

## Tri-Pack Films Limited

### Annual Report 1998

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**SGS Yarsley**  
**International Certification Services Limited**  
Certificate Number

**Q14039**  
This is to certify that the  
Quality Management systems of

**TRI-PA CK FILMS Ltd.**  
Haripur, Pakistan

**have been assessed and registered as meeting the  
requirements of ISO 9001**

The scope of registration is detailed on the Assessment  
Schedule bearing this certificate number.

SGS Yarsley International Certification Services Ltd  
Signed by

05 August 1998  
This certificate remains valid subject to  
satisfactory maintenance of the system

**Registered Office:**  
**SGS Yarsley**  
**International Certification Services Limited**  
SGS House, 217/221 London Road,  
Camberley, Surrey GU15 3EY, United Kingdom.

*Whilst all due care and skill was exercised in carrying out this assessment,  
SGS Yarsley ICS accepts responsibility only for proven gross negligence. This  
is not a legal document and cannot be used as such. The use of the Accreditation  
mark shown on this certificate indicates accreditation in the respect of those  
activities covered by that Accreditation Authority. This certificate remains the  
property of SGS Yarsley ICS to whom it must be returned on request.*

#### COMPANY INFORMATION

**Board of Directors:** Akira Yamamura  
Javed Aslam (Managing Director)  
Khalid Jacob  
Kiyohide Inoue  
Syed Babar Ali (Chairman)  
Syed Hyder Ali  
Tariq Hamid  
Yukio Imamura (Alternate to Kiyohide Inoue)  
M. Saeed Iqbal (Alternate to Syed Babar Ali)

**Company Secretary:** Khalid Jacob

**Auditors:** A.F. Ferguson & Co., Chartered Accountants

**Legal Advisors:** **Minto & Mirza**

**Bankers:** Albaraka Islamic Investment Bank B.S.C. (E.C)  
Al-Towfeek Investment Bank Limited  
American Express Bank Limited

ANZ Grindlays Bank Limited  
Emirates Bank International P.J.S.C.  
Muslim Commercial Bank Limited  
National Bank Of Pakistan

**Registered Office:** 1st Floor, Hilal-e-Ahmer House,  
Khayaban-e-Iqbal, Main Clifton Road,  
Karachi 75600, Pakistan.  
PABX 5863941-42, 5874047-49  
Telex. 20315 PKGS PK, Fax: (021) S860251

**Head Office &  
Sales Office:** 1st Floor, G.D. Arcade, Fazal-ul-Haq Road,  
73-E, Blue Area, Islamabad.  
Tel: 273135, 273907-08 Fax: (051) 273136  
E-mail: isb@tripack1.sdnpk.undp.org

**Regional Sales Office:**  
**Karachi:** 201-202, Marine Pride, Block 7, Clifton,  
Karachi 75600  
Telephone: (021) S871801-2, Fax: (021) S871803  
E-mail: rm-south@cyber.net.pk

**Lahore:** 36-C/I, Ghalib Road. Gulberg Ill, Lahore  
Tel: (042) 5753371, 5763824. Fax: (042) 5753397  
E-mail: info@tripack.brain.net.pk

**Works:** Plot No. 78/1, Phase IV,  
Hattar Industrial Estate, Hattar, N.W.F.P.  
Telephone: (0995) 617406-7, Fax: (0995) 617054  
E-mail: pm@tripack2.sdnpk.undp.org

#### NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of Tri-Pack Films Limited will be held at Auditorium of the Institute of Chartered Accountants of Pakistan, G-31/8, Kehkashan, Clifton, Karachi on Wednesday, December 16, 1998 at 3:30 p.m. to transact the following Business:-

1. To receive and consider the Audited Accounts for the year ended June 30, 1998, the Report of the Auditors thereon and the Report of the Directors.
2. To appoint Auditors and to fix their remuneration.
3. To transact any other business with the permission of the Chair.

