

# **Bolan Castings Limited**

## **Annual Report 1999**

### **Company Profile**

**INTRODUCTION:** Being the most modern and well-equipped foundry and holding a major market share of the tractor and automotive castings, BCL can rightly claimed to be the No. 1 foundry of its kind in Pakistan.

The company was incorporated on 15th July, 1982 as a public limited company by Pakistan Automobile Corporation Ltd (PACO) under the administrative control of Ministry of Production, Government of Pakistan. The plant was commissioned in June, 1986 with the assistance of Foundry Management & Design Company (FMD), U.K. and the commercial production was started in July, 1986. The plant is located adjacent to Bela Engineers Ltd. and Balochistan Wheels Ltd. at Hub, Balochistan about 40 KMs from Karachi on the main R.C.D. Highway. The company was privatized and handed over to the new group of management under a joint collaboration of Millat Tractors Ltd. and the Employees of Bolan Castings Ltd. on 13th June, 1993. The plant has an approximate covered area of 18645 square meters, on surface area of 99274 square meters.

**PRODUCTION CAPACITY:** The plant is designed to produce 6000 tons of tractor and automotive castings in grey and ductile iron. So far, more than 180 castings have been successfully developed and supplied to various customers. The present product-mix includes following castings:

#### **TRACTOR INDUSTRY**

##### **a. MF Tractors**

1. Cylinder block
2. Cylinder head
3. Transmission case
4. Centre housing
5. Timing gears
6. Bearing caps
7. Planetary career
8. Differential cases
9. Axle housings
10. Hydraulic lift cover
11. Box hydraulic
12. Link rocker
13. Sleeve
14. Fork clutch release

##### **b. Fiat Tractors**

1. Axle casing
2. Differential case
3. Trumpets
4. Front axle support
5. Bearing covers
6. Trumpet cover

#### **AUTOMOTIVE INDUSTRY**

##### **a. Suzuki Car/Pickup/Van**

1. Brake drums

##### **b. Isuzu Trucks/Buses**

1. Brake drums
2. Hubs
3. Spring pads & brackets
4. Generator brackets
5. Exhaust manifold

##### **c. Mazda Truck**

1. Brake drums
2. Hubs
3. Hinges
4. Case thermostat
5. Bracket alternator

##### **d. Nissan Trucks/Buses**

1. Brake drums
2. Fan pulley
3. Shackles
4. Spring pads

##### **e. Hino Truck/Buses**

1. Brake drums
2. Spring stoppers & brackets

##### **f. Bedford Trucks**

1. Brake drums

#### **ENGINEERING INDUSTRY**

##### **a. Grundfos Pumps**

1. Pump heads
2. Pump bases
3. Base plates
4. Adopter flanges
5. Pump housing
6. Suction Chambers
7. Seal covers

##### **b. Die Parts**

1. Blank holders
2. Roller dies
3. Die holder

##### **c. Yanmar marine engine**

1. Cylinder head

## 2. Differential carrier

**PRODUCTION FACILITIES:** The foundry has, a) Duplex melting consisting of Twin Cold Blast Cupolas and Coreless Induction Furnaces, b) High Pressure Moulding line, c) New Sand and Green Sand Preconditioning Plants, d) Resin Coating Plant Continuous Mixer, shell Core Machines, Silicate/Co2 Core Machines, e) Shot blasting, fettling, grinding, heat treatment and painting, f) complete inspection, testing and quality control laboratory equipments.

**FORWARD INTEGRATION:** In the year 1997-98, setting up of in-house machining facility for Fiat tractor castings was undertaken and so far two lines for the machining of Axle casing and Front axle support have been successfully commissioned while the work on the machining of Master clutch housing is under progress. This area of diversification has given considerable boost to the BCL sales and profitability.

**ISO 9002 CERTIFICATION:** The Company plant is first of its kind in Pakistan to have obtained ISO-9002 quality management certificate in March 1999, with this the access for BCL Products in Export market shall now be more easy.

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

|                       |                 |
|-----------------------|-----------------|
| SIKANDAR M. KHAN      | CHAIRMAN        |
| LATIF KHALID HASHMI   | CHIEF EXECUTIVE |
| JAV AID ASHRAF        |                 |
| SOHAIL BASHIR RANA    |                 |
| LAEEQ UDDIN ANSARI    |                 |
| MIAN MOHAMMAD SALEEM  |                 |
| BASHIR AHMED CHAUDHRY |                 |
| AFAQ JAMAL HUSSAIN    | NDFC NOMINEE    |

### COMPANY SECRETARY

M. MUSHTAQ AKHTAR

### AUDITORS

AV AIS HYDER ZAMAN RIZWANI  
CHARTERED ACCOUNTANTS

**LEGAL ADVISORS**

MOHSIN TAYEBALI & CO  
ADVOCATES & LEGAL CONSULTANTS

**BANKERS**

HABIB BANK LIMITED  
MUSLIM COMMERCIAL BANK LIMITED  
UNITED BANK LIMITED

**REGISTERED OFFICE**

ADJACENT TO BELA ENGINEERS LTD  
VILLAGE BAROOT, SUB-TEHSIL HUB,  
DISTRICT LASBELLA, BALOCHISTAN.

**LIAISON OFFICE**

F/1 S.I.T.E. (NEAR RAILWAY CROSSING)  
HUB RIVER ROAD, SHER SHAH,  
KARACHI-75730

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that 17th Annual General Meeting of Bolan Castings Limited will be held at the registered office of the company adjacent to Bela Engineers Limited, Village Baroot, Sub-Tehsil Hub, district Lasbella Balochistan on Friday 24th December 1999 at 10:30 hours to transact the following business.

1. To confirm the minutes of the 16th annual general meeting.
2. To receive consider and adopt the audited accounts of the company for the year ended 30th June, 1999 together with the Directors' and Auditors' reports thereon.
3. To approve payment of dividend as recommended by the Directors.
4. To appoint auditors for the year ending 30th June, 2000 and to fix their remuneration. Present auditors M/s. Avais Hyder Zaman Rizwani, Chartered Accountants retire and being eligible offer themselves for re-appointment.
5. To elect 8 Directors as fixed by the Board for the term of three years. The retiring Directors are Mr. Sikandar M. Khan, Mr. Latif Khalid Hashmi, Mr. Sohail Bashir Rana, Mr. Laeequddin Ansari, Mian Muhammad Saleem, Mr. Bashir Ahmed Chaudhry, Mr. Javaid Ashraf and Mr. Afaq Jamal Hussain (NDFC Nominee).
6. To transact any other business with the permission of the chair.

Karachi: October 15, 1999

**Notes:**

**BY ORDER OF THE BOARD**

**M. MUSHTAQ AKHTAR  
COMPANY SECRETARY**

1. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend the meeting and vote on his/her behalf. Vote may be given either personally or by proxy or in case of a company/corporation by a representative duly authorized.
2. Duly executed proxies in order to be effective must be received by the company at its Liaison office atleast 48 hours before the meeting.
3. Shareholders are requested to promptly notify the company of any change in their addresses at its Liaison office, F-1, Hub River Road, S.I.T.E., Karachi.
4. Any person who seeks to contest election to the office of the Director shall whether he is retiring Director or otherwise, file with the company not later than fourteen days before the date of the meeting a notice of his intention to offer himself for election as a director, together with his consent to act as Director.

## **CHAIRMAN'S REVIEW**

Dear Shareholders,

I take pleasure in welcoming you to the 17th Annual General Meeting of Bolan Castings Limited and presenting Annual Report and Accounts of the company for the year ended 30th June 1999.

