the year. The Management recognizes and records its sincere appreciation to all employees for their continued dedication, commitment and hard work for the growth and prosperity of the company, without which this performance would not have been possible. Once again we expect the same zeal and commitment to continue and prevail.

Future is Tomorrow

On behaolf of the Board of Directors, we would like to place on record our appreciation to all our Customers, Dealers, Suppliers and Employees for their valuable help, steaty support and contribution to the Company. We are also thankful to all our overseas technical collaborators, M/s Gabriel Ride Control Products (GRC), Inc. USA, M/s KYB Corporation, Japan, M/s Aisin Seiki Co. Ltd, Japan, M/s Ogihara (Thailand) Co. Ltd for their technical assistance and advice.

On behalf of the Board of Directors.

Fahim Kapadia
Chief Executive Officer

KARACHI
DATED : August 29, 2012

AGRIAUTO INDUSTRIES LIMITED

Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. Agriauto Industries Limited (the Company) has applied the principles contained in the Code of Corporate Governance in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors (the Board). At present, the Board comprises of seven directors which includes five non-executive directors.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancies occurred during the year.

5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Two directors of the Company are certified directors from Pakistan Institute of Corporate Governance and one director is exempted from the requirement by virtue of his experience as prescribed by SECP in clause (xi) of CCG.

10. No new appointment of CFO/Company Secretary has been made during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.

15. The Board has formed an Audit Committee. It comprises three members, of whom three are non-executive directors and the chairman of the committee is a non-executive director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of five members, of whom three are non-executive directors and the chairman of the committee is a non executive director.

18. The Board has outsourced the internal audit function to Noble Computer Services (Private) Limited who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with, except that the position of the Company secretary and CFO is held by the same person. The said decision has been taken by the Board keeping in view the size of the Company.

On behalf of the Board

Yutaka Arae
Chairman

Fahim Kapadia
Chief Exceutive officer

Karachi
Dated: August 29, 2012

ERNST & YOUNG

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2012 prepared by the Board of Directors of Agriauto Industries Limited (the Company) to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquire of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval, related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended 30 June 2012.

Ernst & Young Ford Rhodes Sidat Hyder

KARACHI: 29 August 2012

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Agriauto Industries Limited (the Company) as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2012, and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 29 August 2012

Karachi

A member firm of Ernst & Young Global Limited

Balance Sheet
AS AT JUNE 30, 2012

	Note	2012	2011
		(Rs. in 000')	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	**457,785**	391,297
Long term deposits and other receivables	7	**3,954**	4,249
Long term investment	8	**50,000**	-
		511,739	395,546
CURRENT ASSETS			
Stores, spares and loose tools	9	**77,772**	61,356
Stock-in-trade	10	**681,927**	605,767
Trade debts	11	**315,856**	355,221
Advances, deposits, prepayments and other receivables	12	**11,216**	5,607
Accrued profit		**1,607**	746
Short term investments	13	**966,650**	896,603
Taxation – net		**8,309**	
Cash and bank balances	14	**344,892**	126,541
		2,408,229	2,051,841
TOTAL ASSETS		**2,919,968**	2,447,387
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
40,000,000 (2011: 40,000,000) Ordinary shares of Rs. 5/- each		**200,000**	200,000
Issued, subscribed and paid-up capital	15	**144,000**	144,000
Reserves		**2,423,584**	2,006,583
		2,567,584	2,150,583
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	16	**-**	558
Deferred taxation	17	**51,506**	19,831
		51,506	20,389
CURRENT LIABILITIES			
Trade and other payables	18	**278,186**	267,985
Current portion of liabilities against assets subject to finance lease	16	**434**	1,885
Taxation – net		**-**	5,478
Sales tax payable		**22,258**	1,067
		300,878	276,415
CONTINGENCIES AND COMMITMENTS	19		
TOTAL EQUITY AND LIABILITIES		**2,919,968**	2,447,387

The annexed notes from 1 to 40 form an integral part of these financial statements.

Yutaka Arae
Chairman

Fahim Kapadia
Chief Executive

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		(Rs. in 000')	
Turnover - net	20	**4,286,674**	3,980,258
Cost of sales	21	**(3,360,971)**	(3,170,927)
Gross profit		**925,703**	809,331
Distribution costs	22	**(62,059)**	(57,830)
Administrative expenses	23	**(110,125)**	(89,192)
		(172,184)	(147,022)
Other operating income	24	**147,257**	68,185
Operating profit		**900,776**	730,494
Finance costs	25	**(434)**	(837)
Other charges	26	**(69,896)**	(57,076)
		(70,330)	(57,913)
Profit before taxation		**830,446**	672,581
Taxation	27	**(245,382)**	(233,621)
Profit after taxation		**585,064**	438,960
		Rupees	**Rupees**
Earnings per share – basic and diluted	28	**20.31**	15.24

The annexed notes from 1 to 40 form an integral part of these financial statements.

Yutaka Arae
Chairman

Fahim Kapadia
Chief Executive

Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	(Rs. in 000')	
Net profit for the year	**585,064**	438,960
Other comprehensive income		
Unrealized gain on change in fair value of available-for-sale investments arisen during the year – net of tax	**57,102**	23,897
Reclassification adjustment for gains included in profit and loss account upon disposal of investments	**(81,165)**	-
	(24,063)	23,897
Total comprehensive income for the year	**561,001**	462,857

The annexed notes from 1 to 40 form an integral part of these financial statements.

Yutaka Arae
Chairman

Fahim Kapadia
Chief Executive

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		(Rs. in 000')	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	29	**714,292**	608,172
Finance costs paid		**(434)**	(837)
Income tax paid		**(225,558)**	(246,135)
Long term deposits		**295**	(1,997)
Net cash generated from operating activities		**488,595**	359,203
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(161,218)**	(117,178)
Proceeds from disposal of property, plant and equipment		**42,014**	15,185
Proceeds from disposal of short term investment		**686,165**	-
Acquisition of short term investments		**(255,000)**	(200,000)
Acquisition of long term investments		**(50,000)**	-
Profit received on term deposit receipts		**45,202**	56,945
Profit received on deposit accounts		**12,014**	9,999
Net cash inflow from / (used in) investing activities		**319,177**	(235,049)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		**(2,008)**	(2,432)
Dividends paid		**(142,413)**	(128,239)
Net cash used in financing activities		**(144,421)**	(130,671)
Net increase / (decrease) in cash and cash equivalents		**663,351**	(6,517)
Cash and cash equivalents at the beginning of the year		**636,541**	643,058
Cash and cash equivalents at the end of the year	30	**1,299,892**	636,541

The annexed notes from 1 to 40 form an integral part of these financial statements.

Yutaka Arae
Chairman

Fahim Kapadia
Chief Executive

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2012

	Issued, subscribed and paid-up capital	Reserves					Total equity
		Capital reserve	Revenue reserves		Gain / (loss) on changes in fair value of available-for-sale investments	Total	
		Share premium	General	Unapp-ropriated profit			
	---------- (Rs. in 000') ----------						
Balance as at June 30, 2010	144,000	12,598	1,245,000	414,337	1,391	1,673,326	1,817,326
Final dividend for the year ended June 30, 2010 @ Rs. 4.5/- per share	-	-	-	(129,600)	-	(129,600)	(129,600)
Transfer to general reserve	-	-	280,000	(280,000)	-	-	-
Profit after taxation for the year	-	-	-	438,960	-	438,960	438,960
Other comprehensive income	-	-	-	-	23,897	23,897	23,897
Total comprehensive income for the year	-	-	-	438,960	23,897	462,857	462,857
Balance as at June 30, 2011	**144,000**	**12,598**	**1,525,000**	**443,697**	**25,288**	**2,006,583**	**2,150,583**
Final dividend for the year ended June 30, 2011 @ Rs. 5 /- per share	**-**	**-**	**-**	**(144,000)**	**-**	**(144,000)**	**(144,000)**
Transfer to general reserve	**-**	**-**	**290,000**	**(290,000)**	**-**	**-**	**-**
Profit after taxation for the year	**-**	**-**	**-**	**585,064**	**-**	**585,064**	**585,064**
Other comprehensive income / (loss)	**-**	**-**	**-**	**-**	**(24,063)**	**(24,063)**	**(24,063)**
Total comprehensive income for the year	**-**	**-**	**-**	**585,064**	**(24,063)**	**561,001**	**561,001**
Balance as at June 30, 2012	**144,000**	**12,598**	**1,815,000**	**594,761**	**1,225**	**2,423,584**	**2,567,584**

The annexed notes from 1 to 40 form an integral part of these financial statements.

Yutaka Arae
Chairman

Fahim Kapadia
Chief Executive

Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2012

1. THE COMPANY AND ITS OPERATIONS

1.1 Agriauto Industries Limited (the Company) was incorporated in Pakistan on June 25, 1981 as a public limited company, under the Companies Act, 1913 (now the Companies Ordinance, 1984), and is listed on the Karachi and Lahore stock exchanges of Pakistan since June 1984. The Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors. The registered office of the Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

These financial statements are separate financial statement of the Company in which investments in subsidiary is accounted for on the basis of direct equity interest and is not consolidated or accounted for using equity method.

2. STATEMENT OF COMPLIANCE

2.1 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as are as notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies ordinance, 1984 shall prevail.

2.2 Standards and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard	**Effective date (accounting periods beginning on or after)**
IAS 1 - Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IFRS 7 - Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 12 - Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19 - Employee Benefits – (Amendment)	January 01, 2013
IAS 32 - Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014

The Company expects that the adoption of the above revisions and amendments of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except for available-for-sale investments which are valued as stated in note 4.6 to the financial statements.

3.2 These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

4.1 New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 7 - Financial Instruments: Disclosures (Amendment)

IAS 24 - Related Party Disclosures (Revised)

IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 - Financial Instruments: Disclosures
- Clarification of disclosures

IAS 1 - Presentation of Financial Statements
- Clarification of statement of changes in equity

IAS 34 - Interim Financial Reporting
- Significant events and transactions

IFRIC 13 - Customer Loyalty Programmes
- Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements.

4.2 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment loss except for freehold land and capital work in progress which are stated at cost.

Depreciation on fixed assets is charged to the profit and loss account applying the reducing balance method at the rates specified in note 6 to the financial statements. Depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal. Maintenance and normal repairs are charged to profit and loss account as and when incurred, while major renewals and improvements are capitalised. Gains or losses on disposals of fixed assets, if any, are included in income currently.

Leasehold land is amortised in equal installments over the lease period.

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 related cash-generating units are written down to their recoverable amount.

Finance leases

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease less financial charges allocated to future periods are recorded as liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation is charged to income on the same basis as for the Company's owned assets.

4.3 Stores, spares and loose tools

These are stated at the lower of cost and Net Realisable Value (NRV) except for goods-in-transit which are stated at invoice price plus other charges incurred thereon upto the date of the balance sheet. Cost is determined on weighted moving average basis.

