

Automotive Battery Company Limited

Annual Report 2000

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CORPORATE PROFILE

BOARD OF DIRECTORS

Arif Hashwani - Chairman
Arshad Shahzada - Chief Executive
S.H.M. Zaidi
Altaf Hashwani
Hussain Hashwani
Jaweed Niaz (NIT NOMINEE)
S. Yamagami (FB-JAPAN)
S. Haider Mehdi

COMPANY SECRETARY

S. Haider Mehdi

AUDITORS & SHARE REGISTRAR

Shakir & Co.
Chartered Accountants
4th Floor, Jubilee Insurance House,
I. I. Chundrigar Road, Karachi.

SOLICITORS

Farrukh Zia Shaikh

BANKERS

Habib Bank Ltd.
Muslim Commercial Bank Ltd.
Bank of Tokyo Mitsubishi Limited
Gulf Commercial Bank Ltd.
(Former/y Schon Bank Ltd.)
Doha Bank Limited
Emirates Bank International PJSC
ORIX Investment Bank Pakistan Limited
American Express Bank Ltd.

REGISTERED OFFICE

40-K, Block 6
Dr. Mahmood Hussain Road
Off Sharae Faisal, P.E.C.H.S.,
Karachi-75400

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixteenth Annual General Meeting of the Shareholders of Automotive Battery Company Limited will be held on Thursday September 14, 2000 at 11.30 hours at Karachi Merrier Hotel, Abdullah Haroon Road, Karachi to transact the following business:

A. ORDINARY BUSINESS:

1. To read and confirm minutes of the Fifteenth Annual General Meeting of the Shareholders held on June 16, 1999.
2. To receive and adopt the Audited Statements of Accounts for the Year ended March 31,2000 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year 2000-2001 and fix their remuneration.
4. To consider any other business with the permission of the Chair.

B. SPECIAL BUSINESS:

5. To consider and approve remuneration of the Chief Executive of the Company for a period of three years commencing from April 24, 2000.

A statement under Section 160 of the Companies Ordinance, 1984 pertaining to special business is annexed to this notice.

By order of the Board

S. HAIDER MEHDI

Director & Company Secretary

Karachi: July 20, 2000

Notes:

1. A member entitled to attend and vote at the Annual General meeting is entitled to appoint a proxy to attend instead of his/her behalf.
2. Proxies must be deposited with the Company not later than 48 hours before the time of holding the meeting.
3. Share Transfer Books of the Company will remain closed from September 06, 2000 to September 14, 2000 (both days inclusive).
4. Shareholders are requested to notify any change in their address to the Registrar's Office; Shakir & Company, 4th Floor, Jubilee Insurance House, I. I. Chundrigar Road, Karachi,

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement is annexed to the notice of the Sixteenth Annual General Meeting of the shareholders of Automotive Battery Company Ltd., to be held on September 14, 2000 and sets out the material facts concerning the following special business to be transacted at the meeting for approval of shareholders.

REMUNERATION OF THE CHIEF EXECUTIVE OF THE COMPANY

A total amount of Rs. 4.99 million will be proposed as the aggregate remuneration of the Chief Executive of the Company for a period of three-year commencing from April 24, 2000 in the form of following Resolution.

"RESOLVED: that an aggregate sum of Rs. 4.99 Million (Rupees Four Million nine hundred ninety thousand) be and is hereby approved as remuneration of the Chief Executive of the Company for a three-year term from April 24, 2000 to April 23, 2003, (both days inclusive), covering his managerial remuneration, housing, utilities, bonus, provident fund and gratuity in addition to his entitlement to chauffeur driven company maintained car, medical and hospitalisation expenses, utilities, telephone, leave fare assistance and other fringe benefits as per rules of the Company"

Mr. Arshad Shahzada, the Chief Executive of the Company is interested in this business to the extent of his remuneration.

CHAIRMAN'S REVIEW

IN THE NAME OF ALLAH THE MOST BENEFICENT AND MERCIFUL

Dear Shareholders

I feel honoured in welcoming you to the 16th Annual General Meeting and presenting the Audited Statements of Accounts and my review on the performance of your Company for the year 1999-2000.

The performance of the indigenous automotive battery industry during the year under review remained highly disturbed on account of higher taxation in the form of 10% Central Excise Duty on Separators as well as on finished Batteries in addition to 15% Sales tax on registered and 18% Sales tax on un-registered dealers. The Organized Sector manufacturers were confronted with tough competition by high influx of smuggled batteries, imports at under invoiced value and tax evasion by replaters. The same resulted negative growth in Organized Sector market despite national GDP growth of 4.5%. However, despite the adverse operating environment, your Company recorded a pro-tax profit of Rs. 4.34 million as compared to Rs, 5,77 million for the preceding year.

