

Al Ghazi Tractors Limited

Annual Report 2000

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Company Profile

DATE OF INCORPORATION	June 26, 1983
DATE OF COMMENCEMENT OF OPERATIONS:	September 1, 1983
DATE OF TAKE OVER BY AL-FUTTAIM	December 8, 1991
START OF PRODUCTION AT DERA GHAZI KHAN PLANT:	
i) Auxiliary Plant.	February 20, 1984
ii) Main Plant.	April 1, 1985
INSTALLED CAPACITY:	15,000 TRACTORS PER ANNUM IN SINGLE SHIFT.
TOTAL LAND AREA:	90 ACRES
EMPLOYEES:	498
OFFICES:	
Head Office.	Karachi.
Plant.	Dera Ghazi Khan - 12 km from D.G. Khan City.
Marketing Centres:	Lahore. Multan Islamabad. Sukkur.

FACILITIES AT THE AGTL STAFF TOWN

HOUSING	126 FAMILY HOMES AND BACHELOR QUARTERS FOR EXECUTIVES AND WORKERS.
POPULATION OF THE STAFF TOWN. CHILDREN IN THE AGTL	APPROXIMATELY 500.
PRIMARY SCHOOL:	87
OTHER FACILITIES:	MOSQUE HOSPITAL WITH AMBULANCE AGTL PRIMARY SCHOOL FOR CHILDREN OF THE STAFF RESIDING IN THE TOWN. RECREATION CENTRES FOR EXECUTIVES, WORKERS AND LADIES, WITH INDOOR GAMES, TV, VIDEOS, DISH ANTENNAS, AND OTHER FACILITIES. PLAY GROUNDS, PARKS, HORTICULTURE,

AND JANITORIAL SERVICES.
SCHOOL BUS FOR PICK AND DROP SERVICES
TO SCHOOL AND COLLEGE GOING
CHILDREN OF THE STAFF FOR D.G. KHAN
CITY.

PRIVATE ELECTRIC GENERATOR FOR
UNINTERRUPTED POWER SUPPLY
CLEAN WATER SUPPLY WITH UV FILTERS.

TRANSPORT FACILITY FOR D.G. KHAN CITY
& ADJOINING AREAS.
WASTE WATER RECYCLING PLANT FOR
HOTRICULTURE.

Company Information

Board of Directors

MR. R.V. HUISMAN - CHAIRMAN
MR. PARVEZ ALI - CHIEF EXECUTIVE
MR. KUNWAR IDRIS
MR. J.R.N. KEECH
MR. PETER WALL
MR. MOHD ALI QAIYUM
MR. NAZIR A. SHAIKH
MR. FRANCESCO MIZZI

Auditors

A.F.FERGUSON & CO.

Tax Advisors

FORD, RHODES, ROBSON,
MORROW

Bankers

SOCIETE GENERALE
UNION BANK LTD.
BANK AGRICOLE INDOSUEZ
ASKARI COMMERCIAL BANK
MUSLIM COMMERCIAL BANK LTD

Company Secretary

SALEEM ADIL

OFFICE ~

OFFICES

KARACHI

Registered Office-11th Floor, NIC Building, Abbasi Shaheed Road, Karachi 74400.
Telephone: (92.021) 5660881-5. Telefax: (92.021) 5689387.

DERA GHAZI KHAN

PLANT P.O. Box 38, Sakhi Sarwar Road, Dera Ghazi Khan.
Telephone: (92.0641) 463159, 463805, 463750. Telefax: (92.0641) 462117.

LAHORE

MARKETING Center- 10 km Sheikhpura Road, Lahore.
Telephone: (92.042) 7911059 - 7910081 , 7912226, 7924676-7. Telefax: (92.042) 7912257.

ISLAMABAD

Flat No. 8,2nd Floor, Malik Complex, Shahrah-e- Quaid-e-Azam,
Blue Area, Sector F-7 & G-7, Islamabad.
Telephone: (92.051) 2829895, 2272866. Telefax: (92.051) 2272377.

MULTAN

20 Industrial Estate, Multan.
Telephone: (92.061)539557-9 Telefax: (92.061)539241.

SUKKAR

C/631/3, Minara Road, Sukkar.
Telephone: (92.071) 22612

Notice of Annual General Meeting

Notice is hereby given that the Seventeenth Annual General Meeting of A1-Ghazi Tractors Limited will be held at Hotel Marriott, Karachi on Monday November 20, 2000 at 3:00 p.m to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the audited Accounts, the Directors' report and the auditors' report for the year ended June 30, 2000.
2. To declare the final cash dividend (The Directors have recommended a final Dividend of 100% in addition to interim dividend already paid @50% making a total Dividend of 150% i.e. Rs.7.50 per share issued).
3. To appoint Auditors for the period ending December 31, 2000 and to fix their remuneration. The retiring Auditors M/s. A. F. Ferguson & Co. being eligible, offer themselves for reappointment.

By order of the Board

Karachi
October 28, 2000

SALEEM ADIL
Company Secretary

Notes:

1. A member entitled to attend and vote may appoint a proxy to attend and vote on his/her behalf. No person shall act as a proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right. Proxies, in order to be effective must be received at the registered office of the Company duly stamped & signed not less than 48 hours before the time of the meeting.
2. The Share Transfer Books of the Company will remain closed from November 07, 2000 to November 20, 2000 (both days inclusive).
3. Members are requested to promptly communicate to the Company any change in their addresses.

Chairman's Review

As the world clocked in to the new millennium, AI-Ghazi Tractors Ltd entered the 21st century as Market Leader of Pakistan's Tractor Industry. Galvanizing growth, enhancing operations through margin improvement, better capital utilization, cost reduction, process re-engineering, greater capacity rationalization, have yielded sweeping performance improvements - performance that exceeds expectations. And with obvious sense of pride, the proof is every where.

OPERATING RESULTS

18425 tractors were produced during the year at AGTL's manufacturing plant in Dera Ghazi Khan, compared with 12,200 tractors produced last year - that is a productivity increase of 51%. 18420 tractors were delivered to the customers compared with 12,260 units last year, thus recording an increase of 50% in sales. AGTL increased its share of the market from 44% last year to an all time record of 53% this year. This high throughput in turn increased sales revenue from Rs 4.232 billion last year to Rs 6.137 billion - an increase of 45%.

Having broken all previous records of production, sales and revenue, AGTL's balance sheet for the year is therefore a portrait of dominance - the Company has earned a pre-tax profit of Rs 1.046 billion, compared with Rs 544.1 million last year.

