AGRIAUTO INDUSTRIES LIMITED
BALANCE SHEET
AS AT JUNE 30, 2008

	Note	2008	2007
		(Rs. in 000')	
ASSETS			
NON CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	3	**303,374**	152,633
LONG TERM INVESTMENT	4	**180,000**	150,000
LONG TERM DEPOSITS		**2,071**	3,786
		485,445	306,419
CURRENT ASSETS			
Stores, spares and loose tools	5	**37,148**	34,971
Stock-in-trade	6	**285,016**	310,054
Trade debts	7	**190,395**	222,777
Loans, advances, deposits, prepayments and other receivables	8	**37,317**	5,082
Accrued profit		**2,024**	2,672
Short term investments	9	**259,230**	275,934
Taxation-net		**11,604**	-
Cash and bank balances	10	**163,353**	49,299
		986,087	900,789
TOTAL ASSETS		**1,471,532**	1,207,208
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
40,000,000 (2007: 40,000,000) Ordinary shares of Rs. 5/- each		**200,000**	200,000
Issued, subscribed and paid-up capital	11	**120,000**	120,000
Reserves	12	**1,117,287**	920,385
		1,237,287	1,040,385
NON CURRENT LIABILITIES			
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	13	**2,691**	8,639
DEFERRED TAXATION	14	**18,785**	11,441
CURRENT LIABILITIES			
Trade and other payables	15	**200,790**	131,050
Accrued mark-up		**-**	16
Current portion of liabilities against assets subject to finance lease	13	**8,301**	7,283
Taxation-net		**-**	956
Sales tax payable		**3,678**	7,438
		212,769	146,743
CONTINGENCIES AND COMMITMENTS	16		
TOTAL EQUITY AND LIABILITIES		**1,471,532**	1,207,208

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chairman   Executive Vice Chairman   Chief Executive

AGRIAUTO INDUSTRIES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rs. in 000')	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	26	**516,950**	377,651
Finance costs paid		**(1,976)**	(2,512)
Income tax paid		**(156,116)**	(184,576)
Long term deposits		**1,715**	(477)
Net cash generated from operating activities		**360,573**	190,086
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(170,859)**	(46,454)
Proceeds from disposal of property, plant and equipment		**4,296**	5,560
Acquisition of long term investments		**(30,000)**	(75,000)
Acquisition of short term investments		**(30,000)**	-
Proceeds from disposal of short term investments		**-**	138,894
Profit received on short term investments		**22,388**	25,524
Net cash (used in) / generated from investing activities		**(204,175)**	48,524
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		**(9,142)**	(6,545)
Dividends paid		**(83,202)**	(83,067)
Net cash used in financing activities		**(92,344)**	(89,612)
Net increase in cash and cash equivalents		**64,054**	148,998
Cash and cash equivalents at the beginning of the year		**299,299**	150,301
Cash and cash equivalents at the end of the year	27	**363,353**	299,299

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chairman Executive Vice Chairman Chief Executive

AGRIAUTO INDUSTRIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	Issued, subscribed and paid-up capital	RESERVES: CAPITAL RESERVE: Share premium	RESERVES: Gain on change in fair value of available for sale investments	RESERVES: REVENUE RESERVES: General reserve	RESERVES: REVENUE RESERVES: Unapp-ropriated profit	Hedging Reserves	Total reserves	Total equity
	-----	-----	-----	(Rs. in 000')	-----	-----	-----	
Balance as at June 30, 2006	120,000	12,598	2,920	350,000	345,036	-	710,554	830,554
Final dividend for the year ended June 30, 2006 @ Rs. 3.50/- per share	-	-	-	-	(84,000)	-	(84,000)	(84,000)
Transfer to general reserve	-	-	-	200,000	(200,000)	-	-	-
Profit after taxation for the year	-	-	-	-	293,107	-	293,107	293,107
Gain transferred to profit and loss account	-	-	(1,688)	-	-	-	(1,688)	(1,688)
Gain on change in fair value of available-for-sale investments	-	-	2,412	-	-	-	2,412	2,412
Balance as at June 30, 2007	120,000	12,598	3,644	550,000	354,143	-	920,385	1,040,385
Final dividend for the year ended June 30, 2007 @ Rs. 3.50/- per share	-	-	-	-	(84,000)	-	(84,000)	(84,000)
Transfer to general reserve	-	-	-	250,000	(250,000)	-	-	-
Profit after taxation for the year	-	-	-	-	277,181	-	277,181	277,181
Gain on change in fair value of available-for-sale investments	-	-	3,296	-	-	-	3,296	3,296
Net gain on cash flow hedge	-	-	-	-	-	425	425	425
Balance as at June 30, 2008	**120,000**	**12,598**	**6,940**	**800,000**	**297,324**	**425**	**1,117,287**	**1,237,287**

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chairman Executive Vice Chairman Chief Executive

DIRECTORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED JUNE 30, 2008

Dear Shareholders,

We are happy to present to you the Company's Annual Report on the results of its operations along with the audited accounts for the year ended June 30, 2008.

Fiscal 2008 was a difficult year for the manufacturing industry and especially for the automotive industry. However, your company was able to maintain its growth and create value for its stake holders.

The Board of Directors' is pleased to recommend a cash dividend of 20% i.e. Rs. 1.00 per share and issue of bonus shares at 20% i.e. 1 share for every 5 shares held. The Board has also recommended appropriation of Rs. 245 million from un-appropriated profits to General Reserve.

PAKISTAN ECONOMY

Pakistan's key macroeconomic fundamentals during the fiscal year 2007-08 were adversely affected both on domestic and external fronts arising from prolonged political instability, poor law and order, soaring oil, food and other commodity prices and high volatility in the international financial market.

Manufacturing which is the second largest sector of the economy accounting for 19 percent of GDP recorded its weakest growth in a decade during fiscal year 2007-08 posting a growth of 5.4 percent against 8.2 percent in 2006-07.

