

Pak Suzuki Motor Co. Limited

Annual Report 1998

CONTENTS

Company Profile
Company Information
Notice of Meeting
Highlights of the Accounts
Chairman's Review
Directors' Report
Auditors' Report
Balance Sheet
Profit & Loss Account
Statement of Changes in Financial Position (Cash Flow Statement)
Notes to the Accounts
Selected Financial Data
Pattern of Shareholdings

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 M(2) (64 acres)
COVERED AREA:	41,000 M(2)
FACILITIES:	Press Shop, Welding Shop, Paint Shop, 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	Deputy Managing Director
Osamu Lizuka	Director
Qaiser Sultan	Director
Yoshio Saito	Director
Razi-ur-Rehman Khan	Director
Koki Imamura	Director

COMPANY SECRETARY

Abdul Hamid Bhombal

AUDITORS

Sidat Hyder Qamar Maqbool & Co.
Chartered Accountants

BANKERS

Bank Alfalah Limited
Deutsche Bank AG
Habib 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 Fifteenth Annual General Meeting of the shareholders of Pak Suzuki Motor Company Limited will be held at Avari Towers, Fatima Jinnah Road, Karachi on Thursday December 17, 1998 at 3.00 p.m. to transact the following business:

1. To confirm minutes of Fourteenth Annual General Meeting held on December 17, 1997.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 1998 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, 1999.
5. To consider any other business with the permission of the Chair.

BY ORDER OF THE BOARD

ABDUL HAMID BHOMBAL

COMPANY SECRETARY

Karachi: November 22, 1998

Notes:

1. The share transfer books of the Company shall remain closed from December 10, 1998 to December 17, 1998 (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, I-A, I. I. Chundrigar Road, Karachi.

HIGHLIGHTS OF THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1998

	1997	1998	Increase/(Decrease)	
			Amount	%
	(Rupees in thousand)			
Production volume (units)	31,302	30,513	789	2.6
Sales volume (units)	32,601	29,067	3,354	12.2
Net sales	8,680,931	7,710,453	970,478	12.6
Gross profit	578,623	661,118	(82,495)	(12.5)
as a % of net sales	6.7	8.6	--	(1.9)
Expenses --Selling & admin.	220,631	175,502	45,129	25.7
--Financial & other charges	56,718	90,621	(33,903)	(37.4)
--Total	277,349	266,123	11,226	4.2
as a % of net sales	3.2	3.5	--	(0.3)
Other income	187,985	90,425	97,560	107.9
as a % of net sales	2.2	1.2	--	1.0
Provision for diminution in market value of WAPDA Bonds/Investments	506	82,500	(81,994)	(99.4)
Profit before taxation	488,753	402,920	85,833	21.3
as a % of net sales	5.6	5.2	--	0.4
Profit after taxation	357,753	391,390	(33,637)	(8.6)
as a % of net sales	4.1	5.1	--	(1.0)
Stocks	1,059,791	2,001,691	(941,900)	(47.1)
as a % of net sales	12.2	26.0	--	(13.8)
number of days stock held	48	104	(56)	--
inventory turn over ratio	7.6	3.5	--	4.1
Cash and bank balances	833,614	374,327	459,287	122.7
Advances from customers	753,065	464,257	288,808	62.2
Pending orders (Nos.)	6,835	13,336	(6,501)	(48.7)
Shareholders' equity	1,633,930	1,374,440	259,490	18.9
Debt Equity ratio	0:100	3:97	--	--
Current ratio	1.16:1	1.06:1	--	--
Profit per share	7.28	7.96	--	--
Break-up value per share	33.26	27.97	--	--
No. of permanent employees				
--Officers	274	230	44	19.1
--Staff/workers	327	319	8	2.5
--Total	601	549	52	9.5

CHAIRMAN'S REVIEW

I am pleased to present my review on the performance of the Company for the year ended June 30, 1998.

PRODUCTION

During the year 31,302 units were produced against 30,513 units produced in the preceding year. The plant was shutdown during the entire month of June 1998 to revamp the paint system from Anodic to Cathodic. Despite the planned suspension of plant activities for a month, production increased by 2.6% during the year. Capacity utilization improved to 63% from 61% recorded last year.

OPERATING RESULTS

Sales encountered depressed demand due to a sluggish market during the first half of the year. Aggressive marketing and advertising/sales promotion as well as the package announced by the Government in January 1998 for the passenger cars however yielded positive results with increase in sales volume by 12.2%. During the year 32,601 units were sold as compared with 29,067 units sold in the previous year which resulted in increase of sales revenue by 12.6%.

Gross profit as a percentage of sales dropped from 8.6% to 6.7%. In absolute terms it decreased by Rs. 82.495 million. The decline in gross profit was due to the fact that Company reduced its markup in January 1998 as a gesture to Government's package for the car industry. The Government reduced custom duties on Cars by 5% and exempted capital value tax thereon. The package announced by the Government had a positive affect and rejuvenated demand in the second half of the year. The selling and administration expenses increased from Rs. 175.502 million of the preceding year to Rs. 220.631 million and as a percentage of sales from 2.28% to 2.54%. The main factors which contributed to the increase were increase in salaries, depreciation, legal charges, advertising and sales promotion.

Other income increased from Rs. 90.425 million to Rs. 187.985 million. The improvement in income accrued with the compensation received from Income Tax Deptt. for delayed income tax refund and increase in markup on surplus deposits with banks.

Financial and other charges declined from Rs. 90.621 million to Rs. 56.718 million. The saving resulted from decrease in long term loan amount and improved liquidity position.

During the year, the unabsorbed brought forward tax losses were fully adjusted. As required higher provision for taxation has been made this year. Last year provision for turnover tax had only been made.

MARKETING

Your company achieved a major breakthrough with commencement of Exports. A modest beginning has been made with Export of thirty Suzuki Ravi Pickups to Nepal. The management is aggressively exploring export markets to utilize idle capacity.

