

Gandhara Industries Limited

Annual Report 2000

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SUBSIDIARY COMPANY:
MARGHZAR INDUSTRIES (PRIVATE) LIMITED

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BOARD OF DIRECTORS

Mr. Raza Kuli Khan Khattak	Chairman
Mr. Ahmad Kuli Khan Khattak	Chief Executive
Mr. M. R. Banka	Managing Director
Dr. Parvez Hassan	
Mr. Mushtaq Ahmad Khan	
Col. (R) S. Tayyab Ahmad	
Col. (R) Abdul Majid Tareen	
Mr. Muhammad Javed Parwaz	
Mr. Minhajuddin Sheikh	

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.
Mashraq Bank

REGISTERED OFFICE

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

NOTICE OF MEETING

Notice is hereby given that the 37th Annual General Meeting of the Company will be held on Saturday, the 30th December, 2000 at 09.00 A.M. at Gandhara Industries Limited Hub Chauki Road, S.I.T.E., Karachi to transact the following business:-

To confirm the minutes of the Extra Ordinary General Meeting held on 10th April 2000.

To receive and adopt the audited accounts of the Company for the year ended June 30, 2000 together with Directors and Auditors reports thereon.

To appoint auditors for the next financial year and fix their remuneration.

To Fix the remunerations of three working Directors.

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 07, 2000

Note:

1. The Share Transfer Books of the Company will remain closed from December 21, 2000 to December 31, 2000 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 Gandhara Industries 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 Gandhara Industries Limited. The Government of Pakistan nationalized Gandhara Industries Limited 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 Gandhara 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-wise 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 utilise the idle capacity of the plant as far as possible.

LONG -- 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
- General Public

REPORT OF THE DIRECTORS

The Directors of your Company present their 37th Annual Report with audited accounts of the Company together with auditors' report thereon for the year ended June 30, 2000

FINANCIAL RESULTS

The financial results for the year ended June 30, 2000 are summarized below:

(Rs. in 000)

Loss for the year	(88,437)
Taxation	(848)

Loss for the year after taxation	(89,285)
Accumulated loss brought forward	(946,667)
Accumulated loss carried forward	(1,035,952)

BASIS OF ACCOUNTS

The company has incurred a loss of Rs. 89.285 million during the year and its current liabilities at the date exceed its current assets by Rs. 895.644 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 3rd July, 1999 and decided as under

	<i>Rupees</i>
	<i>in millions</i>
Relief against outstanding liabilities (approx)	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 @ paisa 39 per 1000 per day	100
	520

Under the terms of the package the company was required to submit personal guarantees of all the directors and original property documents of four properties owned. On the request of the company the requirement of submission of personal guarantees was waived and the company deposited property documents in respect of two properties. The documents of other two properties could not be submitted as these were held by another bank against credit facilities extended to the company. Meanwhile all banks who were otherwise required to implement the above package through court decrees, have filed cases against the company for recovery of loans amounts plus markup and damages. The details of suits filed by the banks and status of cases are as under:

<i>Name of bank</i>	<i>Amount of suit filed Rs. In millions</i>	<i>Status of the case</i>
United Bank Limited	100.04	Amount decreed for Rs. 60.822 million plus mark up @ Paisa 60 per 1000 per day.
Allied Bank of Pakistan	240.36	Amount decreed for Rs. 98.668 million plus mark up @ 17.5 per cent per annum.
Habib Bank Limited	414.26	At concluding stage.
National Bank of Pakistan	322.52	At concluding stage.

Based on the decision in the case of United Bank Limited the company expects there would be substantial savings in interest/markup when all decrees are finalized and implemented.

FUTURE OUTLOOK

The Management of the company is constantly striving to turn around the Company. In order to utilize idle capacity of the plant the Company has entered into agreements with two companies holding foreign franchises for the assembly of their vehicles and tractors at its plant.

One agreement is for the assembly of light commercial vehicles and another is for assembly of tractors. The assembly work will hopefully be in place in first quarter of 2001. Assembly of these vehicles ,will result in utilization of additional capacity. The increased volumes will generate additional revenues.

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

AUDITORS

The present auditors M/s. Hameed Choudhri & Co. retire and being eligible have offered themselves for appointment as auditors for the year 2000-2001.

PATTERN OF SHARE HOLDING

The pattern of Shareholding as at June 30, 2000 is annexed.

December 07, 2000

On behalf of the Board

AHMAD KULI KHAN KHATTAK

Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of GHANDHARA INDUSTRIES LIMITED formerly National Motors Limited as at 30 June, 2000, and the related Profit and Loss Account, Cash Flow Statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of 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, cash flow statement and statement of changes in equity, 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 30 June, 2000 and of the Loss, its cash flows and changes in equity for the year then ended; and

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

(e) without qualifying our opinion we draw attention to note 1 to the financial statements. The company has incurred a net loss of Rs. 89.285 million during the year ended 30 June 2000 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 895.644 million and its liabilities exceeded its total assets by Rs. 204.648 million. However, the financial statements have been prepared under going concern assumption in view of the matters.

December 07, 2000
KARACHI

**HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS**

BALANCE SHEET AS AT 30 JUNE 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees '000)</i>	
SHARE CAPITAL & RESERVES			
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		(1,035,952)	(946,667)
		-----	-----
		(992,752)	(903,467)
		-----	-----
		(927,199)	(837,914)
SURPLUS ON REVALUATION OF FIXED ASSETS		722,552	723,364
LONG TERM LOANS & DEFERRED LIABILITY			
Long term loans - unsecured	5	--	9,197
DEFERRED LIABILITY			
Provision for staff retirement gratuity		8,868	8,755

CURRENT LIABILITIES

Current portion of long term loans		21,197	22,081
Short term loan/running finances and borrowings	6	472,797	558,910
Creditors, accrued & other liabilities	7	610,532	447,206
		-----	-----
		1,104,526	1,028,197
CONTINGENT LIABILITIES	8	-----	-----
		908,747	931,599
		=====	=====

The annexed notes form an integral part of these accounts

TANGIBLE FIXED ASSETS

Operating fixed assets	9	307,290	315,989
Capital work in progress		320	320

LONG TERM INVESTMENTS

Investments in subsidiary & other companies	10	1,401	1,401
Investment in immovable properties	11	388,331	389,567
		-----	-----
		389,732	390,968

LONG TERM LOANS AND ADVANCES

	12	13	13
--	----	----	----

LONG TERM DEPOSITS & DEFERRED COSTS

Deposits		488	490
Deferred costs	13	2,022	4,045
		-----	-----
		2,510	4,535

CURRENT ASSETS

Stores, spares & tools	14	1,396	1,586
Stock in trade	15	172,166	116,331
Trade debts	16	12,242	17,677
Loans, advances, deposits & prepayments	17	8,651	21,378
Other receivables	18	8,624	10,046
Cash and bank balances	19	5,803	52,756
		-----	-----
		208,882	219,774
		-----	-----
		908,747	931,599
		=====	=====

M. Javed Parwaz
Director

AHMAD KULI KHAN KHATTAK
Chief Executive

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

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees '000)</i>	
Net sales	20	169,178	223,362
Cost of sales	21	176,669	217,888
		-----	-----

Gross profit/(Loss)		(7,491)	5,474
Administration and selling expenses	22	(19,247)	(17,853)
Operating loss		(26,738)	(12,379)
Other income	23	3,024	1,946
		(23,714)	(10,433)
Other expenses	24	--	(8,090)
Financial and other charges	25	(64,723)	(33,850)
		(64,723)	(41,940)
Loss before taxation		(88,437)	(52,373)
Taxation	26	(848)	(1,114)
Loss after taxation		(89,285)	(53,487)
Accumulated loss brought forward		(946,667)	(893,180)
Accumulated loss carried forward		(1,035,952)	(946,667)
Loss per share	32	(13.62)	(8.16)

The annexed notes form an integral part of these accounts.

M. Javed Parwaz
Director

AHMAD KULI KHAN KHATTAK
Chief Executive

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees '000)</i>	
Cash flow from operating activities			
Cash generated from/used in operations	27	49,893	16,369
Staff gratuity		(532)	(591)
Interest paid		(12,517)	(24,655)
Taxes paid		(222)	(229)
Long-term loans and advances		--	2
Net Cash inflow/(out-flow) from operating activities		(36,622)	(9,104)
Cash flow from investing activities			
Fixed capital expenditure		(87)	(905)
Capital work in progress		--	(266)
Sale proceeds of fixed assets		796	1,627
Interest received		38	577
Deposits		2	3
Net cash inflow from investing activities		749	1,036

Cash inflow/(out-flow) before financing activities	37,371	(8,068)
Financing Activities	--	--
	-----	-----
Net increase/(decrease) in cash and cash equivalents	37,371	(8,068)
Cash and cash equivalents at beginning of the year	(506,154)	(489,996)
Exchange difference	1,789	(8,090)
	-----	-----
Cash and cash equivalents at end of the year	28 (466,994)	(506,154)
	=====	=====

The annexed notes form an integral part of these accounts.

