

## **CIBA-GEIGY (PAKISTAN) LIMITED**

**ANNUAL REPORT 1997**

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### **Corporate Information**

#### **CHAIRMAN &**

#### **MANAGING DIRECTOR**

A. E. Dapp

#### **DIRECTORS**

K. Arnoldi (Alternate: E.A. Nomani)

Pir Ali Gohar

Naseem-ul-Islam

Asadullah Khawaja

J. Mamie (Alternate: A.M. Notta)

Masud Zaman

#### **SECRETARY**

A.M. Notta

#### **BANKERS**

Agricultural Development Bank of Pakistan

ABN-AMRO Bank

ANZ Grindlays Bank

Bank of America NT&SA

The Bank of Tokyo-Mitsubishi, Ltd.

Citibank N. A.

Citicorp Investment Bank (Pakistan) Limited  
Credit Agricole Indosuez  
Deutsche Bank  
Emirates Bank International PJSC  
Habib Bank Limited  
The Hongkong & Shanghai Banking  
Corporation Limited  
Muslim Commercial Bank Limited  
National Bank of Pakistan  
Societe Generale- The French and  
International Bank  
Standard Chartered Bank

**AUDITORS**

A.F. Ferguson & Go.

**LEGAL ADVISORS**

Surridge & Beecheno

**REGISTERED OFFICE &  
PHARMACEUTICAL FACTORY**

15, West Wharf, Karachi

Phone : 92-21-2313386-90

Fax : 92-21-2311009

**AGRICULTURAL FACTORY**

S-53, S.I.T.E. Karachi

Phone : 92-21-2564940-47

Fax : 92-21-2561577

**Notice of Meeting**

Notice is hereby given that the forty-first Annual General Meeting of CIBA-GEIGY (PAKISTAN) LIMITED will be held on Wednesday, 17th June, 1998 at 10.00 A.M. in the Council Hall of the Overseas Investors Chamber of Commerce & Industry Building, Talpur Road, Karachi, to transact the following ordinary business:

1. To receive, consider and adopt the Balance Sheet and Profit & Loss Account together with the Directors' and Auditors' Reports for the year ended 31st December, 1997.
2. To appoint auditors for the year ending 31st December, 1998 and to fix their remuneration.

**NOTES:**

- a. The Share Transfer Books of the Company will remain closed from 10th June, 1998 to 17th June, 1998 (both days inclusive).
- b. A member entitled to attend, speak and vote at the meeting may appoint a proxy to attend, speak and vote instead of him/her. Proxies must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting. A proxy must be a member of the Company.

**Report of the Directors**

The Directors of the Company submit their report together with the audited accounts for the year ended 31st December, 1997.

**Rupees  
(000)**

**FINANCIAL RESULTS**

Loss before taxation	(68,820)
Taxation	12,509
	-----
Loss after taxation	(81,329)
Unappropriated profit brought forward	80,438
	-----
Loss carried forward	(891)
	=====

**EARNING PER SHARE**

The net earning per share is negative.

**MANAGING DIRECTORS' REVIEW**

The review on page 5 deals with business activities of the company during the year, future outlook and subsequent events that have taken place between the end of the financial year and the date of this Report. The Directors of the Company endorse the contents of the review.

**DIRECTORS**

Dr. A. Zuercher resigned and in his place Mr. K. Arnoldi was appointed as Director of the Company. The members of the Board of Directors wish to place on record the valuable contribution made by Dr. A. Zuercher.

The present Board of Directors was elected for a period of three years at the thirty-ninth Annual General Meeting of the Company held on 14th May, 1996.

**PATTERN OF HOLDING OF THE SHARES**

The pattern of holding is provided on page 6. The Company's holding company is Novartis AG, Basle, Switzerland, which is incorporated in Switzerland.

**AUDITORS**

The present Auditors M/s A.F. Ferguson & Co., retire and being eligible, offer themselves for re-appointment.

**Managing Director's Review**

The year 1997 which saw a change of Government and considerable political turmoil was not an easy one to do business in.

The economy's overall growth was lower than expected whereby our business was not an exception. The inflationary trend has continued to negatively affect our result and the same applies to exchange rates. In spite of pharmaceutical industry's efforts, no price increases were granted to us. On the contrary, we had to adhere to Ministry of Health instructions to lower the price of our major product Voltaren by 10.8%.

Our Crop Protection sales exceeded the budget but fell short those of the previous year. Due to heavy rains and attack of heliotis in the fall period, it is estimated that the cotton yield will hardly exceed 9 million bales. The wheat sowing was delayed due to the late cotton harvest. Owing to

severe competition, we were not able to increase our prices by more than 4.5% but had to grant additional discounts / rebates to our dealers to fight fierce competition. Substantial increase in financial charges because of large carry-over stocks from 1996 further eroded our income. The Generic companies - not being research-based firms - substantially increased their market share which is now more than 1/3 rd of the total crop protection market.

The loss-making Animal Health Sect. or was closed by end 1997.

In a nutshell: nil or very low price increases, substantial inflation and very unfavourable exchange rates and on the other hand constant rising costs at all fronts have continued to play havoc with our bottom line, this in spite of restructuring and re-engineering as well as strictest control of our expenses.

It is therefore rather unfortunate although not surprising that the company's result for 1997 is a loss of Rs.81.3 mio. Therefore, the Board of Directors regrets not being able to propose the payment of a dividend for the year under review.

**As to the future:** Unless price increases are granted by Government on pharmaceuticals, the outlook in this sector will remain gloomy. A change in the distribution system to improve the reach to customers in 1998 should further improve our brand image and should arrest price fluctuation of our products in market in respect of our crop protection business.

It is foreseen that towards the end of 1998 the name of this company will change into Novartis (Pakistan) Ltd. which is likewise the case with Sandoz, which will change its name to Novartis Pharma (Pakistan) Ltd. Both companies will however for the time being continue to operate separately.

The two-years agreement expiring end 1998 with our Collective Bargaining Agents was concluded end of January 1998. In spite of the almost one 'year delay, the relations between Union and Management have remained amicable.

