

## **Agriauto Industries Limited**

### **Annual Report 2000**

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#### **COMPANY INFORMATION**

##### **BOARD OF DIRECTORS**

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

**COMPANY SECRETARY** Fahim Kapadia

**AUDITORS** Ford, Rhodes, Robson, Morrow  
Chartered Accountants

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

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

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

#### **NOTICE OF MEETING**

NOTICE is hereby given that the nineteenth Annual General Meeting of the Company will be held at Islamic Chamber of Commerce & Industry, ST 2/A, Block 9, KDA Scheme 5, Clifton, Karachi on Thursday, December 14, 2000 at 2:00 P.M. to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended June 30, 2000 together with the Reports of the Directors and Auditors thereon.
2. To appoint Auditors for the year 2000-2001 and to fix their remuneration. The present auditors M/s. Ford, Rhodes, Robson, Morrow (Chartered Accountants) being eligible offer themselves for re-appointment.
3. To consider any other business with the permission of the Chair.

**By order of the Board.**

**FAHIM KAPADIA**  
Company Secretary

Karachi: November 20, 2000

**NOTES:**

1. The Share transfer books of the company will remain closed from December 7, 2000 to December 14, 2000. (Both days inclusive)
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received at the registered office of the company duly stamped and signed not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.
3. Members are requested to promptly communicate any change in their addresses to Company's Share Registrar, M/s Noble Computer Services (Pvt.) Ltd. 14 Banglore Town Housing Society, Main Shahrah-e-Faisal, Karachi.
4. CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Account and Participant's ID numbers, for identification purpose and in case of Proxy, to enclose an attested copy of his/her National Identity Card.

**DIRECTORS' REPORT FOR THE YEAR ENDED JUNE 30, 2000**

The Directors of your company are pleased to welcome you to the nineteenth Annual General Meeting of your company and place before you the Annual Report and the audited accounts for the year ended June 30, 2000.

**I. FINANCIAL RESULT**

The financial results of the company for the year under review are summarized as under:

	<i>Rs. in '000'</i>	
	<i>1999-2000</i>	<i>1998-1999</i>
Sales Revenue	296,114	300,998
Gross Profit	60,358	62,743
Profit Before Taxation	8,243	7,741
Provision for Taxation	(1,499)	(1,511)
Net Profit after Taxation	6,744	6,230
Accumulated loss brought forward	(23,246)	(29,476)
Accumulated loss Carried forward	(16,502)	(23,246)

**2. EARNING PER SHARE**

Earning per share for the year ended June 30, 2000, comes to Rs. 0.28 as compared to Rs. 0.26 in the preceding year.

**3. THE ECONOMY AND AUTOMOTIVE ENGINEERING SECTOR**

Pakistan's overall economic performance during the fiscal year 1999-2000 offers uncertain economic conditions. For the past few years, Pakistan's economy has been facing difficulties owing to persistent lapses in implementation of structural reforms and stabilization measures.

The automobile industry experienced a fall in production this year. A larger decline was witnessed in local production of jeeps and cars (23.5 percent), trucks (6.7 percent) and LCV's (43.2 percent) while the production of tractors and buses increased by 53.9 percent and 51.2 percent respectively for the nine month period from July 1999 to March 2000.

**4. DOCUMENTATION OF THE ECONOMY**

The ongoing exercise of documentation of real income and business, most probably the first-ever serious effort by any Government in Islamabad in this direction, has started making its way despite strong resistance from traders all over the country. A major source of grey imports into Pakistan in all product categories especially auto parts is due to the Afghan Transit Trade Agreement (ATTA). The quantum of goods entering the country under ATTA can be gauged from the fact that, in 1996-97 this volume was Rs.4.56 billion, which jumped to Rs.14.97 billion in 1998-99. The ATTA volume from July 1999 - June 2000 is reported to be Rs.15 billion. Spare parts valuing Rs.61.321m were reportedly caught in 1999-2000, while spare parts of more than Rs. 1 billion were imported duty-free for Afghanistan, out of which 50% were reportedly sold in Pakistan. The effect of these duty-free smuggled imports of spare parts, year after year, is adversely affecting auto-parts manufacturing concerns in Pakistan. These imports are apart from the under-invoiced and mis-declared spare parts, which continue through regular importers.

Under these circumstances, if the current trend of documentation of the economy and control on parallel imports is successfully implemented and the Government sustains the effort, the local automotive spare parts industry will get a major boost. This will not just be in terms of growth in sales of existing products, but also in terms of investment in development of new product lines.

