

# ANNUAL REPORT

2006-2007



**UNITED DISTRIBUTORS PAKISTAN LIMITED**



## DIRECTORS REPORT TO THE SHAREHOLDERS

The Board of Directors of United Distributors Pakistan Limited (UDL) are pleased to present the 25th Annual Report and audited accounts of the Company for the year ending June 30, 2007.

### OPERATING AND FINANCIAL RESULTS

Following is the summary of comparative financial results:

	2007 Rupees	2006 Rupees
Sales (net of sales tax & discounts)	257,366,021	100,393,588
Profit before tax	3,546,418	(10,479,076)
Provision for taxation	(2,341,574)	(59,754)
Profit after taxation	1,204,844	(10,538,830)
EPS (in Rupees)	0.166	(1.143)

### Overview:

The overall performance of your Company for the year under review recorded Rs. 257.366 million as compared to Rs. 100.393 million over the same period last year, showed a significant improvement over the same period last year. Sales went up by 156.35%, which is highly encouraging. This increase is due to the specific expansion plans the Company had chartered last year, which we were able to accomplish due to the investment made in human and financial resources.

UDL has signed a partnership agreement with DuPont Crop Protection, ranked number 6 worldwide in agrochemical sales. UDL will represent DuPont in all sales and promotional activities across Pakistan as well as handle physical distribution and logistics.

Despite showing good growth in the sales, the profitability of the Company has not shown a significant growth as compared to the revenue. This is mainly due to:

- The addition of 24 new territories to the existing 36 territories to achieve a higher sales target in 2007-08.
- Re-hiring 28 field members and providing vehicles to ex-Dupont employees.
- Upgradation of Vehicles.

### Further Outlook:

The sales & Distribution agreement with DuPont and UDL is a very promising development. DuPont has a strong product portfolio of innovative new chemistries and UDL has a wide range of generic products. The combined strength of the two companies along with the addition of new territories and work force will help us in achieving additional market share in the years to come. We are also focusing our efforts on crops other than Cotton which is highly dependant on pest pressure.

### Earning per Share:

The earning per share for the period under review is Rs. 0.166 as compared to Rs. (1.143) in the preceding year.



## DIRECTORS REPORT TO THE SHAREHOLDERS

### Summary of key Operating and financial data of last six years:

A Summary of key Operating and financial results for the last six years is included in the financial results for the year under review.

### Appropriations:

Last year, the Company did not pay any appropriation to its shareholders. This year the Directors have decided not to pay dividend or bonus shares.

### Outstanding Statutory Payments:

There are no outstanding statutory payments on account of taxes, duties, levies and charges except of a normal and routine nature.

### Significant Plans and Deceisions:

There are no significant plans for corporate restructuring and discontinuance of operations, except for improvement in the normal business activities to increase the business and sales volumes.

### Provident and Gratuity Funds:

The Company is operating a funded Provident Fund and an unfunded Gratuity Fund. The provident fund has been appropriately invested in the Government securities and is audited annually by independent auditors.

### Meeting of the Board of Directors:

In 2006-2007, the Board of Directors held 4 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

<u>Names of Directors</u>	<u>No. of Meetings attended</u>
1. Mr. Rashid Abdulla	3
2. Mr. Khalid Malik	3
3. Mr. Arshad Abdulla	1
4. Mr. Tariq Ismail	3
5. Mr. Shahid Abdulla	2
6. Mr. Abdullah Ghulam Ali	3
7. Mr. Tahir Saeed	4

Leave of absence were granted to the Directors who could not attend some of the Board Meetings.

### Corporate / Market Review:

The pesticide and seeds business has a promising future in terms of overall growth, hence providing opportunities to gain higher market share. The company has positively acted to increase its sales and distribution infrastructure to gain higher market share in the future. However, there is an increased pressure for extended credit and low prices.



## DIRECTORS REPORT TO THE SHAREHOLDERS

**Statement in compliance of the Code of Corporate Governance:**  
The directors state that:

- a. The financial statements prepared by the management present a true and fair view of state of affairs of the company, the results of its operations, cash flows & changes in equity.
- b. Proper books of accounts have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgement.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There is no significant doubt upon the company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

**Development and Diversification:**

The Company is constantly devoting its time and effort in the research and development to bring improvement in its existing products and to introduce new and diversified products in the future.

**Audit Committee:**

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee and the following non-executive directors are its members:

Mr. Khalid Malik	Chairman
Mr. Rashid Abdulla	Member
Mr. Arshad Abdulla	Member

The Committee held four meetings during the year.

