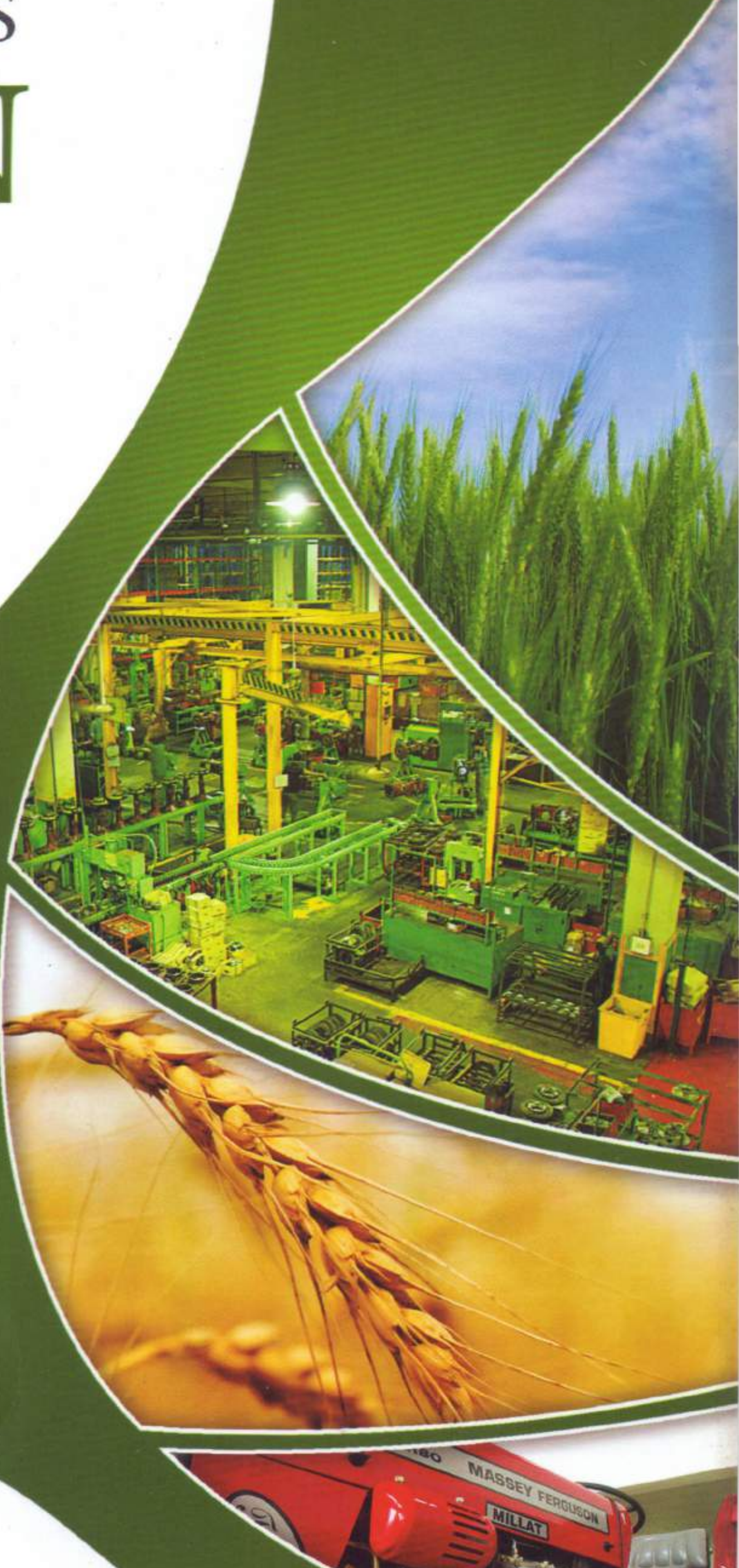
THE FUTURE IS GREEN



MILLAT TRACTORS LIMITED

Annual Report 2010

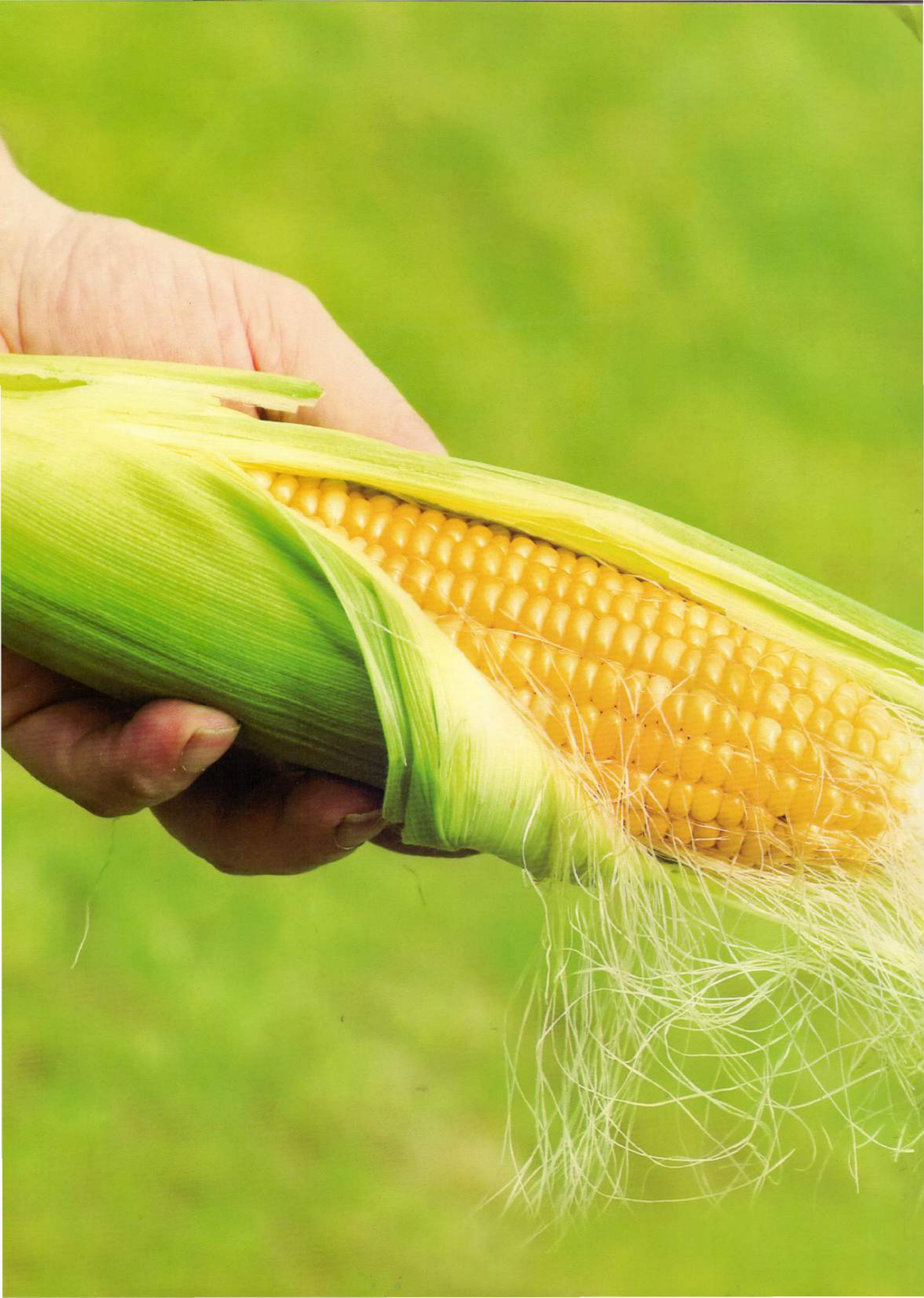
THE FUTURE IS GREEN

Green signifies growth, renewal, prosperity and life. Green can rightly be associated with Millat Tractors Limited (MTL) as we have been able to make a remarkable contribution in the field of Agriculture, Aviation, Cargo, Defence and Industrial Sectors and are still growing.

Today this Company has become Pakistan's leading engineering concern in the automobile sector. Millat Tractors have always been innovating new machinery that offers greater operator comfort, reliability, better traction, high productivity with low operational cost. We are going international with the collaboration in terms of technology transfer with the developed countries of the world. The Company is proud of providing a strong vendor base to the country's Engineering Industry.

With all this going on and with the vision of achieving a lot more than this, the future is certainly green with MTL.


It is Allah who sends down water from the sky for you
to drink and produces plants as pasture for your cattle.
Surah Nahl : Ayah 10 (Al-Quran)



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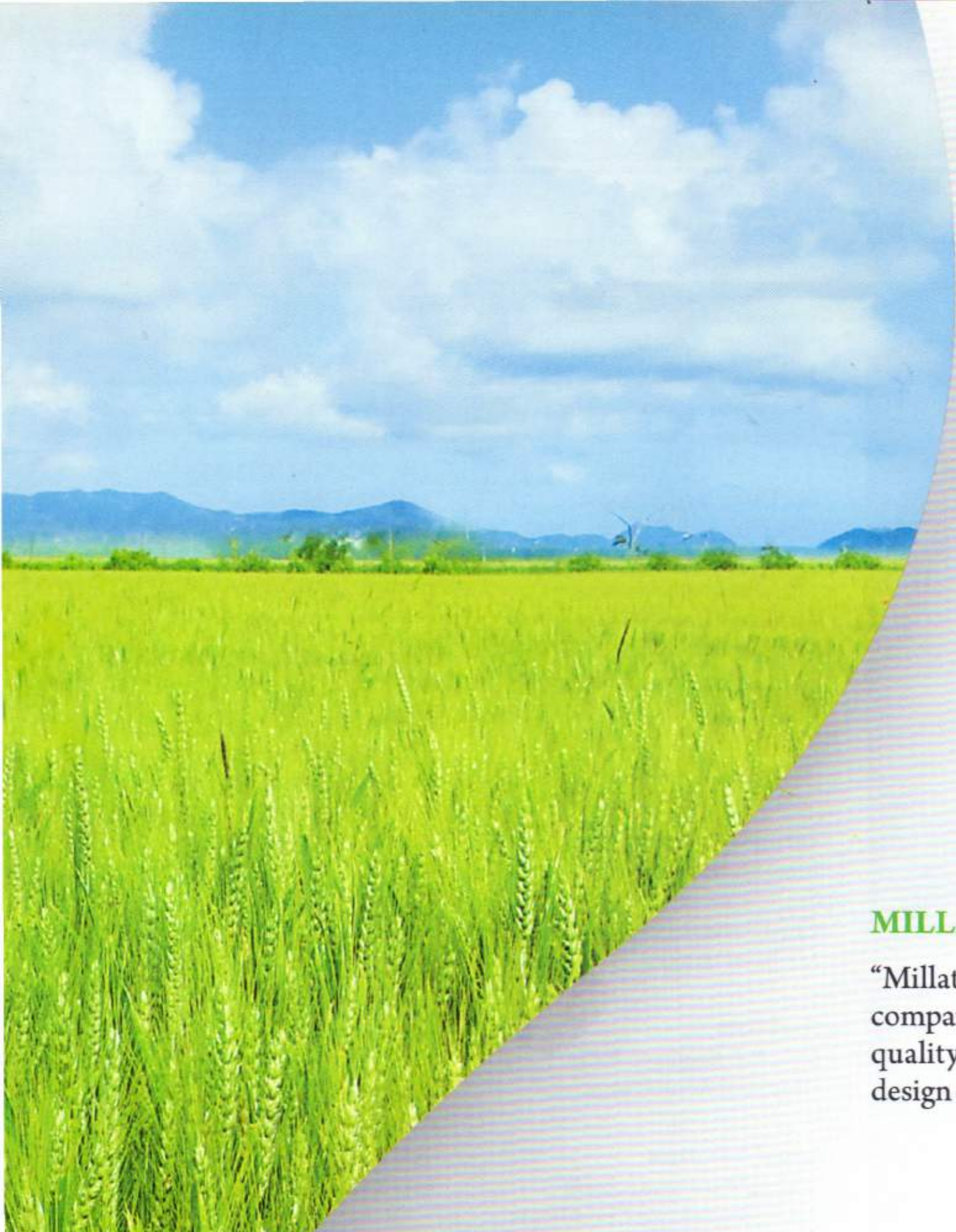
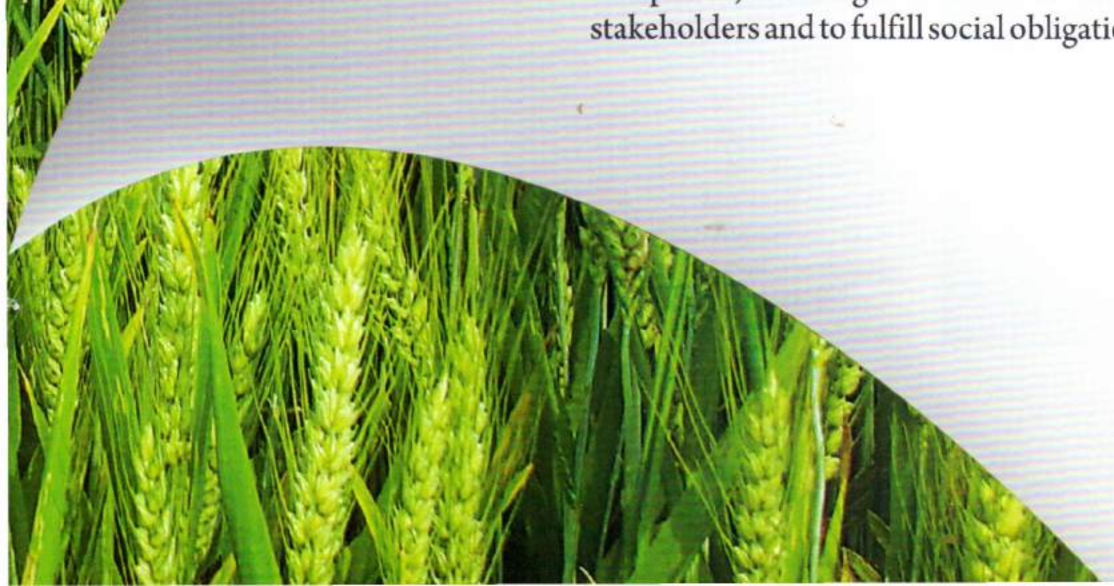


MILLAT GROUP VISION

"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".



CORPORATE INFORMATION

Board of Directors
Mr. Sikandar Mustafa Khan
Chairman

Mr. Laeeq Uddin Ansari
Chief Executive

Mr. Latif Khalid Hashmi
Mr. Sohail Bashir Rana
Mian Muhammad Saleem
Rana Muhammad Siddique
Mr. Manzoor Ahmed
Mr. S.M. Tanvir
M.C.B. Nominee

Company Secretary
Mian Muhammad Saleem

Chief Financial Officer
Mr. Javed Munir

Auditors
M/s. A.F. Ferguson & Co.
Chartered Accountants

Legal Advisors
Walker Martineau Saleem
Advocates & Legal Consultants

Altaf and Altaf
Advocates

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

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

Registered Office and Plant
Sheikhupura Road, Distt.
Sheikhupura
Tel: 042-37911021-25,
111-200-786
Fax: 042-37924166,37925835
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: 021-34553752, 111-200-786
Fax: 021-34556321

Multan Cantt
Garden Town, (Daulatabad),
Shershah Road
Tel: 061-6537371
Fax: 061-6539271

Islamabad
H. No. 22, St. No. 41, Sector F-6/1
Tel: 051-2271470, 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. Sohail Bashir Rana	Member
Mian Muhammad Saleem	Member
Mr. S. M. Tanvir	Member
Mr. Manzoor Ahmed	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 co-ordination 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- Group Performance Review Committee

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

The Group Performance Review Committee is responsible for reviewing over all business performance, major projects including new investment of group companies.

2- Business Development & Review Committee

Chief Executive	Chairman
Director Technical	Member
CFO	Member
G.M Production	Member
D.G.M Marketing	Member

The Business Development Committee is responsible for preparing a plan for the future growth, expansion and new projects of the Company and shall forward its recommendations to the group performance review committee.

3- Business Strategy Committee

Mr. Laeeq Uddin Asnari	Chariman
Mr. Javed Munir	Member
Mr. Shahid Shahbaz Toor	Member
Mr. Ahsan Imran	Member
Mr. Muhammad Akram	Member

The Business Strategy Committee is responsible for preparing the strategic plan and execution/ implementation of the decisions of group performance review committee.

4- Management Co-ordination Committee

Chief Executive	Chairman
All Departments Heads	Member
CFO	Member

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

5- Systems & Technology Committee

Mr. Farogh Iqbal	Chairman
Mr. Javed Munir	Member
Mr. Ahsan Imran	Member

The Systems and 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.

6- Safety Committee

Mr. Nasim A. Sindhu	Chairman
Maj. (R.) Asif	Member
Mr. Muhammad Akbar	Member
Mr. Muhammad Ali	Member

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

7- Human Resource Committee

Mr. Laeeq Uddin Ansari	Chairman
Mr. Nasim A. Sindhu	Member
Mr. Zulfiqar Elahi	Member

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

8- Risk Management Committee

Mr. Javed Munir	Chairman
Mr. Muhammad Akram	Member
Mr. Ahsan Imran	Member

The Risk Management Committee is responsible for ensuring that procedures to identify and continuously update risks are in plan. 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.

9- Remuneration Committee

Mr. Laeeq Uddin Ansari	Chairman
Mr. Nasim A. Sindhu	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 facilitates increase in salary/benefits of workers through CBA negotiation budget.

10- Budget Committee

Mr. Javed Munir	Chairman
Mr. Shahid Shahbaz Toor	Member
Mr. Ahsan Imran	Member
Mr. Muhammad Akram	Member

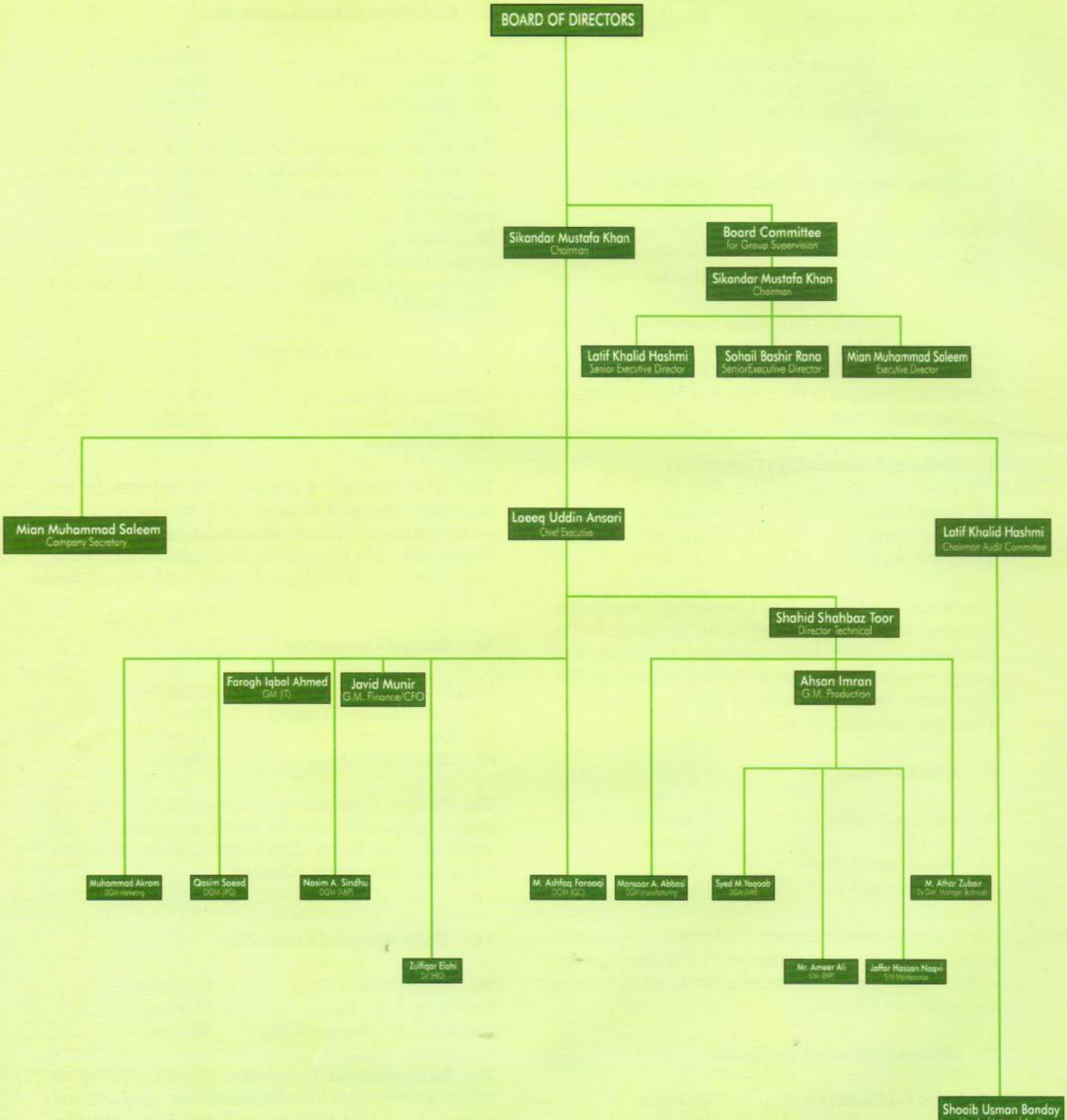
The Budget Committee reviews and approves the budget proposals prior to being presented for the approval of the Board. The Committee also monitors utilization of the approved budget.

11- Environmental Committee

Mr. Shahid Shahbaz Toor	Chairman
Mr .Nasim A. Sindhu	Member
Col. Retired Mehmood Khan	Member

The Environmental Committee is responsibility 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

		2010	2009
Sales	Rs. in Million	22,200	15,911
Profit After Tax	Rs. in Million	2,284	1,215
Number of Outstanding Shares	(000's)	29,284	23,427
Earnings per Share - Basic and Diluted	Rs.	78.01	41.49
Dividend	Rs./Share	65.00	45,00
Capital Work in progress	Rs. in Million	155	104
Long Term Investments	Rs. in Million	288	286
Total Assets	Rs. in Million	11,766	6,783
Shareholders Equity	Rs. in Million	4,192	3,371
Return on Capital Employed	Percentage	54.82	36.30
Current Ratio		1.4:1	1.69:1
Debit: Equity Ratio		0:100	0:100
Market Capitalization (Year End)	Rs. in Million	14,066	6,542
Market Capitalization (Year End)	US$ in Million	164	80
Price to Earnings Ratio	Percentage	6.16	5.38
Net Assets per Share	**Rs.**	**143.16**	**115.11**

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.

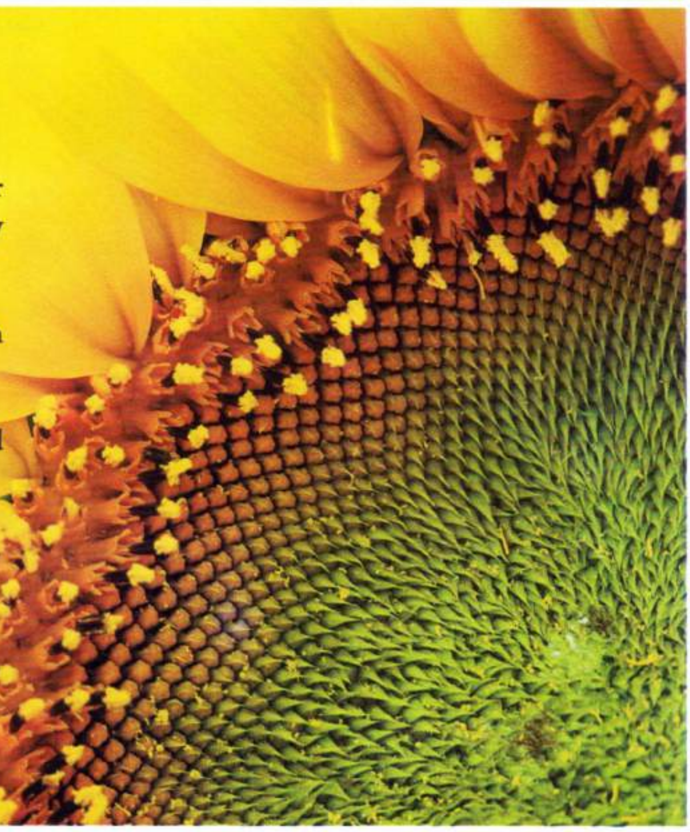
Society/Community
Compliance with the spirit of laws. Timely payment of all Government taxes and dues. Eliminate the release of substance that may cause environmental damage. Financial assistance for promoting education and social activities including games and donations/charity to deserving.

