

Wairi Ali Industries Limited
Annual Report 1998

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COMPANY INFORMATION

BOARD OF DIRECTORS
 SYED ANAM ALI Chairman
 SYED TAHAR ALI Managing Director
 SYED WAJID ALI
 SYED SHAHID ALI
 MUBASHIR KHAN
 MUBSHIR M. SHARAF
 SHAMSHAD AHMAD

COMPANY SECRETARY
 A. JAHANNA OHKHI

AUDITORS
 TAJDIB SAHIL KHALID & CO.
 CHARTERED ACCOUNTANTS
 KARACHI

BANKERS
 WAIRI BANK LIMITED
 WELFARE COMMERCIAL BANK LIMITED
 NATIONAL DEVELOPMENT FINANCE CORPORATION
 FAYOM COMMERCIAL BANK LIMITED

REGISTERED OFFICE
 FARSHADIA BUILDING
 M.A. TILDEN ROAD
 KARACHI

FACTORY
 HALL ROAD
 HYDRABAD

NOTICE OF MEETING

NOTICE is hereby given that the 26th Annual General Meeting of the shareholders of Wairi Ali Industries Limited will be held on Wednesday, 23rd December 1998 at 11:00 A.M. at Hotel Grand Luxury, Karachi, to transact the following business:

- A. ORDINARY BUSINESS**
- To receive the minutes of the Annual General Meeting of the company held on 24th December 1997.
 - To receive and adopt the audited Balance Sheet and Profit and Loss Account of the company for the year ended 30th June 1998 together with the directors' and auditors' reports thereon.
 - To declare a dividend.
 - To appoint auditors for the year ending 30th June 1999 and fix their remuneration.
 - To transact any other business with the permission of the Chair.

- B. SPECIAL BUSINESS**
- To ratify the remuneration of Commercial Director who is also a director on Board.

A statement under section 140 of the Companies Ordinance, 1984 pertaining to the special Business is being sent to the members with this notice.

By Order of the Board

(A. JAHANNA OHKHI)

Karachi: 12th October, 1998
 Company Secretary

- The Share Transfer books of the company will remain closed from 16th December 1998 to 23rd December 1998 (both days inclusive).
- A member entitled to attend and vote at the annual general meeting is entitled to appoint another member as proxy to attend and vote instead of him. The instrument appointing proxy must be received at the registered office of the company not less than forty eight hours before the time of the meeting.
- Members are requested not to bring children along with them as the children will not be allowed in the meeting hall.
- Members are requested to notify the change in their address, if any, immediately.

STATEMENT IN REGARD TO SPECIAL BUSINESS
 Remuneration of working director.

The ratification and approval of the members will be required for the remuneration of Commercial Director who is also a director on Board, in accordance with terms and conditions of service with the company and if approved the following resolution be adopted:

"Resolved that the remuneration of the sum of Rs.600,000/- per year effective from 1st February 1998 and the provision of transport, utilities, telephone, leave fare facilities and other benefits incidental or relating to his office in accordance with the Company's Rules from time to time enforce pertaining to Syed Tariq Ali, Commercial Director of the company who is also a director on Board, be and is hereby ratified and approved."

Syed Tariq Ali is interested in this business to the extent of indicated remuneration.

DIRECTORS' REPORT TO THE MEMBERS
 The directors have pleasure in submitting annual report together with the company's audited accounts for the year ended June 30th 1998.

Financial Results

	1998	1997
Profit before taxation	16,369	147
Provision for taxation	(6,510)	(6,888)
	-----	-----
Profit after taxation	(6,581)	(6,841)
	-----	-----
Profit after taxation	10,499	(2,429)
Unappropriated Loss brought forward	(130,761)	(127,273)
	-----	-----
	(119,842)	(130,761)
	-----	-----
APPROPRIATION		
Cash Dividend of 4%	(2,599)	-
	-----	-----
Unappropriated Loss carried forward	(122,461)	(130,761)
	-----	-----

During the year under review your company made a net profit of Rs. 16,369 million as compared to a loss of Rs. 1,429 million last year.

The company had last declared 10% cash dividend in the year 1997 till now the company was not in a position to consider the dividend to their shareholders. However, as this year's results have been relatively better, your directors have recommended a cash dividend of 4% in the year 1998.

