

## **Ghandhara Industries Limited**

### **Annual Report 1999**

*(Formerly National Motors Limited)*

*A Bibojee Group Company*

#### **CONTENTS**

BOARD OF DIRECTORS  
NOTICE OF MEETING  
ABOUT THE COMPANY  
CHAIRMAN'S REVIEW  
REPORT OF THE DIRECTORS  
AUDITORS' REPORT TO THE MEMBERS  
BALANCE SHEET  
PROFIT AND LOSS ACCOUNT  
CASH FLOW STATEMENT  
NOTES TO THE ACCOUNTS  
PATTERN OF SHAREHOLDINGS  
SUBSIDIARY COMPANY:  
MARGHZAR INDUSTRIES (PRIVATE) LIMITED

#### **CONSOLIDATED FINANCIAL STATEMENTS**

AUDITORS' REPORT TO THE MEMBERS  
BALANCE SHEET  
PROFIT AND LOSS ACCOUNT  
CASH FLOW STATEMENT  
NOTES TO THE ACCOUNTS  
FORM OF PROXY

#### **BOARD OF DIRECTORS**

Mr. Raza Kuli Khan Khattak	Chairman
Mr. Ahmad Kuli Khan Khattak	Chief Executive
Mr. Mushtaq Ahmed Khan	
Dr. Adil Sultan Mufti	
Dr. Parvez Hassan	
Ch. Sher Mohammad	
Mr. Rashidullah Yakoob	
Mr. M. Sadiq Sheikh	
Mr. M. Asif Dar	

#### **SECRETARY**

Mr. M.R. Banka

#### **AUDITORS**

Hameed Chaudhri & Co.  
Chartered Accountants

#### **LEGAL ADVISORS**

Syed Iqbal Ahmed Barrister at law  
Jawaid Law Associates (Tax)  
Syed Qamruddin Hassan

#### **BANKERS**

National Bank of Pakistan  
Habib Bank Limited  
United Bank Ltd.

Allied Bank of Pakistan Ltd.  
Muslim Commercial Bank Ltd.  
Indus Bank Ltd.

#### **REGISTERED OFFICE**

Hub Chowki Road  
S.I.T.E.  
Post Box No. 2706  
Karachi-75730

#### **NOTICE OF MEETING**

Notice is hereby given that the 36th Annual General Meeting of the Company will be held on Wednesday the 29th December, 1999 at 09:00 A.M. at Ghandhara Industries Limited (Formerly National Motors Limited), Hub Chauki Road, S.I.T.E., Karachi to transact the following business:

##### **1. ORDINARY BUSINESS**

- i) To confirm the minutes of the 35th Annual General Meeting held on 31 st December, 1998.
- ii) To receive and adopt the audited accounts of the Company for the year ended June 30, 1999 together with Directors' and Auditors' reports thereon.
- iii) To appoint auditors for the next financial year and fix their remuneration.

##### **2. ANY OTHER BUSINESS**

To transact any other ordinary business of the Company with the permission of the Chair.

By order of the Board

**M. R. BANKA**  
SECRETARY

KARACHI: DECEMBER 06, 1999.

##### **Note:**

1. The Share Transfer Books of the Company will remain closed from December 21, 1999 to December 31, 1999, both days inclusive.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Members are, requested to promptly notify the Company of any change in their addresses.

#### **THE COMPANY**

The National Motors Limited is a public limited company quoted on the Stock Exchanges and registered under the Companies Act, 1913 (now Companies Ordinance, 1984). It was established in Karachi by General Motors Overseas Distribution Corporation of U.S.A. In 1963 Lt. Gen. (Rtd.) M. Habibullah Khan Khattak acquired these facilities from General Motors and renamed it Ghandhara Industries Limited. The Government of Pakistan nationalized Ghandhara Industries in 1972 and renamed it National Motors Limited. In 1992 M/s. Bibojee Services (Pvt) Ltd. acquired it under the Privatization Policy of the Government, and adopted its original name Ghandhara Industries Limited w.e.f 27.11.1999.

The major business activities of the company comprise of progressive manufacture, assembly and marketing of Isuzu truck and bus chassis and fabrication of Bus and Load bodies. In order to utilize idle plant capacity the company has plans for the assembly of Cars, Vans, Pick-ups and Light commercial vehicles in addition to standard Isuzu trucks and buses. To accomplish

its mission the company has a country-wide dealers net work for marketing its products. In addition the company represents its principals in Pakistan for other built up products. The company has provided impetus to the local manufacture of engineering goods. With the introduction of new models that compliments the Isuzu products, additional opportunities are being availed to provide work for the company's in house manufacturing facilities as well as for the vendors producing Isuzu parts locally.

In-house facilities also include two assembly lines, a machine shop and a press shop. Equipped with these facilities the plant is capable of producing about 2400 truck & bus chassis and 2400 LCVs per annum on a single shift basis, depending on the business requirements. Other avenues are also being explored to utilize the idle capacity of the plant as far as possible.

#### **LONG B TERM OBJECTIVES**

Maximize the value of shareholders equity.

Create an environment that assures national self-sufficiency in automobile industry.

Create an environment that furthers healthy competition in the Automobile sector.

#### **MAJOR PRODUCTS**

Isuzu Truck Model FTR

Isuzu Truck Model FVR/FVM

Isuzu Truck Model NPR

Isuzu Bus Model MT

Isuzu Light Commercial Vehicles - KB Series

Isuzu Bus / Load Body Fabrication

#### **MAJOR CUSTOMERS**

Owner Operators

Fleet Owners

Pakistan Armed Forces

Civilian and Paramilitary Law Enforcement Agencies

Government & Semi-Government Organizations

Transport Authorities

Educational Institutions

Health Organizations

Public Sector Companies

Private Sector Companies

General Public

#### **CHAIRMAN'S REVIEW**

I have pleasure in presenting the 36th Annual Report of your company for the year ended June 30, 1999.

#### **Industry Prospects.**

I regret to inform you that low sales volume continued to dominate the affairs of the company during the year under review. As you are aware that your company can produce 5,000 trucks/buses & other light commercial vehicles in its plant and can meet the total demand of the country.

However due to inconsistent government policies accompanied by economic recession in the country specially in automobile sector, the total demand of the trucks/buses in the country has drastically dropped. Despite this the government is allowing setting up more truck/bus assembly plants in the country. Further more the government has allowed the import of built-up buses during the year despite protest from local assemblers.

The State Bank policies for liquidity starved sick industrial unit is making a sick unit more sick.

I am confident that if banks are allowed to extend credit facilities to the sick units with proper monitoring system, these units not only can survive but will contribute towards national economy and employment opportunities.

### **1. Operating Results:**

During the year under review your company suffered after tax loss of Rs. 53.487 million mainly due to heavy financial charges and under utilization of the plant capacity. Our sales at Rs. 223.362 million were higher by Rs. 39.942 million compared to last year. The company's operating loss reduced to Rs. 12.379 million compared to loss of Rs. 17.693 million last year.

### **2. Sales.**

Inspire of depressed market and unfavourable situation, the company managed to sell vehicles amounting to Rs. 223.362 million during the year under review as compared to sales amounting to Rs., 183.420 million last year. It sold trucks amounting to Rs. 83.762 million and buses amounting to Rs. 131.643 million. Auto spares and other sales amounted to Rs. 7.957 million. The sales of buses in total units was higher than trucks.

The company continued to face liquidity problem and inadequate L/c. facilities. Had the banks provided enhanced L/c. facilities' the company would have produced more units.

### **3. Production.**

The production of trucks & bus chassis remained restricted to non availability of L/c. facilities and actual sales. We could have done better if banks had extended L/c. facilities.

### **4. Labour Management Relations.**

The workers have extended as usual their cooperation and understanding to the management. The workers & management relations have been very good and cordial.

### **5. Year 2000 Compliance of Computer System.**

The company is using P.C. based software system. We do not anticipate any problem in compliance of Y2K requirements.

### **6. Future Outlook.**

As explained in the directors' report the implementation of the agreed financial restructuring plan requires submission of property documents to the lead bank. Due to litigation on one of our properties, the company is facing difficulty in completing this process.

The depreciation of the Pak Rupees viz a viz Japanese Yen is causing increased cost of production.

The financial restructuring agreed by the banks provide a good opportunity to the company to improve operating results. Further the government's economic policies will determine the future trend in production/sales in automobile sector.

### **7. Acknowledgement.**

I am thankful for the efforts of the management, staff and workers who are constantly working hard to turn-around the company in the difficult times. I am grateful to cur vendors and suppliers who continued cooperating with us during all this difficult period. I would also like to thank Isuzu Motors Limited and Itochu Corporation for their support and assistance.

One again I thank you for reposing your confidence in the management. I pray to Allah for guidance.

**RAZA KULI KHAN KHATTAK**  
CHAIRMAN

## **REPORT OF THE DIRECTORS**

The Directors of your Company take pleasure in presenting their 36th Annual Report with audited

accounts of the Company together with auditors' report thereon for the year ended June 30, 1999.

## FINANCIAL RESULTS

The financial results for the year ended June 30, 1999 are summarized below:

### (Rs. in '000')

Loss for the year	(52,373)
Taxation	(1,114)
	-----
Loss for the year after taxation	(53,487)
Accumulated loss brought forward	(893,180)
	-----
Accumulated loss carried forward	(946,667)
	=====

## BASIS OF ACCOUNTS

The company has incurred a loss of Rs.53.487 million during the year and its current liabilities at that date exceed its current assets by Rs.808.423 million. The losses are mainly due to financial expenses and under utilization of plant capacity.

The Bankers Committee for revival of sick units considered the case of the company on 3rd July, 1999 and has decided as under:-

	<i>Rupees</i>
	<i>millions .</i>
Relief against outstanding liabilities (approximately)	228
	=====
Adjustment of amount already paid To' be paid through sale of properties	30
To be .paid in 20 quarterly installments with effect from 1st July, 2000 with mark up @ 39 paisas per Rs.1,000 per day	390
	-----
	100
	-----
	520
	=====

The company will create a charge on all project assets including investment properties. The above package will be implemented through a court. decree. The package is at implementation stage and once the package is implemented, the company will get substantial relief in the interest cost.

The company is considering to diversify its line to include Isuzu Light Commercial Vehicles. The additional product line will help in utilization of idle capacity of the plant.

Keeping in view the above facts, it is hoped that the company will continue as a going concern.

## FUTURE OUTLOOK

The Company is facing difficulties in implementing of restructuring plan approved by the banks this year in July. The court case of properties are a big hindrance in submitting certain documents to HBL the lead bank as required under the restructuring plan and to clear our name from CIB.

The Company can do much better if required banking facilities are available for import of CKD.

## YEAR 2000 COMPLIANCE OF COMPUTER SYSTEM

The Company is using' PC based software system. We do not anticipate any problem in compliance of Y2K requirement.

