

Atlas Honda Limited

Annual Report 1998

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CORPORATE DATA

BOARD OF DIRECTORS:

CHAIRMAN

Mr. Yusuf H. Shirazi

DIRECTORS

Mr. Aamir H. Shirazi
Mr. Aitzaz Shahbaz
Mr. Kanji Kashiwagi
Mr. Sherail Mundrawala
Mr. Takemi Ishikawa
Mr. Zahid Ali H. Jamall

Company Secretary

Mr. Saleem Ahmed

GROUP EXECUTIVE COMMITTEE:

CHAIRMAN

Mr. Yusuf H. Shirazi

MEMBERS

Mr. Jawaid Iqbal Ahmed
Mr. Frahim Ali Khan
Mr. Iftikhar H. Shirazi
Mr. Aamir H. Shirazi
Mr. Saquib H. Shirazi
Secretary

Mr. Amjad Hussain

GROUP PERSONNEL COMMITTEE:

CHAIRMAN

Mr. Yusuf H. Shirazi

GROUP AUDIT COMMITTEE:

CHAIRMAN

Mr. Sanaullah Qureshi

COMPANY MANAGEMENT:

CHIEF EXECUTIVE OFFICER

Mr. Aamir H. Shirazi

TECHNICAL DIRECTOR

Mr. Takemi Ishikawa

DIRECTOR FINANCE

Mr. Saleem Ahmed

GENERAL MANAGER MARKETING

Mr. Nurul Hoda

GENERAL MANAGER HUMAN RESOURCES

Mr. Zamir Haider

AUDITORS:

Hameed Chaudhri & Co.
Chartered Accountants

LEGAL ADVISORS:

Mohsin Tayebaly & Co.

TAX ADVISORS:

Mahmood Law Associates

BANKERS & LENDING INSTITUTIONS:

BANKERS

Credit Agricole Indosuez
Deutsche Bank AG
Emirates Bank International P.J.S.C.
Muslim Commercial Bank Limited
National Bank of Pakistan
The Bank of Tokyo-Mitsubishi Limited
The Hong Kong and Shanghai
Banking Corporation Limited
United Bank Limited

LENDING INSTITUTIONS

Atlas Investment Bank Limited
National Investment Trust Limited
National Development Finance Corporation
Saudi Pak Industrial and Agricultural
Investment Company (Pvt) Limited

REGISTERED & HEAD OFFICE:

1-McLeod Road, Lahore-54000
Tel: (92-42) 7225015-17, 7233515-17
Fax: (92-42) 7233518
Email: ah1@lhr.atlasgroupk.com

FACTORIES:

KARACHI
F-36, Estate Avenue, S.I.T.E.,
Karachi-75730
Tel: (92-21) 2575561-65
Fax: (92-21) 2563758
Email: ah1@atlasgroupk.com

SHEIKHUPURA
26-27 KM, Lahore-Sheikhupura Road,
Sheikhupura-39321
Tel: (92-4931) 6655-57, (92-42) 7222222
Fax: (92-342) 354111
Email: ahlskp@lhr.atlasgroupk.com

BRANCH OFFICES:

MULTAN OFFICE
Azmat Wasti Road, Multan
Tel: 31990, 571989, 72028
Fax: 541690

WARRANTY & TRAINING CENTRES
7-Pak Chambers,
West Wharf Road, Karachi.
Tel: 2310142

RAWALPINDI OFFICE

Room 9, 2rid Floor
Sunny Plaza, Chandni Chowk,
Murree Road, Rawalpindi
Tel: 455328
Fax: 847928

28 Mozang Road
Lahore
Tel: 6375360

Azmat Wasti Road,
Multan
Tel: 72028

SHOW ROOM

West View Building,
Preedy Street, Saddar, Karachi.
Tel: 7720833, 7727607

Service Factory
366/A, Gulistan Colony No.2
Near Millat Chawk,
Shaikhupura Road,
Faisalabad - 38700

SPARE PARTS DIVISION

D-181/A, Shershah Road,
S.I.T.E., Karachi
Tel: 2561615-16, 293929-30
Fax: 2561616

NOTICE OF ANNUAL GENERAL MEETING

The Thirty fourth Annual General Meeting of the Company will be held on Monday
28 December, 1998 at 10.30 A.M. at 1-McLeod Road, Lahore to transact the following business:

1. To confirm the Minutes of the Thirty third Meeting held on 26 November, 1997.
2. To receive and adopt the Audited Accounts of Atlas Honda Limited together with the Directors' and Auditors' reports for the year ended 30 June, 1998.
3. To approve the cash dividend @ 25% for the year ended 30 June 1998 as recommended by the Board of Directors.
4. To appoint the Auditors for the year 1998-99 and to fix their remuneration.
5. To transact such other ordinary business as may be placed before the meeting with the permission of the chair.

BY ORDER OF THE BOARD
SECRETARY

Lahore: 02 December 1998

N.B. Shareholders are requested to take note of the following:

BOOK CLOSURE

1. The share transfer book of the Company will be closed from 19 December, 1998 to 28 December, 1998 (both days inclusive).

PROXY

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time appointed for the meeting.
2. No person shall act as proxy unless he is member of the Company.
3. Signature of the shareholder on Proxy Application must agree with the specimen signature registered with the Company. Appropriate revenue stamp should be affixed on the Proxy Application.
4. For the convenience of the shareholders a Proxy Application format is attached with this report.
5. Shareholders are requested to immediately notify the Company of any change in their addresses.

CHAIRMAN'S REVIEW

It is my pleasure to present to you the 34th Annual report and review of the performance of your company for the year ended June 30, 1998.

THE ECONOMY

The year 1997-98 was indeed eventful both on

the international and the national economic fronts. Asian countries economic and financial crises were the worst of their kind. Currency values eroded drastically, stock markets crashed and industrial production interrupted leading to social and political unrest. Pakistan economy also came under pressure due to halo effect of the unstable conditions in the regional markets.

Pakistan's economic performance over the last few years has been marked by a deceleration in economic activity, deterioration in budgetary and current account deficits and inflation. In order to reinvigorate the economic growth government took some measures. It introduced economic reforms based on both supply and demand side economics. To improve revenue collection general sales tax regime was re-launched at the retail level, and partially increased the 'Tax Net'. However the effect of these policy measures will take some time to yield the desired results.

Towards the year end, Pakistan opted for nuclear detonation on 28th May 1998 following India's nuclear tests on 11th May 1998. It led to economic sanctions by the developed countries. The international loan giving agencies put their shutters down. Consequently, foreign currency accounts were frozen, rupee was devalued by 4.4%, making it 14.1% for the full fiscal year and a two-tier foreign exchange region was introduced.

Despite the worsening situation, the economic indicators for the year were generally satisfactory. GDP grew by 5.4% as against 1.3% last year, agriculture sector grew by 5.9% and the manufacturing sector by 7.0%. The large-scale manufacturing registered a growth of 6.2%. The transport and communication sector recorded a growth of 8.8%. Fixed investment increased by 6.5% and national savings increased to 15% of GNP from the 11.3% of last year.

ATLAS GROUP PERFORMANCE

The Atlas Group of which your company is a constituent member, jealously guards its brand equity which represents good management practices, ethical standards and quality of goods and services provided to its customers. The Group enjoys an excellent image in government, business and social circles, both nationally and internationally.

The Atlas Group is diversified and has operations in engineering, financial services, trading, office equipment and information technology. It consists of seven public limited companies quoted on the stock exchanges in Pakistan and eight private limited companies. Atlas shareholders' equity has grown to about Rs.2.5 billion over the years; assets have increased to over Rs.8 billion, and sales revenue crossed the Rs.8 billion mark. The Group paid taxes of Rs.2.2 billion being 27.5% of the total turnover of the Group. More than 50% of employees numbering 2700 pay taxes on their income and wealth.

The total paid up capital of the seven listed companies stood at Rs.944 million and free reserves and surplus at Rs.1.11 billion. The total equity of listed companies stood at Rs. 2.05 billion as of 30.6.1998. The networth value of a Rs.10/- share works out at Rs.21.77. Out of these seven companies, two companies have been rated 'A+' and three 'A' by the credit rating and other evaluating agencies.

The seven listed companies, set up at different times - the earliest in 1963 with a paid up capital of Rs.2.00 million and the latest in 1993 with a paid up capital of Rs.400.00 million - have paid cash dividend of Rs.287 million and bonus of Rs.208 million (market value Rs.435 million).

