

## **NATIONAL FOODS (PVT) LIMITED**

**ANNUAL REPORT 1997**

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### **Board of Directors**

MR. A. MAJEED	Chairman
MR. WAQAR HASAN	Managing Director
	Chief Executive
MR. KHAWAR M. BUTT	Director
MR. ABRAR HASAN	Director
MR. SIRAJUDDIN AHMAD	Director (I.C.P. Nominee)
MR. ZAHID MAJEED	Director
MS. JAMILA WAQAR	Director
MS. M. E. MAJEED	Director
MR. HABIB A. ISMAIL KHAIRANI	Company Secretary

### **REGISTERED OFFICE**

12/CL-6, Claremont Road, Civil Lines, Karachi-75530.  
Phones: 515564, 515740, 515981, 5662687  
P.O. Box No. 15509 Fax No. 5684870  
Tlx: 20191 CATEL PK.

### **AUDITORS**

Riaz Ahmad, Saqib, Gohar & Company  
Chartered Accountants,  
5-Nasim Cooperative Housing Society Ltd,  
Major Nazir Bhatti Road,  
Off Shahid-e-Millat Road,  
Karachi.  
Phones: 4945427 - 4946112

Fax: 4932629

**REGISTRAR**

Noble Computer Services (Pvt.) Limited  
1st Floor, AI-Manzoor Building,  
Dr. Ziauddin Ahmad Road, Karachi.  
Phones: 2635511-14

**BANKERS**

Muslim Commercial Bank Limited,  
Clifton Corporate Branch,  
Kulsom Court, Clifton, Karachi.  
Phones: 5872286 - 5831835  
Fax :5872058

Bank Al-Habib Limited  
Mackvolk Building,  
I. I. Chundrigar Road, Karachi.  
Phones: 2412986 (10 lines)  
Fax : 2419752

**Notice of Meeting**

Notice is hereby given that the 26th Annual General Meeting of National Foods Limited will be held at the Registered Office situated at 12/CL-6, Claremont Road, Civil Lines Karachi, on Saturday th *FOOD* business:

1. To read and confirm the minutes of the Last Annual General Meeting held on 22nd December 1996.
2. To Receive, consider and approve the Audited Accounts for the year ended 30th June 1997.
3. To Approve issue of bonus shares @ 12.5% to such shareholders whose names appear on the members' book on 27th December 1997.
4. To elect Directors for a period of 3 years. The Board of Directors has fixed number of Directors to be elected as 7 (seven) excluding any director(s) nominated by Development Financial Institutions.. Following are the retiring directors who are also eligible to offer themselves for re-election:

- Mr. A. Majeed
- Mr. Waqar Hasan

- Mr. Khawar M. Butt
  
- Mr. Abrar Hasan
  
- Mr. Zahid Majeed
  
- Ms. Jamila Waqar
  
- Ms. M. E. Majeed

Any person who seeks to contest the election of directors may file his (her) consent to the company in accordance with Companies Ordinance, 1984.

5. To appoint Auditors for the year 1997-1998 and fix their remuneration. The present auditors Messrs. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants retire, being eligible, have offered themselves for re-appointment as Auditors.

**Special Business:**

6. To approve the remuneration payable to the full time working Directors of the Company.

7. To transact any other business with the permission of the Chairman.

**NOTES:**

1. The share transfer books of the Company will remain closed from 20th December 1997 to 27th December 1997. (Both days inclusive).

2. All members are entitled to attend and vote at the meeting.

3. A member entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote for him/her. A proxy needs to be a member of Company.

4. In order to be valid, an instrument of proxy and the power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

5. Shareholders are requested to notify immediately, any change in their Registered address.

6. Statement under section 160 of the Companies Ordinance 1984 pertaining to the

Special Business are being sent to the shareholders with this Notice.

**STATEMENT OF MATERIAL FACTS UNDER SECTION 160 OF THE COMPANIES ORDINANCE 1984.**

To pass the following special resolutions with or without modification:

The Company requires the approval of the shareholders of the remuneration payable to the Chief Executive and Directors of the Company. For this purpose, it is intended to pass the following Resolutions:-

"RESOLVED THAT the company hereby approves and authorizes the payment consisting of salary and allowances to the Directors, namely Messrs. Waqar Hasan. A. Majeed, Abrar Hasan, Zahid Majeed and Mrs. Jamila Waqar, not exceeding Rs. 2,242,800/= (Rupees twenty two lacs fourty two thousands eight hundred only) per annum exclusive of perquisites, bonus and retirement benefits paid in accordance with the Company's policy.

ALSO RESOLVED THAT the Chief Executive of the Company be and is hereby authorized to increase the above remuneration in future not exceeding 20% per annum.

FURTHER RESOLVED THAT in the event of any of the aforesaid offices falling vacant, the approval hereby given shall equally applicable to any other person appointed to fill such vacancy."

**Chairman's Review**

**Moving Towards HI-TECH and Value Addition**

National Foods Limited., like other Companies in Pakistan is passing through a phase of restructuring. The year under review has many bright features such as:

(a) Quality Standards throughout have improved.

(b) The new Pickle Plant went into production and our pickles are rated in top bracket locally as well as in export markets. Further improvements in storage and preparatory methods are under study which will yield better profitability by reducing wastage of materials and efficient use of space available.

(c) The new Processing Plant to produce Wet Products such as Tomato Ketchup, Pastes Table & Cooking sauces has just gone into production and the first launch of Tomato Ketchup is underway. This will open up new avenues to bring into the market INNOVATIVE Products. We hope that new range of products will enhance Company's Profitability.

(d) Human Resource department is in place and working, Each and every job is being defined, Scales are being fixed, Training and Development Programs are underway. Hopefully new talents will be attracted which will help the Company to move forward into the next millennium.

