

Agriauto Industries Limited

Annual Report 1998

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COMPANY INFORMATION

BOARD OF DIRECTORS

R.D. Minwalla	Chairman
Syed Ikram Haider	Chief Executive
Rais Ahmed	
Mansoor G. Habib	
Tayyab Afzal	
Sohail P. Ahmed	
Asfandiyar R. Minwalla	
Owaisul Mustafa	

COMPANY SECRETARY

Syed Ikram Haider

AUDITORS

Feroze Sharif Tariq & Company
Chartered Accountants

SHARE REGISTRAR

Noble Computer Services (Pvt) Ltd.,
2rid Floor, AI-Manzoor Building,
Dr. Ziauddin Ahmed Road,
Karachi.

REGISTERED OFFICE

Agriauto Industries Ltd.
11, Banglore Town Housing Society,
Main Shahrach-e-Faisal,
Karachi-75350
Pakistan.

FACTORY

Mouza Baroot,
Hub Chowki, Distt, Lasbella,
Balochistan.

NOTICE OF MEETING

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Company will be held on Tuesday, December 22, 1998 at 11:30 a.m. at the Institute of Chartered Accountants of

Pakistan situated at G-13, Block 8, Kehkashan, Clifton, Karachi - 75350.

1. To approve the Audited Accounts for the year ended June 30, 1998, and the Director's and Auditor's Report thereon.
2. To appoint Auditors for the year ending June 30, 1999 and fix their remuneration. M/s. Feroze Sharif Tariq & Co., Chartered Accountants retire and being eligible, offer themselves for reappointment as the auditors of the Company for the year ending June 30, 1999. A shareholder of the Company has given notice under Section 253 of the Companies Ordinance, 1984 for the appointment of Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants, to be the auditors of the Company for the year ending June 30, 1999.
3. Any other business with the permission of the Chair.

By order of the Board.

SYED IKRAM HALDER

Chief Executive &
Company Secretary

Karachi: December 01, 1998

NOTES:

1. The share transfer books of the Company will remain closed from December 16, 1998 to December 22, 1998. (both days inclusive)
2. A member entitle to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received at the registered office of the Company duly stamped and signed not less than 48 hours before the time of holding the meeting.
3. Members are requested to promptly communicate any change in their addresses to our Share Registrar, Noble Computer Services (Pvt.) Ltd.

DIRECTORS REPORT

1. The Directors of the Company take pleasure in submitting their report alongwith the audited accounts of the Company, and Auditors Report thereon, for the year ended June 30, 1998 as follows:

	(Rupees in Thousand)
Profit before Taxation	4,102
Provision for Taxation	1,210

Profit after taxation	2,892
Add: Unappropriated loss brought forward	(32,368)

Unappropriated loss carried forward	(29,476)
	=====

2. CHAIRMAN'S REVIEW

The chairman's Review on page 5 and 6 deals with the year's activities and Directors of the Company endorse contents of the same

3. PATTERN OF SHAREHOLDINGS

The Pattern of shareholdings is provided on page 26.

4. CHANGE IN THE BOARD OF DIRECTORS

Mr. Keith S. Stack and Mr. Hassan Irshad has resigned and in their place the nominee of House of Habib Mr. Tayyeb Afzal and Mr. Mansoor G. Habib has been appointed.

5. AUDITORS

M/s. Feroze Sharif Tariq & Co. Chartered Accountants retire and being eligible, offer themselves for reappointment as the auditors of the Company for the year ending June 30, 1999.

A shareholder of the Company has given notice under Section 253 of the Companies Ordinance, 1984 for the appointment of Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants, to be the auditors of the Company for the year ending June 30, 1999.

By order of the Board.

SYED IKRAM HAIDER

Chief Executive

Karachi: October 23, 1998

CHAIRMAN'S REVIEW

It is my great pleasure to welcome you to the 17th Annual General Meeting of Agriauto Industries Limited and present to you the report on the performance of the Company for the year ended June 30, 1998 alongwith the Auditors' Report.

1. THE ECONOMY & AUTOMOTIVE ENGINEERING SECTOR

The economic conditions remained very disturbed throughout the year 1997-98. The weak fiscal position, cuts in social development programmes, deficit balance of trade, rupee devaluation, high financial cost, free cross border trade, freezing of foreign currency accounts, levy of economic sanctions and deteriorating law and order situation created an atmosphere of uncertainty in the economy.

