

## **Agriauto Industries Limited**

### **Annual Report 1999**

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#### **COMPANY INFORMATION**

##### **BOARD OF DIRECTORS**

R.D. Minwalla	Chairman
Syed Ikram Haider	Chief Executive
Rais Ahmed	(Nominee ICP)
Mansoor G. Habib	
Tayyeb Afzal	
Sohail P. Ahmed	
Asfandiyar R. Minwalla	
Owaisul Mustafa	

**COMPANY SECRETARY** Fahim Kapadia

**AUDITORS** Ford, Rhodes, Robson, Morrow  
Chartered Accountants

**SHARE REGISTRAR** Noble Computer Services (Pvt) Ltd.,  
2nd Floor, AI-Manzoor Building,  
Dr. Ziauddin Ahmed Road,  
Karachi.

**REGISTERED OFFICE** Agriauto Industries Ltd.  
5th Floor Siddiquesons Tower,  
Main Shahrah-e-Faisal,  
Karachi-75350  
Pakistan.

**FACTORY** Mouza Baroot,  
Hub Chowki, Distt. Lasbella,  
Balochistan.

#### **NOTICE OF MEETING**

NOTICE is hereby given that the eighteenth Annual General Meeting of the Company will be held at Raffia Choudri Memorial Centre, Sidco Avenue Centre, 264 R.A. Lines, Karachi on Thursday, December 2, 1999 at 11:00 a.m.

#### **ORDINARY BUSINESS**

1. To approve the Audited Accounts for the year ended June 30, 1999 alongwith the Directors' and Auditors' Report thereon.
2. To appoint Auditors for the year 1999 - 2000 and to fix their remuneration. The retiring Auditors M/s Ford, Rhodes, Robson, Morrow (Chartered Accountants) being eligible offer themselves for re-appointment.
3. To elect seven Directors of the Company for a period of three years under section 178(1) of the Companies Ordinance 1984, in place of the retiring Directors namely:-

- (i) Mr. R. D. Minwalla
- (ii) Mr. Asfandiyar R. Minwalla
- (iii) Mr. Tayyeb Afzal
- (iv) Mr. Mansoor G. Habib
- (v) Mr. Sohail P. Ahmed

- (vi) Mr. Owaisul Mustafa
- (vii) Syed Ikram Haider
- (viii) Mr. Rais Ahmed (Nominee ICP)

#### **SPECIAL BUSINESS**

4. By way of special business to pass the amendments in the existing Articles of Agriauto Industries Ltd. and delete redundant and inconsistent provisions.

"RESOLVED AS PER SPECIAL RESOLUTION that the existing Articles of Agriauto Industries Ltd. be and are hereby amended, in view of certain Articles thereof need to be deleted as they have either become redundant or inconsistent with the provisions of the Companies Ordinance 1984. For that purpose the attached amendments to set of Articles of Association initialed by the Director of the Company be and is hereby approved and adopted as the Articles of Association of the Company, in substitution for and to the exclusion of all existing provisions of the Articles of Association."

RESOLVED that the Chief Executive and or the Company Secretary be and is hereby authorized to take all such steps as may be necessary or incidental for the purpose.

Statement under section 160(1)(b) of the Companies Ordinance 1984 pertaining to the special business is being sent to the members with this notice.

5. To consider any other business with the permission of the chair.

**By order of the Board.**

**FAHIM KAPADIA**  
**Company Secretary**

Karachi: November 8, 1999

#### **NOTES:**

1. The Share transfer books of the company will remain closed from November 25, 1999 to December 2, 1999. (Both days inclusive)
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received at the registered office of the company duly stamped and signed not less than 48 hours before the time of holding the meeting.
3. Members are requested to promptly communicate any change in their addresses to Company's Share Registrar, M/s. Noble Computer Services (Pvt.) Ltd. 1st Floor, Al-Manzoor Building, Dr. Ziauddin Ahmed Road, Karachi. Phone: 2635511 (4 Lines)
4. The proposed amendments to the Articles of Association of the Company is being sent to the members along with the notice.

#### **ATTACHMENT TO THE SPECIAL RESOLUTION**

##### **SPECIAL RESOLUTION:**

The following Articles of Association are being proposed to be deleted, amended/modified or substituted.

##### **Article - 3**

"Existing Article - 3 be and is hereby substituted with the following Article."

"COMPANY TO PURCHASE ITS OWN SHARES - Subject to the provisions of Section 95-A of the Ordinance, company may purchase its own shares".

##### **Article - 39**

"Existing Article - 39 be and is hereby substituted with the following Article."

"POWER TO SUBDIVIDE AND CONSOLIDATE SHARE CAPITAL - The Company, may alter its share capital, in accordance with the provisions of Section 92 of the Companies Ordinance, 1984.

##### **Article - 85**

"Existing Article - 85 be and is hereby modified."

"NUMBER OF DIRECTORS - The number of Directors shall not be less than seven nor more than twelve, excluding Technical Directors (if any) and Directors representing special interest as mentioned in Section 195 of the Ordinance".