35.6% of the Company's profit (Rs 372.387 million) will go to the government as Corporate Tax, thus leaving a post-tax profit of Rs 673.8 million. The Company has already paid a 50% cash dividend in February, 2000. The Board of Directors is now pleased to propose a further cash dividend of 100%, thus bringing the total cash dividend for the financial year to 150%, that is a pay out of Rs 292.7 million compared with Rs 167.38 million paid last year. The equity base of the Company will thus strengthen from Rs 827 million last year to Rs 1.208 billion. Cash deposits of the Company exceed Rs one billion.

With outstanding stock performance where the Company's Rs 5 share is quoted almost 20 times higher. AGTL's stock market value stands at almost Rs 4 billion - the highest in the automobile industry of Pakistan. As AI-Futtaim's flagship in Pakistan, AI-Ghazi Tractors with its high performance team has demonstrated operational excellence which has been developed, nurtured and followed relentlessly over the last numbers of years. There is absolutely no precedent for this kind of towering achievement in Pakistan's Corporate World.

OPERATIONAL EXCELLENCE:

Success has developed naturally as the cultural personality of the Company, continuous improvement has become the Company's primary motivator. With sustained justified pride in its achievements since privatization and take over by AI-Futtaim in December 1991, the Company benchmark itself for competition. As the first automobile manufacturing company in Pakistan to be certified for ISO-9002 and with the highest local content in the automobile industry of Pakistan, product containment, process control, quality assurance and quality leadership are the Company's most enduring competitive edge. Using the collective knowledge of its ordinary worker combined with the quality of its management, the key factors that have influenced the Company's growth this year, once again, were sales, costs, and effectiveness.

With the product enjoying a high differentiated position in the market which the customer perceives as the best buy, sales revenue were maximized with market share increasing to 53%. Of the 35055 tractors sold by the tractor industry this year, AGTL delivered 18420 tractors-an all time record. We know our customers better and we serve them better,- hence market leadership. Also having kept a price freeze since August 1998, our product is cheaper to own and operate.

Buying synergistically and keeping lean inventories kept the working capital to the minimum, the company maximized productivity, as output per head and output per unit outperformed all aspirations. While each AGTL's worker excelled in his performance, his determination was obvious. Peak performance. 18425 tractors were produced in the sweltering and sizzling heat of Dera Ghazi Khan without increase in the head count. In the noise, grit and sweat of manufacturing, AGTL's work force launched a production offensive reducing cycle times and yielding highest profits.

Tight financial control, with no bank borrowings throughout year, and optimizing cash holdings while gaining maximum interest on surplus cash strengthened the bottom line of the Company even further.

Together with corporate coherence, which at AGTL means top line growth, came other accolades. For the fifth consecutive year, the Company was given line 1998 Top Companies Award of the Karachi Stock Exchange. The award was presented by General Pervez Musharif, the Chief Executive of Pakistan. For demonstrating the Best Corporate Performance in the Engineering Sector of Pakistan, the Company was awarded the 1998 Management Excellence Award by the Management Association of Pakistan. AGTL has been receiving this award every year since 1995. In addition the Company's year 2000 calendar was declared the "Calendar of the Year" and was given the First Prize by National Council of Culture and Arts. AGTL's calendars for the years 1997, 1998 and 1999 were also adjudged the Best Calendars.

For its commitment to Quality, the UK based Global Quality Management conferred on AGTL the "Quality and Lean Production Award." PAAPAM, the automotive part manufacturers association, recently presented AGTL an award for achieving the highest local content in the tractor industry. While celebrating its Golden Jubilee in May 2000, the Employers Federation of Pakistan chose AGTL for "Organizational Excellence Award in Human Resources/Industrial Relations" - a tribute to AGTL's Corporate excellence in what has been described as the "Best Practices" in Industrial Relations and Human Resource activities.

The Company's commitment to improving the quality of life of its employees continues. Plans are being finalized for the construction of the AGTL Head Office building in Karachi. The Company has now also set up an approved funded gratuity scheme for all its employees.

FUTURE PROSPECTS

The Agricultural Packages announced by the Government of Pakistan in 1998 envisaging requirement of 40,000 tractors every year had prompted a surge in tractor sales. 47539 units were booked by the tractor industry during the year 1998-99. The Company had thus entered the last financial year in July 1999 with the strongest order book with a huge order bank of pending bookings. Thus even when Pakistan's tractor industry registered a steep fall in bookings from 47539 last year to only 20153 this year, the Company, based on its last year's order bank, delivered 18420 tractors.

The government had reduced and fixed the tractors prices in August 1998 with assurances to provide credit for 40,000

tractors every year. We are the only tractor manufacturing company in Pakistan that has not increase the prices fixed by the government in August 1998, despite fall in tractor bookings. With a slow economy, the rapidly falling value of the rupee and the down turn in credit, all these add stress and strain to the Company's bottom line. The real test for the margins will be the fall in sale volumes anti rise in the costs of inputs. With cost side trending higher because of big increases in the costs of all inputs and the revenue line trending lower, margin squeeze is eminent.

The Company is however optimistic that the Government's repeated commitments to provide generous credit to the farmers, and augment the agricultural sector with high priority will be fulfilled, and that requirements of providing credit for the promised 40,000 tractors this year, as recently announced by ADBP, would be implemented. The confluence of good crop and its prices to the growers, the support of the ADBP to develop and mechanize agriculture by increasing the farm horse power, the orientation of the government to revitalize agriculture, make the future prospects look bright.

APPRECIATIONS:

Let me conclude by recording the Board's appreciation of the Government of Pakistan and the ADBP for its continued support to the industry. We also appreciate the vending industry of Pakistan for supporting the Company as we achieved such high growth. We hope they would continue to lend their support as we go through the troughs of the economy. Thanks are also due to our dealers who have dotted the whole country with mechanical workshops for customized customer satisfactions. Our technical partners New Holland, who having merged with Case anti are now named Case New Holland, deserve appreciation for their support. With the global accounting requirements of both Case New Holland and Al-Futtaim who hold 93% of the Shares of the Company, We have now been permitted to change the accounting year to close on December 31st and thus bring the accounts to Calendar year basis.

The superior workforce at AGTL deserves all the applause for such high performance. As a high performing Company, we need to recognize that such continued high performance should not be at a risk of developing complacent arrogance. As new players enter the tractor market and the economy undergoes tricky shifts, we need to maintain our benchmark of success. We need to sustain justified pride in our achievements.

Karachi
October, 12, 2000

R. V. HUISMAN
Chairman

Directors' Report

The Directors of A1-Ghazi Tractors Limited are pleased to present their Annual Report together with the Company's audited accounts for the year ended June 30, 2000.