By Order of the Board

**Khalid Jacob**  
Director & Company Secretary

Karachi: November 24, 1998

#### Notes:

1. The Share Transfer Books of the Company will be closed from December 03, 1998 to December 16, 1998 both days inclusive.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him.
3. The instrument appointing a proxy must be received at the Registered Office of the Company, First Floor, Hilal-e-Ahmer House, Khayaban-e-Iqbal, Main Clifton Road, Karachi 75600, not later than forty-eight hours before the time appointed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

#### DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors take pleasure in placing their Report and Audited Accounts for the year ended June 30, 1998 before the Sixth Annual General Meeting of the Company to be held on December 16, 1998.

By the grace of the Almighty, 1997-98 was landmark year during which your Company recorded net profit of Rs. 62.09 million against loss of Rs. 20.21 million for

the preceding year. Invoiced sales increased from Rs. 358.93 million in 1996-97 to Rs.542.58 million in 1997-98. Production of BOPP film during the year under review was 4,390 tonnes as compared to 2,737 tonnes in 1996-97. We were able to achieve these operating results despite unfavourable tariff structure for the BOPP industry.

Continuous enhancement of our product quality has been the policy of the Company. We are happy to inform you that your Company has obtained ISO 9001 certification. This is a recognition of our quality standards, operational systems and procedures.

With the active support from our Joint Venture partners M/s. Mitsubishi Corporation, Japan, we were able to solve technical problems and plant operations were smooth during the year. We are also up-grading technical skills of our employees and have been able to finalise specialised training facility abroad through our Joint Venture partners M/s. Packages Limited.

During the year under review special emphasis was given on the export. We exported over 320 tonnes of BOPP film valuing US \$ 586 thousand primarily to Iran and Sri-Lanka. However, due to the delay on the part of the Government in settling the issue of export rebate of customs duty, we foresee a decline in our export business during 1998-99.

#### **Appointment of Auditors**

You are requested to appoint the Auditors for the year ending June 30, 1999 and fix their remuneration. The present Auditors A.F. Ferguson -4 Company, Chartered Accountants retire and offers themselves for reappointment

#### **Future Outlook**

The Directors look to the future with confidence and hope that the Company's business will keep on growing with satisfactory results and our efforts to further increase our customer base and market share will continue.

As you are aware our products are used by other industries in Pakistan to pack their products and our success is directly linked to their ability to perform. Your Board expects the Government to ensure conducive and peaceful conditions in the country enabling the industry to perform successfully and contribute to the economic growth of the nation.

#### **Management/Employees Relationship**

The Directors would like to recognize and record their appreciation for the continuous efforts and dedication of all its employees, and look forward to their efforts in future with the same zeal and dedication.

For and on behalf of the Board.

**Javed Aslam**  
(Managing Director)

October 22, 1998

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

We have audited the annexed balance sheet of Tri-Pack Films Limited as at June 30,1998 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 the 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 cash flow

statement together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1998 and of the profit and cash flows for the year then ended: and

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

October 22, 1998

**A.F. Ferguson & Co.**  
Chartered Accountants  
Islamabad

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

	Note	(Rupees in thousand)	
		1998	1997
<b>SHARE CAPITAL</b>			
Authorised	3	300,000	300,000
		=====	=====
Issued, subscribed and paid up	3	300,000	300,000
Accumulated Profit/(Loss)		9,927	(52,167)
		-----	-----
		309,927	247,833
<b>LONG TERM LIABILITIES AGAINST ASSETS</b>			
<b>SUBJECT TO FINANCE LEASE</b>			
	4	45,741	129,599
<b>LONG TERM FINANCE</b>			
<b>CURRENT LIABILITIES</b>			
Current portion of liabilities against assets subject to finance lease	4	83,858	76,235
Current portion of long-term finance	5	13,333	
Short-term finance	6	26,659	79,518
Creditors, accrued and other liabilities	7	18,573	16,148
		-----	-----
		142,423	171,901
<b>Contingencies and Commitments</b>			
	8	518,091	549,333
		=====	=====

