

Hinopak Motors Limited

Annual Reports

TOGETHER TOWARDS PROGRESS

On October 19, 1998 Hino Motors, Ltd., Japan and Toyota Tsusho Corporation acquired all the shares of the Al-Futtaim Group of Dubai to take controlling interest in Hinopak Motors Ltd. with a joint shareholding of 89%.

This major investment in Hinopak represents Hino's commitment to its valued customers in Pakistan. We look forward to a new era of prosperity and progress for Pakistan and Hinopak.

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COMPANY INFORMATION

Board of Directors Kunwar Idris
 (Chairman)
 Masamichi Yoshimizu
 Masaharu Shibata
 Masayasu Okamura
 (Managing Director & Chief Executive)
 Susumu Hongo
 Yuji Ishibashi
 Takeshi Ito
 (Deputy Managing Director)

Company Secretary Mohammad Z. A. Syed

Bankers ABN - AMRO Bank
 Allied Bank of Pakistan Limited
 American Express Bank Limited
 Bank Alfalah Limited
 Bank of America NT & SA
 Credit Agricole Indosuez
 Habib Bank Limited
 Hongkong & Shanghai Banking Corporation Limited
 Mashreq Bank psc

National Bank of Pakistan Limited
Societe Generale - The French & International Bank
Standard Chartered Bank
The Bank of Tokyo - Mitsubishi, Limited

Auditors A.F. Ferguson & Co.
Legal Advisors Kabraji & Talibuddin
Registered Office D-2, S.I.T.E., Manghopir Road,
P.O. Box No. 10714, Karachi - 75700, Pakistan

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 13th Annual General Meeting of the Shareholders of Hinopak Motors Limited will be held at the Registered Office of the Company situated at D-2, S.I.T.E., Manghopir Road, Karachi, on Thursday, 3rd December, 1998 at 11:30 a.m. for transacting the following business:

ORDINARY BUSINESS

- (1) To receive and consider the Audited Accounts of the Company for the financial year ended 30th June, 1998, together with the Report of the Directors and Auditors.
- (2) To appoint Auditors for the year 1998-99 and to fix their remuneration. The retiring Auditors Messrs. A. F. Ferguson & Co., Chartered Accountants being eligible, offer themselves for re-appointment.
- (3) To elect Directors of the Company in accordance with the provisions of Section 178 (1) of the Companies Ordinance, 1984. The number of elected Directors fixed by the Board of Directors Under Section 178 (1) of the said Ordinance is seven (7). Mr. Kunwar Idris, Mr. Masamichi Yoshimizu, Mr. Masaharu Shibata, Mr. Masayasu Okamura, Mr. Susumu Hongo, Mr. Yuji Ishibashi and Mr. Takeshi Ito will offer themselves for election for a term of three years commencing from 3rd December, 1998.

SPECIAL BUSINESS

By way of special business to consider and, if thought fit, to pass the following resolution, as a special resolution to amend the Articles of Association of Hinopak Motors Limited:

RESOLVED AS A SPECIAL RESOLUTION THAT the articles of association of the company be and are hereby amended as follows:

- (1) Article 78 is amended by deleting the words in line 2 "not be less than seven and not more than ten." by the words "be seven."

By Order of the Board

Karachi:
12th November, 1998

MOHAMMAD Z. A. SYED
Company Secretary

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 remain closed from 19th November, 1998 up to 3rd December, 1998 (both days inclusive). The Share Transfer Books will re-open on Friday, 4th December, 1998.

(iii) The Shareholders are requested to intimate any changes in their addresses to: The Company Secretary, Hinopak Motors Limited, D-2, S.I.T.E., Manghopir Road, P.O. Box 10714, Karachi-75700, Pakistan.

(iv) Statement under Section 160 (1) has been enclosed with the notice sent to the shareholders.

Statement Under Section 160 of the Companies Ordinance, 1984

This Statement is annexed to the Notice of Thirteenth Annual General Meeting of the Shareholders of Hinopak Motors Limited to be held on 3rd December, 1998 at which certain special business is to be transacted.

The Special Business is to establish the number of Directors to seven (7). The purpose of this statement is to set forth the material facts concerning this special business.

The Article 78 of the Articles of Association of Hinopak Motors Limited are proposed to be amended by the above mentioned special resolution at Thirteenth Annual General Meeting of the Shareholders of Hinopak Motors Limited. This change has been recommended by the Directors of the Company.

No Director is personally interested, directly or indirectly i/~ this business except to the extent of his shareholdings in the Company.

CHAIRMAN'S REVIEW

I welcome you to the 13th Annual General Meeting of the Company to present the accounts and report on the performance of your Company for the financial year ended 30th June, 1998.

GENERAL

The demand for commercial vehicles fell steeply during the year. Particularly hard hit was the product segment of your Company. The number of all makes and models of medium and large trucks and buses manufactured by all local companies fell to one-third of the number in the previous year. The sales fell even more steeply to an all-time low. The depression in the commercial transport sector was thus far more pronounced than in the other sectors of the economy. Besides the reduced movement of goods most of the free market money which goes to finance transport was believed to be tied up in dollars for higher speculative gains.

The severest blow to the local industry came towards the close of 1997 when costly built-up buses were imported at a reduced rate of custom duty to operate on the Islamabad-Lahore motorway. As the duty was also reduced on CKD buses the customers waited for reduction in prices both of local trucks and buses to take effect. The reduction was not notified till March 1998. In all this period the sales plummeted.

OPERATING RESULTS

The fall in the market demand resulted in lower sales and consequent large unabsorbed production overheads. The

sales revenue for the year declined by Rs. 1,452.1 million to Rs. 907.8 million, - staggering 62%, resulting in operating loss of Rs. 140.4 million. In volume the reduction was 60% in chassis and 41% in bus and truck bodies.

The imposition of sales tax on spare parts drastically curtailed their sales by Rs. 110.4 million to Rs. 26 million, a fall of 81%. The customers switched over to informal sources to avoid the new tax burden.

Low sales and consequent higher inventory levels increased the financial charges by Rs. 51.4 million to Rs. 114 million, as a result the loss before taxation amounted to Rs. 242.1 million. The management undertook some cost cutting measures including voluntary severance scheme.

The Company had introduced, the new series of "Super Flyer" trucks and AK-MA buses were introduced in July 1996 and, the "Roadliner Grand Saloon" luxury bus after the duty reduction in March 1998. The latter was a thumping success.

The Company maintained its dominant share in the shrinking market till December 1996 when a decline set in mainly because of high prices of the spare parts of new models. That situation the company is trying to rectify with the support of Hino Motors and Toyota Tsusho Corporation. The fact that our competitors have kept the old model in production for 11 years, however makes it difficult to match their prices. Loss in market share occurred even in the past on the introduction of new model as the customers in Pakistan are averse to change in technology particularly if it results in higher maintenance cost. Over the past two years that loss was compounded by constant and steep decline in demand. As the number of new model vehicles on road increases cheaper sources of parts from reconditioned or scrap imports and local manufacture will develop. In the meantime the company is trying to provide parts at maximum discount ensuring easy availability in all parts of the Country.

