AGRIAUTO INDUSTRIES LIMITED
BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009
		(Rs. in 000')	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	**345,436**	344,480
Long term investment	7	**-**	210,375
Long term deposits and other receivable	8	**2,252**	1,975
		347,688	556,830
CURRENT ASSETS			
Stores, spares and loose tools	9	**46,704**	41,495
Stock-in-trade	10	**630,739**	448,686
Trade debts	11	**309,221**	237,009
Advances, deposits, prepayments and other receivables	12	**8,841**	8,822
Sales tax refundable		**4,062**	-
Accrued profit		**-**	960
Short term investments	13	**609,152**	152,038
Cash and bank balances	14	**193,058**	225,651
		1,801,777	1,114,661
TOTAL ASSETS		**2,149,465**	1,671,491
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
40,000,000 (2009: 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		**1,673,326**	1,298,168
		1,817,326	1,442,168
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	16	**2,434**	2,612
Deferred taxation	17	**26,636**	30,724
		29,070	33,336
CURRENT LIABILITIES			
Trade and other payables	18	**291,379**	168,690
Current portion of liabilities against assets subject to finance lease	16	**2,441**	3,156
Taxation-net		**9,249**	9,127
Sales tax payable		**-**	15,014
		303,069	195,987
CONTINGENCIES AND COMMITMENTS	19		
TOTAL EQUITY AND LIABILITIES		**2,149,465**	1,671,491

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

Chairman

Chief Executive

AGRIAUTO INDUSTRIES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rs. in 000')	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	29	**667,132**	218,648
Finance costs paid		**(1,087)**	(4,741)
Income tax paid		**(294,997)**	(104,058)
Long term deposits		**(277)**	96
Net cash generated from operating activities		**370,771**	109,945
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(56,398)**	(81,043)
Proceeds from disposal of property, plant and equipment		**7,728**	10,293
Proceeds from disposal of long term investment		**108,405**	-
Acquisition of long term investments		**-**	(67,500)
Acquisition of short term investments		**(150,000)**	-
Proceeds from sale of short term investments		**-**	60,191
Profit received on term deposit receipts		**36,657**	6,285
Profit received on deposit accounts		**11,044**	7,006
Net cash used in investing activities		**(42,564)**	(64,768)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		**(3,843)**	(9,110)
Dividends paid		**(56,957)**	(23,769)
Net cash used in financing activities		**(60,800)**	(32,879)
Net increase in cash and cash equivalents		**267,407**	12,298
Cash and cash equivalents at the beginning of the year		**375,651**	363,353
Cash and cash equivalents at the end of the year	30	**643,058**	375,651

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

Chairman　　　　Chief Executive

DIRECTORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED JUNE 30, 2010

Dear Shareholders,

The Directors have the pleasure of presenting the annual report of your company based on the results of its operations along with the audited accounts for the year ended June 30, 2010.

Fiscal 2010 was comparatively a better year for the manufacturing industry and especially for the automotive sector. These better results of auto sector are evidently reflected in company's sales and operating profitability wherein company has prospered yielding a sales growth of 61.87% and a after tax profit growth of 44.21% which has created value for its stake holders.

The Board of Directors' is therefore pleased to recommend a highest ever cash dividend of 90% i.e. Rs 4.50 per share. The Board has also recommended appropriation Rs. 280 million from un-appropriated profits to General Reserve.

PAKISTAN's ECONOMY

Pakistan's macroeconomic indicators witnessed a moderate recovery after 2 years of sluggishness. The economy grew by a provisional 4.1% after a modest growth of 1.2% in the year 2008-2009. Agriculture sector grew by 2%, large scale manufacturing posted a growth rate of 4.4%. The service sector grew by 4.6%.

The macroeconomic condition remains difficult due to the energy crisis and deteriorating law & order situation. The recent floods across Pakistan posses an additional challenge for the year 2010-11.

AUTOMOTIVE SECTOR

The auto sector remained steady and locally produced passenger cars are in demand because of the quality and cost effectiveness. More-specifically the passenger car & tractor segment has shown a robust growth during the year under review.

Summarized automobile production figures comparing 2009-10 with 2008-09 appears below:

	2009-10	**2008-09**	**Change**
Passenger Cars	121,647	84,308	44.29%
Light Commercial Vehicles	16,940	17,092	(0.88%)
Trucks & Buses	4,053	3,797	6.88%
Tractors	71,607	59,968	19.40%
Motorcycles (2 & 3 Wheelers)*	736,861	509,054	49.29%

Source : PAMA report June 2010
** Does not include non-PAMA members*

SUMMARY OF FINANCIAL RESULTS

Following are the summarized financial results of the Company for the year 2009-10 :

(Rs. '000)

	2009-10	**2008-09**
Turnover	3,906,482	2,413,309
Gross Profit	956,234	485,166
Profit before Taxation	685,273	401,878
Taxation	(291,031)	(128,507)
Profit after Taxation	394,242	273,371
Earnings Per Share (Rs.)	13.69	9.49

OPERATIONS

Sales: Sales during the year 2010 remained steady with a turnover of Rs. 3.906 billion, an increase of Rs. 1.493 billion or 61.87% over previous year. Sales in the after-market did reflect significant improvement over previous year and it is expected that the growth trend will Inshallah be maintained.

Cost of Sales : Cost of sales of Rs. 2.950 billion increased by Rs. 1.022 billion or 53.01% over the last year. The Gross Profit margin has increased from 20.1% of last year to 24.5% during financial year 2010. The main reason for this increase was the overall increase in turnover and timely adjustment of prices from the customers due to decline in Rupee parity.

