

General Tyre and Rubber Company of Pakistan Limited

Annual Report 1999

CONTENTS

Company Profile

Notice of Meeting

Chairman's Review

Directors' Report to the Shareholders

Five Years at a Glance

Graphic Illustrations

Auditors' Report to the Members

Balance Sheet

Profit & Loss Account

Statement of Changes in Equity

Cash Flow Statement

Notes to the Accounts

Pattern of Shareholding

COMPANY PROFILE

Board of Directors

Mr. Abdalazim Mohammad Ali A1-Shamali
Chairman

Dr A.S. Mufti
Chief Executive

Mr. Irfan Siddiqui

Mr. Zafar Aziz Osmani

Mr. Tasnimul Haq Farooqui

Mr. Istaqbal Mehdi

Mr. Nasim Beg

Lt. Gen (Retd) All Kuli Khan Khattak

Mr. Ahmed Kuli Khan Khattak

Mr. Raza Kuli Khan Khattak

Mr. Mushtaq Ahmed Khan

Mrs. Shaheen Khalil Tariq

Mr. Manuel Guerreiro

Secretary

Tasnimul Haq Farooqui

Major Bankers

American Express Bank Limited

Deutsche Bank AG

Muslim Commercial Bank Limited

National Bank of Pakistan

Allied Bank of Pakistan Limited

Faysal Bank Limited

National Development Finance Corporation

Credit Agricole Indosuez

Societe Generale The French and International Bank

Bank Al-Habib Limited

ANZ Grindlays Bank

Askari Commercial Bank Limited

Auditors

A. F. Ferguson & Co.

Chartered Accountants

Hameed Chaudhri & Co.

Chartered Accountants

Registered Office & Factory

H-23/2, Landhi Industrial Trading Estate, Landhi,

Karachi. Phone: 5080172-82

Head Office

P & O Plaza, I.I. Chundrigar Road, Karachi.

Phone: 2417571-4 Fax: 2430662, 2418'81

Branch Offices

Lahore:

Gardee Trust Building, Thornton Road, Lahore.

Phone: 7352663, 7313852 Fax: 7235745

Islamabad:

Plot No. 176, 1 - 10/3 Kurang Road, Islamabad.

Phone: 449955-6 Fax: 417071

Liaison Office

6, Agha Khan Road, F-6/4, Islamabad.

Phone & Fax: 820829

NOTICE OF MEETING

Notice is hereby given that the Thirty-sixth Annual General Meeting of The General Tyre & Rubber Company of Pakistan Limited will be held at Beach Luxury Hotel, Karachi on Thursday, the 30th December, 1999 at 2:30 p.m. to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting of the Shareholders held on August 21, 1999.
2. To receive and consider the audited accounts for the year ended 30th June, 1999 together with Directors' and Auditors' reports thereon.
3. To approve payment of final cash dividend @ Rs. 1.50 per share i.e. 15% as recommended by the Directors.
4. To appoint auditors for the year 1999 - 2000 and to fix their remuneration. The retiring auditors, Messrs A.F. Ferguson & Co., Chartered Accountants and Hameed Chaudhri & Co., Chartered Accountants, being eligible, offer themselves for reappointment.
5. Any other matter with the permission of the Chair.

BY ORDER OF THE BOARD

TASNIMUL HAQ FAROOQUI

Karachi

Dated: November 18, 1999

Secretary

NOTES:

1. The share transfer books of the Company will remain closed from 18th December, 1999 to 30th December, 1999 (both days inclusive). Transfers received at the Company's Shares Department located at Mezzanine Floor, Parker House, Aiwane Tijarat Road, Karachi at the close of business on 17th December, 1999 will be treated 'in time for the purpose of payment of dividend to the transferees.

2. A member entitled to attend and vote at the Annual General Meeting is entitled to cast his/her vote by proxy. Proxies must be deposited at the Company's Shares Department not later than 48 hours before the time for holding the meeting.

3. Members are requested to notify any change in their addresses immediately.

On behalf of your Board of Directors, I am pleased to present to you the Annual Report for the year ended June 30, 1999.

OPERATING PERFORMANCE

The Company's performance during the year under review has been most impressive. It crossed Rs. 2.0 billion mark in sales achievement, thus recording the highest sales ever achieved. The Company produced 743,780 tyres and sold 744,185 tyres during the year as against 668,666 tyres and 639,595 tyres respectively last year. The Gross Sales increased to Rs. 2,104.6 Million during the year under review, which was higher by 26% as compared to the last year's Gross Sales of Rs. 1,666.2 Million. The increase in sales is attributable to higher purchases by Defence Services and demand spurred by green tractor scheme. The gross profit increased to Rs. 389.9 Million representing 22 % of net sales as compared to Rs. 285.4 Million, representing 20% of net sales last year. The pretax profit increased to Rs. 179.3 Million as against Rs. 115.4 Million achieved last year due to higher volume sales and increase in other income resulting from gain on insurance claim of Rs. 62.1 Million.

MANUFACTURING

Production capacities were geared up to meet enhanced sales demand despite bottleneck in the mixing area. Insurance claim representing assets damaged due to fire in the mixing department was settled by the insurers. In order to rebuild the mixing room capacity, a consultant has been engaged to design/supervise civil work and list of equipment is being finalized. The requirement of compounds is still being met from outside sources.

MARKET

Increased purchases by Defence Services and higher demand for farm tyres emanating from green tractor scheme provided tremendous boost to the sales during the year under review. However, we anticipate difficult market conditions due to slow down in economic activity and reduced sales to Assembly Plants particularly Pak Suzuki.

BOARD OF DIRECTORS

As a consequence of election to the Board of Directors held in the Extra Ordinary General meeting on August 21, 1999, a new Board was elected. The Board Members place on record their appreciation for the valuable services rendered by the outgoing Directors namely Brig. (Retd.) Mahmud Jan, Mr. Adnan Ahmed Ali, Mr. Humayaun S. Mufti, Chaudhry Sher Mohammad, Mr. Samir Ahmed and Mr. David R. Johnson and welcome the new Directors on the Board

Y2K COMPLIANCE

All computer hardware, other automated equipment and software in use are Y2K compliant.

FUTURE OUT LOOK

The economy is currently passing through a delicate transitional phase amid economic slow down and change of government. In addition, dumping of tyres from China, Indonesia, Korea and Taiwan continues in large scale. Sustaining sales growth in the current financial year will be a challenge.

I am pleased to report that trial production of Steel Belted Radial tyres has been accomplished. Commercial production will be taken up after completion of field testing, which is in progress.

STAFF/LABOUR RELATIONS

New Collective Bargaining Agent (CBA) was elected in the elections held during the year. The Management maintains cordial relations with the CBA resulting in improved efficiency at factory.

On behalf of the Board, I wish to extend my appreciation for the dedicated services rendered by all the employees of the Company.

Abdalazim Mohammad Ali Al-Shamali
Chairman

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your directors are pleased to present the thirty sixth annual report and audited accounts of the company for the year ended June 30, 1999.

Rupees in thousand

Financial Results

Profit for the year after taxation	102,139
Unappropriated profit brought forward	533

	102,672
Appropriations	
Interim dividend @ 20%	34,155
Proposed final dividend @ 15%	25,616

	59,771

Unappropriated profit carried forward	42,901

Earning per share

=====

Rs. 5.98

Chairman's Review

The Directors of the Company endorse the contents of the Chairman's Review dealing with the activities of the Company.