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.

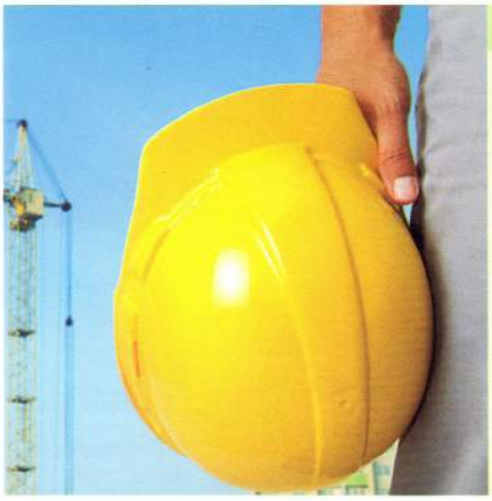
Implementation
Company Board to ensure implementation of these codes, regular monitoring, review for modification /amendment where necessary.

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.



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 47th Annual General Meeting of Millat Tractors Limited will be held at the Registered Office of the Company at 9 K.M. Sheikhupura Road, Shahdara, Lahore, on Friday, October 15, 2010 at 4:00 p.m. to transact the following business:

A. ORDINARY BUSINESS

1) To confirm minutes of the 46th Annual General Meeting held on October 30, 2009.

2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2010 together with the Directors' and Auditors' Reports thereon.

3) To approve final cash dividend of Rs. 35.00 per share i.e. 350% in addition to the interim dividend of Rs. 30.00 per share i.e. 300% already paid making a total cash dividend of Rs. 65 per share i.e. 650%.

4) To appoint auditors and fix their remuneration for the year ending June 30, 2011.

B. SPECIAL BUSINESS

1) To receive, consider, adopt with or without modification the following Special Resolution for increase in Authorized Capital of the Company,

   "Resolved that the Authorized Capital of the Company be and is hereby raised from divided in to 30,000,000/- (Thirty Million) Ordinary shares of Rs. 10/- each to Rs. 500,000,000/- (Rupees Five Hundred Million) divided in to 50,000,000/- (Fifty Million) Ordinary shares of Rs. 10/- each. Further resolved that clause 'V' of the Memorandum and Article'5' of the Articles of Association of the Company be and are hereby amended to the aforesaid effect."

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

   "RESOLVED THAT: A sum of Rs. 73,210,820 out of the profit available for appropriations as at June 30, 2010 be capitalized and be applied to the issue of 7,321,082 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 03, 2010 in the proportion of one bonus 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, 2010.

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 Stock Market and pay the proceeds of sales when realized to a charitable institution(s)."

4) To consider, adopt with or without modification the following Special Resolution to amend Article 77 of the Articles of Association of the Company.

"Resolved that in Article 77 the word and figure 'Rs. 3,000' be and is hereby substituted with the word and figure 'Rs. 20,000'."

C. ANY OTHER BUSINESS

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

By order of the Board

Lahore:
September 23, 2010

Mian Muhammad Saleem
Company Secretary

NOTES

1. The share transfer books of the Company will remain closed from October 04, 2010 to October 15, 2010 (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 03, 2010 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 along with the participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.
5. Members who have not yet submitted photocopy of their computerized National identity Card (CNIC) to the company are requested to send the same at the earliest.

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

1. Increase in Authorized Capital of the Company

The increase in Authorized Capital of the Company from Rs. 300,000,000/- (Rupees Three Hundred Million Only) to Rs. 500,000,000/- (Rupees Five Hundred Million Only) is proposed as the present paid up Capital of the Company will exceed the Authorized Capital after issuance of Bonus Shares. The proposed increase was approved by the Board in its meeting held on September 03, 2010.

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 are interested in the resolution to the extent of their shareholding in the Company.

3. Disposal of Bonus Share Fractions

The Board in its 128th meeting held on September 03, 2010 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. Amendment in Articles of Association

The remuneration being paid to directors for attending meeting of the Board or committees of the Board needs revision in view of over all inflation. The aforesaid amendment has been approved by the Board of Directors in their meeting held on September 03, 2010. A copy of the amended Articles of Association of the Company is available with the Company Secretary for inspection by the members.

The Directors are interested in the resolution to the extent of fee to which they are entitled.

CHAIRMAN'S MESSAGE

FELLOW STAKEHOLDERS:

Last year was a challenging one for the company as we were fighting the effects of the global recession as well as energy crisis in Pakistan. I am pleased to report that we were well prepared to face it and therefore, the company showed remarkable progress.

Despite the recession, the global need for food has increased tremendously all over the world and the food prices have shot up. This can be an opportunity for the agricultural sector of Pakistan and will have a positive impact on the economy of the country. Millat's business being directly linked with this sector stands to be a major beneficiary.

During the year, the agricultural sector has shown improvement in Pakistan and this resulted in an increase in the demand for tractors. Exports and remittances showed an upward trend, while large scale manufacturing sector also improved.

There are some major risks that our country is facing today. Foreign Direct Investment (FDI) declined steeply by 58 % during July-March, 2010. A substantial decline in FDI inflows for the period also contributed to the decline in fixed investment in 2009-10. However, foreign exchange remittances increased to US $ 9 Billion during the year.

We are hopeful that in the coming year the agricultural sector along with the other sectors will continue to consolidate the gains of the year and show further progress.

BUSINESS REVIEW

Despite all the challenges and crisis that Pakistan's economy is facing, MTL had the best year in its history as the tractor market continued its growth pattern. Millat Tractors Limited set new records by delivering 40,140 tractors this year which shows a commendable increase in the sale of tractors as compared to the last year. This has been possible due to the efforts and hard work of employees who were ably supported by vending associates and dealers' network who attracted 57% of the farmers to buy Millat's products.

Unfortunately, the government's role was not supportive of the local industry as import of tractors was allowed free of duty and taxes, while the local industry was subject to penal tariffs under the Tariff Based System (TBS). However, despite these odds, MTL managed to dominate the domestic market by providing quality products at competitive prices, backed by effective after sales service, product support and warranty coverage.

MTL is now working to enhance production capacity and is also encouraging the vending associates to do the same. This will improve the company's ability to offer larger number of tractors and will also create more job opportunities in the country.

MTL has always worked hard to achieve international standards in terms of product quality and support and continues to work towards further improvement in these areas. Millat's popular three cylinder engine has been upgraded to achieve emission compliance at Euro I level, and is thus the only locally manufactured compliant engine. This has been accomplished by development and transfer of technology, at considerable cost, through renowned West European consultants.

FINANCIAL PERFORMANCE

The financial performance of the company this year surpassed expectations as Millat Tractors had sales of Rs. 22.2 billion for the year 2009-10 compared to Rs. 15.9 billion for the year 2008-09, thus showing an increase of 39.6 % in sales value over last year. Higher volume of sales enabled the company to improve its Gross Profit ratio to 17.27 % as compared to 15.22 % of the last year. The pre-tax profit was Rs. 3,336 million as against Rs.1,752 million last year.

Following the company's philosophy of sharing the success and achievements with all, the Board of Directors recommended a final cash dividend of Rs. 35 per share i.e. 350% in addition to Rs. 30 per share i.e. 300% interim cash dividend already paid thus making a total of Rs. 65.00 per share i.e. 650%. Further, the Board of Directors has also recommended 25% bonus shares. The dividend and bonus shares recommended are subject to the approval by the shareholders in the forthcoming Annual General Meeting.

Millat's contribution to the National Exchequer in terms of Corporate Income Tax and other levies has increased to Rs. 1,076 million as compared to Rs. 569 million of the preceding year.

MARKETING OPERATIONS

Tractors

The demand for tractors increased significantly in the year 2009-10. The industry booked a total of 74,000 units as against 40,836 units booked in the preceding year, thus registering an increase of 81%. Federal and Provincial tractor schemes and better support prices of crops, especially wheat and rice, were the main contributing factors towards increase in demand.

The company registered a new record of highest ever sales in the history by delivering a record 40,140 tractors (57% share in industry). The company was able to achieve high market share in all the tractor schemes offered by Federal and Provincial Governments despite tough competition from local and foreign suppliers. These achievements were the true representative of the trust and confidence that the valued customers have in Millat Tractors.

Millat Tractors Limited has always emphasized on quality, after sales service and cost effective manufacturing, making MTL the most competitively priced tractor globally. We have the potential of exporting our tractors but are restricted to do so because of the agreement with our principals M/s AGCO.

The company has always believed in innovation to satisfy the farming needs of the country at best possible price. A new high-spec tractor model in 50 hp range -- the MF-350, was developed for the small to medium sized farmers. The product was well received and was highly appreciated by the farming community due to its improved features such as power steering, oil immersed disc-brakes, heavy duty straddle axle etc. With the inclusion of this new model, Millat now offers a range of six tractor models that best suit our agro-climatic conditions, size of farms and buying capacities of the farmers.

Industrial Products

In order to compete with genset importers in the country, we have developed 'Clip on' gensets for refrigerated vehicles and increased our local product range to 150 KVA. Millat gensets are now making their presence known in Industrial, banking and govt. sectors, with improved cosmetics and outlook. Forklift Trucks sale, however, declined during the year due to lack of demand.

After Sale Services

We at MTL have always believed in building long term relations with our customers and have maintained a good reputation in terms of customer satisfaction. Free service programs and tractor operators training programs of international standard were conducted during the year at majority dealerships and workshops. This trait sets the company apart from others. Furthermore, MTL provides a comprehensive warranty cover for its products and ensures that the complaints are attended and resolved within 24 hours. For this to happen smoothly, there is a team of well trained specialists equipped with mobile workshops who reach the valued customers within a short span of time even in far flung areas.

Spare Parts & Implements

Sale of spare parts and implements registered a satisfactory growth during the financial year 2009-10. Spare parts worth Rs. 226 million were sold as against Rs.176 million of the preceding year showing an increase of 28.6%. Similarly, implement sales grew by 9.9 % to Rs. 22 million as against Rs. 20.35 million of the preceding year.

PRODUCTION

With Blessings of Almighty Allah, the company was able to produce a historic record production of 40,178 tractors during the year 2009-10 as against 30,244 units in the previous year, showing an increment of 32%. All credit for this achievement goes to the sheer dedication of its employees and vending associates who were able to keep the supply chain intact despite numerous difficulties.

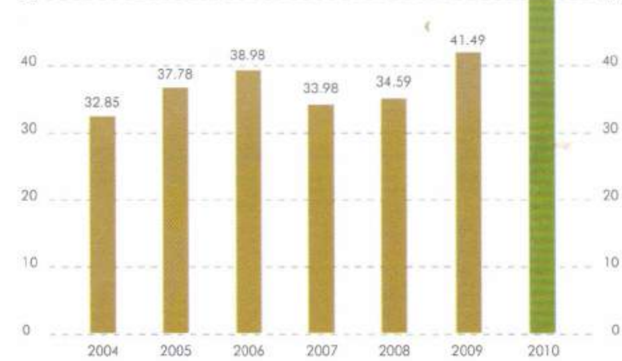
With the successful implementation of IFS, a newly established ERP system, there was a remarkable improvement in monitoring of production. It helped to integrate critical supply chain linkages to minimize possible hurdles in production operations.

QUALITY CONTROL

Over the years, Millat Tractors has maintained its reputation of providing best quality products. A team of young engineers has been hired, trained and deployed in all the functional areas of Quality Control Department. Introduction of IFS computer package has further helped QC to perform its functions better. In pursuit of "no compromise on quality", Millat has made investments in new machining lines for cylinder block and engine head to maintain high quality standards. In addition, the centre housing line is being renovated and upgraded with Computer Numerical Control (CNC) machines and Programmable Logic Controllers (PLC) to ensure quality production.

INTERNAL AUDIT

In order to have strict controls, checks and balances on all functions and departments a strong independent Internal Audit function is in operation at MTL. Behind the success of every business lie few principles and ethics that must be followed in order to achieve the desired objectives. Accordingly, the Audit Committee established by the Board directly supervises the internal audit function and ensures compliance to the systems and procedures. Standard operating procedures (SOPs) have been introduced in all departments keeping in view internal checks and controls for risk management and for safeguarding the property and assets of the company.



BUSINESS RISKS & CHALLENGES

MTL is watchful of the external risks and threats to its operations and has to prepare long term plans to meet those challenges. Worst energy crisis prevailing in the country and lack of skilled manpower are the major risks which are being addressed through standby energy arrangements and in-house training of workforce. The recent natural catastrophe in the form of floods has worsened the conditions and has posed new challenges of rebuilding the infrastructure and rehabilitation of farming community. Millat is well aware of its social responsibilities and has allocated funds for this cause.

FUTURE OUTLOOK

To provide better services and products to its customers the company has continuously been upgrading its business processes, technology and equipment according to the changing times. There has always been emphasis on bringing modern techniques and latest management tools. IFS ---one of the world's leading component-based business software suitable for automotive industry, has been implemented by the management to augment this philosophy. Procedural automation and visibility brought by IFS would help achieve greater production efficiency in future. Furthermore, better production planning, minimal production stoppages and integration of production schedule with suppliers would facilitate smooth operations. The dealer's networks as well as suppliers of components are being linked through IFS for ease of operations.

MILLAT GROUP OF COMPANIES

Millat Group of Companies that form part of our consolidated accounts, have been included in my review for information of our share holders as they are all strategic partners in their relations with MTL and have played an important role in achieving higher targets.

(a) Bolan Castings Ltd.

It is the only foundry in Pakistan capable of producing thin walled castings such as engine block, cylinder head, centre housing etc, in both Grey and S.G Iron. Bolan Castings has been able to increase its production to 16,000 tons during last year to enable MTL to produce higher volume of tractors.

(b) Millat Equipment Ltd.

This company produces gears and shafts of international standard for tractors. It has been established with the technical support of our principals M/s AGCO. The company supplied gears and shafts to MTL worth around Rs 2 Billion during last year. MEL plans to utilize part of its capacity for after market and export. It faces huge challenge to meet production targets due to heavy gas and electricity load shedding which restrict its heat treatment operations.

(c) Millat Industrial Products Ltd.

It is a specialized unit for the manufacturing of automotive batteries which are supplied to Millat and are also well received by the market. It is planning to expand its production capacity to 200,000 batteries annually in the next financial year.

CONCLUSION

We have come to the end of another year in which we have faced several challenges but have made remarkable achievements as well. In fact it has been one of the best years for MTL. I would like to share the success of our company with all my colleagues, share holders, customers, vending associates and other business partners. It was because of them and their unending support, that MTL has been able to reach a higher level of accomplishments and achievements.

I would especially like to thank MTL's business partners AGCO and associates, who have supported all our efforts and have always been there for MTL, through thick and thin, to guide and cooperate with us.

I am confident more than ever that like this year, MTL will continue to prosper and show progress in the coming years.

Sikandar Mustafa Khan
Chairman

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors feel pleasure in presenting their 47th annual report together with audited accounts of the Company for the year ended June 30, 2010.

APPROPRIATIONS

Your Directors recommended a payment of cash dividend @ Rs. 35 per share (350%) in addition to interim dividend of Rs. 30.00 per share (300%) already paid. The Directors also recommended 25% Bonus Shares in addition to cash dividend.

The following appropriations were made during the year:

	(Rupees in thousand)	
	General reserve	Un-appropriated profit
Opening balance	2,220,776	892,018
Less: Final dividend @ 250%	-	(585,687)
Bonus shares @ 25%	-	(58,569)
Transfer to general reserve	247,000	(247,000)
	-------------	-------------
	2,467,776	762
Profit for the year	-	2,284,498
	-------------	-------------
	2,467,776	2,285,260
Less: Interim dividend @ 300%	-	(878,530)
	-------------	--------------
Un-appropriated profit carried forward	2,467,776	1,406,730
	=======	========

EARNINGS PER SHARE

Earnings per share for the year ended June 30, 2010 was Rs. 78.01 as against Rs. 41.49 of preceding year.

BOARD OF DIRECTORS

The Board comprises of eight directors of which seven directors were elected in the last Annual General Meeting and one director represents financial institution. Since the constitution of the Board, there has been no change in its composition.

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

Name of Directors	Meetings attended
Mr. Sikandar M. Khan - Chairman	7
Mr. Laeeq Uddin Ansari - CEO/Director	7
Mr. Latif Khalid Hashmi	7
Mr. Sohail Bashir Rana	6
Mr. Manzoor Ahmed	3
Mr. S.M. Tanvir	2
Mian Muhammad Saleem	7
Rana Muhammad Siddique	7

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

BOARD AUDIT COMMITTEE

The Board of Directors re-constituted the Audit Committee in its 123rd meeting held on October 29, 2009 comprising of the following members:

Mr. Latif Khalid Hashmi	Chairman	Executive Director
Mr. Sohail Bashir Rana	Member	Executive Director
Mian Muhammad Saleem	Member	Executive Director
Mr. Manzoor Ahmed	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 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 and 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, 2010 were the following:

- Provident Fund	Rs. 369.55 million
- Gratuity Fund	Rs. 358.48 million
- Pension Fund	Rs. 667.00 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

Directors	No. of shares purchased/sold
Mr. Sikandar Mustafa Khan	16,745
Mr. Latif Khalid Hashmi	428
Mr. Sohail Bashir Rana	14,251
CFO	
Mr. Javed Munir	19,476

SALE OF SHARES

Directors	No. of shares Sold/Gifted
Rana Muhammad Siddique	5,000
Mr. Laeeq Uddin Ansari	300,000

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 any body associated of dealing with the Company.

RELATED PARTY TRANSACTIONS

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Stock Exchanges in their Listing Regulations, relevant for the year ended June 30, 2010 have been duly complied with. A statement to this effect is annexed with the report.

CHAIRMAN'S REVIEW

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

PATTERN OF SHAREHOLDING

The pattern of shareholding is annexed.

NUMBER OF EMPLOYEES

The number of permanent employees as on June 30, 2010 were 468 compared to 473 of last year.

CONSOLIDATED FINANCIAL STAEMENTS

Consolidated financial statements of the Company as on June 30, 2010 are annexed.

ABSTRACT UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

The abstracts under section 218 of the Companies Ordinance, 1984 are annexed; the same have been previously circulated to the shareholders.

CORPORATE SOCIAL RESPONSIBILITIES

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

WEB PRESENCE

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

For and on behalf of the Board

Lahore:
September 03, 2010

Laeeq Uddin Ansari
Chief Executive

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) can be defined as: "the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development."

MILLAT TRACTORS LIMITED (MTL) COMMITMENT TOWARDS CSR

MTL believes in building strong relationships with customers, partners, vendors, employees and other communities in which it operates.

Our corporate initiatives are designed to impact positively on the lives of multiple stakeholders. MTL practices active corporate citizenship through corporate philanthropy, energy conservation, environmental protection measures, community investments and welfare schemes, consumer protection measures, welfare spending for under privileged classes, industrial relations, encouragement for employment of special persons, occupational safety & health, business ethics and anticorruption measures, national cause donations, contributing to national exchequer and rural development programs.

1. Corporate Philanthropy

The Company plays its role under CSR by donating to various institutions. During the year the Company donated Rs.150,000 and Rs.150,000 to Care Foundation and SAARC Chamber Women Entrepreneur Council respectively.

2. Energy Conservation

Our country is facing its worse ever energy crisis these days. The load shedding-driven industrial shut downs and disrupted daily production of continuing from last summer continued with no improvement; indeed all the signs are that it is getting worse. Credit goes to our industry for surviving through the power and gas load shedding. The energy crisis in winter forced thousands of industries to shut down operations, affecting industrial production and the livelihoods of thousands of families.

At MTL we have taken various steps to conserve energy like switching off all air conditioners and other electrical equipment during lunch break, restricted use of electric & gas heaters and replacement of electric bulbs with energy savers. In addition an audit team comprising of qualified engineers has been assigned the task of identifying area where energy efficient technologies can be introduced to conserve energy.

3. Environmental Protection Measures

Plants and trees provide habitat, shelter, food, materials and medicines to human beings and animals. Realizing the significance of a healthy and pollution-free environment, MTL has a full fledged horticulture division.

In addition to maintaining indoor and outdoor plants and trees, our Horticulture dept. provides seasonal flowers for display in offices and for a range of events, winning several awards and accolades at flower exhibitions at Lahore. To reduce pollution and to contribute towards a greener Pakistan, MTL Horticulture actively participates in tree plantation campaigns during each spring and monsoon season in collaboration with Parks & Horticulture department and NGOs.

4. Community Investment and Welfare Schemes

MTL considers the welfare of community as one of its mandatory role. Since its incorporation the Company has been making investment in different kind of welfare schemes like providing funds to schools located in the vicinity of its factory for purchase of furniture and other equipments as and when required. During the year furniture valuing Rs.114,000 was provided to Ume Habiba Welfare Foundation, Sheikhupura Road, Lahore in addition to a donation of Rs.25,000 to Government Degree College for Women, Shahadara, Lahore.

5. Consumer Protection Measures

Customers come first on the priority list of the Company. MTL considers its foremost duty to protect its customers by providing quality products at competitive price. We offer a range of products for every segment of our industry. We offer one year after sale warranty and spare parts with a vide dealers/ workshop networks at district & Tehsil level for easy excess. We focus at prompt redressing of customer complaints. We also try to educate our customers in economical use of our products, proper maintenance and risk involved in improper usage along with advisory services for selection of our products.

6. Welfare spending for under-privileged classes

MTL contributes for under-privileged class welfare plans by donating to NGOs like Lahore Businessmen Association for Rehabilitation of the Disabled (LABARD) which is providing free of cost services to disabled/less privileged people in order to bring them into mainstream of Society as its productive members.

The Company also contributed Rs.25,000 & Rs.325,000 respectively towards GC University Endowment Fund Trust, Lahore for the help of needy and deserving students and Shalimar Hospital, Lahore (a non profit organization) for cost of Camera for Endocam unit of Gyane operation theatre.

7. Industrial relations

The Company enjoys a good relationship between its management and employees. CBA elections are held in time and in a coordinal and peaceful manner. This year the annual CBA agreement was finalized well before the expiry of the earlier one. The Company also has a good relationship with vendors and suppliers and it also an active member of various associations related to the industry like Pakistan Tractors manufacturers Association and Pakistan Automobile manufacturers association. The Company introduced a Scheme "Employees Children Scholarship Scheme" under which top performers are rewarded with cash scholarships. During the year Rs.75,000 were given under this scheme.

The Company has a Hajj scheme for its employees. The employees who have completed ten years of service with the Company are eligible for the Scheme. The Company sends its 11 employees every year for performing Hajj at the Company's expense. So far 155 employees have performed Hajj under this scheme.

8. Employment of Special persons

The Company recognizes the need to have special provision in employment rules for those members of our society who suffer from the effects of disabilities. At present five disabled persons are employed in different departments. However, during the year no disabled person was employed.

9. Occupational Safety and Health

MTL is committed to health and safety practices and work environments that enable our people to work free of injury and illness. To achieve this, we ensure that operations comply with applicable

occupational health and safety regulations and when appropriately implemented additional control to meet company requirements.

MTL assures that managers and employees are trained and accountable for preventing works related injuries and illnesses. We operate an occupational health and safety management system that ensures continuous improvement through risk assessment, risk minimization, and performance reporting. We provide wellness programs that contribute to the productivity, health and well-being of employees. We inform suppliers, including contractors, of our occupational health and safety expectations and require adoption of sound occupational health and safety management practices. The Company has established a first aid centre for providing emergency treatment in addition to a vehicle dedicated for meeting any eventuality.

10. Business ethics and anti-corruption measures

MTL has an excellent reputation of conducting all of its business according to the highest principles of business ethics. We are proud of this reputation. We are committed to conducting our business activities with honesty, and in full compliance with the laws and regulations of the state. We also believe in treating our employees with the same principles. A statement of Ethics & Business practice has been framed and duly approved by the Board which is signed by each employee at the beginning of the year. The management discourages corruption & mal practices by its employees. During the year two employees were terminated on corruption charges.

