

GHANDHARA NISSAN DIESEL LIMITED

Annual Report 1997

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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. Mitsuo Doi	
Mr. Mohammad Nasim Khan	
Mr. Behram Hassan	

SECRETARY

Mr. Aqiel Amjad Ghani

REGISTERED OFFICE

Gandhara 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 Ltd.
The Bank of Tokyo - Mitsubishi, Ltd.
Credit Agricole Indosuez
Mashreq Bank psc.
Emirates Bank International PJSC.
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.
Askari Commercial Bank Ltd.
Bolan Bank Ltd.

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 11th Annual General Meeting of Shareholders of Ghandhara Nissan Diesel Limited will be held on Wednesday, the 31 st December, 1997 at 11.00 A.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 year ended 30th June, 1997.
2. To approve the final dividend @15% i.e. Rs 1.50 per share for the year ended 30th June, 1997, as recommended by the Board of Directors.
3. To appoint Auditors for the year ending 30th June, 1998 and to fix their remuneration. The retiring Auditors, Messrs: Taseer Hadi Khalid & Co., Chartered Accountants, being eligible offer themselves for reappointment.
4. To transact any other business with the permission of the Chairman.

NOTES:

1. The Share Transfer Books of the Company will remain closed from 29th December, 1997 to 5th January, 1998, (both days inclusive).
2. 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.
3. 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 is with immense pleasure that we present to you the Eleventh Annual Report of your Company, and our heads bow down in gratitude before Almighty Allah at the results for the year under review. The company has successfully wiped off all losses incurred in year 1994, and made a substantial profit.

OPERATING RESULTS

The pretax profit for the year is Rs. 101.28 million as against Rs. 45.29 million for the eighteen months ended 30th June 1996, which is an increase of 123.62%. Likewise, the gross profit for the year under review is Rs. 185.93 million as against Rs. 133.92 million for the eighteen months ended 30th June 1996. In terms of percentage it works out to 15.82 as against 10.98 previously.

A comparison of production and sales during the year with that of the preceding eighteen months is given below :-

Year ended 30th June, 1997
Trucks & Buses (Units)

Eighteen Months ended 30th June, 1996
Trucks & Buses (Units)

Production	Sales	Production	Sales
789	724	528	853
			(Including 241 CBU)

The operating results are as follows :-

	Year ended ended 30th June, 1997	Eighteen months ended 30th June, 1996
(Rupees in thousands)		
Sales and Services	1,175,322	1,219,028
Gross Profit	185,925	133,920
Provision for taxation (net)	27,834	6,171
Unappropriated Loss B/F	(3,323)	(42,442)
Transfer to General Reserve	36,000	--
Dividend		
- Interim @ 15% (1996 - Nil)	11,652	--
- Proposed Final @ 15% (1996 - Nil)	11,652	--
	-----	-----
	23,304	--
Unappropriated profit/(loss) carried forward	10,819	(3,323)

DIVIDEND

Your Directors are pleased to state that the losses suffered in 1994 having been completely wiped off and the financial health of company having been restored, an interim dividend of 15% was declared in February 1997, and your directors now propose a final dividend of 15% making a total of 30% for the year under review.

APPOINTMENT OF AUDITORS

The retiring auditors M/s. Taseer Hadi Khalid & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment.

PATTERN OF SHARE HOLDINGS

The pattern of Share holdings of the Company as at 30th June, 1997 is given on page 26.

BOARD OF DIRECTORS

The casual vacancy caused by the resignation of Mr. K. Nakamura was filled up by the appointment of Mr. Norio Abe, nominee of Nissan Diesel Motor Co. Ltd., Japan, on 5th December 1996. Your directors take this opportunity of expressing their appreciation for the services rendered by Mr. Nakamura and welcome Mr. Abe on the Board of Directors.

ASSISTANCE BY OUR PRINCIPALS

Your Directors would like to express their deep appreciation to your Company's Principals, M/s. Nissan Diesel Motor Company Limited, Japan, and M/s Tomen Corporation, for their cooperation and particularly for help and assistance to make the company profitable during the year. We look forward to furtherance of this most cordial relationship in years ahead.

LABOUR - MANAGEMENT RELATIONS

Your Directors are pleased to report a very satisfactory working relationship between the Management and the Labour.

