

ALLIED MOTORS LIMITED. Annual Reports 2003.

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MISSION STATEMENT

Dynamic manufacturing and marketing of high quality Tractors
at competitive price to the entire satisfaction of customer.

Be profitable & provide return to shareholders. Ideal working
environment for development of personnel and the Company.
Fulfill economic and social (civil) obligations.

COMPANY INFORMATION

BOARD OF DIRECTOR

| | |
|----------------|-----------------------------------------------------------------|
| K. Asif Rahman | Chairman & Chief Executive |
| Asif Mahmood | (Alternate Director to Kafeel Jahangir & Sheheryar Jahangir) |

Farouk Majid
Fazlur Rahman
Kafeel Jahangir
Kamal Mahmood
Khalid Mughal
Sheheryar Jahangir

AUDIT COMMITTEE

| | |
|-----------------|-----------|
| K. Asif Rahman | Chairman |
| Fazlur Rahman | Member |
| Asif Mahmood | Member |
| Muhammad Zubair | Secretary |

COMPANY SECRETARY

Khalid Mughal

AUDITORS

Nasir Javaid Maqsood
Chartered Accountants,
27-B Writers Chambers,
Mumtaz Hasan Road,
Karachi.

REGISTERED OFFICE
D-168, Sind Industrial Trading Estate
Haroonabad,
Karachi-75700

FACTORY
Plot Nos. A 1 - A 50 Hub Industrial Trading Estate,
Hub, District Lasbela (Balochistan)
REGISTRAR
Gangjees Registrar Services (Pvt.) Ltd.
513, Clifton Centre, Khayaban-e-Roomi, Block-5,
Clifton, Karachi-75600

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty first Annual General Meeting of the Shareholders of Allied Motors Limited will be held on October 28, 2003 at 12:00 noon at the Registered Office of the Company situated at D-168, S.I.T.E, Haroonabad, Karachi to transact the following business:

1. To confirm the Minutes of the Twentieth Annual General Meeting Held on November 8, 2002.
2. To receive, consider and adopt the Audited accounts of the Company for the year ended June 30, 2003 together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors of the Company for the year 2003-2004 and to fix their remuneration. The present Auditors Nasir Javaid Maqsood (Chartered Accountants) retire and, being eligible, offer themselves for reappointment.
4. To transact any other ordinary business of the Company with permission of the Chair.

BY ORDER OF THE BOARD

Dated : September 26, 2003

Khalid Mughal

Karachi :

Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 15, 2003 through October 28, 2003 (Both Days Inclusive).
2. A member eligible to attend and vote at the Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be deposited at Registered Office of the company not later than 48 hours before the time of holding of the meeting.
3. Shareholders are requested to immediately notify change of address, if any, to our Registrar, Gangjees Registrar Services (Pvt.) Ltd. 513. Clifton, Khayaban-e- Roomi, Block-5, Clifton, Karachi-75600.
4. CDC shareholders are requested to bring their National Identity Cards, Account and Participant's ID Number, while attending the Meeting for identification.

DIRECTORS' REPORT

Your Directors welcome you to the twenty first Annual General Meeting and place before you the Annual Report together with the Audited Accounts of the Company for the year ended June 30, 2003.

Financial Results

The Financial results are summarized as under;

| | 2003 | 2002 |
|----------------------------------|---------------|----------|
| | (Rupees '000) | |
| Net Sales | 26,952 | 326 |
| Gross Profit / (Loss) | -7,241 | -175 |
| Operating loss | -38,354 | -12,142 |
| Loss before Taxation | -37,258 | -11,945 |
| Loss After Taxation | -37,396 | -11,947 |
| Accumulated loss brought forward | -175,717 | -163,770 |
| Accumulated loss carried forward | -213,113 | -175,717 |
| Earning / (Loss) Per Share | -4.16 | -1.33 |

Reason for Incurring Loss

The only reason for incurring losses is low sales volume and volumes remained low due to the following reasons;

1. Low market acceptability of the product as customers were reluctant to purchase a new brand in presence of existing well established products.
2. Low advertising budget due to cash flow constraints.
3. Low technical product awareness by mechanics & customers.
4. Due to the fact that this is the first year the Company commenced sales of SHANGHAI 500 tractors after being dormant for over a decade.

Despite above reasons management is hopeful that the sales volumes are expected to increase in the coming year because tractors being produced are of international quality which will match competition.

Future Outlook

The Company has been registered with all main Banks and financial institutions like Zari Tarakiati Bank Limited, United Bank Limited, Bank of Punjab, National Bank of Pakistan, Co-operative societies in Punjab throughout the Country for sales as all these institutions provide loans to farmers for tractor purchase. Management is fully aware of the fact that it is not an easy task to introduce, market & sell a new brand in presence of well established brands and products.

Despite the above fact all sincere and professional efforts are being put in to achieve a respectable market share for which various sales strategies have been made which includes advertising, price reduction, participation in tenders, demonstrations, appointment of new dealers, replacing non performing dealers etc.

We also assure our Share-Holders that all our efforts are in the direction to make the project viable for the Company and would come up to the expectations of our Share Holders in the shortest possible period.

As such no material change and commitments have occurred which affect the financial position of the Company between the end of financial year ended June 30, 2003 and the Director's Report under review.

Compliance with code of Corporate Governance

The management is fully aware of the compliance with code of corporate governance and steps are being taken for its effective implementation within allowed time frame. The various statements as required by the Code are given below:

Presentation of Financial Statement

The financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flow & changes in equity.

Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting

estimates are based on these reasonable and prudent judgment.

Books of Accounts

Proper books of accounts have been maintained.

Compliance with International Accounting Standards (IAS)

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

Internal Control System

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

Going Concern

Please refer note 2.18 of the financial statement.

Best Practice Of Corporate Governance

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

Dividends

Due to huge accumulated loss & loss in current year, no dividend is recommended by the Board for the period under review.

Pattern of Share Holding

The Pattern of Shareholding is given on page 26.

Trading in Company Share

Directors, C.E.O, C.F.O., company secretary and their spouse and minor children have made no transactions of Company shares during the year.

Corporate Assets Tax

Corporate assets tax of Rs. 155,000 as stated in note 10 is to be adjusted against Income Tax Refund.

Summarised Key Operating and Financial Data Of Last 6 years

Given on page 28.