## AUDITORS

The present auditors M/s. Hameed Chaudhri & Co. retire and being eligible have offered themselves for appointment as auditors for the year 1999-2000.

## PATTERN OF SHARE HOLDING

The pattern of Shareholding as at June 30, 1999 is annexed.

On behalf of the Board

**AHMAD KULI KHAN KHATTAK**

Chief Executive

December 06, 1999

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of NATIONAL MOTORS LIMITED as at 30th June, 1999, and the related Profit and Loss Account, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

(a) in our opinion, proper books of accounts 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 accounts 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, 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 30th June, 1999 and of the Profit for the year then ended; and

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

Without qualifying our opinion, we draw attention to note 1 to the accounts. The continuity of the company as a going concern is dependent upon successful implementation of management's plans.

**HAMEED CHAUDHRI & CO.**

Chartered Accountants

December 06, 1999

## BALANCE SHEET AS AT 30 JUNE 1999

	<i>Note</i>	<i>1999</i> <i>( Rupees '000 )</i>	<i>1998</i>
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorised Capital 10,000,000 ordinary shares of Rs. 10/- each		100,000	100,000
Issued, subscribed & paid up capital	3	65,553	65,553
Reserves			
Capital reserves	4	40,800	40,800
Revenue reserve		2,400	2,400

Accumulated loss		(946,667)	(893,180)
		-----	-----
		(903,467)	(849,980)
		-----	-----
		(837,914)	(784,427)
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		723,364	723,364
<b>LONG TERM LOANS &amp; DEFERRED LIABILITY</b>			
Long term loans - unsecured	5	9,197	30,761
Provision for staff retirement gratuity		8,755	8,788
		-----	-----
		17,952	39,549
<b>CURRENT LIABILITIES</b>			
Current portion of long term loans		22,081	2,000
Short term loan/running finances and borrowings	6	558,910	497,550
Creditors, accrued & other liabilities	7	447,206	441,418
		-----	-----
		1,028,197	940,968
<b>CONTINGENT LIABILITIES</b>	8		
		-----	-----
		931,599	919,454
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>			
Operating fixed assets	9	315,989	323,959
Capital work in progress		320	54
<b>LONG TERM INVESTMENTS</b>			
Investments in subsidiary & other companies	10	1,401	1,401
Investment in immovable properties	11	389,567	390,803
		-----	-----
		390,968	392,204
<b>LONG TERM LOANS AND ADVANCES</b>	12	13	15
<b>LONG TERM DEPOSITS &amp; DEFERRED COSTS</b>			
Deposits		490	493
Deferred costs	13	4,045	6,066
		-----	-----
		4,535	6,559
<b>CURRENT ASSETS</b>			
Stores, spares & tools	14	1,586	1,802
Stock in trade	15	116,331	160,351
Trade debts	16	17,677	3,297
Loans, advances, deposits & prepayments	17	21,378	14,560
Other receivables	18	10,046	9,099
Cash and bank balances	19	52,756	7,554
		-----	-----
		219,774	196,663
		-----	-----
		931,599	919,454
		=====	=====

The annexed notes form an integral part of these accounts

**M. ASIF DAR**  
Director

**AHMAD KULI KHAN KHATTAK**  
Chief Executive

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

	<i>Note</i>	<i>1999</i> <i>( Rupees '000 )</i>	<i>1998</i>
Net sales	20	223,362	183,420
Cost of sales	21	217,888	179,841
		-----	-----
Gross profit		5,474	3,579
Administration and selling expenses	22	(17,853)	(21,272)
		-----	-----
Operating loss		(12,379)	(17,693)
Other income	23	1,946	3,471
		-----	-----
		(10,433)	(14,222)
Other expenses	24	(8,090)	0
Financial and other charges	25	(33,850)	(49,930)
		-----	-----
		(41,940)	(49,930)
		-----	-----
Loss before taxation		(52,373)	(64,152)
Taxation	26	(1,114)	(934)
		-----	-----
Loss after taxation		(53,487)	(65,086)
Accumulated loss brought forward		(893,180)	(828,094)
		-----	-----
Accumulated loss carried forward		(946,667)	(893,180)
		=====	=====

The annexed notes from an integral part of these accounts.

**M. ASIF DAR**  
Director

**AHMAD KULI KHAN KHATTAK**  
Chief Executive

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 1999**

	<i>Note</i>	<i>1999</i> <i>( Rupees '000 )</i>	<i>1998</i>
Cash flow from operating activities			
Cash generated from/used, in operations	27	16,369	(19,719)
Staff gratuity		(591)	(53)
Interest paid		(24,655)	22,804
Taxes paid		(229)	(400)
Long-term loans and advances		2	(3)
		-----	-----
Net Cash (outflow)/inflow from operating activities		(9,104)	2,629
Cash flow from investing activities			
Fixed capital expenditure		(905)	(260)
Capital work in progress		(266)	(271)
Sale proceeds of fixed assets		1,627	626
Interest received		577	249
Deposits		3	(140)
Deferred costs		0	(7,912)
		-----	-----
Net cash outflow from investing activities		1,036	(7,708)
		-----	-----
Cash outflow before financing activities		(8,068)	(5,079)
Financing Activities		0	0
		-----	-----

Net (decrease) in cash and cash equivalents		(8,068)	(5,079)
Cash and cash equivalents at beginning of the year		(489,996)	(484,917)
Exchange difference		(8,090)	0
		-----	-----
Cash and cash equivalents at end of the year	28	(506,154)	(489,996)
		=====	=====

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30 1999

### 1. BASIS OF ACCOUNTS

The company has incurred a loss of Rs.\$3.487 million during the year and its current liabilities at that date exceed its current assets by Rs.808.423 million. The losses are mainly due to financial expenses and under utilisation of plant capacity.

The Bankers Committee for revival of sick units considered the case of the company on 3 July, 1999 and has decided as under>

	<i><b>Rupees</b></i>
	<i><b>millions</b></i>
Relief against outstanding liabilities (approximately)	228
	=====
Adjustment of amount already paid	30
To be paid through sale of properties	390
To be paid in 20 quarterly instalments with effect from 1 July, 2000 with mark up @ 39 paisas per Rs.1,000 per day	100
	-----
	520
	=====

The company will create a charge on all project assets including investment properties. The above package will be implemented through a court decree. The package is at implementation stage and once the package is implemented, the company will get substantial relief in the interest cost.

The company is considering to diversify its line to include Isuzu Light Commercial Vehicles. The additional product line will help in utilisation of idle capacity of the plant.

Keeping in view the above facts, it is hoped that the company will continue as a going concern.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

2.1 These accounts have been prepared under the historical cost convention, as modified by revaluation of certain fixed assets indicated in notes 9.1 and 1.1.1.

#### 2.2 Staff retirement benefits

The company operates an unfunded gratuity scheme for all permanent employees. Provision is made annually to cover obligations for employees eligible under the scheme.

The company also operates a funded contributory Provident Fund for all its permanent employees.

#### 2.3 Taxation

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates available, if any.

The company accounts for deferred taxation on all major timing differences using the liability method but does not account for net deferred tax debit balances which as at 30 June, 1999 amounted to Rs. 190 million (1998 Rs. 183 million).

#### **2.4 Tangible fixed assets and depreciation**

Operating fixed assets are stated at cost or valuation less accumulated depreciation. Capital work-in-progress is stated at cost.

Depreciation on all operating assets, except jigs and special tools is charged to profit on a straight line method so as to write off the cost or valuation of an asset less its estimated salvage value over its useful life. Jigs and special tools are amortised on the basis of production volume. The full year's depreciation is charged on additions while no depreciation is charged on assets deleted during the year. Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Profit and loss on disposal of fixed asset is included in the income.

#### **2.5 Investments**

Investments in shares are stated at average cost except in the case of permanent diminution in value where these are stated at estimated realisable value.

Investment in immovable properties is stated at cost or valuation less accumulated depreciation. Depreciation is charged on straight line method. Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalized.

#### **2.6 Deferred costs**

Development expenditure on deletion items is charged to income in five equal annual instalments commencing from the year in which the expenditure is incurred. Other development expenditure is charged to income in the year in which it is incurred.

Initial royalty in respect of Isuzu products is charged to income in five equal annual instalments.

#### **2.7 Stores, spares and tools**

These are valued at the lower of cost computed principally on a first-in-first-out basis and net realisable value.

#### **2.8 Stock-in-trade**

Stock-in-trade is valued at the lower of cost and net realisable value except for goods in transit which are stated at invoice values plus other charges paid thereon. Cost in relation to raw materials and components and trading stock (except for parts and accessories included in trading stock which are valued on average basis) is arrived at principally on first in first out basis. Cost of work in process and manufactured stocks including components includes direct wages and applicable manufacturing overheads.

#### **2.9 Foreign currency translation**

Assets and liabilities in foreign currencies are translated in rupees at the rate of exchange ruling on the balance sheet date.

Exchange gains and losses are included in income currently.

#### **2.1 Revenue recognition**

Sales are recognised when invoices are raised against confirmed orders and where the company specifically appropriates deliverable goods against such orders.

	<b>1999</b>	<b>1998</b>
	<i>( Rupees '000 )</i>	
<b>3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
Fully paid ordinary shares of Rs. 10 each		
2,901,740 shares against payment in cash	29,017	29,017
3,295,354 shares as fully paid bonus shares	32,954	32,954
358,206 shares for consideration other than cash	3,582	3,582
-----	-----	-----
6,555,300	65,553	65,553
=====	=====	=====

#### 4. CAPITAL RESERVES

Composition of capital reserves is as follows:-

Tax holiday reserve	5,500	5,500
Fixed assets replacement reserve	10,000	10,000
Contingency reserves	25,300	25,300
	-----	-----
	40,800	40,800
	=====	=====

#### 5. LONG TERM LOAN - UNSECURED

Loan from associated undertaking	19,197	19,197
interest thereon	10,081	11,564
	-----	-----
	29,278	30,761
Less due within the following twelve months transferred to current maturity	(20,081)	0
	-----	-----
	9,197	30,761
	=====	=====

5.1 The loan from associated undertaking is repayable in four annual instalments as specified in the agreement commencing from 2 February, 1995 which the lender has deferred to 2 July, 1999 with an interest rate of 16% per annum.

#### 6. SHORT TERM LOAN/RUNNING FINANCES AND BORROWINGS

Short Term Loans (6.1)	30,000	30,000
Running Finances & Borrowings		
From Banks		
Secured		
Finances utilised under mark-up arrangements (6.2)	280,901	221,013
Finance against imported material (6.3)	64,087	64,087
Demand Finance (6.4)	76,080	76,080
	-----	-----
	421,068	361,180
Unsecured		
Others (6.6.)	107,842	106,370
	-----	-----
	558,910	497,550
	=====	=====

6.1 The company has arranged loan from an Associated company through an intermediary. The loan is renewable on quarterly basis and carries mark up at the rate of 21% per annum. The company has deposited title deed of the immovable property with the associated company and has agreed to create a registered mortgage against the

property.