Stores, spares and loose tools are regularly reviewed by the management and any obsolete items are brought down to their NRV.

4.4 Stock-in-trade

Stock-in-trade, except goods-in-transit, is stated at the lower of NRV and cost determined as follows:

Raw and packing materials	-	Moving average basis.
Work-in-process	-	Cost of direct materials plus conversion cost is valued on the basis of equivalent production units.
Finished goods	-	Cost of direct materials plus conversion cost is valued on time proportion basis.

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the balance sheet date.

Stock-in-trade is regularly reviewed by the management and any obsolete items are brought down to their NRV.

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.5 Trade debts and other receivables

Trade debts originated by the Company are recognised and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on the management's assessment of customers' outstandings and creditworthiness. Bad debts are written-off as and when identified.

4.6 Investments

Investment in subsidiary company

Investment in subsidiary is stated at cost less impairment, if any.

Held-to-maturity

Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity.

Gains or losses on held-to-maturity investments are recognised in income when the investments are derecognised or impaired.

Available-for-sale

Investments which are not classified in the above category and which the management intends to hold for indefinite period, but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

All investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment. Transaction costs in the case of held-for-trading investments are charged to income when incurred. After initial recognition, investments classified as available-for-sale are remeasured at fair values and held-to-maturity investments are measured at amortised cost.

Gains or losses on revaluation of available-for-sale investments are recognised in equity until the investment is sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

4.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term investments with a maturity of three months or less from the date of acquisition net of short-term running finance. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

4.8 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights under the instruments are realised, expired or surrendered. Financial liabilities are derecognised when the obligation is extinguished, discharged, cancelled or expired. Any gain or loss on recognition or derecognition of the financial assets and financial liabilities is taken to the profit and loss account.

4.9 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

4.10 Employees' benefits

Provident fund

The Company operates a recognised provident fund scheme (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Company's policy. Contributions in respect thereto are made in accordance with the terms of the scheme.

Compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

4.11 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, or one per cent of turnover, whichever is higher. Tax on export sales is calculated under final tax regime under Section 154 of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is provided, proportionate to local sales, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of recognised or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

4.12 Provisions

Provision is recognised in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, 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 obligation.

4.13 Warranty obligations

The Company recognises the estimated liability to repair or replace products under warranty at the balance sheet date on the basis of historical experience.

4.14 Foreign currency transactions

Transactions denominated in foreign currencies are recorded on initial recognition in Pak. Rupees, by applying to the foreign currency amount the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak. Rupees equivalents using the exchange rate at the balance sheet date. Exchange differences are included in income currently.

4.15 Revenue recognition

Sales are recorded when goods are dispatched to the customers.

Profit on term deposit receipts is recognised on constant rate of return to maturity.

Profit on deposit accounts is recognised on accrual basis.

Dividend income is recognised when the right to receive the dividend is established.

4.16 Dividends and appropriation to reserve

Dividend and appropriation to reserve are recognised in the financial statements in the period in which these are approved.

4.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.18 Research and development costs

Research and development costs are expensed as incurred, except for development costs that relate to the design of new or improved products which are recognised as an asset to the extent that it is expected that such asset will meet the recognition criteria mentioned in IAS – 38 “Intangible Assets”.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Notes
- determining the residual values and useful lives of property, plant and equipment	4.2 & 6
- valuation of inventories	4.3, 4.4, 9 & 10
- provision against trade debts	4.5 & 11
- provision for tax and deferred tax	4.11, 17 & 27
- provision for employee's benefits	4.10
- warranty obligations	4.13 & 18.2

	Note	2012	2011
		(Rs. in 000')	
6. PROPERTY, PLANT AND EQUIPMENT			
Operating assets – tangible	6.1	**457,371**	348,031
Capital work-in-progress			
– Plant and machinery		**414**	34,735
– Civil works		**-**	5,876
– Dies and tools		**-**	2,655
		414	43,266
		457,785	391,297

6.1 Operating assets

	COST				ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at July 01, 2011	Additions/ (disposals)/ transfers*	As at June 30, 2012	Depreciation rate	As at July 01, 2011	Charge/ transfers* for the year	Disposals for the Year	As at June 30, 2012	As at June 30, 2012
	(Rs. In 000')			%	(Rs. In 000')				
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Leasehold land	29,418	- (29,418)	-	3.03	3,021	773	(3,794)	-	-
Building on freehold land	93,360	16,141	109,501	10	44,940	5,918	-	50,858	58,643
Plant and machinery	450,850	155,363 (17,060)	589,153	10 – 20	238,659	29,866	(10,729)	257,796	331,357
Furniture and fittings	6,068	1,003 (286)	6,785	15	2,858	525	(246)	3,137	3,648
Vehicles	46,215	15,942 (9,274) 3,298*	56,181	20	10,414	8,137 3,762*	(4,427)	17,886	38,295
Office equipment	1,927	336 (20)	2,243	20	1,033	214	(13)	1,234	1,009
Computer equipment	10,452	15,284	25,736	33	5,809	5,428	-	11,237	14,499
Dies and tools	23,670	- (3,003)	20,667	40	10,324	5,035	(1,664)	13,695	6,972
	663,612	204,069 (59,061) 3,298*	811,918		317,058	55,896 3,762*	(20,873)	355,843	456,075
Leased									
Vehicles	5,604	- (3,298)*	2,306	20	4,127	645 (3,762)*	-	1,010	1,296
2012	**669,216**	**204,069 (59,061) -***	**814,224**		**321,185**	**56,541 -***	**(20,873)**	**356,853**	**457,371**

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2012

	COST				ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at July 01, 2010	Additions/ (disposals)/ transfer*	As at June 30, 2011	Depreciation rate	As at July 01, 2010	Charge/ transfer* for the year	Disposals for the Year	As at June 30, 2011	As at June 30, 2011
	--------------(Rs. in 000')		--------------	%	------------------------------	(Rs. in 000')		---------------------	
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Leasehold land	29,040	378	29,418	3.03	2,128	893	-	3,021	26,397
Building on freehold land	91,752	1,608	93,360	10	39,678	5,262	-	44,940	48,420
Plant and machinery	436,343	44,861 (30,354)	450,850	10 – 20	225,332	28,281	(14,954)	238,659	212,191
Furniture and fittings	4,585	1,483	6,068	15	2,468	390	-	2,858	3,210
Vehicles	31,927	23,804 (12,096) 2,580*	46,215	20	9,464	5,957 656*	(5,663)	10,414	35,801
Office equipment	1,548	379	1,927	20	900	133	-	1,033	894
Computer equipment	8,395	2,057	10,452	33	4,192	1,617	-	5,809	4,643
Dies and tools	10,553	13,117	23,670	40	4,509	5,815	-	10,324	13,346
	615,795	87,687 (42,450) 2,580*	663,612		288,671	48,348 656*	(20,617)	317,058	346,554
Leased									
Vehicles	8,184	- (2,580)*	5,604	20	3,647	1,136 (656)*	-	4,127	1,477
2011	623,979	87,687 (42,450) -*	669,216		292,318	49,484 -*	(20,617)	321,185	348,031

6.2 Depreciation charge for the year has been allocated as follows :

	Note	2012	2011
		(Rs. in 000')	
Cost of sales	21	**45,588**	43,579
Distribution costs	22	**784**	811
Administrative expenses	23	**10,169**	5,094
		56,541	49,484

6.3 The following property, plant and equipment were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Book value	Sales proceeds	(Loss) / gain	Mode of disposal	Particulars of buyer
	--------------------------------		(Rs. in 000')	--------------------------------			
Leasehold land							
Land at Port Qasim	29,418	3,794	25,624	29,418	3,794	*	
Plant and machinery / Dies and Tools							
Machinery	10,815	5,438	5,377	2,117	(3,260)	Auction	New ABC Neelam Ghar, Karachi
Machinery	1,112	941	171	140	(31)	Auction	New ABC Neelam Ghar, Karachi
Machinery	5,083	4,298	785	1,010	225	Auction	Pioneer Auctioner, Karachi
Dies & Tools	1,100	458	642	1,100	458	Negotiation	Indus Motor Co. Ltd.,Karachi
Dies & Tools	1,903	1,205	698	1,379	681	Negotiation	Pirani Engineering, Karachi
Items below 5,000 WDV	356	311	45	291	246	Auction	New ABC Neelam Ghar, Karachi
	20,369	**12,651**	**7,718**	**6,037**	**(1,681)**		
Vehicles							
Toyota Corolla	969	678	291	950	659	Negotiation	Mr. S. M. Yasar, Karachi
Toyota Corolla	1,337	254	1,083	1,270	187	Negotiation	Mr. Abdul Aala Khalid, Karachi
Toyota Corolla	1,337	254	1,083	1,270	187	Negotiation	Mr. Muhammad Qasim, Karachi
Toyota Corolla	969	667	302	320	18	Company Policy	Mr. Ghulam Abbas, Employee
Daihatsu Cuore	434	299	135	143	8	Company Policy	Mr. Azeem Saadat, Employee
Daihatsu Cuore	434	299	135	143	8	Company Policy	Mr. M. Ushaa, Karachi
Daihatsu Cuore	434	304	130	143	13	Company Policy	Mr. Nadeemul Haq, Employee
Daihatsu Cuore	645	228	417	600	183	Negotiation	Mrs. Ruqaiya Mushtaq, Karachi
Daihatsu Cuore	671	169	502	685	183	Negotiation	Dr. Huda Abbas, Karachi
Suzuki Bolan	596	77	519	596	77	Insurance Claim	Habib Insurance Co. Karachi
Honda CD-70	54	38	16	54	38	Company Policy	Mr. M. Sajid, Employee
Honda CD-70	54	38	16	54	38	Company Policy	Mr. Saeedullah, Employee
Fork Lifter	1,340	1,123	217	330	113	Auction	New ABC Neelam Ghar, Karachi
	9,274	**4,428**	**4,846**	**6,558**	**1,712**		
2012	**59,061**	**20,873**	**38,188**	**42,013**	**3,825**		
2011	42,450	20,617	21,833	15,185	(6,648)		

*The land at Port Qasim was surrendered to Pakistan Steel Mills and then the same has been reallocated to Agriauto Stamping Co. (Private) Limited (Subsidiary company) by Pakistan Steel Mills. The Company has received Rs. 29,418 million for such reallocation.

	Note	2012	2011
		(Rs. in 000')	
7. LONG TERM DEPOSITS AND OTHER RECEIVABLES			
Security deposits – considered good		**3,954**	4,249
Other receivable - considered doubtful		**49,252**	49,252
Less: Provision for impairment	7.1	**(49,252)**	(49,252)
		-	-
		3,954	4,249

7.1 During the year ended 30 June 2010, Company sold its shareholding in Makro-Habib Pakistan Limited (MHPL) to Thal Limited (TL), a related party under a Share Purchase Agreement (SPA) dated May 14, 2010, at an aggregate consideration of Rs.157.658 million. In terms of the SPA, the Company received an amount of Rs.108.406 million from TL towards the purchase consideration of the said shares. However, the balance consideration amounting to Rs. 49.252 million shall only be payable by TL subject to the following:

a) TL determines that the Group tax relief for the years 2008-2010, as claimed by TL, can be fully sustained or is unable to make such determination by June 2014; and

b) TL determines that MHPL will not incur an impairment loss in case of closure of its Sadder store or is unable to make such determination about the impairment by June 2014.