An independent internal audit function reporting to the Board's Audit Committee reviews risks and controls across the organization.



## DIRECTORS REPORT TO THE SHAREHOLDERS

### Auditors

The present auditors, Mehmood Idrees Qamar & Co., Chartered Accountants are due to retire and being eligible, offer themselves for reappointment for the year 2007-08.

### Pattern of Shareholding:

The statement of pattern of shareholding as at 30 June 2007 is annexed at page No. 37 of this report.

### Acknowledgements:

The Directors would like to express their gratitude to the shareholders and bankers for their continued support and encouragement and also place on record their appreciation of the valuable services rendered by the employees of the Company.

For and on behalf of the Board

Rashid Abdulla  
Chief Executive

Karachi : September 28, 2007



## BALANCE SHEET

AS AT JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
Share Capital	4	72,600,000	72,600,000
General Reserves		30,000,000	30,000,000
Unappropriate Profit / (loss)		<u>(6,937,999)</u>	<u>(8,142,843)</u>
		95,662,001	94,457,157
<b>NON-CURRENT LIABILITIES:</b>			
Liabilities against assets subject to finance leases	5	13,766,762	4,189,186
Deferred Employee Benefits - Staff gratuity	6	2,044,242	1,157,674
		15,811,004	5,346,860
<b>CURRENT LIABILITIES:</b>			
Current portion of liabilities against assets subject to finance leases	5	6,484,302	2,430,535
Trade and other payables	7	185,356,258	123,655,974
Murabaha Payable - (Secured)	8	-	10,000,000
Short term Borrowings - (Secured)	9	20,000,000	15,000,000
Provision for Taxation		2,745,207	403,633
		214,585,767	151,490,142
<b>CONTINGENCIES AND COMMITMENTS</b>	10	-	-
		<u>326,058,771</u>	<u>251,294,159</u>
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	11	32,338,355	15,663,941
Long Term Investments - at cost	12	26,394,180	26,394,180
Long Term Lease Deposits		1,445,150	1,112,000
Long Term Loan	13	57,908	80,843
		60,235,593	43,250,964
<b>CURRENT ASSETS</b>			
Stock-in-Trade	14	128,294,454	92,014,226
Trade debts (Secured)	15	3,793,870	3,643,533
Advance income tax		15,147,666	9,364,725
Advances, deposits, prepayments and other receivables	16	38,374,381	27,244,584
Short term loan	17	70,000,000	70,000,000
Cash and bank balances	18	10,212,807	5,776,127
		265,823,178	208,043,195
		<u>326,058,771</u>	<u>251,294,159</u>

The annexed notes 1 to 33 form an integral part of these financial statements

Khalid Malik  
Director

Rashid Abdulla  
Chief Executive



## PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
Net Sales	19	257,366,021	100,393,588
Cost of good sold	20	<u>(198,384,289)</u>	<u>(79,752,832)</u>
Gross Profit		<b>58,981,732</b>	<b>20,640,756</b>
Distribution fees for handling of products		<u>25,685,201</u>	<u>22,601,414</u>
		<b>84,666,933</b>	<b>43,242,170</b>
Selling and distribution expenses	21	<u>(76,143,129)</u>	<u>(48,314,260)</u>
		<u>(76,143,129)</u>	<u>(48,314,260)</u>
Operating profit		<b>8,523,804</b>	<b>(5,072,090)</b>
Administration and general expenses	22	<u>(11,276,259)</u>	<u>(11,747,530)</u>
Finance costs	23	<u>(10,304,003)</u>	<u>(4,282,709)</u>
		<b>(21,580,262)</b>	<b>(16,030,239)</b>
		<u>(13,056,458)</u>	<u>(21,102,329)</u>
Other income	24	<u>16,602,875</u>	<u>10,623,253</u>
Profit / (Loss) before taxation		<u>3,546,418</u>	<u>(10,479,076)</u>
Provision for taxation	25	<u>(2,341,574)</u>	<u>(59,754)</u>
Profit after taxation		<b><u>1,204,844</u></b>	<b><u>(10,538,830)</u></b>
Earning (loss) per share - Basic and diluted	30	<b><u>0.166</u></b>	<b><u>(1.143)*</u></b>

\*(Restated)

The annexed notes 1 to 33 form an integral part of these financial statements

Khalid Malik  
Director

Rashid Abdulla  
Chief Executive