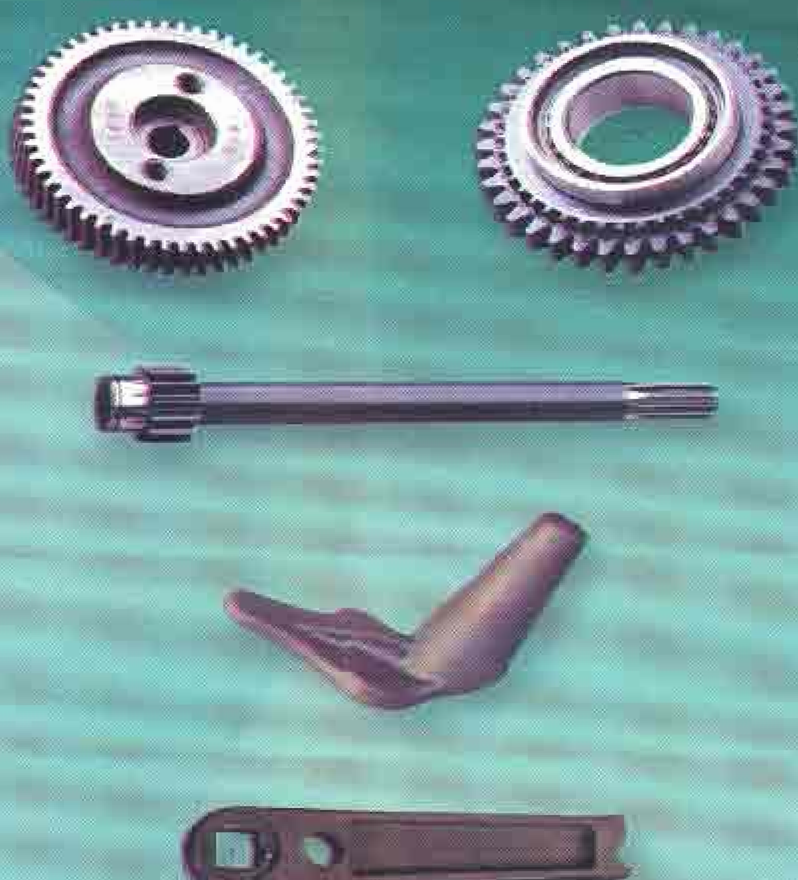
Annual Report **2009**



TRANSMISSION

Engineering Industries Limited

Your Source From Forging To Gearing

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Transmission Engineering Industries Ltd.

Consolidated Financial Statement of
Transmission Engineering Industries Ltd. and its subsidiary

COMPANY PROFILE

BOARD OF DIRECTORS

Mr. Ausaf Hussain Agha	Chairman & Chief Executive
Mr. Muhhamad Aslam Khan	
Mr. Tausif Hussain Agha	
Mr. Asif Hussain Agha	
Mr. Fasih Hussain Agha	
Mr. Uzair Ashir	
Mr. Sabahat Agha	

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Riaz Ahmed Chughtai

AUDIT COMMITTEE

Mr. Asif Hussain Agha
Mr. Uzair Ashir
Mr. Fasih Hussain Agha

LEGAL ADVISOR

Mr. Hanif Khetana

AUDITORS

M/s. Rehman Sarfaraz Rahim Iqbal Rafiq
(CHARTERED ACCOUNTANTS)

BANKERS TO THE COMPANY

Industrial Development Bank of Pakistan
Bank Al-Habib Limited
Metropolitan Bank Limited
Faysal Bank Limited

REGISTERED OFFICE

B-14, Block-A, S.M.C.H.S, Karachi 74400

PLANT

169-170-171/Hub, Industrial Trading Estate, Hub Chowki, District Lasbela, Balochistan.

MISSION / VISION STATEMENT

MISSION

A global manufacturer and supplier of automobile, machines and material handling system corporates emphasizing on zero defect, using latest state of the art technology and implementing best practices.

We are a customer focused enterprise giving best value for money and fulfilling all obligations good corporate citizen, we offer competitive returns to all stakeholders.

VISION

Pakistan's leading & globally recognized design & manufacturingenterprise for components & assemblies.

NOTICE FOR THE ANNUAL GENERAL MEETING

Transmission Engineering Industries Limited

Notice for the Annual General Meeting

Notice is hereby given that the 24^{th} Annual General Meeting of the Transmission Engineering Industries Limited will be held at B-14, Block A, S.M.C.H.S. on 27^{th} October, 2009 at 7.0 p. m to converse on the following agenda.

Ordinary business

1. To confirm the minutes of the Extraordinary General Meeting held on Tuesday, the 20^{th} January,2009
2. To receive, consider adopt the audited accounts of the company for the year ended on 30^{th} June, 2009 together with the Directors' and auditor's Report thereon.
3. To appoint auditors for the year 2009-2010 and fix their remuneration.
4. To elect Directors of the Company for a term of three years in place of retiring Directors according to section 187 of the companies ordinance,1984.
5. To approve cash dividend@2% for the year ended June 30, 2009 as recommended by the Board of Directors. Sponsoring Directors and their relatives have waived their right to dividend.

Special Business

6. To consider and if thought fit to pass following special resolution with or without modification to approve increase in remuneration of Mr. Fasih Hussain Agha,, Director .
   Resolved that monthly remuneration of Mr. Fasih Hussain Agha, Director hereby fixed at Rs,120,000/ w.e.f Ist November, 2009.

7. To transact any other business which may be placed before the meeting with permission of the chair.

By order of the Board
Riaz Ahmed Chughtai
Company Secretary

Karachi ,October 06, 2009

Notes:

1. The shares transfer books of the company will remain closed from Tuesday October 20, 2009 to Tuesday October 27, 2009 (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. Proxies, in order to be effective must be received by the company not later than 48 hours before the meeting.
3. The shareholders are requested to notify any changes in their addresses.
4. Kindly quote your folio number in all correspondence with the Company. CDC account/ sub-account holders are requested to bring with them their CNIC along with participant(s) ID No and account numbers.
5. The retiring Directors are:

Ausaf Hussain Agha, Tausif Hussain Agha, Muhammad Aslam Khan, Asif Hussain Agha, Fasih Hussain Agha, Uzair Ashir and Ms. Sabahat Agha

Statement under section 160(1)(b)of the Companies Ordinance,1984 is submitted herewith to the shareholders pertaining to special business.

DIRECTOR REPORT For the year ended on June 30, 2009

Dear Shareholders,

Your Directors are pleased to present the Company's Annual audited Financial statements with Auditors report for the year ended on June 30, 2009

GENERAL

Even this year indicated a positive trend which is expected to be more pronounced in the following months. Financial results are much better than the last year when the economic recession was passing world over .Revenues are indicating upward trend and hopefully current year's annual turnover will be around 200.0 million.

FINANCIAL RESULTS:

Financial results of the company for the above-mentioned period are encouraging while comparing to the gross profits of previous year. The results summed up hereunder:

	Rupees
Gross Revenue	28,890,460
Expenditure	19,951,921
Profit before taxation	8,938,539
Taxation	1,994,416
Profit after taxation	6,944,123

INFORMATION TECHNOLOGY

Improvement and up-gradation of existing facilities are being continuously made to cope with the requirements of technological advancement in this field including accounting/ inventory software.

Code of Corporate Governance

The Company has adopted the Code of corporate governance promulgated by the Securities & Exchange Commission of Pakistan. We have implemented the major mandatory provisions and welcome the Commission step to disclose fully and maximum information required to monitor the Corporate sectors. We hope it will go a long way in confidence building of small investors and will boost corporate investment.

Statement of Corporate and Financial Reporting Frame work.

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

b) Proper books of accounts have been maintained.

DIRECTOR REPORT For the year ended on June 30, 2009

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 these 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.

h) The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulation No. 36 and Chapter XIV of the Karachi and Lahore Stock Exchanges.

i) Key operating and financial data for the last six (6) years in summarized form is annexed.

j) The Company has declared 2% cash dividend though nominal profits earned during the year. The Sponsoring Directors and their spouse and relatives waived off their right foe dividend.

k) During the year, 4 (four) meetings of Board of Directors were held. Attendance by each Director is as follows:

NAME OF DIRECTOR	MEETINGS ATTENDED
Mr. Ausaf Hussain Agha	4
Mr. Fasih Hussain Agha	4
Mr. Mohammad Aslam Khan	4
Mr. Tausif Hussain Agha	4
Mr. Asif Hussain Agha	4
Mrs. Sabahat Hussain Agha	4
Mr. Uzair Asher	4

The Company has so far served as auto vending industry mainly catering to the Original Equipment needs of the local auto industry and lately diversifying in exports.

EARNING PER SHARE:

During the year, company earned profits, hence negative earning per share converted in to positive 0.69 per share.

REVIEW OF OPERATIONS:

Due to factors beyond your management's control, motorcycle/ CNG Rickshaw components sale remained low . Your Company incurred huge cost on development of components for motorcycle and rickshaw but due to Government policies and unethical import practice by the assemblers in this sector resulted in pronounced decrease sales in this sector. However, business arrangements for manufacturing of motorcycle crankshaft are under process and we are expecting annual turnover of Rs.40.0 million during current year which will substantial increase our sales.

DIRECTOR REPORT For the year ended on June 30, 2009

The management of your Company has successfully supplied forged, turned (semi-finished) and finished components during the year to Al-Ghazi Tractors Limited, Millat Tractors Ltd., Millat Equipment (Pvt.) Limited and to various export customers. There is a sizeable volume of export sales to European Countries despite Global recession. The announcement of Benazir Tractors scheme by the Government will result in higher production of Tractors' and will further boost local sales of your Company. There are also signs of recovery in export business which was badly hit due to global crisis.

We are witnessing reordering for both TEIL & TMC's export customers and hope this trend will increase our revenues in current financial year.

FOREIGN MARKET:

Our American and European customers recently started reordering which was practically stopped due to global recession. The Directors are keen to expand export business in the United States and Canada and one of the Directors is going to attend exhibition APEX-2009 Las Vegas and Agritechnika-2009 Hannover Germany to display our products.

FUTURE OUTLOOK:

Your Company issued 160% right shares to the existing share holders and enhanced paid up capital from Rs 45.0 million to Rs.117.0 million. Due to global recession, no offer was received from public except from sponsoring Directors and rest of the portion taken up by the under writing Bank..The proceeds realized out of right issue utilized to pay off short term/ long term loans due to which financial burden has reduced and helped saved the company from mark up. The projections based on the existing market and expected improvement in our share of market is highly encouraging due to announcement of Benazir Tractor scheme by the Government and expecting considerable increase in revenues during coming months. Your subsidiary Company (TMC) is also reviving export business with the foreign customers and during current fiscal year, TMC (subsidiary Company) will be able to generate profits.

In view of growing export volume and added sales within the country there is much strong possibility to utilize considerable improved production capacity and achieve the higher sales targets thus Company will be able to earn more profits during the current year.

LONG TERM LOAN CONFIRMATION:

As the litigation is still going on between your Company and IDBP there is no possibility to obtain confirmation of outstanding loan balance reported in the balance sheet or any consent letter as pointed out by Auditors in the audit report.

PATTERN OF SHAREHOLDING:

The pattern of shareholding as at June 30, 2009 including the information under the code of corporate governance is annexed to these financial statements.

DIRECTOR REPORT For the year ended on June 30, 2009

KEY OPERATIONS AND FINANCIAL DATA:

SIX YEARS' FINANCIAL HIGHLIGHTS

Particulars	2009	2008	2007	2006	2005	2004
Gross Profit	**18,991,208**	**1,216,241**	**908,384**	**13,786,355**	**15,170,455**	**15,244,609**
Operating Expenses						
Administrative	8,858,242	9,773,715	7,149,457	7,237,687	7,059,816	5,831,793
Selling and distribution	2,421,467	2,624,408	2,307,039	2,615,909	2,058,027	1,622,463
	11,279,709	**12,398,123**	**9,456,496**	**9,853,596**	**9,117,843**	**7,454,256**
Operating Profit / (Loss)	6,944,123	(8,090,000)	(30,529,722)	(3,002,239)	(6,052,612)	(7,790,353)
Other income/(Loss)	9,899,252	5,695,004	3,444,668	4,644,358	5,338,178	611,964

AUDITORS:

The present auditors, M/s Rahman Sarfraz Rahim Iqbal Rafique are due for retirement and one of the shareholders proposed the name of Haroon Zakria & Company, Chartered Accountants for appointment as Auditors for the year 2009-2010

ACKNOWLEDGEMENT:

Our sincere gratitude to our valued customers, share-holders, financial institutions, suppliers, executives, officers and workers are acknowledged specially keeping in mind the difficult period during which they helped us tide over the problems. We earnestly look forward to their continued support and encouragement to help us embark on our goals.

On behalf of the Board of Directors,

Karachi, October 5, 2009

Fasih Hussain Agha
Director

STATEMENT OF COMPLIANCE

STATEMENT OF COMPLIANCE

The company has fully complied with the best practices on transfer pricing as contained in the listing regulation no. 38 and chapter XIV of the Karachi and Lahore Stock Exchanges respectively.

On behalf of the Board

Ausaf Hussain Agha
Chief Executive & Chairman

REVIEW REPORT

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 **Transmission Engineering Industries Limited** ("the Company") to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, where the Company is listed.

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

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

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable for the year ended June 30, 2009.

Karachi
Dated : October 5, 2009

Rehman Sarfaraz Rahim Iqbal Rafiq.
Chartered Accountants

STATEMENT OF COMPLIANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.37 of listing regulations of Karachi Stock Exchange (Guarantee) Limited and chapter XIII of Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is being managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors on its board of directors. The board comprises of seven directors and includes at least four non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of loan to a bank, Modarabas, DFI or an NBFI or being a member of stock exchange has been declared as a defaulter by the exchange.

4. There was no casual vacancy occurred in the board during the year.

5. The Company has prepared a Statement of Ethics and Business Practices which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. And also decided to maintain a complete record of particulars of significant policies along with the dates on which they were approved or amended.

7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration as well as terms and conditions of the CEO and executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient feature required to be disclosed.

