

# Hinopak Motors Limited

(Annual Report 1996)

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## Board of Directors

Keith S. Stack	(Chairman)
C.D.W. Leitch	
Shah Jalil Alam	
Nazir Ahmed Shaikh	
Kunwar Idris	
Masamichi Yoshimizu	
Kanji Kawamura	
Hajime Atsumi	
Hasan Irshad	(Managing Director & Chief Executive)

## Company Secretary

Mohammad Z. A. Syed

## General Managers

F.K. Siddiqi	(Personnel & Administration)
Feroz A. Pirzada	(Production)
Iftikhar Quraeshi	(Marketing)
L. R. Kherati	(Material Operations)
Mohammad Z. A. Syed	(Finance)

## Bankers

ABN - AMRO Bank  
Allied Bank of Pakistan Limited  
American Express Bank Limited  
Bank of America NT & SA  
Banque Indosuez  
The Bank of Tokyo - Mitsubishi, Limited  
Habib Bank Limited  
Hongkong & Shanghai Banking Corporation Limited  
National Bank of Pakistan Limited  
Societe Generale - The French & International Bank

## Auditors

A. F. Ferguson & Co.

## Legal Advisors

Surridge & Beecheno

**Registered Office**

D-2, S.I.T.E., Manghopir Road,  
P.O.Box No. 10714, Karachi- 75700.

**NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of the shareholders of Hinopak Motors Limited will be held at the Ballroom B, Pearl Continental Hotel, Club Road, Karachi on Wednesday, December 4, 1996 at 11.00 a.m. to transact the following business:

**ORDINARY BUSINESS**

- (1) To receive and consider the Audited Accounts of the Company for the financial year ended June 30, 1996, together with the Report of Directors and Auditors.
- (2) To appoint Auditors for the year 1996-97 and to fix their remuneration. The retiring Auditors Messrs. A. F. Ferguson & Co., Chartered Accountants being eligible, offer themselves for re-appointment.
- (3) To approve, as recommended by the Board of Directors, the final cash dividend at the rate of 35% i.e. Rs. 3.50 per share for the year ended June 30, 1996.

**SPECIAL BUSINESS**

- (4) To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

**"RESOLVED THAT:**

- (a) Pursuant to the Article 127 of the Articles of Association a sum of Rs. 20,667,600 out of the free reserves of the Company, be capitalized and applied towards the issue of 2,066,760 fully paid ordinary shares of Rs. 10/- each as bonus shares in proportion of one bonus share for every five ordinary shares held by the members whose names appear in the Members' Register at the close of business on November 19, 1996. The shares so distributed shall be treated for all purposes as increased paid up capital of the Company.
- (b) The shares so distributed shall rank pari-passu in all respects with the existing shares of the Company. However, these shares shall not be eligible for the cash dividend declared for the year ended June 30, 1996.
- (c) In the event of any member holding shares that are not an exact multiple of five ordinary shares then, such fractional entitlements shall be consolidated into whole shares and sold on the Karachi Stock Exchange. The proceeds of sale, when realized, shall be paid to the entitled members.
- (d) For the purpose of giving effect to the foregoing, the Chief Executive and the Company Secretary be and are hereby authorized to give such directions as they deem fit to settle any question or any issues that may arise in the distribution of the said bonus shares or in the payment of sale proceeds of the said fractions."

A statement under Section 160 of the Companies Ordinance, 1984 setting forth all material facts containing the Resolution contained in item (4) of the Notice which will be considered for adoption at the Meeting is annexed to this Notice of Meeting being sent to Members.

**Notes:**

- i) A member entitled to attend and vote at this General Meeting is entitled to appoint a Proxy to attend, speak and vote in his place at the Meeting. Instrument appointing a proxy must be deposited at the Registered Office of the Company at least forty eight hours before the time of the Meeting.

ii) The share transfer books of the Company will be closed from November 20, 1996 up to December 4, 1996 (both days inclusive).

iii) The shareholders are requested to intimate any changes in their addresses to our Share Registrar Messrs. Ferguson Associates (Private) Limited, State Life Building No. IA, I.I. Chundrigar Road, Karachi, Pakistan.

#### **Statement Under Section 160 of the Companies Ordinance, 1984**

This Statement is annexed to the Notice of the Eleventh Annual General Meeting of the Shareholders of Hinopak Motors Limited to be held on December 4, 1996 at which certain special business is to be transacted.

The special business is the proposed issue of bonus shares. The purpose of this statement is to set forth the material facts concerning this special business.

Item (4) of the Notice of Meeting

In view of the sound financial position of the Company your Board of Directors recommend the issued capital of the Company be increased by capitalization of free reserves amounting to Rs. 20,667,600 and the issue of bonus shares in the ratio 1:5 i.e. one bonus share for every five ordinary shares. The Directors of the Company, directly or indirectly, are not personally interested in this business except to the extent of their shareholdings in the Company.

#### **Chairman's Review**

It gives me great pleasure to welcome you to the 11th Annual General Meeting of the Company and to present to you the report on the performance of the Company for the year ended 30th June, 1996.

#### **OPERATING RESULTS**

As indicated in the half yearly report your Company has not only been able to emerge from the previous year's loss making situation but has been able to achieve a significant improvement in all areas of its operations. The Company earned a net profit of Rs. 176.11M for the year ended 30th June, 1996 which is much higher than the aggregate losses suffered during the previous two financial years (1993-94 Rs. 54.63 M and 1994-95 Rs. 71.66M, Total Rs. 126.29M). Sales Revenue more than doubled to Rs.2.6 Billion from Rs. 1.29 Billion achieved during last year. Gross Margin was Rs. 300.9 M compared to Rs. 48.3 M achieved during the year 1994-95.

These results have been achieved despite the adverse law and order situation and the depressed economic conditions prevailing in the country. Sale of old stocks, improved demand for heavy vehicles and a better Yen / Rupee parity rate also played a significant role in achieving these excellent results. The profit for the year also includes other income totalling Rs. 37M, comprising a gain on the sale of Plot S-49 and interest income earned on short term deposits.

Improved liquidity reflecting higher sales, a significant reduction in stocks carried during the year and a substantial increase in credit balances of customers further strengthened the Company's financial position and enabled us to achieve a notable reduction of Rs. 43.6 M (77%) in financial charges.

#### **REVALUATION OF LAND AND BUILDINGS**

During the year, the Company commissioned an updated, independent professional valuation of its Land and Buildings, which were last revalued in 1993. The valuation revealed a surplus over book value of Rs. 261.3 million. No adjustment has been incorporated in the accounts for this surplus. However, in view of the significance of the surplus in relation to Shareholders' Funds, it is considered that the attention of the shareholders should be drawn to this item.

It is the intention of the directors to continue, in the future, to revalue Land and Buildings every three years.

#### **ISSUE OF BONUS SHARES**

The directors are of the view that the issued equity capital of the Company, which has not changed since the issue of shares to the public in 1988, has not kept pace with the Company's asset base. Accordingly, a bonus issue of one share for every five shares held is being proposed to redress this imbalance.

