

AGRIAUTO INDUSTRIES LIMITED
BALANCE SHEET
AS AT JUNE 30, 2007

	Note	2007 (Rs. in 000')	2006
ASSETS			
NON CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	3	152,633	127,109
LONG TERM INVESTMENT	4	150,000	75,000
LONG TERM DEPOSITS		<u>3,786</u>	<u>3,309</u>
		306,419	205,418
CURRENT ASSETS			
Stores, spares and loose tools	5	34,971	29,871
Stock-in-trade	6	310,054	312,497
Trade debts	7	222,777	156,768
Loans, advances, deposits, prepayments and other receivables	8	5,082	7,414
Accrued mark-up		2,672	2,818
Short term investments	9	275,934	277,920
Cash and bank balances	10	49,299	35,301
		900,789	822,589
TOTAL ASSETS		1,207,208	1,028,007
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 40,000,000 (2006: 40,000,000) Ordinary shares of Rs. 5/- each		200,000	200,000
Issued, subscribed and paid-up capital	11	120,000	120,000
Reserves	12	920,385	710,554
		1,040,385	830,554
NON CURRENT LIABILITIES			
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE			
LEASE	13	8,639	11,802
DEFERRED TAXATION	14	11,441	7,619
CURRENT LIABILITIES			
Trade and other payables	15	131,050	153,050
Accrued mark-up		16	72
Current portion of liabilities against assets subject to finance lease	13	7,283	5,233
Taxation-net		956	16,295
Sales tax payable		7,438	3,382
		146,743	178,032
CONTINGENCIES AND COMMITMENTS	16		
TOTAL EQUITY AND LIABILITIES		1,207,208	1,028,007

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chairman

Vice Chairman

Chief Executive

AGRIAUTO INDUSTRIES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006
		(Rs. in 000')	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	26	377,651	380,914
Finance costs paid		(2,512)	(1,104)
Income tax paid		(184,576)	(135,795)
Long term deposits		(477)	(1,953)
Net cash generated from operating activities		190,086	242,062
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(46,454)	(39,587)
Proceeds from disposal of property, plant and equipment		5,560	4,526
Acquisition of long term investments		(75,000)	(75,000)
Proceeds from disposal of short term investments		138,894	(135,000)
Mark-up received on short term investments		25,524	14,837
Net cash generated from / (used in) investing activities		48,524	(230,224)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		(6,545)	(2,396)
Dividends paid		(83,067)	(59,076)
Net cash used in financing activities		(89,612)	(61,472)
Net increase / (decrease) in cash and cash equivalents		148,998	(49,634)
Cash and cash equivalents at the beginning of the year		150,301	199,935
Cash and cash equivalents at the end of the year	27	299,299	150,301

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chairman

Vice Chairman

Chief Executive

AGRIAUTO INDUSTRIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

	RESERVES						Total equity
	CAPITAL RESERVE		Gain on change in fair value of available for sale investments	REVENUE RESERVES		Total reserves	
	Share premium	General reserve		Unappropriated profit			
	----- (Rs. in 000') -----						
Balance as at July 01, 2005	120,000	12,598	145	-	453,410	466,153	586,153
Final dividend for the year ended June 30, 2005 @ Rs. 2.50/- per share	-	-	-	-	(60,000)	(60,000)	(60,000)
Transfer to general reserve	-	-	-	350,000	(350,000)	-	-
Profit after taxation for the year	-	-	-	-	301,626	301,626	301,626
Gain on change in fair value of available-for-sale investments	-	-	2,775	-	-	2,775	2,775
Balance as at June 30, 2006	120,000	12,598	2,920	350,000	345,036	710,554	830,554
Final dividend for the year ended June 30, 2006 @ Rs. 3.50/- per share	-	-	-	-	(84,000)	(84,000)	(84,000)
Transfer to general reserve	-	-	-	200,000	(200,000)	-	-
Profit after taxation for the year	-	-	-	-	293,107	293,107	293,107
Gain transferred to profit and loss account	-	-	(1,688)	-	-	(1,688)	(1,688)
Gain on change in fair value of available-for-sale investments	-	-	2,412	-	-	2,412	2,412
Balance as at June 30, 2007	120,000	12,598	3,644	550,000	354,143	920,385	1,040,385

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chairman

Vice Chairman

Chief Executive

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED JUNE 30, 2007

Dear Shareholders,

It is indeed with immense satisfaction that we place before you the company's Annual Report on the results of its operations along with the Audited Accounts for the year ended June 30, 2007.

'Alhamdulillah', the company is robustly placed to continue its charted path for growth and profitability through sound strategic plans and objectives in place to create value for its Shareholders and Stakeholders.

The Board of Directors is pleased to recommend a Cash Dividend of 70% for the year. The Board also recommends the appropriation of Rs. 250 million from un-appropriated profits to General Reserve.