10. The financial statements of the Company have been duly endorsed by CEO and CFO before approval of the Board.

STATEMENT OF COMPLIANCE

11. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

12. The Company has complied with all the corporate and financial reporting requirements of the Code.

13. The Board has formed an audit committee. It comprises three members, including secretary to the audit committee majority of the members are non-executive directors including the chairman of the Committee.

14. The related party transactions have been placed before the audit committee and approved by the board of directors and pricing method for transactions that prevail in the arms length transactions.

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The Board has set-up an effective internal audit function on a full time basis. The company is in the process of further strengthening the internal audit function of the company.

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company, that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan

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

19. We confirm that all other material principles contained in the Code have been complied with.

On Behalf of Directors
October 06, 2009

Ausaf Hussain Agha
Chairman

AUDITORS REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Transmission Engineering Industries Limited** ("the Company") as at June 30, 2009 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) We have not been provided loan confirmation from IDBP, therefore, the balance remained unconfirmed.

b) We have not been provided consent letters from financial institutions in respect of repayments of subordinated loans note 5.1 and declaration of dividend note 39 respectively, to the financial statements.

c) Except for the effects of adjustments, if any, as mentioned in paragraph "a", "b", in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984.

d) Except for the effects of adjustments, if any, as mentioned in paragraph "a", "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;

AUDITORS REPORT TO THE MEMBERS

e) Except for the effects of adjustments, if any, as mentioned in paragraph "a" , "b", 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 June 30, 2009 and of the **profits**, its cash flows and changes in equity for the year then ended; and

f) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

g) We draw attention to the following matters:

i) The Company earned a profit after taxation of Rs 6.944 million during the year thereby making accumulated losses upto 30^{th} June, 2009 to Rs113.090 million (Rs 120.034) million 2008, which resulted in net capital of Rs 3.909 million (2008 : Rs 75.034 million), whereas the current liabilities exceed the current assets by Rs 2.182 million (2008: Rs 3.222 million). These financial statements have been prepared on a going concern basis as stated in note 1.2 to the financial statements.

ii) As against, the liability reflected in these financial statements of Rs 29.021 million in respect of long-term loan payable to Industrial Development Bank of Pakistan (IDBP) note no. 5.2.1. IDBP has filed a suit claiming in 2002 of Rs 45.454 million upto April 30, 2002 plus accrued markup thereon. The company has filed a counter claim in the banking court against IDBP for rendition of accounts and recovery of Rs 5.240 million. The matter is still in litigation as disclosed in notes 5.2.1 and 5.2.1.1 to the financial statements.

Date : Octber 05. 2009
Karachi.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
SHARE CAPITAL & RESERVES			
Authorized Capital			
15,000,000 (2008 : 15,000,000)			
Ordinary shares of Rs.10 - each		150,000,000	150,000,000
Issued, subscribed and paid up capital	4	117,000,000	45,000,000
Accumulated losses		(113,090,055)	(120,034,173)
		3,909,945)	(75,034,173)
NON CURRENT LIABILITIES			
Long-term financing	5		
Subordinated loans		-	32,663,935
Other long-term financing		31,042,826	47,581,317
		31,042,826	80,245,252
Product development advances	6	1,273,723	3,676,223
Liabilities against assets subject to finance lease	7	14,721,200	17,447,264
Deferred liabilities	8	2,098,658	2,115,058
CURRENT LIABILITIES			
Trade and other payables	9	36,769,584	40,173,591
Mark-up accrued on loans	10	4,862,149	8,646,267
Short-term borrowings	11	19,969,660	15,738,881
Current portion of long-term liabilities	12	9,361,045	9,567,813
Provision for taxation		1,482,424	1,177,577
		72,444,862	75,304,129
CONTINGENCIES AND COMMITMENTS	13		
		125,491,214	103,753,753

	Note	2009 Rupees	2008 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	14	45,245,101	49,130,951
Intangible asset	15	10,500	65,000
		45,255,601	49,195,951
Long-term investment	16	Nil	Nil
Deferred tax	33	6,185,902	7,562,305
Long-term deposits	17	3,787,747	3,914,528
CURRENT ASSETS			
Stores, spares and loose tools	18	9,637,054	8,832,302
Stock in trade	19	13,175,616	8,822,066
Trade debts	20	31,312,487	13,695,183
Advances	21	12,470,010	6,884,463
Trade deposits and short-term prepayments	22	180,244	568,715
Other receivable	23	3,178,388	4,122,913
Cash and bank balances	24	308,165	156,236
		70,261,964	43,080,969
		125,491,214	103,753,753

CHIEF EXECUTIVE OFFICER

DIRECTOR

PROFIT AND LOSS ACCOUNT AS AT JUNE 30, 2009

	Notes	2009 Rupees	2008 Rupees
Sales - net	25	123,602,620	80,758,149
Cost of sales	26	(105,012,447)	(79,541,908)
Gross profit		18,590,173	1,216,241
Profit from trading activities	27	401,035	5,926
Operating expenses			
Distribution cost	28	2,421,467	2,624,408
Administrative	29	8,858,247	9,773,715
Other operating expenses	30	522,676	48,116
Finance cost	31	8,149,536	9,561,898
		(19,951,926)	(22,008,137)
Other income	32	9,899,252	5,695,004
Profit /(loss) before taxation		8,938,534	(15,090,966)
Provision for Taxation	33	(1,994,416)	7,000,966
Profit/(Loss) for the year		6,944,118	(8,090,000)
Earning /(loss) per share-Basic and Diluted	34	0.69	(1.80)

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
	8,938,534	(15,090,966)
Adjustments for :		
Depreciation	5,232,908	5,723,510
Amortization	54,500	54,500
(Gain) on disposal of property, plant and equipment	(99,994)	(144,830)
WPPF	373,340	-
WWF	149,336	-
Reversal of deferred tax	1,376,403	
Finance cost	8,149,536	9,561,898
	15,236,029	15,195,078
Operating cash flows before working capital changes	24,174,563	104,112
(Increase) / decrease in current assets		
Stores spares and loose tools	(804,751)	(2,923,492)
Stock-in-trade	(4,353,550)	(2,007,202)
Trade debts	(17,617,304)	1,634,214
Advances	(5,585,547)	(1,015,503)
Trade deposits and		
Short term prepayments	388,461	651,095
Other receivable	943,625	609,948
Increase / (decrease) in current liabilities		
Trade and other payables	(3,203,697)	2,571,257
	(30,232,763)	(479,686)
Cash used in operations	(6,058,200)	(375,574)
Gratuity paid	(16,400)	(29,372)
WPPF paid	(1,076,839)	-
WWF paid	(124,851)	-
Income tax paid	(4,307,996)	(2,950,015)
Tax refunded	-	1,484,393
Finance cost paid	(8,149,536)	(3,920,180)
Net cash used in operating activities	(19,733,822)	(5,790,748)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	340,000	473,000
Purchase of property, plant and equipment	(1,587,064)	(240,075)
Long-term deposits	(126,781)	(518,500)
Net cash used in investing activities	(1,373,845)	(285,575)

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	72,000,000	-
Repayment of long-term finances	(48,441,974)	(4,291,282)
Long-term finances obtained	-	5,383,068
Short-term borrowings - net	4,230,779	4,679,195
Repayment of principal portion of finance lease	(4,126,709)	(2,758,410)
Product development advances obtained / (repaid)	(2,402,500)	2,551,875
Net cash from financing activities	21,259,596	5,564,443
Net increase / (decrease) in cash and cash equivalents (a+b+c)	151,929	(511,880)
Cash and cash equivalents at the beginning of the year.	156,236	668,116
Cash and cash equivalents at the end of the year.	308,165	156,236

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Accumulated Losses	Total
	----------------	Rupees	----------------
Balance as at July 01, 2007	45,000,000	(111,944,173)	(66,944,173)
Loss for the year ended June 30, 2008	-	(8,090,000)	(8,090,000)
Balances as at June 30, 2008	**45,000,000**	**(120,034,173)**	**(75,034,173)**
Issuance of Right Shares June 30,2009	72,000,000	-	72,000,000
Profit for the year ended June 30, 2009	-	6,944,118	6,944,118
Balances as at June 30, 2009	**117,000,000**	**(113,090,055)**	**3,909,945**

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

1. THE COMPANY AND ITS OPERATIONS

1.1 Transmission Engineering Industries Limited ("the Company") was incorporated in Pakistan on 1st December, 1988 as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing and sale of engine gears and other automotive components.

The registered office of the company is situated at B-14, Block A, S.M.C.H.S. Karachi in the province of Sindh. The manufacturing facility of the company is situated at Hub Industrial Trading Estate in the province of Balochistan.

1.2 The net equity of the Company has gone up during the year from negative Rs. 75.03 million in 2008 to positive Rs.3.909 million in 2009 due to enhancement of Paid up capital by Rs. 72.00 million, and profit earned by the Company of Rs.6.944 million in 2009 from a net loss of Rs. 8.090 million during 2008. Thereby accumulated loss has come down from Rs. 120.034 million to Rs. 113.090 million and the current assets have gone up to Rs.70.261 million, as against Rs. 43.080 million in 2008. The long-term loan have come down to Rs. 49.136 from Rs. 103.484 million in 2008.

This shows that the Company has pulled back its sales and cost of sales are as to show better results, the net sales have gone up Rs. 123.602 million during 2009 from Rs. 80.758 million in 2008.

Management has declared dividend of 2% to confirm their sincere intentions of sharing profits with the shareholders. The management expect further improvements in the performance of the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for the measurement of financial instruments which are stated at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees, has been rounded to the nearest rupee.

2.4 Critical accounting estimates and judgments

a. Critical Judgments in applying the Company's accounting policies

In the process of applying the company's accounting policies, which are described in note 3 , management has made following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

The estimates and underlying assumptions are reviewed on ongoing basis. Revision to accounting estimates are recognised in the period in which estimates are revised.

b. Contingencies

As described in notes 13 , management considers that the company is not likely to incur further liabilities already mentioned therein.

c. Key sources of estimation uncertainty

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory. However, significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

2.5 Initial application of a Standard, Amendment or an Interpretation to an existing Standard and forthcoming requirements

Initial application

The following standards, amendments and interpretations become effective during the current year.

- IFRS-7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS-30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS-32 Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.

- IAS-29 Financial Reporting in Hyperinflationary Economics (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not affect the Company's financial statements.

- IFRIC-13 Customer Loyalty Programmers (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmers under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC-13 did not affect the Company's financial statements.

- IFRIC-14 -- IAS-19 The limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. The interpretation has no effect on Company's financial statements for the year ended 30th June 2009.

NOTES TO THE FINANCIAL STATEMENTS

Forthcoming requirements

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases;

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Company's financial statements.

- IAS-27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS-27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The application of this standard is not likely to have an effect on the Company's financial statements.
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with gain or loss recognized in the profit or loss

- Amendment to IAS 32 - Financial instruments: Presentation and IAS -1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendment, which require retrospective application, are not expected to have any impact on the Company's financial statements.

- Amendments to IAS 39 and IFRIC-9 . Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value.

- Amendments to IAS 39 - Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1st July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

- Amendment to IFRS 2 - Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Company's financial statements.

- Amendment to IFRS 2 - Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent considerations to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

- IFRS-4 Insurance Contracts (effective for annual periods beginning or or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts.

- Amendment to IFRS-7 Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS-7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

- IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently, the Company presents segment information in respect of its business and geographical segments. This standard will have no effect on the Company's reported total profit or loss or equity.

- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.

- IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

- IFRIC-17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

- IFRIC-18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

The International Accounting Standards Board made certain amendments to existing standards as part of its First annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the year.

3.1 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, if any, are recognized as deduction from equity.

3.2 Leases

Leases are classified as finance leases whenever terms of the leases substantially transfer all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the company at their fair value at the inception of leases or, if lower, at the present value of the minimum lease payments. The corresponding liabilities to the lessors are included in the balance sheet as part of liabilities against assets subject to finance leases. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance leases so as to achieve a constant rate of interest on the remaining balances of the liabilities. Finance charges are charged to profit & loss account unless they are directly attributable to qualifying assets in which case they are capitalised in accordance with the company's general policy on borrowing cost (refer note 3.21).

3.3 Staff retirement benefits

Defined contribution plan

The Company operates an unrecognised funded contributory provident fund for all its permanent employees. Equal monthly contributions are made both by the Company and the permanent employees at the rate of 8.33% percent per annum of the gross salary.

Employees compensated absences

The Company provides for compensated absences for all eligible employees, on unveiled balance of leave, in the period in which these are earned.

3.4 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any, or minimum taxation at the rate of one-half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

3.5 Foreign currencies translation

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used. Gains and losses arising on translation are included in net profit or loss for the period.

3.6 Property, plant and equipment

Owned assets

Property, plant and equipment except land and capital work-in-progress are stated at cost less accumulated depreciation and impairment in value, if any. Land and capital work-in-progress are stated at cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs (note 3.21). The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation is charged to income applying the diminishing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 14 to the financial statements. Full month's depreciation is charged on additions during the month while no depreciation is charged on disposal or retirement of assets during the month. Impairment loss or it's reversal, if any, is also charged to income. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over it's estimated useful life.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Gain is not classified as revenue. Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalized.

3.7 Lease assets

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

3.8 Capital work in progress

All expenditure,connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

3.9 Intangible assets

Expenditure incurred on intangible asset is capitalised and stated at cost less accumulated amortization and any identified impairment loss, if any. Intangible assets are amortized using the straight-line method over a period of five years.

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

3.10 Investments
Subsidiaries and joint venture companies

Investments in subsidiary and joint venture companies are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the profit and loss account.

3.11 Stores, spares and loose tools

These are valued at lower of cost and net realizable value, where cost is determined on first-in-first out (FIFO) basis less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon upto balance sheet date.

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

3.12 Stock in trade

Stock in-trade are valued at the lower of cost and net realizable value.

Cost for raw material is determined using first-in-first-out (FIFO) basis except for those items in transit which are stated at invoice price plus other charges paid thereon up to the balance sheet date.

Finished goods and work-in-process consist of cost of direct materials, labour and a proportion of manufacturing overheads based on normal capacity. Cost is determined on average basis.