##### **Article - 88**

"Article - 88 be and is hereby deleted and other Articles be and are hereby renumbered accordingly".

##### **Article - 89**

"Article - 89 be and is hereby deleted and other Articles be and are hereby renumbered accordingly".

**Article - 94**

"Article - 94(j) & (k) and are hereby deleted."

**Article - 102**

"Existing Article - 102 be and is hereby substituted with the following Article and hereby renumbered as Article 100."

"POWER OF DIRECTORS TO FIX THE NUMBER OF DIRECTORS - Subject to the provisions of Section 178(1) of the Companies Ordinance and Article 85, the Company in Board of Directors Meeting shall fix the number of Directors ought to be elected and the number so fixed shall not be changed except with the prior approval in the General Meeting."

**Article - 112**

"Article - 112 be and is hereby deleted and other Articles be and are hereby renumbered accordingly".

**Article - 122**

"Existing Article - 122 be and is modified as follows and is hereby renumbered as Article 119."

"Directors shall appoint any person, including an elected Director to be the Chief Executive of the Company in the manner provided in Section 198 and 199 of the Ordinance for a term not exceeding three years from the date of appointment and may remove a Chief Executive so appointed in the manner provided in Section 202 of the Ordinance. The terms and conditions of appointment of the Chief Executive shall be determined by the Board of Directors.

**Article - 125**

"Existing Article - 125 be and is modified as follows and is hereby renumbered as Article 122"

"REMUNERATION OF EXECUTIVE DIRECTORS, etc - The remuneration of an Executive Director or Director holding any office as is mentioned in Article 120 may from time to time determined by the Company in board of directors meeting and may be by way of fixed salary, or commission or dividend, profits or turnover of the Company or of any other company in which the Company is interested in or by participation in any such profits or by any or all of those modes. The remuneration of any such Director may include such provision (if any) for himself or any dependents (whether by pension, superannuation or otherwise) after the termination of his office as the Directors shall think proper. A Director holding any such office as is mentioned in Article 120 shall not be precluded merely by reason of his office of Director from membership of any Superannuation or Pension Fund for the time being established or supported by the Company."

**EXPLANATORY STATEMENT UNDER SECTION 160 (1) (b) OF COMPANIES ORDINANCE, 1984**

This explanatory statement under section 160 (1) (b) of the Companies Ordinance, 1984 is annexed to the notice of the Annual General Meeting to be held on December 2, 1999 and sets out the material facts concerning the Special Business to be transacted at the Meeting.

By way of Special Business at the Annual General meeting of the shareholders approval is required to amend, delete or modify Articles of the existing Articles of Association of the Company as they have either become irrelevant, redundant, inconsistent with the provisions of the Companies Ordinance, 1984, overlap or need not to be translated with more structured set of Articles of Associations.

**DIRECTORS REPORT**

1. The directors of the Company take pleasure in submitting their report alongwith the audited accounts of the Company, and Auditors Report thereon, for the year ended June 30, 1999 as follows:

Profit before Taxation	7,741
Provision for Taxation	1,511
	-----
Profit after Taxation	6,230
Add: Accumulated losses brought forward	(29,476)
	-----
Accumulated losses carried forward	(23,246)
	=====

**2. CHAIRMAN'S REVIEW**

The Chairman's Review is given on Page 6 and 7 deals with the year's activities and Directors of the Company endorse contents of the same.

**3. PATTERN OF SHAREHOLDINGS**

The Pattern of shareholdings is given on page 25

**4. AUDITORS**

Messers Ford, Rhodes, Robson, Morrow (Chartered Accountants) retire and being eligible, offer themselves for re-appointment as the auditors of the Company for the year 1999-2000.

**5. EARNING PER SHARE**

Earning per share for the year ended June 30, 1999 is Re 0.26.

**By order of the Board.**

**SYED IKRAM HAIDER**  
Chief Executive

Karachi: October 26, 1999

## **CHAIRMAN'S REVIEW**

It is my great pleasure to welcome you to the 18th Annual General Meeting of Agriauto Industries Limited and present the report on the performance of the Company for the year ended June 30, 1999 along with the Auditors' Report.

### **1. THE ECONOMY AND AUTOMOTIVE ENGINEERING SECTOR**

The industry faced several environmental challenges during the year under review, which included devaluation of Pak rupees, slowing of macro economic activities, thus hindering the progress of Engineering Sector. The management is nevertheless optimistic of improved results by further market development, tight control on its overheads, increasing market share through continuous quality improvement and human resource training and technological updating.

Despite difficult business conditions and adverse economic indicators, the automotive sector showed slight improvement. The introduction of "Green Tractor Scheme" boosted agricultural Tractor sales, whilst maintaining the restriction on the import of used cars resulted in increase production of components for locally assembled passenger cars.

### **2. REVIEW FOR THE YEAR 1998-99**

Through careful control on expenses coupled with operating efficiency, your company achieved an impressive growth in turnover and profitability. Sales during the year 1998-99 were Rs. 301 million compared to Rs 238 million last year reflecting an increase of 26%, resulting in a Profit Before Tax of Rs. 7.7 million against Rs 4 million last year, registering an increase of 89%.

