General Tyre & Rubber Company of Pakistan Limited

Annual Report 2000

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COMPANY PROFILE

Board of Directors
Mr. Abdalazim Mohammad Ali Al-Shamali
Chairman

Dr A.S. Mufti
Chief Executive

Mr. Irfan Siddiqui
Mr. Zafar Aziz Osmani
Mr. Tasnimul Haq Farooqui
Mr. Istaqbal Mehdi
Dr. Amjad Waheed
Lt. Gen (Retd) Ali Kuli Khan Khattak
Mr. Ahmed Kuli Khan Khattak
Mr. Raza Kuli Khan Khattak
Mr. Mushtaq Ahmed Khan
Mrs. Shaheen Khalil Tariq (Alternate Director Mr. Jamil A. Shah)
Mr. Manuel Guerreiro (Alternate Director Dr. Pervez Hassan)

Secretary
Mr. S. Ehtesham Taqi

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
Societe Generale The French and International Bank
Askari Commercial Bank Limited

Auditors

A. E Ferguson & Co.
Chartered Accountants

Hameed Chaudhri & Co.
Chartered Acc6untants

Registered Office & Factory
H-23/2, Landhi Industrial Trading Estate, Landhi,
Karachi. Phone: 5080172-81 Fax: 5081212, 5080171

Head Office
P & O Plaza, I.I. Chundrigar Road, Karachi.
Phone: 2417571-4 Fax: 2430662, 2418781

Branch Offices

Lahore:
Gardee Trust Building, Thornton Road, Lahore.
Phone: 7352663, 7313852 Fax: 7235745

Islamabad:
Plot No. 176, I - 10/3 Kurang Road, Islamabad.
Phone: 4449955-6 Fax: 4440916

Liaison Office
6, Agha Khan Road, F-6/4, Islamabad.
Phone & Fax: 820829

Shares Office:
Parker House,
Mezzanine Floor,
Aiwan-e-Tijarat Road, Karachi.
Phone: 2401656, 2425985

NOTICE OF MEETING

Notice is hereby given that the Thirty-Seventh Annual General Meeting of **The General Tyre & Rubber Company of Pakistan Limited** will be held at Beach Luxury Hotel, Karachi on Thursday, 14th December, 2000 at 3:00 p.m. to transact the following business:

1. To confirm the minutes of the Thirty-sixth Annual General Meeting held on December 30, 1999.

2. To receive and consider the audited accounts for the year ended 30th June, 2000 together with Directors' and Auditors' reports thereon.

3. To consider and approve payment of cash dividend @ 40% i.e. Rs. 4 per share as recommended by the Directors.

4. To appoint auditors for the year. 2000 - 2001 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 business with the permission of the Chair.

BY ORDER OF THE BOARD

Karachi

S. EHTESHAM TAQI

Dated: 14th November, 2000 **Company Secretary**

NOTES:

1. The share transfer books of the Company will remain closed from 6th December, 2000 to 14th December, 2000 (both days inclusive). Transfers received in order by the Company at the close of business on 5th December, 2000 will be treated in time for entitlement of dividend payment 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 located at Parker House, Aiwan-e-Tijarat Road, Karachi not later than 48 hours before the time for holding the meeting.

3. Individual beneficial owners of CDC entitled to attend and vote at this meeting must bring his/her original NIC or passport to authenticate his/her identity. In case of corporate entity, resolution of the Board of Directors/power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of meeting.

4. For appointing proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with attested copy of their NIC or the passport. The proxy form shall be witnessed by two persons with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or passport at the time of meeting. In case of corporate entity, resolution of the Board of Directors/power of attorney with specimen signature shall be submitted (unless submitted earlier) along with the proxy form.

5. Members are requested to notify change in their addresses, if any, immediately.

CHAIRMAN'S REVIEW

On behalf of your Board of Directors, I am pleased to present to you the Annual Report for the year ended June 30, 2000.

OPERATING PERFORMANCE
In spite of general recession in the market, by the grace of Almighty Allah, the year under review, has been most successful. The Company produced 761,595 tyres and sold 748,024 tyres during the year as against 743,780 tyres and 744,185 tyres respectively last year. The gross sales increased to 2,281.9 million during the year under review which was 8% higher than the last year's gross sales of Rs. 2,104.7 million. The increase in sales is attributable to higher sales to Government Departments and increased sales of tractor tyres. The gross profit increased to Rs. 505.0 million representing 27% of net sales as against Rs. 390.0 million, representing 22% of net sales last year. The pretax profit increased to Rs. 326.4 million as against Rs. 179.3 million achieved last year. This is the highest profit ever achieved by the Company and was earned through better sales mix and improved efficiency in the operations of the Company.

MANUFACTURING
In spite of outside mixing of raw materials, the required production level was achieved through improved efficiency / logistics and better utilization of manpower resources. The damaged building of mixing area was demolished during the year and technical details of the proposed mixing plant are being finalized. I am pleased to report that your Company was selected by Employer's Federation of Pakistan among the top 10 companies for two awards in the fields of "Productivity" and "Environment, Health and Safety".

MARKETING
Increased purchases by Government Departments and higher sales of tractor tyres to assembly plants and commercial market were instrumental in achieving the highest sales ever recorded by the Company. However, the Management expects difficult marketing conditions ahead due to stronger competition from low priced and of much improved quality Chinese tyres, both radial and bias unlike in the past.

FUTURE OUTLOOK
The profit margin is likely to be eroded due to consistent increase in input cost, weakening of Pak rupee which is making raw material and spare parts more expensive and inability to increase selling prices beyond a certain level as a result of competitive environment. In addition, consistent dumping of tyres from India, China and other countries at cheaper rates continues unabated.

I am pleased to report that field testing of Steel Belted Radial tyres has been achieved with excellent results. Commercial production will commence shortly. These tyres will meet requirement of our Assembly Plant customers engaged in passenger car production.

STAFF/LABOUR RELATIONS

The Company relations with staff / workers remained cordial. The last agreement with the employees union, which expired in December 31, 1999 was renegotiated and an agreement for a further period of two years has been reached in the spirit of harmony and understanding.

On behalf of the Board, I wish to acknowledge and appreciate the hard work of our employees, the continued support of our bankers and loyalty of our customers.

Abdalazim Mohammad Ali Al-Shamali
Chairman

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting Annual Report and Audited Accounts of the Company for the year ended June 30, 2000.