During the year, the Margalla 1 300 cc car was phased out and replaced by the technologically advanced Baleno 1300 cc car. The new model which is the result of latest engineering design was launched in early September 1 998. This new product has been accepted very well in the market and the sales are proceeding at a brisk pace.

DELETION

The Company is strictly adhering to the Industry Specific deletion programmes and the Ministry of Industries programmes and would continue to meet the deletion targets for future years with increased indigenisation. The company's resolve and commitment to localization is evidenced with the achievement of higher deletion levels in the Mehran Car, Ravi Pickup, Bolan Van and the Khyber Car. Higher deletion in the recently introduced Baleno Car is being actively pursued.

PERSONNEL

Management and employees relations continued to remain cordial and industrial peace prevailed during the year. The CBA has served a new charter of demand for the period July 1998 to June 2000. The management has commenced negotiation with the CBA.

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 are as follows:

Year	Duties and taxes	Foreign exchange savings
	(Rupees in million)	
1993-94	1,157	1,033
1994-95	1,804	1,581
1995-96	2,600	2,555
1996-97	2,728	2,539
1997-98	2,571	2,924

FUTURE PROSPECTS & CONCLUSION

The devaluation of Pak Rupee, composite exchange rate, requirement of 30% cash L/C margin and appreciation of the Yen are pushing up the costs. The market is gradually responding to higher prices arising out of the changed economic scenario. Presently the Company is partly sharing impact of increase in cost in order to maintain volumes. However management would strive to earn a reasonable return on equity.

Company s key objectives continue to remain:

- To provide automobiles of international quality at reasonable prices;
- To improve skills of employees by imparting training and by 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.

Hirofumi Nagao
Chairman & Chief Executive

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, 1998.

2. ACCOUNTS

	(Rs. in 000)
Profit after taxation	357,753
Unappropriated profit brought forward	4,126

Profit available for appropriation	361,879
Less: Appropriations	
Transfer to General Reserve	12,600,001
Proposed cash dividend @ 20 %	98,263

	358,263
Unappropriated profit carried forward	-----
	3,616
	=====

3. CHAIRMAN'S REVIEW

The Chairman's review on page 9 to 11 deals with the year's activities and the directors of the Company endorse contents of the same.

4. PATTERN OF SHAREHOLDINGS

The pattern of shareholdings is given on page 41.

5. BOARD CHANGES

5.1 Mr. S.G. Abbas was a nominee director of National Development Finance Corporation (NDFC) by virtue of loan agreement executed between Pak Suzuki Motor Company Limited and NDFC. He ceased to be director on repayment of loan during the year.

5.2 Mr. Koki Imamura was appointed as director in place of Mr. Katsumi Saruta who resigned from the Board on his transfer to Suzuki Motor Corporation in Japan.

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 ending June 30, 1999.

BY ORDER OF THE BOARD

HIROFUMI NAGAO
Chairman & Chief Executive

Karachi
November 18, 1998

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **PAK SUZUKI MOTOR COMPANY LIMITED** as at 30 June 1998 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 1998 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 Maqool & Co.

Chartered Accountants

Karachi: November 19, 1998

BALANCE SHEET AS AT JUNE 30, 1998

	NOTE	1998	1997
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorised share capital 150,000,000 (1997:150,000,000) 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	1,139,002	879,002
Unappropriated profit		3,616	4,126
Shareholders' equity		1,633,930	1,374,440
LIABILITIES			
Deferred taxation	18.2	105,000	97,500
Long-term loan	5	--	41,694
Current liabilities	6	2,144,223	2,743,689
		2,144,223	2,785,383
COMMITMENTS			
Total shareholders' equity and liabilities	7	3,883,153	4,257,323

ASSETS

Tangible fixed assets	8	1,379,357	1,346,181
Long-term investments	9	5,500	6,006
Long-term loans	10	3,011	2,484
Long-term deposits and prepayments	11	5,866	5,510
Current assets	12	2,489,419	2,897,142
		-----	-----
Total assets		3,883,153	4,257,323
		=====	=====

The annexed notes form an integral part of these accounts.

HIROFUMI NAGAO
Chairman & Chief Executive

CAPT. (RETD) BASHIR AHMED
Deputy Managing Director

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

	NOTE	1998	1997
		(Rupees in thousand)	
Net sales	13	8,680,931	7,710,453
Cost of sales	14	8,102,308	7,049,335
		-----	-----
Gross profit		578,623	661,118
Selling and administration expenses	15	220,631	175,502
		-----	-----
Operating profit		357,992	485,616
Other income	16	187,985	90,425
		-----	-----
		545,977	576,041
		-----	-----
Financial and other charges	17	56,718	90,621
Provision for diminution in market value of WAPDA Bonds/Investments		506	82,500
		-----	-----
		57,224	173,121
		-----	-----
Profit before taxation		488,753	402,920
Taxation		-----	-----
Current - for the year	18.1	123,500	40,000
- for prior years		--	30
Deferred	18.2	7,500	(28,500)
		-----	-----
		131,000	11,530
		-----	-----
Profit after taxation		357,753	391,390
Unappropriated profit brought forward		4,126	5,999
		-----	-----
Profit available for appropriation		361,879	397,389
Appropriations			
Transfer to general reserve		260,000	295,000
Proposed cash dividend @ 20% (1997: 20%)		98,263	98,263
		-----	-----
		358,263	393,263
		-----	-----
Unappropriated profit carried forward		3,616	4,126
		=====	=====

The annexed notes form an integral part of these accounts.

