

TRIANGLE OF TRUST

PRINCIPALS - AGCO/MF, MILLAT & FARMERS

Millat

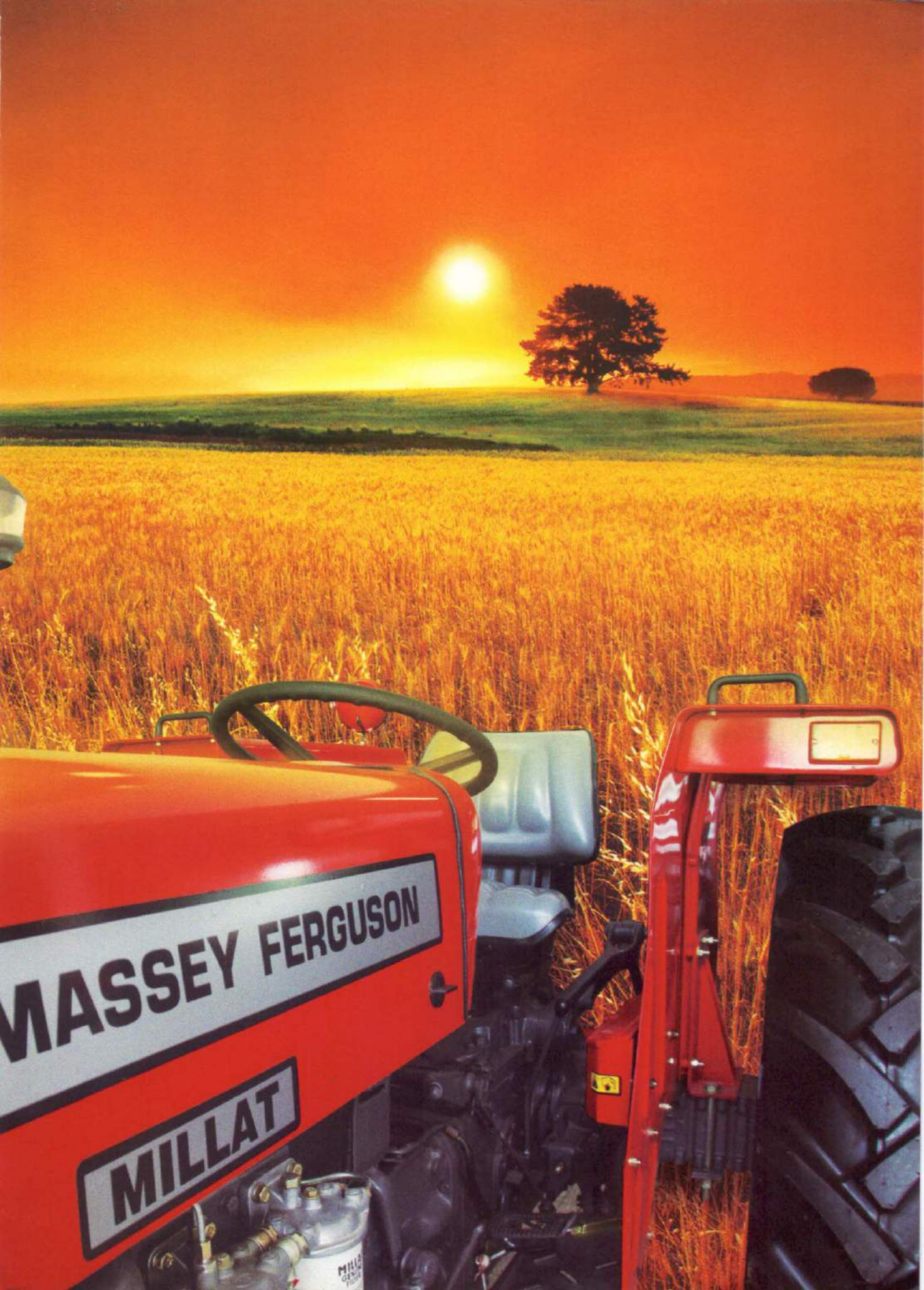
2008
Annual Report

Farmers

Principals - AGCO/MF



MILLAT TRACTORS LIMITED



MASSEY FERGUSON

MILLAT

C O N T E N T S

MILLAT TRACTORS LIMITED

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BOARD OF DIRECTORS



Sitting (Left to right)

Mr. Latif Khalid Hashmi

Mr. Sikandar Mustafa Khan

Mr. Sohail Bashir Rana

Mr. Laeeq Uddin Ansari

Standing (Left to right)

Rana Muhammad Siddique

Mian Muhammad Saleem

Mr. S.M. Tanvir

Mr. Manzoor Ahmad

Mr. Mazhar Uddin Ansari

TRIANGLE OF TRUST

Millat is committed to total mechanization of Pakistan's agriculture that will help Pakistani farmers to be rated among the world's best in terms of productivity and technology. It has always endeavoured to offer international quality equipment to enable Pakistani farmers to march towards a brighter and prosperous future along with the developed world.

Keeping in view the ever changing requirements of the agriculture community of Pakistan, Millat in collaboration with AGCO / Massey Ferguson has all along been at the forefront in introducing world class technology, resulting in fuel efficient and eco-friendly products, which is now-a-days the top priority all over the world due to depleting energy resources and environmental concerns.

Trust is a relationship of reliance. At Millat there exists a Triangle of Trust amongst the following three partners since 1964:

- AGCO / Massey Ferguson - the creators of technology.
- Millat Tractors Limited - the shapers / deliverers of technology.
- Farmers - the end users of technology.

This triangle, which works as the blood line of a "Green Revolution" in Pakistan, is vital for the country to mechanize agriculture which earns bread and butter for more than 70 % of the country's population besides meeting the basic food requirements of the people and earning foreign exchange through export of the surplus.

Farmers, being the end users of technology, trust Millat Tractors Limited as every Millat tractor is an example of unmatched workmanship, produced with attention to minutest details to ensure faultless quality and tested for operational excellence. Offered at reasonable prices, these tractors are reliable and economical with the ability to cope with the rigours of the toughest agricultural and horticultural applications. These come with a complete range of matching implements and are backed up with a vast network of dealers spread all over the country, providing prompt after sales support to the farmers at their doorstep.

Millat Tractors Limited, being the shapers / deliverers of technology trusts its principals AGCO / Massey Ferguson which is one of the biggest names in farm equipment globally with a 150 years history and heritage. Massey Ferguson continues to keep up with technological advances in farming and continues to offer reliability, comfort and quality through their advanced research and development facility equipped with the latest testing equipments. AGCO/Massey Ferguson is actively working not only for the introduction of new, efficient and eco-friendly fuel saving "green engines" but also for various improvements to existing product range to increase efficiency and cost saving .





CORPORATE INFORMATION

Board of Directors

Mr. Sikandar Mustafa Khan
Chairman

Mr. Sohail Bashir Rana
Chief Executive

Mr. Latif Khalid Hashmi
Mr. Laeeq Uddin Ansari
Mian Muhammad Saleem
Rana Muhammad Siddique
Mr. Manzoor Ahmed
Mr. Mazhar Uddin Ansari
Mr. S.M. Tanvir

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 Registrars

M/s Hameed Majeed Associates
(Pvt) Ltd.
1st floor, H.M. House,
7 - Bank Square, Lahore.

Bankers

RBS (formerly ABN Amro Bank)
Bank Alfalah Ltd.
Habib Bank Ltd.
MCB Bank Ltd.
Standard Chartered Bank
Meezan Bank Ltd.
United Bank Ltd.

Registered Office and Plant

Sheikhupura Road, Distt. Sheikhupura
Tel: 042-7911021-25, 111-200-786
Fax: 042-7924166, 7925835
Web Site: www.millat.com.pk
E-mail: info@millat.com.pk

Regional Offices

Karachi

3-A, Faiyaz Centre, Sindhi Muslim
Co-operative Housing Society
Tel: 021-4553752, 111-200-786
Fax: 021-4556321

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, 111-200-786
Fax: 051-2270693

Sukkur

A-3, Professor Housing Society,
Shikarpur Road
Tel: 071-5633042
Fax: 071-5633187



COMMITTEES OF BOARD OF DIRECTORS AND MANAGEMENT

Board of Directors Committee

Audit Committee

Mr. Latif Khalid Hashmi	Chairman
Mr. Mazhar Uddin Ansari	Member
Mian Muhammad Saleem	Member
Mr. S. M. Tanvir	Member

The Board has constituted a fully functional Audit Committee. Two members of the Audit Committee are non-executive directors. The salient features of the terms of reference of the committee are:

Recommending to the Board the appointment of external auditors.

Determination of appropriate measures to safeguard the Company's assets.

Review of preliminary announcements of results prior to publication.

Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors.

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).

Review of management letter issued by external auditors and management's response thereto.

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.

Ensuring coordination between the internal and external auditors of the Company.

Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.

Consideration of major findings of internal investigations and management's response thereto.

Determination of compliance with relevant statutory requirements.

Consideration of any other issue or matter as may be assigned by the Board of Directors.

Management Committees

1- Business Strategy Committee

Mr. Sikandar Mustafa Khan	Chairman
Mr. Sohail Bashir Rana	Member
Mr. Latif Khalid Hashmi	Member
Mr. Laeeq Uddin Ansari	Member
Mian Muhammad Saleem	Member

The Business Strategy Committee is responsible for preparing the strategic plan for the future growth of the Company. The Committee also reviews major projects and finalizes recommendations after evaluation from technical and commercial point of view.

2- Management Coordination Committee

Mr. Sohail Bashir Rana	Chairman
Mr. Mubashar Iqbal	Member
Mr. Javed Munir	Member
Syed Muhammad Yaqoob	Member
Mr. Muhammad Akram	Member

The Management Coordination Committee plays an active participative 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.

GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

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MILLAT GROUP VISION

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

MISSION STATEMENT

"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 customers and stakeholders and to fulfill social obligations".



MTL

Farmer

Principles
AGCO/MF

Millat

3- Systems and Technology Committee

Mr. Sohail Bashir Rana	Chairman
Mr. Javed Munir	Member
Mr. Ahsan Imran	Member
Mr. Farough Iqbal	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.

4- Safety Committee

Mr. Nasim A. Sindhu	Chairman
Mr. Ahsan Imran	Member
Mr. Muhammad Akbar	Member
Mr. Muhammad Ali	Member

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

5- Human Resource Committee

Mr. Ahsan Imran	Chairman
Mr. Zulfiquar Elahi	Member
Syed Azhar Hussain	Member

The Human Resource Committee is primarily responsible for making recommendations to the Board inter-alia for maintaining a sound organizational plan of the Company and effective employees development. It also involves in recommending to the Board, Company's staff succession plan and promotions etc.

6- Risk Management Committee

Mr. Sikandar Mustafa Khan	Chairman
Mr. Sohail Bashir Rana	Member
Mr. Latif Khalid Hashmi	Member
Mr. Laeeq Uddin Ansari	Member
Mian Muhammad Saleem	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.

7- Remuneration Committee

Mr. Sikandar Mustafa Khan	Chairman
Mr. Sohail Bashir Rana	Member
Mr. Latif Khalid Hashmi	Member
Mr. Javed Munir	Member

The Remuneration Committee is responsible for reviewing the performance and remuneration of executives based on the recommendation of the Head of Department. The Committee also arranges increase in salary/benefits of workers with CBA through a Negotiation Committee.

8- Budget Committee

Mr. Sohail Bashir Rana	Chairman
Mr. Mubashar Iqbal	Member
Mr. Javed Munir	Member
Mr. Muhammad Akram	Member

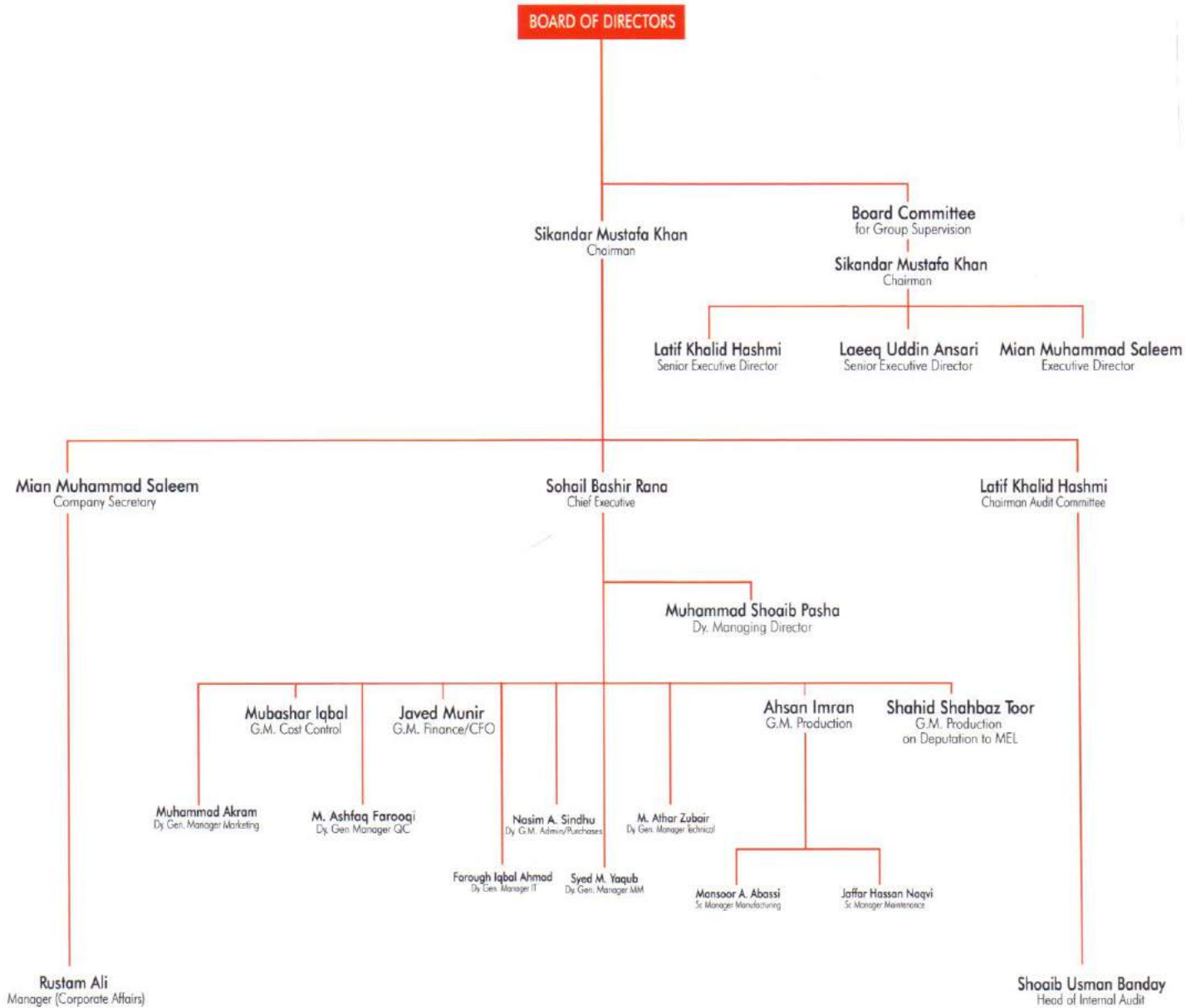
The Budget Committee reviews and approves the annual budget proposals prior to being presented for the approval of the Board. The Committee also monitors utilization of the approved budget.

9- Environmental Committee

Mr. Sohail Bashir Rana	Chairman
Mr. Mubashar Iqbal	Member
Mr. Nasim A. Sindhu	Member
Mr. Muhammad Ali	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





FINANCIAL HIGHLIGHTS

		2008	2007
Sales Revenue	Rs. in Million	11,174	10,961
Profit After Tax	Rs. in Million	810	637
Number of Outstanding Shares	(000's)	18,742	18,742
Earnings per Share-Basic and Diluted	Rs.	43.24	33.98
Dividend	Rs./Share	32.50	22.00
Capital Expenditure	Rs. in Million	179	114
Long Term Investments	Rs. in Million	315	284
Total Assets	Rs. in Million	7,268	6,264
Shareholders Equity	Rs. in Million	3,039	2,697
Return on Capital Employed	Percentage	27.24	24.27
Current Ratio		1.5:1	1.6:1
Debt: Equity Ratio		0:100	0:100
Market Capitalization (Year End)	Rs. in Million	4,985	6,213
Market Capitalization (Year End)	US\$ in Million	73	102
Price to Earnings Ratio		6.15	9.75
Net Assets per Share	Rs.	166.67	159.97

CORE VALUES

Our Customers as our first priority.

Profitability for the prosperity of our stakeholders that allows us to constantly invest, improve and succeed.

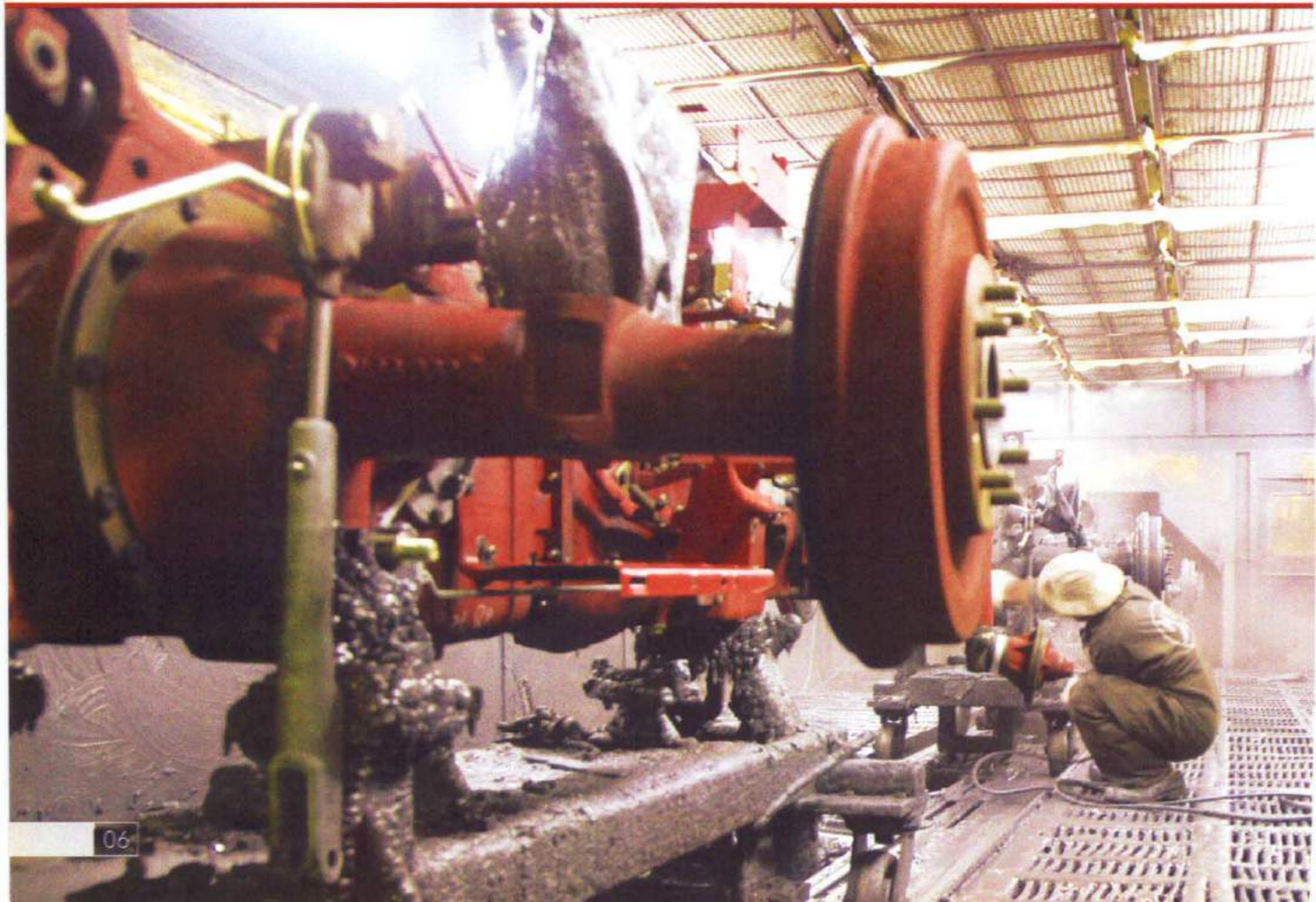
Corporate Social Responsibilities to Enrich the Lives of community where we operate.

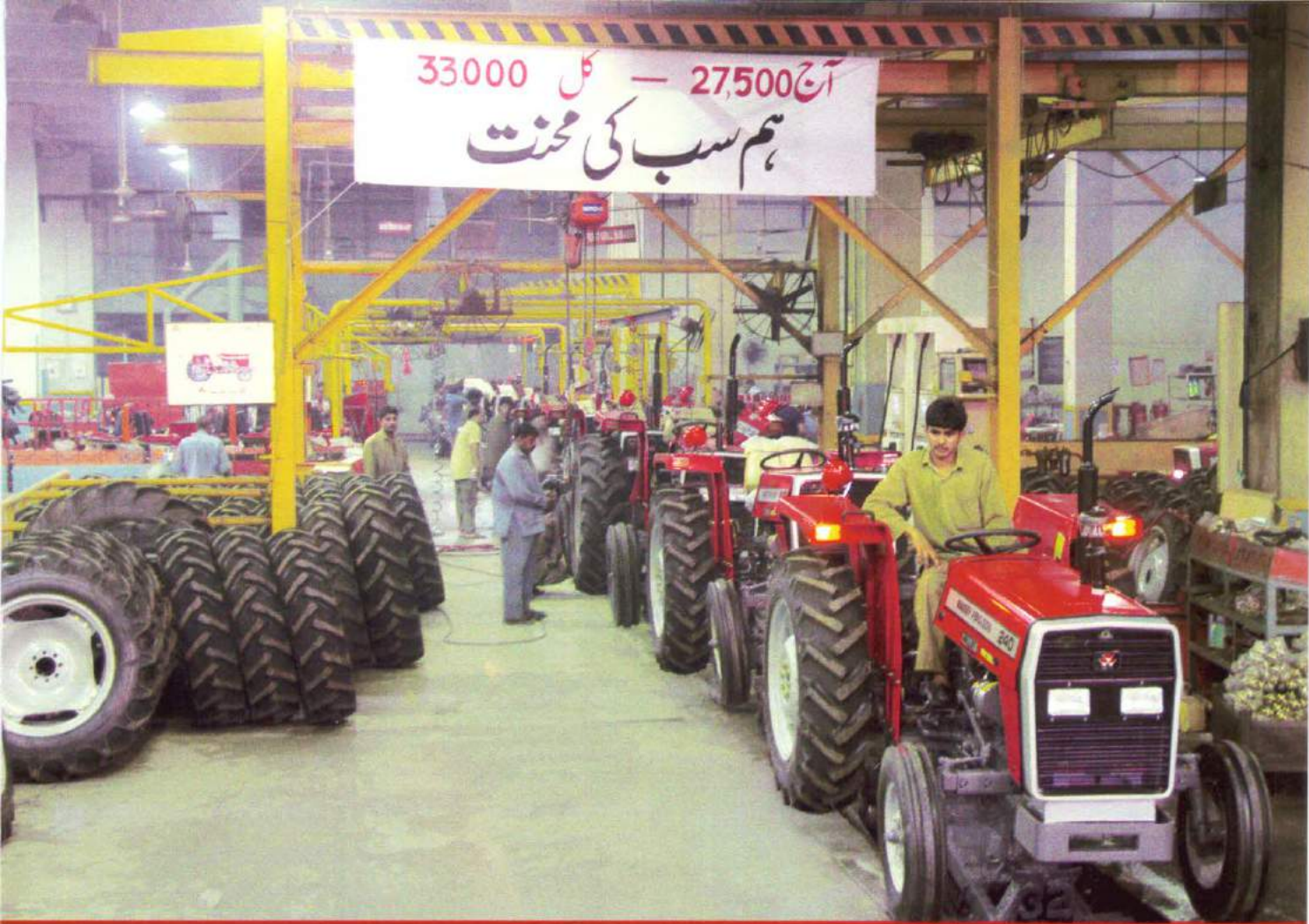
Recognition and Reward for the talented and high performing employees.

Excellence in every thing we do.

Integrity in all our dealings.

Respect for our customers and each other.





OBJECTIVES AND 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.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Company's Ethics and Business Practices conform to the MTL Group Vision and the Company's Mission Statement.

The purpose and values of business

Manufacturers of farm equipment and other Engineering Goods that conform to the Specified Standards to enhance Farm Mechanization for achieving self sufficiency in agricultural products, saving of foreign exchange and developing technical and engineering capabilities in the country.

Employees

Recruitment of personnel on merit offering training and career development, equal opportunities of growth, no discrimination or harassment and reward for achievements. Improved working conditions, ensuring safety, security and health. Terminal benefits as per policy on retirement or redundancy. Employees shall not use Company information and assets for their personal advantage. Conflict of interest shall be avoided and disclosed where it exists and guidance sought.

Customer relation

Ensure customer satisfaction by providing quality products at competitive prices with warranty coverage and ensuring after sale service.

Shareholders, financial institutions & creditors

Protection of investment made in the Company and proper return on money lent/invested. A commitment to accurate and timely communication on achievements and prospects.

Suppliers

Prompt settling of bills. Co-operation to achieve quality and efficiency. No bribery or excess hospitality accepted or given.

Society/Community

Compliance with the spirit of laws. Timely payment of all Government taxes and dues. Eliminate the release of substance that may cause environmental damage. Financial assistance for promoting education and social activities including games and donations/charity to deserving.

General

The Company shall neither support any political party nor contribute funds to groups or associations whose activities promote political interest. The Company shall promote its legitimate business interest through trade associations.

Implementation

Company Board to ensure implementation of these codes, regular monitoring, review for modification/amendment where necessary.





SAFETY, HEALTH AND 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 45th 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 Thursday, October 30, 2008 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 April 11, 2008.
- 2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2008 together with the Directors' and Auditors' Reports thereon.
- 3) To approve a final cash dividend of Rs. 20.00 per share i.e. 200% in addition to the interim dividend of

Rs.12.50 per share i.e. 125% already paid making a total cash dividend of Rs. 32.50 per share i.e. 325%.

- 4) To appoint auditors and fix their remuneration for the year ending June 30, 2009.

B. SPECIAL BUSINESS

- 1) To consider and if thought appropriate to pass the following resolution as a special resolution:

"RESOLVED that the Authorized Capital of the Company be and is hereby increased from Rs. 200,000,000 to Rs. 300,000,000.

Further resolved that the Memorandum & Articles of Association of the Company be altered by substituting the figures and words "200,000,000" (Rupees two hundred million) and "20,000,000"

(twenty million) ordinary shares appearing in Clause V and Article No.5 of Memorandum & Articles of Association by the words and figures "300,000,000" (Rupees three hundred million) and "30,000,000" (thirty million) ordinary shares respectively."