	Rupees in thousand
Financial Results	
Profit for the year after taxation	199,984
Unappropriated profit brought forward	42,901

	242,885
Appropriations	
Interim dividend @ 20%	34,155
Proposed final dividend @ 40%	68,310

	102,465

Unappropriated profit carried forward	140,420
	==========
Earning per share	Rs. 11.71

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, 2000 is attached.

Technical Assistance Agreement

Subsequent to the expiry of the extended period of Technical Assistance Agreement with General Tire International Co. (GTIC) on October 31, 1999, the Company was allowed to use the trade marks i.e. "General" and "General Tire" up to August 31, 2000. GTIC has shown its willingness to extend this arrangement further in pursuance of a new Technical Assistance arrangement.

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

Karachi: November 14, 2000

Dr. A.S. Mufti
Chief Executive

FIVE YEARS AT A GLANCE

(Rupees in million)

	2000	*1999*	*1998*	*1997*	*1996**
Operating Results					
Gross sales	2,282	2,105	1,666	1,355	2,445
Net sales	1,902	1,788	1,404	1,089	1,974
Gross profit	505	390	286	137	252
Profit before tax	326	179	115	2	29
Profit after tax	200	102	75	3	9
Dividend - cash	60%	35%	20%	--	--
Financial Position					
Fixed assets	352	362	283	287	241
Share capital	171	171	171	171	155
Reserves and unappropriated pro	410	312	270	229	243
Shareholders' equity	581	483	441	400	398
Long-term loans	49	84	86	123	65
Contribution to public exchequer	547	375	315	374	448
Breakup value per share - rupees	34	28	26	23	26
No. of employees	1,011	1,045	1,024	1,128	1,097

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

AUDITORS' REPORT TO THE MEMBERS

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

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

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

(a) in our opinion, proper books of 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 cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2000 and of the profit, 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 Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A.F. Ferguson & Co.
Chartered Accountants

Hameed Chaudhri & Co.
Chartered Accountants

Karachi: November 22, 2000

BALANCE SHEET AS AT JUNE 30, 2000

	Note	*2000*	*1999*
		(Rupees in thousand)	
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		140,420	42,901
		------------------	------------------
		409,845	312,326
		------------------	------------------
		580,620	483,101
REDEEMABLE CAPITAL	6	17,339	38,004
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES	7	31,457	45,703
STAFF RETIREMENT GRATUITY	8	57,532	48,404
LONG TERM DEPOSITS FROM DEALERS	9	6,810	6,850
CURRENT LIABILITIES			
Current maturity of redeemable capital	6	20,665	17,313
Current maturity of liabilities against assets subject to finance leases	7	15,859	13,139
Running finance under mark-up arrangements	11	16,956	48,984

Creditors, accured expenses and other liabilities	12	545,866	634,346
Taxation		124,534	106,155
Dividends	13	93,996	63,225
		------------------	------------------
		817,876	883,162
CONTINGENCIES AND COMMITMENTS	14	------------------	------------------
		1,511,634	1,505,224
		=========	=========
TANGIBLE FIXED ASSETS			
Operating assets	15	351,820	362,214
Capital work-in-progress	16	43,943	28,504
		------------------	------------------
		395,763	390,718
LONG TERM INVESTMENTS	17	428	458
LONG-TERM LOANS AND ADVANCES	18	1,983	2,439
DEFERRED TAXATION	19	29,752	37,722
LONG-TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS	20	2,011	1,868
CURRENT ASSETS			
Stores and spares	21	190,871	163,597
Stocks	22	457,230	408,466
Trade debtors	23	164,370	150,512
Loans and advances	24	7,599	8,092
Deposits, prepayments and other receivables	25	86,382	124,804
Cash and bank balances	26	175,245	216,548
		------------------	------------------
		1,081,697	1,072,019
		------------------	------------------
		1,511,634	1,505,224
		=========	=========

The annexed notes form an integral part of these accounts.

Dr. A.S. Mufti
Chief Executive

Raza Kuli Khan Khattak
Director

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

	Note	*2000*	*1999*
		(Rupees in thousand)	
Net sales	27	1,902,260	1,787,891
Cost of sales	28	1,397,556	1,397,920
		------------------	------------------
Gross profit		504,704	389,971
		------------------	------------------
Administrative expenses	29	64,830	48,675
Selling and distribution expenses	30	78,333	68,676
		------------------	------------------
		143,163	117,351
		------------------	------------------
Operating profit		361,541	272,620
Other income	31	33,357	80,919
		------------------	------------------
		394,898	353,539

Financial charges	32	38,317	52,595
Other charges	33	30,127	121,620
		68,444	174,215
Profit before taxation		326,454	179,324
Taxation	34	126,470	77,185
Profit after taxation		199,984	102,139
Unappropriated profit brought forward		42,901	533
Unappropriated profit carried forward		242,885	102,672
Appropriations			
Interim dividend -20% (1999: 20%)		341,551	34,155
Proposed final dividend - 40% (1999: 15%)		68,310	25,616
		102,465	59,771
Unappropriated profit carried forward		140,420	42,901
Basic earnings per share	35	Rs. 11.71	Rs. 5.98

The annexed notes form an integral part of these accounts.

Dr. A.S. Mufti
Chief Executive

Raza Kuli Khan Khattak
Director

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

	Share capital	*Share premium account*	*General reserve*	*Research and development reserve*	*Unappro-priated profit*	*Total*
			Rupees in thousand			
Balance as at June 30, 1998	170,775	108,675	148,000	12,750	533	440,733
Net profit for the year ended June 30, 1999					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
Net profit for the year ended June 30, 2000					199,984	199,984
Interim dividend - 20%					(34,155)	(34,155)
Proposed final dividend - 40%					(68,310)	(68,310)
Balance as at June 30, 2000	170,775	108,675	148,000	12,750	140,420	580,620

The annexed notes form an integral part of these accounts.

