

ALLWIN ENGINEERING INDUSTRIES LIMITED.

Annual Reports 2002

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COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman

Yusuf H. Shirazi

Chief Executive Officer

Mohammad Atta Karim

Directors

Aamir H. Shirazi

Iftikhar H. Shirazi

Jawaid Iqbal Ahmed

Mohammad Habib-ur-Rahman

Muhammad Asif (National Investment Trust)

Shahid Anwar (Investment Corporation of Pakistan)

Syed Naushad Ali

Company Secretary

GROUP EXECUTIVE COMMITTEE

Chairman

Aamir H. Shirazi

Members

Frahim Ali Khan

Iftikhar H. Shirazi

Jawaid Iqbal Ahmed

Saqib H. Shirazi

Saleem Ahmed

Secretary

Theresa Dias

GROUP PERSONNEL COMMITTEE

Chairman Yusuf H. Shirazi

Members Aamir H. Shirazi

Jawaid Haider Malik

BOARD AUDIT COMMITTEE**Chairman**

Mohammad Habib-ur-Rahman

Members

Aamir H. Shirazi

Iftikhar H. Shirazi

Secretary

Fida Hussain Zahid - Internal Auditor

COMPANY MANAGEMENT**Chief Executive Officer**

Mohammad Atta Karim

General Manager Plant

Col. (R) Mir Moatazid

General Manager Human Resources

M.H. Tabassum

General Manager Marketing

Muzaffar Ali Khan

Chief Financial Officer

Syed Naushad Ali

AuditorsFord, Rhodes, Robson, Morrow,
Chartered Accountants**Legal Advisors**

Mohsin Tayebaly & Co.

Advocate Incorporation

Tax Advisors

Mahmood Law Associates

Bankers

Al-Baraka Islamic Bank

Habib Bank Limited

Muslim Commercial Bank Limited

National Bank of Pakistan

Standard Chartered Grindlays Bank Limited

Registered Office (Factory)

15th Mile, National Highway, Landhi, Karachi-75120

Tel: 5016921-24 Fax: 5011709

E-mail: aeil@aeilkhi.atlasgroup.pk.com

Branch Offices

Lahore Office:

C/o Atlas Battery Limited,

Salam Chamber, 21 Link Meleod Road., Lahore.

Phones: 7227075-7354245 Fax: 7352724

E-mail: aeil@aeillhr.atlasgroup.pk.com

Multan Office:

C/o Atlsa Honda Limited,

Azmat Wasti Road, Multan.

Phone: 512181 Fax: 586280

E-mail: aeil@mul.atlasgroup.pk.com

Faisalabad Office:

C/o Atlas Battery Limited,

No. 54, Chanab Market, Madina Town, Faisalabad.

Phone: 713127 Fax: 726628

Rawalpindi Office:

C/o Atlas Battery Limited,

312, R-A-Bazar, Kashmir Road., Rawalpindi

Phone: 567423 Fax: 567423

E-mail: aeil@aeilisb.atlasgroup.pk.com

NOTICE OF MEETING

Notice is hereby given that the 40th Annual General Meeting of Allwin Engineering Industries Limited will be held at Corporate Office at 8th Floor Adamjee House, I.I. Chundrigar Road, Karachi on 24th October 2002 at 11:30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Extra Ordinary General Meeting held on 15th May 2002.
2. To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and Auditors' Reports thereon for the year ended 30 June 2002.
3. To appoint Auditors for the year 2002-2003 and to fix their remuneration.
4. To transact any other business with the permission of the chair.

SPECIAL BUSINESS

5. To approve the remuneration of the Chief Executive Officer.

A statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

BY ORDER OF THE BOARD

Karachi: 18 September 2002

SECRETARY

NOTES:

1. The Share Transfer Books of the Company will remain closed from 18 October to 24 October 2002 (both days inclusive)
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The instrument appointing a proxy must be received at the Company's Registered Office not less than 48 hours before the time of holding of the meeting.
3. Any individual Beneficial Owner of the Central Depository Company, entitle to vote at this meeting must bring his/her National Identity Card with him/her to prove his/her identity and in case of proxy, must enclose an attested copy of his/her National Identity Card. Representative of corporate members should bring the usual documents required for such purpose.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984.

Approval is being sought for fixing the remuneration of the Chief Executive Officer working with the Company. The Chief Executive Officer is interested only in the remuneration payable to him.

CHAIRMAN'S REVIEW

It is a pleasure to present to you the 40th Annual Audited Report and review on the performance of the Company for the year ended June 30, 2002.

The Economy

The fiscal year 2001-02 has been a challenging one for the world economy in general and Pakistan economy in particular. The events of September 11 and December 13 and the continuation of severe drought condition adversely affected the pace of economic recovery in Pakistan. The country had to deploy troops in self-defense on both borders, resulting in an over-run in defense spending. This has seriously undermined Pakistan's efforts towards further fiscal consolidation. Pakistan economy showed mixed trend achieving a 3.6% GDP growth, while witnessing a decline in

revenues, exports and production of wheat, rice and cotton crops. The 3.6 percent growth was possible due to 1.4% growth in agriculture, 4.4% in the manufacturing and 5.1% in the service sector. Major crops registered a negative growth of 0.5 percent, while minor crops grew slightly by 1.0%. Major crops witnessed decline - wheat 2.9%, rice 19.2% and cotton 1.1%. The sugarcane production, however, increased by 10.2%. The manufacturing sector registered a growth of 4% in large-scale manufacturing. Exports, on the other hand, received a setback causing a decline of 2.7% in the first nine month. As a result, the textile sector declined by 0.9% over the last year.

The inflation was 2.6%, lowest in three decades. The decline in interest rates, removal of economic sanctions, trade concessions, and Paris club debt rescheduling enabled the stock market to post the highest year on year growth in the world. The current account balance at the end of outgoing year was surplus to the extent of \$ 2.7 billion as against of \$ 0.331 billion of the previous year. Foreign exchange reserves crossed the Unprecedented level of \$ 7.0 billion. With the help of external debt re- profiling, foreign debt has declined from \$ 38 billion to \$ 36 billion. As a result, there has been a reduction in the foreign debt to GDP ratio from 62% to 50%.

The Industry

The performance of the engineering sector, which for some time now suffers from lack of vision and clarity for its future growth, generally remained subdued. It has been particularly the case with the basic vending industry finding no feet of its own. The production of tractors decreased from 31,635 in the previous year to 23,801, lower 24.8% which affected your company's growth also. Production of the cars at 40,601 units registered increase of 2.6%

over 39,573 units in the previous year. The production of motorcycle was recorded at 120,627 units against 108,850 units of last year up 10.8%. Following are the relevant production figures relating to the automobile industry, as a whole, for the year under review:

Particulars	2002	2001	Incr/(Decr)	% age
Cars	40,601	39,573	1,028	2.60
Motorcycle	120,627	108,850	11,777	10.80
Tractors	23,801	31,635	(7,834)	(24.80)
Buses/Trucks &LCVs	11,275	9,662	1,613	16.70
Total	196,304	189,720	6,584	3.50

In the replacement market besides spurious manufacturers, who are not in tax net, your company faced with the continuing problem of smuggling, under-invoicing and un-fair competition in the form of unchecked illegal means and cheap sub-standards imitations leaves an uneven playing field. The menace has yet to be routed out; the several steps taken by the government have not yielded the desired results so far and continue to hinder the development of parts industry in the organized sector.

