

**THE GENERAL TYRE AND RUBBER  
COMPANY OF PAKISTAN LIMITED  
ANNUAL REPORT 1998**

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**COMPANY PROFILE**

**Board of Directors**

Raza Kuli Khan Khattak  
Chairman

Dr. A.S. Mufti  
Chief Executive

Brig. (Ret'd) Mahmud Jan  
Ahmed Kuli Khan Khattak  
Humayaun S. Mufti  
Chaudhry Sher Mohammad  
Adnan Ahmed All  
Irfan Siddiqui  
Abdulazim Mohammad Ali Al-Shamali (Tasnimul Haq Farooqui - Alternate Director)  
Shahid Ghaffar  
Razi-ur-Rehman Khan  
David R. Johnson  
Dr. J. Mispagel (Technical)

**Secretary**

Chaudhry Sher Mohammad

**Major Bankers**

American Express Bank Limited  
Deutsche Bank AG  
Muslim Commercial Bank Limited  
National Bank of Pakistan  
Allied Bank of Pakistan Limited  
Faysal Bank Limited  
National Development Finance Corporation  
Credit Agricole Indosuez  
Societe Generals The French and International Bank  
Bank Al-Habib Limited  
ANZ Grindlays Bank  
Askari Commercial Bank Limited

**Auditors**

A. F. Ferguson & Co.  
Chartered Accountants

Hameed Chaudhri & Co.  
Chartered Accountants

**Registered Office & Factory**

H-23/2, Landhi Industrial Trading Estate, Landhi,  
Karachi. Phone: 5080172-82

**Head Office**

P & O Plaza, I. I. Chundrigar Road, Karachi.  
Phone: 2417571-4 Fax: 2430662, 2418781

**Branch Offices**

**Lahore:**

Gardee Trust Building, Thornton Road, Lahore.  
Phone: 7352663, 7313852 Fax: 7235745

**Islamabad:**

Plot No. 176, 1 - 10/3 Kurang Road, Islamabad.  
Phone: 449955-6 Fax: 417071

**Liaison Office**

6, Agha Khan Road,  
F-6/4, Islamabad.  
Phone & Fax: 820829

**NOTICE OF MEETING**

Notice is hereby given that the Thirty-Fifth Annual General Meeting of The General Tyre & Rubber Company of Pakistan Limited will be held at Beach Luxury Hotel, Karachi on Wednesday, 30th December 1998 at 3.00 p.m. to transact the following business:

1. To confirm the minutes of the Thirty-Fourth Annual General Meeting of the Shareholders held on 26th December, 1997
2. To receive and consider the audited accounts for the year ended 30th June 1998 together with Directors' and Auditors' report thereon.
3. To approve payment of cash dividend to the shareholders @ 20% as recommended by the Directors.
4. To appoint auditors for the year 1998-99 and to fix their remuneration. The retiring auditors, Messrs. A. F. Ferguson & Co., Chartered Accountants and Hameed Chaudhri & Co., Chartered Accountants, being eligible, offer themselves for reappointment.
5. Any other matter with the permission of the Chair.

BY ORDER OF THE BOARD

**(Ch. Sher Mohammad)**

Director & Secretary

Karachi

Dated: November 25, 1998

**NOTES:**

1. The share transfer books of the Company will remain closed from 18th December, 1998 to 30th December, 1998 (both days inclusive). Transfers received at the Company's Shares Department located at Mezzanine Floor, Parker House, Aiwane Tijarat Road, Karachi at the close of business on 17th December, 1998 will be treated in time for the purpose of payment of dividend to the transferees.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to cast his/her vote by proxy. Proxies must be deposited at the Company's Shares Department not later than 48 hours before the time for holding the meeting.
3. Members are requested to notify any change in their addresses immediately.

**CHAIRMAN'S REVIEW**

On behalf of your Board of Directors, I am pleased to present you the Annual Report for the year ended June 30, 1998.

**OPERATING PERFORMANCE**

The Company's performance during the year under review was impressive despite recessionary market conditions and prevailing high inflationary trend in the country. This was achieved through improved efficiency and effective cost controls. Company produced 668,666 tyres during the year as against 487,766 tyres produced last year. The Gross Sales increased to Rs. 1678.1 M during the year under review, which was higher by 24% as compared to last year's Gross Sales of Rs. 1356.1 M. The gross profit achieved was Rs. 286.1 M during the year under review as compared to Rs. 136.9 M during the preceding year. The operations resulted in pretax profit of Rs. 115.4 M as against Rs. 2.3 M during the preceding year. The profit would have been still higher had the fire in the Mixing department on 8th May 1998 not marred it, which accordingly affected the production and sales. We are currently meeting the requirement of mixing stock from sources inside as well as outside the country. This arrangement will continue until such time the normal mixing capacity is restored in the plant. Assets damaged by the fire are insured and a settlement of the claim is in process.

**MILLENNIUM BUG**

The Company is aware of the millennium bug problem and has already taken steps to cope with it. We have installed the latest version of computers and software to ensure smooth working of the system through the year 2000. Our associated companies and major suppliers, OE customers and companies with whom we have business relations are also appropriately equipped to handle the situation.

**MARKET**

Overall uncertain economic conditions and recession which remains unabated has led to sluggish demand in the market. The situation got further deteriorated due to sanctions imposed by the International communities as a result of the nuclear explosion in May 1998. The requirement to pay 30% cash margin up front to open Letters of Credit, introduction of composite exchange rate, the increased forward cover premiums and the devaluation of Pak Rupee twice during the year i.e. by 8.5% in the month of October 1997 and by 4.43% in the month of June 1998, has led to a substantial increase in the cost of production.

The massive depreciation of currencies of Far Eastern countries has resulted in dumping of goods from Indonesia, Korea and Taiwan. Imports from these countries being cheaper have badly affected the local industry. All these factors have effected market conditions of the Company during the current financial year.

**FUTURE OUTLOOK**

The country's current economic conditions and currency turmoil of South East Asian countries have created considerable uncertainties for the future. We feel that it will take minimum two years to see the economic stability in this region. During this period, the demand of tyres will remain depressed. However, the increased demand for Farm Tyres, for which capacity was enhanced last year, would offset the effect of sluggish demand in commercial market to some extent. The management is abreast of the situation and will take appropriate steps to survive during this difficult period.

As regards expansion of Steel Radial Tyres, civil work has been completed, the machinery is being installed and trial run of production shall commence by December 1998 Inshallah.

**STAFF**

On behalf of the Board, I wish to extend my appreciation for the dedicated services rendered by all the employees of the Company.

**Raza Kuli Khan Khattak**  
Chairman

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your directors are pleased to place before you the audited financial statements for the year ended June 30, 1998.