## 5. FUTURE OUTLOOK

Due to the foregoing factors the overall company's sales for the year dropped by a marginal 1.6% as compared to last year. This was the result of a drop in the OEM business by 7%. However, despite stiff competition from smuggled imports, your company sales in the after-market business grew by 21%. Additionally, by practicing austerity the company's net profit after tax has increased from Rs.6.230 million in 1999 to Rs.6.776 an increase of 9% over last year. This was possible due to strict control over administrative & selling expenses and cash flow management, which reduced the financial Charges by Rs8.637 millions. Financial charges also reduced due to successful negotiation with bankers for reduction in the mark-up rates.

## 6. ISO CERTIFICATION

Your company attained the ISO 9002 certification during the current year and all the plants have now guided policies for maintaining the quality of our products.

## 7. CLOSED PLANTS

The company has valued the Mobike & Engine Valve plants on the basis of valuation done by M/s. Akbani & Javed Associates. The Mobike Plant was closed due to low acceptance of the product in the domestic market and stiff competition from entrenched Japanese brands. In case of the Engine Valve plant, which was by and large a manual operation, the volumes generated were not sufficient to justify the relatively high production costs. The total loss on impairment amounting to Rs. 12.692 million has been accounted for in these accounts.

## 8. PATTERN OF SHAREHOLDINGS

The pattern of shareholding is provided on page 23.

## AUDITORS

Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and being eligible offer themselves for re-appointment as the Auditors of the Company for the year ending June 30, 2001.

## 9. ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to place on record our appreciation to all our patrons, customers, dealers and suppliers for their valuable help, support and contribution given to our Company. I am also grateful to all our Bankers for their continued support. We also wish to record our thanks to our overseas Technical collaborators, M/s. Gabriel Ride Control Products, Inc. USA (for Shock Absorbers) and M/s. Kayaba Industry Limited, Japan (for Gas Charged Shock Absorbers and Struts) for their technical help and advice.

The Board of Directors also acknowledges the contribution of all the executives, staff and workers who worked hard together as a team in achieving our Company's objective.

**On behalf of the  
Board of Directors**

KARACHI  
DATED: October 28, 2000

**Syed Ikram Haider  
Chief Executive**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AGRIAUTO INDUSTRIES LIMITED as at June 30, 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 the 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 shall also include assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion:

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

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

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

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

Karachi-  
October 31, 2000

**Ford, Rhodes, Robson, Morrow**  
**Chartered Accountants.**

## BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rs. in '000')</i>	
<b>NON-CURRENT ASSETS</b>			
Operating fixed assets	3	105,548	106,479
Capital work-in-progress	4	--	18,716
		-----	-----
		105,548	125,195
<b>LONG TERM DEPOSITS</b>			
	5	1,539	1,558
<b>DEFERRED COST</b>	6	1,945	2,918
<b>CURRENT ASSETS</b>			
Stores and spares	7	10,878	9,155
Stock-in-trade	8	58,124	67,918
Trade debts	9	53,477	40,809
Advances, Deposits, Prepayments and Other recei	10	25,063	34,061
Cash and Bank balances	11	1,454	1,788
		-----	-----
		148,996	153,731
<b>TOTAL ASSETS</b>		-----	-----
		258,028	283,402
		=====	=====
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
40,000,000 (1999: 40,000,000) ordinary shares of Rs.5 each		200,000	200,000
		=====	=====
issued, subscribed and paid-up capital		120,000	120,000
Capital reserve		12,598	12,598
Accumulated loss		(16,502)	(23,246)
		-----	-----
<b>SHAREHOLDERS' EQUITY</b>		116,096	109,352
<b>LONG TERM LOANS</b>		23,441	32,716
<b>CURRENT LIABILITIES</b>			
Current Portion of Long term loans		9,391	9,391
Short term finances		42,959	35,604
Advances from Others		20,017	35,936
Creditors, Accrued and Other liabilities		41,924	57,702
Provision for taxation		4,200	2,701
		-----	-----
		118,491	141,334
<b>CONTINGENCIES AND COMMITMENTS</b>	18		
		-----	-----
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		258,028	283,402
		=====	=====

The annexed notes form an integral part of these accounts.