Market Review

In spite of the availability of cheap products, under-invoiced and smuggled parts, becoming an order of the day, enlightened customer base preferred the Allwin quality. Years of sustained efforts in manufacturing and providing quality products has withstood the test of times through its products, the company is striving to deliver value as desired by the customer.

The recent action in replacement market sector with the dedicated team efforts executed a well conceived marketing strategy that reaped rich benefits for the company.

Expansion in the dealers network, focusing the unattended areas, dealers and mechanics incentive programs, price rationalization, review of discounts, offering cash discounts to the dealers and other promotional activities generated a positive response which resulted in a better sales particularly the last quarter of 2001-02, which set the momentum for the year ahead.

Following a well planned customer oriented policy, one of the areas focused with special attention was mechanics gatherings and relationing with the countrywide auto-technicians. Mechanics' gatherings were held in Karachi in the different hubs of workshops communicating with them regarding the products and its features. Similar meetings are planned in the other parts of the country following policy of providing technical assistance and knowledge to our end-users. This interaction provides an opportunity to both customer and the company to interact through a feedback process to ensure customer satisfaction. The warranty facilities have also been made more efficient as the new procedures for claims settlement has been laid down to reduce the claim settlement time.

Exports

The year saw greater acceptability of the products in international market. Exports to Saudi Arabia, Bangladesh and Sri Lanka have become our regular market with an increase of 6% during the year under review. Further prospects are bright with the extra efforts planned this year to increase the export volume.

Company Operations

The sales revenue for the year was Rs. 382.25 million as compared to Rs. 405.84 million in the corresponding year, down 5.8%. In OEM segment sales were 88.9% of the previous year, mainly due to low demand from Tractor industry. Due to lower volume and cost push which could not be passed on to customer, the gross profit for the period declined to Rs. 46.91 million, down 13.8% against Rs. 54.44 million in the corresponding period.

In order to contain expenditure level strict austerity measures have been imposed. Management is pushing ahead with the right sizing of manpower. Rationalization of products specially Cast Iron Parts is being examined with a view to reduce losses. As a result of managements efforts for reorganization and restructuring activities, operating expenses were recorded at Rs. 27.45 million against Rs. 28.45 million of the previous year, down 3.5%. Financial expenses were up Rs. 0.72 million, mainly due to adjustment of interest amount payable on royalty and technical fee in the corresponding period.

Due to lower gross profit, the net profit before tax was recorded at Rs. 3.51 million against Rs. 8.09 million of the previous year. Your company paid Rs. 67.99 million to the Government revenues in the form of Custom duty, Sales tax, Income tax, etc being 17.8% of the sales volume during the year.

Human Resource

Mr. S V H Naqvi, your company's Chief Executive Officer, retired on attaining the age of retirement. The Board of Directors acknowledges and places on record valuable service rendered by him to the company.

Mr. Mohammad Atta Karim, who has been the Company Secretary and Director Finance of the company, has been elevated as Chief Executive Officer of the company. He has the necessary exposure to general and financial management. I am confident that the company will prosper under his leadership.

The vacancy of the Company Secretary has been filled by promoting Syed Naushad Ali, Manager Finance. He is a home grown executive and has been with the company for the last 22 years.

Mr. Muzaffar Ali Khan has joined the company as General Manager Marketing in place of Mr. Shameem Ahmed who retired. Mr. Muzaffar has 25 years experience in marketing and sales management.

Relations between the management and workers of your company remained cordial and a source of strength for the company throughout the year, cutting costs and improving efficiency and productivity.

Future Outlook

The development of local automobile industry is key to industrialization. Back in 1993, the auto industry was protected through ban on import of reconditioned cars, which helped local engineering industry grow. However, in current budget, the government has reduced the custom duty on CBU ranging from 25% to 50% on different categories of cars and motorcycles, a setback to progressive manufacturing of vehicles and ultimately the vending industry of which your company is a constituent member.

The donor countries together with WTO continue their pressure for free trade and reduction in tariff rates affecting local competitiveness, quality and prices despite Govt's assurance to protect the local industry including against any unfair competition from under-invoice and smuggling which will be a great challenge to the local parts manufacturers. Your management is quite aware of the challenges and taking action to minimize the effect of these influences. The management will exercise further

control on rejections and wastages and general expenses and ensure effective utilization of resource and quality of product. I am confident that the management will handle the challenges successfully.

Acknowledgement

I thank the Group President Mr. Aamir H. Shirazi, members of the Group Executive Committee and Board of Directors for providing necessary guidance. May I also thank the CEO, Mr. Mohammad Atta Karim, his team and all members of the staff and workers of the company for their dedicated efforts and valuable contribution. I also thank the CBA for their positive role and valuable contribution.

Thanks are also due to our shareholders, valuable customers, Banks and dealers for their trust and confidence reposed in us. Yusuf H. Shirazi

DIRECTORS' REPORT

The Directors of your company take pleasure in presenting their report together with the Audited Accounts and Auditor's Report thereon for the year ended 30 June 2002.

FINANCIAL RESULTS

The financial results of your company for the year ended 30 June 2002 under review are summarized as follows:

	(Rupees in 000's)	
	2002	2001
Profit before taxation	3,505	8,092
Provision for taxation	(2,018)	(2,064)
Profit after taxation		6,028
Appropriation		
Interim Cash Dividend 5%	2,467	
Dividend waived by sponsors	(1,410) -	
	1,057 -	
	430	6,028
Balance brought forward	(48,921)	(54,949)
Balance carried forward	(48,491)	(48,921)

Earnings per Share

Earnings per share after taxation comes to Rs. 0.30 per share (2001: Rs. 1.22 per share).

Operating and Financial Data

Operating and Financial data and key ratios of the company for last six years are annexed.

Employees Provident Fund

The company has maintained recognized provident fund for their employees.

Value of Investment Rs. 91.975 Million
Based on Audited Accounts as at 30 June 2001.

Chairman's Review

The review included in the Annual Audited Report deals inter alia, with the performance of the company for the year ended 30 June 2002 and future prospects. The Directors endorse the contents of the review.

Board of Directors

The Board comprises of one executive and seven non-executive directors. All the directors keenly take interest in the proper stewardship of the company's affairs. The non-executive directors are independent of management.

The Board has approved the remuneration of the CEO Rs. 1.80 million and other benefit like free transportation, telephone facility, medical expenses etc. as per company's policy for the year 2002-2003.

Directors, CEO, CFO/Company Secretary and their spouse and minor children have made no transactions of company's shares during the year.

During the year four Board meetings were held and attended as follows:

Mr. Yusuf H. Shirazi	3	
Mr. Aamir H. Shirazi	4	
Mr. Jawaid Iqbal Ahmed	4	
Mr. M. Habib-ur-Rahman	3	
Mr. Shahid Anwar	4	
Mr. Iftikhar H. Shirazi	2	
Mr. Muhammad Asif	1	Appointed 15.05.2002
Mr. Mohammad Atta Karim	3	Appointed 26.12.2001
Mr. Al-Malik Khoja	1	Appointed 16.01.2002
		Resigned 15.05.2002
Mr. S.V.H. Naqvi	1	Resigned 26.12.2001
Ms. Farzana Munaf	1	Resigned 16.01.2002

Corporate Governance

Compliance for Corporate Governance is annexed.