The market conditions during the year under review remained difficult on account of frequent price revision, specially affecting premium priced brands. The purchasing power of consumers suffered considerable erosion owing to inflation with trade going towards lower consumption. Last two months of the year 1997-98 were characterized by uncertainty, and lack of confidence triggered due to freezing of foreign currency accounts.

The revenue for the year under review at Rs. 1,105,449 million, was 4,484 lower than Rs. 1,141,894 million in the previous year. The cost of goods sold at Rs. 994,949 million, was 4,404 higher than Rs. 1,065,818 million in the previous year. The gross profit for the year remained Rs. 110,707 million was 10.61% higher than Rs. 98,074 million, 8.26% in the previous year.

The administrative expenses rose by 17,064 from Rs.23,898 million to 28,121 million. The selling expenses lowered by 4,424 from Rs. 51,343 million to 51,697 million. The financial expenses reduced by 5,484 from Rs. 14,190 million to Rs. 18,106 million.

FUTURE PROSPECTS
 The injection of fresh equity by issue of 1008 Right Shares in the year 1997 which was fully subscribed in the year 1998, the company issued, subscribed and paid up capital increased from Rs.25,997 million to 51,975 million. Increased capital has improved company's borrowing ability and cash flow.

The company is actively reorganizing its marketing and sales departments to gear up for higher sales.

INFORMATION TECHNOLOGY
 The directors feel pleasure to inform the shareholders that your company has already made necessary arrangements to cope with any threat of information bug by anticipating the potential disaster year 2000. The conversion of new system will install be completed by the end of the current calendar year.

CHANGE IN THE BOARD OF DIRECTORS
 Syed Waheed Ali resigned from the Board of Directors of the company with effect from 12th October 1998 and in his place Syed Shahid Ali has been co-opted as a Director. Syed Anam Ali resigned as Chief Executive and Managing Director and in his place Syed Tariq Ali has been appointed as the Chief Executive and Managing Director. Syed Anam Ali resigned Syed Waheed Ali, who has resigned as Chairman of the Board.

The Board of Directors recorded the appreciation for the valuable contribution made by Syed Waheed Ali and Syed Anam Ali in the smooth progress of the company in line of difficult economic conditions during their tenure as the Chairman, Chief Executive and Managing Director of the company.

The Board also welcome Syed Tariq Ali as the Chief Executive and Managing Director and Syed Shahid Ali as Director and welcome positive and useful contribution for the furtherance of the company's objectives.

AUDITORS

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 1998

	(Rupiah in '000)	1997
	1998	1997
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	14,369	147
Adjustments for:		
Depreciation	5,759	4,477
Gain on sale of fixed assets	-	(17)
Amortisation of deferred cost	-	7,432
Financial charge	19,504	14,390
Provision for doubtful receivables written off	2,927	6,436
Worker's profit participation fund	862	9
Provision on insurance claim	1244	28
	40,219	32,312
Change in operating assets/liabilities		
(Increase)/decrease in stores and spares	(187)	41
(Increase)/decrease in stock in trade	(58,430)	24,447
Increase/(decrease) in trade debtors - unsecured	9,420	(24,764)
(Increase)/decrease in goods in transit	(14,018)	14,229
Increase/(decrease) in loans and advances	714	(1,843)
(Increase)/decrease in deposits, prepayments and other receivables	(4,854)	5,338
(Increase)/decrease in creditors, accrued expenses and other liabilities	(22,194)	45,311
	(49,537)	79,044
Payments to Worker's Profit Participation fund	(8)	-
Financial charges paid	(13,476)	(19,379)
Long term deposits	144	(244)
Income tax paid	(304)	(1,271)
Net cash (used in)/generated from operating activities	(6,128)	69,056
CASH FLOW FROM INVESTING ACTIVITIES		
Plant capital expenditure	(4,891)	(6,476)
(Increase) in long term loans	194	(24)
Proceeds from sale of fixed assets	205	17
Insurance claim receipts	-	140
Long term deposits	-	(1)
Net cash (used) in investing activities	(4,762)	(6,214)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital	17,317	-
Advance received against issue of rights shares	-	8,475
Payment of finance lease liabilities	-	(249)
Payment of dividend	(3)	(9)
Increase/(decrease) in short term bank borrowings	87,214	(61,137)
Net cash generated from/(used in) financing activities	104,495	(53,910)
Net (decrease)/increase in cash and bank balances	(6,661)	7,844
Cash and bank balances as on 31 July	10,479	2,035
Cash and bank balances as on 30 June	4,817	10,479