11. National-Cause Donations

MTL is committed towards helping distressed communities of society as and when required. MTL believes in contributing for the betterment of society by, working for and learning from the experience of, setting unprecedented examples of cooperation and support.

In view of the prevailing law and order situation and continuing operation against terrorism, millions of people were forced to leave their homes and dwell in refugee camps. To address the suffering of these distressed persons, including a large number of children, needed both tangible and emotional support. At this crucial moment, MTL rose to the needs of the nation and helped IDP's of Swat by donatingRs.100,000 to Lahore Chamber of Commerce and Industry for "Swat Relief Fund" and in addition to providing of eatable valuing approximately Rs.100,000 for Swat IDPs.

12. Contribution to National Exchequer

As a true national flag-carrier, Millat Tractors is one of the leading contributors to the National Exchequer in terms of Corporate Income Tax and other levies. All government Taxes are paid in time and the Company never defaulted in payment of Government dues. During the year, the Company paid Rs. 1,096 million as Corporate Tax.

13. Rural Development Programs

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

SIX YEARS AT A GLANCE

(Rupees in thousand)

TRADING RESULTS		2010	2009	2008	2007	2006	2005
Sales - Net		22,199,909	15,910,619	11,174,014	10,961,438	9,737,382	8,326,231
Gross profit		3,834,175	2,421,765	1,472,716	1,128,585	1,292,838	927,359
Operating profit		3,143,484	1,755,736	901,101	599,022	938,960	712,651
Profit before tax		3,336,621	1,752,332	1,120,139	840,202	1,074,597	700,198
Net profit after tax		2,284,498	1,215,120	810,458	636,897	730,577	453,862
BALANCE SHEET							
Share capital		292,844	234,275	187,420	187,420	156,183	120,141
Reserves		2,467,776	2,220,776	2,211,000	1,986,000	1,600,000	1,362,000
Operating fixed assets		411,759	405,618	298,219	359,443	279,210	238,783
Non current assets		749,411	698,025	789,996	560,741	542,852	236,056
Net working capital		3,049,150	2,318,637	2,033,577	1,853775	1,814,625	1,683,448
Long term liabilities		-	-	-	-	-	-
Deferred liabilities		17,913	51,437	54,569	51,350	219,768	168,316
INVESTOR INFORMATION							
Sales growth	%	39.53	42.39	1.94	12.57	16.95	19.20
Gross profit Growth	%	58.32	64.44	30.49	(12.70)	39.41	9.44
Pre tax profit growth	%	90.41	56.44	33.33	(12.81)	53.47	17.61
Net profit after tax growth	%	88.01	49.93	27.26	(12.82)	60.90	15.01
Gross profit ratio	%	17.27	15.22	13.18	10.30	13.28	11.14
Operating profit ratio	%	14.16	11.03	8.06	5.46	9.64	8.56
Profit before tax ratio	%	15.03	11.01	10.03	7.66	11.04	8.41
Profit after tax ratio	%	10.29	7.64	7.25	5.81	7.50	5.45
Return on capital employed	%	54.82	36.30	27.24	24.27	31.34	23.44
Inventory Turnover	Times	7.75	6.97	5.39	4.68	3.67	3.92
Total Assets turnover ratio	Times	1.89	2.35	1.54	1.75	1.31	1.32
Fixed assets turnover	Times	39.14	31.20	23.37	30.50	34.87	34.85
Return on assets	%	28.36	25.83	15.41	13.41	14.42	11.07
Long term debts: Equity ratio		0:100	0:100	0:100	0:100	0:100	0:100
Current ratio		1.4:1	1.7:1	1.5:1	1.6:1	1.4:1	1.4:1
Financial charges coverage	Times	395.72	46.28	57.43	58.96	661.48	430.30
Pay out							
Dividend Rs. per share	Rs.	65.00	45.00	32.50	22.00	20.00	15.00
Bonus	%	25.00	25.00	25.00	-	20	30
Payout ratio (after tax)	%	86.53	91.57	81.00	65.00	47.00	48.00
Earning per share (after tax)		78.01	41.49	34.59	33.98	38.98	37.78
Price earning ratio		6.16	5.38	6.15	9.75	8.26	5.50
Break-up value	Rs.	143.16	143.88	162.14	143.88	153.24	164.40
Earning before interest, tax, depreciation and amortization (EBITDA)		3,402,644	1,841,478	1,174,111	884,393	1,106,187	736,901
EBITDA Margin	%	15.33	11.57	10.51	8.07	11.36	8.85
Return on equity	%	54.49%	36.05%	26.67%	23.69	30.52	22.90
Quick / Acid test ratio		1.06:1	1.08:1	1.09:1	1.07:1	0.90:1	0.84:1
Dividend Yield	%	16.10%	21.30%	10.91%	6.75	6.89	5.30
Dividend Cover (Times) PAT/Dividend	%	1.20	1.09	1.33	1.54	2.34	2.51
Market price - Year end	Rs.	480.31	279.24	266.00	331.50	322.00	208.00
Market price - high	Rs.	529.25	302.00	347.00	378.00	390.00	365.00
Market price - low	Rs.	278.01	120.54	250.00	274.00	190.00	200.00
Market price - average	Rs.	403.63	211.27	298.00	326.00	290.00	282.50

ABSTRACT UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

The Board of Directors passed the following resolutions in the meetings held on October 30, 2009 and April 27, 2010 for fixation and re-fixation of remuneration of whole time working directors and appointment of Company Secretary. These resolutions were circulated to shareholders as required U/S 218 of the Companies Ordinance, 1984.

Fixation of remuneration of whole time working directors and appointment of Company Secretary

"Resolved that the Board hereby approves and authorizes holding of office of profit and payment of remuneration to Director, 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 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. Sikandar Mustafa Khan be and is hereby authorized for free use of the Company maintained transport for official and private purposes as approved by the Board."

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

"Resolved that the Board hereby approves and authorizes holding of office of profit and payment of remuneration to Director Mr. Latif Khalid Hashmi not exceeding Rs. 7.5 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."

Mr. Latif Khalid Hashmi, being interested did not participate in the resolution.

"Resolved that the Board hereby approves and authorizes holding of office of profit and payment of remuneration to Director, Mr. Sohail Bashir Rana not exceeding Rs. 7.0 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. Sohail Bashir Rana 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."

Mr. Sohail Bashir Rana, being interested did not participate in the resolution.

"Resolved that the Board hereby approves and authorizes holding of office of profit and payment of remuneration to Director, Mr. Laeeq Uddin Ansari, not exceeding Rs. 6.0 million per annum, inclusive of perquisites and benefits but exclusive of retirement benefits and medical expenses for self and dependants to which he is entitled under the terms of his appointment with the Company.

The above remuneration shall be subject to such increments, 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 service rules for the time being in force.

Further resolved that Mr. Laeeq Uddin Ansari 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."

Mr. Laeeq Uddin Ansari, being interested did not participate in the resolution.

"RESOLVED that the Board hereby approves and authorizes the holding of office of profit and payment of remuneration to Director, Mian Muhammad Saleem, not exceeding Rs. 4.0 million per annum, inclusive of perquisites and benefits but exclusive of retirement benefits and medical for self and dependants to which he is entitled under the terms of his appointment with the Company.

The above remuneration shall be subject to such increments and adjustments 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 service rules for the time being in force.

Further resolved that Mian Muhammad Saleem be and is hereby authorized for free use of Company maintained transport for official and private purposes and the Chairman be and is hereby authorized to determine his entitlement in this regard.

Further resolved that the Chairman be and is hereby authorized to determine terms/conditions and remuneration within the approved limit."

Mian Muhammad Saleem, being interested did not participate in the resolution.

"Resolved that the Board hereby approves and authorizes the holding of office of profit and payment of remuneration to Rana Muhammad Siddique, Director, not exceeding Rs. 1.5 million per annum, inclusive of perquisites and benefits but exclusive of retirement benefits to which he is entitled under the terms of his appointment with the Company. The above remuneration shall be subject to such increments and adjustments 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 service rules for the time being in force.

Further resolved that the Chairman be and is hereby authorized to determine terms/conditions and remuneration within the approved limit."

Rana Muhammad Siddique, being interested did not participate in the resolution.

APPOINTMENT OF COMPANY SECRETARY

"Resolved that Mian Muhammad Saleem be and is hereby appointed as whole time Secretary of the

Company w.e.f January 01, 2010 for a period of three years.

Further resolved that the Board hereby approves payment of remuneration to Mian Muhammad Saleem, not exceeding Rs. 4.0 million per annum, inclusive of perquisites and benefits but exclusive of medical for self and dependents to which he is entitled under the terms of his appointment with the Company. The above remuneration shall be subject to such increments and adjustments 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 service rules for the time being in force.

Further resolved that Mian Muhammad Saleem 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 within the approved limit."

Re-fixation of remuneration of Chief Executive and whole time working directors

"Resolved that the Board hereby approves and authorizes holding of office of profit and payment of remuneration to Chairman/Director, Mr. Sikandar Mustafa Khan not exceeding Rs. 12.5 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. Sikandar Mustafa Khan be and is hereby authorized for free use of Company maintained transport for official and private purposes as approved by the Chief Executive."

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

"Resolved that the Board hereby approves and authorizes holding of office of profit and payment of remuneration to Director Mr. Latif Khalid Hashmi not exceeding Rs. 10.5 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."

Mr. Latif Khalid Hashmi, being interested did not participate in the resolution.

"Resolved that the Board hereby approves and authorizes holding of office of profit and payment of remuneration to Director, Mr. Sohail Bashir Rana not exceeding Rs. 10.5 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. Sohail Bashir Rana 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."

Mr. Sohail Bashir Rana, being interested did not participate in the resolution.

"Resolved that the Board hereby approves and authorizes holding of office of profit and payment of remuneration to Chief Executive/Director, Mr. Laeeq Uddin Ansari, not exceeding Rs. 11.0 million per annum, inclusive of perquisites and benefits but exclusive of retirement benefits and medical expenses for self and dependants to which he is entitled under the terms of his appointment with the Company. The above remuneration shall be subject to such increments, 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 service rules for the time being in force.

Further resolved that Mr. Laeeq Uddin Ansari 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."

Mr. Laeeq Uddin Ansari, being interested did not participate in the resolution.

"RESOLVED that the Board hereby approves and authorizes the holding of office of profit and payment of remuneration to Director/Company Secretary, Mian Muhammad Saleem, not exceeding Rs. 6.0 million per annum, inclusive of perquisites and benefits but exclusive of retirement benefits and medical for self and dependants to which he is entitled under the terms of his appointment with the Company. The above remuneration shall be subject to such increments and adjustments 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 service rules for the time being in force.

Further resolved that Mian Muhammad Saleem 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."

Mian Muhammad Saleem, being interested did not participate in the resolution.

"Resolved that the Board hereby approves and authorizes the holding of office of profit and payment of remuneration to Rana Muhammad Siddique, Director, not exceeding Rs. 3.0 million per annum, inclusive of perquisites and benefits but exclusive of retirement benefits to which he is entitled under the terms of his appointment with the Company. The above remuneration shall be subject to such increments and adjustments 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 service rules for the time being in force.

Further resolved that Rana Muhammad Siddique 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."

Rana Muhammad Siddique, being interested did not participate in the resolution.

SUMMARY OF CASH FLOW

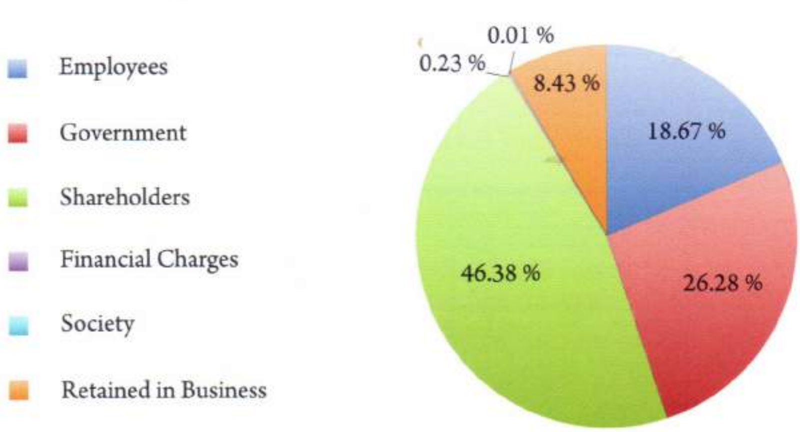
(Rupees in thousand)

	2010	2009	2008	2007	2006	2005
Net Cash generated from / (used in)						
Operating activities	4,238,512	(94,801)	1,102,493	(655,285)	(426,652)	1,492,855
Investing activities	(2,684,029)	1,674,909	(495,692)	(65,907)	(125,426)	(54,983)
Financing activities	(1,440,801)	(834,093)	(459,179)	(340,210)	(332,626)	(39,744)
Net increase / (decrease) in cash and cash equivalent	113,682	746,015	147,622	(1,061,402)	(884,704)	1,398,128
Cash and cash equivalent at the beginning of the year	995,373	249,358	101,736	1,163,139	2,047,843	649,715
Cash and cash equivalent at the end of the year	1,109,055	995,373	249,358	101,737	1,163,139	2,047,843

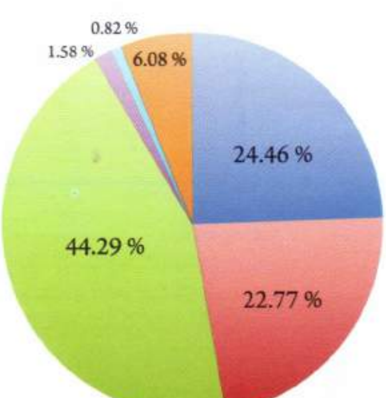
STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2010		2009	
	(Rupees in thousand)			
VALUE ADDITION				
Net sales	22,199,909		15,910,619	
Material and services	(18,388,159)		(13,596,863)	
Other income	450,555		198,950	
	4,262,305		2,512,706	
VALUE DISTRIBUTION				
Employees		%		%
Salaries, wages and amenities	616,567	14.47	519,085	20.66
Workers profit participation fund	179,227	4.20	95,432	3.80
	795,794	18.67	614,517	24.46
Government				
Tax	1,052,123	24.68	537,212	21.38
Workers welfare fund	68,104	1.60	35,049	1.39
	1,120,227	26.28	572,261	22.77
Shareholders				
Cash dividend	1,903,486	44.66	1,054,236	41.96
Bonus Shares	73,211	1.72	58,569	2.33
	1,976,697	46.38	1,112,805	44.29
Financial Charges				
Finance Cost	9,498	0.23	39,824	1.58
	9,498	0.23	39,824	1.58
Society				
Donation	589	0.01	20,540	0.82
	589	0.01	20,540	0.82
Retained in Business				
Depreciation	51,699	1.21	50,444	2.01
Retained profit	307,801	7.22	102,315	4.07
	359,500	8.43	152,759	6.08
	4,262,305	100	2,512,706	100

Distribution of value addition-2010



Distribution of value addition-2009



SIX YEARS HORIZONTAL ANALYSIS OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT

Horizontal Analysis	2010	Inc./(Dec.) over last year	2009	Inc./(Dec.) over last year	2008	Inc./(Dec.) over last year	2007	Inc./(Dec.) over last year	2006	Inc./(Dec.) over last year	2005
Property, plant and equipment	411,759	6,141	405,618	107,399	289,219	67,745	230,474	(48,736)	279,210	40,427	238,783
Capital Work in Progress	155,476	51,141	104,335	(75,620)	179,955	50,986	128,969	128,969	-	-	-
Intangible Assets in Progress	29,357	(851)	30,208	13,180	17,028	501	16,527	8,264	8,263	8,263	-
Investment Property	273,203	-	273,203	-	273,203	17,495	255,708	-	255,708	255,708	-
Long Term Investments	288,187	1,283	286,904	(28,521)	315,425	31,061	284,364	9,942	274,422	43,597	230,825
Long Term Loans	3,188	(187)	3,375	(1,010)	4,385	243	4,142	(317)	4,459	55	4,404
Long term Deferred Tax Asset	-	-	-	-	-	-	-	-	-	(827)	827
Stores and Spares	110,599	33,355	77,244	(1.048)	78,292	34,211	44,081	6,451	37,630	7,322	30,308
Stock in Trade	2,475,904	398,882	2,077,022	440,869	1,636,153	(203,929)	1,840,082	(443,847)	2,283,929	(30,528)	2,314,457
Trade Debts	454,465	327,256	127,209	24,549	102,660	(173,293)	275,953	115,821	160,132	26,697	133,435
Loans and Advances	239,358	137,568	101,790	3,708	98,082	34,919	63,163	4,144	59,019	19,266	39,753
Trade Deposits and Prepayments	23,008	7,129	15,879	8,097	7,782	2,474	5,308	(8,689)	13,997	8,746	5,251
Other Receivables	2,028,902	920,968	1,107,934	(59,352)	1,167,286	750,986	416,300	(89,565)	505,865	(166,515)	672,380
Taxation - net	46,612	43,345	3,267	(4,931)	8,198	(72,613)	80,811	80,811	-	(2,258)	2,258
Short Term Investments	4,116,821	2,943,382	1,173,439	(1,658,331)	2,831,770	335,470	2,496,300	(811,469)	3,307,769	955,491	2,352,278
Cash and Bank balances	1,109,055	113,682	995,373	746,015	249,358	127,216	122,142	(140,997)	263,139	(34,704)	297,843
Total Assets	11,765,894	4,983,094	6,780,800	(484,996)	7,267,796	1,003,472	6,264,324	(1,189,218)	7,453,542	1,130,740	6,322,802
Capital Employed	4,192,407	821,564	3,370,843	311,964	3,038,879	342,299	2,696,580	303,237	2,393,343	418,213	1,975,130
Non Current Liabilities	17,913	-33,524	51,437	(3,132)	54,569	3,219	51,350	(168,418)	219,768	51,452	168,316
Current Liabilities	7,555,574	4,195,054	3,360,520	(813,828)	4,174,348	657,954	3,516,394	(1,324,037)	4,840,431	661,075	4,179,356
Total Liabilities and Equity	11,765,894	4,983,094	6,782,800	(484,996)	7,267,796	1,003,472	6,264,324	(1,189,218)	7,453,542	1,130,740	6,322,802
	2010	Inc./(Dec.) over last year	2009	Inc./(Dec.) over last year	2008	Inc./(Dec.) over last year	2007	Inc./(Dec.) over last year	2006	Inc./(Dec.) over last year	2005
Sales net	22,199,909	6,289,290	15,910,619	4,736,605	11,174,014	212,576	10,961,438	1,224,056	9,737,382	1,411,151	8,326,231
Cost of Sales	18,365,734	4,876,880	13,488,854	3,787,556	9,701,298	(131,555)	9,832,853	1,388,309	8,444,544	1,045,672	7,398,872
Gross Profit	3,834,175	1,412,410	2,421,765	949,049	1,472,716	344,131	1,128,585	(164,253)	1,292,838	365,479	927,359
Distribution and marketing expenses	398,351	(24,890)	423,241	61,746	361,495	15,235	346,260	146,424	199,836	115,589	84,247
Administrative Expenses	292,340	49,552	242,788	32,668	210,120	26,817	183,303	29,261	154,042	23,581	130,461
Operating Profit	3,143,484	1,387,748	1,755,736	854,635	901,101	302,079	599,022	(339,938)	938,960	226,309	712,651
Other Operating Income	450,555	251,605	198,950	(122,658)	321,608	(11,006)	332,614	67,552	265,062	202,395	62,667
Other Operating Expenses	247,920	85,390	162,530	80,956	81,574	6,137	75,437	(50,934)	126,371	53,803	72,568
Finance Cost	9,498	(30,326)	39,824	18,828	20,996	4,999	15,997	12,943	3,054	502	2,552
Profit before Tax	3,336,621	1,584,289	1,752,332	632,193	1,120,139	279,937	840,202	(234,395)	1,074,597	374,399	700,198
Taxation	1,052,123	514,911	537,212	227,531	309,681	106,376	203,305	(140,715)	344,020	97,684	246,336
Profit after Tax	2,284,498	1,069,378	1,215,120	404,662	810,458	173,561	636,897	(93,680)	730,577	276,715	453,862

SIX YEARS VERTICAL ANALYSIS OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT

Vertical Analysis	2010	% of Total	2009	% of Total	2008	% of Total	2007	% of Total	2006	% of Total	2005	% of Total
Property, plant and equipment	411,759	3%	405,618	6%	289,219	4%	230,474	4%	279,210	4%	238,783	4%
Capital Work in Progress	155,476	1%	104,335	2%	179,955	2%	128,969	2%	-	0%	-	0%
Intangible Assets in Progress	29,357	0%	30,208	0%	17,028	0%	16,527	0%	8,263	0%	-	0%
Investment Property	273,203	2%	273,203	4%	273,203	4%	255,708	4%	255,708	3%	-	0%
Long Term Investments	288,187	2%	286,904	4%	315,425	4%	284,364	5%	274,422	4%	230,825	4%
Long Term Loans	3,188	0%	3,375	0%	4,385	0%	4,142	0%	4,459	0%	4,404	0%
Long term Deferred Tax Asset	-	0%	-	0%	-	0%	-	0%	-	0%	827	0%
Stores and Spares	110,599	1%	77,244	1%	78,292	1%	44,081	1%	37,630	1%	30,308	0%
Stock in Trade	2,475,904	21%	2,077,022	31%	1,636,153	23%	1,840,082	29%	2,283,929	31%	2,314,457	37%
Trade Debts	454,465	4%	127,209	2%	102,660	1%	275,953	4%	160,132	2%	133,435	2%
Loans and Advances	239,358	2%	101,790	2%	98,082	1%	63,163	1%	59,019	1%	39,753	1%
Trade Deposits and Prepayments	23,008	0%	15,879	0%	7,782	0%	5,308	0%	13,997	0%	5,251	0%
Other Receivables	2,028,902	17%	1,107,934	16%	1,167,286	16%	416,300	7%	505,865	7%	672,380	11%
Taxation - net	46,612	0%	3,267	0%	8,198	0%	80,811	1%	-	1%	2,258	0%
Short Term Investments	4,116,821	35%	1,173,439	17%	2,831,770	39%	2,496,300	40%	3,307,769	44%	2,352,278	37%
Cash and Bank balances	1,109,055	9%	995,373	15%	249,358	3%	122,142	2%	263,139	4%	297,843	5%
Total Assets	11,765,894	100%	6,780,800	100%	7,267,796	100%	6,264,324	100%	7,453,542	100%	6,322,802	100%
Capital Employed	4,192,407	36%	3,370,843	50%	3,038,879	42%	2,696,580	43%	2,393,343	32%	1,975,130	31%
Non Current Liabilities	17,913	0%	51,437	1%	54,569	1%	51,350	1%	219,768	3%	168,316	3%
Current Liabilities	7,555,574	64%	3,360,520	50%	4,174,348	57%	3,516,394	56%	4,840,431	65%	4,179,356	66%
Total Liabilities and Equity	11,765,894	100%	6,782,800	100%	7,267,796	100%	6,264,324	100%	7,453,542	100%	6,322,802	100%

	2010	% of Total	2009	% of Total	2008	% of Total	2007	% of Total	2006	% of Total	2005	% of Total
Sales net	22,199,909	100%	15,910,619	100%	11,174,014	100%	10,961,438	100%	9,737,382	100%	8,326,231	100%
Cost of Sales	18,365,734	83%	13,488,854	85%	9,701,298	87%	9,832,853	90%	8,444,544	87%	7,398,872	89%
Gross Profit	3,834,175	17%	2,421,765	15%	1,472,716	13%	1,128,585	10%	1,292,838	13%	927,359	11%
Distribution and marketing expenses	398,351	2%	423,241	3%	361,495	3%	346,260	3%	199,836	2%	84,247	1%
Administrative Expenses	292,340	1%	242,788	2%	210,120	2%	183,303	2%	154,042	2%	130,461	2%
Operating Profit	3,143,484	14%	1,755,736	11%	901,101	8%	599,022	5%	938,960	10%	712,651	9%
Other Operating Income	450,555	2%	198,950	1%	321,608	3%	332,614	3%	265,062	3%	62,667	1%
Other Operating Expenses	247,920	1%	162,530	1%	81,574	1%	75,437	1%	126,371	1%	72,568	1%
Finance Cost	9,498	0%	39,824	0%	20,996	0%	15,997		3,054	0%	2,552	0%
Profit before Tax	3,336,621	15%	1,752,332	11%	1,120,139	10%	840,202	8%	1,074,597	11%	700,198	8%
Taxation	1,052,123	5%	537,212	3%	309,681	3%	203,305	2%	344,020	4%	246,336	3%
Profit after Tax	2,284,498	10%	1,215,120	8%	810,458	7%	636,897	6%	730,577	8%	453,862	5%