**Rupees in thousand**

Financial Results	
Profit for the year after taxation	74,647
Unappropriated profit brought forward	3,041
	-----
	77,688
Appropriations	
Transferred to general reserve	43,000
Proposed dividend @ 20%	34,155
	-----
	77,155
	-----
Unappropriated profit carried forward	533

=====

**Chairman's Review**

The Directors of the company endorse the contents of the Chairman's review dealing with the activities of the company.

**Pattern of Shareholding**

A Statement showing the pattern of holding of shares as at June 30, 1998 is attached.

**Auditors**

The present Auditors, Messrs A. F. Ferguson & Co. Chartered Accountants and Hameed Chaudhri & Co. Chartered Accountants retire and being eligible, offer themselves for re-appointment.

For and on behalf of the Board of Directors

**Dr. A.S. Mufti**  
Chief Executive

Karachi: November 25, 1998

**FIVE YEARS AT A GLANCE**

	1998	1997	(Rupees in million)		1994	1993
			1996			
Operating Results						
Gross sales	1,678		1,356	2,450	1,220	1,243
Net sales	1,404		1,089	1,974	990	1,013
Gross profit	286		137	252	162	205
Profit before tax	115		2	29	28	73
Profit after tax	75		3	9	30	58
<b>Financial Position</b>						
Gross assets	1,716		1,771	1,727	1,581	1,649
Paid up share capital	171		171	155	124	83
Reserves and unappropriated profit	270		229	243	125	135
Shareholders' equity	441		400	398	249	218
Breakup value per share	26		23	26	20	26
Contribution to public exchequer	315		374	448	332	421

\* 1996 Accounts are of eighteen months January 1995 June 1996

**AUDITORS' REPORT TO THE MEMBERS**

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

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 3 to the accounts with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30,1998 and of the profit and the cash flows for the year then ended; and

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

Without qualifying our opinion we report that the ultimate outcome of the matter explained in note 15.1 to the accounts cannot presently be determined by the company with any degree of certainty.

**A. F. Ferguson & Co.**  
Chartered Accountants

**Hameed Chaudhri & Co.**  
Chartered Accountants

Karachi: November 25, 1998

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

Note	1998 (Rupees in thousand)	1997
<b>SHARE CAPITAL AND RESERVES</b>		
Share capital		
Authorised		
30,000,000 ordinary shares of Rs 10 each	300,000	300,000
	=====	=====
Issued, subscribed and paid up	4 170,775	170,775
Reserves		
Capital	5 108,675	108,675
Revenue	6 160,750	117,750
Unappropriated profit	533	3,041
	-----	-----
	269,958	229,466
	-----	-----
	440,733	400,241
<b>REDEEMABLE CAPITAL</b>	7 55,317	69,823
<b>LONG TERM LOANS</b>	8 -	15,622
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES</b>	9 30,348	37,809
<b>DEFERRED LIABILITIES</b>		
Staff retirement gratuity	575,991	55,751
Deferred taxation	10 7,993	-
	-----	-----
	65,592	55,751
<b>LONG TERM DEPOSITS FROM DEALERS</b>	11 6,600	6,480
<b>CURRENT LIABILITIES</b>		
Current maturity of redeemable capital	7 14,506	12,153

Current maturity of a long term loan	8	3,622	-
Current maturity of liabilities against assets subject to finance leases	9	7,461	6,073
Short term finances	12	45,000	35,000
Running finance under mark-up arrangements	13	90,133	195,198
Creditors, accrued expenses and other liabilities	14	295,149	297,359
Proposed Dividend		34,155	-
Unclaimed dividend		456	466
		-----	-----
<b>CONTINGENCIES AND COMMITMENTS</b>	15	490,482	546,249
		-----	-----
The annexed notes form an integral part of these accounts.		1,089,072	1,131,975
		=====	=====

	Note	1998 (Rupees in thousand)	1997
<b>TANGIBLE FIXED ASSETS</b>			
Operating assets	16	282,705	287,045
Capital work-in-progress	17	104,584	84,453
		-----	-----
		387,289	371,498
<b>LONG TERM INVESTMENTS</b>	18	604	586
<b>LONG TERM LOANS AND ADVANCES</b>	19	2,015	756
<b>LONG TERM DEPOSITS AND DEFERRED COSTS</b>	20	2,403	3,492
<b>CURRENT ASSETS</b>			
Stores and spares	21	147,529	153,679
Stocks	22	334,386	377,243
Trade debtors	23	77,975	104,269
Loans and advances	24	10,034	5,733
Deposits, prepayments and other receivables	25	93,496	75,910
Taxation		1,128	22,987
Cash and bank balances	26	32,213	15,822
		-----	-----
		696,761	755,643
		-----	-----
		1,089,072	1,131,975
		=====	=====

Raza Kuli Khan Khattak  
Chairman

Dr. A.S. Mufti  
Chief Executive

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

	Note	1998 (Rupees in thousand)	1997
Net sales	27	1,403,791	1,089,312
Cost of sales	28	1,117,699	952,355
		-----	-----
Gross profit		286,092	136,957
		-----	-----
Administrative expenses	29	42,783	34,246
Selling and distribution expenses	30	61,729	49,279
		-----	-----
		104,512	83,525
		-----	-----
Operating profit		181,580	53,432
Other income	31	11,134	11,598

		-----	-----
		192,714	65,030
Financial charges	32	65,500	61,587
Other charges	33	11,765	1,106
		-----	-----
		77,265	62,693
		-----	-----
Profit before taxation		115,449	2,337
Taxation			
Current - for the year		38,500	5,632
for prior years		(5,691)	342
Deferred		7,993	(6,200)
		-----	-----
		40,802	(226)
		-----	-----
Profit after taxation		74,647	2,563
Unappropriated profit brought forward		3,041	478
		-----	-----
Profit available for appropriation		77,688	3,041
Appropriation			
Proposed dividend @ 20% (1997: Nil)		34,155	-
Transferred to general reserve		43,000	-
		-----	-----
		77,155	-
		-----	-----
Unappropriated profit carried forward		533	3,041
		=====	=====
Basic earnings per share	34	Rs 4.37	Rs 0.15
		=====	=====

The annexed notes form an integral part of these accounts.

