

Atlas Honda Limited

(Annual Report 1995-96)

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CORPORATE DATA

BOARD OF DIRECTORS:

CHAIRMAN

Mr. Yusuf H. Shirazi

DIRECTORS

Mr. Aamir H. Shirazi

Mr. Sherali Mundrawala

Mr. Aitzaz Shahbaz

Mr. Satoshi Toshida

Mr. Takemi Ishikawa

Mr. Sheikh Jahangir

Company Secretary

Mr. Saleem Ahmed

GROUP EXECUTIVE COMMITTEE:

CHAIRMAN

Mr. Yusuf H. Shirazi

MEMBERS

Mr. Aamir H. Shirazi

Mr. Frahim Ali Khan

Mr. Iftikhar H. Shirazi

Mr. Jawaid Iqbal Ahmed

Secretary

Mr. Amjad Hussain

GROUP PERSONNEL COMMITTEE:

CHAIRMAN

Mr. Nasim S. Mirza

GROUP AUDIT COMMITTEE

CHAIRMAN

Mr. Sanaullah Qureshi

COMPANY MANAGEMENT

CHIEF EXECUTIVE OFFICER

Mr. Aamir H. Shirazi

TECHNICAL DIRECTOR

Mr. Takemi Ishikawa

DIRECTOR FINANCE

Mr. Saleem Ahmed

GENERAL MANAGER MARKETING

Mr. Nurul Hoda

GENERAL MANAGER HUMAN RESOURCES

Mr. Zamir Haider

AUDITORS:

Hameed Chaudhri & Co.

Chartered Accountants

LEGAL ADVISORS:

Mohsin Tayebaly & Co.

TAX ADVISORS:

Mahmood Law Associates

BANKERS & LENDING INSTITUTIONS:

BANKERS

Bank of Tokyo-Mitsubishi Limited

Banque Indosuez

Deutsche Bank AG

Emirates Bank International Limited

Muslim Commercial Bank Limited

National Bank of Pakistan

United Bank Limited

LENDING INSTITUTIONS

National Investment Trust Limited

National Development Finance Corporation

REGISTERED & HEAD OFFICE:

1-McLeod Road, Lahore-54000

Tel: (92-42) 7225015-17, 7233515-17

Fax: (92-42) 7233518

FACTORIES:

KARACHI

F-36, Estate Avenue, S.I.T.E.,

Karachi-75730

Tel: (92-21) 2575561-65

Fax: (92-21) 2563758

SHEIKHUPURA

26-27 KM, Lahore-Sheikhupura Road,

Sheikhupura-39321

Tel: (92-4931) 6655-57, (92-42) 7222222

Fax: (92-342) 3541111

BRANCH OFFICES:

MULTAN OFFICE

Azmat Wasti Road, Multan

Tel: 31990, 571989, 72028

RAWALPINDI OFFICE

Room 9, 2nd Floor

Sunny Plaza, Chandni Chowk,

Murree Road, Rawalpindi

Tel: 455328

Fax: 847928

SHOW ROOM

West View Building,

Preedy Street, Saddar, Karachi.

Tel: 7720833, 7727607

SPARE PARTS DIVISION

D-181/A, Shershah Road,

S.I.T.E., Karachi

Tel: 2561615-16, 293929-30

WARRANTY & TRAINING CENTRES

7-Pak Chambers,

West Wharf Road, Karachi.

Tel: 2310142

10-C, Main Road,

Gulshan-e-Ravi, Lahore

Tel: 7463108

Azmat Wasti Road,

Multan

Tel: 72028

NOTICE OF ANNUAL GENERAL MEETING

The Thirty Second Annual General Meeting of the Company will be held on Monday, 2 December 1996 at 10.30 A.M. at 1-McLeod Road, Lahore to transact the following business:

1. To confirm the Minutes of the Thirty First Annual General Meeting held on 26 December, 1995 and Extra-Ordinary General Meeting held on 18 March, 1996.
2. To consider and adopt the Audited Accounts of Atlas Honda Limited together with the Directors' and Auditors' reports for the year ended 30 June, 1996.
- 3.(a) To consider and approve the recommendation of Directors for a dividend of 15% (Rs. 1.50 per share) for the year ended 30 June , 1996 and for 10% Bonus issue (One fully paid-up share for every ten shares held.)

(b) To consider and, if thought fit, pass with or without modification(s) the following:

Ordinary Resolution:

- (i) "Resolved that a sum of Rs. 12,064,237 out of Company's Profits be capitalized for issuing 1,206,423 fully paid ordinary shares of Rs. 10/- each as bonus shares to be allotted to those shareholders whose names stand in the register of members at the close of business on 20 November, 1996 in the proportion of one share for every ten shares held by a member. The said shares shall rank pari passu with the existing shares of the company as regards future dividends, & all other respects.
- (ii) Further Resolved that in the event of any member holding shares which are less than the number of which one bonus share is decided to be issued or in excess by exact multiple thereof the Directors be and are hereby authorized to combine them and to sell the bonus shares so combined in the stock market and to pay the proceeds of sales thereof when realized to a charitable institution approved under the Income Tax Ordinance, 1979.
- (iii) Further Resolved that for the purpose of giving effect to the foregoing the Directors be & are hereby authorized to give such directions as may be necessary and as they deem fit to settle any question or any difficulties that may arise in the distribution of the new bonus shares in the payment of the sale proceeds of the fractions.
4. To appoint Auditors for the year 1996-97 and to fix their remuneration.
5. To transact such other ordinary business as may be placed before the meeting with the permission of the chair.

N.B. Shareholders are requested to take note of the following:

BOOK CLOSURE

The share transfer book of the Company will be closed from 21 November, 1996 to 2 December, 1996 (both days inclusive).

PROXY

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time appointed for the meeting.
2. No person shall act as proxy unless he is member of the Company.
3. Signature of shareholder on Proxy Application must agree with the specimen signature registered with the Company. Appropriate revenue stamp should be affixed on the Proxy Application.
4. For the convenience of the shareholders a Proxy Application format is attached with this report.
5. Shareholders are requested to immediately notify the Company of any change in their addresses.

CHAIRMAN'S REVIEW

I have great pleasure to welcome you to the

32nd Annual General Meeting of the Company and to present the Annual Accounts for the year ended 30th June, 1996.

THE INDUSTRY

Conditions in the Motorcycle Industry were generally favourable during the period under review. There was growth in the demand. The market size increased from 76,000 units to 116,000 during 1995-96. These figures include those of three new entrants: two Chinese and one Turkish. The size of the market could have been larger, but for the 7% devaluation of the currency and the 10% regulatory duty imposed during the second quarter of the year under review including the impact of the subsequent Federal Budget 1996-97 which amounted to Rs.1,950, the total price on an average went up by Rs.6,300 per motorcycle during the year. With the arrival of the cotton crop, liquidity improved in the market and the Industry saw an upswing in the demand at the retail level. The growth to a large extent was confined to the cotton growing areas of upper Sindh and Southern Punjab. The large business centres of the country did not perform as well.

In order to compete in the market, your Company continued to focus on its competitive advantage of having the biggest production capacity and the largest network of the motorcycles, parts and service dealers. The production flow remained smooth and stocks were freely available, especially during the peak season. Your Company revamped the dealer network and redesigned dealer shops in order to emphasize customer friendliness and service during the year. Dealers' value added selling technique was introduced, emphasizing the advantages of 4-stroke Honda technology, best fuel economy, maintenance free and environment friendly engine. It resulted into our (CD) 70 CC selling at prices higher than those of 80 CC and 100 CC motorcycles belonging to the competing brands. Our (CG)125 CC reinforced our market strategy of selling quality product at higher prices together with the (CD) 70CC. The Company maintained its leadership, as in the past, with a market share of 58% during the year.

OPERATING RESULTS

The Company's sales for the year ended 30 June 1996 were a record Rs.3.092 billion against Rs.1.879 billion of 1994-95 showing a substantial

growth of 64.56%. The profit before tax was also a record Rs.176.077 million against the preceding year's profit of Rs. 24.5 million. The gross profit ratio for the year stood at 10.94% against 8.72% of the preceding year.

Those increases were made possible by the Company's cost control measures, with a stable dollar-yen exchange rate and a higher volume. Marketing expenses increased from Rs. 55.100 million of 1994-95 to Rs.71.717 million in line with increase in sales by 46% to 64,860 units against 44,390 units in the previous year. Through better cash and inventory management, financial expenses for the year under review were reduced to Rs. 36.136 million from Rs.56.200 million of 1994-95 showing a reduction of 35.70%. Your Company achieved ROE of 35.29% and EPS of Rs. 8.41% after tax.

