

# **Automotive Battery Company Limited**

## **Annual Report 2001**

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### **CORPORATE PROFILE**

#### **BOARD OF DIRECTORS**

Arif Hashwani	- Chairman
Arshad Shahzada	- Chief Executive
S.H.M. Zaidi	
Altaf Hashwani	
Hussain Hashwani	
S. Haroon Rashid	(NIT NOMINEE)
S. Yamagami	(FB-JAPAN)
S. Haider Mehdi	

#### **COMPANY SECRETARY**

S. Haider Mehdi

#### **AUDITORS & SHARE REGISTRAR**

Shakir & Co.  
Chartered Accountants  
4th Floor, Jubilee Insurance House,  
I. I. Chundrigar Road, Karachi.

#### **SOLICITORS**

Farrukh Zia Shaikh

#### **BANKERS**

Habib Bank Ltd.  
Muslim Commercial Bank Ltd.  
Bank of Tokyo-Mitsubishi, Limited  
PICIC Commercial Bank Ltd.  
(Formerly Gulf Commercial Bank Ltd.)  
Doha Bank Limited  
Emirates Bank International PJSC  
ORIX Investment Bank Pakistan Limited  
American Express Bank Ltd.

#### **REGISTERED OFFICE**

40-K, Block 6  
Dr. Mahmood Hussain Road  
Off Sharae Faisal, P.E.C.H.S.,  
Karachi-75400

### **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Seventeenth Annual General Meeting of the Shareholders of Automotive Battery Company Limited will be held on Thursday, September 27, 2001 at 11.30 hours at Senator Room, Karachi Marriott Hotel, Abdullah Haroon Road, Karachi to transact the following business:

#### **A. ORDINARY BUSINESS :**

1. To read and confirm minutes of the Sixteenth Annual General Meeting of the Shareholders held on September 14, 2000.
2. To receive and adopt the Audited Statements of Accounts for the year ended March 31, 2001 together with the Director's and Auditors' reports thereon.
3. To appoint Auditors for the year 2001-2002 and fix their remuneration.
4. To consider any other business with the permission of the Chair.

**B. SPECIAL BUSINESS:**

5. To consider and approve remunerations of the Chief Executive and Working Directors of the Company for a period of two-years commencing from April 24, 2001.

A statement under Section 160 of the Companies Ordinance, 1984 pertaining to special business is annexed to this notice.

**By order of the Board**

**S. HAIDER MEHDI**  
**Director & Company Secretary**

Karachi: July 26, 2001

**Notes:**

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend instead of his/her behalf.
2. Proxies must be deposited with the Company not later than 48 hours before the time of holding the meeting.
3. Share Transfer Books of the Company will remain closed from September 20, 2001 to September 27, 2001 (both days inclusive).
4. Shareholders are requested to notify any change in their address to the Registrar's Office: Shakir & Company, 4th Floor, Jubilee Insurance House, I. I. Chundrigar Road, Karachi.

**STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984**

This statement is annexed to the notice of the Seventeenth Annual General Meeting of the shareholders of Automotive Battery Company Ltd., to be held on September 27, 2001 and sets out the material facts concerning the following special business to be transacted at the meeting for approval of shareholders.

**REMUNERATION OF THE CHIEF EXECUTIVE AND WORKING DIRECTORS OF THE COMPANY**

A total amount of Rs. 4.84 million (Rupees Four Million Eight Hundred Forty Thousand only) will be proposed as the aggregate remuneration of the Chief Executive and Working Directors of the Company for a period of two-year commencing from April 24, 2001 in the form of the following Resolution.

"RESOLVED: that an aggregate sum of Rs. 4.84 Million (Rupees Four Million Eight Hundred Forty Thousand) be and is hereby approved as remuneration of the Chief Executive and Working Directors of the Company for a two-year term from April 24, 2001 to April 23, 2003 (both days inclusive), covering their managerial remunerations, housing, utilities, bonus, provident fund and gratuity in addition to their entitlement to chauffeur driven company maintained car, medical and hospitalisation expenses, utilities, telephone, leave fare assistance and other fringe benefits as per rules of the Company."

Mr. Arshad Shahzada, the Chief Executive and Mr. Hussain Hashwani, a Director of the Company are interested in this business to the extent of their remuneration.

## **CHAIRMAN'S REVIEW**

### **IN THE NAME OF ALLAH THE MOST BENEFICENT AND MERCIFUL**

#### **Dear Shareholders**

It gives me pleasure in welcoming you to the 17th Annual General Meeting of your Company and presenting to you the Audited Statements of Accounts and my review on the performance of your Company for the year 2000-2001.

The operating environment during the year under review became more challenging due to higher taxes, economic recession and costs escalation. The industry pays general sales tax at the rate of 15% on supply to registered persons and 3% further tax on sales to unregistered persons, in addition to 10% central excise duty on the retail price of the battery. The custom duty has been reduced from 10% to 5% on raw materials through Finance Ordinance, 2001. Since the entire unorganized sector is undocumented and does not come under the tax net, the organized sector of the battery industry has therefore, to compete severely with the unorganized sector. The battery manufacturers made presentations to the National Tariff Commission and the Central Board of Revenue for withdrawal of central excise duty on batteries but unfortunately our request has not been acceded to. The drought adversely impacted GDP growth of the agriculture sector as a result of which demand for automotive batteries also reduced during the period under report.

