

# ARPAK INTERNATIONAL INVESTMENTS LIMITED

Annual Reports 2003

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## VISION STATEMENT

To obtain the highest rate of return by making diversified and secured investments. Efficient organization with professional competence of top order.

## MISSION STATEMENT

We have developed a unique set of strength and competencies. We wish to build safe, healthy and environment friendly atmosphere and will strive continuously to achieve higher level of excellence.

To be a dynamic, profitable and growth oriented company through investments in new national and international markets and undertakings.

To give attractive returns to business associates and shareholders as per their expectations. Be a responsible employer and reward employees according to their ability and performance.

To be a good corporate citizen to fulfill its social responsibilities.

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Begum Laila Sarfaraz	<b>Chief Executive</b> <i>Non-Executive Director</i>	<b>Term expires</b> 30 Dec. 2003	<b>N.T. No</b> 01-12-0006273
Begum Zari Sarfaraz	<i>Non-Executive Director</i>	30 Dec. 2003	01-12-0006274
Mr Aziz Sarfaraz Khan	<i>Non-Executive Director</i>	30 Dec. 2003	01-12-0060674
Ms. Najda Sarfaraz	<i>Non-Executive Director</i>	30 Dec. 2003	17-03-TR2058
Mr. Iskander M. Khan	<i>Non-Executive Director</i>	30 Dec. 2003	01-12-0051007
Ms. Zarmine Sarfaraz	<i>Non-Executive Director</i>	30 Dec. 2003	01-11-0005258
Mr. Abdul Qadar Khattak			

### BOARD AUDIT COMMITTEE

Mr. Iskander M. K *Chairman*  
Begum Zari Sarfar *Member*  
Mr. Aziz Sarfaraz *Member*

### COMPANY SECRETARY / CHIEF FINANCIAL OFFICER

Mr. Waheed Ahmed Khan

AUDITORS  
Hameed Chaudhri & Co.  
*Chartered Accountants*

TAX CONSULTANTS  
S M. Masood & Co.  
*Chartered Accountants*

LEGAL ADVISERS  
Mr. Noorullah Manji  
*Advocate*

BANKERS  
Bank Al-Falah Limited  
Union Bank Limited  
The Bank of Khyber  
Bank Ai-Habib Limited-  
Standered Chartered Grindlays Bank Limited  
Faysal Bank Limited

REGISTERED OFFICE  
20-A, Markaz F-7,  
Islamabad.

#### NOTICE OF MEETING

Notice is hereby given that the 26 Annual General Meeting of the Arpak International Investments Limited, will be held on Firday, 31 October, 2003 at 10:00 A.M. at the Registered Office of the Company at 20-A, Markaz F-7, Islamabad, to transact the following business:

1. To confirm the Minutes of the 25 Annual General Meeting held on 31 December, 2002.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30 June, 2003 alongwith Auditors' Report and Directors' Report thereon.
3. To appoint Auditors of the Company for the financial year ending 30 June, 2004 and to fix their remuneration. The outgoing auditors, Messrs Hameed Chaudhri & Co., Chartered Accountants, being eligible offer themselves for re-appointment.
4. To elect the Directors of the Company fora period of three years commencing from the date of election, vide Section 178 of the Companies Ordinance 1984, in that:-
  - a. Pursuant to Section 178(1) and (2)(a) of the Companies Ordinance 1984, the Board of Directors through a Resolution passed in the Meeting of the Board of Directors held on 2 October 2003, have fixed the number of Directors at seven.
  - b. Pursuant to Section 178(2)(b) and (3) of the Companies Ordinance 1984, names of the retiring Directors are as under:
    - i. Begum Zari Sarfaraz
    - ii. Mr. Aziz Sarfaraz Khan
    - iii. Begum Laila Sarfaraz
    - iv. Ms. Najda Sarfaraz
    - v. Ms. Zarmine Sarfaraz
    - vi. Mr. IskanderM Khan
    - vii. Mr. Abdul QadirKhattak

Any person who seeks to contest election for the office of a Director may file his nomination papers with the Secretary of the Company not later than 16 October 2003. The retiring Directors shaii be eligible for re-election.

5. To transact any other ordinary business of the Company with the permission of the Chair.

BY ORDER OF THE BOARD

ISLAMABAD,

(WAHEED AHMED KHAN)

October 9, 2003

Company Secretary

## Notes:

- I. The share transfer Books of the Company will remain closed from 21 October, 2003 to 31 October, 2003 (both days inclusive).
- II. Member unable to attend in person may kindly send proxy form attached with the Balance Sheet signed and witnessed to the Company at least 48 hours before the time of the meeting. No person shall act as proxy unless he is entitled to be present and vote in his own right.
- III. Members are requested to notify any change in address immediately to the Registered Office of the Company.
- IV. C.D.C shareholders desiring to attend the meeting are requested to bring their original National Identity Cards, Account and participants I.D numbers, for identification purpose, and in case of proxy, to enclose an attested copy of his/her National Identity Card.