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998

1. STATUS AND NATURE OF BUSINESS

1.1 WuXi Biologics (Beijing) Inc. was incorporated as a public limited company under the Companies Act, 1933 (now the Companies Ordinance, 1984) and its shares are listed on the Stock and Exchange Board of Indonesia. The principal activity of the company is the manufacture and sale of biopharmaceuticals. The company remained under the administrative control of WuXi Biologics (Beijing) Private Limited until 18 November 1992, the date of its privatisation under the policy of the Government, through the Privatisation Commission (Ministry of Finance). The new management has acquired the control of WuXi Biologics (Beijing) Private Limited under a sale agreement with "Privatisation Commission" dated 18 October 1992.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention
These accounts have been prepared under the historical cost convention except to the extent that certain fixed assets as stated in note 9, are shown at revalued amounts.

2.2 Retirement Benefits
Provision Fund
The company has instituted an approved defined contributory scheme for all its permanent employees. The scheme is operated by trustees and annual contributions on the basis of the benefits accruing to the employees are transferred to the trust. The company, as per the trust deed has the authority to reduce or regulate its annual contribution to the fund depending upon the income accruing to the fund. Further, the company's annual contribution in respect of any member does not exceed the salary of the member for the last month of the financial year.

The latest actuarial valuation was carried out on 30 June 1997. "Entry Age Normal" method, using the following significant assumptions, has been used for the valuation of the scheme:

Expected rate of increase in salary level: 14% for management employees
13% for non-management employees

Expected rate of return on funds invested: 14% per annum compound

Fair value of the fund's assets and liabilities as on the date of valuation was Rs. 24.414 million and Rs. 14.275 million respectively.

Provident Fund
A recognised provident fund scheme is in operation which covers all permanent employees. Equal contributions are made by the company and the employees.

2.3 Taxation
Current
The charge for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credit and tax rebates.

Deferred
The company accounts for deferred taxation using the liability method on all major timing differences. However, as a matter of prudence, the company does not account for net deferred tax (debit) balance.

2.4 Operating fixed assets
Cost

(a) Fixed assets including all additions are stated at cost or valuation less accumulated depreciation except financial land which is stated at revalued amount. Depreciation is provided on the straight line method at the rates indicated in note 9.

(b) A full year's depreciation is charged on fixed assets capitalised during the year, but no depreciation is charged in the year of disposal.

(c) Gain or loss on disposal of fixed assets if any, is taken to profit and loss account currently.

(d) Normal repairs and maintenance are charged to income as and when incurred.

Leases

(a) Assets subject to finance lease are stated at lower of present value of minimum of lease payments under the lease agreement and the fair value of the assets. The related obligation under the lease are accounted for as liabilities. Depreciation is charged on the straight line method at rate as indicated in note 9 whereby the cost of an asset is written off over its useful life.

(b) The financial charge is calculated at the rate implicit in the lease.

2.5 Capital work-in-progress
Capital work-in-progress is stated at cost. Assets are capitalised as and when they are available for intended use.

2.6 Stores and spares
These are valued at cost determined on a first in first out basis (FIFO).

2.7 Stock-in-trade
Stock of raw materials, packing material, work-in-process and finished goods are valued at lower of cost and net realisable value. By-products are valued at net realisable value.

Cost is determined on first in first out (FIFO) basis except for labour and overheads relating to finished goods which are determined on weighted average basis.

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.

In respect of finished goods and work-in-process, cost includes prime costs and appropriate production overheads.

2.8 Goods in transit
These are stated at invoice value plus other charges incurred thereon.

2.9 Trade Debtors
Receivables and debts, if any are written off, while provisions are made against debts considered doubtful.

2.10 Revenue recognition
Sales are recorded on despatch of goods to the customer.

2.11 Allocation of common expenses
The company, under an agreement, is allocating certain common selling and distribution expenses starting from August 1997 to Hufegor Industries Limited (an associated company).