SALES :

Sales revenue decreased to Rs. 249.2 million during the year under review as against Rs. 278.4 million .of the preceding year. This was due to cut throat competition both from Organized and Unorganized Sectors. In order to meet the severe market competition, the management of your Company changed the arrangement of distribution of its products through exclusive distributor to various authorized dealers during the period under report. This change of distribution arrangement also affected sales during the year under review as the inventory of finished batteries with the exclusive distributor; M/s. Forbes Forbes Campbell & Co (Private) Limited were brought to nil before supplies made by your Company to the authorized dealers.

MANUFACTURING :

Production during the year under review declined by 6% as compared to last year, due to reduced market demand especially in the second half which is generally considered to be the better period for the sale of batteries. Infra structural constraint, particularly water also affected manufacturing and cost of production. Your management effectively planned production to cater the market demand both in terms of quality and quantity. The management effectively implemented internal cost controls which resulted reduction in cost of manufacturing despite inflationary pressures and no increase in selling prices during the year.

PROFITABILITY;

Pro-tax profit for the year amounted to Rs. 4.34m as compared to Rs. 5.77 m during the previous year. The decline in profitability is due to reduced sales, cost increases and payment of Rs. 3.19 m in amnesty on account of sales tax arrears for supplies to Original Equipment Sector during the period May 1990 to November 1995. The payment of arrears is being contested at the tribunal level, Due to strict monitoring on Overheads, Administration and Marketing, expenses remained almost at par with that of last year. Financial charges reduced from Rs. 15.08 m to Rs. 12.63 m owing to perpetual re-payment of long term loans and negotiation of working capital finance facility on competitive rates.

TAXATION :

The Company continued to provide current taxation at the rate of 0.5% of turnover under Section 80-D of the Income Tax Ordinance, 1979 in view of the brought forward losses.

FUTURE OUTLOOK :

The future of industry as well as your Company will depend on revival of economic activities in the country, prudent taxation policies and affordable cost of utilities. Abolishment of Central Excise duty on separators in the national budget 2000/2001 is .welcome sign for the industry but continuation of Central Excise Duty on finished batteries and increase in the cost of diesel and gas will have adverse impact on production cost. The gap between supply and demand will exert more pressure on pricing, discounts and in turn necessitates operational efficiencies. Your Management is quite aware of the future challenges and is exercising control on costs and quality standards in order to combat the competition effectively.

PERSONNEL:

Relations between the Workers and the Management remained cordial. Previous agreement with the CBA expired on July 31, 1999 and

through mutual understanding and negotiations, fresh agreement was concluded for a period of two years effective from August 1, 1999.

ACKNOWLEDGMENT:

I wish to place on record the Board's appreciation of the dedicated efforts and valuable support of all members of the Company, the dealers, customers, banks, financial institutions and our joint venture partners M/s Furukawa Battery Company Ltd.

ARIF HASHWANI

Chairman

Karachi: July 20, 2000

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and the Audited Statements of Accounts of your Company for the Year ended March 31,2000, The profit after providing for the minimum tax on turnover under Section 80-D of the Income Tax Ordinance, 1979 amounting to Rs 0.906m has been utilised to reduce the carried forward losses and as such your directors do not recommend any dividend for the year under review.

FINANCIAL HIGHLIGHTS

	<i>Rs. (000)</i>
Profit before Taxation	4,345
Less Taxation	906

Profit after Taxation	3,439
Accumulated Losses Brought Forward	25,925

Loss Carried Forward	22,488
	=====
Earning per share	Rs. 0.65

The Chairman's' Review dealing with the performance of the Company during the Year ended March 31,2000, future prospects and other matters of concern to the Company forms part of this report.

Pattern of shareholding as at March 31, 2000 is annexed to this report.

The present. auditors, Messrs. Shakir & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

By order of the Board

ARSHAD SHAHZADA

Chief Executive

Karachi: July 20, 2000

FIVE YEARS AT A GLANCE

	Rs. Million				
	1996	1997	1998	1999	2000
Sales	247.84	263.61	268.79	278.40	249.20
Gross Profit	41.59	32.04	34.05	36.10	31.14
Profit before tax	11.33	0.02	2.80	5.77	4.36
profit(loss) after tax	10.43	(0.95)	1.75	4.70	3.44
Paid up share capital	52.65	52.65	52.65	52.65	52.65
Accumulated Losses	(31.42)	(32.37)	(30.62)	(25.92)	(22.49)
Shareholders' equity	21.23	35.28	37.04	41.73	45.17
Long-term debt	69.98	63.06	55.13	45.95	35.33

