THAL LIMITED
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007
		(Rupees in thousands)	
ASSETS			
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	4	**4,045,239**	300,878
INTANGIBLE ASSETS	5	**13,597**	105
INVESTMENT PROPERTY	6	**1,073**	1,083
LONG-TERM INVESTMENTS	7	**761,865**	848,634
LONG-TERM LOANS AND DEPOSITS	8	**15,244**	5,530
LONG TERM PREPAYMENT	9	**108,750**	10,800
		4,945,768	1,167,030
CURRENT ASSETS			
Stores, spares and loose tools	10	**70,058**	69,092
Stock-in-trade	11	**2,751,011**	1,465,851
Trade debts	12	**654,434**	511,761
Loans, advances, deposits, prepayments and other receivables	13	**266,696**	85,692
Short-term investments	14	**21,572**	20,560
Accrued profit		**896**	7,579
Taxation – net		**57,363**	10,268
Sales tax refundable		**74,882**	11,686
Cash and bank balances	15	**155,020**	869,153
		4,051,932	3,051,642
TOTAL ASSETS		**8,997,700**	4,218,672
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
100,000,000 (2007: 100,000,000) ordinary shares of Rs.5/- each		**500,000**	500,000
Issued, subscribed and paid-up capital	16	**152,248**	117,114
Share deposit money		**12**	-
Reserves	17	**4,119,678**	3,429,253
Equity attributable to equity holders' of the parent		**4,271,938**	3,546,367
Minority interest		**1,426,255**	33
Total equity		**5,698,193**	3,546,400
NON-CURRENT LIABILITIES			
LONG TERM FINANCE	18	**360,000**	-
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	19	**14,186**	13,515
DEFERRED TAXATION	20	**43,834**	13,195
CURRENT LIABILITIES			
Trade and other payables	21	**1,698,240**	451,578
Short-term borrowings	22	**1,051,285**	175,622
Current maturity of long term finance	18	**90,000**	-
Current maturity of liabilities against assets subject to finance lease	19	**22,042**	15,351
Accrued mark-up		**19,920**	3,011
		2,881,487	645,562
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITIES AND LIABILITIES		**8,997,700**	4,218,672

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE

DIRECTOR

THAL LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2 0 0 8	2 0 0 7
		(Rupees in thousands)	
Turnover – net	**24**	**8,806,709**	6,870,530
Cost of sales	**25**	**7,381,688**	5,519,092
Gross profit		**1,425,021**	1,351,438
Distribution costs	**26**	**(143,572)**	-105,393
Administrative expenses	**27**	**(416,457)**	-198,420
Other operating income	**28**	**196,411**	63,949
Profit on trading activities	**29**	**11,541**	13,392
		(352,077)	(226,472)
Operating profit		**1,072,944**	1,124,966
Finance costs	**30**	**(56,638)**	(31,471)
Other charges	**31**	**(76,237)**	(79,698)
		(132,875)	(111,169)
		940,069	1,013,797
Share of net profit of associates – after tax		**120,978**	201,149
Profit before taxation		**1,061,047**	1,214,946
Taxation	**32**	**(349,211)**	(341,255)
Profit before minority interest		**711,836**	873,691
Minority interest		**33,734**	(7)
Profit after taxation		**745,570**	873,684
		Rupees	**Rupees (Restated)**
Basic and diluted earnings per share	**33**	**24.49**	28.69

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE

DIRECTOR

THAL LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rupees in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	**483,794**	1,401,496
Finance costs paid		**(41,300)**	(31,006)
Dividends paid		**(34,480)**	(145,281)
Retirement benefits paid		**(1,577)**	(2,249)
Income tax paid		**(379,300)**	(454,056)
Net cash generated from operating activities		**27,137**	768,904
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(298,947)**	(82,935)
Long term loans and deposits		**4,015**	2,844
Dividends received		**73,815**	73,065
Profit received		**73,968**	37,548
Proceeds from disposal of property, plant and equipment		**12,692**	13,870
Investment in associates		**(130,000)**	(120,000)
Acquisition of subsidiary – net of cash	3	**(1,776,142)**	-
Purchase of short term investments		**(12)**	(9)
Net cash used in investing activities		**(2,040,611)**	(75,617)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance		**450,000**	-
Repayment of liabilities against assets subject to finance lease		**(25,322)**	(20,882)
Net cash generated / (used) in financing activities		**424,678**	(20,882)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(1,588,796)**	672,405
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**713,531**	41,126
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	35	**(875,265)**	713,531

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE

DIRECTOR

THAL LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	Issued, subscribed & paid-up capital	Share deposit money	Shares to be issued under the Scheme of Arrangement for Amalgamation	RESERVES						Minority interest	Total equity
				Capital reserve	Unrealised gain / (loss) on hedging instruments	Gain /(loss) on changes in fair value of available for sale investments	Revenue Reserves		Total reserves		
							General reserve	Unappropriated profit			
Balance as at June 30, 2006	69,566	-	28,029	67,929	(118)	18,897	1,463,045	1,163,961	2,713,714	26	2,811,335
Shares issued under the scheme of Amalgamation	28,029	-	(28,029)	-	-	-	-	-	-	-	-
Final dividend @ 5.00 /- per share.	-	-	-	-	-	-	-	(97,594)	(97,594)	-	(97,594)
Issue of bonus shares in the ratio of 1 : 5	19,519	-	-	-	-	-	-	(19,519)	(19,519)	-	-
Transfer to revenue reserve	-	-	-	-	-	-	680,000	(680,000)	-	-	-
Dividend – Interim @ Rs.2.00/- per share	-	-	-	-	-	-	-	(46,845)	(46,845)	-	(46,845)
Net profit for the year	-	-	-	-	-	-	-	873,684	873,684	7	873,691
Gain on change in fair value of available for sale investments	-	-	-	-	-	5,858	-	-	5,858	-	5,858
Loss on hedging instruments	-	-	-	-	(45)	-	-	-	(45)	-	(45)
Balance as at June 30, 2007	**117,114**	**-**	**-**	**67,929**	**(163)**	**24,755**	**2,143,045**	**1,193,687**	**3,429,253**	**33**	**3,546,400**
Receipt of share deposit money - Makro-Habib Pakistan Limited	-	12	-	-	-	-	-	-	-	-	12
Final dividend @ Rs. 5 /- per share	-	-	-	-	-	-	-	(35,134)	(35,134)	-	(35,134)
Issue of bonus shares in the ratio of 3:10	35,134	-	-	-	-	-	-	(35,134)	(35,134)	-	-
Transfer to revenue reserve	-	-	-	-	-	-	618,829	(618,829)	-	-	-
Net profit for the year	-	-	-	-	-	-	-	745,570	745,570	(33,734)	711,836
Gain on change in fair value of available for sale investments	-	-	-	-	-	14,344	-	-	14,344	-	14,344
Gain on hedging instruments	-	-	-	-	779	-	-	-	779	-	779
Minority interest arising on business combination (Note 3)	-	-	-	-	-	-	-	-	-	1,459,956	1,459,956
Balance as at June 30, 2008	**152,248**	**12**	**-**	**67,929**	**616**	**39,099**	**2,761,874**	**1,250,160**	**4,119,678**	**1,426,255**	**5,698,193**

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE

DIRECTOR

THAL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1. THE HOLDING COMPANY AND ITS OPERATIONS

1.1 Thal Limited (the holding company) was incorporated on January 31, 1966 as a public company limited by shares under the Companies Act, 1913 (now the Companies Ordinance, 1984) and is listed on the Karachi and Lahore Stock Exchanges.

The holding company is engaged in the manufacture of jute goods, engineering goods, papersack and laminate sheets. The registered office of the holding company is situated at 4th Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharea Faisal, Karachi.

1.2 The Group comprises of the holding company and the following subsidiary companies that have been consolidated in these consolidated financial statements:

Subsidiary Company	Note	Date of becoming subsidiary	Holding 2008 %	Holding 2007 %	Total assets 2008 (Rupees in '000s)	Total liabilities 2008 (Rupees in '000s)
Noble Computer Services (Pvt) Limited	**1.2.1**	01-07-2005	**99.85**	99.85	**39,475**	**10,362**
Pakistan Industrial Aids (Private) Limited [Formerly Thal Trading (Private) Limited]	**1.2.2**	27-03-2006	**100**	100	**11,713**	**25**
Makro-Habib Pakistan Limited	**1.2.3**	01-05-2008	**55**	7.87	**4,568,629**	**1,399,263**

1.2.1 Noble Computer Services (Private) Limited

Noble Computer Services (Private) Limited was incorporated in Pakistan on May 08, 1983 as a private limited company. The subsidiary is engaged in providing share registrar and related accounting services, share floatation services, data entry services and internal audit services.

