

## **National Motors Limited**

### **ANNUAL REPORT 1998**

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MARGHZAR INDUSTRIES (PRIVATE) LIMITED

#### **BOARD OF DIRECTORS**

Mr. Raza Kuli Khan Khattak	Chairman
Mr. Ahmad Kuli Khan Khattak	Chief Executive
Mr. Mushtaq Ahmed Khan	
Dr. Adil Sultan Mufti	
Dr. Parvez Hassan	
Ch. Sher Mohammad	
Mr. Rashidullah Yakoob	
Mr. M. Sadiq Sheikh	
Mr. M. Asif Dar	

#### **SECRETARY**

Mr. M.R. Banka

#### **AUDITORS**

Hameed Chaudhri & Co.  
Chartered Accountants

#### **LEGAL ADVISORS**

Syed Iqbal Ahmed Barrister at law  
Jawaid Law Associates (Tax)  
Syed Qamruddin Hassan

#### **BANKERS**

National Bank of Pakistan  
Habib Bank Limited  
United Bank Ltd.  
Allied Bank of Pakistan Ltd.  
Muslim Commercial Bank Ltd.  
Indus Bank Ltd.

**REGISTERED OFFICE**

Hub Chowki Road  
S.I.T.E.  
Post Box No. 2706  
Karachi-75730

**NOTICE OF MEETING**

Notice is hereby given that the 35th Annual General Meeting of the Company will be held on Thursday the 31st December, 1998 at 10:30 A.M. at National Motors Limited, Hub Chowki Road, S.I.T.E, Karachi to transact the following business:

**ORDINARY BUSINESS**

1. To confirm the minutes of the 34th Annual General Meeting held on 26th December, 1997.
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 1998 together with Directors and Auditors' reports thereon.
3. To appoint auditors for the next financial year and fix their remuneration.
4. To transact any other ordinary business of the Company with the permission of the Chair.

**SPECIAL BUSINESS**

5. To consider and if thought fit to pass the following resolution as Special Resolution to change/alter the name of the Company from National Motors Limited to Ghandhara Industries Limited.

"RESOLVED that the name of the Company be and is hereby changed/alterd from National Motors Limited to Ghandhara Industries Limited and accordingly the name of National Motors Limited, wherever appearing in the Memorandum and Articles of Association of the Company be substituted with the name of Ghandhara Industries Limited."

A statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

By Order of the Board

**M.R. BANKA**  
SECRETARY

KARACHI: DECEMBER 09, 1998

**Note:**

(1) The share Transfer Books of the Company will remain closed from December 21, 1998 to December 31, 1998, both days inclusive.

(2) A member entitled to attend and vote at this meeting may appoint another member 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) Members are requested to promptly notify the Company of any change in their addresses.

**Statement under Section 160 of the Companies Ordinance 1984**

After nationalization the original name of this Company was changed by the Federal Government of Pakistan

vide SRO No.206 (1) 73 dated 19-02-1973 from Ghandhara Industries Limited to National Motors Limited.

Since this Company has been privatised, the Directors are now only interested to adopt the original name of the Company.

#### **THE COMPANY**

The National Motors Limited is a public limited company quoted on the Stock Exchanges and registered under the Companies Act, 1913 (now Companies Ordinance, 1984). It was established in Karachi by General Motors Overseas Distribution Corporation of U.S.A. In 1963 Lt. Gen. (Rtd) M. Habibullah Khan Khattak acquired these facilities from General Motors and renamed it Ghandhara Industries Limited. The Government of Pakistan nationalised Ghandhara Industries in 1972 and renamed it National Motors Limited. In 1992 M/s. Bibojee Services (Pvt) Ltd. acquired it under the Privatization Policy of the Government.

The major business activities of the company comprise of progressive manufacture, assembly and marketing of Isuzu truck and bus chassis and fabrication of Bus and Load bodies. In order to utilize idle plant capacity the company has plans for the assembly of Cars, Vans, Pick-ups and Light commercial vehicles in addition to standard Isuzu trucks and buses. To accomplish its mission the company has a country-wide dealers net work for marketing its products. 'In addition the company represents its principals in Pakistan for other built up products.

The company has provided impetus to the local manufacture of engineering goods. With the introduction of new models that compliments the Isuzu products, additional opportunities are being availed to provide work for the company's in house manufacturing facilities as well as for the vendors producing Isuzu parts locally.

In-house facilities also include two assembly lines, a machine shop and a press shop. Equipped with these facilities the plant is capable of producing about 2400 truck & bus chassis and 2400 LCVs per annum on a single shift basis, depending on the business requirements. Other avenues are also being explored to utilize the idle capacity of the plant as far as possible.

#### **LONG- TERM OBJECTIVES**

- Maximise the value of shareholders equity.
- Create an environment that assures national self-sufficiency in automobile industry.
- Create an environment that furthers healthy competition in the Automobile sector.

#### **MAJOR PRODUCTS**

- Isuzu Truck Model FTR
- Isuzu Truck Model FVR/FVM
- Isuzu Truck Model NPR
- Isuzu Bus Model MT
- Isuzu Light Commercial Vehicles - KB Series
- Isuzu Bus/Load Body Fabrication

#### **MAJOR CUSTOMERS**

- Owner Operators
- Fleet Owners
- Pakistan Armed Forces
- Civilian and Paramilitary Law Enforcement Agencies
- Government & Semi-Government Organizations
- Transport Authorities
- Educational Institutions
- Health Organizations
- Public Sector Companies
- Private Sector Companies
- General Public

#### **CHAIRMAN'S REVIEW:**

I have pleasure in presenting the 35th Annual Report of your Company for the year 1997-98.

This was a difficult year as the economy went through deep recession and no sign of recovery are in sight even at this moment when we have already completed six months of the year 1998-99. The overall economy of the country was in bad shape but the market for the commercial vehicles was hit the most. The market reduced to such an extent that the conventional figure of five thousand trucks & buses a year dwindled to about one thousand vehicles.

The cost increases due to depreciation of Pak Rupees viz a viz Japanese Yen is now eating up not only the profits of the companies but also the volumes.

Due to lower sales your company went into operating loss but because of adjustments and writebacks of the financial expenses as explained in the Annual Report, the loss of Rs.65 Million suffered this year was lower than that of last year.

The main focus of your company since its privatization in 1992 has been to reduce the costs commensurate with business volume. The financial cost has been the major cause of the losses in the past and your management is successfully negotiating rescheduling/settlement of the debt problem with its bankers.