On Financial side the Company is actively engaged to devise ways for efficient use of Resources, some Results are reflected in the Balance Sheet. The prominent features are:

1. PICIC Long Terms Loan has been fully paid. The Company is availing the Leasing Facilities for capital expenditures where needed.
2. Export Re-Finance Limit has increased from 21.4 millions to 28.5 millions which will reduce the cost of finances.
3. There has been a net increase of 15.580 millions in the Fixed Assets through self financing and 2,393 millions through leasing.
4. Inventory Control has improved.

Sales Tax Rates revised from 15% to 18% with effect from 1st. July 1996, in the Federal Budget. In addition to this few more products previously exempt from Sales Tax were included in the Tax Bracket. Although the present Government reduced the Sales Tax Rates from 18% to 12.5% from the month April 1997, however, the adverse impact of almost 7.2 millions for the first 9 months, is reflected in the results for the year under report.

Despite our entire efforts, we have not been able to check increase in costs of infrastructures, utilities, promotional and payroll costs etc. Unfortunately we have to live with these Inflationary fluctuations, we can only minimize the effects by increasing efficiency.

The Net Sale has increased by 17.2% only which is one of the lowest for many years but fortunately we are able to maintain the Gross Profit. The young and energetic management must be complemented for preparing the company to face future challenges and moving fast towards new innovative products.

### **Managing Director's Write Up for Annual Report 1996-97**

It gives me great pleasure to present the audited results of National Foods Limited for the year 1996-97

### **RESULTS AND PERFORMANCE**

A summary of the key financial indicators along with the profit and appropriations are presented below:-

#### PROFIT AND APPROPRIATIONS

	1997	1996
Profit after taxation	8,463,413	7,790,939
Un-appropriated profit	18,845,139	17,027,728
	-----	-----
	27,308,552	24,818,667
<b>Appropriations:</b>		
Proposed Cash Dividend	-	2,986,764
Reserve for issue of Bonus Shares	4,106,800	2,986,764
	-----	-----
	4,106,800	5,973,528
	-----	-----
	23,201,752	18,845,139
	=====	=====

#### BONUS

The company has generated a profit of Rs.8,463,413 after tax and after adding to the un-appropriated Profit of Rs. 18,845,139 brought forward from last year, the Board of Directors have announced 12.5% Bonus Shares to be issued in the ratios of 125 Bonus Shares for every 1000 Ordinary Shares held by the members whose names appear in the members register on 27-12-1997.

#### PERFORMANCE

NFL has registered a growth of 17.17% and the profit registered has increased from last year at a rate of 2.97% before tax.

The reason of this somewhat stagnant performance has been mostly attributed to the rampant growth in inflation that had persisted in the market with the then present government. The major increase has been witnessed in the material inputs like Raw Material and

Packaging material. Adjust-  
ment for this haphazard  
inflationary trend was  
accounted for through price  
increase, control of input  
costs and wastage control  
exercises. Also work on making the organization lean and efficient is underway.  
However due to the above mentioned factor, the growth in profit could not be sustained.  
overall the trend has 'dissipated to an extent and expenses have been controlled.  
Inflationary prices were responsible for the slow growth of the company compared to  
last year. The market witnessed a decrease in consumer spending due to this factor  
and people switched over to the unbranded Market to maximize their spending on  
household items.

Further, due to liquidity  
crunch that prevailed during  
the period, the shopkeeper  
witnessed less buying  
strength, which forced the  
distributors to keep the stocks  
at minimum at their  
warehouses.

On the other hand, efforts  
to increase exports were  
fruitful and we registered a  
growth of 92.95%. Our primary  
efforts were to establish a  
distribution network with the  
help of our present distributors  
in the various parts of the  
world, To an extent,  
performance has greatly improved in the Middle East and North American markets.

As far as bulk exports are concerned, Red Chillies continued to be a problem. The  
government, however in the latter part of the year allowed Exports of Red Chillies once  
again. However, due to extremely low prices offered by the Indians in the global  
market, their domination still continues and no favourable outcome can be expected  
till the local market prices come down. However, we still managed to export two  
containers of Red Chillies in the last quarter of the year to our bulk customers in the North  
American market.

Salt and Pickles continue to be leading brands in the market today and have shown  
a steady growth over a last couple of years. Recipe range is also one of the fastest

growing categories at this time and the growth rate is being sustained.

#### **OUTLOOK FOR THE FUTURE**

Due to stagnant growth in plain spices, it has become evident that a move has to be made towards more value added products. In this regard, the new range of Ketchup has been launched in November 1997. This launch comprises of 3 varieties in consumer bottles, one variety in the economy bottle and also a bulk catering pack for the food services. Expansion and step-up of plant in this regard is also complete.

By start of ketchup or wet based products, NFL will become well placed in the market to launch other similar products.

#### **AUDITORS**

The present auditors M/s. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants retire, being eligible for re-appointment, have offered themselves, for re-appointment as auditors for the year 1997-1998.

#### **PATTERN OF SHARE HOLDING**

The Pattern of Share Holding as referred by Section 236 of the Companies Ordinance 1984, is enclosed.

#### **MANAGEMENT**

Special thanks and appreciation to the marketing and operations staff of National Foods is due. They have worked very hard to keep the company stable during the tough economic conditions. This was possible through their coherent ability to work as a team and generate effective and efficient results. They must be congratulated for a job well done.

