

PAK SUZUKI MOTOR CO. LIMITED

ANNUAL REPORT 1997

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COMPANY PROFILE

Pak Suzuki Motor Company Limited (PSMC) is a public limited company with its shares quoted on Stock Exchanges in Pakistan. The Company was formed in August 1983 in accordance with the terms of a joint venture agreement concluded between Pakistan Automobile Corporation Limited (representing Government of Pakistan) and Suzuki Motor Corporation (SMC) - Japan. The Company started commercial production in January 1984 with the primary objective of progressive manufacturing, assembling and marketing of Cars, Pickups, Vans and 4 X 4 vehicles in Pakistan.

The foundation stone laying ceremony of the company's existing plant located at Bin Qasim was performed in early 1989 by the Prime Minister then in office. By early 1990, on completion of first phase of this plant, in-house assembly of all the Suzuki engines started. In 1992, the plant was completed and production of the Margalla Car commenced. Presently the entire range of Suzuki products currently marketed in Pakistan are being produced at this Plant.

Under the Government's privatization policy, the Company was privatized and placed directly under the Japanese management in September 1992.

At the time of privatization, SMC increased its equity from 25% to 40%,,,. Subsequently, SMC progressively increased its equity to 72.8% by purchasing remaining shares from PACO. The total foreign investment brought in by SMC - Japan since inception stands at Rs. 1026.36 million.

The Suzuki Management immediately after privatization started expansion of the Bin Qasim Plant to increase its installed capacity to 50,000 vehicles per year. The expansion was completed in July 1994. Keeping this in view, the company's long term plans inter-alia include tapping of export markets. The company has acquired additional land measuring about 30 acres from Pakistan Steel Mills Corporation in proximity to its Bin Qasim Plant to set up production facilities for manufacture of some local components.

The Company continues to be in the fore-front of automobile industry of Pakistan. Over a period of time, the company has developed an effective and comprehensive network of sales service and spare parts dealers who cater to the needs of customers and render effective after

sale service country wide. PSMC is serviced by over 204 active vendors who are engaged in the local manufacture and supply of automotive parts to the company.

BIN QASIM PLANT IN BRIEF:

LOCATION: Downstream Industrial Estate of
Pakistan Steel
TOTAL AREA: 259,200 M2 (64 acres)
COVERED AREA: 41,000 M2
FACILITIES: Press Shop, Welding Shop, Paint Shop (Electro Deposition System),
Engine and Transmission Assembly Shop, Final Assembly &
Inspection Shop
COST: Rs. 2.1 billion
PRODUCTION CAPACITY: 50,000 units per annum (double shift)

COMPANY INFORMATION

BOARD OF DIRECTORS

Hirofumi Nagao	Chairman & Chief Executive
Capt. (Retd) Bashir Ahmed	Director
S. G. Abbas	Director
Razi-ur-Rehman Khan	Director
Osamu Iizuka	Director
Qaiser Sultan	Director
Katsumi Saruta	Director
Yoshio Saito	Director

COMPANY SECRETARY

Abdul Hamid Bhombal

AUDITORS

Sidat Hyder Qamar Maqbool & Co.
Chartered Accountants

BANKERS

Deutsche Bank AG
Habib Bank Limited
Habib Credit & Exchange Bank Limited
Muslim Commercial Bank Limited
National Bank of Pakistan
The Bank of Tokyo-Mitsubishi Limited

LEGAL ADVISORS

Syed Qamaruddin Hassan
Industrial Relations Advisor

Orr Dignam & Company
Advocates & Legal Consultants

REGISTERED OFFICE

DSU-13, Pakistan Steel Industrial Estate,
Bin Qasim,
Karachi.

REGISTRAR

Ferguson Associates (Pvt) Limited
State Life Building 1-A,
I.I. Chundrigar Road,
Karachi

NOTICE OF MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of the shareholders of Pak Suzuki Motor Company Limited will be held at Avari Towers, Fatima Jinnah Road, Karachi on Wednesday December 17, 1997 at 2.00 p.m. to transact the following business:

1. To confirm the minutes of Extra Ordinary General Meeting held on February 16, 1997.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 1997 together with Directors' and Auditors' reports thereon.
3. To approve payment of cash dividend to the shareholders @ Rs. 2/- (20%) per share of Rs. 10/- each.
4. To appoint auditors and fix their remuneration for the year ending June 30, 1998.

SPECIAL BUSINESS

5. To pass the following Special Resolution with or without modifications>

"That the Company be and is hereby authorised to invest Rs. 1.5 million for 150,000 shares of Rs. 10/- each in the share capital of Automotive Testing & Training Centre (Private) Limited representing 9.6774% of the total equity."

6. To consider any other business with the permission of the Chair.

Notes:

1. The share transfer books of the company shall remain closed from December 9, 1997 to December 17, 1997 (both days inclusive) for entitlement of Dividend and no transfer will be accepted for registration during this period.
2. A member entitled to attend and vote at this meeting may appoint another person as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Shareholders are requested to notify the change in their address, if any, immediately to our Registrar Ferguson Associates (Pvt.) Limited, State Life Building 1-A, I. I. Chundrigar Road, Karachi.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

Automotive Testing & Training Centre (Private) Limited is a laboratory for testing of locally developed components. The authorised capital is Rs. 30.00 million divided into 3,000,000 shares of Rs. 10/- each. The issued capital is Rs. 15.5 million. The Company has ten shareholders who are automobile manufacturers in Pakistan.

The Company is an associated Company since one of the directors of Pak Suzuki Motor Company Limited is also a director of Automotive Testing & Training Centre (Private) Limited.

HIGHLIGHTS OF THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996	Increase/ (Decrease)	
			Amount	%
(Rupees in thousand)				
Production volume (units)	30,513	28,040	2,473	8.8
Sales volume (units)	29,067	28,217	850	3.0
Net sales	7,710,453	7,904,301	(193,848)	(2.5)
Gross profit	661,118	917,709	(256,591)	(28.0)
as a % of net sales	8.6	11.60	-	(3.0)
Expenses - Selling & admin.	175,502	145,239	30,263	20.8
- Financial & other charges	90,621	127,644	(37,023)	(29.0)
- Total	266,123	272,883	(6,760)	(2.5)
as a % of net sales	3.5	3.5	-	0.00
Other income	90,425	98,435	(8,010)	(8.1)
as a % of net sales	1.2	1.2	-	0.00
Provision for diminution in market value of WAPDA Bonds	82,500	-	82,500	100.0
Profit before taxation	402,920	743,261	(340,341)	45.8
as a % of net sales	5.20	9.40	-	(4.2)
Profit after taxation	391,390	574,502	183,112	(31. c5)
as a % of net sales	5.1	7.3	-	2.2
Stocks	2,001,691	1,694,591	307,100	18.1
as a % of net sales	26.00	21.40	-	4.60
number of days stock held	104	88	16	-
inventory turn over ratio	3.5	4.1	-	(0.6)
Cash and bank balances	374,327	489,922	(115,595)	(23.6)
Advances from customer	464,257	905,018	(440,761)	(48.7)
Pending orders	13,336	28,204	(14,868)	(52.7)
Shareholders' equity	1,374,440	1,081,313	391,390	36.2
Debt Equity ratio	3:97	13:87	-	-
Current ratio	1.06:1	1.04:1	-	-
Profit per share	7.96	11.70	-	-
Break-up value per share	27.97	22.00	-	-
Number of permanent employees - Officers	230	225	(5)	(2.1)
- Staff/workers	319	327	(8)	(2.5)
- Total	549	552	(3)	(0.4)

CHAIRMAN'S REVIEW

I am pleased to present my review on the performance of the Company for the year ended June 30, 1997.