## STATEMENT OF ETHICS AND BUSINESS

## PRACTICES

The articulation of this statement is based on the following:

1. Elimination of improper payments or use of the

Company's assets.

2. Elimination of political contributions.  
3. Safe custody of books and records of the Company.  
4. Authentic and genuine payment of amounts due to

customers, agents or distributors.

5. Elimination of reporting violations.  
6. Integrity and scrupulous dealings.  
7. Strict observance of the laws of the country.

## FORM-34

PATTERN OF SHAREHOLDING  
AS AT 30 JUNE. 2003

No. of Shareholders	Shareholding			Total Shares Held
323 From	1	to	100 Shares	14,714
290 From	101	to	500 Shares	71,647
141 From	501	to	1,000 Shares	100,849
178 From	1,001	to	5,000 Shares	372,826
25 From	5,001	to	10,000 Shares	171,734
2 From	10,001	to	15,000 Shares	21,135
2 From	15,001	to	25,000 Shares	43,508
1 From	25,001	to	30,000 Shares	25,303
2 From	30,001	to	65,000 Shares	91,300
3 From	65,001	to	70,000 Shares	200,000
1 From	70,001	to	110,000 Shares	105,498
3 From	195,001	to	200,000 Shares	600,000
1 From	200,001	to	250,000 Shares	202,825
2 From	405,001	to	415,000 Shares	814,706
1 From	520,001	to	above Shares	1,163,955
975				4,000,000

Categories of Shareholders	Numbers	Shares Held	Percentage of Paid-up Capital
Associated Companies, Undertakings and Related Parties	2	814,706	20.37
Aztrak Enterprises (Pvt) Ltd.		413,451	10.34
Premier Sugar Mills & Distillery Co. Ltd.		401,255	10.03
NLLandJCP	-	-	-
Directors & Relatives	9	2,136,578	53.41
Executives	-	-	-

Public Sector Companies and Corporation	17	41,487	1.04
B.C.G.A. Punjab (Pvt) Ltd.		5,268	0.13
Bibojee Services (Pvt) Ltd.		10,396	0.26
Naeem Securities Limited		100	0
Roberts Cotton Associates Ltd.		4,444	0.11
Shakar Gunj Mills Limited		10,000	0.25
Molasses Trading Co. Ltd.		1,000	0.03
Molasses Export Co. Ltd.		412	0.01
Prudential Securities Limited		105	0
Invest Capital & Securities (Pvt) Ltd.		283	0.01
Sarfaraz Mahmood (Pvt) Ltd.		42	0
Zahid Latif Khan Securities (Pvt) Ltd.		269	0.01
Excel Securities (Pvt) Ltd.		100	0
N. H. Securities (Pvt) Ltd.		2,514	0.06
Taurus Securities Limited		3,826	0.1
A. Sattar Motiwala Securities (Pvt) Ltd.		819	0.02
Y. S. Securities & Services (Pvt.) Ltd.		525	0.01
Millennium Securities & Invest (Pvt) Ltd.		1,384	0.03
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	3	17,433	0.44
Fidelity Investment Bank Limited	2,850	0.07	
Investment Corporation of Pakistan	9,283	0.23	
EFU General Insurance Co. Ltd.	5,300	0.13	
Individuals	940	984,056	24.6
Others	4	5,740	0.14
Securities & Exchange Commission of Pakistan	1	0	
The Society for Rehabilitation of Crippled Children	174	0	
Chief Administrator of Auqaf Lahore	3,798	0.09	
OC 3 (Self Propelled) Field Regiment Artillery Kharian	1,767	0.04	
	975	4,000,000	100
Shareholders holding 10% or more voting Interest in the company			
Mr. Abbas Sartaraz Khan	1,163,955	29.1	
Aztrak Enterprises (Pvt) Ltd.	413,451	10.34	
Premier Sugar Mills & Distillery Co. Ltd.	401,255	10.03	