Pattern of Shareholding

A statement showing the pattern of holding of shares as at June 30, 1999 is attached.

Technical Assistance Agreement

General Tire International Co. (GTIC) USA and Englewood Services Inc. (ESI) USA have communicated their intention not to renew Technical Assistance Agreement and agreement to supply technical personnel respectively. The Management is currently negotiating with GTIC and ESI on these issues. In case, discontinuation of technical assistance by GTIC is enforced, the Company will not be able to use the brand name "General" for its product and the corporate name "General Tyre".

Auditors

The present Auditors, Messers A.F. Ferguson & Co. Chartered Accountants and Hameed Chaudhri & Co. Chartered Accountants retire and being eligible, offer themselves for reappointment.

For and on behalf of the Board of Directors

Dr. A.S. Mufti
Chief Executive

Karachi: November 30, 1999

FIVE YEARS AT A GLANCE

	(Rupees in million)				
	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996*</i>	<i>1994</i>
Operating Results					
Gross sales	2,105	1,666	1,355	2,445	1,200
Net sales	1,788	1,404	1,089	1,974	990
Gross profit	390	286	137	252	162

Profit before tax	179	115	2	29	28
Profit after tax	102	75	3	9	30

Financial Position

Gross assets	2,245	1,716	1,771	1,727	1,581
Paid up share capital	171	171	171	155	124
Reserves and unappropriated profit	312	270	229	243	125
Shareholders' equity	483	441	400	398	249
Breakup value per share	28	26	23	26	20
Contribution to public exchequer	375	315	374	448	332
No. of employees	1,045	1,024	1,128	1,097	1,076

* 1996 Accounts are of eighteen months January 1995 - June 1996

AUDITORS' REPORT TO THE MEMBER

We have audited the annexed balance sheet of THE GENERAL TYRE AND RUBBER COMPANY OF PAKISTAN **LIMITED as at June 30, 1999 and the related profit and loss account, statement of changes in equity, and case flow** statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

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

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

(iii) the business conducted, investments made and 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, statement of changes in equity, and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in' the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1999 and of the profit, the changes in equity and cash flows for the year then ended; and

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

Co.
Chartered Accountants

Hameed Chaudhri & Co.
Chartered Accountants

Karachi, December 2, 1999

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
30,000,000 ordinary shares of Rs. 10 each		300,000	300,000
		=====	=====
Issued, subscribed and paid-up	3	170,775	170,775
Reserves			
Capital	4	108,675	108,675
Revenue	5	160,750	160,750
Unappropriated profit		42,901	533
		-----	-----
		312,326	269,958
		-----	-----
		483,101	440,733
REDEEMABLE CAPITAL	6	38,004	55,317
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES	7	45,703	30,348

DEFERRED LIABILITIES

Staff retirement gratuity		54,168	57,599
Deferred taxation	8	--	7,993

54,168 65,592

LONG TERM DEPOSITS FROM DEALERS

	9	6,850	6,600
--	---	-------	-------

CURRENT LIABILITIES

Current maturity of redeemable capital	6	17,313	14,506
Current maturity of long-term loan		--	3,622

Current maturity of liabilities against assets subject to finance leases	7	13,139	7,461
---	---	--------	-------

Short-term finances	10	--	45,000
---------------------	----	----	--------

Running finance under mark-up arrangements	11	48,984	90,133
--	----	--------	--------

Creditors, accrued expenses and other liabilities	12	628,582	295,149
---	----	---------	---------

Taxation		106,155	--
----------	--	---------	----

Dividends'	13	63,225	34,611
------------	----	--------	--------

877,398 490,482

CONTINGENT LIABILITIES AND COMMITMENTS

	14		
--	----	--	--

1,505,224 1,089,072

=====

TANGIBLE FIXED ASSETS

Operating fixed assets	15	362,214	282,705
------------------------	----	---------	---------

Capital work-in-progress	16	28,504	104,584
--------------------------	----	--------	---------

390,718 387,289

LONG TERM INVESTMENTS	17	458	604
-----------------------	----	-----	-----

LONG-TERM LOANS AND ADVANCES	18	2,439	2,015
------------------------------	----	-------	-------

DEFERRED TAXATION	8	37,722	--
--------------------------	---	--------	----

LONG-TERM DEPOSITS AND DEFERRED COSTS	19	1,868	2,403
--	----	-------	-------

CURRENT ASSETS

Stores and spares	20	163,597	147,529
-------------------	----	---------	---------

Stocks	21	408,466	334,386
--------	----	---------	---------

Trade debtors	22	150,512	77,975
---------------	----	---------	--------

Loans and advances	23	8,092	10,034
--------------------	----	-------	--------

Deposits, prepayments and other receivables	24	124,804	93,496
---	----	---------	--------

Taxation		--	1,128
----------	--	----	-------

Cash and bank balances	25	216,548	32,213
		1,072,019	696,761
		-----	-----
		1,505,224	1,089,072
		=====	=====

The annexed notes form an integral part of these accounts.

Abdalazim Mohammad Ali Al-Shamali

Chairman

Dr. A.S. Mufti

Chief Executive

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>(Rupees in thousand)</i>	<i>1998</i>
Net sales	26	1,787,891	1,403,635
Cost of sales	27	1,397,920	1,118,198
		-----	-----
Gross profit		389,971	285,437
Administrative expenses	28	48,675	42,284
Selling and distribution expenses	29	68,676	61,573
		-----	-----
		117,351	103,857
		-----	-----
Operating profit		272,620	181,580
Other income	30	80,919	11,134
		-----	-----
		353,539	192,714
Financial charges	31	52,595	62,144
Other charges	32	121,620	15,121
		-----	-----
		174,215	77,265
		-----	-----
Profit before taxation		179,324	115,449
Taxation	33	77,185	40,802
		-----	-----

Profit after taxation		102,139	74,647
Unappropriated profit brought forward		533	3,041
		-----	-----
Unappropriated profit carried forward		102,672	77,688
Appropriations			
Interim dividend - 20% (1998: Nil)		34,155	--
Proposed final dividend - 15% (1998: 20%)		25,616	34,155
Transfer to general reserve		--	43,000
		-----	-----
		59,771	77,155
		-----	-----
Unappropriated profit carried forward		42,901	533
		=====	=====
Basic earnings per share	34	Rs. 5.98	Rs. 4.37
		=====	=====

The annexed notes form an integral part of these accounts.

Abdalazim Mohammad Ali AI-Shamali
Chairman

Dr. A.S. Mufti
Chief Executive

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 1999

	<i>Share capital reserve</i>	<i>Share premium account</i>	<i>General reserve</i>	<i>Research and develop- ment</i>	<i>Unappro- priated profit</i>	<i>Total</i>
Rupees in thousand						
Balance as at June 30, 1997	170,775	108,675	105,000	12,750	3,041	400,241
Net profit for the year					74,647	74,647
Proposed final dividend 20%					(34,155)	(34,155)
Transfer to general reserve			43,000		(43,000)	--
	-----	-----	-----	-----	-----	-----
Balance as at June 30, 1998	170,775	108,675	148,000	12,750	533	440,733
Net profit for the year					102,139	102,139
Interim dividend - 20%					(34,155)	(34,155)

Proposed final dividend - 15%					(25,616)	(25,616)
Balance as at June 30, 1999	170,775	108,675	148,000	12,750	42,901	483,101

The annexed notes form an integral part of these accounts.

