

United Distributors Pakistan Limited

Annual Report 1998

CONTENTS

Company Information
Notice of Annual General Meeting
Report of the Directors
Auditors' Report to the Members
Balance Sheet
Profit and Loss Account
Statement of Changes in Financial Position
Notes to the Accounts
Pattern of Shareholding

COMPANY INFORMATION

BOARD OF DIRECTORS

RASHID ABDULLA
Chief Executive
KHALID MALIK
ARSHAD ABDULLA
SHAHID ABDULLA
ARSHAD ANIS
TAUSIF AHMAD HASHMI
RAZI-UR-REHMAN
N.I.T. Nominee
COMPANY SECRETARY
ANJUM BASHIR

AUDITORS

SIDAT HYDER QAMAR MAQBOOL & CO.
Chartered Accountants

REGISTERED OFFICE

9th Floor, N.I.C. Building,
Abbasi Shaheed Road, Karachi.

REGISTRAR

Gangjees Investment & Finance Consultants,
Room No. 513, Clifton Centre, Kehkashan,
Block 5, Clifton, Karachi-75600.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 16th Annual General Meeting of UNITED DISTRIBUTORS PAKISTAN LIMITED will be held at Hotel Metropole, Karachi on Wednesday, March 24, 1999 at 7.00 pm to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on October 20, 1998.
2. To receive, consider and approve the audited accounts of the Company for the year ended June 30, 1998, together with the Directors' and Auditors' reports thereon.

3. To elect Directors of the Company in accordance with the provisions of the Companies Ordinance, 1984. The number of elected Directors of the Company fixed by the Board of Directors in their meeting held on March 01, 1999 is Seven (7). The retiring Directors are Mr. Rashid Abdulla, Mr. Khalid Malik, Mr. Arshad Abdulla, Mr. Shahid Abdulla, Mr. Arshad Anis, Mr. Tausif Ahmed Hashmi and Mr. Razi-ur-Rehman (N.I.T. Nominee).

4. To appoint auditors and fix their remuneration for the year 1998-99. The present auditors M/S SIDAT HYDER QAMAR MAQBOOL & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

By Order of the Board

Karachi: March 01, 1999

Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from March 22, 1999 to March 28, 1999 (both days inclusive). Transfers (if any) should be received at the office of our Registrar M/S GANGJEES INVESTMENT & FINANCE CONSULTANTS, ROOM No. 513, CLIFTON CENTRE, KEHKASHAN, BLOCK 5, CLIFTON, KARACHI-75600, latest by the close of business on Saturday, March 20, 1999.

2. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company's Registrar not less than 48 hours before the meeting.

REPORT OF DIRECTORS

The Directors take pleasure in submitting their report and audited accounts of the Company for the year ending June 30, 1998.

FINANCIAL RESULTS:

The net profit of the Company for the year before taxation		10,019,458
Provision for taxation - current year		4,200,000

Profit after taxation		5,819,458
Profit brought forward from last year		7,140,123

Accumulated profit carried forward	Rupees	12,959,581
		=====

REVIEW OF OPERATIONS:

In the year ending June 30, 1998 the Company's turnover was Rs. 101.4 million as compared to the previous Rs. 201.9 million for the same period ending June 30, 1997.

The major reason for the short fall in sales was due to the handing over of Seeds business to the Parent Company, which accounted for Rs. 90 million worth of sales.

Despite the fact that our business decreased by 50% we have been able to show a healthier bottom line this year. This has been as a consequence of our ability to sustain our Pesticide business and go through a major exercise of re-structuring. Our previous focus for pesticides was mainly linked to Cotton crop but this year we strategised ourselves to engulf other areas like Orchards and Vegetables as we had acquired the range of Fungicide and Miticide products through Nichimen Corporation.

Our Distribution Business unit which represents a much stable business area has shown a positive increase in

terms of profit. This area would further strengthen as we are providing services to our JV Partners whose business volumes are on a steady increase.

The Power System Business which mainly covers the Solar System and Batteries, still remains to be a tender oriented business. Since there were hardly any tenders called upon by the public sector in 1998 due to the financial crunch, this business remained very lean.

FUTURE OUTLOOK:

Your Company after going through a major re-structuring has been able to regain its footing in the Pesticides business and we have already started selling Nichimen's products in Pakistan. This has not only helped to build our image in the market but also to expand our business coverage with the type of product line we carry.

