

# **Ghandhara Nissan Diesel Limited**

## **Annual Report 2001**

### **CONTENTS**

Company Information  
Notice of Annual General Meeting  
Chairman's Review and Directors' Report  
Auditors' Report to the Members  
Balance Sheet  
Profit and Loss Account  
Cash Flow Statement  
Statement of Changes in Equity  
Notes to the Accounts  
Pattern of Shareholding

### **COMPANY INFORMATION**

#### **BOARD OF DIRECTORS**

Mr. Raza Kuli Khan Khattak	Chairman and Chief Executive
Lt. Gen. (Retd.) Ali Kuli Khan Khattak	
Mr. Ahmed Kuli Khan Khattak	
Mr. Mushtaq Ahmed Khan	
Chaudhry Sher Muhammad	
Mr. Mitsuo Doi	
Mr. Kazuaki Sasame	
Syed Haroon Rashid	
Mr. Ather Hussain Medina	

#### **CHIEF OPERATING OFFICER**

Mr. Tariq Khalil

#### **SECRETARY**

Mr. Aqiel Amjad Ghani

#### **REGISTERED OFFICE**

Ghandhara House,  
109/2, Clifton,  
Karachi.

#### **FACTORY**

Port Bin Qasim,  
Karachi.

#### **BANKERS OF THE COMPANY**

Bank Al Falah  
Allied Bank of Pakistan Ltd.  
Standard Chartered Grindlays Bank  
The Bank of Tokyo - Mitsubishi, Ltd.  
Credit Agricole Indosuez  
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.  
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 15th Annual General Meeting of Shareholders of Ghandhara Nissan Diesel Limited will be held on Wednesday, the 26th December, 2001 at 11.30 A.M., at the Registered Office of the Company, Ghandhara House, 109/2, Clifton, Karachi, to transact the following business:

1. To receive and consider the Audited Accounts of the Company for the year ended 30th June, 2001.
2. To appoint Auditors for the year ending 30th June, 2002 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 and approve the increase of Authorized Capital from Rs. 120 Million to Rs. 200 Million divided into 20 Million Ordinary Shares of Rs. 10/= each, and to amend the Memorandum and Articles of Association of the Company Accordingly.
4. To transact any other business with the permission of the Chairman.

**By Order of the Board**

**AQIEL AMJAD GHANI**  
**Company Secretary**

Karachi: 22nd November, 2001.

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 13th December, 2001 to 26th December, 2001, (both days inclusive). The same book closure will determine the entitlement of Right Shares.
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.

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular-I 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 increase in the Authorized Capital from Rs. 120 Million to Rs. 200 Million divided into 20 Million Ordinary Shares of Rs. 10/= each.

For this purpose, it is proposed that the following Resolution be passed as Special Resolution:-

"Resolved that the Authorized Capital of the Company be increased from Rs. 120 Million to Rs. 200 Million divided into 20 Million Ordinary Shares of Rs. 10/= each.

Further Resolved that the Memorandum of Association and Articles of Association of the Company be altered by substituting for the words and figures Rupees One Hundred Twenty Million (Rs. 120,000,000) divided into Twelve Million (12,000,000) Ordinary Shares appearing in clause V and Article 3.01 respectively, with words and figures Rupees Two Hundred Million (Rs. 200,000,000) divided into Twenty Million (20,000,000) Ordinary Shares of Rs. 10/= each."

**CHAIRMAN'S REVIEW & DIRECTORS' REPORT**

It gives me great pleasure to welcome you on behalf of your Directors and on my own behalf, to the Fifteenth Annual General Meeting of your Company.

It is heartening to note that despite the depressed market for most part of the year, losses have been reduced, and as I had stated in my last year's review, the management with all its efforts and Allah's blessings is bringing the Company back on the road to profitability.

**OPERATING RESULTS:**

	<i>Year ended 30th June, 2001</i>	<i>Year ended 30th June, 2001</i>
	<i>(Rupees in Thousands)</i>	
Sales and Services	527,429	548,643
Gross Profit	54,278	33,026
Provision for Taxes (Net)	2,681	4,098
Unappropriated Loss brought forward	(87,994)	(31,671)
Unappropriated Loss carried forward	(111,235)	(87,994)

A comparison of production and sales for the year under review with 1999/2000 is given below:-

<i>Year ended 30th June, 2001</i>		<i>Year ended 30th June, 2000</i>	
<i>Production</i>	<i>Sales</i>	<i>Production</i>	<i>Sales</i>
300	301	327	357

Unit sales declined by 15.68%.