	Note	(Rupees in thousand)	
		1998	1997
<b>FIXED CAPITAL EXPENDITURE</b>			
Fixed assets	9	376,783	424,318
Capital work-in-progress	10	395	1,479
		-----	-----
		377,178	425,797
<b>LONG TERM DEPOSITS AND DEFERRED COSTS</b>			
	11	192	2,207
<b>CURRENT ASSETS</b>			
Stores and spares	12	13,780	7,906
Stock-in-trade	13	45,677	59,142
Trade debts	14	52,492	40,109
Advances, deposits, prepayments and other receivables	15	16,651	12,856
Cash and bank balances	16	12,121	1,316
		-----	-----
		140,721	121,329
		-----	-----
		518,091	549,333
		=====	=====

The annexed notes form an integral part of these accounts

**Javed Aslam**  
Chief Executive

**Kiyohide Inoue**  
Director

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

	Note	(Rupees in thousand)	
		1998	1997
<b>SALES</b>			
Cost of sales	17	542,577	358,925
	18	395,943	302,579
		-----	-----
<b>GROSS PROFIT</b>		146,634	56,346
<b>OPERATING EXPENSES</b>			
Administrative and general	19	21,468	16,477
Selling and distribution	20	15,997	10,191
		-----	-----
		37,465	26,668
		-----	-----
		109,169	29,678
<b>FINANCIAL CHARGES</b>	21	44,332	52,316
		-----	-----
		64,837	(22,638)
<b>OTHER INCOME</b>	22	525	894
		-----	-----
		65,362	(21,744)
Workers' profit participation fund		3,268	-
		-----	-----
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		62,094	(21,744)
<b>TAXATION</b>	23	-	1,530
		-----	-----
<b>PROFIT/(LOSS) AFTER TAXATION</b>		62,094	(20,214)
<b>PROFIT/(LOSS) BROUGHT FORWARD</b>		(52,167)	(31,953)
		-----	-----
<b>PROFIT/(LOSS) CARRIED FORWARD</b>		9,927	(52,167)
		=====	=====

The annexed notes form an integral part of these accounts.

Javed Aslam  
Chief Executive

Kiyohide Inoue  
Director

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

	Note	(Rupees in thousand)	
		1998	1997
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	25	156,031	85,446
Mark-up and related charges paid		(45,877)	(82,325)
		-----	-----
Net cash inflow from operating activities		110,154	3,141
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(3,588)	(2,650)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long-term finance - net of repayment		33,333	-
Repayment of liability against assets subject to finance lease		(76,235)	(68,079)
		-----	-----
Net cash (outflow) from financing activities		(42,902)	(68,079)
		-----	-----
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		63,664	(67,588)
Cash and cash equivalents at beginning of the year		(78,202)	(10,614)
		-----	-----
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	25.1	(14,538)	(78,202)
		=====	=====

Javed Aslam  
Chief Executive

Kiyohide Inoue  
Director

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED

JUNE 30, 1998

### 1. The Company and its operations

The Company is a public company incorporated in Pakistan under the Companies Ordinance, 1984 and is listed on stock exchanges in Pakistan. It is principally engaged in the manufacture and sale of biaxially oriented polypropylene (BOPP) film. The Company commenced commercial production on June 1, 1995.

### 2. Significant accounting policies

#### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

#### 2.2 Retirement benefits

The Company contributes towards pension of certain executives of the Company who are member of an approved Contributory Pension Fund of an associated company. Contributions made by the Company are charged to income currently.

The Company operates a funded Provident Fund Scheme covering permanent employees. Monthly contribution is made to the fund at the prescribed rates under the rules of fund at basic pay of employees.

#### 2.3 Taxation

Profit and gains derived by the Company are exempt from income tax for a period of eight years beginning commencement of commercial production, in terms of clause 118C of the Second Schedule of the Income Tax Ordinance, 1979.

#### 2.4 Fixed capital expenditure and depreciation

##### a) Owned assets

Operating fixed assets except leasehold land are stated at cost less accumulated depreciation. Capital work-in-progress is stated at cost. Cost of the leasehold land is amortised using the straight line basis over the period of the lease from commencement of commercial production.