Abdalazim Mohammad Ali Al-Shamali
Chairman

Dr. A.S. Mufti
Chief Executive

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>(Rupees in thousand)</i>	<i>1998</i>
Cash flow from operating activities			
Cash generated from operations	35	408,510	330,284
Staff retirement gratuity paid		(14,229)	(12,658)
Financial charges paid		(55,100}	(78,079)
Taxes paid		(15,617)	(10,950)
Long-term loans and advances (net)		(4:24)	(1,259)
Long-term deposits		(554)	--
Long-term deposits from dealers		250	120
Insurance claim received		91,259	--
		-----	-----
Net cash inflow from operating activities		414,094	227,458
Cash flow from investing activities			
Fixed capital expenditure		(90,714)	(86,695)
Proceeds on disposal of fixed assets		2,819	263
Interest received		3,902	651
Exchange gain		--	15
		-----	-----
Net cash (outflow) from investing activities		(83,993)	(85,766)
Cash flow from financing activities			
Redeemable capital		(14,506)	(12,153)
Long-term loan		(3,622)	(12,000)

Liabilities against assets subject to finance leases		(10,333)	(6,073)
Short-term finances (net)		(4 5,000)	10,000
Dividends paid		(31,157)	(10)
		-----	-----
Net cash (outflow) from financing activities		(104,618)	(20,236)
		-----	-----
Increase in cash and cash equivalents		225,484	121,456
Cash and cash equivalents at the beginning of the year		(57,920)	(179,376)
		-----	-----
Cash and cash equivalents at the end of the year	36	167,564	(57,920)
		=====	=====

The annexed notes form an integral part of these accounts.

Abdalazim Mohammad Ali Al-Shamali

Chairman

Dr. A.S. Mufti

Chief Executive

NOTES TO AND FOXING PART OF THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

1. INTRODUCTION

1.1 The company was incorporated in Pakistan on March 7, 1963 as a private limited company and was subsequently converted into a public limited company. The company's shares are quoted on the Karachi and Lahore stock exchanges. The company is engaged in the manufacture of tyres and tubes for automobiles

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

Gratuity

The company operates an unfunded gratuity scheme for its employees, except for the senior executive staff, whose period of service is one year or more Annual provision is made to cover obligations under this scheme.

The company operates a funded gratuity scheme for its senior executive staff. For this purpose an actuarial valuation was carried out as of June 30, 1997 on the basis of the 'Attained Age Normal ' method. The actuarial valuation is carried out once in every three years.

At the valuation date the liability for past services was Rs 20.480 million. The principal actuarial assumptions used in valuation of the scheme as of June 30, 1997 by the actuary are:

Expected rate of growth in future salaries:	11% per annum
- Expected rate of return on fund:	12% per annum

The actuary has recommended the company to make contributions at a rate of 8.14 % to the fund annually. However, the company continues to make annual provision for gratuity for its senior executive staff on the basis of the last drawn basic salary of 35 days for each completed year of service.

Provident fund

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

2.3 Taxation

Current

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

Deferred

The company accounts for deferred taxation on all major timing differences using the liability method. However, deferred tax is not provided for, if it can be established with reasonable probability that the timing differences are not likely to reverse in the foreseeable future.

2.4 Tangible fixed assets and depreciation

Operating assets other than leasehold land are stated at cost less accumulated depreciation. Leasehold land and capital work-in-progress are stated at cost. Cost of certain assets consists of historical cost and net exchange differences on loans utilised for the acquisition of those assets.

Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life depending upon the class of assets.

A full year's depreciation is charged on additions except major capital expenditure representing extension to production facilities which are depreciated proportionately for the period of use during the year in which such cost is capitalised. No depreciation is charged on fixed assets disposed off during the year.

Consistent with prior years. items of fixed assets costing Rs 5,000 or less are not capitalised and are charged off in the year of purchase.

Maintenance and normal repairs are charged to expenses as and when incurred. Major repairs and renewals are capitalised. Profit or loss on disposal of fixed assets is recognised in income currently.

2.5 Fixed assets acquired on finance leases

The company accounts for fixed assets acquired under a finance lease by recording the asset and the related liability. These amounts 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 straight line method at rates stated in note 15.1 below.

2.6 Long term investments

Quoted investment are valued at the lower of cost and market value determined on a portfolio basis.

Dividends are recognised on receipt basis.

2.7 Deferred costs

Deferred costs are amortised over a maximum period of five years.

2.8 Stores and spares

Stores and spares are valued at average cost. Items in transit are valued at cost accumulated to the balance sheet date.

2.9 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost in relation to raw materials in hand has been calculated on a weighted average basis.

The cost of work in process and finished goods comprises of direct material and labour and appropriate production overheads.

Raw materials held in custom bonded warehouse and in transit are valued at cost accumulated to the balance sheet date.

Claim tyres are valued at their estimated realisable value.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs necessarily to be incurred for its sale.

2.10 Revenue recognition

Sales are recorded on despatch of goods.

2.11 Borrowing costs

Borrowing costs are included in the profit and loss account currently. However, costs which are directly attributable to capital expenditure are capitalised.

2.12 Translation of foreign currencies

Assets and liabilities in foreign currencies as at the balance sheet date are translated into rupees at the exchange rates prevailing on that date.

Exchange gains or losses on loans utilised for acquisition of plant and machinery are adjusted against the cost of such plant and machinery. All other exchange differences are included in the profit and loss account currency.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

<i>Note</i>	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Ordinary shares of Rs 10 each		
7,133,320 shares fully paid in cash	71,333	71,333
186,680 shares issued as fully paid for consideration other than cash	1,867	1,867
9,757,500 shares issued as fully paid bonus shares	97,575	97,575
-----	-----	-----
17,077,500 (1998: 17,077,500)	170,775	170,775
=====		

4. CAPITAL RESERVES

Share premium

At the beginning and end of the year

108,675	108,675
=====	=====

5. REVENUE RESERVES

General reserves

At the beginning of the year

148,000

105,000

Transferred from profit and loss account

--

43,000

148,000

148,000

Research and development reserve

At the beginning and end of the year

12,750

12,750

160,750

160,750

=====

=====

6. REDEEMABLE CAPITAL

Long term finance

Secured (Non-participatory)	55,317	69,823
Less: Current maturity shown under current liabilities	17,313	14,506
	-----	-----
	38,004	55,317
	=====	=====

6.1 The company has arranged a long term finance facility from Saudi Pak Industrial and Agricultural Investment Company (Private) Limited (Saudi Pak). Under the arrangement Saudi Pak has agreed to purchase certain assets of the company for a sum of Rs 85 million and the company has agreed to buy back the said assets for a sum of Rs 149.633 million. The rate of mark-up on this facility is 18.5% per annum. The company, during the eighteen months period ended June 30, 1996, received the first tranche of the purchase price amounting to Rs 46.5 million and Rs 3.921 million, representing a part of the second tranche of Rs 38.5 million. The remaining amount of Rs 34.579 million of the second tranche was received during the year ended June 30, 1997. The first tranche of the purchase price is repayable in twelve half yearly installments commencing April 22, 1996 and ending on October 22, 2001 and the second tranche is repayable in twelve half yearly installments commencing from December 3, 1996 and ending on June 30, 2002. The facility is secured against equitable mortgage of the company's immovable properties and demand promisory note.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Minimum lease payments outstanding		
1998-99	--	15,062
1999-2000	24,815	14,919
2000-01	24,214	14,175
2001-02	22,353	12,315
2002-03	9,771	--
2003-04	5,616	--
	-----	-----
	86,769	56,471
Less: Finance charge allocated to future periods	27,927	18,662
	-----	-----
	58,842	37,809
Less: Current maturity shown under current liabilities	13,139	7,461
	-----	-----
	45,703	30,348
	=====	=====

7.1 This represents finance leases entered into with leasing companies and a modaraba for plant and machinery and vehicles. The periodic lease payments include built in rates of mark-up ranging between 17.24% to 22% per annum.

