

Ghandhara Nissan Diesel Limited

Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Raza Kuli Khan Khattak	Chairman and Chief Executive
Lt. Gen. (Retd.) Ali Kuli Khan Khattak (Alternate of Begum Tehmina Habibullah Khan)	
Mr. Ahmed Kuli Khan Khattak	
Mr. M. Salman Siddique	Chief Operating Officer
Mr. Norio Abe	
Mr. Mitsuo Doi	
Mr. Mushtaq Ahmed Khan	
Mr. Nasim Beg	
Mr. Anis Wahab Zuberi	
Ms. Aaliya K. Dossa	

SECRETARY

Mr. Aqiel Amjad Ghani

REGISTERED OFFICE

Ghandhara House,
109/2, Clifton,
Karachi.

FACTORY

Port Bin Qasim,
Karachi.

BANKERS OF THE COMPANY

ABN AMRO Bank
Allied Bank of Pakistan Ltd.
American Express Bank Ltd.
ANZ Grindlays Bank Ltd.
The Bank of Tokyo - Mitsubishi, Ltd.
Credit Agricole Indosuez
Mashreq Bank psc.
Emirates Bank International PJSC.
Habib Bank Limited
The Hong Kong & Shanghai Banking Corporation
Muslim Commercial Bank Ltd.
Societe Generale Bank
United Bank Ltd.
National Bank of Pakistan Ltd.
Union Bank Limited.
Indus Bank Limited.
Askari Commercial Bank Ltd.
Bolan Bank Ltd.

AUDITORS

Taseer Hadi Khalid & Co.
Chartered Accountants,
First Floor,
Shaikh Sultan Trust Building No. 2
Beaumont Road, Karachi.

LEGAL ADVISORS

Shaukat Law Associates,
217, Central Hotel Annexe,
Abdullah Haroon Road,
Karachi.

SHARE REGISTRARS

T.H.K. Associates (Pvt) Ltd.
Ground Floor,
Shaikh Sultan Trust Building No. 2
Beaumont Road, Karachi.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 13th Annual General Meeting of Shareholders of Ghandhara Nissan Diesel Limited will be held on Friday, the 31 st December, 1999 at 10.00 A.M., at Hotel Avari Towers, Fatima Jinnah Road, Karachi, for the purpose of transacting the following business:

1. To receive and consider the Audited Accounts of the Company for the year ended 30th June, 1999.
2. To appoint Auditors for the year ending 30th June, 2000 and to fix their remuneration. The retiring Auditors, Messrs: Taseer Hadi Khalid & Co., Chartered Accountants, being eligible, offer themselves for reappointment.

Special Business

3. To consider, ratify and approve the remuneration of the Chief Executive and full time working Director.
4. To transact any other business with the permission of the Chairman.

By Order of the Board
AQIEL AMJAD GHANI
Company Secretary

Karachi :7th December, 1999.

Statement Under Section 160 (1) (b) of the Companies Ordinance, 1984
pertaining to the special business is annexed to this notice.

NOTES:

1. The Share Transfer Books of the Company will remain closed from 30th December, 1999 to 5th January, 2000, (both days inclusive).
2. Shareholders are requested to intimate any change in their address to our Share Registrars, Messrs: THK Associates (Pvt) Ltd., Shares Department, Ground Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi.
3. A Member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her Proxy to attend and vote instead of him/her. Form of Proxy is enclosed with the Annual Report. Votes may be given personally or by Proxy or by Attorney or, in case of a Corporation, by a representative. The instrument of Proxy, duly stamped, signed and witnessed, should be lodged at the Registered Office of the Company at Ghandhara House, 109/2, Clifton, Karachi-6, not later than 48 hours before the time of the meeting.

STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984.

The approval of the shareholders is sought for the remuneration alongwith other benefits as per service rules, of the Chief Executive and one full time working Director, as recommended by the Board of Directors.

For this purpose, it is proposed that the following resolution be passed as an ordinary resolution.

"Resolved that an aggregate sum not exceeding Rs.2.777 million be and is hereby approved for payment as remuneration alongwith other benefit as per service rules to Mr. Raza Kuli Khan Khattak., Chief Executive, and Mr. M. Salman Siddique, full time working Director."

CHAIRMAN'S REVIEW & DIRECTORS' REPORT

I welcome you on behalf of the Board of Directors to the Thirteenth Annual General meeting of your Company to present the Annual Report for the year ended 30th June, 1999.

RESULTS

The effects of the slow down in economy of the last year persisted in the year under report. The truck and bus market, which was already depressed, aggravated further. The total market which was

1397 units in the financial year 1997/98 dropped to 1141 trucks and buses in 1998/99, a decrease of 18.32%.

Nevertheless, your company managed to maintain its market leadership with 45% of the market share through vigorous sales/after sales efforts to achieve optimum volume in depressed conditions.

