

HARVESTING DREAMS



MILLAT TRACTORS LIMITED

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ANNUAL
REPORT





Harvesting Dreams

Agriculture is the foremost source of livelihood for people in developing countries like Pakistan. Millat recognizes the challenges presented by rural poverty to the individual and the agrarian economy and aims to curtail it through greater farm mechanization. Our ultimate goal for farming is not merely growing crops but cultivating dreams.

As leaders in the field of agriculture we contribute towards the machinery-distribution network which helps farmers in their everyday lives. Over the years, research has revealed a strong relationship between effective machinery utilization and crop production. We believe in maximizing these opportunities in order to give life to countless dreams. Millat relies on technology that protects the environment and yields long term benefits. At Millat we seek increase in productivity while lowering operational costs. Our goal is to breathe life into a lifeless idea. For us that is what human experience is all about, a collective existence thriving for perfection.

At Millat we have dedicated ourselves to develop an environment and farmer friendly solutions. We believe in dreams. We believe in making them a reality.



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Vision

“Millat to be a global group of companies, recognized for a range of quality products with innovative design capabilities.”

Mission

“To be market leader in agricultural tractors and machinery, building company’s image through innovation and competitiveness, grow by expanding market and investing into group companies, ensuring satisfaction to customer and stakeholders and to fulfill social obligations.”



Corporate Information

BOARD OF DIRECTORS

Chairman
MR. SIKANDAR MUSTAFA KHAN

Chief Executive
SYED MUHAMMAD IRFAN AQUEEL

MR. LATIF KHALID HASHMI
MR. SOHAIL BASHIR RANA
MR. LAEEQ UDDIN ANSARI
MIAN MUHAMMAD SALEEM
RANA MUHAMMAD SIDDIQUE
MR. MANZOOR AHMED (NIT NOMINEE)
MR. S. M. TANVEER (M.C.B. NOMINEE)

Company Secretary
MIAN MUHAMMAD SALEEM

Chief Financial Officer
MR. JAVED MUNIR

Auditors
M/S. A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

Legal Advisors
WALKER MARTINEAU SALEEM
ADVOCATES & LEGAL CONSULTANTS

ALTAF AND ALTAF ADVOCATES

Company Share Registrars
M/S HAMEED MAJEED ASSOCIATES (PVT) LTD.
1ST FLOOR, H.M. HOUSE, 7 BANK SQUARE, LAHORE
TEL: 042-37235081-82
FAX: 042-37358817
shares@hmaconsultants.com

Bankers
BANK ALFALAH LTD.
BARCLAYS BANK PLC.
HABIB BANK LTD.
MCB BANK LTD.
MEEZAN BANK LTD.
STANDARD CHARTERED BANK
UNITED BANK LTD.



Registered Office and Plant
SHEIKHUPURA ROAD, DISTT. SHEIKHUPURA
TEL: 042-37911021-25
UAN: 111-200-786
FAX: 042-37924166. 37925835
WEBSITE: www.millat.com.pk
E-MAIL: info@millat.com.pk

REGIONAL OFFICES

Karachi
3-A, FAIYAZ CENTRE, SINDHI MUSLIM
CO-OPERATIVE HOUSING SOCIETY
TEL: 021-34553752
UAN: 111-200-786
FAX: 021-34556321

Multan Cantt
GARDEN TOWN, (DAULATABAD), SHERSHAH ROAD
TEL: 061-6537371
FAX: 061-6539271

Islamabad
H. NO. 22, ST. NO. 41, SECTOR F-6/1
TEL: 051-2271470
UAN: 111-200-786
FAX: 051-2270693

Sukkur
A-3, PROFESSOR HOUSING SOCIETY,
SHIKARPUR ROAD
TEL: 071-5633042
FAX: 071-5633187

Board of Directors



SIKANDAR MUSTAFA KHAN
Chairman



SYED MUHAMMAD IRFAN AQUEEL
Chief Executive



LATIF KHALID HASHMI
Director



SOHAIL BASHIR RANA
Director



LAEEQ UDDIN ANSARI
Director



MIAN MUHAMMAD SALEEM
Director / Company Secretary



MANZOOR AHMED
Director (NIT Nominee)



S.M. TANVEER
Director (MCB Nominee)



RANA MUHAMMAD SIDDIQUE
Director

Board of Directors Committees

The Board in its 136th meeting re-constituted the audit committee in compliance of clause (xxiv) of the Code of Corporate Governance-2012.

AUDIT COMMITTEE

Mr. Manzoor Ahmed	CHAIRMAN
Mr. Latif Khalid Hashmi	MEMBER
Mr. Sohail Bashir Rana	MEMBER
Mr. Laeeq Uddin Ansari	MEMBER
Mr. S.M Tanveer	MEMBER



The terms of reference of the Audit Committee are as follows:

- i) To recommend to the Board of Directors, the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the Company in addition to audit of financial statements.
- ii) determination of appropriate measures to safeguard the Company's assets;
- iii) review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
 - ◆ major judgmental areas;
 - ◆ significant adjustments resulting from the audit;
 - ◆ the going concern assumption;
 - ◆ any changes in accounting policies and practices;
 - ◆ compliance with applicable accounting standards;
 - ◆ compliance with listing regulations and other statutory and regulatory requirements; and
 - ◆ significant related party transactions.
- iv) review of preliminary announcements of results prior to publication;
- v) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- vi) review of management letter issued by external auditors and management's response thereto;
- vii) ensuring co-ordination between the internal and external auditors of the Company;

- viii) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- ix) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- x) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- xi) review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- xii) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
- xiii) determination of compliance with relevant statutory requirements;
- xiv) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- xv) consideration of any other issue or matter as may be assigned by the Board of Directors.

HUMAN RESOURCE AND REMUNERATION COMMITTEE (HR & R)

Mr. Sikandar Mustafa Khan	CHAIRMAN
Mr. Latif Khalid Hashmi	MEMBER
Mr. Sohail Bashir Rana	MEMBER
Mr. Laeeq Uddin Ansari	MEMBER

The terms of reference of the (HR&R) Committee are as follows:

- i) recommending human resource management policies to the Board;
- ii) recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- iii) recommending to the Board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and
- iv) consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

FINANCE COMMITTEE

Director	Mr. Latif Khalid Hashmi	CHAIRMAN
Director	Mr. Laeeq Uddin Ansari	MEMBER
Chief Executive	S.M Irfan Aqueel	MEMBER
Director	Mian Muhammad Saleem	MEMBER

The terms of reference of the Finance Committee are as follows:

- i) Product(s) pricing including tractors.
- ii) Investment/disinvestment of funds.
- iii) Procurement/import of raw materials.
- iv) Capital Expenditure.

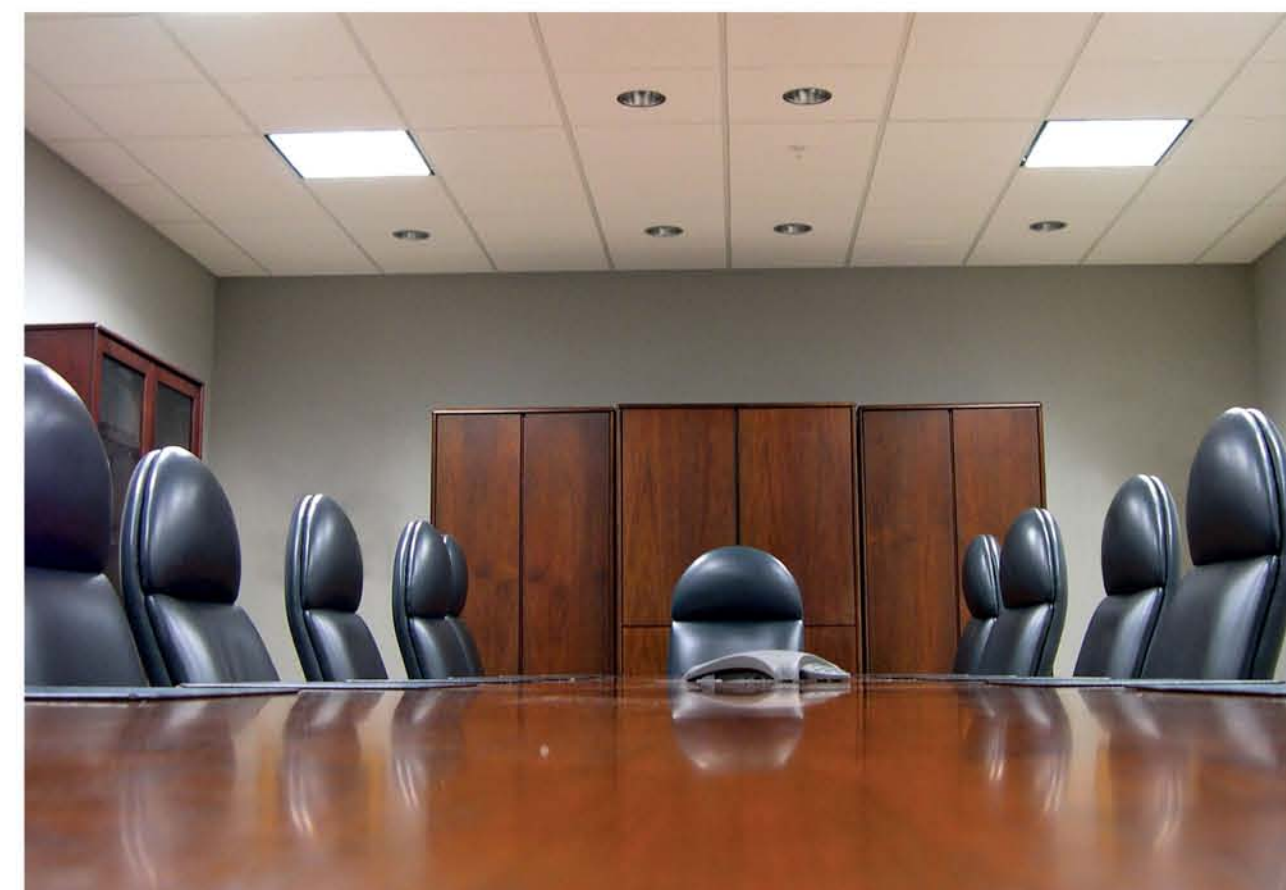
- v) Review Budget proposals prior to finalization.
- vi) Approval of Traveling Abroad up to Executive Grade.
- vii) Retainership (approval and fixation of compensation)
- viii) Any matter(s) brought to the notice of committee for consideration.

MARKETING COMMITTEE

Director	Mr. Sohail Bashir Rana	CHAIRMAN
Chief Executive	S. M Irfan Aqueel	MEMBER
Director	Mian Muhammad Saleem	MEMBER
GM Marketing	Mr. Muhammad Akram	MEMBER

The terms of reference of the Marketing Committee are as follows:

- i) Formulation of sales/marketing strategy.
- ii) Appointment/termination of dealers including agreements.
- iii) Allowing commission /discounts.
- iv) Approval of priority for early delivery.
- v) Introducing of incentive schemes.
- vi) Other matters relating to sales & marketing.





Management Committees & their terms of reference

BUSINESS DEVELOPMENT & REVIEW COMMITTEE

Chief Executive	S.M Irfan Aqueel	CHAIRMAN
Director Technical	Mr. Ahsan Imran	MEMBER
CFO	Mr. Javed Munir	MEMBER
G.M Marketing	Mr. Muhammad Akram	MEMBER

The Business Development & Review Committee is responsible for preparing a plan for the future growth, expansion and new projects of the Company and shall forward the recommendations to the Board Committee for group supervision.

BUSINESS STRATEGY COMMITTEE

Chief Executive	S.M Irfan Aqueel	CHAIRMAN
CFO	Mr. Javed Munir	MEMBER
Director Technical	Mr. Ahsan Imran	MEMBER
GM Marketing	Mr. Muhammad Akram	MEMBER

The Business Strategy Committee is responsible for preparing the strategic plan and execution, implementation of the decisions of the Board's Committee for Group supervision.

MANAGEMENT CO-ORDINATION COMMITTEE

Chief Executive	S.M Irfan Aqueel	CHAIRMAN
All department Heads		MEMBER
CFO	Mr. Javed Munir	MEMBER

The Management Co-ordination Committee plays an active participative role in all operational and functional activities of the business to achieve targets and formulates strategies to ensure greater depth in decision making on important issues.

SYSTEMS & TECHNOLOGY COMMITTEE

GM IT	Mr. Farogh Iqbal	CHAIRMAN
CFO	Mr. Javed Munir	MEMBER
Director Technical	Mr. Ahsan Imran	MEMBER

The Systems & Technology Committee is responsible for

developing and implementing an IT strategy for the Company. The Committee oversees the automation of processes and systems in line with latest technology. The Committee is also responsible for development of contingency and disaster recovery plan.

SAFETY COMMITTEE

DGM, Admin	Mr. Nasim A Sindhu	CHAIRMAN
Sr. Mgr. Production	Mr. Khurram Anwar	MEMBER
DGM Service	Mr. Muhammad Akbar	MEMBER
DGM Maintenance	Mr. Jaffar Hussain Naqvi	MEMBER

The Safety Committee reviews and monitors Company safety practices. It oversees the safety planning function of the Company and is responsible for safety training and awareness initiatives.

RISK MANAGEMENT COMMITTEE

CFO	Mr. Javed Munir	CHAIRMAN
Director Technical	Mr. Ahsan Imran	MEMBER
G.M Engineering	Mr. Farogh Iqbal	MEMBER
G.M Marketing	Mr. Muhammad Akram	MEMBER

The Risk Management Committee is responsible for ensuring that procedures to identify and continuously update risks are in place. The Committee oversees the process of assessment of the possible impact and likelihood of occurrence of identified risks. The committee is also responsible for formulating a risk management response to effectively address and manage risks.

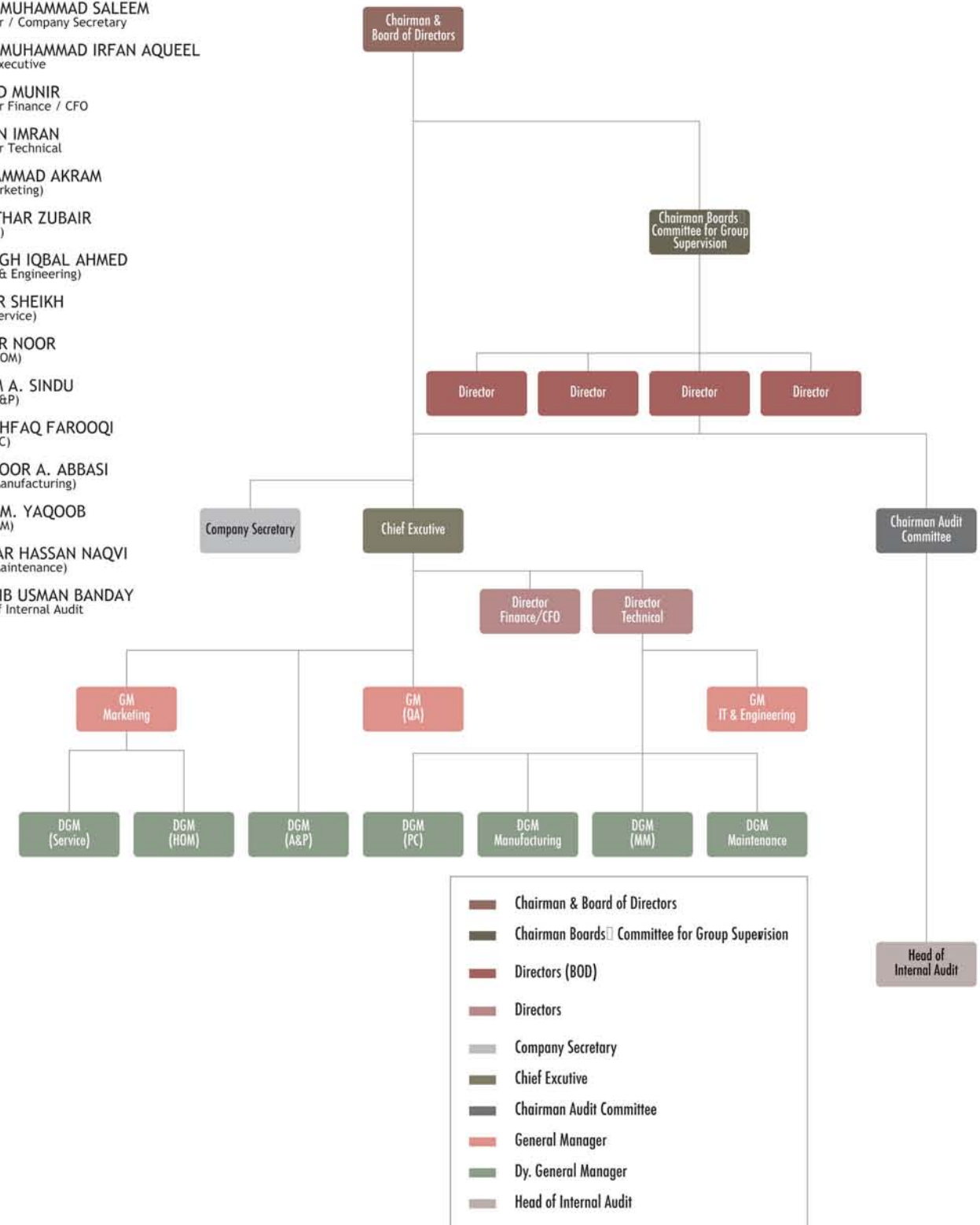
ENVIRONMENTAL COMMITTEE

Director Technical	Mr. Ahsan Imran	CHAIRMAN
DGM, Admin	Mr. Nasim A Sindhu	MEMBER
Sr. Manager Admin	Mr. Ghulam Jaffar Shah	MEMBER

The Environmental Committee is responsible to ensure environment friendly operations, products and services. It establishes objectives & targets for continual improvement in resource conservation by waste control and safe operating practices. It promotes environmental awareness to all employees and community.

Organization Structure

- SIKANDAR MUSTAFA KHAN
Chairman
- LATIF KHALID HASHMI
Director
- SOHAIL BASHIR RANA
Director
- LAEEQ UDDIN ANSARI
Director
- MIAN MUHAMMAD SALEEM
Director / Company Secretary
- SYED MUHAMMAD IRFAN AQEEL
Chief Executive
- JAVED MUNIR
Director Finance / CFO
- AHSAN IMRAN
Director Technical
- MUHAMMAD AKRAM
GM (Marketing)
- M. ATHAR ZUBAIR
GM (QA)
- FAROGH IQBAL AHMED
GM (IT & Engineering)
- AKBER SHEIKH
DGM (Service)
- AZHAR NOOR
DGM (HOM)
- NASIM A. SINDU
DGM (A&P)
- M. ASHFAQ FAROOQI
DGM (PC)
- MANSOOR A. ABBASI
DGM (Manufacturing)
- SYED M. YAQOUB
DGM (MM)
- JAFFAR HASSAN NAQVI
DGM (Maintenance)
- SHOAIB USMAN BANDAY
Head of Internal Audit



- Chairman & Board of Directors
- Chairman Boards Committee for Group Supervision
- Directors (BOD)
- Directors
- Company Secretary
- Chief Executive
- Chairman Audit Committee
- General Manager
- Dy. General Manager
- Head of Internal Audit

Objectives & Strategic Planning

OBJECTIVES

Constantly endeavour to be market leader in terms of market share and technology pace-setters in areas of operations and to continuously improve efficiency and competitive strength. To offer customers quality products and support services at competitive prices and to their satisfaction.

By continuously improving performance, aim to generate earnings sufficient to ensure a secure future for the Company and to protect and increase shareholders' return. To enhance creativity and job satisfaction, provide employees opportunity for personal development. Be an integral part of national economy with a strong sense of responsibility to society and the environment.

STRATEGIC PLANNING

To make optimum use of ancillary industry in Pakistan to maximize indigenization of tractor parts and farm equipment. To create in-house plant facilities for manufacture of components for tractors and other agricultural machinery which cannot be fabricated by the ancillary industry, where investments required are heavy or where technology involved is intricate.

MTL will maintain a strong R&D Department to provide technical assistance to local manufacturers and for product development. Ensure customer satisfaction by providing quality products at competitive prices with warranty coverage and ensuring after sale service.



Code of Conduct

The Company's Code of Conduct conforms to the Millat Group Vision and the Company's mission Statement.

The Code of Conduct defines the expected behaviors for all employees of Millat Tractors Limited (MTL). MTL will conduct its business fairly, impartially, in an ethical and proper manner, in full compliance with all applicable laws and regulations, and consistent with the values of the Company. Integrity must be ensured in all Company business relationships, including those with customers, suppliers, shareholders, other communities and among employees. The highest standards of ethical business conduct are required of employees in the performance of their responsibilities. Employees will not engage in any conduct or activity that may raise doubts to the honesty, impartiality and reputation of the organization or result in embarrassment to the Company.

Every employee of the Company will ensure that he/she:

- ◆ Will not engage in any activity that might create a conflict of interest for him/her or MTL. Conflict of interest shall be disclosed where it exists and guidance sought.
- ◆ Will not take advantage of his/her position for

personal gain through the inappropriate use of Company name or non-public information or abuse his position.

- ◆ Will refrain from insider trading.
- ◆ Will follow all restrictions on use and disclosure of information. This includes protecting Company's information and ensuring that non-company proprietary information is used and disclosed only as authorized by the owner of the information or as otherwise permitted by law and abide by the employee non-disclosure & confidentiality undertaking already signed by him/her.
- ◆ Will observe fair dealing in all of his/her transactions and interactions.
- ◆ Will protect all assets of the Company and use them only for appropriate Company-approved activities.
- ◆ Without exception, will comply with all statutory applicable laws, regulations, company policies and rules etc.

Core Values

- ◆ Our Customers are our first priority.
- ◆ Profitability for the prosperity of our stakeholders that allows us to constantly invest, improve and succeed.
- ◆ Corporate Social Responsibilities to Enrich the Lives of community where we operate.
- ◆ Recognition and Reward for the talented and high performing employees.
- ◆ Excellence in every thing we do.
- ◆ Integrity in all our dealings.
- ◆ Respect for our customers and each other.



Safety, Health & Environment Policy

SAFETY POLICY

All the employees have been provided safety equipment during performance of their duties.

An upgraded fire fighting system has been installed to cope with any mishap.

All the machinery has been fenced properly to avoid any type of accident causing injury to the employees as well as to the machinery.

Special arrangements have been made for the availability of filtered drinking water for the employees.

All the employees are insured under Group Life Insurance Scheme.

HEALTH POLICY

All the employees are got medically checked periodically through the Company's panel Hospitals to diagnose diseases if any. In case some one is found suffering from some disease, the Company provides him medical treatment at its own expenses or through insurance company.

ENVIRONMENT POLICY

The Company has a separate horticulture department to make the environment pleasant, green and full of flowers. The Company also participates in various competitions on horticulture arranged by Government and other Institutions.

Notice of Meeting

Notice is hereby given that 49th Annual General Meeting of Millat Tractors Limited will be held at the Registered Office of the Company at 9 K.M. Sheikhpura Road, Shahdara, Lahore, on Tuesday, October 02, 2012 at 4:00 P.M to transact the following business:

A. ORDINARY BUSINESS

1. To confirm minutes of the Extra Ordinary General Meeting held on July 19, 2012.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2012 together with the Directors' and Auditors' Reports thereon.
3. To approve final cash dividend of Rs.40.00 per share i.e. 400% in addition to the interim dividend of Rs.25.00 per share i.e. 250% already paid making a total cash dividend of Rs. 65.00 per share i.e. 650%.
4. To appoint auditors and fix their remuneration for the year ending June 30, 2013.

B. ANY OTHER BUSINESS

To transact any other business with the permission of the Chair.

Lahore:
September 10, 2012



Mian Muhammad Saleem
Company Secretary

NOTES

1. The share transfer books of the Company will remain closed from Thursday September 20, 2012 to Tuesday October 02, 2012 (both days inclusive) and no transfer will be accepted during this period. The members whose names appear in the Register of Members as at the close of business on September 19, 2012 will qualify for the payment of cash dividend.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Shareholders are requested to notify the change of address, if any, immediately.
4. CDC shareholders or their proxies are requested to bring with them copies of their Computerized National Identity Card or Passport along with the participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.
5. Members who have not yet submitted photocopy of their computerized National identity Card (CNIC) to the company are requested to send the same at the earliest.

Financial Highlights

		2012	2011
Sales Revenue	Rs. in Million	20,133	24,863
Profit After Tax	Rs. in Million	1,978	2,671
Number of Outstanding Shares	(000's)	36,606	36,606
Earnings per Share - Basic and Diluted	Rs.	54.03	72.96
Dividend	Rs. / Share	65.00	47.50
Capital Expenditure	Rs. in Million	168	155
Long Term Investments	Rs. in Million	288	292
Total Assets	Rs. in Million	10,289	8,585
Shareholders Equity	Rs. in Million	5,162	4,652
Return on Capital Employed	Percentage	38.50	57.76
Current Ratio	Times	1.80 : 1	1.91 : 1
Debt : Equity Ratio	Times	0 : 100	0 : 100
Market Capitalization (Year End)	Rs. in Million	17,675	22,026
Market Capitalization (Year End)	US\$ in Million	188	256
Price to Earning Ratio	Times	8.94	8.25
Net Assets per Share	Rs.	141.01	127.09



Chairman's Review

STAKEHOLDERS

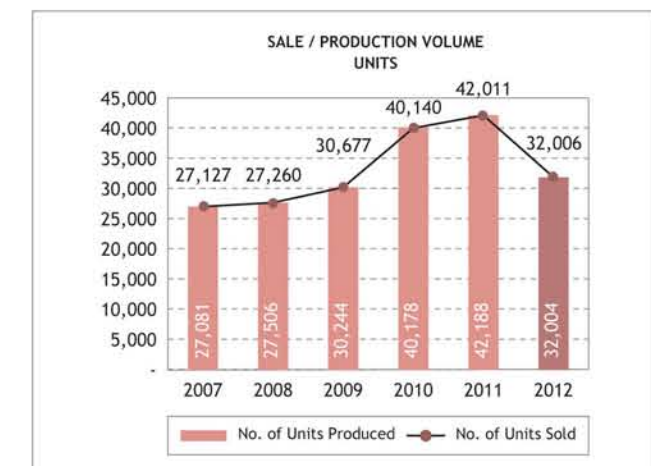
The year 2011-12 posed enormous challenges not only for the Pakistani economy but the world at large. Recessionary conditions were evident in the US, Japan and Europe. Huge bailouts were given out by the US and European governments to save the auto and banking industry from bankruptcy. Conditions at home were more adverse due to high levels of inflation, depreciation of the rupee, drying up of FDI on account of worsening security conditions and a staggering energy deficit.

The agriculture industry, the main pillar of our economy, received a rude shock in the form of levy of 16 % GST on its key inputs; tractors, fertilizers and pesticides. Already reeling from low crop yields due to floods and comparatively lower prices of product, this steep rise in agricultural inputs proved to be the proverbial last nail in the ordinary farmer's coffin.

Sales of tractors nose dived to zero resulting in huge inventories of CKD and CBU stocks at both the manufacturers and their dealerships. The tractor vendor industry was worse hit. Except for a few large and medium sized vendors, having diversified sales into the car and motorcycles sectors and/or exports, survived. Rest of the industries shut down with a massive layoff of manpower. This shutdown lasted for almost 4 months leading to bankruptcies and default of bank loans.