By the grace of Almighty Allah, performance of your company during the fiscal year under review showed considerable improvement as compared to the results of last year. The demand for castings by the tractor industry remained high, which enabled the company to produce 8352 metric tons of castings as compared to 3979 metric tons during last year registering an increase of about 110% in the capacity utilization. Despite price reduction of around 7% to the tractor industry on enhanced volume, net sales rose to a record figure of Rs. 406 million, which was 97% higher than the last year. Administration Expenses increased nominally by 4.67% while Selling and Distribution Expenses (including freight charges) increased proportionate to sales. Financial Expenses, however, increased to Rs. 20.00 million as compared to Rs. 15.12 million during the previous year. The company also succeeded in appreciably reducing the long-term loan liability.

Net Profit before tax improved by 54% due to increased sales, better management practices and cost controls, to a record Rs. 50.52 million as compared to Rs. 32.71 million of the previous year. Net profit after tax amounted to Rs. 33.76 million as against Rs. 8.06 million last year. Accordingly, your Directors were pleased to consider and recommend a Cash Dividend of 25% (Rs. 2.5 per share of Rs. 10.00 each) as against 15% recommended last year.

The plant and machinery of your company was originally designed for producing raw castings only. However, the company has successfully diversified towards setting up of machining lines for some components, while efforts are in hand to further enhance inhouse machining capabilities.

You can be proud of your company to have become first foundry in Pakistan to achieve ISO-9002 quality management certification in March 1999. This has enabled the company to venture out in the global markets for export by displaying

its products at international trade fairs.

I am also pleased to state that your company has taken all possible steps to ensure that the company's computer hardware, software and all electronic facilities are year 2000 compliant.

The cordial relationship between the management and workers continued to enhance productivity, profitability and growth of the company in a congenial working atmosphere.

Karachi: Oct 15, 1999

**SIKANDAR M. KHAN**  
**CHAIRMAN**

## **DIRECTORS' REPORT**

Directors of your Company feel pleasure in submitting their report together with the audited accounts of the Company for the year ended 30th June, 1999.

### ***Accounts***

### ***Rupees in Thousand***

|   |        |
|---|--------|
| Profit Before Tax                       | 50,520 |
| Less Taxation                           | 16,756 |
| Profit After Taxation                   | 33,764 |
| Add: Accumulated Profit Brought forward | 55     |
| Profit avail able for appropriation     | 33,819 |
| Appropriation:                          |        |
| - Proposed Cash Dividend Final @ 25%    | 13,813 |
| - Transfer to General Reserves          | 20,000 |
| Unappropriated Profit Carried Forward   | 6      |

Earning Per Share: Rs: 6.11

### **Directors**

The present term 'of three years of the Board of the Directors is ending this year and new Directors are to be elected at the forthcoming AGM.

### **Auditors**

The present Auditors M/s. Avais Hyder Zaman Rizwani, Chartered Accountants, retire and being eligible offer themselves for reappointment as auditors of the Company for the year ending June 30, 2000.

### **Chairman's Review**

The Directors of the Company endorse contents of the Chairman's Review, which is included in the Annual Report dealing with the Company activities and forms

an integral part of the Directors' Report.

Pattern of Shareholding is annexed.

**ON BEHALF OF THE BOARD**

**CHIEF EXECUTIVE  
LATIF KHALID HASHMI**

Karachi: Oct 15, 1999

**PATTERN OF SHARE HOLDINGS  
AS AT 30-06-1999**

| <i>No. of<br/>Share<br/>Holders</i> | <i>Size of Holding</i> |           | <i>No of Shares<br/>Held</i> | <i>Amount<br/>Rupees</i> |
|-------------------------------------|------------------------|-----------|------------------------------|--------------------------|
|                                     | <i>From</i>            | <i>To</i> |                              |                          |
| 1,261                               | 1                      | 100       | 139,000                      | 1,390,000                |
| 92                                  | 101                    | 500       | 33,000                       | 330,000                  |
| 175                                 | 501                    | 1,000     | 145,600                      | 1,456,000                |
| 116                                 | 1,001                  | 5,000     | 277,800                      | 2,778,000                |
| 15                                  | 5,001                  | 10,000    | 104,910                      | 1,049,100                |
| 6                                   | 10,001                 | 15,000    | 75,400                       | 754,000                  |
| 4                                   | 15,001                 | 20,000    | 71,490                       | 714,900                  |
| 5                                   | 20,001                 | 25,000    | 110,300                      | 1,103,000                |
| 0                                   | 25,001                 | 50,000    | 0                            | 0                        |
| 1                                   | 50,001                 | 55,000    | 52,200                       | 522,000                  |
| 0                                   | 55,001                 | 65,000    | 0                            | 0                        |
| 1                                   | 65,001                 | 70,000    | 67,800                       | 678,000                  |
| 0                                   | 70,001                 | 95,000    | 0                            | 0                        |
| 1                                   | 95,001                 | 100,000   | 100,000                      | 1,000,000                |
| 0                                   | 100,001                | 110,000   | 0                            | 0                        |
| 1                                   | 110,001                | 115,000   | 114,800                      | 1,148,000                |
| 0                                   | 115,001                | 140,000   | 0                            | 0                        |
| 1                                   | 140,001                | 145,000   | 141,300                      | 1,413,000                |
| 0                                   | 145,001                | 220,000   | 0                            | 0                        |
| 1                                   | 220,001                | 225,000   | 223,000                      | 2,230,000                |
| 0                                   | 225,001                | 245,000   | 0                            | 0                        |
| 1                                   | 245,001                | 250,000   | 250,000                      | 2,500,000                |
| 0                                   | 250,001                | 395,000   | 0                            | 0                        |
| 1                                   | 395,001                | 400,000   | 396,400                      | 3,964,000                |
| 0                                   | 400,001                | 455,000   | 0                            | 0                        |
| 1                                   | 455,001                | 460,000   | 456,900                      | 4,569,000                |
| 0                                   | 460,001                | 495,000   | 0                            | 0                        |
| 1                                   | 495,001                | 500,000   | 500,000                      | 5,000,000                |
| 0                                   | 500,001                | 2,265,000 | 0                            | 0                        |
| 1                                   | 2,265,001              | 2,270,000 | 2,265,407                    | 22,654,070               |

|                         |                             |                              |
|-------------------------|-----------------------------|------------------------------|
| -----<br>1,685<br>===== | -----<br>5,525,307<br>===== | -----<br>55,253,070<br>===== |
|-------------------------|-----------------------------|------------------------------|

## CATEGORY OF SHARE HOLDINGS

| <i>Category</i>        | <i>Holdings</i> | <i>No. of<br/>Shares</i> | <i>%</i> |
|------------------------|-----------------|--------------------------|----------|
| Individuals            | 1,669           | 1,132,310                | 20.49    |
| Investment Companies   | 3               | 398,000                  | 7.20     |
| Joint Stock Companies  | 2               | 350,000                  | 6.33     |
| Financial Institutions | 3               | 1,179,900                | 21.36    |
| Modaraba Companies     | 2               | 1,900                    | 0.04     |
| Associated Companies   | 3               | 2,300,407                | 41.63    |
| Others                 | 3               | 162,790                  | 2.95     |
| TOTAL                  | 1,685           | 5,525,307                | 100.00   |

