# Allwin Engineering Industries Limited
## Annual Report 1999

### *MISSION STATEMENT*

*To be a dynamic, profitable and growth oriented company with market leadership in auto parts, through excellence in quality, advance technology, innovation and continuous improvement: To create joy of producing and selling, and joy for the customers to buy: To ensure attractive return to business associates, share holders and to reward employees according to their ability & performance: And be a good corporate citizen in order to fulfill social responsibility.*

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### CORPORATE DATA

**BOARD OF DIRECTORS:**

**CHAIRMAN**
Mr. Yusuf H. Shirazi

**DIRECTORS**
Mr. Aamir H. Shirazi
Ms. Farzana Munaf
Mr. Jawaid Iqbal Ahmed
Mr. Mohammad Habib-ur-Rehman
Mr. M. Mazharuddin
Mr. Shahid Anwar

Company Secretary
Mr. Mohammad Atta Karim

**GROUP EXECUTIVE COMMITTEE:**

**CHAIRMAN**
Mr. Yusuf H. Shirazi

**MEMBERS**
Mr. Jawaid Iqbal Ahmed
Mr. Frahim Ali Khan
Mr. Iftikhar H. Shirazi
Mr. Aamir H. Shirazi
Mr. Saqib H. Shirazi
Secretary
Mr. Amjad Hussain

**GROUP PERSONNEL COMMITTEE:**
CHAIRMAN
Mr. Yusuf H. Shirazi

**GROUP AUDIT COMMITTEE:**
CHAIRMAN
Mr. Sanaullah Qureshi

**COMPANY MANAGEMENT:**

CHIEF EXECUTIVE OFFICER
Mr. S.V.H. Naqvi
DIRECTOR FINANCE
Mr. Mohammad Atta Karim
GENERAL MANAGER PLANT
Syed Muhammad Rizvi
GENERAL MANAGER MARKETING
Mr. Shameem Ahmad
GENERAL MANAGER PRODUCTION PLANNING
Lt. Col. (R) Sultan Ahmad (TIM)

**AUDITORS:**
Ford, Rhodes, Robson, Morrow,
Chartered Accountants

**TAX ADVISER:**
Mahmood Law Associates

**LEGAL ADVISERS:**
Mohsin Tayebaly & Co.
Advocate Incorporation

**BANKERS:**
ANZ Grindlays Bank plc.
Hong Kong Shanghai Banking Corporation
Habib Bank Limited
National Bank of Pakistan
United Bank Limited

**REGISTERED OFFICE (FACTORY):**
15th Mile,
National Highway, Landhi,
Karachi-75120

## NOTICE OF MEETING

Notice is hereby given that the 37th Annual General Meeting of Allwin Engineering Industries Limited will be held at Corporate Office at 8th Floor, Adamjee House, I. I. Chundrigar Road, Karachi on 20th December, 1999 at 11.00 a.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To confirm the Minutes of the Extra Ordinary General Meeting held on 15th May, 1999.

2. To receive, consider and adopt the Audited Accounts of the Company together with Directors' and Auditors' Reports thereon for the year ended 30th June, 1999.

3. To appoint Auditor's for the year 1999-2000 and to fix their remuneration.

4. To transact any other business with the permission of the chair.

**SPECIAL BUSINESS:**

5. To approve the remuneration of the Chief Executive Officer.

A statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

**By order of the Board**

Karachi: 2nd November, 1999

**Company Secretary**

**NOTES:**

1. The Shares Transfer Books of the Company will remain closed from 14th December, 1999 to 20th, December, 1999 (both days inclusive).

2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The instrument appointing a proxy must be received at the Company's Registered Office not less than 48 hours before the time of holding of the meeting.

**STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984.**

Approval is being sought for fixing the remuneration of the Chief Executive Officer working with the Company. The Chief Executive Officer is interested only in the remuneration payable to him.

## CHAIRMAN'S REVIEW

It is my privilege to welcome you to the 37th Annual General Meeting of the Company and present you the review on the performance of your company for the year ended June 30, 1999.

**THE ECONOMY**

The adverse backlash of the nuclear explosions of last year was quite marked as the economy witnessed a continuous slump during the year under review: The first half was completely dominated by the effects of the sanctions imposed by G-7 with respect to inflow of foreign loans and aid packages. The foreign currency reserves hit rock bottom as the country slipped into a worst ever economic crisis with almost no investment taking place in the country. The economy was also affected by the slow down of the global economic activity particularly in South East Asia. During the second half of the year under review, things however began to look better with the easing of sanctions and the successful negotiation of the Government with the foreign donors and lending agencies which resulted in rescheduling of ,existing debts and the resumption of fresh funds inflow. The Government also embarked on the path of adjustment and reforms and a series of wide ranging measures were taken; these included rolling back of several measures taken after the economic sanctions. However, before the economy could actually get back on the track to recovery, the momentum was hampered by the worsening of the indo-pak relationship due to the Kargil conflict.

The GDP registered a meager growth of 3.1%

during the year as against 4.3 % of last year. Exports were 11.7 % lower than last year. Value addition in the manufacturing sector was also below expectations at 4.7% during the year against an impressive 7.9% last year. The economic sanctions, discouragement of imports, uncertain economic environment and lower demand for exports due to global economic recession adversely affected the growth in this sector. The agricultural sector also suffered a set back due to unfavourable weather conditions. It registered a meager growth of 0.35% as against 3.8% of the previous year. National savings declined to 11.1% of GNP as compared with 14.2% last year. Only the service sector showed improvement: it recorded a growth of 4.1% compared to a growth of 3.2% during the previous year. Net foreign private investment inflows stood at US$ 300.7 million during July-March, 1998-99 as against US$ 639.9 million in the comparable period last year, a sizeable decline indeed.

**THE ENGINEERING INDUSTRY**

The Pakistan Engineering Industry in general and Automotive Industry in particular, is small, vulnerable to unstable Government policies, and generally a neglected sector of the economy. The fiscal measures taken from time to time since 1995 onward, particularly the establishment of Engineering Development Board, with focused term of reference in regard to the development of Engineering Industry, showed positive results. Formulation of Industry Specific Deletion Programs for the automotive sector was an achievement of the EDB, which encouraged the vending Industry to gear up activities and play its role. The Deletion Programs have been prepared upto the year 2003.

The automotive parts deletion programme has made a significant contribution to the development of engineering industry. It has saved valuable foreign exchange of $ 909 million through import substitution, created jobs, contributed to export of value added components, and paid a fair share of taxes (Rs.12.265 billion). We can not afford to let Engineering Industry go down. It is hoped that the new set up of the Government will take up the issue more seriously and provide maximum support by calling for a review of Agreement on Trade Related Investment Measures (TRIMs).

However, the gradual disappearance of trade preferences and special treatment, and the drying up of concessional aid flows are now inevitable. This implies evolving strategy of increasing supply capacity of high quality exports, enhancing human skill, institutional and physical infrastructure, developing an entrepreneurial culture and creating an environment conductive to investments etc.
I am confident, the Engineering Industry will rise to the occasion and face the challenges in the short and long term. Consistent and friendly government policies will play major role in the development of engineering industry which is inevitable for the development and progress of the country.

**OPERATIONAL RESULTS**

Despite the unfavorable economic environment as stated above, your company succeeded in showing an overall improved performance during the year under review. The company has made a turn around and the result for the year shows a profit before tax of Rs. 44,000, though meager, against loss of Rs. 41.46 million last year.

The Company paid taxes of Rs. 177.33 million on account of custom duty, sales tax and income tax during the year.

The quality of the products improved contributing to greater market acceptability and significant reduction in market claims. The production was streamlined and the supply position improved.

Sales revenue increased from Rs. 301.47 million in the previous year to Rs. 375.33 million during this year, up 24.5%. The higher sales revenue increase was due to increase in volume. The cost of sales increased by 10.95% as compared to sales revenue increase of 24.5%. The cost of sales was lower as a result of volume, cost control and stable raw material prices. Gross profit for the year was Rs. 62.65 million, against Rs. 19.66

million of the last year. Gross profit to sales ratio improved to 16.69% during the year from 6.52% of the previous year.