Pattern of Share Holding

The pattern of shareholding of the company is annexed.

Auditors

The present Auditors M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

The Board Audit Committee has recommended appointment of M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants, as auditors of the Company for the ensuing year.

For and on behalf of the
XBOARD OF DIRECTORS

Mohammad Atta Karim
Chief Executive Officer

Karachi: 18 September 2002

CORPORATE GOVERNANCE

Statements of Directors' responsibilities

The Board regularly reviews the company's strategic direction. Annual plans and performance targets for business are set by the Chief Executive and are reviewed in total by the Board in the light of the company's

overall objectives. The Board is committed to maintain the high standards of good corporate governance. The company has been in compliance with the provisions set out by the Securities & Exchange Commission of Pakistan and accordingly amended listing rules of the Stock Exchanges.

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Presentation of Financial Statements

The financial statements, prepared by the management of the company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.

Books of Account

The company has maintained proper books of account.

Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

Application of International Accounting Standards

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

Internal Control System

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

Going Concern

There is no doubt about the company's ability to continue as a going concern.

Audit Committee

Audit Committee was established by the Board on 8 August 2002 to assist the Board in discharging its responsibilities for Corporate Governance, Financial Reporting and Corporate Control. The committee consists of three members including the Chairman of the committee, who are non-executive directors.

The Board Audit Committee is responsible for reviewing reports of the company's financial results, audit and adherence to standards of the system of management controls. The Committee reviews the procedures for ensuring their independence with respect to the services performed for the company and make recommendations to the Board of Directors.

Group Personnel Committee

The Group Personnel Committee determines the remuneration package for the management staff. The Committee has also the responsibility to create and maintain conducive work environment that instills trust and ensures respect, fair treatment, development opportunities and grooming and make succession plan for all employees.

Management Committee

The Management Committee acts at the operating level in an advisory capacity to the CEO, providing recommendations relating to the business and other corporate affairs. The Committee has responsibility for reviewing and forwarding long-term plans, capital and expense Budget development and stewardship of business plans. The committee is also responsible for maintaining a healthy environment within the company as well as outside the company through producing environment friendly products.

Code of Business Principles

As a leading automotive parts manufacturing company, reputation for high ethical standards is central to business success. Code of Business Principles has been developed and is now being communicated and acknowledged by each Director and employee of the company.

Communication

Communication with the shareholders is given a high priority. Annual, Half yearly and Quarterly Reports are distributed to them within the time specified in the Companies Ordinance, 1984. The company also has a web site (www.atlasgroupk.com), which contains up to date information on group activities. There is also an opportunity for individual shareholders to attend and ask questions at the Annual General Meeting.

Safety & Environment

The company strictly complies with the standard and follows the safety rules & regulations. The company has held various sessions on safety awareness and no accident occurred.

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

The Company is in process of implementing all facets of the Code of Corporate Governance issued by the Karachi Stock Exchange and Lahore Stock Exchange and the Board feel pleasure in stating that provisions of the code, relevant for the year ended June 30 2002, have been duly complied with.

AUDITORS' 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 Allwin Engineering Industries Limited to comply with the Listing regulation No.37 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of the Lahore Stock Exchange (Guarantee) Limited 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable for the period from May 2, 2002 to June 30, 2002.

FORD, RHODES, ROBSON, MORROW

CHARTERED ACCOUNTANTS

Karachi: 18 September 2002

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of ALLWIN ENGINEERING INDUSTRIES LIMITED as at 30 June 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 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 30 June 2002 and of the Profit, its Cash Flows and Changes in Equity for the year then ended;

(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; and

(e) without qualifying our opinion, we draw attention to note 12 to the financial statements, which states that the Securities and Exchange Commission of Pakistan (SECP) has recommended that the amount of Rs. 70 million representing deposit against right shares should not be shown as part of equity. However, the company is classifying this amount as part of equity due to the reasons stated in the above mentioned note.

FORD, RHODES, ROBSON, MORROW

CHARTERED ACCOUNTANTS

Karachi: 18 September 2002

BALANCE SHEET
AS AT 30 JUNE 2002

		(Rupees in 000's)	
	Note	2002	2001
Assets			
Non-current Assets			
Operating fixed assets	3	269,127	280,925
Long Term Deposits	4	2,035	1,432
Deferred Cost	5	6,983	358
Current Assets			
Stores, spares and loose tools	6	21,846	22,642
Stock-in-trade	7	52,612	76,573
Trade debts	8	40,122	37,114
Loans, advances, deposits, prepayments and other receivables	9	10,399	11,575
Cash and bank balances	10	3,797	3,084
		128,776	150,988
Total Assets		406,921	433,703
Equity And Liabilities			
Capital and Reserves			
Authorised capital			
10,000,000 (2001: 10,000,000) ordinary shares of Rs.10/- each		100,000	100,000
Issued, subscribed and paidup capital	11	49,347	49,347
Deposit for right shares	12	70,000	70,000
Accumulated losses		(48,491)	(48,921)
		70,856	70,426
Surplus on revaluation of a fixed asset	13	118,680	118,680
Non-current liabilities			
Long term loans	14	29,942	32,334
Loan from Directors and others	15	40,000	40,000
Deferred liability - Gratuity	16	6,495	6,139
Current Liabilities			
Short term finances	17	55,319	50,156
Current portion of long term liabilities	18	22,218	28,872
Creditors, accrued and other liabilities	19	61,393	85,067
Provision for taxation		2,018	2,029
		140,948	166,124
Contingencies And Commitments	20		
Total Equity And liabilities		406,921	433,703

The accounting policies and explanatory notes on pages 19 to 39 form an integral part of these financial statements.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of ALLWIN ENGINEERING INDUSTRIES LIMITED as at 30 June 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 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 30 June 2002 and of the Profit, its Cash Flows and Changes in Equity for the year then ended;

(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; and

(e) without qualifying our opinion, we draw attention to note 12 to the financial statements, which states

that the Securities and Exchange Commission of Pakistan (SECP) has recommended that the amount of

Rs. 70 million representing deposit against right shares should not be shown as part of equity. However, the company is classifying this amount as part of equity due to the reasons stated in the above mentioned **note**.

FORD, RHODES, ROBSON, MORROW

CHARTERED ACCOUNTANTS

Karachi: 18 September 2002

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2002

	(Rupees in 000s)	
	2002	2001
Cash Flows From Operating Activities		
Profit before taxation	-	8,092
Adjustments for:		
Depreciation	18,028	18,842
Profit on sale of fixed assets	(3,512)	(571)
Deferred cost written off	990	359
Gratuity	-	1,419
Financial expenses	19,283	18,657
Income on sale and lease back		(524)
	37,070	38,182
Operating Profit before working capital changes	40,575	46,274
Decrease/Oncrease) in Stock-in-trade	24,757	(18,102)
(Increase)/decrease in trade debts	(3,008)	8,471
(Increase)/decrease in loans, advances, deposits, prepayments and other receivables	(1,206)	5,204
(Decrease) in creditors, accrued and other liabilities	(22,296)	(30,489)
Cash generated from operations	38,822	11,358
Financial expenses paid	(20,783)	(19,142)
Taxes refunded / (paid)	353	(2,105)
Dividend paid	(935) -	
Gratuity paid	(1,925)	(419)
Net cash from / (used in) operating activities	15,532	(10,308)
Cash Flows from Investing Activities		
Proceeds from sale of fixed assets	5,423	812
Purchase of fixed assets	(8,141)	(16,255)
Increase in long term deposits	(603)	(327)
Deferred cost	(7,615) -	
Net cash used in investing activities	(10,936)	(15,770)
Cash Flows from Financing Activities		
(Repayments)/disbursemet of long term loans	(9,046)	8,519
Net cash (used in) from financing activities	(9,046)	8,519
Net decrease in cash and cash equivalents	(4,450)	(17,559)