Accordingly, the contingent balance payment for (a) and (b) above, amounts to Rs. 28.710 million and Rs. 20.542 million respectively. The management, as a matter of prudence, has made a full provision against the said contingent receivable in these financial statements.

During the months of June 2011 and July 2011, TL's tax assessments with respect to Group tax relief for the years 2008-2010 were finalized by the Commissioner Inland Revenue(CIR) (Appeals), whereby such relief was allowed to TL. Subsequently, the tax department filed an appeal with the Income Tax Appellant Tribunal (ITAT) against the said Order of the CIR (Appeals). ITAT confirmed CIR (Appeals) Order for the tax years 2008 - 2010. However the CIR filed an appeal against the Order of ITAT before the High Court of Sindh and with the Chairman ITAT for the tax years 2008 which is pending adjudication.

The Supreme Court status quo order dated March 17, 2010 in relation of Sadder Store still prevails as no further order/direction has been given by Supreme Court.

	2012	2011
	(Rs. in 000')	
8. LONG TERM INVESTMENT		
Investment in subsidiary company - at cost		
Agriauto Stamping Company (Private) Limited	**50,000**	-
	50,000	-

8.1 During the year, the Board of Directors of the Company in its meeting held on January 9, 2012 has approved the project for the stamping of sheet metal parts, dies, fixtures primarily for the automotive sector and the establishment of wholly owned subsidiary in the name of Agriauto Stamping Company (Private) Limited for this project. The manufacturing facilities of the new project would be located at Port Qasim with an estimated total investment of Rs.1.05 billion. The company was incorporated on January 20, 2012 and as of 30 June 2012 the Company has made an investment of Rs 50 million in the subsidiary company. The Company holds 100 percent shares in the subsidiary company directly and through nominee directors.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2012

		Note	2012	2011
			(Rs. in 000')	
9.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		**40,465**	23,900
	Spares		**30,758**	24,331
	Loose tools		**6,549**	13,125
			77,772	61,356
10.	**STOCK-IN-TRADE**			
	Raw material		**544,286**	415,846
	Packing material		**4,241**	2,900
	Work-in-process		**55,253**	45,484
	Finished goods		**22,731**	36,583
	Goods-in-transit		**55,416**	104,954
			681,927	605,767

10.1 The amount of written down to NRV in respect of stock-in-trade was Rs. 7.667 million (2011: Rs. 4.751 million).

		Note	2012	2011
11.	**TRADE DEBTS – unsecured**			
	Considered good		**315,856**	355,221
	Considered doubtful		**1,585**	3,874
	Provision for impairment	11.1	**(1,585)**	(3,874)
			-	-
			315,856	355,221
11.1	**Reconciliation of provision for impairment is as follows:**			
	Balance at the beginning of the year		**3,874**	3,574
	(Reversal) / charge for the year	22	**(2,289)**	300
	Write-offs during the year		**-**	-
	Balance at the end of the year		**1,585**	3,874
12.	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances – unsecured, considered good			
	Suppliers		**2,318**	121
	Contractors		**735**	1,347
	Employees		**695**	646
			3,748	2,114
	Deposits		**330**	365
	Prepayments			
	Insurance		**6,605**	2,248
	Others		**-**	739
			6,605	2,987
	Other receivables – unsecured, considered good			
	Insurance claim receivable		**141**	141
	Workers profit participation Fund	18.1	**392**	-
			533	141
			11,216	5,607

	Note	2012	2011
		(Rs. in 000')	
13. SHORT TERM INVESTMENTS			
Held- to- maturity			
Term deposit receipts	13.1	**955,000**	510,000
Accrued profit thereon		**10,425**	9,377
		965,425	519,377
Available-for-sale			
Atlas Money Market Fund		**1,184**	107,876
NAFA Government Securities Liquid Fund		**41**	118,683
UBL Liquidity Plus Fund		**-**	122,875
Meezan Cash Fund		**-**	27,792
		966,650	896,603

13.1 Represents three months term deposit receipts with a commercial bank carrying profit rate ranging from 11.50 % to 11.90% (2011: 12.25%) per annum and will mature by August 2012.

14. CASH AND BANK BALANCES

	Note	2012	2011
In hand		**12**	11
With banks in			
- current accounts		**40,392**	25,035
- deposit accounts	14.1	**304,488**	101,495
		344,880	126,530
		344,892	126,541

14.1 These carry profit rates ranging from 6% to 10% (2011: 6% to 10.25%) per annum.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 5/- each

Number of shares in (000') 2012	Number of shares in (000') 2011		2012	2011
22,800	22,800	Fully paid in cash	**114,000**	114,000
6,000	6,000	Issued as fully paid bonus shares	**30,000**	30,000
28,800	28,800		**144,000**	144,000

15.1 Related parties held 2,115,600 (2011: 2,115,600) ordinary shares of Rs. 5/- each in the Company at year end.

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2012		2011	
	Minimum lease payments	Present value of MLP	Minimum lease payments	Present value of MLP
	(Rs. in 000')			
Not later than one year	**441**	**434**	2,080	1,885
Later than one year but not later than five years	**-**	**-**	569	558
Total minimum lease payments	**441**	**434**	2,649	2,443
Less: Financial charges allocated to future periods	**7**	**-**	206	-
Present value of minimum lease payments	**434**	**434**	2,443	2,443
Less: Current portion shown under current liabilities	**434**	**434**	1,885	1,885
	-	**-**	558	558

Represents finance lease entered into with a modaraba for vehicles. The balance of the liability is payable by September 2012 in quarterly installments. The liability is partly secured by deposits of Rs. 0.231 million (2011: Rs. 0.560 million). The above lease contracts contain a bargain purchase option. Quarterly lease payments include finance charges at the rate of KIBOR+2.75% (2011: KIBOR+2% to KIBOR+3%) per annum, which is used as a discounting factor. There are no financial restrictions in the lease agreements.

		2012	2011
		(Rs. in 000')	
17. DEFERRED TAXATION			
Taxable temporary differences arising due to:			
- accelerated tax depreciation		**79,997**	50,569
- unrealized gain on available for sale investments		**-**	1,938
		79,997	52,507
Deductable temporary differences arising due to:			
- assets subject to finance lease		**(152)**	(184)
- provisions		**(28,339)**	(32,492)
		(28,491)	(32,676)
		51,506	19,831
18. TRADE AND OTHER PAYABLES			
Creditors		**104,209**	92,336
Royalty payable		**15,137**	9,757
Accrued liabilities		**63,060**	58,417
Advance from customers		**2,156**	1,735
Payable to provident fund		**1,085**	968
Workers' Profit Participation Fund	18.1	**-**	1,120
Workers' Welfare Fund		**16,951**	14,231
Warranty obligations	18.2	**23,885**	24,346
Infrastructure cess payable	18.3	**39,232**	53,746
Unclaimed and unpaid dividends		**8,103**	6,516
Guarantee bond payable	18.4	**1,110**	1,111
Tax deducted at source		**1,645**	1,449
Others		**1,613**	2,253
		278,186	267,985
18.1 Workers' Profit Participation Fund			
Balance at the beginning of the year		**1,120**	36,972
Allocation for the year	26	**44,608**	36,148
		45,728	73,120
Less: Payment made during the year		**46,120**	72,000
Balance at end of the year		**(392)**	1,120
18.2 Warranty obligations			
Balance at the beginning of the year		**24,346**	17,471
Provision for the year	22	**11,076**	15,796
		35,422	33,267
Less: Claims paid during the year		**11,537**	8,921
Balance at end of the year		**23,885**	24,346

18.3 During the financial year 2009, the Honourable High Court of Sindh declared the levy of the Infrastructure cess / fee by the Excise and Taxation Department, Government of Sindh upto December 27, 2006 as ultra vires of the Constitution. However, the levy subsequent to December 27, 2006 was declared as valid and constitutional. The Company had filed an appeal before the Honourable Supreme Court of Pakistan against the above order of High Court and as per the directions of the Supreme Court, approached the High Court by filing a fresh constitution petition in May 2011. The High Court has granted stay on said petition on the following terms:

- Any bank guarantee/security furnished for consignment released upto December 27, 2006 shall be discharged and returned; and
- Any bank guarantee/security furnished for consignment released after December 27, 2006 shall be encashed to the extent of 50% of the guaranteed/secured amount only and the bank guarantee/security for the balance amount will be kept alive till the disposal of the petitions.

In view of the interim nature of arrangement as provided in the above referred order of the High Court, the Company has retained full provision against the infrastructure cess fee payable for the period from December 2006 till June 2012.

The Company has provided a bank guarantee in favour of Excise and Taxation Department, amounting to Rs. 33.154 million (2011: Rs. 57 million), out of which Rs. 0.519 million (2011: 3.254 million) remain un-utilized as of the year end.

18.4 The Company has provided bank guarantees to Collector of Customs as a security against the import duty.

19. CONTINGENCIES AND COMMITMENTS

Commitments

(i) Commitments in respect of outstanding letters of credit for raw material amount to Rs. 226.217 million (2011: Rs. 186.277 million).

(ii) Commitments in respect of capital expenditure amount to Rs. 1.720 million (2011: Rs. 27.891 million).

