

**BALANCE SHEET
AS AT JUNE 30, 2004**

	Note	2004 (Rs. in 000's)	2003
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets - tangible	3	77,411	81,330
Long term deposits		1,381	1,618
CURRENT ASSETS			
Stores, spares and loose tools	4	10,958	6,287
Stock-in-trade	5	151,460	117,948
Trade debts	6	109,525	75,805
Loans, advances, prepayments and other receivables	7	78,521	21,516
Short term investments	8	85,000	-
Cash and bank balances	9	52,773	3,066
		488,237	224,622
TOTAL ASSETS		567,029	307,570
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 40,000,000 (2003: 40,000,000) ordinary shares of Rs.5 each		200,000	200,000
Issued, subscribed and paid-up capital	10	120,000	120,000
Capital reserve	11	12,598	12,598
Unappropriated profit		201,006	58,178
SHAREHOLDERS' EQUITY		333,604	190,776
DEFERRED TAXATION	12	3,461	4,069
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease	13	-	372
Short term finances	13	840	1,177
Advances from customers	14	2,446	1,883
Creditors, accrued and other liabilities	14	89,361	52,293
Provision for taxation		101,317	39,000
Proposed dividend		36,000	18,000
		229,964	112,725
CONTINGENCIES AND COMMITMENTS	15		
TOTAL EQUITY AND LIABILITIES		567,029	307,570

The annexed notes from 1 to 38 form an integral part of these financial statements.

R.D. MINWALLA
Chairman

SOHAIL P. AHMED
Chief Executive

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2004**

	Note	2004 (Rs. in 000's)	2003
Cash flow from operating activities			
Cash generated from operations	26	265,865	91,530
Financial charges paid		(713)	(7,318)
Taxes paid		(94,897)	(10,143)
Deposits refunded		237	322
Workers' profit participation fund and workers welfare fund paid		(8,454)	(1,545)
Net cash inflow from operating activities		162,038	72,846
Cash flow from investing activities			
Fixed capital expenditures		(11,463)	(4,509)
Proceeds from disposal of fixed assets		2,422	1,517
Purchase of short term investments		(85,000)	-
Net cash outflow from investing activities		(94,041)	(2,992)
Cash flow from financing activities			
Long term loans		-	(33,321)
Repayment of liabilities against assets subject to finance lease		(372)	(554)
Dividend paid		(17,581)	(8,748)
Net cash outflow from financing activities		(17,953)	(42,623)
Net increase in cash and cash equivalents		50,044	27,231
Cash and cash equivalents at the beginning of the year		1,889	(25,342)
Cash and cash equivalents at the end of the year	27	51,933	1,889

The annexed notes from 1 to 38 form an integral part of these financial statements.

R.D. MINWALLA
Chairman

SOHAIL P. AHMED
Chief Executive

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2004**

	Issued, subscribed and paid-up capital	Capital reserve (Share premium)	Revenue reserve (Un- profit)	Total
	------(Rs. in 000's)-----			
Balance as at July 1, 2002	120,000	12,598	9,299	141,897
Profit after taxation	-	-	66,879	66,879
Proposed dividend	-	-	(18,000)	(18,000)
Balance as at June 30, 2003	120,000	12,598	58,178	190,776
Profit after taxation	-	-	178,828	178,828
Proposed dividend	-	-	(36,000)	(36,000)
Balance as at June 30, 2004	120,000	12,598	201,006	333,604

The annexed notes from 1 to 38 form an integral part of these financial statements.

R.D. MINWALLA
Chairman

SOHAIL P.
Chief

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED JUNE 30, 2006

Dear Shareholders,

It is indeed with great pleasure 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, 2006.

Masha-Allah the Company is now 25 years old and is celebrating its Silver Jubilee year. The Company is now the source of employment to over 400 team members and source of income for 70 of its sub-vendors, apart from contributing substantially to the national exchequer and to the community at large.

In this Silver Jubilee year the Board of Directors has recommended a cash dividend of 70% for the year i.e. Rs. 3.50 per share; the highest to date and a transfer of Rs. 200 million to the General Reserve.

PAKISTAN ECONOMY

Pakistan's economy has delivered yet another year of solid economic growth in 2005-06 in the midst of an extra-ordinary surge in oil prices and the devastating earth quake. Consumer spending remained buoyant and investors remained upbeat on the strength and sustainability of the current growth momentum. Pakistan's economy has grown at an average rate of almost seven percent per annum during the last four years (2003~2006), thus positioning itself as one of the fastest growing economies in the world.

AUTOMOTIVE SECTOR

Despite heavy influx of new & second hand imported cars driven by slashed import duties and easiness of import in the last budget, local car sales posted a growth of 22% to 155,514 units as against 127,309 units during 2004-05 primarily on the back of availability of auto finance from various financial institutions. The rate of growth has declined from last year's 28% and is expected to decline further in the ensuing year.

While the demand for locally produced cars is positive, the decline in growth and the ease of imports of overseas products is worrisome.

