

Allied Motors Limited

ANNUAL REPORT 1998

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COMPANY INFORMATION

BOARD OF DIRECTORS

K. Asif Rahman Chairman & Chief Executive

Manzoor Saber
(Nominee of NDFC)

Raziur Rahman Khan
(Nominee of NIT)

Tajammul Hussain

P. K. Shahani
(Alternate Director of Iqbal Ghafur)

Anver Majid

Kamal Mahmood

COMPANY SECRETARY

Asif Mahmood

AUDITORS

Ford, Rhodes, Robson, Morrow
Chartered Accountants
Finlay House
I. I. Chundrigar Road
Karachi.

REGISTERED OFFICE

D-168, Sindh Industrial Trading Estate
Haroonabad,
Karachi- 75700

FACTORY

Plot Nos. A1 -A50 Hub Industrial Trading Estate
Hub, District Lasbela (Balochistan)

REGISTRARS

Gangjees Investment & Finance Consultants
513, Clifton Centre, Khayaban-e-Roomi, Block-5,
Clifton, Karachi-75600

NOTICE OF MEETING

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Shareholders of Allied Motors Limited will be held on Monday December 28, 1998 at 12.00 Noon at the Registered office of the Company, situated at D-168, S.I.T.E., Haroonabad, Karachi to transact the following business:

1. To confirm the Minutes of the fifteenth Annual General Meeting held on December 23, 1997.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 1998, together with the Directors' Auditors' Report thereon.
3. To elect Seven (7) Directors for a period of 3 years in place of retiring Directors messers K. Asif Rahman, Manzoor Saber, Raziur Rahman Khan, Tajammul Hussain, P.K. Shahani (Alternate Director of Iqbal Ghafur) Anver Majid, Kamal Mahmood & Fazlur Rahman. The number of Directors fixed by the Board for election is seven (7)
4. To appoint Auditors of the Company for the year 1998/99 and to fix their remuneration. The present Auditors - Ford, Rhodes, Robson, Morrow - Chartered Accountants - retire and, being eligible, offer themselves for reappointment. The Company has received a notice from a shareholder under section 253(I) of the Companies ordinance 1984, Proposing to appoint Nasir Javaid & Co. Chartered Accountants as Auditors for the financial year ending 30th June 1999.
5. To transact any other ordinary business of the Company with the permission of the Chair.

BY ORDER OF THE BOARD

Dated: Karachi, December 3, 1998

ASIF MAHMOOD
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from December 14, 1998 through December 28 1998 (both days inclusive).
2. A member eligible to attend and vote at the Meeting may appoint another Member as his/her Proxy to attend and vote instead of him/her. Proxies in order to be effective must be deposited at Registered Office of the company not later than 48 hours before the time of holding of the meeting.
3. Shareholders are requested to immediately notify change of address, if any, to our Registrar, Gangjees Investment & Finance Consultants, 513, Clifton Centre, Khayaban-e-Roomi, Block-5, Clifton, Karachi-75600.

DIRECTORS' REPORT

Your Directors welcome you to the sixteenth Annual General Meeting and place before you the Annual Report together with the Audited Accounts of the Company for the year ended June 30, 1998.

FINANCIAL RESULTS

The financial results are summarized as under:

	(Rs. 000)	
	1998	1997
Net Sales	4,857	3,658
Gross Profit/(Loss)	(2,616)	(3,162)
Operating Profit/(Loss)	(9,260)	(9,059)
Profit/(Loss) Before Tax	(8,861)	(10,287)
Profit/(Loss) After Tax	(12,921)	(30,006)
Unappropriated Profit/(Loss) B/F	(162,801)	(132,795)
Accumulated Profit/(Loss)	(149,880)	(162,801)

During the year under review, the Company sold 33 units of small horse power Tractors from the left over inventory, under the brand name of "Allied-35". The total tractor industry sales was 11,971 units including 33 units of small horse power tractors which were sold by your Company.

Between the last Directors' Report and during the financial year under review, there has been no material changes and commitments affecting the financial position of the Company.

There have been no changes that have occurred during the financial year concerning the nature of business of the Company.