1.2.2 Pakistan Industrial Aids (Private) Limited [Formerly Thal Trading (Private) Limited]

Pakistan Industrial Aids (Private) Limited [formerly Thal Trading (Private) Limited] was incorporated in Pakistan on March 27, 2006 as a private limited company. The subsidiary is engaged in trading of various products.

1.2.3 Makro-Habib Pakistan Limited

Makro-Habib Pakistan Limited was incorporated in Pakistan on June 29, 2005 as a Public Limited Company. The Company was an associated undertaking of the Holding Company untill April 30, 2008 and became a subsidiary company with effect from May 01, 2008. The subsidiary is engaged in a chain of wholesale / retail cash and carry stores.

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.

Accounting standards 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 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowings Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 7 - Financial Instruments: Disclosures	July 01, 2008
IFRS 8 - Operating Segments	January 01, 2009

These standards are not expected to have a material impact on the Group's financial statements other than an increase in disclosures is 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 Group's operations.

2.2 Changes in accounting estimate

During the year effective July 01, 2007, the Group has changed its basis of charging depreciation. Previously, the Group had a practice of charging full year's depreciation on additions whereas no depreciation on assets disposed off during the year. From the current period, 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 Group. 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 would have been lower by Rs. 27.538 million respectively.

2.3 Basis of consolidation

These consolidated financial statements have been prepared from the audited financial statements of the holding company, Noble Computer Services (Private) Limited, Pakistan Industrial Aids (Private) Limited [Formerly Thal Trading (Private) Limited] and Makro-Habib Pakistan Limited. The financial statements of Makro-Habib Pakistan Limited are included from the date when it became a subsidiary of the holding company, i.e May 01, 2008. The financial statements of the subsidiary companies have been consolidated on a line by line basis.

All material inter-company balances and transactions have been eliminated.

Minority interest is that part of the net results of operations and of net assets of the subsidiary attributable to interest which are not owned by the holding company. Minority interest is presented as a separate line item in the consolidated financial statements.

2.4 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except for available for sale financial assets which are shown at fair value as required under IAS-39 "Financial Instruments; Recognition and Measurement".

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

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

(a) determining the residual values and useful lives of property, plant and equipment (Note 2.6);
(b) Impairment of financial assets (Note 2.11);
(c) Impairment of inventories / adjustment of inventories to their Net realisable Value (Note 2.15);
(d) recognition of taxation and deferred tax (Note 2.18); and
(e) Warranty obligations (Note 2.23).

2.6 Property, plant and equipment

(a) Owned

These are stated at cost less accumulated depreciation and impairment in value, if any, except freehold land and capital work-in-progress which are stated at cost.

Depreciation is charged to the profit and loss account applying the reducing balance method except for computer equipment and jigs and fixtures which are depreciated on straight line method at the rates specified in note 4 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. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposals of fixed assets, if any, are included in income currently.

(b) Leased

Assets 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.

These 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 at the same rates as charged on the holding company's owned assets.

2.7 Impairment

The carrying amounts of the Groups assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the assets recoverable amount is estimated and impairment losses are recognise in the profit and loss account.

2.8 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment loss. Cost in relation to intangible assets presently held by the Group includes cost of computer software and other expenses incidental to the purchase of computer software. Intangible assets are amortised when assets are available for use on the straight line method whereby cost of intangible assets are written off over the period, which reflects the pattern in which the economic benefits associated with the assets are likely to be consumed by the Group.

2.9 Investment property

Investment property is stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged on reducing balance method at the rate specified in note 6.

2.10 Leases and licenses

The Group is the lessee (operating leases)

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.

The Group is the licensor

Such income (net of any incentives given to the lessees) is through licence agreements and is recognised on a straight line basis over the lease term.

2.11 Investments

Associates

Investments in associates are accounted for using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the net assets of the associate. The income statement reflects the Group's share of the results of the operations of the associate.

Others
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 the management intends to hold for an 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 cost associated with the investment. After initial recognition, investments classified as 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 revaluation of available-for-sale investments are recognized 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.

2.12 Hedge accounting (Cash flow hedge)

The Group 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.

2.13 Long term loans and deposits

These are stated at cost.

2.14 Stores, spares and loose tools

Stores, spares and loose tools are stated at cost which is determined by the moving average cost method except for those in transit which are valued at actual cost. Provision is made annually for slow moving and obsolete items.

2.15 Stock-in-trade

Raw materials and trading stock, except for those in transit, are valued at lower of moving average cost and net realisable value.

Work-in-process is valued at material cost, labour cost, together with appropriate production overheads.

Finished goods are valued at lower of cost comprising material cost, labour cost, together with appropriate production overheads and net realisable value.

Stocks in transit are valued at cost comprising invoice values plus other charges incurred thereon.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and the estimated costs that would necessarily be incurred for its sale.

2.16 Trade debts and other receivables

Trade debts originated by the Group are recognised and carried at original invoice amount 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.

Other receivables are carried at cost less provision for impairment.

2.17 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 borrowings. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

2.18 Taxation

(a) Current

Provision for current taxation is based on taxability of certain income streams of the Group under presumptive tax regime at the applicable tax rates and remaining income streams are chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any, or one half of one percent of turnover whichever is higher.

(b) Deferred

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2.19 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

2.20 Staff retirement benefits

Defined Contribution plan

Provident fund

The Group operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the fund by the Group and the employees in accordance with the rules of the scheme. The Group has no further obligation once the contributions have been paid. The contributions made by the Group are recognised as employee benefit expense when they are due.

Retirement fund

The Group operates a funded scheme for retirement benefits for all employees on the basis of defined contribution on attaining the retirement age with a minimum qualifying period of ten years which is managed by a Trust.

2.21 Compensated absences

Accrual is made for employees’ compensated absences on the basis of accumulated leaves and the last drawn pay.

2.22 Provisions

Provisions are recognised in the balance sheet where the Group has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.23 Warranty obligations

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

2.24 Revenue recognition

- Sales are recorded on dispatch of goods to customers.

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

- Interest/mark-up and other income is recognised on an accrual basis.

- Warranty and insurance claims are recognised when the claims in respect thereof are lodged.

2.25 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates and in case of forward contracts at the committed rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values are determined. Exchange differences on foreign currency translation are included in income currently.

2.26 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished, that is, when the obligation specified in the contact is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to the profit and loss account.

2.27 Research and development expenditure

Research expenditure is recognised as expense as incurred. Costs incurred on development projects are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Other development expenditure is recognised as an expense as incurred.

2.28 Transactions with related parties

Transactions with related parties are based on the policy that all transaction between the Group and the related parties are carried out at arm’s length. These prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

2.29 Borrowing costs

Borrowing costs are charged to profit and loss account as and when incurred.

2.30 Segment reporting

A segment is a distinguishable component within the Group that is engaged in providing products (business segment) or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

2.31 Off-setting of financial assets and liabilities

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

2.32 Dividends and appropriation to reserves

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

2.33 Functional and presentation currency

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

3. Business Combination

Pursuant to the resolution passed by the Board of Directors of the holding company and subsequent special resolution passed by the shareholders in its Extra Ordinary General Meeting held on April 01, 2008, the holding company acquired 215,760,000 shares in Makro-Habib Pakistan Limited, previously an associated undertaking. This acquisition resulted in the holding company owing 55 percent of the issued share capital of Makro-Habib Pakistan Limited there by making it a subsidiary with effect from May 01, 2008.

However, if required, adjustments to the values given below would be incorporated after carrying out an exercise for valuation of assets and liabilities as required under IFRS 3, with in a period of 12 months from the acquisition date.

The values of assets and liabilities oh Makro-Habib Pakistan Limited as at the date of acquisition were as follows:

	Previous carrying Values (Rupees in thousands)
Non-current assets	
Property, plant and equipment	3,545,192
Intangible assets	17,573
Long-term loans and deposits	10,197
Long-term prepayments	102,476
	3,675,438
Current assets	
Stock-in-trade	625,391
Loans ,advances, deposits, prepayments and other receivables	99,880
Taxation net	5,567
Cash and bank balances	50,265
	781,103
Current liabilities	
Trade and other payables	889,471
Short-term borrowings - secured	321,101
Accrued mark-up	1,611
Share deposit money	12
Equity minority interests	1,459,956
	2,672,151
Net assets	**1,784,390**
Total consideration in cash	**1,505,305**
Share in net assets on equity accounting Refer Note 7.4	**279,085**
Goodwill	**-**
Cash paid on acquisition:	
Net cash acquired with the subsidiary	**(270,837)**
Cash paid	**(1,505,305)**
	(1,776,142)

	Note	2008	2007
		(Rupees in thousands)	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	**4.1**	**4,008,139**	290,076
Capital work-in-progress	**4.4**	**37,100**	10,802
		4,045,239	300,878