(iii) Outstanding bank guarantees issued to Sui Southern Gas Company Limited amounts to Rs. 0.385 million (2011: Rs. 0.385 million)

	Note	2012	2011
		(Rs. in 000')	
20. TURNOVER – net			
Sales		**4,973,812**	4,709,564
Less: Sales tax		**686,941**	675,691
Special excise duty		**-**	53,423
Trade discount		**197**	192
		687,138	729,306
		4,286,674	3,980,258
21. COST OF SALES			
Raw material consumed			
Opening stock		**415,846**	390,527
Purchases		**2,878,513**	2,685,219
		3,294,359	3,075,746
Closing stock		**(544,286)**	(415,846)
		2,750,073	2,659,900
Manufacturing expenses			
Salaries, wages and benefits		**179,932**	139,866
Stores, spares and loose tools consumed		**108,841**	101,668
Packing material consumed		**17,277**	16,954
Fuel and power		**68,914**	75,262
Transportation and traveling		**44,848**	33,606
Depreciation	6.2	**45,588**	43,579
Repairs and maintenance		**81,053**	52,377
Royalty and technical fees		**32,141**	21,510
Research and development costs		**2,596**	7,022
Communications & professional fees		**11,318**	1,314
Printing and stationery		**1,130**	683
Insurance		**2,380**	2,914
Rent, rates and taxes		**6,951**	6,852
Others		**3,846**	697
		606,815	504,304
Work-in-process			
Opening stock		**45,484**	63,370
Closing stock		**(55,253)**	(45,484)
Cost of goods manufactured		**3,347,119**	3,182,090
Finished goods			
Opening stock		**36,583**	25,420
Closing stock		**(22,731)**	(36,583)
		13,852	(11,163)
		3,360,971	3,170,927

		Note	2012	2011
			(Rs. in 000')	
22.	**DISTRIBUTION COSTS**			
	Salaries and benefits		**10,063**	10,227
	Advertisement and sales promotion		**13,196**	9,163
	Carriage and forwarding		**19,720**	17,408
	Traveling and conveyance		**2,402**	1,711
	Depreciation	6.2	**784**	811
	Provision for warranty claims	18.2	**11,076**	15,796
	(Reversal of provision / provision for impairment of trade debts	11.1	**(2,289)**	300
	Rent, rates and taxes		**121**	309
	Communications		**201**	304
	Insurance		**225**	219
	Repairs and maintenance		**6,380**	575
	Others		**180**	1,007
			62,059	57,830
23.	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits		**43,917**	34,331
	Legal and professional charges		**21,090**	18,498
	Repairs and maintenance		**5,759**	4,493
	Depreciation	6.2	**10,169**	5,094
	Printing and stationery		**723**	830
	Computer supplies		**237**	2,445
	Rent, rates and taxes		**1,930**	2,217
	Traveling and conveyance		**11,970**	8,315
	Communications & professional fees		**6,452**	5,941
	Utilities		**1,365**	1,247
	Security services		**3,337**	3,353
	Insurance		**1,013**	666
	Auditors' remuneration	23.1	**783**	630
	Advertisement		**493**	515
	Others		**887**	617
			110,125	89,192
23.1	**Auditors' remuneration**			
	Audit fee for standalone financial statements		**550**	500
	Audit fee for consolidated financial statements		**150**	-
	Fee for review of half yearly financial statements		**55**	50
	Other certifications		**28**	60
	Out of pocket expenses		**-**	20
			783	630
24.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Profit on:			
	- term deposit receipts		**46,251**	58,561
	- deposit accounts		**12,874**	10,745
	Gain on sale of available-for-sales investments		**81,165**	-
			140,290	69,306
	Liabilities no longer payable - written back		**384**	1,378
	Income from non-financial assets			
	Gain / (loss) on disposal of property, plant and equipment	6.3	**3,825**	(6,648)
	Scrap sales		**2,758**	4,149
			6,583	(2,499)
			147,257	68,185

	Note	2012	2011
		(Rs. in 000')	
25. FINANCE COSTS			
Mark-up on finance lease		**181**	494
Bank charges		**253**	343
		434	837
26. OTHER CHARGES			
Workers' Profit Participation Fund	18.1	**44,608**	36,148
Workers' Welfare Fund		**16,951**	14,231
Donations	26.1	**8,337**	6,697
		69,896	57,076

26.1 None of the directors or their spouses had any interest in any of the donees to whom donations were made during the year.

	2012	2011
27. TAXATION		
Current	**210,782**	246,399
Prior	**989**	(4,036)
Deferred	**33,611**	(8,742)
	245,382	233,621

27.1 The income tax assessments of the company have been finalized up to and including the tax year 2011. The Additional Commissioners Inland Revenue have issued notices for amendment of assessment under section 122 (5A) in respect of the tax year 2010 and initiated the proceedings. However, such proceedings are yet to culminate.

27.2 Relationship between tax expense and accounting profit

	2012	2011
Profit before taxation	**830,446**	672,581
Tax at the rate of 35%	**290,656**	235,403
Tax effects of:		
Income exempt from tax or taxed at reduced rate	**(28,408)**	97
Prior year	**989**	(4,036)
Tax rebates	**(23,855)**	(8,092)
Tax surcharge	**-**	10,328
Workers' Welfare Fund on tax profit exceeding accounting profit	**1,144**	(273)
Others	**4,856**	194
	245,382	233,621

28. EARNINGS PER SHARE – basic and diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2012	2011
Profit after taxation (Rs. in 000')	**585,064**	438,960
Weighted average number of ordinary shares outstanding during the year (in 000')	**28,800**	28,800
Basic earnings per share (Rs.)	**20.31**	15.24

		2012	2011
		(Rs. in 000')	

29. CASH GENERATED FROM OPERATIONS

		2012	2011
Profit before taxation		**830,446**	672,581
Adjustments for			
Depreciation		**56,541**	49,484
Finance costs		**434**	837
Provision for impairment of trade debts		**(2,246)**	300
Liabilities no longer payable - written back		**(384)**	(1,378)
Gain on disposal of available-for-sale investment		**(81,165)**	-
Profit on term deposit receipts		**(46,251)**	(58,561)
Profit on deposit accounts		**(12,874)**	(10,745)
(Profit) / loss on disposal of property, plant and equipment		**(3,825)**	6,648
		(89,770)	(13,415)
		740,676	659,166
Increase / (decrease) in current assets			
Stores, spares and loose tools		**(16,416)**	(14,652)
Stock-in-trade		**(76,160)**	24,972
Trade debts		**41,611**	(46,300)
Advances, deposits, prepayments and other receivables		**(5,217)**	3,234
Sales tax refundable		**-**	-
		(56,182)	(32,746)
Increase / (decrease) in current liabilities			
Trade and other payables		**8,607**	(23,377)
Sales tax payable		**21,191**	5,129
		29,798	(18,248)
		714,292	608,172

30. CASH AND CASH EQUIVALENTS

		2012	2011
Cash and bank balances	14	**344,892**	126,541
Short term investments – term deposit receipts	13	**955,000**	510,000
		1,299,892	636,541

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

31.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to the changes in market interest rates. The Company is exposed to interest rate risk in respect of bank deposits, term deposit receipts and investment in income based mutual funds. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would increase the Company's profit after tax by Rs. 8.187 million (2011 : 3.975 million) and a 1% decrease would result in the decrease in the Company's profit after tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2012, the Company does not have any financial assets or financial liabilities which are denominated in foreign currencies.

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is mainly exposed to credit risk mainly on trade debts, short term investments and bank balances. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

	2012	2011
	(Rs. in 000')	
Trade debts		
The analysis of trade debts is as follows:		
Neither past due nor impaired	**305,420**	325,297
Past due but not impaired – 30 to 90 days	**10,436**	29,924
	315,856	355,221
Bank balances		
Ratings		
A1+	**343,758**	125,064
P1	**1,122**	1,466
	344,880	126,530
Short term investments		
Ratings		
A1+	**41**	519,377
AA+	**1,184**	230,752
A+	**-**	118,683
AA	**-**	27,791
	1,225	896,603

31.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management of the Company believes that is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Company on the basis of expected cashflow considering the level of liquid assets necessary to mitigate the liquidity risk.

2012	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
			(Rupees in '000)		
Trade and other payables	**77,496**	**183,740**	**16,950**	**-**	**278,186**
Liabilities against assets subject to finance lease	**-**	**-**	**434**	**-**	**434**
	77,496	**183,740**	**17,384**	**-**	**278,620**

2011	**On demand**	**Less than 3 months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
			(Rupees in '000)		
Trade and other payables	92,454	161,300	14,231	-	267,985
Liabilities against assets subject to finance lease	-	514	1,371	558	2,443
	92,454	161,814	15,602	558	270,428

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of the mutual fund units is determined by using the net asset value as disclosed by the Fund Manager at each balance sheet date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Fair value hierarchy

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active market for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2012, the Company has available-for-sale investments measured at fair value using level 1 valuation technique.

33. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital is to safeguard the Company's ability to continue to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through equity and working capital. The capital structure of the Company is equity based with no financing through long term borrowings.

34. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than disclosed elsewhere in the financial statements, are as follows:

	2012	2011
	(Rupees in '000)	
Purchases of goods	**18,840**	13,963
Contribution to the Provident fund	**4,380**	3,537

35. REMUNERATION OF THE CHAIRMAN, CHIEF EXECUTIVE AND EXECUTIVES

35.1 Aggregate amounts charged in the financial statements are as follows:

	2012			2011		
	Chairman	Chief Executive	Executives	Chairman	Chief Executive	Executives
	(Rs. in `000)					
Managerial remuneration	**10,140**	**8,132**	**34,959**	7,759	6,647	26,404
Retirement benefits	**-**	**333**	**1,233**	-	287	1,262
Utilities	**337**	**-**	**875**	228	-	460
Medical expenses	**94**	**29**	**413**	141	20	260
Leave encashment	**-**	**-**	**-**	-	-	612
	10,571	**8,494**	**37,480**	8,128	6,954	28,998
Number of persons	**1**	**1**	**19**	1	1	15

35.2 The Chairman, Chief Executive and certain Executives are also provided with free use of Company maintained vehicles in accordance with the Company's policy.

36. PRODUCTION CAPACITY

The production capacity of the Company cannot be determined as this depends on the relative proportions of various types of vehicles and agricultural tractors produced by OEMs.

37. UNUTILIZED CREDIT FACILITIES

As of the balance sheet date, the Company has unutilized facilities for short term running finance available from various banks amounted to Rs. 160 million (2011: Rs. 160 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25% (2011: 1 to 3 months KIBOR plus rates varying from 0.75% to 1.50%). The facilities are secured by way of pari passu hypothecation of Company's stock-in-trade, stores, spares, loose tools and trade debts.

38. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 29, 2012 (i) approved the transfer of Rs. 345 million from unappropriated profit to general reserve and (ii) proposed cash dividend of Rs. 7.50 per share for the year ended June 30, 2012 amounting to Rs. 216 million for approval of the members at the Annual General Meeting to be held on October 25, 2012.

39. GENERAL

39.1 Figures have been rounded off to the nearest thousands.

39.2 There were no material reclassifications to report.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 29, 2012 by the Board of Directors of the Company.