AUDITORS' OBSERVATIONS

Auditors' observation in para 2 of the Auditors' Report to the Members, it is stated that:

The management is concerned about the future of your Company and it is actively engaged in its re-activation. The Company's property is free from all encumbrances. Further, the management considers that at present the assets and liabilities do not require any adjustment or reclassification since efforts are being made to re-activate the operation.

Auditors' comments in paragraph 3 of their Report to the Members. It is stated that your Directors consider the tangible fixed assets, loose tools, stock-in-trade as good and realisable. The investment of Rs. 5 million in Polymer & Precision Engineers (Pvt.) Limited, in the opinion of your Directors, may soon start yielding returns.

FUTURE OUT LOOK

As you are already aware, the reactivation of the company has been the management's main concern. This to date still holds true and whilst active discussions are on going with foreign manufacturers, unfortunately the country's internal and external problems have had a very negative impact. The imminent fears of default looms large, coupled with its consequences on company's business

Your management sincerely hopes that the country's economic position improves to enable us to conclude our efforts to your entire satisfaction.

YEAR 2000 COMPLIANCE OF COMPUTER SYSTEM

As the millennium approaches, we know there is a mandatory Year-2000 date problem which affects most computer operating systems including microchips and software programs that records the year using only the last two digits.

Like other we will also get affected by Year-2000 problem. However, our software are not developed in the earlier generation language like Assembly or Cobol. We do not face any problems of the same quantum. We are in PC environment under Novel NetWare 3.12 using FoxPro 2.6. This software allows the use of a command such as "Set century on" which would to a great extent take care of the problem. Allied Motors Ltd. is fully committed to beating the Millennium Bug.

PATTERN OF SHAREHOLDING

The pattern of shareholding is attached.

The management would like to place on record its appreciation of the work of senior management, executives and other members of the staff without whose unstinted support it would not have been possible to continue the Company's operations.

FOR AND ON BEHALF OF THE BOARD

Dated: Karachi, November 17, 1998

K. ASIF RAHMAN
Chairman

PATTERN OF SHAREHOLDING

Pattern of Holding of Shares Held by the Shareholders
As at June 30, 1998

No. of Shareholders	Share Holding		Total Shares Held
	From	To	
594	1	100	57,134
538	101	500	118,347
86	501	1000	76,000
138	1001	5000	336,808
19	5001	10000	127,346
8	10001	15000	100,232
5	15001	20000	85,630
2	20001	25000	48,399
1	25001	30000	27,633
2	30001	35000	64,933
2	45001	50000	93,899
1	55001	60000	57,731
1	60001	65000	61,633

1	70001	75000	70,833
1	105001	110000	109,700
1	355001	360000	355,333
1	690001	695000	691,094
1	885001	890000	889,200
1	1105001	1110000	1,108,906
1	1880001	1885000	1,883,200
1	2635001	2640000	2,636,009

1405			9,000,000
=====			=====

CATEGORIES OF SHAREHOLDERS

As at June 30, 1998

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
1. Joint Stock Companies	5	4,493,906	49.93
2. Financial Institutions	3	2,843,233	31.59
3. Holding Companies	0	0	0.00
4. Modaraba Companies	0	0	0.00
5. Insurance Companies	3	171,499	1.91
6. Investment Companies	1	355,333	3.95
7. Individuals	1393	1,136,029	12.62
8. Associated Companies	0	0	0.00
9. Others	0	0	0.00
	-----	-----	-----
	1405	9,000,000	10,000
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the annexed balance sheet of ALLIED MOTORS LIMITED as at June 30, 1998 and the related profit and loss account and statement of changes in financial position (cash flow statement), together with the notes forming part thereof, for the year then ended.

2. As shown in the financial statements, the company has an operating loss for the year of Rs. 9.260 million and a carried forward net loss of Rs. 149.880 million as at June 30, 1998 and, we have also been unable to satisfy ourselves that further financial assistance from banks or other lenders will be available to the company. These factors, the closure of the factory and the "Ford" group of companies withdrawal from and termination of its franchise agreements with the company, raise substantial doubt that the company will be able to continue as a going concern and may be unable to realise its assets and discharge its liabilities in the normal course of business. Consequently adjustments may be required to the recorded asset amounts or to the amounts and classification of liabilities. The financial statements (and notes thereto) do not disclose this fact.