#### **SALE / MARKET SHARE**

Although the Bus & Truck sector of the automobile market has not yet reverted to the pre-Transport Scheme position, it has shown a considerable improvement during the year 1995-96 compared to 1994-95. The total market reached 2600 units during 1995-96 from 1700 units during the year 1994-95. Hino Pak has not only taken full advantage of the improved market situation but has been able to achieve a significant improvement in overall market share which rose to 66% from 62% achieved during last year.

Hino chassis sales increased to 1713 units from 1055 units sold during last year achieving a growth of 658 units (62%).

According to the Japan Automotive Manufacturers Association (JAMA) report, 74% of all Japanese heavy-duty trucks and tractors imported into Pakistan were Hino vehicles. 192 Hino bus chassis were imported into Pakistan, which made

up 72% of the total Japanese bus chassis imports during 1995-96.

#### **NEW PRODUCT LAUNCH**

The Pakistan automobile industry entered a new era when Hinopak launched a new series of trucks and buses in April 1996. The new series incorporates the latest automotive technology adapted to suit driving conditions in Pakistan.

Mr. Tomio Futami, President of Hino Motors Japan and Mr. Masaru Kato, Managing Director of Toyota Tsusho Corporation, Japan were personally present in Pakistan to launch these new models which incorporate state-of-the-art technology, developed to satisfy a wide variety of individual customers and specific business needs. Extensive time was spent on designing and developing these vehicles to meet the changing needs of the customers and to make the truck more comfortable, elegant, economical and environment friendly. The launching of these new models also coincided with the 10th anniversary celebrations of Hinopak which allowed Mr. Futami, Mr. Kato and Mr. Majid Al-Futtaim, President of the Al-Futtaim Group, Dubai to meet in Karachi and take part in these celebrations.

#### **PRODUCT SUPPORT & AFTER SALES SERVICE**

Hinopak has always placed heavy emphasis on achieving its goal of customer satisfaction. We at Hinopak are always in constant contact with our customers either directly or through our dealers to ensure smooth operation of all Hino vehicles plying in the country.

The company has embarked upon an elaborate plan to supplement its existing "After-Sales Service" network by setting up 3S dealership networks at Karachi, Peshawar, Quetta and Multan. Mobile- workshops continue to play a vital role in supporting our products in the remotest parts of the country.

#### **DESIGN & DEVELOPMENT**

The Design and Development department continues its quest to develop new bodies and superstructures. This effort is in line with management's policy to broaden the product range and to capture a higher share of the body fabrication market. The drive towards self sufficiency in design has been reinforced by the fact that the entire design process is now carded out using "Computer Aided Design" systems.

Among the significant developments carded out by the department during the year has been the designing of a 43 seater bus based on Hino FC, currently in the testing phase. The body has been designed with a flexibility to convert this vehicle into an A.C configuration. To expand the acceptability of the FB 113KA, the department has designed two models of A.C. buses Metroliner with 18-25 and 22-29 seats respectively. Meanwhile the existing body shape of the Humrahi has been modified and renamed as Rapidliner.

#### **PRODUCTION**

As the automobile industry emerged from the acute recession in the previous years, the production department geared itself to cope with the new challenges, which were twofold in nature. First, management had to bring back the manufacturing efficiency of the labour force which had been affected by the low production during 1994-95. Secondly, the Super Flyer truck and AK-MA bus series were scheduled to be launched during the year and consequently labour and plant facilities had to be reorganized and upgraded to meet this change. The production department faced up to these challenges and manufactured a total of 1715 units, exceeding the previous year's production by 691 units. This achievement included production of 323 units of the new models, commercial production of which commenced in June, 1996.

The production at the Body Operation Plant also gained momentum during the year. A total of 337 units was produced in 1995-96 against 212 units produced during 1994-95. This amounts to a 59% increase in production over the last year. The units produced during the year included water bowzers, garbage collectors, troop carriers, freight vans and dump trucks. Besides the main assembly operations, the Body Operations Plant also made significant achievement in the in-house development of component parts. A total of 68 different sheet metal parts were fabricated by the Sheet Metal Shop and the FRP Shop developed 73 different parts for our various truck & bus models. The quality of sheet metal parts developed indigenously compares favourably with the original parts imported from Japan.

#### **LOCALIZATION / DELETION PROGRAM**

Every fiscal year ends with successful achievement of deletion targets, while each successive new year carries new, aggressive targets for localization. The year just closed was remarkable in the sense that indigenisation/deletion levels reached 53%, which was due to

the combined effort of all the team members of the organization, without which such smooth target achievements would not have been possible. In the year under review, new models were launched with the same level of deletion i.e. 53% according to the programs approved by the Government.

The Company's localization targets have been kept aggressive to save foreign exchange and attain maximum technology transfer.

In April, 1996, a Vendor's Convention was held in Karachi, which was attended by the Company's vendors from all over Pakistan. The Convention was presided over by the President of Hino Motors Ltd. Japan and joined by other dignitaries from TTC and the Government of Pakistan.

#### **QUALITY ASSURANCE**

Quality at Hinopak is progressively moving towards meeting the most advanced Quality Management standards practiced elsewhere in the world.

For promoting quality culture, QC circle presentation contests were organised for motivating the work force on Quality aspects. In November, 1995 members from two winning teams of Hinopak QC circle contest were sent to Hino Motors Ltd. Japan for participation in the 5th Hino Overseas QC Circle Convention.

#### **ISO 9000 REGISTRATION**

The Company's efforts to achieve ISO 9000 certification are being intensively pursued. Preparation of the Quality Manuals as well as Procedure & Instruction Manuals are in the final stages, while the internal system audit is simultaneously in progress to ensure that the Company obtains the required certification early next year.

#### **TECHNICAL DEPARTMENT**

The Technical Department continued to expand its role in different areas to assist the Company in achieving manufacturing and marketing synergy. The focus was towards streamlining manufacturing operations by providing support through comprehensive documentation in the form of Operation Description Sheets (ODS). A Skill Development Program was pursued consistently, parallel to the ODS, to develop a multi-skilled labour force. The effort was apart from regular programs conducted in affiliation with the Sindh

Board of Technical Education and Directorate of Manpower which benefited 21 workers and 12 apprentices respectively. The thrust of support to marketing activities was towards developing a system to evaluate strengths and weaknesses of the Hinopak product range and in turn lead to improvements in deficient areas. Another activity carried out during the year was the alignment of Hinopak's manufacturing processes with that of other Hino affiliates under Hino Overseas Manufacturing Conference (HOMAC) guidelines. This activity was followed in line with efforts of Hino Motors Ltd. Japan, to formulate a common process language to serve as a communication medium among its six overseas manufacturing affiliates situated in South East Asia and Japan.

#### **COMPUTERIZATION**

Hinopak believes in the philosophy of keeping its Information Technology environment upto date with the latest trends. The Company is operating a fully integrated Manufacturing and Financial system which enables management to update all its manufacturing and financial information simultaneously.