FINANCIAL HIGHLIGHTS

PARTICULARS	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Income	4,716	7,064	13,739	9,959	6,833	6,626	4,306	4,391	2,338	4,465
Operating Profit	2,135	4,496	11,136	8,007	5,415	5,078	2,721	3,074	1,740	2,864
Profit before tax	2,258	4,430	10,939	10,905	2,035	7,734	2,676	2,726	1,724	2,804
Profit after tax	1,359	3,408	7,446	10,646	1,971	7,654	2,636	2,566	1,655	2,744
Share capital	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Shareholders' equity	86,822	85,341	83,933	81,287	75,441	75,470	69,816	69,180	68,614	66,959
Fixed assets - net	5,510	7,898	8,078	8,098	8,262	8,437	19,018	19,216	19,486	19,649
Total assets	90,438	90,725	94,451	88,020	78,852	78,945	73,103	72,678	71,922	69,988
Long term liabilities	202	202	202	202	202	202	202	202	202	202
Dividend										
Cash dividend	-	5%	12%	12%	5%	5%	5%	5%	5%	5%
Ratios: Profitability (%)										
Operating profit	45.27%	63.65%	81.06%	80.41%	79.26%	76.63%	63.21%	70.01%	74.40%	64.15%
Profit before tax	47.88%	62.72%	79.62%	109.51%	29.79%	116.72%	62.16%	62.08%	73.73%	62.79%
Profit after tax	28.82%	48.24%	54.20%	106.90%	28.85%	115.51%	61.23%	58.44%	70.77%	61.45%
Return to Shareholders (ROF)										
ROE - Before tax	2.60%	5.19%	13.03%	i 13.42%	2.70%	10.25%	, 3.83%	3.94%	2.51%	4.19%
ROE - After tax	1.57%	3.99%	8.87%	i 13.10%	2.61%	10.14%	, 3.78%	3.71%	2.41%	4.10%
Return on Capital										
Employed	1.56%	3.98%	8.85%	13.06%	2.61%	10.11%	, 3.77%	3.70%	2.40%	4.09%
E.P.S. -After tax	0.34	0.85	1.86	2.6G	0.49	1.91	0.66	0.64	0.41	0.69
Activity Income to total assets	0.05	0.08	0.15	0.11	0.09	0.08	0.06	0.06	0.03	0.06
Income to fixed assets	0.86	0.89	1.7	1.23	0.83	0.7S	0.23	0.23	0.12	0.23
Liquidity / Leverage Current ratio	20.29	13.1	6.93	9.95	16.84	15.54	11.16	10.25	10.43	10.72

Break up value per share	21.71	21.34	20.98	20.32	18.86	18.87	17.45	17.29	17.15	16.74
Total Liabilities to Equity (Times)	0.04	0.06	0.13	0.08	0.05	0.05	0.05	0.05	0.05	0.05

TWENTY-SIXTH REPORT OF THE DIRECTORS OF  
ARPAK INTERNATIONAL INVESTMENTS LIMITED

The Board of Directors of Arpak International Investments Limited has pleasure in presenting the 26th Directors' report of the Company, together with the audited financial statements for the year ended 30 June, 2003.

2. The Board, in its meeting held on 2 October, 2003, has not declared any dividend for the financial year under review. The profitability of the Company has reduced considerably due to significant reduction in interest rates.

3. Review of operations and future prospects

Due to downward trend of interest rates on bank deposits, interest income for the year has reduced. The management is considering different options to ensure appropriate

4. **Corporate and financial reporting framework**

- The financial statements, prepared by the management of Arpak International Investments Limited, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of account of Arpak International Investments Limited have been maintained.

- Consequent upon the revision of International Accounting Standard 12: "Income Taxes", the Company has changed its accounting policy with respect to deferred taxation as disclosed in note 2.3(b) to the financial statements. Other changes in accounting policies have been disclosed in notes 2.5 and 2.7 to the financial statements. The effects on profit for the year, due to these changes in accounting policies, have been disclosed in the respective notes. Besides these changes, all appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.

- The system of internal controls is sound in design and has been effectively implemented and monitored.

- There are no doubts upon Arpak International Investments Limited's ability to continue as a going concern.

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

- Key operating and financial data for the last decade in summarised form is annexed.

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 June, 2003, except for those disclosed in the financial statements.

- During the year, four meetings of the Board of Directors were held. Attendance by each director was as follows:

Name of Director	No. of meetings attended
Begum Laila Sarfaraz	2
Begum Zari Sarfaraz	4
Mr. Aziz Sarfaraz Khan	3
Ms. Najda Sarfaraz	1

Mr. IskanderM. Khan	4
Ms. Zarmine Sarfaraz	1
Mr. Abdul Qadar Khattak	4

The pattern of shareholding and additional information regarding pattern of shareholding is included in this annual report.

No trades in the shares of Arpak International Investments Limited were carried-out by the Directors, CEO, CFO ' Company Secretary and their spouses and minor children during the year ended 30 June, 2003

#### 5. Role of shareholders

The Board aims to ensure that the Company's shareholders are timely informed about the major developments affecting the Company's state of affairs. To achieve this objective, information is communicated to the shareholders through quarterly, half-yearly and annual reports. The Board encourages the shareholders' participator at the annual general meeting to ensure a high level of accountability.