3. We have been unable to satisfy ourselves as to, the realisable value of tangible fixed assets, the net realisable value of loose tools, stock-in-trade (see also not 14) and an amount of Rs. 5 million in respect of investment, against which no provisions have been made.

3. We state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion, except for the omission of the information referred to in 2 above and subject to the matters stated in 3 above, to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position (cash flow statement), together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1998 and of the loss and the statement of changes in financial position (cash flow statement) for the year then ended; and

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

Ford, Rhodes, Robson, Morrow
Chartered Accountants

Karachi - 19 November 1998

BALANCE SHEET
AS AT JUNE 30, 1998

	NOTE	1998 Rs. 000	1997 Rs. 000
SHARE CAPITAL AND RESERVES			
Authorised Capital		218,000	218,000
21,800,000 ordinary share of Rs. 10 each		=====	=====
Issued, subscribed and paid-up capital	3	90,000	90,000
Reserves			
Capital	4	86,194	86,194
Revenue	5	(139,980)	(152,901)
		-----	-----
		(53,786)	(66,707)
		-----	-----
		36,214	23,293
CURRENT LIABILITIES			
Short term finance	6	18,793	18,299
Due to associated company	7	8,591	6,550
Creditors, accrued expenses and other liabilities	8	5,995	26,228
		-----	-----
		33,379	51,077
CONTINGENCY			
	9	-----	-----
		69,593	74,370
		=====	=====
TANGIBLE FIXED ASSETS			
Operating fixed assets - Net	10	31,939	34,022
Other	11	9,482	9,482
		-----	-----
		41,421	435.04
LONG TERM INVESTMENT			
	12	5,000	5,000
CURRENT ASSETS			
Loose tools	13	437	485
Stock-in-trade	14	22,045	24,982
Advances	15	-	12
Deposits and prepayments	16	90	92
Other receivables		-	33
Income tax receivable		502	139

Cash and bank balances	17	98	123
		-----	-----
		23,172	25,866
		-----	-----
		69,593	74,370
		=====	=====

The annexed notes form part of these accounts.
The auditors' report is annexed hereto.

KAMAL MAHMOOD
Director

K. ASIF RAHMAN
Chairman & Chief Executive

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

	NOTE	1998 Rs. 000	1997 Rs. 000
Sales	18	4,857	3,658
Cost of sales	19	(7,473)	(6,820)
		-----	-----
		(2,616)	(3,162)
Selling, distribution, administration and general expenses	20	(3,493)	(2,809)
Financial charges	21	(3,151)	(3,088)
		-----	-----
		(6,644)	(5,897)
		-----	-----
Operating loss		(9,260)	(9,059)
Other income	22	417	324
		-----	-----
Loss for the year before taxation		(8,843)	(8,735)
Prior period items	23	(18)	(1,552)
		-----	-----
Loss before taxation		(8,861)	(10,287)
Taxation	24	21,782	(19,719)
		-----	-----
Profit/(Loss) after taxation		12,921	(30,006)
Loss brought forward		(162,801)	(132,795)
		-----	-----
		(149,880)	(162,801)
		=====	=====

The annexed notes form part of these accounts

KAMAL MAHMOOD
Director

K. ASIF RAHMAN
Chairman & Chief Executive

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1998

	1998 Rs. 000	1997 Rs. 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Funds provided from operations		
Profit/(loss) after taxation	12,921	(30,006)
Adjustment for items not involving movement of funds:		
Depreciation	2,224	2,444
Gain on sale of fixed assets	(251)	(158)
	-----	-----