Distribution Cost : This cost has increased from Rs. 43.459 million of last year to Rs. 50.786 million this year, an increase of 16.9%. This increase is primarily due to increase in transportation charges & other costs related to sales.

Administrative Expenses: This cost has increased by Rs. 22.531 million from Rs. 47.762 million last year to Rs. 70.293 million this year, an increase of 47.2%. This increase is largely due to induction of new team members, increase in security services due to conditions in Hub area, general inflation etc.

Other Operating Income: Your Company earned Rs. 52.46 million during the year on its excess liquidity. (2009 : Rs. 14.26 million) through prudent investments.

DISINVESTMENT OF SHARES OF MAKRO HABIB PAKISTAN LIMITED (MHPL)

During the period your Company received a non-binding expression of interest from Thal Limited for acquiring the entire shareholding of MHPL the Company owned 24.75 million shares in the capital of MHPL.

Pursuant to the receipt of the aforementioned offer for disposal of its shareholding in MHPL to Thal Limited (TL), a related party, a Share Purchase Agreement (SPA) dated May 14, 2010 was signed, at an aggregate consideration of Rs.157.658 million. In terms of the SPA, the Company has received an amount of Rs.108.405 million from TL towards the purchase consideration of the said shares. However, the balance consideration amounting to Rs. 49.253 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. 20.543 million respectively. The management, as a matter of prudence, has made a full provision against the said contingent receivable in these financial statements.

RECONSTITUTION OF THE BOARD

During the period the following casual vacancies were created due to resignation of directors. These casual vacancies in the Board were filled up by the new director as follows:

S# Name of Director	Date of resignation	Date of appointment
1. Qazi Ebadullah Khan	December 31, 2009	
2. Mr. Asif Rizvi		January 01, 2010
3. Mr. Tariq Saud Quddusi	January 12, 2010	
4. Mr. Alireza M. Alladin		January 13, 2010
5. Mr. R. D. Minwalla	February 28, 2010	
6. Mr. Yutaka Arae		March 01, 2010

During the year, the founder Chairman, Mr. R.D. Minwalla resigned and, in his place Mr. Yutaka Arae has been appointed as the new Chairman of the Company. The BOD recognizes with deep appreciation the efforts of the outgoing Chairman who actively contributed in nurturing the company in bringing it to this state. A hearty send-of was given to the outgoing Chairman by all the employees of the company by offering farewell lunch. Mr. Yutaka Arae, has been the Vice Chairman of Indus Motor Co. Ltd and involved in Pakistan Auto Industry for the last 14 years. He was also the Head of Operations with Toyota Tsusho Corporation.

During the year Mr. Fahim Kapadia was also appointed as the new CEO of the company in place of Mr. Qazi Ebadullah Khan. During a short span, Mr. Khan took the baton of the company forward successfully. He resigned on personal grounds.

Mr. Tariq Saud Quddusi, who was acting as Director Manufacturing resigned during the year. The Board acknowledges the services rendered by him during his tenure.

The Board welcomes the new Chairman, Chief Executive and the Directors namely, Mr. Alireza M. Alladin and Syed Asif Rizvi and expects the dedication from them to take the company to new heights.

CONTRIBUTION TO THE COMMUNITY (CSR)

As a responsible corporate citizen, your Company is fully committed towards helping the humanity through its different CSR activities. During the year 2010, your company has actively participated in the UN Global Compact, through implementation of its 10 Principles and has contributed Rs. 6.4 Million towards different social causes.

a) Community Development:

Agriauto has been supporting a Girls School at Hub wherein efforts are made to increase the educational standards and improve the facilities at the school. Assistance is being extended on a regular basis on improvement of training aids, teachers training and infrastructure development.

The company has also being supporting the Jam Ghulam Qadir Hospital at Hub to improve its medical facilities and infrastructure (ER and OT Room). Furthermore, training of Trained Birth Attendants (TBAs) of local community has also been provided.

The company provides regular assistance and help to the poor widows of Hub and surroundings, in the shape of rations/utility items every year (200 families)

b) Welfare Spending for under-privileged class:

The company recognizes its responsibility as a social partner with the rest of the community and the stakeholders and contributes actively towards the trust and NGOs working for human cause including health and social welfare.

c) Industrial Relations:

The company culture has been developed in a manner that all senior and junior team members work together towards achieving the vision of the company.

Distribution of ration to all Workers, Celebrating company successes and providing higher education to Workers as part of our Adult Literacy Program has contributed in strengthening the AIL family.

d) National Cause Donations:

Active contribution to the IDP's of Northern Areas and provided mixed dry fruit for troops in Waziristan.

e) Contribution to National Exchequer:

In year 2009-10, your company has contributed Rs. 1.2 billion to the National Exchequer.

Our focus areas will remain on improving the quality of education of the underprivileged class and uplifting the facilities of the local community through active participation in community investment and welfare schemes. Furthermore, in addition to Rs 3 Million provided for the relief activities of the flood affectees in year 2010-11, our AIL Family has also contributed their one day's salary for their rehabilitation.

HUMAN RESOURCE

The company has enhanced its focus on human capital, especially in the areas of human resource development and talent management. Accordingly employees were sent on various Management and Technical trainings abroad. Moreover, local and in-house trainings with emphasis on Leadership, strengthening and implementation of AIL Values, 5S and Kaizen remained a regular activity during the year. In the year 2010, 5,492 training hours against 5,230 hrs (2009) were carried out. Training evaluation mechanism through strengthening the Return on Training Investment (ROTI) remained a core focus area of HR.

Employee Reward activities were strengthened and social operating mechanism was enhanced to improve the morale and motivation of the team members.