Depreciation on operating fixed assets is charged to profit on straight line method at the rates given in note 9. Full year's depreciation is charged on normal additions, while no depreciation is charged on deletions during the year.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of assets, if any, are included in income currently.

##### b. Assets subject to finance lease

Assets subject to finance lease are stated at the lower of present value of minimum lease payments at the inception of the lease and their fair value at that date. The outstanding obligations under the lease less financial charges allocated to future periods are accounted for as liabilities. Related financial expenses are charged to the profit and loss account except those related to the period upto the commencement of commercial production, which expenses have been capitalised.

Assets subject to finance lease are amortised over the useful life of the asset on a straight line method at the rates given in note 9. Amortisation of leased assets is charged to income.

#### 2.5 Deferred costs

These costs are amortised over a period of three years.

#### 2.6 Stores and spares

These are valued at weighted average cost.

#### 2.7 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued at the lower of average cost and net realisable value. Cost of work-in-process and finished goods comprises cost of direct materials and labour and appropriate manufacturing overheads.

Stocks in transit are stated at cost comprising invoice value and other related charges

incurred upto the balance sheet date.

Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make a sale.

### 2.8 Rates of exchange

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. Assets and liabilities in foreign currencies at the year end are translated into rupees at the rates prevailing on the balance sheet date or at the contracted rate where exchange risk cover has been obtained. Exchange differences are included in the income for the year.

### 2.9 Revenue recognition

Sales revenue is recognised at the time of despatch of goods to customers.

	(Rupees in thousand)	
	1998	1997
<b>3. Share capital</b>		
<b>Authorised</b>		
30,000,000 ordinary shares of Rs 10 each (1997: 30,000,000)	300,000	300,000
	=====	=====
<b>Issued, subscribed and paid-up</b>		
30,000,000 ordinary shares of Rs 10 each (1997: 30,000,000) fully paid in cash	300,000	300,000
	=====	=====
<b>4. Liabilities against assets subject to finance lease</b>		
Present value of minimum lease rental payments (US\$ 4.25 million; 1997: US \$ 6.75 million)	129,599	205,834
Less: Current portion shown under current liabilities	83,858	76,235
	-----	-----
	45,741	129,599
	=====	=====

The minimum lease rental payments due under the lease agreement aggregate to Rs.141.182 million (1997: Rs 233.636 million) and are payable in 3 (1997: 5) unequal semi annual installments upto November 8, 1999. These have been discounted at an implicit annual rate of LIBOR + 2.5% to arrive at their present value. Repairs and insurance costs are to be borne by the Company. The liability is secured by first priority equitable charge over land and building, hypothecation charge over plant, equipment and machinery and assignment of insurance on building, plant, equipment and machinery.

### 5. Long term finance

The company has a long term finance facility aggregating Rs. 40 million (1997- Rs Nil) under mark-up arrangement from ANZ Grindlays Bank Limited. This facility is secured by second hypothecation charge over machinery & equipment and second equitable mortgage over land and buildings. This facility carries mark-up at the rate of Rs. 0.4657 (1997:Rs.Nil) per one thousand rupees per day and the balance is repayable in ten equal quarterly installments upto October 30, 2000.

	(Rupees in thousand)	
	1998	1997
<b>6. Short term finance</b>		
Running finance (note 6.1)	22,965	79,518
Export refinance (note 6.2)	3,694	-
	-----	-----
	26,659	79,518
	=====	=====

6.1 The Company has a short term running finance facility aggregating Rs. 100 million (1997- Rs. 80 million) under mark-up arrangement from a bank. This facility is secured by sole hypothecation of stocks and trade debts and carries mark up at the rate of Rs. 0.4246 (1997: Rs. 0.3973) per one thousand rupees per day. The outstanding balance is repayable in January 1999.

6.2 The company has obtained export refinance facility from State Bank of Pakistan. This facility carries mark up at the maximum rate of 11% per annum and is secured by relevant letter of credit. Each facility is repayable within 150 days from the date of finance.