Cash and cash equivalents at the beginning of the year	(47,072)	(29,513)
Cash and cash equivalents at the end of the year	(51,522)	(47,072)
Cash and cash equivalents:		
Cash and bank balances 10	3,797	3,084
Short term finances 16	(55,319)	(50,156)
Cash and cash equivalents	(51,522)	(47,072)

The accounting policies and explanatory notes on pages 19 to 39 form an integral part of these financial statements,

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

	Note	(Rupees in 000s)	
		2002	2001
Sales		382,249	405,835
Cost of sales	21	(335,341)	(351,398)
Gross profit		46,968	54,437
Other Operating Income	22	3,512	1,095
		50,420	55,532
Administrative expenses	23	(18,332)	(17,189)
Selling and distribution expenses	24	(9,116)	(11,263)
Operating profit		22,972	27,080
Financial expenses	26	(19,283)	(18,562)
Workers' profit participation fund		(184)	(426)
Profit before taxation		3,505	8,092
Taxation - current	27	(19,379)	(2,029)
- prior		(81)	(35)
		(2,018)	(2,064)
Profit after taxation		1,487	6,028
Appropriation			
Interim dividend @Rs. 0.50 per share		2,467 -	
Dividend waived by shareholders	28	(1,410) -	
		1,057 -	
		430	6,028
Accumulated losses brought forward		(48,921)	(54,949)
Accumulated losses carried forward		(48,491)	(48,921)
Basic earnings per share	29.1	0.30	1.22
Diluted earnings per share	29.2	0.12	0.51

The accounting policies and explanatory notes on pages 19 to 39 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

1. NATURE OF BUSINESS

The company was incorporated in Pakistan as a private limited company in 1963 and was converted into a public limited company on July 15, 1966. Its shares are listed on the Karachi and Lahore stock exchanges. It is engaged in manufacturing of components and parts for automotive vehicles and tractors. The registered office of the company is situated at 15th Mile, National Highway, Landhi, Karachi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared, in all material respects, in accordance with the International Accounting Standards (IAS) issued by International Accounting Standards Board (IASB) and interpretations issued by Standing Interpretations 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 except that leasehold land has been included at revalued amount referred to in note 2.5.

2.3 Staff retirement benefits

The Company's retirement plan comprises provident fund and an unfunded gratuity scheme for employees. The Company operates a provident fund which is a defined contribution scheme providing lump sum benefits. Gratuity scheme is a defined benefit scheme.

The company operated a gratuity scheme before the introduction of the provident fund in 1974. On introduction of the provident fund the employees were given the option to either continue with the gratuity scheme or join the provident fund. Those employees who opted to join the provident fund were entitled to gratuity upto the period of joining the provident fund and provision in this respect was duly made at that time. The company entered into an agreement with the collective bargaining agent (CBA), whereby the workers who opted for the provident fund scheme are also entitled to gratuity for four days for each completed year of service.

Actuarial valuation of defined benefit scheme was conducted this year, to calculate the actuarial present value of gratuity obligation as at June 30, 2002. The valuation uses projected unit credit method and a discount rate of 10 percent per annum compound. It assumes that salaries will increase by 9 percent per annum compound for management staff and 7 percent per annum for non-management staff.

Actuarial gains and losses are amortised over the expected average remaining working lives of employees.

In accordance with the actuarial recommendation and as allowed by the transitional provisions of

the revised International Accounting Standard 19 - Employee Benefits, the management has decided to provide for this deficit over a maximum period of three years.

2.4 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits and rebates or at the rate of 0.5% of turnover whichever is higher.

Deferred

The company accounts for deferred taxation using the liability method on all significant timing differences, excluding tax effect on those timing differences which are not likely to reverse in the foreseeable future. However, as a matter of prudence, the company does not account for deferred tax debit in the financial statements.

2.5 Operating fixed assets and depreciation

Owned

Fixed assets except leasehold land are stated at cost less accumulated depreciation. Leasehold land is stated at revalued amount and is not being amortised over its lease period. Cost of certain fixed assets comprises historical cost and the cost of borrowings during construction period in respect of loans taken for specific projects.

Depreciation is charged to income applying the reducing balance method by using rates stated in note 3 to the financial statements. Depreciation on additions is charged from the month in which the asset is put to use and on disposals upto the month of disposal.

Dies, jigs etc. manufactured for own use are included in fixed assets and are valued at cost of raw materials consumed plus direct and a proportion of indirect manufacturing overheads.

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 income as and when incurred. Major renewals and improvement are capitalised.

Gains or losses on disposal of fixed assets are included in income currently.

Leased

Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets acquired on lease. The related obligations under the lease are accounted for as liability. Financial charges are allocated to accounting periods in a manner so as

to provide a constant periodic rate of charge on the outstanding liability.

Depreciation on assets subject to finance lease is provided in the same manner as owned fixed assets.

Assets Subject to operating lease

Rentals for assets held under operating lease are charged to income currently.

2.6 Capital work-in-progress

This includes costs pertaining to the acquisition, construction, erection and installation of plant and machinery.

2.7 Stores, spares and loose tools

These are valued at the lower of cost and net realisable value determined on a moving average cost.

2.8 Stock-in-trade

These are valued on the following basis :

a) Raw and ancillary materials

These are valued at the lower of cost, determined on moving average basis and net realisable value. Goods in bonded warehouse are stated at invoice value plus other charges paid thereon excluding customs duty. Goods in transit are valued at freight and other related charges.

b) Work-in-process

Work-in-process is valued at the lower of average manufacturing cost and net realisable value.

c) Finished goods

Finished goods are being valued at the lower of cost and net realisable value determined on moving average basis.

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

2.9 Foreign currency transactions

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using balance sheet date exchange rates. Non-monetary assets and liabilities are stated using exchange rates that existed when the values were determined. Exchange differences are included in profit and loss account.

2.10 Revenue recognition

Sales are recognised when goods are despatched to customers.