PATTERN OF SHAREHOLDINGS AS AT MARCH 31, 2000

NO. OF SHAREHOLDERS	SHAREHOLDING				TOTAL SHARES HELD
641	FROM	1	TO	100 SHARES	63,805
164	FROM	101	TO	500 SHARES	52,700
74	FROM	501	TO	1000 SHARES	65,400
84	FROM	1001	TO	5001 SHARES	214,500
12	FROM	5001	TO	10000 SHARES	68,800
3	FROM	10001	TO	15000 SHARES	32,000
5	FROM	15001	TO	20000 SHARES	86,700
3	FROM	25001	TO	30000 SHARES	69,000
1	FROM	35001	TO	40000 SHARES	39,800
1	FROM	55001	TO	60000 SHARES	54,800
1	FROM	95001	TO	100000 SHARES	100,000
1	FROM	595001	TO	600000 SHARES	600,000
1	FROM	745001	TO	750000 SHARES	750,000
1	FROM	3065001	TO	3070000 SHARES	3,067,390
-----	-----	-----	-----	-----	-----
992					5,264,895
-----	-----	-----	-----	-----	-----

NO. OF SHAREHOLDERS	CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE OF TOTAL
985	Individuals	758,305	14.40%
1	Investment Company	10,500	0.20%
3	Joint Stock-Companies	3,091,790	58.72%
1	Financial Institution	600,000	11.40%
1	Modaraba Company	54,300	1.03%
1	Others - Foreign Company- Furukawa Battery Company Ltd. Japan	750,000	14.25%
-----	-----	-----	-----
992		5,264,895	100.00%
-----	-----	-----	-----

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of
AUTOMOTIVE BATTERY COMPANY LIMITED as at
 March 31, 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 purpose of our audit and after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Changes in Equity and 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 March 31, 2000 and of the profit, changes in equity and the cash flow for the year then ended; and

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

SHAKIR & CO.

Karachi: July 20, 2000

Chartered Accountants

BALANCE SHEET AS AT MARCH 31, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
SHARE CAPITAL			
AUTHORISED CAPITAL			
8,000,000 Ordinary Shares of Rs 10 each		80,000,000	80,000,000
Issued, subscribed and paid-up capital	3	52,648,950	52,648,950
Accumulated loss		(22,485,728)	(25,924,467)

		30,163,222	26,724,483
SURPLUS ON REVALUATION OF FIXED ASSETS		15,006,479	15,006,479
LONG TERM LOANS	4	33,935,580	43,057,580
OBLIGATION UNDER FINANCE LEASE	5	1,393,815	2,897,370
DEFERRED LIABILITIES	6	2,323,193	2,293,762
CURRENT LIABILITIES;			
Short term financing	7	50,464,349	37,968,431
Current portion of long term liabilities	8	10,867,555	9,416,852
Creditors, Accrued and other liabilities	9	28,725,909	30,813,782
		-----	-----
		90,057,813	78,199,065
CONTINGENT LIABILITIES AND COMMITMENTS	10	--	--
		-----	-----
		172,880,102	168,178,739
TANGIBLE FIXED ASSETS			
Operating Assets	11	69,170,321	75,142,932
LONG TERM DEPOSITS	12	1,555,700	1,585,200
CURRENT ASSETS			
Stores and Spares	13	5,067,089	5,356,750
Stock-in-Trade	14	50,779,188	34,534,652
Trade Debts (Unsecured considered good)	15	29,038,476	31,716,625
Loans, Advances, Short Term Prepayment & Other Receivables	16	5,006,719	5,858,878
Trade & Other Deposits	17	2,324,521	1,438,648
Cash and Bank Balances	18	9,938,088	12,545,054
		-----	-----
		102,154,081	91,450,607
		-----	-----
		172,880,102	168,178,739
		=====	=====

The annexed notes form an integral part of these accounts.
The Auditors' Report is annexed hereto.

ARSHAD SHAHZADA
Chief Executive

HUSSAIN HASHWANI
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2000

<i>Note</i>	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>

Net Sales	19	249,202,778	278,404,872
Cost of Sales	20	218,062,224	242,296,078
		-----	-----
		31,140,554	36,108,794
Administrative and Marketing Expenses	21	14,151,528	14,043,948
		-----	-----
Operating profit		16,989,026	22,064,846
Other income	22	309,300	184,012
		-----	-----
		17,298,326	22,248,858
Financial Charges	23	12,631,673	15,076,458
Workers' Profit Participation Fund		233,333	309,775
Workers' Welfare Fund		88,666	117,706
Prior year adjustments		--	976,889
		-----	-----
		12,953,672	16,480,828
		-----	-----
Profit Before Taxation		4,344,654	5,768,030
Taxation	24	905,915	1,075,402
		-----	-----
Profit After Taxation		3,438,739	4,692,628
Loss Brought Forward		(25,924,467)	(30,617,095)
		-----	-----
Balance Carried Forward		(22,485,728)	(25,924,467)
		=====	=====

The annexed notes form an integral part of these accounts.

ARSHAD SHAHZADA
Chief Executive

HUSSAIN HASHWANI
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2000

	<i>Share Capital</i>	<i>Unappropriated Prof/(Loss) account</i>	<i>Total</i>
	Rupees in 000		
Balance as on March 31, 1998	52,649	(30,617)	22,032
Profit for the year	--	4,692	4,692
	-----	-----	-----
Balance as on March 31, 1999	52,649	(25,925)	26,724
Profit for the year	--	3,439	3,439
	-----	-----	-----
Balance as on March 31, 2000	52,649	(22,486)	30,163
	=====	=====	=====

The annexed notes from an integral part of these accounts.