	(Rs. '000)	
Profit for the year before taxation	1,046,230	
Less: Provision for taxation (Net)	372,387	

Profit after taxation	673,843	
Un-appropriated profit brought forward	1,942	

Profit available for appropriation	675,785	
Less: Appropriations		
Dividend:		
- Interim @ 50% already paid	97,583	
- Final @ 100% now proposed	195,165	
Transfer to General Reserve	370,000	662,748
	-----	-----
Un- appropriated profit carried forward	13,037	
	=====	

1. A1-Futtaim Industries (Pvt) Ltd., Dubai incorporated in U.A.E is the holding company of A1-Ghazi Tractors Ltd., being the holder of 50.02% shares of the company.
2. The pattern of share holdings is included in this Annual Report.
3. The retiring Auditors Messrs. A.F Ferguson & Co. being eligible, offer themselves for re-appointment.
4. The earnings per share have been given in note 27 to the accounts.

On behalf of the Board

Karachi
October 12, 2000

R.V. Huisman
Chairman

Decade At A Glance

	<i>1999-2000</i>	<i>1998-99</i>	<i>1997-98</i>	<i>1996-97</i>	<i>1995-96</i>	<i>1994-95</i>	<i>1993-94</i>	<i>1992-93</i>	<i>1991-92</i>	<i>1990-91</i>
	VOLUME IN UNITS									
Production										
Model 480s	16,366	10,012	5,375	3,841	4,415	4,400	3,686	4,101	2,595	4,226
Model 6411	2,059	2,188	913	1,098	2,202	2,015	1,861	2,081	732	1,438
Total Production	18,425	12,200	6,288	4,939	6,617	6,415	5,547	6,182	3,327	5,664
Sales:										
-Industry	35,055	27,702	13,659	10,161	16,286	17,334	16,089	15,797	10,684	13,909
-AGTL	18,420	12,260	6,441	4,701	6,617	6,420	5,798	5,955	3,402	5,737
-AGTLs share %	52.55	44.26	47.16	46.27	40.63	37.04	36.04	37.70	31.84	41.25
Bookings:										
-Industry	20,153	47,539	15,021	8,294	14,419	21,739	17,552	13,464	14,527	12,387
-AGTL	9,532	22,018	7,495	3,322	5,843	8,693	6,839	3,944	5,509	4,958
-AGTLs share %	47.3	46.3	49.9	40.1	40.5	40.0	39.0	29.3	37.9	40.0
Deletion Achieved										
Model 480s	83%	82%	82%	82%	82%	82%	82%	81%	81%	81%
Model 640	77%	74%	74%	74%	74%	74%	74%	74%	74%	71%
	VALUE IN RS. 000									
Sale Revenue	6,137,056	4,232,832	2,349,148	1,717,094	2,264,748	2,029,937	1,749,255	1,700,645	869,590	1,376,778

Gross Margin	1,137,686	561,073	366,435	254,487	225,422	298,948	275,135	196,194	25,678	82,541
Profit/(loss) before tax	1,046,230	544,134	303,813	186,034	171,893	259,859	166,191	102,521	(77,009)	9,065
Income tax paid	372,387	181,883	96,500	52,073	64,292	87,069	70,000	12,500	5,282	6,949
Profit/(loss) after tax	673,843	362,251	207,313	133,961	107,601	172,720	96,191	90,021	(82,291)	2,116
Capital Expenditure	27,203	152,147	14,131	13,477	25,528	9,050	17,919	5,551	5,122	1,195
Dividend										
- Cash	292,748	167,285	53,531	40,554	36,867	28,359	13,613	6,188	--	--
- Percentage	150.0%	150.0%	60.0%	50.0%	50.0%	50.0%	30.0%	15.0%		
- Stock	0	83.64	22,305	8,111	7.37	17,016	11,343	4,125	--	--
- Percentage	0.0%	75.0%	25.0%	10.0%	10.0%	30.0%	25.0%	10.0%		
Earning/(loss) per share	17.26	9.28	11.62	8.26	7.3	15.23	10.60	10.91	(9.97)	0.26

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AI-Ghazi Tractors 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 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 file 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 Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A.F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

Balance Sheet As at June 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees '000)</i>	
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
60,000,000 (1999: 40,000,000) ordinary shares of Rs. 5 each		300,000	200,000
		=====	=====
Issued, subscribed and paid-up	3	195,165	111,523
Reserves	4	1,000,000	713,642
Unappropriated profit		13,037	1,942
		-----	-----
		1,208,202	827,107
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASES			
	5	2,210	3,886
PROVISION FOR GRATUITY			
		--	41,721
CURRENT LIABILITIES			
Current maturity of liability against assets subject to finance leases	5	1,677	1,546
Creditors, accrued and other liabilities	6	635,130	1,236,641
Taxation	7	76,923	6,377
Dividend	8	197,681	168,305
		-----	-----
		911,411	1,412,869
COMMITMENTS			
	9	-----	-----
		2,121,823	2,285,583
		=====	=====
FIXED ASSETS			
Operating assets	10	213,276	204,955
Capital work-in-progress-at cost		8,461	2,594
		-----	-----
		221,737	207,549
LONG-TERM LOANS AND ADVANCES			
	11	2,520	867
LONG-TERM DEPOSITS			
		1,150	1,149
DEFERRED TAXATION			
	12	32,436	40,224
CURRENT ASSETS			
Stores and spares	13	8,388	13,262
Stock-in-trade	14	408,283	598,948
Trade debts	15	2,514	4,347
Loans and advances	16	19,494	32,672
Short-term deposits and prepayments	17	1,736	18,080
		-----	-----
Other receivables	18	207,960	101,955
Short - term investments - at cost	19	60,000	30,000
		-----	-----
Cash and bank balances	20	1,155,605	2,236,530
		-----	-----
		1,863,980	2,035,794
		-----	-----
		2,121,823	2,285,583
		=====	=====

The annexed notes form an integral part of these accounts.