As stated above the country had not yet come out of recession that the international community imposed economic sanctions on Pakistan after our bomb explosion. This gave severe blow to the foreign exchange reserves of the country and the Government had to resort to harsh measures such a discouraging of imports through 30% cash margin with the banks for opening L/Cs. This and the requirement of the Japanese principals to ask for confirmation of the Letter of Credits from a first class international bank further increased the cost to prohibitive levels.

In this bleak economic scenario there is a small ray of hope in the increase in bus demand during the last three months due to Government of Punjab' s plan to improve public transport business in the province.

Government is also planning to introduce the yellow cab scheme which may boost the economy and as a result the automobile business. Let us hope for the better.

#### **1. Operating Results:**

This year your Company suffered loss of Rs. 65 million after taxation.

Our sales of Rs 183 million was lower by Rs 39 million as compared to last year. The Company's operating loss was Rs 17.6 million as compared to loss of Rs 13.4 million last year. The lower sales were due to general recession and economic slow down and depressed market in the second half.

#### **2. Sales:**

Due to depressed market and unfavourable situation, the Company managed to sell vehicles amounting to Rs 183 million during the year under review as compared to sales amounting to Rs.222 million last year. It sold trucks amounting to Rs 74 million and buses amounting to Rs 106 million. Auto spares and other sales amounted to Rs 3 million. Buses attracted higher sales due to lower rate of Custom Duty.

#### **3. Production:**

Economic slow down and reduced sales were the main reasons for the low production. As a result trucks and bus chassis were produced keeping in view the actual market demand.

#### **4. Labour Management Relations:**

The workers have extended as usual their full cooperation and understanding to the management. The workers management relations have been very good and enviable.

#### **5. Year 2000 Compliance of Computer System**

The Company is using P.C. based software system. We do not anticipate any problem in compliance of

Y2K requirements.

#### 6. Future Outlook

While we are hopeful to achieve substantial reduction in the mark-up burden which was having crippling effects on NML' s health, the economic sanctions imposed on Pakistan are also having negative affects on our company's future planning. The frequent devaluation of Pak Rupee have certainly increased the cost and is also a great challenge for the management to recover the cost by increasing the prices in a market which is very competitive and limited.

Your Directors are still making all out efforts to turn around the Company inspite of recession in the automobile sector and uncertain currency situation in the country which requires more patience on you part as shareholders.

#### 7. Acknowledgement

I am thankful for the keen efforts of the management, staff and workers who are constantly working hard to mm around the Company. Our gratitude to our bankers for their continuous support and assistance. I am grateful to our vendors and suppliers who stood by us in these trying years. I would also like to thank ISUZU Motors Limited and ITOCHU Corporation for their continuous support and assistance ~o NATIONAL MOTORS LIMITED.

In the end I thank you for reposing your confidence in my management. I pray to Allah for guidance.

**RAZA KULI KHAN KHATTAK**

CHAIRMAN

#### REPORT OF THE DIRECTORS

The Directors of your Company take pleasure in presenting their 35th Annual Report with audited accounts of the Company together with auditors' report thereon for the year ended June 30, 1998.

#### FINANCIAL RESULTS

The financial results for the year ended June 30, 1998 are summarized below:

	(Rupees' 000)
Loss for the year	(64,152)
Taxation	(934)
	-----
Loss for the year after taxation	(65,086)
Accumulated loss brought forward	(828,094)
	-----
Accumulated loss carried forward	(893,180)
	=====

#### BASIS OF ACCOUNTS

1. The restructuring/rescheduling of company's loans from banks was approved by Pakistan banking Council in August, 1996. Due to delay in its implementation, the company also opted for debt retirement under State Bank of Pakistan's Scheme by depositing Rs. 30 million as down payment.

Negotiations with banks are in progress for settlement of debts or rescheduling by offering the banks, properties of the company.

The settlement of debts or rescheduling will result in reduction of interest cost which is the main

contributor of Accumulated Losses.

The company has now ISUZU products in its line of production. ISUZU is world No. 1 in commercial vehicles. The company is striving hard to increase its Market share and has an edge in bus market. It is hoped that with the growth in bus market, the company's share will increase substantially resulting in more capacity utilisation.

2. A bank had instituted suit against the company for recovery of Rs. 100.041 million which has been decreed in favour of the bank for Rs. 60.822 million plus mark-up @ 60 paisas per thousand per day from the date of institution of the suit till its payment.

On the basis of above decision, the company has reversed excess markup amounting to Rs. 26.782 million provided in the accounts for previous years. The Company has provided markup ~ 60 paisas per thousand per day from the date of institution of the suit.

Keeping in view the above facts it is expected that the Company will continue as a going concern.

#### **YEAR 2000 COMPLIANCE OF COMPUTER SYSTEM**

The company is using P.C based Software System. We do not anticipate any problem in compliance of Y2K requirements.

#### **AUDITORS**

The present auditors M/s. Hameed Chaudhri & Co. retire and being eligible have offered themselves for appointment as auditors for the year 1998-99.

#### **PATTERN OF SHARE HOLDING**

The pattern of Shareholding as at June 30, 1998 is annexed.

December 09, 1998

On behalf of the Board  
**AHMAD KULI KHAN KHATTAK**  
CHIEF EXECUTIVE

#### **AUDITORS' REPORT TO THE MEMBERS**

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

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

(b) In our opinion:-

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

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

(iii) the business conducted, investments made and expenditure incurred during the

year were in accordance with the objects of the Company;

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

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

Without qualifying our opinion above, we draw attention to note 1 to the accounts. The continuity of the company as a going concern is dependent upon successful implementation of management's plans for maximum utilisation of plant capacity.

**HAMEED CHAUDHRI & CO.**

CHARTERED ACCOUNTANTS

KARACHI: DECEMBER 9, 1998

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

	Note	1998 (Rupees' 000)	1997
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorised Capital 10,000,000 ordinary shares of Rs. 10 each		100,000	100,000
		=====	=====
Issued, subscribed & paid up capital	3	65,553	65,553
Reserves			
Capital reserves	4	40,800	40,800
Revenue reserve		2,400	2,400
Accumulated loss		(893,180)	(828,094)
		-----	-----
		(784,427)	(719,341)
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		723,364	723,364
<b>LONG TERM LOANS &amp; DEFERRED LIABILITY</b>			
Long term loans - unsecured	5	30,761	27,691
Provision for staff retirement gratuity		8,788	6,514
		-----	-----
		39,549	34,205
<b>CURRENT LIABILITIES</b>			
Current portion of long term loans		2,000	2,000
Short term loan/running finances and borrowing	6	497,550	500,285
Creditors, accrued & other liabilities	7	441,418	420,859
		-----	-----
		940,968	923,144
<b>CONTINGENT LIABILITY</b>	8	-----	-----
		919,454	961,372
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>			