Raza Kuli Khan Khattak  
Chairman

Dr. A.S. Mufti  
Chief Executive

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 1998**

	Note	1998 (Rupees in thousand)	1997
<b>Cash flow from operating activities</b>			
Cash generated from operations	35	330,284	61,967
Staff retirement gratuity paid		(12,658)	(2,328)
Financial charges paid		(78,079)	(54,754)
Taxes paid		(10,950)	(9,923)
Long term loans and advances (net)		(1,259)	244
Long term deposits		-	4,189
Long term deposits from dealers		120	(250)
		-----	-----
Net cash inflow/(outflow) from operating activities		227,458	(855)
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(86,695)	(58,304)
Sale proceeds on disposal of fixed assets		263	25
Interest received		651	1,181
Exchange gain		15	6
		-----	-----
Net cash (outflow)from investing activities		(85,766)	(57,092)
<b>Cash flow from financing activities</b>			
Redeemable capital		(12,153)	31,555
Long term loan		(12,000)	-

Liabilities against assets subject to finance leases	(6,073)	(18,932)
Short term finances (net)	10,000	(30,000)
Dividends paid	(10)	(68)
	-----	-----
Net cash (outflow) from financing activities	(20,236)	(17,445)
	-----	-----
Increase/(decrease) in cash and cash equivalents	121,456	(75,392)
	-----	-----
Cash and cash equivalents at the beginning of the year	(179,376)	(103,984)
	-----	-----
Cash and cash equivalents at the end of the ye	36 (57,920)	(179,376)
	=====	=====

The annexed notes form an integral part of these accounts.

**Raza Kuli Khan Khattak**  
Chairman

**Dr. A.S. Mufti**  
Chief Executive

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1998

### 1. INTRODUCTION

The company was incorporated in Pakistan on March 7, 1963 as a private limited company and was subsequently converted into a public limited company. The company's shares are quoted on the Karachi and Lahore stock exchanges. The company is engaged in the manufacture of tyres and tubes for automobiles.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

#### 2.2 Staff retirement benefits

##### Gratuity

The company operates an unfunded gratuity scheme for its employees, except for the senior executive staff, whose period of service is one year or more. Annual provision is made to cover obligations under this scheme.

The company operates a funded gratuity scheme for its senior executive staff. For this purpose an actuarial valuation was carried out as of June 30, 1997 on the basis of the 'Attained Age Normal' method. At the valuation date the liability for past services was Rs 20.480 million. The principal actuarial assumptions used in the valuation of the scheme as of June 30, 1997 by the actuary are:

- Expected rate of growth in future salaries: 11% per annum
- Expected rate of return on fund: 12% per annum

The actuary has recommended the company to make contributions at a rate of 8.14 % to the fund annually. However, the company continues to make annual provision for gratuity for its senior executive staff on the basis of the last drawn basic salary of 35 days for each completed year of service and no annual contributions are made to the fund.

##### Provident fund

The company operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% of basic salary.

### 2.3 Taxation

#### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax at the rate of 0.5% of turnover, whichever is higher.

#### Deferred

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



#### **2.4 Tangible fixed assets and depreciation**

Operating assets other than leasehold land are stated at cost less accumulated depreciation. Leasehold land and capital work-in-progress are stated at cost. Cost of certain assets consists of historical cost and net exchange differences on loans utilised for the acquisition of those assets.

Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life depending upon the class of assets.

A full year's depreciation is charged on additions except major capital expenditure representing extension to production facilities which are depreciated proportionately for the period of use during the year in which such cost is capitalised. No depreciation is charged on fixed assets disposed off during the year.

Maintenance and normal repairs are charged to expenses as and when incurred. Major repairs and renewals are capitalised.

Profit or loss on disposal of fixed assets is recognised in income currently.

#### **2.5 Fixed assets acquired on finance leases**

The company accounts for fixed assets acquired under a finance lease by recording the asset and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to income applying the straight line method at the rates stated in note 16.1 below.

#### **2.6 Stores and spares**

These are valued at average cost. Items in transit are valued at cost.

#### **2.7 Stocks**

These are valued at the lower of cost and net realisable value. Cost in relation to raw materials in hand has been calculated on weighted average basis.

The cost of work-in-process and finished goods as at June 30, 1998 comprises of direct materials and labour and appropriate production overheads. Upto June 30, 1997 the stocks of work-in-process and finished goods were valued on the basis of predetermined standards which approximated the actual cost. The reason and effect of change in this accounting policy are stated in note 3 below.

Raw materials in custom bonded warehouse and in transit are valued at cost accumulated to the balance sheet date.

Claim tyres are valued at their estimated realisable value.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs necessarily to be incurred for its sale.

#### **2.8 Translation of foreign currencies**

Assets and liabilities in foreign currencies as at the balance sheet date are translated into rupees at the exchange rates prevailing on that date.

Exchange gains or losses on the loans utilised for the acquisition of plant and machinery are adjusted against the cost of such plant and machinery. All other exchange differences are included in the profit and loss account currently.

#### **2.9 Deferred costs**

Deferred costs are amortised over a maximum period of five years.

#### **2.10 Long term investments**

Quoted investments are valued at the lower of cost and market value determined on a portfolio basis. Dividends are recognised on receipt basis.

#### **2.11 Revenue recognition**

Sales are recorded on despatch of goods.

#### **2.12 Borrowing costs**

Borrowing costs are included in the profit and loss account currently. However, costs which are directly attributable to capital expenditure are capitalised.

**3. REASON AND EFFECT OF CHANGE IN AN ACCOUNTING POLICY**

Upto June 30, 1997 the stocks of work-in-process and finished goods were valued on the basis of predetermined standards which approximated the actual cost. However, in order to present a more appropriate valuation of stocks of work-in-process and finished goods the company has changed its accounting policy effective July 1, 1997 whereby the cost of work-in-process and finished goods as at June 30, 1998 comprises of direct materials and labour and appropriate production overheads.

Had the basis of valuation applied been consistent with the preceding years the value of stocks of work-in-process and finished goods would have been higher by Rs 0.924 million and Rs 3.663 million respectively as at June 30, 1998 and consequently the profit after tax for the year ended June 30, 1998 would have been higher by Rs 3.073 million.

**4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**

	1998 (Rupees in thousand)	1997
Ordinary share of Rs. 10 each		
7,133,320 shares fully paid in cash	71,333	71,333
186,680 shares issued as fully paid for consideration other than cash	1,867	1,867
9,757,500 shares issued as fully paid bonus shares	97,575	97,575
-----	-----	-----
17,077,500 (1997: 17,077,500)	170,775	170,775
=====	=====	=====

**5. CAPITAL RESERVES**

<b>Share premium</b>		
At the beginning and end of the year	108,675	108,675
<b>Reserve for issue of bonus shares</b>		
At the beginning of the year	-	15,525
Bonus shares issued during the year	-	(15,525)
	-----	-----
	-	-
	-----	-----
	108,675	108,675
	=====	=====

**6. REVENUE RESERVES****General reserve**

At the beginning of the year	105,000	105,000
Transferred from profit & loss account	43,000	-
	-----	-----
	148,000	105,000

**Research and development reserve**

At the beginning and end of the year	12,750	12,750
	-----	-----
	160,750	117,750
	=====	=====

