

**GHANDHARA NISSAN DIESEL LIMITED**

A Group Company of Bibojee Services (Pvt.) Limited.  
Tenth Annual Report 1996

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**COMPANY INFORMATION**

**BOARD OF DIRECTORS**

Mr. Raza Kuli Khan Khattak	Chairman and Chief Executive
Mr. Ahmed Kuli Khan Khattak	
Begum Tehmina Habibullah Khan	
Mr. H. S. Mufti	
Mr. M. Salman Siddique	Chief Operating Officer
Mr. Norio Abe	
Mr. T. Ishimoto	
(Alternate Mr. A. Hanaoka)	
Mr. Mohammad Nasim Khan	
Mr. Behram Hassan	

**SECRETARY**

Mr. Aqiel Amjad Ghani

**REGISTERED OFFICE**

Ghandhara House,  
109/2, Clifton,  
Karachi.

**FACTORY**

Port Bin Qasim,  
Karachi.

**BANKERS OF THE COMPANY**

ABN AMRO Bank  
Allied Bank of Pakistan Ltd.  
American Express Bank Ltd.  
ANZ Grindlays Bank  
The Bank of Tokyo - Mitsubishi, Ltd.  
Banque Indosuez  
Mashreq Bank psc.  
Emirates Bank International Ltd.  
Habib Bank Limited  
The Hong Kong & Shanghai Banking Corporation  
Muslim Commercial Bank Ltd.  
Societe Generale Bank  
United Bank Ltd.  
National Bank of Pakistan Ltd.  
Union Bank Limited.  
Indus Bank Limited.

**AUDITORS**

Taseer Hadi Khalid & Co.  
Chartered Accountants,  
First Floor,  
Shaikh Sultan Trust Building No. 2,  
Beaumont Road, Karachi.

**LEGAL ADVISORS**

Shaukat Law Associates,  
217, Central Hotel Annexe,

Abdullah Haroon Road,  
Karachi.

**SHARE REGISTRARS**

T.H.K. Associates (Pvt) Ltd.  
Ground Floor,  
Shaikh Sultan Trust Building No. 2  
Beaumont Road, Karachi.

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 10th Annual General Meeting of Shareholders of Ghandhara Nissan Diesel Ltd. will be held on Sunday, the 29th December, 1996 at 3.00 P.M. at Hotel Avari Towers, Fatima Jinnah Road, Karachi for the purpose of transacting the following business:

1. To receive and consider the Audited Accounts of the Company for the eighteen months ended 30th June, 1996.
2. To appoint Auditors for the year ending 30th June, 1997 and to fix their remuneration. The retiring Auditors, Messrs Taseer Hadi Khalid & Co., Chartered Accountants, being eligible offer themselves for reappointment.
3. To transact any other business with the permission of the Chairman.

By order of the Board

**AQIEL AMJAD GHANI**  
**COMPANY SECRETARY**

Karachi: 8th December, 1996.

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from Thursday, 26th December, 1996 to Wednesday, 1st January, 1997 (both days inclusive).

Shareholders are requested to intimate any change in their address to our Share Registrars, Messrs: THK Associates (Pvt) Ltd., Shares Department, Ground Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi.

A Member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her Proxy to attend and vote instead of him/her. Form of Proxy is enclosed with the Annual Report. Votes may be given personally or by Proxy or by Attorney or, in case of a Corporation, by a representative. The instrument of Proxy, duly stamped, signed and witnessed, should be lodged at the Registered Office of the Company at Ghandhara House, 109/2, Clifton, Karachi-6 not later than 48 hours before the time of the meeting.

**CHAIRMAN'S & DIRECTORS' REPORT**

It gives us pleasure to present to you the Tenth Annual Report of your Company.

As stated in the Foreword to the audited accounts for the six months ended 30 June 1995, the current accounting period is spread over eighteen months closing on 30 June 1996. This is in accordance with the decision of the management in view of the statutory changes brought about in relation to the accounting year, which henceforth will be July-June.

**OPERATING RESULTS**

The period under review shows a substantial improvement over the year ended 31 December, 1994. The Pre-tax profit for the 18 month period under review is Rs. 45.29 million. 853 units were sold as against 258 units in 1994. A comparison of production and sales during 1994 and 1996 is given below :-

Year ended 31st Dec. 1994		Eighteen Months ended 30th June 1996	
Trucks & Buses (Units)		Trucks & Buses (Units)	
Production	Sales	Production	Sales
158	258	528	853 (Includes 241 CBU Units)

It is heartening to note that Rs. 39.12 million out of Rs. 42.44 million carried forward loss from 1994 has been recouped.