HIROFUMI NAGAO
Chairman & Chief Executive

CAPT. (RETD) BASHIR AHMED
Deputy Managing Director

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

	NOTE	1998	1997
(Rupees in thousand)			
Cash flow from operating activities			
Cash generated from operations	19	688,306	536,500
Financial charges paid		(55,128)	(112,008)
Taxes paid - net		(68,687)	47,119
Long-term loans - net		(527)	432
Long-term deposits & prepayments - net		(356)	(1,056)
		-----	-----
Net cash inflow from operating activities		563,608	470,987
Cash flow from investing activities			
Fixed capital expenditure		(270,326)	(91,747)
Sale proceeds on disposal of fixed assets		7,066	1,963
Mark-up on cash deposits and advances to suppliers and income from investments received		88,710	88,281
		-----	-----
Net cash outflow from investing activities		(174,550)	(1,503)
Cash flow from financing activities			
Repayment of long-term loans		(120,543)	(110,005)
Advances from customers - net		288,808	(440,761)
Dividends paid		(98,036)	(34,313)
		-----	-----
Net cash inflow/(outflow) from financing activities		70,229	(585,079)
		-----	-----
Net increase/(decrease) in cash & cash equivalents		459,287	(115,595)
Cash & bank balances at beginning of the year		374,327	489,922
		-----	-----
Cash & bank balances at end of the year		833,614	374,327
		=====	=====

HIROFUMI NAGAO
Chairman & Chief Executive

CAPT. (RETD) BASHIR AHMED
Deputy Managing Director

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

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 equity to 72.8%.

In July 1996, PACO had disinvested its remaining shareholding. These shares were acquired by SMC in terms of the joint venture agreement between PACO and SMC - Japan which since came 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 capitalised 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.

Contributions are 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. Material exchange differences in respect of unpaid liabilities arising from devaluation subsequent to balance sheet date are provided for in the accounts.

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.

1998 **1997**
(Rupees in thousand)

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

44,284,117 (1997:44,284,117) ordinary shares of Rs. 10/- each fully paid in cash	442,841	442,841
2,800,000 (1997:2,800,000) ordinary shares of Rs.10/-each fully paid-up for consideration other than cash	28,000	28,000
2,047,135 (1997:2,047,135) 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, 1998 Suzuki Motor Corporation, Japan held 35,780,338 ordinary shares of Rs 10/- each (1997:35,780,338 ordinary shares)

NOTE	1998	1997
	(Rupees in thousand)	
4. RESERVES		
Capital reserve		
Share premium account	584,002	584,002
General Reserve		
At beginning of the year	295,000	--
Transfer from profit and loss account	260,000	295,000
	-----	-----
	555,000	295,000
	-----	-----
	1,139,002	879,002
	=====	=====

5. LONG TERM LOAN

Secured			
From International Finance Corporation	5.1	41,694	83,510
Less: Current maturity	6	41,694	41,816
		-----	-----
		--	41,694
		=====	=====

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

1998	1997	Repayment Terms	Rate of Interest and other charges	Security	Other Particulars
(Rupees in thousand)					
41,694	83,510	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 Pakistan 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 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 uptil June 30, 1992. The undisbursed loan balance of Japanese Yen 0.9 billion was surrendered by the company on March 4, 1993
-----	-----				
41,694	83,510				
=====	=====				

NOTE	1998	1997
	(Rupees in thousand)	
6. CURRENT LIABILITIES		
Bills payable	697,570	1,155,672
Creditors	86,462	257,542
Accrued liabilities	112,638	112,262
Advances from customers	753,065	464,257
Security deposits	47,865	56,190
Customs duties	14,222	256,452
Sales tax payable	--	15,708
Provision for sales tax demand	6.2	50,465
Provision for custom duties & sales tax demand	6.3	70,067
Rebate accrued on late delivery of vehicles	12,144	38,545
Current maturity of long-term loans		

International Finance Corporation (IFC)	5	41,694	41,816
National Development Finance Corporation (NDFC)		--	78,727
		-----	-----
		41,694	120,543
Royalties and technical fee payable to Suzuki Motor Corporation, Japan - an associated undertaking		5,221	70,697
Provision for income tax - net		55,503	690
Interest accrued on secured loans		1,951	7,024
Proposed dividend		98,263	98,263
Unclaimed dividends		475	248
Capital value tax		619	5,273
Workers' profit participation fund	6.4	23,484	21,207
Workers' welfare fund		7,500	--
Others		15,015	12,651
		-----	-----
		2,144,223	2,743,689
		=====	=====

6.1 Security deposits

Repayable on demand		45,300	54,400
Other deposits		2,565	1,790
		-----	-----
		47,865	56,190
		=====	=====

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 (1997: Rs. 50.465 million) for alleged incorrect adjustment of input sales tax amounting to Rs. 19.804 million (1997:Rs.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.

6.3 Custom authorities have issued demand notices for the alleged short payment of custom duties and sales tax aggregating Rs. 70.067 million in respect of material imported in prior years. The Company had disputed the contention of the Custom authorities and filed appeals with Collector (Appeals) which were decided against the Company. The Company subsequently filed writ petitions in Sindh High Court. The Honourable Court has granted status quo till the final disposal of the petitions. In view of the inherent delays that are associated in litigation and the element of uncertainty inherent in such matters, the provision has been made as a matter of prudence.

1998 1997 (Rupees in thousand)

6.4 Workers' Profit Participation Fund

Balance at beginning of the year	21,207	1,201
Interest on funds utilised in the Company's business	1,264	3,630
	-----	-----
	22,471	4,831
Allocation for the year	23,484	21,207
	-----	-----
	45,955	26,038
Less: Paid during the year	22,471	4,831
	-----	-----
Balance at end of the year	23,484	21,207
	=====	=====

6.5 The facility for opening letters of credit as at June 30, 1998 amounted to Rs. 350 million (1997: Rs. 2,145 million) of which the amount remaining unutilised at the year end was Rs. 304.026 million (1997: Rs. 938.235 million).

6.6 The facilities for running finance available from banks amounted to Rs. 510 million (1997: Rs. 290 million). These facilities are secured by second hypothecation charge on movable and immovable assets/stocks. The markup rates on these facilities are ranging from Re 0.3836 to Re 0.41 per Rs. 1000 per diem or part thereof on balance outstanding.