PAKISTAN ECONOMY

Pakistan's economic growth at 7% during the fiscal year ending June, 2007 continued to remain steady as had been during the past five years with healthy growth witnessed in the agricultural, service and manufacturing sectors that kept the economy buoyant. Given political stability and improved law and order, a higher economic growth will be its obvious manifestation with existing policies.

AUTOMOTIVE SECTOR

Significant imports of used vehicles during the financial year 2006-07 arising from tariff reduction crowded the market for passenger cars and trucks/buses thus affecting the domestic automotive industry.

The Federal Budget 2007-08 has revised upwards the import tariff and restricted the import of used cars to a limit of three years and this is likely to discourage imports and stimulate demand for locally produced vehicles.

A summarized production figure comparing 2005-06 with 2006-07 appears below :

	2007	2006	Growth
Passenger Cars	160,496	160,642	(0.09%)
Light Commercial Vehicles	38,490	32,053	20.08%
Trucks & Buses	5,343	5,403	(1.11%)
Tractors	54,098	48,887	10.65%
Motorcycles	467,267	520,124	(10.16%)

Source : PAMA report June 2007

1. SUMMARY OF FINANCIAL RESULTS

Following are the summarized financial results of the Company for the year 2006-07 :

	<u>2007</u>	<u>2006</u>	<u>(Rs. '000)</u>
Turnover	<u>1,980,459</u>	<u>1,763,391</u>	
Gross Profit	<u>536,572</u>	<u>532,641</u>	
Profit before Taxation	<u>466,166</u>	<u>460,688</u>	
Taxation	<u>(173,059)</u>	<u>(159,062)</u>	
Profit after Taxation	<u>293,107</u>	<u>301,626</u>	
Earnings Share Rupees -	<u>12.21</u>	<u>12.57</u>	

2. OPERATIONS

Sales : Sales of Rs. 1.98 billion for the fiscal year 2006 increased by Rs. 217.07 million or 12% over previous year.

Sales in the after-market remains afflicted to unethical practices of the importers and hurting the domestic industry with unfair competition. The Company has revamped its distribution network with strong focus on brand equity, end user contacts, promotion, quality, and most importantly creating value for the customers. Concurrently, Government has been apprised of the prevailing trade malpractices with documentary evidences for initiating action.

Your company has acquired the services of an experienced professional based in Europe to prospect both original equipment manufacturers (OEMs) and the after-market for its products. The company believes that its offerings can be competitive based on cost, quality and high service levels. The company also has the distinction of being ISO/TS16949 certified which will embrace quality conscious customers desirous to source its requirements from cost effective suppliers backed by reputable brands with international collaborations, which your company possesses.

Cost of Sales : Cost of sales of Rs. 1.444 billion increased by Rs. 213 million or 17.3% over the last year. The Gross Profit margin declined to 27.09% from 30.21% of last year. This decline resulted from increase in the custom duty of certain inputs which could not be offset through price increase due to stiff resistance by the auto assemblers (OEMs) based on the plea that their enhanced volumes would enable the vendor to bear the additional cost impact. The impact of this increase to some extent was cushioned through resourcing of supplies, cost controls and stable foreign exchange.

Distribution Cost – This cost has increased from Rs. 24.9 million of last year to Rs. 29.9 million this year, an increase of 24%. This increase is primarily due to provision for warranty claims, establishment of Europe sales office, and increase in freight cost due to higher oil prices.

Administrative Expenses – This cost has increased by Rs. 6.9m from Rs. 27.6 million last year to Rs. 34.5 million this year, an increase of 25%. This increase is in line with the increased business activities and the inflationary factors.

Other Operating Income : Your Company earned Rs. 26.7 million during the year on it's excess liquidity.(2006 : Rs. 15.9 million) through prudent investments.

3. AWARDS

Our OEM customer HINOPAK have expressed their appreciation for our outstanding performance in serving their requirements whereas PAK SUZUKI MOTOR CO. has awarded the best vendor award for timely development of automotive components for them.

We are thankful to all our customers for reposing unflinching trust and confidence in us year after year which has kept us excited and invigorated to strive for further excellence in our performance and exceed their expectations.

4. SYSTEM AND TECHNOLOGY UPGRADATION

The company undertook improvements and development in its I.T. applications which related to introduction of 'Sage' financial systems, Customer rejection tracking system, On-line dispatch status, Connectivity between head office at Karachi and factory at Hub and an Updated Website.

State of the art Spin Closing and Gas Filling machines have been added to improve quality and productivity in the Struts assembly plant. Additional testing feature of Friction Force measurement has been installed in the existing Damping force testing machine which makes it versatile to perform all the applicable tests on shock absorbers.

Some of our engineers were sent to Japan for training at Kayaba and few underwent training at various Japanese engineering and automotive plants under AOTS program sponsored by Government of Japan.

Senior Engineers from Kayaba visited our plant for imparting training on Gas Filling and Spin Closing machines, another engineer from AISIN, Japan assisted us in commissioning, trial production and training activities of our technical staff on the Hinge and Door Lock assembly plant.