## DECADE AT A GLANCE

| <i>INCOME</i>                | <i>1990</i> | <i>1991</i> | <i>1992</i> | <i>1993</i> | <i>1994</i> | <i>1995</i> | <i>1996</i> | <i>1997</i> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net Sales                    | 134,753     | 161,532     | 119,962     | 225,037     | 168,662     | 183,297     | 226,668     | 194,753     |
| Profit (loss) before tax     | 4,756       | 5,966       | (13,341)    | 17,086      | 1,909       | 1,720       | 5,616       | 2,756       |
| Profit (loss) after tax      | 4,756       | 5,158       | (13,941)    | 15,960      | 1,065       | 803         | 4,483       | 1,756       |
| Retained in business         | (6,384)     | (1,226)     | (15,167)    | 793         | 1,858       | 2,659       | 7,142       | 1,756       |
| <b>FINANCIAL POSITION</b>    |             |             |             |             |             |             |             |             |
| Current assets               | 79,245      | 114,418     | 101,175     | 109,792     | 100,271     | 127,475     | 139,307     | 141,418     |
| Less: Current Liabilities    | 77,448      | 117,151     | 125,429     | 132,195     | 114,280     | 157,585     | 183,370     | 187,151     |
| Net working Capital          | 1,797       | (2,733)     | (24,254)    | (22,403)    | (14,009)    | (30,110)    | (44,063)    | (45,733)    |
| Fixed assets - Net           | 192,750     | 181,252     | 169,966     | 158,733     | 146,120     | 132,954     | 119,321     | 106,966     |
| Other assets                 | 3,787       | 2,720       | 1,255       | 5,490       | 5,399       | 5,016       | 4,654       | 4,720       |
|                              | 198,334     | 181,239     | 146,967     | 141,820     | 137,510     | 107,860     | 79,912      | 64,966      |
| Less: Long term debts        | 147,944     | 127,213     | 106,881     | 85,427      | 80,001      | 49,100      | 16,754      | 16,754      |
| Other liabilities            | 1,522       | --          | --          | 348         | 399         | 848         | 763         | 1,522       |
| Shareholders' equity         | 48,868      | 54,026      | 40,086      | 56,045      | 57,110      | 57,912      | 62,395      | 63,966      |
| <b>REPRESENTED BY:</b>       |             |             |             |             |             |             |             |             |
| Share Capital                | 55,253      | 55,253      | 55,253      | 55,253      | 55,253      | 55,253      | 55,253      | 55,253      |
| Revenue reserve              | --          | --          | --          | --          | --          | --          | 7,000       | 7,000       |
| Unappropriated Profit/(Loss) | (6,385)     | (1,227)     | (15,167)    | 792         | 1,857       | 2,659       | 142         | 1,756       |

|  |        |        |         |        |        |        |        |     |
|--|--------|--------|---------|--------|--------|--------|--------|-----|
| <b>NET CAPITAL EMPLOYED</b>                | 48,868 | 54,026 | 40,086  | 56,045 | 57,110 | 57,912 | 62,395 | 63, |
| Break up value of a share of Rs. 10/- each | 8.84   | 9.78   | 7.25    | 10.14  | 10.34  | 10.48  | 11.29  | 11  |
| <b>RATIOS</b>                              |        |        |         |        |        |        |        |     |
| Current assets to current liabilities      | 1.02:1 | 0.98:1 | 0.8:1   | 0.8:1  | 0.8:1  | 0.8:1  | 0.7:1  | 0   |
| Profit/(Loss) before Tax to sale (%)       | 3.53   | 3.69   | (10)    | 7.59   | 1.13   | 0.94   | 2.48   | 1   |
| Return on equity %                         | 9.73   | 9.55   | (34.78) | 28.48  | 1.86   | 1.39   | 7.18   | 1   |

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **M/S. BOLAN CASTINGS LIMITED** as at June 30, 1999 and the related Profit and Loss Account and Cash Flow Statement, 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 and, after due verification thereof, 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 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 and Profit and Loss Account and Cash Flow Statement together with the notes forming part thereof, 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, 1999 and of the profit and the cash flows for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

KARACHI

**AVAIS HYDER ZAMAN RIZWANI**



DATED: Oct 15, 1999

CHARTERED ACCOUNTANTS

**BALANCE SHEET  
AS AT 30TH JUNE 1999**

|  | <i>NOTE</i> | <i>1999<br/>Rs.</i> | <i>1998<br/>Rs.</i> |
|--|-------------|---------------------|---------------------|
| <b>SHARE CAPITAL.</b>  |             |                     |                     |
| Authorised<br>7,500,000/- Ordinary shares of Rs. 10/- each     |             | 75,000,000          | 75,000,000          |
| Issued, Subscribed and paid-up                                 | 3           | 55,253,070          | 55,253,070          |
| General reserve  |             | 28,000,000          | 8,000,000           |
| Accumulated profit   |             | 6,260               | 55,464              |
| <b>LONG TERM LOAN</b>  |             |                     |                     |
| <b>LIABILITIES AGAINST ASSETS SUBJECT<br/>TO FINANCE LEASE</b> | 4           | 60,000,000          | 83,374,068          |
|  | 5           | 191,096             | 595,888             |
| <b>DEFERRED LIABILITIES</b>                                    |             |                     |                     |
| Provision for gratuity   |             | 1,755,766           | 1,085,373           |
| Deferred taxation  |             | 1,323,904           | 1,239,675           |
| <b>CURRENT LIABILITIES</b>                                     |             |                     |                     |
| Running finance under mark-up arrangement                      | 6           | 30,842,669          | 32,221,215          |
| Finance against Trust Receipt                                  | 7           | 6,946,548           | --                  |
| Current portion of long-term loan                              | 4 & 5       | 552,585             | 7,696,615           |
| Creditors, accrued and other liabilities                       | 8           | 79,474,667          | 30,021,076          |
| Proposed Dividend  |             | 13,813,267          | 82,879,611          |
| Unclaimed dividend   |             | 101,478             | --                  |
|  |             | 131,731,214         | 78,226,867          |
| <b>CONTINGENCIES AND COMMITMENTS</b>                           |             |                     |                     |
|  | 9           | --                  | --                  |
|  |             | 278,261,310         | 227,830,405         |
| <b>FIXED ASSETS - TANGIBLE</b>                                 |             |                     |                     |
| Operating assets - at book value                               | 10          | 88,806,083          | 96,427,591          |
| <b>LONG-TERM LOANS AND ADVANCES</b>                            | 11          | 533,176             | 2,000,145           |
| <b>LONG-TERM DEPOSIT</b>                                       |             |                     |                     |
| Trade deposits   |             | 1,324,510           | 1,126,660           |
| <b>CURRENT ASSETS</b>  |             |                     |                     |
| Stores, Spares and Loose Tools                                 | 12          | 190,838,231         | 16,261,775          |

|                                    |    |             |             |
|------------------------------------|----|-------------|-------------|
| Stock-in-trade                     | 13 | 55,529,057  | 46,892,787  |
| Trade debts                        | 14 | 597,318,931 | 38,268,436  |
| Advances, deposits and prepayments | 15 | 52,656,741  | 15,295,579  |
| Other receivables                  | 16 | 7,684,301   | 1,133,769   |
| Cash and bank balances             | 17 | 47,218,664  | 10,423,663  |
|                                    |    | -----       | -----       |
|                                    |    | 187,597,541 | 128,276,009 |
|                                    |    | -----       | -----       |
|                                    |    | 278,261,310 | 227,830,405 |
|                                    |    | =====       | =====       |

The annexed notes form an integral part of these accounts.

**LATIF KHALID HASHMI**  
CHIEF EXECUTIVE

**SIKANDAR M. KHAN**  
CHAIRMAN

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30TH JUNE 1999**

|  | <i>NOTE</i> | <i>1999</i> | <i>1998</i> |
|--|-------------|-------------|-------------|
|  |             | <i>Rs.</i>  | <i>Rs.</i>  |
| Sales - net  | 18          | 406,021,024 | 206,045,830 |
| Cost of sales  | 19          | 318,500,001 | 162,237,543 |
|  |             | -----       | -----       |
| Gross profit   |             | 87,521,023  | 43,808,287  |
|  |             | -----       | -----       |
| Administration expenses                                | 20          | 110,045,113 | 9,596,783   |
| Selling and distribution expenses                      | 21          | 3,448,753   | 5,231,002   |
|  |             | -----       | -----       |
|  |             | 13,493,866  | 14,827,785  |
|  |             | -----       | -----       |
|  |             | 74,027,157  | 28,980,502  |
|  |             | -----       | -----       |
| Financial charges                                      | 22          | 20,002,252  | 15,123,859  |
| Other charges / (income)                               | 23          | 3,505,066   | 2,290,319   |
|  |             | -----       | -----       |
|  |             | 23,507,318  | 17,414,178  |
|  |             | -----       | -----       |
| Profit from ordinary activities                        |             | 50,519,839  | 11,566,324  |
| Receipt of price revision claim relating to prior year |             | --          | 21,147,010  |
|  |             | -----       | -----       |
| Profit before taxation                                 |             | 50,519,839  | 32,713,334  |
| Taxation   | 24          | 16,755,776  | 24,650,521  |
|  |             | -----       | -----       |
| Profit after taxation                                  |             | 33,764,063  | 8,062,813   |

|  |            |           |
|--|------------|-----------|
| Accumulated profit brought forward           | 55,464     | 1,280,612 |
| Profit available for appropriations          | 33,819,527 | 9,343,425 |
| <b>APPROPRIATIONS</b>                        |            |           |
| Transfer to general reserves                 | 20,000,000 | 1,000,000 |
| Final dividend ,@ 25% (1998: 15%)            | 13,813,267 | 8,287,961 |
|  | 33,813,267 | 9,287,961 |
| Accumulated profit .carried to balance sheet | 6,260      | 55,464    |