DESIGN & DEVELOPMENT

Besides the new shape Roadliner (43 seater A/C bus) renamed Roadliner Grand Saloon the following specialized vehicles were also produced:

- Truck Mounted Generator Unit
- Cargo Van Track
- Garbage Dumper
- Bottom Loading Fuel Tanker
- Air Conditioned Ambulance

EXPORT BUSINESS

In the absence of incentives for export the country lost a rare opportunity to sell 1000 commercial vehicles to East African countries. Export is not economical in the existing tariff regime competing with the East Asian countries because of the heavy devaluation of their currencies.

EFFECTS OF TRADE POLICIES AND DUTY STRUCTURE

The duty on bus CKD was increased from 30% in 1996 to 40% in 1997 but then reduced to 15% in early 1998. The sales tax was also reduced to 12.5% from 18%. These concessions were expected but were late in coming. In the intervening period the sales slumped.

PRODUCTION

Because of the depressed demand only 426 chassis and 153 bus bodies were produced by the Company against 1370 and 300 in the previous year.

DELETION TARGETS

The Company kept pace with the targets set by the government for the local manufacture of components.

ISO 9000 CERTIFICATION

The Company completed the first year of ISO 9000 certification of its quality management systems. The surveillance audit was held in June 1998 and the Company was certified for another year.

COMPUTERIZATION AND YEAR 2000 COMPLIANCE

As you may be aware, the new millennium will effect virtually all computer-based systems in your Company. The year 2000 or the "millennium bug" project was initiated in the financial year 1996-97. As reported last year, in the first phase of this project new versions of the integrated manufacturing and financial (software)-CP System and the IBM AS/400 model 150 mini computer were implemented, both these systems are year 2000 compliant. In the current financial year we plan to have all our computer-based systems to be in compliance with "four digit" year 2000 dates.

LABOUR MANAGEMENT RELATIONS

The labour management relations remained cordial. The Union and executives extended full cooperation to the management in cutting cost necessitated by decline in sales.

STAFF WELFARE/SPORTS & RECREATION

The sports & recreational activities have been substantially cut down for reasons of economy. The Hinopak Trophy KCCA inter-firm cricket tournament was however held for the 7th consecutive year in which over 40 teams participated.

VOLUNTARY SEVERANCE SCHEME

A voluntary severance scheme was introduced in December 1997 reducing the manpower strength by 33%. Further reduction is contemplated in the course of the year.

FUTURE OUTLOOK

The depressed commercial vehicle market shows no sign of recovery. The hope for profitability is pinned on the sale of: petroleum and liquid and compressed gas transportation vehicles; and buses for the motorway and cities in Punjab.

A special loan for public transport vehicles contemplated by the Ministry of Communications in association with the commercial banks is also expected to give fillip to the sale of vehicles.

The prospects of business in the current financial year however remain generally bleak as are for the economy of the Country. I hope the Shareholders retaining confidence in the products and management of the Company would patiently wait for it to regain the position of eminence in the market it has held for long years.

KUNWAR IDRIS

Karachi: 20th October, 1998

Chairman

DIRECTORS REPORT

The Directors of Hinopak Motors Limited present this report, together with the Accounts of the Company for the year ended 30th June, 1998 and recommend no transfer from reserves as detailed below:

	1998	1997
	(Rupees '000)	
OPERATING RESULTS		
(Loss)/Profit before taxation	(242,124)	102,705
Provision for taxation	(4,550)	(45,795)
	-----	-----
(Loss)/Profit after taxation	(246,674)	56,910
EXTRAORDINARY ITEM	(12,673)	-
	-----	-----
	(259,347)	56,910
UNAPPROPRIATED PROFIT BROUGHT FORWARD	2,881	972
	-----	-----
(Loss)/Profit available for appropriation	(256,466)	57,882
LESS: APPROPRIATIONS		
Transfer to Revenue Reserve	-	(24,000)
Proposed final dividend Nil (1997: 25 %)	-	(31,001)
	-----	-----
	-	(55,001)
	-----	-----
UNAPPROPRIATED (LOSS)/PROFIT CARRIED FORWARD	(256,466)	2,881
	=====	=====

DIRECTORS

The Directors who served during the financial year ended 30th June 1998 were:

Keith S. Stack	Kunwar Idris
Late. Shah Jalil Alam	Masamichi Yoshimizu
John E. Haines	Kanji Kawamura
C.D.W. Leitch	Hajime Atsumi
Nazir Ahmed Shaikh	Yuji Ishibashi

M. A. Qaiyum
Hasan Irshad

During the financial year ended 30th June 1998, the changes in the Directors are summarized in the table below:

Director	Date of Appointment	Nominee of	In Place of	Reasons for Change
Mr. John E. Haines	18-2-98	Al-Futtaim	Late. Shah Jalil Alam	Deceased
Mr. Yuji Ishibashi	14-4-98	TTC	Mr. Hajime Atsumi	Resigned
Mr. M. A. Qaiyum	13-5-98	Al-Futtaim	Mr. Keith S. Stack	Resigned

On 9th September 1998, Mr. Susumu Hongo, nominee of Hino Motors, Ltd., Japan, was co-opted as Director in place of Mr. Kanji Kawamura.

The Board places on record its appreciation and gratitude for the services rendered to the Company by Messrs. Keith S. Stack, Shah Jalil Alam, Hajime Atsumi, and Kanji Kawamura. Also, a special recognition is given to the services rendered to the Company by Mr. Keith S. Stack as Chairman.

REVALUATION OF LANDS & BUILDINGS

The Directors are of the opinion that the Company's leasehold lands and buildings on these leasehold lands are worth Rs. 334.9 million and Rs. 167.2 million respectively. This opinion is based on the revaluation of fixed assets carried out by an independent valuation company - Oceanic Inspection (Pvt.) Limited. The Directors have recommended to the Shareholders to approve the accounts for the financial year ended 30th June 1998 after recognizing the surplus on revaluation, of lands and buildings on these lands, of Rs. 395.2 million.

PATTERN OF SHAREHOLDINGS

The pattern of shareholdings of the Company as at 30th June 1998 is given on page 39.

SIGNIFICANT CHANGE IN SHAREHOLDINGS & TOP MANAGEMENT

On 19th October 1998, after the Directors' resolution recommending to the Shareholders to approve the accounts for the financial year ended 30th June 1998, the significant changes in shareholdings and top management are detailed below:

* The representatives of Al-Futtaim Industries (Private) Limited concluded the sale of Al-Futtaim's entire equity interest in the Company consisting of 7,316,330 ordinary voting shares, to the remaining joint venture partners Hino Motors, Ltd., Japan and Toyota Tsusho Corporation of Japan.

* After the above-mentioned transaction, Hino Motors, Ltd., Japan holds 59.3% and Toyota Tsusho Corporation of Japan 29.7% of the ordinary voting shares in issue. The remaining 11% of ordinary voting shares continue to be held by local institutions and the general public.