A senior technical consultant from Germany visited us to study our proposal and assist us in the design, development and manufacture of monotube gas filled shock absorbers (Gas Springs) for hatchback cars and vans.

5. CONTRIBUTION TO THE COMMUNITY

Your company is not only mindful of the stakeholders but also feels responsible to the community as these ties are essential not only to retention of customers and employees but also to the company's general reputation. The company has contributed an amount of Rs 2.78 million (2006: Rs 2.632 million) during the year which includes relief for the flood victims in Balochistan.

6. CONTRIBUTION TO THE EXCHEQUER

Your company paid Rs 728 million during the year to the national exchequer under various levies up from Rs 559 million of last year.

7. FUTURE OUTLOOK

The new CBU car policy is likely to control the influx of used vehicles and generate improved demand for locally manufactured automobiles particularly cars.

The menace of mis-declaration, under-invoicing and smuggling of automotive parts continue to thrive and hurt the local manufacturers. Strong representations and recommendations have been made to FBR to formulate effective policies and implement controls including punitive action against violators.

Your company is expanding its geographical markets with growing exports to Bangladesh of Hard Chrome Cylinder Liners (Sleeves) and prospects for Shock Absorbers as well. The European market has also been targeted for export of Shock Absorbers, Struts and Tractor Parts including niche products for which the company has engaged an experienced professional stationed in London.

Your company is at the same time cognizant of the need to further increase its domestic market share to maintain a competitive edge. OEMs have been our major customers and every possible endeavor is being made to improve upon service levels, quality, cost competitiveness and timely deliveries. Very close coordination is maintained with them for new product development and its manifestations are the timely design, development and manufacture of parts for new variants. This relationship has strong foundations and will Inshallah continue to build and grow steadfastly.

8. PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2007 is annexed.

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

Oazi Ebadullah Khan – CEO (shares purchased)	1,000 shares
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9. CORPORATE AND FINANCIAL REPORTING

In compliance with the listing regulation #37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange, the Directors of the Company do hereby declare the following:

- a. The financial statements prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of account have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

The value of investments made by the Provident Fund based on the audited accounts for the year ended June 30, 2006 amounted to Rs. 25.07 million.

10. NUMBER OF BOARD MEETINGS

During the year, four Board meetings were held and attended as given hereunder:

SL #	Names	No of meetings Attended / held
1	Mr. R. D. Minwalla (Chairman)	4 / 4
2	Mr. Sohail P. Ahmed (Executive Vice Chairman)	4 / 4
3	Mr. Qazi Ebadullah Khan (Chief Executive)	4 / 4
4	Mr. Mansoor G. Habib	3 / 4
5	Mr. Owais ul Mustafa	3 / 4
6	Syed Sikander Ahmed	2 / 4
7	Mr. Fahim Kapadia	4 / 4

11. AUDITORS

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

12. STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

13. ACKNOWLEDGEMENT

We are pleased to acknowledge that the relations with employees remained congenial and harmonious throughout the year. The Management recognizes and records its sincere appreciation to all employees for their continued dedication, commitment and hard work for the growth and prosperity of the company, without which this performance would not have been possible. Once again we expect the same zeal and commitment to continue and prevail.

On behalf of the Board of Directors, we would like to place on record our appreciation to all our Patrons, Dealers, Suppliers and Employees for their valuable help, unflinching support and contribution to the Company. We are also thankful to all our Bankers for their continued support. We wish to place on record our gratitude to our overseas Technical Collaborators, M/s. Gabriel Ride Control Products, Inc. USA, M/s. Kayaba Industry Company Limited, Japan and M/s. Aisin Seiki Co. Ltd, Japan for their technical assistance and advice.

On behalf of the Board of Directors

Qazi Ebadullah Khan
Chief Executive

KARACHI
DATED : August 29, 2007

AGRIAUTO INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 (Rs. in 000')	2006
Turnover - net	17	1,980,459	1,763,391
Cost of sales	18	<u>1,443,887</u>	<u>1,230,750</u>
Gross profit		536,572	532,641
Distribution cost	19	<u>29,944</u>	<u>24,885</u>
Administrative expenses	20	<u>34,469</u>	<u>27,572</u>
		64,413	52,457
Other operating income	21	<u>(33,792)</u>	<u>(18,198)</u>
		505,951	498,382
Finance costs	22	<u>2,456</u>	<u>1,116</u>
Other charges	23	<u>37,329</u>	<u>36,578</u>
		39,785	37,694
Profit before taxation		<u>466,166</u>	<u>460,688</u>
Taxation	24	173,059	159,062
Profit after taxation		<u><u>293,107</u></u>	<u><u>301,626</u></u>
Basic and diluted earnings per share (Rs.)	25	<u><u>12.21</u></u>	<u><u>12.57</u></u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chairman

Vice Chairman

Chief Executive