Chairman

Chief Executive

Profit And Loss Account

For the year Ended June 30,2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees '000)</i>	
Sales	21	6,137,056	4,232,832
Cost of goods sold	22	4,999,370	3,671,759
		-----	-----
Gross profit		1,137,686	561,073
Administration and general expenses	23	60,864	47,329
Selling and distribution expenses	24	46,227	35,780
Financial charges	25	6,349	3,281
		-----	-----
		113,440	86,390
		-----	-----
Operating profit		1,024,246	474,683
Other income	26	99,727	109,795
		-----	-----
		1,123,973	584,478
Workers' profits participation fund		56,391	29,239
Workers' welfare fund		21,352	11,105
		-----	-----
		77,743	40,344
		-----	-----
Profit before taxation		1,046,230	544,134
Taxation - current		365,000	198,000
- prior year		(401)	(435)
- deferred		7,788	(15,682)
		-----	-----
		372,387	181,883
		-----	-----
Profit after taxation		673,843	362,251
Unappropriated profit brought forward		1,942	618
		-----	-----
		675,785	362,869
Appropriations			
Transfer to			
general reserve		370,000	110,000
reserve for issue of bonus shares		--	83,642
Interim dividend @ 50% (1999: Nil)		97,583	--
Proposed dividend @ 100% (1999: 150%)		195,165	167,285
		-----	-----
		662,748	360,927
		-----	-----
Unappropriated Profit carried forward		13,037	1,942
		=====	=====
Basic earnings per share	27	17.26	9.28

The annexed notes form an integral part of these accounts.

Chairman

Chief Executive

**Statement of Changes In Equity
For the year Ended June 30,2000**

	<i>Share Capital</i>	<i>Reserves</i>	<i>Unappropriated Profit</i>	<i>Total</i>
	----- <i>(Rupees '000)</i> -----			
Balance as at June 30, 1998	89,219	542,304	618	632,141
Profit for the year ended June 30, 1999	--	--	362,251	362,251
Appropriations from profit	--	193,642	(193,642)	--
Issue of bonus shares	22,304	(22,304)	--	--
Final Dividend	--	--	(167,285)	(167,285)
	-----	-----	-----	-----
Balance as at June 30, 1999	111,523	713,642	1,942	827,107
Profit for the year ended June 30, 2000	--	--	673,843	673,843
Appropriations from profit	--	370,000	(370,000)	--
Issue of bonus shares	83,642	(83,642)	--	--

Interim dividend	--	--	(97,583)	(97,583)
Proposed final dividend	--	--	(195,165)	(195,165)
Balance as at June 30, 2000	195,165	1,000,000	13,037	1,208,202

Chairman

Chief Executive

Cash Flow Statement For the year Ended June 30,2000

	Note	2000	1999
		(Rupees '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	501,234	907,451
Financial expenses paid		(1,021)	(1,273)
Taxes paid		(294,053)	(212,752)
Payment of gratuity		(44,072)	(2,271)
Net cash inflow from operating activities		162,088	691,155
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(33,070)	(150,620)
Sale proceeds of fixed assets		3,462	3,214
Investments made		(30,000)	(10,000)
Return/profit received		83,166	93,054
(Increase)/Decrease in long term loans, advances and deposits		(1,654)	1,314
Net cash inflow/(out flow) from investing activities		21,904	(63,038)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of liability against finance leases		(1,545)	(2,814)
Dividend paid		(263,372)	(53,308)
Net cash outflow from financing activities		(264,917)	(56,122)
Net (decrease)/increase in cash and cash equivalents		(80,925)	571,995
Cash and cash equivalents at the beginning of the year		1,236,530	664,535
Cash and cash equivalents at the end of the year		1,155,605	1,236,530

The annexed notes form an integral part of these accounts.

Chairman

Chief Executive

Notes to the Accounts For the year Ended June 30,2000

1. THE COMPANY AND ITS OPERATIONS

Al-Ghazi Tractors Limited is a public company quoted on Karachi and Lahore stock exchanges. The Company is engaged in the manufacture and sale of agricultural tractors, implements and spare parts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention.

2.3 Staff retirement benefits

(i) Staff gratuity

The Company has set up during the year an approved funded gratuity scheme for all its employees. Contributions are made to the scheme on the basis of actuarial recommendations and the latest valuation was carried out as at December 31, 1999.

Based on actuarial valuation under Projected Unit Credit actuarial cost method, contribution amounting to Rs. 39.9 million has been paid to the trustees of the fund during the year.

Projected Unit Credit actuarial cost method, using following significant assumptions, is used for valuation of above mentioned funded scheme:

-Expected rates of increase in salaries are 13% per annum for management and 11% per annum for non-management staff.

-Expected rate of income on investments is 13% per annum.

Gratuity is payable on cessation of employment subject to a minimum qualifying period of service under the scheme.

(ii) Provident fund

The Company operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% of basic salary.

2.4 Taxation

Provision for current taxation is based on taxable income at the applicable rates of taxation. The Company accounts for deferred taxation using liability method on all significant timing differences.

2.5 Warranties

Warranty expenses are recorded as and when claims are received.

2.6 Fixed assets and depreciation

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

Leasehold land is amortized over the period of the lease. Depreciation on all other assets is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Full year's depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal.

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

The company accounts for fixed assets acquired under finance leases by recording the asset and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to income applying the straight line method.

Gain or loss on disposal or retirement of fixed assets is included in income currently.

2.7 Stores and Spares

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

2.8 Stock-in-trade

These are valued at lower of cost and net realisable value. Cost is determined on moving average method except for Completely

Knocked Down (CKD) Kits and stock-in-transit.

Cost of CKD Kits is determined on first-in-first-out method. Cost of stock-in-transit comprises of invoice value plus other charges incurred thereon.

Cost of finished goods includes prime cost and appropriate portion of manufacturing expenses.

The trading stock of spare parts is valued on average cost basis.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

2.9 Foreign currencies

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange ruling on the balance sheet date except for liabilities covered under forward exchange contracts, which are translated at the contracted rates.

Exchange gains and losses are included in income currently.

2.10 Revenue recognition

Sale of goods is recognised on delivery of goods to customers.

AL GHAZI TRACTO LTD

2000 1999
(Rupees '000)

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 5 each

2000	1999		
4,500,000	4,500,000 shares fully paid in cash	22,500	22,500
	shares issued as fully		
34,533,132	17,804,647 paid bonus shares	172,665	89,023
-----	-----	-----	-----
39,033,132	22,304,647	1957165	111,523
=====	=====	=====	=====

As at June 30, 2000 A1-Futtaim Industries (Private) Limited, U.A.E. held 19,523,709 shares of Rs. 5 each (1999:11,156,405 shares of Rs. 5 each)

4. RESERVES

	<i>Capital For issue of bonus shares</i>	<i>Revenue General</i>		
At the beginning of the year	83,642	630,000	713,642	542,304
Appropriated from profits	--	370,000	370,000	193,642
Issued of bonus shares	(83,642)	--	(83,642)	(22,304)
	-----	-----	-----	-----
	--	1,000,000	1,000,000	713,642
	=====	=====	=====	=====

5. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASES

Payable during 1999-2000	--	2,566
2000-2001	2,324	2,324
2001-2002	1,935	1,935
2002-2003	565	565
	-----	-----
	4,824	7,390
Less: Finance charge not due	937	1,958
	-----	-----
	3,887	5,432
Less: Current maturity shown under current liabilities	1,677	1,546
	-----	-----
	2,210	3,886
	=====	=====

This represents finance leases entered into with a leasing company for vehicles. The balance of liability is payable by October 2002 in monthly/quarterly instalments.