Dr. A.S. Mufti
Chief Executive

Raza Kuli Khan Khattak
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2000

	Note	*2000*	*1999*
		(Rupees in thousand)	
Cash flow from operating activities			
Cash generated from operations	36	271,874	408,510
Staff retirement gratuity paid		(9,762)	(14,229)
Financial charges paid		(39,932)	(55,100)
Taxes paid		(100,121)	(15,617)
Long-term loans and advances (net)		456	(424)
Long-term deposits and prepayments		(686)	(554)
Long-term deposits from dealers		(40)	250
Insurance claim received		6,271	91,259
		------------------	------------------
Net cash inflow from operating activities		128,060	414,095
Cash flow from investing activities			
Fixed capital expenditure		(56,696)	(90,714)
Proceeds on disposal of fixed assets		1,240	2,819
Profit on bank deposits received		20,782	3,902
		------------------	------------------
Net cash (outflow) from investing activities		(34,674)	(83,993)
Cash flow from financing activities			
Redeemable capital		(17,313)	(14,506)
Long-term loan		--	(3,622)
Liabilities against assets subject to finance leases		(13,654)	(10,333)
Short-term finances (net)		--	(45,000)
Dividends paid		(71,694)	(31,157)
		------------------	------------------
Net cash (outflow) from financing activities		(102,661)	(104,618)
		------------------	------------------
(Decrease)/increase in cash and cash equivalents		(9,275)	225,484
Cash and cash equivalents at the beginning of the year		167,564	(57,920)
		------------------	------------------
Cash and cash equivalents at the end of the year	37	158,289	167,564
		==========	==========

The annexed notes form an integral part of these accounts.

Dr. A.S. Mufti
Chief Executive

Raza Kuli Khan Khattak
Director

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2000

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.

1.2 The company had entered into a Royalty Technical Service Agreement dated September 1, 1984 (the 'TSA') with General Tire International Company (GTIC), USA whereby the company was allowed to use the GT1C's trademarks such as 'General' and 'General Tire'. The TSA was last extended by mutual consent of the company and GTIC on August 15, 1999 upto October 31, 1999. On October 29, 1999, GTIC communicated its decision not to extend the TSA. According to the provisions of the TSA the company could use the aforementioned trademarks during a compliance period of three months after the termination of the TSA.

However, upon the request of the company, GTIC has been extending the compliance period of the TSA from time to time and the compliance period was last extended upto August 31, 2000 which was accepted by the company. GTIC has sent a compliance extention letter upto September 30, 2000 and has shown its willingness to extend the compliance period further, in pursuance to the execution of a new TSA. However, the compliance letters have not been executed subsequent to August 31, 2000. In the event that the TSA is not extended the company's status as a 'going concern' is not expected to be affected.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation
These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and the International Accounting Standards (IASs) as applicable in Pakistan.

2.2 Accounting convention
These accounts have been prepared under the historical cost convention.

2.3 Staff retirement benefits

Defined benefit plans
The company has established an approved funded gratuity scheme for its senior executive staff. The company also operates an unfunded gratuity scheme for employees not covered by the funded gratuity scheme.

Consequent to the adoption of the International Accounting Standard No. 19 'Employee Benefits' (revised 1998), the actuarial valuation for both the schemes is based on the 'projected unit credit method'. Previously, the actuarial valuation was based on the 'attained age normal method' for funded gratuity scheme and a provision for unfunded gratuity was made annually to cover the obligations in respect of those employees who had completed the initial qualifying period. The effects of such changes in estimates are set out in notes 8.5 and 8.6.

The 'projected unit credit method' is based on the following significant assumptions and is used for both the aforementioned schemes:

- Discount rate	12% per annum
- Expected long-term rate of increase in salary level	11% per annum
- Expected long-term rate of interest	12% per annum

Actuarial valuations of the schemes are conducted every year and the latest valuation was conducted as at June 30, 2000. The net liability of the company for retirement benefits is Rs 59.008 million.

Defined contribution plan
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 I0% of basic salary.

2.4 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.

2.5 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 extention 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.

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.

2.6 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 or fair value whichever is lower. 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.

2.7 Long-term investments

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

Dividends are recognised on receipt basis.

2.8 Deferred costs

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

2.9 Stores and spares

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

2.10 Stocks

Stocks are valued at the lower of cost and net realisabIe 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 materials, 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.

2.11 Revenue recognition
Sales are recorded on despatch of goods.

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

2.13 Foreign currencies
Assets and liabilities in foreign currencies as at the balance sheet date are reported in 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 currently.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

		2000	*1999*
		(Rupees in thousand)	
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	1,867	1,867
9,757,500	shares issued as fully paid bonus shares	97,575	97,575
------------------		------------------	------------------
17,077,500	(1999: 17,077,500)	170,775	170,775
==========		==========	==========

4. CAPITAL RESERVE

Share premium		
At the beginning and end of the year	108,675	108,675
	==========	==========

5. REVENUE RESERVES

General reserve		
At the beginning and end of the year	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)	38,004	55,317
Less: Current maturity shown under current liabilities	20,665	17,313
	------------------	------------------
	17,339	38,004
	==========	==========

6.1 The company has arranged a long-term finance facility from Saudi Pak Industrial and Agriculture 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 payable in twelve half yearly installments commencing from December 3, 1996 and ending on June 3, 2002. The facility is secured against equitable mortgage of the company's immovable properties and demand promissory note.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	2000	*1999*	*2000*	*1999*	*2000*	*1999*
	Minimum lease payments		*Financial charges*		*Present value of minimum lease payments*	
			(Rupees in thousand)			
Year to June 30, 2000	--	24,815	--	11,677	--	13,138
Year to June 30, 2001	24,729	24,214	8,871	8,673	15,858	15,541
Year to June 30, 2002	22,869	22,353	5,126	4,975	17,743	17,378
Year to June 30, 2003	10,287	9,771	2,244	2,140	8,043	7,631
Year to June 30, 2004	6,177	5,616	505	462	5,672	5,154
Total	64,062	86,769	16,746	27,927	47,316	58,842
Less: Current maturity shown under current liabilities					15,859	13,139
					31,457	45,703

7.1 This represents finance leases entered into with leasing companies and a modaraba for plant, machinery and vehicles. The periodic lease payments include built in rates of mark-up ranging between 13.22% to 22% per annum.

8. STAFF RETIREMENT GRATUITY

	2000	*2000*
	Funded	*Unfunded*
	(Rupees in thousand)	
8.1 Movement in liability		
Opening balance - July 1, 1999	5,764	45,404
Expense recognised	2,182	12,420
Transfer from unfunded to funded scheme	191	(191)
Company's contribution to gratuity fund/payments made	(6,661)	(3,101)
	1,476	57,532
8.2 Balance sheet reconciliation		
Obligations	(23,279)	(57,532)
Plan assets	21,803	--
Payable to gratuity fund (note 12)/deferred liability	(1,476)	(57,532)

8.3 The actual return on funded gratuity plan assets was Rs 1.888 million.

8.4 Since an actuarial valuation using the 'projected unit credit method' was not carried out at the beginning of the comparative period, therefore, it is impracticable to state the corresponding figures in notes 8.1 and 8.2.