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

Trading stock is valued by using specific identification of individual costs which include other incidental costs directly attributable to the inventory. Specific identification of cost means that specific costs are attributed to identified items of inventory.

3.13 Trade and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

3.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flows statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash are subject to insignificant risks of change in value.

3.15 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition methods adopted by the company are disclosed under individual policy statements associated with each item of financial statement.

3.16 Off setting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the transaction and also intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.17 Impairment

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

NOTES TO THE FINANCIAL STATEMENTS

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

3.18 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sale of goods are recognised when goods are delivered and title has passed.
- Service fee is recognised when related service has been provided to the customers.
- Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3.19 Trade and other payables

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

3.20 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3.21 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

3.22 Warranties

Warranty claims for replacement are accounted for in the year in which claims are settled.

3.23 Proposed dividend and appropriation to reserve

Dividend distributions to the Company's shareholders is recognized as a liability in the period in which dividends are approved. Transfer between reserves made subsequent to the balance sheet date is considered as non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

3.24 Earnings per share

The Company presents basic and diluted earnings per shares (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.25 Related party transactions

Transactions with related parties are charged on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

4. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2009	2008		Note	2009	2008
No of Shares				Rupees	Rupees
11,700,000	4,500,000	Ordinary shares of Rs.10/- each fully paid in cash		117,000,000	45,000,000
11,700,000	4,500,000			117,000,000	45,000,000

During the year on 4th September,2008 the Company issued right shares @ 160%of issued, subscribed and paid up capital to the existing shareholders and hence paid up capital has increased from Rs 45.0 million to 117.0 million.

The Company has only one class of ordinary shares which carries no rights to fixed income.

The Company has not reserved shares for issuance under options and sales contracts.

5. LONG TERM FINANCING

5.1 Subordinated loans

	Note	2009 Rupees	2008 Rupees
From associated companies			
Loan		13,338,834	13,338,834
Markup			
Accrued as at July 01		12,029,479	12,029,479
Accrued during the year		1,333,888	1,333,888
Accrued as at June 30		13,363,367	13,363,367
		26,702,201	26,702,201
Paid during the year		(26,702,201)	-
		-	26,702,201
From directors			
Loan		2,410,852	2,410,852
Markup			
Accrued as at July 01		3,309,798	3,309,798
Accrued during the year		241,084	241,084
Accrued as at June 30		3,550,882	3,550,882
		5,961,734	5,961,734
Paid during the year		(5,961,734)	-
		-	32,663,935

5.1.1 These finances were subject to markup @ 10% (2008 : @ 10%) per annum payable together with the principal after full payment owed to Saudi Pak Leasing Company Limited and meeting the prevalent Prudential Regulations whichever is later. During the year the Company repaid the above loans to curtail interest/ markup on such loans.

5.2 Other long term financing

	Note	2009 Rupees	2008 Rupees
Secured			
From banking companies and other financial institutions	5.2.1	31,042,826	42,428,122
Unsecured			
From related parties:			
Directors	5.2.2	-	5,153,195
		31,042,826	47,581,317

NOTES TO THE FINANCIAL STATEMENTS

5.2.1 From banking companies and other financial institutions

	IDBP				Demand Finance	Term Finance	Musharika Finance		2009	2008
	Original Loan	Rescheduled Markup -I	Rescheduled Markup -II	Total			I	II		
	<--------- --									
Balance as at 1st July	14,938,566	10,598,529	3,483,995	29,021,090	79,718	4,360,098	1,558,059	10,948,653	45,967,618	42,683,626
Acquired during the year	-	-	-	-	-	-	-	-	-	5,383,068
Mark-up payable								713,084	713,084	
Repayment during the year	-	-	-	-	(79,718)	-	(1,558,059)	(11,073,091)	(12,710,868)	(3,736,854)
	14,938,566	10,598,529	3,483,995	29,021,090	-	4,360,098	-	588,646	33,969,834	44,329,840
Overdue Installment	-	-	-	-	-	(1,901,724)	-	-	(1,901,724)	(973,170)
Less: Current portion	-	-	-	-	-	(1,025,284)	-	-	(1,025,284)	(928,549)
	14,938,566	10,598,529	3,483,995	29,021,090	-	1,433,090	-	588,646	31,042,826	42,428,121
Note No				5.2.1.1		5.2.1.2		5.2.1.3		

5.2.1.1 The Company filed a suit No.80 of 2002 in the Banking Court No.IV at Karachi against Industrial Development Bank of Pakistan (IDBP) and others for rendition of accounts and recovery of Rs.5.240 million and damages.

The Company had availed finance of Rs.10,394,854/- from IDBP in 1987-88. In accordance with the Financing Agreements, the Company was required to pay a total sum of Rs.17,082,444/- to IDBP. Due to a number of reasons, the Company could not make the required payments in time. However, a total payment of Rs.22,322,727/- has been made to IDBP and thus an excess payment of Rs.5,240,283/- has apparently been made.

The loan is secured against 1st charge on property and assets of the Company at Hub Industrial Trading Estate.

5.2.1.2 The loan is secured against equitable mortgage of personal property of a director and personal guarantee of two directors (Mr Aasaf Hussain Agha and Mr Fasih Hussain Agha). It is subject to markup @ 9.95% (2008: 9.95%) per annum and payable in 84 equal monthly installments.

5.2.1.3 The loan is secured against hypothecation of stocks and receivables and personal guarantee of Chief Executive. It is subject to markup @ 14% (2008: 14%) per annum.

5.2.2 These are subject to markup @ 10% (2008 : @ 10%) per annum. There is no time frame for repayment of these loans.

NOTES TO THE FINANCIAL STATEMENTS

	Note	2009 Rupees	2008 Rupees
6. PRODUCT DEVELOPMENT ADVANCES			
Interest free - Unsecured		**1,273,723**	3,676,223

These advances have been obtained from the customers to procure raw material for the ordered goods. These advances are adjustable against the selling invoices.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows :

	------- 2009 -------		------- 2008 -------	
	.... Rupees		....	
	Minimum lease payments	**Present Value**	**Minimum lease payments**	**Present Value**
Within one year	**9,140,940**	**6,434,037**	9,144,705	7,666,095
After one year but not more than five years	**23,030,000**	**14,721,200**	24,230,000	17,447,264
Total minimum lease payments	**32,170,940**	**21,155,237**	33,374,705	25,113,359
Less: Amount representing finance charges	**11,015,703**	-	8,261,346	-
Present value of minimum lease payments	**21,155,237**	**21,155,237**	25,113,359	25,113,359
Less: Payable within one year	**4,628,170**	**4,628,170**	3,322,738	3,322,738
Installments due	**1,805,867**	**1,805,867**	4,343,357	4,343,357
	14,721,200	**14,721,200**	17,447,264	17,447,264

7.1 These represent machinery, equipment and vehicles acquired under finance leases from leasing companies / banks. The financing rate used as discounting factor ranges from 10% to 16% (2008:10% to 16%) per annum. The Company intends to exercise its option to purchase the above assets upon completion of the lease period. Liabilities are secured against security deposits, personal guarantee of directors and demand promissory notes.

8. DEFERRED LIABILITIES

	Note	2009 Rupees	2008 Rupees
Deferred taxation		-	-
Staff gratuity	8.1	**2,098,658**	2,115,058

8.1 The Company has frozen the gratuity scheme as at June 30, 2004 and replaced it with an unrecognized provident fund scheme. Consequently, the above amount is payable on retirement to only those employees who were eligible for gratuity as at June 30, 2004. The aforesaid amount has been utilised by the Company.

NOTES TO THE FINANCIAL STATEMENTS

9. TRADE AND OTHER PAYABLES

	Note	2009 Rupees	2008 Rupees
Creditors		14,790,709	14,668,444
Accrued expenses	9.1	6,531,343	7,539,964
Advances from customers		835,363	3,099,877
Workers' profit participation fund	9.2	373,340	1,076,839
Provident fund	9.3	2,653,467	2,150,278
Workers' welfare fund		149,336	24,485
Withholding income tax		3,746,787	2,943,884
Sales tax		7,618,072	8,363,972
Unpaid dividend		-	294,728
Unclaimed dividend		-	11,120
Accrued rent		71,167	-
		36,769,584	40,173,591

9.1 The balance includes due to related parties Rs. Nil (2008:- 1,460,943).

9.2 Workers' Profit Participation Fund

	Note	2009 Rupees	2008 Rupees
Balance at July 01		1,076,839	924,325
Provision for the year		373,340	
Interest on funds utilized in Company's business	9.2.1	-	152,514
		1,450,179	1,076,839
Paid during the year		(1,076,839)	-
Balance at June 30		373,340	1,076,839

9.2.1 The interest on funds are charged @ 16.5% (2008: 16.5%) per annum.

9.3 Provident Fund

	Note	2009 Rupees	2008 Rupees
Balance at July 01		2,150,278	2,382,838
Contribution for the year		481,476	481,476
Interest on funds utilized in Company's business	9.3.1	311,790	-
		2,943,544	2,864,314
Paid during the year		(290,077)	(714,036)
Balance at June 30		2,653,467	2,150,278

9.3.1 It represents equal contributions from the Company and of the employees and interest @ 14.5% (2008 : 14.5%) per annum on the fund utilized by the Company.

10. MARK-UP ACCRUED ON LOANS

	Note	2009 Rupees	2008 Rupees
Loan from related parties	10.1	-	2,283,769
Long term finances		1,093,391	797,940
Lease finance charges		637,980	4,744,214
Short term borrowings		3,130,778	820,344
		4,862,149	8,646,267

	Note	2009 Rupees	2008 Rupees
10.1 Mr Ausaf Hussain Agha		1,324,786	1,324,786
Mr Tausif Hussain Agha		387,764	387,764
Mr Muhammad Aslam Khan		571,219	571,219
		2,283,769	2,283,769
Paid during the year		(2,283,769)	-
		-	2,283,769

11. SHORT TERM BORROWINGS - Secured

From banking companies and other financial institutions: -

	Note	2009 Rupees	2008 Rupees
Local bills discounted	11.1	19,969,660	15,738,881

The aggregate unavailed short term borrowing facilities available to the company amount to Rs 4.261 million. (2008 : Rs.0.94 million).

11.1 From Guardian Modaraba under following terms and conditions: -

Facility limit	Rs.20 million (2008:Rs.20 million)
Rate of markup	6 months KIBOR + 4% p.a (2008: @14% p.a.)
Security :	Personal guarantees of directors and demand promissory notes

12. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2009 Rupees	2008 Rupees
Loan from banking companies / financial institutions	5.2.1	2,927,008	1,901,718
Liabilities against assets subject to finance lease	7	6,434,037	7,666,095
		9,361,045	9,567,813

13. CONTINGENCIES

Contingencies

13.1 The Company has filed a suit No.80 of 2002 in the Banking Court No.IV at Karachi against Industrial Development Bank of Pakistan (IDBP) for rendition of accounts and recovery of Rs.5.240 million and damages, while IDBP claim an outstanding amount as on April 30, 2002 of Rs.45.454 million. The case is pending further proceedings in the High Court of Sindh at Karachi. The Company has incorporated total liability in these accounts amounting to Rs.29.021 million and the balance amounting to Rs.23.3 million including markup up to June 30, 2004 has not been provided for the reasons stated in Note 4.2.1.1 to the financial statements. There is no progress in the case status.

13.2 The Company obtained a generator on lease from a Modaraba on September 29, 2000. The Company could not pay the lease rentals in time due to liquidity problem. The generator was repossessed by the Modaraba on February 27, 2003 and sold for Rs.1.35 million and lease agreement was terminated on June 30, 2003. Subsequently, the Modaraba issued a letter to the Company demanding balance amount of Rs 1.752 million after adjusting sale proceed. The management of the Company through legal counsel issued a notice to the Modaraba as the management contention is that the generator was not sold at fair price and claimed Rs.300,000 - from the Modaraba. No progress in the status.

Commitments

13.3 Capital expenditure commitment amounts to Rs. Nil million (2008: 5.285 million)

NOTES TO THE FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost at July 01, 2008	Addition/ (Deletion)	Transfer	Cost at June 30, 2009	Accumulated Depreciation at July 01, 2008	Transfers	Depreciation / (Adjustment)	Accumulated depreciation at June 30, 2009	Written down value at June 30, 2009
				Rupees					
OWNED									
Land - Lease hold	482,000	-	-	482,000	-	-	-	-	482,000
Building on lease hold land	10,137,350	-	-	10,137,350	6,679,933		345,742	7,025,675	3,111,675
Plant and machinery	64,581,916	649,922	7,523,505	72,755,343	47,537,037	2,206,042	2,276,052	52,019,131	20,736,212
Computers	250,124	108,500	-	358,624	152,488		44,439	196,927	161,697
Electric and Phone Equip	2,533,054	-	-	2,533,054	2,002,979	-	53,008	2,055,987	477,068
Work shop equipment	1,177,556	-	-	1,177,556	850,130	-	32,743	882,873	294,683
Gas Installation	30,367	-	-	30,367	26,266	-	410	26,676	3,691
Furniture, fixture and office equipment	2,889,003	11,900	-	2,770,903	1,546,806	-	129,566	1,626,068	1,144,835
		(130,000)					(50,304)		
							-		
Motor vehicles	2,527,000	170,600	-	2,243,600	1,569,973	-	199,848	1,476,131	767,469
		(454,000)					(293,690)		
	84,608,370	940,922	7,523,505	92,488,797	60,365,612	2,206,042	3,081,807	65,309,467	27,179,330
		(584,000)					(343,994)		
LEASED									
Plant and machinery	28,846,265	-	(7,523,505)	21,322,760	7,088,859	(2,206,042)	1,643,994	6,526,811	14,795,949
Workshop equipment	7,561,249			7,561,249	5,078,463		248,279	5,326,742	2,234,507
Motor vehicles	1,125,000	646,142	-	1,771,142	476,999		258,829	735,828	1,035,314
		-							
	37,532,514	646,142	(7,523,505)	30,655,151	12,644,321	(2,206,042)	2,151,101	12,589,380	18,065,771
2009	122,140,884	1,587,064	-	123,143,948	73,009,933	-	5,232,908	77,898,847	45,245,101
		(584,000)					(343,994)		
2008	122,842,665	240,075	-	122,140,884	67,900,109	-	5,723,510	73,009,933	49,130,951
		(941,856)					(613,686)		