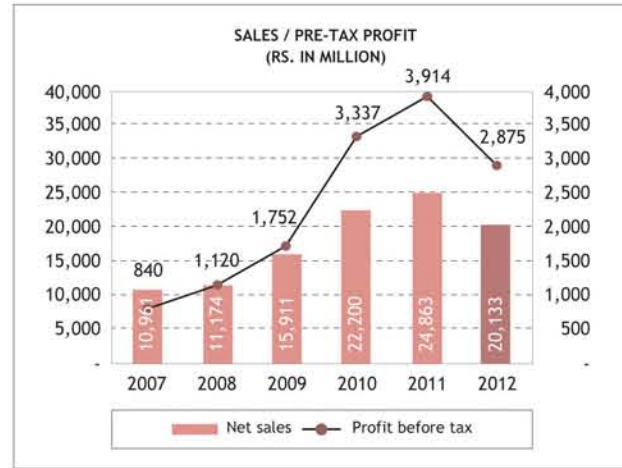
Your company responded to this challenge by approaching the GoP along with the vendor industry and pleaded the case of staggering the GST over a period of a few years as opposed to its levy in one go. Finally the GoP announced a 5% levy of GST in 2012 rising to 10% in 2013 and leading to 16% in 2014. This resulted in stimulation of demand but production couldn't be increased in proportion due to closure of the vending industry. Once again your company took the lead in reviving the vendor industry by offering early payments and helping cash strapped vendors buy raw material like steel directly from the mills.

I am pleased to report that Team MTL took on this extremely difficult target and by the Grace of Allah delivered on it. All this has been attainable due to the perseverance and resolve of our management and continued patronage of our business partners.



PAKISTAN'S ECONOMIC OVERVIEW

Pakistan's economy is susceptible to fluctuations in the global financial situation due to its heavy dependence on imports, particularly energy and limited exports like textiles regulated by international quota system. In order to control runaway inflation, Pakistan is maintaining one of the world's highest benchmark interest rates. This has stifled local investment and broadening of the industrial base due to expensive capital. On the other hand due to worsening law and order situation, acute energy deficiency and investor unfriendly government policies, foreign direct investment fell 37 per cent in July-December 2011 to \$531.2 million from \$839.6 million in last 6 months of 2010. However, the fiscal year 2011-12 ended with a growth of 3.7 per cent, showing an improvement over the last 3 years. The year 2012 brought slight economic stability with the decline in inflation rate from 13% to 11%.



Performance of Agri Sector 2011-12

Agricultural sector registered a growth of 3.3% against 2.38% last year, on account of production increase in major crops including cotton, sugarcane and rice, which witnessed growth in production of 18.6%, 4.9% and 27.7% respectively. Wheat registered a decline of 6.7% due to decline in area under cultivation and delayed sowing in Sindh due to late receding of floodwater. Growth of minor crops declined by 12.6%.

Despite considerable growth in the agricultural sector, farmer's buying power did not improve due to drastic increase in production cost against marginal increase in output prices.

Tractor Industry

The year 2011-2012 was particularly bad for the tractor industry due to imposition of a hefty 16% GST on tractors at the retail stage in March 2010 and heavy rains in the month of July 2011, damaging crops particularly in Sindh. This badly affected industry bookings and sales during July-Dec'11. The industry booked 13,444 units as against last year's 21,972 units, a decline by 39%. MTL bookings were 9,594 as against 13,184 units of the preceding year's corresponding period, a decline by 27%.

Industry's delivery declined by 61% vis-à-vis corresponding period of last year. The industry delivered 12,786 units as against last year's 33,184 units. MTL deliveries were 9,005 units as against last year's corresponding period's 20,513 units, decline by 56%.

During this crisis period, marketing endeavored hard to claw back their share by launching promotional campaigns

and focusing on fieldwork. This helped increase MTL's share of the overall tractor industry.

After several representations and meetings the government amicably settled the matter and the sales tax was reduced from 16% to 5% effective 2nd February 2012 till 31st December 2012.

Consequently, tractor demand picked up from March 2012 onward. To recover sales loss for eight months, MTL concentrated their efforts on market share improvement and was able to close at 64% as against 2010-11 market share of 61% on deliveries.

Industry sales for 2012 have been 50,088 units as against last year sales of 69,277 units, a decline of 28%. Millat sold 32,006 with a share of 64% as against last year's 42,011 which was 61% of the total market on deliveries.

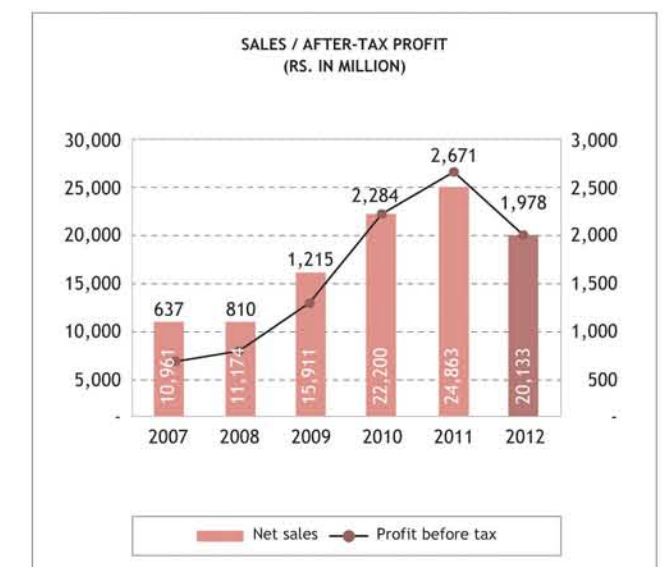


Financial Performance

Although Millat Tractors possesses a sound financial base yet it places a huge emphasis on costs control. Net sales declined to Rs 20.1 billion for the year 2011-12 as compared to Rs 24.9 billion for the year 2010-11, a decrease of 19 per cent.

It gives me great pleasure to inform our stakeholders that despite lower sales, high cost of raw materials, labor and general overheads, we were able to maintain our gross profit ratio. The pre-tax profit was Rs 2,875 million against Rs 3,914 million from last year. After tax profit decreased by 26% from Rs 2,671 million of previous year to Rs 1,978 million this year.

Given the difficult operating conditions these figures reflect sound management of the business in the interest of the shareholders. Let me assure you that your management is alive to the changing business environment and fully equipped to deal with any exigencies.



Industrial Products Division

Millat Gensets are now rated as one of the best locally manufactured Gensets in the country. This is due to the proven reliability and low maintenance cost of the Millat engine and high quality of the imported alternator. Coupled to this is our country wide network of dealers and workshops offering efficient backup and genuine spares. During the year under review we sold 448 gensets against 449 units sold last year.

Corporate dairy farming and financial sector have remained our primary customers. We are now targeting other sectors of the generator market by expanding our range to include high power D.G Sets.

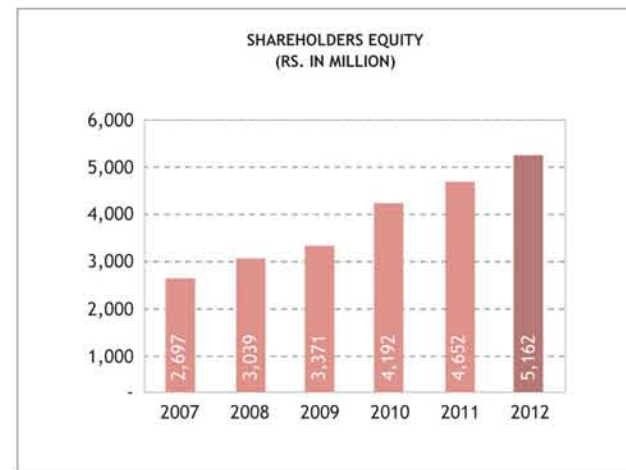
However the forklift truck industry has shown decline due to lack of demand, but is expected to progress in the coming years.

CUSTOMER FOCUS

In view of the difficult business conditions MTL has been able to grow their market share through customer friendly policies.

Down payment scheme was launched to improve tractor bookings in the face of uncertainty and suspension of ZTBL loans.

Free Service Programs and tractor operators training were held throughout the year at workshop premises, to enhance farmer confidence in our products.



NEW PRODUCT LINE

To improve mechanization levels in Pakistan, MTL has introduced new machines and technologies to sell tractor driven fodder-harvesting equipment, which is becoming rapidly popular in the livestock and dairy sector. MTL in collaboration with its licensing partners AGCO is exploring business opportunities in the grains and fodder harvesting and biomass fuel handling sectors, with the introduction of combine harvesters, balers, grass mowers & conditioners and high horsepower tractors. This will not only grow our business but would benefit Pakistan's agriculture tremendously.



Quality Assurance

Quality Assurance is the cornerstone of MTL's business strategy. The QA department is independent of the manufacturing organization and is directly under the control of the CEO. This ensures strict control of product quality without any compromise.

Inspection facilities are revamped on a regular basis to improve the quality of tractor parts. QA also intends to redesign and develop new inspection fixtures for this particular task.

This year MTL will also be acquiring another Co-ordinate Measuring Machine (CMM) worth \$150,000 to meet the quality audit pre-requisites of in-house machinery parts. In addition, MTL also has a well-resourced laboratory for testing material composition in terms of physical and mechanical properties of materials. We will also be upgrading and computerizing our Gear Rolling Test Machine to ensure more accurate results.

TECHNICAL

The tractor and local vending industry has been facing tough times this year due to the burden of added sales tax, which has lead to reduced tractor sales.

In spite of prevalent hardships, MTL succeeded in keeping the supply chain running by offering soft credit terms and early payments to our vendors. Resilient and durable



professional relationship with our associates resulted in achieving record production figures in the last five months of the fiscal year.

Since our principal objective is to provide high quality tractors, MTL has chalked out an extensive plan to facilitate the production process and expedite supplier quality assurance to guarantee good quality parts. As an environmentally conscientious company, we are in the process of transforming our existing Blue Engines into 'eco-friendly' engines. In this connection MTL has bought technology from the famous research company Ricardo and is investing a considerable amount of time and money in developing a Euro compliant engine testing rig in collaboration with the National University of Science and Technology (NUST). The technical department on an ongoing basis strives to integrate modifications in our tractors to meet changing needs of the customers.

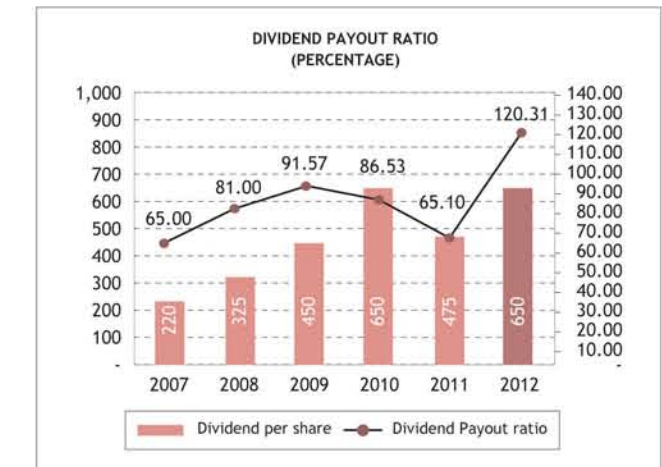
In order to meet the market requirements we are in the process of upgrading and relaunching our popular models MF 350 & MF 260.

Dividend Policy

Our core values revolve around sharing our success with all our stakeholders specially our shareholders who have entrusted us with their precious capital. Despite the changing business environment MTL has maintained a steady stream of payouts in the form of dividends and bonus shares.

Continuing this tradition I am pleased to announce that the Board of Directors have recommended a final cash dividend of Rs 40.00 per share i.e. 400 per cent in addition to Rs. 25.00 per share i.e. 250 per cent interim cash dividend already paid thus making a total of Rs. 65.00 per share i.e. 650 per cent.

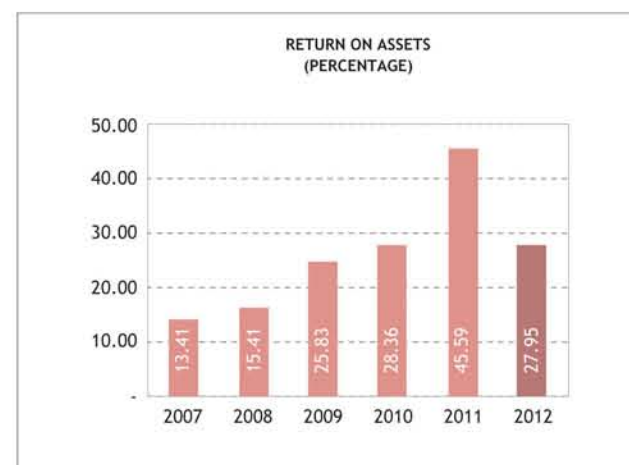
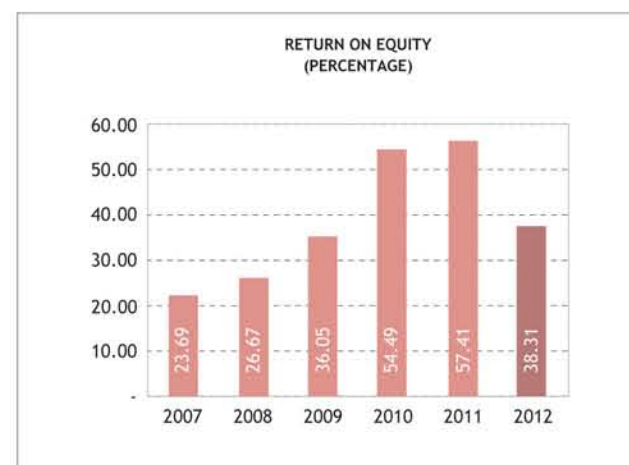
The dividend recommended is subject to the approval by the shareholders in the forthcoming Annual General Meeting.



Human Resource Development

HR plays an integral role in recruitment, training and developing essential skills in employees at every level. They also pay distinctive attention towards placement of employees for respective job-roles: for instance selection of candidates with the right skills, proficiency and attitude.

Our HR policy places great significance on developing Human Assets to support our corporate foundation and ensuring that every individual reaches their premium potential. Similarly, all our Executives and Management staff undergo advanced training which facilitate the staff to acquire extensive knowledge and keep themselves abreast of broadening developments in their respective fields.



Cash Flow Management

MTL's Cash Flow Management is highly efficient and its inflows/outflows are monitored to achieve a healthy balance. All working capital requirements are financed through internal cash generations. Your company has been cash positive for a number of years.

Information Technology

Millat Tractors Limited handles supply chain management, manufacturing, quality assurance, bookings and deliveries, financials, asset management, project management, service management and maintenance management through a state of the art ERP system acquired from IFS Sweden.

This integrated system has provided MTL with clear visibility and sound monitoring at all levels, by boosting activities of sales, supply chain and production in the last 3 years. The IFS System is connected to dealers and vendors via internet giving a 360 degree control of the business.

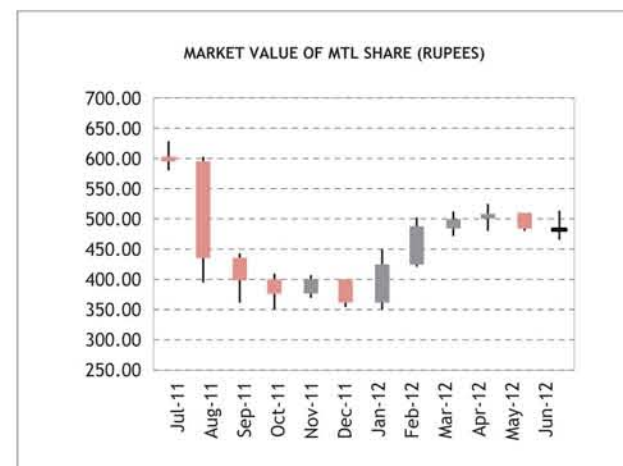
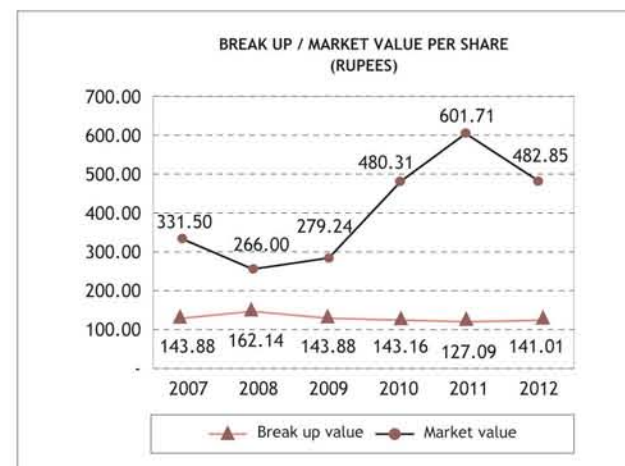
In the coming year, this system will be upgraded to introduce the latest developments by IFS making it faster, simpler and more efficient.



Business Risk, Challenges & Future Prospects

MTL believes in maintaining a strong competitive edge in terms of innovation and customer focus. Embracing modern technology and diversification allows us to expand in terms of sales and product development in the years to come. This helps in strengthening the business operations thereby providing value to all our stakeholders.

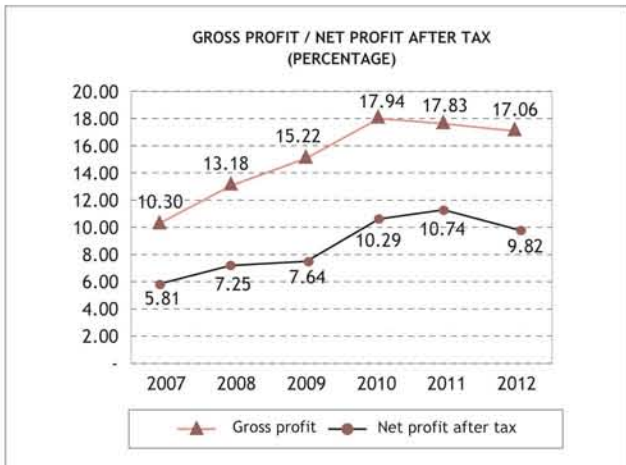
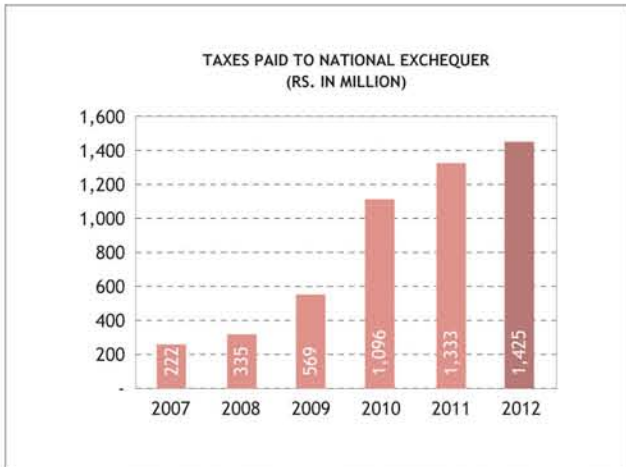
Millat Tractors strives to broaden their boundaries by adhering to the maxim that our work should be challenging as well as rewarding. A healthy and ethical work culture is essential for sustainable growth. Our hallmark is that we invest in the future.





Contribution to the National Exchequer

Given these difficult business conditions discussed above, we were still able to deliver good results and at the same time contributing to the national exchequer in the shape of huge tax deposits. We are proud to be one of the major tax payers in the automotive sector and this year our contribution was Rs. 1,425 million.



ASIA'S BEST 200

UNDER A BILLION \$ COMPANIES

Millat Tractors has once again been graded amongst the Best 200 Under a Billion \$ Companies of Asia by Forbes Global.

It is an honour to be graded amongst the finest of the companies from China, India, Japan and ASEAN etc. This achievement has become a reality due to the teamwork and dedication of our workers, associate vendors and dealers.

Millat Group of Companies

Millat Group of Companies that form part of our consolidated accounts, have been included in my review to our share holders as they are all strategic in their relations with MTL.

BOLAN CASTINGS LIMITED

Modern and well equipped, Bolan Castings Limited can rightly claim to be the leading foundry of its kind in Pakistan, as they hold a major market share for tractors and automotive castings. They manufacture tractor castings such as cylinder blocks, cylinder heads, centre housings, transmission cases and truck / bus castings like brake drums and hubs with a large number of other similar castings. The plant produces more than 16,000 tons per year of tractor / automotive castings in grey and ductile iron. So far more than 200 different types of castings have been successfully developed and supplied to various customers.

MILLAT EQUIPMENT LIMITED

MEL, an ISO 9001:2008 certified Company, is among the most technologically advanced Transmission Gears & Shafts Manufacturing Company in Pakistan. The modern facility, of over 513,000 square feet, is equipped for manufacturing broad range of Transmission Shafts, Spur Gears, Helical Gears, Spiral & Straight Bevel Gears and sub assemblies, like Hydraulic Pump, for Massey Ferguson brand of tractors.

A key distinction of MEL is the presence of almost all commercial teeth cutting methodologies like Gear Hobbing, Shaping, Broaching, Shaving, Tooth Rounding & Chamfering for Cylindrical Gears and Gleason Technology for Straight & Spiral Bevel Gears. The company has state of the art Heat Treatment Facility and Metallurgical Lab to guarantee the integrity of our products. These include Gas Fired Continuous Carburizing & Sealed Quench Furnaces, Liquid Carburizing, Nitriding and Induction Hardening Furnaces along with auxiliary HT equipment.

MILLAT INDUSTRIAL PRODUCTS LIMITED

A specialized unit that caters to manufacturing automotive and other applications of dry charged batteries. The company reached a record production of 84,690 batteries and made Rs. 52 million profit before tax.

MIPL, on receiving a good response from the market, are expanding their production capacity to 150,000 batteries annually in the next financial year. The company made after tax profit of Rs. 35 million on the sale of Rs. 656 million during the year under review.

Conclusion

In conclusion, I would like to extend my deepest gratitude to all the shareholders, customers, vending associates, dealers, suppliers, contractors, bankers and business partners for their consistent support which has made Millat Tractors a symbol of excellence in Pakistan.

In the next financial year, we intend to consolidate our position as market leaders by being more pioneering in the

field of farming equipment and driving operational excellence. MTL's prized workforce is the driving force behind our year on year excellent results.

Acknowledgements are due for our business partners AGCO (UK, USA & China) as well as HELI (China) for their support and understanding. I would also like to acknowledge the guidance and support of my fellow board members. I am proud of Team MTL for their professionalism, hard work and dedication in achieving excellence in a challenging business environment. It is because of the combined efforts of all our stakeholders that Millat is a vibrant and competitive enterprise fully equipped to take on new challenges that the future will present.

Looking forward to a bright and sustainable future for Millat Tractors, I pray to the Almighty Allah to bless us all.

Aameen

Lahore:
August 17, 2012

Sikandar Mustafa Khan
Chairman



Directors' Report to the Shareholders

The Directors feel pleasure in presenting their 49th annual report together with audited accounts of the Company for the year ended June 30, 2012.

APPROPRIATIONS

Your Directors recommended a payment of final cash dividend @ Rs. 40.00 per share (400%) in addition to interim dividend of Rs.25.00 per share (250%) already paid.

The following appropriations were made during the year:

	(Rupees in thousand)	
	General Reserve	Un-Appropriated Profit
Opening balance	2,766,678	1,490,726
Less: Final dividend @ 150%	-	(549,081)
Transfer to general reserve	900,000	(900,000)
	3,666,678	41,645
Profit for the year	-	1,977,618
	3,666,678	2,019,263
Less: Interim dividend @ 250%	(297,968)	(617,167)
Un-appropriated profit carried forward	3,368,710	1,402,096

EARNINGS PER SHARE

Earning per share for the year ended June 30, 2012 was Rs. 54.03 as against Rs.72.96 of the preceding year.

Board of Directors

Since the last report, there has been a change in the composition of the Board. Mr. Laeeq Uddin Ansari who was an elected director and CEO, resigned as CEO and in his place, a professional CEO namely Syed Muhammad Irfan Aqueel was appointed w.e.f January 01, 2012.

The three years term of the present Board shall expire on October 30, 2012. Seven Directors shall be elected on completion of present tenure as resolved by the Board in its meeting held on August 17, 2012.

During the year, five Board meetings were held. The number of meetings attended by each Director is given hereunder:

Name of Directors	Meetings Attended
Mr. Sikandar M. Khan - Chairman	5
Syed Muhammad Irfan Aqueel - CEO	3
Mr. Latif Khalid Hashmi	4
Mr. Sohail Bashir Rana	5
Mr. Laeeq Uddin Ansari	4
Mian Muhammad Saleem	5
Rana Muhammad Siddique	5
Mr. Manzoor Ahmed	5
Mr. S.M. Tanveer	2



The Directors who could not attend the meetings were granted leave of absence.

Board Audit Committee

The Board of Directors re-constituted the Audit Committee in its 136th meeting held on June 25, 2012 comprising of the following members:

Mr. Manzoor Ahmed	Chairman
Mr. Latif Khalid Hashmi	Member
Mr. Sohail Bashir Rana	Member
Mr. Laeeq Uddin Ansari	Member
Mr. S. M. Tanveer	Member

The Chairman of the Committee is an independent Director and all members are non-Executive Directors. The Audit Committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board and their publication. CFO, Head of Internal Audit and a representative of external auditors attended the meetings where issues relating to accounts and audit were discussed. The Audit Committee also reviewed internal audit findings and held separate meetings with internal and external auditors as required under the Code of Corporate Governance. Related Party Transactions were also placed before the Audit Committee prior to approval of the Board.

DUTY & TAXES

Information about taxes and levies is given in the respective

notes to the accounts.

AUDITORS

It has been the Company's policy to change auditors after every five years. The present auditors M/s. A. F. Ferguson & Company, Chartered Accountants have completed their five years term and therefore another firm of Chartered Accountants had to be appointed as auditors of the Company for the year ending June 30, 2013. The Board Audit Committee and the Board of Directors have endorsed the appointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Lahore at a fee of Rs. 1,000,000/-. They have been given satisfactory rating under the Quality Control Review of the Institute of Chartered Accountants of Pakistan.



DIRECTORS' TRAINING PROGRAM

An orientation course was arranged for the Directors to acquaint them with the code, applicable laws, their duties and responsibilities to enable them to effectively manage affairs of the Company for and on behalf of the shareholders.

Director Mr. Manzoor Ahmed has acquired the certification under directors' training program from the institute that meets the criteria specified by the SECP.

SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report except as disclosed in this report.

STATEMENT ON CORPORATE FINANCIAL REPORTING FRAME WORK

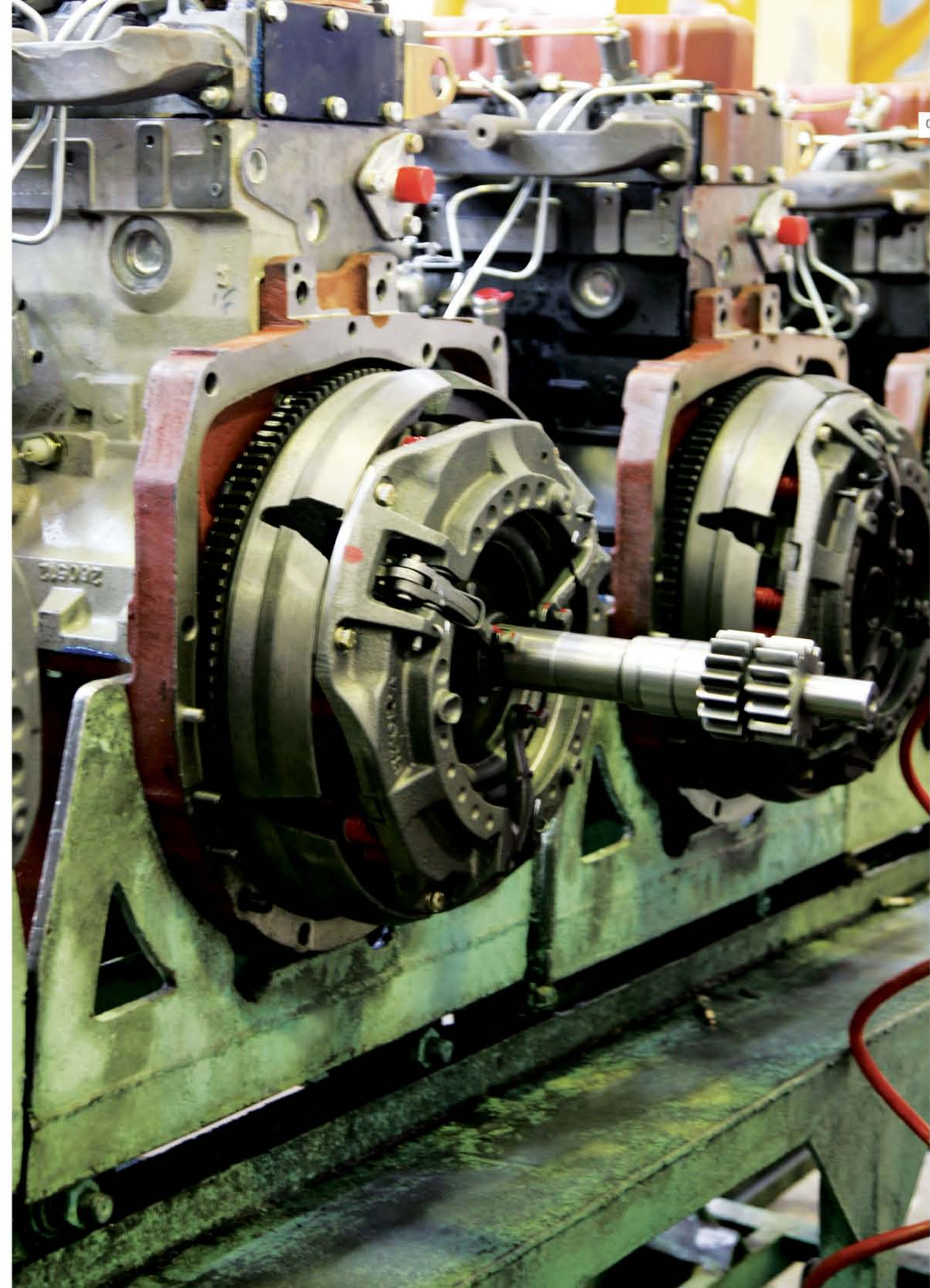
The Company has complied with all the requirements of the Code of Corporate Governance as required by the listing regulations.