**7. REDEEMABLE CAPITAL**

Long term finance		
Secured		
Amount outstanding at the beginning of the year	69,823	47,397
Received during the year	-	34,579
	69,823	81,976
Less: Current maturity shown under current liabilities	14,506	12,153
	-----	-----
	55,317	69,823
	=====	=====

7.1 The company has arranged a long term finance facility from Saudi Pak Industrial and Agricultural Investment Company (Private) Limited (Saudi Pak). Under the arrangement Saudi Pak has agreed to purchase certain assets, of the company for a sum of Rs 85 million and the company has agreed to buy back the said assets for a sum of Rs 149.65 million. The rate of mark-up on this facility is 18.5% per annum. The company, during the eighteen months period ended June 30, 1996, received the first tranche of the purchase price amounting to Rs 46.5 million and Rs 3.921 million, representing a part of the second tranche of Rs 38.5 million. The remaining amount of Rs 34.579 million of the second tranche was received during the year ended June 30, 1997. The first tranche of the purchase price is repayable in twelve half yearly installments commencing April 22, 1996 and ending on October 22, 2001 and the second tranche is repayable in twelve half yearly installments commencing from December 3, 1996 and ending on June 3, 2002. The facility is secured against equitable mortgage of the company's immovable properties and demand promissory note.

#### 8. LONG TERM LOANS

	Note	1998	1997
(Rupees in thousand)			
Secured			
Deferred customs duty	8.1	3,622	3,622
Less: Current maturity shown under current liabilities		3,622	-
		-----	-----
		-	3,622
Unsecured			
Loan from a director	8.2	-	12,000
		-----	-----
		-	15,622
		=====	=====

8.1 This represents custom duty deferred on import of plant and machinery and is secured against a bank guarantee. Surcharge at the rate of 14% per annum is payable half yearly commencing February 12, 1996 and ending on August 12, 1998. The principal amount was paid in full on August 12, 1998.

8.2 The company had obtained a loan from a director at a rate of 22% per annum. The loan was settled during the year.

#### 9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	1998	1997
	(Rupees in thousand)	
Minimum lease payments outstanding		
1997-98	-	15,062
1998-99	15,062	15,062
1999-2000	14,919	14,919
2000-01	14,175	14,175
2001-02	12,315	12,315
	-----	-----
	56,471	71,533
Less: Finance charge allocated to future periods	18,662	27,651
	-----	-----
	37,809	43,882
Less: Current maturity shown under current liabilities	7,461	6,073
	-----	-----
	30,348	37,809
	=====	=====

9.1 This represents finance leases entered into with leasing companies and a modaraba for plant and machinery and vehicles. The periodic lease payments include built in rates of mark-up ranging between 3.8% to 5.5% per calendar quarter.

#### 10. DEFERRED TAXATION

The net deferred tax liability as at June 30, 1998 arising due to net timing differences under the liability method is estimated at Rs 23.98 million (1997: Rs 33.71 million) which is due to credit / (debit) balances arising in respect of:

## Rupees in thousand

Accelerated tax depreciation allowances	34,657
Finance lease arrangements	10,227
Provision for staff retirement gratuity	(19,008)
Provision for doubtful debts	(1,896)
	-----
	23,980
	=====

The deferred tax liability of Rs 33.71 million as at June 30, 1997 was not provided because it was expected that due to future capital expenditure forecasts the company will continue to get accelerated tax depreciation allowances and accordingly those timing differences were not expected to reverse in the foreseeable future.

The Institute of Chartered Accountants of Pakistan (ICAP) has now adopted the "International Accounting Standard No. 12 'Income Taxes' (Revised)" (IAS - 12) which requires that a deferred tax liability should be recognised for all taxable temporary differences. According to the directives issued by ICAP, IAS - 12 would now be applicable to the company with effect from the year ending June 30, 2002. However, on grounds of prudence and as advised by ICAP, the company has recognised in these accounts an amount of Rs 7.993 million as a partial provision against the deferred tax liability as at June 30, 1998 on the basis of providing the aforementioned liability over three years. Further, the company shall henceforth recognise the deferred tax effect of the net originating/reversing temporary differences in the year when these arise.

**11. LONG TERM DEPOSITS FROM DEALERS**

These deposits are interest free and are not refundable during the subsistence of dealership. The net deposits received after the enforcement of section 226 of the Companies Ordinance, 1984 have been kept in a separate bank account (note 26.1).

**12. SHORT TERM FINANCES**

	Note	1998 (Rupees in thousand)	1997
Secured			
From a bank	12.1	15,000	35,000
From a development financial institution (DFI)	12.2	30,000	-
		-----	-----
		45,000	35,000
		=====	=====

12.1 The company has obtained a facility of Rs 35 million under morabaha financing arrangement with a bank. Under the arrangement the company has obtained finances amounting to Rs 15 million which are secured against a pari passu charge on stocks and trade debts of the company. The finance carries mark-up at the rate of 17.5% per annum. The principal amount and the related mark-up were repaid on October 1, 1998.

12.2 The company has arranged a short term finance facility of Rs 30 million under a mark-up arrangement with a DFI. The rate of mark-up on the facility was 21.9% per annum. The facility is secured by way of a pari passu charge representing hypothecation of the company's stocks and trade debts. The principal amount against the facility was repayable on July 21, 1998 and the facility has been renewed for another year upto July 21, 1999.

**13. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS**

	1998 (Rupees in thousand)	1997
Secured		
From banks	90,133	195,198
	=====	=====

13.1 The company has arranged short term running finance facilities from various banks on mark-up basis to the extent of Rs 219.5 million (1997: Rs 234.5 million). The mark-up on such arrangements ranges from 15.7% to 21.5% per annum. The facilities are available for various periods expiring between July 1, 1998 and May 31, 1999.

The arrangements are secured by a joint hypothecation of the stocks, trade debts and moveable assets.

The facility for opening letters of credit and guarantees as at June 30, 1998 amounts to Rs 606 million (1997:

Rs 501 million) of which the amount remaining unutilised at the year end was Rs 415 million (1997: Rs 350 million).

