

Ghandhara Nissan Limited

Annual Report 1999

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Company Profile

BOARD OF DIRECTORS

Mr. Raza Kuli Khan Khattak	Chairman
Lt. Gen. (Retd) Ali Kuli Khan Khattak	Chief Executive
Mr. Ahmed Kuli Khan Khattak	
Begum Tehmina H. Khan	
Mr. Mushtaq Ahmed Khan	
Mr. Jamil A. Shah	
Mr. Mehmood Trunkwala	
Mr. Samir Ahmed	
Mr. M. Doi	
Mr. Pervez I. Khan	

COMPANY SECRETARY

Mr. Mohammad Saleem Baig

REGISTERED OFFICE

Ghandhara House
109/2, Clifton Karachi.

BANKERS OF THE COMPANY

Allied Bank of Pakistan Ltd.
Societe Generale Bank
The Hong Kong & Shanghai Banking Corp.
United Bank Ltd.
American Express Bank Ltd.
The Muslim Commercial Bank Ltd.
The Bank of Tokyo- Mitsubishi Ltd.

LEGAL & TAX ADVISOR

Shaukat Law Associates
217-218, Central Hotel Annexe
Abdullah Haroon Road, Karachi.

AUDITORS

M/s. Taseer Hadi Khalid & Co. Chartered Accountants	M/s. Nasim Akhtar & Co. Chartered Accountants
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1st Floor, Sheikh Sultan
Trust Building No. 2,
Beaumont Road, Karachi.

348 Al-Noor Chamber
Plaza Square, M.A. Jinnah Road
Karachi.

SHARE REGISTRAR

T.H.K. Associates (Pvt) Ltd.
Ground floor, Sheikh Sultan
Trust Building No. 2,
Beaumont Road, Karachi.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that 17th Annual General Meeting of the Company will be held on Friday, 31st December 1999, at 11:30 a.m at Avail Tower Hotel Karachi to transact the following business:-

ORDINARY BUSINESS

To receive, consider and adopt the Audited Accounts together with the Chairman and Directors' Report for the year ended 30th June, 1999.

To appoint Auditors and fix their remunerations. The present Auditors M/s Taseer Hadi Khaild & Co. Chartered accountants and M/s Nasim Akhter & Co. Chartered Accountants have retired. The company has received a request from a shareholder under Section 253(2) of the Companies Ordinance 1984, proposing to appoint M/s Hameed Chaudhary & Co. Chartered Accountants and M/s Muniff Zia-uddin & Co. Chartered Accountants as auditors of the company for the year ending 30th June, 2000 in place of retiring auditors.

SPECIAL BUSINESS

To consider and approve the following Special Resolution for increase in Paid-up Capital without issue of Right Shares of the Company to all the existing shareholders under Section 86(1) of the Companies Ordinance, 1984.

"Resolved that the paid-up capital of the company be and is hereby increased from Rs. 100.00 million to Rs. 150.00 million by issuing 5 million ordinary share of Rs. 10/- each at par without issue of Right Shares to all the Existing Shareholders in proportion to their existing shareholding. Further Resolved that the company be and is hereby authorized to issue 5 million ordinary shares of Rs. 10/- each at par, subject to the approval of Government of Pakistan, to the following Sponsors / Directors / Promoters, who have already deposited the share money with the company:-

<i>Name of Sponsor</i>	<i>No. of Shares</i>	<i>Rupees</i>
1. Bibojee Group	4,444,450	44,444,500
2. Tomen Corporation	555,550	5,555,500
Total	5,000,000	50,000,000

"Further Resolved that the Company Secretary be and is hereby authorized to give effect to the foregoing Resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for increasing the paid-up capital of the company. The Company Secretary is also authorized to sign the documents/Forms>Returns on behalf of the Company."

OTHER BUSINESS

To transact any other business as may be placed before the meeting with the permission of the Chairman.

By order of the Board

Karachi
Dated: 9th Dec., 1999

Mohammad Saleem Baig
Company Secretary

Statement under Section 160 of the Companies Ordinance 1984.

Increase in paid-up capital without issue of Right Shares is made due to current economic and market conditions. The Company may be allowed to issue 5 million shares to the following Sponsors/
Directors/Promoters who have already deposited the share money with the company, subject to the approval of Government of Pakistan:-

<i>Name of Sponsor</i>	<i>No. of Shares</i>	<i>Rupees</i>
1. Bibojee Group	4,444,450	44,444,500
2. Tomen Corporation	555,550	5,555,500
Total	5,000,000	50,000,000

All the directors are nominee and they do not hold shares in their personal capacity, therefore, they do not have any personal interest with the issuance of shares.

NOTES:

1. The share transfer book of tile company will remain closed from 28th December, 1999 to 5th January, 2000 (both days inclusive)
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. No person shall act as a proxy who is not a member of the company. Proxies in order to be effective must be received by the company not less then 48 hours before the meeting.
3. Shareholders are requested to immediately notify the company of any change in their addresses.

Chairman and Directors' Report For the year ended 30th June, 1999

I am pleased to welcome you all on behalf of the Board of Directors to the seventeenth annual general meeting of shareholders of the company to present you the Annual Report for the year ended 30th June, 1999.

Economy

Pakistan's economy is passing through a difficult phase for the last many years. However, the year under review was the most difficult one, as the economic activities decelerated and the real GDP growth decreased to 3.1 percent in 1998-99 as compared with 4.3 percent last year. Now in the running fiscal year, economic activities are expected to improve and GDP is expected to grow by 1 percent.

Change in Management

Unfortunately, in December 1994, when the Car Assembly Project was still at the implementation stage, GNL's Founder Chairman, General Habibullah passed away and the effective management of GNL passed to its other partner, who could not made the venture success despite of great potential in automobile sector and Nissan's Strength.

Now I am pleased to inform you that the operating management of your company has changed and General Habibullah's Group, has acquired shares from other sponsor with the sole objective to revive Ghandhara and exploit the potential of the company. Further, the Board of Directors have also

appointed Lt Gen. Ali Kuli Khan Khattak as Chief Executive of the company with effect from 11th June, 1999.

Financial Restructuring

In order to make the company financially viable and reduce its debt burden the new management is negotiating a Financial Restructuring Package with the following objectives:

To make the company financially efficient by swapping short term expensive lease debts with medium term bank loans at a lower interest rate.

Increase the equity base.

Optimum utilization of the plant capacity by:

- a) producing wider and more attractive range of Nissan products.
- b) Going in for contract assembly.

Immediately after taking over the charge, the new management got engaged in the restructuring of the company. For this purpose, it evolved a workable financial package, which address at the major creditors of the company. However, major emphasis was given for the settlement with the lease creditors, and arranged fresh cash of Rs. 60 million to pay the lease creditors in order to bring the leverage down.

I am delighted to inform you that your new management has successfully negotiated a deal with lease creditors with a waiver of 60% mark-up in the event payment is made by 31st December, 1999 or 50% mark-up if the payment is made by 31st March, 2000. Upon implementation of the plan for the swapping of debts, the company will realize a benefit of Rs. 123 million as waiver of the accrued mark-up.