The operating results are as follows :-

Eighteen Months ended                      Year ended

30th June, 1996.

31st Dec. 1994

**Rupees in thousands**

Sales and Services	1,219,028	293,251
Gross Profit	133,920	14,576
Provision for taxation (net)	6,171	871
Unappropriated (loss)/profit brought forward	(42,442)	383
Transfer from General Reserve	--	21,500
Unappropriated (loss) carried forward	(3,323)	(42,442)

**AUDITORS' REPORT**

The qualification in the auditors' report is of a consequential nature. Their report on the accounts for the year ended 31st December, 1994 was qualified for the inclusion of exchange loss amounting to Rs. 26.90 million in the cost of stock in trade. While giving our opinion in the Chairman's and Directors' Report last year, we stated that cost of the inventory imported under usance letters of credit should comprise of the actual amount paid to suppliers and other costs incurred on these stocks.

During the period under review, the stocks carried over from last year including the above referred loss of Rs. 26.90 million in their value, were sold at prices higher than cost.

**APPOINTMENT OF AUDITORS**

The retiring auditors, M/s. Taseer Hadi Khalid & Company Chartered Accountants, being eligible, have offered themselves for reappointment.

**PATTERN OF SHARE HOLDINGS**

The pattern of Share holdings of the Company as at 30th June, 1996 is given on page No. 24.

**CHANGE IN MANAGEMENT**

Subsequent to the period under review Mr. Akram M. Ghauri resigned from the Board. Mr. K. Nakamura, nominee of Nissan Diesel Motor Co., Ltd., Japan also resigned.

**ASSISTANCE BY OUR PRINCIPALS.**

Your Directors would like to express their sincere gratitude to our Principals, M/s. Nissan Diesel Motor Company Limited, Japan, and M/s Tomen Corporation, Japan for their wholehearted support, cooperation and help when it was most needed. We look forward to the same in future.

**LABOUR - MANAGEMENT RELATIONS**

The labour - management relations remained very satisfactory throughout the period.

**MANAGEMENT / STAFF / WORKERS / DEALERS / VENDORS**

Your Directors would like to record their appreciation for the sincere efforts and continued cooperation of the staff, workmen, CBA, dealers and vendor.,;, whose combined efforts have put your company back on the road to progress.

**FUTURE PROSPECTS**

As a result of upward trend so far depicted in the demand for vehicles, the outlook for the year 1996-97 is reasonably optimistic. However strenuous efforts will have to be made to minimize the effect of rampant inflation, frequent devaluation of Pak. Rupee, increase in POL prices and imposition of additional levies in the mini-budget. These measures are otherwise bound to affect the economy as a whole. Moreover, political conditions prevailing in the country will weigh heavily in shaping the state of the economy in days to come.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**RAZA KULI KHAN KHATTAK**  
**CHAIRMAN**

Karachi: 5th December, 1996.

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of Ghandhara Nissan Diesel Limited as at 30 June 1996 and the related Profit and Loss Account and Statement of Changes in Financial Position, together with the notes forming part thereof, for the eighteen months period 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 period was for the purpose of the Company's business: and

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

(c) as more fully explained in note 5, exchange loss of Rs. 26.9 million included in the cost of stock in trade at 31 December 1994 has been charged to profit and loss account during the period. Had the exchange difference been charged to profit and loss account in the period it was incurred, profit for the current period and loss for the previous year would have been higher by Rs. 26.9 million.

(d) 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, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and give a true and fair view of the state of the company's affairs as at 30 June 1996 and except for the effect of exchange loss referred to in para (c) above charged during the period, of the profit and the changes in financial position for the period then ended; and

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

TASEER HADI KHALID & CO.  
CHARTERED ACCOUNTANTS.

KARACHI: 5 December 1996

**BALANCE SHEET  
AS AT 30 JUNE 1996**

		30 June 1996	31 December 1994
	NOTE	RS '000	Rs '000
<b>TANGIBLE FIXED ASSETS</b>			
	3	112,227	120,894
CAPITAL WORK-IN-PROGRESS		1,060	697
DEPOSIT AGAINST LEASE FACILITY		106	3,535
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	4	3,445	2,741
Stock in trade	5	296,699	460,580
Trade debtors - unsecured considered good	6	4,518	37,503
Advances, deposits, prepayments and other receivables	7	155,887	95,227
Cash and bank balances	8	37,643	3,346
		-----	-----
		498,192	599,397
<b>LESS: CURRENT LIABILITIES</b>			
Current maturity of lease facility		174	5,566
Finance under mark-up arrangements - secured	9	55,519	312,769
Bills payable		187,397	47,058
Creditors, accrued expenses and other liabilities	10	180,035	211,748
Unclaimed dividends		42	42
Taxation	11	59,103	53,008
		-----	-----
		482,270	630,191
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			
		-----	-----
		15,922	(30,794)
		-----	-----
		129,315	94,332
		=====	=====