#### 6. Auditors

The present Auditors Messrs Hameed Chaudhri & Co., retire and being eligible offer themselves for re-appointment for the year ending 30 June, 2004.

#### 7. Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Rules, relevant for the year ended 30 June, 2003 have been duly complied with. A statement to this effect is annexed with the report.

#### 8. Acknowledgment

The Board wishes to place on record its appreciation of the dedication and hard work put in by all the employees of the Company.

Finally, I wish to thank our valued shareholders for their patronage and confidence reposed in the Company and consistent support in the present challenging scenario.

#### ON BEHALF OF THE BOARD

ISLAMABAD,

Chief Executive

October 2, 2003

#### STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No.37 of the Karachi Stock Exchange and Chapter XIII of the listing regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner;

1. The directors have confirmed that none of them is serving as a director in more than ten listed Companies including this Company.
2. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
3. No casual vacancies were occurred in the Board during the year.
4. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained
6. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
7. The meetings of the Board were presided over by the Chairperson when she was present, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. There were no new appointments of CFO / Company Secretary during the year.
9. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.
10. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by the Board.
11. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
12. The Company has complied with all the corporate and financial reporting requirements of the Code.
13. The Board has formed an Audit Committee, which comprises of three members.
14. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
15. The Board has set-up an effective internal audit function.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other material principles contained in the Code have been complied with.

ISLAMABAD

Chief Executive

October 2, 2003

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF  
COMPLIANCE WITH BEST PRACTICES OF THE CODE OF  
CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Arpak International Investments Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance

can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June, 2003.

LAHORE; HAMEED CHAUDHRI & CO.,  
October 2, 2003 CHARTERED ACCOUNTANTS

#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of ARPAK INTERNATIONAL INVESTMENTS LIMITED as at 30 June, 2003 and the related profit and loss account, cash flow statement and statement of changes in equity 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statement. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, 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 except for the changes as explained in notes 2.3(b), 2.5 and 2.7 to the accounts with which we concur;

(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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by

and fair view of the state of the Company's affairs as at 30 June, 2003 and of the profit, its cash flows: and changes in equity for the year then ended; and



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

LAHORE: HAMEED CHAUDHRI & CO.,  
 October 2, 2003 CHARTERED ACCOUNTANTS

BALANCE SHEET  
 AS AT 30 JUNE, 2003

Note	2003 Rupees	2002 Rupees	2003 Note	2002 Rupees	Rupees	
<b>CAPITAL AND RESERVES</b>						
Authorised capital			<b>FIXED CAPITAL EXPENDITURE</b>			
5,000,000 ordinary shares of Rs. 10 each	50,000,000	50,000,000	Tangible fixed assets	10	5,510,383	
Issued, subscribed and paid-up capital			Investment properties	11	2,224,575	
4,000,000 ordinary shares of Rs. 10 each issued for cash	40,000,000	40,000,000	<b>LONG TERM INVESTMENTS</b>			
Capital reserve	3	7,440,781	7,440,781	12	7,734,958	
General reserve	4	5,400,000	5,400,000	<b>CURRENT ASSETS</b>		
Unrealised gain on long term investments		120,862	0	Advances, prepayments and other receivables	13	5,469,165
Unappropriated profit		33,860,108	32,500,263	Bank balances	14	62,176,592
SHARES APPLICATION MONEY	5	202,167	202,167			67,645,757
DEFERRED TAXATION	6	80,000	0			
CURRENT LIABILITIES						
Accruals and payables	7	591,710	147,925			
Provision for taxation	8	2,223,388	2,393,201			
Proposed dividend		0	2,000,000			
Unclaimed dividend		519,099	640,604			
CONTINGENCIES AND COMMITMENTS	9	3,334,167	5,181,730			
		90,438,115	90,724,941			
					90,438,115	90,724,941

The annexed notes form an integral part of these financial statements.

Director Chief Financial Officer Chief Executive

PROFIT AND LOSS ACCOUNT  
 FOR THE YEAR ENDED 30 JUNE, 2003

	2003 Rupees	2002 Rupees
<b>INCOME</b>	15	4,716,144
<b>OPERATING EXPENSES</b>	16	2,581,627
<b>OPERATING PROFIT</b>		2,134,517
<b>OTHER INCOME</b>	17	304,159
<b>BANK CHARGES</b>		2,438,676
<b>MISCELLANEOUS CHARGES</b>	18	4,394
<b>PROFIT BEFORE TAXATION</b>		176,685
<b>TAXATION</b>		181,079
Current year	8	422,000
Prior years'	8	396,278
Deferred	6	80,000
Time barred balances of advance tax written-off		0
<b>PROFIT AFTER TAXATION</b>		898,278
		1,359,319
		4,674,019
		7,704
		236,160
		243,864
		4,430,155
		600,000
		-101,863
		0
		524,213
		1,022,350
		3,407,805