* Messrs. John E. Haines, C.D.W. Leitch, Nazir Ahmed Shaikh, M. A. Qaiyum and Hasan' Irshad, the five of the nominee directors of Al-Futtaim Industries (Private) Limited, resigned from their offices. These resignations were part of Al-Futtaim's agreement to sell its entire 59% equity interest in the Company to Hino Motors, Ltd., Japan and Toyota Tsusho Corporation, Japan.

* As a result of the above-mentioned casual vacancies, three new directors were co-opted. Two were nominees of Hino Motors, Ltd., Japan - Mr. Masayasu Okamura and Mr. Masaharu Shibata; and one was nominee of Toyota Tsusho Corporation, Japan - Mr. Takeshi Ito.

* Subsequently, the Directors:

* Elected Mr. Kunwar Idris, as Chairman. He replaced Mr. John E. Haines who was a nominee of Al-Futtaim Industries (Private) Limited:

* Appointed Mr. Masayasu Okamura as the new Managing Director and Chief Executive of Hinopak Motors Limited,

he was jointly nominated by Hino Motors, Ltd., Japan and Toyota Tsusho Corporation of Japan. He replaced Mr. Hasan Irshad who was a nominee of AI-Futtaim Industries (Private) Limited, Dubai; and

* Appointed Mr. Takeshi Ito as Deputy Managing Director. nominated by Toyota Tsusho Corporation of Japan.

The Directors placed on record their appreciation and gratitude to AI-Futtaim Group and its nominee directors Messrs. John E. Haines, C.D.W. Leitch. Nazir Ahmed Shaikh, M. A. Qaiyum and Hasan Irshad for the services rendered and guidance given by them as Directors of the Company. Also, a special recognition was given to the services rendered by Mr. John E. Haines as Chairman and Mr. Hasan Irshad as the Managing Director and Chief Executive of the Company.

As a result. after disposal of equity interest in the Company by AI-Futtaim Industries (Private) Limited. the composition of the new Board of Directors of the Company is as shown on page 3.

AUDITORS

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

HOLDING COMPANY

AI-Futtaim Industries (Private) Limited was the holding company of Hinopak Motors Limited during the financial year ended 30th June 1998. On 19th October 1998, subsequent to the sale, by AI-Futtaim Industries (Private) Limited of its entire equity interest in the Company, Hino Motors, Ltd., Japan shall be the holding company of Hinopak Motors Limited, by virtue of their 59.3% shareholding in the Company.

HASAN IRSHAD

Managing Director & Chief Executive

Karachi: 19th October, 1998

By Order of the Board

JOHN E. HAINES

Chairman

10 YEARS AT A GLANCE

	Rupees in Million									
Year ended 30th June	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
ASSETS & LIABILITIES										
Net Assets										
Fixed Operating Assets	81.92	91.23	126.66	134.60	163.14	205.77	201.01	165.84	184.62	573.02
Capital Work in Progress	2.20	2.34	3.52	-	3.02	3.31	14.85	-	7.53	-
Long Term Investments	-	-	-	-	-	-	2.00	5.00	5.38	5.75
Other Long Term Assets	3.64	4.42	6.82	9.59	24.13	28.63	28.32	31.87	34.10	33.90
Current Assets	417.57	482.67	774.46	650.25	1,027.82	947.80	816.43	1,281.70	1,530.13	910.51
Less: Current Liabilities	378.02	427.38	675.63	491.09	706.06	818.92	789.85	1,092.43	1,306.96	930.87
Total Net Assets	127.31	153.28	235.83	303.35	42,205	366.59	272.76	391.98	454.80	592.31
Financed By										
Issued. Subscribed & Paid up Capita	103.34	103.34	103.34	103.34	103.34	103.34	103.34	103.34	124.01	124.01
Reserves-Net of unappropriated Prof	14.70	40.33	125.21	191.06	308.06	237.93	166.27	288.64	293.88	34.53
Long Term Liabilities	9.27	9.61	7.28	8.95	10.65	25.33	3.15	-	36.92	38.55
Surplus on Revaluation of Fixed Ass	-	-	-	-	-	-	-	-	-	395.22
Total Funds Invested	127.31	153.28	235.83	303.35	422.05	366.59	272.76	391.98	454.80	592.31

TURNOVER

Hino Chassis	827.18	1,063.18	1,436.81	1,428.39	2,474.12	1,607.31	1,124.60	2,385.51	2,124.40	789.80
Bus Bodies	69.88	83.23	110.80	180.03	252.12	118.46	92.08	118.13	94.15	91.42
Spare Parts	34.97	76.32	93.66	103.54	86.06	90.98	60.81	88.94	136.45	26.04
Others	23.52	18.62	22.20	10.94	3.06	1.65	4.59	5.26	4.88	0.49
Total	955.54	1,241.35	1,663.47	1,722.90	2,815.36	1,818.40	1,282.08	2,597.83	2,359.88	907.75

RESULTS & APPROPRIATIONS

Profit/(Loss) Before Tax	32.56	79.34	199.55	183.67	267.13	7.96	(65.22)	222.13	102.71	(242.12)
Taxation	13.34	35.68	86.25	84.24	98.46	9.63	6.44	46.02	45.80	4.55
Profit/(Loss) After Tax	19.22	43.72	113.30	99.43	168.67	(1.68)	(71.66)	176.11	56.91	(246.67)
Extraordinary Items	-	-	-	-	-	(52.96)	-	-	-	12.67
Dividends	12.92	18.08	28.42	33.59	51.67	15.50	-	51.67	31.00	-
Transfer To/(From) Reserve	6.00	20.00	86.00	70.00	110.00	(65.00)	(70.00)	102.00	24.00	-
Unappropriated Profit/(Loss) carried	0.70	6.33	5.21	1.06	8.06	2.93	1.27	0.97	2.88	(256.47)

FINANCIAL RATIOS

Net Profit Margin	2.0%	3.5%	6.8%	5.8%	6.0%	(0.1%)	(5.6%)	6.8%	2.4%	(27.2%)
Return on Assets (after tax)	3.8%	7.5%	12.4%	12.5%	13.8%	(4.6%)	(6.7%)	11.9%	3.2%	(16.2%)
Return on Equity (after tax)	16.7%	33.4%	65.4%	38.0%	47.8%	(14.5%)	(23.5%)	53.2%	14.1%	(85.6%)
Current Ratio	1.1	1.1	1.1	1.3	1.3	1.2	1.0	1.2	1.2	1.0
Quick Ratio	0.4	0.3	0.5	0.6	0.2	0.2	0.1	0.4	0.1	0.1

PRODUCTION (UNITS)

Hino Chassis	1,824	1,876	2,433	2,444	3,613	1,861	1,024	1,715	1,370	426
Suzuki Pickups	4,746	3,838	3,629	2,103	206	-	-	-	-	-
Bus Bodies	329	416	499	588	757	339	212	337	300	153

SALES (UNITS)

Hino Chassis	1,777	1,902	2,381	2,388	3,526	1,890	1,055	1,713	1,365	544
Bus Bodies	382	457	463	589	760	430	289	331	290	170