SHARE CAPITAL	12	77,679	77,679
ACCUMULATED LOSS		(3,323)	(42,442)
		-----	-----
		74,356	35,237
SURPLUS ON REVALUATION OF FIXED ASSETS	13	52,317	53,095
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	14	-	3,435
DEFERRED TAXATION		2,642	2,565
CONTINGENCIES AND COMMITMENTS	15	-	-
		-----	-----
		129,315	94,332
		=====	=====

These accounts should be read in conjunction with the attached notes.

RAZA KULI KHAN KHATTAK  
Chief Executive

M. SALMAN SIDDIQUE  
Director

**PROFIT AND LOSS ACCOUNTS  
FOR THE EIGHTEEN MONTHS PERIOD ENDED 30 JUNE 1996**

	Note	Six months ended 30 June 1995 Rs '000	Year ended 30 June 1996 Rs '000	Eighteen months period ended 30 June 1996 Rs '000	Year ended 31 December 1994 Rs'000
Sales and services - Net	16	361,394	857,634	1,219,028	293,251
Cost of goods sold	17	318,503	766,605	1,085,108	278,675
		-----	-----	-----	-----
Gross profit		42,891	91,029	133,920	14,576
Administration and selling exp	18	16,765	45,479	62,244	34,576
		-----	-----	-----	-----
Operating Profit		26,126	45,550	71,676	(20,000)
Other income	19	246	7,681	7,927	657
		-----	-----	-----	-----
		26,372	53,231	79,603	(19,343)
Financial charges	20	17,929	14,000	31,929	44,111
Workers' profit participation fund		421	1,963	2,384	-
Workers' welfare fund		157	(157)	-	-
		-----	-----	-----	-----
		18,507	15,806	34,313	44,111
		-----	-----	-----	-----
Profit/(Loss) before taxation		7,865	37,425	45,290	(63,454)
					871
Provision for taxation					
Current year		1,807	4,287	6,094	1,466
Deferred		(817)	894	77	(595)
		-----	-----	-----	-----
		990	5,181	6,171	871
		-----	-----	-----	-----
Profit/(Loss) after taxation		6,875	32,244	39,119	(64,325)
(Accumulated Loss)/Unappropriated profit brought forward		=====	=====	(42,442)	383
				-----	-----
				(3,323)	(63,942)
Transfer from General Reserve				--	21,500
				-----	-----
(Accumulated loss) carried forward				(3,323)	(42,442)
				=====	=====

These accounts should be read in conjunction with the attached notes.

RAZA KULI KHAN KHATTAK  
Chief Executive

M. SALMAN SIDDIQUE  
Director

**FINANCIAL CASH FLOW STATEMENTS**

**FOR THE EIGHTEEN MONTHS PERIOD ENDED 30 JUNE 1996**

	Eighteen months period ended 30 June 1996 RS '000	Year ended 31 December 1994 Rs '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss)before taxation	45,290	(63,454)
Adjustments for:		
Depreciation	13,756	8,745
Mark-up and lease finance charges	38,355	43,835
Gain on sale of fixed assets	(615)	-
	-----	-----
	96,786	(10,874)
<b>Changes in operating assets and liabilities</b>		
(Increase)/Decrease in stores, spares & loose tools	(704)	393
Decrease in Stock in trade	163,881	150,787
Decrease in Trade debtors	32,985	28,029
(Increase)/Decrease in Advances, deposits & prepayments	(43,931)	47,194
Increase/(Decrease) in Bills payable	140,339	(210,782)
(Decrease) in Trade creditors	(21,630)	(18,268)
	-----	-----
	270,940	(2,647)
	-----	-----
	367,726	(13,521)
Interest paid	(48,447)	(38,964)
Income tax paid	(16,729)	(12,927)
	-----	-----
	(65,176)	(51,891)
	-----	-----
<b>Net cash flows from operating activities</b>	302,550	(65,412)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(5,878)	(432)
Payment of dividend	-	(74)
Sales proceed of fixed assets	628	-
	-----	-----
<b>Net cash flows from investing activities</b>	(5,250)	(506)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of finance lease liability	(5,753)	(5,462)
	-----	-----
Net cash flow from financing activities	(5,753)	(5,462)
Net increase in cash and bank balances and finance	-----	-----
under mark-up arrangements	291,547	'(71,380)
Cash and bank balances and finance under mark-up		
arrangements at beginning of the period	(309,423)	(238,043)
Cash and bank balances and finance under		
mark-up arrangements at end of the period	(17,876)	(309,423)
	=====	=====