The Engineering Industry in the country especially the automotive and tractor component parts manufacturing was no exception. The automotive segment achieved a slight growth in the beginning of 1998 that was offset by the increased cost of raw materials and other inflationary trends. The Company's share in the replacement parts market increased slightly. However under-invoicing and smuggled parts continued to put the prices of our products under lot of pressure.

2. OPERATION FOR THE YEAR 1997-98

We are pleased to note that the sales achieved during the year 1997-98 were Rs. 238 million compared to Rs. 199 million of last year reflecting a growth of 19.6%. The Company was also able to achieve a turnaround situation and registered a pre-tax profit of Rs. 4 million.

The Company availed of the advantage under the State Bank of Pakistan's Incentive Scheme and paid all its overdue long-term loans.

3. FUTURE OUTLOOK

On the Government's request to all local Tractor manufacturers to reduce prices, the local parts manufacturer in turn have been asked to reduce prices. With shrinking margins

we are hoping that the increased volumes due to enhanced demand of new tractors and automobiles may help us slightly. The future of your Company, in fact our whole country, poses many challenges. We will continue to overcome this through hard work and continued focus on quality products and service, and discontinue unprofitable activities to enable the company to achieve better earnings and invest its depleted reserves prudently.

4. CHANGE IN THE BOARD OF DIRECTORS

During the course of the year AI-Futtaim Industries (Pvt.) Limited, Dubai has disinvested its shareholding in the Company. Mr. K.S. Stack and Mr. Hasan Irshad nominee Directors of AI-Futtaim resigned and in their place the House of Habib has nominated Mr. Tayyeb Afzal and Mr. Mansoor G. Habib. The Board wishes to thank Mr. Keith S. Stack and Mr. Hasan Irshad for their valuable contribution while serving on the Board of our Company.

5. HUMAN RESOURCE DEVELOPMENT

In-house training programs were organized to further improve the skill levels of workers and officers. These comprise training programmes related to Work Methods, Total Quality Management, Kaizen, Cost Effectiveness and Product Improvement.

6. INDUSTRIAL RELATIONS

The overall industrial relations climate remained cordial and satisfactory and the existing mutual trust and understanding between the Management and Workers continues to improve.

7. ACKNOWLEDGMENT

On behalf of the Board of Directors, I would like to place on record appreciation to all our Customers, Dealers and Suppliers for their valuable help, support and contribution to the affairs of the company. I am also grateful to all our Bankers for their continued support during these difficult and turbulent times.

We also wish to thanks to our overseas Technical collaborators, Arvin Engineering Industries of USA (for Shock Absorbers) and Kayaba Industry Company Ltd., Japan (for Gas-charged Shock Absorbers and Struts) for their technical help and advice.

Lastly, and by no means the least, your Board of Directors wishes to acknowledge the contribution of Management, Executive and Workers of your company who, under the leadership of your Chief Executive, Syed Ikram Haider has worked hard in achieving a creditable performance.

May Allah continue to bless our efforts.

R.D. MINWALLA

Chairman

Karachi. October 23, 1998

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the annexed Balance Sheet of M/s. Agriauto Industries Limited, as at June 30, 1998 and the related Profit & 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 purpose 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 & 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 the 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 object 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 & 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 respectively give a true and fair view of the State of the Company's affairs as at June 20, 1998 and of the Profit and the Changes in Financial position for the year then ended; and

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

FEROZE SHARIF TARIQ & COMPANY

CHARTERED ACCOUNTANTS

Karachi: October 23, 1998.

BALANCE SHEET AS AT JUNE 30, 1998

	NOTE	1998	1997
		(Rupees in Thousand)	
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORISED CAPITAL			
40 Million Ordinary Shares of Rs. 5/- each		200,000	200,000
		=====	=====
ISSUED, SUBSCRIBED & PAID UP CAPITAL	2	120,000	120,000
CAPITAL RESERVE	3	12,598	12,598
UNAPPOPRIATED PROFIT/(LOSS)		(29,476)	(32,368)
		-----	-----
		103,122	100,230
LONG TERM LOANS	4	20,077	4,937
CURRENT LIABILITIES			
Current Maturity of Long Term			
Liabilities and Finance Lease	5	14,522	38,270
Short Term Finances & Borrowings	6	35,517	58,437
Creditors, Accrued And Other Liabilities	7	74,578	88,065