Your Company's Distribution wing which is playing a vital role in maintaining the contour of the business is being further streamlined to make it more efficient and cost effective. Our endeavor is to strengthen this core business area which will be a source of attracting business from multinational companies in future.

Your Company is in the process of re-entering the Seeds business through partners having a strong research base and Who have a long term vision of staying in the Pakistan market. We believe this would be a business area which could add to the overall business and increase the profits of your Company.

HOLDING OF SHARES:

The pattern of holding of shares is shown on page 22.

AUDITORS:

The retiring auditors, M/S. Sidat Hyder Qamar Maqbool & Co., being eligible, offer themselves for re-appointment.

ACKNOWLEDGMENT:

The Directors of your Company take great pleasure in recording their appreciation of the fine work put in by all Company staff during the last year.

RASHID ABDULLA
Chief Executive

KHALID MALIK
Director

KARACHI: March 01, 1999.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of UNITED DISTRIBUTORS PAKISTAN LIMITED as at 30 June 1998 and the related profit and loss account and statement of changes in financial position, together with the notes thereon, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

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

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

SIDAT HYDER QAMAR MAQBOOL & CO.

Chartered Accountants

KARACHI: March 1, 1999

BALANCE SHEET AS AT 30 JUNE 1998

	Note	1998	1997
CAPITAL AND RESERVES			
Authorised			
10,000,000 (1997:10,000,000) Ordinary shares of Rs. 10/- each		10,000,000	10,000,000
		=====	=====
Issued, subscribed and paid-up	3	60,000,000	60,000,000
Reserves	4	32,959,581	27,140,123
		-----	-----
		92,959,581	87,140,123
LONG-TERM LIABILITIES			
Liabilities against assets subject to finance lease	5	5,872,890	9,885,507
CURRENT LIABILITIES			
Current portion of finance lease	5	3,817,976	4,531,353
Short-term loan and running finance	6	128,130,300	79,663,593
Creditors, accrued and other liabilities	7	133,251,996	173,718,384
		-----	-----
		265,200,272	257,913,330
CONTINGENCIES AND COMMITMENTS			
	8	-	-
		-----	-----
	Rupees	364,032,743	354,938,960
		=====	=====
FIXED ASSETS - TANGIBLE			
Operating fixed assets -- at book value	9	2,459,514	2,964,834
Assets subject to finance lease	10	9,742,645	14,159,014
		-----	-----
		12,202,159	17,123,848
LONG-TERM INVESTMENTS-AT COST			
	11	22,515,930	22,515,930
LONG-TERM LOANS AND DEPOSITS			
	12	1,741,680	1,934,107
CURRENT ASSETS			
Stock-in-trade	13	43,523,403	62,196,624
Trade debts	14	3,872,344	2,045,045
Advances, deposits, prepayments and other receivables	15	30,497,334	26,574,607
Short-term investment	16	248,703,877	221,500,897
Cash and bank balances	17	976,016	1,047,902
		-----	-----
		327,572,974	313,365,075
		-----	-----

Rupees	364,032,743	354,938,960
	=====	=====

AUDITORS' REPORT ANNEXED

These accounts should be read with the annexed notes.

RASHID ABDULLA
Chief Executive

KHALID MALIK
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1998

	Note	1998	1997
Sales- net	18	101,421,217	201,911,282
Cost of goods sold	19	75,442,805	159,667,207
		-----	-----
Gross profit		25,978,412	42,244,075
Distribution fee for handling of products recovered from a related party/associated undertaking		24,470,513	21,086,560
		-----	-----
		50,448,925	63,330,635
		-----	-----
General and administration expenses	20	18,776,579I	14,369,660
Selling and distribution expenses	21	37,117,036	39,547,169
		-----	-----
		45,893,615	53,916,829
		-----	-----
Operating profit		4,555,310	9,413,806
		-----	-----
Financial charges	22	37,438,032	41,750,622
Other income	23	(42,902,180)	(39,876,052)
		-----	-----
		(5,464,148)	1,874,570
Profit before taxation		10,019,458	7,539,236
Provision for taxation - current year	24	4,200,000	3,000,000
		-----	-----
Profit after taxation		5,819,458	4,539,236
Accumulated profit brought forward		7,140,123	2,600,887
		-----	-----
Accumulated profit carried forward	Rupees	12,959,581	7,140,123
		=====	=====

These accounts should be read with the annexed notes.

RASHID ABDULLA
Chief Executive

KHALID MALIK
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 1998**

	1998	1997
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after taxation	5,819,458	4,539,236
Adjustment to reconcile profit to net cash provided by operating activities		

Depreciation	5,176,621	6,036,536
Profit on deposit account	(40,362,093)	(37,488,968)
Provision for taxation	-	-
Gain on sale of fixed assets	(2,540,087)	(2,387,084)
	-----	-----
Cash used in operating activities	(31,906,101)	(29,300,280)
(Increase)/decrease in current assets	(1,457,912)	21,083,621
Increase/(decrease) in current liabilities	8,000,319	(31,517,244)
	-----	-----
Net cash used in operating activities before income tax	(25,363,694)	(39,733,903)
Income tax paid	(7,685,910)	(11,469,419)
	-----	-----
Net cash used in operating activities	(33,049,604)	(51,203,322)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(432,842)	(200,025)
Cash paid under self financing scheme	-	-
Cash received against return of assets	-	-
Increase in long-term advances and deposits	192,424	(471,471)
Profit received on deposit account	35,226,130	52,396,278
Proceeds from sale of fixed assets	2,718,000	2,916,250
	-----	-----
Net cash from investing activities	37,703,712	54,641,032
CASH FLOW FROM FINANCING ACTIVITIES		
Payments for assets subject to finance lease	(4,725,994)	(4,478,836)
Payment of dividend	-	(29,369)
	-----	-----
Net cash used in financing activities	(4,725,994)	(4,508,205)
	-----	-----
Net increase in cash and bank balances	(71,886)	(1,070,495)
Cash and bank balances at the beginning of the year	1,047,902	2,118,397
	-----	-----
Cash and bank balances at the end of the year	Rupees 976,016	1,047,902
	=====	=====

RASHID ABDULLA
Chief Executive

KHALID MALIK
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1998

1. NATURE OF BUSINESS

The Company was incorporated in Pakistan as a public company limited by shares and quoted on Karachi, Lahore and Islamabad Stock Exchanges. Its main business activities are marketing and distribution of pesticides and other products.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Overall valuation policy

These accounts have been prepared on the basis of historical cost 'convention'

2.2 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight-line method based on the estimated useful life of the assets. Full year's depreciation is charged on additions during the year and no depreciation is charged on deletions.

Maintenance and normal repairs are charged-off as they are incurred.

Gains and losses on disposal of assets are included in income currently.

Assets subject to finance lease are stated at the lower of the present value of minimum lease payment under the lease agreement and the fair value of the assets less depreciation which is charged to income at the rates and basis applicable to Company's owned assets. The related obligations under the lease are accounted for as liabilities.

2.3 Staff retirement benefits

A recognised Provident Fund Scheme is operative for all employees and contributions thereto are expensed.

2.4 Taxation

The charge for current taxation is based on "presumptive tax" under section 80C of the Income Tax Ordinance, 1979. However, provision for taxation on other income is based on current rate of taxation.

2.5 Long-term investments

These are stated at cost. Provision for diminution other than temporary, if any, in the value of investments are taken to profit and loss account.

2.6 Stock-in-trade

Stock-in-trade is valued at the lower of cost [determined on a first-in first-out (FIFO) basis] and net realisable value.

2.7 Trade debts

Known bad debts, if any, are written off and provision is made against debts considered doubtful.

2.8 Foreign currencies

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet date. Bills payable against imports covered by forward exchange contracts are converted at the contracted rates. Other exchange gains/losses are included in income currently.

2.9 Revenue recognition

Revenue from sale of products is recognised upon passage of title to the customers which generally coincides with physical delivery and acceptance.

Profit on deposit accounts is recognised on accrual basis.

Distribution fee is recognised when it becomes receivable under the provisions of relevant agreement/contract.

		Note	1998	1997
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL				
Fully paid Ordinary shares of Rs. 10/- each				
Number of shares				
1998	1997			
Issued for cash				
5,000,000	5,000,000		50,000,000	50,000,000
Issued as bonus shares				
1,000,000	1,000,000		10,000,000	10,000,000

-----	-----		-----	-----
6,000,000	6,000,000	Rupees	60,000,000	60,000,000
=====	=====		=====	=====

4. RESERVES

Revenue reserve		20,000,000	20,000,000
Accumulated profit		12,959,581	7,140,123
		-----	-----
	Rupees	32,959,581	27,140,123
		=====	=====