Business Potential-Contract Assembly

In addition to Nissan car assembly, the management is actively monitoring the implementation program for the assembly of Daewoo vehicles at GNL car plant. Contract assembly will enhance company's profitability and its viability. All efforts are being made and Insha Allah Daewoo Matiz car will roll out in the second quarter of next year.

Review of Operations

During the year 1998-99, the plant capacity remained heavily under utilized and the company was able to sell 461 units only. On account of severe liquidity problem, the planned sales volume could not be realized, consequently company suffered losses.

The company's plan to launch new model was also delayed due to lack of working capital, which restrained the company from importing additional CKD kits and procurement of local material.

The fixed factory overheads remained unabsorbed due to low production volume. Further, high financial charges, exchange loss on foreign currency liability due to rupee devaluation and Yen- Rupee exchange parity at the financial year end, incorporation of GNLs share in associated companies losses, all contributed towards the loss for the year.

A summary of financial results for the year is as under:

(Rs. in '000)

Turnover	290,951
Marginal Profit	23,389
Unabsorbed Factory Overheads	79,565
Gross Profit / (Loss)	(56,176)
Financial Charges	156,055
Profit / (Loss) for the year before taxation	(281,179)
Provision for taxation	4,267

Profit / (Loss) for the year after taxation	(285,446)
Profit/(Loss) brought forward	(237,186)
Profit / (Loss) carried forward	(522,632)

ASSOCIATED COMPANIES

Ghandhara Nissan Diesel Limited

Heavy commercial vehicles market has witnessed a general slump and overall market size has dropped substantially, thereby reducing the sales of the company and consequently it suffered losses.

Ghandhara Leasing Company Limited

The leasing sector is passing through a recessionary phase due to stagnant economic position and non-performing loans. This has affected the profitability of the entire sector. Ghandhara leasing was unable to arrange funds during the year due to weak financials, rather some of its bankers demanded repayment of their credit facilities, consequently the company was unable to write new leases and suffered losses.

Future Outlook

Despite slowdown in economic activities, the automobile sector is performing better. The new management is confident to implement the company's restructuring plans and to regain its lost market share by making Nissan's Presence in 1.6L segment of the market, launching of new model and adopting market oriented policies. The company is also expanding its dealership network to cater for the larger market segment and provide better service to its customer.

Further, assembly of Daewoo small cars at GNL car plant will contribute significant revenue to the company and we believe that the engineering industry will continue to receive government support in their economic policies.

Director's Comments on the Auditors' Report

Your directors have carefully considered the audit report to the shareholders and are pleased to reply item-wise as under.

Item (c) of the Report

The company is facing severe liquidity problems due to financial losses explained above and lease debts being short term becoming due for payment during the year and hence could not service its debts. The directors have been able to negotiate a package deal with the secured creditors, by virtue of which, creditors have agreed to waive penal charges of Rs. 44.05 million alongwith 50% accrued mark-up (Rs. 123.4 million) upon debt swapping by 31st March 2000, for which an agreement dated 12th November, 1999 has been executed with the creditors and down payment of Rs. 60 million has also been made from June 1999 to November, 1999.

Item (d) of the Report

Further, the Company could not pay the engineering and technical fee to Nissan Motor Company, on which they have claimed a mark-up of Rs. 11.32 million. The management is negotiating the terms of repayment and conversion of outstanding amount into long term loan. We are hopeful that on payment of the engineering and technical fee, total mark-up shall be waived by our principals.

Item (g) of the Report

The directors are of the opinion that the company is a going concern for the reasons that it continues to be in operation subsequent to the date of balance sheet. Secondly sponsors have arranged Rs 160 million as subordinated loans from the directors/sponsors till 30th November, 1999 and are also confident to repay the lease creditors by 31st March, 2000 as mentioned in Note 12 and as per agreement referred to above.

Acknowledgment

The Board of Directors would like to bring on record their acknowledgment for the support extended by Nissan Motor Company, Tomen Corporation, dedicated workers, committed staff, supportive vendors and creditors who understood company's problem and continued their support in such difficult times.

Pattern of Shareholding

Pattern of shareholding is annexed

Auditors

The present Auditors M/s Taseer Hadi Khaild & Co. Chartered Accountants and M/s Nasim Akhter & Co. Chartered Accountants have retired. The company has received a request from a shareholder under Section 253(2) of the Companies Ordinance 1984, proposing to appoint M/s Hameed Chaudhary & Co. Chartered Accountants and M/s Muniff Zia-uddin & Co. Chartered Accountants as auditors of the company for the year ending 30th June, 2000 in place of retiring auditors.

Y2K Compliance

The company is fully aware about Y2K issue and has taken all the necessary remedial measures to address the issue.

Karachi.
9th December, 1999

Raza Kuli Khan Khattak
Chairman

Auditors' Report to the Members

We have audited the annexed balance sheet of Ghandhara Nissan Limited as at 30 June 1999 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and except for the matter noted in para (c) and (d) below, 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 tile company as required by the Companies Ordinance, 1984;

(b) in our opinion:

i) the balance sheet and profit and loss account together with tile 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) as more hilly explained in note 10 and 12 to tile financial statements, the major leasing companies and development financial institutions have not confirmed the outstanding balances and no accrual has been made for penal mark-up amounting to Rs. 44.05 million which may be charged to the company. The company expects that such mark-up will not ultimately be payable. The outcome of the above is dependent on successful implementation of understanding referred to in note 12;

(d) as more fully explained in note 11 to the financial statements, in view of the pending negotiations, Tomen Corporation and Nissan Motor Company have not confirmed the outstanding balances including the engineering and technical fees payable. Mark-up amounting to Rs. 11.32 million has been claimed on engineering and technical fees payable which has not been accounted for and the fee has been classified as a long term liability. Tile out come of the mark-up and classification of liability is dependent on ongoing negotiations;

(e) in our opinion and to the best of our information and according to tile explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so

required and except for non accrual of penal mark-up and classification of liabilities referred to in para (c) and (d) above, respectively, give a true and fair view of the state of the company's affairs as at 30 June 1999 and of the loss and tile changes in financial position for the year then ended;

(f) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980;

(g) without qualifying our opinion we draw attention to note 2 to the financial statements. The company has incurred a net loss of Rs. 285.446 million during the year ended 30 June 1999 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 593.779 million and its total liabilities exceeded its total assets by Rs. 181.9 million. However, the financial statements have been prepared under going concern assumption in view of the matters stated in note 2; and

(h) without qualifying our opinion we draw attention to note 17. Certain of the company's fixed assets have been revalued on a going concern basis by Hamid Mukhtar & Co. and the valuation has been examined by Muniff Zia uddin & Co., Chartered Accountants.

Nasim Akhter & Co.
Chartered Accountants

Taseer Hadi Khalid & Co.
Chartered Accountants

Karachi.