PATTERN OF SHAREHOLDING AS ON JUNE 30, 2010

Number of ShareHolders	Shareholding		Number of Share Held
	From	To	
873	1	100	33,104
786	101	500	215,153
344	501	1000	260,626
572	1001	5000	1,421,494
175	5001	10000	1,256,001
66	10001	15000	831,934
43	15001	20000	742,940
20	20001	25000	455,578
11	25001	30000	306,689
5	30001	35000	162,158
9	35001	40000	342,975
9	40001	45000	390,111
5	45001	50000	237,374
3	50001	55000	159,213
6	55001	60000	338,512
3	60001	65000	190,670
3	65001	70000	200,123
3	70001	75000	216,419
1	75001	80000	78,077
2	80001	85000	165,600
2	85001	90000	175,122
2	90001	95000	181,403
4	95001	100000	398,968
1	110001	115000	114,000
1	115001	120000	115,712
1	130001	135000	130,425
1	135001	140000	139,635
2	160001	165000	324,088
1	175001	180000	179,066
1	180001	185000	184,518
1	185001	190000	187,213
1	190001	195000	190,964
1	225001	230000	228,704
1	295001	300000	300,000
2	305001	310000	613,715
1	315001	320000	315,635
1	350001	355000	350,743
1	365001	370000	365,350
1	375001	380000	375,961
1	405001	410000	406,022
1	410001	415000	414,470
1	425001	430000	426,000
1	465001	470000	468,750
2	555001	560000	1,116,037
1	625001	630000	628,750
1	675001	680000	679,062
1	865001	870000	866,896
1	910001	915000	912,446
1	935001	940000	937,500
1	1300001	1305000	1,303,468
1	1500001	1505000	1,501,000
1	1875001	1880000	1,878,368
1	2345001	2350000	2,346,772
1	2520001	2525000	2,522,812
2,981	TOTAL		29,284,326

Categories of Shareholders	No.of shareholders	Shares held	Percentage
Directors, CEO and their spouses & minor children			
Mr. Sikandar Mustafa khan	1	2,346,772	8.01
Mr. Latif Khalid Hashmi	1	1,501,000	5.13
Mr. Sohail Bashir Rana	1	1,515,089	5.17
Mr. Laeeq Uddin Ansari	1	1,878,368	6.41
Mian Muhammad Saleem	1	628,750	2.15
Rana Muhammad Siddique Khan	1	82,632	0.28
Mrs. Cyma Khan	1	38,783	0.13
Mrs. Ayesha Sohail	1	160,830	0.55
Associated Companies, undertakings and related parties	-	-	-
NIT and ICP			
National Bank of Pakistan (Trustee Department) NI (U)	1	406,147	1.39
National Investment Trust Limited	1	10,457	0.04
IDBP (ICP Unit)	1	110	0.00
Banks, Development Financial Institutions, Non-Banking			
Financial Institutions	10	1,336,210	4.56
Insurance Companies	6	2,316,040	7.91
Modarabas and Mutual Funds	3	15,700	0.05
General Public - Local	2,874	12,285,633	41.97
Joint Stock Campanies	61	351,008	1.20
Trusts	4	1,263,244	4.31
Non-Resident Company	1	2,522,812	8.61
Others	11	624,741	2.13
	2,981	29,284,326	100.00

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Millat Tractors Limited ('the company') to comply with the Listing Regulation No. 35, 35 and 36 of the Karachi, Lahore and Islamabad Stock Exchanges, respectively, where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2010

Lahore:
September. 03, 2010

A.F. Ferguson & Co.
Chartered Accountants

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 one independent non-executive director and a director nominated by a financial institution. Necessary relaxation of clause i (c) of the Code of Corporate Governance was obtained from SECP.

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 director(s) is a member of any of the stock exchanges on which the Company's shares are listed.

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 re-constituted an Audit Committee in its 124th meeting held on October 30, 2009 comprising five members, of which two 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.

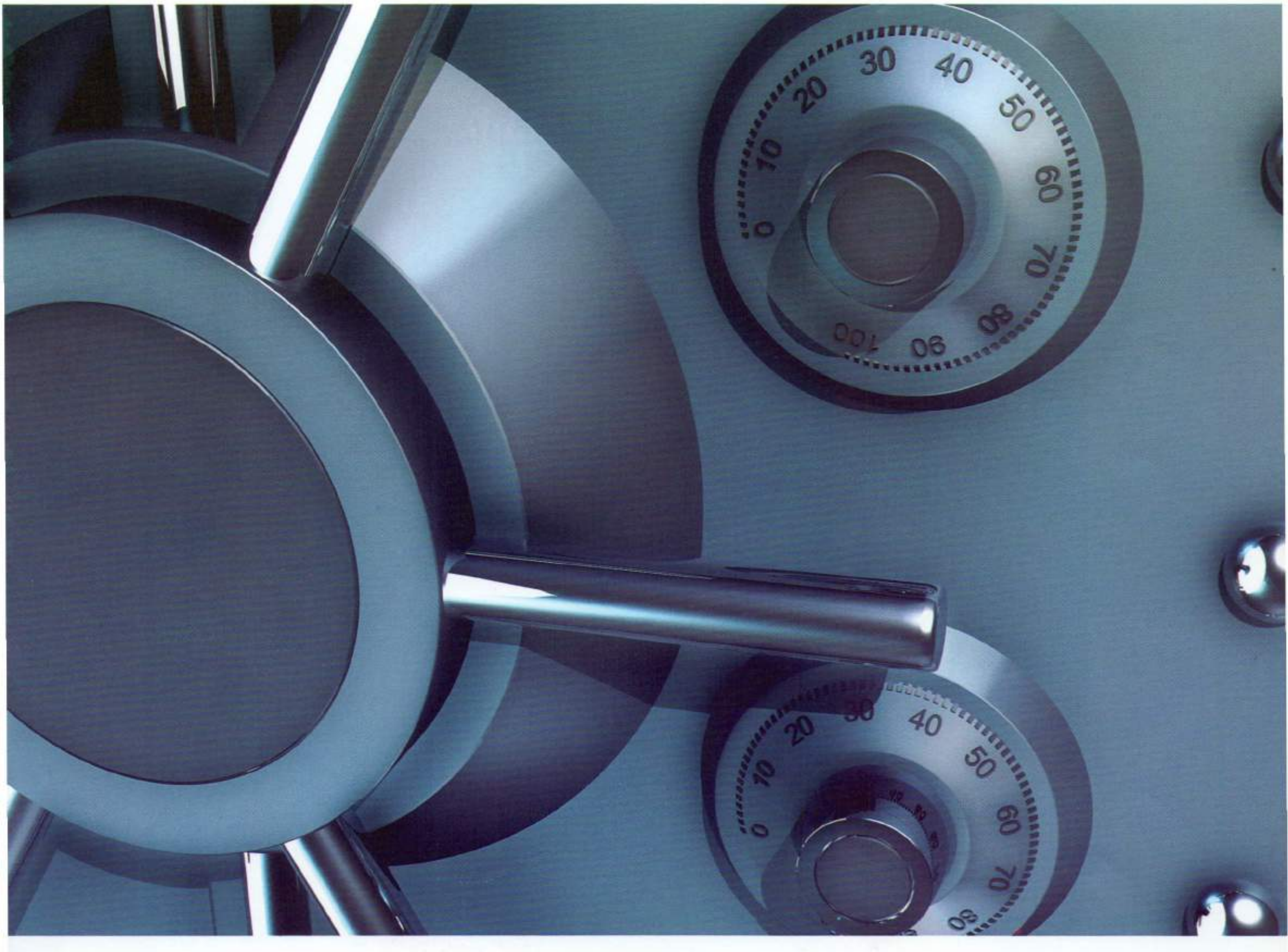
19. The statutory auditors or the persons associated with them have not been assigned other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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 03, 2010

Sikandar Mustafa Khan
Chairman



ACCOUNTS

MILLAT TRACTORS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Millat Tractors Limited as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, 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 conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change in accounting policy as stated in note 2.2.1 to the annexed statements with which we concur,

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2010 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.

A.F.Ferguson & Co.
Chartered Accountants
Name of audit engagement partner:
Imran Farooq Mian

Lahore:
Dated: September 03, 2010

BALANCE SHEET

	Note	2010	2009
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
30,000,000 (June 30, 2009: 30,000,000) ordinary shares of Rs. 10 each		300,000	300,000
Issued, subscribed and paid up capital	5	292,844	234,275
General reserves		2,467,776	2,220,776
Unappropriated profit		1,406,730	892,018
Fair value reserve		25,057	23,774
		4,192,407	3,370,843
NON-CURRENT LIABILITIES			
Security deposits	6	10,285	9,485
Deferred revenue		-	33,069
Deferred taxation	7	7,628	8,883
		17,913	51,437
CURRENT LIABILITIES			
Accumulating compensated absences		36,664	33,265
Current portion of deferred revenue		33,069	202,079
Trade and other payables	8	7,483,957	3,121,878
Mark-up accrued on short term borrowings		1,884	3,298
		7,555,574	3,360,520
CONTINGENCIES AND COMMITMENTS	10		
		11,765,894	6,782,800

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

AS AT JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	411,759	405,618
Capital work-in-progress	12	155,476	104,335
Intangible asset	13	29,357	30,208
Investment property	14	273,203	273,203
Long term investments	15	288,187	286,904
Long term loans - considered good	16	3,188	3,375
		1,161,170	1,103,643
CURRENT ASSETS			
Stores and spares	17	110,599	77,244
Stock-in-trade	18	2,475,904	2,077,022
Trade debts	19	454,465	127,209
Loans and advances	20	239,358	101,790
Trade deposits and prepayments		23,008	15,879
Other receivables	21	2,028,902	1,107,934
Taxation - net		46,612	3,267
Short term investments	22	4,116,821	1,173,439
Cash and bank balances	23	1,109,055	995,373
		10,604,724	5,679,157
		11,765,894	6,782,800

Sikandar Mustafa Khan
Chairman

Laeeq Uddin Ansari
Chief Executive

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

	Note	2010	2009
		(Rupees in thousand)	
Sales - net	24	22,199,909	15,910,619
Cost of sales	25	18,365,734	13,488,854
Gross profit		3,834,175	2,421,765
Distribution and marketing expenses	26	398,351	423,241
Administrative expenses	27	292,340	242,788
		690,691	666,029
Operating profit		3,143,484	1,755,736
Other operating income	28	450,555	198,950
		3,594,039	1,954,686
Finance cost	29	9,498	39,824
Other operating expenses	30	247,920	162,530
		257,418	202,354
Profit before taxation		3,336,621	1,752,332
Taxation	31	1,052,123	537,212
Profit after taxation		2,284,498	1,215,120
Earnings per share - basic and diluted (Rupees)	35	78.01	41.49

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

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

Sikandar Mustafa Khan
Chairman

Laeeq Uddin Ansari
Chief Executive

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

	2010	2009
	(Rupees in thousand)	
Profit for the year	2,284,498	1,215,120
Unrealized gain / (loss) on revaluation of investments	1,283	(39,768)
Total comprehensive income for the year	2,285,781	1,175,352

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

Sikandar Mustafa Khan
Chairman

Laeeq Uddin Ansari
Chief Executive

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	36	5,345,160	479,326
Interest and mark-up paid		(10,912)	(39,384)
Net decrease in long term loans to employees		187	1,010
Income tax paid		(1,096,723)	(535,753)
Long term security deposits received		800	-
Net cash generated from/(used in) operating activities		4,238,512	(94,801)
Cash flows from investing activities			
Purchase of property, plant and equipment		(116,229)	(93,318)
Purchase of intangible assets		(5,020)	(13,180)
Proceeds from sale of property, plant and equipment		7,248	5,810
Purchase of short term investments		(12,586,821)	(2,153,883)
Proceeds from sale of short term investments		9,955,124	3,902,353
Profit on bank deposits		28,891	19,219
Dividend received		32,778	19,154
Purchase of investments in related parties		-	(11,246)
Net cash (used in)/generated from investing activities		(2,684,029)	1,674,909
Cash flows from financing activities			
Dividend paid		(1,440,801)	(834,093)
Net cash used in financing activities		(1,440,801)	(834,093)
Net increase in cash and cash equivalents		113,682	746,015
Cash and cash equivalents at the beginning of the year		995,373	249,358
Cash and cash equivalents at the end of the year	36.2	1,109,055	995,373

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

Sikandar Mustafa Khan
Chairman

Laeeq Uddin Ansari
Chief Executive

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

	Share capital	Revenue Reserves: General reserves	Revenue Reserves: Unappropriated profit	Fair value reserve	Total
	(Rupees in thousand)				
Balance as on July 1, 2008	187,420	2,211,000	576,917	63,542	3,038,879
Final dividend for the year ended June 30, 2008 Rs. 20 per share	-	-	(374,839)	-	(374,839)
Issue of ordinary shares of Rs. 10 each as fully paid bonus shares	46,855	-	(46,855)	-	-
Interim dividend Rs. 20 per share	-	(145,224)	(323,325)	-	(468,549)
Transferred from profit and loss account	-	155,000	(155,000)	-	-
Total comprehensive income for the year ended June 30, 2009	-	-	1,215,120	(39,768)	1,175,352
Balance as on June 30, 2009	234,275	2,220,776	892,018	23,774	3,370,843
Final dividend for the year ended June 30, 2009 Rs. 25 per share	-	-	(585,687)	-	(585,687)
Issue of ordinary shares of Rs. 10 each as fully paid bonus shares	58,569	-	(58,569)	-	-
Transferred from profit and loss account	-	247,000	(247,000)	-	-
Interim dividend Rs. 30 per share	-	-	(878,530)	-	(878,530)
Total comprehensive income for the year ended June 30, 2010	-	-	2,284,498	1,283	2,285,781
Balance as on June 30, 2010	292,844	2,467,776	1,406,730	25,057	4,192,407

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

Sikandar Mustafa Khan
Chairman

Laeeq Uddin Ansari
Chief Executive

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 Sheikhupura Road, District Sheikhupura. It is principally engaged in assembly and manufacture of agricultural tractors, implements and multi-application products.

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Standards, interpretations and amendments to published approved accounting standards

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

2.2.1 Amendments to published standards effective in current year

- IAS 1 (Revised), 'Presentation of financial statements' is effective from January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the company shows all 'owner related changes in equity' in statement of changes in equity, whereas all 'non-owner changes in equity' are presented in other comprehensive income.

The company has preferred to present two statements; a profit and loss account (income statement) and a second statement beginning with profit or loss and display components of other comprehensive income (statement of comprehensive income).

- 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 cost 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.

- IAS 27 (revised), 'Consolidated and separate financial statements', is effective from July 1, 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in income statement. It is not expected to have any impact on the company's financial statements.

- IFRS 3 (revised), 'Business combinations' is effective from July 1, 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. It is not expected to have any impact on the company's financial statements.

- IFRS 7, 'Financial instruments: Disclosures' is effective from January 1, 2009. IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and measurement of the company's financial instruments. The application of IFRS 7 has resulted in additional disclosures in the company's financial statements, however, there is no impact on profit for the year.

- IFRS 8 'Operating Segments' is effective from January 1, 2009. IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes, and introduces detailed disclosures regarding the reportable segments and products. There is no impact of the new standard on the company's financial statements.

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

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

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It is not expected to have a material impact on the company's financial statements.

- IAS 38 (amendment), 'Intangible assets'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any significant impact on the company's financial statements.

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The company will apply IFRS 5 (amendment) from July 1, 2010. It is not expected to have a material impact on the company's financial statements.

There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 (not addressed above). These amendments are unlikely to have any impact on the company's financial statements and therefore have not been analysed in detail.

3. Basis of measurement

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

3.1 Employees' retirement benefits and other obligations

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

3.2 Provision for taxation

The company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its views on items of material nature 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% (2009: 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, 2010.

The actual return on the plan assets during the year was Rs. 76,553 thousand (2009: Rs. 73,929 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:

	2010	2009
Expected rate of increase in salary level	11%	11%
Expected rate of return	12%	12%
Discount rate	12%	12%
Average expected remaining working life of employees	7 years	7 years

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

4.1.2 Defined contribution plans

4.1.2.1 Gratuity

The company operates an approved defined contribution funded gratuity scheme for permanent employees who joined the company before July 1, 2004. Under the scheme, based on the graduated scale, the contributions are calculated with reference to last drawn salary of the employees and are paid over to the Employees Gratuity Fund Trust. During the year, Rs. 8,174 thousand (2009: Rs. 8,488 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. 8,181 thousand (2009: Rs. 7,274 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. During the year, Rs. 3,399 thousand (2009: Rs. 2,905 thousand) has been recognized as an expense by the company, in respect of the scheme.

4.2 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally 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 11. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

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

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

An item of property, plant and equipment is 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

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

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

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

4.6 Investment property

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

The company assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amount of such assets 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 and associated undertakings

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

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

4.7.2 Others

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

4.7.3 Financial assets at fair value through profit or loss

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

4.7.4 Held-to-maturity investments

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

4.7.5 Loans and receivables

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

4.7.6 Available-for-sale financial assets

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

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

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

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

4.8 Stores and spares

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

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

4.9 Stock-in-trade

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

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

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

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

Net realizable value signifies the estimated selling 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 Cash and cash equivalents

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

4.12 Revenue recognition

Revenue from sale of goods is 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 when earned. Investment income is recognised when right to receive the income is established.

4.13 Research cost

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

4.14 Borrowing costs

Borrowing costs are 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.

4.15 Trade and other payables

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

4.16 Provisions

Provisions are 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.

4.17 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation are 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.

4.18 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.

4.19 Offsetting of financial assets and liabilities

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

4.20 Dividend and appropriations

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

5. Issued, subscribed and paid up capital

2010	2009		2010	2009
(No. of Shares)			(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		
20,884,604	16,199,112	- Opening balance	208,846	161,991
5,856,865	4,685,492	- Issued during the year	58,569	46,855
26,741,469	20,884,604		267,415	208,846
29,284,326	23,427,461		292,844	234,275

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.

	2010	2009
	(Rupees in thousand)	
7. Deferred taxation		
The liability for deferred tax comprises temporary differences relating to:		
Taxable temporary differences		
Accelerated tax depreciation	39,201	37,182
Deductible temporary differences		
Others - Provision for doubtful receivables / accumulating compensated absences	(31,573)	(28,299)
Net deferred tax liability at the year end	7,628	8,883

	Deferred tax liability	Deferred tax asset	Net liability
	Accelerated tax depreciation	Others	
		(Rupees in thousand)	
Balance as at July 1, 2008	20,250	(7,895)	12,355
Charged/(credited) to profit and loss account	16,932	(20,404)	(3,472)
Balance as at June 30, 2009	37,182	(28,299)	8,883
Charged/(credited) to profit and loss account	2,019	(3,274)	(1,255)
Balance as at June 30, 2010	39,201	(31,573)	7,628

8. Trade and other payables

		2010	2009
Trade creditors	- note 8.1	1,097,613	723,843
Accrued liabilities		127,646	116,742
Bills payable		69,032	38,284
Advances from customers	- note 8.2	5,681,952	1,897,382
Security deposits	- note 8.3	4,839	4,372
Trademark fee payable		228,112	171,938
Income tax deducted at source		50,335	25,960
Workers' Profit Participation Fund	- note 8.4	23,227	25,432
Workers' Welfare Fund		79,423	47,066
Unclaimed dividends		55,742	32,326
Others		66,036	38,533
		7,483,957	3,121,878

8.1 Creditors include balances due to related parties amounting Rs. 34,919 thousand (2009: Rs. 177,702 thousand).

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

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

		2010	2009
		(Rupees in thousand)	
8.4 Workers' Profit Participation Fund			
Opening balance		25,432	14,855
Allocation for the year	- note 30	179,227	95,432
		204,659	110,287
Less: Payments made during the year		(181,432)	(84,855)
Closing balance		23,227	25,432

9. Short term borrowings

Short term borrowings are available from various banks against aggregate sanctioned limit of Rs. 1,835,000 thousand (2009: Rs. 1,435,000 thousand). The rates of mark-up range from 34.33 paisas to 42.47 paisas (2009: paisas 31.90 to paisas 47.23) per Rs. 1,000 per day.

The company has facilities for opening of letters of credit and guarantees aggregating to Rs. 3,299,000 thousand (2009: Rs. 2,059,000 thousand) out of which Rs. 1,746,000 thousand (2009: Rs. 837,800 thousand) remained unutilized at the end of the year.

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

10. Contingencies and commitments

Contingencies

10.1 The company has given guarantee amounting to Rs. 5,000 thousand to the bank for repayment of loan by employees. An amount of Rs.1,930 thousand (2009: Rs. 2,856 thousand) was utilized by employees as at June 30, 2010.

10.2 Guarantees issued by the banks on behalf of the company in the normal course of business amount to Rs. 203,500 thousand (2009: Rs. 210,770 thousand).

10.3 The company is defending a counter suit for Rs. 19,579 thousand, filed in previous years by an ex-vendor on account of damages and inconvenience. The management and the legal advisor are confident that outcome of the case would be in the company's favour and no loss is likely to occur, hence no provision there against has been made in these financial statements. The case is pending in the Civil Court, Lahore.

10.4 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.

10.5 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. The company 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

10.6 Commitments in respect of outstanding letters of credit amount to Rs. 1,746,000 thousand (2009: Rs. 837,800 thousand) at the balance sheet date.

10.7 Commitments in respect of capital expenditure amounted to Rs. 10,303 thousand (2009: Rs. 75,943 thousand) at the balance sheet date.