M. Javed Parwaz
Director

AHMAD KULI KHAN KHATTAQ
Chief Executive

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

1. BASIS OF ACCOUNTS

The company has incurred a loss of Rs. 89.285 million during the year and its current liabilities at that date exceed its current assets by Rs. 895.664 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 in 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
	=====

Under the terms of the package the company was required to submit personal guarantees of all the directors and original property documents of four properties owned. On the request of the company the requirement of submission of personal guarantees was waived and the company deposited property documents in respect of two properties. The documents of other two properties could not be submitted as these were held by another bank against credit facilities extended to the company.

Meanwhile all banks who were otherwise required to implement the above package through court decrees, have filed cases against the company for recovery of loans amounts plus markup and damages. The details of suits filed by the banks and status of cases are as under:

<i>Name of bank</i>	<i>Amount of suit filed Rs. in millions</i>	<i>Status of the case</i>
United Bank Limited	100.041	Amount decreed for Rs. 60.822 plus markup @ paise 60 per 1000 per day.
Allied Bank of Pakistan	240.356	Amount decreed for Rs. 98.668 plus markup @ 17.5 per cent per annum.
Habib Bank Limited	414.526	At concluding stage
National Bank of Pakistan	322.521	At concluding stage

Based on the decision in the case of United Bank Limited the company expects there would be substantial savings in interest/markup when all decrees are finalized and implemented.

1.2 The Management of the company is constantly striving to turn around the Company. In order to utilize idle capacity of the Plant the Company has entered into agreements with two companies holding foreign franchises for the assembly of their vehicles and tractors at its Plant.

One agreement is for the assembly of light commercial vehicles and another is for assembly of tractors. The assembly work will hopefully be in place in first quarter of 2001. Assembly of these vehicles will result in utilization of additional capacity. The increased volumes will generate additional revenues.

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 Accounting Convention

These accounts have been prepared under the historical cost convention, as modified by revaluation of certain fixed assets indicated in notes 9.1 and 11.3.

2.2 Basis of Accounts

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and the International Accounting Standards as are applicable in Pakistan.

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, 2000 amounted to Rs. 148 million (1999: Rs. 190 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.

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 installments 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 installments.

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.

2000

1999

(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	17,653	10,081
-----	-----	-----
	36,850	29,278
Less: due within the following twelve months transferred to current maturity	36,850	20,081
-----	-----	-----
	--	9,197
=====	=====	=====

5.1 The loan from associated undertaking is repayable in four annual installments 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)	29,809	30,000
Running Finances & Borrowings		
From Banks		
Sectored		
Finances utilised under mark-up arrangements (6.2)	227,670	280,901
Finances against imported material (6.3)	64,087	64,087
Demand Finance (6.4)	70,513	76,080
-----	-----	-----
	362,270	421,068
Unsecured		
Others (6.6)	80,718	107,842
-----	-----	-----
	472,797	558,910
=====	=====	=====

6.1 The company has arranged loan from an associated company (now ex-associated company) through an intermediary. The loan is renewable on quarterly basis and carries mark up at the rate of 18.5% per annum. The company has deposited title deed of the immovable property with the ex-associated company and has agreed to create a registered mortgage against the property. The loan is also secured by personal guarantee of a director and corporate guarantee. of an associated company.

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 upto Rs. 252.995 million (1999: Rs. 317.025 million) which represent the aggregate sale price of at mark-up arrangements with a corresponding purchase price of Rs. 332.193 million (1999 Rs. 414.750 million). The rates of mark up range from Rs. 0.693 to Re. 0.945 (1999: 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 Rs. 0.253 to Re. 0.345 (1999: 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 (1999: 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. 98.549 million (1999: Rs. 36.10) are secured against equitable mortgage of property, registered power of attorney in favour of the bank.

6.6 Unsecured facilities utilised and outstanding as at 30 June, 2000 include Rs. 16.523 million being facility available under TR for Rs. 20 million (1999 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 (1999 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.

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	109,601	17,594
Accrued liabilities	15,986	21,893
Advances from customers	25,415	35,235
Advance against sale of investment in immovable property	5,500	5,000
Deposits-non interest bearing repayable on demand	41	42
Mark up on -- short term loan/running finances & borrowings		
-- secured	314,545	278,856
-- unsecured	60,564	51,898
Mark up on -- long term loans - unsecured	21,607	3,674
	-----	-----
	396,716	334,428
Custom duty payable	21,955	4,090
unclaimed dividends	503	503
Due to associated undertakings	11,866	9,736
Due to subsidiary	1,792	1,703
Corporate assets tax	2,000	2,000
Income tax payable	346	--
Others	18,811	14,982
	-----	-----
	610,532	447,206
	-----	-----

8. CONTINGENT LIABILITIES

8.1 Claims against the company not acknowledged as debt Rs. 27.043 million (1999: Rs. 27.043 mil-

lion) 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 The Sales Tax Authorities raised a demand for the payment of Rs. 748.240 million in respect of sales tax for chassis fitted with engines and cabins and chassis fitted with engines without cabins for sales made from 1 July 1990 to 17 October 1993.

The company and other assemblers have approached the Central Board of Revenue (CBR) to provide exemption under section 65 of the Sales Tax Act 1990 in respect of tax for that period. such application is, however, pending for decision.

The legal advisors representing all the assemblers including the Company are hopeful that exemption under section 65 of the Sales Tax Act will be accorded by the CBR hence no provision is necessary in respect of the above demand in the accounts.

8.3 Liquidated damages and other charges amounting to Rs. 274.252 million claimed by the banks in their respective suits have not been acknowledged by the company.

8.4 Commitments

Letter of guarantees	776	15,075
Confirmed letter of credit	--	17,785

9. OPERATING FIXED ASSETS

	<i>Cost or valuation at 1 July, 1999</i>	<i>Additions/ (Deletions)</i>	<i>Cost or valuation at 30 June, 2000</i>	<i>Accumulated depreciation at 30 June, 2000</i>	<i>Net book value at 30 June, 2000</i>	<i>DEPRECIATION Charge for the year</i>		<i>Annual Rate</i>
<i>Rupees in thousand</i>								
Leasehold land	247,461	--	247,461	10,036	237,425	619	0.25	
Buildings on leasehold land	60,818	--	60,818	25,941	34,877	2,947	2.5 to 6.25	
Plant and machinery	47,652	--	46,454	33,252	13,202	2,607	10.00	
		(1,171) (27)						
Permanent tools	3,023	--	3,023	2,944	79	50	12.50	
Furniture and fixtures	946	--	935	878	57	12	6.0 to 6.25	
Motor vehicles	9,747	--	9,439	7,660	1,779	1,540	20.00	
Lift trucks	3,123	(308)	3,123	3,123	--	--	20.00	
Office machines and equipments	3,450	15	3,465	3,155	310	97	12.50	
Computers	741	72	813	616	197	121	20.00	
Jigs and Special tools	20,160	--	20,160	796	19,364	234	--	
	-----	-----	-----	-----	-----	-----	-----	-----
2000	397,121	87 (1,479) (27)	395,691	88,401	307,290	8,227		

1999	397,812	905 (1,596)	397,110	81,121	315,989	8,383
------	---------	----------------	---------	--------	---------	-------

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, 2000 is given below:-

	<i>Leasehold land</i>	<i>Buildings on Leasehold land</i>	<i>Plant & Machinery</i>	<i>Total</i>
<i>(Rupees '000)</i>				
(a) At March 31, 1971				
Revaluation surplus	3,000	2,792	--	5,792
Less: Depreciation thereon	409	2,042	--	2,451
	2,591	750	--	3,341
(b) At June 27, 1992				
Revaluation surplus	116,558	32,734	--	149,292
Less: Depreciation thereon	6,876	13,200	--	20,076
	109,682	19,534	--	129,216
(c) At June 30, 1995				
Revaluation surplus	110,293	17,654	24,258	152,205
Less: Depreciation thereon	2,494	5,249	11,737	19,480
	107,799	12,405	12,521	132,725
(d) At June 30, 1996				
Revaluation surplus	16,926	--	--	16,926
Less: Depreciation thereon	169	--	--	169
	16,757	--	--	16,757
(e) Cost or revaluation				
Less: Disposed during the year	247,461	60,818	47,652	355,931
	--	--	(1,198)	(1,198)
	247,461	60,818	46,454	354,733
Less: Depreciation there on Disposed during the year	10,036	25,941	33,952	69,929
	--	--	(700)	(700)

Net Book Value	=====	=====	=====	=====
	237,425	34,877	13,202	285,504
	=====	=====	=====	=====
	236,829	32,689	12,521	282,039
	=====	=====	=====	=====