	1,973	2,286
	-----	-----
	14,894	(27,720)
Working capital changes		
(Increase)/decrease in current assets		
Loose tools	48	54
stock-in-trade	2,937	2,483
Trade debts	-	439
Advances	12	(12)
Due from associated companies	258	(258)
Deposits and prepayments	2	375
Other receivables	33	(16)
Advance tax	(363)	75
	-----	-----
	2,927	3,140
Increase/(decrease) in current liabilities		
Short term finance	494	1,409
Due to associated companies	1,783	1,848
Creditors accrued expenses and other liabilities	(20,233)	20,752
	-----	-----
	(17,956)	24,009
	-----	-----
Net cash used in operating activities	(135)	(571)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(150)	(93)
Sale proceeds of fixed assets	260	450
	-----	-----
Net cash generated from investing activities	110	357
	-----	-----
Net decrease in cash and cash equivalents	(25)	(214)
	-----	-----
Cash and cash equivalents at the beginning of the year	123	337
	-----	-----
Cash and cash equivalents at the end of the year	98	123
	=====	=====

KAMAL MAHMOOD
Director

K. ASIF RAHMAN
Chairman & Chief Executive

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1998

1. STATUS AND NATURE OF BUSINESS

Allied Motors Limited is a public limited company quoted on stock exchanges in Karachi (trading in defaulters counter) and Lahore. The company's business is the assembly-cure-progressive manufacture and sale of tractors and agrimotors and in the trading of parts and implements related thereto. The company was incorporated on May 6, 1982 and commenced commercial operations in August, 1983. Trading in tractor parts and implements commenced from July 1, 1986. The company started assembly-cure-progressive manufacture and sale of Agrimotor 3 wheeler pick-up in 1994/1995.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention

2.2 Staff retirement benefits

The company operates a provident fund scheme for all its employees eligible for the benefit.

2.3 Taxation

Provision for taxation is made on current taxable income wherever necessary, and for deferred liabilities for taxation only if there are material timing differences which are expected to reverse

within the foreseeable future.

2.4 Fixed capital expenditure

These are stated at cost less accumulated depreciation except land and capital work-in-progress and fixed assets-other which are stated at cost.

Depreciation is charged to income applying the reducing balance method. The rates used are stated in note 10 to the accounts.

Maintenance and normal repairs are charged to income as and when incurred. Major renewal and improvements are capitalised. Gain or loss, If any, on disposal of fixed assets is included in income currently.

Full year's depreciation is charged in the year of acquisition and none in the year of sale.

2.5 Stock-in-trade

These are stated at the lower of net realisable value or cost determined on the first-in-first-out method excluding exchange gain/loss.

2.6 Loose tools

These are stated at cost less an amount written off at the rate of 10% on diminishing balance method.

2.7 Foreign currency translation

Transactions in foreign currencies are converted into rupees at the rates prevailing on the date of transaction.

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange ruling on the balance sheet date except for liabilities covered under forward exchange contracts which are translated at the contracted rates.

Exchange gain or loss is included in income currently.

2.8 Deferred costs

These are written off during a period not exceeding five years commencing from the financial year in which the costs are incurred

2.9 Revenue recognition

Sales are recognised at the time of delivery of goods from plant/delivery centres.

	1998	1997
	Rs.000	Rs. 000

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

8,135,871 ordinary shares of Rs. 10 each fully paid in cash	81,359	81,359
864,129 ordinary shares of Rs. 10 each issued as fully paid bonus shares	8,641	8,641
-----	-----	-----
9,000,000	90,000	90,000
=====	=====	=====

4. CAPITAL RESERVE

This capital reserve has arisen consequent to the capital receipt from "Ford" in terms of paragraph 12 of the Compromise Agreement dated January 22, 1990 between "Ford" and the company.

5. REVENUE RESERVE

General	9,900	9,900
Profit and loss account-adverse balance	(149,880)	(162,801)
	-----	-----
	(139,980)	(152,901)
	=====	=====

6. SHORT TERM FINANCE

6.1 Running finance from bank

	Security	Credit limit in millions Rs.	Mark-up rate P.a.	1998 Rs. 000	1997 Rs. 000
The Hongkong Hypothecation of stock in Shanghai Ban trade of the value of Corporation Limited, Karachi.	Rs. 12.2 million	*	16%**	8,228	8,335
6.2 Finance from others Midland Motors Pakistan (Pvt.) Limited	Unsecured	-	8%	10,565***	9,964
				----- 18,793	----- 18,299
				=====	=====

* repayment/review date was May 31, 1998.