6.2 The company has arranged short term finances from various banks on mark-up basis. Under these arrangements the company can avail finances aggregating up to Rs. 317.025 million (1998 Rs. 250.525 million) which represent the aggregate sale price of all mark-up arrangements with a corresponding purchase price of Rs. 414.750 million (1998 Rs. 327.007 million). The rates of mark up range from Re. 0.756 to Re. 0.914 (1998 Re. 0.756 to Re. 0.914) per thousand per diem or part thereof on the sale price outstanding. The prompt payment rebate range from Re. 0.276 to Re. 0.334 (1998 Re. 0.276 to Re. 0.334) per thousand per diem where due under these arrangements is based on the payments of purchase price by the dates specified in the arrangements.

6.3 The company has arranged Finance against imported material of Rs. 80 million from a bank on mark up basis at the rate of Re. 0.48 per thousand per diem.

6.4 Payments against documents (PADs) of a bank had been restructured and converted into Demand Finance.

6.5 The arrangements with the banks having aggregate limit of Rs. 250.525 million (1998 Rs. 250.525 million) are secured by Hypothecation of stock-in-trade, stores and spares and trade debts in addition to pledge of imported trucks and buses. The arrangements with a bank having limit of Rs. 102.60 million including un-funded limit of Rs. 36.10 million (1998 Rs. nil) are secured against equitable mortgage of property, registered power .of attorney in favour of the bank and lien over dollar deposit (Note 19.1).

6.6 Unsecured facilities utilised and outstanding as at 30 June, 1999 include Rs. 16.523 million being facility available under TR for Rs. 20 million (1998 Rs. 20 million) from various banks in addition to running finance facilities referred to in Note 6.2. The rates of mark up range from Re. 0.49 to Re. 0.55 (1998 Re. 0.49 to Re. 0.55) per thousand per diem or part thereof. The purchase prices are payable within 90 to 180 days of utilisation of the facility.

6.7 Habib Bank Limited has not adjusted Rs. 30 million deposited under State Bank of Pakistan's scheme against outstanding loans. The said amount has been kept in a separate bank account by .Habib Bank Limited.

**1999**                      **1998**  
( Rupees '000 )

## 7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	17,594	36,681
Accrued liabilities	21,893	19,849
Advances from customers	3,523.50	23,310
Advance against sale of investment in immovable property	5,000	5,000
Deposits-non interest bearing repayable on demand	42	42
Mark up on - short term loan/running finances & borrowings		
- secured	278,856	267,815
- unsecured	51,898	52,543
Mark up on- long term loans - unsecured	3,674	3,394
Custom duty payable	4,090	7,500
Unclaimed dividends	503	509
Due to associated undertakings	9,736	8,458
Due to subsidiary	1,703	1,624
Corporate assets tax	2,000	2,000
Others	14,982	12,693
	-----	-----
	447,206	441,418
	=====	=====

## 8. CONTINGENT LIABILITIES

8.1 Claims against the company not acknowledged as debt Rs. 27.643 million (1998

Rs. 27.043 million) relating to sales tax on 10,000 units of gear boxes and rear axles each claimed by a supplier which has been contested by the company.

## 8.2 Commitments

Letter of guarantees	15,075	6,781
Confirmed letter of credit	17,785	14,671

## 9. OPERATING FIXED ASSETS

	<i>Cost or valuation at '1 July, 1998</i>	<i>Additions/ (Deletions)</i>	<i>Cost or valuation at 30 June, 1999</i>	<i>Accumulated depreciation at 30 June, 1999</i>	<i>Net book value at 30, June, 1999</i>	<b>DEPRECIATION</b>	
						<i>Charge for the year</i>	<i>Annual Rate %</i>
Leasehold land	247,461	--	247,461	9,417	238,044	619	0.25
Buildings on lease hold land	60,818	--	-60,818	22,994	37,824	2,947	2.5 to 6.25
Plant and machinery	47,657	(5)	47,652	31,345	16,307	2,693	10.00
Permanent tools	3,023	--	3,023	2,894	129	51	12.50
Furniture and fixtures	986	-- (40)	946	876	70	14	6.0 to 6.25
Motor vehicles	10,529	745 (1,527)	9,747	6,367	3,380	1,602	20.00
Lift trucks .	3,123	--	3,123	3,123	0	0	20.00
Office machines and equipment	3,384	90 (24)	3,450	3,058	392	170	12.50
Computers	671	70	495		246	107	20.00
Jigs and Special tools	20,160	--	562		19,598	180	--
1999	397,812	905 (1,596)	397,121	81,131	315,990	8,383	
1998	401,211	517 (3,916)	397,812	73,852	323,960	8,55	

9.1 The company's leasehold land and buildings thereon were revalued on 31 March, 1971, 27 June, 1992 and 30 June, 1995 (including plant and machinery). The leasehold land was again revalued on 30 June, 1996.

The date and amount of revaluation surplus included in the book value of fixed assets as at 30 June, 1999 is given below:-

	<i>Leasehold Land</i>	<i>Buildings on Leasehold Land</i>	<i>Plant &amp; Machinery</i>	<i>Total</i>
(a) At March 31, 1971				
Revaluation surplus	3,000	2,792	0	5,792

Less: Depreciation thereon	402	1,972	0	2,374
	-----	-----	-----	-----
	2,598	820	0	3,418
	-----	-----	-----	-----
(b) At June 27, 1992				
Revaluation surplus	116,558	32,734	0	149,292
Less: Depreciation thereon	6,585	11,563	0	18,148
	-----	-----	-----	-----
	109,973	21,171	0	131,144
	-----	-----	-----	-----
(c) At June 30, 1995				
Revaluation surplus	110,293	17,654	24,258	152,205
Less: Depreciation thereon	2,218	4,199	9,703	16,120
	-----	-----	-----	-----
	108,075	13,455	14,555	136,085
	-----	-----	-----	-----
(d) At June 30, 1996				
Revaluation surplus	16,926	0	0	16,926
Less: Depreciation thereon	127	0	0	127
	-----	-----	-----	-----
	16,799	0	0	16,799
	-----	-----	-----	-----
(e) Cost or revaluation	247,461	60,818	47,657	355,936
Less: Disposed during the year	0	0	(5)	(5)
	-----	-----	-----	-----
	247,461	60,818	47,652	355,931
	-----	-----	-----	-----
Less: Depreciation thereon	9,417	22,994	31,350	63,761
Less: Disposed during the year	0	0	(5)	(5)
	-----	-----	-----	-----
Net Book Value	238,044	37,824	16,307	292,175
	-----	-----	-----	-----
	237,445	35,446	14,555	287,446
	=====	=====	=====	=====

## 9.2 Deletion of fixed assets during the year:

Description	Cost	Accumulated depreciation	Net Book value	Sale Proceeds	Profit	Mode of sale	(Rupees '000)
							Particulars of Purchasers
Plant & Machinery	5	5	0	1	1	Negotiation	Mr. Naseeb Khan, Liaquatabad, Karachi.
Furniture & Fixtures	40	34	6	18	12	Negotiation	Khurshid Sons, Kabari Bazar, Sher Shah, Karachi.
Office Machines & Equipment	24	24	0	11	11	Negotiation	Mr. Naseeb Khan, Liaquatabad, Karachi.
Motor Vehicles	198	180	18	345	327	Negotiation	Mr. Syam, 139/3 DMCHS, Karachi
Motor Vehicles	776	310	466	700	234	Insurance claim	Universal Insurance Co. Limited (Associated undertaking)
Motor Vehicles	91	91	0	91	91	Negotiation	Mr. Said Ahmed, 20 Yousuf Street, Aram Bagh, Karachi.
Motor Vehicles	176	176	0	204	204	Negotiation	Mr. Imtiaz Hussain, Lasbella. Karachi.
Motor Vehicles	186	186	0	155	155	Negotiation	Mr. S. Basit, A-80 Block-8, F.B. Area, Karachi.
Motor Vehicles	100	100	0	102	102	Negotiation	Mr. Shezad Kalim, A-112, Erum Garden, Gulshan.e.lqbal, Karachi.
	-----	-----	-----	-----	-----		
	1,596	1,106	490	1,627	1,137		
	=====	=====	=====	=====	=====		

1999 1998

( Rupees '000 )

## 9.3 The depreciation charge for the year

has been allocated as follows:-

21	6,125	6,096
22	2,258	2,450
	-----	-----
	8,383	8,546
	=====	=====

*Percentage of  
equity held in  
the investee's  
total equity  
%*

## 10. INVESTMENTS IN SUBSIDIARY AND OTHER COMPANIES

### 10.1 Subsidiary

Marghzar Industries (Pvt) Limited  
140,000 (1997 - 140,000) fully paid  
unquoted ordinary shares of Rs. 10 each  
at cost

70	1,400	1,400
----	-------	-------

### 10.2 Other companies

Bela Engineers Limited  
160 (1998 160) Fully paid quoted  
ordinary shares of Rs.' 10 each -- at cost  
[Market value as on 30 June, 1999  
Rs. 0.0001 million (1998: Rs. 0.0001 million)]

	1	1
	-----	-----
	1,401	1,401
	=====	=====

## 11. INVESTMENT IN IMMOVABLE PROPERTIES

(Rupees '000)

	<i>Cost or valuation at 1 July, 1998</i>	<i>Cost or valuation at 30 June, 1999</i>	<i>Accumulated depreciation at 30 June, 1999</i>	<i>Net book value at 30 June, 1999</i>	<i>Charge for the year</i>	<i>Depreciation Annual Rate %</i>
Leasehold land	398,715	398,715	12,906	385,809	997	0.25
Buildings on leasehold land	7,431	7,431	3,673	3,758	239	2.5 to 6.25
	-----	-----	-----	-----	-----	-----
1999	406,146	406,146	16,579	389,567	1,236	
	=====	=====	=====	=====	=====	=====
1998	406,146	406,146	15,343	390,803	1,236	
	=====	=====	=====	=====	=====	=====

The execution of a lease deed for land at Haroonabad in Sindh Industrial Trading Estate, Karachi has not been finalised.

11.1 The company's leasehold land and buildings thereon were revalued on 27 June, 1992 and 30 June, 1995. The leasehold land was again revalued on 30 June, 1996.