ARSHAD SHAHZADA
Chief Executive

HUSSAIN HASHWANI
Director

Karachi : July 20, 2000

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	27	6,854,209	22,837,703
Staff gratuity paid		(202,021)	(573,882)
Financial charges paid		(12,056,992)	(13,771,428)
Financial charges on leased assets		(649,628)	(887,178)
Taxes paid/Refundable		18,485	2,038,377
		-----	-----
Net cash inflow from operating activities		(6,035,947)	9,643,592
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(414,085)	(769,874)
Sale proceeds of fixed assets		522,000	250,000
		-----	-----
Net cash outflow from investing activities		107,915	(519,874)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term loans		(7,967,000)	(6,959,000)
Repayment of liability under finance lease		(1,207,852)	(970,302)
		-----	-----
Net cash outflow from financing activities		(9,174,852)	(7,929,302)
Net decrease in cash and cash equivalents		(15,102,884)	1,194,416
Cash and cash equivalents at beginning of the year		(25,423,377)	(26,617,793)
		-----	-----
Cash and cash equivalents at end of the year	28	(40,526,261)	(25,423,377)
		=====	=====

The annexed notes form an integral part of these accounts.

ARSHAD SHAHZADA
Chief Executive

HUSSAIN HASHWANI
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2000**1. NATURE OF BUSINESS**

The Company has been incorporated in Karachi as a Public Limited Company on October 28, 1984, and its shares are quoted on the Stock Exchange of Pakistan. The Company has set up an Automotive Battery Manufacturing plant located at Hub Industrial Estate, District Lasbella, in the Province of Balochistan.

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

These accounts have been prepared on historical cost convention.

2.2 Taxation

The Company's five year Tax Holiday expired on April 30, 1992. Provision for current taxation has been made at the minimum tax of 0.5% of turnover because of brought forward losses from Tax Holiday period.

2.3 Staff retirement benefits

The Company has a scheme of provident fund for its permanent employees. In addition, the Company operates an funded gratuity scheme covering all permanent employees. Provisions are made annually out of profits to cover obligations to date in respect of eligible employees under the scheme.

2.4 Tangible fixed assets

Operating fixed assets except leasehold land are stated at cost less accumulated depreciation. Buildings are stated at revalued amount less accumulated depreciation. Leasehold land are stated at cost/revalued amount.

Depreciation is charged applying the reducing balance method and rates are stated in Note 11 to the Accounts.

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

Gains and losses on disposal of assets are included in the Profit & Loss Account.

The Company accounts for assets acquired under finance lease by recording the assets and related liabilities. Finance charge is allocated to accounting period in a manner so as to produce a constant periodic rate of charge on the outstanding liabilities.

2.5 Stores, Spares and Loose Tools

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

2.6 Stock-in-Trade

Stocks are valued at lower of the cost or net realizable value. Cost in relation to raw materials is determined on average basis. Cost in relation to work in process and finished goods represents direct cost of materials, wages and an appropriate portion of production overheads and the related excise duty where applicable. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

2.7 Revenue recognition

Sales are recorded on despatch of goods to customers.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>

3. ISSUED, SUBSCRIBED & PAID-UP CAPITAL

4,964,895 Ordinary Shares of Rs. 10/- each fully paid in cash	49,640,950	49,648,950
300,000 Ordinary Shares of Rs. 10/- each other than cash	3,000,000	3,000,000
	-----	-----
	52,648,950	52,648,950
	=====	=====

Holding Company, Messrs Exide Pakistan Limited holds 3,067,390 Ordinary Shares in the Company.

4. LONG TERM LOANS

P.I.C.I.C. (Foreign Currency)	51,024,580	57,983,580
LESS: Repaid during the year	7,967,000	6,959,000
	-----	-----

	43,057,580	51,024,580
LESS: Current Portion	9,122,000	7,967,000
	-----	-----
	33,935,580	43,057,580
	=====	=====

4.1 PICIC Loan (Secured).

4.1.1 The Loan is secured by:

- (a) A first floating charge on all its movable properties and other assets.
- (b) Hypothecation in respect of all the machinery both present and future.
- (c) Equitable mortgage on present and future movable and immovable properties wherever situated including all buildings, fixed plants, machinery and fixtures.

4.1.2 Interest bearing debt Rs. 19,564,580

- (i) The loan carries interest at the rate of 14% per annum chargeable at half yearly rates.
- (ii) The interest and principal is payable in 20 half yearly instalments starting from June 1992.