Your Company was set up in 1963 with a paid up capital of Rs.2.0 million which has grown to Rs.145.98 million. The total equity at Rs.481.72 million includes reserves and unappropriated profit of Rs.335.74 million. During this period the Company issued bonus

shares of Rs.79.857 million (market value Rs.237.574 million at Rs. 29.75 per share) and paid cash dividend of Rs.149.076 million.

HUMAN RESOURCES

Reliance on human resource has been the hallmark of the Atlas Group since its inception. Investment in human resource development is considered a prudent investment for all times to come. Education, training and grooming of employees for higher positions is a normal feature with the Group.

To cope with the growing needs of the Group, a permanent cell has been established at the Corporate Office for human resource development. A full time Director assists the Group Personnel Committee which is headed by the Group President and Chairman. The Committee actively works for improving staff service rules, staff compensation and career planning to make them more competitive and attractive for the employees. Compensation based on job evaluation and performance appraisal is now all the more a determining factor for the performance bonus and the employees' motivation.

MOTORCYCLE INDUSTRY

Until a few years ago, only the Japanese brand motorcycles were manufactured in the country, with a combined (approximate) installed capacity of 170,000 units. Since then three manufacturers with Chinese technology have entered the market with an approximate installed capacity of 70,000 units, raising the total installed capacity to 240,000.

In the market place, untimely rains preceding harvest of cotton crop greatly affected the liquidity of the farmers, especially in the rural belt of Southern Punjab. Also, delays in release of payments by ginners and a sharp rise in cost of living further dampened the demand throughout the country. As a result the total market size stood reduced to 90,000 from 113,000 units last year.

The utilized capacity of the industry as a whole was only 38%. Your company fared much better than the competition with a capacity utilization of 70%.

The competition remained keen throughout the year with the Chinese manufacturers relying upon lower priced products to attract the customers. A Japanese competitor also introduced a lower priced higher-cc model which did not fare well, but the competitors' pressure is mounting. Your company continued its efforts to upgrade the quality, improve the after sale service and better spare parts supply across the board to combat this situation. Your company also maintained its lead in dealer's network even during these depressed economic conditions. During the year, sales and advertising activities were made more efficient and the company launched new models both in CD-70 and CG-125 categories, which were well received by the customers. The market share improved to over 64% from 61% last year.

DELETION POLICY

In line with Government policy we have been pursuing the policy of deletion on a high priority basis. Having completed and commissioned the Gear Project during the year your company is now actively planning to manufacture crank shafts, which again will be a capital intensive project. While your company is making heavy investment, it is regrettably observed that new entrants are operating without any Government approved deletion program. They have neither invested substantially nor appear keen to procure components locally. If such irregular and improper operations are not controlled the well thought out and planned Government deletion program will be defeated with inevitable rollback of the deletion results achieved through huge capital investments and expenditures on technical collaborations and joint ventures.

We believe that the deletion program should be strictly monitored by the Government to achieve strict compliance to avert waste of

national resources and investments in an enlarged capacity of 240,000 units out of which a substantial part is already sitting idle. The consequences can be devastating to investment, employment, and production and on top of all to technological development and expansion of engineering base of the country.

TAX PAYMENTS

Your company's contribution to the national exchequer has been outstanding as the company paid taxes amounting to Rs 1.03 billion including income tax, sales tax and customs duties during the year. For the last three years your company has paid more than Rs. 3.3 billion to the Exchequer as follows:

1995-96	Rs. 1.01 billion
1996-97	Rs. 1.24 billion
1997-98	Rs. 1.03billion

Total	Rs. 3.28billion

Your Company plans and expects to continue to contribute to the national exchequer in a growing trend through stronger company performance. It is also your Company's endeavor to continue to be a societal contributor and continue to be a good corporate citizen

COMPANY OPERATIONS

The sales revenue for the year ended 30 June 1998 was Rs.3.423 billion against Rs.3.498 billion in 1996-97. The profit before tax was Rs. 190.920 million compared with a profit of Rs.188.596 million for the preceding year. The gross profit ratio for the year stood at 12.40% against 11.34% of the preceding year. The increase in gross profit was achieved by improving management efficiency, effective hedging of exchange risk through forward covers and a comparatively favorable US \$ verses Yen exchange rate, throughout the year. Marketing expenses increased from Rs.92.596 million to Rs.94.345 million in line with management efforts to meet growing competition. Inventories were quite effectively managed and financial expenses for the year under review were at Rs.57.584 million, net of investment income of Rs.22.039 million earned during the year. Your Company achieved an ROE of 26.12% and EPS of Rs.8.61 after tax. The equity of your company at Rs.481.715 million including reserves amounting to Rs. 335.738 million, reflects its sound financial position. Debt equity ratio was 23.3:76.7 despite borrowing for the capital intensive gear project.

Your Company negotiated successfully with the banks to reduce the average mark-up from 17.5% down to 16.0%. The cash management was very effective to achieve a sound financial position and had cash balances aggregating Rs. 441 million, indeed a great achievement. Liquidity ratio of your Company improved to 1:1.37; the excess liquidity was invested in foreign currency deposits amounting to US\$ 4.470 million.

HONDA'S 50 YEARS CELEBRATIONS

On behalf of the Atlas Group and my colleagues I would like to congratulate Honda Motor Company on this momentous & auspicious occasion of their 50 years celebrations and wish them progressive and prosperous future for more than another 50 years.

We in Pakistan too celebrated its golden jubilee recently to mark the 50th year of our independence. At the time of independence in 1947 Pakistan had practically no industry at all and now we can boast of many economic landmarks including the Joint Ventures with Honda Motor Japan.

Let me recall those fine moments between the visionary Mr. Soichiro Honda and me when we created this unique partnership between HM and Atlas Group resulting in a monumental landmark in 1963. Atlas Group & Honda Motor Co. Japan today enjoy an exceptional relationship, with three Joint Venture Agreements in all the three areas of

manufacturing and marketing of motorcycles, automobiles, and power products; spanning over more than 36 years of association, firmly edified on utmost mutual trust and confidence-indeed a role model.

Honda has achieved a most resounding success by becoming the Number One producer of motorcycles in the world having produced over 100 million motorcycles last year. Similarly Honda Motor achieved Number 5 position in the world amongst the profitable automobile makers. The major competitive edge of Honda Motor continues to be product innovation, zero pollution & hi-tech vehicles. Honda Motor is making strides into new areas of technological development. Through this Honda Motor remains a leader on many frontiers in the world, which is also demonstrated by their leading share of the market in Pakistan of 64% in motorcycles.

It's most relevant to quote here the 50 years celebration message of Mr. Heroyuki Yoshino, President & CEO Honda Motors as follows which spells HM policy, which will .keep rekindling our thoughts:

"Ever since the company's founding 50 years ago, Honda has striven to offer products of the highest quality at a reasonable price by following its fundamental belief of bringing of joy to people around the world. While endeavouring to meet and exceed the expectations of our worldwide customers, we at Honda also recognize the critical importance of providing products, technology, and services that benefit society in areas such as environmental preservation and traffic safety. Meeting society's expectations of Honda and satisfying Honda's responsibility to the world major challenges for Honda together form a springboard for securing Honda's future path. By rising to meet such challenges, Honda aims to enhance quality of life through products and services that reflect true respect for society. Seeking to bring joy to people and environment continues to be Honda's guiding principle that will lead us into the next half century'.

It is a great honour and pleasure to be in partnership with Honda Motors.

We strongly feel that continuing vigorous cooperation between Atlas Group and Honda Motor will steer us successfully through the present world economic problems, like similar times of trial and tribulation in the past. The edge, of course, will continue to be superior products, high value to customers, with a high degree of productivity, creativity, innovation and research & development. We look forward to a continuing excellent business relationship with Honda Motor Company well into the future.

In conclusion may I once again congratulate the members of Honda Motor on this, their 50th anniversary.

FUTURE OUTLOOK

The economic environment has suddenly been thrust into an exceptional dimension at the fag end of the year when the Western countries imposed economic sanctions on Pakistan. In turn, Pakistan has taken some economic decisions, such as control of foreign exchange including freezing of foreign currency accounts, imposition of 30% cash margin requirements against letter of credit, rationing of foreign exchange at official rates to the extent of 50% against letters of credits, the balance 50% to be arranged from open market. All these changes have put the position into disbalance. The problem of disequilibrium of demand, supply, currency & exchange rates is being compounded and complicated by the attitude of international lending agencies (IMF, World Bank). All this has shrouded business environment with uncertainty and has resulted in constraints on long-term commitments of investments, which are so essential for deletion and localization of imported components. Future planning

has also been put under strain because of the uncertainty as nothing can be planned for a reasonably longer period of time as economic conditions continue to be in a state of flux.

