

Agriauto Industries Limited

Annual Report 2001

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COMPANY INFORMATION

BOARD OF DIRECTORS

R.D. Minwalla	Chairman
Sohail P. Ahmed	Vice Chairman
S. Ikram Haider	Chief Executive
Rais Ahmed	
Mansoor G. Habib	
Tayyeb Afzal	
Owaisul Mustafa	

COMPANY SECRETARY Fahim Kapadia

AUDITORS Ford, Rhodes, Robson, Morrow
Chartered Accountants

SHARE REGISTRAR Noble Computer Services (Pvt) Ltd.,
14, Banglore Town Housing Society
Main Shahrah-e-Faisal,
Karachi-75350 Pakistan.
Te1:4546978-4520121

REGISTERED OFFICE Agriauto Industries Ltd.
5th Floor, House of Habib
Main Shahrah-e-Faisal,
Karachi-75350
Pakistan.

FACTORY Mouza Baroot,
Hub Chowki, Distt, Lasbella,
Balochistan.

NOTICE OF MEETING

Notice is hereby given that the twentieth Annual General Meeting of the company will be held at Finance

& Trade Centre Auditorium, main Shahrah-e-Faisal, Karachi on Tuesday December 11, 2001 at 2:30 p.m to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended June 30, 2001 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of cash dividend @ 5% i.e. Re 0.25 per share as recommended by the Board of Directors.
3. To appoint Auditors for the year 2001-2002 and to fix their remuneration. The present auditors M/s. Ford, Rhodes, Robson, Morrow (Chartered Accountants) being eligible offer themselves for re-appointment

By order of the Board.

FAHIM KAPADIA
Company Secretary

Karachi: November 19, 2001

Notes:

1. The share transfer books of the company will remain closed from December 4, 2001 to December 11, 2001. (Both days inclusive)
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received at the registered office of the company duly stamped and signed not less than 48 hours before the time of holding the meeting. A Proxy must be a member of the Company.
3. Members are requested to promptly communicate any change in their addresses to our Company's Share Registrar, M/s Noble Computer Services (Pvt) Ltd. 14 Banglore Town Housing Society, Main Shahrah-e-Faisal, Karachi.
4. CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Account and Participant's ID numbers, for identification purpose and in case of Proxy, to enclose an attested copy of his/her National Identity Card.

DIRECTORS' REPORT TO THE SHAREHOLDERS

For the year ended June 30th 2001

It is my pleasure to welcome you to the 20th Annual General meeting of Agriauto Industries Ltd. and present the Annual Report on the performance of the company for the year ended June 30th, 2001 along with the auditors' report. The Directors are pleased to recommend a cash dividend of 5% for the year, after allocating part of the profit to wipe off all the cumulative losses brought forward from the previous years and part of it to the company reserve. Your Company's management is grateful to Allah for crowning efforts of many years and is motivated to deliver even better results in the future.

Financial Results

The financial result of the company for the year under review is summarized as under:

	<i>2000-2001</i>	<i>Rs. '000</i> <i>1999-2000</i>
Sales Revenue	342,922	296,114
Gross Profit	63,193	60,358

Profit before taxation	29,311	8,243
Taxation	5,329	(1,499)
	-----	-----
Net Profit after taxation	23,982	6,744
Accumulated loss brought forward	(16,502)	(23,246)
	-----	-----
Accumulated profit/(loss)	7,480	(16,502)
	=====	=====
Appropriations:		
Proposed Cash Dividend @ 5% i.e. Re. 0.25 per share (2000 - NIL)	6,000	0
	-----	-----
Un-appropriated Profit/(loss) c/f	1,480	(16,502)
	=====	=====

Earning Per Share:

Earning per share for the year ended June 30th, 2001 comes to Rs.1.00 as compared to Rs. 0.28 in the preceding year.

Pakistan Economy in the Global Outlook

The World economy slowed down due to a depression in the big league player's economies, but our economy which had been depressed for so long, started to show signs of recovery, as the Government's efforts on the economic front earned applaud from the donors and a restrained nod from the local investors.

Automotive Engineer Sector

The automotive sector made a good recovery, after reducing in the last fiscal year. The assemblers were busy in cannibalizing each other's market share either by reducing the price or increasing the accessories. Assemblers have also changed their marketing strategies. They are now depending on the partner leasing companies to finance their customers. The leasing companies this year have attained 40% share of overall sales in the passenger car segment. This is good for the industry and is in line with the world trend. Car sale was up 22%, light commercial vehicle sales up by 5.5% and sale of buses & trucks declined by 5.7%. The sale of Tractors, however reduced by 8.4% but even then was a good high figure.

The overall business in after market remains heavily influenced by unethical practices. By one estimate the spare parts business is about Rs. 35 billion of which only 10% is from the local industry.