Loan From Others	8	21,700	24,413
Workers' Profit Participation Fund	9	286	71
Workers' Welfare Fund		73	73
Provision For Taxation		1,191	2,150
		-----	-----
		147,867	211,479
CONTINGENCIES & COMMITMENTS	10	-	-
		-----	-----
		271,066	316,646
		=====	=====
PROPERTY AND ASSETS			
TANGIBLE FIXED ASSETS			
OPERATING FIXED ASSETS			
(at cost less accumulated depreciation)	11	110,025	112,246
CAPITAL WORK IN PROGRESS	12	3,642	29,643
		-----	-----
		113,667	141,889
LONG TERM DEPOSITS AND DEFERRED COST	13	6,514	7,604
CURRENT ASSETS			
Stock & Stores	14	91,396	102,897
Trade Debts	15	30,760	40,513
Advances, Deposits, Prepayments And Other Receivables	16	8,468	7,273
Advance Income Tax	17	20,196	14,172
Cash And Bank Balances	18	65	2,298
		-----	-----
		150,885	167,153
		-----	-----
		271,066	316,646
		=====	=====

The annexed notes form an integral part of these accounts.

KARACHI: October 23, 1998.

R.D. MINWALLA
Chairman

SYED IKRAM HAIDER
Chief Executive

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1998**

	NOTE	1998	1997
		(Rupees in Thousand)	
NET SALES	19	237,756	198,938
COST OF SALES	20	186,082	159,493
		-----	-----
GROSS PROFIT		51,674	39,445
Selling and Distribution Expenses	22	12,950	13,119
		26,763	24,630

OPERATING PROFIT		24,911	14,815
Financial Charges	23	19,744	29,237
		5,167	(14,422)
Other Income / (Loss)	24	(1,236)	476
		3,931	(13,946)
Write-off of Mobike Stock	25	(12,318)	-
Prior Period Adjustment	26	12,705	-
Worker's Profit Participation Fund		(216)	-
PROFIT/(LOSS) BEFORE TAXATION		4,102	(13,946)
Provision for Taxation	27	1,210	996
PROFIT/(LOSS) AFTER TAXATION		2,892	(14,942)
Unappropriated (Loss) Brought Forward		(32,368)	(17,426)
Unappropriated (Loss) Carried Forward		(29,476)	(32,368)
		=====	=====

The annexed notes form an integral part of these accounts.

R.D. MINWALLA
Chairman

SYED IKRAM HALDER
Chief Executive

KARACHI: October 23, 1998.

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1998

	NOTE	1998	1997
		(Rupees in Thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
- Cash generated from operations	30	64,056	37,697
- Financial charges paid		(29,595)	(17,326)
- Income tax paid		(8,194)	(5,591)
- Long term deposit and deferred cost		1,090	(4,348)
NET CASH FLOW FROM OPERATING ACTIVITIES		27,357	10,432
CASH FLOW FROM INVESTING ACTIVITIES			
- Fixed capital expenditures		(1,475)	(3,339)
- Sale proceeds of fixed assets		3,413	624
- Scrap Sales		-	17
NET CASH FLOW FROM INVESTING ACTIVITIES		1,938	(2,698)
CASH FLOW FROM FINANCING ACTIVITIES			
Redeemable capital, long term loan & lease financing		(8,608)	(7,081)

INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	-----	-----
	20,687	653
Cash and cash equivalents at the beginning of the year	(56,139)	(56,792)
Cash and cash equivalents at the end of the year	31 (35,452)	(56,139)
	=====	=====

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1998**

INTRODUCTION:

Agriauto Industries Limited, a public limited company was incorporated in Pakistan on June 25, 1981 and was listed on the Stock Exchanges in June 1984. The Company manufactures Components for Automotive Vehicles, Motor Cycles and Agricultural Tractors. The production units manufacturing Gaskets, Valves and Sleeves commenced commercial production on October 1, 1985 and production units manufacturing Shock Absorbers and Camshafts commenced commercial production on June 01, 1988. The Company established an other unit for the production/assembly of Mobike, two wheeler which started commercial activity from March 1, 1995.

For the improved utilization of plant capacities various other Auto and Tractor Components such as Brake Band, Hydraulic Lift Covers, Steering Boxes & Transmission Components are also manufactured under a planned diversification programme.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

1.2 Foreign Currency Loans/Other Liabilities

The foreign currency loans/other liabilities are converted into Pak Rupees at the rate of exchange prevailing on the date of Balance Sheet. The resultant exchange difference arising directly on the acquisition of assets invoiced in a foreign currency is included in the carrying amount of the related assets and in respect of other liabilities the exchange difference is recognised in income for the period.