### **3. FUTURE OUTLOOK**

The company is developing products for assemblers of new cars viz. Suzuki Balano, Hyundai, OKA and Diahatsu Coure. After getting quality approval of our products we shall able to utilize our production facilities more efficiently.

The company is looking to the opportunities for Export in Asian and European markets with a view of expanding its range and ensuring diversion from the local OEM (Original Equipment Manufacturers).

### **4. ISO CERTIFICATION**

The Company is at its final stages of ISO-9002 certification We are hopeful that the final audit would be completed by the end of 1999 followed by Certification. The Certification will strengthen the company in promoting sales of our products within and outside the country.

### **5. INDUSTRIAL RELATION**

The labor management relations remained cordial. The unionised Staff and Executives extended full co-operation to the management in its drive for continuous improvement programme of cutting costs and increasing productivity.

### **6. YEAR 2000 COMPLAINT**

All hardware and software of the company are now Year 2000 compliant, Initial testing has been done and we are confident that there will be no problems in our computer systems.

### **7. ACKNOWLEDGMENT**

On behalf of the Board of Directors, I would like to place on record our appreciation to all our Patrons, customers, dealers and suppliers for their valuable help, support and contribution given to our company. I am also grateful to all our Bankers for their continued support during these difficult times. We also wish to record our thanks to our overseas Technical Collaborators Messers Maremont Corporation, USA (for Shock Absorbers & Struts) and Kayaba Industry Limited, Japan (for Gas Charged Shock Absorbers and Struts) for their technical help and advice.

The Board of Directors also acknowledges the contribution of all the Executives, staff and Workers who worked together as a team in achieving our Company objective.

Karachi  
Dated October 26th, 1999

**R. D. MINWALLA**  
Chairman

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AGRIAUTO INDUSTRIES LIMITED, as at June 30, 1999 and the related profit and loss account and the statement of changes in financial position (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:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position (cash flow statement), together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1999 and of the profit and the changes in financial position for the year then ended;

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980; and

(e) comparative figures in the accounts of the current year were audited by another firm of Chartered Accountants.

Karachi.  
Dated October 28, 1999

**Chartered Accountants.**  
**Ford. Rhodes, Robson, Morrow**

## BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rs. in '000')</i>	
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised Capital			
40,000,000 (1998: 40,000,000)			
Ordinary shares of Rs. 5 each		200,000	200,000
		=====	=====
Issued, subscribed and paid-up capital	3	120,000	120,000
Capital reserve	4	12,598	12,598
Accumulated losses		(23,246)	(29,476)
		-----	-----
		109,352	103,122
<b>LONG TERM LOANS</b>	5	32,716	20,077
<b>CURRENT LIABILITIES</b>			
Current Portion of Long term loans	5	9,391	14,522
Short term finances	6	35,604	35,517
Advances from Others	7	35,936	21,700
Creditors, Accrued and Other liabilities	8	57,702	74,937
Provision for taxation		2,701	1,191
		-----	-----
		141,334	147,867
<b>CONTINGENCIES AND COMMITMENTS</b>	9	-----	-----

		283,402	271,066
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>			
Operating assets	10	106,479	110,025
Capital work-in-progress	11	18,716	3,642
		-----	-----
		125,195	113,667
<b>LONG TERM DEPOSITS</b>	12	1,558	2,623
<b>DEFERRED COST</b>	13	3,891	
<b>CURRENT ASSETS</b>			
Stores and spares	14	9,155	8,525
Stock-in-trade	15	67,918	82,871
Trade debts	16	40,809	30,760
Advances, Deposits Prepayments and Other receivables	17	34,061	28,664
Cash and Bank balances	18	1,788	65
		-----	-----
		153,731	150,885
		-----	-----
		283,402	271,066
		=====	=====

The annexed notes form an integral part of these accounts.

**R.D. MINWALLA**  
Chairman

**SYED IKRAM HAIDER**  
Chief Executive

Karachi: October 26, 1999

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

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rs. in '000')</i>	
Sales	19	300,998	237,756
Cost of goods sold	20	238,255	186,082
		-----	-----
Gross Profit		62,743	51,674
Less: Administrative Expenses	21	14,830	13,744
Selling and Distribution Expenses	22	13,986	12,950
		-----	-----
		28,816	26,694
<b>Operating Profit</b>		33,927	24,980
Less: Financial charges	23	25,962	19,744
Other charges	24	505	285
		-----	-----
		26,467	20,029
Other income	25	7,460	4,951
		-----	-----
		281	(1,236)
Write-off of Mobike Stock	26	7,741	3,715
Prior-Period Adjustment	27	--	(12,318)
		-----	-----
		--	12,705
Profit before taxation		7,741	4,102
Provision for taxation-current	28	15,111	1,191
- prior		--	19
		-----	-----
		1,511	1,210
Profit after taxation		6,230	2,892
Accumulated Losses brought forward		(29,476)	(32,368)
		-----	-----

Accumulated Losses carried forward		(23,246)	(29,476)
		=====	=====
Basic earnings per share	29	0.26	0.12
		=====	=====

The annexed notes form an integral part of these accounts.