The MIS department is also connected to the Internet, which provides on-line immediate information from the word wide web to any requesting department in Hinopak. In future Hinopak also plans to have an individual web site which will provide Internet services to other organizations and users around the world.

The Company has also introduced a Local Area Network (LAN) system, which enables PC users to be linked together for software and hardware resource sharing purposes.

#### **LABOUR MANAGEMENT RELATIONS**

Labour Management Relations remained smooth and supportive to help promote productivity culture in the Organisation. The Company's 10th Anniversary celebration in April 1996 witnessed the largest assembly of the Hinopak family, when over 7000 persons comprising Company employees alongwith their family members gathered at a local stadium and shared a day-long program of colourful festivities.

#### **TRAINING**

A multi-skill improvement program, PC application training program and various professional and technical training courses were organised during the year to focus on the Company's continued efforts to improve the



quality of its human resources. 18 managers and executives were sent to Japan under the AOTS and other Overseas Training programs during the financial year 1995-96.

#### **STAFF WELFARE, SPORTS AND RECREATIONAL ACTIVITIES**

The Company continues its philosophy to patronize sports. The 6th KCCA Inter-firms Cricket tournament and the Hinopak 10 years Celebration Cup Cricket Tournament, both sponsored by Hinopak, generated immense enthusiasm among sports circles, and provided wide media coverage. The Company's football team made a surprise debut by defeating PIA, KPT, KESC and other leading teams in the Sindh Chief Minister's Cup Football Tournament. Inter-departmental scrabble, chess, badminton, table tennis and volley ball competitions, organised to mark the Company's 10th Anniversary celebration, drew wide participation among Company employees and their families. Hinopak Colts Cricket team comprising of the employees children was also formed during the year.

#### **ENVIRONMENTAL IMPROVEMENT**

The Company's efforts to improve its gardens and the consequential impact on the environment have been well recognised. The Company won the 1st prize among the small industrial gardens in the gardening competition held by the Sindh Horticultural Society for the 4th consecutive year.

#### **FUTURE OUTLOOK**

It is expected that the present trend of increased demand for new vehicles, especially heavy commercial vehicles, will not only continue but will also show modest growth during the coming period. Competitors are also re-organizing themselves, but reflecting the way your Company is managed by a team of highly motivated and competent professionals, I have every reason to believe that Hinopak will continue to make satisfactory progress in the years ahead.

Every endeavour is being made by your Company to identify suitable products to utilize the spare capacity at both the plants and so bring down the manufacturing cost of its main Hino models.

#### **SHAREHOLDING**

On the 18th September, 1996, the Pakistan Automobile Corporation disposed of its entire shareholding in Hinopak Motors Ltd. to the three principal foreign shareholders. As a result of this sale, the

shareholding pattern is now as follows:

Al-Futtaim Industries (Pvt) Ltd.	59%
Hino Motors Ltd. Japan	20%
Toyota Tsusho Corporation, Japan	10%
Pakistan Public	11%

I welcome the vote of confidence of Hino Motors, Ltd., and Toyota Tsusho Corporation in increasing their equity stakes in Hinopak. I look forward to their continued excellent technical input and their support in ensuring competitive pricing for Hino products in the market place.

#### **DIRECTORS**

Consequent upon the withdrawal of PACO as a shareholder in the company, PACO's nominee directors resigned on 18th September, 1996.

I would like to take this opportunity to thank Mr. Javed Burki, Chairman of Pakistan Automobile Corporation, for the help and guidance given to the Company during his tenure as Chaffman, and for his unfailing support which has enabled Hinopak to maintain its leadership of the bus and truck market in Pakistan. PACO's other nominees, Dr. M. Akram Sheikh, Mr. Imtiaz Rasool and Mr. K.B. Rind, also made significant contributions for which we thank them.

Mr. M. Yoshimizu, Managing Director of Hino Motors Ltd., Mr. K. Kawamura, nominee of Hino Motors, Ltd. and Mr. Nazir Ahmed Shaikh nominee of Al-Futtaim Industries (Pvt.) Limited joined the board on 18th September, 1996. I welcome them and look forward to their valuable participation.

#### **ACKNOWLEDGMENTS**

Finally, I would like to thank my colleagues on the board, all company employees, CBA officials, Japanese advisors and vendors of the Company, without whose hard work and dedicated efforts it would not have been possible to achieve such excellent results. I would also like to thank our dealers and customers for their continued support and confidence.

The Directors of Hinopak Motors Limited take pleasure in presenting this report, together with the Accounts of the Company for the year ended 30th June, 1996 and recommend the appropriations detailed below:

1996	1995
(Rupees '000)	

#### **OPERATING RESULTS**

Profit/(Loss) before taxation	222,127	(65,223)
Less: Provision for taxation	(46,018)	(6,436)
	-----	-----
Profit/(Loss) after taxation	176,109	(71,659)
<b>UNAPPROPRIATED PROFIT BROUGHT FORWARD</b>	1,267	2,926
	-----	-----
Profit/(Loss) before appropriations	177,376	(68,733)
<b>LESS: APPROPRIATIONS</b>		
Transfer (to)/from Revenue Reserves	(102,000)	70,000
Interim Cash Dividend @ 15% - paid (1995: Nil)	(15,501)	-
Final Cash Dividend @ 35% - proposed (1995: Nil)	(36,168)	-
Stock Dividend @ 20% - proposed (1995: Nil)	(20,668)	-
Tax on Stock Dividend	(2,067)	-
	-----	-----
Total Distribution for the year	(74,404)	-
	-----	-----
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>	972	1,267
	=====	=====

**DIRECTORS**

On 18th September, 1996 Mr. Keith S. Stack was elected Chairman in place of Mr. Javed Burki who relinquished this office due to the withdrawal by Pakistan Automobile Corporation (PACO) of their four nominee directors namely: Mr. Javed Burki, Dr. Mohammad Akram Sheikh, Mr. Imtiaz Rasool and Mr. K. B. Rind. As a result of these casual vacancies, three new directors were co-opted, two were nominees of Hino Motors, Ltd. of Japan (HINO): Mr. Masamichi Yoshimizu and Mr. Kanji Kawamura; and one was a nominee of Al-Futtaim Industries (Private) Limited, Dubai (AL-FUTTAIM), Mr. Nazir Ahmed Shaikh. The above mentioned changes were made as part of PACO's agreement to sell its entire 40% equity interest to AL-FUTTAIM, HINO, and Toyota Tsusho Corporation Limited, Japan (TTC).

During the year, in April 1996, Mr. K. Matsuzaki nominee of TTC, ceased to be a director and was replaced by Mr. Hajima Atsumi. Mr. Saghir Asad Hasan and Mr. Zaheer Sajjad also ceased to be directors on 15th February 1996 and were replaced by Mr. Imtiaz Rasool and Mr. K. B. Rind.

