

Baluchistan Wheels Limited

Annual Report 2000

Corporate Mission

To produce Automotive Wheels and allied products of International Quality standard of ISO 9002 and contribute towards national economy by import substitution, exports, taxation, employment and consistently compensate the stake holders through stable returns.

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Corporate Information

Board of Directors

Mr. Muhammad Siddique Memon
Chairman

Mr. Razak Haji Mohammed Bengali
Chief Executive

Mr. Muhammed Irfan Ghani
Chief Operating Officer

Mr. Sikandar Mustafa Khan

Mr. Istaqbal Mehdi

Mr. J.M. Pereira

Mr. Mohammed Khalid Ali

COMPANY SECRETARY

Mr. Irfan Ahmed Qureshi

AUDITORS

Sidat Hyder Qamar & Co.
(Chartered Accountants)

LEGAL ADVISOR

Mohsin Tayebaly & Company

BANKERS

Union Bank Limited
Habib Bank Limited
Gulf Commercial Bank Ltd.
National Bank of Pakistan
Bank of Khyber

SHARES DEPARTMENT & HEAD OFFICE

1st Floor, State Life Building # 3,
Dr. Ziauddin Ahmed Road, Karachi.
E-mail: bwheels@khi.compol.com
Website: <http://www.bwheels.com>

Telephone # 5689259, 5683474, 5687502

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FACTORY & REGISTERED OFFICE

Main RCD Highway, Hub Chowki,

Lasbella, Baluchistan.

Telephone # (0202) 32496, 32497, 32498

Fax # (0202) 33035

Notice of the Meeting

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of the Company will be held at the company's Registered office, Main RCD Highway, Hub Chowki, District Lasbella, Baluchistan, on Saturday, December 16, 2000 at 09:00 a.m. to transact the following business:-

1. To confirm the minutes of the 19th Annual General Meeting held on November 27, 1999.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 2000 together with the Directors' and Auditors' reports thereon.
3. To approve dividend (Directors have recommended Final dividend @ 17.5% in addition to interim dividend already paid @ 15% thus making the total dividend of 32.5% for the year ended June 30, 2000.)
4. To appoint Auditors for the year ending June 30, 2001 and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider, ratify and approve the remuneration of the Chairman, Chief Executive and full time working Director.
6. Any other Business with the permission of the Chair.

By Order of the Board

IRFAN AHMED QURESHI

Company Secretary

NOTES:

- 1) The Share Transfer Books of the Company will remain closed from December 09, 2000 to December 16, 2000 (both days inclusive)
2. A member entitled to attend and vote at the General Meeting may appoint another member as his/her proxy to attend the meeting and vote instead of him/her. Proxies in order to be effective must be received by the company not less than 48 hours before the meeting.
3. Shareholders are advised to immediately notify of any change in their addresses to our Shares Department, 1st floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi.

CDC Account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

For Attending the Meeting/Appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his Identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.,
- ii) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- iii) The proxy form shall be witnessed by two persons whose names, address and NIC numbers shall be mentioned on the form.
- iv) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- v) The proxy shall produce his original NIC or original passport at the time of meeting. Transport will be provided to members from the Karachi Stock Exchange Building to attend the meeting. Departure from Stock Exchange Building will be at 08:00 a.m.

According to the press release of The Karachi Stock Exchange (Guarantee) Limited, we may advised all our respective shareholders to please let us have their declaration as required under the law as soon as possible, so that the Zakat Exemption can be recorded for all future Dividend payments.

STATEMENT UNDER SECTION 160 (1) (B) OF THE COMPANIES ORDINANCE, 1984

Approval of remuneration of the Chairman, Chief Executive and full time working Director of the Company.

The approval of nominal increase in remuneration alongwith other benefits as per the services rules paid to Chairman, Chief Executive and the full time working Director as per recommendations of the Board of Directors of the Company. For this purpose it is proposed that the following resolution be passed as an ordinary resolution.

RESOLVED that an annual aggregating sum not exceeding Rs. 7.400 million be and is hereby authorized for payment towards remuneration alongwith other benefits as per the services rules to Chairman, Chief Executive and the full time working Director M/s. Muhammad Siddique Memon, Razak H.M. Bengali, and Muhammad Irfan Ghani respectively.

Chairman s Review

Your Directors are pleased to present ANNUAL ACCOUNTS of the company for the year ended June 30, 2000, which is also the first review of the company's annual operations in the New Millennium.

OPERATING RESULTS:

The sales during the period under review was Rs. 337 million which is slightly lower than the last year's sales of Rs. 340 million. The company would have met the projected sales target of Rs. 369 million, but due to overall depressed market conditions and other economic indicators being unfavourable, the purchasing power of the buyers of automobiles remained depressed, and therefore, there was a decline in the sales of passenger car wheel rims to the assemblers. Your company during the period under review sold 227,355 wheel rims as compared to 271,618 wheel rims last year. The automobile assemblers are making all-out efforts to increase sales of their products by arranging car financing scheme. However, it appears that due to depressed market conditions, the sales volume of wheel rims has also not increased. Furthermore, the rupee devaluation has also affected this industry, due to which the increase in sale prices of cars by some of the OEMs would certainly affect the vending industry.

As far as sales of truck/bus wheel rims are concerned during the period under review, there has been a negligible increase, and it is hoped that a change in the Government policy will lead to an increase in the sales of truck/bus wheel rims in the coming year.

The sales of tractor wheels during the period under review was 103,203 tractor wheels as compared with 120,572 tractor wheels sold last year.

Your management feels pleasure in informing the shareholders that there has been a lot of improvement in the export sales during the current financial year as compared to last year. We have exported wheels valuing at Rs. 7 million as compared to Rs. 4 million last year. We can further increase our share in the export market, once we have developed the designs as required by European buyers, a working on which is under way. Your company participated in the international exhibitions held in France and Germany. It will be heartening to note that we are exporting wheels to Germany and we have received further orders from there for passenger car wheel rims.

It is expected that the operation of the most modern electro deposition (ED) painting system, installed by your company, will help in enhancing our exports in the international market.

In spite of all the difficulties mentioned above, your company was able to maintain its profitability and the profit before taxation was Rs. 64 million as compared to Rs. 62 million last year, and the profit after taxation was Rs. 50 million as compared to Rs. 42 million last year. We were able to achieve all this because of the tight control over the expenses which overall remained within the same vicinity as last year. We are happy that your company has done well, but it has been possible through joint effort of the entire management team, who helped us out in shaping the company better, and there is still a lot more to be done, because your company during the last few years has made no capital investment whatsoever in improving production facilities at the Factory. Furthermore, your machines have become very old, requiring extensive balancing and modernisation which have to be carried out to effect improvement in the plant and machinery, so that quality products are supplied to our customers. Your management is endeavouring to achieve these goals through organisation-wide commitment, quality consciousness, professional management and sound business practices and team-work.

FUTURE PROSPECTS:

Your company is fully committed to its customers to provide quality products at competitive prices, and we have taken all steps in this direction. Now, the most modern tool-room is in operation with Computerised Numeric Control Machine to enable us to consolidate our tool-room, so that inhouse development and maintenance of tools are carried out, resulting in saving of time and the country's precious foreign exchange. In addition, the most modern electro deposition (ED) painting system has been successfully commissioned, which resulted in painting of wheels in accordance with the international standards. Besides meeting the requirements of automobile assemblers, it will also help in augmenting the exports.

Your management is aware of the challenges of future, including World Trade Order (WTO) which will result in increased globalisation of trade and elimination of trade barriers, We at BWL are trying our best

to diversify our markets and are making various studies and research to develop other products required by automobile sector, so that we can increase our volume. We hope and pray to Almighty Allah to give us courage and strength to implement our plans.