The dates and amount of revaluation surplus/(deficit) included in/excluded from the book values of assets as on 30 June, 1999 is given below:-

	<i>Leasehold land</i>	<i>Buildings on Leasehold land</i>	<i>Total</i>
(a) At 27 June, 1992 revaluation			
Surplus / (deficit)	125,812	(1,027)	124,785
Less: depreciation thereon	(8,505)	420	(8,085)
	-----	-----	-----

Net Book Value	117,307	(607)	116,700
(b) At 30 June, 1995 revaluation			
Surplus	135,188	3,157	138,345
Less: depreciation thereon	(3,151)	(670)	(3,821)
Net Book Value	132,037	2,487	134,52
c) At 30 June, 1996 revaluation			
Surplus	136,229	0	136,229
Less: depreciation thereon	( 1,022)	0	(1,022)
Net Book Value	135,207	0	135,207
d) Cost or valuation	398,715	7,431	406,146
Less: Depreciation thereon	(12,906)	(3,673)	(16,579)
Net Book Value	385,809	3,758	389,567
	384,551	1,880	386,431

**1999**      **1998**  
( Rupees '000 )

## 12. LONG TERM LOANS AND ADVANCES

These loans, considered good, have been advanced to employees other than Chief Executive and Directors and were outstanding for less than three years.

## 13. DEFERRED COSTS

Development expenditure	3,281	5,028
Less: amortised during the year .	1,093	1,747
	2,188	3,281
Initial royalty	2,785	4,642
Less: amortised during the year	928	1,857
	1,857	2,785
	4,045	6,066

## 14. STORES, SPARES AND TOOLS

Stores	266	472
Spares	1,320	1,330
	1,586	1,802

## 15. STOCK IN TRADE

15.1 This is composed of

Raw materials and components (includes  
in transit Rs. 23.962 million)

(1998: Rs. 1.742 million)

	57,366	56,766
Work in process	8,935	29,988
	66,301	86,754
Manufactured stock including components	31,988	54,074

Trading stocks (includes in transit Rs. 3,346 million) (1998: Rs. 3,346 million)	18,042	19,523
	-----	-----
	116,331	160,351
	=====	=====

15.2 Of the aggregate amount, stocks which were in the custody of third parties are as follows:

Pakistan Machine Tool Factory Limited (--net of provisions)	8,000	1,090
Precision Engineering Works	604	886
Pakistan Engineering Works	0	1,969
	-----	-----
	8,604	3,945
	=====	=====

15.3 Subsequent to balance sheet date, the company has entered into an agreement for sale of its stocks having book value of Rs. 1,090 million for Rs. 8.0 million plus taxes. Out of the total provision of Rs. 16,308 million made in previous years, the company has reversed the provision of Rs. 6,910 million during the year.

#### 16. TRADE DEBTS

Unsecured		
Considered good		
Government and semi-government agencies	14,897	247
Others	2,780	3,050
	-----	-----
	17,677	3,297
Considered doubtful		
Government and semi--government agencies	441	441
Less: Provision there against	441	441
	-----	-----
	0	0
	-----	-----
	17,677	3,297
	=====	=====

#### 17. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

Considered good		
Loans to employees	3	12
Advances to suppliers		
Others	4,877	5,794
Associated undertaking	268	268
Advance with collector of customs	5,416	5,507
Advances to employees	373	788
	-----	-----
	10,934	12,357
Considered doubtful		
Advance to suppliers	1,174	1,174
Less: provision there against	1,174	1,174
	-----	-----
	0	0
Tender Deposits		
Prepayments	634	738
	9,807	1,453
	-----	-----
	21,378	14,560
	=====	=====

The maximum amount of advances to associated undertaking at the end of any month during the year was Rs.0.268 million (1998:Rs.0.268 million).

**1999**      **1998**  
**( Rupees '000 )**

**18. OTHER RECEIVABLES**

Claims receivables from government		
Income tax -- Net	280	1,165
Sales Tax	4,547	2,524
Sundry receivables		
Considered good	5,219	5,410
Considered doubtful	2,071	2,071
Less: Provision there against	2,071	2,071
	-----	-----
	0	0
	-----	-----
	10,046	9,099
	=====	=====

**19. CASH AND BANK BALANCES**

In hand		
Cash	282	173
With banks		
On deposit account	16	16
On current accounts	1,253	7,362
On foreign currency account (Note 19.1)	51,205	3
	-----	-----
	52,756	7,554
	=====	=====

19.1 Foreign currency accounts include JY 79,384 equivalent to Rs. 33,736 (1998 JY 9,384 equivalent to Rs. 3,100) and US \$ 995,547 equivalent to Rs. 51,171,107 (1998 US \$ Nil equivalent to Rs. Nil). The US \$ account is under lien of a bank against facilities allowed to the company.

**20. NET SALES**

Manufactured goods		
Sales	213,065	175,123
Less: Commission	0	1,310
	-----	-----
	213,065	173,813
Trading, stock		
Sales	10,297	9,607
	-----	-----
	223,362	183,420
	=====	=====

20.1 Trading stock sales include commissioner's. nil million (1998: Rs. 0.223 million).

**21. COST OF SALES**

Manufactured goods		
Opening stock of manufactured goods	54,074	37,779
Opening stock of raw materials and work-in-process	86,754	116,285
Purchases including duties, taxes and other charges	144,796	123,497
Stores and spares consumed	658	542
Salaries, wages and other benefits	9,800	15,386
Fuel and power	1,454	3,206
Rent, rates and taxes	492	388
Insurance	877	1,394
Repairs and maintenance	209	330
Travelling & entertainment	51	547

Depreciation on fixed assets	6,125	6,096
Amortisation and development expenditure written off	1,147	1,766
Amortisation of royalty m initial	928	1,857
Running royalty	676	754
Sales tax paid	1,060	1,927
Other expenses	411	806
	-----	-----
	255,438	274,781
Less: Recoveries		
Cost of services rendered	139	100
Sale of scrap	1,517	598
	-----	-----
	1,656	698
	-----	-----
	253,782	274,083
Less: Closing stock of raw materials and work-in-progress	66,301	86,754
	-----	-----
Cost of goods manufactured	187,481	187,329
Closing stock of manufactured goods	(31,988)	(54,074)
	-----	-----
	209,567	171,034
	-----	-----
Trading stock		
Opening stock	19,523	25,852
Purchases	6,840	2,478
Closing stock	(18,042)	(19,523)
	-----	-----
	8,321	8,807
	-----	-----
	217,888	179,841

## 22. ADMINISTRATION AND SELLING EXPENSES

Salaries, wages and benefits	10,268	9,630
Rent, rates and taxes	314	244
Training	0	2
Insurance	876	1,128
Repairs and maintenance	86	118
Utilities	110	540
Travelling and entertainment	1,615	1,906
Communication and stationery	968	1,117
Advertisement	352	1,666
Auditors' remuneration		
Audit fee	150	150
Audit of provident fund	23	31
Out of pocket expenses	10	10
	-----	-----
	183	191
Legal and professional charges	522	935
Donation	5	5
Subscriptions	115	126
Depreciation on fixed assets	2,258	2,450
Depreciation on investment in immovable properties	1,236	1,236
Other expenses	(1,055)	(22)
	-----	-----
	17,853	21,272

## 23. OTHER INCOME

Interest on advances and loans	1	0
--------------------------------	---	---

Mark-up on bank deposits	577	249
Profit on sale of fixed assets - net	1,137	402
Rent from immovable properties	69	1,048
Others	162	1,772
	-----	-----
	1,946	3,471
	=====	=====

**24. OTHER EXPENSES**

Exchange loss	8,090	--
	=====	=====

**25. FINANCIAL AND OTHER CHARGES**

Mark-up on:		
- Long term loans	3,351	3,351
- Short term loans/running finances & borrowings utilised under mark-up arrangements		
Charged during the year	73,136	72,741
Less: Written back during the year (Note 25.1)	(44,153)	(25,530)
	-----	-----
	28,983	47,211
Interest on:		
- provident fund	228	196
- amount due to subsidiary	218	205
Bank charges and commission Incurred during the year	1,070	113
Less written back during the year	0	(1,252)
	-----	-----
	1,070	(1,139)
Others	0	106
	-----	-----
	33,850	49,930
	=====	=====

25.1 The company has adjusted the provision of interest made in the accounts on the basis of confirmation received from banks.

**26. TAXATION**

Current year	1,117	934
Prior year	(3)	0
	-----	-----
	1,114	934
	=====	=====

26.1 Provision for current taxation for the year represents minimum tax @ 0.5% on gross turnover of the company.

**27. CASH GENERATED FROM/USED IN OPERATIONS**

Loss before taxation	(52,373)	(64,152)
Adjustment for non cash charges and other items:		
Depreciation	9,619	9,782
Profit on sale of fixed assets	(1,137)	(402)
Provision for staff gratuity	558	2,327
Amortization of deferred costs	2,021	3,604
Interest income	(577)	(249)
Interest expenses	33,850	49,930
Exchange loss	8,090	0
Working capital changes m note 27.1	16,318	(20,559)
	-----	-----
	16,369	(19,719)
	=====	=====

	<b>1999</b>	<b>1998</b>
	<b>( Rupees '000 )</b>	
<b>27.1 WORKING CAPITAL CHANGES</b>		
(Increase)/decrease in current assets		
Stores and spares	216	493
Stock-in-trade	44,020	19,565
Trade debts	(14,380)	168
Loans and advances	(6,818)	2,422
Other receivables	(1,832)	5,896
	-----	-----
	21,206	28,544
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	(4,888)	(49,103)
	-----	-----
	16,318	(20,559)
	=====	=====

**28. CASH AND CASH EQUIVALENTS**

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

Cash and bank balances	52,756	7,554
Short-term loan and running finances	(558,910)	(497,550)
	-----	-----
	(506,154)	( 489,996)
	=====	=====

**29. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

The aggregate amounts charged in the accounts for the year for fees, remuneration, perquisites and benefits in respect of chief executive, directors and executives of the company are as follows:

	<b>1999</b>		<b>1998</b>	
	<b>Chief executive &amp; other</b>		<b>Chief executive &amp; other</b>	
	<b>Directors</b>	<b>Executives</b>	<b>Directors</b>	<b>Executives</b>
Fee				
Managerial Remuneration	--	2,106	--	2,148
Gratuity & Provident Fund	--	421	--	437
Reimbursable expenses	--	395	--	174
Accommodation	--	1,798	--	1,907
	-----	-----	-----	-----
	--	4,720	--	4,666
	-----	-----	-----	-----
Number of persons	--	13	--	14
	=====	=====	=====	=====

29.1 The Managing Director and certain executives are provided with free use of company maintained cars for official and personal use.