1.3 Staff Retirement Benefits

The Company follows the recognised provident fund scheme duly approved by the Commissioner of Income Tax.

1.4 Fixed Assets

These are stated at cost less accumulated depreciation except Freehold Land and Capital Work-in-Progress which are stated at cost. Depreciation is provided on the reducing balance method including the exchange difference capitalised and the rates applied are in no case less than the rates prescribed by the Central Board of Revenue. Maintenance and normal repairs are charged to income as and when incurred. Profit or loss on disposal of fixed assets is charged/credited in the current year's income.

1.6 Deferred Cost

The expenditure on Initial licence fees has been treated as deferred revenue expenditure, and is amortized over a period of five years.

1.6 Stock & Stores

The basis of valuation has been specified against each as under:-

- (a) Stores & Spares At moving average cost.
 (b) Raw Material At moving average cost.
 (c) Work-in-Process At lower of average factory cost and net realizable value.
 (d) Finished Goods At lower of average factory cost and net realizable value.
 (e) Goods-in-Transit At cost comprising of C & F value and other charges thereon.

1.7 Revenue Recognition

Sales are recorded on despatch of products to the customers.

1998 1997
 (Rupees in Thousand)

2. ISSUED, SUBSCRIBED & PAID UP CAPITAL

22,800,000 Ordinary Shares of Rs. 5/- each issued as fully paid in cash (1996-97:22,800,000 Ordinary Shares of Rs. 5/- each)	114,000	114,000
1,200,000 Ordinary Shares of Rs. 5/- each issued as fully paid Bonus Shares	6,000	6,000
	-----	-----
	120,000	120,000
	=====	=====

3. CAPITAL RESERVE

Third Right Shares Premium	15,000	15,000
Third Right Shares Issue Expenses	(2,402)	(2,402)
	-----	-----
	12,598	12,598
	=====	=====

4. LONG TERM LOANS

Habib Bank Limited-I.B.R.D.	(Note 4.1)	2,844	4,937
Habib Bank Limited - Demand Finance	(Note 4.2)	17,233	-
		-----	-----
		20,077	4,937
		=====	=====

4.1 Habib Bank Limited - I.B.R.D.

Habib Bank Limited - I.B.R.D.	8,076	8,076
Less: Transfer to Current Maturity	5,232	3,139
	-----	-----
	2,844	4,937
	=====	=====

The loan obtained from Habib Bank Limited for import of plant & machinery equivalent to SDR 1,288,840 has been converted into Pak Rupees at the rate of exchange prevailing on the date of retirement of the documents/disbursement or valuation date.

The loan was initially repayable in fourteen bi-annual installments commencing from March 1, 1988. However, subsequently the loan became repayable in ten bi-annual equal installments commencing from June 1, 1996.

Interest is payable bi-annually at the rate of 14% per annum. Additional interest will be payable at the rate of 5% per annum on overdue amounts.

The Loan is secured against 1st equitable mortgage on all present and future movable and immovable properties of the company and a floating and hypothecation charge on all assets of the company, ranking

pari passu with other creditors.

1998 1997
(Rupees in Thousand)

4.2 Habib Bank Limited - Demand Finance

Habib Bank Limited - Demand Finance	23,233	-	
Less: Transfer to Current Maturity	6,000	-	
	-----	-----	
	17,233	-	
	=====	=====	

The Demand Finance of Rs. 30 million has been granted by Habib Bank Ltd. against first equitable mortgage on all present & future movable and immovable properties of the company, ranking pari Passu with other creditors, Rs. 23.233 million has been remitted by Habib Bank Limited and balance Rs. 6.767 million will be remitted after completion of security documentation.

Under the above arrangement the company has sold its property for Rs. 30.000 million and repurchased it back for Rs. 45.136 million, calculated at a mark-up of Rs. 0.49 per thousand rupees per day. The difference of Rs. 15.136 million between the sale price and repurchase price is considered as deferred financial cost and is to be spread over the tenure of the Demand Finance.

The loan is repayable in ten bi-annual equal installments commencing from October 1, 1998.