The Auditors' observations concerning investment with National Bank of Pakistan (formerly: Mehran Bank Limited) and the loan and interest due to the Economic Affairs Division, Government of Pakistan, have been fully explained in Notes 19.1, 6.3 respectively and reason for change in Accounting Policy has also been stated in notes 2.3.3 and 2.9 of the Accounts.

The Government continues to reiterate its commitment to revamp the present economic system. There has been success in the Tax Amnesty Scheme, Tax Survey and recovery from chronic defaulters, but it will take some time to see the real improvement in the economy because of the other problems like balance of payment, resulting in continuous depreciation of Pak Rupee against strong currencies, privatisation of industry, inattraction of fresh capital investment in the economy, regular increase in fuel, electric and gas charges. Your company is also affected by all these economic issues and its performance is dependent on these factors as also on overall performance of auto and allied sector. We would like to bring to the attention of our members that the cost of raw materials and other inputs have increased because of change in the parity rate of rupee, and also once again it is sad that the banks have introduced deposit of 15% cash margin at the time of establishment of L/C. We have made representation to the Government that for the import of industrial raw material and plant and machinery, the condition of 15% cash margin be removed, as otherwise it will lead to increase in the raw material cost and thereby it will result in increase in cost of sales of your products. Further, this will negate the Government policy of achieving export targets as fixed by the Government. Nevertheless, we have been able to achieve a significant growth and it is hoped that we continue with the same zeal in future also.

HUMAN RESOURCES:

We believe that our people are life-blood of the organisation. All possible measures are taken for their welfare, and this year we have made a new spacious canteen having all the facilities. Besides, regular sporting and other events are also encouraged for their rest and recreation.

The company puts lot of emphasis on the training and development of its employees who are nominated regularly to attend various courses to update their technical and intellectual capabilities.

ACKNOWLEDGEMENT:

The Directors place on record their appreciation for the valuable contribution made by all employees in the progress and development of the company. Further, the relationship between the management and employees remained cordial.

BASIC EARNING PER SHARE

Based on the net profit for the current year, the earning per share improved to Rs. 4.31 from Rs. 3.62 last year.

For and on Behalf of the Board

MUHAMMAD SIDDIQUE MEMON
Chairman

Karachi: November 15, 2000

Directors' Report to the Shareholders

The Directors of your company take pleasure in presenting their twentieth ANNUAL REPORT with Audited Accounts of the company together with Auditors' report thereon for the year ended of June 30, 2000.

	<i>(Rupees in '000')</i>	
	<i>2000</i>	<i>1999</i>
FINANCIAL RESULTS		
Profit before Taxation	63,825	61,535
	-----	-----
Profit after Taxation	50,015	41,980
Unappropriated Profit brought forward	7,252	58
	-----	-----
Profit available for appropriation	57,267	42,038
Appropriations:		
Interim Dividend 15% (1999: 15%)	17,393	17,393
Proposed Final Dividend 17.5% (1999: 15%)	20,291	17,393
Unappropriated Profit carried forward	19,583	7,252
EARNING PER SHARE	Rs. 4.31	Rs. 3.62

The Board proposes payment of Final Dividend of 17.5 % in addition to interim dividend of 15%

already paid, thus making a total Dividend of 32.5% for the year under review.

CHAIRMAN'S REVIEW

Your Directors endorse the contents of the Chairman's Review, which deals with the company's activities during the year, and forms part of the Directors' Report.

DIRECTORS

Mr. Nasim Beg, nominee Director of NIT resigned, and Mr. Istaqbal Mehdi was taken on the Board in place of Mr. Nasim Beg. The Board welcomes Mr. Istaqbal Mehdi on his appointment as Director and places on record its appreciation for the valuable services rendered by Mr. Nasim Beg.

Subsequently, On November 15, 2000, Mr. Akbar Ali Hussain, joined as nominee Director of State Life Insurance Corporation in place of Mr. J.M. Pereira, who has retired from State Life. The Board welcomes Mr. Akbar Ali Hussain and places on record the services rendered by Mr. J.M. Pereira.

AUDITORS

The retiring Auditors, Sidat Hyder Qamar & Co., being eligible, offer themselves for reappointment.

PATTERN OF SHAREHOLDING

A statement of the pattern of shareholding of the company as on June 30, 2000 is annexed to this Annual Report.

For and on behalf of the board

RAZAK H.M. BENGALI
Chief Executive

Karachi; November 15, 2000

Auditors Report to the Members

We have audited the annexed balance sheet of **BALUCHISTAN WHEELS LIMITED** as at 30 June 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 statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

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

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in notes 2.3.3 and 2.9 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 confirm 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 30 June 2000 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Without qualifying our report we draw attention to note 19.1 to the accounts in respect of Rs.50.840 million deposited with former Mehran Bank Limited (MBL) and note 18 in respect of Rs. 18.272 million return accrued thereon and notes 6.3 and 8 (i) to the accounts. The affairs of the former MBL have been taken over by National Bank of Pakistan and the matters relating to MBL are reportedly pending settlement.

KARACHI: November 15, 2000

CHARTERED ACCOUNTANTS

Balance Sheet as at 30 June 2000

	Note	(Rupees in '000')	
		2000	1999
SHARE CAPITAL AND RESERVES			
Authorised capital			
15,000,000 Ordinary shares of Rs. 10/- each		150,000	150,000
		=====	=====
Issued, subscribed and paid-up capital	3	115,950	115,950
General reserve		101,498	101,498
Accumulated profit		19,583	7,252
		-----	-----
		237,031	224,700
LONG-TERM DEPOSIT	4	544	353
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	5	8,157	12,244
DEFERRED INCOME	2.5.2	865	2,017
DEFERRED LIABILITY- Compensated absences	2.3.3	2,454	--
CURRENT LIABILITIES			
Overdue portion of long-term loan-secured	6	85,851	859,851
Current portion of liabilities against assets subject to finance lease	5	12,950	9,051
Creditors, accrued and other liabilities	7	55,799	52,154
proposed dividend		20,291	17393
		-----	-----
		174,891	164,449
CONTINGENCIES AND COMMITMENTS	8	--	--
		-----	-----
		423,942	403,763
		=====	=====
FIXED ASSETS-TANGIBLE			
Operating assets - at book value	9	124,666	120,730
Capital work-in-progress	10	23,574	--
		-----	-----
		148,240	120,730
LONG-TERM INVESTMENTS-AT COST	11	450	450
LONG-TERM LOANS	12	631	445
LONG-TERM DEPOSITS AND OTHER RECEIV	13	2,896	4,531
CURRENT ASSETS			
Stores, spares and loose tools	14	13,940	20,281
Stock-in-trade	15	98,796	62,402
Trade debts- unsecured, considered good	16	36,875	59,064
Loans, advances, deposits and prepayments	17	22,351	26,128
Other receivables	18	22,994	25,347
Short-term investments	19	50,840	56,840
Bank balances	20	25,929	27,545
		-----	-----
		271,725	277,607
		-----	-----
		423,942	403,763
		=====	=====

Auditors' Report Annexed

These accounts should be read with the annexed notes.