**7. Creditors, accrued and other liabilities**

Creditors *	3,875	2,049
Accrued expenses	1,770	1,984
Advance from customers	422	3,422
Mark-up and related charges **	5,806	7,902
Income tax payable	171	90
Workers' profit participation fund ***	3,268	-
Other payable	3,261	701
	-----	-----
	18,573	16,148
	=====	=====

\* Include Rs. 3,074 thousand (1997: Rs. 1,239 thousand) payable to associated companies.

\*\* Include mark-up of Rs. 1,580 thousand (1997: Rs. 2,576 thousand) on liabilities against assets subject to finance lease.

\*\*\* Represents allocation for the year.

(Rupees in thousand)  
1998 1997

**8. Contingencies and commitments**

Contingencies		
Export refinance (note 6.2)		
Indemnity bonds issued to customs authorities	10,197	767
Guarantees issued by banks on behalf of the Company	28,260	-
Commitments		
Letters of credit for purchase of raw materials and spare parts	27,961	17,895

**9. Fixed assets**

(Rupees in thousand)

	COST		DEPRECIATION/AMORTISATION				Book value as at June 30, 1998	Annual rate of depreciation/amortisation %
	As at June 30, 1997	Additions/(deletions)	As at June 30, 1998	As at June 30, 1997	Charge for the year	As at June 30, 1998		
<b>9.1 Owned assets</b>								
Leasehold land	7,197	-	7,197	154	74	228	6,969	1.03
Buildings	44,325	260	44,585	4,565	2,229	6,794	37,791	5
Plant and machinery	156,921	1,233	158,154	32,864	15,815	48,679	109,48	10
Electric installations	35,796	216	36,012	7,542	3,601	11,143	24,869	10
Tubewell and pumps	1,941	-	1,941	416	194	610	1,331	10
Furniture and fixtures	4,533	537	5,070	1,410	682	2,092	2,978	10 - 20
Office equipment	1,571	618	2,189	671	438	1,109	1,080	20
Laboratory equipment	158	248	406	76	81	157	249	20
Vehicles	6,948	1,560	8,508	4,222	1,702	5,924	2,584	20
	-----	-----	-----	-----	-----	-----	-----	-----
	259,390	4,672	264,062	51,920	24,816	76,736	187,326	
<b>9.2 Assets subject to finance lease</b>								
Plant and machinery	273,913	-	273,913	57,065	27,391	84,456	189,457	10
	-----	-----	-----	-----	-----	-----	-----	-----
	533,303	4,672	537,975	108,985	52,207	161,192	376,783	
	=====	=====	=====	=====	=====	=====	=====	=====
1997	529,790	3,513	533,303	57,502	51,483	108,985	424,318	
	=====	=====	=====	=====	=====	=====	=====	=====



	(Rupees in thousand)	
	1998	1997
<b>10. Capital work-in-progress</b>		
Plant and machinery	330	1,447
Advances to suppliers and contractors	-	32
Civil works	65	-
	-----	-----
	395	1,479
	=====	=====
<b>11. Long-term deposits and deferred costs</b>		
Security deposits	192	17
Deferred costs		
Preliminary expenses	514	514
Expenses on issue of shares	6,052	6,052
	-----	-----
	6,566	6,566
	(6,566)	(4,376)
	-----	-----
	-	2,190
	-----	-----
	192	2,207
	=====	=====
<b>12. Stores and spares</b>		
Stores	3,901	2,853
Spares	9,879	5,053
	-----	-----
	13,780	7,906
	=====	=====
<b>13. Stock-in-trade</b>		
Raw material	19,718	30,009
Raw material in transit	17,687	16,277
Work in process	3,838	5,717---
Finished goods	4,434	7,139
	-----	-----
	45,677	59,142
	=====	=====
<b>14. Trade debts</b>		
These are unsecured and considered good. Amount due from associated undertakings at the year end was Rs. 511 thousand (1997: Rs. 3,729 thousand). The maximum aggregate amount due from such companies at the end of any month during the year was Rs. 5,405 thousand; (1997: Rs. 3,729 thousand)		

	(Rupees in thousand)	
	1998	1997
<b>15. Advances, deposits, prepayments and other receivables</b>		
Advances, considered good, to		
Chief Executive	182	84
Executives	400	331
Other employees	129	38
	-----	-----
	711	453
	3,016	746
	-----	-----
	2,569	2,002
	-	5,503
	3,269	161
	557	35
	4,555	3,891
	1,974	65
	-----	-----
	16,651	12,856
	=====	=====

The maximum amounts due at the end of any month during the year from the chief executive and executives were Rs. 363 thousand (1997: Rs. 239 thousand) and

Rs. 910 thousand (1997: Rs. 450 thousand) respectively.