Dated: 9th December, 1999

Balance Sheet As at 30 June 1999

SHARE CAPITAL AND RESERVES	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees '000)</i>	
Authorised 80,000,000 (1998: 30,000,000) ordinary shares of Rs. 10 each		800,000	800,000
Issued, subscribed and paid-up	4	100,000	100,000
Share premium reserve		40,000	40,000
Accumulated loss		(522,632)	(237,186)
Surplus on Revaluation of Fixed Assets	5	(387,632)	(97,186)
Advance Against Equity	6	200,731	55,726
Subordinated Loan from a Director/Sponsors	7	47,735	47,735
	8	160,000	--
Long Term Deposits	9	25,834	6,275
Long Term Loans	10	14,111	13,111
Engineering and Technical Fee Payable	11	57,925	68,774
Liability Against Assets Subject to Finance Lease	12	70,738	53,820
Deferred Liability for Staff Gratuity		2,539	202,789
		5,620	5,152
CURRENT LIABILITIES			
Current maturity of term loans and finance lease	10 & 12	12,265	55,398
Finance under mark-up arrangements	13	194,680	114,631
Bills payable against usance LC's		2,105	97,821
Creditors, accrued expenses and other liabilities	14	587,510	370,673
Taxation	15	3,569	3,240
		800,129	641,763

Contingencies and commitments	16	--	--
		-----	-----
		976,896	991,684
		=====	=====
FIXED ASSETS			
Operating assets	17	641,479	579,958
Capital work-in-progress	18	9,000	14,224
		-----	-----
		650,479	594,182
Long Term Deposits and Deferred Costs	19	3,086	5,585
Long Term Investments	20	116,981	125,991
CURRENT ASSETS			
Stores, spares and loose tools	21	39,677	39,680
Stock - in - trade	22	103,081	132,057
Trade debts - unsecured considered good		8,510	27,105
Advances, deposits, pre-payments and other receivables	23	52,003	66,720
Cash and bank balances	24	3,079	364
		-----	-----
		206,350	265,926
		-----	-----
		976,896	991,684
		=====	=====

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

CHIEF EXECUTIVE

DIRECTOR

Profit and Loss Account For the year ended 30 June 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees '000)</i>	
Sales and services	25	290,951	584,378
Cost of sales	26		
Costs including fixed overheads		267,562	566,709
Unabsorbed Fixed factory overheads		79,565	67,952
		-----	-----
		347,127	634,661
		-----	-----
Gross (loss) / profit		(56,176)	(50,283)
Share of loss of associated companies	27	(34,484)	(3,095)
Share of loss of associated company in excess of cost of investment now reversed		--	30,946
Other income	28	939	1,180
		-----	-----
		(89,721)	(21,252)
OPERATING EXPENSES			
Administration and selling expenses	29	35,403	42,955
Financial charges	30	156,055	115,262

Amortisation of share issue expenses		--	878
		-----	-----
		191,458	159,095
		-----	-----
Loss before taxation		(281,179)	(180,347)
Provision for taxation			
Current year	15	(1,455)	(3,240)
Prior year	15	(2,812)	(2,522)
		-----	-----
		(4,267)	(5,762)
		-----	-----
Loss for the year		(285,446)	(186,109)
Accumulated loss brought forward		(237,186)	(51,077)
		-----	-----
Accumulated loss carried forward		(522,632)	(237,186)
		=====	=====
LOSS PER SHARE - BASIC AND DILUTED- RUPEES	36	(28.54)	(18.61)
		=====	=====

These account Should be read in conjunction with the annexed notes.

CHIEF EXECUTIVE

DIRECTOR

Statement of Changes in Financial Position For the year ended 30 June 1999

	1999	1998
	(Rupees '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(281,179)	(180,347)
Adjustments for		
Depreciation	67,986	67,395
Amortisation of deferred costs	2,699	5,429
Interest, mark-up and lease finance charges	107,415	100,156
Share of loss / (profit) of associated companies	34,484	(27,851)
Staff Gratuity	468	5,152
Markup on advance to associated company	--	(485)
Profit on disposal of fixed assets	(180)	(691)
	-----	-----
	(68,307)	(31,242)
(Increase)/Decrease in current assets		
Stock- in - trade	28,976	194,197
Stores and spares	3	(2,447)
Trade debts	18,596	(26,188)
Advances, deposits, pre-payments and other receivables	12,457	34,403
(Decrease)/Increase in current liabilities	(95,716)	(50,737)
Bills payable against usance LC's	(75,857)	(37,556)
Creditors, accrued expenses and other liabilities	-----	-----
	(111,541)	111,672
Interest, mark-up and lease finance charges paid	(66,699)	(33,851)
Income tax paid	(1,678)	(16,331)

Net cash flows from operating activities	(248,225)	30,248
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(5,178)	(47,538)
Lease deposits recovered/(paid)	(200)	25
Proceeds from disposal of fixed assets	606	8,985
Dividend received	--	4,242
Markup on advance to associated company	--	485
Net cash flows from investing activities	(4,772)	(33,801)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan / lease finance	(2,255)	(30,377)
Engineering fee payable	16,918	(4,897)
Subordinated loan from a director/sponsors	160,000	--
Long term deposits	1,000	500
Net increase in lease finance	--	5,823
Net cash flows from financing activities	175,663	(28,951)
(Decrease) in cash and cash equivalents	(77,334)	(32,504)
Cash and cash equivalents at beginning of the year	(114,267)	(81,763)
Cash and cash equivalents at end of the year	32	(191,601)

Notes to the accounts

For the year ended 30 June 1999

1. STATUS AND NATURE OF BUSINESS

Ghandhara Nissan Limited was incorporated on 08 August 1981 in Pakistan as a private limited company and subsequently converted as a public limited company on 24 May 1992. The company's shares are listed on Karachi Stock Exchange. The principal activity of the company is manufacture of Nissan Passenger Cars, import and marketing of Nissan vehicles and marketing of Nissan Diesel Trucks assembled in Pakistan by Ghandhara Nissan Diesel Limited, an associated company.

The company commenced trial production of Nissan passenger cars from 01 January 1997 and full commercial production commenced from 01 May 1997 after resolution of initial teething problems.

2. FUNDAMENTAL ACCOUNTING ASSUMPTION

The company has incurred a loss of Rs. 285.446 million during the period and its current liabilities at that date exceed its current assets by Rs. 593.779 million. The losses are mainly due to under utilisation of plant capacity. The plant has not been fully utilised due to lack of working capital. Non-core investments of the company were highly leveraged and the right issue of the company is still pending owing to bearish stock market.