** net after rebate

*** represents principal plus mark-up and includes the amount reflected in note no. 14.3

7. DUE TO ASSOCIATED COMPANY

	Markup rate p.a.	1998 Rs. 000	1997 Rs. 000
Allied Engineering & Services Limited	16%*	8,503	6,808
Polymer & Precision Engineers (Pvt.) Limited	16%**	88	(258)
		----- 8,591	----- 6,550
		=====	=====

* compounded quarterly.

** compounded monthly.

8. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Creditors	*	2,870	1,899
Accrued expenses		2,583	2,555
Mark-up accrued on short term running finance		340	86
Taxation (income-tax)		-	21,498
Corporate asset tax		155	182
Sales-tax		47	8
		----- 5,995	----- 26,228
		=====	=====

* Includes a liability in foreign currency for US\$ 37,001.52 converted to Pak. Rupees at open market selling rate of Rs. 54.50 per US\$ (as on June 30, 1998)

9. CONTINGENCY

The company may be liable to customs duty of Rs. 5.8 million in respect of 360 tractor units (released on the basis of an undertaking given by the company) in the event that the revised deletion programme, as requested for by the company is not approved by the Government of Pakistan. The company contested this matter, through its lawyer who finally wrote to the customs on September 27, 1987 stating the demand is not sustainable under the law governing import of the said 360 tractors. Since there has been no further demand from customs, the company considers that this contingent liability now stands null and void.

10. STATEMENT OF OPERATING FIXED ASSETS

Cost at July 1, 1997	Additions/ (deletions) during the year	Cost at June 30, 1998	Accumu- lated depre- ciation at June 30, 1998	Book value at June 30, 1998	Depreciation for the year Amount	Rates
Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	%

Mazda Pick-up

Regn. No. CD-3012

150,000

Allied Engineering & Services Limited

11. TANGIBLE FIXED ASSETS - OTHER

This represents the "York Line" complete machinery and transfer line, purchased from an associated company (imported under the Pakistan Government's Non-Repatriable Investment Scheme). According to the company's board resolution, after utilizing such machines that are adaptable for manufacture of tractor engines, the surplus will be disposed off.

12. LONG TERM INVESTMENT

This represents investment at cost in ordinary shares in the equity of polymer & precision Engineers (Pvt.) Limited - an associated undertaking. Based on the latest available audited accounts of Polymer & Precision Engineers (Pvt.) Limited as of June 30, 1997, the holding of the company represents 14.79% of the total equity of Polymer & Precision engineers (Pvt.) Limited and the net worth of the investment works out to Rs. 1.72 million (previous year - Rs. 1.61 million)

13. LOOSE TOOLS

	1998 Rs.000	1997 Rs.0.000
Opening Balance	485	539
Written off	(48)	(54)
	-----	-----
	437	485
	=====	=====

14. STOCK-IN-TRADE**14.1 Tractors and Agrimotors***

Raw materials and components	14,230	18,648
Work-in-progress	1,387	-
Finished goods	1,868	1,762
	-----	-----
	17,485	20,410

14.2 Parts and implements

	2,256	2,268
	-----	-----
	19,741	22,678

Provision for obsolete stock

	(54)	(54)
	-----	-----
	19,687	22,624

14.3 Agrimotor development expenses**

	2,358	2,358
	-----	-----
	22,045	24,982
	=====	=====

*In accordance with the Compromise Agreement dated January 22, 1990 between "Ford" and the company, the company has undertaken that it will not after the effective date (i.e. March 22, 1990) manufacture, assemble or sell any of the Licensed Products as defined in any of the subsisting agreements or any Ford agricultural tractor or their parts or components or spare parts or assemblies or sub-assemblies or use any of the Ford trade marks or the Ford trade name or the Ford insignia or logo upon or in relation to or in connection with any goods, services or business whatsoever, except for such units of the Model 1910 tractor which were at the agreement date in the company's inventory and were to be assembled before June 30, 1990 and to be sold upto December 31, 1990. At the request of the company for further extension of time, Ford has, communicated their consent that the company may sell the balance inventory of 1910 tractors by using any other name. The company as such has decided to sell the 1910 tractors under the brand name "ALLIED 35" instead of "FORD 1910". Stock-in-trade includes former "Ford trade mark" inventories of an estimated value of Rs. 14.413 million (1997: Rs. 17.183 million) which have been valued at cost and no adjustment has been made in the financial statements with regard to aforesaid.