Board Meeting

During the year five (5) Board Meetings were held, Directors attendance is as under.

| Names | No. of meetings attended / held |
|-------------------------------------|---------------------------------|
| Continuing Directors | |
| Mr. K. Asif Rahman (Chairman & CEO) | 5/5 |
| Mr. Fazalur Rahman | 5/5 |
| Mr. FaroukMajid | 5/5 |
| Mr. Kamal Mehmood | 5/5 |
| Outgoing Directors | |
| Mr. Hasan Aziz Bilgrami | 0/0 |

| | |
|--------------------------------------------------------------|-----|
| Mr. P.K. Shahani | 2/3 |
| Mr. Sultan Ahmed | 2/2 |
| Incoming Directors | |
| Mr. Kafeel Jahangir | 0/4 |
| Mr. Sheheryar Jahangir | 0/2 |
| Mr. Khalid Mughal | 3/3 |
| Mr. Asif Mehmood | 3/3 |
| (Alternate Director to Kafeel Jahangir & Sheheryar Jahangir) | |

Auditors

The retiring auditors Nasir Javaid Maqsood (Chartered Accountants), being eligible, offer themselves for reappointment.

Statement of Compliance with best practices of corporate governance

The statement of Compliance with Code of Corporate Governance is annexed herewith.

Management & Labour Relations

Management and labour relations remained cordial throughout the year.

Acknowledgment

The Board would like to place on record its appreciation and thanks to SHANGHAI NEW HOLLAND AGRICULTURAL MACHINERY CORP. LTD. For their continues support, technical help and advice. The management appreciates work of senior management, executives and other member of the staff without whose unstained support it would not have been possible to continue Company operations.

FOR AND BEHALF OF THE BOARD

Dated : September 26,2003

K. Asif Rahman

Karachi

Chairman & CEO

STATEMENT OF COMPLIANCE WITH BEST PRACTICES
OF CODE OF CORPORATE GOVERNANCE

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 & Chapter XIII of the Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed companies managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non- executive directors and directors representing minority interest on its Board of Directors. At Present the Board includes at least 5 (five) independent non-executive directors and no director representing minority shareholders.
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 non of them has defaulted in payment of any loan to banking company, a DPI or an NBF1 or , being a member of stock exchange, has been declared as defaulter by that stock exchange.

4. Casual vacancies occurmg in the Board were filled up by the directors as follows:

| b | Date of Resignation | Date Of Appointment |
|---|---------------------|---------------------|
|---|---------------------|---------------------|

| | | |
|--------------------------------------------------------------|-------------------------|----------------------|
| 1 | Mr.KafeelJahangir | August 16, 2002 |
| 2 | Mr. Sheheryar Jahangir | January 10, 2003 |
| 3 | Mr. Khalid Mughal | October 10, 2002 |
| 4 | Mr. Asif Mehmood | March 3, 2003 |
| (Alternate Director to Kafeel Jahangir & Sheheryar Jahangir) | | |
| 5 | Mr. Hasan Aziz Bilgrami | July 18, 2002 |
| 6 | Mr.P.K.Shahani | Vacancy due to death |
| 7 | Mr. Sultan Ahmed | September 28, 2002 |

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 vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particular of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other 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 meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Chief Executive of the Company discussed the duties and responsibilities of the directors of the company as per the requirements of the Code of Corporate Governance and related handouts were provided to the directors. The Chief Executive suggested that the members of the Board may approach him should they feel any necessity to conduct other orientation courses in this regard.

10. The Chief Financial Officer, Company Secretary and Head of Internal Audit were appointed prior to the implementation of Code of Corporate Governance. However the Board has confirmed these appointments. The remuneration and terms & conditions in case of future appointments on these position will be approved by the Board.

11. The directors' report for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.

12. The financial statement of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. 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.

14. The Company has complied with all the corporate and financial reporting requirement of the Code.

15. The Board has formed an audit committee. It comprises of two non-executive directors and one executive director. The Chairman of the Committee is an executive director.

16. Since the formation of the audit committee, its meetings were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised.

17. The Board has set-up an effective internal audit function manned by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold shares of the Company and 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.

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

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

Karachi
September 26,2003

Chairman

Director

&CEO

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 Allied Motors Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and listing regulation no. 43 of the Lahore 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 have not carried out any special review of the internal control system to enable us to express and opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, except for the orientation course which were not conducted for the reason explained in point 9 of the "statement of compliance with the code of corporate governance" nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30,2003

Karachi

Nasir.JavaidMaqsood

Dated: September 26,2003

Chartered Accountants

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheets of Allied Motors Limited as at June 30, 2003 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 standard and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

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

(b) in our opinion-

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2003 and of the loss, its cash flows and changes in equity for the year then ended; and

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

Without qualifying our opinion, we draw attention to Note. 2.18 in the financial statement, which indicate that the company incurred a net loss after tax of Rs. 37.396 Million during the year ended June 30, 2003 and as of that date, company's total liabilities exceeded its total assets by Rs. 27.019 Million. These conditions and other matters as set forth in above note indicate the existence of material uncertainties, which may cast substantial doubt about the company's ability to continue as a going concern.

Karach

Nasir Javaid Maqsood

Date: September 26, 2003

Chartered Accountants

BALANCE SHEET
As at June 30, 2003

| | Notes | 2003 | 2002 |
|--------------------------------------------|-------|---------------|----------|
| | | (Rupees '000) | |
| Capital & Liabilities | | | |
| Authorised Share Capital | | | |
| 21,800,000 Ordinary Shares of Rs.10/- each | | 218,000 | 218,000 |
| Issued, Subscribed & Paid-up Capital | 3 | 90,000 | 90,000 |
| Reserves | | | |
| Capital | 4 | 86,194 | 86,194 |
| Revenue | 5 | -203,213 | -165,817 |
| | | -117,019 | -79,623 |
| | | -27,019 | 10,377 |
| Surplus on revaluation of Fixed Assets | 6 | 57,782 | - |
| Term Finance - Secured | 7 | 60,907 | 28,000 |
| Deferred Liabilities | 8 | 637 | 302 |

| | | | |
|-------------------------------------------------|------|---------|---------|
| Current Liabilities | | | |
| Short term finance | 9 | 92,775 | 54,710 |
| Creditors, Accrued Expenses & Other liabilities | 10 | 13,001 | 33,632 |
| | | 105,776 | 88,342 |
| Contingencies & Commitments | 11 - | - | |
| | | 198,083 | 127,021 |

BALANCE SHEET
As at June 30, 2003

| | Notes | 2003 (Rupees '000) | 2002 |
|--------------------------------------------------------|-------|-----------------------|---------|
| Property & Assets | | | |
| Fixed Assets - Tangible | 12 | 96,337 | 37,930 |
| Operating Fixed Assets-Net | | | |
| Long-term Deposits | | 302 | 516 |
| Current Assets | | | |
| Store & Spares | 13 | 949 | 906 |
| Stock-in-trade | 14 | 82,897 | 80,170 |
| Trade Debts-Unsecured | | 1,191 - | |
| Advances, Deposits, Prepayments & Other Receivables | 15 | 14,670 | 6,401 |
| Cash & Bank Balances | 16 | 1,737 | 1,098 |
| | | 101,444 | 88,575 |
| | | 198,083 | 127,021 |

