

AGRIAUTO INDUSTRIES LIMITED

ANNUAL REPORT 1997

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COMPANY INFORMATION

BOARD OF DIRECTORS

R.D. Minwalla	Chairman
S. Ikram Haider	Chief Executive
Abdul Majeed Quraishi	
K. S. Stack	
Hasan Irshad	
Sohail P. Ahmed	
Asfandiyar R. Minwalla	
Owaisul Mustafa	

COMPANY SECRETARY

S. Ikram Haider

AUDITORS

Feroze Sharif Tariq & Company
Chartered Accountants

SHARE REGISTRAR

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

REGISTERED OFFICE

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

FACTORY

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixteenth Annual General Meeting of Agriauto Industries Limited will be held at the Institute of Chartered Accountants of Pakistan, situated at G-13, Block-8, Kehkashan,

Clifton, Karachi-75350 on Tuesday, December 23, 1997 at 5.00 p.m. to transact the following business:-

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 1997 together with Director and Auditors Report thereon.

2. To appoint auditors and fix their remuneration for the year ending June 30, 1998. The present auditors Messrs. Feroze Sharif Tariq & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment.

NOTES:

(a) The share transfer books of the Company will remain closed from December 18, 1997 to December 24, 1997 (both days inclusive).

(b) 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. Proxies in order to be effective must be received at the registered office of the company duly stamped and signed not less than 48 hours before the time for holding the meeting.

(c) Members are requested to promptly communicate change in their addresses, if any, to our Share Registrar, Noble Computer Services (Pvt.) Ltd.

DIRECTORS' REPORT

1. The Directors of the Company take pleasure in submitting their report alongwith the audited accounts of the Company, and Auditors' Report thereon, for the year ended June 30, 1997 as follows:-

(Rupees in Thousand)

Loss before Taxation	(13,946)
Provision for Taxation	996

Loss after Taxation	(14,942)
Add: Unappropriated Loss brought forward	(17,426)

Unappropriated loss carried forward	(32,368)
	=====

2. CHAIRMAN'S REVIEW

The Chairman's Review on Page 5 and 6 deals with the year's activities and Directors of the Company endorse contents of the same.

3. PATTERN OF SHAREHOLDINGS

The pattern of shareholdings is provided on Page 26.

4. BOARD CHANGE

Mr. Owaisul Mustafa was nominated by House of Habib as Director in place of Mr. Farhad Zulficar.

5. AUDITORS

Messrs Feroze Sharif Tariq & Co., Chartered Accountants retire and being eligible, offer

themselves for reappointment as the auditors of the Company for the year ending June 30, 1998.

CHAIRMAN'S REVIEW

It is my privilege to welcome you to the 16th Annual General Meeting of Agriauto Industries Limited and to present the Annual Report for the year ended 30th June, 1997

1. THE ECONOMY & AUTO ENGINEERING SECTOR

in order to review the company's performance, I consider it appropriate to paint a brief picture of the country's economy. The year 1996-97 rightly be termed as the year of deep economic crisis in the history of Pakistan. Due to continued political and economic uncertainty and change of three Governments during the year, each having its own style and concept of economic management, none of the targets fixed in budget were achieved, The GDP grew at a rate of 3.1% as against the target of 6% reflecting low productivity in almost all the sectors of the economy. Total debt increased to approximately Rs. 2.2 trillion which is almost 90% of GDP. The Agricultural sector grew at a rate of 1.78% and large scale manufacturing suffered negative growth of 1.4% and, overall the Manufacturing sector registered a growth of 1.78% down from 4.4% in 1995-96. All these had a serious adverse impact on the Engineering industry.

The Government resorted to further borrowing which resulted in inflationary pressure on domestic prices as well as depressing on the exchange rate and the balance of payments. Continuous devaluation and low productivity raised the inflation to around 12% against a set target of 8.5%. Overseas workers' remittances also declined and the Current Account deficit widened to 7.5% of GDP, compared with 6.6% in 1995-96. The foreign exchange reserves fell to a critical level of US\$ 1.1 billion and the country was at the verge of getting default. Resultantly, hasty borrowing of foreign debt was incurred at very high rates of interest which further worsened the position. Thus the economy of our country remained throughout under severe recession and in the grip of stagnation.

It is a universally accepted fact that the economic development of a country is directly linked with the technological level of the Engineering Industry. in fact. the Engineering Industry is the prime mover for country's economic growth. Unfortunately no sincere efforts have ever been made to uplift this sector in our country. No long-term policies have been formulated. No vision has been developed. As a result, this sector possibly more than others has continued to suffer. Formulation of the Engineering Development Board (EDB) was a very positive step to develop a long-term vision for the Engineering sector and to formulate/co-ordinate Government policies, but still there are many anomalies to be solved, It is now ,imperative that Government take immediate measures and draws some long-term policies with clear vision and outright support. otherwise, the Engineering industry will collapse soon. There is a need that PAAPRAM, EDB AND EPB work together in formulating and implementing a growth strategy for the autoparts industry.

in this overall scenario and under the worst possible economic conditions. one such industry, which stood against these odds, is that of the automobile sector because the demand for locally assembled cars remained almost constant. Moreover, with modern. new production facilities, high productivity levels are possible, compared with other sectors of industry with out-dated machines. This chain reaction has a positive, reassuring effect on the future outlook of its vendor industries and Agriauto industries Limited is fully committed to the automobile industry.