UNAPPROPRIATED PROFIT		
- Brought forward	32,500,263	31,092,458
TRANSFERRED FROM UNREALISED LOSS ON LONG TERM INVESTMENTS	526	0
PROFIT AVAILABLE FOR APPROPRIATION	33,860,108	34,500,263
APPROPRIATION:		
Proposed dividend - Nil (2002 : @ Re. 0.50 per sha	0	2,000,000
UNAPPROPRIATED PROFIT		
- Carried to Balance Sheet	33,860,108	32,500,263
		0 8*>

The annexed notes form an integral part of these financial statements.

Director                      Chief Financial Officer              Chief Executive

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE, 2003

	2003	2002
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - before taxation	2,257,597	4,430,155
Adjustments for:		
Depreciation on tangible fixed assets	125,652	179,760
Depreciation on investment property	37,538	0
Dividend Income	-1,214,625	-1,514,625
Provision for diminution in value of investments	0	526
Interest/profit on bank deposits and federal investment bonds	-3,006,519	-5,174,202
Unclaimed dividends written-back	-85,409	-177,922
CASH OUTFLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	-1,885,766	-2,256,308
(Increase)/Decrease in current assets:		
Due from associated companies	-634,112	-35,557
Advance to employees	14,190	-14,190
prepayments	11,700	-11,700
Increase/(Decrease) in accruals and other payables	443,785	-130,419
	-164,437	-191,866
CASH OUTFLOW FROM OPERATING ACTIVITIES		
- Before taxation	-2,050,203	-2,448,174
Taxes paid	-2,079,634	-2,888,967
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		
- After taxation	-4,129,837	-5,337,141
CASH FLOW FROM INVESTING ACTIVITIES		
Dividends received	1,214,625	1,514,625
Interest/profit received	3,922,633	4,125,255
Federal investment bonds	0	15,000,000
CASH INFLOW FROM INVESTING ACTIVITIES	5,137,258	20,639,880
CASH OUTFLOW FROM FINANCING ACTIVITIES		
- Dividends paid	-2,036,096	-4,577,686
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	-1,028,675	10,725,053
CASH AND CASH EQUIVALENTS		
- At the beginning of the year	63,205,267	52,480,214
CASH AND CASH EQUIVALENTS		
- At the end of the year	62,176,592	63,205,267

The annexed notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE, 2003

Share Capital	Capital Reserve	Unrealised General Reserve	(loss)/ gain on long term invest-	Unappropriated Profit	Total
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ments

	(Rupees)					
Balance as at 30 June, 2001	40,000,000	7,440,781	5,400,000	0	31,092,458	83,933,239
Profit for the year ended 30 June, 2002	0	0	0	0	3,407,805	3,407,805
Proposed dividend	0	0	0	0	-2,000,000	-2,000,000
Balance as at 30 June, 2002	40,000,000	7,440,781	5,400,000	0	32,500,263	85,341,044
Effect of adoption of IAS39	0	0	0	-526	526	0
Restated balance as at 01 July, 2002	40,000,000	7,440,781	5,400,000	-526	32,500,789	85,341,044
Profit for the year ended 30 June, 2003	0	0	0	0	1,359,319	1,359,319
Measurement to fair value adjustment	0	0	0	121,388	0	121,388
Balance as at 30 June, 2003	40,000,000	7,440,781	5,400,000	120,862	33,860,108	86,821,751

The annexed notes form an integral part of these financial statements.

#### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2003

##### 1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on 26 July, 1977 as a Public Company and its shares are quoted on Lahore and Karachi Stock Exchanges. The Company is evaluating certain proposals for setting-up some Business Undertaking.

##### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

###### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance 1984, Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

###### 2.2 Accounting convention

These financial statements have been prepared on historical cost basis, except for measurement at fair value of available for sale financial assets.

###### 2.3 Taxation

###### (a) Current

Provision for taxation is made at the current rates of taxation on taxable income for the year after taking into account available tax credits, rebates and brought forward losses.

###### (b) Deferred

During the current year, the Company has changed its accounting policy in respect of deferred taxation. The change has been made to comply with the requirements of the revised IAS 12: "Income Taxes which became applicable for financial periods beginning on or after 01 January, 2002. Accordingly deferred tax is now recognised using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes

and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax liability is based on the expected tax rates applicable at the time of reversal. Until last year, the Company had accounted for deferred taxation using the liability method on all significant timing differences, if any.

Had the policy not been changed, profit after taxation for the year would have been higher by Rs. 80,000.