PROFIT & LOSS ACCOUNT
For the year ended June 30, 2003

| | Notes | 2003 (Rupees '000) | 2002 |
|---------------------------------------------|-------|-----------------------|----------|
| Sales | 17 | 26,952 | 326 |
| Cost of Sales | 18 | 34,193 | 501 |
| Gross Profit / (Loss) | | -7,241 | -175 |
| Operating Expenses | | | |
| Administration and general | 19 | 11,661 | 4,705 |
| Selling and Distributions | 20 | 7,240 | 3,158 |
| Financial charges | 21 | 12,212 | 4,104 |
| | | 31,113 | 11,967 |
| Operating loss | | -38,354 | -12,142 |
| Other Income | 22 | 1,096 | 197 |
| Loss for the year before taxation | | -37,258 | -11,945 |
| Taxation - Current | 23 | 138 | 2 |
| Loss after Taxation | | -37,396 | -11,947 |
| Accumulated Loss Brought Forward | | -175,717 | -163,770 |
| Accumulated Loss carried Forward | | -213,113 | -175,717 |
| Basic & Diluted earnings / (Loss) per share | 24 | -4.16 | -1.33 |

CASH FLOW STATEMENT
For the Year Ended June 30, 2003

| | Notes | 2003 (Rupees '000) | 2002 |
|---------------------------------------------------|-------|-----------------------|---------|
| Cash Flow from Operating activities | | | |
| Profit / (loss) Before taxation | | -37,258 | -11,945 |
| Adjustment for non cash charges and other items : | | | |
| Depreciation | | 3,532 | 1,321 |
| Gain on sale of fixed assets | | -978 | -50 |
| Provision for Gratuity | | 390 | 170 |
| Financial Charges/Mark-up expenses | | 12,212 | 4,104 |

| | | | |
|-----------------------------------------------------------------------|-----------|----------|---------|
| Net (Loss) from operating activities before working capital changes | | 15,156 | 5,545 |
| Working Capital changes | (a) | -22,102 | -6,400 |
| Long-term Deposits | | -33,467 | -55,555 |
| Financial Charges paid | | 215 | -242 |
| Staff gratuity paid | | -11,745 | -2,356 |
| Net cash Inflow / (outflow) from operating activities | | -55 | -77 |
| Cash Flow from Investing activities | | -67,154 | -64,630 |
| Fixed Capital Expenditures | | -5,229 | -13,132 |
| Sale proceeds of fixed assets | | 2,050 | 183 |
| Net cash Inflow / (outflow) from investing activities | | -3,179 | -12,949 |
| Cash Flow from Financing activities | | | |
| Long-term borrowings | | 32,907 | 23,000 |
| Receipt/(Payment) to Associate Undertakings | | 6,137 - | |
| Short-term borrowings | | 31,928 | 54,163 |
| Net cash Inflow / (outflow) from financing activities | | 70,972 | 77,163 |
| Net Increase/ (decrease) in cash and cash equivalents | | 639 | -416 |
| Cash and Cash equivalents at the beginning of the year | | 1,098 | 1,514 |
| Cash and Cash equivalents at the end of the year | (Note 16) | 1,737 | 1,098 |
| (a) Working capital changes | | | |
| (increase)/decrease in current assets | | | |
| Store & Spares | | -43 | -588 |
| Stock-in-trade | | -2,729 | -77,211 |
| Trade Debts | | -1,191 - | |
| Advances, Deposits and Pre-payments | | -8,269 | -5,413 |
| | | -12,232 | -83,212 |
| Increase/(decrease) in current liabilities | | | |
| Creditors, Accrued expenses and other liabilities | | -21,235 | 27,657 |
| | | -33,467 | -55,555 |

STATEMENT OF CHANGES IN EQUITY
For the year ended June 30, 2003

| | issued, Subscribed and Paid-up capital | Capital Reserve | General Reserve (Rs. 000) | Accumulated Profit / (Loss) | Total |
|----------------------------------|-------------------------------------------------|--------------------|---------------------------------|---------------------------------------|---------|
| Balance as at July 01, 2001 | 90,000 | 86,194 | 9,900 | -163,770 | 22,324 |
| Profit / (Loss) after taxation | - | - | - | -11,947 | -11,947 |
| Interim Dividend | - | - | - | - | - |
| Final Dividend | - | - | - | - | - |
| Balance as at July 01, 2002 | 90,000 | 86,194 | 9,900 | -175,717 | 10,377 |
| Profit / (Loss) after taxation | - | - | - | -37,396 | -37,396 |
| Interim Dividend | - | - | - | - | - |
| Final Dividend | - | - | - | - | - |
| Balance as at June 30, 2003 | 90,000 | 86,194 | 9,900 | -213,113 | -27,019 |

NOTES TO THE ACCOUNTS

1 Status & Nature of Business

Allied Motors Limited is a public limited company quoted on stock exchanges in Karachi (trading in defaulter counter) and Lahore. The company's business is the assembly-cum-progressive manufacture and sale of tractors and trading of parts and implements related thereto. The company was incorporated on May 6, 1982 and commenced commercial operations in August, 1983.

2 **Significant Accounting Policies**

2.1 Basis of presentation of Financial statements

These financial statements have been prepared in accordance with approved Accounting Standards as applicable in Pakistan and the requirements of the companies ordinance, 1984. Approved Accounting Standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Whenever, the requirements of Companies Ordinance, 1984 or directives issued by the Securities & Exchange (' ammission Of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting Convention

These Financial Statements have been prepared under the historical cost convention modified to include the revaluation of land, factory building and Plant & Machinery.

2.3 Staff retirement benefits

The Company operates an unfunded gratuity scheme covering all employees according to the terms of employment, payable on cessation of employment, subject to a minimum qualifying period of service, provision is made annually to cover obligations under the scheme for ill employees eligible to gratuity.

2.4 Taxation

(a) Current

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rate after taking into account tax, credits/rebates, if any, and the minimum tax computed at the prescribed rate on sales.

(b) Deferred

Deferred tax is computed using the balance sheet liability method providing for temporary difference between the carrying amount of assets and liability for financial reporting purposes and the amount used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on the tax rates that have been enacted or subsequently enacted at the balance sheet date. A deferred tax assets is recognised only to the extent that it is probable that future taxable profit will be available and the credits can be utilised.