However, these financial statements have been prepared under going concern assumption because of the following:

- the company has continued to produce the cars although on a smaller scale;
- an agreement has been signed with World Korean Motors (WKM) for the assembly of certain models of Daewoo vehicles at company's plant. In addition, a technical collaboration agreement has been signed between Daewoo Motor Co. Ltd. (DWMC), a corporation

incorporated in Korea and Daewoo World Motors Limited, a joint venture company to be established by DWMC and WK .

c) the company has reached an understanding with principal lenders for waiver of mark-up upto 50% , if the facilities except for loans which are not yet due are settled by 31 March 2000 (for details refer note 12).

d) Rs. 50.0 million have been advanced by a director and an associated company during the month of June 1999.

e) the sponsor shareholders have agreed to arrange further funds in the company in order to enable it to settle the liabilities as they become due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared in accordance with International Accounting Standards as applicable in Pakistan.

3.2 Accounting convention

These accounts have been prepared on the basis of historical cost convention as modified by revaluation of certain fixed assets.

3.3 Fixed Capital expenditure

Owned

(a) Fixed assets are stated at cost less accumulated depreciation except for land, factory building and plant and machinery which are stated at revalued amount less accumulated depreciation. On disposal, the cost of the assets and the depreciation is adjusted from both the accounts and the resultant gain or loss is dealt with through profit and loss account. The portion relating to gain or loss relating to revaluation on assets disposed is transferred to profit and loss account from surplus on revaluation of fixed assets account. The revaluation exercise is carried out every three years.

(b) Freehold land is not depreciated. Depreciation on other assets is charged to income applying the straight line method at the rates indicated in note 17 from the date assets are put in use and upto the date the assets are in use.

(c) Normal repairs and maintenance are charged to expenses as and when incurred.

Leased

The company accounts for fixed assets acquired under finance lease by recording the assets and related liability. The amounts are determined on the basis of discounted value of minimum lease payments and the financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liability. Depreciation is charged to income applying the straight line method at the rates indicated in note 17.

3.4 Capital work-in-progress

Capital work in progress is stated at cost.

3.5 Deferred cost

Deferred cost comprises costs incurred on development of certain parts locally as part of the deletion program and other related expenses.

3.6 Long-term investments

Long-term investments in associated companies are accounted for using the equity method.

3.7 Stores, spares and loose tools

These are valued at cost on weighted average basis.

3.8 Stock in trade

These are valued at lower of cost and net realisable value. The cost for various classes of stock in trade is determined as follows:

CKD Kits	At identifiable import cost and incidentals
Local raw materials	At cost on weighted average basis
Work in process and finished goods	At cost which comprises of raw materials, import incidentals, direct labour and appropriate portion of overheads
Stock in transit	At invoice price plus all charges paid thereon to the balance sheet date

Net realisable value signifies the selling price in the ordinary course of business less costs which are necessary to be incurred in order to make the sale.

3.9 Retirement benefits

The company operates a recognised provident fund scheme for the benefit of its employees and contributions are made as per rules of the fund.

The Company also have an unfunded gratuity scheme covering all its employees who have completed their minimum qualifying period of service with the company. The entitlement is dependent on the number of years service with the company.

3.10 Taxation

Taxation charge in the accounts is based on taxable income. The company accounts for deferred taxation arising on major timing differences using the liability method but does not accounts for net deferred tax debit balance.

3.11 Foreign currencies

Foreign currency transactions are translated into Pak rupees at exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in income currently.

3.12 Revenue recognition

Trading

a) Vehicles are treated as sold when invoiced and ready for delivery. Commission income on home delivery vehicles is recognised on the basis of shipment. Warranty claims are recognised in the accounts as and when accepted.

b) Spare parts sales are recorded on the basis of despatches made to customers.

Manufacturing

Vehicles are treated as sold when despatched to customers.

3.13 Warranty obligation

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

3.14 Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction, or production of related fixed assets are capitalised as part of the cost of the relevant asset.

4. SHARE CAPITAL

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
AUTHORISED CAPITAL		
80,000,000 Ordinary shares of Rs. 10 each (1998:80,000,000 ordinary shares of Rs. 10 each)	800,000	800,000
	=====	=====
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
9,800,000 Ordinary shares of Rs. 10 each fully paid in cash (1998: 9,800,000 ordinary shares of Rs. 10 each)	98,000	98,000
200,000 Ordinary shares of Rs. 10 each issued as fully paid bonus shares (1998:200,000 ordinary shares of Rs. 10 each)	2,000	2,000
	-----	-----
100,000	100,000	100,000
	=====	=====

5. CHANGE IN SHAREHOLDER'S EQUITY

	<i>Share Capital</i>	<i>Share Premium Reserve</i>	<i>Accumulated Loss</i>	<i>Total</i>
Balance as on 30 June 1997	100,000	40,000	(51,077)	88,923
Loss for the year	--	--	(186,109)	(186,109)
	-----	-----	-----	-----
Balance as on 30 June 1998	100,000	40,000	(237,186)	(97,186)
Loss for the year	--	--	(285,446)	(285,446)
	-----	-----	-----	-----
Balance as on June 1999	100,000	40,000	(522,632)	(382,632)
	=====	=====	=====	=====

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
6. SURPLUS ON REVALUATION OF FIXED ASSETS		
Surplus on revaluation of land, factory building		
Plant & machinery	6.1	156,651
Motors Limited fixed assets		37,120
Share of surplus on revaluation of Ghandhara		
Nissan Diesel Limited's fixed assets	6.2	44,080
	-----	-----
	200,731	55,726
	=====	=====

6.1 Surplus on revaluation of fixed assets

Balance at beginning of the year	37,120	43,787
----------------------------------	--------	--------

Surplus arising on revaluation	119,531	--
Adjustment for costs capitalised during the year	--	(6,667)
	-----	-----
Balance at the end of the year	156,651	37,120
	=====	=====

6.2 Share of surplus on revaluation of associate's fixed assets

Balance at beginning of the year	18,606	18,770
Addition during the period	25,672	--
	-----	-----
	44,278	18,770
Released to profit and loss account on assets disposal	(198)	(164)
	-----	-----
Balance at the end of the year	44,080	18,606
	=====	=====

7. ADVANCE AGAINST EQUITY

This represents amount received from directors/sponsor shareholders for future issue of right shares.

8. SUBORDINATED LOAN FROM A DIRECTOR/SPONSORS

This represents Rs. 150 million paid by one of the directors and Rs. 10 million paid by a sponsor company. These loans are interest free and are subordinated to all other creditors of the company.

9. LONG TERM DEPOSITS

Dealers deposits	13,500	12,500
Vendor	111	111
Others	500	500
	-----	-----
	14,111	13,111
	=====	=====

10. LONG TERM LOANS

Secured			
Term Loan	10.1	36,000	36,000
LMM Finance	10.2	71,480	71,480
		-----	-----
		107,480	107,480
Less: Current maturity		11,027	2,187
Overdue loan transferred to Creditors, accrued expenses and other liabilities		38,528	36,519
		-----	-----
		57,925	68,774
		=====	=====

10.1 The term loan facility is from Pak Kuwait Investment Company (Private) Limited (PKICL). The loan carries mark-up @ 20.5% per annum and was repayable in lump sum on 16 March 1998. The loan is secured by pledge of shares of Ghandhara Leasing Company Limited held by the company.