**NOTES TO THE ACCOUNTS**

**FOR THE EIGHTEEN MONTHS PERIOD ENDED 30 JUNE 1996**

**1. STATUS AND NATURE OF BUSINESS**

GHANDHARA NISSAN DIESEL LIMITED was incorporated in 1985 as a public company in Pakistan under the terms of a joint venture agreement concluded among Ghandhara Nissan

Limited, Nissan Diesel Motor Company Limited of Japan and Tomen Corporation of Japan who are also shareholders of the Company. It is quoted on the Stock Exchanges in Pakistan. The principal activity of the Company is the assembly and progressive manufacture of Nissan trucks and buses in Pakistan.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Accounting convention

These accounts have been prepared on the basis of the historical cost convention as modified by revaluation of fixed assets.

### 2.2 Fixed capital expenditure

#### Owned

(i) Fixed assets are stated at valuation less accumulated depreciation (except freehold land which is stated at valuation). On disposal, the value of the assets and the depreciation is adjusted from both the accounts and the resultant gain or loss is dealt with through profit and loss account. The portion relating to gain or loss relating to revaluation on assets disposed is transferred to retained earnings from surplus on revaluation of fixed assets account.

(ii) Depreciation is charged to income applying the straight line method at the rates indicated in Note 3.

(iii) A full year's depreciation is charged on the assets acquired during the year, whereas no depreciation is charged in the year of disposal.

(iv) Normal repairs and maintenance are charged to expenses as and when incurred.

#### - Leased

The company accounts for fixed assets obtained under finance lease by recording the assets and related liability. These are stated at valuation less accumulated depreciation. Financial charges are allocated to accounting period in manner so as to provide a constant periodic rate of charge on outstanding liability. Depreciation is charged to income applying the straight line method at the rates indicated in Note 3.

### 2.3 Capital work-in-progress

Capital work in progress is stated at cost.

### 2.4 Stores, spares and loose tools

These are valued at cost on weighted average basis.

### 2.5 Stock in trade

These are valued at lower of cost and net realisable value. The various classes of stock in trade are valued as follows:

CKD Kits	At identifiable import cost and incidentals.
Local raw materials	At cost on weighted average basis.
Work in process and finished goods	At cost which comprises of raw materials, import incidentals, direct labour and appropriate portion of overhead costs.
Stock in transit	Comprises of letter of credit opening charges plus other charges incurred thereon.

Net realisable value signifies the selling price in the ordinary course of business less cost which are necessary to be incurred in order to make the sale.

### 2.6 Retirement benefits

The company operates a recognised provident fund scheme for the benefit of its employees and contributions are made as per the rules of the fund.

### 2.7 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any. The company accounts for deferred taxation using the liability method on all major timing differences that are likely to reverse in the foreseeable future. However, deferred tax debits are not recognised in the accounts.

### 2.8 Foreign currencies

Foreign currency transactions are translated to Pak Rupees at exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date except for balances where forward cover was available, which have been translated at the applicable forward cover rate. Exchange differences are included in the income currently.

### 2.9 Income recognition

Revenue is recognised when goods are sold. Goods are treated as sold when invoiced and ready for delivery. Warranty claims are recognised in the accounts as and when accepted.