**R.D. MINWALLA**  
Chairman

**SYED IKRAM HAIDER**  
Chief Executive

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

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rs. in '000')</i>	
<b>TURNOVER</b>	19	296,114	300,998
Cost of goods sold	20	(235,756)	(238,255)
		-----	-----
<b>GROSS PROFIT</b>		60,358	62,743
Other income	21	3,892	281
Administrative expenses	22	(14,424)	(14,830)
Selling and Distribution expenses	23	(11,109)	(13,986)
Other charges	25	(457)	(505)
		-----	-----
		(25,990)	(29,321)
		-----	-----
<b>OPERATING PROFIT</b>		38,260	33,703
Financial charges	26	(17,325)	(25,962)
Impairment of Closed Plants		(12,692)	--
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		8,243	7,741
Provision for taxation - current	27	(1,499)	(1,511)
		-----	-----
Profit after taxation		6,744	6,230
Accumulated Loss brought forward		(23,246)	(29,476)
		-----	-----
Accumulated Loss carried forward		(16,502)	(23,246)
		=====	=====
Basic earnings per share	28	0.28	0.26
		=====	=====

The annexed notes form an integral part of these accounts.

**R.D. MINWALLA**  
Chairman

**SYED IKRAM HAIDER**  
Chief Executive

**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**(CASH FLOW STATEMENT)**  
**FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rs. in '000')</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
- Cash generated from operations	29	20,849	53,533
- Financial charges paid		(18,589)	(33,337)
- Income tax paid		4,597	(2,731)
- Long term deposit		19	1,065
		-----	-----
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		6,876	18,530
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
- Fixed capital expenditures		(6,686)	(24,615)
- Sale proceeds of fixed assets		1,396	213
		-----	-----
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		(5,290)	(24,402)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
- Long term loan		(9,275)	7,508
		-----	-----
<b>NET INCREASE/(DECREASE) IN CASH and CASH EQUIVALENT</b>		(7,689)	1,636

<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE</b>		(33,816)	(35,452)
		-----	-----
<b>CASH AND CASH EQUIVALENTS AT THE END</b>	30	(41,505)	(33,816)
		=====	=====

**R.D. MINWALLA**  
Chairman

**SYED IKRAM HAIDER**  
Chief Executive

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

(Rs. In '000')

	<i>Issued, subscribed &amp; aid u</i>		<i>Unappropriated</i>	<i>Total</i>
	<i>Rupees</i>	<i>Capital Reserve Rupees</i>	<i>Income Rupees</i>	<i>Rupees</i>
Balance as at June 30, 1998	120,000	12,598	(29,476)	103,122
Profit for the year	--	--	6,230	6,230
	-----	-----	-----	-----
Balance as at June 30, 1999	120,000	12,598	(23,246)	109,352
Profit for the year	--	--	6,744	6,744
	-----	-----	-----	-----
Balance as at June 30, 2000	120,000	12,598	(16,502)	116,096
	=====	=====	=====	=====

**R.D. MINWALLA**  
Chairman

**SYED IKRAM HAIDER**  
Chief Executive

## NOTES TO THE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000

### 1. COMPANY BACKGROUND, OPERATION AND LEGAL STATUS

Agriauto Industries Limited, a public limited company was incorporated in Pakistan on June 25, 1981 and was listed on the stock exchanges in June 1984. The company manufactures components for Automotive Vehicles, Motor Cycles and Agricultural Tractors.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

#### 2.2 Staff retirement benefits

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

#### 2.3 Employees compensated absences

The management has made provision in respect of compensated absences as per the requirements of the revised International Accounting Standard 19 relating to Employees Benefits. The liability/of the company in respect of these absences as at June 30, 2000 amounted to Rs.1.931 million, which has been fully provided in the current year.

#### 2.4 Taxation

##### Current

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

##### Deferred

The company accounts for deferred taxation using liability method on all significant timing differences, excluding tax effects of those timing differences which are not likely to reverse in foreseeable future. However, as a matter of prudence, the company does not account for deferred tax debit in the accounts.

#### 2.5 Tangible fixed assets

##### 2.5.1 Owned

Fixed assets are stated at cost less accumulated depreciation except freehold land and capital-work in-progress which are stated at cost.

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

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

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

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

### 2.5.2 Capital-work-in-progress

This includes costs pertaining to acquisition, construction, erection and installation of plant and machinery. Mark-up on loans/finances obtain for capital work-in-progress is charged to profit and loss account in the period in which they are incurred in accordance with the bench mark treatment as per IAS 23-Borrowing Costs.

### 2.6 Stores and spares

These are valued at cost on moving average basis.

### 2.7 Stock-in-trade

The basis of valuation has been specified against each as under:

Raw materials	- These are valued at cost on moving average basis.
Work-in process	-Raw material and conversion cost are valued at moving average and average factory cost respectively or NRV whichever is lower.
Finished goods	-Raw material and conversion cost are valued at moving average and average factory cost respectively or NRV whichever is lower.
Goods-in-transit	- These are valued at cost comprising of C & F value plus other charges incurred thereon.