Your Company was set up in 1964 with a paid up capital of Rs. 2 million. The paid up capital now is Rs.120.642 million. The reserves including un-appropriated profits are at Rs.166.889 million; the total equity stands at Rs.287.531 million. The bonus issues stand at Rs.66.586 million and a right issue at Rs. 52.120 million. The equity of Rs. 287.531 million is after payment of cash dividend of Rs.92.676 million by June, 1996. The current value of the share is quoted at Rs.27.00 in spite of the depressed Stock Exchanges.

The Atlas Group's equity, of which your Company is a constituent member, stand at Rs.1,751.625 million on June 1996: the bonus issues are at Rs.170.317 million and right issues at Rs.126.895 million. The cash dividends paid are at Rs.195.931 million.

EXPORT

Export opportunities were also developed during the year. A team visited Bangladesh, Nepal, Sri Lanka, the Middle East and Central Asian States, all territories which Honda has allowed us for export. The initial efforts have been quite encouraging. It is a matter of satisfaction that Honda recognizes the Company's product as of the same quality as that of Japan, and as such, has allowed our exports under the brand name of "HONDA".

MARKET EXPANSION

Our economic planners continue to rely upon

devaluation as the only policy measure to jump start the economy and perhaps also hold the notion that exports are highly price elastic. In retrospect, however, devaluation has thus far failed to help control deficit financing, reduce balance of payment deficit and minimize inflation. In fact, Pakistan's economy which depends on import of wheat, edibles, kitchen consumables, such as, a'alo dual and mirch-masala (i.e. potatoes, pulses, and spices); as also imports of plant, machinery and equipment; spare parts and industrial raw materials finds itself further burdened by the monumental external and internal debt and an ever increasing cost of living. The successive devaluations coupled with the withdrawal of all subsidies on utilities has thus far resulted in considerable cost push pressures. Our economic solution lies in hi-tech investment, hi-tech production, hi-tech employment and value added exports. The solution also lies in reducing the revenue expenditure, and in the expansion of demand and supply rather than resorting to devaluation which increases the cost of production, resulting in cost increases which shrink markets, curtailing customer's buying power. According to the World Bank's own report in 35 out of 46 countries the recipe of the IMF has failed. A little success in others, mostly small countries has been quite marginal. This IMF recipe has also resulted in contracting the markets in Pakistan particularly for lower and middle classes using motorcycles. But for successive devaluations and lack of hi-tech investment and production and export, the motorcycle market should have been about 500,000 units according to an estimate built upon the growing middle class, against a little over 100,000 units now. It is high time that we have the right approach, which expand markets and provides for less costly necessities like cycles and motorcycles, a phenomenon in all the growth oriented economies now in the world.

HIGH TAX INCIDENCE

Inspite of the fact that a motorcycle is the common man's transport, it continues to attract one of the highest tax incidence. The customers today pay approximately Rs. 16,500 to Rs.20,000 or about 30% of the retail price to Government in the shape of taxes which is indeed a high levy for a man of modest means. A part from heavy taxes on import, 5% deduction of presumptive tax at source is really harsh. Recent 8.5% devaluation, 2% pre-inspection charges on import further

escalated the cost of motorcycle by Rs. 3,000. In the region, where the prices are cited as cheaper than in Pakistan, all such taxes are nominal. The sale tax ranges from 5% to 7.5%. There is no presumptive tax and incentives for investment are income based and export oriented. The present market for 2 wheelers in India is now about 2.2 million i.e. 22 times that of Pakistan. The Government has undertaken a study to examine these issues, but has been silent on it since receiving it. It is high time that we rationalize taxes on the means of a common man's transport. In case of the Motorcycle Industry, all taxes should not be more than those in the region, if not less. In order to make the motorcycle more affordable for the common man, the Government may, at least, consider reducing sales tax from the existing high rate of 18% down to 5%, abolish the regulatory duty of 10%, allow raw materials import at zero rate of duty, no deduction of tax at source on presumptive income and exempt spare pads locally made from taxes as was the case before the Federal Budget 1996-97.

Cost pressures on account of high taxation and other factors in the past have led to an increase in the price of motorcycles and thus squeezed the market. (By the regional standards of per capita motorcycles sales, our market size as suggested above, should be ten motorcycles for one car i.e. about 500,000 units against the existing volume of about 100,000 units). We are a nation of 131 million people. Only lower and stable tax incentives, a hi-tech export based investment policy, and an apt marketing strategy will expand markets, enhance prosperity and create high revenues for the Government
exchequer: Nothing else !

DELETION POLICY

Your Company has a policy of pursuing indigenization of components in order to reduce reliance on imports, reduce exposure to exchange rate fluctuations for ultimate price stabilization and develop broad based technology. Your Company has already done much in this respect. Currently it is focused on developing joint ventures and technical ties between local part makers with their Japanese counterparts. Some of these technical assistance agreements between Japanese and Pakistani vendors have been arranged and others are in the offing.

For in-house manufacturing, your Company has undertaken the deletion of Gear Sets at a total investment of Rs.210.00 million. Our Japanese friends will provide suppliers credit on the total machinery & equipment being imported at a cost of Rs.110.00 million. The balance of the cost will be met locally. Honda has played a pivotal role in this project by extending full cooperation, guidance and help in terms of planning, arranging finances and technical support.

In order to strengthen the engineering industry, vendor development and a regulated tax regime, protection through tariff measures, among others, and duty free import of raw materials will have to be established. In developed countries deletion programs were implemented aggressively to achieve their present extremely envious industrial status. We strongly feel that we need to push deletion programs in the country so as to achieve fuller deletion in comparative circumstances without resorting to the IMF advice of tariff based incentive only without monitored protection which in turn will result in a set back to the deletion program.

ATLAS PHILOSOPHY AND FUTURE OUTLOOK

Atlas believes in slow, but steady consistent growth. We have travelled a long way to achieve what it is today. Steady growth based on sound management practices has been the hallmark of the Atlas Group. It firmly believes in what William G.Jordan said:

"Everything that is greater in life is the product of slow growth; the greater and higher, the nobler the work, the slower the growth, the surer is its lasting success. Mushrooms attain their furl power in a night; Oaks require decades."

Leaning backward we look forward to the future with optimism and expect an expanded market. However, the fiscal year 1996-97 is fraught with rupee devaluation, cost increases and all round inflation. Therefore, local internal operational efficiency, particularly in production and general cost controls together with Honda's help in such circumstances will be imperative. Your Company has already recognised these issues and will continue to focus on excellence in the product quality, market strategy and overall good management so as to maintain the leading market share.

There is a lot of talk of opening of trade with India, an economy many times larger and more incentive based than ours. We thus have to take a very cautious and calculated approach. Let us be discreet in such matters; Otherwise, Pakistan's economy may suffer considerably. Due safeguards must be ensured for continued investment in indigenous industry, increased employment, and higher export opportunities particularly in the engineering industry.

ACKNOWLEDGEMENT

Mr. Aamir H. Shirazi, the Chief Executive Officer, has built a strong team of managers and workers. They have achieved record sales, profit, ROE and EPS for the Company despite many constraints. They have set the pace for future growth particularly emphasizing priority to higher deletion in which a major investment has been undertaken. It is with local deletion that the market will expand and prices will stabilize and immune to the ever diminishing rupee value. At Atlas Honda there is a cohesive team, real organisation builders and good strategies; and, as such, harvesting rich dividends:

(The waves are in the sea, not out of the sea!)
I must also acknowledge the contribution made by Mr. H. Nakagawa, Technical Director, now recalled by Honda after completing his term with meritorious accomplishment. He contributed immensely to the Production Systems and methods , productivity , deletion and quality assurance. Without his contribution the plants at Karachi and Sheikhpura would not have been at the high level as they are today. Mr. Nakagawa has been replaced by Mr. T. Ishikawa as the new Technical Director. Mr. Ishikawa has rich and varied experience of the type now needed by Atlas-project development, productivity and cost control in the present internal and external setting, systems and methods for in-house and out-house production and, more so, fostering vendor to vendor reinforcement of relations in Japan and Pakistan. I am sure your Company will benefit immensely from his expertise, valuable experience and sincerity of purpose.