4.1 Statement of operating fixed assets

	COST					DEPRECIATION				
	As at July 1, 2007	**Additions/ adjustments*/ others****	**Disposals / adjustments***	**As at June 30, 2008**	**Rate %**	**As at July 1, 2007**	**Depreciation/ adjustments* / others** for the year**	**On disposals/ adjustments***	**As at June 30, 2008**	**Written Down Value as at June 30, 2008**
	------------------------ Rupees in thousands	-----------------------				---------------------------------- Rupees in thousands	---------------------------------			
Owned:										
Land - Freehold	16,289	573,096 **	-	589,385	-	-	-	-	-	589,385
- Leasehold	14,742	723,691 **	-	738,433	1.69-3.33	1,067	2,890 32,143 **	-	36,100	702,333
Building on freehold land										
- Factory building	112,060	105,454	9,658	207,856	10	69,252	5,113	8,253	66,112	141,744
- Non factory building	11,180	13,611 387,596 **	-	412,387	5-10	7,978	3,775 24,225 **	-	35,978	376,409
Building on leasehold land - Non factory building	-	12,037 1,123,264 **	-	1,135,301	5	-	9,941 40,662 **	-	50,603	1,084,698
Railway siding	792	-	-	792	5	678	6	-	684	108
Plant and machinery	468,924	118,672 8,494 * 802,239 **	-	1,398,329	10-30	336,085	51,667 4,145 * 90,640 **	-	482,537	915,792
Furniture and fittings	19,160	2,187 26,197 **	633	46,911	15-20	11,065	2,310 4,542 **	452	17,465	29,446
Vehicles	46,025	3,189 1,774 * 32,174 **	11,838	71,324	20	29,298	4,698 991 * 15,612 **	7,848	42,751	28,573
Office and mills equipment	23,200	7,082 14,078 **	668	43,692	10-30	13,838	2,235 3,160 **	351	18,882	24,810
Computer equipment	24,993	8,419 9,699 * 73,579 **	1,418	115,272	33	20,884	7,401 9,699 * 26,323 **	1,259	63,048	52,224
*** Jigs and fixtures	65,793	9,720	-	75,513	33	61,032	3,854	-	64,886	10,627
	803,158	280,371 19,967 * 3,755,914 **	24,215	4,835,195		551,177	93,890 14,835 * 237,307 **	18,163	879,046	3,956,149
Leased										
Vehicles	30,908	26,684	5,814 1,774 *	50,004	20	8,680	7,115	1,975 991 *	12,829	37,175
Plant and machinery	24,990	6,000	8,494 *	22,496	20	9,123	2,703	4,145 *	7,681	14,815
Computer equipment	9,699	-	9,699 *	-	33	9,699	-	9,699 *	-	-
	65,597	32,684	5,814 19,967 *	72,500		27,502	9,818 -	1,975 14,835 *	20,510	51,990
2008	**868,755**	**313,055 19,967 * 3,755,914 ****	**30,029 19,967 ***	**4,907,695**		**578,679**	**103,708 14,835 * 237,307 ****	**20,138 14,835 ***	**899,556**	**4,008,139**

** These represent additions made on the acquisition of Makro- Habib Pakistan Limited.
***This includes moulds having book value of Rs. 2.367 million (2007: 4.733 million) in the possession of sub-contractors.

	COST					DEPRECIATION				Written down Value as at June 30, 2007
	As at July 1, 2006	**Additions/ adjustments***	**Disposals / adjustments***	**As at June 30, 2007**	**Rate %**	**As at July 1, 2006**	**Depreciation/ adjustments * for the year**	**On disposals/ adjustments***	**As at June 30, 2007**	
	(Rupees in thousands)					**(Rupees in thousands)**				
Owned										
Land - Freehold	9,202	7,087	-	16,289		-	-	-	-	16,289
- Leasehold	14,742	-	-	14,742	3.03	831	236	-	1,067	13,675
Building on freehold land										
- Factory building	94,831	17,229	-	112,060	10	64,496	4,756	-	69,252	42,808
- Non factory building	11,180	-	-	11,180	5-10	7,807	171	-	7,978	3,202
Railway siding	792	-	-	792	5	672	6	-	678	114
Plant and machinery	419,646	52,907	3,630	468,923	10-30	306,360	32,593	2,868	336,085	132,838
Furniture and fittings	17,833	1,337	9	19,161	15-20	9,225	1,846	6	11,065	8,096
Vehicles	52,475	5,781	13,569	46,025	20	31,818	4,188	7,361	29,298	16,727
		1,338 *	-				653 *	-		
Office and mills equipment	21,673	2,763	1,236	23,200	10-30	12,794	1,782	738	13,838	9,362
Computer equipment	21,745	4,504	1,256	24,993	33	17,112	4,786	1,014	20,884	4,109
*** Jigs and fixtures	58,693	7,100	-	65,793	33	54,710	6,322	-	61,032	4,761
	722,812	98,708	19,700	803,158		505,825	56,686	11,987	551,177	251,981
		1,338 *	-				653 *	-		
Leased										
Vehicles	19,607	15,616	2,977	30,908	20	4,785	5,337	789	8,680	22,228
	-	-	1,338 *					653 *		
Plant and machinery	18,990	6,000	-	24,990	20	5,157	3,966	-	9,123	15,867
Computer equipment	9,699	-	-	9,699	33	6,466	3,233	-	9,699	-
	48,296	21,616	2,977	65,597		16,408	12,536	789	27,502	38,095
			1,338 *				-	653 *		
2007	**771,108**	**120,324**	**22,677**	**868,755**		**522,233**	**69,222**	**12,776**	**578,679**	**290,076**
		1,338 *	**1,338 ***				**653 ***	**653 ***		

4.2 The depreciation charge for the year has been allocated as follows:

	Note	2008	2007
		(Rupees in thousands)	
Cost of sales	**25**	**55,163**	60,436
Distribution costs	**26**	**1,981**	1,931
Administrative expenses	**27**	**46,564**	6,855
		103,708	69,222

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

Particulars		Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/ (loss) Note 28	Mode of disposal	Particulars of buyers
		----------------- Rupees in thousands -----------------						
Factory Building		9,658	8,253	1,405	1,754	349	Insurance Claim	Habib insurance Company Limited, a related party
Furniture and fittings								
Items having book value upto Rs. 50,000		633	452	181	195	14		Various
Vehicles								
Daihatsu Cuore	AEM-395	399	279	120	146	26	Sold under Group's car scheme	Mr. Sadiq Ali, Employee
Toyota Corolla	MHB-8240	999	763	236	330	94	Sold under Group's car scheme	Mr. Mohammed Saqlain Akhtar, Employee
Daihatsu Cuore	ADU-419	399	308	91	176	85	Sold under Group's car scheme	Mr. Zafar ul Hasan, Employee
Daihatsu Cuore	MHB-8544	399	288	111	125	14	Sold under Group's car scheme	Mr. Anwar-ur-Rehman, Employee
Toyota Corolla	MHB-7313	849	613	236	280	44	Sold under Group's car scheme	Mr. Abul-Hassan Bukhari, Employee
Toyota Corolla	ABU - 936	1,189	832	357	517	160	Sold under Group's car scheme	Mr. Syed Sikandar Ahmed, Employee
Toyota Corolla	AEV - 273	1,162	845	317	349	32	Sold under Group's car scheme	Mr. Tayyeb Afzal, Employee
Toyota Corolla	AEN - 676	965	707	258	301	43	Sold under Group's car scheme	Mr. Ali Sajjad Dharamsey, Employee
Toyota Corolla	AHA-084	100	-	100	477	377	Sold under Group's car scheme	Mr. Zafar Abbas, Ex Employee
Daihatsu Cuore CX	AKA-175	224	-	224	318	94	Under car benefit scheme	Mr. Imran Amin, Employee
Toyota Corolla	ALC-425	488	-	488	725	237	Under car benefit scheme	Mr. Kaiser Javed, Employee
Suzuki Cultus	AHD – 339	609	323	286	350	64	Sold by Negotiation	Mr. Shahnawaz Khan, Employee
Toyota Corolla	AEF – 508	1,169	856	313	497	184	Sold by Negotiation	Mr. Kersi P. Edulji, Employee
Toyota Corolla	ADT – 912	601	287	314	314	-	Sold by Negotiation	Mr. Mazhar Valjee, Director
Toyota Corolla	ABZ – 219	979	849	130	131	1	Sold by Negotiation	Mr. S.Z.Kazmi, Director
Toyota Altis	ALV – 626	1,309	454	855	855	-	Sold by Negotiation	Mr. Mazhar Valjee, Director
Toyota Corolla	AJH – 077	1,309	541	768	838	70	Sold by Negotiation	Mr. Reaz Ahmed Shariff, Ex Employee
Toyota Corolla	ACK – 401	430	343	87	90	3	Sold by Negotiation	Mr. Reaz Ahmed Shariff, Ex Employee
Toyota Corolla	Z – 2196	60	52	8	148	140	Sold by Negotiation	Mr. Jawed Ali, Employee
Suzuki Bolan	CK-9134	392	313	79	250	171	Insurance Claim	Habib insurance Company Limited, a related party
Toyota Camry	AJT – 014	2,699	972	1,727	1,900	173	Insurance Claim	Habib Insurance Company Limited, a related party
Daihatsu Cuore	AQC-293	497	8	489	497	8	Lease Terminated	M/S First Habib Modaraba, Karachi
Items having book value upto Rs. 50,000		425	190	235	509	274		Various
		17,652	**9,823**	**7,829**	**10,123**	**2,294**		
Office and mills equipment								
Generator		396	149	247	252	5	Sold by negotiation	Mr. M. Abbas Riaz Lessor
Items having book value upto Rs. 50,000		272	202	70	160	90		Various
Computer equipment								
15' LCD monitor and HP PC		66	7	59	24	(35)	Insurance claim	Adamjee Insurance Company Limited
Items having book value upto Rs. 50,000		1,352	1,252	100	184	84		Various
June 30, 2008		**30,029**	**20,138**	**9,891**	**12,692**	**2,801**		
June 30, 2007		22,677	12,776	9,901	13,870	3,969		

