

ARPAK INTERNATIONAL INVESTMENTS LIMITED

Annual Report 1997

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BOARD OF DIRECTORS

CHIEF EXECUTIVE

Mr. Abbas Sarfaraz Khan

DIRECTORS

Begum Zari Sarfaraz
Mr. Aziz Sarfaraz Khan
Begum Laila Sarfaraz
Mr. Mohammad Rafique
Mr. Iskander M. Khan
Mr. Abdul Qadar Khattak

SECRETARY

Malik Mohammad Ishaq Khan

AUDITORS

Hameed Chaudhri & Co.,
Chartered Accountants

REGISTERED OFFICE

House 2, Street 27,
F-6/2, Islamabad.

NOTICE OF MEETING

Notice is hereby given that the Twentieth Annual General Meeting of the ARPAK INTERNATIONAL INVESTMENTS LIMITED, will be held on Wednesday, 31 st December, 1997 at 9 A.M. at the registered office of the Company at House No. 2, Street 27,F-6/2, Islamabad, to transact the following business:

1. To confirm the Minutes of the Ninteenth Annual General Meeting held on 31 st December, 1996.
2. To receive, consider and adopt the audited Balance Sheet and profit and loss

account for the year ended 30th June, 1997 with Auditors' and Directors' Report thereon.

3. To appoint auditors for the year 1997-98 and to fix their remuneration. The outgoing auditors, Messrs. Hameed Chaudhri & Co., Chartered Accountants, Offer themselves for re-appointment.

4. Election of Directors.

To hold election of Directors in place of retiring Directors (i) Mr. Abbas Sarfaraz Khan(ii) Begum Zari Sarfaraz(iii)Mr. Aziz Sarfaraz Khan (iv) BegumLailaSarfaraz (v) Mr. Abdul Qadar Khattak (vi) Mr. Iskander M. Khan (vii) Mr. Mohammad Rafiq Khan, in accordance with the provisions of section 178 of the Companies Ordinance, 1984. The Board of Directors has fixed the total number of Directors to be Seven for the next three years.

Any person who seeks to contest election for the office of a Director may file his nomination papers with the Secretary of the Company not later than 16th December, 1997. The retiring Directors shall be eligible for re-election.

5. To transact any other ordinary business of the Company as may be permitted by the Chair.
BY ORDER OF THE BOARD

NOTE:

The share transfer books and register of members of the Company will remain closed from 24th December, 1997 to 31st December, 1997 (both days inclusive).

Votes may be given either personally or by an agent duly authorized and under a power of attorney or by proxy. No person shall be appointed as a proxy or as an agent authorized under a power of attorney who is not himself a Member of the Company and qualified to vote save a Corporation being a Member of the Company may appoint as a representative any person, whether a Member of the Company or not.

The instrument appointing a proxy to be valid must be deposited at the Registered Office of the Company at least 48 hours before the time of meeting, duly stamped and signed.

PROXY FORM IS ENCLOSED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE, 1997

Your Directors have pleasure in presenting Twentieth Annual Report alongwith audited accounts of the company for the year ended on 30thJune, 1997.

ACCOUNTS:

The Company made pre-tax net profit of Rs. 2,676,265 for the year. After providing Rs. 40,000 in respect of taxation, the balance of Rs. 2,636,26,5 has been shown as unappropriated profit. The company has general reserves of Rs. 5,400,000 and capital reserves of Rs. 4,749,856 at end of the year.

The company presently holds cash resources of Rs. 31.898 million against the paid up capital of Rs. 40 million. Out of these funds Rs. 29.924 million are laying in saving account.

DIVIDEND:

As the company wants to utilize its cash resources, the Directors recommend 5 percent dividend for the year.

ELECTION OF DIRECTORS:

All the existing directors retire in accordance with the provisions of section 178 of the Companies Ordinance, 1984 and fresh election will be held in Annual General Meeting.

AUDITORS:

The present auditors Messrs. Hameed Chaudhri & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **ARPAK INTERNATIONAL INVESTMENTS LIMITED** as at 30 the June, 1997 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 purposes 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 30th June, 1997 and of the profit and cash flows 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.

LAHORE,
24th November, 1997

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS.

BALANCE SHEET AS AT 30TH JUNE, 1997

	Note	1997 Rupees	1996 Rupees
CAPITAL AND RESERVES			
Authorised capital:			
5,000,000 ordinary shares of Rs. 10 each		50,000,000 =====	50,000,000 =====
Issued, s Advances, prepayments up capita and other receivables 4,000,000 ordinary shares of Rs. 10 each issued for cash			
		40,000,000	40,000,000
Capital reserve	3	4,749,856	4,749,856
General reserve		5,400,000	5,400,000
Unappropriated profit		19,666,052	19,029,787
		-----	-----
		69,815,908	69,179,643
SHARES APPLICATION MONEY			
	4	202,167	202,167
CURRENT LIABILITIES			
Accruals and other payables	5	112,187	175,623
Un-earned income	6	0	265,625
Provision for taxation	7	744,130	704,130
Proposed dividend		2,000,000	2,000,000
Unclaimed dividend		228,339	150,868
		-----	-----
		3,084,656	3,296,246
CONTINGENCIES AND COMMITMENTS			
	8	0	0
		-----	-----
		73,102,731	72,678,056
		=====	=====
The annexed notes form an integral part of these accounts.			
TANGIBLE FIXED ASSETS	9	19,017,784	19,216,059
LONG TERM INVESTMENTS	10	19,662,867	19,662,867
CURRENT ASSETS			

	11	2,524,010	3,798,940
Cash at Banks and			
Savings Centre	12	31,898,070	30,000,190
		-----	-----
		34,422,080	33,799,130
		-----	-----
		73,102,731	72,678,056
		=====	=====

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

	Note	1997 Rupees	1996 Rupees
INCOME	13	4,305,560	4,390,962
ADMINISTRATIVE EXPENSES	14	1,584,061	1,316,813
		-----	-----
		2,721,499	3,074,149
OTHER INCOME	15	94,316	186,364
		-----	-----
		2,815,815	3,260,513
OTHER CHARGES			
Financial	16	500	2,862
Miscellaneous	17	139,050	531,600
		-----	-----
		139,550	534,462
		-----	-----
PROFIT BEFORE TAXATION		2,676,265	2,726,051
PROVISION FOR TAXATION	7	40,000	160,000
		-----	-----
PROFIT AFTER TAXATION		2,636,265	2,566,051
UNAPPROPRIATED PROFIT			
- Brought forward		19,029,787	18,463,736
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATIONS		21,666,052	21,029,787
APPROPRIATION:			
Proposed dividend @ 5%			
(1996: @5%)		2,000,000	2,000,000
		-----	-----
UNAPPROPRIATED PROFIT			
- Carried to Balance Sheet		19,666,052	19,029,787
		=====	=====

The annexed notes form an integral part of these accounts.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 1997**

	1997 Rupees	1996 Rupees
--	----------------	----------------

CASH OUTFLOW FROM OPERATING ACTIVITIES		
- After taxation (note 'A')	(1,073,508)	(1,326,049)
CASH FLOW FROM INVESTING ACTIVITIES		
Sate proceed of vehicle	0	200,000
Dividend received	800,000	1,400,000
Interest/Profit received	3,927,411	1,817,168
Increase in deposits due to exchange rate fluctuations	72,190	49,930
	-----	-----
CASH INFLOW FROM INVESTING ACTIVITIES	4,799,601	3,467,098
CASH OUTFLOW FROM FINANCING ACTIVITIES		
Dividend paid	(1,828,213)	(1,948,232)
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,897,880	192,817
CASH AND CASH EQUIVALENTS		
- At the beginning of the year	30,000,190	29,807,373
	-----	-----
CASH AND CASH EQUIVALENTS		
- At the end of the year	31,898,070	30,000,190
	=====	=====

The annexed note 'A' forms an integral part of this Statement.

NOTE "A"

	1997	1996
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - Before taxation	2,676,265	2,726,051
Add/(Less) adjustments for:		
Depreciation	198,275	211,949
Gain on disposal of vehicle	0	(142,018)
Dividend income	(800,000)	(1,400,000)
interest/Profit on bank deposits and savings account	(3,165,764)	(2,564,856)
Exchange gain	(72,190)	(49,930)
Unclaimed dividend written back	(94,316)	(44,346)
	-----	-----
CASH OUT FLOW FROM OPERATING ACTIVITIES		
Before working capital changes	(1,257,730)	(1,263,150)
DECREASE / (INCREASE) IN CURRENT ASSETS:		
Due from associated undertakings	590,741	71,383
Prepayments	8,215	(2,286)
(DECREASE)/INCREASE IN CURRENT LIABILITIES:		
Accruals and LOSS payables	(63,436)	22,730
un-earned income	(265,625)	0
	-----	-----
	269,895	91,827

CASH OUTFLOW FROM OPERATING ACTIVITIES		
- Before taxation	(987,835)	(1,171,323)
Taxes Paid	(85,673)	(154,726)
	-----	-----
CASH OUTFLOW FROM OPERATING ACTIVITIES		
- After taxation	(1,073,508)	(1,326,049)
	=====	=====

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE 1997**

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on 26th July, 1977 as a public company and its shares are quoted on Lahore and Karachi Stock Exchanges. The Company is evaluating certain proposals for setting-up some Business Undertaking.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Taxation

Provision for current taxation is made on taxable income for the year if any, after taking into account tax rebates and brought forward losses.

2.3 Tangible fixed assets and depreciation

These are stated at accumulated depreciation except freehold land which is stated at cost.

Depreciation is charged applying Reducing Balance Method, at the rates stated in note 9 to write off the cost over estimated useful life of assets. No depreciation is charged on assets in the year of disposal whereas full year's depreciation is provided in the year of purchase.

Gain/loss on disposal of fixed assets is taken to Profit and Loss Account. Minor repairs and replacements are also taken to Profit and Loss Account. Major improvements and modifications are capitalised and assets replaced, if any, are retired.

2.4 Long Term Investments

Investments purchased by the Company are stated at cost. Investments received as dividend are accounted for at Face Value. Gain on sale of investments is transferred to Capital Reserve.

2.5 Foreign currency translations

Assets and liabilities in foreign currencies are translated into Pak Rupees applying exchange rates ruling on the balance sheet date. Exchange gains/losses are taken to Profit and Loss Account.

2.6 Revenue recognition

- Return on deposits and rental income is accounted for on 'Accrual Basis'.
- Dividend income is accounted for on 'Receipt Basis'.

3. CAPITAL RESERVE

	1997	1996
	Rupees	Rupees
Gain on sale of land	4,148,331	4,148,331
Gain on sale of investments	601,525	601,525
	-----	-----
	4,749,856	4,749,856
	=====	=====

4. SHARES APPLICATION MONEY

This represents share money received by Pakpor Ceramics Limited whose assets and liabilities were taken over by the Company during 1978.

5. ACCRUALS AND OTHER PAYABLES

Accrued expenses	112,187	104,987
Due to Associated Undertaking	0	70,636
	-----	-----
	112,187	175,623
	=====	=====

6. UN-EARNED INCOME

This represents rent of Company's guest house received in advance.

7. PROVISION FOR TAXATION

Opening balance	704,130	544,130
Provided during the year	40,000	160,000
	-----	-----
	744,130	704,130
	=====	=====

7.1 Income tax assessments of the Company have been finalised upto the Income Year ended 30th June, 1995 (Assessment Year 1995-96)

7.2 The Company's appeals filed before the Income Tax Appellate Tribunal in respect of Assessment Years 1989-90 to 1991-92 are pending for decision.

7.3 Income Tax Department has filed before the High Court Reference Application relating to the Assessment Year 1988-89 on the question of Zakat which is pending for decision.

7.4 In the opinion of the Management, all the pending Appeals and Reference pending before the High court will be decided in favour of the Company.

7.5 Provision for taxation is considered adequate to cover the expected liability.

8. CONTINGENCIES AND COMMITMENTS

8.1 There was no known contingent liability as at 30th June, 1997 and 1996

8.2 There was no commitment outstanding as at 30th June, 1997 and 1996

9. TANGIBLE FIXED ASSETS

PARTICULARS	C O S T				D E P R E C I A T I O N			N E T B O O K	
	As at 30	(Disposals)	As at 30	Rate	To 30	For	On	To 30	NET BOOK
	June,	during the	June,		June,	the		June,	AS AT 30
1996	Year	1997	%	1996	Year	disposals	1997	JUNE	
Freehold land	15,506,659	0	15,506,659	0	0	0	0	0	15,506,659
Buildings on freehold land	5,505,220	0	5,505,220	5	1,893,186	180,602	0	2,073,788	3,431,432
Furniture and Fixtures	27,942	0	27,942	10	9,942	1,800	0	11,742	16,200
Vehicles	420,500	0	420,500	20	341,134	15,873	0	357,007	63,493
Rupees	21,460,321	0	21,460,321		2,244,262	198,275	0	2,442,537	19,017,784
1996 Rupees	22,060,321	(600,000)	21,460,321		2,574,331	211,949	542,018	2,244,262	19,216,059

10. LONG TERM INVESTMENTS

	1997 Rupees	1996 Rupees
LISTED:		
Associated Undertaking:		
The Premier Sugar Mills and distillery company Ltd.		
400,000 ordinary shares of Rs. 10 each		
- Equity held 10.67% (1996: 10.67%)	8,800,000	8,800,000
Others:		
Ibrahim Fibres Limited		
277,800 ordinary shares of Rs. 10 each		
- Equity held is less than 10% of the paid-up capital of the Investee Company	4,862,867	4,862,867
	-----	-----
	13,662,867	13,662,867

UN-LISTED:

Associated Undertaking:		
Premier Board Mills Limited		
600,000 ordinary shares of Rs. 10 each received as Dividend accounted for at face value		
- Equity held 10.63% (1996: 10.63%)		
- Net worth per share Rs. 22.45 (1996: Rs. 20.26)	6,000,000	6,000,000
	-----	-----
	19,662,867	19,662,867
	=====	=====

10.1 Aggregate market value of Listed Investments as at 30th June, 1997 worked out Rs.12.361 million (1996: Rs. 14.964 million) Provision for diminution in value of listed investments amounting Rs. 1.302 million (1996:Nil) has not been made in these accounts as the management considers it a temporary phenomenon.

11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	1997 Rupees	1996 Rupees
Due from Associated Undertakings	505,822	1,096,563

Income accrued on bank deposits and saving accounts	37,688	799,335
Prepayments	0	8,215
Advance payments- considered good	100,000	100,000
Advance tax/tax deducted at source	1,880,500	1,794,827
	-----	-----
	2,524,010	3,798,940
	=====	=====

12. CASH AT BANKS AND SAVINGS CENTRE

Cash at banks on:		
- current accounts	306,911	168,659
- deposit accounts	1,666,930	951,703
Cash at National Savings Centre on:		
- savings account	29,924,229	28,879,828
	-----	-----
	31,898,070	30,000,190
	=====	=====

12.1 Cash at Banks includes foreign currency balance of US \$ 14,704 (1996: US \$ 13,864) which has been converted into Pak Rupees at the exchange rate ruling on the balance sheet date i.e. US \$1 = Rs. 40.39 (1996: US \$1 = Rs. 35.10).