### 2.8 Deferred cost

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

### 2.9 Foreign currency translation

Transactions in foreign currencies are translated into rupees at the rates of exchange ruling on the date of the transactions. Assets and liabilities expressed in foreign currencies are translated into Pak rupees at the rate of exchange prevailing at the balance sheet date except where forward exchange contracts have been entered into in which case contract rates are applied.

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

### 2.10 Revenue recognition

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

## 3. OPERATING ASSETS

	COST				Depreciation			
	As at July 1, 1999	Additions/ (Deletions)/ (Transfers)* (Rupees in '000)	As at June 30, 2000	Rate of Depreciation %	Accumulated Depreciation as at June 30, 2000	Impairment during the year	Charge for the year/ (Adjustments)/ (Transfers)*	Written down value as at June 30, 2000
<b>OWNED</b>								
Freehold land	1,652	--	1,652	--	--	--	--	1,652
Buildings on freehold land	36,305	--	36,305	5-10	24,348	--	1,103	11,957
Plant, machinery and equipment	190,784	20,475	211,259	10	130,004	12,692	9,028	81,255
Furniture and fixtures	3,728	458	1,311	10	2,052	--	234	2,109
		(25)					(10)	
Office equipment	1,247	64	1311	20	822	--	122	489
Dies and tools	2,579	--	2,579	25	2,358	--	74	221
Computer equipment	5,243	984	6,227	30	3,699	--	1,084	2,528
Vehicles	6,088	3,421	8,350	20	3,029	--	1,330	5,321
		(1,159)					(510)	
Canteen equipment	43	--	43	10	27	--	2	16
		--						
	2,000	247,669	271,887		166,339	12,692	12,977	105,548
		(1,184)					(520)	

1,999	238,441	21,540 (12,312)	247,669	141,190	--	12,925 (4,277)	106,479
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3.1 The Engine Valve and Mobike plant are being carded forward at a net selling price. Mobike plant was closed due to low acceptance of the product. Engine Valve plant was however, closed due to manual operation which was not cost effective. The respective cost and accumulated depreciation as at June 30, 1999 was as follows:

Description	Cost	Accumulated depreciation	WDV	Independent valuation	Impairment
Mobike plant	8,933	3,266	5,667	200	5,467
Engine Valve plant	27,594	18,769	8,825	1,600	7,225
	36,527	22,035	14,492	1,800	12,692

Independent valuation was carried out by Akbani and Javed Associates.

**3.2 Depreciation charge for the year has been allocated as follows**

	Note	2000 (Rupees in '000)	1999 (Rupees in '000)
Cost of goods sold	20	11,163	11,597
Administrative expenses	22	1,340	816
Selling and distribution expenses	23	474	512
		12,977	12,925

**3.3 The following fixed assets were disposed off during the year:**

Particulars of Fixed Assets	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Profit/(Loss)	Mode of Disposal	Particulars of Buyers
(Rupees in '000')							
Toyota Corolla W-1873	73	40	33	227	194	Company Car Scheme	Mr. Nasir Ali Khan
Toyota Corolla W-1874	72	40	32	240	208	- do -	Mr. Mohd. Yaqoob
Mitsubishi Pajero BC-3013	700	252	448	575	127	Negotiation	Mr. Malik Olia Khan
Suzuki Hiroof CB-9499	7	6	1	125	124	- do -	Mohammad Nadeem Qureshi
Mobike Panther 50CC KCV - 3538	23	13	10	22	12	As per CBA agreement	S. Shahid Ali Jafri
Mobike Panther 50CC KCV - 3541	22	11	11	22	11	- do -	Mohd. Shahzad
Mobike Panther 50CC KCV - 3540	23	14	9	22	13	- do -	Rashid Mehmood
Mobike Panther 50CC KCV - 3537	22	14	8	22	14	- do -	Shafi Mohammad
Mobike Panther 50CC KCV - 3425	26	15	11	12	1	Company Car Scheme	Mohd. Saghir Ahmed
Mobike Panther 50CC KCV - 3171	25	15	10	12	2	- do -	Iitrat Hussain
Mobike Panther 50CC KCV - 3172	26	15	11	12	1	- do -	Mohd. Shafiq
Mobike Panther 50CC KCV - 3173	25	15	10	12	2	- do -	Iqtidar Ahmed
Mobike Panther 50CC KCV - 3166	26	15	11	12	1	- do -	Rehman Ahmed Yousufi
Mobike Panther 50CC KCV - 3167	25	15	10	12	2	- do -	Shaukat Hussain
Mobike Safari 70CC KCC - 879	32	15	17	28	11	As per CBA agreement	Akhalaq ur Rehman
Mobike Safari 70CC KCC - 878	32	15	17	28	11	- do -	Abdul Sattar
Air Conditioners	25	10	15	13	(2)	Negotiation	Mr. Abobakar
	1,184	620	664	1,396	732		
1999	312	150	162	213	51		

2000  
(Rs. In '000)

**4. CAPITAL WORK-IN-PROGRESS**

Plant & Machinery	--	18,716
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**5. LONG TERM DEPOSITS**

Long term deposits	1,539	1,558
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5.1 It consists of various deposits to utilities and other companies.