- 2) To consider and if thought fit to approve issuance of 25 % Bonus Shares by passing the following resolution as an ordinary resolution:

"RESOLVED THAT:

A sum of Rs. 46,854,920 out of the profit available for appropriations as at June 30, 2008 be capitalized and be applied to the issue of 4,685,492 ordinary shares of Rs. 10 each allotted as fully paid Bonus Shares to the members whose names appear in the register of members as at the close of business on October 16, 2008 in the proportion of one share for every four ordinary shares held i.e. 25%.

These Bonus Shares shall rank pari passu in all respects with existing shares except that these shares shall not qualify for the dividend declared for the year ended June 30, 2008.

The Directors be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of Bonus Shares".

- 3) To consider and if thought appropriate to pass the following resolution as a special resolution with or without modification:

"Resolved that the Directors be and are hereby authorized to consolidate all fractions of bonus shares and sell the same in the Stock Market and pay the proceeds of sales when realized to charitable institution(s)".

- 4) To amend the Articles of Association of the Company to bring the same in conformity with the Companies Ordinance, 1984, by passing the following resolution as a special resolution:

"Resolved that the following amendments/changes in the Articles of Association of the Company be and are hereby approved".

Artical No.	To be inserted/substituted
45	The word 'three' is substituted with the word 'four'.
118	The figure & word '(3) three' are substituted with the figure & word '(4) four'.
128 (Title)	After the words 'payment of dividnt, the word and figure 'within 45-days' shall be deleted.

C. ANY OTHER BUSINESS

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

By order of the Board



Lahore:
October 09, 2008

Mian Muhammad Saleem
Company Secretary

NOTES

- 1) The share transfer books of the Company will remain closed from October 17, 2008 to October 30, 2008 (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 October 16, 2008 will qualify for the payment of cash dividend and bonus shares.
- 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 alongwith 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.

STATEMENT U/S 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

1) **Increase in Authorized Capital of the Company**

It is proposed to increase Authorized Capital of the Company from Rs. 200 million to Rs. 300 million as the present paid-up Capital will increase in excess of Authorized Capital with the proposed issue of Bonus Shares.

The Directors of the Company, directly or indirectly are not interested in the resolution.

2) **Issuance of Bonus Shares**

The Board of Directors are of the view that the Company's financial position and its reserves justify this capitalization for the issue of bonus shares in the ratio of one bonus share for every four ordinary shares held i.e. 25%.

The Directors of the Company, directly or indirectly are not interested in the resolution except to the extent of their shareholding in the Company.

3) Disposal of Bonus Share Fractions

The Board in its 117th meeting held on September 25, 2008 has recommended that the fractions of bonus shares will be immaterial and of no significant financial disadvantage to the shareholders. Therefore, the proceeds of the above may be donated to one or more charitable institutions (engaged in the welfare of human being) in line with the Company's policy of maximum participation in welfare.

The Directors of the Company, directly or indirectly are not interested in the resolution.

4) Amendments in Articles of Association of the Company.

Certain amendments have been made in the Companies Ordinance, 1984 through Finance Act, 2008. These amendments are to be incorporated in the Articles of Association of the Company to bring the same in conformity with the Companies Ordinance, 1984. The aforesaid amendments have been approved by the Board of Directors in their meeting held on September 25, 2008. A copy of the amended Articles of Association of the Company is available with the Company Secretary for inspection by the members.

The Directors of the Company, directly or indirectly are not interested in the resolution.





CHAIRMAN'S REVIEW

"The inspiring objective has been to take Pakistan Agriculture to the threshold of a new beginning and Empower the Pakistan Agriculturist with the glory of a lush green new era."

Dear Shareholders:

I welcome you all to the 45th Annual General Meeting of your Company and it is my pleasure to present to you the Company's performance for the financial year ended on June 30, 2008.



Economy of Pakistan

The year 2007-08 had been politically tumultuous for Pakistan, affecting its economic growth. The economy has suffered due to respective political and economic events both on domestic and external fronts. These issues include internal political disputes and uncertainty, an unstable law and order situation, increasing dependence on domestic borrowing by the government, depreciation of the rupee, rising world market prices for commodities (such as crude oil and wheat), rising indirect taxes and suppression of interest rates. The country has been 'achieving' a spiraling cost of living and a level of inflation. According to the economist, the foregoing two factors have increased the demand for money in the market, which has led to demand-pull inflation, while the depreciation of the rupee has increased the cost of imports and thereby pushed up the cost of living.

During the previous fiscal year 2006-07, Pakistan's economic growth rate was 6.8 per cent and it was expected that during 2007-08, it would touch 7.2 per cent. Unfortunately, the growth rate declined to 5.8 per cent during this period. This was not surprising, since the previous year had been difficult year for Pakistan, affecting its economic growth. While the failure of crops

during the last fiscal year has affected the contribution of agriculture to Pakistan's economic growth, reduced the contribution of the manufacturing sector as well.

The GDP grew by 5.8 percent in 2007-08 as against 6.8 percent last year and growth target of 7.2%. The economy has shown great resilience against internal and external shocks of extraordinary nature during the out going fiscal year. Agriculture has an important direct and indirect role in generating economic growth. It showed dismal performance and grew by 1.5 percent as against 3.7 percent last year and target of 4.8 percent. Overall manufacturing, accounting for 18.9 percent of GDP registered a modest growth of 5.4 percent against 8.2 percent last year. Pakistan's per capita real GDP has risen at a faster pace in real terms during the last six years (4.5% per annum on average in rupee terms). The per capita income in dollar term has grown at an average rate of 13.5 percent per annum during the last six years rising from \$ 586 in 2002-03 to \$ 1085 in 2007-08. Overall Foreign Investment during the first ten months (July-April) of the current fiscal year has declined by 32.2 percent and stood at \$ 3.6 billion as against \$5.3 billion in the comparable period of last year.

The Karachi Stock Exchange is the biggest and most liquid exchange in Pakistan. The premier equity market is benchmarked through the KSE-100 index. The KSE-100 index closed at 12,289 points on June 30, 2008, a decrease of 1,483 points i.e. 10.8% in comparison to June 30, 2007 index of 13,772 points. On the other hand, the aggregate Market Capitalization settled to close at Rs. 3,777 billion against Rs. 4,019 billion of last year reflecting a decrease of 6%. A series of domestic and external shocks impacted the performance of Pakistan's stock market in the fiscal year 2007-08. Political uncertainty, un-satisfactory security environment, and a disturbed law and order situation on the domestic front, and international financial market crisis and the downgrading of Pakistan's credit rating by Standard & Poor's and Moody's on the international front, have played major roles in dampening the investors' sentiments.

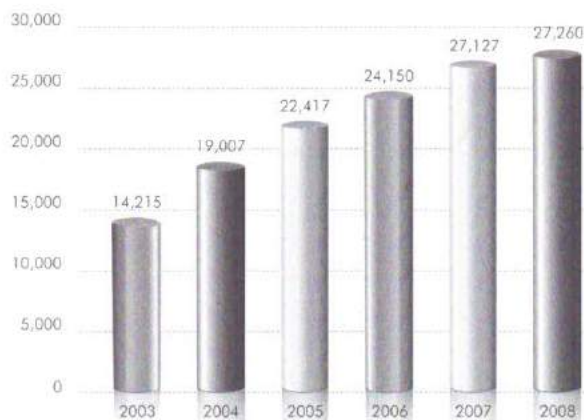
However, despite the above mentioned factors, the outlook is positive and we are gearing ourselves to meet the competition. Millat share value remained eminent of Rs. 347 during the year 2007-08 against Rs. 378 of previous year for the face value of Rs. 10.

BUSINESS REVIEW

2008 has certainly given Millat every opportunity to demonstrate how good it is in crises. I am sure you will agree that we have risen to the many challenges.

Our staff has shown professionalism, commitment, going far beyond the normal call of duty. Teamwork has been the key. Staff and members working together at every level to solve problems, win the right decisions, finesse and lift restrictions as soon as it was safe to do so, whilst all the time maintaining a constant flow of information and comment to our membership and the wider world.

Sales Volume - Units

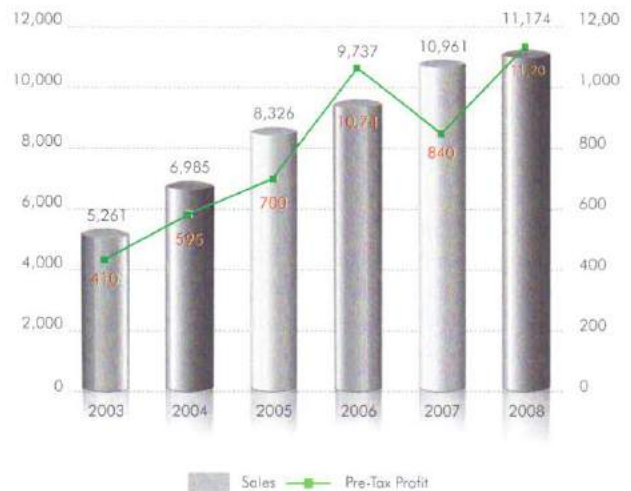


More than ever, a key factor of success is the manufacturer's ability to offer innovative, reliable technical solutions and to provide customers efficient service all over the world. Key achievement for the current financial year is the robust growth of 27,260 tractors as against 27,127 units of previous year. Your company continues to be a leader in the field of manufacturing and delivering of tractors with leading market share. This confidence is based on our image and reputation as suppliers of standard quality products and services for the last 44 years. Our vision continues to be the top performer of first choice and we thank our valued customers for their loyalty and trust in our brands. Our task is to understand what customers want and respond to their expectations rapidly and effectively.

OPERATING RESULTS

By the blessings of Almighty Allah, the year 2008 proved to be another booming year for Millat Tractors. Your Company achieved all time best performance in sales and production recording 27,260 units and 27,506 units against last year figures of 27,127 units and 27,089 units respectively.

Sales / Per-Tax Profit
(Rs. In Million)



In terms of value, the net sales slightly increased by 2% from Rs. 11.0 billion to Rs.11.2 billion. The pre-tax profit was Rs.1,120 million against Rs.840 million of last year reflecting an increase of 33%. The profit after tax was also increased by 27% from Rs.637 million of previous year to Rs. 810 million.

During the year under review, wage increases coupled with increases in prices of alloy steels and petroleum

products have sharply increased the cost of production. Further exchange rates have adversely affected our export realizations. Interest rates have also firmed up. Power outages, however, continue to be a major cause of concern. As a result, margins are under pressure.

The administrative, general and selling expenses increased to Rs. 572 million as compared to Rs. 530 million of previous year due to increase in sales volume etc.

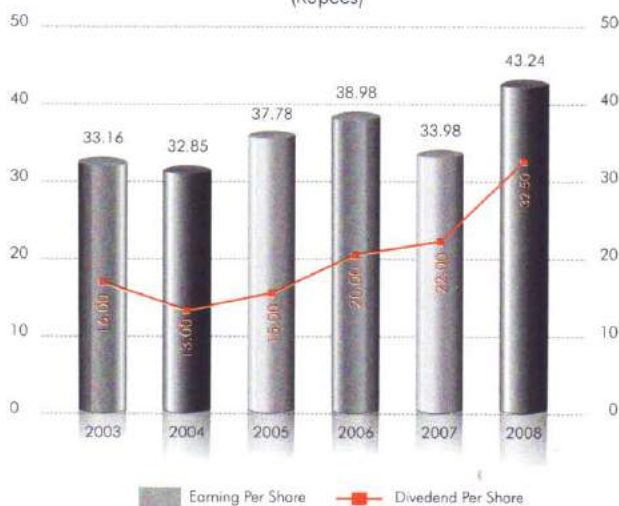
Other income during the period was Rs.322 million compared to Rs. 333 million of previous year.

The break-up value of a share was Rs.162.14 compared to Rs. 143.88 of last year. Return on capital employed was 27.24%.

DIVIDEND

The Board of Directors is please to recommend a final cash dividend @ 200% (Rs. 20.00 per share) in addition to 125% (Rs. 12.50 per share) interim cash dividend declared earlier during the year on the basis of interim results. This makes a total of 325% (Rs. 32.50 per share) for the year ended June 30, 2008. The dividend recommended is subject to approval by the shareholders in the Annual General Meeting.

Earning / Dividend Per Share
(Rupees)

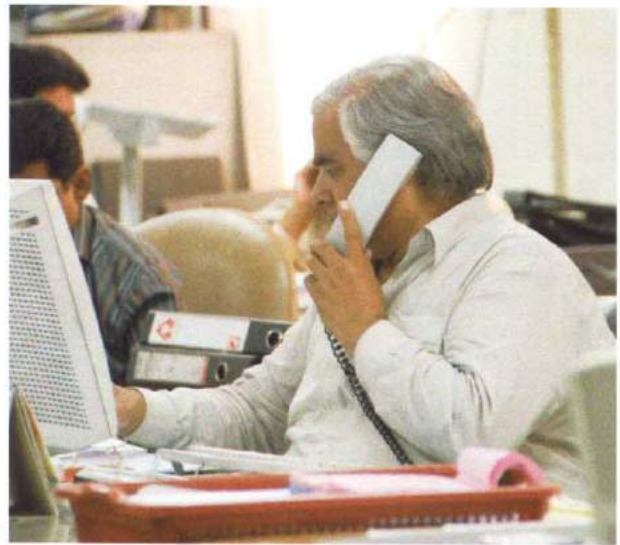


MARKETING OPERATIONS

Tractors

Tractor is becoming an imperative as the demand for food grains increases. Millat is committed to sustainable agriculture. We strive for agriculture to be a dynamic, market focused, modern and profitable industry. Since high risk and tight margins rule agriculture here, farmers opt for equipment that offer versatile features in combination with the endurance required making it through peak harvesting periods.

If one were to attempt to sum up the farming year 2007-2008 in a single phrase, it would be something like, a crises torn year of progress! Because even as the industry was facing one catastrophe after the other the fundamentals of our situation were changing decisively for the better.



In the year 2007-08, we faced the challenges of hike in prices of fuel and raw material, general inflation, disrupted law and order situation and un-stable political condition in the country. The impact of this volatile situation has also been observed in local tractor industry's production and sales.

Keeping in view the past years sales trend, arrangements were made by the local industry through BMR for enhancement in production and it was expected at the start of the fiscal year 2007-08 that the industry would deliver around 60,000 units as against last year sales of 54,325 units, an increase by 10.4%.

On account of aforementioned factors, the local tractor industry managed to deliver 53,470 tractors in the year 2007-08, a decrease of 1.6%, however, A challenging

year, but with underlying positive developments your Company's performance during the year under review has been positive on a par with last year as MTL delivered 27,260 tractors with 51% market share against last year's 27,127 tractors with 50% market share.

The delivery of 27,260 units is a new milestone in the local industry thrashing our own previous year's record of 27,127 units.



Despite downturn in the economy, the tractor industry bookings observed a positive note as it has been 56,097 units vis-a-vis 39,386 units of the preceding year (2006-07). Your Company was able to book 35,116 units with 63% market share as against preceding years bookings of 20,943 units with 53% market share.

The Company is closely monitoring the changing scenarios and is taking necessary steps to keep up its pace of growth. MTL continued its policy of offering tractor models which would meet all agro climatic conditions, size of farms, even meeting the requirement of corporate farming, at prices suitable to all segments of the market.

The developments over the year have been positive and at the end of the year we have more orders on hand than we did at the start of the year.

This relatively positive trend is primarily a result of factors including our willingness to change during a demanding period; secondly we have honed our activities to ensure continued competitiveness.

We are progressing from an era where food production was considered as merely a by product of environmental management to a situation where the global pressures and challenges of climate change, population growth and changes in dietary habits are taking us from an underlying position of food surplus to one of underlying

shortage.

Tractor quality and reliability are among the critical aspects that set Millat aside from other tractors. We are proud of our performance as we have gained our customers appreciation for the efficiency with which we have met their growing demands both in quantity and quality.

Industrial Products

Your company has shown strong growth in turnover last year, rising from Rs. 340 million to Rs. 407 million this year, registering an increase of 20% on the sales of industrial products. The year end recorded the highest number of Gensets & Prime Movers sale in a financial year.

During the year, the Company signed new contracts for supply of Forklift Trucks with Ministry of Defence and other organizations valuing over Rs. 150 million. This indicates customer satisfaction over the quality and performance of Company's Industrial Products and has reinforced business opportunities for the Company.

The product range of locally produced Gensets is being planned to be increased to 100 kVA range as well as advanced series of Forklift Trucks, both diesel and electric powered to broaden the customers' base. We are all set to maximize our market share in the next financial year, which we shall Inshaallah endeavor to achieve.



PRODUCTION

Your Company continued its focus on up-gradation of facilities in Production Department in order to improve quality and enhance productivity during the year 2007-08. With the blessing of Almighty Allah, we succeeded in producing record volume of 27,506 tractors during this fiscal year as against 27,089 tractors in the previous year despite the persisting recessionary conditions in the



country. This year your Company embarked the production of Industrial Products.

We are dedicated to achieving excellence in our work. Millat group maintains the highest ethical and professional standards and strives to stay on the leading edge in technology, in an ever changing environment.

QUALITY CONTROL

In the present world, every Organization is facing tough competition. Their survival is hidden in complete satisfaction and confidence of their customers and this is only possible through strict quality monitoring and assurance. Our greatest strength is the ability to understand the client goals, our success is very much attributed to strong teamwork, continues R&D and the dedication and commitment of each and every member of the Millat family to deliver unsurpassed quality and reliable products and services to the total satisfaction of all our customers.

MTL Laboratories & Gauge Control is functioning under ISO 9001: 2000 Quality Management System since 1998. This section under goes Surveillance Audit every year and re-audited after every three years. It was successfully re-audited this year in February 2008 and is fully backing up to ensure product integrity.

Our Gauge Control Department arranged Inspection of Gauges & Fixtures worth Rs. 1.3 million for newly established machining lines for precise control on in-house manufactured parts.

Millat Tractors Limited strongly believes in regular and continuous vigilance on product improvement through modern techniques of inspection and testing. In this

context Quality Control Department has added a state of the Art CNC new Co-ordinate Measuring Machine and a fully programmable Salt Spray Testing Machine. Their induction will enhance effectiveness in inspection & testing of products.

INFORMATION TECHNOLOGY

The last hundred years have witnessed dramatic changes in the tractor industry. The difference between early steam driven models and the large, modern, air-conditioned tractors with four-wheel drive and diesel engines is dramatic. Today, tractors are technologically sophisticated, easy-to-operate machines which can be used in practically anything from construction and agriculture to road building.

A tractor performs well only if its propel, work and steering functions are designed to work together in one integrated system.

To optimize the Company resources and processes and to enhance efficiency improve product quality and customer service, an IFS ERP suite of integrated applications has been chosen by MTL. IFS Applications is a comprehensive, fully integrated solution that helps to optimize all key business processes, including planning, collaborative product development, supply chain management, and underlying support processes such as quality control and maintenance.

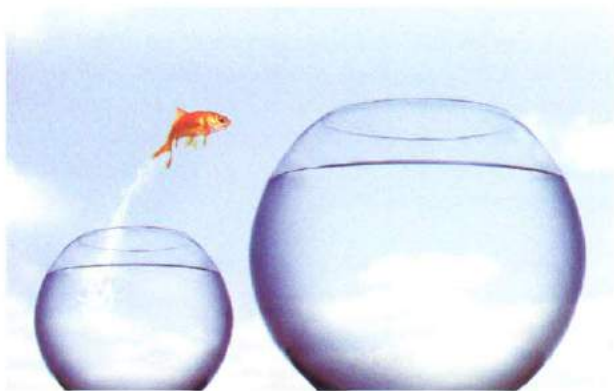
Business Process Change and replacement of legacy systems are being done in a modular fashion, under the professional guidance of IFS consultants, without disturbing the main business activities.

The information asset security also has been a major emphasis of MTL Management. The trusted data security equipment and tools for the safeguard of internal and external threats has been installed. The arrangements for the secure interoffice communication are in progress.

The transition is expected to be completed within next few months. It is bound to provide the benefits of visibility and instant decision support to the management for better care of all the stakeholders.

BUSINESS RISKS, CHALLENGES AND FUTURE PROSPECTS

The persisting recessionary conditions turned into a state of uncertainty followed by drastic drop in the business and financial activities during the fiscal year. The major setback was observed when the judicial crises almost created a situation of deadlock. This situation was further aggravated with the financial and economic crises resulting in the devaluation of the rupee, hike in prices of fuel and raw material and general inflation. The major impact was faced in the shape of hardships to our supply chain, this was mitigated through increased vendor financing and rationalization of prices, and resultantly prices of tractors were increased.



Despite these impediments it gives me great satisfaction to report that your Company has surpassed its dedicated targets during the underwriting year of 2007-08.

The Company is actively pursuing performance enhancement systems and performance culture, technology up-gradation and cost reduction programs.

The Company has an optimistic approach about the future of Agriculture in the Country as in order to address the food shortages, priority is being given by the Govt. to this sector by supporting farmers in supply of quality inputs, decreasing water losses, increasing support price of crops and subsidy to farmers for purchase of tractors,

etc. With services and expertise, all these steps would surely facilitate further growth in the tractors demand for which MTL is fully geared up.

The Company has a very strong engineering force specialised in in-house design, new product development, value engineering and capable of adapting new technology. With this strength, the Company is confident of not only meeting the challenges but also converting the challenges into opportunities.

BUSINESS PROCESS RE-ENGINEERING, RESEARCH AND DEVELOPMENT

Conversion of our 3 cylinder engine into an emission compliant product is in its final stages. This will enable us to compete in the international market.

Efforts, in brief, made towards technology where two new models have been developed and are being added to our product range was successfully utilized.

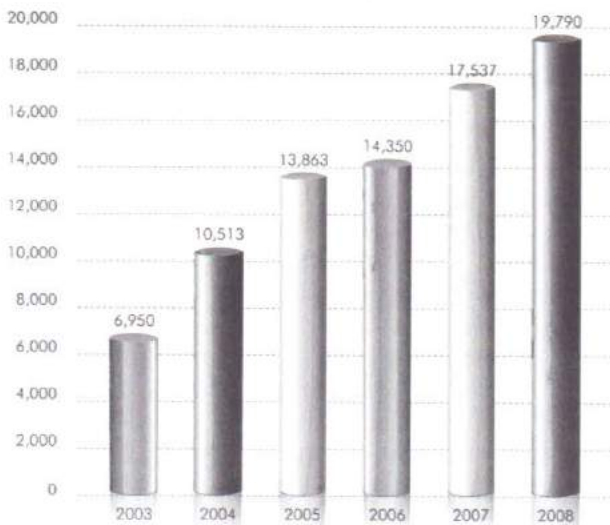
Machining capacity of major components has been enhanced to meet the ever growing international demand. Major engine components are now being exported to our principals against a buy-back arrangement. To meet capacity constraints on some major components, outsourcing of their machining has been done.



CONTRIBUTION TO NATIONAL EXCHEQUER

Millat Tractors is contributing huge amounts to the National Exchequer in the form of Corporate Income Tax in addition to Company's contribution towards saving in foreign exchange on account of locally developed components of tractors. During the year under review, the Company paid Rs. 335 million and saved Rs. 19,790 million respectively in respect of the above.

Foreign Exchange Savings
(Rs. in Million)



HUMAN RESOURCE DEVELOPMENT

The Company's HR activities are focused on building talent for future. Several programmes and trainings were conducted to tap & improve the talents of the employees at all levels. During the year, the Company continued to have cordial and harmonious relationship with its employees. Various human resource policies have been reviewed, rationalized and also developed policies like recruitment and selection, promotion and performance management by taking into account the industry norms to bring about effective change and meet future challenges.



CORPORATE SOCIAL RESPONSIBILITY (CSR)

Over the years of growth and existence, your Company has contributed to the lives of its associates, stakeholders in many different ways. We have also contributed to society through its social welfare endeavors.

The Company has adopted safety, health and environment (HSE) policy with a commitment to provide a safe and healthy working environment, preservation of the environment of the territory in which the organization operates, preventing the wasteful use of natural resources and minimize any hazardous impact of development, production, use and disposal of any of the organization products and services on ecological environment, maintained highest standard of environmental management and ensure for all its members consultants, contractors and customers a safe and healthy environment, free from injury and disease.

The company also has a recreational club within its premises where facilities for indoor games are provided.

The Company has a badminton team in which senior executives' along with the staff members' takes part, thus enhancing the level of existing harmony for better understanding. Your Company sponsors Golf tournaments at the national level.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Health, Safety performance is a core value for all our employees and a key element in our Code of Business Conduct. We have a responsibility to the people and the communities in which we live and work.





The policy of MTL in carrying out all its activities to provide a safe and healthy work place and to minimize the impact to environment in compliance with Federal and Local legislation concerning HSE and the applicable international rules and standards.

MTL is helping to protect our nation and make it a cleaner, safer and better place.

In addition to performance improvement programs that make MTL a focus, we're also finding that the real-time technologies we've developed to deliver innovative products, services and solutions to our clients are also having a considerable and growing impact to the business success.

Protection of health, safety and the environment is a primary goal of the Company. The Company is dedicated to continuous efforts to make its operations compatible with all legal and regulatory requirements, maintaining internationally certified HSE management system, eliminating hazards, practices and behaviors that could cause accidents, injuries or illness, implementing controls to eliminate pollution and environmental harm. The Company is committed to working with its employees, clients, contractors, suppliers, partners and customers and with the communities in which it operates in order to achieve this goal. We are also continuing to address the environmental and health impact of our operations by reducing waste, emissions discharge and by using energy efficiency.

ACKNOWLEDGEMENT

I gratefully acknowledge the continued cooperation, trust and support of our shareholders and would like to place on record its appreciation for the dedicated services rendered by the Employees at all levels. I further express

their gratitude to the Financial Institutions, Bankers, Customers, Suppliers and Collaborators as well for the assistance and confidence reposed by them in the Company.

I would like to extend our gratitude to our customers for their unfailing support throughout our journey from humble beginnings to the pinnacle of corporate success.

I am thankful for the continued support of my fellow directors whose consistent efforts and guidance in directing the Company's affairs contributed significantly in achieving the financial and operational targets.

I am also thankful for the trust reposed by worthy shareholders on the management and the Board of Directors. Their support gave confidence and encouragement in achieving the targets and implementation of strategies.

We are now entering into an era where the role of farmers and growers as food producers will once more be valued to the full. For that reason alone we can look forward to the future with confidence, just as we can look back to the past with pride.

Sikandar Mustafa Khan
Chairman



Javed Munir, Chief Financial Officer of the Company receiving the best corporate report award for the year 2007



Your Company was once again recognized as one of the best presented annual report in engineering sector for the year-2007 by the joint committee of the Institute of Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan.