#### 14. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Note	1998 (Rupees in thousand)	1997
Creditors	20,832	69,496
Bills payable	157,614	94,543
Accrued expenses	78,637	82,731
Advances from customers	2,464	22,748
Staff provident fund	1,205	942
Mark-up on short term and running finances	7,042	19,389
Surcharge on deferred customs duty	194	194
Mark-up on redeemable capital	1,908	2,042
Mark-up on finance leases	494	592
	-----	-----
	9,638	22,217
Workers' welfare fund	2,500	-
Workers' profits participation fund	14.1 6,210	124
Sales tax	10,322	-
Payable to Waqf-e-Kuli Khan	1,900	2,732
Retention money payable	1,037	-
Others	2,790	1,826
	-----	-----
	295,149	297,359
	=====	=====

1998  
(Rupees in thousand)

1997

#### 14.1 Workers' profits participation fund

Balance at the beginning of the year	124	1,607
Allocation for the year	6,210	124
	-----	-----
	6,334	1,731
Interest on fund utilised in the company's business	41	201
Payments during the year	(165)	(1,808)
	-----	-----
Balance at the end of the year	6,210	124
	=====	=====

#### 15. CONTINGENCIES AND COMMITMENTS

15.1 No provision has been made in these accounts for custom duties and surcharge (import levies) amounting to Rs 68.9 million on plant and machinery imported, during the year ended December 31,1983, under a lease/purchase agreement with Islamic Development Bank, Jeddah (the lessor). The company has disputed the aforementioned levies and therefore has deferred the provision till the dispute is settled and the ownership is transferred to the company after final payment to the lessor as referred to in note 15.2 below. The Central Board of Revenue has imposed a condition that interest at the prevailing bank rate shall be payable on the import levies deferred till such levies are paid. The company intends to make representations to the Central Board of Revenue for the withdrawal and/or reduction of import levies and interest thereon after the final payment under the lease agreement has been made. The company on the basis of an opinion from its legal advisor, is confident that its contention will be upheld if the matter is subjected to litigation. If, however, it is decided otherwise, total import levies and interest payable thereon upto June 30, 1998 will be Rs 68.9 million and Rs 103 million respectively. In addition, the company would have to provide for depreciation on import levies from the time of capitalisation of the subject plant and machinery which would amount to approximately Rs 62.661 million (1997: Rs 57.841 million).

15.2 Islamic Development Bank, Jeddah through its telex dated June 6, 1995 has claimed Islamic Dinars 10,979 (equivalent to Rs 0.621 million as at June 30, 1998) as a short receipt on account of the last installment due on December 30, 1994. This shortfall has arisen due to exchange fluctuation. The ownership of the leased assets, as referred to in note 15.1 above, will be transferred in the name of the company after payment of this amount and a token price of Islamic Dinar one (equivalent to Rs 56.55 as at June 30, 1998) is paid to the bank. The

company disputes the claim of Islamic Development Bank.

15.3 The central excise and taxation department has issued two demand notices for payment of sales tax of Rs 3.65 million and Rs 2.91 million aggregating Rs 6.56 million. These demands represent sales tax levied on tyres, tubes and flaps supplied to approved assembly plants during July 1985 to October 1986, which were otherwise exempted from the levy of sales tax under SRO 666 (1)/81 dated June 25, 1981. The appeal filed by the company with the Collector, Central Excise and Land Customs (Appeals) against the initial demand of Rs 3.65 million was dismissed. The company then filed a review petition with the Additional Secretary, Central Board of Revenue which was also rejected following which the company has filed an appeal in the High Court of Sindh which was pending as of June 30, 1998. The appeal against the second demand of Rs 2.91 million, filed with the Collector, Central Excise and Land Customs (Appeals) was also decided against the company. The company had subsequently filed a review petition with the Additional Secretary, Central Board of Revenue which was rejected. Although the company has paid Rs 3.65 million and Rs 2.91 million under protest, no provisions have been made there against as the management is confident, based on the advice of its legal counsel, that the matter will be decided in the company's favour. Accordingly, the aggregate amount of Rs 6.56 million (1997: Rs 6.56 million) is being shown as a receivable in note 25 to these accounts.

15.4 The central excise and taxation department had issued a demand notice for payment of sales tax of Rs 16.77 million. This represents sales tax levied on agricultural tyres supplied to approved assembly plants which were otherwise exempt under SRO 553(I)/94 dated June 9, 1994 as amended vide SRO 555(1)/94 dated June 9, 1994 during the period July 1994 to September 1995. The company filed an appeal with the Collector, Central Excise and Land Customs (Appeals) which appeal was rejected. Subsequently, the company filed an appeal against the aforementioned orders before the Customs, Central Excise and Sales Tax Appellate Tribunal which has stayed the recovery of the sales tax from the company, subject to the condition that the company furnishes an indemnity bond to the satisfaction of the Collector of Sales Tax. No provision has been made against the aforementioned demand of sales tax as the management is confident, based on the advice of its legal counsel, that the matter will be decided in the company's favour.

15.5 The Sindh Employees Social Security Institution (SESSI) had issued demand notices for payment of contributions of Rs 1.34 million and Rs 2.87 million in respect of employees of the company for a period from September 1993 to January 1995 and for the years 1989, 1990 and 1991, respectively. Constitutional petitions were filed in the High Court of Sindh which was disposed with a direction to raise the relevant dispute before SESSI. Appeals were, therefore, filed before the Commissioner, SESSI which were rejected. The company has filed appeals against the orders of the Commissioner, SESSI and has filed applications for stay of recovery before the Social Security Court which are pending. No provision has been made against the aforementioned demands as the management is confident that the matter will be decided in the company's favour.

15.6 Commitments in respect of capital expenditure contracted for as at June 30, 1998 amounted to Rs 22 million (1997: Rs 40 million).

## 16. OPERATING ASSETS

16.1 The following is a statement of operating assets:

	Cost as at July 1, 1997	Additions/ (disposals)/ *adjustments/ **transfers	Write offs (note 16.1.2)	Cost as at June 30, 1998	Accumulated depreciation as at July 1, 1997	Depreciation for the year/(on disposals)/ **(on transfers)	Accumulated depreciation on writes offs (note 16.1.2)	Accumulated depreciation as at June 30, 1998	Net book value as at June 30, 1998	Annual rate of depreciation %
Leasehold land	555	-	-	555	-	-	-	555	-	
Buildings on leasehold land	80,747	47,698 *(343)	(14,494)	113,608	46,247	3,192	(9,179)	40,260	73,348	5
Electrical installations	31,609	15 *(5)	-	31,619	25,482	619	-	26,101	5,518	10
Plant and machinery	378,931	4,409 *(865) **(15,797)	(14,367)	352,311	217,547	22,640	(12,758)	227,337	124,974	7
Boilers and accessories	11,461	-	-	11,461	8,163	583	-	8,746	2,715	10
Laboratory equipment	8,977	-	-	8,977	5,863	693	-	6,556	2,421	15
Moulds	40,350	9,516 **15,797	-	65,663	27,763	4,686 **92	-	32541	33,122	10
Vehicles	27,690	758 (869)	(114)	27,465	27,452	359 (869)	(114)	26828	637	20
Furniture and fittings	3,826	1,037 (49)	-	4,814	3,111	348 (49)	-	3,410	1,404	10 and 20

Office equipment and appliances	26,636	4,344 (274)	(365)	30,341	18,976	2,550 (223)	(173)	21,130	9,211	15
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**Assets held under finance leases**

Plant and machinery (note 16.1.1)	311,300	-	(52,418)	258,882	257,488	18,122	(43,357)	232,253	26,629	7
Vehicles	4,421	-	-	4421	1,366	884	-	2250	2,171	20
-----										
1998	926,503	67,777 (1,192) *(1,213)	(81,758)	910,117	639,458	54,676 (1,141)	(65,581)	627,412	282,705	
=====										
1997	826,626	100,478 (601)	-	926,503	585,693	54,366 (601)	-	639,458	287,045	
=====										

16.1.1 This represents plant and machinery acquired on finance lease from Islamic Development Bank. As stated in note 15.2 above the ownership of these assets has not been transferred in the name of the company therefore these continue to be classified as a part of assets held under finance leases.