#### 6. DEFERRED COST

Balance at beginning of the year	2,918	3,891
Amortisation during the year	973	973
	-----	-----
Balance at end of the year	1,945	2,918
	=====	=====

6.1 These expenses amounting to Rs. 4.970 million have been incurred on initial licence fees to Kayaba Industry Company Limited for the purpose of providing technical assistance for the manufacturing of shocks and Struts.

#### 7. STORES AND SPARES

Stores	3,426	2,382
Small tools & spares	7,452	6,773
	-----	-----
	10,878	9,155
	=====	=====

#### 8. STOCK-IN-TRADE

Raw material	36,615	35,577
Packing material	1,336	1,130
Goods-in-transit	8,188	8,544
Work-in-Process	4,804	6,685
Finished goods	7,181	15,982
	-----	-----
	58,124	67,918
	=====	=====

#### 9. TRADE DEBTS - Unsecured

Considered good	53,477	40,809
Considered Doubtful	2,009	1,709
	-----	-----
	55,486	42,518
Less: Provision for Doubtful Debts	2,009	1,709
	-----	-----
	53,477	40,809
	=====	=====

#### 10. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

##### Considered Good - Unsecured

##### Loans and Advances

- Loans to Staff and Workers		142	132
- Advances to - Suppliers and Contractors for goods and services	10.1	3,464	4,440
- Staff for purchases and expenses		95	118
		-----	-----
		3,701	4,690

##### Trade Deposits

- Container Deposits		160	238
----------------------	--	-----	-----

##### Prepayments

		42	598
--	--	----	-----

##### Other Receivables

- Claim Receivables		646	12
- Octroi Refundable from K.M.C.		1,779	2,308
- Custom Duty Guarantee Margin Receivable		157	651
- Sales tax recoverable		--	2,638
- Tax deducted at source		18,329	22,926
- Others		249	--
		-----	-----
		21,160	28,535
		-----	-----
		25,063	34,061
		=====	=====

10.1 Advances to Suppliers and Contractors for goods and services include advances to associated undertaking aggregating to Rs. 0.200 million (1999: Rs.0.200 million).

10.2 The maximum aggregate amount of advance due from associated undertaking at the end of any month during the year was Rs. 0.200 million (1999: Rs. 0.200 million).

#### 11. CASH AND BANK BALANCES

- Cash in hand	27	2
- At Bank - Current Accounts	1,427	1,786
	-----	-----
	1,454	1,788
	=====	=====

#### 12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

22,800,000 (1999: 22,800,000) Ordinary shares of Rs. 5 each fully paid in cash	114,000	114,000
1,200,000 (1999: 1,200,000) Ordinary shares of Rs. 5 each issued as fully paid bonus shares	6,000	6,000
-----	-----	-----
24,000,000	120,000	120,000
=====	=====	=====

#### 13. CAPITAL RESERVE

Third right shares premium	15,000	15,000
Third right shares issue expenses	(2,402)	(2,402)
	-----	-----
	12,598	12,598
	=====	=====

#### 14. LONG TERM LOANS - secured

Habib Bank Limited - Demand Finance	14.1	31,329	39,333
Habib Bank Limited -Deferred Mark-up	14.2	1,503	2,774
		-----	-----
		32,832	42,107
		=====	=====
Less: Current portion - Shown under current liabilities			
Habib Bank Limited - Demand Finance		8,004	80,041
Habib Bank Limited - Deferred mark-up		1,387	1,387
		-----	-----
		9,391	9,391
		-----	-----
		23,441	32,716
		=====	=====

14.1 The demand finance facility of Rs.40 million (1999: Rs.40 million) has been granted by a bank against first equitable mortgage on all present and future movable and immovable properties of the company ranking pari passu with other creditors.

Under the above arrangement the company has sold its property for Rs.40 million and will repurchase it back for Rs.61.190 million. It carries markup at Re. 0.39 per thousand rupees per day (1999: Re.0.49 per thousand rupees per day). The loan is repayable in sixty equal monthly installments commencing from June 30, 1999.

14.2 Undebited mark-up on Habib Bank Limited loan has been converted into a separate interest free loan amounting to Rs.2.774 million. This loan is repayable in 24 equal monthly installments starting from August 30, 1999.