Pakistan's exports during the financial year 2007-08 increased from US$ 13.8 billion to US$ 15.3 billion i.e. 10.87 percent whereas imports grew by 28.3 percent to US$ 32.1 billion thus accentuating the trade imbalance. The monetary tightening phase that started from April 2005 in order to curb domestic inflation has also played its role in dampening this year's manufacturing growth. The increased rate of bank mark-up coupled with the imposition of cash margin on establishing letter of credit is hurting the manufacturing sector with no respite from the rising inflation.

Despite the adverse factors, Pakistan's economy has shown resilience against internal and external shocks but it may not be able to sustain if the policy of inaction by the economic managers of the country continues on account of political instability.

AUTOMOTIVE SECTOR

The auto sector after being bullish for the last 6 years has shown signs of retardation arising from uncertain economic conditions, prevailing political unrest, halt in auto financing facilities by some banks due to loan defaults, increase in interest rates resulting in expensive auto financing. All these factors cumulatively affected the car sales growth in the current year.

Further the imposition of additional taxes in the Finance Act, 2008 being the levy of withholding taxes on registration of new vehicles, additional federal excise duty on vehicles having an engine capacity of more than 850cc, 1% increase in sales tax, provincial luxury tax, weakening value of Pak Rupee, political uncertainty and increase in fuel prices may well further dampen the growth of the automotive sector in the fiscal year 2008-09.

A summarized automobile production figure comparing 2007-08 with 2006-07 appears below:

	2008	2007	Change
Passenger Cars	164,710	176,016	(6.42%)
Light Commercial Vehicles	22,934	22,970	(0.16%)
Trucks & Buses	6,136	5,403	13.57%
Tractors	53,256	54,098	(1.56%)
Motorcycles (2 & 3 Wheelers)	641,031	467,267	37.19%

Source : PAMA report June 2008
** Does not include non-PAMA members*

1. SUMMARY OF FINANCIAL RESULTS

Following are the summarized financial results of the Company for the year 2007-08 :

(Rs.'000)

	2008	2007
Turnover	2,140,261	1,980,459
Gross Profit	511,862	536,572
Profit before Taxation	427,852	466,166
Taxation	(150,671)	(173,059)
Profit after Taxation	277,181	293,107
Earnings Share Rupees -	11.55	12.21

2. OPERATIONS

Sales : Sales during the year 2008 remained steady with a turnover of Rs. 2.14 billion, an increase of Rs. 159.80 million or 8.07% over previous year. Sales in the after-market and exports did reflect significant improvement over previous year and it is expected that the growth trend will Inshallah be maintained. Growth in OEM sales is expected in two and three wheelers as well as tractor parts whereas car, LCV and HCV sales are expected to be subdued.

Cost of Sales: Cost of sales of Rs. 1.628 billion increased by Rs. 184.51 million or 12.78% over the last year. The Gross Profit margin declined to 23.92% from 27.09% of last year. The main reason for this decline was the rising steel prices, decline in Rupee-Yen parity and freight charges which could not be offset through the price increase from the customers.

Distribution Cost – This cost has increased from Rs. 29.94 million of last year to Rs. 41.06 million this year, an increase of 37.11%. This increase is primarily due to expenses of Europe sales office, and increase in freight cost due to higher oil prices.

Administrative Expenses – This cost has increased by Rs. 3.8m from Rs. 34.47 million last year to Rs. 38.26 million this year, an increase of 11.00%. This increase is in line with the increased business activities and the inflationary factors.

Other Operating Income: Your Company earned Rs. 21.74 million during the year on its excess liquidity. (2007: Rs. 26.6 million) through prudent investments.

3. SHEET METAL PRESS SHOP PROJECT

Diversity is strength. The Company during the year initiated the Sheet Metal Press Shop which will produce sheet metal parts for the auto-motive assemblers in the first phase. The machinery purchased is generic and we would also be able to produce sheet metal parts for other industries as well like refrigerators, air-conditioners, lighting systems etc.

All necessary infrastructures are ready and currently we are working on erection of the machines and equipment and hopefully the commercial production will commence from the 2nd quarter 2008.

4. NEW PRODUCTS

Last year many new products were introduced and developed. Our major success was the development of shocks and struts for new model Toyota Corolla which was developed to the satisfaction of our customer and duly approved by our technology partner.

We have also developed a new set of front and rear Shocks for motorcycles which could be used by all the motorcycle assemblers. We are hopeful that this product will be acceptable to the assemblers because of its comfort and attractive price. This product has a marginal profit but your Management is of the view that motorcycle sector has a greater opportunity of growth when compared with four wheelers and with increasing volumes our product will be a major contributor in future years.

5. RECONSTITUTION OF THE BOARD

Mr. Mansoor G. Habib after contributing several years on our Board resigned due to personal reasons. In his place, Mr. Tariq Saud Quddusi has been appointed to fulfill the casual vacancy. Mr. Quddusi has 28 years of experience in the automotive sector and is currently heading the manufacturing operations of the Company.

We acknowledge the efforts and contribution of Mr. Habib and welcome Mr. Quddusi on the Board.

6. CONTRIBUTION TO THE COMMUNITY

Your company is not only mindful of the stakeholders but also feels responsible to the community as these ties are essential not only for retention of customers and employees but also to the company's general perception. The company has contributed an amount of Rs 3.36 million (2007: Rs 2.78 million) during the year which includes support to various educational institutes, hospitals and disaster relief in Balochistan.

7. CONTRIBUTION TO THE EXCHEQUER

Your company paid Rs 656 million during the year to the national exchequer under various levies up from Rs 625 million last year.

8. FUTURE OUTLOOK

Pakistan's automobile sector over the past few years had been showing an upward trend but this has now been retarded and is likely to remain subdued unless the overall economic outlook of the country improves along with law and order situation maintained with the investor and the consumer gaining confidence in the political stability and good governance.