9.2 Deletion of fixed assets during the year.

<i>Description</i>	<i>Cost or valuation</i>	<i>Accumulated depreciation</i>	<i>Net Book value</i>	<i>Sale Proceeds</i>	<i>Profit</i>	<i>Revaluation Surplus</i>	<i>Total</i>	<i>Mode of Sale</i>	<i>Particulars of Purchasers</i>
<i>Rupees in thousand</i>									
Plant & Machine	1171	700	471	699	228	784	1,012	Negotiation	Mr. Naseeb Khan Liaquatabad, Karachi.
Motor Vehicles	308	247	61	97	36	--	36	Negotiation	Mr. Syem, 139/3, D.M.C.H.S., Karachi.
	-----	-----	-----	-----	-----	-----	-----		
	1,479	947	532	796	264	784	1,048		
	=====	=====	=====	=====	=====	=====	=====		

9.3 The depreciation charge for the year has been allocated as follows:-

	<i>Note</i>	<i>2000</i>	<i>1999</i>
<i>Rupees in thousand</i>			
Cost of sales	21	5,993	6,125
Administration and selling expenses	22	2,234	2,258
		-----	-----
		8,227	8,383
		=====	=====

10. INVESTMENTS IN OTHER COMPANIES

*Percentage of equity held
in the investees
total equity
%*

10.1 Subsidiary-Un-quoted

Marghzar Industries (Private) Limited
140,000 Fully paid
unquoted Ordinary Shares of Rs. 10/= each
at cost

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

Break up value per share Rs. 12.69
(1999: Rs. 12.19)

10.2 Other Companies-Quoted

Bela Engineers Limited
160 Fully paid

Ordinary Shares of Rs. 10/= each-at cost	1	1
(Market value as on 30 June, 2000	-----	-----
Rs. 0.2 thousand (1999: Rs. 0.1 thousand)	1,401	1,401
	=====	=====

11. INVESTMENT IN IMMOVABLE PROPERTIES

	<i>Cost or valuation at 1 July, 1999</i>	<i>Cost or valuation at 30 June, 2000</i>	<i>Accumulated depreciation at 30 June, 2000</i>	<i>Net book value at 30 June, 2000</i>	<i>DEPRECIATION Charge for the year</i>	<i>Annual Rate %</i>
<i>Rupees in thousand</i>						
Leasehold land	398,715	398,715	13,903	384,812	997	0.25
Building on leasehold land	7,431	7,431	3,912	3,519	239	2.5 to 6.25
	-----	-----	-----	-----	-----	
2000	406,146	406,146	17,815	388,331	1,236	
	=====	=====	=====	=====	=====	
1999	406,146	406,146	16,579	389,567	1,236	
	=====	=====	=====	=====	=====	

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

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

11.3 The dates and amount of revaluation surplus / (deficit) included in/excluded from the book values of assets as on 30 June, 2000 is given below:-

	<i>Leasehold land</i>	<i>Buildings on Leasehold land</i>	<i>Total</i>
<i>Rupees in thousand</i>			
(a) At 27 June, 1992 revaluation			
Surplus / (deficit)	125,812	(1,027)	124,785
Less: depreciation thereon	(8,820)	480	(8,340)
	-----	-----	-----
Net Book Value	116,992	(547)	116,445
	-----	-----	-----
(b) At 30 June, 1995 revaluation			
Surplus	135,188	3,157	138,345
Less: depreciation thereon	(3,489)	(837)	(4,326)
	-----	-----	-----
Net Book Value	131,699	2,320	134,019
	-----	-----	-----
(c) At 30 June, 1996 revaluation			
Surplus	136,229	--	136,229
Less: Depreciation thereon	(1,363)	--	(1,363)
	-----	-----	-----

Net Book Value	134,866	--	134,866
	-----	-----	-----
(d) Cost or valuation	398,715	7,431	406,146
Less: Depreciation thereon	(13,903)	(3,912)	(17,815)
	-----	-----	-----
Net Book Value	384,812	3,519	388,331
	=====	=====	=====
	383,557	1,773	385,330
	=====	=====	=====

2000**1999****12. LONG TERM LOANS AND ADVANCES**

Due from employee	13	13
	=====	=====

13. DEFERRED COSTS

Development expenditure	2,188	3,281
Less: amortised during the year	1,094	1,093
	-----	-----
	1,094	2,188
	-----	-----
Initial royalty	1,857	2,785
Less: amortised during the year	929	928
	-----	-----
	928	1,857
	-----	-----
	2,022	4,045
	=====	=====

14. STORES, SPARES AND TOOLS

Stores	179	266
Spares	1,214	1,320
Tools	3	--
	-----	-----
	1,396	1,586
	=====	=====

15. STOCK IN TRADE

15.1 This is composed of:

Raw materials and components (includes in transit Rs. Nil (1999: Rs. 23.962 million))	110,799	57,366
	-----	-----
Work in process	16,928	8,935
	-----	-----
	127,727	66,301
	-----	-----
Manufactured stock including components	27,803	31,988
	-----	-----
Trading stocks		

(includes in transit Rs. 3.346 million)
(1999: Rs. 3.346 million)

16,636	18,042
-----	-----
172,166	116,331
=====	=====

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

Pakistan Machine Tool Factory Limited	8,000	8,000
Precision Engineering Works	417	604
	-----	-----
	8,417	8,604
	=====	=====

The company had entered into an agreement for sale of its stock for Rs. 8.0 million plus taxes.
This is valued at contracted price.

16. TRADE DEBTS

Unsecured		
Considered good		
Government and semi-government agencies	8,987	14,897
Others	3,255	2,780
	-----	-----
	12,242	17,677
	=====	=====
Considered doubtful		
Government and semi-government agencies	441	441
Less: Provision there against	441	441
	-----	-----
	--	--
	-----	-----
	12,242	17,677
	=====	=====

17. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

Considered good,		
Loans to employees	--	3
Advances to suppliers and others	4,864	4,877
Associated undertaking	268	268
Advance with collector of customs	230	5,416
Advances to employees	466	373
	-----	-----
	5,828	10,934
Considered doubtful		
Advances to suppliers	1,174	1,174
Less: provision there against	1,174	1,174
	-----	-----
	--	--
	-----	-----
Tender Deposits	948	634
Prepayments	1,875	9,807
	-----	-----
	8,651	21,378
	=====	=====

The maximum amount of advances to associated undertaking at the end of any month during the year was Rs. 268 thousand. (1999: Rs. 268 thousand)

18. OTHER RECEIVABLES

Claims receivable from government		
Income tax-Net	--	280
Sales Tax	6,813	4,547
Sundry receivables		
Considered good	1,811	5,219
Considered doubtful	1,624	2,071
Less: Provision there against	1,624	2,071
	-----	-----
	--	--
	-----	-----
	8,624	10,046
	=====	=====

19. CASH AND BANK BALANCES

In hand		
Cash	199	282
With banks		
On deposit account	5,500	16
On current accounts	85	1,253
On foreign currency account (Note 19.1)	19	51,205
	-----	-----
	5,803	52,756
	=====	=====

19.1 Foreign currency accounts include JY 25,883 equivalent to Rs.12,703 (1999: JY 79,384 equivalent to RS. 33,736) and US \$126 equivalent to Rs. 6,533 (1999: US \$ 995,547 equivalent to Rs.51,171,107).

20. NET SALES

Manufactured goods		
Sales	163,252	213,065
Trading stock		
Sales	5,926	10,297
	-----	-----
	169,178	223,362
	=====	=====

21. COST OF SALES

Manufactured goods		
Opening stock of manufactured goods	31,988	54,074
Opening stock of raw materials and work-in-process	66,301	86,754
Purchases including duties, taxes and other charges	205,370	144,796
Stores and spares consumed	1,094	658
Salaries, wages and other benefits	9,364	9,800

Fuel and power	1,970	1,454
Rent, rates and taxes	415	492
Insurance	848	877
Repairs and maintenance	374	209
Travelling & entertainment	26	51
Depreciation on fixed assets	5,993	6,125
Amortisation and development expenditure written off	1,194	1,147
Amortisation of royalty - initial	929	928
Running royalty	509	676
Sales tax paid	--	1,060
Other Expenses	491	411
	-----	-----
	294,878	255,438
Less: Recoveries		
Cost of services rendered	21	139
Sale of scrap	307	1,517
	-----	-----
	328	1,656
	-----	-----
	294,550	253,782
	-----	-----
Less: Closing stock of raw materials and work-in-process	127,727	66,301
Cost of goods manufactured	166,823	187,481
Closing stock of manufactured goods	(27,803)	(31,988)
	-----	-----
	171,008	209,567
	-----	-----
Trading stock		
Opening stock	18,042	19,523
Purchases	4,255	6,840
Closing stock	(16,636)	(18,042)
	-----	-----
	5,661	8,321
	-----	-----
	176,669	217,888
	=====	=====