10.2 This facility has been received from Pak Kuwait Investment Co. (Pvt.) Ltd. and Pak Libya Holding Co. (Pvt.) Ltd. which carries mark-up at the rate of 14%. The loan is secured by hypothecation of plant and machinery and is repayable in 28 quarterly installments from April/September 1997.

10.3 The above lenders have claimed penal mark-up amounting to Rs. 4.19 million which has not been accounted for as the management considers that on the basis of on-going negotiations, such mark-up will not ultimately be payable.

11. ENGINEERING AND TECHNICAL FEES PAYABLE

Engineering and technical fees represents the amount payable to Tomen Corporation and Nissan Motor Company. The management is negotiating with the principals for conversion of this liability into loan and is confident that no amounts will become payable before 30 June 2000. Furthermore interest amounting to Rs. 11.32 million has been claimed on a portion of the fee and has not been accounted for pending outcome of negotiations.

**12. LIABILITY AGAINST ASSETS
SUBJECT TO FINANCE LEASE**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Minimum lease rentals at beginning of the year	287,260	281,437
Addition during the year	--	342
Amount of interest capitalised now reversed to accrued-interest to reconcile with lessors	(53,003)	--
Interest accrued but not due for payment	--	7,680
	-----	-----
	234,257	289,459
Payments made during the year	(2,254)	(2,199)
	-----	-----
	232,003	287,260
	-----	-----
Transferred to current maturity	(1,238)	(53,211)
Lease finance payable by 31 March 2000	(228,226)	(31,260)
	-----	-----
	(229,464)	(84,471)
	-----	-----
	2,539	202,789
	=====	=====

This represents plant and machinery, computer equipment and vehicles acquired under different finance lease arrangements from various leasing companies. The arrangements are secured by title to assets leased and pledge of company's investments other than shares of Ghandhara Leasing Company Limited. Rentals are payable in monthly, quarterly and half yearly installments. Repairs and insurance costs are to borne by the lessee. Purchase option can be exercised by the lessee by adjustment of security deposit / payment of residual value at the expiry of lease period.

Approximate discounting factors used ranges from 20.45% to 22% per annum. The future commitments for minimum lease payments under various lease arrangements and understanding referred to above are as follows:

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
1998-1999	--	133,021
1999-2000	289,824	104,048
2000-2001	1,695	108,667
2001-2002	1,302	49,883
2002-2003	--	4,965
	-----	-----
	292,821	400,584
Less: Financial charges allocated to future period	60,818	113,324
	-----	-----
	232,003	287,260

The leasing companies have claimed penal mark-up amounting to Rs. 39.86 million which has not been accounted for as the management considers that on the basis of negotiations such mark-up will not ultimately be payable.

Subsequent to the year end the company has reached an understanding with term loan lenders and most of the leasing companies. The understanding is subject to formal approval of competent authorities of respective creditors. According to terms of the understanding, if the company pays all the lease liabilities, term loan and overdue portion of LMM finance, by 31 December 1999, the company will be entitled to waiver in the mark-up upto 60%. In case all payment are made by 31 March 2000 then the waiver will be reduced to 50% of the mark-up due at that time. Based on this understanding the whole amount due to certain leasing companies has been classified as current.

13. FINANCE UNDER MARKUP ARRANGEMENTS-SECURED

Running finance	13.1	84,063	83,745
Short term trade finance	13.2	110,617	30,886
		-----	-----
		194,680	114,631
		=====	=====

13.1 The company has aggregate running finance facilities of Rs. 85 million from banks (1998: Rs. 85 million). The rates of markup ranges between Rs. 0.47 to Rs. 0.53 per thousand per day (1998: Rs. 0.47 to Rs. 0.59 per thousand per day). These facilities are repayable on various dates by 30 June 2000. The facility of Rs. 15 million with one of the banks had expired in July 1998 and had not been renewed. The arrangements are secured by way of hypothecation of stock of commercial vehicles and book debts of the company.

13.2 This represents overdue import bills payable to banks.

14. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Creditors for goods and services	63,557	69,165
Refundable-CBU Business	2,831	3,158
Advances from customers and dealers	17,092	22,555
	-----	-----
	83,480	94,878
Accrued expenses		
Mark-up on short term bank finances	16,906	2,868
Mark-up on lease finances and long term loan	144,255	66,553
Interest on long term loan	10,855	8,875
Commission	10,025	16,592
Custom duty	18,435	2,914
	-----	-----
	200,476	97,802
Overdue long term loan	38,528	36,519
Lease finance payable by 31 March 2000	228,226	31,261
Due to associated companies	14.1	24,324
Due to distributors	--	64,804

Other liabilities

Trustees' provident fund		1,169	253
Withholding tax		104	489
Retention money		2,594	2,728
Sales tax		465	--
Central excise duty		2,763	2,821
Others	14.2	5,381	6,430
		-----	-----
		12,476	12,721
		-----	-----
		587,510	370,673
		=====	=====

14.1 This represents current balances arising from normal business transactions.

14.2 Current account with one of the creditors carries interest @15% per annum

15. TAXATION

The tax liability of the company for the year has been calculated under the normal provisions of the Income Tax Ordinance, 1979 and represents minimum tax @ 0.5 % of turnover under section 80 (D). The income tax assessments of the company have been finalised upto and including assessment year 1997-98.

16. CONTINGENCIES AND COMMITMENTS

16.1 Bank guarantee given by a financial institution in favour of Government agencies amounting to Rs. 3.790 million (1998: Rs. 3.790 million).

16.2 Post dated cheques amounting to Rs. 254.599 million (1998: Rs. 670.870 million) on account of duty differential in favour of collector of customs have been issued. These cheques will be returned on submission of Consumption Certificates (compliance with deletion programme).

17. FIXED ASSETS

	<i>COST</i>			<i>DEPRECIATION/AMORTISATION</i>			<i>(Rupees '000)</i>			
	<i>As at</i>	<i>Additions/</i>	<i>Surplus on</i>	<i>As at</i>	<i>Rate</i>	<i>As at</i>	<i>For the</i>	<i>Transfer to</i>	<i>As at</i>	<i>Written down</i>
	<i>01 July</i>	<i>(Disposals)</i>	<i>Revaluation</i>	<i>30 June</i>	<i>%</i>	<i>01 July</i>	<i>Period</i>	<i>Surplus</i>	<i>30 June</i>	<i>value as at</i>
<i>1998</i>	<i>Adjustment</i>		<i>1999</i>		<i>1998</i>			<i>1999</i>	<i>1999</i>	
Tangible OWNED										
Land	24,000	--	--	24,000	--	--	--	--	--	24,000
Factory building	118,850	3,794	6,741	129,385	10	11,885	11,956	(23,841)	--	129,385
Plant and machinery	252,295	2,397	28,317	282,577	10	28,420	25,251	(53,606)	--	282,577
		(432)					(65)			
Assembly Jigs	15,865	3,012	--	18,877	20	3,702	3,324	(7,026)	--	18.88
Furniture and fixture	1,955	--	--	1,955	10	520	196	--	716	1,239
Vehicles	7,117	656	--	7,184	20	4,389	1,173	--	5,032	2,152
		(589)					(530)			
Office equipment	2,180	60	--	2,240	15	681	311	--	992	1,248
EDP equipment	2,036	483	--	2,519	15	1,534	366	--	1,900	619
	-----	-----	-----	-----		-----	-----	-----	-----	-----
	424,298	10,402	35,058	468,737		51,131	42,577	(84,473)	8,640	460,097
		(1,021)					(595)			
	-----	-----	-----	-----		-----	-----	-----	-----	-----