	2008	2007
	(Rupees in thousands)	
4.4 CAPITAL WORK-IN-PROGRESS		
Civil works	**23,647**	-
Plant and machinery	**12**	10,802
Advance against:		
- moulds	**13,201**	-
- civil works	**183**	-
- purchase of software license	**57**	-
	37,100	10,802

5. INTANGIBLE ASSETS

	Cost as at July 1, 2007	Additions/ Others *	Cost as at June 30, 2008	Accumulated amortisation as at July 1, 2007	Amortisation/ others * for the year	Accumulated amortisation as at June 30, 2008	Book value As at June 30, 2008	Amortisation rate %
	(Rupees in thousands)							
GL System – Tally Software	100	-	100	100	-	100	-	50
Software	-	55,775 * 144	55,919	-	38,202 * 4,120	42,322	13,597	50
Oracle License fee	315	-	315	210	105	315	-	33
2008	**415**	**55,775 * 144**	**56,334**	**310**	**38,202 * 4,225**	**42,737**	**13,597**	
2007	415	-	415	205	105	310	105	

* This represents additions made on the acquisition of Makro- Habib Pakistan Limited.

5.1 The amortisation charge for the year has been allocated as follows:

	Note	2008	2007
		(Rupees in thousands)	
Distribution costs	**26**	**12**	-
Administrative expenses	**27**	**4,213**	105
		4,225	105

6. INVESTMENT PROPERTY

	Cost as at July 1, 2007	Additions	Cost as at June 30, 2008	Accumulated depreciation as at July 1, 2007	Depreciation for the year Note 27	Accumulated depreciation as at June 30, 2008	Book value As at June 30, 2008	Depreciation rate %
	(Rupees in thousands)							
Freehold land	891	-	891	-	-	-	891	-
Building	694	-	694	502	10	512	182	5
2008	**1,585**	**-**	**1,585**	**502**	**10**	**512**	**1,073**	
2007	1,585	-	1,585	492	10	502	1,083	

6.1 Investment property comprises of a godown held at Multan for long term and is let out. The fair value on the basis of a valuation carried out by an independent approved valuer, as at June 30, 2008 is Rs. 16.05 million (2007: Rs. 15.1 million) .The valuation was arrived at by reference to market values and realisable values, which are determined on the basis of market intelligence, indexation of the original cost, year of construction and present physical condition and location.

7. LONG-TERM INVESTMENTS

	Holding %	2008 (Rupees in thousands)	Holding %	2007 (Rupees in thousands
7.1 Investments in associates – stated as per equity method				
Quoted associates				
Indus Motor Company Limited	**6.22**		6.22	
- Opening balance		**451,058**		335,845
- Share of profit for the year – net of tax		**168,514**		173,938
- Share of unrealized gain/(loss) on hedging		**83**		(45)
- Dividend received during the year		**(58,680)**		(58,680)
		560,975		451,058
[Market value Rs. 978.245 million (2007: Rs. 1,493.895 million)]				
Dynea Pakistan Limited	**4.33**		4.33	
- Opening balance		**10,684**		9,884
- Share of profit for the year – net of tax		**1,064**		1,412
- Dividend received during the year		**-**		(612)
		11,748		10,684
[Market value Rs. 17.010 million (2007: Rs. 18.546 million)]				
Habib Insurance Company Limited	**4.63**		4.63	
- Opening balance		**38,038**		17,137
- Share of profit for the year – net of tax		**17,829**		27,513
- Dividend received during the year		**(8,239)**		(6,612)
		47,628		38,038
[Market value Rs. 188.435 million (2007: Rs. 193.489 million)]				
Agriauto Industries Limited	**7.35**		7.35	
- Opening balance		**71,098**		55,298
- Share of profit for the year – net of tax		**21,326**		21,746
- Share of gain in change in fair value of available for sale investments		**65**		225
- Dividend received during the year		**(6,171)**		(6,171)
		86,318		71,098
[Market value Rs. 145.888 million (2007: Rs. 174.361 million)]				
Shabbir Tiles and Ceramics Limited	**2.61**		2.61	
- Opening balance		**13,122**		11,075
- Share of profit for the period – net of tax		**2,145**		2,492
- Dividend received during the year		**-**		(445)
		15,267		13,122
[Market value Rs. 24.867 million (2007: Rs. 33.142 million)]				
Unquoted associate				
Makro Habib Pakistan Limited	**-**		7.87	
- Opening balance		**-**		144,936
- Investment made during the year		**-**		120,000
- Share of loss for the year – net of tax		**-**		(25,952)
(Refer note 7.4)		**-**		238,984
		721,936		822,984
Other investments				
Available-for-sale - at fair value				
Habib Sugar Mills Limited		**39,743**		25,486
GlaxoSmithKline Pakistan Limited		**186**		164
		39,929		25,650
		761,865		848,634

7.2 The summarised financial information of the associated companies where there is a significant influence, based on the un-audited financial statements for the twelve months period ended March 31, 2008 is as follows:

	2008			
	Total Assets	**Total Liabilities**	**Revenues**	**Profit/(loss) after tax**
	(Rupees in thousands)			
Quoted Associates				
Indus Motor Company Limited	16,374,515	7,357,618	40,149,237	2,708,631
Dynea Pakistan Limited	546,081	221,926	1,197,139	24,577
Habib Insurance Company Limited	1,963,885	872,312	363,099	385,062
Agriauto Industries Limited	1,368,713	202,609	2,091,086	290,320
Shabbir Tiles and Ceramics Limited	1,913,755	1,282,365	1,907,993	82,223

	2007			
	Total Assets	**Total Liabilities**	**Revenues**	**Profit/(loss) after tax**
	(Rupees in thousands)			
Quoted Associates				
Indus Motor Company Limited	14,675,304	7,425,172	38,178,585	2,795,025
Dynea Pakistan Limited	632,350	332,771	1,197,215	32,609
Habib Insurance Company Limited	1,598,603	714,135	283,215	594,230
Agriauto Industries Limited	1,151,403	192,494	1,892,700	296,016
Shabbir Tiles and Ceramics Limited	1,387,844	838,678	1,683,914	95,586
Un-quoted Associate				
Makro Habib Pakistan Limited	3,081,929	426,089	138,653	(323,265)

7.3 The financial year of all the associates is June 30 except for Habib Insurance Company Limited where the financial year end is December 31. As the financial statements of all the associates may not necessarily be available at each reporting period of the Group, therefore the Group uses the financial statements of the associates with a lag of three months for applying the equity method.

7.4 During the year the Holding company acquired 13,000,000 ordinary shares of a face value of Rs. 10 /- each by subscribing to the right issue of Makro-Habib Pakistan Limited at Rs. 10 each. The Holding company also acquired 215,760,000 shares of a face value of Rs. 10/- each of Makro-Habib Pakistan Limited from SHV Interholding, AG at Rs. 6.977 per share. With the later purchase of shares and effective from May 01, 2008, Makro-Habib Pakistan Limited became a subsidiary of the Holding company. The Group used the equity accounting to account for the losses for the ten months period ended April 30, 2008 and consolidated the results of the operations for the two months ended June 30, 2008.

	Note	**2008**	**2007**
		(Rupees in thousands)	
8. LONG-TERM LOANS AND DEPOSITS			
Loans to employees – unsecured, considered good			
Interest bearing	**8.1**	**551**	680
Interest free	**8.2**	**435**	1,050
Current portion	**13**	**(655)**	(1,136)
		331	594
Long-term deposits			
Security deposits		**3,177**	3,608
Utilities		**11,518**	1,174
Others		**218**	154
		14,913	4,936
		15,244	5,530

8.1 This represents loans for house assistance and other miscellaneous purposes which are repayable over a period of three years. This includes loans outstanding to executives at year end amounting to Rs. Nil (2007: Rs. 0.107 million). It carries mark-up at the rate of 10% (2007:10%) per annum.