The economy continues to be beset with perennial problem of rupee value devaluation, decided on misconceived economic realities, which so far has been one serious source of inflation and erosion of capital with ill effects on investment and employment. Price hikes of electricity and gasoline if continued will have similar effects. Government needs to give serious thought to adopting measures strengthening the balance and growth in the economy to curb the turmoil of the boiling pot. The recent reduction in power rates is a good omen.

However, it is the resolve of your management to tackle these uncertainties effectively to achieve and deliver good results like in the past when equally or more serious traumas were faced and tackled successfully:

(Great are those who do things impossible)

ACKNOWLEDGEMENT

Your Chief Executive Officer and his team continue to uphold the trust reposed in them. They have shown great ability in performance, year after year. The year under review represents the highest profits and the highest equity. They have fulfilled the Group's targets of cash management with Rs. 441 million cash balances in their books at year end including US\$ deposits of 4.470 million as an effective hedge against devaluation.

It is my pleasure to thank Honda Motor Company for their continued help and co-operation especially in supporting deletion, procurement of machinery & equipment, product line-up and even financial arrangements like suppliers' credit.

I also thank our bankers, shareholders, members of the Board of Directors, Group Executive Committee, all staff and workers, vendors and customers for their support and guidance at all times.

YUSUF H. SHIRAZI

DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting their report together with the Audited Accounts and Auditors' Report thereon for the year ended 30 June, 1998.

FINANCIAL RESULTS:

The financial results of your Company for the year ended 30 June, 1998 are summarised as follows:

	(Rupees in 000's)	
	1998	1997
Profit before taxation	190,920	188,596
Taxation:		
Current	57,000	62,300
Prior year	2,779	2,558
Deferred	5,500	0
Bonus Shares	0	(1,206)
	-----	-----
	65,279	63,652
	-----	-----
Profit after taxation	125,641	124,944
Unappropriated profit brought forward	174	407
	-----	-----
Available for appropriation	125,815	125,351
Appropriation:		
Cash Dividend	36,495	19,906
Transfer to Reserve for Issue of Bonus Shares	0	13,271
Transfer to General Reserve	89,000	92,000
	-----	-----
	125,495	125,177
	-----	-----
Unappropriated profit carried forward	320	174
	*****	*****

DIVIDEND:

Directors have recommended Cash Dividend at the rate of 25% (Rs. 2.50 per share).

CHAIRMAN'S REVIEW:

The review included in the Annual Report deals inter alia, with the performance of the Company for

the year ended 30 June, 1998 and future prospects. The Directors endorse the contents of the review.

YEAR 2000 COMPLIANCE:

The Company has taken appropriate measures to be Year 2000 compliant in our Computer Systems by June 1999.

PATTERN OF SHAREHOLDING:

The pattern of shareholding of the company is annexed.

AUDITORS:

The present Auditors M/s. Hameed Chaudhri & Co., retire and being eligible offer themselves for reappointment.

For and on behalf of the
BOARD OF DIRECTORS

AAMIR H. SHIRAZI
Chief Executive Officer

Lahore: 10 November, 1998

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ATLAS HONDA LIMITED as at 30 June, 1998 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) In our opinion:-

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

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

(iii) the business conducted, investments made and 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 cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 1998 and of the profit and cash flows for the year then ended; and

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

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Karachi: 10 November, 1998

**BALANCE SHEET
AS AT 30 JUNE, 1998**

	Note	(Rupees in 000's)	
		1998	1997
SHARE CAPITAL			
Authorised			
20,000,000 ordinary shares of Rs. 10/- each		200,000	200,000
		=====	=====
Issued, subscribed & paid up	3	145,977	132,707
RESERVES & UNAPPROPRIATED PROFIT			
Reserves	4	335,418	246,418
Reserve for issue of Bonus shares		0	13,271
Unappropriated profit		320	174
		-----	-----
		335,738	259,863
		-----	-----
		481,715	392,570
REDEEMABLE CAPITAL			
	5	81,071	7,649
LONG TERM LOAN	6	0	7,862
SUPPLIER'S CREDIT	7	62,791	83,721
OBLIGATION UNDER FINANCE LEASE	8	2,540	3,895
DEFERRED LIABILITIES			
Deferred tax		293,041	23,804
Staff gratuity		14,278	13,097
		-----	-----
		43,582	36,901
CURRENT LIABILITIES			
Short term loans	9	207,743	120,395
Current maturity of long term liabilities	10	54,017	50,259

Creditors, provisions, accrued charges & other liabilities	11	507,668	420,088
Taxation	12	59,000	64,300
Dividend	13	37,837	20,827
		-----	-----
		866,265	675,869
CONTINGENT LIABILITIES & COMMITMENTS	14	0	0
		-----	-----
		1,537,964	1,208,467
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	15	379,367	268,636
Capital work in progress	16	0	106,229
		-----	-----
		379,367	374,865
INVESTMENTS	17	8,694	8,465
LONG TERM LOANS & DEPOSITS	18	12,567	9,243
CURRENT ASSETS			
Stores	19	27,898	26,373
Stocks	20	466,657	546,444
Trade debtors	21	15,839	18,771
Advances, deposits, prepayments & loans	22	185,968	149,009
Cash & bank balances	23	440,974	75,297
		-----	-----
		1,137,336	815,894
		-----	-----
		1,537,964	1,208,467
		=====	=====

The annexed notes form an integral part of the accounts.

SHERALI MUNDRAWALA	AAMIR H. SHIRAZI	YUSUF H. SHIRAZI
DIRECTOR	CHIEF EXECUTIVE OFFICER	CHAIRMAN

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

	Note	(Rupees in 000's)	
		1998	1997
SALES	24	3,423,496	3,498,143
COST OF SALES	25	2,999,003	3,101,322
		-----	-----
GROSS PROFIT		424,493	396,821
OPERATING EXPENSES			
Administrative	26	795,511	666,937
Selling & distribution	27	94,345	92,596
		-----	-----
		173,896	159,289
OPERATING PROFIT		250,597	237,532
MISCELLANEOUS REVENUE	28	34,684	10,760
		-----	-----
		285,281	248,292
OTHER CHARGES			
Financial expenses		79,623	42,313
Diminution in value of investment		522	3,458
Workers' profit participation fund		10,257	10,126
Workers' welfare fund		3,959	3,799
		-----	-----
		94,361	59,696
PROFIT BEFORE TAXATION		190,920	188,596
		-----	-----
TAXATION- Current	30	57,000	62,300
- Prior Year		2,779	2,558
- Deferred		5,500	0
- Bonus shares		0	(1,206)
		-----	-----
		65,279	63,652
PROFIT AFTER TAXATION		125,641	124,944
UNAPPROPRIATED PROFIT BROUGHT FORWARD		174	407
		-----	-----
AVAILABLE SURPLUS		125,815	125,351
APPROPRIATION:			
Transfer to General Reserve		89,000	920,001
Proposed dividend		36,495	19,906
Transfer to Reserve for issue of Bonus Shares		0	13,271
		-----	-----
		125,495	125,177
UNAPPROPRIATED PROFIT CARRIED FORWARD		320	174
		=====	=====

The annexed notes form an integral part of the accounts.