Your company was awarded 'HR Excellence Award' by the Employer's Federation of Pakistan for good HR practices in the National Company Category and was Runners Up in 'Living the Global Compact' Responsive Business Award 2009 – SME Category - UNGC Local Chapter & Responsive Business Initiative (RBI)

In order to strengthen the Technical Department, a Japanese Technical Advisor has been hired on a full time basis during the year. Mr. Masaki Ota has 25 years of practical experience in different organizations in Japan. He is now being consulted on all Technical issues and also for the implementation of 5S. Furthermore, to streamline the SHE activities, Mr. Aslam Khan has recently joined our senior management team in the capacity of General Manager, Product Development and SHE having extensive experience in Development and implementation of SHE initiatives in the automotive sector.

NEW PRODUCT

New product development and adding value to the existing product line is a regular feature in your Company. During the year two additional parts for tractors have been successfully developed and their supply would commence in the 2^{nd} half of next year. We have also successfully developed the shock absorbers for Suzuki Swift and got it certified from KYB Corporation, Japan. Supply of the shock absorbers is expected to commence shortly.

We are also under the process of developing sheet metal press parts for Passenger cars and are expecting to supply in the year 2010 – 2011.

FUTURE OUTLOOK

The Ministry of Industry has recommended to the Govt. to relax the age limit of used cars from 3 to 5 years and increase depreciation from 1 to 2%. The trade Policy for the year 2010-11 is still awaited. The apprehensions of relaxing the import of used cars still remain a threat to the industry. Any change in the import procedure will have a detrimental effect on the high end user in the passenger car segment.

The recent devastating floods will have a severe toll on auto sector. Power outages which posed a big challenge in maintaining regular supplies will also be a challenge.

In August 2010 some key assemblers have revised their production schedule downwards. We believe that main effect will be in the two wheeler segment as the ultimate user of these products have been the worst hit segment.

Nevertheless, we are striving for gradual improvement in capacity utilization and greater investments in technology. The motorization level of Pakistan is one of the lowest in the world, we optimistically feel that the auto sector will maintain a steady growth in the foreseeable future.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2010 is annexed.

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

Shares Sold by Mr. R. D. Minwalla	5,000 shares
Shares Purchased by Mr. Alireza M. Alladin	1,000 shares
Shares Purchased by Syed Asif Raza Rizvi	1,000 shares
Shares Purchased by Mr. Yutaka Arae	1,000 shares

CORPORATE AND FINANCIAL REPORTING

The board members are pleased to state that the management of the company is committed to good corporate governance and complying with the best practices. In compliance with the Code of Corporate Governance, the directors are pleased to state as 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 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, 2009 amounted to Rs. 17.2 million.

NUMBER OF BOARD MEETINGS

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

SL #	Names	No of meetings Attended/held
1	Mr. R. D. Minwalla	3/3
2	Mr. Yutaka Arae (Chairman)	2/2
3	Mr. Sohail P. Ahmed	4/5
4	Qazi Ebadullah Khan	2/2
5	Mr. Owais ul Mustafa	5/5
6	Syed Sikander Ahmed	3/5
7	Mr. Fahim Kapadia (Chief Executive)	5/5
8	Mr. Tariq Saud Quddusi	1/2
9	Mr. Asif Rizvi	3/3
10	Mr. Alireza M. Alladin	3/3

AUDITORS

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

Acknowledgement

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.

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 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.

Fahim Kapadia
Chief Executive Officer

KARACHI
DATED : September 8, 2010

1. THE COMPANY AND ITS OPERATIONS

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 5^{th} Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

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, interpretations and amendments to approved accounting standards that are not yet effective

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

Standards, interpretation or amendment		Effective date (accounting periods beginning on or after)
IFRS 2	Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IAS 24	Related Party Disclosures (Revised)	January 01, 2011
IAS 32	Financial Instruments: Presentation - Amendments related to Classification of Rights Issues	February 01, 2010
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

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

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except for available-for-sale investment which is valued as stated in note 13 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

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

IAS-1 "Presentation of Financial Statements (Revised)"

The Company has adopted IAS-1 "Presentation of Financial Statements (Revised)" which became effective during the year. The revised standard introduces the statement of comprehensive income which presents all items of income and expenses either in one single statement or two linked statements. Accordingly, the Company has elected to present two statements; profit and loss account and statement of comprehensive income. As a result of the introduction of statement of comprehensive income, the statement of changes in equity will now include only the details of transactions with owners and items of other comprehensive income will be presented as a single line in such statement.

IAS-23 "Borrowing Costs (Revised)"

The Company has adopted IAS-23 "Borrowing Costs (Revised)" which became effective during the year. The revised standard requires the Company to capitalize borrowing costs attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale). In order to comply with the requirements of the revised standard, the Company has changed its accounting policy related to borrowing costs. Previously, all borrowing costs were charged to the profit and loss account as incurred. This change in policy does not have any affect on these financial statements for the reason that during the year the Company has not incurred any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

IFRS-7 – "Financial Instruments: Disclosures (Amendments)"

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurement related to items recorded at fair value are to be disclosed by source of input using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. The fair value measurement disclosures are presented in note 32 to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 31.3 to 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 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 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.

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 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

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.

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.

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 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 derecognised or impaired.

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

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 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 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 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.

