

AGRIAUTO INDUSTRIES LIMITED

Annual Report 2002

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COMPANY INFORMATION

BOARD OF DIRECTORS

R.D. Minwalla	Chairman
Sohail P. Ahmed	Vice Chairman
Syed Ikram Haider	Chief Executive
Tayyeb Afzal	
MansoorG. Habib	
Owais ul Mustafa	
Rais Ahmed	

AUDIT COMMITTEE

Sohail P. Ahmed	Chairman
Tayyeb Afzal	Member
Owais ul Mustafa	Member

COMPANY SECRETARY Fahim Kapadia

AUDITORS

Ford, Rhodes, Robson, Morrow
Chartered Accountants

REGISTRARS

Noble Computer Services (Pvt.) Ltd.
14-Banglore Town Housing Society
Shahrah-e-Faisal, Karachi 75350
Pakistan.
Ph:4546978,4520121

REGISTERED OFFICE

5th Floor House of Habib,
Main Shahrah-e-Faisal,
Karachi 75350
Pakistan

FACTORY

Mouza Baroot, Hub chowki
Distt. Lasbella, Balochistan.

NOTICE OF MEETING

NOTICE is hereby given that the twenty-first Annual General Meeting of the Company will be held at Finance & Trade Center Auditorium, Main Shahrah-e-Faisal, Karachi on October 26,2002 at 2:30 p.m. to transact the following business: 1. To receive and adopt

(i) Mr. R. D. Minwalla (ii) Mr.SohailP.Ahmed (iii) Syed Ikram Haider
(iv) Mr.TayyebAfzal (v) Mr. Owaisul Mustafa (vi) Mr.MansoorG.Habib
(vii)Mr. RaisAhmed

By order of the Board.

FAHIM KAPADIA

Company Secretary

Karachi: September 28,2002

NOTES:

- 1 The Share transfer books of the company will remain closed from October 18,2002 to October 26, 2002 (Both days inclusive)
- 2 Any person who seeks to contest an election to the office of Director shall, whether he is a retiring Director or otherwise, file with the Company at its Registered office not later than fourteen days before the date of the meeting, a notice to offer himself for election as a Director.
- 3 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, instrument of appointing proxy must be received at the registered office of the company duly stamped and signed not less than 48 hours before the time of holding the meeting.
- 4 Members are requested to promptly communicate any change in their addresses to Company's Share Registrar, M/s Noble Computer Services (Pvt.) Ltd. 14 Bangalore Town Housing Society, Main Shahreh-e-Faisal, Karachi.
- 5 CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Account and Participant's ID numbers, for identification purpose and in case of Proxy, to enclose an attested copy of his/her National Identity Card.

**DIRECTOR'S REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED JUNE 30, 2002**

Dear Shareholders,

The Directors of Agriauto Industries Ltd. are pleased to place before you the Company's Annual Report on the operations and the audited accounts for the year ended June 30th, 2002. The Board of Directors are pleased to recommend a cash dividend of 7.5% for the year. Since the inception of the company, this is the second year, in succession, that a cash dividend is being declared. We are thankful to Allah for his blessing & guidance. The company at present is financially sound, possesses adequate managerial skills, technical competencies and the right culture required for sustained growth of the company. We acknowledge the support of all the stakeholders in the Company, during difficult times.

1. FINANCIAL RESULTS

Financial results of the company for the year under review are summarized as under

	Rs. '000'	
	2002	2001
Turnover	382,571	342,922
Gross Profit	60,644	63,228
Profit before tax	25,810	29,311
Taxation	(8,991)	(5,329)
Net Profit after tax	16,891	23,982
Accumulated profit/(loss) brought forward	1,480	(16,502)
Profit available for appropriation	18,299	7,480
APPROPRIATION		
Dividend @ 7.5% (2001- 5%)	(9,000)	(6,000)
	9,299	1,480
Earning Per Share	1	1

2. SALES

The company achieved its highest ever, sales revenue of Rs.382 million, showing an increase of 11.5% over previous years' Rs.343 million, primarily due to increased range of supplies to Indus Motors, Pak. Suzuki and the after market, albeit at lower margin.

3. COST OF SALES

The Company earned a Gross Profit of 15.8% in the current year compared with a G.P of 18.4% for the previous year. The reason for lower GP is due to a change in the product mix and upward revision of rate of depreciation w.e.f. July 2001 after studying the remaining useful life of the assets and changes due to Technological Obsolescence.

4. OPERATING EXPENSES

By practicing austerity, the Company has maintained the Administrative Expenses to Rs. 13.943 million against the previous year expense of Rs. 13.243 million. Selling & Distribution Expenses have declined from Rs. 13.064 to Rs. 10.978 million.

The Company will continue its drive in controlling the overhead costs despite the fact that the Petroleum products and Utilities are increasing at a very fast pace.

5. THE ECONOMY AND AUTOMOTIVE ENGINEERING SECTOR

The Government is a biggest earner from the Company. During the year under review, we contributed Rs. 101.589 million to the National Exchequer.