Operating fixed assets	9	323,959	332,212
Capital work in progress		54	41
<b>LONG TERM INVESTMENTS</b>			
Investments in subsidiary & other companies	10	1,401	1,401
Investment in immovable properties	11	390,803	392,040
		-----	-----
		392,204	393,441
<b>LONG TERM LOANS AND ADVANCES</b>			
	12	15	12
<b>LONG TERM DEPOSITS &amp; DEFERRED COSTS</b>			
Deposits		493	353
Deferred costs	13	6,066	1,758
		-----	-----
		6,559	2,111
<b>CURRENT ASSETS</b>			
Stores, spares & tools	14	1,802	2,295
Stock in trade	15	160,351	179,916
Trade debts	16	3,297	3,465
Loans, advances, deposits & prepayments	17	14,560	16,982
Other receivables	18	9,099	15,529
Cash and bank balances	19	7,554	15,368
		-----	-----
		196,663	233,555
		-----	-----
		919,454	961,372
		=====	=====

The annexed notes form an integral part of these accounts.

**M. ASIF DAR**  
Director

**AHMAD KULI KHAN KHATTAK**  
Chief Executive

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

	<b>Note</b>	<b>1998</b>	<b>1997</b>
		<b>(Rupees' 000)</b>	
Net Sales	20	183,420	222,417
Cost of sales	21	(179,841)	(217,257)
		-----	-----
Gross profit		3,579	5,160
Administration and selling expenses	22	(21,272)	(18,601)
		-----	-----
Operating loss		(17,693)	(13,441)
Other Income	23	3,471	2,416
		-----	-----
		(14,222)	(11,025)



Financial and other charges	24	(49,930)	(104,667)
		-----	-----
(Loss) before taxation		(64,152)	(115,692)
Taxation	25	(934)	(416)
		-----	-----
(Loss) after taxation		(65,086)	(116,108)
Accumulated loss brought forward		(828,094)	(711,986)
		-----	-----
Accumulated loss carried forward		(893,180)	(828,094)
		=====	=====

The annexed notes form an integral part of these account

**M. ASIF DAR**

Director

**AHMAD KULI KHAN KHATTAK**

Chief Executive

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

	Note	1998	1997
		(Rupees '000)	
<b>Cash flow from operating activities</b>			
Cash generated from operation	26	(19,719)	57,502
Staff Gratuity		(53)	(154)
Interest paid		22,804	(6,304)
Taxes paid		(400)	(1,454)
Long-term loans and advances (net)		(3)	(2)
		-----	-----
Net Cash inflow from operating activities		2,629	49,588
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(260)	(29,243)
Capital work in progress		(271)	(41)
Sale proceeds of fixed assets		626	6
Interest received		249	764
Deposits		(140)	0
Deferred costs		(7,912)	(2,198)
		-----	-----
Net cash outflow from investing activities		(7,708)	(30,712)
<b>Cash flow from financing activities</b>			
Long-term borrowings less repayments		0	(2,000)
		-----	-----
Net cash out flow from financing activities		0	(2,000)
		-----	-----
Net (decrease)/increase in cash and cash equivalents		(5,079)	16,876
Cash and cash equivalents at beginning of the year		(484,917)	(501,793)
		-----	-----
Cash and cash equivalents at end of the year	27	(489,996)	(484,917)
		=====	=====

**M. ASIF DAR**

**AHMAD KULI KHAN KHATTAK**

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

**1. BASIS OF ACCOUNTS**

The restructuring/rescheduling of company's loans from banks was approved by Pakistan Banking Council in August, 1996. Due to delay in its implementation, the company also opted for debt retirement under State Bank of Pakistan's scheme by depositing Rs. 30 million as down payment. Negotiation with banks are in progress for settlement of debts or rescheduling by offering banks, properties of the company. The settlement of debts or rescheduling will result in reduction of interest cost which is the main contributor of accumulated losses. The company has now ISUZU products in its line of production.

ISUZU is world No. 1 in commercial vehicles. The company is striving hard to increase its market share and has an edge in bus market. It is hoped that with the growth in bus market, the company's share will increase substantially resulting in more capacity utilisation.

Keeping in view the above facts, it is expected that the company will continue as a going concern.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.**

2.1 These accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets indicated in notes 9.1 and 11.1.

**2.2 Staff retirement benefits**

The company operates an unfunded gratuity scheme for all permanent employees.

Provisions are made annually to cover obligations for employees eligible under the scheme.

The company also operates a funded contributory Provident Fund for all its permanent employees.

**2.3 TAXATION**

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates available, if any.

The company accounts for deferred taxation on all major timing differences using the liability method but does not account for net deferred tax debit balances which at June 30, 1998 amounted to Rs. 183 million (1997: Rs. 166 million).

**2.4 TANGIBLE FIXED ASSETS AND DEPRECIATION**

Operating fixed assets are stated at cost or valuation less accumulated depreciation. Capital work-in-progress is stated at cost.

Depreciation on all operating assets, except Jigs and special tools is charged to profit on a straight line method so as to write off the cost or valuation of an asset less estimated salvage value over its useful life. Jigs and special tools are amortised on the basis of production volume.

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. Major renewals and improvements are capitalised and assets so replaced, if any, are retired.

Profit and loss on disposal off fixed assets is included in income.

**2.5 INVESTMENTS**

Investments in shares are stated at average cost except in the case of permanent diminution in value where these are stated at estimated realisable value.

Investment in immovable properties is stated at cost or valuation less accumulated depreciation. Depreciation is charged on the straight line method. Maintenance & normal repairs are charged to income. Major renewals and improvements are capitalised.

**2.6 DEFERRED COSTS**

Development expenditure on deletion items is charged to income in five equal annual installments commencing from the year in which the expenditure is incurred. Other development expenditure is charged to income in the year in which it is incurred.

Initial royalty in respect of Isuzu products is charged to income in five equal annual installments.

**2.7 STORES, SPARES AND TOOLS**

These are valued at the lower of cost computed principally on a First-in-First-out basis and net realisable value.

**2.8 STOCK-IN-TRADE**

Stock-in-trade is valued at the lower of cost and net realisable value except for goods in transit which are stated at invoice values plus other charges paid thereon. Cost in relation to raw materials and components and trading stock (except for parts and accessories included in trading stock which are valued on an average basis) is arrived at principally on a first-in-first-out basis. Cost of work-in-process and manufactured stocks including components includes direct wages and applicable manufacturing overheads.

**2.9 FOREIGN CURRENCY TRANSLATION**

Assets and liabilities in foreign currencies are translated in rupees at the rate of exchange ruling at the balance sheet date.