Accordingly, the Directors are pleased to confirm the following:

i) The financial statements together with the notes

thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

- ii) Proper books of accounts of the Company have been maintained.
- iii) Appropriate accounting policies have been consistently applied in the preparation of financial statements which conform to the International Accounting Standards as applicable in Pakistan. The accounting estimates, wherever required are based on reasonable and prudent judgement.
- iv) The International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- v) The system of internal control is sound in design and has been effectively implemented and monitored.
- vi) There are no significant doubts upon the Company's ability to continue as a going concern.
- vii) There has been no material departure from the best practices of Corporate Governance, as required by the listing regulations.



- viii) There has been a significant drop in production, sales and profitability of the Company for the year-2012. The net sales dropped to Rs.20.133 billion from 24.863 billion of last year i.e., 19% mainly due to imposition of 16% Sales Tax in March, 2011 and remained effective till February, 2012 when the rate was reduced to 5%. As a result the after tax profit amounted to Rs.1.977 billion which was lower by 26% from last year.
- ix) The key operating and financial data for the last six years is annexed.
- x) Withholding Tax of Rs.12.4 million was outstanding which was deducted on the last day of the financial year. The same was subsequently deposited within due date.
- xi) The Company is in the process of formation of a subsidiary company in JLT free trade zone of Dubai, UAE in the name and style of TIPEG INTERTRADE. The proposed company shall act as marketing/trading hub between the foreign buyers and Millat Group of Companies/ local exporters. The products i.e. tractors, components and parts

thereof shall be exported direct from Pakistan and sale proceeds remitted back. TIPEG INTERTRADE shall charge indenting commission from foreign buyers against orders received through it. The Board had already approved the formation and investment in its 135th meeting held on May 21, 2012 and the shareholders approved the same in Extra Ordinary General Meeting, held on July 19, 2012. The necessary approval for remittance of equity has been obtained from State Bank of Pakistan.

- xii) The value of investments of provident, gratuity and pension funds based on their audited accounts as on June 30, 2012 were the following:

- Provident Fund	Rs. 491 million
- Gratuity Fund	Rs. 440 million
- Pension Fund	Rs. 807 million

The value of investment includes accrued interest.

- xiii) Trading of shares by Directors, CFO are as follows:

PURCHASE OF SHARES

	No. of Shares Purchased
DIRECTORS	
Mr. Sikandar Mustafa Khan	17,149
Mr. Sohail Bashir Rana	23,000
Mr. Laeeq Uddin Ansari	163,100
CFO	
Mr. Javed Munir	12,633

SALE OF SHARES

Director	No. of Shares Sold
Rana Muhammad Siddique	4,000

CODE OF CONDUCT

In order to put in place professional standards and corporate values for promotion of integrity of the Board, senior management and other employees, the board has approved and disseminated a Code of Conduct, defining therein acceptable and unacceptable behaviours. The same has also been placed on the Company's website.

RELATED PARTY TRANSACTIONS

All transactions with related parties are reviewed and approved by the Board. The Board approved pricing policy for related party transactions as disclosed in the notes to the accounts.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set

out by the Stock Exchanges in their Listing Regulations, relevant for the year ended June 30, 2012 have been duly complied with. A statement to this effect is annexed with the report.

CHAIRMAN'S REVIEW

The Directors of your Company endorse the contents of the Chairman's Review which forms part of the Directors' Report. The Board also authorized the Chief Executive to sign the Directors' Report on behalf of the Board.

PATTERN OF SHAREHOLDING

The pattern of shareholding is annexed.

NUMBER OF EMPLOYEES

The number of permanent employees as on June 30, 2012 were 457 compared to 448 of last year.



Mr. Javed Munir (Director Finance) receiving 28th Corporate Excellence Award from Dr. Abdul Hafeez Shaikh (Federal Minister for Finance)

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Company as on June 30, 2012 are annexed.

CORPORATE SOCIAL RESPONSIBILITY

Disclosure as required by the Corporate Social Responsibility General Order, 2009 is annexed and forms part of this report.

ABSTRACT(S) UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

The abstract(s) under section 218 (1) of the Companies Ordinance, 1984 is annexed, the same has previously been circulated to the shareholders.

WEB PRESENCE

Company's periodic financial statements for the current financial year including annual reports for the last three years are available on the Company's website www.millat.com.pk for information of the investors.

For and on behalf of the Board

Lahore:
August 17, 2012

Syed Muhammad Irfan Aqueel
Chief Executive

Millat Tractors Limited (MTL) Commitment Towards CSR

The Company practices active corporate citizenship through corporate philanthropy, energy conservation, environmental protection measures, community investments and welfare schemes, consumer protection measures, welfare spending for under privileged classes, industrial relations, encouragement for employment of special persons, occupational safety & health, business ethics and anticorruption measures, national cause donations, contributing to national exchequer and rural development programs. The detail of the above is as follows.

1. CORPORATE PHILANTHROPY

During the year the Company donated Rs.20 million to National Management Foundation (LUMS) and Rs.3.3 Million to Forman Christian College Lahore for its Scholarship Support program.

2. ENERGY CONSERVATION

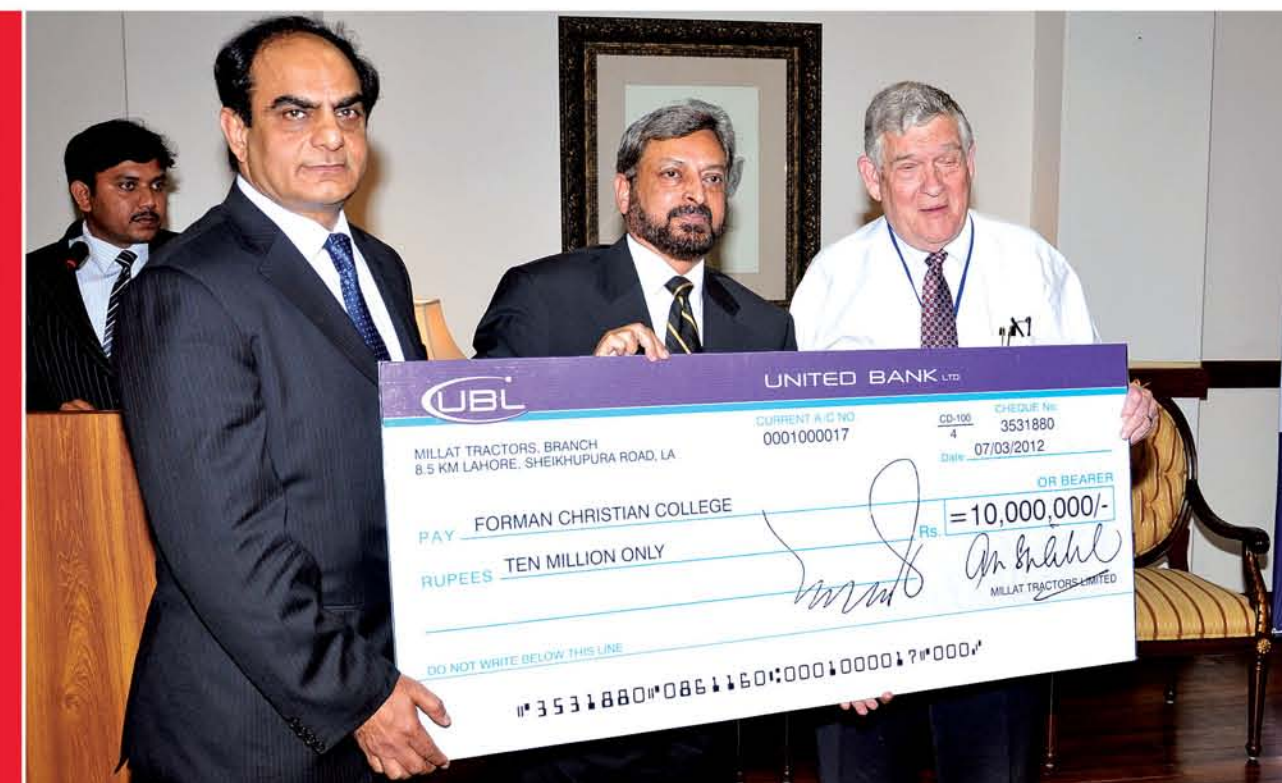
Keeping in view the over all energy crisis being faced by the country, the Company implemented all possible measures for energy conservation. Some of the steps taken by the Company are as follows.

- ◆ All air conditioners and other electrical equipment were switched off during lunch break.
- ◆ Use of electric & gas heaters were restricted.
- ◆ Electric bulbs & tubes were replaced with energy savers and LED's.

In order to overcome the prevailing energy crisis the company has installed stand by generators to have uninterrupted power supply.

3. ENVIRONMENTAL PROTECTION MEASURES

Keeping in view the significance of a healthy and pollution-free environment, MTL has a full fledged horticulture division which provides seasonal flowers for display in offices and for exhibitions. To reduce pollution and to contribute towards a greener Pakistan, MTL Horticulture actively participates in tree plantation campaigns in collaboration with Parks & Horticulture department and NGOs.



Mr. Laeeq uddin Ansari (Director) and Mr. Javed Munir (Director Finance) presenting cheque of Rs. 10 million to Forman Christian College for their scholarship support program covering a period of 3 years

4. COMMUNITY INVESTMENT AND WELFARE SCHEMES

Considering the importance of welfare of community the Company donated to various welfare organizations in this regard. During the year the Company contributed an accumulated sum of Rs.650,000/- to the following NGOs.

1. LABARD.
2. Sargodhian Spirit Trust.
3. Pakistan Society for the Welfare of Mentally Retarded Children.

5. CONSUMER PROTECTION MEASURES

The Company strives to protect its customers by providing quality products at competitive price. The products are generally related to mechanization of agriculture. The Company offers one year free service, after sale warranty and spare parts through its dealers/ workshop networks at district & Tehsil level along with prompt redressing of customer complaints. Our experts guide customers in selection of products and for economical use of products, proper maintenance and risks involved in improper usage.

6. WELFARE SPENDING FOR UNDER-PRIVILEGED CLASSES

During the year no significant contribution was made on this account.

7. INDUSTRIAL RELATIONS

The Company considers mutual trust and respect between labour and management as a key fundamental principle of employee relations and enjoys a good relationship between its management and employees. The Company has a "Employees Children Scholarship Scheme" under which top performers are rewarded with cash scholarships. During the year Rs.108,500 were given under this scheme.

The Company sends its 11 employees every year for performing Hajj at the Company's expense. So far 186 employees have performed Hajj under this scheme.

8. EMPLOYMENT OF SPECIAL PERSONS

At present five disabled persons are employed in different departments. During the year no disabled person was employed.

9. OCCUPATIONAL SAFETY AND HEALTH

The Company has a conducive environment for its employees, to work free of injury and illness. It is ensured that operations comply with applicable occupational health and safety regulations.

The employees are capable and accountable for preventing works related injuries and illnesses. The Company also requires adoption of sound occupational health and safety management practices by our suppliers & contractors. The Company also has a first aid facility for providing emergency treatment in addition to a vehicle dedicated for meeting any eventuality.

10. BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

The Company conducts all of its business according to the principles of business ethics. We are committed to conducting our business activities with honesty, and in full compliance with the laws and regulations of the state. We also believe in treating our employees with the same principles. The Company also has a Code of Conduct.

11. NATIONAL-CAUSE DONATIONS

During the year no significant contribution was made on this account.

12. CONTRIBUTION TO NATIONAL EXCHEQUER

Millat Tractors is one of the leading contributors to the National Exchequer in terms of Corporate Income Tax and other levies. All government Taxes are paid in time and the Company never defaulted in payment of Government dues. During the Year Company paid Rs.1,426 million as Corporate Tax.

13. RURAL DEVELOPMENT PROGRAMS

No significant work was done during the year under rural development program.

Abstract Under Section 218 (1) of the Companies Ordinance, 1984

The Board of Directors passed the following resolution by circulation dated December 26, 2011 for appointment of Syed Muhammad Irfan Aqueel as Chief Executive of the Company with effect from January 01, 2012. The resolution has already been circulated to shareholders u/s 218(3) of the Companies Ordinance, 1984.

1. Appointment of CEO

“Resolved that Syed Muhammad Irfan Aqueel be & is hereby appointed as Chief Executive of the Company w.e.f January 01, 2012.”

2. Fixation of Remuneration of CEO

“RESOLVED that the Board hereby approves and authorizes holding of office of profit and payment of remuneration to Syed Muhammad Irfan Aqueel, Chief Executive, not exceeding Rs.25 million per annum inclusive of perquisites and benefits but exclusive of terminal benefits and medical expenses for self and dependants. The above remuneration shall be subject to such increases, adjustments and restructuring within the approved limit including bonuses/profit share as may be granted at any time and from time to time by the Company in accordance with the Company's policy and terms of his appointment.”

“FURTHER RESOLVED that Syed Muhammad Irfan Aqueel, Chief Executive be and is hereby authorized for free use of Company maintained transport for official and private purposes and the Chairman be and is hereby authorized to determine his entitlement in this regard.”

“FURTHER RESOLVED that the Chairman be and is hereby authorized to issue necessary letter of appointment indicating terms/conditions and remuneration etc.”



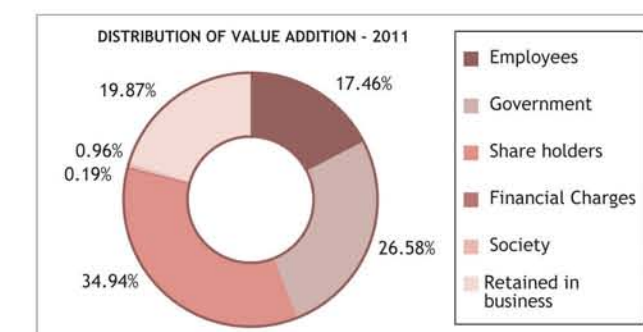
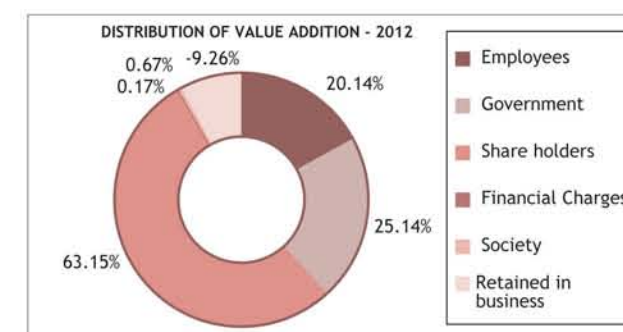
Summary of Cash Flow

(Rupees in thousand)

	2012	2011	2010	2009	2008	2007
Net Cash from / (Used in)						
Operating activities	896,969	(212,753)	4,238,512	(94,801)	1,102,493	(655,285)
Investing activities	813,277	1,669,972	(2,684,029)	1,674,909	(495,692)	(65,907)
Financing activities	(1,448,942)	(2,172,772)	(1,440,801)	(834,093)	(459,179)	(340,210)
Net increase / (decrease) in cash and cash equivalent	261,304	(715,553)	113,682	746,015	147,622	(1,061,402)
Cash and Cash equivalent at the beginning of the year	393,502	1,109,055	995,373	249,358	101,736	1,163,139
Cash and Cash equivalent at the end of the year	654,806	393,502	1,109,055	995,373	249,358	101,737

		2012	2011	2010	2009	2008	2007
PROFIT & LOSS SUMMARY							
Net sales	Rs. in thousand	20,133,130	24,863,264	22,199,909	15,910,619	11,174,014	10,961,438
Gross profit	Rs. in thousand	3,433,817	4,431,963	3,982,800	2,421,765	1,472,716	1,128,585
Operating profit	Rs. in thousand	2,639,248	3,584,625	3,143,484	1,755,736	901,101	599,022
Profit before tax	Rs. in thousand	2,875,345	3,914,284	3,336,621	1,752,332	1,120,139	840,202
Profit after tax	Rs. in thousand	1,977,618	2,670,736	2,284,498	1,215,120	810,458	636,897
Earning before interest, tax, depreciation & amortization (EBITDA)	Rs. in thousand	2,945,723	3,990,563	3,402,644	1,841,478	1,174,111	884,393
BALANCE SHEET SUMMARY							
Share capital	Rs. in thousand	366,055	366,055	292,844	234,275	187,420	187,420
General Reserves	Rs. in thousand	3,368,710	2,766,678	2,467,776	2,220,776	2,211,000	1,986,000
Property, plant & equipment	Rs. in thousand	415,926	435,516	411,759	405,618	298,219	359,443
Non current assets	Rs. in thousand	720,728	723,226	749,411	698,025	789,996	560,741
Current assets	Rs. in thousand	9,152,566	7,426,242	10,604,724	5,679,157	6,179,581	5,344,140
Current liabilities	Rs. in thousand	5,098,772	3,896,657	7,555,574	3,360,520	4,146,004	3,490,365
Net working capital	Rs. in thousand	4,053,794	3,529,585	3,049,150	2,318,637	2,033,577	1,853,775
Long term / deferred liabilities	Rs. in thousand	28,530	36,091	17,913	51,437	54,569	51,350
PROFITABILITY RATIOS							
Gross profit	%	17.06	17.83	17.94	15.22	13.18	10.30
Operating profit	%	13.11	14.42	14.16	11.03	8.06	5.46
Profit before tax	%	14.28	15.74	15.03	11.01	10.03	7.66
Net profit after tax	%	9.82	10.74	10.29	7.64	7.25	5.81
EBITDA margin	%	14.63	16.05	15.33	11.57	10.51	8.07
Operating leverage	%	1.40	1.44	2.20	1.35	17.21	(1.64)
Return on equity	%	38.31	57.41	54.49	36.05	26.67	23.69
Return on capital employed	%	38.50	57.76	54.82	36.30	27.24	24.27
Return on assets	%	27.95	45.59	28.36	25.83	15.41	13.41
LIQUIDITY RATIOS							
Current	Times	1.80 : 1	1.91 : 1	1.40 : 1	1.70 : 1	1.50 : 1	1.60 : 1
Quick / Acid test	Times	1.20 : 1	1.21 : 1	1.06 : 1	1.08 : 1	1.09 : 1	1.07 : 1
Cash to current liabilities	Times	0.13 : 1	0.10 : 1	0.15 : 1	0.30 : 1	0.06 : 1	0.03 : 1
Cash flow from operations to sales	Times	0.04 : 1	-0.01 : 1	0.19 : 1	-0.01 : 1	0.10 : 1	-0.06 : 1
ACTIVITY / TURNOVER RATIOS							
Inventory turnover ratio	Times	5.79	7.71	7.70	6.97	5.39	4.68
No. of Days in Inventory	Days	63	47	47	52	67	77
Debtor turnover ratio	Times	68.51	78.82	76.33	138.43	59.03	50.27
No. of Days in Receivables	Days	5	5	5	3	6	7
Creditor turnover ratio	Times	9.76	15.60	20.00	20.52	18.91	28.96
No. of Days in Creditors	Days	37	23	18	18	19	13
Total assets turnover ratio	Times	1.96	2.90	1.89	2.35	1.54	1.75
Fixed assets turnover ratio	Times	34.46	42.09	39.14	31.20	23.37	30.50
Operating cycle	Days	31	29	34	37	55	73
INVESTMENT / MARKET RATIOS							
Earning per share (after tax)	Rs.	54.03	72.96	62.41	41.49	34.59	33.98
Price earning	Times	8.94	8.25	7.70	6.73	7.69	9.76
Dividend yield	%	13.32	9.49	16.10	21.30	10.91	6.75
Dividend Payout ratio (after tax)	%	120.31	65.10	86.53	91.57	81.00	65.00
Dividend cover	Times	0.83	1.54	1.16	1.09	1.33	1.54
Cash Dividend per share	Rs.	65.00	47.50	65.00	45.00	32.50	22.00
Bonus per share	%	-	-	25.00	25.00	25.00	-
Market value per share:							
Year end	Rs.	482.85	601.71	480.31	279.24	266.00	331.50
During the year:							
Highest	Rs.	625.80	610.70	529.25	302.00	347.00	378.00
Average	Rs.	487.95	500.35	403.63	211.27	298.50	326.00
Lowest	Rs.	350.09	390.00	278.01	120.54	250.00	274.00
Break-up value per share (with/without surplus on revaluation of fixed assets)	Rs.	141.01	127.09	143.16	143.88	162.14	143.88
CAPITAL STRUCTURE RATIOS							
Debt to Equity ratio	Times	0 : 100	0 : 100	0 : 100	0 : 100	0 : 100	0 : 100
Financial charges coverage	Times	499.76	504.83	395.73	46.28	57.43	58.96

	2012		2011	
	(Rupees in thousand)	%	(Rupees in thousand)	%
VALUE ADDITION				
Net Sales	20,133,130		24,863,264	
Material and services	(16,837,790)		(20,566,515)	
Other income	472,618		679,561	
	3,767,958		4,976,310	
VALUE DISTRIBUTION				
Employees				
Salaries, wages and amenities	603,701	16.02	658,437	13.23
Workers' profit participation fund	154,983	4.11	210,183	4.22
	758,684	20.14	868,620	17.46
Government				
Tax	897,727	23.83	1,243,548	24.99
Workers welfare fund	49,377	1.31	79,194	1.59
	947,104	25.14	1,322,742	26.58
Shareholders				
Cash Dividend	2,379,351	63.15	1,738,757	34.94
	2,379,351	63.15	1,738,757	34.94
Financial Charges				
Finance Cost	6,408	0.17	9,562	0.19
	6,408	0.17	9,562	0.19
Society				
Donation	25,274	0.67	47,883	0.96
	25,274	0.67	47,883	0.96
Retained in Business				
Depreciation	52,870	1.40	56,767	1.14
Retained profit	(401,733)	(10.66)	931,979	18.73
	(348,863)	(9.26)	988,746	19.87
	3,767,958	100.00	4,976,310	100.00



Six Years Horizontal Analysis of Balance Sheet and Profit & Loss Account

Horizontal Analysis	2012		2011		2010	
	Rs. ('000)	Increase/ (Decrease) %	Rs. ('000)	Increase/ (Decrease) %	Rs. ('000)	Increase/ (Decrease) %
Balance Sheet Items						
Property, Plant and Equipment	415,926	(4.5)	435,516	5.8	411,759	1.5
Capital Work in Progress	168,260	8.5	155,137	(0.2)	155,476	49.0
Intangible Asset	5,871	(66.7)	17,614	(40.0)	29,357	(2.8)
Investment Property	255,708	-	255,708	(6.4)	273,203	-
Long Term Investments	288,187	(1.3)	291,907	1.3	288,187	0.4
Long Term Loans	2,702	(5.5)	2,860	(10.3)	3,188	(5.5)
Stores and Spares	68,419	(48.0)	131,559	19.0	110,599	43.2
Stock in Trade	2,986,120	15.7	2,580,293	4.2	2,475,904	19.2
Trade Debts	411,326	133.1	176,430	(61.2)	454,465	257.3
Loans and Advances	181,535	(15.7)	215,293	(10.1)	239,358	135.1
Trade Deposits and Prepayments	25,103	31.2	19,132	(16.8)	23,008	44.9
Other Receivables	1,860,958	132.2	801,351	(60.5)	2,028,902	83.1
Taxation - net	502,439	265.7	137,386	194.7	46,612	1,326.8
Short Term Investments	2,461,860	(17.1)	2,971,296	(27.8)	4,116,821	250.8
Cash and Bank balances	654,806	66.4	393,502	(64.5)	1,109,055	11.4
Total Assets	10,289,220	19.9	8,584,984	(27.0)	11,765,894	73.5
Share Holders' Equity	5,161,918	11.0	4,652,236	11.0	4,192,407	24.4
Non Current Liabilities	28,530	(20.9)	36,091	101.5	17,913	(65.2)
Current Liabilities	5,098,772	30.8	3,896,657	(48.4)	7,555,574	124.8
Total Liabilities and Equity	10,289,220	19.9	8,584,984	(27.0)	11,765,894	73.5
Profit & Loss Items						
Net Sales	20,133,130	(19.0)	24,863,264	12.0	22,199,909	39.5
Cost of Sales	16,699,313	(18.3)	20,431,301	12.2	18,217,109	35.1
Gross Profit	3,433,817	(22.5)	4,431,963	11.3	3,982,800	64.5
Distribution and marketing expenses	483,940	(10.5)	540,461	(1.2)	546,976	29.2
Administrative Expenses	310,629	1.2	306,877	5.0	292,340	20.4
Operating Profit	2,639,248	(26.4)	3,584,625	14.0	3,143,484	79.0
Other Operating Income	472,618	(30.5)	679,561	50.8	450,555	126.5
Other Operating Expenses	230,113	(32.4)	340,340	37.3	247,920	52.5
Finance Cost	6,408	(33.0)	9,562	0.7	9,498	(76.2)
Profit before Tax	2,875,345	(26.5)	3,914,284	17.3	3,336,621	90.4
Taxation	897,727	(27.8)	1,243,548	18.2	1,052,123	95.8
Profit after Tax	1,977,618	(26.0)	2,670,736	16.9	2,284,498	88.0