MANAGEMENT / STAFF / WORKERS / DEALERS / VENDORS

The Management, Staff, Workers, CBA, Dealers and Vendors have all played a commendable role in the progress of your company, and it is hoped that they will continue to put in their best in future.

FUTURE PROSPECTS

The company is hopefully looking forward to an upturn in Pakistan's economy, so that the favourable results of the year continue in the years ahead.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of GHANDHARA NISSAN DIESEL LIMITED as at 30 June 1997 and the related Profit and Loss Account and Statement of Changes in Financial Position, 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 period 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, 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 1997 and of the profit and the changes in financial position for the year then ended; and

(d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS

KARACHI: 8th December, 1997.

BALANCE SHEET**AS AT 30 JUNE, 1997**

	NOTE	1997 Rs '000	1996 Rs '000
TANGIBLE FIXED ASSETS	3	110,853	112,227
CAPITAL WORK-IN-PROGRESS		--	1,060
DEPOSIT AGAINST LEASE FACILITY		487	106
CURRENT ASSETS			
Stores, spares and loose tools	4	4,172	3,445
Stock in trade	5	289,861	296,699
Trade debtors - unsecured considered good	6	27,569	4,518
Advances, deposits, prepayments and other receivables	7	166,329	155,887
Cash and bank balances	8	3,062	37,643
		490,993	498,192
LESS: CURRENT LIABILITIES			
Current maturity of lease facility		1,336	174
Finance under mark-up arrangements - secured	9	120,303	55,519
Bills payable		57,694	187,397
Creditors, accrued expenses and other liabilities	10	140,476	180,035
Unclaimed dividends		301	42

Proposed dividend		11,652	--
Taxation	11	89,579	59,103
		-----	-----
		421,341	482,270
NET CURRENT ASSETS		69,652	15,922
		-----	-----
		180,992	129,315
		=====	=====
		1997	1996
	NOTE	Rs '000	Rs '000
SHARE CAPITAL	12	77,679	77,679
GENERAL RESERVE		36,000	--
UNAPPROPRIATED PROFIT/ (ACCUMULATED LOSS)		10,819	(3,323)
		-----	-----
		124,498	74,356
SURPLUS ON REVALUATION OF FIXED ASSETS	13	51,561	52,317
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	14	2,660	--
DEFERRED LIABILITIES	15	2,273	2,642
CONTINGENCIES AND COMMITMENTS	16		
		-----	-----
		180,992	129,315
		=====	=====

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

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 1997**

		Year ended 30 June 1997 Rs '000	Eighteen months period ended 30 June 1996 Rs '000
	Note		
Sales and service - Net	17	1,175,322	1,219,028
Cost of goods sold	18	989,397	1,085,108
		-----	-----
Gross profit		185,925	133,920
Administration and selling expenses	19	58,875	62,244
		-----	-----
Operating Profit		127,050	71,676
Other income	20	5,284	7,927
		-----	-----
		132,334	79,603
Financial charges	21	23,592	31,929
Workers' profit participation fund		5,437	2,384
Workers' welfare fund		2,025	--
		-----	-----
		31,054	34,313
		-----	-----
Profit before taxation		101,280	45,290
Provision for taxation			
Current year		30,476	6,094
Deferred		(2,642)	77
		-----	-----
		27,834	6,171
Profit after taxation		73,446	39,119

(Accumulated Loss) brought forward	(3,323)	(42,442)
	-----	-----
	70,123	(3,323)
APPROPRIATION:		
Transferred to general reserve	36,000	--
Interim dividend @ 15% (1996: Nil)	11,652	--
Proposed Final dividend @ 15% (1996: Nil)	11,652	--
	-----	-----
	59,304	
	-----	-----
Unappropriated profit/(accumulated loss) carried forward	10,819	(3,323)
	=====	=====