The Automotive OEM sector has grown, driven by leasing and a plethora of new models. The after-market, which is estimated at Rs. 35 billion, however remains largely unavailable to the industry.

We appeal to the Government to restrict / curtail the activities of the unscrupulous traders, which has stunted the growth of the auto parts industry through unethical practices of under invoicing, mis-declaration and smuggling. If such practices could be reduced by even 25%, it would lead to increase in Government revenue by over 100% and give an opportunity to the local industry to expand and invest more.

The acceptance of our products by world-renowned assemblers in the country, such as Toyota, Suzuki, Honda, Hyundai, Hino, Massey Ferguson and Fiat, after thorough testing and critical inspection is sufficient proof that technical capabilities exist in the country. All we need is the attitude 'Pakistan First & Pakistan Always'.

6. FUTURE OUTLOOK

The Vehicle market seems to have lifted up and unless foreign exchange rates become adverse, we are optimistic about the ensuing year, being the sole manufacturer of Shock Absorbers & Struts in Pakistan. We have also added Hard Chrome Sleeves for Mazda vehicles to our repertoire as well and have begun mass production of Pipe Fork for Honda Motorcycles. These products will add to the top and bottom line in the coming year.

We are also studying possibility of adding to our range of automotive products as well as increasing our range of Shocks and Struts.

6. STATEMENT OF DIRECTORS OVER FINANCIAL STATEMENTS

In accordance with the listing regulation # 37, clause, the Directors' hereby declare that the following has been complied with in the preparation of Financial statements for the year ended June 30,2002:

- 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.
- Proper books of Accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

" The system of internal control is sound in design and has been effectively implemented and monitored.

- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. STATEMENT AS TO VALUE OF INVESTMENTS

The value of investments made by the Provident fund based on audited accounts for the year ended June 30,2001 amounts to Rs. 15.383 million

NUMBER OF BOARD MEETINGS

Name	Designation	Attended/Held
Mr. R. D. Minwalla	Chairman	2/3
Mr. Sohail P. Ahmed	Vice Chairman	3/3
Syed Ikram Haider	Chief Executive	3/3
Mr.TayyebAfzal	Director	3/3
Mr. MansoorG. Habib	Director	3/3
Mr. Owaisul Mustafa	Director	3/3
Mr. Rais Ahmed	Director	2/3

10. PATTERN OF SHAREHOLDING

The pattern of Shareholding as on June 30,2002, is annexed.

11. AUDITORS

The Auditors of the Company M/s. Ford, Rhodes, Robson, Morrow (Chartered Accountants) retire and being eligible offer themselves for re-appointment for the year 2002-2003.

12. ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to place on record our appreciation to all our Patrons, Customers, Dealers and Suppliers for their valuable help, support and contribution given to the Company. I am also grateful to all our Bankers for their continued support. We also wish to record thanks to our overseas Technical collaborators, M/s Gabriel Ride Control Products. Inc. USA (for Shock Absorbers) and M/s Kayaba Industry Co. Ltd., Japan (for Gas Charged Shock Absorbers and Struts) for their technical help and advice.

The Board of Directors also acknowledges the contribution of all our Executives Staff and Workers who worked hard together as a committed team in achieving the Company's objectives.

**On behalf of the
Board of Directors**

**R.D. Minwalla
Chairman**

**KARACHI
September 04, 2002**

SIX YEARS AT A GLANCE

	2002	2001	2000	1999	1998	1997	1996
Operatina Results							
Net Sales	382,571	342,922	296,114	300,998	237,756	198,938	230,766
Gross Profit	60,644	63,193	60,358	62,743	51,674	39,445	4,385
Profit/(Loss) Before Tax	25,810	29,311	8,243	7,741	4,102	(13,946)	(47,769)
Profit/(Loss) After Tax	16,819	23,982	6,744	6,230	2,892	(14,942)	(48,961)
Financial Position							
Current Ratio	1.73 : 1	1.52: 1	1.26: 1	1.09: 1	1.02: 1	0.79 : 1	0.84 : 1
Paid up share capital	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Res. & unappropriated profitless)	21,897	14,078	(3,904)	(10,648)	(16,878)	(19,770)	(4,828)
Shareholders' equity	141,897	134,078	116,096	109,352	103,122	100,230	115,172
Breakup value per share	5.91	5.59	4.84	4.56	4.3	4.18	4.8

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AGRIAUTO INDUSTRIES LIMITED as at June 30, 2002 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the 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, 2002 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 (XVI 11 of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

KARACHI**September 04, 2002****Ford, Rhodes, Robson, Morrow
Chartered Accountants**

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**BALANCE SHEET
AS AT JUNE 30, 2002**