14.1 The depreciation charge for the year has been allocated as under

	2009 Rupees	2008 Rupees
Cost of goods sold (26.1)	4,554,192	5,095,480
Administrative expenses (29)	678,716	628,030
	5,232,908	5,723,510

14.2 The following assets were disposed off during the year

Particulars	Cost	Accumulated depreciation	Written down Value	Sales Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
	Rupees						
Motor vehicles							
Motorcycle KBD-0427	38,000	23,992	14,008	13,000	(1,008)	Negotiation	Mr.Waeem s/o Jameel Ahmed House # 973, Mohallah, Sindhi Hotel, New Karachi.
Motor cycle- KBS - 3955	38,500	16,324	22,176	17,000	(5,176)	Negotiation	Mr.Waeem s/o Jameel Ahmed House # 973, Mohalla, Sindhi Hotel, New Karachi.
Motor cycle KAY-0127	38,500	11,204	27,296	25,000	(2,296)	Negotiation	Mr. Riaz Ahmed s/o Sajjad Ahmed House # 101/3, Commercial Area Shah Faisal Colony, Karachi
Suzuki Ravi Pickup	339,000	242,170	96,830	260,000	163,170	Negotiation	Mr. Raess Khan s/o Misri Khan House # 973, Mohalla, Gulshan Rehman Colony, Karachi.
Furniture, Fixtures & Office equipment	130,000	50,304	79,696	25,000	(54,696)	Negotiation	Khan Business Products S-1 Ground Floor, Hafiz Centre, A-34, Block # 7/8 K.C.H.S, Shahrah-e- Faisal, Karachi
2009	**584,000**	**343,994**	**240,006**	**340,000**	**99,994**		
2008	941,856	613,686	328,170	473,000	144,830		

	Note	2009 Rupees	2008 Rupees
15. INTANGIBLE ASSET			
Accounting Software			
Cost			
Opening balance		272,500	272,500
Acquired during the year		-	-
Closing balance		272,500	272,500
Amortization			
Opening balance		(207,500)	(153,000)
Amortization for the year		(54,500)	(54,500)
		(262,000)	(207,500)
Closing balance		10,500	65,000

16. LONG TERM INVESTMENT

Investment in unquoted subsidiary company – at cost less impairment

	Ownership interest 2009 %	Ownership interest 2008 %	2009 Rupees	2008 Rupees
Transmission Motor Company (Private) Ltd.	76.92%	76.92%	20,000,000	20,000,000
Less: Provision for impairment loss			(20,000,000)	(20,000,000)
			-	-

16.1 Investment in subsidiary represents Rs.2,000,000 (2008 :Rs.2,000,000) fully paid ordinary shares of Rs.10/- each representing 76.92% (2008: 76.92%) of share capital at June 30, 2008. Breakup value of subsidiary as at June 30, 2009 was Rs (6.34) (2008 : Rs. (5.33) per share.

16.2 Due to net capital deficiency of Rs. 16,507,269/- in subsidiary's financial statements. The impairment loss exceeds the carrying amount of investment by Rs.12,680,247/- . Therefore carrying value of investment have been written down to nil value.

16.3 The Chief Executive of the Transmission Motor Company (Private) Limited is Mr. Fasih Hussain Agha.

17. LONG TERM DEPOSITS

	2009 Rupees	2008 Rupees
Security deposits		
Utilities	1,743,855	1,743,855
Others	284,000	259,000
Lease deposits	1,759,892	1,911,673
Finance leases		
	3,787,747	3,914,528

18. STORES, SPARES AND LOOSE TOOLS

	2009 Rupees	2008 Rupees
Stores	2,434,951	5,188,201
Spares	7,388,586	3,401,798
Loose tools	-	428,787
	9,823,537	9,018,786
Less: Provision for slow-moving and obsolete items	(186,483)	(186,483)
	9,637,054	8,832,303

	Note	2009 Rupees	2008 Rupees
19. STOCK IN TRADE			
Raw materials		**735,067**	108,012
Work in process		**11,223,257**	7,496,762
Finished goods	19.1	**1,217,292**	1,217,292
		13,175,616	8,822,066

19.1 These include spare parts which were tested as on balance date and no impairment was observed and have been valued on consistent basis.

	2009 Rupees	2008 Rupees
20. TRADE DEBTS		
Considered good		
Local - unsecured	**31,312,487**	13,695,183
Considered doubtful		
Local - unsecured	**842,274**	842,274
Less: Provision for doubtful debts	**(842,274)**	(842,274)
	-	-
	31,312,487	13,695,183
21. ADVANCES		
Considered good		
Related party - for expenses		
- Director	-	8,644
Others		
Suppliers	**2,805,918**	1,288,669
- Income tax	**9,525,196**	5,530,336
Employees	**138,896**	56,814
	12,470,010	6,884,463
22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Finance lease deposits	-	357,138
Prepayments	**180,244**	211,567
	180,244	568,705
23. OTHER RECEIVABLE		
Unsecured - considered good		
From subsidiary -		
Transmission Motor Company (Private) Limited	**3,178,388**	4,122,013
	3,178,388	4,122,013
24. CASH AND BANK BALANCES		
Cash at banks		
On current accounts	**113,716**	108,946
- On foreign currency account	**18,748**	14,896
Cash in hand	**175,701**	32,394
	308,165	156,236

		2009 Export	2009 Local	2009 Total	2008 Total
		<---------- Rupees		------->	
25. SALES - net					
Sales		31,316,651	111,814,050	143,130,701	92,592,367
Sales return		-	(3,635,108)	(3,635,108)	(1,163,992)
		31,316,651	108,178,942	139,495,593	91,428,375
Less: Sales tax		-	(14,958,092)	(14,958,092)	(10,003,337)
Excise duty		-	(934,881)	(934,881)	(666,889)
		31,316,651	92,285,969	123,602,620	80,758,149

26. COST OF SALES

	Note	2009	2008
Cost of goods manufactured	26.1	105,012,447	79,541,908
Finished goods			
Opening stock		1,217,292	1,217,292
Purchases		-	-
Closing stock		(1,217,292)	(1,217,292)
		-	-
		105,012,447	79,541,908

26.1 Cost of goods manufactured

	Note	2009	2008
Raw material consumed	26.1.1	45,874,238	33,159,041
Salaries, wages and benefits	26.1.2	23,377,661	17,506,539
Directors remuneration		1,860,000	1,680,000
Stores and spares consumed		7,954,398	6,645,371
Quenching and lubricating oil		2,880,659	1,481,576
Technical consultancy		315,000	325,413
Machining charges		5,275,931	4,187,942
Vehicles running expenses		1,872,267	1,220,484
Repairs and maintenance		1,833,910	2,320,144
Rent, rates and taxes		62,187	33,970
Utilities		10,847,181	8,069,755
Telephone		198,294	207,248
Insurance		59,751	151,657
Travelling and conveyance		635,797	482,678
Depreciation	14.1	4,554,192	5,095,480
Others		1,137,476	978,068
		108,738,942	83,545,366
Work in process			
Opening stock		7,496,762	3,493,304
Closing stock		(11,223,257)	(7,496,762)
		(3,726,495)	(4,003,458)
		105,012,447	79,541,908

NOTES TO THE FINANCIAL STATEMENTS

	Note	2009 Rupees	2008 Rupees
26.1.1 Raw material consumed			
Opening stock		108,012	514,823
Purchases including purchase expenses - net		46,501,293	32,752,230
		46,609,305	33,267,053
Closing stock		(735,067)	(108,012)
		45,874,238	33,159,041

26.1.2 Salaries, wages and benefits include Rs.211,627/- (2008 : Rs232,560/) in respect of staff retirement benefits.

27. PROFIT FROM TRADING ACTIVITIES

	2009 Rupees	2008 Rupees
Sales	3,665,500	1,857,507
Excise duty	-	(16,013)
Sales tax	-	(240,197)
	3,665,500	1,601,297
Cost of sales		
Opening Stock	-	1,589,445
Purchases	3,264,465	-
Closing stock	-	-
	3,264,465	1,589,445
	401,035	11,852
Less: Musharika share	-	5,926
	401,035	5,926

28. DISTRIBUTION COST

	2009 Rupees	2008 Rupees
Freight and octroi	1,691,945	1,394,918
Travelling and conveyance	293,621	40,907
Advertisement	369,926	992,081
Export development surcharge	65,975	196,502
	2,421,467	2,624,408

29. ADMINISTRATIVE EXPENSES

	Note	2009 Rupees	2008 Rupees
Chief executive remuneration		600,000	300,000
Salaries, wages and benefits	29.1	3,531,708	4,901,980
Printing and stationery		223,929	210,965
Utilities		492,480	384,263
Postage and telephone		588,317	462,131
Rent		180,000	180,000
Legal and professional		193,653	176,500
Auditors remuneration	29.2	270,000	270,000
Travelling and conveyance		140,265	55,335
Newspaper, books and periodicals		21,260	18,145
Vehicles running		815,676	1,014,926
Repairs and maintenance		57,733	46,827
Insurance		31,278	65,053
Advertisement		86,253	-
Depreciation	14.1	678,716	628,030
Amortization of software cost	15	54,500	54,500
Others		892,479	1,005,060
		8,858,247	9,773,715

29.1 Salaries, wages and benefits include Rs.74,903/- (2008 : Rs.135,864/-) in respect of staff retirement benefits.

NOTES TO THE FINANCIAL STATEMENTS

	Note	2009 Rupees	2008 Rupees
29.2 Auditors remuneration			
Audit fee		139,500	139,500
Out of pocket expense		13,000	13,000
Other remuneration as auditor			
Half yearly review fee		37,500	37,500
Other services		80,000	80,000
		270,000	270,000

30. OTHER OPERATING EXPENSE

	Note	2009 Rupees	2008 Rupees
Workers' profit participation fund		373,340	-
Worker' welfare fund		149,336	-
Exchange loss		-	48,116
		522,676	48,116

31. FINANCE COST

	Note	2009 Rupees	2008 Rupees
Mark-up / Interest on			
Long-term financing			
Related parties			
Subordinated loan		-	1,333,888
Loans from director		-	714,756
Long-term financing from banking companies		1,008,535	1,344,816
Short term borrowings		3,541,286	2,178,446
Finance lease charges		2,305,237	3,618,341
Workers profit participation fund		-	152,514
Provident fund		311,790	33,721
Bank charges, commission, etc.		982,688	185,416
		8,149,536	9,561,898

32. OTHER INCOME

	Note	2009 Rupees	2008 Rupees
Income from related parties			
Rental income	32.1	1,357,350	2,488,475
Income from assets other than financial assets			
Gain on disposal of fixed assets		99,993	-
Scrap sales		5,710,257	3,206,529
Liabilities no longer payable, written back		524,348	-
Miscellaneous		-	-
Exchange gain		15,189	-
Int. TMC associated Co.		1,933,634	-
Other income		258,481	-
		9,899,252	5,695,004

32.1 It represents rent charged to related party Transmission Motor Company (Private) Limited against the machinery used by them @ Rs.226,225/- (2008: Rs.226,225/-) per month. During the year machinery was used for six months.

33. PROVISION FOR TAXATION

	Note	2009 Rupees	2008 Rupees
Current	33.1	618,013	561,339
Deferred	33.2	1,376,403	(7,562,305)
		1,994,416	(7,000,966)

33.1 Since total income of the Company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001, the numerical reconciliation between tax expense and accounting profit has not been presented in these financial statements, the final tax has been paid under sections 154 and 169 of the Income Tax Ordinance, 2001.

33.2 Deferred tax asset

Opening balance		Rs.	7,562,305	-
Add:- Asset created during the period			-	7,562,305
			7,562,305	7,562,305
Less:- Reversal during the period	33.2		(1,376,403)	-
Closing balance		Rs.	6,185,902	7,562,305

The Company as a matter of financial prudence has reduced carrying amount of deferred tax asset to the extent of taxable profits which will be available to allow / adjust the benefit of the deferred tax asset.

34. EARNINGS PER SHARE

- Basic & Diluted

There is no dilutive effect on the basic earnings per share of the company which is based on :

		2009 Rupees	2008 Rupees
Profit / (Loss) for the year	Rs.	6,944,118	(8,034,574)
Weighted average number of ordinary shares outstanding during the year		10,046,250	4,500,000
Earnings per share	Rs.	0.69	(1.79)

35. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise subsidiary, associates, key management personnel and post employment contribution plan. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due to directors and associates are shown under note 4 and remuneration of directors and key management personnel is disclosed in note 36. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of Transactions	2009 Rupees	2008 Rupees
Transmission Motor Company (Pvt) Ltd.	Rental Income (32.1)	1,357,350	2,488,475
	Share of expenses charged	839,515	2,904,127
	Markup charged	1,933,634	
	Sale of Agri-parts	2,996,955	
	Return of material	2,561,500	
Associates	Markup on subordinated loans (5.1)	-	1,333,888
	Repayment of principal		
	Repayment of Markup (5.1)	3,899,449	-
	Consultancy charges		
	Contribution towards share capital		
	Loan repaid	13,338,834	
Key management personnel	Markup on subordinated loans (5.1)	-	241,085
	Markup on long term loan from director (5.2.2)	-	2,048,644
	Mark up repaid	5,834,652	
	Rent expense	180,000	180,000
	Repayment of Loan	7,839,603	
	Directors' remuneration	2,280,000	1,680,000
	Contribution to provident fund	481,476	554,968

NOTES TO THE FINANCIAL STATEMENTS

36. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2009		2008	
	Chief Executive	**Directors**	Chief Executive	Directors
Managerial remuneration	**400,000**	**1,240,000**	191,232	1,079,208
Perquisites:				
Rent	**160,000**	**496,000**	86,040	485,640
Utilities	**40,000**	**124000**	19,128	107,952
Vehicles running expenses	-	-	3,600	7,200
	600,000	**1,860,000**	300,000	1,680,000
Number of persons	1	2	1	2

The Chief Executive and Executive Directors are also entitled for free use of company maintained cars having monetary value of Rs. 405,423/- (2008 : Rs. 288,442/-) approximately.