PER SHARE AMOUNTS (In Rupees)

Cash Dividend	1.25	1.75	2.75	3.25	5.00	1.50	-	5.00	2.50	-
Stock Dividend	-	-	-	-	-	-	-	2.00	-	-
Breakup Value	11	14	22	28	*55	*49	*42	*63	*55	*45
Earning/(Loss) Per Share	1.86	4.23	10.96	9.62	16.32	(5.29)	(6.93)	17.04	4.59	(20.91)
Share Price (High)	-	-	93	113	132	100	48	61	81	59
Share Price (Low)	-	-	32	70	85	46	32	43	47	50
ONE US\$ = RUPEE	21.23	21.94	24.45	25.28	27.32	30.83	31.20	35.25	40.70	44.42
ONE YEN = RUPEE	0.149	0.1783	0.2017	0.2577	0.2577	0.3093	0.3652	0.3226	0.3555	0.3286

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Hinopak Motors Limited as at June 30, 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 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 except for the change as Stated in note 1.1 with which we concur;

(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, 1998 and of the loss and the cash flows for the year then ended; and

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

A. F. FERGUSON & CO.
Chartered Accountants

Karachi: 19th October, 1998

BALANCE SHEET AS AT JUNE 30, 1998

Note	1998	1997
	(Rupees '000)	
SHARE CAPITAL AND RESERVES		
Share Capital		
Authorised		
20,000,000 ordinary shares of Rs. 10 each	200,000	200,000
	=====	=====
2 Issued, subscribed and paid-up	124,006	124,006
3 Reserves	291,000	291,000
(Loss)/Unappropriated profit	(256,466)	2,881
	-----	-----
4 SURPLUS ON REVALUATION OF FIXED ASSETS	158,540	417,887
	395,220	-
5 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEAS	29,742	36,915
DEFERRED LIABILITY		
Staff gratuity	8,810	-
CURRENT LIABILITIES		
5 Current maturity of liability against assets subject to finance leases	15,681	12,302
6 Finance under mark-up arrangements	542,798	490,986
Short term loans	-	169,035
7 Creditors. accrued and other liabilities	372,088	597,708
8 Workers' profits participation fund	-	5,676

9	Dividend	295	31,257
		-----	-----
		930,862	1,306,964
10	CONTINGENCIES AND COMMITMENTS		
		-----	-----
		1,523,174	1,761,766
		=====	=====
	FIXED ASSETS - TANGIBLE		
11	Operating assets	573,015	184,623
	Capital work-in-progress	-	7,532
		-----	-----
		573,015	192,155
12	LONG - TERM INVESTMENTS	5,750	5,375
13	LONG - TERM LOANS AND ADVANCES	11,159	11,490
14	LONG - TERM DEPOSITS AND PREPAYMENTS	2,972	2,848
15	DEFERRED TAXATION	19,766	19,766
	CURRENT ASSETS		
16	Stores, spares and loose tools	7,303	6,530
17	Stock-in-trade	756,765	1,296,277
18	Trade debts	3,940	56,034
19	Loans and advances	26,076	45,976
20	Trade deposits and prepayments	4,953	5,870
21	Other receivables	9,577	37,746
	Taxation	97,579	78,985
22	Cash and bank balances	4,319	2,714
		-----	-----
		910,512	1,530,132
		-----	-----
		1,523,174	1,761,766
		=====	=====

The annexed notes form an integral part of these accounts.

HASAN IRSHAD
Managing Director

JOHN E. HAINES
Chairman

PROFIT AND LOSS ACCOUNT
for the year ended June 30, 1995

Note		1998	1997
		(Rupees '000)	
23	Sales	907,751	2,359,882
24	Cost of goods sold	(951,401)	(2,110,874)
		-----	-----
	GROSS (LOSS)/PROFIT	(43,650)	249,008
25	Administration and selling expenses	(96,746)	(94,156)

	OPERATING (LOSS)/PROFIT	(140,396)	154,852
26	Other income	12,229	18,336
		(128,167)	173,188
27	Financial charges	(62,522)	(113,957)
	Other charges	-	(7,961)
		(113,957)	(70,483)
	(LOSS)/PROFIT BEFORE TAXATION	(242,124)	102,705
28	Taxation	(4,550)	(45,795)
	(LOSS)/PROFIT AFTER TAXATION	(246,674)	56,910
30	Extraordinary item	(12,673)	-
		(259,347)	56,910
	Unappropriated profit brought forward	2,881	972
		(256,466)	57,882
	APPROPRIATIONS		
	Transfer to general reserve	-	24,000
	Proposed final dividend Nil (1997: 25%)	-	31,001
		-	55,001
	(Loss)/Unappropriated profit carried forward	(256,466)	2,881
		=====	=====

The annexed notes form an integral part of these accounts.

HASAN IRSHAD
Managing Director

JOHN E. HAINES
Chairman

CASH FLOW STATEMENT

for the year ended June 30, 1998

Note	1998	1997
	(Rupees '000)	
	CASH FLOW FROM OPERATING ACTIVITIES	
34	Cash generated from/(used) in operations	276,437 (658,816)
	Interest and mark-up on short term loans and finance paid	(80,740) (28,609)
	Return on deposits received	2,966 9,991
	Extraordinary item	(12,673) -
	Taxes paid	(23,144) (116,798)
	Payment of staff gratuity	(3,662) (396)
	Decrease/(Increase) in long-term loans	331 (2,104)
	Net cash inflow/(outflow) from operating activities	159,515 (796,732)

	CASH FLOW FROM INVESTING ACTIVITIES	
	Fixed capital expenditure	(19,487) (77,810)
	Long term investment	(375) (375)
	Sale proceeds of fixed assets	14,055 26,660
	Increase in long term deposits and prepayments	(124) (673)

	Net cash outflow from investing activities	(5,931) (52,198)
	CASH FLOW FROM FINANCING ACTIVITIES	
	(Decrease)/increase in short term loans	(169,035) 169,035
	(Decrease)/increase in liability against assets subject to finance leases	(3,794) 49,217
	Dividend paid	(30,962) (51,592)

	Net cash (outflow)/inflow from financing activities	(203,791) 166,660

	Net decrease in cash and cash equivalents	(50,207) (682,270)
	Cash and cash equivalents at the beginning of the year	(488,272) 193,998

35	Cash and cash equivalents at the end of the year	(538,479) (488,272)
		=====

The annexed notes form an integral part of these accounts.

HASAN IRSHAD
Managing Director

JOHN E. HAINES
Chairman

NOTES TO THE ACCOUNTS **for the year ended June 30, 1998**

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 except that certain fixed assets have been included at revaluation. Previously all the fixed assets were included at historical cost less depreciation as more fully explained in note 1.4 below.

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 latest actuarial valuation as at June 30, 1998, the fair value of fund's assets and liabilities were Rs. 12.57 million and Rs. 21.38 million respectively. Annual contribution to the fund at the rate of 8.33% have been made on the basis of actuarial recommendation. As the total liability based on actuarial valuation exceeds the scheme's assets, the company maintains a provision in the books for the shortfall.