The effect of change in accounting policy, as per the allowed alternative treatment under IAS 8; "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies", has been charged to profit and loss account and additional pro-forma comparative information has been disclosed in note 20.

#### 2.4 **Tangible fixed assets and depreciation**

These are stated at cost less accumulated depreciation except freehold land which is stated at cost. Depreciation is taken to profit and loss account applying reducing balance method at the rates stated in note 10 to write -off the cost over estimated remaining useful life of assets. No depreciation is charged on assets in the year of disposal whereas full year's depreciation is provided in the year of purchase.

Gain/loss on disposal of fixed assets and minor repairs and replacements are taken to profit and loss account. Major improvements and modifications are capitalised and assets replaced, if any, are retired.

#### 2.5 Investment properties

Property not held for own use or for sale in the ordinary course of business is classified as investment property. During the year, the Company adopted IAS 40; "Investment Property". The Company uses cost model for valuation of its investment properties; freehold land has been valued at cost whereas building on freehold land has been valued at the cost less accumulated depreciation and any identified impairment loss.

Depreciation on building is taken to profit and loss account on reducing balance method at the rate stated in note 11. No depreciation is charged in the year of disposal whereas full year's depreciation is provided in the year of purchase. Impairment loss or its reversal, if any, is taken to profit and loss account.

Adoption of IAS 40 has no effect on the amounts reported for in the profit and loss accounts for the current and corresponding years.

#### 2.6 Operating leases

Assets leased out under operating leases are included in investment properties and are depreciated over their expected useful life on a basis consistent with the similar owned tangible fixed assets.

#### 2.7 Long term investments

Till last year, investments purchased by the Company were stated at the lower of cost and market value.

Effective from current year, as a result of adoption of IAS 39; "Financial Instruments: Recognition and Measurement" the Company has changed its accounting policy with respect to the recognition and measurement and classified long term investments, other than those in equity instruments of associated companies, as available for sale.

Available for sale

Investments available for sale represent investments which are not held for

trading. All investments are initially recognised at cost, being the fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

Any gain or loss from a change in the fair value of investments available for sale is recognised directly in equity as unrealised, unless sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously recognised in the equity is included in the profit and loss account for the period.

#### Effect of change in policy

As a result of adoption of IAS 39, there was an unrealised loss of Rs. 526 as at 30 June, 2002 which was provided for as provision for diminution in value of investments on the aforesaid date. In accordance with the transitional provision recommended by IAS 39, Rs. 526 have been reclassified in the statement of changes in equity as at 01 July, 2002 from unappropriated profit and have been transferred to 'unrealised loss on long term investments'. Unrealised gain of Rs. 121,388 being the appreciation as re-measurement of the available for sale investments to fair value as at 30 June, 2003 has been adjusted against 'unrealised loss on long term investments'.

Had the policy not been changed, profit after taxation for the year would have been higher by Rs. 121,388 and unappropriated profit as at 30 June, 2003 would have been higher by Rs. 120,862.

#### Investments in associated companies

Investments in associated companies are carried at cost less impairment, if any.

Investments received as dividend are accounted for at face value. Bonus shares are accounted for by increase in number of shares without any change in value. Gain / loss on sale of investments is taken to profit and loss account.

#### 2.8 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of bank balances.

#### 2.9 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### 2.10 Financial instruments

The Company's principal financial assets are long term investments, advances & other receivables and bank balances. All purchases and sales of financial assets are recognised on the trade date.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are accruals & other payables and dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item

#### 2.11 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### 2.12 Foreign currency translations

Monetary assets and liabilities in foreign currencies, if any, are expressed in Rupees at the exchange rates prevailing on the balance sheet date. Exchange gain/loss is taken to profit and loss account.

2.13 Revenue recognition

- Return on deposits and rental income are accounted for on \* accrual basis'.

- Dividend income is recognised when the Company's right to receive it is established.

3. CAPITAL RESERVE	2003 Rupees	<b>2002</b> Rupees
The year-end balance comprised of as follows:		
Gain on sale of land arisen during the accounting years ended on:		
31 December, 1981	2,648,331	2,648,331
31 December, 1984	1,500,000	1,500,000
30 June, 1998	2,690,925	2,690,925
	6,839,256	6,839,256
Gain on sale of investments arisen during the accounting year ended on 31 December, 1983	601,525	601,525
	7,440,781	7,440,781

4. GENERAL RESERVE

This reserve was created by transfer from profit and loss appropriation account for the year ended 31 December, 1983.

5. SHARES APPLICATION MONEY

This represents shares money received by Pakpor Ceramics Limited whose assets and liabilities were taken-over by the Company during 1978.