Monthly/quarterly lease payments include finance charge of 23.5% to 24.5% per annum, which is used as discounting factor.

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

	<i>2000</i>	<i>1999</i>
	<i>(Rupees '000)</i>	
Creditors	53,431	28,268
Bills payable	142,169	422,763
Accrued liabilities	228,466	238,311
Customers' credit balances	40,452	413,956
Royalty	75,445	73,827
Deposits - others	8,971	8,762
Warranties	1,525	2,440
Taxes deducted, payable to statutory authorities	2,663	5,970
Workers' profits participation fund - note 6.1	60,234	30,318
Workers' welfare fund	21,352	11,105
Others	422	921
	-----	-----
	635,130	1,236,641
	=====	=====

6.1 Workers' profits participation fund

At the beginning of the year	30,318	17,407
Allocation for the year	56,391	29,239
	-----	-----
	86,709	46,646
Add: Interest on fund utilised in Company's business	3,843	311
	-----	-----
	90,552	46,957
Less: Amount paid to:		
The Trustees of the Fund	2,216	1,513
Deposited with the Government	28,102	15,126
	-----	-----
	30,318	16,639
	-----	-----
	60,234	30,318
	=====	=====

7. TAXATION

The Income tax department has filed an appeal with the Lahore High Court against the order of the Income-tax Appellate Tribunal allowing the company a tax holiday period of 5 years which expired on March 31, 1990. Pending the decision of the High Court in this matter the department has finalised the assessments from assessment years 1985-86 through 1990-91 (accounting years ended June 30, 1985 through 1990) on the basis of Tribunal's findings.

8. DIVIDEND

Proposed dividend	195,165	167,285
Unclaimed dividend	2,516	1,020
	-----	-----
	197,681	168,305
	=====	=====

9. COMMITMENTS

Commitments for capital expenditure outstanding as at June 30, 2000 amounted to approximately Rs 472 thousand (1999: Rs 4.13 million).

10. FIXED ASSETS

(a) The following is a statement of operating assets:

<i>Cost at July 1, 1999</i>	<i>Additions / (deletions)</i>	<i>Cost as at June 302,000</i>	<i>Accumulated depreciation as at</i>	<i>Depreciation for the year/on</i>	<i>Accumulated depreciation as at</i>	<i>Written down value as at</i>	<i>Rate of depreciation</i>
-----------------------------	--------------------------------	--------------------------------	---------------------------------------	-------------------------------------	---------------------------------------	---------------------------------	-----------------------------

			<i>July</i>	<i>(dele-</i>	<i>June</i>	<i>June</i>	<i>%</i>	
			<i>1, 1999</i>	<i>tions)</i>	<i>30, 2000</i>	<i>30, 2000</i>		
	----- (Rupees '000) -----							
Freehold land	3,854	--	3,854	--	--	--	3,854	--
Leasehold land	133,034	--	133,034	2,618	2,503	5,121	127,913	--
Factory buildings on freehold land	31,098	2,662	33,760	21,699	844	22,543	11,217	2.5
Other buildings - on freehold land	25,172		25,172	10,829	629	11,458	13,714	2.5
- on leasehold land	4,596	4,313 (138)	8,771	913	219 (76)	1,056	7,715	2.5
Plant and machinery	58,263	6,576 (848)	63,991	45,631	2,658 (845)	47,444	16,547	10
Furniture, fixtures and equipments	21,650	4,907 (2,600)	23,957	13,364	2,705 (2,414)	13,655	10,302	10-33
Vehicles	30,273	5,728 (4,859)	31,142	19,671	4,917 (3,973)	20,615	10,527	20
Electrical installations	12,437	553 (209)	12,781	9,470	666 (176)	9,960	2,821	10
Factory equipment and tools	12,309	2,464	14,773	8,566	1,061	9,627	5,146	10
Assets held under finance leases								
vehicles	7,550	--	7,550	2,520	1,510	4,030	3,520	20
	-----	-----	-----	-----	-----	-----	-----	
2000	340,236	27,203 (8,654)	358,785	135,281	17,712 (7,484)	145,509	213,276	
	=====	=====	=====	=====	=====	=====	=====	
1999	194,981	152,147 (6,892)	340,236	116,321	23,049 (4,089)	135,281	204,955	
	=====	=====	=====	=====	=====	=====	=====	

An independent professional valuation of land and buildings was carried out in September 1999 which revealed an aggregate value of Rs 291.44 million. The surplus of Rs 127.02 million over the written down value as at June 30, 2000 has not been considered in these accounts.

(b) Following are the details of fixed assets disposed of:

	<i>Cost</i>	<i>Accu- mulated depre- ciation</i>	<i>Book value</i>	<i>Sale pro- ceeds</i>	<i>Mode of sale</i>	<i>Particulars of purchaser</i>
	----- (Rupees '000) -----					
OTHER BUILDING ON LEASEHOLD LAND						
	138	75	63	25	Negotiation	Karachi Steel & Iron Works, Jampur Road D.G. Khan
FURNITURE, FIXTURES & EQUIPMENTS						
Photostat machines	178	105	73	40	Tender	Excellent Technical Services, Street 1, Police Lines, Near Kutchery Road, Multan.
Furniture & fixtures	170	170	--	15	Company Policy	Mr. Munir A. Chaudhary (Executive)
-do-	134	134	--	11	-do-	Mr. Nadeem Ahmed (Executive)
-do-	113	113	--	10	-do-	Mr. Rumi R. Dossal