Yutaka Arae
Chairman

Fahim Kapadia
Chief Executive

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Agriauto Industries Limited (the Holding Company) and its subsidiary company as at 30 June 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Agriauto Industries Limited and its subsidiary company. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly includes such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements, present fairly, in all material respects, the financial position of Agriauto Industries Limited and its subsidiary company as at 30 June 2012 and the results of their operations, comprehensive income, cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 29 August 2012

Karachi

Consolidated Balance Sheet

AS AT JUNE 30, 2012

	Note	2012	2011
		(Rs. in 000')	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	**487,203**	391,297
Long term deposits and other receivable	8	**3,954**	4,249
		491,157	395,546
CURRENT ASSETS			
Stores, spares and loose tools	9	**77,772**	61,356
Stock-in-trade	10	**681,927**	605,767
Trade debts	11	**315,856**	355,221
Advances, deposits, prepayments and other receivables	12	**13,288**	5,607
Accrued profit		**1,607**	746
Short term investments	13	**966,650**	896,603
Taxation – net		**8,415**	-
Cash and bank balances	14	**348,430**	126,541
		2,413,945	2,051,841
TOTAL ASSETS		**2,905,102**	2,447,387
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
40,000,000 (2011: 40,000,000) Ordinary shares of Rs. 5/- each		**200,000**	200,000
Issued, subscribed and paid-up capital	15	**144,000**	144,000
Reserves		**2,408,618**	2,006,583
		2,552,618	2,150,583
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	16	**-**	558
Deferred taxation	17	**51,506**	19,831
		51,506	20,389
CURRENT LIABILITIES			
Trade and other payables	18	**278,286**	267,985
Current portion of liabilities against assets subject to finance lease	16	**434**	1,885
Taxation – net		**-**	5,478
Sales tax payable		**22,258**	1,067
		300,978	276,415
CONTINGENCIES AND COMMITMENTS	19		
TOTAL EQUITY AND LIABILITIES		**2,905,102**	2,447,387

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

Yutaka Arae
Chairman

Fahim Kapadia
Chief Executive

Consolidated Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		(Rs. in 000')	
Turnover - net	20	**4,286,674**	3,980,258
Cost of sales	21	**(3,360,971)**	(3,170,927)
Gross profit		**925,703**	809,331
Distribution costs	22	**(62,059)**	(57,830)
Administrative expenses	23	**(126,125)**	(89,192)
		(188,184)	(147,022)
Other operating income	24	**148,306**	68,185
Operating profit		**885,825**	730,494
Finance costs	25	**(449)**	(837)
Other charges	26	**(69,896)**	(57,076)
		(70,345)	(57,913)
Profit before taxation		**815,480**	672,581
Taxation	27	**(245,382)**	(233,621)
Profit after taxation		**570,098**	438,960
		Rupees	**Rupees**
Earnings per share – basic and diluted	28	**19.80**	15.24

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

Yutaka Arae
Chairman

Fahim Kapadia
Chief Executive

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	(Rs. in 000')	
Net profit for the year	**570,098**	438,960
Other comprehensive income		
Unrealized gain on change in fair value of available-for-sale investments arisen during the year – net of tax	**57,102**	23,897
Reclassification adjustment for gains included in profit and loss account upon disposal of investments	**(81,165)**	-
	(24,063)	23,897
Total comprehensive income for the year	**546,035**	462,857

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

Yutaka Arae
Chairman

Fahim Kapadia
Chief Executive

Consolidated Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		(Rs. in 000')	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	29	**696,321**	608,172
Finance costs paid		**(449)**	(837)
Income tax paid		**(225,662)**	(246,135)
Long term deposits		**295**	(1,997)
Net cash generated from operating activities		**470,505**	359,203
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(161,218)**	(117,178)
Proceeds from disposal of property, plant and equipment		**12,596**	15,185
Proceeds from disposal of short term investment		**686,165**	-
Acquisition of short term investments		**(255,000)**	(200,000)
Profit received on term deposit receipts		**45,202**	56,945
Profit received on deposit accounts		**13,062**	9,999
Net cash inflow from / (used in) investing activities		**340,807**	(235,049)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		**(2,010)**	(2,432)
Dividends paid		**(142,413)**	(128,239)
Net cash used in financing activities		**(144,423)**	(130,671)
Net increase / (decrease) in cash and cash equivalents		**666,889**	(6,517)
Cash and cash equivalents at the beginning of the year		**636,541**	643,058
Cash and cash equivalents at the end of the year	30	**1,303,430**	636,541

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

Yutaka Arae
Chairman

Fahim Kapadia
Chief Executive

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2012

		Reserves					
		Capital reserve	Revenue reserves		Gain / (loss) on changes in fair value of available-for-sale investments	Total	
	Issued, subscribed and paid-up capital	Share premium	General	Unappropriated profit			Total equity
	(Rs. in 000')						
Balance as at June 30, 2010	144,000	12,598	1,245,000	414,337	1,391	1,673,326	1,817,326
Final dividend for the year ended June 30, 2010 @ Rs. 4.5/- per share	-	-	-	(129,600)	-	(129,600)	(129,600)
Transfer to general reserve	-	-	280,000	(280,000)	-	-	-
Profit after taxation for the year	-	-	-	438,960	-	438,960	438,960
Other comprehensive income	-	-	-	-	23,897	23,897	23,897
Total comprehensive income for the year	-	-	-	438,960	23,897	462,857	462,857
Balance as at June 30, 2011	**144,000**	**12,598**	**1,525,000**	**443,697**	**25,288**	**2,006,583**	**2,150,583**
Final dividend for the year ended June 30, 2011 @ Rs. 5 /- per share	**-**	**-**	**-**	**(144,000)**	**-**	**(144,000)**	**(144,000)**
Transfer to general reserve	**-**	**-**	**290,000**	**(290,000)**	**-**	**-**	**-**
Profit after taxation for the year	**-**	**-**	**-**	**570,098**	**-**	**570,098**	**570,098**
Other comprehensive income / (loss)	**-**	**-**	**-**	**-**	**(24,063)**	**(24,063)**	**(24,063)**
Total comprehensive income for the year	**-**	**-**	**-**	**570,098**	**(24,063)**	**546,035**	**546,035**
Balance as at June 30, 2012	**144,000**	**12,598**	**1,815,000**	**579,795**	**1,225**	**2,408,618**	**2,552,618**

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

Yutaka Arae
Chairman

Fahim Kapadia
Chief Executive

1. THE GROUP AND ITS OPERATIONS

1.1 Agriauto Industries Limited (the Holding Company) was incorporated in Pakistan on June 25, 1981 as a public limited company, under the Companies Act, 1913 (now the Companies Ordinance, 1984), and is listed on the Karachi and Lahore stock exchanges of Pakistan since June 1984. The Holding Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors. The registered office of the Holding Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

The Group comprises of the Holding Company and Agriauto Stamping Company (Private) Limited (the Subsidiary Company). The Subsidiary Company was incorporated in Pakistan on January 20, 2012 as a private limited company, under the Companies Ordinance, 1984. The Subsidiary Company will be engaged in stamping of sheet metal parts, dies, fixtures primarily for the automotive industry and has not yet commenced its operations. The registered office of the Subsidiary Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

2. STATEMENT OF COMPLIANCE

2.1 These consolidated 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as are as notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies ordinance, 1984 shall prevail.

2.2 Standards and amendments to approved accounting standards that are not yet effective

The following revised standards and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard	**Effective date (accounting periods beginning on or after)**
IAS 1 - Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IFRS 7 - Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 12 - Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19 - Employee Benefits – (Amendment)	January 01, 2013
IAS 32 - Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014

The Group expects that the adoption of the above revisions and amendments of the standards will not affect the Group's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

3. BASIS OF MEASUREMENT

3.1 These consolidated financial statements have been prepared under the historical cost convention except for available-for-sale investments which are valued as stated in note 5.6 to the financial statements.

3.2 These consolidated financial statements are presented in Pak Rupees which is the Group's functional and presentation currency.

4. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Holding Company and its Subsidiary Company as at June 30, 2012.

The Subsidiary Company's assets, liabilities, income and expenses have been consolidated on a line by line basis from the date of its incorporation. The financial statements of the Subsidiary Company are prepared for the reporting period from January 20, 2012 to June 30, 2012, using accounting policies consistent with those of the Holding Company. All intra-group balances, transaction, gains and losses resulting from intra-group transactions and dividends are eliminated in full.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New and amended standards and interpretations

The Group has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 7 - Financial Instruments: Disclosures (Amendment)

IAS 24 - Related Party Disclosures (Revised)

IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 - Financial Instruments: Disclosures
- Clarification of disclosures

IAS 1 - Presentation of Financial Statements
- Clarification of statement of changes in equity

IAS 34 - Interim Financial Reporting
- Significant events and transactions

IFRIC 13 - Customer Loyalty Programmes
- Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements.

5.2 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment loss except for freehold land and capital work in progress which are stated at cost.

Depreciation on fixed assets is charged to the profit and loss account applying the reducing balance method at the rates specified in note 7 to the financial statements. Depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal. Maintenance and normal repairs are charged to profit and loss account as and when incurred, while major renewals and improvements are capitalised. Gains or losses on disposals of fixed assets, if any, are included in income currently.

Leasehold land is amortised in equal installments over the lease period.

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 related cash-generating units are written down to their recoverable amount.

Finance leases

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease less financial charges allocated to future periods are recorded as liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation is charged to income on the same basis as for the Group’s owned assets.

5.3 Stores, spares and loose tools

These are stated at the lower of cost and Net Realisable Value (NRV) except for goods-in-transit which are stated at invoice price plus other charges incurred thereon upto the date of the balance sheet. Cost is determined on weighted moving average basis.

Stores, spares and loose tools are regularly reviewed by the management and any obsolete items are brought down to their NRV.

5.4 Stock-in-trade

Stock-in-trade, except goods-in-transit, is stated at the lower of NRV and cost determined as follows:

Raw and packing materials	-	Moving average basis.
Work-in-process	-	Cost of direct materials plus conversion cost is valued on the basis of equivalent production units.
Finished goods	-	Cost of direct materials plus conversion cost is valued on time proportion basis.

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the balance sheet date.

Stock-in-trade is regularly reviewed by the management and any obsolete items are brought down to their NRV.

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

5.5 Trade debts and other receivables

Trade debts originated by the Group are recognised and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on the management’s assessment of customers’ outstandings and creditworthiness. Bad debts are written-off as and when identified.

5.6 Investments

Held-to-maturity

Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity.

Gains or losses on held-to-maturity investments are recognised in income when the investments are derecognised or impaired.

Available-for-sale

Investments which are not classified in the above category and which the management intends to hold for indefinite period, but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

All investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment. Transaction costs in the case of held-for-trading investments are charged to income when incurred. After initial recognition, investments classified as available-for-sale are remeasured at fair values and held-to-maturity investments are measured at amortised cost.

Gains or losses on revaluation of available-for-sale investments are recognised in equity until the investment is sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

5.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term investments with a maturity of three months or less from the date of acquisition net of short-term running finance. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

5.8 Financial instruments

All financial assets and liabilities are recognised at the time when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights under the instruments are realised, expired or surrendered. Financial liabilities are derecognised when the obligation is extinguished, discharged, cancelled or expired. Any gain or loss on recognition or derecognition of the financial assets and financial liabilities is taken to the profit and loss account.

5.9 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

5.10 Employees' benefits

Provident fund

The Group operates a recognised provident fund scheme (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Group's policy. Contributions in respect thereto are made in accordance with the terms of the scheme.

Compensated absences

The Group accounts for these benefits in the period in which the absences are earned.

5.11 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, or one per cent of turnover, whichever is higher. Tax on export sales is calculated under final tax regime under Section 154 of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is provided, proportionate to local sales, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of recognised or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

5.12 Provisions

Provision is recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, 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 obligation.