4.1.3 Interest free deferred debt Rs. 23,493,000

- (i) The debt is repayable in four half yearly instalments after the terminal date of revised amortization schedule in respect of Interest Bearing Debt.
- (ii) No interest/penal interest will be charged on this debt unless there is default in its repayment.

4.1.4 Any time during the subsistence of its loan, PICIC shall have the right to convert, at par 20% of the loan into shares of the Company provided that conversion of loan into Capital by all financial institutions will not exceed 25% of the paid up capital of the Company. In the case of interest free deferred debt PICIC shall have the right to Convert this amount of Deferred Debts, in full or in part, into fully paid-up ordinary shares of the Company at any time after the date of this letter. These shares will be issued at par, will enjoy voting rights and will be entitled to all benefits.

5. OBLIGATION UNDER FINANCE LEASE

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Opening balance	4,105,222	5,075,524
Less: Repaid during the year	1,207,852	970,302
	-----	-----
	2,897,370	4,105,222
Less: Current portion due within the following 12 months	1,503,555	1,207,852
	-----	-----
	1,393,815	2,897,370
	=====	=====

The future minimum lease payments due under the agreement are as follows:

Payable in 2000-2001	1,857,480	1,857,480
Finance charges allocated to future periods	353,925	649,628
	-----	-----
	1,503,555	1,207,852
	=====	=====

Classified as under:

Long term obligation of finance	1,393,815	2,897,370
Current obligation of finance	1,503,555	1,207,852
	-----	-----
	2,897,370	4,105,222
	=====	=====

The total lease rentals due under the various Lease Agreements are payable in equal monthly installments latest by 2001. Overdue rental payments are subject to an additional charge of Rs. 155/- per day. Taxes, Repairs, Replacements and Insurance costs are to be borne by the lessee, Finance charge at the rate of approximately 22% p.a., is included in the monthly rent and is charged to income,

6. DEFERRED LIABILITIES

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Premium payable to L.I.E.D.A.	242,000	242,000
Less: Current Maturity	242,000	242,000
	-----	-----
	--	--
Staff Gratuity	2,323,193	2,293,762
	-----	-----
	2,323,193	2,293,762
	=====	=====

7. SHORT TERM FINANCING

7.1 Running Finance from Banks	50,464,349	33,252,717
7.2 Revolving finance from P.I.C.I.C	--	4,715,714
	-----	-----
	50,464,349	37,968,431
	=====	=====

7.1.1 The Company has arranged short term running finance from various Banks on markup basis. Under these arrangements the Company can avail finances aggregating upto Rs. 69.60 (1999: Rs. 40.40 million). The finances under these arrangements are secured by a joint hypothecation over the Company's stock-in-trade and trade debtors ranking pari-passu. The rate of Markup charged by the Bank ranges from 39 to 48 paisas (1999 41 to 58 paisas) per Rs. 1000 per day calculated on daily product basis.

7.2.1 The revolving finance from P.I.C.I.C is secured by hypothecation of stock and an additional first charge on the assets of the Company ranking pari passu with existing creditors. The revolving finance carries markup @ 60 paisas per Rs. 1000/- per day and has the limit facility of Rs. 7.5m.

8. CURRENT PORTION OF LONG TERM LIABILITIES

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Pakistan Industrial Credit & Investment Corporation Ltd.	9,122,000	7,967,000
Lasbella Industrial Estate Development Authority	242,000	242,000
Obligation under finance lease	1,503,555	1,207,852
	-----	-----
	10,867,555	9,416,852
	=====	=====

9. CREDITORS, ACCRUED & OTHER LIABILITIES

Creditors	9,083,570	10,464,375
Accrued Liabilities	12,429,814	13,026,880
Accrued Markup (9.1)	2,868,210	2,943,157
Sales Tax Payable	4,110,982	4,008,430
Workers' Profit Participation Fund	233,333	370,940
	-----	-----
	28,725,909	30,813,782
	=====	=====

9.1 Accrued Markup
on secured Loan:

P.I.C.I.C	684,790	963,605
Running Finance	2,183,420	1,979,552
	-----	-----
	2,868,210	2,943,157
	=====	=====

**10. CONTINGENT LIABILITIES
AND COMMITMENTS**

(i) Letter of Credit outstanding	1,128,000	10,774,398
(ii) Bank Guarantees given by Bank of Tokyo Mitsubishi Limited, Soneri Bank Limited and Muslim Commercial Bank Limited on behalf of the Company	5,190,000	9,398,003
(iii) Insurance Guarantees/Indemnity Bonds	5,402,942	301,720
(iv) Income Tax Liability Refer Note No. 24	21,900,000	21,067,000