### **NATIONAL FOODS LIMITED**

#### **RATIO ANALYSIS**

	1993	1994	1995	1996	1997
<b>LIQUIDITY RATIOS</b>					
Current Ratio	1.21	1.24	1.07	1.02	1.01
Acid Test Ratio	0.60	0.60	0.39	0.25	0.28
Super Quick Ratio	0.18	0.15	0.11	0.11	0.10
<b>GEARING RATIOS</b>					
Gearing Ratio	6.30%	4.84%	3.77%	5.11%	4.41%
Debt / Equity Ratio	6.72%	5.09%	3.92%	5.39%	4.61%
Interest Cover	307.60%	339.34%	332.77%	227.76%	228.07%
<b>OPERATING RATIOS</b>					



Return On Capital Employed	18.50%	25.76%	26.41%	27.41%	24.55%
Return On Shareholder's Equity	13.96%	15.71%	18.74%	13.48%	12.77%
Gross Profit- Margin	20.85%	23.4t%	20.21%	20.15%	20.20%
Operating Profit	7.67%	9.79%	8.59%	6.27%	6.15%
Net Profit Margin	3.25%	3.57%	3.56%	2.31%	2.14%
<b>TURNOVER RATIO</b>					
Asset Turnover	1.99	1.91	1.99	2.07	2.31
Invested Capital Turnover	4.02	4.19	5.07	5.54	5.70
Equity Turnover	4.29	4.40	5.26	5.83	5.96
Capital Intensity	5.20	5.95	5.76	5.83	6.09
Receivable Days	39.69	46.78	31.18	15.32	17.61
Days Inventory	70.89	87.46	95.07	106.08	85.05
Inventory Turnover	5.15	4.17	3.84	3.44	4.29
Working Capital Turnover	18.83	14.50	44.36	143.76	502.89
<b>OPERATING EXPENSES (% OF SALES)</b>					
Admin.	4.51%	3.99%	3.63%	3.49%	3.49%
Selling	11.54%	13.00%	11.15%	11.54%	12.20%
Financial	1.86%	2.14%	1.85%	2.37%	2.07%
<b>COST</b>					
Materials	83.02%	83.62%	84.87%	84.80%	84.94%
Direct Labor	3.70%	4.43%	4.65%	4.93%	4.59%
Overheads	13.28%	11.95%	10.48%	10.27%	10.47%
Admin.	21.61%	17.04%	17.95%	17.33%	17.25%
Selling	55.35%	55.55%	55.14%	57.29%	60.42%
Financial	8.92%	9.16%	9.17%	11.74%	10.27%
Earnings Per Share	2.62	3.18	3.66	2.61	2.58

## Auditors' Report to the Members

We have audited the annexed balance sheet of National Foods Limited as at 30 June, 1997 and the related profit and loss account and the 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, investment 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 the 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 30 June 1997 and of the profit for the year then ended; and

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

**RIAZ AHMAD, SADIQ, GOHAR & CO.**

CHARTERED ACCOUNTANTS

Karachi: 22nd Nov 1997

### **Balance Sheet as at 30th June 1997**

	NOTE	1997 Rupees	1996 Rupees
<b>CAPITAL AND LIABILITIES</b>			
<b>Capital and reserve</b>			
Authorised Capital 5,000,000 (1996: 5,000,000) Ordinary Shares of Rs.10/- each		50,000,000 =====	50,000,000 =====
Issued, Subscribed and Paid-up Capital	2	32,854,400	29,867,640
Capital Reserve - Share Premium		6,102,100	6,102,100
Reserve for Issue of Bonus shares		4,106,800	2,986,764
Unappropriated Profit		23,201,752	18,845,139

		-----	-----
		66,265,052	57,801,643
<b>Long Term liabilities - Secured</b>			
Long term loans	3	-	3,332,681
Liabilities against assets subject finance lease	4	1,605,027	1,330,141
Deferred Tax		1,450,000	1,450,000
		-----	-----
		3,055,027	3,113,409
<b>Current Liabilities and Provision</b>			
Current portion of long term liabilities	5	2,041,893	1,558,580
Finances utilized under mark-up arrangements - Secured	6	65,928,944	61,674,985
Creditors, accrued & other liabilities	7	33,430,005	35,412,368
Proposed dividend		-	2,986,764
		-----	-----
		101,400,842	101,632,697
Contingencies Commitments	8	-	-
		-----	-----
		170,720,921	162,547,749
		=====	=====

The annexed notes form an integral part of these accounts.

#### PROPERTY AND ASSETS

##### Fixed Capital Expenditure

Fixed assets	9	53,253,413	44,007,001
Assets subject to finance lease	10	4,563,012	2,873,428
Capital work-in-progress	11	7,094,511	10,970,239
		-----	-----
		64,910,936	57,850,668
Long Term Deposits		823,496	718,851
<b>Deferred Expenditure</b>	12	2,800,000	-
<b>Current Assets</b>			
Stock-in-trade	13	73,462,638	78,251,712
Trade debts - Unsecured - Considered good		19,057,254	14,154,820

Advances, deposits, prepayments, and

other receivables	14	8,974,134	10,507,876
Cash and bank balances	15	692,463	1,063,822
		-----	-----
		102,186,489	103,978,230
		-----	-----
		170,720,921	162,547,749
		=====	=====

### Profit and Loss Account

For the year ended 30th June 1997

	NOTE	1997 Rupees	1996 Rupees
Sales	16	395,094,052	337,202,404
Less: Cost of sales	17	315,279,604	269,257,624
		-----	-----
Gross profit		79,814,448	67,944,780
Less: Administrative expenses	18	13,771,521	11,772,599
Selling and distribution expenses	19	48,220,661	38,923,752
Financial expenses	20	8,193,848	7,976,678
Workers' profit participation Fund		481,421	551,000
Workers' welfare fund		325,226	-
		-----	-----
		70,992,677	59,224,029
		-----	-----
Operating Profit		8,821,771	8,720,751
Add: Other income	21	1,672,078	1,470,188
		-----	-----
Profit before taxation		10,493,849	10,190,939
Taxation	22	2,030,436	2,400,000
		-----	-----
Profit after taxation		8,463,413	7,790,939
Add: Unappropriated profit brought forward from pervious year		18,845,139	17,027,728
		-----	-----
Profit available for appropriation		27,308,552	24,818,667
<b>APPROPRIATION:</b>			
Proposed cash dividend (1996: 10%)		-	2,986,764
Reserve for Issue of Bonus Share (1996:10%)		4,106,800	2,986,764
		-----	-----

	4,106,800	5,973,528
Unappropriated profit carried forward to balance sheet	----- 23,201,752 =====	----- 18,845,139 =====

The annexed notes form an integral part of these accounts.