11. Property, plant and equipment

	Land		Buildings							
	Freehold	Leasehold	On freehold land	On leasehold land	Plant and machinery	Furniture and office equipment	Vehicles	Tools and equipments	Computers	Total
					(Rupees in thousand)					
Net carrying value basis										
Year ended June 30, 2010										
Opening net book value (NBV)	58,307	8	41,796	436	168,968	21,619	82,611	26,340	5,533	405,618
Additions (at cost)	-	-	2,598	-	17,047	4,194	37,144	1,592	2,513	65,088
Disposals (at NBV)							(7,248)			(7,248)
Depreciation charge	-	-	(3,941)	(145)	(17,677)	(2,631)	(20,678)	(4,174)	(2,453)	(51,699)
Closing net book value (NBV)	58,307	8	40,453	291	168,338	23,182	91,829	23,758	5,593	411,759
Gross carrying value basis										
As at June 30, 2010										
Cost	58,307	8	180,230	2,900	383,458	45,275	176,048	68,954	18,463	933,643
Accumulated depreciation	-	-	(139,777)	(2,609)	(215,120)	(22,093)	(84,219)	(45,196)	(12,870)	(521,884)
Net book value (NBV)	58,307	8	40,453	291	168,338	23,182	91,829	23,758	5,593	411,759
Depreciation rate % per annum	-	-	5-10	5	10	10-20	20	10-15	33	
Net carrying value basis										
Year ended June 30, 2009										
Opening net book value (NBV)	58,307	8	43,469	581	55,864	20,355	79,324	31,663	8,648	298,219
Additions (at cost)	-	-	2,421	-	131,543	4,407	27,361	3,120	86	168,938
Disposals (at NBV)					(939)	(637)	(5,709)	(3,466)	(344)	(11,095)
Depreciation charge	-	-	(4,094)	(145)	(17,500)	(2,506)	(18,365)	(4,977)	(2,857)	(50,444)
Closing net book value (NBV)	58,307	8	41,796	436	168,968	21,619	82,611	26,340	5,533	405,618
Gross carrying value basis										
As at June 30, 2009										
Cost	58,307	8	177,632	2,900	366,411	41,081	158,344	67,362	15,950	887,995
Accumulated depreciation	-	-	(135,836)	(2,464)	(197,443)	(19,462)	(75,733)	(41,022)	(10,417)	(482,377)
Net book value (NBV)	58,307	8	41,796	436	168,968	21,619	82,611	26,340	5,533	405,618
Depreciation rate % per annum	-	-	5-10	5	10	10-20	20	10-15	33	

11.1 Disposal of property, plant and equipment

Particulars of assets :	*Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Vehicles						
	Directors					
	Mr. L.K. Hashmi	3,830	2,826	1,004	1,004	Company car scheme
	Employees					
	Mr. Shahid S. Toor	841	620	221	221	Company car scheme
	Mr. Javed Munir	998	736	262	262	Company car scheme
	Mr. Farough Iqbal	841	620	221	221	Company car scheme
	Mr. Mubashar Iqbal	1,382	504	878	878	Company car scheme
	Mr. Mubashar Iqbal	841	588	253	253	Company car scheme
	Mr. Muhammad Anwar	1,039	249	790	790	Company car scheme
	Mr. Muhammad Anwar	774	571	203	203	Company car scheme
	Mr. Ahsan Imran	841	620	221	221	Company car scheme
	Mr. Ahsan Imran	841	620	221	221	Company car scheme
	Mr. Rustam Ali	660	293	367	367	Company car scheme
	Mr. Nisar Abbas	371	274	97	97	Company car scheme
	Mr. Syed Azhar Hussain	371	266	105	105	Company car scheme
	Mr. Muhammad Ameer Khan	604	446	158	158	Company car scheme
	Mr. Gulam Mustafa	371	274	97	97	Company car scheme
	Mr. Mansoor Abbasi	774	571	203	203	Company car scheme
	Mr. Muhammad Irfan	371	274	97	97	Company car scheme
	Mr. Muhammad Hussain	660	285	375	375	Company car scheme
	Mr. Maroof Ahmed	434	196	238	238	Company car scheme
	Mr. Muhammad Ashraf Kasana	649	114	535	535	Company car scheme
	Mr. Muhammad Azam	375	262	113	113	Company car scheme
	Mr. Safdar Ali	70	3	67	67	Company motorcycle scheme
Others with net book value less than Rs. 50,000 each		1,502	980	522	522	Company motorcycle scheme
		19,440	**12,192**	**7,248**	**7,248**	

		2010	2009
		(Rupees in thousand)	

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

		2010	2009
Cost of sales	- note 25	31,620	27,695
Distribution and marketing expenses	- note 26	5,779	6,549
Administrative expenses	- note 28	14,300	16,200
		51,699	50,444

12. Capital work-in-progress

	2010	2009
Plant and machinery	1,345	14,938
Advance for purchase of office space	151,830	83,230
Others	2,301	6,167
	155,476	104,335

13. Intangible asset

	ERP software 2010 (Rupees in thousand)
Net carrying value basis	
Opening net book value (NBV)	-
Additions at cost	35,228
Amortization charge	(5,871)
Closing net book value (NBV)	29,357
Gross carrying value basis	
Cost	35,228
Accumulated amortization	(5,871)
Net book value (NBV)	29,357
Rate of amortization	33%

14. Investment property

Based on the valuation carried out by an independent valuer as at June 30, 2010, the fair value of investment property is Rs. 388,875 thousand (2009: Rs. 381,375 thousand).

15. Long term investments

Investment in related parties
In subsidiary undertaking

	2010	2009
Unquoted		
Millat Industrial Products Limited		
5,737,500 (2009: 5,737,500) fully paid ordinary shares of Rs. 10/- each	57,375	57,375
Equity held 64.09% (2009: 64.09%)		
Value of investment based on net assets as shown in the audited accounts as at June 30, 2010 is Rs. 88,525 thousand (2009: Rs. 60,607 thousand)		
In associated companies		
Quoted		
Bolan Castings Limited		
4,385,934 (2009: 3,654,945) fully paid ordinary shares of Rs. 10/- each	76,610	76,610
Equity held 46.26% (2009: 46.26%). Market Value as at June 30, 2010 is Rs. 156,052 thousand (2009: Rs. 80,409 thousand)		
C/F	**133,985**	**133,985**

	2010	2009
	(Rupees in thousand)	
B/F	**133,985**	**133,985**
Unquoted		
Millat Equipment Limited		
11,700,000 (2009: 11,700,000) fully paid ordinary shares of Rs. 10/- each	117,000	117,000
Equity held 45% (2009: 45%)		
Value of investment based on net assets as shown in the un-audited accounts as at June 30, 2010 is Rs. 278,518 thousand (2009: audited accounts Rs. 174,003 thousand)		
Arabian Sea Country Club Limited		
500,000 (2009: 500,000) fully paid ordinary shares of Rs. 10/- each	5,000	5,000
Equity held 6.45% (2009: 6.45%)		
Value of investment based on the net assets shown in the audited account as at June 30, 2008 is Rs. 3,926 thousand (2008: Rs. 3,926 thousand)		
Less: Impairment loss	(5,000)	(5,000)
	-	-
Agrimall (Private) Limited		
2,000 (2009: 2,000) fully paid ordinary shares of Rs.10/- each	20	20
Equity held 20% (2009: 20%)		
Value of investment based on the net assets shown in the audited account as at June 30, 2008 is Rs. Nil (2007: Rs. Nil)		
Less: Impairment loss	(20)	(20)
Other investment - Available-for-sale		
Quoted		
Baluchistan Wheels Limited		
1,282,825 (2008: 1,282,825) fully paid ordinary shares of Rs. 10/- each	12,145	12,145
Surplus on revaluation of investment	25,057	23,774
Market value as at June 30	37,202	35,919
	288,187	286,904

16. Long term loans - considered good

		2010	2009
Loan to related party	- note 16.1	900	900
Loan to employees:			
Company loan	- note 16.2	1,994	2,154
Motor cycle loan	- note 16.3	2,453	2,382
Less: Current portion included in current assets	- note 20	(2,159)	(2,061)
		2,288	2,475
		3,188	3,375

16.1 Unsecured loan bearing mark-up at the rate of 14% (2009: 11%) per annum was advanced to Agrimall (Private) Limited, an associated undertaking engaged in agricultural business and acting interalia 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 amounts to Rs. 900 thousand (2009: Rs. 900 thousand).

16.2 This represents interest free loans to employees aggregating to Rs. 1,994 thousand (2009: Rs. 2,154 thousand) and are secured against their gratuity and provident fund balances. These loans are repayable in monthly installments over a period of 2 years.

16.3 This represents interest free loans to employees for purchase of motor cycles aggregating to Rs. 2,453 thousand (2009: Rs. 2,382 thousand) and are secured by joint registration of motor cycles in the name of the company and employees. These loans are repayable in monthly installments over a period of 5 years.

16.4 Reconciliation of carrying amount of loans to executives:

	Balance as at July 1, 2009	Disbursement during the year	Repayments during the year	Balance as at June 30, 2010
	(Rupees in thousand)			
Due from Executives	287	250	350	187

17. 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.

18. Stock-in-trade

	2010	2009
	(Rupees in thousand)	
Raw materials (including in transit Rs. 168,059 thousand; 2009: Rs. 342,698 thousand)	2,125,219	1,764,315
Work-in-process	220,048	109,611
Finished goods :		
Manufacturing	75,099	136,474
Trading	50,013	65,653
Others	5,525	969
	130,637	203,096
	2,475,904	2,077,022

Included in stocks are raw materials and components held with third parties amounting to Rs. 134,564 thousand (2009: Rs. 64,773 thousand).

		2010	2009
		(Rupees in thousand)	

19. Trade debts

		2010	2009
Trade debts - Considered good	- note 19.1	454,465	127,209
- Considered doubtful		12,605	12,605
		471,375	139,814
Less: Provision for doubtful debts		(12,605)	(12,605)
		454,465	127,209

All debts are unsecured except for Rs. 1,066 thousand (2009: Rs. 133 thousand) which are secured against deposits.

19.1 Trade debts include balance due from Millat Equipment Limited, a related party, amounting Rs. 24,329 thousand (2009: Rs. Nil).

20. Loans and advances

		2010	2009
Current portion of long term loans to employees	- note 16	2,159	2,061
Advances to employees - Considered good	- note 20.1	1,537	1,308
Advances to suppliers - Considered good	- note 20.2	232,827	82,917
- Considered doubtful		2,485	2,485
Less: Provision for doubtful advances		(2,485)	(2,485)
		-	-
Letter of credit opening charges		2,835	15,504
		239,358	101,790

20.1 Included in advances to employees are amounts due from the Chief Executive Rs. nil (2009: Rs. nil) and Directors Rs. nil (2009: 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. 260 thousand (2009: Rs. 295 thousand) and directors Rs. 388 thousand (2009: Rs.775 thousand) in respect of travel advance.

20.2 Advances to suppliers include advances to vendors of Rs. 94,178 thousand (2009: Rs. 58,933 thousand) which carry mark-up of 17% per annum. Included in advances to vendors are advances to related parties, namely, Millat Equipment Limited and Agro Craft (Private) Limited of Rs. 2,200 thousand (2009: Rs. nil) and Rs. 726 thousand (2009: Rs. 906 thousand), respectively. In 2009, advances to vendors also included advances to related parties, namely, Bolan Castings Limited, Bismillah Industries and Millat Industrial Products Limited amounting Rs. 1,078 thousand, Rs. 563 thousand and Rs. 90 thousand, respectively.

		2010	2009
		(Rupees in thousand)	

21. Other receivables

		2010	2009
Special excise duty recoverable		216,404	140,182
Sales tax recoverable		1,703,130	921,973
Less : Provision for doubtful claims		(34,147)	(34,147)
		1,668,983	887,826
Claims receivable from principal suppliers		73,671	20,294
Profit/interest accrued	- note 21.1	5	5,333
Pension fund	- note 21.2	67,192	54,299
Receivable from gratuity fund		2,647	-
		2,028,902	1,107,934

21.1 Profit/interest accrued

	2010	2009
On bank deposits	-	5,219
On loan to associate	5	114
	5	5,333

21.2 Pension fund

	2010	2009
This comprises:		
Present value of defined benefit obligation	(518,328)	(483,464)
Fair value of plan assets	667,000	602,621
Unrecognized actuarial (gains) - net	(81,480)	(64,858)
Asset recognized in the balance sheet	67,192	54,299

Charge for the year

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

	2010	2009
Current service cost	11,959	16,168
Interest cost	58,016	51,430
Expected return on plan assets	(72,315)	(64,339)
Net actuarial gain recognized in the year	(657)	(779)
	(2,997)	2,480

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

	2010	2009
Present value of defined benefit obligation as at July 1	483,464	428,585
Interest cost	58,016	51,430
Current service cost	11,959	16,168
Benefits paid	(22,071)	(17,303)
Actuarial (gain)/loss	(13,040)	4,584
Present value of defined benefit obligation as at June 30	518,328	483,464

	2010	2009
	(Rupees in thousand)	

21.2 Pension fund (Cont'd)

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

	2010	2009
Fair value of plan assets as at July 1	602,621	536,159
Expected return on assets	72,315	64,339
Contributions	9,897	9,836
Benefits paid	(22,071)	(17,303)
Actuarial gain	4,238	9,590
Fair value of plan assets as at June 30	667,000	602,621
Actual return on plan assets	76,553	73,929
Plan assets comprise:		
Saving Certificates	58,000	14,067
Bonds, mutual funds and Term Deposit Receipts	605,661	583,280
Cash	3,339	5,274
	667,000	602,621

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	2010	2009	2008	2007	2006
		(Rupees in thousand)			
Present value of defined benefit obligation	518,328	483,464	428,585	377,329	365,806
Fair value of plan assets	667,000	602,621	536,159	468,981	374,789
Surplus	148,672	119,157	107,574	91,652	8,983
Experience adjustment on obligation	(13,040)	4,584	3,033	(28,314)	81,979
Experience adjustment on plan assets	4,238	9,590	4,014	41,461	32,995

22. Short term investments

	2010	2009
Financial asset at fair value through profit and loss	4,116,821	1,153,999
Surplus on revaluation of investment	-	19,440
Market value as at June 30	4,116,821	1,173,439

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

23. Cash and bank balance

	2010	2009
In hand:		
Cash	305	272
At banks:		
Current accounts	395,164	535,083
Saving accounts	93,086	18
Deposit accounts	620,500	460,000
	1,108,750	995,101
	1,109,055	995,373

The saving accounts bear mark-up at the rate of 5% (2009: 5% to 6%) per annum whereas the deposit account bears mark-up at 10% (2009: 9%) per annum.

		2010	2009
		(Rupees in thousand)	

24. Sales - net

	2010	2009
Local		
Tractors	21,643,036	15,068,226
Implements	22,357	19,714
Multi-application products	369,889	257,217
Trading goods	225,911	176,234
Warranty and maintenance services	202,079	638,089
	22,463,272	16,159,480
Less: Discount	(20,775)	(69,099)
	22,442,497	16,090,381
Less: Sales tax and special excise duty	(36,410)	(28,960)
	22,406,087	16,061,421
Export		
Tractors	37,726	26,825
Multi-application products	474	-
Implements	-	636
	38,200	27,461
	22,444,287	16,088,882
Less: Commission	(244,378)	(178,263)
	22,199,909	15,910,619

25. Cost of sales

		2010	2009
Components consumed		17,454,114	12,778,035
Salaries, wages and amenities	- note 25.1	219,248	204,137
Contract services		172,233	122,334
Fuel and power		70,152	50,539
Communication		1,411	1,441
Travelling and vehicle running		13,249	9,177
Printing and stationery		2,737	2,023
Insurance		9,051	11,954
Repairs and maintenance		59,150	46,760
Stores and spares consumed		73,836	71,529
Depreciation	- note 11.2	31,620	27,695
Other expenses		10,417	2,376
		18,117,218	13,328,000
Add: Opening work-in-process		109,611	27,189
Less: Closing work-in-process		(220,048)	(109,611)
Increase in work-in-process		(110,437)	(82,422)
Cost of goods manufactured		18,006,781	13,245,578
Add: Opening finished goods		136,474	227,188
Less: Closing finished goods		(75,099)	(136,474)
Decrease in finished goods stock		61,375	90,714
Cost of sales - manufactured		18,068,156	13,336,292
Cost of sales - trading	- note 25.2	148,953	101,302
Cost of sales - warranty and maintenance services	- note 25.3	148,625	51,260
		18,365,734	13,488,854

25.1 Salaries, wages and amenities include Rs. (5,862) thousand (2009: Rs. 1,284 thousand) in respect of pension expense.

		2010	2009
		(Rupees in thousand)	
25.2 Cost of sales - trading			
Opening stock		65,653	37,624
Purchases		133,313	129,331
Closing stock		(50,013)	(65,653)
Cost of goods sold		148,953	101,302
25.3 Cost of sales - warranty and maintenance services			
Warranty expenses		88,639	31,419
Maintenance services		25,224	8,817
Service department expenses		34,762	11,024
		148,625	51,260
26. Distribution and marketing expenses			
Salaries and amenities	- note 26.1	60,091	47,042
Contract services		10,946	11,236
Fuel and power		4,024	2,620
Communication		1,247	1,074
Travelling and vehicle running		13,611	5,885
Printing and stationery		11,350	6,982
Insurance		3,794	4,015
Trademark fee		242,362	306,671
Advertisement and sales promotion		17,373	16,011
Depreciation	- note 11.2	5,779	6,549
Meeting/convention		5,611	3,707
Research cost		15,163	7,998
Other expenses		7,001	3,451
		398,351	423,241

26.1 Salaries and amenities include Rs. (2,195) thousand (2009: Rs. 320 thousand) in respect of pension expense.

		2010	2009
		(Rupees in thousand)	

27. Administrative expenses

		2010	2009
Salaries and amenities	- note 27.1	134,793	124,526
Contract services		19,256	9,810
Fuel and power		6,690	4,527
Communication		2,851	2,527
Travelling and vehicle running		20,748	21,573
Insurance		3,891	4,126
Repairs and maintenance		10,095	9,693
Security		9,024	8,539
Legal and professional		12,295	11,548
Depreciation	- note 11.2	14,300	16,200
Amortization of intangible asset		5,871	-
Rent, rates and taxes		4,999	3,806
Fee and subscription		2,275	2,165
Entertainment		4,184	3,282
Bad debts written off		7,766	-
Other expenses		33,301	20,466
		292,340	242,788

27.1 Salaries and amenities include Rs. (4,837) thousand (2009: Rs. 466 thousand) in respect of pension expense.

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

	2010	2009
Statutory audit	1,000	750
Half year review	150	125
Special reports and sundry certifications	358	530
Out of pocket expenses	75	75
	1,583	1,480

28. Other operating income

	2010	2009
Income from financial assets		
Dividend income	3,528	1,604
Return on bank deposits	23,672	24,242
Gain on sale of short-term investments	311,685	70,699
Change in fair value of short-term investments	-	19,440
Interest charged on early payments and advances	25,311	26,645
	364,196	142,630
Income from investment in associates and loans to related parties		
Dividend income from Millat Equipment Limited	29,250	17,550
Interest income on loan to Agrimall (Private) Limited	126	99
	29,376	17,649
Income from assets other than financial assets		
Rental income	4,993	4,923
Scrap sales	25,046	19,763
Exchange gain	22,672	-
Others	4,272	13,985
	56,983	38,671
	450,555	198,950

29. Finance cost

		2010	2009
Mark-up on short term running finance - secured		8,453	38,702
Bank charges and commission		1,045	1,122
		9,498	39,824

30. Other operating expenses

Workers' Profit Participation Fund	- note 8.4	179,227	95,432
Workers' Welfare Fund		68,104	35,049
Donations	- note 30.1	589	20,540
Property, plant and equipment written-off		-	5,289
Exchange loss		-	6,220
		247,920	162,530

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

31. Taxation

For the year		
- Current	1,046,837	551,681
- Deferred	(1,255)	23,136
	1,045,582	574,817
Prior years		
- Current	6,541	(10,997)
- Deferred	-	(26,608)
	1,052,123	537,212

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

	2010	2009
	%	%
Applicable tax rate	35.00	35.00
- Effect of change in prior year	0.20	(2.15)
- Income exempt for tax purposes	(3.29)	(1.80)
- Income chargeable to tax at lower rate	(0.33)	(0.42)
- Others	(0.05)	0.02
	(3.47)	(4.35)
Average effective tax rate	31.53	30.65

32. Events after balance sheet date

Dividend declared by the company after the balance sheet date amounting to Rs. 1,024,951 thousand (Rs. 35 per share {2009: Rs. 585,688 thousand (Rs. 25 per share)}, while appropriation to general reserve and for issuance of bonus shares made after the balance sheet date amount to Rs. 300,000 thousand and Rs. 73,211thousand respectively (2009: Rs. 247,000 thousand and Rs. 58,569 thousand respectively).

33. Remuneration of chief executive, directors and executives

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

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	(Rupees in thousands)					
Number of persons	1	3**	5	6	28	22
Remuneration	2,131	2,278	7,361	7,467	17,498	15,032
Cost of living allowance	2,131	1,019	7,270	7,964	13,748	11,769
Bonus	845	660	3,235	3,430	6,655	7,062
House rent	959	1,025	3,315	3,362	6,723	5,857
Contribution to provident fund			-			
and gratuity funds	599	162	107	674	4,255	3,568
Pension contribution	362	119	15	407	2,337	2,049
Medical expenses	96	234	439	1,759	2,152	2,137
Utilities	255	181	1,439	1,239	2,282	1,814
Other reimbursable expenses	1,177	918	4751	3,121	4,732	4,422
	8,555	6,596	27,932	29,423	60,382	53,710

** On May 12, 2009, Mr. Laeeq Uddin Ansari was appointed as the Chief Executive instead of Mr. Muhammad Shoaib Pasha. Mr Muhammad Shoaib Pasha had been appointed as the Chief Executive with effect from October 30, 2008 in place of Mr. Sohail Bashir Rana who retired as Chief Executive on the same date.

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

33.1 Remuneration to other directors

Aggregate amount charged to profit and loss account for the year in respect of fee to one director (2009: 1 director) was Rs. 12 thousand (2009: Rs. 9 thousand) and travelling expenses Rs. 217 thousand (2009: Rs. 121 thousand).

34. Transactions with related parties

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

		2010	2009
		(Rupees in thousand)	
Relation with undertaking	**Nature of transaction**		
Subsidiary	Purchase of components	70,289	48,983
Associates	Sale of goods	29,385	16,247
	Purchase of components	3,439,119	2,673,337
	Dividend income	29,250	17,550
	Rental income	97	88
Other related parties	Purchase of components	78,797	50,529
Retirement benefit plans	Contribution to staff retirement benefit plans	26,804	36,333

35. Earnings per share

35.1 Basic earnings per share

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

		2010	2009
Profit for the year after tax	(Rupees in thousands)	2,284,498	1,215,120
Average ordinary shares in issue	(Numbers)	29,284,326	29,284,326
Earnings per share	(Rupees)	78.01	41.49

35.2 Diluted earnings per share

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

		2010	2009
		(Rupees in thousand)	

36. Cash generated from operations

		2010	2009
Profit before taxation		3,336,621	1,752,332
Adjustment for:			
Depreciation on property, plant and equipment		51,699	50,440
Bad debts written off		7,766	-
Amortization of intangible asset		5,871	-
Provision for accumulating compensated absences		3,399	3,274
Deferred revenue amortised		(202,079)	(15,708)
Property, plant and equipment written off		-	5,289
Profit on bank deposits		(23,672)	(24,242)
Dividend income		(32,778)	(19,154)
Finance cost		9,498	39,824
Gain on sale of investments		(311,685)	(90,139)
Working capital changes	- note 36.1	2,500,520	(1,222,590)
		5,345,160	479,326

36.1 Working capital changes

	2010	2009
(Increase)/decrease in current assets		
Stores and spares	(33,355)	1,048
Stock-in-trade	(398,882)	(440,869)
Trade debts	(335,022)	(24,549)
Loans and advances	(137,568)	(3,708)
Trade deposits and prepayments	(7,129)	(8,097)
Interest accrued on loan to Agrimall (Private) Limited	109	(99)
Other receivables	(926,296)	64,473
	(1,838,143)	(411,801)
Increase/(decrease) in current liabilities		
Trade and other payables	4,338,663	(810,789)
	2,500,520	(1,222,590)

36.2 Cash and cash equivalents

	2010	2009
Cash and bank balances	1,109,055	995,373

37. Financial risk management

37.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

	2010	2009
	(Rupees in thousand)	
Trade and other payables - UKP	(1,796)	(1,272)
Net exposure - UKP	(1,796)	(1,272)
Trade and other payables - USD	(367)	(178)
Net exposure - USD	(367)	(178)
Trade and other payables - Euro	(217)	(116)
Net exposure - Euro	(217)	(116)

The following significant exchange rates were applied during the year:

	2010	2009
Rupees per UKP		
Average rate	132.73	126.55
Reporting date rate	128.96	135.38
Rupees per USD		
Average rate	84.45	79.92
Reporting date rate	85.60	81.30
Rupees per Euro		
Average rate	104.42	107.99
Reporting date rate	104.58	114.82

If the functional currency, at reporting date, had fluctuated by 5% against the UKP, USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rs. 13.64 million (2009: Rs 10 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) **Other price risk**

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

(iii) **Interest rate risk**

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

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

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

	2010	2009
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balances - deposit accounts	620,500	460,000
Bank balances - savings accounts	93,086	18
Advances to suppliers	94,178	58,933
Total exposure	807,764	518,951
Floating rate instruments		
Financial liabilities		
Short term borrowings	-	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(b) **Credit risk**

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

(i) Exposure to credit risk

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

	2010	2009
	(Rupees in thousand)	
Long term investments	288,187	286,904
Long term loans	900	900
Loans to employees	2,288	4,536
Trade debts	454,465	127,209
Other receivables	140,868	79,926
Short term investments	4,116,821	1,173,439
Bank balances	1,108,750	995,101
	6,112,279	2,668,015

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

The company's exposure to credit risk in respect of trade debts is limited to its carrying amount. The carrying amount of trade debts older than 365 days and not impaired was Rs. 29,050 thousand (2009: Rs. 37,302 thousand).