						(Executive)
-do-	108	108	--	9	-do-	Mr. Abdul Rashid (Executive)
-do-	92	92	--	8	-do-	Mr. Jawaid Akhtar (Executive)
-do-	92	92	--	8	-do-	Mr. Taimoor S. Mirza (Executive)
-do-	92	92	--	8	-do-	Mr. Abdul K. Baluch (Executive)
-do-	92	92	--	8	-do-	Mr. Farooq Khattak (Executive)
-do-	92	92	--	8	-do-	Mr. Ejaz Ali (Executive)
-do-	92	92	--	8	-do-	Mr. S.M.Yaqoob (Executive)
-do-	92	92	--	8	-do-	Mr. Ishrat H. Siddiqui (Executive)
-do-	67	67	--	6	-do-	Mr. Ihsan Majeed (Executive)
-do-	67	67	--	6	-do-	Mr. Sharaf Ahmed (Executive)
Carried over	1,619	1,483	136	178		
Brought forward	1,619	1,483	136	178		
Furniture & fixtures	67	67	--	6	Company Policy	Mr. Sohail Aman Khan (Executive)
-do-	54	54	--	5	-do-	Mr. Ishrat H. Kazmi (Executive)
-do-	42	42	--	4	-do-	Mr. Javaid Iqbal (Executive)
-do-	42	42	--	4	-do-	Mr. S. Ehtesham Ali (Executive)
-do-	42	42	--	4	-do-	Mr. Naseem A. Siddiqui (Executive)
-do-	42	42	--	4	-do-	Mr. Qazi Z.U. Haider (Executive)
-do-	42	42	--	4	-do-	Mr. Sohail Aziz (Executive)
-do-	42	42	--	4	-do-	Mr. Nusrat Rehman (Executive)
-do-	92	92	--	10	-do-	Mr. Tahir Munawwer (Ex-Executive)
-do-	92	92	--	8	-do-	Mr. Khadim H. Talpur (Ex-Executive)
-do-	42	10	32	29	-do-	Mr. Mohammad Hanif (Ex-Executive)
-do-	42	11	32	24	-do-	Mr. Zulnoon Bukhari (Ex-Executive)
-do-	42	42	--	4	-do-	Mr. Asghar Ali (Ex-Executive)
-do-	42	42	--	4	-do-	Mr. Maqsood ur Rehman (Ex-Executive)
do-	42	42	--	4	-do-	Mr. Abdul Rehman (Ex-Executive)
-do-	42	42	--	4	-do-	Mr. Farasat Azmat (Ex-Executive)
-do-	42	11	31	27	-do-	Mr. Anisuddin A. Siddiqui (Ex-Executive)
-do-	42	42	--	4	-do-	Mr. S.M. Ilyas (Ex-Executive)
VEHICLES						
Car	265	212	53	67	-do-	Mr. Rumi R. Dossal (Executive)
-do-	265	212	53	59	-do-	Mr. Taimur S. Mirza (Executive)
Carried over	3,042	2,706	337	457		

Brought forward	3,042	2,706	337	457		
Car	265	212	53	133	Tender	Mr. Muhammad Amir Azam Motor works AM-21, Opp. Hotel Almashaq Saddar, Karachi.
Cars	1,159	927	232	225	-do-	Mr. Hakim Khan M-II, E/68, Mohammadi Road Block A. Shershah colony, Karachi.
-do-	1,738	1,391	347	340	-do-	Mr. Kamran Maqbool Room No. 7,1 st Floor Raafai Markaz, Jodia Bazar, Karachi.
Car	147	88	59	750	Insurance Claim	Insurance EFU General Insurance Ltd. 206, 2nd Floor, Kashif Centre, Shara-e-Faisal, Karachi.
Motorcycles	123	34	89	112	-do-	Adamjee Insurance Co. Ltd. Muhammadi House Branch, I.I. Chundrigar Road, Karachi.
ELECTRICAL INSTALLATIONS						
Air conditioners	37	18	18	8	Tender	Bilal Autos General Bus Stand, Multan
Items having written down value below Rs. 5,000 each	2,143	2,108	35	1,437		
	-----	-----	-----	-----		
	8,654	7,484	1,170	3,462		
	=====	=====	=====	=====		

11. LONG-TERM LOANS AND ADVANCES - considered good

	2000	1999
	(Rupees '000)	
Loans to		
Executives	206	572
Employees	641	272
	-----	-----
	847	844
Advances to		
Chief Executive	534	--
Executives	1,139	23
	-----	-----
	1,673	23
	-----	-----
	2,520	867
	=====	=====

The loans under the schemes have been provided to executives and employees of the Company to facilitate purchase of vehicles and domestic appliances and are repayable over a period of eighteen months to five years.

The motor vehicle loans, repayable over a period of five years, are secured by joint registration of vehicles in the name of employee and the company. The loans repayable over a period of eighteen months to three years are secured against provident fund account balances.

Advances are made to the chief executive and executives of the Company in respect of house rent and these are payable over a period of two years.

Aggregate amount outstanding for period exceeding three years is Rs. 90 thousand (1999: Nil).

12. DEFERRED TAXATION

Debit balances arising on account of:

Provisions made for:		
Staff gratuity	2,981	13,768
Royalty	23,940	23,712
Others	4,065	268
Excess of accounting depreciation over tax depreciation	1,450	2,476
	-----	-----
	32,436	40,224
	=====	=====

13. STORES AND SPARES

Stores	5,283	9,300
Spares	3,105	3,962
	-----	-----
	8,388	13,262
	=====	=====

14. STOCK-IN-TRADE

Raw materials and components - including in transit Rs 80.07 million (1999: Rs 126.66 million)	396,406	590,259
Finished goods - tractors	6,400	4,243
Trading stock - spare parts and implements	5,477	4,446
	-----	-----
	408,283	598,948
	=====	=====

Raw materials, components and finished goods include stock amounting to Rs 8.34 million (1999: Rs 9.55 million) lying with suppliers and dealers.

15. TRADE DEBTS - considered good

Secured	1,001	1,816
Unsecured	1,513	2,531
	-----	-----
	2,514	4,347
	=====	=====

16. LOANS AND ADVANCES

Considered good		
Chief Executive	1,218	895
Executives	4,303	3,161
Employees	3,757	3,361
Suppliers for goods and services	10,216	25,255
Considered doubtful	--	813
	-----	-----
	19,494	33,485
Less: Provision thereagainst	--	813
	-----	-----
	19,494	32,672
	=====	=====

The maximum amount due from the Chief Executive and executives of the Company at the end of any month during the year was Rs 1.95 million and Rs 7.84 million respectively (1999: Rs 1.86 million and Rs 5.23 million respectively.)

17. SHORT TERM DEPOSITS AND PREPAYMENTS

Margin against letters of credit	95	10,492
Prepayments	1,641	7,588
	-----	-----
	1,736	18,080
	=====	=====

18. OTHER RECEIVABLES

Sales tax receivable	194,916	90,388
Octroi receivable	--	3,174
Accrued mark-up	3,988	4,782
Receivable from associated undertakings	5,879	3,284
Receivable from provident fund	3,041	138
Others	136	189
	-----	-----
	207,960	101,955
	=====	=====

19. SHORT- TERM INVESTMENTS

The company has invested in certificates of investment with a leasing company.