The Board places on record its appreciation and gratitude to Messrs. Saghir Asad Hasan, Zaheer Sajjad, K. Matsuzaki, Javed Burki, Dr. Mohammad Akram Sheikh, Imtiaz Rasool and K. B. Rind for the services rendered and the guidance given by them as directors of the company. Also, a special recognition is given to the services rendered by Mr. Javed Burki as Chairman of the Board.

**INVESTMENTS**

With regard to our investment at the Arabian Sea Country Club, the construction and development of "greens" is taking shape. By early 1997 part of the golf course is expected to be open to members of the Club. The Company's investment in this Club amounts to Rs. 5.0 million i.e. 500,000 fully paid-up ordinary shares of Rs. 10 each representing 12.82% of the total equity.

On October 7, 1996 the Board of Directors of Hinopak Motors Limited authorised the Company's participation, as one of the sponsors and shareholders in the proposed company called the "Vendor Development and Training Company", or any name proposed by the joint consensus of the participants. This will be an unlisted public limited company. Hinopak's Board of Directors has authorised an investment of Rs. 1.5 million (Rupees one million five hundred thousand only) in this proposed Company. No Director is personally interested directly or indirectly in this business. PACO has offered to sub-lease a plot of half an acre out of its estate in Pakistan Steel's Down Stream Industrial Area. As a result of the establishment of this Company, Hinopak in particular and the engineering sector in general shall continue to benefit from the machinery, for testing of components, donated to Pakistan by United Nations Industrial Development Organization (UNIDO). Several other automobile sector companies would be co-sponsoring the proposed

company. This Company will have a total share capital of Rs. 15.5 million (Rupees fifteen million five hundred thousand only) and an authorised share capital of Rs. 20 million ( Rupees twenty million only).

**AUDITORS**

The Auditors, Messrs. A. E Ferguson & Co., retire at the conclusion of the 11th Annual General Meeting and, being eligible, offer themselves for re-appointment.

**PATTERN OF SHAREHOLDINGS**

The Pattern of the shareholdings of the Company as at June 30, 1996 is given on page 37.

As mentioned above PACO sold its 40% shareholding, consisting of 4,133,520 shares. These shares were sold to the remaining three joint venture partners. After this transaction AL-FUTTAIM holds 59%, HINO 20% and TTC 10% of the shares in issue. The remaining 11% of shares continue to be held by local institutions and the general public.

**HOLDING COMPANY**

AI-Futtaim Industries (Private) Limited, Dubai has become the Holding Company of Hinopak Motors Limited, by virtue of their 59% shareholding in Hinopak Motors Limited.

**10 YEARS AT A GLANCE**

Year ended 30, June

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
<i>ASSETS &amp; LIABILITIES</i>										
Rupees in thousands										
<b>Net Assets</b>										
Fixed Operating Assets	76,922	82,555	81,925	91,233	126,658	134,604	163,144	205,768	201,007	165,835
Capital work in Progress	1,190	370	2,198	2,341	3,515	-	3,015	3,309	14,852	-
Long Term Investments	-	-	-	-	-	-	-	-	2,000	5,000
Other Long Term Assets	2,050	4,116	3,635	4,421	6,817	9,587	24,127	28,633	28,319	30,941
Net Current Assets	19,525	29,394	39,552	55,287	98,836	159,158	231,760	128,881	26,579	190,202
<b>Total Net Assets</b>	<b>99,687</b>	<b>116,435</b>	<b>127,310</b>	<b>153,282</b>	<b>235,826</b>	<b>303,349</b>	<b>422,046</b>	<b>366,591</b>	<b>272,757</b>	<b>391,978</b>
<b>Finance By</b>										
Issued, Subscribed & Paid up capital	91,971	103,338	103,338	103,338	103,338	103,338	103,338	103,338	103,338	103,338
Reserves	5,910	8,395	14,698	40,330	125,211	191,058	308,061	237,926	166,267	288,640
Long Term Liabilities	1,806	4,702	9,274	9,614	7,277	8,953	10,647	25,327	3,152	-
<b>Total Funds Invested</b>	<b>99,687</b>	<b>116,435</b>	<b>127,310</b>	<b>153,282</b>	<b>235,826</b>	<b>303,349</b>	<b>422,046</b>	<b>366,591</b>	<b>272,757</b>	<b>391,978</b>
<b>TURNOVER</b>										
Hino Chassis	478,859	743,188	827,180	1,063,183	1,436,808	1,428,387	2,474,124	1,607,309	1,124,602	2,385,512
Bus Bodies	37,985	65,684	69,875	83,232	110,801	180,034	252,120	118,458	92,078	118,127
Spare Parts	5,418	42,650	34,970	76,316	93,660	103,543	86,059	90,977	60,812	88,936
Others	11,873	11,301	23,519	18,621	22,196	10,938	3,055	1,655	4,591	5,258
<b>Total</b>	<b>534,135</b>	<b>862,823</b>	<b>955,544</b>	<b>1,241,352</b>	<b>1,663,465</b>	<b>1,722,902</b>	<b>2,815,358</b>	<b>1,818,399</b>	<b>1,282,083</b>	<b>2,597,833</b>
<b>PROFIT</b>										
Operating profit	26,371	25,912	29,262	82,374	196,744	173,824	272,002	58,475	-15,853	214,797
Profit/(Loss) Before Tax	17,970	27,950	32,561	79,396	199,550	183,671	267,129	7,957	-65,223	222,127

Taxation	10,905	12,548	13,341	35,680	86,251	84,239	98,457	9,632	6,436	46,018
Profit / (Loss) After Tax	7,065	15,402	19,220	43,716	113,299	99,432	168,672	(54,630)	-71,659	176,109
Cash Dividend	-	12,917	12,917	18,084	28,418	33,585	51,669	15,501	-	51,669
Transfer To / (From) Reserve	4,000	4,000	6,000	20,000	86,000	70,000	110,000	(65,000)	-70,000	102,000
Unappropriated Profit carried forward	1,910	395	698	6,330	5,211	1,058	8,061	2,926	1,267	972
<b>CAPITAL EXPENDITURE</b>	<b>9,449</b>	<b>11,810</b>	<b>7,559</b>	<b>19,039</b>	<b>70,677</b>	<b>17,345</b>	<b>25,293</b>	<b>60,255</b>	<b>16,448</b>	<b>37,972</b>

**FINANCIAL RATIOS**

Net Profit Margin	1.3%	1.8%	2.0%	3.5%	6.8%	5.8%	6.0%	-3.0%	5.6%	6.8%
Return on Equity	7.5%	14.7%	16.7%	33.4%	60.9%	38.0%	47.8%	-14.5%	23.5%	53.2%
Cash Ratio	0.2	0.2	0.3	0.2	0.4	0.4	-	0.1	-	0.2
Current Ratio	1.1	1.1	1.1	1.1	1.1	1.3	1.3	1.2	1.0	1.2
Quick Ratio	0.2	0.3	0.4	0.3	0.5	0.6	0.2	0.2	0.1	0.4
Total Debt to Total Assets	0.8	0.7	0.8	0.8	0.7	0.6	0.7	0.7	0.7	0.7