PRODUCTION

The production volume increased by 8.8% from 28,040 units of last year to 30,513 units during the year under review. The capacity utilization improved to 61% from 56% recorded last year. Further capacity could not be utilized due to lower demand.

OPERATING RESULTS

The Company earned net profit after tax of Rs. 391.390 million against Rs. 574.502 million earned last year.

The sales volume increased to 29,067 units from 28,217 units of last year. The drop in sales revenue from Rs. 7,904.301 million to Rs. 7,710.453 million despite of increase in sales volume was due to shift in product-mix. Higher sales of Potohar and Margalla were achieved last year as compared to the current year sales.

In the Federal Budget for 1996-97, the Government increased the rates of custom duties, sales tax and capital value tax. These fiscal measures adversely affected demand and the Company could not sell its projected volumes.

Gross profit as a percentage of sales declined from 11.6% in the preceding year to 8.6%. In absolute terms the gross profit decreased by Rs. 256.591 million (28%). The decline in profitability was due to the fact that Company did not pass on the full impact of increase in rates of custom duties and sales tax in order to maintain sales volume.

The selling and administration expenses increased from Rs. 145.239 million in the preceding year to Rs. 175.502 million and as a percentage of sales from 1.84% to 2.28%. The main factors which contributed to the increase were increase in salaries, utilities, repair & maintenance, advertising, sales promotion and the effect of extending warranty period.

Other income reduced from Rs. 98.435 million of the previous year to Rs. 90.425 million due to decreased bank deposits. Financial and other charges declined from Rs. 127.644 million of last year to Rs. 90.621 million due to decrease in rebate to customers on pending booking of vehicles and lower contribution to workers' profit participation fund.

During the year the market value of WAPDA Bonds (Third Issue) shown in current assets fell

below cost. Consequently in compliance to International Accounting Standard, Company had to provide for diminution in its value. In view of brought forward tax losses, Company provided only for turnover tax on account of current taxation. If there had not been unabsorbed brought forward tax losses, the provision for current taxation would have been Rs. 120 million and accordingly net profit after tax would have reduced to Rs. 271 million.

MARKETING

The economic recession in the country emerging in the first half of the accounting year resulted in a sluggish market for all commodities including automobiles. The Company however did succeed in increasing sales volume by 3% this year. This was achieved through aggressive advertising and sales promotion strategies implemented during the year. The management is very much concerned about the un-utilized production capacity because of lower demand. Higher volumes are necessary for economies of scales. The management is aggressively exploring export markets to utilize idle capacity.

The management is aware of the competition which Company products may face with the entry of new automobile assemblers and products. The Company's slogan for the year was "Customer Satisfaction". During the year Company had launched Free Service Campaigns all over the country.

On the eve of Golden Jubilee of Pakistan, Company introduced the upgraded model of Margalla Car with a totally revamped interior and a modified exterior.

PERSONNEL

Management and employees relations continued to remain cordial and industrial peace prevailed during the year. The new charter of demand by the CBA has been submitted to the management after the expiry of previous agreement and a negotiated settlement has been concluded.

ECONOMIC CONTRIBUTION

Despite adverse factors, the Company maintained its distinctive position as a leading contributor in the automobile industry to the public exchequer. The duties and taxes paid and the foreign exchange saved by Company in its last five years of

operations have been as follows:-

Year	Duties and taxes (Rupees in million)	* Foreign exchange saving
1992-93	1,475	1,581
1993-94	1,157	1,033
1994-95	1,804	1,581
1995-96	2,600	2,555
1996-97	3,448	2,539

* Based on actual import of CKD

FUTURE PROSPECT & CONCLUSION

The company would strive to maintain its profitability in the coming year. However devaluation of the rupee and Government policies would play a vital role in this achievement.

The Company's key objective continue to remain.

- To provide automobiles of international quality at reasonable prices.

- To improve skills of employees by imparting training and inculcating in them a sense of participation; and

- To abide by the deletion policy of the Government, achieve maximum indigenisation and promote the automobile vending industry.

In conclusion, I on behalf of the Board and shareholders would like to express my appreciation to the management, executives, workers, dealers, vendors and Suzuki experts for their efforts and contribution to the affairs of the Company. My sincere gratitude also goes to all the government agencies for their continued support and encouragement.

DIRECTORS' REPORT

1. The Directors of the Company take pleasure in submitting their report with audited accounts of the Company, together with Auditors' Report thereon, for the year ended June 30, 1997.

2. ACCOUNTS

(Rs. in 000)

Profit after taxation	391,390
Unappropriated profit brought forward	5,999

Profit available for appropriation	397,389
Less: Appropriation	
Transfer to General Reserve	295,000
Proposed cash dividend @ 20%	98,263

	393,263

Unappropriated profit carried forward	4,126
	=====

3. CHAIRMAN'S REVIEW

The Chairman's review on page 7 to 9 deals with the year's activities and the directors of the Company endorse the contents of the same.

4. PATTERN OF SHAREHOLDINGS

The pattern of shareholdings is given on page 41.

5. BOARD CHANGES

5.1 Mr. Abdul Latif Uqaili and Col. (Retd.) Mir Saadatullah retired as directors on the expiry of their terms on February 6, 1997.

5.2 Mr. Yoshio Saito was elected as director w.e.f. February 7, 1997.

6. AUDITORS

Messrs Sidat Hyder Qamar Maqbool & Co., Chartered Accountants retire and being eligible offer themselves for appointment as the auditors of the Company for the year 1998.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pak Suzuki Motor Company Limited as at 30 June 1997 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 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 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 1997 and of the profit and the changes in financial position for the year then ended; and

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

Sidat Hyder Qamar Maqbool & Co.
Chartered Accountants

Karachi: November 14, 1997

BALANCE SHEET
AS AT JUNE 30, 1997

	NOTE	1997	1996
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorised share capital 150,000,000 (1996: 150,000,000) ordinary shares of Rs. 10/- each		1,500,000	1,500,000
		=====	=====
Issued, subscribed and paid-up share capital	3	491,312	491,312
Reserves	4	879,002	584,002
Unappropriated profit		4,126	5,999
		-----	-----
Shareholders' equity		1,374,440	1,081,313
LIABILITIES			
Deferred taxation	18.2	97,500	126,000
Long-term liabilities	5	41,694	402,463
Current liabilities	6	2,743,689	2,896,613
		-----	-----
		2,785,383	3,299,076
COMMITMENTS			
Total shareholders' equity and liabilities	7	4,257,323	4,506,389
		=====	=====
ASSETS			
Tangible fixed assets	8	1,346,181	1,471,713
Long-term investments	9	6,006	6,006
Long-term loans	10	2,484	2,916
Long-term deposits and prepayments	11	5,510	4,454
Current assets	12	2,897,142	3,021,300
		-----	-----
Total assets		4,257,323	4,506,389
		=====	=====

The annexed notes form an integral part of these accounts.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1997**

