

Gandhara Nissan Diesel Limited

Annual Report 2000

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Raza Kuli Khan Khattak
Lt. Gen. (Retd.) All Kuli Khan Khattak
Begum Tehmina Habibullah Khan
Mr. Mushtaq Ahmed Khan
Mr. Taiji Hatanaka
(Alternate of Mr. Norio Abe)
Mr. Mitsuo Doi
Mr. Shamim Ahmed
Mr. Anis Wahab Zuberi
Ms. Aaliya K. Dossa

Chairman and Chief Executive

SECRETARY

Mr. Aqiel Amjad Ghani

REGISTERED OFFICE

Gandhara House,
109/2, Clifton,
Karachi.

FACTORY

Port Bin Qasim,
Karachi.

BANKERS OF THE COMPANY

Bank Al Falah
Allied Bank of Pakistan Ltd.
American Express Bank Ltd.
Standard Chartered Grindlays Bank
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.
Al-Barka Islamic Bank
Habib Bank AG Zurich

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 14th Annual General Meeting of Shareholders of Ghandhara Nissan Diesel Limited will be held on Saturday, the 30th December, 2000 at 11.00 A.M., at Hotel Avari Towers, Fatima Jinnah Road, Karachi, to transact the following business:

1. To receive and consider the Audited Accounts of the Company for the year ended 30th June, 2000.
2. To appoint Auditors for the year ending 30th June, 2001 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 remuneration of two full time working Directors.
4. To transact any other business with the permission of the Chairman.

By Order of the Board

AQIEL AMJAD GHANI
Company Secretary

Karachi: 5th December, 2000.

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 29th December, 2000 to 4th January, 2001, (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 Hour, 109/2, Clifton, Karachi-6, not later than 48 hours before the time of the meeting.

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular-1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

(a) For Attending the Meeting

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his original National Identity Card (NIC) at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

(b) For Appointing Proxies

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- (ii) Attested copies of NIC of the beneficial owners and the proxy shall be furnished with the proxy form.

(iii) The proxy shall produce his original NIC at 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 of two full time working Directors, 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. 0.930 million be and is hereby approved for payment as remuneration to Mr. Norio Abe and Mr. Mitsuo Doi, full time working Directors".

CHAIRMAN'S REVIEW & DIRECTORS' REPORT

I welcome you on behalf of your Directors and myself to the Fourteenth Annual General meeting of your Company, and present before you the Annual Report for the year ended 30th June, 2000.

The year under review has been affected by the overall depressed market and economic stagnation. The first half of the year was affected by the sluggish market particularly of heavy duty commercial vehicles. The duty free import of dump trucks and clandestine entry into the country of trucks (at a conservative estimate of approximately forty units per month) further aggravated market conditions. Besides, the events of October, 1999 lead to an initial reaction of wait and see, which continued till the end of first half of the year. The downward trend halted during the first two months of the second half of the year and it was expected that the market for heavy duty commercial vehicles would pick up. However, the leniency on part of the Government towards condonation of smuggled vehicles (by regularizing such vehicles at concessional rates of duty) and the continuous import of dump trucks under the NRI (Custom Duty & Sales Tax free) did not allow sales to pick up as expected.

OPERATING RESULTS:

	<i>Year ended</i> <i>30th June 2000</i>	<i>Year ended</i> <i>30th June 1999</i>
	<i>(Rupees in Thousands)</i>	
Sales and Services	548,643	733,248
Gross Profit	33,026	46,898
Provision for Taxes (Net)	45098	3,711
Accumulated (Loss)/Unappropriated		
Profit brought forward	(31,671)	25,867
Accumulated (Loss) carried forward	(87,994)	(31,671)

A comparison of production and sales for the year under review with 1998/99 is given below :-

Year ended 30th June, 2000		Year ended 30th June, 1999	
<i>Production</i>	<i>Sales</i>	<i>Production</i>	<i>Sales</i>
327	357	528	512

Unit sales declined by 30%.

LOSS PER SHARE

The loss per share for the year under review amounted to Rs. 7.25.

BOARD OF DIRECTORS

During the year under review, Mr. Ahmed Kuli Khan Khattak, resigned from the Board of Directors. Subsequent to the year end, Mr. Nasim Beg and Mr. M. Salman Siddique also resigned.