11. OPERATING ASSETS

11.1 The following is a statement of operating assets

	<i>Cost as at April 01, 1999</i>	<i>Additions/ (deletions) 01, 1999</i>	<i>Cost as at 3,132,000</i>	<i>Accumulated depreciation on 1.4.1999</i>	<i>Depreciation for the year</i>	<i>Depreciation on Deletions</i>	<i>Accumulated Depreciation on 31.3.2000</i>	<i>Written Down value as at 31.3.2000</i>	<i>Rate %</i>
Rupees									
Leasehold land									
-- At HITE-Hub									
Chowki	3,500,000	--	3,500,000	--	--	--	--	3,500,000	--
-- At SITE									
Nooriabad	1,384,668	--	1,384,668	--	--	--	--	1,384,668	--
Factory buildings	22,706,661	--	22,706,661	2,717,768	999,445	--	3,717,210	18,989,451	5
Plant and machinery	118,305,310	--	118,305,310	75,048,700	4,325,661	--	79,374,361	38,930,949	10
Office equipment	752,580	22,085	774,665	426,390	34,328	--	460,718	313,947	10

Furniture & fixtures	1,242,181	16,000	1,258,181	809,853	45,333	--	855,186	402,995	10
Vehicles	4,317,056	330,000 (812,146)	3,834,910	3,161,230	254,585	599,246	2,816,569	1,018,341	20
Computers	888,055	46,000	934,055	411,504	52,255	--	463,759	470,296	10
Assets held under finance lease									
Plant and machinery	6,340,000	--	6,340,000	1,718,140	462,186	--	2,180,326	4,159,674	10
Total	159,436,511	(398,061)	159,038,450	84,293,582	6,173,793	599,246	89,868,129	69,170,321	
1999	159,079,976	356,539	159,436,515	77,837,834	6,798,064	342,315	84,293,583	75,142,932	

2000
Rupees

1999
Rupees

11.2 Depreciation charged for the year has been allocated as follows'.

Cost of goods sold Note 20.1	5,865,103	6,458,161
Administrative and marketing expenses	308,690	339,903
	6,173,793	6,798,064

11.3 Revaluation of leasehold land & buildings was carried out on September 30, 1996 which produced revaluation surplus of Rs. 15 million. The surplus of Rs. 15 million has been added to the value of such assets and corresponding amount has been credit to the Surplus on Revaluation of Fixed Assets.

11.4 Original cost	Rs. 10,848,709
The amount of increased figure	Rs. 22,855,000
Date of revaluation	September 30th 1996
Basis of revaluation	Current Market Value
Name and qualification of the independent valuers	M/s. Iqbal A. Nanjee & Co. Valuation Consultants and Surveyors

11.5 Had there been no revaluation, the figures of leasehold land and building would have been as follows:

	Cost as on March 31, 2000	Accumulated depreciation as on March 31, 2000	Book value as on March 31, 2000
Leasehold land	1,384,668	--	1,384,668
Buildings	16,921,531	8,278,298	8,643,233

11.6 Moulds for containers, lids and vent plugs amounting to Rs. 9.5 million included in the Plant and Machinery above are held by Mandviwalla Mauser Plastic Industries Ltd., Simla Plastic Works and Ideal Plastic View, who use the moulds for manufacturing plastic containers, lids and vent plugs for the Company.

11.7 The following operating assets were disposed of during the year

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book value</i>	<i>Sales Proceeds</i>	<i>Gain on sale of Fixed assets</i>	<i>Buyers</i>
-----Rupees-----						
Vehicles						
Mitsubishi Van	553,846	408,658	145,188	450,000	304,812	M/s. Exide Pakistan Ltd.
Suzuki Khyber Car	258,300	190,588	67,712	72,000	4,288	Mr., Mukarrarn Khan
	-----	-----	-----	-----	-----	
	812,146	599,246	212,900	522,000	309,100	
	=====	=====	=====	=====	=====	
				<i>2000</i>	<i>1999</i>	
				<i>Rupees</i>	<i>Rupee8</i>	

12. LONG TERM DEPOSITS

Utilities & Other Deposits	1,555,700	1,585,200
	=====	=====

13. STORES & SPARES

General Stores	5,067,089	5,356,750
	=====	=====

14. STOCK IN TRADE

Raw & Packing Materials and Components	12,549,178	9,860,809
Work in Process	8,675,808	10,838,536
Finished Goods	27,033,854	11,442,852
Goods-in-Transit	2,520,348	2,392,455
	-----	-----
	50,779,188	34,534,652
	=====	=====

14.1 Raw Material and Components amounting to Rs. 1.302 million were held by Mandviwalla Mauser Plastic Industries Ltd., Simla Plastic Works who under an arrangement with the Company, manufacture Plastic Containers, Lids and Vent Plugs for the Company.

15. TRADE DEBTORS (UNSECURED)

Considered good (Note 15.1)	29,038,476	31,716,625
	=====	=====

15.1 Includes Rs. 1,553,875 (1999 Rs. 581,842) due from Associated Undertaking.

15.2 Maximum amount due from Associated Undertaking at the end of any month during the year was Rs. 3,723,568 (1999 Rs. 4,682,744).