2.5 Fixed capital expenditure

These are stated at cost less accumulated depreciation except land, factory building and plant & machinery which are stated at revalued amount. Depreciation is charged to income applying the reducing balance method at values assigned to such assets before revaluation. The rates used are stated in note 12 to the accounts. Maintenance and normal repairs are charged to income as and when incurred. Major renewal and improvements are capitalised. Gam or loss, If any, on disposal of fixed assets is included in income currently.

2.6 Capital work-in-progress

Capital work in progress is stated at cost.

2.7 Impairment of fixed assets

The Company assesses at each balance sheet date whether there is any indication that a tangible fixed asset 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 value exceed recoverable amount, assets are written down to the recoverable amount.

2.8 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost comprises direct materials and where

applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. Goods in transit are valued at cost accumulated to the balance sheet date.

2.9 Stores & Spares

These are stated at lower of cost and net realizable value and cost determined on average cost basis. Items in transit are stated at cost accumulated upto balance sheet date. All store and spares are reviewed by the management regularly and any obsolete items are written-off.

2.10 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the construction of a qualifying assets in which case they are capitalised as part of the cost of that asset.

2.11 Trade debts

Trade debts originate by the company are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when they are no longer recoverable.

2.12 Cash and cash equivalents

Cash in hand and at banks are carried at cost.

Cash and cash equivalents are defined as cash in hand, cash at banks and short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and at banks.

2.13 Trade and other payables

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

2.14 Foreign currency transactions

Transactions in foreign currencies are translated into Pak rupees at the rates of exchange approximating those prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange ruling on the balance sheet date. Exchange differences are included in the profit and loss account currently.

2.15 Financial instruments

All financial assets and liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instruments. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to profit and loss account currently.

2.16 **Offsetting of financial assets and financial liabilities**

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

2.17 Revenue recognition

Sales of goods are rendered when goods are delivered and title has passed on to the customers.

2.18 Going concern

The accounts have been prepared on going concern basis despite the fact that the company has incurred a loss after tax of Rs. 37.396 Million during the year and its accumulated loss to date stood as at Rs. 213.113 Million thus making negative equity. During the year under review the company fails to achieve desired market share for its new Shanghai tractors. These facts raise doubt about the company's ability to continue as a going concern. The management is confident that the impact is temporary and company's operations would become viable in near future due to availability of cheap finance to the agricultural sector. Directors of the company are hopeful to increase the market share and production due to continuous efforts in the years to come. Further the management ability to arrange funds whenever needed and without any default on any financial obligation is yet another positive factor which mitigate the doubt hence preparation of these accounts on going concern basis is justified. Accordingly, no adjustment for realizable value of recorded assets and liabilities and classification of liabilities is warranted.

| | | 2003 | 2002 |
|---|----------------------------------------|-----------------------------------------------------|--------|
| | | (Rupees '000) | |
| 3 | Issued, Subscribed and Paid-up-Capital | | |
| | 8,135,871 | Ordinary shares of Rs. 10 each fully paid in cash | 81,359 |
| | | Ordinary shares of Rs. 10 each issued as fully paid | 81,359 |
| | 864,129 | bonus shares | 8,641 |
| | 9,000,000 | | 90,000 |

Capital Reserve

This capital has arisen consequent to the capital receipt from "Ford" in terms of paragraph 12 of the Compromise Agreement dated January 22, 1990 between "Ford" and the company.

| | | | |
|---|-----------------------------------------|----------|----------|
| 5 | Revenue Reserve | | |
| | General | 9,500 | 9,900 |
| | Profit and loss account-adverse balance | -213,113 | -175,717 |
| | | -203,213 | -165,817 |

6 surplus on revaluation of fixed Assets

| | | Plant & Building | Machinery | 2003 | 2002 |
|-----------------|-------|------------------|-----------|---------|------|
| | | (Rupees '000) | | | |
| Revalued amount | Land | 82,978 | 55,169 | 151,878 | . |
| Original Cost | | -47,452 | -34,427 | -94,096 | - |
| | 1,514 | 35,526 | 20,742 | 57,782 | - |

Revaluation of leasehold land, Building and Plant and machinery carried out by Sipra & Company, Karachi, an Independent valuation consultant as on June 24, 2003, resulting in surplus of aggregate Rs. 57.782 million. This has been credited to surplus on revaluation of Fixed assets. The surplus on revaluation is not available for appropriation under the requirements of section 235 of the Companies Ordinance 1984, except and to the extent actually realised on disposal of the assets which are revalued.

| | | | |
|---|--------------------------|---------|--------|
| 7 | Term Finance | | |
| | Secured (Note 7.1) | 80,907 | 20,000 |
| | Unsecured | — | 8 |
| | | 80,907 | 28,000 |
| | Less : Transfer (Note 9) | -20,000 | |
| | | 60,907 | 28,000 |

7.1 The above facilities available from commercial banks are secured by first charge on company's Plant and Machinery, Equipments, Stores, Tools and accessories. The total credit facility available to the company is Rs. 60.907 Million (2002 : Rs. 20.00 Million) under markup arrangement. The facilities carry markup ranges from 3.5% to 4% per annum payable quarterly and principal payable in lumpsum

after July, 2004.

8 Deferred Liabilities- Staff Gratuity

8.1 The latest valuation of the gratuity scheme was at June 30, 2002 using the projected unit credit method. The discount rate for the valuation is 8%, salary increase were assumed to average 7% in the long term and expected average remaining work lives of employees is 12 years;

| | 2003 | 2002 |
|-----------------------------------------------------------------------------------------------|---------------|------|
| | (Rupees '000) | |
| 8.2 Present value of obligation | | |
| 8.3 Movement in the net liability recognised | | |
| Opening Liability | 302 | 209 |
| Expense recognised (8.4) | 390 | 170 |
| Paid during the year | 55 | 77 |
| | 637 | 302 |
| 8.4 Expenses recognised | | |
| Current service cost | 320 | . |
| Interest cost | 33 | . |
| Recognition of loss/ (Assets) | 37 | - |
| | 390 | 170 |
| 8.5 Allocation | | |
| Total retirement benefits costs are included in salaries & benefits and allocated as follows: | | |
| Cost of goods sold | 138 | 67 |
| Administration & General Expenses | 83 | 34 |
| Selling & Distribution | 169 | 69 |
| | 390 | 170 |

9 **Short-term finance**

9.1 From commercial Bank- Secured

| | 2003 | 2002 |
|----------------------------------|---------------|--------|
| | (Rupees '000) | |
| Opening Balances | 53,822 | — |
| Finance obtained during the year | 71,556 | 53,822 |
| | 125,378 | 53,822 |
| Repayments made during the year | -59,628 | — |
| | 65,750 | 53,822 |
| Transferred from (Note 7) | 20,000 | — |
| | 85,750 | 53,822 |

Rs. 102.00 Million from commercial bank have been arranged under mark-up arrangement (2002 Rs. 82.00 Million). The rate of Mark-up charged ranges from 3.5% to 10% per annum payable quarterly on the daily outstanding balances. The aggregate short-term finance are secured against first charge on company's Plant and Machinery, current assets including stocks and book debts and equitable mortgage of the company's land and building.