OPERATING RESULTS

	Year ended 30th June, 1999	Year ended 30th June, 1998
	(Rupees in Thousands)	
Sales and Services	733,248	995,798
Gross Profit	47,107	128,351
Provision for taxation	3,711	20,515
Unappropriated Profit brought forward	25,867	10,819
Accumulated (Loss)/unappropriated profit carried forward	(31,671)	25,867

A comparison of production and sales for the year with 1997/98 is given below :-

Year ended 30th June, 1999			Year ended 30th June, 1998		
Trucks & Buses (Units)			Trucks & Buses (Units)		
Production	Sales		Production	Sales	
528	512		591	643	

Unit sales declined by 20%.

LOSS PER SHARE

The loss per share for the year under review amounted to Rs. 7.41.

REVALUATION OF FIXED ASSETS

The fixed assets of the company were revalued for the first time in 1994. The policy is to revalue assets every five years. This year however, these were revalued after four & a half years, effective 30th June, 1999. The revaluation was conducted by independent valuers M/s Hamid Mukhtar & Co., and examined by Muniff Ziauddin & Co., Chartered Accountants.

The revaluation has been accordingly reflected in the Balance Sheet.

	(Rupees in Thousands)
Land	32,025
Building	50,962
Plant, Machinery and equipment fabrication	78,868
Electrical equipment	4,244
Computers	2,673
Furniture & Fixture	1,100
Office equipment, telephone system and fire fighting equipment	790

	170,662
	=====

BOARD OF DIRECTORS

During the year under review, Mr. H. S. Mufti and Mr. Razi-ur-Rehman Khan resigned from the Board of Directors. The casual vacancies caused by their resignation were filled by the appointment of Mr. Ahmed Kuli Khan Khattak and Mr. Anis Wahab Zuberi respectively, on 7th December, 1999.

Begum Tehmina Habibullah Khan nominated Lt. Gen. (Retd) Ali Kuli Khan Khattak to be her alternate on the Board of Directors. Lt. Gen. (Retd) Ali Kuli Khan Khattak was appointed alternate Director of Begum Tehmina Habibullah Khan on 7th December, 1999.

The Directors appreciate the services rendered by the outgoing Directors and welcome the incoming Directors.

APPOINTMENT OF AUDITORS

The retiring auditors M/s. Taseer Hadi Khalid & Co., Chartered Accountants, being eligible have offered themselves for re-appointment.

COMPUTER SYSTEM

The Company has improved and upgraded its Computer System to make it Year 2000 Compliant.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company as at 30th June, 1999 is given on page 26.

ASSISTANCE BY OUR PRINCIPALS

The Management and your Directors would like to express their appreciation for the continuous support by your company's Principals and Partners, M/s. Nissan Diesel Motor Co. Ltd. and M/s. Tomen Corporation, Japan.

LABOUR - MANAGEMENT RELATIONS

Your directors are pleased to report a very congenial and satisfactory relationship between the management and the dedicated workers of your company.

MANAGEMENT/STAFF/WORKERS/DEALERS/VENDORS

Your Directors wish to record their appreciation for the efforts of the management, staff, workers, dealers and vendors and look forward to their continued dedicated efforts in future.

FUTURE PROSPECTS

The decline in the market for heavy duty Commercial Vehicles caused by the stagnation in economic activity, the duty free import of Dump Trucks amounting to inflow of about 30-40 units per month will have an adverse effect on the current year's performance. In addition, the steep decline in Pak Rupee against Japanese Yen, will push up the cost of imports with little chances of substantial price increase in view of depressed market conditions and the effect of free import of Dump Trucks, the position is likely to aggravate further.

Unless viable long term economic policies are introduced and adhered to, another difficult year seems ahead.

For and on behalf of the Board of Directors

RAZA KULI KHAN KHATTAK
CHAIRMAN/DIRECTOR

KARACHI: 7th December, 1999

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of GHANDHARA NISSAN DIESEL LIMITED as at 30 June 1999 and the related Profit and Loss Account and Statement of Changes in Financial Position, 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 and after due verification thereof, we report that:

(a) in our opinion, proper books of account 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 thereof 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;

© 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 and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and give a true and fair view of the state of the company's affairs as at 30 June 1999 and of the loss and the changes in financial position for the year then ended;

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

(e) without qualifying our opinion we draw attention to note 3.2. The company's fixed assets at 30 June 1999 have been revalued by Hamid Mukhtar & Co. The revaluation has been examined by Muniff Ziauddin & Co. Chartered Accountants.