22. ADMINISTRATION AND SELLING EXPENSES

Salaries, wages and benefits	9,755	10,268
Rent, rates and taxes	290	314
Insurance	772	0.88
Repairs and maintenance	366	86
Utilities	159	110
Travelling and entertainment	1,835	1,615
Communication and stationery	976	968
Advertisement	304	352
Auditor's remuneration		
Audit fee	150	150
Audit of provident fund	8	23
Out of pocket expenses	10	10
	-----	-----
	168	183

Legal and professional charges		676	522
Donation		--	5
Subscriptions		196	115
Depreciation on fixed assets	9.3	2,234	2,258
Depreciation on investment in immovable propertie	11	1,236	1,236
Other expenses		280	(1,055)
		-----	-----
		19,247	17,853
		=====	=====

23. OTHER INCOME

Interest on advances and loans		--	1
Mark-up on bank deposits		38	577
Exchange Gain - net		1,789	--
Profit on Sale of fixed assets - net	9.2	264	1,137
Rent from immovable properties		32	69
Others		901	162
		-----	-----
		3,024	1,946
		=====	=====

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		60,550	73,136
Less: Written back during the year		--	(44,153)
		-----	-----
		60,550	28,983
Interest on:			
- Provident fund		139	228
- amount due to subsidiary		199	218
Bank charges and commission Incurred during the year		484	1,070
		-----	-----
		64,723	33,850
		=====	=====

26. TAXATION

Current year		848	1,117
Prior year		--	(3)
		-----	-----
		848	1,114
		=====	=====

26.1 Provision for current taxation for the year represents minimum tax @ 0.5% on gross turnover of the company assessment has been finalized upto and including assessment year 1999-2000 (income year ended 30 June 1999).

27. CASH GENERATED FROM/USED IN OPERATIONS

Loss before taxation		(88,437)	(52,373)
Adjustment for non cash charges and other items:			
Depreciation		9,464	9,619
Profit on sale of fixed assets		(1,048)	(1,137)
Provision for staff gratuity		644	558
Amortization of deferred costs		2,022	2,021
Interest income		(38)	(577)
Interest expense		64,723	33,850
Exchange loss		(1,789)	8,090
Working capital changes	27.1	64,352	16,318
		-----	-----
		49,893	16,369
		=====	=====

27.1 WORKING CAPITAL CHANGES

(increase)/Decrease in current assets		190	216
Stores and spares		(55,835)	44,020
Stock-in-trade		5,435	(14,380)
Trade debts		12,727	(6,818)
Loans and advances		1,142	(1,832)
		-----	-----
Other receivables		(36,341)	21,206
		-----	-----
Increase/(Decrease) in current liabilities			
Creditors, accrued and other liabilities		100,693	(4888)
		-----	-----
		64,352	16,318
		-----	-----

28. CASH AND CASH EQUIVALENTS

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

Cash and bank balances		5,803	52,756
Short-term loan and running finances		(472,797)	(558,910)
		-----	-----
		(466,994)	(506,154)
		-----	-----

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:-

	2000			1999	
	Directors	Executives	TOTAL	Directors	Executives
	Rupees in thousand			Rupees in thousand	
Managerial Remuneration	172	1,768	1,940	--	2,106

Gratuity & Provident Fund	36	396	432	--	421
Reimbursable expenses	32	323	355	--	395
Accommodation	159	1,399	1,558	--	1,798
	-----	-----	-----	-----	-----
	399	3,886	4,285	--	4,720
	=====	=====	=====	=====	=====
Number of persons	3	12	15	--	13
	=====	=====	=====	=====	=====

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

30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases	3,156	4,891
Services received	2,440	2,311

31. PLANT CAPACITY AND ACTUAL PRODUCTION

	<i>Plant Capacity Single Shift</i>		<i>Actual Production</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Trucks & bus chassis	2400	2400	112	143
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.

The maximum capacity of the plant is based on the production hours of Bedford products. As the franchise of Bedford is no more with the company, management has initiated a technical study to determine the plant capacity based on Isuzu products.

32. LOSS PER SHARE

Net Profit/Loss after taxation for the year attributable to Ordinary Shareholders	(89,285)	(53,487)
---	----------	----------

Number of Shares

Weighted average number of ordinary shares outstanding during the period	6,555,300	6,555,300
--	-----------	-----------

Rupees

Loss per share	(13.62)	(8.16)
----------------	---------	--------

33. AVERAGE NUMBER OF EMPLOYEES

Average number of employees during the year	206	200
	=====	=====

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Financial assets and liabilities

	2000			1999			Total	Total
	Interest bearing			Non-Interest bearing				
	Maturity upto one year	Maturity upto one year	Sub-total	Maturity upto one year	Maturity upto one year	Sub-total		
Financial Assets								
Investments	--	--	--	--	1,401	1,401	1,401	1,401
Trade Debtors	--	--	--	12,242	--	12,242	12,242	17,677
Advances & Deposits	--	--	--	6,113	650	6,763	6,763	6,270
Other receivables	--	--	--	1,811	--	1,811	1,811	5,219
Cash & Bank balances	6	--	6	5,799	--	5,799	5,805	52,756
	-----	-----	-----	-----	-----	-----	-----	-----
	6	--	6	25,965	2,051	28,016	28,022	83,323
	=====	=====	=====	=====	=====	=====	=====	=====
Financial Liabilities								
Long term loans	22,081	16,766	38,849	--	--	--	38,849	31,278
Short term loans	472,797	--	472,797	--	--	--	472,797	558,910
Creditors Provisions	--	--	--	571,002	--	5,711,002	571,002	409,971
	-----	-----	-----	-----	-----	-----	-----	-----
	494,878	16,766	511,646	571,002	--	571,002	1,082,648	1,000,159
	=====	=====	=====	=====	=====	=====	=====	=====
On balance sheet gap	(494,872)	16,766	(511,640)	(545,037)	2,051	(542,986)	(1,054,626)	(916,836)
	=====	=====	=====	=====	=====	=====	=====	=====

The on Balance Sheet gap represents the net amount of on-Balance Sheet items.

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

	2000	1999
	Effective Interest Rate %	
FINANCIAL ASSETS		
Cash and Bank Balance	5%	1.5%
FINANCIAL LIABILITIES		
Long term loan	16%	16%
Short loans/Running Finances and borrowings	16% to 21.9%	17.52% to 21.17%

34.3 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.

35. GENERAL

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	<i>Share Capital</i>	<i>Share Capital 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 1 July, 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)
Loss for the year	--	--	--	--	--	(89,285)	(89,285)
	-----	-----	-----	-----	-----	-----	-----
Balance as at 30 June, 2000	65,553	5,500	10,000	25,300	2,400	(1,035,952)	(927,199)
	=====	=====	=====	=====	=====	=====	=====

The annexed notes from an integral part of these accounts.

M. Javed Parwaz
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 Ghandhara Industries 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, 2000 is as follows:

	<i>Rupees</i>
- for the last of the financial years, of the subsidiary	48,686
	=====
- for the previous financial year, since it became the holding company's subsidiary	215,339
	=====

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, 2000**

<i>No. of Shareholders</i>	<i>Shareholding</i>	<i>Total Shares held</i>
3,607 HOLDING	1 TO	100 68,792
585 HOLDING	101 TO	500 146,310
152 HOLDING	501 TO	1,000 115,669
183 HOLDING	1,001 TO	5,000 382,351
33 HOLDING	5,001 TO	10,000 211,040
3 HOLDING	10,001 TO	15,000 36,467
3 HOLDING	15,001 TO	20,000 52,521
3 HOLDING	20,001 TO	25,000 66,067
4 HOLDING	25,001 TO	30,000 103,133
1 HOLDING	30,001 TO	35,000 30,252
1 HOLDING	35,001 TO	40,000 37,954
2 HOLDING	40,001 TO	55,000 94,931
1 HOLDING	55,001 TO	75,000 72,300
1 HOLDING	75,001 TO	100,000 96,200
1 HOLDING	100,001 TO	115,000 110,800
1 HOLDING	115,001 TO	150,000 134,821
1 HOLDING	150,001 TO	1,300,000 1,291,542
1 HOLDING	1,300,001 TO	1,650,000 1,639,026
1 HOLDING	1,650,001 TO	1,865,500 1,865,124
TOTAL:	4,584	6,555,300

CATEGORIES OF SHAREHOLDERS

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
Individuals Pakistani	4,542	1,067,396	16.28%
Investment Companies*	6	44,045	0.67%
Insurance Companies	10	137,065	2.09%
Joint Stock Companies	3	1,387,842	21.17%
Modarba Companies	4	184,200	2.81%
Financial Institutions**	9	214,766	3.28%
Private Companies & Institutions***	9	3,507,219	53.50%
Abandoned Properties Organization	1	12,767	0.20%
Total:	4,584	6,555,300	100.00%

Includes ICP holding*	37,954	shares
Includes NBP (TD) Holding**	134.82	shares
Includes Bibojee Services (Pvt) Limited***	1,865,124	shares
Includes Essar Asset Management (Pvt) Limited***	1,639,026	shares
Includes NICFC Holding***	15,700	shares

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, 2000

Rupees**ACCOUNTS**

Profit before taxation	122,024
Taxation for the year - Current	(52,472)

Profit after taxation	69,552
Accumulated profit brought forward	307,626

	377,178
Transfer to reserves	0
Proposed dividend	0

Accumulated profit carried forward	377,178

Earning per share	0.35

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 2000-2001.