**R.D. MINWALLA**  
Chairman

**SYED IKRAM HAIDER**  
Chief Executive

Karachi: October 26, 1999

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT)  
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rs. in '000')</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
-Cash generated from operations	30	52,789	64,056
-Financial charges paid		(33,3371)	(29,595)
-Income tax paid		(2,731)	(8,194)
-Long Term deposits and deferred cost		2,038	1,090
		-----	-----
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		18,759	27,357
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
-Fixed capital expenditures		(24,615)	(1,475)
-Sale proceeds of fixed assets		213	3,413
		-----	-----
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		(24,402)	1,938
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
-Long term loans		7,279	(8,608)
		-----	-----
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1,636	20,687
Cash and cash equivalents at the beginning of the year		(35,452)	(56,139)
		-----	-----
Cash and cash equivalents at the end of the year	31	(33,816)	(35,452)
		=====	=====

**R.D. MINWALLA**  
Chairman

**SYED IKRAM HAIDER**  
Chief Executive

Karachi: October 26, 1999

**NOTES TO THE ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999**

**1. COMPANY BACKGROUND, OPERATION AND LEGAL STATUS**

Agriauto Industries Limited, a public limited company was incorporated in Pakistan on June 25, 1981 and was listed on the stock exchanges in June 1984. The company manufactures components for Automotive Vehicles, Motor Cycles and Agricultural Tractors.

**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**

The company operates an approved provident fund scheme for all its employees. Contributions in respect thereof are made in accordance with the terms of the scheme.

**2.3 Taxation**

**Current**

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

**Deferred**

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

**2.4 Tangible fixed assets****2.4.1 Owned**

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

Depreciation on fixed assets other than freehold land is charged on reducing balance method at the rates specified in note 10.

Full years depreciation is charged on additions during the year. No depreciation is charged on asset disposed or retired during the period.

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

Profit and loss on disposal of fixed assets is included in income currently.

**2.4.2 Capital-work-in-progress**

This includes costs pertaining to acquisition, construction, erection and installation of plant and machinery. Mark-up on loans/finances obtained for capital work-in-progress is charged to profit and loss account in the period in which they are incurred in accordance with the bench mark treatment as per IAS 23-Borrowing Costs.

**2.5 Stores and spares**

These are valued at cost on moving average basis.

**2.6 Stock-in-trade**

The basis of valuation has been specified against each as under:

Raw materials	-These are valued at cost on moving average basis.
Work-in-process	-Raw material and conversion cost are valued at moving average and average factory cost respectively or NRV whichever is lower.
Finished goods	-Raw material and conversion cost are valued at moving average and average factory cost respectively or NRV whichever is lower.
Goods-in-transit	-These are valued at cost comprising of C & F value plus other charges incurred thereon.

**2.7 Deferred cost**

Deferred costs are amortized over a period of five years, commencing from the year of incurrence.

**2.8 Foreign currency translation**

Transactions in foreign currencies are translated into rupees at the rates of exchange ruling on the date of the transactions. Assets and liabilities expressed in foreign currencies are translated into Pak rupees at the rate of exchange prevailing at the balance sheet date except where forward exchange contracts have been entered into in which case contract rates are applied.

Exchange differences arising directly on the acquisition of assets invoiced in foreign currency is included in the carrying amount of related assets, all other exchange differences are included in income currently.

**2.9 Revenue recognition**

Sales are recognised as revenue when goods are despatched to the customers.

**1999**                      **1998**  
(Rs. in '000')

**3. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL**

22,800,000 (1998: 22,800,000) Ordinary shares of Rs. 5 each fully paid in cash	114,000	114,000
1,200,000 (1998:1,200,000) Ordinary shares of Rs. 5 each issued as fully paid bonus shares	6,000	6,000



----- 24,000,000 =====	----- 120,000 =====	----- 120,000 =====
------------------------------	---------------------------	---------------------------

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rs. in '000')</i>	
<b>4. CAPITAL RESERVE</b>			
Third right shares premium		15,000	15,000
Third right shares issue expenses		(2,402)	(2,402)
		----- 12,598 =====	----- 12,598 =====
<b>5. LONG TERM LOANS-secured</b>			
Habib Bank Limited - IBRD		--	8,076
Habib Bank Limited - Demand Finance		--	23,233
Habib Bank Limited - Fresh Demand Finance	5.1	39,333	--
Investment Corporation of Pakistan-TFC		--	3,290
Habib Bank Limited - Deferred mark-up	5.2	2,774	--
		----- 42,107 =====	----- 34,599 =====
Less:			
Current portion - Shown under current liabilities			
Habib Bank Limited - IBRD		--	5,232
Habib Bank Limited - Demand Finance		--	6,000
Habib Bank Limited - Fresh Demand Finance		8,004	--
Investment Corporation of Pakistan-TFC		--	3,290
Habib Bank Limited - Deferred mark-up including overdue amount of Rs. 0.116 million (1998: Rs. Nil)		1,387	--
		----- 9,391 -----	----- 14,522 -----
		----- 32,716 =====	----- 20,077 =====

5.1 The fresh demand finance facility of Rs. 40 million (1998:Rs. Nil) has been granted by a bank against first equitable mortgage on all present and future movable and immovable properties of the company ranking pari passu with other creditors.