Your company which is one of the largest precision auto and tractor parts manufacturing unit has passed through another difficult year. Our products are sold both to OEM and in the replacement parts market. in OEM, no doubt the Car segment achieved some growth but on the other hand Tractor industries suffered heavily due to stoppage of financing by government through ADBP and the institution of a vigorous campaign for the recoveries. This had a severely adverse effect on the Tractor industry as a whole and consequently affected the company's business.

The replacement market conditions were also very uncertain and the market was badly affected by multiple factors. Smuggling continued unabated and under-invoicing at 50-75% below actual prices, due to faulty import

regulations, put the prices of the company's products under pressure. This resulted in heavy loss of sale. The annual demand of autoparts in the after sale market is estimated at around Rs. 30 billion, out of which only 15% is met by domestic manufacturers, 30% from misdeclared and underinvoiced imports, whereas no less than 55% is met through smuggling and unauthorised channels. In order to curb the menace of smuggling it is again suggested that Government should introduce some checks.

2. OPERATING RESULTS

The sales during the year 1996-97 amounted to Rs. 199 million compared to 230 million, a decline of 13% of the preceding year. However inspire of this company registered a pre-tax loss of Rs. 15 million as against the loss of Rs. 48 million in the last year. The prudent employment of financial resources and efficiently managing material and other inputs resulted in improvement of gross profit during the year to 18% form 1.9% of the preceding year. The administration, selling and distribution expenses remained almost same at Rs. 25 million. The financial charges were up by Rs. 2 million i.e. 29 million from Rs. 27 million of the last year. After making a provision for taxation of Rs. 1 million cumulative net loss carried forward was up Rs. 33 million.

The technical collaboration the company has with M/s. Kayaba of Japan started bearing fruit and as a result the sale of Shocks Absorbes and Struts to local Car assemblers increased from Rs, 72 million to Rs. 120 million.

3. MOBIKE (AUTOMAC)

The redesigned Mobike introduced and launched in September 1996 has not received a positive response from local users and buyers as these inherited some technical faults. Furthermore the CKD Kits lying at the port could not be cleared as the permission to import under the deletion plant had expired in June 1996 and Government refused to extend this permission. The company took up the matter at the highest level and the company has finally got the permission to clear the stuck up CKD Kits of 1000 units on payment of penalty of 15% as an additional levy.

The company intends to convert these CKDs into complete Mobikes and is planning to relaunch the product early next year after incorporating necessary rectifications demanded by the market forces. It is hoped that the public would like and accept the newly designed Mobikes and soon would gain popularity.

4. FUTURE OUTLOOK

Unless the Government brings about a marked improvement in economic and fiscal performance, there seems little prospect of relief from the current critical recession.

Nearly half the year of 1997-98 has passed and immediate future poses many challenges which we can gel through only by hard work and a disciplined focus on all management activities to enable the company to have good earnings, maintain its quality and service and invest intelligently in improving value to our customers employees and shareholders. The company is updating its facilities with the acquisition of IBM system AS-400 Computer to achieve better analysis to improve our efficiency. Mobile service workshops for Mobikes, Shocks and Struts arebeing planned to provide service throughout the country.

Since September 1996, the Rupee has devalued by 24% whereas Exports have not really increased. The Government should stop to ponder now whether continued devaluation contributes to escalate imports, especially of oil and food items, which in turn bring in inflation, hurting the interests of the very large majority of Pakistanis.

The sales to automotive sector registered a growth of 31% whereas sales to Tractor manufacturing sector decreased by 24.7%. The ratio between OEM and replacement market sale was 85:15 comparing to 85:35 in the last year. The new Government however recognizes that the tractor is the essential prime mover, the bulwark of agriculture. The resolve of the Government to patronize the local tractor industry by purchasing 30,000 tractors from domestic production would give a long overdue rebound to industry. There is thus renewed hope for the current year.

5. CHANGE IN THE BOARD OF DIRECTORS

Mr. Owaisul Mustafa was nominated by House of Habib as Director in place of Mr. Farhad Zulfiqar. We all thank Mr. Farhad Zulfiqar for his very valuable contribution while being on our board of our Company and welcome Mr. Owaisul Mustafa.

6. INDUSTRIAL RELATION

The overall industrial relations climate remained cordial and satisfactory and I believe that the existing mutual trust and understanding between the management and workers shall go on improving.

10. ACKNOWLEDGMENT

I would like to close with thanks to our energetic and committed team of Management, Executives and Workers under the leadership of our new Chief Executive Mr. S. Ikram Haider, Customers, Dealers and Vendors for their valuable contribution to the affairs of the company. I am also grateful to all our Bankers for their continued help, advice and support.

Thanks are also due to our overseas Technical Collaborators M/s. Arvin Engineering industries of USA (for Shock Absorbers) and Kayaba Industry Company Ltd., Japan (for gas charged Shock Absorbers and Strut) for their continued technical support and help. May Allah continue to bless our efforts.