KARACHI: 7th December, 1999

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET
AS AT 30 JUNE, 1999

	<i>NOTE</i>	<i>1999</i> <i>Rs '000</i>	<i>1998</i> <i>Rs '000</i>
FIXED ASSETS	3	190,717	116,672
LONG TERM INVESTMENT	4	1,500	--
DEPOSIT AGAINST LEASE FACILITY		1,785	1,481
DEFERRED DEVELOPMENT EXPENDITURE	5	3,567	--
CURRENT ASSETS			
Stores, spares and loose tools	6	1,549	3,729
Stock in trade	7	167,478	298,061
Trade debtors - unsecured considered good	8	30,553	102,565
Advances, deposits, prepayments and other receivables	9	150,192	177,954
Cash and bank balances	10	710	3,065
		-----	-----
		350,482	585,374
LESS: CURRENT LIABILITIES			
Current maturity of lease facility		6,637	5,935
Finance under mark-up arrangements - secured	11	199,620	172,368
Bills payable		4,567	69,049
Creditors, accrued expenses and other liabilities	12	100,327	200,844
Unclaimed dividends		301	324
Taxation	13	22,134	49,686
		-----	-----
		333,586	498,206
NET CURRENT ASSETS		-----	-----
		16,896	87,168
		-----	-----
		214,465	205,321
		=====	=====
SHARE CAPITAL	14	77,679	77,679
GENERAL RESERVE		36,000	36,000
ACCUMULATED (LOSS)/UNAPPROPRIATED PROFIT		(31,671)	259,867
		-----	-----
	15	82,008	139,546
SURPLUS ON REVALUATION			
OF FIXED ASSETS	16	121,094	51,111
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	17	4,187	8,513
DEFERRED LIABILITIES - Staff gratuity		7,176	6,151
CONTINGENCIES AND COMMITMENTS	18		
		-----	-----
		214,465	205,321
		=====	=====

These accounts should be read in conjunction with the attached notes.

RAZA KULI KHAN KHATTAK
Chief Executive

M. SALMAN SIDDIQUE
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 1999

	<i>NOTE</i>	<i>1999</i> <i>Rs '000</i>	<i>1998</i> <i>Rs '000</i>
Sales and services - Net	19	733,248	995,798
Cost of goods sold	20	686,141	867,447
		-----	-----
Gross profit		47,107	128,351
Administration and selling expenses	21	53,696	59,085

Operating (loss)/profit		(6,589)	69,266
Other income	22	2,329	2,207
		(4,260)	71,473
Financial charges	23	49,567	33,290
Workers' profit participation fund		--	1,909
Workers' welfare fund		--	711
		49,567	35,910
(Loss)/Profit before taxation		(53,827)	35,563
Provision for taxation			
- Current year		3,711	15,402
- Prior year		--	5,113
		3,711	20,515
(Loss)/Profit after taxation		(57,538)	15,048
Unappropriated profit brought forward		25,867	10,819
Accumulated (Loss)/Unappropriated profit carded forward		(31,671)	25,867
(LOSS)/PROFIT PER SHARE- BASIC AND DILUTED 30		(7.41)	1.94

These accounts should be read in conjunction with the attached notes.

RAZA KULI KHAN KHATTAK
Chief Executive

M. SALMAN SIDDIQUE
Director

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE, 1999

	NOTE	1999 Rs '000	1998 Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(53,827)	35,563
Adjustments for:			
Depreciation		16,533	13,277
Provision for staff gratuity		1,025	3,878
Mark-up and lease finance charges		40,658	29,043
Gain on sale of fixed assets		(464)	(478)
Loss on revaluation		108	--
Amortisation of development expenditure		891	--
Return on investment		--	(110)
		4,924	81,173
Changes in operating assets and liabilities			
Decrease/(Increase) in stores, spares & loose tools		2,180	445
(Increase)/Decrease in Stock in trade		130,583	(8,200)
(Increase)/Decrease in Trade debtors		72,012	(102,980)
(Increase)/Decrease in Advances, deposits & prepayments		20,944	(10,975)
Increase/(Decrease) in Bills payable		(64,482)	11,354
Increase/(Decrease) in Trade creditors		(100,821)	57,817
		60,416	(52,539)
Interest paid		(40,356)	(26,492)
Income tax paid		(24,445)	(33,074)
		(64,801)	(59,566)
Net cash in flow/(out flow) from operating activities		539	(30,932)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(21,961)	(4,586)
Long term investment		(1,500)	--
Payment of dividend		(23)	(11,629)
Return on investment		--	110
Sales proceeds of fixed assets sold		310	253
Net cash out flows from investing activities		(23,174)	(15,852)

CASH FLOWS FROM FINANCING ACTIVITIES

Finance lease liability		(6,972)	(5,278)
		-----	-----
Net cash out flows from financing activities		(6,972)	(5,278)
		-----	-----
Net decrease in cash and cash equivalents		(29,607)	(52,062)
Cash and cash equivalents at beginning of the year		(169,303)	(117,241)
		-----	-----
Cash and cash equivalents at end of the year	27	(198,910)	(169,303)
		=====	=====

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE, 1999****1. STATUS AND NATURE OF BUSINESS**

GHANDHARA NISSAN DIESEL LIMITED was incorporated in 1985 as a public company in Pakistan under the terms of a joint venture agreement concluded among Ghandhara Nissan Limited, Nissan Diesel Motor Company Limited of Japan and Tomen Corporation of Japan who are also shareholders of the Company. It is quoted on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is the assembly and progressive manufacturing of Nissan trucks and buses in Pakistan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation**

These accounts have been prepared in accordance with International Accounting Standards as applicable in Pakistan.