8.2 This represents interest free loans given to employees for purchase of motor vehicles, purchase/renovation of house, medical expenses and other miscellaneous purposes.

8.3 Reconciliation of carrying amount of loan to executives is as follows:

	2008	2007
	(Rupees in thousands)	
Opening balance	**107**	170
Repayment during the year	**(107)**	(63)
Closing balance	**-**	107

8.4 The maximum aggregate amount due from the executives at the end of any month during the year was Rs. 0.107 million (2007: Rs. 0.164 million).

9. LONG-TERM PREPAYMENT

	Note	2008	2007
		(Rupees in thousands)	
Rent	9.1	**118,840**	14,400
Current portion	13	**(10,090)**	(3,600)
		108,750	10,800

9.1 This represents advance rent paid in respect of service center.

10. STORES, SPARES AND LOOSE TOOLS

	2008	2007
Stores		
In hand	**18,962**	13,139
In transit	**601**	517
	19,563	13,656
Spares		
In hand	**50,402**	55,194
In transit	**-**	161
	50,402	55,355
Loose tools	**93**	81
	70,058	69,092

11. STOCK-IN-TRADE

	Note	2008	2007
Raw material			
In hand	11.1	**1,461,813**	1,104,515
In transit		**270,298**	120,615
		1,732,111	1,225,130
Work-in-process		**108,369**	85,435
Finished goods	11.2	**980,136**	142,700
Provision for obsolescence and shrinkage		**(78,843)**	-
		901,293	142,700
Trading stock		**9,238**	12,586
		2,751,011	1,465,851

11.1 Raw materials amounting to Rs. 5.784 million (2007: Rs. 15.770 million) are held with the sub-contractors.

11.2 This includes items amounting to Rs. 7.306 million (2007: Rs. 14.404 million) carried at net realisable value.

	Note	2008	2007
		(Rupees in thousands)	
12. TRADE DEBTS – unsecured			
Considered good	**12.1**	**654,434**	511,761
Considered doubtful		**7,047**	9,033
Provision for impairment	**12.2**	**(7,047)**	(9,033)
		-	-
		654,434	511,761

12.1 This includes amount due from the following related parties:

	2008	2007
- Indus Motor Company Limited	**115,620**	108,984
- Dynea Pakistan Limited	**3,358**	140
- Shabbir Tiles and Ceramics Limited	**-**	2,938
	118,978	112,062

12.2 Reconciliation of provision for impairment of trade debts

	Note	2008	2007
Opening provision		**9,033**	11,629
Reversal for the year	**28**	**-**	(39)
Charge for the year	**26**	**3,955**	-
Bad debts written off		**(5,941)**	(2,557)
Balance at the end of the year		**7,047**	9,033

13. LOANS,ADVANCES, DESPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2008	2007
Considered good – unsecured			
Loans			
Current portion of long-term loans to employees	**8**	**655**	1,136
Advances			
Suppliers	**13.1**	**27,487**	27,552
Employees		**5,245**	2,326
		32,732	29,878
Deposits			
Tender / Performance guarantee		**21,400**	25,541
Margin against letter of credit		**118,790**	3,145
Lease		**300**	347
Others		**11,261**	1,292
		151,751	30,325
Short-term prepayments			
Current portion of long-term prepayment	**9**	**10,090**	3,600
Rent		**5,182**	-
Insurance		**18,253**	10,116
Others		**9,074**	2,022
		42,599	15,738
Other receivables	**13.2**	**38,959**	8,615
		266,696	85,692

13.1 This includes Rs. Nil (2007: Rs. 0.300 million) receivable from Makro Habib Pakistan Limited, a related party.

	Note	2008	2007
		(Rupees in thousands)	
13.2 Other receivables			
Sales tax		**20,053**	-
Less: Considered doubtful		**(6,097)**	-
		13,956	-
Net unrealized gain on revaluation of forward foreign exchange contracts (Cash flow hedges)	**13.3**	**1,070**	-
Duty drawback		**3,290**	3,255
Worker's Profit Participation Fund	**13.4**	**9,367**	1,769
Freight subsidy		**-**	2,366
Others	**13.5**	**11,276**	1,225
		38,959	8,615

13.3 The Group has eleven Rupee-Yen and one Rupee-Dollar forward currency contracts outstanding at June 30, 2008 designated as hedges of expected future purchase of raw materials for which the Group has firm commitments. These contracts will mature latest by August 15, 2008. The exchange rate on these contracts ranges from 0.6295 to 0.6507 in case of Rupee-Yen and 67.10 in case of Rupee-Dollar. The cash flow hedges of the firm commitments on June 30, 2008 were assessed to be highly effective and a gain of Rs. 0.696 million net of deferred tax liability of Rs. 0.374 million relating to the hedging instrument is included in equity.

	Note	2008	2007
		(Rupees in thousands)	
13.4 Workers' profit participation fund			
Balance at the beginning of the year		**1,769**	(9,574)
Add: Interest on funds utilised in the Company's business		**-**	(961)
		1,769	(10,535)
Add: Allocation for the current year		**(57,556)**	(57,931)
		(55,787)	(68,466)
Paid during the year		**65,154**	70,235
		9,367	1,769

13.5 This includes receivable from the following related parties:

	2008	2007
Indus Motor Company Limited	**2**	185
Agriauto Industries Limited	**1**	58
Habib Insurance Company Limited	**56**	-
	59	243

14. SHORT-TERM INVESTMENTS

	Note	2008	2007
Held- to- maturity – at cost			
Certificates of Musharika	**14.1**	**11,000**	10,000
Fixed Deposit Receipt Certificates	**14.2**	**10,572**	10,560
		21,572	20,560

14.1 Represents six-monthly Certificates of Musharika carrying expected profit rate of 9.75% (2007: 10%) per annum with maturities in September 2008.

14.2 These are Fixed Deposit Receipt (FDR) certificates of Habib Metropolitan Bank Limited, a related party, having markup rate of 8% to 10% (2007: 8% to 10%) per annum, having maturities upto September 01, 2008 and includes FDR of Rs. 0.560 million (2007: Rs. 0.560 million) held by a bank as security against a letter of guarantee issued on behalf of the Group.

	Note	2008	2007
		(Rupees in thousands)	
15. CASH AND BANK BALANCES			
In hand		**50,821**	1,997
With banks in:			
Current accounts			
Local currency		**11,101**	8,625
Foreign currency		**-**	11
		11,101	8,636
Call deposits			
Local currency	**15.1 & 15.2**	**81,436**	858,517
Foreign currency		**-**	3
		81,436	858,520
Saving accounts			
Local currency		**11,662**	-
		155,020	869,153

15.1 Call deposits carry markup at the rate of 8.75% to 10% (2007: 5% to 10%) per annum.

15.2 This represents call deposit accounts maintained with Habib Metropolitan Bank Limited, a related party.

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2008	2007		2008	2007
Number of Ordinary shares of Rs. 5/- each			(Rupees in thousands)	
5,149,850	5,149,850	Fully paid in cash	**25,750**	25,750
		Issued as fully paid bonus shares		
7,033,214	3,129,425	Opening balance	**35,166**	15,647
7,026,819	3,903,789	Issued during the year	**35,134**	19,519
14,060,033	7,033,214	Closing balance	**70,300**	35,166
11,239,669	**11,239,669**	Shares issued under the Scheme of Arrangement for Amalgamation	**56,198**	**56,198**
30,449,552	**23,422,733**		**152,248**	117,114

16.1 Habib Insurance Company Limited, a related party, holds 860,093 (2007: 661,610) ordinary shares of Rs. 5/- each.

		2008	2007
		(Rupees in thousands)	
17.	**RESERVES**		
	Capital Reserves		
	Reserve arising on merger of former Pakistan Jute and Synthetics Limited and former Thal Jute Mills Limited	**13,240**	13,240
	Premium on issue of share capital	**12,225**	12,225
	Reserve arising on merger of former Pakistan Paper Sack Corporation Limited and former Khyber Papers (Private) Limited	**42,464**	42,464
		67,929	67,929
	Gain / (loss) on hedging instruments	**616**	(163)
	Gain on changes in fair value of available for sale investments	**39,099**	24,755
	Revenue Reserves		
	General reserve	**2,761,874**	2,143,045
	Un appropriated profit	**1,250,160**	1,193,687
		4,012,034	3,336,732
		4,119,678	3,429,253

		2008	2007
18.	**LONG-TERM FINANCE – SECURED**		
	Habib Metropolitan Bank Limited – a related party	**450,000**	-
	Less: Current maturity shown under current liabilities	**90,000**	-
		360,000	-

18.1 This represents long-term finance obtained from a related party.

The finance is repayable in 20 equal quarterly installments of Rs. 22.50 million effective from July 26, 2008.This loan carries a mark-up at the rate of 3 months KIBOR + 0.50%, repayable by April 25, 2013.