May I thank Honda for their continuing help, support and co-operation in your Company's development. May I thank the shareholders, the Board of Directors the Group Executive Committee, all staff and workers, customers and

bankers for their help, support and trust reposed
in your Company.

LISTED COMPANIES DISTRIBUTION- DIVIDEND, BONUS & ISSUE OF RIGHT SHARES

PARTICULARS	31 DEC.	31 DEC.	31 DEC.	31 DEC.	31 DEC.
	1991	1992	1993	1994	1995
	Rs. in MLN	Rs. in MLN	Rs. in MLN	Rs. in MLN	Rs. in MLN
PAID UP CAPITAL	37,024,343	58,198,532	69,476,146	104,137,242	134,372,315
NO. OF LISTED COMPANIES	542	628	653	724	764
ANNOUNCEMENTS					
CASH DIVIDEND	139	157	138	156	139
NO. OF COMPANIES	26%	25%	21%	21%	18%
% OF TOTAL LISTED COMPANIES					
BONUS SHARES ISSUED					
NO. OF COMPANIES	36	55	70	57	37
% OF TOTAL LISTED COMPANIES	6%	9%	11%	8%	5%
CASH + BONUS ISSUED					
NO. OF COMPANIES	42	42	58	42	23
% OF TOTAL LISTED COMPANIES	8%	7%	9%	6%	3%
CASH + RIGHT ISSUED					
NO. OF COMPANIES	26	10	10	15	6
% OF TOTAL LISTED COMPANIES	5%	1%	2%	2%	1%
BONUS + RIGHT ISSUED					
NO. OF COMPANIES	18	10	14	18	9
% OF TOTAL LISTED COMPANIES	3%	1%	2%	2%	1%
CASH + BONUS + RIGHT ISSUED					
NO. OF COMPANIES	9	4	3	4	2
% OF TOTAL LISTED COMPANIES	2%	1%	0%	1%	0%
RIGHT SHARES OFFERED					
NO. OF COMPANIES	36	15	16	45	17
% OF TOTAL LISTED COMPANIES	7%	2%	2%	6%	2%
TOTAL COMPANIES ANNOUNCED					
CASH AND BONUS	270	278	293	292	216
% OF TOTAL LISTED COMPANIES	50%	44%	45%	40%	28%
TOTAL COMPANIES OFFER RIGHT					
NO. OF COMPANIES	89	39	43	82	34
% OF TOTAL LISTED COMPANIES	16%	6%	7%	11%	4%

DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting their report together with the Audited Accounts

and Auditors' Report thereon for the year ended 30 June, 1996.

FINANCIAL RESULTS:

The financial results of your Company for the year ended 30 June, 1996 are summarised as follows:

(Rupees in 000's)

	Year Ended 30 June, 96	Half Year Ended 30 June, 95
Profit before taxation	176,077	15,667
Taxation:		
Current	62,210	5,349
Prior year	3,353	0
Deferred	7,849	0
Bonus Shares	1,206	0
	-----	-----
	74,618	5,349
Profit after taxation	101,459	10,318
Unappropriated profit brought forward	108	186
	-----	-----
Available for appropriation	101,567	10,504
Appropriation:		
Cash Dividend	18,096	18,096
Transfer to Reserve for Issue of Bonus Shares	12,064	0
Transfer to / (from) General Reserve	71,000	(7,700)
	-----	-----
	101,160	10,396
Unappropriated profit carried forward	407	108
	=====	=====

DIVIDEND:

Directors have recommended Cash Dividend at the rate 15% (Rs.1.50 per share) and Bonus shares at the rate of 10% (One fully paid -up Share for every ten shares held).

CHAIRMAN'S REVIEW:

The review included in the Annual Report deals inter alia, with the performance of the Company for the year ended 30 June, 1996 and future prospects. The Directors endorse the contents of the review.

PATTERN OF SHAREHOLDING:

The pattern of shareholding appears on page 34 of the Annual Report.

AUDITORS:

The present Auditors M/s. Hameed Chaudhri & Co., retire and being eligible offer themselves for reappointment.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ATLAS HONDA LIMITED as at 30 June, 1996

and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and 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 the 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 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 explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 1996 and the profit and the changes in financial position for the year then ended; and

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

BALANCE SHEET

AS AT 30 JUNE, 1996

(Rupees in 000's)			(Rupees in 000's)			
Note	30 June 1996	30 June 1995	Note	30-Jun 1996	30-Jun 1995	
SHARE CAPITAL			FIXED CAPITAL EXPENDITURE			
Authorised			Operating fixed assets	15	270,830	289,235
20,000,000 ordinary shares of						
Rs. 10/- each	200,000	200,000				
		=====				
Issued, subscribed & paid up	3	120,642	INVESTMENT	16	9,548	0
RESERVES & UNAPPROPRIATED PROFIT			LONG TERM LOANS & DEPOSITS	17	12,120	7,307
Reserves	4	154,418				
Reserves for Issue of Bonus shares		12,064				
Unappropriated profit		407				
	-----	-----				
	166,889	83,526	CURRENT ASSETS			
			Stores	18	42,771	43,742
	287,531	204,168				

			Stock	19	468,950	299,770
REDEEMABLE CAPITAL	5	20,748	31,379 Trade debtors	20	60,743	21,768
			Advances, deposits			
LONG TERM LOANS	6	21,881	33,901 prepayments & loans	21	168,877	104,519
			Cash & bank balances	22	5,829	21,932
OBLIGATION UNDER FINANCE LEASE	7	6,106	13,775		-----	-----
					747,170	491,731
DEFERRED LIABILITIES						
Deferred tax		23,804	15,954			
Staff gratuity		2,743	2,637			
		-----	-----			
		26,547	18,591			
DEFERRED INCOME	8	181	545			
CURRENT LIABILITIES						
Shod term loans	9	135,709	37,106			
Current maturity of long term liabilities	10	32,368	38,149			
Creditors, provisions accrued charges & other liabilities	11	424,347	375,570			
Taxation	12	65,416	16,532			
Dividend	13	18,834	18,557			
		676,674	485,914			
		=====	=====			
CONTINGENT LIABILITIES & COMMITMENTS	14	0	0			
		-----	-----			
		1,039,668	788,273		-----	-----
		=====	=====		1,039,668	788,273
					=====	=====

The annexed notes form an integral part of the accounts.

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE, 1996

(Rupees in 000's)

Year ended Half year ended

NOTE 30 June,1996 30 June,1995

SALES	23	3,092,451	1,069,856
COST OF SALES	24	2,754,035	989,503
		-----	-----
GROSS PROFIT		338,416	80,353
OPERATING EXPENSES			
Administrative	25	544,321	18,818
Selling & distribution	26	71,717	31,438
		-----	-----
		126,149	50,256
		-----	-----
OPERATING PROFIT		212,267	30,097

MISCELLANEOUS REVENUE	27	13,112	4,450
		-----	-----
		225,379	34,547
OTHER CHARGES			
Financial expenses	28	36,136	177,191
Workers' profit participation fund		9,462	841
Workers' welfare fund		3,704	320
		-----	-----
		49,302	18,880
		-----	-----
PROFIT BEFORE TAXATION		176,077	15,667
TAXATION - Current	29	62,210	5,349]
- Prior Year		3 3531	0
- Deferred		7,849	0
- Bonus shares		1,206	0
		-----	-----
		74,618	5,349
		-----	-----
PROFIT AFTER TAXATION		101,459	10,318
UNAPPROPRIATED PROFIT DROUGHT FORWARD		108	186
		-----	-----
AVAILABLE SURPLUS		101,567	10,504
APPROPRIATION:			
Transfer to / (from) General Reserve		71,000	(7,700
Proposed dividend 15% (1995:15%)		18,096	18,096
Transfer to Reserve for Issue of Bonus shares		12,064	0
		-----	-----
		101,160	10,396
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		407	108
		=====	=====

The annexed notes form an integral part of the accounts.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)**

FOR THE YEAR ENDED 30 JUNE, 1996

	NOTE	(Rupees in 000's)	
		30 June 1996	30 June 1995
Net cash inflow from operating activities	A	46,960	183,839
Return on investments and servicing of finance			
Markup/interest paid		(27,684)	(22,175)
Finance charges on leased assets		(4,348)	(2,429)
Interest/Mark up received on advances		4,939	39
Interest/Mark up received on deposits		3,490	2,487
Dividend paid		(17,819)	0
		-----	-----
Net cash outflow from return on investments and servicing of finance		(41,422)	(22,078)

Taxation		
Tax deducted at source	(50,202)	(634)
	-----	-----
Net outflow from taxation	(50,202)	(634)
Investing activities		
Purchase of fixed assets	(20,900)	(5,433)
Investment	(9,548)	0
Sale of fixed assets	4,106	2,790
	-----	-----
	(26,342)	(2,643)
	-----	-----
Net cash flow before financing	(71,006)	158,484
Financing activities		
Increase/(Decrease) in short term borrowing	98,603	(136,921)
Repayment of redeemable capital & loans	(26,505)	(17,063)
Repayment of obligation under finance leases	(12,382)	(6,799)
Increase/(Decrease) in long term deposits	(4,813)	1,160
	-----	-----
Net cash inflow / (outflow) from financing	54,903	(159,623)
	-----	-----
Decrease in cash & cash equivalents	B (16,103)	(1,139)
	=====	=====

(Rupees in 000's)

30 June	30 June
1996	1995

Note A**Reconciliation of operating profit to net cash flow from operating activities**

Net profit before taxation	176,077	15,667
Depreciation	32,315	15,800
Mark- up/interest expenses	31,226	14,403
Loss/(Profit) on sale of fixed assets	5,670	(570)
Provision for gratuity	106	(151)
Finance charges on leased assets	4,213	2,387
Deferred income	(364)	(182)
Interest/Mark up received	(4,939)	(39)
Interest/Mark up on deposits received	(3,490)	(2,487)
	-----	-----
	240,814	44,828
Operating profit before working capital changes		
Increase in trade debtors, other receivables and deposits	(71,015)	(52,985)
Increase/(Decrease) in stores & stocks	(168,209)	12,752
Increase/(Decrease) in creditors, provisions, accrued charges & other liabilities	45,370	179,244
	-----	-----
NOTE B	46,960	183,839

Analysis of changes in cash & cash equivalents during the year

Balance as at 30 June, 1995	21,932	23,071
Decrease in cash & cash equivalents	(16,103)	(1,139)
	-----	-----
Balance as at 30 June, 1996	5,829	21,932
	=====	=====

NOTE C

Non cash transaction

Assets acquired under finance lease	2,786	5,132
	=====	=====

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 1996

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated as a public limited company on 16 October, 1962 and its shares are quoted on Karachi and Lahore stock exchanges in Pakistan. The company is principally engaged in progressive manufacture and sale of motorcycles and spare parts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.01 Accounting convention

These accounts have been prepared under historical cost convention.

2.02 Staff retirement benefits

The company operates an unfunded gratuity scheme for workers since 1987. Provision has been made at the rate of 10 days basic wages for every completed year of service or part thereof for more than five years continuous service with a maximum of twenty weeks' basic wages.

2.03 Taxation

Current taxation is provided on taxable income at the current rates of taxation after taking into account tax credits available, if any.

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

2.04 Fixed assets and depreciation

Operating fixed assets including leased assets are stated at cost less accumulated depreciation.

Depreciation is charged on reducing balance basis without considering extra shift workings, at the annual rates of 2.5% to 20% of written down value, depending on the class of assets.

Normal repairs and maintenance are charged to expenses as and when incurred. Major renewals and replacements are capitalized. Gain or loss on disposal of fixed assets is included in the profit and loss account.

2.05 Accounting for leased assets

The company accounts for assets acquired under finance lease by recording the asset and related liability. These amounts are determined on the basis of discounted value of minimum lease payments. Finance charge is allocated to accounting period in a manner so as to produce a constant periodic rate of charge on the outstanding liability.

2.06 Investments

Investments are stated at cost less provision for permanent diminution in value, if any.

2.07 Stores and spares

These are valued at average cost.

2.08 Stocks

These are valued at lower of cost and net realisable value. Goods in transit are valued at cost.

2.09 Translation of foreign currencies

Liabilities in foreign currencies are translated into Rupees at the exchange rates prevailing on the balance sheet date except for liabilities covered under forward exchange contracts which are translated at the contracted rates.

Exchange differences on long term loans utilised for purchase of plant and machinery are adjusted against the cost of the machinery. All other exchange differences are included in the profit and loss account.

2.10 Revenue recognition

Sales are recorded on despatch of goods to customers.

2.11 Presentation

Figures have been rounded off to the nearest of thousand Rupees and figures of the previous period are for the half year ended 30 June, 1995 and have been rearranged, wherever necessary, for the purpose of comparison.

	30 June 1996	30 June 1995
ISSUED, SUBSCRIBED & PAID - UP CAPITAL		
Ordinary shares of Rs. 10/- each.		
6,352,748 Fully paid-up in cash	63,528	63,528
5,452,189 Issued as fully paid bonus shares	54,521	54,521
259,300 Issued for consideration other than cash	2,593	2,593
-----	-----	-----
12,064,237	120,642	120,642
=====	=====	=====
4. RESERVES		
Capital reserve (note 4.1)	40,118	40,118
General reserve (note 4.2)	114,300	43,300
	-----	-----
	154,418	83,418
	=====	=====
4.1 Capital reserve		
Gain on sale of land	165	165
Share Premium account	39,953	39,953
	-----	-----
Balance as at 30 June, 1996	40,118	40,118
	=====	=====
4.2 General reserve		
Balance as at 30 June 1996	43,300	51,000

Transfer to/(from) Profit & Loss Account	71,000	(7,700)
	-----	-----
	114,300	43,300
	=====	=====

5. REDEEMABLE CAPITAL

Term Finance Certificate

- National Investment Trust Limited (note 5.1)	0	0
- National Investment Trust Limited (note 5.2)	20,748	31,379
	-----	-----
	20,748	31,379
	=====	=====

5.1 TFCs National Investment Trust Limited

Balance as at 30 June, 1996	0	1,072
Instalment due within the following twelve months	0	1,072
	-----	-----
	0	0
	=====	=====

(a) The company has obtained long term finance from National Investment Trust Limited (NIT) amounting to Rs. 10 million with a corresponding 'repurchase price' of Rs. 22.97 million. A rebate of Rs. 4.59 million is payable to the company, if all the instalments are paid on due dates. The company has issued Term Finance Certificates (TFCs).

(b) The 'repurchase price' is redeemable in sixteen half yearly instalments commencing from 30 June, 1988.

(c) TFCs are secured by a trust deed creating a registered mortgage on all present & future movable & immovable properties of the company & a floating charge on other assets of the company ranking pari passu with charges created in favour of other creditors.

30 June,	30 June,
1996	1995

5.2 TFCs National Investment Trust Limited

Balance as at 30 June, 1996	31,379	40,007
Installments due within the following twelve months	10,631	8,628
	-----	-----
	20,748	31,379
	=====	=====

(a) The company has obtained long term finance from National Investment Trust Limited (NIT) amounting to Rs. 50 million with a corresponding 'repurchase price' of Rs. 84.9 million. The company has issued Term Finance Certificates (TFCs).

(b) The 'repurchase price' is redeemable in ten half yearly instalments commencing from 20 April, 1994.

(c) TFCs are secured against:

(i) Equitable mortgage on the entire movable & immovable properties of the company

ranking pari passu with charges created in favour of existing creditors:
 (ii) Floating charge on all present & future properties & assets of the company; and
 (iii) Hypothecation of all Plant, Machinery & Equipment of the company.

6. LONG TERM LOANS

NDFC (note 6.1)	21,881	33,901
Deutsche Bank AG.(note 6.2)	0	0
	-----	-----
	21,881	33,901
	=====	=====

6.1 NDFC

Local Currency Loan

Balance as at 30 June, 1996	33,901	44,206
Instalments due within the following twelve months	12,020	10,305
	-----	-----
	21,881	33,901
	=====	=====

a) The company has arranged long term finance of Rs. 70.0 million from National Development Finance Corporation (NDFC). The amount utilized represents the 'purchase price' of the agreement and with the corresponding 'mark-up price' of Rs. 140.363 million. A rebate of Rs. 21.493 million shall be available to the company if all the instalments are paid on due dates. The rate of mark-up is 16% per annum.

b) The mark-up price' is repayable in 14 half yearly instalments commencing from 24 May, 1992 and ending on 24 November, 1998.

c) The finance is secured against:

(i) first mortgage on the entire movable properties and assets of the company ranking pari passu with charges created in favour of existing creditors;

(ii) first floating charge on all the business undertaking other assets and properties of the company ranking pari passu with existing creditors;

(iii) hypothecation of all the movable properties, including book debts and other receivables of the company; and

(iv) demand promissory notes.

d) Pending execution of mortgage the finance is secured against undertaking of the company to create mortgage.