One has confidence in the will of the nation to move ahead and progress and looking at the events more optimistically we will Inshallah surmount the temporary predicaments.

Your company's strategic thrust will remain as a reliable and close partner with all the auto assemblers in the country and fulfill the entire requirements of Shock Absorbers, Struts and Stamping Parts besides meeting the requirements of the replacement market for Shock Absorbers, Struts and the Cylinder Sleeves .

During the year we purchased a six acre prime land in the Downstream Industrial Estate, Pakistan Steel Bin Qasim to be close to our main customers and secure some additional business from them. Discussions on these are continuing with them.

The volume growth for shock absorbers and parts as envisaged will be from the two-wheeler / three-wheeler industry which will for the interim period support some of the decline in demand of the four-wheeler industry which will Inshallah bounce back as soon as conditions normalize in the country and financing facilities made available to buyers on favorable rates.

Your company has invested significantly in modernizing its plant and training and development of its human resource to face the global challenges and it is now striding more confidently into the International markets which will reflect in higher export sales in future.

Your company is setting up a plant of stamping parts for automotives, appliances and various pressed steel products. This will Inshallah be commissioned and operational in the 2nd quarter of 2008. Concerted efforts are also underway to expand geographically into regional and European markets based on the strength of our product quality and competitive prices.

Though the current economic condition of the country appears bleak but with political stability and better governance, the overall condition can improve for the better.

9. PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2008 is annexed.

The following transactions in the shares of the Company were undertaken by its Directors:

Tariq Saud Quddusi – Director (qualifying shares purchased) 1,000 shares

10. 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 judgment.

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 and 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 based on the audited accounts for the year ended June 30, 2007 amounted to Rs. 20.08 million.

11. NUMBER OF BOARD MEETINGS

During the year, five Board meetings were held and attended as given hereunder:

SL #	Names	No of meetings Attended / held
1	Mr. R. D. Minwalla (Chairman)	5 / 5
2	Mr. Sohail P. Ahmed (Executive Vice Chairman)	4 / 5
3	Mr. Qazi Ebadullah Khan (Chief Executive)	5 / 5
4	Mr. Mansoor G. Habib	2 / 2
5	Mr. Owais ul Mustafa	5 / 5
6	Syed Sikander Ahmed	4 / 5
7	Mr. Fahim Kapadia	5 / 5
8	Mr. Tariq Saud Quddusi	3 / 3

12. AUDITORS

The existing Auditors M/s. 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.

13. STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

13.ACKNOWLEDGEMENT

We are pleased to acknowledge that the relations with employees remained congenial 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.

On behalf of the Board of Directors, we would like to place on record our appreciation to all our Patrons, Dealers, Suppliers and Employees for their valuable help, unflinching support and contribution to the Company. We are also thankful to all our Bankers for their continued support. We wish to place on record our gratitude to our overseas Technical Collaborators, M/s. Gabriel Ride Control Products, Inc. USA, M/s. KYB Corporation, Japan and M/s. Aisin Seiki Co. Ltd, Japan for their technical assistance and advice.

On behalf of the Board of Directors

Qazi Ebadullah Khan
Chief Executive

KARACHI
DATED : August 23, 2008

1. THE COMPANY AND ITS OPERATIONS

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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 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.

Standards, interpretation and amendments to published approved accounting standards that are not yet effective:

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

Standard or interpretation	Effective date (accounting periods beginning on or after)
IAS 01 – Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 – Borrowing Costs (Revised)	January 01, 2009
IFRS 07 – Financial Instruments: Disclosures	July 01, 2008

These standards are not expected to have a material impact on the Company's financial statements other than an increase in disclosures in certain cases.

The other standards, amendments and interpretations effective from the accounting periods beginning on or after July 1, 2008 are not stated here as these are considered not to be relevant or to have any significant effect on the Company's operations.

2.2 Change in accounting estimates

During the year effective July 01, 2007, the Company has changed its basis of charging depreciation. Previously, the Company had a practice of charging full year's depreciation on additions whereas no depreciation charge on assets disposed off during the year. From the current year, depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal.

The above revision would result in a more accurate allocation of depreciation expense to the accounting year in which the depreciable assets are utilized by the Company. This change has been accounted for as a change in accounting estimate. Had the estimate not been revised the depreciation charge for the year would have been higher and the carrying value of fixed assets and the profit for the year would have been lower by Rs. 2.736 million.

2.3 Accounting convention

These financial statements have been prepared under the historical cost convention except for derivative financial instruments and available for sale investments that have been measured at fair value as required under IAS – 39 "Financial Instruments; Recognition and Measurement".

2.4 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 judgement 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 recognized 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 judgements which are significant to the financial statements:

(a) determining the residual values and useful lives of property, plant and equipment (Note 2.4);
(b) Impairment of inventories / adjustment of inventories to their Net Realizable Value (Note 2.6);
(c) Impairment of financial assets (Note 2.8); and
(d) recognition of taxation and deferred tax (Note 2.13).

2.5 Property, plant and equipment

a) Owned

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

Depreciation on fixed assets is charged to the profit and loss account applying the reducing balance method except for computer equipments which are depreciated on straight line method at the rates specified in note 3 to the financial statements. Maintenance and normal repairs are charged to profit and loss account as and when incurred, while major renewals and improvements are capitalized. Gains or losses on disposals of fixed assets, if any, are included in income currently.

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

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

b) 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 shown as a 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.

2.6 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 moving average basis.

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

2.7 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.

2.8 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' out standings and creditworthiness. Bad debts are written-off as and when identified.

2.9 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.

Financial assets at fair value through profit and loss account

Financial assets classified as held-for-trading are classified in this category. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Available-for-sale

Investments which are neither classified in any other 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 held-for-trading and available-for-sale are remeasured at fair values and held-to-maturity investments are measured at cost.