4.18 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

4.19 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 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 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 judgements 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
- warranty obligations	4.13 & 18.2

	Note	**2010**	**2009**
		(Rs. in 000')	
6. PROPERTY, PLANT AND EQUIPMENT			
Operating assets – tangible	6.1	**331,661**	344,480
Capital work-in-progress – dies and tools		**13,775**	-
		345,436	344,480

6.1 Operating assets – tangible

	COST				DEPRECIATION / AMORTIZATION				WRITTEN DOWN VALUE
	As at July 01, 2009	Additions/ (disposals)/ adjustments*	As at June 30, 2010	Depreciation/ Amortization rate	As at July 01, 2009	Charge/ adjustments* for the year	Disposals/ adjustments* for the year	As at June 30, 2010	As at June 30, 2010
	(Rs. in 000')			%	(Rs. in 000')				
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Leasehold land	29,040	-	29,040	3.03	1,248	880	-	2,128	26,912
Building on freehold land	88,615	3,137	91,752	10	34,072	5,606	-	39,678	52,074
Plant and machinery	434,280	17,727 (15,664)	436,343	10 – 20	200,666	30,128	(5,462)	225,332	211,011
Furniture and fittings	3,983	602	4,585	15	2,138	330	-	2,468	2,117
Vehicles	16,399	15,833 4,705* (5,010)	31,927	20	6,851	2,784 2,393*	(2,564)	9,464	22,463
Office equipment	1,400	148	1,548	20	771	129	-	900	648
Computer equipment	5,797	2,598	8,395	33	2,984	1,208	-	4,192	4,203
Dies and tools	7,975	2,578	10,553	40	1,595	2,914	-	4,509	6,044
	589,141	42,623 (20,674) 4,705*	615,795		250,325	43,979 2,393*	(8,026)	288,671	327,124
Leased assets									
Vehicles	9,939	2,950 (4,705)*	8,184	20	4,275	1,765	(2,393)*	3,647	4,537
2010	**599,080**	**45,573 (20,674)**	**623,979**		**254,600**	**45,744 2,393***	**(8,026) (2,393)***	**292,318**	**331,661**

* Represents assets transferred from leased assets to owned assets.

	COST				DEPRECIATION / AMORTIZATION				WRITTEN DOWN VALUE
	As at July 01, 2008	Additions/ (disposals)/ adjustments*	As at June 30, 2009	Depreciation/ Amortization rate	As at July 01, 2008	Charge/ adjustments* for the year	Disposals/ adjustments* for the year	As at June 30, 2009	As at June 30, 2 0 0 9
	(Rs. in 000')			%	(Rs. in 000')				
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Leasehold land	36,127	(7,087)	29,040	3.03	1,011	1,007	(770)	1,248	27,792
Building on freehold land	35,819	52,796	88,615	10	30,748	3,324	-	34,072	54,543
Plant and machinery	312,488	116,507 (5,415) 10,700*	434,280	10 - 20	177,522	24,654 3,373*	(4,883)	200,666	233,614
Furniture and fittings	3,650	333	3,983	15	1,847	291	-	2,138	1,845
Vehicles	10,691	734 (4,177) 9,151*	16,399	20	5,400	1,336 2,729*	(2,614)	6,851	9,548
Office equipment	907	493	1,400	20	612	159	-	771	629
Computer equipment	3,833	1,964	5,797	33	2,087	897	-	2,984	2,813
Dies and tools	-	7,975	7975	40	-	1,595	-	1,595	6,380
	405,167	180,802 (16,679) 19,851*	589,141		219,227	33,263 6,102*	(8,267)	250,325	338,816
Leased assets									
Plant and machinery	10,700	(10,700)*	-	10- 20	2,900	473	(3,373)*	-	-
Vehicles	15,205	3,885 (9,151)*	9,939	20	5,328	1,676	(2,729)*	4,275	5,664
	25,905	3,885 (19,851)*	9,939		8,228	2,149	(6,102)*	4,275	5,664
2009	**431,072**	**184,687 (16,679)**	**599,080**		**227,455**	**35,412 6,102***	**(8,267) (6,102)***	**254,600**	**344,480**

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

	Note	2010	2009
		(Rs. in 000')	
Cost of sales	21	**41,804**	32,636
Distribution costs	22	**728**	503
Administrative expenses	23	**3,212**	2,273
		45,744	35,412

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')						
Plant and machinery							
Machinery	5,980	3,722	2,258	1,812	(446)	Auction	ABC Neelam Ghar, Karachi
Machinery	9,684	1,740	7,944	2,330	(5,614)	Auction	Pioneer Auctioneers, Karachi
	15,664	**5,462**	**10,202**	**4,142**	**(6,060)**		
Vehicles							
Suzuki Cultus	590	190	400	516	116	Company policy	Mr. Aqeel Loon, Employee
Daihatsu Cuore	424	268	156	287	131	Company policy	Mr. Mian M. Saeed, Employee
Daihatsu Cuore	424	273	151	287	136	Company policy	Mr. Tanveerul Hassan, Employee
Daihatsu Cuore	665	33	632	665	33	Insurance claim	Habib Insurance Company Limited, Karachi
Toyota Altis	1,309	871	438	438	-	Company policy	Mr. Qazi Ebadullah Khan, Ex-Director
Toyota Altis	1,319	767	552	1,114	562	Trade-off	Muhammad Waris c/o Toyota Southern Motors, Karachi
Honda CD-70	54	39	15	54	39	Company policy	Mr. Syed Rafaquat Ali, Employee
Honda CD-70	54	39	15	54	39	Company policy	Mr. Khursheed Alam, Employee
Honda CD-70	54	39	15	54	39	Company policy	Mr. Salhuddin, Employee
Honda CD-70	54	38	16	54	38	Company policy	Mr. Aqeel Ahmed, Employee
Honda CD-70	63	7	56	63	7	Insurance claim	Habib Insurance Company Limited, Karachi
	5,010	**2,564**	**2,446**	**3,586**	**1,140**		
	20,674	**8,026**	**12,648**	**7,728**	**(4,920)**		

	Note	2010	2009
		(Rs. in 000')	
7. LONG TERM INVESTMENT – available-for-sale			
In an unquoted company – Makro-Habib Pakistan Limited (MHPL)	7.1	-	210,375

7.1 During the year, the Company has sold its shareholding in 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 has received an amount of Rs.108.405 million from TL towards the purchase consideration of the said shares. However, the balance consideration amounting to Rs. 49.253 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. 20.543 million respectively. The management, as a matter of prudence, has made a full provision against the said contingent receivable in these financial statements.