1. SUMMARY OF FINANCIAL RESULTS

The financial results of the Company for the year under review are summarized as under :

	2006	Rs. '000 2005
Turnover	<u>1,763,391</u>	<u>1,454,415</u>
Gross Profit	<u>532,641</u>	<u>360,097</u>
Profit before Taxation	460,688	316,542
Taxation	<u>(159,062)</u>	<u>(64,138)</u>
Profit after Taxation	<u>301,626</u>	<u>252,404</u>
Earnings per share - Rupees	<u>12.57</u>	<u>10.52</u>

2. OPERATIONS

Sales: Sales of Rs. 1.763 billion for the fiscal year 2006 increased by Rs. 308.9 million or 21% over last year. The increase was primarily due to the increased sales to auto makers.

Sales in after-market and Exports also increased significantly, but being a small part of the overall sales their effect is not so pronounced. Competing in the after-market, where the unscrupulous barons reign supreme, is not easy. A market rightfully ours is denied to us, helping the yonder economies to prosper at our cost.

We participated in auto parts exhibitions in the country as well as Automechanica, Dubai. This will all yield results in the medium term.

Tariff Based System has been introduced by the Government along with reduced tariffs on inputs, to support the industry, and we welcome it. It is the right way to move forward.

Cost of Sales: Cost of sales of Rs. 1.23 billion increased by Rs. 136.4 million or 12.4% over the last year. Thus the Gross Profit ratio improved to 30.2% from 24.7% last year. This improvement occurred due to various factors, namely, savings due to favorable exchange rates, improvement in quality, productivity and prudent purchasing of raw materials.

Distribution Cost – This cost has increased from Rs. 17.3 million of last year to Rs. 24.8 million this year, an increase of 43.8%. This increase is mainly attributed to the warranty claim provision of Rs. 3.5 million and Rs. 1.3 million due to the provision for impairment of trade debts.

Administrative Expenses – This cost has increased from Rs. 19.5 million to Rs. 27.5

million this year an increase of 41.3%. This increase is due to purchase of software for Material Resource Planning (MRP) and Human Resource Planning (HRIS), increase in fuel prices and increase in legal & professional charges.

Other Operating Income: The Company utilized its liquidity in a very efficient manner and earned Rs. 15.9 million (2005- Rs. 5.3 million) a growth of over 300% over last year.

Finance Cost: These costs remained well under control and the Company spent only Rs. 1.1 million (2005- Rs. 0.54 million) during the year.

3. AWARDS

For the first time in the history of the company our performance was acknowledged by M/s. Pak Suzuki Motor Co. Ltd in the form of an award for Exemplary Performance in Overall Activities. We are very thankful for the trust and confidence bestowed on us and we will continue to strive for even better performance.

4. TECHNICAL ASSISTANCE AGREEMENT

The Company signed an agreement with M/s. Aisin Seiki Co. Ltd, Japan for the local assembly of Door Locks & Door Hinges. Commercial supply is expected to commence from Jan 2007. The Company will initially start supplying for Toyota Corolla cars and thereafter would develop products for other vehicles.

The Company has also extended its TAA with Kayaba Industries to cover the new Hilux (IMV) vehicle of Indus Motors and some additional models of Suzuki cars.

5. SYSTEM AND TECHNOLOGY UPGRADATION

Agriauto is the first automotive vendor in Pakistan to receive ISO/TS-16949 certification this year apart from having the ISO-9002 certification revalidated. These improvements in the systems and procedure will boost the Company's image and will also streamline the production processes and defect analysis.

We recognize the importance of Quality, Cost and Delivery Triad and have been regularly taking steps to strengthen our competence in these areas.

This year the company also added a state of the art Damping Testing Machine from USA to its range of Testing equipment. This machine is capable of testing the shock absorbers at different levels of speed, the reaction of Gas & Oil and can screen the durability of the product. This machine in addition to testing the on-line production will also help us to develop new Shock Absorbers by checking the additional features.

We also added Induction Hardening & Welding Machines including 'condensed' welding for the Struts, to meet the growing demands of the auto industry.

During the year we sent four persons for training to Kayaba, Japan as well as two persons to Gabriel South Africa and had one technical expert from Kayaba with us for some time; all towards the objective of delivering sustained and competitive quality.

In order to cater for un-interrupted supply of products to our customers, we have during the year procured a 1250KVA diesel generator set, in view of the poor state of supply of electric power.

These additions to our machinery list would further strengthen our image in the eyes of our customers.

6. BUSINESS PARTNER CONVENTION

For the first time in its twenty five years history, the company had a business partner convention where the outstanding business partners i.e. vendors were recognized and facilitated. Improvement in packaging and changes in system were also discussed and agreed.

7. CONTRIBUTION TO THE COMMUNITY

Your Company recognizes its responsibility as a social partner with the rest of the community and as such contributed an amount of Rs.2.632 million (2005 – Rs.0.514 million) during the year. Out of this amount an amount of Rs.1.7 million was donated to the effectees of the earthquake disaster in the Northern areas of Pakistan which took a toll of thousands of lives and has rendered millions homeless. Agriauto and its employees, who

contributed their 1 day salary, donated in cash and kind (medicines, blankets, tents etc) towards the relief efforts. Your company also regularly provides assistance to the under privileged in the form of free rations, medical aid etc to the locals. We have also undertaken a task of supporting a local girls' school where the company provides free uniforms, books to the deserving students and financial support for the development of the school.