3.5 The following assets were disposed off during the year:

Assets	Cost/lease residual value Rupees	Accumulated Depreciation Rupees	Written down/ lease residual value Rupees	Sale Proceeds Rupees	Mode of Disposal	Particulars of Buyers
Vehicles-Car	75,100	1,252	73,848	239,679	Under Go's Policy	Mr. FayyazAhmed Khan Karachi (Employee)
-do-	28,250	470	27,780	73,593	Under Go's Policy	Mr. S. Abid Hussain Karachi (Employee)
-do-	72,049	1,200	70,849	205,592	Under Go's Policy	Mr. Shamim Ahmed Karachi (Employee)
-do-	77,800	1,297	76,503	275,891	Under Go's Policy	Mr. Shahabudin Siddiqi Karachi (Employee)
-do-	1,062,000	297,360	764,640	764,640	Under Go's Policy	Mr. S.VH. Naqvi Karachi (Employee)
-do-	1,030,125	883,223	146,902	355,000	By Negotiation	Mr. A. WahidHashim Karachi
Vehicles-M Cycle	5,350	89	5,261	21,954	Under Go's Policy	Mr. Mahmood Sharif Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. Lal Baksh Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. Muhammad Sabir Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. Aqil Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. Dost Mohammad Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. Munir Ahmed Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. Ajmal Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. Masood Ali Khan Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. Karim Baksh Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. Mohammad Shahid Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. Mohammad Aslam Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. Noor Mohammad Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. Alia Ditta Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr, Naeem Raza Khan Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. S.M. Maqsood Karachi (Employee)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. Ghulam Nabi Karachi (Employee)
-do-	6,600	110	6,490	66,000	Under Go's Policy	Mr. Muhammad Ahmed Karachi (Employees)
-do-	5,350	89	5,261	53,600	Under Go's Policy	Mr. M. Riaz Karachi (Employee)
-do-	6,600	110	6,490	27,034	Under Go's Policy	Mr. Arshad Majeed Karachi (Employee)
-do-	61,300	29,696	31,604	61,300	Under Go's Policy	Mr. Khuda Baksh Karachi (Employee)
-do-	61,300	30,787	30,513	61,300	Under Go's Policy	Mr. Maqsood Ali Karachi (Employee)
-do-	61,300	29,696	31,604	61,300	Under Go's Policy	Mr. Gulzar Karachi (Employee)
-do-	62,300	22,843	39,457	62,300	Under Go's Policy	Mr. Hazrat Hussain Karachi (Employee)
-do-	62,000	24,112	37,888	62,000	Under Go's Policy	Mr. Mina Khan Karachi (Employee)
-do-	62,000	24,112	37,888	62,000	Under Go's Policy	Mr. M. Azeem Khan Karachi (Employee)
-do-	61,300	30,787	30,513	61,300	Under Go's Policy	Mr. Chachar Karachi (Employee)
-do-	61,300	30,787	30,513	61,300	Under Go's Policy	Mr. Tajul Malook (Employee)
-do-	61,300	29,696	31,604	61,300	Under Go's Policy	Mr. M. Hanif Karachi (Employee)
-do-	69,800	33,815	35,985	70,000	Under Go's Policy	Mr. Phulel Khan Karachi (Employee)
-do-	3,890	65	3,825	38,900	Under Go's Policy	Mr. A. Aziz Karachi (Employee)
-do-	3,890	65	3,825	38,900	Under Go's Policy	Mr. Atta Buksh Karachi (Employee)
-do-	3,890	65	3,825	38,900	Under Go's Policy	Mr. Asif Mahmood Karachi (Employee)
-do-	3,890	65	3,825	38,900	Under Go's Policy	Mr. Intezar Ali Khan Karachi (Employee)
-do-	5,080	85	4,995	50,800	Under Go's Policy	Mr. Zaffaruddin Karachi (Employee)

-do-	5,727	95	5,632	54,492	Under Go's Policy	Mr. Ajmal Khan Karachi (Employee)
-do-	5,728	95	5,633	52,472	Under Go's Policy	Mr. Zaheer Hussain Karachi (Employee)
-do-	5,727	95	5,632	54,648	Under Go's Policy	Mr. Iqbal Ali Baig Karachi (Employee)
-do-	4,000	67	3,933	40,000	Under Go's Policy	Mr. Ikramuddin Karachi (Employee)
-do-	4,000	67	3,933	40,000	Under Go's Policy	Mr. M. Haneef Karachi (Employee)
-do-	4,000	67	3,933	40,000	Under Go's Policy	Mr. Rafique Ahmed Karachi (Employee)
-do-	4,000	67	3,933	40,000	Under Go's Policy	Mr. M. yousuf Karachi (Employee)
-do-	4,000	67	3,933	40,000	Under Go's Policy	Mr SyedJan Muhammad Karachi (Employee)
-do-	4,000	67	3,933	40,000	Under Go's Policy	Mr. Deen Muhammad Karachi (Employee)
-do-	4,000	67	3,933	40,000	Under Go's Policy	Mr. M. Bashir Karachi (Employee)
-do-	4,000	67	3,933	40,000	Under Go's Policy	Mr. Shamshad Ali Karachi (Employee)
-do-	4,000	67	3,933	40,000	Under Go's Policy	Mr. Nazakat Ali Karachi (Employee)
-do-	4,000	67	3,933	40,000	Under Go's Policy	Mr. Mukhtar Karachi (Employee)
-do-	4,000	67	3,933	40,000	Under Go's Policy	Mr. Suleman Rasool Karachi (Employee)
-do-	4,000	67	3,933	40,000	Under Go's Policy	Mr. A. Rasheed Karachi (Employee)
-do-	4,000	67	3,933	40,000	Under Go's Policy	Mr. Maqsood-ul-Qadeer Karachi (Employee)
Vehicles-Van	55,000	54,207	793	151,000	By Negotiation	Mr. Allah Yirayo Memon Karachi
-do-	65,630	64,684	946	41,000	By Negotiation	Mr. Allah Yirayo Memon Karachi
Plant and machinery	1,237,146	1,017,133	220,013	521,674	By Negotiation	Mr. Mushtaq Ahmed Karachi
Factory building	312,000	312,000	-	310,000	By Negotiation	Mr. Akbar Ali Karachi
	4,832,972	2,922,391	1,910,581	5,422,769		

3. OPERATING FIXED ASSETS

	COST/REVALUATION				DEPRECIATION		
	AsatOI July 2001	Additions	Adjustments/ (Disposals)	As at 30 June 2002	AsatOI July 2001	On adjustments/ (Disposals)	Charge for the year
Leasehold land (note 3.2)	118,840	-	-	118,840			-
Factory building	36,707	-	312	36,395	27,819	312	889
Generator building	4	-	-	3,741	1,660	-	208
Residential building	365	-	-	365	286	-	4
Office building	1,745	-	-	1,745	1,103	-	32
Machinery and plant	218,280	2,326	1,237	219,369	120,301	1,017	9,861
Power generator	56,228	-	-	56,228	21,501	-	3,473
Electrical fittings	4,977	400	-	5,377	3,056	-	208
Office equipment	2,181	10	-	2,191	1,740	-	67
Computer	2,997	656	-	3,653	2,397	-	268
Furniture and fixtures	3,420	7	-	3,427	2,818	-	61
Vehicles	9,836	1,586	3,284	8,138	3,373	1,593	1,294
Waterline and drainage	670	-	-	670	610	-	6
Sui gas line	576	-	-	576	377	-	20
Measuring instruments, dies, jigs, patterns and other e	24,272	3,156	-	27,428	16,869	-	1,637
Bicycles	2	-	-	2	2	-	-
	484,837	8,141	(4,833)	488,145	203,912	(2,922)	18,028

As at 30 June 2001	468,823	16,256	(242)	484,837	185,070	-	18,842
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3.1 All the buildings are on leasehold land.

3.2 Leasehold land costing Rs. 0.16 million was revalued by Razzaque Umrani & Co., Engineers and Surveyors on 20 June 1998 resulting in surplus amounting to Rs. 118.68 million which has been credited to surplus on revaluation on fixed asset account. The basis for revaluation was market value.