	<b>1999</b>	<b>1998</b>
	<b>( Rupees '000 )</b>	
<b>30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS</b>		
Purchases	4,891	4,907
Services received	2,311	3,139

**31. PLANT CAPACITY AND ACTUAL PRODUCTION**

	<b>Plant Capacity</b>		<b>Actual Production</b>	
	<b>Single Shift</b>			
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
Trucks & bus chassis	2400	2400	143	137
4x4 vehicles/pick ups	2400	2400	--	--



Loss for the year	--	--	--	--	--	(65,086)	(65,086)
Balance as at 30 June, 1998	65,553	5,500	10,000	25,300	2,400	(893,180)	(784,427)
Loss for the year	--	--	--	--	--	(53,487)	(53,487)
Balance as at 30 June, 1999	65,553	5,500	10,000	25,300	2,400	(946,667)	(837,914)

**34. GENERAL**

Figures in these accounts have been rounded off to the nearest thousand of Rupees. Corresponding figures have been rearranged wherever necessary, for the purpose of comparison.

**M. ASIF DAR**

Director

**AHMAD KULI KHAN KHATTAK**

Chief Executive

**STATEMENT UNDER SUB-SECTION (1) (E) OF SECTION 237 OF THE COMPANIES ORDINANCE, 1984**

The extent of the interest of National Motors Limited as a holding company in its subsidiary, Marghzar Industries (Pvt.) Ltd. as at the end of the last of the financial year of that subsidiary was 70%.

The net aggregate amount of profit/ (loss) of the subsidiary company, so far as it concerns members of the holding company, which has not been dealt with in the accounts of the holding company for the year ended June 30, 1999 is as follows:

	Rupees
- for the last of the financial years, of the subsidiary	56,124
	=====
- for the previous financial year, since it became the holding company's subsidiary	159,215
	=====

The net aggregate amount of profit/(loss) of the subsidiary company has so far not been dealt with in the accounts of the holding company except for the provision against the anticipated loss on realisation of the investment in the subsidiary which is as follows:

- for the last of the financial year of the subsidiary	0
	=====
- for the previous financial years, since it became the holding company's subsidiary	0
	=====

**PATTERN OF SHAREHOLDING AS ON JUNE 30, 1999**

<i>NO. OF SHAREHOLDERS</i>	<i>SHARE-HOLDING</i>	<i>TOTAL SHARES HELD</i>	
3,583	HOLDING	1 TO 100	68,332
584	"	101 "	500 146,069
152	"	501 "	1,000 115,769
183	"	1,001 "	5,000 384,201
33	"	5,001 "	10,000 211,140
3	"	10,001 "	15,000 36,467

3	"	15,001	"	20,000	52,821
3	"	20,001	"	25,000	66,067
1	"	25,001	"	30,000	29,372
1	"	30,001	"	35,000	30,252
1	"	35,001	"	40,000	38,005
1	"	40,001	"	45,000	43,431
1	"	45,001	"	55,000	51,500
1	"	55,001	"	75,000	72,800
1	"	75,001	"	100,000	96200
1	"	100,001	"	115,000	110,800
1	"	115,001	"	150,000	134,821
1	"	150,001	"	250,000	221,288
1	"	250,001	"	1,300,000	1,291,542
1	"	1,300,001	"	1,650,000	1,639,826
1	"	1,650,001	"	1,750,000	1,714,597

-----  
4,557-----  
6,555,300  
=====**CATEGORIES OF SHAREHOLDERS****NUMBER SHARES HELD PERCENTAGE**

Individuals Pakistani	4,514	1,212,806	18.50%
Individuals Foreign	1	3,466	0.05%
Investment Companies*	6	44,096	0.67%
Insurance Companies	10	137,065	2.09%
Joint Stock Companies	3	1,387,842	21.17%
Modaraba Companies	4	184,700	2.82%
Financial Institutions**	9	215,066	3.29%
Private Companies & Institutions***	9	3,357,492	51.21%
Abandoned Properties Organization	1	12,767	0.20%

-----

-----

-----

4,557

6,555,300

100.00%  
=====

Includes ICP Holding*	38,005	shares
Includes NBP (TD) Holding.**	134,821	shares
Includes Bibojee Services (Pvt) Limited***	1,714,597	shares
Includes Essar Asset Management (Pvt) Limited***	1,639,826	shares
Includes NICFC Holding***	16,000	shares

**MARGHZAR INDUSTRIES (PRIVATE) LIMITED  
REPORT OF THE DIRECTORS**

The directors have pleasure in submitting their report 'together with the audited accounts of the company for the year ended June 30, 1999

**Rupees****ACCOUNTS**

Profit before taxation	140,665
Taxation for the year - Current	(60,488)
	-----
Profit after taxation	80,177
Accumulated profit brought forward	227,449
	-----
	307,626
Transfer to reserves	0
Proposed dividend	0
	-----
Accumulated profit carried forward ,	307,626
	-----
Earning per share	0.40

=====

**AUDITORS**

The present auditors M/s. Hameed Chaudhri & Co. retire and being eligible offer themselves for appointment as auditors of the company for the year 1999-2000.

On behalf of the Board

**M. R. Banka**

Chief Executive

December. 06, 1999

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of MARGHZAR INDUSTRIES (PRIVATE) LIMITED as at 30th June, 1999, and the related Profit and Loss Account, 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 accounts 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 accounts 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, 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 30th June, 1999 and of the Profit for the year then ended; and

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

**HAMEED CHAUDHRI & CO.**

Chartered Accountants

December 06, 1999

**BALANCE SHEET AS AT JUNE 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>Rupees</i>	
<b>SHARE CAPITAL</b>			
Authorised			
250,000 ordinary shares of Rs. 10/- each		2,500,000	2,500,000
Issued, Subscribed & Paid up	2	1,403,000	1,403,000
UNAPPROPRIATED PROFIT		307,626	227,449
		-----	-----
		1,710,626	1,630,449
		=====	=====

**REPRESENTED BY:**

**ASSETS & LIABILITIES**

Tangible Fixed Assets

Office & Electrical Equipment and

Furniture & Fixture at cost

Less: Accumulated Depreciation

10,839	10,839
9,903	9,843
-----	-----
936	996

**CURRENT ASSETS**

Amount due from Holding Company

Income Tax Deducted at source/refundable

Cash at bank at current account

1,702,824	1,624,285
115,119	66,843
2,134	2,434
-----	-----
1,820,077	1,693,562

**LESS: CURRENT LIABILITIES**

Accrued expenses

Taxation

4,000	4,000
106,387	60,109
-----	-----
110,387	64,109
-----	-----
1,709,690	1,629,453
-----	-----
1,710,626	1,630,449
=====	=====

The annexed notes form an integral part of these accounts

**IFTIKHAR AHMAD KHAN**

Director

**M. R. BANKA**

Chief Executive

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

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>Rupees</i>	
INTEREST INCOME	3	218,025	204,476
ADMINISTRATIVE EXPENSES	4	77,360	76,064
PROFIT FOR THE YEAR BEFORE TAXATION		140,665	128,412
PROVISION FOR TAXATION			
CURRENT		60,488	55,218
		-----	-----
PROFIT FOR THE YEAR AFTER TAXATION		80,177	73,194
UNAPPROPRIATED PROFIT B/FORWARD		227,449	154,255
		-----	-----
UNAPPROPRIATED PROFIT C/FORWARD		307,626	227,449
		=====	=====

The annexed notes form an integral part of these accounts

**IFTIKHAR AHMAD KHAN**

Director

**M.R. BANKA**

Chief Executive

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

## 1.2 Taxation

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates available, if any.

## 1.3 Tangible fixed assets

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the diminishing balance method at the rate of 6% per annum.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	
<b>2. ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
140,000 Ordinary shares of Rs. 10/- each fully paid in cash issued to National Motors Limited	1,400,000	1,400,000
60,000 Ordinary shares of Rs. 10/- each fully paid in cash issued to others for consideration in cash	600,000	600,000
Less: calls in arrears	597,000	597,000
	-----	-----
	3,000	3,000
200,000	1,403,000	1,403,000
	=====	=====
<b>3. INTEREST INCOME</b>		
Charged to National Motors Limited	218,025	204,476
	=====	=====
<b>4. ADMINISTRATIVE EXPENSES</b>		
Salaries	60,000	60,000
Legal & professional charges	13,000	12,000
Auditors' remuneration		
Audit fee	4,000	4,000
Depreciation	60	64
Bank charges	300	--
	-----	-----
	77,360	76,064
	=====	=====
<b>IFTIKHAR AHMAD KHAN</b>	<b>M.R. BANKA</b>	
Director	Chief Executive	

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of NATIONAL MOTORS LIMITED (the holding company) and its subsidiary company as at 30 June, 1999 and the related consolidated profit and loss account and consolidated cash flow statement together with the notes forming part thereof, for the year ended 30 June, 1999. We have also expressed separate opinions on the financial statements of National Motors Limited and its subsidiary company Marghzar Industries (Private) Limited for the year ended 30 June, 1999. These financial statements are the responsibility Of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with the International Standard on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements examined by us present fairly the financial position of National Motors Limited and its subsidiary company. y as at 30 June,

1999 and the result of their operations for the year then ended.

Karachi: December 06, 1999

**HAMEED CHAUDHRI & CO.**  
Chartered Accountants**CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1999**

	<i>Note</i>	<i>1999</i> <i>( Rupees '000 )</i>	<i>1998</i>
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorised Capital			
10,000,000 ordinary shares of Rs. 10/- each		100,000	100,000
Issued, subscribed & paid up capital -	3	65,553	65,553
Reserves			
Capital reserves	4	40,800	40,800
Revenue reserve		2,400	2,400
Accumulated loss		(946,452)	(893,021)
		-----	-----
		(903,252)	(849,821 )
		-----	-----
		(837,699)	(784,268)
<b>MINORITY INTEREST</b>		94	69
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		723,364	723,364
<b>LONG TERM LOANS &amp; DEFERRED LIABILITY</b>			
Long term loans - unsecured	5	9,197	30,761
Provision for staff retirement gratuity		8,755	8,788
		-----	-----
		17,952	39,549
<b>CURRENT LIABILITIES</b>			
Current portion of long term loans		22,081	2,000
Short term. loan/running finances and borrowings	6	558,910	497,550
Creditors, accrued & other liabilities	7	445,507	439,798
		-----	-----
		1,026,498	939,348
<b>CONTINGENT LIABILITIES</b>			
	8	-----	-----
		930,209	918,062
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>			
Operating fixed assets	9	315,990	323,960
Capital work in progress		320	54
<b>LONG TERM INVESTMENTS</b>			
Investments in subsidiary & other companies	10	1	1
Investment in immovable properties	11	389,567	390,803
		-----	-----
		389,568	390,804
<b>LONG TERM LOANS AND ADVANCES</b>			
	12	13	15
<b>LONG TERM DEPOSITS &amp; DEFERRED COSTS</b>			
Deposits		490	493
Deferred costs	13	4,045	6,066
		-----	-----
		4,535	6,559
<b>CURRENT ASSETS</b>			

Stores, spares & tools	14	1,586	1,802
Stock in trade	15	116,331	160,351
Trade debts	16	17,677	3,297
Loans, advances, deposits & prepayments	17	21,378	14,560
Other receivables	18	10,054	9,105
Cash and bank balances	19	52,757	7,555
		-----	-----
		219,783	196,670
		-----	-----
		930,209	918,062
		=====	=====

The annexed notes form an integral part of these accounts

**M. ASIF DAR**  
Director

**AHMAD KULI KHAN KHATTAK**  
Chief Executive

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

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>( Rupees '000 )</i>	
Net sales	20	223,362	183,420
Cost of sales	21	217,888	179,841
		-----	-----
Gross profit		5,474	3,579
Administration and selling expenses	22	(17,930)	(21,348)
		-----	-----
Operating loss		(12,456)	(17,769)
Other income	23	1,946	3,471
		-----	-----
		(10,510)	(14,298)
Other expenses	24	(8,090)	0
Financial and other charges	25	(33,632)	(49,726)
		-----	-----
		(41,722)	(49,726)
		-----	-----
Loss before taxation		(52,232)	(64,024)
Taxation	26	(1,175)	(989)
		-----	-----
Loss after taxation		(53,407)	(65,013)
Minority interest		(24)	(22)
		-----	-----
		(53,431)	(65,035)
Accumulated loss brought forward		(893,021)	(827,986)
		-----	-----
Accumulated loss carried forward		(946,452)	(893,021)
		=====	=====

The annexed notes from an integral part of these accounts.