Horizontal Analysis	2009		2008		2007	
	Rs. ('000)	Increase/ (Decrease) %	Rs. ('000)	Increase/ (Decrease) %	Rs. ('000)	Increase/ (Decrease) %
Balance Sheet Items						
Property, Plant and Equipment	405,618	36.0	298,219	29.4	230,474	(17.5)
Capital Work in Progress	104,335	(42.0)	179,955	39.5	128,969	-
Intangible Asset	30,208	77.4	17,028	3.0	16,527	100.0
Investment Property	273,203	-	273,203	6.8	255,708	-
Long Term Investments	286,904	(9.0)	315,425	10.9	284,364	3.6
Long Term Loans	3,375	(23.0)	4,385	5.9	4,142	(7.1)
Stores and Spares	77,244	(1.3)	78,292	77.6	44,081	17.1
Stock in Trade	2,077,022	26.9	1,636,153	(11.1)	1,840,082	(19.4)
Trade Debts	127,209	23.9	102,660	(62.8)	275,953	72.3
Loans and Advances	101,790	3.8	98,082	55.3	63,163	7.0
Trade Deposits and Prepayments	15,879	104.0	7,782	46.6	5,308	(62.1)
Other Receivables	1,107,934	(5.1)	1,167,286	180.4	416,300	(17.7)
Taxation - net	3,267	(60.1)	8,198	(89.9)	80,811	-
Short Term Investments	1,173,439	(58.6)	2,831,770	13.4	2,496,300	(24.5)
Cash and Bank balances	995,373	299.2	249,358	104.2	122,142	(53.6)
Total Assets	6,782,800	(6.7)	7,267,796	16.0	6,264,324	(16.0)
Share Holders' Equity	3,370,843	10.9	3,038,879	12.7	2,696,580	12.7
Non Current Liabilities	51,437	(5.7)	54,569	6.3	51,350	(76.6)
Current Liabilities	3,360,520	(19.5)	4,174,348	18.7	3,516,394	(27.4)
Total Liabilities and Equity	6,782,800	(6.7)	7,267,796	16.0	6,264,324	(16.0)
Profit & Loss Items						
Net Sales	15,910,619	42.4	11,174,014	1.9	10,961,438	12.6
Cost of Sales	13,488,854	39.0	9,701,298	(1.3)	9,832,853	16.4
Gross Profit	2,421,765	64.4	1,472,716	30.5	1,128,585	(12.7)
Distribution and marketing expenses	423,241	17.1	361,495	4.4	346,260	73.3
Administrative Expenses	242,788	15.5	210,120	14.6	183,303	19.0
Operating Profit	1,755,736	94.8	901,101	50.4	599,022	(36.2)
Other Operating Income	198,950	(38.1)	321,608	(3.3)	332,614	25.5
Other Operating Expenses	162,530	99.2	81,574	8.1	75,437	(40.3)
Finance Cost	39,824	89.7	20,996	31.2	15,997	423.8
Profit before Tax	1,752,332	56.4	1,120,139	33.3	840,202	(21.8)
Taxation	537,212	73.5	309,681	52.3	203,305	(40.9)
Profit after Tax	1,215,120	49.9	810,458	27.3	636,897	(12.8)

Six Years Vertical Analysis of Balance Sheet and Profit & Loss Account

Vertical Analysis	2012		2011		2010	
	Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%
Balance Sheet Items						
Property, Plant and Equipment	415,926	4.0	435,516	5.1	411,759	3.5
Capital Work in Progress	168,260	1.6	155,137	1.8	155,476	1.3
Intangible Asset	5,871	0.1	17,614	0.2	29,357	0.2
Investment Property	255,708	2.5	255,708	3.0	273,203	2.3
Long Term Investments	288,187	2.8	291,907	3.4	288,187	2.4
Long Term Loans	2,702	0.0	2,860	0.0	3,188	0.0
Stores and Spares	68,419	0.7	131,559	1.5	110,599	0.9
Stock in Trade	2,986,120	29.0	2,580,293	30.1	2,475,904	21.0
Trade Debts	411,326	4.0	176,430	2.1	454,465	3.9
Loans and Advances	181,535	1.8	215,293	2.5	239,358	2.0
Trade Deposits and Prepayments	25,103	0.2	19,132	0.2	23,008	0.2
Other Receivables	1,860,958	18.1	801,351	9.3	2,028,902	17.2
Taxation - net	502,439	4.9	137,386	1.6	46,612	0.4
Short Term Investments	2,461,860	23.9	2,971,296	34.6	4,116,821	35.0
Cash and Bank balances	654,806	6.4	393,502	4.6	1,109,055	9.4
Total Assets	10,289,220	100.0	8,584,984	100.0	11,765,894	100.0
Share Holders' Equity	5,161,918	50.2	4,652,236	54.2	4,192,407	35.6
Non Current Liabilities	28,530	0.3	36,091	0.4	17,913	0.2
Current Liabilities	5,098,772	49.5	3,896,657	45.4	7,555,574	64.2
Total Liabilities and Equity	10,289,220	100.0	8,584,984	100.0	11,765,894	100.0
Profit & Loss Items						
Net Sales	20,133,130	100.0	24,863,264	100.0	22,199,909	100.0
Cost of Sales	16,699,313	82.9	20,431,301	82.2	18,217,109	82.1
Gross Profit	3,433,817	17.1	4,431,963	17.8	3,982,800	17.9
Distribution and marketing expenses	483,940	2.4	540,461	2.2	546,976	2.5
Administrative Expenses	310,629	1.5	306,877	1.2	292,340	1.3
Operating Profit	2,639,248	13.1	3,584,625	14.4	3,143,484	14.2
Other Operating Income	472,618	2.3	679,561	2.7	450,555	2.0
Other Operating Expenses	230,113	1.1	340,340	1.4	247,920	1.1
Finance Cost	6,408	0.0	9,562	0.0	9,498	0.0
Profit before Tax	2,875,345	14.3	3,914,284	15.7	3,336,621	15.0
Taxation	897,727	4.5	1,243,548	5.0	1,052,123	4.7
Profit after Tax	1,977,618	9.8	2,670,736	10.7	2,284,498	10.3

Vertical Analysis	2009		2008		2007	
	Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%
Balance Sheet Items						
Property, Plant and Equipment	405,618	6.0	298,219	4.1	230,474	3.7
Capital Work in Progress	104,335	1.5	179,955	2.5	128,969	2.1
Intangible Asset	30,208	0.4	17,028	0.2	16,527	0.3
Investment Property	273,203	4.0	273,203	3.8	255,708	4.1
Long Term Investments	286,904	4.2	315,425	4.3	284,364	4.5
Long Term Loans	3,375	0.0	4,385	0.1	4,142	0.1
Stores and Spares	77,244	1.1	78,292	1.1	44,081	0.7
Stock in Trade	2,077,022	30.6	1,636,153	22.5	1,840,082	29.4
Trade Debts	127,209	1.9	102,660	1.4	275,953	4.4
Loans and Advances	101,790	1.5	98,082	1.3	63,163	1.0
Trade Deposits and Prepayments	15,879	0.2	7,782	0.1	5,308	0.1
Other Receivables	1,107,934	16.3	1,167,286	16.1	416,300	6.6
Taxation - net	3,267	0.0	8,198	0.1	80,811	1.3
Short Term Investments	1,173,439	17.3	2,831,770	39.0	2,496,300	39.8
Cash and Bank balances	995,373	14.7	249,358	3.4	122,142	1.9
Total Assets	6,782,800	100.0	7,267,796	100.0	6,264,324	100.0
Share Holders' Equity	3,370,843	49.7	3,038,879	41.8	2,696,580	43.0
Non Current Liabilities	51,437	0.8	54,569	0.8	51,350	0.8
Current Liabilities	3,360,520	49.5	4,174,348	57.4	3,516,394	56.2
Total Liabilities and Equity	6,782,800	100.0	7,267,796	100.0	6,264,324	100.0
Profit & Loss Items						
Net Sales	15,910,619	100.0	11,174,014	100.0	10,961,438	100.0
Cost of Sales	13,488,854	84.8	9,701,298	86.8	9,832,853	89.7
Gross Profit	2,421,765	15.2	1,472,716	13.2	1,128,585	10.3
Distribution and marketing expenses	423,241	2.7	361,495	3.2	346,260	3.2
Administrative Expenses	242,788	1.5	210,120	1.9	183,303	1.7
Operating Profit	1,755,736	11.0	901,101	8.1	599,022	5.5
Other Operating Income	198,950	1.3	321,608	2.9	332,614	3.0
Other Operating Expenses	162,530	1.0	81,574	0.7	75,437	0.7
Finance Cost	39,824	0.3	20,996	0.2	15,997	0.1
Profit before Tax	1,752,332	11.0	1,120,139	10.0	840,202	7.7
Taxation	537,212	3.4	309,681	2.8	203,305	1.9
Profit after Tax	1,215,120	7.6	810,458	7.3	636,897	5.8

Pattern of Shareholding

as on June 30, 2012

Number of Shareholders	Shareholding		Number of Share Held
	From	To	
903	1	100	31,911
760	101	500	212,316
371	501	1000	281,779
623	1001	5000	1,527,496
212	5001	10000	1,503,989
71	10001	15000	876,372
49	15001	20000	862,559
30	20001	25000	675,794
17	25001	30000	466,607
16	30001	35000	525,785
5	35001	40000	188,738
5	40001	45000	213,487
10	45001	50000	479,103
12	50001	55000	638,999
2	55001	60000	112,938
5	60001	65000	313,733
1	65001	70000	66,907
7	70001	75000	495,648
4	75001	80000	312,288
1	80001	85000	83,728
4	95001	100000	396,776
1	100001	105000	103,285
1	105001	110000	108,262
2	110001	115000	227,003
1	120001	125000	125,000
1	125001	130000	125,890
1	140001	145000	145,000
1	150001	155000	150,381
1	160001	165000	162,502
1	170001	175000	170,444
1	175001	180000	179,534
2	200001	205000	405,109
1	215001	220000	215,023
2	230001	235000	464,663
2	245001	250000	499,580
1	390001	395000	394,543
1	405001	410000	408,592
1	425001	430000	428,815
1	435001	440000	438,428
2	465001	470000	939,109
1	515001	520000	519,290
2	545001	550000	1,093,001
1	580001	585000	580,566
1	585001	590000	585,937
1	705001	710000	706,590
1	805001	810000	808,937
1	1080001	1085000	1,083,620
1	1170001	1175000	1,171,875
1	11950001	12000000	1,200,000
1	14350001	14400000	1,437,860
1	16850001	16900000	1,686,470
1	18100001	18150000	1,812,500
1	18450001	18500000	1,846,517
1	29600001	29650000	2,960,614
1	31500001	31550000	3,153,515
3,148	TOTAL		36,605,408

Categories of Shareholders

	Number of Shareholders	Shares Held	Percentage
1. Directos, CEO and their spouse & minor children			
Mr. Sikandar Mustafa Khan	1	2,960,614	8.08
Syed Muhammad Irfan Aqueel	1	37,750	0.10
Mr. Latif Khalid Hashmi	1	1,812,500	4.95
Mr. Sohail Bashir Rana	1	1,930,163	5.27
Mr. Laeeq Uddin Ansari	1	2,637,860	7.21
Mian Muhammad Saleem	1	808,937	2.21
Rana Muhammad Siddique Khan	1	66,289	0.18
Mrs. Cyma Khan	1	48,478	0.13
Mrs. Ayesha Sohail	1	201,037	0.55
Mrs. Shireen Shah Aqueel	1	31,250	0.08
2. NIT and IDBP (ICPUNIT)			
National Bank of Pakistan (Trustee Department) NI (U) T FUND	4	1,148,269	3.14
National Investment Trust Limited	1	13,071	0.04
IDBP (ICP Unit)	2	99	0.00
3. Executives	273	3,571,546	9.76
4. Associated Companies, Undertaking and related parties	-	-	-
5. Public Sector Companies & Corporations	-	-	-
6. Banks, Development Financial Institution , Non-Banking			
Financial Institutions	7	726,896	1.99
Insurance Companies	6	2,920,014	7.98
Modaraba and Mutual Funds	36	852,182	2.33
7. Shareholders Holding 10% or more	-	-	-
8. General Public- Local	2737	11,367,299	31.05
9. Others			
Joint Stock Companies	49	184,894	0.51
Trust	4	1,287,067	3.52
Non-Resident Company	1	3,153,515	8.61
Others	18	845,678	2.31
	3148	36,605,408	100.00

Review Report

to the members on statement of compliance with best practices of code of corporate governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Millat Tractors Limited to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges, where the company is listed.

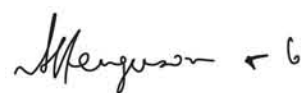
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Regulation 35 (x) of the Listing Regulations requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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



A.F.Ferguson & Co.
Chartered Accountants
Name of audit
engagement partner:
Amer Raza Mir

Lahore: Dated:
August 17, 2012

Statement of Compliance

with the code of corporate governance year ended: june 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

- | <p>1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:</p> <table border="0"><thead><tr><th>Category</th><th>Names</th></tr></thead><tbody><tr><td>Independent Director(s)</td><td>Mr. Manzoor Ahmed</td></tr><tr><td>Executive Director(s)</td><td>Mian Muhammad Saleem</td></tr><tr><td>Executive Director(s)</td><td>S.M Irfan Aqueel</td></tr><tr><td>Non-Executive Director(s)</td><td>Mr. Sikandar Mustafa Khan,
Mr. Latif Khalid Hashmi,
Mr. Sohail Bashir Rana,
Mr. Laeeq Uddin Ansari,
Rana Muhammad Siddique</td></tr></tbody></table> <p>The independent directors meet the criteria of independence under clause i (b) of the CCG.</p> | Category | Names | Independent Director(s) | Mr. Manzoor Ahmed | Executive Director(s) | Mian Muhammad Saleem | Executive Director(s) | S.M Irfan Aqueel | Non-Executive Director(s) | Mr. Sikandar Mustafa Khan,
Mr. Latif Khalid Hashmi,
Mr. Sohail Bashir Rana,
Mr. Laeeq Uddin Ansari,
Rana Muhammad Siddique | <p>9. The board arranged one training program for its directors during the year.</p> |
|--|--|-------|-------------------------|-------------------|-----------------------|----------------------|-----------------------|------------------|---------------------------|--|--|
| Category | Names | | | | | | | | | | |
| Independent Director(s) | Mr. Manzoor Ahmed | | | | | | | | | | |
| Executive Director(s) | Mian Muhammad Saleem | | | | | | | | | | |
| Executive Director(s) | S.M Irfan Aqueel | | | | | | | | | | |
| Non-Executive Director(s) | Mr. Sikandar Mustafa Khan,
Mr. Latif Khalid Hashmi,
Mr. Sohail Bashir Rana,
Mr. Laeeq Uddin Ansari,
Rana Muhammad Siddique | | | | | | | | | | |
| <p>2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable) except Mr. Manzoor Ahmed who is Director on the Boards of more than seven listed Companies.</p> | <p>10. The board ratified appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment in terms of Code of Corporate Governance, 2012.</p> | | | | | | | | | | |
| <p>3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.</p> | <p>11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.</p> | | | | | | | | | | |
| <p>4. No casual vacancy occurred in the board of directors of the Company during the year.</p> | <p>12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.</p> | | | | | | | | | | |
| <p>5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.</p> | <p>13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.</p> | | | | | | | | | | |
| <p>6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.</p> | <p>14. The company has complied with all the corporate and financial reporting requirements of the CCG.</p> | | | | | | | | | | |
| <p>7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.</p> | <p>15. The board has formed an Audit Committee. It comprises four members, of whom all are non-executive directors and the chairman of the committee is an independent director.</p> | | | | | | | | | | |
| <p>8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written</p> | <p>16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.</p> | | | | | | | | | | |
| | <p>17. The board has formed an HR and Remuneration Committee. It comprises 05 members, of whom 04 are non-executive directors and the chairman of the committee is a non-executive director.</p> | | | | | | | | | | |
| | <p>18. The board has set up an effective internal audit function, the staff is suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.</p> | | | | | | | | | | |
| | <p>19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not</p> | | | | | | | | | | |

hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore:
August 17, 2012



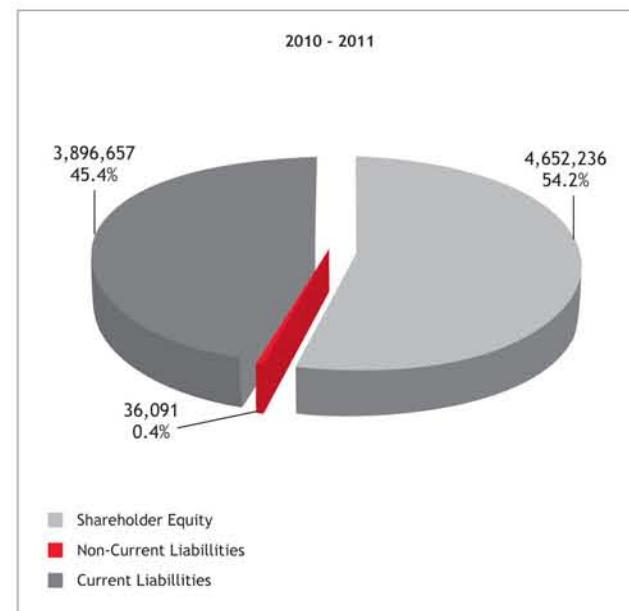
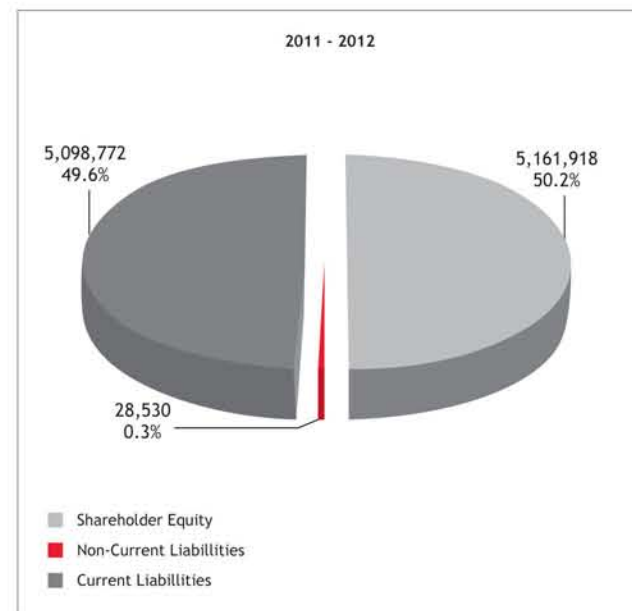
Sikandar Mustafa Khan
Chairman

Financial Statements

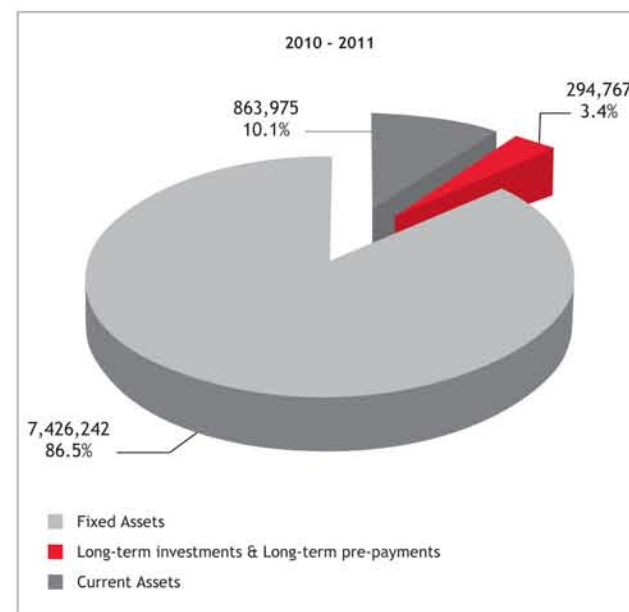
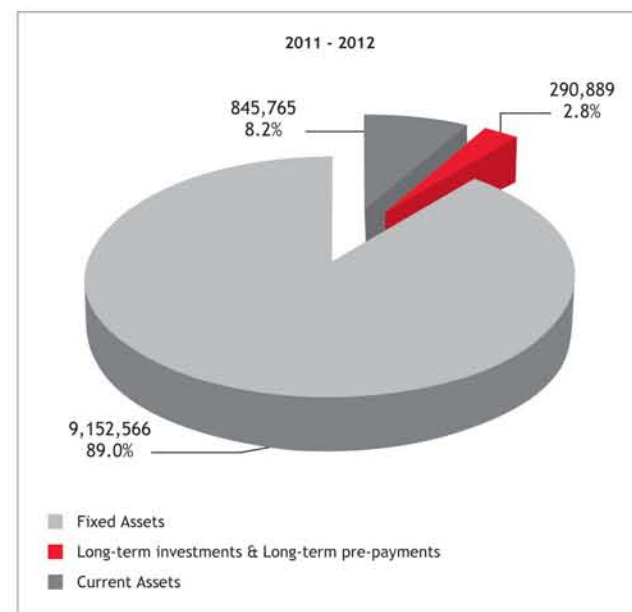
2012

Graphical Analysis of Balance Sheet

EQUITY & LIABILITIES



ASSETS



Auditors' Report to the Members

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

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

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

- (a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) In our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statements of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2012 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the central Zakat Fund established under Section 7 of that Ordinance.

A.F. Ferguson & Co.
Chartered Accountants
Name of audit
engagement partner:
Amer Raza Mir

Lahore: Dated:
August 17, 2012

Balance Sheet

As at June 30, 2012

EQUITY AND LIABILITIES

(Rupees in thousand)

	Note	2012	2011
SHARE CAPITAL AND RESERVES			
Authorised capital 50,000,000 (June 30, 2011: 50,000,000) ordinary shares of Rs. 10 each		500,000	500,000
Issued, subscribed and paid up capital	5	366,055	366,055
General reserves		3,368,710	2,766,678
Unappropriated profit		1,402,096	1,490,726
Fair value reserve		25,057	28,777
		5,161,918	4,652,236
NON-CURRENT LIABILITIES			
Security deposits	6	10,485	10,485
Deferred taxation	7	18,045	25,606
		28,530	36,091
CURRENT LIABILITIES			
Accumulating compensated absences		55,461	44,965
Trade and other payables	8	5,041,886	3,850,702
Mark-up accrued on short term borrowings		1,425	990
		5,098,772	3,896,657
CONTINGENCIES AND COMMITMENTS			
	10	-	-
		10,289,220	8,584,984

ASSETS

(Rupees in thousand)

	Note	2012	2011
NON-CURRENT ASSETS			
Property, plant and equipment	11	415,926	435,516
Capital work-in-progress	12	168,260	155,137
Intangible asset	13	5,871	17,614
Investment property	14	255,708	255,708
Long term investments	15	288,187	291,907
Long term loans - considered good	16	2,702	2,860
		1,136,654	1,158,742
CURRENT ASSETS			
Stores and spares	17	68,419	131,559
Stock-in-trade	18	2,986,120	2,580,293
Trade debts	19	411,326	176,430
Loans and advances	20	181,535	215,293
Trade deposits and prepayments		25,103	19,132
Other receivables	21	1,860,958	801,351
Taxation - net		502,439	137,386
Short term investments	22	2,461,860	2,971,296
Cash and bank balances	23	654,806	393,502
		9,152,566	7,426,242
		10,289,220	8,584,984

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



Sikandar Mustafa Khan
Chairman



Syed Muhammad Irfan Aqueel
Chief Executive

Profit & Loss Account

for the Year Ended June 30, 2012

(Rupees in thousand)

	Note	2012	2011
Sales - net	24	20,133,130	24,863,264
Cost of sales	25	16,699,313	20,431,301
Gross profit		3,433,817	4,431,963
Distribution and marketing expenses	26	483,940	540,461
Administrative expenses	27	310,629	306,877
		794,569	847,338
		2,639,248	3,584,625
Operating profit			
Other operating income	28	472,618	679,561
		3,111,866	4,264,186
Finance cost	29	6,408	9,562
Other operating expenses	30	230,113	340,340
		236,521	349,902
Profit before taxation		2,875,345	3,914,284
Taxation	31	897,727	1,243,548
Profit after taxation		1,977,618	2,670,736
Earnings per share - basic and diluted (Rupees)	35	54.03	72.96

Appropriations have been reflected in the statement of changes in equity.

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



Sikandar Mustafa Khan
Chairman



Syed Muhammad Irfan Aqueel
Chief Executive



Sikandar Mustafa Khan
Chairman



Syed Muhammad Irfan Aqueel
Chief Executive

Statement of Comprehensive Income

for the Year Ended June 30, 2012

(Rupees in thousand)

	2012	2011
Profit for the year	1,977,618	2,670,736
Unrealized (loss) / gain on revaluation of investments	(3,720)	3,720
Total comprehensive income for the year	1,973,898	2,674,456

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

Cash Flow Statement for the Year Ended June 30, 2012

(Rupees in thousand)

	Note	2012	2011
Cash flows from operating activities			
Cash generated from operations	36	2,172,910	1,113,519
Interest and mark-up paid		(5,973)	(10,456)
Net decrease in long term loans to employees		373	328
Income tax paid		(1,270,341)	(1,316,344)
Long term security deposits received		-	200
Net cash from / (used in) operating activities		896,969	(212,753)
Cash flows from investing activities			
Purchase of property, plant and equipment		(52,193)	(94,820)
Proceeds from sale of property, plant and equipment		9,586	16,555
Proceeds from sale of investment property		-	68,650
Proceeds from long term investments		20	-
Purchase of short term investments		(7,545,153)	(8,616,398)
Proceeds from sale of short term investments		8,289,277	10,207,179
Profit on bank deposits		8,450	17,737
Dividend received		103,290	71,069
Net cash from investing activities		813,277	1,669,972
Cash flows from financing activities			
Dividend paid		(1,448,942)	(2,172,772)
Net cash used in financing activities		(1,448,942)	(2,172,772)
Net increase / (decrease) in cash and cash equivalents		261,304	(715,553)
Cash and cash equivalents at the beginning of the year		393,502	1,109,055
Cash and cash equivalents at the end of the year	36.2	654,806	393,502

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

Statement of Changes in Equity for the Year Ended June 30, 2012

(Rupees in thousand)

	Share Capital	Revenue Reserves		Fair Value Reserve	Total
		General Reserves	Unappropriated Profit		
Balance as on July 1, 2010	292,844	2,467,776	1,406,730	25,057	4,192,407
Final dividend for the year ended June 30, 2010 Rs. 35 per share	-	-	(1,024,951)	-	(1,024,951)
Issue of ordinary shares of Rs. 10 each as fully paid bonus shares	73,211	-	(73,211)	-	-
Transferred from profit and loss account	-	300,000	(300,000)	-	-
Interim dividend Rs. 32.5 per share	-	(1,098)	(1,188,578)	-	(1,189,676)
Total comprehensive income for the year ended June 30, 2011	-	-	2,670,736	3,720	2,674,456
Balance as on June 30, 2011	366,055	2,766,678	1,490,726	28,777	4,652,236
Final dividend for the year ended June 30, 2011 Rs. 15 per share	-	-	(549,081)	-	(549,081)
Transferred from profit and loss account	-	900,000	(900,000)	-	-
Interim dividend Rs. 25 per share	-	(297,968)	(617,167)	-	(915,135)
Total comprehensive income for the year ended June 30, 2012	-	-	1,977,618	(3,720)	1,973,898
Balance as on June 30, 2012	366,055	3,368,710	1,402,096	25,057	5,161,918

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



Sikandar Mustafa Khan
Chairman



Syed Muhammad Irfan Aqueel
Chief Executive



Sikandar Mustafa Khan
Chairman



Syed Muhammad Irfan Aqueel
Chief Executive

Notes to the Financial Statements

for the Year Ended June 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

The company is a public limited company incorporated in Pakistan under the Companies Ordinance 1984, and is listed on the Karachi, Islamabad and Lahore Stock Exchanges. The registered office of the company is situated at Sheikhpura Road, District Sheikhpura. It is principally engaged in assembly and manufacture of agricultural tractors, implements and multi-application products.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations effective in current year

Following are the amendments that are applicable for accounting periods beginning on or after January 1, 2011:

- IAS 1 (amendment), 'Presentation of financial statements', is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. This amendment does not have a material impact on the company's financial statements.

- IAS 24 (Revised), 'Related Party Disclosures', is effective for annual periods beginning on or after January 1, 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. This does not have a material impact on the company's financial statements.

- IAS 34 (amendment), 'Interim financial reporting', is effective for annual periods beginning on or after January 1, 2011. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. This amendment does not have a material impact on the company's financial statements.

- IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement', is effective for annual periods beginning on or after January 1, 2011. IFRIC 14 provides further guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. This amendment does not have a material impact on the company's financial statements.

- IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after January 1, 2011. The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment does not have a material impact on the company's financial statements.

- IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after July 1, 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets) or where financial assets are not derecognised in their entirety. This amendment does not have any impact on the company's financial statements.