From Associated undertakings-Unsecured

| | | |
|------------------------------------------------------|--------|--------|
| Allied Engineering & Services Limited | 165 | 412 |
| Allied Precision Engineering Products (Pvt.) Limited | 6,449 | 44 |
| Midland Motors Pakistan (Pvt.) Ltd | 411 | 432 |
| | 7,025 | 888 |
| | 92,775 | 54,710 |

Payables to associated companies carries mark-up @ 8.50% per annum compounded quarterly. Maximum aggregate amount due to associated companies at the end of any month during the period was Rs. 22,018,235 (June 2002:2,826,407)

10 Creditors, Accrued expense and Other Liabilities

| | | |
|---------------------------------------|--------|--------|
| Creditors | 5,419 | 23,963 |
| Accrued expenses | 2,032 | 4,095 |
| Other Liabilities | 4,791 | 3,669 |
| Mark-up on short term running finance | 466 | 1,748 |
| Provision for taxation | 138 | 2 |
| Corporate asset tax | 155 | 155 |
| | 13,001 | 33,632 |

11 Contingencies & Commitments

Contingencies

i) In its decision of the Case filed in Supreme Court of Pakistan by Commissioner of Income Tax (C.I.T.) in respect of final settlement between the Company & Ford Motor Company for the assessment year 1990-91, the Supreme Court has remanded the matter to C.I.T. to decide it afresh on merits. Notice of Demand has been served by the I.A.C. for recovery of Rs. 21.549 Million U/S 134 (3) & Rs. 1.077 Million U/S 183 of Income Tax Ordinance 2001. The Company has filed an appeal against the notice with the Income Tax Appellate Tribunal and is hopeful of a favorable decision as previous decision of the tribunal and High Court were in Company's favor.

ii) Demand of Rs. 1.404 Million by the Sales Tax department for sale of assets has been subjected to decision of Supreme Court of Pakistan (S.C.P.), as a similar case is pending with S.C.P. High Court of Sindh has decided a similar case in favor therefore the Company is expecting same favorable decision by the Supreme Court of Pakistan.

iii) Indemnity Bonds & post-dated cheques of Rs.28.327 Million were Issued in favor Collector of Customs Karachi being the Custom Duty and Sales Tax. As components are consumed for tractor manufacture the Indemnity Bonds and post-dated cheques are released by Customs on submission of a letter confirming the cons a 111 r:,,,.

12 Operating Fixed Assets - Tangible

| PARTICULARS | COST | | | DEPRECIATION | | | Book Value as at June 30/06/03 | Rates % | |
|------------------------------------|---------------------|---------------------------------------|---------------------|-----------------------|------------|--------------|--------------------------------|---------|-----------------------|
| | Cost as at 07/01/02 | Addition/ (Deletions during the year) | Cost as at 30/06/03 | Accum. as at 07/01/02 | Adjustment | for the year | | | Accum. as at 30/06/03 |
| Lease hold land | | | | | | | | | |
| Cost | 12,217 - | | 12,217 - | - | - | - | 12,217 - | | |
| Revaluation | 1,514 - | | 1,514 - | - | - | - | 1,514 - | | |
| | 13,731 - | | 13,731 - | - | - | - | 13,731 | | |
| Factory building on leasehold land | | | | | | | | | |
| Cost | 47,334 | 118 | 47,452 | 34,796 - | | 1,266 36,06^ | / 11,390 | 10 | |
| Revaluation | 35,527 - | | 35,527 - | - | - | - | 35,527 | 10 | |
| | 82,861 | 118 | 82,979 | 34,796 - | | 1,266 | 36,062 | 46,917 | |
| Plant and machinery | | | | | | | | | |
| Cost | 33,852 | 2,985 | 34,428 | 24,261 - | | 1,150 | 24,074 | 10,354 | 10 |
| Revaluation | 20,742 - | -2,409 | 20,742 - | - | -1337 | - | 20,742 | 10 | |
| | 54,594 | 576 | 55,170 | 24,261 | -1,337 | 1,150 24,07^ | / 31,096 | | |
| Computers & allied | 506 | 408 | 914 | 257 - | | 197 | 454 | 460 | 30 |
| Furniture & Office Equipment | 1,992 | 252 | 2,244 | 1,507 - | | 74 | 1,581 | 663 | 10 |
| Motor vehicles | 3,425 | 1,455 | 4,880 | 829 - | | 810 | 1,639 | 3,241 | 20 |
| Refrigerators and air conditioners | 682 | 5 | 687 | 514 - | | 17 | 531 | 156 | 10 |
| Pattern | 106 | 6 | 112 | 21 - | | 18 | 39 | 73 | 20 |
| Total June 30, 2003 | 157,897 | 2,820 | 160,717 | 62,185 | -1,337 | 3,532 | 64,380 | 96,337 | |
| Total June 30, 2002 | 87,593 | 12,521 | 100,115 | 61,340 | -476 | 1,321 | 62,185 | 37,930 | |

2003 2002
(Rupees '000)

12.1 Allocation of depreciation for operating assets for the year is as follows :

| | | |
|--------------------------|-------|-----|
| Cost of sales | 3,214 | 867 |
| Administrative expenses | 183 | 279 |
| Selling and distribution | 135 | 175 |

3,532 1,321

12.2 The company revalued its leasehold land, Building, Plant and machinery as at June 24, 2003. The revaluation exercise was carried-out by the independent valuers- Sipra & Company, Karachi. Surplus arisen on revaluation of fixed assets as at June 30, 2003 aggregating Rs. 57.782 million.

12.3 **Details of disposal of operating fixed assets**

| Description | Original cost Rs.OOO | Accum. depreciation Rs.OOO | Book value Rs. 000 | Proceeds of sale Rs.OOO | (Gain)/ loss Rs.OOO | Mode of Sale | Name and Address of Purchase |
|------------------------------|-------------------------|-------------------------------|-----------------------|----------------------------|------------------------|--------------|-----------------------------------------------|
| Generator ' Model 3412 KV360 | 2,409 | 1,337 | 1,072 | 2,050 | 978 | Negotiation | Silver Seed (Pvt) Ltd. Multan Road, Lahore |
| | 2,409 | 1,337 | 1,072 | 2,050 | 978 | | |

13 Store and Spares

Most of the items of stores & spares are of inter-changeable nature and can be used as machine spares or consumed as store. Accordingly it is not practical to distinguish stores from spares until their actual usage.