### 3. TANGIBLE FIXED ASSETS

Name of Asset	COST			Rate %	DEPRECIATION			WRITTEN DOWN	
	As at 01 January 1995	Additions/ (Disposal)/ Rs '000	As at 30 June 1996		As at 01 January 1995	For the period (on disposal) Rs '000	As at 30 June 1996	VALUE AS AT 30 JUNE 1996	AS AT 30 JUNE 1996
	Rs '000	Rs '000	Rs '001		Rs'000	Rs '000	Rs '000	Rs '000	Rs '000
<b>Owned:</b>									
Freehold land	25.62	262	25,882	-	-	-	-	-	25,882
Plant building - freehold land	38,481	7 4,425*	38,488	2.50	-	1,443 221*	1,443	1,443	37,045
Plant and machinery	32,268	608	37,301	10.00	-	5,344	5,565	5,565	31,736
Furniture and fixtures	-	218 11,600*	218	12.50	-	27 1,160*	27	27	191
Vehicles	5,950	4,029 (865)	20,714	20.00	-	4,873 (87)	5,946	5,946	14,768
Office equipment	295	9 (12)	292	12.50	-	54 (1)	53	53	239
Computers	-	316	316	12.50	-	44	44	44	272
Telephone System	393	37	430	12.50	-	80	80	80	350
Electrical equipment	862	338	1,200	12.50	-	205	205	205	995
Fire fighting equipment	-	54	54	10.00	-	5	5	5	49
	103.87	21,903 (877)	124,895		-	13,456 (88)	13,368	13,368	111,527
<b>Leased:</b>									
Vehicles	12,600	(11,600)	1,000	20.00	-	1,460 (1,160)	300	300	700
Plant and machinery	4,425	(4,425)	-		-	221 (221)	-	-	-
	17.03	(16,025)	1,000		-	300	300	300	700
<b>1996</b>	<b>120,894</b>	<b>5,878</b> (877)	<b>125,895</b>		<b>-</b>	<b>13,756</b> (88)	<b>13,668</b>	<b>13,668</b>	<b>112,227</b>
<b>1994</b>	<b>106.74</b>	<b>14,153</b>	<b>120,894</b>		<b>30,478</b>	<b>8,745</b> (39,223)*	<b>-</b>	<b>-</b>	<b>120.89</b>

\* Transferred from lease.

3.1 Depreciation has been allocated as follows:

Note	1995-96	1994
Cost of goods sold	17	8,128
Administration and selling expenses	18	5,628
	13,756	8,745

3.2 As at 31 December 1994, all of the company's assets were revalued by Architects, Engineers, Surveyors, Valuation and Management Consultants, M/s Razzaque Umerani & Co. The valuation was determined on the following basis:

Freehold Land - Present Market Value of similar properties in the area.



Plant Building	-	Present cost of construction discounted for approximate depreciation.
Plant and Machinery	-	Replacement value of similar machinery at current exchange rates discounted for depreciation depending on the age, maintenance, usage and change of technology/obsolescence.
Others	-	Assessed market value.

The surplus arising on revaluation was credited to surplus on revaluation of fixed assets account.

3.3 Had there been no revaluation, the net book value of fixed assets at cost less accumulated depreciation would amount to:

	Net book value	
	30	31
	June	December
	1996	1994
	Rs '000	Rs '000
<b>Owned</b>		
Freehold land	16,292	16,030
Plant building - freehold land	26,421	27,665
Plant and machinery	9,693	9,382
Furniture and fixtures	475	470
Vehicles	4,771	1,983
Office equipment	101	158
Computers	786	819
Telephone system	72	216
Electrical equipment	1,016	1,039
Fire fighting equipment	71	39
	-----	-----
	59,698	57,801
<b>Leased:</b>		
Plant and machinery	--	4,425
Vehicles	317	5,573
	-----	-----
	317	9,998
	-----	-----
	60,015	67,799
	=====	

### 3.4 Disposal of Fixed Assets

Particulars of disposal	Cost	Book Value	Sales Proceeds	Mode of Sale	Sold to Address
(Rupees in '000)					
Nissan Sunny (T-6984)	350	315	208	Negotiation	National Motors Limited P.O. Box 2706, Karachi
Nissan Sunny (G-2641)	200	180	162	Negotiation	Mr. Moin Ahmed Khan F-9 Block-J, N. Nazimabad Karachi
Nissan Sunny (CB-4268)	90	81	80	Negotiation	Mr. Badaruddin 411-C/3, Shah Faisal Colony Karachi
Datsun Sunny(D-0771)	100	90	45	Negotiation	National Motors Limited P.O. Box 2706, Karachi
Toshiba Telefax Machine (TF-31)	12	12	8	Negotiation	General Traders (Pvt) Ltd. Plot No. 100 Sec. F#7,

Islamabad

Charade Car (G-6871)	125	112	125	Negotiation Mr. Khatid Baig 109/2, Clifton, Karachi
	-----	-----	-----	
Total	877	790	628	
	=====	=====	=====	

**4. STORES, SPARES AND LOOSE TOOLS**

Stores, spares and loose tools include jigs, dies, paints and spares for maintenance of plant and equipments.

	30 June 1996	31 December 1994
	Rs '000	Rs '000
Raw material in transit	95,000	--
Raw material	170,412	201,339
Work in process	14,923	15,278
Spare parts for sale	16,364	19,080
Finished goods	--	224,883
	-----	-----
	296,699	460,580
	=====	=====

5.1 At 31 December 1994, the cost of stock in trade imported under usance letters of credit was based on exchange rates used for payment and accordingly included Rs. 26.9 million for exchange loss incurred due to change in exchange rate of Japanese Yen. However, during the period these stocks were sold at prices higher than cost including the exchange difference on such stocks. Had the entire exchange loss been written off last year the pre-tax profit for the period would have been Rs. 72.2 million and not Rs. 45.3 million as reported in these accounts.

