Allwin Engineering Industries Limited

Annual Report 2000

MISSION STATEMENT

To be a dynamic, profitable and growth oriented company with market leadership in auto parts, through excellence in quality, advance technology, innovation and continuous improvement. To create joy of producing and selling, and joy for the customers to buy. To ensure attractive return to business associates, share holders and to reward employees according to their ability & performance. Be a good corporate citizen in order to fulfill social responsibility.

CONTENTS

COMPANY INFORMATION

Chairman	Yusuf H. Shirazi
Chief Executive Officer	S.V.H. Naqvi
Directors	Aamir H. Shirazi
	Farzana Munaf
	Jawaid Iqbal Ahmed
	Mohammad Habib-ur-Rehman
	M. Mazharuddin
	Shahid Anwar
Company Secretary	Mohammad Atta Karim

	GROUP EXECUTIVE COMMITTEE
Chairman	Yusuf H. Shirazi
Members	Jawaid Iqbal Ahmed
	Frahim Ali Khan
	Iftikhar H. Shirazi
	Aamir H. Shirazi
	Saquib H. Shirazi
Secretary	Amjad Hussain
	GROUP PERSONNEL COMMITTEE
Chairman	Yusuf H. Shirazi
	GROUP AUDIT COMMITTEE
Chairman	Sanaullah Qureshi
	MANAGEMENT COMMITTEE
Chief Executive Officer	S.V.H. Naqvi
Director Finance	Mohammad Atta Karim
General Manager Marketing	Shameem Ahmad
General Manager Plant	Lt. Col.(R) Sultan Ahmad (TIM)

COMPANY INFORMATION

Auditors	Ford, Rhodes, Robson, Morrow, Chartered Accountants
Tax Adviser	Mahmood Law Associates
Legal Advisors	Mohsin Tayebaly & Co. Advocate Incorporation
Bankers	Standard Chartered Grindlays Bank Limited Al-Baraka Islamic Bank Habib Bank Limited Muslim Commercial Bank Limited National Bank of Pakistan United Bank Limited
Registered Office (Factory)	15th Mile, National Highway, Landhi, Karachi-75120

NOTICE OF MEETING

Notice is hereby given that the 38th Annual General Meeting of Allwin Engineering Industries Limited will be held at Corporate Office at 8th floor Adamjee House, I.I. Chundrigar Road, Karachi on 18th December, 2000 at

9:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the thirty-seventh Annual General Meeting held on 20th December, 1999.

2. To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and Auditors' Reports thereon for the year ended 30th June, 2000.

3. To appoint Auditors for the year 2000-2001 and to fix their remuneration.

4. To transact any other business with the permission of the chair.

SPECIAL BUSINESS

5. To approve the remuneration of the Chief Executive Officer.

A statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

By order of the Board

Karachi: 15th November, 2000

Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from 11th December, 2000 to 18th December, 2000 (both days inclusive).

2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The instrument appointing a proxy must be received at the Company's Registered Office not less than 48 hours before the time of holding of the meeting.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984.

Approval is being sought for fixing the remuneration of the Chief Executive Officer working with the Company. The Chief Executive Officer is interested only in the remuneration payable to him.

CHAIRMAN'S REVIEW

It is my pleasure to present to you the 38th Annual Report and review of the performance of your company for the year ended 30th June, 2000.

THE ECONOMY

The year ending June 30, 2000 remained under the shadow of the international and domestic political and economic situation prevailing in the year 1999. Nuclear detonation, Kargil issue and ultimately army take over have had its impact on the political, economic and social fabric of the country. Good cotton, rice and wheat crops, however did help in raising the GDP growth but inept pricing and other policy measures could not yield the desired socio-economic benefits at the grass roots so as to uplift the economy on the whole. It was against this background that the National Budget for the year 2000-2001 was presented as a part of 3 years Perspective Plan aimed at achieving a 6% GDP growth and budgetary deficit below 5% by the year ending 2003.

The GDP growth for the year 1999-2000 was 4.8%, agriculture being highest at 7.2%, manufacturing the lowest at 1.1% and service sector at 4.5%. Inflation was claimed to be 3.6% which was the lowest in the past decade. The GDP growth target set for the year 2000-2001 vis-a-vis 1999-2000 is at 5%, up 0.2% from the previous year. Agriculture growth is projected at 3.9%, services at 5.2%, and the manufacturing at 5.9%. The target growth rates are an encouraging sign. The inflation for the year 2000-2001 is estimated at 4.5%, 0.9% higher than last year. Despite government's emphasis on agriculture sector, a projection of lower growth as compared to last year seems reasonably cautious keeping in view the current water shortage and vagaries of the weather. In the present circumstances, the growth in manufacturing at 5.9% seems to be optimistic but achievable! Similarly, the budgetary deficit target set at 4.6% of GDP vis-a-vis 6.5% of last year and 6.6% average of the last 4 years seems to be somewhat realistic though with a lot of focus on the rough edges of the economy. The revenue target hinges on collection of an extra Rs.100 bn. It is essential that all these targets are met in the wake of prevailing economic situation particularly the IMF conditionalities and the overall external pressures, which are becoming increasingly arduous for the borrowing nations with Pakistan the most hard hit at the present time.

On the other hand, in July 2000 the State Bank of Pakistan chose to remove the restrictions on the inter bank market and freed the rupee-dollar parity which caused the rupee to fall from Rs.52.36 to Rs.59.30 a dollar in early October 2000, about a 13.3% devaluation within a period of 10 weeks. In the kerb market, the rupee went as low as Rs.63 to a dollar- resulting in cost-push pressures in the long run. This was stated to meet one of the IMF conditionalities - before any settlement with them in sight. There is thus no alternative but to come out of the vicious circle of ever rising debts, falling rupee, debt servicing and costlier imports, consequently rendering exports incompetitive due to rising internal costs. This can only be done by a better business environment, which promotes greater investment and savings. The devaluation has indeed made everything costlier without a corresponding increase in investment and production - productivity, value addition and volume growth. Full utilization of capacity needs to be the focus, which alone will bring the cost down and result in export competitiveness.

In order to revive the economy, the world financing agencies prescription may be just marginal. It has hardly helped any developing country so far. A recommendation in this connection to phase out seven main industries in Pakistan - steel, fertiliser, sugar, oil refineries, chemicals, pharmaceuticals and automobile, constituting over 50% of the economy, being not competitive by world standards, will further damage the economy as a whole. What will then remain for achieving self-reliance, a view the Government does espouse. Unemployment is 'becoming a bigger concern and challenge day by day. Similarly, a report that localization programmes will be done away will only discourage investment.

Equally important is the competitive advantage of the local industry being eroded without which localization is effected. Imagine the rate of custom duty is being reduced from 35% to 25%, without a corresponding reduction in raw material duty which remains at 10%. Since the automobile engineering industry clearly does not come under the world financing institutions and other regulatory agencies - WTO - there is no reason to succumb to any pressure from any other international agency. Otherwise such policies will suspend investment, production and export - and above all, any entrepreneurial initiatives in these industries, to say the least, unless the situation is rectified or clarified in bold letters:

(The state secrets are the preservatives of the statesmen)

THE INDUSTRY
During the year under review, however, the automobile industry in general did not perform well except the tractor segment. The production of tractors increased to 34,559 units from 26,644 units in the previous year, up 30%. The sales at 33,201 units were, up 21%, from 27,414 units in the previous year, mainly due to support from the agricultural sector.