7. COMMITMENTS

Capital expenditure contracted for but not incurred amounted to Rs. 6.563 million (1997: Rs. 9.795 million).

	NOTE	1998	1997
(Rupees in thousand)			
Operating fixed assets	8.1	1,370,739	1,340,509
Capital work-in-progress	8.6	8,618	5,672
		-----	-----
		1,379,357	1,346,181
		=====	=====

8. TANGIBLE FIXED ASSETS

Operating fixed assets	8.1	1,370,739	1,340,509
Capital work-in-progress	8.6	8,618	5,672
		-----	-----
		1,379,357	1,346,181
		=====	=====

8.1 Operating fixed assets

The following is a statement of operating fixed assets:

	Cost as at July 1, 1997	Addition/ (deletion)	Cost as as June 30, 1998	Accumulated depreciation as at July 1, 1997	Charge for the year/ (depreciation on deletions)	Accumulated depreciation as at June 30, 1998	Net book value as at June 30, 1998	Depreciation rate (%)
(Rupees in thousand)								
Leasehold land	60,494	--	60,494	6,590	1,008	7,598	52,896	60 Years
Buildings on leasehold land (notes 8.4 & 8.5)								
- Factory	476,997	19,070	496,067	102,025	28,303	130,328	365,739	5
- Office	2,063	--	2,063	958	1,105	2,063	--	5
- Test tracks & other buildings	7,780	--	7,780	1,556	1,245	2,801	4,979	20
Plant and machinery	1,126,499	194,488	1,320,987	529,672	122,244	651,916	669,071	15
Waste water treatment plant	44,928	--	44,928	18,702	6,557	25,259	19,669	25
Permanent & special tools	67,448	--	67,448	22,241	4,624	26,865	40,583	10 & 25
Dies	369,741	400	370,141	230,273	34,967	265,240	104,901	25
Jigs & fixtures	92,731	25,223	117,954	60,905	14,262	75,167	42,787	25
Electrical installations	14,841	2,044	16,885	8,417	1,912	10,329	6,556	20
Furniture and fittings	12,376	1,611	9,957	8,514	1,028	5,843	4,114	20
		(4,030)			(3,699)			
Vehicles	59,459	21,500	73,277	26,749	10,180	32,557	40,720	20
		(7,682)			(4,372)			
Airconditioners and refrigerators	16,656	647	16,442	8,707	1,682	9,716	6,726	20
		(861)			(673)			
Office equipment	13,205	755	11,179	8,478	981	7,254	3,925	20
		(2,781)			(2,205)			
Computers	18,919	1,642	20,363	9,841	2,497	12,290	8,073	20 & 25
		(198)			(48)			
1998	2,384,137	267,380 (15,552)	2,635,965	1,043,628	232,595 (10,997)	1,265,226	1,370,739	
1997	2,306,200	86,900 (8,963)	2,384,137	835,312	215,408 (7,092)	1,043,628	1,340,509	

	NOTE	1998	1997
(Rupees in thousand)			
8.2 Depreciation charge for the year has been allocated as under:			
Cost of goods manufactured	14.1	215,122	201,432
Selling and administration expenses	15	17,473	13,976
		-----	-----
		232,595	215,408
		=====	=====

8.3 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 Sedan 1000cc	537	447	90	262	172	Tender Mr. S. Sabir Hussain B-122, Gulistan-e-Johar, Block 12, Karachi.
Suzuki Khyber	195	144	51	187	136	Tender Mr. Waseem Mirza 5A-10/14, Nazimabad Karachi.
Suzuki Khyber	195	154	41	141	100	Tender
Suzuki Mehran	128	101	27	111	84	Tender
Suzuki Khyber	195	143	52	140	88	Tender Mr. Abdul Aziz Sattar A-1, Plot No. 2C 11, Block 13-D/1 Gulshan-e-Iqbal, Karachi.
Suzuki 1000cc	120	107	13	163	150	Tender Mr. Adnan Moin Siddiqui C-19, Gulshan-e-Karim, KDA Scheme 33, Suparco Road, Karachi.
Suzuki Bolan	131	103	28	140	118	Tender
Suzuki Mehran	134	90	44	140	96	Tender Mr. Hashim Raza F-107/4, Martin Quarters, Karachi.
Suzuki Ravi	94	74	20	76	56	Tender
Suzuki Khyber	194	143	51	185	134	Tender Mr. Kamal Ishaq 8/2-F, Martin Road, Karachi.
Suzuki Ravi	89	74	15	66	51	Tender
Suzuki Ravi	39	38	1	67	66	Tender Mr. Mahmood Ahmed SC-6, Block D, North Nazimabad, Karachi.
Suzuki Mehran	124	103	21	115	94	Tender Mirza Iftikhar Mahmood 11-A-5, P.G.F.C.H.S. Gulberg Road, Lahore.
Suzuki Bolan	115	96	19	119	100	Tender
Suzuki Bolan	116	96	20	141	121	Tender Mr. M. Hashim Raza House # A-704, Clifton Road, Karachi.
Suzuki Potohar	381	186	195	345	150	Insurance claim
Suzuki Margalla	460	166	294	466	172	Insurance claim EFU General Insurance Ltd.
Suzuki Potohar	442	88	354	480	126	Insurance claim 124/T, Block-2, Tariq Road P.E.C.H.S., Karachi.