The annexed notes form an integral part of these accounts

**LATIF KHALID HASHMI**  
CHIEF EXECUTIVE

**SIKANDAR M. KHAN**  
CHAIRMAN

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE 1999**

|   | <i>1999</i>  | <i>1998</i>  |
|---|--------------|--------------|
|   | <i>Rs.</i>   | <i>Rs.</i>   |
| <b>Cash from operating activities</b>           |              |              |
| Profit before taxation                          | 50,519,839   | 32,713,334   |
| Adjustment for:                                 |              |              |
| Depreciation                                    | 13,594,668   | 13,744,273   |
| Workers' welfare fund                           | 1,031,017    | 880,623      |
| Provision for gratuity                          | 724,270      | 182,141      |
| Financial charge on leased assets               | 154,263      | 104,204      |
| (Profit) / loss on fixed assets                 | (170,456)    | (343,250)    |
| Adjustment of financial charges                 | 37,600       | --           |
| Operating profit before working capital changes | 65,891,201   | 47,281,325   |
| (Increase) / Decrease in current assets         | (31,415,775) | 3,602,006    |
| Increase / (Decrease) in current liabilities    | 30,665,328   | (36,327,898) |
| Cash generated from operations                  | 65,140,754   | 14,555,433   |
| Income tax refund                               | 10,965,609   | --           |
| Income tax paid                                 | (10,741,627) | (5,570,797)  |
| Gratuity paid                                   | (53,877)     | (47,296)     |
| Net Cash from operating activities              | 65,310,859   | 8,937,340    |

|  |              |             |
|--|--------------|-------------|
| <b>Cash flows from investing activities</b>                |              |             |
| Capital expenditure  | (6,169,426)  | (3,146,731) |
| Sale proceeds of fixed assets                              | 337,697      | (566,288)   |
| Long-term loans and advances                               | 1,466,969    | 1,168,477   |
| Long-term deposits, trade deposits                         | (197,850)    | (119,300)   |
|  | -----        | -----       |
| Net cash used in investing activities                      | (4,562,610)  | (1,531,266) |
| <b>Cash flows from financing activities</b>                |              |             |
| Redeemable capital   | --           | (1,500,000) |
| Long-term loan   | (23,374,068) | 3,598,386   |
| Liabilities against assets subject to finance lease        | (579,180)    | (349,945)   |
|  | -----        | -----       |
| Net cash used in financing activities                      | (23,953,248) | 1,748,441   |
|  | -----        | -----       |
| Net increase / (decrease) in cash                          | 36,795,001   | 9,154,515   |
| <b>Cash and bank balances at the beginning of the year</b> |              |             |
|  | 10,423,663   | 1,269,148   |
|  | -----        | -----       |
| <b>Cash and bank balances at the end of the year</b>       | 47,218,664   | 10,423,663  |
|  | =====        | =====       |

**LATIF KHALID HASHMI**  
**CHIEF EXECUTIVE**

**SIKANDAR M. KHAN**  
**CHAIRMAN**

## **NOTES TO THE ACCOUNTS**

### **FOR THE YEAR ENDED 30TH JUNE 1999**

#### **1. NATURE OF BUSINESS**

The Company is incorporated in Pakistan as a quoted public limited company. Its main business activity is to undertake casting of tractors and automotive parts.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Over all valuation policy**

These accounts have been prepared on the basis of historical cost convention.

##### **2.2 Staff retirement benefits**

The Company operates approved funded gratuity and provident fund schemes for all eligible executives. Contributions are payable to the gratuity fund on the basis of actuarial recommendation at a rate of 14.25% of basic salaries plus an additional 8.16% to cover the deficit of the fund. The actuarial valuation of the scheme is carried out once in every three years on the basis of Entry Age Normal (EAN) actuarial cost method. The expected rate of increase in salaries and return on investment for the purpose of actuarial valuation are assumed to be 12% and 13% respectively.

The last actuarial valuation was carried out on 30th June 1995. The fair value of the scheme's assets and EAN liability for the past services at latest valuation date were Rs. 4.364 million and Rs. 10.807 million respectively.

The Company also operates an approved provident fund and an unapproved unfunded gratuity scheme for all other permanent employees.

## **2.3 Taxation**

### **Current**

Provision for current taxation in the accounts is based on taxable income at the current rate of taxation after taking into account tax credit and tax rebates available, if any, or minimum tax at 0.5 percent of turnover.

### **Deferred**

The Company accounts for deferred taxation, if any, arising on major timing differences using the liability method.

## **2.4 Fixed assets and depreciation**

### **2.4.1 Operating assets**

Operating fixed assets are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost. Cost in relation to certain fixed assets, comprises historical cost plus exchange differences in foreign currency loan used for acquisition of these assets. Depreciation is charged to income applying the reducing balance method. However, the exchange difference previously capitalised is depreciated over the estimated remaining useful life of assets using the straight-line method.

In respect of additions, depreciations is charged for the full year in the year of purchase, and no depreciation is charged on delations in the year of sale.

Maintenance and normal repairs are charged to income as and when incurred. Gain or loss on sale or retirement of assets is included in income currently.

### **2.4.2 Assets subject to finance lease**

Assets subject to finance lease are stated at the lower of the present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under the finance lease are depreciated over the useful life of the assets.

## **2.5 Stores, spares and loose tools**

Stores, spares and loose tools are valued at weighted average cost. Stores and spares in transit are stated at invoice value plus other charges paid thereon to the balance sheet date.

## **2.6 Stock-in-trade**

2.6.1 Stock-in-trade, except item in transit, is valued at the lower of cost and net realisable value. Stock-in-transit is stated at invoice value plus other charges paid thereon to the balance sheet date.

2.6.2 Cost signifies, in relation to raw material at weighted average, and in relation to work-in-process and finished goods at weighted average cost comprising direct material, labour and appropriate manufacturing overheads.

2.6.3 Net realisable value signifies the estimated selling price in the ordinary course of business less cost of completion and cost necessary. to be incurred in order to make the sale.

## 2.7 Trade Debts

Known bad debts, if any are written-off and provision is made against debts considered doubtful.

## 2.8 Rates of exchange

Transaction in foreign currencies are converted into rupees at the rates of exchange ruling on the date of the transaction. Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange ruling at the balance sheet date except for loan from Asian Development Bank (ADB) through Pakistan Automobile Corporation Limited (PACO) which has been covered under the Exchange Risk Coverage Scheme of the Government of Pakistan. Exchange Risk Coverage fee on the loan obtained upto 30 June 1995 for acquisition of fixed assets, payable to Government of Pakistan, is included in carrying value of the related assets. Thereafter, the exchange risk coverage fee, relevant to respective loan is being charged off. Other exchange gains and losses are included in income currently.

## 2.9 Revenue recognition

Revenue from sale is recognised upon passage of title to the customers, which generally coincides with physical delivery and acceptance.