	Note	2010	2009
		(Rs. in 000')	

8. LONG TERM DEPOSITS AND OTHER RECEIVABLE

	Note	2010	2009
Security deposits		**2,252**	1,975
Other receivable	8.1	**-**	-
		2,252	1,975

8.1 Other receivable

	Note	2010	2009
Long term receivable		**49,252**	-
Provision against long term receivable	7.1	**(49,252)**	-
		-	-

9. STORES, SPARES AND LOOSE TOOLS

	2010	2009
Stores	**25,972**	20,141
Spares	**13,561**	13,745
Loose tools	**7,171**	7,609
	46,704	41,495

9.1 Includes stores, spares and loose tools carried at NRV amounting to Nil (2009: Rs. 0.122 million).

	2010	2009
	(Rs. in 000')	

10. STOCK-IN-TRADE

	2010	2009
Raw material	**390,527**	307,135
Packing material	**3,071**	3,420
Work-in-process	**63,370**	33,998
Finished goods	**25,420**	23,737
Goods-in-transit	**148,351**	80,396
	630,739	448,686

10.1 Includes stock-in-trade carried at NRV amounting to Rs. 14.641 million (2009: Rs. 7.294 million).

	Note	2010	2009
		(Rs. in 000')	

11. TRADE DEBTS – unsecured

	Note	2010	2009
Considered good		**309,221**	237,009
Considered doubtful		**3,574**	4,641
Less : Provision for impairment	11.1	**3,574**	4,641
		-	-
		309,221	237,009

11.1 Reconciliation of provision for impairment

	Note	2010	2009
Balance at the beginning of the year		**4,641**	3,263
Charge for the year	22	**300**	1,378
Write-offs during the year		**(1,367)**	-
Balance at the end of the year		**3,574**	4,641

11.2 The aging of trade debts at June 30 is as follows

	2010	2009
Neither past due nor impaired	**276,135**	229,963
Past due but not impaired	**33,086**	7,046
	309,221	237,009

	Note	2010	2009
		(Rs. in 000')	

12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2010	2009
Advances – unsecured, considered good			
Suppliers		**1,293**	239
Contractors		**865**	860
Employees		**768**	252
		2,926	1,351
Deposits		**351**	472
Prepayments			
Insurance		**3,940**	3,210
Others		**830**	58
		4,770	3,268
Other receivables – unsecured, considered good			
Insurance claim receivable		**141**	17
Excise duty receivable		**653**	101
Claim from foreign supplier		**-**	35
Freight charges receivable from a customer		**-**	3,578
		794	3,731
		8,841	8,822

13. SHORT TERM INVESTMENTS

	Note	2010	2009
Held- to- maturity			
Term deposit receipts	13.1	**450,000**	150,000
Accrued profit thereon		**7,761**	2,038
		457,761	152,038
Available-for-sale			
Atlas Money Market Fund		**50,900**	-
NAFA Government Securities Liquid Fund		**50,442**	-
UBL Liquidity Plus Fund		**25,015**	-
Meezan Cash Fund		**25,034**	-
		609,152	152,038

13.1 Represents three months term deposit receipts with a commercial bank carrying expected profit rate of 11.75% (2009: 12%) per annum and will mature by September 2010.

14. CASH AND BANK BALANCES

	Note	2010	2009
		(Rs. in 000')	
In hand		**20**	26
With banks in			
- current accounts		**32,470**	18,039
- deposit accounts	14.1	**160,568**	207,586
		193,038	225,625
		193,058	225,651

14.1 These carry profit rates ranging from 6% to 8% (2009: 6% to 10%) per annum.

				2010	2009
				(Rs. in 000')	

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 5/- each

Number of shares in (000') 2010	2009		2010	2009
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

Related parties held 2,115,600 (2009: 2,115,600) ordinary shares of Rs. 5/- each in the Company at year end.

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Minimum Lease Payments	Present value of MLP	Minimum lease payments	Present value of MLP
	2010		2009	
	(Rs. in 000')			
Not later than one year	**2,916**	**2,441**	3,748	3,156
Later than one year but not later than five years	**2,621**	**2,434**	2,907	2,612
Total minimum lease payments	**5,537**	**4,875**	6,655	5,768
Less : Financial charges allocated to future periods	**662**	**-**	887	-
Present value of minimum lease payments	**4,875**	**4,875**	5,768	5,768
Less: Current portion shown under current liabilities	**2,441**	**2,441**	3,156	3,156
	2,434	**2,434**	2,612	2,612

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. 0.812 million (2009: Rs. 0.995 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 (2009: KIBOR+2% to KIBOR+3%), which is used as a discounting factor. There are no financial restrictions in the lease agreements.