#### 15. SHORT TERM FINANCES

<b>Secured</b>			
Running finances utilised under mark-up arrangem	15.1	39,498	35,604
<b>Unsecured</b>			
Short term loan	15.2	3,461	--
		-----	-----
		42,959	35,604
		=====	=====

15.1 The running finance facility of Rs.46 million (1999: Rs.46 million) and finance under trust receipt facility of Rs. 3 million (1999: Rs. 3 million) obtained from various banks are secured by joint hypothecation of stock-in-trade, stores and spares and trade debts and second equitable charge on all current and future assets of

the company.

The mark-up rates on the above finances range from Re.0.39 to Re.0.442 per thousand rupees per day (1999: Re.0.442 to Re.0.50 per thousand rupees per day).

At year end Rs. 9.502 million (1999: Rs.13.438 million) remains unutilized.

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

#### 16. ADVANCES FROM OTHERS

Secured	16.2	3,177	3,177
Unsecured		16,840	32,759
		-----	-----
		20,017	35,936
		=====	=====

16.1 These advances are obtained from major Original Equipment Manufacturers (OEM) for the acquisition, construction, erection and installation of plant and machinery for manufacture of products to be developed by the company on their behalf.

16.2 This loan is secured against insurance guarantee.

#### 17. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade Creditors		12,305	16,292
Mark-up Accrued on:			
Secured Short term finances		2,533	3,003
Advances from others		1,299	2,093
		-----	-----
		3,832	5,096
Sales tax payable		1,389	--
Royalty payable		5,830	6,066
Accrued expenses		7,442	7,734
Workers' Profit Participation Fund	17.1	339	490
Workers' Welfare Fund		73	73
Other liabilities		10,714	21,951
		-----	-----
		41,924	57,702
		=====	=====

Amounts due to associated undertakings at the year end aggregated Rs. 0.045 million (1999: Rs. 0.286 million).

#### 17.1 Workers' Profit Participation Fund

At beginning of the year		490	286
Add: Allocation for the year		241	407
Less: Payments during the year		(392)	(203)
		-----	-----
		339	490
		=====	=====

#### 18. CONTINGENCIES AND COMMITMENTS CONTINGENCIES

18.1 The outstanding bank guarantees issued to Collector of Customs as a security against import duty amounts to Rs. 3.916 million (1999: Rs.10.428 million) and, outstanding bank guarantee issued to Sui Southern Gas Company amounts to Rs. 0.385 million.

18.2 The outstanding insurance guarantees issued on behalf of the' company to Original Equipment Manufacturers (OEM) as a security against mobilization advance amounts to Rs. 4.600 million (1999: Rs.4.600 million).

18.3 Indemnity bonds issued in favour of Collector of Customs as a security against import duties amounts to Rs. 23.537 million (1999: Rs.32.344 million).

#### COMMITMENTS

18.4 Commitments in respect of outstanding letters of credit, amounts to Rs. 21.418 million (1999: Rs.16.083 million).

#### 19. TURNOVER

Sales		299,756	302,148
Less: Discount		3,642	1,150
		-----	-----

Net Sales	296,114	300,998
	=====	=====

**20. COST OF GOODS SOLD**

Raw Materials Consumed:

- Opening Stock	35,577	42,870
- Purchases	139,383	138,516

- Available	174,960	181,386
- Closing Stock	(36,615)	(35,577)

Salaries, Wages and Benefits	138,345	145,809
------------------------------	---------	---------

	33,161	32,024
Transportation and Travelling	9,085	7,513
Water and Power	10,782	9,327
Postage, Telephone and Telex	795	669
Insurance	636	665
Repairs and Maintenance	3,184	1,177
Consumable Stores	14,342	12,848
Depreciation	3.2 11,163	11,597
Cartage and Octroi Charges	510	1,283
Rent and Taxes	1,174	481
Security Service Charges	250	278
Printing and Stationery	469	304
Amortisation Expense	973	973
Others	205	164

	86,729	79,303
Work-in-process - Opening	6,685	6,792
Work-in-process - Closing	(4,804)	(6,685)

Cost of goods manufactured	226,955	225,219
Finished Goods -Opening Stock	15,982	29,392
Finished Goods - Closing Stock	(7,181)	(15,982)
Rebates	--	(374)
	235,756	238,255
	=====	=====

**21. OTHER INCOME**

Profit/(Loss) on Disposal of Fixed Assets	3.3 732	51
Interest income	1,453	--
Liabilities written back	1,707	230
	3,892	281
	=====	=====