**PRODUCTION VOLUME**

(Volume in Units)-

Hino Chassis	1,193	1,734	1,824	1,876	2,433	2,444	3,613	1,861	1,024	1,715
Suzuki Pickups	2,416	2,331	4,746	3,838	3,629	2,103	206	-	-	-
Bus Bodies	188	322	329	416	499	588	757	339	212	337

**SALES VOLUME**

Hino Chassis	1,162	1,784	1,777	1,902	2,381	2,388	3,526	1,890	1,055	1,713
Bus Bodies	167	337	382	457	463	589	760	430	289	331

**PER SHARE AMOUNTS:**

(Value in Rupees)

Cash Dividend	-	1.25	1.25	1.75	2.75	3.25	5.00	1.50	-	5.00
Stock Dividend	-	-	-	-	-	-	-	-	-	2.00
Breakup Value	11	11	11	14	22	28	*55	*49	*42	*63
Earning / (Loss) Per Share	0.77	1.49	1.86	4.23	10.96	9.62	16.32	(5.29)	(6.93)	17.04
Share Price (High)	-	-	-	-	93	113	132	100	48	61
Share Price (Low)	-	-	-	-	32	70	85	46	32	43
ONE US\$ = RUPEE	17.45	18.11	21.23	21.94	24.45	25.28	27.32	30.83	31.2	35.25
ONE YEN = RUPEE	0.1199	0.1388	0.1490	0.1783	0.2017	0.2577	0.2577	0.3093	0.3652	0.3226

\* Breakup values take into consideration the surplus on revaluation of Land and Buildings.

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Hinopak Motors Limited as at June 30, 1996 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 profit and loss account together with the notes thereon have been drawn up in conformity with the Companies

Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and 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 June 30, 1996 and of the profit and the cash flows for the year then ended; and

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

#### FINANCIAL SECTION

	Note	BALANCE SHEET	
		1996	1995
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
20,000,000 ordinary shares of Rs. 10 each		200,000	200,000
		=====	=====
Issued, subscribed and paid up	2	103,338	103,338
Reserves	3	287,668	165,000
Unappropriated		972	1,267
		-----	-----
		391,978	269,605
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASES		-	3,152
CURRENT LIABILITIES			
Current maturity of liability against assets subject to finance leases		-	9,976
Current maturity of long-term liability	4	6,861	344,785
Finance under mark-up arrangements	5	1,021,789	422,942
Creditors, accrued and other liabilities	6	11,930	-
Workers' profits participation fund	7	51,848	182
Dividend		-----	-----
		1,092,428	789,847
COMMITMENTS	8		
		-----	-----
		1,484,406	1,062,604
		=====	=====

**AS AT JUNE 30, 1996**

	Note		
FIXED ASSETS - TANGIBLE			
Operating assets	9	165,835	201,007
Capital work-in-progress - at cost		-	14,852
		-----	-----
		165,835	215,859
LONG-TERM INVESTMENT	10	5,000	2,000
LONG TERM LOANS AND ADVANCES	11	9,386	8,175
LONG-TERM DEPOSITS AND PREPAYMENTS	12	1,245	5,553
DEFERRED TAXATION	13	20,310	14,591
CURRENT ASSETS			
Stores, spares and loose tools	14	8,031	8,239
Stock-in-trade	15	873,359	668,791
Trade debts	16	47,709	15,245
Loans and advances	17	46,788	15,216
Trade deposits and prepayments	18	8,234	5,812
Other receivables	19	90,212	31,382
-Taxation		7,438	53,318
Cash and bank balances	20	200,859	18,423
		1,282,630	816,426
		-----	-----
		1,484,406	1,062,604
		=====	=====

The annexed notes form an integral part of these accounts.

**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED JUNE 30, 1996

Sales	21	2,597,833	1,282,083
Cost of goods sold	22	(2,296,965)	-1,233,742
Gross profit		-----	-----
		300,868	48,341
Administration and selling expenses	23	(86,071)	(64,194}
		-----	-----
Operating profit/ (loss)		214,797	(15,853)
Other income	24	36,943	7,387
		-----	-----
		251,740	(8,466)
Financial charges	25	(13,147)	(56,757)
Other charges	26	(16,466)	-
		-----	-----
		(29,613)	(56,757)
Profit/(Loss) before taxation		222,127	(65,223)
Taxation	27	(46,018)	(6,436)
		-----	-----
Profit/(Loss) after taxation		176,109	(71,659)
Unappropriated profit brought forward		1,267	2,926

Transferred from revenue reserve	-	70,000
	-----	-----
	177,376	1,267
<b>Appropriations</b>		
Transfer to:		
-General reserve	102,000	-
-Reserve for issue of bonus shares	20,668	-
-Tax thereon	2,067	-
	-----	-----
	22,735	
Interim dividend @ 15% (1995; Nil)	15,501	-
Proposed final dividend @ 35% (1995; Nil)	36,168	-
	-----	-----
	176,404	-
	-----	-----
Unappropriated profit carried forward	972	1,267
	=====	=====

The annexed notes form an integral part of these accounts.

#### CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 1996

	Note	1996 (Rupees '000)	1995
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	32	533,427	50,309
Mark-up on short-term finance paid		(19,394)	(46,387)
Return on deposits received		4,078	-
Taxes paid		(7,924)	(12,890)
(Increase)/Decrease in long-term loans		(1,211)	462
		-----	-----
<b>Net cash inflow/(outflow) from operating activities</b>		508,976	(8,506)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(23,120)	(27,991)
Long term investment		(3,000)	(2,000)
Sale proceeds of fixed assets		58,289	4,767
Decrease/(Increase) in long-term deposits and prepayments		4,308	(148)
		-----	-----
<b>Net cash inflow/(outflow) from investing activities</b>		36,477	(25,372)
<b>CASH OUTFLOW FROM FINANCING ACTIVITIES</b>			
Payment of long term liability		(11,962)	(8,971)
Payment of liability against assets subject to finance leases		(13,128)	(8,529)
Dividend paid		(3)	(7,702)
		-----	-----
		(25,093)	(25,202)
		-----	-----
<b>Net increase/(decrease) in cash and cash equivalents</b>		520,360	(59,080)

Cash and cash equivalents at the beginning



of the year		(326,362)	(267,282)
<b>Cash and cash equivalents at the end of</b>		-----	-----
the year	33	193,998	(326,362)
		=====	=====

The annexed notes form an integral part of these accounts.

## FINANCIAL SECTION

### NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 1996

#### BACKGROUND INFORMATION RELATED TO THE COMPANY

HINOPAK MOTORS LIMITED is a public company quoted on Karachi and Lahore Stock exchanges. The Company's principal activity is the assembly and progressive manufacture and sale of Hino buses and trucks in Pakistan.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

##### 1.2 Staff retirement benefits

The company operates a funded gratuity scheme for all its employees. Contributions are made annually on the basis of actuarial valuation. Based on the last actuarial valuation as at June 30, 1995, the fair value of fund's assets and liabilities were Rs. 14.80 million and Rs. 11.84 million respectively. Annual contribution to the fund at the rate of 8.33% have been made on the basis of actuarial recommendation.