Profit on term deposit is recorded as and when received.

|   | <i>NOTE</i> | <i>1999</i><br><i>Rs.</i> | <i>1998</i><br><i>Rs.</i> |
|---|-------------|---------------------------|---------------------------|
| <b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>  |             |                           |                           |
| 5,525,307 (1998: 5,525,307) Ordinary shares of Rs. 10/- each fully paid for in cash.                                      |             | 55,253,070<br>=====       | 55,253,070<br>=====       |
| Millat Tractors Limited - an associated company, is holding 2,290,407 (1998: 2,290,407) ordinary shares of Rs. 10/- each. |             |                           |                           |
| <b>4. LONG-TERM LOAN</b>  |             |                           |                           |
| Foreign currency loan - secured   | 4.1         | --                        | 26,675,397                |
| Related interest  |             | 39,431,002                | 39,431,002                |
| Related exchange risk fee   |             | 20,568,998<br>-----       | 24,385,104<br>-----       |

|                        |            |            |
|------------------------|------------|------------|
|                        | 60,000,000 | 90,491,503 |
| Less: Current maturity | --         | 7,117,435  |
|                        | -----      | -----      |
|                        | 60,000,000 | 83,374,068 |
|                        | =====      | =====      |

4.1 The Asian Development Bank (ADB) had sanctioned a foreign currency loan equivalent to US\$ 26.9 million to the Government of Pakistan. A portion equivalent to US\$ 7.8 million was allocated to the Company through Pakistan Automobile Corporation Limited to establish the Company's Foundry.

4.1.1 The balance of loan was repayable by 1 September 1997 and carried interest at the rate of 8.5 percent per annum and the exchange risk coverage fee at the rate of 5.5 percent per annum. Since July 1997, the management of the Company is striving for rescheduling of the aforesaid loan and is hopeful that the loan will be rescheduled in accordance with the plan submitted to the government of Pakistan. Accordingly, the aforesaid loan has been classified as long-term loan. The Company has started repayments on the basis of revised schedule.

4.1.2 Subsequent to the Sale Agreement of 10th June 1993, a charge on Company's assets was created in favour of Pakistan Automobile Corporation Limited on behalf of Government of Pakistan, to secure the outstanding balance of Rs. 129 million inclusive of interest and exchange risk fee. The above facility is secured by an equitable mortgage of land, building and machinery.

4.1.3 .The Government of Pakistan approved a Scheme of Exchange Risk Coverage on the Company's foreign currency loan with effect from 21 April 1987. According to the scheme, the foreign currency loan liability outstanding as at 21 April 1987 was converted into rupees at the then prevailing exchange rate. The scheme envisages an exchange risk coverage fee at 5.5 percent of the loan outstanding in local currency. With effect from 1 July 1995 such exchange fee is being charged off in the income of the current year.

##### **5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

The Value of minimum lease rental payments has been discounted at an implicit interest rate of approximately 24% per annum to arrive at their present value. The amount of future payments and the periods during which they fall due are:

|                          | <b>1999</b> | <b>1998</b> |
|--------------------------|-------------|-------------|
|                          | <b>Rs.</b>  | <b>Rs.</b>  |
| Payable during 1998-1999 | --          | 579,180     |
| 1999-2000                | 552,585     | 552,585     |
| 2000-2001                | 275,800     | 275,800     |
|                          | -----       | -----       |

|  |         |           |
|--|---------|-----------|
|  | 828,385 | 1,407,565 |
| Less: Unamortized financial charges                    | 84,704  | 232,497   |
|  | -----   | -----     |
|  | 743,681 | 1,175,068 |
| Less: Current maturity shown under current liabilities | 552,585 | 579,180   |
|  | -----   | -----     |
|  | 191,096 | 595,888   |
|  | =====   | =====     |

The lease rentals are payable in equal monthly installments. Overdue rental payments are subject to an additional lease rental at the rate of 0.1 percent per day. Taxes, repairs and insurance costs are to be borne by the lessee. In case of termination of lease agreement, the lessee is to pay entire rent for unexpired period.

|             |             |
|-------------|-------------|
| <b>1999</b> | <b>1998</b> |
| <b>Rs.</b>  | <b>Rs.</b>  |

**6. RUNNING FINANCE UNDER MARK-UP  
ARRANGEMENT - Secured**

|            |            |
|------------|------------|
| 30,842,669 | 32,221,215 |
| =====      | =====      |

This represents the utilised portion of running finance facility of Rs.35.00 million (1998: Rs. 60.00 million) from a commercial bank. The facility is subject to mark-up at the rate of Rs. 0.50 per rupees one thousand per day. This is secured by hypothecation of stock of raw material, equitable mortgage of land and building, Personal Guarantees of two directors and Guarantees from Millat Tractors Ltd.

|             |             |
|-------------|-------------|
| <b>1999</b> | <b>1998</b> |
| <b>Rs.</b>  | <b>Rs.</b>  |

**7. FINANCE AGAINST TRUST RECEIPT**

|           |       |
|-----------|-------|
| 6,946,548 | --    |
| =====     | ===== |

This represents the utilised portion of finance against trust receipt facility of Rs. 50.00 million from a commercial bank. The facility is subject to mark-up at the rate of Rs.0.50 per rupees one thousand per day. This is secured by hypothecation of stock of raw-material, equitable mortgage of land and building, Personal Guarantees of two directors and Guarantees from Millat Tractors Ltd.

**8. CREDITORS, ACCRUED AND  
OTHER LIABILITIES**

Creditors

Associated undertakings

Others

|            |           |
|------------|-----------|
| 25,531     | 18,128    |
| 11,273,504 | 6,282,685 |
| -----      | -----     |
| 11,299,035 | 6,300,813 |

Accrued

Liabilities

Mark-up on running finance

|             |            |
|-------------|------------|
| 174,299,931 | 96,561,181 |
| 148,801     | 99,557     |



|   |     |            |            |
|---|-----|------------|------------|
| Interest on secured loan                                    |     | 4,048,486  | 2,984,500  |
| Exchange risk fee   |     | 2,619,607  | 1,931,146  |
| Related interest and exchange risk fee                      |     | 16,330,418 | --         |
|   |     | -----      | -----      |
|   |     | 40,577,305 | 14,671,321 |
| <br>  |     |            |            |
| Tax payable   | 8.1 | 9,025,752  | --         |
| Bills payable   |     | 10,931,698 | 5,046,948  |
| Advances from customers                                     |     | 943,409    | 912,474    |
| Retention and deposits                                      |     | 342,620    | 332,120    |
| Workers' Profit Participation Fund                          | 8.2 | 2,713,203  | 1,768,439  |
| Payable to trustees of Staff Gratuity<br>and Provident Fund |     | (347,978)  | 615,193    |
| Sales tax payable   |     | 3,554,655  | 210,765    |
| Advances from employees against car scheme                  |     | 178,450    | 37,050     |
| Others  |     | 256,518    | 125,953    |
|   |     | -----      | -----      |
|   |     | 79,474,667 | 30,021,076 |
|   |     | =====      | =====      |

#### 8.1 TAX PAYABLE

|                                |  |            |             |
|--------------------------------|--|------------|-------------|
| Provision for taxation 1997-98 |  | 14,000,000 | 14,000,000  |
| Provision for taxation 1998-99 |  | 16,671,547 | --          |
| W.W.F. 1997-98                 |  | 880,623    | 880,623     |
| W.W.F. 1998-99                 |  | 1,031,017  | --          |
|                                |  | -----      | -----       |
|                                |  | 32,583,187 | 14,880,623  |
|                                |  | -----      | -----       |
| Deductions at source u/s 50    |  | 18,212,636 | 23,769,867  |
| Advance payment of tax u/s 53  |  | 5,344,799  | --          |
|                                |  | -----      | -----       |
|                                |  | 23,557,435 | 23,769,867  |
|                                |  | -----      | -----       |
| Tax payable / (refundable)     |  | 9,025,752  | (8,889,244) |
|                                |  | =====      | =====       |