DIRECTORS' REPORT TO THE SHAREHOLDERS

"The tractor of a farmer is like referee's whistle or a hunter's rifle. If there is one thing from which a farmer expects firm guarantees, it is definitely the reliability of his tractor, the money making machine on which he spends a good part of his life."



The Directors feel pleasure in presenting their 45th annual report together with audited accounts of the Company for the year ended June 30,2008

APPROPRIATIONS

Your Directors recommended a payment of cash dividend @ Rs. 20.00 per share (200%) in addition to interim dividend of Rs. 12.50 per share (125%) already paid.

The following appropriations were made during the year:

		(Rupees in thousand)
Un-appropriated profit brought forward		450,638
Less: Final dividend 2007 @ 120%		
(Rs. 12.00 per share)	224,904	
Transfer to general reserves	<u>225,000</u>	<u>449,904</u>
		734
Profit for the year		<u>810,458</u>
		811,192
Less: Interim dividend paid @ 125%		<u>234,275</u>
(Rs. 12.50 per share)		
Unappropriated profit carried forward		<u>576,917</u>

EARNINGS PER SHARE

Earnings per share for the year ended June 30, 2008 was Rs. 43.24 as against Rs. 33.98 of preceding year.

BOARD OF DIRECTORS

Since the last report, there has been a change in the composition of the Board. NIT nominee Mr. Muhammad Nawaz Tishna tendered his resignation on September 17, 2008 and in his place Mr. Manzoor Ahmad, NIT nominee was co-opted as Director under Article 96(2) of the Articals of Association of the Company to fill the casual vacancy in the Board of Directors meeting held on September 25, 2008.



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

Name of Director	Meetings attended
Mr. Sikandar M. Khan (Chairman)	5
Mr. Sohail Bashir Rana (CEO)	5
Mr. Latif Khalid Hashmi	5
Mr. Laeeq Uddin Ansari	5
Mr. Muhammad Nawaz Tishna	3
Mr. S.M. Tanvir	-
Mr. Mazhar Uddin Ansari	4
Mian Muhammad Saleem	5
Rana Muhammad Siddique	5

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

BOARD AUDIT COMMITTEE

The Board of Directors has constituted an Audit Committee in compliance with the Code of Corporate Governance with the following members:

Mr. Latif Khalid Hashmi	Chairman	Executive Director
Mian Muhammad Saleem	Member	Executive Director
Mr. Mazhar Uddin Ansari	Member	Non-Executive Director
Mr. S. M. Tanvir	Member	Non-Executive Director

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. The Audit Committee also discussed with the external auditors their letter to the management. Related Parties 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

The present auditors M/s. A.F. Ferguson & Company, Chartered Accountants retire and offer themselves for re-appointment. The Board Audit Committee and Board of Directors of the Company have endorsed their appointment for shareholders' consideration at the forth coming Annual General Meeting. The external auditors have been given satisfactory rating under the Quality Control Review of the Institute of Chartered Accountants of Pakistan and being eligible offer themselves for re-appointment.

ORIENTATION COURSE

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

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.

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 Accounting 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) The key operating and financial data for the last six years is annexed.
- ix) The value of investments of provident, gratuity and pension funds based on their audited accounts as on June 30, 2008 were the following:

-	Provident Fund	Rs. 297.597 million
-	Gratuity Fund	Rs. 310.703 million
-	Pension Fund	Rs. 542.964 million

The value of investment includes accrued interest.

- x) Trading of shares by CEO, Directors, Company Secretary, CFO, their spouses and minor children.



PURCHASE OF SHARES

	No. of shares purchased/sold
Directors	
Mr. Latif Khalid Hashmi	84,397
Mr. Laeeq Uddin Ansari	35,400
Rana Muhammad Siddique	5,000
CFO	
Mr. Javed Munir	5,923
Spouses	
Mrs. Ayesha Sohail W/o Mr. Sohail Bashir Rana	2,000
Mrs. Quratul Ain W/o Mr. Latif Khalid Hashmi	952
Mrs. Naseem Javed W/o Mr. Javed Munir	1,000

SALE OF SHARES

Director	
Mr. Laeeq Uddin Ansari	30,200

TRANSFER PRICING

The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of the Stock Exchanges except sale of vehicles at WDV to the Executive Directors and Officers of the Company as per Company's Car Scheme and Policy approved by the Board.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board has prepared and circulated the Statement of Ethics and Business Practices signed by every Director and employee of the Company as a token of acknowledgement of his/her understanding of the standards of conduct in relation to every body associated of dealing with the Company.

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, 2008 have been duly complied with. A statement to this effect is annexed with the report.

WEB PRESENCE

Company's all periodic financial statements including annual report are available on the Company's website www.millat.com.pk for information of the investors.

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, 2008 were 475 compared to 486 of last year.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Company as on June 30, 2008 are annexed.

ABSTRACT UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

The abstract under section 218 (1) of the Companies Ordinance, 1984 is annexed.

For and on behalf of the board



Sohail Bashir Rana
Chief Executive

Lahore:
September 25, 2008

ABSTRACT UNDER SECTION 218 (1) OF THE COMPANIES ORDINANCE, 1984

The Board of Directors passed the following resolutions in the meetings held on October 29, 2007 and June 24, 2008 for the appointment of Directors M/s Latif Khalid Hashmi & Sikandar Mustafa Khan, the same having been previously circulated to shareholders as required u/s 218 (3) of the Companies Ordinance, 1984.

1 - Mr. Latif Khalid Hashmi

“RESOLVED that the Board hereby approves appointment of Mr. Latif Khalid Hashmi as “Advisor” to the Company w.e.f. January 23, 2008 for a period of three years”.

“FURTHER RESOLVED that the Board hereby approves and authorizes holding of office of profit and payment of remuneration to Mr. Latif Khalid Hashmi not exceeding Rs. 4.75 million per annum inclusive of perquisites and benefits but exclusive of 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 Mr. Latif Khalid Hashmi 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 Chief Executive be and is hereby authorized to issue necessary letter of appointment indicating terms/conditions and remuneration etc”.

Mr. Latif Khalid Hashmi did not participate in the resolution.

2 - Mr. Sikandar Mustafa Khan

“RESOLVED that the Board hereby approves appointment of Mr. Sikandar Mustafa Khan as “Advisor” to the Company w.e.f. August 03, 2008 for a period of three years.

FURTHER RESOLVED that the Board hereby approves and authorizes holding of office of profit and payment of remuneration to Mr. Sikandar Mustafa Khan not exceeding Rs.7.5 million per annum inclusive of perquisites and benefits but exclusive of medical expenses for self and dependents. The above remuneration shall be subject to such increases, adjustments and restructuring within the approved limit including bonus/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 Mr. Sikandar Mustafa Khan be and is hereby authorized to free use of the company maintained transport for official and private purposes as approved by the Board.

FURTHER RESOLVED that the Chief Executive be and is hereby authorized to issue necessary letter of appointment indicating the terms/conditions and remuneration within approved limit”.

Being interested, Mr. Sikandar Mustafa Khan did not participate in the resolution.



SIX YEARS AT A GLANCE

TRADING RESULTS		2008	2007	2006	2005	2004	2003
Sales - Net		11,174,014	10,961,438	9,737,382	8,326,231	6,984,922	5,260,788
Gross profit		1,472,716	1,128,585	1,292,838	927,359	847,336	652,406
Operating profit		901,101	599,022	938,960	712,651	619,805	457,469
Profit before tax		1,120,139	840,202	1,074,597	700,198	595,342	410,086
Net profit after tax		810,458	636,897	730,577	453,862	394,622	265,608
BALANCE SHEET							
Share capital		187,420	187,420	156,183	120,141	80,094	80,094
Reserves		2,211,000	1,986,000	1,600,000	1,362,000	1,111,500	1,111,500
Operating fixed assets		478,174	359,443	279,210	238,783	240,587	245,593
Non current assets		610,041	560,741	542,852	236,056	176,137	139,976
Net working capital		2,035,562	1,853,775	1,814,625	1,683,448	1,152,208	846,218
Long term liabilities		-	-	-	-	-	-
Deferred liabilities		84,813	77,379	243,344	183,157	20,384	20,480
INVESTOR INFORMATION							
Sales growth	%	1.94	12.57	16.95	19.20	32.77	2.84
Gross profit growth	%	30.49	(12.70)	39.41	9.44	29.87	22.30
Pre tax profit growth	%	33.33	(21.81)	53.47	17.61	45.17	37.63
Net profit after tax growth	%	27.26	(12.82)	60.90	15.01	48.57	41.43
Gross profit ratio	%	13.18	10.30	13.28	11.14	12.13	12.40
Operating profit ratio	%	8.06	5.46	9.64	8.56	8.87	8.70
Profit before tax ratio	%	10.03	7.66	11.04	8.41	8.52	7.80
Profit after tax ratio	%	7.25	5.81	7.50	5.45	5.65	5.04
Return on capital employed	%	27.24	24.27	31.34	23.44	25.91	22.28
Inventory turnover	Times	5.39	4.68	3.67	3.92	5.42	5.22
Total Assets turnover ratio	Times	1.54	1.75	1.31	1.32	2.0	2.0
Fixed assets turnover	Times	23.37	30.50	34.87	34.85	30.7	21.4
Return on assets	%	15.41	13.41	14.42	11.07	16.76	15.67
Long term debt: Equity ratio		0.100	0.100	0.100	0.100	0.100	0.100
Current ratio		1.5:1	1.6:1	1.4:1	1.4:1	1.6:1	1.6:1
Financial charges coverage	Times	57.43	58.96	661.48	430.30	69.1	13.4
Pay out							
Dividend Rs. per share	Rs.	32.50	22.00	20.00	15.00	13.00	16.00
Bonus	%	25	-	20	30	50	-
Payout ratio (after tax)	%	81.00	65.00	47.00	48.00	37.00	48.00
Earning per share (after tax)		43.24	33.98	38.98	37.78	32.85	33.16
Price earning ratio		6.15	9.75	8.26	5.50	8.52	5.09
Break-up value	Rs.	162.14	143.88	153.24	164.40	188.30	151.20
Earning before interest, tax, depreciation and amortization (EBITDA)		1,174,111	884,393	1,106,187	736,901	635,508	476,139
EBITDA Margin	%	69.00	72.01	66.05	61.59	62.10	55.80
Return on equity	%	26.67	23.69	30.52	22.90	25.48	21.92
Quick / Acid Test ratio		1.09:1	1.07:1	0.90:1	0.84:1	0.87:1	1.03:1
Dividend Yield	%	10.91	6.75	6.89	5.30	5.70	9.50
Market price - year end	Rs.	266.00	331.50	322.00	208.00	280.00	168.75
Market price - high	Rs.	347.00	378.00	390.00	365.00	299.00	169.00
Market price - low	Rs.	250.00	274.00	190.00	200.00	155.00	103.30
Market price - average	Rs.	298.00	326.00	290.00	282.50	227.00	136.15



SUMMARY OF CASH FLOW

Net Cash generated from / (Used in)	2008	2007	2006	2005	2004	2003
Operating activities	789,501	(655,285)	(426,652)	1,492,855	773,451	294,070
Investing activities	(182,700)	(65,907)	(125,426)	(54,983)	1,939	836
Financing activities	(459,179)	(340,210)	(332,626)	(39,744)	(190,131)	(103,187)
Net increase / (decrease) in cash and cash equivalent	147,622	(1,061,402)	(884,704)	1,398,128	585,259	191,719
Cash and cash equivalent at the beginning of the year	101,737	1,163,139	2,047,843	649,715	64,456	(127,263)
Cash and cash equivalent at the end of the year	249,359	101,737	1,163,139	2,047,843	649,715	64,456

Pattern of Shareholding As on June 30, 2008

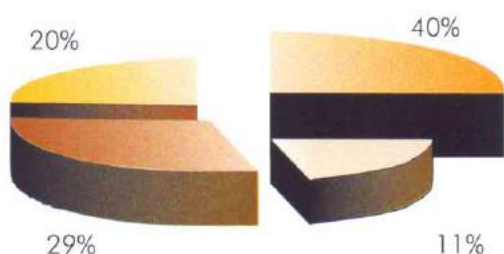
Number of ShareHolders	Shareholding		Number of Shares Held
	From	To	
807	1	100	30,822
717	101	500	195,964
235	501	1,000	180,878
450	1,001	5,000	1,096,052
113	5,001	10,000	812,587
41	10,001	15,000	499,845
10	15,001	20,000	173,968
7	20,001	25,000	164,944
17	25,001	30,000	469,193
8	30,001	35,000	260,201
5	35,001	40,000	180,708
2	40,001	45,000	85,945
4	45,001	50,000	191,708
2	50,001	55,000	105,487
1	55,001	60,000	57,859
3	60,001	65,000	183,860
2	70,001	75,000	146,131
1	80,001	85,000	83,472
2	85,001	90,000	172,266
2	100,001	105,000	206,171
2	115,001	120,000	237,909
1	120,001	125,000	125,000
1	185,001	190,000	189,219
1	195,001	200,000	197,160
1	200,001	205,000	202,007
2	225,001	230,000	453,622
1	255,001	260,000	259,845
1	265,001	270,000	267,663
1	285,001	290,000	287,763
1	295,001	300,000	300,000
1	355,001	360,000	357,560
1	405,001	410,000	407,160
1	460,001	465,000	464,550
1	475,001	480,000	478,152
2	550,001	555,000	1,106,584
1	555,001	560,000	559,200
1	580,001	585,000	583,966
1	595,001	600,000	600,000
1	695,001	700,000	699,156
1	830,001	835,000	834,220
1	850,001	855,000	852,787
1	870,001	875,000	874,567
1	1,490,001	1,495,000	1,491,218
1	1,610,001	1,615,000	1,614,600
2,456			18,741,969

<u>Categories of Shareholders</u>	<u>No. of shareholders</u>	<u>Shares held</u>	<u>Percentage</u>
Associated Companies, undertakings and related parties	-	-	-
NIT and ICP			
National Bank of Pakistan (Trustee Department)	1	259,945	1.39
NBP Trustee - NI(U)T (LOC) Fund	1	267,663	1.43
IDBP (ICP Unit)	1	71	0.00
Directors, CEO and their spouses & minor children			
Mr. Sikandar M. Khan	1	1,491,218	7.96
Mr. Sohail Bashir Rana	1	899,809	4.80
Mr. Latif Khalid Hashmi	1	852,787	4.55
Mr. Laeeq Uddin Ansari	1	1,339,117	7.15
Mian Muhammad Saleem	1	357,560	1.91
Rana Muhammad Siddique Khan	1	75,000	0.40
Mr. Mazhar-ud-Din Ansari	1	23,400	0.12
Mrs. Cyma Khan	1	24,822	0.13
Mrs. Ayesha Sohail	1	98,732	0.53
Mrs. Quratul Ain	1	62,260	0.33
Executives	9	438,134	2.34
Public Sector Companies and Corporations	-	-	-
Banks, Development Financial Institutions, Non-Banking			
Financial Institutions	7	1,205,254	6.43
Insurance Companies	7	1,552,365	8.28
Modaraba and Mutual Funds	10	244,121	1.30
Shareholders holding ten percent or more voting interest	-	-	-
Joint Stock Companies	30	43,710	0.23
Trusts	4	1,047,147	5.59
Non-Resident Company	1	1,614,600	8.61
Individuals	2,363	6,804,504	36.31
Others	12	39,750	0.21
	2,456	18,741,969	100.00

STATEMENT OF VALUE ADDED AND ITS DISTRIBUTION

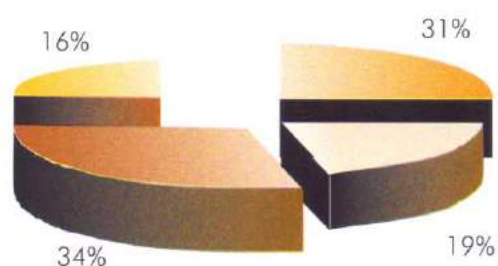
VALUE ADDITION				
Net sales	11,174,014		10,961,438	
Material and services	(9,846,381)		(9,965,874)	
Other income	321,608		332,614	
	1,649,241		1,328,178	
VALUE DISTRIBUTION				
Employees		%		%
Salaries, wages and amenities	417,635	25	400,268	30
Workers profit participation fund	59,842	4	44,853	4
	477,477	29	445,121	34
Government				
Tax	309,718	19	203,305	15
Workers welfare fund	16,730	1	12,000	1
	326,448	20	215,305	16
Shareholders				
Cash dividend	609,114	37	412,324	31
Bonus Shares	46,855	3	-	-
	655,969	40	412,324	31
Retained in Business				
Depreciation	34,124	2	29,694	2
Retained profit	155,223	9	225,734	17
	189,347	11	255,428	19
	1,649,241	100		

Distribution of value addition-2008

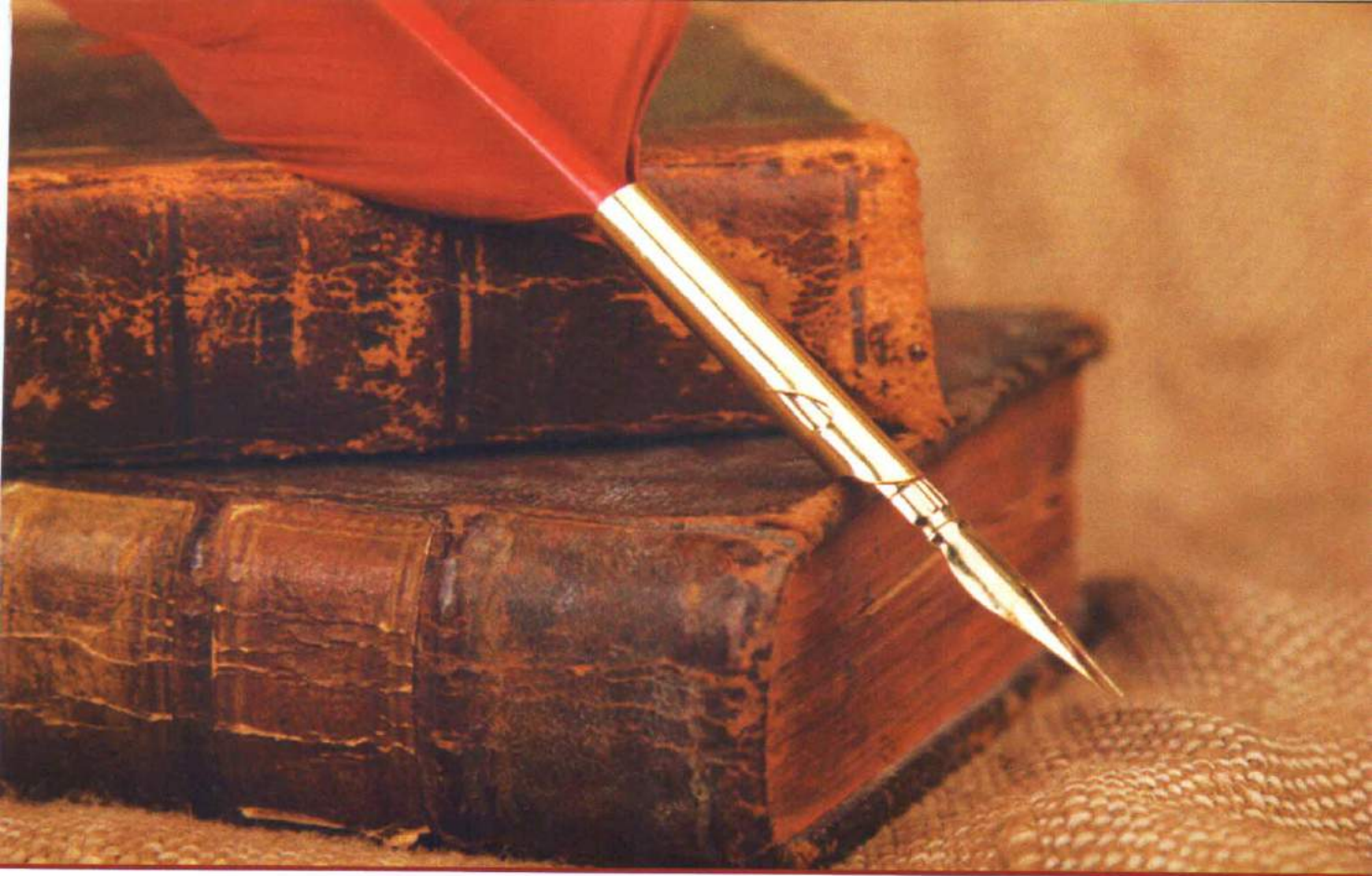


■ Employees
■ Government
■ Shareholders
■ Retained in Business

Distribution of value addition-2007



■ Employees
■ Government
■ Shareholders
■ Retained in Business



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Stock Exchanges for the purpose of establishing a framework of good corporate 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 Code in the following manner:

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 three independent non-executive directors including one director nominated by a financial institution.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies.
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 Development Financial Institution or a Non-Banking Financial Institution. None of the resident directors is a member of any of the stock exchanges on which the Company's shares are listed except the Chairman of the Company Mr. Sikandar Mustafa Khan who is a non member Director on the Board of Lahore Stock Exchange.
4. No Casual vacancy occurred in the Board of Directors of the Company during the year.
5. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors and employees of the Company.
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 alongwith the dates on which these were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated within time.
9. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. The Board approved the appointments of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before submission to the Board for approval.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee comprising five members, of which three are non-executive Directors.
16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Audit Committee have been drawn and notified to the Audit Committee for compliance.
17. The Board has set up an effective internal audit function. The staff is considered to be suitably qualified and experienced. They are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been assigned other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board



Lahore:
September 25, 2008

Sikandar Mustafa Khan
Chairman

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. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee limited), Chapter XIII of Listing Regulations Lahore Stock Exchange (Guarantee) Limited and chapter XI of the Islamabad Stock Exchange (Guarantee) Limited.

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.

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, 2008.



A.F. Ferguson & Co.
Chartered Accountants

Lahore:
Sept. 25, 2008

The background of the cover features a stack of books. On top of the books, there are several coins, including a large silver coin in the foreground and a stack of smaller coins behind it. The scene is lit with a cool, blue-toned light, creating a professional and financial atmosphere.

Accounts

Millat Tractors Limited

Annual Review 2008

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Millat Tractors Limited as at June 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business;
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company; and
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2008 and of the profit, 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.
- (e) The financial statements of the company for the year ended June 30, 2007 were audited by another firm of auditors who issued an unqualified opinion thereon.

Lahore,
Dated Sept.25,2008


A.F Ferguson & Co.
Chartered Accountants

BALANCE SHEET

	Note	2008 (Rupees in thousand)	2007
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 20,000,000 (June 30, 2007: 20,000,000) ordinary shares of Rs. 10 each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid up capital	5	187,420	187,420
General reserves		2,211,000	1,986,000
Unappropriated profit		576,917	450,638
Fair value reserve		63,542	72,522
		3,038,879	2,696,580
NON-CURRENT LIABILITIES			
Security deposits	6	9,485	9,285
Deferred revenue	7	32,729	36,478
Deferred taxation	8	12,355	5,587
Accumulating compensated absences	9	28,344	26,029
		82,913	77,379
CURRENT LIABILITIES			
Current portion of deferred revenue		218,127	224,199
Trade and other payables	10	3,925,019	3,241,181
Mark-up accrued on short term borrowings		2,858	4,579
Short term borrowings	11	-	20,406
		4,146,004	3,490,365
CONTINGENCIES AND COMMITMENTS			
	12		
		<u>7,267,796</u>	<u>6,264,324</u>

AS AT JUNE 30, 2008

	Note	2008 (Rupees in thousand)	2007
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	298,219	230,474
Capital work-in-progress	14	179,955	128,969
Intangible assets - in progress	15	17,028	16,527
Investment property	16	273,203	255,708
Long term investments	17	315,425	284,364
Long term loans - considered good	18	4,385	4,142
		1,088,215	920,184
CURRENT ASSETS			
Stores and spares	19	78,292	44,081
Stock-in-trade	20	1,636,153	1,840,082
Trade debts	21	102,660	275,953
Loans and advances	22	98,082	63,163
Trade deposits and prepayments		7,782	5,308
Other receivables	23	1,167,286	416,300
Taxation - net		8,198	80,811
Short term investments	24	2,831,770	2,496,300
Cash and bank balances	25	249,358	122,142
		6,179,581	5,344,140
		<u>7,267,796</u>	<u>6,264,324</u>

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



Chairman



Chief Executive

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

	Note	2008 (Rupees in thousand)	2007
Sales - net	26	11,174,014	10,961,438
Cost of sales	27	<u>9,701,298</u>	<u>9,832,853</u>
Gross profit		1,472,716	1,128,585
Distribution and marketing expenses	28	<u>361,495</u>	<u>346,260</u>
Administrative expenses	29	<u>210,120</u>	<u>183,303</u>
Operating profit		<u>571,615</u>	<u>529,563</u>
Other operating income	30	<u>321,608</u>	<u>332,614</u>
		<u>1,222,709</u>	<u>931,636</u>
Finance cost	31	<u>20,996</u>	<u>15,997</u>
Other operating expenses	32	<u>81,574</u>	<u>75,437</u>
Profit before taxation		<u>102,570</u>	<u>91,434</u>
		<u>1,120,139</u>	<u>840,202</u>
Taxation	33	309,681	203,305
Profit after taxation		<u>810,458</u>	<u>636,897</u>
Earnings per share - basic and diluted (Rupees)	37	<u>43.24</u>	<u>33.98</u>

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.



Chairman



Chief Executive


CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 (Rupees in thousand)	2007
Cash flows from operating activities			
Cash generated from operations	38	1,050,066	(378,617)
Interest and mark-up paid		(22,717)	(11,607)
Net increase in long term loans to employees		(243)	317
Income tax paid		(230,299)	(320,308)
Net decrease in deferred revenue		(9,821)	52,276
Increase in long term security deposits		200	200
Increase in accumulating compensated absences		2,315	2,453
Net cash generated from/(used in) operating activities		789,501	(655,286)
Cash flows from investing activities			
Purchase of property, plant and equipment		(178,762)	(114,435)
Purchase of intangible assets		(501)	(8,264)
Proceeds from sale of property, plant and equipment		9,027	7,420
Profit on bank deposits		1,549	33,385
Dividend received		5,112	15,987
Purchase of investments in related parties		(19,125)	-
Net cash used in investing activities		(182,700)	(65,907)
Cash flows from financing activities			
Dividend paid		(459,179)	(340,210)
Net cash used in financing activities		(459,179)	(340,210)
Net increase/(decrease) in cash and cash equivalents		147,622	(1,061,403)
Cash and cash equivalents at the beginning of the year		101,736	1,163,139
Cash and cash equivalents at the end of the year	38.2	249,358	101,736

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



Chairman

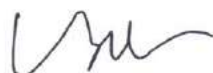


Chief Executive

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

	Share capital	Revenue Reserves		Fair value reserve	Total
		General reserves	Unappropriated profit		
(Rupees in thousand)					
Balance as on July 1, 2006	156,183	1,600,000	574,581	62,579	2,393,343
Final dividend for the year ended June 30, 2006 Rs. 10 per share	-	-	(156,183)	-	(156,183)
Issue of ordinary shares of Rs. 10 each as fully paid bonus shares	31,237	-	(31,237)	-	-
Profit for the year	-	-	636,897	-	636,897
Interim dividend Rs. 10 per share	-	-	(187,420)	-	(187,420)
Transferred from profit and loss account	-	386,000	(386,000)	-	-
Unrealized gain on revaluation of investments	-	-	-	9,943	9,943
Balance as on June 30, 2007	187,420	1,986,000	450,638	72,522	2,696,580
Final dividend for the year ended June 30, 2007 Rs. 12 per share	-	-	(224,904)	-	(224,904)
Profit for the year	-	-	810,458	-	810,458
Interim dividend Rs. 12.5 per share	-	-	(234,275)	-	(234,275)
Transferred from profit and loss account	-	225,000	(225,000)	-	-
Unrealized loss on revaluation of investments	-	-	-	(8,980)	(8,980)
Balance as on June 30, 2008	187,420	2,211,000	576,917	63,542	3,038,879

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



Chairman



Chief Executive

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

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 equipments.