	Note	Rs. In '000'	
		2002	2001
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	3	88,827	95,905
Capital work-in-progress	4	3,008	-
Long term deposits		1,940	1,936
Deferred cost	5	-	972
CURRENT ASSETS			
Stores, spares and loose tools	6	8,759	9,121
Stock-in-trade	7	82,617	60,464
Trade debts	8	62,295	68,269
Loans, advances, deposits, prepayments and other receivables	9	23,221	23,922
Cash and bank balances	10		
	2	269	
		178,571	162,045
TOTAL ASSETS			
		272,346	260,858
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
40,000,000 (2001: 40,000,000) ordinary shares of Rs.5 each		200,000	200,000
Issued, subscribed and paid-up capital			
Capital reserve	11	120,000	120,000
Accumulated profit	12	12,598	12,598
		9,299	1,480
SHAREHOLDERS' EQUITY		141,897	134,078
NON-CURRENT LIABILITIES			
Long term loans	13	21,984	15,988
Obligations under finance lease	14	372	926
DEFERRED TAXATION	15	5,002	3,172
CURRENT LIABILITIES			
Current portion of long term loans	13	11,337	8,004
Current portion of obligations under finance lease	14	554	510
Short term finances	16	27,021	33,395
Advances from others	17	3,450	4,086
Creditors, accrued and other liabilities	18	41,345	49,943
Provision for taxation		10,384	4,756
Proposed dividend		9,000	6,000
		103,091	106,694
CONTINGENCIES AND COMMITMENTS			
	19		
TOTAL EQUITY AND LIABILITIES		272,346	260,858

The accounting policies and explanatory notes on pages 1 to 14 form an integral part of these financial statements.

R. D. MINWALLA

Chairman

SYED IKRAM HAIDER

Chief Executive

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2002**

	Note	Rs. In '000'	
		2002	2001
Turnover	20	382,571	342,922
Less: Cost of goods sold	21	321,927	279,694
Gross profit		60,644	63,228
Other income	22	2,123	5,140
		62,767	68,368
Less: Administrative expenses	23	13,943	13,243
Selling and distribution expenses	24	10,978	13,064
Other charges	26	2,942	1,570
		27,863	27,877
Operating profit		34,904	40,491
Less: Financial charges	27	9,094	11,180
Profit before taxation		25,810	29,311
Less: Taxation	28	8,991	5,329
Profit after taxation		16,819	23,982
Accumulated profit / (loss) brought forward		1,480	(16,502)
Profit available for appropriation		18,299	7,480
Appropriation			
Proposed dividend 7.5% (2001: 5%)		9,000	6,000
Accumulated profit carried forward		9,299	1,480
Basic earnings per share (Rs.)	29	0.7	1

The accounting policies and explanatory notes on pages 1 to 14 form an integral part of these financial statements.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2002**

	Note	Rs. In '000'	
		2002	2001
Cash flow from operating activities			
Cash generated from operations	30	26,202	32,202
Financial charges paid		(9,428)	(11,903)
Taxes refund/(paid)		1,625	(4,144)
Deposits paid		(4)	(397)
Workers' profit participation fund		(1,525)	(236)
Net cash inflow from operating activities		16,870	15,522
Cash flow from investing activities			
Fixed capital expenditures		(13,047)	(3,222)
Proceeds from disposal of fixed assets		845	3,368
Net cash (outflow)/inflow from investing activities		(12,202)	146
Net cash flow from financing activities			
Long term loans		9,328	(8,725)
Obligations under finance lease		(510)	1,436
Dividend paid		(5,702)	
Net cash inflow/(outflow) from financing activities		3,116	(7,289)
Net increase in cash and cash equivalents		7,784	8,379
Cash and cash equivalents at the beginning of the year		(33,126)	(41,505)
Cash and cash equivalents at the end of the year	31	(25,342)	(33,126)

The accounting policies and explanatory notes on pages 1 to 14 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2002**

Issued,subscribed Capital reserve Unappropriated

	& paid-up capital	(share premium)	(loss)/profit (Rs. In '000)	Total	
Balance as at July 1, 2000	120,000		12,598	(16,502)	116,096
Profit after taxation	-	-	23,982	23,982	
Proposed dividend			(6,000)	(6,000)	
Balance as at June 30, 2001	120,000		12,598	1,480	134,078
Profit after taxation	-	-		16,819	16,819
Proposed dividend				(9,000)	(9,000)
Balance as at June 30, 2002	120,000		12,598	9,299	141,897

The accounting policies and explanatory notes on pages 1 to 14 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2002

1. THE COMPANY AND ITS OPERATIONS

Agriauto Industries Limited (the Company) was incorporated in Pakistan on June 25, 1981 as a public limited Company and was listed on the Karachi and Lahore stock exchanges in June 1984. The Company is engaged in manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared, in all material respects, in accordance with International Accounting Standards issued by International Accounting Standards Board (IASB) and interpretations issued by Standing Interpretation Committee of the IASB, as applicable in Pakistan and the requirements of the Companies Ordinance, 1984.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.3 Tangible fixed assets and depreciation

2.3.1 Operating fixed assets - Owned

These are stated at cost less accumulated depreciation and accumulated impairment losses except for freehold land which is stated at cost. Depreciation on fixed assets is calculated on reducing balance method at the rates specified in note 3, other than freehold land, which is determined to have an indefinite life. Full year depreciation is charged on additions during the year and no depreciation is charged on assets retired or disposed off during the year.