5.13 Warranty obligations

The Group recognises the estimated liability to repair or replace products under warranty at the balance sheet date on the basis of historical experience.

5.14 Foreign currency transactions

Transactions denominated in foreign currencies are recorded on initial recognition in Pak. Rupees, by applying to the foreign currency amount the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak. Rupees equivalents using the exchange rate at the balance sheet date. Exchange differences are included in income currently.

5.15 Revenue recognition

Sales are recorded when goods are dispatched to the customers.

Profit on term deposit receipts is recognised on constant rate of return to maturity.

Profit on deposit accounts is recognised on accrual basis.

Dividend income is recognised when the right to receive the dividend is established.

5.16 Dividends and appropriation to reserve

Dividend and appropriation to reserve are recognised in the consolidated financial statements in the period in which these are approved.

5.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.18 Research and development costs

Research and development costs are expensed as incurred, except for development costs that relate to the design of new or improved products which are recognised as an asset to the extent that it is expected that such asset will meet the recognition criteria mentioned in IAS – 38 “Intangible Assets”.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated 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 Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the consolidated financial statements:

	Notes
- determining the residual values and useful lives of property, plant and equipment	5.2 & 7
- valuation of inventories	5.3, 5.4, 9 & 10
- provision against trade debts	5.5 & 11
- provision for tax and deferred tax	5.11, 17 & 27
- provision for employee's benefits	5.10
- warranty obligations	5.13 & 18.2

	Note	2012	2011
		(Rs. in 000')	
7. PROPERTY, PLANT AND EQUIPMENT			
Operating assets – tangible	7.1	**486,789**	348,031
Capital work-in-progress			
– Plant and machinery		**414**	34,735
– Civil works		**-**	5,876
– Dies and tools		**-**	2,655
		414	43,266
		487,203	391,297

7.1 Operating assets

	COST				ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at July 01, 2011	Additions/ (disposals)/ transfers*	As at June 30, 2012	Depreciation rate	As at July 01, 2011	Charge/ transfers* for the year	Disposals/ adjustment for the Year	As at June 30, 2012	As at June 30, 2012
	---(Rs. In 000')---			%	---(Rs. In 000')---				
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Leasehold land	29,418	- -	29,418	3.03	3,021	773	(3,794)	-	29,418
Building on freehold land	93,360	16,141	109,501	10	44,940	5,918	-	50,858	58,643
Plant and machinery	450,850	155,363 (17,060)	589,153	10 – 20	238,659	29,866	(10,729)	257,796	331,357
Furniture and fittings	6,068	1,003 (286)	6,785	15	2,858	525	(246)	3,137	3,648
Vehicles	46,215	15,942 (9,274) 3,298*	56,181	20	10,414	8,137 3,762*	(4,427)	17,886	38,295
Office equipment	1,927	336 (20)	2,243	20	1,033	214	(13)	1,234	1,009
Computer equipment	10,452	15,284	25,736	33	5,809	5,428		11,237	14,499
Dies and tools	23,670	- (3,003)	20,667	40	10,324	5,035	(1,664)	13,695	6,972
	663,612	204,069 (29,643) 3,298*	841,336		317,058	55,896 3,762*	(20,873)	355,843	485,493
Leased									
Vehicles	5,604	- (3,298)*	2,306	20	4,127	645 (3,762)*		1,010	1,296
2012	**669,216**	**204,069 (29,643) -***	**843,642**		**321,185**	**56,541 -***	**(20,873)**	**356,853**	**486,789**

	COST				ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at July 01, 2010	Additions/ (disposals)/ transfer*	As at June 30, 2011	Depreciation rate	As at July 01, 2010	Charge/ transfer* for the year	Disposals for the year	As at June 30, 2011	As at June 30, 2011
	--------------(Rs. in 000')	--------------		%	-------------------------------	(Rs. in 000')	---------------------		
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Leasehold land	29,040	378	29,418	3,03	2,128	893	-	3,021	26,397
Building on freehold land	91,752	1,608	93,360	10	39,678	5,262	-	44,940	48,420
Plant and machinery	436,343	44,861 (30,354)	450,850	10 – 20	225,332	28,281	(14,954)	238,659	212,191
Furniture and fittings	4,585	1,483	6,068	15	2,468	390	-	2,858	3,210
Vehicles	31,927	23,804 (12,096) 2,580*	46,215	20	9,464	5,957 656*	(5,663)	10,414	35,801
Office equipment	1,548	379	1,927	20	900	133	-	1,033	894
Computer equipment	8,395	2,057	10,452	33	4,192	1,617	-	5,809	4,643
Dies and tools	10,553	13,117	23,670	40	4,509	5,815	-	10,324	13,346
	615,795	87,687 (42,450) 2,580*	663,612		288,671	48,348 656*	(20,617)	317,058	346,554
Leased									
Vehicles	8,184	- (2,580)*	5,604	20	3,647	1,136 (656)*	-	4,127	1,477
2011	623,979	87,687 (42,450) -*	669,216		292,318	49,484 -*	(20,617)	321,185	348,031

7.2 Depreciation charge for the year has been allocated as follows :

	Note	2012	2011
		(Rs. in 000')	
Cost of sales	21	**45,588**	43,579
Distribution costs	22	**784**	811
Administrative expenses	23	**10,169**	5,094
		56,541	49,484

7.3 The following property, plant and equipment were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Book value	Sales proceeds	(Loss) / gain	Mode of disposal	Particulars of buyer
	---------------------------------		(Rs. in 000')	---------------------------------			
Plant and machinery / Dies and Tools							
Machinery	10,815	5,438	5,377	2,117	(3,260)	Auction	New ABC Neelam Ghar, Karachi
Machinery	1,112	941	171	140	(31)	Auction	New ABC Neelam Ghar, Karachi
Machinery	5,083	4,298	785	1,010	225	Auction	Pioneer Auctioner, Karachi
Dies and Tools	1,100	458	642	1,100	458	Negotiation	Indus Motor Co. Ltd.,Karachi
Dies & Tools	1,903	1,205	698	1,379	681	Negotiation	Pirani Engineering, Karachi
Items below 5,000 WDV	356	311	45	291	246	Auction	New ABC Neelam Ghar, Karachi
	20,369	**12,651**	**7,718**	**6,037**	**(1,681)**		
Vehicles							
Toyota Corolla	969	678	291	950	659	Negotiation	Mr. S. M. Yasar, Karachi
Toyota Corolla	1,337	254	1,083	1,270	187	Negotiation	Mr. Abdul Aala Khalid, Karachi
Toyota Corolla	1,337	254	1,083	1,270	187	Negotiation	Mr. Muhammad Qasim, Karachi
Toyota Corolla	969	667	302	320	18	Group Policy	Mr. Ghulam Abbas, Employee
Daihatsu Cuore	434	299	135	143	8	Group Policy	Mr. Azeem Saadat, Employee
Daihatsu Cuore	434	299	135	143	8	Group Policy	Mr. M. Ushaa, Karachi
Daihatsu Cuore	434	304	130	143	13	Group Policy	Mr. Nadeemul Haq, Employee
Daihatsu Cuore	645	228	417	600	183	Negotiation	Mrs. Ruqaiya Mushtaq, Karachi
Daihatsu Cuore	671	169	502	685	183	Negotiation	Dr. Huda Abbas, Karachi
Suzuki Bolan	596	77	519	596	77	Insurance Claim	Habib Insurance Co. Karachi
Honda CD-70	54	38	16	54	38	Group Policy	Mr. M. Sajid, Employee
Honda CD-70	54	38	16	54	38	Group Policy	Mr. Saeedullah, Employee
Fork Lifter	1,340	1,123	217	330	113	Auction	New ABC Neelam Ghar, Karachi
	9,274	**4,428**	**4,846**	**6,558**	**1,712**		
2012	**29,643**	**17,079**	**12,564**	**12,595**	**31**		
2011	42,450	20,617	21,833	15,185	(6,648)		

		Note	2012	2011
			(Rs. in 000')	
8.	**LONG TERM DEPOSITS AND OTHER RECEIVABLE**			
	Security deposits – considered good		**3,954**	4,249
	Other receivable - considered doubtful		**49,252**	49,252
	Less: Provision for impairment	8.1	**(49,252)**	(49,252)
			-	-
			3,954	4,249

8.1 During the year ended 30 June 2010, Group sold its shareholding in Makro-Habib Pakistan Limited (MHPL) to Thal Limited (TL), a related party under a Share Purchase Agreement (SPA) dated May 14, 2010, at an aggregate consideration of Rs.157.658 million. In terms of the SPA, the Group received an amount of Rs.108.406 million from TL towards the purchase consideration of the said shares. However, the balance consideration amounting to Rs. 49.252 million shall only be payable by TL subject to the following:

a) TL determines that the Group tax relief for the years 2008-2010, as claimed by TL, can be fully sustained or is unable to make such determination by June 2014; and

b) TL determines that MHPL will not incur an impairment loss in case of closure of its Sadder store or is unable to make such determination about the impairment by June 2014.

Accordingly, the contingent balance payment for (a) and (b) above, amounts to Rs. 28.710 million and Rs. 20.542 million respectively. The management, as a matter of prudence, has made a full provision against the said contingent receivable in these consolidated financial statements.

During the months of June 2011 and July 2011, TL's tax assessments with respect to Group tax relief for the years 2008-2010 were finalized by the Commissioner Inland Revenue(CIR) (Appeals), whereby such relief was allowed to TL. Subsequently, the tax department filed an appeal with the Income Tax Appellant Tribunal (ITAT) against the said Order of the CIR (Appeals). ITAT confirmed CIR (Appeals) Order for the tax years 2008 - 2010. However the CIR filed an appeal against the Order of ITAT before the High Court of Sindh and with the Chairman ITAT for the tax year 2008 which is pending adjudication.

The Supreme Court status quo order dated March 17, 2010 in relation of Sadder Store still prevails as no further order/direction has been given by Supreme Court.