Administrative expenses declined to Rs. 14.78 million from Rs. 19.22 million of the previous year. Selling and distribution expenses went down to Rs.11.99 million this year from Rs. 13.17 million of the previous year. This was possible mainly due to cost control and better claims management. Financial expenses however, increased from Rs. 28.74 million in 1998 to Rs. 37.63 million in 1999. This increase was due to higher borrowings during the year and charge of mark-up on long term loan and leases obtained in previous year to finance capital expenditures and were capitalized in these years. Higher borrowing was necessitated to meet working fund requirements due to increase in sales and pending recoveries from some of our customers dependent on recoveries from the Government for some of our products.

The company was setup in 1963 with a paidup capital of Rs. 2.0 million, which has grown to Rs. 49.35 million. During this period your company made Right issue at par of Rs. 5.20 million in 1976 and Rs. 4.71 million in 1980. It has paid cash dividend of Rs. 27.65 million and Bonus at Rs. 30.13 million against the shareholders investment of Rs. 11.91 million.

**WORLD REGULATORY ORGANIZATIONS**

Any business activity is directly related to the national business environment. Engineering industry plays a critical role in the development of the economy. Being a signatory to the World Trade Organization, Pakistan, in this respect, is obliged to make certain changes in the laws relating to Trade Policy, custom valuation and other trade related matters which are affecting country's local trade, finance and industry. These changes basically aim at further liberalization of trade and are to be implemented from the year 2000. These will have a great bearing on the Engineering Sector too. The Ministry of Commerce, Government of Pakistan, is of the view that a major change is expected in the concessionary regime replacing it with the tariff incentives driven regime which may affect local trade and industry - as it is!:

(It so happens when friends turn unfriendly!)

This agreement was signed by the Ministry of Commerce on behalf of the Government of Pakistan. Obviously, neither any debate was carried out, nor any consultation made which is the norm in such major decisions. In most countries of the world, private sector is associated with such decision making of great importance. No such due diligence was made at any quarters. The private sector did not even know that such an agreement was signed - in 1995!. On the contrary, the private sector was, at the same time, being encouraged to invest and, in fact, coerced with compulsory localization programs involving huge investment in automotive industry having serious repercussions without a concessionary regime.

However, the Ministry of Industries, Government of Pakistan, duly supported by an expert view on WTO, believe on continuing with the existing policy. The Ministry has thus approached the WTO in this respect. The Ministry's approach, if implemented, will have a far-reaching effect on the trade and other related industries as a whole. Some countries have recently obtained such extensions and exceptions. Whatever the case, there is a need to protect the huge investment made in this behalf in the industry, the local trade and services as well as other related initiatives, in the larger interest of the country.

It is generally felt by the automotive sector and various trade bodies also that Pakistan like other developing countries should take up such matters that hurt its industry, trade and services at the next round of WTO multilateral trade negotiations particularly as according to Andy Rowel, a well known economic writer "WTO represents 1% of 1 (0.01%) of the richest corporations and individuals in the world ....... and last decade saw increase of wealth 70 to 85% in the richest 20 countries as against 2% decline in the 20 poorest countries of the world". The World Bank Chief, James Wolfensohn, further reinforces to say "....... the searing image of desperation, hopelessness and decline - of people who once had hope, but will have it no more .... "if the present globalization of economy- though IMF and WTO imperatives - persists in its present form !

Further, The Wall Street Journal of November 12-13,1999 in its editorial wrote:"..... Michel Camdessus ...... has given us all something serious to talk about... Not least is just what is the proper role of the International Monetary Fund ..... in the past year, individuals calling for the abolition of the IMF have included George Shultz, William Simon and Walter Wriston.........their utter seriousness about maintaining a sound system of global finance and trade ...... the truth is that the IMF, in its current exalted incarnation, deserves a sober reassessment from its primary funding members of its ability to perform that function ...... The IMF also needs to get rid of its bias toward devaluation, which is supposed to "revive" exports even as the inevitable, resulting inflation quickly diminishes the resident population's incomes and assets. Impoverishing people in this way is morally indefensible and politically unsustainable ..........."

All this needs a thoughtful consideration in the interest of the world economy, itself.

**YEAR 2000 COMPLIANCE**

The management of your company being fully aware of the Y2K problem, has restructured all hardware and software packages accordingly to go beyond 31 December, 1999. Most of the packages have completed their test run phase whereas others are under observation.

**HUMAN RESOURCE**

The Group Personnel Committee headed by the Chairman is continuously working to make personnel policies, which will carry forward to the new millennium. The Group, of which your company is a constituent member believes that it is through motivated employees that the company can sustain growth and good governance.

The Group further believes in that it is the intellectual capital, which leads to the sustained growth. Human Resource development has been the hallmark of the Group. The Group has thus engaged Hay's management consultants for job evaluations to enable the Group to restructure, among others, compensation to employees according to their contribution in meeting the company's objectives. Performance bonus has been introduced as also Group Medical Scheme for self and families. The employee's management relations remained cordial throughout the year. I am pleased to report that the management amicably concluded a two years agreement effective December 01, 1998 with the CBA. The agreement provides a better pay package for the workmen and better plant productivity for the company.

Our future relies on a motivated, devoted, well trained and well educated team of people all striving hard for excellence.

149 personnel were entitled for the long service awards.

**FUTURE OUTLOOK**

Globalization of the economy, as it is, is being widely questioned. It thus needs harmonization in the interest of the world economy as a whole. The next WTO meeting being held in USA must address this issue and I hope developing countries generally and Pakistan particularly will be given a thoughtful consideration.

The Government has encouraged a team of representatives of the Private Sector to join their discussion with their official delegation of the deliberations on WTO at the WTO meeting at Seattle., USA.

Internally, recession is expected to persist and further growth will be adversely affected. There will be fierce competition and all existing players will make all efforts to retain or improve their market share. All this will create greater pressure on cost-push, working capital and on profit. The future of the entire industry and of your company thus will depend very much on economic revival and prosperity in the country, which can be achieved through consistent long term economic policies in harmony with the global approach dovetailed with national priorities.

Whatever the case your company is fully geared to take advantage of opportunities and meet the future challenges. Our emphasis on quality of product, quality of management and quality of service is expected to produce better results.

We will continue to explore export markets. Recently we have exported some parts to Bangladesh and Sri Lanka. We are also negotiating with a UK firm which has indicated the acceptability of price and quality. Your company is also fully geared up to meet the future demands of radiators of high tech and high quality in which we undertook a sizeable investment, for the vehicles expected to be introduced in years following:

(In self reliance lies the survival!)

**ACKNOWLEDGEMENT**

I thank the Board of Directors, Group Executive Committee members, the Chief Executive Officer Mr. S.V.H. Naqvi, his team and all members of the staff and workers of the company for their dedicated efforts and valuable contribution. I also thank the CBA for their positive role and valuable contribution.

I am also thankful to the shareholders, banks, financial institutions, dealers and customers for the confidence reposed in us and their help and support extended to the company.

**YUSUF H. SHIRAZl**

## DIRECTORS' REPORT

Your Directors take pleasure in submitting their report together with the Audited Accounts and Auditor's Report thereon for the year ended 30th June, 1999.

**FINANCIAL RESULTS:**

| | *(Rs. in 000)* 1999 | 1998 |
|---|---|---|
| Net Profit / (Loss) before tax | 44 | (41,466) |
| Provision for Taxation | (1,581) | (1,515) |
| | ------------------ | ------------------ |
| Net Profit / (Loss) after tax | (1,537) | (42,981) |
| Balance brought forward | (59,316) | (16,335) |
| | ------------------ | ------------------ |
| Balance carried forward | (60,853) | (59,316) |
| | ========== | ========== |

**CHAIRMAN'S REVIEW**

The review included in the Annual Report deals inter alia, with the performance of the Company for the year ended 30th June, 1999 and future prospects. The Directors endorse the contents of the review.