2.2 Accounting convention

These accounts have been prepared on the basis of the historical cost convention as modified by revaluation of fixed assets.

2.3 Fixed capital expenditure**Owned**

(i) Fixed assets are stated at valuation less accumulated depreciation except for freehold land which is stated at revalued amount. On disposal, the value of the assets and the depreciation is adjusted from both the accounts and the resultant gain or loss is dealt with through profit and loss account. The portion relating to gem or loss relating to revaluation on assets disposed is transferred to profit and loss account from surplus on revaluation of fixed assets account. The revaluation of assets is carried out every five years.

(ii) Depreciation is charged to income applying the straight line method at the rates indicated in Note 3.

(iii) A full year's depreciation is charged on the assets acquired during the year, whereas no depreciation is charged in the year of disposal.

(iv) Normal repairs and maintenance are charged to expenses as and when incurred.

Leased

The company accounts for fixed assets obtained under finance lease by recording the assets and related liability. These are stated at cost less accumulated depreciation. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liability. Depreciation is charged to income applying the straight line method at the rates indicated in Note 3.

2.4 Investment

Long term investment are valued at cost. Provision is made for decline, other than temporary in value of investments.

2.5 Capital work-in-progress

Capital work-in-progress is stated at cost.

2.6 Deferred Development Cost

Deferred development cost represents cost of parts utilised for development of local

parts for new models. These are being amortised over five years.

2.7 Stores, spares and loose tools

These are valued at cost on weighted average basis.

2.8 Stock in trade

These are valued at lower of cost and net realisable value. The various classes of stock in trade are valued as follows:

CKD Kits	At identifiable import cost and incidentals.
Local raw materials	At cost on weighted average basis.
Work in process and finished goods	At cost which comprises of raw materials, import incidentals, direct labour and appropriate portion of overhead costs.
Stock in transit	Comprises of letter of credit opening charges plus other charges incurred thereon.

Net realisable value signifies the selling price in the ordinary course of business less cost which are necessary to be incurred in order to make the sale.

2.9 Retirement benefits

The company operates a recognised provident fund scheme for the benefit of its employees and contributions are made as per the rules of the fund.

The company operates an unfunded gratuity scheme for all its regular and permanent employees and is proposing to setup an approved Gratuity Fund. For this purpose, an actuarial valuation was carded out at 30 June 1998 using the "Attained Age Normal Method". Based on the actuarial recommendation, annual contributions at the rate of 7.88% of annual basic salary are required with effect from 30 June 1998. Main valuation assumptions used for actuarial valuation were as under:

- Expected rate of return on investment	12% per annum
- Expected rate of increase in salaries	12% per annum

2.10 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any. The company accounts for deferred taxation using the liability method on all major timing differences (excluding timing difference due to revaluation of assets) that are likely to reverse in the foreseeable future. However, deferred tax debits are not recognised in the accounts.

2.11 Foreign currencies

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Exchange differences are charged to the income currently.

2.12 Income recognition

Revenue is recognised when goods are sold. Goods are treated as sold when invoiced and ready for delivery. Warranty claims are recognised in the accounts as and when accepted.

3. FIXED ASSETS

NAME OF ASSET	COST				RATE	DEPRECIATION			AS AT 30 JUNE 1999	WRITTEN
	AS AT 01 JULY 1998	ADDITIONS/ (DISPOSAL)	SURPLUS ON REVALUATION	AS AT 30 JUNE 1999		As AT 01 JULY 1998	FOR THE YEAR (ON DISPOSAL) AMORTISATION	RELEASED ON REVALUATION/		AS AT 30 JUNE 1999
	RS '000	RS '000	RS '000	Rs '000	%	RS '000	RS '000	RS '000	RS '000	RS '000
TANGIBLE OWNED:										
Freehold land	25,882	--	6,143	32,025	--	--	--	--	--	32,025
Plant building										
freehold land	40,501	--	10,461	50,962	2.50	3,461	1,013	(4,474)	--	50,962
Plant and machinery	37,667	11,440	30,361	78,868	10.00	13,071	4,851	(17,712)	--	78,868
		(600)					(210)			
Furniture and fixtures	1,809	27	(736)	1,100	12.50	476	230	(706)	--	1,100