		Note	2012	2011
9.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		**40,465**	23,900
	Spares		**30,758**	24,331
	Loose tools		**6,549**	13,125
			77,772	61,356
10.	**STOCK-IN-TRADE**			
	Raw material		**544,286**	415,846
	Packing material		**4,241**	2,900
	Work-in-process		**55,253**	45,484
	Finished goods		**22,731**	36,583
	Goods-in-transit		**55,416**	104,954
			681,927	605,767

10.1 The amount of written down to NRV in respect of stock-in-trade was Rs. 7.667 million (2011: Rs. 4.751 million).

		Note	2012	2011
11.	**TRADE DEBTS – unsecured**			
	Considered good		**315,856**	355,221
	Considered doubtful		**1,585**	3,874
	Provision for impairment	11.1	**(1,585)**	(3,874)
			-	-
			315,856	355,221

		Note	2012	2011
			(Rs. in 000')	
11.1	**Reconciliation of provision for impairment is as follows:**			
	Balance at the beginning of the year		**3,874**	3,574
	(Reversal) / charge for the year	22	**(2,289)**	300
	Write-offs during the year		**-**	-
	Balance at the end of the year		**1,585**	3,874
12.	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances – unsecured, considered good			
	Suppliers		**2,318**	121
	Contractors		**2,807**	1,347
	Employees		**695**	646
			5,820	2,114
	Deposits		**330**	365
	Prepayments			
	Insurance		**6,605**	2,248
	Others			739
			6,605	2,987
	Other receivables – unsecured, considered good			
	Insurance claim receivable		**141**	141
	Workers profit participation Fund	18.1	**392**	-
			533	141
			13,288	5,607
13.	**SHORT TERM INVESTMENTS**			
	Held- to- maturity			
	Term deposit receipts	13.1	**955,000**	510,000
	Accrued profit thereon		**10,425**	9,377
			965,425	519,377
	Available-for-sale			
	Atlas Money Market Fund		**1,184**	107,876
	NAFA Government Securities Liquid Fund		**41**	118,683
	UBL Liquidity Plus Fund		**-**	122,875
	Meezan Cash Fund		**-**	27,792
			966,650	896,603

13.1 Represents three months term deposit receipts with a commercial bank carrying profit rate ranging from 11.50 % to 11.90% (2011: 12.25%) per annum and will mature by August 2012.

		Note	2012	2011
14.	**CASH AND BANK BALANCES**			
	In hand		**12**	11
	With banks in			
	- current accounts		**40,891**	25,035
	- deposit accounts	14.1	**307,527**	101,495
			348,418	126,530
			348,430	126,541

14.1 These carry profit rates ranging from 6% to 10% (2011: 6% to 10.25%) per annum.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2012

			2012	2011
			(Rs. in 000')	

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 5/- each

Number of shares in (000') 2012	2011		2012	2011
22,800	22,800	Fully paid in cash	**114,000**	114,000
6,000	6,000	Issued as fully paid bonus shares	**30,000**	30,000
28,800	28,800		**144,000**	144,000

15.1 Related parties held 2,115,600 (2011: 2,115,600) ordinary shares of Rs. 5/- each in the Holding Company at year end.

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2012		2011	
	Minimum lease payments	Present value of MLP	Minimum lease payments	Present value of MLP
	(Rs. in 000')			
Not later than one year	**441**	**434**	2,080	1,885
Later than one year but not later than five years	**-**	**-**	569	558
Total minimum lease payments	**441**	**434**	2,649	2,443
Less : Financial charges allocated to future periods	**7**	**-**	206	-
Present value of minimum lease payments	**434**	**434**	2,443	2,443
Less: Current portion shown under current liabilities	**434**	**434**	1,885	1,885
	-	**-**	558	558

Represents finance lease entered into with a modaraba for vehicles. The balance of the liability is payable by September 2012 in quarterly installments. The liability is partly secured by deposits of Rs. 0.231 million (2011: Rs. 0.560 million). The above lease contracts contain a bargain purchase option. Quarterly lease payments include finance charges at the rate of KIBOR+2.75% (2011: KIBOR+2% to KIBOR+3%) per annum, which is used as a discounting factor. There are no financial restrictions in the lease agreements.

17. DEFERRED TAXATION

	2012	2011
	(Rs. in 000')	
Taxable temporary differences arising due to:		
- accelerated tax depreciation	**79,997**	50,569
- unrealized gain on available for sale investments	**-**	1,938
	79,997	52,507
Deductable temporary differences arising due to:		
- assets subject to finance lease	**(152)**	(184)
- provisions	**(28,339)**	(32,492)
	(28,491)	(32,676)
	51,506	19,831

18. TRADE AND OTHER PAYABLES

		2012	2011
Creditors		**104,209**	92,336
Royalty payable		**15,137**	9,757
Accrued liabilities		**63,160**	58,417
Advance from customers		**2,156**	1,735
Payable to provident fund		**1,085**	968
Workers' Profit Participation Fund	18.1	**-**	1,120
Workers' Welfare Fund		**16,951**	14,231
Warranty obligations	18.2	**23,885**	24,346
Infrastructure cess payable	18.3	**39,232**	53,746
Unclaimed and unpaid dividends		**8,103**	6,516
Guarantee bond payable	18.4	**1,110**	1,111
Tax deducted at source		**1,645**	1,449
Others		**1,613**	2,253
		278,286	267,985

		Note	2012	2011
			(Rs. in 000')	
18.1	**Workers' Profit Participation Fund**			
	Balance at the beginning of the year		**1,120**	36,972
	Allocation for the year	26	**44,608**	36,148
			45,728	73,120
	Less: Payment made during the year		**46,120**	72,000
	Balance at end of the year		**(392)**	1,120
18.2	**Warranty obligations**			
	Balance at the beginning of the year		**24,346**	17,471
	Provision for the year	22	**11,076**	15,796
			35,422	33,267
	Less: Claims paid during the year		**11,537**	8,921
	Balance at end of the year		**23,885**	24,346

18.3 During the financial year 2009, the Honourable High Court of Sindh declared the levy of the Infrastructure cess / fee by the Excise and Taxation Department, Government of Sindh upto December 27, 2006 as ultra vires of the Constitution. However, the levy subsequent to December 27, 2006 was declared as valid and constitutional. The Group had filed an appeal before the Honourable Supreme Court of Pakistan against the above order of High Court and as per the directions of the Supreme Court, approached the High Court by filing a fresh constitution petition in May 2011. The High Court has granted stay on said petition on the following terms:

- Any bank guarantee/security furnished for consignment released upto December 27, 2006 shall be discharged and returned; and
- Any bank guarantee/security furnished for consignment released after December 27, 2006 shall be encashed to the extent of 50% of the guaranteed/secured amount only and the bank guarantee/security for the balance amount will be kept alive till the disposal of the petitions.

In view of the interim nature of arrangement as provided in the above referred order of the High Court, the Group has retained full provision against the infrastructure cess fee payable for the period from December 2006 till June 2012.

The Group has provided a bank guarantee in favour of Excise and Taxation Department, amounting to Rs. 33.154 million (2011: Rs. 57 million), out of which Rs. 0.519 million (2011: 3.254 million) remain un-utilized as of the year end.

18.4 The Group has provided bank guarantees to Collector of Customs as a security against the import duty.

19. CONTINGENCIES AND COMMITMENTS

Commitments

(i) Commitments in respect of outstanding letters of credit for raw material amount to Rs. 226.217 million (2011: Rs. 186.277 million).

(ii) Commitments in respect of capital expenditure amount to Rs. 1.720 million (2011: Rs. 27.891 million).

(iii) Outstanding bank guarantees issued to Sui Southern Gas Company Limited amounts to Rs. 0.385 million (2011: Rs. 0.385 million)

		2012	2011
		(Rs. in 000')	
20.	**TURNOVER – net**		
	Sales	**4,973,812**	4,709,564
	Less: Sales tax	**686,941**	675,691
	Special excise duty	**-**	53,423
	Trade discount	**197**	192
		687,138	729,306
		4,286,674	3,980,258

	Note	2012	2011
		(Rs. in 000')	
21. COST OF SALES			
Raw material consumed			
Opening stock		**415,846**	390,527
Purchases		**2,878,513**	2,685,219
		3,294,359	3,075,746
Closing stock		**(544,286)**	(415,846)
		2,750,073	2,659,900
Manufacturing expenses			
Salaries, wages and benefits		**179,932**	139,866
Stores, spares and loose tools consumed		**108,841**	101,668
Packing material consumed		**17,277**	16,954
Fuel and power		**68,914**	75,262
Transportation and traveling		**44,848**	33,606
Depreciation	7.2	**45,588**	43,579
Repairs and maintenance		**81,053**	52,377
Royalty and technical fees		**32,140**	21,510
Research and development costs		**2,596**	7,022
Communications and professional fees		**11,318**	1,314
Printing and stationery		**1,130**	683
Insurance		**2,380**	2,914
Rent, rates and taxes		**6,951**	6,852
Others		**3,847**	697
		606,815	504,304
Work-in-process			
Opening stock		**45,484**	63,370
Closing stock		**(55,253)**	(45,484)
Cost of goods manufactured		**3,347,119**	3,182,090
Finished goods			
Opening stock		**36,583**	25,420
Closing stock		**(22,731)**	(36,583)
		13,852	(11,163)
		3,360,971	3,170,927
22. DISTRIBUTION COSTS			
Salaries and benefits		**10,063**	10,227
Advertisement and sales promotion		**13,196**	9,163
Carriage and forwarding		**19,720**	17,408
Traveling and conveyance		**2,402**	1,711
Depreciation	7.2	**784**	811
Provision for warranty claims	18.2	**11,076**	15,796
(Reversal of provision / provision for impairment of trade debts	11.1	**(2,289)**	300
Rent, rates and taxes		**121**	309
Communications and professional fee		**201**	304
Insurance		**225**	219
Repairs and maintenance		**6,380**	575
Others		**180**	1,007
		62,059	57,830

		Note	2012	2011
			(Rs. in 000')	
23.	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits		**43,917**	34,331
	Legal and professional charges		**25,614**	18,498
	Repairs and maintenance		**5,759**	4,493
	Technical fees		**11,349**	-
	Depreciation	7.2	**10,169**	5,094
	Printing and stationery		**723**	830
	Computer supplies		**237**	2,445
	Rent, rates and taxes		**1,930**	2,217
	Traveling and conveyance		**11,970**	8,315
	Communications and professional fee		**6,452**	5,941
	Utilities		**1,365**	1,247
	Security services		**3,337**	3,353
	Insurance		**1,013**	666
	Auditors' remuneration	23.1	**883**	630
	Advertisement		**493**	515
	Others		**914**	617
			126,125	89,192
23.1	**Auditors' remuneration**			
	Audit fee		**800**	500
	Fee for review of half yearly financial statements		**55**	50
	Other certifications		**28**	60
	Out of pocket expenses		**-**	20
			883	630
24.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Profit on:			
	- term deposit receipts		**46,251**	58,561
	- deposit accounts		**13,923**	10,745
	Gain on sale of available-for-sales investments		**81,165**	-
			141,339	69,306
	Liabilities no longer payable - written back		**384**	1,378
	Income from non-financial assets			
	Gain / (loss) on disposal of property, plant and equipment	7.3	**3,825**	(6,648)
	Scrap sales		**2,758**	4,149
			6,583	(2,499)
			148,306	68,185
25.	**FINANCE COSTS**			
	Mark-up on finance lease		**181**	494
	Bank charges		**268**	343
			449	837
26.	**OTHER CHARGES**			
	Workers' Profit Participation Fund	18.1	**44,608**	36,148
	Workers' Welfare Fund		**16,951**	14,231
	Donations	26.1	**8,337**	6,697
			69,896	57,076

26.1 None of the directors or their spouses had any interest in any of the donees to whom donations were made during the year.