2.2.2 Standards, interpretations and amendments to published standards that are effective but not relevant to the company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning

on or after July 1, 2011 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

2.2.3 Standards, interpretations and amendments to existing standards that are applicable to the company but are not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

- IAS 1 (amendment), 'Financial statement presentation' regarding other comprehensive income is effective for periods starting from or on July 1 2012. It requires entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- IAS 12, 'Income taxes' (amendment), is effective for periods starting from or on January 1 2012.. The standard currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

- IAS 19, 'Employee benefits' was amended in June 2011. The impact will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This is not expected to have a material impact on company's financial statements.

- The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective dates:

Standards or interpretation:	Effective date (accounting periods beginning on or after)
- IFRS 7, 'Financial Instruments: Disclosure	January 01, 2013
- IFRS 9, 'Financial Instruments	January 01, 2015
- IFRS 10, 'Consolidated financial information	January 01, 2013
- IFRS 12, ' Disclosures of interest in other entities	January 01, 2013
- IFRS 13, ' Fair value measurements	January 01, 2013
- IAS 32, ' Financial instruments: Presentation	January 01, 2013
- IAS 27,' Separate financial statements	January 01, 2013
- IAS 27,' Associates and joint ventures	January 01, 2013
- IAS 32, ' Financial instruments: Presentation, on offsetting financial assets and financial liabilities	January 01, 2014
- Annual improvements 2011; IFRS 1, 'First time adoption'. IAS 1, 'Financial statement presentation'. IAS 16, 'Property plant and equipment'. IAS 32, 'Financial instruments; Presentation'. IAS 34, Interim financial reporting'	January 01, 2013

2.2.4 Standards, interpretations and amendments to existing standards that are not yet effective and not applicable to the company

Standards or interpretation:	Effective date (accounting periods beginning on or after)
- IFRS 11, 'Joint arrangements	January 01, 2013
- IFRS 1, 'First time adoption on government loans	January 01, 2013

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value. The company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

3.1 Employees' retirement benefits and other obligations

The company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.1.

3.2 Provision for taxation

The company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its views on items of material nature are in accordance with law, the amounts are shown as contingent liabilities.

3.3 Useful life and residual values of property, plant and equipment

The company reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Employees' retirement benefits and other obligations

The main features of the schemes operated by the company for its employees are as follows:

4.1.1 Defined benefit plan

4.1.1.1 Pension

The company operates a funded defined benefit pension scheme for all its eligible employees. Contributions under the scheme are made to this fund on the basis of actuarial recommendation at 17% (2011: 17%) of basic salary per annum and are charged to profit and loss account. The latest actuarial valuation for the scheme was carried out as at June 30, 2012.

The actual return on the plan assets during the year was Rs. 94,856 thousand (2011: Rs. 80,832 thousand). The actual return on plan assets represents the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

The amount recognised in balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and as reduced by the fair value of the plan assets.

The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

	2012	2011
Expected rate of increase in salary level	12%	13%
Expected rate of return	14%	12%
Discount rate	13%	14%
Average expected remaining working life of employees	7 Years	7 Years

The company's policy with regard to actuarial gains/(losses) is to follow minimum recommended approach under IAS 19 (Revised 2000) "Employee Benefits".

4.1.2 Defined contribution plans

4.1.2.1 Gratuity

The company operates an approved defined contribution funded gratuity scheme for permanent employees who joined the company before July 1, 2004. Under the scheme, based on the graduated scale, the contributions are calculated with reference to last drawn salary of the employees and are paid over to the Employees Gratuity Fund Trust. During the year, Rs. 9,915 thousand (2011: Rs. 9,302 thousand) has been recognised as an expense by the company, in respect of the scheme.

4.1.2.2 Provident fund

The company operates an approved defined contribution provident fund for all permanent employees. Equal contributions are made by employees and the company at the rate of 10 percent of basic salary per month. During the year, Rs. 9,721 thousand (2011: Rs. 8,628 thousand) has been recognised as an expense by the company, in respect of the scheme.

4.1.3 Accumulating compensated absences

The company provides for accumulating compensated absences, when the employees render services that increase their entitlement to future compensated absences and are charged to profit. During the year, Rs. 10,496 thousand (2011: Rs. 8,302 thousand) has been recognised as an expense by the company, in respect of the scheme.

4.2 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.3 Property, plant and equipment

Property, plant and equipment except for freehold and leasehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold and leasehold land is stated at cost less any identified impairment loss.

Depreciation on all items of property, plant and equipment except for leasehold office building is charged to income applying the diminishing balance method so as to write-off the depreciable amount of an asset over its useful life. Depreciation on leasehold office building is provided on a straight line basis so as to write off the depreciable amount of an asset over the life of the asset. Depreciation is being charged at the rates given in note 11. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The company continually assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognised in profit and loss account for the year. Any previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount, and the increased amount cannot exceed the carrying amount that would have been

determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit and loss account. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

4.4 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

4.5 Intangible assets

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over a period of three years.

"Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off."

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.6 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the company comprises land and is valued using the cost method, at cost less any identified impairment loss.

The company assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amount of such assets is reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in the profit and loss account for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.7 Investments and other financial assets

4.7.1 Subsidiary and associated undertakings

Investments in subsidiary and associated undertakings where the company has significant influence are carried at cost less impairment loss, if any.

At each balance sheet date, the company reviews the carrying amounts of the investments in subsidiary and associates to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. In making an estimate of recoverable amount of these investments, the management considers future dividend stream and an estimate of the terminal value of these investments. Impairment losses are recognised as expense in the income statement.

4.7.2 Others

Financial assets in the scope of IAS 39 : "Financial Instruments - Recognition and Measurement", are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets are subsequently measured

at fair value or cost as the case may be. The company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

4.7.3 Financial assets at fair value through profit or loss

Financial assets classified as held-for-trading are included in the category 'Financial assets at fair value through profit or loss'. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and are effective hedging instruments. Gains or losses on investments held for trading are recognised in income.

4.7.4 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the company has the positive intention and ability to hold to maturity and are initially measured at cost. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

4.7.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

4.7.6 Available-for-sale financial assets

The financial assets including investments in associated undertakings where the company does not have significant influence that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available-for-sale.

Investments classified as available-for-sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

At each balance sheet date, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense. In respect of 'available-for-sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognised in profit and loss account, is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

All purchases and sales of investments are recognised on the trade date which is the date that the company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

4.8 Stores and spares

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising of invoice value and other incidental charges paid thereon.

Provision for obsolete and slow-moving stores and spares is based on management estimate.

4.9 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of moving average cost and net realizable value.

Cost of raw materials and trading stock comprises the invoice value plus other charges paid thereon.

Cost of work-in-process and finished goods include direct material, labour and appropriate portion of manufacturing overheads.

Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision for obsolete and slow-moving stock-in-trade is based on management estimate.

4.10 Trade debts

Trade debts are carried at original invoice amount less an estimate for doubtful debts balances based on review of outstanding amounts at the year end. Bad debts are written off when identified.

4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash which are subject to insignificant risk of changes in values.

4.12 Revenue recognition

Revenue from sale of goods is recognised on dispatch of goods to customers.

Revenue from warranty and maintenance services is recognised on the basis of services performed to date as a percentage of total services to be performed.

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

Profit on bank deposits is recognised when earned.

Investment income is recognised when right to receive the income is established.

4.13 Research cost

These costs are charged to profit and loss account when incurred.

4.14 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

4.15 Trade and other payables

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

4.16 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and it is probable that an 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 the current best estimate.

4.17 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation are recognised in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

The financial statements are presented in Pak Rupees which is the company's functional and presentation currency.

4.18 Financial instruments

"Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument and de-recognised when the company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year."

All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.19 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.20 Dividend and appropriations

Dividend distribution to the company's shareholders is recognised as a liability in the period in which the dividends are approved.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of Shares			(Rupees in thousand)	
2012	2011		2012	2011
2,542,857	2,542,857	ordinary shares of Rs 10 each fully paid in cash	25,429	25,429
		ordinary shares of Rs 10 each issued as fully paid bonus shares		
34,062,551	26,741,469	- Opening balance	340,626	267,415
-	7,321,082	- Issued during the year	-	73,211
34,062,551	34,062,551		340,626	340,626
36,605,408	36,605,408		366,055	366,055

6. SECURITY DEPOSITS

These represent security deposits from dealers which, by virtue of agreement, are interest free and used in company's business. These are repayable on cancellation of dealership contract with dealers.

7. DEFERRED TAXATION

The liability for deferred tax comprises temporary differences relating to:

	(Rupees in thousand)	
	2012	2011
Taxable temporary differences		
Accelerated tax depreciation	40,784	43,457
Change in fair value of short term investments	9,492	15,120
Deductible temporary differences		
Others - Provision for doubtful receivables / accumulating compensated absences	(32,231)	(32,971)
Net deferred tax liability at the year end	18,045	25,606

(Rupees in thousand)

	Deferred Tax Liability		Deferred Tax Asset	Net Liability
	Accelerated Tax Depreciation	Change in fair value of short term investments	Others	
Balance as at July 1, 2010	39,201	-	(31,573)	7,628
Charged/(credited) to profit and loss account	4,256	15,120	(1,398)	17,978
Balance as at June 30, 2011	43,457	15,120	(32,971)	25,606
(Credited) / charged to profit and loss account	(2,673)	(5,628)	740	(7,561)
Balance as at June 30, 2012	40,784	9,492	(32,231)	18,045

8. TRADE AND OTHER PAYABLES

(Rupees in thousand)

	Note	2012	2011
Trade creditors	8.1	1,900,193	1,521,484
Accrued liabilities		124,758	164,567
Bills payable		221,593	106,443
Advances from customers	8.2	2,469,431	1,623,887
Security deposits	8.3	5,104	5,029
Trademark fee payable		85,572	135,537
Income tax deducted at source		12,366	17,805
Workers' Profit Participation Fund	8.4	(5,017)	5,183
Workers' Welfare Fund		60,706	90,523
Unclaimed dividends		112,871	97,597
Others		54,309	82,647
		5,041,886	3,850,702

- 8.1 Creditors include balances due to related parties amounting to Rs. 235,743 thousand (2011: Rs. 172,075 thousand).
- 8.2 These represent advances from customers against sale of tractors and carry no mark-up.
- 8.3 These represent security deposits from contractors which, by virtue of agreement, are interest free, repayable on demand and are used in the company's business.

8.4 Workers' Profit Participation Fund

(Rupees in thousand)

	Note	2012	2011
Opening balance		5,183	23,227
Allocation for the year	30	154,983	210,183
		160,166	233,410
Less: Payments made during the year		(165,183)	(228,227)
Closing balance		(5,017)	5,183

9. SHORT TERM BORROWINGS

Short term borrowings are available from various banks against aggregate sanctioned limit of Rs. 1,799,000 thousand (2011: Rs. 2,000,000 thousand). The rates of mark-up range from 34.08 paisas to 34.36 paisas (2011: 36.08 paisas to 39.45 paisas) per Rs. 1,000 per day.

The company has facilities for opening of letters of credit and guarantees aggregating to Rs. 2,470,000 thousand (2011: Rs. 2,914,000 thousand) out of which Rs. 1,104,780 thousand (2011: Rs. 1,696,902 thousand) remained unutilized at the end of the year.

These facilities are secured by pari passu hypothecation charge over stocks and book debts of the company, lien over import documents and counter guarantees of the company.

10. CONTINGENCIES AND COMMITMENTS

Contingencies

- 10.1 The company has given guarantee amounting to Rs. 5,000 thousand to the bank for repayment of loan by employees. An amount of Rs. 2,254 thousand (2011: Rs. 1,777 thousand) was utilized by employees as at June 30, 2012.
- 10.2 Guarantees issued by the banks on behalf of the company in the normal course of business amount to Rs. 242,879 thousand (2011: Rs. 240,098 thousand).
- 10.3 The company is defending a counter suit for Rs. 19,579 thousand, filed in previous years by an ex-vendor on account of damages and inconvenience. The management and the legal advisor are confident that outcome of the case would be in the company's favour and no loss is likely to occur, hence no provision there against has been made in these financial statements. The case is pending in the Civil Court, Lahore.

Commitments

- 10.4 Commitments in respect of outstanding letters of credit amount to Rs. 1,340,000 thousand (2011: Rs. 977,000 thousand) at the balance sheet date.
- 10.5 Commitments in respect capital expenditure amount to Rs. Nil (2011: Rs. 8,942 thousand) at the balance sheet date.

11. PROPERTY, PLANT AND EQUIPMENT

(Rupees in thousand)

	Land		Buildings		Plant & Machinery
	Freehold	Lesshold	On Freehold land	On Lesshold land	
Net carrying value basis					
Year ended June 30, 2012					
Opening net book value (NBV)	58,307	8	33,813	146	186,068
Additions (at cost)	-	-	-	-	9,274
Disposals / write offs (at NBV)	-	-	-	-	(129)
Depreciation charge	-	-	(3,049)	(146)	(19,187)
Closing net book value (NBV)	58,307	8	30,764	-	176,026
Gross carrying value basis					
As at June 30, 2012					
Cost	58,307	8	170,978	2,900	428,222
Accumulated depreciation	-	-	(140,214)	(2,900)	(252,196)
Net book value (NBV)	58,307	8	30,764	-	176,026
Depreciation rate % per annum	-	-	5-10	5	10
Net carrying value basis					
Year ended June 30, 2011					
Opening net book value (NBV)	58,307	8	40,453	291	168,338
Additions (at cost)	-	-	-	-	37,128
Disposals (at NBV)	-	-	(2,944)	-	(26)
Depreciation charge	-	-	(3,696)	(145)	(19,372)
Closing net book value (NBV)	58,307	8	33,813	146	186,068
Gross carrying value basis					
As at June 30, 2011					
Cost	58,307	8	170,978	2,900	420,363
Accumulated depreciation	-	-	(137,165)	(2,754)	(234,295)
Net book value (NBV)	58,307	8	33,813	146	186,068
Depreciation rate % per annum	-	-	5-10	5	10

(Rupees in thousand)

	Furniture & Office Equipment	Vehicles	Tools & Equipments	Computers	Total
	Net carrying value basis				
Year ended June 30, 2012					
Opening net book value (NBV)	22,760	105,871	23,592	4,951	435,516
Additions (at cost)	5,720	21,285	1,869	922	39,070
Disposals / write offs (at NBV)	(343)	(5,318)	-	-	(5,790)
Depreciation charge	(2,813)	(22,259)	(3,620)	(1,796)	(52,870)
Closing net book value (NBV)	25,324	99,579	21,841	4,077	415,926
Gross carrying value basis					
As at June 30, 2012					
Cost	51,902	195,680	74,567	20,729	1,003,293
Accumulated depreciation	(26,578)	(96,101)	(52,726)	(16,652)	(587,367)
Net book value (NBV)	25,324	99,579	21,841	4,077	415,926
Depreciation rate % per annum	10-20	20	10-15	33	
Net carrying value basis					
Year ended June 30, 2011					
Opening net book value (NBV)	23,182	91,829	23,758	5,593	411,759
Additions (at cost)	2,462	50,481	3,744	1,344	95,159
Disposals (at NBV)	(110)	(11,555)	-	-	(14,635)
Depreciation charge	(2,774)	(24,884)	(3,910)	(1,986)	(56,767)
Closing net book value (NBV)	22,760	105,871	23,592	4,951	435,516
Gross carrying value basis					
As at June 30, 2011					
Cost	47,368	187,933	72,698	19,807	980,362
Accumulated depreciation	(24,608)	(82,062)	(49,106)	(14,856)	(544,846)
Net book value (NBV)	22,760	105,871	23,592	4,951	435,516
Depreciation rate % per annum	10-20	20	10-15	33	

11.1 Disposal of property, plant and equipment

(Rupees in thousand)

Particulars of Assets	Sold to	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal
Vehicles	Employees					
	Mr. Shaukat Shaikh	1,557	875	682	682	Company car scheme
	Mr. Qasim Saeed	1,199	579	620	620	Company car scheme
	Mr. Qasim Saeed	969	605	364	365	Company car scheme
	Mr. Athar Zubair	831	611	220	220	Company car scheme
	Mr. Mahmood Khan	707	369	338	338	Company car scheme
	Mr. Ahmad Shaheer	671	121	550	550	Company car scheme
	Mr. Syed Faizan Ali	671	149	522	522	Company car scheme
	Mr. Syed Nissar Abbas	625	271	354	354	Company car scheme
	Mr. Saif Ullah Amin	604	314	290	290	Company car scheme
	Mr. Sajid Hussain	434	287	147	147	Company car scheme
	Mr. Imran Saeed	390	287	103	103	Company car scheme
	Mr. Junaid Abbas	76	3	73	73	Company motorcycle scheme
	Mr. Rao Sajjad Jan	71	20	51	51	Company motorcycle scheme
	Mr. Umair Sadiq	71	21	50	50	Company motorcycle scheme
	Others with book value less than Rs. 50,000	1,668	1,028	640	638	Company motorcycle scheme
	Others					
	Mr. Muhammad Ashraf	396	328	68	372	Auction
	Mr. Iftikhar Ahmed Babar	639	610	29	510	Auction
	Mr. Tariq Mehmood	449	448	1	400	Auction
	Mr. Saif Ur Rehman	322	266	56	358	Auction
	Mr. Gul Zareen Khan	459	338	121	457	Auction
	Mr. Ali Aslam Rao	729	690	39	706	Auction
Electric Sub Station						
Mr. Javed Akhtar	1,415	1,286	129	1,190	Auction	
Office Equipments						
Appolo Telecom	1,186	843	343	590	Negotiation	

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

(Rupees in thousand)

	Note	2012	2011
Cost of sales	25	30,791	32,080
Distribution and marketing expenses	26	6,905	7,270
Administrative expenses	27	15,174	17,417
		52,870	56,767

12. CAPITAL WORK-IN-PROGRESS

(Rupees in thousand)

	2012	2011
Plant and machinery	11,853	-
Advance for purchase of office space	151,830	151,830
Others	4,577	3,307
	168,260	155,137

13. INTANGIBLE ASSET

(Rupees in thousand)

		ERP Software	
	Note	2012	2011
Net carrying value basis			
Opening net book value (NBV)		17,614	29,357
Amortisation charge	27	(11,743)	(11,743)
Closing net book value (NBV)		5,871	17,614
Gross carrying value basis			
Cost		35,228	35,228
Accumulated amortisation		(29,357)	(17,614)
Net book value (NBV)		5,871	17,614
Rate of amortisation		33%	33%

14. INVESTMENT PROPERTY

(Rupees in thousand)

	2012	2011
Land	258,444	273,203
Disposals	-	(14,759)
	258,444	258,444
Provision for impairment	(2,736)	(2,736)
	255,708	255,708

Based on the valuation carried out by an independent valuer as at June 30, 2012, the fair value of investment property is Rs. 364,234 thousand (2011: Rs. 353,625 thousand).

15. LONG TERM INVESTMENTS

(Rupees in thousand)

	2012	2011
Investment in related parties		
In subsidiary undertaking		
Unquoted		
Millat Industrial Products Limited		
5,737,500 (2011: 5,737,500) fully paid ordinary shares of Rs. 10/- each Equity held 64.09% (2011: 64.09%) Value of investment based on net assets as shown in the audited accounts as at June 30, 2012 is Rs. 143,784 thousand	57,375	57,375
In associated companies		
Quoted		
Bolan Castings Limited		
4,824,527 (2011: 4,824,527) fully paid ordinary shares of Rs. 10/- each Equity held 46.26% (2011: 46.26%). Market Value as at June 30, 2012 is Rs. 183,332 thousand 2011: Rs. 236,402 thousand)	76,610	76,610
Unquoted		
Millat Equipment Limited		
11,700,000 (2011: 11,700,000) fully paid ordinary shares of Rs. 10/- each Equity held 45% (2011: 45%) Value of investment based on net assets as shown in the audited accounts as at June 30, 2011 is Rs. 384,732 thousand	117,000	117,000
Arabian Sea Country Club Limited		
500,000 (2011: 500,000) fully paid ordinary shares of Rs. 10/- each Equity held 6.45% (2011: 6.45%) Value of investment based on the net assets shown in the audited accounts as at June 30, 2010 is Rs. 12,020 thousand (2009: Rs. 10,575 thousand). Less: Impairment loss	5,000 (5,000)	5,000 (5,000)
	-	-

(Rupees in thousand)

	Note	2012	2011
Brought Forward			
Agrimall (Private) Limited			
Nil (2011: 2,000) fully paid ordinary shares of Rs.10/- each Equity held 0% (2011: 20%) Value of investment based on the net assets shown in the audited accounts as at June 30, 2008 is Rs.Nil (2007: Rs. Nil) Less: Impairment loss	15.1	- -	20 (20)
Other investment - Available-for-sale			
Quoted			
Baluchistan Wheels Limited			
1,282,825 (2011: 1,282,825) fully paid ordinary shares of Rs. 10/- each Surplus on revaluation of investment Market value as at June 30		12,145 25,057 37,202	12,145 28,777 40,922
		288,187	291,907

15.1 Investment in Agrimall (Private) Limited has been withdrawn as per the decision of the Members of the Company. An amount of Rs. 20,000 has been received in cash.

16. LONG TERM LOANS - CONSIDERED GOOD

(Rupees in thousand)

	Note	2012	2011
Loan to related party	16.1	-	900
Loan to employees:			
Company loan	16.2	2,413	1,976
Motor cycle loan	16.3	1,930	1,472
Less: Current portion included in current assets	20	(1,641)	(1,488)
		2,702	1,960
		2,702	2,860

16.1 Unsecured loan bearing mark-up at the rate of 15% (2011: 15%) per annum was advanced to Agrimall (Private) Limited, an associated undertaking engaged in agricultural business and acting inter alia as a dealer of the company. The loan was to be exclusively used for promotion of the company's products. The maximum aggregate amount due at the end of any month amounts to Rs. 900 thousand (2011: Rs. 900 thousand). The loan has been recovered.

16.2 This represents interest free loans to employees secured against their gratuity and provident fund balances. These loans are repayable in monthly installments over a period of 2 years.

16.3 This represents interest free loans to employees for purchase of motor cycles secured by joint registration of motor cycles in the name of the company and employees. These loans are repayable in monthly installments over a period of 5 years.

16.4 Reconciliation of carrying amount of loans to executives:

(Rupees in thousand)

	Balance as at July 1, 2011	Disbursement during the year	Repayments during the year	Balance as at June 30, 2012
Due from Executives	12	6,565	4,875	1,702

17. STORES AND SPARES

Most of the items of stores and spares are of inter-changeable nature and can be used as machine spares or consumed as stores. Accordingly, it is not practical to distinguish stores from spares until their actual usage.

18. STOCK - IN - TRADE

(Rupees in thousand)

	2012	2011
Raw materials (including in transit of Rs. 363,355 thousand; 2011: Rs. 291,740 thousand)	2,589,652	2,229,777
Work-in-process	98,218	88,269
Finished goods :		
Manufacturing	224,414	194,513
Trading	66,143	60,623
Others	7,693	7,111
	2,986,120	2,580,293

Included in stocks are raw materials and components held with third parties amounting to Rs. 100,855 thousand (2011: Rs. 71,042 thousand).

19. TRADE DEBTS

(Rupees in thousand)

	Note	2012	2011
Trade debts - Considered good	19.1	411,326	176,430
- Considered doubtful		-	12,605
		411,326	189,035
Less: Provision for doubtful debts		-	(12,605)
		411,326	176,430

All debts are unsecured except for Rs. 1,481 thousand (2011: Rs. 284 thousand) which are secured against deposits.

19.1 Trade debts include balances due from related parties, namely, Millat Equipment Limited, Millat Industrial Products Limited and Bolan Castings Limited amounting to Rs. 14,254 thousand (2011: Rs. 35,093 thousand), Rs. Nil (2011: Rs. 5,758) and Rs. 974 thousand (2011: Rs. Nil) respectively

20. LOANS AND ADVANCES

(Rupees in thousand)

	Note	2012	2011
Current portion of long term loans to employees	16	1,641	1,488
Advances to employees - Considered good	20.1	3,876	1,500
Advances to suppliers - Considered good	20.2	171,870	174,295
- Considered doubtful		2,485	2,485
Less: Provision for doubtful advances		(2,485)	(2,485)
		-	-
Letter of credit opening charges		4,148	38,010
		181,535	215,293

20.1 Included in advances to employees are amounts due from the Chief Executive Rs. 89 thousand (2011: Rs. nil) and Directors Rs. 236 thousand (2011: Rs. nil) in respect of travel advance.

The maximum aggregate amount at the end of any month during the year due from the Chief Executive is Rs. 281 thousand (2011: Rs. 215 thousand) and Directors Rs. 1,288 thousand (2011: Rs. 647 thousand) in respect of travel advance.

20.2 Advances to suppliers include advances to vendors of Rs. 148,873 thousand (2011: Rs. 74,041 thousand) which carry mark-up of 15% - 18% per annum. Included in advances to vendors are advances to related parties, namely, Millat Equipment Limited, Agro Craft (Private) Limited and Bismillah Industries of Rs. Nil (2011: Rs. 2,200 thousand), Rs. 34 thousand (2011: Rs. nil) and Rs. 1,781 thousand (2011: Rs. 339 thousand) respectively.

21. OTHER RECEIVABLES

(Rupees in thousand)

	Note	2012	2011
Special excise duty recoverable		265,293	265,293
Sales tax recoverable		1,417,986	410,762
Less : Provision for doubtful claims		(34,147)	(34,147)
		1,383,839	376,615
Claims receivable from foreign suppliers		95,130	73,078
Profit/interest accrued	21.1	2,500	1,396
Pension fund	21.2	114,196	84,969
		1,860,958	801,351

21.1 Profit/interest accrued

(Rupees in thousand)

	2012	2011
On bank deposits	2,500	1,260
On loan to associate	-	136
	2,500	1,396

21.2 Pension fund

(Rupees in thousand)

	2012	2011
This comprises:		
Present value of defined benefit obligation	(638,562)	(544,061)
Fair value of plan assets	807,037	731,550
Unrecognized actuarial (gains) - net	(54,279)	(102,520)
Asset recognized in the balance sheet	114,196	84,969

Charge for the year

(Rupees in thousand)

	2012	2011
Salaries, wages and amenities include the following in respect of employees' pension scheme:		
Current service cost	11,987	12,109
Interest cost	76,168	62,199
Expected return on plan assets	(102,417)	(80,040)
Net actuarial gain recognized in the year	(4,195)	(2,111)
	(18,457)	(7,843)

The movement in present value of defined benefit obligation is as follows:

(Rupees in thousand)

	2012	2011
Present value of defined benefit obligation as at July 1	544,061	518,328
Interest cost	76,168	62,199
Current service cost	11,987	12,109
Benefits paid	(30,140)	(26,215)
Actuarial loss/(gain)	36,486	(22,360)
Present value of defined benefit obligation as at June 30	638,562	544,061

The movement in fair value of plan assets is as follows:

(Rupees in thousand)

	2012	2011
Fair value of plan assets as at July 1	731,550	667,000
Expected return on assets	102,417	80,040
Contributions	10,770	9,934
Benefits paid	(30,140)	(26,215)
Actuarial (loss)/gain	(7,560)	791
Fair value of plan assets as at June 30	807,037	731,550
Actual return on plan assets	94,857	80,831
Plan assets comprise:		
Saving Certificates	58,000	58,000
Bonds, mutual funds and Term Deposit Receipts	748,717	673,422
Cash	320	128
	807,037	731,550

Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of pension fund is as follows:

(Rupees in thousand)

As at June 30	2012	2011	2010	2009	2008
Present value of defined benefit obligation	638,562	544,061	518,328	483,464	428,585
Fair value of plan assets	807,037	731,550	667,000	602,621	536,159
Surplus	168,475	187,489	148,672	119,157	107,574
Experience adjustment on obligation	36,486	(22,360)	(13,040)	4,584	3,033
Experience adjustment on plan assets	(7,560)	791	4,238	9,590	4,014

22. SHORT TERM INVESTMENTS

(Rupees in thousand)

	2012	2011
Financial asset at fair value through profit and loss	2,366,944	2,820,099
Surplus on revaluation of investment	94,916	151,197
Market value as at June 30	2,461,860	2,971,296

Short term investments represent investments in mutual funds as disclosed in note 37.