Despite highly adverse operating environment, the performance of your Company achieved growth and recorded pre-tax profit of Rs. 5.0m as compared to Rs. 4.3m achieved in the previous year.

#### **SALES:**

Sales revenue for the year under report went up by 3.7%; to Rs. 258.4m from Rs.249.2m in 1999-2000. In order to face the severe market competition, the management of your Company made changes in distribution network of Replacement Segment in the previous year which in turn resulted growth during the year under report. However, in view of decline in volume of original equipment and government segments, the overall growth of the automotive battery market was insignificant.

#### **MANUFACTURING:**

Despite some infrastructure constraints, power failures and shortage of water in Hub Industrial Estate, production activities were effectively planned to meet the market requirement both in terms of quality and quantity. The production schedules were adjusted after taking into account the stocks-in-hand. The constraint on market growth due to persisting economic recession was also a limiting factor on production.

#### **PROFITABILITY:**

The State Bank of Pakistan deregulated rupee-dollar parity in July 2000 as a result of which inter-bank value of Pak Rupee depreciated by around 17% till March 31, 2001. With a view to meet the cut-throat competition with the unorganized sector, discounts and incentives have been increased over the previous year. In view of devaluation of Pak Rupee, rise in utility and manpower costs, the cost of sales increased to Rs. 225.9m from Rs. 218.1m. The reorganisation of distribution network increased Selling and Distribution costs as the result of which, Administration and Marketing Expenses increased from Rs. 14.2m to Rs 17.0m during the period under review and in turn operating profit went down from Rs. 16.9m in 1999-2000 to Rs. 15.4m during the period under report. However, as a result of strict vigilance on stocks and trade receivables, financial charges reduced from Rs. 12.6m to Rs. 10.0m. It is hope that the volume in Replacement Sector will increase in the coming years owing to adjustments made in distribution network.

**TAXATION:**

The liability on account of income tax has been provided at current rate of 0.5% on turnover under Section 80-D of the Income Tax Ordinance, 1979 due to brought forward losses of the tax holiday period.

**FUTURE OUTLOOK:**

The persisting economic recession and severe market competition with the unorganized sector will continue to have adverse impact on the operating environment for the organized sector in future as well. The continuous depreciation of Pak Rupee and upsurge in energy costs would escalate the basic input costs substantially. However, reduction of custom duty on imported raw materials from 10% to 5% will partially absorb the inflation related cost increases.

**ACKNOWLEDGEMENT:**

On my behalf and on behalf of the Board of Directors of your company, I take this opportunity of acknowledging the devoted services and the sincere efforts of employees of all cadres of the Company towards its operating performance during the year under review. I am also thankful to main dealers, the valued customers, the bankers, and M/s. Furukawa Battery Company Limited, Japan, for their sustained support.

Karachi: July 26, 2001

**ARIF HASHWANI**  
Chairman

**REPORT OF THE DIRECTORS**

The Directors have pleasure in submitting their report and the Audited Statements of Accounts of your Company for the Year Ended March 31, 2001. The Profit after providing for the minimum tax on turnover under Section 80-D of the Income Tax Ordinance, 1979 amounting to Rs. 0.947 m has been utilized to reduce the carried forward losses and as such your directors do not recommend any dividend for the year under review.

**FINANCIAL HIGHLIGHTS**

	<i>Rs. (000)</i>
Profit Before Taxation	5,044
Less Taxation	947
	-----
Profit After Taxation	4,097
Accumulated Losses Brought Forward	22,485
	-----
Loss Carried Forward	18,388
	=====
Earning per share	Rs. 0.78
	=====

The Chairman's Review dealing with the performance of the Company during the Year Ended March 31, 2001, future prospects and other matters of concern to the Company forms part of this report.

Pattern of Shareholding as at March 31, 2001 is annexed to this report.

The present auditors, Messrs. Shakir & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

**By order of the Board**

**ARSHAD SHAHZADA**  
Chief Executive

Karachi: July 26, 2001

**FIVE YEARS AT A GLANCE**

	<i>Rs. Million</i>				
	1997	1998	1999	2000	2001
Sales	263.61	268.79	278.40	249.20	258.38
Gross Profit	32.04	34.05	36.10	31.14	32.45
Profit before tax	0.02	2.80	5.77	4.36	5.04
Profit/(loss) after tax	(0.95)	1.75	4.70	3.44	4.10
Paid-up share capital	52.65	52.65	52.65	52.65	52.65
Accumulated losses	(32.37)	(30.62)	(25.92)	(22.49)	(18.39)
Shareholders' equity	35.28	37.04	41.73	45.17	49.27
Long-term debt	63.06	55.13	45.95	35.33	24.12