The carrying amounts of fixed assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

Maintenance and normal repairs are charged to profit and loss account as and when incurred, while major renewals and improvements are capitalized.

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

2.3.2 Operating fixed assets - Leased

Finance leases are capitalised at lower of present value of the minimum lease payments at the inception of the lease term and the fair value of leased assets. The related obligations of the lease agreement less financial charges allocated to future periods are shown as liabilities.

Financial charges are calculated at the interest rate implicit in the lease and are charged to the profit and loss account.

Depreciation is charged to income applying the reducing balance method at the same rate as the Company owned assets.

2.3.3 Capital work-in-progress

Capital work-in-progress is stated at cost.

2.4 Deferred cost

Deferred cost is amortised over a period of five years from the time of its incurrence.

2.5 Stock-in-trade, stores, spares and loose tools

These are stated at the lower of net realizable value and cost determined as follows:

Raw and packing materials, stores

spares and loose tools - moving average basis.

Work-in- process and finished goods - raw materials and conversion cost are valued at moving average and average factory cost respectively.

Goods-in-transit - comprises of purchase price, freight value and other charges incurred thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.6 Trade debts

These are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

2.7 Cash and bank balances

Cash and bank balances are carried at cost.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash in hand, bank balances net off short term finances utilised under mark-up arrangements, maturing within three month from the date of acquisition.

2.8 Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

2.9 Staff retirement benefits

The Company operates an approved provident fund scheme for all its employees who are eligible for the benefits. Contributions in respect thereto are made in accordance with the terms of the scheme.

2.10 Compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

2.11 Taxation

2.11.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation or on turnover tax under section 800 of the Income Tax Ordinance, 1979, whichever is higher.

2.11.2 Deferred

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

2.12 Foreign currency transactions

Transactions denominated in foreign currencies are recorded on initial recognition in Pak. rupees, by applying to the foreign currency amount the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak. rupees equivalents using balance sheet date exchange rates. Exchange differences are included in profit and loss account currently.

2.13 Revenue recognition

Sales are recorded when goods are despatched to the customers.

2.14 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

2.15 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to setoff the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

3. OPERATING FIXED ASSETS

	COST			Rate of depreciation %	ACCUMULATED DEPRICIATION / IMPAIRMENT			Written down value as at June 30,2002
	As at July 1,2001	Additions / (disposals)	As at June 30,2002		As at July 1,2001	Charge for the year (disposals)	Impairment	
	(Rs. in 000's)							
OWNED								
Freehold land	1,652		1,652					1,652
Building on freehold land	36,305	-	35,819	10	25,351	1,060	.	26,276
		(486)				(135)		
Plant, machinery and equipment	195,378	8,761	195,205	10-20	122,330	12,191	(5,466)	125,749
		(8,934)				(3,306)		
Furniture and fixtures	4,297	137	4	15	2,276	311		2,405
		(265)				(182)		
Office equipment	1,365		1	20	931	87		1,018
Computer equipment	6,608	166	3,293	30	4,571	416		2,321
		(3,481)				(2,666)		
Dies and tools	2,579	139	2,718	40	2,413	122	-	2,535
Vehicles	8,012	819	8,113	20	3,851	938	-	4,362
		(718)				(427)		
Canteen equipment	128	17	145	20	37	22	.	59
LEASED								
Vehicles	1,676	-	1,676	20	335	268	-	603
		10,039	254,155		162,095	15,415	(5,466)	165,328
		(13,884)				(6,716)		88,827
2001	271,887	3	258,000		166,339	11,765	(4,286)	162,095
		(17,109)				(11,723)		96

3.1 Depreciation charge for the year has been allocated as follows:

	Note	Rs. In '000'	
		2002	2001
Cost of goods sold	21	13,927	10,004
Administrative expenses	23	1,114	1,293
Selling and distribution expenses	24	374	468
		15,415	11,765

3.2 During the year, the Company reviewed the estimated useful life of its operating fixed assets and accordingly revised its depreciation rates with effect from July 2001 in respect of the following:

	Revised %	Previous %
Building on freehold land	10	5-10
Plant, machinery and equipment	10-20	10
Furniture and fixtures	15	10
Computer equipment	30	25
Dies and tools	40	30
Canteen equipment	20	10

The above changes have increased the depreciation charge and decreased the profit before tax for the year by Rs.4.358 million.