**ELECTION OF DIRECTORS**

In accordance with the Companies Ordinance, 1984, the following Directors were unanimously elected at an Extra Ordinary General Meeting held on 15th May, 1999, for a period of three years.

1. Mr. Yusuf H. Shirazi
2. Mr. Aamir H. Shirazi
3. Ms. Farzana Munaf
4. Mr. Jawaid Iqbal Ahmed
5. Mr. Mohammad Habib-ur-Rehman
6. Mr. M. Mazharuddin
7. Mr. Shahid Anwar

**ELECTION OF CHAIRMAN**

Mr. Yusuf H Shirazi was unanimously elected as Chairman of the Board of Directors for a period of three years effective from 27th May, 1999.

**APPOINTMENT OF CHIEF EXECUTIVE OFFICER**

Mr. S.V.H. Naqvi was appointed as Chief Executive Officer of the Company for a period of three years with effect from 27th May, 1999 Under Section 199 of the Companies Ordinance, 1984.

**PATTERN OF SHARE HOLDING**

The pattern of shareholding of the company is annexed.

**AUDITORS**

The present Auditors M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and being eligible offer themselves for re-appointment.

**For and on behalf of the**
**BOARD OF DIRECTORS**

| S.V.H. Naqvi | Yusuf H. Shirazi | Aamir H. Shirazi |
|---|---|---|
| **Chief Executive Officer** | **Chairman** | **Director** |

## AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ALLWIN ENGINEERING INDUSTRIES LIMITED as at June 30, 1999 and the related profit and loss account and the statement of changes in financial position (cash flow statement), together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position (cash flow statement), together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1999 and of the loss and the changes in financial position (cash flow statement) for the year then ended: and

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

**Ford, Rhodes, Robson, Morrow**
**Chartered Accountants**

Karachi: 2nd November, 1999

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

| | Note | 1999 Rupees in 000 | 1998 Rupees in 000 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorised Capital | | | |
| 10,000,000 (1998: 10,000,000) | | | |
| ordinary shares of Rs. 10/- each | | 100,000 | 100,000 |
| | | ========== | ========== |
| Issued, subscribed and paid-up capital | 3 | 49,347 | 49,347 |
| Deposit for right shares | 4 | 70,000 | 40,000 |
| Unappropriated loss | | (60,853) | (59,316) |
| | | ------------------ | ------------------ |
| | | 58,494 | 30,031 |
| **SURPLUS ON REVALUATION OF LEASEHOLD LAND** | 5 | 118,680 | 118,680 |
| **LONG-TERM LOANS** | 6 | 35,505 | 77,640 |
| **OBLIGATIONS AND ADVANCE** | | | |
| **UNDER FINANCE LEASE** | 7 | 22,321 | 46,725 |
| **DEFERRED LIABILITY** | 8 | 4,139 | 3,220 |
| **CURRENT LIABILITIES** | | | |
| Short-term finances | 9 | 48,865 | 66,372 |
| Current portion of long-term liabilities | 10 | 28,397 | 17,899 |
| Creditors, accrued and other liabilities | 11 | 114,988 | 107,618 |
| Provision for taxation | | 1,903 | 1,830 |
| | | ------------------ | ------------------ |
| | | 194,153 | 193,719 |
| **CONTINGENCIES AND COMMITMENTS** | 12 | -- | -- |
| | | ------------------ | ------------------ |
| Total shareholders' equity and liabilities | | 433,292 | 470,015 |
| | | ========== | ========== |
| **TANGIBLE FIXED ASSETS** | | | |
| Operating fixed assets | 13 | 295,156 | 272,999 |
| Capital work-in-progress-at cost | 14 | -- | 39,068 |
| | | ------------------ | ------------------ |
| | | 295,156 | 312,067 |
| **LONG-TERM DEPOSITS** | 15 | 2,183 | 4,964 |
| **DEFERRED COST** | 16 | 1,076 | 1,435 |
| **CURRENT ASSETS** | | | |
| Stores, spares and loose tools | 17 | 18,973 | 21,161 |
| Stock-in-trade | 18 | 58,598 | 65,562 |
| Trade debts | 19 | 38,890 | 38,504 |
| Loans, advances, deposits, prepayments | | | |
| and other receivables | 20 | 18,132 | 23,807 |
| Cash and bank balances | 21 | 284 | 2,515 |
| | | ------------------ | ------------------ |
| | | 134,877 | 151,549 |
| | | ------------------ | ------------------ |

| | | | |
|---|---|---|---|
| Total assets | | 433,292 | 470,015 |
| | | ========== | ========== |

The annexed notes form an integral part of these accounts.

| S.V.H. Naqvi | Yusuf H. Shirazi | Aamir H. Shirazi |
|---|---|---|
| **Chief Executive Officer** | **Chairman** | **Director** |

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

| | *Note* | *1999 Rupees in '000* | *1998 Rupees in '000* |
|---|---|---|---|
| Sales | | 375,329 | 301,466 |
| Less: Cost of Sales | 22 | 312,682 | 281,804 |
| | | ------------------ | ------------------ |
| Gross Profit | | 62,647 | 19,662 |
| | | ------------------ | ------------------ |
| Less: Administrative expenses | 23 | 14,757 | 19,219 |
| Selling and distribution expenses | 24 | 11,989 | 13,171 |
| | | ------------------ | ------------------ |
| | | 26,746 | 32,390 |
| | | ------------------ | ------------------ |
| Operating profit/(loss) | | 35,901 | (12,728) |
| Less: Financial expenses | 25 | 37,630 | 28,738 |
| Other income | 26 | 1,773 | -- |
| | | ------------------ | ------------------ |
| Profit/(Loss) for the year | | 44 | (41,466) |
| Taxation - current | 27 | 1,903 | 1,515 |
| - prior | | (322) | -- |
| | | ------------------ | ------------------ |
| | | 1,581 | 1,515 |
| | | ------------------ | ------------------ |
| Loss after taxation | | (1,537) | (42,981) |
| Un-appropriated loss brought forward | | (59,316) | (16,335) |
| | | ------------------ | ------------------ |
| Accumulated losses carried forward | | (60,853) | (59,316) |
| | | ========== | ========== |
| Basic earnings per share | 28.1 | (0.31) | (8.71) |
| | | ========== | ========== |
| Diluted earnings per share | 28.2 | (0.13) | (4.81) |
| | | ========== | ========== |

The annexed notes form an integral part of these accounts.

| S.V.H. Naqvi | Yusuf H. Shirazi | Aamir H. Shirazi |
|---|---|---|
| Chief Executive Officer | Chairman | Director |

## STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 1999

| | *1999 Rupees in '000* | *1998 Rupees in '000* |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Profit / (Loss) before taxation | 44 | (41,466) |
| | | |
| Adjustments for non cash charges and other items: | | |
| Depreciation | 16,707 | 14,879 |
| Profit on sale of fixed assets | (3,528) | (577) |
| Deferred cost written off | 359 | -- |
| Gratuity | 1,053 | 331 |
| Financial expenses | 37,630 | 28,738 |
| Liabilities written back | (1,773) | -- |
| | ------------------ | ------------------ |
| | 50,448 | 43,371 |
| | ------------------ | ------------------ |
| Profit before working capital changes | 50,492 | 1,905 |
| Movement in working capital: | | |
| | | |
| (Increase)/decrease in current assets | | |
| Stock-in-trade | 9,152 | (4,135) |
| Trade debts | (386) | 5,870 |
| Loans, advances, deposits, prepayments and other receivables | 5,675 | (6,230) |
| Increase/(decrease) in current liabilities | | |
| Creditors, accrued and other liabilities | 8,334 | 11,039 |
| | ------------------ | ------------------ |
| | 22,775 | 6,544 |
| | ------------------ | ------------------ |
| Cash generated from operations | 73,267 | 8,449 |
| | | |
| Payments for: | | |
| Financial expenses | (36,822) | (28,882) |
| Taxes | (1,508) | (1,505) |
| Gratuity | (134) | (570) |
| | ------------------ | ------------------ |
| Net cash inflow/(outflow) from operating activities | 34,803 | (22,508) |