### PATTERN OF SHAREHOLDINGS AS AT MARCH 31, 2001

<i>NO. OF SHARE HOLDERS</i>	<i>SHAREHOLDING</i>				<i>TOTAL SHARES HELD</i>	
634	FROM	1	TO	100	SHARES	62,605
163	FROM	101	TO	500	SHARES	52,800
73	FROM	501	TO	1000	SHARES	65,100
85	FROM	1001	TO	5000	SHARES	201,000
11	FROM	5001	TO	10000	SHARES	73,600
5	FROM	10001	TO	15000	SHARES	55,500
4	FROM	15001	TO	20000	SHARES	70,500
2	FROM	20001	TO	25000	SHARES	43,500
1	FROM	25001	TO	35000	SHARES	28,800
1	FROM	35001	TO	55000	SHARES	39,800
1	FROM	55001	TO	95000	SHARES	54,300
1	FROM	95001	TO	595000	SHARES	100,000
1	FROM	595001	TO	745000	SHARES	600,000
1	FROM	745001	TO	3065000	SHARES	750,000
1	FROM	3065001	TO	3067090	SHARES	3,067,390
-----						
984						5,264,895
=====						

<i>NO. OF SHARE HOLDERS</i>	<i>CATEGORIES OF SHAREHOLDERS</i>	<i>SHARES HELD</i>	<i>PERCENTAGE OF TOTAL</i>
978	Individuals	758,305	14.40%
1	Investment Company	10,500	0.20%
2	Joint Stock-Companies	3,091,790	58.72%
1	Financial Institution	600,000	11.40%
1	Modaraba Company	54,300	1.03%
1	Others - Foreign Company- Furukawa Battery Company Ltd. Japan	750,000	14.25%
-----			
984		5,264,895	100.00%
=====			

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **AUTOMOTIVE BATTERY COMPANY LIMITED** as at March 31, 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 purpose 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;

(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 notes forming part thereof confirm with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in manner so required and respectively give a true and fair view of the state of the Company's affairs as at March 31, 2001 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 & Ushr Ordinance, 1980.

**SHAKIR & CO.**  
**Chartered Accountants**

Karachi: July 26, 2001

## BALANCE SHEET AS AT MARCH 31, 2001

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>SHARE CAPITAL</b>			
<b>AUTHORISED CAPITAL</b>			
8,000,000 Ordinary Shares of Rs 10 each		80,000,000	80,000,000
		=====	=====
Issued, subscribed and paid-up capital	3	52,648,950	52,648,950
Accumulated loss		(18,388,446)	(22,485,728)
		-----	-----
		34,260,504	30,163,222
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		15,006,479	15,006,479
<b>LONG-TERM LOANS</b>	4	23,493,000	33,935,580
<b>OBLIGATION UNDER FINANCE LEASE</b>	5	634,000	1,393,815
<b>DEFERRED LIABILITIES</b>	6	2,712,147	2,323,193
<b>CURRENT LIABILITIES</b>			
Short-term financing	7	35,853,709	50,464,349
Current portion of long-term liabilities	8	11,444,395	10,867,555
Creditors, accrued and other liabilities	9	29,708,499	28,725,909
		-----	-----
		77,006,603	90,057,813
<b>CONTINGENCIES AND COMMITMENTS</b>			
	10	--	--
		-----	-----
		153,112,733	172,880,102
		=====	=====

The annexed notes form an integral part of these accounts.

The Auditors' Report is annexed hereto.

## TANGIBLE FIXED ASSETS

Operating Assets	11	64,760,775	69,170,321
<b>LONG-TERM DEPOSITS</b>	12	943,300	1,555,700

**CURRENT ASSETS**

Stores and spares	13	5,453,408	5,067,089
Stock-in-trade	14	38,376,930	50,779,188
Trade debts (unsecured considered good)	15	28,129,929	29,038,476
Loans, advances, short term prepayments & other receivables	16	4,088,980	5,006,719
Trade & other deposits	17	2,697,421	2,324,521
Cash and bank balances	18	8,661,990	9,938,088
		-----	-----
		87,408,658	102,154,081
		-----	-----
		153,112,733	172,880,102
		=====	=====

**ARSHAD SHAHZADA**  
Chief Executive

**HUSSAIN HASHWANI**  
Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2001**

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Net sales	19	258,380,770	249,202,778
Cost of sales	20	225,931,378	218,062,224
		-----	-----
Administrative and marketing expenses	21	32,449,392	31,140,554
		-----	-----
Operating profit		15,435,927	16,989,026
Other income	22	--	309,300
		-----	-----
		15,435,927	17,298,326
		-----	-----
Financial charges	23	10,017,475	12,631,673
Workers' profit participation fund		270,923	233,333
Workers' welfare fund		102,951	88,666
		-----	-----
		10,391,349	12,953,672
		-----	-----
Profit before taxation		5,044,578	4,344,654
Taxation	24	947,296	905,915
		-----	-----
Profit after taxation		4,097,282	3,438,739
Loss brought forward		(22,485,728)	(25,924,467)
		-----	-----
Loss carried forward		(18,388,446)	(22,485,728)
		=====	=====

The annexed notes form an integral part of these accounts.