	NOTE	1997	1996
		(Rupees in thousand)	
Net sales	13	7,710,453	7,904,301
Cost of sales	14	7,049,335	6,986,592
		-----	-----
Gross profit		661,118	917,709
Selling and administration expenses	15	175,502	145,239
		-----	-----
Operating profit		485,616	772,470
Other income	16	90,425	98,435
		-----	-----
		576,041	870,905
		-----	-----
Financial and other charges	17	90,621	127,644
Provision for diminution in market value of WAPDA Bonds		82,500	-
		-----	-----
		173,121	127,644
Profit before taxation		402,920	743,261
Taxation		-----	-----
Current - for the year	18.1	40,000	40,500
- for prior years		30	2,259
Deferred	18.2	(28,500)	126,000
		-----	-----
		11,530	168,759
		-----	-----
Profit after taxation		391,390	574,502
Unappropriated profit/(loss) brought forward		5,999	(534,111)
		-----	-----
Profit available for appropriation		397,389	40,391
Appropriation			
Transfer to General Reserve		295,000	-
Proposed cash dividend @ 20% (1996: 7%)		98,263	34,392
		-----	-----
		393,263	34,392
		-----	-----
Unappropriated profit carried forward		4,126	5,999
		=====	=====

The annexed notes form an integral part of these accounts.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1997**

	NOTE	1997	1996
		(Rupees in thousand)	
Cash Flow from operating activities			
Cash generated from operations	19	536,500	1,466,434
Financial charges paid		(112,008)	(116,337)

Taxes refunded / (paid) - net	47,119	(14,874)
Long-term loans - net	432	(523)
Long-term deposits and prepayments - net	(1,056)	(198)
	-----	-----
Net cash inflow from operating activities	470,987	1,334,502
Cash flow from investing activities		
Fixed capital expenditure	(91,747)	(134,795)
Investment made	-	(3,000)
Sale proceeds on disposal of fixed assets	1,963	7,071
Mark-up on cash deposits and advances to suppliers and income from investments	88,281	90,398
	-----	-----
Net cash outflow from investing activities	(1,503)	(40,326)
Cash flow from financing activities		
Repayment of long-term loans	(110,005)	(100,823)
Advances from customers - net	(440,761)	(1,158,939)
Dividends paid	(34,313)	-
	-----	-----
Net cash outflow from financing activities	(585,079)	(1,259,762)
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(115,595)	34,414
Cash and cash equivalents at the beginning of the year	489,922	455,508
	-----	-----
Cash and cash equivalents at the end of the year	20 374,327	489,922
	=====	=====

The annexed notes form an integral part of these accounts.

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1997

1. COMPANY BACKGROUND, OPERATIONS AND LEGAL STATUS

The Company was formed in accordance with the terms of a joint venture agreement concluded between Pakistan Automobile Corporation Limited (PACO) and Suzuki Motor Corporation, Japan (SMC) - the principal shareholders of the Company, for the purposes of assembling, progressive manufacturing and marketing of Suzuki Cars, Pickups, Vans and 4x4s. Under the joint venture agreement, the net assets of Awami Autos Limited (AAL), a subsidiary of PACO, now liquidated, were taken over by the Company in August 1983 in consideration for which shares in the Company were issued to PACO.

The Company was incorporated in Pakistan as a public limited company in August 1983 and started commercial production in January 1984. The shares of the Company are quoted on Karachi and Lahore Stock Exchanges.

In accordance with the terms of a sale agreement dated September 19, 1992 between SMC and PACO, SMC increased its shareholding to 40% in the Company by purchasing shares from PACO and took over its management with effect from September 21, 1992. Since then SMC progressively increased its investment thereby acquiring increased equity.

In July 1996, PACO disinvested its remaining shareholding. These shares were acquired by SMC in terms of the joint venture agreement between PACO and SMC - Japan which has since come to an end. The total foreign investment brought in by SMC - Japan since inception stands at Rs. 1,026.36 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation. Capital work-in-progress is stated at cost. Items of fixed assets costing Rs. 10,000/- or less are not capitalized and charged off in the year of purchase.

Depreciation on all operating fixed assets, except leasehold land, is charged to income applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Leasehold land is depreciated using the straight line method whereby the cost of the leasehold land is written off over its lease term. The full year's depreciation is charged on additions while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to income as and when incurred. Gain or loss on sale or retirement of fixed assets is included in income currently.

2.3 Capitalisation of borrowing cost

The borrowing cost during construction period, on loans obtained for a specific project, is capitalised as part of fixed asset additions or included in capital work-in-progress.

2.4 Investments

Long-term investments in shares are stated at cost. However, provision is made for permanent diminution in value of investment, if any. Short-term investments are stated at the lower of cost and market value.

2.5 Deferred costs

Deferred costs are charged to income over a period of three years.

2.6 Stores, spares and loose tools

Stores, spares and loose tools, except items-in-transit, are valued at cost calculated on a first-in-first-out basis. Items in-transit are valued at cost comprising invoice values plus other charges paid thereon to the balance sheet date. Provision is made annually in the accounts for slow moving and obsolete items.

2.7 Stocks

Stocks, except items-in-transit, are valued at the lower of cost and net realisable value. Cost is calculated on a first-in-first-out or specific consignment basis, depending upon their categories. Stocks-in-transit are stated at invoice values plus other charges accrued thereon to the balance sheet date. The Company assumes title to stocks-in-transit after the relevant documents are retired.

Vehicles on wheels are taken as work-in-process until they are approved by the quality control department. After such approval the vehicles are classified as finished goods. The assembled engines are included in raw material. The cost of assembled engines, work-in-process and finished goods consists of landed cost of imported materials, average local material cost, factory overhead and direct labour. Cost in relation to CKD vehicles represents landed cost.

Net realisable value is determined by considering the prevailing selling prices of vehicles in the ordinary course of business less costs of completion and less cost necessarily to be incurred in order to make the sale. The net realisable values are determined on the basis of each line of product.

Provision is made annually in the accounts for slow moving and obsolete items.

2.8 Employees retirement gratuity scheme

The Company operates an approved funded gratuity scheme covering all its permanent employees.

Contribution is payable to the fund on yearly basis according to actuarial recommendation at a rate of 13.5% of basic salaries. The actuarial valuation of the scheme is carried out once in every three years on the basis of "Attained Age Normal Actuarial Cost Method". The expected rate of increase in salaries and return on investment for the purpose of actuarial valuation are assumed to be 11% and 12% respectively.

The last actuarial valuation was carried out as on June 30, 1996. The fair value of the scheme's assets and liabilities for the past services at latest valuation date were Rs. 33.089 million and Rs. 37.994 million respectively.

The gratuity benefits are payable to staff on completion of prescribed qualifying period of service at the time of retirement as laid down in the scheme.

2.9 Taxation

Current:

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

Deferred:

The Company accounts for deferred taxation arising on major timing differences using the liability method.

2.10 Foreign currencies

Foreign currency transactions are converted at the rates of exchange ruling on the dates of those transactions or forward exchange contract rates. Assets and liabilities expressed in foreign currencies are translated into Pak rupees at the rates of exchange prevailing on the balance sheet date except those liabilities covered under forward exchange contracts which are translated at the contractual rates. Exchange differences are included in income currently.

2.11 Revenue recognition

Revenue is recognised when goods are sold and services rendered. Goods are treated as sold when they are specified and invoiced.