	2012	2011
	(Rs. in 000')	

27. TAXATION

Current	**210,782**	246,399
Prior	**989**	(4,036)
Deferred	**33,611**	(8,742)
	245,382	233,621

27.1 The income tax assessments of the Group have been finalized up to and including the tax year 2011. The Additional Commissioners Inland Revenue have issued notices for amendment of assessment under section 122 (5A) in respect of the tax year 2005 and initiated the proceedings. However, such proceedings are yet to culminate.

27.2 Relationship between tax expense and accounting profit

Profit before taxation	**815,480**	672,581
Tax at the rate of 35%	**285,418**	235,403
Tax effects of:		
Income exempt from tax or taxed at reduced rate	**(28,408)**	97
Prior year	**989**	(4,036)
Tax rebates	**(23,855)**	(8,092)
Tax surcharge	**-**	10,328
Workers' Welfare Fund on tax profit exceeding accounting profit	**1,144**	(273)
Others	**10,094**	194
	245,382	233,621

27.3 As at the year end, there is a deferred tax asset of the Subsidiary Company of Rs. 5.238 (2011: Nil) million which has not been recognized in these consolidated financial statements.

28. EARNINGS PER SHARE – basic and diluted

There is no dilutive effect on the basic earnings per share of the Group, which is based on:

	2012	2011
Profit after taxation (Rs. in 000')	**570,098**	438,960
Weighted average number of ordinary shares outstanding during the year (in 000')	**28,800**	28,800
Basic earnings per share (Rs.)	**19.80**	15.24

29. CASH GENERATED FROM OPERATIONS

Profit before taxation	**815,480**	672,581
Adjustments for		
Depreciation	**56,541**	49,484
Finance costs	**449**	837
Provision for impairment of trade debts	**(2,246)**	300
Liabilities no longer payable - written back	**(384)**	(1,378)
Gain on disposal of available-for-sale investment	**(81,165)**	-
Profit on term deposit receipts	**(46,251)**	(58,561)
Profit on deposit accounts	**(13,922)**	(10,745)
Profit / (loss) on disposal of property, plant and equipment	**(3,825)**	6,648
	(90,803)	(13,415)
	724,677	659,166

	Note	2012	2011
		(Rs. in 000')	
Increase / (decrease) in current assets			
Stores, spares and loose tools		**(16,416)**	(14,652)
Stock-in-trade		**(76,160)**	24,972
Trade debts		**41,611**	(46,300)
Advances, deposits, prepayments and other receivables		**(7,288)**	3,234
Sales tax refundable			-
		(58,253)	(32,746)
Increase / (decrease) in current liabilities			
Trade and other payables		**8,707**	(23,377)
Sales tax payable		**21,190**	5,129
		29,897	(18,248)
		696,321	608,172

30. CASH AND CASH EQUIVALENTS

	Note	2012	2011
Cash and bank balances	14	**348,430**	126,541
Short term investments – term deposit receipts	13	**955,000**	510,000
		1,303,430	636,541

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

31.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to the changes in market interest rates. The Group is exposed to interest rate risk in respect of bank deposits, term deposit receipts and investment in income based mutual funds. Management of the Group estimates that 1% increase in the market interest rate, with all other factor remaining constant, would increase the Group's profit after tax by Rs. 8.217 million (2011 : 3.975 million) and a 1% decrease would result in the decrease in the Group's profit after tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2012, the Group does not have any financial assets or financial liabilities which are denominated in foreign currencies.

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group is mainly exposed to credit risk mainly on trade debts, short term investments and bank balances. The Group seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

	2012	2011
	(Rs. in 000')	
Trade debts		
The analysis of trade debts is as follows:		
Neither past due nor impaired	**305,420**	325,297
Past due but not impaired – 30 to 90 days	**10,436**	29,924
	315,856	355,221
Bank balances		
Ratings		
A1+	**347,308**	125,064
P1	**1,122**	1,466
	348,430	126,530
Short term investments		
Ratings		
A1+	**41**	519,377
AA+	**1,184**	230,752
A+	**-**	118,683
AA	**-**	27,791
	1,225	896,603

31.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management of the Group believes that is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Group on the basis of expected cashflow considering the level of liquid assets necessary to mitigate the liquidity risk.

2012	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	Total
	(Rupees in '000)				
Trade and other payables	**77,496**	**183,840**	**16,950**	**-**	**278,286**
Liabilities against assets subject to finance lease	**-**	**-**	**434**	**-**	**434**
	77,496	**183,840**	**17,384**	**-**	**278,720**

2011	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	Total
	(Rupees in '000)				
Trade and other payables	92,454	161,300	14,231	-	267,985
Liabilities against assets subject to finance lease	-	514	1,371	558	2,443
	92,454	161,814	15,602	558	270,428

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of the mutual fund units is determined by using the net asset value as disclosed by the Fund Manager at each balance sheet date. The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

Fair value hierarchy

The Group uses the following hierarchy for disclosure of the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active market for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2012, the Group has available-for-sale investments measured at fair value using level 1 valuation technique.

33. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard the Group's ability to continue to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is currently financing majority of its operations through equity and working capital. The capital structure of the Group is equity based with no financing through long term borrowings.

34. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group comprise companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than disclosed elsewhere in the consolidated financial statements, are as follows:

	2012	2011
	(Rupees in '000)	
Purchases of goods	**18,840**	13,963
Contribution to the Provident fund	**4,380**	3,537

35. REMUNERATION OF THE CHAIRMAN, CHIEF EXECUTIVE AND EXECUTIVES

35.1 Aggregate amounts charged in the consolidated financial statements are as follows:

	2012			2011		
	Chairman	Chief Executive	Executives	Chairman	Chief Executive	Executives
	(Rs. in `000)					
Managerial remuneration	**10,140**	**8,132**	**34,959**	7,759	6,647	26,404
Retirement benefits	**-**	**333**	**1,233**	-	287	1,262
Utilities	**337**	**-**	**875**	228	-	460
Medical expenses	**94**	**29**	**413**	141	20	260
Leave encashment	**-**	**-**	**-**	-	-	612
	10,571	**8,494**	**37,480**	8,128	6,954	28,998
Number of persons	**1**	**1**	**19**	1	1	15

35.2 The Chairman, Chief Executive and certain Executives are also provided with free use of Group maintained vehicles in accordance with the Group's policy.

35.3 No remuneration has been paid to Chief Executive of the Subsidiary Company during the year.

36. PRODUCTION CAPACITY

The production capacity of the Group cannot be determined as this depends on the relative proportions of various types of vehicles and agricultural tractors produced by OEMs.

37. UNUTILIZED CREDIT FACILITIES

As of the balance sheet date, the Group has unutilized facilities for short term running finance available from various banks amounted to Rs. 160 million (2011: Rs. 160 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25% (2011: 1 to 3 months KIBOR plus rates varying from 0.75% to 1.50%). The facilities are secured by way of pari passu hypothecation of Group's stock-in-trade, stores, spares, loose tools and trade debts.

38. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 29, 2012 (i) approved the transfer of Rs. 345 million from unappropriated profit to general reserve and (ii) proposed cash dividend of Rs. 7.50 per share for the year ended June 30, 2012 amounting to Rs. 216 million for approval of the members at the Annual General Meeting to be held on October 25, 2012.

39. GENERAL

39.1 Figures have been rounded off to the nearest thousands.

39.2 There were no material reclassifications to report.

40. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on August 29, 2012 by the Board of Directors of the Holding Company.

Yutaka Arae
Chairman

Fahim Kapadia
Chief Executive

Pattern of Shareholding

AS AT JUNE 30, 2012

Number of Share Holders	Size of Share Holdings From		To	Total Shares Held
1,659	1	-	100	45,766
840	101	-	500	199,966
340	501	-	1,000	236,195
380	1,001	-	5,000	804,310
50	5,001	-	10,000	341,049
25	10,001	-	15,000	313,411
13	15,001	-	20,000	227,322
11	20,001	-	25,000	262,330
43	25,001	-	50,000	1,511,689
15	50,001	-	85,000	1,011,801
7	85,001	-	110,000	661,887
4	115,001	-	135,000	496,769
13	145,001	-	325,000	2,751,126
7	360,001	-	455,000	2,680,625
2	525,001	-	570,000	1,092,673
4	595,001	-	600,000	2,400,000
1	605,001	-	610,000	609,200
1	705,001	-	710,000	708,960
1	795,001	-	800,000	800,000
1	895,001	-	900,000	900,000
1	1,045,001	-	1,050,000	1,048,920
1	1,215,001	-	1,220,000	1,215,600
1	1,245,001	-	1,250,000	1,248,139
1	1,305,001	-	1,310,000	1,308,720
1	5,920,001	-	5,925,000	5,923,542
3,422				**28,800,000**

No.	Categories of Shareholders	Number of Shares held	Category wise No. of Folios/CDC A/Cs	Category wise shares held	%
1	**INDIVIDUALS**		3,324	7,818,428	27.15%
2	**INVESTMENT COMPANIES**		4	5,829	0.02%
3	**JOINT STOCK COMPANIES**		26	1,813,210	6.30%
4	**DIRECTORS', CHIEF EXECUTIVE OFFICER AND THEIR SPOUSES & MINOR CHILDREN**		8	9,909	0.03%
	Yutaka Arae	1,000			
	Fahim Kapadia	3,000			
	Sohail P.Ahmed	1,599			
	Owais ul Mustafa	1,310			
	Asfi Rizvi	1,000			
	Daneshwer F. Dinshaw	1,000			
	Alireza M. Alladin	1,000			
		9,909			
5	**EXECUTIVES**	-	-	-	0.00%
6	**ASSOCIATED COMPANIES**		2	2,115,600	7.35%
	Thal Limited	2,115,600			
7	**PUBLIC SECTOR COMPANIES & CORP.**	-	-	-	0.00%
8	**BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & PENSION FUNDS**		18	1,072,398	3.72%
	Banks, DFIs & NBFIs	948,485			
	Insurance Companies	83,093			
	Modaraba	6,820			
	Pension Funds	34,000			
		1,072,398			
9	**MUTUAL FUNDS**		6	2,703,298	9.39%
	JS Pension Savings Fund	19,900			
	MCB Dynamic Stock Fund	31,518			
	Al Meezan Mutual Fund	708,960			
	Meezan Tahaffuz Pension Fund	25,000			
	Meezan Islamic Fund	609,200			
	National Bank of Pakistan-Trustee Department	1,308,720			
		2,703,298			
10	**FOREIGN INVESTORS**		21	12,567,091	43.64%
	Holding 5% or more voting interest				
	Robert Finance Corporation, AG	7,171,681			
	Others - holding below 5%	5,395,410			
		12,567,091			
11	**CO-OPERATIVE SOCIETIES**		1	1,542	0.01%
12	**CHARITABLE INSTITUTIONS**		8	356,301	1.24%
13	**OTHERS**		4	336,394	1.17%
	TOTAL		3,422	28,800,000	100.00%