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

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE, 1997

	Year ended 30 June 1997 Rs '000	Eighteen months period ended 30 June 1996 Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	101,280	45,290
Adjustments for :		
Depreciation	10,603	13,756
Provision for staff gratuity	2,273	--
Mark- up and lease finance charges	15,953	38,355
Gain on sale of fixed assets	(664)	(615)
Return on investment	(1,671)	--
	-----	-----
	127,774	96,786
Changes in operating assets and liabilities		
(Increase)/Decrease in stores, spares & loose tools	(727)	(704)
Decrease in stock in trade	6,838	163,881
Decrease/ (Increase) in Trade debtors	(23,051)	32,985
Decrease/ (Increase) in Advances, deposits & prepayments	25,701	(43,931)
Increase/ (Decrease) in Bills payable	(129,703)	140,339
(Decrease)/ Increase in Trade creditors	(39,326)	(21,630)
	-----	-----
	(160,268)	270,940
	-----	-----
	(32,494)	367,726
Interest paid	(13,888)	(48,447)
Income tax paid	(38,442)	(16,729)
	-----	-----
	(52,330)	(65,176)
	-----	-----
	(84,824)	302,550
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(4,685)	(5,878)
Payment of dividend	(11,393)	--
Return on investment	1,671	--
Sales proceed of fixed assets sold	1,396	628
	-----	-----
Net cash flows from investing activities	(13,011)	(5,250)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance lease liability	(1,531)	(5,753)
Net cash flow from financing activities	(1,531)	(5,753)
	-----	-----
Net increase in cash and bank balances and finance under mark-up arrangements	(99,366)	291,547

Cash and bank balances and finance under mark-up

arrangements at beginning of the year	(17,876)	(309,423)
Cash and bank balances and finance under	-----	-----
mark-up arrangements at end of the year	(117,242)	(17,876)
	=====	=====

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 1997

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 Karachi and Lahore Stock Exchanges. The principal activity of the Company is the assembly and progressive manufacturing 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 profit and loss account 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 periods in a 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. Effective from current year, the company has started a gratuity scheme for all of its employees. Provision is made for the benefits payable under the scheme.

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 (excluding timing difference due to revaluation of assets) 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 into 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. Exchange differences are charged to 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.

2.10 Warranty obligation

These are accounted for on accrual basis based on estimates of such obligations to the extent of non-reimbursable portion of the cost.

3. TANGIBLE FIXED ASSETS

NAME OF ASSET	COST			Rate %	DEPRECIATION			WRITTEN DOWN VALUE AS AT 30 JUNE 1997
	AS AT 01 JULY 1996	ADDITIONS/ (DISPOSAL)	AS AT 30 JUNE 1997		AS AT 01 JULY 1996	FOR THE YEAR (ON DISPOSAL)	AS AT 30 JUNE 1997	
	Rs '000	Rs '000	Rs '000		Rs '000	Rs '000	Rs '000	
OWNED:								
Freehold land	25,882	--	25,882	--	--	--	--	25,882
Plant building - freehold land	38,488	1,708	40,196	2.50	1,443	1,005	2,448	37,748
Plant and machinery	37,301	93	37.39	10.00	5,565	3,739	9,304	28,090
Furniture and fixtures	219	1,561	1,780	12.50	28	223	251	1,529
Vehicles	20,715	1.77 (975)	21,511	20.00	5,946 (293)	4,302	9,955	11,556
Office equipment	292	21	313	12.50	54	39	93	220
Computers	316	341	657	12.50	44	82	126	531
Telephone System	429	17	446	12.50	79	56	135	311
Electrical equipment	1,200	214	1,414	12.50	205	177	382	1,032
Fire fighting equipment	54	19	73	10.00	5	7	12	61
	124,896	5,745	129,666		13,369	9,630	22.71	106,960
LEASED:		(975)			(293)			

Vehicles	1,000	4,866 (1,000)	4,866	20.00	300 (300)	973	973	3,893
	-----	-----	-----		-----	-----	-----	-----
	1,000	3,866	4,866		--	973	973	3,893
1997	125,896	10,611 (1,975)	134,532		13,669 (593)	10,603	23,679	110,853
	=====	=====	=====		=====	=====	=====	=====
1996	122,381	3,515	125,896		4,321	9,348	13,669	112,227
	=====	=====	=====		=====	=====	=====	=====

3.1 Depreciation has been allocated as follows:

	Note	Year ended 30 June 1997 Rs '000	Eighteen months period ended 30 June 1996 Rs '000
Cost of goods sold	18	5,828	8,128
Administration and selling expenses	19	4,775	5,628
		-----	-----
		10,603	13,756
		=====	=====