Vehicles	21,710	--	--	21,710	20.00	14,072	4,342		18,414	3,296
Office equipment	346		(186)	160	12.50	137	43	(180)	--	160
Computers	826	2,910	(1,063)	2,673	20.00	292	747	(1,039)	--	2,673
Telephone system	978	38	(426)	590	12.50	257	127	(384)	--	590
Electrical equipment	4,010	274	(40)	4,244	12.50	883	536	(1,419)		4,244
Fire fighting equipment	73	--	(33)	40	10.00	20	7	(27)	--	40
	-----	-----	-----	-----		-----	-----	-----	-----	-----
	133,802	14,689	44,481	192,372		32,669	11,896	(25,941)	18,414	173,958
		(600)					(210)			
LEASED										
Vehicles	11,301	3,044	--	14,345	20.00	3,233	2,869	--	6,102	8,243
Plant and machinery	8,300	--	--	8,300	10.00	830	830	--	1,660	6,640
	-----	-----	-----	-----		-----	-----	-----	-----	-----
	19,601	3,044	--	22,645		4,063	3,699	--	7,762	14,883
INTANGIBLE										
Computer software	--	2,814	--	2,814	33.34	--	938	--	938	1,876
	-----	-----	-----	-----		-----	-----	-----	-----	-----
1999	153,403	20,547	44,481	217,831		36,732	16,533	(25,941)	27,114	190,717
			(600)				(210)			
	-----	-----	-----	-----		-----	-----	-----	-----	-----
1998	134,532	19,321	--	153,403		23,679	13,277	--	36,731	116,672
		(450)					(255)			
	=====	=====	=====	=====		=====	=====	=====	=====	=====

3.1 Depreciation has been allocated as follows:

	<i>NOTE</i>	<i>1999</i> <i>Rs '000</i>	<i>1998</i> <i>Rs '000</i>
Cost of goods sold.	20	7,982	6,876
Administration and selling expenses	21	8,551	6,401
		-----	-----
		16,533	13,277
		=====	=====

The depreciation charge for the year has been calculated on values prior to revaluation on 30 June 1999.

3.2 As at 30 June 1999, all of the company's fixed assets except vehicles were revalued by Hamid Mukhtar & Co., and examined by Muniff Ziauddin & Co., Chartered Accountants. The valuation was determined on the following basis:

Freehold Land	Present Market Value of similar properties in the area.
Plant Building	Present cost of construction discounted for approximate depreciation.
Plant and Machinery	Replacement value of similar machinery at current exchange rates discounted for depreciation depending on the age, maintenance, usage and change of technology/obsolescence.
Others	Assessed market value.

The surplus arising on revaluation was credited to surplus on revaluation of fixed assets account.

3.3 Had there been no revaluation, the net book value of fixed assets at cost less accumulated depreciation would amount to:

	<i>Net book value</i> <i>1999</i> <i>Rs '000</i>	<i>1998</i> <i>Rs '000</i>
Owned		
Freehold land	16,292	16,292
Plant building - freehold land	--	--
Plant and machinery	25,792	26,675
Furniture and fixtures	14,578	4,389
Vehicles	1,193	1,476
Office equipment	1,732	2,974
Computers	45	75
Telephone system	3,067	677
Electrical equipment	612	601
Fire fighting equipment	3,358	3,299
	39	48
	-----	-----
	66,708	56,506
Leased:		
Vehicles	8,282	8,068

Plant and machinery	6,640	7,470
	-----	-----
	81,630	72,044
	=====	=====

3.4 Disposal of Fixed Assets

	<i>Cost/ revalued amount</i>	<i>Net Book Value (Rupees in '000)</i>	<i>Sales Proceeds</i>	<i>Mode of Disposal</i>	<i>Particulars of buyer</i>
Generator (75 KVA)	150	98	76	Tender	Kadir Yousuf & Co. Umer Sons Building Shop # 1, Keri Road Off: Nishter Road Karachi.
Generator (156 KVA)	225	146	117	Tender	Kadir Yousuf & Co. Umer Sons Building Shop # 1, Keri Road Off: Nishter Road Karachi.
Generator (156 KVA)	225	146	117	Tender	Kadir Yousuf & Co. Umer Sons Building Shop # 1, Keri Road Off: Nishter Road Karachi.
TOTAL	----- 600	----- 390	----- 310		
	=====	=====	=====		

4. LONG TERM INVESTMENT

This represents 150,000 shares of Automotive Testing & Training centre (Private) Limited.

5. DEFERRED DEVELOPMENT EXPENDITURE

	<i>1999 Rs '000</i>	<i>1998 Rs '000</i>
Cost incurred during the year	4,459	--
Less: Amortized during the year	892	--
	-----	-----
Balance	3,567	--
	=====	=====

6. STORES, SPARES AND LOOSE TOOLS

Stores, spares and loose tools include consumables, paints and spares for maintenance of plant and equipments.