**22. ADMINISTRATIVE EXPENSES**

Salaries, Wages and Benefits	6,004	5,407
Directors' Remuneration and Fee	1,766	1,896
Transportation and Travelling	798	861
Water and Power	207	733
Rent and Taxes	589	1,511
Postage, Telephone and Telex	659	584
Advertisement and Publicity	118	140
Legal and Professional Charges	1,416	1,182
Repairs and Maintenance	371	525
Depreciation	3.2 1,340	816
Insurance	262	410
Security Services Charges	80	141
Printing and Stationery	556	377
Others	258	247
	14,424	14,830
	=====	=====

**23. SELLING AND DISTRIBUTION EXPENSES**

Salaries, Wages and Benefits	2,927	2,698
Transportation and Travelling	1,422	571
Postage, Telephone and Telex	111	134
Advertisement and Publicity	1,494	233

Insurance		355	198
Royalty		2,315	2,141
Depreciation	3.2	474	512
Freight and Octroi Charges		854	6,253
Bad debts		300	663
Printing and Stationary		122	151
Security Services Charges		41	139
Repairs and Maintenance		5	13
After Sales Services		--	4
Others		689	276
		-----	-----
		11,109	13,986
		=====	=====

#### 24. RETIREMENT BENEFITS

The charge for retirement benefits of Rs. 1.831 million (1999: Rs. 2.038 million) is included in the figures of salaries, wages and benefits of manufacturing, administrative and selling and distribution expenses.

#### 25. OTHER CHARGES

Auditor's Remuneration	25.1	152	80
Workers' Profit Participation Fund	17.1	241	407
Donations	25.2	64	18
		-----	-----
		457	505
		=====	=====

##### 25.1 Auditor's Remuneration

Audit fee		70	55
Out of pocket expenses		23	25
Others		59	--
		-----	-----
		152	80
		=====	=====

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

#### 26. FINANCIAL CHARGES

Mark-up on Long Term Loans		5,769	8,955
Mark-up on Short Term Finances		7,033	10,190
Mark-up on Advances from Others		4,104	4,677
Bank Charges, Commission and Other Charges		419	2,140
		-----	-----
		17,325	25,962
		=====	=====

#### 27. TAXATION

##### Current

The company's income tax assessments have been finalised upto and including assessment year 1997-98.

##### Deferred

Cumulative deferred taxation upto June 30, 2000 on major timing differences relating to accelerated tax depreciation allowances and carry forward of losses amounts to Rs. 12.551 million debit (1999: Rs. 10.635 million debit), of which Rs. 1.916 million debit relates to the current year (1999: Rs. 1.719 million credit). As a matter of prudence, the company has not accounted for this deferred tax debit.

#### 28. BASIC EARNINGS PER SHARE

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

#### 29. CASH GENERATED FROM OPERATIONS

Profit before taxation		8,243	7,741
Adjustment for non cash charges and other items			
- Depreciation		12,977	12,925
- (Profit) / Loss on Sale of Fixed Assets		(732)	(51)
- Impairment loss due to closed plants		12,692	--
- Financial Charges		17,325	25,962
- Provision for WPPF		241	407
- Amortization of deferred cost	6	973	973
- Liabilities written back		(1,707)	(230)
- Working Capital changes	29.1	(29,163)	5,806
		-----	-----
		20,849	53,533

**29.1 WORKING CAPITAL CHANGES**

**- (Increase)/Decrease in Current Assets**

Stock and Stores	8,071	14,324
Trade Debts	(12,668)	(10,049)
Advances, Deposits, Prepayments & Other receivables	4,401	(2,667)

**- Increase/(Decrease ) in Current Liability**

Creditors, Accrued and Other Liabilities	(12,656)	(9,834)
Advances from Others	(15,919)	14,235
Workers' Profit Participation Fund	(392)	(203)
	(29,163)	5,806

**30. CASH AND CASH EQUIVALENTS**

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

- Cash and Bank balances	1,454	1,788
- Short term finances	(42,959)	(35,604)
	(41,505)	(33,816)

**31. NUMBER OF EMPLOYEES**

The company employed 231 (1999: 316) employees at the end of the year.