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	1998	1997
Balance as on 1 July		14,416,860	8,841,696
Assets acquired during the year		-	10,054,000
		-----	-----
		14,416,860	18,895,696
Less: Payments made		4,725,994	4,478,836
		-----	-----
		9,690,866	14,416,860
Less: Current portion of liability		3,817,976	4,531,353
		-----	-----
	Rupees	5,872,890	9,885,507
		=====	=====

5.1 The total lease rentals due under the lease agreements aggregate Rs. 11,965,965 (1997: Rs. 18,526,498/0 and are payable in 48-60 equal monthly installments under various lease agreements latest by 2002. Overdue rental payments are subject to an additional charge of 2-3 percent per month. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement the lessee is to pay entire rent for unexpired period. Financing rates approximating 17-23 percent (1997:17-23 percent) per annum have been used as discounting factor.

Purchase options can be exercised by the Company by paying the amount of security deposits at the expiry of the lease period.

5.2 The future minimum lease payments to which the Company is committed under the lease agreements are due as follows:

Year			
1998		-	6,566,436
1999		5,122,290	5,161,402
2000		3,774,134	3,744,549
2001		2,840,544	2,825,114
2002		228,997	228,997
		-----	-----
		11,965,965	18,526,498
Less: Financial charges allocated to future periods		2,275,099	4,109,638
		-----	-----
	Rupees	9,690,866	14,416,860
		=====	=====

6. SHORT-TERM LOAN AND RUNNING**FINANCE - Secured**

From commercial banks

Short term loan	6.1	52,801,245	-
Running finance	6.2	25,329,055	29,663,593
Morabaha finance	6.3	30,000,000	30,000,000
		-----	-----
		108,130,300	59,663,593
From financial institutions			
Morabaha finance	6.4	20,000,000	20,000,000
		-----	-----
	Rupees	128,130,300	79,663,593
		=====	=====

6.1 Represents overdue import bills converted into forced PAD by a commercial bank carries markup at the rate of 23.36 percent per annum.

6.2 Represents utilised portion of running finance facilities of Rs. 38.0 million (1997: Rs. 38.0 million) from various commercial banks. The facilities are subject to mark-up ranging from 48 to 54 paisas per rupee one thousand per day. These arrangements are generally for a period of twelve months. The facilities are secured against joint pari-passu hypothecation of stocks and trade receivables, mortgage of property, cross corporate guarantees from an associated undertaking in favour of the banks and a promissory note.

6.3 Represents Morabaha finance of Rs. 30.0 million (1997: Rs. 30.0 million) obtained from a commercial bank under mark-up arrangements. The sanctioned amount has been designated as 'Sale Price' against which Rs. 33.057 million (1997: Rs. 31.627 million) is payable by the Company and is designated as 'Purchase Price' payable upto 31 December, 1998. The finance is secured against pari passu charge over stocks and receivables, demand promissory note and personal guarantee of directors.

6.4 Represents Morabaha finance of Rs. 20.0 million (1997: Rs. 20.0 million) obtained from a Modaraba under mark-up arrangements. The sanctioned amount has been designated as 'Sale Price' against which Rs. 22.350 million (1997: Rs. 21.701 million) is payable by the Company and is designated as 'Purchase Price' payable upto 31 December 1998. The finance is secured against pledge of stocks, hypothecation over debts, demand promissory note, personal guarantee of directors and guarantee of a related party in favour of Modaraba.

	Note	1998	1997
7. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Trade creditors		2,168,758	4,201,612
Bills payable	7.1	17,961,809	93,171,123
Accrued liabilities		8,610,158	10,981,147
Accrued mark-up on short-term loans and running finance - secured		25,385,212	3,988,697
Accrued mark-up on current account with related parties/associated companies		12,124,905	10,182,288
Due to associated undertakings		25,841,995	22,793,825
Due to a related party		8,532,778	4,191,995
Advances from dealers and customers		32,135,378	23,220,722
Unclaimed dividend		392,190	392,190
Other liabilities		98,813	594,785
		-----	-----
	Rupees	133,251,996	173,718,384
		=====	=====

7.1 Represents overdue import bills payable to a commercial bank secured against guarantee of associated undertakings.

8. CONTINGENCIES AND COMMITMENTS

8.1 Guarantees issued by commercial banks on behalf of the Company

Rupees 433,800 571,134
=====

8.2 In framing the assessment for the assessment years 1991-92 to 1994-95, 1996-97 and 1997-98, the

Assessing Officer has made certain disallowances of expenses, resulting in an additional tax liability of Rs. 3.328 million. The Company has filed appeals with the Income Tax Appellate Tribunal against the said disallowances, as the Commissioner of Income Tax (Appeals) has given decisions in favour of the Assessing Officer. As the management is confident that the decision in all the above cases will be in the Company's favour, therefore, no provision has been made in the accounts for the aforesaid amount.

9. FIXED ASSETS - Tangible

The following is a statement of operating assets:

	Cost at 1 July 1997	Additions/ (Deletions)/ *Reclassi- fication	Cost at 30 June 1998	Accumulated depreciation at 1 July 1997	Adjustments for disposal/ *Reclassi- fication	Depreciation for the year	Accumulated depreciation at 30 June 1998	Book value at 30 June 1998	Depreciation Rate C/c
Motor vehicles	8,743,600	- (4,195,500) 5,497,742*	10,045,842	8,079,307	(4,017,587) 4,130,710*	1,360,004	9,552,434	493,408	20
Furniture and fixtures	1,310,668	62,253	1,372,921	520,755	-	136,383	657,138	715,783	10
Office equipment	1,159,363	14,400	1,173,763	866,801	-	138,229	1,005,030	168,733	15
Airconditioners	152,445	-	152,445	122,472	-	12,522	134,994	17,451	15
Computers	3,696,749	236,789	3,933,538	2,517,670	-	358,723	2,876,393	1,057,145	15
Bicycles	361,070	-	361,070	352,053	-	2,023	354,076	6,994	10
	15,423,895	313,442	17,039,579	12,459,058		2,007,884	14,580,065	2,459,514	
Rupees		(4,195,500) 5,497,742*			(4,017,587) 4,130,710*				
1997 - Rupees	18,351,400	178,025 (3,105,530)	15,423,895	13,249,262	(2,576,364)	1,786,160	12,459,058	2,964,834	

10. ASSETS SUBJECT TO FINANCE LEASE

	Cost at 1 July 1997	Additions/ (Deletions)/ *Reclassi- fication	Cost at 30 June 1998	Accumulated depreciation at 1 July 1997	Adjustments for disposal/ *Reclassi- fication	Depreciation for the year	Accumulated depreciation at 30 June 1998	Book value at 30 June 1998	Depreciation Rate C/c
Motor vehicles	14,110,379	(5,497,742)*	8,612,637	8,045,065	(4,130,710)*	1,722,527	5,636,882	2,975,755	20
Computers	9,522,000	119,400	9,641,400	1,428,300	-	1,446,210	2,874,510	6,766,890	15
Rupees	23,632,379	119,400 (5,497,742)*	18,254,037	9,473,365	(4,130,710)*	3,168,737	8,511,392	9,742,645	
1997-Rupees	13,556,379	10,076,000	23,632,379	5,222,989	-	4,250,376	9,473,365	14,159,014	

Note 1998 1997

Depreciation for the year has been allocated to:

General and administration expenses	20	2,400,665	2,078,789
Selling and distribution expenses	21	2,775,956	3,957,747
		-----	-----
	Rupees	5,176,621	6,036,536
		=====	=====

	Note	1998	1997
11. LONG-TERM INVESTMENTS-at cost			
Unquoted companies			
In associated undertakings			
FMC United (Private) Limited			
1,639,418 (1997: 1,639,418) fully paid			
Ordinary shares of Rs. 10/- each			
Equity held 40 percent (1997:40 percent)			
Value based on net assets as at			
31 Dec. 1997 Rs. 18.31 (30 June 1997: Rs. 17.68)			
Chief Executive Mr. Mushtaq Ahmed		16,394,180	16,394,180
Other companies			
Pioneer Pakistan Seeds Limited			
979,429 (1997: 979,429) fully paid			
Ordinary shares of Rs. 10/- each			
Equity held 6.12 percent (1997:6.12 percent)			
Value based on net assets as at			
31 August 1998 Rs. 8.03 [1997: Rs. 5.27]			
Chief Executive Dr. Asif Ali Shah		6,121,750	6,121,750
		-----	-----
	Rupees	22,515,930	22,515,930
		=====	=====

12. LONG-TERM LOANS AND DEPOSITS

Loans to employees - unsecured, considered good	12.1	474,893	648,085
Security deposits against leased assets	12.2	1,266,787	1,286,022
		-----	-----
		1,741,680	1,934,107
		=====	=====

12.1 Loans to employees

Executives		583,353	871,492
Other employees		455,111	357,456
		-----	-----
		1,038,464	1,228,948
Less: Current portion		563,571	580,863
		-----	-----
		474,893	648,085
		=====	=====

All the loans are granted to the employees of the Company in accordance with the terms of Company policy. These loans are for staff welfare and interest free.