**ARSHAD SHAHZADA**  
Chief Executive

**HUSSAIN HASHWANI**  
Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED MARCH 31, 2001**

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	27	35,179,551	6,824,709
Staff gratuity paid		(225,490)	(202,021)
Financial charges paid		(9,803,269)	(12,056,992)
Financial charges on leased assets		(353,925)	(649,628)
Taxes (paid)/refundable		(4,190)	18,485
		-----	-----
Net cash inflow from operating activities		24,792,677	(6,065,447)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(1,444,980)	(414,085)
Proceeds from disposal of fixed assets		--	522,000

Long-term deposits	612,400	29,500
Net cash outflow from investing activities	(832,580)	137,415
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of long term-loans	(9,122,000)	(7,967,000)
Repayment of liability under finance lease	(1,503,555)	(1,207,852)
Net cash outflow from financing activities	(10,625,555)	(9,174,852)
Net increase/(decrease) in cash and cash equivalents	13,334,542	(15,102,884)
Cash and cash equivalents as at beginning of the year	(40,526,261)	(25,423,377)
Cash and cash equivalents as at end of the year	28	(27,191,719)

The annexed notes form an integral part of these accounts.

**ARSHAD SHAHZADA**  
Chief Executive

**HUSSAIN HASHWANI**  
Director

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2001

	<i>Share capital</i>	<i>Unappropriated profit/(loss)</i>	<i>Total</i>
	<i>Rupees</i>		
<b>Balance as on March 31, 1999</b>	52,648,950	(25,924,467)	26,724,483
Profit for the year	--	3,438,739	3,438,739
<b>Balance as on March 31, 2000</b>	52,648,950	(22,485,728)	30,163,222
Profit for the year	--	4,097,282	4,097,282
<b>Balance as on March 31, 2001</b>	52,648,950	(18,388,446)	34,260,504

The annexed notes form an integral part of these accounts.

**ARSHAD SHAHZADA**  
Chief Executive

**HUSSAIN HASHWANI**  
Director

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2001

### 1. NATURE OF BUSINESS

The Company has been incorporated in Karachi as a Public Limited Company on October 28, 1984, and its shares are quoted on the Stock Exchanges of Pakistan. The Company has set up an automotive battery manufacturing plant located at Hub Industrial Estate, District Lasbella, in the Province of Balochistan.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These accounts have been prepared on historical cost convention and in accordance with International Accounting Standards as applicable in Pakistan.

#### 2.2 Statement of compliance

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

#### 2.3 Taxation

The Company's five year Tax Holiday period expired on April 30, 1992. Provision for current taxation has been made at the minimum tax of 0.5% of turnover because of brought forward losses from Tax Holiday period.

#### 2.4 Staff retirement benefits

The Company has a scheme of provident fund for its permanent employees. In addition, the Company operates an approved funded gratuity scheme covering all permanent employees.



**2.5 Fixed assets****Owned:**

Operating fixed assets except leasehold land are stated at cost less accumulated depreciation. Buildings are stated at revalued amount less accumulated depreciation. Leasehold land are stated at cost/revalued amount.

Depreciation is charged applying the reducing balance method and rates are stated in Note 11 to the accounts.

**Automotive Battery Co. Ltd.**

Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are included in the Profit & Loss Account.

**Leased:**

The Company accounts for assets, acquired under finance lease by recording the assets and related liabilities. Finance charge is allocated to accounting period in a manner so as to produce a constant periodic rate of charge on the outstanding liabilities.

**2.6 Stores and Spares and Loose Tools**

These are valued at average cost. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

**2.7 Stock-in-Trade**

These are valued at lower of the cost or net realizable value. Cost in relation to raw materials is determined on average basis. Cost in relation to work in process and finished goods represents direct cost of materials, wages and an appropriate portion of production overheads and the related excise duty where applicable. Stock-in-transit are valued at cost comprising invoice values plus other charges incurred thereon.

**2.8 Revenue recognition**

Sales are recorded on despatch of goods to customers.

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>3. ISSUED, SUBSCRIBED &amp; PAID-UP CAPITAL</b>		
4,964,895 Ordinary Shares of Rs. 10/- each fully paid in cash	49,648,950	49,648,950
300,000 Ordinary Shares of Rs. 10/- each other than cash	3,000,000	3,000,000
	----- 52,648,950	----- 52,648,950
	=====	=====

Holding Company, Messrs. Exide Pakistan Limited holds 3,067,390 Ordinary Shares in the Company.