For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to review for impairment at each balance sheet date.

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

2.10 Hedge accounting (Cash flow hedge)

The Company uses derivative financial instruments such as forward exchange contracts to hedge its risk associated with the foreign currency transactions and effects on cash flows. Such derivatives financial instruments are stated at fair value.

The fair value of forward exchange contracts is estimated by reference to current forward exchange rates for contracts with similar maturity profiles.

In relation to cash flow hedges which meet the conditions for special hedge accounting, the effective portion of the gain or loss on the hedged instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the profit and loss account.

Amounts taken to equity are transferred to the profit and loss account when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the profit and loss account. If the hedging instrument expires or is sold, terminated or exercised without replacement or roll over, or if its designation as a hedged is revoked, amounts previously recognised in equity remain in equity, until the forecast transaction or firm commitment occurs.

2.11 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.

2.12 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 dercognised from the balance sheet 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.

2.13 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. Corresponding income and expenditure is also netted off and reported on a net basis in the profit and loss account.

2.14 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.

2.15 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 half of 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, using the balance sheet liability method, providing 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 realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

2.16 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.

2.17 Impairment

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

2.18 Warranty obligations

The Company recognizes the estimated liability to repair or replace products under warranty at the balance sheet date.

2.19 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.

2.20 Revenue recognition

Sales are recorded when goods are dispatched to the customers.

Profit on Certificates of Musharika and Term Deposit Receipts are recognised on a accrual basis.

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

2.21 Dividends and appropriation to reserve

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

2.22 Related party transactions

All transactions with related parties are priced on an arm's length basis. Prices for these transactions are determined on the basis of admissible valuation methods.

2.23 Borrowing costs

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

2.24 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".

2.25 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3. PROPERTY, PLANT AND EQUIPMENT

	Note	2008	2007
		(Rupees in '000)	
Operating assets – tangible	3.1	**203,617**	152,633
Capital work-in-progress	3.2	**99,757**	-
		303,374	152,633

3.1 Operating assets – tangible

	COST				DEPRECIATION				WRITTEN DOWN VALUE
	As at July 01, 2007	Additions/ (disposals)	As at June 30, 2008	Rate of depreciation	As at July 1, 2007	Charge for the year	Disposals	As at June 30, 2008	As at June 30, 2 0 0 8
	---------------------(Rs. In 000')		--------------	%	------------------------------		(Rs. In 000')		--------------------------
OWNED									
Freehold land	1,652	-	1,652	-	-				1,652
Leasehold land	7,087	29,040	36,127	3.03	430	581	-	1,011	35,116
Building on freehold land	35,819	-	35,819	10	30,184	564	-	30,748	5,071
Plant and machinery	275,319	38,009 (840)	312,488	10 - 20	163,541	14,757	(776)	177,522	134,966
Furniture and fixture	4,442	338 (1,130)	3,650	15	2,487	318	(958)	1,847	1,803
Vehicles	10,707	2,354 (2,370)	10,691	20	5,753	842	(1,195)	5,400	5,291
Office equipment	1,196	- (289)	907	20	772	84	(244)	612	295
Computer equipment	4,132	1,361 (1,660)	3,833	33	2,902	751	(1,566)	2,087	1,746
Dies and tools	209	- (209)	-	40	201	3	(204)	-	-
	340,563	71,102 (6,498)	405,167 (6,498)		206,270	17,900	(4,943)	219,227	185,940
LEASED ASSETS									
Plant and machinery	10,700	-	10,700	10- 20	2,033	867	-	2,900	7,800
Vehicles	13,729	4,212 (2,736)	15,205	20	4,056	2,318	(1,046)	5,328	9,877
	24,429	4,212 (2,736)	25,905 (2,736)		6,089	3.185	(1,046)	8,228	17,677
2008	**364,992**	**75,314 (9,234)**	**431,072**		**212,359**	**21,085**	**(5,989)**	**227,455**	**203,617**

	COST				DEPRECIATION				WRITTEN DOWN VALUE
	As at July 01, 2006	Additions/ (disposals)	As at June 30, 2007	Rate of depreciation	As at July 1, 2006	Charge for the year	Disposals	As at June 30, 2007	As at June 30, 2 0 0 7
	---------------------(Rs. in 000')		--------------	%	------------------------------		(Rs. In 000')		--------------------------
OWNED									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Leasehold land	7,087	-	7,087	3.03	215	215	-	430	6,657
Building on freehold land	35,819	-	35,819	10	29,558	626	-	30,184	5,635
Plant and machinery	233,325	44,438 (2,444)	275,319	10 - 20	148,444	15,097	-	163,541	111,778
Furniture and fixture	3,773	669	4,442	15	2,143	344	-	2,487	1,955
Vehicles	13,952	549 (3,794)	10,707	20	6,332	1,239	(1,818)	5,753	4,954
Office equipment	1,196	-	1,196	20	666	106	-	772	424
Computer equipment	3,334	798	4,132	33	2,288	614	-	2,902	1,230
Dies and tools	209	-	209	40	195	6	-	201	8
	300,347	46,454 (6,238)	340,563		189,841	18,247	(1,818)	206,270	134,293
LEASED ASSETS									
Plant and machinery	10,700	-	10,700	10- 20	1,070	963	-	2,033	8,667
Vehicles	8,716	5,432 (419)	13,729	20	1,743	2,397	(84)	4,056	9,673
	19,416	5,432 **(419)**	24,429		2,813	3,360	(84)	6,089	18,340
2007	**319,763**	**51,886 (6,657)**	**364,992**		**192,654**	**21,607**	**1,902**	**212,359**	**152,633**

3.2 Capital work in progress

	2008	2007
	(Rs. in 000')	
Plant and machinery	**75,335**	-
Civil works	**24,422**	-
	99,757	-