Suzuki Khyber	353	71	282	325	43	Insurance claim	
Suzuki Sedan 1000cc	393	290	103	250	147	Insurance claim	
Suzuki Mehran	265	53	212	248	36	Insurance claim	
Suzuki Bolan	115	96	19	140	121	Tender	Syed Nisar Panchkot, Nari Sedah, Dakhana Dahi, District Muzaffarbad, Azad Kashmir.
Suzuki Khyber	194	131	63	181	118	Tender	Major Uzair Ahmed Khan OC 332, Signals Co. Abid Majeed Road, Rawalpindi.
Suzuki Potohar	164	136	28	158	130	Tender	Mr. Rizwan Mazhar 148 Asghar Mall Scheme Rawalpindi.
Suzuki Potohar	175	146	29	188	159	Tender	
Suzuki Cars	2,334	1,096	1,238	1,274	36	Executive car scheme	Company employees
	7,682	4,372	3,310	6,114	2,804		
Furniture & Fixtures	1,050	974	76	77	1	Tender	Abdul Hamid C/o Bhai Shiraj-Erum Mansion, Shop No.10 Ramswami, Karachi.
	2,980	2,725	255	261	6	Tender	Mr. Mohd. Suleman A-6, Ahmed Abdul Ghani Textile Mills S.I.T.E. Karachi.
	4,030	3,699	331	338	7		
Airconditioners & Refrigerators	624	569	55	60	5	Tender	Abdul Hamid C/o Bhai Shiraj-Erum Mansion, Shop No.10 Ramswami, Karachi.
	237	104	133	133	--	Negotiation	Company Employees
	861	673	188	193	5		
Office Equipment	1,708	1,301	407	93	(314)	Tender	Sher Ali Enterprises H-9, Golimar Chowangi, Karachi.
	12	2	10	9	(1)	Insurance claim	EFU General Insurance Ltd. 124/-I-, Block-2, Tariq Road, Karachi.
	127	62	65	65	--	Tender	Mr. Mohd. Suleman A-6, Ahmed Abdul Ghani Textile Mills S.I.T.E. Karachi.
	920	835	85	95	10	Tender	Abdul Hamid C/o Bhai Shiraj-Erum Mansion, Shop No.10 Ramswami, Karachi.
	14	5	9	9	--	Negotiation	Company Employees
	2,781	2,205	576	271	(305)		
Computers	198	48	150	150	--	Executive scheme	Company Employees
1998	15,552	10,997	4,555	7,066	2,511		
1997	8,963	7,092	1,871	1,963	92		

8.4 The buildings on leasehold land at West Wharf are situated at three plots numbered 16, 20, and 21.

These plots are owned by Karachi Port Trust (KPT). The lease tenure of plots numbered 16 and 20 expired on July 31, 1998 and March 31, 1998 respectively, whereas lease of plot No. 21 would expire on September 30, 1998. Except for plot No. 20, lease agreements of plot Nos. 16 and 21 are registered in the name of Sind Engineering (Private) Limited and Republic Motors (Private) Limited respectively, both subsidiary companies of PACO. Despite persistent efforts, KPT has not issued mutation letter in respect of plot No. 20 neither have they effected transfer and or renewed lease in respect of plot Nos. 16 and 21. On the other hand KPT without any notice, intimation or warning forcibly took possession of plot Nos. 20 and 21. The Company has filed writ petitions in the Honourable High Court of Sindh praying for restoration of possession and renewal of leases in favour of the Company. Status quo has been granted and notices issued to the respondent by the Court in this respect.

8.5 The immovable assets lying at West Wharf have been impaired by the action of KPT as explained in note 8.4 above. Such assets included buildings, electric installations and immovable plant. The book values of these assets amounted to Rs. 14.604 million. This impairment has necessitated charging off the entire book value of these assets to the said extent and accordingly it has been included in depreciation charge for the year.

NOTE	1998	1997
	(Rupees in thousand)	
8.6 Capital work-in-progress		
Plant and machinery	8,009	746
Civil works	--	2,005
Advance for capital expenditure	609	2,921
	-----	-----
	8,618	5,672
	=====	=====

9. LONG-TERM INVESTMENTS

Quoted

Bolan Castings Limited

100,000 fully paid Ordinary shares of Rs. 10/- each [market value as at June 30, 1998 Rs. 0.500 million (1997: Rs. 0.695 million)]	1,006	1,006
--	-------	-------

Less: Provision for diminution in market value	506	--
	-----	-----
	500	1,006

Unquoted

Arabian Sea Country Club Limited 500,000 (1997: 500,000) fully paid Ordinary shares of Rs. 10/- each (Representing 8.06% holding)	9.1 5,000	5,000
	-----	-----
	5,500	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, 1997 amounted to Rs. 5 million. Mr. Hisamuddin Yousuf is the Chief Executive of the Company.

NOTE	1998	1997
	(Rupees in thousand)	
10. LONG-TERM LOANS - Secured		
Loans-considered good, due from employees	10.1 5,564	4,905
Less: Receivable within one year	12.4 2,553	2,421
	-----	-----
	3,011	2,484
	=====	=====

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	1998 (Rupees in thousand)	1997
11. LONG-TERM DEPOSITS AND PREPAYMENTS		
Long-term trade deposits	5,211	5,186
Long-term prepayments	655	324
	-----	-----
	5,866	5,510
	=====	=====

12. CURRENT ASSETS

Stores, spares and loose tools	12.1	26,766	15,558
Stocks	12.2	1,059,791	2,001,691
Trade debts - unsecured and considered good		8,281	770
Sales tax refundable	12.3	8,819	--
Loans and advances	12.4	43,598	41,861
Short-term deposits, prepayments and current account balances with statutory authorities	12.5	7,758	10,122
Accrued income		55,831	13,871
Other receivables	12.6	29,961	23,942
WAPDA bearer bonds	12.7	415,000	415,000
Cash and bank balances	12.8	833,614	374,327
		-----	-----
		2,489,419	2,897,142
		=====	=====

1998 1997
(Rupees in thousand)

12.1 Stores, spares and loose tools

Stores	19,429	14,113
Spares	15,887	10,718
Loose tools	2,990	3,281
	-----	-----
	38,306	28,112
Less: Provision for slow moving and obsolete items	11,540	12,554
	-----	-----
	26,766	15,558
	=====	=====

12.2 Stocks

Raw material and components [including items in transit Rs. 383.334 million (1997: Rs. 691.086 million)]	979,778	1,485,174
Less: Provision for obsolete items	21,757	15,994
	-----	-----
	958,021	1,469,180
Work-in-process	4,898	70,404
Finished goods	27,157	383,465
Trading stocks [including items in transit Rs. 6.340 million (1997: Rs. 0.577 million)]	75,499	107,083
Less: Provision for slow moving and obsolete items	5,784	28,441
	-----	-----
	69,715	78,642
	-----	-----

1,059,791	2,001,691
=====	=====

12.2.1 Of the aggregate amount, stocks worth Rs. 2.732 million (1 997: Rs. 22.417 million) were in the custody of vendors for fitment and sub-assembly.