12.2 Total lease deposits		1,266,787	1,629,691
Less: Current portion		-	343,669
		-----	-----
		1,266,787	1,286,022
		=====	=====

	Note	1998	1997
13. STOCK-IN-TRADE			
Stock-in-hand			
Pesticides			
Finished stock		38,625,167	16,059,524
Intermediate stock		550,597	-
Packing material		1,047,461	3,592,390
		-----	-----
		40,223,225	19,651,914
Other trading stock		3,300,178	5,901,274
Less: Provision for slow moving stock		-	(200,000)
		-----	-----
		3,300,178	5,701,274
		-----	-----
		43,523,403	25,353,188
Stock-in-transit		-	36,843,436
		-----	-----
	Rupees	43,523,403	62,196,624
		=====	=====
14. TRADE DEBTS - unsecured			
Considered good			
- Agro division		2,391,053	580,648
- Others		1,481,291	1,464,397
		-----	-----
		3,872,344	2,045,045
Considered doubtful		116,141,321	11,614,132
Less: Provision for doubtful debts		11,614,132	11,614,132
		-----	-----
		-	-
		-----	-----
	Rupees	3,872,344	2,045,045
		=====	=====
15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - unsecured, considered good			
Employees	15.1	1,428,261	1,822,014
Suppliers		612,050	2,061,860
Income tax - net		10,272,427	6,788,635
		-----	-----
		12,312,738	10,672,509
Deposits	15.2	999,399	1,106,942
Prepayments		603,061	2,011,490
Other Receivable			
Accrued profit on deposit accounts		16,263,663	11,127,699
Receivable from a related party	15.3	144,814	1,188,931
Others		173,659	467,036
		-----	-----
	Rupees	30,497,334	26,574,607
		=====	=====

15.1 Includes current portion of the loans amounting to Rs. 563,571/- (1997: Rs. 580,863/-) as referred to in note 12.1

15.2 Includes current portion of lease deposits amounting to NIL (1997: Rs. 343,669) as referred to in note 12.2

15.3 Represents interest free current account balance with a related party.

	Note	1998	1997
16. SHORT TERM INVESTMENT			
	Rupees	248,703,877	221,500,897
		=====	=====

16.1 Represents deposits maintained with Crescent Investment Bank Limited and Security Investment Bank Limited under cash management deposit account and PLS deposit account respectively carrying profit ranging between 15.5 percent to 18 percent per annum.

17. CASH AND BANK BALANCES

With banks on current accounts		911,849	895,296
Cash in hand			15,534
Cash in transit		64,167	137,072
		-----	-----
	Rupees	976,016	1,047,902
		=====	=====

18. SALES

Gross sales - Local		107,572,242	214,229,971
Less: Sales discount		6,151,025	12,318,689
		-----	-----
	Rupees	101,421,217	201,911,282
		=====	=====

19. COST OF GOODS SOLD

Opening stock		25,553,189	54,858,150
Purchases-net		88,810,419	126,493,317
Industrial processing charges		4,602,600	3,868,929
		-----	-----
		118,966,208	185,220,396
Closing stock		(43,523,403)	(25,553,189)
		-----	-----
	Rupees	75,442,805	159,667,207
		=====	=====

	Note	1998	1997
20. GENERAL AND ADMINISTRATION EXPENSES			
Salaries, allowances and other benefits		3,640,340	3,724,732
Rent, rates and taxes		734,496	2,019,827
Legal and professional charges		388,934	1,141,781
Depreciation		2,400,665	2,078,789
Travelling and conveyance		359,842	1,888,113
Communication		109,256	999,338
Printing and stationery		100,223	428,847
Fee, subscription and periodicals		153,500	284,897
Utilities		22,015	66,600
Insurance		102,839	207,705
Vehicle running expenses		378,637	598,999
Auditors' remuneration	20.1	150,000	136,840

Repairs and maintenance	152,651	383,653
Entertainment	69,855	214,800
Donation	-	13,000
Others	13,326	181,739
	-----	-----
Rupees	8,776,579	14,369,660
	=====	=====

20.1 Auditors' Remuneration

Audit fee	70,000	70,000
Corporate and other services	62,400	52,440
Out of pocket expenses	17,600	14,400
	-----	-----
Rupees	150,000	136,840
	=====	=====