| | | |
|---|---|---|
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Proceeds from sale of fixed assets | 17,077 | 1,565 |
| Fixed capital expenditures | (13,344) | (50,311 ) |
| Decrease in long term deposits | 2,781 | 992 |
| Increase in deferred cost | -- | (861) |
| | ------------------ | ------------------ |
| Net cash inflow / (outflow) from investing activities | 6,514 | (48,615) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Repayment of short term finances | (17,507) | (8,060) |
| (Repayment) /proceeds of long term borrowings | (30,285) | 52,558 |
| (Repayment) / proceeds of finance lease liability | (25,756) | 7,455 |
| Deposit for right shares | 30,000 | 20,000 |
| | ------------------ | ------------------ |
| Net cash (outflow) / inflow from financing activities | (43,548) | 71,953 |
| | ------------------ | ------------------ |
| Net (decrease)/increase in cash and cash equivalents | (2,231) | 830 |
| Cash and cash equivalents at the beginning of the year | 2,515 | 1,685 |
| | ------------------ | ------------------ |
| Cash and Cash equivalents at the end of the year | 284 | 2,515 |
| | ========== | ========== |

| S.V.H. Naqvi | Yusuf H. Shirazi | Aamir H. Shirazi |
|---|---|---|
| **Chief Executive Officer** | **Chairman** | **Director** |

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

**1. NATURE OF BUSINESS**

The company was incorporated in Pakistan as a private limited company in 1963 and was converted into a public limited company on July 15, 1966. Its shares are listed on the Karachi and Lahore stock exchanges. It is engaged in manufacturing of components and parts for automotive vehicles and tractors.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention except that leasehold land has been included at revalued amount referred to in note 2.4.

**2.2 Staff retirement benefits**

The company operates a provident fund scheme for all permanent employees eligible for the benefit and contributions thereto are made in accordance with the terms of the scheme. Also refer to note 8.

**2.3 Taxation**

**Current**
Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits and rebates or at the rate of 0.5% of turnover whichever is higher.

**Deferred**
The company accounts for deferred taxation using the liability method on all significant timing differences, excluding tax effect on those timing differences which are not likely to reverse in the foreseeable future. However, as a matter of prudence, the company does not account for deferred tax debit in the accounts.

**2.4 Operating fixed assets and depreciation**

**Owned**
Fixed assets except leasehold land are stated at cost less accumulated depreciation. Leasehold land is stated at revalued amount and is not being amortised over its lease period. Cost of certain fixed assets comprises of historical cost and the cost of borrowings during construction period in respect of loans taken for specific projects.

Depreciation is charged to income applying the reducing balance method by using rates stated in note 13 to the accounts. Depreciation on additions is charged from the month in which the asset is put to use and on disposals upto the month of disposal.

Dies, jigs etc. manufactured for own use are included in fixed assets and are valued at cost of raw material consumed plus direct and a proportion of indirect manufacturing overheads.

Maintenance and normal repairs are charged to income as and when incurred.

Gains or losses on disposal of fixed assets are included in income currently.

**Leased**

**Assets subject to finance lease**

These are stated at lower of present value of minimum lease payment under the lease agreements or the fair value of the assets acquired on lease. The related obligations under the lease are accounted for as liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation on assets subject to finance lease is provided in the same manner as owned fixed assets.

**Assets subject to operating lease**
Rentals for assets held under operating lease are charged to income currently.

**2.5 Capital work-in-progress**
This includes costs pertaining to the acquisition, construction, erection and installation of plant

and machinery.

**2.6 Capitalisation of borrowing costs**
The company capitalises borrowing costs relating to capital projects, excluding normal capital expenditure.

**2.7 Stores, spares and loose tools**
These are valued at the lower of cost and net realisable value determined on a moving average basis.

**2.8 Stocks**
These are valued on the following basis:

**a) Raw and ancillary materials and work-in-process**
At the lower of cost and net realisable value determined on a moving average basis. Goods in bonded warehouse are stated at invoice value plus other charges paid thereon excluding customs duty.

**b) Finished goods**
Finished goods are being valued at the lower of cost and net realisable value determined on a moving average basis.

**2.9 Foreign currency translation**
Assets and liabilities in foreign currencies are translated into Pakistani rupees at the rates of exchange prevailing at the balance sheet date except the liabilities covered by forward exchange contracts where the respective contract rate is applied.

**2.10 Revenue recognition**
Revenue is recognised when goods are despatched.

| | | ***1999 Rupees in '000*** | ***1998 Rupees in '000*** |
|---|---|---|---|
| **3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL** | | | |
| 1,871,571 | (1998: 1,871,571) ordinary shares of Rs. 10/- each issued for cash | 18,716 | 18,716 |
| 49,800 | (1998: 49,800) ordinary shares of Rs. 10/- each issued for consideration other than cash | 498 | 498 |
| 3,013,300 | (1998: 3,013,300) ordinary shares of Rs. 10/- each issued as bonus shares | 30,133 | 30,133 |
| ------------------ | | ------------------ | ------------------ |
| 4,934,671 | | 49,347 | 49,347 |
| ========== | | ========== | ========== |

**4. DEPOSIT FOR RIGHT SHARES**

| | | | |
|---|---|---|---|
| Director | | 17,500 | 10,000 |
| Others | | 52,500 | 30,000 |
| | | ------------------ | ------------------ |
| | | 70,000 | 40,000 |
| | | ========== | ========== |

This represents amount received in advance from certain individuals for proposed issue of right shares.

**5. SURPLUS ON REVALUATION OF LEASEHOLD LAND**

This represents surplus over book value resulting from the revaluation of leasehold land (note 13).

**6. LONG-TERM LOANS - SECURED**

| | | | |
|---|---|---|---|
| **From financial institutions** | | | |
| Foreign currency loans | 6.1 | 7,324 | 8,249 |
| Local currency loans | | | |
| Loan I | | -- | 3,457 |
| Loan II | 6.2 | 4,174 | 7,655 |
| Loan III | 6.3 | 4,578 | 5,000 |
| | | ------------------ | ------------------ |
| | | 8,752 | 16,112 |
| **From Banks** | | | |
| Local Currency Loan - I | | -- | 2,000 |
| Local Currency Loan -II | | -- | 60,000 |
| Local Currency Loan - III | 6.4 | 40,000 | -- |
| | | ------------------ | ------------------ |
| | | 56,076 | 86,361 |
| **Less: Current maturity shown undercurrent liabilities** | | | |
| Foreign currency loans | | 12,077 | 1,923 |
| Local currency loans | | 18,494 | 6,798 |
| | | ------------------ | ------------------ |
| | | 20,571 | 8,721 |
| | | ------------------ | ------------------ |
| | | 35,505 | 77,640 |
| | | ========== | ========== |

6.1 The salient features in respect of this loan are:

a) The long-term loan is secured by a mortgage on present and future assets of the company ranking pari-passu with charges already created.

b) The foreign currency loan has been converted into Pakistani rupees at the rate of exchange prevailing on the date of the respective disbursements as under the terms of the agreement the loan is repayable in Pakistani rupees. It carries interest at 16% per annum including exchange risk fee and is repayable in sixteen half yearly installments last being due on January 01 2002.

6.2 This loan has been obtained under mark-up arrangements. Pursuant to the agreement, the financial institution has agreed to purchase the company's assets as and when acquired for Rs. 15 million and has agreed to sell the same to the company for Rs. 23.890 million.

The salient features in respect of this loan agreement are:

a) The purchase price is secured by mortgage and floating charge on present and future assets of the company ranking pari-passu with charges already created.

b) The purchase price is payable in ten half yearly equal installments, last being due on June 07, 2000.

c) In case of late payment fine at the rate of sixty six paisas per thousand rupees per day shall be payable by the company for the defaulted amount.