16.1.2 On May 9, 1998 a fire broke out in the mixing department at the factory of the company. As a result of the fire, assets costing Rs 81.758 million and having a net book value of Rs 16.177 million were destroyed. These included assets acquired on finance lease from Islamic Development Bank costing Rs 52.418 million and having a net book value of Rs 9.061 million. These assets have been written off and an insurance claim based on their estimated replacement cost has been lodged. The amount of Rs 16.177 million being the net book value of the total assets destroyed has been shown in these accounts as a part of insurance claim receivable (note 25.2).

16.1.3 The cost of fixed assets capitalised includes borrowing cost aggregating Rs Nil (1997:Rs 18.838 million) (note 17.1.1).

16.2 The following operating assets were disposed off during the year.

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Profit/(Loss)	Mode of disposal	Particulars of purchaser
<b>Vehicles</b>							
(Rupees in thousand)							
Toyota Corolla XL-II	569	569	-	150	150	Final settlement	Mr. S. M. Jafar 162-E/3 P.E.C.H.S., Karachi.
Suzuki Sedan	300	300	-	60	60	-do-	Mr. M. Naseem Qureshi 21-A/1, Ahmed Street 15, Jannat Park, Ansari Road, Islampura, Lahore.
<b>Furniture and fittings</b>							
Synthetic carpet	29	29	-	17	17	Tender	Various employees
Sofa set	15	15	-	4	4	-do-	Syed Ghaffar 2/48-N, P.E.C.H.S., Karachi.
<b>Office equipment and appliances</b>							
Refrigerator	12	12	-	3	3	-do-	Mr. Aslam Pervaiz 234/7 Paposh Nagar Randie Road, Karachi
Air conditioner	10	10	-	3	3	-do-	Mr. Farooq Umar 150/1, Defence Phase IV, 13th Street, Karachi.
Photocopier	141	141	-	9	9	-do-	Mr. Masood Ahmed BV- 102, Bovt Village, Malir City, Karachi.

Generator	105	55	50	15(35)	-do-	Syed Yaminullah 1/50, P.I.B. Colony, Karachi
<b>Items having a net book value below Rs. 5,000 each</b>	11	10	1	2	1	-do- Various employees
-----	-----	-----	-----	-----	-----	-----
1998	1,192	1,141	51	263	212	
-----	-----	-----	-----	-----	-----	-----
1997	601	601	-	25	25	
=====	=====	=====	=====	=====	=====	=====

16.3 Depreciation charge for the year has been allocated as follows:

	Note	1998 (Rupees in thousand)	1997
Cost of goods manufactured	28.1	52,705	51,535
Administrative expenses	29	1,183	1,698
Selling and distribution expenses	30	788	1,133
		-----	-----
		54,676	54,366
		=====	=====

#### 17. CAPITAL WORK-IN-PROGRESS

Buildings		4,178	19,363
Plant and machinery			
- owned		32,272	5,382
- held under finance leases		40,000	40,000
		-----	-----
		72,272	45,382
Unallocated expenses	17.1	28,134	19,708
		-----	-----
		104,584	84,453
		=====	=====

#### 17.1 Unallocated expenses

Project evaluation fee		635	3,991
Borrowing cost and commitment charges	17.1.1	21,253	12,836
Legal and professional charges		93	93
Salaries and wages		5,137	2,007
Others		1,016	781
		-----	-----
		28,134	19,708
		=====	=====

17.1.1 Borrowing cost and commitment charges capitalised during the year amounts to Rs 12.003 million (1997: Rs 21.470 million), out of which Rs Nil (1997: Rs 18.838 million) has been transferred to operating fixed assets (note 16.1.3). Commitment charges of Rs 3.586 million (1997: Rs Nil) have been charged off as the draw down facility was not utilised by the company (note 32).

#### 18. LONG TERM INVESTMENTS

	Note	1998 (Rupees in thousand)	1997
<b>Quoted</b>			
<b>National Motors Limited</b>			
100,700 ordinary shares of Rs 10 each	18.1	2,447	2,447
Less: Provision for diminution in value	18.2	1,843	1,863
		-----	-----
		604	584
<b>Unquoted</b>			
20 shares of Rs 100 each of Landhi Industrial Trading Estate Limited			



18.3	-	2
	-----	-----
	604	586
	=====	=====

18.1 2,000 and 2,500 ordinary shares of Rs 10 each of National Motors Limited are held in the name of Dr. A. S. Mufti, Managing Director, and Chaudhry Sher Mohammad., Director Finance and Corporate Affairs, respectively for which the company holds blank transfer deeds.

18.2 The market value of the 100,700 shares of National Motors Limited as at June 30, 1998 was Rs 0.604 million (1997: Rs 0.584 million).

18.3 During the year the company has written off its investment in 20 shares of Rs 100 each of Landhi Industrial Trading Estate Limited (note 33). The shares of this investee company are not in the custody of the company.

#### 19. LONG TERM LOANS AND ADVANCES

	Note	1998 (Rupees in thousand)	1997
Unsecured - considered good			
Due from executives	19.1	1,271	382
Due from employees		2,014	897
		-----	-----
		3,285	1,279
Less: Recoverable within next twelve months - (included in note 24)		1,270	523
		-----	-----
		2,015	756
		=====	=====

19.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs 1.298 million (1997: Rs 0.531 million).

19.2 Interest free loans to executives and employees are given for purchase of motor vehicles. These are repayable in a lump sum or by way of monthly installments over a period of three to five years.