SHERALI MUNDEWALA DIRECTOR	AAMIR H. SHIRAZI CHIEF EXECUTIVE OFFICER	YUSUF H. SHIRAZI CHAIRMAN
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 1998

	Note	(Rupees in 000's)	
		1998	1997
Net cash inflow from operating activities	A	433,544	295,351
Return on investments and servicing of finance			
Markup/interest paid		(72,988)	(35,589)
Finance charges on leased assets paid		(1,090)	(2,283)
Interest/Mark up received on advances		14	1,112
Interest/Mark up received on deposits		9,735	3,295
Dividend income		175	350
		-----	-----
Net cash outflow from return on investments and servicing of finance		(64,154)	(33,115)
Dividend Paid		(19,485)	(17,914)
Tax deducted at source		(75,038)	(95,972)
Investing activities			
Capital expenditure			
Purchase of fixed assets		(51,287)	(141,271)
Sale of fixed assets		4,111	6,857
		-----	-----
		(47,176)	(134,414)
		(750)	(2,375)
		-----	-----
Cash out flow from investing activities		(47,926)	(136,789)
		-----	-----
Net cash inflow before financing activities		226,941	11,561
Financing activities			
Increase/(Decrease) in short term borrowing		87,348	(15,314)
Redeemable capital received		95,000	0
Supplier's Credit received		0	104,652
Repayment of redeemable capital		(27,118)	(22,651)
Repayment of Supplier's credit		(20,930)	0
Repayment of obligation under finance lease		(2,757)	(9,717)
(Decrease)/increase in long term deposits & loans		(4,096)	2,258
		-----	-----
Net cash inflow from financing activities		127,447	59,228
		-----	-----
Increase in cash & cash equivalents	B	354,388	70,789
		-----	-----

(Rupees in 000's)
1998 1997

NOTE A**Reconciliation of operating profit to net cash flow from operating activities**

Net profit before taxation	190,920	188,596
Depreciation	44,689	32,577
Mark- up/interest expense	72,929	35,527
Profit on sale of fixed assets	(517)	(857)
Provision for gratuity	1,181	10,354
Finance charges on leased assets	1,090	2,249
Deferred income	0	(181)
Interest/Mark up received on advances	(14)	(1,112)
Interest/Mark up received on deposits	(16,360)	(5,400)
Dividend income	(175)	(350)
Exchange (gain)/Loss	(11,289)	1,321
Provision for diminution in value of investments	521	3,458
	-----	-----
Operating profit before working capital changes	282,975	266,182
(Increase)/decrease in trade debtors, loans, deposits and other receivables	(18,975)	95,767
(Increase)/decrease in stores & stocks	78,262	(61,095)
Increase/(decrease) in creditors, provisions, accrued charges & other liabilities	91,282	(5,503)
	-----	-----
	150,569	29,169
	-----	-----
Net Cash inflow from operating activities	433,544	295,351
	-----	-----

NOTE B**Analysis of changes in cash & cash equivalents**

Balance as at 30 June, 1997	75,297	5,829
Increase in cash & cash equivalents	354,388	70,789
Exchange gain/(loss)	11,289	(1,321)
	-----	-----
	440,974	75,297
	-----	-----

NOTE C

Non cash transaction

Assets acquired under finance lease	2,100	0
	*****	*****

SHERALI MUNDRAMALA	AAMIR H. SHIRAZI	YUSUF H. SHIRAZI
DIRECTOR	CHIEF EXECUTIVE OFFICER	CHAIRMAN

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

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated as a public limited company on 16 October, 1962 and its shares are quoted on stock exchanges in Pakistan. The company is principally engaged in progressive manufacture and sales of motorcycles and parts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under historical cost convention.

2.2 Staff retirement benefits

The company operates an unfunded gratuity scheme for its non management staff/workers for which annual provision is made to cover obligation under the union agreement.

The Company operates contributory provident fund for all employees.

2.3 Taxation

Current taxation is provided on taxable income at the current rates of taxation after taking into account tax credit available, if any:

The company accounts for deferred tax on all material timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that the timing difference will not reverse in the foreseeable future.

2.4 Fixed assets and depreciation

Operating fixed assets including leased assets are stated at cost less accumulated depreciation.

Depreciation is charged on reducing balance basis without considering extra shift workings, at the annual rates of 2.5% to 20% of written down value, depending on the class of asset.

Normal repairs and maintenance are charged to expenses as and when incurred. Major renewals and replacements are capitalized. Gain or loss on disposal of fixed assets is included in the profit and loss account.

2.5 Accounting for leases

The company accounts for assets acquired under finance lease by recording the asset and related liability. Finance charge is allocated to accounting period in a manner so as to produce a constant periodic rate of charge on the outstanding liability.

2.6 Investments

These are stated at cost. Provision for diminution in value of investments is made, if considered permanent.

2.07 Stores and spares

These are valued at average cost.

2.08 Stocks

These are valued at lower of cost and net realisable value. Goods in transit are valued at cost.

2.09 Translation of foreign currencies

Liabilities in foreign currencies are translated into rupees at the exchange rates prevailing on the balance sheet date except for liabilities covered under forward exchange contracts which are translated at the contracted rates. In accordance with F.E. Circular No.12 dated 29 May, 1998 of State Bank of Pakistan, Foreign Currency deposits have been converted into Rupees at the Exchange rate of Rs. 46=£1.

Exchange differences on long term loans utilised for purchase of plant and machinery are adjusted against the cost of the machinery. All other exchange differences are included in the profit and loss account.

2.10 Revenue recognition

Sales are recorded on dispatch of goods to customers.

2.11 Presentation

Figures have been rounded off to the nearest of thousand rupees and figures of the previous year have been rearranged, wherever necessary, for the purpose of comparison.

	(Rupees in 000's)	
	1998	1997
3. ISSUED, SUBSCRIBED & PAID - UP CAPITAL		
Ordinary shares of Rs. 10/- each.		
6,352,748 Fully paid-up in cash	63,528	63,528
7,985,678 Issued as fully paid bonus shares (1997: 6,658,612 shares)	79,856	66,586
259,300 Issued for consideration other than cash	2,593	2,593

-----	-----	-----
14,597,726	145,977	132,707
-----	-----	-----

4. RESERVES

Capital reserve (Note 4.1)	40,118	40,118
General reserve (Note 4.2)	295,300	206,300
	-----	-----
	335,418	246,418
	-----	-----

4.1 Capital reserve

Gain on sale of land	165	165
Share Premium account	39,953	39,953
	-----	-----
Balance as at 30 June, 1998	40,118	40,118
	-----	-----

4.2 General reserve

Balance as at 30 June 1998	206,300	114,300
Transfer from Profit & Loss Account	89,000	92,000
	-----	-----
	295,300	206,300
	-----	-----

5. REDEEMABLE CAPITAL

National Investment Trust Limited (Note 5.1)	0	7,649
Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Ltd. (Note 5.2)	61,071	0
Atlas Investment Bank Limited (Note 5.3)	20,000	0
	-----	-----
	81,071	7,649
	-----	-----

Term Finance Certificate

5.1 TFCs National Investment Trust Limited		
Balance as at 30 June, 1998	7,649	20,748
Installments due within the following twelve months	7,649	13,099
	-----	-----
	0	7,649
	-----	-----

(a) The company has obtained long term finance from National Investment Trust Limited (NIT) amounting to Rs. 50 million with a corresponding 'repurchase price' of Rs. 84.9 million. The company has issued Term Finance Certificates (TFC).

(b) The 'repurchase price' is redeemable in 10 half yearly installments commencing from 20 April, 1994.

(c) TFCs are secured against:

(i) Equitable mortgage on the entire movable & immovable properties of the company ranking pari passu with charges created in favour of existing creditors;

(ii) Floating charge on all present & future properties & assets of the company; and

(iii) Hypothecation of all Plant, Machinery & Equipment of the Company.

	(Rupees in 000's)
	1998 1997

Mark-up Agreement

5.2 Saudi Pak Industrial & Agricultural Investment Company (Pvt) Limited

Disbursement during the year	70,000	0
Installments due within the following twelve months	8,929	0
	-----	-----
	61,071	0
	-----	-----

5.2 (a) The company has arranged long term finance facility from Saudi Pak Industrial and Agricultural Investment Company (Private) Limited under mark-up arrangement (Saudi Pak). In terms of Mark-up finance agreement Saudi Pak purchased certain assets of the company for a sum of Rs. 70,000,000 and the company simultaneously repurchased the said assets for a sum of Rs. 125,142,768. The mark up rate is 21.5% per annum. Liquidated charges at rate of 0.73 per Rs. 1,000 per day will be payable on the overdue amounts;

(b) The finance facility is repayable in ten half yearly installments commencing from 3 September, 1998 and ending on 3 March, 2003;

(c) The finance facility is secured against first parri passu equitable mortgage on company's immovable assets a first ranking parri passu floating charge and hypothecation of all moveable equipment and future assets of the company; and

(d) A demand promissory note.