3.3 The following operating fixed assets were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Impairment Loss	Written down value	Sales proceeds	Profit/ (loss)	Mode of disposal	Particulars of buyer / recipient
Building on freehold land								
Mobike show room	486	135	-	351	-	(361)	Written Off	Not applicable
Plant, machinery and equipment								

Mobike plant	8,934	3,306	5,466	162	200	38	Negotiation	National Corporation, Karachi
Furniture and fixtures								
Furniture items	151	102	-	49	13	(36)	Negotiation	Hajuroee and sons, Karachi.
Furniture	20	12	-	8	7	(1)	Negotiation	B.D. Traders, Karachi.
Carpets and fixtures	94	68	-	26	-	(26)	Written Off	Not applicable
	265	182	-	83	20	(63)		
Computer equipment								
Computers	907	724	-	183	-	(183)	Written off	Not applicable
Printers	105	84	-	21	-	(21)	Written off	Not applicable
Other equipment	56	46	-	11	-	(11)	Written off	Not applicable
AS-400 System	1,186	887	-	299	-	(299)	Donation	NED University, Karachi.
C.P. Package	1,227	925	-	302	-	(302)	Written Off	Not applicable
	3,481	2,666	-	816	-	(816)		
Motor vehicles								
Suzuki Khyber	331	195	-	136	245	109	Negotiation	Mr Saqib Ikram, Karachi.
Daihatsu Charade	226	196	-	29	125	96	Negotiation	Mr. KhalidAli, Karachi.
Suzuki Mehran	26	12	-	14	120	106	Negotiation	Mr. Saqib Ikram, Karachi.
Honda CD-70	66	24	-	42	66	24	Insurance claim	Habib Insurance Company, Karachi.
Honda CD-70	69	-	-	69	69	-	Insurance claim	Habib Insurance Company, Karachi.
	718	427	-	290	625	335		
	13,884	6,716	5,466	1,702	845	(857)		

•None of the directors or their spouses had any interest in the donee.

4. CAPITAL WORK-IN-PROGRESS	Note	Rs. In '000'	
		2002	2001
Plant, machinery and equipment		3,008	-
5. DEFERRED COST			
Licence fee		972	1,945
Less: Amortisation during the year		972	973
Balance at end of the year		-	972

5.1 These expenses were incurred on initial licence fee to Kayaba Industry Company Limited, Japan for the purpose of providing technical assistance for the manufacturing of Struts.

6. STORES, SPARES AND LOOSE TOOLS

Stores 2,906 3,224
Spares and loose tools 5,853 5,897
8,759 9,121

7. STOCK-IN-TRADE

Raw material 7.1 51,045 38,590
Packing material 1,153 1,004
Work-in-process 7.2 7,968 6,346
Finished goods 7.3 8,261 2,620
Goods-in-transit 14,190 11,904
82,617 60,464

7.1 Included herein are materials carried at net realisable value amounting to Rs.0.955 million (2001 :Rs.3.592 million).

7.2 Included herein are stocks amounting to Rs.1.090 million (2001 :Rs.1.770 million) lying with the vendors as per the terms of the business.

7.3 Included herein are inventories carried at netrealisable value amounting to Rs.4.840 million (2001 :Rs.1.229 million).

8. TRADE DEBTS - Unsecured

Considered good		62,295	68,269
Considered doubtful		2,237	1,937
		64,532	70,206
Less : Provision for doubtful debts	8.1	2,237	1,937
		62,295	68,269

8.1 The amount has been arrived at after writing off Rs.nil(2001: Rs. 0.372 million) pertaining to the debts considered irrecoverable.

9. LOANS, ADVANCE AND OTHER RECEIVABLES	Note	Rs. In '000'	
		2002	2001

Loans and advances - unsecured • considered good			
Loans to staff and workers		79	89
Advances to;			
- suppliers and contractors for goods and services	9.1	3,645	2,225
- staff for purchases and expenses		77	174
Income tax		14,994	12,693
		18,795	15,181
Trade deposits			
Container deposits		46	157
Prepayments		219	50
Other receivables			
Octroi refundable		-	355
Sales tax adjustable		1,441	-
Tax refundable		2,720	8,179
		4,161	8,534
		23,221	23,922

9.1 These include amount due from an associated undertaking of Rs.nil (2001 :Rs.nil).The maximum amount due from an associated undertaking at the end of any month during the year was Rs. Nil (2001 :Rs.0.200 million)

10. CASH AND BANK BALANCES

At banks in current acc 1,679 269

11. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2002	2001		
(Number of shares)				
22,800,000	22,800,000	Ordinary shares of Rs.5 each fully paid in cash	114,000	114,000
1,200,000	1,200,000	Ordinary shares of Rs.5 each issued as fully paid bonus shares	6,000	6,000
24,000,000	24,000,000		120,000	120,000

12. CAPITAL RESERVE

Third right shares premium		15,000	15,000
Third right shares issue expenses		(2,402)	(2,402)
		12,598	12,598

13. LONG TERM LOANS - Secured

	Note	Rs. In '000'	
		2002	2001
From banks			
- Demand finance -1	13.1	15,988	23,992
- Demand finance -11	13.2	17,333	
		33,321	23,992
Less: Current portion shown under current liabilities			
- Demand finance -1		8,004	8,004
- Demand finance -11		3,333	-
		11,337	8,004
		21,984	15,988

13.1 This long term loan amounting to Rs.40 million (2001:Rs.40 million) has been granted by a bank against first equitable mortgage on all present and future movable and immovable properties of the Company ranking pan passu with other creditors.

It carries markup at Re.0.39 per thousand rupees per day (2001: Re.0.39 per thousand rupees per day). The loan is repayable in sixty equal monthly installments commencing from June 30, 1999.