Under the above arrangement the company has sold its property for Rs. 40 million and will repurchase it back for Rs. 61.190 million. It carries mark-up at Re. 0.49 per thousand rupees per day. The loan is repayable in sixty equal monthly installments commencing from June 30, 1999.

5.2 Undebited mark-up on Habib Bank Limited loan has been converted into a separate interest free loan amounting to Rs. 2.774 million. This loan is repayable in 24 equal monthly installments starting from June 30, 1999.

#### **6. SHORT TERM FINANCES-Secured**

Running finances utilised under mark-up arrangements		35,604	35,517
		----- =====	----- =====

6.1 The running finances facility of Rs. 46 million (1998:Rs. 46 million) and finance under trust receipt facility of Rs. 3 million (1998:Rs. 6 million) obtained from various banks are secured by joint hypothecation of stock-in-trade, stores and spares and trade debts and second equitable charge on all current and future assets of the company.

The mark-up rates on the above finances range from Re. 0.442 to Re. 0.50 per thousand rupees per day.

At year end Rs. 13.438 million (1998:Rs. 16.624 million) remains utilized.

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rs. in '000')</i>	
<b>7. ADVANCES FROM OTHERS</b>			
Secured	7.2	3,177	5,407
Unsecured		32,759	16,293
		----- 35,936	----- 21,700

7.1 These advances are obtained from major Original Equipment Manufacturers (OEM) for the acquisition, construction, erection and installation of plant and machinery for manufacture of products to be developed by the company on their behalf.

7.2 This loan is secured against insurance guarantee.

## 8. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade Creditors		16,292	27,011
Mark-up Accrued on:			
Secured Long term loans		--	3,761
Secured Short term finances		3,003	7,043
Advances from others		2,093	1,897
		5,096	12,701
Sales tax payable		--	731
Royalty payable		6,066	6,216
Accrued expenses		7,734	6,406
Workers' Profit Participation Fund	8.1	490	286
Workers' Welfare Fund		73	73
Other liabilities		21,951	21,513
		57,702	74,937

Amounts due to associated undertakings at the year end aggregated Rs. 0.286 million (1998: Rs. 1.203 million).

### 8.1 Workers' Profit Participation Fund

At beginning of the year		286	71
Add: Allocation for the year		407	216
Less: Payments during the year		(203)	(1)
		490	286

## 9. CONTINGENCIES AND COMMITMENTS

### CONTINGENCIES

9.1 The outstanding bank guarantees issued to Collector of Customs as a security against import duty amounts to Rs. 10.428 million (1998: Rs. 6.864 million).

9.2 The outstanding insurance guarantees issued on behalf of the company to Original Equipment Manufacturers (OEM) as a security against mobilization advance amounts to Rs. 4.600 million (1998: Rs. 19 million).

9.3 Indemnity bonds issued in favour of Collector of Customs as a security against import duties amounts to Rs. 32.344 million (1998: Rs. 26.565 million).

### COMMITMENTS

9.4 Commitments in respect of outstanding letters of credit, amounts to Rs. 16.083 million (1998: Rs. 24.471 million).

## 10. OPERATING ASSETS

Assets	COST			Rate of Depreciation %	DEPRECIATION		
	As at July 1, 1998	Additions/ (Deletions)/ (Transfers)*	As at June 30, 1999		Accumulated Depreciation as at June 30, 1999	Charge for the Year/ (Adjustments)/ (Transfers)*	Written down value as at June 30, 1999
<b>OWNED</b>							
Freehold land	1,652	--	1,652	--	--	--	1,652
Buildings on freehold land	36,305	--	36,305	5-10	23,244	1,214	13,061
Plant, machinery and equipment	173,944	16,965 (125)	190,784	10	108,283	9,167 (66)	82,501
Furniture and fixtures	3,010	794 (76)	3,728	10	1,830	211 (45)	1,898
Office equipment**	1,007	240	1,247	20	700	137	547
Dies and tools	2,579	--	2,579	25	2,284	98	295
Computer equipment**	4,779	464	5,243	30	2,616	1,126	2,627
Vehicles	3,122	3,077	6,088	20	2,208	970	3,880

		(111)				(39)	
Canteen equipment	43	--	43	10	25	2	18
<b>ASSETS AGAINST FINANCE LEASE</b>							
Plant and machinery	12,000	--	--	10	--	--	--
		(12,000)*				(4,127)*	
1999	238,441	21,540 (12,312)	247,669		141,190	12,925 (4,277)	106,479
1998	230,158	10,735 (2,452)	238,441		128,416	12,135 (1,631)	110,025

\*\*Depreciation rate for office and computer equipment has been changed from 10% to 20% and 10% to 30% respectively due to shorter estimated life.

This change in estimated useful life has resulted in reduced net profit for the year by Rs. 0.891 million.