16. LOANS, ADVANCES, S PREPAYMENT & OTHER RECEIVABLES

<i>2000</i>	<i>1999</i>
<i>Rupees</i>	<i>Rupees</i>

Loans to Staff & Workers (Considered good)	264,021	286,272
Advance to Staff for Expenses (Considered good)	169,415	169,415
Advances to suppliers (Considered good)	46,162	10,969
Income Tax Deducted at Source	4,295,061	5,219,461
Octroi Refundable	77,270	17,971
Prepayment	154,790	154,790
	-----	-----
	5,000,719	5,858,878
	=====	=====

17. TRADE AND OTHER DEPOSITS

Advance for Excise Duty/Sales Tax	251,207	234,582
Margin Deposits (Bank Guarantee)	531,291	264,607
Earnest Money/Licence Fee	951,174	348,610
Sales Tax/Custom Duty Refundable	590,849	590,849
	-----	-----
	2,324,521	1,438,648
	=====	=====

18. CASH AND BANK BALANCES

Imprest Accounts	262,502	106,570
Balance with banks in current accounts		
Cheques in hand/Under realisation	9,675,586	12,438,484
	-----	-----
	9,938,088	12,545,054
	=====	=====

19. SALES

Local	263,992,645	293,641,880
Less: discounts on battery sales	14,789,867	15,237,008
	-----	-----
	249,202,778	278,404,872
	=====	=====

20. COST OF SALES

Opening Stock	11,442,852	13,452,359
Purchases	341,032	335,202
Cost of Goods Manufactured (Note 20.1)	234,878,986	241,431,166
	-----	-----
	246,662,870	255,218,727
	=====	=====
Less: Cost of Batteries replaced	1,566,792	1,479,797
Closing Stock	27,033,854	11,442,852
	-----	-----
	28,600,646	12,922,649
	-----	-----
COST OF SALES	218,062,224	242,296,078
	=====	=====

20.1 COST OF GOODS MA ,

Raw and Packing Materials and Components:		
Opening Stock	9,860,809	10,879,625

Purchase (Net)	110,600,562	119,358,357
	-----	-----
	120,461,371	130,237,982
Closing Stock as on 31-03-2000	12,549,178	9,860,809
	-----	-----
Raw and Packing Materials and Components: Consumed	107,912,193	120,377,173
Work in Process as on 01.04,1999	10,838,536	8,586,663
Stores & Spares consumed	5,247,022	5,223,599
Salaries, Wages & Benefits	18,741,824	20,013,282
Fuel, Power & Water	14,814,824	14,244,161
Insurance	679,001	719,352
Rent, Rate & Taxes	169,315	131,315
Repairs & Maintenance	652,939	925,687
Royalty	1,549,269	1,908,208
Excise Duty & Sales Tax	67,942,728	63,324,416
Conveyance & Transportation	431,972	799,318
Depreciation	5,865,103	6,458,161
Battery Guarantee Claims	8,243,285	9,054,764
Miscellaneous	466,783	503,603
	-----	-----
	243,554,794	252,269,702
Work in Process as on 31.03.2000	8,675,808	10,838,536
	-----	-----
COST OF GOODS MANUFACTURED	234,878,986	241,431,166
	=====	=====

21. ADMINISTRATIVE AND MARKETING EXPENSES

Salaries & Benefits	5,479,144	4,915,823
Electricity & Gas	231,788	312,666
Travelling, Entertainment & Conveyance	617,825	183.16
Vehicle Running Expenses	603,280	352.55
Carriage and forwarding expenses	3,272,381	4,591,523
Rent, Rate & Taxes	184,911	95,913
Repairs & Maintenance	106,995	39,862
Legal & Professional Exp.	413,338	430,401
Auditors' Remuneration (Note 21.1)	117,360	114,370
Postage, Telephone & Telex	329,909	297,402
Printing & Stationery	379,040	370,402
Depreciation	308,690	339,903
Advertisement & Publicity	1,904,509	1,774 691
Miscellaneous	202,358	225,282
	-----	-----
	14,151,528	14,043,948
	=====	=====
	2000	1999
	Rupees	Rupees

21.1. AUDITORS' REMUNERATION

Audit Fee	45,000	40,000
Registrar Service/Charges	72,360	74,370
	-----	-----
	117,360	114,370
	=====	=====

22. OTHER INCOME

Service Charges	200	5,032
-----------------	-----	-------

Gain on Sale of Fixed Assets	309,100	178,980
	-----	-----
	309,300	184,012
	=====	=====

23. FINANCIAL CHARGES**INTEREST/MARK-UP ON**

P.I.C.I.C	3,345,919	4,599,763
Running Finance	8,094,912	8,898,467
Finance Charges on Leased Assets	649,628	887,178
Bank Charges	515,387	676,304
Interest on W.P.P.F	25,827	14,746
	-----	-----
	12,631,673	15,076,458
	=====	=====