This facility is secured against pledge of shares of quoted companies having a market value Rs. 719 million.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	June 30, 2008		June 30, 2007	
	Minimum lease payments	Present value of minimum lease payments	Minimum Lease Payments	Present value of minimum Lease Payments
	(Rupees in thousands)			
Not later than one year	**25,142**	**22,042**	17,913	15,351
Later than one year but not later than five years	**15,322**	**14,186**	14,585	13,515
Total minimum lease payments	**40,464**	**36,228**	32,498	28,866
Finance charges allocated to future periods	**(4,236)**	**-**	(3,632)	-
Present value of minimum lease payments	**36,228**	**36,228**	28,866	28,866
Current portion shown under current liabilities	**(22,042)**	**(22,042)**	(15,351)	(15,351)
	14,186	**14,186**	13,515	13,515

19.1 This represents finance lease entered into with a modaraba for vehicles, plant and machinery and computer equipment. The balance of the liability is payable by May 2011 in monthly installments. The above lease contracts contain a bargain purchase option. Monthly lease payments include finance charges of 6 months KIBOR + 2.75% (2007: KIBOR + 1.94 % to KIBOR + 3.0%) per annum, which is used as a discounting factor. There are no financial restrictions in the lease agreements.

	Note	2008	2007
		(Rupees in thousands)	

20. DEFERRED TAXATION

Deferred tax comprises temporary differences relating to:

		2008	2007
Accelerated tax depreciation		**66,771**	19,918
Assets subject to finance lease		**(12,509)**	3,230
Provisions		**(10,802)**	(9,953)
Fair value of forward exchange contracts		**374**	-
		43,834	13,195

21. TRADE AND OTHER PAYABLES

	Note	2008	2007
Creditors	**21.1**	**958,171**	146,718
Accrued liabilities	**21.2**	**301,618**	80,871
Custom duty payable		**55,650**	11,718
Infrastructure cess payable	**23.1.2**	**91,117**	68,663
Unclaimed salaries		**4,924**	3,726
Warranty obligations	**21.3**	**90,394**	59,016
Royalty		**24,552**	24,958
Workers' welfare fund		**22,078**	22,014
Security deposits		**4,119**	3,524
Unclaimed dividend		**11,872**	11,217
Deferred income		**67,310**	-
Other liabilities	**21.4**	**66,435**	19,153
		1,698,240	451,578

21.1 This includes Rs. 20.464 million (2007: Rs. 11.469 million) payable to Dynea Pakistan Limited, a related party.

21.2 This includes Rs. 7.946 million (2007: Rs. 0.966 million) payable to Habib Insurance Company Limited, a related party.

	2008	2007
	(Rupees in thousands)	

21.3 Warranty obligations

	2008	2007
Balance at the beginning of the year	**59,016**	29,229
Provision for the year	**36,387**	32,935
	95,403	62,164
Claims paid during the year	**(5,009)**	(3,148)
Balance at the end of the year	**90,394**	59,016

21.4 Other liabilities

	2008	2007
Tax deducted at source	**6,454**	402
Sales tax payable	**-**	154
Security deposits	**11,350**	-
Advances from customers	**8,945**	7,794
Payable to provident fund	**3,279**	3,572
Payable to retirement benefit fund	**6,210**	2,162
Others	**30,197**	5,069
	66,435	19,153

22. SHORT-TERM BORROWINGS – secured

	Note	2008	2007
Short-term running finance - Banks			
A related party		**286,304**	82,092
Others		**764,981**	83,308
	22.1	**1,051,285**	165,400
Short-term loan – Bank			
A related party		**-**	10,222
		1,051,285	175,622

22.1 The facilities for running finance available from various banks amount to Rs. 1,989 million (2007: Rs. 914 million). The rates of mark-up ranges from one month to three months KIBOR plus rates varying from 0.40 % to 1.00 % (2007: 0.25% to 3.50%) per annum. This includes Rs. 414 million (2007: Rs. 289 million) available from Habib Metropolitan Bank Limited, a related party. The purchase prices are payable on various dates with a renewable option. The facilities are secured by way of pari-passu charge against hypothecation of the Group's stock-in-trade, book debts and lien on import and export documents/accepted bills of exchange.

	2008	2007
	(Rupees in thousands)	
23. CONTINGENCIES AND COMMITMENTS		
23.1 Contingencies		
23.1.1 Letter of guarantees issued by banks on behalf of the Group.	**24,611**	13,659
23.1.2 There 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 Group 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. 91.117 million (2007: Rs. 68.663 million) is shown under infrastructure cess payable in note 21 to the financial statements.	**5,255**	3,709
23.1.3 Collector adjudication, in his order dated May 18, 2005, in respect of show cause notice dated February 04, 2005, for sales tax audit 2001-2002 imposed penalty on supply made to United Nation Development Program, non-production of records, sale of fixed assets and advances from customers. The Collector Adjudication upon finalizing the order against the Group also asked the concerned Department to verify whether input sales tax has been taken by the Group on purchase of related fixed assets. In the meantime, the Group preferred an appeal to the Appellate Tribunal against the order of the Collector Adjudication. During the year the concerned Department has confirmed to the Collector Adjudication that the Group has not taken the input Sales Tax on purchase of fixed assets. Consequent to this confirmation the portion of Sales Tax and additional tax pertaining to the sale of fixed asset has been satisfied. The un-satisfied portion is still pending with the Sales Tax Tribunal, Lahore for which the Group is confident of a favorable outcome, hence no provision has been made in these financial statements.	**130**	1,301
23.1.4 While finalizing the assessments for the assessment years 1991-92 and 1992-93, the Income Tax Authorities cancelled tax holiday period available to former Pakistan Papersack Corporation Limited which resulted in tax liability of Rs.25.473 million. Both the Commissioner of Income Tax (Appeals) and the Income Tax Appellate Tribunal have decided the case in favour of the Group. The department preferred an appeal before the Honourable High Court of Sindh where the case is now pending. The management is confident that the matter will be decided in favour of the Group, therefore, no provision has been made in these financial statements.	**25,473**	25,473

		2008	**2007**
		(Rupees in thousands)	
23.1.5	In finalizing the income tax assessments of the former Khyber Papers (Private) Limited for the years 1992-93, 1993-94, 1994-95, 1996-97, 1997-98, 1998-99 the Deputy Commissioner of Income Tax (DCIT) has treated the income to be exempt but charged minimum tax as final discharge of tax liability and also levied WWF on the exempt income. The contending Group filed appeal with the Commissioner of Income Tax (Appeals) (CITA) against the order of the DCIT and the appeal was decided in the favour of the Group. The DCIT filed an appeal before the Income Tax Appellant Tribunal (ITAT) against the order of CITA which was also decided in the favour of the Group. The DCIT further filed an appeal with the Honourable High Court of Peshawar which was also dismissed by the Honourable Court. DCIT aggrieved with the orders of the Honourable High Court of Peshawar has filed an appeal with the Honourable Supreme Court of Pakistan for which the decision is pending. The Honourable Supreme Court of Pakistan vide its order dated June 22, 2006 remanded back the case to the concerned authority for reexamining. The management is confident that the ultimate decision would be in favour of the Group and therefore no provision has been made in these financial statements.	**7,349**	7,349
23.1.6	The Additional Commissioner of Income Tax reopened the case u/s 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2004 of former Pakistan Papersack Corporation Limited and levied additional tax liability. The Group filed an appeal with the Commissioner of Income Tax (Appeals) (CITA) against the additional tax liability and the case was decided in the Group's favour. The department favoured an appeal in the Income Tax Appellate Tribunal (ITAT) against the order of the CITA and the case is yet to be heard by the ITAT. The management is confident that the ultimate decision would be in favour of the Group and therefore no provision has been made in these financial statements.	**5,070**	5,070
23.1.7	Post dated cheques have been issued to the Collector of Customs in respect of differential duty between commercial and concessional rate of duty, duty and tax remission on exports and safe transport requirement under various SROs.	**148,063**	65,345

23.2 Commitments

23.2.1	Letters of credit outstanding for raw material and spares	**698,001**	385,692

23.2.2 Commitments for rentals under operating lease agreements in respect of vehicles and machinery:

Year		
2008-09	**59,989**	1,321
2009-10	**60,322**	502
2010-11	**60,870**	-
2011-12	**61,933**	-
2012-13	**63,038**	-
Later than five years	**3,130,574**	-
	3,436,726	1,823

24. TURNOVER – net

	2008	2007
	(Rupees in thousands)	
Export sales	**533,108**	464,599
Local sales	**9,328,651**	7,259,430
	9,861,759	7,724,029
Less: Sales tax	**(955,431)**	(826,577)
Federal excise duty	**(57,263)**	-
	8,849,065	6,897,452
Service income	**56,776**	42,709
Add: Duty drawback	**5,830**	6,102
Freight subsidy	**291**	163
	6,121	6,265
Less: Expenses on export sales		
Freight outward	**32,507**	29,361
Commission and brokerage	**3,836**	4,750
	36,343	34,111
Less: Expenses on local sales		
Freight outward	**35,966**	31,360
Sales discount	**16,838**	9,034
Sales return	**13,954**	248
Commission and brokerage	**1,350**	1,143
Others	**802**	-
	68,910	41,785
	8,806,709	6,870,530