30 June	30 June
1996	1995

6.2 Deutsche Bank AG.

Local Currency Loan

Balance as at 30 June, 1996	0	6,500
Instalments due within the following twelve months	0	6,500
	-----	-----
	0	0
	=====	=====

a) The company has arranged long term finance of Rs. 20.0 million from Deutsche Bank AG. The amount utilized represents the 'sale price' of the agreement with the corresponding 'repurchase price' of Rs. 32.308 million. The rate of mark-up is 15% per annum.

b) The 'repurchase price' is repayable in 8 half yearly instalments commencing from 1 September, 1992 and ending on 1 March, 1996.

c) The finance is secured against equitable mortgage of company's immovable properties ranking pari passu with charges created in favour of NIT and UBL, hypothecation of plant, machinery, equipment and a floating charge on all movable and other assets.

7. OBLIGATION UNDER FINANCE LEASE

The amount of future lease payment and the year during which these payments will become due are:

Year ending June, 30 1996	0	14,216
1997	11,863	12,558
1998	3,198	2,480
1999	2,930	2,093
2000	1,686	1,231
	-----	-----
Less: Finance charges not yet due	19,677	32,578
	3,854	7,159
	-----	-----
	15,823	25,419
Less: current portion shown under current liabilities	9,717	11,644
	-----	-----
	6,106	13,775
	=====	=====

The company has entered into lease agreements for Plant and Machinery, Office Equipment and Vehicles with various companies. The rate of finance charges varies from 17.54% to 20.0% per annum.

8. DEFERRED INCOME

Net gain on sale/lease back of assets	545	727
---------------------------------------	-----	-----

Less: transferred to Profit and Loss Account	364	182
	-----	-----
	181	545
	=====	=====

9. SHORT TERM LOANS

From banks		
Secured	134,881	35,592
Unsecured	828	1,514
	-----	-----
	135,709	37,106
	=====	=====

9.1 The company has borrowing facilities up to an aggregate of Rs. 337.0 million (1995: Rs. 225.6 million) which are secured against hypothecation of stocks and debtors. The loans carry mark-up at Rs. 0.43 to Rs. 0.51 per thousand rupees per day on daily product basis.

10. CURRENT MATURITY OF LONG TERM LIABILITIES

Redeemable capital	10,631	9,700
NDFC loan	12,020	10,305
Deutsche Bank AG. loan	0	6,500
Obligation under finance lease	9,717	11,644
	-----	-----
	32,368	38,149
	=====	=====

11. CREDITORS, PROVISIONS, ACCRUED CHARGES AND OTHER LIABILITIES

Trade Creditors (Note 11.1)	108,357	119,808
Accrued expenses (Note 11.2)	107,934	107,194
Customers' advances & credit balances (Note 11.3)	154,040	108,988
Interest/Mark-up on loans secured	9,364	5,957
Retention money	27	27
Other liabilities	5,066	5,355
Sales tax	26,267	25,412
Workers' profit participation fund (Note 11.4)	9,696	2,127
Workers' welfare fund	3,596	702
	-----	-----
	424,347	375,570
	=====	=====

11.1 Trade creditors include Rs. 882 thousand (1995: Rs. 2,821 thousand) payable to associated undertakings.

11.2 Accrued expenses include Rs. 1,021 thousand (1995: Rs. 3,264 thousand) payable to associated undertakings.

11.3 Customers' advances and credit balances-include Rs.215 thousand (1995 Rs. Nil) received from associated undertaking.

11.4 Workers' profit participation fund

Balance as at 30 June, 1995	2,127	1,211
Interest credited during the period	114	76
	-----	-----

	2,241	1,287
Payments during the year	(2,007)	(1)
Contribution for the period @ 5%	9,462	841
	-----	-----
	9,696	2,127
	=====	=====

The company retains the allocation to this fund for its business operations till the amount is paid to the fund together with interest at prescribed rates under the Act.

12. PROVISION FOR TAXATION

Corporate Asset Tax	2,000	2,000
Turnover Tax	0	14,532
Income Tax	62,210	0
Tax on issue of Bonus shares	1,206	0
	-----	-----
	65,416	16,532
	=====	=====

The company has filed constitutional petitions before the Honourable Sindh High Court against the levy of Turn Over Tax and Corporate Asset Tax. The company has paid Corporate Asset Tax under protest which is included in the other receivables.

13. DIVIDEND

Unclaimed dividend	713	436
Bonus fractions unclaimed	25	25
Proposed Dividend	18,096	18,096
	-----	-----
	18,834	18,557
	=====	=====

14. CONTINGENT LIABILITIES / COMMITMENTS

14.1 Guarantees

Issued by the insurance companies	10,793	10,793
Issued by banks	1,991	683
	-----	-----
Claims not acknowledged by the company	4,102	4,179

Guarantees are issued to Collector of Customs and shall be released on submission of consumption certificates. These are issued under normal operations.

Claims include supplementary bill of Rs. 4.087 million raised by Karachi Electric Supply Corporation Ltd(KESC) on the plea that electric meters were not recording properly electricity consumed during the period from January 1983 to December 1985. The company has filed a suit in the Honourable Sindh High Court against the demand which is pending for adjudication. No provision has been made in these accounts for claims not acknowledged by the company.

14.2 Commitments of the company as at 30 June, 1996 comprised the following:

Confirmed letters of credit	151,980	185,390
Estimated custom duty on bonded stocks	1,846	0
	-----	-----

15. STATEMENT OF OPERATING FIXED ASSETS

Particulars	Cost			Depreciation				Rate %
	As at 30 June 95	Additions	Disposals	As at 30 June, 96	As at 30 June, 96	W.D.V. 30 June, 96	Charge for the period	
Freehold Land	5,112			5,112	0	5,112	0	0
Lease hold Land	8,840			8,840	2,085	6,755	173	2.50
Building on freehold land	14,431	344		14,775	9,687	5,088	565	10
Building on leasehold land	28,178			28,178	18,589	9,589	1,066	10
Plant & machinery	269,790	17,766	2,541	285,015	152,117	132,898	14,766	10
Dies & jigs	103,047	300	19,423	83,924	53,732	30,192	3,355	10
Factory equipment	6,212	229		6,441	4,326	2,115	235	10
Office equipment	12,243	6,915	1,389	17,769	7,116	10,653	1,184	10
Furniture & fixtures	6,366	140	1,093	5,413	3,222	2,191	243	10
Fixture & equipment	1,315			1,315	1,115	200	22	10
Electric & gas fittings	20,668	129	119	20,678	12,809	7,869	874	10
Vehicles	31,129	12,074	5,480	37,723	18,215	19,508	4,878	20
Service equipment	433	15		448	151	297	33	10
	-----	-----	-----	-----	-----	-----	-----	
	507,764	37,912	30,045	515,631	283,164	232,467	27,394	
	-----	-----	-----	-----	-----	-----	-----	
Assets under Finance Lease								
Plant & machinery	59,243	0	13,581	45,662	13,311	32,351	3,594	10
Vehicles	5,970	2,786	1,416	7,340	2,600	4,740	1,185	20
Office equipment	4,555	0	2,718	1,837	565	1,272	142	10
	-----	-----	-----	-----	-----	-----	-----	
	69,768	2,786	17,715	54,839	16,476	38,363	4,921	
	-----	-----	-----	-----	-----	-----	-----	
Total 30 June, 1996	577,532	40,698	47,760	570,470	299,640	270,830	32,315	
	=====	=====	=====	=====	=====	=====	=====	
Total 30 June 1995	571,557	11,095	5,120	577,532	288,297	289,235	15,800	
	=====	=====	=====	=====	=====	=====	=====	

15.1 Lease in respect of two plots is under execution.

15.2 Depreciation for the year has been allocated as follows:

	Year ended 30 June, 1996	Half year ended 30 June, 1995
Cost of goods manufactured (note 24.1)	27,330	14,248
Administrative expenses (note 25)	4,985	1,552
	-----	-----
	32,315	15,800
	=====	=====