	Vanaspati (Other and Cooking Oil)	Washing Soap	Total 1998	Total 1997
Balance of finished goods - as on 01 July	21,923	8,023	29,946	31,230
Add: Cost of goods manufactured	18.1 882,325	16,170	898,495	1,064,134
	1,004,248	24,193	1,028,441	1,095,364
Less: Balance of finished goods as on 30 June	27,314	6,184	33,500	29,946
	976,934	18,009	994,943	1,065,418
18.1 Cost of goods manufactured				
Balance as on 01 July	16,406	630	17,036	18,054
Raw material consumed	18.2 792,444	1,940	794,384	817,340
Packing material consumed	18.3 131,094	9	131,097	156,137
Purchase of washing soap	9,481	13,827	23,308	8,271
Salaries, wages and other benefits	12,025	146	12,171	31,546
Fuel and power	24,277	849	25,126	27,036
Repairs and maintenance	863	-	863	979
Rent, rates and taxes	477	-	477	546
Insurance	3,865	-	3,865	4,606
Depreciation	998,624	14,806	1,013,430	1,080,670
Less: Balance as on 30 June	16,199	436	16,635	16,636
	882,325	16,170	898,495	1,064,134

18.2 Raw material consumed - Vanaspati and Cooking Oil

	1998	1997
Balance as on 01 July	8,797	42,249
Add: Purchases	844,563	788,420
	853,360	830,669
Less: Balance as on 30 June	44,005	9,797
	799,355	820,872
Less: Cost allocated to By-product	7,831	15,034
	791,524	805,838

18.3 Packing materials consumed - Vanaspati and Cooking Oil

	1998	1997
Balance as on 01 July	560	1,426
Add: Purchases	131,249	155,277
	131,809	156,703
Less: Balance as on 30 June	834	500
	130,975	156,203

19. ADMINISTRATIVE EXPENSES

	1998	1997
Salaries wages and other benefits	13,119	12,793
Director's remuneration	24 1,680	1,237
Salaries and other benefits	1,680	1,240
Repairs and maintenance	1,052	460
Electricity and gas	294	299
Rent, rates and taxes	1,423	707
Insurance	361	460
Traveling and conveyance	876	813
Entertainment	153	140
Postage, telegrams and telegrams	1,051	1,234
Printing and stationery	475	489
Legal and professional	563	100
Balance carried forward to next page	23,354	19,601

19.1 Directors' remuneration

	1998	1997
Balance brought forward from previous page	23,354	19,601
Advitors' remuneration	18.1 332	4
Advertising	311	291
Electricity and stationery	18.2 30	20
Meeting and Conferences	41	35
Subscription	449	372
Other expenses	34	-
Depreciation	864	791
Reservables written off	2,927	3,036
	28,131	23,839

19.2 The directors and their spouses did not have any interest in share fund.

	1998	1997
Audit fee	60	61
Special audit fee	56	-
Out-of-pocket expenses	17	4
	133	65

20. SELLING AND DISTRIBUTION EXPENSES

	1998	1997
Salaries and other benefits	12,181	7,172
Advertising	16,940	12,188
Sales promotion	4,061	4,413
Repairs and maintenance - vehicles and others	1,995	174
Rent, rate and taxes	851	430
Traveling and conveyance	18,834	18,128
Postage, telegrams and telegrams	4,489	3,032
Entertainment	120	197
Insurance	180	150
Printing, telegrams and telegrams	1,116	1,789
Subscription	480	170
Printing and stationery	1,044	447
Gas and electricity charges	233	89
Depreciation	1,050	619
Meeting and conferences	277	164
Service charges	-	1,264
Others	198	28
	41,634	52,943
Less: Common expenses transferred to Sulfagar Industries Limited.	2.11 (10,239)	-
	31,395	52,943

21. FINANCIAL EXPENSES

	1998	1997
Mark-up on short term bank financing	17,768	15,028
Bank charges and commission	1,748	497
Refuse duty	-	876
Finance charges on finance lease	-	12
	19,516	16,613

22. OTHER INCOME

	1998	1997
Gain on insurance claims/realisation of fixed assets	184	37
Gain of scrap gas	587	1,390
Rent	257	140
Miscellaneous	740	1,279
Mark-up/return from: - Associated undertakings	-	20
- Employees' loans	-	20
	-	47
Exchange gain	-	1,608
	1,768	4,044

23. TRANSACTIONS WITH ASSOCIATED COMPANIES

	1998	1997
Purchases	13,827	16,491
Share	8,075	10,022
Mark-up charged	-	40
Premium paid	2,127	1,876