6. DEFERRED TAXATION

The year-end credit balance has arisen due to accelerated tax depreciation allowances

7. ACCRUALS AND OTHER PAYABLES

Accrued expenses	207,012	122,337
Due to an associated companies	223,272	0
Security deposits - refundable	114,776	24,776
Advance rent	45,000	0
Tax deducted at source	1,650	812
	591,710	147,925

8. PROVISION FOR TAXATION-Net

Opening balance	2,393,201	4,640,926
Add: Provision made during the year:		
-current year	422,000	600,000
-prior years'	396,278	-101,863
	818,278	498,137
Less:	3,211,479	5,139,063
Payments against completed assessments	988,091	1,914,956
Advance tax adjusted against completed assessments	0	830,906
	988,091	2,745,862
	2,223,388	2,393,201

8.1 Income tax assessments for the assessment years 2001-2002 and 2002-2003 are pending with the Income Tax Department (the Department).

8.2 The Commissioner of Income Tax (Appeals) [CIT(A)] has disposed-off the appeals for the assessment years 1996-97 to 1998-99 in the following manner:

- (a) appeal for the assessment year 1996-97 has been withdrawn; and
- (b) for the assessment years 1997-98 and 1998-99. gain on foreign

currency translation has been held to be exempt from levy of tax and taxation of gain on sale of land has been set-aside. The Department has filed an appeal with the Income Tax Appellate Tribunal, Islamabad Bench against the order of the CIT(A) on the issue of foreign currency translation.

8.3 The CIT(A) has set-aside the penalty orders under section 108 (b) of the repealed Income Tax Ordinance, 1979 (the Ordinance) for the assessments years 1996-97 and 1997-98. The matter is still pending with the concerned Assessing Officer and has become time-barred under the provisions of the Ordinance

8.4 The Department, for the assessment years 1989-90 and 1990-91, had filed reference application / appeals before the Lahore High Court, Rawalpindi Bench on the question of Zakat, which are pending adjudication.

8.5	<b>Relationship between tax expense and accounting profit</b>	2003
	Accounting profit before tax	Rupees 2,257,597
	Tax at the applicable rate of 35%	790,159
	Tax effect of expenses which are not deductible in determining taxable income charged to profit and loss account	29,509
	Tax effect of allowances which are deductible in Determining taxable income not charged to profit and loss account	-35,280
	Tax effect of applicability of lower tax rate on dividend income	-364,388
	Tax effect of adjustments in respect of current income tax of prior years	396,278
	The effect of adjustments in respect of deferred taxation of prior years	82,000
	Tax charge for the current year	898,278

9. CONTINGENCIES AND COMMITMENTS

9.1 There was no known contingent liability as at 30 June, 2003 and 2002.

9.2 No commitment was outstanding as at 30 June, 2003 and 2002.

10. TANGIBLE FIXED ASSETS

PARTICULARS	As at 30 June, 2002	COST Transfers to Investment properties	As at 30 June, 2003	%	To 30 June, 2002	DEPRECIATION Transfers to investment properties	For the	To 30 June, 2003	NET BOOK
									VALUE AS AT 30 JUNE, 2003
Freehold land	5,111,350	1,511,350	3,600,000	0	0	0	0	0	3,600,000
Buildings on freehold land	5,505,220	1,500,000	4,005,220	5	2,850,043	749,237	95,221	2,196,027	1,809,193
Furniture and fixtures	27,942	0	27,942	10	18,376	0	957	19,333	8,609
Equipment	180,000	0	180,000	25	78,750	0	25,313	104,063	75,937
Vehicles	420,500	0	420,500	20	399,695	0	4,161	403,856	16,644
Rupees	11,245,012	3,011,350	8,233,662		3,346,864	749,237	125,652	2,723,279	5,510,383
2002 Rupees	11,245,012	0	11,245,012		3,167,104	0	179,760	3,346,864	7,898,148

11. INVESTMENT PROPERTIES

PARTICULARS	As at 30 June, 2002	COST Transfers from tangible	As at 30 June, 2003	Rate %	To 30 June, 2002	DEPRECIATION Transfers from tangible	For the Year	To 30 June, 2003	NET BOOK
									VALUE AS AT 30 JUNE, 200
		<b>fixed assets</b>				<b>fixed assets</b>			
Freehold Land	0	1,511,350	1,511,350	0	0	0	0	0	1,511,350
Building or, freehold Land	0	1,500,000	1,500,000	5	0	749,237	37,538	786,775	713,225
Rupees	0	30,113,501	3,011,350		0	749,237	37,538	786,775	2,224,575

LONG TERM INVESTMENTS

2003  
Rupees

2002  
Rupees

## ASSOCIATED COMPANIES:

Quoted:

The Premier Sugar Mills and Distillery Company Ltd.