Finally let me say that I will retire from active service after having been abroad almost 35 years including 19 years in Pakistan. This is due to health reasons and I will have left this country when you will be reading this report. I would like to place on record my sincere thanks to you our shareholders, the management and staff for their many years of trust and confidence reposed in me. My thanks go also to all our staff members for their untiring devotion to duty. I extend herewith to all of you my best wishes. **Pakistan Zindabad.**

### **Pattern of Holding of the Shares as at December 31, 1997**

Number of Shareholders	Shareholding From	To	Total Shares held
189	1	-	100 9,711
250	101	-	500 69,205
86	501	-	1000 65,059
57	1001	-	5000 138,573
4	5001	-	10000 28,603
5	10001	-	15000 66,000

3	15001	-	20000	53,631
1	20001	-	25000	24,000
3	25001	-	30000	80,875
1	30001	-	35000	31,093
1	35001	-	40000	36,000
1	90001	-	95000	93,279
1	105001	-	110000	108,400
2	110001	-	115000	223,332
1	2005001	-	2010000	2,009,769
1	4555001	-	4560000	4,556,220
-----				-----
606				7,593,750
=====				=====

Categories of Shareholders	No. of Shareholders	No. of Shares held	Percentage
Individuals	581	619,387	8.15
Investment Companies	4	2,907	0.03
Insurance Companies	2	118,800	1.60
Joint Stock Companies	7	4,565,956	60.12
Financial Institutions	9	2,260,140	29.76
Modaraba Companies	1	120	0.00
Cooperative Societies	2	26,440	0.34
-----			-----
	606	7,593,750	100.00
=====			=====

### Auditors' Report to the Members

We have audited the annexed Balance Sheet of Ciba-Geigy (Pakistan) Limited as at December 31, 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 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 December 31, 1997 and of the loss and cash flows for the year then ended; and

(d) in our opinion zakat deductible at source under the Zakat & Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

**A. F. FERGUSON & CO.**

Karachi: March 17, 1998

Chartered Accountants

### Balance Sheet as at December 31, 1997

Note	1997	1996
	(Rupees in thousands)	
<b>SHARE CAPITAL &amp; RESERVES</b>		
Authorised capital 20,000,000 (1996: 20,000,000) ordinary shares of Rs. 10 each	200,000	200,000
	=====	=====
3 Issued, subscribed and paid-up capital	75,938	75,938
4 Capital reserves	21,174	21,174
(Accumulated loss)/unappropriated profit	(891)	80,438
	-----	-----
5 <b>REDEEMABLE CAPITAL</b>	96,221	177,550
	-	200,600
<b>DEFERRED LIABILITY</b>		
Staff gratuity	24,408	20,430
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
	-----	-----
6 Short-term loans	513,025	561,926
5 Current portion of redeemable capital	200,600	14,994
7 Short-term running finance utilised under mark-up arrangements	225,615	470,183
8 Creditors, accrued and other liabilities	300,498	871,583
Proposed dividend	-	3,038
	-----	-----
9 <b>CONTINGENT LIABILITIES AND COMMITMENTS</b>	1,239,738	1,921,724
	-----	-----
	1,360,367	2,320,304
	=====	=====

Note		1997	1996
		(Rupees in thousands)	
	<b>TANGIBLE FIXED ASSETS</b>		
10	Operating assets	227,048	266,375
11	Capital work-in-progress	4,099	3,695
		-----	-----
		231,147	270,070
12	<b>LONG-TERM INVESTMENT</b>	9,091	10,401
13	<b>LONG-TERM LOANS</b>	1,491	2,348
14	<b>LONG-TERM DEPOSITS AND PREPAYMENTS</b>	1,672	2,455
	<b>CURRENT ASSETS</b>		
		-----	-----
15	Stock-in-trade	544,795	1,422,526
	Spares	6,151	4,240
16	Trade debts	182,014	258,651
17	Loans and advances	16,929	17,645
18	Trade deposits and short-term prepayments	3,884	5,315
	Investment - Regular Income Certificates	10,500	-
	Taxation recoverable	298,845	238,344
19	Other receivables	33,147	76,105
20	Cash and bank balances	20,701	12,204
		-----	-----
		1,116,966	2,035,030
		-----	-----
		1,360,367	2,320,304
		=====	=====

The annexed notes form an integral part of these accounts.

**Profit and Loss Account**  
**For the year ended December 31, 1997**

Note		1997	1996
		(Rupees in thousands)	
21	Net sales	2,556,412	2,875,169
21	Indent commission	-	9,418
		-----	-----
		2,556,412	2,884,587
21	Cost of sales	2,513,332	2,758,546
		-----	-----
	Operating profit	43,080	126,041
24	Other income	49,959	56,865
		-----	-----
		93,039	182,906

25	Financial charges	157,336	119,595
26	(Other charges	4,523	9,045
		-----	-----
		161,859	128,640
		-----	-----
	(Loss)/Profit before taxation	(68,820)	54,266
28	Taxation	12,509	29,500
		-----	-----
	(Loss)/Profit after taxation	(81,329)	24,766
	Unappropriated profit brought forward	80,438	58,710
		-----	-----
		(891)	83,476
	Appropriation:		
	Proposed dividend @ Rs. Nil (1996: @ Re. 1 per share on 3,037,530 shares held by shareholders other than Ciba-Geigy Limited - Basle)	-	3,038
	(Accumulated loss)/unappropriated profit carried forward	-----	-----
		(891)	80,438
		=====	=====

The annexed notes form an integral part of these accounts.

### Cash Flow Statement for the year ended December 31, 1997

Note	1997	1996
	(Rupees in thousands)	
	<b>Cash flow from operating activities</b>	
32	Cash generated from/(used in) operations	522,903 (293,413)
	Staff gratuity paid	(2,116) (4,150)
	Interest/mark-up paid	(109,753) (48,710)
	Taxes paid	(73,010) (150,274)
	Long-term loans (net)	857 (1,613)
	Long-term deposits and prepayments (net)	783 1,627
		-----
	Net cash inflow/(outflow) from operating activities	339,664 (496,533)
	<b>Cash flow from investing activities</b>	
	Fixed capital expenditure	(26,626) (59,483)
	Sale proceeds from disposal of fixed assets	12,097 17,689
	Income received	5,353 9,195
	Dividend received	- 9,500
		-----
	Net cash outflow from investing activities	(9,176) (23,099)
	<b>Cash flow from financing activities</b>	
	Repayment of long-term liability	- (9,500)



	Redeemable capital less repayments	(14,994)	175,597
	Short-term borrowing less repayments	(48,901)	182,661
	Dividends paid	(3,028)	(15,167)
		-----	-----
	Net cash (outflow)/inflow from financing activities	(66,923)	333,591
		-----	-----
	Net increase/(decrease) in cash and cash equivalents	263,565	(186,041)
	Cash and cash equivalents at January 1	(457,979)	(271,938)
		-----	-----
33	Cash and cash equivalents at December 31	(194,414)	(457,979)
		=====	=====

The annexed notes form an integral part of these accounts.

## Notes to the Accounts for the year ended December 31, 1997

### 1. NATURE OF BUSINESS

The company is incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in the manufacture of pharmaceuticals, formulation and repacking of crop protection products. The company has closed its animal health sector effective December 31, 1997,

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

#### 2.2 Staff retirement benefits

Staff retirement benefits include:

a) an approved pension fund for the management staff. Monthly contributions are made to this fund on the basis of actuarial recommendation at the rate of 14 percent of the basic salaries. The actuarial valuation of the scheme is carried out once in every three years and the latest valuation was carried out as at December 31, 1994. The fair value of the scheme's assets and the liability for past services at the latest valuation date were Rs. 21.09 million and Rs. 17.81 million respectively. The future contribution rate of this scheme includes allowance for surplus. The Aggregate Method, using the following significant assumptions, is used for valuation of this scheme:

- Expected rate of increase of salary level 6 percent per annum
- Expected rate of interest 8 percent per annum

b) an approved contributory provident fund for all employees; and

c) an unfunded gratuity scheme for the employees not covered by the pension scheme. Provisions are made in the accounts to cover obligations under the scheme.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under' these schemes.