23. CASH AND BANK BALANCES

(Rupees in thousand)

	2012	2011
In hand:		
Cash	1,283	580
At banks:		
Current accounts	429,302	261,362
Saving accounts	224,221	131,560
	654,806	393,502

The saving accounts bear mark-up at the rate of 5% - 10.5% (2011: 5% - 10.5%) per annum.

24. SALES - NET

(Rupees in thousand)

	2012	2011
Local		
Tractors	20,579,856	25,777,259
Implements	54,422	21,051
Multi-application products	394,255	392,955
Trading goods	242,147	257,366
Warranty and maintenance services	-	33,069
	21,270,680	26,481,700
Less: Discount	(23,387)	(213,122)
	21,247,293	26,268,578
Less: Sales tax and special excise duty	(1,624,060)	(1,316,190)
	19,623,233	24,952,388
Export		
Tractors	715,976	196,659
Implements	-	43
Trading goods	5,197	-
	721,173	196,702
	20,344,406	25,149,090
Less: Commission	(211,276)	(285,826)
	20,133,130	24,863,264

25. COST OF SALES

(Rupees in thousand)

	Note	2012	2011
Components consumed		15,917,197	19,527,148
Salaries, wages and amenities	25.1	232,847	241,832
Contract services		134,533	169,096
Fuel and power		67,535	72,168
Communication		213	331
Travelling and vehicle running		12,902	12,420
Printing and stationery		1,867	718
Insurance		10,340	12,800
Repairs and maintenance		70,722	65,466
Stores and spares consumed		81,947	94,604
Depreciation	11.2	30,791	32,080
Other expenses		13,792	21,513
		16,574,686	20,250,176
Add: Opening work-in-process		88,269	220,048
Less: Closing work-in-process		(98,218)	(88,269)
(Decrease)/increase in work-in-process		(9,949)	131,779
Cost of goods manufactured		16,564,737	20,381,955
Add: Opening finished goods		194,513	75,099
Less: Closing finished goods		(224,414)	(194,513)
Decrease in finished goods stock		(29,901)	(119,414)
Cost of sales - manufactured		16,534,836	20,262,541
Cost of sales - trading	25.2	164,477	168,760
		16,699,313	20,431,301

25.1 Salaries, wages and amenities include Rs. (7,123) thousand (2011: Rs. (2,957) thousand) in respect of pension expense.

25.2 Cost of sales - trading

(Rupees in thousand)

	2012	2011
Opening stock	60,623	50,013
Purchases	169,997	179,370
Closing stock	(66,143)	(60,623)
Cost of goods sold	164,477	168,760

26. DISTRIBUTION AND MARKETING EXPENSES

(Rupees in thousand)

	Note	2012	2011
Salaries and amenities	26.1	64,998	65,167
Contract services		13,278	16,474
Fuel and power		6,585	4,782
Communication		523	493
Travelling and vehicle running		14,303	11,059
Printing and stationery		2,525	6,305
Insurance		4,882	5,879
Trademark fee		250,205	286,877
Advertisement and sales promotion		14,553	11,700
Depreciation	11.2	6,905	7,270
Meeting/convention		8,790	12,576
After sales support		86,864	103,141
Research cost		225	-
Other expenses		9,304	8,738
		483,940	540,461

26.1 Salaries and amenities include Rs. (2,798) thousand (2011: Rs. (992) thousand) in respect of pension expense.

27. ADMINISTRATIVE EXPENSES

(Rupees in thousand)

	Note	2012	2011
Salaries and amenities	27.1	139,803	143,576
Contract services		18,242	22,292
Fuel and power		10,812	8,781
Communication		4,529	4,840
Travelling and vehicle running		20,082	20,167
Insurance		4,224	5,090
Repairs and maintenance		11,013	6,851
Security		11,318	8,298
Legal and professional	27.2	10,067	9,459
Depreciation	11.2	15,174	17,417
Amortization of intangible asset	13	11,743	11,743
Provision for impairment		-	2,736
Rent, rates and taxes		5,422	5,654
Fee and subscription		2,560	4,700
Entertainment		3,728	3,076
Bad debts written off		6,027	1,841
Other expenses		35,885	30,356
		310,629	306,877

27.1 Salaries and amenities include Rs. (8,536) thousand (2011: Rs. (3,895) thousand) in respect of pension expense.

27.2 Legal and professional expenses include following in respect of auditors' services:

(Rupees in thousand)

	2012	2011
Statutory audit	1,210	1,100
Half year review	150	150
Special reports and sundry certifications	348	281
Out of pocket expenses	83	75
	1,791	1,606

28. OTHER OPERATING INCOME

(Rupees in thousand)

	2012	2011
Income from financial assets		
Dividend income	2,566	1,604
Return on bank deposits	9,690	18,997
Gain on sale of short term investments	139,772	294,059
Change in fair value of short term investments	94,916	151,197
Interest charged on early payments and advances	73,867	47,625
	320,811	513,482
Income from investment in associates and loans to related parties		
Dividend income from Millat Equipment Limited	87,750	58,500
Dividend income from Millat Industrial Products Limited	5,737	-
Dividend income from Bolan Castings Limited	7,237	10,965
Interest income on loan to Agrimall (Private) Limited	79	131
	100,803	69,596
Income from assets other than financial assets		
Rental income	5,009	4,952
Scrap sales	26,136	26,534
Exchange gain	4,683	4,700
Gain on disposal of property, plant and equipment	3,796	5,000
Gain on disposal of investment property	-	53,891
Others	11,380	1,406
	51,004	96,483
	472,618	679,561

29. FINANCE COST

(Rupees in thousand)

	2012	2011
Mark-up on short term running finance - secured	5,765	7,769
Bank charges and commission	643	1,793
	6,408	9,562

30. OTHER OPERATING EXPENSES

(Rupees in thousand)

	Note	2012	2011
Workers' profit participation fund	8.4	154,983	210,183
Workers' welfare fund		49,377	79,194
Donations	30.1	25,274	47,883
Property, plant and equipment written-off		-	3,080
Advertising and promotion		479	-
		230,113	340,340

30.1 None of the directors were interested in the donee institutions.

31. TAXATION

(Rupees in thousand)

	2012	2011
For the year		
- Current	870,807	1,243,372
- Deferred	(7,561)	17,978
	863,246	1,261,350
Prior years		
- Current	34,481	(17,802)
	897,727	1,243,548

31.1 Numerical reconciliation between average effective tax rate and the applicable tax rate

%

	2012	2011
Applicable tax rate	35.00	35.00
- Effect of change in prior year	1.20	(0.45)
- Income exempt for tax purposes	(0.01)	(0.53)
- Income chargeable to tax at lower rate	(4.29)	(3.67)
- Others	(0.68)	1.43
	(3.78)	(3.23)
Average effective tax rate	31.22	31.77

32. EVENTS AFTER BALANCE SHEET DATE

Dividend declared by the company after the balance sheet date amounts to Rs. 1,464,216 thousand (Rs. 40 per share) { 2011: Rs. 549,081 thousand (Rs. 15 per share)}, while appropriation to general reserves and for issuance of bonus shares made after the balance sheet date amount to Rs. Nil and Rs. Nil respectively (2011: Rs. 900,000 thousand and Rs. Nil respectively).

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for the year for remuneration including certain benefits to the Chief Executive, directors and executives of the company are as follows:

(Rupees in thousand)

	Chief Executive		Directors				Executives	
	2012	2011	2012		2011		2012	2011
			NED	ED	NED	ED		
Number of persons	2*	1	6**		0	5	46	29
Remuneration	3,865	2,447	3,687	8,662	-	8,438	35,419	20,708
Cost of living allowance	1,526	2,447	2,947	9,838	-	8,345	27,952	17,078
Bonus	1,175	960	-	4,508	-	3,679	12,553	7,758
House rent	1,739	1,101	1,659	3,901	-	3,800	12,270	7,421
Contribution to provident fund and gratuity funds	779	717	-	156	-	122	8,513	5,247
Pension contribution	259	416	-	17	-	16	4,752	2,903
Medical expenses	114	80	275	1,078	-	629	3,515	1,879
Utilities	249	325	304	1,674	-	1,603	4,037	2,589
Other reimbursable expenses	1,264	1,331	992	4,911	-	4,366	8,888	6,023
	10,970	9,824	9,864	34,745	-	30,998	117,899	71,606

* During the year, Mr. Syed Muhammad Irfan Aqueel was appointed as the Chief Executive with effect from January 01, 2012 in place of Mr. Laeeq-uddin Ansari.

** During the year, Executive Directors Mr. Latif Khalid Hashmi, Mr. Sohail Bashir Rana, Mr. Sikandar Mustafa Khan and Mr. Laeeq-uddin Ansari were appointed as Non-Executive Directors with effect from April 11, 2012.

The company also provides the Chief Executive, directors and certain employees with free use of company maintained cars and residential telephones.

33.1 Remuneration to other directors

Aggregate amount charged to profit and loss account for the year in respect of fee to two directors (2011: two directors) was Rs.180 thousand (2011: Rs. 126 thousand) and travelling expenses Rs. 296 thousand (2011: Rs. 370 thousand).

34. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise subsidiary, associated companies, companies in which directors are interested, staff retirement funds, directors and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 33. Other significant transactions with related parties are as follows:

(Rupees in thousand)

		2012	2011
Relation with undertaking	Nature of transaction		
Subsidiary	Sale of goods	1,613	6,758
	Purchase of components	167,129	150,724
	Dividend income	5,737	-
Associates	Sale of goods	69,929	44,571
	Purchase of components	3,485,389	4,101,233
	Dividend income	94,987	49,465
	Sale of investment property	-	68,650
Retirement benefit plans	Contribution to staff retirement benefit plans	19,899	19,510

35. EARNINGS PER SHARE

35.1 Basic earnings per share

Earnings per share are calculated by dividing the net profit for the year by weighted average number of shares outstanding during the year as follows:

		2012	2011
Profit for the year after tax	(Rupees in thousands)	1,977,618	2,670,736
Average ordinary shares in issue	(Numbers)	36,605,408	36,605,408
Earnings per share	(Rupees)	54.03	72.96

35.2 Diluted earnings per share

No figure for diluted earnings per share has been presented as the company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

36. CASH GENERATED FROM OPERATIONS

(Rupees in thousand)

	Note	2012	2011
Profit before taxation		2,875,345	3,914,284
Adjustment for:			
Depreciation on property, plant and equipment		52,870	56,767
Amortization of intangible asset		11,743	11,743
Provision for impairment		-	2,736
Bad debts written off		6,027	1,841
Provision for accumulating compensated absences		10,496	8,301
Deferred revenue amortised		-	(33,069)
Property, plant and equipment written off		-	3,080
Profit on bank deposits		(9,690)	(18,997)
Dividend income		(103,290)	(71,069)
Gain on disposal of property, plant and equipment		(3,796)	(5,000)
Gain on disposal of investment property		-	(53,891)
Gain on sale of short term investments		(139,772)	(294,059)
Gain on change in fair value of investments		(94,916)	(151,197)
Gain on divestment in long term investments		(20)	-
Finance cost		6,408	9,562
Working capital changes	36.1	(438,495)	(2,267,513)
		2,172,910	1,113,519

36.1 Working capital changes

(Rupees in thousand)

	2012	2011
Decrease/(increase) in current assets		
Stores and spares	63,140	(20,960)
Stock-in-trade	(405,827)	(104,389)
Trade debts	(240,923)	276,194
Loans and advances	33,758	24,065
Trade deposits and prepayments	(5,971)	3,876
Interest accrued on loan to Agrimall (Private) Limited	(79)	(131)
Other receivables	(1,058,503)	1,228,942
	(1,614,405)	1,407,597
Increase / (decrease) in current liabilities		
Trade and other payables	1,175,910	(3,675,110)
	(438,495)	(2,267,513)

36.2 Cash and cash equivalents

(Rupees in thousand)

	2012	2011
Cash and bank balances	654,806	393,502

37. FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The company is exposed to currency risk arising from various currency exposures, primarily with respect to the Great Britian Pound (GBP), United States Dollar (USD) and Euro. Currently, the company's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to foreign entities. The company's exposure to currency risk is as follows:

(Amount in thousand)

	2012	2011
Trade and other payables - GBP	(305)	(589)
Net exposure - GBP	(305)	(589)
Trade and other payables - USD	(947)	(155)
Net exposure - USD	(947)	(155)

The following significant exchange rates were applied during the year:

	2012	2011
Rupees per GBP		
Average rate	142.12	136.41
Reporting date rate	147.07	138.62
Rupees per USD		
Average rate	89.64	85.64
Reporting date rate	94.20	86.05

If the functional currency, at reporting date, had fluctuated by 5% against the GBP, USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rs. 6.703 million (2011: Rs 4.750 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) **Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers. The equity instrument held by the company does not trade on a regular basis on the stock exchange and historically, it does not have a direct correlation with the equity index of the Karachi Stock Exchange (KSE). Therefore, it is not possible to measure the impact of increase / decrease in the KSE Index on the company's profit after taxation for the year and on equity (fair value reserve).

(iii) **Interest rate risk**

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company has no significant long-term interest-bearing assets. The company's interest rate risk arises from short term borrowings. Borrowings obtained at variable rates expose the company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the company's interest-bearing financial instruments was:

(Rupees in thousand)

	2012	2011
Fixed rate instruments		
Financial assets		
Bank balances - savings accounts	224,221	131,560
Total exposure	224,221	131,560

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the company.

Cash flow sensitivity analysis for variable rate instruments

The company does not have any variable rate instruments at the reporting date. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the company.

(b) **Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks, trade debts, investments, loans and advances and other receivables.

(i) **Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

(Rupees in thousand)

	2012	2011
Trade debts	411,326	176,430
Other receivables	211,826	159,443
Short term investments	2,461,860	2,971,296
Bank balances	653,523	392,922
	3,740,547	3,702,102

The credit risk on liquid funds is limited because the counter parties are banks and mutual funds with reasonably high credit ratings. The company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and subscribers in case of trade debts.

The company's exposure to credit risk in respect of trade debts is limited to its carrying amount. The carrying amount of trade debts older than 365 days and not impaired was Rs. 27,850 thousand (2011: Rs. 33,872 thousand).

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Banks	Rating		Rating Agency	(Rupees in thousand)	
	Short Term	Long Term		2012	2011
Meezan Bank Limited	A-1+	AA-	JCR-VIS	16,836	2,405
Zarai Taraqiati Bank Limited	B	B+	JCR-VIS	163,130	66,046
Bank Alfalah Limited	A-1+	AA	PACRA	(29,742)	47,718
Standard Chartered Bank	A-1+	AAA	PACRA	211,259	33,738
United Bank Limited	A-1+	AA+	JCR-VIS	252,538	178,345
The Bank of Punjab	A-1+	AA-	PACRA	7,482	3,257
MCB Bank Limited	A-1+	AA+	PACRA	7,200	6,606
Habib Bank Limited	A-1+	AA+	JCR-VIS	57,746	19,575
Barclays Bank Plc	A-1	A+	S&P	(16,493)	30,058
Faysal Bank Limited	A-1+	AA	JCR-VIS	-	854
National Bank of Pakistan	A-1+	AAA	JCR-VIS	(16,433)	4,320
				653,523	392,922

Mutual funds	Rating	Rating Agency	(Rupees in thousand)	
			2012	2011
UBL Liquidity Plus Fund	AA+(f)	JCR-VIS	405,842	528,743
MCB Cash Management Optimizer Fund	AA+(f)	PACRA	313,592	453,806
NAFA Government Securities Liquid Fund	AAA(f)	PACRA	350,308	447,176
NIT Government Bond Fund	AA(f)	PACRA	202,683	375,127
ABL Cash Fund	AA+(f)	JCR-VIS	385,130	531,776
Atlas Money Market Fund	AA+(f)	PACRA	102,780	104,794
HBL Money Market Fund	AA(f)	JCR-VIS	365,453	210,823
Askari Sovereign Cash Fund	AA+(f)	PACRA	336,072	319,051
			2,461,860	2,971,296

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2012, the company had Rs 1,799,000 thousand available borrowing limits from financial institutions and Rs 654,806 thousand cash and bank balances.

The following are the contractual maturities of financial liabilities as at June 30, 2012:

	Carrying Amount	(Rupees in thousand)		
		Less than one year	One to five years	More than five years
Trade and other payables	2,499,296	2,498,897	399	-
Accrued finance cost	1,425	1,425	-	-
	2,500,721	2,500,322	399	-
The following are the contractual maturities of financial liabilities as at June 30, 2011:				
Trade and other payables	2,052,362	2,049,557	2,805	-
Accrued finance cost	990	990	-	-
	2,053,352	2,050,547	2,805	-

37.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

37.3 Financial instruments by categories

	(Rupees in thousand)									
	Available-for-sale		At fair value through Profit and Loss		Loans & Receivables		Investments at cost		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Financial assets as per balance sheet										
Long term investments	37,202	40,922	-	-	-	-	250,985	250,985	288,187	291,907
Long term loans	-	-	-	-	-	900	-	-	-	900
Loans to employees	-	-	-	-	2,702	1,960	-	-	2,702	1,960
Trade debts	-	-	-	-	411,326	176,430	-	-	411,326	176,430
Other receivables	-	-	-	-	211,826	159,443	-	-	211,826	159,443
Short term investments	-	-	2,461,860	2,971,296	-	-	-	-	2,461,860	2,971,296
Bank balances	-	-	-	-	653,523	392,922	-	-	653,523	392,922
	37,202	40,922	2,461,860	2,971,296	1,279,377	731,655	250,985	250,985	4,029,424	3,994,858

	(Rupees in thousand)	
	2012	2011
Financial liabilities as per balance sheet		
Trade and other payables	2,499,296	2,052,362
Accrued finance cost	1,425	990
	2,500,721	2,053,352

37.4 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits for other stakeholders. The capital structure of the company is equity based with no financing through long term or short term borrowings. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares and other measures commensurate to the circumstances.

38. CAPACITY AND PRODUCTION

(Units per Annum)

	2012	2011
Tractors		
Plant capacity (double shift)	30,000	30,000
Actual production	32,004	42,188

The company has a normal capacity of producing 30,000 tractors per annum on double shift basis. However, the excess production over normal capacity is due to working on overtime schedules to meet the higher demand.

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 17, 2012 by the Board of Directors of the company.

40. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

Consolidated Financial Statements 2012



Sikandar Mustafa Khan
Chairman



Syed Muhammad Irfan Aqueel
Chief Executive

Group Directors'

Report 2012

The Directors are pleased to present their report together with the audited Group Consolidated Financial Statements for the year ended June 30, 2012.

THE GROUP

The Group comprises of Millat Tractors Limited (MTL) and Millat Industrial Products Limited (MIPL) a subsidiary of MTL.

The Directors' reports, giving complete information about the performance of Millat Tractors Limited and Millat Industrial Products Limited for the year ended June 30, 2012 have been presented separately along with their respective financial statements.

MILLAT INDUSTRIAL PRODUCTS LIMITED

MIPL is engaged in manufacturing of automotive batteries for MTL as well as the after sale market. During the year the Company also exported various types of batteries. This year the demand of the batteries for UPS rose enormously due to overall energy crisis. MIPL earned an after tax profit of 34.8 million and registered sale of Rs.655.6 million.

SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Group Companies have occurred between the end of the financial year of the Companies and the date of this report except as disclosed in their respective annual reports.

PATTERN OF SHAREHOLDING

The pattern of shareholding of both companies is annexed to their Directors' reports.

EARNINGS PER SHARE

Earnings per share for the year ended June 30, 2012 of both companies are duly reported in their Directors' reports.

Auditors'

Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Millat Tractors Limited (the holding company) and its subsidiary company as at June 30, 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Millat Tractors Limited, while the financial statements of its subsidiary company, Millat Industrial Products Limited were audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Group's share of income from associated companies of Rs. 236,545 thousand shown in the consolidated profit and loss account and note 15 to the financial statements is based on unaudited financial statements of these associated companies.

Except for the effect, if any, of the matter referred to in the preceding paragraph, in our opinion, the consolidated financial statements present fairly the financial position of Millat Tractors Limited and its subsidiary company as at June 30, 2012 and the results of their operations for the year then ended.



A.F.Ferguson & Co.
Chartered Accountants
Name of audit
engagement partner:
Amer Raza Mir

Lahore: Dated:
August 17, 2012



Chairman



Chief Executive

Lahore: Dated:
August 17, 2012

Consolidated Balance Sheet

as at June 30, 2012

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EQUITY AND LIABILITIES

(Rupees in thousand)

	Note	2012	2011
SHARE CAPITAL AND RESERVES			
Authorised capital 50,000,000 (June 30, 2011: 50,000,000) ordinary shares of Rs. 10 each		500,000	500,000
Issued, subscribed and paid up capital	5	366,055	366,055
General reserves		3,368,710	2,766,678
Unappropriated profit		1,974,692	1,977,424
Fair value reserve		11,720	15,440
Equity attributable to equity holders of the parent		5,721,177	5,125,597
Non-controlling interest		77,649	68,361
		5,798,826	5,193,958
NON-CURRENT LIABILITIES			
Security deposits	6	10,485	10,485
Deferred taxation	7	21,937	29,264
		32,422	39,749
CURRENT LIABILITIES			
Accumulating compensated absences		55,461	44,965
Trade and other payables	8	5,067,207	3,851,727
Mark-up accrued on short term borrowings		1,736	1,503
		5,124,404	3,898,195
CONTINGENCIES AND COMMITMENTS			
	10	-	-
		10,955,652	9,131,902

ASSETS

(Rupees in thousand)

	Note	2012	2011
NON-CURRENT ASSETS			
Property, plant and equipment	11	465,893	484,578
Capital work-in-progress	12	168,260	155,201
Intangible assets	13	5,871	17,614
Investment property	14	255,708	255,708
Long term investments	15	701,962	636,364
Long term loans - considered good	16	2,702	2,860
		1,600,396	1,552,325
CURRENT ASSETS			
Stores and spares	17	74,884	136,104
Stock-in-trade	18	3,064,117	2,663,197
Trade debts	19	470,198	208,138
Loans and advances	20	197,477	229,251
Trade deposits and prepayments		27,310	20,907
Other receivables	21	1,862,953	803,273
Taxation-net		512,466	142,195
Short term investments	22	2,461,860	2,971,296
Cash and bank balances	23	683,991	405,216
		9,355,256	7,579,577
		10,955,652	9,131,902

The annexed notes 1 to 42 form an integral part of these financial statements.



Sikandar Mustafa Khan
Chairman



Syed Muhammad Irfan Aqueel
Chief Executive

Consolidated Profit & Loss Account for the Year Ended June 30, 2012

(Rupees in thousand)

	Note	2012	2011
Sales - net	24	20,621,671	25,194,473
Cost of sales	25	17,082,867	20,626,228
Gross profit		3,538,804	4,568,245
Distribution and marketing expenses	26	504,975	556,039
Administrative expenses	27	337,402	330,664
		842,377	886,703
Operating profit		2,696,427	3,681,542
Other operating income	28	373,823	586,909
		3,070,250	4,268,451
Finance cost	29	10,262	11,287
Other operating expenses	30	233,727	346,802
		243,989	358,089
		2,826,261	3,910,362
Share of profit of associates	31	236,545	310,189
Profit before taxation		3,062,806	4,220,551
Taxation			
- Group	32	914,546	1,272,983
- Associates		72,240	109,297
		986,786	1,382,280
Profit for the year		2,076,020	2,838,271
Attributable to:			
- Equity holders of the parent		2,063,516	2,816,593
- Non-controlling interest		12,504	21,678
		2,076,020	2,838,271
Earnings per share - basic and diluted (Rupees)	36	56.37	76.94

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 42 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income for the Year Ended June 30, 2012

(Rupees in thousand)

	2012	2011
Profit for the year	2,076,020	2,838,271
Unrealized (loss) / gain on revaluation of investments	(3,720)	3,720
Total comprehensive income for the year	2,072,300	2,841,991
Attributable to:		
- Equity holders of the parent	2,059,796	2,820,313
- Non-controlling interest	12,504	21,678
	2,072,300	2,841,991

The annexed notes 1 to 42 form an integral part of these financial statements.



Sikandar Mustafa Khan
Chairman



Syed Muhammad Irfan Aqueel
Chief Executive



Sikandar Mustafa Khan
Chairman



Syed Muhammad Irfan Aqueel
Chief Executive

Consolidated Cash Flow Statement for the Year Ended June 30, 2012

(Rupees in thousand)

	Note	2012	2011
Cash flows from operating activities			
Cash generated from operations	37	2,232,214	1,142,516
Interest and mark-up paid		(10,029)	(11,693)
Net decrease in long term loans to employees		373	328
Income tax paid		(1,292,144)	(1,351,031)
Long term security deposits received		-	200
Net cash from / (used in) operating activities		930,414	(219,680)
Cash flows from investing activities			
Purchase of property, plant and equipment		(59,426)	(112,326)
Proceeds from sale of property, plant and equipment		9,768	17,239
Purchase of short term investments		(7,545,153)	(8,616,398)
Proceeds from sale of short term investments		8,289,277	10,207,179
Proceeds from long term investments		20	-
Proceeds from sale of investment property		-	68,650
Dividend payment to NCI		(3,216)	-
Profit on bank deposits		8,450	18,375
Dividend received		97,553	71,069
Net cash from investing activities		797,273	1,653,788
Cash flows from financing activities			
Dividend paid		(1,448,912)	(2,172,772)
Net cash used in financing activities		(1,448,912)	(2,172,772)
Net increase / (decrease) in cash and cash equivalents		278,775	(738,664)
Cash and cash equivalents at the beginning of the year		405,216	1,143,880
Cash and cash equivalents at the end of the year	37.2	683,991	405,216

The annexed notes 1 to 42 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity for the Year Ended June 30, 2012

(Rupees in thousand)

	Attributable to equity holders of the parent					Non-Controlling Interest	Total Equity
	Share Capital	Revenue Reserves		Fair Value Reserve	Total		
		General Reserves	Un-appropriated Profit				
Balance as on July 1, 2010	292,844	2,467,776	1,747,571	11,720	4,519,911	46,683	4,566,594
Final dividend for the year ended June 30, 2010 Rs. 35 per share	-	-	(1,024,951)	-	(1,024,951)	-	(1,024,951)
Issue of ordinary shares of Rs. 10 each as fully paid bonus shares	73,211	-	(73,211)	-	-	-	-
Transferred from profit and loss account	-	300,000	(300,000)	-	-	-	-
Interim dividend Rs. 32.5 per share	-	(1,098)	(1,188,578)	-	(1,189,676)	-	(1,189,676)
Total comprehensive income for the year ended June 30, 2011	-	-	2,816,593	3,720	2,820,313	21,678	2,841,991
Balance as on June 30, 2011	366,055	2,766,678	1,977,424	15,440	5,125,597	68,361	5,193,958
Final dividend for the year ended June 30, 2011 Rs. 15 per share	-	-	(549,081)	-	(549,081)	-	(549,081)
Transferred from profit and loss account	-	900,000	(900,000)	-	-	-	-
Interim dividend Rs. 25 per share	-	(297,968)	(617,167)	-	(915,135)	-	(915,135)
Dividend payment to NCI	-	-	-	-	-	(3,216)	(3,216)
Total comprehensive income for the year ended June 30, 2012	-	-	2,063,516	(3,720)	2,059,796	12,504	2,072,300
Balance as on June 30, 2012	366,055	3,368,710	1,974,692	11,720	5,721,177	77,649	5,798,826

The annexed notes 1 to 42 form an integral part of these financial statements.