8. DEFERRED TAXATION

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Credit/(debit) balances arising from:		
Accelerated tax depreciation allowances	16,912	11,552
Finance lease arrangements	382	3,409
Provision for staff retirement gratuity	(11,540)	(6,336)
Provision for doubtful debts	(2,610)	(632)
Provision for contingencies	(33,000)	--
Provision for doubtful custom duty rebates recoverable	(7,866)	--
	-----	-----
	(37,722)	7,993
	=====	=====

8.1 The deferred tax credit (net) of Rs 45.715 million arising due to timing differences under the liability method comprises of the following:

- Partial provision against deferred tax liability determined as of June 30, 1998 of Rs 23.980 million - note 8.1.1	7,993	7,993
- Deferred tax credit for the net reversing timing differences during the year ended June 30, 1999 - note 8.1.2	(53,708)	--
	-----	-----
	(45,715)	7,993
	=====	=====

8.1.1 The Institute of Chartered Accountants of Pakistan (ICAP) has adopted the International Accounting Standard No. 12 Income Taxes (Revised) - IAS 12 which requires that a deferred tax liability should be recognised for all taxable temporary differences. According to directives issued by ICAP, IAS 12 is now applicable to the company with effect from the year ending June 30, 2003. However, on grounds of prudence and as advised by ICAP, the company had charged during the year ended June 30, 1998 an amount of Rs 7.993 million to make a partial (one third) provision for the deferred tax liability of Rs 23.980 million as of June 30, 1998 comprising credit/(debit) balances in respect of:

**Deferred tax liabilities
as at June 30, 1998
(Rupees in thousand)**

Accelerated tax depreciation allowances	34,657
Finance lease arrangements	10,227
Provision for staff retirement gratuity	(19,008)
Provision for doubtful debts	(1,896)

	23,980
	=====

During the year ended June 30, 1999 the company has further charged Rs 7.993 million being one third of the deferred tax liability as of June 30, 1998 stated above. The remaining amount of Rs 7.994 million shall be charged in the accounts for the year ending June 30, 2000.

8.1.2 In addition to the partial provision made for the deferred tax liability determined by the company as of June 30, 1998 the company has recognised a deferred tax credit for the net reversing timing differences during the year ended June 30, 1999 on account of the following:

	Rupees in thousand
Deferred tax charge/(credit) arising from:	
Accelerated tax depreciation allowances	(6,192)
Finance lease arrangements	(6,436)
Provision for staff retirement gratuity	1,132
Provision for doubtful debts	(1,346)
Provision for Contingencies	(33,000)
Provision for doubtful custom duty rebates recoverable	(7,866)

	(53,708)
	=====

9. LONG-TERM DEPOSITS FROM DEALERS

These deposits are interest free and are not refundable during the subsistence of dealership. The net deposits received after the enforcement of section 226 of the Companies Ordinance, 1984 have been kept in a separate bank account (note 25.1),

10. SHORT-TERM FINANCES

	1999	1998
	(Rupees in thousand)	
Secured		
From a bank - note 10.1	--	15,000
From a development financial		

institution (DFI) - note 10.2

--	30,000
-----	-----
--	45,000
=====	=====

10.1 The Company had arranged a facility of Rs 35 million under morabaha financing with a bank. Under the arrangement the company had obtained finances amounting to Rs 15 million. The facility is secured against a pari passu charge on stocks and trade debts of the company. The rate of mark-up on the facility is 17.5% per annum. The principal amount and the related mark-up were repaid during the year.

10.2 The company had arranged a short-term finance facility of Rs 30 million under a mark-up arrangement with a DFL. The rate of mark-up on the facility is 21.91% per annum. The facility is secured by way of a part passu charge representing hypothecation of the company's stocks and trade debts. The principal amount and the related mark-up were repaid during the year.

11. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

	1999	1998
	(Rupees in thousand)	
Secured		
From banks	48,984	90,133
	=====	=====

11.1 The company has arranged short term running finance facilities from various banks on mark-up basis to the extent of Rs 264.5 million (1998: Rs 219.5 million). The mark-up on such arrangements ranges from 16% to 20% per annum. The facilities are available for various periods expiring between July 31, 1999 and May 31, 2000.

The arrangements are secured by a joint hypothecation of the stocks, trade debts and moveable assets.

11.2 The facility for opening letters of credit and guarantees as at June 30, 1999 amounts to Rs 516 million (1998: Rs 606 million) of which the amount remaining unutilised at the year end was Rs 198 million (1998; Rs 415 million).

12. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	1999	1998
	(Rupees in thousand)	
Creditors	16,890	16,820
Bills payable	250,513	157,614
Accrued expenses	141,416	82,649
Advances from customers	1,9~70	2,464

Import levies payable - note 12.1	68,859	--
Provision for contingencies - note 14.6	100,000	--
Staff provident fund	--	1,205
Mark-up on short-term and running finances	3,986	7,042
Surcharge on deferred customs duty	--	194
Mark-up on redeemable capital	1,533	1,908
Mark-up on finance leases	1,614	494
	-----	-----
	7,133	9,638
Short-term deposits	434	462
Workers' welfare fund	7,191	2,500
Workers' profits participation fund - note 12.2	9,853	6,210
Sales tax	19,027	10,322
Payable to Waqf-e-Kuli Khan	2,600	1,900
Retention money payable	807	1,037
Others	2,589	2,328
	-----	-----
	628,582	295,149
	=====	=====

12.1 This represents custom duties and surcharge (import levies) on plant and machinery imported (the leased assets) during the year ended December 31, 1983 under a lease-purchase agreement with Islamic Development Bank, Jeddah (lessor). The company had deferred the provision of these import levies because the ownership of leased assets was to be transferred to the company after final payment to the lessor. The final payment to the lessor of Islamic Dinars 10,980 (equivalent to Rs 0.757 million as at June 30, 1999) has now been made in August 1999 and consequently, as advised by the company's legal counsel, the ownership of the leased assets now vests with the company. Some items of the leased assets were destroyed due to fire at the factory premises on May 9, 1998.

The company has been utilising the subject leased assets since 1983 and over 96% of the fair value of the leased assets capitalised has been charged to depreciation upto June 30, 1999 and the company intends to continue utilising these leased assets, other than those destroyed due to fire, for the foreseeable future. Although the title to the leased assets in the name of the company is expected to be transferred subsequent to June 30, 1999, however as a matter of prudence and to acknowledge the financial reality arising as a consequence of the payment made to the lessor in August 1999, the company has recognised the amount of Rs 68.859 million as liability for import levies in these accounts in the following manner:

Import levies amounting to Rs 57.310 million relating to leased assets still in possession of the company have been recognised as an addition to fixed assets and depreciation has been charged thereon from the time of capitalisation of these leased assets and upto June 30, 1999 (note 15.1.1).

Import levies amounting to Rs 11.549 million relating to the leased assets destroyed due to a fire, as

mentioned above, have been netted off against the insurance claim therefor (note 30.1).