1997 1998
(Rupees in Thousand)

5. CURRENT MATURITY OF LONG TERM

LIABILITIES & FINANCE LEASE

CURRENT MATURITY

HBL - IBRD Loan	(Note 4.1)	2,093	3,139
HBL - Demand Finance	(Note 4.2)	6,000	-
TFC's - ICP		3,290	10,643
Liabilities Against Assets Subject to Finance Lease		-	2,301
		-----	-----
		11,383	16,083

OVERDUE INSTALLMENTS

TFC's - BEL		-	7,187
HBL- IBRD Loan	(Note 4.1)	3,139	-
NBP Demand Finance		-	15,000
		-----	-----
		3,139	22,187
		-----	-----
		14,522	38,270
		=====	=====

6. SHORT TERM FINANCES AND BORROWINGS (secured)

Running Finance	(Note 6.1)	35,517	58,437
		=====	=====

6.1 The running finance facility of Rs. 46 million (1996-97: Rs. 62 million) and finance under trust receipt facility of Rs. 6 million (1996-97: Rs. 11 million) obtained from various banks are secured by joint hypothecation of stock in trade, stores and spares and trade debts and second equitable charge on current and future assets of the company.

The rate of mark-up range from 0.442 paisa to 0.52 paisa per thousand rupees per day.

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Sundry Creditors	27,011	24,759
Interest Accrued on Secured Borrowings	12,701	35,466
Accrued Expenses	6,406	2,608
Sales Tax Payable	731	2,476
Other Liabilities	27,729	22,756
	-----	-----
	74,578	88,065
	=====	=====

Amount due to associated undertakings at the year-end aggregated Rs. 1.203 million (1996-97-Rs. 1.314 million)

	1998	1997
	(Rupees in Thousand)	
8. LOAN FROM OTHERS		
Secured	5,407	7,812
Unsecured	16,293	16,601
	-----	-----
	21,700	24,413
	=====	=====

The secured Loan is secured against insurance guarantee.

9. WORKERS' PROFIT PARTICIPATION FUND

At beginning of the year	71	73
Add: Contribution for the year	216	-
Less: Payments during the year	1	2
	-----	-----
	286	71
	=====	=====

10. CONTINGENCIES AND COMMITMENTS

Bank Guarantees issued on behalf of the Company	6,864	4,569
Insurance Guarantees issued on behalf of the Company	19,000	28,683
Indemnity Bonds in favour of Collector of Custom	26,565	21,028
Letters of Credit outstanding	24,471	9,047
	=====	=====

11. FIXED ASSETS

Please see schedule attached	(Note 11.1)	110,025	112,246
		-----	-----

11.1 SCHEDULE OF FIXED ASSETS AS AT JUN 30, 1998

(RUPEES IN THOUSAND)

	COST			Total as at 0th June '98	Rate %	DEPRECIATION			Total as at 30th June '98	Written Down value as at 30th June '98
	As at 1st July '97	Addition/ Transfer	Disposal/ Transfer			For the year	Disposal/ Transfer			
Land (Free hold)	1,652	-	-	1,652	-	-	-	-	-	1,652
Building	36,305	-	-	36,305	5.10	20,695	1,336	-	22,031	14,274
Plant machinery & Equipment	166,523	9,484	2,063	173,944	10	87,667	8,765	1,376	95,056	78,888

Furniture & Fixture	2,949	116	55	3,010	10	1,539	150	26	1,663	1,347
Office Equipment	5,682	104	-	5,786	10	1,638	415	-	2,053	3,733
Dies & Tools	2,579	-	-	2,579	25	2,056	130	-	2,186	393
Vehicles	2,425	1,031	334	3,122	20	1,044	62	229	1,277	1,845
Canteen Equipment	43	-	-	43	10	21	2	-	23	20

ASSETS AGAINST FINANCE LEASE

Plant & Machinery	12,000	0	0	12,000	10	3,252	875	0	4,127	7,873
1998 GRAND TOTAL	230,158	10,735	2,452	238,441		117,912	12,135	1,631	128,416	110,025
1997 GRAND TOTAL	227,312	3,339	493	230,158		105,907	12,333	328	117,912	112,246

Depreciation for the period is allocated as follows:

	1997-98	1996-97
Cost of Sales	11,428	11,745
Administrative Expense	401	232
Selling and Distribution Expense	306	356
	-----	-----
	12,135	12,333
	=====	=====