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 15% per annum

- Expected rate of income on investments 15% per annum.

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

The company also operates a recognized 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 the liability method.

1.4 Fixed assets and depreciation

Leasehold land and buildings on leasehold land as at April 30, 1998 have been revealed by an independent valuer as of that date and are shown at revealed amount less depreciation. All other assets are stated at cost less accumulated depreciation.

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. Depreciation on assets is charged at the normal rate from the month of addition and no depreciation is charged in the month of disposal.

The company accounts for fixed assets acquired under finance leases by recording the 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 accounting period in a manner so as to provide a constant periodic rate of charge on the 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 upto approximately Rs. 10,000 and other assets costing upto 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 applicable 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.

1.11 Long term investments

These are stated at cost.

1998 1997
(Rupees '000)

2. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 10 each

1998	1997		
6,200,280	6,200,280 shares fully paid in cash	62,003	62,003
4,133,520	4,133,520 shares issued as fully paid for consideration other than cash	41,335	41,335
2,066,760	2,066,760 shares issued as fully paid bonus shares	20,668	20,668
-----	-----	-----	-----
12,400,560	12,400,560	124,006	124,006
=====	=====	=====	=====

At June 30, 1998 and 1997 Al-Futtaim Industries (Private) Limited, U.A.E. together with its nominees held 7.316,330 ordinary shares of the company.

3. RESERVES - Revenue

1998 1997
(Rupees '000)

Opening balance	291,000	267,000
Transfer from profit and loss account	-	24,000
	-----	-----
	291,000	291,000
	=====	=====

4. SURPLUS ON REVALUATION OF FIXED ASSETS

The surplus on revaluation of fixed assets represents surplus resulting from the revaluation of leasehold land and buildings on leasehold land carried out on April 30, 1998 by Oceanic Inspection (Private) Ltd. as referred to in note 11.2.

1998 1997
(Rupees '000)

**5. LIABILITY AGAINST ASSETS SUBJECT
TO FINANCE LEASES**

Payable during		
1997 - 1998	-	20,666
1998 - 1999	24,709	21,721
1999 - 2000	25,773	18,855
2000 - 2001	9,994	5,652
	-----	-----
	60,476	66,894
Less: Finance charge not due	15,053	17,677
	-----	-----
	45,423	49,217
Less: Current maturity shown under current liabilities	15,681	12,302
	-----	-----
	29,742	36,915
	=====	=====

This represents finance leases entered into with leasing companies for plant and machinery, furniture and fixtures, vehicles, electrical installations, airconditioners, refrigerators and water coolers and office equipment. The balance of liability is payable by March 20, 2001 in quarterly installments.

Quarterly lease payments include finance charge of 21.23% to 24.62% per annum, which is used as discounting factor.

6. FINANCE UNDER MARK-UP ARRANGEMENTS

	1998	1997
	(Rupees '000)	
Running finance (note 6.1)	501,412	454,681
Finance under trust receipts	41,386	36,305
	-----	-----
	542,798	490,986
	=====	=====

6.1 The facility for running finance available from various banks amounts to Rs. 610 million (1997: Rs. 536 million). The rates of mark-up range between Re. 0.3973 and Re. 0.4658 per Rs. 1,000 per day. The purchase prices and mark-up are payable by April 30, 1999.

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

6.2 The facilities for opening letters of credit and guarantees as at June 30, 1998 amounted to Rs. 1.64 billion (1997: Rs. 1.74 billion) of which the amount remaining unutilised at the year end was Rs 1.59 billion (1997: Rs. 1.49 billion).

	1998	1997
	(Rupees '000)	
7. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	3,476	8,147
Bills payable	49,385	173,763
Custom duties payable	2,083	34,856
Accrued liabilities	39,795	66,870
Customers' credit balances	195,726	246,332
Mark-up on running finance	19,809	12,591
Mark-up on finance under trust receipts	498	101

Interest on short term loans	1,022	3,014
Contractors' earnest/retention money	144	128
Taxes deducted, payable to statutory authorities	183	442
Sales tax payable	12,654	4,887
Payable to provident fund	611	2,436
Payable to gratuity fund	136	1,076
Workers' welfare fund	18,422	18,422
Royalty	16,376	16,829
Employees mutual subscription fund	1,748	1,725
Others	10,020	6,089
	-----	-----
	372,088	597,708
	=====	=====

8. WORKERS 'PROFITS PARTICIPATION FUND

Balance at the beginning of the year	5,676	11,930
Allocation during the year	-	5,676
	-----	-----
Amount available to the company for its business operations/utilised by the company	5,676	17,606
Add: Interest on fund utilised in company's business	338	2,844
	-----	-----
	6,014	20,450
Less: Amounts paid to the trustees of the Fund/Government	6,014	14,774
	-----	-----
	-	5,676
	=====	=====

9. DIVIDEND

Unclaimed dividend	295	256
Proposed dividend	-	31,001
	-----	-----
	295	31,257
	=====	=====

10. CONTINGENCIES AND COMMITMENTS**10.1 CONTINGENT LIABILITIES****SALES TAX**

In November 1997, the Sales Tax authorities raised a demand for the payment of Rs. 2.470 billion in respect of Sales Tax for Chassis fitted with Engines and Cabins and Chassis fitted with Engine without Cabins for sales made from July 1, 1990 to October 17, 1993. Similar demands have been raised for other assemblers.

The Company and other assemblers have approached the Central Board of Revenue (CBR) to provide exemption under Section 65 of the Sales Tax Act, 1990 in respect of tax for that period. Such application is, however, pending for decision. The CBR has in the mean time issued directives not to enforce recovery till this issue is settled.

Concurrent to the application for exemption under Section 65, the Company has also filed an appeal before Collector (Appeals) Central Excise & Sales Tax (CST) against the above order. The CST has held that the CBR should settle the pending application under Section 65 of the Sales Tax Act before any liability to pay sales tax can be imposed to the Company. The Company has also filed a second appeal against the said order before the Custom, Excise and Sales Tax Appellate Tribunal which is pending for hearing.

The legal advisors representing all the assemblers including the Company are hopeful that exemption under Section 65 of the Sales Tax Act will be accorded by the CBR, hence no provision is necessary in respect of the above demand in the accounts.

(b) POST-DATED CHEQUES

Post-dated cheques to Collector of Customs as a security against the concessional rate of duty amounted to Rs. 189.73 million (1997: Rs. 452.58 million).

10.2 COMMITMENTS

Commitments for capital expenditure outstanding at June 30, 1998 amounted to approximately Rs. 0.15 million (1997: Rs. 3.13 million).