The tractor industry has the highest deletion ratio i.e. 84%. Therefore, the increase in volume during the year indicates the capacity and capability of the vending industry, which is geared to meet the challenge of the growth. Your company also contributed to the growth in tractor industry in their localization initiatives and is further geared to play the role whenever relevant.

Production of the cars on the whole, however, was at 32,461 units against 38,682 units in the previous year, down 16%. The sale was also down 15% to 31,759 units from 37,262 units in the previous year. However, the industry witnessed rise in the production of cars in the category of 1300 cc and above - and stood at 17,326 units by June 2000 against 15,190 units by June 1999, up 14%. The sales also increased to 17,452 units against 14,653 units of the last year, up 19%. The production of the motorcycle fell to 86,959 units from 87,504 units of the previous year, down 0.62%.

Following are the relevant production figures relating to the automobile industry, as a whole, for the year under review:

Particulars	***2000***	***1999***	***Incr(Decr)***	***%age***
Cars	32,461	38,682	(6,221)	-16.08
Motorcycles	86,959	87,504	(545)	-0.62
Tractors	34,559	26,644	7,915	+ 29.71
Buses, trucks & LCVs	9,409	10,908	(1,499)	-13.75
Total	163,388	163,738	(350)	-0.21

------------------ ------------------ ------------------ ------------------

Source: PAMA

This year also witnessed few new models of the old makes and new car manufacturers entering the market, particularly in the category of 1000 cc and below, making competition severer in the coming years. Suzuki launched "Cultus" in 1000 cc category and Daihatsu launched "Cuore" in 850 cc in March this year. South Korea also entered the market with small cars launching "Santro" and started production in June 2000. Fiat is scheduled to enter the market soon.

In bigger cars sector also the new models are in offing in early next year. This created competition among the major players in price and quality. On the other hand, the process of indigenization was affected as the deletion programmes were frozen a year before, as allowed under the Industry Specific Deletion Programmes (ISDP) in force. The Engineering Development Board is, therefore, expected to review the policy of the "New Models" so that the Deletion Programmes are not rolled back. There is no doubt that the survival of the automotive industry lies in the localization and not in mere y "assembly" plants as some would suggest. However, the Government has clearly stated that the world financial and other regulatory institutions conditionalities are not applicable in the Automobile Industry. So a reasonable protection to the industry as determined by the Government itself should continue and so the localization programmes!

The Government is preparing the next 5 years deletion programme, which we believe will be economically viable both for the assemblers and the vending industry. Government must also remove the anomaly in the rates of custom duty at 35% being same for the CKD units and spare parts. This is all the more necessary for the competitive advantage that is always required for localization.

MARKET REVIEW

Be it as it may, the year under review, however, was no less difficult than the previous year. The large manufacturing sector, with the exception of textiles, witnessed a sharp decline. Inspite of a bumper cotton crop, no economic benefit was passed on to the farmers due to the low cotton rates - also because of the excess stocks imported last year - so as to benefit the economy at its grassroots. Though the government expressed a desire to establish the cotton prices but this vital issue was not settled in time; the growers were left alone at the mercy of the market forces'! At a later stage, the T.C.P. did intervene and fixed the cotton prices, which, however, were much lower than the expectations of the growers. Payment of cotton purchased by T.C.P. was also not made timely. All this resulted in deprivation of the customer in the rural areas, in particular, the cotton belt - the backbone of the economy.

The government also started tax survey in order to document the economy, covering 13 big cities, to begin with. The government has targeted about Rs. 100 billion additional revenue collection from this survey. Tax amnesty scheme resulted in additional collection of revenue of over Rs. 10 billion. This scheme had the highest response over all the previous such schemes. With the collection of Rs. 10 billion, wealth of Rs. 100 billion came into the net of regular economy, a welcome step indeed. Although there has been unrest among the traders and the stockist in the market which has affected normal business activities, it is hoped that the matter will be settled sooner than better!

However, your company being in the organized sector has challenges from the spurious manufacturers, smuggling, irregular imports through Afghan trade and under-invoicing. The menace has yet to be rooted out; the several steps taken by the government have not yielded the desired results so far. The concerted effort by the regime can only produce results.

A statement showing the vehicle population in Pakistan is given below:

VEHICLE POPULATION

YEAR	***TOTAL***	***CARS***	***JEEPS***	***STN WAGONS***	***TRACTORS***	***BUSES***	***TAXIS***	***VANS***	***TRUC***
1994	2672	548	44	102	374	61	50	77	

1995	2879	576	47	111	403	66	55	82
1996	3097	605	50	119	434	70	60	87
1997	3335	636	54	129	468	76	65	92
1998	3671	681	57	141	539	80	71	103
1999	3916	742	61	149	566	85	76	109
2000	4146	773	65	158	601	87	81	116

This indicates the volume of commercial parts market in the country in which your company is striving hard to get its due share. Whatever the circumstances may be, your company is determined to meet the challenges in the short and the long term.

COMPANY PRODUCT AND TECHNOLOGY

Allwin is a leading company in the engineering industry. It's range of product includes diesel engine pistons, cylinder liners, petrol (gasoline) pistons, automotive radiator assemblies, radiator cores, and scores of fully-machined grey and ductile cast iron parts.

Well-equipped iron and aluminum foundry, in-house tool making and machining facilities, chemical and metallurgical laboratories, standards room, and a good quality assurance system have enabled Allwin to earn the reputation of a reliable manufacturer and supplier of good quality automobile and tractor parts.

The company was the first to develop its line of diesel engine pistons and cylinder liners in 1967 with the technical assistance of Associated Engineering Limited, U.K., who are one of the largest manufacturers of pistons, liners and others engine components. Associated Engineering Limited is now merged with Federal Mogul Powertrain Systems, U.K.

Other technical assistance agreements that Allwin Engineering has entered into during the last ten years are with Honda Foundry Go. Ltd., Japan, for production of petrol pistons, since 1996; U.E. Automotive Manufacturing, Inc., Philippines, for production of automobile radiator assemblies, since 1997; and F.C.C. Co. Ltd., Japan, for production of motorcycle clutch assembly, since 1999.

The Company supplies its products to all OEMs as well as to the commercial market and export. The company has, thus, made a significant contribution to import substitution thereby saving foreign exchange and earning foreign exchange through export.

INVESTMENTS

The facilities at Allwin have been extended and modernized steadily over the last decade in order to take full share of the industry growth, quality improvement and higher productivity, and are amongst the best in the engineering sector of the country. The company, infact, has been following a prudent policy of investment in technology and balancing and modernisation and replacement with a view to ensure customer satisfaction and provide the market automotive pads with the latest technology for which your company has the unique distinction. Following this policy, your company invested Rs. 23.26 mn in Piston Project, Rs. 35.79 mn in Radiator Plant and Rs. 10.76 mn in C.I. Parts machinery besides Rs. 46.88 mn in power generation project. Your company had made an investment of Rs. 171.38 mn since the control of the company was acquired by the Atlas Group in 1981 to 1991, while during 1992 to 2000, an additional investment of Rs. 207.10 mn was made, making a total investment of Rs. 378.48 mn, a no mean achievement in the given circumstances. We continue to do this upgradation of equipment and technology, year after year, in order to provide the customer the right quality, all the times.

COMPANY OPERATIONS

Despite several constraints your company did quite well for the year under review. Sales revenue for the year was 414.18 mn as compared to Rs. 375.33 mn in the previous year, up 10.4%, on account of volume growth and better sales mix. The gross profit, however, was 14.9% as against 16.7% in the previous year. The fierce competition, smuggling, irregular imports and under invoicing did not allow the company to pass the cost increase - also due to general inflation and increase in utility charges. In order to meet the competition, the price of radiators in replacement market had to be revised downward. Thus the volume increase could not contribute fully to the gross profit.