6.3 This loan has been obtained under mark-up arrangements. Pursuant to the agreement, the financial institution has agreed to purchase the company's assets as and when acquired for Rs. 5 million and has agreed to sell the same to the company for Rs. 8.873 million.

The salient features in respect of this loan are:

a) The purchase price is secured by mortgage and floating charge on present and future assets of the company ranking pari-passu with charges already created.

b) The purchase price is payable in ten half yearly equal installments, last being due on August 22, 2002.

c) In case of late payment fine at the rate of 6.5% per annum above bank rate shall be payable by the company for the defaulted amount.

6.4 This loan has been obtained from a bank and is secured by way of first pari-passu charge over company's fixed assets. This loan carries mark-up at 18% per annum and is repayable in thirty six monthly installments, last being due on December 31,2002.

**7. OBLIGATIONS AND ADVANCE UNDER FINANCE LEASE**

**7.1 Obligations under finance lease**

7.1.1 The rates of mark-up used as the discounting factor range between 20.75% to 23% (1998: 20.65% to 23.5%) per annum. Additional lease rentals on overdue payments @ 0.1% per day is payable. Certain leases carry renewal option upon expiry of lease period. There are no financial restrictions in the lease agreements. The liabilities are partly secured by deposit of Rs. 0.735 million (1998: Rs. 3.335 million).

7.1.2 The amount of future payments and the year during which they will become due are:

| | | *1999* | *1998* |
|---|---|---|---|
| | ***Note*** | ***Rupees*** | ***Rupees*** |

| | | |
|---|---|---|
| 1999 | -- | 20,978 |
| 2000 | 12,731 | 21,464 |
| 2001 | 10,087 | 18,820 |
| 2002 | 11,587 | 17,691 |
| 2003 | 1,266 | 1,176 |
| | ------------------ | ------------------ |
| | 35,671 | 80,129 |
| Less: Financial charges allocated to future periods | 10,102 | 28,804 |
| | ------------------ | ------------------ |
| | 25,569 | 51,325 |
| Less: Current maturity shown under current liabilities | 7,826 | 9,178 |
| | ------------------ | ------------------ |
| | 17,743 | 42,147 |

**7.2 Advance under finance lease**

| | | |
|---|---|---|
| Advance received against future lease (7.2.1) | 4,578 | 4,578 |
| | ------------------ | ------------------ |
| | 22,321 | 46,725 |
| | ========== | ========== |

7.2.1 This represents advance obtained from a leasing company (an associated undertaking). Mark-up is being charged at the rate of 22.92% per annum. Subsequently finance lease agreement has been executed.

**8. DEFERRED LIABILITY**

**Gratuity**

The company operated a gratuity scheme before the introduction of the provident fund in 1974. On introduction of the provident fund the employees were given the option to either continue with the gratuity scheme or join the provident fund. Those employees who opted to join the provident fund were entitled to gratuity upto the period of joining the provident fund and provision in this respect was duly made. Liability in respect of remaining employees entitled for gratuity has also been provided upto date. The company entered into an agreement with the collective bargaining agent (CBA), whereby the workers who opted for the provident fund scheme are also entitled to gratuity for four days for each completed year of service. Liability in respect of above has also been provided upto date.

**9. SHORT-TERM FINANCES - SECURED**

| | | | |
|---|---|---|---|
| From Banks | | | |
| Running finances | 9.1 | 48,865 | 66,372 |
| | | ========== | ========== |

9.1 These are under mark-up arrangements and are secured by joint hypothecation of stocks and book debts. The rate of mark-up ranges between 17.15% to 21% (1998: 16% to 20.5%) per annum and is payable currently.

The facility for short-term running finance from banks amounts to Rs. 54 million (1998 · Rs. 84 million).

| | Note | 1999 Rupees in '000 | 1998 Rupees in '000 |
|---|---|---|---|
| **10. CURRENT PORTION OF LONG TERM LIABILITIES** | | | |
| Long term loans | 6 | 20,571 | 8,721 |
| Obligations under finance lease | 7.1.2 | 7,826 | 9,178 |
| | | ------------------ | ------------------ |
| | | 28,397 | 17,899 |
| | | ========== | ========== |
| **11. CREDITORS, ACCRUED AND OTHER LIABILITIES** | | | |
| Creditors | | 21,716 | 16,347 |
| Bills payable | | 11,369 | 15,700 |
| Accrued liabilities | | 36,293 | 32,696 |
| Mark-up accrued on obligations and advance under finance lease | | 3,192 | 2,111 |
| Interest/Mark-up accrued on secured long term loans | | 2,827 | 2,294 |
| Mark-up accrued on secured short term finances | | 2,232 | 2,975 |
| Interest accrued on advances from customers | | 140 | 202 |
| Security deposits | | 65 | 65 |
| Advances from customers (interest bearing) | | 2,510 | 2,071 |
| Advances from customers (interest free) | 11.1 | 28,755 | 27,801 |
| Unclaimed dividends | | 112 | 112 |
| Others | | 5,777 | 5,244 |
| | | ------------------ | ------------------ |
| | | 114,988 | 107,618 |
| | | ========== | ========== |

11. Amount due to an associated undertaking at the year end aggregated Rs. 28.344 million (1998: Rs. 21.930 million)

**12. CONTINGENCIES AND COMMITMENTS**

**12.1 Contingencies**

a) Bank guarantees

| | | |
|---|---|---|
| (i) For difference in custom duties on imported material | 91 | 146 |
| (ii) Sui Southern Gas Company against deposit | 5,847 | 5,847 |
| (iii) Against customers / suppliers | -- | 4,141 |
| | ------------------ | ------------------ |
| | 5,938 | 10,134 |

| | | |
|---|---|---|
| | ========== | ========== |
| b) Post dated cheques for difference in custom duties | 12,064 | 6,059 |
| | ========== | ========== |
| c) Insurance company guarantees | | |
| (i) Advances from customers | 2,653 | 2,653 |
| (ii) For difference in customs duties | 486 | 486 |
| (iii) Karachi Electric Supply Corporation | 4,000 | 4,000 |
| | ------------------ | ------------------ |
| | 7,139 | 7,139 |
| | ========== | ========== |

**d) Electricity Charges**

Karachi Electric Supply Corporation Limited (KESC) raised a demand of Rs. 12.285 million on the plea that they erred in billing, which the company has contended and the case is before the Honourable High Court of Sindh. The Honourable Court issued stay order on May 26, 1989 for making payments against the remaining disputed demand. The company till the date of stay order had paid under protest Rs. 7.850 million. In addition, an insurance company has issued a guarantee in the sum of Rs. 4 million to the K.E.S.C.

| | **1999 Rupees in '000'** | **1998 Rupees in '000'** |
|---|---|---|
| **12.2 Commitments** | | |
| a) Bank letters of credit | | |
| For import of materials etc. | 38,148 | 36,289 |
| | ========== | ========== |

b) Commitments for rentals under operating lease agreements is payable as follows:

| Year | | |
|---|---|---|
| 2000 | 1,579 | 1,756 |
| 2001 | 370 | 370 |

**13. OPERATING FIXED ASSETS**

| | *COST/REVALUATION* | | | | | *DEPRECIATION* | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *As at July 01 1998 Rupees in '000* | *Revaluation Rupees in '001* | *Additions Rupees in '002* | *Adjustments/ (Disposals) Rupees in '003* | *As at June 30, 1999 Rupees in '004* | *As at July 01 1998 Rupees in '000* | *On adjustments/ (Disposals) Rupees in '001* | *Charge for the year Rupees in '000* | *A* |
| **OWNED** | | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Leasehold land (note 2 & 3) | 118,840 | -- | -- | -- | 118,840 | -- | -- | -- |
| Factory building | 36,707 | -- | -- | -- | 36,707 | 24,513 | -- | 1,220 |
| Generator building | 3,741 | -- | -- | -- | 3,741 | 887 | -- | 285 |
| Residential building | 365 | -- | -- | -- | 365 | 273 | -- | 5 |
| Office building | 1,745 | -- | -- | -- | 1,745 | 996 | -- | 37 |
| Machinery and plant | 174,963 | -- | 45,067 | (39,934) | 180,096 | 113,632 | (26,856) | 6,280 |
| Power generator | 32,581 | -- | -- | -- | 32,581 | 7,545 | -- | 2,503 |
| Electrical fittings | 3,997 | -- | 241 | -- | 4,238 | 2,517 | -- | 153 |
| Office equipment | 1,901 | -- | 280 | -- | 2,181 | 1,507 | -- | 63 |
| Computer | 2,470 | -- | 383 | (170) | 2,683 | 1,964 | (125) | 211 |
| Furniture and fixtures | 3,379 | -- | 22 | -- | 3,401 | 2,597 | -- | 79 |
| Vehicle | 3,329 | -- | 2,561 | (804) | 5,086 | 2,268 | (379) | 312 |
| Waterline and drainage | 670 | -- | -- | -- | 670 | 588 | -- | 8 |
| Sui gas line | 576 | -- | -- | -- | 576 | 302 | -- | 28 |
| Measuring instruments, dies, jigs, patterns and other equipments | 16,889 | -- | 1,768 | -- | 18,657 | 13,476 | -- | 836 |
| Bicycles | 2 | -- | -- | -- | 2 | 2 | -- | -- |
| | 402,155 | -- | 50,322 | (40,908) | 411,569 | 173,067 | (27,360) | 12,020 |
| **Assets Subject to Finance lease:** | | | | | | | | |
| Power generator | 14,299 | -- | -- | -- | 14,299 | 3,455 | -- | 1,084 |
| Machinery and plant | 34,020 | -- | 2,090 | -- | 36,110 | 953 | -- | 3,603 |
| | 450,474 | -- | 52,412 | (40,908) | 461,978 | 177,475 | (27,360) | 16,707 |
| As at June 30, 1998 | 295,442 | 118,680 | 37,910 | (1,558) | 450,474 | 163,166 | (570) | 14,879 |

**Note**

1. All the buildings are on leasehold land.

2. Leasehold land costing Rs. 0.16 million has been revalued by Razzaque Umerani & Co. Engineers and Surveyors on June 20, 1998 and resulting surplus amounting to Rs. 118.68 million which has been credited to surplus on revaluation on leasehold land account.

3. As stated in note 2.4 leasehold land' has not been amortised. Had leasehold land been amortised the charge for the year and to date would have amounted to Rs. 2.33 million and Rs. 4.736 million respectively

4. The depreciation charge for the year has been allocated as follows:

| | ***1999 Rupees in '000*** | ***1998 Rupees in '000*** |
|---|---|---|
| Cost of sales- note 22.1 | 16,456 | 14.66 |

| | | |
|---|---|---|
| Administrative expenses- note 23 | 167 | 149 |
| Selling and distribution expenses- note 24 | 84 | 74 |
| | ------------------ | ------------------ |
| | 16,707 | 14,879 |
| | ========== | ========== |

**13.1 The following assets were disposed off during the year:**

| *Assets* | *Cost Rupees* | *Accumulated depreciation Rupees* | *Written down value Rupees* | *Sale Proceeds Rupees* | *Profit/(Loss) on disposal Rupees* | *Mode of Disposal* | *Particulars of Buyers* |
|---|---|---|---|---|---|---|---|
| Computer | 40,000 | 31,116 | 8,884 | 8,884 | -- | Under Co's. Policy | Mr. Fayyaz A. Khan |
| -- do -- | 30,000 | 23,517 | 6,483 | 6,483 | -- | Under Co's. Policy | Mr. Hameed Ullah Khan, Ex-employee |
| -- do -- | 30,000 | 23,877 | 6,123 | 7,524 | 1,401 | Under Co's. Policy | Mr. Zafar Saifee, Ex-employee |
| -- do -- | 30,000 | 14,880 | 15,120 | 15,120 | -- | Under Co's. Policy | Mr. Islamuddin Zafar, Ex-employee |
| -- do -- | 40,000 | 31,837 | 8,163 | 8,163 | -- | Under Co's. Policy | Mr. Shameem Ahmad |
| Vehicles | 28,872 | -- | 28,872 | 169,381 | 140,509 | Under Co's. Policy | Mr. Mohd. Arshad, Ex-employee |
| -- do -- | 28,250 | -- | 28,250 | 159,706 | 131,456 | Under Co's. Policy | Mr. Shahid Ghazanfer, Ex-employee |
| -- do -- | 72,050 | -- | 72,050 | 184,819 | 112,769 | Under Co's. Policy | Mr. Zafar Saifee, Ex-employee |
| -- do -- | 5,727 | -- | 5,727 | 57,272 | 51,545 | Under Co's. Policy | Mr. Mr. Zaheer Hussain |
| -- do -- | 31,450 | 25,624 | 5,826 | 31,200 | 25,374 | Under Co's. Policy | Mr. Masroor All Baig |
| -- do -- | 170,000 | 133,605 | 36,395 | 170,000 | 133,605 | Insurance Claim | Muslim Insurance Company |
| -- do -- | 40,845 | 29,915 | 10,930 | 40,845 | 29,915 | Under Co's. Policy | Mr. M. Younus |
| -- do -- | 40,845 | 29,915 | 10,930 | 40,845 | 29,915 | Under Co's. Policy | Mr. Mir Masood Ali |
| -- do -- | 62,526 | -- | 62,526 | 625,260 | 562,734 | Insurance Claims | Muslim Insurance Company |
| -- do -- | 323,750 | 159,371 | 164,379 | 164,379 | -- | Under Co's. Policy | Mr. Akhlaq Hussain, Ex-employee |
| Machinery & Plant | 27,107,910 | 22,703,609 | 4,404,301 | 6,086,820 | 1,682,519 | By Negotiation | M/s. Akram Raza Sons, Karachi. |
| -- do-- | 9,026,131 | 4,152,530 | 4,873,601 | 5,500,000 | 626,399 | By Negotiation | M/s. Inayat Khan, Karachi. |
| -- do -- | 3,800,000 | -- | 3,800,000 | 3,800,000 | -- | By Negotiation | M/s. Inayat Khan, Karachi. |
| | ------------------ | ------------------ | ------------------ | ------------------ | ------------------ | | |
| | 40,908,356 | 27,359,796 | 13,548,560 | 17,076,701 | 3,528,141 | | |
| | ========== | ========== | ========== | ========== | ========== | | |
| 1998 | 1,557,414 | 569,511 | 987,903 | 1,564,675 | 576,772 | | |
| | ========== | ========== | ========== | ========== | ========== | | |

***(Rupees in '000')***

**14. CAPITAL WORK-IN-PROGRESS**

| | *At beginning of the year* | *Additions/ adjustments* | *Transferred* | *At end of the year* |
|---|---|---|---|---|
| **Owned** | | | | |
| Plant and machinery - under installation | 14,640 | 5,078 | 19,718 | -- |
| Advance to suppliers for machinery | 705 | (705) | -- | -- |
| | 15,345 | 4,373 | 19,718 | -- |
| **Leased** | ------------------ | ------------------ | ------------------ | ------------------ |

| | | | | |
|---|---|---|---|---|
| Plant and machinery - under installation | 23,723 | -- | 23,723 | -- |
| | 39,068 | 4,373 | 43,441 | -- |

14.1 The machinery and plant includes borrowing cost amounting to Rs. 3.410 million (1998: Rs. 6.728 million.), capitalized at a rate of 23% during the year.

| | ***1999 Rupees in '000*** | ***1998 Rupees in '000*** |
|---|---|---|
| **15. LONG-TERM DEPOSITS - UNSECURED** | | |
| Leasing companies | 1,096 | 3,987 |
| Utilities | 626 | 626 |
| Suppliers | 264 | 254 |
| Telephone & telegrams | 13 | 13 |
| Others | 184 | 84 |
| | 2,183 | 4,964 |
| **16. DEFERRED COST** | | |
| Balance as on July 1 | 1,435 | 574 |
| Addition during the year | -- | 861 |
| | 1,435 | 1,435 |
| Amortized during the year | 359 | -- |
| Balance as at June 30 | 1,076 | 1,435 |