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	
	1997 Rs '000	1996 Rs '000
Owned		
Freehold land	16,292	16,292
Plant building - freehold land	27,254	26,421
Plant and machinery	6,608	9,693
Furniture and fixtures	1,757	510
Vehicles	3,846	4,771
Office equipment	71	89
Computers	878	802
Telephone system	113	150
Electrical equipment	944	980
Fire fighting equipment	57	67
	-----	-----
	57,820	59,775
Leased:		
Vehicles	3,893	317
	-----	-----
	61,713	60,092
	=====	=====

3.4 Disposal of Fixed Assets

Particulars of disposal	Cost	Book Value	Sales Proceeds	Mode of Sale	Sold to
	(Rupees in '000)				
Nissan Sunny (U-4272)	600	420	322	Negotiation	Mr. Akram M. Ghauri 53/A, Main Gulberg Lahore. Ex-Chief Executive Officer
Nissan Pickup (KF-3224)	375	262	263	Negotiation	Mr. Akram M. Ghauri 53/A, Main Gulberg Lahore. Ex-Chief Executive Officer
Nissan Path Finder (BC-2592)	1,000	700	634	Negotiation	Mr. Akram M. Ghauri 53/A, Main Gulberg Lahore. Ex-Chief Executive Officer
Nissan Pickup (CD-2455)	--	--	177	Tender	Muhammad Ishtiaq A-395, 396 Masroor Hawksbay Road, Maripur, Karachi-24.
TOTAL	1,975	1,382	1,396		

4. STORES, SPARES AND LOOSE TOOLS

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

	1997 Rs '000	1996 Rs '000
5. STOCK IN TRADE		
Raw material in transit	25,681	95,000
Raw material	136,270	170,412
Work in process	25,419	14,923
Spare parts for sale	21,174	16,364
Finished goods	81,317	--
	289,861	296,699

	1997 Rs '000	1996 Rs '000
6. TRADE DEBTORS -unsecured considered good		
Spare parts	6,285	3,356
Vehicles	15,827	--
Due from associated undertakings	6.1 5,457	1,162
	27,569	4,518

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. 9.234 million (1996:15.3 million)

7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Short term advances - unsecured considered good	1997 Rs '000	1996 Rs '000
Staff	1,048	661
Taxation - Income Tax	139,369	103,226
-- Sales Tax	1,513	17,993
Contractors and suppliers	16,274	4,246

Letter of credit margin		--	13,316
Letter of credit opening charges		648	583
		-----	-----
		158,852	140,025
Deposits			
Security deposits		184	184
Earnest money		477	1,395
		-----	-----
		661	1,579
Prepayments		416	361
Other receivables			
Due from associated undertakings	7.1	1,713	9,806
TP deposit		2,431	3,816
Others		2,256	300
		-----	-----
		6,400	13,922
		166,329	155,887
		=====	=====

7.1 Other receivables from associated undertakings included Rs. 4.5 million last year in respect of diversion charges which were pending settlement but after negotiations these charges have been charged to profit and loss account.

	1997	1996
	Rs '000	Rs '000
8. CASH AND BANK BALANCES		
Cash in hand	35	35
At banks - on current accounts	3,027	27,608
- on deposit accounts	--	10,000
	-----	-----
	3,062	37,643
	=====	=====
9. FINANCE UNDER MARKUP ARRANGEMENTS - Secured	120,303	55,519
	=====	=====

The company has aggregate facilities of Rs. 137 million (1996: Rs. 112 million) from various banks. The rates of markup range between Rs. 0.411 to Rs. 0.5205 per thousand per day. In addition, the company has facilities for letters of credit of Rs. 390 million (1996: Rs. 220 million).

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

10. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Sales tax payable		3,249	--
Creditors for goods and services		29,504	13,022
Due to associated undertakings		4,350	6,771
Accrued expenses		26,594	5,258
Accrued markup		4,353	2,288
Advances from customers		63,520	146,743
Accrued markup on customers' advances		599	599
Security deposits		150	50
Tax deducted payable to authorities		83	396
Workers' profit participation fund	10.1	5,437	2,384
Workers' welfare fund		2,025	2,299
Others		612	225
		-----	-----
		140,476	180,035
		=====	=====
10.1 Workers' profit participation fund			
Balance as at 01 July 1997		2,384	421
Allocation for the period		5,437	1,963
		-----	-----
Amount available		7,821	2,384
Return on fund utilised in company's business		458	
		-----	-----

	8,279	2,384
Less: Paid during the year	(2,842)	--
	-----	-----
Balance as at 30 June 1997	5,437	2,384
	=====	=====

11. TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1995-96. The assessment orders for the years 1989-90 to 1994-95 are under appeal with the Appellate Tribunal and assessment order for the year 1995-96 is 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.