10.1 Depreciation charge for the year has been allocated as follows:

	<i>Note</i>	<i>1999</i>	<i>1999</i>
		<i>(Rupees in '000)</i>	
Cost of goods sold	20	11,597	11,428
Administrative expenses	21	816	401
Selling and distribution expenses	22	512	306
		12,925	12,135

10.2 The following Fixed assets were disposed off during the year:

<i>Particulars of Fixed Assets</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Written Down Value</i>	<i>Sales Proceeds</i>	<i>Profit/ (Loss)</i>	<i>Mode of Disposal</i>	<i>Particulars of Buyers</i>
<i>(Rupees in '000')</i>							
Suzuki Mehran	35	15	20	96	76	Company's car scheme	Mr. Muhammad Saleem
Honda CD-70	38	12	26	38	12	As per CBA agreement	Mr. Muhammad Ali
Honda CD-70	38	12	26	38	12	As per CBA agreement	Mr. Jawed Hussain
Telephone Exchange DCX-24	125	66	59	30	(29)	Negotiation	Integrated Devises Marketing - Karachi
Air Conditioners	76	45	31	11	(20)	Negotiation	Mr. Abubaker-Karachi
	312	150	162	213	51		
1998	*6,280	1,631	4,649	3,413	(1,236)		

\*It includes Rs. 3.828 million disposed off from capital work-in-progress.

	<i>1999</i>	<i>Additions/ (Transfers) (Rs. in '000')</i>	<i>1998</i>
<b>11. CAPITAL WORK-IN-PROGRESS</b>			
Plant & Machinery	18,716	18,716 (3,642)	3,642
		<i>1999</i>	<i>1998</i>
		<i>(Rs. in '000')</i>	
<b>12. LONG TERM DEPOSITS</b>			
Long term deposits		1,558	2,623

12.1 It consists of various deposits to utilities and other companies.

### 13. DEFERRED COST

Balance at beginning of the year	3,891	4,970
Less: Adjustment during the year	--	106
	-----	-----
	3,891	4,864
Amortisation during the year	973	973
	-----	-----
Balance at end of the year	2,918	3,891
	=====	=====

13.1 These expenses have been incurred on initial licence fees to Kayaba Industry Company Limited for the purpose of providing technical assistance for the manufacturing of Struts.

#### 14. STORES AND SPARES

Stores	2,382	1,738
Small tools & spares	67773	6,787
	-----	-----
	9,155	8,525
	=====	=====

#### 15. STOCK-IN-TRADE

Raw material	35,577	42,870
Packing material	1,130	1,094
Goods-in-transit	8,544	2,723
Work-in-Process	6,685	6,792
Finished goods	157982	297392
	-----	-----
	67,918	82,871
	=====	=====

#### 16. TRADE DEBTS - Unsecured

Considered good	40,809	30,760
Considered Doubtful	17709	1,800
	-----	-----
	42,518	32,560
Less: Provision for Doubtful Debts	17709	1,800
	-----	-----
	40,809	30,760
	=====	=====

The maximum amount due at the end of any month during the year from associated undertakings amounted to Rs. Nil (1998:Rs. 3.691 million).

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rs. in '000')</i>	
<b>17. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Considered Good - Unsecured			
<b>LOANS AND ADVANCES</b>			
-Loans to Staff and Workers		132	17
-Advances to-Suppliers and Contractors for goods and services	17.1	4,440	311,875
-Staff for purchases and expenses		118	347
		-----	-----
		4,690	3,549
<b>TRADE DEPOSITS</b>			
-Container Deposits		238	--
<b>PREPAYMENTS</b>			
		598	943
<b>OTHER RECEIVABLES</b>			
-Claim Receivable		12	1,499
-Octroi Refundable from K.M.C.		2,308	1,256
-Custom Duty Guarantee Margin Receivable		651	940
-Sales Tax Refund Receivable		2,638	122
-Tax deducted at source		22,926	20,196
-Others		--	159
		-----	-----
		28,535	24,172
		-----	-----
		34,061	28,664

17.1 Advances to Suppliers and Contractors for goods and services include advances to associated undertaking aggregating to Rs. 0.200 million (1998:Rs. 0.200 million).

17.2 The maximum aggregate amount of advance due from associated undertaking at the end of any month during the year was Rs. 0.200 million (1998: Rs.0.200 million).