8.5 The company's contribution to the funded gratuity scheme is based on actuarial recommendations using the 'projected unit credit method'. The actuarial valuation as of June 30, 1997 was based on the 'attained age method'. Had the method of estimation not been revised, the liability as at June 30, 2000 would have been higher by Rs

2.715 million and the profit after tax for the year then ended would have been lower by Rs 1.686 million.

8.6 The provision for unfunded gratuity is based on actuarial valuation. Previously the provision was made annually to cover the obligations in respect of those employees who had completed the initial qualifying period. Had the method of valuation not been revised, the deferred liability for gratuity as at June 30, 2000 would have been lower by Rs 6.566 million and the profit after tax for the year then ended would have been higher by Rs 4.076 million.

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 26.1).

10. SHORT-TERM FINANCES

The company has arranged a facility of Rs 50 million (1999: Rs 35 million) under morabaha financing with a bank. Under the arrangement the company had obtained finances amounting to Rs 50 million (1999: Rs 15 million). The facility was secured against a pari passu charge on stocks and trade debts of the company. The rate of mark-up on the facility was 15% (1999: 17.5%) per annum. The principal amount and the related mark-up were utilised and repaid during the year.

11. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS

	2000	*1999*
	(Rupees in thousand)	
Secured		
From banks	16,956	48,984
	==========	==========

11.1 The company has arranged short-term running finance facilities from various banks on mark-up basis to the extent of Rs 209.5 million (1999: Rs 264.5 million). The mark-up on such arrangements ranges from 15% to 18% per annum. The facilities are available for various periods expiring between June 30, 2000 and March 31, 2001. Arrangements for short-term running finance facilities with two banks had expired on May 31, 2000 and the renewal of those facilities is in process.

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, 2000 amounts to Rs 513 million (1999: Rs 516 million) of which the amount remaining unutilised at the year end was Rs 168 million (1999: Rs 198 million).

12. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	2000	*1999*
	(Rupees in thousand)	
Creditors	12,051	16,890
Bills payable	259,353	250,513
Accrued expenses	104,450	141,416
Advances from customers	1,704	1,270
Import levies payable	--	68,859
Provision for contingencies - note 14.6	100,000	100,000
Staff provident fund	1,266	--
Staff gratuity fund - note 8.1	1,476	5,764
	------------------	------------------
Mark-up on running finances	3,295	3,986
Mark-up on redeemable capital	916	1,533
Mark-up on finance leases	1,307	1,614
	------------------	------------------
	5,518	7,133

Short-term deposits	501	434
Workers' welfare fund	14,092	7,191
Workers' profits participation fund - note 12.1	17,648	9,853
Sales tax	18,414	19,027
Payable to Waqf-e-Kuli Khan	5,000	2,600
Retention money payable	37	807
Others	4,356	2,589
	------------------	------------------
	545,866	634,346
	==========	==========

12.1 Workers' profits participation fund

Balance at the beginning of the year	9,853	6,210
Allocation for the year	17,648	9,853
	------------------	------------------
	27,501	16,063
Interest on fund utilised in the company's business	1,949	699
	------------------	------------------
	29,450	16,762
Payment during the year	(11,802)	(6,909)
	------------------	------------------
Balance at the end of the year	17,648	9,853
	==========	==========

13. DIVIDENDS

Unclaimed dividend	931	3,454
Interim dividend	24,755	34,155
Proposed dividend	68,310	25,616
	------------------	------------------
	93,996	63,225
	==========	==========

14. CONTINGENCIES AND COMMITMENTS

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. 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 117.06 million (1999: Rs 110.117 million) on plant and machinery imported during the year ended December 31, 1983. The company has paid the import levies aggregating Rs 68.859 million during the current year. During the year the ' Appraisement Collectorate, Custom House, Karachi has through a letter reference No. S1/Misc/DP/503/83.BG.Cell dated October 22, 1999 issued a final notice to the company and instructed it to deposit all outstanding dues. In reply, the company has filed an application with the Collectorate interalia contending that there is no provision for interest or markup in the Customs Act, 1969 and has asked the Collectorate to vacate the said charge of interest / mark-up. A response to the company's application has not been received from the Collectorate as yet. The company contends 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 has been transferred in the name of the company during the year. 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 respectively. 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, 2000. 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 also 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 is being shown as a receivable in note 25 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)/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 had also filed an appeal with the Collector, Central Excise and Land Customs (Appeals) on November 25, 1997 which was rejected. The company filed an appeal against the order of the Collector, Central Excise and Land Customs (Appeals) before the Customs, Central Excise and Sales Tax Appellate Tribunal which had 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 for Rs 16.77 million dated March 18, 1998.

The company had filed an application No. B & CA/2.020/01/97 dated November 25, 1997 with the Collector Sales Tax & Central Excise (East), Karachi for grant of exemption from sales tax in terms of section 65 of the Sales Tax Act, 1990. However, the Central Board of Revenue on finalisation of the report by the Collector of Sales Tax & Central Excise (East), has rejected the company's application through letter No. C No. 1/52-STT/97 dated July 19, 2000. The company is at present in the process of filing an appeal against the decision of the Central Board of Revenue.

The management is confident, based on the advice of its legal counsel, that the matter will be decided in the company's favour.

14.4 The Sindh Employees 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 the employees 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 SESSl. 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 Appellate Labour Tribunal 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 4.0 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 is carrying a provision of Rs 100 million 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, 2000 amounted to Rs 0.17 million (1999: Rs 15.59 million).

14.8 Commitments in respect of forward sale contracts entered into by the company as at June 30, 2000 amounted to Rs 230 million (1999: Rs 146 million).