### 2.3 Taxation

#### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits available, if any, or one-half percent of turnover, whichever is higher.

#### Deferred

The company accounts for deferred taxation on all material timing differences using the liability method. However as a matter of prudence, the company does not recognise net deferred tax debit balance in the accounts, which at December 31, 1997 amounted to approximately Rs. 43.53 million (1996: Rs. 40.95 million).

### 2.4 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation except leasehold land, freehold land and capital work-in-progress which are stated at cost.

Depreciation is charged on the straight line method whereby the cost of an asset is written off over its estimated useful life without taking into account any residual value.

Until last year full year's depreciation was being charged on additions while no depreciation was charged on items disposed of during the year. However, from this year depreciation on additions is being charged from the month in which the asset is put to use and on disposals it is charged upto the month in which the asset is disposed of. This change has been made in order to determine the charge for depreciation on a more appropriate basis and does not materially affect the operating results for the year.

Maintenance and normal 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.

### 2.5 Long-term investments

These are stated at cost less permanent diminution in value of investments.

### 2.6 Stores and spares

Cost of stores is charged to income as and when purchased as its inventory is generally not significant. Spares are valued at moving average cost.

**2.7 Stock-in-trade**

Raw, bulk materials for repacking and packing materials, work-in-process and finished goods are valued principally at lower of average cost and net realisable value. Cost of work-in-process and locally manufactured finished goods include prime cost and an appropriate portion of production overheads. Items in transit are valued at lower of cost and net realisable value. Cost comprises invoice values plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**2.8 Foreign currency translation**

Assets and liabilities in foreign currencies are translated into rupees at exchange rates approximating those prevailing at the balance sheet date except for liabilities covered under forward exchange contracts which are translated at the contracted rates. Exchange differences are charged to income currently.

**2.9 Revenue recognition**

Sales are recorded on despatch of goods to customers. Indent commission is recognised when the shipments are made by the principals. Dividend income is recognised when received.

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

1997	1996	1997	1996
		(Rupees in thousands)	
4,609,370	4,609,370		
	ordinary shares of Rs. 10 each fully paid in cash	46,094	46,094
548,820	548,820		
	ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	5,488	5,488
2,435,560	2,435,560		
	ordinary shares of Rs. 10 each issued as fully paid bonus shares	24,356	24,356
-----	-----		
7,593,750	7,593,750	75,938	75,938
=====	=====	=====	=====

Novartis AG, Basle, Switzerland and its nominees held 4,556,220 (1996: 4,556,220) ordinary shares of Rs. 10 each on December 31, 1997.

**4. CAPITAL RESERVES**

1997	1996
(Rupees in thousands)	

Arising from amalgamation of former companies	29	29
---	----	----

Development allowance	51	51
Share premium	21,094	21,094
	-----	-----
	21,174	21,174
	=====	=====

**5. REDEEMABLE CAPITAL - secured**

(Non-participatory)

Long-term finances utilised under mark-up arrangements:

Financier	Installments payable	Mark-up %	Repayable by	1997 (Rupees in thousands)	1996
Citicorp Investment Bank (Pakistan) Limited	lumpsum		16 December 2, 1998	200,600	200,600
Emirates Bank International PJSC	annually		15 June 30, 199	-	8,334
The Hong Kong and Shanghai Banking Corporation Limited	quarterly		14 June 30, 199	-	6,660
				-----	-----
				200,600	215,594
Less: Current portion shown under current liabilities				200,600	14,994
				-----	-----
				-	200,600
				=====	=====

Long-term finance has been obtained against issue of demand promissory notes by the company and is secured by a pari-passu charge over all moveable plant, machinery, equipment, parts and spares located at the company's Agricultural Division Factory in Karachi.

**6. SHORT-TERM LOANS - unsecured**

1997                      1996  
(Rupees in thousands)

Financier

Novartis Produkte AG-an associated undertaking US\$ 11.50 million (1996: nil)	513,025	-
From banks in:		
Foreign currency US \$ Nil (1996: US \$11.50 million)	-	456,345

Local currency	-	105,581
	-----	-----
	513,025	561,926
	=====	=====

**7. SHORT-TERM RUNNING FINANCE UTILISED**

<b>UNDER MARK-UP ARRANGEMENTS - secured</b>	225,615	470,183
	=====	=====

The facilities for short-term running finance available from various banks amount to Rs. 620 million (1996: Rs. 575 million). The rates of mark-up range from Re. 0.36 to Re. 0.47 per Rs. 1,000 per day. The purchase prices are payable on various dates by November 5, 1998. These arrangements are secured by way of a pari-passu charge against hypothecation of the company's stock-in-trade and trade debts.

**8. CREDITORS, ACCRUED AND OTHER LIABILITIES**

	1997	1996
	(Rupees in thousands)	
Trade creditors	56,307	616,672
Accrued liabilities	184,887	144,131
Interest accrued on unsecured short-term loans	-	8,145
Mark-up accrued on short-term finances		
- secured	1,475	9,448
- unsecured	-	2,980
Mark-up accrued on redeemable capital	2,407	3,068
Central excise duty	-	501
Sales tax and excise duty payable	4,790	4,791
Distributors' deposits - repayable on termination of distributorship	2,279	2,253
Advances from customers	35,671	57,644
Contractors' earnest/retention money	105	243
Workers' welfare fund	-	2,369
Workers' profit participation fund - note 8.1	664	3,871
Central research fund	-	325
Unclaimed dividends	87	77
Others	11,826	15,065
	-----	-----
	300,498	871,583
	=====	=====

Amounts due to associated undertakings at the year end aggregated Rs. 38.71 million (1996: Rs. 604.98 million).

**8.1 Workers' profit participation fund**

	1997	1996
	(Rupees in thousands)	
Balance at January 1	3,871	4,672
Allocation for the year	-	2,922

	-----	-----
	3,871	7,594
Interest on funds utilised in the company's business	381	675
	-----	-----
	4,252	8,269
Less: Amount paid	3,588	4,398
	-----	-----
Balance at December 31	664	3,871
	=====	=====

**9. CONTINGENT LIABILITIES AND COMMITMENTS**

9.1 Contingent liabilities at December 31, 1997 were as follows:

(a) In finalising the company's tax assessments, the Deputy Commissioner of Income Tax (DCIT) had added back to the taxable income of the company for the accounting years 1984 to 1986 and 1988 to 1992 advertising and promotional expenses incurred in excess of 5% of turnover, resulting in additional tax liability amounting to Rs. 22.97 million. The company challenged the disallowances before the Commissioner of Income Tax (CIT) (Appeals) who partly upheld the decision of the DCIT. The company has filed further appeals with the Income Tax Appellate Tribunal which have not come up for hearing yet.