**4. LONG-TERM LOANS**

PICIC (Foreign Currency) (4.1)	43,057,580	51,024,580
Repaid during the year	(9,122,000)	(7,967,000)
	----- 33,935,580	----- 43,057,580
Current portion	(10,442,580)	(9,122,000)
	----- 23,493,000	----- 33,935,580
	=====	=====

**4.1 PICIC loan (Secured)****4.1.1 The loan is secured by:**

- (i) A first floating charge on all its movable properties and other assets.
- (ii) Hypothecation in respect of all the machinery both present and future.
- (iii) Equitable mortgage on present and future movable and immovable properties wherever situated including all buildings, fixed plants, machinery and fixtures.

4.1.2 Interest bearing debt Rs. 10,442,580/-

(i) The loan carries interest at the rate of 14% per annum chargeable at half yearly rates.

(ii) The interest and principal is payable in 20 half yearly installments starting from June 1992.

#### 4.1.2 Interest free deferred debt Rs. 23,493,000/-

(i) The debt is repayable in four half yearly installments after the terminal date of revised amortization schedule in respect of Interest Bearing Debt.

(ii) No interest/penal interest will be charged on this debt unless there is default in its repayment.

4.1.4 Any times during the subsistence of its loan, PICIC shall have the right to convert, at par 20% of the loan into shares of the Company provided that conversion of loan into Capital by all financial institutions will not exceed 25% of the paid-up capital of the Company. In the case of interest free deferred debt PICIC shall have the right to convert this amount of deferred debt, in full or in part, into fully paid-up Ordinary Shares of the Company at any time after the date of this letter. These shares will be issued at par, will enjoy voting rights and will be entitled to all benefits.

### 5. OBLIGATION UNDER FINANCE LEASE

Opening balance	2,897,370	4,105,222
Repaid during the year	(1,503,555)	(1,207,852)
	-----	-----
	1,393,815	2,897,370
Current portion due within the following 12 months	(759,815)	(1,503,555)
	-----	-----
	634,000	1,393,815
	=====	=====

The future minimum lease payments due under the agreement are as follows:

Payable in 2001-2002	1,393,815	1,857,480
Finance charges allocated to future periods	(634,000)	(353,925)
	-----	-----
	759,815	1,503,555
	=====	=====
Classified as under:		
Long-term obligation under finance lease	634,000	1,393,815
Current obligation under finance lease	759,815	1,503,555
	-----	-----
	1,393,815	2,897,370
	=====	=====

The total lease rentals due under the various Lease Agreements are payable in equal monthly installments latest by 2001. Overdue rental payments are subject to an additional charge of Rs. 155/- per day. Taxes, repairs, replacements and insurance costs are to be borne by the lessee. Finance charge at the rate of approximately 22% p.a. is included in the monthly rent and is charged to income.

### 6. DEFERRED LIABILITIES

Premium payable to L.I.E.D.A.	242,000	242,000
Less: Current Maturity	242,000	242,000
	-----	-----
	--	--
Staff Gratuity	2,712,147	2,323,193
	-----	-----
	2,712,147	2,323,193
	=====	=====

### 7. SHORT-TERM FINANCING

Running finance from banks	35,853,709	50,464,349
	-----	-----
	35,853,709	50,464,349
	=====	=====

The Company has arranged short-term running finance from Banks on markup basis. Under these agreements the company can avail finances aggregating upto Rs. 65.50 million (2000: Rs. 69.60 million). The finances under these agreements are secured against pledge of raw materials, hypothecation of stocks and a charge duly registered with the Securities & Exchange Commission of Pakistan and personal guarantee of Directors. The rate of markup charged by the banks ranges from 38

to 47 paisas (2000: Rs. 39 paisas to 48 paisas) per Rs. 1000 per day calculated on daily product basis.

## 8. CURRENT PORTION OF LONG-TERM LIABILITIES

Pakistan Industrial Credit & Investment Corporation Ltd.	10,442,580	9,122,000
Lasbella Industrial Estate Development Authority	242,000	242,000
Obligation under finance lease	759,815	1,503,555
	-----	-----
	11,444,395	10,867,555
	=====	=====

## 9. CREDITORS, ACCRUED & OTHER LIABILITIES

Creditors	10,657,539	9,083,570
Accrued liabilities	11,798,575	12,429,814
Accrued interest/markup (9.1)	2,728,491	2,868,210
Sales tax payable	4,252,971	4,110,982
Workers' profit participation fund	270,923	233,333
	-----	-----
	29,708,499	28,725,909
	=====	=====

### 9.1 Accrued Interest / Markup

On secured loan:		
PICIC	365,490	684,790
Running finance	2,363,001	2,183,420
	-----	-----
	2,728,491	2,868,210
	=====	=====

## 10. CONTINGENCIES AND COMMITMENTS

(i) Letter of Credit outstanding	6,169,200	1,128,000
(ii) Bank Guarantee given by Bank of Tokyo-Mitsubishi, Limited, Soneri Bank Limited and Muslim Commercial Bank Limited on behalf of the Company	430,970	5,190,000
(iii) Insurance Guarantees/Indemnity Bonds	5,141,500	5,402,942
(iv) Income Tax Liability (Refer Note No. 24)	23,640,000	21,900,000