December 07, 2000

On behalf of the Board

M. R. Banka
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of MARGHZAR INDUSTRIES (PRIVATE) LIMITED as at 30 June, 2000, and the related Profit and Loss Account, Cash Flow Statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of 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, cash flow statement and statement of changes in equity, 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 30 June, 2000 and of the Profit, its cash flows and changes in equity for the year then ended; and

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

December 07, 2000
KARACHI

**HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS**

BALANCE SHEET AS AT 30 JUNE, 2000

	<i>2000</i>	<i>1999</i>
		<i>(Rupees)</i>
SHARE CAPITAL & RESERVES		
Authorised		
250,000 ordinary shares of Rs. 10/- each	2,500,000	2,500,000
	-----	-----
Issued, subscribed & paid up capital	2 1,403,000	1,403,000
Unappropriated profit	377,178	307,626
	-----	-----
	1,780,178	1,710,626
	-----	-----
REPRESENTED BY		
ASSETS & LIABILITIES		
Tangible fixed assets		
Office & electrical equipment and furniture & fixtures at cost	10,839	10,839
Less: accumulated depreciation	9,959	9,903
	-----	-----
	880	936
	-----	-----
CURRENT ASSETS:		
Amount due from holding company	1,792,110	1,702,824
Income tax deducted at source/refundable	140,031	115,119
Cash at bank at current account	1,804	2,134

	-----	-----
	1,933,945	1,820,077
LESS: CURRENT LIABILITIES		
Accrued expenses	8,000	4,000
Taxation	146,647	106,387
	-----	-----
	154,647	110,387
	-----	-----
	1,779,298	1,709,690
	-----	-----
	1,780,178	1,710,626
	=====	=====

The annexed notes form an integral part of these accounts.

IFTIKHAR AHMED KHAN
Director

M.R. BANKA
Chief Executive

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

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees '000</i>	
INTEREST INCOME	3	198,410	218,025
ADMINISTRATIVE EXPENSES	4	76,386	77,360
		-----	-----
PROFIT FOR THE YEAR BEFORE TAXATION		122,024	140,665
PROVISION FOR TAXATION		52,472	60,488
		-----	-----
PROFIT FOR THE YEAR AFTER TAXATION		69,552	80,177
UNAPPROPRIATED PROFIT BROUGHT FORWARD		307,626	227,449
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		377,178	307,626
		=====	=====

The annexed notes form an integral part of these accounts.

IFTIKHAR AHMED KHAN
Director

M.R. BANKA
Chief Executive

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2000**

	<i>2000</i>	<i>1999</i>
	<i>(Rupees '000)</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	122,024	140,665
Adjustment for non cash charges:		

Depreciation	56	60
	-----	-----
	122,080	140,725
Working Capital Changes		
(Increase)/Decrease in current assets		
Amount due from holding company	(89,286)	(78,539)
Increase/(Decrease) in current liabilities		
Accrued expenses	4,000	--
	-----	-----
Working Capital Changes	(85,286)	(78,539)
	=====	=====
Cash generated from operations	36,794	62,186
Tax paid (including tax deducted at source)	(37,124)	(62,486)
	-----	-----
Cash flow from Operating Activities	(330)	(300)
	=====	=====
INVESTING ACTIVITIES	--	--
FINANCING ACTIVITIES	--	--
	-----	-----
Increase in Cash and Cash Equivalents	(330)	(300)
Cash at bank at the beginning	2,134	2,434
	-----	-----
Cash at bank at the end	1,804	2,134
	=====	=====

The annexed notes form an integral part of these accounts

IFTIKHAR AHMED KHAN
Director

M.R. BANKA
Chief Executive

**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 30 JUNE, 2000**

<i>Particulars</i>	<i>Share Capital</i>	<i>Unappropriated Profit Rupees</i>	<i>Total</i>
Balance as at 1 July, 1998	1,403,000	227,449	1,630,449
profit for the year	--	80,177	80,177
	-----	-----	-----
Balance at 30 June, 1999	1,403,000	307,626	1,710,626
Profit for the year	--	69,552	69,552
	-----	-----	-----
Balance as at 30 June, 2000	1,403,000	377,178	1,780,178
	=====	=====	=====

The annexed notes form an integral part of these accounts

IFTIKHAR AHMED KHAN

M.R. BANKA

Director

Chief Executive

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Accounting convention

These accounts have been prepared under historical cost convention.

1.2 Taxation

The charges 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>2000</i>	<i>1999</i>
		<i>Rupees</i>
2. ISSUED, SUBSCRIBED AND PAID UP-CAPITAL		
140,000 Ordinary shares of Rs. 10/- each fully paid in cash issued to Gandhara Industries 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 each Less: calls in arrears	600,000 597,000 ----- 3,000	600,000 597,000 ----- 3,000
----- 200,000 =====	----- 1,403,000 =====	----- 1,403,000 =====
3. INTEREST INCOME		
Charged to Gandhara Industries Ltd.	198,410 =====	218,025 =====
4. ADMINISTRATIVE EXPENSES		
Salaries	60,000	60,000
Legal & professional charges	12,000	13,000
Audit fees	4,000	4,000
Depreciation	56	60
Bank charges	330	300
	----- 76,386 =====	----- 77,360 =====

IFTIKHAR AHMED KHAN
Director

M.R. BANKA
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of GHANDHARA INDUSTRIES LIMITED formerly National Motors Limited (the holding company) and its subsidiary company as at 30 June, 2000 and the related consolidated profit and loss account, consolidated cash flow statement together with the notes forming part thereof, for the year ended 30 June 2000. We have also expressed separate opinions on the financial statements of Gandhara Industries Limited and its subsidiary company Maraghzar Industries (Private) Limited for the year ended 30 June, 2000. 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 Gandhara Industries Limited and its subsidiary company as at 30 June, 2000 and the result of their operations for the year then ended.

Without qualifying our opinion we draw attention to note 1 to the financial statements. The company has incurred a net loss of Rs. 89.215 million during the year ended 30 June 2000 and, as of that date, the company's current liabilities exceeded its current assets by Rs. 893.865 million and its total liabilities exceeded its total assets by Rs. 204.383 million. However, the financial statements have been prepared under going concern assumption in view of the matters stated in note 1 to the consolidated financial statements.

Karachi: December 07, 2000

HAMEED CHAUDHRI & CO.
Chartered Accountants

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
			<i>(Rupees '000)</i>
SHARE CAPITAL & RESERVES			
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		(1,035,688)	(946,452)
		-----	-----
		(992,488)	(903,252)
		-----	-----
		(926,935)	(837,699)
MINORITY INTEREST		115	94
SURPLUS ON REVALUATION OF FIXED ASSETS		722,552	723,364
LONG TERM LOANS & DEFERRED LIABILITY			
Long term loans - unsecured	5	--	9,197

DEFERRED LIABILITY

Provision for staff retirement gratuity		8,868	8,755
---	--	-------	-------

CURRENT LIABILITIES

Current portion of long term loans		21,197	22,081
Short term loan/running finances and borrowings	6	472,797	558,910
Creditors, accrued & other liabilities	7	608,755	445,507

		-----	-----
		1,102,749	1,026,498

CONTINGENT LIABILITIES

	8	-----	-----
		907,349	930,209

		=====	=====
--	--	-------	-------

The annexed notes form an integral part of these accounts

TANGIBLE FIXED ASSETS

Operating fixed assets	9	307,290	315,990
Capital work in progress		320	320

LONG TERM INVESTMENTS

Investments in subsidiary & other companies	10	1	1
Investment in immovable properties	11	388,331	389,567

		-----	-----
		388,332	389,568

LONG TERM LOANS AND ADVANCES

	12	13	13
--	----	----	----

LONG TERM DEPOSITS & DEFERRED COSTS

Deposits		488	490
Deferred costs	13	2,022	4,045

		-----	-----
		2,510	4,535

CURRENT ASSETS

Stores, spares & tools	14	1,396	1,586
Stock in trade	15	172,166	116,331
Trade debts	16	12,242	17,677
Loans, advances, deposits & prepayments	17	8,651	21,378
Other receivables	18	8,624	10,054
Cash and bank balances	19	5,805	52,757

		-----	-----
		208,884	219,783

		-----	-----
		907,349	930,209

		=====	=====
--	--	-------	-------

M. Javed Parwaz
Director

AHMAD KULI KHAN KHATTAK
Chief Executive

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

Note

2000

1999

(Rupees '000)

Net sales	20	169,178	223,362
Cost of sales	21	176,669	217,888
		-----	-----
Gross profit/(Loss)		(7,491)	5,474
Administration and selling expenses	22	(19,324)	(17,930)
		-----	-----
Operating loss		(26,815)	(12,456)
Other income	23	3,024	1,946
		-----	-----
		(23,791)	(10,510)
Other expenses	24	--	(8,090)
Financial and other charges	25	(64,524)	(33,632)
		-----	-----
		(64,524)	(41,722)
		-----	-----
Loss before taxation		(88,315)	(52,232)
Taxation	26	(900)	(1,175)
		-----	-----
Loss after taxation		(89,215)	(53,407)
Minority Interest		(21)	(24)
		-----	-----
		(89,236)	(53,431)
Accumulated loss brought forward		(946,452)	(893,021)
		-----	-----
Accumulated loss carried forward		(1,035,688)	(946,452)
		=====	=====
Loss per share	32	(13.61)	(8.15)
		=====	=====

The annexed notes form an integral part of these accounts.