Your company's business profile now shows a more even distribution amongst various automotive segments, tractors have grown from 12.8% to 26.5%, autos have reduced from 63.5% to 49.2%, trucks & buses from 2.1% to 1.2% and after-market sales has grown from 21.5% to 23%. This will make the company robust.

Future Outlook

After the horrific terrorist attack on WTC of September 11, 2001 the global politico - economic scenario has changed. Pakistan being a front line country with war on terrorism has emerged as strategically very important for the western world. For Pakistan this new situation can be very rewarding if the Government follows the policies it has opted for now.

The car sales are likely to drop in the next fiscal year due to prevailing uncertainty, but smuggling is likely to reduce, which will give a fillip to our after-market sales.

Pattern of Shareholdings

The pattern of shareholding is provided on page 23.

Auditors:

Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and being eligible offer themselves for reappointment as the Auditors of the company for the year ended June 30th, 2002.

Acknowledgment

The Board of Directors would like to place on record their appreciation to all our Patrons, Customers, Dealers and Suppliers for their valuable help, support and contribution given to our Company. We are also grateful to our Bankers for their continued support. We also wish to record our thanks to our overseas technical collaborators, M/s. Gabriel Ride Control Products, Inc. USA and M/s. Kayaba Industry Company, Japan for their technical help and advice.

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

**On behalf of the
Board of Directors**

KARACHI
DATED: OCTOBER 16, 2001

**R. D. Minwalla
Chairman**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **AGRIAUTO INDUSTRIES LIMITED** as at June 30, 2001 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 our audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well, as evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the profit, its cash flows and changes in equity for the year then ended,

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

Karachi
Dated: October 24, 2001

Ford, Rhodes, Robson, Morrow
(Chartered Accountants)

BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rs. in '000')</i>	
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	3	95,905	105,548
Long term deposits		1,936	1,539
Deferred cost	4	972	1,945
CURRENT ASSETS			
Stores and spares	5	9,121	10,878
Stock-in-trade	6	60,464	58,124
Trade debts	7	68,269	53,477
Loans, advances, deposits, prepayments and other r	8	23,922	25,063
Cash and bank balances	9	269	1,454
		-----	-----
		162,045	148,996
		-----	-----
TOTAL ASSETS		260,858	258,028
		=====	=====
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
40,000,000 (2000: 40,000,000) ordinary shares of Rs.5 each		200,000	200,000
		=====	=====
Issued, subscribed and paid-up capital	10	120,000	120,000
Capital reserve		12,598	12,598
Accumulated profit/(loss)		1,480	(16,502)
		-----	-----
SHAREHOLDERS' EQUITY		134,078	116,096

NON-CURRENT LIABILITIES

Deferred taxation	11	3,172	--
Long term loans	12	15,988	23,441
Obligations under finance lease	13	969	--

CURRENT LIABILITIES

Current portion of long term loans	12	8,119	9,391
Current portion of obligations under finance lease	13	467	--
Short term finances	14	33,395	42,959
Advances from others	15	4,086	20,017
Creditors, accrued and other liabilities	16	49,828	41,924
Provision for taxation		4,756	4,200
Proposed dividend		6,000	--

		-----	-----
		106,651	118,491

CONTINGENCIES AND COMMITMENTS

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TOTAL EQUITY AND LIABILITIES

		-----	-----
		260,858	266,028
		=====	=====

The annexed notes form an integral part of these accounts.

R.D. MINWALLA
Chairman

SYED IKRAM HAIDER
Chief Executive

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rs. in '000')</i>	
TURNOVER	18	342,922	296,114
Less: Cost of goods sold	19	279,729	235,756
		-----	-----
GROSS PROFIT		63,193	60,358
Other income	20	5,140	3,892
		-----	-----
		68,333	64,250
Less: Administrative expenses	21	13,103	14,483
Selling and distribution expenses	22	13,064	11,109
Other charges	24	1,675	398
		-----	-----
		27,842	25,990
		-----	-----
OPERATING PROFIT		40,491	38,260
Less: Financial charges	25	11,180	17,325
Impairment of closed plants		--	12,692
		-----	-----
		29,311	8,243
PROFIT BEFORE TAXATION			
Less: Taxation			
- current	26	1,746	1,499
- prior		411	--

- deferred		3,172	--
		5,329	1,499
Profit after taxation		23,982	6,744
Accumulated loss brought forward		(16,502)	(23,246)
Accumulated profit/(loss) carried forward		7,480	(16,502)
LESS: APPROPRIATION			
Proposed dividend 5% (2000: Nil)		6,000	--
Accumulated profit/(loss) carried forward		1,480	(16,502)
Basic earnings per share	27	1.00	0.28

The annexed notes form an integral part of these accounts.