**M. ASIF DAR**  
Director

**AHMAD KULI KHAN KHATTAK**  
Chief Executive

### CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>( Rupees '000 )</i>	
Cash flow from operating activities			

Cash generated from/used in operations	27	16,213	(19,885)
Staff gratuity		(591)	(53)
Interest paid		(24,438)	23,013
Taxes paid		(290)	(493)
Long-term loans and advances		2	(3)
		-----	-----
Net Cash (outflow)/inflow from operating activities		(9,104)	2,579
Cash flow from investing activities			
Fixed capital expenditure		(905)	(260)
Capital work in progress		(266)	(271)
Sale proceeds of fixed assets		1,627	626
Interest received		577	249
Deposits		3	(140)
Deferred costs		0	(7,912)
		-----	-----
Net cash outflow from investing activities		1,036	(7,708)
		-----	-----
Cash outflow before financing activities		(8,068)	(5,129)
Financing Activities		0	0
Net (decrease) in cash and cash equivalents		(8,068)	(5,129)
Cash and cash equivalents at beginning of the year		(489,995)	(484,866)
Exchange difference		(8,090)	0
		-----	-----
Cash and cash equivalents at end of the-year	28	(506,153)	(489,995)
		=====	=====

**M. ASIF DAR**  
Director

**AHMAD KULI KHAN KHATTAK**  
Chief Executive

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED JUNE 30~ 1999

### 1. BASIS OF ACCOUNTS

The company (holding company) has incurred a loss of Rs.53,457 million during the year and its current liabilities at that date exceed its current assets by Rs. 808,423 million. The losses are mainly due to financial expenses and under utilisation of plant capacity.

The Bankers Committee for revival of sick units considered the case of the company on 3 July, 1999 and has decided as under:-

	<i>Rupees</i> <i>millions</i>
Relief against outstanding liabilities (approximately)	228
	=====
Adjustment of amount already paid	30
To be paid through sale of properties	390
To be paid in 20 quarterly installments with effect from 1 July, 2000 with mark up @ 39 paisas per Rs.1,000 per day	100
	-----
	520
	=====

The company will create a charge on all project assets including investment properties. The above package will be implemented through a court decree. The package is at implementation stage and once the package is implemented, the company will get substantial relief in the interest cost.

The company is considering to diversify its line to include Isuzu Light Commercial

Vehicles. The additional product line will help in utilisation of idle capacity of the plant.

Keeping in view the above facts, it is hoped that the company will continue as a going concern.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.**

2.1 These accounts have been prepared under the historical cost convention, as modified by revaluation of certain fixed assets indicated in notes 9.1 and 11.1.

### **2.2 Basis of consolidation**

The consolidated financial statements include the accounts of National Motors Limited and its 70% owned subsidiary Marghzar Industries (Pvt) Limited.

Inter company balances and transactions have been eliminated.

### **2.3 Staff retirement benefits**

The company operates an unfunded gratuity scheme for all permanent employees. Provision is made annually to cover obligations for employees eligible under the scheme.

The company also operates a funded contributory Provident Fund for all its permanent employees.

### **2.4 Taxation**

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates available, if any.

The company accounts for deferred taxation on all major timing differences using the liability method but does not account for net deferred tax debit balances which as at 30 June, 1999 amounted to Rs. 190 million (1998 Rs. 183 million).

### **2.5 Tangible fixed assets and depreciation**

Operating fixed assets are stated at cost or valuation less accumulated depreciation. Capital work-in-progress is stated at cost.

Depreciation on all operating assets, except jigs and special tools is charged to profit on a straight line method so as to write off the cost or valuation of an asset less its estimated salvage value over its useful life. Jigs and special tools are amortised on the basis of production volume. The full year's depreciation is charged on additions while no depreciation is charged on assets deleted during the year. Depreciation is charged on written down values by the subsidiary.

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

Profit and loss on disposal of fixed asset is included in the income.

### **2.6 Investments**

Investments in shares are stated at average cost except in the case of permanent diminution in value where these are stated at estimated realisable value.

Investment in immovable properties is stated at cost or valuation less accumulated depreciation. Depreciation is charged on straight line method. Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalized.

**2.7 Deferred costs**

Development expenditure on deletion items is charged to income in five equal annual instalments commencing from the year in which the expenditure is incurred. Other development expenditure is charged to income in the year in which it is incurred.

Initial royalty in respect of Isuzu products is charged to income in five equal annual instalments.

**2.8 Stores, spares and tools**

These are valued at the lower of cost computed principally on a first-in-first-out basis and net realisable value.

**2.9 Stock, in-trade**

Stock-in-trade is valued at the lower of cost and net realisable value except for goods in transit which are stated at invoice values plus other charges paid thereon. Cost in relation to raw materials and components and trading stock (except for parts and accessories included in trading stock which are valued on average basis) is arrived at principally on first in first out basis. Cost of work in process and manufactured stocks including components includes direct wages and applicable manufacturing overheads.

**2.10 Foreign currency translation**

Assets and liabilities in foreign currencies are translated in rupees at the rate of exchange ruling on the balance sheet date.

Exchange gains and losses are included in income currently.

**2.11 Revenue recognition**

Sales are recognised when invoices are raised against confirmed orders and where the company specifically appropriates deliverable goods against such orders.

**1999**      **1998**  
( Rupees '000 )

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

Fully paid ordinary shares of Rs. 10 each

2,901,740 shares against payment in cash	29,017	29,017
3,295,354 shares as fully paid bonus shares	32,954	32,954
358,206 shares for consideration other than cash	3,582	3,582
-----	-----	-----
6,555,300	65,553	65,553
=====	=====	=====

**4. CAPITAL RESERVES**

Composition of capital reserves is as follows:-

Tax holiday reserve	5,500	5,500
Fixed assets replacement reserve	10,000	10,000
Contingency reserves	25,300	25,300
-----	-----	-----
	40,800	40,800
=====	=====	=====

**5. LONG TERM LOAN - UNSECURED**

Loan from associated undertaking	19,197	19,197
----------------------------------	--------	--------

interest thereon	10,081	11,564
	-----	-----
	29,278	30,761
Less due within the following twelve months transferred to current maturity	20,081	0
	-----	-----
	9,197	30,761
	=====	=====

5.1 The loan from associated undertaking is repayable in four annual instalments as specified in the agreement commencing from 2 February, 1995 which the lender has deferred to 2 July, 1999 with an interest rate of 16% per annum.

## 6. SHORT TERM LOAN/RUNNING FINANCES AND BORROWINGS

Short Term Loans (6.1)	30,000	30,000
Running Finances & Borrowings		
From Banks		
Secured		
Finances utilised under mark-up arrangements (6.2)	280,901	221,013
Finance against imported material (6.3)	64,087	64,087
Demand Finance (6.4)	76,080	76,080
	-----	-----
	421,068	361,180
Unsecured		
Others (6.6)	107,842	106,370
	-----	-----
	558,910	497,550
	=====	=====

6.1 The company has arranged loan from an Associated company thorough an intermediary. The loan is renewable on quarterly basis and carries mark up at the rate of 21% per annum. The company has deposited title deed of the immovable property with the associated company and has agreed to create a registered mortgage against the property.

6.2 The company has arranged short term finances from various banks on mark-up basis. Under these arrangements the company can avail finances aggregating up to Rs. 317.025 million(1998 Rs. 250.525 million) which represent the aggregate sale price of all mark-up arrangements with a corresponding purchase price of Rs. 414.750 million (1998 Rs. 327.007 million). The rates of mark up range from Re. 0.756 to Re. 0.914 (1998 Re. 0.756 to Re. 0.914) per thousand per diem or part thereof on the sale price outstanding. The prompt payment rebate range from Re. 0.276 to Re. 0.334 (1998 Re. 0.276 to Re. 0.334) per thousand per diem where due under these arrangements is based on the payments of purchase price by the dates specified in the arrangements.

6.3 The company has arranged Finance against imported material of Rs. 80 million from a bank on mark up basis at the rate of Re. 0.48 per thousand per diem.

6.4 Payments against documents (PADs) of a bank had been restructured and converted into Demand Finance.

6.5 The arrangements with the banks having aggregate limit of Rs. 250.525 million (1998 Rs. 250.525 million) are secured by Hypothecation of stock-in-trade, stores and spares and trade debts in addition to pledge of imported trucks and buses. The arrangements with a bank having limit of Rs. 102.60 million including un-funded limit of Rs. 36.10 million (1998 Rs. nil) are secured against equitable mortgage of property, registered power of attorney in favour of the bank and lien over dollar deposit (Note 19.1).

6.6 Unsecured facilities utilised and outstanding as at 30 June, 1999 include Rs. 16.523 million being facility available under TR for Rs. 20 million (1998 Rs. 20 million) from various banks in addition to running finance facilities referred to in Note 6.2.

The rates of mark up range from Re. 0.49 to Re. 0.55 (1998 Re. 0.49 to Re. 0.55) per thousand per diem or part thereof. The purchase prices are payable within 90 to 180 days of utilisation of the facility.

6.7 Habib Bank Limited has not adjusted Rs. 30 million deposited under State Bank of Pakistan's scheme against outstanding loans. The said amount has been kept in a separate bank account by Habib Bank Limited.