37. PLANT CAPACITY AND ACTUAL PRODUCTION

	Tractor Gears	**Motor cycle Gears**	**Motor Car Hubs**	**Others**	**2009 Total**	2008 Total
Capacity in Pieces	**230,000**	**324,000**	**30,000**	**210,000**	**794,000**	794,000
Actual production						
- in pieces	**257,827**	-	-	**55,560**	**313,387**	222,936
- in percentage	**112.10**	-	-	**26.46**	**39.47**	28.08

The operating capacity has been determined on normal product mix. The short fall in production is due to lack of demand. This year, the capacity utilization increased by 17.13% as compared to last year.

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments.

	Effective interest rate	Interest bearing Maturity up to one year	Interest bearing Maturity after one year	Interest bearing Sub Total	Non-interest Bearing Maturity up to one year	Non-interest Bearing Maturity after one year	Non-interest Bearing Sub Total	2009	2008
		Rupees						Rupees	Rupees
FINANCIAL ASSETS									
Long term deposits	-	-	-	-	-	2,027,855	2,027,855	**2,027,855**	2,002,855
Trade debts	-	-	-	-	31,312,487	-	31,312,487	**31,312,487**	13,695,183
Advances	-	-	-	-	12,470,010	-	12,470,010	**12,470,010**	1,354,127
Trade deposits and short-term					180,244	-	180,244	**180,244**	-
Other receivable	-	-	-	-	3,178,388	-	3,178,388	**3,178,388**	4,122,013
Cash and bank balances	-	-	-	-	308,165	-	308,165	**308,165**	156,236
		-	-	-	47,449,294	2,027,855	49,477,149	**49,477,149**	21,330,414
FINANCIAL LIABILITIES									
- Subordinated loan	10%	-	-	-	-	-	-	**-**	32,663,935
- Other long term financing	14% - 10%	2,927,008	31,042,826	33,969,834	-	-	-	**33,969,834**	49,483,035
Liabilities against assets subject to finance lease	10%-16%	6,434,037	14,721,200	21,155,237	-	-	-	**21,155,237**	25,113,359
Trade and other payables	-	-	-	-	21,322,052	-	21,322,052	**21,322,052**	24,398,253
Interest / mark up on loans	-	-	-	-	4,862,149	-	4,862,149	**4,862,149**	8,646,267
Short term borrowings	8%-14%	19,969,660	-	19,969,660	-	-	-	**19,969,660**	15,738,881
		29,330,705	45,764,026	75,094,731	26,184,201	-	26,184,201	**101,278,932**	156,043,730

38.2 Credit risk and concentration of credit risk

Credit risk represents all the accounting losses that would be recognized at the reporting date if counter parties failed to perform as contracted. Out of total financial assets of Rs 49,477,149/- (2008 Rs 21,330,415) , the financial assets that are subjected to credit risk amounted to Rs 47,449,294/- (2008 Rs 21,174,179/-). The company believes that it is not exposed to major concentration of credit risk.

38.3 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 value of all financial assets and liabilities reflected in the financial statements approximates their fair values

38.4 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its commitments associated with financial liabilities when they fall due. The company management closely monitors the company's liquidity and cash flow position and ensures that sufficient liquid funds are available to meet any commitments as they arise.

38.5 Foreign exchange risk

Foreign exchange risk arises mainly due to conversion of foreign currency transactions into local currency. The Company is not materially exposed to foreign currency risk on assets and liabilities.

39. PROPOSED DIVIDEND

The Board of Directors of the Company has proposed dividend @ 2% in their meeting held on Friday October 2nd 2009. The sponsoring Directors and their relatives waved off their rights to dividend.

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 5th October, 2009 by the Board of Directors of the Company.

41. GENERAL

- Figures have been rounded off to the nearest rupee.
- Figures, where necessary, have been reclassified.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

PATTERN OF SHARE HOLDING AS AT 30 JUNE 2009

TRANSMISSION ENGINEERING INDUSTRIES LIMITED

Pattern of Shareholding As On 30-June-2009

Number of Share Holders	Share Holding From		Share Holding To	Total Shares Held
33	1	-	100	3,034
81	101	-	500	36,067
43	501	-	1,000	42,300
80	1,001	-	5,000	235,225
20	5,001	-	10,000	174,283
8	10,001	-	15,000	102,065
7	15,001	-	20,000	128,480
4	20,001	-	25,000	95,042
3	25,001	-	30,000	84,568
2	30,001	-	35,000	67,500
3	35,001	-	40,000	109,480
2	45,001	-	50,000	97,000
1	50,001	-	55,000	52,055
2	55,001	-	60,000	114,500
1	65,001	-	70,000	70,000
2	70,001	-	75,000	146,000
1	90,001	-	95,000	93,980
1	120,001	-	125,000	123,500
1	150,001	-	155,000	150,368
1	260,001	-	265,000	265,000
4	380,001	-	385,000	1,536,000
1	460,001	-	465,000	463,420
1	520,001	-	525,000	524,100
3	610,001	-	615,000	1,843,200
1	740,001	-	745,000	741,472
1	2,945,001	-	2,950,000	2,945,889
1	1,595,001	-	1,600,000	1,455,472
308				11,700,000

Categories of Share Holder's	No. of Share Holders	Shares Held	Percentage
Individuals	288	8,367,511	71.52
Investment Company	1	1,000	0.01
Financial Institutions	3	2,953,489	25.24
Joint Stock Companies	16	378,000	3.23
	308	11,700,000	100.00

PATTERN OF SHARE HOLDING AS AT 30 JUNE 2009

ADDITIONAL INFORMATION

As at June 30,2009

S. No.	Categories Shareholders	Numbers	Shares Held	% Age
1	**NIT & ICP**	2	3,600	0.03
	Investment Corporation of Pakistan		1,000	0.01
	National Bank of Pakistan		2,600	0.02
2	**Directors, CEO, Sponsors and their Spouses and Minor Childern**	12	6,963,459	59.52
	Ausaf Hussain Agha		1,367,392	11.69
	Fasih Hussain Agha		1,204,892	10.30
	Tausif Hussain Agha		59,280	0.51
	Muhammad Aslam Khan		244,348	2.09
	Asif Hussain Agha		998,400	8.53
	Sabahat Hussain Agha		998,400	8.53
	Sadaf Agha		998,400	8.53
	Faraz Agha		32,500	0.28
	Bilkees Agha		41,548	0.36
	Ahmer Agha		10,439	0.09
	Mrs. Fehmida Jaffer		9,460	0.08
	Nargis Agha		998,400	8.53
3	**Banks, DFIs. NBFIs, Insurance Companies, Modarabas and Mutual Funds**	18	3,355,889	28.68
4	**Individuals**	276	1,377,052	11.77
5	**Certificate Holders holding ten percent or more in the Company**	3	5,518,173	47.16
	First Dawood Investment Bank Limited		2,945,889	25.18
	Ausaf Hussain Agha		1,367,392	11.69
	Fasih Hussain Agha		1,204,892	10.30

CONSOLIDATED FINANCIAL STATEMENT

TRANSMISSION ENGINEERING INDUSTRIES LTD.

AND

ITS SUBSIDIARY COMPANY

AUDITORS REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of **Transmission Engineering Industries Limited (the holding company)** and its subsidiary company **Transmission Motor Company (Private) Limited (the subsidiary company)** as at June 30, 2009 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, (herein-after referred to as the financial statements) for the year then ended. We have also expressed separate opinion on the financial statements of the holding company. The financial statements of the subsidiary company as on 30th June, 2009, have been audited by another firm of chartered accountants whose report include an emphasis of a matter paragraph regarding going concern and our opinion is so far as it relates to the amounts included for the said company, is based solely on the report of such auditors.

These financial statements are responsibility of holding Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Except for as motioned in paragraph "a", "b", "c", our audit was conducted in accordance with the International Standards on Auditing 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. we report that:

a) We have not been provided loan confirmations from IDBP, therefore, the balance remained unconfirmed.

b) The Group has reflected deferred expense of Rs. 9,941,477/-on the balance sheet which is not in line with the requirements of approved accounting standards. Due to the matter stated, the loss for the year before charging minority interest and equity has been understated by the same amount.

c) We have not been provided consent letters from financial institutions in respect of repayments of subordinated loans note 5.1 and declaration of dividend note 40 respectively, to the financial statements.

d) Except for the effects for the adjustments, if any, as mentioned in paragraph "a" , "b", "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 Group's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

e) We draw attention to the following matters:-

AUDITORS REPORT TO THE MEMBERS

i) The Group earned a profit after taxation of Rs: 4.304 million during the year thereby making accumulated losses upto 30th June, 2009 to Rs.129.597 million (Rs.133.901) million 2008, which resulted in net capital deficiency of Rs.12.597 million during 2009 (Rs.88.901) million 2008, whereas the current liabilities exceed current assets by Rs 17.078 million (2008: Rs 46.772 million) These financial statements have been prepared on a going concern basis as stated in note 1.3 to the financial statements.

ii) As against, the liability reflected in these financial statements of Rs 29.021 million in respect of long-term loan payable to Industrial Development Bank of Pakistan (IDBP) note no. 5.2.1. IDBP has filed a suit claiming in 2002 of Rs 45.454 million upto April 30, 2002 plus accrued markup thereon. The company has filed a counter claim in the banking court against IDBP for rendition of accounts and recovery of Rs 5.240 million. The matter is still in litigation as disclosed in notes 5.2.1 and 5.2.1.1 to the financial statements.

Date : October 5, 2009
Karachi.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
SHARE CAPITAL & RESERVES			
Authorized Capital			
15,000,000 (2008 : 15,000,000)			
Ordinary shares of Rs.10/- each		**150,000,000**	150,000,000
Issued, subscribed and paid-up capital	4	**117,000,000**	45,000,000
Accumulated losses		**(129,597,323)**	(133,901,324)
		(12,597,323)	(88,901,324)
MINORITY INTEREST	34	**Nil**	Nil
SHARE DEPOSIT MONEY		**500,000**	500,000
NON CURRENT LIABILITIES			
Long term financing	5		
Subordinated loans		**-**	32,663,935
Other long term financing		**61,042,826**	77,581,317
		61,042,826	110,245,252
Product development advances	6	**1,273,723**	3,676,223
Liabilities against assets subject to finance lease	7	**14,721,200**	17,674,463
Dealers deposits		**50,000**	50,000
Deferred liabilities	8	**2,098,658**	2,115,058
CURRENT LIABILITIES			
Trade and other payables	9	**55,816,767**	62,166,905
Mark-up accrued on loans	10	**14,281,783**	16,242,347
Short-term borrowings	11	**20,018,564**	15,738,881
Current portion of long term liabilities	12	**9,361,045**	10,093,031
Provision for taxation		**1,585,681**	1,271,093
		101,063,840	105,512,257
CONTINGENCIES	13		
		168,152,924	150,871,929

	Note	2009 Rupees	2008 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	14	63,550,037	69,842,611
Intangible asset	15	143,642	229,928
		63,693,679	70,072,539
Long term deposits	16	4,346,498	4,555,529
Deferred tax		6,185,902	7,562,305
Deferred expenses		9,941,477	9,941,477
CURRENT ASSETS			
Stores, spares and loose tools	17	10,396,963	9,636,392
Stock in trade	18	23,590,267	19,776,811
Trade debts	19	31,312,487	13,695,183
Advances	20	16,600,328	11,623,530
Deposit and short-term prepayments	21	180,244	655,605
Other receivable	22	1,158,424	1,085,627
Short term investment	23	-	700,000
Cash and bank balances	24	746,655	1,566,931
		83,985,368	58,740,079
		168,152,924	150,871,929

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT AS AT JUNE 30, 2009

	NOTE	2009 Rupees	2008 Rupees
Sales - net	25	**137,421,085**	86,095,113
Cost of sales	26	**(115,477,933)**	(87,024,197)
Gross profit		**21,943,152**	(929,084)
Profit from trading activities	27	**401,035**	5,926
Other operating income	28	**9,282,273**	3,338,082
		31,626,460	2,414,924
Operating expenses			
Distribution cost	29	**(4,220,309)**	(3,455,443)
Administrative	30	**(11,883,970)**	(12,207,409)
Other operating expenses	31	**(522,676)**	(48,116)
Finance cost	32	**(8,691,346)**	(14,788,328)
		(25,318,301)	(30,499,296)
Profit /(loss) before taxation		**6,308,159**	(28,084,372)
Provision for taxation	33	**(2,004,158)**	6,976,984
Profit / (Loss) after tax before Non controlling Interest		**4,304,001**	(21,107,388)
Appropriation of profit / (loss)			
Loss attributable to Non Controlling Interest		-	-
Profit /(loss) attributable to Equity holders of the parent		**4,304,001**	(21,107,388)
Earning / (loss) per share- Basic and Diluted	34	**1.32**	(4.69)

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Accumulated Loss	Total
	---------------- Rupees ----------------		
Balances as at June 30, 2007	45,000,000	(112,793,936)	(67,793,936)
Loss for the year ended June 30, 2008	-	(21,107,388)	(21,107,388)
Balance as at June 30, 2008	**45,000,000**	**(133,901,324)**	**(88,901,324)**
Issue right share during year	72,000,000	-	72,000,000
Profit for the year ended June 30, 2009	-	4,304,001	4,304,001
Balance as at June 30, 2009	**117,000,000**	**(129,597,323)**	**(12,597,323)**