**Statement of Changes in Financial Position (cash Flow Statement  
For the year ended 30th June 1997**

	1997 Rupees	1996 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	10,493,849	10,190,939
Adjustments for non cash charges and other items	-----	-----
Depreciation	7,037,602	5,838,804
Amortization of leased assets	773,441	528,982
Profit on sale of fixed assets	(407,657)	(333,689)
Financial charges	8,193,848	7,976,678
	-----	-----
	15,597,234	14,010,775
	-----	-----
Operating profit before working capital changes	26,091,083	24,201,714
<b>(Increase) / decrease in current assets</b>		
Stock in trade	4,789,074	(20,283,191)
Trade debts	(4,902,434)	9,675,225
Advances, deposits, prepayments and other receivable	2,060,803	(1,382,644)
	-----	-----
	1,947,443	(11,990,610)
<b>Decrease in current liabilities</b>		
Creditors accrued and other liabilities	(157,670)	(1,938,945)
	-----	-----
	27,880,856	10,272,159
Financial charge paid	(10,254,526)	(6,944,625)
Taxation paid	(2,557,497)	(2,627,966)
	-----	-----
	(12,812,023)	(9,572,591)
	-----	-----
<b>Net cash from operating activities</b>	15,068,833	699,568
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		

Capital expenditure	(12,980,365)	(13,278,893)
Sale proceeds of fixed assets	1,260,536	1,214,739
Long term deposits	(104,645)	(353,120)
Finance leased assets	(2,743,825)	(3,402,410)
Deferred expenses	(2,800,000)	-
	-----	-----
Net cash used in Investing activities	(17,368,299)	(15,819,684)
	-----	-----
	(2,299,466)	(15,120,116)

**CASH FLOW FROM FINANCING ACTIVITIES**

Repayment of long term loan	(484,268)	(273,000)
Dividend paid including fraction of bonus shares	(2,750,783)	(2,633,650)
Proceed from finance lease	909,199	2,737,721
	-----	-----
Net cash used in financing activities	(2,325,852)	(168,929)
	-----	-----
Net decrease in cash & cash equivalent	(4,625,318)	(15,289,045)
Cash & cash equivalent at the beginning of the year	(60,611,163)	(45,322,118)
	-----	-----
Cash & cash equivalent at the end of the year	(65,236,481)	(60,611,163)
	=====	=====

**CASH & CASH EQUIVALENTS**

Cash & bank balance	692,463	1,063,822
Finance utilized under mark-up arrangements	(65,928,944)	(61,674,985)
	-----	-----
	(65,236,481)	(60,611,163)
	=====	=====

The annexed notes form an integral part of these accounts.

**Notes to the Accounts****For the year ended 30th June 1997****1. ACCOUNTING POLICIES****1.1 Accounting Convention**

These accounts have been prepared on historical cost convention without taking into account the effect of inflation or current cost.

**1.2 Taxation**

The provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax rebates and credits.

The company provides for deferred taxation, if any, using the liability method. However, no provision is made if it is estimated that this would not reverse in the foreseeable future.

### **1.3 Staff Retirement Benefits**

The company operates a funded gratuity scheme covering all permanent employees and is calculated on the basis of 30 days of the last drawn salary and length of service of the employees as against 20 days in the previous years. Provision to cover this obligation is made annually.

The company also operates a funded provident scheme, covering all permanent employees. Monthly contribution is made at the rate of 5 percent of the pay of employees to the fund.

### **1.4 Fixed Assets and Depreciation**

All fixed assets except lease hold lands and capital work-in-progress are stated at written down value which is arrived at by deducting accumulated depreciation from cost. Lease hold lands and capital work-in-progress are stated at cost. Cost in relation to certain fixed assets signifies historical cost and cost of borrowing during construction period in respect of loans taken for specific project.

Depreciation is charged on reducing balance method whereby the cost of asset is written off over its expected useful life. Maintenance and normal repairs are charged to income. Major renewals and replacement are capitalised and the assets so replaced, if any, are retired. Full year's depreciation is charged on assets acquired during the year whereas no depreciation is charged on assets deleted. Gains and losses on disposal of assets are included in income currently.

### **1.5 Assets subject to finance Lease**

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under finance lease are amortized over the useful life of the asset on a reducing balance method at the rates given in the relevant note. Amortization of leased assets is charged to current year's income

**1.6 Stock-in- Trade**

Raw materials, work-in-progress and packing materials are valued at average cost whereas finished goods are valued at lower of cost and net realisable value. Appropriate manufacturing overheads are included in the cost of finished goods. Goods-in-transit are stated at cost.

**1.7 Foreign Currency Translation**

Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the balance sheet date. The resulting gains and losses are charged to current year's income.

**1.8 Revenue Recognition**

Revenue is recognised on the basis of sales which are recorded at the time of despatch of goods. Returns are booked as and when advised. Goods are sold subject to reservation of title, as is customary in this trade.