#### 7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	17,594	36,681
Accrued liabilities	21,897	19,849
Advances from customers	35,235	23,314
Advance against sale of investment in immovable property	5,000	5,000
Deposits-non interest bearing repayable on demand	42	42
Mark up on - short term loan/running finances & borrowings		
- secured	278,856	267,815
- unsecured	51,898	52,543
Mark up on- long term loans - unsecured	3,674	3,394
Custom duty payable	4,090	7,500
Unclaimed dividends	503	509
Due to associated undertakings	9,736	8,458
Corporate assets tax	2,000	2,000
Others	14,982	12,693
	445,507	439,798
	=====	=====

#### 8. CONTINGENT LIABILITIES

8.1 Claims against the company not acknowledged as debt Rs. 27.043 million (1998 Rs. 27.043 million) relating to sales tax on 10,000 units of gear boxes and rear axles each claimed by a supplier which has been contested by the company.

8.2 Commitments

Letter of guarantees	15,075	6,781
Confirmed letter of credit	17,785	14,671

#### 9. OPERATING FIXED ASSETS

	<i>Cost or valuation at 1 July, 1998</i>	<i>Additions/ (Deletions)</i>	<i>Cost or valuation at 30 June, 1999</i>	<i>Accumulated depreciation at 30 June, 1999</i>	<i>Net book value at 30, June, 1999</i>	<b>DEPRECIATION</b>	
						<i>Charge for the year</i>	<i>Annual Rate %</i>
Leasehold land	247,461	--	247,461	9,417	238,044	619	0.25
Buildings on lease hold land	60,818	--	60,818	22,994	37,824	2,947	2.5 to 6.25
Plant and machinery	47,657	-- (5)	47,652	31,345	16,307	2,693	10.00
Permanent tools	3,023	--	3,023	2,894	129	51	12.50
Furniture and fixtures	986	-- (40)	946	876	70	14	6.0 to 6.25
Motor vehicles	10,529	745 (1,527)	9,747	6,367	3,380	1,602	20.00
Lift trucks.	3,123	--	3,123	3,123	0	0	20.00

Office machines and equipment	3,384	90 (24)	3,450	3,058	392	170	12.50
Computers	671	70	741	495	246	107	20.00
Jigs and Special tools	20,160	--	20,160	562	19,598	180	--
1999	397,812	905 (1,596)	397,121	81,131	315,990	8,383	
1998	401,211	517 (3,916)	397,812	73,852	323,960	8,546	

9.1 The company's leasehold land and buildings thereon were revalued on 31 March, 1971, 27 June, 1992 and 30 June, 1995 (including plant and machinery). The leasehold land was again revalued on 30 June, 1996.

The date and amount of revaluation surplus included in the book value of fixed assets as at 30 June, 1999 is given below:-

	<i>Leasehold Land</i>	<i>Buildings on Leasehold Land</i>	<i>Total</i>	<i>Plant &amp; Machinery</i>
	<i>(Rupees '000)</i>			
(a) At March 31, 1971				
Revaluation surplus	3,000	2,792	0	5,792
Less: Depreciation thereon	402	1,972	0	2,374
	2,598	820	0	3,418
(b) At June 27, 1992				
Revaluation surplus	116,558	32,734	0	149,292
Less: Depreciation thereon	6,585	11,563	0	18,148
	109,973	21,171	0	131,144
(c) At June 30, 1995				
Revaluation surplus	110,293	17,654	24,258	152,205
Less: Depreciation thereon	2,218	4,199	9,703	16,120
	108,075	13,455	14,555	136,085
(d) At June 30, 1996				
Revaluation surplus	16,926	0	0	16,926
Less: Depreciation thereon	127	0	0	127
	16,799	0	0	16,799
(e) Cost or revaluation	247,461	60,818	47,657	355,936
Less: Disposed during the year	0	0	(5)	(5)
	247,461	60,818	47,652	355,931
Less: Depreciation thereon	9,417	22,994	31,350	63,761
Less: Disposed during the year	0	0	(5)	(5)
Net Book Value	238,044	37,824	16,307	292,175
	237,445	35,446	14,555	287,446

## 9.2 Deletion of fixed assets during the year:

Description	Cost	Accumulated depreciation	Net Book value	Sale Proceeds	Profit	Mode of sale	(Rupees '000)
							Particulars of Purchasers
Plant & Machinery	5	5	0	1	1	Negotiation	Mr. Naseeb Khan, Liaquatabad, Karachi.
Furniture & Fixtures	40	34	6	18	12	Negotiation	Khurshid Sons, Kabari Bazar, Sher Shah, Karachi.
Office Machines & Equipment	24	24	0	11	11	Negotiation	Mr. Naseeb Khan, Liaquatabad, Karachi.
Motor Vehicles	198	180	18	345	327	Negotiation	Mr. Syam, 139/3 DMCHS, Karachi
Motor Vehicles	776	310	466	700	234	Insurance claim	Universal Insurance Co. Limited (Associated undertaking)
Motor Vehicles	91	91	0	91	91	Negotiation	Mr. Said Ahmed, 20 Yousuf Street. Aram Bagh, Karachi.
Motor Vehicles	176	176	0	204	204	Negotiation	Mr. Imtiaz Hussain, Lasbella, Karachi.
Motor Vehicles	186	186	0	155	155	Negotiation	Mr. S. Basit, A-80 Block-8, F.B. Area, Karachi.
Motor Vehicles	100	100	0	102	102	Negotiation	Mr. Shezad Kalim, A-112. Erum Garden, Gulshan-e-Iqbal. Karachi.
	-----	-----	-----	-----	-----		
	1,596	1,106	490	1,627	1,137		
	=====	=====	=====	=====	=====		

	Note	1999 ( Rupees '000 )	1998
9.3 The depreciation charge for the year has been allocated as follows:-			
Cost of sales	21	6,125	6,096
Administration and selling expenses	22	2,258	2,450
		-----	-----
		8,383	8,546
		=====	=====

## 10. INVESTMENTS IN OTHER COMPANIES

## 10.1 Other companies

## Bela Engineers Limited

160 (1998 -- 160) Fully paid quoted

ordinary shares of Rs. 10 each m at cost

[(Market value as on 30 June, 1999

Rs. 0.0001 million (1998: Rs. 0.0001 million)]

	-----	-----
	1	1
	=====	=====

## 11. INVESTMENT IN IMMOVABLE PROPERTIES

(Rupees '000)

	Cost or valuation at 1 July, 1998	Cost or valuation at 30 June, 1999	Accumulated depreciation at 30 June, 1999	Net book value at 30 June, 1999	Charge for the year	Depreciation Annual Rate %
Leasehold land	398,715	398,715	12,906	385,809	997	0.25

Buildings on leasehold land	7,431	7,431	3,673	3,758	239	2.5 to 6.25
	-----	-----	-----	-----	-----	
1999	406,146	406,146	16,579	389,567	1,236	
	=====	=====	=====	=====	=====	
1998	406,146	406,146	15,343	390,803	1,236	
	=====	=====	=====	=====	=====	

The execution of a lease deed for land at Haroonabad in Sindh Industrial Trading Estate, Karachi has not been finalised.

11.1 The company's leasehold land and buildings thereon were revalued on 27 June, 1992 and 30 June, 1995. The leasehold land was again revalued on 30 June, 1996.

The dates and amount of revaluation surplus/(deficit) included in /excluded from the book values' of the assets as on 30 June, 1999 is given below:-

	<i>Leasehold land</i>	<i>Buildings on Leasehold land</i>	<i>Total</i>
a) At 27 June, 1992 revaluation			
Surplus / (deficit)	125,812	(1,027)	124,785
Less: depreciation thereon	(8,505)	420	(8,085)
	-----	-----	-----
Net Book Value	117,307	(607)	116,700
	-----	-----	-----
b) At 30 June, 1995 revaluation			
Surplus	135,188	3,157	138,345
Less: depreciation thereon	(3,151 )	(670)	(3,821 )
	-----	-----	-----
Net Book Value	132,037	2,487	134,52
	-----	-----	-----
c) At 30 June, 1996 revaluation			
Surplus	136,229	0	136,229
Less: depreciation thereon	( 1,022)	0	(1,022)
	-----	-----	-----
Net Book Value	135,207	0	135,207
	-----	-----	-----
d) Cost or valuation	398,715	7,431	406,146
Less: Depreciation thereon	(12,906)	(3,673)	(16,579)
	-----	-----	-----
Net Book Value	385,809	3,758	389,567
	-----	-----	-----
	384,551	1,880	386,431
	=====	=====	=====

**1999**      **1998**  
**( Rupees '000 )**

## 12. LONG TERM LOANS AND ADVANCES

These loans, considered good, have been advanced to employees other than Chief Executive and Directors and were outstanding for less than three years.

## 13. DEFERRED COSTS

Development expenditure	3,281	5,028
Less: amortised during the year	1,093	1,747
	-----	-----
	2,188	3,281
	-----	-----
Initial royalty	2,785	4,642
Less: amortised during the year	928	1,857
	-----	-----

	1,857	2,785
	-----	-----
	4,045	6,066
	=====	=====

**14. STORES, SPARES AND TOOLS**

Stores	266	472
S pares	1,320	1,330
	-----	-----
	1,586	1,802
	=====	=====

**15. STOCK IN TRADE**

15.1 This is composed of

Raw materials and components (includes  
in transit Rs. 23.962 million)

(1998: Rs. 1.742 million)

57,366 56,766

Work in process

8,935 29,988

-----  
66,301 86,754

Manufactured stock including components

31,988 54,074

Trading stocks

(includes in transit Rs. 3.346 million)

(1998: Rs. 3.346 million)

18,042 19,523

-----  
116,331 160,351

=====

**1999**      **1998**  
**( Rupees '000 )**

15.2 Of the aggregate amount

in the custody of third parties are as follows:

Pakistan Machine Tool Factory Limited

(--net of provisions)

8,000 1,090

Precision Engineering Works

604 886

Pakistan Engineering Works

0 1,969

-----  
8,604 3,945

=====

15.3 Subsequent to balance sheet date, the company has entered into an agreement for sale

of its stocks having book value of Rs. 1.090 million for Rs. 8.0 million plus taxes.

Out of the total provision of Rs. 16.308 million made in previous years, the company

has reversed the provision of Rs. 6.910 million during the year.

**16. TRADE DEBTS**

Unsecured

Considered good

Government and semi--government agencies

Others

14,897 247

2,780 3,050

-----  
17,677 3,297

Considered doubtful

Government and semi--government agencies

Less: Provision there-against

441 441

441 441

-----  
0 0-----  
17,677 3,297

**17. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS**

Considered good		
Loans to employees	3	12
Advances to suppliers		
Others	4,877	5,794
Associated undertaking	268	268
Advance with collector of customs	5,416	5,507
Advances to employees	373	788
	10,934	12,357
Considered doubtful		
Advance to suppliers	1,174	1,174
Less: provision there-against	1,174	1,174
	0	0
Tender Deposits	634	738
Prepayments	9,807	1,453
	21,378	14,560

The maximum amount of advances to associated undertaking at the end of any month during the year was Rs. 0.268 million. (1998- Rs. 0.268 million).