## 18. CASH AND BANK BALANCES

Cash in hand	2	3
At Bank - Current Accounts	1,786	62
	-----	-----
	1,788	65
	=====	=====

## 19. SALES

Sales	302,148	238,123
Less: Discount	1,150	367
	-----	-----
Net Sales	300,998	237,756
	=====	=====

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rs. in '000')</i>	
<b>20. COST OF GOODS SOLD</b>			
<b>Raw Material Consumed:</b>			
-Opening Stock		42,870	32,228
-Purchases		138,516	119,370
		-----	-----
-Available		181,386	151,598
-Closing Stock		(35,577)	(42,870)
		-----	-----
		145,809	108,728
Salaries, Wages and Benefits		32,024	28,385
Transportation and Travelling		7,513	6,850
Water and Power		9,327	8,140
Postage, Telephone and Telex		669	631
Insurance		665	--
Repairs and Maintenance		1,177	790
Consumable Stores		12,848	9,161
Lease Rentals		--	253
Depreciation	10.1	11,597	11,428
Cartage and Octroi Charges		1,283	1,297
Rent and Taxes		481	--
Security Service Charges		278	259
Printing and Stationery		304	350
Amortisation Expense		973	973
Others		164	61
		-----	-----
		225,112	177,306
Work-in-process-Opening		6,792	7,591
Work-in-process-Closing		(6,685)	(6,792)
		-----	-----
Cost of goods manufactured		225,219	178,105
Finished Goods - Opening Stock		29,392	37,369
Finished Goods - Closing Stock		(15,982)	(29,392)
Rebates		(374)	--
		-----	-----
		238,255	186,082
		=====	=====

## 21. ADMINISTRATIVE EXPENSES

Salaries, Wages and Benefits	5,407	5,947
Directors' Remuneration and Fee	1,896	1,803
Transportation and Travelling	861	655
Water and Power	733	764
Rent and Taxes	1,511	1,418
Postage, Telephone and Telex	584	617
Advertisement and Publicity	140	34

Legal and Professional Charges		1,182	661
Repairs and Maintenance		525	264
Depreciation	10.1	816	401
Insurance		410	443
Security Services Charges		141	132
Printing and Stationery		377	369
Others		247	236
		-----	-----
		14,830	13,744
		=====	=====

	<i>Note</i>	<i>1999</i>	<i>1998</i>
<b>22. SELLING AND DISTRIBUTION EXPENSES</b>			
<i>(Rs. in '000')</i>			
Salaries, Wages and Benefits		2,698	3,416
Transportation and Travelling		571	675
Postage, Telephone and Telex		134	126
Advertisement and Publicity		233	345
Insurance		198	570
Royalty		2,141	1,388
Depreciation	10.1	512	306
Freight and Octroi Charges		6,253	4,649
Bad debts		663	300
Printing and Stationery		151	174
Lease Rentals		--	172
Security Services Charges		139	135
Repairs and Maintenance		13	44
After Sales Services		4	31
Others		276	619
		-----	-----
		13,986	12,950
		=====	=====

**23. FINANCIAL CHARGES**

Mark-up on Long Term Loans		8,955	3,117
Mark-up on Short Term Finances		10,190	10,814
Mark-up on Advances from Others		4,677	3,763
Mark-up on Finance Lease		--	239
Bank Charges, Commission and Other Charges		2,140	1,811
		-----	-----
		25,962	19,744
		=====	=====

**24. OTHER CHARGES**

Auditor's Remuneration	24.1	80	47
Workers' Profit Participation Fund		407	216
Donations	24.2	18	22
		-----	-----
		505	285
		=====	=====

**24.1 Auditor's Remuneration**

Audit Fee		55	45
Out of pocket expenses		25	2
		-----	-----
		80	47
		=====	=====

24.2 None of the directors or their spouses had any interest in any of the donees.

**25. OTHER INCOME**

Profit/(Loss) on Disposal of Fixed Assets			
Liabilities written back	10.2	51	(1,236)
		230	--
		-----	-----
		281	(1,236)
		=====	=====

**26. WRITE-OFF OF MOBIKE STOCK**

The C&F value of the CKD Kits of Mobikes lying at port since three years has been written-off as it has been decided to surrender for custom's auction.

**27. PRIOR PERIOD ADJUSTMENT**

This represent the writing back of liabilities of financial charges not required as the company has availed the State Bank of Pakistan incentive scheme.

**28. TAXATION****CURRENT**

The company's income tax assessments have been finalised upto and including assessment year 1997-98.

**DEFERRED**

Cumulative deferred taxation upto June 30, 1999 on major timing differences relating to accelerated tax depreciation allowances and carry forward of losses amounts to Rs. 10.635 million debit (1998: Rs. 12.354 million debit), of which Rs. 1.719 million credit relates to the current year (1998: Rs. 2.561 million credit). As a matter of prudence, the company has not accounted for this favourable deferred tax debit.

**29. BASIC EARNINGS PER SHARE**

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

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
		<i>(Rs. in '000')</i>	
<b>30. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		7,741	4,102
Adjustment for non cash charges and other items			
-Depreciation		12,925	12,135
-(Profit) / Loss on Sale of Fixed Assets		(51)	1,236
-Financial Charges		25,962	19,505
-Financial Charges on lease		--	239
-Liabilities written back		(230)	--
-Working Capital changes	30.1	6,442	26,839
		-----	-----
		52,789	64,056
		=====	=====

**30.1 WORKING CAPITAL CHANGES****-(Increase)/Decrease in Current Assets**

Stock and Stores		14,324	11,501
Trade Debts		(10,049)	9,753
Advances, Deposits, Prepayments & Other receivables		(2,667)	(1,195)
<b>-Increase/(Decrease) in Current Liability</b>			
Creditors, Accrued and Other Liabilities		(9,834)	9,278
Advances from Others		14,465	(2,713)
Workers' Profit Participation Fund		203	215
		-----	-----
		6,442	26,839
		=====	=====

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
		<i>(Rs. in '000')</i>	
<b>31. CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents comprise of the following items as included in the balance sheet:			
-Cash and Bank balances		1,788	65
-Short term finances		(35,604)	(35,517)
		-----	-----
		(33,816)	(35,452)
		=====	=====

**32. NUMBER OF EMPLOYEES**

The company employed 316 (1998:325) employees at the end of the year.