	1999	1998
	(Rupees in thousand)	
12.2 Workers' profits participation fund		
Balance at the beginning of the year	6,210	124
Allocation for the year	9,853	6,210
	-----	-----
	16,063	6,334
Interest on fund utilised in the company's business	699	41
Payment during the year	(6,909)	(165)
	-----	-----
Balance at the end of the year	9,853	6,210
	=====	=====
13. DIVIDENDS		
Unclaimed dividend	3,454	456
Interim dividend	34,155	--
Proposed final dividend	25,616	34,155
	-----	-----
	63,225	34,611
	=====	=====

14. CONTINGENCIES AND COMMITMENTS

14.1 The company had deferred the recognition of import levies relating to plant and machinery imported under a finance lease arrangement with Islamic Development Bank (IDB), Jeddah. As import levies were not payable by the company until the plant and machinery imported remained the property of IDB therefore the company had deferred the recognition of import levies pending transfer of ownership of the subject plant and machinery in its (company's) name (note 12.1). The Central Board of Revenue had imposed a condition that interest at the prevailing bank rate shall be payable on the import levies deferred till such levies are paid. Such interest on import levies amounts to Rs 110.177 million (1998: Rs 103.288 million) on plant and machinery imported during the year ended December 31, 1983. However, the company contends, based on the opinions rendered by its legal counsels, that it shall not be liable to pay interest on the import levies because the import levies were to become payable only at the time when the ownership of the imported assets is transferred to the company. The ownership of the subject plant and machinery is expected to be transferred in the name of the company subsequent to June 30, 1999. Accordingly the company is confident that its contention will be upheld if the matter is subjected to litigation.

14.2 The central excise and taxation department has issued two demand notices for payment of sales tax for Rs 3.65 million and Rs 2.91 million aggregating Rs 6.56 million. These demands represent sales tax levied on tyres, tubes and flaps supplied to approved assembly plants during July 1985 to October 1986, which were otherwise

exempted from the levy of sales tax under SRO 666 (1)/81 dated June 25, 1981. The appeal filed by the company with the Collector, Central Excise and Land Customs (Appeals) against the initial demand of Rs 3.65 million was dismissed. The company then filed the review petition with the Additional Secretary, Central Board of Revenue which was also rejected following which the company has filed an appeal in the High Court of Sindh which was pending as of June 30, 1999. The appeal against the second demand of Rs 2.91 million, filed with the Collector, Central Excise and Land Customs (Appeals) was also decided against the company. The company had subsequently filed a review petition with the Additional Secretary, Central Board of Revenue which was rejected. The company has paid Rs 3.65 million and Rs 2.91 million under protest. However, the management is confident, based on the advice of its legal counsel, that the matter will be decided in the company's favour. Accordingly, the aggregate amount of Rs 6.56 million (1998: Rs 6.56 million) is being shown as a receivable in note 24 to these accounts.

14.3 The central excise and taxation department had issued a demand notice for payment of sales tax of Rs 16.77 million. This represents sales tax levied on agricultural tyres supplied to approved assembly plants which were otherwise exempt under SRO 553(I)j 94 dated June 9, 1994 as amended vide SRO 555(I)/94 dated June 9, 1994 during the period July 1994 to September 1995. The company filed an appeal with the Collector, Central Excise and Land Customs (Appeals) which appeal was rejected. Subsequently, the company filed an appeal against the aforementioned orders before the Customs, Central Excise and Sales Tax Appellate Tribunal which has stayed the recovery of the sales tax from the company, subject to the condition that the company furnishes an indemnity bond to the satisfaction of the Collector of Sales Tax. Subsequent to the receipt of the decision for stay of recovery of sales tax by the Tribunal, the company furnished the indemnity bond of Rs 16.77 million dated March 18, 1998. The management is confident, based on the advice of its legal } counsel, that the matter will be decided in the company's favour.

1.4.4 The Sindh Employee's Social Security Institution (SESSI) had issued demand notices for payment of contributions of Rs 1.34 million and Rs 2.87 million in respect of employee's of the company for a period from September 1993 to January 1995 and for the years 1989, 1990 and 1991, respectively. Constitutional petitions were filed in the High Court of Sindh which were disposed with a direction to raise the relevant dispute before SESSI. Appeals were, therefore, filed before the Commissioner, SESSI which were rejected. The company has filed appeals against the orders of the Commissioner, SESSI and has filed applications for stay of recovery before the Social Security Court which are pending. The management is confident that the matter will be decided in the company's favour.

14.5 Cases have been filed against the company by some former employees claiming approximately Rs 5 million in aggregate. These cases are pending in labour courts. The management is confident that the outcome of these cases will be in the company's favour.

14.6 On grounds of prudence and as a matter of abundant caution, the company has made a provision of Rs 100 million during the year ended June 30, 1999 in respect of the matters referred to in notes 14.1 to 14.5 above.

14.7 Commitments in respect of capital expenditure contracted for as at June 30, 1999 amounted to Rs 16 million (1998: Rs 22 million).

14.8 Commitments in respect of forward sale contracts entered into by the company as at June 30, 1999 amounted to Rs 146 million (1998: Rs 28 million).

15. OPERATING ASSETS

15.1 The following is a statement of operating assets:

	<i>Cost as at July 1, 1998</i>	<i>Additions/ (disposals)/ *transfer (note 15.1.1)</i>	<i>Cost as at June 30, 1999</i>	<i>Accumulated depreciation as at July 1, 1998</i>	<i>Depreciation for the year/ (on disposals)/ 'on transfer</i>	<i>Accumulated depreciation as at June 30, 1999</i>	<i>Net book value as at June 30, 1999</i>	<i>Annual rate of depreciation %</i>
Rupees in thousand								
Leasehold land	555	--	555	--	--	--	555	--
Building on leasehold land	113,608	2,232	115,840	40,260	5,621	45,881	69,959	2.5 and 5
Electric installations	31,619	11,507	43,126	26,101	1,290	27,391	15,735	10
Plant & machinery	352,311	52,933 *316,192	721,436	227,337	21,548 *306,539	555,424	166,012	7
Boiler and accessories	11,461	--	11,461	8,746	583	9,329	2,132	10
Laboratory equipment	8.98	103	9,080	6,556	709	7,265	1,815	15
Moulds	65,663	11,377	77,040	32,541	5,437	37,978	39,062	10
Vehicles	27,465	1,549 (3,775)	25,239	26,828	550 (3,746)	23,632	1,607	20
Furniture and fittings	4,814	658	5,472	3,410	404	3,814	1,658	10 and 20
Office equipment and appliances	30,341	3,384 (12)	33,713	21,130	2,745 (12)	23,863	9,850	15
Assets held under finance leases								
Plant and machinery (note 15.1.1 and 15.1.2)	258,882	108,496 *(316,192)	51,186	232,253	76,376 *(306,539)	2,090	49,096	7
Vehicles	4,421	5,532	8,212	2,250	1,642	3,479	4,733	20

		(1,741)			(413)			
1999	910,117	197,771 (5,528)	1,102,360	627,412	116,905 (4,171)	740,146	362,214	362,214
1998	926.50	67,777 (84,163)	910,117	639,458	54,676 (66,722)	627,412	282,705	282,705

15.1.1 Transfer represents cost and accumulated depreciation of plant and machinery acquired under finance lease from Islamic Development Bank. Jeddah and includes liability of Rs 57.310 million representing import levies on the aforementioned items of plant and machinery which has been capitalised and depreciation has been charged thereon from the time of capitalisation of the subject plant and machinery and upto June 30, 1999 which amounts to Rs 56.164 million (note 12.1).