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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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

Amendments to IAS 1 'Presentation of financial statements-Capital Disclosures' is mandatory for the accounting periods beginning on or after January 1, 2007. It introduces capital disclosure requirements regarding how the entity manages its capital. Adoption of these amendments only impact the format and extent of disclosures as presented in note 39.1.6 to the financial statements.

2.2.2 Amendments and interpretations to published standards applicable to the company 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:

-IFRS 7 'Financial Instruments: Disclosures' is effective from July 1, 2008. It requires disclosures about the significance of financial instruments for the company's financial position and performance, and quantitative and qualitative disclosure on the nature and extent to risks.

Certain amendments to IAS 23 'Borrowing Costs' have been published that are applicable to the company's financial statements covering annual periods, beginning on or after January 1, 2009. Adoption of these amendments would require the company to capitalise the borrowing directly attributable to acquisition, construction or production of a qualifying asset (one that take substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the company's financial statements.

-IFRIC 14, 'IAS 19 -The Limit on the defined benefit asset, minimum funding requirements and their interaction is effective from July 1, 2008. IFRIC 14 provide guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The company will apply IFRIC 14 from July 1, 2008, but it is not expected to have any significant impact on the company's financial statements.

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

-IFRS 8, 'Operating Segments' replaces IAS 14 and is effective from financial year July 1, 2009. IFRS 8 provides guidance for disclosure of information about entity's operating segments, products and services, geographical areas in which it operates, and major customers. This standard is not relevant to the company's operations.

-IFRIC 12, 'Service concession arrangements' applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is effective from financial year July 1, 2008 but it is not relevant to the company's operations.

-IFRIC 13, 'Customer loyalty programmes' clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is effective from July 1, 2008 but it is not relevant to the company's operations.

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 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 4.1.

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 views differ 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 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% (2007: 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, 2008.

The actual return on the plan assets during the year was Rs. 536,160 thousand (2007: Rs. 468,980 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 recognized in balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gain 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:

	2008	2007
	(Rupees in thousand)	
Expected rate of increase in salary level	11%	9%
Expected rate of return	14%	14%
Discount rate	12%	10%
Average expected remaining working life of employees	9 years	9 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 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. 8,809 thousand (2007: Rs. 8,501 thousand) has been recognized 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. 7,114 thousand (2007: Rs. 6,463 thousand) has been recognized 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.

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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 13. 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 assets' residual values and useful lives are continually reviewed by the company and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its property, plant and equipment as at June 30, 2008 has not required any adjustment as its impact is considered insignificant.

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 derecognized 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 derecognized.

4.4 Capital work-in-progress

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

4.5 Intangible assets - in progress

Intangible assets - in progress are stated at cost less impairment, if any.

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 are 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 recognized 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

Investment in subsidiary undertakings is carried at cost less impairment loss, if any.

4.7.2 Associate

Investment in associated undertakings is stated at cost less impairment loss, if any.

4.7.3 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, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. 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.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the company commits to purchase the asset. Regular way purchases or sales are purchases/sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

4.7.4 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.

4.7.5 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. 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.

4.7.6 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.

4.7.7 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

The unrecognised gain on remeasurement of investments at fair value is not available for distribution. This will be transferred to profit and loss account on derecognition of investments.

4.8 Stores and spares

Usable stores and spares are valued principally at 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 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 prices 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 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A 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.

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 recognized on dispatch of goods to customers.
- Revenue from warranty and maintenance services is recognized on the basis of services performed to date as a percentage of total services to be performed.
- Dividend is recognized as income when the right to receive dividend is established.
- Profit on bank deposits is recognized using effective interest method.

4.14 Research cost

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

4.15 Borrowing costs

Borrowing costs are recognized 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 recognized 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 recognized 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 recognized when the company becomes a party to the contractual provisions of the instrument and de-recognized 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 company's shareholders is recognised as a liability in the period in which the dividends are approved.

5. Issued, subscribed and paid up capital

2008 (Number of shares)		2007 (Number of shares)		2008 (Rupees in thousand)		2007 (Rupees in thousand)	
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					
16,199,112	13,075,450	- Opening balance		161,991	130,754		
-	3,123,662	- Issued during the year		-	31,237		
16,199,112	16,199,112			161,991	161,991		
18,741,969	18,741,969			187,420	187,420		

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.

2008
(Rupees in thousand)

2007

7. Deferred revenue

Opening balance	260,677	208,401
Receipts during the period	589,945	628,178
	<u>850,622</u>	<u>836,579</u>
Less : Recognised in profit and loss account during the period	- note 27 599,766	575,902
Closing balance	250,856	260,677
Less : Current maturity	(218,127)	(224,199)
	<u>32,729</u>	<u>36,478</u>

This represents amounts received from customers of tractors for providing warranty and maintenance services.

8. Deferred taxation

The liability for deferred tax comprises temporary differences relating to:

Taxable temporary differences

Accelerated depreciation for tax purposes	20,250	10,613
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Deductible temporary differences

Provision for doubtful advances, trade debts and receivables that are deductible for tax purposes only when written off	(7,895)	(5,026)
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Net deferred tax liability at the year end	<u>12,355</u>	<u>5,587</u>
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Deferred tax liability	Deferred tax asset	Net liability
Accelerated tax depreciation	Provision for doubtful debts	

(Rupees in thousand)

Balance as at July 1, 2006	7,472	(5,190)	2,282
Charged to profit and loss account	3,141	164	3,305
Balance as at June 30, 2007	<u>10,613</u>	<u>(5,026)</u>	<u>5,587</u>
Charged/(credited) to profit and loss account	9,637	(2,869)	6,768
Balance as at June 30, 2008	<u>20,250</u>	<u>(7,895)</u>	<u>12,355</u>

		2008	2007
		(Rupees in thousand)	
9.	Accumulating compensated absences		
	Opening balance	26,029	23,576
	Provision for the year	4,400	5,219
	Less: Payments made during the year	(2,085)	(2,766)
	Closing balance	<u>28,344</u>	<u>26,029</u>
10.	Trade and other payables		
	Creditors - note 10.1	591,062	435,141
	Accrued liabilities	78,001	67,837
	Bills payable	138,714	332,001
	Advances from customers - note 10.2	2,845,234	2,249,221
	Security deposits - note 10.3	4,106	3,346
	Trade mark fee payable	148,883	88,242
	Income tax deducted at source	24,401	17,946
	Workers' profit participation fund - note 10.4	14,855	1,865
	Workers' welfare fund	28,838	12,000
	Unclaimed dividends	23,031	17,946
	Others	27,894	15,636
		<u>3,925,019</u>	<u>3,241,181</u>
10.1	Creditors include amounts due to related parties Rs. 139,801 thousand (2007: Rs. 34,171 thousand).		
10.2	These represent advances against sale of tractors and carry no mark-up.		
10.3	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.		
10.4	Workers' profit participation fund		
	Opening balance	1,865	(7,644)
	Allocation for the year - note 32	59,855	44,853
		<u>61,720</u>	<u>37,209</u>
	Less: Payments made during the year	(46,865)	(35,344)
	Closing balance	<u>14,855</u>	<u>1,865</u>

11. Short term borrowings

Short term borrowings are available from various banks against aggregate sanctioned limit of Rs. 1,435,000 thousand (2007: Rs. 1,385,000 thousand). The rates of mark-up range from 35.36 paisas to 38.02 paisas (2007: paisas 25.67 to paisas 32.35) per Rs. 1,000 per day.

The company has the facilities for opening of letters of credit and guarantees aggregating to Rs. 2,025,000 thousand (2007: Rs. 2,025,000 thousand) out of which Rs. 447,199 thousand (2007: Rs. 596,940 thousand) remained unutilized at the end of the year.

These facilities are secured by *pari passu* hypothecation charge over current assets of the company, lien over import documents and counter guarantees of the company.

12. Contingencies and commitments

12.1 Contingencies

The company has given guarantee amounting to Rs. 5,000 thousand to the bank for repayment of loan by employees. An amount of Rs. 3,720 thousand (2007: Rs. 2,747 thousand) was utilized by employees as at June 30, 2008.

12.2 Guarantees issued by the banks on behalf of the company in the normal course of business amount to Rs. 227,882 thousand (2007: Rs. 155,570 thousand).

12.3 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 thereagainst has been made in these financial statements. The case is pending in the Civil Court, Lahore.

12.4 In prior years, the Deputy Collector (Adjudication) of Sales tax raised additional tax demand of Rs. 16,189 thousand against certain claims of input tax by the company. The company has filed appeal against the demand and matter has also been referred to Alternate Dispute Resolution Committee (ADRC). However, Rs. 14,913 thousand was charged in financial statements for the year ended June 30, 2007 being the best estimate by the management of the company

12.5 In prior years, The Collector (Adjudication) Customs, issued a show cause notice to the company regarding non-payment of custom duties amounting to Rs. 14,785 thousand, sales tax amounting to Rs. 7,998 thousand and income tax of Rs. 3,088 thousand on import of components that were deleted under the approved deletion programme. However, no provision in this respect has been made in these financial statements, as the management and the legal advisor of the company are of the view that the company has a *prima facie* valid claim. The company is in appeal in Customs Appellate Tribunal for relief against show cause notice, in the proceedings whereof, stay has been granted to the company.

12.6 In the year ended June 30, 2004, Employees Old Age Benefit Institution raised a demand of Rs. 9,208 thousand including 50% penalty for not remitting EOBI of 1,100 employees. The company filed an appeal against the impugned judgment of EOBI Regional Adjudicating Authority Lahore, before the Board of Trustee of EOBI in Karachi. During the year, the trustee of EOBI dismissed the company's appeal and upheld the decision of Adjudicating Authority. The company has filed a writ petition against the order of the board of trustee of EOBI before the Lahore High Court. The court has granted stay order to the company and directed to pay Rs. 1,000 thousand to EOBI. Further the company has deposited Rs. 2,000 thousand (under protest) to EOBI. The management and legal advisor are confident that outcome of the case would be in the company's favour and hence no provision has been made in the financial statements.

- 12.7** In prior years Punjab Social Security Institution issued demand notice to the company for short payment of Social Security Contribution amounting to Rs. 6,827 thousand. The company filed complaint against the said notice before the vice commissioner social security who decided the case against the company. Millat Tractors Limited has filed an appeal before Social Security Court and the case is pending for final arguments before Social Security Court. The management and the legal advisor of the company are confident that no loss is likely to occur as a result of these cases, and hence, no provision there-against has been made in the financial statements.

Commitments

- 12.8** Commitments in respect of outstanding letters of credit amount to Rs. 447,199 thousand (2007: Rs. 438,620 thousand) at the balance sheet date.

13. Property, plant and equipment

	(Rupees in thousand)							
	Cost as at July 1, 2007	Additions/ (deletions) Adjustment *	Cost as at June 30, 2008	Accumulated depreciation as at July 1, 2007	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008	Annual depreciation rate %
Freehold land	31,169	45,533 (900) *	58,307	-	-	-	58,307	-
	- note 16	(17,495)						
Leasehold land	8	-	8	-	-	-	8	
Buildings on freehold land	171,087	3,224 900 *	175,211	127,464	4,278	131,742	43,469	5-10
Buildings on leasehold land	2,900	-	2,900	2,175	144	2,319	581	5
Plant and machinery	229,349	10,463 (752)	239,060	178,003	5,698 (505)	183,196	55,864	10
Furniture and office equipment	28,224	9,695 (68)	37,851	15,640	1,894 (38)	17,496	20,355	10-20
Vehicles	135,780	37,021 (24,385)	148,416	69,015	16,239 (16,162)	69,092	79,324	20
Tools and equipments	63,275	16,099 (890)	78,484	43,861	3,938 (978)	46,821	31,663	10-15
Computers	21,155	5,741 (135)	26,761	16,315	1,932 (134)	18,113	8,648	33
2008	682,947	127,776 (26,230) (17,495)	766,998	452,473	34,123 (17,817)	468,779	298,219	
	Cost as at July 1, 2006	Additions/ (deletions)	Cost as at June 30, 2007	Accumulated depreciation as at July 1, 2006	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2007	Book value as at June 30, 2007	Annual depreciation rate %
Freehold land	31,169	-	31,169	-	-	-	31,169	
Leasehold land	8	-	8	-	-	-	8	
Buildings on freehold land	170,631	456	171,087	123,038	4,426	127,464	43,623	5-10
Buildings on leasehold land	2,900	-	2,900	2,030	145	2,175	725	5
Plant and machinery	220,436	9,913 (1,000)	229,349	173,466	5,188 (651)	178,003	51,346	10
Furniture and office equipment	23,935	4,289	28,224	14,385	1,255	15,640	12,584	10-20
Vehicles	125,961	24,673 (14,854)	135,780	65,305	13,562 (9,852)	69,015	66,765	20
Tools and equipments	59,574	3,701	63,275	40,946	2,915	43,861	19,414	10-15
Computers	24,913	773 (4,531)	21,155	18,545	2,203 (4,433)	16,315	4,840	33
2007	659,527	43,805 (20,385)	682,947	437,715	29,694 (14,936)	452,473	230,474	

13.1

Included in tools and equipment are assets having net book value of Rs. Nil (2007: Rs. 2,454 thousand) held by a third party on behalf of the company.

13.2 Disposal of property, plant and equipment

Particulars of assets :	Sold to	(Rupees in thousand)				Mode of disposal
		Cost	Accumulated depreciation	Book value	Sale proceeds	
Vehicles						
Directors						
	Mr. Muhammad Saleem	981	723	258	258	Company car scheme
	Mr. Sikandar Mustafa Khan	5,181	3,823	1,358	1,358	Company car scheme
	Mr. Sohail Bashir Rana	3,627	2,676	951	951	Company car scheme
	Mr. Laeequddin Ansari	2,435	1,797	638	638	Company car scheme
Employees						
	Mr. Shaukat Ali Sheikh	981	724	257	257	Company car scheme
	Mr. Mubashar Iqbal	981	723	258	258	Company car scheme
	Mr. Muhammad Shahid Mufti	374	276	98	98	Company car scheme
	Mr. Altaf Hussain	599	442	157	157	Company car scheme
	Mr. Qamar Mehmood Ch.	374	276	98	98	Company car scheme
	Mr. S. Alley Ali Zaidi	374	276	98	98	Company car scheme
	Mr. Akhtar Hussain	599	442	157	157	Company car scheme
	Mr. Khurram Shahzad Toor	374	276	98	98	Company car scheme
	Mr. Rafay Zaman Durrani	374	276	98	98	Company car scheme
	Mr. Atif Masood Khan	599	403	196	196	Company car scheme
	Mr. M. Idrees Zubair	781	533	248	248	Company car scheme
	Mr. Shafaat Ahmad	841	559	282	282	Company car scheme
	Mr. Mirza Rashid Baig	375	199	176	176	Company car scheme
	Mr. M. Asmat Pasha	375	193	182	182	Company car scheme
	Mr. Shafaat Ahmad	841	489	352	352	Company car scheme
	Mr. M. Idrees Zubair	881	234	647	647	Company car scheme
	Mr. Abdul Rahim Ahmad	609	209	400	400	Company car scheme
	Mr. Nasir Ahmad Khan	434	50	384	384	Company car scheme
	Mr. Tanveer Ahmad	451	53	398	398	Company car scheme
	Mr. Muhammad Siddique	68	45	23	23	Company motorcycle scheme
	Mr. Zafar Ali Sheikh	67	45	22	22	Company motorcycle scheme
	Mr. Moazzam Moin	67	45	22	22	Company motorcycle scheme
	Mr. Tariq Mehmood	67	45	22	22	Company motorcycle scheme
	Mr. Muhammad Iqbal	67	45	22	22	Company motorcycle scheme
	Mr. Iqtadar Uddin	73	49	24	24	Company motorcycle scheme
	Mr. Abdul Zaheer	73	49	24	24	Company motorcycle scheme
	Mr. Malik Bostan Khan	67	46	21	21	Company motorcycle scheme
	Mr. Muhammad Shafique	57	31	26	26	Company motorcycle scheme
	Mr. Muhammad Siddique	53	21	32	32	Company motorcycle scheme
	Mr. Abdul Hameed	53	21	32	32	Company motorcycle scheme
	Mr. Tanveer Ahmad	53	22	31	31	Company motorcycle scheme
	Mr. Zafar Hayat	63	18	45	45	Company motorcycle scheme
	Mr. Muhammad Ejaz Mansha	53	9	44	44	Company motorcycle scheme
	Mr. Muhammad Awais Noor	63	18	45	45	Company motorcycle scheme
Plant and machinery						
	Mr. Naveed Akhtar	1,390	1,307	83	700	Auction
Other assets with book value less than Rs 50 thousand						
		455	349	106	103	
		<u>26,230</u>	<u>17,817</u>	<u>8,413</u>	<u>9,027</u>	

2008 2007
(Rupees in thousand)

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

Cost of sales	- note 27	18,762	15,849
Distribution cost	- note 28	4,437	3,876
Administrative expenses	- note 29	10,924	9,969
		34,123	29,694

14. Capital work-in-progress

Plant and machinery	111,145	81,288
Advance for purchase of office space	64,064	47,531
Advance for purchase of office furniture	102	-
Others	4,644	150
	179,955	128,969

15. Intangible asset - in progress

It includes expenditure incurred on acquiring and implementing Enterprise Resource Planning (ERP) software.

16. Investment property

Opening balance	255,708	255,708
Transferred in during the year	17,495	-
Closing balance	273,203	255,708

Based on the valuation carried out by an independent valuer as at June 30, 2008, the fair value of investment property is Rs. 472,000 thousand (2007: Rs. 300,000 thousand).

17. Long term investments

2008 2007
(Rupees in thousand)

**Investment in related parties
In subsidiary undertaking**

Unquoted**Millat Industrial Products Limited**

5,737,500 fully paid ordinary shares of Rs. 10/-each

(2007: 382,500 fully paid ordinary shares of Rs.100/-each)

Equity held 64.09% (2007: 56.89%).

Value of investment based on net assets as shown in the audited accounts
as at June 30, 2008 is Rs. 35,934 thousand (2007: Rs. 15,314 thousand)

57,375

38,250

In associated companies**Quoted****Bolan Castings Limited**

2,811,498 (2007: 2,555,907) fully paid ordinary shares of Rs. 10/- each

Equity held 46.26% (2007: 46.26%). Market value as at

June 30, 2008 is Rs. 191,041 thousand (2007: Rs. 196,805 thousand)

65,364

65,364

Unquoted**Millat Equipment Limited**

11,700,000 (2007: 11,700,000) fully paid ordinary shares of Rs. 10/- each

Equity held 45% (2007: 45%)

Value of investment based on net assets as shown in the audited accounts
as at June 30, 2008 is Rs.147,367 thousand (2007: Rs. 128,317 thousand).

Less: Impairment loss

117,000

117,000

(20,916)

117,000

96,084

Arabian Sea Country Club Limited

500,000 (2007: 500,000) fully paid ordinary shares of Rs. 10/- each

Equity held 6.45% (2007: 6.45%)

Value of investment based on the net assets shown in the audited account
as at June 30, 2007 is Rs. 4,679 thousand (2006: Rs. 4,923 thousand).

Less: Impairment loss

5,000

5,000

(5,000)

(5,000)

Agrimall (Private) Limited

2,000 (2007: 2,000) fully paid ordinary shares of Rs.10/- each

Equity held 20% (2007: 20%)

Value of investment based on the net assets shown in the audited account
as at June 30, 2007 is Rs. Nil (2006: Rs. Nil).

Less: Impairment loss

20

20

(20)

(20)

Other investment - Available for sale**Quoted****Baluchistan Wheels Limited**

1,282,825 (2007: 1,282,825) fully paid ordinary shares of Rs. 10/- each

Surplus on revaluation of investment

Market value as at June 30, 2008

12,145

12,145

63,541

72,521

75,686

84,666

315,425

284,364

		2008	2007
		(Rupees in thousand)	
18.	Long term loans - considered good		
	Loan to related party	- note 18.1	900
	Loan to employees:		
	Company loan	- note 18.2	3,558
	Motor Cycle loan	- note 18.3	2,338
	Less: Current portion included in current assets	- note 22	(2,411)
			3,485
			4,385
			2,087
			3,505
			(2,350)
			3,242
			4,142

18.1 Unsecured loan bearing mark up at 11% 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 shall be exclusively used for promotion of the company's products. The repayment terms are yet to be finalized. The maximum aggregate amount due at the end of any month amount to Rs. 900 thousand (2007: Rs. 900 thousand).

18.2 This represent interest free loans to employees aggregating to Rs. 3,558 thousand (2007: Rs. 2,061 thousand) and are secured against their gratuity and provident fund balances. These loans are repayable in monthly instalments over a period of 2 years.

18.3 This represent interest free loans to employees for purchase of motor cycles aggregating to Rs. 2,338 thousand (2007: Rs. 3,505 thousand) are secured by joint registration of motor cycles in the name of the employees and the company. These loans are repayable in monthly instalments over a period of 5 years.

18.4 Reconciliation of carrying amount of loans to executives:

	Balance as at 1 July 2008	Disbursement during the year	Repayments during the year	Balance as at 30 June 2008
	(Rupees in thousand)			
Due from Executives	-	10	3	7

19. Store 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.

20. Stock-in-trade

Raw materials (including in transit Rs. 309,329 thousand 2007: Rs. 341,589 thousand)	1,294,913	1,575,595
Work-in-process	27,189	24,487
Finished goods :		
Manufacturing	275,875	199,952
Trading	37,624	39,459
Others	552	589
	<u>1,636,153</u>	<u>1,840,082</u>

Included in stocks are raw material and components held with third parties amounting to Rs. 66,157 thousand (2007: Rs. 56,679 thousand).

2008 **2007**
(Rupees in thousand)

21. Trade debts

Trade debts - Considered good	102,660	275,953
- Considered doubtful	17,851	12,605
	120,511	288,558
Less: Provision for doubtful debts	(17,851)	(12,605)
	102,660	275,953

All debts are unsecured except for Rs. 7 thousand (2007: Rs. 1,515 thousand) which are secured against deposits.

22. Loans and advances

Current portion of long term loans to employees	- note 18	2,411	2,350
Advances to employees - Considered good	- note 22.1	1,668	697
Advances to suppliers - Considered good	- note 22.2	69,292	56,768
- Considered doubtful		4,706	1,754
Less: Provision for doubtful advances	- note 22.3	(4,706)	(1,754)
		-	-
Letter of credit opening charges		24,711	3,348
		98,082	63,163

22.1 Included in advances to employees are amounts due from the Chief Executive Rs. 76 thousand (2007: Rs. Nil) and Directors Rs. 293 thousand (2007: 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. 139 thousand (2007: Rs. 117 thousand) and directors Rs. 735 thousand (2007: Rs. 1,027 thousand) in respect of travel advance.

22.2 Included in advances to suppliers are certain advances which carry a markup of 16%.

23. Other receivables

Sales tax recoverable		1,143,981	404,191
Less : Provision for doubtful claims		(34,147)	(34,147)
		1,109,834	370,044
Claims receivable from principal suppliers		10,298	14,478
Interest accrued	- note 23.1	211	659
Pension fund	- note 23.2	46,943	31,119
		1,167,286	416,300

23.1 Interest accrued

On bank deposits		196	443
On loan to associated undertaking		15	216
		211	659

23.2 Pension fund

2008
2007
(Rupees in thousand)

This comprises:

Present value of defined benefit obligation	(428,585)	(377,329)
Fair value of plan assets	536,159	469,684
Unrecognized actuarial (gains)/losses - net	(60,631)	(61,236)
Asset recognized in the balance sheet	<u>46,943</u>	<u>31,119</u>

Charge for the year

Salaries, wages and amenities include the following in respect of employees' pension scheme:

Current service cost	15,542	16,445
Interest cost	37,733	32,922
Expected return on plan assets	(65,756)	(52,470)
Net actuarial gain recognized in the year	(1,585)	-
Past service cost	8,063	-
	<u>(6,003)</u>	<u>(3,103)</u>

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

Present value of defined benefit obligation as at July 1	377,329	365,854
Interest cost	37,733	32,923
Current service cost	15,542	16,445
Benefits paid	(13,115)	(9,579)
Actuarial loss/(gain)	3,033	(28,314)
Past service cost due to change in benefits	8,063	-
Present value of defined benefit obligation as at June 30	<u>428,585</u>	<u>377,329</u>

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

Fair value of plan assets as at July 1	469,684	374,789
Expected return on assets	65,756	52,470
Contributions	9,820	10,495
Benefits paid	(13,115)	(9,531)
Actuarial gain	4,014	41,461
Fair value of plan assets as at June 30	<u>536,159</u>	<u>469,684</u>

Actual return on plan assets	<u>69,770</u>	<u>93,932</u>
------------------------------	---------------	---------------

Plan assets comprise:

Defence saving certificates	34,077	155,582
Bonds, mutual funds and TDRs	501,908	311,101
Cash	174	3,001
	<u>536,159</u>	<u>469,684</u>

23.2 Pension fund (Cont'd)

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:

As at June 30	2008	2007	2006	2005	2004
	(Rupees in thousand)				
Present value of defined benefit obligation	428,585	377,329	365,806	253,518	273,043
Fair value of plan assets	536,159	468,981	374,789	311,868	386,348
Surplus	<u>107,574</u>	<u>91,652</u>	<u>8,983</u>	<u>58,350</u>	<u>113,305</u>
Experience adjustment on obligation	<u>3,033</u>	<u>(28,314)</u>	<u>81,979</u>	<u>(49,264)</u>	<u>30,201</u>
Experience adjustment on plan assets	<u>4,014</u>	<u>41,461</u>	<u>32,995</u>	<u>23,051</u>	<u>14,068</u>

24. Short term investments

2008
2007
(Rupees in thousand)

Financial asset at fair value through profit and loss	2,507,379	2,275,709
Surplus on revaluation of investment	324,391	220,591
Market value as at June 30, 2008	<u>2,831,770</u>	<u>2,496,300</u>

25. Cash and bank balance

In hand:		
Demand drafts	49,974	42,175
Cash	<u>125</u>	<u>35</u>
At banks:	50,099	42,210
Deposit accounts	4	7,285
Current accounts	<u>199,255</u>	<u>72,647</u>
	<u>249,358</u>	<u>122,142</u>

The deposit accounts bear mark-up which ranges from 3.5% to 4.5% per annum.