R.D. MINWALLA
Chairman

SYED IKRAM HAIDER
Chief Executive

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rs. in '000')</i>	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	28	31,966	20,849
Financial charges paid		(11,903)	(18,589)
Income tax paid		(4,144)	4,597
Long term deposits		(397)	19
Net cash flow from operating activities		15,522	6,876
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditures		(3,222)	(6,686)
Proceeds from sale of fixed assets		3,368	1,396
Net cash flow from investing activities		146	(5,290)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term loan		(8,725)	(9,275)
Obligations under finance lease		1,436	--
Net cash flow from financing activities		(7,289)	(9,275)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		8,379	(7,689)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE Y		(41,505)	(33,816)
CASH AND CASH EQUIVALENTS AT THE END	29	(33,126)	(41,505)

R.D. MINWALLA
Chairman

SYED IKRAM HAIDER
Chief Executive

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Issued, subscribed & paid up capital (Rs. In '000)</i>	<i>Capital reserve (Rs. In '000)</i>	<i>Unappropriated (loss)/profit (Rs. In '000)</i>	<i>Total (Rs. In '000)</i>
Balance as at June 30, 1999	120,000	12,598	(23,246)	109,352
Profit after taxation	--	--	6,744	6,744
	-----	-----	-----	-----
Balance as at June 30, 2000	120,000	12,598	(16,502)	116,096
Profit after taxation	--	--	23,982	23,982
Proposed dividend	--	--	(6,000)	(6,000)
	-----	-----	-----	-----
Balance as at June 30, 2001	120,000	12,598	1,480	134,078
	=====	=====	=====	=====

R.D. MINWALLA
Chairman

SYED IKRAM HAIDER
Chief Executive

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2001**

1. COMPANY BACKGROUND, OPERATION AND LEGAL STATUS

Agriauto Industries Limited, a public limited company was incorporated in Pakistan on June 25, 1981 and listed on the Stock Exchanges in June 1984. The company manufactures components for automotive vehicles, motor cycles and agricultural tractors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefit

The company operates an approved provident fund scheme for all its employees. Contributions in respect thereof are made in accordance with the terms of the scheme.

2.3 Taxation

2.3.1 Current

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

2.3.2 Deferred

The company accounts for deferred taxation using liability method on all significant temporary differences, excluding tax effects of those temporary differences which are not likely to reverse in foreseeable future.

2.4 Tangible fixed assets

2.4.1 Owned

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses except freehold land which is stated at cost.

Depreciation on fixed assets other than freehold land is charged on reducing balance method at the rates specified in note 3.

Full year depreciation is charged on additions during the year. No depreciation is charged on asset disposed or retired during the period.

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

Profit or loss on disposal of fixed assets is included in income currently.

2.4.2 Leased

Assets held under finance lease are stated at cost less accumulated depreciation.

The outstanding obligations under the lease less financial charges allocated to future periods are shown as liability.

The financial charges are calculated at the mark-up rate implicit in the lease and are charged to the profit and loss account.

Depreciation is charged at the same rate as company owned assets or over the lease period which ever is appropriate.

2.5 Deferred cost

Deferred costs are amortized over a period of five years, commencing from the year of incurrence.

2.6 Stores and spares

These are valued at cost determined on moving average basis.

2.7 Stock-in-trade

These are stated at the lower of cost and net realizable value. The methods used for the calculation of cost are as follows:

Raw material and packing material	- moving average basis.
Work-in-process and finished goods	- raw material and conversion cost are valued at moving average and average factory cost respectively.
Goods-in-transit	- comprising of purchase price, freight value and other charges incurred thereon.

2.8 Trade debts

Bad debts, if any, are written off and provision is made against debts considered doubtful.

2.9 Foreign currency transactions

Transactions in foreign currencies are converted into Pak. rupees at the rates of exchange ruling on the date of the transactions.

Exchange differences arising directly on the acquisition of assets invoiced in foreign currency are included in the carrying amount of related assets, all other exchange differences are included in income currently.

2.10 Revenue recognition

Sales are recognised as revenue when goods are despatched to the customers.

3. OPERATING FIXED ASSETS

Note	COST				DEPRECIATION				
	As at July 1, 2000	Additions/ (Deletions) Rupees in '000)	As at June 30, 2001	Rate of Depreciation %	Accumulated Depreciation as at July 1, 2000	Additions/ (Deletions) (Rupees in '000)	Impairment	As at June 30, 2001	Written down value as at June 30, 2001
OWNED									
Freehold land	1,652	--	1,652	--	--	--	--	--	1,652
Buildings on freehold land	36,305	--	36,305	5-10	24,348	1,003	--	25,351	10,954
Plant, machinery and equipment	211,259	890 (116,771)	195,378	10	130,004	8,117 (11,505)	(4,286)	122,330	73,048
Furniture and fixtures	4,161	136	4,297	10	2,052	224	--	2,276	2,021
Office equipment	1,311	54	1,365	20	822	109	--	931	434
Dues and tools	2,579	--	2,579	25	2,358	55	--	2,413	166
Computer equipment	6,227	381	6,608	30	3,699	872	--	4,571	2,037
Vehicles	8,350	-- (338)	8,012	20	3,029	1,040 (218)	--	3,851	4,161
Canteen equipment	43	85	128	10	27	10	--	37	91
LEASED									
Vehicles	--	1,676	1,676	20	--	335	--	335	1,341
2001	271,887	3,222 (17,109)	258,000		166,339	11,765 (11,723)	(4,286)	162,095	95,905
2000	247,669	25,402 (1,184)	271,887		141,190	12,977 (520)	12,692	166,339	105,548
	<i>Note</i>	<i>2001</i>	<i>2000</i>						
		<i>(Rupees in '000)</i>							