#### 8.2 WORKERS' PROFIT PARTICIPATION FUND

|   |  |           |            |
|---|--|-----------|------------|
| Balance at the beginning of the year                        |  | 1,768,439 | 110,973    |
| Allocation for the year                                     |  | 2,713,203 | 1,768,439  |
|   |  | -----     | -----      |
| Amount available  |  | 4,481,642 | 1,879,412  |
| Interest provided on fund<br>utilised in Company's business |  | 93,250    | 6,385      |
|   |  | -----     | -----      |
| Amount paid   |  | 4,574,892 | 1,885,797  |
|   |  | 1,861,689 | 117,358    |
|   |  | -----     | -----      |
| Balance at the end of the year                              |  | 2,713,203 | 17,768,439 |

## 9. CONTINGENCIES AND COMMITMENTS

i) Letters of credit issued by a commercial bank

15,565 14,145

ii) Post-dated cheques issued in favour of  
Collector of Customs in support of indemnity bonds

10,215 3,521

iii) Commitment for capital expenditure outstanding

-- 1,625

## 10. FIXED ASSETS - TANGIBLE

| PARTICULARS   | COST                       |                                 |                            | DEPRECIATION               |                                    |                            | BOOK<br>VALUE AT<br>30-06-1999<br>Rs. | DEP.<br>RATE<br>% |
|---|----------------------------|---------------------------------|----------------------------|----------------------------|------------------------------------|----------------------------|---------------------------------------|-------------------|
|   | AS AT<br>01 07 1998<br>Rs. | ADDITIONS<br>(DELETIONS)<br>Rs. | AS AT<br>30-06-1999<br>Rs. | AS AT<br>01 07-1998<br>Rs. | FOR THE YEAR<br>(DELETIONS)<br>Rs. | AS AT<br>30-06-1999<br>Rs. |                                       |                   |
| Land - Free Hold  | 2,577,954                  | 100,800                         | 2,678,754                  | --                         | --                                 | --                         | 2,678,754                             | --                |
| Building on free hold land                              | 36,683,077                 | --                              | 36,683,077                 | 24,603,037                 | 1,208,004                          | 25,811,041                 | 10,872,036                            | 10                |
| Plant, Machinery & Equipment                            | 232,263,385                | 2,726,149                       | 234,989,534                | 157,210,568                | 10,842,245                         | 168,052,813                | 66,936,721                            | 10                |
| Electric & Gas installations                            | 6,803,520                  | --                              | 6,803,520                  | 4,519,116                  | 228,440                            | 4,747,556                  | 2,055,964                             | 10                |
| Castings  | 756,971                    | --                              | 756,971                    | 508,044                    | 24,893                             | 532,937                    | 224,034                               | 10                |
| Furniture & Fixture *                                   | 876,594                    | 67,292<br>(7,775)               | 936,111                    | 562,681                    | 37,970<br>(6,266)                  | 594,385                    | 341,726                               | 10                |
| Electrical Appliances *                                 | 790,979                    | 108,975<br>(8,300)              | 891,654                    | 378,852                    | 51,854<br>(5,740)                  | 424,966                    | 466,688                               | 10                |
| Office Equipment *                                      | 1,421,655                  | 258,275<br>(218,640)            | 1,461,290                  | 753,473                    | 85,022<br>(142,401)                | 696,094                    | 765,196                               | 10                |
| Computers *   | 1,368,662                  | 747,210                         | 2,115,872                  | 696,696                    | 283,835                            | 980,531                    | 1,135,341                             | 20                |
| Automotive Vehicles *                                   | 2,482,369                  | 2,168,500<br>(541,634)          | 4,109,235                  | 1,451,090                  | 615,209<br>(417,901)               | 1,648,398                  | 2,460,837                             | 20                |
| Bicycles *  | 1,830                      | --                              | 1,830                      | 1,688                      | 28                                 | 1,716                      | 114                                   | 20                |
| Assets subject to Finance lease:<br>Automotive Vehicles | 1,408,500                  | --                              | 1,408,500                  | 322,660                    | 217,168                            | 539,828                    | 868,672                               | 20                |
| <b>TOTAL</b>  | <b>287,435,496</b>         | <b>6,177,201<br/>(776,349)</b>  | <b>292,836,348</b>         | <b>191,007,905</b>         | <b>13,594,668<br/>(572,308)</b>    | <b>204,030,265</b>         | <b>88,806,083</b>                     |                   |
| 1998  | 283,927,336                | 4,774,072<br>(1,265,912)        | 287,435,496                | 177,831,666                | 13,744,273<br>(568,034)            | 191,007,905                | 96,427,591                            |                   |

NOTE

1999  
Rs.

1998  
Rs.

### 10.1 Depreciation charged as under:

|                           |    |            |            |
|---------------------------|----|------------|------------|
| Cost of production        | 19 | 13,328,783 | 13,575,607 |
| Administrative expenses * | 20 | 265,885    | 168,666    |
|                           |    | -----      | -----      |
|                           |    | 13,594,668 | 13,744,273 |
|                           |    | =====      | =====      |

**10.2 Detail of sale of operating assets during the year is as follows;**

| <i>PARTICULARS</i>             | <i>Cost</i> | <i>Accumulated<br/>Depreciation</i> | <i>W.D.V.</i> | <i>Sale Proceeds</i> | <i>Gain / (Loss)</i> | <i>Mode of<br/>disposal</i>                         | <i>Name &amp; address<br/>of purchaser</i>                 |
|--------------------------------|-------------|-------------------------------------|---------------|----------------------|----------------------|---|--|
|                                | <i>Rs.</i>  | <i>Rs.</i>                          | <i>Rs.</i>    | <i>Rs.</i>           | <i>Rs.</i>           |   |  |
| Automotive Vehicles:           |             |                                     |               |                      |                      |   |  |
| Suzuki Van                     | 135,000     | 112,350                             | 22,650        | 132,786              | 110,136              | Tender  | Mr. Ramzan<br>Abdullah Manzil Wali<br>Road, Soldier Bazar. |
| Suzuki Van                     | 171,123     | 126,265                             | 44,858        | 152,786              | 107,928              | Tender  | Mr. Ramzan<br>Abdullah Manzil Wali<br>Road, Soldier Bazar. |
| Suzuki Car                     | 188,511     | 169,886                             | 18,625        | 18,625               | --                   | As per Approval of<br>Board of Directors            | Mr. Afaq Ahmed<br>GM Finance                               |
| Suzuki Car                     | 47,000      | 9,400                               | 37,600        | --                   | --                   |   | Transferred to<br>financial charges                        |
| Furniture and Fixtures         | 7,775       | 6,266                               | 1,509         |                      |                      |   |  |
| Electrical Appliances (10.2.1) | 8,300       | 5,740                               | 2,560         | 2,000                | (2,869)              | Quotation through<br>displaying on Notice<br>Board. | Mr. Mohd. Saleem<br>Shershah-Karachi.                      |
| Office and other equipment:    |             |                                     |               |                      |                      |   |  |
| Typewriters                    | 102,490     | 76,250                              | 26,240        | 6,500                | (19,740)             | Tender  | Mr. Shabbir Hussain  |
| Photocopier                    | 116,150     | 66,151                              | 49,999        | 25,000               | (24,999)             | Trade in  | Shirazi Trading Co.  |
|                                | -----       | -----                               | -----         | -----                | -----                |   |  |
|                                | 776,349     | 572,308                             | 204,041       | 337,697              | 170,456              |   |  |
|                                | =====       | =====                               | =====         | =====                | =====                |   |  |

10.2.1 The loss on Sale of Electrical Appliances includes Rs. 800/- being deposit of gas cylinder.

|  | <i>NOTE</i> | <i>1999<br/>Rs.</i> | <i>1998<br/>Rs.</i> |
|--|-------------|---------------------|---------------------|
| <b>11. LONG-TERM LOANS - Considered good</b> |             |                     |                     |
| Loan to employees                            |             |                     |                     |
| - for purchase of Company's shares           | 11.1        | --                  | 3,184,305           |
| others                                       | 11.2        | 933,348             | 686,042             |
|  |             | -----               | -----               |
|  |             | 933,348             | 3,870,347           |

|  |         |           |
|--|---------|-----------|
| Less: Current maturity                             | 400,172 | 1,870,202 |
|  | -----   | -----     |
|  | 533,176 | 2,000,145 |
|  | =====   | =====     |
| The above comprises:                               |         |           |
| Loans outstanding for period exceeding three years | --      | 1,641,885 |
| Others   | 533,176 | 358,260   |
|  | -----   | -----     |
|  | 533,176 | 2,000,145 |
|  | =====   | =====     |

11.1 Loan to employees for purchase of shares has been adjusted from salary, production incentive award and bonus to employees by Rs. 3184305. The above adjustment includes an amount of Rs. 2,256,465/- due from the executives.