The DCIT had also increased taxable income of the company for the accounting years 1980, 1983 to 1993, the financial period ended June 30, 1995 and the income year ended June 30, 1996 on account of excess amounts allegedly paid for import of materials resulting in additional tax liability amounting to approximately Rs. 249.16 million. On appeals filed by the company the additions to income for the accounting years 1980, 1983 to 1985 have been deleted by the CIT (Appeals) which has reduced the above liability to Rs. 197.57 million. The department, however, has filed second appeals before the Income Tax Appellate Tribunal. The additions for the years 1986 to 1993 have been set aside by the CIT (Appeals) for re-examination by the DCIT whereas the additions for the financial period ended June 30, 1995 and income year ended June 30, 1996 have been maintained by the CIT (Appeals). The company has filed further appeals with the Income Tax Appellate Tribunal which have not come up for hearing yet.

As the management is confident that decision in all above cases will be in the company's favour, no provision has been made in these accounts in respect of the above.

b) Claims against the company not acknowledged as debts were approximately Rs. 9.96 million (1996: Rs. 23.30 million).

9.2 Commitments

Commitments in respect of capital expenditure contracted for amounted to Rs. 1.26 million (1996: Rs. nil).

**10. OPERATING ASSETS**

10.1 The following is a statement of operating fixed assets:

	Cost		Accumulated Depreciation		Net book value at December 31, 1997	Depreciation Rate % per annum		
	At January 1, 1997	Additions/ (disposals)	At December 31, 1997	At January 1, 1997			Charge for the year/ (accumulated depreciation on disposals)	
Freehold land	7,840	-	7,840	-	-	7,840	-	
Leasehold land	39,932	816	40,748	-	-	40,748	-	
Buildings on freehold land	28,742	134	28,876	6,374	1,411	7,785	21,091	5
Buildings on leasehold land	49,310	51	49,361	18,202	2,554	20,756	28,605	5
Leasehold improvements	531	-	531	212	106	318	213	20
Plant and machinery	227,348	1,586 (7,523)	221,411	135,303	29,376 (7,468)	157,211	64,200	15
Furniture, fixtures and office equipment	101,053	4,477 (1,981)	103,549	64,730	12,240 (1,434)	75,536	28,013	10 to 25
Vehicles	118,548	19,158 (14,016)	123,690	82,108	17,371 (12,127)	87,352	36,338	20 & 25
	-----	-----	-----	-----	-----	-----	-----	
	573,304	26,222 (23,520)	576,006	306,929	63,058 (21,029)	348,958	227,048	
	=====	=====	=====	=====	=====	=====	=====	
1996	526,895	77,661 (31,252)	573,304	257,296	66,832 (17,199)	306,929	266,375	
	=====	=====	=====	=====	=====	=====	=====	

Plant and machinery costing Rs. 3.36 million are held by Pifcom (Private) Limited who, under an arrangement with the company, use these for manufacturing containers for the company.

10.2 The depreciation charge for year has been allocated as follows:

	1997	1996
	(Rupees in thousands)	
Cost of goods sold-note 22	32,326	32,557
Administration and marketing expenses - note 23	30,732	34,275
	-----	-----
	63,058	66,832
	=====	=====

10.3 The following fixed assets were disposed of during the year:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Particulars of buyers
	(Rupees in thousands)				
Plant and machinery (sold by negotiation)	341	286	55	75	Interlink Engineering
Items with written down value below Rs. 5,000 each	7,182	7,182	-	-	Various
	-----	-----	-----	-----	
	7,523	7,468	55	75	
Furniture, fixtures and office equipment (sold by auction)	789	272	517	522	Karachi Auction Mart
Item damaged and written off	26	16	10	-	
Items with written down value below Rs. 5,000 each	1,166	1,146	20	154	Various
	-----	-----	-----	-----	
	1,981	1,434	547	676	
Vehicles (sold by negotiation)	545	454	91	400	
	194	165	29	194	Mr A.R. Puri (Ex-Employee)
	240	104	136	240	Mr Shahid Ghafoor (Ex-Employee)
	215	93	122	215	Mr Abdul Rashid (Ex-Employee)
	184	156	28	184	Mr Abdul Mold Shamsi (Ex-Employee)
	214	139	75	250	Mr Nadeem Iqbal Shahid (Ex-Employee)
	599	140	459	450	Mr Ikram Mehdi (Ex-Employee)
	42	26	16	42	Dr N.A. Jafer (Fx-Employee)
	55	16	39	55	Mr Tajammul Hussain (Employee)



	59	14	45	59 Mr S.M. Kamran Riaz (Ex-Employee)
	217	127	90	160 Mr M.A. Waheed (Ex-Employee)
	46	33	13	46 Mrs Muna Aamir (Employee)
	56	18	38	56 Mr M. Tanveer Butt (Ex-Employee)
				Mr M. Nasir (Employee)
(sold by auction)	591	517	74	439
				Karachi Auction Mart
(insurance claim)	1,477	844	633	1,378 Commercial Union Assurance Company
Items with written down value below Rs. 5,000 each	9,282	9,281	1	7,178 Various
	-----	-----	-----	-----
	14,016	12,127	1,889	11,346
	-----	-----	-----	-----
	23,520	21,029	2,491	12,097
	=====	=====	=====	=====
1996	31,252	17,199	14,053	17,689
	=====	=====	=====	=====

**11. CAPITAL WORK-IN-PROGRESS**

	1997	1996
	(Rupees in thousands)	
Plant and machinery	425	1,086
Advances to suppliers	3,674	2,609
	-----	-----
	4,099	3,695
	=====	=====

**12. LONG-TERM INVESTMENT**

50,000 (1996: 50,000) fully paid up ordinary shares of Rs. 100 each held in Farm Chemicals (Private) Limited (wholly owned unquoted subsidiary)

10,401	10,401
-----	-----
1,310	-
-----	-----
9,091	10,401
=====	=====

The value of the company's investment on the basis of the net assets of the subsidiary as disclosed in its audited accounts for the year ended December 31, 1997 amounted to Rs. 9.065 million (1996: Rs. 9.01 million).

**13. LONG-TERM LOANS - Considered good**

	1997	1996
	(Rupees in thousands)	
Due from employees	6,799	7,887
Less: Receivable within one year - note 17	5,308	5,539
	-----	-----
	1,491	2,348

=====

The above balances do not include any amount outstanding for a period exceeding three years.