24. The Company's income tax assessments have been finalized upto assessment year 1997-98 and the Company's claim for carry over of tax holiday losses beyond the tax holiday period for set off against the profits of taxable period is at various stages in the appellate forum in respect of different assessment years. As regards to the assessment year 1988-89, 1989-90, 1990-91 & 1991-92, the Income Tax Appellate Tribunal has ruled in the Company's favour and on a reference application for assessment year 1988-89 filed by the Income Tax Department has referred the question of law to the High Court. The appeal for assessment year 1992-93 is pending with the Income Tax Appellate Tribunal. Based on the legal advice, the Company expects the final outcome to be in its favour. Therefore, Tax Provision has been calculated on the basis that Tax Holiday losses would be set off against the current year's income. Should however, the Company's stand, not being accepted, the further estimated tax liability upto assessment year (2000-2001) would work out to Rs. 21.90 million approximately. In the opinion of the Directors, in view of the initial success upto the Tribunal stage and supporting legal opinion, further tax provision would not be eventually necessary.

25. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

The Aggregate amount charged in the account for the period for remuneration, including all benefits, to the Chief Executive, Director and Executives of the Company were a~ follows:

	2000			1999		
	<i>Chief Executive</i>	<i>Director</i>	<i>Executive</i>	<i>Chief Executive</i>	<i>Director</i>	<i>Executive</i>
Rupees						
Managerial Remuneration	791,529	--	833,300	671,827	130,795	793,950
Retirement Benefits	124,737	--	119,372	103,339		104,454
Housing, Conveyance & Utilities	381,540	--	423,084	341,088	71,940	443,973
Medical expenses	62,792	--	82,061	59,074	115,000	75,764
LFA	30,000	--	99,861	30,000	30,000	137,863
	-----	-----	-----	-----	-----	-----
	1,390,598	--	1,557,678	1,205,328	347,735	1,556,004
	=====	=====	=====	=====	=====	=====
Number of Persons	1	0	5	1	1	6
	=====	=====	=====	=====	=====	=====

In addition the Chief Executive, Director and some executives are provided with free use of the Company's cars and residential telephone in accordance with their entitlement.

2000	1999
Rupees	Rupees

26. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Sales to	34,458,206	30,170,377
Purchases from	392,186	385,482
Less - Sales Tax	51,154	50,280
	-----	-----
Net Purchase	341,032	335,202
Sales of fixed asset	450,000	--
Expenses charged by	718,949	808,516
Expenses charged to	315,335	422,370
	-----	-----
	36,283,522	31,736,465
	=====	=====

27. CASH GENERATED FROM OPERATION

Profit before taxation	4,344,654	5,768,030
Adjustment for non cash charges and other items		
Depreciation	6,173,793	6,798,064
Profit on sales of fixed assets	(309,100)	(178,980)
Provision for staff gratuity	231,455	783,539
Financial charge	11,982,045	14,189,280
Finance charges on leased assets	649,628	887,178
working capital change note 27.1	(16,218,266)	(5,409,408)
	-----	-----
	6,854,209	22,837,703
	=====	=====

27.1 WORKING CAPITAL CHANGES

(Increase)/decrease in current assets

Long Term Deposit	29,500	--
Spares	289,661	(986,611)
Stock-in-Trade	(16,244,536)	(729,623)
Trade Debts	2,678,149	(9,975,055)
Loans and advances	(72,241)	(15,550)
Trade and other deposits	(885,873)	(84,436)
	-----	-----
	(14,205,340)	(11,791,275)

Increase/decrease in current liabilities

Creditors, accrued and other liabilities

(excluding accrued mark up)

	(2,012,926)	6,381,867
	-----	-----
	(16,218,266)	(5,409,408)
	=====	=====

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprised of the following balance sheet amounts:

Cash and bank balances	9,938,088	12,545,054
Short-term finance utilised under mark-up arrangements	(50,464,349)	(37,968,431)
	-----	-----
	(40,526,261)	(25,423,377)

=====

29. Financial Assets and Liabilities
for the year ended March 31, 2000

	Interest/Markup Bearing			Non Interest/Markup Bearing			Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	
Financial Assets							
Deposits	--	--	--	--	1,556	1,556	1,556
Trade Debtors	--	--	--	29,038	--	29,038	29,038
Loans and Advances	--	--	--	310	169	479	479
Other Receivables	--	--	--	232	--	232	232
Cash & Bank Balance	--	--	--	9,938	--	9,938	9,938
Financial Liability							
Long term loan	10,868	33,936	44,804	--	--	--	44,804
Short term finance	50,464	--	50,464	--	--	--	50,464
Creditor & Accrued	--	--	--	28,726	--	28,726	28,726

30. GENERAL

29.1 The production capacity of the Factory cannot be precisely determined as it depend on the proportion of different types of batteries produced which varies in relation to the consumer demand.

29.2 The figures have been rounded off to nearest rupee.

29.3 Previous year's figures have been rearranged and regrouped where necessary for the purpose of comparison.