**This amount represents expenses incurred in acquiring some farm vehicles (Agrimotors) for test and trial. Since Allied Motors Limited has not earned any profit during the past years, the Chairman of the company requested the Midland Motors Pakistan (Pvt.) Limited to provide funds for the said expenses. The funds (Rs. 2.358 million) so provided will be reimbursed to the Midland Motors Pakistan (Pvt.) Limited with mark-up @ 8% only if the test marketing is successful.

However, in the event the product does not take off, the expenses so incurred will be borne by the Midland Motors Pakistan (Pvt.) Limited and mark-up will not be payable to Midland Motors Pakistan (Pvt.) Limited.

	1998 Rs. 000	1997 Rs. 000
15. ADVANCES - UNSECURED-CONSIDERED GOOD		
Advances to suppliers	-	12
	=====	=====
16. DEPOSITS AND PREPAYMENTS		
Security deposits	73	73
Short term prepayments	17	19
	-----	-----
	90	92
	=====	=====
17. CASH AND BANK BALANCES		
Balances with banks on current accounts	78	78
Cash in hand	20	45
	-----	-----
	98	123
	=====	=====
18. SALE		
Tractors and Agrimotors [net of discount of Rs. 145(000) 1997: Rs, 15(000)]		
Manufactured goods	5,119	3,973
Less: Commission paid	270	315
	-----	-----
	4,849	3,658
Trading goods (parts and implements)	8	-
	-----	-----
	4,857	3,658
	=====	=====
	1998	1997
	Rs.000	Rs. 000
19. COST OF SALES		
19.1 Tractors and Agrimotors		
Raw materials consumed (19.1.1)	5,173	751
Manufacturing expenses (19.1.2)	3,787	4,044
Inventory adjustment	-	5
	-----	-----
	8,960	4,800
Work-in-process inventory at July 1, 1997	-	2,807
Work-in-process inventory at June 30, 1998	(1,387)	-
	-----	-----
	(1,387)	2,807
Finished goods inventory at July 1, 1997	1,762	975
Finished goods inventory at June 30, 1998	(1,868)	(1,762)
	-----	-----
	(106)	(787)
	-----	-----
	7,467	6,820
	=====	=====
9.2 Parts and implements - Tractors and Agrimotors		

Stock at July, 1997	2,268	2,228
Purchases (net of inventory adjustments)	(6)	40
	-----	-----
	2,262	2,268
Stock at June 30, 1998	(2,256)	(2,268)
	-----	-----
	6	-
	-----	-----
	7,473	6,820
	=====	=====

19.1.1. Raw materials consumed

Stock at July 1, 1997	18,648	19,134
Purchases (net of inventory adjustments)	755	265
	-----	-----
	19,403	19,399
Stock at June 30, 1998	(14,230)	(18,648)
	-----	-----
	5,173	751
	=====	=====

19.1.2. Manufacturing expenses

Salaries, wages, and benefits	646	724
Travelling and vehicles running	62	78
Insurance	100	104
Rent, rates and taxes	524	524
Repairs and maintenance	42	8
Electricity, gas and water	200	158
Postage, telephone and stationery	8	10
Stores and supplies	14	8
Entertainment	2	2
Depreciation*	2,130	2,352
Loose tools written off including replacement	48	54
Wastage and process loss	10	20
Miscellaneous	1	2
	-----	-----
	3,787	4,044
	=====	=====

*Although the factory of the company was in partial operation during the year depreciation has been charged fully in accordance with the company's accounting policy.