#### 14. LONG-TERM DEPOSITS AND PREPAYMENTS

	1997	1996
	(Rupees in thousands)	
Deposits	599	449
Prepayments	1,073	2,006
	-----	-----
	1,672	2,455
	=====	=====

#### 15. STOCK-IN-TRADE

Raw, bulk materials for repacking and packing materials including in-transit Rs. 13.93 million (1996: Rs. 107.59 million)

299,374	941,153
---------	---------

Work-in-process

42,191	58,254
--------	--------

Finished goods including in transit

Rs. 6.86 million (1996: Rs. 15.22 million)

283,792	433,450
---------	---------

-----	-----
625,357	1,432,857

Less: Provision for obsolete and slow-moving stocks

80,562	10,331
--------	--------

-----	-----
544,795	1,422,526

=====	=====
-------	-------

The above balance includes items worth Rs. 120.49 million valued at net realisable value (1996: Rs. 215.73 million).

At December 31, 1997 stock-in-trade amounting to Rs. 4.60 million (1996: Rs. 12.01 million) were held by Roche Pakistan Limited, Sandoz (Pakistan) Limited, Epla Laboratories and Accord Marketing Services and stock-in-trade amounting to Rs. 76.69 million were held for distribution by LaSani Pak (Private) Limited.

#### 16. TRADE DEBTS

	1997	1996
	(Rupees in thousands)	
Considered good		
Secured	148,749	166,124
Unsecured	-----	-----
Due from associated undertaking	-	28
Others	33,265	92,499

	-----	-----
	33,265	92,527
Considered doubtful	36,885	42,018
	-----	-----
	218,899	300,669
Provision for doubtful debts	(36,885)	(42,018)
	-----	-----
	182,014	258,651
	=====	=====

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. Nil (1996: Rs. 2.61 million).

**17. LOANS AND ADVANCES - Considered good**

	<b>1997</b>	<b>1996</b>
	<b>(Rupees in thousands)</b>	
Loans to employees - note 13	5,308	5,539
Advances to:	-----	-----
- executives	2,049	760
- employees	1,683	2,394
- <b>contractors and suppliers</b>		
(net of provision of Rs. 0.14 million 1996: Rs. 0.14 million).	7,889	8,952
	-----	-----
	11,621	12,106
	-----	-----
	16,929	17,645
	=====	=====

The maximum aggregate amount of advances from executives at the end of any month during the year was Rs. 2.05 million (1996: Rs. 2.44 million).

**18. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**

	<b>1997</b>	<b>1996</b>
	<b>(Rupees in thousands)</b>	
Trade deposits	2,078	2,214
Short-term prepayments	1,806	3,101
	-----	-----
	3,884	5,315
	=====	=====

**19. OTHER RECEIVABLES - Considered good**

	<b>1997</b>		<b>1996</b>	
	<b>Gross</b>	<b>Provision</b>	<b>Gross</b>	<b>Provision</b>
		<b>Net</b>		<b>Net</b>
	<b>(Rupees in thousands)</b>			
Due from Government				

Customs duty refundable	11,442	9,269	2,173	11,442	9,269	2,173
Sales tax refundable	1,178	1,002	176	1,092	1,002	90
Octroi & others	312	282	30	282	282	-
Due from associated undertakings	15,680	-	15,680	3,891	-	3,891
Accrued profit on bank deposits	1,498	-	1,498	137	-	137
Receivable from Swiss Specialty Chemicals (Private) Limited	1,585	-	1,585	66,015	-	66,015
Others	12,005	-	12,005	3,799	-	3,799
	-----	-----	-----	-----	-----	-----
	43,700	10,553	33,147	86,658	10,553	76,105
	=====	=====	=====	=====	=====	=====

9.1 The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 15.68 million (1996: Rs. 263.38 million).

## 20. CASH AND BANK BALANCES

	1997	1996
	(Rupees in thousands)	
With banks -- on current accounts	13,531	5,755
--on deposit accounts	3,351	3,002
In transit	2,705	2,648
In hand:		
cash	622	799
cheques	492	-
	-----	-----
	20,701	12,204
	=====	=====

20.1 Distributors' deposits - repayable on termination of distributorship amounting to Rs. 2.28 million (1996: Rs. 2.25 million) are kept in deposit account.

## 21. OPERATING RESULTS

Segment-wise results are as follows:

	Pharmaceutical	
Note	1997	1996
Sales	575,714	517,510

	Less: Commission and discount to distributors and customers	13,568	42,567
		-----	-----
	Net sales	562,146	474,943
	Cost of sales:	-----	-----
22	Cost of goods sold	409,468	332,817
23	Administration and marketing expenses	124,692	102,164
		-----	-----
		534,160	434,981
		-----	-----
		27,986	39,962
	Indent commission	-	-
		-----	-----
	Operating profit	27,986	39,962
		=====	=====
21.1	Segments assets employed (%)	22	26
		=====	=====

Agricultural		Others		Total	
1997	1996	1997	1996	1997	1996
(Rupees in thousands)					
2,373,156	2,567,967	-	187,559	2,948,870	3,273,036
378,890	351,931	-	3,369	392,458	397,867
-----	-----	-----	-----	-----	-----
1,994,266	2,216,036	-	184,190	2,556,412	2,875,169
-----	-----	-----	-----	-----	-----
1,527,161	1,762,342	-	131,131	1,936,629	2,226,290
452,011	381,771	-	48,321	576,703	532,256
-----	-----	-----	-----	-----	-----
1,979,172	2,144,113	-	179,452	2,513,332	2,758,546
-----	-----	-----	-----	-----	-----
15,094	71,923	-	4,738	43,080	116,623
-	-	-	9,418	-	9,418
-----	-----	-----	-----	-----	-----
15,094	71,923	-	14,156	43,080	126,041
=====	=====	=====	=====	=====	=====
78	71	-	3	100	100
=====	=====	=====	=====	=====	=====

**22. COST OF GOODS SOLD**

**Pharmaceutical**  
1997      1996

Raw, bulk materials for repacking and packing materials consumed	352,402	302,923
--	---------	---------

Stores, spares and supplies	4,714	838
Salaries, wages and benefits	15,507	13,779
Processing charges	4,623	4,887
Rent, rates and taxes	23	10
Cartage, freight and insurance	1,522	150
Communication	126	55
Electricity and fuel	691	628
Printing and stationery	308	120
Travelling and entertainment	500	263
Depreciation -- note 10.2	14,210	14,349
Repairs and maintenance	2,866	6,657
Legal and professional charges	72	-
Other expenses	768	1,035
Opening stock of work-in-process	55,147	56,826
Closing stock of work-in-process	(39,935)	(55,147)
	-----	-----
Cost of goods manufactured	413,544	347,373
Opening stock of finished goods	105,001	76,315
Finished goods purchased	9,484	17,082
	-----	-----
	528,029	440,770
Shown under administration and marketing expenses:	-----	-----
Cost of samples issued	(16,847)	(10,918)
Stocks written off	(257)	(1,426)
Provision for stocks written back	-	9,566
Provision for obsolete and slow-moving stocks	(1,377)	(174)
	-----	-----
	(18,481)	(2,952)
Closing stock of finished goods	(100,080)	(105,001)
	-----	-----
	409,468	332,817
	=====	=====

#### 22.1 Staff retirement benefits

Salaries, wages and benefits include Rs. 3.8 million ( 1996: Rs. 2.86 million) in respect of staff retirement benefits.