3.3 As stated in note 2.5 leasehold land has not been amortised. Had leasehold land been amortised the charge for the year and to date would have amounted to Rs. 2.33 million and Rs. 11.726 million respectively

	(Rupees in 000s)	
	2002	2001
3.4 The depreciation charge for the year has been allocated as follows:		
Cost of sales-note 21.1	17,758	18,560
Administrative expenses - note 23	180	188
Selling and distribution expenses - note 24	90	94
	18,028	18,842

	(Rupees in 000s)	
Note	2002	2001
7. STOCK-IN-TRADE		
Raw and ancillary materials:		
In hand	18,759	27,061
In transit	903	1,261
In bonded warehouse		2,301
	19,662	30,623
Work-in-process	7.1 16,032	23,792
Finished goods	7.2 16,918	22,158
	52,612	76,573

	(Rupees in 000s)	
Note	2002	2001
4. LONG TERM DEPOSITS - UNSECURED		
Leasing companies	759	154
Utilities		797
Suppliers		246
Others	245	235
	2,035	1,432
5. DEFERRED COST		
Balance as on 01 July	5.1 358	717
Amortized during the year		359
Balance as at 30 June		358
Voluntary Golden Hand Shack Scheme	5.2 7,615	-
Amortized during the year	632	-
Balance as at June 30	6,983	-

Balance as at June 30

6,983

1,358

5.1 The above cost has been incurred on Radiator Plant and is being amortised over the period of four years commencing from the start of commercial production of Radiator Plant.

5.2 During the current year certain employees were retired under Voluntary Golden Hand Shake Scheme introduced by the company and compensation amounting to Rs. 7.615 million was paid to these employees. The cost of compensation has been accounted for as deferred costs in accordance with Technical Release (TR-28) issued by the Institute of Chartered Accountants of Pakistan. The total cost is being amortized over a period of 36 months from the effective date, as management is of view that economic benefits of the scheme will flow to the company.

6. STORES, SPARES AND LOOSE TOOLS

Spare parts and other mat

In hand

In transit

Loose tools

Packing materials

Electrical goods

12,597

10,650

461

496

12,643

11,146

8,150

10,042

721

733

21,846

22,642

(Rupees in 000s)

Note

2002

2001

7. STOCK-IN-TRADE

Raw and ancillary materials:

In hand

In transit

In bonded warehouse

18,759

27,061

903

1,261

-

2,301

19,662

30,623

Work-in-process

7.1

16,032

23,792

Finished goods

7.2

16,918

22,158

52,612

76,573

7.1 Included herein are inventories carried at net realisable value amounting to Rs. 0.438 million (2001:nil)

7.2 Included herein are inventories carried at net realisable value amounting to Rs. 0.968 million (2001:nil)

8. TRADE DEBTS - UNSECURED - CONSIDERED GOOD

Due from associated undertakings

4,571

3,876

Others

35,551

33,238

40,122

37,114

The maximum amount due from associated undertakings at the end of any month during the year was

Rs. 19.484 million (2001: Rs. 13.678 million).

**9. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Loans and advances (considered good)		
Loans to employees (interest bearing)	935	1,023
Advances to:		
- employees against salary	269	283
- employees against expenses	208	177
- Suppliers	3,071	2,264
	4,483	3,747
Deposits, prepayments and other receivables		
Security and trade deposits	353	602
L/C and guarantee margin deposits	66	551
Prepayments and other receivables	3,086	1,564
Income-tax deducted at source	2,729	5,111
	5,916	7,828
	10,399	11,575

	(Rupees in 000s)	
Note	2002	2001
10. CASH AND BANK BALANCES		
Cash in hand	1	27
Cheques and payorders in hand	2,506	827
At bank - current accounts	1,157	2,165
- deposit account	65	65
	-	3,084

11. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

1,871,571 (2001: 1,871,571) ordinary shares of Rs. 10/-each issued for cash	18,716	18,716
49,800 (2001: 49,800) ordinary shares of Rs.10/- each issued for consideration other than cash	498	498
3,013,307 (2001:3,013,307) ordinary shares of Rs. 10/- each issued as bonus shares	30,133	30,133
4,934,678		49,347

Shares held by associated undertakings:

1,640,302 (2001 : 1,640,302) shares are held by Shirazi Investments (Pvt.) Limited.
1,136,224 (2001 : 1,136,224) shares are held by National Investment Trust Limited.

12. DEPOSIT FOR RIGHT SHARES

Directors	35,000	35,000
Others	35,000	35,000

70,000**70,000**

This represents amount received in advance from sponsor shareholders for proposed issue of right shares. The Securities and Exchange Commission of Pakistan (SECP) has recommended that this amount should not be shown as part of equity. However, the company has classified this amount as part of equity under the provisions of paragraph 65 of the Framework to the International Accounting Standards (IAS), which state that funds contributed by shareholders may be classified as part of equity. The company also holds confirmation from all the above contributors that the amounts contributed will only be used towards a subsequent issue of right shares and that no refund or repayment will be demanded, hence it is not considered as liability

13. SURPLUS ON REVALUATION OF A FIXED ASSET

This represents surplus over book value resulting from the revaluation of leasehold land (note: 3)

	Note	(Rupees in 000s)	
		2002	2001
14. LONG TERM LOANS - SECURED			
1 From financial institutions:			
Foreign currency loans			2,826
Local currency loans 14.1		32,160	46,773
1 From Banks:			
Local Currency Loan-1			6,607
Local Currency Loan-11		-	5,000
Local Currency Loan-111 14.2		20,000	-
		20,000	11,607
		52,160	61,206
Less: Current maturity shown under current liabilities			
Foreign currency loans			2,826
Local currency loans		22,218	26,046
		22,218	28,872
		29,942	32,334

14.1 This loan has been obtained under mark-up arrangements. Pursuant to the agreement, the financial institution has agreed to purchase the company's assets as and when acquired for Rs. 50 million has agreed to sell the same to the company for Rs. 68.188 million.

The salient features in respect of this loan agreement are:

- The purchase price is secured by mortgage and floating charge on present and future asset the company ranking pari-passu with charges already created
- The purchase price is payable in twelve quarterly equal installments, last being due on Febn 01, 2004

14.2 The salient features in respect of this loan are:

a) This loan has been obtained from bank and is secured by way of first pari-passu charge c company's assets.

b) Loan carries mark-up rate at SBP rate plus 350 basis points with a floor of 15% and is repays in twelve quarterly equal installments, last being due on July 11, 2005

15. LOAN FROM DIRECTORS AND OTHERS - UNSECURED

Directors	20,000	20,000
Others	20,000	20,000
	40,000	40,000

This represents amount received from directors and their relatives without any mark-up. The repayment terms are not yet finalized, however these are not repayable in twelve months.

	Note	(Rupees in 000s)	
		2002	2001
20. CONTINGENCIES AND COMMITMENTS			
20.1 Contingencies			
a) Bank guarantees			
(i) For difference in custom duties on imported material		91	91
(ii) Sui Southern Gas Company against deposit		8,009	6,807
		8,100	6,898
These guarantees are secured by first pari passu hypothecation charge over stocks and book debts of Rs. 65 million.			
b) Post dated cheques for difference in custom duties		1	17,761
c) Insurance company guarantees			
(i) Advances from customers		900	900
(ii) For difference in custom duties		353	353
(iii) Karachi Electric Supply Corporation		4,000	4,000
		5,253	5,253

d) Electricity charges

Karachi Electric Supply Corporation Limited (KESC) raised a demand of Rs. 12.285 million on the plea that they erred in billing, which the company has contended and the case is before the Honourable High Court of Sindh. The Honourable Court issued stay order on May 26, 1989 for making payments against the remaining disputed demand. The company till the date of stay order had paid under protest Rs. 7.850 million. In addition, an insurance company has issued a guarantee in the sum of Rs. 4 million to the K.E.S.C.

20.2 Commitments

a) Bank letters of credit

For import of materials etc.

b) Rentals payable under lease agreements for motor vehicles are:

	18,861	26,249
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Payable within one year	1,321	454
Payable after one year	3,240	1,413

		(Rupees in 000s)	
	Note	2002	2001
19.CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors	19.1	12,800	21,616
Bills Payable		5,813	7,626
Accrued liabilities		28,294	27,459
Interest/Mark-up accrued on secured long term loans		1,325	2,668
Mark-up accrued on secured short term finances		1,309	1,463
Interest accrued on advances from customers		2	5
Security deposits		65	65
Advances from customers (interest bearing)	19.2	195	435
Advances from customers (interest free)	19.3	7,674	17,155
Worker's profit participation fund	19.4	184	426
Unclaimed dividends		234	112
Others		3,498	6,037
		61,393	85,067

19.1 Amount due to an associated undertaking at the year end aggregated Rs.0.865 million (2001:Rs. 0.768 million)

19.2 Amount due to an associated undertaking at the year end aggregated Rs.0.124 million (2001:Rs. 0.364 million)

19.3 Amount due to an associated undertaking at the year end aggregated Rs.7.006 million (2001:Rs. 16.753 million)

19.4 Workers' Profit Participation Fund

Balance at the beginning of the year	426	418
Interest paid by the company	39	130
	465	548
Allocation for the year	184	426
	649	974
Less: Payments during the year		548
Balance at the end of the year	184	426

		(Rupees in 000s)	
	Note	2002	2001
23-ADMINISTRATIVE EXPENSES			
Salaries and allowances		-	11,522
Directors' meeting fee		7	8
Lease rentals		647	139
Printing and stationery		378	341

Postage, telephone and telegrams		397	475
Entertainment		187	151
Subscriptions		208	246
Travelling and conveyance		1,324	1,764
Insurance		448	458
General expenses		538	369
Legal and professional expenses		112	163
Donation	23.1	9	5
Medical expenses		353	310
Training expenses		22	13
Tax on callings and professions		15	32
Advertisement and publicity		245	227
Repairs and maintenance of furniture, fittings and office equipment		215	299
Depreciation	3.4	180	188
Auditor's remuneration	23.2	120	120
Deferred cost written off		990	359
		18,332	17,189

23.1 No donation was made to any person or institution in which a director or his spouse has any interest.

23.2 Auditor's remuneration and expenses

Audit fee			120
Expenses (included in general expenses)		23	26
Other services (included in general expenses)		15	3
		-	149

	Note	(Rupees in 000s)	
		2002	2001
21. COST OF SALES			
Opening stock of finished goods		22,158	15,797
Cost of goods manufactured	21.1	330,101	357,759
		352,259	373,556
Less: Closing stock of finished goods		16,918	22,158
		355,341	351,398
21.1 Cost of goods manufactured			
Opening work-in-process		23,792	19,022
Raw and ancillary materials consumed	21.2	157,698	186,224
Salaries, wages and benefits		78,235	85,482
Spare parts and other maintenance		17,135	20,553
Packing materials consumed		4,944	5,819
Fuel, water and power		37,510	40,650
Rent, rates and taxes		11,304	307

Insurance		976	998
Training expenses			84
Repairs and maintenance of factory building and electrical fittings		1,869	1,586
Depreciation	3.4	17,758	18,560
Royalties and technical fee		31,622	188
Printing and stationery		541	487
Postage, telephone and telegrams		534	627
Subscriptions		151	279
General expenses		616	336
Repairs and maintenance of furniture, fittings and office equipment		391	237
Expenses on apprentices training scheme		3	112
		346,133	381,551
Less: Closing work-in-process		16,032	23,792
		330,101	357,759
21.2 Raw and ancillary materials consumed			
Opening stock		27,061	23,460
Purchases		149,396	189,825
		176,457	213,285
Less: Closing stock		18,759	27,061
		157,698	186,224
22. OTHER OPERATING INCOME			
Income on sale and lease back			524
Profit on sale of fixed assets		3,512	571
		3,512	1,095

	(Rupees in 000s)	
	2002	2001
28.DETAILS REGARDING SHAREHOLDERS WHO WAIVED INTERIM DIVIDEND		
Mr. Yusuf H. Shirazi (Director)	13	-
Mr. Iftikhar H. Shirazi (Director)	148	-
Mr. Aamir H. Shirazi (Director)	147	-
Mr. Saquib H. Shirazi	147	-
Mr. Ali H. Shirazi		-
Shirazi Investments (Pvt) Limited	808	-
	1,410	-

29.EARNINGS PER SHARE

29.1 Basic earnings per share

Profit after tax		6,028
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Number of shares

Number of shares	4,934,678	4,934,678
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(Rupees)

Earning per share	0.3	1.22
29.2 Diluted earnings per share		
Profit after tax	1,487	6,028
	Number of shares	
Number of shares		4,934,678
Deposit for right shares	7,000,000	7,000,000
	11,934,678	11,934,678
Earning per share	0.12	0.51

(Rupees in 000s)

Note	2002	2001
24.SELLING AND DISTRIBUTION EXPENSES		
Salaries and allowances	3,655	3,422
Rent, rates and taxes	106	109
Lease rental		14
Cartage and octroi	2,084	3,132
Printing and stationery	162	146
Postage, telephone and telegrams	160	188
Entertainment	27	30
Subscriptions	58	37
Travelling and conveyance	1,457	1,614
Insurance	177	180
General expenses	19	52
Medical expenses	121	120
Tax on callings and professions	5	11
Advertisement and publicity	847	2,077
Repairs and maintenance of furniture, fittings and office equipment		37
Depreciation	90	94
		11,263

25.KETIREMENT BENEFITS

Salaries, wages and allow (5.809 million) in respect of staff retirement benefits

26.FINANCIAL EXPENSES

Interest on workers' profit participation fund	39	130
Interest/mark-up on long term loans	9,102	8,863
Mark-up on short term finances	9,364	8,686
Interest on advances from customers	51	131
Bank and other charges	819	867
Interest from loan to employees	(92)	(115)
	19,283	18,562

27.TAXATION

Current

The company's income tax assessments have been finalized upto and including assessment year 2001-2002.

The tax liability based on taxable income works out to be lower than the minimum tax based on turnover. The provision for taxation is, therefore, based on turnover @ 0.5% as provided under section 80D of the

Income Tax Ordinance, 1979.

Deferred

Cumulative deferred taxation upto 30 June 2002 on major timing differences relating to accelerated tax depreciation allowances and carry forward of losses amounts to Rs.1.619 million credit (2001:Rs.2.203 million debit), of which Rs.3.822 million credit relates to the current year (2001:Rs.1.855 million credit). As these timing differences are not expected to reverse in the foreseeable future, the company has not accounted for these deferred tax credits.