The title to the leased assets acquired under finance lease from Islamic Development Bank is expected to be transferred subsequent to June 30, 1999 (note 12.1).

15.1.2 Additions include Rs 26.186 million in respect of items of plant and machinery which were included in capital work-in-progress as at June 30, 1998 under owned plant and machinery. These items were sold and leased back during the year.

15.1.3 The cost of fixed assets capitalised includes borrowing cost aggregating Rs 20.220 million (1998: Rs Nil).

15.2 The following operating assets were disposed off during the year.

Particulars	Cost	Accu- mulated depreciation	Net book value	Sale proceeds	Profit/ (loss)	Mode of disposal	Particular of purchasers
Vehicles							
Toyota Hilux	301	301	--	265	265	Insurance claim	Premier Insurance Company of Pakistan Limited
Nissan Sunny	355	355	--	280	280	Tender	Mr. Pervaiz Akhter Rehman Manzil, Karachi.
Nissan Datsun Blue Bird	242	242	--	167	167	Tender	Mr. M.I. Alvi Employee
Mercedes Benz 450 SEL	1,000	1,000	--	311	311	Tender	Mr. Wamiq Saeed B-97/10, F.B. Area, Karachi.

Nissan Sunny	380	380	--	--	--	Final settlement	Mr. Farooq Umar Former employee
Suzuki Khyber	287	258	29	123	94	Final settlement	Mr. Muhammad All Khan Former employee
Mitsubishi Gallant	1,210	1,210	--	172	172	Negotiation	Ch. Sher Muhammad Esq., Director
Office equipment and appliances							
Sanyo airconditioner	12	12	--	2	2	Negotiation	Mrs. Zarina Azam Employee
Assets subject to finance leases							
Vehicles							
Suzuki Swift	344	206	138	206	68	Final settlement	Mr. Manzoor Hussain Former employee
Suzuki Swift	344	207	137	240	103	Final settlement	Mr. S.A. Majid Former employee
Honda Vti	1,053	--	1,053	1,053	--	Insurance claim	Premier Insurance Company of Pakistan Limited
	-----	-----	-----	-----	-----		
	5,528	4,171	1,357	2,819	1,462		
	=====	=====	=====	=====	=====		

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

	1999	1998
	(Rupees in thousand)	
Cost of goods manufactured - note 27.1	114,235	52,705
Administrative expenses - note 28	1,602	1,183
Selling and distribution expenses - note 29	1,068	788
	-----	-----
	116,905	54,676
	=====	=====

16. CAPITAL WORK-IN-PROGRESS

Buildings - note 16.1.2	384	106
Electrical installations	992	4,072

Plant and machinery

- owned	3,227	30,772
- held under finance leases	16,500	41,500
	-----	-----
	19,727	72,272
Unallocated expenses - note 16.1	7,401	28,134
	-----	-----
	28,504	104,584
	=====	=====

16.1 Unallocated expenses comprise of the following:

Borrowing cost - note 16.1.1	7,337	21,253
Project evaluation fee - note 16.1.2	--	635
Legal and professional charges	--	93
Salaries and wages	--	5,137
Others	64	1,016
	-----	-----
	7,401	28,134
	=====	=====

16.1.1 Borrowing cost capitalised during the year aggregated Rs 6.304 million (1998: Rs 12.003 million). Borrowing cost aggregating Rs 20.220 million (1998: Rs Nil) has been transferred to operating fixed assets (note 15.1.3).

16.1.2 Expenditure incurred on a building aggregating Rs 0.106 million and project evaluation fee of Rs 0.635 million (1998: Rs 3.356 million) have been charged off (note 32).

17. LONG-TERM INVESTMENTS

	1999	1998
	(Rupees in thousand)	
Quoted		
National Motors Limited (associated undertaking)		
100,700 ordinary shares of Rs 10 each - note 17.1	2,447	2,447
Less: Provision for diminution in value - note 17.2	1,989	1,843
	-----	-----
	458	604

Unquoted

20 shares of Rs 100 each of Landhi

Industrial Trading Estate Limited - note 17.3

	--	--
	-----	-----
	458	604
	=====	=====

17.1 2,000 and 2,500 ordinary shares of Rs 10 each having a market value of Rs 0.020 million (1998: Rs 0.027 million) of National Motors Limited are held in the name of Dr. A.S. Mufti, Managing Director, and Chaudhry Sher Mohammed, Esq., Director Finance and Corporate Affairs respectively for which the company holds blank transfer deeds.

17.2 The market value of the 100,700 ordinary shares of National Motors Limited as at June 30, 1999 was Rs 0.458 million (1998: Rs 0.604 million).

17.3 During the year ended June 30, 1998 the company has written off its investment in 20 shares of Rs 100 each of Landhi Industrial Trading Estate Limited The shares of this investee company are not in the custody of the company.

18. LONG-TERM LOANS AND ADVANCES

	1999	1998
	(Rupees in thousand)	
Unsecured		
Considered good		
Due from executives	1,642	1,287
Due from employees	2,057	1,998
	-----	-----
	3,699	3,285
Less: Recoverable within next twelve months - (included in note 23)	1,260	1,270
	-----	-----
	2,439	2,015
	=====	=====

18.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs 1.783 million (1998: Rs 1.298 million)

18.2 Interest free loans to executives and employees are given for purchase of motor vehicles. These are repayable in a lump sum or by way of monthly installments over a period of three to five years.

18.3 The above loans include Rs 0,207 million outstanding for a period exceeding three years (1998: Rs 0,366 million),

19. LONG-TERM DEPOSITS AND DEFERRED COSTS

Long-term deposits	1,325	771
--------------------	-------	-----

Deferred costs		
Underwriting commission	3,373	3,373
Processing fees	1,000	1,000
Other expenses on issue of right shares	1,070	1,070
	-----	-----
	5,443	5,443
Less: Amounts amortised	4,900	3,811
	-----	-----
	543	1,632
	-----	-----
	1,868	2,403
	=====	=====

20. STORES AND SPARES

In hand	159,182	146,336
In transit	4,415	1,193
	-----	-----
	163,597	147,529
	=====	=====

21. STOCKS

Raw materials		
in hand	75,342	50,213
in bonded warehouse	82,933	112,748
in transit	43,244	4,630
with third parties	363	324
	-----	-----
	201,882	167,915
Work-in-process - note 21.1	65,126	34,180
Finished goods - note 21.2	144,569	135,226
	-----	-----
	411,577	337,321

1999 **1998**
(Rupees in thousand)

Less: Provision for obsolete and slow moving raw materials	3,111	2,935
	-----	-----
	408,466	334,386
	=====	=====

21.1 Work-in-process includes items of a value of Rs 24.836 million (1998: Rs 5.687 million) held by third parties.

21.2 Finished goods include items of a value of Rs 36.424 million (1998: Rs 14.987 million) stated at their net realisable values.

22. TRADE DEBTORS

	1999	1998
	(Rupees in thousand)	
Unsecured		
Considered good - note 22.1	150,512	77,975
Considered doubtful	9,825	5,746
	-----	-----
	160,337	83,721
Less: Provision for doubtful debts	9,825	5,746
	-----	-----
	150,512	77,975
	=====	=====

22.1 This includes amounts due from associated undertakings aggregating Rs 7.370 million (1998: Rs 9.829 million).

The maximum amount due from associated undertakings at the end of any month during the year was Rs 10.232 million (1998: Rs 13.484 million).