	1997 Rupees	1996 Rupees
<b>2. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
1,255,990 (1996: 1,255,990) Ordinary Shares of Rs. 10/- each fully paid in cash	12,559,900	12,559,900
2,029,450 (1996: 1,730,774) Ordinary Shares of Rs. 10/- each issued as fully paid bonus shares	20,294,500	17,307,740
	-----	-----
	32,854,400	29,867,640
	=====	=====
<b>3. LONG TERM LOANS - SECURED</b>		
<b>Pakistan Industrial Credit and Investment Corporation Limited</b>		
Foreign Currency Loan	3.1	-
Less: Installments due within one year shown under current portion of long term loans		484,268
		-
		151,000
		-----
		-
		333,268
		=====
<b>3.1 Foreign Currency Loan</b>		
Opening Balance	333,268	625,268
Less: Paid during the year	333,268	141,000



-----	-----
-	484,268
=====	=====

This represents liability in respect of machinery acquired under financing arrangement with PICIC and is repayable in sixteen biannually instalments with mark-up @ 14% per annum including 3% exchange fluctuation coverage fee. It is secured against the hypothecation of plant & machinery and floating charges on other assets of the company and a Demand Promissory Note.

**4. LIABILITIES AGAINST ASSETS  
SUBJECT TO FINANCE LEASE**

Present value of minimum lease rental payments	3,646,920	2,737,721
Less: Current portion shown under current liabilities	2,041,893	1,407,580
	-----	-----
	1,605,027	1,330,141
	=====	=====

<b>1997</b>	<b>1996</b>
<b>Rupees</b>	<b>Rupees</b>

**5. CURRENT PORTION OF  
LONG TERM LOANS**

Long term loan	-	151,000
Liabilities against assets subject to finance lease	2,041,893	1,407,580
	-----	-----
	2,041,893	1,558,580
	=====	=====

**6. FINANCES UTILIZED UNDER MARK-UP  
ARRANGEMENTS - SECURED**

*Muslim Commercial Bank Limited*

Export: refinance	6.1	28,260,000	21,400,000
Running finance	6.2	16,063,424	14,201,372
		-----	-----
		44,323,424	35,601,372

*Bank Al Habib Limited*

Running finance	6.3	21,605,520	26,073,613
		-----	-----
		65,928,944	61,674,985

=====

	<b>LIMIT</b> <b>Rupees</b>	<b>EXPIRY</b>	<b>RATE OF</b> <b>MARK-UP</b>	<b>SECURITY</b>
6.1	28,500,000 (1996: 21,400,000)	30 Sep 1997	13% per annum on daily product basis.	(i) Banks lien on export L/Cs contract and hypothecation of stock.  (ii) Collaterally secured against property mentioned in note 6,2 below,
6.2	17,700,000 (1996:17,720,000)	30 Sep 1997	45 paisa per Rs. 1,000 on daily product basis.	(i) Hypothecation of raw, packing materials and finished goods, Equitable mortgage of factory premises valued at Rs.8.6 million. First charge on fixed and current assets for Rs. 4.500 million, Registered charge of Rs. 50 million with Registrar, Joint Stock Companies,
6.3	22,000,000 (1996: 27,000,000)	31 Oct. 1997	in between 14 % and 17.52 % on daily product basis.	(i) Hypothecation of movables & book debts,  (ii) Demand Promissory note and personal guarantees of the directors of the company.

	<b>1997</b> <b>Rupees</b>	<b>1996</b> <b>Rupees</b>
--	------------------------------	------------------------------

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

Creditors	12,772,311	17,444,231
Accrued expenses	3,730,997	1,680,037
Advance from customers	3,247,930	1,630,020
Mark-up accrued on secured loans	25,237	2,087,415
Unclaimed dividend	486,029	250,044
Due to associated undertakings	366,181	35,048
Due to directors	12,884	39,172
Payable to contractors	-	215,600
Due to gratuity trust	7,795,696	7,333,509
Payable to employees provident trust	81,338	27,013
Sales tax payable	1,015,651	320,268
Workers' welfare fund	575,891	250,665
Workers' profit participation fund	7.1 536,579	604,609
Other liabilities	2,783,281	3,494,737

-----	-----
33,430,005	35,412,368
=====	=====

**7.1 Workers' Profit Participation Fund**

	1997 Rupees	1996 Rupees
Opening balance	604,609	687,226
Allocation for the year	481,421	551,000
	-----	-----
	1,086,030	1,238,226
Interest on funds utilized in company's business	35,000	33,500
Payment to beneficiaries	(584,451)	(667,117)
	-----	-----
	536,579	604,609
	=====	=====

**8. CONTINGENCIES AND COMMITMENTS**

There were no capital commitment and contingent liability as at 30 June 1997  
(1996: Rs. Nil).

**9. FIXED ASSETS**

PARTICULARS	COST			RATE	DEPRECIATION			Written Down value as at 30 June 1997
	As on 1 July 1996	Additions/ (Deletions) During the Year	As at 30 June 1997		As on 1 July 1996 (Adjustment)	Charge for the Year	As at 30 June 1997	
	Rupees	Rupees	Rupees		%	Rupees	Rupees	
Lease hold Land	1,450,235	-	1,450,235	-	-	-	1,450,235	
Buildings on Leasehold Land	17,100,139	8,297,226	25,397,365	10	8,105,192	1,729,217	9,834,409	15,562,956
Plant, Machinery, Equipments & Generators	30,795,500	2,489,340	33,284,840	10	12,416,746	2,086,809	14,503,555	18,781,285
Office and other Equipments	11,035,126	2,330,909	13,356,035	15	5,187,290	1,226,146	6,407,873	6,948,162