26. Sales - net

Local

Tractors	9,977,278	9,976,647
Implements	20,381	25,194
Multi-application products	407,454	339,835
Trading goods	175,709	138,650
Warranty and maintenance services	<u>599,766</u>	<u>575,902</u>
	11,180,588	11,056,228
Less: Sales tax	<u>(30,590)</u>	<u>(20,037)</u>
	11,149,998	11,036,191

Export

Tractors	151,237	32,479
Implements	1,743	348
Trading goods	<u>484</u>	<u>16,972</u>
	153,464	49,799
	11,303,462	11,085,990
Less: Commission	<u>(129,448)</u>	<u>(124,552)</u>
	<u>11,174,014</u>	<u>10,961,438</u>

		2008	2007	
		(Rupees in thousand)		
27.	Cost of sales			
	Components consumed	- note 27.1	9,171,324	9,263,799
	Salaries, wages and amenities	- note 27.2	263,363	240,969
	Fuel and power		34,669	34,957
	Communication		1,346	1,315
	Travelling and vehicle running		8,059	8,969
	Printing and stationery		1,896	3,081
	Insurance		9,240	7,855
	Repairs and maintenance		24,336	19,729
	Stores and spares consumed		57,105	46,724
	Depreciation	- note 13.3	18,762	15,849
	Other expenses		2,839	2,748
			<u>9,592,939</u>	<u>9,645,995</u>
	Add: Opening work-in-process		24,487	31,542
	Less: Closing work-in-process		(27,189)	(24,487)
	(Increase)/decrease in work-in-process		<u>(2,702)</u>	<u>7,055</u>
	Cost of goods manufactured		9,590,237	9,653,050
	Add: Opening finished goods		199,952	221,930
	Less: Closing finished goods		(275,875)	(199,952)
	(Increase)/decrease in finished goods stock		<u>(75,923)</u>	<u>21,978</u>
	Cost of sales - manufactured		9,514,314	9,675,028
	Cost of sales - trading	- note 27.3	125,239	109,932
	Cost of sales - warranty and maintenance services	- note 27.4	61,745	47,893
			<u>9,701,298</u>	<u>9,832,853</u>
27.1	This includes a charge of Rs. Nil (2007: Rs. 96 thousand) in respect of damaged/unserviceable components.			
27.2	Salaries, wages and amenities include Rs. (2,935) thousand (2007: Rs. (1,233) thousand) in respect of pension expense.			
27.3	Cost of sales -trading			
	Opening stock		39,459	34,135
	Purchases		123,404	115,256
	Closing stock		(37,624)	(39,459)
	Cost of goods sold		<u>125,239</u>	<u>109,932</u>
27.4	Cost of sales - warranty and maintenance services			
	Warranty expenses		29,614	18,726
	Maintenance services		7,244	6,636
	Service department expenses	- note 27.4.1	24,887	22,531
			<u>61,745</u>	<u>47,893</u>

27.4.1 This includes salaries and amenities amounting to Rs. 14,098 thousand (2007: Rs. 13,525 thousand).

		2008	2007
		(Rupees in thousand)	
28.	Distribution and marketing expenses		
	Salaries and amenities	40,100	36,879
	Fuel and power	2,384	2,381
	Communication	1,081	1,038
	Travelling and vehicle running	5,681	5,945
	Printing and stationery	3,548	5,198
	Insurance	4,162	3,381
	Trade mark fee	272,924	254,326
	Advertisement and sales promotion	7,347	5,197
	Depreciation	4,437	3,876
	Meeting/convention	3,808	1,062
	Research cost	4,193	20,437
	Repairs and maintenance	4,166	2,349
	Export packing expenses	3,704	419
	Other expenses	3,960	3,773
		<u>361,495</u>	<u>346,260</u>

28.1 Salaries and amenities include Rs. (842) thousand (2007: Rs. (712) thousand) in respect of pension expense.

29. Administrative expenses

	Salaries and amenities	114,172	108,895
	Fuel and power	5,406	4,071
	Communication	2,818	2,514
	Travelling and vehicle running	17,233	17,650
	Printing and stationery	698	1,714
	Insurance	4,145	3,122
	Repairs and maintenance	5,996	9,501
	Security	7,112	5,444
	Legal and professional	14,995	3,254
	Depreciation	10,924	9,969
	Advertisement Expenses	889	935
	Provision for doubtful debts	5,246	-
	Provision for doubtful advances	2,952	2,181
	Rent, rates and taxes	3,895	3,230
	Fee and subscription	2,174	524
	Entertainment expenses	2,679	2,347
	Other expenses	8,786	7,952
		<u>210,120</u>	<u>183,303</u>

- 29.1 Salaries and amenities include Rs. (2,330) thousand (2007: Rs. (1,158) thousand) in respect of pension expense.

2008 **2007**
(Rupees in thousand)

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

Statutory audit including half yearly review	400	350
Special reports and sundry certifications	240	236
Out of pocket expenses	50	50
	690	636
	690	636

30. Other operating income

Income from financial assets

Dividend income from other investments	2,565	3,207
Return on bank deposits	1,302	29,685
Surplus on short-term investment	251,856	267,059
Interest charged on early payments and advances	10,616	7,806
	266,339	307,757

Income from investment in associates and loans to related parties

Dividend income from Bolan Castings Limited	5,112	12,780
Interest income on loan to Agrimall (Private) Limited	99	54
	5,211	12,834

Income from assets other than financial assets

Rental income	4,936	3,863
Scrap sales	11,253	2,732
Net profit on disposal of fixed assets	614	1,971
Reversal of provision for diminution in value of investments	20,916	-
Others	12,339	3,457
	50,058	12,023
	321,608	332,614

		2008	2007
		(Rupees in thousand)	
31.	Finance cost		
	Mark-up on short term running finance - secured	19,849	14,497
	Bank charges and commission	1,147	1,500
		<u>20,996</u>	<u>15,997</u>
32.	Other operating expenses		
	Workers' profit participation fund - note 10.4	59,855	44,853
	Workers' welfare fund	16,838	12,000
	Donations - note 32.1	265	15,145
	Exchange loss	4,616	3,439
		<u>81,574</u>	<u>75,437</u>
32.1	None of the directors were interested in the donee institutions except for a donation of Rs. 100 thousand which was paid to Lahore Hospitals Welfare Society whose committee member is the spouse of Mr. Sikandar Mustafa Khan, the Chairman of the company.		
33.	Taxation		
	For the year		
	- Current	291,333	200,000
	- Deferred	6,768	3,305
		<u>298,101</u>	<u>203,305</u>
	Prior years		
	- Current	11,580	-
		<u>309,681</u>	<u>203,305</u>
33.1	Numerical reconciliation between average effective tax rate and the applicable tax rate		
		2008	2007
		%	%
	Applicable tax rate	35.00	35.00
	- Effect of change in prior year	0.36	-
	- Income exempt for tax purposes	(7.87)	(10.18)
	- Income chargeable to tax at lower rate	(0.17)	-
	- Others	0.33	(0.62)
		<u>(7.35)</u>	<u>(10.80)</u>
	Average effective tax rate	<u>27.65</u>	<u>24.20</u>

34. Events after balance sheet date

Dividend declared after the balance sheet date amounts to Rs. 374,840 thousand (Rs. 20.00 per share) {2007: Rs. 224,904 thousand (Rs. 12 per share)}, while appropriation to general reserve and for issuance of bonus shares made after the balance sheet date amounts to Rs. 155,000 thousand and Rs. 46,855 thousand respectively (2007: Rs. 225,000 thousand and Rs. Nil thousand respectively).

35. 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, full time working directors and executives of the company are as follows :

	Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
Rupees in thousands						
Number of persons	1	1	5	5	18	15
Remuneration	1,880	1,753	5,949	5,881	11,746	9,318
Bonus	1,890	2,014	6,390	7,014	10,276	11,321
House rent	846	789	2,678	2,646	4,805	3,876
Contribution to provident fund and gratuity funds	526	468	899	990	2,838	2,461
Pension contribution	320	298	587	658	1,700	1,584
Medical expenses	331	286	442	348	1,425	1,608
Utilities	242	282	762	952	1,369	1,551
Other reimbursable expenses	881	775	3,163	2,853	4,503	4,010
	<u>6,916</u>	<u>6,665</u>	<u>20,870</u>	<u>21,342</u>	<u>38,662</u>	<u>35,729</u>

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

35.1 Remuneration to other directors

Aggregate amount charged to profit and loss account for the year in respect of fee to 3 directors (2007: 2 directors) was Rs. 15 thousand (2007: Rs. 24 thousand) and travelling expenses Rs. 260 thousand (2007: Rs. 253 thousand).

36. 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 and associated undertakings, are as under:

2008 2007
(Rupees in thousand)

Relation with undertaking	Nature and transaction		
Subsidiary undertaking	Purchase of components	31,552	60,387
Associated companies	Sale of goods	-	11,100
	Purchase of components	1,573,337	1,144,782
	Dividend income	7,677	16,041
	Rental income	80	73
Other related parties	Purchase of components	59,695	65,570
Retirement benefit plans	Contribution to staff retirement benefit plans	25,507	16,332

37. Earnings per share

37.1 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:

		2008	2007
Profit for the year after tax	(Rupees in thousands)	<u>810,458</u>	<u>636,897</u>
Average ordinary shares in issue	(Numbers)	<u>18,741,969</u>	<u>18,741,969</u>
Earnings per share	(Rupees)	<u>43.24</u>	<u>33.98</u>

37.2 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.

	2008	2007
	(Rupees in thousand)	
38. Cash generated from operations		
Profit before taxation	1,120,139	840,202
Adjustment for:		
- Depreciation on property, plant and equipment	34,123	29,694
- Profit on disposal of property, plant and equipment	(614)	(1,971)
- Profit on bank deposits	(1,302)	(29,685)
- Provision for doubtful debts	5,246	-
- Provision for doubtful advances	2,952	2,181
- Dividend	(5,112)	(15,987)
- Finance cost	20,996	15,997
- Reversal of impairment charged on investments	(20,916)	-
- Reversal of provision of doubtful debts	-	(470)
Working capital changes - note 38.1	(105,445)	(1,218,578)
	<u>1,050,066</u>	<u>(378,617)</u>

38.1 Working capital changes

(Increase)/decrease in current assets

- Stores and spares	(34,211)	(6,451)
- Stock in trade	203,929	443,847
- Trade debts	168,047	(118,002)
- Loan and advances	(37,871)	(4,614)
- Trade deposits and prepayments	(2,474)	81,569
- Interest accrued on loan to Agrimall (Private) Limited	201	(54)
- Other receivables	(751,434)	13,039
- Short term investments	(335,470)	(88,531)
	<u>(789,283)</u>	<u>320,803</u>

Increase/(decrease) in current liabilities

- Trade and other payables	683,838	(1,539,381)
	<u>(105,445)</u>	<u>(1,218,578)</u>

38.2 Cash and cash equivalents

	2008	2007
	(Rupees in thousand)	
Cash and bank balances	249,358	122,142
Short term running finance	-	(20,406)
	<u>249,358</u>	<u>101,736</u>

39. Financial instruments and related disclosures

	2008							
	Interest/mark-up bearing			Non-interest bearing			Total	
	Mark-up rates (%)	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year		Sub total
Financial assets:								
Long term investments	-	-	-	-	-	315,425	315,425	315,425
Long term loans	11	-	900	900	-	-	-	900
Loans to employees	-	-	-	-	2,411	3,485	5,896	5,896
Loans and advances	16	69,292	-	69,292	26,379	-	26,379	95,671
Trade debts	-	-	-	-	102,660	-	102,660	102,660
Trade deposits	-	-	-	-	7,782	-	7,782	7,782
Other receivables	-	-	-	-	57,452	-	57,452	57,452
Short term investments	-	-	-	-	2,831,770	-	2,831,770	2,831,770
Cash and bank balances	3.75	4	-	4	249,354	-	249,354	249,358
		<u>69,296</u>	<u>900</u>	<u>70,196</u>	<u>3,277,808</u>	<u>318,910</u>	<u>3,596,718</u>	<u>3,666,914</u>
Financial liabilities:								
Trade and other payables	-	-	-	-	3,900,618	-	3,900,618	3,900,618
Mark-up accrued on secured loans	-	-	-	-	2,858	-	2,858	2,858
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,903,476</u>	<u>-</u>	<u>3,903,476</u>	<u>3,903,476</u>
Off-balance sheet financial instruments								
Guarantees	-	-	-	-	227,882	-	227,882	227,882
Letters of credit	-	-	-	-	447,199	-	447,199	447,199
		<u>-</u>	<u>-</u>	<u>-</u>	<u>675,081</u>	<u>-</u>	<u>675,081</u>	<u>675,081</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,578,557</u>	<u>-</u>	<u>4,578,557</u>	<u>4,578,557</u>

	2007							
	Interest/mark-up bearing			Non-interest bearing			Total	
	Mark-up rates (%)	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year		Sub total
Financial assets:								
Long term investments	-	-	-	-	-	84,666	84,666	84,666
Long term loans	-	-	-	-	-	-	-	900
Loans to employees	6	-	900	900	-	-	-	900
Trade debts	-	-	-	-	2,350	3,242	5,592	5,592
Trade deposits	-	-	-	-	288,558	-	288,558	288,558
Return accrued on deposits	-	-	-	-	5,308	-	5,308	5,308
Other receivables	-	-	-	-	659	-	659	659
Short term investments	-	-	-	-	45,597	-	45,597	45,597
Cash and bank balances	-	-	-	-	2,496,300	-	2,496,300	2,496,300
	4.5	<u>199</u>	<u>-</u>	<u>199</u>	<u>121,943</u>	<u>-</u>	<u>121,943</u>	<u>122,142</u>
		<u>199</u>	<u>900</u>	<u>1,099</u>	<u>2,960,715</u>	<u>87,908</u>	<u>3,048,623</u>	<u>3,049,722</u>
Financial liabilities:								
Trade and other payables	-	979,960	-	979,960	960,149	-	960,149	1,940,109
Mark-up accrued on secured loans	-	-	-	-	4,579	-	4,579	4,579
Short term borrowings	8.7 to 11.8	20,406	-	20,406	-	-	-	20,406
		<u>1,000,366</u>	<u>-</u>	<u>1,000,366</u>	<u>964,728</u>	<u>-</u>	<u>964,728</u>	<u>1,965,094</u>
Off-balance sheet financial instruments								
Guarantees	-	-	-	-	137,601	17,969	155,570	155,570
Letters of credit	-	-	-	-	438,620	-	438,620	438,620
		<u>1,000,366</u>	<u>-</u>	<u>1,000,366</u>	<u>1,540,949</u>	<u>17,969</u>	<u>1,558,918</u>	<u>2,559,284</u>

39.1 Financial risk management

Overall, risks arising from the company's financial instruments are limited. The company manages its exposure to financial risk in the following manner.

39.1.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The company has payables denominated in foreign currency and the company has no policy to hedge these payables. It is exposed to significant currency risk.

39.1.2 Interest rate risk

The company's borrowings are not significant, therefore, the management believes that the company is not exposed to significant interest rate risk.

39.1.3 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of total financial assets of Rs. 3,666,914 thousand (2007: Rs. 3,049,722 thousand), the financial assets which are subject to credit risk amounted to Rs. 250,181 thousand (2007: Rs. 346,171 thousand). The company believes that it is not exposed to major concentration of credit risk.

39.1.4 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The company believes that it is not exposed to liquidity risk.

39.1.5 Fair value of financial assets and liabilities

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

39.1.6 Capital risk management

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stake holders. The capital structure of the company is equity based with no financing through long term or short term borrowings.

40. Capacity and production

	<u>2008</u>	<u>2007</u>
	Units per annum	
Tractors		
Plant capacity (double shift)	30,000	30,000
Actual production	27,506	27,081

The reason for short fall in production in comparison with total capacity was the shortage of components from the vendors due to non-availability of raw materials.

41. Date of authorisation for issue

These financial statements were authorised for issue on September 25, 2008 by the board of directors of the company.

42. Corresponding figures

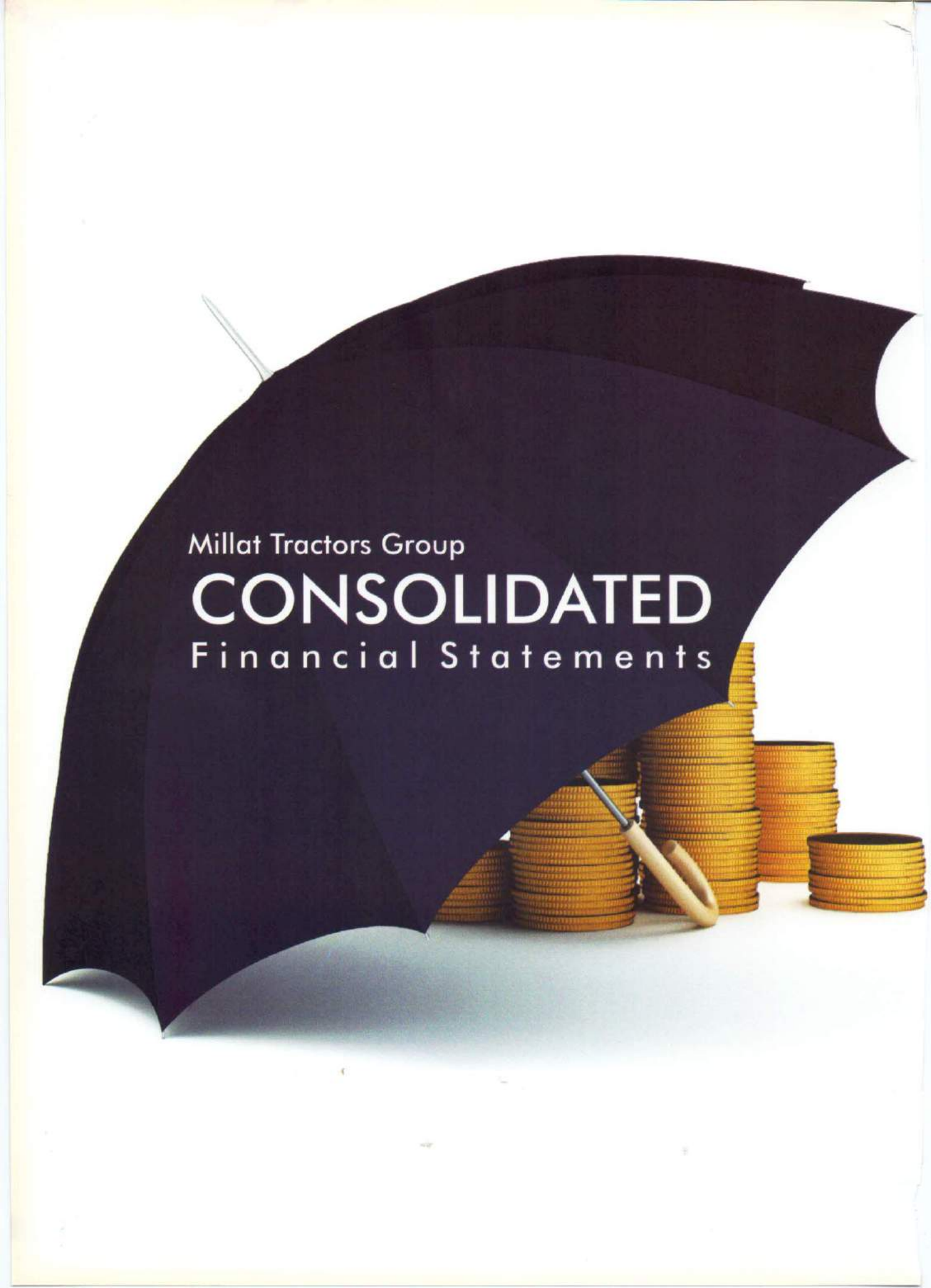
Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.



Chairman



Chief Executive

The image features a dark blue umbrella on the left side, partially open, with its handle visible. To the right of the umbrella are several stacks of gold coins of varying heights, arranged in a descending order from left to right. The background is a plain, light-colored surface.

Millat Tractors Group

CONSOLIDATED
Financial Statements

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Millat Tractors Limited and its subsidiary company as at June 30, 2008 and the related consolidated profit and loss account, 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 was audited by other 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.

In our opinion, the consolidated financial statements present fairly the financial position of Millat Tractors Limited and its subsidiary company as at June 30, 2008 and the results of their operations for the year then ended.

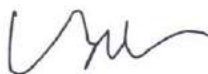
Lahore,
September 25, 2008



A.F Ferguson & Co.
Chartered Accountants

CONSOLIDATED BALANCE SHEET

	Note	2008 (Rupees in thousand)	2007
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 20,000,000 (June 30, 2007: 20,000,000) ordinary shares of Rs. 10 each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid up capital	5	187,420	187,420
General reserves		2,211,000	1,986,000
Unappropriated profit		682,216	558,007
Fair value reserve		50,205	59,185
Equity attributable to equity holders of the parent		3,130,841	2,790,612
Minority interest		<u>17,211</u>	<u>11,579</u>
		3,148,052	2,802,191
NON-CURRENT LIABILITIES			
Security deposits	6	9,485	9,285
Deferred revenue	7	32,729	36,478
Deferred taxation	8	12,355	5,587
Accumulating compensated absences	9	28,344	26,029
		82,913	77,379
CURRENT LIABILITIES			
Current portion of deferred revenue		218,127	224,199
Trade and other payables	10	3,936,330	3,252,060
Mark-up accrued on short term borrowings		4,504	5,598
Short term borrowings	11	56,203	59,943
		4,215,164	3,541,800
CONTINGENCIES AND COMMITMENTS			
	12	<u>7,446,129</u>	<u>6,421,370</u>



Chairman

AS AT JUNE 30, 2008

ASSETS	Note	2008 (Rupees in thousand)	2007
NON-CURRENT ASSETS			
Property, plant and equipment	13	329,151	261,514
Capital work-in-progress	14	179,955	128,969
Intangible assets - in progress	15	17,028	16,527
Investment property	16	273,203	255,708
Long term investments	17	369,753	363,968
Long term loans - considered good	18	4,385	4142
Deferred cost		1,032	2,063
		1,174,507	1,032,891
CURRENT ASSETS			
Stores and spares	19	79,334	46,119
Stock-in-trade	20	1,670,618	1,856,552
Trade debts	21	118,809	294,951
Loans and advances	22	100,185	55,528
Trade deposits and prepayments		9,543	5,667
Other receivables	23	1,168,935	417,227
Taxation - net		8,198	82,852
Short term investments	24	2,831,770	2,496,300
Cash and bank balances	25	284,230	133,283
		6,271,622	5,388,479
		<u>7,446,129</u>	<u>6,421,370</u>

The annexed notes 1 to 44 form an integral part of these financial statements.



Chief Executive

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

	Note	2008 (Rupees in thousand)	2007
Sales - net	26	11,272,385	10,997,872
Cost of sales	27	<u>9,768,510</u>	<u>9,857,701</u>
Gross profit		1,503,875	1,140,171
Distribution and marketing expenses	28	<u>367,278</u>	<u>351,561</u>
Administrative expenses	29	<u>221,483</u>	<u>192,399</u>
		<u>588,761</u>	<u>543,960</u>
Operating profit		915,114	596,211
Other operating income	30	<u>295,018</u>	<u>319,248</u>
		1,210,132	915,459
Finance cost	31	<u>26,807</u>	<u>18,575</u>
Other operating expenses	32	<u>82,120</u>	<u>75,437</u>
		<u>108,927</u>	<u>94,012</u>
		1,101,205	821,447
Share of profit of associates	34	<u>41,723</u>	<u>41,974</u>
Profit before taxation		1,142,928	863,421
Taxation			
- Group	33	<u>310,341</u>	<u>203,305</u>
- Associates		<u>21,845</u>	<u>6,501</u>
		<u>332,186</u>	<u>209,806</u>
Profit for the year		<u>810,742</u>	<u>653,615</u>
Attributable to:			
- Equity holders of the parent		808,388	659,220
- Minority interest		<u>2,354</u>	<u>(5,605)</u>
		<u>810,742</u>	<u>653,615</u>
Earnings per share-basic and diluted (Rs.)	38	<u>43.13</u>	<u>35.17</u>

Appropriations have been reflected in the statement of changes in equity.
The annexed notes 1 to 44 form an integral part of these financial statements.



Chairman



Chief Executive

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

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Cash flows from operating activities			
Cash generated from operations	39	1,041,833	(384,235)
Interest and mark-up paid		(27,901)	(13,503)
Net increase in long term loans to employees		(243)	317
Income tax paid		(228,918)	(321,081)
Net decrease in deferred revenue		(9,821)	52,276
Increase in long term security deposits		200	200
Increase in accumulating compensated absences		2,315	2,453
Net cash generated from / (used in) operating activities		777,466	(663,573)
Cash flows from investing activities			
Purchase of property, plant & equipment		(182,065)	(129,280)
Purchase of intangible assets		(501)	(8,264)
Proceeds from sale of property, plant and equipment		9,027	7,420
Profit on bank deposits		1,549	33,385
Dividend received		5,112	15,987
Net cash used in investing activities		(166,878)	(80,752)
Cash flows from financing activities			
Dividend paid		(459,179)	(340,210)
Proceeds from right issue to minority share holders		3,278	-
Net cash used in financing activities		(455,901)	(340,210)
Net increase/(decrease) in cash and cash equivalents		154,687	(1,084,535)
Cash and cash equivalents at the beginning of the year		73,340	1,157,875
Cash and cash equivalents at the end of the period	39.2	<u>228,027</u>	<u>73,340</u>

The annexed notes 1 to 44 form an integral part of these financial statements.