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

Cost of goods sold	19	10,004	11,163
Administrative expenses	21	1,293	1,340
Selling and distribution expenses	22	468	474
		11,765	12,977

Particulars of Fixed Assets	Cost	Accumulated Depreciation	Impairment losses	Written down value	Sales proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of Buyers
<i>(Rupees in '000')</i>								
Suzuki Mehran Z-7753	27	10	--	17	100		83 Company Car Scheme	Mr. Javed Lodhi
Motorcycles	311	208	--	103	293		190 As per CBA Agreement	Various employees
Vertical Upsetting Machine 45KV	543	373	142	28	66		38 Auction	Mr. Ashraf Ghanchi through ABC Neelam Ghar
Sim Valve Seat Grinder	724	497	190	37	61		24 Auction	Mr. Ashraf Ghanchi through ABC Neelam Ghar
AMT Horizontal Surface Grinder	362	248	95	19	32		13 Auction	Mr. Ashraf Ghanchi through ABC Neelam Ghar
Hasenclever Friction Screw Press	2,414	1,656	632	126	282		156 Auction	Mr. Ashraf Ghanchi through ABC Neelam Ghar
Friction Welding Machine	725	497	190	38	44		6 Auction	Mr. Ashraf Ghanchi through ABC Neelam Ghar
Vertical Upsetting Machine 25KV	821	563	215	43	148		105 Auction	Mr. Ghulam Jilani through ABC Neelam Ghar

Cincinnati 6" Centreless Grinder	725	497	190	38	68	30 Auction
Churchill Valve Seat Grinder	1,449	994	379	76	58	918) Auction
Gisholt Tip Grinder	24	17	6	1	7	6 Auction
Lumsden Tip Grinder	36	25	9	2	6	4 Auction
Abrasive Cut-off Machine	24	17	6	1	8	7 Auction
Cincinnati 6" Centreless Grinder	725	497	190	38	97	59 Auction
Induction Hardening Machine	2,414	1,656	632	126	175	49 Auction
Abrasive Cut-off Machine	24	17	6	1	10	9 Auction
Commercial Eccentric Press	61	41	16	4	58	54 Auction
Suzuki line Centering & Facing Ma	400	274	--	126	24	(102) Auction
Vertical Upsetting Machine 45KV	543	373	142	28	63	35 Auction
Knee Type Milling Machine	48	33	13	2	38	36 Auction
Friction Welding Machine	724	497	190	37	649	612 Negotiation
Junker	2,777	1,905	727	145	449	304 Negotiation
Magdeburger Auto Lathe # 1	604	414	158	32	324	292 Negotiation
Magdeburger Auto Lathe # 2	604	414	158	32	308	276 Negotiation
	-----	-----	-----	-----	-----	-----
	17,109	11,723	4,286	1,100	3,368	2,268
	=====	=====	=====	=====	=====	=====

Mr. Ghulam Jilani through ABC Neelam Ghar
Mr. Ghulam Jilani through ABC Neelam Ghar
Mr. Ghulam Jilani through ABC Neelam Ghar
Mr. Ghulam Jilani through ABC Neelam Ghar
Mr. Ghulam Jilani through ABC Neelam Ghar
Mr. Haji Balooch through ABC Neelam Ghar
Mr. Muhammad Ashraf through ABC Neelam Ghar
Mr. Muhammad Ashraf through ABC Neelam Ghar
Mr. Safeed Ullah through ABC Neelam Ghar
Mr. Safeed Ullah through ABC Neelam Ghar
Mr. Safeed Ullah through ABC Neelam Ghar
Mr. Tahir Hameed through ABC Neelam Ghar
Mr. Tahir Hameed through ABC Neelam Ghar
Mr. Ashraf Ghanchi.
Mr. Ashraf Ghanchi.
Mr. Ashraf Ghanchi.
Mr. Ashraf Ghanchi.