**LOSS PER SHARE:**

The loss per share for the year under review amounted to Rs. 2.99.

**AUDITORS' REPORT:**

The Auditors' Report has been qualified for not providing an amount of Rs. 3.912 Million held with Indus Bank Limited and which is included in cash and bank balances.

The Directors are of the opinion that no provision is required to be made in the accounts, as the amount is recoverable in view of the legal steps undertaken for its recovery.

**BOARD OF DIRECTORS:**

During the year under review, election of Directors for a fresh term of three years effective 28th March, 2001 were held on 28th March, 2001, to elect ten directors as determined by the Board U/S 178(1) of the Companies Ordinance 1984.

The following ten persons (being the ultimate contestants), were deemed to be elected Directors at the Extra-Ordinary General Meeting held on 28th March, 2001.

- |                                |   |
|--------------------------------|---|
| 1. Mr. Raza Kuli Khan Khattak  | 2. Lt. Gen. (Retd.) Ali Kuli Khan Khattak |
| 3. Mr. Ahmed Kuli Khan Khattak | 4. Mr. Mushtaq Ahmed Khan - FCA           |

- |                           |                              |
|---------------------------|------------------------------|
| 5. Chaudhry Sher Mohammad | 6. Mr. Mitsuo Doi            |
| 7. Mr. Taiji Hatanaka     | 8. Mr. Kazuaki Sasame        |
| 9. Syed Zubair Ahmed      | 10. Mr. Ather Hussain Medina |

Subsequent to the year end Mr. Taiji Hatanaka has tendered his resignation from the Board of Directors, which was accepted on 16th November, 2001.

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

**RIGHT ISSUE:**

The Directors propose a 60% right issue of shares U/S-86 of the Companies Ordinance 1984 to the existing shareholders. The proceeds of the proposed issue will supplement the Working Capital requirements of the Company.

**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, 2001 is given on page 30.

**ASSISTANCE BY OUR PRINCIPALS:**

The Directors and Management would like to thank your Company's Principals and Business Partners M/s. Nissan Diesel Motor Co. Ltd. and M/s. Tomen Corporation, Japan, for their support and co-operation.

**LABOUR - MANAGEMENT RELATIONS:**

Your Directors express complete satisfaction and pleasure at the labour - management relations, which remained very cordial throughout the year.

**MANAGEMENT/STAFF/WORKERS/DEALERS/VENDORS**

Your Directors would like to express their heartfelt appreciation for the hard work, dedication and sincere efforts of the management, staff, workers, dealers and vendors, and look forward to the same in future as well.

**FUTURE PROSPECTS:**

The recovery in the market which had started showing in the first quarter of the year has been hampered by the Afghan War. At present the situation is very uncertain. However the present situation might ultimately prove beneficial for the market of heavy duty commercial vehicles, should things settle down in Afghanistan, coupled with greater economic activity within the country.

**For and on behalf of the Board of Directors**

**RAZA KULI KHAN KHATTAK**  
**Chairman/Director**

KARACHI: 16th November, 2001

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of **GHANDHARA NISSAN DIESEL LIMITED** as at 30 June, 2001 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform 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) as more fully explained in note 10.1, cash and bank balances include deposit of Rs. 3.912 million held with Indus Bank Limited. The bank's operations were ceased by the Sate Bank of Pakistan due to various irregularities and the bank is now under liquidation. The Company's management is hopeful of full recovery of the balance once the affairs of the bank are sorted out. We consider that in the absence of any evidence from the bank supporting the recovery of the balance, full amount should have been provided for;

(b) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(c) 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;

(d) except for the financial effect of the matter referred to in para (a) above, 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 2001 and of the loss, its cash flows and changes in equity for the year then ended; and

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

Date: 16th November, 2001  
KARACHI.