## 11. OPERATING ASSETS

11.1 The following is a statement of operating assets

	<i>Cost as at April 01, 2000</i>	<i>Additions/ (deletions)</i>	<i>Cost as at March 31, 2001</i>	<i>Accumulated depreciation at April 01, 2000</i>	<i>Depreciation for the year</i>	<i>Depreciation on deletions</i>	<i>Accumulated depreciated at March 31, 2001</i>	<i>Written down value as at March 31, 2001</i>	<i>Depreciation rate % per annum</i>
<b>Rupees</b>									
Leasehold land									
-- At HITE-Hub Chowki	3,500,000	--	3,500,000	--	--	--	--	3,500,000	--
-- At SITE Nooriabad	1,384,668	--	1,384,668	--	--	--	--	1,384,668	--
Factory buildings	22,706,661	--	22,706,661	3,717,210	949,473	--	4,666,683	18,039,978	5
Plant and machinery	118,305,310	24,000	118,329,310	79,374,361	3,895,495	--	83,269,856	35,059,454	10
Office equipment	769,665	28,080	797,745	460,718	33,703	--	494,421	303,324	10
Furniture & fixtures	1,263,181	--	1,263,181	855,186	40,800	--	895,986	367,195	10
Vehicles	3,834,910	1,291,000	5,125,910	2,816,569	461,868	--	3,278,437	1,847,473	20
Computers	934,055	101,900	1,035,955	463,759	57,220	--	520,979	514,976	10
Assets held under finance lease									
Plant and machinery	6,340,000	--	6,340,000	2,180,326	415,967	--	2,596,293	3,743,707	10
	-----	-----	-----	-----	-----	-----	-----	-----	-----
2001	159,038,450	1,444,980	160,483,430	89,868,129	5,854,526	--	95,722,655	64,760,775	
	=====	=====	=====	=====	=====	=====	=====	=====	=====
2000	159,436,511	(398,061)	159,038,450	84,293,582	6,173,793	599,246	89,868,129	69,170,321	
	=====	=====	=====	=====	=====	=====	=====	=====	=====
			<b>2001</b>	<b>2000</b>					
			<b>Rupees</b>	<b>Rupees</b>					

**11.2 Depreciation charged for the year has been allocated as follows:**

Cost of goods sold-Note 20.1	5,561,800	5,865,103
Administrative and marketing expenses	292,726	308,690
	-----	-----
	5,854,526	6,173,793
	=====	=====

11.3 Revaluation of leasehold land & buildings was carried out on 30th September 1996 which produced revaluation surplus of Rs. 15 million. The surplus of Rs. 15 million has been added to the value of such assets and corresponding amount has been credited to the Surplus on Revaluation of Fixed Assets.

Original cost	Rs.18,905,387
The amount of increased figure	Rs.25,855,188
Date of revaluation	September 30th 1996
Basis of revaluation	Current Market Value
Name and qualification of the independent valuers	M/s. Iqbal A. Nanjee & Co. Valuation Consultants and Surveyors

11.4 Had there been no revaluation, the figures of leasehold land and buildings would have been as follows:

	<i>Cost as on March 31, 2001</i>	<i>Accumulated depreciation as on March 31, 2001</i>	<i>Book value as on March 31, 2001</i>
Leasehold land	1,384,668	--	1,384,668
Buildings	17,075,034	9,905,534	7,169,500

11.5 Moulds for containers, lids and vent plugs amounting to Rs. 9.5 million included in the Plant and Machinery above are held by Mandviwalla Mauser Plastic Industries Ltd., Simla Plastic Works and Ideal Plastic View, who use these moulds for manufacturing plastic containers, lids and vent plugs for the Company.

	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>12. LONG-TERM DEPOSITS</b>		
Utilities & other deposits	943,300	1,555,700
	=====	=====

**13. STORES & SPARES**

General stores	5,453,408	5,067,089
	=====	=====

**14. STOCK-IN-TRADE**

Raw & packing materials and components (14.1)	5,756,495	12,549,178
Work-in-process	6,598,375	8,675,808
Finished goods	20,536,469	27,033,854
Goods-in-transit	5,485,591	2,520,348
	-----	-----
	38,376,930	50,779,188
	=====	=====

14.1 Raw material and components amounting to Rs. 1.398 million were held by Mandviwalla Mauser Plastic Industries Ltd., Simla Plastic Works and Ideal Plastic View who under an arrangement with the Company, manufacture Plastic Containers, Lids and Vent Plugs for the Company.

**15. TRADE DEBTORS (UNSECURED)**

Considered good (Note 15.1)	28,129,929	29,038,476
	=====	=====

15.1 Includes Rs. 959,653 (2000: Rs. 1,553,875) due to associated undertakings.

15.2 Maximum amount due from associated undertaking at the end of any month during the year was Rs. 6,144,515 (2000: Rs. 3,723,568).