Chairman



Chief Executive

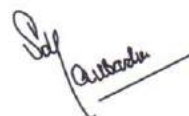
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2008

	Share capital	Revenue Reserves		Fair value reserve	Minority interest	Total
		General reserves	Unappropriated profit			
(Rupees in thousand)						
Balance as on July 1, 2006	156,183	1,600,000	659,627	54,445	17,184	2,487,439
Final dividend for the year ended June 30, 2006 Rs. 10 per share	-	-	(156,183)	-	-	(156,183)
Issue of ordinary shares of Rs. 10 each as fully paid bonus shares	31,237	-	(31,237)	-	-	-
Profit for the year	-	-	659,220	-	(5,605)	653,615
Interim dividend Rs. 10 per share	-	-	(187,420)	-	-	(187,420)
Transferred from profit and loss account	-	386,000	(386,000)	-	-	-
Unrealized gain on revaluation of investments	-	-	-	4,740	-	4,740
Balance as on June 30, 2007	187,420	1,986,000	558,007	59,185	11,579	2,802,191
Final dividend for the year ended June 30, 2007 Rs. 12 per share	-	-	(224,904)	-	-	(224,904)
Profit for the year	-	-	808,388	-	2,354	810,742
Interim dividend Rs. 12.5 per share	-	-	(234,275)	-	-	(234,275)
Transferred from profit and loss account	-	225,000	(225,000)	-	-	-
Right issue to the minority share holders	-	-	-	-	3,278	3,278
Unrealized loss on revaluation of investments	-	-	-	(8,980)	-	(8,980)
Balance as on June 30, 2008	187,420	2,211,000	682,216	50,205	17,211	3,148,052

The annexed notes 1 to 44 form an integral part of these financial statements.



Chairman



Chief Executive

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

1. Legal status and nature of business

Millat tractors Limited is 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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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

Amendments to IAS 1 'Presentation of financial statements-Capital Disclosures' is mandatory for the accounting periods beginning on or after January 1, 2007. It introduces capital disclosure requirements regarding how the entity manages its capital. Adoption of these amendments only impact the format and extent of disclosures as presented in note 40.1.6 to the financial statements.

2.2.2 Amendments and interpretations to published standards applicable to the Group 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:

- IFRS 7 'Financial Instruments: Disclosures' is effective from July 1, 2008. It requires disclosures about the significance of financial instruments for the Group's financial position and performance, and quantitative and qualitative disclosure on the nature and extent to risks.

Certain amendments to IAS 23 'Borrowing Costs' have been published that are applicable to the Group's financial statements covering annual periods, beginning on or after January 1, 2009. Adoption of these amendments would require the Group's to capitalise the borrowing directly attributable to acquisition, construction or production of a qualifying asset (one that take substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the Group's financial statements.

- IFRIC 14, 'IAS 19' - The Limit on the defined benefit asset, minimum funding requirements and their interaction is effective from July 1, 2008. IFRIC 14 provide guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from July 1, 2008, but it is not expected to have any significant impact on the Group's financial statements.

2.2.3 Standards and interpretations to existing standards that are not applicable to the Group and not yet effective:

IFRS 8, 'Operating Segments' replaces IAS 14 and is effective from financial year July 1, 2009. IFRS 8 provides guidance for disclosure of information about Group's operating segments, products and services, geographical areas in which it operates, and major customers. This standard is not relevant to the Group's operations.

IFRIC 12, 'Service concession arrangements' applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is effective from financial year July 1, 2008 but it is not relevant to the Group's operations.

IFRIC 13, 'Customer loyalty programmes' clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is effective from July 1, 2008 but it is not relevant to the Group's operations.

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 Group 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 Group takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Group's views differ from the view taken by the income tax department at the assessment stage and where the Group considers that its views on items of material nature 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 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 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 minority 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 recognized directly in the profit and loss account. Intercompany 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 inter-group transactions and balances between group enterprises and unrealised profits are eliminated on consolidation.

4.1.2 Minority interest

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority 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 recognized in reserves. The cumulative postacquisition 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 recognize 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 Group for its employees are as follows:

4.2.1 Defined benefit plan

4.2.1.1 Pension

The Group 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% (2007: 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, 2008.

The actual return on the plan assets during the year was Rs.536,160 thousand (2007: Rs.468,980 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 Group as reduced by benefits paid during the year.

The amount recognized in balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gain 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:

	2008	2007
	(Rupees in thousand)	
Expected rate of increase in salary level	11%	9%
Expected rate of return	14%	14%
Discount rate	12%	10%
Average expected remaining working life of employees	9 years	9 years

The Group'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 Group operates an approved defined contribution funded gratuity scheme for permanent employees who joined before July 01, 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. 8,809 thousand (2007: Rs. 8,501 thousand) has been recognized 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 Group at the rate of 10 percent of basic salary per month. During the year Rs. 7,114 thousand (2007: Rs. 6,463 thousand) has been recognized 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.

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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 13. 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 assets' residual values and useful lives are continually reviewed by the company and adjusted if impact on depreciation is significant. The Group's estimate of the residual value of its property, plant and equipment as at June 30, 2008 has not required any adjustment as its impact is considered insignificant.

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 Group 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 derecognized 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 derecognized.

4.5 Capital work-in-progress

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

4.6 Intangible assets - in progress

Intangible assets-in progress are stated at cost less impairment, if any.

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 are 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 recognized in the profit and loss account for the year. The recoverable amount is the higher of an assets' 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 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'Intangible assets'. Goodwill on acquisition on associates is included in 'Investments in associates' and is tested impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

4.9 Investment and other financial assets

4.9.1 Associates

Interest in associated undertakings is stated at group share of underlying net assets using equity method.

4.9.2 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, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases/ sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

4.9.3 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.

4.9.4 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. 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.

4.9.5 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.

4.9.6 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

The unrecognised gain on remeasurement of investments at fair value is not available for distribution. This will be transferred to profit and loss account on derecognition of investments.

4.10 Stores and spares

Usable stores and spares are valued principally at 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 slowmoving stores and spares is based on management estimate.

4.11 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 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 prices in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision for obsolete and slowmoving stock-in-trade is based on management estimate.

4.12 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.

4.13 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A 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.

4.14 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.

4.15 Revenue recognition

- Revenue from sale of goods is recognized on dispatch of goods to customers.
- Revenue from warranty and maintenance services is recognized on the basis of services performed to date as a percentage of total services to be performed.
- Dividend is recognized as income when the right to receive dividend is established.
- Profit on bank deposits is recognized using effective interest method.

4.16 Research cost

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

4.17 Borrowing costs

Borrowing costs are recognized 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.

4.18 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 Group.

4.19 Provisions

Provisions are recognized when the Group 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.

4.20 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 recognized 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 Group's functional and presentation currency.

4.21 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument and de-recognized when the Group 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.

4.22 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 Group intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.23 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

2008 (Number of shares)		2007 (Number of shares)		2008 (Rupees in thousand)		2007 (Rupees in thousand)	
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					
16,199,112	13,075,450	- Opening balance		161,991	130,754		
-	3,123,662	- Issued during the year		-	31,237		
16,199,112	16,199,112			161,991	161,991		
<u>18,741,969</u>	<u>18,741,969</u>			<u>187,420</u>	<u>187,420</u>		

6. Security deposits

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

	2008	2007
	(Rupees in thousand)	
7. Deferred revenue		
Opening balance	260,677	208,401
Receipts during the period	589,945	628,178
	<u>850,622</u>	<u>836,579</u>
Less : Recognised in profit and loss account during the period	- note 26 <u>(599,766)</u>	<u>(575,902)</u>
Closing Balance	250,856	260,677
Less : Current maturity	<u>(218,127)</u>	<u>(224,199)</u>
	<u><u>32,729</u></u>	<u><u>36,478</u></u>

This represents amounts received from customers of tractors for providing warranty and maintenance services.

8. Deferred taxation

The liability for deferred tax comprises temporary differences relating to:

Taxable temporary differences

Accelerated depreciation for tax purposes	20,250	10,613
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Deductible temporary differences

Provision for doubtful advances, trade debts and receivables that are deductible for tax purposes only when written off	(7,895)	(5,026)
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Net deferred tax liability at the year end	<u><u>12,355</u></u>	<u><u>5,587</u></u>
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	Deferred tax liability	Deferred tax asset	Net liability
	Accelerated tax depreciation	Provision for doubtful debts	
Balance as at July 01, 2006	7,472	(5,190)	2,282
Charged to profit and loss account	<u>3,141</u>	<u>164</u>	<u>3,305</u>
Balance as at June 30, 2007	10,613	(5,026)	5,587
Charged/(credited) to profit and loss account	<u>9,637</u>	<u>(2,869)</u>	<u>6,768</u>
Balance as at June 30, 2008	<u><u>20,250</u></u>	<u><u>(7,895)</u></u>	<u><u>12,355</u></u>

		2008	2007
		(Rupees in thousand)	
9.	Accumulating compensated absences		
	Opening balance	26,029	23,576
	Provision for the year	4,400	5,219
	Less: Payments made during the year	(2,085)	(2,766)
	Closing balance	<u>28,344</u>	<u>26,029</u>
10.	Trade and other payables		
	Creditors - note 10.1	597,730	443,904
	Accrued liabilities	78,001	68,483
	Bills payable	139,507	332,001
	Advances from customers - note 10.2	2,845,515	2,249,221
	Security deposits - note 10.3	4,106	3,346
	Trade mark fee payable	148,883	88,242
	Income tax deducted at source	24,401	17,946
	Workers' profit participation fund - note 10.4	15,239	1,865
	Workers' welfare fund	28,986	12,000
	Unclaimed dividends	23,031	17,946
	Others	30,917	17,106
		<u>3,936,330</u>	<u>3,252,060</u>
10.1	Creditors include amount due to related parties Rs. 139,801 thousand (2007: Rs. 34,171 thousand).		
10.2	These represent advances against sale of tractors and carry no mark-up.		
10.3	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.		
10.4	Workers' profit participation fund		
	Opening balance	1,865	(7,637)
	Allocation for the year - note 32	60,253	44,853
		62,118	37,209
	Less: Payments made during the year	(46,865)	(35,351)
	Closing balance	<u>15,253</u>	<u>1,865</u>

11. Short term borrowings

Short term borrowings are available from various banks against aggregate sanctioned limit of Rs. 1,535,000 thousand (2007: Rs. 1,485,000 thousand). The rates of mark-up range from 28.05 paisas to 38.02 paisas (2007: paisas 25.67 to paisas 32.35) per Rs. 1,000 per day.

The Group has a facility to opening of letters of credit and guarantees aggregating to Rs. 2,025,000 thousand (2007: Rs. 2,025,000 thousand) out of which Rs. 447,199 thousand (2007: Rs. 596,940 thousand) remained unutilized at the end of the year.

These facilities are secured by pari passu hypothecation charge over assets of the Group, personal guarantees of the directors, lien over import documents and counter guarantees.

12. Contingencies and commitments

Contingencies

- 12.1** The Group has given guarantee amounting to Rs. 5,000 thousand to the bank for repayment of loan by employees. An amount of Rs. 3,720 thousand (2007: Rs. 2,747 thousand) was utilized by employees as at June 30, 2008
- 12.2** Guarantees issued by the banks on behalf of the Group in the normal course of business amount to Rs. 228,812 thousand (2007: Rs. 156,500 thousand).
- 12.3** 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 Group's favour and no loss is likely to occur, hence no provision thereagainst has been made in these financial statements. The case is pending in the Civil Court, Lahore.
- 12.4** In prior years, the Deputy Collector (Adjudication) of Sales tax raised additional tax demand of Rs. 16,189 thousand against certain claims of input tax by the Group. The Group has filed appeal against the demand and matter has also been referred to Alternate Dispute Resolution Committee (ADRC). However, Rs. 14,913 thousand was charged in financial statements for the year ended June 30, 2007 being the best estimate by the management of the Group.
- 12.5** In prior years, The Collector (Adjudication) Customs, issued a show cause notice to the Group regarding non-payment of custom duties amounting to Rs. 14,785 thousand, sales tax amounting to Rs. 7,998 thousand and income tax of Rs. 3,088 thousand on import of components that were deleted under the approved deletion programme. However, no provision in this respect has been made in these financial statements, as the management and the legal advisor of the Group are of the view that the Group has a prima facie valid claim. The Group is in appeal in Customs Appellate Tribunal for relief against show cause notice, in the proceedings whereof, stay has been granted to the Group.
- 12.6** In the year ended June 30, 2004, Employees Old Age Benefit Institution raised a demand of Rs. 9,208 thousand including 50% penalty for not remitting EOBI of 1,100 employees. The Group filed an appeal against the impugned judgment of EOBI Regional Adjudicating Authority Lahore, before the Board of Trustee of EOBI in Karachi. During the year, the trustee of EOBI dismissed the Group's appeal and upheld the decision of Adjudicating Authority. The Group has filed a writ petition against the order of the board of trustee of EOBI before the Lahore High Court. The court has granted stay order to the Group and directed to pay Rs. 1,000 thousand to EOBI. Further the Group has deposited Rs. 2,000 thousand (under protest) to EOBI. The management and legal advisor are confident that outcome of the case would be in the Group's favour and hence no provision has been made in the financial statements.
- 12.7** In prior years, Punjab Social Security Institution issued demand notice to the Group for short payment of Social

Security Contribution amounting to Rs. 6,827 thousand. The Group filed complaint against the said notice before the vice commissioner social security who decided the case against the Group. The Group has filed an appeal before Social Security Court and the case is pending for final arguments before Social Security Court. The management and the legal advisor of the Group are confident that no loss is likely to occur as a result of these cases, and hence, no provision there against has been made in the financial statements.

12.8 Commitments

Commitments in respect of outstanding letters of credit amount to Rs. 447,199 thousand (2007: Rs. 438,620 thousand) at the balance sheet date.

13. Property, plant and equipment

	(Rupees in thousand)							
	Cost as at July 1, 2007	Additions/ (deletions) Adjustment *	Cost as at June 30, 2008	Accumulated depreciation as at July 1, 2007	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008	Annual depreciation rate %
Freehold land	41,624	45,533 (900) * (17,495)	68,762	-	-	-	68,762	-
Leasehold land	8	-	8	-	-	-	8	-
Buildings on freehold land	174,081	3,963 900 *	178,944	128,131	4,528	132,659	46,285	5-10
Buildings on leasehold land	2,900	-	2,900	2,175	144	2,319	581	5
Plant and machinery	242,088	10,532 (752)	251,868	181,922	7,025 (505)	188,442	63,426	10
Furniture and office equipment	28,610	9,859 (68)	38,401	15,744	1,943 (38)	17,649	20,752	10-20
Vehicles	140,979	37,021 (24,385)	153,615	70,334	17,015 (16,162)	71,187	82,428	20
Tools and equipments	70,615	18,376 (890)	88,101	46,072	4,898 (978)	49,992	38,109	10-15
Computers	21,461	5,795 (135)	27,161	16,475	1,980 (134)	18,321	8,800	33
2008	722,366	131,079 (17,495)	809,720	460,853	37,533 (17,816)	480,569	329,151	
	Cost as at July 1, 2006	Additions/ (deletions)	Cost as at June 30, 2007	Accumulated depreciation as at July 1, 2006	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2007	Book value as at June 30, 2007	Annual depreciation rate %
Freehold land	41,625	-	41,625	-	-	-	41,625	-
Leasehold land	8	-	8	-	-	-	8	-
Buildings on freehold land	173,610	470	174,080	123,446	4,684	128,130	45,950	5-10
Buildings on leasehold land	2,900	-	2,900	2,030	145	2,175	725	5
Plant and machinery	232,986	10,102 (1,000)	242,088	175,827	6,745 (651)	181,921	60,167	10
Furniture and office equipment	24,810	4,384	29,194	14,440	1,304	15,744	13,450	10-20
Vehicles	129,462	26,372 (14,854)	140,980	65,939	14,247 (9,852)	70,334	70,646	20
Tools and equipments	66,083	3,949	70,032	42,251	3,819	46,070	23,962	10-15
Computers	25,173	817 (4,531)	21,459	18,644	2,267 (4,433)	16,478	4,981	33
2007	696,657	46,094 (20,385)	722,366	442,577	33,211 (14,936)	460,852	261,514	

13.1 Included in tools and equipment are assets having net book value of Rs. Nil (2007: Rs. 2,454 thousand) held by a third party on behalf of the Group.

13.2. 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						
Directors						
	Mr. Muhammmad Saleem	981	723	258	258	Company car scheme
	Mr. Sikandar Mustafa Khan	5,181	3,823	1,358	1,358	Company car scheme
	Mr. Sohail Bashir Rana	3,627	2,676	951	951	Company car scheme
	Mr. Laeequddin Ansari	2,435	1,797	638	638	Company car scheme
Employees						
	Mr. Shaukat Ali Sheikh	981	724	257	257	Company car scheme
	Mr. Mubashar Iqbal	981	723	258	258	Company car scheme
	Mr. Muhammad Shahid Mufti	374	276	98	98	Company car scheme
	Mr. Altaf Hussain	599	442	157	157	Company car scheme
	Mr. Qamar Mehmood Ch.	374	276	98	98	Company car scheme
	Mr. S. Alley Ali Zaidi	374	276	98	98	Company car scheme
	Mr. Akhtar Hussain	599	442	157	157	Company car scheme
	Mr. Khurram Shahzad Toor	374	276	98	98	Company car scheme
	Mr. Rafay Zaman Durrani	374	276	98	98	Company car scheme
	Mr. Atif Masood Khan	599	403	196	196	Company car scheme
	Mr. M. Idrees Zubair	781	533	248	248	Company car scheme
	Mr. Shafaat Ahmad	841	559	282	282	Company car scheme
	Mr. Mirza Rashid Baig	375	199	176	176	Company car scheme
	Mr. M. Asmat Pasha	375	193	182	182	Company car scheme
	Mr. Shafaat Ahmad	841	489	352	352	Company car scheme
	Mr. M. Idrees Zubair	881	234	647	647	Company car scheme
	Mr. Abdul Rahim Ahmad	609	209	400	400	Company car scheme
	Mr. Nasir Ahmad Khan	434	50	384	384	Company car scheme
	Mr. Tanveer Ahmad	451	53	398	398	Company car scheme
	Mr. Muhammad Siddique	68	45	23	23	Company motorcycle scheme
	Mr. Zafar Ali Sheikh	67	45	22	22	Company motorcycle scheme
	Mr. Moazzam Moin	67	45	22	22	Company motorcycle scheme
	Mr. Tariq Mehmood	67	45	22	22	Company motorcycle scheme
	Mr. Muhammad Iqbal	67	45	22	22	Company motorcycle scheme
	Mr. Iqtadar Uddin	73	49	24	24	Company motorcycle scheme
	Mr. Abdul Zaheer	73	49	24	24	Company motorcycle scheme
	Mr. Malik Bostan Khan	67	46	21	21	Company motorcycle scheme
	Mr. Muhammad Shafique	57	31	26	26	Company motorcycle scheme
	Mr. Muhammad Siddique	53	21	32	32	Company motorcycle scheme
	Mr. Abdul Hameed	53	21	32	32	Company motorcycle scheme
	Mr. Tanveer Ahmad	53	22	31	31	Company motorcycle scheme
	Mr. Zafar Hayat	63	18	45	45	Company motorcycle scheme
	Mr. Muhammad Ejaz Mansha	53	9	44	44	Company motorcycle scheme
	Mr. Muhammad Awais Noor	63	18	45	45	Company motorcycle scheme
Plant and machinery						
	Mr. Naveed Akhtar	1,390	1,307	83	700	Auction
		455	349	106	103	
Other assets with book value less than Rs 50 Thousand		26,230	17,817	8,413	9,027	

2008 2007
(Rupees in thousand)

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

Cost of sales	- note 27	21,835	18,681
Distribution cost	- note 28	4,549	4,129
Administrative expenses	- note 29	11,149	10,401
		<u>37,533</u>	<u>33,211</u>

14. Capital work-in-progress

Plant and machinery		111,145	81,288
Advance for purchase of office space		64,064	47,531
Others		4,746	150
		<u>179,955</u>	<u>128,969</u>

15. Intangible asset - in progress

It includes expenditure incurred on acquiring and implementing Enterprise Resource Planning (ERP) software.

16. Investment property

Opening balance		255,708	255,708
Transferred in during the year	- note 13	<u>17,495</u>	<u>-</u>
Closing balance		<u>273,203</u>	<u>255,708</u>

Based on the valuation carried out by an independent valuer as at June 30, 2008, the fair value of investment property is Rs.472,000 thousand: (2007: Rs.300,000 thousand)

2008 2007
(Rupees in thousand)

17. Long term investments

Investment in related parties

In associated companies

Quoted

Bolan Castings Limited

2,811,498 (2007: 2,555,907) fully paid ordinary shares of Rs. 10/- each	146,540	150,393
Equity held 46.26% (2007: 46.26%). Market value as at		
June 30, 2008 is Rs. 191,041 thousand (2007: Rs. 196,805 thousand)		

Unquoted

Millat Equipment Limited

11,700,000 (2007: 11,700,000) fully paid ordinary shares of Rs. 10/- each	147,527	128,909
Equity held 45% (2007: 45%)		
Value of investment based on net assets as shown in the audited accounts		
as at June 30, 2008 is Rs. 147,367 thousand (2007: Rs. 128,317 thousand)		

Arabian Sea Country club Limited

500,000 (2007: 500,000) fully paid ordinary shares of Rs. 10/- each	5,000	5,000
Equity held 6.45% (2007: 6.45%)		
Value of investment based on the net assets shown in the audited accounts		
as at June 30, 2007 is Rs. 4,679 thousand (2006: Rs. 4,923 thousand)		
Less: Impairment loss	(5,000)	(5,000)

Agrimall (Private) Limited

2,000 (2007: 2,000) fully paid ordinary shares of Rs.10/- each	20	20
Equity held 20% (2007: 20%)		
Value of investment based on the net assets shown in the audited account		
as at June 30, 2007 is Rs. Nil (2006: Rs. Nil)		
Less: Impairment loss	(20)	(20)

Other investment - Available for sale

Quoted

Baluchistan Wheels Limited

1,282,825 (2007: 1,282,825) fully paid ordinary shares of Rs. 10/- each	25,481	25,481
Surplus on revaluation of investment	50,205	59,185
Market value as at June 30, 2008	75,686	84,666
	369,753	363,968

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:

Name	Percentage interest held	Assets	Liabilities	Revenue	Profit/(Loss)
(Rupees in thousand)					
June 30, 2007					
Bolan castings Limited	46.26%	711,786	386,432	869,672	26,038
Millat Equipment Limited	45.00%	916,100	629,990	339,909	52,517
Arabian Sea Country Club Limited	6.45%	148,600	76,068	86,325	(3,796)
Agrimall (Private) Limited	20.00%	16,034	36,501	16,133	223
		<u>1,792,520</u>	<u>1,128,991</u>	<u>1,312,039</u>	<u>74,982</u>
June 30, 2008					
Bolan castings Limited	46.26%	806,946	472,006	1,130,538	22,648
Millat Equipment Limited	45.00%	1,160,365	832,882	647,136	41,373
Arabian Sea Country Club Limited	6.45%	148,600	76,068	86,325	(3,796)
Agrimall (Private) Limited	20.00%	16,034	36,501	16,133	223
		<u>2,131,945</u>	<u>1,417,457</u>	<u>1,880,132</u>	<u>60,448</u>

The audited accounts for these entities were drawn up to June 30, 2007

		2008	2007
		(Rupees in thousand)	
18.	Long term loans - considered good		
	Loan to related party	- note 18.1	900
	Loan to employees:		900
	- Company Loan	- note 18.2	3,558
	- Motor Cycle Loan	- note 18.3	2,338
	Less: Current portion included in current assets	- note 22	(2,411)
		<u>3,485</u>	<u>3,242</u>
		<u>4,385</u>	<u>4,142</u>

18.1 Unsecured loan bearing mark up at 11% per annum was advanced to Agrimall (Private) Limited, an associated undertaking engaged in agricultural business and acting inter alia as a dealer of the Group. The loan shall be exclusively used for promotion of the Group's products. The repayment terms are yet to be finalized. The maximum aggregate amount due at the end of any month amount to Rs. 900 thousand (2007: Rs. 900 thousand).

- 18.2** This represent interest free loans to employees aggregating to Rs. 3,558 thousand (2007: Rs. 2,061 thousand) and are secured against their gratuity and provident fund balances. These loans are repayable in monthly instalments over a period of 2 years.
- 18.3** This represent interest free loans to employees for purchase of motor cycles aggregating to Rs. 2,338 thousand (2007: Rs. 3,505 thousand) are secured by joint registration of motor cycles in the name of the employees and the Group. These loans are repayable in monthly instalments over a period of 5 years.
- 18.4** Reconciliation of carrying amount of loans to executives:

	Balance as at 1 July 2008	Disbursement during the year	Repayments during the year	Balance as at 30 June 2008
Due from Executives	-	10	3	7

19. Store 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.

	2008	2007
	(Rupees in thousand)	
20. Stock-in-trade		
Raw materials (including in transit Rs. 309,329 thousand 2007: Rs. 341,589 thousand)		
Work-in-process	1,311,027	1,579,932
Finished goods :	46,148	35,418
Manufacturing	275,267	201,154
Trading	37,624	39,459
Others	552	589
	<u>1,670,618</u>	<u>1,856,552</u>

Included in stocks are raw material and components held with third parties amounting to Rs. 66,157 thousand (2007: Rs. 56,679 thousand).

21. Trade debts

Trade debts - Considered good	118,809	294,951
- Considered doubtful	17,851	12,605
	<u>136,660</u>	<u>307,556</u>
Less: Provision for doubtful debts	(17,851)	(12,605)
	<u>118,809</u>	<u>294,951</u>

All debts are unsecured except for Rs. 7 thousand (2007: Rs. 1,515 thousand) which are secured against deposits.

22. Loans and advances

Current portion of long term loans to employees - note 18	2,411	2,350
Advances to employees - Considered good - note 22.1	1,803	896
Advances to suppliers - Considered good - note 22.2	71,260	48,934
- Considered doubtful	4,706	1,754
Less: Provision for doubtful advances - note 22.3	(4,706)	(1,754)
	-	-
Letter of credit opening charges	24,711	3,348
	<u>100,185</u>	<u>55,528</u>

22.1 Included in advances to employees are amounts due from the Chief Executive Rs.76 thousand (2007: Rs. Nil) and directors Rs. 293 thousand (2007: 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. 139 thousand (2007: Rs. 117 thousand) and directors Rs. 735 thousand (2007: Rs.1,027 thousand) in respect of travel advance.