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

	Note	2008	2007
		(Rs. in 000')	
Cost of sales	18	**18,657**	18,744
Distribution costs	19	**698**	901
Administrative expenses	20	**1,730**	1,962
		21,085	21,607

3.4 The following Property, plant and equipment were disposed off during the year

Particulars		Cost	Accumulated depreciation	Book value	Sales Proceeds	Gain (Note 21)	Mode of Disposal	Particulars of buyer
		(Rs. in 000')						
Plant and machinery								
Items below Rs. 50,000/-		840	776	64	90	26	Negotiation	Noorani Trading Company Karachi.
		840	776	64	90	26		
Furniture and fixture								
Items below Rs. 50,000/-		1,130	958	172	192	20	Negotiation	Noorani Trading Company Karachi.
		1,130	958	172	192	20		
Office equipment								
Items below Rs. 50,000/-		289	244	45	54	9	Negotiation	Awais and Brothers, Karachi.
		289	244	45	54	9		
Computer equipment								
Items below Rs. 50,000/-		1,660	1,566	94	118	24	Negotiation	Muhammad Anwar and Company, Karachi.
		1,660	1,566	94	118	24		
Dies and tools								
Items below Rs. 50,000/-		209	204	5	7	2	Negotiation	Noorani Trading Company Karachi.
		209	204	5	7	2		
Vehicles								
Toyota Corolla	AEJ-446	1,169	698	471	775	304	Insurance claim	Habib Insurance Co. Limited, Karachi.
Zabardast Truck	-	495	112	383	350	(33)	Negotiation	Noorani Trading Company Karachi.
Honda CD-70	KBF-1691	54	28	26	40	14	Insurance claim	Habib Insurance Co. Limited, Karachi.
Honda CD-70	KBS-4528	54	22	32	50	18	Insurance claim	Habib Insurance Co. Limited, Karachi.
Sohrab JS-70	KBB-0573	40	26	14	25	11	Negotiation	Mr Abdul Wahab.
Star DS-70	KBB-0576	39	25	14	15	1	Negotiation	Mr Amin Mehboob.
Hyundai Santro	AGY-938	519	284	235	275	40	Negotiation	Mr Wasim Tar. Karachi
Daihatsu-Coure	AJU-854	424	166	258	309	51	As per term of employment	Miss. Shanila Arshi Bari, Ex-employee.
Daihatsu-Coure	ALW-276	434	133	301	400	99	Insurance claim	Habib Insurance Co. Limited
Daihatsu-Coure	APA-841	439	152	287	415	128	Negotiation	Mr Javeed Roshan. Karachi
Toyota Corolla	AKM-086	879	363	516	780	264	Negotiation	Mr Javeed Roshan. Karachi
Suzuki Cultus	AKD-832	560	232	328	401	73	Negotiation	Mr Javeed Roshan. Karachi
		5,106	2,241	2,865	3,835	970		
		9,234	**5,989**	**3,245**	**4,296**	**1,051**		

	2008	2007
	(Rs. in 000')	

4. LONG-TERM INVESTMENT – Available-for-sale

	2008	2007
In an unquoted company – at cost		
Makro-Habib Pakistan Limited	**180,000**	150,000

5. STORES, SPARES AND LOOSE TOOLS

	2008	2007
Stores	**23,054**	20,760
Spares	**5,506**	4,268
Loose tools	**8,588**	9,943
	37,148	34,971

Includes stores, spares and loose tools carried at NRV amounting to Rs. 0.875 million (2007: Rs. 0.656 million).

6. STOCK-IN-TRADE

	2008	2007
	(Rs. In 000')	
Raw material	**182,105**	217,672
Packing material	**6,695**	4,781
Work-in-process	**35,089**	17,644
Finished goods	**19,286**	13,634
Goods-in-transit	**41,841**	56,323
	285,016	310,054

Includes stock-in-trade carried at NRV amounting to Rs. 14.596 million (2007: Rs. 8.787 million).

7. TRADE DEBTS – unsecured

	Note	2008	2007
		(Rs. In 000')	
Considered good		**190,395**	222,777
Considered doubtful		**3,263**	2,963
Less : Provision for impairment	7.1	**3,263**	2,963
		-	-
		190,395	222,777

7.1 Reconciliation of provision for impairment

	Note	2008	2007
Balance at the beginning of the year		**2,963**	2,663
Charge for the year	19	**300**	300
Balance at the end of the year		**3,263**	2,963

	Note	2008	2007
		(Rs. In 000')	
8. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Loans and advances - unsecured, considered good			
Loans			
Employees		**87**	62
Advances			
Suppliers		**3,694**	2,746
Contractors		**3,325**	1,473
Employees		**120**	509
		7,139	4,728
		7,226	4,790
Deposits and prepayments			
Margin against letter of credit		**25,587**	-
Deposits		**1,941**	-
Prepayments		**1,379**	179
		28,907	179
Other receivables			
Net unrealized gain on revaluation of forward foreign exchange contracts (Cash flow hedges)	8.1	**654**	-
Insurance claim receivable		**8**	9
Excise duty		-	104
Receivable from WPPF	15.2	**522**	-
		1,184	113
		37,317	5,082

8.1 The Company has four Rupee-Yen forward currency contracts outstanding at June 30, 2008 designated as hedges of expected future purchases of raw materials for which the Company has firm commitments. These contracts will mature latest by July 31, 2008. The exchange rate on these contracts ranges from 0.6285 to 0.6335. The cash flow hedges of the firm commitments on June 30, 2008 were assessed to be highly effective and a gain of Rs. 0.425 million net of deferred tax liability of Rs. 0.229 million relating to the hedging instrument is included in equity.

	Note	2008	2007
		(Rs. In 000')	
9. SHORT TERM INVESTMENTS			
Held- to- maturity - at cost			
Certificates of Musharika		**-**	30,000
Term Deposit Receipts	9.1	**200,000**	220,000
		200,000	250,000
Available-for-sale- at fair value			
Money market fund		**59,230**	25,934
		259,230	275,934

9.1 Represents one and three months Term Deposit Receipts carrying expected profit rate of 11.53 – 13.5 percent per annum and have maturity up to September 24, 2008.