Agricultural		Others		Total	
1997	1996	1997	1996	1997	1996
(Rupees in thousands)					
1,239,612	1,528,236	-	-	1,592,014	1,831,159
1,138	302	-	-	5,852	1,140
22,618	23,244	-	-	38,125	37,023

706	-	-	-	5,329	4,887
76	237	-	-	99	247
2,040	2,782	-	-	3,562	2,932
309	286	-	-	435	341
2,188	2,608	-	-	2,879	3,236
1,999	3,073	-	-	2,307	3,193
588	559	-	-	1,088	822
18,116	18,208	-	-	32,326	32,557
1,493	4,449	-	-	4,359	11,106
11	-	-	-	83	-
700	1,762	-	-	1,468	2,797
3,107	2,977	-	-	58,254	59,803
(2,168)	(3,107)	-	-	(42,103)	(58,254)
-----	-----	-----	-----	-----	-----
1,292,533	1,585,616	-	-	1,706,077	1,932,989
327,362	240,800	-	39,567	432,363	356,682
95,604	274,005	-	107,635	105,088	398,722
-----	-----	-----	-----	-----	-----
1,715,499	2,100,421	-	147,202	2,243,528	2,688,393
-----	-----	-----	-----	-----	-----
(3,152)	(6,853)	-	(370)	(19,999)	(18,141)
(387)	(556)	-	(262)	(644)	(2,244)
-	192	-	415	-	10,173
(68,853)	(3,500)	-	(15,854)	(70,230)	(19,528)
-----	-----	-----	-----	-----	-----
(72,392)	(10,717)	-	(16,071)	(90,873)	(29,740)
(115,946)	(327,362)	-	-	(216,026)	(432,363)
-----	-----	-----	-----	-----	-----
1,527,161	1,762,342	-	131,131	1,936,629	2,226,290
=====	=====	=====	=====	=====	=====

**23. ADMINISTRATION AND MARKETING EXPENSES**

**Pharmaceutical**  
**1997                      1996**

Salaries, wages and benefits  
(net of reimbursement of

Rs. 10 million towards voluntary redundancy cost, 1996: Rs. 71.5 million)	40,323	33,568
Rent, rates and taxes	798	904
Insurance	2,996	2,747
Electricity and fuel	7,338	1,715
Communication	1,211	2,735
Printing and stationery	1,524	2,080
Travelling and entertainment	14,312	13,443
Cartage and freight	271	1,131
Legal and professional charges	628	906
Samples, advertisement and sales promotion	39,209	32,769
Depreciation -- note 10.2	5,684	4,689
Repairs, maintenance and supplies	2,796	1,637
Stocks written off	257	1,426
Provision for obsolete and slow-moving stocks	1,377	174
Provision for doubtful debts	-	-
Distribution expenses incurred reimbursed to LaSani Pak (Pvt) Limited -- note 23.2	15,299	-
Distributor's commission to LaSani Pak (Pvt) Limited	1,147	-
Other expenses	9,522	2,240
	-----	-----
	144,692	102,164
Less: Contribution towards sales promotion expenses	20,000	-
	-----	-----
	124,692	102,164
	=====	=====

Agricultural		Others		Total	
1997	1996	1997	1996	1997	1996
(Rupees in thousands)					
123,318	118,339	-	19,829	163,641	171,736
3,968	3,402	-	354	4,766	4,660
9,766	10,605	-	770	12,762	14,122
16,056	20,475	-	936	23,394	23,126
9,344	12,652	-	1,422	10,555	16,809
4,403	5,000	-	494	5,927	7,574
19,307	2,490	-	1,414	33,619	38,347
9,741	12,337	-	201	10,012	13,669
5,960	8,067	-	1,636	6,588	10,609
153,110	130,751	-	1,053	192,319	164,573
25,048	28,949	-	637	30,732	34,275
12,244	14,663	-	1,439	15,040	17,739
387	556	-	262	644	2,244
68,853	3,500	-	6,854	70,230	10,528
1,167	2,484	-	10,661	1,167	13,145
-	-	-	-	15,299	-



-	-	-	-	1,147	-
9,339	6,501	-	359	18,861	9,100
-----	-----	-----	-----	-----	-----
472,011	401,771	-	48,321	616,703	552,256
20,000	20,000	-	-	40,000	20,000
-----	-----	-----	-----	-----	-----
452,011	381,771	-	48,321	576,703	532,256
=====	=====	=====	=====	=====	=====

## 23.1 Staff retirement benefits

Salaries, wages and benefits include Rs. 11.96 million ( 1996: Rs. 12.42 million) in respect of staff retirement benefits.

## 23.2 Distribution expenses incurred reimbursed to LaSani Pak (Pvt) Limited - an associated undertaking:

**1997**                      **1996**  
**(Rupees in thousands)**

Salaries, wages and benefits	3,924	-
Rent	947	-
Lease rentals	198	-
Insurance	124	-
Utilities	535	-
Communication	1,624	-
Printing and stationery	776	-
Travelling and entertainment	545	-
Cartage and freight	6,032	-
Depreciation	105	-
Repairs and maintenance	429	-
Other expenses	60	-
	-----	-----
	15,299	-
	=====	=====

**24. OTHER INCOME**

Profit on disposal of fixed assets	9,606	3,636
Profit on bank deposits and portfolio management scheme	3,407	6,757
Income on loans to employees	238	670
Dividend income from associated undertaking	-	9,500
Insurance commission	2,651	4,275
Scrap sales	3,687	4,482
Provisions no longer required written back	16,647	27,545
Rental income	768	-
Interest on amount receivable from Swiss Specialty Chemicals (Pvt) Ltd,	3,069	-
Indenting commission	221	-

Others	9,665	-
	-----	-----
	49,959	56,865
	=====	=====

**25. FINANCIAL CHARGES**

	1997	1996
	(Rupees in thousands)	
Interest on workers' profit participation fund	381	675
Interest on short-term loans	7,491	28,175
Mark-up on:		
-- redeemable capital	33,817	6,398
-- unsecured short-term finances	1,327	4,461
-- secured short-term running finances	46,978	23,941
Central excise duty	3,762	2,412
Hedging cost and exchange loss	58,439	47,037
Bank charges	5,141	6,496
	-----	-----
	157,336	119,595
	=====	=====

**26. OTHER CHARGES**

Auditors' remuneration -- note 27	2,221	2,250
Donations	992	2,298
Workers' profit participation fund	-	2,922
Workers' welfare fund	-	1,250
Central research fund	-	325
Provision for diminution in value of long-term investment	1,310	-
	-----	-----
	4,523	9,045
	=====	=====

Recipients of donations do not include any donee in whom a director or his spouse had any interest.