#### 20. LONG TERM DEPOSITS AND DEFERRED COSTS

	1998 (Rupees in thousand)	1997
Long term deposits	771	771
Deferred costs		
Underwriting commission	3,373	3,373
Processing fees	1,000	1,000
Other right share issue expenses	1,070	1,070
	-----	-----
	5,443	5,443
Less: Amounts amortised	3,811	2,722
	-----	-----
	1,632	2,721
	-----	-----
	2,403	3,492
	=====	=====

#### 21. STORES AND SPARES

In hand	146,336	149,075
In transit	1,193	4,604
	-----	-----
	147,529	153,679
	=====	=====

#### 22. STOCKS

	Note	1998 (Rupees in thousand)	1997
Raw materials			
· in hand		50,213	95,022
· in bonded warehouse		112,748	49,244
· in transit		4,630	108,912
· with third parties		324	-
		-----	-----
		167,915	253,178
Work-in-process	22.1	34,180	41,318
Finished goods		135,226	85,682
		-----	-----
		337,321	380,178
Less: Provision for obsolete and slow moving raw materials		2,935	2,935
		-----	-----
		334,386	377,243
		=====	=====

22.1 Work-in-process includes Rs 5.687 million (1997: Nil) held by third parties.

### 23. TRADE DEBTORS

	Note	1998 (Rupees in thousand)	1997
Unsecured			
Considered good	23.1	77,975	104,269
Considered doubtful		5,746	5,746
		-----	-----
		83,721	110,015
Less: Provision for doubtful debts		5,746	5,746
		-----	-----
		77,975	104,269
		=====	=====

23.1 This includes amounts due from associated undertakings aggregating Rs 9.829 million (1997: Rs 9.869 million). The maximum amount due from associated undertakings at the end of any month during the year was Rs 13.484 million (1997: Rs 9.869 million).

### 24. LOANS AND ADVANCES

	Note	1998 (Rupees in thousand)	1997
Unsecured			
Considered good			
Loans			
· due from executives	24.1	1,599	1,118
· due from other employees		4,378	1,728
		-----	-----
		5,977	2,846
Advances			
· due from others		4,057	2,887
		-----	-----
		10,034	5,733
		=====	=====

24.1 The maximum amount due from executives at the end of any month during the year was Rs 2.480 million (1997: Rs 2.989 million).

### 25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	1998 (Rupees in thousand)	1997
Deposits and prepayments			

· Trade deposits		-	3,566
· Short term prepayments		6,397	4,729
· Lease rentals paid in advance		352	-
· Current account balances with statutory authorities		4,471	8,862
		-----	-----
		11,220	17,157
Other receivables			
· Due from an associated undertaking	25.1	-	656
· Sales tax refundable	15.3	6,560	6,560
· Custom duty rebates recoverable		48,693	42,511
· Insurance claim receivable	25.2	23,854	-
· Others		3,169	9,026
		-----	-----
		82,276	58,753
		-----	-----
		93,496	75,910
		=====	=====

25.1 The maximum amount due from an associated undertaking at the end of any month during the year was Rs 0.656 million (1997: Rs 1.203 million).

25.2 Insurance claim receivable represents the net book value of fixed assets amounting to Rs 16.177 million (note 16.1.2) and the book value of stocks amounting to Rs 7.677 million destroyed due to fire.

#### 26. CASH AND BANK BALANCES

	Note	1998 (Rupees in thousand)	1997
With banks			
On current accounts	26.1	15,355	10,828
On deposit account		3,030	-
Cash and cheques in hand		13,828	4,994
		-----	-----
		32,213	15,822
		=====	=====

26.1 Balances on current accounts include a separate account for deposits from dealers amounting to Rs 3.08 million (1997: Rs 2.72 million).

#### 27. NET SALES

	1998 (Rupees in thousand)	1997
Gross sales	1,678,094	1,356,107
Less:		
Discounts	34,758	14,187
Tyre replacement allowance	19,611	23,016
Excise duty and sales tax	219,934	229,592
	-----	-----
	274,303	266,795
	-----	-----
	1,403,791	1,089,312
	=====	=====

#### 28. COST OF SALES

	Note	1998 (Rupees in thousand)	1997
Opening stock of finished goods		85,682	116,583
Cost of goods manufactured	28.1	1,126,007	870,602
Finished goods purchased		484	19,095
Technical assistance fee		40,752	31,757
		-----	-----

		1,252,925	1,038,037
Less: Closing stock of finished goods		135,226	85,682
		-----	-----
		1,117,699	952,355
		=====	=====

**28.1 Cost of goods manufactured**

Opening stock of work-in-process		41,318	37,985
Raw materials consumed	28.1.1	726,347	563,327
Stores consumed		25,125	23,443
Salaries, wages and benefits		129,162	98,573
Gratuity		9,036	7,516
Provident fund		3,364	2,993
Travelling, conveyance and vehicle maintenance		5,304	6,164
Power and fuel		90,441	70,541
Rent, rates and taxes		1,954	1,478
Insurance		6,989	6,397
Repairs and maintenance		53,456	30,803
Depreciation	16.3	52,705	51,535
Printing and stationery		1,062	966
Postage, telephone and telegrams		1,035	1,137
Expatriate's service cost		11,418	6,905
Other manufacturing expenses		1,471	2,157
		-----	-----
		1,160,187	911,920
Less: Closing stock of work-in-process		34,180	41,318
		-----	-----
		1,126,007	870,602
		=====	=====

**23.1.1 Raw materials consumed**

Opening stock		250,243	248,124
Purchases	28.1.2	651,239	574,496
		-----	-----
		901,482	822,620
Less:			
Indirect materials consumed		10,155	9,050
Closing stock		164,980	250,243
		-----	-----
		175,135	259,293
		-----	-----
		726,347	563,327
		=====	=====

28.1.2 Purchases include custom duty rebates recoverable written off aggregating Rs 14.849 million (1997:Rs Nil).

**29. ADMINISTRATIVE EXPENSES**

	Note	1998 (Rupees in thousand)	1997
Salaries and benefits		21,205	15,586
Gratuity		2,961	1,771
Provident fund		778	643
Travelling and conveyance		6,010	4,547
Legal and professional charges		825	1,153
Auditors' remuneration	29.1	1,099	640
Rent, rates and taxes		1,819	1,702
Insurance		332	201
Repairs and maintenance		1,452	964
Depreciation	16.3	1,183	1,698
Printing and stationery		762	801
Postage, telephone and telegrams		2,008	1,747

Entertainment	672	583
Computer expenses	527	1,070
Directors' fee	7	16
Other expenses	1,143	1,124
	-----	-----
	42,783	34,246
	=====	=====

**29.1 Auditors' remuneration**

	A.F. Ferguson & Co.	1998 Hameed Chaudhri & Co.	Total	1997 Total
Audit fee	200		200	400
Other advisory services and special certification	385		287	672
Out of pocket expenses	27		-	27
	-----			
	612		487	1,099
	=====			640