The above cost have been incurred on Radiator plant and are being amortised over the period of four years commencing from the start of commercial production of Radiator Plant.

| | | |
|---|---|---|
| **17. STORES, SPARES AND LOOSE TOOLS** | | |
| Spare parts and other materials: | | |
| In hand | 8,964 | 11,039 |
| In transit | 196 | 1,442 |
| | 9,160 | 12,481 |
| Loose tools | 8,159 | 7,201 |
| Packing materials | 940 | 655 |
| Electrical goods | 714 | 824 |
| | 18,973 | 21,161 |

**18. STOCK-IN-TRADE**

Raw and ancillary materials:

| | | |
|---|---|---|
| In hand | 26,652 | 19,522 |
| In transit | 1,423 | 65 |
| In bonded warehouse | -- | 1,966 |
| | ------------------ | ------------------ |
| | 28,075 | 21,553 |
| Work-in-process | 14,895 | 17,840 |
| Finished goods | 15,628 | 26,169 |
| | ------------------ | ------------------ |
| | 58,598 | 65,562 |
| | ========== | ========== |

**19. TRADE DEBTS - UNSECURED - CONSIDERED GOOD**

The amount due from associated undertakings at year end amounted to Rs. 2.878 million (1998: Rs. 2.157 million). The maximum amount due at the end of any month during the year was Rs. 7.508 million (1998: Rs. 8.643 million).

**20. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

| | | |
|---|---|---|
| **Loans and advances (considered good)** | | |
| Loans to employees (interest bearing) | 1,070 | 994 |
| Advances to: | | |
| - employees against salary | 270 | 473 |
| - employees against expenses | 123 | 394 |
| - suppliers | 1,336 | 4,404 |
| | ------------------ | ------------------ |
| | 2,799 | 6,265 |
| **Deposits, prepayments and other receivables** | | |
| Security and trade deposits | 939 | 867 |
| L/C margin | 542 | -- |
| Prepayments and other receivables | 1,972 | 1,870 |
| Income-tax deducted at source | 11,880 | 14,805 |
| | ------------------ | ------------------ |
| | 15,333 | 17,542 |
| | ------------------ | ------------------ |
| | 18,132 | 23,807 |
| | ========== | ========== |

**21. CASH AND BANK BALANCES**

| | | | |
|---|---|---|---|
| Cash in hand | | 11 | 12 |
| At bank | - current accounts | 208 | 2,434 |
| | - deposit accounts | 65 | 69 |

| | | | |
|---|---|---|---|
| | | ------------------ | ------------------ |
| | | 284 | 2,515 |
| | | ========= | ========= |

**22. COST OF SALES**

| | | | |
|---|---|---|---|
| Opening stock of finished goods | | 26,169 | 18,674 |
| Cost of goods manufactured | 22.1 | 302,141 | 289,299 |
| | | ------------------ | ------------------ |
| | | 328,310 | 307,973 |
| Less: Closing stock of finished goods | | 15,628 | 26,169 |
| | | ------------------ | ------------------ |
| | | 312,682 | 281,804 |
| | | ========= | ========= |

**22.1 Cost of goods manufactured**

| | | | |
|---|---|---|---|
| Opening work-in-process | | 17,840 | 14,151 |
| Raw and ancillary materials consumed | 22.2 | 141,373 | 143,663 |
| Salaries, wages and benefits | | 74,731 | 72,678 |
| Spare parts and other maintenance | | 20,962 | 19,636 |
| Packing materials consumed | | 5,086 | 4,789 |
| Fuel, water and power | | 29,269 | 27,543 |
| Rent, rates and taxes | | 248 | 113 |
| Insurance | | 1,353 | 996 |
| Training expenses | | 72 | 188 |
| Repairs and maintenance of factory building and electrical fittings | | 1,724 | 1,591 |
| Depreciation | | 16,456 | 14,656 |
| Royalties and Technical fee | | 5,231 | 4,503 |
| Printing and stationary | | 522 | 488 |
| Postage, telephone and telegrams | | 598 | 767 |
| Subscriptions | | 431 | 191 |
| General expenses | | 510 | 599 |
| Repairs and maintenance of furniture, fittings and office equipment | | 368 | 351 |
| Expenses on apprentices training scheme | | 262 | 236 |
| | | ------------------ | ------------------ |
| | | 317,036 | 307,139 |
| Less: Closing work-in-process | | (14,895) | (17,840) |
| | | ------------------ | ------------------ |
| | | 302,141 | 289,299 |
| | | ========= | ========= |

**22.2 Raw and ancillary materials consumed**

| | | | |
|---|---|---|---|
| Opening stock | | 19,522 | 27,413 |
| Add: Purchases | | 148,503 | 135,772 |
| | | ------------------ | ------------------ |
| | | 168,025 | 163,185 |
| Less: Closing Stock | | 26,652 | 19,522 |

| | | | |
|---|---|---|---|
| | | ------------------ | ------------------ |
| | | 141,373 | 143,663 |
| | | ========= | ========= |

**23. ADMINISTRATIVE EXPENSES**

| | | | |
|---|---|---|---|
| Salaries and allowances | | 10,624 | 9,281 |
| Directors' meeting fee | | 19 | 3 |
| Lease rentals | | 2,419 | 4,591 |
| Printing and stationery | | 365 | 342 |
| Postage, telephone and telegrams | | 548 | 962 |
| Entertainment | | 96 | 371 |
| Subscriptions | | 199 | 256 |
| Travelling and conveyance | | 1,284 | 1,769 |
| Insurance | | 621 | 457 |
| General expenses | | 350 | 264 |
| Legal and professional expenses | | 368 | 352 |
| Donation | 23.1 | 10 | 2 |
| Medical expenses | | 300 | 325 |
| Training expenses | | 9 | 99 |
| Tax on callings and professions | | 52 | 111 |
| Advertisement and publicity | | 164 | 20 |
| Repairs and maintenance of furniture, fittings and office equipment | | 231 | 342 |
| Depreciation | | 167 | 149 |
| Auditors' remuneration | | 100 | 100 |
| Deferred cost written off | 16 | 359 | -- |
| | | ------------------ | ------------------ |
| | | 18,285 | 19,796 |
| Profit on sale of fixed assets | 13.1 | (3,528) | (577) |
| | | ------------------ | ------------------ |
| | | 14,757 | 19,219 |
| | | ========= | ========= |

23.1 No donation was made to any person or institution in which a director or his spouse has any interest.

**23.2 Auditors' remuneration and expenses**

| | | | |
|---|---|---|---|
| Audit fee | | 100 | 100 |
| Expenses (included in general expenses) | | 19 | 13 |
| | | ------------------ | ------------------ |
| | | 119 | 113 |
| | | ========= | ========= |

**24. SELLING AND DISTRIBUTION EXPENSES**

| | | | |
|---|---|---|---|
| Salaries and allowances | | 3,027 | 2,676 |
| Rent, rates and taxes | | 180 | 56 |
| Lease rental | | 269 | 633 |
| Cartage and octroi | | 3,661 | 2,856 |

| | | |
|---|---|---|
| Printing & Stationery | 157 | 147 |
| Postage, telephone and telegrams | 186 | 224 |
| Entertainment | 110 | 64 |
| Subscriptions | 43 | 93 |
| Travelling and conveyance | 1,105 | 1,111 |
| Insurance | 244 | 180 |
| General expenses | 68 | 78 |
| Medical expenses | 132 | 150 |
| Tax on callings and professions | 17 | 87 |
| Advertisement and publicity | 1,410 | 1,984 |
| Claims written off | -- | 2,676 |
| Sales Promotion | 1,222 | -- |
| Repairs and maintenance of furniture, fittings and office equipment | 74 | 82 |
| Depreciation | 84 | 74 |
| | 11,989 | 13,171 |

**25. FINANCIAL EXPENSES**

| | | |
|---|---|---|
| Interest/mark-up on long term loans | 12,824 | 5,629 |
| Discount / mark-up on redeemable capital | -- | 32 |
| Mark-up on short term finances | 12,040 | 14,082 |
| Interest on advances from customers | 446 | 369 |
| Bank and other charges | 2,012 | 1,754 |
| Interest on Technical fee | 1,265 | -- |
| Interest from loan to employees | (103) | (80) |
| Mark-up on lease finance | 9,146 | 6,952 |
| | 37,630 | 28,738 |

**26. OTHER INCOME**

| | | |
|---|---|---|
| Liabilities considered no more payable written back | 1,773 | -- |

**27. TAXATION**

**Current**

The company's income tax assessments have been finalized upto and including assessment year 1998-99.