15.3 DISPOSAL OF FIXED ASSETS

Particulars	Cost	ACC. DEP.	W.D.V.	Sale Proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of Purchasers
PLANT & MACHINERY							
Assembly Board	30		9	21	25	4 Tender	M/s Continental Eng. 407 Kashif Centre, Shahrah -e- Faisal, Karachi
Hand Press	1		1	0	4	4 Tender	..... D0
Stacking machine A	68		50	18	22	4 Tender	..... D0
Wire Stripe AWS/80	656		480	176	213	37 Tender	..... D0
Checker Wire harness	189		138	51	61	10 Tender	..... D0
Seal Doubling Machine	112		82	30	36	6 Tender	..... DO
Staking Machine ACM-1	61		45	16	20	4 Tender	..... DO
Staking Machine ACM-2	61		44	17	20	3 Tender	..... D0
Staking Machine ACM-3	110		80	30	36	6 Tender	..... DO
Staking Machine ACM-11	110		80	30	36	6 Tender	..... D0
Test bench	83		65	18	0	(18) Written off	
Torch stand	159		116	43	0	(43) Written off	
Dust collector	214		157	57	0	(57) Written off	
Dust collector	471		345	126	0	(126) Written off	
Dust collector	84		56	28	0	(28) Written off	
Dust collector	104		62	42	0	(42) Written off	
Dust collector	22		13	9	0	(9) Written off	
Power hack saw	6		6	0	0	0 Written off	
Total Machinery	2,541	1,829	712	473	(239)		
DIES & JIGS							
Staking Jig "A"	63		46	17	20	3 Tender	M/s Continental Eng. 407 Kashif Centre, Shahrah -e- Faisal, Karachi
Terminal Staking	68		50	18	22	4 Tender	..... DO
Test Attachment Jig	45		33	12	14	2 Tender	..... D0
Stop Switch Jig	85		62	23	29	6 Tender	..... D0
F/B panel	863		713	150	0	(150) Written off	
Steering Handle	227		187	40	0	(40) Written off	
Steering Handle	61		56	5	0	(5) Written off	
Muffler	61		56	5	0	(5) Written off	
Rear fork pivot	15		12	3	0	(3) Written off	
QTR R/F R/L	9		8	1	0	(1) Written off	
Rear fender panel	717		602	115	0	(115) Written off	
Chain case	140		129	11	0	(11) Written off	
Fuel tank	78		63	15	0	(15) Written off	
Fuel tank	113		106	7	0	(7) Written off	
Frame duel seat	210		194	16	0	(16) Written off	
Pipe holder	44		40	4	0	(4) Written off	
Pipe holder	35		32	3	0	(3) Written off	
Plug main pipe	26		19	7	0	(7) Written off	
Pipe stg handle	15		11	4	0	-4 Written off	
Plate Muffler return	17		16	1	0	-1 Written off	
Clip wire harness	65		48	17	0	-17 Written off	

Front fork	306	282	24	0	-24	Written off
Front fork	345	294	51	0	-51	Written off
Front fork	10	8	2	0	-2	Written off
Stay patch cover	35	32	3	0	-3	Written off
Rear fender stay R/L	208	152	56	0	-56	Written off
Rear fender stay R/L	208	152	56	0	-56	Written off
Box battery tray	500	366	134	0	(134	Written off
Joint ex pipe	26	24	2	0	-2	Written off
Joint ex pipe	26	24	2	0	-2	Written off
Tail light break	52	49	3	0	-3	Written off
Stg.handle	105	77	28	0	-28	Written off
Stg. handle	211	154	57	0	-57	Written off
Fuel tank	433	317	116	0	-116	Written off
Muffler	44	40	4	0	-4	Written off
Pipe Ex	35	33	2	0	-2	Written off
Muffler	26	24	2	0	-2	Written off
F/B panel tick	74	54	20	0	-20	Written off
Front fork	153	112	41	0	-41	Written off
Misc. Jigs	127	96	31	0	-31	Written off
F/T BTM	125	92	33	0	-33	Written off
Welding jigs	1,587	1,154	433	0	-433	Written off
Frame Body	245	186	59	0	-59	Written off
Dies H100S model 518	11,585	7,938	3,647	0	(3,647)	Written off
	-----	-----	-----	-----	-----	
Total Dies & Jigs	19,423	14,143	5,280	85	(5,195)	
	-----	-----	-----	-----	-----	

OFFICE EQUIPMENT

Lawn mover	70	10	60	47	(13)	Tender	Liberal Lawn Mover Tample Road, Lahore
Telephone exchange	110	41	69	39	(30)	Tender	Interegated Device, Awami Complex, Garden Road Lahore
PABX Exchange	266	190	76	60	(16)	Tender	Digital Communication (Pvt) Ltd., P-331 & 302 3rd Floor Faiyaz Centre, 3-A S.M.C.H.S., Karachi
PC IBM PS/1	49	22	27	6	(21)	Tender	Mr. M. Rafique (Employee)
PC IBM PS/1	42	17	25	6	(19)	Tender	Mr. M. Talha Saad (Executive)
PC IBM PS/1	74	30	44	6	(38)	Tender	Mr. Khaliq-ur-Rahman. 102/11, Commercial Street Phase IV, D.H.S., Karachi.
Typewriter	24	16	8	4	(4)	Tender	Global System, Sarwar Shaheed Road Karachi
Aircondition	102	97	5	0	(5)	Written off	
Aircondition	37	31	6	0	(6)	Written off	
Attendance time record	8	7	1	0	(1)	Written off	
Brief case	1	1	0	0	0	Written off	
Calculators	57	49	8	0	(8)	Written off	
Cheque writer machine	32	24	8	0	(8)	Written off	
Clock time recorder	16	14	2	0	(2)	Written off	
Duplicating machine	17	15	2	0	(2)	Written off	
Fan ceiling	2	2	0	0	0	Written off	
Fan ceiling	13	9	4	0	(4)	Written off	
Fan pedestal	1	1	0	0	0	Written off	
Franking machine	19	14	5	0	(5)	Written off	
Memory cards	10	6	4	0	(4)	Written off	

Radio	4	3	1	0	(1)	Written off
Refrigerator	23	22	1	0	(1)	Written off
Steel rack	15	14	1	0	(1)	Written off
Typewriter	19	15	4	0	(4)	Written off
Typewriter	8	6	2	0	(2)	Written off
Typewriter	79	75	4	0	(4)	Written off
Typewriter	9	5	4	0	(4)	Written off
Typewriter	16	9	7	0	(7)	Written off
Typewriter	12	7	5	0	(5)	Written off
Typewriter	13	9	4	0	(4)	Written off
Typewriter	15	14	1	0	(1)	Written off
Typewriter	18	13	5	0	(5)	Written off
Typewriter	17	13	4	0	(4)	Written off
Typewriter	8	6	2	0	(2)	Written off
Typewriter	9	7	2	0	(2)	Written off
Typewriter	29	15	14	0	(14)	Written off
Typewriter	23	16	7	0	(7)	Written off
Typewriter	19	16	3	0	(3)	Written off
Typewriter	16	10	6	0	(6)	Written off
Typewriter	16	15	1	0	(1)	Written off
Typewriter	9	6	3	0	(3)	Written off
Typewriter	12	8	4	0	(4)	Written off
Typewriter	14	10	4	0	(4)	Written off
Typewriter	16	13	3	0	(3)	Written off
Typewriter	17	12	5	0	(5)	Written off
Vacuum cleaner	3	3	0	0	0	Written off
	-----	-----	-----	-----	-----	
Total Office Equipment	1,389	938	451	168	(283)	
	-----	-----	-----	-----	-----	

FURNITURE & FIXTURE

Furniture	1,005	769	236	0	(236)	Written off
Rack	9	5	4	13	9	Tender M/s Continental Engg., 407 Kashif Centre Shahrah-e-Faisal, Karachi
Tables	3	2	1	3	2	Tender do
Tables	7	6	1	3	2	Tender do
Tables	7	6	1	9	8	Tender do
Furniture	62	46	16	26	10	Tender All & Company, Block 14-V, Sector S-8 Markaz, Islamabad.
	-----	-----	-----	-----	-----	
Total Furniture & Fixture	1,093	834	259	54	(205)	
	-----	-----	-----	-----	-----	

ELECTRIC & GAS

Air condition	66	42	24	0	(24)	Written off
Deep freezer	9	6	3	0	(3)	Written off
Lighting work	44	31	13	0	(13)	Written off
	-----	-----	-----	-----	-----	
Total Electric & Gas	119	79	40	0	(40)	
	-----	-----	-----	-----	-----	