2003 2002
(Rupees '000)

| | | |
|----------------------------------------------------------|--------|--------|
| 14 Stock -in- Trade | | |
| Tractors | | |
| Raw materials and components | 55,172 | 24,856 |
| Stocks in transit | 9,746 | 38,337 |
| Work-in-process | 3,137 | 1,449 |
| | 68,055 | 64,642 |
| Finished goods | 20,478 | 16,802 |
| Less : Written down to net realizable value | -7,224 | -3,366 |
| | 13,254 | 13,436 |
| Parts and Implements | 1,588 | 2,092 |
| | 82,897 | 80,170 |
| 15 Advances, Deposits, Prepayments and Other Receivables | | |
| Advances to employees | 408 | 81 |
| Prepayments | 20 | 25 |
| Sales tax adjustable | 4,932 | 687 |
| Tax deducted at source - Refundable | 5,685 | 3,039 |
| Advances to suppliers | 3,467 | 2,569 |
| Other Receivables | 158 | . |
| | 14,670 | 6,401 |
| 16 Cash and Bank Balances | | |
| Balances at banks - In current accounts | 1,717 | 1,078 |
| Cash in hand | 20 | 20 |
| | 1,737 | 1,098 |
| 17 Sales - Net | | |
| Tractors SH-500 | 27,435 | - |
| Agrimotors | 102 | 331 |
| | 27,537 | 331 |
| Less : Commission paid | -585 | -5 |
| | 26,952 | 326 |
| 18 Cost of goods sold | | |
| Raw materials consumed (Note 18.1) | 14,808 | 11,504 |
| Parts and implements Consumed (Note 18.2) | 11,315 | 2,291 |
| | 26,123 | 13,795 |
| Salaries, wages and benefits | 7,873 | 1,298 |
| Travelling and vehicles running | 1,246 | 463 |
| Insurance | 219 | 35 |
| Rent, rates and taxes | 578 | 263 |

| | | |
|-----------------------------------------------|---------|---------|
| Repairs and maintenance | 1,365 | 768 |
| Electricity, gas and water | 168 | 542 |
| Stores and supplies | 2,012 | 3 |
| Depreciation (Note 12.1) | 3,214 | 867 |
| Loose tools written off including replacement | - | 22 |
| Miscellaneous | 715 | 58 |
| | 17,390 | 4,319 |
| | 43,513 | 18,114 |
| Work-in-process - Opening | 1,449 | - |
| Work-in-process - Closing | -3,137 | -1,449 |
| | -1,688 | -1,449 |
| Cost of Goods manufactured | 41,825 | 16,665 |
| Finished goods Opening | 13,436 | 638 |
| Finished goods - Closing | -20,478 | -16,802 |
| | -7,042 | -16,164 |
| | 34,783 | 501 |
| Less: Tractors transferred to Fixed Assets | -590 | - |
| | 34,193 | 501 |

2003 2002
(Rupees '000)

18.1 Raw Material Consumed- Import

| | | |
|-----------------------------------|--------|--------|
| Stock at July 1,2002 | 216 | 216 |
| Purchase | 64,602 | 11,504 |
| | 64,818 | 11,720 |
| Stock at June 30,2003 | 49,770 | 216 |
| Issued Against Rejection/Warranty | 240 | - |
| | 50,010 | 216 |
| | 14,808 | 11,504 |

18.2 Parts and implements - Local

| | | |
|-----------------------------------|--------|-------|
| Stock at July, 2002 | 2,092 | 2,159 |
| Purchase | 15,290 | 2,224 |
| | 17,382 | 4,383 |
| Stock at June 30, 2003 | 5,617 | 2,092 |
| Issued Against Rejection/Warranty | 450 | - |
| | 6,067 | 2,092 |
| | 11,315 | 2,291 |

19 Administration and general expenses

| | | |
|------------------------------------|--------|-------|
| Salaries, wages, and benefits | 1,867 | 368 |
| Travelling and vehicles running | 580 | 55 |
| Insurance | 240 | 38 |
| Rent, rates and taxes | 24 | 14 |
| Repairs and maintenance | 254 | 4 |
| Electricity, gas and water | 38 | 21 |
| Postage, telephone and stationery | 617 | 59 |
| Entertainment | 14 | 6 |
| Legal and professional | 517 | 404 |
| Auditor's remuneration (Note 19.1) | 90 | 40 |
| Depreciation (Note 12.1) | 183 | 279 |
| Miscellaneous | 13 | 51 |
| Inventory written down to NRV | 7,224 | 3,366 |
| | 11,661 | 4,705 |

19.1 Auditor's Remuneration

| | | |
|------------------------|----|----|
| Audit Fee | 75 | 30 |
| Other Services | 15 | - |
| Out-Of-Pocket expenses | - | 10 |
| | 90 | 40 |

20 Selling and distribution expenses

| | | |
|---------------------------------|-------|-------|
| Salaries and benefits | 2,795 | 1,589 |
| Travelling and vehicles running | 1,255 | 555 |

| | | |
|------------------------------------------|---------------|--------------|
| Insurance | 71 | 26 |
| Repair and maintenance | 483 | - |
| Utilities | 41 | 93 |
| Depreciation (Note 12.1) | 135 | 175 |
| Rent, rates and taxes | - | 94 |
| Postage, telephone and stationery | 611 | 202 |
| Entertainment | 42 | 30 |
| Advertisement | 1,281 | 335 |
| Miscellaneous | 526 | 59 |
| | <u>7,240</u> | <u>3,158</u> |
| 21 Financial Charges | | |
| Mark-up on long-term finance- secured | 115 | 1,714 |
| Mark-up on short-term finance- secured | 8,378 | 2,232 |
| Mark-up on short-term finance- unsecured | 3,607 | 88 |
| Bank charges | 112 | 70 |
| | <u>12,212</u> | <u>4,104</u> |

2003 2002
(Rupees '000)

| | | |
|------------------------------------------|--------------|------------|
| 22 Other Income | | |
| Gain on sale of fixed assets (Note 12.3) | 978 | 50 |
| Scrap Sales | 68 | " |
| Miscellaneous | 50 | 147 |
| | <u>1,096</u> | <u>197</u> |
| 23 Taxation | | |
| Current | | |
| Turnover tax | 138 | |
| Deferred | | |

The company has available carry forward assessed tax losses of Rs. 78.76 Million. Since it is not probable the extent of utilization against future taxable profit, no deferred tax asset has been recognized.

| | | |
|-------------------------------------------------------------------------|--------------|---------------|
| 24 Basic Earning / (Loss) per share | | |
| 24.1 Profit / (Loss) after Taxation | -37,396 | -11,947 |
| Numeber of ordinary shares issued and subscribed at the end of the year | 9,000 | 9,000 |
| | <u>-4.16</u> | <u>-2.947</u> |

24.2 Diluted earning per share

There is no dilution effect on the basic earning per share of the company as the company has no such commitments.