	NOTE	1998	1997
(Rupees in thousand)			
12.3 Sales tax refundable			
Considered good		8,819	--
Considered doubtful			
Sales tax paid on purchase of local components for Suzuki taxis	12.3.1	22,386	22,386
		-----	-----
		31,205	22,386
Provision for doubtful sales tax refundable		22,386	22,386
		-----	-----
		8,819	--
		=====	=====

12.3.1 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 was made.

	NOTE	1998	1997
(Rupees in thousand)			
12.4 Loans and advances			
Considered good			
Loans to employees	10	2,553	2,421
Advances to			
- Employees		4,451	3,105
- Suppliers & others		36,594	36,335
		-----	-----
		43,598	41,861
Considered doubtful - Advances to suppliers		15,249	15,249
		-----	-----
		58,847	57,110
Less: Provision for doubtful advances to suppliers		15,249	15,249
		-----	-----
		43,598	41,861
		=====	=====

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

Short-term deposits	--	150
Short-term prepayments	5,983	8,961
Balances with statutory authorities	1,775	1,011
	-----	-----
	7,758	10,122
	=====	=====

1998	1997
(Rupees in thousand)	

12.6 Other receivables

Recoverable exchange difference under Exchange Risk Cover Scheme	19,088	--
--	--------	----

Due from Suzuki Motor Corporation, Japan an associated undertaking	2,783	581
Insurance claims	4,052	4,020
Octroi refundable - considered good	896	16,935
Others - considered good	3,142	2,406
	-----	-----
	29,961	23,942
	=====	=====

12.6.1 The maximum amount outstanding from the associated undertaking at the end of any month during the year was Rs. 3.927 million (1997: Rs. 9.165 million)

	NOTE	1998	1997
		(Rupees in thousand)	
12.7 WAPDA bearer bonds (III issue)			
Cost		497,500	497,500
Less: Provision for diminution in market value		82,500	82,500
		-----	-----
		415,000	415,000
		=====	=====

12.7.1 Nominal value Rs. 500 million (1997: Rs. 500 million)

Market value Rs. 415 million (1997: Rs. 415 million)

Rate of return: 12.5% tax free; Date of issue: May 1990

Period of redemption: 10 years

12.8 Cash and bank balances

Cash in hand		946	3,396
Cash at bank			
In current accounts		20,742	175,322
On deposit		764,061	139,419
In special accounts	12.8.1	47,865	56,190
		-----	-----
		832,668	370,931
		-----	-----
		833,614	374,327
		=====	=====

12.8.1 The special accounts are maintained in respect of security deposits (note 6.1) in accordance with the requirements of section 226 of the Companies Ordinance, 1984.

		1998	1997
		(Rupees in thousand)	
13. NET SALES			
Manufactured goods - Vehicles			
Sales		8,779,934	7,772,278
Less: Commission paid to selling agents		163,783	137,794
Discounts		--	205
		-----	-----
		163,783	137,999
		-----	-----
		8,616,151	7,634,279
Trading stocks			
Sales		72,886	87,630
Less: Discounts		8,106	11,456
		-----	-----
		64,780	76,174
		-----	-----
		8,680,931	7,710,453
		=====	=====

13.1 The net sales include export of vehicles Rs. 3,949 million (1997: NIL)

	NOTE	1997	1998
(Rupees in thousand)			
14. COST OF SALES			
Manufactured goods - Vehicles			
Finished goods at beginning of the year		383,465	935
Cost of goods manufactured	14.1	7,694,829	7,364,344
		8,078,294	7,365,279
Finished goods at end of the year		27,157	383,465
		8,051,137	6,981,814
Trading stocks			
Stocks at the beginning of the year		78,642	73,121
Purchases during the year		42,244	73,042
		120,886	146,163
Stocks at end of the year		69,715	78,642
		51,171	67,521
		8,102,308	7,049,335
		8,102,308	7,049,335

	NOTE	1998	1997
(Rupees in thousand)			
14.1 Cost of goods manufactured			
Work-in-process at beginning of the year		70,404	36,670
Raw materials and components consumed			
Stocks at beginning of the year		1,469,180	1,583,865
Purchases during the year		6,369,354	6,651,204
		7,838,534	8,235,069
Stocks at end of the year		958,021	1,469,180
		6,880,513	6,765,889
Stores and spares consumed			
Provision for slow moving and obsolete stores, spares and loose tools		(1,014)	3,864
Fuel and power		45,546	36,914
Salaries, wages and other benefits		179,364	155,936
Rent, rates and taxes		1,081	1,105
Insurance		12,768	9,565
Repairs and maintenance		43,421	41,521
Royalties and technical fee		100,991	84,794
Rebate allowed on technical fee of last year		(17,077)	--
Depreciation	8.2	215,122	201,432
Provision for custom duties & sales tax demand	6.3	70,067	--
Conveyance and travelling		32,269	33,206
Communications		1,033	850
Others		4,482	4,341
		748,810	632,189
Manufacturing cost for the year		7,629,323	7,398,078
Work-in-process at end of the year		4,898	70,404
		7,694,829	7,364,344