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the annexed Balance Sheet of M/S AGRIAUTO INDUSTRIES LTD., as at 30th June, 1997 and the related Profit and Loss Account and Statement of the Changes in Financial Position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit and, after due verification thereof, we report that:

a) in our opinion, proper books of accounts 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 accounts 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 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 explanation 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 respectively give a true and fair view of the State of the Company's affairs as at 30th June 1997 and of the Loss and the changes in the Financial Position for the year then ended; and

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

BALANCE SHEET AS AT JUNE 30, 1997

	Note	1997 (Rupees in Thousand)	1996
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORISED CAPITAL			
40 Million Ordinary Shares of Rs. 5/- each		200,000	200,000
		=====	=====
ISSUED, SUBSCRIBED & PAID UP CAPITAL	2	120,000	120,000
CAPITAL RESERVE	3	12,598	12,598
UNAPPROPRIATED PROFIT/(LOSS)		(32,368)	(17,426)
		-----	-----
		100,230	115,172
LONG TERM LOAN	6	4,937	8,076
LIABILITY AGAINST ASSETS			
SUBJECT TO FINANCE LEASE	7	-	2,301
CURRENT LIABILITIES			
Current Maturity/Overdue Installments of Long Term Liabilities and Financial lease	8	38,270	39,911
Short Term Finances And Borrowings	9	58,437	59,962
Creditors, Accrued And Other Liabilities	10	88,065	69,018
Loan From Others	11	24,413	14,457
Workers' Profit Participation Fund	12	71	73
Workers' Welfare Fund		73	73
Provision For Taxation		2,150	1,154
		-----	-----
		211,479	184,648
CONTINGENCIES & COMMITMENTS	13	-	-
		-----	-----
		316,646	310,197
		=====	=====
PROPERTY AND ASSETS			
TANGIBLE FIXED ASSETS			
OPERATING FIXED ASSETS			
(at cost less accumulated depreciation)	14	112,246	121,405
CAPITAL WORK IN PROGRESS	15	29,643	29,643
		-----	-----
		141,889	151,048
LONG TERM DEPOSITS AND DEFERRED COST	16	7,604	3,256
CURRENT ASSETS			
Stock And Stores	17	102,897	93,149
Trade Debts	18	40,513	42,343
Advances, Deposits, Prepayments And Other Receivables	19	7,273	8,650
Advance Income Tax	20	14,172	8,581

Cash And Bank Balances	21	2,298	3.17
		-----	-----
		167,153	155,893
		-----	-----
		316,646	310,197
		=====	=====

The annexed notes form an integral pad of these accounts.

Profit and Loss Account
for the year ended June 30, 1997

	Note	1997	1996
		(Rupees in Thousand)	
NET SALES	22	198,938	230,766
COST OF SALES	23	159,493	226,381
		-----	-----
GROSS PROFIT		39,445	4,385
		-----	-----
Administrative Expenses	24	11,511	10,931
Selling and Distribution Expenses	25	13,119	14,100
		-----	-----
		24,630	25,031
		-----	-----
OPERATING PROFIT/(LOSS)		14,815	(20,646)
Financial Charges	26	29,237	27,485
		-----	-----
		(14,422)	(48,131)
Other Income	27	476	362
		-----	-----
PROFIT/(LOSS) BEFORE TAXATION		(13,946)	(47,769)
Provision for Taxation	28	996	1,192
		-----	-----
PROFIT/(LOSS) AFTER TAXATION		(14,942)	(48,961)
Unappropriated Profit/(Loss) Brought Forward		(17,426)	535
		-----	-----
Profit/(Loss) available for appropriation		(32,368)	(48,426)
		-----	-----
APPROPRIATION			
Transferred (to)/From General Reserve		-	31,000
		-----	-----
Unappropriated Profit/(Loss) Carried Forward		(32,368)	(17,426)
		=====	=====

The annexed notes form an integral part of these accounts.

Statement of Changes in Financial Position
(Cash Flow Statement)
for the year ended June 30, 1997

Note	1997	1996
	(Rupees in Thousand)	

CASH FLOW FROM OPERATING ACTIVITIES

- Cash generated from operations	31	37,697	25,393
- Financial charges paid		(17,326)	(29,873)
- income tax paid		(5,591)	(5,589)
- Long term deposit and deferred cost		(4,348)	(249)

NET CASH FLOW FROM OPERATING ACTIVITIES

		10,432	(10,318)
--	--	--------	----------

CASH FLOW FROM INVESTING ACTIVITIES

- Fixed capital expenditures		(3,339)	(22,077)
- Right Share Issuance (Less issuance Expenses)		-	42,598
- Scrap Sales		17	-
- Sales proceeds of fixed assets		624	623

NET CASH FLOW FROM INVESTING ACTIVITIES

		(2,698)	21,145
--	--	---------	--------

CASH FLOW FROM FINANCING ACTIVITIES

- Redeemable capital, long term loan & lease financing		(7,081)	(2,675)
--	--	---------	---------

INCREASE(DECREASE) IN CASH & CASH EQUIVALENTS

		653	8,151
Cash and cash equivalents at beginning of the year		56,792	64,943
Cash and cash equivalents at end of the year	32	56,139	(56,792)
		=====	=====

**Notes to the Accounts
for the year ended June 30, 1997**

INTRODUCTION:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**1.1 -Accounting Convention**

These accounts have been prepared under the historical cost convention.