**32. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Aggregate ,amounts in respect of:

Purchase of goods and services	584	414
--------------------------------	-----	-----

**33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

**33.1 Financial assets and liabilities**

	<i>Interest/Markup bearing</i>			<i>Non-Interest/Markup bearing</i>			<i>Total</i>	
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>June 30, 2000</i>	<i>June 30, 1999</i>
<b>FINANCIAL ASSETS</b>								
Long term deposits	--	--	--	--	1,539	1,539	1,539	1,558
Loans, advances, deposits, prepa and other receivable	--	--	--	25,063	--	25,063	25,063	34,061
Trade debts	--	--	--	53,477	--	53,477	53,477	40,809
Cash and bank balances	--	--	--	1,454	--	1,454	1,454	1,788
June 30, 2000	--	--	--	79,994	1,539	81,533	81,533	78,216
June 30, 1999	--	--	--	76,658	1,558	78,216	78,216	
<b>FINANCIAL LIABILITIES</b>								
Long term loans	9,391	23,441	32,832	--	--	--	32,832	42,107
Advances from others	19,044	--	19,044	973	--	973	20,017	35,936
Short term running finances	39,498	--	39,498	3,461	--	3,461	42,959	35,604
Creditors, accrued and other liabil	--	--	--	41,924	--	41,924	41,924	57,702
June 30, 2000	67,933	23,441	91,374	46,358	--	46,358	137,732	171,349
June 30, 1999	79,742	32,716	112,458	58,891	--	58,891	171,349	

**33.2 Credit risk exposure**

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

**33.3 Interest/mark-up rate risk exposure**

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

**33.4 Fair value of Financial Instruments**

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

**34. REMUNERATION OF CHAIRMAN, CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	2000				1999			
	Chairman	Chief Executive	Directors	Executives	Chairman	Chief Executive	Directors	Executives
	(Rs. in '000')				(Rs. in '000')			
Fees	--	--	--	--	--	--	9	--
Managerial Remuneration	240	1190	--	7,039	240	1,427	--	6,089
Retirement Benefits	--	84	--	426	--	84	--	321
Perquisites & Benefits								
Utilities	78	--	--	91	95	15	--	63
Medical	--	72	--	375	--	26	--	264
Tax								
Leave Encashment	--	--	--	794	--	--	--	304
	-----	-----	-----	-----	-----	-----	-----	-----
	318	1,346	--	8,725	335	1,552	9	7,041
	=====	=====	=====	=====	=====	=====	=====	=====
No. of Persons	1	1	--	23	1	1	6	28
	=====	=====	=====	=====	=====	=====	=====	=====

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

**35. PRODUCTION CAPACITY**

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

**36. GENERAL**

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

36.2 To facilitate comparison of the previous year's figures have been re-arranged and re-classified, wherever considered necessary.

**R.D. MINWALLA**  
Chairmen

**SYED IKRAM HAIDER**  
Chief Executive

**Pattern of Holding Shares**

Number of Share Holders	Size of share Holdings		Total shares held
	From	To	
1,711	1	--	100
1,779	101	--	500
787	501	--	1,000
1,166	1,001	--	5,000
215	5,001	--	10,000
56	10,001	--	15,000
21	15,001	--	20,000
11	20,001	--	25,000
13	25,001	--	30,000
10	30,001	--	35,000
11	35,001	--	40,000
3	40,001	--	45,000
3	45,001	--	50,000
6	50,001	--	55,000
2	55,001	--	60,000
2	60,001	--	65,000
4	65,001	--	70,000
6	70,001	--	75,000
1	75,001	--	80,000
1	80,001	--	85,000
1	155,001	--	120,000
1	140,001	--	145,000
1	155,001	--	160,000
1	185,001	--	190,000

1	240,001	--	245,000	240,273
1	255,001	--	260,000	258,000
1	275,001	--	280,000	275,625
1	285,001	--	290,000	290,000
4	300,001	--	305,000	1,209,621
1	380,001	--	385,000	383,858
1	625,001	--	630,000	630,000
1	630,001	--	635,000	633,500
1	745,001	--	750,000	750,000
1	795,001	--	800,000	800,000
1	1,010,001	--	1,015,000	1,011,200
1	2,415,001	--	2,420,000	2,419,391
1	4,935,001	--	4,940,000	4,936,285
-----			-----	
5,828			24,000,000	
=====			=====	

**Categories of Share Holder**

	<b>Number of Shares Holder</b>	<b>Shares Held</b>	<b>Percentage</b>
1. Individual	5,738	9,214,281	38.3928%
2. Investment Companies	10	965,495	4.0229%
3. Insurance Companies	3	156,413	0.6517%
4. Joint Stock Companies	43	2,805,354	11.6890%
5. Financial Institutions	8	3,456,627	14.4026%
6. Modaraba	10	780,494	3.2521%
7. Foreign Investors	5	6,145,906	25.6079%
8. Co-operative Societies	6	299,745	1.2489%
9. Charitable Trusts	1	21	0.0001%
10. Others	4	175,664	0.7319%
-----			-----
	5,828	24,000,000	100.000%
=====			=====