	Note	2010	2009
		(Rs. in 000')	

17. DEFERRED TAXATION

Deferred taxation comprises temporary differences relating to:

		2010	2009
c) Accelerated tax depreciation		**45,039**	42,334
d) Assets subject to finance lease		**(118)**	(37)
e) Provisions		**(18,285)**	(11,573)
		26,636	30,724

18. TRADE AND OTHER PAYABLES

	Note	2010	2009
Creditors		**105,477**	66,857
Royalty payable		**10,533**	6,611
Accrued liabilities		**51,625**	44,958
Advance from customers		**3,275**	921
Payable to provident fund		**935**	882
Workers' Profit Participation Fund	18.1	**36,972**	723
Workers' Welfare Fund		**17,329**	8,972
Unclaimed and unpaid dividends		**5,155**	4,512
Guarantee bond payable	19(i)	**1,111**	-
Infrastructure cess payable	19(ii)	**37,023**	22,512
Tax deducted at source		**1,223**	212
Warranty obligation	18.2	**17,471**	8,720
Others		**3,250**	2,810
		291,379	168,690

	Note	2010	2009
		(Rs. in 000')	
18.1 Workers' Profit Participation Fund			
Balance at the beginning of the year		**723**	(522)
Allocation for the year	26	**36,972**	21,583
		37,695	21,061
Less: Payment made during the year		**723**	20,338
Balance at end of the year		**36,972**	723
18.2 Warranty obligations			
Balance at the beginning of the year		**8,720**	5,286
Provision for the year	22	**12,976**	8,980
		21,696	14,266
Less: Claims paid during the year		**4,225**	5,546
Balance at end of the year		**17,471**	8,720

19. CONTINGENCIES AND COMMITMENTS

Contingencies

(i) Outstanding bank guarantees issued to Collector of Customs as a security against differential import duty amount to Rs. 1.237 million (2009: Rs. 1.237 million). However, the Company, as a matter of prudence, has made a provision of Rs. 1.111 million (2009: Rs. Nil) against such import duty.

(ii) The Divisional Bench of the Honourable High Court of Sindh through its order dated September 17, 2008 has 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. The levy subsequent to December 27, 2006 has been declared as valid and constitutional.

The Company has filed an appeal before the Honourable Supreme Court of Pakistan against the above order of the Honourable High Court of Sindh. The Honorable Supreme Court of Pakistan has accepted the petition and granted stay order against the payment of levy subject to the submission of bank guarantees.

The Company has decided not to reverse the liability pertaining to the periods prior to December 27, 2006 as the Excise Department, Government of Sindh has also filed an appeal before the Honorable Supreme Court of Pakistan against the above order of the Honourable High Court of Sindh. Therefore, the Company continues to provide for additional liability of the charge until the matter is finally decided by the Supreme Court of Pakistan.

An amount of Rs. 2.977 million (2009: Rs. 1.488 million) is an un-utilised 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 utilised portion of guarantee amounting to Rs. 37.023 million (2009: Rs. 22.512 million) is shown under infrastructure cess payable in note 18 to the financial statements.

(iii) The Additional Commissioner of Income Tax (Audit Division) has amended the deemed assessment order in respect of the tax year 2005, whereby the tax liability for the said tax year has been enhanced by Rs. 14.08 million. The Company preferred an appeal against the aforesaid amended order before the Commissioner of Income Tax (Appeals). The Commissioner of Income Tax (Appeals) decided in favour of the Income Tax Department and has upheld the deemed revised order of Additional Commissioner of Income Tax (Audit Division). The Company has filled an appeal in Appellate Tribunal to contest the order of the Commissioner of Income Tax (Appeals). The Appellate Tribunal has reserved the decision/order against the impugned order of the Commissioner of Income Tax (Appeals). The Company based on the view of its tax consultant, is confident that the outcome of the appeal will be in its favour and, therefore, no provision in respect of the enhanced tax liability has been made in these financial statements.

Commitments

(i) Commitments in respect of outstanding letters of credit for raw material amount to Rs. 189.633 million (2009: Rs. 101.584 million).

(ii) Commitments in respect of capital expenditure amount to Rs. 22.865 million (2009: Nil).

(iii) Outstanding bank guarantees issued to Sui Southern Gas Company Limited amounts to Rs. 0.385 million (2009: Rs. 0.385 million)

	Note	2010	2009
		(Rs. in 000')	

20. TURNOVER – net

Sales		**4,573,587**	2,826,058
Less: Sales tax		**625,099**	387,968
Special excise duty		**38,140**	24,248
Trade discount		**3,866**	533
		667,105	412,749
		3,906,482	2,413,309

21. COST OF SALES

	Note	2010	2009
Raw material consumed			
Opening stock		**307,135**	182,105
Purchases		**2,653,372**	1,763,416
		2,960,507	1,945,521
Closing stock		**(390,527)**	(307,135)
		2,569,980	1,638,386
Manufacturing expenses			
Salaries, wages and benefits		**122,283**	97,965
Stores, spares and loose tools consumed		**99,037**	68,171
Packing material consumed		**17,173**	13,337
Fuel and power		**38,579**	30,112
Transportation and traveling		**25,679**	19,733
Depreciation	6.2	**41,804**	32,636
Repairs and maintenance		**36,015**	13,775
Royalty and technical fees		**22,857**	10,581
Research and development costs		**654**	1,343
Communications		**799**	610
Printing and stationery		**721**	390
Insurance		**2,160**	2,167
Rent		**2,342**	726
Others		**1,220**	1,571
		411,323	293,117
Work-in-process			
Opening stock		**33,998**	35,089
Closing stock		**(63,370)**	(33,998)
Cost of goods manufactured		**2,951,931**	1,932,594
Finished goods			
Opening stock		**23,737**	19,286
Closing stock		**(25,420)**	(23,737)
		(1,683)	(4,451)
		2,950,248	1,928,143