15. OPERATING ASSETS

15.1 The following is a statement of operating assets:

	Cost as at	*Additions/ (disposals)/*	*Cost as at June 30,*	*Accumulated depreciation as at July 1,*	*Depreciation for the year/ (disposals)/*	*Accumulated depreciation as at June 30,*	*Net book value as at June 30,*	*Annual rate of depreciation*

	July 1, 1999	****(adjustments)***	***2000***	***1999***	****(adjustments)***	***2000***	***2000***	
				Rupees in thousand				
Owned								
Leasehold land	555	--	555	--	--	--	555	--
Building on leasehold land	115,840	146	115,986	45,881	5,661	51,542	64,444	2.5 & 5
Electrical installations	43,126	1,284	44,410	27,391	1,898	29,289	15,121	10
Plant and machinery	721,436	17,858	739,294	555,424	26,388	581,812	157,482	7
Boilers and accessories	11,461	--	10,345	9,329	583	8,796	1,549	10
		(1,116)			(1,116)			
Laboratory equipments	9,080	4,429	13,509	7,265	1,111	8,376	5,133	15
Moulds	77,040	11,410	88,450	37,978	6,613	44,591	43,859	10
Vehicles	25,239	2,656	27,895	23,632	1,081	24,713	3,182	20
Furniture and firings	5,472	115	5,587	3,814	387	4,201	1,386	10 & 20
Office equipment and appliances	33,713	3,354	36,114	23,863	41,348	26,958	9,156	15 & 25
		(53)			(53)			
		*(900)			*(900)			
Assets held under Finance leases								
Plant and machinery	51,186	--	51,186	2,090	3,583	5,673	45,513	7
Vehicles	8,212	1,781	9,271	3,479	1854	4,831	4,440	20
		(722)			(502)			
2000	1,102,360	43,033	1,142,602	740,146	53,207	790,782	351,820	
		(1,891)			(1,671)			
		*(900)			(900)			
1999	910,117	197,771	1,102,360	627,412	116,905	740,146	362,214	
		(5.528)			(4,171)			

15.1.1 The cost of fixed assets capitalised includes borrowing cost aggregating Rs Nil (1999: Rs 20.220 million).

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

Particulars	*Cost*	*Accumulated depreciation*	*Net book value*	*Sale proceeds*	*Profit*	*Mode of disposal*	*Particulars of purchasers*
Office equipment and appliances							
Daiken airconditioner	19	19	--	4	4	Tender	Mr. Zubair Ahmed Mufti Employee
Acma airconditioner	17	17	--	3	3	Tender	Mr. Musarat Ahmed Employee
PEL airconditioner	17	17	--	3	3	Tender	Mr. Malik Mubarak Employee
Boilers and accessories Water boiler	1,116	1,116	--	970	970	Tender	Sun Engineering Works 28/1, Off B/16, Eastern Film Studios, S.I.T.E., Karachi.
Assets subject to finance leases							
Vehicles							
Suzuki Khyber	378	227	151	160	9	Negotiation	Mr. Saeeduddin Hashmi Employee
Suzuki Khyber	344	275	69	100	31	Negotiation	Syed Ethesham Taqi, Employee
	1,891	1,671	220	1,240	1,020		

	2000	1999
	(Rupees in thousand)	
15.3 Depreciation charge for the year has been allocated as follows:		
Cost of goods manufactured - note 28.1	49,697	114,235
Administrative expenses - note 29	2,108	1,602
Selling and distribution expenses - note 30	1,402	1,068
	------------------	------------------
	53,207	116,905
	==========	==========

16. CAPITAL WORK-IN-PROGRESS

	2000	1999
Buildings	2,097	384
Electrical installations	--	992
Plant and machinery		
- owned	19,369	3,227
- held under finance leases	16,500	16,500
	------------------	------------------
	35,869	19,727
Unallocated expenses - note 16.1	5,977	7,401
	------------------	------------------
	43,943	28,504
	==========	==========

16.1 Unallocated expenses comprise of the following:

	2000	1999
Borrowing cost- note 16.1.1	5,977	7,337
Others	--	64
	------------------	------------------
	5,977	7,401
	==========	==========

16.I.1 Borrowing cost capitalised during the year aggregated Rs Nil (1999: Rs 6.304 million). Borrowing cost aggregating Rs Nil (1999: Rs 20.220) has been transferred to operating fixed assets (note 15.1.1).

16.1.2 Borrowing cost (mark up on finance leases) amounting to Rs. 1.360 million included in capital work-in-progress as at June 30, 1999 has been charged (note 32) to income.

16.1.3 Expenditure included in capital work-in-progress aggregating Rs. 0.005 million (1999:0.741 million) as at June 30, 1999 has been charged (note 33) to income.

17. LONG-TERM INVESTMENTS

	2000	1999
	(Rupees in thousand)	
Quoted		
Ghandara Industries Limited (formerly 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	2,019	1,989
	------------------	------------------
	428	458
Unquoted		
20 shares of Rs 100 each of Landhi Industrial Trading Estate Limited - note 17.3	--	--
	------------------	------------------
	428	458

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

17.1 2,000 and 2,500 ordinary shares of Rs 10 each having a market value of Rs 0.019 million (1999: Rs 0.020 million) of Ghandara Industries Limited (formerly National Motors Limited) are held in the name of Dr. A.S. Mufti, Managing Director, and Chaudhry Sher Mohammed, Esq., Director Finance respectively for which the company holds blank transfer deeds.

17.2 The market value of the 100,700 ordinary shares of Ghandara Industries Limited (formerly National Motors Limited) as at June 30, 2000 was Rs 0.428 million (1999: Rs 0.458 million).

17.3 During the year ended June 30, 1998 the company had 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.

	2000	***1999***
	(Rupees in thousand)	
18. LONG-TERM LOANS AND ADVANCES		
Unsecured		
Considered good		
Due from executives	2,083	1,642
Due from employees	1,681	2,057
	------------------	------------------
	3,764	3,699
Less: Recoverable within next twelve months - (including in note 24)	1,781	1,260
	------------------	------------------
	1,983	2,439
	==========	==========

18.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs 1.667 million (1999: Rs 1.783 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 0.198 million outstanding for a period exceeding three years (1999: Rs 0.207 million).

19. DEFERRED TAXATION

	2000	***1999***
	(Rupees in thousand)	
Debit/(credit) balances arising from:		
Accelerated tax depreciation allowances	(31,593)	(16,912)
Finances lease arrangements	(6,652)	(382)
Provision for staff retirement gratuity	19,935	11,540
Provision for doubtful debts	3,404	2,610
Provision for contingencies	34,650	33,000
Provision for doubtful custom duty rebates recoverable	9,988	7,866
	------------------	------------------
	29,752	37,722
	==========	==========

19.1 The deferred tax charge (net) of Rs. 7.970 million (1999: credit (net) of Rs. 45.715 million) arising due to timing differences under the liability method comprises of the following:

	2000	***1999***

	(Rupees in thousand)	
- Partial provision against deferred tax liability determined as of June 30, 1998 of Rs. 23.980 million - note 19.1.1	7,994	7,993
- Deferred tax (credit) for the net timing differences arising during the years ended June 30, 1999 and 2000 - note 19.1.2	(24)	(53,708)
	------------------	------------------
	7,970	(45,715)
	==========	==========

19.1.1 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 years ended June 30, 1998 and June 30, 1999 amounts of Rs 7.993 million each to make a partial (one third) provision for each of those years for the deferred tax liability of Rs 23.980 million as of June 30, 1998 comprising credit/(debit) balances in respect of the following:

	Deferred tax liability 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, 2000 the company has charged Rs 7.994 million being the remaining one third of the deferred tax liability as of June 30, 1998 stated above. Accordingly, the deferred tax liability as of June 30, 1998 of Rs 23.980 million has been fully recognised as of June 30, 2000.