1998	1997
Rs. 000	Rs. 000

20. SELLING, DISTRIBUTION, ADMINISTRATION AND GENERAL EXPENSES

Selling and distribution expenses (20.1)	461	545
Administration and general expenses (20.2)	3,032	2,264
	-----	-----
	3,493	2,809
	=====	=====

20.1 Selling and distribution expenses

Salaries and benefits	162	312
Travelling and vehicles running	113	33
Insurance	19	20
Rent, rates and taxes	94	94
Depreciation	34	34
Entertainment	35	18
Postage, telephone and stationery	4	14
Miscellaneous	-	20
	-----	-----

461 545
 =====

20.2 Administration and general expenses

Salaries, wages and benefits	836	991
Travelling and vehicles running	144	53
Insurance	10	10
Rent, rates and taxes	62	85
Repairs and maintenance	80	29
Electricity, gas and water	169	147
Postage, telephone and stationery	104	134
Entertainment	7	3
Legal and professional charges	765	163
Exchange loss	468	255
Auditors' remuneration (20.2.1)	70	70
Depreciation	60	58
Miscellaneous	257	266
	-----	-----
	3,032	2,264
	=====	=====

20.2.1 Auditors' remuneration

Audit fees	30	30
Accountancy and consultancy	30	30
Out-of-pocket expenses	10	10
	-----	-----
	70	70
	=====	=====

21. FINANCIAL CHARGES

Mark-up on short term running finance	3,165	3,031
Bank charges	5	83
	-----	-----
	3,170	3,114
Reimbursable financial charges	(19)	(26)
	-----	-----
	3,151	3,088
	=====	=====

22. OTHER INCOME

Gain on sale of fixed assets (see note 10.1)	251	158
Miscellaneous	166	166
	-----	-----
	417	324
	=====	=====

23. PRIOR PERIOD ITEMS

Workers welfare fund	-	1,424
Legal and professional charges	110	130
Liabilities written back	(86)	-
Other	(6)	(2)
	-----	-----
	18	1,552
	=====	=====

24. TAXATION

Current	26	20
Prior	(21,808)	19,699
	-----	-----
	(21,782)	19,719
	=====	=====

25. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

Chief Executive		Executives	
1998	1997	1998	1997
Rs. 000	Rs. 000	Rs. 000	Rs. 000

Managerial remuneration	-	-	395	395
House rent/accommodation provided	-	-	178	178
Conveyance	-	-	39	39
Provident fund-company's contribution	-	-	36	36
Medical expenses	-	-	48	50
Utilities	-	-	29	29
	-	-	725	727
	-----	-----	-----	-----
Number of persons	1	1	3	3
	=====	=====	=====	=====

The chief executive was provided with free use of the company's car.

26. RELATED PARTIES

Allied Engineering and Service Limited (AESL), Polymer and Precision Engineers (Pvt.) Limited (PPE) and Midland Motors Pakistan (Pvt.) Limited (MMPL) are related parties as there is significant common management influence over these companies and Allied Motors Limited.

The transactions with these parties have been disclosed in notes 6, 7 and 27.

Financial charges of Rs. 607(000) have been charged in these accounts by Allied Motors Limited in respect of the finance taken from MMPL.

27. TRANSACTIONS WITH ASSOCIATED COMPANIES

The aggregate amounts in respect of transactions with associated companies during the year other than those specified herein-above were:

	1997	1998
	Rs. 000	Rs.000
(a) Rent paid (AESL)	188	188
(b) Financial charges incurred/earned (AESL, PPE)	1,203	912
(c) Travelling expenses (AESL)	174	-
(d) Various other expenses incurred (AESL, PPE)	349	436
(e) Hire charges of tools and equipment (income) (AESL, PPE)	(166)	(166)
(f) Sale of fixed assets (PPE)	-	280
(g) Advance for expenses (PPE)	(468)	(500)
(h) Purchase of fixed assets (AESL)	150	-

	1998	1997
	Units	Units
28. PLANT CAPACITY AND PRODUCTION		
Sanctioned plant capacity	6,000	6,000
Actual production - Tractors	34	27
Actual production - Agrimotors	-	8

Production capacity was under utilised due to slow movement in sales resulting from adverse impact on the market emanating from severance of business relationship with Ford New Holland.

29. COMPARATIVE FIGURES

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

(b) Figures have been rounded off to the nearest thousand of rupees unless stated otherwise.

KAMAL MAHMOOD
Director

K. ASIF RAHMAN
Chairman & Chief Executive