(ii) Credit quality of major financial assets

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

Banks	Rating		Rating		
	Short term	Long term	Agency	2010	2009
				(Rupees in thousand)	
Meezan Bank Limited	A1	A+	JCR	2,755	12,076
Zarai Taraqiati Bank	A-1+	AAA	JCR	176,783	525,274
Bank Alfalah Limited	A1+	AA	PACRA	110,369	48,369
Standard Chartered Bank	A1+	AAA	PACRA	11,827	9,464
Royal Bank of Scotland	A1+	AA	PACRA	214	12,047
United Bank Limited	A-1+	AA+	JCR	730,970	369,098
Bank of Punjab Limited	A1+	AA-	PACRA	3,933	690
MCB Bank Limited	A1+	AA+	PACRA	18,597	6,827
Habib Bank Limited	A-1+	AA+	JCR	14,482	11,256
Barclays Bank	A-1+	AA-	Standard and Poor's	38,820	-
				1,108,750	995,101

Mutual funds	Rating	Rating Agency	2010	2009
			(Rupees in thousand)	
United Growth and Income Fund	A +(f)	JCR	-	349,776
NAFA Cash Fund	A +(f)	PACRA	-	352,226
MCB Dynamic Cash Fund	AM2-	PACRA	558,614	471,437
United Liquidity Plus Fund	AA+(f)	JCR-VIS	779,043	-
MCB Cash Management Optimizer Fund	AM2-	PACRA	582,494	-
NAFA Government Securities Liquid Fund	AA+(f)	PACRA	474,110	-
NIT Government Bond Fund	AM2	PACRA	565,328	-
NIT Income Fund	AM2	PACRA	57,336	-
ABL Income Fund	A+(f)	JCR	995,143	-
Meezan Cash Fund	AM2	PACRA	104,753	-
			4,116,821	1,173,439

(c) **Liquidity risk**

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

The company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2010, the company had Rs 1,835,000 thousand available borrowing limits from financial institutions and Rs 1,109,115 thousand cash and bank balances.

The following are the contractual maturities of financial liabilities as at June 30, 2010:

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Trade and other payables	7,410,929	7,407,493	3,436	-
Accrued finance cost	1,884	1,884	-	-
	7,412,813	7,409,377	3,436	-

The following are the contractual maturities of financial liabilities as at June 30, 2009:

Trade and other payables	3,097,565	3,097,565	-	-
Accrued finance cost	3,298	3,298	-	-
	3,100,863	3,100,863	-	-

37.2 Fair values of financial assets and liabilities

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

37.3 Financial instruments by categories

	Available-for-sale		At fair value through profit and loss		Loans and receivables		Investments at cost		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)									
Financial assets as per balance sheet										
Long term investments	37,202	35,919	-	-	-	-	250,985	250,985	288,187	286,904
Long term loans	-	-	-	-	900	900	-	-	900	900
Loans to employees	-	-	-	-	2,288	4,536	-	-	2,288	4,536
Trade debts	-	-	-	-	454,465	127,209	-	-	454,465	127,209
Trade deposits	-	-	-	-		79,926	-	-	-	79,926
Other receivables	-	-	-	-	140,868		-	-	140,868	-
Short term investments	-	-	4,116,821	1,173,439	-		-	-	4,116,821	1,173,439
Bank balances	-	-	-	-	1,108,750	995,101	-	-	1,108,750	995,101
	37,202	35,919	4,116,821	1,173,439	1,707,271	1,207,672	250,985	250,985	6,112,279	2,668,015

	2010	2009
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Trade and other payables	3,410,929	3,097,565
Accrued finance cost	1,884	3,298
	7,412,813	3,100,863

37.4 Capital risk management

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

	2010	2009
	Units per annum	

38. Capacity and production

Tractors

	2010	2009
Plant capacity (double shift)	30,000	30,000
Actual production	40,178	30,244

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

39. Date of authorisation for issue

These financial statements were authorised for issue on September 03, 2010 by the Board of Directors of the company.

40. Corresponding figures

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

Sikandar Mustafa Khan
Chairman

Laeeq Uddin Ansari
Chief Executive

MILLAT TRACTORS GROUP

CONSOLIDATED FINANCIAL STATEMENTS

GROUP DIRECTORS' REPORT 2010

The Directors are pleased to present their report together with the audited Group Consolidated Financial Statements for the year ended June 30, 2010.

THE GROUP

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

The Directors' reports, giving complete information about the performance of Millat Tractors Limited and Millat Industrial Products Limited for the year ended June 30, 2010 have been presented separately along with their respective financial statements.

MILLAT INDUSTRIAL PRODUCTS LIMITED

MIPL is engaged in manufacturing of automotive batteries for MTL as well as the local market. The Company introduced new range of batteries during the year in order to increase the market share. The Company is currently in the process of further enhancement in its production capacity. MIPL earned an after tax profit of Rs. 43.56 million and registered sale of Rs. 331.63 million.

SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Group Companies have occurred between the end of the financial year of the Companies and the date of this report.

PATTERN OF SHAREHOLDING

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

EARNINGS PER SHARE

Earnings per share for the year ended June 30, 2010 of both companies are duly reported in their Directors' reports.

Sikandar Mustafa Khan
Chairman

Laeeq Uddin Ansari
Chief Executive

Lahore:
September 03, 2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Millat Tractors Limited (the holding company)and its subsidiary company as at June 30, 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Millat Tractors Limited while the financial statements of its subsidiary company, Millat Industrial Products Limited, were audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Group's share of income from associated companies of Rs. 262,396 thousand shown in the consolidated Profit and loss account and note 15 to the financial statements is based on unaudited financial statements of these associated companies.

Except for the effect, if any, of the matter referred to in the preceding paragraph, in our opinion, the consolidated financial statements present fairly the financial position of Millat Tractors Limited and its subsidiary company as at June 30, 2010 and the results of their operations for the year then ended.

A.F.Ferguson & Co.
Chartered Accountants
Name of audit
engagement partner:
Imran Farooq Mian

Lahore:
Dated: September 03, 2010

CONSOLIDATED BALANCE SHEET

	Note	2010	2009
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
30,000,000 (June 30, 2009: 30,000,000) ordinary shares of Rs. 10 each		300,000	300,000
Issued, subscribed and paid up capital	5	292,844	234,275
General reserves		2,467,776	2,220,776
Unappropriated profit		1,747,571	1,062,420
Fair value reserve		11,720	10,437
Equity attributable to equity holders of the parent		4,519,911	3,527,908
Non-controlling interest		46,683	31,038
		4,566,594	3,558,946
NON-CURRENT LIABILITIES			
Security deposits	6	10,285	9,485
Deferred revenue		-	33,069
Deferred taxation	7	8,528	9,396
		18,813	51,950
CURRENT LIABILITIES			
Accumulating compensated absences		36,664	33,265
Current portion of deferred revenue		33,069	202,079
Trade and other payables	8	7,513,070	3,140,201
Mark-up accrued on short term borrowings		1,909	3,691
Provision for taxation		3,200	695
		7,587,912	3,379,931
CONTINGENCIES AND COMMITMENTS	10	-	-
		12,173,319	6,990,827

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

AS AT JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	446,997	439,208
Capital work-in-progress	12	157,748	104,335
Intangible assets	13	29,357	30,208
Investment property	14	273,203	273,203
Long term investments	15	525,467	381,662
Long term loans - considered good	16	3,188	3,375
		1,435,960	1,231,991
CURRENT ASSETS			
Stores and spares	17	113,921	78,844
Stock-in-trade	18	2,520,520	2,110,211
Trade debts	19	483,605	148,677
Loans and advances	20	257,022	107,222
Trade deposits and prepayments		24,013	16,631
Other receivables	21	2,030,965	1,107,934
Taxation-net		46,612	5,189
Short term investments	22	4,116,821	1,173,439
Cash and bank balances	23	1,143,880	1,010,689
		10,737,359	5,758,836
		12,173,319	6,990,827

Sikandar Mustafa Khan
Chairman

Laeeq Uddin Ansari
Chief Executive

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
Sales - net	24	22,461,249	16,091,730
Cost of sales	25	18,528,176	13,588,934
Gross profit		3,933,073	2,502,796
Distribution and marketing expenses	26	411,275	439,983
Administrative expenses	27	309,861	257,163
		721,136	697,146
Operating profit		3,211,937	1,805,650
Other operating income	28	422,259	181,481
		3,634,196	1,987,131
Finance cost	29	10,007	44,759
Other operating expenses	30	252,584	164,992
		262,591	209,751
		3,371,605	1,777,380
Share of profit of associates	31	262,396	88,773
Profit before taxation		3,634,001	1,866,153
Taxation			
- Group	32	1,072,794	541,309
- Associates		90,625	30,794
		1,163,419	572,103
Profit for the year		2,470,582	1,294,050
Attributable to:			
- Equity holders of the parent		2,454,937	1,280,223
- Non-controlling interest		15,645	13,827
		2,470,582	1,294,050
Earnings per share - basic and diluted (Rupees)	36	83.83	43.72

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

Sikandar Mustafa Khan
Chairman

Laeeq Uddin Ansari
Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010	**2009**
	(Rupees in thousand)	
Profit for the year	2,470,582	1,294,050
Unrealized gain / (loss) on revaluation of investments	1,283	(39,768)
Total comprehensive income for the year	2,471,865	1,254,282
Attributable to:		
- Equity holders of the parent	2,456,220	1,240,455
- Non-controlling interest	15,645	13,827
	2,471,865	1,254,282

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

Sikandar Mustafa Khan
Chairman

Laeeq Uddin Ansari
Chief Executive

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	37	5,388,493	533,188
Interest and mark-up paid		(11,789)	(45,572)
Net decrease in long term loans to employees		187	1,010
Income tax paid		(1,112,581)	(540,564)
Long term security deposits received		800	-
Net cash generated from/(used in) operating activities		4,265,110	(51,938)
Cash flows from investing activities			
Purchase of property, plant and equipment		(124,072)	(99,956)
Purchase of intangible assets		(5,020)	(13,180)
Proceeds from sale of property, plant and equipment		7,248	6,232
Purchase of short term investments		(12,586,821)	(2,153,883)
Proceeds from sale of short term investments		9,955,124	3,902,353
Purchase of investment in associated group		-	(11,246)
Profit on bank deposits		29,645	19,219
Dividend received		32,778	19,154
Net cash (used in)/generated from investing activities		(2,691,118)	1,668,693
Cash flows from financing activities			
Dividend paid		(1,440,801)	(834,093)
Net cash used in financing activities		(1,440,801)	(834,093)
Net increase in cash and cash equivalents		133,191	782,662
Cash and cash equivalents at the beginning of the year		1,010,689	228,027
Cash and cash equivalents at the end of the year	37.2	1,143,880	1,010,689

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

Sikandar Mustafa Khan
Chairman

Laeeq Uddin Ansari
Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2010

	Attributable to equity holders of the parent						
		Revenue reserves					
	Share capital	General reserves	Unappropriated profit	Fair value reserve	Total	Non-controlling interest	Total equity
	(Rupees in thousand)						
Balance as on July 1, 2008	187,420	2,211,000	682,216	50,205	3,130,841	17,211	3,148,052
Final dividend for the year ended June 30, 2008 Rs. 20 per share	-	-	(374,839)	-	(374,839)	-	(374,839)
Issue of ordinary shares of Rs. 10 each as fully paid bonus shares	46,855	-	(46,855)	-	-	-	-
Transferred from profit and loss account	-	155,000	(155,000)	-	-	-	-
Interim dividend Rs. 20 per share	-	(145,224)	(323,325)	-	(468,549)	-	(468,549)
Total comprehensive income for the year ended June 30, 2009	-	-	1,280,223	(39,768)	1,240,455	13,827	1,254,282
Balance as on June 30, 2009	234,275	2,220,776	1,062,420	10,437	3,527,908	31,038	3,558,946
Final dividend for the year ended June 30, 2009 Rs. 25 per share	-	-	(585,687)	-	(585,687)	-	(585,687)
Issue of ordinary shares of Rs. 10 each as fully paid bonus shares	58,569	-	(58,569)	-	-	-	-
Transferred from profit and loss account	-	247,000	(247,000)	-	-	-	-
Interim dividend Rs. 30 per share	-	-	(878,530)	-	(878,530)	-	(878,530)
Total comprehensive income for the year ended June 30, 2010	-	-	2,454,937	1,283	2,456,220	15,645	2,471,865
Balance as on June 30, 2010	292,844	2,467,776	1,747,571	11,720	4,519,911	46,683	4,566,594

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

Sikandar Mustafa Khan
Chairman

Laeeq Uddin Ansari
Chief Executive

1. Legal status and nature of business

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

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

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Standards, interpretations and amendments to published approved accounting standards

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

2.2.1 Amendments to published standards effective in current year

- IAS 1 (Revised), 'Presentation of financial statements' is effective from January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the group shows all 'owner related changes in equity' in statement of changes in equity, whereas all 'non-owner changes in equity' are presented in other comprehensive income.

  The group has preferred to present two statements; a profit and loss account (income statement) and a second statement beginning with profit or loss and display components of other comprehensive income (statement of comprehensive income).

- 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 to capitalise the borrowing cost 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.

- IAS 27 (revised), 'Consolidated and separate financial statements', is effective from July 1, 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in income statement. It is not expected to have any impact on the group's financial statements.

- IFRS 3 (revised), 'Business combinations' is effective from July 1, 2009. The revised standard continues to apply the acquisition methods to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statements. There is choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at non-controlling interest's proportionate share of acquiree's net assets. All acquisition-related cost should be expensed. It is not expected to have any impact on group's financial statements.

- IFRS 7, 'Financial instruments: Disclosures' is effective from January 1, 2009. IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and measurement of the group's financial instruments. The application of IFRS 7 has resulted in additional disclosures in the group's financial statements, however, there is no impact on profit for the year.

- IFRS 8, 'Operating Segments' is effective from January 1, 2009. IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes, and introduces detailed disclosures regarding the reportable segments and products. There is no impact of the new standard on the group's financial statements.

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 are considered not to be relevant or to have any significant impact on the group's financial reporting and operations..

2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

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

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It is not expected to have a material impact on the group's financial statements.

- IAS 38 (amendment), 'Intangible assets'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any significant impact on the group's financial statements.

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The group will apply IFRS 5 (amendment) from July 1, 2010. It is not expected to have a material impact on the group's financial statements.

There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 (not addressed above). These amendments are unlikely to have any impact on the group's financial statements and therefore have not been analysed in detail.

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

4. Significant accounting policies

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

4.1 Principles of consolidation

4.1.1 Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any 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 unrealized 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 Non-controlling interest

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

4.1.3 Associates

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

The group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not 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% (2009: 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, 2010.

The actual return on the plan assets during the year was Rs. 76,553 thousand (2009: Rs. 73,929 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:

	2010	2009
Expected rate of increase in salary level	11%	11%
Expected rate of return	12%	14%
Discount rate	12%	12%
Average expected remaining working life of employees	7 years	7 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 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. 8,174 thousand (2009: Rs. 8,488 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. 8,181 thousand (2009: Rs. 7,274 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. During the year Rs. 3,399 thousand (2009: Rs. 2,905 thousand) has been recognized as an expense by the group, in respect of the scheme.

4.3 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally 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 group 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, 2009 has not required any adjustment as its impact is considered insignificant.

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.

The actual return on the plan assets during the year was Rs. 536,159 thousand (2009: Rs. 468,981 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.

4.5 Capital work-in-progress

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

4.6 Intangible assets

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

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

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

4.7 Investment property

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

The group assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amount of such assets 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.

4.8 Investments and other financial assets

Financial assets in the scope of IAS 39 : "Financial Instruments - Recognition and Measurement", are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, 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.

4.8.1 Financial assets at fair value through profit or loss

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

4.8.2 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the 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.

4.8.3 Loans and receivables

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

4.8.4 Available-for-sale financial assets

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

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

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

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

4.9 Stores and spares

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

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

4.10 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of 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.

4.11 Trade debts

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

4.12 Cash and cash equivalents

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

4.13 Revenue recognition

Revenue from sale of goods is 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.

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

4.14 Research cost

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

4.15 Borrowing costs

Borrowing costs are 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 group.

4.17 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.

4.18 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 group's functional and presentation currency.

4.20 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.

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

4.21 Dividend and appropriations

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

5. Issued, subscribed and paid up capital

2010	2009		2010	2009
(Number of shares)			(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		
20,884,604	16,199,112	- Opening balance	208,846	161,991
5,856,865	4,685,492	- Issued during the year	58,569	46,855
26,741,469	20,884,604		267,415	208,846
29,284,326	23,427,461		292,844	234,275

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.

	2010	2009
	(Rupees in thousand)	

7. Deferred Taxation

	2010	2009
The liability for deferred tax comprises temporary differences relating to:		
Taxable temporary differences		
Accelerated tax depreciation	41,231	38,675
Deductible temporary differences		
Others - Provision for doubtful receivables / accumulating compensated absences/ warranty provision	(32,703)	(29,279)
Net deferred tax liability at the year end	8,528	9,396

	Deferred tax liability	Deferred tax asset	Net liability
	Accelerated tax depreciation	Others	
	(Rupees in thousand)		
Balance as at July 1, 2008	20,250	(7,895)	12,355
Charged/(credited) to profit and loss account	18,425	(21,384)	(2,959)
Balance as at June 30, 2009	38,675	(29,279)	9,396
Charged/(credited) to profit and loss account	2,556	(3,424)	(868)
Balance as at June 30, 2010	41,231	(32,703)	8,528

8. Trade and other Payables

		2010	2009
Creditors	- note 8.1	1,116,050	727,168
Accrued liabilities		132,716	122,377
Bills payable		69,032	38,284
Advances from customers	- note 8.2	5,682,511	1,901,509
Security deposits	- note 8.3	4,839	4,372
Trade mark fee payable		228,112	171,938
Income tax deducted at source		50,335	28,321
Workers' Profit Participation Fund	- note 8.4	26,672	27,685
Workers' Welfare Fund		80,642	47,275
Unclaimed dividends		55,743	32,326
Others		66,418	38,946
		7,513,070	3,140,201

8.1 Creditors include balances due to related parties amounting Rs. 33,475 thousand (2009: Rs. 177,702 thousand).

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

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

8.4 Workers' Profit Participation Fund

		2010	2009
		(Rupees in thousand)	
Opening balance		27,685	15,253
Allocation for the year	- note 30	182,672	97,685
		210,357	112,938
Less: Payments made during the year		(183,685)	(85,253)
Closing balance		26,672	27,685

9. Short term borrowings

Short term borrowings are available from various banks against aggregate sanctioned limit of Rs. 1,935,000 thousand (2009: Rs. 1,535,000 thousand). The rates of mark-up range from 34.33 paisas to 42.47 paisas (2009: paisas 31.90 to paisas 47.23) per Rs. 1,000 per day.

The group has facilities for opening of letters of credit and guarantees aggregating to Rs. 3,299,000 thousand (2009: Rs. 2,059,000 thousand) out of which Rs.1,746,000 thousand (2009: Rs. 843,286 thousand) remained unutilized at the end of the year.

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

10. Contingencies and commitments

Contingencies

10.1 The group has given guarantee amounting to Rs. 5,000 thousand to the bank for repayment of loan by employees. An amount of Rs. 1,930 thousand (2009: Rs. 2,856 thousand) was utilized by employees as at June 30, 2010.

10.2 Guarantees issued by banks on behalf of the group in the normal course of business amount to Rs. 205,636 thousand (2009: Rs. 211,700 thousand).

10.3 The group is defending a counter suit for Rs. 19,579 thousand, filed in previous years by an ex-vendor on account of damages and inconvenience. The management and the legal advisor are confident that outcome of the case would be in the group's favour and no loss is likely to occur, hence no provision there against has been made in these financial statements. The case is pending in the Civil Court, Lahore.

10.4 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.

10.5 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.

Commitments

10.6 Commitments in respect of outstanding letters of credit amount to Rs. 1,755,638 thousand (2009: Rs. 843,286 thousand) at the balance sheet date.

10.7 Commitments in respect of capital expenditure amounted to Rs. 10,303 thousand (2009: Rs. 75,943 thousand)

11. Property, plant and equipment

	Land		Buildings							
	Freehold	Leasehold	On freehold land	On leasehold land	Plant and machinery	Furniture and office equipment	Vehicles	Tools and equipments	Computers	Total
					(Rupees in thousand)					
Net carrying value basis										
Year ended June 30, 2010										
Opening net book value (NBV)	68,762	8	44,560	436	176,792	22,280	86,320	34,312	5,738	439,208
Additions (at cost)	-	-	2,599	-	18,638	4,844	39,105	2,672	2,801	70,659
Disposals (at NBV)	-	-	-	-	-	-	(7,248)	-	-	(7,248)
Depreciation charge	-	-	(4,217)	(145)	(18,991)	(2,753)	(21,526)	(5,443)	(2,547)	(55,622)
Closing net book value (NBV)	68,762	8	42,942	291	176,439	24,371	96,651	31,541	5,992	446,997
Gross carrying value basis										
As at June 30, 2010										
Cost	68,762	8	184,200	2,900	399,381	46,821	184,257	82,351	19,231	987,911
Accumulated depreciation	-	-	(141,258)	(2,609)	(222,942)	(22,450)	(87,606)	(50,810)	(13,239)	(540,914)
Net book value (NBV)	68,762	8	42,942	291	176,439	24,371	96,651	31,541	5,992	446,997
Depreciation rate % per annum	-	-	5-10	5	10-15	10-20	20	10-15	30-33	
Net carrying value basis										
Year ended June 30, 2009										
Opening net book value (NBV)	68,762	8	46,285	581	63,426	20,752	82,428	38,109	8,800	329,151
Additions (at cost)	-	-	2,657	-	133,067	4,753	29,073	5,820	206	175,576
Disposals (at NBV)	-	-	-	-	(939)	(637)	(6,137)	(3,466)	(344)	(11,523)
Depreciation charge	-	-	(4,382)	(145)	(18,762)	(2,588)	(19,044)	(6,151)	(2,924)	(53,996)
Closing net book value (NBV)	68,762	8	44,560	436	176,792	22,280	86,320	34,312	5,738	439,208
Gross carrying value basis										
As at June 30, 2009										
Cost	68,762	8	181,601	2,900	380,743	41,977	164,592	79,679	16,430	936,692
Accumulated depreciation	-	-	(137,041)	(2,464)	(203,951)	(19,697)	(78,272)	(45,367)	(10,692)	(497,484)
Net book value (NBV)	68,762	8	44,560	436	176,792	22,280	86,320	34,312	5,738	439,208
Depreciation rate % per annum	-	-	5-10	5	10-15	10-20	20	10-15	30-33	439,208

11.1 Disposal of property, plant and equipment

(Rupees in thousand)

Particulars of	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Vehicles						
	Directors					
	Mr. L.K. Hashmi	3,830	2,826	1,004	1,004	Company car scheme
	Employees					
	Mr. Shahid S. Toor	841	620	221	221	Company car scheme
	Mr. Javed Munir	998	736	262	262	Company car scheme
	Mr. Farough Iqbal	841	620	221	221	Company car scheme
	Mr. Mubashar Iqbal	1,382	504	878	878	Company car scheme
	Mr. Mubashar Iqbal	841	588	253	253	Company car scheme
	Mr. Muhammad Anwar	1,039	249	790	790	Company car scheme
	Mr. Muhammad Anwar	774	571	203	203	Company car scheme
	Mr. Ahsan Imran	841	620	221	221	Company car scheme
	Mr. Ahsan Imran	841	620	221	221	Company car scheme
	Mr. Rustam Ali	660	293	367	367	Company car scheme
	Mr. Nisar Abbas	371	274	97	97	Company car scheme
	Mr. Syed Azhar Hussain	371	266	105	105	Company car scheme
	Mr. Muhammad Ameer Khan	604	446	158	158	Company car scheme
	Mr. Gulam Mustafa	371	274	97	97	Company car scheme
	Mr. Mansoor Abbasi	774	571	203	203	Company car scheme
	Mr. Muhammad Irfan	371	274	97	97	Company car scheme
	Mr. Muhammad Hussain	660	285	375	375	Company car scheme
	Mr. Maroof Ahmed	434	196	238	238	Company car scheme
	Mr. Muhammad Ashraf Kasana	649	114	535	535	Company car scheme
	Mr. Muhammad Azam	375	262	113	113	Company car scheme
	Mr. Safdar Ali	70	3	67	67	Company motorcycle scheme
Others with net book value less than Rs 50,000 each		1,502	980	522	522	Company motorcycle scheme
		19,440	**12,192**	**7,248**	**7,248**	

		2010	2009
		(Rupees in thousand)	

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

		2010	2009
Cost of sales	- note 25	35,141	30,912
Distribution cost	- note 26	5,913	6,661
Administrative expenses	- note 27	14,568	16,423
		55,622	53,996

12. Capital work-in-progress

	2010	2009
Plant and machinery	1,345	14,938
Advance for purchase of office space	151,830	83,230
Others	4,573	6,167
	157,748	104,335

13. Intangible asset

	ERP software 2010 (Rupees in thousand)
Net carrying value basis	
Opening net book value (NBV)	-
Additions at cost	35,228
Amortisation charge	(5,871)
Closing net book value (NBV)	29,357
Gross carrying value basis	
Cost	35,228
Accumulated amortisation	(5,871)
Net book value (NBV)	29,357
Rate of amortisation	33%

14. Investment property

Based on the valuation carried out by an independent valuer as at June 30, 2010, the fair value of investment property is Rs. 388,875 thousand (2009: Rs. 381,375 thousand).