MUHAMMAD SIDDIQUE MEMON
CHAIRMAN

RAZAK H. M. BENGALI
CHIEF EXECUTIVE

Profit & loss Account for the year ended 30 June 2000

	Note	(Rupees in '000')		
		2000	1999	
Sales - net	21	336,901	339,773	
Cost of sales	22	235,176	238,202	
Gross profit		101,725	101,571	
Operating expenses				
Administrative	23	28,690	25,765	
Selling and distribution	24	7,629	9,707	
		36,319	35,472	
Operating Profit		65,406	66,099	
Other income	25	5,864	4,064	
		71,270	70,163	
Financial charges	26	3,938	5,372	
Workers' profit participation fund		3,367	3,240	
Workers' welfare fund		140	16	
		7,445	8,628	
Profit before taxation		63,825	61,535	
Provision for taxation - current	27	13,678	19,555	
- prior		132	--	
		13,810	19,555	
Profit after taxation		50,015	41,980	
Accumulated profit brought forward		7,252	58	
Profit available for appropriation		57,267	42,038	
Appropriations:				
Interim dividend @15% (1999: 15%)		17,393	17,393	
Proposed final dividend @ 17.5% (1999: @ 15%)		20,291	17,393	
		37,684	34,786	34,786
Accumulated profit carried forward		19,583	7,252	7,252
		(Rupees)		
Earning per share Basic and diluted	29	4.31	3.62	3.62

These accounts should be read with the annexed notes.

MUHAMMAD SIDDIQUE MEMON
CHAIRMAN

RAZAK H. M. BENGALI
CHIEF EXECUTIVE

Cash Flow Statement for the year ended 30 June 2000

	Note	(Rupees in '000')	
		2000	1999
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	75,990	86,545

Income tax paid	(13,883)	(15,342)
Mark-up and bank charges paid	(665)	(896)
Financial charges on leased assets	(3,273)	(4,476)
	-----	-----
Net cash inflow from operating activities	58,169	65,831
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(45,157)	(4,677)
Proceeds from sale and lease back transactions	8,081	2,324
Proceeds from sale of fixed assets	2,319	2,007
Decrease/(increase) in Long-term deposits and other receivables	1,635	(756)
Proceeds from maturity of investment under Musharika Arrangement	6,000	4,000
Return on Musharika arrangement and on term and deposit accounts	3,786	2,417
	-----	-----
Net cash (outflow)/inflow from investing activities	(23,336)	5,315
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of liabilities under finance lease	(10,829)	(7,405)
Dividend paid	(25,620)	(39,872)
	-----	-----
Net cash outflow from financing activities	(36,449)	(47,277)
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(1,616)	23,869
Cash and cash equivalents at beginning of the year	27,545	3,676
	-----	-----
Cash and cash equivalents at the end of the year	25,929	27,545
	=====	=====

These accounts should be read with the annexed notes.

MUHAMMAD SIDDIQUE MEMON
CHAIRMAN

RAZAK H. M. BENGALI
CHIEF EXECUTIVE

Statement of Changes in Equity for the year ended 30 June 2000

	<i>Share Capital</i>	<i>General Reserve</i>	<i>Accumulated Profit</i>	<i>Total</i>
	<i>(Rupees in '000')</i>			
Balance as at 30 June 1998	115,950	101,498	58	217,506
Profit for the year after taxation	--	--	41,980	41,980
Interim dividend	--	--	(17,393)	(17,393)
Final dividend	--	--	(17,393)	(17,393)
	-----	-----	-----	-----
Balance as at 30 June 1999	115,950	101,498	7,252	224,700
Profit for the year after taxation	--	--	50,015	50,015
Transferred to general reserves	--	--	--	--
Interim dividend	--	--	(17,393)	(17,393)
Proposed final dividend	--	--	(20,291)	(20,291)
	-----	-----	-----	-----
Balance as at 30 June 2000	115,950	101,498	19,583	237,031
	=====	=====	=====	=====

These accounts should be read with the annexed notes.

MUHAMMAD SIDDIQUE MEMON
CHAIRMAN

RAZAK H. M. BENGALI
CHIEF EXECUTIVE

Notes to the Accounts for the year ended 30 June 2000

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated on 16 June 1980 in Pakistan as a public limited company. Since 1994, it is listed on the Karachi Stock Exchange. Its main business activity is to manufacture and market automotive wheels rims for trucks, buses, tractors, cars and mini

commercial vehicles.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

2.2 Accounting convention

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

2.3 Staff retirement benefits

2.3.1 Defined benefit gratuity scheme

The Company operates an approved and funded defined benefit gratuity scheme for all eligible employees who have completed the minimum qualifying period of service as on the balance sheet date. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with independent actuarial valuation carried out as of 30 June 2000 using Projected Unit Credit method.

Under this method, the cost of providing gratuity is charged to the income statement so as to spread the regular cost over the service lives of the employees in accordance with the advice of qualified actuaries who carry out a full valuation once in every three years.

Actuarial gains are recognised and spread forward over average remaining service lives of employees in excess of the following corridor limits, whichever is higher.

* 10% of the present value of the defined benefit obligations; and

* 10% of the fair value of plan assets

2.3.2 Defined contributory provident fund

The Company also operates an approved defined contributory provident fund scheme for all eligible employees who have completed the minimum qualifying period of service. Equal contributions are made by the Company and the employees.

2.3.3 Deferred liability for employees compensated absences

The revised International Accounting Standard 19 relating to Employee Benefits became applicable during the year. This standard requires that an enterprise should make adequate provision in its books in respect of accrued absences accumulated by its employees. The Company's previous accounting policy was to account for these absences on payment basis. Accordingly, the management has decided to change its accounting policy and has decided to make provision in respect of these absences to the extent of value of accrued absences of the employees. The liability of the Company in respect of these absences as at 30 June 2000 amounted to Rs. 2.454 million which has been fully provided for in the current year. Had the above policy not been revised the profit before taxation for the year would have been higher by Rs. 2.422 million.

2.4 Taxation

Provision for taxation is based on "Presumptive tax" under section 80C and 80CC of the Income Tax Ordinance, 1979. However, provision for taxation on other income is based on current rate of taxation. The Company accounts for deferred taxation, arising on major timing differences, if any, using the liability method.

2.5 Fixed assets and depreciation

2.5.1 Operating fixed assets

Operating assets are stated at cost less-accumulated depreciation except for the land which is stated at cost. Depreciation is charged on the reducing balance method except for the computer equipments which are depreciated on straight line method. Full year's depreciation is charged on addition of assets while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

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

2.5.2 Assets subject to Finance leases

The Company accounts for fixed assets acquired under finance leases by recording the assets and the related liability at the amounts, which are determined on the basis of

discounted value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to income applying the diminishing balance method at the rates stated in note 9.1 below.

Income on sale and lease back arrangements is deferred and amortized over the lease term.

2.6 Capital work-in-progress

All expenditures connected with specific assets, incurred during the construction period, are carried under this head. These are transferred to specific assets as and when assets are available for use.

2.7 Investments

Long-term investments are stated at cost. Provision is made for decline other than temporary, if any, in the value of investments.

Short-term investments are stated at lower of cost and market value.

2.8 Stores, spares and loose tools

Stores, spares and loose tools are valued at weighted average cost. Provision is made annually in the accounts for slow moving and obsolete items.

2.9 Stock-in-trade

Raw materials and components except for those in transit are valued at lower of weighted average cost and net realizable value (NRV).

Work in process is valued at average manufacturing cost.

Finished goods are valued at lower of average manufacturing cost and NRV.

Stock in transit are valued at cost comprising invoice value plus other charges incurred thereon.

During the year, the management of the Company has decided to change its policy with respect to scrap stock. The Company's previous accounting policy was not to account for scrap stock held at the year end. Accordingly, the Company has decided to change its accounting policy and decided to value scrap stock at NRV and account for in the books of account. The value of scrap stock as at 30 June 2000 amounted to Rs. 3.073 million which has been fully accounted for in the current year. Had the above policy not been revised the profit before taxation for the year would have been lower by 3.073 million.

NRV signifies the estimated selling price in the ordinary course of business less cost of completion and costs necessarily to be incurred to make the sale.