VEHICLE

Motorcycle CD 70	45	4	41	41	0	Company policy Mr. A. Majeed (Employee)
Motorcycle CD 70	26	16	10	11	1	Company policy Mr. Khan Muhammad (Employee)

Motorcycle CD 70	28	17	11	11	0 Company policy Mr. M. Iqbal	(Employee)
Motorcycle CD 70	54	15	39	47	8 Company policy Mr. Tariq Wasi	(Employee)
Motorcycle CD 70	29	17	12	16	4 Company policy Mr. M. Akhlaque	(Employee)
Motorcycle CD 70	26	16	10	11	1 Company policy Mr. Zubair Iqbal	(Employee)
Motorcycle CD 70	24	17	7	9	2 Company policy Mr. Ansar-uI-Haque	(Employee)
Motorcycle CD 70	32	14	18	18	0 Company policy Mr. Munawar Hussain	(Employee)
Motorcycle CD 70	49	0	49	42	(7) Company policy Mr. Akhlaque	(Employee)
Motorcycle CD 70	46	5	41	43	2 Company policy Mr. Ashraf Malik	(Employee)
Motorcycle CD 70	26	17	9	11	2 Company policy Mr, S. Zamir Hussain	(Employee)
Motorcycle CD 70	45	5	40	45	5 Company policy Mr. Waseem Haque	(Employee)
Motorcycle CD 70	45	13	32	43	11 Company policy Mr. Abdul Majeed	(Employee)
Motorcycle CD 70	29	16	t3	12	(1) Company policy Mr. Amanat A. Khan	(Employee)
Motorcycle CD 70	24	17	7	10	3 Company policy Mr. Sh. Abid Hussain	(Employee)
Motorcycle CD 70	26	17	9	11	2 Company policy Mr. Sarfaraz	(Employee)
Motorcycle CD 70	31	13	18	19	1 Company policy Mr. Kahawar Nagi	(Employee)
Motorcycle CD 70	23	16	7	10	3 Company policy Mr. Jamshed All	(Employee)
Motorcycle CD 70	53	0	53	53	0 Company policy Mr. G. Mujtaba	(Employee)
Motorcycle CD 70	29	16	13	13	0 Company policy Mr. Mian Manzoor	(Employee)
Motorcycle CG 125	39	26	13	16	3 Company policy Mr. Khurshid Minhas	(Employee)
Motorcycle CG 125	56	6	50	54	4 Company policy Mr. S. Habib Raza	(Employee)
Motorcycle CG 125	35	22	13	14	1 Company policy Mr. Inayatullah	(Employee)
Motorcycle CG 125	29	22	7	7	0 Company policy Mr. Zaman	(Employee)
Motorcycle CG 125	36	22	14	15	1 Company policy Mr. Liaquat Ali	(Employee)
Motorcycle CG 125	36	22	14	15	1 Company policy Mr. Abdul Qadir	(Employee)
Motorcycle CG 125	29	20	9	12	3 Company policy Mr. Akhtar Ali Virk	(Employee)
Motorcycle CG 125	34	21	13	14	1 Company policy Mr. Mushafar	(Employee)
Motorcycle CG 125	47	13	34	32	(2) Company policy Mr. M. Younus	(Employee)
Motorcycle CG 125	59	6	53	51	(2) Company policy Mr. Masaud Aslam	(Employee)
Motorcycle CG 125	37	20	17	19	2 Company policy Mr., Nasir Bari	(Employee)
Motorcycle CG 125	30	21	9	12	3 Company policy Mr. Shahbaz Ahmed	(Employee)
Toyota Corolla	275	173	102	113	11 Company policy Mr. A. Salekeen	(Employee)
Toyota Corolla	1,026	435	591	737	146 Company policy Mr. S.V.H. Naqvi	(Executive)
Toyota Corolla	240	152	88	98	10 Company policy Mr. Aurangzeb Afsar	(Executive)
Toyota Corolla	590	319	271	242	(29) Company policy Mr. Talha Saad	(Executive)
Suzuki Mehran	231	64	167	169	2 Company policy Mr. Habib-ud-din Baqai	(Executive)
Mazda	207	194	13	11	(2) Tender M/S. Sakhawat & Co., M.11.E194A Shershah Road, Karachi.	
Sunny	467	296	171	182	11 Company policy Mr. Nur-ul- Hoda	(Executive)
Mitsubishi	490	309	181	201	20 Company policy Mr. S. Zamir Haider	(Executive)
Charade	274	26	248	223	(25) Company policy Mr. S. Sajad Jaffery	(Executive)
Toyota Corolla	250	158	92	102	10 Company policy Mr. Ashraf	(Executive)
Toyota Corolla	273	172	101	112	11 Company policy Mr. Ifthikar Ahmed	(Executive)
Total Vehicle	5,480	2,770	2,710	2,927	217	
LEASED ASSETS						
VEHICLE						
Mitsubishi Lancer	703	379	324	399	75 Negotiation Muslim Insurance Co. Ltd. (Associated undertaking) 3-Bank Square Sharah-e-Quaid-e-Azam, Lahore	
Grand Total	30,748	20,972	9,776	4,105	(5,670)	

	30 June 1996	30 June 1995
16. INVESTMENT AT COST		
Associated undertaking (Listed)		
Atlas Battery Limited		
140,000 Ordinary shares of Rs. 10 each	9,548	0
	=====	=====
Market Value	9,100	0
	=====	=====
17. LONG TERM LOANS & DEPOSITS		
Deposits	2,557	1,850
Motorcycle loans to staff (note 17.1)	9,563	5,457
	=====	=====
	12,120	7,307
	=====	=====
17.1 Motorcycle loans to staff		
Balance as at 30 June, 1996	14,252	9,481
Receivable within the following twelve months.	4,689	4,024
	-----	-----
	9,563	5,457
	=====	=====
(a) Motorcycle loans to staff are secured against motorcycles and are recoverable in forty-eight monthly installments.		
18. STORES		
Consumable stores	7,310	7,779
Maintenance spares	18,518	17,624
Tools in hand	16,943	18,339
	-----	-----
	42,771	43,742
	=====	=====
19. STOCKS		
Raw materials & components		
In hand	260,712	116,800
In bond	8,848	0
Work in process	34,133	25,008
Finished goods	53,282	32,696
Spare parts	42,823	19,727
Goods in transit at cost	69,152	105,539
	-----	-----
	468,950	299,770
	=====	=====

19.1 Cost has been arrived at as follows:-

(a) In case of raw materials & components, finished stocks and spare parts at
average cost.

(b) In case of work in process cost include direct materials, direct labour and appropriate manufacturing overheads.

20. TRADE DEBTORS UNSECURED

Considered good	60,743	21,768
	=====	=====

21. ADVANCES, DEPOSITS, PREPAYMENTS & LOANS

Unsecured - considered good	1,616	2,321
Loans to staff		
Advances to:		
Staff for expenses	2,409	4,482
Suppliers & contractors	27,024	18,113
Income tax deducted at source	51,640	19,322
Advance Sales Tax - Motorcycles	12,639	1,269
- Raw materials	2,557	0
- CKD	38,197	32,046
- Local Parts	8,673	2,094
Trade deposits	1,086	1,307
Prepayments	6,797	6,565
Other receivables	11,550	12,976
Secured - considered good		
Motorcycle loans to staff (note 17.1)	4,689	4,024
	-----	-----
	168,877	104,519
	=====	=====
Unsecured - considered doubtful		
Other receivables	535	535
Provision for doubtful receivables	535	535
	-----	-----
	0	0
	=====	=====

21.1 Maximum amounts due from the associated undertakings at the end of any month during the year was Rs. 23,898 thousand (1995 - Rs. 711 thousand).

21.2 Advances to suppliers and contractors include Rs.16,157 thousand (1995 Rs. Nil) advance to associated undertakings.

21.3 Prepayments include Rs.2,740 thousand (1995 - Rs. 3,422 thousand) insurance and Rs.1,341 thousand (1995 Rs. 1,512 thousand) rent paid to associated undertaking.

21.4 Other receivable include Rs. Nil thousand (1995-Rs. 883 thousand) receivable from associated undertaking. Also include Rs. 6,310 thousand (1995- Rs.6,396 thousand) receivable from Collector of Customs.