15. Long term investment

	2010	2009
	(Rupees in thousand)	
Investment in related parties		
In associated companies		
Quoted		
Bolan Castings Limited		
4,385,934 (2009: 3,654,945) fully paid ordinary shares of Rs. 10/- each	211,532	173,526
Equity held 46.26% (2009: 46.26%). Market value as at June 30, 2010 is Rs. 156,052 thousand (2009: Rs. 80,409 thousand)		
Unquoted		
Millat Equipment Limited		
11,700,000 (2009: 11,700,000) fully paid ordinary shares of Rs. 10/- each	276,733	172,217
Equity held 45% (2009: 45%)		
Value of investment based on net assets as shown in the un-audited accounts as at June 30, 2010 is Rs. 278,518 thousand (2009: audited accounts Rs. 174,003 thousand)		
Arabian Sea Country Club Limited		
500,000 (2009: 500,000) fully paid ordinary shares of Rs. 10/- each	5,000	5,000
Equity held 6.45% (2008: 6.45%)		
Value of investment based on the net assets shown in the audited account as at June 30, 2008 is Rs. 3,926 thousand (2008: Rs. 3,926 thousand)		
Less: Impairment loss	(5,000)	(5,000)
	-	-
Agrimall (Private) Limited		
2,000 (2009: 2,000) fully paid ordinary shares of Rs.10/- each	20	20
Equity held 20% (2009: 20%)		
Value of investment based on the net assets shown in the audited account as at June 30, 2009 is Rs. Nil (2008: Rs. Nil)		
Less: Impairment loss	(20)	(20)
	-	-
Other investment - Available for sale		
Quoted		
Baluchistan Wheels Limited		
1,282,825 (2009: 1,282,825) fully paid ordinary shares of Rs. 10/- each	25,481	25,481
Surplus on revaluation of investment	11,721	10,438
Market value as at June 30	37,202	35,919
	525,467	381,662

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 June 30, 2009	Percentage interest held	Assets	Liabilities	Revenue	Profit/(Loss)	
			(Rupees in thousand)			
Bolan Castings Limited	46.26%	413,328	236,069	742,300	24,587	**
Millat Equipment Limited	45.00%	473,340	299,337	527,653	64,186	**
		886,667	535,406	1,269,953	88,773	
Arabian Sea Country Club Limited	6.45%	9,906	5,980	5,490	(724)	*
Agrimall (Private) Limited	20.00%	2,651	6,747	2,589	(3)	*
		12,557	12,727	8,079	(724)	
		899,224	548,133	1,278,032	88,049	

* The audited accounts for these entities were drawn up to June 30, 2008.

** Share of Profit/(Loss) of associates is before taxation (share of tax amounts to Rs 30,794 thousand).

June 30, 2010

Name	Percentage interest held	Assets	Liabilities	Revenue	Profit/(Loss)	
Bolan Castings Limited	46.26%	482,494	266,548	790,050	58,171	**
Millat Equipment Limited	45.00%	598,055	319,538	860,147	204,225	**
		1,080,549	586,086	1,650,196	262,396	
Arabian Sea Country Club Limited	6.45%	9,906	5,980	5,490	(724)	*
Agrimall (Private) Limited	20.00%	2,651	6,747	2,589	(3)	*
		12,557	12,727	8,079	(727)	
		1,093,106	598,813	1,658,275	261,669	

* The audited accounts for these entities were drawn up to June 30, 2008.

** Share of Profit/(Loss) of associates is before taxation (share of tax amounts to Rs 90,625 thousand).

16. Long term loans - considered good

		2010	2009
		(Rupees in thousand)	
Loan to related party	- note 16.1	900	900
Loan to employees:			
Company loan	- note 16.2	1,994	2,154
Motor cycle loan	- note 16.3	2,453	2,382
Less: Current portion included in current assets	- note 20	(2,159)	(2,061)
		2,288	2,475
		3,188	3,375

16.1 Unsecured loan bearing mark up at the rate of 14% (2009: 11%) per annum was advanced to Agrimall (Private) Limited, an associated undertaking engaged in agricultural business and acting interalia 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 amounted to Rs. 900 thousand (2009: Rs. 900 thousand).

16.2 This represents interest free loans to employees aggregating to Rs. 1,994 thousand (2009: Rs. 2,154 thousand) and are secured against their gratuity and provident fund balances. These loans are repayable in monthly installments over a period of 2 years.

16.3 This represents interest free loans to employees for purchase of motor cycles aggregating to Rs. 2,453 thousand (2009: Rs. 2,382 thousand) and are secured by joint registration of motor cycles in the name of group and the employees. These loans are repayable in monthly installments over a period of 5 years.

16.4 Reconciliation of carrying amount of loans to executives:

	Balance as at July 1, 2009	Disbursement during the year	Repayments during the year	Balance as at June 30, 2010
	(Rupees in thousand)			
Due from Executives	287	250	350	187

17. Stores and spares

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

18. Stock-in-trade

	2010	2009
	(Rupees in thousand)	
Raw materials (including in transit Rs. 168,059 thousand 2009: Rs. 342,698 thousand)	2,144,526	1,734,626
Work-in-Process	236,944	122,232
Finished goods :		
Manufacturing	83,512	186,731
Trading	50,013	65,653
Others	5,525	969
	2,520,520	2,110,211

Included in stocks are raw material and components held with third parties amounting to Rs. 134,834 thousand (2009: Rs. 63,846 thousand).

19. Trade debts

		2010	2009
Trade debts - Considered good	- note 19.1	483,605	148,677
- Considered doubtful		12,605	12,605
		496,210	161,282
Less: Provision for doubtful debts		(12,605)	(12,605)
		483,605	148,677

All debts are unsecured except for Rs. 1,066 thousand (2009: Rs. 133 thousand) which are secured against deposits.

19.1 Trade debts include balance due from Millat Equipment Limited, a related party, amounting Rs. 24,329 thousand (2009: Rs. Nil).

20. Loans and advances

		2010	2009
Current portion of long term loans to employees	- note 16	2,159	2,061
Advances to employees - Considered good	- note 20.1	1,537	1,308
Advances to suppliers - Considered good	- note 20.2	250,491	88,349
- Considered doubtful		2,485	2,485
Less: Provision for doubtful advances	- note 20.3	(2,485)	(2,485)
		-	-
Letter of credit opening charges		2,835	15,504
		257,022	107,222

20.1 Included in advances to employees are amounts due from the Chief Executive Rs. Nil (2009: Rs. Nil) and directors Rs. Nil (2009: 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. 260 thousand (2009: Rs. 295 thousand) and directors Rs. 388 thousand (2009: Rs. 775 thousand) in respect of travel advance.

20.2 Advances to suppliers include advances to vendors of Rs. 94,178 thousand (2009: Rs. 58,933 thousand) which carry mark-up of 17% per annum. Included in advances to vendors are advances to related parties, namely, Millat Equipment Limited and Agro Craft (Private) Limited of Rs. 2,200 thousand (2009: Rs. nil) and Rs. 726 thousand (2009: Rs. 906 thousand), respectively. In 2009, advances to vendors also included advances to related parties, namely, Bolan Castings Limited and Bismillah Industries amounting Rs. 1,078 thousand and Rs. 563 thousand, respectively.

		2010	2009
21. Other receivables		**(Rupees in thousand)**	
Special excise duty recoverable		216,404	140,182
Sales tax recoverable		1,705,052	921,973
Less : Provision for doubtful claims		(34,147)	(34,147)
		1,670,905	887,826
Claims receivable from principal suppliers		73,671	20,294
Profit/interest accrued	- note 21.1	146	5,333
Pension fund	- note 21.2	67,192	54,299
Recoverable from gratuity fund		2,647	-
		2,030,965	1,107,934

21.1 Profit/interest accrued

	2010	2009
On bank deposits	141	5,219
On loan to associate	5	114
	146	5,333

21.2 Pension fund

	2010	2009
This comprises:		
Present value of defined benefit obligation	(518,328)	(483,464)
Fair value of plan assets	667,000	602,621
Net unrecognized actuarial gains	(81,480)	(64,858)
Asset recognized in the balance sheet	67,192	54,299

Charge for the year

	2010	2009
Salaries, wages and amenities include the following in respect of employees' pension scheme:		
Current service cost	11,959	16,168
Interest cost	58,016	51,430
Expected return on plan assets	(72,315)	(64,339)
Net actuarial gain recognized in the year	(657)	(779)
	(2,997)	2,480

	2010	2009
	(Rupees in thousand)	

21.3 Pension fund (Cont'd)

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

	2010	2009
Present value of defined benefit obligation as at July 1	483,464	428,585
Interest cost	58,016	51,430
Current service cost	11,959	16,168
Benefits paid	(22,071)	(17,303)
Actuarial (gain)/loss	(13,040)	4,584
Present value of defined benefit obligation as at June 30	518,328	483,464

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

	2010	2009
Fair value of plan assets as at July 1	602,621	536,159
Expected return on assets	72,315	64,339
Contributions	9,897	9,836
Benefits paid	(22,071)	(17,303)
Actuarial gain	4,238	9,590
Fair value of plan assets as at June 30	667,000	602,621
Actual return on plan assets	76,553	73,929

Plan assets comprise:

	2010	2009
Defence saving certificates	58,000	14,067
Bonds, mutual funds and TDRs	605,661	583,280
Cash	3,339	5,274
	667,000	602,621

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

As at June 30	2010	2009	2008	2007	2006
			(Rupees in thousand)		
Present value of defined benefit obligation	518,328	483,464	428,585	377,329	365,806
Fair value of plan assets	667,000	602,621	536,159	468,981	374,789
Surplus	148,672	119,157	107,574	91,652	8,983
Experience adjustment on plan obligation	(13,040)	4,584	3,033	(28,314)	81,979
Experience adjustment on plan assets	4,238	9,590	4,014	41,461	32,995

	2010	2009
	(Rupees in thousand)	

22. Short term investments

	2010	2009
Financial asset at fair value through profit and loss account	4,116,821	1,153,999
Surplus on revaluation of investment	-	19,440
Market value as at June 30	4,116,821	1,173,439

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

23. Cash and bank balance

	2010	2009
In hand:		
Cash	1,147	762
At banks:		
Current accounts	399,147	549,909
Saving Accounts	93,086	18
Deposit accounts	650,500	460,000
	1,143,880	1,010,689

The saving accounts bear mark-up at the rate of 5% (2009: 5% to 6%) per annum, whereas the deposit account bears mark-up at 10% (2009: 9%) per annum.

24. Sales - net

	2010	2009
Local		
Tractors	21,643,036	15,068,226
Implements	22,357	19,714
Multi-application products	369,889	257,217
Trading goods	225,911	176,234
Batteries	282,376	206,505
Warranty and maintenance services	202,079	638,089
	22,745,648	16,365,985
Less: Discount	(20,775)	(69,099)
	22,724,873	16,296,886
Less: Sales tax and special excise duty	(36,410)	(28,960)
	22,688,463	16,267,926
Export		
Tractors	37,726	26,825
Implements	-	636
Multi-application products	474	-
Batteries	23,274	8,173
	61,474	35,634
	22,749,937	16,303,560
Less: Commission	(288,688)	(211,830)
	22,461,249	16,091,730

25. Cost of sale

		2010	2009
		(Rupees in thousand)	
Components consumed		17,307,662	12,846,841
Salaries, wages and amenities	- note 25.1	233,156	214,218
Contract services		172,233	122,334
Fuel and power		83,457	59,647
Communication		1,681	1,682
Traveling and vehicle running		13,278	9,201
Printing and stationery		2,739	3,247
Insurance		9,450	12,402
Repairs and maintenance		61,250	48,498
Stores and spares consumed		79,484	74,685
Depreciation	- note 11.2	35,141	30,912
Other expenses		19,551	3,434
		18,019,082	13,427,101
Add: Opening work-in-process		122,232	46,148
Less: Closing work-in-process		(17,116)	(122,232)
Decrease/(increase) in work-in-process		105,116	(76,084)
Cost of goods manufactured		18,124,198	13,351,017
Add: Opening finished goods		189,912	275,267
Less: Closing finished goods		(83,512)	(189,912)
Decrease in finished goods stock		106,400	85,355
Cost of sales - manufactured		18,230,598	13,436,372
Cost of sales - trading	- note 25.2	148,953	101,302
Cost of sales - warranty and maintenance services	- note 25.3	148,625	51,260
		18,528,176	13,588,934

25.1 Salaries, wages and amenities include Rs. (5,862) thousand (2009: Rs. 1,284 thousand) in respect of pension expense.

25.2 Cost of sales - trading

	2010	2009
Opening stock	65,653	37,624
Purchases	133,313	129,331
Closing stock	(50,013)	(65,653)
Cost of goods sold	148,953	101,302

25.3 Cost of sales - warranty and maintenance services

	2010	2009
Warranty expenses	88,639	31,419
Maintenance services	25,224	8,817
Service department expenses	34,762	11,024
	148,625	51,260

		2010	2009
		(Rupees in thousand)	

26. Distribution and marketing expenses

		2010	2009
Salaries and amenities	- note 26.1	62,901	56,899
Contract services		10,946	11,236
Fuel and power		5,925	3,921
Communication		1,388	1,183
Travelling and vehicle running		15,693	7,732
Printing and stationery		12,175	7,354
Insurance		4,015	4,183
Trademark fee		242,362	306,671
Advertisement and sales promotion		19,420	17,138
Depreciation	- note 11.2	5,913	6,661
Meeting/convention		5,611	3,707
Research cost		15,163	7,998
Other expenses		9,763	5,300
		411,275	439,983

26.1 Salaries and amenities include Rs. (2,195) thousand (2009: Rs. 320 thousand) in respect of pension expense.

27. Administrative expenses

		2010	2009
Salaries and amenities	- note 27.1	142,830	131,776
Contract services		19,256	9,810
Fuel and power		10,491	7,129
Communication		2,928	2,595
Travelling and vehicle running		22,687	23,022
Insurance		4,062	4,256
Repairs and maintenance		10,952	10,041
Security		9,960	8,879
Legal and professional	- note 27.2	12,731	11,812
Depreciation	- note 11.2	14,568	16,423
Amortization of intangible asset		5,871	-
Rent, rates and taxes		5,019	3,806
Fee and subscription		2,275	2,165
Entertainment		4,609	3,626
Bad debts written off		7,766	-
Other expenses		33,856	21,823
		309,861	257,163

27.1 Salaries and amenities include Rs. (4,837) thousand (2009: Rs. 466 thousand) in respect of pension expense.

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

	2010	2009
Statutory audit	1,000	750
Half yearly review	150	125
Special reports and sundry certifications	358	530
Out of pocket expenses	75	75
	1,583	1,480

	2010	2009
	(Rupees in thousand)	
28. Other operating income		
Income from financial assets		
Dividend income from other investments	3,528	1,604
Return on bank deposits	24,567	24,242
Gain of sale on short term investment	311,685	70,699
Change in fair value of short term investments	-	19,440
Interest charged on early payments and advances	25,311	26,645
	365,091	142,630
Income from investment in associates and loans to related parties		
Interest on loan to Agrimall (Private) Limited	126	99
Income from assets other than financial assets		
Rental income	4,993	4,923
Scrap sales	25,046	19,763
Exchange gain	22,672	-
Others	4,331	14,066
	57,042	38,752
	422,259	181,481

		2010	2009
29. Finance cost			
Mark-up on short term running finance - secured		8,575	43,411
Bank charges and commission		1,432	1,348
		10,007	44,759
30. Other operating expenses			
Workers' Profit Participation Fund	- note 8.4	182,672	97,685
Workers' Welfare Fund		69,323	35,258
Donations	- note 30.1	589	20,540
Fixed assets written off		-	5,289
Exchange loss		-	6,220
		252,584	164,992

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

	2010	2009
31. Share of profit of associates		
Bolan Castings Limited	58,171	24,587
Millat Equipment Limited	204,225	64,186
	262,396	88,773

	2010	2009
	(Rupees in thousand)	
32. Taxation		
For the year		
- Current	1,067,512	555,265
- Deferred	(868)	23,649
	1,066,644	578,914
Prior years		
- Current	6,150	(10,997)
- Deferred		(26,608)
	1,072,794	541,309

33. Events after balance sheet date

Dividend declared by the parent undertaking after the balance sheet date amounts of Rs. 1,024,951 thousand (Rs. 35 per share) {2009: Rs. 585,688 thousand (Rs. 25 per share)}, while appropriation to general reserve and for issuance of bonus shares made after the balance sheet date amount to Rs. 300,000 thousand and Rs. 73,211 thousand respectively (2009: Rs. 247,000 thousand and Rs. 58,569 thousand respectively).

34. Remuneration of chief executive, directors and executives

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

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	Rupees in thousands					
Number of persons	1	3**	5	6	28	22
Remuneration	2,131	2,278	7,361	7,467	17,498	15,032
Cost of living allowance	2,131	1,019	7,270	7,964	13,748	11,769
Bonus	845	660	3,235	3,430	6,655	7,062
House rent	959	1,025	3,315	3,362	6,723	5,857
Contribution to provident fund and gratuity fund	599	162	107	674	4,255	3,568
Pension contribution	362	119	15	407	2,337	2,049
Medical expenses	96	234	439	1,759	2,152	2,137
Utilities	255	181	1,439	1,239	2,282	1,814
Other reimbursable expenses	1,177	918	4,751	3,121	4,732	4,422
	8 555	6,596	27,932	29,423	60,382	53,710

** On May 12, 2009, Mr. Laeeq-uddin Ansari was appointed as the Chief Executive instead of Mr. Muhammad Shoaib Pasha. Mr Muhammad Shoaib Pasha had been appointed as the Chief Executive with effect from October 30, 2008 in place of Mr. Sohail Bashir Rana who retired as Chief Executive on the same date.

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

34.1 Remuneration to other directors

Aggregate amount charged to profit and loss account for the year in respect of fee to 1 director (2009: 1 directors) was Rs. 12 thousand (2009: Rs. 9 thousand) and travelling expenses Rs. 217 thousand (2009: Rs. 121 thousand).

35. Transactions with related parties

The related parties and associated undertakings comprise associated companies, companies in which directors are interested, staff retirement funds, directors and key management personnel. Transactions with related parties are priced at comparable uncontrolled market price except for those transactions with key management personnel carried under the terms of employment as approved by the Board of Directors and associated undertakings, are as under:

		2010	2009
		(Rupees in thousand)	
Relation with undertaking	**Nature of transaction**		
Associated undertaking	Sale of goods	29,385	16,247
	Purchase of components	3,410,716	2,673,337
	Dividend income	29,250	17,550
	Rental income	97	88
Other related parties	Purchase of components	78,797	50,529
Retirement benefit plans	Contribution to staff retirement benefit plans	26,804	36,712

36. Combined earnings per share

36.1 Combined basic earnings per share

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

		2010	2009
Profit for the year after tax	(Rupees in thousands)	2,454,937	1,280,223
Average ordinary shares in issue	(Numbers)	29,284,326	29,284,326
Earnings per share	(Rupees)	83.83	43.72

36.2 Combined diluted earnings per share

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

		2010	2009
		(Rupees in thousand)	

37. Cash generated from operations

		2010	2009
Profit before taxation		3,634,001	1,866,153
Adjustment for:			
Depreciation on property, plant and equipment		55,622	53,996
Bad debts		7,766	-
Amortization of intangibles		5,871	-
Profit on bank deposits		(24,567)	(24,242)
Amortisation of deferred revenue		(202,079)	(15,708)
Property, plant and equipment written off		-	5,289
Provision for accumulating compensated absences		3,399	3,274
Dividend income		(3,528)	(1,604)
Finance cost		10,007	44,759
Gain on sale of investments		(311,685)	(90,139)
Share of profit of associates		(262,396)	(88,773)
Amortisation of pre-commencement operating expenses		-	1,032
Working capital changes	- note 37.1	2,476,083	(1,220,849)
		5,388,493	533,188

37.1 Working capital changes

(Increase)/decrease in current assets

	2010	2009
Stores and spares	(35,077)	490
Stock-in-trade	(410,309)	(439,593)
Trade debts	(342,694)	(29,868)
Loans and advances	(149,800)	(7,037)
Trade deposits and prepayments	(7,382)	(7,088)
Interest accrued on loan to Agrimall (Private) Limited	109	(99)
Other receivables	(928,218)	66,123
	(1,873,371)	(417,072)
Increase/(decrease) in current liabilities		
Trade and other payables	4,349,453	(803,777)
	2,476,083	(1,220,849)

37.2 Cash and cash equivalents

	2010	2009
Cash and bank balances	1,143,880	1,010,689

38. Financial risk management

38.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

	2010	2009
	(Rupees in thousand)	
Trade and other payables - UKP	(1,796)	(1,272)
Net exposure - UKP	(1,796)	(1,272)
Trade and other payables - USD	(367)	(178)
Net exposure - USD	(367)	(178)
Trade and other payables - Euro	(217)	(116)
Net exposure - Euro	(217)	(116)

The following significant exchange rates were applied during the year:

	2010	2009
Rupees per UKP		
Average rate	132.73	126.55
Reporting date rate	128.96	135.38
Rupees per USD		
Average rate	84.45	79.92
Reporting date rate	85.60	81.30
Rupees per Euro		
Average rate	104.42	107.99
Reporting date rate	104.58	114.82

'If the functional currency, at reporting date, had fluctuated by 5% against the UKP, USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rs. 13.64 million (2009: Rs 10 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) **Other price risk**

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

(iii) **Interest rate risk**

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

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

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

	2010	2009
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balances - deposit accounts	650,500	460,000
Bank balances - savings accounts	93,086	18
Advances to vendors	94,178	58,933
Total exposure	837,764	518,951
Floating rate instruments		
Financial liabilities		
Short term borrowings	-	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(b) **Credit risk**

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

(i) **Exposure to credit risk**

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

	2010	2009
	(Rupees in thousand)	
Long term investments	37,202	35,919
Long term loans	900	900
Loans to employees	4,447	4,536
Trade debts	483,605	148,677
Other receivables	141,009	79,926
Short term investments	4,116,821	1,173,439
Bank balances	1,142,733	1,009,927
	5,926,717	2,453,324

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

The group's exposure to credit risk in respect of trade debts is limited to its carrying amount. The carrying amount of trade debts older than 365 days and not impaired was Rs. 29,050 thousand (2009: Rs. 37,302 thousand).