Provision is made for the slow moving and obsolete inventory based on management's judgement.

2.10 Trade debts

Trade debts are stated net of provision for doubtful debts. Provision for doubtful debts is based on management's assessment of customers' outstandings and creditworthiness. Known bad debts, if any, are written off as and when identified.

2.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent comprise of current and deposit accounts with the banks.

2.12 Financial instruments

Financial assets

Financial assets are long term investments, long term loans, long term deposits, trade debts, loans, advances, other receivables, short term investments and bank balances. Trade debts, advances and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amount, while other financial assets are stated at cost.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are finance lease obligations, long term deposits, interest/mark-up bearing loans/finances, creditors, accrued and other liabilities. Interest/mark-up bearing loans/finances are recorded at the gross proceeds received. Finance lease obligations are recorded as described in note 2.5.2 above. Other liabilities

are stated at their nominal value. Finance charges are accounted for on an accrual basis.

Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

Any resulting gain/loss, if any, on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

2.13 Foreign currency transactions

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet date. Bills payable against imports covered by forward exchange contracts are converted at the contracted rates. Any resulting gain or loss from changes in exchange rates is recognised in the statement of profit and loss.

2.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made.

2.15 Research and development costs

These are charged off as and when incurred.

2.16 Revenue recognition

Sales are recognised upon passage of title to the customers which generally coincides with physical delivery and acceptance.

Income on investments in shares is recognised, when the right to receive dividend is established whereas income from other investments in securities is recognised on the assumption that such investment will be held till the next terminal date and is computed on the applicable rate of yield for the number of days such investments are held. Return on deposit account is recognised on accrual basis.

Scrap sales are recognised on physical delivery.

(Rupees in '000')
2000 1999

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 10/- each

<i>Number of shares in '000'</i>				
2000	1999			
9,276	9,276	Fully paid in cash	92,760	92,760
2,319	2,319	Issued as fully paid bonus shares	23,190	23,190
-----	-----		-----	-----
11,595	11,595		115,950	115,950
=====	=====		=====	=====
			544	353
			=====	=====

4. LONG-TERM DEPOSITS

This represents interest free deposits received from employees against car scheme. The amount will be adjusted after five years against book value of the vehicles.

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

5.1 This represents finance leases entered into with leasing companies for plant and machinery and vehicles. The total lease rentals due under the various lease agreements aggregating to Rs. 21.107 million (1999: 21.295 million) and are payable in equal monthly installments latest by 2004. Overdue rental payments are subject to an additional charge upto 3 percent per month. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 18 to 23 percent per annum have been used as discounting factor. Purchase options can be exercised by the lessee, paying 5 to 10 percent of the leased amount. The liability is partly secured by a deposit of Rs. 3.93 million. The movement in the financing lease liability is as follows:

(Rupees in '000')

	2000	1999
Balance as on 01 July	21,295	24,322
Assets acquired during the year	10,641	3,246
Adjustment made during the year	--	1,132
	-----	-----
	31,936	28,700
Less: Payments made during the year	10,829	7,405
	-----	-----
	21,107	21,295
Less: Current portion of the liability	12,950	9,051
	-----	-----
	8,157	12,244
	=====	=====

5.2 The future minimum lease payments and their present value, to which the Company is committed under lease agreements, are as follows'

Year	(Rupees in '000')					
	2000			1999		
	Future Lease Rentals	Future Financial Charges	Present Value	Future Lease Rentals	Future Financial Charges	Present Value
2000	--	--	--	11,974	2,909	9,065
2001	15,202	2,251	12,951	11,893	943	10,950
2002	4,855	970	3,885	733	166	567
2003	4,280	241	4,039	551	70	481
2004	233	1	232	233	1	232
	-----	-----	-----	-----	-----	-----
	24,570	3,463	21,107	25,384	4,089	21,295
	=====	=====	=====	=====	=====	=====

6. OVER DUE PORTION OF LONG TERM LOAN - Secured

	(Rupees in '000')			
	2000		1999	
	ADB Loan (Note 6.1)	Accrued Interest and ERF Re-scheduled (Note 6.2)	2000	1999
Current portion - overdue	66,656	19,195	85,851	85,851
	=====	=====	=====	=====

6.1 Represents balance of foreign currency loan granted by the Asian Development Bank (ADB) initially through Pakistan Automobile Corporation Limited (PACO). Under Novation agreement dated 26 May 1992 between Government of Pakistan (GOP), PACO and the Company, PACO stands discharged from the obligations of the agreement with ADB.

The remaining loan represents four overdue installments which were to be paid by September 01, 1997 which carries interest at the rate of 8.5 percent per annum.

The GOP has approved a Scheme of Exchange Risk Coverage on the Company's foreign currency loan with effect from 21 April 1987. According to the scheme, the foreign currency loan liability outstanding as at 21 April 1987 was converted into Rupees at the then prevailing exchange rate. The scheme envisages an exchange risk coverage fee at 5.5 percent of the loan outstanding in local currency.

6.2 Represents balance of accrued interest of Rs. 60.00 million and exchange risk coverage fee of Rs. 16 million rescheduled from January 06, 1990. The remaining amount represents four overdue installments which were to be paid by September 01, 1997.

6.3 Provision for interest and Exchange Risk Fee (ERF) on the above outstanding loan balance has not been made in these accounts since March 01, 1996. The management contending that the settlement of principal amount due, interest and ERF thereon is linked with the deposit made with former Mehran Bank Limited (MBL) now National Bank of Pakistan and return thereon as referred to in note 19.1, in view of the guarantees against the above loan, interest and ERF due to Economic Affairs Division (LAD), GOP were issued by the former MBL.

The management is of the view that the deposit and return thereon as aforesaid is sufficient to settle and discharge the outstanding dues of EAD, GOP hence no additional provision

is considered necessary in these accounts for the interest and ERF on said loan.

Subsequent to the Sale Agreement of 26 May 1992, the repayment of the principal, interest and exchange risk fee on the outstanding loan has been guaranteed by the former MBL to EAD, GOP. The package of securities for the guarantee includes land, building, plant, equipment and other assets of the Company. The said guarantee has expired in May 1997.

	Note	(Rupees in '000')	
		2000	1999
7. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		3,492	3,731
Bills payable		11,399	15,567
Accrued liabilities		12,563	10,740
Accrued interest on secured loan	6.3	7,218	7,218
Sales tax		--	4,103
Exchange risk coverage fee	6.3	4,671	4,671
Retention money and deposits		358	371
Gratuity payable	7.1	1,348	--
Workers' profit participation fund	7.2	3,367	3,240
Workers' welfare fund		674	741
Unclaimed dividend		10,360	1,194
Others		349	578
		-----	-----
		55,799	52,154
		=====	=====

7.1 Liability for gratuity arised in a following manner:

Present value of the defined benefit obligation	12,097
Less: Fair value of plan assets	11,455

Deficit	642
Unrecognised actuarial gains	706

Liability recognised in the balance sheet	1,348
	=====

The following costs were recognised during the year 2000:

Current service cost	1,271
Interest cost	1,452
Expected return on plan assets	(1,375)

	1,348
	=====

As the total liability based on actuarial valuation as aforesaid exceeds the fund's assets, the Company maintains a provision in its books of account for the shortfall.

Except for the current year costs, there is no movement in the net liability recognised as of balance sheet date.

Actual gain on the fund's assets during 2000 was Rs. 1.875 million.