1.2 Foreign Currency Loans/Other Liabilities:

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

1.3 Staff Retirement Benefits

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

1.4 Fixed Assets:

These are stated at cost less accumulated depreciation except Freehold Land and Capital Work-in-Progress which are stated at cost. Depreciation is provided on the reducing balance method including the exchange difference capitalised and the rates applied are in no case less than the rates prescribed by the Central Board of Revenue.

Maintenance and normal repairs are charged to income as and when incurred. Profit or Loss on disposal of fixed assets is charged/credited in the current year's income.

1.5 Stock & Stores

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

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

1997 1996
(Rupees in Thousand)

1.6 Revenue Recognition

Sales are recorded on despatch of products to the customers.

2. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

22,800,000 Ordinary Shares of Rs. 5/- each Issued as fully paid in cash (1995-96:22,800,000 Ordinary shares of Rs 5/- each)	114,000	114,000
1,200,000 Ordinary Shares of Rs. 5/- each issued as fully paid Bonus Shares	6,000	6,000
	-----	-----
	120,000	120,000
	=====	=====

3. CAPITAL RESERVE

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

4. GENERAL RESERVE

At beginning of the year	-	31,000
Transferred (to)/from Profit & Loss Account	-	(31,000)
	-----	-----
	-	-
	=====	=====

REDEEMABLE CAPITAL: (TFC's)

5.1 Investment Corporation of Pakistan

Balance Sale Price as on 1st July 1990	19,312	19,312
Add: Finance Cost	18,078	18,078
	-----	-----
Balance Repurchase price as on 1st July 1990	37,390	37,390

Add: Timely payment rebate not availed	3,960	3,960
	-----	-----
	41,350	41,350
Less: Finance cost - Charged to P&L A/c.	22,038	22,038
	-----	-----
	19,312	19,312
	-----	-----
Less: Payment of Installments	8,669	8,669
Transferred to Current Maturity	10,643	10,643
	-----	-----
	19,312	19,312
	-----	-----
	-	-
	-----	-----
	=====	=====

The second series of PTCs originally issued by the company to the syndicate led by Bankers Equity Limited has been converted into Term Finance Certificates (TFC's) during the year 1989-90 by selling its property for Rs. 7.000 million and repurchasing it back for Rs. 11.588 million calculated at a markup of 15% per annum. In the event the company fails to pay the repurchase price on time a further, markup of Rs. 0.805 million has to be paid. The difference of Rs. 4.588 million between the sale price and the repurchase price is considered as deferred financial cost and is to be spread over the tenure of TFC's. However, the formal agreement for the above mentioned conversion is yet to be signed.

The TFC's are redeemable in ten equal bi-annual installments commencing from January 1, 1990. The repayment thereof under the previous PTC agreement commenced two years after the commencement of commercial production.

The above second series of TFC's are secured by first mortgage of all present & future movable and immovable properties of the Company through deposit of title deeds and floating charge on the Current Assets and hypothecation of plant, machinery and equipment of the Company.

5.3 The Company has issued TFC's for sale-cum-investment agreement with Investment Corporation of Pakistan (I.C.P.) by selling its property for Rs. 20.000 million and repurchasing it back for Rs. 39.715 million calculated at a markup of 15% per annum. In the event the company fails to pay the repurchase price on time a further markup at the rate of 7% per annum has to be paid by the company.

The difference of Rs. 19.715 million between the repurchase price and sale price is considered as deferred financial cost and it is to be spread over the tenure of TFC's.

The TFC's are redeemable in sixteen bi-annual equal installments commencing from September 30, 1988.

The TFC's are secured against mortgage of all present and future movable and immovable properties of the Company and a floating charge on the current assets and hypothecation of plant, machinery and equipment of the Company ranking pari passu with other creditors.

1996
(Rupees in Thousand)

6. LONG TERM LOANS

Habib Bank Limited - I.B.R.D. (Note 6.1)	4,937	8,076
	=====	=====

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

Habib Bank Limited I.B.R.D.	8,076	10,169
Less: Transfer To Current Maturity	3,139	2,093
	-----	-----
	4,937	8,076
	=====	=====

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

The loan was initially repayable in fourteen bi-annual equal installments commencing from March 01, 1988. However, subsequently the loan became repayable in ten hi-annual equal installments commencing from June 01, 1996.

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

The loan is secured against 1st equitable mortgage on all present and future movable and immovable properties of the Company and a floating and hypothecation charge on all assets of the company, ranking pari passu with other creditors.

6.2 National Bank of Pakistan- Demand Finance

National Bank of Pakistan (Demand Finance)	15,000	15,000
Less: Transfer to current Monthly	15,000	15,000
	-----	-----
	-	-
	=====	=====

The Demand Finance of Rs. 15.000 million has been obtained from National Bank of Pakistan against first equitable mortgage on all present and future movable and immovable properties of the company, ranking pari passu with other creditors.

Under the above arrangement the Company has sold its property for Rs. 15.000 million and repurchased it back for Rs. 22.818 million, calculated at a mark-up of Rs. 0.45 per thousand rupees per day. In the event the Company fails to pay the repurchase price installment on time, a further mark-up of Rs. 1.849 million will have to be paid.

The difference of Rs. 9.667 million between the sale price and re-purchase Price is considered as deferred financial cost and is to be spread over the tenure of the Demand Finance.