5.3 Atlas Investment Bank Limited

Disbursement during the year	25,000	0
Installments due within the following twelve months	5,000	0
	-----	-----
	20,000	0
	*****	*****

5.3 (a) The company has arranged long term finance facility from Atlas Investment Bank Limited, (the bank) an associated company. In terms of Mark-up finance agreement, the bank purchased certain assets of the company for a sum of Rs. 25,000,000 and the company simultaneously/repurchased the said assets for a sum of Rs. 42,488,630. The mark up rate is 21.5% per annum;

(b) The facility carries project monitoring fee at the rate of 0.25% on outstanding amount representing repurchase price. In case of default in payment on due dates, Liquidated damages will be payable at the rate of 20% on the default amount;

(c) The mark-up price is repayable in 10 half yearly installments commencing on :10 January, 1998 and ending on 10 January, 2003; and

(d) The facility is secured against a first mortgage ranking parri passu on immovable properties of the company, a first ranking parri passu charge by way of hypothecation of all fixed assets of the company and a demand promissory note.

(Rupees in 000's)
1998 1997

6. LONG TERM LOAN

NDFC

Local Currency Loan

Balance as at 30 June, 1998	7,862	21,881
Installments due within the following twelve months	7,862	14,019
	-----	-----
	0	7,862
	*****	*****

(a) The company has arranged long term finance of Rs. 70.0 million from National Development Finance Corporation (NDFC). The amount utilized represents the purchase price' of the agreement and with the corresponding 'mark-up price' of Rs.140.363 million. A rebate of Rs. 21.493 million shall be available to the company if all the installments are paid on due dates. The rate of mark-up is 16% per annum.

(b) The 'mark-up price' is repayable in 14 half yearly installments commencing from 24 May, 1992 and ending on 24 November, 1998.

(c) The finance is secured against:

(i) first mortgage on the entire movable properties and assets of the company ranking pari passu with charges created in favour of existing creditors;

(ii) first floating charges on all the business undertaking & other assets and properties of the company ranking pari passu with existing creditors;

(iii) hypothecation of all the movable properties, including book debts and other receivable of the company; and

(iv) demand promissory notes.

d) Pending execution of mortgage the finance is secured against undertaking of the company to create mortgage.

7. SUPPLIER'S CREDIT

Honda Trading Corporation

Foreign Currency Loan - Unsecured

Balance as at 30 June, 1998	83,721	104,651
Installments due within the following twelve months	20,930	20,930
	-----	-----
	62,791	83,721
	*****	*****

(a) The Company has arranged Supplier's Credit from Honda Trading Corporation, Japan amounting to JY 298,683,070/- equivalent to Rs.104,651,678/- for import of Machinery & Equipment for the manufacture of gears for the motorcycles.

(b) Supplier's Credit is repayable in 5 yearly installments commencing from 30 May, 1998 and ending on 30 May, 2002.

(c) The Supplier's Credit carries interest at the rate 17.86% per annum including exchange risk fee of 13.36% per annum.

(Rupees in 000's)
1998 1997

8. OBLIGATION UNDER FINANCE LEASE

The amount of future lease payment and the years during which these payments will become due are:

Year ending June 30, 1998	0	3,198
1999	4,685	2,930
2000	2,204	1,686
2001	517	0
	-----	-----
	7,406	7,814

Less: Financial charges not yet due	1,219	1,708
	-----	-----
	6,187	6,106
Less: current portion shown under current liabilities	3,647	2,211
	-----	-----
	2,540	3,895
	-----	-----
	*****	*****

The company has entered into lease agreements for Plant and Machinery, Office Equipment and Vehicles with various companies. The rate of finance charge varies from 20.25% to 22% per annum.

9. SHORT TERM LOANS

From banks		
Secured	207,350	120,395
Unsecured	393	0
	-----	-----
	207,743	120,395
	-----	-----
	*****	*****

9.1 The company has borrowing facilities up to an aggregate of Rs.502 million (1997: Rs. 357 million) which are secured against hypothecation of stocks and debtors. The loans carry mark-up at the rate of Rs. 0.397 to Rs. 0.46 (1997: Rs. 0.43 to Rs. 0.51) per thousand rupees per day on daily product basis.

10. CURRENT MATURITY OF LONG TERM LIABILITIES

Redeemable capital	21,578	13,099
NDFC loan	7,862	14,019
Supplier's Credit	20,930	20,930
Obligation under finance lease	3,647	2,211
	-----	-----
	54,017	50,259
	-----	-----
	*****	*****

11. CREDITORS, PROVISIONS, ACCRUED CHARGES AND OTHER LIABILITIES

Bills payable	110,586	114,474
Trade Creditors (Note 11.1)	146,660	70,938
Accrued expenses (Note 11.2)	117,611	110,463
Customers' advances & credit balances (Note 11.3)	85,174	78,975
Interest/Mark-up on loans secured	8,879	9,268
Interest/Mark-up on loans un-secured	330	0
Retention money	392	82
Other liabilities (Note 11.4)	6,374	5,931
Sales tax	16,467	13,533
Workers' profit participation fund (Note 11.5)	10,521	10,381
Workers' welfare fund	4,674	6,043
	-----	-----
	507,668	420,088
	-----	-----
	*****	*****

11.1 Trade creditors include Rs. 3 thousand (1997: Rs. Nil) payable to associated undertaking.

11.2 Accrued expenses includes Rs. 50 thousand (1997: Rs. 1,532 thousand) payable to associated undertaking.

11.3 Customers' advance and credit balances includes Rs. Nil (1997: Rs. 50 thousand) received from associated undertakings.

11.4 Other liabilities includes Rs. 138 thousand (1997: Rs. Nil) payable to Employees' Provident Fund

11.5 Workers' profit participation fund

	(Rupees in 000's)	
	1998	1997
Balance as at 30 June, 1997	10,381	9,696
Interest credited during the period	981	917
	-----	-----
	11,362	10,613
Payments during the period	(11,098)	(10,358)
Contribution for the year @ 5%	10,257	10,126
	-----	-----
	10,521	10,381
	-----	-----
	*****	*****

The company retains the allocation to this fund for its business operations till the amount is paid to the fund together with interest at prescribed rates under the Act.

12. PROVISION FOR TAXATION

Corporate Asset Tax	2,000	2,000
Income Tax	57,000	62,300
	-----	-----
	59,000	64,300
	-----	-----
	*****	*****

13. DIVIDEND

Unclaimed dividend	1,300	888
Bonus fractions unclaimed	42	33
Proposed dividend	36,495	19,906

 37,837 20,827

14. CONTINGENT LIABILITIES & COMMITMENTS

14.1 Guarantees

Issued by Banks	33,877	683
Claims not acknowledged by the company	0	15

Guarantees are issued to Collector of Customs and shall be released on submission of consumption certificates. These are issued under normal operations.

14.2 Commitments of the company as at 30 June, 1998 comprised the following:

Confirmed letters of credit	216,640	257,525
Estimated custom duty on bonded stocks	0	15,339
Future investment in shares of Automotive Testing & Training Centre (Pvt) Limited	375	1,125
Forward exchange contracts	76,148	0

15. STATEMENT OF OPERATING FIXED ASSETS

Particulars	Cost			Depreciation				Rate %
	As at 30 June 97	Additions	Disposals	As at 30 June, 98	As at 30 June, 98	W.D.V. 30 June, 98	Charge for the year	
Freehold Land	5,112	-	0	5,112	-	5,112	0	0
Lease hold Land	8,840	2,347	0	11,187	2,478	8,709	223	2.5
Building on freehold land	14,775	4,267	0	19,042	11,081	7,961	885	10
Building on leasehold land	28,178	-	0	28,178	20,411	7,767	863	10
Plant & machinery	283,429	132,863	0	416,292	184,067	232,225	25,803	10
Dies & jigs	132,804	363	0	133,167	77,813	55,354	6,150	10
Factory equipment	6,471	1,157	15	7,613	4,838	2,775	308	10
Office equipment	23,491	1,450	90	24,851	10,130	14,721	1,636	10
Furniture & fixture	4,550	24	463	4,111	2,588	1,523	169	10
Fixture & equipment	1,315	-	15	1,300	1,142	158	18	10
Electric & gas fittings	20,678	4,170	54	24,794	14,681	10,113	1,124	10
Vehicles	46,787	10,103	8,060	48,830	24,083	24,747	6,187	20
Service equipment	448	0	0	448	207	241	25	10
	576,878	156,744	8,697	724,925	353,519	371,406	43,391	
Assets under Finance Lease								
Plant & machinery	4,478	-	-	4,478	1,377	3,101	345	10
Vehicles	5,937	738	568	6,107	3,137	2,970	743	20
Office equipment	-	2,100	-	2,100	210	1,890	210	10
	10,415	2,838	568	12,685	4,724	7,961	1,298	
1998	587,293	159,582	9,265	737,610	358,243	379,367	44,689	
1997	570,470	80,805	63,982	587,293	318,657	268,636	32,577	