Sikandar Mustafa Khan
Chairman



Syed Muhammad Irfan Aqueel
Chief Executive



Sikandar Mustafa Khan
Chairman



Syed Muhammad Irfan Aqueel
Chief Executive

Notes to & Forming Part of the Consolidated Financial Statement for the year ended June 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

Millat Tractors Limited is a public limited company incorporated in Pakistan under the Companies Ordinance 1984, and is listed on the Karachi, Islamabad and Lahore Stock Exchanges. The registered office of the company is situated at Sheikhpura Road, District Sheikhpura. It is principally engaged in assembly and manufacture of agricultural tractors, implements and equipments.

Millat Industrial Products Limited (MIPL), an unlisted public company registered under the Companies Ordinance 1984, is a subsidiary of Millat Tractors Limited which holds its 64.09% equity. MIPL is engaged in the business of manufacturing of vehicles, industrial and domestic batteries, cells and components.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the group's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations effective in current year

Following are the amendments that are applicable for accounting periods beginning on or after January 1, 2011:

- IAS 1 (amendment), 'Presentation of financial statements', is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The does not have a material impact on the group's financial statements.

- IAS 24 (Revised), 'Related Party Disclosures', is effective for annual periods beginning on or after January 1, 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. This does not have a material impact on the group's financial statements.

- IAS 34 (amendment), 'Interim financial reporting', is effective for annual periods beginning on or after January 1, 2011. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. This amendment does not have a material impact on the group's financial statements.

- IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement', is effective for annual periods beginning on or after January 1, 2011. IFRIC 14 provides further guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. This amendment does not have a material impact on the group's financial statements.

- IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after January 1, 2011. The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment does not have a material impact on the group's financial statements.

- IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after July 1, 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfers

of financial assets, where financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets) or where financial assets are not derecognised in their entirety. This amendment does not have any impact on the group's financial statements.

2.2.2 Standards, interpretations and amendments to published standards that are effective but not relevant to the group

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 are considered not to be relevant or to have any significant impact on the group's financial reporting and operations.

2.2.3 Standards, interpretations and amendments to existing standards that are applicable to the group but are not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after their respective effective dates:

- IAS 1 (amendment), 'Financial statement presentation' regarding other comprehensive income is effective for periods starting from or on July 1 2012. It requires entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- IAS 12, 'Income taxes' (amendment), is effective for periods starting from or on January 1 2012.. The standard currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

- IAS 19, 'Employee benefits' was amended in June 2011. The impact will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This is not expected to have a material impact on group's financial statements.

- The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective dates:

Standards or interpretation:	Effective date (accounting periods beginning on or after)
- IFRS 7, 'Financial Instruments: Disclosure	January 01, 2013
- IFRS 9, 'Financial Instruments	January 01, 2015
- IFRS 10, 'Consolidated financial information	January 01, 2013
- IFRS 12, ' Disclosures of interest in other entities	January 01, 2013
- IFRS 13, ' Fair value measurements	January 01, 2013
- IAS 32, ' Financial instruments: Presentation	January 01, 2013
- IAS 27,' Separate financial statements	January 01, 2013
- IAS 27,' Associates and joint ventures	January 01, 2013
- IAS 32, ' Financial instruments: Presentation, on offsetting financial assets and financial liabilities	January 01, 2014
- Annual improvements 2011; IFRS 1, 'First time adoption'. IAS 1, 'Financial statement presentation'. IAS 16, 'Property plant and equipment'. IAS 32, 'Financial instruments; Presentation'. IAS 34, Interim financial reporting'	January 01, 2013

2.2.4 Standards, interpretations and amendments to existing standards that are not yet effective and not applicable to the group

Effective date
(accounting periods beginning on or after)

Standards or interpretation:

- IFRS 11, 'Joint arrangements	January 01, 2013
- IFRS 1, 'First time adoption on government loans	January 01, 2013

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value. The group's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

3.1 Employee retirement benefits and other obligations

The company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.2.

3.2 Provision for taxation

The company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the group's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its views on items of material nature are in accordance with law, the amounts are shown as contingent liabilities.

3.3 Useful life and residual values of property, plant and equipment

The group reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Principles of consolidation

4.1.1 Subsidiaries

The consolidated financial statements include Millat Tractors Limited and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of parent and subsidiary are prepared up to the same reporting date using consistent accounting policies and are consolidated on line by line basis.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account. Intergroup transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

All significant intra-group transactions and balances between group enterprises and unrealised profits are eliminated on consolidation.

4.1.2 Non-controlling interest

The group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the group. Disposals to non-controlling interests result in gains and losses for the group that are recorded in the profit and loss account.

4.1.3 Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

"The group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate."

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the profit and loss account.

4.2 Employees' retirement benefits and other obligations

The main features of the schemes operated by the company for its employees are as follows:

4.2.1 Defined benefit plan

4.2.1.1 Pension

The company operates a funded defined benefit pension scheme for all its eligible employees. Contributions under the scheme are made to this fund on the basis of actuarial recommendation at 17% (2011: 17%) of basic salary per annum and are charged to profit and loss account. The latest actuarial valuation for the scheme was carried out as at June 30, 2012.

The actual return on the plan assets during the year was Rs. 94,856 thousand (2011: Rs. 80,832 thousand). The actual return on plan assets represents the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

The amount recognised in balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and as reduced by the fair value of the plan assets.

The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

	2012	2011
Expected rate of increase in salary level	12%	13%
Expected rate of return	14%	12%
Discount rate	13%	14%
Average expected remaining working life of employees	7 Years	7 Years

The Company's policy with regard to actuarial gains/(losses) is to follow minimum recommended approach under IAS 19 (Revised 2000) "Employee Benefits".

4.2.2 Defined contribution plans

4.2.2.1 Gratuity

The company operates an approved defined contribution funded gratuity scheme for permanent employees who joined the company before July 1, 2004. Under the scheme, based on the graduated scale, the contributions are calculated with reference to last drawn salary of the employees and are paid over to the Employees Gratuity Fund Trust. During the year, Rs. 9,915 thousand (2011: Rs. 9,302 thousand) has been recognised as an expense by the group, in respect of the scheme.

4.2.2.2 Provident fund

The group operates an approved defined contribution provident fund for all permanent employees. Equal contributions are made by employees and the company at the rate of 10 percent of basic salary per month. During the year, Rs. 9,721 thousand (2011: Rs. 8,628 thousand) has been recognised as an expense by the group, in respect of the scheme.

4.2.3 Accumulating compensated absences

The group provides for accumulating compensated absences, when the employees render services that increase their entitlement to future compensated absences and are charged to profit. During the year, Rs. 10,496 thousand (2011: Rs. 8,302 thousand) has been recognised as an expense by the group, in respect of the scheme.

4.3 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.4 Property, plant and equipment

Property, plant and equipment except for freehold and leasehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold and leasehold land is stated at cost less any identified impairment loss.

Depreciation on all items of property, plant and equipment except for leasehold office building is charged to income applying the diminishing balance method so as to write-off the depreciable amount of an asset over its useful life. Depreciation on leasehold office building is provided on a straight line basis so as to write off the depreciable amount of an asset over the life of the asset. Depreciation is being charged at the rates given in note 11. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The group continually assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognised in profit and loss account for the year. Any previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount, and the increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

4.5 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

4.6 Intangible assets

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over a period of three years.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off.

The group assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.7 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the group comprises land and is valued using the cost method, at cost less any identified impairment loss.

The group assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amount of such assets is reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in the profit and loss account for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.8 Investments and other financial assets

Financial assets in the scope of IAS 39 : "Financial Instruments - Recognition and Measurement", are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets are subsequently measured at fair value or cost as the case may be. The company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

4.8.1 Financial assets at fair value through profit or loss

Financial assets classified as held-for-trading are included in the category 'Financial assets at fair value through profit or loss'. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and are effective hedging instruments. Gains or losses on investments held for trading are recognised in income.

4.8.2 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the company has the positive intention and ability to hold to maturity and are initially measured at cost. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

4.8.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

4.8.4 Available-for-sale financial assets

The financial assets including investments in associated undertakings where the company does not have significant influence that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available-for-sale.

Investments classified as available-for-sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

At each balance sheet date, the group reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense. In respect of 'available-for-sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognised in profit and loss account, is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

All purchases and sales of investments are recognised on the trade date which is the date that the company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

4.9 Stores and spares

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising of invoice value and other incidental charges paid thereon.

Provision for obsolete and slow-moving stores and spares is based on management estimate.

4.10 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of moving average cost and net realizable value.

Cost of raw materials and trading stock comprises the invoice value plus other charges paid thereon.

Cost of work-in-process and finished goods include direct material, labour and appropriate portion of manufacturing overheads.

Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision for obsolete and slow-moving stock-in-trade is based on management estimate.

4.11 Trade debts

Trade debts are carried at original invoice amount less an estimate for doubtful debts balances based on review of outstanding amounts at the year end. Bad debts are written off when identified.

4.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash which are subject to insignificant risk of changes in values.

4.13 Revenue recognition

Revenue from sale of goods is recognised on dispatch of goods to customers.

Revenue from warranty and maintenance services is recognised on the basis of services performed to date as a percentage of total services to be performed.

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

Profit on bank deposits is recognised when earned.

Investment income is recognised when right to receive the income is established.

4.14 Research cost

These costs are charged to profit and loss account when incurred.

4.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

4.16 Trade and other payables

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

4.17 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and it is probable that an 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 the current best estimate.

4.18 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation are recognised in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

The financial statements are presented in Pak Rupees which is the company's functional and presentation currency.

4.19 Financial instruments

"Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument and de-recognised when the company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year."

All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.20 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.21 Dividend and appropriations

Dividend distribution to the group's shareholders is recognised as a liability in the period in which the dividends are approved.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of Shares			(Rupees in thousand)	
2012	2011		2012	2011
2,542,857	2,542,857	ordinary shares of Rs 10 each fully paid in cash	25,429	25,429
34,062,551	26,741,469	ordinary shares of Rs 10 each issued as fully paid bonus shares	340,626	267,415
-	7,321,082	- Opening balance	-	73,211
34,062,551	34,062,551	- Issued during the year	340,626	340,626
36,605,408	36,605,408		366,055	366,055

6. SECURITY DEPOSITS

These represent security deposits from dealers which, by virtue of agreement, are interest free and used in company's business. These are repayable on cancellation of dealership contract with dealers.

7. DEFERRED TAXATION

The liability for deferred tax comprises temporary differences relating to:

	(Rupees in thousand)	
	2012	2011
Taxable temporary differences		
Accelerated tax depreciation	45,307	47,661
Change in fair value of short term investments	9,492	15,120
Deductible temporary differences		
Others - Provision for doubtful receivables / accumulating compensated absences / warranty provision	(32,862)	(33,517)
Net deferred tax liability at the year end	21,937	29,264

(Rupees in thousand)

	Deferred Tax Liability		Deferred Tax Asset	Net Liability
	Accelerated Tax Depreciation	Change in fair value of short term investments	Others	
Balance as at July 1, 2010	41,231	-	(32,703)	8,528
Charged / (credited) to profit and loss account	6,430	15,120	(814)	20,736
Balance as at June 30, 2011	47,661	15,120	(33,517)	29,264
(Credited) / charged to profit and loss account	(2,673)	(5,628)	974	(7,327)
Balance as at June 30, 2012	44,988	9,492	(32,543)	21,937

8. TRADE AND OTHER PAYABLES

(Rupees in thousand)

	Note	2012	2011
Creditors	8.1	1,897,313	1,501,580
Accrued liabilities		129,717	177,621
Bills payable		221,593	106,443
Advances from customers	8.2	2,477,471	1,624,505
Security deposits	8.3	5,104	5,029
Trademark fee payable		85,572	135,537
Income tax deducted at source		12,382	18,518
Workers' Profit Participation Fund	8.4	(2,254)	9,996
Workers' Welfare Fund		61,640	92,172
Unclaimed dividends		112,901	97,597
Others		65,768	82,729
		5,067,207	3,851,727

8.1 Creditors include balances due to related parties amounting Rs. 222,900 thousand (2011: Rs. 141,173 thousand).

8.2 These represent advances against sale of tractors and carry no mark-up.

8.3 These represent security deposits from contractors which, by virtue of agreement, are interest free, repayable on demand and are used in the group's business.

8.4 Workers' Profit Participation Fund

(Rupees in thousand)

	Note	2012	2011
Opening balance		9,996	26,672
Allocation for the year	30	157,746	214,996
		167,742	241,668
Less: Payments made during the year		(169,996)	(231,672)
Closing balance		(2,254)	9,996

9. SHORT TERM BORROWINGS

Short term borrowings are available from various banks against aggregate sanctioned limit of Rs. 1,899,000 thousand (2011: Rs. 2,100,000 thousand). The rates of mark-up range from 34.08 paisas to 34.36 paisas (2011: 36.08 paisas to 39.45 paisas) per Rs. 1,000 per day.

The group has facilities for opening of letters of credit and guarantees aggregating to Rs. 2,470,000 thousand (2011: Rs. 2,914,000 thousand) out of which Rs. 1,087,111 thousand (2011: Rs. 1,679,233 thousand) remained unutilized at the end of the year.

These facilities are secured by pari passu hypothecation charge over stocks and book debts of the company, lien over import documents and counter guarantees of the group.

10. CONTINGENCIES AND COMMITMENTS

Contingencies

- 10.1 The group has given guarantee amounting to Rs. 5,000 thousand to the bank for repayment of loan by employees. An amount of Rs. 2,254 thousand (2011: Rs. 1,777 thousand) was utilized by employees as at June 30, 2012.
- 10.2 Guarantees issued by the banks on behalf of the group in the normal course of business amount to Rs. 243,947 thousand (2011: Rs. 241,166 thousand).
- 10.3 The group is defending a counter suit for Rs. 19,579 thousand, filed in previous years by an ex-vendor on account of damages and inconvenience. The management and the legal advisor are confident that outcome of the case would be in the company's favour and no loss is likely to occur, hence no provision there against has been made in these financial statements. The case is pending in the Civil Court, Lahore.

Commitments

- 10.4 Commitments in respect of outstanding letters of credit amount to Rs. 1,356,601 thousand (2011: Rs. 993,601 thousand) at the balance sheet date.
- 10.5 Commitments in respect capital expenditure amount to Rs. Nil (2011: Rs. 8,942 thousand) at the balance sheet date.

11. PROPERTY, PLANT AND EQUIPMENT

(Rupees in thousand)

	Land		Buildings		Plant & Machinery
	Freehold	Lesshold	On Freehold land	On Lesshold land	
Net carrying value basis					
Year ended June 30, 2012					
Opening net book value (NBV)	68,762	8	43,274	146	198,789
Additions (at cost)	-	-	323	-	12,244
Disposals / write offs (at NBV)	-	-	-	-	(129)
Depreciation charge	-	-	(3,998)	(146)	(21,257)
Closing net book value (NBV)	68,762	8	39,599	-	189,647
Gross carrying value basis					
As at June 30, 2012					
Cost	68,762	8	182,942	2,900	453,507
Accumulated depreciation	-	-	(143,343)	(2,900)	(263,860)
Net book value (NBV)	68,762	8	39,599	-	189,647
Depreciation rate % per annum	-	-	5-10	5	10-15
Net carrying value basis					
Year ended June 30, 2011					
Opening net book value (NBV)	68,762	8	42,942	291	176,439
Additions (at cost)	-	-	7,671	-	43,520
Disposals (at NBV)	-	-	(2,944)	-	(26)
Depreciation charge	-	-	(4,395)	(145)	(21,144)
Closing net book value (NBV)	68,762	8	43,274	146	198,789
Gross carrying value basis					
As at June 30, 2011					
Cost	68,762	8	182,619	2,900	442,679
Accumulated depreciation	-	-	(139,345)	(2,754)	(243,890)
Net book value (NBV)	68,762	8	43,274	146	198,789
Depreciation rate % per annum	-	-	5-10	5	10-15

(Rupees in thousand)

	Furniture & Office Equipment	Vehicles	Tools & Equipments	Computers	Total
	Net carrying value basis				
Year ended June 30, 2012					
Opening net book value (NBV)	24,181	112,765	31,292	5,361	484,578
Additions (at cost)	7,033	21,419	4,230	1,118	46,367
Disposals / write offs (at NBV)	(343)	(5,500)	-	-	(5,972)
Depreciation charge	(3,132)	(23,626)	(4,992)	(1,929)	(59,080)
Closing net book value (NBV)	27,739	105,058	30,530	4,550	465,893
Gross carrying value basis					
As at June 30, 2012					
Cost	55,211	205,540	91,504	21,856	1,082,230
Accumulated depreciation	(27,472)	(100,482)	(60,974)	(17,306)	(616,337)
Net book value (NBV)	27,739	105,058	30,530	4,550	465,893
Depreciation rate % per annum	10-20	20	10-15	30-33	
Net carrying value basis					
Year ended June 30, 2011					
Opening net book value (NBV)	24,371	96,651	31,541	5,992	446,997
Additions (at cost)	2,912	54,339	4,924	1,507	114,873
Disposals (at NBV)	(110)	(12,014)	-	-	(15,094)
Depreciation charge	(2,992)	(26,211)	(5,173)	(2,138)	(62,198)
Closing net book value (NBV)	24,181	112,765	31,292	5,361	484,578
Gross carrying value basis					
As at June 30, 2011					
Cost	49,365	198,343	87,275	20,738	1,052,689
Accumulated depreciation	(25,184)	(85,578)	(55,983)	(15,377)	(568,111)
Net book value (NBV)	24,181	112,765	31,292	5,361	484,578
Depreciation rate % per annum	10-20	20	10-15	30-33	

11.1 Disposal of property, plant and equipment

(Rupees in thousand)

Particulars of Assets	Sold to	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal
Vehicles	Employees					
	Mr. Shaukat Shaikh	1,557	875	682	682	Company car scheme
	Mr. Qasim Saeed	1,199	579	620	620	Company car scheme
	Mr. Qasim Saeed	969	605	364	365	Company car scheme
	Mr. Athar Zubair	831	611	220	220	Company car scheme
	Mr. Mahmood Khan	707	369	338	338	Company car scheme
	Mr. Ahmad Shaheer	671	121	550	550	Company car scheme
	Mr. Syed Faizan Ali	671	149	522	522	Company car scheme
	Mr. Syed Nissar Abbas	625	271	354	354	Company car scheme
	Mr. Col. Arshad Javed	622	489	133	133	Company car scheme
	Mr. Saif Ullah Amin	604	314	290	290	Company car scheme
	Mr. Sajid Hussain	434	287	147	147	Company car scheme
	Mr. Imran Saeed	390	287	103	103	Company car scheme
	Mr. Junaid Abbas	76	3	73	73	Company motorcycle scheme
	Mr. Rao Sajjad Jan	71	20	51	51	Company motorcycle scheme
	Mr. Umair Sadiq	71	21	50	50	Company motorcycle scheme
	Others with book value less than Rs. 50,000	1,731	1,042	689	687	Company motorcycle scheme
	Others					
	Mr. Muhammad Ashraf	396	328	68	372	Auction
	Mr. Iftikhar Ahmed Babar	639	610	29	510	Auction
	Mr. Tariq Mehmood	449	448	1	400	Auction
	Mr. Saif Ur Rehman	322	266	56	358	Auction
	Mr. Gul Zareen Khan	459	338	121	457	Auction
	Mr. Ali Aslam Rao	729	690	39	706	Auction
	Electric Sub Station					
	Mr. Javed Akhtar	1,415	1,286	129	1,190	Auction
	Office Equipments					
Appolo Telecom	1,186	843	343	590	Negotiation	

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

(Rupees in thousand)

	Note	2012	2011
Cost of sales	25	36,171	36,792
Distribution cost	26	7,181	7,510
Administrative expenses	27	15,728	17,896
		59,080	62,198

12. CAPITAL WORK-IN-PROGRESS

(Rupees in thousand)

	2012	2011
Plant and machinery	11,853	-
Advance for purchase of office space	151,830	151,830
Others	4,577	3,371
	168,260	155,201

13. INTANGIBLE ASSET

(Rupees in thousand)

	Note	ERP Software	
		2012	2011
Net carrying value basis			
Opening net book value (NBV)		17,614	29,357
Amortisation charge	27	(11,743)	(11,743)
Closing net book value (NBV)		5,871	17,614
Gross carrying value basis			
Cost		35,228	35,228
Accumulated amortisation		(29,357)	(17,614)
Net book value (NBV)		5,871	17,614
Rate of amortisation		33%	33%

14. INVESTMENT PROPERTY

(Rupees in thousand)

	2012	2011
Land	258,444	273,203
Disposals	-	(14,759)
	258,444	258,444
Provision for impairment	(2,736)	(2,736)
	255,708	255,708

Based on the valuation carried out by an independent valuer as at June 30, 2012, the fair value of investment property is Rs. 364,234 thousand (2011: Rs. 353,625 thousand).

15. LONG TERM INVESTMENTS

(Rupees in thousand)

	2012	2011
Investment in related parties		
In associated companies		
Quoted		
Bolan Castings Limited		
4,824,527 (2011: 4,824,527) fully paid ordinary shares of Rs. 10/- each Equity held 46.26% (2011: 46.26%). Market Value as at June 30, 2012 is Rs. 183,332 thousand (2011: Rs. 236,402 thousand)	251,069	236,745
Unquoted		
Millat Equipment Limited		
11,700,000 (2011: 11,700,000) fully paid ordinary shares of Rs. 10/- each Equity held 45% (2011: 45%)	413,691	358,697
Arabian Sea Country Club Limited		
500,000 (2011: 500,000) fully paid ordinary shares of Rs. 10/- each Equity held 6.45% (2011: 6.45%) Value of investment based on the net assets shown in the audited accounts as at June 30, 2010 is Rs. 12,020 thousand (2009: Rs. 10,575 thousand)	5,000	5,000
Less: Impairment loss	(5,000)	(5,000)
	-	-
Agrimall (Private) Limited		
Nil (2011: 2,000) fully paid ordinary shares of Rs.10/- each Equity held 0% (2011: 20%) Less: Impairment loss	-	20 (20)
	-	-
Other investment - Available for sale		
Quoted		
Baluchistan Wheels Limited		
1,282,825 (2011: 1,282,825) fully paid ordinary shares of Rs. 10/- each Surplus on revaluation of investment Market value as at June 30	25,481 11,721 37,202	25,481 15,441 40,922
	701,962	636,364

- 15.1 Investment in Agrimall (Private) Limited has been withdrawn as per the decision of the Members of the Company. An amount of Rs. 20,000 has been received in cash.

The group's share of the result of its associates, all of which are incorporated in Pakistan, and its share of the assets and liabilities in case of those associates, are as follows:

(Rupees in thousand)

Name	Percentage Interest held	Assets	Liabilities	Revenue	Profit/ (Loss)
June 30, 2012					
Bolan Castings Limited *	46.26%	378,305	212,842	797,772	31,921
Millat Equipment Limited *	45.00%	532,439	196,014	96,647	204,624

* Share of profit/(loss) of associates is before taxation (share of tax amounts to Rs. 72,240 thousand).

(Rupees in thousand)

Name	Percentage Interest held	Assets	Liabilities	Revenue	Profit/ (Loss)
June 30, 2011					
Bolan Castings Limited *	46.26%	453,566	216,821	900,533	57,269
Millat Equipment Limited *	45.00%	564,316	205,619	1,096,039	252,920
Agrimall (Private) Limited **	20.00%	2,651	6,747	2,589	(3)

* Share of profit/(loss) of associates is before taxation (share of tax amounts to Rs. 109,297 thousand).

** The audited accounts for this entity were drawn up to June 30, 2008.

16. LONG TERM LOANS - CONSIDERED GOOD

(Rupees in thousand)

	Note	2012	2011
Loan to related party	16.1	-	900
Loan to employees:			
Company loan	16.2	2,413	1,976
Motor cycle loan	16.3	1,930	1,472
Less: Current portion included in current assets	20	(1,641)	(1,488)
		2,702	1,960
		2,702	2,860

- 16.1 Unsecured loan bearing mark-up at the rate of 15% (2011: 15%) per annum was advanced to Agrimall (Private) Limited, an associated undertaking engaged in agricultural business and acting inter alia as a dealer of the company. The loan was to be exclusively used for promotion of the company's products. The maximum aggregate amount due at the end of any month amounts to Rs. 900 thousand (2011: Rs. 900 thousand). The loan has been recovered.

- 16.2 This represents interest free loans to employees secured against their gratuity and provident fund balances. These loans are repayable in monthly installments over a period of 2 years.
- 16.3 This represents interest free loans to employees for purchase of motor cycles secured by joint registration of motor cycles in the name of the company and employees. These loans are repayable in monthly installments over a period of 5 years.
- 16.4 Reconciliation of carrying amount of loans to executives:

(Rupees in thousand)

	Balance as at July 1, 2011	Disbursement during the year	Repayments during the year	Balance as at June 30, 2012
Due from Executives	12	6,565	4,875	1,702

17. STORES AND SPARES

Most of the items of stores and spares are of inter-changeable nature and can be used as machine spares or consumed as stores. Accordingly, it is not practical to distinguish stores from spares until their actual usage.

18. STOCK - IN - TRADE

(Rupees in thousand)

	2012	2011
Raw materials (including in transit Rs. 363,355 thousand 2011: Rs. 291,740 thousand)	2,622,767	2,254,842
Work-in-process	139,522	122,523
Finished goods :		
Manufacturing	227,992	218,098
Trading	66,143	60,623
Others	7,693	7,111
	3,064,117	2,663,197

Included in stocks are raw material and components held with third parties amounting to Rs. 102,400 thousand (2011: Rs. 72,266 thousand).

19. TRADE DEBTS

(Rupees in thousand)

	Note	2012	2011
Trade debts - Considered good	19.1	470,198	208,138
- Considered doubtful		-	12,605
		470,198	220,743
Less: Provision for doubtful debts		-	(12,605)
		470,198	208,138

All debts are unsecured except for Rs. 38,139 thousand (2011: Rs. 21,188 thousand) which are secured against deposits and post dated cheques.

- 19.1 Trade debts include balances due from related parties, namely, Millat Equipment Limited and Bolan Castings Limited amounting to Rs. 14,254 thousand (2011: Rs. 35,093 thousand) and Rs. 974 thousand (2011: Rs. Nil) respectively.

20. LOANS AND ADVANCES

(Rupees in thousand)

	Note	2012	2011
Current portion of long term loans to employees	16	1,641	1,488
Advances to employees - Considered good	20.1	3,876	1,500
Advances to suppliers - Considered good	20.2	179,645	188,253
- Considered doubtful		2,485	2,485
Less: Provision for doubtful advances	20.3	(2,485)	(2,485)
		-	-
Letter of credit opening charges		12,315	38,010
		197,477	229,251

- 20.1 Included in advances to employees are amounts due from the Chief Executive Rs. Nil (2011: Rs. Nil) and directors Rs. 236 thousand (2011: Rs. Nil).

The maximum aggregate amount at the end of any month during the year due from the Chief Executive is Rs. 281 thousand (2011: Rs. 215 thousand) and Directors Rs. 1,288 thousand (2011: Rs. 647 thousand).

- 20.2 Advances to suppliers include advances to vendors of Rs. 148,873 thousand (2011: Rs. 74,041 thousand) which carry mark-up of 15% - 18% per annum. Included in advances to vendors are advances to related parties, namely, Millat Equipment Limited, Agro Craft (Private) Limited and Bismillah Industries of Rs. Nil (2011: Rs. 2,200 thousand), Rs. 34 thousand (2011: Rs. nil) and Rs. 1,781 thousand (2011: Rs. 339 thousand) respectively.