Entry Age Normal (EAN) actuarial cost method, using following significant assumptions, is used for valuation of above mentioned funded scheme:

- Expected rate of increase in salaries 14% per annum
- Expected rate of income on investments 13% per annum.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under the scheme.

The company also operates a recognised provident fund scheme for its employees.

Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% of basic salary.

##### 1.3 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The Company accounts for deferred taxation arising on all significant timing differences using liability method.

##### 1.4 Fixed assets and depreciation

Operating fixed assets a stated at cost less accumulated depreciation except capital work-in-progress which is stated at cost.

Leasehold land is amortized over the period of the lease. Depreciation on all other assets is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Full year's depreciation is charged on additions during the year, while no depreciation is charged on disposals.

The company accounts for fixed assets acquired under finance leases by recording asset and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments. Financial charges are allocated to the account period in a manner so as to provide a constant periodic rate of charge on

outstanding liability. Depreciation is charged to income applying the straight line method.

Profit or loss on disposal or retirement of fixed assets is included in income currently. Maintenance and normal repairs, plant and machinery costing up to approximately Rs. 10,000 and other assets costing up to approximately Rs. 5,000 are charged to income as and when incurred.

**1.5 Stores, spares and loose tools**

These are valued at cost determined on moving average basis.

**1.6 Stock-in-trade**

These are valued at lower of cost and net realisable value. Cost is determined by first-in first-out method except for materials, for fabrication of bus bodies, consumable stores, locally manufactured parts, spares for sale and stock-in-transit.

Cost of material for fabrication of bus bodies, consumable stores, locally manufactured parts and spares for sale is determined on moving average method. Cost of stock in transit comprises of invoice value plus other charges incurred thereon.

Cost of work-in-process and finished goods includes prime cost and appropriate portion of manufacturing expenses.

Net realisable value signifies the estimated selling price; in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

**1.7 Foreign currency translation**

Assets and liabilities in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date, except where forward exchange purchases have been made for payment of liabilities, in which case the contracted rates are applied. Exchange differences are included in income currently.

**1.8 Revenue recognition**

The company recognises sales upon delivery of goods to customers.

Warranty claims and indenting commission on handling Complete Built Up (CBU) vehicles are recognised in the accounts as and when received.

**1.9 Research and development costs**

Research and development costs are charged in the year in which they are incurred.

**1.10 Warranty expenses**

Warranty expenses are recorded as and when claims are received from customers.

**2. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

Ordinary shares of Rs. 10 each	1996	1995
	(Rupees ' 000)	
6,200,280 shares fully paid in cash	62,003	62,003
4,133,520 shares issued as fully paid for consideration other than cash	41,335	41,335
-----	-----	-----
10,333,800	103,338	103,338
=====	=====	=====

Capital	Revenue	Total	
-----	-----		
For issue of bonus shares	General	1996	1995

----- (Rupees '000) -----

**3. RESERVES**

Opening balance	-	165,000	165,000	235,000
Transfer from/(to) profit and loss account	20,668	102,000	122,668	(70,000)
	-----	-----	-----	-----
	20,668	267,000	287,668	165,000
	=====	=====	=====	=====

**4. FINANCIAL UNDER MARK-UP ARRANGEMENTS**

Running finance (Note 4.1 )		6,861	236,486
Term finance		-	58,299
Finance under trust receipts		-	50,000
		-----	-----
		6,861	344,785
		=====	=====

4.1 The facility for short-term finance available from various banks amounts to Rs. 394.50 million (1995: Rs. 329 million). The rates of mark-up range between Rs. 0.37 to Rs. 0.45 per Rs. 1,001 per day. The purchase prices and mark-up are payable by June 30, 1997.

The arrangements are secured by way of pari-passu charge against hypothecation of Company's stock-in-trade.

4.2 The facility for opening letters of credit and guarantees as at June 30, 1996 amounted to Rs. 1.44 billion (1995: Rs. 840 million) of which the amount remaining unutilised at the year end was Rs. 814.24 million (1995: Rs. 769.23 million).

**5. CREDITORS, ACCRUED AND OTHER LIABILITIES**

	1996	1995
	(Rupees ' 000)	
Creditors	7,796	4,814
Bills payable	362,429	4,014
Custom duties payable	45,575	-
Accrued liabilities	94,618	40,749
Customers' credit balances	468,632	337,373
Mark-up on running finance	1	8,485
Mark-up on term finance	-	1,467
Contractors' earnest/retention money	14	11
Taxes deducted, payable to statutory authorities	222	126
Sales tax payable	11,791	3,104
Workers' welfare fund	16,137	11,601
Royalty	6,767	-
Employees mutual subscription fund	1,525	1,337
Others	6,282	9,861
	-----	-----
	1,021,789	422,942
	=====	=====

**6. WORKERS' PROFITS PARTICIPATION FUND**

These represents allocation for the year.

**7. DIVIDEND**

Unclaimed dividend	179	182
Dividend payable	15,501	-
Proposed dividend	36,168	-

-----  
 51,848      182  
 =====

**8. COMMITMENTS**

Commitments for capital expenditure outstanding at June 30, 1996 amounted to approximately Rs. 10.86 million (1995: Rs. 2.65 million).

**9. FIXED ASSETS**

9.1 The following is a statement of operating assets:

	Cost as at July 1, 1995	Addi- tions/ *trans- fers/dispo- sals)	Cost as at June 30, 1996	Depre- ciation as at July 1, 1995	Depre- ciation charge for the year/ *transfers/ (disposals)	Accumu- lated depre- ciation as at June 30, 1996	Net book value as at June 30, 1996	Annual rate of depre- ciation %
----- (R u p e e s '000) -----								
Leasehold land	103,498	(49,978)	53,520	5,671	1,799 (2,808)	4,662	48,858	
Building on leasehold land	62,437	2,843	65,280	10,276	1,632	11,908	53,372	2.5
Plant and machinery	21,172	17,389 *16,464	55,025	7,790	5,494 *4,544	17,828	37,197	10
Furniture and fixtures	4,240	299 (470)	4,069	2,498	770 (395)	2,873	1,196	10 & 50
Vehicles	24,987	14,081 *6,087 (6,822)	38,333	13,685	8,754 *3,044 (4,144)	21,339	16,994	20 & 25
Electrical Installations	6,115	*4,033	10,148	3,662	1,837 *2,010	7,509	2,639	20
Airconditioners, refrigerators and water coolers	7,320	1,077 *235 (592)	8,040	5,194	1,226 *94 (414)	6,100	1,940	20 & 25
Office and other equipments	8,347	2,283 *2,312 (551)	12,391	6,577	1,495 *1,195 (515)	8,752	3,639	15 & 20
Assets held under finance leases:								
Plant & machinery	16,464	*(16,464)	-	4,544	*(4,544)	-	-	10
Vehicles	6,087	*(6,087)	-	3,044	*(3,044)	-	-	25
Electrical installations	4,033	*(4,033)	-	2,010	*(2,010)	-	-	20
Airconditioners, refrigerators & water coolers	235	*(235)	-	94	*(94)	-	-	20
Office equipments	2,312	*(2,312)	-	1,195	*(1,195)	-	-	15 & 20
	267,247	37,072 (58,413)	246,806	66,240	23,007 (8,276)	80,971	165,835	
	=====	=====	=====	=====	=====	=====	=====	
	257,626	16,448	267,247	51,858	19,274	66,240	201,007	

(6,827)

-4,892

=====

An independent professional valuation of land and buildings carried out during the year revealed an aggregate value of Rs. 363.49 million. The surplus of Rs. 261.26 million over the net book value as of that date has not been considered in these accounts.