	Note	2008	2007
		(Rs. in 000')	
10. CASH AND BANK BALANCES			
In hand		**4**	24
With banks in			
- current accounts		**21,729**	15,954
- deposit accounts	10.1	**141,620**	33,321
		163,349	49,275
		163,353	49,299

10.1 This carries profit ranging from 7% to 8.75% (2007: 6% to 8%) per annum.

11. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 5/- each

Number of shares in (000') 2008	Number of shares in (000') 2007		2008 (Rs. in 000')	2007 (Rs. in 000')
22,800	22,800	Fully paid in cash	**114,000**	114,000
1,200	1,200	Issued as fully paid bonus shares	**6,000**	6,000
24,000	24,000		**120,000**	120,000

Related parties held 1,763,000 (2007: 1,778,000) ordinary shares of Rs. 5/- each in the Company at year end.

12. RESERVES

	2008 (Rs. in 000')	2007 (Rs. in 000')
Capital reserve		
Share premium	**12,598**	12,598
Gain on change in fair value of available for sale investments	**6,940**	3,644
Revenue reserve		
General reserve	**800,000**	550,000
Unappropriated profit	**297,324**	354,143
Net gain on cash flow hedge	**425**	-
	1,097,749	904,143
	1,117,287	920,385

13. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2008 Minimum Lease Payments	2008 Present Value of MLP	2007 Minimum Lease Payments	2007 Present Value of MLP
Not later than one year	**9,105**	**8,301**	8,673	7,283
Later than one year but not later than five years	**2,887**	**2,691**	9,122	8,639
Total minimum lease payments	**11,992**	**10,992**	17,795	15,922
Less : financial charges allocated to future periods	**1,000**	**-**	1,873	-
Present value of minimum lease payments	**10,992**	**10,992**	15,922	15,922
Less: Current maturity shown under current liabilities	**(8,301)**	**(8,301)**	(7,283)	(7,283)
	2,691	**2,691**	8,639	8,639

This represents finance lease entered into with a modaraba for vehicles and plant and machinery. The balance of the liability is payable by January 2011 in quarterly installments. The liability is partly secured by deposits of Rs. 2.60 million (2007: Rs. 2.44 million). The above lease contracts contain a bargain purchase option. Quarterly lease payments include finance charges ranging from KIBOR+2% to KIBOR+3% per annum (2007: KIBOR+2% to KIBOR+3%), which is used as a discounting factor. There are no financial restrictions in the lease agreements.

	Note	2008	2007
		(Rs. In 000')	

14. DEFERRED TAXATION

Deferred taxation comprises temporary differences relating to:

- Accelerated tax depreciation		**23,186**	17,398
- Assets subject to finance lease		**2,340**	846
- Provisions		**(6,970)**	(6,803)
- Fair value of forward exchange contract		**229**	-
		18,785	11,441

15. TRADE AND OTHER PAYABLES

Creditors		**87,220**	40,783
Excise duty payable		**622**	-
Royalty payable		**2,813**	3,420
Accrued liabilities	15.1	**54,172**	37,030
Advance from customers		**990**	423
Payable to provident fund		**665**	565
Workers' Profit Participation Fund	15.2	**-**	36
Workers' Welfare Fund		**9,220**	9,584
Unclaimed dividend		**4,281**	3,483
Guarantee bond payable		**18,086**	18,250
Infrastructure cess payable	16(ii)	**13,262**	8,630
Tax deducted at source		**667**	731
Warranty obligations	15.3	**5,286**	5,160
Others		**3,506**	2,955
		200,790	131,050

15.1 Include due to a related party amounting to Rs. Nil (2007: Rs. 3.748 million).

	Note	2008	2007
		(Rs. in 000')	
15.2 Workers' Profit Participation Fund			
Balance at the beginning of the year		**36**	24,732
Allocation for the year	23	**22,978**	25,036
		23,014	49,768
Less: Payment made during the year		**23,536**	49,732
Balance at end of the year		**(522)**	36
15.3 Warranty obligations			
Balance at the beginning of the year		**5,160**	2,511
Provision for the year	19	**4,282**	3,961
		9,442	6,472
Less: Claims paid during the year		**4,156**	1,312
Balance at end of the year		**5,286**	5,160

16. CONTINGENCIES AND COMMITMENTS

Contingencies

(i) Outstanding bank guarantees issued to Collector of Customs as a security against differential import duty amount to Rs. 6.568 million (2007: Rs. 3.395 million) and to Sui Southern Gas Company Limited amount to Rs. 0.385 million (2007: Rs. 0.385 million).

(ii) An amount of Rs. 0.738 million (2007: Rs. 0.370 million) is an un-utilized portion of a bank guarantee issued in favour of Excise and Taxation Department, Government of Sindh against the levy of infrastructure cess on the imported goods. The Company filed a suit in the Honorable High Court of Sindh against this charge and stay has been granted on this charge subject to the submission of bank guarantee. The utilized portion of guarantee amounting to Rs. 13.262 million (2007: Rs. 8.630 million) is shown under infrastructure cess payable in note 15 to the financial statements.

Commitments

(iii) Commitments in respect of outstanding letters of credit for raw material amount to Rs. 178.345 million (2007: Rs. 117.991 million).

(iv) Commitment in respect of capital expenditure amount to Rs. 16.692 million (2007: Rs. 6.222 million).