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT AS AT JUNE 30, 2009

	2009 Rupees	2008 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	**6,308,159**	(28,084,372)
Adjustments for :		
Depreciation of property, plant and equipment	**5,310,916**	8,115,952
Amortization of intangible asset	**87,486**	95,732
(Gain) / loss on disposal of property, plant and equipment1	**(556,549)**	(144,830)
Liabilities written back	**(524,348)**	-
Reversal of Deferred	**1,376,403**	
Finance cost	**8,691,346**	14,788,328
	14,385,254	22,895,182
Operating cash flow before movements in working capital	**20,693,413**	(5,189,190)
Movements in working capital		
(Increase) / decrease in current assets		
Stores spares and loose tools	**(760,571)**	(2,923,492)
Stock in trade	**(3,813,456)**	5,465,936
Trade debtors	**(17,617,304)**	1,634,214
Advances	**(4,976,798)**	(2,008,103)
Deposits and short term prepayments	**475,361**	668,462
Other receivables	**(72,797)**	(35,663)
Increase / (decrease) in current liabilities		
Trade and other payables	**(6,350,138)**	805,145
	(33,115,703)	3,606,499
Cash used in operations	**(12,422,290)**	(1,582,691)
Gratuity paid	**(16,400)**	(29,372)
Income tax paid	**(313,167)**	(2,950,066)
Tax refunded	**-**	2,276,107
Finance cost paid	**(8,691,346)**	(3,962,541)
	(9,020,913)	(4,665,872)
Net cash used from operating activities	**(21,443,203)**	(6,248,563)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**340,000**	473,000
Purchase of property, plant and equipment	**(1,587,064)**	(285,075)
Addition in property, plant and equipments on acquisition of subsidiary	-	101,500
Purchase of intangible assets	-	(2,058,500)
Contribution towards share capital	-	1,300,000
Short term investment	**700,000**	
	(547,064)	(469,075)
Net cash used in investing activities	**(21,990,267)**	(6,717,638)

CONSOLIDATED CASH FLOW STATEMENT AS AT JUNE 30, 2009

	2009 Rupees	2008 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	**(48,498,198)**	(4,291,822)
Short term borrowings - net	**4,279,683**	4,679,192
Repayment of principal portion of finance lease	**(4,418,025)**	(2,758,410)
Product development advances (repaid) / acquired	**(2,402,500)**	3,151,875
Finance lease acquired	-	-
Long term finances acquired	-	5,383,068
Loan received from directors	-	-
Long term deposits received	**209,031**	-
Issue of shares	**72,000,000**	-
Net cash from financing activities	**21,169,991**	6,163,903
Net decrease in cash and cash equivalents (b+c)	**(820,276)**	1,028,956
Cash and cash equivalents at the beginning of the year	**1,566,931**	2,120,666
Cash and cash equivalents at the end of the year	**746,655**	3,149,622

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Transmission Engineering Industries Limited (TEIL / parent company) was incorporated in Pakistan on 1st December, 1988 as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi and Lahore Stock Exchanges. The parent company owns 76.92% (2007: 76.92%) shares of Transmission Motor Company (Private) Limited (TMC / subsidiary company). The registered office of the companies is situated at B-14, Block A, S.M.C.H.S, Karachi. The manufacturing facilities of the TEIL and TMC are situated at Hub Industrial Trading Estate in the province of Balochistan and at S.I.T.E, Karachi in the province of Sindh respectively. The principal activities of the parent company are manufacturing and sale of engine gears and other automotive components. The principal activities of the subsidiary are assembling and sale of motor vehicles and automotive parts.

1.2 These financial statements are presented in Pak. Rupees which is the group's functional and presentation currency.

1.3 The net equity of the Group has gone up during the year from negative Rs. 88.9 million in 2008 to Rs.12.597 million during the year, due to enhancement of Paid up capital by Rs. 72.00 million and profit earned by the Group of Rs. 4.304 million in 2009 from a net loss of Rs.21.107 million during 2008. Thereby the accumulated loss has come down from Rs.133.901 million to Rs.129.597 million and current assets have gone up to Rs.83.985 million, as against Rs. 58.740 million in 2008. The long-term loan have come down to Rs. 79.186 million in 2009 from Rs.133.760 million in 2008.

This shows that the Group has pulled back its sales and cost of sales as to show better results. the net sales have gone up Rs. 137.421 million during 2009 from Rs.86.095 million in 2008.

Management of TEIL has declared dividend of 2% to confirm their sincere intentions of sharing profits with the shareholders. The management expect further improvements in the performance of the Group.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of TEIL and its subsidiary, TMC with 76.92% holding (2008: 76.92%) ("the Group").

Subsidiary is an entity in which parent company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect or appoint more than fifty present of its directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date control commences until the date control ceases.

The assets and liabilities have been consolidated on line by line basis and the carrying value of investments held by the parent company is eliminated against the subsidiary shareholders equity in the consolidated financial statements.

All material inter group balances and transactions have been eliminated.

Minority is that part of the net results of the operations and of the net assets of the subsidiary attributable to interests which are not owned by the parent company. Minority interest is presented as a separate item in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3.2 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention modified by measurement of financial instruments at fair value. The principal accounting policies adopted are set out below:

3.3 Leases

Leases are classified as finance leases whenever terms of the leases substantially transfer all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of leases or, if lower, at the present value of the minimum lease payments. The corresponding liabilities to the lessors are included in the balance sheet as part of liabilities against assets subject to finance leases. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance leases so as to achieve a constant rate of interest on the remaining balances of the liabilities. Finance charges are charged to profit & loss account unless they are directly attributable to qualifying assets in which case they are capitalized in accordance with the company's general policy on borrowing cost (refer note 3.19).

3.4 Staff retirement benefits

Defined contribution plan

The Group operates an unrecognized funded contributory provident fund for all its permanent employees. Equal monthly contributions are made both by the Group and the permanent employees at the rate of 8.33% percent per annum of the gross salary.

3.5 Employee compensated absences

The Group provides for compensated absences for all eligible employees, on unavailed balance of leave, in the period in which these are earned.

3.6 Trade and other payables

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

3.7 Provisions

Provisions are recognized when the Group has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of obligation amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.8 Property, plant and equipment

Company owned

Property, plant and equipment except land and capital work-in-progress are stated at cost less accumulated depreciation and impairment in value, if any. Land and capital work-in-progress are stated at cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs (note 3.19). The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.
Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation is charged to income applying the diminishing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 14 to the financial statements. Full month's depreciation is charged on additions during the month while no depreciation is charged on disposal or retirement of assets during the month. Impairment loss or it's reversal, if any, is also charged to income. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over it's estimated useful life.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Gain is not classified as revenue. Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalized.

Capital work in progress
All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

3.9 Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

3.10 Intangible assets

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss, if any. Intangible assets are amortized using the straight-line method over a period of five years.

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

3.11 Stores, spares and loose tools

These are valued at lower of cost and net realizable value, where cost is determined on first-in-first out (FIFO) basis less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon upto balance sheet date.

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

3.12 Stock in trade

Stock-in-trade are valued at the lower of cost and net realizable value.

Cost for raw material is determined using first-in-first-out (FIFO) basis except for those in transit which are stated at invoice price plus other charges paid thereon upto the balance sheet date.

Finished goods and work-in-process consist of cost of direct materials, labour and a proportion of manufacturing overheads based on normal capacity. Cost is determined on average basis.

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

Trading stock is valued by using specific identification of their individual costs which includes other incidental costs directly attributable to the inventory. Specific identification of cost means that specific costs are attributable to identified items of inventory.

3.13 Trade and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

3.14 Investment

Held to maturity
Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held to maturity investments are initially recognised at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method.

Derecognition
All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, and highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

3.16 Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument and de-recognised when the company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition method adopted by the Group is disclosed in the individual policy statements associated with each item of financial statements.

3.17 Impairment

The Group assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

3.18 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sale of goods are recognised when goods are delivered and title has passed.
- Services fee is recognised when related services have been provided to the customers.
- Dividend income from investment is recognised when shareholders' right to receive payment has been established.

3.19 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.20 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any, or minimum taxation at the rate of one-half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

3.21 Foreign Currencies

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

3.22 Warranties

Warranty claims for replacement are accounted for in the year in which claims are settled.

3.23 Related party transactions

Transactions with related parties are priced on arms length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

3.24 Off setting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set off the transaction and also intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.25 Critical accounting estimates and judgments

Critical Judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

The estimates and underlying assumptions are reviewed on ongoing basis. Revision to accounting estimates are recognised in the period in which estimates are revised.

Contingencies

As described in notes 13, management considers that the Group is not likely to incur further liabilities mentioned therein.

Key sources of estimation uncertainty

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory. However, significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3.26 Initial application of a Standard, Amendment or an Interpretation to an existing Standard and forthcoming requirements

Initial application

The following standards, amendments and interpretations become effective during the current year.

- IFRS-7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS-30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS-32 Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Group's financial statements other than increase in disclosures.

- IAS-29 Financial Reporting in Hyperinflationary Economics (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economics and therefore the application of the standard did not affect the Group's financial statements.

- IFRIC-13 Customer Loyalty Programmers (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmers under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC-13 did not affect the Group's financial statements.

- IFRIC-14 -- IAS-19 The limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. The interpretation has no effect on Group's financial statements for the year ended 30th June 2009.

Forthcoming requirements

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than increase in disclosures in certain cases;

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Group's financial statements.

- IAS-27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS-27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The application of this standard is not likely to have an effect on the Group's financial statements.

- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with gain or loss recognized in the profit or loss.

- Amendment to IAS 32 - Financial instruments: Presentation and IAS -1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendment, which require retrospective application, are not expected to have any impact on the Company's financial statements.

- Amendments to IAS 39 and IFRIC-9 . Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value.

- Amendments to IAS 39 - Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1st July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

- Amendment to IFRS 2 - Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Group's financial statements.

- Amendment to IFRS 2 - Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent considerations to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquire to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquire, on a transaction-by-transaction basis.

- IFRS-4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts.

- Amendment to IFRS-7 Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS-7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

- IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently, the Group presents segment information in respect of its business and geographical segments. This standard will have no effect on the Group's reported total profit or loss or equity.

- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Group's operations.

- IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Group's operations.

- IFRIC-17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

- IFRIC-18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

The International Accounting Standards Board made certain amendments to existing standards as part of its First annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2010 financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2010 financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2009	2008		2009	2008
No of Shares			Rupees	Rupees
11,700,000	4,500,000	Ordinary shares of Rs.10/- each fully paid in cash	**117,000,000**	45,000,000
11,700,000	4,500,000		**117,000,000**	45,000,000

During the year on 4th September,2008 the TEIL issued right shares @ 160%of issued, subscribed and paid up capital to the existing shareholders and hence paid up capital has increased from Rs 45.0 million to 117.0 million.

a The Group has only one class of ordinary shares which carry no rights to fixed income.

5. LONG TERM FINANCING

5.1 Subordinated loans - TEIL

	2009	2008
From associated companies		
Principal	**13,338,834**	13,338,834
Markup		
Accrued as at July 01	**12,029,479**	12,029,479
Accrued during the year	**1,333,888**	1,333,888
Accrued as at June 30	**13,363,367**	13,363,367
	26,702,201	26,702,201
Paid during the year	**(26,702,201)**	-
	-	
From directors		
Principal	**2,410,852**	2,410,852
Markup		
Accrued as at July 01	**3,309,798**	3,309,798
Accrued during the year	**241,084**	241,084
Accrued as at June 30	**3,550,882**	3,550,882
	5,961,734	5,961,734
Paid during the year	**(5,961,734)**	-
	-	32,663,935

5.1.1 These finances were subject to markup @ 10% (2008 : @ 10%) per annum payable together with the principal after full payment owed to Saudi Pak Leasing Company Limited and meeting the prevalent Prudential Regulations whichever is later. During the year the Group repaid the above loans to curtail interest/ markup on such loans.

5.2 Other long term financing

	2009	2008
Secured		
From banking companies and other financial institutions (5.2.1)	**31,042,826**	42,428,122
Unsecured - TEIL		
From related parties:		
Directors (5.2.2)	**30,000,000**	35,153,195
	61,042,826	77,581,317

NOTES TO THE CONSOLIDATED ACCOUNTS

5.2.1 **From banking companies and other financial institutions**

	TEIL – IDBP – Original Loan	IDBP – Rescheduled Markup -I	IDBP – Rescheduled Markup -II	IDBP – Total	Demand Finance	Term Finance	Musharika Finance I	Musharika Finance II	2009	2008
	Rupees									
Balance as at 1st July	14,938,566	10,598,529	3,483,995	29,021,090	79,718	4,360,098	1,558,059	10,948,653	**45,967,618**	42,683,627
Acquired during the year	-	-	-	-	-	-	-	-	-	5,383,068
Mark-up payable								713,084	**713,084**	
Repayment during the year	-	-	-	-	(79,718)	-	(1,558,059)	(11,073,091)	**(12,710,868)**	(3,736,854)
	14,938,566	10,598,529	3,483,995	29,021,090	-	4,360,098	-	588,646	**33,969,834**	44,329,841
Less:	-	-	-	-	-		-	-		
Overdue installment	-	-	-	-	-	(1,901,724)	-	-	**(1,901,724)**	(973,170)
Current portion	-	-	-	-	-	(1,025,284)	-	-	**(1,025,284)**	(928,549)
	-	-	-	-	-	(2,927,008)	-	-	**(2,927,008)**	(1,901,719)
	14,938,566	10,598,529	3,483,995	29,021,090	-	1,433,090	-	588,646	**31,042,826**	42,428,122
Note No.				5.2.1.1		5.2.1.2		5.2.1.3		

TEIL filed a suit No.80 of 2002 in the Banking Court No.IV at Karachi against Industrial Development Bank of Pakistan (IDBP) and others for rendition of accounts and recovery of Rs.5.240 million and damages.

TEIL had availed finance of Rs.10,394,854/- from IDBP in 1987-88. In accordance with the Financing Agreements, the parent company was required to pay a total sum of Rs.17,082,444/- to IDBP. Due to a number of reasons, the parent company could not make the required payments in time. However, a total payment of Rs.22,322,727/- has been made to IDBP and thus an excess payment of Rs.5,240,283/- has apparently been made.

TEIL is now claiming a refund of the excess amount paid and the damages from the bank (Refer Note 13.1). As per legal consultants TEIL has a good case and is likely to get a favorable decision from the Court.

The loan is secured against 1st charge on property and assets of the parent company at Hub Industrial Trading Estate.

5.2.1.2 The loan is secured against equitable mortgage of personal property of a director and personal guarantee of two directors. It is subject to markup @ 9.95% per annum and payable in 84 equal monthly installments.

5.2.1.3 The loan is secured against hypothecation of stocks and receivables and personal guarantee of Chief Executive. It is subject to markup @ 14% per annum and payable in 33 equal monthly installments of Rs. 400,000/- and last installment of Rs. 241,770/-.