M. Javed Parwaz
Director

AHMAD KULI KHAN KHATTAK
Chief Executive

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees '000)</i>	
Cash flow from operating activities	27	49,732	16,213
Cash generated from/used in operations		(532)	(591)
Staff gratuity		(12,317)	(24,438)
Interest paid		(260)	(290)
Taxes paid		--	2
Long-term loans and advances		-----	-----
		36,623	(9,104)
Net Cash inflow/(out-flow) from operating activities			
Cash flow from investing activities			
Fixed capital expenditure		(87)	(905)

Capital work in progress	--	(266)
Sale proceeds of fixed assets	796	1,627
Interest received	38	577
Deposits	2	3
	-----	-----
Net cash inflow from investing activities	749	1,036
	-----	-----
Cash inflow/(out-flow) before financing activities	37,372	(8,068)
Financing Activities	--	--
	-----	-----
Net increase/(decrease) in cash and cash equivalents	37,372	(8,068)
	-----	-----
Cash and cash equivalents at beginning of the year	(506,153)	(489,995)
Exchange difference	1,789	(8,090)
	-----	-----
Cash and cash equivalents at end of the year	28 (466,992)	(506,153)
	=====	=====

The annexed notes form an integral part of these accounts.

M. Javed Parwaz
Director

AHMAD KULI KHAN KHATTAK
Chief Executive

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

1. BASIS OF ACCOUNTS

The company has incurred a loss of Rs. 89.285 million during the year and its current liabilities at that date exceed its current assets by Rs. 895.664 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 in 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
	=====

Under the terms of the package the company was required to submit personal guarantees of all the directors and original property documents of four properties owned. On the request of the company

the requirement of submission of personal guarantees was waived and the company deposited property documents in respect of two properties. The documents of other two properties could not be submitted as these were held by another bank against credit facilities extended to the company. Meanwhile all banks who were otherwise required to implement the above package through court decrees, have filed cases against the company for recovery of loans amounts plus markup and damages. The details of suits filed by the banks and status of cases are as under:

<i>Name of bank</i>	<i>Amount of suit filed Rs. in millions</i>	<i>Status of the case</i>
United Bank Limited	100.041	Amount decreed for Rs. 60.822 plus markup @ paise 60 per 1000 per day.
Allied Bank of Pakistan	240.356	Amount decreed for Rs. 98.668 plus markup @ 17.5 per cent per annum.
Habib Bank Limited	414.526	At concluding stage
National Bank of Pakistan	322.521	At concluding stage

Based on the decision in the case of United Bank Limited the company expects there would be substantial savings in interest/markup when all decrees are finalized and implemented.

1.2 The Management of the company is constantly striving to turn around the Company. In order to utilize idle capacity of the Plant the Company has entered into agreements with two companies holding foreign franchises for the assembly of their vehicles and tractors at its Plant.

One agreement is for the assembly of light commercial vehicles and another is for assembly of tractors. The assembly work will hopefully be in place in first quarter of 2001. Assembly of these vehicles will result in utilization of additional capacity. The increased volumes will generate additional revenues.

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 Accounting Convention

These accounts have been prepared under the historical cost convention, as modified by revaluation of certain fixed assets indicated in notes 9.1 and 11.3.

2.2 Basis of consolidation

The consolidated financial statements include the accounts of Ghandhara Industries Limited formerly National Motors Limited and its 70 per cent owned subsidiary Marghar Industries (Private) 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, 2000 amounted to Rs. 148 million (1999: Rs. 190 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.

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 installments 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 installments.

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.

	2000	1999
	<i>(Rupees '000)</i>	
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	17,653	10,081
-----	-----	-----
	36,850	29,278
Less: due within the following twelve months transferred to current maturity	36,850	20,081
-----	-----	-----
	--	9,197
=====	=====	=====
5.1 The loan from associated undertaking is repayable in four annual installments 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)	29,809	30,000
Running Finances & Borrowings		
From Banks		
Secured		
Finances utilised under mark-up arrangements (6.2)	227,670	280,901
Finances against imported material (6.3)	64,087	64,087
Demand Finance (6.4)	70,513	76,080
-----	-----	-----
	362,270	421,068
Unsecured		
Others (6.6)	80,718	107,842
-----	-----	-----

472,797

558,910

6.1 The company has arranged loan from an associated company (now ex-associated company) through an intermediary. The loan is renewable on quarterly basis and carries mark up at the rate of 18.5% per annum. The company has deposited title deed of the immovable property with the ex-associated company and has agreed to create a registered mortgage against the property. The loan is also secured by personal guarantee of a director and corporate guarantee of an associated company:

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 upto Rs. 252.995 million (1999: Rs. 317.025 million) which represent the aggregate sale price of all mark-up arrangements with a corresponding purchase price of Rs. 332.193 million (1999 Rs. 414.750 million). The rates of mark up range from Rs. 0.693 to Re. 0.945 (1999: 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 Rs. 0.253 to Re. 0.345 (1999: 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 (1999: 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. 98.549 million (1999: Rs. 36.10) are secured against equitable mortgage of property, registered power of attorney in favour of the bank.

6.6 Unsecured facilities utilised and outstanding as at 30 June, 2000 include Rs. 16.523 million being facility available under TR for Rs. 20 million (1999 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 (1999 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.

1999

2000

(Rupees '000)

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	109,601	17,594
Accrued liabilities	15,994	21,897
Advances from customers	25,415	35,235
Advance against sale of investment in immovable property	5,500	5,000
Deposits-non interest bearing repayable on demand	41	42
Mark up on -- short term loan/running finances & borrowings		
-- secured	314,545	278,856
-- unsecured	60,564	51,898
Mark up on -- long term loans - unsecured	21,607	3,674
	-----	-----
	396,716	334,428
Custom duty payable	21,955	4,090
Income tax payable (net)	353	--

Unclaimed dividends	503	503
Due to associated undertakings	11,866	9,736
Corporate assets tax	2,000	2,000
Others	18,811	14,982
	-----	-----
	608,755	445,507
	=====	=====

8. CONTINGENT LIABILITIES

8.1 Claims against the company not acknowledged as debt Rs. 27.043 million (1999: 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 The Sales Tax Authorities raised a demand for the payment of Rs. 748.240 million in respect of sales tax for chassis fitted with engines and cabins and chassis fitted with engines without cabins for sales made from 1 July 1990 to 17 October 1993.

The company and other assemblers have approached the Central Board of Revenue (CBR) to provide exemption under section 65 of the Sales Tax Act 1990 in respect of tax for that period. such application is, however, pending for decision.

The legal advisors representing all the assemblers including the Company are hopeful that exemption under section 65 of the Sales Tax Act will be accorded by the CBR hence no provision is necessary in respect of the above demand in the accounts.

8.3 Liquidated damages and other charges amounting to Rs. 274.252 million claimed by the banks in their respective suits have not been acknowledged by the company.