11. FIXED ASSETS

11.1 The following is a statement of operating assets:

	Cost as at July 1, 1997	Addi- tions/ *transfers/ (disposals)	Revaluation	Cost & Revalua- tion as at June 30, 1998	Accumu- lated depre- clarion as at July 1, 1997	Depre- ciation for the year/ *transfers/ on (disposals)	Accumu- lated depre- elation as at June 30, 1998	Net book value as at June 30, 1998	Annual rate of depre- clarion %
(Rupees '000)									
Leasehold land	53,520	-	287,703	341,223	5,465	1,116	6,581	334,642	-
Buildings on	67,290	7,770	107,517	182,577	13,590	1,993	15,583	166,994	2.5
Plant and machinery	43,548	6,309 (6,000)	-	43,857	20,729	4,358	25,087	18,770	10
Furniture and fixtures	5,654	1,246 *375 (1,050)	-	6,225	3,935	929 *232 (831)	4,265	1,960	10 & 50
Vehicles	24,914	802 *4,212 (11,267}	-	18,661	19,261	2,348 *1,483 (7,463)	15,629	3,032	20 & 25
Electrical Installations	11,150	211	-	11,361	9,290	1,141	10,431	930	20
Airconditioners, refrigerators and water coolers	9,643	704 *346 (1,598)	-	9,095	7,294	908 *112 (1,058)	7,256	1,839	20 & 25
Office and other equipment	13,571	498 *100 (135)	-	14,034	10,235	1,300 *20 (55)	11,500	2,534	15 to 33.33
Assets held under finance leases									

Plant & machinery	25,344	6,000	-	31,344	2,534	2,798	5,332	26,012	10
Furniture & fixtures	831	*(375)	-	456	393	250	411	45	10 & 50
Vehicles	19,488	3,479	-	18,755	4,796	4,415	7,728	11,027	20 & 25
		*(4,212)				*(1,483)			
Electrical Installations	23	-	-	23	5	5	10	13	20
Airconditioners. refrigerators & water coolers	3,514	*(346)	-	3,168	734	673	1,295	1,873	20 & 25
Office equipment	5,384	*(100)	-	5,284	990	970	1,940	3,344	15 to 33.33
						*(20)			
	283,874	27,019	395,220	686,063	99,251	23,204	113,048	573,015	
		(20,050)				(9,407)			
1997	246,806	70,278	-	283,874	80,971	27,259	99,251	184,623	(33,210)
	(8,979)								

11.2 Leasehold land and buildings on leasehold land have been valued on April 30, 1998 on the basis of market value and replacement value respectively by Oceanic Inspection (Private) Ltd., Pre-shipment Inspectors, Surveyors, Samplers, Assessors, Consultants and Evaluators. The details of operating assets revalued are as follows:

	Original Cost	Book Value	Revaluation Value	Revaluation Surplus
	(Rupees '000)			
Leasehold land	53,520	47,253	334,956	287,703
Buildings on leasehold land	75,060	59,701	167,218	107,517
	128,580	106,954	502,174	395,220

11.3 Details of fixed assets disposed off:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees '000)					
Plant & machinery	6,000	-	6,000	6,000	Sale & lease back	Askari Leasing Ltd. Karachi Branch.
Furniture & fixtures	225	156	69	75	Negotiation	Mr. F.A. Pirzada (Ex-Executive)
	200	154	46	46	Negotiation	Mr. H. M. Rizki (Ex-Executive)
	150	128	22	22	Negotiation	Mr. Mateenur Rehman

					(Ex-Executive)	
	200	162	38	50	Negotiation	Mr. Shahid Ashraf (Ex-Executive)
	125	103	22	22	Negotiation	Mr. Ejaz Majeed (Ex-Executive)
	50	43	7	7	Negotiation	Mr. T. A. Shah (Ex-Executive)
	50	43	7	7	Negotiation	Mr. A. H. Masood (Ex-Executive)
	25	18	7	7	Negotiation	Mr. Shahid H. Siddiqi (Ex-Executive)
	25	23	2	2	Negotiation	Mr. Shahid Osmani (Ex-Executive)
Vehicles	825	825	-	248	Negotiation	Mr. F. A. Pirzada (Ex-Executive)
	599	462	137	238	Negotiation	Mr. H. M. Rizki (Ex-Executive)
	544	544	-	167	Negotiation	Mr. S. Arshad Ali (Executive)
	1,187	745	442	697	Negotiation	Mr. Shahid Ashraf (Ex-Executive)
	384	384	-	167	Negotiation	Mr. T. A. Shah (Ex-Executive)
	209	209	-	104	Negotiation	Mr. I. H. Gilani (Ex-Executive)
Vehicles	215	170	45	117	Negotiation	Mr. Mazhar Chinoy (Ex-Executive)
	215	184	31	115	Negotiation	Mr. Shahid H. Siddiqi (Ex-Executive)
	254	217	37	157	Negotiation	Mr. Roshan Din (Ex-Executive)
	213	182	31	119	Negotiation	Mr. Wajahat All Khan (Ex-Executive)
	289	102	187	238	Negotiation	Mr. Rashid Ali (Ex-Executive)
	289	102	187	228	Negotiation	Mr. Khwaja Zahid Saleem (Ex-Executive)
	634	225	409	519	Negotiation	Mr. Mateenur Rehman

				(Ex-Executive)		
700	700	-	210	Negotiation	Mr. L. R. Kherati (Executive)	
700	700	-	210	Negotiation	Mr. Iftikhar Qureshi (Executive)	
254	243	11	146	Negotiation	Mr. Anwar Sabri (Ex-Executive)	
187	187	-	77	Negotiation	Mr. Omar Saad Hatmi (Executive)	
200	71	129	159	Negotiation	Mr. S. Waseemuddin Ahmed (Ex-Executive)	
209	78	131	183	Negotiation	Mr. Shafiq A. Sheikh (Ex-Executive)	
209	78	131	183	Negotiation	Mr. Muhammad Shoaib (Ex-Executive)	
258	91	167	207	Negotiation	Mr. A. H. Masood (Ex-Executive)	
342	121	221	302	Negotiation	Mr. S. Ejaz Ali (Ex-Executive)	
256	-	256	248	Negotiation	Mr. S. Ashfaq Ahmed (Ex-Executive)	
342	107	235	311	Negotiation	Mr. Azdiar Mobid (Ex-Executive)	
326	150	176	293	Negotiation	Mr. Shahid Osmani (Ex-Executive)	
784	278	506	988	Insurance Claim	New Jubilee Insurance Co. Ltd., Karachi	
643	308	335	533	Tender	Mr. Muhammad Nasir Khan A-597, Sector 11-A North Karachi	
Airconditioners, refrigerators & water coolers	155	106	49	52	Negotiation	Mr. F. A Pirzada (Ex-Executive)
	156	106	50	50	Negotiation	Mr. H. M. Rizki (Ex-Executive)
	157	111	46	50	Negotiation	Mr. Shahid Ashraf (Ex-Executive)
	144	70	74	74	Negotiation	Mr. Mateenur Rehman (Ex-Executive)