5.2.2 These are subject to markup @ 10% (2008: @ 10%) per annum payable annually. There is no time frame for repayment of these loans.

	2009 Rupees	2008 Rupees
6. PRODUCT DEVELOPMENT ADVANCES		
Interest free - Unsecured	**1,273,723**	3,676,223

These advances have been obtained from the customers to procure raw material for the ordered goods. These advances are adjustable against the selling invoices.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows :

	------- 2009 -------		------- 2008 -------	
	.... Rupees			
	Minimum lease payments	Present Value	Minimum lease payments	Present Value
Within one year	**9,140,940**	**6,434,037**	9,731,098	8,191,313
After one year but not more than five years	**23,030,000**	**14,721,200**	24,407,000	17,674,463
Total minimum lease payments	**32,170,940**	**21,155,237**	34,138,098	25,865,776
Less: Amount representing finance charges	**11,015,703**	**-**	8,272,322	-
Present value of minimum lease payments	**21,155,237**	**21,155,237**	25,865,776	25,865,776
Less: Payable within one year	**4,628,170**	**4,628,170**	3,499,738	3,499,738
Installments due	**1,805,867**	**1,805,867**	4,691,575	4,691,575
	14,721,200	**14,721,200**	17,674,463	17,674,463

7.1 These represent machineries, equipment and vehicles acquired under finance leases from leasing companies/banks. The financing rate used as discounting factor ranges from 10% to 16% (2008: 10% to 14%) per annum. The Group intends to exercise its option to purchase the above assets upon completion of the lease period. Liabilities are secured against security deposits, personal guarantee of directors and demand promissory notes.

8. DEFERRED LIABILITIES

Staff gratuity (8.1)	**2,098,658**	2,115,058

8.1 TEIL freeze the gratuity scheme as at June 30, 2004 and replaced it with a unrecognized provident fund scheme. Consequently, the above amount is payable to only those employees who were eligible for gratuity as at June 30, 2004.

9. TRADE AND OTHER PAYABLES

	2009 Rupees	2008 Rupees
Creditors	**20,693,027**	19,724,835
Accrued expenses (9.1)	**7,285,502**	10,103,074
Advances from customers	**12,218,482**	18,036,955
Workers' profit participation fund (9.2)	**373,340**	1,076,839
Provident fund	**3,439,508**	1,016,497
Workers' welfare fund	**149,336**	24,485
Withholding income tax	**4,039,500**	3,465,496
Sales tax	**7,618,072**	8,363,972
Unpaid dividend	-	294,728
Unclaimed dividend	-	11,120
Others	-	48,904
	55,816,767	62,166,905

9.1 The balance includes amounts due to related parties Rs.-Nil (2008 : Rs 1,460,943/).

9.2 Workers' profit participation fund

	2009 Rupees	2008 Rupees
Balance at July 01	**924,325**	902,168
Interest on fund utilized in Group's business (9.2.1)	**152,514**	142,157
	1,076,839	1,044,325
Paid during the year	**(1,076,839)**	(120,000)
	-	924,325
Allocation for the year	**373,340**	-
Balance at June 30	**373,340**	924,325

9.2.1 The interest on fund is charged @ 16.5% (2008: 16.5%) per annum.

10 MARK-UP ACCRUED ON LOANS

	Note	2009 Rupees	2008 Rupees
Loan from related parties	10.1	-	2,283,769
Long term finances		**10,513,025**	8,394,020
Lease finance charges		**637,980**	4,744,214
Short term borrowings		**3,130,778**	820,344
		14,281,783	16,242,347

10.1

	2009 Rupees	2008 Rupees
Mr Ausaf Hussain Agha	**1,324,786**	1,324,786
Mr Tausif Hussain Agha	**387,764**	387,764
Mr Muhammad Aslam Khan	**571,219**	571,219
	2,283,769	2,283,769
Paid during the year	**(2,283,769)**	-
	-	2,283,769

11. SHORT TERM BORROWINGS - Secured

	2009 Rupees	2008 Rupees
From banking companies and other financial institutions: -		
Local bills discounted (11.1)	**19,969,660**	15,738,881
Fasih Hussain Agha	**48,904**	-
	20,018,564	15,738,881

11.1 From Guardian Modaraba under following terms and conditions: -

Facility limit	Rs.20 million (2008:Rs.20 million)
Rate of markup	6 Month KIBOR + 4% p.a. (2008: @14% p.a.)
Security :	Personal guarantee of directors and demand promissory note

12. CURRENT PORTION OF LONG TERM LIABILITIES

	2009 Rupees	2008 Rupees
Loan from banking companies / financial institutions (Note 5.2.1)	**2,927,008**	1,901,719
Liabilities against assets subject to finance lease (Note 7)	**6,434,037**	8,191,312
	9,361,045	10,093,031

13. CONTINGENCIES

13.1 The TEIL (holding Company) has filed a suit No.80 of 2002 in the Banking Court No.IV at Karachi against Industrial Development Bank of Pakistan (IDBP) for rendition of accounts and recovery of Rs.5.240 million and damages, while IDBP claim an outstanding amount as on April 30, 2002 of Rs.45.454 million. The case is pending further proceedings in the High Court of Sindh at Karachi. The parent company has incorporated total liability in these accounts amounting to Rs.29.021 million and the balance amounting to Rs.16.433 million including markup up to June 30, 2004 has not been provided for the reasons stated in Note 5.2.1.1 to the financial statements. There was no progress in the case status.

13.2 The Group obtained a generator on lease from a Modaraba on September 29, 2000. The Group could not pay the lease rentals in time due to liquidity problem. The generator was repossessed by the Modaraba on February 27, 2003 and sold for Rs.1.35 million and lease agreement was terminated on June 30, 2003. Subsequently, the Modaraba issued a letter to the Group demanding balance amount of Rs.1.752 million after adjusting sale proceed. The management of the Group through legal counsel issued a notice to the Modaraba as the management contention is that the generator was not sold at fair price and claimed Rs.300,000/- from the Modaraba. There was no progress in the status.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost at July 01, 2008	Addition/ (Deletion)	Transfer	Cost at June 30, 2009	Accumulated Depreciation at July 01, 2008	Transfers	Depreciation / (Adjustment)	Accumulated depreciation at June 30, 2009	Written down value at June 30, 2009	Rate %
				Rupees						
OWNED										
Land - Lease hold	482,000	-	-	482,000	-	-	-	-	482,000	-
Building on lease hold land	10,137,350	-	-	10,137,350	6,679,933		345,742	7,025,675	3,111,675	10
Plant and machinery	81,791,798	649,922	7,523,505	87,807,328	51,286,247	2,206,042	2,276,052	55,545,060	32,262,268	10
		(2,157,897)								
Computers	546,554	108,500	-	655,054	325,679		85,109	410,788	244,266	33
Electric and Phone Equip	2,955,969	-	-	2,955,969	2,114,815		37,454	2,055,987	899,982	10
							(15,554)			
Work shop equipment	8,520,482	-	-	8,520,482	2,440,084		32,743	2,332,143	6,188,339	10
Gas Installation	30,367	-	-	30,367	26,266		410	26,676	3,691	10
Furniture, fixture and office	3,446,969	11,900	-	3,328,869	1,682,836		171,760	1,804,292	1,524,577	10
		(130,000)	-				(50,304)			
equipment		-	-							
Motor vehicles	2,527,000	170,600	-	2,243,600	1,569,973	-	199,848	1,476,131	767,469	20
		(454,000)	-				(293,690)			
	110,438,489	940,922	7,523,505	116,161,019	66,125,833	2,206,042	3,149,118	70,676,752	45,484,267	
		(2,714,897)					(359,548)			
LEASED										
Plant and machinery	28,846,265	-	(7,235,505)	21,322,760	7,088,859		1,643,994	6,526,811	14,795,949	
Work shop equipment	7,561,249	-		7,561,249	5,078,463		248,279	5,326,742	2,234,507	
Motor vehicles	2,366,800	646,142		1,771,142	1,077,037	(2,206,042)	269,525	735,828	1,035,314	
							(10,696)			
	38,774,314	646,142	(7,235,505)	30,655,151	13,244,359	(2,206,042)	2,151,102	12,589,381	18,065,770	
							(10,696)			
2009	149,212,803	1,587,064	288,000	146,816,170	79,370,192	-	5,310,916	83,266,133	63,550,037	
		(3,983,697)					(370,244)			
2008	149,869,584	285,075	-	149,212,803	71,827,926	-	8,155,952	79,370,192	69,842,611	
		(941,856)					(613,686)			

14.2 The depreciation charge for the year has been allocated as under:

	2009 Rupees	*2008 Rupees*
Cost of goods sold (26.1)	4,554,194	7,297,817
Distribution cost (29)	-	25,041
Administration expenses (30)	756,722	833,094
	5,310,916	8,155,952

14.3 The following assets were disposed of during the year

Particulars	Cost	Accumulated depreciation	Written down Value	Sales Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
	Rupees						
Motor vehicles							
Motorcycle KBD-0427	38,000	23,992	14,008	13,000	(1,008)	Negotiation	Mr.Waeem s/o Jameel Ahmed House # 973, Mohallah, Sindhi Hotel, New Karachi.
Motor cycle- KBS - 3955	38,500	16,324	22,176	17,000	(5,176)	Negotiation	Mr.Waeem s/o Jameel Ahmed House # 973, Mohalla, Sindhi Hotel, New Karachi.
Motor cycle KAY-0127	38,500	11,204	27,296	25,000	(2,296)	Negotiation	Mr. Riaz Ahmed s/o Sajjad Ahmed House # 101/3, Commercial Area Shah Faisal Colony, Karachi
Suzuki Ravi Pickup	339,000	242,170	96,830	260,000	163,170	Negotiation	Mr. Raess Khan s/o Misri Khan House # 973, Mohalla, Gulshan Rehman Colony, Karachi.
Furniture, Fixtures & Office equipment	130,000	50,304	79,696	25,000	(54,696)	Negotiation	Khan Business Products S-1 Ground Floor, Hafiz Centre, A-34, Block # 7/8 K.C.H.S., Shahrah-e- Faisal, Karachi
2009	**584,000**	**343,994**	**240,006**	**340,000**	**99,994**		
2008	941,856	613,686	328,170	473,000	144,830		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. INTANGIBLE ASSET

Accounting Software

	2009 Rupees	2008 Rupees
Cost		
Opening balance	530,200	530,200
Acquired during the year	1,200	-
Closing balance	531,400	530,200
Amortization		
Opening balance	(300,272)	(204,540)
Amortization for the year	(87,486)	(95,732)
	(387,758)	(300,272)
Closing balance	143,642	229,928

16. LONG TERM DEPOSITS

	2009 Rupees	2008 Rupees
Security Deposits		
Utilities	1,743,855	1,743,855
Others	842,751	717,751
Lease Deposits	1,759,892	2,093,923
	4,346,498	4,555,529

17. STORES, SPARES AND LOOSE TOOLS

	2009 Rupees	2008 Rupees
Stores	2,536,564	5,289,708
Spares	7,904,268	3,855,862
Loose tools	142,614	677,305
	10,583,446	9,822,875
Less: Provision for slow-moving and obsolete items	(186,483)	(186,483)
	10,396,963	9,636,392

18. STOCK IN TRADE

	Note	2009 Rupees	2008 Rupees
Raw materials : in hand		6,177,683	5,653,325
Work in process		13,990,683	10,264,188
Finished goods	18.1	3,322,666	3,760,063
Trading stock		99,235	99,235
		23,590,267	19,776,811

18.1 These include spare parts which were tested as on balance date and no impairment was observed and have been valued on consistent basis.

19. TRADE DEBTS

Considered good

	2009 Rupees	2008 Rupees
Considered good		
Local - unsecured	31,312,487	13,695,183
Considered doubtful		
Local - unsecured	842,274	842,274
Less: Provision for doubtful debts	(842,274)	(842,274)
	-	-
	31,312,487	13,695,183

	2009 Rupees	2008 Rupees
20. ADVANCES		
Considered good		
Related party		
- Director - for expenses	-	8,644
Others		
- Suppliers	6,936,236	6,027,736
- Income tax	9,525,196	5,530,336
- Employees	138,896	56,814
	16,600,328	11,623,530

21. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2009 Rupees	2008 Rupees
Finance lease deposits	-	357,138
Prepayments	180,244	298,467
	180,244	655,605

22. OTHER RECEIVABLES

	2009 Rupees	2008 Rupees
Unsecured - considered good		
From related party -		
Sales tax refundable	165,907	-
Others	992,517	1,085,267
	1,158,424	1,085,267

23. SHORT TERM INVESTMENT

Company has made Musharika investment of Rs. NIL (2008: 2 million). This carry effective interest rate 10% (2008: 10 %) per annum.