25. COST OF SALES

	Note	2008	2007
		(Rupees in thousands)	
Raw material consumed	25.1	**5,279,311**	4,700,387
Salaries , wages and benefits		**538,460**	439,501
Stores and spares consumed		**117,586**	80,691
Repairs and maintenance		**61,511**	65,226
Power and fuel		**119,649**	102,406
Rent, rates and taxes		**1,376**	1,411
Vehicle running and maintenance		**7,118**	5,057
Insurance		**8,229**	7,964
Communication		**2,583**	2,475
Travelling and conveyance		**11,900**	6,510
Entertainment		**480**	587
Printing and stationery		**3,152**	2,785
Legal and professional		**499**	1,691
Computer accessories		**2,663**	3,466
Royalty		**46,254**	46,416
Depreciation	4.2	**55,163**	60,436
Research and development		**12,261**	977
Lease rentals		**376**	503
Others		**8,643**	7,244
		6,277,214	5,535,733
Work-in-process			
Opening		**85,435**	87,197
Closing		**(108,369)**	(85,435)
		(22,934)	1,762
Cost of goods manufactured		**6,254,280**	5,537,495
Finished goods			
Opening		**850,895**	123,098
Purchases		**1,260,610**	1,199
Provision for obsolescence and shrinkage		**(3,961)**	-
Closing		**(980,136)**	(142,700)
		1,127,408	(18,403)
		7,381,688	5,519,092

25.1 Raw material consumed

	Note	2008	2007
Opening stock		**1,104,515**	1,064,025
Purchases		**5,671,073**	4,740,877
Stock destroyed	25.1.1	**(34,464)**	-
Closing stock		**(1,461,813)**	(1,104,515)
		5,279,311	4,700,387

25.1.1 Represents stock destroyed due to fire against which full claim has been received from Habib Insurance Company Limited, a related party.

	Note	2008	2007
		(Rupees in thousands)	

26. DISTRIBUTION COSTS

	Note	2008	2007
Salaries and benefits		**47,270**	31,955
Vehicle running expense		**3,026**	2,278
Utilities		**737**	559
Insurance		**2,313**	1,903
Rent, rates and taxes		**5,079**	5,290
Communication		**2,188**	2,136
Advertisement and publicity		**21,798**	6,925
Travelling and conveyance		**5,378**	3,443
Entertainment		**283**	372
Printing and stationery		**330**	241
Legal and professional		**191**	46
Computer accessories		**51**	23
Research and development		**103**	31
Depreciation	**4.2**	**1,981**	1,931
Amortization	**5.1**	**12**	-
Provision for impairment of debts	**12.2**	**3,955**	-
Repairs and maintenance		**1,029**	5,519
Export expenses		**10,232**	8,428
Provision for warranty claims		**36,387**	32,934
Lease rentals		**128**	249
Others		**1,101**	1,130
		143,572	105,393

27. ADMINSTRATIVE EXPENSES

	Note	2008	2007
Salaries and benefits		**208,362**	115,474
Vehicle running expense		**13,261**	8,377
Utilities		**40,632**	6,122
Insurance		**3,268**	2,068
Rent, rates and taxes		**16,823**	3,906
Communication		**6,551**	3,969
Advertisement and publicity		**866**	684
Travelling and conveyance		**16,862**	10,592
Entertainment		**2,339**	1,741
Printing and stationery		**4,853**	2,441
Legal and professional		**13,446**	14,226
Auditors’ remuneration	**27.1**	**1,880**	1,588
Computer accessories		**6,173**	3,164
Depreciation	**4.2**	**46,564**	6,855
Amortisation	**5.1**	**4,213**	105
Depreciation on investment property	**6**	**10**	10
Repairs and maintenance		**9,877**	3,046
Lease rentals		**1,767**	2,303
Charity and donations	**27.2**	**6,422**	9,174
Subscription		**3,546**	1,951
Others		**8,742**	624
		416,457	198,420

27.1 Auditors' remuneration

	2008	2007
Audit fee	**1,065**	615
Half-yearly review	**200**	150
Taxation services	**125**	136
Other certifications	**188**	258
Out of pocket expenses	**302**	429
	1,880	1,588

27.2 Charity and donations

Charity and donations include the following donees in whom directors or their spouses are interested:

Name of donee	Address of donee	Name of directors/spouse	Interest in donee	2008 (Rupees in thousands)	2007
Mohamedali Habib Welfare Trust	2nd Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharea Faisal, Karachi.	Mr. Rafiq M. Habib	Trustee	**360**	370
"		Mr. Ali S. Habib	Trustee		
Habib Education Trust	4th floor, United Bank building, I.I. Chundrigar, road, Karachi	Mr. Ali S. Habib	Trustee	**-**	2,000
"		Mr. Mohamedali R. Habib	Trustee		
Anjuman -e- Behbood-Samat -e- Itefal	ABSA school 26-C National highway Korangi, road, Karachi.	Mrs. Rafiq M. Habib	Vice President	**36**	36

28. OTHER OPERATING INCOME

	Note	2008 (Rupees in thousands)	2007
Income from financial assets			
Dividend income		**725**	545
Profit on call deposit accounts and short term investments		**68,188**	47,228
Exchange gain – net		**30,662**	271
		99,575	48,044
Income from non-financial assets			
Gain on disposal of property, plant and equipment	**4.3**	**2,801**	3,969
Rental income from investment property		**892**	785
Reversal of provision for impairment of debts	**12.2**	**-**	39
Liabilities no longer payable written back		**14**	70
Sale of scrap		**22,576**	2,158
Claim from suppliers		**18,593**	7,182
Advertisement and license fee		**48,353**	-
Miscellaneous income		**3,607**	1,702
		96,836	15,905
		196,411	63,949

29. PROFIT ON TRADING ACTIVITIES

	2008	2007
Sales	**62,277**	65,678
Less: Sales tax	**7,555**	7,712
Sales discount	**4,390**	6,544
	11,945	14,256
	50,332	51,422
Less: Cost of sales	**38,791**	38,030
	11,541	13,392

	2008	2007
	(Rupees in thousands)	

30. FINANCE COSTS

Mark-up / interest on:		
Long term finance – Related party	**8,070**	-
Short-term borrowings		
- Related party	**19,089**	14,387
- Others	**20,573**	9,353
Worker's profit participation fund	**-**	1,039
Finance lease	**4,451**	3,743
Bank charges and commission	**4,455**	2,949
	56,638	31,471

31. OTHER CHARGES

Workers' profits participation fund	**57,556**	57,931
Workers' welfare fund	**18,681**	21,767
	76,237	79,698

32. TAXATION

Current	**331,276**	342,427
Prior	**(12,329)**	(4,462)
Deferred	**30,264**	3,290
	349,211	341,255

32.1 Relationship between income tax expense and accounting profit

Profit before tax	**940,069**	1,013,797
Tax at the applicable tax rate of 20% to 35% (2007: 20% to 35%)	**355,482**	354,631
Tax effect of expenses that are inadmissible in determining taxable income	**50,789**	46,279
Tax effect of expenses that are admissible but not included in determining accounting profit	**(56,669)**	(34,060)
Tax effect of lower tax rates	**(27,082)**	(31,780)
Tax effect due to application of presumptive tax regime	**8,756**	7,358
	331,276	342,427

33. BASIC AND DILUTED EARNINGS PER SHARE

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

	2008	2007
	(Rupees in thousands)	
Profit after taxation attributable to the shareholders of the holding company	**745,570**	873,684
	Number of shares in thousands	
		(Restated)
Number of ordinary shares of Rs. 5/- each in issue	**30,450**	30,450
	Rupees	
Basic earnings per share	**24.49**	28.69

34. CASH GENERATED FROM OPERATIONS

	Note	2008	2007
		(Rupees in thousands)	
Profit before taxation		**1,061,047**	1,214,946
Adjustments for non-cash charges and other items:			
Depreciation		**107,943**	69,337
Share in profit of associates - after taxation		**(120,978)**	(201,149)
Amortization of long term prepayments		**995**	-
Finance costs		**57,678**	31,455
Profit earned		**(67,262)**	(45,004)
Liabilities no longer payable written back		**(14)**	(70)
Dividend income		**(725)**	(545)
Provision /(reversal) for impairment of debts		**3,955**	(39)
Provision for retirement benefits		**5,625**	2,218
Gain on disposal of property, plant and equipment		**(2,801)**	(3,969)
		(15,584)	(147,766)
Operating profit before working capital changes		**1,045,463**	1,067,180
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		**(966)**	(7,591)
Stock-in-trade		**(659,771)**	143,685
Trade debts		**(146,628)**	106,906
Loans, advances, deposits, prepayments and other receivables		**(142,599)**	92,861
Increase in deferred income		**(14,384)**	
Increase / (decrease) in current liabilities			
Trade and other payables		**402,679**	(1,545)
		(561,669)	334,316
		483,794	1,401,496