25 Remuneration of Chief Executive and Executives

| | 2002 | | | 2003 | | |
|----------------------------------|----------|-----------------|-------|----------|-----------------|-------|
| | Director | Chief Executive | Total | Director | Chief Executive | Total |
| Managerial remuneration | 345 | - | 3,085 | 3,430 | - | 1,920 |
| House rent accomodation provided | 155 | - | 1,388 | 1,543 | - | 864 |
| Conveyance | - | - | 73 | 73 | - | 92 |
| Medical Expenses | 44 | - | 405 | 449 | - | 221 |
| Utilities | 34 | - | 308 | 342 | - | 192 |

| | | | | | | | |
|-------------------|-----|---|-------|-------|---|-------|-------|
| | 578 | - | 5,259 | 5,837 | - | ^,289 | 3,289 |
| Number of persons | 1 | - | 14 | 15 | - | 11 | 11 |

The Director have waived their meeting fee for the year.

Chief Executive is not getting any remuneration from the company.

Four executives and one director (2002 : Five executives) have been provided with **foe** use of the Company maintained cars.

26 Number of Employees

The total number of employees as at June 30, 2003 were 28 (2002: 22)

27 Related Parties

Allied Engineering & Services Limited (AESL), Allied Precision Engineering Product (Pvt) Ltd (APEPL) and Midland Motors Pakistan (Pvt) Ltd (MMPL) are related parties as there are significant common management influence over these companies and Allied Motors Limited.

The transaction with these parties have been disclosed in note 28.

28 Transactions with Associated Companies

The aggregate amounts in respect of transactions with associated companies during the year other than those specified herein- above were :

| | 2003 | 2002 |
|-------------------------------------------------------------------|---------------|-------|
| | (Rupees '000) | |
| (a) Rent paid (AESL) | - | 188 |
| (b) financial charges incurred/earned (AESL, APEPL, MMPL) | 3,607 | 88 |
| (c) Various other expenses incurred (AESL) | 98 | 686 |
| (d)Hire charges of tools and equipment (income) (AESL, APEPL) | -50 | -128 |
| (e) Repayment of Short Term Loan (AESL) | 11,985 | - |
| (f) Repayment of Short/long term Loan (MMPL) | 15,600 | 5,850 |
| (g) Repayment of Short Term Loan (APEPL) | 22,300 | - |
| (h)Long-term Finance obtained (MMPL) | - | 8,850 |
| (i) Short Term Finance Obtained (AESL) | 10,000 | - |
| (j) Short Term Finance Obtained (APEPL) | 25,100 | - |
| (k) Short Term Finance Obtained (MMPL) | 13,000 | - |
| (l) Purchase of fixed Assets from (AESL/MMPL/ APEPL) | 2,330 | - |
| (m)Generator Repair Expenses/Goods Purchased (AESL,APEPL) | 1,938 | - |

29 Approval Of Financial Statement

The financial statements on September 26th, 2003

| | 2003 | 2002 |
|----------------------------------|---------------|-------|
| | (Rupees '000) | |
| 30 Plant Capacity and Production | | |
| Sanctioned plant capacity | 6,000 | 6,000 |
| Actual production - Tractors | 104 | 50 |

Reason for Shortfall in production

Due to low demand of new product in the market.

31 Financial Instrument risk management and Related Disclosure

31.1 Concentration of credit risk

The company manages credit risk in trade receivable by limiting significant exposure to any individual customer by obtaining advances, deposits & setting out credit limits.

31.2 Interest / Mark - Up risk exposure

The company exposure to interest / Mark-up rate on its financial assets and liabilities are summarized as under :

| | Interest/Mark up Bearing | | | Non Interest/MarkUp Bearing | | | | |
|-----------------------------------------------------|-----------------------------------|---------------------------|------------------|-----------------------------------|---------------------------|------------------|-----------------------|-----------------------|
| | Maturity upto One year Rs. 000 | After one year Rs. 000 | Total Rs. 000 | Maturity upto one year Rs. 000 | After one year Rs. 000 | Total Rs. 000 | Total 2003 Rs. 000 | Total 2002 Rs. 000 |
| Financial Assets | | | | | | | | |
| Long Term Deposits | - | - | - | - | 302 | 302 | 302 | 516 |
| Trade Debts | | | | 1,191 | | 1,191 | 1,191 | |
| Advances, deposits, prepayments & Other receivables | - | - | - | 14,670 | | 14,670 | 14,670 | 6,402 |
| Cash & bank balances | - | - | - | 1,737 | - | 1,737 | 1,737 | 1,098 |
| | - | - | - | 17,598 | 302 | 17,900 | 17,900 | 8,016 |
| Financial Liabilities | | | | | | | | |
| Long term finance - Unsecured | - | - | - | - | - | - | - | 8,000 |
| Long term finance - Secured | - | 60,907 | 60,907 | - | - | - | 60,907 | 20,000 |
| Short term finance - Secured | 85,750 | - | 85,750 | - | - | - | 85,750 | 53,822 |
| Short term finance - Unsecured | 7,025 | - | 7,025 | - | - | - | 7,025 | 888 |
| Creditors, accrued expenses & other liabilities | - | - | - | 13,001 | - | 13,001 | 13,001 | 33,632 |
| | 92,775 | 60,907 | 153,682 | 13,001 | - | 13,001 | 166,683 | 116,342 |

Effective Interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statement.

31.3 Foreign exchange risk management

Foreign currency risk management mainly arises where receivables and payable exist due to transactions entered in to foreign currencies. The company incurs foreign currency risk on purchases that are entered in a currency other than Pak Rupees. The company uses forward exchange contract to hedge its currency when considered appropriate.

31.4 Fair value of the financial instruments.

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

32 Comparative Figures

(a) Figures have been rounded off to the nearest thousand of rupees unless otherwise.

(b) Previous year's figures have been rearranged wherever necessary, for the purpose of comparison.