Exchange gains and losses are included in income currently.

**2.10 REVENUE RECOGNITION**

Sales are recognised when invoices are raised against confirmed orders and where the company specifically appropriates deliverable goods against such orders.

**3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

	1998	1997
	(Rupees '000)	
Fully paid ordinary shares of Rs. 10 each		
2,901,740 shares against payment in cash	29,017	29,017
3,295,354 shares as fully paid bonus shares	32,954	32,954
358,206 shares for consideration other than cash	3,582	3,582
-----	-----	-----
6,555,300	65,553	65,553
=====	=====	=====

**4. CAPITAL RESERVES**

Composition of capital reserves are as follows:-

Tax holiday reserve	5,500	5,500
Fixed assets replacement reserve	10,000	10,000

Contingency reserves	25,300	25,300
	-----	-----
	40,800	40,800
	=====	=====

#### 5. LONG TERM LOAN-UNSECURED

Loan from associated undertaking	19,197	19,197
Interest thereon	11,564	8,494
	-----	-----
	30,761	27,691
	=====	=====

5.1 The loan from associated undertaking is repayable in four annual installments as specified in the agreement commencing from February 2, 1995 which the lender has deferred to 2nd July 1999 with an interest rate of 16% per annum.

#### 6. SHORT TERM LOAN/RUNNING FINANCES AND BORROWINGS

	1998	1997
	(Rupees' 000)	
Short *Form Loans (6.1)	30,000	0
Running Finances & Borrowings		
From Banks		
Secured		
Finances utilised under mark-up arrangements (6.2)	221,013	280,306
Finance against imported material (6.3)	64,087	64,087
Demand Finance (6.4)	76,080	76,080
	-----	-----
	361,180	420,473
Unsecured		
Others (6.6)	106,370	79,812
	-----	-----
	497,550	500,285
	=====	=====

6.1 The company has arranged loan from an Associated company through an intermediary company. The loan is renewable on quarterly basis and carries mark-up at the rate of 21% per annum. The company has deposited title deeds of the immovable property with the associated company and has agreed to create a registered mortgage against the property.

6.2 The company has arranged short term finances from various banks on mark-up basis. Under these arrangements the company can avail finances aggregating upto Rs 250.525 million ( 1997; Rs. 250.525 million) which represent the aggregate "sale price" of all mark-up arrangements with a corresponding "purchase price" of Rs. 327.007 million (1997: Rs. 327.007 million). The rates of mark-up range from Rs. 0.756 to Rs. 0.914 (1997: Rs. 0.756 to Rs. 0.914) per thousand per diem or part thereof on the sale price outstanding. The prompt payment rebate ranging from Rs. 0.276 to Rs. 0.334 ( 1997: Rs. 0.276 to Rs. 0.334) per thousand per diem where due under these arrangements is based on payments of purchase price" by the dates specified in the arrangements.

6.3 The company has arranged Finance against imported material of Rs. 80 million from a bank on mark-up basis at the rate of Rs. 0.48 per thousand per diem.

6.4 Payments against documents (PADs,) of a bank had been restructured and converted into Demand Finance.

6.5 Above arrangements with the bank are secured by Hypothecation of stock-in-trade, stores and spares and trade debts in addition to pledge of imported Trucks and Buses for the facilities referred to in 6.2 above.

6.6 Unsecured facilities utilised and outstanding as at June 30, 1998 include Rs. 16.523 million being facility available under TR for Rs. 20 million (1997: Rs. 20 million) from various banks in addition to running finance facilities referred to in note 6.2. The rates of mark-up range from Rs. 0.49 to Rs. 0.55 (1997: Rs. 0.49 to Rs. 0.55) per thousand per diem or part thereof. The purchase prices are payable within 90 to 180 days of utilisation of the facility.

6.7 One of the banks had instituted suit against the company for recovery of Rs. 100.041 million which has been decreed in favour of the bank for Rs. 60.822 million plus mark-up @ 60 paisas per thousand per day from the date of institution of the suit till its payment. On the basis of decision of High Court of Sindh, the company has reversed excess markup amounting to Rs. 26.782 million provided in the accounts for previous years. The company has provided markup @ 60 paisas per thousand per day from the date of institution of the suit.

6.8 Habib Bank Limited has not adjusted Rs. 30 million deposited under State Bank of Pakistan's scheme against outstanding loans. The said amount has been kept in a separate bank account by Habib Bank Limited.

#### 7. CREDITORS, ACCRUED AND OTHER LIABILITIES

	1998	1997
	(Rupees' 000)	
Creditors	36,681	81,640
Accrued liabilities	19,849	19,772
Advances from customers	23,310	31,042
Advance against sale of investment in immovable property	5,000	5,000
Deposits-non interest bearing repayable on demand	42	42
Mark up on- short term loan/running finance & borrowings		
- secured	267,815	204,705
-unsecured	52,543	46,271
Mark up on - long term loans - unsecured	3,394	3,114
Custom duty payable	7,500	15,143
Unclaimed dividends	509	509
Due to associated undertakings	10,082	7,102
Corporate assets tax	2,000	2,000
Others	12,693	4,519
	-----	-----
	441,418	420,859
	=====	=====

#### 8. CONTINGENT LIABILITY

Claims against the company not acknowledged as debt Rs. 27.043 million (1997 Rs. 27.043 million) relating to sales tax on 10,000 units of gear boxes and rear axles each claimed by a supplier which has been contested by the company.

#### 9. OPERATING FIXED ASSETS

	Depreciation						
	Cost or Valuation at July 1, 1997	Additions/ (Deletions) *Write off	Cost or Valuation at June 30, 1998	Accumulated depreciation at June 30, 1998	Net book value at June 30, 1998	Charge for the year	Annual Rate %
Leasehold land	247,461	0	247,461	8,798	238,663	618	0.25
Buildings on leasehold land	60,677	141	60,818	20,047	40,771	2,947	2.50 to 6.25
Plant and machinery	48,239	147 (729)	47,657	28,656	19,001	2,696	10.00
Permanent tools	3,124	11 (112)	3,023	2,844	179	57	12.50
Furniture and fixtures	1,172	16 (213)	975	885	90	16	6.25
Motor vehicles	10,619	0 (90)	10,529	5,808	4,721	1,689	20.00
Lift trucks	3,123	0	3,123	3,123	0	0	20.00
Office machines and equipment	3,544	12 (172)	3,384	2,912	472	168	12.50
Computers	656	15	671	388	283	112	20.00
Jigs and special tools	22,585	175 (2,600)	20,160	381	19,779	243	-
1998	401,200	517 (3,916)	397,801	73,842	323,959	8,546	
1997	371,892	29,980 (18) *(654)	401,200	68,988	332,212	8,448	

9.1 The company's leasehold land and buildings thereon were revalued on March 31, 1971, June 27, 1992 and June 30, 1995 (including plant and machinery). The leasehold land was again revalued on June 30, 1996.