2001 2000
(Rs. In '000)

4. DEFERRED COST

Licence fees	1,945	2,918
Less: Amortisation during the year	973	973
	-----	-----
Balance at end of the year	972	1,945
	=====	=====

5. STORES AND SPARES

Stores	3,224	3,426
Small tools & spares	5,897	7,452
	-----	-----
	9,121	10,878
	=====	=====

6. STOCK-IN-TRADE

Raw material	38,590	36,615
Packing material	1,004	1,336
Goods-in-transit	11,904	8,188
Work-in-process	6,346	4,804
Finished goods	2,620	7,181
	-----	-----
	60,464	58,124
	=====	=====

7. TRADE DEBTS - Unsecured

Considered good	68,269	53,477
Considered doubtful	1,937	2,009
	-----	-----
	70,206	55,486
	-----	-----
Less: Provision for doubtful debts	7.1	1,937
	-----	-----

	68,269	53,477
	=====	=====

7.1 The amount has been arrived at after writing off Rs.0.372 million (2000: Rs. Nil) pertaining to the debts considered irrecoverable.

8. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered good - Unsecured

Loans and advances

Loans to staff and workers		89	142
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Advances to:

- suppliers and contractors for goods and services	8.1	2,225	3,464
- staff for purchases and expenses		174	95
Income tax		12,693	16,330

	-----	-----
	15,181	20,031

Trade deposits

Container deposits		157	160
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Prepayments		50	42
--------------------	--	----	----

Other receivables

Claim receivable		--	646
------------------	--	----	-----

Octroi refundable		355	1.78
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Custom duty guarantee margin receivable		--	157
---	--	----	-----

Tax refundable		8,179	1,999
----------------	--	-------	-------

Others		--	249
--------	--	----	-----

	-----	-----
	8,534	4,830

	-----	-----
	23,922	25,063
	=====	=====

8.1 Advances to suppliers and contractors for goods and services include advance to associated undertaking aggregating to Rs. Nil (2000: Rs.0.200 million).

8.2 The maximum aggregate amount of advance to associated undertaking at the end of any month during the year was Rs. 0.200 million (2000: Rs.0.200 million).

9. CASH AND BANK BALANCES

In hand		--	27
---------	--	----	----

At bank in current accounts		269	1,427
-----------------------------	--	-----	-------

	-----	-----
	269	1,454
	=====	=====

10. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

22,800,000 (2000: 22,800,000) Ordinary shares of Rs. 5 each fully paid in cash	114,000	114,000
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1,200,000 (2000: 1,200,000) Ordinary shares of Rs. 5 each issued as fully paid bonus shares	6,000	6,000
---	-------	-------

----- 24,000,000 =====	----- 120,000 =====	----- 120,000 =====
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11. DEFERRED TAXATION

----- 3,172 =====	----- -- =====
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Net deferred tax liability is composed of differences in accelerated depreciation allowances amounting to Rs 5925 million offset by gross deferred tax asset comprising of carried forward tax losses, leased assets and other provisions amounting to Rs. 1.444 million, Rs 0.031 million and Rs. 1,278 million respectively. The deferred tax balance as at June 30, 2000 amounted to Rs 4 142 million debit which was not recognised on the grounds of prudence.

12. LONG TERM LOANS- Secured**From banks**

- Demand finance	12.1	23,992	31,329
- Deferred mark-up	12.2	115	1,503
		----- 24,107	----- 32,832
Less: Current portion shown under current liabilities			
- Demand finance		80,041	8,004
- Deferred mark-up		115	1,387
		----- 8,119	----- 9,391
		----- 15,988	----- 23,441
		=====	=====

12.1 The demand finance facility of Rs40 million (2000: Rs.40 million) has been granted by the bank against first equitable mortgage on all present and future movable and immovable properties of the company ranking pari passu with other creditors.

It carries markup at Re.0.39 per thousand rupees per day (2000: Re0.39 per thousand rupees per day). The loan is repayable in sixty equal monthly installments commencing from June 30, 1999

12.2 Deferred mark-up on a loan has been converted into a separate interest free loan amounting to Rs 2774 million This loan is repayable in 24 equal monthly installments starting from June 30, 1999 and is secured against first equitable mortgage on all present and future movable and immovable properties of the company ranking pari passu with other creditors.

13. OBLIGATIONS UNDER FINANCE LEASE

The company has entered into finance lease agreement in respect of motor vehicles. The rate of mark-up used as the discounting factor is 16.32% per annum.

The amounts of future payments and the periods during which they fall due are:

	<i>Lease Payments</i>	<i>Present Value of Lease Payments 2001</i>	<i>Lease Payments</i>	<i>Present Value of Lease Payments 2000</i>
Year ending June 30, 2002	636	467	--	--
Year ending June 30, 2003	636	547	--	--
Year ending June 30, 2004	433	422	--	--
	----- 1,705	----- 1,436	----- --	----- --

Finance charges allocated to futur	(269)	--	--	--
	-----	-----	-----	-----
	1,436	1,436	--	--
Obligation shown under current lia	(467)	(467)	--	--
	-----	-----	-----	-----
	969	969	--	--
	=====	=====	=====	=====

At the end of lease period the ownership of assets will be transferred to the company on payment of residual value. There are no financial restrictions in the lease agreements.