	Note	2008	2007
		(Rs. in 000')	
17. TURNOVER – net			
Sales		**2,484,873**	2,279,567
Less: Sales tax		**321,069**	298,171
Special excise duty		**21,405**	-
Trade discount		**2,138**	937
		344,612	299,108
		2,140,261	1,980,459
18. COST OF SALES			
Raw material consumed			
Opening stock		**217,672**	262,076
Purchases		**1,359,604**	1,190,334
		1,577,276	1,452,410
Closing stock		**(182,105)**	(217,672)
		1,395,171	1,234,738
Manufacturing expenses			
Salaries, wages and benefits		**78,874**	66,754
Stores, spares and loose tools consumed		**71,319**	52,155
Packing material consumed		**8,996**	10,246
Fuel and power		**19,678**	18,425
Transportation and traveling		**19,390**	17,027
Depreciation	3.3	**18,657**	18,744
Repairs and maintenance		**16,669**	14,497
Royalty and technical fees		**5,639**	6,126
Research and development costs		**8,757**	2,857
Communications		**1,122**	1,074
Cartage		**3,659**	2,564
Printing and stationery		**453**	879
Insurance		**1,529**	2,138
Rent		**600**	600
Others		**983**	895
		256,325	214,981
Work-in-process			
Opening stock		**17,644**	8,533
Closing stock		**(35,089)**	(17,644)
Cost of goods manufactured		**1,634,051**	1,440,608
Finished goods			
Opening stock		**13,634**	16,913
Closing stock		**(19,286)**	(13,634)
		1,628,399	1,443,887

	Note	2008	2007
		(Rs. in 000')	

19. DISTRIBUTION COSTS

	Note	2008	2007
Salaries and benefits		**6,057**	6,848
Advertisement and sales promotion		**18,433**	7,740
Carriage and forwarding		**7,801**	5,971
Traveling and conveyance		**2,164**	2,396
Depreciation	3.3	**698**	901
Warranty claim	15.3	**4,282**	3,961
Provision for impairment of trade debts	7.1	**300**	300
Communications		**210**	173
Insurance		**201**	394
Repairs and maintenance		**609**	874
Others		**302**	386
		41,057	29,944

20. ADMINISTRATIVE EXPENSES

	Note	2008	2007
Salaries and benefits		**16,852**	15,504
Legal and professional charges		**8,883**	7,551
Repairs and maintenance		**2,218**	2,080
Depreciation	3.3	**1,730**	1,962
Printing and stationery		**426**	254
Computer supplies		**931**	753
Rent, rates and taxes		**457**	827
Traveling and conveyance		**2,228**	2,133
Communications		**1,711**	1,043
Utilities		**572**	473
Security services		**647**	699
Insurance		**483**	261
Auditors' remuneration	20.2	**377**	311
Advertisement		**337**	363
Others		**409**	255
		38,261	34,469

20.2 Auditors' remuneration

	Note	2008	2007
Audit fee		**220**	180
Fee for review of half yearly financial statements		**50**	50
Other certifications		**65**	55
Out of pocket expenses		**42**	26
		377	311

21. OTHER OPERATING INCOME

	Note	2008	2007
Income from financial assets			
Profit on short term investments		**21,740**	23,070
Gain on disposal of available for sale investments		**-**	3,492
		21,740	26,562
Income from non-financial assets			
Liabilities no longer payable - written back		**6,206**	5,453
Gain on disposal of property, plant and equipment	3.3	**1,051**	805
Claim received from a customer		**2,326**	-
Scrap sales		**929**	972
Net exchange gain		**83**	-
		10,595	
		32,335	33,792

	Note	2008	2007
		(Rs. in 000')	

22. FINANCE COSTS

Mark-up on short term borrowings		**176**	342
Mark-up on finance lease		**1,630**	1,925
Bank charges		**154**	189
		1,960	2,456

23. OTHER CHARGES

Workers' Profit Participation Fund	15.2	**22,978**	25,036
Workers' Welfare Fund		**8,732**	9,513
Donations	23.1	**3,357**	2,780
		35,067	37,329

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

	2008	2007
	(Rs. in 000')	

24. TAXATION

Current	**143,460**	155,950
Prior	**96**	13,287
Deferred	**7,115**	3,822
	150,671	173,059

24.1 Relationship between income tax expense and accounting profit

Profit before taxation	**427,852**	466,166
Tax at the income tax rate of 35%	**149,748**	163,158
Tax effect of expenses that are admissible in determining taxable profit	**(3,289)**	(3,913)
Tax effect of temporary differences	**7,115**	3,822
Prior year	**96**	13,287
Tax effect of lower rate applicable to certain income	**57**	35
Workers' welfare fund	**(3,056)**	(3,330)
	150,671	173,059

25. BASIC AND DILUTED EARNINGS PER SHARE

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

	2008	2007
Profit after taxation (Rs. In 000')	**277,181**	293,107
Weighted average number of ordinary shares outstanding during the year (in 000')	24,000	24,000
Basic and diluted earnings per share (Rs.)	**11.55**	12.21

	Note	2008	2007
		(Rs. In 000')	

26. CASH GENERATED FROM OPERATIONS

		2008	2007
Profit before taxation		**427,852**	466,166
Adjustments for			
Depreciation		**21,085**	21,607
Finance costs		**1,960**	2,456
Liabilities written back		**(6,206)**	(5,453)
Provision for impairment of trade debts		**300**	300
Profit on short-term investments		**(21,740)**	(23,070)
Gain on disposal of property, plant and equipment		**(1,051)**	(805)
Gain on disposal of available for sale investments		**-**	(3,492)
		(5,652)	(8,457)
		422,200	457,709
Increase in stores, spares and loose tools		**(2,177)**	(5,100)
Decrease in stock-in-trade		**25,038**	2,443
Decrease / (increase) in trade debts		**32,082**	(66,309)
(Increase) / decrease in loans, advances, deposits Prepayments and other receivables		**(31,581)**	2,332
		23,362	(66,634)
Increase / (decrease) in trade and other payables		**75,148**	(17,480)
(Decrease) / Increase in sales tax payable		**(3,760)**	4,056
		71,388	(13,424)
		516,950	377,651

27. CASH AND CASH EQUIVALENTS

	Note	2008	2007
Cash and bank balances	10	**163,353**	49,299
Short term investments	9	**200,000**	250,000
		363,353	299,299

28. SHORT TERM BORROWINGS – secured

The facilities for short term running finance available from various banks amounted to Rs. 90 million (2007: Rs. 90 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 0.75% to 1% (2007: 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25%). The facilities are repayable on various dates latest by March 31, 2009 and are secured by way of pari passu hypothecation of Company's stock-in-trade, stores, spares, loose tools and trade debts.