		(10,000)			(5,563)			
Laboratory Equipments	921,366	162,450	1,083,816	10	261,465	82,235	343,700	740,116
Motor Vehicles	9,249,017	2,773,685 (1,265,625)	10,757,077	20	4,006,964 (697,983)	1,489,619	4,798,600	5,958,477
Furniture and Fixtures	4,734,310	802,483	5,536,793	10	1,301,035	423,576	1,724,611	3,812,182
Total 1996:	67,452,458	9,651,470 (1,818,235)	75,285,693		26,377,073 (937,185)	5,838,804	31,278,692	44,007,001

**9.1 Depreciation has been allocated as follows:**

	1997 Rupees	1996 Rupees
Cost of sales	4,739,382	3,798,676
Administrative expenses	1,149,110	1,020,064
Selling and distribution expense	1,149,110	1,020,064
	-----	-----
	7,037,602	5,838,804
	=====	=====

**9.2 Disposal of Fixed Assets**

Particulars	Cost	Accumulated Depreciation	Book Value	Sold for	Profit (Loss)	Mode of Disposal
	Rs.	Rs.	Rs.	Rs.	Rs.	
<b>Motor Vehicles</b>						
Yamaha 100 cc Reg. No. MNO- 4994 Sold to Mr, Ahmer Ajaz EX-38/2 Madni ST-I Near Siddiga Masjid New Gulgusht Colony Multan.	28,000	20,660	7,340	18,960	11,620	Company Scheme
Honda CD 70 cc Reg. No, LDF- 5751 Sold to Mr. Malik Mohammad Shoaib						

H. No. 1174St. 12/B Makkah Colony Gulberg-III, Lahore	27,350	20,180	7,170	17,260	10,090	Company Scheme
Suzuki Swift Reg No, E - 7858 Sold to Ms Rukhsana Perveen C-78, 9th Badar Comm. St. D.H.A, Karachi	205,000	177,486	27,514	115,000	87,486	By Negotiation
Yamaha 100 cc Reg. No. KCM- 5083 Sold to Mr. Khalid Hashmi H.No. 732/14 F.B. Area, Karachi	29,000	19,498	9,502	19,251	9,749	Company Scheme
Yamaha 100 cc Reg. No, LOG- 2817 Sold to Mr, Malik Ajmal Khan H. No. E-141/9 Gali No.3 Qadir Colony Walton Road Lahore.	30,000	20,170	9,830	19,915	10,085	Company Scheme
Yamaha 100 cc Reg. No. KCS- 6042 Sold to Mr. Nasir Ahmed H.No, L-525 Sector 5C/2 North Karachi	32,500	21,850	10,650	10,650		-Company Scheme
Honda CD 70 cc Reg. No. KAK- 8738 Claim E.F.U. General Insurance Ltd.	39,000	19,032	19,968	47,000	27,032	Insurance Claim

<b>Particulars</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>	<b>Said for</b>	<b>Profit (Loss)</b>	<b>Mode of Disposal</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
Honda CD 70 cc Reg. No, KCK- 5279 Claim E.F.U, General Insurance Ltd.	40,500	19,764	20,736	48,500	27,764	Insurance Claim
Honda CD 70 cc						

Reg. No. KCV- 2552 Claim E.F.U, General Insurance Ltd,	50,800	18,288	32,512	51,000	18,488	insurance Claim
Suzuki Pickup						
Reg. No. KB-0225 Said to M/s. Riaz Motors Shahrah-e-Quaideen Karachi	106,500	88,633	17,867	32,000	14,133	By Negotiation
Diahatsu Charade						
Reg. No. C - 6695 Said to Dr. Arjumand Bono 64/C/7 D.C.H.S. Karachi	100,475	94,952	5,523	25,000	19,477	By Negotiation
Yamaha 100 cc						
Reg. No. Lax-5496 Claim E.F.U. General Insurance Ltd.	51,500	10,300	41,200	52,000	10,800	Insurance Claim
Diahutsu Charade						
Reg, No, T- 1946 Said to Mrs. Mohsina Hafiz 149-B Block 5 Karachi Administration Society Karachi	140,000	28,000	112,000	115,000	3,000	By Negotiation
Suzuki Khyber						
Reg. No, T- 7572 Said to Major Wasif All Mahmud 9-B 3rd North Street Defence Phase ~, Karachi.	207,000	139,170	67,830	130,000	62,170	By negotiation
Yamaha 100 cc						
Reg. No. KCC- 235 Claim E.F.U. General Insurance Ltd.	58,000	-	58,000	58,000		-insurance Claim
Honda CD 70 cc						
Reg No. KCC * 993 Claim E.F.U, General Insurance Ltd,	59,000	-	59,000	60,000	1,000	Insurance Claim
Honda CD 70 cc						
Reg. No. KCC- 4475 Claim E.F.U. General Insurance Ltd.	61,000	-	61,000	61,000		-Insurance Clam
Car Airconditioner						

Disposed with car

Reg. No. C - 6695

10,000	5,563	4,437	5,000	563	By Negotiation
-----	-----	-----	-----	-----	
1,275,625	703,546	572,079	885,536	313,457	
=====	=====	=====	=====	=====	

**10. ASSETS SUBJECT TO FINANCE LEASE**

	COST			RATE	DEPRECIATION			Written Down value as at 30 June 1997
	As on 1 July 1996	Additions/ (Deletions) During the Year	As at 30 June 1997		As on 1 July 1996	Charge for the Year	As at 30 June 1997	
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees
<i>Machinery</i>	1,515,000	1,575,000	3,090,000	10	151,500	293,850	445,350	2,644,650
Motor Vehicles	1,887,410	1,168,825 (351,000)	2,705,235	20	377,482 (70,200)	479,591	786,873	1,918,362
Total 1997:	3,402,410	2,743,825 (351,000)	5,795,235		528,982 (70,200)	773,441	1,232,223	4,563,012
Total 1996:	-	3,402,410	3,402,410	30	-	528,982	528,982	2,873,428
	=====	=====	=====	=====	=====	=====	=====	=====

**10. 1 The amortization has been allocated as follow:**

	1997 Rupees	1996 Rupees
Cost of sales	506,896	324,782
Administrative expenses	149,395	134,200
Selling and distribution expense	117,150	70,000
	-----	-----
	773,441	528,982
	=====	=====

**10.2 Disposal of Leased Assets**

Particulars	Cost	Accumulated Depreciation	Book Value	Sold for	Profit /(Loss)	Mode of Disposal
	Rs.	Rs.		Rs.	Rs.	