8.4 Commitments

Letter of guarantees	776	15,075
Confirmed letter of credit	--	17,785

9. OPERATING FIXED ASSETS

	<i>Cost or valuation at 1 July, 1999</i>	<i>Additions/ (Deletions)</i>	<i>Cost or valuation at 30 June, 2000</i>	<i>Accumulated depreciation at 30 June, 2000</i>	<i>Net book value at 30 June, 2000</i>	<i>DEPRECIATION</i>	
						<i>Charge for the year</i>	<i>Annual Rate %</i>
<i>Rupees in thousand</i>							
Leasehold land	247,461	--	247,461	10,036	237,425	619	0
Buildings on leasehold	60,818	--	60,818	25,941	34,877	2,947	2.5 to 6.25
land Plant and machinery	47,652	--	46,454	33,252	13,202	2,607	10.00
		(1,198)					
		--					
Permanent tools	3,023	--	3,023	2,944	79	50	12.50
Furniture and fixtures	946	--	946	890	56	12	6.0 to 6.25
Motor vehicles	9,747	--	9,439	7,659	1,780	1,540	20.00
		(308)					
Lift trucks	3,123	--	3,123	3,123	--	--	20.00

Office machines and equipments	3,450	15	3,465	3,155	310	97	12.50
Computers	741	72	813	616	197	121	20.00
Jigs and Special tools	20,160	--	20,160	796	19,364	234	--
2000	397,121	87 (1,506)	395,702	88,412	307,290	8,227	
1999	397,812	905 (1,596)	397,121	81,131	315,990	8,383	

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, 2000 is given below:-

	<i>Leasehold land</i>	<i>Buildings on Leasehold land</i>	<i>Plant & Machinery</i>	<i>Total</i>
<i>(Rupees in thousand)</i>				
(a) At March 31, 1971				
Revaluation surplus	3,000	2,792	--	5,792
Less: Depreciation thereon	409	2,042	--	2,451
	2,591	750	--	3,341
(b) At June 27, 1992				
Revaluation surplus	116,558	32,734	--	149,292
Less: Depreciation thereon	6,876	13,200	--	20,076
	109,682	19,534	--	129,216
(c) At June 30, 1995				
Revaluation surplus	110,293	17,654	24,258	152,205
Less: Depreciation thereon	2,494	5,249	11,737	19,480
	107,799	12,405	12,521	132,725
(d) At June 30, 1996				
Revaluation surplus	16,926	--	--	16,926
Less: Depreciation thereon	169	--	--	169
	16,757	--	--	16,757

	=====	=====	=====	=====
(e) Cost or revaluation	247,461	60,818	47,652	355,931
Less: Disposed during the year	--	--	(1,198)	(1,198)
	-----	-----	-----	-----
	247,461	60,818	46,454	354,733
	-----	-----	-----	-----
Less: Depreciation there on.	10,036	25,941	33,952	69,929
Disposed during the year	--	--	(700)	(700)
	-----	-----	-----	-----
Net Book Value	237,425	34,877	13,202	285,504
	=====	=====	=====	=====
	236,829	32,689	12,521	282,039
	=====	=====	=====	=====

9.2 Deletion of fixed assets during the year.

<i>Description</i>	<i>Cost or valuation</i>	<i>Accumulated depreciation</i>	<i>Net book value</i>	<i>Sale proceeds</i>	<i>Profit</i>	<i>Revaluation Surplus</i>	<i>Total</i>	<i>Mode of Sale</i>	<i>Particulars of Purchasers</i>
<i>Rupees in thousand</i>									
Plant & Machine	1,171	700	471	699	228	784	1,012	Negotiation	Mr. Naseeb Khan Liaquatabad, Karachi.
Motor Vehicles	308	247	61	97	36	--	36	Negotiation	Mr. System, 139/3, D.M.C.H.S., Karachi.
	-----	-----	-----	-----	-----	-----	-----		
	1,479	947	532	796	264	784	1,048		
	=====	=====	=====	=====	=====	=====	=====		

9.3 The depreciation charge for the year has been allocated as follows:-

	<i>Note</i>	<i>2000</i>	<i>1999</i>
<i>Rupees in thousand</i>			
Cost of sales	21	5,993	6,125
Administration and selling expenses	22	2,234	2,258
		-----	-----
		8,227	8,383
		=====	=====

10. INVESTMENTS IN OTHER COMPANIES

10.1 Other Companies

Bela Engineers Limited

160 Fully paid

Ordinary Shares of Rs. 10/= each-at cost

(Market value as on 30 June, 2000

Rs. 0.2 thousand (1999: Rs. 0.1 thousand)

1

1

1

1

11. INVESTMENT IN IMMOVABLE PROPERTIES

	<i>Cost or valuation at 1 July, 1999</i>	<i>Cost or valuation at 30 June, 2000</i>	<i>Accumulated depreciation at 30 June, 2000</i>	<i>Net book value at 30 June, 2000</i>	<i>DEPRECIATION</i>	
					<i>Charge for the year</i>	<i>Annual Rate %</i>
<i>Rupees in thousand</i>						
Leasehold land	398,715	398,715	13,903	384,812	997	0.25
Buildings on leasehold land	7,431	7,431	3,912	3,519	239	2.5 to 6.25
	-----	-----	-----	-----	-----	-----
2000	406,146	406,146	17,815	388,331	1,236	
	=====	=====	=====	=====	=====	=====
1999	406,146	406,146	16,579	389,567	1,236	
	=====	=====	=====	=====	=====	=====

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

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

11.3 The dates and amount of revaluation surplus / (deficit) included in/excluded from the book values of assets as on 30 June, 2000 is given below:-

	<i>Leasehold land</i>	<i>Buildings on Leasehold land</i>	<i>Total</i>
<i>Rupees in thousand</i>			
(a) At 27 June, 1992 revaluation			
Surplus / (deficit)	125,812	(1,027)	124,785
Less: depreciation thereon	(8,819)	480	(8,339)
	-----	-----	-----
Net Book Value	116,993	(547)	116,446
	=====	=====	=====
(b) At 30 June, 1995 revaluation			
Surplus	135,188	3,157	138,345
Less: depreciation thereon	(3,489)	(837)	(4,326)
	-----	-----	-----
Net Book Value	131,699	2,320	134,019
	=====	=====	=====
(c) At 30 June, 1996 revaluation			
Surplus	136,229	--	136,229
Less: Depreciation thereon	(1,363)	--	(1,363)
	-----	-----	-----
Net Book Value	134,866	--	134,866
	=====	=====	=====
(d) Cost or valuation	398,715	7,431	406,146
Less: Depreciation thereon	(13,903)	(3,912)	(17,815)
	-----	-----	-----

Net Book Value	384,812	3,519	388,331
	=====	=====	=====
	383,557	1,773	385,331
	=====	=====	=====

2000 **1999**

Rupees in thousand

12. LONG TERM LOANS AND ADVANCES

Due from employee	13	13
	=====	=====

13. DEFERRED COSTS

Development expenditure	2,188	3,281
Less: amortised during the year	1,094	1,093
	-----	-----
	1,094	2,188
Initial royalty	1,857	2,785
Less: amortised during the year	929	928
	-----	-----
	928	1,857
	-----	-----
	2,022	4,045
	=====	=====

14. STORES, SPARES AND TOOLS

Stores	179	266
Spares	1,214	1,320
Tools	3	--
	-----	-----
	1,396	1,586
	=====	=====

15. STOCK IN TRADE

15.1 This is composed off

Raw materials and components (includes in transit Rs. Nil (1999: Rs.23.962 million)	110,799	57,366
Work in process	16,928	8,935
	-----	-----
	127,727	66,301
	=====	=====
Manufactured stock including components	27,803	31,988
Trading stocks (includes in transit Rs.3.346 Million) (1999:Rs.3.346 million)	16,636	18,042
	-----	-----
	172,166	116,331
	=====	=====

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

Pakistan Machine Tool Factory Limited	8,000	8,000
Precision Engineering Works	417	604
	-----	-----
	8,417	8,604
	=====	=====

The company had entered into an agreement for sale of its stock for Rs. 8.0 million plus taxes.
This is valued at contracted price.

16. TRADE DEBTS

Unsecured

Considered good

Government and semi-government agencies	8,987	14,897
Others	3,255	2,780
	-----	-----
	12,242	17,677
	=====	=====

Considered doubtful

Government and semi-government agencies	441	441
Less: Provision there against	441	441
	-----	-----
	--	--
	-----	-----
	12,242	17,677
	=====	=====

17. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

Considered good

Loans to employees	--	3
Advances to suppliers and others	4,864	4,877
Associated undertaking	268	268
Advance with collector of customs	230	5,416
Advances to employees	466	373
	-----	-----
	5,828	10,934

Considered doubtful

Advances to suppliers	1,174	1,174
Less: provision there against	1,174	1,174
	-----	-----
	--	--
	-----	-----

Tender Deposits	948	634
Prepayments	1,875	9,807
	-----	-----
	8,651	21,378
	=====	=====

The maximum amount of advances to associated undertaking at the end of any month during the year was Rs. 268 thousand. (1999- Rs. 268 thousand)

18. OTHER RECEIVABLES

Claims receivable from government

Income tax-Net	--	288
Sales Tax	6,813	4,547
Sundry receivables		
Considered good	1,811	5,219
Considered doubtful	1,624	2,07
Less: Provision there against	1,624	2,071
	-----	-----
	--	--
	-----	-----
	8,624	10,054
	=====	=====

19. CASH AND BANK BALANCES

In hand	199	282
Cash		
With banks		
On deposit account	5,500	16
On current accounts	87	1,254
On foreign currency account (Note 19.1)	19	51,205
	-----	-----
	5,805	52,757
	=====	=====

19.1 Foreign currency accounts include JY 25,883 equivalent to Rs. 12,703 (1999: JY 79,384 equivalent to Rs. 33,736) and US \$ 126 equivalent to Rs. 6,533 (1999: US \$ 995,547 equivalent to Rs.51,171,107).