15.1 Lease in respect of two plots is under execution.

15.2 Depreciation for the year has been allocated as follows:

	1998 June 30	1997 June 30
Cost of goods manufactured (Note 25.1)	38,665	26,556
Administrative (Note 26)	6,024	6,021
	44,689	32,577

15.3 DISPOSAL OF FIXED ASSETS

Assets	Cost	AOC. DEP.	W.D.V.	Sale Proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of Purchasers
VEHICLE							
Motorcycle CD 70	39	21	18	16	(2)	Insurance Claim	M/s. Muslim Insurance Co. Ltd, 3 Bank Square Sharah Quaid-e-Azam Lahore
Motorcycle CD 70	56	11	45	50	5	Insurance Claim	.....do.....
Motorcycle CD 70	53	19	34	39	5	Insurance Claim	.....do.....
Motorcycle CD 70	53	19	34	36	2	Insurance Claim	.....do.....
Motorcycle CD 70	29	21	8	12	4	Company policy	Mr. Imtiaz A. Shaikh (Employee)
Motorcycle CD 70	38	20	18	16	(2)	Company policy	Mr. Ehtesham ul Islam (Employee)
Motorcycle CD 70	20	18	2	16	14	Company policy	Mr. Fahim Sulman (Employee)
Motorcycle CD 70	38	21	17	16	(1)	Company policy	Mr. Anwer All Bajwa (Employee)
Motorcycle CD 70	39	21	18	20	2	Company policy	Mr. Mohsin Khan (Employee)
Motorcycle CD 70	38	24	14	16	2	Company policy	Mr. Jan Mohammad (Employee)
Motorcycle CD 70	19	19	0	5	5	Tender	Crown Autos, Shop-9, Aurangzeb Mark. Khi.
Motorcycle CD 70	53	19	34	37	3	Insurance Claim	M/s. Muslim Insurance Co. Ltd, 3 Bank Square Sharah Quaid-e-Azam Lahore
Motorcycle CD 70	56	11	45	46	1	Insurance Claim	.....do.....
Motorcycle CD 70	46	20	26	24	(2)	Insurance Claim	.....do.....
Motorcycle CG 125	36	26	10	15	5	Company policy	Mr. Tauqer Rana (Employee)
Motorcycle CG 125	26	23	3	16	13	Company policy	Mr. Waqar Ahmad (Employee)

Motorcycle CG 125	29	23	6	12	6 Company policy	Mr. Anwar Kalim	(Employee)
Motorcycle CG 125	19	18	1	9	8 Company policy	Mr. Rana Imtiaz	(Employee)
Motorcycle CG 125	29	24	5	11	6 Company policy	Mr. Maqsood Rahmani	(Employee)
Motorcycle CG 125	45	28	17	19	2 Company policy	Mr. Afzal Shahid	(Employee)
Motorcycle CG 125	63	23	40	45	5 Company policy	Mr. N.H. Kazmi	(Employee)
Motorcycle CG 125	28	24	4	12	8 Company policy	Mr. Maqsood-ul-Hassan	(Employee)
Motorcycle CG 125	55	30	25	26	1 Company policy	Mr. Naseer Ahmed	(Ex-Employee)
Motorcycle CG 125	47	26	21	19	(2) Company policy	Mr. M. Yusuf	(Employee)
Motorcycle CG 125	45	28	17	19	2 Company policy	Mr. Maqsood-ul-Hassan	(Employee)
Motorcycle CO 125	45	28	17	18	1 Company policy	Mr. Zafar	(Employee)
Motorcycle CG 125	39	25	14	16	2 Company policy	Mr. Abdul Majid	(Employee)
Motorcycle CG 125	42	26	16	17	1 Company policy	Mr. Afrasiab Khan	(Employee)
Motorcycle CG 125	47	25	22	20	(2) Insurance Claim	M/s. Muslim Insurance Co. Ltd, 3 Bank Square Sharah Quaid-e-Azam Lahore	
Motorcycle CG 125	64	13	51	54	3 Insurance Claim	.....do.....	
Motorcycle CG 125	66	13	53	50	(3) Insurance Claim	.....do.....	
Motorcycle CG 125	63	23	40	40	0 Insurance Claim	.....do.....	
Motorcycle CG 125	63	23	40	43	3 Insurance Claim	.....do.....	
Motorcycle CG 125	64	23	41	43	2 Insurance Claim	.....do.....	
Motorcycle CG 125	45	28	17	21	4 Insurance Claim	.....do.....	
Motorcycle CG 125	66	13	53	47	(6) Insurance Claim	.....do.....	
Motorcycle CG 125	38	24	14	16	2 Company policy	Mr. Iqbal Ahmad	(Employee)
Motorcycle CG 125	58	25	33	55	22 Company policy	Mr. Khaqan Saeed	(Ex-Employee)
Motorcycle CG 125	37	26	11	15	4 Company policy	Mr. Mohd. Naeem	(Employee)
Honda Civic	328	296	32	181	149 Tender	Mr. Nasir, Climax Automobile, G-11 Rehman Sq. 13A, Gulshan-e-Iqbal, Khi.	
Nissan Sunny	318	201	117	132	15 Company policy	Mr. Ejaz ur Rahim	(Employee)
Nissan Sunny	313	197	116	130	14 Company policy	Mr. Jawaid Zaidi	(Employee)
Suzuki Margalla	303	163	140	126	(14) Company policy	Mr. Shaukat Alam	(Employee)
Suzuki Mehran	219	118	101	91	(10) Company policy	Mr. Arshad Siddiqui	(Employee)
Charade	225	121	104	103	(1) Company policy	Mr. Afaq Ahmed	(Employee)
Toyota Corolla	568	306	262	228	(34) Company policy	Mr. Abid All	(Employee)
Toyota Corolla	271	115	156	147	(9) Company policy	Mr. Hasan Khusroo	(Ex-Employee)
Toyota Corolla	526	284	242	223	(19) Company policy	Mr. Sardar Akhter	(Employee)
Suzuki Khyber	244	132	112	102	(10) Company policy	Mr. Tahir Jamal	(Employee)
Suzuki Khyber	215	116	99	92	(7) Company policy	Mr. Jawaid Afghani	(Employee)
Suzuki	312	62	250	217	(33) Company policy	Mr. M.R. Rehmani	(Employee)
Toyota Corolla	304	192	112	138	26 Company policy	Mr. M. Siddique	(Ex-Employee)
Toyota Corolla	308	166	142	126	(16) Company policy	Mr. Maqsood Ahmed	(Ex-Employee)
Toyota Corolla	665	469	196	273	77 Company policy	Mr. H.M. Haneef	(Ex-Employee)
Suzuki Khyber	342	68	274	281	7 Insurance Claim	M/s. Muslim Insurance Co. Ltd. 3 Bank Square Sharah Quaid-e-Azam Lahore	
Honda Accord	736	647	89	250	161 Tender	Mohd. All, C-19 Block-2, PECHS, KHI	
S90	4	4	0	2	2 Tender	.....do.....	
Toyota Corolla	68	68	0	28	28 Tender	United Scrap, 103-Sher Shah, Karachi	
Willey Jeep	32	32	0	13	13 Tender	.....do.....	
Commodo Jeep	23	23	0	10	10 Tender	.....do.....	
Total Vehicles	8,060	4,632	3,428	3,900	472		
FACTORY EQUIPMENT							
Service Tester	15	11	4	6	2 Tender	Khurshheed Sons, F87 Teen Hati Jahangir Road, Karachi-5	
	15	11	4	6	2		
OFFICE EQUIPMENT							
Rotanary plain copier	65	55	10	14	4 Tender	Khurshheed Sons, F-87 Teen Hati Jahangir Road, Karachi-5	
Air Conditioner	25	15	10	5	(5) Tender	M/s. Qayyum General & Co. Shop 19, Alburhan Center, Saddar, Khi.	
	90	70	20	19	(1)		
FURNITURE & FIXTURE							
Side Wooden Racks	15	10	5	6	1 Tender	Khurshheed Sons, F-87 Teen Hati Jahangir Road, Karachi-5	
Shelves	1	1	0	1	1.....do.....	.....do.....	
Chairs (Nos 115)	132	96	36	48	12.....do.....	.....do.....	
Plant Boxes	33	25	8	10	2.....do.....	.....do.....	
Venetian Blinds	63	47	16	21	5.....do.....	.....do.....	
Desks & Tables	54	38	16	21	5.....do.....	.....do.....	
Trolley & Sinks	8	6	2	3	1.....do.....	.....do.....	
Furniture (Nos 10)	116	89	27	35	8.....do.....	.....do.....	
Deluxe Kitchen	27	19	8	11	3.....do.....	.....do.....	
Filing Cabinets	14	11	3	4	1.....do.....	.....do.....	
Total Furnit. & Fixture	463	342	121	160	39		
ELECTRIC & GAS							
Electrical Parts	23	17	6	8	2 Tender	Khurshheed Sons, F-87 Teen Hati Jahangir Road, Karachi-5	
Exhaust Fans	18	13	5	7	2.....do.....	.....do.....	
Air Conditioner	13	8	5	5	0.....do.....	M/s. Qayyum General & Co. Shop 19, Alburhan Center, Saddar, Khi.	
	54	38	16	20	4		
FIXTURE & EQUIPMENT							