7. STOCK IN TRADE

	<i>1999 Rs '000</i>	<i>1998 Rs '000</i>
Raw materials in transit	4,404	123,614
Raw materials	93,729	112,469
Work in process	2,832	13,636
Spare parts for sale	32,722	21,497
Finished goods	33,791	26,845
	-----	-----
	167,478	298,061
	=====	=====

8. TRADE DEBTORS -unsecured considered good

Spare parts	3,110	1,793
Vehicles	27,443	100,772
	-----	-----
	30,553	102,565
	=====	=====

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Short term advances - unsecured considered good		
Staff	1,261	1,216
Taxation - Income Tax	105,216	112,034
Sales Tax	3,267	2,680
Contractors and suppliers	2,090	16,976
Letter of credit opening charges	92	526
Letter of credit margin	6,284	--

		-----	-----
		118,210	133,432
Deposits			
Security deposits		436	184
Earnest money		348	--
		-----	-----
		784	184
Prepayments		445	1,185
Other receivables			
Due from associated undertakings	9.1	25,131	32,558
Octroi recoverable		5,052	6,634
Others		570	3,961
		-----	-----
		30,753	43,153
		-----	-----
		150,192	177,954
		=====	=====

9.1 No interest is charged on these balances. The maximum aggregate amount due from associated undertakings at the end of any month during the year amounted to Rs. 30.881 million (1998' Rs. 32.406 million).

10. CASH AND BANK BALANCES

Cash in hand		17	15
At banks - on current accounts		693	3,050
		-----	-----
		710	3,065
		=====	=====

11. FINANCE UNDER MARKUP ARRANGEMENTS - Secured

Running finance		103,509	130,345
Short term trade finance		96,111	42,023
		-----	-----
		199,620	172,368
		=====	=====

The company has aggregate running finance facilities of Rs. 110.46 million (1998: Rs. 137 million) from various banks. The rates of markup range between Rs. 0.4384 to Rs. 0.6027 per thousand per day/. These facilities are repayable on various dates by 31 December 1999 and are renewable. These arrangements are secured by way of charge on company's immovable assets, present and future, hypothecation of stock and receivables.

12. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Sales tax payable		4,812	638
Creditors for goods and services		29,947	29,116
Due to associated undertakings		12,730	12,229
Accrued expenses		20,920	25,886
Accrued markup		7,208	6,905
Advances from customers		19,587	119,584
Accrued markup on customers' advances		535	535
Security deposits		350	350
Tax deducted payable to authorities		480	83
Workers' profit participation fund	12.1	--	1,909
Workers' welfare fund		2,736	2,736
Others		1,022	873
		-----	-----
		100,327	200,844
		=====	=====

12.1 Workers' profit participation fund

Balance as at 1st July 1998		1,909	5,437
Allocation for the year		--	1,909
		-----	-----
Amount available		1,909	7,346
Return on fund utilised in company's business		318	918
		-----	-----
		2,227	8,264
Less: Paid during the year		(2,227)	(6,355)
		-----	-----
Balance as at 30th June, 1999		--	1,909
		=====	=====

13. TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1997-98. The assessment orders for the year 1989-90 to 1997-98 are under various stages of appeal. In case of adverse decision in appeals, no additional liability is likely to arise.

	1999 Rs '000	1998 Rs '000
14. SHARE CAPITAL		
Authorised		
12,000,000 Ordinary shares of Rs. 10 each	120,000	120,000
Issued, subscribed and paid up		
4,323,000 Ordinary shares of Rs. 10 each fully paid in cash	43,230	43,230
3,444,888 Ordinary shares of Rs. 10 each issued as fully paid bonus shares	34,449	34,449
7,767,888	77,679	77,679

15. CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	General Revenue Reserve	Unappropriated Profit/ Accumulated (Loss)	Total Profit/
Balance on 30 June 1997	77,679	36,000	10,819	124,498
Profit for the year	--	--	15,048	15,048
Balance on 30 June 1998	77,679	36,000	25,867	139,546
Loss for the year	--	--	(57,538)	(57,538)
Balance on 30 June 1999	77,679	36,000	(31,671)	82,008

16. SURPLUS ON REVALUATION OF FIXED ASSETS

	1999 Rs '000	1998 Rs '000
Balance at beginning of the year	51,111	51,561
Addition during the period	70,527	--
	121,638	51,561
Released to profit and loss account on assets disposal	(544)	(450)
Balance at end of the year	121,094	51,111

17. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

	1999 Rs '000	1998 Rs '000
Minimum lease rentals at beginning of the year	14,448	3,996
Additions during the year	3,044	14,735
	17,492	18,731
Less: Payment during the year	(6,668)	(4,283)
	10,824	14,448
Less: Transferred to current maturity	(6,637)	(5,935)
	4,187	8,513

17.1 Approximate discounting factor ranges from 18.50% to 22.23% per annum. The future commitments for minimum lease payments under various lease arrangements are as follows:

1999-2000	9,019
2000-2001	3,431
2001-2002	197

	12,647
Less: Financial charges allocated to future period	(1,823)

	10,824
	=====

18. CONTINGENCIES AND COMMITMENTS

18.1 National Development Finance Corporation has claimed Rs.0.703 million (1998: Rs. 0.703 million), against the company relating to commitment fee against the sanctioned financing facility which was surrendered by the company. The company has not acknowledged this claim.