Warranty and insurance claims are recognised when the claims in respect thereof are lodged whereas indenting and agency commission is recognised when the shipments are made by the principals.

2.12 Accounting for compensated absences

The Company accounts for accrual for employees' compensated absences on the basis of unavailed earned leave balance of each employee as at the end of the year.

2.13 Research and development costs

Research and development costs are charged in the year in which they are incurred.

2.14 Warranty obligations

The Company accounts for its warranty obligations on accrual basis.

1997 1996
(Rupees in thousand)

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

44,284,117 (1996: 44,284,117) ordinary shares of Rs. 10/- each fully paid in cash	442,841	442,841
2,800,000 (1996: 2,800,000) ordinary shares of Rs. 10/- each fully paid-up for consideration other than cash	28,000	28,000
2,047,135 (1996: 2,047,135) ordinary shares of Rs. 10/- each issued as fully paid bonus shares	20,471	20,471
	-----	-----
	491,312	491,312
	=====	=====

3.1 At June 30, 1997 Suzuki Motor Corporation, Japan held 35,780,338 ordinary shares of Rs. 10 each (1996:33,017,666 ordinary shares).

NOTE 1997 1996
(Rupees in thousand)

4. RESERVES

Capital reserve			
Share premium account		584,002	584,002
General Reserve			
Transfer from profit and loss account		295,000	-
		-----	-----
		879,002	584,002
		=====	=====

5. LONG TERM LIABILITIES

Long-term loans			
Secured			
From National Development Finance Corporation	5.1	78,727	146,917
Less: Current maturity	6	78,727	67,375
		-----	-----
		-	79,542
From International Finance Corporation	5.2	83,510	125,325
Less: Current maturity	6	41,816	41,816
		-----	-----
		41,694	83,509

	41,694	163,051
Advances from customers	464,257	905,018
Less: Current maturity	6 464,257	665,606
	-	239,412
	41,694	402,463

5.1 Particulars of the long-term loans from National Development Finance Corporation (NDFC)

	1997	1996	REPAYMENT TERMS	RATE OF INTEREST AND OTHER CHARGES	SECURITY	OTHER PARTICULARS
(Rupees in thousand)						
A.	30,548	57,237	Repayable in Pak rupees at the highest effective selling exchange rate prevailing on the date of establishment of relative letters of credit in fourteen semi-annual installments commencing October 1, 1991.	10.9% per annum plus foreign exchange risk fee of 4.1% per annum payable on April 1, and October 1, each year.	This loan is secured by the following: - Mortgage on the immovable properties of the new plant. Formalities for creating the mortgage are in process. - Floating charge on the business undertaking and all other assets and properties. - Hypothecation of all plant, equipment, motor vehicles and movable properties. - Hypothecation of book debts and all receivables. - Hypothecation to NDFC of the benefits of the contracts with the suppliers of goods to be imported/purchased for the purposes of the new plant. (All the above securities rank pari passu with other existing creditors). - Promissory notes. - Repayment guarantee from PACO. Replacement of this guarantee is in progress in accordance with the sale agreement dated September 19, 1992 be-	The credit facility of Japanese Yen 1 billion was sanctioned by NDFC to the Company for the import of machinery for the new plant at Bin Qasim.

 carried 30,548 57,237
 forward

tween PACO and SMC.

	1997	1996	REPAYMENT TERMS	RATE OF INTEREST AND OTHER CHARGES	SECURITY	OTHER PARTICULARS
--	------	------	--------------------	---	----------	----------------------

(Rupees in thousand)

brought 30,548 57,237
 forward

B. 48,179 89,680 Repayable in
 Pak Rupees, in
 fourteen semi-
 annual
 installments
 commencing
 October 1, 1991.

15% per annum
 including foreign
 exchange risk fee
 payable on April
 1, and October 1,
 each year.

This loan is secured by
 the following:
 - Mortgage on the im-
 movable properties of
 the new plant. Formali-
 ties for creating the mort-
 gage are in process.
 - Floating charge on the
 business undertaking
 and all other assets and
 properties.
 - Hypothecation of all
 plant, equipment, motor
 vehicles and movable
 properties.
 - Hypothecation to
 NDFC of the benefits of
 the contracts with the
 suppliers of goods to be
 imported/purchased
 for the purposes of the
 new plant.
 All the above securities
 rank pari passu with
 other existing
 creditors).
 - Hypothecation of
 book debts and all re-
 ceivables.
 - Promissory notes.
 - Repayment
 guarantee from PACO.
 Replacement of this
 guarantee is in progress
 in accordance with the
 sale agreement dated
 September 19, 1992 be-
 tween PACO and SMC.

The credit facility of US\$
 9.7 million was
 sanctioned by NDFC to
 the Company for import
 of machinery for the
 new plant at Bin Qasim.

 78,727 146,917
 =====

5.2 Particulars of the long-term loan from International Finance Corporation (IFC)

	1997	1996	REPAYMENT TERMS	RATE OF INTEREST AND OTHER CHARGES	SECURITY	OTHER PARTICULARS
(Rupees in thousand)						
A.	83,510	125,325	Repayable in Japanese Yen in thirteen equal semi-annual installments commencing September 1, 1992 and a fourteenth installment for the balance.	8.3125% per annum payable in Japanese Yen plus foreign exchange risk fee of 5.6875% payable in Pak Rupees on March 1, and September 1, each year.	The loan is secured by a first fixed charge by way of mortgage by deposit of title deeds on the immovable assets of the new plant and a first charge on all movable assets (present and future) of the Company. The securities rank <i>par passu</i> with any mortgages and charges securing the NDFC loans.	The loan facility of 2.400 billion Japanese Yen was sanctioned by International Finance Corporation (IFC) for the new plant at Bin Qasim. IFC has disbursed 1.500 billion Japanese Yen upto June 30, 1992. The undisbursed loan balance of Japanese Yen 0.9 billion was surrendered by the company on March 4, 1993.
	----- 83,510 =====	----- 125,325 =====				

NOTE
1997 1996
(Rupees in thousand)

6. CURRENT LIABILITIES

Bills payable	1,155,672	1,506,813
Creditors	257,542	175,531
Accrued liabilities	112,262	71,350
Advances from customers	5 464,257	665,606
Customs duties	256,452	50,126
Sales tax payable	15,708	-
Provision for sales tax demand	6.2 50,465	50,465
Rebate accrued on late delivery of vehicles	38,545	78,721
Current maturity of long-term loans - National Development Finance Corp.	5 78,727	67,375

- International Finance Corporation	5	41,816	41,816
		-----	-----
		120,543	109,191
Security deposits	6.1	56,190	59,245
Royalties and technical fee payable to Suzuki Motor Corporation, Japan an associated undertaking		70,697	28,609
Provision for income tax - net		690	-
Interest accrued on secured loans		7,024	11,553
Proposed dividend		98,263	34,392
Unclaimed dividends		248	169
Capital Value Tax		5,273	2,564
Workers' profit participation fund	6.3	21,207	39,119
Others		12,651	13,159
		-----	-----
		2,743,689	2,896,613
		=====	=====

6.1 Security deposits

Repayable on demand		54,400	57,600
Other deposits		1,790	1,645
		-----	-----
		56,190	59,245
		=====	=====

The above deposits are not liable to financial charges.