11.2 Includes an amount of Rs. 144,216/- (1998: 634,530) due from the executives of the Company. The said loan is recoverable in monthly installments.

|   | <b>1999</b> | <b>1998</b> |
|---|-------------|-------------|
|   | <b>Rs.</b>  | <b>Rs.</b>  |
| <b>12. STORES, SPARES AND LOOSE TOOLS</b>           |             |             |
| In hand   |             |             |
| Stores  | 5,785,650   | 3,523,248   |
| Spares  | 11,972,246  | 11,447,273  |
| Loose tools   | 493,062     | 1,288,108   |
|   | -----       | -----       |
|   | 18,250,958  | 16,258,629  |
| In transit  |             |             |
| Stores  | 832,865     | 3,146       |
|   | -----       | -----       |
|   | 19,083,823  | 16,261,775  |
|   | =====       | =====       |
| <b>13. STOCK-IN-TRADE</b>                           |             |             |
| In hand   |             |             |
| Raw material  | 26,161,280  | 13,963,980  |
| Work-in-process                                     | 10,037,000  | 6,222,000   |
| Finished goods                                      | 9,146,000   | 20,877,000  |
| In transit - Raw Material                           | 10,184,777  | 5,829,807   |
|   | -----       | -----       |
|   | 55,529,057  | 46,892,787  |
|   | =====       | =====       |
| <b>14. TRADE DEBTS - unsecured, considered good</b> |             |             |
| Due from associated undertakings                    | 40,879,607  | 23,376,547  |
| Others  | 18,852,286  | 14,891,889  |

|            |            |
|------------|------------|
| -----      | -----      |
| 59,731,893 | 38,268,436 |
| =====      | =====      |

The maximum aggregate balance due from associated undertakings at the end of any month during the year was Rs.59.261 million (1998: Rs 65.783 million).

#### 15. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances - unsecured, considered good

|                                    |           |            |
|------------------------------------|-----------|------------|
| Employees                          | 473,620   | 1,075,925  |
| Suppliers                          | 1,899,343 | 2,081,998  |
| Others                             | --        | 25,200     |
| Current portion of long-term loans | 400,172   | 1,870,202  |
| Income tax - net                   | --        | 8,889,244  |
|                                    | -----     | -----      |
|                                    | 2,773,135 | 13,942,569 |
|                                    | -----     | -----      |
| Deposits                           | 1,986,624 | 782,500    |
| Prepayments                        | 505,915   | 570,510    |
|                                    | -----     | -----      |
|                                    | 5,265,674 | 15,295,579 |
|                                    | =====     | =====      |

#### 16. OTHER RECEIVABLES

|                            |         |           |
|----------------------------|---------|-----------|
| Octroi refundable          | 619,136 | 259,043   |
| Insurance claim receivable | --      | 475,219   |
| Provident fund account     | --      | 203,980   |
| Others                     | 149,294 | 195,527   |
|                            | -----   | -----     |
|                            | 768,430 | 1,133,769 |
|                            | =====   | =====     |

#### 17. CASH AND BANK BALANCES

|                     |      |            |            |
|---------------------|------|------------|------------|
| Cash in hand        |      | 180,805    | 116,873    |
| Cash with banks     |      |            |            |
| On Deposit Accounts | 11.1 | 5,100,000  | 100,000    |
| On Current Accounts |      | 41,937,859 | 10,206,790 |
|                     |      | -----      | -----      |
|                     |      | 47,037,859 | 10,306,790 |
|                     |      | -----      | -----      |
|                     |      | 47,218,664 | 10,423,663 |
|                     |      | =====      | =====      |

17.1 Represents Rs. 100,000 of term deposit with a commercial bank as security against guarantee given by the bank on behalf of the Company.

17.2 Includes 5 term deposit receipts of Rs. 1.000 million each withdrawable on 7 day's notice.

|                                      | <i>NOTE</i> | <i>1999</i>  | <i>1998</i>  |
|--------------------------------------|-------------|--------------|--------------|
|                                      |             | <i>Rs.</i>   | <i>Rs.</i>   |
| <b>18. SALES</b>                     |             |              |              |
| Sales                                |             | 436,581,512  | 223,626,816  |
| Less: Sales Returns                  |             | 30,560,488   | 17,580,986   |
|                                      |             | -----        | -----        |
|                                      |             | 406,021,024  | 206,045,830  |
|                                      |             | =====        | =====        |
| <b>19. COST OF SALES</b>             |             |              |              |
| Raw material and components consumed |             |              |              |
| Opening stock                        |             | 13,963,980   | 9,394,588    |
| Purchases                            |             | 160,227,291  | 74,585,802   |
|                                      |             | -----        | -----        |
|                                      |             | 174,191,271  | 83,980,390   |
| Closing stock                        |             | (26,161,280) | (13,963,980) |
|                                      |             | -----        | -----        |
|                                      |             | 148,029,991  | 70,016,410   |
| Salaries, wages and benefits         |             | 37,492,217   | 22,878,034   |
| Staff welfare                        |             | 2,145,680    | 1,693,157    |
| Stores and spares consumed           |             | 28,176,391   | 13,896,787   |
| Fuel and power                       |             | 45,196,547   | 22,483,387   |
| Machining and other services         |             | 18,763,954   | 9,421,198    |
| Travelling and conveyance            |             | 3,393,417    | 2,180,587    |
| Rent, rates and taxes                |             | 130,800      | 108,900      |
| Repairs and maintenance              |             | 3,932,923    | 754,892      |
| Freight and octroi                   | 19.1        | 6,736,956    | --           |
| Insurance                            |             | 474,605      | 449,034      |
| Vehicles expenses                    |             | 1,213,742    | 720,810      |
| Depreciation                         | 10.1        | 13,328,783   | 13,575,607   |
| Others                               |             | 1,567,995    | 1,165,740    |
|                                      |             | -----        | -----        |
|                                      |             | 162,554,010  | 89,328,133   |
| Work-in-process-opening              |             | 6,222,000    | 5,502,000    |
| -closing                             |             | (10,037,000) | (6,222,000)  |
|                                      |             | -----        | -----        |
|                                      |             | 306,769,001  | 158,624,543  |
| Cost of goods manufactured           |             |              |              |
| Finished goods - opening             |             | 20,877,000   | 24,490,000   |
| - closing                            |             | (9,146,000)  | (20,877,000) |
|                                      |             | -----        | -----        |
|                                      |             | 318,500,001  | 162,237,543  |
|                                      |             | =====        | =====        |

### 19.1 FREIGHT & OCTROI

The cost of freight and octroi was previously charged to the selling and distribution expenses. Now the Management has decided to charge the expense to cost of sales. The cost of sales has increased by Rs. 6,736,959 and selling and distribution expenses have decreased due to this effect. Related figures for corresponding period of last year comes to Rs., 3367902.