**30. SELLING AND DISTRIBUTION EXPENSES**

	Note	1998 (Rupees in thousand)	1997
Salaries and benefits		13,610	11,717
Gratuity		2,509	759
Provident fund		438	408
Travelling, conveyance and entertainment		3,316	3,037
Sales promotion		1,480	1,261
Advertising		7,627	4,738
Rent, rates and taxes		1,361	1,228
Insurance		266	130
Repairs and maintenance		203	135
Depreciation	16.3	788	1,133
Printing and stationery		261	130
Postage, telephone and telegrams		1,459	1,409
Freight, packing charges and octroi		26,790	20,893
Others		1,621	2,301
		-----	-----
		61,729	49,279
		=====	=====

**31. OTHER INCOME**

Sale of scrap	9,701	10,570
Profit on sale of fixed assets	212	25
Interest	651	942
Exchange gain	15	6
Others	555	55
	-----	-----
	11,134	11,598
	=====	=====

**32. FINANCIAL CHARGES**

Interest on		
· Loan from a director	1,760	2,640
· Workers' profits participation fund	41	201
Surcharge on deferred customs duty	507	42
Mark-up on short term and running finances	41,919	50,698
Excise duties	9	2,637
Mark-up on redeemable capital	11,102	-
Mark-up on finance leases	481	2,135

Bank charges and guarantee commission	791	2,020
Project evaluation fee	3,356	-
Commitment charges	3,586	-
Exchange loss	1,788	1,214
Others	160	-
	-----	-----
	65,500	61,587
	=====	=====

**33. OTHER CHARGES**

	Note	1998 (Rupees in thousand)	1997
Amortisation of deferred costs		1,089	1,089
Workers' profits participation fund	14.1	6,210	124
Workers' welfare fund		2,500	(193)
Donation	33.1	1,984	66
Provision for diminution in the value of an investment		(20)	20
Investment written off	18.3	2	-
		-----	-----
		117765	1,106
		=====	=====

33.1 Donation of Rs 1.900 million (1997:0.066 million) has been paid to Waqf-e-Kuli Khan, a trust. The chairman of the company is a trustee of the Waqf.

**34. BASIC EARNINGS PER SHARE**

Profit after taxation (Rupees in thousands)	74,647	2,563
	-----	-----
Number of ordinary shares (in thousands)	17,078	17,078
	Rs 4.37	Rs 0.15
	=====	=====

**35. CASH GENERATED FROM OPERATIONS**

	Note	1998 (Rupees in thousand)	1997
Profit before taxation		115,449	2,337
Adjustments for non-cash charges and other items:			
Depreciation		54,676	54,366
Profit on sale of fixed assets		(212)	(25)
Amortisation of deferred costs		1,089	1,089
Provision for diminution in the value of an investment		(20)	20
Investment written off		2	-
Provision for staff retirement gratuity		14,506	10,046
Interest income		(651)	(942)
Exchange gain		(15)	(6)
Financial charges		65,500	61,587
Working capital changes	35.1	79,960	(66,505)
		-----	-----
		214,835	59,630
		-----	-----
		330,284	61,967
		=====	=====

**35.1 Working capital changes**

1998

1997

(Rupees in thousand)

(Increase)/decrease in current assets

Stores and spares	6,150	(25,057)
Stocks	42,857	25,449
Trade debtors	26,294	27,876
Loans and advances	(4,301)	4,240
Deposits, prepayments and other receivables (net)	(1,409)	6,071
	-----	-----
	69,591	38,579

Increase/(decrease) in current liabilities

Creditors, accrued expenses and other liabilities (net)	10,369	(105,084)
	-----	-----
	79,960	(66,505)
	=====	=====

**36. CASH AND CASH EQUIVALENTS**

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

	1998	1997
	(Rupees in thousand)	
Cash and bank balances	32,213	15,822
Running finance under mark- up arrangements	(90,133)	(195,198)
	-----	-----
	(57,920)	(179,376)
	=====	=====

**37. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	1998			1997		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Managerial remuneration and allowances	2,705	1,960	24,142	2,304	1,677	20,662
Company's contribution to provident fund and gratuity	1,077	1,010	2,356	853	431	2,041
Medical	21	50	1,593	34	19	1,239
Leave passage	1,009	619	788	106	462	788
Others	-	-	-	22	-	-
	-----	-----	-----	-----	-----	-----
	4,812	3,639	28,879	3,319	2,589	24,730
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	67	1	1	61
	=====	=====	=====	=====	=====	=====

37.1 The chairman, the chief executive and an executive director are provided with free use of cars maintained by the company and telephones at their residences. Some executives are also entitled to use company maintained cars.

37.2 The amount charged in the accounts for the year excluding that shown above, for fee to ten (1997: thirteen) non-executive directors was Rs 7,000 (1997: Rs 16,000).

**38. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS AND DIRECTORS**

	1998	1997
	(Rupees in thousand)	
Rent paid to an associated undertaking	480	630
Settlement of loan on behalf of a deceased director	12,000	-
Interest on loan from a deceased director	1,760	2,640
Expenses charged by an associated undertaking	1,105	1,149

Sales	28,746	42,388
Fixed asset purchased	758	-

**39. PLANT CAPACITY AND ACTUAL PRODUCTION**

Capacity Tyre sets (units)	700,000	654,000
	=====	=====
Production Tyre sets (units)	668,666	487,766
	=====	=====

39.1 The plant capacity was not fully utilised because the mixing arrangements in the factory's main unit were suspended due to damage caused by fire in May 1998.

**40. CORRESPONDING FIGURES**

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

**Raza Kuli Khan Khattak**  
Chairman

**Dr. A.S. Mufti**  
Chief Executive

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

No. of Shareholders	Shareholding		Total Shares held
	From	To	
385	1	100	15,948
591	101	500	175,000
203	501	1000	141,932
265	1001	5000	526,570
27	5001	10000	184,799
15	10001	15000	174,232
2	15001	20000	39,600
2	20001	25000	41,724
4	30001	35000	129,124
1	35001	40000	38,940
2	40001	45000	84,505
1	45001	50000	48,840
1	65001	70000	66,000
3	80001	85000	250,108
1	120001	125000	120,615
1	140001	145000	140,150
1	180001	185000	183,536
1	185001	190000	188,496
1	240001	245000	240,621
1	285001	290000	286,510
1	305001	310000	306,636
1	1665001	1670000	1,669,800
1	1880001	1885000	1,883,927
1	4935001	4940000	4,936,255
1	5200001	5205000	5,203,632
-----			-----
1513			17,077,500
=====			=====

Categories of shareholders	Number	Shares held	Percentage
Individuals	1478	1,827,748	10.70
Joint Stock Companies	5	5,212,998	30.52
Financial Institutions	5	7,328,473	42.91
Insurance Companies	5	483,314	2.83
Investment Companies	12	177,144	1.04
Government Institution	1	66,000	0.39
Charitable Institution	1	38,940	0.23
Foreign Companies	6	1,942,883	11.38
-----		-----	-----
	1513	17,077,500	100.00
=====		=====	=====