	Effective yield/ mark-up rate%	Total	Exposed to Maturity upto one year (Rupees in thousands)	yield / mark-up rate risk Maturity after one year	Sub-total	Note exposed to yield / mark-up rate risk
Financial Assets						
Trade debts		40,122	.	.		40,122
Loans, advances and other receivables	-	1,204	-	-	-	1,204
Cash and bank balance	-	3,797	-	-	-	3,797
	-	45,123	-	-	-	45,123
Financial Liabilities						
Long term loans	15 to 15.5	52,160	22,218	29,942	52,160	.
Loan from directors and others		40,000	-	-	-	40,000
Short term finances	13 to 14.5	55,319	55,319	-	55,319	-
Creditors, accrued and other liabilities	-	53,275	-	-	-	53,275
		200,754	77,537	29,942	107,479	93,275
Total yield/mark-up rate risk sensitivity gap		(155,631)	(77,537)	(29,942)	(107,479)	(48,152)
Cumulative yield/mark-up rate risk sensitivity gap as at June 30,2001			(77,537)	(107,479)	(107,479)	
Total yield/mark-up rate risk sensitivity gap		(183,384)	(82,490)	(28,872)	(111,362)	(72,022)
Cumulative yield/mark-up rate risk sensitivity gap			(82,490)	(111,362)	(111,362)	

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 counter parties 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 long term deposits, trade debts and other receivables. The

company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy. The significant concentration of the Company's trade debts is as follows.

	2002		2001	
	Rupees in '000	%	Rupees in '000	%
Trade debts				
Original equipment manufacturers	22,298	55.58	24,975	67.29
Replacement market	17,585	43.82	11,760	31.69
Institutions	239	0.6	379	1.02
	40,122		37,114	100

30.REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

(included in administrative expenses)

	(Rupees in 000's)			
	Chief Executive		Executives	
	1,2002	2,001	2,001	2,001
Managerial remuneration	936	1,091	5,855	5,761
Rent	514	491	3,151	2,553
Medical expenses	12	12	269	286
Provident fund	99	120	519	580
Reimbursable expenses	101	109	1,105	576
	1,662	1,823	10,899	9,756
Number of persons		1	21	26

30.1 The Chief Executive is provided with free use of a company car.

31.UNUTIUSED CREDIT FACILITY

The unutilised credit facility for short term running finance amounts to Rs.12.811 million (2001: Rs. 7.291 million) and morabaha facility amounts to Rs. 9.870 million (2001: Rs.1.553 million)

32.LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will be unable to meet its funding requirements. To guard against the risk, company has diversified funding sources and assets are managed with liquidity in mind.

The maturity profile is monitored to ensure adequate liquidity is maintained.

33.YIELD / MARK-UP RATE RISK

Yield/mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/mark-up rates. Sensitivity to yield/mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The company is exposed to yield/mark-up rate risk in respect of the following:

41.CORRESPONDING FIGURES

Previous year's figures have been compared with the current year's figures. Significant re-arrangement made is as follows:

(Rs. 'OOOs)

41.1 Short term finances included as part of cash and cash equivalents.

50,156

The above figures have been re-arranged as the re-classification made is considered more appropriate for purposes of presentation.

42.GENERAL

Figures have been rounded off to the nearest thousand rupees.

35. 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. 10.041 million (2001: Rs.8.220 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 arms 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 489 (2001 : 611) employees at the end of the year.

38.TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Aggregate transactions made by the company during the year with the associated undertakings were

	(Rupees in 000s)	
	2002	2001
Sales	147,436	120,407
Purchases	3,287	4,763
Expenses charged by	-	322
Insurance and services	-	4,662

The transactions with associated undertakings are in normal course of business at contracted rates and terms determined in accordance with market rates.

39.PRODUCTION

The production capacity of the plant cannot be determined as this depends on the relative proportions of various types of components and parts of vehicles and tractors produced.

40.DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 18 September, 2002 by the Board of Directors of the Company.

CATEGORIES OF SHAREHOLDERS

	Number	Shares held	Percentage
Associated Companies, Undertakings and Related Parties			
Shirazi Investments (Pvt) Ltd.	1	1,640,302	33
Muslim Insurance Company Ltd.	1	141,768	3
NIT & ICP			
National Investment Trust	1	1,136,224	23
Investment Corporation of Pakistan	1	250,430	5
Directors, & their spouse and Minor Children			
Mr. Yusuf H. Shirazi & Mrs. Khawar S. Shirazi	1	25,943	1
Mr. Aamir H. Shirazi	1	294,709	6
Mr. Iftikhar H. Shirazi	1	294,711	6
Executive	-	-	-
Public Sector Companies & Corporation	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions , Insurance Companies, Modarbas & Mutual Funds	15	18,776	0
Shareholders holding ten percent or more voting interest in the company	-	-	-
Individuals	851	1,125,700	23
Others			
Corporate Law Authority (SECP)	1	1	

The Nazir, High Court of Sindh, Karachi	1	206	0
The Administrator, Abandoned Properties.	1	908	
Trusts	1	5,000	0
	877	4,934,678	100

**PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2002**

NUMBER OF SHAREHOLDERS	FROM	SHARE HOLDING TO	TOTAL SHARES HELD
311		1 100 Shares	10,708
308		101 500 Shares	81,223
136		501 1,000 Shares	105,067
96		1,001 5,000 Shares	200,662
9		5,001 10,000 Shares	61,007
2		10,001 15,000 Shares	24,831
1		20,001 25,000 Shares	23,665
3		25,001 30,000 Shares	81,784
1		35,001 40,000 Shares	37,611
1		95,001 100,000 Shares	100,000
1		110,001 115,000 Shares	110,988
1		125,001 130,000 Shares	127,484
1		140,001 145,000 Shares	141,768
4		290,001 295,000 Shares	1,178,838
1		1,005,001 1,010,000 Shares	1,008,740
1		1,640,001 1,645,000 Shares	1,640,302
877			4,934,678

* Note: There is no shereholding in the slabs not mentioned.

KEY PERFORMANCE AND FINANCIAL DATA

Particulars	RUPEES IN '000s					
	2002	2001	2000	1999	1998	1997
Sales	382,249	405,835	414,180	375,329	301,466	300,061
Gross Profit	46,908	54,437	61,866	62,647	19,662	21,310
Profit Before Taxation	3,505	8,092	7,949	44	(41,466)	(42,889)
Profit After Taxation	1,487	6,028	5,904	(1,537)	(42,981)	(49,021)
Shareholders' Equity ;	70,856	70,426	64,398	58,494	30,031	53,012
Long Term Loan	69,942	72,334	63,533	57,826	124,365	67,207
Fixed Assets - at cost 1	488,145	484,837	468,823	461,978	450,474	295,442
Current Assets .	128,776	150,988	144,852	134,877	150,776	146,224

Current Liabilities	11,409,481	166,124	178,677	194,153	193,719	188,016
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Statistics & Ratios

Gross Profit to Sales %		13	15	17	7	7
Profit Before Taxation to Sales %		2	2	0	(14)	(14)
Profit After Taxation to Sales %		1	1	(0)	(14)	(16)
Current Ratio	1	1	1	1	1	1
Earning Per Share (A.T) Rs.	0	1	1	(0)	(9)	(10)
Cash Dividend Per Share (%)	5	-	-	-	-	-