|   | <i>NOTE</i> | <i>1999</i><br><i>Rs.</i>    | <i>1998</i><br><i>Rs.</i>   |
|---|-------------|------------------------------|-----------------------------|
| <b>20. ADMINISTRATION EXPENSES</b>  |             |                              |                             |
| Salaries, wages and benefits<br>[including director's fee- 1999: Rs. Nil<br>( 1998: Rs. 1,500/-)] |             | 5,875,266                    | 5,539,010                   |
| Staff welfare   |             | 307,351                      | 288,923                     |
| Travelling  |             | 494,693                      | 356,988                     |
| Utilities   |             | 139,284                      | 182,385                     |
| Rent, rates and taxes   |             | 289,162                      | 207,386                     |
| Repairs and maintenance   |             | 291,010                      | 286,176                     |
| Printing & Stationary   |             | 227,579                      | 179,824                     |
| Communications  |             | 282,155                      | 294,653                     |
| Advertisement   |             | 93,250                       | 48,818                      |
| Vehicle expenses  |             | 540,218                      | 696,264                     |
| Insurance   |             | 148,101                      | 90,557                      |
| Legal & Professional charges  |             | 248,400                      | 315,150                     |
| Unrealizable refund - charged off   |             | --                           | 223,244                     |
| Entertainment   |             | 113,412                      | 27,438                      |
| Auditor's remuneration  | 20.1        | 133,200                      | 124,950                     |
| Subscription  |             | 121,829                      | 14,801                      |
| Depreciation  | 10.1        | 265,885                      | 168,666                     |
| Service charges   |             | --                           | 313,206                     |
| Miscellaneous   |             | 474,318                      | 238,344                     |
|   |             | -----<br>10,045,113<br>===== | -----<br>9,596,783<br>===== |
| <b>20.1 Auditors' Remuneration</b>  |             |                              |                             |
| Audit fee   |             | 50,000                       | 50,000                      |
| Tax services  |             | 79,000                       | 7,000                       |
| Other professional services and consultancy   |             | 3,000                        | 58,000                      |
| Out of pocket expenses  |             | 1,200                        | 9,950                       |
|   |             | -----<br>133,200<br>=====    | -----<br>124,950<br>=====   |
| <b>21. SELLING AND DISTRIBUTION EXPENSES</b>  |             |                              |                             |
| Salaries, wages and benefits  |             | 2,153,098                    | 1,367,013                   |

|                 |           |           |
|-----------------|-----------|-----------|
| Travelling      | 257,854   | 33,217    |
| Insurance       | 30,591    | 18,985    |
| Transportation  | 637,030   | 3,648,367 |
| Sales Promotion | 189,000   | 20,025    |
| Printing        | 50,378    | 38,670    |
| Postage         | 44,109    | 26,830    |
| Miscellaneous   | 86,693    | 77,895    |
|                 | -----     | -----     |
|                 | 3,448,753 | 5,231,002 |
|                 | =====     | =====     |

## 22. FINANCIAL CHARGES

|  |            |            |
|--|------------|------------|
| Mark-up on redeemable capital  | --         | (446,253)  |
| Mark-up on short-term running finance                                      | 444,516    | 9,953,254  |
| Mark-up on finance lease   | 200,893    | 104,204    |
| Interest on short - term financing arrangement<br>by an associated company | 1,010,682  | 305,239    |
| Interest on Workers' Profit Participation Fund                             | 93,250     | 6,385      |
| Bank charges   | 170,046    | 56,812     |
| Related Interest & Exchange risk fee on ADB loan                           | 18,082,865 | 5,144,218  |
|  | -----      | -----      |
|  | 20,002,252 | 15,123,859 |
|  | =====      | =====      |

## 23. OTHER CHARGES / (INCOME)

|  |           |           |
|--|-----------|-----------|
| Workers' Profit Participation Fund           | 2,713,203 | 1,768,439 |
| Workers' Welfare Fund                        | 1,031,017 | 880,623   |
| Loss/(Gain) on disposal of fixed assets- net | (170,456) | (343,250) |
| Miscellaneous Charges                        | 3,000     | (15,493)  |
| Miscellaneous Income                         | (71,698)  | --        |
|  | -----     | -----     |
|  | 3,505,066 | 2,290,319 |
|  | =====     | =====     |

## 24. TAXATION

|              |            |            |
|--------------|------------|------------|
| Current      |            |            |
| Current year | 16,671,547 | 14,000,000 |
| Prior year   | --         | 9,410,846  |
|              | -----      | -----      |
|              | 16,671,547 | 23,410,846 |
| Deferred     | 84,229     | 1,239,675  |
|              | -----      | -----      |
|              | 16,755,776 | 24,650,521 |
|              | =====      | =====      |

24.1 The Company had filed returns declaring the tax losses amounting to Rs. 82.724 million and Rs. 17.227 million for the assessment years 1987-88 and 1988-89 respectively. The losses sustained in these years were not assessed by the Assessing Officer, consequently these losses could not be available for set off against the post tax holiday profits of



the company for the subsequent assessment years. The Company being aggrieved by the said treatment preferred appeals before the Commissioner of Income Tax (Appeals) [CIT(A)], wherein, the action of Assessing Officer was confirmed. The Company thereafter filed second appeals with the Income Tax Appellate Tribunal (ITAT). The ITAT confirmed the action of the CIT(A) by observing that the issue already stands decided against the appellant in a similar case. Subsequently, the ITAT recalled its said earlier order, consequently, the Company filed rectification application on the grounds that the appeal of the Company was dismissed relying on the decision which has been subsequently for re-adjudication, therefore, the appeal of the company would also be recalled. The ITAT in their judgement on the issue has accepted the appeal of the company during February 1999. However appeal effects has not been allowed because tax department has gone to Sindh High Court on question of law.

24.2 In respect of subsequent assessment years, the assessment have been finalised.

## 25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

|   | 1999            |           |            | 1998            |           |            |
|---|-----------------|-----------|------------|-----------------|-----------|------------|
|   | Chief Executive | Directors | Executives | Chief Executive | Directors | Executives |
| Managerial remuneration                 | --              | 240,474   | 2,089,355  | --              | 223,662   | 2,059,851  |
| Gratuity                                | --              | 34,125    | 282,278    | --              | 45,566    | 384,014    |
| Perquisites, benefits, rent & utilities | --              | 221,239   | 1,532,060  | --              | 205,940   | 1,353,013  |
| Medical expenses                        | --              | 17,862    | 195,063    | --              | 73,533    | 193,758    |
| Others                                  | --              | 120,770   | 342,045    | --              | 99,673    | 340,010    |
|   | -----           | -----     | -----      | -----           | -----     | -----      |
|   | --              | 634,470   | 4,440,801  | --              | 648,374   | 4,330,646  |
|   | =====           | =====     | =====      | =====           | =====     | =====      |
| <b>NUMBER</b>                           | 1               | 1         | 13         | 1               | 1         | 16         |
|   | =====           | =====     | =====      | =====           | =====     | =====      |

25.1 The director and three executives are also provided with free use of Company maintained car.

25.2 The emoluments disclosed above do not include remuneration, if any, paid to or provided for in respect of the Chief Executive, Directors, and Executives by associated companies or undertakings.

## 26. CAPACITY - Castings

|                      |   |
|----------------------|---|
| Installed capacity   | 5,700 M.T. double shift per annum.            |
| Production           | 8,352.67 M.T. (1998: 3,977 M.T.)              |
| Capacity utilization | 147% approximately (1998: 70% approximately). |

## 27. TRANSACTION WITH ASSOCIATED COMPANIES

|   |             |             |
|---|-------------|-------------|
| Expenses incurred and jointly shared - net    | 25,531      | 18,128      |
| Sale of goods - net                           | 280,491,238 | 152,746,438 |
| Mark-up on advance from an associated company | 1,010,682   | 305,239     |

## 28. CORRESPONDING FIGURES

Certain prior year's figures have been re-arranged.

**LATIF KHALID HASHMI**  
**CHIEF EXECUTIVE**

**SIKANDAR M. KHAN**  
**CHAIRMAN**