	30 June 1996	31 December 1994
	Rs '000	Rs '000
6. TRADE DEBTORS -unsecured considered good		
Trade debtors	3,356	20,910
Due from associated undertaking	6.1	1,162
	-----	-----
	4,518	37,503
	=====	=====

6.1 This represents current balances arising from normal business transactions. No interest is charged on these balances. The maximum aggregate amount due from associated undertaking at the end of any month during the year amounted to Rs. 15.3 million.

**7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES****Short term advances - unsecured considered good**

Staff		661	505
Taxation- Income Tax		103,226	86,497
- Sales Tax		17,993	-
Contractors and suppliers		4,246	4,851
Letter of credit margin		13,316	-
Advance for letter of credit		583	-
		-----	-----
		140,025	91,853
<b>Deposits</b>			
Security deposits		184	145
Earnest money		1,395	476
		-----	-----
		1,579	621
		361	125
<b>Prepayments</b>			
<b>Other receivables</b>			
Due from associated undertaking	7.1	9,806	476
Dealer		-	1,786
Deposit against octroi		3,816	-
Others		300	366
		-----	-----

	13,922	2,628
	-----	-----
	155,887	95,227
	=====	=====

7.1 This includes amount receivable from an associated company of Rs. 4.5 million which is subject to agreement with the suppliers. No provision has been made against the above balance as the directors are confident that the amount will be settled in the current year.

	30 June	31 December
	1996	1994
	Rs '000	Rs '000

#### 8. CASH AND BANK BALANCES

Cash in hand	35	35
At banks - on current accounts	27,608	3,311
- on deposit accounts	10,000	--
	-----	-----
	37,643	3,346
	=====	=====

#### 9. FINANCE UNDER MARKUP ARRANGEMENTS - Secured

The company has aggregate facilities of Rs. 112.000 million (1994: Rs. 235 million) from various banks. The rates of markup range between Rs. 0.397 to Rs. 0.479 per thousand per day. In addition, the company has facilities for letters of credit of Rs. 220.000 million (1994: Rs. 340 million).

These arrangements are secured by way of charge on company's immovable assets and present and future hypothecation of stock and receivables.

#### 10. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Creditors for goods and services	13,022	26,021
Due to associated undertakings	6,771	13,466
Accrued expenses	5,258	16,901
Accrued markup	2,288	12,381
Advances from customers	146,743	125,728
Accrued markup on customers' advances	599	10,494
Security deposits	50	150
Tax deducted payable to authorities	10.1	396
Workers' profit participation fund		2,384 --
Workers' welfare fund		2,299
Sales tax payable	--	3,154
Others	225	1,144
	-----	-----
	180,035	211,748
	=====	=====

##### 10.1 Workers' profit participation fund

Balance at 01 January 1995	--	1,533
Allocation for the period	2,384	--
Less: Paid during the period	--	(1,533)
	-----	-----
Balance at 30 June 1996	2,384	--
	=====	=====

#### 11. TAXATION

Tax liability of the company for the period represents minimum tax @ 0.5% of turnover under Section 80D of the Income Tax Ordinance 1979. The income tax assessments of the company have been finalised upto and including assessment year 1994-95. The assessment orders for the years 1989-90 to 1991-92 are under appeal with the Appellate Tribunal and assessment orders for the year 1992-93 to 1994-95 are under appeal with Commissioner of Income Tax (Appeals). The additional liability in case of unfavourable decision would amount to Rs. 4.2 million. However, no provision has been made for this liability as in the opinion of the directors their case is strong and no additional liability is likely to arise.

#### 12. SHARE CAPITAL

##### Authorised

2,000,000 ordinary shares of Rs. 10 each	120,000	120,000
--	---------	---------

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

**Issued, subscribed and paid up**

4,323,000 ordinary shares of Rs. 10 each fully paid in cash	-----	43,230	43,230
--	-------	--------	--------

3,444,888 ordinary shares of Rs. 10 each issued as fully paid bonus shares		34,449	34,449
---	--	--------	--------

----- 7,767,888	Rupees	77,679	77,679
--------------------	--------	--------	--------

**13. SURPLUS ON REVALUATION OF FIXED ASSETS**

Balance at beginning of the period		53,095	--
Surplus on revaluation		--	53,095
Released to profit and loss account on assets disposals		(778)	--
		-----	-----
		52,317	53,095