19.1.2 In addition to the provision made for the deferred tax liability determined by the company as of June 30, 1998 the company has recognised a deferred tax credit of Rs 0.024 million (1999: credit of Rs 53.708 million) for the net originating timing differences arising during the years ended June 30, 1999 and 2000 and existing as of those dates on account of the following:

	2000	***1999***
	(Rupees in thousand)	
Deferred tax (credit)/charge arising for:		
Accelerated tax depreciation allowances	(3,063)	(6,192)
Finance lease arrangements	(3,596)	(6,436)
Provision for staff retirement gratuity	(927)	1,132
Provision for doubtful debts	(1,508)	(1,346)
Provision for contingencies	(34,650)	(33,000)
Provision for doubtful custom duty rebates recoverable	(9,988)	(7,866)
	------------------	------------------
	(53,732)	(53,708)
	==========	==========

20. LONG-TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS

Long-term deposits	1,350	1,325
Long-term prepayments	661	--
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	5,443	4,900
	------------------	------------------
	--	543
	------------------	------------------
	2,011	1,868
	=========	=========

21. STORES AND SPARES

In hand	182,586	159,182
In transit	8,285	4,415
	------------------	------------------
	190,871	163,597
	=========	=========

22. STOCKS

Raw materials		
in hand	73,389	75,342
in bonded warehouse	84,560	82,933
in transit	94,837	43,244
with third parties	328	363
	------------------	------------------
	253,114	201,882
Work-in-process - note 22.1	57,052	65,126
Finished goods - note 22.2	151,246	144,569
	------------------	------------------
	461,412	411,577
Less: Provision for obsolete and slow moving stocks		
- Raw materials	3,169	3,111
- Finished goods	1,013	--
	------------------	------------------
	4,182	3,111
	------------------	------------------
	457,230	408,466
	=========	=========

22.1 Work-in-process includes items of a value of Rs 12.903 million (1999: Rs 24.836 million) held by third parties.

22.2 Including in the value of finished goods are amounts aggregating Rs 27.084 million (1999: Rs 36.424 million) which represent net realisable values.

23. TRADE DEBTORS

Unsecured		
Considered good - note 23.1	164,370	150,512
Considered doubtful	9,825	9,825
	------------------	------------------
	174,195	160,337
Less: Provision for doubtful debts	9,825	9,825

	------------------	------------------
	164,370	150,512
	=========	=========

23.1 This includes amounts due from associated undertakings aggregating Rs 8.067 million (1999: Rs 7.370 million). The maximum amount due from associated undertakings at the end of any month during the year was Rs 9.764 million (1999: Rs 10.232 million).

24. LOANS AND ADVANCES

Unsecured		
Considered good		
Loans		
due from executives - note 24.1	1,273	1,269
due from other employees	3,416	3,602
	------------------	------------------
	4,689	4,871
Advances		
due from an executive	--	92
due from others	2,910	3,129
	------------------	------------------
	7,599	8,092
	=========	=========

24.1 The maximum amount due from executives at the end of any month during the year was Rs 1.705 million (1999: Rs 2.331 million).

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits and prepayments		
Margins on letters of credit	2,361	35,262
Short-term prepayments	4,155	7,010
Current account balances with statutory authorities	7,911	2,038
Lease rentals paid in advance	347	--
Short-term deposits	201	172
	------------------	------------------
	14,975	44,482
Other receivables		
Profit receivable on bank deposits	230	4,240
Sales tax refundable	6,560	6,560
Custom duty rebates recoverable		
- considered good	61,437	58,468
- considered doubtful	28,826	23,836
	------------------	------------------
	90,263	82,304
Less: Provision for doubtful custom duty rebates recoverable	28,826	23,836
	------------------	------------------
	61,437	58,468
Insurance claim receivable	--	6,271
Others - note 25.1	3,180	4,783
	------------------	------------------
	71,407	80,322
	------------------	------------------
	86,382	124,804
	=========	=========

25.1 'Others' includes Rs Nil (1999: 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 Nil (1999: Rs 0.172 million).

26. CASH AND BANK BALANCES

With banks		
On current accounts - note 26.1	20,394	24,642
On deposit accounts	121,107	165,652
Remittances-in-transit	5,081	5,243
Cash and cheques in hand	28,663	21,011
	------------------	------------------
	175,245	216,548
	=========	=========

26.1 Balances on current accounts include a separate account for deposits from dealers amounting to Rs 4.05 million (1999: Rs 3.83 million).

27. NET SALES

Gross sales	2,281,916	2,104,674
Less:		
Tyre replacement allowance	38,762	26,523
Excise duty, sales tax and sales commission	310,374	267,080
	------------------	------------------
	379,656	316,783
	------------------	------------------
	1,902,260	1,787,891
	=========	=========

28. COST OF SALES

Opening stock of finished goods	144,569	135,226
Cost of goods manufactured - note 28.1	1,331,155	1,322,202
Finished goods purchased	35,082	33,223
Technical assistance fee	36,983	51,838
Provision for slow moving finished goods	1,013	--
	------------------	------------------
	1,548,802	1,542,489
Less: Closing stock of finished goods	151,246	144,569
	------------------	------------------
	1,397,556	1,397,920
	=========	=========

28.1 Cost of goods manufactured

Opening stock of work-in-process	65,126	34,180
Raw materials consumed - note 28.1.1	846,863	885,109
Stores consumed	64,783	55,184
Salaries, wages and benefits	179,212	135,059
Gratuity - note 28.2	11,096	7,106
Provident fund	3,640	3,514
Travelling, conveyance and vehicles maintenance	8,195	8,900
Legal and professional charges	549	780
Power and fuel	108,414	88,131
Rent, rates and taxes	3,623	3,349
Insurance	11,407	7,727
Repairs and maintenance	16,339	21,008
Depreciation - note 15.3	49,697	114,235
Provision for doubtful custom duty rebates recoverable	11,119	8,987
Provision for obsolete and slow moving raw materials	58	176
Stores and spares charged off	36	--
Printing and stationery	1,362	1,310