**TASEER HADI KHALID & CO.**  
**CHARTERED ACCOUNTANTS**

## BALANCE SHEET AS AT 30 JUNE, 2001

	<i>NOTE</i>	<i>2001</i> <i>Rs '000</i>	<i>2000</i> <i>Rs '000</i>
<b>FIXED ASSETS</b>	3	158,859	173,334
<b>LONG TERM INVESTMENT</b>	4	1,050	1,875
<b>DEPOSIT AGAINST LEASE FACILITY</b>		612	1,299
<b>DEFERRED DEVELOPMENT EXPENDITURE</b>	5	1,783	2,675
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	6	1,988	1,375
Stock in trade	7	37,098	90,717
Trade debtors	8	25,865	19,265
Advances, deposits, prepayments and other receivables	9	107,386	108,095
Cash and bank balances	10	8,341	25,235
		-----	-----
		180,678	244,687
<b>CURRENT LIABILITIES</b>			
Current maturity of lease facility		298	3,826
Finance under mark-up arrangements - secured	11	117,293	118,803
Bills payable		--	5,144
Creditors, accrued expenses and other liabilities	12	83,679	134,838
Unclaimed dividends		299	300
Taxation	13	8,234	5,553
		-----	-----

		209,803	268,464
<b>NET CURRENT LIABILITIES</b>		(29,125)	(23,777)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		133,179	155,406
<b>SHARE CAPITAL</b>	14	77,679	77,679
<b>GENERAL RESERVE</b>		36,000	369000
<b>ACCUMULATED LOSS</b>		(111,235)	(87,994)
		2,444	25,685
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	15	120,760	120,760
<b>OBLIGATIONS UNDER FINANCE LEASE</b>	16	456	229
<b>DEFERRED LIABILITIES - Staff gratuity</b>		9,519	8,732
<b>CONTINGENCIES AND COMMITMENTS</b>	17		
		133,179	155.41

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

**RAZA KULI KHAN KHATTAK**  
Chief Executive

**CH. SHER MUHAMMAD**  
Director

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

	<i>NOTE</i>	<i>2001</i> <i>Rs '000</i>	<i>2000</i> <i>Rs '000</i>
Sales and services - Net	18	527,429	548,643
Cost of goods sold	19	473,151	515,617
Gross profit		54,278	33,026
Administration and selling expenses	20	55,994	52,960
Operating loss		(1,716)	(19,934)
Other income	21	591	4,933
Financial charges	22	(1,125)	(15,001)
Loss before taxation		(20,560)	(52,225)
Provision for taxation			
- Current year		(2,681)	(3,564)
- Prior year		--	(534)
Loss after taxation		(2,681)	(4,098)
Accumulated loss brought forward		(87,994)	(31,671)
Accumulated loss carded forward		(111,235)	(87,994)
<b>LOSS PER SHARE - basic and diluted</b>	26	(2.99)	(7.25)

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

**RAZA KULI KHAN KHATTAK**  
Chief Executive

**CH. SHER MUHAMMAD**  
Director

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 30 JUNE, 2001**

	<i>NOTE</i>	<i>2001</i> <i>Rs '000</i>	<i>2000</i> <i>Rs '000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(20,560)	(52,225)
Adjustments for:			
Depreciation		15,047	17,451
Provision for diminution in the value of investments		825	--
Provision for doubtful debts		6,726	--
Staff gratuity - net		787	1,556
Mark-up and lease finance charges		18,929	36,664
Loss/(gain) on sale of fixed assets		394	(367)
Amortisation of development expenditure		892	892
		-----	-----
		23,040	3,971
<b>Changes in operating assets and liabilities</b>			
(Increase)/decrease in Stores, spares & loose tools		(613)	174
Decrease in Stock in trade		53,619	76,761
(Increase)/decrease in trade debtors		(13,326)	11,288
(Increase)/decrease in Advances, deposits & prepayments		(24,770)	1,746
(Decrease)/increase in Bills payable		(5,144)	577
(Decrease)/increase in Trade creditors		(51,059)	36,726
		-----	-----
		(41,293)	127,272
		-----	-----
		(18,253)	131,243
		-----	-----
Financial charges paid		(19,352)	(38,879)
Income tax refunded		25,055	19,672
		-----	-----
		5,703	(19,207)
		-----	-----
<b>Net cash flow from operating activities</b>		(12,550)	112,036
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(1,733)	(618)
Long term investment		--	(375)
Long term deposits		687	--
Payment of dividend		(1)	(1)
Sales proceeds of fixed assets sold		767	583
		-----	-----
<b>Net cash flow from investing activities</b>		(280)	(411)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease finance		725	--
Payments of lease rentals		(3,279)	(6,283)
		-----	-----
<b>Net cash flow from financing activities</b>		(2,554)	(6,283)
		-----	-----
Net (decrease)/increase in cash and cash equivalents		(15,384)	105,342
Cash and cash equivalents at beginning of the year		(93,568)	(198,910)
		-----	-----
Cash and cash equivalents at end of the year	27	(108,952)	(93,568)
		=====	=====