The date and amount of revaluation surplus included in the book value of fixed assets' as at June 30, 1998 is given below:

	Leasehold land	Buildings on Leasehold land	Plant & Machinery	Total
(Rupees, 000)				
(a) At March 31, 1971				
Revaluation Surplus	3,000	2,792	0	5,792
Less: Depreciation thereon	394	1,902	0	2,296
	2,606	890	0	3,496

(b) At June 27, 1992				
Revaluation Surplus	116,558	32,734	0	149,292
Less: Depreciation thereon	6,293	9,927	0	16,220
	-----	-----	-----	-----
	110,265	22,807	0	133,072
-----				
(c) At June 30, 1995				
Revaluation Surplus	110,293	17,654	24,258	152,205
Less: Depreciation thereon	1,943	3,149	7,277	12,369
	-----	-----	-----	-----
	108,350	14,505	16,981	139,836
-----				
(d) At June 30, 1996				
Revaluation surplus	16,926	0	0	16,926
Less: Depreciation thereon	85	0	0	85
	-----	-----	-----	-----
	16,841	0	0	16,841
-----				
(e) Cost or revaluation	1,247,461	60,818	48,386	1,356,665
Less: Disposed during the year	0	0	(729)	(729)
	-----	-----	-----	-----
	247,461	60,818	47,657	355,936
-----				
Less: Depreciation during the year	8,798	20,047	29,384	58,229
Disposed during the year	0	0	(728)	(728)
	-----	-----	-----	-----
	8,798	20,047	28,656	57,501
-----				
Net Book Value	238,663	40,771	19,001	298,435
	-----	-----	-----	-----
	238,062	38,202	16,981	293,245
=====				

## 9.2 Deletion of fixed assets during the year:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Profit	Mode of disposal	Name and address
Plant & Machinery	729	728	1	130	129	Negotiation	Mr. Muhammad Jamil Khan 1/C, 30/5, Landhi Colony, Karachi.
Permanent & Special Tools	112	112	0	8	8	Negotiation	Haji Usman Ghani Syed Akbar Shah Road, Old Timber Market, Nishter Road, Karachi.
Furniture & Fixtures	213	212	1	70	69	Negotiation	Mr. Mirajuddin, 39/1, Red House, Street No. 2, New Lalazar, Rawalpindi.

Motor Vehicles, Office Machines & Equipment	90	90	0	82	82	Negotiation	Mr. Mehmood Ahmed 39/1, Red House, Street No. 2, New Lalazar, Rawalpindi.
Fans	61	61	0	13	13	Disposal Scheme	Employees
T.V. Sets	3	3	0	1	1	Negotiation	Mr. Tamasab Khan, Karachi
Jigs & Fixtures	2,600	2,385	215	300	85	Negotiation	Mr. Muhammad Jamil Khan 1/C, 30/5, Landhi Colony, Karachi.
Other Items	108	101	7	22	15	Negotiation	Various
	----- 3,916	----- 3,692	----- 224	----- 626	----- 402		
	=====	=====	=====	=====	=====		

9.3 The depreciation charge for the year has been allocated as follows:-

		1998 (Rupees' 000)	1997 (Rupees' 000)
Cost of sales	21	6,096	5,969
Administration and selling expenses	22	2,450	2,479
		-----	-----
		8,546	8,448
		=====	=====

## 10. INVESTMENTS IN SUBSIDIARY AND OTHER COMPANIES

Percentage  
of equity  
held in the  
investee's  
total  
equity %

1998  
(Rupees' 000)

### 10.1 Subsidiary

Marghzar Industries (Pvt) Limited  
140,000 (1997: 140,000) fully paid  
unquoted ordinary shares of Rs. 10 each  
at cost.

70            1,400            1,400

Break up value per share Rs. 11.621 (1997: Rs. 11.123)

### 10.2 Other Companies

Bela Engineers Limited  
160 (1997:160) Fully paid quoted



ordinary shares of Rs. 10 each. - at cost 1 1

(Market value as on June 30, 1998  
Rs. 0.0001 million (1997: Rs. 0.000 million)

-----  
1,401 1,401  
=====

10.3 Consolidated financial statements have not been prepared as circumstances surrounding the existing financial relationship between the company and its subsidiary do not warrant it.

**11. INVESTMENT IN IMMOVABLE PROPERTIES**

	Cost or valuation at July 1, 1997	Cost or valuation at June 30, 1998	Accumulated depreciation at June 30, 1998	Net book value at June 30, 1998	Depreciation Charge for the year	Annual rate %
Leasehold land	398,715	398,715	11,909	386,806	997	0.25
Buildings on leasehold land	7,431	7,431	3,434	3,997	239	2.5 to 625
1998	406,146	406,146	15,343	390,803	1,236	
1997	406,146	406,146	14,106	392,040	1,236	

The execution of a lease deed for land at Haroonabad in Sindh Industrial Trading Estate, Karachi has not been finalised.

11.1 The Company's leasehold land and buildings thereon were revalued on June 27, 1992 and June 30, 1995. The leasehold land was again revalued on June 30, 1996.

The dates and amount of revaluation surplus/(deficit) included/excluded from the book values of the assets as on June 30, 1998 is given below.

	Lease hold land	Building on leasehold land	Total
	(Rupees' 000)		
a) At June 27, 1992 revaluation surplus/(deficit)	125,812	(1,027)	124,785
Less: depreciation thereon	(8,191)	360	(7,831)
Net Book Value	117,621	(667)	116,954
b) At June 30, 1995 revaluation surplus	135,188	3,157	138,345
Less: depreciation thereon	(2,813)	(503)	(3,316)
Net Book Value	132,375	2,654	135,029

c) At June 30, 1996 revaluation			
surplus	136,229	0	136,229
Less: Depreciation thereon	(681)	0	(681)
	-----	-----	-----
Net Book Value	135,548	0	135,548
	=====	=====	=====
d) Cost or valuation	398,715	7,431	406,146
Less: Depreciation thereon	(11,909)	(3,434)	(15,343)
	-----	-----	-----
Net Book Value	386,806	3,997	390,803
	=====	=====	=====
	385,544	1,987	387,531
	=====	=====	=====

## 12. LONG TERM LOANS AND ADVANCES

These loans, considered good, have been advanced to employees other than Chief Executive and Directors and were outstanding for less than three years.