Postage, telephone and telegrams	1,405	1,063
Expatriates service cost	3,465	9,863
Other manufacturing expenses	1,815	1,647
	------------------	------------------
	1,388,207	1,387,328
Less: Closing stock of work-in-process	57,052	65,126
	------------------	------------------
	1,331,155	1,322,202
	==========	==========

28.1.1 Raw materials consumed

Opening stock	201,882	167,915
Purchases	907,086	931,369
	------------------	------------------
	1,108,968	1,099,284
	------------------	------------------
Less: Indirect materials consumed	8,991	12,293
Closing stock	253,114	201,882
	------------------	------------------
	262,105	214,175
	------------------	------------------
	846,863	885,109
	==========	==========

28.2 The following amounts have been charged to cost of sales during the current year in respect of the staff retirement gratuity schemes:

	Funded	*Unfunded*	*Total*
		(Rupees in thousand)	
Current service cost	369	2,373	2,742
Interest cost	999	4,977	5,976
Recognition of transitional liability	240	2,645	2,885
Expected return on plan assets	(507)	--	(507)
	------------------	------------------	------------------
	1,101	9,995	11,096
	==========	==========	==========

28.2.1 Since an actuarial valuation using the 'projected unit credit method' was not carried out at the beginning of the comparative period, therefore, it is impracticable to state the corresponding figures in note 28.2.

29. ADMINISTRATIVE EXPENSES

Salaries and benefits	31,118	22,396
Gratuity- note 29.1	1,679	2,433
Provident fund	950	840
Additional retirement benefits	8,017	--
Travelling and conveyance	5,387	5,648
Legal and professional charges	1,687	269
Auditors' remuneration - note 29.2	2,036	996
Rent, rates and taxes	1,757	1,893
Provision for doubtful debts	--	5,568
Provision for doubtful debts written back	--	(115)
Insurance	294	359
Repairs and maintenance	876	938
Depreciation - note 15.3	2,108	1,602
Printing and stationery	1,472	1,212
Postage, telephone and telegrams	3,103	2,038

Entertainment	605	751
Computer expenses	2,343	735
Directors fee	34	7
Other expenses	1,364	1,105
	------------------	------------------
	64,830	48,675
	==========	==========

29.1 The following amounts have been charged to administrative expenses during the current year in respect of the staff retirement gratuity schemes:

	Funded	*Unfunded*	*Total*
		(Rupees in thousand)	
Current service cost	250	221	471
Interest cost	676	465	1,141
Recognition of transitional liability	163	247	410
Expected return on plan assets	(343)	--	(343)
	------------------	------------------	------------------
	746	933	1,679
	==========	==========	==========

29.2 Auditors' remuneration

	2000			*1999*
	A.F. Ferguson & Co.	*Hameed Chaudhri & Co.*	*Total*	*Total*
		(Rupees in thousand)		
Audit fee	250	250	500	400
Audit of provident fund	--	300	300	--
Other advisory services and special certification	850	285	1,135	565
Out of pocket expenses	65	36	101	31
	------------------	------------------	------------------	------------------
	1,165	871	2,036	996
	==========	==========	==========	==========

29.1.1 Since an actuarial valuation using the 'projected unit credit method' was not carried out at the beginning of the comparative period, therefore, it is impracticable to state the corresponding figures in note 29.1.

30. SELLING AND DISTRIBUTION EXPENSES

Salaries and benefits	18,267	14,284
Gratuity - note 30.1	1,827	1,259
Provident fund	446	476
Travelling, conveyance and entertainment	4,994	4,165
Sales promotion	7,950	847
Advertising	7,886	6,926
Rent, rates and taxes	1,892	1,810
Insurance	160	211
Repairs and maintenance	246	180
Depreciation - note 15.3	1,402	1,068
Printing and stationery	533	412
Postage, telephone and telegrams	1,515	1,800
Freight, packing charges and octroi	28,667	32,866
Others	2,548	2,372
	------------------	------------------
	78,333	68,676

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

30.1 The following amounts have been charged to selling and distribution expenses during the current year in respect of the staff retirement gratuity schemes:

	Funded	*Unfunded*	*Total*
		(Rupees in thousand)	
Current service cost	112	354	466
Interest cost	304	743	1,047
Recognition of transitional liability	73	395	468
Expected return on plan assets	(154)	--	(154)
	------------------	------------------	------------------
	335	1,492	1,827
	==========	==========	==========

30.1.1 Since an actuarial valuation using the 'projected unit credit method' was not carried out at the beginning of the comparative period, therefore, it is impracticable to state the corresponding figures in note 30.1.

31. OTHER INCOME

Gain on insurance claim	--	62,127
Sale of scrap	15,529	8,452
Profit on disposal of fixed assets	1,020	1,462
Profit on bank deposits	16,772	8,142
Liabilities written back	--	571
Others	36	165
	------------------	------------------
	33,357	80,919
	==========	==========

32. FINANCIAL CHARGES

Interest on workers' profits participation fund	1,949	699
Surcharge on deferred customs duty	--	59
Mark-up on redeemable capital	9,020	10,373
Mark-up on finance leases	11,369	6,978
Mark-up on finance leases included in capital work-in-progress charged off - note 16.1.2	1,360	--
Mark-up on short-term and running finances	11,023	29,065
Excise duties	--	57
Bank charges and guarantee commission	2,145	1,673
Exchange loss	1,451	3,691
	------------------	------------------
	38,317	52,595
	==========	==========

33. OTHER CHARGES

Amortisation of deferred costs	543	1,089
Workers' profits participation fund - note 12.1	17,648	9,853
Workers' welfare fund	6,901	7,191
Donations - note 33.1	5,000	2,600
Expenditure included in capital work-in-progress charged off - note 16.1.3	5	741
Provision for diminution in the value of an investment	30	146
Provision for contingencies	--	100,000
	------------------	------------------
	30,127	121,620
	==========	==========

33.1 Donation of Rs 5.000 million (1999: Rs 2.600 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.

34. TAXATION

Current		
- for the year	118,500	118,000
- for prior years	--	4,900
	------------------	------------------
	118,500	122,900
Deferred		
- for the year - note 19.1	(24)	(53,708)
- for prior years - note 19.1	7,994	7,993
	------------------	------------------
	7,970	(45,715)
	------------------	------------------
	126,470	77,185
	==========	==========