PATTERN OF SHAREHOLDING

| No. of Share Holders | As at June 30, 2003 | | Total Share | |
|----------------------|---------------------|-----------------|--------------|---------|
| | Shareholding From | Shareholding To | Shareholding | Held |
| 408 | 1 | 100 | 100 | 35,529 |
| 458 | 101 | 500 | 500 | 115,790 |
| 94 | 501 | 1000 | 1000 | 82,576 |
| 121 | 1001 | 5000 | 5000 | 284,409 |
| 12 | 5001 | 10000 | 10000 | 87.63 |

| | | | |
|------|---------|---------|-----------|
| 8 | 10001 | 15000 | 91,861 |
| 4 | 15001 | 20000 | 69,799 |
| 1 | 20001 | 25000 | 25,000 |
| 1 | 35001 | 40000 | 36,800 |
| 2 | 45001 | 50000 | 100,000 |
| 1 | 55001 | 60000 | 58,633 |
| 1 | 70001 | 75000 | 73,500 |
| 1 | 75001 | 80000 | 77,900 |
| 1 | 115001 | 120000 | 115,300 |
| 1 | 525001 | 530000 | 525,400 |
| 1 | 550001 | 555000 | 553,000 |
| 1 | 690001 | 695000 | 691,094 |
| 1 | 870001 | 875000 | 871,800 |
| 1 | 1105001 | 1110000 | 1,108,906 |
| 1 | 1300001 | 1305000 | 1,301,333 |
| 1 | 2690001 | 2695000 | 2,693,740 |
| 1120 | | | 9,000,000 |

Categories Of Shareholders

| | Number | Share Held | Percentage |
|-----------------------|--------|------------|------------|
| Joint Stock Company | 28 | 6,020,271 | 66.89 |
| Financial Institution | 5 | 1,439,866 | 16 |
| Modarba Companies | 0- | | 0 |
| Insurance Companies | 2 | 95,433 | 1.06 |
| Investment Companies | 1 | 77,900 | 0.87 |
| Individuals | 1084 | 1,366,530 | 15.18 |
| Associated Companies | 0- | | 0 |
| Foreign Investors | 0- | | 0 |
| Others | 0- | | 0 |
| | 1120 | 9,000,000 | 100 |

PATTERN OF SHAREHOLDING

As at June 30, 2003

| DESCRIPTION | NUMBER | SHARE HELD | PERCENTAGE |
|---------------------------------------------------------------------------------------------------------------------------|--------|------------|------------|
| Associated Companies, Undertakings and Related Parties (name wise detail) | | | |
| Allied Engineering & Services Ltd. | 1 | 2,767,240 | 30.75 |
| NIT & ICP | | | |
| National Bank Of Pakistan | 1 | 17,000 | 0.19 |
| Investment Corporation Of Pakistan | 1 | 77,900 | 0.87 |
| Directors, CEO & their Spouse and Minor Children | | | |
| Mr.K. AsifRehman | 1 | 3,393 | 0.04 |
| Mr. K. Farouk Majid | 1 | 640 | 0.01 |
| Mr. Fazlur Rehman | 1 | 640 | 0.01 |
| Mr. Kamal Mahmood | 1 | 640 | 0.01 |
| Mr. Sheheryar Jahangir | 1 | 500 | 0.01 |
| Mr. Kafeel Jahangir | 1 | 500 | 0.01 |
| Mr.Khalid Mughal | 1 | 500 | 0.01 |
| Executives | - | - | - |
| Public Sectors Companies & Corporation | 28 | 2,760,597 | 30.67 |
| Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarbas and Mutual Funds | 4 | 210,733 | 2.34 |
| Foreign Investors/Shareholders holding ten percentage or more voting interest in the Company | | | |
| Magenta International Ltd. | 1 | 1,108,906 | 12.32 |

| | | | |
|----------------------------|------|------------------|-------|
| Fielding International Ltd | 1 | 691,094 | 7.68 |
| Individuals | 1076 | 1,359,717 | 15.11 |
| TOTAL | 1120 | <u>9,000,000</u> | 100 |

SUMMARISED KEY OPERATING AND FINANCIAL
DATA OF LAST YEARS

| | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|----------------------------------------|-----------|----------|----------|----------|----------|----------|----------|
| | (Rs. 000) | | | | | | |
| Net Assets | | | | | | | |
| Fixed Assets | 96,337 | 37,930 | 26,253 | 34,797 | 39,096 | 41,421 | 43,504 |
| Long Term Investments | - | - | - | 3,000 | 5,000 | 5,000 | 5,000 |
| Long Term Deposits | 302 | 516 | 274 | - | - | - | - |
| Current Assets | -4,332 | 233 | 1,006 | -8,701 | -10,757 | -10,207 | -25,211 |
| TOTAL NET ASSETS | 92,307 | 38,679 | 27,533 | 29,096 | 33,339 | 36,214 | 23,293 |
| Financed By | | | | | | | |
| Issued Subscribed & Paid up Capital | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 |
| Reserves-Net | -117,019 | -79,623 | -67,676 | -61,032 | -56,715 | -53,786 | -66,707 |
| Shareholders Equity | -27,019 | 10,377 | 22,324 | 28,968 | 33,285 | 36,214 | 23,293 |
| Surplus on Revaluation of Fixed Assets | 57,782 | - | - | - | - | - | - |
| Term Finance | 60,907 | 28,000 | - | - | - | - | - |
| Deferred Liabilities | 637 | 302 | 5,209 | 128 | 54 | - | - |
| TOTAL FUNDS INVESTED | 92,307 | 38,679 | 27,533 | 29,096 | 33,339 | 36,214 | 23,293 |
| Turnover & (Loss) | | | | | | | |
| Turnover | 26,952 | 326 | 2,003 | 8,783 | 14,326 | 4,857 | 3,658 |
| Gross Profit / (Loss) | -7,241 | -175 | -3,001 | -2,354 | -1,043 | -2,616 | -3,162 |
| (Loss) Before Tax | -37,259 | -11,945 | -6,634 | -4,270 | -2,851 | -8,861 | -10,287 |
| Tax | 138 | 2 | 10 | 47 | 78 | -21,782 | 19,719 |
| Prof / (Loss) After Tax | -37,396 | -11,947 | -6,644 | -4,317 | -2,929 | 12,921 | -30,006 |
| Accumulated (Loss) B/F | -175,717 | -163,770 | -157,126 | -152,809 | -149,880 | -162,801 | -132,795 |
| Accumulated (Loss) C/F | -213,114 | -175,717 | -163,770 | -157,126 | -152,809 | -149,880 | -162,801 |
| Sales Volume | | | | | | | |
| Sanctioned Plant Capacity | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Actual Production - Tractors | 104 | 50 | 14 | 35 | 116 | 34 | 27 |
| Actual Production - Agrimotors | - | - | - | - | - | . | 8 |