	1997 Rs '000	1996 Rs '000
12. SHARE CAPITAL		
Authorised		
12,000,000 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 year	52,317	53,095
Released to profit and loss account on assets disposals	(756)	(778)
	-----	-----
	51,561	52,317
	=====	=====

14. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

Minimum lease rentals at beginning of the year	174	9,001
Additions during the period	4,866	--
	-----	-----
	5,040	9,001
Less: Payment during the year	(1,044)	(5,753)
Liability adjusted against security deposits	--	(2,986)
Excess liability transferred to income	--	(88)
	-----	-----
	(1,044)	(8,827)
	-----	-----
	3,996	174
Less: Transferred to current maturity	(1,336)	(174)
	-----	-----
	2,660	--
	=====	=====

14.1 Approximate discounting factor ranges from 19.32% to 21.52% per annum. The future commitments for minimum lease payments under various lease arrangements are as follows:

	Rs '000
1997-98	2,020
1998-99	2,020
1999-2000	992

	5,032

Less: Financial charges allocated to future period	(1,036)	

	3,996	
	=====	
	1997	1996
	Rs '000	Rs '000

15. DEFERRED LIABILITIES

Taxation	--	2,642
Staff gratuity	2,273	--
	-----	-----
	2,273	2,642
	=====	=====

16. CONTINGENCIES AND COMMITMENTS

16.1 National Development Finance Corporation has claimed Rs.0.703 million (1996: 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.

16.2 Claim against the company by a supplier relating to mark-up on balance amounting to Rs. 0.102 million (1996: Rs. 0.102 million).

16.3 The Deputy Collector of Sales Tax has issued show cause notice to the company along with other similar units alleging that between 01 July 1990 to 17 October 1993, the company has supplied truck 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.

16.4 The company's bankers have issued bank guarantees amounting to Rs.2.4 million against supply of vehicles to various government authorities (1996: Rs. 9.670 million).

16.5 Post dated cheques held by Collector of Customs as a security against the concessional rate of duty amounted to Rs. 84.145 million (1996: Rs. 150.962 million).

	Year ended	Eighteen months period ended
	30 June	30 June
	1997	1996
	Rs '000	Rs '000

17. SALES AND SERVICES

Sales and services	1,190,598	1,222,104
Less :Commission and Selling expenses	(15,276)	(6,527)
Commission written back	--	3,451
	-----	-----
	1,175,322	1,219,028
	=====	=====

18. COST OF GOODS SOLD

Raw materials consumed	18.1	1,012,000	803,452
Stores and spares consumed		17,243	9,276
Salaries, wages and other benefits		17,794	13,568
Insurance		1,070	1,175
Fuel and power		2,199	659
Printing an stationery		199	109
Travelling		309	98
Postage and telephone		194	458
Depreciation	3.1	5,828	8,128
Repairs and maintenance		1,039	854
Material handling		938	521
Royalty expenses		3,801	1,326
Technical assistance fee		--	807
Cost of body fabrication		3,927	3,075
Cost of parts sold		13,427	14,967
Other manufacturing expenses		1,242	1,397
Opening stock of work in process		14,923	15,278

Closing stock of work in process	(25,419)	(14,923)
	-----	-----
Cost of goods manufactured	1,070,714	860,225
Opening stock of finished goods	--	224,883
Closing stock of finished goods	(81,317)	--
	-----	-----
	989,397	1,085,108
	=====	=====

18.1 Raw materials consumed

Opening stock	265,412	201,339
Add: Purchases	908,539	867,525
	-----	-----
	1,173,951	1,068,864
Less: Closing stock	(161,951)	(265,412)
	-----	-----
	1,012,000	803,452
	=====	=====