Suzuki Khyber (Lease)

Reg. No, AB-6706

Claim E.F.U. General

Insurance Ltd.

351,000	70,200	280,800	375,000	94,200	Insurance Claim
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**11. CAPITAL WORK-IN-PROGRESS**

Building	6,537,792	9,338,793
Plant & Machinery	556,719	1,631,446
	-----	-----
	7,094,511	10,970,239
	=====	=====

**12. DEFERRED EXPENDITURE:**

Gratuity	1,800,000	-
Advertisement	1,000,000	-
	-----	-----
	2,800,000	-
	=====	=====

12.1 Gratuity have been provided on the basis of last drawn salary and length of services of employees and calculated on 30 days per annum basis.

**13. STOCK IN TRADE**

Raw materials	16,286,468	8,964,390
Work in process	31,769,675	31,701,448
Finished goods	11,468,939	15,085,404
Packing material	12,362,042	18,241,802
Goods in transit	1,575,514	4,258,668
	-----	-----
	73,462,638	78,251,712
	=====	=====

	<b>1997</b>	<b>1996</b>
	<b>Rupees</b>	<b>Rupees</b>

**14. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Advance

Staff -- Considered good	2,977,440	3,400,756
Income tax	2,070,296	1,543,235
Sales tax	-	33,132
Others -- Considered good	1,423,076	2,799,194



		-----	-----
		6,470,812	7,776,317
Prepayments		360,085	552,350
Deposits		114,400	139,400
Export rebate receivable -- considered good		632,036	913,511
Due from associated undertakings	14.1	1,331,245	1,060,742
Others considered good		65,556	65,556
		-----	-----
		8,974,134	10,507,876
		=====	=====

14.1 Maximum aggregate balance due from associated undertaking at the end of any month during the year was Rs. 1,331,245 (1996: 1,060,742).

#### 15. CASH AND BANK BALANCES

In hand		70,500	66,500
With banks in current accounts		621,963	997,322
		-----	-----
		692,463	1,063,822
		=====	=====

#### 16. SALES

##### Local Sales

Gross sales		404,120,699	373,415,936
Less:	Discount to distributors	45,022,647	43,982,430
	Cartage/Freight	10,532,554	11,569,161
	Sales tax	27,615,325	18,889,829
	Sales returns	8,092,938	4,393,056
		-----	-----
		91,263,464	78,834,476
		-----	-----
		312,857,235	294,581,460

##### Export Sales

Gross Sales		88,709,788	46,073,564
Less:	Freight	4,459,788	2,348,566
	Forwarding charges	1,709,331	1,104,054
	Commission	303,852	-
		-----	-----
		6,472,971	3,452,620
		-----	-----

82,236,817	42,620,944
-----	-----
395,094,052	337,202,404
=====	=====

<b>1997</b>	<b>1996</b>
<b>Rupees</b>	<b>Rupees</b>

**17. COST OF SALES**

Opening stock of work in process	31,701,448	20,802,681
	-----	-----
Add: Material consumed	17.1 264,251,741	247,058,327
Direct wages	14,483,688	13,280,335
Factory overheads	17.2 32,995,937	27,640,965
	-----	-----
	311,731,366	287,979,627
	-----	-----
	343,432,814	308,782,308
Less: Closing stock of work in process	(31,769,675)	(31,701,448)
	-----	-----
Cost of goods manufactured	311,663,139	277,080,860
Add: Opening stock of finished goods	15,085,404	7,262,168
	-----	-----
Cost of goods available for sale	326,748,543	284,343,028
Less: Closing stock of finished goods	(11,468,939)	(15,085,404)
	-----	-----
	315,279,604	269,257,624
	=====	=====

**17.1 Material Consumed**

Opening stock	27,206,192	28,103,275
Purchases during the year	265,694,059	246,161,244
Less: Closing stock	(28,648,510)	(27,206,192)
	-----	-----
	264,251,741	247,058,327
	=====	=====

**17.2 Factory Overheads**

Salaries Allowances & benefits	9,537,845	8,741,722
Bonus	2,461,776	1,800,248
Gratuity	1,728,285	1,216,110

Rent, rates & taxes	1,354,335	783,317
Insurance	679,853	580,672
Power, electricity, gas and water	6,735,911	5,669,787
Depreciation	4,739,382	3,798,676
Amortization	506,896	324,782
Repairs & maintenance	4,680,495	4,015,776
Laboratory expenses, research & development	571,159	709,875
	-----	-----
	32,995,937	27,640,965
	=====	=====

	<b>1997</b>	<b>1996</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>18. ADMINISTRATIVE EXPENSES</b>		
Salaries Allowances & benefits	7,346,598	6,323,592
Bonus	1,279,011	783,825
Gratuity	810,262	564,815
Scholarship and donations	18.1 -	40,000
Travelling	126,048	199,900
Rent, rates & taxes	185,000	210,800
Insurance	247,656	288,770
Depreciation	1,149,110	1,020,064
Amortisation	149,395	134,200
Entertainment	50,442	42,097
Legal & professional	202,950	239,900
Printing, stationery, books & periodicals	411,382	236,049
Postage, telephone & telegraph	215,005	273,083
Repairs & maintenance	313,277	340,079
Motor vehicles expenses	592,253	455,279
Electricity	258,199	272,004
Auditors' remuneration	18.2 70,000	69,398
Annual general meeting expenses	364,933	278,744
	-----	-----
	13,771,521	11,772,599
	=====	=====