The tax liability based on taxable income works out to be lower than the minimum tax based on turnover. The provision for taxation is, therefore, based on turnover ~ 0.5% as provided under section 80D of the Income Tax Ordinance, 1979.

**Deferred**

Cumulative deferred taxation upto June 30, 1999 on major timing differences relating to accelerated tax depreciation allowances and carry forward of losses amounts to Rs. 2 million debit (1998: Rs. 11.189 million debit), of which Rs. 9.189 million credit relates to the current year (1998: Rs. 8.198 million debit). As a matter of prudence, the company has not accounted for this favourable deferred tax debit.

## 28. EARNINGS PER SHARE

### 28.1 Basic earnings per share

Basic earnings per share has been computed by dividing net profit for the year after taxation with the number of ordinary shares issued by the company.

### 28.2 Diluted earnings per share

Diluted earnings per share has been computed by dividing net profit for the year after taxation with the number of ordinary shares issued by the company adjusted for the effects of deposit for shares which are to be issued as right shares.

## 29. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

(Included in administrative expenses)

| | *Chief Executive* | | *Executives* | |
|---|---|---|---|---|
| | *1999 Rupees in '000* | *1998 Rupees in '000* | *1999 Rupees in '000* | *1998 Rupees in '000* |
| Managerial remuneration | 968 | 550 | 5,491 | 2,359 |
| Rent | 404 | 216 | 2,222 | 964 |
| Medical expenses | 12 | 12 | 277 | 253 |
| Provident fund | 90 | 48 | 414 | 188 |
| Reimburseable expenses | 96 | 84 | 788 | 408 |
| | 1,570 | 910 | 9,192 | 4,172 |
| Number of persons | 1 | 1 | 23 | 15 |

29.1 The Chief Executive is provided with free use of a company car.

| | *1999 Rupees in 000* | *1998 Rupees in 000* |
|---|---|---|
| **30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS** | | |
| Sales | 56,209 | 39,276 |
| Purchases | 4,190 | -- |
| Expenses charged by | 503 | 2,691 |
| Insurance and services | 4,534 | 3,768 |

**31. UNUTILISED CREDIT FACILITY**
This amounted to Rs. 5.135 million as at June 30, 1999 (1998: Rs. 17.628 million).

**32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

**32.1 Credit Risk Exposure**
The Company manages credit risk relating to trade receivables by limiting significant exposure to any individual customer, obtaining advances, deposits against sales and coverage under the agreements.

**32.2 Interest/mark-up rate exposure**
The company is exposed to interest / mark-up rate risk on some of the financial obligations. Significant financial assets / liabilities which are exposed to various rates of interest are mentioned in the respective notes to the accounts,

**32.3 Foreign exchange risk management**
Liabilities exposed to foreign currency risk amount to Rs.20.204 million.

**32.4 Fair value of financial instruments**
The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

**33. PLANT CAPACITY AND PRODUCTION**
The production capacity of the plant cannot be determined as this depends on the relative proportions of various type of components and parts of vehicles and tractors produced.

**34. NUMBER OF EMPLOYEES**
The company employed 672 (1998: 693) employees at the end of the year.

**35. GENERAL**

35.1 All figures are in thousands of rupees unless otherwise stated.

35.2 Previous year's figures have been regrouped and/or rearranged wherever considered necessary for the purposes of comparison.

| S.V.H. Naqvi | Yusuf H. Shirazi | Aamir H. Shirazi |
|---|---|---|
| **Chief Executive Officer** | **Chairman** | **Director** |

## PATTERN OF SHAREHOLDING
## AS AT JUNE 30, 1999

| *Number of Shareholders* | *From* | *Share Holding --* | *To* | *Total Shares held* |
|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| 294 | 1 | -- | 100 | Shares | 9,925 |
| 313 | 101 | -- | 500 | Shares | 81,530 |
| 142 | 501 | -- | 1,000 | Shares | 106,820 |
| 91 | 1,001 | -- | 5,000 | Shares | 189,138 |
| 13 | 5,001 | -- | 10,000 | Shares | 93,755 |
| 5 | 10,001 | -- | 15,000 | Shares | 58,780 |
| 2 | 20,001 | -- | 25,000 | Shares | 44,930 |
| 1 | 140,001 | -- | 145,000 | Shares | 141,768 |
| 4 | 195,001 | -- | 200,000 | Shares | 783,750 |
| 1 | 255,001 | -- | 260,000 | Shares | 258,769 |
| 1 | 390,001 | -- | 395,000 | Shares | 390,497 |
| 1 | 740,001 | -- | 745,000 | Shares | 742,446 |
| 1 | 845,001 | -- | 850,000 | Shares | 846,356 |
| 1 | 1,185,001 | -- | 1,190,000 | Shares | 1,186,214 |
| ------------------ | | | | | ------------------ |
| 870 | | | | | 4,934,678 |
| ========== | | | | | ========== |

| ***Categories of Shareholders*** | ***Shareholders*** | ***Shares held*** | ***Percentage*** |
|---|---|---|---|
| 1. Individuals | 843 | 1,314,824 | 26.64% |
| 2. Investment Companies | 4 | 1,109,466 | 22.48% |
| 3. Insurance Companies | 4 | 545,879 | 11.06% |
| 4. Joint Stock Companies | 8 | 12,770 | 0.26% |
| 5. Financial Institutions | 6 | 1,208,029 | 24.48% |
| 6. Foreign Companies | 1 | 742,446 | 15.05% |
| 7. Corporate Law Authority | 1 | 1 | |
| 8. Abandoned Properties | | | 0.02% |
| Organisation | 1 | 908 | |
| 9. Punjabi Saudagar Multipurpose | 1 | 149 | |
| Co-operative Society Ltd. | | | |
| 10. Nazir High Court of Sind | 1 | 206 | 0.01% |
| | ------------------ | ------------------ | ------------------ |
| | 870 | 4,934,678 | 100.00% |
| | ========== | ========== | ========== |

## ATLAS GROUP COMPANIES

| | ***Year of Establishment Acquisition **** |
|---|---|
| Shirazi Investments (Pvt) Ltd. | 1962 |
| Atlas Honda Ltd. | 1963 |
| Atlas Battery Ltd. | 1966 |
| Shirazi Trading Co. (Pvt) Ltd. | 1973 |

| | |
|---|---|
| Atlas Warehousing (Pvt) Ltd. | 1979 |
| Atlas Office Equipment (Pvt) Ltd. | 1979* |
| Muslim Insurance Co. Ltd. | 1980* |
| Allwin Engineering Industries Ltd. | 1981* |
| Atlas Lease Ltd. | 1989 |
| Atlas Investment Bank Ltd. | 1990 |
| Honda Atlas Cars (Pakistan) Ltd. | 1993 |
| Honda Atlas Services (Pvt) Ltd. | 1994 |
| Atlas Information Technology (Pvt) Ltd. | 1996 |
| Total Atlas Lubricants Pakistan (Pvt) Ltd. | 1997 |
| Honda Atlas Power Products (Pvt) Ltd. | 1997 |