The casual vacancies caused by their resignations were filled by the appointment of Lt. Gen (Retd.) Ali Kuli Khan Khattak in place of Mr. Ahmed Kuli Khan Khattak, and Mr. Shamim Ahmed in place of Mr. Nasim Beg, on 5th December, 2000.

Mr. Norio Abe nominated Mr. Taiji Hatanaka to be his alternate on the Board of Directors. Mr. Taiji Hatanaka was appointed the Alternate Director of Mr. Norio Abe on 5th December, 2000.

The Directors wish to record their appreciation for the services rendered by the outgoing Directors and welcome the incoming Directors.

INDUS BANK

During the course of import business with Indus Bank, the Company had, apart from other L/Cs, established four L/Cs valuing J.¥ 87.790m (Pak Rs. 42.586m) for the import of CKD kits shipped by Tomen Corporation Japan. The payment of these L/Cs was due on 25th May, 2000, and 14th June, 2000.

Despite receipt of full payment from the Company in respect of these letters of credit, Indus Bank did not remit the amount to the beneficiary's bankers in Japan on due dates, and this amount remains unremitted to date, despite several reminders. Based on a legal opinion obtained from Barrister Kazim Hasan, the Company considers that it has discharged its obligation against the said letters of credit.

APPOINTMENT OF AUDITORS

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

PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company as at 30th June, 2000 is given on page 9

ASSISTANCE BY OUR PRINCIPALS

Your Directors and Management of the Company would like to express their appreciation for the continued support extended 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 most cordial Labour-Management relations.

MANAGEMENT/STAFF/WORKERS/DEALERS/VENDORS

Your Directors place on record their appreciation for the hard work and dedication of the Management, staff, workers, dealers and vendors, and hope that they all will continue to perform with the same zeal and dedication.

FUTURE PROSPECTS

The Market of heavy duty commercial vehicles which had remained depressed during the last year, has continued to remain sluggish in the earlier months of the current year. It is expected that gradual recovery will take place. However, your company is committed to regain its market share and the management, with the blessings of Allah, is geared up to put the company back on the road to profitability.

For and on behalf of the Board of Directors

RAZA KULI KHAN KHATTAK
CHAIRMAN/DIRECTOR

KARACHI: 5th December, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of GHANDHARA NISSAN DIESEL LIMITED as at 30 June, 2000 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

(a) in our opinion, proper books of 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 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 except for the change explained in note 2.9 with which we concur;

ii) the expenditure incurred during the year w~ for the purpose of the Company's business; and

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2000 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 (XVIII of 1980).

Date: 5th December, 2000
KARACHI.

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS

PATTERN OF SHAREHOLDING AT 30 JUNE 2000.

Sr. No.	Number of Share Holders	Shareholding		Total	
		From	to	Shares held	Percentage
1	416	1	100	16173	0.2082
2	300	101	500	76391	0.9834
3	153	501	1000	121817	1.5682
4	127	1001	5000	255076	3.2837
5	13	5001	10000	86001	1.1071
6	4	10001	15000	49160	0.6329
7	4	15001	20000	68243	0.8785
8	1	25001	30000	27850	0.3585
9	1	30001	35000	31500	0.4055
10	1	35001	40000	39043	0.5026
11	1	45001	50000	48172	0.6201
12	1	50001	55000	52468	0.6755
13	1	95001	100000	99289	1.2782
14	1	435001	440000	438691	5.6475
15	1	775001	780000	777546	10.0098
16	1	1165001	1170000	1167069	15.0243
17	1	1585001	1590000	1585571	20.4119
18	1	2825001	2830000	2827830	36.4041
	1028			7767890	100.0000

Categories of Share Holders	Number of		
	Share Holders	Shares Held	Percentage
Individuals	1000	785862	10.1168
Investment Companies	2	31600	0.4068
Insurance Companies	2	66893	0.8612
Joint Stock Companies	11	2842008	36.5866
Financial Institutions	8	2086212	26.8569
Foreign Companies	3	1949215	25.0932
Non-Resident (Pak Rs.)	2	6100	0.0785
TOTAL:	1028	7767890	100.0000

BALANCE SHEET AS AT 30 JUNE, 2000

	NOTE	2000 Rs '000	1999 Rs '000
FIXED ASSETS	3	173,334	190,717
LONG TERM INVESTMENT	4	1,875	1,500
DEPOSIT AGAINST LEASE FACILITY		1,299	1,785
DEFERRED DEVELOPMENT EXPENDITURE	5	2,675	3,567
CURRENT ASSETS			
Stores spares and loose tools	6	1,375	1,549

Stock in trade	7	90,717	167,478
Trade debtors - unsecured considered good	8	19,265	30,553
Advances, deposits, prepayments and other receivables	9	108,095	150,192
Cash and bank balances	10	25,235	710
		-----	-----
		244,687	350,482

LESS: CURRENT LIABILITIES

Current maturity of lease facility		3,826	6.64
Finance under mark-up arrangements - secured	11	118,803	199,620
Bills payable		5,144	4,567
Creditors, accrued expenses and other liabilities	12	134,838	100,327
Unclaimed dividends		300	301
Taxation	13	5,553	22,134
		-----	-----
		268,464	333,586
		-----	-----
NET CURRENT (LIABILITIES)/ASSETS		(23,777)	16,896
		-----	-----
		155,406	214,465
		=====	=====

SHARE CAPITAL	14	77,679	77,679
GENERAL RESERVE		36,000	36,000
ACCUMULATED LOSS		(87,994)	(31,671)
		-----	-----
		25,685	82,008
SURPLUS ON REVALUATION OF FIXED ASSETS	15	120,760	121,094
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	16	229	4,187
DEFERRED LIABILITIES - Staff gratuity		8,732	7,176
CONTINGENCIES AND COMMITMENTS	17		
		-----	-----
		155,406	214,465
		=====	=====

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

RAZA KULI KHAN KHATTAK
Chief Executive

MITSUO DOI
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2000**

	<i>NOTE</i>	<i>2000</i> <i>Rs '000</i>	<i>1999</i> <i>Rs '000</i>
Sales and services - Net	18	548,643	733,248
Cost of goods sold	19	515,617	686,350
		-----	-----
Gross profit		33,026	46,898
Administration and selling expenses	20	52,960	53,487
		-----	-----
Operating loss		(19,934)	(6,589)
Other income	21	4,933	2,329
		-----	-----
Financial charges	22	(15,001)	(4,260)
		37,224	49,567
		-----	-----
Loss before taxation		(52,225)	(53,827)
Provision for taxation			
- Current year		3,564	3,711
- Prior year		534	--
		-----	-----
		4,098	3,711
		-----	-----

Loss after taxation		(56,323)	(57,538)
Accumulated (loss)/profit brought forward		(31,671)	25,867
		-----	-----
Accumulated loss carried forward		(87,994)	(31,671)
		=====	=====
LOSS PER SHARE - basic and diluted	29	(7.25)	(7.41)
		=====	=====

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

RAZA KULI KHAN KHATTAK
Chief Executive

MITSUO DOI
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE, 2000

	NOTE	2000 Rs '000	1999 Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(52,225)	(53,827)
Adjustments for:			
Depreciation		17,451	16,533
Provision for staff gratuity		1,556	1,025
Mark-up and lease finance charges		36,664	40,658
Gain on sale of fixed assets		(367)	(464)
Loss on revaluation		--	108
Amortisation of development expenditure		892	891
		-----	-----
		3,971	4,924
Changes in operating assets and liabilities			
Decrease/(Increase) in Stores, spares & loose tools		174	2,180
(Increase)/Decrease in Stock in trade		76,761	130,583
(Increase)/Decrease in Trade debtors		11,288	72,012
(Increase)/Decrease in Advances, deposits & prepayments		1,746	20,944
Increase/(Decrease) in Bills payable		577	(64,482)
Increase/(Decrease) in Trade creditors		36,726	(100,821)
		-----	-----
		127,272	60,416
		-----	-----
		131,243	65,340
Interest paid		(38,879)	(40,356)
Income tax refund-net		19,672	(24,445)
		-----	-----
		(19,207)	(64,801)
		-----	-----
Net cash flow from operating activities		112,036	539
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(618)	(21,961)
Long term investment		(375)	(1,500)
Payment of dividend		(1)	(23)
Sales proceeds of fixed assets sold		583	310
		-----	-----
Net cash flow from investing activities		(411)	(23,174)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease liability		(6,283)	(6,972)
		-----	-----
Net cash flow from financing activities		(6,283)	(6,972)
		-----	-----
Net increase/(decrease) in cash and cash equivalents		105,342	(29,607)
Cash and cash equivalents at beginning of the year		(198,910)	(169,303)
		-----	-----
Cash and cash equivalents at end of the year	26	(93,568)	(198,910)
		=====	=====

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

RAZA KULI KHAN KHATTAK

MITSUO DOI

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2000

	(Rs. in '000)			
	<i>Share Capital</i>	<i>General Revenue Reserve</i>	<i>Unappropriated Profit/ Accumulated(Loss)</i>	<i>Total</i>
Balance as on 30 June 1998	77,679	36,000	25,867	139,546
Loss for the year	--	--	(57,538)	(57,538)
Balance as on 30 June 1999	77,679	36,000	(31,671)	82,008
Loss for the year	--	--	(56,323)	(56,323)
Balance as on 30 June 2000	77,679	36,000	(87,994)	25,685

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

RAZA KULI KHAN KHATTAK
Chief Executive

MITSUO DOI
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2000

I. 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 Statement of compliance

These financial statements have been prepared in accordance with accounting standards issued by the International Accounting Standards Committee (IASC) and Interpretations issued by the Standing Interpretations Committee of the IASC, as adopted in Pakistan and the requirements of the Companies Ordinance, 1984.

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 cost or 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 gain 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 investments 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 cost of various classes of stock in trade are determined as follows:

CKD Kits	Identifiable import cost and incidentals.
Spare Parts for sale	Weighted average basis.
Local raw materials	Weighted average basis.
Work in process and finished goods	Cost of raw materials, import incidentals, direct labour and appropriate portion of overhead costs.
Stock in transit	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 an unfunded gratuity scheme for all its regular and permanent employees and is proposing to setup an approved Gratuity Fund.

Until last year "Attained Age Normal Method" was being used for the valuation of the gratuity scheme. From the current year the "Projected Unit Credit Method" has been used in view of requirements of the revised International Accounting Standard - 19, Employee Benefits. For this purpose, an actuarial valuation was carried out at 30 June 2000 using the "Projected Unit Credit Cost Method". Based on the Actuarial recommendation, annual contributions at the rate of 16.25% of annual basic salary is required to be made for the year 2000-2001.

The Change in actuarial valuation method, had resulted in a net transitional obligation of Rs. 0.394 million which is amortised over a period of five years starting from 1999-2000.

The amount recognised in profit and loss account for the year as gratuity cost includes the following:

	Rs '000
- Service cost	893
- Interest cost	866
- Amortisation of transitional obligation	78

- Total cost for 1.999-2000	1,837
	=====

The actual liability as at 30 June 2000 recognised in the balance sheet was arrived as follows:

	Rs '000
- Actuarial Liability	9,234
- Fair value of plan assets (unfunded scheme)	-
- Unfunded actuarial liability	9,234
- Unrecognised transitional obligation	(316)
- Unrecognised net loss	(186)
- Book provision	8,732

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/REVALUATION				RATE %	DEPRECIATION			WRITTEN DOWN VALUE AS AT 30 JUNE 2000 Rs '000	
	As AT 01 JULY 1999 Rs '000	ADDITIONS/ (DISPOSAL) Rs '000	SURPLUS ON REVALUATION RS '000	AS AT 30 JUNE 2000 RS '000		As AT 01 JULY 1999 RS '000	FOR THE YEAR/ (ON DISPOSAL) Rs '000	RELEASED ON REVALUATION RS '000		AS AT 30 JUNE 2000 Rs '000
TANGIBLE										
OWNED:										
Freehold land	32,025	--	--	32,025	--	--	--	--	--	31,025
Plant building										
freehold land	50,962	--	--	50,962	2.50	--	1,274	--	1,274	49,688
Plant and machinery	78,868	--	--	78,868	10.00	--	7,887	--	7,887	70,981
Furniture and fixtures	1,100	2	--	1,102	12.50	--	138	--	138	964
Vehicles	21,710	*4,866 (2,535)	--	24,041	20.00	18,414 *2,920	3,208 (1,985)	--	22,557	1,484
Office equipment	160	46	--	206	12.50	--	26	--	26	180
Computers	2,673	531	--	3,204	20.00	--	641	--	641	2,563
Telephone system	590	9	--	599	12.50	--	75	--	75	524
Electrical equipment	4,244	30	--	4,274	12.50	--	534	--	534	3,740
Fire fighting equipment	40	--	--	40	10.00	--	4	--	4	36
	192,372	5,484 (2,535)	--	195,321		18,414 *2,920	13,787 (1,985)	--	33,136	162,185
LEASED										
Vehicles	14,345	*(4,866)	--	9,479	20.00	6,102 *(2,920)	1,896	--	5,078	4,401
Plant and machinery	8,300	--	--	8,300	10.00	1,660	830	--	2,490	5,810
	22,645	*(4,866)	--	17,779		7,762 *(2,920)	2,726	--	7,568	10,211
INTANGIBLE										
Computer software	2,814	--	--	2,814	33.34	938	938	--	1,876	938
2000	217,831	618 (2,535)	--	215,914		27,114	17,451 (1,985)	--	42,580	173,334
1999	153,403	20,547 (600)	44,481	217,831		36,732	16,533 (210)	(25,941)	27,114	190,717

* Transferred from leased assets to owned assets.

3.1 Depreciation has been allocated as follows:

	NOTE	2000 Rs '000	1999 Rs '000
Cost of goods sold	19	11,005	7,982
Administration and selling expenses	20	6,446	8,551
		17,451	16,533

3.2 As at 30 June 1999, all of the company's fixed assets except vehicles were revalued by Harold 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>Written down value</i>	
	<i>2000</i>	<i>1999</i>
	<i>Rs '000</i>	<i>Rs '000</i>
Owned		
Freehold land	16,292	16,292
Plant building - freehold land	24,908	25,792
Plant and machinery	12,199	14,578
Furniture and fixtures	916	1,193
Vehicles	1,175	1,732
Office equipment	68	45
Computers	3,244	3,067
Telephone system	395	612
Electrical equipment	2,175	3,358
Fire fighting equipment	29	39
	-----	-----
	61,401	66,708
Leased:		
Vehicles	4,426	8,282
Plant and machinery	5,810	6,640
	-----	-----
	71,637	81,630
	=====	=====

3.4 Disposal of Fixed Assets

	<i>Cost/ revalued amount</i>	<i>Accumulated Depreciation</i>	<i>Written down Value (Rs '000)</i>	<i>Sales Proceeds</i>	<i>Mode of disposal</i>	<i>Particulars of buyer</i>
Suzuki Khyber	354	283	71	71	Terms of employment	Mr. Yawar Abbas 2/102-D, PECHS.. Karachi.
Suzuki Khyber	358	287	71	71	-do-	Mr. Mehmood-ur-Rehman 5-8/1, 16 - East Street Phase-I, D.H.A., Karachi.
Suzuki Mehran	257	154	103	86	-do-	Syed Sajid Nasim A-637, Sector 11-A North Karachi., Karachi.
Suzuki Mehran	257	154	103	107	-do-	Syed Mumtaz All Naqvi 5-2, Street 27 Model Colony, Karachi.
Nissan Sunny	600	540	60	106	-do-	Mr. Salman Siddique 1 I-A/2, Circular Street Phase-fl. D.H.A.. Karachi.
Suzuki Khyber	351	281	70	70	-do-	Mr. Tahir Javed MC 324/A Green Town, Karachi.
Suzuki Khyber	358	286	72	72	-do-	Mr. Bashir Ahmad Abbasi House No. 1726/1939 Ghaus Nagar, Baldia Town Karachi.
Total	-----	-----	-----	-----		
	2,535	1,985	550	583		
	=====	=====	=====	=====		

4. LONG TERM INVESTMENT

	<i>% of holding</i>	<i>2000 (Rupees in '000)</i>	<i>1999</i>
Long term investment	12.80	1,875	1,500

This represents 187,500 (1999:150,000) shares of Automotive Testing & Training Centre Pvt) Ltd.

Based on un-audited accounts the per share break up value of the company s share as at 30 June 2000 was Rs. 8.73.

Chief Executive Mr. Ramzan All Khwaja

5. DEFERRED DEVELOPMENT EXPENDITURE

Balance at the beginning of the year	3,567	--
Cost incurred during the year	--	4,459
Amortized during the year	(892)	(892)
	-----	-----
Balance at end of the year	2,675	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>2000 Rs '000</i>	<i>1999 Rs '000</i>
Raw materials in transit	5,243	4,404
Raw materials	31,973	93,729
Work in process	26,855	2,832
Spare parts for sale	23,654	32,722
Finished goods	2,992	33,791
	-----	-----
	90,717	167,478
	=====	=====

8. TRADE DEBTORS -unsecured considered good

Spare parts	1,580	3,110
Vehicles	17,685	27,443
	-----	-----
	19,265	30,553
	=====	=====

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Short term advances - unsecured considered good

Staff	1,359	1,261
Taxation - Income Tax	64,865	105,216
Sales Tax	3,267	3,267
Contractors and suppliers	2,658	2,090
Letter of credit opening charges	--	92
Letter of credit margin	1,809	6,284
Bank guarantee margin	276	--
	-----	-----
	74,234	118,210

Deposits

Security deposits	436	436
Earnest money	100	348
	-----	-----

Prepayments

	536	784
	104	445

Other receivables

Due from associated undertakings	9.1	28,639	25,131
Octroi recoverable		3,546	5,052
Others		1,036	570
		-----	-----
		33,221	30,753
		-----	-----
		108,095	150,192
		=====	=====

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. 33.261 million (1999: Rs. 30.881 million).

10. CASH AND BANK BALANCES

Cash in hand		2	17
At banks - on current accounts	10.1	25,233	693
		-----	-----
		25,235	710
		=====	=====

10.1 The above balances include Rs. 3.912 million held with Indus Bank Limited, whose operations were ceased subsequent to year end by State Bank of Pakistan due to various irregularities discovered during their inspection. The above balance is net of Rs. 42.586 million deposit in the deposit account and margin account against four letters of credit due in May and June 2000. Despite full payment and several reminders, the payment of above letters of credit has not been made to the supplier of goods. The company considers that it has discharged its obligation against the said letters of credit. No provision has been made against the deposit with bank as the management is hopeful of full recovery of the balance once the affairs of the bank are sorted out.

11. FINANCE UNDER MARKUP ARRANGEMENTS ' Secured

Running finance		93,472	103,509
Short term trade finance		25,331	96,111
		-----	-----
		118,803	199,620
		=====	=====

The company has aggregate running finance facilities of Rs. 93.67 million (1999: Rs. 110.46 million) from various banks. The rates of markup range between Rs. 0.4520 to Rs. 0.4932 per thousand per day. These facilities are in the process of renewal. 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		7,923	4,812
Creditors for goods and services		27,035	31,053
Due to associated undertakings		16,532	12,730
Accrued expenses		25,626	19,814
Accrued markup		4,993	7,208
Advances from customers		47,497	19,587
Accrued markup on customers' advance		535	535
Security deposits		350	350
Tax deducted payable to authorities		669	480
Workers' welfare fund		1,933	2,736
Others		1,745	1,022
		-----	-----
		134,838	100,327
		=====	=====

13. TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1999-2000. 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.

14. SHARE CAPITAL

	2000 Rs '000	1999 Rs '000
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. SURPLUS ON REVALUATION OF FIXED ASSETS

Balance at beginning of the year	121,094	51,111
Addition during the period	--	70,527
	-----	-----
	121,094	121,638
Released to profit and loss account on assets disposal	(334)	(544)

Balance at end of the year	120,760	121,094
----------------------------	---------	---------

16. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

Minimum lease rentals at beginning of the year	10,824	14,448
Additions during the year	--	3,044
Payments during [he year	10,824	17,492
Transferred to current maturity	(6,769)	(6,668)
	4,055	10,824
	(3,826)	(6,637)
	229	4,187

16.1 Approximate discounting factor range 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	4,186	3,431
200J-2002	238	197
Financial charges allocated to future periods	4,424	12,647
	(370)	(1,823)
	4,054	10,824

17. CONTINGENCIES AND COMMITMENTS

17.1 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.

17.2 During the year the company received a show cause notice from Appraisalment Collectorate, Karachi claiming that the company on import of certain CKD from its principals in Japan enjoyed special discounts and the said CKD were cleared on these discounted values without addition of "cost of association". The recovery proceedings are for Rs. 6.012 million representing custom duty, sales tax and income tax and penalties, if any, thereon. The above show cause notice is being contested in an appeal with Customs, Excise & Sales Tax Appellate Tribunal and stay upto 22 January 2001 has been granted against recovery of the above amount. No provision has been made in the account as in the opinion of company's legal advisor the authorities contention may not sustain to recover adjudged amount of duty and other dues.

17.3 The company's bankers have issued bank guarantees amounting to Rs.5.620 million against supply of vehicles to various government authorities (1999: Rs. 5.440 million).

17.4 Post dated cheques held by Collector of Customs as a security against the concessional rate of duty amounted to Rs. 131.210 million (1999: Rs. 113.544 million).

	2000 Rs '000	1999 Rs '000
18. SALES AND SERVICES		
Sales and services	556,798	742,167
Less :Commission and selling expenses	(8,155)	(8,919)
	548,643	733,248

19. COST OF GOODS SOLD

Raw materials consumed	19.1	452,035	606,852
Stores and spares consumed		4,048	9,443
Salaries, wages and other benefits		17,496	18,487

Insurance		2,066	2,045
Fuel and power		2,167	612
Printing and stationery		165	147
Test and trial expenses		914	1,016
Travelling		219	378
Postage and telephone		535	413
Depreciation	3.1	11,005	7,982
Repairs and maintenance		1,194	705
Material handling		348	776
Motor running expenses		207	209
Royalty expenses		2,196	2~915
Cost of body fabrication		--	17,916
Cost of parts sold		13,111	12.53
Other manufacturing expenses		1,392	!,263
Excess of warranty claim		(257)	(1,195)
Opening stock of work in process		2,832	13,636
Closing stock of work in process		(26,855)	(2,832)
		-----	-----
Cost of goods manufactured		484,818	693,296
Opening stock of finished goods		33,791	26,845
Closing stock of finished goods		(2,992)	(33,791)
		-----	-----
		515,617	686,350
		=====	=====

19.1 Raw materials consumed

Opening stock		98,133	236,083
Purchases		391,118	468,902
		-----	-----
		489,251	704,985
Closing stock		(37,216)	(98,133)
		-----	-----
		452,035	606,852
		=====	=====

20. ADMINISTRATION AND SELLING EXPENSES

	20.1	26,415	25,421
Directors' fee		10	4
Rent, rates and taxes		1,579	1,171
Insurance		1,722	2,135
Repairs and maintenance		2,389	2,475
	20.2	186	147
	3.1	6,446	8,551
Advertising and sales promotion		1,218	1,199
Software development expenses		--	1,250
Travelling		2,938	1,958
Legal and professional charges		1,663	1,042
Fee and subscriptions		482	527
Motor running expenses		922	888
Utilities		3,095	2,923
Printing and stationery		964	1,315
Newspapers and periodicals		27	25
Security expenses		606	594
Loss on revaluation		--	108
Others		2,298	1,754
		-----	-----
		52,960	53,487
		=====	=====

20.1 Salaries, wages and employees welfare cost shown under cost of goods sold (note 19) and selling and administration expenses includes:

- Gratuity		1,837	955
		=====	=====
- Provident Fund		1,053	844
		=====	=====

20.2 Auditors' remuneration

Audit fee		45	45
Sundry advisory services		93	55
Special certifications		7	12
Out of pocket expenses		41	35
		-----	-----
		186	147

21. OTHER INCOME

Sale of scrap	2,145	613
Gain on sale of fixed assets	368	464
Income on bank account	1,311	--
Miscellaneous income	1,109	1,252
	-----	-----
	4,933	2,329
	=====	=====

22. FINANCIAL CHARGES

Markup and excise duty on running finance	35,196	37,723
Lease finance charges	1,468	2,937
Bank charges	191	197
Mark-up on WPP Fund utilised	--	318
Exchange loss	369	8,392
	-----	-----
	37,224	49,567
	=====	=====

23. TRANSACTIONS WITH ASSOCIATED COMPANIES

Aggregate amounts in respect of:

Purchase made from associated undertaking	347,091	406,724
	=====	=====
Cost allocated by associated undertaking	12,126	13,347
	=====	=====
Commission paid to associated undertaking	1,750	2,555
	=====	=====
Insurance charge by associated undertaking	4,452	4,603
	=====	=====
Interest paid to associated undertaking	794	1,030
	=====	=====

**24. REMUNERATION OF DIRECTORS,
CHIEF EXECUTIVE AND EXECUTIVES**

	2000			1999		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)			(Rupees in '000)		
Remuneration	1,440	2,687	7,274	1,440	1,787	8,868
Provident fund	--	87	297	--	34	329
Gratuity	42	97	362	100	466	642
Utilities	193	175	299	133	116	398
Medical	--	83	256	--	35	496
	-----	-----	-----	-----	-----	-----
	1,675	3,129	8,488	1,673	2,438	10,733
	=====	=====	=====	=====	=====	=====
Number of persons	1	3	20	1	2	26

24.1 Meeting fee paid to 10 directors Rs. 9,500 (1999: Rs. 4,000 paid to 8 directors).

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

25. NUMBER OF EMPLOYEES

Total number of employees at 30 June 2000 were 192 (1999: 198).

26. CASH AND CASH EQUIVALENTS

	2000	1999
	Rs '000	Rs '000
Cash and bank balances	25,235	710
Finance under mark-up arrangements	(118,803)	(1,99,620)
	-----	-----
	(93,568)	(198,910)
	=====	=====

27. 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,

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 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)

	Interest bearing		Non	Total
	Within one Year	One year to five years	Interest bearing	
2000				
Financial assets				
Deposits against lease facility	--	--	1,299	1,299
Trade debts	--	--	19,265	19,265
Advances, deposits, and other receivables	--	--	83,490	83,490
Cash and bank balances	--	--	25,235	25,235
	-----	-----	-----	-----
	--	--	129,289	129,289
	=====	=====	=====	=====
Financial liabilities				
Liabilities against assets subject to finance lease	3,826	229	--	4,055
Finance under mark-up arrangements	118,803	--	--	118,803
Bills payable	--	--	5,144	5,144
Staff retirement gratuity	--	--	8,732	8,732
Creditors, accrued expenses and other liabilities	--	--	87,341	87,341
	-----	-----	-----	-----
	122,629	229	101,217	224,075
	-----	-----	-----	-----
On balance sheet gap	(122,629)	(229)	28,072	(94,786)
	=====	=====	=====	=====
Average interest rates	17.04%	19.81%		

	Interest bearing		Non	Total
	Within one Year	One year to five years	Interest bearing	
1999				
Financial assets				
Deposits against lease facility	--	--	1,785	1,785
Trade debts	--	--		
Advances, deposits, and other receivables	--	--	30,553	30,553
Cash and bank balances	--	--	54,476	54,476
	-----	-----	-----	-----
	--	--	710	710
	-----	-----	-----	-----
	--	--	87,524	87,524
	=====	=====	=====	=====
Financial liabilities				
Liabilities against assets subject to finance lease	6,637	4,187	--	10,824
Finance under mark-up arrangements	199,620	--	--	199,620
Bills payable	--	--	4,567	4,567
Staff retirement gratuity	--	--	7,176	7,176
Creditors, accrued expenses and other liabilities	--	--	80,740	80,740
	-----	-----	-----	-----
	206,257	4,187	92,483	302,927
	-----	-----	-----	-----
On balance sheet gap	(206,257)	(4,187)	(4,959)	(215,403)
	=====	=====	=====	=====
Average interest rates	20.08%	20.62%		

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

The company does not believe that it is exposed to major concentration of credit risk.

The company applies approved limits to the amount of credit exposure to any one counterparty. Trade debtors include an amount of Rs. 8.811 million (1999:20.553 million) is outstanding at 30 June 2000 from government agencies.

28.3 Fair value of the financial instruments

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

29. LOSS PER SHARE - BASIC AND DILUTED

	<i>2000</i>	<i>1999</i>
	<i>Rs '000</i>	<i>Rs '000</i>
Net loss for the year	(56,323)	(57,538)
Weighted average number of outstanding ordinary shares in thousand	7,768	7,768
Loss per share Rupees	(7.25)	(7.41)

30. GENERAL

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

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