## 13. DEFERRED COSTS

	1998	1997
	(Rupees' 000)	
Development expenditure	5,028	2,198
Less: amortised during the year	1,747	440
	-----	-----
	3,281	1,758
Initial royalty	4,642	0
Less: amortised during the year	1,857	0
	-----	-----
	2,785	0
	-----	-----
	6,066	1,758
	=====	=====

## 14. STORES, SPARES AND TOOLS

Stores	472	562
Spares	1,330	1,733
	-----	-----
	1,802	2,295
	=====	=====

## 15. STOCK IN TRADE

15.1 This is composed of:

Raw materials and components (includes in transit Rs. 1.742 million) (1997: Rs. 0.007 million)	56,766	76,413
Work in process	29,988	39,872

	86,754	116,285
Manufactured stock including components	54,074	37,779
Trading stock		
(includes in transit Rs. 3.341 million)		
(1997: Rs. 3.346 million)	19,523	25,852
	160,351	179,916
	=====	=====

15.2 Of the aggregate amount, stock which were in the custody of third parties are as follows:

	1998	1997
	(Rupees ' 000)	
Pakistan Machine Tool Factory Limited		
-net of provisions	1,090	1,090
Precision Engineering Works	886	1,377
Pakistan Engineering Works	1,969	1,163
Hakimullah Body Maker	0	3,710
Gandhara Nissan Limited	0	798
Shah Motors	0	1,151
	3,945	9,289
	=====	=====

**16. TRADE DEBTS**

Unsecured		
Considered good		
Government and semi-government agencies	247	247
Others	3,050	3,218
	3,297	3,465
Considered doubtful		
Government and semi-government agencies	441	441
Less: Provision there against	441	441
	0	0
	3,297	3,465
	=====	=====

**17. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS**

Considered good		
Loans to employees	12	0
Advances to suppliers		
-Others	5,794	5,312
-Associated undertaking	268	268
Advance with collector of customs	5,507	5,258
Advances to employees	788	1,068
	12,357	11,906
Considered doubtful		
Advance to suppliers	117,411	1,174
Less: provision thereagainst	1,174	1,174

	-----	-----
	0	0
Tender Deposits	738	900
Prepayment	1,453	4,176
	-----	-----
	14,560	16,982
	=====	=====

The maximum amount of advances to associated undertaking at the end of any month during the year was Rs. 0.268 million. (1997: Rs. 0.268 million).

#### 18. OTHER RECEIVABLES

	1998	1997
	(Rupees ' 000)	
Claims receivables from government		
Income tax - Net	1,165	1,699
Sales tax	2,524	9,321
Sundry receivables		
Considered good	5,410	4,509
Considered doubtful	2,071	2,071
Less: Provision thereagainst	2,071	2,071
	-----	-----
	0	0
	-----	-----
	9,099	15,529
	=====	=====

#### 19. CASH AND BANK BALANCES

In hand		
Cash	173	122
With banks		
On deposit account	16	15,214
On current account	7,362	28
On foreign currency account	3	4
(Japanese Yen 9,384 (1997: Japanese yen 10,009))		
	-----	-----
	7,554	15,368
	=====	=====

#### 20. NET SALES

Manufactured goods		
Sales	175,123	213,928
Less: Commission	1,310	155
	-----	-----
	173,813	213,773
Trading stock		
Sales	9,607	8,644
	-----	-----

183,420      222,417  
 =====

20.1 Trading stock sales include commission Rs. 0.223 million (1997: Rs. 2.913 million)

1998      1997  
 (Rupees' 000)

**21. COST OF SALES**

Manufactured goods		
Opening stock of manufactured goods	37,779	11,458
Opening stock of raw materials and work-in-process	116,285	99,719
Purchases including duties, taxes and other charges	123,497	228,880
Stores and spares consumed	542	1,300
Salaries, wages and other benefits	15,386	12,588
Fuel and power	3,206	3,340
Rent, rates and taxes	388	404
Training	0	5
Insurance	1,394	1,337
Repairs and maintenance	330	365
Travelling & entertainment	547	1,744
Depreciation on fixed assets	6,096	5,969
Amortisation and development expenditure written off	1,766	802
Amortisation of royalty- initial	1,857	0
Running royalty	754	0
Sales tax paid	1,927	0
Other Expenses	806	47
	-----	-----
	274,781	356,929
Less: Recoveries		
Cost of Services rendered	100	164
Sales of scrap	598	0
	-----	-----
	698	164
	-----	-----
	274,083	356,765
Less: Closing stock of raw materials and work-in-process	86,754	116,285
	-----	-----
Cost of goods manufactured	187,329	240,480
Closing stock of manufactured goods	(54,074)	(37,779)
	-----	-----
	171,034	214,159
Trading stock		
Opening stock	25,852	26,311
Purchases	2,478	2,639
Closing stock	(19,523)	(25,852)
	-----	-----
	8,807	3,098
	-----	-----
	179,841	217,257
	=====	=====

1998                      1997  
(Rupees' 000)

**22. ADMINISTRATION AND SELLING EXPENSES**

Salaries, wages and benefits	9,630	8,537
Rent, rates and taxes	244	238
Training	2	7
Insurance	1,128	1,053
Repairs and maintenance	118	234
Utilities	540	128
Travelling and entertainment	1,906	3,337
Communication and stationery	1,117	1,092
Advertisement	1,666	906
Auditor's remuneration		
Audit fee	150	150
Audit fee of provident fund	31	12
Out of pocket expenses	10	10
	-----	-----
	191	172
Legal and professional charges	935	512
Donation	5	7
Subscriptions	126	114
Deprecation on fixed assets	2,450	2,479
Depreciation on investment in immovable properties	1,236	1,236
Other expenses	(22)	(1,451)
	-----	-----
	21,272	18,601
	=====	=====

**23. OTHER INCOME**

Interest on advances and loans	0	2
Mark-up on bank deposits	249	762
Exchange loss/gain-net	0	122
Profit on sale of fixed assets - net	402	6
Rent from immovable properties	1,048	1,467
Others	1,772	57
	-----	-----
	3,471	2,416
	=====	=====

**24. FINANCIAL AND OTHER CHARGES**

1998                      1997  
(Rupees' 000)

Mark - up on:		
- long - term loans	3,351	3,195
- short term loans/running finances & borrowings utilised under mark-up arrangements		
Charged during the year	72,741	95,238
Less: Written back during the year	(25,530)	0
	-----	-----
	47,211	95,238

Interest on:

- Provident fund	196	115
- amount due to associated undertakings	205	127
Bank charges and commission		
Incurred during the year	113	5,992
Less: Written back during the year	(1,252)	0
	-----	-----
	(1,139)	5,992
Others	106	0
	-----	-----
	49,930	104,667
	=====	=====

**25. TAXATION**

Current - for the year	934	1,112
- for prior year	0	(696)
	-----	-----
	934	416
	=====	=====

25.1 Provision for current taxation for the year represents minimum tax @0.5% on gross turnover of the company.

**26. CASH GENERATED FROM OPERATIONS**

Profit/(Loss) before taxation	(64,152)	(115,692)
Adjustment for non cash charges and other items:		
Depreciation	9,782	9,684
Profit on sale of fixed assets	(402)	(6)
Provision for staff gratuity	2,327	699
Amortization of deferred costs	3,604	440
Interest income	(249)	(764)
Interest expense	49,930	104,667
Working capital changes - note 26.1	(20,559)	58,474
	-----	-----
	(19,719)	57,502
	=====	=====

**26.1 WORKING CAPITAL CHANGES**

	1998	1997
	(Rupees ' 000)	
(Increase)/decrease in current assets		
Stores and spares	493	(270)
Stock-in trade	19,565	(42,428)
Trade debts	168	15,372
Loans and advances	2,422	1,185
Other receivables (net)	5,896	(1,494)
	-----	-----
	28,544	(27,635)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities (net)	(49,103)	86,109
	-----	-----
	(20,559)	58,474
	=====	=====

**27. CASH AND CASH EQUIVALENTS**

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

Cash and bank balance	7,554	15,368
Short - term loan and running finances	(497,550)	(500,285)
	-----	-----
	(489,996)	(484,917)
	=====	=====

**28. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

The aggregate amounts charged in the accounts for the year for fees, remuneration, perquisites and benefits in respect of chief executive, directors and executives of the company were as follows:-

	1998			1997		
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
Managerial Remuneration	0	0	2,148	0	0	1,089
Gratuity & Provident Fund contributions	0	0	437	0	0	150
Reimbursable Expenses	0	0	174	0	0	226
Accommodation	0	0	1,907	0	0	1,125
	0	0	4,666	0	0	2,590
Number of persons	0	0	14	0	0	6

28.1 The Managing Director and certain executives are provided free use of company maintained cars.

**29. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

	1998	1997
	(Rupees' 000)	
Purchases	4,907	9,242
Services received	3,139	3,447

**30. PLANT CAPACITY AND ACTUAL PRODUCTION**

	Single Shift Plant Capacity		Actual Production	
	1998	1997	1998	1997
Trucks & Bus chassis	2400	2400	137	178
4 x 4 vehicles/pick ups	2400	2400	-	-

The decrease in actual production as compared to installed capacity is mainly due to loss of demand for the products of the company caused by severe competition in the market.



The maximum capacity of the plant is based on the production hours of Bedford products. As the franchise of Bedford is no more with the company management has initiated a technical study to determine the plant capacity, based on Isuzu products.

**31. COMPARATIVE FIGURES**

- Previous year's figures have been rearranged wherever necessary for the purposes of comparison.

**32. GENERAL**

Figures in these accounts have been rounded off to the nearest thousand rupees.

**M. ASIF DAR**  
Director

**AHMAD KULI KHAN KHATTAK**  
Chief Executive

**STATEMENT UNDER SUB-SECTION (1) (E) OF SECTION 237  
OF THE COMPANIES ORDINANCE, 1984**

The extent of the interest of National Motors Limited as a holding company in its subsidiary, Marghzar Industries (Private) Limited as at the end of the last of the financial year of that subsidiary was 70%.

The net aggregate of profit/(loss) of the subsidiary company so far as it concerns the members of the holding company, which has not been dealt with in the account of the holding company for the year ended June 30,1998 is as follows:-

	<b>Rupees</b>
- for the last of the financial year of the subsidiary	51,236
	=====
- for the previous financial years, since it became the holding company' s subsidiary	107,979
	=====

The net aggregate amount of profit/(loss) of the subsidiary company has so far not been dealt with in the accounts of the holding company except for provision against anticipated loss on realisation of investment in that subsidiary which is as follows:-

- for the last of the financial year of the subsidiary	0
	=====
- for the previous financial years, since it became the holding company's subsidiary	0
	=====

**TEN YEARS' SUMMARY**

YEARS	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Net sales and Income	183,420	222,417	339,642	227,738	286,398	595,512	598,105	508,597	547,074	424,508
Profit (Loss) before tax	(64,152)	(115,692)	(81,980)	(139,423)	(144,975)	(41,446)	(81,611)	(43,724)	(36,622)	(63,806)
Profit (Loss) after tax and extraordinary items	(65,086)	(116,108)	(83,646)	(140,399)	(148,925)	(44,415)	(80,366)	(46,251)	(35,647)	(63,806)
Less-Cash dividend	-	-	-	-	-	-	-	-	-	-

Retained in business	(65,086)	(116,108)	(83,646)	(140,399)	(148,925)	(44,415)	(80,366)	(46,251)	(35,647)	(63,806)
<b>FINANCIAL POSITION</b>										
Current assets	196,663	233,555	201,684	230,598	390,397	267,928	319,608	313,652	362,077	281,523
Less-Current Liabilities	940,968	923,144	757,423	715,265	766,810	482,310	478,579	445,960	405,813	293,501
Net working capital	(744,305)	(689,589)	(555,739)	(484,667)	(376,413)	(214,382)	(158,971)	(132,308)	(43,736)	(11,978)
Fixed assets-net	324,013	332,253	311,416	301,645	153,990	156,790	209,921	13,184	15,230	18,257
Investment	392,204	393,441	394,677	262,696	126,235	134,067	86,385	9,594	6,880	6,871
Other assets	6,574	2,123	363	382	22,306	1,108	1,728	32434	2,480	938
Total	21,514	38,228	150,717	80,057	(73,882)	77,583	139,036	(77,096)	(19,146)	14,088
Less-Long-term debt	30,761	27,691	24,619	23,548	19,197	0	19,228	-	-	-
Other liabilities	8,788	6,514	5,967	5,885	5,741	27,478	25,315	22,686	34,385	31,972
Surplus on revaluation of fixed assets	723,364	723,364	723,364	570,210	280,368	280,368	280,368	5,700	5,700	5,700
Shareholders' equity	(784,427)	(719,341)	(603,233)	(519,587)	(379,188)	(230,263)	(185,848)	(105,482)	(59,231)	(23,584)
<b>STATISTICS</b>										
Breakup value of shares of Rs.10	(119.66)	(109.73)	(92.02)	(79.26)	(57.84)	(35.01)	(28.30)	(16.10)	(9.00)	(3.60)
<b>RATIOS</b>										
Current assets to Current liabilities	0.21 to 1	0.25 to 1	0.27 to 1	0.32 to 1	0.51 to 1	0.56 to 1	0.67 to 1	0.70 to 1	0.89 to 1	0.96 to 1
Profit (Loss) before tax to sales and income	(34.33%)	(51.46%)	(24.1%)	(61.6%)	(50.60%)	(6.90%)	(13.60%)	(8.60%)	(6.70%)	(15.40%)