23. LOANS AND ADVANCES

	1999	1998
	(Rupees in thousand)	
Unsecured		
Considered good		
Loans		
due from executives - note 23.1	1,269	1,599
due from other employees	3,602	4,378
	4,871	5,977
Advances		
due from an executive - note 23.1	92	--
due from others	3,129	4,057
	-----	-----
	8,092	10,034
	=====	=====

23.1 The maximum amount due from executives at the end of any month during the year was Rs 2.331 million 1998: Rs 2.480 million).

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits and prepayments

Margins on letters of credit	35,262	--
Short-term prepayments	7,010	6,397
Current account balances with statutory		
	2,038	4,471
Lease rentals paid in advance	--	352
Short-term deposit	172	--
	-----	-----
	44,482	11,220
Other receivables		
Accrued interest	4,240	--
Sales tax refundable	6,560	6,560
Custom duty rebates recoverable		
- considered good	58,468	48,693
- considered doubtful	23,836	14,849
	-----	-----
	82,304	63,542
Less: Provision for doubtful custom duty rebates recoverable	23,836	14,849
	-----	-----
	58,468	48,693
Insurance claim receivable	6,271	23,854
Others -. note 24.1	4,783	3,169
	-----	-----
	80,322	82,276
	-----	-----
	124,804	93,496
	=====	=====

24.1 It includes Rs 0.172 million due from an executive. The maximum amount due from an executive at the end of any month during the year was Rs 0.172 million (1998: Rs Nil).

25. CASH AND BANK BALANCES

With banks

On current accounts - note 25.1	24,642	15,355
On deposit account	165,652	3,030
Remittances in transit	5,243	--
Cash and cheques in hand	21,011	13,828
	-----	-----
	216,548	32,213
	=====	=====

25.1 Balances on current accounts include a separate account for deposits from dealers amounting to Rs 3.830 million (1998: Rs 3.080 million).

26. NET SALES

	1999	1998
	(Rupees in thousand)	
Gross sales	2,104,674	1,666,246
Less:		
Discounts	23,180	22,909
Tyre replacement allowance	26,523	19,611
Excise duty, sales tax and sales commission	267,080	220,091
	-----	-----
	316,783	262,611
	-----	-----
	1,787,891	1,403,635
	=====	=====

27. COST OF SALES

Opening stock of finished goods	135,226	85,682
Cost of goods manufactured - note 27.1	1,322,202	1,126,506
Finished goods purchased	33,223	484
Technical assistance fee	51,838	40,752
	-----	-----
	1,542,489	1,253,424
Less: Closing stock of finished goods	144,569	135,226
	-----	-----
	1,397,920	1,118,198
	=====	=====

27.1 Cost of goods manufactured

Opening stock of work-in-process	34,180	41,318
Raw materials consumed - note 27.1.1	885,109	711,498

Stores consumed	55,184	63,176
Salaries, wages and benefits	135,059	129,162
Gratuity	7,106	9,036
Provident fund	3,514	3,364
Travelling, conveyance and vehicles maintenance	8,900	5,304
Legal and professional charges	780	499
Power and fuel	88,131	90,441
Rent, rates and taxes	3,349	1,954
Insurance	7,727	6,989
Repairs and maintenance	21,008	15,405
Depreciation - note 15.1.1	114,235	52,705
Provision for doubtful custom duty rebates recoverable	8,987	14,849
Provision for obsolete and slow moving raw materials	176	--
Printing and stationery	1,310	1,062
Postage, telephone and telegrams	1,063	1,035
Expatriates service cost	9,863	11,418
Other manufacturing expenses	1,647	1,471
	-----	-----
	1,387,328	1,160,686
Less: Closing stock of work-in-process	65,126	34,180
	-----	-----
	1,322,202	1,126,506
	=====	=====
27.1.1 Raw materials consumed		
Opening stock	164,980	250,243
Purchases	931,193	636,390
	-----	-----
	1,096,173	886,633
Less: Indirect materials consumed	122,931	10,155
Closing stock	198,771	164,980
	-----	-----
	211,064	175,135
	-----	-----
	885,109	711,498
	=====	=====

28. ADMINISTRATIVE EXPENSES

Salaries and benefits	22,396	21,205
Gratuity	2,433	2,961
Provident fund	840	778
Travelling and conveyance	5,648	6,010
Legal and professional charges	269	326
Auditors' remuneration - note 28.1	996	1,099
Rent, rates and taxes	1,893	1,819
Provision for doubtful debts	5,568	--
Provision for doubtful debts written back	(115)	--
Insurance	359	332
Repairs and maintenance	1,282	1,452
Depreciation	1,602	1,183
Printing and stationery	1,212	762
Postage, telephone and telegrams	2,038	2,008
Entertainment	751	672
Computer expenses	391	527
Directors fee	7	7
Other expenses	1,105	1,143
	-----	-----
	48,675	42,284
	=====	=====

28.1 Auditors' remuneration

	1999		1998	
	A.F. Ferguson	Hameed	Total	Total
	& Co.	Chaudhri & Co.		
	Rupees in thousand			
Audit fee	200	200	400	400
Other advisory services and special certification	300	265	565	672
Out of pocket expenses	30	1	31	27
	-----	-----	-----	-----
	530	466	996	1,099
	=====	=====	=====	=====

29. SELLING AND DISTRIBUTION EXPENSES

	1999	1998
	(Rupees in thousand)	
Salaries and benefits	14,284	13,610

Gratuity	1,259	2,509
Provident fund	476	438
Travelling, conveyance and entertainment	4,165	3,316
Sales promotion	847	1,480
Advertising	6,926	7,627
Rent, rates and taxes	1,810	1,361
Insurance	211	266
Repairs and maintenance	180	203
Depreciation	1,068	788
Printing and stationery	412	261
Postage, telephone and telegrams	1,800	1,459
Freight, packing charges and octroi	32,866	26,634
Others	2,372	1,621
	-----	-----
	68,676	61,573
	=====	=====

30. OTHER INCOME

Gain on insurance claim - note 30.1	62,127	--
Sale of scrap	8,452	9,701
Profit on disposal of fixed assets	1,462	212
Interest	8,142	651
Liabilities written back	571	--
Exchange gain	--	15
Others	165	555
	-----	-----
	80,919	11,134
	=====	=====

30.1 As a result of a fire in the mixing department at the factory premises of the company on May 9, 1998 some items of stocks and fixed assets, including some items of fixed assets held under finance lease, were destroyed for which the company received an aggregate insurance claim of Rs 97.530 million, inclusive of Rs 2 million received from sale of scrap. The gain on insurance claim of Rs 62.127 million is arrived at after netting off:

The net book value as at June 30, 1998 of stocks and fixed assets destroyed amounting to Rs 7.677 million and Rs 16.177 million respectively; and

The provision for import levies on the leased assets destroyed amounting to Rs 11.549 million (note 12.1).