The principal actuarial assumption used for the purpose of the actuarial valuation were as follows:

Rate of salary increase	11%
Rate of investment income	12%
Discount rate	12%

7.2 Workers' profit participation fund

Balance at beginning of the year	3,240	1,708
Allocation for the year	3,367	3,240
	-----	-----
	6,607	4,948
Interest on funds utilised in the Company's business	497	178
	-----	-----
	7,104	5,126
Less: Payments made during the year	3,737	1,886
	-----	-----
	3,367	3,240
	=====	=====

7.2.1 Full provision has been made for contribution to the fund. The contribution and interest

thereon is paid annually to the fund within the time limit specified by the Companies Profits (Workers' Participation) Act, 1968.

8. CONTINGENCIES AND COMMITMENTS

i) Claims of interest and ERF by EAD, GOP against the company not acknowledged as debt	6.3	49,171	35,487
ii) Commitments for capital expenditure		12,465	--
Bank guarantees in respect of duties payable on imported raw material		652	2,642
Indemnity bonds issued to the Collector of Customs against imported raw material		36,061	20,541
v) Letters of credit issued by Commercial banks		4,909	33,115

vi) At the balance sheet date the Company has unutilised running finance facilities amounted to Ks. 30 million (1999: Rs. 20 million) from various banks. The rate of markup ranges between 44 paisas to 47 paisas per day per rupees thousand.

These arrangements are secured by first pari passu charge on stocks and trade debts of the Company valuing Rs. 75 million and registered charge on fixed assets of the Company valuing Rs. 75 million.

The facilities for opening letters of credit and guarantees amounted to Rs. 200 million (1999: Rs. 105 million) of which Ks. 194.793 million (1999:69.243 million) remained unutilised as at 30 June 2000.

9. FIXED ASSETS-Tangible

9.1 Following is a statement of operating assets:

	<i>(Rupees in '000')</i>								
	<i>Cost at 01 July 1999</i>	<i>Additions/ (deletions)/ *Adjustment</i>	<i>Cost at 30 June 2000</i>	<i>Accumulated Depreciation at 01 July 1999</i>	<i>Depreciation for the year</i>	<i>Adjustments for disposal</i>	<i>Accumulated Depreciation at 30 June 2000</i>	<i>Book value at 30 June 2000</i>	<i>Depreciation Rate %</i>
Owned									
Land-freehold	10,454	--	10,454	--	--	--	--	10,454	--
Building on freehold land	32,155	5,186	37,341	17,091	1,017	--	18,108	19,233	5 & 10
Plant and machinery	312,442	11,539	315,900	243,757	9,929	--	253,686	62,214	10 & 20
		*(8,081)							
Electrical installations	12,089	--	12,089	9,826	226	--	10,052	2,037	10
Furniture and fixtures	1,382	1,406	2,708	913	186	(66)	1,033	1,675	10
		(80)							
Office equipments	3,265	427	3,692	1,515	218	--	1,733	1,959	10
Computer equipments	1,482	763	2,245	1,147	276	--	1,423	822	20
Vehicles	3,422	2,262	4,947	1,883	670	(254)	2,299	2,648	20
		(737)							
Library books	42	--	42	26	2	--	28	14	10
	376,733	21,583	389,418	276,158	12,524	(320)	288,362	101,056	
			(817)						
			*(8,081)						
Leased									
Plant and Machinery	23,208	*8,081	31,289	8,355	4,587	--	12,942	18,347	20
Vehicles	7,472	2,560	8,027	2,170	1,316	(722)	2,764	5,263	20
		(2,005)							
	30,680	2,560	39,316	10,525	5,903	(722)	15,706	23,610	
		*8,081							
		(2,005)							
	407,413	24,143	428,734	286,683	18,427	(1,042)	304,068	124,666	
		*8,081							
		*(8,081)							
		(2,822)							
1999	402,047	9,056	407,413	270,789	17,532	(1,638)	286,683	120,730	
		(3,690)							

	Note	(Rupees in '000')	
		2000	1999
9.2 Depreciation is allocated as under			
Cost of sales	22	15,882	14,717
In house manufacturing of spares	22	195	158
Administrative Expenses	23	2,350	2,657
		-----	-----
		18,427	17,532
		=====	=====

9.3 Details of disposal of Fixed Assets

Particulars of Assets	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain/ (loss)	Mode of Disposal	Particulars of Purchaser
Furniture	80	66	14	15	1	Negotiation	M/s. Mansoor Furniture
Suzuki Bolan	191	151	40	148	108	Negotiation	Mr. Adnan
Suzuki Margalla	482	96	386	387	1	Negotiation	Mr. Badar us Salam
Toyota Surf	2,005	722	1,283	1,709	426	Insurance Claim	M/s. Adamjee Insurance Co. Ltd.
Honda CD 70	64	7	57	60	3	Insurance Claim	M/s Adamjee Insurance Co. Ltd.
	-----	-----	-----	-----	-----		
	2,822	1,042	1,780	2,319	539		
	=====	=====	=====	=====	=====		
1999	3,690	1,638	2,052	2,007	(45)		
	=====	=====	=====	=====	=====		

10. CAPITAL WORK-IN-PROGRESS

Civil work	2,950	--
Plant and machinery	20,624	--
	-----	-----
	23,574	--
	=====	=====

11. LONG-TERM INVESTMENTS- at cost

In an associated company			
Quoted			
Bolan Castings Limited			
10,000 (1999: 10,000) Ordinary shares of Rs. 10/- each			
Market value Rs. 318,000/- (1999: Rs. 185,000/-)			
	100	100	100
10 years' Defence Saving Certificates	350	350	
	-----	-----	
	450	450	
	=====	=====	

11.1 These are held with the Bank as a security against guarantee issued in the favour of the Collector of Customs.

12. LONG-TERM LOANS-Secured

Considered good			
Executives	786	624	
Employees	228	137	
	-----	-----	
	1,014	761	
Less : Current maturity			
- Executives	302	273	
- Employees	81	43	
	-----	-----	
	383	316	
	-----	-----	
	631	445	
	=====	=====	

12.1 This represents interest free loan to executives and employees for purchase of motor cars, motor cycles, home appliances, house building and for staff welfare in accordance with the

Company's policy. These loans are recoverable in four years in equal monthly installments.
These loans are secured against the employees retirement benefits.

12.2 Maximum aggregate amount outstanding due from executives at the end of any month during the year was Rs. 1,013,593/- (1999: Rs. 883,619/-).

12.3 Aggregate amount of loans outstanding for period exceeding three years is Rs. 101,018/- (1999: 76,000/-).

13. LONG TERM DEPOSITS AND OTHER RECEIVABLES

Deposit against leased assets		1,387	3,067	3,067
Trade deposits	13.1	1,350	1,372	
Interest accrued on long term investments		159	92	
		-----	-----	
		2,896	4,531	
		=====	=====	

13.1 This represents interest free deposits to suppliers except for a deposit to KESC amounting to Rs. 530,100/- (1999: Rs. 530,100/-).

14. STORES, SPARES AND LOOSE TOOLS

Stores		978	1,418
Spares		16,552	19,138
Loose tools		225	270
		-----	-----
		17,755	20,826
Less: Provision for slow moving spares		3,815	545
		-----	-----
		13,940	20,281
		=====	=====

15. STOCK-IN-TRADE

Raw material and components			
In store		54,977	27,365
In transit		2,664	--
		-----	-----
		57,641	27,365
Work-in-process		37,214	27,639
Finished goods		2,446	7,398
		-----	-----
		97,301	62,402
Less: Provision for slow moving and obsolete stock		1,578	--
		-----	-----
		95,723	62,402
Scrap stock		3,073	--
		-----	-----
		98,796	62,402
		=====	=====

16. TRADE DEBTS

Unsecured			
Considered good			
Due from an associated undertaking		5,795	29,345
Others		31,080	29,719
		-----	-----
		36,875	59,064
Considered doubtful		916	1,430
Less: Provision for doubtful debts		916	1,430
		-----	-----
		--	--
		-----	-----
		36,875	59,064
		=====	=====

16.1 The maximum aggregate amount due from an associated undertaking at the end of any month during the year was Rs. 29.05 million (1999: Rs. 29.345 million).

17. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

Current portion of long term loans - secured, consi	12		
- executives		302	273
- employees		81	43

	383	316
Advances - Unsecured, considered good		
- for expenses	600	191
- to employees	545	317
- to suppliers	2,293	7,796
- Income tax - net	13,708	13,635
	17,529	22,255
Advances to suppliers - considered doubtful	433	--
Less: Provision for doubtful advances to suppliers	433	--
	--	--
	17,529	22,255
Letters of credit fee, margin and expenses	210	3,472
Deposits	4,093	--
Prepayments	519	401
	22,351	26,128

18. OTHER RECEIVABLES

Accrued return on short-term investments	19.1	18,272	18,272
Profit accrued on Musharika arrangement			220
Return accrued on term and other deposit accounts		338	--
Octroi refundable		1,248	2,003
Receivable against scrap sales		3,015	4,840
Sales tax refundable		288	--
Others		1,081	12
		24,242	25,347
Less: Provision for doubtful receivables		1,248	--
		22,994	25,347

19. SHORT-TERM INVESTMENT

National Bank of Pakistan (former Mehran Bank Limited) 19.1		50,840	50,840
Investment under Musharika arrangement		--	6,000
		50,840	56,840

19.1 In 1992, the Company placed a sum of Rs. 50.84 million as a short term deposit with the then Mehran Bank Limited (MBL). In 1995 the affairs of MBL had been taken over by National Bank of Pakistan (NBP) under a Scheme of Amalgamation prepared by the State Bank of Pakistan. Following this, NBP desired to link the said deposit and return accrued thereon in settlement and discharge of outstanding dues from certain parties which had related party relationship with certain former directors of the Company. The Company has, however refuted the claim of NBP, asserting that the said deposit was never placed or intended to be a security or pledge against any indebtedness of the Company or any other third party. In response to a suit filed by the Company in 1996 against NBP in the Honourable High Court of Sindh, the Honourable Court has, in an order passed during the year 1998 on a petition filed by the Company, directed NBP to deposit with the Nazir of the Court, an amount of Rs. 83.98 million, comprising the principal amount of deposit together with return accrued thereon upto 26 September 1996 of Rs. 33.36 million, so that pending the final decision of the case, the amount may be invested in income bearing government deposit schemes. In view of the usual delays that are associated in litigation and the element of uncertainty inherent in such matters, the management has reviewed the matter of accrual of return on the said deposit and as a matter of prudence, return on the said deposit has not been accrued since 1 July 1995. Pending the outcome of the Court's decision and because of the management's opinion that the principal amount of deposit as well as accrued return thereon as referred to in note 18 are realizable, no provision is considered necessary in these accounts.

20. BANK BALANCES

Current accounts	1,190	626
Deposit accounts	24,739	26,919

	25,929	27,545
	=====	=====

21. SALES - net

Local	21.1	380,204		383,121
Sales tax		(50,032)		(47,422)
		-----		-----
		330,172		335,699
Export		6,729		4,074
		-----		-----
		336,901		339,773
		=====		=====

21.1 Includes scrap sales of Rs. 6.331 million (1999: Rs. 5.304 million).

22. COST OF SALES

Raw material and components consumed

Opening stock		27,365		29,069
Purchase - net		171,975		139,240
Closing stock- Raw material		(57,641)		(27,365)
Closing stock- Scrap		(3,073)		--
		-----		-----
		138,626		140,944

Stores and spares consumed		17,766		14,377
Salaries, wages and benefits	22.1	38,036		27,113
Services rendered by contractors		4,026		2,052
Research and development		68		16
Transportation		2,541		2,320
Travelling and conveyance		1,909		1,416
Entertainment		822		530
Utilities		11,279		8,848
Communication		815		651
Rent, rates and taxes		49		146
Repairs and maintenance		734		650
Insurance		769		685
Subscription and periodicals		131		40
Printing and stationery		135		99
Motor vehicles expenses		806		444
Depreciation	9.2	15,882		14,717
Provision for slow moving and obsolete				
- Stocks		1,578		--
- Stores, spares and loose tools		3,815		545
Others		207		685
		-----		-----
		101,368		75,334

In house manufacturing of spares	9.2	(195)		(158)
		-----		-----

Total manufacturing cost		239,799		216,120
Work-in-process- Opening		27,639		32,969
- Closing		(37,214)		(27,639)
		-----		-----

Cost of goods manufactured		230,224		221,450
Finished goods - Opening		7,398		24,150
- Closing		(2,446)		(7,398)
		-----		-----
		235,176		238,202
		=====		=====

22.1 Salaries, wages and benefits include Rs. 2,340,649 (1999: Rs. 799,144) in respect of staff retirement benefits and compensated absences.

23. ADMINISTRATIVE EXPENSES

Salaries, Wages and benefits	23.1	12,957		12,574
Services rendered by contractors		1,605		988
Travelling and conveyance		917		791
Staff transportation		514		557
Utilities		767		543
Rent, rates and taxes		658		640
Repairs and maintenance		870		237
Printing and Stationery		246		237
Communication		824		787

Advertisement		99	23
Motor vehicle expenses		1,124	1,155
Insurance		360	453
Legal and professional fees		751	119
Subscriptions and donations	23.2	56	708
Auditors' remuneration	23.3	466	281
Corporate expenses		455	619
Depreciation	9.2	2,350	2,657
Entertainment		602	506
Provision for doubtful debts	16	916	1,430
Provision for doubtful advances	17	433	--
Provision for doubtful receivables	18	1,248	--
Others		472	460
		-----	-----
		28,690	25,765
		=====	=====

23.1 Salaries, wages and benefits include Rs. 469,498 (1999: Rs. 448,000) in respect of staff retirement benefits and compensated absences.

23.2 Includes donation of Rs. 20,000 (1999: Nil) paid to Rotary Club of Pakistan. None of the directors or their spouses had any interest in the donee.

23.3 Auditors' Remuneration

Audit fee		180	150
Tax and consultancy services		271	116
Audit fee of employees' funds		5	--
Out of pocket expenses		10	15
		-----	-----
		466	281
		=====	=====

24. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and benefits	24.1	719	546
Services rendered by contractors		197	121
Travelling and conveyance		80	50
Staff transportation		52	40
Communication		107	72
Carriage and forwarding		5,445	8,368
Advertisement, sales promotions and sampling		805	321
Entertainment		27	21
Motor vehicle expenses		122	82
Printing and stationery		17	34
Others		58	52
		-----	-----
		7,629	9,707
		=====	=====

24.1 Salaries, wages and benefits include Rs. 26,935 (1999: Rs. 24,120) in respect of staff retirement benefits and compensated absences.

25. OTHER INCOME

Return on term and other deposit accounts		2,476	958
Gain/(loss) on disposal of fixed assets	9.3	539	(45)
Profit on Musharika arrangement		1,428	951
Amortization of deferred income		1,152	1,440
Claim received on imported raw material		--	429
Exchange gain		139	--
Others		130	331
		-----	-----
		5,864	4,064
		=====	=====

26. FINANCIAL CHARGES

Financial charges on leased assets		3,273	4,476
Mark-up on running finance		61	532
Interest on workers' profit participation fund		497	178
Bank charges and excise duty		107	186
		-----	-----
		3,938	5,372
		=====	=====

27. TAXATION**27.1 Current**

Provision for taxation for the current year has been made in these accounts on the "presumptive tax" basis under section 80C and Section 80CC of the Income Tax Ordinance, 1979 (the Ordinance).