11.2 DETAILS OF DISPOSAL OF FIXED ASSETS DURING THE PERIOD JULY 1, 97 TO JUNE 30, 98

Particulars of Fixed Assets	Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Gain/(Loss)	Mode of Disposal	Particulars of Buyers
MOTOR VEHICLES							
Toyota Corolla W-1873	73	22	51	380	329	Negotiation	Major (Rtd.) Ghulam Abbas
Nissan Sunny J-7281	163	152	11	65	54	Company Car Scheme	Mr. Shakeel Ahmed
Suzuki Mehran W-1572	35	10	25	135	110	Company Car Scheme	Mr. Aboo Bakar Khatri
Sub Total	271	184	87	580	493		
MOTOR CYCLES							
Honda CD-70	28	22	6	28	22	As per CBA Agreement	Mr. Abdul Gafoor
Honda CD-70	35	23	12	35	23	As per CBA Agreement	Mr. Abdul Qaiyum
Sub Total	63	45	18	63	45		
FURNITURE/FIXTURE							
Frames	55	26	29	160	131	Negotiation	M/s Al-Ghazi Tractors Ltd.
Sub Total	55	26	29	160	131		

PLANT & MACHINERY

Various Machineries	2,063	1,376	687	800	113	Auction	ABC Neelam Ghar
Various Machineries	3,828	-	3,828	1,810	(2,018)	Auction	ABC Neelam Ghar

Sub Total	5,891	1,376	4,515	2,610	(1,905)		
=====							
Grand Total	6,280	1,631	4,649	3,413	(1,236)		
=====							

1998 1997
(Rupees in Thousand)

12. CAPITAL WORK IN PROGRESS

Plant & Machinery	3,642	29,643
	=====	=====

13. LONG TERM DEPOSITS AND DEFERRED COSTS

Long Term Deposits	2,623	2,634
Deferred Cost	3,891	4,970
	-----	-----
	6,514	7,604
	=====	=====

14. STOCK & STORES**Stock**

Raw Material	42,870	32,228
Goods-in-Transit	2,723	15,547
Work-in-Process	6,792	7,591
Finished Goods	29,392	37,369
	-----	-----
	81,777	92,735

Stores

Stores & Packing Material	2,832	2,855
Small Tools & Spares	6,787	7,307
	-----	-----
	9,619	10,162
	-----	-----
	91,396	102,897
	=====	=====

15. TRADE DEBTS (Unsecured)

Due from associated undertakings - Considered Goods	7,832	7,128
Others- Considered Good	18,499	29,235
Considered Doubtful	1,800	1,500
Mobike	4,429	4,150
	-----	-----
	32,560	42,013
Less: Provision for Doubtful Debts	1,800	1,500
	-----	-----
	30,760	40,513
	=====	=====

The maximum amount due at the end of any month during the year from associated undertakings amounted to Rs. 13.641 million. (1996-97: Rs. 12.964 million)

**16. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

(Unsecured Considered Good)**Loans and Advances**

- Advance to Suppliers & Contractors for Goods & Services	3,185	1,989
- Advance to Staff for purchases & expenses	347	352
- Loan to staff & workers	17	77
	-----	-----
	3,549	2,418

Trade Deposits & Short Term Prepayments

- Refundable Deposits with K.M.C.	1,256	450
- Prepayments	943	817
	-----	-----
	2,199	1,267

Other Receivables

- Claim Receivables	1,499	1,328
- Custom Duty Guarantee Margin Receivable	940	1,578
- Sales Tax Refund Receivable	122	369
- Others	159	313
	-----	-----
	2,720	3,588
	-----	-----
	8,468	7,273
	=====	=====

Advance to Suppliers and Contractors for goods and services include advances to associated undertaking aggregating to Rs. 0.200 million (1996-97: Rs. 0.200 million).

The maximum aggregate amount of advance due from associated undertaking at the end of any month during the year was Rs. 0.200 million (1996-97: Rs. 0.200 million).

17. ADVANCE INCOME TAX

Tax Deducted at Source	20,196	14,172
	=====	=====

18. CASH AND BANK BALANCES

- In Hand	3	6
- At Bank - on Current Accounts	62	2,292
	-----	-----
	65	2,298
	=====	=====

1998 1997
(Rupees in Thousand)

19. SALES

Sales	238,123	199,235
Discount	367	297
	-----	-----
Net Sales	237,756	198,938
	=====	=====

20. COST OF SALES

Raw Material - Opening Stock	32,228	40,823
- Purchases	1,193,700	93,226
	-----	-----