	1997 Rupees	1996 Rupees
13. INCOME		
Interest/Profit on:		
- Bank deposits	121,363	1,492,332
- Savings account	3,044,401	1,072,524
Dividend income	800,000	1,400,000
Rental income	265,625	375,000
Exchange gain	74,171	51,106
	-----	-----
	4,305,560	4,390,962
	=====	=====

14. ADMINISTRATIVE EXPENSES

Salaries and allowances	472,322	442,233
Printing and stationery	109,895	69,742
Travelling and conveyance	73,900	102,383
Communication	85,000	124,112
Utilities	97,956	126,900
Rent, rates and taxes	184,598	78,191
Vehicles' running	20,518	23,090
Subscription	45,000	27,000
Advertisement	18,270	17,714
Entertainment	42,019	36,497
Repair and maintenance	224,556	47,528
Insurance	8,820	9,474
Depreciation	198,275	211,949
Others	2,932	0

	-----	-----
	1,584,061	1,316,813
	=====	=====
15. OTHER INCOME		
Unclaimed dividend written back	94,316	44,346
Gain on disposal of vehicle	0	142,018
	-----	-----
	94,316	1,86,364
	=====	=====
16. FINANCIAL CHARGES		
Bank Charges	500	2,862
	=====	=====
17. MISCELLANEOUS CHARGES		
Auditors' remuneration:		
Audit fee	10,000	10,000
Legal and professional charges (other than Auditors)	129,050	521,600
	-----	-----
	139,050	531,600
	=====	=====

18. ASSOCIATED UNDERTAKINGS

18.1 Maximum aggregate debit balance of Associated Undertakings at any month end during the year was Rs. 1,018,186 (1996: Rs. 1,717,920)

18.2 Aggregate transactions with Associated Undertakings during the year were as follows:

Expenses shared	341,506	323,181
Dividend received	800,000	1,400,000
Dividend paid	413,242	414,615

19. REMUNERATION OF DIRECTORS AND EXECUTIVES

The Company has not paid any remuneration or meeting fee to any of its Directors during the year except Utilities of Rs. 214,232 (1996: Rs. 287,419).

The Company has paid during the year Rs. 265,023 (1996: Rs. 204,900) as remuneration and allowances to one of its Executives.

20. FIGURES

- in the accounts are rounded off to the nearest Rupee;
- of previous period are re-arranged wherever necessary for the purpose of comparison.

FORM -34

**PATTERN OF SHAREHOLDING
AS AT 30TH JUNE, 1997**

No. of Shareholders	Shareholding	Total Shares Held
------------------------	--------------	----------------------

301	From	1	to	100	Shares	13,868
318	From	101	to	500	Shares	77,127
146	From	501	to	1,000	Shares	103,976
199	From	1,001	to	5,000	Shares	413,892
28	From	5001	to	10,000	Shares	200,296
6	From	10,001	to	15,000	Shares	68,068
4	From	15,001	to	20,000	Shares	75,628
5	From	20,001	to	25,000	Shares	118,334
2	From	25,001	to	30,000	Shares	56,615
1	From	35,001	to	40000	Shares	39,800
1	From	65,001	to	70000	Shares	69,626
1	From	75,001	to	80,000	Shares	78,038
4	From	195,001	to	200,000	Shares	800,000
1	From	200,001	to	205,000	Shares	202,825
2	From	410,001	to	415,000	Shares	827,337
1	From	850,001	to	855,000	Shares	854,570

-----	-----
1,020	4,000,000
=====	=====

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	998	3,069,388	76.73
Investment Companies	2	29,678	0.74
Insurance Companies	1	10,300	0.26
Joint Stock Companies	10	859,407	21.49
Financial Institutions	5	25,487	0.64
Others (See Below)	4	5,740	0.14
	-----	-----	-----
	1,020	4,000,000	100.00
	=====	=====	=====

OTHERS:

1. Corporate Law Authority	1	-
2. The Society for Rehabilitation of Crippled Children	174	-
3. Chief Administrator of Auqaf, Punjab	3,798	0.10
4. O.C.3 (SP) Field Regt. Artillery Kharian Cantt.	1,767	0.04
	-----	-----
	5,740	0.14
	=====	=====