35. CASH AND CASH EQUIVALENTS

	Note	2008	2007
Cash and bank balances	**15**	**155,020**	869,153
Short term investments		**21,000**	20,000
Short-term borrowings	**22**	**(1,051,285)**	(175,622)
		(875,265)	713,531

36. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group, comprises associates, 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 consolidated financial statements, are as follows:

	2008	2007
	(Rupees in thousands)	
Sales	**2,849,948**	2,691,904
Services rendered	**-**	29,445
Insurance premium	**35,249**	30,386
Purchase of assets	**399**	4,212
Purchase of goods	**88,196**	73,845
Insurance claim received	**44,147**	5,798
Mark-up and bank charges paid	**29,657**	19,171
Profit received	**66,266**	45,409
Rental and signage income	**6,644**	
Contribution to provident fund	**20,214**	19,118
Contribution to retirement benefit fund	**5,625**	2,506

There are no transactions with key management personnel other than under the terms of employment, as disclosed in note 37.

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

37. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVES

	June 2008			June 2007		
	Chief executives	Directors	Executives	Chief executives	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	**18,849**	**9,013**	**90,636**	9,841	8,385	52,069
Group's contribution to provident fund	**389**	**489**	**3,567**	370	481	2,148
Group's contribution to retirement fund	**-**	**3,208**	**914**	-	105	593
Other perquisites	**4,053**	**-**	**4,740**	-	-	149
	23,291	**12,710**	**99,857**	10,211	8,971	54,959
Number of persons	**4**	**3**	**95**	3	3	34

37.1 The Chief executives, directors and certain executives of the Group are provided with free use of cars.

37.2 Three directors (2007: Three) have been paid fees of Rs. 60,000 (2007: Rs. 75,000) for attending board meetings.

37.3 The Chief Executive of Pakistan Industrial Aids (Private) Limited [Formerly Thal Trading (Private) Limited] is not being paid any remuneration for holding the office.

38. PLANT CAPACITY AND ACTUAL PRODUCTION

	Note	Engineering Operation		Jute Operation		Papersack Operation	
		Units 2008	Units 2007	Metric Tons 2008	Metric Tons 2007	Nos (000) 2008	Nos (000) 2007
Annual Capacity							
Jute		-	-	33,800	28,000	-	-
Auto air conditioners		90,000	60,000	-	-	-	-
Wire harness	38.1	-	-	-	-	-	-
Paper bags		-	-	-	-	140,000	140,000
Actual Production							
Jute		-	-	32,038	27,832	-	-
Auto air conditioners		80,921	75,006	-	-	-	-
Wire harness	38.1	56,776	63,249	-	-	-	-
Paper bags		-	-	-	-	98,935	95,890
Reason for shortfall / excess		Low demand	Through work in overtime	-	-	Frequent product mix change	Frequent product mix change

38.1 The capacity of wire harness could not be determined as it is dependent on product mix.

38.2 The production capacity of Laminate Operations cannot be determined as this depends on the relative proportion of various types of products.

39. CAPITAL MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is currently financing majority of its operations through equity and working capital. The Group had a gearing ratio of 7.90% (2007: Nil) as of the balance sheet date, which in view of the management is conservative considering the size of the operations and its investment in subsidiaries.

40. LIQUIDITY RISK

Liquidity risk reflects the Group's inability in raising funds to meet commitments. Management closely monitors the Group's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

41. PROFIT / MARK-UP RATE RISK EXPOSURE

Yield / mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield / mark-up rates. Sensitivity to yield / mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Group manages these mismatches through risk management strategies. The Group is exposed to yield / 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				
Long-term loans	10	-	85	85
Short-term investment	8	21,572	-	21,572
Cash and bank balances	8.75 - 10	93,098	-	93,098
Total		**114,670**	**85**	**114,755**
Financial liabilities				
Long-term finance	3 month KIBOR + 0.50	90,000	360,000	450,000
Liabilities against assets subject to finance lease	6 month KIBOR + 2.75	22,042	14,186	36,228
Short-term borrowings	1-3 month KIBOR + 0.40 -1	1,051,285	-	1,051,285
Total		**1,163,327**	**374,186**	**1,537,513**

	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				
Long term loans	10	-	282	282
Short term investment	8-10	20,560	-	20,560
Cash and bank balances	5 – 10	858,520	-	858,520
Total		879,080	282	879,362
Financial liabilities				
Liabilities against assets subject to finance lease	KIBOR + 1.94 - 3	15,351	13,515	28,866
Short-term borrowings	1-6 month KIBOR + 0.25-1.25	175,622	-	175,622
Total		190,973	13,515	204,488

The effective profit/mark-up rate on financial asset and financial liabilities have been disclosed in the relevant notes to the consolidated financial statements.

42. SEGMENT ANALYSIS FOR THE YEAR ENDED JUNE 30

	2008					2007				
	Enginee-ring	**Building Materials and Allied Products**	**Cash & Carry and Others**	**Elimi-nation**	**Total**	**Enginee-Ring**	**Building Materials and Allied Products**	**Others**	**Elimi-nation**	**Total**
	-----------Rupees in thousand-------------					--------------Rupees in thousand----------------				
Sales revenue	**3,915,341**	**3,598,892**	**1,314,139**	**(21,663)**	**8,806,709**	3,838,230	2,988,159	60,760	(16,619)	6,870,530
Segment result	**819,275**	**391,203**	**(59,309)**		**1,151,169**	948,992	305,554	5,043		1,259,589
Unallocated corporate (expenses) / income:										
Administrative & distribution Costs					**(226,283)**					(198,572)
Other operating income					**148,058**					63,949
Operating profit					**1,072,944**					1,124,966
Finance cost					**(56,638)**					(31,471)
Other charges					**(76,237)**					(79,698)
Share in profit of associates					**120,978**					201,149
Taxation					**(349,211)**					(341,255)
					711,836					873,691
Segment assets	**1,347,378**	**2,268,640**	**4,619,817**		**8,235,835**	1,804,640	1,526,905	38,493		3,370,038
Unallocated assets					**761,865**					848,634
					8,997,700					4,218,672
Segment liabilities	**630,863**	**1,216,173**	**1,408,637**		**3,255,673**	385,028	269,103	4,946		659,077
Unallocated liabilities					**43,834**					13,195
					3,299,507					672,272
Capital expenditure	**185,340**	**63,970**	**49,637**		**298,947**	23,668	56,304	2,963		82,935
Depreciation expenses	**26,555**	**36,287**	**45,101**		**107,943**	30,219	37,412	1,706		69,337

In order to comply with the requirement of IAS 14 "Segment Reporting" the activities of the Group have been grouped into three segments of related products i.e. engineering goods, building material and allied products and cash & carry and others.

The engineering segment is engaged in the manufacturing of automotive parts.

The building material and allied product segment include jute, papersack and laminate operations.

The third segment includes the cash & carry business, trading and share registrar and management services. This segment is not comparable with last year in which 3rd segment shown as others excludes the cash and carry business.

43. CREDIT RISK EXPOSURE

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. Out of the total financial assets of Rs. 1,718.525 million (2007: Rs. 2,260.539 million), the financial assets which are subject to credit risk amounted to Rs. 801.640 million (2007: Rs. 542.752 million). The Group manages credit risk in trade receivables by limiting significant exposure to any individual customers by obtaining advance against sales.

The Group is exposed to credit risk on loans, advances, deposits, trade debts and other receivables. The Group seeks to minimise the credit risk exposure through dealing with customers considered credit worthy and obtaining securities where applicable.

44. 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, 2007, the total currency risk exposure was Rs. 152.037 million (2007: Rs. 28.569 million) in respect of foreign debtors and creditors.

45. 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 consolidated financial statements approximate their fair values.

46. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on September 27, 2008 by the Board of Directors of the holding company.

47. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 27, 2008 has approved the following:

i) transfer of Rs.670 million from unappropriated profit to general reserve.

ii) bonus shares in proportion of four ordinary shares for every ten ordinary shares for approval of the members at the Annual General Meeting to be held on October 27, 2008.

iii) to avail Group Relief under section 59B of the Income Tax Ordinance, 2001 by claiming tax losses of its subsidiary company – Makro-Habib Pakistan Limited amounting to Rs. 723.042 million for the tax year 2008. The surrender of such tax loss was also approved by the Board of Directors of Makro-Habib Pakistan Limited at its meeting held on September 23, 2008.

CHIEF EXECUTIVE

DIRECTOR