13.2 This long term loan amounting to Rs.20 million (2001 :Rs.nil) has been granted by a bank against first equitable mortgage on all present and future movable and immovable properties of the Company ranking pan passu with other creditors.

It carries markup at Re.0.39 per thousand rupees per day. The loan is repayable in twenty equal quarterly installments

commencing from January 2002.

14. OBLIGATIONS UNDER FINANCE LEASE

The Company has entered into a finance lease agreement in respect of motor vehicles. The rate of mark-up used as the discounting factor is 16% per annum. Rentals are payable in equal monthly instalments by October 2003.

The amounts of future minimum lease payments together with their present values and the periods during which they fall due are as follows:

	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
	2002		2001	
	RS. '000			
Not later than one year	636	554	689	510
Later than one year and not later than three years	380	372	1,016	926
	1,016	926	1,705	1,436
Less: Finance charges allocated to future periods	(90)	.	(269)	
Present value of minimum lease payments	926	926	1,436	1,436
Less: Current maturity shown under current liabilities	(554)	(554)	(510)	(510)
	372	372	926	926

At the end of lease period, the ownership of the assets will be transferred to the Company on payment of residual value. Then are no financial restrictions in lease agreement.

15. DEFERRED TAXATION

Deferred taxation is composed of:

Deferred tax liabilities:

Difference in tax and accounting bases of operating fixed assets	6,289	5,893
Deferred tax assets:		
Debit arising on tax losses carried forward	-	(1,444)
Debit arising in respect of provision for doubtful debts	(783)	(639)
Debit arising on expense deductible on payment basis	(504)	(638)
	(1,287)	(2,721)
	5,002	3,172

16. SHORT TERM FINANCES

	Note	Rs. In '000'	
		2002	2001
Secured			
From banks			
Running finances utilised under mark-up arrangements	16.1	27,021	32,395
Others			
Short term loan		-	1,000
		27,021	33,395

16.1 The aggregate running finance facilities of Rs.75 million (2001 :Rs.46 million) and finances under trust receipt facilities of Rs. 8 million (2001 :Rs. 8 million) are obtained from various banks and are secured by first and second equitable mortgage on all present and future movable and immovable properties of the Company ranking pari passu with other creditors and by joint hypothecation of stock-in-trade, stores and spares and trade debts.

These carry mark-up ranging from Re.0.3356 to Re.0.4384 per thousand rupees per day (2001: Re. 0.442 to Re.0.500 per thousand rupees per day) on a daily product basis payable currently.

At the year end Rs. 47.979 million (2001 :Rs.13.605 million) remains unutilized.

17. ADVANCES FROM OTHERS

Secured	17.1	2,118	2,383
Unsecured		1,332	1,703
		3,450	4,086

17.1 This advance was obtained from Original Equipment Manufacturers (OEM) for the acquisition, construction, erection and installation of plant and machinery for manufacture of products to be developed by the Company on their behalf. This advance is secured against an insurance guarantee.

18. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	16,381	19,135
Mark-up accrued on :		
Long term loans	915	397
Short term finances	1,207	2,503
	2,122	2,900

Sales tax payable		1,334	3,269
Royalty payable		1,440	1,935
Unclaimed dividend		298	-
Accrued expenses		10,182	8,599
Workers' profit participation fund	18.1	1,574	1,646
Workers' welfare fund		673	73
Other liabilities	18.2	7,341	12,386
		41,345	49,943
18.1 Workers' profit participation fund			
Balance at beginning of the year		1,646	339
Interest on funds utilised in Company's business		63	-
		1,709	339
Less: Amount paid to the trustees of the fund		1,525	236
Allocation for the year	26	1,390	1,543
Balance at end of the year		1,574	1,646

18.2 Amounts due to associated undertakings at the year end aggregated to Rs. 0.070 million (2001 :Rs.0.049 million). The maximum aggregate amount due at the end of any month during the year was Rs.0.094 million (2001 :Rs.0.13 million).

19. CONTINGENCIES AND COMMITMENTS

Contingencies

19.1 Outstanding bank guarantees issued to Collector of Customs as a security against import duty amount to Rs.5.243 million (2001:Rs.5.199 million) and to Sui Sourthern Gas Company amount to Rs.0.385 million (2001 :Rs.0.385 million).

19.2 Indemnity bonds issued in favor of Collector of Customs as a security against import duties amount to Rs. 5.701 million (2001 :Rs. 9.656 million).

19.3 The Sales Tax Department during the course of sales tax audit for the year ended 1996-97 raised a demand amounting to Rs.6.071 million with additional tax upto the date of the settlement. The Company is contesting the demand in the Sales Tax Tribunal and based on the legal advise, the management is reasonably confident that the ultimate outcome will be in the favor of the Company. Hence, no provision for the same has been made in these financial statements.