21. OTHER RECEIVABLES

(Rupees in thousand)

	Note	2012	2011
Special excise duty recoverable		265,293	265,293
Sales tax recoverable		1,419,908	412,684
Less : Provision for doubtful claims		(34,147)	(34,147)
		1,385,761	378,537
Claims receivable from principal suppliers		95,130	73,078
Profit/interest accrued	21.1	2,573	1,396
Pension fund	21.2	114,196	84,969
		1,862,953	803,273

- 21.1 Profit/interest accrued

(Rupees in thousand)

	2012	2011
On bank deposits	2,573	1,260
On loan to associate	-	136
	2,573	1,396

21.2 Pension fund

(Rupees in thousand)

	2012	2011
This comprises:		
Present value of defined benefit obligation	(638,562)	(544,061)
Fair value of plan assets	807,037	731,550
Unrecognized actuarial (gains) - net	(54,279)	(102,520)
Asset recognized in the balance sheet	114,196	84,969

Charge for the year

(Rupees in thousand)

	2012	2011
Salaries, wages and amenities include the following in respect of employees' pension scheme:		
Current service cost	11,987	12,109
Interest cost	76,168	62,199
Expected return on plan assets	(102,417)	(80,040)
Net actuarial gain recognized in the year	(4,195)	(2,111)
	(18,457)	(7,843)

21.3 Pension fund

The movement in present value of defined benefit obligation is as follows:

(Rupees in thousand)

	2012	2011
Present value of defined benefit obligation as at July 1	544,061	518,328
Interest cost	76,168	62,199
Current service cost	11,987	12,109
Benefits paid	(30,140)	(26,215)
Actuarial (gain)/loss	36,486	(22,360)
Present value of defined benefit obligation as at June 30	638,562	544,061

The movement in fair value of plan assets is as follows:

(Rupees in thousand)

	2012	2011
Fair value of plan assets as at July 1	731,550	667,000
Expected return on assets	102,417	80,040
Contributions	10,770	9,934
Benefits paid	(30,140)	(26,215)
Actuarial gain	(7,560)	791
Fair value of plan assets as at June 30	807,037	731,550
Actual return on plan assets	94,857	80,831
Plan assets comprise:		
Defence saving certificates	58,000	58,000
Bonds, mutual funds and TDRs	748,717	673,422
Cash	320	128
	807,037	731,550

Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus of pension fund is as follows:

(Rupees in thousand)

	2012	2011	2010	2009	2008
As at June 30					
Present value of defined benefit obligation	638,562	544,061	518,328	483,464	428,585
Fair value of plan assets	807,037	731,550	667,000	602,621	536,159
Surplus	168,475	187,489	148,672	119,157	107,574
Experience adjustment on obligation	36,486	(22,360)	(13,040)	4,584	3,033
Experience adjustment on plan assets	(7,560)	791	4,238	9,590	4,014

22. SHORT TERM INVESTMENTS

(Rupees in thousand)

	2012	2011
Financial asset at fair value through profit and loss account	2,366,944	2,820,099
Surplus on revaluation of investment	94,916	151,197
Market value as at June 30	2,461,860	2,971,296

Short term investments represent investments in mutual funds as disclosed in note 38.

23. CASH AND BANK BALANCES

(Rupees in thousand)

	2012	2011
In hand:		
Cash	1,517	1,158
At banks:		
Current accounts	433,253	272,498
Saving accounts	224,221	131,560
Deposit accounts	25,000	-
	683,991	405,216

The saving accounts bear mark-up at the rate of 5% - 10.5% (2011: 5% - 10.5%) per annum.

24. SALES - NET

(Rupees in thousand)

	2012	2011
Local		
Tractors	20,579,856	25,777,259
Implements	54,422	21,051
Multi-application products	394,255	392,955
Trading goods	242,147	257,366
Batteries	538,743	350,283
Warranty and maintenance services	-	33,069
	21,809,423	26,831,983
Less: Discount	(23,387)	(213,122)
	21,786,036	26,618,861
Less: Sales tax and special excise duty	(1,624,060)	(1,316,190)
	20,161,976	25,302,671
Export		
Tractors	715,976	196,659
Implements	-	43
Trading goods	5,197	-
Batteries	33,145	41,042
	754,318	237,744
	20,916,294	25,540,415
Less: Commission	(294,623)	(345,942)
	20,621,671	25,194,473

25. COST OF SALES

(Rupees in thousand)

	Note	2012	2011
Components consumed		16,209,321	19,692,323
Salaries, wages and amenities	25.1	251,670	258,888
Contract services		134,533	169,096
Fuel and power		91,652	90,683
Communication		585	632
Travelling and vehicle running		13,397	12,455
Printing and stationery		1,871	738
Insurance		11,277	13,604
Repairs and maintenance		73,036	67,289
Stores and spares consumed		92,995	103,564
Depreciation	11.2	36,171	36,792
Other expenses		28,775	31,569
		16,945,283	20,477,633
Add: Opening work-in-process		122,523	236,944
Less: Closing work-in-process		(139,522)	(122,523)
(Decrease) / increase in work-in-process		(16,999)	114,421
Cost of goods manufactured		16,928,284	20,592,054
Add: Opening finished goods		218,098	83,512
Less: Closing finished goods		(227,992)	(218,098)
Decrease in finished goods stock		(9,894)	(134,586)
Cost of sales - manufactured		16,918,390	20,457,468
Cost of sales - trading	25.2	164,477	168,760
		17,082,867	20,626,228

25.1 Salaries, wages and amenities include Rs. (7,123) thousand (2011: Rs. (2,957) thousand) in respect of pension expense.

25.2 Cost of sales - trading

(Rupees in thousand)

	2012	2011
Opening stock	60,623	50,013
Purchases	169,997	179,370
Closing stock	(66,143)	(60,623)
Cost of goods sold	164,477	168,760

26. DISTRIBUTION AND MARKETING EXPENSES

(Rupees in thousand)

	Note	2012	2011
Salaries and amenities	26.1	68,890	68,220
Contract services		13,278	16,474
Fuel and power		10,030	7,427
Communication		695	646
Travelling and vehicle running		18,034	13,421
Printing and stationery		5,679	7,240
Insurance		5,491	6,636
Trademark fee		250,205	286,877
Advertisement and sales promotion		14,954	13,385
Depreciation	11.2	7,181	7,510
Meeting/convention		9,118	12,576
After sales support		86,864	103,141
Research cost		225	-
Other expenses		14,331	12,486
		504,975	556,039

26.1 Salaries and amenities include Rs. (2,798) thousand (2011: Rs. (992) thousand) in respect of pension expense.

27. ADMINISTRATIVE EXPENSES

(Rupees in thousand)

	Note	2012	2011
Salaries and amenities	27.1	151,432	153,593
Contract services		18,242	22,292
Fuel and power		17,703	14,071
Communication		4,635	4,926
Travelling and vehicle running		22,463	22,120
Insurance		4,492	5,320
Repairs and maintenance		11,825	7,832
Security		12,538	9,466
Legal and professional	27.2	11,005	9,956
Depreciation	11.2	15,728	17,896
Amortization of intangible asset	13	11,743	11,743
Provision for impairment		-	2,736
Rent, rates and taxes		5,686	7,179
Fee and subscription		2,560	4,700
Entertainment		4,380	3,647
Bad debts written off		6,027	1,841
Other expenses		36,943	31,346
		337,402	330,664

27.1 Salaries and amenities include Rs. (8,536) thousand (2011: Rs. (3,895) thousand) in respect of pension expense.

27.2 Legal and professional expenses include following in respect of auditors' services:

(Rupees in thousand)

	2012	2011
Statutory audit	1,485	1,100
Half year review	150	150
Special reports and sundry certifications	596	281
Out of pocket expenses	103	75
	2,334	1,606

28. OTHER OPERATING INCOME

(Rupees in thousand)

	2012	2011
Income from financial assets		
Dividend income from other investments	2,566	1,604
Return on bank deposits	9,763	19,494
Gain on sale of short term investments	139,772	294,059
Change in fair value of short term investments	94,916	151,197
Interest charged on early payments and advances	73,867	47,625
	320,884	513,979
Income from investment in associates and loans to related parties		
Interest income on loan to Agrimall (Private) Limited	79	131
Income from assets other than financial assets		
Rental income	5,009	4,952
Scrap sales	26,136	26,534
Exchange gain	4,683	4,700
Gain on disposal of property, plant and equipment	3,796	5,225
Gain on disposal of investment property	-	29,640
Others	13,236	1,748
	52,860	72,799
	373,823	586,909

29. FINANCE COST

(Rupees in thousand)

	2012	2011
Mark-up on short term running finance - secured	9,080	8,947
Bank charges and commission	1,182	2,340
	10,262	11,287

30. OTHER OPERATING EXPENSES

(Rupees in thousand)

	Note	2012	2011
Workers' Profit Participation Fund	8.4	157,746	214,996
Workers' Welfare Fund		50,228	80,843
Donations	30.1	25,274	47,883
Property, plant and equipment written off		-	3,080
Advertising and promotion		479	-
		233,727	346,802

30.1 None of the directors were interested in the donee institutions.

31. SHARE OF PROFIT OF ASSOCIATES

(Rupees in thousand)

	2012	2011
Bolan Castings Limited	31,921	57,269
Millat Equipment Limited	204,624	252,920
	236,545	310,189

32. TAXATION

(Rupees in thousand)

	2012	2011
For the year		
-Current	886,862	1,269,722
-Deferred	(7,327)	20,736
	879,535	1,290,458
Prior years		
- Current	35,011	(17,475)
	914,546	1,272,983

33. EVENTS AFTER BALANCE SHEET DATE

33.1 Dividend declared by the parent undertaking after the balance sheet date amounts to Rs. 1,464,216 thousand (Rs. 40 per share) { 2011: Rs. 549,081 thousand (Rs. 15 per share)}, while appropriation to general reserves and for issuance of bonus shares made after the balance sheet date amount to Rs. Nil and Rs. Nil respectively (2011: Rs. 900,000 thousand and Rs. Nil respectively).

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for the year for remuneration including certain benefits to the Chief Executive, directors and executives of the company are as follows:

(Rupees in thousand)

	Chief Executive		Directors				Executives	
	2012	2011	2012		2011		2012	2011
			NED	ED	NED	ED		
Number of persons	2*	1	6**		0	5	46	29
Remuneration	3,865	2,447	3,687	8,662	-	8,438	35,419	20,708
Cost of living allowance	1,526	2,447	2,947	9,838	-	8,345	27,952	17,078
Bonus	1,175	960	-	4,508	-	3,679	12,553	7,758
House rent	1,739	1,101	1,659	3,901	-	3,800	12,270	7,421
Contribution to provident fund and gratuity funds	779	717	-	156	-	122	8,513	5,247
Pension contribution	259	416	-	17	-	16	4,752	2,903
Medical expenses	114	80	275	1,078	-	629	3,515	1,879
Utilities	249	325	304	1,674	-	1,603	4,037	2,589
Other reimbursable expenses	1,264	1,331	992	4,911	-	4,366	8,888	6,023
	10,970	9,824	9,864	34,745	-	30,998	117,899	71,606

* During the year, Mr. Syed Muhammad Irfan Aqueel was appointed as the Chief Executive with effect from January 01, 2012 in place of Mr. Laeeq-uddin Ansari.

** During the year, Executive Directors Mr. Latif Khalid Hashmi, Mr. Sohail Bashir Rana, Mr. Sikandar Mustafa Khan and Mr. Laeeq-uddin Ansari were appointed as Non-Executive Directors with effect from April 11, 2012.

The company also provides the Chief Executive, directors and certain employees with free use of company maintained cars and residential telephones.

34.1 Remuneration to other directors

Aggregate amount charged to profit and loss account for the year in respect of fee to two directors (2011: two director) was Rs. 180 thousand (2011: Rs. 126 thousand) and travelling expenses Rs. 296 thousand (2011: Rs. 370 thousand).

35. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise associated companies, companies in which directors are interested, staff retirement funds, directors and key management personnel. Transactions with related parties are priced at comparable uncontrolled market price except for those transactions with key management personnel carried under the terms of employment as approved by the Board of Directors. Amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 34. Other significant transactions with related parties are as follows:

(Rupees in thousand)

		2012	2011
Relation with undertaking	Nature of transaction		
Associated undertaking	Sale of goods	69,929	44,571
	Purchase of components	3,485,389	4,101,233
	Dividend income	94,987	49,465
	Sale of investment property	-	68,650
Retirement benefit plans	Contribution to staff retirement benefit plans	19,899	19,510

36. EARNINGS PER SHARE

36.1 Combined basic earnings per share

Earnings per share are calculated by dividing the net profit for the year by weighted average number of shares outstanding during the year as follows:

		2012	2011
Profit for the year after tax	(Rupees in thousands)	2,063,516	2,816,593
Average ordinary shares in issue	(Numbers)	36,605,408	36,605,408
Earnings per share	(Rupees)	56.37	76.94

36.2 Combined diluted earnings per share

No figure for diluted earnings per share has been presented as the group has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

37. CASH GENERATED FROM OPERATIONS

(Rupees in thousand)

	Note	2012	2011
Profit before taxation		3,062,806	4,220,551
Adjustment for:			
Depreciation on property, plant and equipment		59,080	62,198
Amortization of intangibles		11,743	11,743
Provision for impairment		-	2,736
Bad debts written off		6,027	1,841
Provision for accumulating compensated absences		10,496	8,301
Deferred revenue amortised		-	(33,069)
Property, plant and equipment written off		-	3,080
Profit on bank deposits		(9,763)	(19,494)
Dividend income		(2,566)	(1,604)
Gain on sale of investments		(139,772)	(294,059)
Gain on change in fair value of investments		(94,916)	(151,197)
Gain on disposal of property, plant and equipment		(3,796)	(5,225)
Gain on disposal of investment property		-	(29,640)
Gain on divestment in long term investments		(20)	-
Finance cost		10,262	11,287
Share of profit of associates		(236,545)	(310,189)
Working capital changes	37.1	(440,822)	(2,334,744)
		2,232,214	1,142,516

37.1 Working capital changes

(Rupees in thousand)

	2012	2011
(Increase) / decrease in current assets		
Stores and spares	61,220	(22,183)
Stock-in-trade	(400,920)	(142,677)
Trade debts	(268,087)	273,626
Loans and advances	31,774	27,771
Trade deposits and prepayments	(6,403)	3,106
Interest accrued on loan to Agrimall (Private) Limited	(79)	(131)
Other receivables	(1,058,503)	1,228,942
	(1,640,998)	1,368,454
Increase / (decrease) in current liabilities		
Trade and other payables	1,200,176	(3,703,198)
	(440,822)	(2,334,744)

37.2 Cash and cash equivalents

(Rupees in thousand)

	2012	2011
Cash and bank balances	683,991	405,216

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The group is exposed to currency risk arising from various currency exposures, primarily with respect to the United Kingdom Sterling (UKP), United States Dollar (USD) and Euro. Currently, the group's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to foreign entities. The group's exposure to currency risk is as follows:

(Amount in thousand)

	2012	2011
Trade and other payables - GBP	(305)	(589)
Net exposure - GBP	(305)	(589)
Trade and other payables - USD	(947)	(155)
Net exposure - USD	(947)	(155)

The following significant exchange rates were applied during the year:

	2012	2011
Rupees per GBP		
Average rate	142.12	136.41
Reporting date rate	147.07	138.62
Rupees per USD		
Average rate	89.64	85.64
Reporting date rate	94.20	86.05

If the functional currency, at reporting date, had fluctuated by 5% against the UKP, USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rs. 6.703 million (2011: Rs 4.750 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The group is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers. The equity instrument held by the group does not trade on a regular basis on the stock exchange and historically, it does not have a direct correlation with the equity index of the Karachi Stock Exchange (KSE). Moreover, the group has made investments in mutual funds. Therefore, it is not possible to measure the impact of increase / decrease in the KSE Index on the group's profit after taxation for the year and on equity (fair value reserve).

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The group has no significant long-term interest-bearing assets. The group's interest rate risk arises from short term borrowings. Borrowings obtained at variable rates expose the group to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the group's interest-bearing financial instruments was:

(Rupees in thousand)

	2012	2011
Fixed rate instruments		
Financial assets		
Bank balances - deposit accounts	25,000	-
Bank balances - savings accounts	224,221	131,560
Total exposure	249,221	131,560

Fair value sensitivity analysis for fixed rate instruments

The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the group.

Cash flow sensitivity analysis for variable rate instruments

The group does not have any variable rate instruments at the reporting date. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the group.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks, trade debts, investments, loans and advances and other receivables.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

(Rupees in thousand)

	2012	2011
Long term investments	37,202	40,922
Long term loans	-	900
Loans to employees	4,343	3,448
Trade debts	470,197	208,138
Other receivables	211,899	159,443
Short term investments	2,461,860	2,971,296
Bank balances	682,474	404,058
	3,867,975	3,788,205

The credit risk on liquid funds is limited because the counter parties are banks and mutual funds with reasonably high credit ratings. The group believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and subscribers in case of trade debts.

The group's exposure to credit risk in respect of trade debts is limited to its carrying amount. The carrying amount of trade debts older than 365 days and not impaired was Rs. 27,850 thousand (2011: Rs. 33,782 thousand).

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Banks	Rating			(Rupees in thousand)	
	Short Term	Long Term	Agency	2012	2011
Meezan Bank Limited	A-1+	AA-	JCR-VIS	16,836	2,405
Zarai Taraqiati Bank Limited	B	B+	JCR-VIS	163,130	66,046
Bank Alfalah Limited	A1+	AA	PACRA	(29,742)	47,718
Standard Chartered Bank	A1+	AAA	PACRA	211,259	33,738
United Bank Limited	A-1+	AA+	JCR-VIS	280,183	188,322
The Bank of Punjab	A1+	AA-	PACRA	7,482	3,257
MCB Bank Limited	A1+	AA+	PACRA	7,200	6,606
Habib Bank Limited	A-1+	AA+	JCR-VIS	59,052	20,734
Barclays Bank Plc	A-1	A+	S&P	(16,493)	30,058
Faysal Bank Limited	A-1+	AA	JCR-VIS	-	854
National Bank of Pakistan	A-1+	AAA	JCR-VIS	(16,433)	4,320
				682,474	404,058

Mutual funds	Rating		(Rupees in thousand)	
	Rating	Agency	2012	2011
UBL Liquidity Plus Fund	AA+ (f)	JCR-VIS	405,842	528,743
MCB Cash Management Optimizer Fund	AA+ (f)	PACRA	313,592	453,806
NAFA Government Securities Liquid Fund	AAA (f)	PACRA	350,308	447,176
NIT Government Bond Fund	AA (f)	PACRA	202,683	375,127
ABL Cash Fund	AA+ (f)	JCR-VIS	385,130	531,776
Atlas Money Market Fund	AA+ (f)	PACRA	102,780	104,794
HBL Money Market Fund	AA (f)	JCR-VIS	365,453	210,823
Askari Sovereign Cash Fund	AA+ (f)	PACRA	336,072	319,051
			2,461,860	2,971,296

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2012, the group had Rs 1,849,000 thousand available borrowing limits from financial institutions and Rs 683,991 thousand cash and bank balances.

The following are the contractual maturities of financial liabilities as at June 30, 2012:

(Rupees in thousand)

	Carrying Amount	Less than one year	One to five years	More than five years
Trade and other payables	2,499,296	2,498,897	399	-
Accrued finance cost	1,425	1,425	-	-
	2,500,721	2,500,322	399	-
The following are the contractual maturities of financial liabilities as at June 30, 2011:				
Trade and other payables	2,052,362	2,049,557	2,805	-
Accrued finance cost	990	990	-	-
	2,053,352	2,050,547	2,805	-

38.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

38.3 Financial instruments by categories

(Rupees in thousand)

	Available-for-sale		At fair value through Profit and Loss		Loans & Receivables		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Financial assets as per balance sheet								
Long term investments	37,202	40,922	-	-	-	-	37,202	40,922
Long term loans	-	-	-	-	-	900	-	900
Loans to employees	-	-	-	-	4,343	3,448	4,343	3,448
Trade debts	-	-	-	-	470,197	208,138	470,197	208,138
Other receivables	-	-	-	-	211,899	159,443	211,899	159,443
Short term investments	-	-	2,461,860	2,971,296	-	-	2,461,860	2,971,296
Bank balances	-	-	-	-	682,474	404,058	682,474	404,058
	37,202	40,922	2,461,860	2,971,296	1,368,913	775,987	3,867,975	3,788,205

(Rupees in thousand)

	Other financial liabilities	
	2012	2011
Financial liabilities as per balance sheet		
Trade and other payables	2,499,296	2,052,362
Accrued finance cost	1,425	990
	2,500,721	2,053,352

38.4 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits for other stakeholders. The capital structure of the group is equity based with no financing through long term or short term borrowings. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, issue new shares and other measures commensurating to the circumstances.

39. Capacity and production

(Units per Annum)

	2012	2011
Tractors		
Plant capacity (double shift)	30,000	30,000
Actual production	32,004	42,188

The group has a normal capacity of producing 30,000 tractors per annum on double shift basis. However, the excess production over normal capacity is due to working on overtime schedules to meet the higher demand.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 17, 2012 by the Board of Directors of the group.

41. DETAILS OF SUBSIDIARY

Millat Industrial Products Limited

Accounting Year end	June 30, 2012	June 30, 2011
Percentage of holding	64.09%	64.09%
Country of incorporation	Pakistan	Pakistan

42. CORRESPONDING FIGURES

Corresponding figures, where necessary, have been rearranged for the purposes of comparison. However no significant re-arrangements have been made.



Sikandar Mustafa Khan
Chairman



Syed Muhammad Irfan Aqueel
Chief Executive

Tractor Dealers

PUNJAB

Ahmer Brothers, Attock
Haji Sher Muhammad & Brothers, Attock
Sahgol Motors, Rawalpindi
Friends Corporation, Mandi Bahauddin
Hassan Corp., (Pvt) Ltd., Gujranwala
Zeshan Tractors, Gujrat
Kashmir Tractors, Jhelum
Globe Automobiles (Pvt) Limited, Lahore
Zamindar Tractors & Equip., Kasur
Shahrah Autos (Pvt) Ltd., Sheikhupura
Bilal Tractors, Nankana
Muhammad Yousaf & Co., Faisalabad
Sheraz Tractors, Toba Tek Singh
Ahmed K. Agencies, Jhang
Sahiwal Tractor House (Pvt) Ltd., Sahiwal
Khawaja Autos, Okara
Pakistan Tractor House, Sargodha
Sami Ullah Khan & Brothers, Mianwali
Super United Tractors, Mianwali
Shaheen Tractor House, Bhakkar
Multan Autos, Multan
Chenab Tractor House, Muzaffargarh
Universal Autos, D.G. Khan
Haleem Sons Ltd., Khanewal
Thal Agro Services, Leiah
Al-Hassan Traders, Bahawalpur
Panjnad Tractors Ltd., R.Y. Khan
Aziz Sons Tractor Corporation, R.Y. Khan
Vehari Tractors, Vehari
Sutlej Traders, Chishtian
Sargroh Services Ltd. Bahawalnagar
Shabbir Trading Co., Depalpur, Distt. Okara
Iqbal Enterprises, Chakwal
Pak Ghazi Tractors, Jampur, Distt. Rajanpur
Kissan Brothers, Kasur
Usman Enterprises, Opp: Millat Tractor Limited Ferozewala,
Distt. Sheikhupura
Pak Tractor House, Khushab
Al-Hassan Traders, Hasilpur
Syed Tractors, Lodhran
Al-Jabbar Tractors, Sialkot
Zahid Brothers, Shakargarh, Distt. Narowal
Kissan Tractors House, Pakpattan
Ishtiaq Tractor House, Jhelum

BALUCHISTAN

Ravi Tractor House, Chaman, Qila Abdullah
National Agricultural Engineering & Services,
Jhat Pat, Naseerabad
Daavi Autos, Quetta
Zamindar Tractors, Pishin
Bolan Tractors House, Loralai
Baluchistan Tractors & Services, Quetta

KHYBER PAKHTOONKHWA

Indus Autos, D.I. Khan
Kurram Tractors, Sarai Naurang, Bannu
Kohat Automobiles, Kohat
Samir Tractor Agency, Parachinar
Ghulam Muhammad Auto Store, Swat
Hunza Motors, Gilgit
Tractor House, Charsadda
Tractor House, Peshawar
Afghan Tractors House, Malakand
Zahoor Tractor House, Mardan
Parus Agro Tractors, Hazara

SIND

Popular Tractor Co., Sukkur
Larkana Tractor House, Larkana
Sind Trading Company, Jacobabad
Good Luck Tractor Co., Khairpur
Pakistan Zaree Industries, Hyderabad
Mehran Trading Co., Sanghar
Al-Hamd Tractors, Dadu
Millat Farm Machinery, Nawabshah
Agrico International, Karachi
Tharparkar Tractor House, Mirpurkhas
Al-Davi Tractors House, Shahdad Kot
Kashmor Tractor Co., Kashmir
K. K. Tractors, Tandul Allah Yar

FOREIGN DEALERS-AFGHANISTAN

Serkat Ghazi Tractors Limited, Kabul
Serkat new Popal Limited, Kabul

Spare Parts Dealers

PUNJAB

New Bukhtiar Sons, Lahore
Mian Autos, Lahore
Hudiara Agencies, Lahore
Malik Tractors, Lahore
Muslim Tractor Corp., Lahore
Ghazi Autos, Lahore
Pak Tractor House (Pvt) Ltd., Lahore
Sadar Auto Tractors, Lahore
Farhan Tractors, Lahore
Massey Autos, Pattoki
Universal Tractors, Okara
Fareed Auto Store, Depalpur
Madina Tractors, Muridkey Sheikhupura
New Kissan Autos, Hafizabad
Kissan Tractor House, Sialkot
Madina Autos Services, Sambrial
Mukhtar Autos, Sahiwal
Madina Autos, Arifwala
Crescent Autos, Pakpattan
Madina Autos, Burewala
Umer Nawaz Auto Store, Multan
Ishtiaq Auto Store, Multan
M. Latif & Brothers, Mian Channu
Hafiz Autos, Jahanian
Afzal Auto Store, Khanewal
Nazar Tractor Workshop, Alipur

Javed Tractor House, Kot Addu
Sarsabz Auto Store, Rajanpur
Nasir Khan Autos, Leiah
Pak Autos, Pirmahal
Farooq Autos, Faisalabad
Ali Imran Autos, Chiniot
Chaudhry Tractor Centre, Sargodha
Pak Auto Store, Haroonabad
Mushtaq Parts Centre, Wazirabad
Mukhtar Autos, Daska
Malik Tractor Autos, Rawalpindi
Piracha Auto Agency, Bhalwal
Kissan Tractor House, Wazirabad
Awami Tractor Workshop, Narowal
Riaz Autos, Mandi Faizabad, Sheikhupura

KHYBER PAKHTOONKHTWA

Millat Tractor House, Mardan
Quresh Mechanical Engineering Works,
Kurram Agency
Lahore Autos, Charsadda

SIND

Genuine Tractors, Hyderabad



MILLAT TRACTORS LIMITED

PROXY FORM



MILLAT TRACTORS LIMITED

Please quote your Folio No.
as is in the Register of Members

Folio No

I/We _____
of _____ (FULL ADDRESS)
being a member / members of MILLAT TRACTORS LIMITED hereby appoint
_____ (NAME)
of _____ (FULL ADDRESS)
another member of the company or failing him/her _____
_____ (NAME)
of _____ (FULL ADDRESS)
another member of the company as my/ our proxy to attend and vote for me/ us and on my/ our behalf, at
the 49th Annual General Meeting of the Company to be held at Company's Registered Office, 9 K.M.
Sheikhupura Road, Lahore, on **Tuesday, October 02, 2012 at 4:00 p.m** and at every adjournment thereof.

Signed this _____ day of _____ 2012

Signature on
Five Rupees
Revenue Stamp

(Signature should agree with specimen
signature registered with the Company)

IMPORTANT

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as a proxy who is not a member of the Company except that a corporation may appoint a person who is not a member.
2. The Instrument appointing a proxy should be signed by the member(s) or by his/her attorney duly authorized in writing. If the member is a corporation, its common seal should be affixed to the instrument.
3. This Proxy Form, duly completed, must be deposited at the Company's Registered Office, 9 K.M., Sheikhupura Road, Lahore, not less than 48 hours before the time of holding.



MILLAT TRACTORS LIMITED

REGISTERED OFFICE

Sheikhupura Road, Shahdara, Lahore - Pakistan
Phone: +92 42 37911021-25 UAN: 111 200 786