21. SELLING AND DISTRIBUTION EXPENSES

Salaries, allowances and other benefits	11,602,759	12,729,825
Commission and sales incentives	193,727	977,875
Sales promotion and advertisement expenses	1,917,760	1,177,965
Rent, rates and taxes	1,940,043	1,745,092
Fee, subscription and periodicals	188,851	122,880
Printing and stationery	213,657	204,167
Conference expenses	-	82,993
Communication	2,556,559	2,932,394
Utilities	459,955	307,791
Insurance	591,392	1,862,181
Entertainment	403,229	526,065
Vehicle running expenses	3,191,204	4,465,009
Distribution expenses	8,743,781	5,480,588
Repairs and maintenance	365,030	392,786
Travelling	1,752,026	2,441,678
Depreciation	2,775,956	3,957,748
Legal and professional charges	28,596	45,861
Others	192,511	94,271
	-----	-----
Rupees	37,117,036	39,547,169
	=====	=====

Note	1998	1997
-------------	-------------	-------------

22. FINANCIAL CHARGES

Mark-up on short-term loans and running finance	31,549,694	30,379,856
Financial charges under leases	2,023,176	2,712,077
Exchange loss	1,623,157	2,652,761
Mark-up on current account with a related party and an associated company	1,942,617	4,790,647
Bank charges and commission	299,388	1,215,281
	-----	-----
Rupees	37,438,032	41,750,622
	=====	=====

23. OTHER INCOME

Profit on deposit accounts	40,362,093	37,488,968
Gain on sale of fixed assets	23.1 2,540,087	2,387,084
	-----	-----
Rupees	42,902,180	39,876,052

=====

23.1 Detail of Disposal of Fixed Assets

	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain/(Loss) on Sale	Mode of Disposal	Particulars of Purchaser
Motor vehicle	323,000	290,700	32,300	155,000	122,700	Negotiation	Mr. Shahid Ali Chak No. 187/9/L, Post Office Khas Tahseel & Zila Sahiwal.
Motor vehicle	323,000	290,700	32,300	140,000	107,700	Negotiation	Mr. Ahsan-Ullah Khan House No. H/370, Zia Street, Muslim Bazar Sahiwal.
Motor vehicle	323,000	290,700	32,300	215,000	182,700	Negotiation	F.M.C. United (Private) Limited Lahore.
Motor vehicle	225,000	224,999	1	95,000	94,999	Negotiation	Mr. Shahid Rizwan House No. 202 Scheme No. 2. West Block Farid Town Sahiwal.
Motor vehicle	225,000	224,999	1	157,000	156,999	Negotiation	Mr. Mohammed Anwar Public Medical Store Main Bazar Toba Tek Sing Faisalabad.
Motor vehicle	232,000	231,999	1	120,000	119,999	Negotiation	Mr. Amir Shahzad House No. 430-M, Block Farid Town Sahiwal.
Motor vehicle	216,500	216,499	1	92,000	91,999	Negotiation	Mr. Abdul Waheed Zahid Scheme No. 3, Farid Town Sahiwal.
Motor vehicle	225,000	224,999	1	190,000	189,999	Negotiation	Mr. Fawad Nazir W/30 40 Ft. Road Tariq Bin Ziad Colony Sahiwal.
Motor vehicle	228,000	227,999	1	190,000	189,999	Negotiation	Mr. Fawad Nazir W/30 40 Ft. Road Tariq Bin Ziad Colony Sahiwal.
Motor vehicle	225,000	224,999	1	150,000	149,999	Negotiation	Mr. Muhammad Ashraf Mohza Mohammadi Surah Chah Wassiwala Post Office Suraj Miani Jail Road Sahiwal.
Motor vehicle	204,000	203,999	1	180,000	179,999	Negotiation	Mr. Mohammed Naeem P-147, Galli No. 5, Bazar No. 3, Razaabad Faisalabad.
Motor vehicle	199,000	198,999	1	155,000	154,999	Negotiation	Mr. Naveed Sikandar House No. B 9/28 Jinnah Road Muhalla Baratia Gujrat.
Motor vehicle	232,000	231,999	1	170,000	169,999	Negotiation	Mr. Fawad Nazir W/30 40 Ft. Road Tariq Bin Ziad Road Sahiwal.