6.2 The sales tax authorities had issued demand notice for recovery of sales tax, additional tax and surcharge for Rs. 50.465 million (1996: Rs. 50.465 million) for alleged incorrect adjustment of input sales tax amounting to Rs. 19.804 million (1996:19.804 million) on components locally procured for consumption in the assembly of Suzuki taxis against output sales tax of other taxable vehicles during the period from February 1992 to August 1992, which were otherwise exempted from the levy of sales tax under the Prime Minister's Public Transport Scheme. The Company had disputed the contention of the sales tax authorities and had filed appeal against the order of the sales tax authorities with the Collector (Appeals) which was decided against the Company. The Company subsequently filed a writ petition in the High Court of Sindh. The Company was granted stay of demand by the High Court of Sindh till the final disposal of the writ petition. In view of the inherent delays that are associated in litigation and the element of uncertainty inherent in such matters, the provision was made as a matter of prudence.

1997 1996 (Rupees in thousand)

6.3 Workers Profit Participation Fund

Balance at beginning of the year	39,119	1,201
Interest on funds utilised in the Company's business	3,630	62
	-----	-----
	42,749	1,263

Allocation for the year	21,207	39,119
	-----	-----
	63,956	40,382
Less: Paid during the year	42,749	1,263
	-----	-----
Balance at end of the year	21,207	39,119
	=====	=====

6.4 The facility for opening letters of credit as at June 30, 1997 amounted to Rs. 2,145 million (1996:2024 million) of which the amount remaining unutilised at the year end was Rs. 938.233 million (1996: Rs. 491.287 million).

6.5 The facilities for running finance available from two banks amounted to Rs. 290 million (1996: Rs. 100 million). These facilities are secured against pledge of WAPDA Bonds to one of the banks for Rs. 200 million and second charge (hypothecation) on spare parts and components to the tune of Rs. 100 million in favour of another bank. The markup rates on these facilities are paisas 45 and paisas 41.10 per Rs. 1000 per day respectively.

7. Commitments

Capital expenditure contracted for but not incurred amounted to Rs. 9.795 million (1996: Rs. 6.537 million).

	NOTE	1997	1996
		(Rupees in thousand)	
8. Tangible Fixed Assets			
Operating fixed assets	8.1	1,340,509	1,470,888
Capital work-in-progress	8.6	5,672	825
		-----	-----
		1,346,181	1,471,713
		=====	=====

8.1 Operating fixed assets

The following is a statement of operating fixed assets:

	Cost as at July 1, 1996	Addition/ (deletion)	Cost as at June 30, 1997	Accumu- lated depreci- ation as at July 1, 1996	Charge for the year/ (depre- ciation on deletions	Accumu- lated depreci- ation as at June 30, 1997	Net Book value as at June 30, 1997	Depre- ciation rate %
(Rupees in thousand)								
Leasehold land	60,494	-	60,494	5,581	1,008	6,589	53,905	60 years
Buildings on leasehold land (notes 8.2 & 8.3)								
- Factory	476,998	-	476,998	82,289	19,736	102,025	374,973	5
- Office	2,063	-	2,063	900	58	958	1,105	5
- Test track & other building	-	7,780	7,780	-	1,556	1,556	6,224	20
Plant and machinery (note 8.3)	1,093,237	33,261	1,126,498	424,350	105,322	529,672	596,826	15 & 25
Waste water treatment plant	39,837	5,091	44,928	9,959	8,742	18,701	26,227	25
Furniture and fittings	12,251	126	12,377	7,548	966	8,514	3,863	20
Vehicles	38,837	21,597 (974)	59,460	18,768	8,178 (1.94)	26,752	32,708	20

Permanent and special tools	66,302	1,145	67,447	17,065	5,175	22,240	45,207	10 & 25
Dies	370,417	6,971	369,741	190,410	46,489	230,273	139,468	25
		(7,647)			(6,626)			
Jigs & fixtures	88,257	4,474	92,731	50,296	10,609	60,905	31,826	25
Electrical installations	14,841	-	14,841	6,811	1,606	8,417	6,424	20
Airconditioners and refrigerators	16,562	386	16,655	6,960	1,987	8,707	7,948	20
		(293)			(240)			
Office equipment	10,823	2,382	13,205	7,296	1,182	8,478	4,727	20
Computers	15,281	3,687	18,919	7,079	2,794	9,841	9,078	20 & 25
		(49)			(32)			
-----	-----	-----	-----	-----	-----	-----	-----	
1997	2,306,200	86,900	2,384,137	835,312	215,408	1,043,628	1,340,509	
		(8,963)			(7,092)			
-----	-----	-----	-----	-----	-----	-----	-----	
1996	2,163,986	154,940	2,306,200	594,264	250,376	835,312	1,470,888	
		(12,726)			(9,328)			
=====	=====	=====	=====	=====	=====	=====	=====	

8.2 Two out of three leasehold lands on which the buildings at West Wharf are situated are in the names of Sind Engineering (Private) Limited and Republic Motors (Private) Limited. The lease agreements relating to these lands have been expiring on various dates commencing March 1998. The transfer of the leasehold lands in the name of the Company and the renewal of these leases is in process.

8.3 Included in the operating fixed assets, in note 8.1 above, at an aggregate net book value, as at June 30, 1997, of Rs. 16.990 million (1996: Rs. 18.408 million) are factory and office buildings on leasehold lands and certain items of plant and machinery at West Wharf, Karachi which consequent to the transfer of the Company's production facilities from West Wharf to Bin Qasim in July 1993 and transfer of the Company's head office in July, 1994 are no longer in use and are now held for disposal. The management is confident that the net realizable values of the aforementioned factory and office buildings on leasehold lands and items of plant and machinery are expected to be more than their net book values.

NOTE **1997** **1996**

(Rupees in thousand)

8.4 Depreciation charge for the year has been allocated as under:

Cost of goods manufactured	4.1	201,432	239,066
Selling and administration expenses	15	13,976	11,310
		-----	-----
		215,408	250,376
		=====	=====

8.5 The following fixed assets were disposed off during the year:

Cost	Accumulated depreciation	Net book value	Sale proceeds	Profit/(loss)	Mode of disposal	Particulars of buyers and insurance company
(Rupees in thousand)						
Vehicles:						
Suzuki Mehran	264	53	211	285	74 Insurance claim	E.F.U. General Insurance Co.
Suzuki Mehran	236	47	189	237	48 Insurance claim	124/T, Block-2, Tariq Road, P.E.C.H.S. Karachi.
Suzuki Mehran	474	94	380	380	0 Executive car scheme	Company Employees
-----	-----	-----	-----	-----		

	974	194	780	902	122
Personal Computers	49	32	17	9	(8) Trade in
Airconditioners & Refrigerators	293	240	53	31	(22) Trade in
Dies for FX-800	7,647	6,626	1,021	1,021	- Tender
-----	-----	-----	-----	-----	-----
1997	8,963	7,092	1,871	1,963	92
=====	=====	=====	=====	=====	=====
1996	12,726	9,328	3,398	7,071	3,673
=====	=====	=====	=====	=====	=====

Linnet Technological Services
10-G, Amir Trade Centre,
P.E.C.H.S., Karachi

United Services
Shop No. 38, Ahmed Terrace
Frere Road, Karachi.