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

**RAZA KULI KHAN KHATTAK**  
Chief Executive

**CH. SHER MUHAMMAD**  
Director

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

	<i>Share</i> <i>Capital</i>	<i>General</i> <i>Revenue</i>	<i>Accumulated</i> <i>(Loss)</i>	<i>Total</i>
				<i>(Rs. in '000)</i>

**Reserve**

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
Loss for the year	--	--	(23,241)	(23,241)
	-----	-----	-----	-----
Balance as on				
30 June 2001	77,679	36,000	(111,235)	2,444
	=====	=====	=====	=====

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

**RAZA KULI KHAN KHATTAK**  
Chief Executive

**CH. SHER MUHAMMAD**  
Director

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

### 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 Tomem 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.

1.1 At 30 June 2001, the current liabilities of the Company exceeded current assets by Rs. 29.125 million (2000: Rs. 23.777 million). The company is taking steps to restructure its financial position. These steps include a 60% right issue at par during 2001-2002.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

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

#### 2.2 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.

#### 2.3 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 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.

#### 2.6 Stores, spares and loose tools

These are valued at cost on weighted average basis.

#### 2.7 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.
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.

#### 2.8 Retirement benefits

##### Defined benefit plan

The company operates an unfunded gratuity scheme for all its regular and permanent employees and is proposing to setup an approved Gratuity Fund.

The actuarial valuation of the gratuity scheme was carried out at 30 June 2000 using the Projected Unit Credit Method. Based on actuarial recommendation, annual contributions at the rate of 16.25% of annual basic salary is required to be made for 2000 - 01.

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

	<i>Rs '000</i>
- Service cost	954
- Interest cost	1,024
- Amortisation of transitional obligation	79
	-----
- Total cost for 200-2001	2,057
	=====

The actual liability as at 30 June 2001 recognised in the balance sheet was arrived as follows:

	<i>Rs '000</i>
- Actuarial Liability	9,942
- Fair value of plan assets (unfunded scheme)	--
- Unfunded actuarial liability	9,942
- Unrecognised transitional obligation	(237)
- Unrecognised net loss	(186)
	-----
- Book provision as at 30 June 2001	9,519
	=====

##### Defined contribution plan

The company also operates a provident fund scheme for its employees. Equal monthly contribution is made, both by the Company and the employees to the fund at the rate of 7.5% of basic pay.

## 2.9 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.

## 2.10 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.

## 2.11 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.

## 2.12 Provision

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

## 3. FIXED ASSETS

NAME OF ASSET	COST/REVALUATION				DEPRECIATION			Written down value
	As at 01 July 2000 Rs. '000	Additions/ (Disposal) Rs. '000	As at 30 June 2001 Rs. '000	Rate %	As at 01 July 2000 Rs. '000	For the year/ (on disposal) Rs. '000	As at 30 June 2001 Rs. '000	as at 30 June 2001 Rs. '000
<b>TANGIBLE</b>								
<b>OWNED:</b>								
Freehold land	32,025	--	32,025	--	--	--	--	32,025
Plant building								
freehold land	50,962	--	50,962	2.50	1,274	1,274	2,548	48,414
Plant and machinery	78,868	905 8,300*	88,073	10.00	7,887 3,320*	8,013	19,220	68,853
Furniture and fixtures	1,102	29	1,131	12.50	138	141	279	852
Vehicles	24,041	3,052* (2,440)	24,653	20.00	22,557 2,311 *	853 (1,844)	23,877	776
Office equipment	206	--	206	12.50	26	26	52	154
Computers	3,204	57	3,261	20.00	641	652	1,293	1,968
Telephone system	599	16	615	12.50	75	77	152	463
Electrical equipment	4,274	--	4,274	12.50	534	534	1,068	3,206
Fire fighting equipment	40	--	40	10.00	4	4	8	32
	195,321	12,359 (2,440)	205,240		33,136 5,631 *	11,574 (1,844)	48,497	156,743
<b>LEASED</b>								
Vehicles	9,479	725 (1 414) (3 052)*	5,738	20.00	5,078 (2,311)*	1,704 (849)	3,622	2,116
Plant and machinery	8,300	(8,300)*	--	10.00	2,490 (3,320)*	830	--	--
	17,779	725 (12,766)	5,738		7,568 (5,631)	2,534 (849)	3,622	2.12