22. DISTRIBUTION COSTS

	Note	2010	2009
Salaries and benefits		**9,332**	8,008
Advertisement and sales promotion		**9,900**	12,196
Carriage and forwarding		**14,441**	8,923
Traveling and conveyance		**1,421**	2,256
Depreciation	6.2	**728**	503
Provision for warranty claims	18.2	**12,976**	8,980
Provision for impairment of trade debts	11.1	**300**	1,378
Communications		**190**	194
Insurance		**196**	288
Repairs and maintenance		**395**	370
Others		**907**	363
		50,786	43,459

	Note	2010	2009
		(Rs. in 000')	

23. ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries and benefits		**30,254**	20,737
Legal and professional charges		**15,491**	10,324
Repairs and maintenance		**3,872**	2,364
Depreciation	6.2	**3,212**	2,273
Printing and stationery		**819**	860
Computer supplies		**1,716**	621
Rent, rates and taxes		**1,159**	748
Traveling and conveyance		**5,809**	4,212
Communications		**1,765**	1,740
Utilities		**834**	662
Security services		**2,269**	1,613
Insurance		**414**	315
Auditors' remuneration	23.1	**635**	536
Advertisement		**116**	272
Others		**1,928**	485
		70,293	47,762

23.1 Auditors' remuneration

	2010	2009
Audit fee	**500**	375
Fee for review of half yearly financial statements	**50**	50
Other certifications	**60**	80
Out of pocket expenses	**25**	31
	635	536

24. OTHER OPERATING (EXPENSES) / INCOME

	Note	2010	2009
Income from financial assets			
Profit on:			
f) term deposit receipts		**42,380**	8,982
g) deposit accounts		**10,084**	5,283
		52,464	14,265
(Loss) / gain on disposal of available for sale investments		**(89,843)**	7,902
Provision against long-term receivable	8.1	**(49,252)**	-
Liabilities no longer payable - written back		**-**	18,312
Others		**-**	117
		(139,095)	26,331
Income from non-financial assets			
(Loss) / gain on disposal of property, plant and equipment	6.3	**(4,920)**	1,881
Scrap sales		**3,326**	3,888
		(1,594)	5,769
		(88,225)	46,365

25. FINANCE COSTS

	2010	2009
Mark-up on		
- finance lease	**661**	1,040
- short term borrowings	**-**	3,442
	661	4,482
Bank charges	**426**	266
	1,087	4,748

26. OTHER CHARGES

	Note	2010	2009
Workers' Profit Participation Fund	18.1	**36,972**	21,583
Workers' Welfare Fund		**17,197**	8,201
Donations	26.1	**6,401**	3,900
		60,570	33,684

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.

	2010	2009
	(Rs. in 000’)	

27. TAXATION

	2010	2009
Current	**294,984**	115,941
Prior	**135**	398
Deferred	**(4,088)**	12,168
	291,031	128,507

27.1 Relationship between tax expense and accounting profit

	2010	2009
Profit before taxation	**685,273**	401,878
Tax at the income tax rate of 35%	**239,846**	140,658
Tax effects of:		
Expenses that are not taken into account for determining taxable profit	**29,652**	(22,370)
Loss on sale of investment not deductable for tax purposes	**31,445**	-
Income taxed at reduced rate	**59**	19
Temporary differences	**(4,088)**	12,169
Prior year	**135**	398
Workers’ Welfare Fund on tax profit exceeding accounting profit	**(6,018)**	(2,367)
	291,031	128,507

28. BASIC AND DILUTED EARNINGS PER SHARE

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

	2010	2009
Profit after taxation (Rs. in 000’)	**394,242**	273,371
Weighted average number of ordinary shares outstanding during the year (in 000’)	**28,800**	28,800
Basic and diluted earnings per share (Rs.)	**13.69**	9.49

29. CASH GENERATED FROM OPERATIONS

	2010	2009
	(Rs. in 000')	
Profit before taxation	**685,273**	401,878
Adjustments for		
Depreciation	**45,744**	35,412
Finance costs	**1,087**	4,748
Provision for impairment of trade debts	**300**	1,378
Liabilities no longer payable - written back	**-**	(18,312)
Provision against long-term receivable	**49,252**	-
Profit on term deposit receipts	**(42,380)**	(16,884)
Profit on bank balances	**(10,084)**	(5,283)
Loss on disposal of available-for-sale investment	**89,843**	-
Loss / (gain) on disposal of property, plant and equipment	**4,920**	(1,881)
	138,682	(822)
	823,955	401,056
Increase in stores, spares and loose tools	**(5,209)**	(4,347)
Increase in stock-in-trade	**(182,053)**	(163,670)
Increase in trade debts	**(72,512)**	(47,991)
Increase in sales tax refundable	**(19,076)**	-
(Increase) / decrease in advances, deposits prepayments and other receivables	**(19)**	27,840
	(278,869)	(188,168)
Increase / (decrease) in trade and other payables	**122,046**	(5,578)
Increase in sales tax payable	**-**	11,338
	122,046	5,760
	667,132	218,648

	Note	2010	2009
		(Rs. in 000')	

30. CASH AND CASH EQUIVALENTS

	Note	2010	2009
Cash and bank balances	14	**193,058**	225,651
Short term investments	13	**450,000**	150,000
		643,058	375,651

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 by Rs. 6.014 million and a 1% decrease would result in the decrease in the Company's profit 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, 2010, the Company is not exposed to currency risks in respect of financial assets or financial liabilities.

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 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.

	2010	2009
	(Rs. in 000')	
Trade debts		
Customers with no defaults in the past one year	**309,221**	237,009
Bank balances		
Ratings		
A1+	**192,047**	224,770
A1	**991**	855
	193,038	225,625
Short term investments		
Ratings		
A1+	**457,761**	152,038
AA+	**25,015**	-
A+	**50,442**	-
AA	**75,934**	-
	609,152	152,038
	1,111,411	614,672

31.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity is maintained.