The operating expenses were under control and increase, if any, was in line with enhanced operating activity of the company. These expenses as a ratio of sales work out to 7.72% in 1999-2000, down as compared to 8.06% in the last year.

The financial expenses for the year stood at Rs. 23.53 mn down 37% against Rs. 37.63 mn in the previous year. The major reason for the decrease was that all lease finances having high mark up rates ranging from 21% to 23% were paid in advance. Your sponsors provided the required funds of Rs. 40.0 mn as interest free loan to the company in addition to Rs. 70.0 mn contributed earlier as deposit for right shares, totaling Rs. 110.0 mn. Further, the management in its efforts to reduce financial cost, arranged finance facilities from banks of Rs. 15.0 mn at lower mark up rate of 17% and paid off the expensive bank borrowing obtained at 21%.

The net profit before tax for the year was recorded at Rs. 7.95 mn against Rs. 44,000 of the previous year. Earning per share before tax worked out to Rs. 1.61 as against Rs. 0.01last year.

Your company contributed Rs. 77.02 mn to the Government revenues in the form of custom duty, sales tax, income tax, etc., being 18.60% of the sales value during the year and Rs. 415 mn in the last decade.

(Rs. in mn)

Particulars	***1991***	***1996***	***1997***	***1998***	***1999***	***2000***
Sales	245	390.08	300.06	301.47	375.33	414.18
Profit/(Loss) A.T.	7.16	5.63	-49.02	-42.98	-1.54	5.90
Taxes Paid	37.53	26.50	68.51	50.38	66.54	77.02

HUMAN RESOURCE

The Group Personnel Committee headed by the Chairman is continuously working to shape group personnel policies, so that the employees are motivated and rewarded according to their contribution in meeting the company's objectives. Further, all benchmark job descriptions were written in accordance with the Hay's format and then evaluated. Consequently, your company is being restructured to meet the challenges of the millennium and to be competitive in the face of globalisation. It is only through a world class team that the company will be able to compete globally.

The emphasis on human resource development is the hallmark of the Atlas Group of which your company is a constituent member. This is based on strategic vision dovetailed with operational efficiency, team work and individual performance. Individual compensation has been linked with individual performance with executive bonus being on an agreed basis for the team as a whole. This year our emphasis is more on the role of leadership, management practices and integrity in terms of executive profile, with a view to further improve our performance. In order to implement the Hay's system, the company reviewed and restructured the management salaries to make them competitive in the market. This will enable the company to recruit, train and retain the right employees and a motivated team to face the fast approaching globalisation.

A very congenial and satisfactory relationship between the management and the dedicated workers of your company remained the source of strength for the company throughout the year.

FUTURE OUTLOOK

The current uncertainty in the industry as explained above continues to affect further growth. The Pak rupee devaluation against other currencies - about 12.5%, increase in price of gas at 15% and petroleum products at 12%, increase in base price of raw materials by Pakistan Steel Mills at 13% and other international suppliers will push cost, 30% L/C margin by the banks (now withdrawn) and likely increase in mark-up rates after recent hike in discount rates of 2% by the State Bank of Pakistan will further increase the cost of production. There will be little chance of any substantial price increase in view of the depressed market condition and continued import through irregular channels, smuggling and under invoicing not subject to any duty or sales tax which your company pays.

The Government has, however, taken a number of major steps for revival of the economy which are beginning to take effect. The indicators have a upward trend and are expected to continue to improve. The indicators from the agriculture sector - particularly the cotton crop - which constitutes 25% (services 50% and manufacturing 25% being the other constituents) of the country's GDP are again positive and thus generally encouraging for the economy. Agriculture is the backbone of our economy catering to the socio-economic well being of 70% of the population. The timely announcement of support prices for cotton and wheat and the relevant economic policies of the Government in support of the agriculture sector are expected to help the economy to perform better in the ensuing year. The number of tax payers from the current figure of 1.3 mn is targeted to increase to 3 mn and will generate more revenue to bridge the deficit, a welcome trend to lower the debt burden. The Automotive Parts Industry is thus expected to grow and we are determined to take full advantage of this opportunity.

Your management is quite aware of the challenges and taking action to minimize the effects of these negative influences by re-enforcing cost discipline, quality standards and further relying on export. Your company is blessed with a dedicated team of staff and workers. We have further linked reward with performance, which is a great motivator. Encouraged by all these factors and augmented by further customer satisfaction, we foresee a better future of your company and, as such, a fair shareholders value and reward to the company employees.

ACKNOWLEDGEMENT
May I thank your CEO Mr. S. V. H. Naqvi and his team for their performance in one of the worst circumstances faced by your company. I must also thank the Board of Directors and Group Executive Committee Members for their valuable contribution and the customers and suppliers for their encouragement and co-operation. I also wish to place on record my appreciation for help and support provided by foreign technical collaborators, banks, financial institutions and shareholders.

YUSUF H. SHIRAZI

DIRECTOR'S REPORT

Your Directors take pleasure in submitting herewith their report together with the Audited Accounts and Auditor's

Report thereon for the year ended 30th June, 2000.

OPERATING RESULTS

	2000 Rupees in '000	*1999 Rupees in '000*
Net Profit before Tax	7,949	44
Provision for Taxation	(2,045)	(1,581)
Net Profit / (Loss) after tax	5,904	(1,537)
Balance brought forward	(60,853)	(59,316)
Balance carried forward	(54,949)	(60,853)

CHAIRMAN'S REVIEW
The review included in the Annual Report deals inter alia, with the performance of the company for the year ended 30th June, 2000 and future prospects. The Directors endorse the contents of the review.

PATTERN OF SHARE HOLDING
The pattern of shareholding of the company is annexed.

AUDITORS
The present Auditors M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and being eligible offer themselves for re-appointment.

for and on behalf of the
BOARD OF DIRECTORS

S.V.H. Naqvi	**Yusuf H. Shirazi**	**Aamir H. Shirazi**
Chief Executive Officer	**Chairman**	**Director**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ALLWIN ENGINEERING INDUSTRIES LIMITED as at June 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) 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 except for the change as stated in note 2.3 with which we concur;

(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;

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

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

Karachi: 15th November, 2000

BALANCE SHEET AS AT JUNE 30, 2000

	Note	*2000 Rupees in '000*	*1999 Rupees in '000*
NON-CURRENT ASSETS			
Operating fixed assets	3	283,753	295,156
LONG TERM DEPOSITS	4	1,105	2,183

DEFERRED COST	5	717	1,076
CURRENT ASSETS			
Stores, spares and loose tools	6	20,620	18,973
Stock-in-trade	7	60,493	58,598
Trade debts	8	45,585	38,890
Loans, advances, deposits, prepayments			
and other receivables	9	16,779	18,132
Cash and bank balances	10	1,375	284
		------------------	------------------
		144,852	134,877
		------------------	------------------
TOTAL ASSETS		430,427	433,292
		==========	==========
SHARE CAPITAL AND RESERVES			
Authorized capital			
10,000,000 (1999:10,000,000) ordinary			
shares of Rs. 10/- each		100,000	100,000
		==========	==========
Issued, subscribed and paid-up capital	11	49,347	49,347
Deposit for right shares	12	70,000	70,000
Unappropriated loss		(54,949)	(60,853)
		------------------	------------------
		64,398	58,494
SURPLUS ON REVALUATION OF LEASEHOLD	13	118,680	118,680
LONG TERM LOANS	14	23,533	35,505
LOAN FROM DIRECTOR AND OTHERS	15	40,000	--
OBLIGATIONS AND ADVANCE			
UNDER FINANCE LEASE	16	--	22,321
DEFERRED LIABILITY			
Gratuity		5,139	4,139
CURRENT LIABILITIES			
Short term finances	17	30,888	48,865
Current portion of long term liabilities	18	29,154	28,397
Creditors, accrued and other liabilities	19	116,565	114,988
Provision for taxation		2,070	1,903
		------------------	------------------
		178,677	194,153
CONTINGENCIES AND COMMITMENTS	20	--	--
		------------------	------------------
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		430,427	433,292

========== ==========

The annexed notes form an integral part of these accounts.

S.V.H. Naqvi	Yusuf H. Shirazi	Aamir H. Shirazi
Chief Executive Officer	Chairman	Director

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

	Note	*2000 Rupees in '000*	*1999 Rupees in '000*
Sales		414,180	375,329
Less: Cost of sales	21	352,314	312,682
		------------------	------------------
Gross profit		61,866	62,647
		------------------	------------------
Less: Administrative expenses	22	195,811	18,285
Selling and distribution expenses	23	12,411	11,989
		------------------	------------------
		31,992	30,274
		------------------	------------------
Operating profit		29,874	32,373
		------------------	------------------
Less: Financial expenses	25	23,947	376,301
Workers' profit participation fund		418	--
		------------------	------------------
		23,947	37,630
Other Income	26	2,022	5,301
		------------------	------------------
Profit for the year		7,949	44
		------------------	------------------
Taxation - current	27	2,070	1,903
- prior		(25)	(322)
		------------------	------------------
		2,045	1,581
		------------------	------------------
Profit/(Loss) after taxation		5,904	(1,537)
Un-appropriated loss brought forward		(60,853)	(59,316)
Accumulated losses carried forward		(54,949)	(60,853)
		==========	==========
Basic earnings per share	28.1	1.20	(0.31)
Diluted earnings per share	28.2	0.49	(0.13)
		==========	==========

The annexed notes form an integral part of these accounts.

S.V.H. Naqvi	Yusuf H. Shirazi	Aamir H. Shirazi
Chief Executive Officer	**Chairman**	**Director**

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

	2000 Rupees in '000	*1999 Rupees in '000*
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	7,949	44
Adjustment for non cash charges and other items:		
Depreciation	18,796	16,707
Profit on sale of fixed assets	(1,325)	(3,528)
Deferred cost written off	359	359
Gratuity	1,378	1,053
Financial expenses	23,529	37,630
Liabilities written back	(622)	(1,773)
	42,115	50,448
Profit before working capital changes	50,064	50,492
Movement in working capital:		
(Increase)/decrease in current assets		
Stock-in-trade	(3,542)	9,152
Trade debts	(6,695)	(386)
Loans, advances, deposits, prepayments and other receivables	1,353	5,675
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	5,969	8,334
	(2,915)	22,775
Cash generated from operations	47,149	73,267
Payments for:		
Financial expenses	(27,299)	(36,822)
Taxes	(1,878)	(1,508)
Gratuity	(379)	(134)
Net cash inflow from operating activities	17,593	34,803

CASH FLOW FROM INVESTING ACTIVITIES

Proceeds from sale of fixed assets	1,821	17,077
Fixed capital expenditures	(7,888)	(13,344)
Decrease in long term deposits	1,078	2,781
	------------------	------------------
Net cash (outflow)/inflow from investing activities	(4,989)	6,514

CASH FLOW FROM FINANCING ACTIVITIES

Repayments of short term finances	(17,977)	(17,507)
Repayments of long term loans	(3,389)	(30,285)
Repayments of finance lease liability	(30,147)	(25,756)
Deposit for right shares	--	30,000
Proceeds from Director and others loan	40,000	--
	------------------	------------------
Net cash (outflow) from financing activities	(11,513)	(43,548)
	------------------	------------------
Net increase/(decrease) in cash and cash equivalents	1,091	(2,231)
Cash and cash equivalents at the beginning of the year	284	2,515
	------------------	------------------
Cash and cash equivalents at the end of the year	1,375	284
	==========	==========

S.V.H. Naqvi	**Yusuf H. Shirazi**	**Aamir H. Shirazi**
Chief Executive Officer	**Chairman**	**Director**

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

	Issued, subscribed & paid up capital Rupees in '000	*Deposit for right shares Rupees in '000*	*Unappropriated Profit/(Loss) Rupees in '000*	*Total Rupees in '000*
Balance as at June 30, 1998	49,347	40,000	(59,316)	30,031
Deposit for right shares	--	30,000	--	30,000
Loss for the year	--	--	(1,537)	(1,537)
	------------------	------------------	------------------	------------------
Balance as at June 30, 1999	49,347	70,000	(60,853)	58,494
Profit for the year	--	--	5,904	5,904
	------------------	------------------	------------------	------------------
Balance as at June 30, 2000	49,347	70,000	(54,949)	64,398
	==========	==========	==========	==========

S.V.H. Naqvi	**Yusuf H. Shirazi**	**Aamir H. Shirazi**
Chief Executive Officer	**Chairman**	**Director**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2000

1. NATURE OF BUSINESS

The company was incorporated in Pakistan as a private limited company in 1963 and was converted into a public limited company on July 15, 1966. Its shares are listed on the Karachi and Lahore stock exchanges. It is engaged in manufacturing of components and parts for automotive vehicles and tractors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention except that leasehold land has been included at revalued amount referred to in note 2.5.

2.2 Staff retirement benefits

The company operates a provident fund scheme for all permanent employees eligible for the benefit and contributions thereto are made in accordance with the terms of the scheme.

The company operated a gratuity scheme before the introduction of the provident fund in 1974. On introduction of the provident fund the employees were given the option to either continue with the gratuity scheme or join the provident fund. Those employees who opted to join the provident fund were entitled to gratuity upto the period of joining the provident fund and provision in this respect was duly made. Liability in respect of remaining employees entitled for gratuity has also been provided upto date. The company entered into an agreement with the collective bargaining agent (CBA), whereby the workers who opted for the provident fund scheme are also entitled to gratuity for four days for each completed year of service. Liability in respect of above has also been provided upto date.

2.3 Employees' compensated absences

During the year, the revised International Accounting Standard 19 relating to Employee Benefits became applicable on the company. This standard requires that an enterprise should provide for absences accumulated by its employees. Previously no accrual was taken for accumulated absences as encashment was allowed only at the time when the employee leaves the company. Accordingly the management has decided to change its accounting policy and has decided to make provision in respect of these absences. The liability of the company in respect of these absences as at June 30, 2000 amounted to Rs.2.3 million which has been fully provided in the current year. Had the above policy not been revised the profit before taxation for the year would have been higher by Rs.2.3 million.

2.4 Taxation

Current

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

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

2.5 Operating fixed assets and depreciation

Owned
Fixed assets except leasehold land are stated at cost less accumulated depreciation. Leasehold land is stated at revalued amount and is not being amortised over its lease period. Cost of certain fixed assets comprises of historical cost and the cost of borrowings during construction period in respect of loans taken for specific projects.

Depreciation is charged to income applying the reducing balance method by using rates stated in note 3 to the accounts. Depreciation on additions is charged from the month in which the asset is put to use and on disposals upto the month of disposal.

Dies, jigs etc. manufactured for own use are included in fixed assets and are valued at cost of raw material consumed plus direct and a proportion of indirect manufacturing overheads.

Maintenance and normal repairs are charged to income as and when incurred.

Gains or losses on disposal of fixed assets are included in income currently.

Leased

Assets subject to finance lease
These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets acquired on lease. The related obligations under the lease are accounted for as liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation on assets subject to finance lease is provided in the same manner as owned fixed assets.

Assets Subject to operating lease
Rentals for assets held under operating lease are charged to income currently.

2.6 Capital work-in-progress
This includes costs pertaining to the acquisition, construction, erection and installation of plant and machinery.

2.7 Capitalisaton of borrowing costs
The company capitalises borrowing costs relating to capital projects, excluding normal capital expenditure.

2.8 Stores, spares and loose tools
These are valued at the lower of cost and net realisable value determined on a moving average

basis.

2.9 Stocks
These are valued on the following basis:

a) Raw and ancillary materials and work in process
At the lower of cost and net realisable value determined on a moving average basis. Goods in bonded warehouse are stated at invoice value plus other charges paid thereon excluding customs duty.

b) Finished goods
Finished goods are being valued at the lower of cost and net realisable value determined on a moving average basis.

2.10 Foreign currency translation
Assets and liabilities in foreign currencies are translated into Pak rupee at the rates of exchange prevailing at the balance sheet date except the liabilities covered by forward exchange contracts where the respective contract rate is applied.

2.11 Revenue recognition
Revenue is recognised when goods are dispatched.

3. OPERATING FIXED ASSETS

	COST/REVALUATION				*DEPRECIATION*			
	As at July 01, 1999 Rupees in '000	*Additions Rupees in '000*	*Adjustments/ (Disposals) Rupees in '000*	*As at June 30, 2000 Rupees in '000*	*As at July 01, 1999 Rupees in '000*	*On adjustments/ (Disposals) Rupees in '000*	*Charge for the year Rupees in '000*	*As at Ju 30, 200 Rupee in '00*
OWNED								
Leasehold land (note 3.2 & 3.3)	118,840	--	--	118,840	--	--	--	
Factory building	36,707	--	--	36,707	25,733	--	1,098	2
Generator building	3,741	--	--	3,741	1,172	--	257	
Residential building	365	--	--	365	278	--	4	
Office building	1,745	--	--	1,745	1,033	--	36	
Machinery and plant	180,096	734	36,110	216,940	93,056	4,556	11,887	10
Power generator	32,581	--	14,299	46,880	10,048	4,539	3,229	1
Electrical fittings	4,238	522	--	4,760	2,670	--	187	
Office equipment	2,181	--	--	2,181	1,570	--	92	
Computer	2,683	97	(68)	2,712	2,050	(53)	197	
Furniture and fixtures	3,401	8	--	3,409	2,676	--	73	
Vehicles	5,086	2,878	(975)	6,989	2,201	(495)	662	
Waterline and drainage	670	--	--	670	596	--	7	
Sui gas line	576	--	--	576	330	--	25	
Measuring instruments, dies, jigs, patterns and other equipment	18,657	3,649	--	22,306	14,312	--	1,042	1

Bicycles	2	--	--	2	2	--	--	
	411,569	7,888	49,366	468,823	157,727	8,547	18,796	18
Assets Subject to Finance lease								
Power generator (note 3.5)	14,299	--	(14,299)	--	4,539	(4,539)	--	
Machinery and plant (note 3.5)	36,110	--	(36,110)	--	4,556	(4,556)	--	
	50,409	--	(50,409)	--	9,095	(9,095)	--	
	461,978	7,888	(1,043)	468,823	166,822	(548)	18,796	18
As at June 30, 1999	450,474	52,412	(40,908)	461,978	177,475	(27,360)	16,707	16

3.1 All the buildings are on leasehold land.

3.2 Leasehold land costing Rs. 0.16 million was revalued by Razzaque Umrani & Co., Engineers and Surveyors on June 20, 1998 resulting in surplus amounting to Rs. 118.68 million which has been credited to surplus on revaluation on leasehold land account.

3.3 As stated in note 2.5 leasehold land has not been amortised. Had leasehold land been amortised the charge for the year and to date would have amounted to Rs. 2.33 million and Rs. 7.066 million respectively.

3.4 The depreciation charge for the year has been allocated as follows:

	2000 Rupees in 000	***1999 Rupees in 000***
Cost of sales- note 21.1	18,514	16,456
Administrative expenses- note 22	188	167
Selling and distribution expenses- note 23	94	84
	18,796	16,707

3.5 The above assets were transferred to owned asset as the related leases were settled during the year.

3.6 The following assets were disposed off during the year:

Assets	***Cost/lease residual value Rupees***	***Accumulated Depreciation Rupees***	***Written down/lease residual Value Rupees***	***Sale Proceeds Rupees***	***Mode of Disposal***	***Particulars of Buyers***
Computer	38,453	29,485	8,968	8,968	Under Co's. Policy	Mr. S.V.H. Naqvi
-do-	30,000	23,415	6,585	6,585	Under Co's. Policy	Mr. Zakir Habib

Vehicles- Car	736,546	495,195	241,351	241,351	Under Co's. Policy	Mr. S.V.H. Naqvi
Vehicles- Motorc	6,100	--	6,100	24,986	Under Co's Policy	Mr. Hashim Khan
-do-	6,100	--	6,100	24,986	Under Co's Policy	Mr. Ameeruddin
-do-	5,130	--	5,130	21,012	Under Co's Policy	Mr. Jawaid Iqbal
-do-	5,130	--	5,130	21,012	Under Co's Policy	Mr. Moeenuddin
-do-	5,130	--	5,130	21,013	Under Co's Policy	Mr. Samiullah Firozvi
-do-	5,130	--	5,130	21,012	Under Co's Policy	Mr. Ashfaq Hussain
-do-	5,130	--	5,130	21,012	Under Co's Policy	Mr. Fareeduddin
-do-	5,130	--	5,130	21,012	Under Co's Policy	Mr. Mirza Shoib Ahmed
-do-	5,130	--	5,130	21,012	Under Co's Policy	Mr. S.M Masud-ul-Haq
-do-	5,130	--	5,130	21,012	Under Co's Policy	Mr. Muhammad Khurshid
-do-	5,130	--	5,130	21,013	Under Co's Policy	Mr. Jalil Ahmed
-do-	5,080	--	5,080	20,808	Under Co's Policy	Mr. Nadir Hussain
-do-	5,080	--	5,080	20,808	Under Co's Policy	Mr. Safiur Rehman
-do-	5,080	--	5,080	20,808	Under Co's Policy	Mr. Mohammad Anwer Khan
-do-	5,080	--	5,080	20,808	Under Co's Policy	Mr. Sagheeruddin
-do-	5,080	--	5,080	20,808	Under Co's Policy	Mr. Mohammad Basharat
-do-	5,080	--	5,080	20,808	Under Co's Policy	Mr. Mohammad Naeem
-do-	5,080	--	5,080	20,808	Under Co's Policy	Mr. Khursheed Ahmed
-do-	5,080	--	5,080	20,808	Under Co's Policy	Mr. Firasat Ali
-do-	5,080	--	5,080	20,808	Under Co's Policy	Mr. Jamaluddin
-do-	5,080	--	5,080	20,808	Under Co's Policy	Mr. Wall Khan
-do-	6,140	--	6,140	25,149	Under Co's Policy	Mr. S. Anwar Hussain
-do-	6,120	--	6,140	61,400	Under Co's Policy	Mr. Mohammad Muzaffar
-do-	5,080	--	5,080	50,800	Under Co's Policy	Mr. Feroze
-do-	5,080	--	5,080	50,800	Under Co's Policy	Mr. Zakirullah
-do-	5,080	--	5,080	50,800	Under Co's Policy	Mr. Ishtiaq Ahmed
-do-	5,080	--	5,080	50,800	Under Co's Policy	Mr. Noor Paras Khan
-do-	5,080	--	5,080	50,800	Under Co's Policy	Mr. Mohammad Miskeen
-do-	5,080	--	5,080	50,800	Under Co's Policy	Mr. Munawar
-do-	5,080	--	5,080	50,800	Under Co's Policy	Mr. Nisar Ahmed Awan
-do-	5,080	--	5,080	50,800	Under Co's Policy	Syed Zahid Mian
-do-	5,080	--	5,080	50,800	Under Co's Policy	Mr. Makhan
-do-	5,080	--	5,080	50,800	Under Co's Policy	Mr. Haji Salahuddin
-do-	5,080	--	5,080	50,800	Under Co's Policy	Mr. Baqar Khan
-do-	5,080	--	5,080	50,800	Under Co's Policy	Mr. Muhammad Yaqoob
-do-	5,080	--	5,080	50,800	Under Co's Policy	Mr. Muneer Ahmed
-do-	5,080	--	5,080	50,800	Under Co's Policy	Mr. Ameer Jan
-do-	5,080	--	5,080	40,640	Under Co's Policy	Mr. Faheem-ul-Haque
-do-	5,080	--	5,080	30,345	Under Co's Policy	Mr. Mahboob Alam
-do-	5,080	--	5,080	30,345	Under Co's Policy	Mr. Rashid Ali Siddiqui
-do-	5,080	--	5,080	30,345	Under Co's Policy	Mr. Tariq Nafis Siddiqui
-do-	5,080	--	5,080	32,512	Under Co's Policy	Syed Zafar Ali
-do-	5,080	--	5,080	51,868	Under Co's Policy	Mr. Sarfraz
-do-	5,130	--	5,130	51,300	Under Co's Policy	Mr. Tariq Sami Khan
-do-	5,130	--	5,130	30,643	Under Co's Policy	Mr. S. M. Khurshid Alam
-do-	5,130	--	5,130	21,013	Under Co's Policy	Mr. Munir Ahmed

	1,043,439	548,095	495,344	1,820,826

	2000 Rupees in '000	*1999 Rupees in '000*
4. LONG TERM DEPOSITS - UNSECURED		
Leasing companies	--	1,096
Utilities	639	639
Suppliers	231	264
Others	235	184
	1,105	2,183

5. DEFERRED COST

Balance as on July 1	1,076	1,435
Addition during the year	--	--
	1,076	1,435
Amortized during the year	359	359
Balance as at June 30	717	1,076

The above cost has been incurred on Radiator Plant and is being amortised over the period of four years commencing from the start of commercial production of Radiator Plant.

6. STORES, SPARES AND LOOSE TOOLS

Spare parts and other materials:		
In hand	9,463	8,964
In transit	9	196
	9,472	9,160
Loose tools	9,561	8,159
Packing materials	808	940
Electrical goods	779	714
	20,620	18,973

7. STOCK - IN - TRADE

Raw and ancillary materials:		
In hand	23,460	29,043

In transit	536	1,423
In bonded warehouse	1,678	--
	------------------	------------------
	25,674	30,466
Work-in-process	19,022	12,504
Finished goods	15,797	15,628
	------------------	------------------
	60,493	58,598
	==========	==========

8. TRADE DEBTS - unsecured - considered good

The amount due from associated undertakings at year end amounted to Rs. 5.308 million (1999: Rs. 2.878 million). The maximum amount due at the end of any month during the year was Rs. 12.264 million (1999: Rs. 7.508 million)

	2000 Rupees in '000	***1999 Rupees in '000***
9. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Loans and advances (considered good)		
Loans to employees (interest bearing)	974	1,070
Advances to:		
- employees against salary	335	270
- employees against expenses	122	123
- Suppliers	5,511	1,336
	------------------	------------------
	6,942	2,799
Deposits, prepayments and other receivables		
Security and trade deposits	908	939
L/C and guarantee margin deposits	66	542
Prepayments and other receivables	2,107	1,972
Income-tax deducted at source	6,756	11,880
	------------------	------------------
	9,837	15,333
	------------------	------------------
	16,779	18,132
	==========	==========

10. CASH AND BANK BALANCES

Cash in hand		25	11
At bank	- current accounts	1,285	208
	- deposit accounts	65	65
		------------------	------------------
		1,375	284

		==========	==========

11. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

1,871,571	(1999: 1,871,571) ordinary shares of Rs. 10/-each issued for cash	18,716	18,716
49,800	(1999: 49,800) ordinary shares of Rs.10/- each issued for consideration other than cash	498	498
3,013,300	(1999:3,013,300) ordinary shares of Rs. 10/- each issued as bonus shares	30,133	30,133
------------------		------------------	------------------
4,934,671		49,347	49,347
==========		==========	==========

12. DEPOSIT FOR RIGHT SHARES

Director	17,500	17,500
Others	52,500	52,500
	------------------	------------------
	70,000	70,000
	==========	==========

This represents amount received in advance from certain individuals for proposed issue of right shares.

13. SURPLUS ON REVALUATION OF LEASEHOLD LAND

This represents surplus over book value resulting from the revaluation of leasehold land (note: 3)

14. LONG TERM LOANS - SECURED

From financial institutions:			
Foreign currency loans	14.1	5,248	7,324
Local currency loans			
Loan l	14.2	2,182	41,741
Loan II	14.3	3,591	4,578
		------------------	------------------
		5,773	8,752
From Banks:			
Local Currency Loan-I	14.4	26,666	40,000
Local Currency Loan-II	14.5	15,000	--
		------------------	------------------
		52,687	56,076
Less: Current maturity shown under current liabilities			
Foreign currency loans		2,422	2,077
Local currency loans		26,732	18,494
		------------------	------------------
		29,154	20,571
		------------------	------------------

23,533	35,505
==========	==========

14.1 The salient features in respect of this loan are:
a) The long term loan is secured by a mortgage on present and future assets of the company ranking pari-passu with charges already created.

The foreign currency loan has been converted into Pakistani rupees at the rate of exchange prevailing on the date of the respective disbursements as under the terms of the agreement the loan is repayable in Pakistani rupees. It carries interest at 16% per annum including exchange risk fee and is repayable in sixteen half yearly installments last being due on January 01,2002.

14.2 This loan has been obtained under mark-up arrangements. Pursuant to the agreement, the financial institution has agreed to purchase the company's assets as and when acquired for Rs. 15 million and has agreed to sell the same to the company for Rs. 23.890 million.

The salient features in respect of this loan agreement are:

(a) The purchase price is secured by mortgage and floating charge on present and future assets of the company ranking pari-passu with charges already created.

b) The purchase price is payable in ten half yearly equal installments, last being due on June 07, 2000.

c) In case of late payment fine at the rate of sixty six paisas per thousand rupees per day shall be payable by the company for the defaulted amount.

14.3 This loan has been obtained under mark-up arrangements. Pursuant to the agreement the financial institution has agreed to purchase the company's assets as and when acquired for 5 million and has agreed to sell the same to the company for Rs. 8.873 million.

The salient features in respect of this loan agreement are:

a) The purchase price is secured by mortgage and floating charge on present and future assets of the company ranking pari-passu with charges already created.

b) The purchase price is payable in ten half yearly equal installments, last being due on August 22, 2002.

c) In case of late payment fine at the rate of 6.5% per annum above bank rate shall be payable by the company for the defaulted amount.

14.4 The salient features in respect of this loan are:

a) This loan has been obtained from bank and is secured by way of first pari-passu charge over company's assets.

b) Loan carries mark-up rate at 17% and is repayable in thirty six monthly installments, last being due on December 31, 2002.

c) Payment is made after the expiry date, liquidated damages of upto 25% of the outstanding balance shall be payable by the company.

14.5 The salient features in respect of this loan are:

a) This loan has been obtained from a bank and is secured by way of second pari-passu charge over company's fixed assets and, joint hypothecation charge over stocks & book debts.

b) Loan carries mark-up at 15% per annum and is repayable in four half yearly installments, last being due on December 31, 2002.

c) In case of late payment liquidated damages at the rate of 5% shall be payable by the company.

15. LOAN FROM DIRECTOR AND OTHERS - UNSECURED

Director	10,000	--
Others	30,000	--
	------------------	------------------
	40,000	--
	==========	==========

This represents amount received from Director and their relatives without any mark-up or security.

16. OBLIGATIONS AND ADVANCE UNDER FINANCE LEASE

See note 3.5.

17. SHORT TERM FINANCES - SECURED

From Banks:			
Running finances	17.1	18,476	48,865
Murabaha	17.2	12,412	--
		------------------	------------------
		30,888	48,865
		==========	==========

17.1 These are under mark-up arrangements and are secured by joint hypothecation of stocks and book debts. The rate of mark-up ranges between 15.0% to 17.0% (1999:17.15% to 21.0%) per annum and is payable currently.

The facility for short-term running finance from banks amounts to Rs. 24 million (1999:Rs. 54 million)

17.2 The facility is secured by first pari passu charge over stocks and book debts. The murabaha facility from bank amounts to Rs. 15 million (1999: Rs. Nil)

18. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loans		29,154	20,571
Obligations under finance lease	16	--	7,826
		------------------	------------------
		29,154	28,397

		==========	==========

19. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		27,217	21,716
Bills Payable		4,369	11,369
Accrued liabilities		45,449	36,293
Mark-up accrued on obligations and advance under finance lease		--	3,192
Interest/Mark-up accrued on secured long term loans		2,913	2,827
Mark-up accrued on secured short term finances		1,249	2,232
Interest accrued on advances from customers		459	140
Security deposits		65	65
Advances from customers (interest bearing)		1,180	2,510
Advances from customers (interest free)	19.1	27,179	28,755
Worker's profit participation fund		418	--
Unclaimed dividends		112	112
Others		5,955	5,777
		------------------	------------------
		116,565	114,988
		==========	==========

19.1 Amount due to an associated undertaking at the year end aggregated Rs.26.777 million (1999: Rs. 28.344 million)

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

(a) Bank guarantees		
(i) For difference in custom duties on imported material	91	91
(ii) Sui Southern Gas Company against deposit	5,847	5,847
	------------------	------------------
	5,938	5,938
	==========	==========
(b) Post dated cheques for difference in custom duties	16,461	12,064
	==========	==========
(c) Insurance company guarantees		
(i) Advances from customers	900	2,653
(ii) For difference in custom duties	353	486
(iii) Karachi Electric Supply Corporation	4,000	4,000
	------------------	------------------
	5,253	7,139
	==========	==========

d) Electricity charges

Karachi Electric Supply Corporation Limited (KESC) raised a demand of Rs. 12.285 million on the plea that they erred in billing, which the company has contended and the case is before the Honourable High Court of Sindh. The Honourable Court issued stay order on May 26, 1989 for making payments against the remaining disputed demand. The company till the date of stay order had .paid under protest Rs. 7.850 million. In addition, an insurance company has issued a guarantee in the sum of Rs. 4 million to the K.E.S.C.

20.2 Commitments

a) Bank letters of credit			
For import of materials etc.		32,915	38,148
		==========	==========
b) Rentals payable under lease agreements for motor vehicles are:			
Payable within one year		370	1,579
Payable after one year		--	370

21. COST OF SALES

Opening stock of finished goods		15,628	26,169
Cost of goods manufactured	21.1	352,483	302,141
		------------------	------------------
		368,111	328,310
Less: Closing stock of finished goods		15,797	15,628
		------------------	------------------
		352,314	312,682
		==========	==========

21.1 Cost of goods manufactured

Opening work-in-process	12,504	17,840
Raw and ancillary materials consumed 21.2	179,226	138,982
Salaries, wages and benefits	85,285	74,731
Spare parts and other maintenance	21,539	20,962
Packing materials consumed	6,716	5,086
Fuel, water and power	36,923	29,269
Rent, rates and taxes	239	248
Insurance	1,439	1,353
Training expenses	25	72
Repairs and maintenance of factory building and electrical fittings	1,516	1,724
Depreciation	18,514	16,456
Royalties and technical fee	5,381	5,231
Printing and stationery	578	522
Postage, telephone and telegrams	507	598
Subscriptions	101	431
General expenses	627	510
Repairs and maintenance of furniture fittings and office equipment	165	368
Expenses on apprentices training scheme	220	262
	------------------	------------------
	371,505	314,645
Less: Closing work-in-process	(19,022)	(12,504)
	------------------	------------------

		352,483	302,141
		=========	=========

21.2 Raw and ancillary materials consumed

Opening stock	29,043	19,522
Add: Purchases	173,643	148,503
	------------------	------------------
	202,686	168,025
Less: Closing stock	23,460	29,043
	------------------	------------------
	179,226	138,982
	=========	=========

22. ADMINISTRATIVE EXPENSES

Salaries and allowances		11,984	10,624
Directors' meeting fee		7	19
Lease rentals		1,648	2,419
Printing and stationery		405	365
Postage, telephone and telegrams		381	548
Entertainment		115	96
Subscriptions		200	199
Travelling and conveyance		1,939	1,284
Insurance		661	621
General expenses		363	350
Legal and professional expenses		280	368
Donation	22.1	13	10
Medical expenses		308	300
Training expenses		206	9
Tax on calling and professions		24	52
Advertisement and publicity		95	164
Repairs and maintenance of furniture fittings and office equipment		295	231
Depreciation		188	167
Auditor's remuneration	22.2	110	100
Deferred cost written off		359	359
		------------------	------------------
		19,581	18,285
		=========	=========

22.1 No donation was made to any person or institution in which a director or his spouse has any interest.

22.2 Auditor's remuneration and expenses

Audit fee	110	100
Expenses (included in general expenses)	25	19
	------------------	------------------
	135	119
	=========	=========

23. SELLING AND DISTRIBUTION EXPENSES

Salaries and allowances	3,441	3,027
Rent, rates and taxes	91	180
Lease rental	186	269
Cartage and octroi	3,109	3,661
Printing and stationery	173	157
Postage, telephone and telegrams	152	186
Entertainment	78	110
Subscriptions	53	43
Travelling and conveyance	1,171	1,105
Insurance	260	244
General expenses	103	68
Medical expenses	120	132
Tax on callings and professions	8	17
Advertisement and publicity	1,365	1,410
Sales Promotion	1,966	1,222
Repairs and maintenance of furniture, fittings and office equipment	41	74
Depreciation	94	84
	------------------	------------------
	12,411	11,989
	==========	==========

24. RETIREMENT BENEFITS

Salaries, wages and allowances charged in the accounts include retirement benefits of Rs. 5,843,963 (1999: Rs. 5,313,276)

25. FINANCIAL EXPENSES

Interest/mark-up on long term loans	10,347	12,824
Mark-up on short term finances	5,920	12,040
Interest on advances from customers	673	446
Bank and other charges	1,510	2,012
Interest on technical fee	1,140	1,265
Interest from loan to employees	(117)	(103)
Mark-up on Lease finance	4,056	9,146
	------------------	------------------
	23,529	37,630
	==========	==========

26. OTHER INCOME

Liabilities considered no more payable written back	98	201
Income on sale and lease back	524	1,572
Profit on sale of fixed asset	1,325	3,528
Rental income	75	--
	------------------	------------------
	2,022	5,301
	==========	==========

27. TAXATION

Current
The company's income tax assessments have been finalized upto and including assessment year 1999-2000.

The tax liability based on taxable income works out to be lower than the minimum tax based on turnover. The provision for taxation is, therefore, based on turnover @ 0.5% as provided under section 80D of the Income Tax Ordinance, 1979.

Deferred
Cumulative deferred taxation upto June 30, 2000 on major timing differences relating to accelerated tax depreciation allowances and carry forward of losses amounts to Rs.4.058 million debit (1999:Rs.2 million debit), of which Rs.2.058 million debit relates to the current year (1999:Rs.9.189 million credit). As a matter of prudence, the company has not accounted for this favourable deferred tax debit.

28. EARNINGS PER SHARE

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

28.2 Diluted earnings per share
Diluted earnings per share has been computed' by dividing net profit for the year after taxation with the number of ordinary shares issued by the company adjusted for the effects of deposit for shares which are to be issued as right shares.

29. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES
(included in administrative expenses)

	Chief Executive		***Executives***	
	2000	***1999***	***2000***	***1999***
	Rupees in '000	***Rupees in '000***	***Rupees in '000***	***Rupees in '000***
Managerial remuneration	1,019	968	5,827	5,491
Rent	458	404	2,622	2,222
Medical expenses	12	12	312	277
Provident fund	112	90	583	414
Reimbursable expenses	109	96	1,039	788
	1,710	1,570	10,383	9,192
Number of persons	1	1	26	23

29.1 The Chief Executive is provided with free use of a company car.

30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales	93,303	56,209
Purchases	6,749	4,190
Expenses charged by	427	503
Insurance and services	4,967	4,534

31. UNUTILISED CREDIT FACILITY

The unutilised credit facility for short term running finance amounts to Rs.5.524 million (1999: Rs. 5.135 million) and murahaba facility amounts to Rs. 2.588 million (1999: Rs. Nil).

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 Financial assets and liabilities

	Interest/Mark-up bearing			*Non-interest/Mark-up bearing*			*Total*	
	Maturity upto one year	*Maturity after one year*	*Sub-total*	*Maturity upto one year*	*Maturity after one year*	*Sub-total*	*June 30, 2000*	*June 3 1999*
FINANCIAL ASSETS								
Long term deposits	--	--	--	--	1,105	1,105	1,105	
Loans, advances, deposits, prepay and other receivable	974	--	974	15,805	--	15,805	16,779	1
Trade debts	--	--	--	45,585	--	45,585	45,585	3
Cash and bank balances	--	--	--	1,375	--	1,375	1,375	
June 30, 2000	974	--	974	62,765	1,105	63,870	64,844	5
June 30, 1999	1,070	--	1,070	56,236	2,183	58,419	59,489	
FINANCIAL LIABILITIES								
Long term loans	29,154	23,533	52,687	--	--	--	52,687	5
Loan from Director and Others	--	--	--	--	40,000	40,000	40,000	
Obligations and Advance under Finance Lease	--	--	--	--	--	--	--	3
Short term running finances	30,888	--	30,888	--	--	--	30,888	4
Creditors, accrued and other liabili	--	--	--	116,565	--	116,565	116,565	11
June 30, 2000	60,042	23,533	83,575	116,565	40,000	156,565	240,140	25
June 30, 1999	77,262	57,826	135,088	114,988	--	114,988	250,076	

32.2 Credit Risk Exposure
The Company manages credit risk relating to trade receivables by limiting significant exposure to any individual customer, obtaining advances, deposits against sales and coverage under the agreements.

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

32.4 Foreign exchange risk management
Liabilities exposed to foreign currency risk amount to Rs. 27.99 million.

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

33. PLANT CAPACITY AND PRODUCTION
The production capacity of the plant cannot be determined as this depends on the relative proportions of various type of components and parts of vehicles and tractors produced.

34. NUMBER OF EMPLOYEES
The company employed 644 (1999:672) employees at the end of the year.

35. GENERAL
35.1 All figures are in thousands of rupees unless otherwise stated.

35.2 Previous year's figures have been regrouped and/or rearranged wherever considered necessary for the purposes of comparison.

S.V.H. Naqvi	Yusuf H. Shirazi	Aamir H. Shirazi
Chief Executive Officer	**Chairman**	**Director**

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2000

Number of Shareholders	*Share Holding From*		*To*		*Total Shares held*
299	1	--	100	Shares	10,041
316	101	--	500	Shares	83,025
145	501	--	1,000	Shares	117,669
90	1,001	--	5,000	Shares	184,697
11	5,001	--	10,000	Shares	80,824
2	10,001	--	15,000	Shares	21,917
1	15,001	--	20,000	Shares	16,500
3	20,001	--	25,000	Shares	68,595
1	45,001	--	50,000	Shares	48,510

1	140,001	--	145,000	Shares	141,768
4	195,001	--	200,000	Shares	788,341
1	255,001	--	260,000	Shares	257,268
1	390,001	--	395,000	Shares	390,497
1	1,135,001	--	1,140,000	Shares	1,136,224
1	1,585,001	--	1,590,000	Shares	1,588,802
------------------					------------------
877					4,934,678
==========					==========

Categories of Shareholders	***Shareholders***	***Shares held***	***Percentage***
1. Individuals	850	1,321,604	2,678
2. Investment Companies	4	1,850,411	37.50
3. Insurance Companies	4	545,879	11.06
4. Joint Stock Companies	9	71,631	1.45
5. Financial Institutions	6	1,143,889	23.18
6. Corporate Law Authority	1	1	0.02
7. Abandoned Properties Organisation	1	908	
8. Punjabi Saudagar Multipurpose Co-operative Society Ltd.	1	149	0.01
9. Nazir High Court of Sindh	1	206	
	------------------	------------------	------------------
	877	4,934,678	100.00
	==========	==========	==========

ATLAS GROUP COMPANIES

	Year of Establishment Acquisition*
Shirazi Investments (Pvt) Ltd.	1962
Atlas Honda Ltd.	1963
Atlas Battery Ltd.	1966
Shirazi Trading Co. (Pvt) Ltd.	1973
Atlas Warehousing (Pvt) Ltd.	1979
Atlas Office Equipment (Pvt) Ltd.	1979*
Muslim Insurance Co. Ltd.	1980*
Allwin Engineering Industries Ltd.	1981*
Atlas Lease Ltd.	1989
Atlas Investment Bank Ltd.	1990
Honda Atlas Cars (Pakistan) Ltd.	1993
Honda Atlas Power Product (Pvt) Ltd.	1997
Total Atlas Lubricants Pakistan (Pvt) Ltd.	1997