- Available	151,598	134,049
- Closing Stock	42,870	32,228
	-----	-----
- Consumed	108,728	101,821
Add: Production Expenses (Note 20.1)	68,578	66,072
	-----	-----
	177,306	167,893
Add: Work in Process - Opening	7,591	17,037
Less: Work in Process - Closing	(6,792)	(7,591)
	-----	-----
Cost of Goods Manufactured	178,105	177,339
Add: Finished Goods - Opening Stock	37,369	19,523
Less: Finished Goods - Closing Stock	(29,392)	(37,369)
	-----	-----
Cost of Sales	186,082	159,493
	=====	=====

20.1 PRODUCTION EXPENSES

Salaries, Wages & Benefits	28,385	25,369
Transportation & Travelling	6,850	6,210
Water & Power	8,140	7,005
Postage, Telephone & Telex	631	689
Insurance	-	1,507
Repairs & Maintenance	790	772
Consumable Stores	9,161	10,069
Lease Rentals	253	1,020
Depreciation (Note 11.1)	11,428	11,745
Cartage & Octroi	1,297	1,019
Security Service Charges	259	213
Printing & Stationery	350	343
Amortization Expense	973	-
Others	61	111
	-----	-----
	68,578	66,072
	=====	=====

21. ADMINISTRATIVE EXPENSES

Salaries, Wages & Benefits	6,017	4,399
Transportation & Travelling	655	482
Water & power	764	510
Rent & Taxes	1,418	1,208
Directors Remuneration & Fee (Note 32)	1,634	1,547
Auditors Remuneration (Note 29)	47	47
Postage, Telephone & Telex	716	904
Advertisement & Publicity	34	93
Legal & Professional Charges	661	716
Repairs & Maintenance	264	267
Depreciation (Note 11.1)	401	232
Insurance	443	243
Donation (Note 21.1)	22	62
Security Service Charges	132	111
Printing & Stationery	369	307
Others	236	383
	-----	-----
	13,813	11,511
	=====	=====

21.1 None of the directors or their spouses had any interest in any of the donees.

22. SELLING & DISTRIBUTION EXPENSES

Salaries, Wages & Benefits	3,416	2,898
Transportation & Travelling	675	636
Postage, Telephone & Telex	126	277
Advertisement & Publicity	345	1,718
Insurance	570	499
Royalty	1,388	1,243
Depreciation (Note 11.1)	306	356
Freight & Octroi	4,649	4,299
Bad Debts	300	300
Printing & Stationery	174	186
Lease Rentals	172	315
Security Service Charges	135	107
Repairs & Maintenance	44	39
After Sales Services	31	3
Others	619	243
	-----	-----
	12,950	13,119
	=====	=====

23. FINANCIAL CHARGES

Mark-up on Long Term Borrowing	3,117	10,407
Mark-up on Short Term Borrowing	10,814	11,603
Mark-up on Loan from Others	3,763	3,661
Mark-up on Finance Lease	239	875
Bank Charges, Commission & Other Charges	1,811	2,691
	-----	-----
	19,744	29,237
	=====	=====

24. OTHER INCOME/(LOSS)

Scrap Sales	-	17
Gain/(Loss) on Disposal of Fixed Assets (Note 11.2)	(1,236)	459
	-----	-----
	(1,236)	476
	=====	=====

25. WRITE-OFF OF MOBIKE STOCK

The C&F value of the CKD Kits of Mobikes lying at port since last three years has been written-off as it has been decided to surrender for custom's auction.

26. PRIOR PERIOD ADJUSTMENT

Prior Period Adjustment	12,705	-
	=====	=====

This represent the writing back of liabilities of financial charges not required as the Company has availed the State Bank of Pakistan Incentive Scheme.

27. PROVISION FOR TAXATION

Current Year	1,191	996
Prior Year	19	-
	-----	-----
	1,210	996
	=====	=====

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 80(D) of the Income Tax Ordinance, 1979.

28. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

The company purchased goods & services from associated undertakings aggregating to Rs. 0.354 million (1996-97 Rs. 1.148 million) and sales to the associated undertakings amounting to Rs. 64.460 million (1996-97 Rs. 54.939 million)

1998 1997
(Rupees in Thousand)

29. AUDITORS REMUNERATION

Audit Fee	45	40
Out of pocket expenses	2	7
	-----	-----
	47	47
	=====	=====

30. CASH GENERATED FROM OPERATION

Profit/(Loss) before taxation	4,102	(13,946)
Adjustment for non cash charges and other items		
- Depreciation	12,135	12,333
- (Profit)/Loss on Sale of Fixed Assets	1,236	(459)
- (Profit)/Loss on Sale of Scrap	-	(17)
- Financial Charges	19,505	28,362
- Financial Charges on lease	239	875
- Working capital changes - see note 30.1	26,839	10,549
	-----	-----
	64,056	37,697
	=====	=====