Venetian Blinds	15	10	5	6	1 Tender
Total Own Assets	8,697	5,103	3,594	4,111	517

Khurshheed Sons, F-87 Teen Hati
Jahangir Road, Karachi-5

LEASED ASSETS EXPIRED TRANSFERED TO OWN ASSETS

Vehicle					
Toyota Corolla	568	0	568	568	0 Purchase/Lease back Leased assets expired transferred to own assets
Grand Total	9,265	5,103	4,162	4,679	517

(Rupees in 000's)
1998 1997

16. CAPITAL WORK IN PROGRESS

Plant & Machinery	0	106,229
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17. LONG TERM INVESTMENTS

Listed:

Associated Undertaking		
Atlas Battery Limited 150,500 ordinary shares of Rs. 10/- each (1997:140,000 ordinary Shares)	9,548	9,548
Less: Provision for diminution in value of investment	3,979	3,458
(Market Value as at June 30, 1998 Rs. 5,569 thousand; June 30, 1997: Rs. 6,090 thousand)	5,569	6,090

Unlisted:

Arabian Sea Country Club Ltd. (200,000 ordinary shares Rs. 10/- each) Chief Executive: Mr. Zaem Lutfi (Break up value based on the audited accounts for the year ended 30 June, 1997 Rs.10/-)	2,000	2,000
Name of Auditors: Sidat, Hyder, Qamar Maqbool & Company		

Automotive Testing & Training Centre (Pvt) Ltd.
Deposit for shares

1,125	375
8,694	8,465

18. LONG TERM LOANS & DEPOSITS

Deposits	1,320	1,216
Car/Motorcycle loans to staff (Note 18.1)	11,247	8,027
	12,567	9,243

8.1 Car/Motorcycle loans to staff

Balance as at 30 June, 1998	17,327	13,335
Receivable within the following twelve months.	6,080	5,308
	11,247	8,027

(a) Car/Motorcycle loans to staff are secured against car/motorcycles and are recoverable in forty-eight monthly installments.

19. STORES

Consumable	6,424	9,174
Maintenance spares	6,349	5,352
Tools	15,125	11,847
	27,898	26,373

20. STOCKS

Raw materials & components

In hand	149,536	223,954
with third party	34,006	38,888
In transit (inter factory)	2,713	0

	186,255	262,842
In bond	0	43,603
Work in process	44,731	30,884
Finished goods		
Motorcycles	105,969	108,944
Spare parts	31,367	34,463

	137,336	143,407
Goods in transit at cost	98,335	65,708
	466,657	546,444

20.1 Cost has been arrived at as follows:-

(a) In case of raw materials & components, finished stocks & spare parts at average cost.

(b) In case of work in process cost includes direct materials, direct labour and manufacturing overheads.

21. TRADE DEBTORS UNSECURED

Considered good	15,839	18,771
	=====	=====

21.1 Trade debtors include Rs.13thousand (1997 Rs. Nil) receivable from associated undertaking.

22. ADVANCES, DEPOSITS, PREPAYMENTS & LOANS

Unsecured - considered good		
Loans to staff	2,448	2,286
Advances to:		
Staff for expenses	3,754	1,610
Supplier's & contractors	26,090	15,118
Income tax deducted at source	92,803	82,844
Advance Sales Tax - Motorcycles	1,270	2,263
- Raw materials	5,446	5,248
- Local Parts	893	2,551
- Spare Parts	150	0
Trade deposits	1,301	1,138
Prepayments	26,038	16,693
Interest accrued on deposit (Associated undertaking)	3,351	1,716
Interest accrued on deposit-others	5,588	599
Other receivable	10,756	11,635
Secured - considered good		
Car/motorcycle loans to staff (Note 18.1)	6,080	5,308
	-----	-----
	185,968	149,009
	=====	=====

(Rupees in 000's)

	1998	1997
Unsecured - considered doubtful		
Other receivable	535	535
Provision for doubtful receivable	535	535
	-----	-----
	0	0
	=====	=====

22.1 Maximum amounts due from the associated undertakings at the end of any month during the year was Rs.32,228 thousand (1997:Rs.16,210 thousand).

22.2 Advance to suppliers and contractors includes Rs.22,238 thousand (1997: Rs. 4,744 thousand) receivable from associated undertakings.

22.3 Prepayments includes Rs.13,086thousand (1997: Rs. 39 thousand) insurance and Rs. Nil (1997:Rs.54 thousand) rent and computer services Rs. Nil (1997:Rs.48 thousand) paid to associated undertakings.

22.4 Other receivables includes Rs. Nil (1997:Rs.370 thousand) receivable from associated undertakings. Also include Rs.4,098 thousand (1997:6,241 thousand) octroi refundable from Karachi Municipal Corporation, Rs.3,728 thousand (1997: Rs. 2,234 thousand) duty draw back receivable from Collector of Customs and Corporate Assets Tax paid under protest Rs. 2,000 thousand (1997: Rs. 2,000 thousand).

23. CASH & BANK BALANCES

Cash in hand	23	283
Cash with banks		
- In Current account	19,597	9,452
- In PLS account	18,805	60
- In Deposit account:		
- Foreign currency (Note 23.1)	205,660	65,502
- Local currency (Note 23.2)	196,889	0
	-----	-----
	440,974	75,297
	=====	=====

23.1 Foreign currency deposit includes Rs.57,534 thousand (1997: Rs. 48,882 thousand) deposited with associated undertaking.

23.2 Local currency deposit includes Rs.196,889 thousand (1997: RS. Nil) deposited with associated undertakings. Also include Rs.86,888 thousand (1997: Rs. Nil) under Fund Management.

24. SALES

Motorcycles & spare parts	3,423,496	3,498,143
	=====	=====

(Sales have been recorded at dealer's net prices and after deducting Sales Tax Rs.446.285 million (1997:Rs.584.813 million) and discount/allowance Rs.0.377 million (1997:Rs.5.335 million)

25. COST OF SALES

Stocks as at 30 June, 1997	143,407	96,105
Cost of goods manufactured (Note 25.1)	2,925,942	3,065,419

Purchases	66,990	83,205
	-----	-----
Stocks as at 30 June, 1998	3,136,339	3,244,729
	137,336	143,407
	-----	-----
	2,999,003	3,101,322
	=====	=====

25.1 Cost of goods manufactured

Work in process - opening	30,884	34,133
Raw materials & components consumed (Note 25.2)	2,627,005	2,737,621
Direct labour	49,126	44,286
Salaries, wages & benefits	35,399	37,989
Stores consumed	36,214	66,965
Light, heat & water	20,425	21,144
Rent, rates & taxes	3,138	3,583
Insurance	12,634	7,961
Repairs & maintenance	23,634	14,574
Traveling, entertainment & conveyance	9,843	9,286
Postage, telegram & telephones	3,978	4,039
Vehicle running	2,920	2,761
Printing & stationery	1,011	1,075
Depreciation	38,665	26,556
Canteen	3,882	3,900
Royalty	68,117	77,010
Others	3,798	3,420
	-----	-----
	2,970,673	3,096,303
Work in process - closing	44,731	30,884
	-----	-----
	2,925,942	3,065,419
	=====	=====