8. CONTRIBUTION TO THE EXCHEQUER AND THE COMMUNITY

Your Company paid Rs.558.6 million during the year to the National Exchequer under various levies, 30% up from Rs.431.5 million of last year.

9. DIRECTORS

Since the election of Directors in the last Annual General Meeting, the following changes took place in the constitution of the Company's Board.

On July 02, 2006, Syed Ali resigned from the Board and in his place Mr. Qazi Ebadullah Khan was appointed as a Director on the Board. Mr. Khan was also appointed as the Chief Executive of the Company in place of Mr. Sohail P. Ahmed.

The Board of Directors wish to place on record appreciation of services rendered by Mr. Sohail P. Ahmed as the Chief Executive in whose tenure the Company's performance was

beyond expectations. The Board has full confidence in the abilities of Mr. Khan and expects the growth momentum to continue under the dynamic leadership of Mr. Khan. Mr. Sohail P. Ahmed will remain on the Board as the Executive Vice Chairman and assist Mr. Khan. The Board also wishes to place on record appreciation of services rendered by Syed Ali during the tenure of his Directorship.

10. FUTURE OUTLOOK

The Government has decided to replace the decades old deletion program with a Tariff Based System (TBS). We welcome it, even though it has given liberty to the assemblers to import the localized parts by paying additional custom duties. It will help us to become more competitive. We foresee that there will be no major impact of TBS at least for a couple of years thereafter; the real effect would be visible when the CKD duties are dropped. Your Company is gearing itself to meet this challenge.

The menace of under-invoicing and mis-declaration still continues un-abated. We urge the Government to introduce policies where the importer has to mention the component part number and its application in order to curtail this menace, which apart from encouraging the black economy is very badly hurting local manufacturer of auto/tractors parts. We strongly object to the Government's blessing allowing import of used auto parts, as this facility is likely to be misused and new

parts would be imported by declaring them as used, which would hurt the local producers.

Your Company is also aggressively trying to export its products. In this context some quantity of Hard Chrome Cylinder Liners (Sleeves) has been exported to Bangladesh which has been accepted very well. We are now trying to uncover some niche markets for our products.

11. PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2006 is annexed.

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

Syed Ali (shares purchased)
10,000 shares

12. 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, 2005 amounted to Rs. 28.65 million.

13. NUMBER OF BOARD MEETINGS

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

S #	Names	No of meetings Attended / held
1	Mr. R. D. Minwalla	4 / 4

	(Chairman)	
2	Mr. Sohail P. Ahmed (Vice Chairman)	4 / 4
3	Mr. Mansoor G. Habib	4 / 4
4	Mr. Owais ul Mustafa	3 / 4
5	Syed Ali	4 / 4
6	Syed Sikander Ahmed	3 / 4
7	Mr. Fahim Kapadia	4 / 4
8	Mr. Qazi Ebadullah Khan	No meetings were held since the appointment

14. AUDITORS

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

15. STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

16. INDUSTRIAL RELATIONS

We are pleased to acknowledge that the relations with employees remained congenial 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 continued commitment in years to come, as was in the past.

17. ACKNOWLEDGEMENT

On behalf of the Board of Director, we would like to place on record our appreciation to all our Patrons, Dealers, Suppliers and Employees for their valuable help, uncompromising support and contribution to the Company. We are also thankful to all our Bankers for their continued support. We also 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.

R. D. Minwalla
Chairman

KARACHI
DATED : September 20, 2006

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2004**

	Note	2004 (Rs. in 000's)	2003
Revenue	16	1,281,054	695,625
Cost of goods sold	17	(937,410)	(545,981)
Gross profit		<u>343,644</u>	<u>149,644</u>
Other income	18	1,674	1,848
		345,318	151,492
Administrative expenses	19	(23,083)	(17,742)
Selling and distribution expenses	20	(20,309)	(13,679)
		<u>(43,392)</u>	<u>(31,421)</u>
Operating profit		301,926	120,071
Other charges	22	(22,123)	(8,128)
Financial charges	23	(478)	(5,576)
		<u>(22,601)</u>	<u>(13,704)</u>
Profit before taxation		279,325	106,367
Taxation	24	(100,497)	(39,488)
Profit after taxation		<u>178,828</u>	<u>66,879</u>
Un-appropriated profit brought forward		58,178	9,299
Profit available for appropriation		<u>237,006</u>	<u>76,178</u>
Appropriation			
Proposed final dividend @ 30% i.e. Rs.1.50 per share (2003: 15% i.e. Re. 0.75 per share)		(36,000)	(18,000)
Un-appropriated profit carried forward		<u>201,006</u>	<u>58,178</u>
Basic earnings per share (Rs.)	25	<u>7.45</u>	<u>2.79</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.

R.D. MINWALLA
Chairman

SOHAIL P. AHMED
Chief Executive