1997 1996 (Rupees in Thousand)

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Lease Payable During:		
1996-97	-	5,143
1997-98	2,427	2,426
	-----	-----
	2,427	7,569
Less: Finance Charges Not Due	126	871
	-----	-----
	2,301	6,698
Less: Transfer to Current Maturity	2,301	4,397
	-----	-----

- 2,301
 =====

These represent finance lease arrangement for acquisition of Plant and Machinery. The above amounts include finance charge ranging from 15% to 16% per annum approximately.

1997 1996
(Rupees in Thousand)

**CURRENT MATURITY/OVERDUE INSTALLMENTS
 OF LONG TERM LIABILITIES**

CURRENT MATURITY

Habib Bank Limited - IBRD Loan	(Note 6.1)	3,139	2,093
Liabilities Against Assets Subject to Finance Lease		2,301	4,397
		-----	-----
		5,440	6,490

OVERDUE INSTALLMENTS

TFC's - BEL		7,187	7,778
TFC's - ICP	(Note 5.1)	10,643	10,643
NBP (Demand Finance)	(Note 6.2)	15,000	15,000
		-----	-----
		32,830	33,421
		-----	-----
		38,270	39,911
		=====	=====

The overdue installments are in accordance with the term of current long term facilities provided by Financial institutions. The company has requested for rescheduling of these overdue installments and are under consideration and if accepted the same will be reclassified as long term loans and its current maturity accordingly.

9. SHORT TERM FINANCES AND BORROWINGS (Secured)

Running Finance	(Note 9.1)	58,437	59,962
		=====	=====

9.1 The running finance facility of Rs. 62 million (1995-96: Rs.66 million) and Finance under trust receipt facility of Rs. 11 million (1995-96: Rs. 11 million) obtained from various banks are secured by joint hypothecation of stock in trade, stores and spares, trade debts and second equitable charge on current and future assets of the company.

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

1997 1996
(Rupees in Thousand)

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Sundry Creditors		24,759	26,52
interest Accrued on Secured Borrowings		35,466	23,555
Accrued Expenses		2.61	4,021
Sales Tax Payable		2,476	1,031
Other Liabilities		22,756	13,891
		-----	-----
		88,065	69,018

=====

Amount due to associated undertakings at the year end aggregated Rs. 1.314 million (1995-96: Rs. 0.020 million).

11. LOAN FROM OTHERS

Secured (Mobilization Tooling Advance)	7,812	12,590
Unsecured	16,084	856
Advance Against Mobike	517	1,011
	-----	-----
	24,413	14,457
	=====	=====

The secured advance is secured against Insurance guarantee.

12. WORKERS' PROFIT PARTICIPATION FUND

At beginning of the year	73	219
Less: Payments during the year	2	146
	-----	-----
	71	73
	=====	=====

13. CONTINGENCIES AND COMMITMENTS

Bank Guarantees issued on behalf of the Company	4,569	-
insurance Guarantees issued on behalf of the Company	28,683	10,441
Indemnity Bonds in favour of Collector of Custom	21,028	23,346
Disputed mark-up of Bankers Equity Ltd.	-	1,580
Letters of Credit outstanding	9,047	32,961
	=====	=====

14. FIXED ASSETS

Please see schedule attached.	112,246	121,405
	=====	=====

(Rupees in Thousand)

14. SCHEDULE OF FIXED ASSETS AS AT 30TH JUNE 1997

DESCRIPTION	COST			TOTAL AS AT 30-06-97	RATE %	DEPRECIATION			WRITTEN DOWN VALUE	
	AS AT 01-07-96	ADDITION/ TRANSFER	DISPOSAL/ TRANSFER			AS AT 01-07-96	FOR THE YEAR	DISPOSAL/ TRANSFER	AS AT 30-06-97	AS AT 30-06-97
EXISTING PROJECT										
Land (Free hold)	1,652	-	-	1,652		-	-	-	-	1,652
Building	35,491	-	-	35,491	5,10	19,147	1,421	-	20,568	14,923
Plant, Machinery & Equipment	157,147	447	-	157,594	10	77,746	7,985	-	85,731	71,863
Furniture & Fixture	2,826	16	-	2,842	10	1,368	148	-	1,516	1,326
Office Equipment	3,945	1,737	-	5,682	10	1,189	449	-	1,638	4,044
Dies & Tools	2,509	70	-	2,579	25	1,883	173	-	2,056	523
Vehicles	1,698	727	493	1,932	20	996	253	328	921	1,011
Canteen Equipment	43	-	-	43	10	19	2	-	21	22
ASSETS AGAINST FINANCE LEASE										
Plant, Machinery & Equipment	12,000	-	-	12,000	10	2,280	972	-	3,252	8,748
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Sub. Total	217,311	2,997	493	219,815		104,628	11,403	328	115,703	104,122

MOBIKE PROJECT										
Building	814	-	-	814	5,10	76	51	-	127	687
Plant, Machinery & Equipment	8,929	-	-	8,929	10	1,160	776	-	1,936	7,993
Furniture & Fixture	107	-	-	107	10	13	10	-	23	84
Vehicles	151	342	-	493	20	30	93	-	123	370
Sub. Total	10,001	342	-	10,343		1,279	930	-	2,209	8,134
1997 Grand Total	227,312	3,339	493	230,158		105,907	12,333	328	117,912	112,246
1996 Grand Total	204,859	23,122	669	227,312		93,027	13,287	407	105,907	121,405