The assessment have been finalised upto the assessment year 1999-2000 by the Deputy Commissioner of Income Tax (DCIT). However, while finalizing the Company's assessment for the assessment years 1991-92 to 1993-94, the Assessing Officer enhanced the income of the Company invoking the provision of Section 80C(5) of the Ordinance and raised additional tax demands aggregating Rs. 14.657 million. The Company filed appeals before the Commissioner of Income Tax (CIT) Appeals against the above orders. On appeal, the CIT Appeals has set-aside the aforesaid additional tax demand against which appeals have been filed to the Income Tax Appellate Tribunal.

As the management is confident that on the merit of the case ultimate decision will be in the Company's favour, no provision has been made in the accounts in respect of the aforementioned additional tax liability.

27.2 Deferred

The Company is subject to tax under Section 80C, 80CC i.e., presumptive tax regime and under normal tax on other income, under the Ordinance. Accordingly, the major part of the Company's tax liability is determined on the basis of deductions made under section 50(4) and 50(5A) of the ordinance, irrespective of the profit. Therefore, no consideration has been given to the timing differences which might determine deferred taxation in the foreseeable future.

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for the year are as follows:

	<i>(Rupees in '000')</i>					
	2000			1999		
	<i>CHIEF EXECUTIVE</i>	<i>DIRECTORS</i>	<i>EXECUTIVES</i>	<i>CHIEF EXECUTIVE</i>	<i>DIRECTORS</i>	<i>EXECUTIVES</i>
Remuneration	1,380	2,520	4,964	1,126	2,053	4,149
Housing	621	1,134	2,234	507	924	1,870
Conveyance			287			250
Retirement benefits	138	252	496	113	206	364
Compensated absences	113	207	1,076			
Medical expenses	79	91	685	32	128	606
Utilities	138	252	87	113	184	255
	----- 2,469	----- 4,456	----- 9,829	----- 1,891	----- 3,495	----- 7,494
Number	=====	=====	=====	=====	=====	=====
	1	2	28	1	2	28

28.1. In addition the Chief Executive, Directors and certain executives are also provided with free use of the Company's maintained cars, leave fair assistance, house hold items and other benefits in accordance with their terms of employment.

29. EARNINGS PER SHARE- BASIC AND DILUTED

Net profit for the year after taxation	<i>(Rupees in '000')</i>	50,015	41,980
Average Ordinary share in issue during the year		=====	=====
		11,595	11,595
Earnings per share	<i>(Rupees)</i>	=====	=====
		4.31	3.62

30. PLANT CAPACITY AND ACTUAL PRODUCTION

	<i>(Number of Units in '000')</i>	
Plant capacity	376	376
Actual production	228	255

The under utilisation of capacity was due to lower demand during the year.

31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sale of goods	76,941	116,895
Dividend income	25	15
Subscription paid	--	600

All material transactions with associated undertakings are at an arm's length.

32. NUMBER OF EMPLOYEES

The Company had 280 (1999: 265) employees at the year end.

Profit before taxation	63,825	61,535	
Adjustments for:			
Depreciation	18,427	17,532	
Provision for compensated absences	2,454	--	
Provision for gratuity	1,348	--	
Capital work in progress written off	--	561	
Provision for obsolete stock	1,578	--	
Provision for slow moving spares	3,815	545	
Provision for doubtful debts	916	1,430	
Provisions for doubtful advances	433	--	
Provisions for doubtful receivables	1,248	--	
Financial charges	3,938	5,372	
Amortization of deferred income	(1,152)	(1,440)	
Profit on Musharika arrangement	(1,428)	(951)	
Return on term and other deposit accounts	(2,476)	(958)	
(Gain)/loss on disposal of fixed assets	--	45	
	-----	-----	
Operating profit before working capital changes	92,387	83,671	
Effect on cash flow due to working capital changes			
(Increase)/decrease in current assets:			
Stores, spares and loose tools	2,526	(3,295)	
Stock-in-trade	(37,972)	28,273	
Trade debts	21,273	(39,140)	
Loans, advances, deposits and prepayments	3,417	(5,871)	
Other receivables	1 223	(798)	
	-----	-----	
	(9,533)	(20,831)	(20,831)
Increase in long term loans	(186)	(192)	
(Decrease)/increase in creditors, accrued and other liabilities	(6,869)	23,682	
Increase in long term deposits	191	215	
	-----	-----	
Cash generated from operations	75,990	86,545	
	=====	=====	

34. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Interest/mark-up rate risk exposure

The Company's exposure to interest / mark-up rate risk and the effective rates on its financial assets and liabilities as of 30 June 2000 are summarized as follows:

2000	Interest/mark-up bearing				Non Interest/mark-up bearing				Total
	Maturity upto one year	Maturity from one to five years	Maturity after five years	Sub-total	Maturity upto one year	Maturity after one year	Maturity after five years	Sub-total	
	(Rupees in '000')								
Financial assets									
Investments	50,840	--	350	51,190	--	--	--	--	51,190
Loans	--	--	--	--	383	631	--	1,014	1,014
Deposits	530	--	--	530	4,093	2,207	--	6,300	6,830
Advances	--	--	--	--	3,438	--	--	3,438	3,438
Trade debts									
Associated undertakings	--	--	--	--	5,795	--	--	5,795	5,795
Others	--	--	--	--	31,080	--	--	31,080	31,080
Other receivables	--	--	--	--	22,865	--	--	22,865	22,865
Bank balances	--	--	--	--	25,929	--	--	25,929	25,929
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	51,370	--	350	51,720	93,583	2,838	--	96,421	148,141
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Financial liabilities									
Loans and liabilities	85,851	--	--	85,851	--	544	--	544	86,395
Liabilities against asset subject to									
Finance lease	12,950	8,157	--	21,107	--	--	--	--	21,107
Deferred liability-Compensated ab	--	--	--	--	--	2,454	--	2,454	2,454
Creditors, accrued and									
Other liabilities	--	--	--	--	55,125	--	--	55,125	55,125
	-----	-----	-----	-----	-----	-----	-----	-----	-----

	98,801	8,157	--	106,958	55,125	2,998	--	58,123	165,081
<i>1999</i>	<i>Interest/mark-up bearing</i>				<i>Non Interest/mark-up bearing</i>				
	<i>Maturity upto one year</i>	<i>Maturity from one to five years</i>	<i>Maturity after five years</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Maturity after five years</i>	<i>Sub-total</i>	<i>Total</i>
	<i>(Rupees in '000')</i>								
Financial assets									
Investments	56,840	--	350	57,190	--	--	--	--	57,190
Loans	--	--	--	--	--	445	--	761	761
Deposits	--	530	--	530	--	3,909	--	3,909	4,439
Advances	--	--	--	--	8,304	--	--	8,304	8,304
Trade debts									
Associated undertakings	--	--	--	--	29,345	--	--	29,345	29,345
Others	--	--	--	--	29,719	--	--	29,719	29,719
Other receivables	--	--	--	--	25,439	--	--	25,439	25,439
Bank balances	--	--	--	--	27,545	--	--	27,545	27,545
	56,840	530	350	57,720	120,668	4,354	--	125,022	182,742
Financial liabilities									
Loans and liabilities	85,851	--	--	85,851	--	353	--	353	86,204
liabilities against assets subject to									
Finance lease	9,051	12,244	--	21,295	--	--	--	--	21,295
Creditors, accrued and									
Other liabilities	--	--	--	--	47,310	--	--	47,310	47,310
	94,902	12,244	--	107,146	47,310	353	--	47,663	154,809

The effective interest/mark-up rates for the monetary financial assets / liabilities are mentioned in the respective note to the accounts.

Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company attempts to control credit risk associated with the carrying amount of its receivables by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of such customers.

The Company invests its available cash and cash equivalent with bank.

Fair value of financial instruments

The major portion of the Company's financial instruments are of a short term nature and would be settled in the near future, the fair values of these instruments are not considered to be materially different from their carrying values.

35. CORRESPONDING FIGURES

Corresponding figures have been reclassified, wherever necessary, to facilitate comparison.

MUHAMMAD SIDDIQUE MEMON
CHAIRMAN

RAZAK H. M. BENGALI
CHIEF EXECUTIVE

Five Years at a Glance

<i>Balance Sheets</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Share Capital & Reserves					
Authorised Capital					
15,000,000 Ord. shares of Rs. 10/-	150,000	150,000	150,000	150,000	150,000
Issued, subscribed and paid up c	115,950	115,950	115,950	115,950	115,950
Reserve for issue of bonus share	--	--	--	--	--
General reserve	87,498	100,798	101,498	101,498	101,498
Unappropriated profit	88	46	58	7,252	19,583
	203,536	216,794	217,506	224,700	237,031
Deferred Income	--	--	--	2,017	865

Long Term Loan-ADB	22,517	--	--	--	--
Liab Assets sub to Finance Lease	--	--	17,441	12,244	8157.00
Deferred Liability	--	--	--	--	2,454
Long Term Deposits	--	--	138	353	544

Current Liabilities

Current portion of long term loan	63,334	85,851	85,851	85,851	85,851
Current portion of finance lease	--	--	6,880	9,051	12,950
Creditors, accrued & other liabilities	19,435	29,639	28,893	52,154	55,799
Proposed Dividend	23,190	17,392	23,190	17,393	20,291

	105,959	132,882	144,814	164,449	174,891
--	---------	---------	---------	---------	---------

	332,012	349,676	379,899	403,763	423,942
--	---------	---------	---------	---------	---------

Operating assets at cost less dep.	122,678	119,938	110,216	100,575	101,056
- Capital work in progress	3,061	561	561	--	23,574

	125,739	120,499	110,777	100,575	124,630
--	---------	---------	---------	---------	---------

Assets Sub to Finance Lease Investment	--	--	21,042	20,155	23,610
Investment	100	100	100	450	450
Long-term loans & deposits	1,095	1,455	4,027	4,976	3,527

Current Assets

Store, spares & loose tools	16,859	17,305	17,531	20,281	13,940
Stock-in-trade	38,785	65,474	90,675	62,402	98,796
Trade debts	38,063	46,374	21,354	59,064	36,875
Other receivables	26,982	23,030	24,470	25,347	22,994
Advances, Deposits, Prepayment	9,972	17,810	25,057	26,128	22,351
Short Term Investments	50,840	50,840	61,190	56,840	50,840
Cash & Bank Balances	23,577	6,789	3,676	27,545	25,929

	205,078	227,622	243,953	277,607	271,725
--	---------	---------	---------	---------	---------

	332,012	349,676	379,899	403,763	423,942
--	---------	---------	---------	---------	---------

Income Statement

	1996	1997	1998	1999	2000
Sales Local	188,864	210,539	173,766	331,072	323,841
Export	5,146	3,724	4,719	4,074	6,729
Other	4,608	4,084	9,245	4,627	6,331
Total	198,618	218,347	187,730	339,773	336,901
Cost of Sales	134,036	148,583	128,509	238,202	235,176
Gross Profit	64,582	69,764	59,221	101,571	101,725
Administration Expenses	14,900	21,283	20,040	25,765	28,690
Selling Expenses	5,760	5,985	6,680	9,707	7,629
	20,660	27,268	26,720	35,472	36,319
Other Income	1,179	3,057	3,338	4,064	5,864
Operating Profit	45,101	45,553	35,839	70,163	71,270
Financial & Other Charges	12,472	6,781	3,513	8,628	7,445
Profit Before Taxation	32,629	38,772	32,326	61,535	63,825
Provision for Taxation	5,800	8,122	8,424	19,555	13,810
Profit After Taxation	26,829	30,650	23,902	41,980	50,015
Unappropriated Profit b/f	49	88	46	58	7,252
Available for Appropriation	26,878	30,738	23,948	42,038	57,267
Appropriations:					
Dividend	23190	17392	23190	34,786	37,684
Transfer to General Reserve	3,600	13,300	700	--	--
	26,790	30,692	23,890	34,786	37,684

Unappropriated Profit c/f	88	46	58	7,252	19,583
---------------------------	----	----	----	-------	--------

Income Statement	1996	1997	1998	1999	2000
-------------------------	-------------	-------------	-------------	-------------	-------------

Liquidity & Leverage Ratios

- Current Ratio	1.94	1.71	1.68	1.69	1.55
- Quick Ratio	1.41	1.09	0.94	1.18	0.91
- liability as a % of total assets	39.00	38.00	43.00	44.00	44.00
- Debt Equity Ratio	0.11	--	0.08	0.06	0.05

Equity Ratios

- Break up value per share Rs.	17.55	18.70	18.75	19.38	20.44
- Dividend as a % capital	20.00	15.00	20.00	30.00	32.50
- Dividend per share Rs.	2.00	1.50	2.00	3.00	3.25
- Dividend payout ratio (%)	86.43	56.74	97.00	82.86	75.34

Profitability Ratios

- G.P. %	32.51	31.95	31.54	29.89	30.19
Operating Profit %	22.71	20.86	19.09	20.65	21.15
- Profit before Tax %	16.43	17.76	17.22	18.11	18.94
- Profit after Tax %	13.51	14.04	12.73	12.35	14.84
- Earning per Share Rs.	2.31	2.64	2.06	3.62	4.31
- Plant Capacity Utilization %	53	54	61	68	61

Pattern of Shareholding**"Form 34"****Shareholders statistics as at June 30, 2000**

<i>No. of Shareholders</i>	<i>From</i>	<i>Range</i>	<i>To</i>	<i>No. of Shares</i>
381	1	--	100	19,325
1227	101	--	500	313,175
179	501	--	1000	136,900
203	1001	--	5000	401,425
28	5001	--	10000	211,675
10	10001	--	15000	134,750
5	15001	--	20000	95,200
3	20001	--	25000	70,600
2	25001	--	30000	55,800
1	30001	--	35000	32,500
2	40001	--	45000	84,450
1	45001	--	50000	49,600
1	50001	--	55000	51,500
1	65001	--	70000	66,500
1	70001	--	75000	71,150
1	75001	--	80000	77,500
2	95001	--	100000	196,000
1	105001	--	110000	106,000
1	120001	--	125000	123,450
1	135001	--	140000	137,250
1	165001	--	170000	165,500
1	205001	--	210000	207,500
1	240001	--	245000	241,000
1	285001	--	290000	289,125
1	340001	--	345000	340,975
1	370001	--	375000	371,800
1	485001	--	490000	488,000
1	545001	--	550000	547,600
1	785001	--	790000	786,500
1	1365001	--	1370000	1,365,500
1	1560001	--	1565000	1,563,125
1	2790001	--	2795000	2,793,625
-----			-----	
2063			11,595,000	

<i>Categories of shareholders</i>	<i>No. of shareholders</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	2,019	5,711,175	49.26
Joint stock companies	18	1,470,125	12.68
Financial institutions	14	4,114,750	35.49
Insurance companies	3	290,575	2.50
Investment companies	6	8,125	0.07
Others	3	250	0.00
	----- 2,063	----- 11,595,000	----- 100.00
	=====	=====	=====