NOTE	1998	1997
(Rupees in thousand)		
15. SELLING AND ADMINISTRATION EXPENSES		
Salaries, wages and other benefits	67,981	62,217
Hired security guards services	5,080	5,499
Rent, rates and taxes	8,279	6,351
Utilities	3,773	3,585
Insurance	3,160	2,947
Repairs and maintenance	7,311	9,168
Depreciation	8.2 17,473	13,976
Auditors' remuneration	15.1 835	718
Legal and professional charges	9,795	1,166
Conveyance and travelling	17,661	15,209
Entertainment	508	1,113
Printing and stationery	3,746	3,752
Advertising and sales promotion	52,461	34,470
Free service and warranty claims	12,278	6,386
Communications	7,200	6,648
Others	3,090	2,297
	----- 220,631	----- 175,502
15.1 Auditors' remuneration		
Audit fee	300	300
Special certifications and sundry advisory services	517	390
Out of pocket expenses	18	28
	----- 835	----- 718
16. OTHER INCOME		
Mark-up on cash deposits with banks	63,583	19,264
Mark-up on advances to suppliers	4,587	4,630
Income on WAPDA bearer bonds	62,500	62,500
Compensation for delayed income tax refund	48,948	--
Indenting and agency commission	83	94
Net profit on disposal of fixed assets	8.3 2,511	92
Others	5,773	3,845
	----- 187,985	----- 90,425
17. FINANCIAL AND OTHER CHARGES		
Mark-up on short-term finances from banks	8,197	26,001
Interest and other borrowing costs on secured long-term loans	14,193	32,883
Rebate on late delivery of Suzuki vehicles	--	4,789
Net exchange (gain)/loss	(683)	900
Bank charges	2,763	1,211
Workers' profit participation fund (W.P.P.F.)	23,484	21,207
Workers' welfare fund	7,500	--
Interest on W.P.P.F.	1,264	3,630
	----- 56,718	----- 90,621
18. TAXATION		
18.1 Current		
The provision of income tax for the year represents tax calculated by applying corporate income tax rate on balance of income for the year after offsetting brought forward assessed tax losses.		

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, 1998 amounted to approximately Rs. 105.000 million (1997: Rs. 97.500 million).

	NOTE	1998 (Rupees in thousand)	1997
19. CASH GENERATED FROM OPERATIONS			
Profit before taxation		488,753	402,920
Adjustments for non cash charges and other items:			
Depreciation		232,595	215,408
Net profit on disposal of fixed assets		(2,511)	(92)
Mark-up on cash deposits and advances to suppliers and income from investments		(130,670)	(86,394)
Financial charges		23,654	67,303
Provision for diminution in the market value of WAPDA Bonds/Investments		506	82,500
Working capital changes	19.1	75,979	(145,145)
		=====	=====
		688,306	536,500
		=====	=====

19.1 WORKING CAPITAL CHANGES

(Increase)/decrease in current assets:			
Stocks, stores, spares and loose tools		930,692	(298,927)
Trade debts		(7,511)	72,901
Loans and advances		(1,737)	(7,883)
Short-term deposits, prepayments and others		(12,474)	71,626
		-----	-----
		908,970	(162,283)
(Decrease)/increase in current liabilities (net)		(832,991)	17,138
		-----	-----
		75,979	(145,145)
		=====	=====

20. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

	1998			1997		
	Executives	Directors	Chief Executive	Executives	Directors	Chief Executive
Rupees in thousands						
Managerial remuneration	12,951	3,939	1,391	8,454	3,220	1,040
Retirement benefits	5,226	503	--	3,899	398	--
Perquisites						
Rent	4,566	1,633	576	3,222	1,008	432
Utilities and upkeep	1,944	449	175	678	566	172
Telephone	250	175	--	213	170	--
Medical	676	164	--	494	95	--
Entertainment	1,102	116	--	38	64	--
	-----	-----	-----	-----	-----	-----
	26,715	6,979	2,142	16,998	5,521	1,644
	=====	=====	=====	=====	=====	=====
Number of persons	63	4	1	46	5	1

20.1 In addition, the chief executive, four directors and fourteen executives were provided with free use of chauffeur driven Company maintained cars.

1998 **1997**

(Rupees in thousand)

21. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchase of components	2,967,967	3,087,984
Purchase of fixed assets	4,655	18,824
Sale of vehicles	2,575	1,546
Royalties and technical fee	100,991	84,794
Rebate allowed on technical fee of last year	17,077	--
Indenting and agency commission	83	94
Sub-assembly revenues and other claims	566	1,350

22. PLANT CAPACITY AND ACTUAL PRODUCTION

	1998	1997
	(Number of units)	
Plant capacity (double shifts)	50,000	50,000
Actual production	31,302	30,513

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

23. CORRESPONDING FIGURES

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

HIROFUMI NAGAO
Chairman & Chief Executive

CAPT. (RETD) BASHIR AHMED
Deputy Managing Director

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

	1998	1997	1996	1995	1994	1993
(Rupees in thousand)						
OPERATING RESULTS						
Production volume (Nos.)						
PSMC Plant	31,302	30,513	28,040	22,202	16,569	26,165
assembled by associated undertakings	--	--	--	--	4,079	9,157
Total	31,302	30,513	28,040	22,202	20,648	35,322
Sales volume (Nos.)	32,601	29,067	28,217	25,336	23,974	34,714
Sales revenue	8,680,931	7,710,453	7,904,301	5,703,785	4,261,897	5,362,390
Gross profit/(loss)	578,623	661,118	917,709	297,753	(82,720)	(14,533)
Operating profit/(loss)	357,992	485,616	772,470	199,941	(157,437)	(119,379)
Profit/(loss) before taxation	488,753	402,920	743,261	22,828	(302,943)	(232,408)
Profit/(loss) after taxation	357,753	391,390	574,502	(5,918)	(296,577)	(240,990)
Dividends	98,263	98,263	34,392	--	--	--
Profit retained	259,490	293,127	540,110	--	--	--
CAPITAL EMPLOYED						
Share capital	491,312	491,312	491,312	491,312	245,656	245,656
Reserves	1,139,002	879,002	584,002	584,002	215,517	215,517
Unappropriated profit/(adverse balance)	3,616	4,126	5,999	(534,111)	(528,193)	(231,616)
Shareholders' equity	1,633,930	1,374,440	1,081,313	541,203	(67,020)	229,557
Long - term and deferred liabilities	105,000	139,194	528,463	779,264	1,772,180	1,853,049
	1,738,930	1,513,634	1,609,776	1,320,467	1,705,160	2,082,606
Represented by:						
Fixed assets	1,379,357	1,346,181	1,471,713	1,590,692	1,665,385	1,655,710