Depreciation for the period is allocated as follows:

	1996-97	1995-96
Cost of sales	11,745	12,865
Administrative expenses	232	254
Selling & distribution expense	356	168
	12,333	13,287

14.1 DETAIL OF DISPOSAL OF FIXED ASSETS DURING THE PERIOD JULY '96 TO 30TH JUNE '97

PARTICULARS OF FIXED ASSETS	COST	ACCUMULATED DEPRECIATION	WRITTEN DOWN VALUE	SALE PROCEED	GAIN/ (LOSS)	MODE OF DISPOSAL	PARTICULARS OF BUYERS
MOTOR VEHICLES							
TOYOTA COROLLA S-1251	60	29	31	175	144	Company car scheme	Mr. Najmul Hassan
SUZUKI VAN HI-ROOF CB-8897	7	5	2	110	108	Company car scheme	Mr. Zaffar Hussain
SUZUKI VAN HI-ROOF CJ-1904	178	105	73	125	52	Company car scheme	Mr. Abdul Shakoor Khan
SUZUKI SWIFT R-4091	214	169	45	86	41	Company car scheme	Mr. Boota Naseem
SUZUKI ALTO S-1242	27	16	11	74	63	Company car scheme	Mr. Muhammad Ali
SUZUKI VAN HI-ROOF CB-9497	7	4	3	54	51	Company car scheme	Mr. Abdul Rasheed
	493	328	165	624	459		

1997
1996
(Rupees in Thousand)

15. CAPITAL WORK IN PROGRESS

Plant and Machinery	29,643	29,643
---------------------	--------	--------

16. LONG TERM DEPOSITS AND DEFERRED COSTS

Long Term Deposits	2,634	3,256
Deferred Cost	4,970	-
	7,604	3,256

17. STOCK AND STORES

Stock		
Raw Material	32,228	40,823
Goods-in-Transit	15,547	4,929
Work-in-Process	7,591	17,037
Finished Goods	37,369	19,523
	-----	-----
	92,735	82,312
Stores	-----	-----
Stores and Packing Material	2,855	3,027
Small Tools and Spares	7,307	7,810
	-----	-----
	10,162	10,837
	-----	-----
	102,897	93,149
	=====	=====
18. TRADE DEBTS (Unsecured)		
Due from an associated undertaking - Considered Good	7,128	15,026
Others - Considered Good	29,235	22,477
- Considered Doubtful	1,500	1,200
Mobike	4,150	4,840
	-----	-----
	42,013	43,543
Less: Provision for Doubtful Debts	1,500	1,200
	-----	-----
	40,513	42,343
	=====	=====

The maximum amount due at the end of any month during the year from the associated undertaking amounted to Rs. 12.964 million. (1995-96 - Rs. 22.453 million)

1997 1996
(Rupees in Thousand)

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

(Unsecured Considered Good)		
Loans and Advances		
- Advance to Suppliers and Contractors for Goods and Services	1,989	1,828
- Advance to Staff for purchases and expenses	352	257
- Loan to staff and workers	77	478
	-----	-----
	2,418	2,563
Trade Deposits and Short Term Prepayments	-----	-----
- Refundable Deposit with K.M.C.	450	904
- Prepayments	817	652
	-----	-----
	1,267	1,556
Other Receivables		
- Claim Receivable	1,328	1,329
- Custom Duty Guarantee Margin Receivable	1,578	1,783
- Sales Tax Refund Receivables	369	1,048
- Others	313	371

3,588	4,531
7,273	8,650

Advance to Suppliers and Contractors for goods and services include advances to associated undertakings aggregating to Rs. 0.200 million (1995-96: Rs. 0.200 million). The maximum aggregate amount of advance due from associated undertaking at the end of any month during the year was Rs. 0.200 million (1995-96: Rs. 0.200 million).

20. ADVANCE INCOME TAX

Tax Deducted at source	14,172	8,581
------------------------	--------	-------

CASH AND BANK BALANCES

- In Hand	6	264
- At Bank - on Current Accounts	2,292	2,906
	2,298	3,170

1997 **1996**
(Rupees in Thousand)

	PROJECT			PROJECT		
	Existing	Mobike	Total	Existing	Mobike	Total

22. SALES

Sales	194,604	4,631	199,235	224.21	10,286	234.50
Discount	108	189	297	3,400	333	3,733
Net Sales	194,496	4,442	198,938	220,813	9,953	230,766

23. COST OF SALES

Raw Material - Opening Stock	28,758	12,065	40,823	40,930	6,254	47,184
- Purchases	90,469	2,757	93,226	107,989	15,310	123,299
- Available	119,227	14,822	134,049	148,919	21,564	170,483
- Closing Stock	28,150	4,078	32,228	28,758	12,065	40,823
- Consumed	91,077	10,744	101,821	120,161	9,499	129,660
Add: Production Expenses (Note 23.1)	62,811	3,261	66,072	66,562	3,887	70,449
	153,888	14,005	167,893	186,723	13,386	200,109
Add: Work in Process - Opening	13,153	3,884	17,037	35,512	2,339	37,851
Less: Work in Process- Closing	(7,250)	(341)	(7,591)	(13,153)	(3,884)	(17,037)
Cost of Goods Manufactured	159,791	17,548	177,339	209,082	11,841	220,923
Add: Finished Goods- Opening Stock	17,770	1,753	19,523	22,493	2,488	24,981
Less: Finished Goods- Closing Stock	(24,740)	(12,629)	(37,369)	(17,770)	(1,753)	(19,523)