20. NET SALES

Manufactured goods		
Sales	163,252	213,065
Trading stock		
Sales	5,926	10,297
	-----	-----
	169,178	223,362
	=====	=====

21. COST OF SALES**Manufactured goods**

Opening stock of manufactured goods	31,988	54,074
Opening stock of raw materials and worked-in-process	66,301	86,754
Purchases including duties, taxes and other charges	205,370	144,796
stores and spares consumed	1,094	658
salaries, wages and other benefits	9,364	9,800
Fuel and power	1,970	1,454
Rent, rates and taxes	415	492
Insurance	848	877
Repairs and maintenance	374	209
Travelling & entertainment	26	51
Depreciation on fixed assets	9,3	6,125

Amortisation and development expenditure written off	1,194	1,147
Amortisation of royalty - initial	929	928
Running royalty	509	676
Sales tax paid	--	1,060
Other Expenses	491	411
	-----	-----
	294,878	255,438
Less: Recoveries		
Cost of services rendered	21	139
Sale of scrap	307	15.17
	-----	-----
	328	1,656
	-----	-----
	294,550	253,782
Less: Closing stock of raw materials and work-in-process	127,727	66,301
	-----	-----
Cost of goods manufactured	166,823	187,481
Closing stock of manufactured goods	(27,803)	(31,988)
	-----	-----
	171,008	209,567
Trading stock		
Opening stock	18,042	19,523
Purchases	4,255	6,840
Closing stock	(16,636)	(18,042)
	-----	-----
	5,661	8,321
	-----	-----
	176,669	217,888
	=====	=====

22. ADMINISTRATION AND SELLING EXPENSES

Salaries, wages and benefits	9,815	10,328
Rent, rates and taxes	290	314
Insurance	772	876
Repairs and maintenance	366	86
Utilities	159	110
Travelling and entertainment	1,835	1,615
Communication and stationery	976	968
Advertisement	304	352
Auditor's remuneration		
Audit fee	154	154
Audit of provident fund	8	23
Out of pocket expenses	10	10
	-----	-----
	172	187
Legal and professional charges	688	535
Donation	--	5
Subscriptions	196	115
Depreciation on fixed assets	2,234	2,258
	9.3	

Depreciation on investment in immovable propertie	11	1,236	1,236
Other expenses		281	(1,055)
		-----	-----
		19,324	17,930
		=====	=====

23. OTHER INCOME

Interest on advances and loans		--	1
Mark-up on bank deposits		38	577
Exchange Gain - net		1,789	--
Profit on Sale of fixed assets - net		264	1,137
Rent from immovable properties		32	69
Others		901	162
		-----	-----
		3,024	1,946
		=====	=====

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		60,550	73,136
Less: Written back during the year	25.1	--	(44,153)
		-----	-----
		60,550	28,983
Interest on:			
- Provident fund		139	228
Bank charges and commission Incurred during the year		484	1,070
		-----	-----
		64,524	33,632
		=====	=====

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		848	1,117
Prior year		--	(3)
Current year taxation of subsidiary company		52	61
		-----	-----
		900	1,175
		=====	=====

26.1 Provision for current taxation for the year represents minimum tax @ 0.5% on gross turnover of the company. The holding company assessment has been finalized upto and including assessment year 1999-2000 (income year ended 30 June 1999).

27. CASH GENERATED FROM/USED IN OPERATIONS

Loss before taxation		(88,315)	(52,232)
Adjustment for non cash charges and other items:			
Depreciation		9,464	9,619
Profit on sale of fixed assets		(1,048)	(1,137)
Provision for staff gratuity		645	558
Amortization of deferred costs		2,023	2,021
Interest income		(38)	(577)
Interest expense		64,524	33,632
Exchange loss		(1,789)	8,090
Working capital changes	27.1	64,266	16,239
		-----	-----
		49,732	16,213
		=====	=====

27.1 WORKING CAPITAL CHANGES

(increase)/Decrease in current assets		190	216
Stores and spares		(55,835)	44,020
Stock-in-trade		5,435	(14,380)
Trade debts		12,727	(6,818)
Loans and advances		1,142	(1,832)
		-----	-----
Other receivables		(36,341)	21,206
		-----	-----
Increase/(Decrease) in current liabilities			
Creditors, accrued and other liabilities		100,607	(4,967)
		-----	-----
		64,266	16,239
		=====	=====

28. CASH AND CASH EQUIVALENTS

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

Cash and bank balances		5,805	52,757
Short-term loan and running finances		(472,797)	(558,910)
		-----	-----
		(466,992)	(506,153)
		=====	=====

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:-

	<i>2000</i>			<i>1999</i>	
	<i>Directors</i>	<i>Executives</i>	<i>TOTAL</i>	<i>Directors</i>	<i>Executives</i>
	<i>Rupees in thousand</i>			<i>Rupees in thousand</i>	
Managerial Remuneration	172	1,768	1,940	--	2,106
Gratuity & Provident Fund	36	396	432	--	421
Reimbursable expenses	32	323	355	--	395
Accommodation	159	1,399	1,558	--	1,795
	-----	-----	-----	-----	-----
	399	3,886	4,285	--	4,720

Number of persons	3	12	15	--	13
-------------------	---	----	----	----	----

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

30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases	3,156	4,891
Services received	2,440	2,311

31. PLANT CAPACITY AND ACTUAL PRODUCTION

	<i>Plant Capacity Single Shift</i>		<i>Actual Production</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Trucks & bus chassis	2400	2400	112	143
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.

The maximum capacity of the plant is based on the production hours of Bedford products. As the franchise of Bedford is no more with the company, management has initiated a technical study to determine the plant capacity based on Isuzu products.

32. LOSS PER SHARE

Net Profit/Loss after taxation for the year attributable to Ordinary Shareholders	(89,236)	(53,431)
---	----------	----------

Number of Shares

Weighted average number of ordinary shares outstanding during the period	6,555,300	6,555,300
--	-----------	-----------

Rupees

Loss per share	(13.61)	(8.15)
----------------	---------	--------

33. AVERAGE NUMBER OF EMPLOYEES

Average number of employees during the year	206	200
---	-----	-----

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Financial assets and liabilities

	<i>2000</i>			<i>1999</i>				
	<i>Maturity upto one year</i>	<i>Interest bearing Maturity upto one year</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Non-Interest bearing Maturity upto one year</i>	<i>Sub-total</i>	<i>Total</i>	<i>Total</i>

Financial Assets

Investments	--	--	--	--	1,401	1,401	1,401	1,401
Trade Debtors	--	--	--	12,242	--	12,242	12,242	17,677
Advances & Deposits	--	--	--	6,113	650	6,763	6,763	6,270
Other receivables	--	--	--	1,811	--	1,811	1,811	5,219
Cash & Bank balances	6	--	6	5,805	--	5,805	5,811	52,757
	-----	-----	-----	-----	-----	-----	-----	-----
	6	--	6	25,971	2,051	28,022	28,028	83,324

Financial Liabilities

Long term loans	22,081	16,768	38,849	--	--	--	38,849	31,278
Short term loans	472,797	--	472,797	--	--	--	472,797	558,910
Creditors Provisions	--	--	--	571,010	--	571,010	571,010	409,975
	-----	-----	-----	-----	-----	-----	-----	-----
	494,878	16,768	511,646	571,010	--	571,010	1,082,656	1,000,163
	=====	=====	=====	=====	=====	=====	=====	=====
On balance sheet gap	(494,872)	(16,768)	(511,640)	(545,039)	2,051	(542,988)	(1,054,628)	(916,839)
	=====	=====	=====	=====	=====	=====	=====	=====

The on Balance Sheet gap represents the net amount of on-Balance Sheet items.

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

	2000	1999
	<i>Effective Interest Rate %</i>	
FINANCIAL ASSETS		
Cash and Bank Balance	5%	1.5%
FINANCIAL LIABILITIES		
Long term loan	16%	16%
Short loans/Running Finances and borrowings	16% to 21.9%	17.52% to 21.17%

34.3 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.

35. 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.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	<i>Share Capital</i>	<i>Share Capital 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 1 July, 1998							
Loss for the year	65,553	5,500	10,000	25,300	2,400	(893,021)	(784,468)
	--	--	--	--	--	(53,431)	(53,431)
Balance as at 30 June, 1999	-----	-----	-----	-----	-----	-----	-----
Loss for the year	65,553	5,500	10,000	25,300	2,400	(946,452)	(837,699)

	--	--	--	--	--	(89,236)	(89,236)
Balance as at 30 June, 2000	-----	-----	-----	-----	-----	-----	-----
	65,553	5,500	10,000	25,300	2,400	(1,035,688)	(926,935)
	=====	=====	=====	=====	=====	=====	=====

The annexed notes from an integral part of these accounts.

M. Javed Parwaz
Director

AHMAD KULI KHAN KHATTAK
Chief Executive