16. Cash and bank balances

Cash in hand	42	24
Cash in transit	2,735	-
Bank balances - current accounts	9,344	1,292
	-----	-----
	12,121	1,316
	=====	=====

17. Sales

Local	516,859	358,252
Export	25,718	673
	-----	-----
	542,577	358,925
	=====	=====

(Rupees in thousand)

Cost of sales	1998	1997
Raw materials consumed	234,405	181,787
Manufacturing expenses		
Salaries, wages and other benefits	12,302	11,641
Fuel, power and water	24,856	17,263
Excise duty	25,119	17,728
Packing expenses	21,273	11,093
Vehicle running and maintenance	1,713	1,080
Insurance	1,792	1,941
Repairs and maintenance (includes stores and spares consumed Rs. 11,963 thousand; 1997: Rs. 3 985 thousand)	17,996	6,367
Travelling	1,442	850
Depreciation/amortisation	50,250	50,028
Other expenses	211	119
	-----	-----
	156,954	118,110
	-----	-----
	391,359	299,897
Work-in-process		
Opening stock	5,717	11,144
Closing stock	(3,838)	(5,717)
	-----	-----
	1,879	5,427
	-----	-----
Cost of goods manufactured	393,238	305,324
Finished goods		
Opening stock	7,139	4,394
Closing stock	(4,434)	(7,139)
	-----	-----
	2,705	(2,745)
	-----	-----
	395,943	302,579
	=====	=====

(Rupees in thousand)

19. Administrative and general expenses	1998	1997
Salaries, wages and other benefits	6,172	4,821
Vehicle running and maintenance	202	152
Travelling	542	297
Rent, rates and taxes	787	740
Insurance	172	165
Printing, stationery and periodicals	1,253	941
Postage and telephone	2,943	3,536
Depreciation	1,319	1,149
Amortisation of deferred cost	2,190	2,192
Repairs and maintenance	106	38
Auditors' remuneration and expenses (note 19.1)	410	335
Legal and professional expenses	3,682	820
Other expenses	1,690	1,291
	-----	-----
	21,468	16,477

**19.1 Auditors' remuneration and expenses**

Audit fee	115	100
Fee for tax and consultancy services	260	200
Out of pocket expenses	35	35
	-----	-----
	410	335
	=====	=====

(Rupees in thousand)

**20. Selling and distribution expenses**

	1998	1997
Salaries, wages and other benefits	3,619	3,380
Vehicle running and maintenance	341	240
Travelling	991	941
Rent, rates and taxes	1,196	749
Insurance	172	110
Depreciation	638	306
Distribution expenses	6,901	3,906
Repairs and maintenance	163	80
Other expenses	1,976	479
	-----	-----
	15,997	10,191
	=====	=====

**21. Financial charges**

Mark up and related charges on liabilities against assets subject to finance lease	31,317	45,541
Mark up on short-term finance	8,179	5,376
Mark up on long-term finance	4,212	-
Excise duty on running finance	73	267
Bank charges	551	659
Exchange rate adjustment	-	473
	-----	-----
	44,332	52,316
	=====	=====

**22. Other income**

Profit on bank balances	10	369
Sale of waste material	495	417
Others	20	108
	-----	-----
	525	894
	=====	=====

**23. Taxation**

Based on the decision of the Supreme Court of Pakistan, profits of the Company are not subject to the minimum tax under section 80D of the Income Tax Ordinance, 1979. Accordingly, all income tax suffered at source during the year and that paid during the previous years has been reflected as refundable in note 15 to the accounts.