Motor vehicle	361,000	360,999	1	251,000	250,999	Negotiation	Mr. Sarfraz Ahmed House No. 522 Latifabad Hyderabad.
Motor vehicle	235,000	234,999	1	170,000	169,999	Negotiation	Mr. Shahid Rasheed House No. 1 I0 Muslim Chowk No. 1 Faisalabad.
Motor vehicle	149,000	148,999	1	103,000	102,999	Negotiation	Mr. Zia Employee IBL Health Care.
Motor vehicle	270,000	189,000	81,000	185,000	104,000	Negotiation	Mr. Yaqoob F. B. Area, Karachi.

	4,195,500	4,017,587		177,913	2,718,000	2,540,087	
=====							

24. TAXATION

24.1 Current

Provision for current year taxation has been made in these accounts on the "presumptive tax" basis under section 80C of the Income Tax Ordinance, 1979.

24.2 Deferred

The Company is subject to tax under Section 80C, i.e. presumptive tax regime and under normal tax on other income, under the Income Tax Ordinance, 1979 (the Ordinance). Accordingly, Company's tax liability is determined on the basis of deductions made under section 50(4) and 50(5) of the Ordinance irrespective of the profit, Therefore, no consideration has been given to the timing differences which might determine deferred taxation in foreseeable future.

25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS/RELATED PARTIES

	1998 Rupees	1997 Rupees
Purchases	-	115,618,777
Industrial processing charges	4,602,600	3,868,929
Short-term finances obtained	11,660,000	52,595,000
Repayment of short-term finances	3,110,000	64,320,556
Purchase of fixed assets	-	-
Other services	-	11,800
Transfer of stock on termination of agreement	-	67,808,247
Distribution fee for handling of products	24,470,513	21,086,560
Mark-up charged on current account	1,942,617	4,790,647

26. REMUNERATION OF EXECUTIVES

	DIRECTOR		EXECUTIVE	
	1998	1997	1998	1997
Basic salary	910,488	716,940	1,936,060	2,347,260
Allowances	560,107	394,210	1,168,000	1,275,109
Bonus	73,430	54,214	159,752	192,106
Company's contribution to Provident Fund	73,399	71,694	118,769	234,726

Rupees	1,617,424	1,237,058	3,382,581	4,049,201

Number	1	1	9	13
--------	---	---	---	----

The Executives are provided with free use of Company maintained cars. Medical facility is provided to the Executives to the extent of reimbursement of actual expenditure.

No remuneration is payable to the Chief Executive of the Company. However, Rs. 2,500/- (1997: Rs. 5,500) were paid to five directors being fee for attending the Board of Directors' meeting. The above does not include remuneration, if any, paid to or provided for in respect of Director and Executives by associated companies.

27. CORRESPONDING FIGURES

Certain prior year's figures have been re-arranged.

RASHID ABDULLA
Chief Executive

KHALID MALIK
Director

PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS AS AT 30 JUNE 1998

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
68	1	100	5,277
148	101	500	41,329
100	501	1000	78,750
106	1001	5000	197,280
9	5001	10000	68,701
2	10001	15000	29,760
6	15001	20000	107,777
4	20001	25000	98,527
2	35001	40000	73,147
2	40001	45000	82,530
6	45001	50000	281,490
4	50001	55000	209,094
5	55001	60000	288,300
1	60001	65000	62,430
1	65001	70000	69,069
1	70001	75000	73,002
6	75001	80000	472,026
3	85001	90000	264,570
1	110001	115000	112,242
1	120001	125000	124,900
2	130001	135000	267,428
1	145001	150000	150,000
2	150001	155000	301,770
1	170001	175000	171,870
1	175001	180000	178,798
1	185001	190000	187,530
1	285001	290000	285,590
1	295001	300000	299,760
1	325001	330000	327,860
1	1085001	1090000	1,089,193
-----			-----
488			6,000,000
=====			=====

Categories of Shareholders**As at 30 June 1998**

Categories of Shareholders	Number	Shares Held	Percentage
1. Joint Stock Companies	2	15,799	0.26
2. Financial Institutions	0	0	0.00
3. Holding Companies	0	0	0.00
4. Modaraba Companies	2	387,860	6.46
5. Insurance Companies	1	75,840	1.27
6. Investment Companies	4	1,300,230	21.67
7. Individuals	478	4,070,271	67.84
8. Associated Companies	0	0	0.00
9. Foreign Investors	1	150,000	2.50
10. Others	0	0	0.00
	-----	-----	-----
	488	6,000,000	100.00
	=====	=====	=====