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

No. of Shareholders		Share-holding		Total shares held	
3,564	HOLDING	1	TO	100	68,050
586	"	101	"	500	146,695
150	"	501	"	1000	114,060
185	"	1001	"	5000	390,363
32	"	5001	"	10000	206,193
6	"	10001	"	20000	89,388
4	"	20001	"	30000	95,439
2	"	30001	"	40000	68,257
2	"	40001	"	55000	94,931
2	"	55001	"	100000	169,000
2	"	100001	"	150000	245,671

1	"	150001	"	225000	221,288
1	"	225001	"	1300000	1,291,542
1	"	1300001	"	1650000	1,639,826
1	"	1650001	"	1750000	1,714,597
-----					-----
4,539					6,555,300
=====					=====

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Individuals (Pakistani)	4,496	1,212,734	18.50 %
Individuals (Foreign)	1	3,466	0.05 %
Investment Companies *	6	44,096	0.67 %
Insurance Companies	10	137,065	2.09%
Joint Stock Companies	3	1,387,842	21.17 %
Modaraba Companies	4	184,700	2.82 %
Financial Institutions**	9	215,138	3.29 %
Private Companies & Institutions ***	9	3,357,492	51.21%
Abandoned Properties Organization	1	12,767	0.20 %
	-----	-----	-----
	4,539	6,555,300	100 %
	=====	=====	=====

* Includes ICP holding	38,005	shares
** Includes NBP (TD) holding	134,871	shares
*** Includes Bibojee Services (Pvt) Limited	1,714,597	shares
*** Includes Essar Asset Management (Pvt) Ltd.	1,639,826	shares
*** Includes NICFC holding	16,000	shares

### MARGHZAR INDUSTRIES (PRIVATE) LIMITED

#### REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited accounts of the company for the year ended June 30, 1998.

	Rupees
<b>ACCOUNTS</b>	
Profit before taxation	128,412
Taxation for the year-Current	(55,218)
	-----
Profit after taxation:	73,194
Accumulated profit brought forward	154,255
	-----
	227,449
	-----
Transferred to reserves	0
Proposed dividend	0
	-----
Accumulated profit carried forward	227,449
	-----
Earning per share	0.37
	=====

#### AUDITORS

The present auditors - M/s. Hameed Chaudhri & Co. retire and being eligible offer themselves for appointment as auditors of the company for the year 1998 - 99.

On behalf of the Board

**M. R. B ANKA**  
Chief Executive

December 9, 1998

#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of MARGHZAR INDUSTRIES (PRIVATE) LIMITED as at 30 June, 1998 and the related profit and loss account, 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 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, 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 for the year then ended; and

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

**HAMEED CHAUDHRI & CO.**  
Chartered Accountants

Karachi: December 9, 1998

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

	Note	1998	1997
		Rupees	
<b>SHARE CAPITAL</b>			
Authorised			
250,000 ordinary shares of Rs. 10 each		2,500,000	2,500,000

Issued, subscribed & paid up capital	2	1,403,000	1,403,000
UNAPPROPRIATED PROFIT		227,449	154,255
		-----	-----
		1,630,449	1,557,255
		=====	=====

**Represented By:**

**ASSETS & LIABILITIES**

Tangible fixed assets			
Office & electrical equipment and furniture & fixture at cost		10,839	10,839
Less: accumulated depreciation		9,843	9,779
		-----	-----
		996	1,060

**CURRENT ASSETS**

Amount due from associated undertaking		1,624,285	1,534,151
Income tax deducted at source/refundable		66,843	25,835
Cash at bank at current account		2,434	72,434
		-----	-----
		1,693,562	1,632,420

**LESS: CURRENT LIABILITIES**

Accrued expenses and others		4,000	8,400
Taxation		60,109	67,825
		-----	-----
		64,109	76,225
		-----	-----
		1,629,453	1,556,195
		-----	-----
		1,630,449	1,557,255
		=====	=====

The annexed notes form an integral part of these accounts.

**IFTIKHAR AHMAD KHAN**  
Director

**M.R. BANKA**  
Chief Executive

**PROFIT & LOSS ACCOUNT**  
**FOP, THE YEAR ENDED JUNE 30, 1998**

	Note	1998	1997
		Rupees	
Interest Income	3	204,476	157,628
Administrative expenses	4	76,064	4,143
		-----	-----
Profit for the year before taxation		128,412	153,485
<b>PROVISION FOR TAXATION</b>			
Current		55,218	65,998

Prior Year	0	(180)
	-----	-----
	55,218	65,818
	-----	-----
Profit for the year after Taxation	73,194	87,667
Unappropriated Profit Brought Forward	154,255	66,588
	-----	-----
Unappropriated Profit Carried Forward	227,449	154,255
	=====	=====

The annexed notes form an integral part of these accounts

**IFTIKHAR AHMAD KHAN**

Director

**M.R. BANKA**

Chief Executive

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.1 Accounting convention**

These accounts have been prepared under historical cost convention.

**1.2 Taxation**

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates available, if any.

**1.3 Tangible fixed assets.**

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the diminishing balance method at the rate of 6% per annum.

**2. ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

	1998	1997
	(Rupees)	
140,000 Ordinary shares of Rs 10 each fully paid in cash issued to National Motors Limited	1,400,000	1,400,000
60,000 Ordinary shares of Rs 10 each fully paid in cash issued to others for consideration in cash	600,000	600,000
Less: calls in arrear	597,000	597,000
	-----	-----
	3,000	3,060
-----	-----	-----
200,000	1,403,000	1,403,000
=====	=====	=====

**3. INTEREST INCOME**

Charged to National Motors Limited	204,476	126,997
On PLS deposit certificate	0	30,631
	-----	-----
	204,476	157,628

=====

**4. ADMINISTRATIVE EXPENSES**

Salaries	60,000	0
Legal & professional charges	12,000	0
Audit fees	4,000	4,000
Depreciation	64	68
Bank charges	0	75
	-----	-----
	76,064	4,143

=====

**IFTIKHAR AHMAD KHAN**

Director

**M.R. BANKA**

Chief Executive