	142	90	52	52	Negotiation	Mr. T. A. Shah (Ex-Executive)
	90	48	42	42	Negotiation	Mr. Shahid H. Siddiqi (Ex-Executive)
	121	60	61	61	Negotiation	Mr. Ejaz Majeed (Ex-Executive)
	53	33	20	20	Negotiation	Mr. Kh. Zahid Saleem (Ex-Executive)
	53	33	20	20	Negotiation	Mr. Roshan Din (Ex-Executive)
	95	54	41	41	Negotiation	Mr. A. H. Masood (Ex-Executive)
	51	18	33	46	Negotiation	Mr. Rashid Ali (Ex-Executive)
	51	18	33	33	Negotiation	Mr. Ejaz Ali (Ex-Executive)
	74	56	18	18	Negotiation	Mr. Shahid Osmani (Ex-Executive)
Office & other equipmen	100	20	80	80	Insurance claim	New Jubilee Insurance Co. Ltd., Karachi

	19,759	9,116	10,643	14,041		
Assets having written down value below Rs. 5,000 each	291	291	-	14		

	20,050	9,407	10,643	14,055		
	=====					

12. LONG TERM INVESTMENTS

	1998	1997
	(Rupees '000)	
Arabian Sea Country Club - note 12.1	5,000	5,000
Automotive Testing & Training Centre (Private) Limited - note 12.2	750	375

	5,750	5,375
	=====	

12.1 This represents the cost of 500,000 fully paid-up ordinary shares of Rs. 10 each in an unquoted associated undertaking. The value of investment based on the net assets of the investee company as per its audited accounts, for the year ended June 30, 1997 was Rs. 4.98 million (June 30, 1996: Rs. 5.10 million). Mr. Zaeem Lutfi is the Chief Executive of the Company.

12.2 The company has made advance payment towards shares to be issued.

13. LONG TERM LOANS AND ADVANCES - considered good

	1998	1997
	(Rupees '000)	
Loans to		
Executives	812	47
Employees	11,893	13,480
	-----	-----
	12,705	13,527
Less: Installments recoverable within one year	2,877	3,165
	-----	-----
	9,828	10,362
Advances to		
Managing Director	26	379
Executives	7,171	8,028
Employees	4,739	4,480
	-----	-----
	11,936	12,887
Less: Installments recoverable within one year	10,605	11,759
	-----	-----
	1,331	1,128
	-----	-----
	11,159	11,490
	=====	=====

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

The motor cycle loans are secured 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. 1.40 million (1997: Rs. 1.88 million).

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	359	951
Executives	7,171	8,028

14. LONG TERM DEPOSITS AND PREPAYMENTS

Deposits	2,972	2,414
Prepayments	-	434
	-----	-----
	2,972	2,848
	=====	=====

15. DEFERRED TAXATION

Debit balances arising in respect of:

Provision for doubtful trade debts	2,279	2,279
Provision for slow moving stock	17,902	17,902
Provision for doubtful deposits	938	938
Others	218	218
	-----	-----
	21,337	21,337

Credit balance arising in respect of accelerated tax depreciation	(1,571)	(1,571)
	-----	-----
	19,766	19,766
	=====	=====

16. STORES, SPARES AND LOOSE TOOLS

Stores	1,621	1,261
Spares	3,016	3,646
Loose tools	2,666	1,623
	-----	-----
	7,303	6,530
	=====	=====

17. STOCK-IN-TRADE

Raw materials [including in transit Rs. 35.48 million (1997: Rs. 0.25 million)]	665,397	1,020,901
Less: Provision for slow moving stocks	35,520	35,520
	-----	-----
	629,877	985,381
Work-in-process	4,837	11,570
Spare parts [including in transit Rs. 0.51 million (1997: Rs. 1.19 million)]	58,515	67,259
Less: Provision for slow moving spare parts	24,153	24,153
	-----	-----
	34,362	43,106
Finished goods	87,689	256,220
	-----	-----
	756,765	1,296,277
	=====	=====

17.1. The above balance includes items worth Rs. 296.48 million in raw materials valued at net realizable value.

17.2. Raw materials and finished goods include stock amounting to Rs. 2.67 million (1997: Rs. 3.84 million) lying with suppliers and dealers.

18. TRADE DEBTS

- Secured	2,376	-
- Unsecured		
Due from associated undertaking	-	116
Others	1,564	55,918
	-----	-----
	3,940	56,034
Considered doubtful	11,414	7,598
	-----	-----
	15,354	63,632
Less: Provision for doubtful debts	11,414	7,598

-----	-----
3,940	56,034
=====	=====

The maximum amount due from associated undertaking at the end of any month during the year was Rs. 65 thousand (1997: Rs. 116 thousand).

19. LOANS AND ADVANCES - considered good

Loans to:		
Executives	240	20
Employees	2,637	3,145
	-----	-----
	2,877	3,165
Advances to:		
Managing Director	26	379
Executives	5,840	6,900
Employees	4,739	4,480
Suppliers	12,594	31,052
	-----	-----
	23,199	42,811
	-----	-----
	26,076	45,976
	=====	=====

20. TRADE DEPOSITS AND PREPAYMENTS

Deposits	5,996	7,965
Prepayments	2,062	1,030
	-----	-----
	8,058	8,995
Less: Provision for doubtful deposits	3,105	3,125
	-----	-----
	4,953	5,870
	=====	=====

21. OTHER RECEIVABLES

Due from associated undertakings	91	274
Custom duty refundable	406	406
Sales tax	8,695	34,014
Insurance claim receivable	40	13
Accrued return on deposit	726	3,370
Others	347	397
	-----	-----
	10,305	38,474
Less: Provision for doubtful receivables	728	728
	-----	-----
	9,577	37,746
	=====	=====

The maximum amount due from associated undertakings at the end of any month during the year was Rs. 0.14 million (1997: Rs. 0.34 million).

22. CASH AND BANK BALANCES

Balances with banks		
On current accounts	4,039	2,575
Cash in hand	280	139

-----	-----
4,319	2,714
=====	=====

23. SALES

Gross sales	917,033	2,378,338
Less: Commission and discounts	9,282	18,456
	-----	-----
	907,751	2,359,882
	=====	=====

24. COST OF GOODS SOLD

Manufactured goods		
Raw materials consumed - note 24.1	619,365	1,846,786
Stores and spares consumed	1,878	3,285
Salaries, wages, allowances and staff welfare - note 24.2	91,600	93,679
Rent, rates and taxes	1,008	953
Insurance	1,776	2,361
Fuel and power	7,968	9,519
Repairs and maintenance	4,153	8,225
Printing and stationery	932	1,754
Travelling and entertainment	1,284	2,332
Technical assistance	498	737
Royalty	924	9,945
Depreciation	15,257	16,660
Fixed assets charged off	263	290
Research and development	736	561
Other expenses	7,072	10,945
Opening stock of work-in-process	11,570	14,819
Closing stock of work-in-process	(4,837)	(11,570)
	-----	-----
Cost of goods manufactured	761,447	2,011,281
Opening stock of finished goods	256,220	245,843
Closing stock of finished goods	(87,689)	(256,220)
	-----	-----
	929,978	2,000,904
Trading goods		
Opening stock	67,259	76,305
Purchases	12,679	100,924
	-----	-----
	79,938	177,229
Closing stock	(58,515)	(67,259)
	-----	-----
	21,423	109,970
	-----	-----
	951,401	2,110,874
	=====	=====

24.1 Raw materials consumed are stated net of proceeds from sale of packing materials Rs. 1.21 million (1997: Rs. 6.25 million).