**14. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE**

Minimum lease rentals at beginning of the period		9,001	14,471
Less: Payments during the period		(5,753)	(5,470)
		-----	-----
		3,248	9,001
Less: Transferred to current maturity		(174)	(5,566)
Liability adjusted against security deposits		(2,986)	--
Excess liability transferred to income		(88)	--
		-----	-----
		--	3,435

**15. CONTINGENCIES AND COMMITMENTS**

15.1 National Development Finance Corporation has claimed Rs.0.703 million (1994: Rs. 0.703 million), against the company relating to commitment fee against the sanctioned financing facility which was surrendered by the company. The company has not acknowledged this claim.

15.2 Claim against the company by a supplier relating to mark-up on balance amounting to Rs. 0.102 million ( 1994: Rs. 0.102 million).

15.3 The Deputy Collector of Sales Tax has issued show cause notice to the company alongwith other similar units alleging that between 01 July 1990 to 17 October 1993, the company has supplied track and bus chassis with and without cabins, without recovering sales tax. The company has filed an application for exemption under section 65 of the Sales Tax Act, 1990. Pending decision on the application for exemption, the Central Board of Revenue has granted stay against the show cause proceedings. The company's legal advisors are hopeful that exemption under section 65 will be accorded.

15.4 The company's bankers have issued bank guarantees amounting to Rs. 9.67 million against supply of vehicles to various government authorities.

	Six	Year	Eighteen	Year
	months ended	ended	months	ended
	30 June	30 June	30 June	31 December
	1995	1996	1996	1994
	Rs'000	Rs'000	Rs'000	Rs'000

**16. SALES AND SERVICES**

Sales and services	362,430	859,674	1,222,104	294,490
Less: Commission and Selling expenses	( 1,036)	(5,491 )	(6,527)	( 1,239)
Commission written back	--	3,451	3,451	--
	-----	-----	-----	-----
	361,394	857,634	1,219,028	293,251

**17. COST OF GOODS SOLD**

Raw materials consumed	17.1	179,465	623,987	803,452	178,518
Stores and spares consumed		1,683	7,593	9,276	2,749
Salaries, wages and other benefits		3,140	10,428	13,568	8,453
Insurance		219	956	1,175	253
Fuel and power		76	583	659	269
Printing and stationery		33	76	109	38
Travelling		21	77	98	47
Postage and telephone		64	394	458	523
Write back of excess provisions		--	--	--	(4,741)
Depreciation	3.1	2,498	5,630	8,128	4,411
Repairs and maintenance		198	656	854	334
Material handling		155	366	521	437
Test and trial for new models		--	--	--	11
Royalty expenses		--	1,326	1,326	--
Technical assistance fee		--	807	807	--
Cost of body fabrication		--	3,075	3,075	4,498
Cost of parts for sale		3,560	11,407	14,967	14,422
Other manufacturing expenses		704	693	1,397	766
Opening stock of work in process		15,278	14,201	15,278	9,137
Closing stock of work in process		(14,201)	(14,923)	(14,923)	(15,278)
-----					
Cost of goods manufactured		197,893	667,332	860,225	204,847
Opening stock of finished goods		224,883	99,273	224,883	298,711
Closing stock of finished goods		(99,273)	--	--	(224,883)
-----					
		318,503	766,605	1,085,108	278,675
=====					

**17.1 Raw materials consumed**

Opening stock		201,339	87,631	201,339	285,734
Add: Purchases		65,757	801,768	867,525	94,123
-----					
		267,096	889,399	1,068,864	379,857
Closing stock		(87,631)	(265,412)	(265,412)	(201,339)
-----					
		179,465	623,987	803,452	178,518
=====					

**18. ADMINISTRATION AND SELLING EXPENSES**

Salaries, wages, and other benefits		6,900	19,152	26,052	14,311
Directors' fee		13	13	26	19
Rent, rates and taxes		440	1,053	1,493	770
Insurance		606	2,221	2,827	1,834
Repairs and maintenance		522	2,263	2,785	789
Office renovation		--	743	743	---
Auditors' remuneration	18.1	17	76	93	49
Depreciation	3.1	1,911	3,717	5,628	4,334
Advertising and sales promotion		247	1,975	2,222	953
Warranty		71	152	223	116
Travelling		1,570	1,025	2,595	1,895
Legal and professional charges		374	1,915	2,289	1,352
Motor running expenses		561	789	1,350	865
Utilities		1,127	2,951	4,078	2,510
Printing and stationery		434	1,680	2,114	1,388
Newspapers and periodicals		5	23	28	10
Security expenses		465	638	1,103	816
Stock, storage and diversion charges		--	2,974	2,974	--
Others		1,502	2,119	3,621	2,565
-----					
		16,765	45,479	62,244	34,576
=====					