29. FINANCIAL INSTRUMENTS

29.1 Profit / mark-up rate risk

Profit / mark-up rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the profit / mark-up rates. Sensitivity to mark-up rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to profit / mark-up rate risk in respect of the following:

	2008			
	Effective yield/ Mark-up rate	Exposed to profit / mark-up rate risk		
		Maturity Up to one Year	Maturity after one Year	Total
		--------------------(Rs. in 000')--------------------		
Financial assets				
Trade debts		-	-	-
Loans		-	-	-
Deposits		-	-	-
Accrued profit		-	-	-
Short term investments	11.53% – 13.5%	200,000	-	200,000
Long term investments		-	-	-
Other receivables		-	-	-
Cash and bank balances	7% – 8.75%	141,620	-	141,620
Total		**341,620**	**-**	**341,620**
Financial liabilities				
Trade and other payables		-	-	-
Accrued mark-up		-	-	-
Liabilities against assets subject to finance lease	KIBOR+2% to KIBOR+3%	8,301	2,691	10,992
Total		**8,301**	**2,691**	**10,992**

	2007			
	Effective yield/ Mark-up rate	Exposed to profit / mark-up rate risk		
		Maturity Up to one Year	Maturity after one Year	Total
		--------------------(Rs. in 000')--------------------		
Financial assets				
Trade debts		-	-	-
Loans		-		-
Deposits		-	-	-
Accrued profit		-	-	-
Short term investments	10% - 10.5%	250,000	-	250,000
Long term investments		-	-	-
Other receivables		-	-	-
Cash and bank balances	6% - 8%	33,321	-	33,321
Total		**283,321**	**-**	**283,321**
Financial liabilities				
Trade and other payables		-	-	-
Accrued mark-up		-	-	-
Liabilities against assets subject to finance lease	KIBOR+2% to KIBOR+3%	7,283	8,639	15,922
Total		**7,283**	**8,639**	**15,922**

29.2 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.

29.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with the financial instruments. To guard against the risk, the Company has diversified funding sources and the assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity is maintained.

29.4 Credit risk and concentration of 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 on trade debts. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy. Out of the total financial assets of Rs. 825.219 million (2007: 704.643 million), the financial assets which are subject to credit risk amounted to Rs. 190.395 million (2007: Rs. 222.777 million).

29.5 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. In appropriate cases, the management takes out forward contracts to mitigate the risk. As at June 30, 2008, the total currency risk exposure was Rs. 23.047 million (2007: Rs. 0.366 million) in respect of foreign debtors and creditors.

29.6 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 carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

30. 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 those which have been disclosed elsewhere in these financial statements, are as follows:

	2008	2007
	(Rs. In 000')	
Insurance premium	**1,338**	5,156
Contribution to the provident fund	**2,257**	1,878

30.1 There are no transactions with key management personnel other than under the terms of employment as disclosed in note 31.

30.2 The related party status of outstanding receivable and payable as at June 30, 2008 is disclosed in the respective notes to the financial statements.

31. REMUNERATION OF THE CHAIRMAN, CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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

	2008				2007			
	Chairman	Chief Executive	Director	Executives	Chairman	Chief Executive	Director	Executives
	(Rs. in 000's)							
Managerial remuneration	**390**	**5,828**	**-**	**10,406**	340	4,828	-	4,463
Retirement benefits	**-**	**282**	**-**	**503**	-	223	-	232
Utilities	**-**	**-**	**-**	**86**	-	-	-	43
Medical expenses	**14**	**8**	**-**	**141**	11	15	-	48
Leave encashment	**-**	**-**	**-**	**470**	-	-	-	-
	404	**6,118**	**-**	**11,606**	351	5,066	-	4,786
Number of persons	**1**	**1**	**-**	**7**	1	1	0	3

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

31.3 3 directors (2007: 4) have been paid fee of Rs. 75,000 (2007:Rs. 25,000) for attending the board meeting.

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 23,2008 by the Board of Directors of the Company.

33. PRODUCTION CAPACITY

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

34. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 23,2008 (i) approved the transfer of Rs. 245 million from unappropriated profit to general reserve and (ii) proposed cash dividend of Rs. 1.00 per share for the year ended June 30, 2008 amounting to Rs. 24 million and bonus shares in proportion of One ordinary share for every five ordinary shares for approval of the members at the Annual General Meeting to be held on October 27,2008.

35. GENERAL

Figures have been rounded off to the nearest thousands.

Chairman	Executive Vice Chairman	Chief Executive

AGRIAUTO INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rs. In 000')	
Turnover - net	17	**2,140,261**	1,980,459
Cost of sales	18	**1,628,399**	1,443,887
Gross profit		**511,862**	536,572
Distribution costs	19	**41,057**	29,944
Administrative expenses	20	**38,261**	34,469
		79,318	64,413
Other operating income	21	**(32,335)**	(33,792)
		464,879	505,951
Finance costs	22	**1,960**	2,456
Other charges	23	**35,067**	37,329
		37,027	39,785
Profit before taxation		**427,852**	466,166
Taxation	24	**150,671**	173,059
Profit after taxation		**277,181**	293,107
Basic and diluted earnings per share (Rs.)	25	**11.55**	12.21

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chairman　　Executive Vice Chairman　　Chief Executive