**INTANGIBLE**

Computer software	2,814	--	2,814	33.34	1,876	938	2,814	--
2001	215,914	13,084 (15,206)	213,792		42,580	15,047 (2,693)	54,934	158,859
2000	217,831	618 125,351	215,914		27,114	17,451 (1,985)	42,580	173,334

\* Transferred from leased assets to owned assets.

**3.1 Depreciation has been allocated as follows:**

	<i>NOTE</i>	<i>2001 Rs '000</i>	<i>2000 Rs '000</i>
Cost of goods sold	19	10,648	11,005
Administration and selling expenses	20	4,399	6,446
		15,047	17,451

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>Written down value</i>	
	<i>2001 Rs '000</i>	<i>2000 Rs '000</i>
<b>Owned</b>		
Freehold land	16,292	16,292
Plant building - freehold land	21,795	24,908
Plant and machinery	16,278	12,199
Furniture and fixtures	827	916
Vehicles	341	1,175
Office equipment	60	68
Computers	2,641	3,244
Telephone system	360	395
Electrical equipment	1,903	2,175
Fire fighting equipment	26	29
	60,521	61,401
<b>Leased:</b>		
Vehicles	5,900	8,282
Plant and machinery	--	6,640
	66,421	76,323

**3.4 Disposal of Fixed Assets**

<i>Cost/</i>	<i>Accumulated</i>	<i>Written</i>	<i>Sales</i>	<i>Mode of</i>	<i>Particulars of buyer</i>
--------------	--------------------	----------------	--------------	----------------	-----------------------------

	<i>revalued amount</i>	<i>Depreciation</i>	<i>down Value (Rs '000)</i>	<i>Proceeds</i>	<i>disposal</i>	
Suzuki Mehran	257	206	51	51	Terms of employment	Mr. Khizer Hayat MC- 1175, Green Town Karachi,
Suzuki Khyber	360	288	72	72	-do-	Mr. Bashir Ahmed Appt. # A-330 Madam Apartment Karachi.
Suzuki Mehran	257	206	51	51	-do-	Mr. Shaukat Ali KDA Flats Gulshan-e-Iqbal Karachi.
Suzuki Khyber	337	270	67	67	-do-	Mr. M. Younus E-16/7 Manzoor Colony Karachi.
Suzuki Khyber	337	270	67	67	-do-	Mr. Munawar Abbas Appt. # 7 Garden West Phase-II. D.HA. Karachi.
Suzuki Mehran	257	206	51	51	-do-	Mr. Shakeel Ahmed H. No. 1108/9 F.B. Area Karachi.
Suzuki Khyber	365	291	74	74	-do-	Mr. Waseem Akhter House No. 528 Delhi Colony Karachi.
Nissan Sunny	656	393	263	95	-do-	Mr. Naqi Hussain  B-87 Block 10-A Gulshan-e-Iqbal Karachi.
Nissan Sunny	758	455	303	99	-do-	Mr. Salman Siddiq I I-A/2 Phase 2 DHA Karachi.
Suzuki Mehran	270	108	162	140	Auction	Mr. Saleem Iftikhar H. No. B-12 Sector E-9 Islamabad.
Total	3,854	2,693	1,161	767		

#### 4. LONG TERM INVESTMENT

	<i>% of holding</i>	<i>2001 (Rupees in '000)</i>	<i>2000</i>
Long term investment	12.8	1,875	1,875
Provision for diminution		(825)	--
		1,050	1,875

This represents 187,500 (2000: 187,500) shares of Automotive Testing & Training Centre (Pvt) Ltd. Based on un-audited accounts the break up value of the company's share as at 30 June 2001 was Rs. 5.60 (2000: Rs. 8.73).