**18.1 Auditors' remuneration**

Audit fee		15	40	55	30
Workers profit participation fund and provident fund		--	4	4	5
Out of pocket expenses		2	32	34	14
-----					
		17	76	93	49
=====					

**19. OTHER INCOME**

Return on investment		--	302	302	--
----------------------	--	----	-----	-----	----

Sale of wood scrap	246	573	819	557
Miscellaneous income	--	2.14	2,139	--
Service fee/Warranty claim	--	4,052	4,052	--
Gain on sale of fixed assets	--	615	615	100
	-----	-----	-----	-----
	246	7,681	7,927	657
	=====	=====	=====	=====

**20. FINANCIAL CHARGES**

Markup and excise duty on running finance	19,575	17,989	37,564	41,768
Markup on customers' advances	(4,355)	(5,389)	(9,744)	--
Lease finance charges	560	231	791	2,067
Bank charges	70	304	374	276
Exchange loss	2,079	865	2,944	--
	-----	-----	-----	-----
	17,929	14,000	31,929	44,111
	=====	=====	=====	=====

**11. TRANSACTIONS WITH ASSOCIATED COMPANIES**

Aggregate amounts in respect of:

Good sold to associated companies	--	19,630	19,630	10,686
	=====	=====	=====	=====
Purchases made from associated undertakings	8,859	799,991	808,850	67,481
	=====	=====	=====	=====
Cost allocated by associated undertaking	4,800	9,600	14,400	9,600
	=====	=====	=====	=====
Commission paid to associated undertaking	492	4,420	4,912	663
	=====	=====	=====	=====
Insurance charged by associated undertaking	825	5,353	6,178	282
	=====	=====	=====	=====
Fixed assets purchased from associated undertaking	658--		658--	
	=====	=====	=====	=====

**22. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES**

	1995-96			1994		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
	(Rupees in '000)			(Rupees in '000)		
Meeting fee	24	2	--	17	2	--
Remuneration	--	1,971	5,050	--	732	2,535
Provident fund	--	9	207	--	34	78
Utilities	--	--	615	--	--	757
Medical	--	--	215	--	--	142
	-----	-----	-----	-----	-----	-----
	24	1,982	6,087	17	768	3,512
	=====	=====	=====	=====	=====	=====
Number of persons		1	19		1	19

Certain executives of the company are provided with free use of cars.

**23. PLANT CAPACITY AND PRODUCTION**

The production capacity of the plant cannot be determined as this depends upon the relative production of various types of trucks and bus chassis.

**24. GENERAL**

24.1 Previous year's amounts have been rearranged wherever necessary, to facilitate comparison.

24.2 Figures have been rounded off to the nearest thousand of Rupees.

**PATTERN OF SHAREHOLDINGS**

AS AT 30th JUNE 1996.

Sr. No.	Number of Share Holders	Total Shares		Percentage	
		Shareholdings	held		
1	242	1	100	9051	0.1165
2	267	101	500	65143	0.8386
3	212	501	1000	163612	2.1062
4	177	1001	5000	350222	4.5085
5	12	5001	10000	77350	0.9957
6	10	10001	15000	122531	1.5774
7	1	15001	20000	16171	0.2081
8	2	20001	25000	42449	0.5464
9	1	25001	30000	27850	0.3585
10	2	35001	40000	75306	0.9694
11	1	50001	55000	52468	0.6754
12	1	65001	70000	66483	0.8558
13	1	105001	110000	107991	1.3902
14	1	195001	200000	195843	2.5211
15	1	775001	780000	777148	10.0046
16	1	1165001	1170000	1166171	15.0127
17	1	1620001	1625000	1624271	20.9100
18	1	2825001	2830000	2827830	36.4040
	934			7767890	100.0000

Sr. No.	Categories of Share Holders	Number of Share		Percentage
		Holder	Shares Held	
1	Individuals	912	921306	11.8604
2	Investment Companies	1	172	0.0022
3	Insurance Companies	2	66893	0.8611
4	Joint Stock Companies	7	2844210	36.6149
5	Financial Institutions	5	1773914	22.8364
6	Modaraba Companies	1	10133	0.1304
7	Foreign Companies	3	2139162	27.5385
8	Non-Resident (Pak Rs.)	3	12100	0.1557
TOTAL:		934	7767890	100.00