LEASED

Plant and machinery	219,470	--	--	219,470	10	25,594	21,947	--	47,541	171,929
Assembly Jigs	14,243	--	--	14,243	20	3,323	2,849	--	6,172	8,071
EDP equipment	848	--	--	848	15	196	127	--	323	525
Vehicles	1,382	--	--	1,382	20	459	276	--	735	647
	-----	-----	-----	-----		-----	-----	-----	-----	-----
	235,943	--	--	235,943		29,572	25,199	--	54,771	181,172
	-----	-----	-----	-----		-----	-----	-----	-----	-----
	660,241	10,402	35,058	704,680		80,703	67,776	(84,473)	63,411	641,269
		(1,021)					(595)			
	-----	-----	-----	-----		-----	-----	-----	-----	-----
Intangible										
Computer Software	630	--	--	630	33.3	210	210	--	420	210
	-----	-----	-----	-----		-----	-----	-----	-----	-----
30 June 1999	660,871	10,402	35,058	705,310		80,913	67,986	(84,473)	63,831	641,479
		(1,021)					(595)			
	=====	=====	=====	=====		=====	=====	=====	=====	=====
30 June 1998	644,677	28,418	--	660,871		17,299	67,544	--	80,913	579,958
		(12,224)					(3,390)			
	=====	=====	=====	=====		=====	=====	=====	=====	=====

17.1 Allocation of depreciation

		1999	1998
		<i>(Rupees '000)</i>	
Production expenses	26.1	65,571	64,754
Administration & selling expenses	29	2,415	2,791
		-----	-----
		67,986	67,545
		=====	=====

17.2 As at 30 June 1999, freehold land, factory building and owned plant and machinery were revalued by Hamid Mukhtar & Co., on a going concern basis and the valuation report was examined by Muniff Zia uddin & Co., Chartered Accountants. The valuation was determined on the assumption that company will remain as going concern, on the following basis.

Freehold land	- Present market value of similar properties in the area.
Factory building	- Present cost of construction discounted for approximate depreciation.
Plant and machinery	- Replacement value of similar machinery at current exchange rates discounted

or depreciation depending on the age, maintenance, usage and change of technology/obsolescence.

The surplus arising on revaluation was credited to surplus on revaluation of fixed assets account.

17.3 Had there been no revaluation, the net book value of respective fixed assets at cost less accumulated depreciation would amount to:

	<i>(Rupees '000)</i>
Freehold land	16,621
Factory building	67,855
Plant & machinery	205,967

17.4 Disposal of fixed assets

	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Net book value</i>	<i>Sale proceeds</i>	<i>Mode of disposal</i>	<i>Particulars of buyers</i>
Nissan Sunny	589	530	59	116	As per employment terms	Mr. Muazzam Pervaiz
Power Cable	432	65	367	490	Negotiation	Ghandhara Nissan Diesel Limited
	----- 1,021 =====	----- 595 =====	----- 426 =====	----- 606 =====		

18. CAPITAL WORK -IN- PROGRESS

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Civil work	--	3,794
Plant and machinery	9,000	10,430
	----- 9,000 =====	----- 14,224 =====

Plant and machinery represents payment made for plastic paint shop, which has not yet been completed.

19. LONG TERM DEPOSITS AND DEFERRED COST**Deposits**

Deposit against lease facility	2,449	2,449
Tenders	352	352
CDC	200	--
Others	85	85
	----- 3,086 -----	----- 2,886 -----
Deferred cost	19.1	--
	----- 3,086 =====	----- 2,699 -----
	----- 3,086 =====	----- 5,585 =====

19.1 Deferred cost

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Local parts development costs and other related expenses	2,699	8,128
Amortised during the year	(2,699)	(5,429)
	----- -- -----	----- 2,699 -----
Balance at end of year	--	2,699
	----- -- =====	----- 2,699 =====

20. LONG TERM INVESTMENTS - In associated companies

	<i>Equity held%</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees '000)</i>	
Ghandhara Nissan Diesel Limited (2,827,730 shares of Rs. 10 each)	36.4		
Cost		15,738	15,738

Share of post acquisition profits		22,661	43,606
Share of surplus on revaluation of fixed assets		44,080	18,606
Dividend received		(8,484)	(8,484)
		-----	-----
		73,995	69,466
Ghandhara Leasing Company Limited			
(2,900,000 shares of Rs. 10 each)	35.11		
Cost		50,750	50,750
Share of post acquisition (Loss) / profits		(7,764)	5,775
		-----	-----
		42,986	56,525
National Motors Limited			
(1,291,271 shares of Rs. 10 each)	19.7		
Cost		53,897	53,897
Share of post acquisition losses		(53,897)	(53,897)
		-----	-----
		--	--
		-----	-----
		116,981	125,991
		=====	=====

The aggregate market value of the above investments at 30 June 1999 amounted to Rs. 49.70 million (1998: Rs.75.9 million).

In case of National Motors Limited the loss has been accounted for to the extent of company's investment. If the company subsequently reports profits, it will be accounted for after the company's share of profits equals the share of net losses recognised.

21. STORES, SPARES AND LOOSE TOOLS

Stores		39,241	39,290
Spares and loose tools		436	390
		-----	-----
		39,677	39,680
		=====	=====

Stores include paints and chemicals in bath amounting to Rs. 10.635 million (1998: Rs. 10.635 million).

22. STOCK-IN-TRADE

	1999	1998
	(Rupees '000)	
CKD kits	16,187	28,734
Local parts	5,806	8,807
Work in process	50,144	41,101
Finished goods	19,293	6,876
Stock in transit	2,201	46,539
Spare parts	9,450	--
	-----	-----
	103,081	132,057
	=====	=====

The cost of work in process and finished goods inventory at 30 June 1999 amounted to Rs. 53.874 million and Rs. 19.601 million respectively. These inventories are carried at net realisable value as at 30 June 1999 (1998: work in process cost Rs. 42.037 million, finished goods cost Rs. 7.224 million).

23. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances			
Executives	23.1	206	327
Staff		118	155
Taxation		34,644	36,904
Sales Tax		--	4,837
Contractors & vendors		8,326	11,777
		-----	-----
		43,294	54,000
Deposit with Tomen Corporation, an associated Co.		1,955	--
Prepayments		3,104	1,982
Other receivables			
Commission receivable	23.2	2,755	8,712
Other		895	2,026
		-----	-----
		3,650	10,738
		-----	-----
		52,003	66,720
		=====	=====

23.1 The maximum amount due from executives at the end of any month during the period amounted to Rs. 0.206 million (1998: Rs 0.453 million).

23.2 Commission receivable includes amounts due from associated companies amounting to Rs. 2.132 million. The maximum amount due from associated companies at the end of any month during the year amounted to Rs. 2.31 million (1998: Rs. 1.09 million).

24. CASH AND BANK BALANCES

Cash in hand		--	25
Cash at bank- in current accounts		3,079	339
		-----	-----
		3,079	364
		=====	=====

25. SALES

	<i>Manufacturing</i>		<i>Trading</i>		<i>(Rupees on)</i> <i>Total</i>	
	<i>1999</i>	<i>1999</i>	<i>1998</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Sales	299,053	--	605,639	8,078	299,053	613,717
Commission and discounts	(12,419)	4,317	(36,693)	7,354	(8,102)	(29,339)
	-----	-----	-----	-----	-----	-----
Net sales	286,634	4,317	568,946	15,432	290,951	584,378
	=====	=====	=====	=====	=====	=====

24. COST OF SALES

	<i>Manufacturing</i>	<i>Trading</i>	<i>Manufacturing</i>	<i>Trading</i>	<i>Total</i>	
	<i>1999</i>	<i>1999</i>	<i>1998</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Opening stock	6,876	--	73,073	--	6,876	73,073

Cost of goods manufactured	361,620	--	563,317	--	361,620	563,317
Sale of scrap	(2,076)	--	(2,575)	--	(2,076)	(2,575)
Purchases	--	--	--	7,722	--	7,722
Closing stock	(19,293)	--	(6,876)	--	(19,293)	(6,876)
	-----	-----	-----	-----	-----	-----
	347,127	--	626,939	7,722	347,127	634,661
	=====	=====	=====	=====	=====	=====

26.1 Cost of goods manufactured, raw materials and vendor parts consumed

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Opening stock	37,541	137,331
Purchases	234,462	317,862
Closing Stock	(21,993)	(37,541)
	-----	-----
	250,010	417,652
Store and spares consumed	15,993	22,624
Salaries, wages and allowances	9,205	11,507
Transportation	1,259	1,222
Repairs and maintenance	1,723	1,775
Depreciation	17.1	64,754
Insurance	1,916	1,225
Communication	421	428
Rent, rates and taxes	743	896
Legal and professional	231	3
Travelling and entertainment	545	934
Power generation costs	15,745	17,041
Vehicles running	237	194
Printing, stationery and office supplies	220	227
Modification parts	11	106
Amortisation of deferred costs	2,748	2,569
Royalty expenses	1,553	2,469
Plant security	1,059	925
Miscellaneous expenses	1,473	535
Opening stock of work in process	41,101	57,332
Closing stock of work in process	(50,144)	(41,101)
	-----	-----
	111,610	145,665
	-----	-----
	361,620	563,317
	=====	=====

27. SHARE OF (LOSS) / PROFIT OF ASSOCIATED COMPANIES

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Share of (loss) / profit of Ghandhara Nissan Diesel Limited	(20,945)	5,538
Share of (loss) / profit of Ghandhara Leasing Company Limited	(13,539)	(8,633)
	-----	-----
	(34,484)	(3,095)
	=====	=====

28. OTHER INCOME

Gain on sale of fixed assets		180	691
Markup on advance to associated company		--	485
Nissan Truck Cab Painting		759	--
Miscellaneous receipts		--	4
		-----	-----
		939	1,180
		=====	=====

29. ADMINISTRATIVE AND SELLING EXPENSES

Salaries, wages and other benefits		7,594	7,667
Staff gratuity		701	5,152
Medical expenses		379	364
Directors' fee	29.3	15	29
Rent, rates and taxes		1,230	649
Insurance		990	898
Repairs and maintenance		1,008	1,321
Auditors' remuneration	29.1	141	141
Depreciation	17.1	2,415	2,791
Travelling and conveyance		1,554	1,822
Legal and professional		1,232	1,318
Vehicle running expenses		432	468
Telephone and postage		1,868	1,569
Utilities		1,202	1,268
Printing and stationery		1,237	1,181
Subscription		133	79
Donation	29.2	--	58
Security expenses		399	431
Office canteen and staff expenses		630	652
Sales promotion and service expenses		2,423	6,365
Godown and forwarding		179	465
Capital registration fee		--	750
Provision for advertising costs		3,302	--
Share registrar services		316	261
Amortisation of deferred costs		1,415	1,982
Penalty on consignment		3,808	4,378
Brokerage and commission		115	--
Miscellaneous		685	896
		-----	-----
		35,403	42,955
		=====	=====

29.1 AUDITORS REMUNERATION

	<i>Nasim Akhtar & Co.</i>	<i>Taseer Hadi Khalid & Co.</i>	<i>1999</i>	<i>1998</i> <i>(Rupees '000)</i>
Audit fee	5	90	95	95
Sundry advisory services	--	30	30	30
Out of pocket expenses	5	11	16	16
	-----	-----	-----	-----
	10	131	141	141
	=====	=====	=====	=====

29.2 None of the directors or their spouse had any interest in amounts paid as donations.

29.3 Remuneration of directors, chief executive and executives

	1999			Total	1998			Total
	Directors	Chief Executive	Executives		Directors	Chief Executive	Executives	
Meeting Fee	15	--	--	15	29	--	--	29
Remuneration	--	1,320	2,920	4,240	--	1,440	2,920	4,360
Provident fund	--	69	151	220	--	75	151	226
Utilities	--	136	177	313	--	148	177	325
Medical	--	48	49	97	--	52	49	101
	-----	-----	-----	-----	-----	-----	-----	-----
	15	1,573	3,297	4,885	29	1,715	3,297	5,041
	=====	=====	=====	=====	=====	=====	=====	=====
Number Of persons	9	1	12	22	9	1	12	22
	=====	=====	=====	=====	=====	=====	=====	=====

The Chief Executive and certain executives of the company are provided with free use of company owned and maintained car, leave passage / assistance and club membership.