25.2 Raw material & components consumed

Stocks as at 30 June, 1997	262,842	260,712
Purchases (Net)	2,550,418	2,739,751
	-----	-----
	2,813,260	3,000,463
Stocks as at 30 June, 1998	186,255	262,842
	-----	-----
	2,627,005	2,737,621
	=====	=====

26. ADMINISTRATIVE EXPENSES

Directors' meeting fee	5	5
Director's remuneration	2,373	935
Salaries & benefits	38,990	25,875
Traveling, conveyance & entertainment	10,756	11,310
Rent, rates & taxes	2,204	1,811
Postage, telegram & telephones	4,734	3,868
Legal & professional charges	2,061	2,355
Auditors' remuneration (Note 26.1)	242	246
Insurance	1,882	1,518
Printing & stationery	1,717	2,098
Repairs & maintenance	2,543	4,448
Vehicle running	2,895	3,019
Staff training	893	1,136
Gas & electricity	1,270	880
Subscriptions	758	458
Gain on sale of fixed assets (Note 15.3)	(517)	(857)
Depreciation	6,024	6,021
Others	721	567
Donation (without directors interest)	0	1,000
	-----	-----
	79,551	66,693
	=====	=====

26.1 Auditors' remuneration

Audit fee	140	140
Certification of royalty/other services	44	27
Provident/workers' profit participation fund	30	30
Out of pocket expenses	28	28
Excise Duty	0	21
	-----	-----
	242	246
	=====	=====

27. SELLING & DISTRIBUTION EXPENSES

Salaries & benefits	18,009	16,204
Traveling, conveyance, entertainment & vehicle running	10,310	10,265
Advertising & publicity	29,352	28,833
Rent, rates & taxes	3,236	2,166
Repairs & maintenance	956	392
Gas & electricity	1,006	967
Postage & telephones	4,090	5,321
Printing & stationery	1,065	1,786
Freight & forwarding	15,501	14,496
Sales promotion	7,348	9,327
Insurance	1,397	916
Service expenses	1,939	1,702
Others	136	221
	-----	-----

	94,345	92,596
	*****	*****

28. MISCELLANEOUS REVENUE

Sale of scrap	6,704	3,545
Interest on deposits:-		
Associated Undertakings	10,750	3,930
Others	5,610	1,470
Interest on Advances:-		
Others	14	1,112
Other Income	142	172
Dividend income- (Associated Undertaking)	175	350
Deferred income recognised	0	181
Exchange gain on Foreign Currency Account	11,289	0
	-----	-----
	34,684	10,760
	*****	*****

(Rupees in 000's)
1998 1997

29. FINANCIAL EXPENSES

Interest/mark-up on:		
Short term loans	28,615	23,061
Long term loan	2,725	4,774
Redeemable capital	21,122	5,900
Supplier's credit	4,636	249
Workers' profit participation fund	981	917
Finance charge on leased assets	1,090	2,249
Other financial charges	4,623	2,299
Excise Duty	(1,075)	1,543
Exchange loss	0	1,321
Exchange risk fee	16,906	0
	-----	-----
	79,623	42,313
	*****	*****

30. TAXATION

Income Tax-Current	57,000	62,300
	*****	*****

31. REMUNERATION OF DIRECTORS AND EXECUTIVES

Chief Executive Officer		
Remuneration	1,313	672
Rent & Utilities	568	67
Medical expenses reimbursed	23	8
Bonus	324	114
Provident fund	145	74
	-----	-----
	2,373	935
	*****	*****
Number of person	1	1
	*****	*****
Director		
Remuneration	314	283
Utilities	98	84
	-----	-----
	412	367
	*****	*****
Number of person	1	1
	*****	*****
Meeting fee	5.0	4.5
	*****	*****
Number of persons	3	4
	*****	*****

Executives

Remuneration	15,039	9,472
Rent & utilities	8,272	5,210
Medical expenses reimbursed	2,220	1,089
Bonus	2,616	1,597
Provident fund	1,598	1,042
Leave fare assistance	1,265	815
Reimbursement of expenses	5,293	4,659
	-----	-----
	36,303	23,884
	*****	*****
Number of persons	85	60
	*****	*****

The Chairman, Chief Executive Officer and one Director are provided with free use of company maintained cars. The Chief Executive Officer and one Director are provided furnished bungalow and telephones at residences.

32. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

Purchases	53,381	56,508
Sales	3,673	4,435
Expenses charged by	1,213	1,169
Expenses charged to	201	191
Insurance, rent and services	51,534	24,274
Interest on deposits	10,750	3,930
Interest on short term loan	3,108	0

Interest on long term loan	5,318	0
Lease	2,100	0
Lease rental	467	0

33. PRODUCTION CAPACITY

The production capacity of the plant cannot be determined as this depends upon the relative proportion of various types of motorcycles and motorcycle components produced.

SHERALI MUNDRAWALA	AAMIR H. SHIRAZI	YUSUF H. SHIRAZI
DIRECTOR	CHIEF EXECUTIVE OFFICER	CHAIRMAN

**PATTERN OF SHAREHOLDING
AS AT 30 JUNE, 1998**

NO. OF SHAREHOLDERS	HAVING SHARES FROM	TO	SHARES HELD	PERCENTAGE
270	1	100	7,850	0.05
197	101	50050,388		0.35
95	501	1,000	63,504	0.44
202	1,001	5,000	446,915	3.06
31	5,001	10,000	199,226	1.36
10	10,001	15,000	119,714	0.82
6	15,001	20,000	101,573	0.69
4	20,001	25,000	87,782	0.60
3	25,001	30,000	81,763	0.56
3	30,001	35,000	94,592	0.65
2	40,001	45,000	83,841	0.57
1	45,001	50,000	47,600	0.33
2	60,001	65,000	125,351	0.86
1	65,001	70,000	65,499	0.45
1	85,001	90,000	86,121	0.59
1	90,001	95,000	91,275	0.63
2	100,001	105,000	206,782	1.42
1	105,001	110,000	107,432	0.74
1	150,001	155,000	154,633	1.06
1	170,001	175,000	170,243	1.17
1	270,001	275,000	270,435	1.85
1	320,001	325,000	320,672	2.19
1	410,001	415,000	413,868	2.83
1	485,001	490,000	489,275	3.35
4	640,001	645,000	2,579,697	17.67
1	2,380,001	2,385,000	2,380,513	16.31
1	2,830,001	2,835,000	2,831,636	19.40
1	2,915,001	2,920,000	2,919,546	20.00
-----	845	-----	14,597,726	100.00
-----	-----	-----	-----	-----

**CATEGORIES OF SHAREHOLDERS
AS AT 30 JUNE, 1998**

	SHARE HOLDERS	SHARE HOLDING	PERCENTAGE
Individuals	819	4,583,056	31.40
Investment Companies	14	2,490,966	17.07
Insurance Companies	2	734,540	5.03
Financial Institutions	3	2,939,069	20.13
Others			
Honda Motors Ltd. Japan	1	2,919,546	20.00
Tokyo-Mitsubishi International (H.K) Ltd.	1	489,275	3.35
Administrator Abandoned Properties	1	170,243	1.17
Corporate Law Authority	1	1	0.00
Joint Stock Companies	2	270,763	1.85
Co-operative Society	1	267	0.00
-----	845	14,597,726	100.00
-----	-----	-----	-----

ATLAS GROUP COMPANIES

	Year of Establishment Acquisition*
Shirazi Investments (Pvt) Ltd.	1962
Atlas Honda Ltd.	1963
Atlas Battery Ltd.	1966
Shirazi Trading Co. (Pvt.) Ltd.	1973
Atlas Warehousing (Pvt.) Ltd.	1979
Atlas Office Equipment (Pvt.) Ltd.	1979*
Muslim Insurance Co. Ltd.	1980*
Allwin Engineering Industries Ltd.	1981 *
Atlas Lease Ltd.	1989
Atlas Investment Bank Ltd.	1990
Honda Atlas Cars (Pakistan) Ltd.	1993
Honda Atlas Services (Pvt.) Ltd.	1994
Atlas Information Technology (Pvt.) Ltd.	1996
Total Atlas Lubricants Pakistan (Pvt.) Ltd.	1998
Atlas Power Products (Pvt.) Ltd.	1998