24.2 Salaries and wages include Rs. 9.22 million (1997: Rs. 3.36 million) in respect of staff retirement benefits.

25. ADMINISTRATION AND SELLING EXPENSES

Salaries, wages, allowances and staff welfare-note 25.1	43,269	42,687
Rent, rates and taxes	1,452	1.30

Insurance	2,788	2,424
Repairs and maintenance	3,218	3,966
Depreciation	7,947	10,599
Advertising and sales promotion	5,630	2,317
Travelling and entertainment	4,593	5,312
Legal and professional charges	1,440	691
Vehicle running expenses	4,528	4,693
Postage, telex and telephone	3,922	3,501
Printing, stationery and office supplies	1,711	2,564
Staff training	531	2,258
Auditors' remuneration-note 29	448	399
Subscription	707	1,706
Warranty service	1,600	1,590
Security and maintenance	4,464	4,366
Provision for doubtful deposits written back	(20)	(1,678)
Provision for doubtful trade debts	4,290	2,069
Provision for doubtful trade debts written back	(385)	(363)
Fixed assets charged off	123	321
Others-note 25.2	4,490	3,437
	-----	-----
	96,746	94,156
	=====	=====

25.1 Salaries and wages include Rs. 5.50 million (1997: Rs. 2.16 million) in respect of staff retirement benefits.

25.2 Donation of Rs. 17 thousand (1997: Nil) is included under 'other expenses'. None of the Directors or their spouses had any interest in the donee.

26. OTHER INCOME

Return on deposits	322	2,282
Sale of scrap	2,222	1,788
Indenting and agency commission	1,367	2,428
Gain on disposal of fixed assets	3,412	2,429
Liability no longer required written back	1,430	-
Provision for other receivables written back	-	2,189
Provision for slow moving stocks written back	-	2,461
Exchange gain	1,043	1,397
Miscellaneous	2,433	3,362
	-----	-----
	12,229	18,336
	=====	=====

27. FINANCIAL CHARGES

Interest on short term loans	9,333	1,802
Mark-up on term finance	3,044	749
Mark-up on running finance	69,276	36,817
Mark-up on finance under trust receipts	4,710	4,946
Finance lease charges	11,147	255
Bank charges	3,051	3,471
Exchange risk fee	12,746	9,005
Excise duty	312	2,633
Interest on workers' profits participation fund	338	2,844
	-----	-----
	113,957	62,522
	=====	=====

28. TAXATION

Current		
- this year	4,550	40,000
- prior years	-	5,251
Deferred	-	544
	-----	-----
	4,550	45,795
	=====	=====

Provision for current taxation for the year represents minimum tax at 0.5 percent of the turnover.

29. AUDITORS' REMUNERATION

Audit fee	300	250
Special reports and advisory services	115	84
Out of pocket expenses	33	33
Central excise duty	-	32
	-----	-----
	448	399
	=====	=====

30. EXTRAORDINARY ITEM

This represents payments made to employees who opted to retire from the company in terms of the voluntary separation scheme introduced during the year.

31. REMUNERATION OF MANAGING DIRECTOR, DIRECTOR AND EXECUTIVES

	Managing Director		Director		Executives	
	1998	1997	1998	1997	1998	1997
	(Rupees '000)					
Managerial remuneration and allowances	1,788	1,533	276	276	25,189	26,843
Company's contribution to provident and gratuity funds	225	215	-	-	2,557	2,693
Rent and utilities	664	650	721	702	6,741	8,133
Leave passage	105	97	-	-	1,215	1,293
Medical expenses	108	671	2	2	2,331	2,797
Other expenses	55	34	-	-	183	82
	-----	-----	-----	-----	-----	-----
	2,945	3,200	999	980	38,216	41,841
	-----	-----	-----	-----	-----	-----
Number of persons	1	1	1	1	76	88
	=====	=====	=====	=====	=====	=====

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

32. 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.

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1998	1997
	(Rupees '000)	

Aggregate amounts in respect of:

Goods sold to associated undertakings	-	55
Purchase of components	127	1,763
Royalty	924	9,945

34. CASH GENERATED FROM/(USED IN) OPERATIONS

	1998	1997
	(Rupees '000)	

(Loss)/Profit before taxation	(242,124)	102,705
Add/(Less): Adjustments for non cash charges and other items		
Depreciation	23,204	27,259
Provision for staff gratuity	11,532	2,806
Gain on disposal of fixed assets	(3,412)	(2,429)
Interest and mark-up on short-term loans and finance	86,363	44,314
Return on deposits	(322)	(2,282)
	-----	-----
	117,365	69,668
	-----	-----
(Loss)/profit before working capital changes	(124,759)	172,373

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

Decrease/(increase) in current assets		
Stores and spares	(773)	1,501
Stock-in-trade-trade	539,512	(422,918)
Trade debts	52,094	(8,325)
Loans and advances	19,900	812
Trade deposits and prepayments	917	1,434
Other receivables less accrued income on deposits	25,525	44,757
	-----	-----
	637,175	(382,739)
(Decrease)/increase in current liabilities		
Creditors, accrued and other liabilities	(230,303)	(444,481)
Workers' Profits Participation Fund	(5,676)	(6,254)
Workers' Welfare Fund	-	2,285
	-----	-----
	401,196	(831,189)
	-----	-----
	276,437	(658,816)
	=====	=====

35. CASH AND CASH EQUIVALENTS

Cash and bank balances	4,319	2,714
Finance under mark-up arrangements	(542,798)	(490,986)
	-----	-----
	(538,479)	(488,272)
	=====	=====

36. CORRESPONDING FIGURES

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

HASAN IRSHAD
Managing Director

JOHN E. HAINES
Chairman

**PATTERN OF SHAREHOLDINGS
AS AT 30th JUNE, 1998**

Categories			Number of Shareholders		No. of Shares
From	1	To	100	53	2,861
From	101	To	500	873	126,100
From	501	To	1000	48	31,180
From	1001	To	5000	28	52,340
From	5001	To	10000	2	11,520
From	10001	To	15000	1	13,200
From	35001	To	40000	1	35,680
From	55001	To	60000	1	57,360
From	1030001	To	1035000	1	1,033,821
From	1240001	To	1245000	1	1,240,056
From	2480001	To	2485000	1	2,480,112
From	7315001	To	7320000	1	7,316,330
			-----	-----	
			1,011	12,400,560	
			=====	=====	

Shareholders' Categories	Number of Shareholders	Shares Held	Percentage
Individuals	999	213,981	1.73
Investment Companies	4	1,073,581	8.66
Insurance Companies	2	70,560	0.57
Joint Stock Companies	2	420	0.00
Foreign Investors	3	11,036,498	89.00
Modaraba	1	5,520	0.04
		-----	-----
		1,011	12,400,560
		=====	=====