35. BASIC EARNINGS PER SHARE

Profit after taxation (Rupees in thousands)	199,984	102,139
	------------------	------------------
Number of ordinary shares (in thousands)	17,078	17,078
Basic earnings per share	Rs.11.71	Rs 5.98
	==========	==========

36. CASH GENERATED FROM OPERATIONS

Profit before taxation	326,454	179,324
Adjustments for non-cash charges and other items:		
Depreciation	53,207	116,905
Provision for staff retirement gratuity	14,602	10,798
Gain on insurance claim	--	(62,127)
Profit on disposal of fixed assets	(1,020)	(1,462)
Profit on bank deposits	(16,772)	(8,142)
Financial charges	38,317	52,595
Amortisation of deferred costs	543	1,089
Expenditure included in capital work-in-progress charged off - note	5	741
Provision for diminution in the value of an investment	30	146
Working capital changes - note 36.1	(143,492)	118,643
	------------------	------------------
	(54,580)	229,186
	------------------	------------------
	271,874	408,510
	==========	==========

36.1 Working capital changes

(Increase)/decrease in current assets		
Stores and spares	(27,274)	(16,068)
Stocks	(48,764)	(74,080}
Trade debtors	(13,858)	(72,537)
Loans and advances	493	1,942
Deposits, prepayments and other receivables (net)	28,488	(45,003)
	------------------	------------------
	(60,915)	(205,746)

(Decrease)/Increase in current liabilities		
Creditors, accrued expenses and other liabilities (net)	(82,577)	324,389
	(143,492)	118,643

37. CASH AND CASH EQUIVALENTS

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

Cash and bank balances	175,245	216,548
Running finances under mark-up arrangements	(16,956)	(48,984)
	158,289	167,564

38. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities as on June 30, 2000:

	Interest/Mark-up bearing			***Non-interest/mark-up bearing***				
	Maturity upto one year	***Maturity after one year***	***Sub-total***	***Maturity upto one year***	***Maturity after one year***	***Sub-total***	***Total 2000***	***Total 1999***
				Rupees in thousand				
Financial assets								
Investments	--	--	--	--	428	428	428	458
Loans and advances to employees	--	--	--	4,689	1,983	6,672	6,672	7,402
Deposits	--	--	--	201	1,350	1,551	1,551	1,497
Trade debtors	--	--	--	164,370	--	164,370	164,370	150,512
Other receivables	--	--	--	1,307	--	1,307	1,307	11,863
Cash and bank	121,107	--	121,107	54,138	--	54,138	175,245	216,548
2000	121,107	--	121,107	224,705	3,761	228,466	349,573	388,280
1999	165,652	--	165,652	218,406	4,222	222,628	388,280	
Financial liabilities								
Redeemable capital	20,665	17,339	38,004	--	--	--	38,004	55,317
Running finance under mark-up arrangements	16,956	--	16,956	--	--	--	16,956	48,984
Liabilities against assets subject to finance leases	15,859	31,457	47,316	--	--	--	47,316	58,842
Deposit from dealers	--	--	--	--	6,810	6,810	6,810	6,850
Creditors, accrued expenses and other liabilities	--	--	--	388,927	--	388,927	388,927	427,181
Dividends	--	--	--	93,996	--	93,996	93,996	63,225
2000	53,480	48,796	102,276	482,923	6,810	489,733	592,009	660,399
1999	79,436	83,707	163,143	490,406	6,850	497,256	660,399	

(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. 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 if the company assesses that the exposure would have an unfavourable impact.

(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.

39. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2000			***1999***		
	Chief executive	***Director***	***Executives***	***Chief executive***	***Director***	***Executives***
			(Rupees in thousand)			
Managerial remuneration and allo	3,836	374	44,288	2,803	2,029	28,554
Companys contribution to provident fund and gratuity	336	29	6,453	731	610	4,874
Additional retirement benefits	3,959	--	4,058	--	--	--
Medical	37	5	2,716	79	6	1,900
Leave passage	1,657	110	1,595	740	109	668
	9,825	518	59,110	4,353	2,754	35,996
Number of persons	1	1	90	1	1	72

39.1 The chief executive is provided with free use of cars maintained by the company and telephones at his residence. Some executives are also entitled to use company maintained car. One non-executive director is provided with a company car. One executive is provided with use of telephone at his residence.

39.2 The amount charged in the accounts for the year excluding that shown above, for fee to twelve (1999: five) non-executive directors was Rs 33,500 (1999: Rs 7,000).

40. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS AND DIRECTORS

Rent paid to an associated undertaking	120	480
Expenses charged by an associated undertaking	266	1,301
Sales	12,193	24,945
Fixed asset item sold to a director	--	172

41. PLANT CAPACITY AND ACTUAL PRODUCTION

Capacity Tyre sets (units)	700,000	700,000
Production Tyre sets (units)	761,595	743,780

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

Dr. A.S. Mufti
Chief Executive

Raza Kuli Khan Khattak
Director

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2000

No. of Shareholders	*Shareholding From*	*To*	*Total Shares held*
521	1	100	21,964
589	101	500	181,572
162	501	1000	125,821
208	1001	5000	456,342
37	5001	10000	284,668
12	10001	15000	143,022
3	15001	20000	58,300
3	25001	30000	80,606
5	30001	35000	164,231
2	35001	40000	78,940
3	40001	45000	130,894
1	55001	60000	57,500
5	65001	70000	334,868
1	75001	80000	77,555
1	80001	85000	81,972
1	90001	95000	94,500
1	95001	100000	96,000
1	115001	120000	116,500
1	180001	185000	182,621
1	205001	210000	208,510
1	315001	320000	318,000
1	495001	500000	500,000
1	1665001	1670000	1,669,800
1	2210001	2215000	2,212,927
1	4690001	4695000	4,693,755
1	4705001	4710000	4,706,632
1,564			17,077,500

Categories of Shareholders	*Number*	*Shares held*	*Percentage*
Individuals	1500	5,435,980	31.84
Joint Stock Companies	17	1,767,783	10.35
Financial Institutions	17	7,689,939	45.02
Investment Companies	15	100,572	0.59
Leasing Companies	1	362	0
Banks	1	1,000	0
Insurance Companies	6	304,168	1.78
Government Institutions	1	66,000	0.39
Charitable Institution	1	38,940	0.23
Foreign Companies	5	1,672,756	9.8
TOTAL	1564	17,077,500	100.00