18.2 Claim against the company by a supplier relating to mark-up on balance amounting to Rs. 0.102 million (1998: Rs. 0.102 million).

18.3 The Deputy Collector of Sales Tax has issued show cause notice to the company alongwith other similar units alleging that between 01 July 1990 to 17 October 1993, the company had supplied truck and bus chassis with and without cabins, without recovering sales tax. An amount of Rs. 869.106 million has been claimed. The company has filed an application for exemption under section 65 of the Sales Tax Act, 1990. Pending decision on the application for exemption, the Company has been granted a Stay from the High Court of Sindh. The company's Legal Advisors are hopeful that exemption under Section 65 will be granted.

18.4 The company's bankers have issued bank guarantees amounting to Rs.5.440 million against supply of vehicles to various government authorities (1998: Rs. 2.4 million).

18.5 Post dated cheques held by Collector of Customs as a security against the concessional rate of duty amounted to Rs. 113.544 million (1998: Rs. 219.026 million).

	<i>1999</i>	<i>1998</i>
	<i>Rs '000</i>	<i>Rs '000</i>
19. SALES AND SERVICES		
Sales and services	742,167	1,013,108
Less: Commission and selling expenses	(8,919)	(17,310)
	-----	-----
	733,248	995,798
	=====	=====

20. COST OF GOODS SOLD

Raw materials consumed	20.1	606,852	734,003
Stores and spares consumed		9,443	10,675
Salaries, wages and other benefits		18,487	19,147
Insurance		2,045	2,095
Fuel and power		612	2,043
Printing and stationery		147	174
Test and trial expenses		1,016	--
Travelling		378	385
Postage and telephone		413	415
Depreciation	3.1	7,982	6,876
Repairs and .maintenance		705	877
Material handling		776	1,215
Royalty expenses		2,915	2,433
Cost of body fabrication		17,916	5,756
Cost of pans sold		12,528	15,755
Other manufacturing expenses		1,263	1,333
Excess of warranty claim		(1,195)	(1,990)
Opening stock of work in process		13,636	25,419
Closing stock of work in process		(2,832)	(13,636)
		-----	-----
Cost of goods manufactured		693,087	812,975
Opening stock of finished goods		26,845	81,317
Closing stock of finished goods		(33,791)	(26,845)
		-----	-----
		686,141	867,447
		=====	=====

20.1 Raw materials consumed

Opening stock	236,083	161,951
Add: Purchases	468,902	808,135
	-----	-----
	704,985	970,086
Less: Closing stock	(98,133)	(236,083)
	-----	-----
	606,852	734,003

	1999	1998
	Rs '000	Rs '000
21. ADMINISTRATION AND SELLING EXPENSES		
Salaries, wages, and other benefits	25,421	26,889
Directors' fee	4	16
Rent, rates and taxes	1,171	1,642
Insurance	2,135	2,603
Repairs and maintenance	2,475	1,093
Office renovation	--	1,033
Auditors' remuneration	21.1	124
Depreciation	3.1	6,401
Advertising and sales promotion	1,199	5,109
Software development expenses	1,250	--
Travelling	1,958	3,706
Legal and professional charges	1,042	1,335
Fee and subscriptions	527	577
Motor running expenses	1,097	803
Utilities	2,923	2,778
Printing and stationery	1,315	1,351
Newspapers and periodicals	25	16
Security expenses	594	429
Loss on revaluation	108	--
Others	1,754	3,180
	-----	-----
	53,696	59,085

21.1 Auditors' remuneration

Audit fee	45	45
Sundry advisory services	55	50
Special certifications	12	
Out of pocket expenses	35	29
	-----	-----
	147	124

22. OTHER INCOME

Return on investment	--	110
Sale of wood scrap	613	1,398
Gain on sale of fixed assets	464	478
Miscellaneous income	1,252	221
	-----	-----
	2,329	2,207

23. FINANCIAL CHARGES

Markup and excise duty on running finance	37,723	26,307
Lease finance charges	2,937	2,736
Bank charges	197	700
Mark-up on WPP Fund utilised	318	918
Exchange loss	8,392	2,629
	-----	-----
	49,567	33,290

24. TRANSACTIONS WITH ASSOCIATED COMPANIES

	1999	1998
	Rs '000	Rs '000
Aggregate amounts in respect of:		
Goods sold to associated company	--	3,915
Purchases made from associated undertakings	406,724	664,573
Cost allocated by/to associated undertaking	13,347	9,600
Commission paid to associated undertaking	2,555	6,488
Insurance charged by associated undertaking	4,603	5,879

25. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	1999		1998		
	Directors	Chief Executive (Rupees in '000)	Executives	Chief Executives (Rupees in '000)	Executives
Remuneration	1,337	1,440	9,318	1,440	7,205
Provident fund	34	--	329	--	312
Utilities	86	133	428	147	416
Medical	35	--	496	62	435
	-----	-----	-----	-----	-----
	1,492	1,573	10,571	1,649	8,368
	=====	=====	=====	=====	=====
Number of persons	1	1	27	1	26

25.1 Meeting fee paid to eight directors Rs. 4,000 (1998: Rs. 16,000 paid to ten directors).

25.2 Certain executives of the company are provided with free use of cars.

26. NUMBER OF EMPLOYEES

Total number of employees at 30 June 1999 were 198 (1998: 204).

27. CASH AND CASH EQUIVALENTS

	1999 Rs '000	1998 Rs '000
Cash and bank balances	710	3,065
Finance under mark-up arrangements	(199,620)	(172,368)
	-----	-----
	(198,910)	(169,303)
	=====	=====

28. PLANT CAPACITY AND PRODUCTION

The production capacity of the plant cannot be determined as this depends upon the relative production of various types of trucks and bus chassis.

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 Interest rate risk exposure

The company's exposure to interest rate risk and the effective rates on its financial assets and liabilities are summarized as follows:

(Rupees in '000)

1999	Interest bearing		Non Interest bearing	Total
	Within one Year	One year to five years		
Financial assets				
Trade debts	--	--	30,552	30,552
Advances, deposits, and other receivables	--	--	44,531	44,531
Cash and bank balances	--	--	710	710
	-----	-----	-----	-----
	--	--	75,793	75,793
	=====	=====	=====	=====
Financial liabilities				
Liabilities against assets subject to finance lease	--	4,187	--	4,187
Finance under mark-up arrangements	199,620	--	--	199,620
Bills payable	--	--	4,566	4,566
Staff retirement gratuity	--	--	7,176	7,176
Current maturity of assets subject to finance lease	6,637	--	--	6,637
Creditors, accrued and other liabilities	--	--	100,327	100,327
	-----	-----	-----	-----
	206,257	4,187	112,069	322,513
	=====	=====	=====	=====
Average interest rates	20.08%	20.62%		

29.2 Concentration of credit risk and credit exposures of the financial instruments.

The company does not believe it is exposed to major concentration of credit risk. The company applies approved limits to the amount of credit exposure to any one

counterparty. However, an amount of Rs. 20,553 million (1998:100,772 million) is outstanding at 30 June 1999 from government agencies.

29.3 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates their fair values.

30. (LOSS)/PROFIT PER SHARE - BASIC AND DILUTED

	<i>1999</i> <i>Rs '000</i>	<i>1998</i> <i>Rs '000</i>
Net (loss) profit for the year	(57,538)	15,048
Weighted average number of outstanding ordinary shares in thousand	7,768	7,768
(Loss)/profit per share	(7.41)	1.94

31. GENERAL

31.1 Previous year's amount have been rearranged, wherever necessary, to facilitate comparison.

31.2 Figures have been rounded off to the nearest thousand of rupees.

PATTERN OF SHAREHOLDING AS AT 30 JUNE 1999.

<i>Sr. No.</i>	<i>Number of Share Holders</i>	<i>Shareholding</i>	<i>Total Shares held</i>	<i>Percentage</i>	
1	393	1	100	14926	0.1922
2	285	101	500	71185	0.9164
3	154	501	1000	121188	1.5601
4	123	1001	5000	234051	3.0131
5	10	5001	10000	67302	0.8664
6	4	10001	15000	51997	0.6694
7	2	15001	20000	33771	0.4348
8	1	20001	25000	20987	0.2701
9	2	25001	30000	54050	0.6958
10	1	35001	40000	39043	0.5026
11	1	50001	55000	52468	0.6754
12	1	65001	70000	66483	0.8559
13	1	140001	145000	143732	1.8503
14	1	435001	440000	438691	5.6475
15	1	775001	780000	777546	10.0097
16	1	1165001	1170000	1167069	15.0243
17	1	1585001	1590000	1585571	20.4119
18	1	2825001	2830000	2827830	36.4041
983				7767890	100.0000

<i>Categories of Share Holders</i>	<i>Number of Share Holders</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	964	739021	9.5138
Investment Companies	1	100	0.0013
Insurance Companies	2	66893	0.8611
Joint Stock Companies	5	2829074	36.4201
Financial Institutions	4	2032912	26.1707
Modaraba Companies	1	300	0.0039
Foreign Companies	3	1949758	25.1002
Central Depository Co. of PAK.	1	143732	1.8504
Non-Resident (Pak Rs.)	2	6100	0.0785
TOTAL:	983	7767890	100.0000