Other non - current assets	14,377	14,000	13,376	9,655	7,570	9,197
Net current assets	345,196	153,453	124,687	(279,880)	32,205	417,699
	1,738,930	1,513,634	1,609,776	1,320,467	1,705,160	2,082,606

PROFITABILITY RATIOS

Gross profit/(loss) as a % of net sales	6.7	8.6	11.6	5.2	(1.9)	(0.3)
Operating profit/(loss) as % of net sales	4.1	6.3	9.8	3.5	(3.7)	(2.2)
Profit/(loss) before taxation as a % of net sales	5.6	5.2	9.4	0.4	(7.1)	(4.4)
Profit/(Loss) after taxation as a % of net sales	4.1	5.1	7.3	(0.1)	(7.0)	(4.5)
Earning/(loss) per share (Rs.)	7.3	8.0	11.7	(0.1)	(12.1)	(9.8)

LIQUIDITY & LEVERAGE RATIOS

	1998	1997	1996	1995	1994	1993
Current ratio	1.16:1	1.06:1	1.04:1	0.92:1	1.01:1	1.13:1
Quick ratio	0.58:1	0.29:1	0.34:1	0.29:1	0.21:1	0.23:1
Liabilities as % of total assets	58	68	76	88	--	96
Equity as % of total assets	42	32	24	12	-ve	4
Debt equity ratio	--	3:97	13:87	33:67	--	89:11

EFFICIENCY RATIOS

Inventory turn over ratio	7.6	3.5	4.1	3.5	2.1	2.3
No. of days stock held	48	104	103	173	158	63
No. of days sales in trade debts	0.3	--	3	2	0.2	1
Total assets turn over ratio	2.2	1.8	1.8	1.2	1.1	1.0
Net worth turn over ratio	5.3	5.6	7.3	10.5	--	23.4

EQUITY RATIOS

Break up value per share (Rs.)	33.26	27.97	22.00	11.02	-ve	9.34
Dividend as a % of capital	20	20	7	--	--	--
Dividend per share (Rs.)	2	2	0.70	--	--	--
Dividend payout ratio (%)	27	25	6	--	--	--
Dividend cover	3.64	3.98	16.70	--	--	--
Plough-back ratio (%)	73	75	94	--	--	--
Right issue (%)	--	--	--	--	100	--

OTHER DATA

Permanent employees strength (Nos.)	601	549	552	540	884	917
Deletion achieved (%)						
Mehran Car SB 308 800cc	*64.09	61.73	59.35	57.90	55.38	54.22
Khyber Car SA 310 1000cc	*45.33	46.03	43.85	42.58	40.69	39.38
Margalla Car SF 413 1300cc	Phase out	37.74	35.83	34.16	33.31	33.30
Margalla Car SF 413 (Power Pack)	Phase out	34.14	30.52	30.43	--	--
Ravi Pickup 800cc	56.52	55.34	53.51	52.14	50.46	48.95
Bolan Van 800cc	51.64	50.21	48.46	47.11	45.68	44.35
Potohar Jeep 1000cc	39.12	38.13	37.56	35.31	34.89	30.60
Number of shares issued	49,131,252	49,131,252	49,131,252	49,131,252	24,565,626	24,565,626

* As per ISDP

**PATTERN OF SHAREHOLDINGS
AS AT JUNE 30, 1998**

Number of shareholders	Shareholding	Total shares held
---------------------------	--------------	----------------------

856	From	1	to	100	38,526
1100	From	101	to	500	312,793
412	From	501	to	1000	316,250
274	From	1001	to	5000	638,510
49	From	5001	to	10000	358,346
13	From	10001	to	15000	168,284
2	From	15001	to	20000	30,508
4	From	20001	to	25000	95,500
2	From	25001	to	30000	58,376
4	From	30001	to	35000	127,144
1	From	35001	to	40000	40,000
1	From	40001	to	45000	42,700
2	From	45001	to	50000	96,900
2	From	55001	to	60000	115,500
1	From	100001	to	105000	101,500
1	From	110001	to	115000	111,500
1	From	115001	to	120000	118,700
1	From	125001	to	130000	127,300
1	From	230001	to	235000	232,480
1	From	320001	to	325000	324,000
1	From	380001	to	385000	384,076
1	From	495001	to	500000	500,000
1	From	530001	to	535000	531,560
1	From	1195001	to	1200000	1,198,000
1	From	1295001	to	1300000	1,295,900
1	From	1550001	to	1555000	1,554,818
1	From	1600001	to	1605000	1,601,000
1	From	2830001	to	2835000	2,830,743
1	From	35780001	to	35785000	35,780,338

2737
=====

49,131,252
=====

S. No.	Categories of Shareholders	Number of Shareholders	Shares held	Percentage
1	Individuals	2657	1,986,777	4.04
2	Investment Companies	12	898,104	1.83
3	Insurance Companies	11	818,084	1.67
4	Joint Stock Companies	16	122,352	0.25
5	Financial Institutions/Banks	8	6,212,361	12.64
6	Modarba Companies	6	28,600	0.06
7	Foreign Investors	23	38,809,078	78.99
8	Charitable Trust	1	232,480	0.47
9	Co-operative Societies	3	23,416	0.05
	TOTAL	2737	49,131,252	100.00