**27. AUDITORS' REMUNERATION**

	1997	1996
	(Rupees in thousands)	
Audit fee	425	350
Tax advisory services	868	960
System review and interim verifications	200	150
Special certifications and sundry advisory services	632	569
Out of pocket expenses	89	63
Central and provincial excise duties	7	158

	-----	-----
	2,221	2,250
	=====	=====

**28. TAXATION**

Current -- for the year	12,509	38,278
-- for prior years	-	(8,778)
	-----	-----
	12,509	29,500
	=====	=====

Provision for current taxation for the year represents minimum tax at 0.5 percent on turnover of the company.

**29. REMUNERATION OF DIRECTORS AND EXECUTIVES**

	Chief Executive		Directors		Executives	
	1997	1996	1997	1996	1997	1996
	(Rupees in thousands)					
Fees	-	-	7	11	-	-
Managerial remuneration	2,311	1,800	-	-	37,983	32,813
Retirement benefits	-	-	-	-	8,324	8,731
Rent	300	300	-	-	17,081	14,529
Utilities	358	271	-	-	4,628	4,423
Leave passage and leave encashment	199	378	-	-	-	-
Other items	1,350	525	-	-	1,842	1,047
	-----	-----	-----	-----	-----	-----
	4,518	3,274	7	11	69,858	61,543
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	6	6	142	152
	=====	=====	=====	=====	=====	=====

In addition the chief executive and executives are provided with free use of company cars and some of the executives are provided with residential telephones, certain items of household furniture and fixtures and actual medical expenses in accordance with their entitlements. Remuneration of directors does not include amounts paid or provided for by associated undertakings.

**30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

	1997	1996
	(Rupees in thousands)	

i) Sales	-	26,487
ii) Purchase of goods	955,226	1,620,061
iii) Processing charges paid	600	64
iv) Expenses reimbursed to distributor	15,299	-
v) Commission to distributor	1,147	-

## vi) Other items:

Dividend income	-	9,500
Indent commission earned	221	8,176

**31. CAPACITY AND PRODUCTION**

The capacity and production of the pharmaceutical and agricultural divisions are indeterminate as they are multi-product plants involving varying processes of manufacture.

**32. CASH GENERATED FROM/(USED IN) OPERATIONS**

	1997	1996
	(Rupees in thousands)	
(Loss)/Profit before taxation	(68,820)	54,266
Adjustment for non cash charges and other items:		
Depreciation	63,058	66,832
Profit on disposal of fixed assets	(9,606)	(3,636)
Provision for staff gratuity	6,094	7,228
Dividend income	-	(9,500)
Provision for diminution in value of long-term investment	1,310	-
Interest/mark-up income	(6,714)	(7,427)
Interest/mark-up expenses	89,994	63,650
Working capital changes -- note 32.1	447,587	(464,826)
	-----	-----
	522,903	(293,413)
	=====	=====

## 32.1 Working capital changes

	1997	1996
	(Rupees in thousands)	
(Increase)/Decrease in current assets		
Stock-in-trade	877,731	(650,067)
Spares	(1,911)	(677)
Trade debts	76,637	(64,937)
Loans and advances	716	1,443
Trade deposits and short-term prepayments	1,431	(371)
Other receivables (excluding income accrued on deposits)	44,319	(60,444)
	-----	-----
	998,923	(775,053)
(Decrease)/Increase in current liabilities		
Creditors, accrued and other liabilities (excluding mark-up/interest accrued on redeemable capital, short-term finances and unclaimed dividends)	(551,336)	310,227
	-----	-----
	447,587	(464,826)

=====

**33. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of the following items as included in the balance sheet:

	1997	1996
	(Rupees in thousands)	
Cash and bank balances	20,701	12,204
Regular Income Certificates	10,500	-
Short-term running finance utilised under mark-up arrangements	(225,615)	(470,183)
	-----	-----
	(194,414)	(457,979)
	=====	=====

**34. CORRESPONDING FIGURES**

Corresponding figures have been rearranged, wherever necessary, to facilitate comparison.

**Statement under Section 237(1)(e), (f)&(g)  
of the Companies Ordinance, 1984**

**STATEMENT UNDER SUB-SECTION (1)(e)**

a) Extent of the interest of the holding company [CIBA-GEIGY (PAK-ISTAN) LIMITED in the equity of its subsidiary company FARM CHEMICALS (PRIVATE) LIMITED] as at December 31, 1997 is 100%

b) The net aggregate amount of revenue profits, less losses, of the subsidiary company so far as it concern members of the holding company and has not been dealt within the accounts of the holding company, for the year ended December 31, 1997 are: Rupees

i) for the year ended December 31, 1997 56

ii) for the previous years, but subsequent to the acquisition of the controlling interest by the holding company 4,009

The net aggregate amount of profits, less losses, of the subsidiary company so far as it has been dealt with or provisions made for losses in the accounts of the holding company for the year ended December 31, 1997 are:

i) for the year ended December 31, 1997 -

ii) for the previous years, but subsequent to the acquisition of the controlling interest by the holding company 47,218

d) Change in the interest of the holding company in the equity of its subsidiary company between the last financial year of the subsidiary and the end of the holding company's financial year

-

STATEMENT UNDER SUB-SECTION (1) (f) & (g)

N/A

## FARM CHEMICALS (PRIVATE) LIMITED

### Corporate Information

<b>CHAIRMAN &amp; MANAGING DIRECTOR</b>	A.E. Dapp
<b>DIRECTORS</b>	E.A. Nomani A.M. Notta
<b>SECRETARY</b>	A.M. Notta
<b>BANKERS</b>	Bank of America NT & SA
<b>AUDITORS</b>	A.F. Ferguson & Co.
<b>LEGAL ADVISORS</b>	Surridge & Beecheno
<b>REGISTERED OFFICE</b>	15, West Wharf, Karachi

### Report of the Directors

The Directors of the Company submit their report together with the Audited Accounts for the year ended 31st December 1997.

#### Rupees in thousands

#### FINANCIAL RESULTS

Profit before taxation	93
Taxation	37
	-----
Profit after taxation	56
Unappropriated profit brought forward	4,009
	-----
Unappropriated profit carried forward	4,065
	=====

#### BUSINESS ACTIVITIES

After the sale of the Company's...assets, and transfer of services of all employees in 1992 to CIBA-GEIGY (Pakistan) Limited, the company at present is not engaged in any trading/manufacturing activities. Its main source of income derives from investments and bank deposits.

#### DIRECTORS

The present Board of Directors was elected for a period of three years at the twenty-first Annual General Meeting of the Company held on 27th March, 1996.

**PATTERN OF HOLDING OF THE SHARES**

The Company's holding company is CIBA-GEIGY (Pakistan) Limited which holds 50,000 ordinary shares of Rs. 100 each.