10. LONG-TERM INVESTMENT

This represents the cost of 500,000 fully paid-up ordinary shares of Rs. 10 each in an unquoted associated undertaking, Arabian Sea Country Club Limited (1995: Advance against shares to be issued). The value of investment based on the net assets of the investee company as per its audited accounts for the year ended June 30, 1995 was Rs. 2 million. Subsequent to June 30, 1995 the investee company has increased its issued, subscribed and paid up capital by Rs. 22.8 million to Rs. 39 million. The company held 12.82% of the investee's total equity as at June 30, 1996.

11. LONG-TERM LOANS AND ADVANCES - considered good

	1996	1995
	(Rupees '000)	
Loans to		
Executives	85	68
Employees	11,382	10,905
	-----	-----
	11,467	10,973
Less: Instalments recoverable within one year	3,337	3,175
	-----	-----
	8,130	7,798
Advances to		
Managing Director	757	71
Executives	5,509	1,283
	-----	-----
	6,266	1,354
Less: Instalments recoverable within one year	5,010	977
	-----	-----
	1,256	377
	-----	-----
	9,386	8,175
	=====	=====

The loans under the schemes have been provided to time: employees of the Company to facilitate purchase of motor vehicles, construction of house and personal assistance and are repayable over a period of five to eight years.

The motor vehicle loans are secure by joint registration of the vehicle in the name of the Company and the employees.

Advances are made to the Managing Director and executives of the Company in respect of house rent and these are payable over a period of two years. Aggregate amount of loans and advances outstanding for period exceeding three years is Rs. 602 thousand (1995: Rs.: 300 thousand).

The maximum amount of advances to Managing Director and executives of the Company at the end of any month during the year was:

Managing Director	757	347
Executives	5,509	2,264
	=====	=====

12. LONG-TERM DEPOSITS AND PREPAYMENTS

Deposits	1,245	5,193
Prepayments	-	360
	-----	-----
	1,245	5,553
	=====	=====

**13. DEFERRED TAXATION**

Debit balances arising in respect of:

Provision for doubtful trade debts	1,944	1,166
Provision for slow moving stock	20,504	13,666
Provision for doubtful deposits	1,585	2,323
Others	962	262
	-----	-----
	24,995	17,417

Credit balances arising in respect of:

Accelerated tax depreciation	(4,685)	(2,826)
	-----	-----
	20,310	14,591
	=====	=====

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

Stores	1,974	1,776
Spares	3,688	4,310
Loose tools	2,369	2,153
	-----	-----
	8,031	8,239
	=====	=====

**15. STOCK-IN-TRADE**

Raw materials [including in transit Rs. 4.13 million; (1995: Rs. 0.24 million)]

Less: Provision for slow moving stocks	598,525	465,033
	37,868	33,619
	-----	-----
	560,657	431,414
Work-in-process	14,819	12,903

Spare parts [including in transit Rs. 0.97 million; (1995: Rs. 2.67 million)]

Less: Provision for slow moving spare parts	76,305	56,701
	24,265	14,434
	-----	-----
	52,040	42,267
Finished goods	245,843	182,207

	873,359	668,791
	=====	=====

**16. TRADE DEBTS - unsecured**

Considered good

Due from associated undertaking	61	61
Others	47,648	15,184
	-----	-----
	47,709	15,245
	5,892	4,855
	-----	-----

Considered doubtful

Less: Provision for doubtful debts	53,601	20,100
	5,892	4,855
	-----	-----
	47,709	15,245
	=====	=====

The maximum amount due from associated undertaking at the end of any month during the year was Rs. 61 thousand; (1995: Rs. 75 thousand).

**17. LOANS AND ADVANCES - considered good**

Loans to:		
Executives	28	28
Employees	3,309	3,147
	-----	-----
	3,337	3,175
Advances to:		
Managing Director	379	71
Executives	4,631	1,397
Employees	4,203	3,835
Suppliers	34,238	6,738
	-----	-----
	43,451	12,041
	-----	-----
	46,788	15,216
	=====	=====

**18. TRADE DEPOSITS AND PREPAYMENTS**

Deposits	11,727	9,862
Prepayments	1,310	1,665
	-----	-----
	13,037	11,527
Less: Provision for doubtful deposits	4,803	5,715
	-----	-----
	8,234	5,812
	=====	=====

**19. OTHER RECEIVABLES**

Due from associated undertakings	898	330
Custom duty refundable	2,595	2,420
Sales tax	75,660	26,769
Due from gratuity fund	1,334	2,469
Insurance claim receivable	1,379	5
Accrued return on deposits	11,079	-
Others	184	117
	-----	-----
	93,129	32,110
Less Provision for doubtful receivables	2,917	728
	-----	-----
	90,212	31,382
	=====	=====

The maximum amount due from associated undertakings at the end of any month during the year was Rs. 1.0 million (1995: Rs. 0.8 million).

**20. CASH AND BANK BALANCES**

Balances with banks		
On deposit account	169,729	-
On current accounts	30,998	18,225
Cheques in hand	15	62
Cash in hand	117	136
	-----	-----
	200,859	18,423
	=====	=====

**21. SALES**

Gross sales	2,607,230	1,289,750
Less: Commission and discounts	9,397	7,667
	-----	-----
	2,597,833	1,282,083

**22. COST OF GOODS SOLD**

Manufactured goods		
Raw materials consumed - note 22. 1	2,134,498	1,054,567
Stores and spares consumed	5,011	2,039
Salaries, wages, allowances and staff welfare - note 22.2	81,572	54,055
Rent, rates and taxes	860	1,073
Insurance	1,982	1,520
Fuel and power	8,089	5,619
Repairs and maintenance	7,414	2,593
Printing and stationery	1,211	545
Travelling and entertainment	2,328	1,392
Technical assistance	2,010	970
Royalty	1,248	-
Depreciation	13,315	11,062
Lease rentals	-	365
Fixed assets charged off	622	209
Research and development	11,007	6,476
Provision for slow moving stocks	4,249	7,092
Other expenses	6,450	6,236
Opening stock of work-in-process	12,903	5,088
Closing stock of work-in-process	(14,819)	(12,903)
	-----	-----
Cost of goods manufactured	2,279,950	1,147,998
Opening stock of finished goods	182,207	213,616
Closing stock of finished goods	(245,843)	(182,207)
	-----	-----
	2,216,314	1,179,407
Trading goods		
Opening stock	56,701	74,441
Purchases	90,424	33,595
	-----	-----
	147,125	108,036
Closing stock	-76,305	(56,701)
	-----	-----
	70,820	51,335
Provision for slow moving spare parts	9,831	3,000
	-----	-----
	80,651	54,335
	-----	-----
	2,296,965	1,233,742
	=====	=====

22.1 Raw materials consumed are stated net of proceeds from sale of packing material  
Rs. 6.1 million (1995: Rs. 3.5 million).