14. SHORT TERM FINANCES

From banks - Secured

Running finances utilised under mark-up arrange	14.1	32,395	39,498
---	------	--------	--------

Others - Short term loan

Secured	14.2	1,000	--
Unsecured	14.3	--	3,461
		-----	-----
		33,395	42,959
		=====	=====

14.1 The running finance facility of Rs.46 million (2000: Rs.46 million) and finance under trust receipt facility of Rs. 8 million (2000: Rs. 3 million) obtained from various banks are secured by first and second equitable mortgage on all present and future movable and immovable properties of the company ranking pari passu with other creditors and by joint hypothecation of stock in-trade, stores and spares and trade debts

The mark-up rate on the above finances is Re.0.4384 per thousand rupees per day (2000: Re. 0.39 to Re.0 442 per thousand rupees per day).

At year end Rs. 13.605 million (2000: Rs.9 502 million) remains unutilized.

14.2 This loan carries a mark-up at Re. 0.452 per thousand rupees per day and repayable at Rs. 0.500 million per month. The loan is secured against insurance guarantee.

14.3 This interest free loan has been obtained from a customer for clearance of imported consignments, payable in six equal monthly installments.

2001 **2000**
(Rs. In '000)

15. ADVANCES FROM OTHERS

Secured	15.1	2,383	3,177
Unsecured		1,703	16,840
		-----	-----
		4,086	20,017
		=====	=====

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

16. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors		19,135	12,305
-----------------	--	--------	--------

Mark-up accrued on:			
Demand finance		282	--
Short term finances		2,503	3,832
		-----	-----
		2,785	3,832
Sales tax payable		3,269	1,389
Royalty payable		1,935	5,830
Accrued expenses		8,599	7,442
Workers' profit participation fund	16.1	1,646	339
Workers' welfare fund		73	73
Other liabilities	16.2	12,386	10,714
		-----	-----
		49,828	41,924
		=====	=====

16.1 Workers' profit participation fund

At beginning of the year		339	490
Allocation for the year	24	1,543	241
Less: Payments during the year		236	392
		-----	-----
		1,646	339
		=====	=====

16.2 Amounts due to associated undertakings at the year end aggregated Rs. 0.049 million (2000:Rs.0.045 million).

17. CONTINGENCIES AND COMMITMENTS**Contingencies**

17.1 Outstanding bank guarantees issued to Collector of Customs as a security against import duty amounts to Rs. 5.199 million (2000: Rs.3.916 million) and outstanding bank guarantee issued to Sui Southern Gas Company amounts to Rs. 0.385 million.

17.2 Outstanding insurance guarantees issued on behalf of the company to Original Equipment Manufacturers (OEM) as a security against mobilization advance amounts to Rs. 7.100 million (2000: Rs.4.600 million).

17.3 Indemnity bonds issued in favour of Collector of Customs as a security against import duties amounts to Rs. 9.656 million (2000: Rs. 23.537 million).

17.4 The Sales Tax Department during the course of sales tax audit for the year ended 1996-97 raised a demand amounting to Rs.6.071 million with additional tax upto the date of the settlement. The Company is contesting the demand in the Sales Tax Tribunal and the management and its advisors are confident that the ultimate outcome will be in the favour of the company.

Commitments

17.5 Commitments in respect of outstanding letters of credit, amounts to Rs. 26.232 million (2000: Rs. 21.418 million).

18. TURNOVER

Sales		349,275	299,756
Less: Discount		6,353	3,642
		-----	-----
Net Sales		342,922	296,114
		=====	=====

19. COST OF GOODS SOLD**Raw materials consumed**

Opening stock	36,615	35,577
Purchases	192,252	139,383
	-----	-----
	228,867	174,960
Less: Closing stock	(38,590)	(36,615)
	-----	-----
	190,277	138.35

Manufacturing expenses

Salaries, wages and benefits	32,397	33,161
Transportation and travelling	8,119	9,085
Water and power	10,685	10,782
Postage, telephone and telex	735	795
Insurance	356	636
Repairs and maintenance	1,599	3,184
Consumable stores	16,632	14,342
Depreciation	3.1 10,004	11,163
Cartage and octroi charges	918	510
Rent and taxes	600	1,174
Security service charges	35	250
Printing and stationery	634	469
Technical studies and development charges	2,539	--
Amortisation expense	973	973
Others	207	205
	-----	-----
	86,433	86,729

Work-in-process

Opening inventory	4,804	6,685
Less: Closing inventory	6,346	4,804
	-----	-----

Cost of goods manufactured

	275,168	226,955
--	---------	---------

Finished goods

Opening inventory	7,181	15,982
Less: Closing inventory	(2,620)	(7,181)
	-----	-----

	279,729	235,756
	=====	=====

20. OTHER INCOME

Profit on disposal of fixed assets	3.2 2,268	732
Interest income	--	1,453
Scrap sales	586	--
Liabilities written back	1,498	1,707
Others	788	--
	-----	-----
	5,140	3,892
	=====	=====

21. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	5,124	6,004
Directors' remuneration	1,950	1,766
Transportation and travelling	820	798
Water and power	369	207
Rent and taxes	423	589

Postage, telephone and telex		687	659
Advertisement and publicity		107	118
Legal and professional charges		1,074	1,475
Repairs and maintenance		171	371
Depreciation	3.1	1,293	1,340
Insurance		191	262
Security services charges		321	80
Printing and stationery		373	556
Others		200	258
		-----	-----
		13,103	14,483
		=====	=====

22. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and benefits		2,959	2,927
Transportation and travelling		1,339	1,422
Postage, telephone and telex		218	111
Advertisement and publicity		3,236	1,494
Insurance		88	355
Royalty		2,637	2,315
Depreciation	3.1	468	474
Freight and octroi charges		1,337	854
Bad debts		300	300
Printing and stationery		63	122
Security services charges		--	41
Repairs and maintenance		2	5
Others		417	689
		-----	-----
		13,064	11,109
		=====	=====

23. RETIREMENT BENEFITS

The charge for retirement benefits of Rs. 1.989 million (2000: Rs. 1.831 million) is included in the figures of salaries, wages and benefits of manufacturing, administrative and selling and distribution expenses.

24. OTHER CHARGES

Auditors' remuneration	24.1	105	93
Workers' profit participation fund	16.1	1,543	241
Donations	24.2	27	64
		-----	-----
		1,675	398
		=====	=====

24.1 Auditors' remuneration

Audit fee		70	70
Out of pocket expenses		35	23
		-----	-----
		105	93
		=====	=====

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

25. FINANCIAL CHARGES

Mark-up on long term loans		3,917	5,769
Mark-up on short term finances		6,612	7,033
Mark-up on advances from others		324	4,104

Bank charges, commission and other charges	196	419
Mark-up on assets subject to finance lease	131	--
	-----	-----
	11,180	17,325
	=====	=====

26. TAXATION

Current

The company's income tax assessments have been finalised upto and including assessment year 1998-99.

27. BASIC EARNINGS PER SHARE

Basic earnings per share has been computed by dividing the net profit for the year after taxation by the number of Ordinary shares issued by the company,

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rs. In '000)</i>	
28. CASH GENERATED FROM OPERATIONS			
Profit before taxation		29,311	8,243
Adjustment for non cash charges and other items			
- Depreciation		11,765	12,977
- Profit on disposal of fixed assets		(2,268)	(732)
- Impairment loss due to closed plants		--	12,692
- Financial charges		10,856	17,325
- Provision for workers' profit participation fund		1,543	241
- Amortization of deferred cost	5	973	973
- Liabilities written back		(1,498)	(1,707)
- Working capital changes	28.1	(18,716)	(29,163)
		-----	-----
		31,966	20,849
		=====	=====

28. WORKING CAPITAL CHANGES

- (Increase)/Decrease in current assets

Stock and stores		(583)	8,071
Trade debts		(14,792)	(12,668)
Loans, advances, deposits, prepayments & other receivables		3,684	4,401

- Increase/(Decrease) in current liabilities

Creditors, accrued and other liabilities		9,142	(12,656)
Advances from others		(15,931)	(15,919)
Workers' profit participation fund		(236)	(392)
		-----	-----
		(18,716)	(29,163)
		=====	=====

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet:

- Cash and bank balances	9	269	1,454
- Short term finances	14	(33,395)	(42,959)
		-----	-----
		(33,126)	(41,505)
		=====	=====

30. NUMBER OF EMPLOYEES

The company employed 245 (2000: 231) employees at the end of the year.

31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

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

Purchase of goods and services	506	584
	=====	=====

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**32.1 Financial assets and liabilities**

	<i>Interest/Markup bearing</i>			<i>Non-Interest/Markup bearing</i>			<i>Total</i>	
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>June 30, 2001</i>	<i>June 30, 2000</i>
FINANCIAL ASSETS								
Long term deposits	--	--	--	--	1,936	1,936	1,936	1,539
Loans, advances, deposits, prepay and other receivable	--	--	--	21,473	--	21,473	21,473	21,462
Trade debts	--	--	--	68,269	--	68,269	68,269	53,477
Cash and bank balances	--	--	--	269	--	269	269	1,454
	-----	-----	-----	-----	-----	-----	-----	-----
June 30, 2001	--	--	--	90,011	1,936	91,947	91,947	77,932
	=====	=====	=====	=====	=====	=====	=====	=====
June 30, 2000	--	--	--	79,994	1,539	81,533	81,533	
	=====	=====	=====	=====	=====	=====	=====	
FINANCIAL LIABILITIES								
Long term loans	8,119	15,988	24,107	--	--	--	24,107	32,832
Obligations under finance lease	467	969	1,436	--	--	--	1,436	--
Advances from others	3,249	--	3,249	837	--	837	4,086	20,017
Short term running finances	33,395	--	33,395	--	--	--	33,395	42,959
Creditors, accrued and other liabili	--	--	--	49,640	--	49,640	49,640	41,924
	-----	-----	-----	-----	-----	-----	-----	-----
June 30, 2001	45,230	16,957	62,187	50,477	--	50,477	112,664	137,732
	=====	=====	=====	=====	=====	=====	=====	=====
June 30, 2000	67,933	23,441	91,374	46,358	--	46,358	137,737	
	=====	=====	=====	=====	=====	=====	=====	