22.2 Included in advances to suppliers are certain advances which carry a markup of 16%.

23. Other receivables

	2008	2007
	(Rupees in thousand)	
Sales tax and excise duty recoverable	1,145,630	405,118
Less : Provision for doubtful claims	<u>(34,147)</u>	<u>(34,147)</u>
	1,111,483	370,971
Claims receivable from principal suppliers	10,298	14,478
Interest accrued - note 23.1	211	659
Pension fund - note 23.2	<u>46,943</u>	<u>31,119</u>
	<u>1,168,935</u>	<u>417,227</u>

23.1 Interest accrued

On bank deposits	196	443
On loan to associates	<u>15</u>	<u>216</u>
	<u>211</u>	<u>659</u>

23.2 Pension fund

This comprises:

Present value of defined benefit obligation	(428,585)	(377,329)
Fair value of plan assets	536,159	469,684
Net unrecognized actuarial gains	<u>(60,631)</u>	<u>(61,236)</u>
Asset recognized in the balance sheet	<u>46,943</u>	<u>31,119</u>

	2008	2007
	(Rupees in thousand)	
Charge for the year		
Salaries, wages and amenities include the following in respect of employees' pension scheme:		
Current service cost	15,542	16,445
Interest cost	37,733	32,922
Expected return on plan assets	(65,756)	(52,470)
Net actuarial gain recognized in the year	(1,585)	-
Past service cost	8,063	-
	<u>(6,003)</u>	<u>(3,103)</u>

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

Present value of defined benefit obligation as at July 1	377,329	365,854
Interest cost	37,733	32,923
Current service cost	15,542	16,445
Benefits paid	(13,115)	(9,579)
Actuarial loss/(gain)	3,033	(28,314)
Past service cost due to change in benefits	8,063	-
	<u>428,585</u>	<u>377,329</u>
Present value of defined benefit obligation as at June 30	<u>428,585</u>	<u>377,329</u>

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

Fair value of plan assets as at July 1	469,684	374,789
Expected return on assets	65,756	52,470
Contributions	9,820	10,495
Benefits paid	(13,115)	(9,531)
Actuarial gain	4,014	41,461
Fair value of plan assets as at June 30	<u>536,159</u>	<u>469,684</u>

Actual return on plan assets	<u>69,770</u>	<u>93,932</u>
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Plan assets comprise:

Defence saving certificates	34,077	155,582
Bonds, mutual funds and TDRs	501,908	311,101
Cash	174	3,001
	<u>536,159</u>	<u>469,684</u>

23.2 Pension fund (Cont'd)

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:

As at June 30	2008	2007	2006	2005	2004
	(Rupees in thousand)				
Present value of defined benefit obligation	428,585	377,329	365,806	253,518	273,043
Fair value of plan assets	<u>536,159</u>	<u>468,981</u>	<u>374,789</u>	<u>311,868</u>	<u>386,348</u>
Surplus	<u>107,574</u>	<u>91,652</u>	<u>8,983</u>	<u>58,350</u>	<u>113,305</u>
Experience adjustment on plan obligation	<u>3,033</u>	<u>(28,314)</u>	<u>81,979</u>	<u>(49,264)</u>	<u>30,201</u>
Experience adjustment on plan assets	<u>4,014</u>	<u>41,461</u>	<u>32,995</u>	<u>23,051</u>	<u>14,068</u>

2008 2007
(Rupees in thousand)

24. Short term investments

Financial asset at fair value through profit & loss account	2,507,379	2,275,709
Surplus on revaluation of investment	324,391	220,591
Market value as at June 30	<u>2,831,770</u>	<u>2,496,300</u>

25. Cash and bank balance

In hand:

Demand drafts	49,974	42,175
Cash	<u>306</u>	<u>181</u>
	50,280	42,356

At banks:

Deposit accounts	4	7,285
Current accounts	<u>233,946</u>	<u>83,642</u>
	<u>284,230</u>	<u>133,283</u>

The deposit accounts bear mark-up which ranges from 3.5% to 4.5% per annum.

26. Sales - net		2008	2007
		(Rupees in thousand)	
Local			
Tractors		9,977,278	9,976,647
Implements		20,381	25,194
Multi-application products		407,454	339,835
Trading goods		175,709	138,650
Batteries		98,371	36,434
Warranty and maintenance services	- note 7	<u>599,766</u>	<u>575,902</u>
		11,278,959	11,092,662
Less: Sales tax		<u>(30,590)</u>	<u>(20,037)</u>
		11,248,369	11,072,625
Export			
Tractors		151,237	32,479
Implements		1,743	348
Trading goods		484	16,972
		<u>153,464</u>	<u>49,799</u>
		11,401,833	11,122,424
Less: Commission		<u>(129,448)</u>	<u>(124,552)</u>
		<u><u>11,272,385</u></u>	<u><u>10,997,872</u></u>
27. Cost of sales			
Components consumed	- note 27.1	9,217,172	9,278,554
Salaries, wages and amenities	- note 27.2	269,748	245,682
Fuel and power		40,591	38,825
Communication		1,548	1,486
Traveling and vehicle running		8,068	8,983
Printing and stationery		1,900	3,083
Insurance		9,680	8,092
Repairs and maintenance		24,765	19,926
Stores and spares consumed		58,954	50,721
Depreciation	- note 13.3	21,835	18,681
Other expenses		<u>4,323</u>	<u>3,786</u>
		9,658,584	9,677,819
Add: Opening work-in-process		35,418	36,422
Less: Closing work-in-process		(46,148)	(35,418)
(Increase)/decrease in work-in-process		<u>(10,730)</u>	<u>1,004</u>
Cost of goods manufactured		<u><u>9,647,854</u></u>	<u><u>9,678,823</u></u>

2008 **2007**
(Rupees in thousand)

Add: Opening finished goods	201,155	222,207
Less: Closing finished goods	(275,267)	(201,154)
(Increase)/decrease in finished goods stock	<u>(74,112)</u>	<u>21,053</u>
Cost of sales - manufactured	9,573,742	9,699,876
Cost of sales - trading	125,239	109,932
Cost of sales - warranty and maintenance services	69,529	47,893
	<u>9,768,510</u>	<u>9,857,701</u>

27.1 This includes a charge of Rs. Nil (2007: Rs. 95,953 thousand) in respect of damaged/unserviceable components.

27.2 Salaries, wages and amenities include Rs. (2,935) thousand (2007: Rs. (1,233) thousand) in respect of pension expense.

27.3 Cost of sales - trading

Opening stock	39,459	34,135
Purchases	123,404	115,256
Closing stock	<u>(37,624)</u>	<u>(39,459)</u>
Cost of goods sold	<u>125,239</u>	<u>109,932</u>

27.4 Cost of sales - warranty and maintenance services

Warranty expenses	37,398	18,726
Maintenance services	7,244	6,636
Service department expenses	24,887	22,531
	<u>69,529</u>	<u>47,893</u>

27.4.1 This includes salaries and amenities amounting to Rs. 14,098 thousand (2007: Rs. 13,525 thousand).

		2008	2007
		(Rupees in thousand)	
28.	Distribution and marketing expenses		
	Salaries and amenities	41,783	37,625
	Fuel and power	3,232	2,934
	Communication	1,168	1,086
	Traveling and vehicle running	6,899	6,855
	Printing and stationery	3,584	5,220
	Insurance	4,232	3,438
	Trade mark fee	272,924	254,326
	Advertisement and sales promotion	7,987	5,197
	Depreciation	4,549	4,129
	Meeting/convention	3,808	1,062
	Research cost	4,193	20,437
	Repairs and maintenance	4,166	2,349
	Export packing expenses	3,704	419
	Other expenses	5,049	6,484
		<u>367,278</u>	<u>351,561</u>

28.1 Salaries and amenities include Rs. (842) thousand (2007: Rs. (712) thousand) in respect of pension expense.

29 Administrative expenses

	Salaries and amenities	119,775	113,308
	Fuel and power	7,098	5,176
	Communication	2,876	2,563
	Traveling and vehicle running	18,396	18,587
	Printing and stationery	852	1,836
	Insurance	4,271	3,190
	Repairs and maintenance	6,450	13,888
	Security	7,307	5,444
	Legal and professional	15,329	3,588
	Depreciation	11,149	10,401
	Advertisement	903	935
	Provision for doubtful debts	5,246	2,181
	Provision for doubtful advances	2,952	-
	Rent rate and taxes	3,915	3,230
	Fee and subscription	2,174	524
	Entertainment	2,927	2,347
	Other expenses	9,863	5,201
		<u>221,483</u>	<u>192,399</u>

29.1 Salaries and amenities include Rs. (2,330) thousand (2007: Rs. (1,158) thousand) in respect of pension expense.

2008 2007
(Rupees in thousand)

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

Statutory audit including half yearly review	400	350
Special reports and sundry certifications	240	236
Out of pocket expenses	50	50
	690	636

30. Other operating income

Income from financial assets

Dividend income from other investments	2,565	3,207
Return on bank deposits	1,302	29,685
Surplus on short-term investment	251,856	267,059
Interest charged on early payments and advances	10,054	7,194
	265,777	307,145

Income from investment in associates and loans to related parties

Interest on loan to agrimall (Pvt) Limited	99	54
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Income from assets other than financial assets

Rental income	4,936	3,863
Scrap sales	11,253	2,732
Net profit on disposal of fixed assets	614	1,971
Others	12,339	3,483
	29,142	12,049
	295,018	319,248

31. Finance cost

Mark-up on short term running finance - secured	25,415	16,942
Bank charges and commission	1,392	1,633
	26,807	18,575

32. Other operating expenses

Workers' profit participation fund	- note 10.4	60,253	44,853
Workers' welfare fund		16,986	12,000
Donations	- note 32.1	265	15,145
Exchange loss		4,616	3,439
		<u>82,120</u>	<u>75,437</u>

32.1 None of the directors were interested in the donee institutions except for a donation of Rs. 100 thousand which was paid to Lahore Hospital Welfare Society whose committee member is the spouse of Mr. Sikander Mustafa Khan, the Chairman of Millat Tractors Limited.

33. SHARE OF PROFIT OF ASSOCIATES

Bolan Castings Limited	1,803	18,444
Millat Equipment Limited	39,920	23,530
	<u>41,723</u>	<u>41,974</u>

34. Taxation

For the year		
- Current	291,993	200,000
- Deferred	6,768	3,305
	<u>298,761</u>	<u>203,305</u>
Prior years		
- Current	11,580	-
	<u>310,341</u>	<u>203,305</u>

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

	2008	2007
	%	%
Applicable tax rate	35.00	35.00
- Effect of change in prior year	0.35	-
- Effect of amounts not deductible for tax	-	0.12
- Income exempt for tax purposes	(7.87)	-
- Income chargeable to tax at lower rate	(0.17)	-
- Others	1.74	(10.37)
	<u>(5.94)</u>	<u>(10.25)</u>
Average effective tax rate	<u>29.06</u>	<u>24.75</u>

35. Events after balance sheet date

Dividend declared by the parent after the balance sheet date amounts to Rs. 374,840 thousand (Rs. 20.00 per share) {2007: Rs. 224,904 thousand (Rs. 12 per share)}, while appropriation to general reserve and for issuance of bonus shares made after the balance sheet date amounts to Rs. 155,000 thousand and Rs. 46,855 thousand respectively (2007: Rs. 225,000 thousand and Rs. Nil thousand respectively).

36. 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, full time working directors and executives of the Group are as follows :

	Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	Rupees in thousands					
Number of persons	1	1	5	5	18	15
Remuneration	1,880	1,753	5,949	5,881	11,746	9,318
Bonus	1,890	2,014	6,390	7,014	10,276	11,321
House rent	846	789	2,678	2,646	4,805	3,876
Contribution to provident fund and gratuity funds	526	468	899	990	2,838	2,461
Pension contribution	320	298	587	658	1,700	1,584
Medical expenses	331	286	442	348	1,425	1,608
Utilities	242	282	762	952	1,369	1,551
Other reimbursable expenses	881	795	3,163	2,853	4,503	4,010
	<u>6,916</u>	<u>6,665</u>	<u>20,870</u>	<u>21,342</u>	<u>38,662</u>	<u>35,729</u>

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

36.1 Remuneration to other directors

Aggregate amount charged to profit and loss account for the year in respect of fee to 3 directors (2007: 2 directors) was Rs.15 thousand (2007: Rs. 24 thousand) and travelling expenses Rs. 260 thousand (2007: Rs. 253 thousand).

37. 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 and associated undertakings, are as under:

2008 2007
(Rupees in thousand)

Relation with undertaking	Nature and transaction		
Associated Undertakings	Sale of goods	-	11,100
	Purchase of components	1,573,337	1,144,782
	Dividend income	7,677	16,041
	Rental income	80	73
Other related parties	Purchase of components	59,695	65,570
Retirement benefit plans	Contribution to staff retirement benefit plans	25,890	16,332

38. Combined earnings per share

38.1 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:

Profit for the year after tax	(Rupees in thousands)	<u>808,388</u>	<u>659,220</u>
Average ordinary shares in issue	(Numbers)	<u>18,741,969</u>	<u>18,741,969</u>
Earnings per share	(Rupees)	<u>43.13</u>	<u>35.17</u>

38.2 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.

	2008	2007
	(Rupees in thousand)	
39. Cash generated from operations		
Profit before taxation	1,142,928	863,421
Adjustment for:		
- Depreciation on property, plant and equipment	37,533	33,211
- Profit on disposal of property, plant and equipment - note 13.2	(614)	(1,971)
- Profit on bank deposits	(1,302)	(29,685)
- Provision for doubtful debts	5,246	-
- Provision for doubtful advances	2,952	2,181
- Dividend	-	3,207
- Finance cost	26,807	18,575
- Reversal of provision of doubtful debts	-	(470)
- Share of profit of associates	(41,723)	(41,974)
- Amortization of pre-commencement operating expenses	1,031	1,032
Working capital changes note 39.1	<u>(131,025)</u>	<u>(1,231,762)</u>
	<u><u>1,041,833</u></u>	<u><u>(384,235)</u></u>

39.1 Working capital changes

(Increase)/decrease in current assets

- Stores and spares	(33,215)	(7,280)
- Stock in trade	185,934	432,967
- Trade debts	170,896	(136,995)
- Loan and advances	(47,609)	3,842
- Trade deposits and prepayments	(3,876)	81,854
- Interest accrued on loan to Agrimall (Private) Limited	201	(54)
- Other receivables	(752,156)	13,080
- Short term investments	<u>(335,470)</u>	<u>(88,531)</u>
	(815,295)	298,883

Increase/(decrease) in current liabilities

- Trade and other payables	<u>684,270</u>	<u>(1,530,645)</u>
	<u><u>(131,025)</u></u>	<u><u>(1,231,762)</u></u>

39.2 Cash and cash equivalents

2008
(Rupees in thousand)

2007

Cash and bank balances	284,230	133,283
Short term running finance	(56,203)	(59,943)
	<u>228,027</u>	<u>73,340</u>

40. Financial Instruments and Related Disclosures

2008							
Interest/mark up bearing				Non interest bearing			Total
Mark-up rates (%)	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	

Financial Assets:

Long term investments	-	-	-	-	-	369,753	369,753	369,753
Long term loans	11	-	900	900	-	-	-	900
Loans to employees loans and advances	-	-	-	-	2,411	3,485	5,896	5,896
Trade debts	16	71,260	-	71,260	26,514	-	26,514	97,774
Trade deposits	-	-	-	-	118,809	-	118,809	118,809
Other receivables	-	-	-	-	9,543	-	9,543	9,543
Short term investments	-	-	-	-	57,452	-	57,452	57,452
Cash and bank balances	-	-	-	-	2,831,770	-	2,831,770	2,831,770
	3.75	4	-	4	284,226	-	284,226	284,230
		71,264	900	72,164	3,330,725	373,238	3,703,963	3,776,127

Financial Liabilities:

Trade and other payables	-	-	-	-	3,911,929	-	3,911,929	3,911,929
Mark-up accrued on secured loans	-	-	-	-	4,504	-	4,504	4,504
Short term borrowings	10.24 to 13.88	56,203	-	56,203	-	-	-	56,203
		56,203	-	56,203	3,916,433	-	3,916,433	3,972,636

Off-balance sheet**financial instruments**

Guarantees	-	-	-	-	228,812	-	228,812	228,812
Letters of credit	-	-	-	-	447,199	-	447,199	447,199
	-	-	-	-	676,011	-	676,011	676,011
		56,203	-	56,203	4,592,444	-	4,592,444	4,648,647

2007							
Interest/mark up bearing				Non interest bearing			Total
Mark-up rates (%)	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Long term investments	-	-	-	-	84,666	84,666	84,666
Long term loans	6	900	900	-	-	-	900
Loans to employees	-	-	-	2,350	3,242	5,592	5,592
Trade debts	-	-	-	307,556	-	307,556	307,556
Trade deposits	-	-	-	5,667	-	5,667	5,667
Return accrued on deposits	-	-	-	659	-	659	659
Other receivables	-	-	-	45,597	-	45,597	45,597
Short term investments	-	-	-	2,496,300	-	2,496,300	2,496,300
Cash and bank balances	4.5	199	-	199	133,084	-	133,084
		199	900	1,099	2,991,213	87,908	3,079,121
							3,080,220

Financial Assets:

Long term investments	-	-	-	-	84,666	84,666	84,666
Long term loans	6	900	900	-	-	-	900
Loans to employees	-	-	-	2,350	3,242	5,592	5,592
Trade debts	-	-	-	307,556	-	307,556	307,556
Trade deposits	-	-	-	5,667	-	5,667	5,667
Return accrued on deposits	-	-	-	659	-	659	659
Other receivables	-	-	-	45,597	-	45,597	45,597
Short term investments	-	-	-	2,496,300	-	2,496,300	2,496,300
Cash and bank balances	4.5	199	-	199	133,084	-	133,084
		199	900	1,099	2,991,213	87,908	3,079,121
							3,080,220

Financial Liabilities:

Trade and other payables	-	-	-	971,028	-	971,028	971,028
Mark-up accrued on secured loans	-	-	-	5,598	-	5,598	5,598
Short term borrowings	8.7 to 11.8	59,943	-	59,943	-	-	59,943
		59,943	-	59,943	976,626	-	976,626
							1,036,569

Off-balance sheet**financial instruments**

Guarantees	-	-	-	137,601	18,899	156,500	156,500
Letters of credit	-	-	-	438,620	-	438,620	438,620
		59,943	-	59,943	1,552,847	18,899	1,571,746
							1,631,689

40.1 Financial risk management

Overall, risks arising from the Group's financial instruments are limited. The Group manages its exposure to financial risk in the following manner:

40.1.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Group has payables denominated in foreign currency and the Group has no policy to hedge these payables. It is exposed to significant currency risk.

40.1.2 Interest rate risk

The Group's borrowings are not significant, therefore, the management believes that the Group is not exposed to significant interest rate risk.

40.1.3 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of total financial assets of Rs. 3,776,127 thousand (2007: Rs. 3,080,220 thousand), the financial assets which are subject to credit risk amounted to Rs. 266,330 thousand (2007: Rs. 370,358 thousand). The Group believes that it is not exposed to major concentration of credit risk.

40.1.4 Liquidity risk

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

40.1.5 Fair value of financial assets and liabilities

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

40.1.6 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 for shareholders and benefits for other stake holders and to maintain optimal capital structure to reduce cost of capital.

	<u>2008</u>	<u>2007</u>
	Units per annum	
41. Capacity and production		
Tractors		
Plant capacity (Duble shift)	30,000	30,000
Actual production	27,506	27,081
The reason for short fall in production in comparison with total capacity was due to the shortage of components from the vendors as a result of non availability of raw materials.		

42. Date of authorisation for issue

These financial statements were authorised for issue on September 25, 2008 by the board of directors of the Group.

43. Detail of subsidiary

Millat Industrial Products Limited

Accounting year end	June 30, 2008	June 30, 2007
Percentage of holding	64.09 %	56.893 %
Country of incorporation	Pakistan	Pakistan
Net assets as at June 30 (Rupees in thousands)	35,934	39,946

44. Corresponding figures

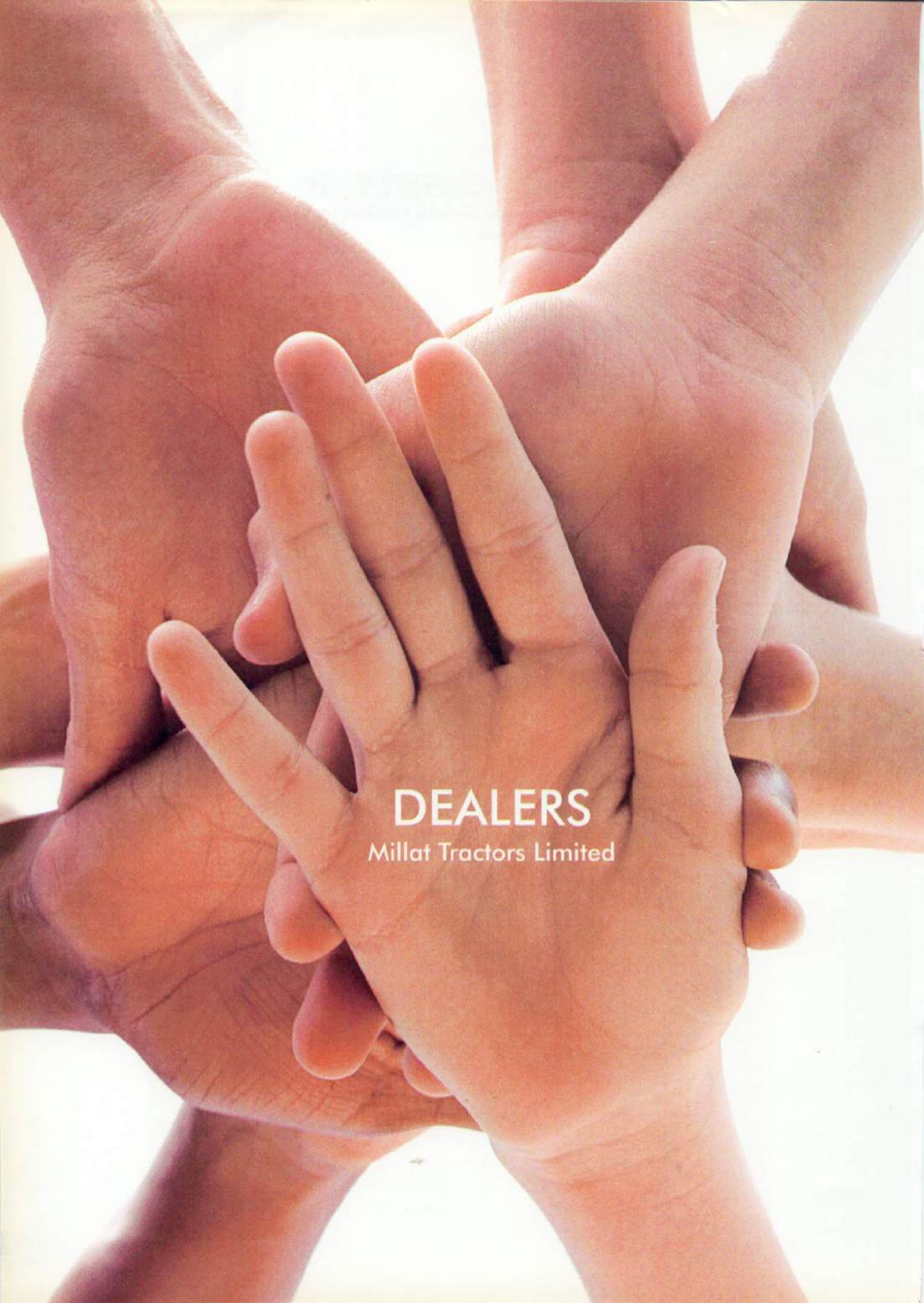
Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.



Chairman



Chief Executive



DEALERS

Millat Tractors Limited

Tractor Dealers

PUNJAB

Ahmer 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., Sheikhpura
 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
 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, Ferozewala, Distt. Sheikhpura
 Pak Tractor House, Khushab
 Al-Hassan Traders, Hasilpur
 Syed Tractors, Lodhran
 Al-Jabbar Tractors, Sialkot
 Zahid Brothers, Shakargarh, Distt. Narowal
 Kissan Tractors House, Pakpattan

BALUCHISTAN

Ravi Tractor House, Chaman
 National Agricultural Engineering
 & Services, Jhat Pat, Naseerabad
 Daavi Autos, Quetta

Zamindar Tractors, Pishin
 Bolan Tractors House, Loralai
 Baluchistan Tractors & Services, Quetta



N.W.F.P

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
 Kashmir Tractor Co., Kashmir

Foreign Dealers-Afghanistan

Serkat Davi Tractors Limited, Kabul
 Serkat new Popal Limited, Kabul



Spare Parts Dealers

PUNJAB

New Lodhi Sons, Lahore
 Mian Autos, Lahore
 Hudiera 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
 Riaz Autos, Sheikhpura
 New Kissan Autos, Hafizabad
 Kissan Tractor House, Sialkot
 Madina Autos Services, Sambarial
 Mukhtar Autos, Sahiwal
 Madina Autos, Arifwala
 Crescent Autos, Pakpattan
 Madina Autos, Burewala
 Nawaz Auto Store, Multan
 Ishtiaq Auto Store, Multan
 M. Latif & Brothers, Mian Channu
 Hafiz Autos, Jehanian
 Afzal Auto Store, Khanewal
 Nazar Tractor Workshop, Alipur

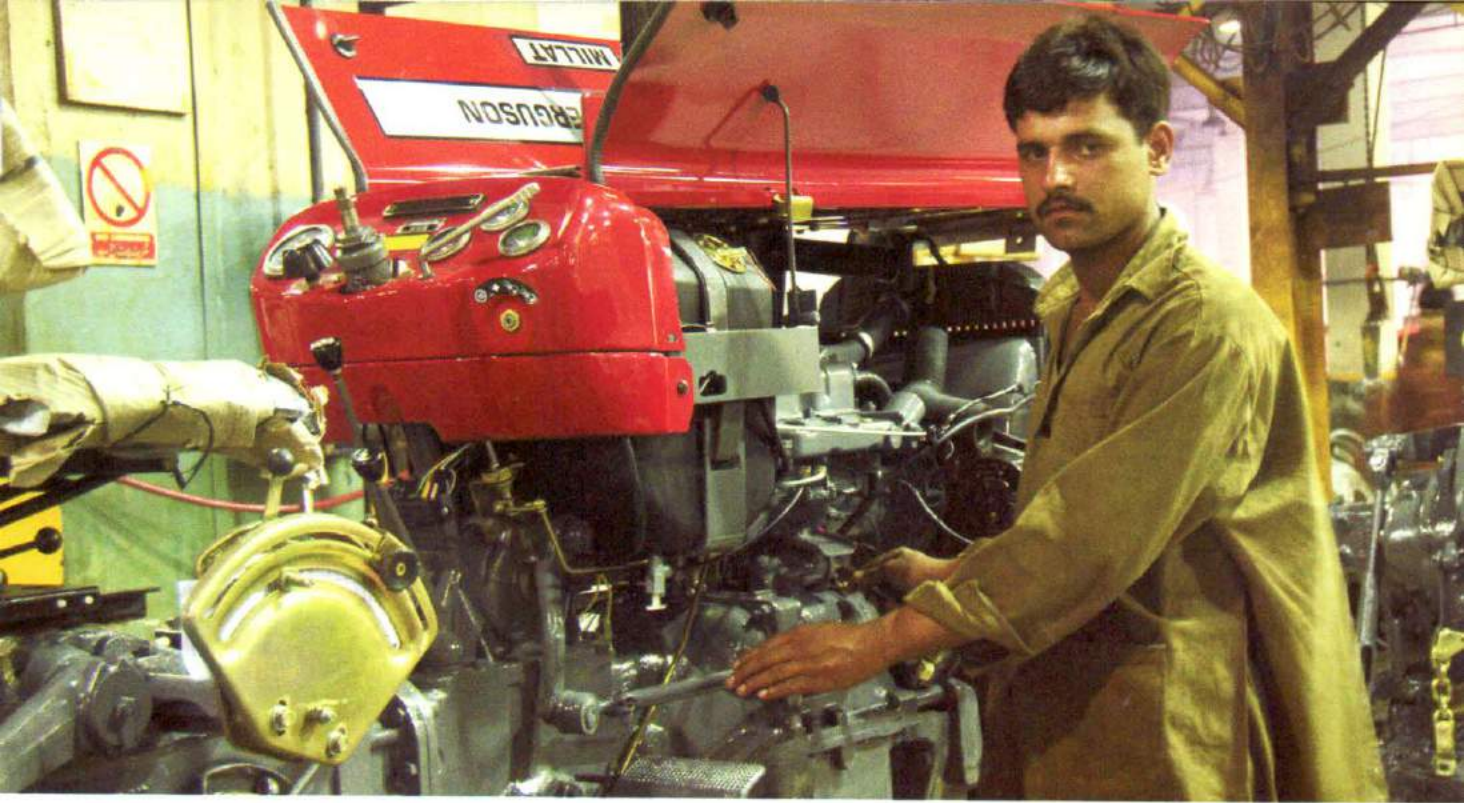
Javed Tractor House, Kot Addu
 Sarsabz Auto Store, Rajanpur
 Nasir Khan Autos, Leiah
 Pak Autos, Pirmahal
 Farooq Autos, Faisalabad
 Ali Imran Autos, Chiniot
 New Abrar Tractor Centre, Sargodha
 Pak Auto Store, Haroonabad
 Mushtaq Parts Centre, Wazirabad
 Mukhtar Autos, Daska
 Malik Tractor Autos, Rawalpindi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

N.W.F.P.