Ibrahim Brothers,
Karachi Centre,
New Neham Road,
Karachi.

NOTE **1997** **1996**
(Rupees in thousand)

8.6 Capital work-in-progress

Civil works		2,005	-
Plant and machinery		746	-
Advance for capital expenditure		2,921	825
		-----	-----
		5,672	825
		=====	=====

9. LONG-TERM INVESTMENTS

Quoted			
Bolan Castings Limited			
100,000 fully paid ordinary shares of Rs. 10/- each [market value as at June 30, 1997 Rs. 0.695 million (1996: Rs. 0.890 million)]			
		1,006	1,006
Unquoted			
Arabian Sea Country Club Limited			
500,000 (1996: 500,000) fully paid ordinary shares of Rs. 10 each (Representing 8.06% holding)			
	9.1	5,000	5,000
		-----	-----
		6,006	6,006
		=====	=====

9.1 The value of the Company's investment on the basis of net assets of the investee company as disclosed in its audited account for the year ended June 30, 1996 amounted to Rs. 5 million. Mr. Zaeem Lutfi is the Chief Executive of the Company.

NOTE **1997** **1996**
(Rupees in thousand)

10. LONG-TERM LOANS - Secured

Loans - considered good, due from employees			
	10.1	4,905	5,593
Less: Receivable within one year			
	12.5	2,421	2,677

-----	-----
2,484	2,916
=====	=====

10.1 These represent loans given to employees, against guarantees of three employees of the Company, for purchase of motorcycles. These loans are repayable in thirty six equal monthly installments free of any financial charges.

NOTE	1997	1996	
	(Rupees in thousand)		
11. LONG-TERM DEPOSITS AND PREPAYMENTS			
Long-term trade deposits	5,186	3,931	
Long-term prepayments	324	523	
	-----	-----	
	5,510	4,454	
	=====	=====	
12. CURRENT ASSETS			
Stores, spares and loose tools	12.1	15,558	23,731
Stocks	12.2	2,001,691	1,694,591
Trade debts	12.3	770	73,671
Sales tax refundable	12.4	-	14,195
Loans and advances	12.5	41,861	33,978
Short-term prepayments and current account balances with statutory authorities	12.6	10,122	9,004
Income tax refundable- net		-	86,459
Accrued income		13,871	15,758
Other receivables	12.7	23,942	82,491
WAPDA bearer bonds	12.8	415,000	497,500
Cash and bank balances	12.9	374,327	489,922
		-----	-----
		2,897,142	3,021,300
		=====	=====
12.1 Stores, spares and loose tools			
Stores		14,113	14,187
Spares		10,718	13,863
Loose tools		3,281	4,371
		-----	-----
		28,112	32,421
Less: Provision for slow moving and obsolete items		12,554	8,690
		-----	-----
		15,558	23,731
		=====	=====
	1997	1996	
	(Rupees in thousand)		

12.2 Stocks

Raw materials and components [including items in transit Rs. 691.086 million

(1996: Rs. 432.209 million)]	1,485,174	1,601,660
Less: Provision for obsolete items	15,994	17,795
	-----	-----
	1,469,180	1,583,865
Work-in-process	70,404	36,670
Finished goods	383,465	935
Trading stock: [including items in transit Rs. 0.577million (1996: Rs. 0.892 million)]	107,083	101,428
Less: Provision for slow moving and obsolete items	28,441	28,307
	-----	-----
	78,642	73,121
	-----	-----
	2,001,691	1,694,591
	=====	=====

12.2.1 Of the aggregate amount, stocks worth Rs. 22.417 million (1996:24.479 million) were in the custody of vendors for fitment and sub-assembly.

12.3 Trade debts

Unsecured and considered good	770	73,671
Considered doubtful	-	354
	-----	-----
	770	74,025
Less: Provision for doubtful debts	-	354
	-----	-----
	770	73,671
	=====	=====

NOTE **1997** **1996**
(Rupees in thousand)

12.4 Sales tax refundable

Considered good	-	14,195
Considered doubtful		
-Sales tax paid on purchase of local components for Suzuki taxis	12.4.1 22,386	22,386
	-----	-----
	22,386	36,581
Provision for doubtful sales tax refundable	22,386	22,386
	-----	-----
	-	14,195
	=====	=====

12.4.1 This represents sales tax paid on purchase of local components for consumption in the assembly of Suzuki taxis. The grounds for this claim are similar as that of the matter stated in note 6.2 above which is under litigation in the High Court of Sindh. :

However, in view of the delays that are usually associated with matters in litigation and the element of uncertainty inherent in such matters, as a matter of prudence a provision has been made.

NOTE	1997	1996
	(Rupees in thousand)	
Loans and advances		
Considered good		
Loans to employees	10	2,421
Advances to:		2,677
- Employees		3,105
- Suppliers		36,335
	-----	-----
	41,861	33,978
Considered doubtful - Advances to suppliers	15,249	15,344
	-----	-----
	57,110	49,322
Less: Provision for doubtful advances to suppliers	15,249	15,344
	-----	-----
	41,861	33,978
	=====	=====

1997 1996
(Rupees in thousand)

12.6 Short-term deposits prepayments and current account balances with statutory authorities

Short-term deposits	150	-
Short-term prepayments	8,961	3,692
Balances with statutory authorities	1,011	5,312
	-----	-----
	10,122	9,004
	=====	=====

12.7 Other receivables

Due from Suzuki Motor Corporation, Japan an associated undertaking	581	6,308
Insurance claims	4,020	12,806
Octroi refundable - Considered good	16,935	59,549
Others - Considered good	2,406	3,828
	-----	-----
	23,942	82,491
	=====	=====

12.7.1 The maximum amount outstanding from the associated undertaking at the end of any month during the year was Rs. 9.165 million (1996: Rs. 7.573 million).

1997 1996
(Rupees in thousand)

12.8 WAPDA bearer bonds (III issue) Cost	497,500	497,500
Less: Provision for diminution in market value	82,500	-
	-----	-----
	415,000	497,500
	=====	=====

12.8.1 Nominal value Rs. 500 million (1996: Rs. 500 million)
Market value Rs. 415 million (1996: Rs. 500 million)
Rate of return: 12.5% tax free;

Date of issue: May 1990

Period of redemption: 10 years

12.8.2 WAPDA bearer bonds to the extent of a nominal value of Rs. 200 million are pledged for short term running finance facility of Rs. 200 million from a bank as stated in note 6.5 above and those to the extent of a nominal value of Rs. 300 million are pledged against a facility for usance letters of credit allowed by a bank for Rs. 1,500 million (1996: Rs. 1,500 million).

	NOTE	1997	1996
(Rupees in thousand)			
12.9 Cash and bank balances			
Cash in hand		3,396	1,514
Cash at bank		-----	-----
In current accounts'		175,322	122,663
On deposit		139,419	306,500
In a special account	12.9.1	56,190	59,245
		-----	-----
		370,931	488,408
		-----	-----
		374,327	489,922
		=====	=====

12.9.1 The special account is maintained in respect of security deposits (note 6.1) in accordance with the requirements of section 226 of the Companies Ordinance, 1984.