22.2 Salaries and wages include Rs. 2.64 million; (1995: Rs. 2.28 million) in respect of staff retirement benefits.

**23. ADMINISTRATION AND SELLING EXPENSES**

Salaries, wages, allowances and staff welfare - note 23.1	34,275	26,007
Rent, rates and taxes	1,039	742
Insurance	1,884	1,631
Repairs and maintenance	3,711	2,410
Lease rentals	-	449
Depreciation	9,692	8,212



Advertising and sales promotion	6,615	2,392
Travelling and entertainment	4,545	3,728
Legal and professional charges	2,414	1,320
Vehicle running expenses	3,612	3,338
Postage, telex and telephone	3,149	3,633
Printing, stationery and office supplies	1,924	1,297
Staff training	1,480	752
Auditors' remuneration - note 28	274	210
Subscription:	185	235
Warranty service	1,741	1,251
Securities and maintenance	4,091	3,170
Provision for doubtful deposits written back	(911)	(661)
Provision for doubtful trade debts	1,125	1,666
Provision for doubtful trade debts written back	(89)	(49)
Fixed assets charged off	531	120
Others - note 23.2	4,784	2,341
	-----	-----
	86,071	64,194
	=====	=====

23.1 Salaries and wages include Rs. 1.56 million; (1995 Rs. 1.12 million) in respect of staff retirement benefits.

23.2 Donation of Rs. 9 thousand (1995: Rs. 23 thousand) is included under 'other expenses'. None of the directors or their spouse had any interest in the donee.

#### 24. OTHER INCOME

Return on deposits	15,157	-
Sale of scrap	11,152	1,438
Indenting and agency commission	1,732	2,296
Gain on disposal of fixed assets	8,152	2,832
Miscellaneous	750	821
	-----	-----
	36,943	7,387
	=====	=====

#### 25. FINANCIAL CHARGES

Mark-up on term finance	768	8,492
Mark-up on running finance	6,886	29,998
Mark-up on finance under trust receipts	1,789	5,819
Finance lease charges	1,387	3,307
Bank charges	1,840	5,883
Excise duty	477	3,258
	-----	-----
	13,147	56,757
	=====	=====

#### 26. OTHER CHARGES

Workers' profits participation fund	11,930	-
Workers' welfare fund	4,536	-
	-----	-----
	16,466	-
	=====	=====

#### 27. TAXATION

Current		
- this year	51,000	6,436
- prior year	737	-
Deferred	(5,719)	-

-----	-----
46,018	6,436
=====	=====

**28. AUDITORS' REMUNERATION**

Audit fee	200	160
Advisory services	25	25
Out of pocket expenses	30	25
Central excise duty	19	-
	-----	-----
	274	210
	=====	=====

**29. REMUNERATION OF MANAGING DIRECTOR**

**DIRECTOR AND EXECUTIVES**

	Managing Director		Director		Executives	
	1996	1995	1996	1995	1996	1995
	----- (Rupees '000) -----					
Managerial remuneration and allowances	1,035	804	97	658	11,904	8,503
Company's contribution to provident and gratuity funds	157	124	10	102	1,478	943
Rent and utilities	423	363	53	296	4,018	2,725
Leave passage	109	58	-	48	691	444
Medical expenses	278	135	7	31	1,187	899
Other expenses	34	33	6	28	47	50
	-----	-----	-----	-----	-----	-----
	2,036	1,517	173	1,163	19,325	13,564
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	1	1	47	35
	=====	=====	=====	=====	=====	=====

The Managing Director, Director and certain executives of the Company are provided with free use of Company cars.

**30. PLANT CAPACITY AND PRODUCTION**

The production capacity of the plant cannot be determined as this depends upon the relative proportion of various types of truck and bus chassis, bus bodies and components produced.

**31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

	1996	1995
	(Rupees '000)	

Aggregate amounts in respect of:

Goods sold to associated undertakings	-	13
Purchase of components	41,188	9,940
Purchase of services	-	123
Purchase of fixed assets	8,625	5,168
	=====	=====

**32. CASH GENERATED FROM OPERATIONS**

Profit/(loss) before taxation	222,127	(65,223)
Add/(Less): Adjustments for non cash charges and other items		
Depreciation	23,007	19,274
Gain on disposal of fixed assets	(8,152)	(2,832)
Mark-up on short-term finance	9,443	44,309

Return on deposits	(15,157)	-
	-----	-----
	9,141	60,751
	-----	-----
Profit/(loss) before working capital changes	231,268	(4,472)
<b>EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES</b>		
Decrease/(Increase) in current assets		
Stores and spares	208	947
Stock-in-trade	(204,568)	8,966
Trade debts	(32,464)	15,650
Loans and advances	(31,572)	119,818
Trade deposits and prepayments	(2,422)	816
Other receivables less accrued income on deposits	(47,751)	(11,896)
	-----	-----
	(318,569)	114,941
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	604,262	(60,160)
Workers' Profits Participation Fund	11,930	-
Workers' Welfare Fund	4,536	-
	-----	-----
	302,159	54,781
	-----	-----
	533,427	50,309
	=====	=====
<b>33. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	200,859	18,423
Running finance under mark-up arrangements	(6,861)	(344,785)
	-----	-----
	193,998	(326,362)
	=====	=====

**34. COMPARATIVE FIGURES**

Previous year's figures have been rearranged, wherever necessary, for the purposes of comparison.

**PATTERN OF SHAREHOLDING AS AT JUNE 30, 1996**

No. of Shareholders	Categories	No. of Shares
857	From 1 To	85,700
133	From 101 To	43,100
24	From 501 To	19,700
16	From 1001 To	39,100
2	From 30001 To	63,300
1	From 35001 To	36,000
1	From 45001 To	50,000
1	From 95001 To	100,000
2	From 465001 To	930,042
1	From 695001 To	699,818
2	From 4130001 To	8,267,040
-----		-----
1,040		10,333,800

<b>Categories of Shareholders</b>	Number	Share Held	Percentage
Individuals	1,027	179,600	1.74
Investment Companies	4	783,318	7.58
Insurance Companies	2	68,800	0.67
Joint Stock Companies	2	4,133,920	40.00
Foreign Investors	3	5,063,562	49.00
Financial Institutions	1	100,000	0.97
Modaraba	1	4,600	0.04
	-----	-----	-----
	1,040	10,333,800	100.00