30. FINANCIAL CHARGES

	1999	1998
	(Rupees '000)	
Mark-up on import bills	15,253	--
Mark-up on short term finance	14,783	18,827
Finance charge on liability under finance lease	56,743	60,636
Mark-up on long term loan	20,636	20,693
Exchange (gain) / loss	26,712	(9,218)
Interest, bank charges and central excise duty	2,390	13,198
Discounting charges on inland L/Cs	19,538	11,126
	-----	-----
	156,055	115,262
	=====	=====

31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1999	1998
	(Rupees '000)	
Aggregate amounts in respects of:		
Purchases	4,910	7,024
Commission received	3,314	6,430
Sales	490	1,401
Insurance paid	1,342	1,747
Cost allocated	9,600	9,600
Cost of Paints charged	2,406	--
Markup income.	--	485
Dividend received	--	4,242

32. CASH AND CASH EQUIVALENTS

Cash and bank balances	3,079	364
Financing under mark-up arrangements	(194,680)	(114,631)
	-----	-----
	(191,601)	(114,267)

33. PLANT CAPACITY AND PRODUCTION

Against the designed annual production capacity of 6,000 vehicles, the company has produced 481 vehicles during the year. The low market demand caused by economic slow down and lack of Sufficient working capital are the reasons for this low production.

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Interest rate risk exposure

The company's exposure to interest rate risk and the effective rates on its financial assets and liabilities are summarized as follows:

(Rupees in '000)

1999	Interest bearing		Non Interest bearing	Total
	Less than One year	One year to five years		
Financial assets				
Trade debts	--	--	8,510	8,510
Advances, deposits, and other receivables	--	--	52,003	52,003
Cash and bank balances	--	--	3,079	3,079
	-----	-----	-----	-----
	--	--	63,592	63,592
	=====	=====	=====	=====
Average interest rates	--	--		

1999	Interest bearing		Non Interest bearing	Total
	Less than One year	One year to five years		
Financial liabilities				
Subordinated loan	--	--	160,000	160,000
Long term loans	--	57,925	--	57,925
Liabilities against assets subject to finance lease	--	2,539	--	2,539
Finance under mark up arrangement	194,680	--	--	194,680
Current maturity of term loans and finance lease	12,265	--	--	12,265
Bills Payable	2,105	--	--	2,105
Creditors, accrued expenses and other liabilities	266,754	--	320,756	587,510
Engineering and Technical Fee payable	--	--	70,738	70,738
	-----	-----	-----	-----
	475,804	60,464	551,494	1,087,762
	=====	=====	=====	=====
Average interest rates	18.25%	21.23%		

34.2 Concentration of credit risk and credit exposures of the financial instruments.

The company does not believe it is exposed to major concentration of credit risk. The company applies approved limits to the amount of credit exposure to any one counterparty.

34.3 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates their fair values.

35. Number of Employees

Total number of employees as on 30 June 1999 were 178 (1998: 228).

36. Loss Per Share-Basic and Diluted

		<i>1999</i>	<i>1998</i>
Net Loss for the year	Rs in '000'	(285,446)	(186,109)
		=====	=====
weighted average number of outstanding ordinary shares in thousands		100,000	100,000
		=====	=====
Loss per share	Rupees	(28.54)	(18.61)
		=====	=====

37. GENERAL

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

37.2 Figures have been rounded off to the nearest thousand of rupees.

Pattern of Shareholding**AS OF 30 JUNE 1999**

<i>No. of Shareholders</i>	<i>Having Shares</i>		<i>Shares Held</i>	<i>Percentage</i>
	<i>From</i>	<i>To</i>		
535	1	100	53500	0.5350
3560	101	500	1611300	16.1130
110	510	1000	108200	1.0820
101	1001	5000	263600	2.6360
19	5001	10000	134000	1.3400
7	10001	15000	88100	0.8810
4	15001	20000	68100	0.6810
2	20001	25000	45900	0.4590
1	25001	30000	27000	0.2700
2	35001	40000	72800	0.7280
2	45001	50000	95100	0.9510
1	50001	55000	53500	0.5350
1	55001	60000	59500	0.5950
2	65001	70000	137100	1.3710
1	80001	85000	81400	0.8140
1	90001	95000	91900	0.9190
2	95001	100000	200000	2.0000
3	105001	110000	330000	3.3000
1	125001	130000	129700	1.2970
1	155001	160000	155330	1.5533
1	165001	170000	166000	1.6600
1	175001	180000	180000	1.8000

1	180001	185000	185000	1.8500
1	220001	225000	222220	2.2222
1	240001	245000	241135	2.4113
1	275001	280000	278000	2.7800
2	295001	300000	596500	5.9650
1	500001	505000	502400	5.0240
1	555001	560000	555555	5.5555
1	910001	915000	915000	9.1500
1	2350001	2355000	2352160	23.5216

4368			10,000,000	100.0000
=====				

Categories of Shareholders AS OF 30 JUNE 1999

<i>Particulars</i>	<i>Shareholders</i>	<i>Shareholding</i>	<i>Percentage</i>
Individuals	3508	4,727,785	47.2778
Insurance Companies	3	120,300	1.2030
Joint Stock Companies	11	2,436,660	24.3666
Financial Institutions	9	1,761,000	17.6100
Modaraba Companies	2	4,000	0.0400
Foreign Companies	1	555,555	5.5555
Non-Resident (US \$)	824	389,700	3.8970
Non-Resident (Pak Rs.)	10	5,000	0.0500

Company Total	4368	10,000,000	100.0000
=====			

Categories of Shareholders AS OF 30 JUNE 1999

<i>Folio Numbers</i>	<i>Name</i>	<i>Code</i>	<i>Balance Held</i>	<i>Percentage</i>
9Bibojee Services (Pvt) Ltd.		43	2352160	23.5216
10National Bank of Pakistan		44	502400	5.0240
8780Gulf Insurance Company Limited		42	23400	0.2340
8807Bafz (Pvt) Limited		43	300	0.0030
8838H.M. Investments (Pvt) Ltd.		43	2000	0.0200
9000Tomen Corporation		46	555555	5.5555
9037Efu General Insurance Ltd.		42	5000	0.0500
9261The Universal Insurance Co. Ltd.		42	91900	0.9190
9443National Development Finance Corp.		44	2000	0.0200
80010Investment Corporation of Pakistan		44	81400	0.8140
80036Investment Corporation of Pakistan		44	53500	0.5350
200022Alfa Adhi Capital Management (Pvt.) Ltd		43	1800	0.0180
630046Salman Services (Pvt) Limited		43	500	0.0050
1050020Al-Mal Securities & Services Limited		43	1300	0.0130
1550011First Capital ABN Amro Equities (Pak) Ltd		43	27000	0.2700
1553742Stock Link (Khr)		43	500	0.0050
1760032Al Faysal Investment Bank Limited		44	915000	9.1500
1870013Crescent Investment Bank Limited		44	59500	0.5950
1910017Prudential Securities Limited		43	45100	0.4510

1910504	First Prudential Modaraba	45	1500	0.0150
1911031	Prudential Sec. Ltd. (Ryk)	43	1000	0.0100
2040038	Allied Bank of Pakistan Limited	44	129700	1.2970
2170017	Prime Commercial Bank Limited	44	500	0.0050
2200517	Modaraba Al Mali	45	2500	0.0250
2420016	Saudi Pak Ind. & Agri. Inv. Co. (Pvt) Ltd	44	17000	0.1700
2850022	Arif Habib Securities Limited	43	5000	0.0500