	NOTE	1997	1996
(Rupees in thousand)			
13. NET SALES			
Manufactured goods			
Sales		7,772,278	7,915,750
		-----	-----
Less: Commission paid to selling agents		137,794	71,093
Discounts		205	3
		-----	-----
		137,999	71,096
		-----	-----
		7,634,279	7,844,654
Trading stocks			
		87,630	65,780
		11,456	6,133
		-----	-----
		76,174	59,647
		-----	-----
		7,710,453	7,904,301
		=====	=====

	NOTE	1997	1996
(Rupees in thousand)			
14. COST OF SALES			
Manufactured goods			
Finished goods at beginning of the year		935	72,569
Cost of goods manufactured	14.1	7,364,344	6,858,206
		-----	-----
		7,365,279	6,930,775
Finished goods at end of the year		383,465	935

	6,981,814	6,929,840
Trading stocks		
Stocks at beginning of the year	73,121	42,395
Purchases during the year	73,042	87,478
	146,163	129,873
Stocks at end of the year	78,642	73,121
	67,521	56,752
	7,049,335	6,986,592
	=====	=====

NOTE **1997** **1996**
(Rupees in thousand)

14.1 Cost of goods manufactured

Work-in-process at beginning of the year	36,670	108,928
Raw materials and components consumed		
Stocks at beginning of the year	1,583,865	1,308,580
Purchases during the year	6,651,204	6,466,278
	8,235,069	7,774,858
Stocks at end of the year	1,469,180	1,583,865
	6,765,889	6,190,993
Stores and spares consumed	58,661	48,963
Provision for slow moving and obsolete stores, spares and loose tools	3,864	3,297
Fuel and power	36,914	34,318
Salaries, wages and other benefits	155,936	127,010
Rent, rates and taxes	1,105	2,892
Insurance	9,565	11,050
Repairs and maintenance	41,521	28,314
Royalties and technical fee	84,794	30,966
Depreciation	8.4 201,432	239,066
Conveyance and travelling	33,206	21,811
Communications	850	1,103
Reversal of provision for doubtful sales tax refundable	-	(12,807)
Provision for sales tax demand	-	50,465
Others	4,341	8,507
	632,189	594,955
Manufacturing cost for the year	7,398,078	6,785,948
Work-in-process at end of the year	70,404	36,670
	7,364,344	6,858,206
	=====	=====

NOTE **1997** **1996**

(Rupees in thousand)

15. SELLING AND ADMINISTRATION EXPENSES

Salaries, wages and other benefits		62,217	50,635
Hired security guards services		5,499	5,445
Rent, rates and taxes		6,351	7,192
Utilities		3,585	1,182
Insurance		2,947	2,078
Repairs and maintenance		9,168	4,984
Depreciation	8.4	13,976	11,310
Auditors' remuneration	15.1	718	678
Legal and professional charges		1,166	1,131
Conveyance and travelling		15,209	13,878
Entertainment		1,113	1,362
Printing and stationery		3,752	3,217
Advertising and sales promotion		34,470	30,510
Free service and warranty claims		6,386	2,760
Communications		6,648	4,798
Provision for doubtful debts		-	37
Others		2,297	4,050
		-----	-----
		175,502	145,239
		=====	=====

15.1 Auditors' remuneration

Audit fee		300	250
Special certifications and sundry advisory services		390	351
Out of pocket expenses		28	77
		-----	-----
		718	678
		=====	=====

NOTE 1997 1996
(Rupees in thousand)

16. OTHER INCOME

Mark-up on cash deposits with banks		19,264	23,177
Mark-up on advances to suppliers		4,630	4,597
Income on WAPDA bearer bonds		62,500	62,500
Indenting and agency commission		94	123
Net profit on disposal of fixed assets	8.5	92	3,673
Others		3,845	4,365
		-----	-----
		90,425	98,435
		=====	=====

17. FINANCIAL AND OTHER CHARGES

Mark-up on short-term finances from banks		26,001	14,578
Interest and other borrowing costs on secured long-term loans		32,883	49,412
Rebate on late delivery of Suzuki vehicles		4,789	24,905
Net exchange loss/(gain)		900	(1,834)
Bank charges		1,211	1,402
Workers' profits participation fund (W.P.P.F.)		21,207	39,119
Interest on W.P.P.F.		3,630	62

-----	-----
90,621	127,644
=====	=====

TAXATION**18.1 Current**

In view of the assessed accumulated tax losses available for set-off, provision for current taxation for the year is based on minimum tax at 0.5 percent on turnover of the Company.

18.2 Deferred

The deferred tax liability, computed under the liability method on account of timing differences primarily due to accelerated tax depreciation, at June 30, 1997 amounted to approximately Rs. 97.500 million (1996: Rs. 126.000 million). Provision for deferred taxation has been made in the accounts as the management considers that the timing differences would reverse in the foreseeable future.

	NOTE	1997	1996
		(Rupees in thousand)	
19. CASH GENERATED FROM OPERATIONS			
Profit before taxation		402,920	743,261
Adjustments for non cash charges & other items:			
Depreciation		215,408	250,376
Net profit on disposal of fixed assets		(92)	(3,673)
Mark-up on cash deposits and advances to suppliers and income from investments		(86,394)	(90,274)
Financial charges		67,303	88,957
Provision for diminution in the market value of WAPDA Bonds		82,500	-
Working capital changes	19.1	(145,145)	477,787
		-----	-----
		536,500	1,466,434
		=====	=====

19.1 Working Capital Changes

(Increase)/decrease in current assets			
Stocks, stores, spares & loose tools		(298,927)	(161,568)
Trade debts		72,901	(41,141)
Loans and advances		(7,883)	717
Short-term deposits, prepayments and others		71,626	249,900
		-----	-----
		(162,283)	47,908
Increase in current liabilities (net)		17,138	429,879
		-----	-----
		(145,145)	477,787
		=====	=====

20. CASH AND CASH EQUIVALENTS

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

	NOTE	1997	1996
		(Rupees in thousand)	

Cash and bank balances	12.9	374,327	489,922
		=====	=====

21. REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE

	1997			1996		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
	(Rupees in thousand)					
Managerial remuneration	3,220	1,040	8,454	2,640	720	5,267
Retirement benefits	398	-	3,899	308	-	3,058
Perquisites						
Rent	1,008	432	3,222	972	-	1,993
Utilities and upkeep	566	172	678	562	-	363
Telephone	170	-	213	242	1	120
Medical	95	-	494	57	-	389
Entertainment	64	-	38	41	-	17
	-----	-----	-----	-----	-----	-----
	5,521	1,644	16,998	4,822	721	11,207
	=====	=====	=====	=====	=====	=====
Number of persons	5	1	46	5	1	33

21.1 In addition, the chief executive, five directors and thirteen executives were provided with free use of chauffeur driven Company maintained cars.

1997	1996
(Rupees in thousand)	

22. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchase of components	3,087,984	3,726,917
Purchase of fixed assets	18,824	19,659
Sale of vehicles	1,546	2,059
Royalties and technical fee	84,794	30,966
Indenting and agency commission	94	123
Sub-assembly revenues and other claims	1,350	183

23. PLANT CAPACITY AND ACTUAL PRODUCTION

1997	1996
(Number of units)	

Plant capacity (double shifts)	50,000	50,000
Actual production	30,513	28,040

The under utilization of capacity was due to lower demand during the year.