32.2 Credit risk exposure

The company manages credit risk in trade receivables by limiting significant exposure to any individual customer by obtaining advances, deposits against sales and coverage under the agreements.

32.3 Interest/mark-up rate risk exposure

The company is exposed to interest/mark-up rate risk on some of the financial obligations. Significant financial assets/liabilities which are exposed to various rates of interest are mentioned in the respective notes to the accounts.

32.4 Fair value of Financial Instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

33. REMUNERATION OF CHAIRMAN, CHIEF EXECUTIVE AND EXECUTIVES

2001

2000

	<i>Chief</i>			<i>Chief</i>		
	<i>Chairman</i>	<i>Executive</i>	<i>Executives</i>	<i>Chairman</i>	<i>Executive</i>	<i>Executives</i>
Managerial Remuneration	240	1,620	8,327	240	1,442	7,397
Retirement Benefits	--	90	447	--	84	426
Perquisites & Benefits						
Utilities	93	--	92	78	--	91
Medical	--	72	442	--	72	375
Leave Encashment	--	--	343	--	--	794
	-----	-----	-----	-----	-----	-----
	333	1,782	9,651	318	1,598	9,083
	-----	-----	-----	-----	-----	-----
No. of Persons	1	1	22	1	1	23
	=====	=====	=====	=====	=====	=====

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

34. PRODUCTION CAPACITY

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

35. GENERAL

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

35.2 To facilitate Comparison, previous year's figures have been re-arranged and re-classified, wherever considered necessary.

R.D. MINWALLA
Chairman

SYED IKRAM HAIDER
Chief Executive

PATTERN OF SHAREHOLDING AS AT 30TH JUNE, 2001

<i>Number of Shares Holders</i>	<i>Size of Share Holdings</i>			<i>Total Shares Held</i>
	<i>From</i>		<i>To</i>	
1908	1	--	100	63,035
1703	101	--	500	464,321
790	501	--	1,000	649,086
1122	1,001	--	5,000	2,632,163
190	5,001	--	10,000	1,368,454
50	10,001	--	15,000	613,699
28	15,001	--	20,000	490,374
10	20,001	--	25,000	235,207
12	25,001	--	30,000	335,510
12	30,001	--	35,000	386,056
10	35,001	--	40,000	378,567
3	40,001	--	45,000	125,648
4	45,001	--	50,000	194,768
2	50,001	--	55,000	106,964
1	55,001	--	60,000	60,000
2	60,001	--	65,000	124,756
5	65,001	--	70,000	341,780
5	70,001	--	75,000	366,037

1	75,001	--	80,000	80,000
1	80,001	--	95,000	81,954
2	95,001	--	100,000	200,000
1	100,001	--	105,000	102,500
1	105,001	--	110,000	109,563
2	110,001	--	115,000	224,678
1	115,001	--	130,000	115,700
1	130,001	--	140,000	134,585
1	140,001	--	165,000	143,500
1	165,001	--	175,000	167,000
1	175,001	--	220,000	177,050
1	220,001	--	225,000	224,759
1	225,001	--	275,000	226,673
1	275,001	--	300,000	275,625
4	300,001	--	380,000	1,209,621
1	380,001	--	620,000	383,858
1	620,001	--	705,000	621,332
1	705,001	--	745,000	707,986
1	745,001	--	970,000	750,000
1	970,001	--	1,010,000	972,545
1	1,010,001	--	2,205,000	1,011,200
1	2,205,001	--	4,935,000	2,207,141
1	4,935,001	--	4,940,000	4,936,285

5885-----
24,000,000
=====**Categories of
Shares Holder**

	Number of Shares Holder	Shares Held	Percentage
1. Individuals	5,777	9,049,996	37.708%
2. Investment Companies	8	859,027	3.579%
3. insurance Companies	3	154,613	0.644%
4. Joint Stock Companies	58	3,155,377	13.147%
5. Financial Institutions	12	3,427,857	14.283%
6. Modaraba	10	737,294	3.072%
7. Foreign Investors	5	6,145,906	25.608%
8. Co-operative Societies	6	299,445	1.248%
9. Charitable Trusts	1	21	0.000%
10. Others	5	170,464	0.710%
	5,885	24,000,000	100.000%