31. FINANCIAL CHAR6ES

Interest on

Loan from a director	--	1,760
Workers profits participation fund	699	41
Surcharge on deferred customs duty	59	507
Mark-up on redeemable capital	10,373	11,102
Mark-up on finance leases	6,978	481
Mark-up on short-term and running finances	29,065	41,919
Excise duties	57	9
Bank charges and guarantee commission	1,673	791
Commitment charges	--	3,586
Exchange loss - note 31.1	3,691	1,788
Others	--	160
	-----	-----
	52,595	62,144
	=====	=====

31.1 Exchange loss includes an amount of Rs 0.757 million being the amount of exchange loss incurred on the final

32. OTHER CHARGES

	1999	1998
	(Rupees in thousand)	
Amortisation of deferred costs	1,089	1,089
Workers' profits participation fund -note 12.2	9,853	6,210
Workers' welfare fund	7,191	2,500
Donations - note 32.1	2,600	1,984
Expenditure included in capital work-in-progress charged off- note 16.1.2	741	3,356
Provision for diminution in the value of an investment	146	(20)
Provision for contingencies- note 14.6	100,000	--
Investment written off	--	2
	-----	-----
	121,620	15,121
	=====	=====

32.1 Donation of Rs 2.600 million (1998: Rs 1.900 million) charged in these accounts is payable to Waqf-e-Kuli Khan, a trust. A director of the company is a trustee of the Waqf.

33. TAXATION

	1999	1998
	(Rupees in thousand)	
Current		
- for the year	118,000	38,500
- for prior years	4,900	(5,691)

	-----	-----
	122,900	32,809
Deferred		
- for the year - note 8.1	(53,708)	7,993
- for prior years - note 8.1	7,993	--
	-----	-----
	(45,715)	7,993
	-----	-----
	77,185	40,802
	=====	=====
34. BASIC EARNINGS PER SHARE		
Profit after taxation (Rupees in thousands)	102,139	74,647
	-----	-----
Number of ordinary shares (in thousands)	17,078	17,078
Basic earnings per share	Rs 5.98	Rs 4.37
	=====	=====
35. CASH GENERATED FROM OPERATIONS		
Profit before taxation	179,324	115,449
Adjustments for non-cash charges and other items:		
Depreciation	116,905	54,676
Provision for staff retirement gratuity	10,798	14,506
Gain on insurance claim	(62,127)	--
Profit on disposal of fixed assets	(1,462)	(212)
Interest income	(8,142)	(651)
Exchange gain	--	{15}
Financial charges	52,595	62,144
Amortisation of deferred costs	1,089	1,089
Expenditure included in capital work-in-progress charged o{f - note 16.1.2	741	3,356
Provision for diminution in the value of an investment	146	(20)
Investment written off	--	2
Working capital changes - note 35.1	118,643	79,960
	-----	-----
	229,186	214,835
	-----	-----
	408,510	330,284
	=====	=====

1999 **1998**
(Rupees in thousand)

35.1 Working capital changes

(Increase)/decrease in current assets

Stores and spares	(16,068)	6,150
Stocks	(7 4,080)	42,857
Trade debtors	(7 2,537)	26,294
Loans and advances	1,942	(4,301)
Deposits, prepayments and other receivables (net)	(45,003)	(1,409)
	-----	-----
	(205,746)	69,591
Increase in current liabilities		
Creditors, accrued expenses and other liabilities (net)	324,389	10,369
	-----	-----
	118,643	79,960
	=====	=====

36. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet

Cash and bank balances	216,548	32,213
Running finance under mark-up arrangements	(48,984)	(90,133)
	-----	-----
	167,564	(57,920)
	=====	=====

37. FINANCIAL ASSETS AND LIABILITIES AS ON JUNE 30, 1999

(i) Financial assets and liabilities:

	Interest/Mark-up bearing			Non-interest/mark-up bearing			Total
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total year</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	
	Rupees in thousand						
Financial assets							
Investments	--	--	--	--	458	458	458
Loans and advances to employees	--	--	--	4,963	2,439	7,402	7,402
Deposits	--	--	--	35,434	1,325	36,759	36,759

Trade debtors	--	--	--	150,512	--	150,512	150,512
Other receivables	--	--	--	11,863	--	11,863	11,863
Cash and bank	165,652	--	165,652	50,896	--	50,896	216,548
Financial liabilities							
Redeemable capital	17,313	38,004	55,317	--	--	--	55,317
Running finance under mark-up arrangements	48,984	--	48,984	--	--	--	48,984
Liabilities against assets subject to finance leases	13,139	45,703	58,842	--	--	--	58,842
Deposit from dealers					6,850	6,850	6,850
Creditors, accrued expenses and other liabilities	--	--	--	421,417	--	421,417	421,417
Dividends	--	--	--	63,225	--	63,225	63,225

(ii) 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. All the financial assets of the company, except cash in hand, are exposed to credit risk. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to its customers.

(iii) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Foreign currency risks relating to payables are covered through forward foreign exchange contracts.

(iv) Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

38. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	<i>1999</i>			<i>1998</i>		
	<i>Chief executive</i>	<i>Director</i>	<i>Executives</i>	<i>Chief executive</i>	<i>Director</i>	<i>Executives</i>
Rupees in thousand						
Managerial remuneration and allowances	2,803	2,029	28,554	2,705	1,960	24,142

Company's contribution to provident fund and gratuity	731	610	4,874	1,077	1,010	6,079
Medical	79	6	1,900	21	50	1,593
Leave passage	740	109	668	1,009	619	788
	-----	-----	-----	-----	-----	-----
	4,353	2,754	35,996	4,812	3,639	32,602
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	72	1	1	67
	=====	=====	=====	=====	=====	=====

38.1 The chairman, the chief executive and an executive director are provided with free use of cars maintained by the company and telephones at their residences. Some executives are also entitled to use company maintained cars.

38.2 The amount charged in the accounts for the year excluding that shown above, for fees to five (1998: ten) non-executive directors was Rs 7,000 (1998: Rs 7,000).

39. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS AND DIRECTORS

	1999	1998
	(Rupees in thousand)	
Rent paid to an associated undertaking	480	480
Settlement of loan on behalf of a deceased director	--	12,000
Interest on loan from a deceased director	--	1,760
Expenses charged by an associated undertaking	1,301	1,105
Sales	94,945	28,746
Fixed asset purchased	--	758
Fixed asset sold to a director	179	--

40. PLANT CAPACITY AND ACTUAL PRODUCTION

Capacity Tyre sets (units)	700,000	700,000
	=====	=====
Production Tyre sets (units)	743,780	668,666
	=====	=====

41. CORRESPONDING FIGURES

Previous years figures have been reclassified, wherever necessary, for the purposes of comparison.

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1999

No. of Shareholders	Shareholding		Total Shares held
	From	To	
476	1	100	19,612
577	101	500	173,285
156	501	1000	114,233
196	1001	5000	413,214
25	5001	10000	175,790
10	10001	15000	116,604
2	15001	20000	39,300
1	25001	30000	25,425
5	30001	35000	164,912
1	35001	40000	38,940
2	40001	45000	87,344
4	65001	70000	270,468
2	70001	75000	140,907
1	80001	85000	81,972
1	205001	210000	208,510
1	240001	245000	240,621
1	1275001	1280000	1,278,927
1	1665001	1670000	1,669,800
1	2920001	2925000	2,922,500
1	3690001	3695000	3,691,504
1	5200001	5205000	5,203,632
----- 1,465			----- 17,077,500
=====			=====

Categories of, Shareholders	Number	Shares held	Percentage
Individuals	1436	1,577,312	9.23
Joint Stock Companies	6	5,213,297	30.53
Financial Institutions	7	4,522,487	26.48
Insurance Companies	5	217,318	1.27
Investment Companies/Banks	3	72,356	0.42
Government Institutions	1	66,000	0.39
Charitable Institution	1	38,940	0.23

Foreign Companies	5	1,678,286	9.83
Central Depository Company of Pakistan	1	3,691,504	21.62
	-----	-----	-----
TOTAL	1465	17,077,500	100.00
	=====	=====	=====