**16. LOANS, ADVANCES, SHORT-TERM PREPAYMENTS & OTHER RECEIVABLES**

Loans to staff & workers (considered good)	311,590	264,021
Advances to staff for expenses (considered good)	179,415	169,415

Advances to suppliers (considered good)	13,961	46,162
Income tax deducted at source	3,351,954	4,295,061
Octroi refundable	77,270	77,270
Prepayments	154,790	154,790
	-----	-----
	4,088,980	5,006,719
	=====	=====

**17. TRADE AND OTHER DEPOSITS**

Advance for Excise Duty	273,325	251,207
Margin Deposits (Bank Guarantees)	571,511	531,291
Earnest Money/Licence Fee	1,261,736	951,174
Sales Tax/Customs Duty Refundable	590,849	590,849
	-----	-----
	2,697,421	2,324,521
	=====	=====

**18. CASH AND BANK BALANCES**

Imprest Accounts	162,189	262,502
Balance with banks in current accounts/ cheques in hand/under realisation	8,499,801	9,675,586
	-----	-----
	8,661,990	9,938,088
	=====	=====

**19. SALES**

Local	287,376,217	263,992,645
Less: Discounts on battery sales	28,995,447	14,789,867
	-----	-----
	258,380,770	249,202,778
	=====	=====

**20. COST OF SALES**

Opening Stocks	27,033,854	11,442,852
Purchases	1,138,265	341,032
Cost of Goods Manufactured (Note 20.1)	221,810,799	234,878,986
	-----	-----
	249,982,918	246,662,870
	-----	-----
Less: Cost of batteries replaced	3,515,071	1,566,792
Closing stocks	20,536,469	27,033,854
	-----	-----
	24,051,540	28,600,646
	-----	-----
	225,931,378	218,062,224
	=====	=====

**20.1 COST OF GOODS MANUFACTURED**

Raw and packing materials and components		
Opening Stocks	12,549,178	9,860,809
Purchases (Net)	89,558,177	110,600,562
	-----	-----
	102,107,355	120,461,371
Closing Stocks	5,756,495	12,549,178
	-----	-----
	96,350,860	107,912,193
Raw and packing materials and components consumed	96,350,860	107,912,193
Work-in-process as on 01-04-2000	8,675,808	10,838,536
Stores & spares consumed	4,625,271	5,247,022
Salaries, wages & benefits	18,617,582	18,741,824
Fuel, power & water	13,229,421	14,814,824
Insurance	631,927	679,001
Rent, rate & taxes	181,315	169,315
Repairs & maintenance	1,542,093	652,939
Royalty	1,675,497	1,549,269
Excise duty & sales tax	68,911,509	67,942,728
Conveyance & transportation	389,505	431,972
Depreciation	5,561,800	5,865,103
Battery guarantee claims	7,470,190	8,243,285
Miscellaneous	546,396	466,783
	-----	-----
	228,409,174	243,554,794
Work in Process as on 31.03.2001	6,598,375	8,675,808
	-----	-----
	221,810,799	234,878,986

**21. ADMINISTRATIVE AND MARKETING EXPENSES**

Salaries & benefits	6,587,823	5,479,144
Electricity & gas	95,293	231,788
Travelling, entertainment & conveyance	945,439	617,825
Vehicle running expenses	787,422	603,280
Carriage and forwarding expenses	3,385,585	3,272,381
Rent, rates & taxes	402,975	184,911
Repairs & maintenance	173,542	106,995
Legal & professional expenses	563,025	413,338
Auditors' remuneration (Note 21.1)	356,050	117,360
Postage, telephone & telex	509,960	329,909
Printing & stationery	450,766	379,040
Depreciation	292,726	308,690
Advertisement & publicity	1,946,723	1,904,509
Miscellaneous	516,136	202,358
	17,013,465	14,151,528

**21.1 AUDITORS' REMUNERATION**

Audit fee	45,000	45,000
Fees for tax & other advisory services	125,625	--
Audit of Provident Fund, Gratuity, Workers Profit Participation Fund & Workers Welfare Fund	75,375	--
Registrar services/charges	72,360	72,360
Others	37,690	--
	356,050	117,360

**22. OTHER INCOME**

Service charges	--	200
Gain on sale of fixed assets	--	309,100
	--	309,300

**23. FINANCIAL CHARGES**

<b>INTEREST/MARK-UP ON</b>		
PICIC	2,111,281	3,345,919
Running finance	7,106,817	8,094,912
Finance charges on leased assets	353,925	649,628
Bank charges	431,977	515,387
Interest on WPPF	13,475	25,827
	10,017,475	12,631,673

24. The Company's income tax assessments have been finalized upto assessment year 1998-99, and the Company's claim for carry over of tax holiday losses beyond the tax holiday period for set off against the profits of taxable period has been adjudicated by the Income Tax Appellate Tribunal in the Company's favour and on a reference application for assessment year 1988-89 filed by the Income Tax Department, the Tribunal has referred the question of law to the High Court. Based on the legal advice, the company expects the final outcome to be in its favour. Therefore, tax provision has been calculated on the basis that Tax Holiday losses would be set off against the current year's income. Should however, the Company's stand, not being accepted, the further estimated tax liability upto assessment year (2001-2002) would work out to Rs. 23.64 million approximately. In the opinion of the Directors and in view of the initial success upto the Tribunal stage and supporting legal opinion, further tax provision would not be eventually necessary.