24. CASH AND BANK BALANCES

	2009 Rupees	2008 Rupees
Cash at banks		
- On current accounts	151,930	1,502,228
- On foreign currency account	418,083	14,896
Cash in hand	176,642	49,807
	746,655	1,566,931

25. SALES - net

	...............2009...............			2008
	Export	Local	Total	
	<-------------- Rupees -------------->			
Sales	43,186,788	113,762,378	156,949,166	98,649,958
Sales return	-	(3,635,108)	(3,635,108)	(1,165,172)
	43,186,788	110,127,270	153,314,058	97,484,786
Less: Sales tax	-	(14,958,092)	(14,958,092)	(10,722,784)
Excise duty	-	(934,881)	(934,881)	(666,889)
	43,186,788	94,234,297	137,421,085	86,095,113

	2009 Rupees	2008 Rupees

26. COST OF SALES

	2009 Rupees	2008 Rupees
Cost of goods manufactured (26.1)	**105,115,145**	87,024,197
Finished goods		
Opening stock	**3,760,063**	3,760,063
Purchases	**9,925,391**	
Closing stock	**(3,322,666)**	(3,760,063)
	10,362,788	-
	115,477,933	87,024,197

26.1 Cost of goods manufactured

	2009 Rupees	2008 Rupees
Raw material consumed (26.1.1)	**45,976,935**	33,159,041
Salaries, wages and benefits (26.1.2)	**23,377,661**	17,997,818
Directors remuneration	**1,860,000**	1,680,000
Stores and spares	**7,954,398**	6,688,916
Quenching and lubricating oil	**2,880,659**	1,481,576
Technical consultancy	**315,000**	325,413
Machining charges	**5,275,931**	4,187,942
Vehicles running expenses	**1,872,267**	1,344,628
Repairs and maintenance	**1,833,910**	2,367,101
Rent, rates and taxes	**62,187**	187,984
Utilities	**10,847,181**	8,216,805
Telephone	**198,294**	207,248
Insurance	**59,751**	160,827
Traveling and conveyance	**635,796**	511,203
Depreciation (14.2)	**4,554,194**	7,297,817
Others	**1,137,476**	1,137,476
	108,841,640	86,951,795
Work in process		
Opening stock	**10,264,188**	10,336,590
Closing stock	**(13,990,683)**	(10,264,188)
	(3,726,495)	72,402
	105,115,145	87,024,197

26.1.1 Raw material consumed

	2009 Rupees	2008 Rupees
Opening stock	**5,653,325**	9,457,414
Purchases including purchase expenses - net	**46,501,293**	29,354,952
	52,154,618	38,812,366
Closing stock	**(6,177,683)**	(5,653,325)
	45,976,935	33,159,041

26.1.2 Salaries, wages and benefits include Rs.211,627/- (2008 : Rs 232,560/) in respect of staff retirement benefits.

	2009 Rupees	2008 Rupees
27. PROFIT FROM TRADING ACTIVITIES		
Sales	**3,665,500**	1,857,507
Sales tax	-	(240,197)
Excise duty	-	(16,013)
	3,665,500	1,601,297
Cost of sales:		
Opening stock	-	1,589,445
Purchases	**3,264,465**	-
Closing stock	-	-
	3,264,465	1,589,445
	401,035	11,852
Musharika share	-	(5,926)
	401,035	5,926

28. OTHER OPERATING INCOME

	2009 Rupees	2008 Rupees
Income from assets other than financial assets		
Gain on disposal of fixed assets	**556,549**	144,830
Scrap sales	**5,710,257**	3,093,599
Income from short term investment	**24,671**	99,653
Liabilities no longer payable, written back	**524,348**	-
Exchange gain loss	**15,189**	
Miscellaneous	**2,451,259**	-
	9,282,273	3,338,082

29. DISTRIBUTION COST

	2009 Rupees	2008 Rupees
Freight and octroi	**2,159,954**	1,402,127
Traveling and conveyance	**693,521**	95,455
Advertisement	**385,516**	1,044,235
Export development surcharge	**65,975**	196,502
Salaries, wages & other benefits	-	192,513
Rent, rate & taxes	**30,000**	300,000
Printing and stationary	**70,500**	-
Security expenses	**178,000**	-
Clearing and forwarding	**169,594**	-
Training expenses	**70,000**	-
Depreciation (14.2)	-	25,041
Others	**397,249**	199,570
	4,220,309	3,455,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. ADMINISTRATIVE EXPENSES

	2009 Rupees	2008 Rupees
Chief executive remuneration	**600,000**	300,000
Salaries, wages and benefits (30.1)	**5,243,629**	6,224,757
Printing and stationery	**239,609**	217,770
Utilities	**591,798**	610,477
Postage and telephone	**607,509**	613,402
Rent	**180,000**	180,000
Legal and professional	**376,853**	236,230
Auditors remuneration (30.2)	**285,000**	285,000
Traveling and conveyance	**1,228,171**	309,343
Newspaper, books and periodicals	**21,260**	18,145
Vehicles running	**829,176**	1,055,489
Repairs and maintenance	**57,731**	46,827
Insurance	**129,611**	110,653
Advertisement	**86,254**	-
Depreciation (14.2)	**756,722**	833,094
Amortization of software cost (15)	**87,486**	95,732
Others	**563,161**	1,070,490
	11,883,970	12,207,409

30.1 Salaries, wages and benefits include Rs.74,903 (2008 : Rs.135,864/-) in respect of staff retirement benefits.

30.2 Auditors remuneration

	RSRIR Chartered Accountants	Maqsood & Co.	2009	2008
	<----	--------- Rupees	----	------- >
Audit fee	139,500	15,000	**154,500**	154,500
Out of pocket expense	13,000	-	**13,000**	13,000
Other remuneration as auditor				
Half yearly review fee	37,500	-	**37,500**	37,500
Other services	80,000	-	**80,000**	80,000
	270,000	15,000	**285,000**	285,000

31. OTHER OPERATING EXPENSE

	2009	2008
Workers' profit participation fund	**373,340**	-
Worker' welfare fund	**149,336**	-
Exchange Loss	-	48,116
	522,676	48,116

32. FINANCE COST

	2009 Rupees	2008 Rupees
Long-term financing		
Related parties		
Subordinated loan	-	1,333,888
Loans from director	-	714,756
Long-term financing from banking companies	1,471,789	6,468,816
Short term borrowings	3,541,286	2,178,446
Finance lease charges	2,305,237	3,678,423
Workers profit participation fund	-	152,514
Advance from customers	-	33,721
Provident fund - Related party	311,790	185,416
Bank charges, commission, etc.	1,061,244	42,348
	8,691,346	14,788,328

33. PROVISION FOR TAXATION

Current	33.1	627,755	585,321
Deferred	33.2	1,376,403	(7,562,305)
		2,004,158	(6,976,984)

33.1 Since total income of the Group attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 the final tax regime and hence tax has been provided under sections 154 and 169 of the Income Tax Ordinance, 2001.

33.2 The Group as a matter of financial prudence has reduced carrying amount of deferred tax asset to the extent of taxable profits which will be available to allow / adjust the benefit of the deferred tax asset.

34. LOSS ATTRIBUTABLE TO MINORITY INTEREST

	-	-

Since Minority Interest in the company become negative during 2007, the appropriate portion of loss for the year 30th June, 2009 by Rs 1,376,403/- has not been apportioned.

35. EARNINGS PER SHARE

- Basic & diluted

There is no dilutive effect on the basic earnings per share of the Group which is based on :

Profit/(loss) for the year	*Rs.*	13,242,709	(21,107,388)
Weighted average number of ordinary shares outstanding during the year		10,046,250	4,500,000
Earnings per share	*Rs.*	1.32	(4.69)

36. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associates, key management personnel and post employment contribution plan. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due to directors and associates are shown under note 4 and remuneration of directors and key management personnel is disclosed in note 37. Other significant transactions with related parties are as follows:

		2009 Rupees	2008 Rupees
Associates	Markup on subordinated loans (5.1)	-	1,333,888
Asonix Industries (Pvt.) Ltd.	Repayment of principal		
Sadaf Agencies.	Repayment of Markup (5.1)	-	-
Agha Motorsports	Consultancy charges		
	Contribution towards share capital		
Key management personnel	Markup on subordinated loans (5.1)	-	241,084
	Markup on long term loan from director (5.2.2)	-	2,048,644
	Rent expense	**180,000**	180,000
	Loan obtained from director (5.2.2)	-	-
	Contribution to Provident fund	**517,301**	554,968

37. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2009		2008	
	Chief Executive	Directors	Chief Executive	Directors
Managerial remuneration	400,000	1,240,000	**191,232**	1,079,208
Perquisites:				
Rent	160,000	496,000	**86,040**	485,640
Utilities	40,000	124,000	**19,128**	107,952
Vehicles running expenses			**3,600**	7,200
	600,000	1,860,000	**300,000**	1,680,000
Number of persons	1	2	**1**	2

The Chief Executive and Executive Directors are also entitled for free use of Group maintained cars having monetary value of Rs.405,423/- (2008: Rs.288,442/-) approximately.

38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments.

	Effective interest Rate	Interest bearing Maturity upto one year	Interest bearing Maturity after one year	Interest bearing Sub Total	Non-interest Bearing Maturity upto one year	Non-interest Bearing Maturity after one year	Non-interest Bearing Sub Total	2009	2008
		Rupees						Rupees	Rupees
FINANCIAL ASSETS									
Long term deposits	-	-	-	-	-	2,586,606	2,586,606	2,586,606	2,461,606
Trade debts	-	-	-	-	31,312,487	-	31,312,487	31,312,487	13,695,183
Other receivable	-	-	-	-	1,158,424	-	1,158,424	1,158,424	1,085,627
Advances	-	-	-	-	138,896	-	138,896	138,896	65,458
Cash and bank balances	-	-	-	-	746,655	-	746,655	746,655	1,566,931
		-	-	-	33,356,462	2,586,606	35,943,068	35,943,068	18,874,805

This shows that the Company has pulled back its sales and cost of sales are as to show better results, the net sales have gone up Rs. 123.602 million during 2009 from Rs. 80.758 million in 2008.

Trade and other payables	-	-	-	-	28,351,869	-	28,351,869	28,351,869	31,199,476
Interest / Mark up on loans	-	-	-	-	14,281,783	-	14,281,783	14,281,783	16,242,347
Short term borrowings	8%-14%	20,018,564		20,018,564	-	-	-	20,018,564	15,738,881
		20,018,564	-	20,018,564	42,633,652	-	42,633,652	62,652,216	63,180,704

	Effective interest rate	Interest bearing: Maturity up to one year	Interest bearing: Maturity after one year	Interest bearing: Sub Total	Non-interest Bearing: Maturity up to one year	Non-interest Bearing: Maturity after one year	Non-interest Bearing: Sub Total	2008	2007
		Rupees						Rupees	Rupees
FINANCIAL ASSETS									
Long term deposits	-	-	-	-	-	2,002,855	2,002,855	**2,002,855**	1,734,355
Trade debts	-	-	-	-	13,695,183	-	13,695,183	**13,695,183**	15,329,397
Advances	-	-	-	-	1,354,127	-	1,354,127	**1,354,127**	338,624
Other receivable	-	-	-	-	4,122,013	-	4,122,013	**4,122,013**	4,731,961
Cash and bank balances	-	-	-	-	156,236	-	156,236	**156,236**	198,673
		-	-	-	19,327,559	2,002,855	21,330,414	**21,330,414**	22,333,010
FINANCIAL LIABILITIES									
- Subordinated loan	10%	-	32,663,935	32,663,935	-	-	-	**32,663,935**	31,088,963
- Other long term financing	14% - 10%	1,901,718	47,581,317	49,483,035	-	-	-	**49,483,035**	43,288,208
Liabilities against assets subject to finance lease	10%-16%	7,666,095	17,447,264	25,113,359	-	-	-	**25,113,359**	20,321,188
Trade and other payables	-	-	-	-	24,398,253	-	24,398,253	**24,398,253**	25,150,704
Interest / mark up on loans	-	-	-	-	8,646,267	-	8,646,267	**8,646,267**	4,579,534
Short term borrowings	8%-14%	15,738,881	-	15,738,881	-	-	-	**15,738,881**	11,059,689
		25,306,694	97,692,516	122,999,210	33,044,520	-	33,044,520	**156,043,730**	135,488,286

38.2 *Credit risk and concentration of credit risk*

Credit risk represents all the accounting losses that would be recognized at the reporting date if counter parties failed to perform as contracted. Out of total financial assets of Rs 35,943,068/- (2008 Rs 18,874,805) , the financial assets that are subjected to credit risk amounted to Rs 33,356,462/- (2008 Rs 17,307,874/-). The Group believes that it is not exposed to major concentration of credit risk.

38.3 *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 value of all financial assets and liabilities reflected in the financial statements approximates their fair values.

38.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with financial liabilities when they fall due. The Group management closely monitors the Group's liquidity and cash flow position and ensures that sufficient liquid funds are available to meet any commitments as they arise.

38.5 Foreign exchange risk

Foreign exchange risk arises mainly due to conversion of foreign currency transactions into local currency. The Group is not materially exposed to foreign currency risk on assets and liabilities.

39. PLANT CAPACITY AND ACTUAL PRODUCTION

Transmission Engineering Industries Limited

	Tractor Gears	Motor cycle Gears	Motor Car Hubs	Others	2009 Total	2008 Total
Capacity in Pieces	230,000	324,000	30,000	210,000	794,000	794,000
Actual production						
- in pieces	257,827	-	-	55,560	313,387	222,936
- in percentage	112.10	-	-	26.46	39.47	28.08

The operating capacity has been determined on normal product mix. The short fall in production is due to lack of demand. This year, the capacity utilization increased by 17.13% as compared to last year.

Transmission Motor Company (Private) Limited

	Alif Car	Bay Car	2009 Total	2008 Total
Capacity - Cars	-	-	-	5,000
Actual production				
- in cars	-	-	-	41
- in percentage(%)	-	-	-	0.82

The short fall in production is due to lack of demand. The capacity utilization is expected to go up in the coming years.

40. PROPOSED DIVIDEND

The Board of Directors of the TEIL has proposed dividend @ 2% in their meeting held on Friday October 2nd 2009. The sponsoring Directors and their relatives waved off their rights to dividend.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 5th October 2009 by the Board of Directors of the parent company.

42. GENERAL

- Figures have been rounded off to the nearest rupee.
- Figures, where necessary, have been reclassified.

CHIEF EXECUTIVE OFFICER DIRECTOR

FORM OF PROXY

The Company,
TRANSMISSION ENGINEERING INDUSTRIES LIMITED
B-14, Block-A, S.M.C.H.S.,
Karachi.

I/We ____

of ____

being the Member of **TRANSMISSION ENGINEERING INDUSTRIES LTD.** and a holder of Ordinary Share, as per Register Folio No. ____________________

hereby appoint ______________________________________

who is also a Member of the Company, of

as my/our Proxy to vote for me/us and on my/our behalf at the 24th Annual General Meeting of the ______________________________________

Company to be held on Tuesday October 27, 2009

Signed this ________________ day of ________________ 2009.

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

Note:

1. This form proxy duly completed and signed, must be deposited at the Company's Registered Office not later then 48 hours before the meeting.
2. This form should be signed by the Members or by his/her attorney duly authorised in writing. If the member is a corporation, its common seal should be affixed to the instruments.
3. A member entitled to attend and vote at the meeting may appoint any other member as his/her attend and vote on his/her behalf except that a corporation may appoint a person who is not a member.