20. CASH AND BANK BALANCES

With banks and financial institutions

- on current accounts including collection accounts

Rs 227.98 million (1999: Rs 226.93 million)	229,307	232,097
---	---------	---------

- on deposit accounts	897,079	881,146
-----------------------	---------	---------

In hand

- demand drafts	28,894	123,103
-----------------	--------	---------

- cash	325	184
--------	-----	-----

	-----	-----
	1,155,605	1,236,530
	=====	=====

21. SALES

Manufactured goods	6,179,067	4,240,045
--------------------	-----------	-----------

Less: Commission	60,682	33,633
------------------	--------	--------

	-----	-----
	6,118,385	4,206,412

Trading goods	18,671	26,420
---------------	--------	--------

	-----	-----
	6,137,056	4,232,832
	=====	=====

22. COST OF GOODS SOLD

Manufactured goods

Raw materials and components consumed	4,701,366	3,376,637
---------------------------------------	-----------	-----------

Salaries, wages and benefits - note 22.1	105,660	91,100
--	---------	--------

Royalty	72,545	71,855
---------	--------	--------

Stores and supplies	69,580	47,691
---------------------	--------	--------

Insurance	1,273	1,214
-----------	-------	-------

Depreciation	8,735	13,222
--------------	-------	--------

Fuel, power and electricity	9,775	8,359
-----------------------------	-------	-------

Travelling, vehicles running and entertainment	7,045	4,839
--	-------	-------

Repairs and maintenance	4,036	4,920
-------------------------	-------	-------

Rent, rates and taxes	1,801	1,483
-----------------------	-------	-------

Communication	1,794	1,156
---------------	-------	-------

Printing and stationery	1,242	808
-------------------------	-------	-----

Legal and professional charges	210	54
--------------------------------	-----	----

Others - note 22.2	1,402	1,423
--------------------	-------	-------

	-----	-----
	4,986,464	3,624,761

Cost of goods manufactured	4,986,464	3,624,761
----------------------------	-----------	-----------

Opening stock of finished goods	4,243	28,581
---------------------------------	-------	--------

Closing stock of finished goods	(6,400)	(4,243)
---------------------------------	---------	---------

	-----	-----
	4,984,307	3,649,099

Trading goods		
---------------	--	--

Opening stock	44,461	6,178
---------------	--------	-------

Purchases	16,094	20,928
-----------	--------	--------

	-----	-----
	20,540	27,106

Closing stock	(5,477)	(4,446)
---------------	---------	---------

	-----	-----
	15,063	22,660

	-----	-----
	4,999,370	3,671,759
	=====	=====

22.1 Salaries and wages include Rs 3.32 million (1999: Rs 7.04 million) in respect of staff retirement benefits.

22.2 Donations of Rs 9 thousand (1999: Rs 11 thousand) are included under "other expenses". None of the directors or their spouses had any interest in the donee.

23. ADMINISTRATION AND GENERAL EXPENSES

Salaries, wages and benefits - note 23.1	32,465	27,789
--	--------	--------

Travelling, vehicle running and entertainment	5,897	4,524
---	-------	-------

Rent, rates and taxes	2,907	2,280
-----------------------	-------	-------

Depreciation	5,773	6,268
--------------	-------	-------

Repairs and maintenance	272	509
-------------------------	-----	-----

Electricity	180	168
Communication	1,552	1,873
Printing and stationery	1,034	803
Auditors' remuneration - note 23.2	553	486
Legal and professional charges	399	855
Insurance	73	22
Advances written off	4,883	--
Other receivable written off	3,174	--
Others	1,702	1,752
	-----	-----
	60,864	47,329
	=====	=====

23.1 Salaries and wages include Rs 1.38 million (1999: Rs 2.60 million) in respect of staff retirement benefits.

	<i>2000</i>	<i>1999</i>
	<i>(Rupees '000)</i>	
23.2 Auditors' remuneration		
Audit fee	400	350
Advisory services, certification of free reserves, export of bonus shares, dividend and royalty remittances	112	106
Out of pocket expenses	41	30
	-----	-----
	553	486
	=====	=====

24. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and benefits - note 24.1	24,079	20,158
Rent, rates and taxes	201	231
Repairs and maintenance	269	530
Travelling and vehicle running	4,229	3,477
Depreciation	3,204	3,559
Electricity	793	593
Communication	1,827	1,820
Free after sales service	3,663	1,968
Dealers' convention	2,902	356
Publicity	2,220	1,075
Warranty	751	154
Entertainment	145	155
Freight outward	204	130
Printing and stationery	1,180	1,111
Insurance	115	106
Others	445	357
	-----	-----
	46,227	35,780
	=====	=====

24.1 Salaries and wages include Rs 552 thousand (1999: Rs 1.78 million) in respect of staff retirement benefits.

25. FINANCIAL CHARGES

Mark-up on running finance	--	4
Finance lease charges	1,021	1,242
Interest on workers' profits participation fund	3,843	311
Interest on provident fund	25	23
Bank charges, commission and excise duty on borrowings	1,460	1,701
	-----	-----
	6,349	3,281
	=====	=====

26. OTHER INCOME

Return on deposits	76,934	82,301
Return on certificates of investment	4,650	3,682
Interest on vendors' loans	788	689
Trading discount received	592	2,803
Liabilities no longer payable written back		14,120
Scrap sales	2,836	1,916

Profit on sale of fixed assets	2,292	411
Exchange gain	8,681	3,151
Service charges for after sales service	2,642	--
Sundries	312	722
	-----	-----
	99,727	109,795
	=====	=====

27. BASIC EARNINGS PER SHARE

Net profit for the year	673,843	362,251
	=====	=====

Average number of ordinary shares during the year ended
June 30, 2000 shares 39,033,132 (1999: 39,033,132)

(Rupees)

Basic earnings per share	17.26	9.28
--------------------------	-------	------

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Chief Executive

	Chief Executive		Director		Executive		Total	
	2000	1999	2000	1999	2000	1999	2000	1999
	------(Rupees '000)-----							
Managerial remuneration	5,226	4,055	216	216	28,816	23,626	34,258	27,897
Rent	749	599	--	--	4,051	3,689	4,800	4,288
Utilities	166	133	--	--	912	826	1,078	959
Retirement benefits	773	501	--	--	3,450	3,525	4,223	4,026
Medical expenses	48	36	--	--	658	671	706	707
Leave passage	--	258	--	--	605	692	605	950
Vehicle running	--	--	--	--	523	676	523	676
Other expenses	43	43	43	54	37	39	123	136
	-----	-----	-----	-----	-----	-----	-----	-----
	7,005	5,625	259	270	39,052	33,744	46,316	39,639
	=====	=====	=====	=====	=====	=====	=====	=====
Number of persons	1	1	1	1	41	45	43	47
	=====	=====	=====	=====	=====	=====	=====	=====

The Chief Executive, Director and certain executives are also provided with the company maintained cars in accordance with their entitlements.

29. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The aggregate amount of the company's purchases from associated undertakings of goods during the year amounted to Rs 1.06 billion (1999: Rs 1.27 billion).

30. FINANCING ARRANGEMENTS

The facilities for running finance available from various banks amounted to Rs160 million (1999: Rs 160 million). The rates of mark up range between Re 0.33 to Re 0.42 per Rs 1,000 per day.

The arrangements are secured by joint hypothecation of stock-in-trade and book debts.

The facilities for opening letters of credit and guarantees amounted to Rs 940 million (1999: Rs 650 million) of which Rs 889.4 million (1999: Rs 235.17 million) remained unutilised as at June 30, 2000.

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(i) Financial assets and liabilities

	Interest / Mark-up bearing			Non interest bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	------(Rupees '000)-----						
Financial assets							
Investments	60,000	--	60,000	--	--	--	60,000
Loans and advances to employees	--	--	--	9,278	2,520	11,798	11,798

Loan to Suppliers	10,216	--	10,216	--	--	--	10,216
Deposits	--	--	--	--	1,150	1,150	1,150
Trade debtors	--	--	--	2,514	--	2,514	2,514
Other receivables (excluding taxes and duties)	--	--	--	13,044	--	13,044	13,044
Cash and bank Balances	897,079		897,079	258,526	--	258,526	1,155,605
2000	967,295	--	967,295	283,362	3,670	287,032	1,254,327
1999	917,812	--	917,812	375,541	2,016	377,557	1,295,369

Financial liabilities

Liabilities against assets subject to finance leases	1,677	2,210	3,887	--	--	--	3,887
Creditors, accrued and other liabilities	60,234	--	60,234	574,896	--	574,896	635,130
Dividend	--	--	--	197,681	--	197,681	197,681
2000	61,911	2,210	64,121	772,577	--	772,577	836,698
1999	31,864	3,886	35,750	1,207,343	--	1,207,343	1,243,093

(ii) Concentrations of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparts failed to perform as contracted. The company products are either sold against cash or demand drafts issued by the Agricultural Development Bank of Pakistan (ADBP). Intermittent delays are occurred in the encashment of these drafts owing to the liquidity problems of ADBP. The company believes that it is not exposed to major concentration of credit risks.

The company places cash and cash equivalents available for short term periods with various banks and financial Institutions.

(iii) Foreign exchange risk management

Foreign currency risk arises mainly when receivables and payables exist due to sale and purchase transactions with foreign undertakings. The company minimises foreign currency risk by taking forward cover for import commitments. As at June 30, 2000, the total foreign currency risk exposure was Rs 64.55 million (1999: Rs 62.87 million) in respect of royalty payable.

(iv) Fair values of the financial instruments

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

32. PLANT CAPACITY AND PRODUCTION

	2000	1999
	(Units)	
Plant capacity (single shift)	15,000	15,000
Actual production	18,425	12,200

CASH FLOW FROM OPERATING ACTIVITIES

	(Rupees '000)	
Profit before taxation	1,046,230	544,134
Add/(less) adjustment for non-cash charges and other items		
Depreciation	17,712	23,049
Profit on sale of fixed assets	(2,292)	(411)

	2000	1999
	(Rupees '000)	
Provision for gratuity	2,351	8,721
Financial expenses	1,021	1,246
Return/profit earned	(82,372)	(86,672)
Profit before working capital changes	982,650	490,067

EFFECT ON CASH FLOW DUE TO WORKING**CAPITAL CHANGES**

(Increase)/Decrease in current assets

Stores and Spares	4,874	(7,223)
Stock-in-trade	190,665	(262,076)
Trade debts	1,833	(2,051)
Loans and advances	13,178	(8,178)
Short-term deposits and prepayments	16,344	(7,775)
Other receivables	(106,799)	(91,892)
	-----	-----
	120,095	(379,195)

Increase/(Decrease) in current liabilities

Creditors, accrued and other liabilities	(601,511)	796,579
	-----	-----

Cash generated from operations

	501,234	907,451
	=====	=====

34. CORRESPONDING FIGURES

Previous year's figures have been rearranged, wherever necessary, for the purposes of comparison.

Chairman

Chief Executive

Pattern of Shareholding**As At June 30, 2000**

<i>Number of Share holders</i>	<i>Size of Shareholding Rs. 5 each</i>			<i>Total Shares held</i>
314	from	1	to	100 Shares 11,011
481	from	101	to	500 Shares 132,414
164	from	501	to	1,000 Shares 120,325
330	from	1,001	to	5,000 Shares 598,274
42	from	5,001	to	10,000 Shares 278,972
9	from	10,001	to	15,000 Shares 102,314
3	from	15,001	to	20,000 Shares 52,608
2	from	20,001	to	25,000 Shares 45,411
4	from	25,001	to	30,000 Shares 110,349
4	from	35,001	to	40,000 Shares 149,882
2	from	40,001	to	45,000 Shares 90,689
2	from	45,001	to	50,000 Shares 94,622
1	from	70,001	to	75,000 Shares 70,966
1	from	115,001	to	120,000 Shares 117,973
1	from	145,001	to	150,000 Shares 150,000
1	from	155,001	to	160,000 Shares 155,500
1	from	375,001	to	380,000 Shares 378,026
1	from	16,850,001	to	16,855,000 Shares 16,850,088
1	from	19,520,001	to	19,525,000 Shares 19,523,708
	-----	-----	-----	-----
1,364				39,033,132
	=====	=====	=====	=====

Categories of Shareholders	Number of Shareholders	Shares held	Percentage
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Individuals	1,311	1,755,875	4.50
Investment Companies	9	14,342	0.04
Insurance Companies	4	454,463	1.16
Joint Stock Companies	17	32,671	0.08
Financial Institutions	11	248,003	0.64
Modaraba Companies	1	572	
Foreign Investors	7	36,516,167	93.55
Others	4	11,039	0.03
	-----	-----	-----
TOTAL	1,364	39,033,132	100.00
	=====	=====	=====