22. CASH & BANK BALANCES

Cash with banks on current accounts	5,829	21,932
	=====	=====

	Year ended	Half year ended
	30 June,1996	30 June,1995

23. SALES

Motorcycles & spare parts	3,092,451	1,069,856
	=====	=====

Sales have been recorded at dealer's net prices and are after deducting Sales Tax Rs.463.796 million (1995: Rs. 162.844 million) and discount/allowance Rs.5.562 million (1995 - Rs. 1.189 million)

24. COST OF SALES

Stocks as at 30 June, 1995	52,423	40,418
Cost of goods manufactured (note 24.1)	2,694,972	966,280
Purchases	102,745	35,228
	-----	-----
	2,850,140	1,041,926
Stocks as at 30 June, 1996	96,105	52,423
	-----	-----
	2,754,035	989,503
	=====	=====

24.1 Cost of goods manufactured

Work in process - opening	25,008	19,935
Raw materials & components consumed (note 24.2)	2,454,694	862,928
Direct labour	35,956	18,694
Salaries, wages & benefits	27,260	11,956
Stores consumed	42,617	12,836
Light, heat & water	13,643	6,043
Rent, rates & taxes	3,491	1,615
Insurance	7,401	3,858
Repairs & maintenance	11,300	3,050
Travelling, entertainment & conveyance	12,533	1,968
Postage, telegram & telephones	3,491	1,230
Vehicle running	2,579	1,102
Printing & stationery	3,222	270
Depreciation	27,330	14,248
Canteen	2,891	1,390
Royalty	54,284	29,656
Others	1,405	509
	-----	-----
	2,729,105	991,288
Work in process - closing	34,133	25,008
	-----	-----
	2,694,972	966,280
	=====	=====

24.2 Raw materials & components consumed

Stocks as at 30 June, 1995	116,800	158,330
Purchases (net)	2,598,606	821,398
	-----	-----

	2,715,406	979,728
Stocks as at 30 June, 1996	260,712	116,800
	-----	-----
	2,454,694	862,928
	=====	=====

25. ADMINISTRATIVE EXPENSES

Directors' meeting fee	6	2
Directors' remuneration	836	399
Salaries & benefits	21,604	8,605
Travelling, conveyance & entertainment	6,350	2,453
Rent, rates & taxes	1,488	712
Postage, telegram & telephones	3,020	1,188
Legal & professional charges	1,070	467
Auditors' remuneration (note 25.1)	269	180
Insurance	1,072	341
Printing & stationery	1,658	882
Repairs & maintenance	1,831	654
Vehicle running	2,721	925
Staff training	588	59
Gas & electricity	773	166
Subscriptions	110	88
Loss on sale of fixed assets (Note 15.3)	5,670	0
Depreciation	4,985	1,552
Others	381	145
	-----	-----
	54,432	18,818
	=====	=====

25.1 Auditors' remuneration

Audit fee	140	95
Certification of royalty	12	12
Provident / workers' profit participation fund	30	30
Out of pocket expenses	28	28
Other services	15	15
Excise Duty	44	0
	-----	-----
	269	180
	=====	=====

26. SELLING & DISTRIBUTION EXPENSES

Salaries & benefits	12,789	5,198
Travelling, conveyance, entertainment & vehicle running	7,919	3,400
Advertising & publicity	14,437	8,946
Rent, rates & taxes	1,801	943
Repairs & maintenance	523	185
Gas & Electricity	961	190
Postage & telephones	4,480	2,056
Printing & stationery	770	606
Freight & forwarding	11,982	4,445

Sales promotion	13,172	3,657
Insurance	1,022	842
Service loss/(income) net	1,752	647
Others	109	323
	-----	-----
	71,717	31,438
	=====	=====

27. MISCELLANEOUS REVENUE

Sale of scrap	4,252	1,160
Profit on sale of fixed assets	0	570
Interest on deposits :-		
Associated undertakings	1,808	1,826
Others	1,682	661
Interest on advances :-		
Associated undertakings	2,727	0
Others	2,212	39
Other income	67	0.12
Deferred income recognised	364	182
	-----	-----
	13,112	4,450
	=====	=====

28. FINANCIAL EXPENSES

Interest/mark-up on:		
Short term loans	14,851	4,781
Long term loans	6,914	4,462
Redeemable capital	8,054	4,969
Workers' profit participation fund	114	76
Finance charge on leased assets	4,213	2,387
Other Financial charges	697	929
Excise Duty	1,293	115
	-----	-----
	36,136	17,719
	=====	=====

29. Taxation

Income Tax (1995- Turnover)	62,210	5,349
	=====	=====

30. Remuneration or Directors' and Executives**Chief Executive Officer**

Remuneration	600	270
Utilities	60	27
Medical expenses reimbursed	14	6
Bonus	110	45
Provident fund	66	30
Reimbursement of expenses	0	180
	-----	-----
	850	558
	=====	=====

Number of person	1	1
	=====	=====
DIRECTORS		
Remuneration	243	125
Utilities	100	200
Medical expenses reimbursed	0	1
	-----	-----
	343	326
	=====	=====
Number of persons	1	2
	=====	=====
Meeting fee	6	2
	=====	=====
Number of persons	4	2
	=====	=====
Executives		
Remuneration	6,073	1,898
Rent & utilities	3,340	1,014
Medical expenses reimbursed	736	229
Bonus	1,112	295
Provident fund	669	209
Leave fare assistance	582	317
Reimbursement of expenses	3,421	911
	-----	-----
	15,933	4,873
	=====	=====
Number of persons	41	28
	=====	=====

The Chairman, Chief Executive Officer and one Director are provided with free use of company maintained cars. The Chief Executive Officer and one Director are also provided furnished bungalow and telephones at residences.

31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases	40,007	10,729
Sales	2,177	1,506
Expenses charged by	16,928	394
Expenses charged to	15,012	0.75
Insurance, rent and services	27,113	15,558
Interest on deposits	1,808	1,826
Interest charged	2,727	0
	=====	=====

32. PRODUCTION CAPACITY

The production capacity of the plant cannot be determined as this depends upon the relative proportion of various types of motorcycles and motorcycle components produced.

PATTERN OF SHAREHOLDING

AS AT 30 JUNE, 1996

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES PERCENTAGE	
	FROM	TO	HELD	
253	1	100	7,689	0.06
203	101	500	53,889	0.45
96	501	1000	67,783	0.56
188	1,001	5,000	394,416	3.27
26	5,001	10,000	168,281	1.39
11	10,001	15,000	137,099	1.14
4	15,001	20,000	72,645	0.60
2	20,001	25,000	44,682	0.37
3	25,001	30,000	78,178	0.65
1	30,001	35,000	34,516	0.29
2	35,001	40,000	78,092	0.65
1	50,001	55,000	53,142	0.44
1	55,001	60,000	59,950	0.50
1	70,001	75,000	71,175	0.59
1	75,001	80,000	75,435	0.62
1	85,001	90,000	85,410	0.71
2	90,001	95,000	180,818	1.50
1	125,001	130,000	127,797	1.06
1	140,001	145,000	140,698	1.17
1	220,001	225,000	223,500	1.85
1	305,001	310,000	308,400	2.56
1	320,001	325,000	320,730	2.66
1	340,001	345,000	342,040	2.83
1	400,001	405,000	404,360	3.35
3	725,001	730,000	2,183,543	18.10
1	730,001	735,000	730,214	6.05
1	865,001	870,000	866,711	7.18
1	2,340,001	2,345,000	2,340,196	19.40
1	2,410,001	2,415,000	2,412,848	20.00
-----			-----	-----
810			12,064,237	100.000
=====			=====	=====

CATEGORIES OF SHAREHOLDERS

AS AT 30 JUNE, 1996

	SHARE HOLDERS	SHARE HOLDING	PERCENTAGE
1. Individuals	784	4,524,882	37.51
2. Investment Companies	13	955,278	7.92
3. Insurance Companies	2	650,440	5.39
4. Joint Stock Companies	2	223,772	1.85
5. Financial Institutions	4	2,751,715	22.81
6. Others			
- Honda Motor Co. Ltd., Japan	1	2,412,848	20.00
- BOT International (H.K.) Ltd.	1	404,360	3.35
- Administrator Abandoned Properties	1	140,698	1.17
- Co-operative Society	1	243	0.00

- Corporate Law Authority	1	1	0.00
	-----	-----	-----
	810	12,064,237	100.00
	=====	=====	=====