24. COMPARATIVE FIGURES

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

SELECTED FINANCIAL DATA**6 YEARS AT A GLANCE**

	1997	1996	1995	1994	1993	1992
	(Rupees in thousand)					
OPERATING RESULTS						
Production volume (Nos)						
PSMC Plants	30,513	28,040	22,202	16,569	26,165	28,914
Assembled by associated undertakings	-	-	-	4,079	9,157	13,634
Total	30,513	28,040	22,202	20,648	35,322	42,548
Sales volume (Nos)	29,067	28,217	25,336	23,974	34,714	42,772
Sales revenue	7,710,453	7,904,301	5,703,785	4,261,897	5,362,390	5,257,790
Gross profit/(loss)	661,118	917,709	297,753	(82,720)	(14,533)	(480,361)
Operating profit/(loss)	485,616	772,470	199,941	(157,437)	(119,379)	(558,546)
Profit/(loss) before taxation	402,920	743,261	22,828	(302,943)	(232,418)	(507,104)
Profit/(loss) after taxation	391,390	574,502	(5,918)	(296,577)	(240,991)	(528,206)
Dividends	98,263	34,392	-	-	-	-
Profit retained	293,127	540,110	-	-	-	-
	=====	=====	=====	=====	=====	=====
CAPITAL EMPLOYED						
Share capital	491,312	491,312	491,312	245,656	245,656	122,828
Reserves	879,002	584,002	584,002	215,517	215,517	40,649
Unappropriated profit/(adverse balance)	4,126	5,999	(534,111)	(528,193)	(231,616)	-
	-----	-----	-----	-----	-----	-----
Shareholders' equity	1,374,440	1,081,313	541,203	(67,020)	229,557	163,477
Long-term and deferred liabilities	139,194	528,463	779,264	1,772,180	1,853,049	1,603,091
	-----	-----	-----	-----	-----	-----
	1,513,634	1,609,776	1,320,467	1,705,160	2,082,606	1,766,568
	=====	=====	=====	=====	=====	=====
Represented by:						
Fixed assets	1,346,181	1,471,713	1,590,692	1,665,385	1,655,710	1,627,050
Other non-current assets	14,000	13,376	9,655	7,570	9,197	12,498
Net current assets	153,453	124,687	(279,880)	32,205	417,699	127,020
	-----	-----	-----	-----	-----	-----
	1,513,634	1,609,776	1,320,467	1,705,160	2,082,606	1,766,568
	=====	=====	=====	=====	=====	=====
PROFITABILITY RATIOS						
Gross profit/(loss) as a % of net sales	8.60	11.60	5.20	(1.9)	(0.3)	(9.1)
Operating profit/(loss) as a % of net sales	6.30	9.80	3.50	(3.7)	(2.2)	(10.6)
Profit/(loss) before taxation as a % of net sales	5.20	9.40	0.40	(7.1)	(4.4)	(9.6)
Profit/(loss) after taxation as a % of net sales	5.10	7.30	(0.1)	(7.0)	(4.5)	(10.0)

Earning/(loss) per share (Rs.)	8.00	11.70	(0.1)	(12.1)	(9.8)	(43.0)
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	1997	1996	1995	1994	1993	1992
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(Rupees in thousand)

LIQUIDITY & LEVERAGE**RATIOS**

Quick ratio	0.29:1	0.34:1	0.29:1	0.21:1	0.23:1	0.35:1
Liabilities as % of tot	68	76	88	-	96	96
Equity as % of total as	32	24	12	-ve	4	4
Debt equity ratio	3:97	13:87	33:67	-	89:11	91:09

EFFICIENCY RATIOS

Inventory turn over rat	3.50	4.10	3.50	2.10	2.30	5.80
No. of days stock held	104	103	173	158	63	
No. of days sales in tr	-	2	0.20	1	4	
Total assets turn over	1.80	1.80	1.20	1.10	1.00	1.40
Net worth turn over rat	5.60	7.30	10.50	-	23.40	32.20

EQUITY RATIOS

Break up value per shar	27.97	22.00	11.02	-ve	9.34	13.30
Dividend as a % of capi	20	7	-	-	-	-
Dividend per share (Rs.	2	0.70	-	-	-	-
Dividend payout ratio (25	6.00	-	-	-	-
Dividend cover Ratio	3.98	16.70	-	-	-	-
Plough-back ratio (%)	75	94.00	-	-	-	-
Bonus shares (%)	-	-	-	-	-	-
Right Issue (%)	-	-	-	100	-	100

OTHER DATA

Permanent employees str	549	552	540	884	917	1210
Deletion achieved (%)						
Mehran Car SB 308 800cc	61.73	59.35	57.90	55.38	54.22	52.30
Khyber Car SA 310 1000c	46.03	43.85	42.58	40.69	39.38	38.79
Margalla Car SF 413 130	37.74	35.83	34.16	33.31	33.30	33.30
Margalla Car SF 413 (Po	34.14	30.52	30.43	-	-	-
Ravi Pickup 800cc	55.34	53.51	52.14	50.46	48.95	47.18
Bolan Van 800cc	50.21	48.46	47.11	45.68	44.35	42.75
Potohar Jeep 1000cc	38.13	37.56	35.31	34.89	30.60	30.33

Number of shores issued	49,131,252	49,131,252	49,131,252	24,565,626	24,565,626	12,282,813
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PATTERN OF SHAREHOLDINGS**AS AT JUNE 30, 1997**

Number of shareholders		Shareholding		Total shares held
824	From	1	to	100
1207	From	101	to	500
476	From	501	to	1000
325	From	1001	to	5000
				38,216
				349,820
				368,865
				771,546

52	From	5001	to	10000	372,758
14	From	10001	to	15000	179,876
4	From	15001	to	20000	72,408
5	From	20001	to	25000	112,700
3	From	25001	to	30000	84,376
2	From	30001	to	35000	62,588
3	From	35001	to	40000	119,000
3	From	40001	to	45000	130,300
1	From	45001	to	50000	49,900
1	From	55001	to	60000	56,000
1	From	75001	to	80000	156,000
1	From	90001	to	95000	95,000
1	From	95001	to	100000	100,000
1	From	115001	to	120000	118,700
1	From	15001	to	160000	158,000
1	From	165001	to	170000	165,544
1	From	180001	to	185000	182,400
1	From	230001	to	235000	232,480
1	From	325001	to	330000	327,460
1	From	395001	to	400000	399,976
1	From	425001	to	430000	427,480
1	From	530001	to	535000	531,560
1	From	605001	to	610000	610,000
1	From	640001	to	645000	640,300
1	From	910001	to	915000	910,500
1	From	1250001	to	1255000	1,251,300
1	From	1555001	to	1560000	1,555,318
1	From	2720001	to	2725000	2,720,543
1	From	35780001	to	35785000	35,780,338

2940					49,131,252
=====					

S. No.	Categories of Shareholders	Number of Shareholders	Shares held	Percentage
1	Individuals	2858	2,421,053	4.93
2	Investment Companies	16	4,505,071	9.17
3	Insurance Companies	10	780,084	1.59
4	Joint Stock Companies	11	85,472	0.17
5	Financial Institutions/Banks	8	2,462,418	5.01
6	Modaraba Companies	6	62,500	0.13
7	Foreign Investors	27	38,558,758	78.48
8	Charitable Trust	1	232,480	0.47
9	Co-operative Societies	3	23,416	0.05

	TOTAL	2940	49,131,252	100.00
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