19. ADMINISTRATION AND SELLING EXPENSES

Salaries, wages, and other benefits		22,324	26,052
Directors' fee		13	26
Rent, rates and taxes		1,400	1,493
Insurance		2,923	2,827
Repairs and maintenance		2,604	2,785
Office renovation		1,391	743
Auditors' remuneration	19.1	60	93
Depreciation	3.1	4,775	5,628
Advertising and sales promotion		5,130	2,222
Warranty'		500	223
Travelling		2,288	2,595
Legal and professional charges		1,600	2,039
Fee and subscriptions		366	250
Motor running expenses		895	1,350
Utilities		3,000	4,078
Printing and stationery		1,671	2,114
Newspapers and periodicals		43	28
Security expenses		904	1,103
Stock, storage and diversion charges	7.1	4,449	2,974
Others		2,539	3,621
		-----	-----
		58,875	62,244
		=====	=====

19.1 Auditors' remuneration

Audit fee		40	55
Workers profit participation fund and provident fund		--	4
Out of pocket expenses		20	34
		-----	-----
		60	93
		=====	=====

20. OTHER INCOME

Return on investment		1,671	302
Sale of wood scrap		1,200	819
Service fee/Warranty claim		1,669	4,052
Gain on sale of fixed assets		664	615
Miscellaneous income		80	2,139
		-----	-----
		5,284	7,927
		=====	=====

21. FINANCIAL CHARGES

Markup and excise duty on running finance		15,187	37,564
Markup on customers' advances		--	(9,744)
Lease finance charges		766	791
Bank charges		305	374
Mark-up on WPP Fund utilised		458	--

Exchange loss	6,876	2,944
	-----	-----
	23,592	31,929
	=====	=====
	Year ended	Eighteen months period ended
	30 June	30 June
	1997	1996
	Rs '000	Rs '000

22. TRANSACTIONS WITH ASSOCIATED COMPANIES

Aggregate amounts in respect of:

Goods sold to associated company	4,718	19,630
	=====	=====
Purchases made from associated undertakings	774,154	808,850
	=====	=====
Cost allocated by associated undertaking	9,600	14,400
	=====	=====
Commission paid to associated undertaking	7,287	4,912
	=====	=====
Insurance charged by associated undertaking	8,248	6,178
	=====	=====
Fixed assets purchased from associated undertaking	--	658
	=====	=====

23. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	1997			1996			1996
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives	Executives
	(Rupees in '000)			(Rupees in '000)			
Meeting fee	12	1	--	24	2	--	
Remuneration	--	1,140	6,765	--	1.97	5,050	
Provident fund	--	--	207	--	9	207	
Utilities	--	133	468	--	--	615	
Medical	--	--	338	--	--	215	
	-----	-----	-----	-----	-----	-----	
	12	1,274	7,778	24	1,982	6,087	
	=====	=====	=====	=====	=====	=====	
Number of persons	8	1	22	9	1	19	

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

24. 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.

25. GENERAL

25.1 Previous year's amount have been rearranged, wherever necessary, to facilitate comparison.

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

PATTERN OF SHAREHOLDINGS

AT 30th JUNE 1997.

Sr. No.	Number of Share Holders	Shareholdings	Total Shares held	Percentage	
1	394	1	100	15672	0.2017
2	297	101	500	73585	0.9472
3	162	501	1000	127438	1.6405
4	141	1001	5000	284654	3.6644
5	9	5001	10000	62067	0.7990

6	7	10001	15000	82007	1.0557
7	2	15001	20000	33771	0.4347
8	1	20001	25000	20987	0.2701
9	2	25001	30000	54050	0.6958
10	1	35001	40000	39043	0.5026
11	1	40001	45000	40154	0.5169
12	1	50001	55000	52468	0.6754
13	1	65001	70000	66483	0.8558
14	1	105001	110000	107991	1.3902
15	1	775001	780000	777148	10.0046
16	1	1165001	1170000	1166171	15.0127
17	1	1935001	1940000	1936371	24.9278
18	1	2825001	2830000	2827830	36.4040
	1024			7767890	100.0000

Categories of Share Holders	Number of Share Holders	Shares Held	Percentage
Individuals	1003	807451	10.3947
Investment Companies	1	11572	0.1489
Insurance Companies	2	66893	0.8611
Joint Stock Companies	6	2830074	36.4329
Financial Institutions	5	2089905	26.9044
Modaraba Companies	1	933	0.0120
Foreign Companies	3	1948962	25.0899
Non-Resident (Pak Rs.).	3	12100	0.1557
	-----	-----	-----
TOTAL:	1024	7767890	100.0000
	=====	=====	=====