(ii) **Credit quality of major financial assets**

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

Banks	**Rating**		**Rating**		
	Short term	**Long term**	**Agency**	**2010**	**2009**
				(Rupees in thousand)	
Meezan Bank Limited	A-1	A+	JCR	2,755	12,076
Zarai Taraqiati Bank	A-1+	AAA	JCR	176,783	525,274
Bank Alfalah Limited	A1+	AA	PACRA	110,369	48,369
Standard Chartered Bank	A1+	AAA	PACRA	11,827	9,464
Royal Bank of Scotland	A1+	AA	PACRA	214	12,047
United Bank Limited	A-1+	AA+	JCR	760,970	377,463
The Bank of Punjab Limited	A1+	AA-	PACRA	3,933	690
MCB Bank Limited	A1+	AA+	PACRA	18,597	6,827
Habib Bank Limited	A-1+	AA+	JCR	18,465	17,717
Barclays Bank	A-1+	AA-	Standard and Poor's	38,820	-
				1,142,733	1,009,927

Mutual funds	Rating	Rating Agency	2010	2009
			(Rupees in thousand)	
United Growth and Income Fund	A +(f)	JCR	-	349,776
NAFA Cash Fund	A +(f)	PACRA	-	352,226
MCB Dynamic Cash Fund	AM2-	PACRA	558,614	471,437
United Liquidity Plus Fund	AA+(f)	JCR-VIS	779,043	-
MCB Cash Management Optimizer Fund	AM2-	PACRA	582,494	-
NAFA Government Securities Liquid Fund	AA+(f)	PACRA	474,110	-
NIT Government Bond Fund	AM2	PACRA	565,328	-
NIT Income Fund	AM2	PACRA	57,336	-
ABL Income Fund	A+(f)	JCR	995,143	-
Meezan Cash Fund	AM2	PACRA	104,753	-
			4,116,821	1,173,439

(c) **Liquidity risk**

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

The group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2010, the group had Rs 1,935,000 thousand available borrowing limits from financial institutions and Rs 1,113,880 thousand cash and bank balances.

The following are the contractual maturities of financial liabilities as at June 30, 2010:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Trade and other payables	7,440,042	7,436,606	3,436	-
Accrued finance cost	1,909	1,909	-	-
	7,441,951	7,438,515	3,436	-

The following are the contractual maturities of financial liabilities as at June 30, 2009:

Trade and other payables	3,155,989	3,155,989	-	-
Accrued finance cost	4,084	4,084	-	-
	3,160,073	3,160,073	-	-

38.2 Fair values of financial assets and liabilities

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

	2010	2009
	(Rupees in thousand)	

38.3 Financial instruments by categories

	Available-for-sale		At fair value through profit and loss		Loans and receivables		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)							
Financial assets as per balance sheet								
Long term investments	37,202	35,919	-	-	-	-	37,202	35,919
Long term loans	-	-	-	-	900	900	900	900
Loans to employees	-	-	-	-	4,447	4,536	4,447	4,536
Trade debts	-	-	-	-	483,605	148,677	483,605	148,677
Trade deposits	-	-	-	-	-	90,537	-	90,537
Other receivables	-	-	-	-	141,009	-	141,009	-
Short term investments	-	-	4,116,821	1,173,439	-	-	4,116,821	1,173,439
Cash and bank balances	-	-	-	-	1,142,733	1,009,834	1,142,733	1,009,834
	37,202	35,919	4,116,821	1,173,439	1,772,694	1,254,484	5,926,717	2,463,842

	Other financial liabilities	
	2010	2009
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Trade and other payables	7,440,042	3,155,989
Accrued finance cost	1,909	4,084
	7,441,951	3,160,073

38.4 Capital risk management

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

	2010	2009
	(Rupees in thousand)	

39. Capacity and production

Tractors

	2010	2009
Plant capacity (double shift)	30,000	30,000
Actual production	40,178	30,244

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

40. Date of authorisation for issue

These financial statements were authorised for issue on September 03, 2010 by the Board of Directors of the company.

41. Details of subsidiary

Millat Industrial Products Limited

Accounting year end	June 30, 2010	June 30, 2009
Percentage of holding	64.09%	64.09%
Country of incorporation	Pakistan	Pakistan

42. Corresponding figures

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

Sikandar Mustafa Khan
Chairman

Laeeq Uddin Ansari
Chief Executive

DEALERS

TRACTOR DEALERS

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

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

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

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

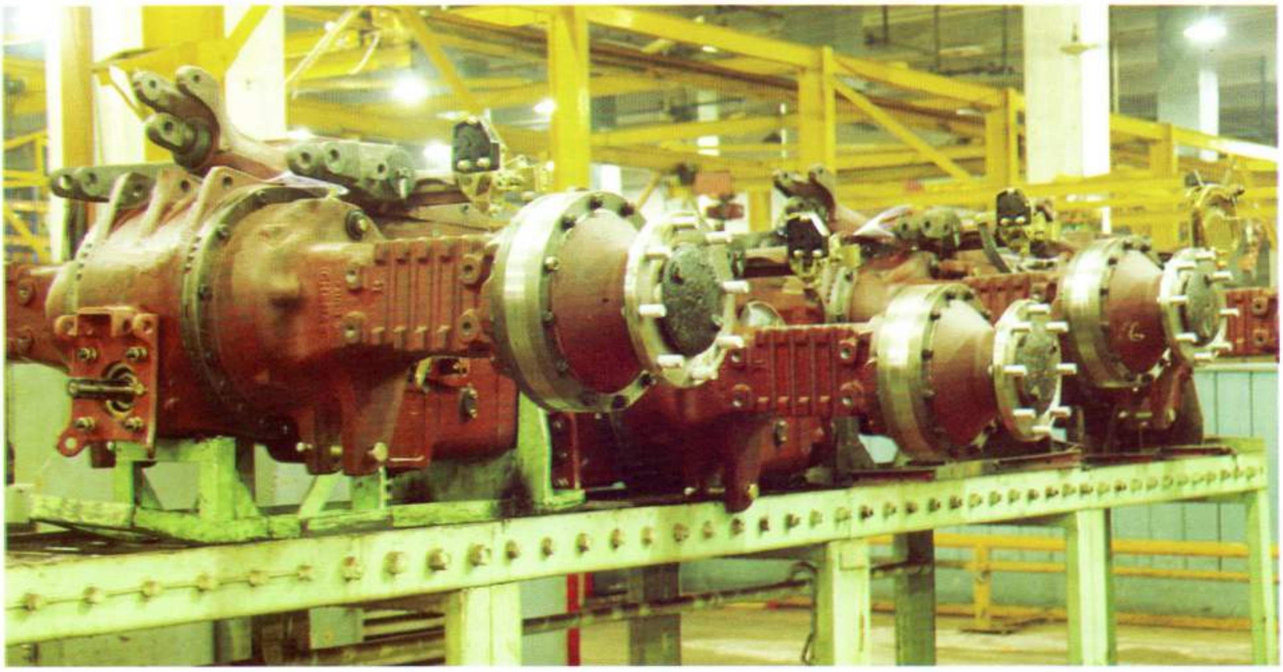
FOREIGN DEALERS-AFGHANISTAN
Serkat Ghazi Tractors Limited, Kabul
Serkat new Popal Limited, Kabul

SPARE PARTS DEALERS

PUNJAB
New Bukhtiar Sons, Lahore
Mian Autos, Lahore
Hudiara Agencies, Lahore
Malik Tractors, Lahore
Muslim Tractor Corp., Lahore
Ghazi Autos, Lahore
Pak Tractor House (Pvt) Ltd., Lahore
Sadar Auto Tractors, Lahore
Farhan Tractors, Lahore
Massey Autos, Pattoki
Universal Tractors, Okara
Fareed Auto Store, Depalpur
Madina Tractors, Muridkey Sheikhupura
New Kissan Autos, Hafizabad
Kissan Tractor House, Sialkot
Madina Autos Services, Sambarial
Mukhtar Autos, Sahiwal
Madina Autos, Arifwala
Crescent Autos, Pakpattan
Madina Autos, Burewala
Umer Nawaz Auto Store, Multan
Ishtiaq Auto Store, Multan
M. Latif & Brothers, Mian Channu
Hafiz Autos, 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
Chaudhry Tractor Centre, Sargodha
Pak Auto Store, Haroonabad
Mushtaq Parts Centre, Wazirabad
Mukhtar Autos, Daska
Malik Tractor Autos, Rawalpindi
Piracha Auto Agency, Bhalwal
Kissan Tractor House, Wazirabad
Awami Tractor Workshop, Narowal
Riaz Autos, Mandi Faizabad, SheikhuPura

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

SIND
Genuine Tractors, Hyderabad



WORKSHOPS

ATTOCK
Ahmer Brothers Workshop, Fateh Jhang
Khalid Tractor Workshop, Attock
Abdul Sattar Tractor Workshop, Attock City
Shahid Tractor Workshop, Khunda More Attock

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

BHAKKAR
Shaheen Tractor House, Main Workshop, Bhakkar
Shaheen Tractor Workshop, Hyderabad Thal
Bhati Tractor Wordship, Kalore Kot
Hashmi Tractor Workshop, Mankrah
Sahiwal Tractor Workshop, Bail Mankrah
Sahiwal Tractor Repairing Workshop, Darya Khan

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, Pir Ali Zai
Mistri Inaytullah Workshop, Chamman Bazar
Mistri Muhammad Lal Workshop, Chamman
Ravi Tractor House, Chaman
Ravi Tractors Workshop, Chamman Border
Ravi Tractor Workshop, Afghan Border

CHAKWAL
Master Sajjad Hussain Tractor Workshop, Chakwal
Mian Asif Tractor Workshop, Pind Dadin Khan
Sargodha Tractor Workshop, Tala Gang
Manzoor Tractor Workshop, Chakwal
Zamindar Tractor Workshop, Pattanwal

CHARSADDA
Rahim Tractor Workshop, Sirdehri

CHISHTIAN
Mushtaq Tractor Workshop, Fort Abbas
Millat Tractor Workshop, Fort Abbas
Millat Tractor Workshop, Kachi Wala
Masha Allah Tractor Workshop, Chishtian
Ashraf Tractor Workshop, Dahranwala
Mughal Tractor Workshop, Chishtian
Asif Tractors Workshop, Chishtian

DADU
Al-Hamad Tractors, Dadu
Al-Hamad Tractor Workshop, Saee dabad
Shahbaz Tractor Workshop, Sehwan Sharif
Al-Hamad Tractor Workshop, Mehr
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
Bismillah Tractor Workshop, Taunsa Sharif

DERA ISMAIL KHAN
Zari Tractor Workshop, D. I. Khan
Sadiq Tractor Workshop, D. I. Khan
Saleem Tractor Workshop, D. I. Khan

DEPALPUR
Al-Madina Tractor Workshop, Haveli Lakha
Madina Tractor Workshop, Baseer Pur
Nasir Tractor Workshop, Rajowal
Qadri Tractor Workshop, Mandi Ahmad Abad
Ghousia Tractor Workshop, Hujra Shah Maqeem
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
Zarie Markaz (Agrimall) Workshop, Ali Pur Arayan
Cheema Tractor workshop, Sadhoki

GILGIT
Karim Autos Workshop, Sakradu
Rakaposhi and Kissan Tractor Workshop, Sakradu
Raziq Autos Workshop, Ashkwaim

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
Makhdom Talibul Maula Tractor Workshop, Hala
Abdul Qayuum Tractor Workshop, Tando M. Khan
Salahuddin Tractor Workshop, Kotri

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

JHANG
Yaseen Tractor Workshop, Gojra More
Younas Tractor Workshop, Shorkot
Nawaz Tractor Workshop, Garh Maharajah

Ahmed K. Agencies, Jhang
Ahmed K. Agencies, Chiniot
Iqbal Tractor Workshop, Bukkhar Road
Zamindar Tractor Workshop, Sargodha Road
Sultan Tractor Workshop, Khushab Road
Yaqoob Tractor Workshop, Bowana
Zafar Tractor Workshop, Laleeian

JACOBABAD

Muhammad Ashraf Tractor Workshop, Kashmore
Faiz Muhammad Tractor Workshop, Thal
Sind Trading Company, Jacobabad
Abdul Hameed Mughal Tractor Workshop, Kand Kot
M. Rafique Tractor Workshop, Ghari Khairo

KHAIR PUR

Goodluck Tractor Company (Main Work Shop) Khairpur
Aslam Tractor Workshop, Kot Banglo
Hussain Tractor Workshop, Sui Gas
Gul Brohe Tractor Workshop, Ranipur
Al-Makhdoom Tractor Workshop, Peryallo
Sikander Tractor Workshop, Perjo Goth
Shaukat Tractor Workshop, Pakka Chung
Ibrahim Tractor Workshop, Khairpur Mirus
Niazi Tractor Workshop, Gambat

KHUSHAB

Ashraf Tractor Workshop, Rangpur
Babar Tractor Workshop, Quaidabad

KASUR (Z & K)

Yousaf Tractor Workshop, Phool Nagar
Khokhar Tractor Workshop, Pattoki
Zamindar Tractor Workshop, Ting More
Kissan Tractor Workshop, Khudian Khas
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
Kissan Tractor Workshop, Mustafabad
Riaz Tractor Workshop, Chunian
Kissan Tractor Workshop, Kot Mehtab Khan
Agri Mall Zari Markaz, Workshop, Bongla Kumbowan

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
Bismillah Tractor Workshop, Chowk Jamal

KOHAT

Kashadar Tractor Workshop, Hango
Fazal Karim 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, Maraka Quarter
Kissan Auto Services Workshop, Jallo More
Madina Tractor Workshop, Raiwind
Sher Rabbani Tractor Workshop, Shamke Bhattian
Mehr Tractor Workshop, Boghiwal
Jameel Tractor Workshop, Chowk Gunga Wala
Nadeem Brothers Autos Engeering & Services, Lahore
Sajid Tractor Workshop, Lahore Cantt
Sahib Tractor Workshop, Mangamendi
Bhatti Tractors Workshop, Multan Road
Zafar Tractor Workshop, Ali Razabad
Mian Mushtaq Tractor Workshop, Adda Plot
Glob Auto Mobile Main Workshop, Lahore

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, Kahror Pacca
Syed Tractors, Lodhran
Irfan Tractor Workshop, Dunyapur
Qadri Tractor Workshop, Dunyapur
Zeshan Tractor Workshop, Lodhran
Mukhtar Tractor Workshop, Chak No M.97, Lodhran
Hamza Tractors Workshop, Adda Permint
Nasir Tractor Workshop, Kharor Pacci
Amir Hamza Tractors Workshop, Gaylaywal
Bhutta Tractor Workshop, Qutab Pur

Arif Ali Tractors Workshop, Dunyapur
Al Faiz Tractors Workshop, Jala Arain More
Al-Malina Tractors Workshop, Sui wala
Rana Tractors Workshop, Adda Pul Bazari
Dilawar Abbass Tractor Workshop, Adda Pul Bazari

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

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

MIANWALI
Super United Tractor Workshop, Kamar Mishani
Madina Tractor Workshop, Piplan
Akhtar Tractor Workshop, Wan Bachran
Super United Tractors, Tala Kang Road
Super United Tractor Workshop, Dawood Khail
Super United Tractor Workshop, Hafizwala
Super United Tractor Workshop, Klorsharief
Bismillah Tractor Workshop, Adda Shadian

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 Worksop, 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, Sher Sultan
Nasir Arshad Tractor Workshop, Jatoi
Anwar-ul-Haq Tractor Workshop, Sananwan
Sadabahar Tractor Workshop, Chowk Sarwar Shaheed
Chenab Tractor House, Muzaffargarh
Millat Tractor Workshop, Shah Jamal
Sahiwal Tractor Workshop, Qasba Gujrat
Agri Mall Zari Markaz Workshop, Mohsinabad
Khadam Hussain Tractor Workshop, Jatoi Road

MIR PUR KHAS
Tharparkar Tractor House, Mir Pur Khas
Rehman Tractor Workshop, Umerkot
Abdul Ghafar Tractor Workshop, Kanri
Munawar Tractor Workshop, Jhido
Noor Muhammad Tractor Workshop, Kot Ghulam Muhammad
Liaquat Tractor Workshop, Ghorchani

NAWABSHAH
Baba Farid Tractor Workshop, Sukrand
Punjab Tractor Workshop, Qazi Ahmad
Mubarak Tractor Workshop, Bandi
Al-Mehran Tractor Workshop, Nawab Wali Muhammad
Latif Tractor Workshop, Nawab Shah
Bismillah Tractor Workshop, Naushero feroze
Faizan Tractor Workshop, Sher Balai
Abdul Rehman Tractor Workshop, Naushero Feroze
Khamsu Tractor Workshop, Daulat Pur
Millat Tractor Workshop, Nawabshah

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 Tractor Workshop, Nankana
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 Tractor Worshop, More Khunda
Javaid Tractor Workshop, Bucheki
Dogar Tractor Workshop, Warburton
Mian Pervaiz Tractor Workshop, Manawala
Awami Tractor Workshop, Mangatan wala
Punjab Hasilpur Tractor Workshop, Shahkot
Sahra Autos (Pvt) Ltd, Nankana
Yousaf Tractor Workshop, Sangla Road
Bismillah Tractor Workshop, Pul Piplan
Ayub Tractors Workshop, Adda Biglee Ghar

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
Raza Tractor Workshop, Basti Ahmed Nagar
Riaz Tractor Workshop, Adda Chuchak, Okara

PAKPATTAN
Kissan Tractor Workshop, Pakpattan
Al-Hamad Tractor Worskhop, Arifwala Pakpattan
Mushtaq Tractor Workshop, Qabolasharif
Bodala Tractor Workshop, 55 Chowk

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
Baluchinstan Tractor Workshop, Dalbadin
Daavi Tractor Workshop, Sibbi
Daavi Tractor Workshop, Ziarat Road
Davi Tractor Workshop, Dahadar
Davi Tractor Workshop, Khinzdar
Davi Tractor Workshop, Sohrab Road
Davi Tractors Workshop, Kachlack

RAJANPUR
Gul Muhammad Tractor Workshop, Rajanpur
Millat Tractors Workshop, Rojhan City
Gul Muhammad Tractor Workshop, Fazalpur
Pak Ghazi Tractor Workshop, Jampur
Millat Tractor Workshop, Dewan Muhammad Pur
Iqbal Tractor Workshop, Dajil
Madina Tractor Workshop, Kotla Mughlan
Ittefaq Tractor Workshop, Jampur Iqbal Tractor Workshop, Jampur
Ashraf Tractor Workshop, Kot Mithan
Iqbal Tractor Workshop, Jampur

RAWALPINDI
Kissan Tractor Workshop, Chowk Pindowri
Akhtar Tractor Workshop, Sawan Camp
Qamar Saleem Tractor Workshop, Rawalpindi
Sargodha Tractor Workshop, Gojar Khan
Noor Ullah Jan Tractor Workshop, Kahuta
Qamar Saleem Tractor Workshop, Kahutta
Itifaq Tractor Workshop, Texilla
Chaudhry Tractor Workshop, Shah Bagh
Bismillah Sargodha Tractor Workshop, Jathli

RAHIM YAR KHAN
Anwar Mustafa Tractor Workshop, R. Y. Khan
Ghafoor Tractor Workshop, Kot Sabzal
Ashraf Javed General Tractor Workshop, Khan Pur
Rais Tractor Workshop, Zahir Pir
Kalachi Tractor Workshop, Tranda M. Pinah
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
Panjnad Tractors Limited, R. Y. Khan
Abdul Shakoor Tractor Workshop, Liaqat Pur
Shoaib Tractor Workshop, Sinjar Pur
Syed Brothers Tractor Workshop, Sadiqabad
Ashraf Tractor Workshop, Chowk Mahutra
Pakistan Tractor Workshop, Chowk Shahbaz Pur
Munir Tractor Workshop, Jamal Din Wali
Altaf Tractor Workshop, Tul Hamza
Agri Mall Zari Mall Markaz work Shop, Mianwali Qureshian

SHAHDAD KOT
Bhatai Tractor Workshop, Shahdad Kot
Shah Abdul Latif Tractor Workshop, Qamber Ali Khan
Bismillah Tractor Workshop, Miro Khan
Hafeez 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
Zarie Markaz (Agrimall) Workshop, Muridkey
Shahrah Autos (Main Workshop), Sheikhupura
Butt Tractor Workshop, Mana Wala
Allah Tawakal Tractor Workshop, Ajniawala
Syed Qasim Tractor Workshop, Qila Sattar Shah
Arif Tractor Workshop, Farooqabad
Manzoor Tractor Workshop, Khanqan Dogran
Lahore Tractor House Workshop, Nankana
Haji Tractor Workshop, Safdarabad
Shahbaz Tractor Workshop, Panwan
Bismillah Tractor Workshop, More Khunda
New Rehman Tractor Workshop, Shakot
Moazam Tractor Workshop, Syedwala
Hamdaan 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

SUKKUR

New Feda Hussain Tractor Workshop, Mirpur Mathelo
Kamran Tractor Workshop, Sallahput
Al-Sadiq Tractor Workshop, Sarhad
Madina Tractor Workshop, Ghotki
Al-Sadiq Tractor Workshop, Mathelo
Awami Tractor Workshop, Pannu Aqil
Sind Tractor Workshop, Lakhi Ghulam Shah
Bismillah Tractor Workshop, Dehrki
Tariq Auto Workshop, Shikarpur
Qasim Tractor Workshop, Gari Yasin
Papular Tractor Workshop, Ali Wahin
New Madina Tractor Workshop, Adil Pur, Ghotki

SANGHAR

Al-Madina Tractor Workshop, Tando Adam
New Sind Tractor Workshop, Jhol
Sind Tractor Workshop, Sinbhoro
Agha Tractor Workshop, Shahdad Pur
Hashim Tractor Workshop, Sanghar
Qader Tractor Workshop, Shahpur Chakar

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 Workshop, 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
Al-Mumtaz Tractor Workshop, Buraywala
New Asghar Tractor Worskhop, Dokotta

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 47th Annual General Meeting of the Company to be held at Company's Registered Office, 9 K.M. Sheikhupura Road, Lahore, on **Friday, October 15, 2010 at 4:00 p.m** and at every adjournment thereof.

Signed this ______________________ day of ______________________ 2010

Signature on
Five Rupees
Revenue Stamp

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

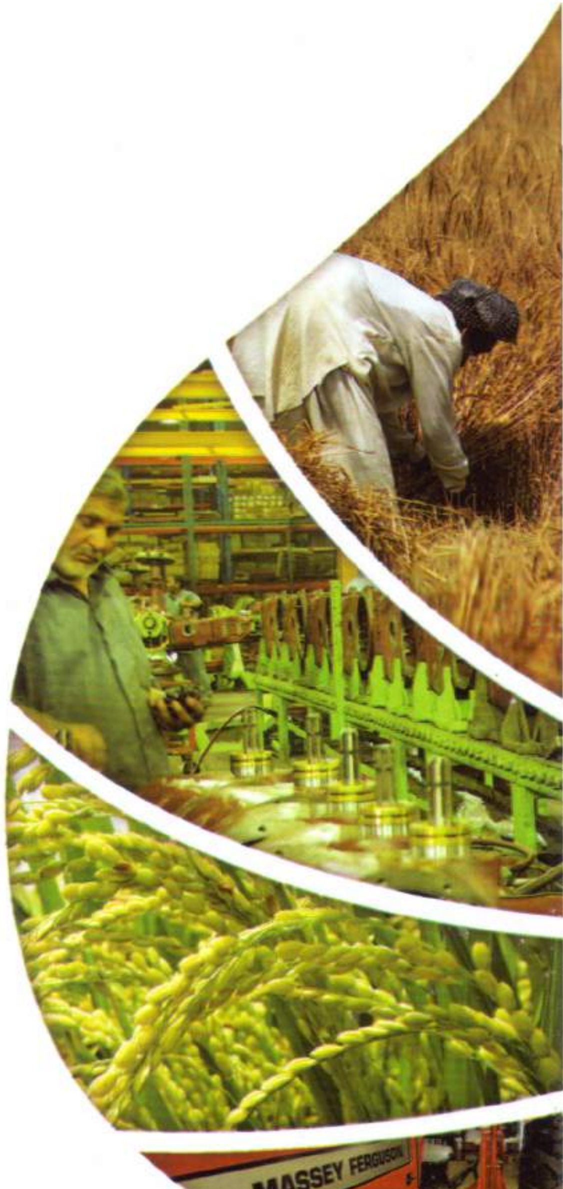
Important :

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.

THE FUTURE IS
GREEN



THE FUTURE IS

GREEN

MILLAT TRACTORS LIMITED
Registered Office:
Sheikhupura Roard, Distt: Sheikhupura
Phone: +92.42.7911021-25 (5 lines)
UAN: 111.200.786