Chief Executive:

**Mr. Ramzan Ali Khwaja**

<i>2001 Rs '000</i>	<i>2000 Rs '000</i>
-------------------------	-------------------------

#### 5. DEFERRED DEVELOPMENT EXPENDITURE

Balance at the beginning of the year	2,675	3,567
Amortized during the year	(892)	(892)

Balance at end of the year	1,783	2,675
----------------------------	-------	-------

**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**

Raw materials in transit	--	5,243
Raw materials	14,730	31,973
Work in process	--	26,855
Spare parts for sale	19,661	23,654
Finished goods	2,707	2,992
	37,098	90,717

**8. TRADE DEBTORS -unsecured****Considered good**

Spare parts	1,284	1,580
Vehicles	24,581	17.69

**Consider doubtful**

Spare parts	410	--
Vehicles	6,316	--

Provision for doubtful debts

	6,726	--
	(6,726)	--
	25,865	19,265

**9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES****Short term advances - unsecured considered good**

Staff	2,330	1,359
Taxation - Income Tax	39,386	64,865
- Sales Tax	739	3,267
Contractors and suppliers	3,316	2,658
Letter of credit opening charges	789	--
Letter of credit margin	26,880	1,809
Bank guarantee margin	276	276
	73,716	74,234

**Deposits**

Security deposits	507	436
Earnest money	600	100
	1,107	536
Prepayments	79	104

**Other receivables**

Due from associated undertakings	9.1	28,400	28,639
Octroi recoverable		3,295	3,546
Others		789	1,036
		32,484	33,221
		107,386	108,095

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. 28.83 million (2000: Rs. 33.261 million).

**10. CASH AND BANK BALANCES**

Cash in hand	--	2
Cash at bank		
- on current accounts	5,626	22,518
- on saving accounts	2,715	2,715
	-----	-----
	8,341	25,235
	=====	=====

10.1 The above balances include Rs. 3.912 million held with Indus Bank Limited, whose operations were ceased by State Bank of Pakistan due to various irregularities discovered during their inspection. The above balance is net of Rs. 42.586 million deposited 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. Subsequent to year end, the Company has filed a claim with the Joint Official Liquidators of the Bank.

**11. FINANCE UNDER MARKUP ARRANGEMENTS - Secured**

Running finance	97,309	93,472
Short term trade finance	19,984	25,331
	-----	-----
	117,293	118,803
	=====	=====

The company has aggregate running finance facilities of Rs. 97.309 million (2000: Rs. 93.67 million) from various banks. The rates of markup range between Rs. 0.4521 to Rs. 0.4932 (2000: 0.4520 to 0.4932) per thousand per day. These facilities are in the process of renewal and 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	11,041	7,923
Creditors for goods and services	28,384	27,035
Due to associated undertakings	20,609	16,532
Accrued expenses	13,148	25,626
Accrued markup	4,570	4,993
Advances from customers	--	47,497
Accrued markup on customers' advances	535	535
Security deposits	350	350
Tax deducted payable to authorities	245	669
Workers' welfare fund	1,933	1,933
Overdue lease rentals	747	--
Others	2,117	1,745
	-----	-----
	83,679	134,838
	=====	=====

**13. TAXATION**

13.1 The current year charge for taxation is based on minimum tax under section 80D of the Income Tax Ordinance, 1979.

13.2 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****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	120,760	121,094
Released to profit and loss account on disposal of assets	--	(334)
-----	-----	-----
Balance at end of the year	120,760	120,760
=====	=====	=====

**16. OBLIGATION UNDER FINANCE LEASE**

Minimum lease rentals at beginning of the year	4,055	10,824
Additions during the year	725	--
-----	-----	-----
	4,780	10,824
Payments during the year	(3,279)	(6,769)
-----	-----	-----
	1,501	4,055
Over due lease payments	(747)	--
Transferred to current maturity	(298)	(3,826)
-----	-----	-----
	456	229
=====	=====	=====

16.1 Approximate discounting factor range from 18.60% to 20.60% (2000: 18.5% to 22.3%) per annum. The future commitments for minimum lease payments under various lease arrangements are as follows:

	<b>2001</b>	<b>2000</b>
	<b>Rs '000</b>	<b>Rs '000</b>
2000-2001	--	4,186
2001-2002	412	238
2002-2003	294	--
2003-2004	172	--
-----	-----	-----
	878	4,424
Financial charges allocated to future periods	198	1,823
Security Deposits	(612)	(1,299)
-----	-----	-----
	(414)	524
-----	-----	-----
	464	4,948
=====	=====	=====

**17. CONTINGENCIES AND COMMITMENTS**

17.1 During 1999-2000, 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. 6.3 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. No provision has been made in these accounts as in the opinion of company's legal advisor the authorities contention may not sustain to recover adjudged amount of duty and other dues.

17.2 The company's bankers have issued bank guarantees amounting to Rs. 6.610 million (2000: Rs. 5.620 million) against supply of vehicles to various government authorities.

17.3 Post dated cheques held by Collector of Customs as a security against the concessional rate of duty amounted to Rs. 76.023 million (2000: Rs. 131.210 million).

17.4 Outstanding letters of credit amounting to Rs. 71.219 million (2000: Rs. 15.465 million).

## 20. ADMINISTRATION AND SELLING EXPENSES

Salaries, wages, and other benefits	20.1	26,485	26,415
Directors' fee		10	10
Rent, rates and taxes		1,296	1,579
Insurance		1,347	1,722
Repairs and maintenance		1,800	2,389
Auditors' remuneration	20.2	156	186
Depreciation	3.1	4,399	6,446
Advertising and sales promotion		1,309	1,218
Travelling		1,256	2,938
Legal and professional charges		1,406	1,663
Fee and subscriptions		426	482
Motor running expenses		816	922
Utilities		2,779	3,095
Printing and stationery		996	964
Newspapers and periodicals		6	27
Security expenses		835	606
Provision for diminution in the value of investments		825	--
Provision for doubtful debts		6,726	--
Doubtful advances and other receivables written off		1,184	--
Others		1,937	2,298
		-----	-----
		55,994	52,960
		=====	=====

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

- Gratuity	2,057	1,837
	=====	=====
- Provident Fund	908	1,053
	=====	=====

### 20.2 Auditors' remuneration

Audit fee	50	45
Sundry advisory services	65	93
Special certifications	--	7
Out of pocket expenses	41	41
	-----	-----
	156	186
	=====	=====

## 21. OTHER INCOME

Sale of scrap	792	2,145
(Loss)/gain on sale of fixed assets	(394)	368
Income on bank account	--	1,311
Miscellaneous income	193	1,109
	-----	-----
	591	4,933
	=====	=====

## 22. FINANCIAL CHARGES

Markup and excise duty on running finance	18,288	35,196
Lease finance charges	641	1,468
Bank charges	200	191
Exchange loss	306	369
	-----	-----
	19,435	37,224
	=====	=====

## 23. TRANSACTIONS WITH ASSOCIATED COMPANIES

Aggregate amounts in respect of:

Purchases made from associated undertakings	288,490	347,091
	=====	=====
Cost allocated by associated undertaking	9,600	9,600



Commission paid to associated undertaking	3,000	1,750
Insurance charged by associated undertaking	2,919	4,452
Interest paid to associated undertaking	--	794
Cab painting charges to associated undertaking	2,549	2,526

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

	2001			2000		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)			(Rupees in '000)		
Remuneration	1,464	2,261	10,518	1,440	2,687	7,274
Provident fund	24	29	349	--	87	297
Gratuity	115	--	645	42	97	362
Utilities	309	137	462	193	175	299
Medical	--	24	466	--	83	256
	1,912	2,451	12,440	1,675	3,129	8,488
Number of perso	1	3	27	1	2	20

24.1 Meeting fee paid to 10 directors amounted Rs. 9,500 (2000: Rs. 9,500 paid to 10 directors).

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

#### 25. NUMBER OF EMPLOYEES

Total number of employees at 30 June 2001 were 164 (2000: 192).