2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	(Rupees)				
Trade and other payables	72,672	199,216	19,491	-	291,379
Liabilities against assets subject to finance lease	-	588	1,853	2,434	4,875
	72,672	**199,804**	**21,344**	**2,434**	**296,254**

2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	(Rupees)				
Trade and other payables	52,126	100,981	15,583	-	168,690
Liabilities against assets subject to finance lease	-	716	2,440	2,612	5,768
	52,126	**101,697**	**18,023**	**2,612**	**174,458**

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 2010, the Company has only 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 disposal of investment and remuneration of key management personnel as disclosed in note 7 and 35 respectively, are as follows:

	2010	2009
	(Rs. in 000')	
Contribution to the provident fund	**3,325**	2,771

34.1 The outstanding balances due to / from related parties are included in the respective notes to the financial statements.

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

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

	2010			2009		
	Chairman	Chief Executive	Executives	Chairman	Chief Executive	Executives
	(Rs. in 000')					
Managerial remuneration	**2,570**	**7,482**	**19,028**	540	5,977	13,688
Retirement benefits	**-**	**310**	**876**	-	315	716
Utilities	**234**	-	**116**	208	-	105
Medical expenses	**18**	**29**	**245**	13	10	136
Leave encashment	**-**	**-**	**-**	-	-	204
	2,822	**7,821**	**20,265**	761	6,302	14,849
Number of persons	**1**	**1**	**10**	1	1	9

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.

35.3 1 director (2009: 2) have been paid fee of Rs. 20,000 (2009: Rs. 50,000) for attending the board meeting.

36. 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.

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 (2009: Rs. 140 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 1.25% to 1.50% (2009: 1 to 3 months KIBOR plus rates varying from 1.25% 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 September 08, 2010 (i) approved the transfer of Rs. 280 million from unappropriated profit to general reserve and (ii) proposed cash dividend of Rs. 4.50 per share for the year ended June 30, 2010 amounting to Rs. 129.60 million for approval of the members at the Annual General Meeting to be held on October 28, 2010.

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 authorised for issue on September 08, 2010 by the Board of Directors of the Company.

Chairman	Chief Executive

AGRIAUTO INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rs. in 000')	
Turnover - net	20	**3,906,482**	2,413,309
Cost of sales	21	**(2,950,248)**	(1,928,143)
Gross profit		**956,234**	485,166
Distribution costs	22	**(50,786)**	(43,459)
Administrative expenses	23	**(70,293)**	(47,762)
		(121,079)	(91,221)
Other operating (expenses) / income	24	**(88,225)**	46,365
		746,930	440,310
Finance costs	25	**(1,087)**	(4,748)
Other charges	26	**(60,570)**	(33,684)
		(61,657)	(38,432)
Profit before taxation		**685,273**	401,878
Taxation	27	**(291,031)**	(128,507)
Profit after taxation		**394,242**	273,371
Basic and diluted earnings per share (Rs.)	28	**13.69**	9.49

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

Chairman

Chief Executive

AGRIAUTO INDUSTRIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

		RESERVES						
		CAPITAL RESERVE	REVENUE RESERVES					
	Issued, subscribed and paid-up capital	Share premium	General reserve	Unapp-ropriated profit	Hedging Reserves	(Loss)/gain on available-for-sale investments	Total	Total equity
Balance as at June 30, 2008	120,000	12,598	800,000	297,324	425	6,940	1,117,287	1,237,287
Profit after taxation for the year	-	-	-	273,371	-	-	273,371	273,371
Other comprehensive income / (loss)	-	-	-	-	(425)	(44,065)	(44,490)	(44,490)
Total comprehensive income	-	-	-	273,371	(425)	(44,065)	228,881	228,881
Final dividend for the year ended June 30, 2008 @ Re. 1/- per share	-	-	-	(24,000)	-	-	(24,000)	(24,000)
Issue of bonus shares in the ratio of 1:5	24,000	-	-	(24,000)	-	-	(24,000)	-
Transfer to revenue reserve	-	-	245,000	(245,000)	-	-	-	-
Balance as at June 30, 2009	**144,000**	**12,598**	**1,045,000**	**277,695**	**-**	**(37,125)**	**1,298,168**	**1,442,168**
Profit after taxation for the year	-	-	-	394,242	-	-	394,242	394,242
Other comprehensive income	-	-	-	-	-	38,516	38,516	38,516
Total comprehensive income				394,242	-	38,516	432,758	432,758
Final dividend for the year ended June 30, 2009 @ Rs. 2 /- per share	-	-	-	(57,600)	-	-	(57,600)	(57,600)
Transfer to revenue reserve	-	-	200,000	(200,000)	-	-	-	-
Balance as at June 30, 2010	**144,000**	**12,598**	**1,245,000**	**414,337**	**-**	**1,391**	**1,673,326**	**1,817,326**

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

Chairman

Chief Executive

AGRIAUTO INDUSTRIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rs. in 000')	
Profit for the year	**394,242**	273,371
Other comprehensive income / (loss)		
Loss / (gain) on disposal of available-sale-investments transferred to profit and loss account	**37,125**	(6,940)
Unrealized gain / (loss) on change in fair value of available-for-sale investments arising during the year	**1,391**	(37,125)
Gain on cash flow hedge transferred to stock-in-trade	**-**	(425)
	38,516	(44,490)
Total comprehensive income for the year	**432,758**	228,881

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

Chairman

Chief Executive