**24. Remuneration of directors, chief executive and executives**

The aggregate amounts charged in the accounts in respect of remuneration, including benefits and. perquisites, were as follows:

	(Rupees in thousand)			
	Chief Executive			Executives
	1998	1997	1998	1997
Managerial remuneration	909	825	5,056	4,548
Contribution to pension fund	91	80	84	73
Housing	375	338	1,799	1,743
Utilities	83	75	388	387
Leave passage	146	132	219	185
	-----			
	1,604	1,450	7,546	6,936
	=====			
No of persons	1	1	20	11

The above were also provided with medical facilities. In addition, the Chief Executive and certain executives were also provided with free transport and residential telephones. Further, the Chief Executive who was on deputation with the Company retired from his parent company and was paid Rs. 562 thousand as retirement benefits related to his service with the Company. No. remuneration was paid to directors during the year (1997: Nil).

	(Rupees in thousand)	
	1998	1997
<b>25. Cash generated from operations</b>		
Profit/(loss) before taxation	62,094	(21,744)
Adjustments for non cash charges and other items		
Depreciation	52,207	51,483
Amortisation of deferred cost	2,190	2,192
Mark-up and related charges	43,781	51,657
	-----	-----
	98,178	105,332
	-----	-----
	160,272	83,588
<b>Changes in working capital</b>		
<b>(Increase)/decrease in current assets:</b>		
Stores and spares	(5,874)	(5,140)
Stock-in-trade	13,465	7,735
Trade debts	(12,383)	13,164
Advances, deposits, prepayments and other receivables	(3,795)	(4,531)
	-----	-----
	(8,587)	11,228
<b>Increase/(decrease) in current liabilities:</b>		
Creditors, accrued and other liabilities	4,521	(9,350)
	-----	-----
	(4,066)	1,878
Changes in long term deposits and deferred costs	(175)	-
	-----	-----
	156,031	85,466
	=====	=====
<b>25.1 Cash and cash equivalents</b>		
Cash and bank balances	12,121	1,316
Short term finance	(26,659)	(79,518)
	-----	-----
	(14,538)	(78,202)
	=====	=====

	(Rupees in thousand)	
	1998	1997
<b>26. General</b>		
26.1 Aggregate transactions with associated companies during the year were as follows:		
Purchase of goods and services	18,731	15,202
Sale of goods and services	29,607	21,778
26.2 Capacity and production		
	(Tonnes)	
Operational capacity	5,400	5,400
Production	4,390	2,737

The variance of actual production from capacity is due to marketing constraints.

### 26.3 Corresponding figures

Corresponding figures have been rearranged, where considered necessary, for the purposes of comparison

Javed Aslam  
Chief Executive

Kiyohide Inoue  
Director

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

No. of Shareholders	Shareholding		Total Shares held
205	1 to	100	20500
14,149	101 to	500	6,987,800
69	501 to	1,000	69,000
63	1,001 to	5,000	197,500
10	5,001 to	10,000	80,400
2	10,001 to	15,000	23,500
1	20,001 to	25,000	20,500
1	25,001 to	30,000	25,500
1	40,001 to	45,000	45,000
1	50,001 to	55,000	51,500
1	60,001 to	65,000	63,500
1	65,001 to	70,000	67,500
1	85,001 to	90,000	90,000
1	105,001 to	110,000	106,000
1	605,001 to	610,000	605,500
1	1,230,001 to	1,235,000	1,233,800
1	2,815,001 to	2,820,000	2,816,000
1	7,495,001 to	7,500,000	7,499,000
1	9,995,001 to	10,000,000	9,997,500
-----			-----
14,511			30,000,000
=====			=====

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
Individuals	14,496	7,589,700	25.30
Investment Company	1	2,816,000	9.39
Insurance Companies	2	607,500	2.03
Joint Stock Companies	7	17,596,500	58.65
Financial Institutions	2	1,297,300	4.32
Modaraba Companies	2	88,000	0.29
Co. Op. Society	1	5,000	0.02
-----	14,511	30,000,000	100.00
-----	-----	-----	-----
=====	=====	=====	=====