#### 26. LOSS PER SHARE - basic and diluted

		2001	2000
Net loss for the year	Rupees in '000	(23,241)	(56,323)
Weighted average number of ordinary shares in thousand		7,768	7,768
Loss per share	Rupees	(2.99)	(7.25)

#### 27. CASH AND CASH EQUIVALENTS

	Rs '000	Rs '000
Cash and bank balances	8,341	25,235
Finance under mark-up arrangements	(117,293)	(118,803)
	(108,952)	(93,568)

#### 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)

2001	<i>Interest bearing</i>		<i>Non Interest bearing</i>	<i>Total</i>
	<i>Within one Year</i>	<i>One year to five years</i>		
<b>Financial assets</b>				
Trade debts	--	--	32,591	32,591
Advances, deposits, and other receivables	--	--	36,218	36,218
Cash and bank balances	2,715	--	5,626	8,341
	-----	-----	-----	-----
	2,715	--	74,435	77,150
	=====	=====	=====	=====
<b>Financial liabilities</b>				
Obligations under finance lease	298	456	--	754
Finance under mark-up arrangements	117,293	--	--	117,293
Creditors, accrued expenses and other liabilities	--	--	72,393	72,393
	-----	-----	-----	-----
	117,591	456	72,393	190,440
	-----	-----	-----	-----
On balance sheet gap	(114,876)	(456)	2,042	(113,290)
	=====	=====	=====	=====

(Rupees in '000)

2000	<i>Interest bearing</i>		<i>Non Interest bearing</i>	<i>Total</i>
	<i>Within one Year</i>	<i>One year to five years</i>		
<b>Financial assets</b>				
Trade debts	--	--	19,265	19,265
Advances, deposits, and other receivables	--	--	36,691	36,691
Cash and bank balances	2,715	--	22,520	25,235
	-----	-----	-----	-----
	2,715	--	78,476	81,191
	=====	=====	=====	=====
<b>Financial liabilities</b>				
Obligations under finance lease	3,826	229	--	4,055
Finance under mark-up arrangements	118,803	--	--	118,803
Bills payable	5,144	--	--	5,144
Creditors, accrued expenses and other liabilities	--	--	124,313	124,313
	-----	-----	-----	-----
	127,773	229	124,313	252,315
	-----	-----	-----	-----
On balance sheet gap	(125,058)	(229)	(45,837)	(171,124)
	=====	=====	=====	=====

<b>Financial Assets</b>	<b>2001</b>	<b>2000</b>
Cash an bank balances	12.5%	12.5%

<b>Financial Liabilities</b>	<b>2001</b>	<b>2000</b>
Obligations under finance lease	18.6% to 20.6%	18.5% to 22.3%
Finance-under mark-up arrangements	16.5% to 18.9%	16.5% to 18.0%

**29.2 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. 4.193 million (2000: Rs. 8.811 million) is outstanding 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. GENERAL**

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

**PATTERN OF SHAREHOLDING AT 30 JUNE 2001**

<i>Number of Share Holders</i>	<i>Shareholding</i>		<i>Total Shares held</i>	<i>Percentage</i>
	<i>From</i>	<i>To</i>		
417	1	100	15754	0.2028
293	101	500	75764	0.9754
143	501	1000	112550	1.4489
122	1001	5000	244760	3.1509
12	5001	10000	80387	1.0349
4	10001	15000	49103	0.6321
1	15001	20000	17500	0.2253
2	25001	30000	56350	0.7254
1	35001	40000	39043	0.5026
1	45001	50000	48172	0.6201
1	50001	55000	52468	0.6755
1	75001	80000	79743	1.0266
1	95001	100000	99289	1.2782
1	435001	440000	438691	5.6475
1	775001	780000	777546	10.0097
1	1165001	1170000	1167069	15.0243
1	1585001	1590000	1585871	20.4157
1	2825001	2830000	2827830	36.4041
-----			-----	-----
1004			7767890	100.0000
=====			=====	=====

<i>Categories of Share Holders</i>	<i>Number of Share Holders</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	974	791761	10.1927
Investment Companies	1	28500	0.3669
Insurance Companies	2	66893	0.8612
Joint Stock Companies	14	3275802	42.1711
Financial Institutions	8	1649619	21.2364
Foreign Companies	3	1949215	25.0932
Non-Resident (Pak Rs.)	2	6100	0.0785
	-----	-----	-----
TOTAL:	1004	7767890	100.0000
	=====	=====	=====

: