

Al-Ghazi Tractors Limited

Annual Report 1999

CONTENTS

Company Information
Notice of Annual General Meeting
Chairman's Review
Director's Report
Decade at a glance
Auditors' Report to the Members
Balance Sheet
Profit & Loss Account
Statement of Change in Equity
Cash Flow Statement
Notes to the Accounts
Pattern of Shareholding

COMPANY PROFILE

DATE OF INCORPORATION	June 26, 1983
DATE OF COMMENCEMENT OF OPERATIONS:	September 1, 1983
DATE OF TAKE OVER BY AL-FUTTAIM	December 8, 1991
START OF PRODUCTION AT DERA GHAZI KHAN PLANT:	
i) Auxiliary Plant.	February 20, 1984
ii) Main Plant.	April 1, 1985
INSTALLED CAPACITY:	15,000 TRACTORS PER ANNUM IN SINGLE SHIFT.
TOTAL LAND AREA:	90 ACRES
EMPLOYEES:	536
OFFICES:	
Head Office.	Karachi.
Plant.	Dera Ghazi Khan - 12 km from D.G. Khan City.
Marketing Centres:	Lahore. Multan Islamabad. Sukkar.

FACILITIES AT THE AGTL STAFF TOWN

HOUSING	126 FAMILY HOMES AND BACHELOR QUARTERS FOR EXECUTIVES AND WORKERS.
POPULATION OF THE STAFF TOWN.	APPROXIMATELY 500.
CHILDREN IN THE AGTL PRIMARY SCHOOL:	102
OTHER FACILITIES:	- MOSQUE - HOSPITAL WITH AMBULANCE - AGTL PRIMARY SCHOOL FOR CHILDREN OF THE STAFF RESIDING IN THE TOWN. - RECREATION CENTRES FOR EXECUTIVES, WORKERS AND LADIES, WITH INDOOR GAMES, TV, VIDEOS, DISH ANTENNAS, AND OTHER FACILITIES. - PLAY GROUNDS, PARKS, HORTICULTURE, AND JANITORIAL SERVICES. - SCHOOL BUS FOR PICK AND DROP SERVICES TO SCHOOL AND COLLEGE GOING - CHILDREN OF THE STAFF FOR D.G. KHAN CITY. - PRIVATE ELECTRIC GENERATOR FOR UNINTERRUPTED POWER SUPPLY - CLEAN WATER SUPPLY WITH UV FILTERS. - TRANSPORT FACILITY FOR D.G. KHAN CITY & ADJOINING AREAS. - WASTE WATER RECYCLING PLANT FOR

HOTRICULTURE.

COMPANY INFORMATION

Board of Directors

MR. JOHN E. HAINES - CHAIRMAN
MR. PARVEZ ALI - CHIEF EXECUTIVE
MR. KUNWAR IDRIS
MR. HASAN IRSHAD
MR. PETER WALL
MR. MOHD ALI QAIYUM
MR. NAZIR A. SHAIKH
MR. FRANCESCO MIZZI

Auditors

A.F. FERGUSON & CO.

Tax Advisors

FORD, RHODES, ROBSON, MORROW

Bankers

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

Company Secretary

SALEEM ADIL

OFFICES

KARACHI

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

DERA GHAZI KHAN

PLANT P.O. Box 38. Sakhi Sarwar Road. Dera Ghazi Khan.
Telephone: (92.0641) 63159, 63805,63750. Telefax: (92.0641) 62117.

LAHORE

MARKETING Center- 10 km Sheikhpura Road. Lahore.
Telephone: (92.042) 270081, 272226,7924676-7. Telefax: (92.042) 272257.

ISLAMABAD

Flat No. 8.2nd Floor, Malik Complex. Shahrahe Quaid-e-Azam.
Blue Area. Sector F-7 & G-7, Islamabad.
Telephone: (92.051) 829895, 272866. Telefax: (92.051) 272377.

MULTAN

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

SUKKAR

C/631/3, Minara Road, Sukkar.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixteenth Annual General Meeting of AI-Ghazi Tractors Limited will be held at Hotel Marriott, Karachi on Monday December 06, 1999 at 2:30 p.m to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the audited Accounts, the Directors' report and the auditors' report for the year ended June 30, 1999.
2. To declare the final cash dividend (The Directors have recommended a final Dividend of 150% i.e Rs.7.50 per share issued).
3. To elect 8 Directors of the Company in accordance with the provisions of Section 178 of the Companies Ordinance 1984 for a period of 3 years, commencing from December 06, 1999 in place of the present Directors namely Mr. John E. Haines, Mr. Parvez Ali, Mr. Kunwar Idris, Mr. Hasan Irshad, Mr. Benjamin Peter Wall, Mr. M.A Qaiyum, Mr. Francesco Mizzi and Mr. Nazir A Shaikh.
4. To appoint Auditors for the year ending June 30, 2000 and to fix their remuneration. The retiring Auditors M/s. A. F. Ferguson & Co. being eligible, offer themselves for reappointment.

SPECIAL BUSINESS

1. To approve issue of bonus shares and in this regard to pass the following special resolutions:

"RESOLVED THAT a sum of Rs.83,642,425 out of the Free Reserves of the Company be capitalized and applied to the issue of 16,728,485 Ordinary shares of Rs.5/- each and allocated as fully paid up Bonus shares to the Members whose names appear in the register of the members at the close of business on November 22, 1999 in the proportion of three Share for every four existing shares held and that such new shares shall rank pari passu with the existing Ordinary Shares of the company but shall not be eligible for dividend in respect of the year ended June 30, 1999.

FURTHER RESOLVED THAT in the event of any member holding shares which are not an exact multiple of Four, the Directors be and are hereby authorised to sell in the stock market such fractional entitlement and to pay the proceeds of sale when realized to a charitable Institution."

2. To approve increase in the company's authorized capital from Rs.200 million to Rs.300 million and to pass the following special resolution in this respect:

"RESOLVED THAT the figures and words "Rs. 200,000,000 divided into 40,000,000 shares of Rs.5/-each" appearing in clause V of the Memorandum of Association and in Article 5(a)of the Articles of Association of the company be and are hereby substituted by the figures and words "Rs. 300,000,000 divided into 60,000,000 shares of Rs.5/- each".

By order of the Board

Karachi
November 12, 1999

SALEEM ADIL
Company Secretary

STATEMENTS UNDER SECTION 160 OF THE COMPANIES ORDINANCE 1984.

1. The Directors consider it advisable to capitalise a sum of Rs.83,642,425 which they have set aside in a Special Reserve for issue of Bonus Shares.
2. The Company's authorized capital of Rs.200 million needs to be increased to keep pace with future requirements of capitalization. It is, therefore, proposed to increase the authorised capital from Rs.200 million to Rs.300 million.

NOTES

1. A member entitled to attend and vote may appoint a proxy to attend and vote on his/her behalf. No person shall act as a proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right. Proxies, in order to be effective must be received at the registered office of the Company duly stamped & signed not less than 48 hours before the time of the meeting.
2. The Share Transfer Books of the Company will remain closed from November 23, 1999 to December 06, 1999 (both days inclusive).
3. Members are requested to promptly communicate to the Company any change in their addresses.

CHAIRMAN'S REVIEW

OPERATING RESULTS

The financial year ending June 1999 has been a turbulent one for Pakistan. The almost global embargo imposed post nuclear testing, emergency banking regulations, adverse exchange rate fluctuations, lack of hard currency and government imposed price reductions all contributed to making FY99 a somewhat challenging year for our management team.

Due to the positive attention of the Government of Pakistan, the total market for agricultural tractors strengthened. During the year 26,885 tractors were produced; 47,539 orders taken, and 27,702 delivered. As a result of lack of production capacity in the earlier part of the year, AGTL market share expressed against deliveries was 44.3%-a drop from 47.2% last time. Capacity has now been increased to meet demand.

Despite these problems, management has remained totally focused. Manufacturing volumes increased from 6,288 to 12,200 units (94.0%) and sales from 6,441 units to 12,260 units (90.3%). Revenues likewise improved from Rs 2.382 billion to Rs 4.343 billion (82.3%). Profits before tax rose from Rs 303.8 million to Rs 544.1 million, post tax from Rs 207.3 million to Rs 362.3 (74.8%). By year end the company has amassed cash deposits in excess of Rs One billion.

I am therefore pleased to announce that the Board of Directors has proposed a cash dividend of Rs 167 million equal to 150% of the Company's paid up share capital or Rs 7.5 per share. In addition it is proposed that shareholders receive a bonus of three shares for every four currently held.

The effect of this distribution will be to increase the paid up share capital of the company from Rs 112 million to Rs 196 million close to the authorised capital limit of Rs 200 million. The equity base of the company will strengthen from Rs 632 million to Rs 827 million.

OPERATIONAL EXCELLENCE

The Company's "Work Smart" culture has further enhanced our competitive position. Working closely with component suppliers, procurement management has significantly reduced unit procurement costs whilst improving and securing supply and further enhancing quality.

Additional cost reductions have also been achieved in the areas of manufacturing, logistics, administration and marketing. Despite enforced price reductions these cost efficiencies have resulted in margin improvements and equally important have established AGTL as the lowest cost, highest quality producer in Pakistan.

Despite significant expansion in output there has been no increase in headcount. Workload therefore has notably increased. Despite this our workforce has remained highly motivated and enthusiastic and the whole company remains committed to our philosophy of "Evolution through Continuous Change." Our union leaders and representatives must likewise be congratulated for their support of the employees and understanding of the Company's goals and ambitions.

While continuous enhancement of shareholder value and ongoing financial success are of great importance they are only the result of "what we are and what we do." Our company culture revolves around what the Japanese call Kaizen, roughly translated, the continuous search for improvement and excellence. This search for improvement encompasses every echelon of our company. People as well as product, process and innovation.

To achieve well above average results we must give support through investment. This year we have made record investments in the key areas of manufacturing, information and production technology and training. These investments have already borne fruit and will continue to do so in the years ahead.

CORPORATE EXCELLENCE

The accolades bestowed on the company and its people this year by the government, financial and cultural communities are too numerous to mention. In an attempt to cover a select few:

The President of Pakistan awarded Mr. Parvez Ali, CEO, the "Executive Excellence Award" of the Hamdard Institute of Management Sciences.

The Prime Minister of Pakistan presented A1-Ghazi the "Top Companies Award" on behalf of the Karachi Stock Exchange in recognition of the Company's outstanding performance in the areas of corporate governance and enhancement of shareholder value.

Other awards of significance were "The American International Quality Award" by Fulham Geisler Associates, the "Corporate Excellence Award" from the Hamdard Institute of Management Sciences and the "Best Corporate Performance" award from the Management Association of Pakistan.

In addition, the National Council of Culture and Arts conferred "First Prize" to the Company's calendar for its accurate and artistic depiction of scenes of historic and cultural significance to Pakistan.

FUTURE PROSPECTS

Our company enters the new financial year and the new millennium with the strongest order book ever recorded. Our unit production costs are lower than they were ten years ago. We have the strongest management team in the country. Quality is now world competitive. Component supplies are secure. The balance sheet is fighting fit. The distribution network has been highly trained and finely honed. The prognosis is therefore "Cautiously Optimistic."

With most of the controllable factors being positive it would be easy to become complacent. We must avoid this at all costs. Management must and do realise that our competitors do not stand still and while we are in a strong position we must take advantage of it. We must "work even smarter" and every member of the team must take personal responsibility to make further improvements in his or her area of influence.

External factors are against us. The overall economic climate is still weak. There are political and social uncertainties and questions over exchange rates and availability of hard currency.

One major concern is the current inability of the Agricultural Development Bank of Pakistan (ADBP) to meet its commitments to encash demand drafts for tractors already delivered by its orders. The ADBP currently owes the company Rs 550 million. It is hoped that ADBP will revert to normally accepted terms of business in the very near future.

Taking all factors into account, it is imperative that we strictly contain costs, effectively evaluate investment opportunities and overall, continue to make smart management decisions.

APPRECIATION

Let me conclude by recording the Board's appreciation to the Pakistan Government for its support of the agricultural community and its commitment to increased funding through the ADBP to meet production targets.

Thanks are also due to AGTL's dealers, who through their sales and marketing expertise and commitment to offering our customers the highest level of value and service have contributed greatly to our success.

Likewise our vendors. During the year major investment commitments have been made. These have enabled AGTL to increase production and quality while in parallel, reduce costs. We look forward to working closely with them in the future.

Our technical partners, New Holland Limited also deserve appreciation for their work during the year in supporting our drive for technical and design excellence.

Above all, our people are the creators of our success. The management and staff have "worked smart" and hard to bring about this year's results. Our people have been supported by their unions, who in turn have resolutely represented their member's interests, while at the same time have understood and supported the objectives and goals of the company. It is this total team commitment that makes AGTL what it is today - Pakistan's Top Company - Thank you all.

John E. Haines
Chairman

Date: October 26, 1999

DIRECTORS' REPORT

The Directors of A1-Ghazi Tractors Limited are pleased to present their Annual Report together with the Company's audited accounts for the year ended June 30, 1999.

(Rs. '000)

Profit for the year before taxation	544,134	
Less: Provision for taxation (Net)	181,883	

Profit after taxation	362,251	
Un-appropriated profit brought forward	618	

Profit available for appropriation	362,869	
Less: Appropriations		
Dividend @ 150% 7.50 per share	167,285	
Transfer to Reserve for Issue of Bonus Shares	83,642	
Transfer to General Reserve	110,000	360,927

Un-appropriated profit carried forward		1,942
		=====

1. A1-Futtaim Industries (Pvt) Ltd., Dubai incorporated in U.A.E is the holding company of A1-Ghazi Tractors Ltd., being the holder of 50.02% shares of the company.

2. The pattern of share holdings is included in this Annual Report.

3. The Directors do not foresee any problem vis-a-vis the Millennium Bug as the existing computer systems of the company were designed to take care of the problem.

4. The retiring Auditors Messrs. A.F Ferguson & Co. being eligible, offer themselves for re-appointment.

5. The earnings per share have been given in note 27 to the accounts.

On behalf of the Board

Karachi
October 26, 1999

John E. Haines
Chairman

DECADE AT A GLANCE

	<i>1998-99</i>	<i>1997-98</i>	<i>1996-97</i>	<i>1995-96</i>	<i>1994-95</i>	<i>1993-94</i>	<i>1992-93</i>	<i>1991-92</i>	<i>1990-91</i>
VOLUME IN UNITS									
Production									
Model 480s	10,012	5,375	3,841	4,415	4,400	3,686	4,101	2,595	4,226
Model 640	2,188	913	1,098	2,202	2,015	1,861	2,081	732	1,438
Total Production Sales:	12,200	6,288	4,939	6,617	6,415	5,547	6,182	3,327	5,664
-Industry	27,702	13,659	10,161	16,286	17,334	16,089	15,797	10,684	13,909
-AGTL	12,260	6,441	4,701	6,617	6,420	5,798	5,955	3,402	5,737
-AGTLs share %	44.26	47.16	46.27	40.63	37.04	36.04	37.70	31.84	41.25
Bookings:									
-Industry	47,539	15,021	8,294	14,419	21,739	17,552	13,464	14,527	12,387
-AGTL	22,018	7,495	3,322	5,843	8,693	6,839	3,944	5,509	4,958
-AGTLs share %	46.3	49.9	40.1	40.5	40.0	39.0	29.3	37.9	40.0
Deletion Achieved									
Model 480s	82%	82%	82%	82%	82%	82%	81%	81%	81%
Model 640	74%	74%	74%	74%	74%	74%	74%	74%	71%
VALUE IN RS. 000									
Sale Revenue	4,232,832	2,349,148	1,717,094	2,264,748	2,029,937	1,749,255	1,700,645	869,590	1,376,778
Gross Margin	561,073	366,435	254,487	225,422	298,948	275,135	196,194	25,678	82,541
Profit/(loss) before tax	544,134	303,813	186,034	171,893	259,859	166,191	102,521	(77,009)	9,065
Income tax paid	181,883	96,500	52,073	64,292	87,069	70,000	12,500	5,282	6,949
Profit/(loss) after tax	362,251	207,313	133,961	107,601	172,790	96,191	90,021	(82,291)	2,116
Capital Expenditure	152,147	14,131	13,477	25,528	9,050	17,919	5,551	5,112	1,195
Dividend									
- Cash	167,285	53,531	40,554	36,867	28,359	13,613	6,188	--	--
- Percentage	150.0%	60.0%	50.0%	50.0%	50.0%	30.0%	15.0%		
- Stock	83,642	22,305	8,111	7,373	17,016	11,343	4,125	--	--
- Percentage	75.0%	25.0%	10.0%	10.0%	30.0%	25.0%	10.0%		
Earning/(loss) per share	16.24	11.62	8.26	7.30	15.23	10.60	10.91	(9.97)	0.26

A.F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

STATE LIFE BUILDING 1-C
OFF I.I. CHUNDRIGAR ROAD
P.O. BOX 4716
KARACHI 74000
PAKISTAN

Telephones: (021) 242 6682 - 6
(021) 242 6711 - 5
Fax: (021) 241 5007 Audit
(021) 242 7938 Tax
Telex: 21155 AFFCO
E-mail: affco-abs@cyber.net.pk
affco-tax@cyber.net.pk

OTHER OFFICES AT
LAHORE - RAWALPINDI - ISLAMABAD

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Al-Ghazi Tractors Limited as at June 30, 1999 and the related profit and loss account, statement of changes in equity 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 purposes of our audit and, after due verification thereof, we

report that:

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and profit and loss account, statement of changes in equity and the 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, changes in equity 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.

27 October 1999.

Chartered Accountants

Balance Sheet as at June 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees '000)</i>	
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
40,000,000 ordinary shares of Rs. 5 each		200,000	200,000
		=====	=====
Issued, subscribed and paid-up	3	111,523	89,219
Reserves	4	713,642	542,304
Unappropriated profit		1,942	618
		-----	-----
		827,107	632,141
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASES			
	5	3,886	3,246
PROVISION FOR GRATUITY			
		41,721	35,271
CURRENT LIABILITIES			
Current maturity of liability against assets subject to finance leases	5	1,546	879
Creditors, accrued and other liabilities	6	1,236,641	440,089
Taxation	7	6,377	21,564
Dividend	8	168,305	54,328
		-----	-----
		1,412,869	516,860
COMMITMENTS			
	9		
		-----	-----
		2,285,583	1,187,518
		=====	=====
	<i>Note</i>	<i>1999</i>	<i>1998</i>

		<i>(Rupees '000)</i>	
FIXED ASSETS			
Operating assets	10	204,955	78,660
Capital work-in-progress-at cost		2,594	--
		-----	-----
		207,549	78,660
LONG-TERM LOANS AND ADVANCES	11	867	2,347
LONG-TERM DEPOSITS		1,149	983
DEFERRED TAXATION	12	40,224	24,542
CURRENT ASSETS			
Store and spares	13	13,262	6,039
Stock-in-trade	14	598,948	336,872
Trade debts	15	4,347	2,296
Loans and advances	16	32,672	24,494
Short-term deposits and prepayments	17	18,080	10,305
Other receivables	18	101,955	16,445
Short term investment - at cost	19	30,000	20,000
Cash bank balances	20	1,236,530	664,535
		-----	-----
		2,035,794	1,080,986
		-----	-----
		2,285,583	1,187,518
		=====	=====

The annexed notes form an integral part of these accounts.

Chairman

Chief Executive

Profit and Loss Account
For the year Ended June 30,1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees '000)</i>	
Sales	21	4,232,832	2,349,148
Cost of goods sold	22	3,671,759	1,982,713
		-----	-----
Gross profit		561,073	366,435
Administration and general expenses 23		47,329	33,347
Selling and distribution expenses	24	35,780	35,085
Financial charges	25	3,281	5,081
		-----	-----
		86,390	73,513
Operating profit		474,683	292,922
Other income	26	109,795	33,293
		-----	-----
		584,478	326,215
Workers' profits participation fund		29,239	16,326
Workers' welfare fund		11,105	6,076
		-----	-----
		40,344	22,402
Profit before taxation		544,134	303,813
Taxation - current		198,000	110,237
- prior year		(435)	(4,897)
- deferred		(15,682)	(8,840)
		-----	-----
		181,883	96,500
Profit after taxation		362,251	207,313
Unappropriated profit brought forward		618	4,140
		-----	-----
		362,869	211,453

Appropriations

Transfer to			
- general reserve		110,000	135,000
- reserve for issue of bonus shares		83,642	22,304
Proposed dividend @ 150 % (1998: 60%)		167,285	53,531
		-----	-----
		360,927	210,835
		-----	-----
		1,942	618
		=====	=====
Basic earnings per share	27	16.24	11.62
		=====	=====

The annexed notes form an integral part of these accounts.

Chairman

Chief Executive

**Statement of Changes in Equity
For the year Ended June 30, 1999**

	<i>Share Capital</i>	<i>Reserves</i>	<i>Unappropriated Profit</i>	<i>Total</i>
	<i>(Rupees '000)</i>			
Balance as at June 30, 1997	81,108	393,111	4,140	478,359
Profit for the year ended June 30, 1998	--	--	207,313	207,313
Appropriations from profit	--	157,304	(157,304)	--
Issue of bonus shares	8,111	(8,111)	--	--
Dividend	--	--	(53,531)	(53,531)
	-----	-----	-----	-----
Balance as at June 30, 1998	89,219	542,304	618	632,141
Profit for the year ended June 30, 1999	--	--	362,251	362,251
Appropriations from profit	--	193,642	(193,642)	--
Issue of bonus shares	22,304	(22,304)	--	--
Proposed dividend	--	--	(167,285)	(167,285)
	-----	-----	-----	-----
Balance as at June 30, 1999	111,523	713,642	1,942	827,107
	=====	=====	=====	=====

Chairman

Chief Executive

**Cash Flow Statement
For the year Ended June 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees '000)</i>	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	31	907,451	492,969
Financial expenses paid		(1,273)	(3,144)
Taxes paid		(212,752)	(89,211)
Payment of gratuity		(2,271)	(1,518)
		-----	-----
Net cash inflow from operating activities		691,155	399,096
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(150,620)	(8,154)
Sale proceeds of fixed assets		3,214	2,518
Increase in investments		(10,000)	--
Return/profit received		93,054	21,433
Decrease/(Increase) in long term loans, advances and deposits		1,314	(1,990)
		-----	-----
Net cash (out flow)/inflow from investing activities		(63,038)	13,807

CASH FLOW FROM FINANCING ACTIVITIES

Payment of liability against finance leases	(2,814)	(2,691)
Dividend paid	(53,308)	(40,216)
	-----	-----
Net cash outflow from financing activities	(56,122)	(42,907)
	-----	-----
Net increase in cash and cash equivalents	571,995	369,996
Cash and cash equivalents at the beginning of the year	664,535	294,539
	-----	-----
Cash and cash equivalents at the end of the year	1,236,530	664,535
	=====	=====

The annexed notes form an integral part of these accounts.

Chairman

Chief Executive

Notes to the Accounts**For the year Ended June 30,1999****1. THE COMPANY AND ITS OPERATIONS**

A1-Ghazi Tractors Limited is a public company quoted on Karachi and Lahore stock exchanges. The Company is engaged in the manufacture and sale of agricultural tractors, implements and spare parts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits**(i) Staff gratuity**

The Company operates an unfunded gratuity scheme for all employees. Accrual is made annually to cover the period of service completed by the employees. However, gratuity is payable only on completion of the prescribed qualifying period of service.

(ii) Provident fund

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

2.3 Taxation

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

2.4 Warranties

Warranty expenses are recorded as and when claims are received.

2.5 Fixed assets and depreciation

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

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

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

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

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

2.6 Stores and Spares

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

2.7 Stock-in-trade

These are valued at lower of cost and net realisable value. Cost is determined on moving average method except for Completely Knocked Down (CKD) Kits and stock-in-transit.

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

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

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

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

2.8 Foreign currencies

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

Exchange gains and losses are included in income currently.

2.9 Revenue recognition

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

1999 1998
(Rupees '000)

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 5 each			
1999	1998		
4,500,000	4,500,000 shares fully paid in cash	22,500	22,500
17,804,647	13,343,718 shares issued as fully paid bonus shares	89,023	66,719
-----		-----	-----
22,304,647	17,843,718	111,523	89,219
=====		=====	=====

4. RESERVES

	<i>Capital For issue of bonus Shares</i>	<i>Revenue General</i>		
At the beginning of the year	22,304	520,000	542,304	393,111
Appropriated from profits	83,642	110,000	193,642	157,304
Issue of bonus shares	(22,304)	--	(22,304)	(8,111)
	-----	-----	-----	-----
	83,642	630,000	713,642	542,304
	=====	=====	=====	=====

5. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASES

Payable during	1998-1999	--	1,686
	1999-2000	2,566	1,686
	2000-2001	2,324	1,443
	2001-2002	1,935	1,055
	2002-2003	565	--
		-----	-----
		7,390	5,870
Less: Finance charge not due		1,958	1,745
		-----	-----
		5,432	4,125
Less: Current maturity shown under current liabilities		1,546	879
		-----	-----
		3,886	3,246
		=====	=====

This represents finance leases entered into with a leasing company for vehicles. The balance of liability is payable by October 2002 in monthly/quarterly installments. Monthly/quarterly lease payments include finance charge of 23.5% and 24.5% per annum, which is used as discounting factor.

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	28,268	28,723
Bills payable	422,763	177,171
Accrued liabilities	238,311	139,831
Customers' credit balances	413,956	4,549

1999 1998 (Rupees '000)

Mark up on running finance	--	27
Royalty	73,827	44,284
Deposits - others	8,762	7,237
Warranties	2,440	5,037
Taxes deducted, payable to statutory authorities	5,970	2,765
Sales tax payable	--	4,867
Payable to provident fund	--	561
Workers' profits participation fund - note 6.1	30,318	17,407
Workers' welfare fund	11,105	6,076
Others	921	1,554
	-----	-----
	1,236,641	440,089
	=====	=====

6.1 Workers' profits participation fund

At the beginning of the year	17,407	11,096
Allocation for the year	29,239	16,326
	-----	-----
	46,646	27,422
Add: Interest on fund utilised in Company's business	311	302
	-----	-----
	46,957	27,724
Less: Amount paid to:		
The Trustees of the Fund	1,513	1,598
Deposited with the Government	15,126	8,719
	-----	-----
	16,639	10,317
	-----	-----
	30,318	17,407
	=====	=====

7. TAXATION

The income tax department has filed an appeal with the Lahore High Court against the order of the Income Tax Appellate Tribunal allowing the company a tax holiday period of 5 years which expired on March 31, 1990. Pending the decision of the High Court in this matter the department has finalised the assessments up to assessment year 1998-99 (accounting year ended June 30, 1998) on the basis of Tribunal's findings.

8. DIVIDEND

Proposed dividend	167,285	53,531
Unclaimed dividend	1,020	797
	-----	-----
	168,305	54,328
	=====	=====

9. COMMITMENTS

Commitments for capital expenditure outstanding at June 30, 1999 amounted to approximately Rs. 4.13 million (1998: Rs 700 thousand)

10. FIXED ASSETS

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

	<i>Cost as at July 1, 1998</i>	<i>Additions/ *transfers/ (deletions)</i>	<i>Cost as at June 30, 1999</i>	<i>Accumulated depreciation as at July 1, 1998</i>	<i>Depreciation for the year/ on (deletions)</i>	<i>Accumulated depreciation as at June 30, 1999</i>	<i>Written down value as at June 30, 1999</i>	<i>Rate of depreciation %</i>
<i>(Rupees '000)</i>								
Freehold land	3,854	--	3,854	--	--	--	3,854	--
Leasehold land	831	132,203	133,034	115	2,503	2,618	130,416	--
Factory buildings on freehold land	31,098	--	31,098	20,347	1,352	21,699	9,399	2.5
Other buildings on freehold land	25,172	--	25,172	9,935	894	10,829	14,343	2.5
on leasehold land	5,228	--	4,596	1,137	115	913	3,683	2.5
Plant and machinery	52,832	5,431	58,263	39,746	5,885	45,631	12,632	10
Furniture, fixtures and equipments	20,239	1,702 (360) *69	21,650	10,736	2,877 (249)	13,364	8,286	10-33
Vehicles	27,172	7,354 (5,874) *1,621	30,273	17,609	5,549 (3,487)	19,671	10,602	20
Electrical installations	11,944	588 (26) *(69)	12,437	8,266	1,218 (14)	9,470	2,967	10
Factory equipment and tools	11,561	748	12,309	7,420	1,146	8,566	3,743	10
Assets held under finance leases								
vehicles	5,050	4,121 *(1,621)	7,550	1,010	1,510	2,520	5,030	20
	-----	-----	-----	-----	-----	-----	-----	-----
1999	194,981	152,147 (6,892)	340,236	116,321	23,049 (4,089)	135,281	204,955	
	=====	=====	=====	=====	=====	=====	=====	
1998	185,220	14,131 (4,370)	194,981	100,817	18,114 (2,610)	116,321	78,660	
	=====	=====	=====	=====	=====	=====	=====	

Subsequent to June 30, 1999 an independent professional valuation of land and buildings was carried out in September 1999 which revealed an aggregate value of Rs. 291.44 million. The surplus of Rs. 129.74 million over the written down value as at June 30, 1999 has not been considered in these accounts.

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

<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Mode of sale</i>	<i>Particulars of purchaser</i>
<i>(Rupees '000)</i>					

OTHER BUILDINGS ON LEASEHOLD LAND

632	339	293	63	Tender	Combined Engineering
-----	-----	-----	----	--------	----------------------

Services Jampur Road,
D.G. Khan**VEHICLES**

Cars	219	166	53	65	Company Policy	Mr. Tahir Munawar (Executive)
	234	178	56	67	- do -	Mr. Ishrat Siddiqui (Executive)
	218	166	52	65	- do -	Mr. Abdul Rashid (Executive)
	271	206	65	81	- do -	Mr. S.M. Yaqoob (Executive)
	218	166	52	66	- do -	Mr. K.H. Talpur (Executive)
	271	206	65	81	- do -	Mr. Jawaid Akhtar (Executive)
	599	455	144	180	- do -	Mr. Mashhood Mirza Ex-Executive
	218	166	52	147	Tender	Mr. Abdul Rehman E-2-12, Nazimabad Karachi 18
	215	191	24	152	- do -	Mr. M. Yaqoob Nabi Bux House No.472-3 Ashraf Nagr Nazimabad, Karachi
Car 4WD	1,516	1,335	181	730	- do -	Mr. S. Athar Ali 154-A, Gulshan-e- Shafiq Parsi Colony Karachi
	1,621	--	1,621	842	- do -	Mr. Sikandar Gulzar 55/1, 15th Street, Defense Phase V Karachi
Coaster	85	84	1	387	Tender	Mr. Ahmed Ali D-8, Block-B North Nazimabad Karachi
Van	189		168	167	-do-	M/s Motor Cade R 210, Sector 15-B Buffer Zone Karachi

**FURNITURE,
FIXTURES AND
EQUIPMENTS**

Furniture	42	32	10	16	Company Policy	Mr. Mumtaz Khan (Ex-Executive)
	184	138	46	54	- do -	Mr. Mashhood Mirza (Ex-Executive)
	92	69	23	15	- do -	Mr. Maqsood A. Khan (Ex-Executive)
	42	10	32	31	- do -	Mr. Malik Qadir Bux (Ex-Executive)

**ELECTRICAL
INSTALLATIONS**

Water Cooler	21	10	11	4	Tender	Mr. Muhammad Salim 4/18 Survey No.79 Golden Town Karachi
	6,887	4,085	2,802	3,213	--	

Items having
written down value

below Rs 5,000

each	5	4	1	1
	-----	-----	-----	-----
	6,892	4,089	2,803	3,214
	=====	=====	=====	=====

11. LONG-TERM LOANS AND ADVANCES - considered good

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Loans to		
- Executives	572	434
- Employees	272	896
	-----	-----
	844	1,330
Advances to		
- Chief Executive	--	502
- Executives	23	515
	-----	-----
	23	1,017
	-----	-----
	867	2,347
	=====	=====

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

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

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

The maximum amount of loans and advances to the Chief Executive and executives of the Company at the end of any month during the year was Rs 0.96 million and Rs 2.07 million (1998: Rs 1 million and Rs 2.03 million respectively).

12. DEFERRED TAXATION

Debit balances arising on account of:

Provisions made for:

Staff gratuity	13,768	10,582
Royalty	23,712	13,652
Other receivables	268	--
Excess of accounting depreciation over tax depreciation	2,476	308
	-----	-----
	40,224	24,542
	=====	=====

13. STORE AND SPARES

Stores

Spares - including in transit Rs. 368 thousand
(1998: Rs Nil)

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Stores	9,300	2,571
Spares - including in transit Rs. 368 thousand (1998: Rs Nil)	3,962	3,468
	-----	-----
	13,262	6,039
	=====	=====

14. STOCK-IN-TRADE

Raw materials and components - including

in transit Rs 126.66 million (1998: Rs 79.47 million)

Finished goods - tractors

Trading stock - spare parts and implements

Raw materials and components - including in transit Rs 126.66 million (1998: Rs 79.47 million)	590,259	302,113
Finished goods - tractors	4,243	28,581
Trading stock - spare parts and implements	4,446	6,178
	-----	-----

	598,948	336,872
	=====	=====
15. TRADE DEBTS - considered good		
Secured	1,816	1,173
Unsecured	2,531	1,123
	-----	-----
	4,347	2,296
	=====	=====

16. LOANS AND ADVANCES

Considered good		
Chief Executive	895	780
Executives	3,161	2,811
Employees	3,361	3,722
Suppliers for goods and services	25,255	17,181
	-----	-----
Considered doubtful	813	--
	33,485	24,494
Less: Provision thereagainst	813	--
	-----	-----
	32,672	24,494
	=====	=====

The maximum amount due from the Chief Executive and executives of the Company at the end of any month during the year was Rs 0.89 million and Rs 3.16 million (1998: Rs 0.78 million and Rs 2.81 million) respectively.

17. SHORT TERM DEPOSITS AND PREPAYMENTS

Margin against letters of credit	10,492	2,734
Prepayments	7,588	7,571
	-----	-----
	18,080	10,305
	=====	=====

1999 **1998**
(Rupees '000)

18. OTHER RECEIVABLES

Sales tax receivable	90,388	43
Octroi receivable	3,174	3,174
Accrued mark-up	4,782	11,164
Claims receivable	3,284	1,816
Others	327	248
	-----	-----
	101,955	16,445
	=====	=====

19. SHORT- TERM INVESTMENTS

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

20. CASH AND BANK BALANCES

With banks and financial institutions		
- on current accounts including collection accounts		
Rs 226.93 million (1998: Rs 8.93 million)	232,097	10,645
- on deposit accounts	881,146	653,617
In hand		
- demand drafts	123,103	--
- cash	184	198
In transit	--	75
	-----	-----
	1,236,530	664,535
	=====	=====

21. SALES

Manufactured goods	4,240,045	2,350,103
Less: Commission	33,633	20,798
	-----	-----
	4,206,412	2,329,305

Trading goods	26,420	19,843
	-----	-----
	4,232,832	2,349,148
	=====	=====

22. COST OF GOODS SOLD**Manufactured goods**

Raw materials and components consumed	3,376,637	1,728,103
Salaries, wages and benefits - note 22.1	91,100	65,982
Royalty	71,855	45,507
Stores and supplies	47,691	24,107
Insurance	1,214	1,241
Depreciation	13,222	11,755
Fuel, power and electricity	8,359	7,278
Travelling, vehicles running and entertainment	4,839	4,305
Repairs and maintenance	4,920	4,744
Rent, rates and taxes	1,483	1,386

1999 **1998**
(Rupees '000)

Communication	1,156	1,788
Printing and stationery	808	599
Legal and professional charges	54	147
Others - note 22.2	1,423	1,814
	-----	-----
Cost of goods manufactured	3,624,761	1,898,756
Opening stock of finished goods	28,581	96,356
Closing stock of finished goods	(4,243)	(28,581)
	-----	-----
	3,649,099	1,966,531
	-----	-----
Trading goods		
Opening stock	6,178	6,556
Purchases	22,428	17,090
Internal receipts	(1,501)	(1,286)
	-----	-----
	27,105	22,360
Closing stock	(4,445)	(6,178)
	-----	-----
	22,660	16,182
	-----	-----
	3,671,759	1,982,713
	=====	=====

22.1 Salaries and wages include Rs 7.04 million (1998: Rs 5.99 million) in respect of staff retirement benefits.

22.2 Donations of Rs 11 thousand (1998: Rs 8 thousand) are included under "other expenses". None of the directors or their spouses had any interest in the donee.

23. ADMINISTRATION AND GENERAL EXPENSES

Salaries, wages and benefits - note 23.1	27,789	19,550
Travelling, vehicles running and entertainment	4,524	3,822
Rent, rates and taxes	2,280	1,950
Depreciation	6,268	3,237
Repairs and maintenance	509	290
Electricity	168	139
Communication	1,873	1,332
Printing and stationery	803	596
Auditors' remuneration - note 23.2	486	439
Legal and professional charges	855	493
Insurance	22	45
Others	1,752	1,454
	-----	-----
	47,329	33,347
	=====	=====

23.1 Salaries and wages include Rs 2.60 million (1998: Rs 1.97 million) in respect of

staff retirement benefits.

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
23.2 Auditors' remuneration		
Audit fee	350	300
Advisory services, certification of free reserves, export of bonus shares, dividend and royalty remittances	106	108
Out of pocket expenses	30	31
	-----	-----
	486	439
	=====	=====

24. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and benefits - note 24.1	20,158	20,518
Travelling and vehicles running	3,477	3,157
Rent, rates and taxes	231	373
Repairs and maintenance	530	271
Depreciation	3,559	3,122
Electricity	593	577
Communication	1,820	2,295
Printing and stationery	1,111	544
Free after sales service	1,968	1,274
Publicity	1,075	1,003
Warranty	154	146
Freight outward	130	119
Entertainment	155	216
Insurance	106	92
Dealers' convention	356	1,107
Others	357	271
	-----	-----
	35,780	35,085
	=====	=====

24.1 Salaries and wages include Rs 1.78 million (1998: Rs 2.19 million) in respect of staff retirement benefits.

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
25. FINANCIAL CHARGES		
Mark-up on running finance	4	2,612
Finance lease charges	1,242	550
Interest on workers' profits participation fund	311	302
Interest on provident fund	23	27
Exchange loss	--	909
Bank charges, commission and excise duty on borrowings	1,701	681
	-----	-----
	3,281	5,081
	=====	=====

26. OTHER INCOME

Return on deposits	82,301	29,905
Return on certificates of investment	3,682	322
Interest on vendors' loans	689	995
Trading discount received	2,803	213
Liabilities no longer payable written back	14,120	--
Scrap sales	1,916	756
Profit on sale of fixed assets	411	758
Exchange gain	3,151	3,151
Sundries	722	344
	-----	-----
	109,795	33,293
	=====	=====

27. BASIC EARNINGS PER SHARE

Profit after taxation attributable to ordinary shareholders	362,251	207,313
No. of ordinary shares of Rs. 5 each (in thousand) issued and subscribed at the end of the year.	22,305	17,844
	16.24	11.62

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	<i>Chief Executive</i>		<i>Director</i>		<i>Executives</i>		<i>Total</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>							
Managerial remuneration	4,055	2,137	216	198	23,626	14,428	27,897	16,763
Rent	0.60	459	--	--	3,689	3,082	4,288	3,541
Utilities	133	102	--	--	826	690	959	792
Retirement benefits	501	274	--	--	3,525	2,338	4,026	2,612
Medical expenses	36	52	--	--	671	605	707	657
Leave passage	258	93	--	--	692	600	950	693
Vehicle running	--	--	--	--	676	483	676	483
Other expenses	43	42	54	54	39	23	136	119
	5,625	3,159	270	252	33744	22,249	39,639	25,660
Number of persons	1	1	1	1	45	40	47	42

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

29. FINANCING ARRANGEMENTS

The facilities for running finance available from various banks amounted to Rs160 million (1998: Rs 260 million)- The rates of mark up range between Re 0.38 to Re 0.47 per Rs 1,000 per day.

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

The facilities for opening letters of credit and guarantees amounted to Rs 650 million (1998: Rs 355 million) of which Rs 235.17 million (1998: Rs 75.81 million) remained unutilised as at June 30, 1999.

30. PLANT CAPACITY AND PRODUCTION

	<i>1999</i>	<i>1998</i>
Plant capacity	15,000	15,000
Actual production	12,200	6,288

31. CASH FLOW FROM OPERATING ACTIVITIES

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Profit before taxation	544,134	303,813
Add/(less) adjustment for non-cash charges and other items		
Depreciation	23,049	18,114
Provision for gratuity	8,721	7,639
Financial expenses	1,246	3,162
Profit on sale of fixed assets	(411)	(758)
Return/profit earned	(86,672)	(31,222)
Profit before working capital changes	490,067	300,748

EFFECT ON CASH FLOW DUE TO WORKING

CAPITAL CHANGES

(Increase)/Decrease in current assets		
Stores and Spares	(7,223)	(2,092)
Stock-in-trade	(262,076)	111,774
Trade debts	(2,051)	(62)
Loans and advances	(8,178)	(6,563)
Short-term deposits and prepayments	(7,775)	(4,952)
Other receivables	(91,892)	1,185
	-----	-----
	(379,195)	99,290
Increase in current liabilities		
Creditors, accrued and other liabilities	796,579	92,931
	-----	-----
Cash generated from operations	907,451	492,969
	=====	=====

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**(i) Financial assets and liabilities**

	<i>Interest/Mark-up bearing</i>			<i>Non interest bearing</i>			<i>Total</i>
	<i>Maturity up to one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Maturity up to one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	
	<i>(Rupees '000)</i>						
Financial assets							
Investments	30,000	--	30,000	--	--	--	30,000
Loans and advances to employees	--	--	--	7,417	867	8,284	8,284
Loan to Suppliers	6,666	--	6,666	--	--	--	6,666
Deposits	--	--	--	--	1,149	1,149	1,149
Trade debtors	--	--	--	4,347	--	4,347	4,347
Other receivables (excluding taxes and duties)	--	--	--	8,393	--	8,393	8,393
Cash and bank Balances	881,146	--	881,146	355,384	--	355,384	1,236,530
	-----	-----	-----	-----	-----	-----	-----
	917,812	--	917,812	375,541	2,016	377,557	1,295,369
	-----	-----	-----	-----	-----	-----	-----
Financial liabilities							
Liabilities against assets subject to finance leases	1,546	3,886	5,432	--	--	--	5,432
Creditors, accrued and other liabilities	30,318	--	30,318	1,206,323	--	1,206,323	1,236,641
Unclaimed dividend	--	--	--	1,020	--	1,020	1,020
	-----	-----	-----	-----	-----	-----	-----
	31,864	3,886	35,750	1,207,343	--	1,207,343	1,243,093
	=====	=====	=====	=====	=====	=====	=====

(ii) Concentrations of credit risk

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

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

(iii) Foreign exchange risk management

Foreign currency risk arises mainly when receivables and payables exist due to

sales and purchase transaction with foreign undertakings. The company minimises foreign currency risk by taking forward cover for import commitments. As at June 30, 1999, the foreign currency risk exposure was Rs 73.83 million in respect of royalty payable.

(iv) Fair values of the financial instruments

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

33. CORRESPONDING FIGURES

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

Chairman

Chief Executive

**Pattern of Shareholding
as at June 30, 1999**

<i>Number of Share holders</i>		<i>Size of Shareholding Rs. 5 each</i>		<i>Total Shares held</i>		
425	from	1	to	100	Shares	16,036
431	from	101	to	500	Shares	106,223
265	from	501	to	1,000	Shares	192,868
156	from	1,001	to	5,000	Shares	341,844
15	from	5,001	to	10,000	Shares	100,287
6	from	10,001	to	15,000	Shares	77,075
3	from	15,001	to	20,000	Shares	50,778
3	from	20,001	to	25,000	Shares	65,791
2	from	25,001	to	30,000	Shares	54,070
1	from	30,001	to	35,000	Shares	35,000
2	from	40,001	to	45,000	Shares	81,315
1	from	50,001	to	55,000	Shares	53,000
1	from	55,001	to	60,000	Shares	58,987
1	from	70,001	to	75,000	Shares	70,331
1	from	215,001	to	220,000	Shares	216,015
1	from	9,625,001	to	9,630,000	Shares	9,628,622
1	from	11,155,001	to	11,160,000	Shares	11,156,405
-----						-----
1,315						22,304,647
=====						=====

<i>Categories of Shareholders</i>	<i>Number of Shareholders</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	1,280	1,147,646	5.15
Investment Companies	14	27,599	0.12
Insurance Companies	3	250,265	1.12
Joint Stock Companies	6	1,955	0.01
Financial Institutions	4	2,372	0.01
Modaraba Companies	1	8,327	0.04
Foreign Investors	7	20,866,483	93.55
TOTAL	-----	-----	-----
	1,315	22,304,647	100.00
	=====	=====	=====