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

SIND

Genuine Tractors, Hyderabad



Workshops

ATTOCK

Al-Muthidda Engg. Works, Attock
 Sargodha Tractor Workshop, Mathiala Chowk
 Ahmer Brothers Workshop, Fateh Jhang
 Khalid Tractor Workshop, Attock
 Abdul Sattar Tractor Workshop, Attock City
 Zaman Tractor Workshop, Attock

BANNU

Khalid Tractor Workshop, Sara-e-Norang
 Gul Tractor Workshop, Laki Marwat
 Umer Nyaz Tractor Workshop, Domel
 Kurram Tractors, Sara-e-Norang

BHAKKAR

Shaheen Tractor Workshop, Hyderabad Thal
 Yousaf Tractor Workshop, Dulewala
 Shaheen Tractor House, Bhakkar
 Hashmi Tractor Workshop, Mankrah
 Sahiwal Tractor Workshop, Bail Mankrah
 Sahiwal Tractor Workshop, Darya Khan
 Al-Madina Tractor Workshop, Hyderabad Thal

BAHAWALNAGAR

Mughal Tractor Workshop, Haroonabad
 Chaudhry Tractor Workshop, Minchanabad
 Sadiq Tractor Workshop, Faqir Wali
 Mughal Tractor Workshop, Donga Bonga
 Sargroh Services Limited, Bahawalnagar

BAHAWALPUR

Najmal Tractor Workshop, Yazman Mandi
 Ittefaq Tractor Workshop, Bunglow Tailwala
 Shabbir Tractor Workshop, Ahmadpur East
 Sarwar Tractor Workshop, Chani Goth
 Millat Tractor Workshop, Banglow Shahiwala
 Gulzar Tractor Workshop, Head Rajgan
 Tariq Tractor Workshop, Yazman Road, Adda 42-DB
 Al-Madina Tractor Workshop, Yazman
 Manzoor Tractor Workshop, Uch Sharif
 Shabbir Tractor Workshop, Musaffar Khana
 Shaukat Tractor Workshop, Yazman Road
 Al-Hassan Traders, Bahawalpur
 Al-Noor Tractor Workshop, Noor Pur
 Zahoor and Brothers Tractor Workshop, Khanqah Sharif

CHAMAN

Ravi Tractor Workshop, Qilla Abdullah
 Ravi Tractor Workshop, Pir Ali Zai
 Mistri Inaytullah Workshop, Chamman Bazar Chamman
 Mistri Muhammad Lal Workshop, Chamman
 Ravi Tractor House, Chaman

CHAKWAL

Master Sajjad Hussain Tractor Workshop, Chakwal
 Mian Asif Tractor Workshop, Pind Dadin Khan
 Sargodha Tractor Workshop, Tala Gang
 Iqbal Enterprises, Chakwal
 Gondal Tractor Workshop, Mujhad More

Manzoor Tractor Workshop, Chakwal
Zamindar Tractor Workshop, Pattanwal

CHARSADDA

Rahim Tractor Workshop, Sirdehri
Tractor House Workshop, Charsadda

CHISHTIAN

Mushtaq Tractor Workshop, Fort Abbas
Millat Tractor Workshop, Fort Abbas
Wali Muhammad Tractor Workshop, Marwat
Millat Tractor Workshop, Kachi Wala
Latif Tractor Workshop, Chishtian
Ashraf Tractor Workshop, Dahranwala
Mughal Tractor Workshop, Chishtian

DADU

Al-Hamad Tractors, Dadu
Al-Hamad Tractor Workshop, Saeedabad
Shahbaz Tractor Workshop, Sehwan Sharif
Al-Hamad Tractor Workshop, Mehr
Brohi Tractor Workshop, Johi
Al-Hamad Tractor Workshop, Khairpur Nathan Shah
Batai Tractor Workshop, Radhan

DERA GHAZI KHAN

Universal Autos, D.G. Khan
Nawaz Tractor Workshop, Kot Chatta
Abbas Tractor Workshop, Choti Zarin
Arbab Tractor Workshop, Taunsa Sharif

DERA ISMAIL KHAN

Zari Tractor Workshop, D. I. Khan
Sadiq Tractor Workshop, D. I. Khan
Indus Autos, D. I. Khan

DEPALPUR

Al-Madina Tractor Workshop, Haveli Lakha
Madina Tractor Workshop, Baseer Pur
Nasir Tractor Workshop, Rajawal
Qadri Tractor Workshop, Mandi Ahmad Abad
Ghousia Tractor Workshop, Hujra Shah Maqees
Shabbir Trading Company, Depalpur
Hafiz Tractor Workshop, Hujra Shah Mooqim

FAISALABAD

Khan Tractor Workshop, Faisalabad
Akram Tractor Workshop, Tandilianwala
Millat Tractor Workshop, Jaranwala

Sabar Tractor Workshop, Mamu Kanjan
Moughal Tractor Workshop, Samundri
M. Yousaf & Co., Faisalabad
Saqlain Tractor Workshop, Khurrianwala
Anwar Tractor Workshop, Chak Jhumra

GUJRAT

Traiq Nadeem Tractor Workshop, Kharian
Zeeshan Tractors, Gujrat

GUJRANWALA

Wazirabad Tractor Workshop, Wazirabad
Al-Hussain Tractor Workshop, Pindi Bhattian
Yasin Tractor Workshop, Nowshera Virkan
Dar Tractor Workshop, Whando
Madina Tractor Workshop, Alipur Chatta
Minhas Tractor Workshop, Hafizabad
Chenab Tractor Workshop, Jalalpur Bhattian
Hassan Corporation (Pvt) Ltd., Gujranwala
Zarie Markaz (Agrimall) Workshop, Mansoorwali

GILGIT

New Karim Motors Workshop, Sakradu
Rakaposhi Tractor Workshop, Chalas

HASILPUR

Khalid Tractor Workshop, Jamal Pur
Idrees Tractor Workshop, Chuna Wala Banglow
Bajawa Tractor Workshop, 143-Murad
Al-Hasan Tractor Workshop, Hasilpur
Al-Madina Tractor Workshop, Khairpur Tamewali
Yasin Tractor Workshop, Hasilpur

HYDERABAD

Awan Diesel Service, Tando Jam
Arian Brothers Tractor Workshop, Tando Allahyar
Pakistan Zari Industries, Hyderabad
Makhdum Talibul Maula Tractor Workshop, Hala
Abdul Qayyum Tractor Workshop, Tando M. Khan
Salahuddin Tractor Workshop, Kotri

JHELUM

Latif Tractor Workshop, Bhimber
Ishtiaq Tractor Workshop, Sangohi
Bismillah Tractor Workshop, Sehnsa
New Modern Tractor Workshop, Kotli
Gujranwala Tractor Workshop, Chakswari
Ishfaq Tractor Workshop, Shakrila

Kashmir Tractors, Jhelum

JHANG

Yaseen Tractor Workshop, Gojra More
Younas Tractor Workshop, Shorkot
Nawaz Tractor Workshop, Garh Maharajah
Ahmed K. Agencies, Jhang
Ahmed K. Agencies, Chiniot

JACOBABAD

Abdul Jabbar Tractor Workshop, Kashmore
Faiz Muhammad Tractor Workshop, Thal
Sind Trading Company, Jacobabad
Addu Ustad Tractor Workshop, Kand Kot
M. Rafique Tractor Workshop, Ghari Khairo

KHUSHAB

Ashraf Tractor Workshop, Rangpur
Babar Tractor Workshop, Quaidabad
Pak Tractor House, Jauharabad

KASUR (Z & K)

Yousaf Tractor Workshop, Phool Nagar
Khokhar Tractor Workshop, Pattoki
Zamindar Tractor Workshop, Ting More
Zamindar Tractor Workshop, Chunian
Kissan Tractor Workshop, Khudian Khas
Qalandri Tractor Workshop, Adda Talwandi
Kissan Tractor Workshop, Kangan Pur
Malik Tractor Workshop, Chunian
Zamindar Tractor & Equipment, Kasur
Kissan Tractor Workshop, Adda Talwandi
Mukhtar Tractor Workshop, Kot Radha Kishan
Madina Tractor Workshop, Kot radha Kishan
Kissan Tractor Workshop, Noorpur
Kissan Brothers, Kasur
Mitho Workshop, Thaia Shaikham

KHANEWAL

Akram Tractor Workshop, Mian Channu
Mukhtar Tractor Workshop, Abdul Hakeem
Sabir Tractor Workshop, Kabirwala
Sadiq Tractor Workshop, Pull-14 Khanewal
Adnan Tractor Workshop, Mohsin Wal
Shabbir Tractor Workshop, Jhang Road Pull-25
Iqbal Tractor Workshop, Thal Najeeb
Javed Tractor Workshop, Nawan Sher
Bismillah Tractor Workshop, Tulamba
Ramzan Tractor Workshop, Kacha Khoh

Liaquat Tractor Workshop, Pull Baghar
Akmal Tractor Workshop, Chauparasta
Munir Tractor Workshop, Jhandiali Banglow
Haleem Sons (Pvt) Ltd., Khanewal
Fiaz Tractor Workshop, Pull-32 Khanewal

KOHAT

Hameed Tractor Workshop, Kohat

KARACHI

Agrico International, Sohrab Goth
Sharif Tractor Workshop, Lasbella
Hanif Tractor Workshop, Hub Chauki
Laghari Tractor Workshop, Sajawal
Moula Madad Tractor Workshop, Thatta

LAHORE

Mullan Ashraf Tractor Workshop, Bhatta Chowk
Pakistan Tractor Workshop, Begum Kot
Universal Tractor Workshop, Mohlanwal
Highway Tractor Workshop, Manga Mandi
Kissan Auto Services Workshop, Jallo More
Madina Tractor Workshop, Raiwind
Sher Rabbani Tractor Workshop, Shamke Bhattian
Mehr Tractor Workshop, Boghiwal
Jameel Tractor Workshop, Karolwal
Globe Automobiles (Pvt Ltd., Lahore
Nadeem Brothers Autos Engineering & Services, Lahore
Sajid Tractor Workshop, Lahore Cantt
Sahib Tractor Workshop, Saral Adda Talab
Bhatti Tractors Workshop, Multan Road
Zafar Tractor Workshop, Ali Razabad

LEIAH

Lahori Tractor Workshop, Karor Lal Ehsan
Ittefaq Tractor Workshop, Fatehpur
Thal Agro Services Tractor Workshop, Chowk Azam
Thal Agro Services, Leiah
Bismillah Tractor Workshop, Kot Sultan
Zarie Markaz (Agrimall) W. Shop, Chak Mandi Town

LODHRAN

Multan Tractor Workshop, Kahrora Pacca
Syed Tractors, Lodhran
Irfan Tractor Workshop, Dunyapur
Qadri Tractor Workshop, Dunyapur
Zeshan Tractor Workshop, Lodhran
Mukhtar Tractor Workshop, Chak No M.97, Lodhran

LORALAI

Nisar Tractor Workshop, Zhob
 Bolan Tractor Workshop, Loralai
 Bolan Tractor Workshop, Bustand
 Nasrullah Tractor Workshop, Qila Saifullah

LARKANA

Saleem Tractor Workshop, Dokri
 Munawar Anwar Tractor Workshop, Nodero
 Larkana Tractor House, Larkana

MARDAN

Minhaj Tractor Workshop, Shewa Adda
 Umer Tractor Workshop, Shergarh
 Swabi Tractor Workshop, Katling
 Macca Tractor Workshop, Swabi
 Niaz Muhammad Tractor Workshop, Yar Hussain

MALAKAND

Afghan Tractor Workshop, Dargai

MANDI BHAUDDIN

Fasco Tractor Workshop, Phalia
 Friends Corporation, Mandi Bahauddin
 Massey Ferguson Tractor Workshop, Khai Adda
 Gondal Tractor Workshop, Gujra

MIANWALI

Super United Tractor Workshop, Kamar Mishani
 General Tractor Workshop, Piplan
 Akhtar Tractor Workshop, Wan Bachran
 Ehsanulla Tractor Workshop, Targ Sharif
 Super United Tractors, Mianwali

MULTAN

Iqbal Tractor Workshop, Qasba Maral
 Shoaib Tractor Workshop, Qadirpur Rawan
 Al-Majeed Tractor Workshop, Makhdoom Rashid
 Amin Tractor Workshop, Bohdla Sant
 Iqbal Gulzar Tractor Workshop, Adda Bund Bosan
 Al-Riaz Tractor Workshop, Multan
 Ijaz Tractor Workshop, Shuja Abad
 Nizam Tractor Workshop, Adda Laar
 Nawaz Tractor Workshop, Multan
 Karmanwala Tractor Workshop, Jilalpur Pirwala
 Bismillah Tractor Workshop, Pul Khara, Shujaabad
 Multan Autos (Pvt) Ltd., Multan

MUZAFFARGARH

Mukhtar Tractor Workshop, Chowk Karm Dad Qureshi
 Nazar Tractor Workshop, Alipur
 Al-Hilal Tractor Workshop, Kot Addu
 Ashraf Tractor Workshop, Sultan
 Nasir Arshad Tractor Workshop, Jatoi
 Anwar-ul-Haq Tractor Workshop, Sananwan
 Ambar Tractor Workshop, Rangpur
 Chaudhry Tractor Workshop, Khairpur Saddat
 Sadabahar Tractor Workshop, Chowk Sarwar Shaheed
 Chenab Tractor House, Muzaffargarh
 Millat Tractor Workshop, Shah Jamal
 Sahiwal Tractor Workshop, Qasba Gujrat

MIR PUR KHAS

Tharparkar Tractor House, Mir Pur Khas
 Rais Tractor Workshop, Samaro
 Yamin Tractor Workshop, Umerkot
 Abdul Ghafar Tractor Workshop, Kanri
 New Rehman Tractor Workshop, Dhoro Naro
 Munawar Tractor Workshop, Jhido
 Noor Muhammad Tractor Workshop,
 Kot Ghulam Muhammad
 Liaquat Tractor Workshop, Ghorchani

NAWABSHAH

Millat Farm Machinery, Noshero Feroz
 Al-Madina Tractor Workshop, Sukrand
 Punjab Tractor Workshop, Qazi Ahmad
 Mubarak Tractor Workshop, Bandi
 Al-Mehran Tractor Workshop, Nawab Wali Muhammad
 Latif Tractor Workshop, Nawab Shah
 Barkat Tractor Workshop, Naushero feroze

NASIRABAD

National Agricultural Engineering & Services,
 Nasirabad
 Fayyaz Tractor Workshop, Usta Muhammad
 Sikandar Tractor Workshop, Dera Murad Jamali

NAROWAL

Millat Tractor Workshop, Zafarwal
 Mahmood Tractor Workshop, Talwandi Bhandran
 Qadri Noshi Tractor Workshop, Adda Bastan
 Lasani Tractor Workshop, Dhubliwala
 Zahid Brothers, Shakargrah
 Asim Tractor Workshop, Qila Suba Singh
 Kissan Tractor Workshop, Narowal

NANKANA

Shahrah Autos Private Ltd. Nankana
 Bismillah Tractor Workshop, More Khunda
 New Rehman Tractor Workshop, Shahkot
 Moazam Tractor Workshop, Syedwala
 Shahbaz Tractor Workshop, Panwan
 Haji Tractor Workshop, Safdar Abad
 Manzoor Tractor Workshop, Khanqan Dogran
 Malik Tractor Workshop, Faizabad
 Shahid Tractor Workshop, Buche Ki
 Zarie Markaz (Agrimall) Workshop, Mirza Pur
 Bilal Tractors, Nankana
 Yousaf Tractor Workshop, More Baluchan
 Bokhari Tractor Workshop, Nankana
 Malik Arshad Tractor Workshop, More Khunda
 Javaid Tractor Workshop, Bucheki
 Dogar Tractor Workshop, Warburton
 Mian Pervaiz Tractor Workshop, Manawala
 Nazir Tractor Workshop, Khanqah Dogran
 Awami Tractor Workshop, Mangatan wala
 Kamboh Tractor Workshop, Mandi Safdarabad
 Punjab Hasilpur Tractor Workshop, Shahkot

OKARA

Arif Tractor Workshop, Akbar More, Okara
 Al-Madina Tractor Workshop, Chuchak
 Brother Tractor Workshop, Renala Khurd
 Ali Asghar Tractor Workshop, Saddar Gogera
 Khawaja Autos, Okara
 Zafar Tractor Workshop, Chak 49-3-R
 Arshad Tractor Workshop, Akbar Chowk, Okara
 Raza Tractor Workshop, Basti Ahmed Nagar
 Riaz Tractor Workshop, Adda Chuchak, Okara

PAKPATTAN

Kissan Tractor Workshop, Pakpattan
 Al-Hamad Tractor Workshop, Arifwala Pakpattan
 Mushtaq Tractor Workshop, Qabolasharif

PESHAWAR

Awami Tractor Workshop, Pandoo, Peshawar
 New Peshawar Tractor Workshop, Khazana

PARACHINAR

Samir Tractor Workshop, Sedda
 Samir Tractor Workshop, Parachinar

PISHIN

Mian Tractor Workshop, Pishin
 Zamindar Tractor Workshop, Muslim Bagh
 Zamindar Tractor Workshop, Mazai Adda

QUETTA

Daavi Tractor Workshop, Quetta
 Daavi Tractor Workshop, Khano Zai
 Daavi Tractor Workshop, Mastang
 Baluchistan Tractor Workshop, Noshki
 Baluchistan Tractor Workshop, Dalbadin
 Daavi Tractor Workshop, Sibbi
 Daavi Tractor Workshop, Ziarat Road

RAJANPUR

Gul Muhammad Tractor Workshop, Rajanpur
 Millat Tractors Workshop, Rojhan City
 Gul Muhammad Tractor Workshop, Fazalpur
 Pak Ghazi Tractor Workshop, Jampur
 Millat Tractor Workshop, Indus Highway
 Iqbal Tractor Workshop, Dajil
 Madina Tractor Workshop, Kotla Mughlan
 Ittefaq Tractor Workshop, Jampur

RAWALPINDI

Kissan Tractor Workshop, Chowk Pindowri
 Akhtar Tractor Workshop, Sawan Camp
 Sahgol Motors, Rawalpindi
 Qamar Saleem Tractor Workshop, Rawalpindi
 Sargodha Tractor Workshop, Gojar Khan
 Noor Ullah Jan Tractor Workshop, Kahuta
 Qamar Saleem Tractor Workshop, Kahutta
 Ittefaq Tractor Workshop, Texilla
 Chaudhry Workshop, Rawalpindi

RAHIM YAR KHAN

Anwar Mustafa Tractor Workshop, R. Y. Khan
 Al-Riaz Tractor Workshop, Chatha Bhatta
 Ghafoor Tractor Workshop, Kot Sabzal
 Ashraf Javed Tractor Workshop, Khan Pur
 Rais Tractor Workshop, Zahir Pir
 Kalachi Tractor Workshop, Tranda M. Pinah
 Kissan Tractor Workshop, Tranda Sawaya Khan
 Nadeem Nawaz Tractor Workshop, Mianwali Qureshian
 Al-Riaz Tractor Workshop, Nawan Kot
 Awais Jameel Tractor Workshop, Sadiqabad
 Aziz Sons Tractor Workshop, Feroza
 Nadeem Tractor Workshop, Kot Samaba
 Aziz Sons Tractor Corporation, R. Y. Khan

Panjinad Tractors Limited, R. Y. Khan
 Aslam Tractor Workshop, Feroza
 Abdul Shakoore Tractor Workshop, Liaqat Pur
 Manzoor Tractor Workshop, Jamal Din Wali
 Shoaib Tractor Workshop, Sinjar Pur
 Syed Brothers Tractor Workshop, Sadiqabad
 Ashraf Tractor Workshop, Chowk Sahutra
 Pakistan Tractor Workshop, Chowk Shahbaz Pur
 Munir Tractor Workshop, Jamal Din Wali
 Aziz Tractor Workshop, Ferozah

SHAHADAD KOT

Bhatai Tractor Workshop, Shahdad Kot
 Shah Abdul Latif Tractor Workshop, Qamber Ali Khan
 Bismillah Tractor Workshop, Miro Khan
 Hafiz Tractor Workshop, Qaboo Saeed Khan
 Awami Tractor Workshop, Warra
 Nadir Tractor Workshop, Main Road Nasirabad

SAWAT (MANGORA)

Alamgir Tractor Workshop, Sawat

SIALKOT

Al-Jabbar Tractors, Sialkot
 Amjad Tractor Workshop, Chowk Mundayki Goraya
 Sialkot Tractor Workshop, Pasroor
 Mubashar Riaz Tractor Workshop, Adam Ke Cheema
 Al-Jabbar Tractor Workshop, Daska

SHEIKHUPURA

Usman Enterprises (Main Workshop) Ferozewala
 Ashraf Tractor Workshop, Kot Pindi Das
 Nasir Mughal Tractor Workshop, Muridkey
 Rafique Tractor Workshop, Narang Mandi
 New Kissan Tractor Workshop, Sharaqpur
 Hafiz Tractor Workshop, Dhamkey
 Ali Hamza Tractor Workshop, Fateh Rehan
 Zarie Markaz (Agrimall) Workshop, Muridkey
 Shahrah Autos (Main Workshop), Sheikhpura
 Butt Tractor Workshop, Mana Mala
 Allah Tawakal Tractor Workshop, Ajniawala
 Lahore Tractor House Workshop, Sangla Hill
 Hamdan Tractor Workshop, Farooqabad

SARGODHA

Chishty Brothers Tractor Workshop, Bhera
 Iqbal Tractor Workshop, Bhalwal
 Afzal Tractor Workshop, Kot Momen
 Al-Saeed Tractor Workshop, Sahiwal Town
 Pakistan Tractor House, Sargodha

Hamza Tractor Workshop, Frokah

SAHIWAL

Sahiwal Tractor House Workshop, Chichawatni
 Sahiwal Tractor House Workshop, Iqbalnagar
 Sahiwal Tractor House Workshop, Noor Shah
 Sahiwal Tractor House Workshop, Adda Kassowal
 Sahiwal Tractor House Workshop, Ghazi Abad
 Sahiwal Tractor House (Pvt) Ltd., Sahiwal
 Madina Tractor Workshop, Kameer
 New Kissan Tractor Workshop, Farid Nagar Sahiwal
 Bodla Tractor Workshop, Qadirabad, Sahiwal
 Mushtaq Tractor Workshop, Qabola Sharif Sahiwal

SUKKUR

Awami Tractor Workshop, Pannu Aqil
 Ayaz Tractor Workshop, Mirpur Mathelo
 Millat Tractor Workshop, Ubaro
 Sind Tractor Workshop, Lakhi Ghulam Shah
 Bismillah Tractor Workshop, Dehrki
 Tariq Auto Workshop, Shikarpur
 Qasim Tractor Workshop, Gari Yasin
 Popular Tractor Workshop, Khanpur Mehra, Ghotki
 Popular Tractor Workshop, Wahin
 New Madina Tractor Workshop, Adil Pur, Ghotki
 New Awami Tractor Workshop, Sarhid, Ghotki

SANGHAR

Al-Madina Tractor Workshop, Tando Adam
 New Sind Tractor Workshop, Jhol
 Nowaz Laghari Tractor Workshop, Sanghar
 Nasir Tractor Workshop, Khapuroo
 Sind Tractor Workshop, Sinbhoro
 Millat Tractor Workshop, Shahdad Pur

TOBA TEK SINGH

Al-Madina Tractor Workshop, Gojra
 Sheraz Tractors, Toba Tek Singh
 Azhar Brothers Tractor Workshop, Pirmahal
 Al-Madina Tractor Workshop, Sandilianwali
 Hameed Tractor Workshop, Gojra
 Roman Tractor Workshop, New Lahore
 Haq Bahu Tractor Workshop, Kamalia
 Zimidar Autos, T. T. Singh

VEHARI

Ramzan Tractor Workshop, Gaggo Mandi
 Aziz Tractor Workshop, Garah More
 Asghar Tractor Workshop, Mailsi
 New Mughal Tractor Workshop, Luddan
 Mian Brothers Tractor Workshop, Burewala
 Vehari Tractors, Vehari
 Salim Tractor Workshop, Tibba Sultan Pur

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 44th Annual General Meeting of the Company to be held at Company's Registered Office, 9 K.M.
Sheikhupura Road, Lahore, on Thursday, October 30, 2008 at 4:00 p.m and at every adjournment
thereof.

Signed this _____ day of _____ 2008

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 authorised 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 the meeting.

TRIANGLE
OF TRUST



MILLAT TRACTORS LIMITED

www.millat.com.pk
info@millat.com.pk

Registered Office:
Sheikhupura Road, Distt: Sheikhupura
Ph: +92 42 791 1021-25 (5 lines)
UAN: 111-200-786