**18. OTHER RECEIVABLES**

Claims receivables from government		
Income tax m Net	288	1,171
Sales Tax	4,547	2,524
Sundry receivables		
Considered good	5,219	5,410
Considered doubtful	2,071	2,071
Less: Provision there-against	2,071	2,071
	0	0
	10,054	9,105

**19. CASH AND BANK BALANCES**

In hand		
Cash	282	173
With banks		
On deposit account	16	16
On current accounts	1,254	7,363
On foreign currency account (Note 19.1)	51,205	3
	52,757	7,555

19.1 Foreign currency accounts include JY 79,384 equivalent to Rs. 33,736 (1998 JY 9,384 equivalent to Rs. 3,100) and US \$ 995, 547 equivalent to Rs. 51,171,107 (1998 US \$ Nil equivalent to Rs. Nil). The US \$ account is under lien of a bank against facilities allowed to the company.

**20. NET SALES**

Manufactured goods		
Sales	213,065	175,123

Less: Commission	0	1,310
	-----	-----
	213,065	173,813
Trading stock		
Sales	10,297	9,607
	-----	-----
	223,362	183,420
	=====	=====

20.1 Trading stock sales include commission Rs. nil million (1998' Rs. 0.223 million).

## 21. COST OF SALES

Manufactured goods		
Opening stock of manufactured goods	54,074	37,779
Opening stock of raw materials and work-in-process	86,754	116,285
Purchases including duties, taxes and other charges	144,796	123,497
Stores and spares consumed	658	542
Salaries, wages and other benefits	9,800	15,386
Fuel and power	1,454	3,206
Rent, rates and taxes	492	388
Insurance	877	1,394
Repairs and maintenance	209	330
Travelling & entertainment	51	547
Depreciation on fixed assets	6,125	6,096
Amortisation and development expenditure written off	1,147	1,766
Amortisation of royalty - initial	928	1,857
Running royalty	676	754
Sales tax paid	1,060	1,927
Other expenses	411	806
	-----	-----
	255,438	274,781
Less: Recoveries		
Cost of services rendered	139	100
Sale of scrap	1,517	598
	-----	-----
	1,656	698
	-----	-----
	253,782	274,083
Less: Closing stock of raw materials and work-in-progress	66,301	86,754
	-----	-----
Cost of goods manufactured	187,481	187,329
Closing stock of manufactured goods	(31,988)	(54,074)
	-----	-----
	209,567	171,034
Trading stock		
Opening stock	19,523	25,852
Purchases	6,840	2,478
Closing stock	(18,042)	(19,523)
	-----	-----
	8,321	8,807
	-----	-----
	217,888	179,841
	=====	=====

**1999**      **1998**  
( Rupees '000 )

## 22. ADMINISTRATION AND SELLING EXPENSES

Salaries, wages and benefits	10,328	9,690
Rent, rates and taxes	314	244
Training	0	2
Insurance	876	1,128
Repairs and maintenance	86	118
Utilities	110	540
Travelling and entertainment	1,615	1,906
Communication and stationery	968	1,117
Advertisement	352	1,666
Auditors' remuneration		
Audit fee	154	154
Audit of provident fund	23	31
Out of pocket expenses	10	10
	-----	-----
	187	195
Legal and professional charges	535	947
Donation	5	5
Subscriptions	115	126
Depreciation on fixed assets	2,258	2,450
Depreciation on investment in immovable properties	1,236	1,236
Other expenses	(1,055)	(22)
	-----	-----
	17,930	21,348

**23. OTHER INCOME**

Interest on advances and loans	1	0
Mark-up on bank deposits	577	249
Profit on sale of fixed assets - net	1,137	402
Rent from immovable properties	69	1,048
Others	162	1,772
	-----	-----
	1,946	3,471

**24. OTHER EXPENSES**

Exchange loss	8,090	--
---------------	-------	----

**25. FINANCIAL AND OTHER CHARGES**

Mark-up on:		
Long term loans	3,351	3,351
Short term loans/running finances & borrowings utilised under mark-up arrangements		
Charged during the year	73,136	72,741
(Note 25.1)	(44,153)	(25,530)
	-----	-----
	28,983	47,211
Interest on:		
- Provident fund	228	196
Bank charges and commission		
	1,070	114
	0	(1,252)
	-----	-----
	1,070	(1,138)
	0	106
	-----	-----
	33,632	49,726

25.1 The company has adjusted the provision of interest made in the accounts on the basis of confirmation received from banks.

**26. TAXATION**

Current year	1,117	934
Prior year	(3)	0
	-----	-----
	1,114	934
	=====	=====

26.1 Provision for current taxation for the year represents minimum tax @ 0.5% on gross turnover of the company.

**27. CASH GENERATED FROM/USED IN OPERATIONS**

Loss before taxation	(52,232)	(64,024)
Adjustment for non cash charges and other items:		
Depreciation	9,619	9,782
Profit on sale of fixed assets	(1,137)	(402)
Provision for staff gratuity	558	2,327
Amortization of deferred costs	2,021	3,604
Interest income	(577)	(249)
Interest expenses .	33,632	49,726
Exchange loss	8,090	0
Working capital changes- note 27.1	16,239	(20,649)
	-----	-----
	16,213	(19,885)
	=====	=====

**27.1 WORKING CAPITAL CHANGES**

(Increase)/decrease in current assets

Stores and spares	216	493
Stock-in-trade	44,020	19,565
Trade debts	(14,380)	168
Loans and advances	(6,818)	2,422
Other receivables	(1,832)	5,896
	-----	-----
	21,206	28,544
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	(4,967)	(49,193)
	-----	-----
	16,239	(20,649)
	=====	=====

**28. CASH AND CASH EQUIVALENTS**

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

Cash and bank balances	52,757	7,555
Short-term loan and running finances	(558,910)	(497,550)
	-----	-----
	(506,153)	(489,995)
	=====	=====

**29. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

The aggregate amounts charged in the accounts for the year for fees, remuneration, perquisites and benefits in respect of chief executive, directors and executives of the company are as follows'

	<b>1999</b>		<b>1998</b>	
	<b>Chief executive &amp; other Directors</b>		<b>Chief executive &amp; other Directors</b>	
	<b>Directors</b>	<b>Executives</b>	<b>Directors</b>	<b>Executives</b>
Fee				
Managerial Remuneration	--	2,106	--	2,148
Gratuity & Provident Fund	--	421	--	437
Reimbursable expenses	--	395	--	174

Accommodation	--	1,798	--	1,907
	-----	-----	-----	-----
	--	4,720	--	4,666
	-----	-----	-----	-----
Number of persons	--	13	--	14
	=====	=====	=====	=====

**1999**      **1998**  
( Rupees '000 )

**30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Purchases	4,891	4,907
Services received	2,311	3,139

**31. PLANT CAPACITY AND ACTUAL PRODUCTION**

	<i>Plant Capacity</i>		<i>Actual Production</i>	
	<i>Single Shift</i>			
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
Trucks & bus chassis	2400	2400	143	137
4x4 vehicles/pick ups	2400	2400	--	--

The decrease in actual production as compared to installed capacity is mainly due to loss of demand for the products of the company caused by severe competition in the market.

**32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES****32.1 Financial assets and Liabilities**

	<b>1999</b>						<b>1998</b>							
	<b>RUPEES '000</b>						<b>RUPEES '000</b>							
	<i>Interest bearing</i>			<i>Non-Interest bearing</i>			<i>Total</i>	<i>Interest bearing</i>			<i>Non-Interest bearing</i>			<i>Total</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>		<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub total year</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	
Financial Assets														
Investments	--	--	--	--	1,401	1,401	1,401	--	--	--	--	1,401	1,401	1,401
Trade Debtors	--	--	--	17,677	--	17,677	17,677	--	--	--	3,297	--	3,297	3,297
Advances Deposits	--	--	--	5,779	491	6,270	6,270	--	--	--	6,800	493	7,293	7,293
Other receivables	--	--	--	5,219	--	5,219	5,219	--	--	--	5,410	--	5,410	5,410
Cash & Bank balances	51,187	--	51,187	1,569	--	1,569	52,756	16	--	16	7,539	--	7,538	7,555
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	
	51,187	--	51,187	30,244	1,892	32,136	83,323	16	--	16	23,046	1,894	24,939	24,956
Financial Liabilities														
Long term loans	22,081	9,197	31,278	--	--	--	31,278	2,000	30,761	32,761	--	--	--	32,761
Short term loans	558,910	--	558,910	--	--	--	558,910	497,550	--	497,550	--	--	--	497,550
Creditors Provisions	--	--	--	409,971	--	409,971	40,971	--	--	--	418,112	--	418,108	418,108
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	
	580,991	9,197	590,188	409,971	--	409,971	1,000,150	499,550	30,761	530,311	418,112	--	418,108	948,423
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	
In balance sheet gap	(529,804)	(9,197)	(539,001)	(379,727)	1,892	(377,835)	(916,836)	(499,534)	(30,761)	(530,295)	(395,066)	1,894	(393,169)	(923,464)
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	

The on-balance sheet gap represents the net amount of balance sheet items.

32.2 The effective interest rates for Financial Assets and Liabilities are as follows

**1999**      **1998**  
*Effective Interest Rate %*

**FINANCIAL ASSETS**

Cash and Bank Balance	1.50%	--
-----------------------	-------	----

**FINANCIAL LIABILITIES**

Long Term Loan

Short loans/running finances and borrowings 17.52% to 21.17% 17.52% to 21.17%

**32.3 Concentration of credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if the counter parties failed completely to perform as contracted. All the financial assets of the company, except cash in hand, are exposed to credit risk.

**33. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	<i>Share Capital</i>	<i>Tax Holiday Reserve</i>	<i>Fixed Assets Replacement Reserve</i>	<i>Contingency Reserve</i>	<i>Revenue Reserve</i>	<i>Accumulated Loss</i>	<i>TOTAL</i>
Balance as at 30 June, 1997	65,553	5,500	10,000	25,300	2,400	(828,094)	(719,341)
Loss for the year	--	--	--	--	--	(65,036)	(65,035)
Balance as at 30 June, 1998	65,553	5,500	10,000	25,300	2,400	(893,180)	(784,427)
Loss for the year	--	--	--	--	--	(53,431)	(53,431)
Balance as at 30 June, 1999	65,553	5,500	10,000	25,300	2,400	(946,452)	(837,699)

**34. GENERAL**

Figures in these accounts have been rounded off to the nearest thousand of Rupees. Corresponding figures have been rearranged wherever necessary, for the purpose of comparison.

**M. ASIF DAR**  
Director

**AHMAD KULI KHAN KHATTAK**  
Chief Executive