**18.1 The directors or their spouses did not have any interest in the donee's fund.**

**18.2 Auditors' Remuneration**

Audit fee	45,000	45,000
Out of pocket expenses & Central Excise duty	25,000	24,398
	-----	-----
	70,000	69,398
	=====	=====

**19. SELLING AND DISTRIBUTION EXPENSES**

Salaries Allowances & benefits	4,924,642	4,037,759
Bonus	1,015,529	599,466
Gratuity	602,468	361,531
Travelling & daily allowances	4,425,254	3,108,477
Rent, rates & taxes	99,160	98,794
Insurance	633,742	394,936
Depreciation	1,149,110	1,020,064
Amortisation	117,150	70,000
Entertainment	119,978	90,054
Postage, telephone & telegraph	1,368,604	1,137,695
Printing, stationery, books & periodicals	646,011	527,514
Repairs & maintenance	249,873	167,278
Motor vehicles expenses	736,375	650,021
Bank charges	191,259	86,260
Sales promotion, meeting & conferences	2,034,722	2,002,683
Legal & professional	1,283,252	885,211
Scholarship and donations	21,514	117,300
	-----	-----
	19,618,643	15,355,043
Advertisement and artwork	28,602,018	23,568,709
	-----	-----
	48,220,661	38,923,752
	=====	=====

**1997****Rupees****1996****Rupees****20. FINANCIAL EXPENSES**

Mark-up and interest on long term loans	977,402	372,584
Mark-up and interest on short term loans	6,851,338	7,194,551
Excise duty on loans	335,068	387,526
Bank charges	30,040	22,017
	-----	-----
	8,193,848	7,976,678
	=====	=====

**21. OTHER INCOME**

Export rebate	1,264,421	1,136,499
Profit on sale of fixed assets	407,657	333,689
	-----	-----
	1,672,078	1,470,188
	=====	=====
<b>22. TAXATION</b>		
Current year	2,030,436	1,900,000
Last year	-	500,000
	-----	-----
	2,030,436	2,400,000
	=====	=====

The company's income tax assessment upto the assessment year 1996-97 have been finalised. Appeals relating to assessment years 1990-91 to 1996-97 are pending for hearing before the concern appellate authorities.

**23. REMUNERATION OF CHIEF EXECUTIVE,  
DIRECTORS AND OTHER EXECUTIVES**

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	1997 Rupees	1996 Rupees	1997 Rupees	1996 Rupees	1997 Rupees	1996 Rupees
Basic Salary	282,600	267,230	972,000	883,295	1,977,780	1,163,850
House rent	127,200	120,225	437,460	397,100	889,960	522,455
Utilities	28,200	26,645	97,020	88,085	197,510	125,519
Bonus	73,015	69,015	251,140	228,130	515,095	261,380
Conveyance	-	-	-	-	28,015	65,022
	-----	-----	-----	-----	-----	-----
	511,015	483,015	1,757,620	1,596,610	3,608,360	2,138,226
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	4	4	14	8
	=====	=====	=====	=====	=====	=====

23.1 In addition the Chief Executive and one Director are also provided with the free use of the company cars and residential telephones. A few Executives are also provided with free use of motor vehicles.

**24. PLANT CAPACITY AND ACTUAL PRODUCTION (IN METRIC TONS)**

1997

1996

	Installed	Utilised	Installed	Utilised
--	-----------	----------	-----------	----------

*On Single Shift Basis*

Spices	3,900	3,210	3,500	2,940
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Pickles	1,800	1,360	1,200	1,180
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**On Three Shift Basis**

Salt	15,000	11,150	15,000	13,590
------	--------	--------	--------	--------

Production capacity of spices have been increased due to the addition of one small grinding unit whereas increase in production capacity of pickles is because of shifting of plant from factory premises to the rented premises which has more space.

**25. GENERAL**

25.1 Figures have been rounded off to the nearest rupee.

25.2 Corresponding figures of the previous year have been rearranged, where necessary, for the purpose of comparison.

**Pattern of Share Holding****as at 30th June 1997**

FORM 34

THE COMPANIES ORDINANCE 1984

(SECTION 236)

Number of Shareholders	Share Holdings		Total Shares Held
	From	To	
843	1	100	13,449
275	101	500	61,275
65	501	1,000	47,372
114	1,001	5,000	213,156
10	5,001	10,000	64,231
3	10,001	15,000	33,938
1	15,001	20,000	15,413
3	20,001	25,000	64,575
2	40,001	45,000	81,171
2	55,001	60,000	112,429

1	90,001	95,000	94,260
1	95,001	100,000	96,936
1	100,001	105,000	100,009
1	135,001	140,000	135,705
1	145,001	150,000	147,756
1	245,001	250,000	248,064
1	7551001	760,000	759,921
1	995,001	1,000,000	995,780
-----			-----
1,326			3,285,440
=====			=====

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
1. INDIVIDUALS	1,314	1,329,123	40.46
2. INVESTMENT COMPANIES	1	15,413	0.47
3. INSURANCE COMPANIES	1	135,705	4.130
4. JOINT STOCK COMPANIES	4	760,375	23.144
5. FINANCIAL INSTITUTIONS	1	995,780	30.31
6. MODARABA	3	5,941	0.18
7. FOREIGN INVESTORS	-	-	-
8. CO-OPERATIVE SOCIETIES	1	40,118	1.22
9. CHARITABLE TRUSTS	1	2,985	0.09
10. OTHERS	-	-	-
	-----	-----	-----
	1,326	3,285,440	100.00
	=====	=====	