Commitments

19.4 Commitments in respect of outstanding letters of credit amount to Rs. 41.783 million (2001: Rs.26.232 million).

TURNOVER	Note	Rs. In '000'	
		2002	2001
Sales		384,961	349,275
Less: Trade discount		2,390	6,353
		382,571	342,922
21. COST OF GOODS SOLD			
Raw material consumed			
Opening stock		38,590	36,615
Purchases		253,305	192,252
		291,895	228,867
Closing stock		(51,045)	(38,590)
		240,850	190,277
Manufacturing expenses			
Salaries, wages and benefits		31,065	32,397
Transportation and travelling		8,724	8,119
Water and power		10,314	10,685
Postage, telephone and telex			
		758	735
Insurance			
		771	356
Repairs and maintenance		2,365	1,599
Store and spares consumed		12,144	13,205
Packing material consumed		3,696	3,427
Depreciation	3.1	13,927	10,004
Cartage and octroi charges		962	918
Rent and taxes		600	600
Technical studies and development charges		815	2,539
Printing and stationery		696	634
Amortisation of deferred cost	5	972	973
Others		531	207
		88,340	86,398

Work-in-process		
Opening inventory	6,346	4,804
Closing inventory	(7,968)	(6,346)
Cost of goods manufactured	327,568	275,133
Finished goods		
Opening inventory	2,620	7,181
Closing inventory	(8,261)	(2,620)
	321,927	279,694

00 / " ^ TLJCD IM ^ f ^ KJIC	Note	Rs. In '000'	
ZZ. U 1 nbK INCOME		2002	2001
Scrap sales		1,193	586
Gain on disposal of fixed assets		-	2,268
Liabilities written back		766	1,498
Others		164	788
		2,123	5,140

23. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits		5,068	5,124
Directors' remuneration		2,064	1,950
Transportation and travelling		704	820
Water and power		431	369
Rent and taxes		565	423
Postage, telephone and telex		645	687
Auditors' remuneration	23.1	110	105
Advertisement and publicity		136	107
Legal and professional charges		992	1,074
Repairs and maintenance		441	171
Depreciation	3.1	1,114	1,293
Insurance		273	191
Security services charges		493	356
Printing and stationery		460	373
Others		447	200
		13,943	13,243

23.1 Auditors' remuneration

Audit fee		75	70
Out of pocket expenses		35	35

24. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and benefits		2,327	2,959
Transportation and travelling		731	1,339
Postage, telephone and telex		260	218
Advertisement and publicity		2,910	3,236
Insurance		193	88
Royalty		1,737	2,637
Depreciation	3.1	374	468
Freight and octroi charges		1,479	1,337
Provision for doubtful debts	8	300	300
Printing and stationery		31	63
Others		636	419
		10,978	13,064

25. RETIREMENT BENEFITS

The charge for retirement benefits of Rs. 1.615 million (2001: Rs. 1.694 million) is included in the figures of salaries, wages and benefits of manufacturing, administrative and selling and distribution expenses.

26. OTHER CHARGES

Workers' profit participation fund	18.1	1,390	1,543
Workers' welfare fund		600	-
Loss on disposal of fixed assets	3.3	857	-
Donations	26.1	95	27
		2,942	1,570

26.1 None of the directors or their spouses had any interest in any of the donees.

The Company has also donated a fixed asset costing Rs. 1.186 million having net book value of Rs.0.29€ million to NED University, Karachi.

27. FINANCIAL CHARGES	Note	Rs. In '000'	
(Rs. in 000's)		2002	2001
Mark-up/interest on:			
Long term loans		4,789	3,917
Short term finances		3,862	6,936

Financial Assets						
Deposits		1,818	-	-	-	1,818
Trade debts		62,295	-	-	-	62,295
Loans to staff and workers		79	-	-	-	79
Cash and bank balances		1,679	-	-	-	1,679
		65,871	-	-	-	65,871
Flimctel LlablHtl—						
Long term loans	14.24	33,321	11,337	21,984	33,321	-
Obligations under finance lease	16	926	554	372	926	-
Short term finances	12.25-16.00	27,021	27,021	-	27,021	-
Creditors, accrued and other liabilities						
		37,739			37,739	
		99,007	39	22,356	61,268	37,739
Total yield / mark-up rate risk sensitivity gap		(33,136)	(38,912)	(22,356)	(61,268)	28,132
Cumulative yield / mark-up rate risk sensitivity gap			(38,912)	(61,268)		

2001						
Effective yield / mark-up rate %	Total	Exposed to yield / mark-up		rate risk	Not exposed to yield / mark-up rate risk	
		Maturity upto one year	Maturity after one year			
Rs. In 000's						
Financial Assets						
Deposits		1,925	-	-	-	2
Trade debts		68,269	-	-	-	68,269
Loans to staff and workers		89	-	-	-	89
Cash and bank balances		269	-	-	-	269
		70,552	-	-	-	70,552
Financial Liabilities						
Long term loans	14.24	23,992	8,004	15,988	23,992	-
Obligations under finance lease	16	1,436	510	926	1,436	-
Short term finances	16.13-18.25	33,395	33,395	-	33,395	-
Creditors, accrued and other liabilities		44,858	-	-	-	44,858
		103,681	41,909	16,914	58,823	44,858
Total yield / mark-up rate risk sensitivity gap		(33,129)	(41,909)	(17)	(58,823)	25,694
Cumulative yield / mark-up rate risk sensitivity gap			(41,909)	(58,823)		

34. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on trade debts, loans, advances, deposits and other receivables. The Company seeks to minimise the credit risk exposure through having

	2002		2001	
	Amount	%	Amount	%
	(Rs. In 000's)		(Rs. in 000's)	
Original Equipment Manufacturers (OEM)	41,942	67	54,088	79
Replacement market	20,353	33	14,181	21
	62,295	100	68,269	100

36. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions with foreign undertakings. Financial liabilities include Rs.1.382 million (2001 :Rs. 1.353 million) in foreign currencies which are subject to currency risk exposure.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

37. NUMBER OF EMPLOYEES

The Company employed 220 (2001: 245) employees at the end of the year.

38. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

(Rs. in 000's)

2002 2001

Aggregate transactions made by the Company during the year with associated companies were:

Services received	441	434
Reimbursement of expenses	341	72

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 04,2002 by the Board of Directors of the Company.

40. PRODUCTION CAPACITY

The production capacity of the Company can not be determined as this depends on the relative proportions of various types of vehicles and agricultural

tractors produced.

41. REMUNERATION OF CHAIRMAN, CHIEF EXECUTIVE AND EXECUTIVES

	2002			2001		
	Chairman	Chief Executive (Rs. in 000's)	Executives	Chairman	Chief Executive (Rs. in 000's)	Executives
Managerial remuneration	240	1,713	7,726	240	1,620	8,327
Retirement benefits	-	96	434	-	90	447
Perquisites and benefits	99	-	78	93	-	92
utilities	-	96	428	-	72	442
medical	-	-	304	-	-	343
leave encashment	-	-	-	-	-	-
	339	1,905	8,970	333	1,782	9,651
Number of persons	1	1	23	1	1	22

41.1 In addition the Chairman, Chief Executive and some of the Executives are provided with free use of Company cars.

42. GENERAL

42.1 Figures in these accounts have been rounded off to the nearest thousand rupees.

42.2 Previous year's figures have been rearranged/regrouped wherever considered necessary for the purposes of comparison.

Pattern of Share Holding

Number of Share Holders	Size of Share Holdings		Total Shares Held
	From	To	
2,022	1	100	66,242
1,603	101	500	446,029
741	501	1,000	617,331
1,053	1,001	5,000	2,473,737
243	5,001	20,000	2,203,812
66	20,001	50	1,995.23
21	50,001	85	1,390,216
1	90,001	95,000	93,000
1	110,001	115,000	115,000
1	125,001	130,000	125,150
1	155,001	160,000	158,500
1	230,001	235,000	230,116
1	265,001	270,000	266,000
1	285,001	290,000	285,300
4	300,001	305,000	1,209,621
1	380,001	385,000	383,858
1	575,001	580,000	575,500
1	690,001	695,000	693,486

1	745,001	750,000	750,000
1	790,001	795,000	794,701
1	970,001	975,000	972,545
1	1,010,001	1,015,000	1,011,200
1	2,205.00	2,210,000	2,207.14
1	4,935,001	4,940,000	4,936,285
5,769			24,000,000

Category # CATEGORIES OF SHAREHOLDERS	Number of Shares held	Category wise No. of Shareholders	Category wise shares held	%
1 INDIVIDUALS		5,659	9,319,290	38.83%
2 INVESTMENT COMPANIES		3	722	0.00%
3 JOINT STOCK COMPANIES		58	2,210,266	9.21%
4 DIRECTORS', CHIEF EXECUTIVE OFFICER, THEIR SPOUSES & MINOR CHILDREN		6	9,786	0.04%
R.D. Minwala	5,357			
Syed Ikram Haider	1,000			
Sohail P.Ahmed	1,333			
Tayyeb Afzal	1,000			
MansoorG. Habib	1,004			
Owais ul Mustafa	92			
Rais Ahmed (Representative ICP)	-			
	9,786			
5 EXECUTIVES (Salary Rs 500,000 & above)			-	-
6 Investment Corporatation of Pakistan		2	822,091	3.43%
7 National Investment trust		1	2,207,141	9.20%
8 ASSOCIATED COMPANIES				
Thai Jute Mills Ltd.		1	750,000	3.13%
9 PUBLIC SECTOR COMPANIES & CORP.			-	-
10 BANKS, DFI's, NBFI's, INSURANCE COS, MODARABA, MUTUAL FUNDS		25	2,073,103	8.64%
11 FOREIGN INVESTORS		6	6,411,906	26.72%
12 CO-OPERATIVE SOCIETIES		2	78,635	0.33%
13 CHARITABLE INSTITUTIONS		1	21	0.00%
14 OTHERS		5	117,039	0.49%
TOTAL		5,769	24,000,000	100.00%
PERSON'S HOLDING 10% OR MORE SHARES				
Robert Finance Corporation, AG (Foreign Investor)			5,202,285	21.68%