**AUDITORS**

The present Auditors M/s. A. F. Ferguson & Co., retire and being eligible, offer themselves for re-appointment.

**Pattern of Holding of the Shares  
as at December 31, 1997**

Number of Shareholders	Shareholding		Total Shares held	
	From	to		
3	1	-	100	3
1	45001	-	5000	49997
-----				-----
4				50000
=====				=====

Categories of Shareholders	No. of Shareholders	No. of Shares held	Percentage
Individuals	3	3	0.01
Investment Companies	-	-	-
Insurance Companies	-	-	-
Joint Stock Companies	1	49997	99.99
Financial Institutions	-	-	-
Modaraba Companies	-	-	-
Cooperative Societies	-	-	-
	-----	-----	-----
	4	50000	100.00
	=====	=====	=====

**Auditors' Report to the Members**

We have audited the annexed Balance Sheet of Farm Chemicals (Private) Limited as at December 31, 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 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 December 31, 1997 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.

**Balance Sheet as at December 31, 1997**

Note	1997	1996
	(Rupees in thousands)	
<b>SHARE CAPITAL &amp; RESERVES</b>		
Authorised capital 50,000 (1996: 50,000) ordinary shares of Rs. 100 each	5,000	5,000
	=====	=====
3 Issued, subscribed and paid-up capital	5,000	5,000
Unappropriated profit	4,065	4,009
	-----	-----
	9,065	9,009
<b>CURRENT LIABILITIES</b>		
4 Creditors, accrued and other liabilities	391	499
5 <b>CONTINGENT LIABILITY</b>		
	-----	-----
	9,456	9,508
	=====	=====

Note	1997	1996
	(Rupees in thousands)	

**CURRENT ASSETS**



	Other receivables		
	Accrued income on bank deposits	13	11
	Taxation recoverable	8,292	8,312
6	Cash and bank balances	1,151	1,185
		-----	-----
		9,456	9,508
		=====	=====

The annexed notes form an integral part of these accounts.

### Profit and Loss Account

For the year ended December 31, 1997

1997                      1996  
(Rupees in thousands)

Income from portfolio management scheme and deposit account	131	88
Expenses:	-----	-----
Audit fee	10	10
Tax advisory services	-	66
Special certifications and sundry advisory services	5	20
Legal and professional charges	18	22
Director's fees	2	2
Others	3	10
	-----	-----
	38	130
Profit/(Loss) before taxation	93	(42)
Taxation	37	-
	-----	-----
Profit/(Loss) after taxation	56	(42)
Unappropriated profit brought forward	4,009	13,551
	-----	-----
Profit available for appropriation	4,065	13,509
Appropriation:		
Interim dividend Rs. Nil (1996: Rs. 190 per share)	-	(9,500)
	-----	-----
Unappropriated profit carried forward	4,065	4,009
	=====	=====

The annexed notes form an integral part of these accounts.

### Cash Flow Statement

**For the year ended December 31,1997**

Note	1997	1996
	(Rupees in thousands)	
<b>Cash flow from operating activities</b>		
7		
Cash used in operations	(146)	(33)
Taxes paid	(17)	(10)
	-----	-----
Net cash outflow from operating activities	(163)	(43)
<b>Cash flow from investing activities</b>		
Income received from portfolio management scheme and deposit account	129	80
Payment received against long-term receivable	-	9,500
	-----	-----
Net cash inflow from investing activities	129	9,580
<b>Cash outflow from financing activities</b>		
Dividend paid	-	(9,500)
	-----	-----
Net (decrease)/increase in cash and bank balances	(34)	37
Cash and bank balances at January 1	1,185	1,148
	-----	-----
Cash and bank balances at December 31	1,151	1,185
	=====	=====

The annexed notes form an integral part of these accounts.

**Notes to the Accounts****for the year ended December 31, 1997****1. STATUS AND NATURE OF BUSINESS**

The company is incorporated in Pakistan as a private limited company. Until the year 1992, its main business activity had comprised the import, formulation and sale of agricultural pesticides. In 1992 the company entered into an agreement with its holding company, Ciba-Geigy (Pakistan) Limited (CGPL) whereby CGPL acquired all the fixed assets of the company at current market values determined by independent valuers. CGPL also purchased the company's stores and spares, stock-in-trade, loans and advances, deposits, prepayments and other receivables at their book values.

Subsequent to the above acquisition of the company's assets by CGPL the company's business operations have ceased.

**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 based on taxable income at the current rates of taxation after taking into account tax credits available, if any.

2.3 Revenue recognition

Income from bank deposits is accounted for on accrual basis.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

1997	1996	1997	1996
		(Rupees in thousands)	
46,183	46,183		
	ordinary shares of Rs. 100 each fully paid for in cash	4,618	4,618
3,817	3,817		
	ordinary shares of Rs. 100 each issued as fully paid bonus shares	382	382
----- 50,000	----- 50,000	----- 5,000	----- 5,000
=====	=====	=====	=====

Ciba-Geigy (Pakistan) Limited and its nominees held 50,000 (1996: Rs. 50,000) ordinary shares of Rs. 100 each on December 31, 1997.

4. CREDITORS, ACCRUED AND OTHER LIABILITIES

	1997	1996
(Rupees in thousands)		
Accrued liabilities	37	161
Workers' profit participation fund	9	15
Due to Ciba-Geigy (Pakistan) Limited - holding company	69	47
Others	276	276
	----- 391	----- 499
	=====	=====

5. CONTINGENT LIABILITY

In finalising the company's tax assessment for the accounting year ended December 31, 1986, the Deputy Commissioner of Income Tax (DCIT) had added back to the taxable income of the company depreciation expense of Rs. 2.3 million and establishment expenses of Rs. 2.4 million paid to Ciba-Geigy (Pakistan) Limited, the holding company, resulting in an additional tax liability of Rs. 2.5 million. On appeal filed by the company these additions have been set aside by the Commissioner of Income Tax [CIT] (Appeals) for re-examination by the DCIT. The department, however, has filed an appeal before the Income Tax Appellate Tribunal against the decision of the CIT (Appeals).

As the management is confident that decision in the above case will be in favour of the company, no provision has been made in these accounts in respect of the above liability of Rs. 2.5 million.

**6. CASH AND BANK BALANCES**

	1997	1996
	(Rupees in thousands)	
With bank:		
on current account	35	185
on deposit account	1,116	1,000
	-----	-----
	1,151	1,185
	=====	=====

**7. CASH USED IN OPERATIONS**

	1997	1996
	(Rupees in thousands)	
Profit/(Loss) before taxation	93	(42)
Adjustment for non cash charges and other items:		
Interest Income	(131)	(88)
Taxes refundable adjusted against liability of workers' welfare fund	-	1,741
Working capital changes -- note 7.1	(108)	(1,644)
	-----	-----
	(146)	(33)
	=====	=====
7.1 Working capital changes.		
Decrease in creditors, accrued and other liabilities	(108)	(1,644)
	=====	=====