**25. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

The aggregate amount charged in the account for the period for remuneration, including all benefits, to the Chief Executive, Director and Executives of the Company were as follows:

	2001		2000	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration	879,557	1,620,682	791,529	833,300

*Rupees*

Retirement benefits	142,439	228,598	124,737	119,372
Housing, conveyance & utilities	427,381	880,320	381,540	423,084
Medical expenses	75,206	162,705	62,792	82,061
Leave fare assistance	30,000	99,000	30,000	99,861
	-----	-----	-----	-----
	1,554,583	2,991,305	1,390,598	1,557,68
	=====	=====	=====	=====
Number of Persons	1	10	1	5
	=====	=====	=====	=====
Meeting fee to Other Directors	0	0	0	0
	=====	=====	=====	=====
Number of Persons	0	0	0	0
	=====	=====	=====	=====

In addition, the Chief Executive, and some executives are provided with free use of the Company's cars and residential telephones in accordance with their entitlement.

## 26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales to	29,997,490	34,458,206
	-----	-----
Purchases from	1,308,999	3,921,861
Sales tax	(170,733)	(51,154)
	-----	-----
Net Purchases	1,138,266	341,032
	-----	-----
Sale of fixed asset	--	450,000
Expenses charged by	902,823	718,949
Expenses charged to	153,725	315,335
	-----	-----
	32,192,304	36,283,522
	=====	=====

## 27. CASH GENERATED FROM OPERATIONS

Profit before taxation	5,044,578	4,344,654
Adjustment for non-cash charges and other items:		
Depreciation	5,854,526	6,173,793
Profit on sale of fixed assets	--	(309,100)
Provision for staff gratuity	614,445	231,455
Financial charges	9,663,550	11,982,045
Finance charges on leased assets	353,925	649,628
Working capital changes (Note 27.1)	13,648,527	(16,247,766)
	-----	-----
	35,179,551	6,824,709
	=====	=====

### 27.1 WORKING CAPITAL CHANGES

(Increase)/decrease in current assets:		
Spares	(386,319)	289,661
Stock-in-trade	12,402,258	(16,244,536)
Trade debts	908,547	2,678,149
Loans and advances	(25,368)	(72,241)
Trade and other deposits	(372,900)	(885,873)
	-----	-----
	12,526,218	(14,234,840)
	-----	-----
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities (excluding accrued mark up)	1,122,309	(2,012,926)
	-----	-----
	13,648,527	(16,247,766)
	=====	=====

## 28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

Cash and bank balances	8,661,990	9,938,088
Short-term finance utilised under mark-up arrangements	(35,853,709)	(50,464,349)
	-----	-----
	(27,191,719)	(40,526,261)
	=====	=====

## 29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 29.1 Financial assets and liabilities

	<i>Interest/markup bearing</i>			<i>Non Interest/markup bearing</i>			<i>Total 2001</i>	<i>Total 2000</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>(Rupees in '000)</i>								
<b>Financial Assets</b>								
Deposits	--	--	--	--	943	943	943	1,556
Trade debtors	--	--	--	28,130	--	28,130	28,130	29,038
Loan and advances	--	--	--	326	179	505	505	479
Others receivables	--	--	--	232	--	232	232	232
Cash & bank balance	--	--	--	8,662	--	8,662	8,662	9,938
<b>Financial Liability</b>								
Long-term loan	11,444	23,493	34,937	--	--	--	34,937	44,804
Short-term finance	35,853	--	35,853	--	--	--	35,853	50,464
Creditor & accrued	--	--	--	29,708	--	29,708	29,708	28,726

### 29.2 Risk management

#### (a) Interest rate risk.

The financial liabilities comprise long-term loans. Applicable rates of interest have been indicated in note 4.

#### (b) Concentration of credit risk.

Credit risk represent the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. All the financial assets except cash in hand, are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limits to its customers.

#### (c) Foreign exchange risk management.

Foreign currency risk arises mainly where receivables and payable exist due to transaction with foreign undertakings.

### 29.3 Fair value of financial assets and liabilities

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

## 30. NUMBER OF EMPLOYEES

The total number of employees as at the balance sheet date were 207 (2000: 182)

	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>31. EARNINGS PER SHARE</b>		
Net profit after taxation	4,097,282	3,438,739
<i>Number of shares</i>		
Weighted average number of shares in issue during the year	5,264,895	5,264,895
<i>Rupees</i>		
Basic earnings per shares	0.78	0.65

## 32. GENERAL

32.1 The production capacity of the Factory cannot be precisely determined as it depends on the proportion of different types of batteries produced which varies in relation to the consumer demand.



32.2 The figures have been rounded off to the nearest rupee.

32.3 Previous year's figures have been rearranged and regrouped where necessary for the purpose of comparison.