30.1 WORKING CAPITAL CHANGES

- Decrease/(Increase) in Current Assets		
Stock and Stores	11,501	(9,748)
Trade Debts	9,753	1,830
Advances, Deposits, Prepayments & Other receivables	(1,195)	1,377
-Increase/(Decrease) in Current Liabilities		
Creditors, Accrued & Other Liabilities	9,278	7,136
Loan From Others	(2,713)	9,956
Workers' Profit Participation Fund	215	(2)
	-----	-----
	26,839	10,549
	=====	=====

31. CASH AND CASH EQUIVALENTS

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

- Cash and Bank Balance	65	2,298
- Shod term finance and borrowings	(35,517)	(58,437)
	-----	-----
	(35,452)	(56,139)
	=====	=====

32. REMUNERATION OF DIRECTORS AND EXECUTIVES

	1998				1997			
	Directors	Chairman	Chief Executive	Executives	Directors	Chairman	Chief Executive	Executives
Fees	8	-	-	-	10	-	-	-
Managerial Remuneration	-	240.00	1,302	5,415	-	240	1,222	3,450
Retirement Benefits	-	-	84	302	-	-	75	195
Prequisites & Benefits								
Utilities	-	-	99	68	-	-	52	74
Medical	-	-	70	311	-	-	52	177
Leave Encashment	-	-	-	183	-	-	132	30
	8	240	1555	6279	10	240	1,533	3,926
No. of Persons	6	1	1	19	6	1	1	11

In addition, the Chairman, Chief Executive and Executives were provided with company maintained car.

33. PRODUCTION CAPACITY

The production capacity of the company cannot be determined as this depends on the relative proportions of various type of components and parts of vehicles and tractors produced.

34. GENERAL

- Figures in these accounts have been rounded off to the nearest thousand rupees.
- To facilitate comparison some of the prior year's figures have been re-arranged and re-grouped, wherever necessary.

R.D. MINWALLA
Chairman

SYED IKRAM HALDER
Chief Executive

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHARE HOLDERS AS AT JUNE 30, 1998

Number of Share Holders	Size of Share Holdings		Total Shares Held
	From	To	
1,250	1	100	48,387
1,852	101	500	488,747
780	501	1,000	617,459
1,200	1,001	5,000	2,661,733
195	5,001	10,000	1,377,378
72	10,001	15,000	883,621
22	15,001	20,000	379,342
4	20,001	25,000	91,811
6	25,001	30,000	165,603
9	30,001	35,000	285,024
9	35,001	40,000	345,223
4	40,001	45,000	172,605
2	45,001	50,000	94,188

2	50,001	-	55,000	106,214
1	60,001	-	65,000	63,656
2	65,001	-	70,000	134,000
5	70,001	-	75,000	363,276
1	85,001	-	90,000	86,478
1	100,001	-	105,000	100,100
1	115,001	-	120,000	115,700
1	120,001	-	125,000	120,142
1	135,001	-	140,000	136,285
1	275,001	-	280,000	275,625
4	300,001	-	305,000	1,209,621
1	320,001	-	325,000	324,058
1	380,001	-	385,000	383,858
1	395,001	-	400,000	399,835
1	645,001	-	650,000	648,487
1	705,001	-	710,000	706,186
1	745,001	-	750,000	750,000
1	990,001	-	995,000	994,052
1	1,010,001	-	1,015,000	1,011,200
1	1,065,001	-	1,070,000	1,067,315
1	2,590,001	-	2,595,000	2,592,791
1	4,795,001	-	4,800,000	4,800,000
-----			-----	
5,436			24,000,000	
=====			=====	

Categories of Shares Holder	Number of		Percentage of Shares Held
	Shares Holder	Shares Held	
1. Individuals	5,381	8,069,525	33.623%
2. Investment Companies	6	1,513,472	6.306%
3. Insurance Companies	3	172,513	0.719%
4. Joint Stock Companies	18	2,880,526	12.004%
5. Financial Institutions	6	3,633,127	15.138%
6. Modaraba	7	1,113,394	4.639%
7. Foreign Investors	6	6,145,906	25.608%
8. Co-operative Societies	6	302,252	1.259%
9. Charitable Trusts	1	121	0.001%
10. Others	2	169,164	0.705%
-----			-----
TOTAL	5,436	24,000,000	100.000%
=====			=====