**33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Aggregate amounts in respect of:

-Purchase of goods and services		414	354
-Sales		--	12,115

**34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES****34.1 Credit risk exposure**

The company manages credit risk in trade receivables by limiting significant exposure to any individual customer by obtaining advances, deposits against sales and coverage under the agreements.

**34.2 Interest/mark-up rate risk exposure**

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

**34.3 Fair value Financial Instruments**

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

**35. REMUNERATION OF CHAIRMAN, CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	1999				1998			
	Chairman	Chief Executive (Rs. in '000')	Directors	Executives	Chairman	Chief Executive (Rs. in '000')	Directors	Executives
Fees	--	--	9	--	--	--	8	--
Managerial Remuneration	240	1,427	--	6,089	240	1,287	--	5,415
Retirement Benefits	--	84	--	321	--	84	--	302
Perquisites & Benefits								
-Utilities	95	15	--	63	--	114	--	68
-Medical	--	26	--	264	--	70	--	311
-Leave Encashment	--	--	--	304	--	--	--	183
	=====	=====	=====	=====	=====	=====	=====	=====
	335	1,552	9	7,041	240	1,555	8	6,279
	=====	=====	=====	=====	=====	=====	=====	=====
No. of Persons	1	1	6	28	1	1	6	19
	=====	=====	=====	=====	=====	=====	=====	=====

35.1 In addition, the Chairman, Chief Executive and some of Executives are provided with free use of company cars.

**36. PRODUCTION CAPACITY**

The production capacity of the company cannot be determined as this depends on the relative proportions of various type of components and parts of vehicles and tractors produced.

**37. GENERAL**

37.1 Figures in these accounts have been rounded off to the nearest thousand rupees.

37.2 To facilitate comparison of the previous year's figures have been re-arranged and re-classified, wherever considered necessary.

**R.D. MINWALLA**  
Chairman

**SYED IKRAM HAIDER**  
Chief Executive

**PATTERN OF HOLDING SHARES****HELD BY THE SHARE HOLDERS AS AT JUNE 30, 1999**

NUMBER OF SHARE HOLDERS	FROM	SIZE OF SHARE HOLDINGS	TO	TOTAL SHARES HELD
1,336	1	--	100	51,061
1,857	101	--	500	492,416
779	501	--	1,000	617,425
1,200	1,001	--	5,000	2,665,924
195	5,001	--	10,000	1,374,178
72	10,001	--	15,000	882,721
22	15,001	--	20,000	379,342
4	20,001	--	25,000	91,711
6	25,001	--	30,000	165,603
9	30,001	--	35,000	285,024
9	35,001	--	40,000	345,223
4	40,001	--	45,000	171,205
2	45,001	--	50,000	93,188
2	50,001	--	55,000	105,714
1	60,001	--	65,000	63,656
2	65,001	--	70,000	134,000
5	70,001	--	75,000	363,176
1	85,001	--	90,000	86,478



1	100,001	--	105,000	100,100
1	115,001	--	120,000	115,700
1	120,001	--	125,000	120,142
1	275,001	--	280,000	275,625
4	300,001	--	305,000	1,209,621
1	320,001	--	235,000	324,058
1	380,001	--	385,000	383,858
1	395,001	--	400,000	399,835
1	645,001	--	650,000	648,487
1	705,001	--	710,000	706,186
1	745,001	--	750,000	750,000
1	990,001	--	995,000	994,052
1	1,010,001	--	1,015,000	1,011,200
1	1,060,001	--	1,065,000	1,064,615
1	2,590,001	--	2,595,000	2,592,191
1	4,935,001	--	4,940,000	4,936,285
-----			-----	
5,525				24,000,000
=====			=====	

<i>Categories of Shares Holder</i>	<i>Number of Shares Holder</i>	<i>Shares Held</i>	<i>Percentage</i>
1. Individuals	5,471	8,073,325	33.639%
2. Investment Companies	6	1,510,772	6.295%
3. Insurance Companies	3	172,513	0.719%
4. Joint Stock Companies	18	2,880,526	12.002%
5. Financial Institutions	6	3,632,527	15.135%
6. Modaraba	7	1,112,894	4.637%
7. Foreign Investors	5	6,145,906	25.608%
8. Co-operative Societies	6	302,252	1.259%
9. Charitable Trusts	1	121	0.001%
10. Others	2	169,164	0.705%
-----			-----
<b>TOTAL</b>	<b>5,525</b>	<b>24,000,000</b>	<b>100.000%</b>
=====			=====