Cost of Sales	152,821	6,672	159,493	213,805	12,576	226,381
	=====	=====	=====	=====	=====	=====
23.1 PRODUCTION EXPENSES						
Salaries, Wages & Benefits	23,900	1,469	25,369	24,407	1,546	25,953
Transportation & Travelling	5,833	377	6,210	5,455	725	6,180
Water & Power	6,663	342	7,005	6,190	328	6,518
Postage, Telephone & Telex insurance	689	-	689	663	-	663
Repairs & Maintenance	1,507	-	1,507	1,040	-	1,040
Consumable Stores	728	44	772	555	58	613
Lease Rentals	9,900	169	10,069	10,921	319	11,240
Depreciation (Note 14)	1,020	-	1,020	3,212	-	3,212
Cartage & Octroi	10,931	814	11,745	11,959	906	12,865
Security Service Charges	1,019	-	1,019	1,589	1	1,590
Printing & Stationery	213	-	213	192	-	192
Others	343	-	343	298	-	298
	65	46	111	81	4	85
	-----	-----	-----	-----	-----	-----
	62,811	3,261	66,072	66,562	3,887	70,449
	=====	=====	=====	=====	=====	=====

1996

1997

(Rupees in Thousand)

PROJECT

PROJECT

Existing

Mobike

Total

Existing

Mobike

Total

24. ADMINISTRATIVE EXPENSES

Salaries, Wages & Benefits	4,399	-	4,399	4,618	-	4,618
Transportation & Travelling	482	-	482	501	-	501
Water & Power	505	5	510	444	-	444
Rent & Taxes	1,126	82	1,208	926	114	1,040
Directors Remuneration & Fee (Note 33)	1,547	-	1,547	960	-	960
Auditors Remuneration (Note 30)	47	-	47	48	-	48
Postage, Telephone & Telex	903	1	904	887	48	935
Advertisement & Publicity	93	-	93	135	-	135
Legal & Professional Charges	716	-	716	420	-	420
Repairs & Maintenance	267	-	267	249	87	336
Depreciation (Note 14)	232	-	232	254	-	254
Insurance	243	-	243	196	-	196
Donation (Note 24.1)	62	-	62	121	-	121
Security Service Charges	111	-	111	114	-	114
Printing & Stationery	307	-	307	299	-	299
Others	383	-	383	510	-	510
	-----	-----	-----	-----	-----	-----
	11,423	88	11,511	10,682	249	10,931
	=====	=====	=====	=====	=====	=====

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

25. SELLING & DISTRIBUTION EXPENSES

Salaries, Wages & Benefits	1,819	1,079	2,898	1,887	982	2,869
Transportation & Travelling	529	107	636	679	391	1,070

Postage, Telephone & Telex	131	146	277	143	184	327
Advertisement & Publicity	421	1,297	1,718	395	2,213	2,608
Insurance	238	261	499	218	228	446
Royalty	1,243	-	1,243	1,088	-	1,088
Depreciation (Note 14)	238	118	356	112	56	168
Freight & Octroi	4,165	134	4,299	3,006	444	3,450
Bad Debts	300	-	300	300	-	300
Printing & Stationery	180	6	186	160	21	181
Lease Rentals	203	112	315	233	219	452
Security Service Charges	107	-	107	96	-	96
Repairs & Maintenance	1	38	39	8	58	66
After Sales Services	-	3	3	-	709	709
Others	146	97	243	79	191	270
	-----	-----	-----	-----	-----	-----
	9,721	3,398	13,119	8,404	5,696	14,100
	=====	=====	=====	=====	=====	=====

26. FINANCIAL CHARGES

Mark-up On Long Term Borrowing	10,407	-	10,407	10,736	-	10,736
Mark-up On Short Term Borrowing	11,362	241	11,603	11,502	560	12,062
Mark-up On Loan from Others	3,661	-	3,661	592	-	592
Mark-up On Finance Lease	875	-	875	1,505	-	1,505
Bank Charges, Commission & Other Charges	2,691	-	2,691	2,590	-	2,590
	-----	-----	-----	-----	-----	-----
	28,996	241	29,237	26,925	560	27,485
	=====	=====	=====	=====	=====	=====

1997 1996
(Rupees in Thousand)

27. OTHER INCOME

Scrap Sale	17	-
Gain on Disposal of Fixed Assets	459	362
	-----	-----
	476	362
	=====	=====

28. PROVISION FOR TAXATION

Current Year	996	1,154
Prior Year	-	38
	-----	-----
	996	1,192
	=====	=====

The tax liability based on taxable income works out to be lower than the minimum tax based on turnover. The provision for taxation is therefore based on turnover @ 0.5 % as provided under section 80(D) of the income Tax Ordinance 1979.

29. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

The company purchased goods and services from associated undertakings aggregating to Rs. 1.~ 48 million (1995-96: Rs. 0.934 million) and sales to the associated undertaking amounting to Rs. 54.939 million (1995-96: Rs. 82.042 million).

30. AUDITORS REMUNERATION

Audit Fee	40	40
Out of pocket expenses	7	8

	47	48
	=====	=====

31. CASH GENERATED FROM OPERATION

Profit before taxation	(13,946)	(47,769)
Adjustment for non cash charges and other items		
- Depreciation	12,333	13,287
- Profit on sale of fixed assets	(459)	(362)
- Profit on sale of scrap	(17)	-
- Financial charges	28,362	25.98
- Financial charges on lease	875	1,505
- Working capital changes - see note 31.1	10,549	32,752
	-----	-----
	37,697	25,393
	=====	=====

31.1 WORKING CAPITAL CHANGES

- Decrease/(increase) in current assets		
- Stock and stores	(9,748)	31,703
- Trade debts	1,830	13,302
-Advances, Deposits, Prepayments and Other Receivables	1,377	3,409
- (Decrease)/Increase in current liability		
- Creditors, Accrued & Other Liabilities	7,136	(12,136)
- Loan from others	9,956	(3,380)
- Workers' Profit Participation Fund	(2)	(146)
	-----	-----
	10,549	32,752
	=====	=====

32. CASH AND CASH EQUIVALENTS:

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

- Cash and bank balances	2,298	3,170
- Short term financing and borrowings	(58,437)	(59,962)
	-----	-----
	(56,139)	(56,792)
	=====	=====

33. REMUNERATION OF DIRECTORS AND EXECUTIVES

(Rupees in Thousand)

	19967	1996						
	Directors	Chairman	Chief Executive	Executives	Directors	Chairman	Chief Executive	Executives
Fees	10	-	-	-	8	-	-	-
Managerial Remuneration	-	240	1,222	3,450	-	240	670	4,079
Retirement Benefits								
Provident Fund	-	-	75	195	-	-	42	242
Prequisites and Benefits								
Utilities	-	-	52	74	-	-	21	79

Medical	-	-	52	177	-	-	16	137
Leave Encashment	-	-	132	30	-	-	45	338
	-----	-----	-----	-----	-----	-----	-----	-----
	10	240	1,533	3,296	8	240	794	4,875
	=====	=====	=====	=====	=====	=====	=====	=====
No. of Persons	6	1	1	11	6	1	1	15
	=====	=====	=====	=====	=====	=====	=====	=====

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

34. PRODUCTION CAPACITY

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

35. GENERAL

- Figures in these accounts have been rounded off to the nearest thousand rupees.

- To facilitate comparison some of the prior year's figures have been re-arranged and re-grouped, wherever necessary.

- Existing and Mobike Project

The term Existing project wherever appearing in the notes, denotes the production units manufacturing Gaskets, Brake Bands, Valves, Cylinder Sleeves, Camshafts, Shock-Absorbers, Struts, Hydraulic Lift Cover and Steering Box for automotive and agricultural equipment and vehicles. The Mobikes project denotes manufacturing/assembly of two wheeler Mobikes.

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHARE HOLDERS AS AT JUNE 30, 1997

NUMBER OF SHARE HOLDERS	SIZE OF SHARE HOLDINGS			TOTAL SHARES HELD
	FROM	TO		
1,180	1	--	100	144481.00
1,855	101	--	500	488,418
776	501	--	1,000	612,942
1,193	1,001	--	5,000	2,642,630
193	5,001	--	10,000	1,365,121
77	10,001	--	15,000	974,348
22	15,001	--	20,000	375,400
7	20,001	--	25,000	157,338
6	25,001	--	30,000	140,103
10	30,001	--	35,000	319,024
9	35,001	--	40,000	345,223
4	40,001	--	45,000	173,105
2	45,001	--	50,000	92,788
3	50,001	--	55,000	160,499
1	60,001	--	65,000	63,656
5	70,001	--	75,000	365,176
1	75,001	--	80,000	75,900
1	80,001	--	85,000	81,000
2	85,001	--	90,000	172,478
1	105,001	--	110,000	108,000

1	115,001	--	120,000	115,700
1	135,001	--	140,000	136,285
1	210,000	--	215,000	214,392
1	275,001	--	280,000	275,625
1	320,001	--	325,000	324,058
1	380,001	--	385,000	383,858
1	645,001	--	650,000	648,487
1	705,001	--	710,000	706,186
1	745,001	--	750,000	750,000
1	990,001	--	1,000,000	994,052
1	1,010,001	--	1,015,000	1,011,200
1	1,070,001	--	1,075,000	1,070,815
1	1,205,001	--	1,210,000	1,209,621
1	2,600,001	--	2,605,000	2,602,091
1	4,795,001	--	4,800,000	4,800,000
-----				-----
	5,363			24,000,000
=====				=====

Categories of Shares Holders	Number of		Percentage of
	Shares Holders	Shares Held	Shares Held
1. individuals	5,318	8,464,275	35.27
2. investment Companies	6	1,117,672	4.66
3. insurance Companies	3	172,513	0.72
4~ Joint Stock Companies	16	4,087,797	17.032
5. Financial institutions	6	3,643,427	15.18
6. Modaraba	6	1,106,494	4.61
7. Foreign investors	2	4,936,285	20.57
8. Co-operative Societies	3	302,252	1.26
9. Charitable Trusts	1	121	0.00
10. Others.	2	169,164	0.71
-----			-----
TOTAL	5,363	24,000,000	100.00
=====			=====