400,000 ordinary shares of Rs. 10 each

- Equity held 10.67% (2002:10.67%)

- Market value as at 30 June, 2003 - Rs. 19.380 million

(30 June, 2002 - Rs. 22.020 million)

8,800,000

8,800,000

Un-quoted:

Premier Board Mills Ltd.

600,000 ordinary shares of Rs. 10 each received as

dividend from The Premier Sugar Mills and Distillery

Company Ltd. - accounted for at face value

- Equity held 10.63% (2002:10.63%)

- Value of investments based on net assets shown in

the audited accounts for the year ended

30 June, 2003 Rs. 16.424 million

(2002: Rs. 15.872 million)

- Chief Executive - Mr. Aziz Sarfaraz Khan

6,000,000

6,000,000

14,800,000

14,800,000

## OTHERS

Quoted-Available for sale:

2003

2002

Rupees

Rupees

Ibrahim Fibers Ltd.

9,750 ordinary shares of Rs. 10 each

- Equity held is less than 10% of the

Paid-up capital of Investee Company

-Remeasurement to fair value adjustment

(2002: Provision for diminution in value of

Investments)

136,538

136,538

120,862

-526

257,400

136,012

15,057,400

14,936,012

## 3. ADVANCES, PREPAYMENTS

AND OTHER RECEIVABLES

Due from associated companies 13.1

1,609,565

975,453

Income accrued on bank deposits

588,617

1,504,731

Advances to employees - considered good

10,000

24,190

Advance tax/tax deducted at source

3,260,983

2,169,440

Prepayments

0

11,700

5,469,165

4,685,514

13.1 Due from associated companies on

account of current account balances:

The Premier Sugar Mills &amp; Distillery Co. Ltd.

0

114,479

The Frontier Sugar Mills &amp; Distillery Ltd.

5,000

5,000

Premier Ceramics Ltd.

30,513

30,513

Premier Board Mills Ltd.

2,000

2,000

Phipson &amp; Co. Pakistan (Pvt.) Ltd.

1,572,052

823,461

1,609,565

975,453

13.2 Maximum aggregate debit balance of associated companies at any month end

during the year was Rs. 1,609,585 (2002: Rs. 992,607).

13.3 Aggregate transactions with associated companies during the year were as follows:

-expenses shared

1,397,829

1,664,820

-dividend received

1,200,000

1,500,000

-dividend paid

408,314

980,562

## 14. BANK BALANCES

Cash at bank on:

-current accounts

262,223

342,717

-deposit accounts

61,914,369

62,862,550

62,176,592

63,205,267

2003

2002

Rupees

Rupees



15. INCOME		
Interest/profit on:		
-bank deposits	3,006,519	5,074,955
- federal investment bonds	0	99,247
Dividends	1,214,625	1,514,625
Rent	495,000	375,000
	4,716,144	7,063,827
16. OPERATING EXPENSES		
Salaries and allowances	1,205,767	1,117,344
Printing and stationery	95,100	69,551
Travelling and conveyance	61,715	51,921
Communication	143,504	142,766
Utilities	118,516	246,847
Rent, rates and taxes	230,681	226,471
Vehicles' running	99,690	53,362
Subscription	63,656	54,193
Advertisement	40,210	41,505
Entertainment	73,203	50,471
Repair and maintenance	262,574	317,976
Insurance	11,914	11,914
Depreciation on tangible fixed assets	125,652	179,760
Depreciation on investment property	37,538	0
Provision for diminution in value of investments	0	526
Others	11,907	3,123
	2,581,627	2,567,730
17. OTHER INCOME		
Unclaimed dividends written-back	85,409	177,922
Amounts expensed in prior years; refunds received during the year	218,750	0
	304,159	177,922
18. MISCELLANEOUS CHARGES		
Auditors' remuneration		
Audit fee	75,000	75,000
Out-of-pocket expenses	5,000	5,000
	80,000	80,000
Legal and professional charges (other than Auditors')	89,935	149,600
Donations (without directors' or their spouses' interest)	6,750	6,560
	176,685	236,160

2003  
Rupees

2002  
Rupees

19. BASIC EARNINGS PER SHARE		
Profit after taxation attributable to ordinary shareholders	1,359,319	3,407,805
Weighted average number of shares outstanding during the year	4,000,000	4,000,000
Basic earnings per share	0.34	0.85

19.1 There is no dilutive effect on the basic earnings per share of the Company.

## 20. ADDITIONAL PRO-FORMULA COMPARATIVE INFORMATION

Had the Company followed the benchmark treatment as per IAS 8, the adjustment to the profit and loss account and unappropriated profit would have been as follows:

Unappropriated profit as reported 01 July, 2002/2001	32,500,263	31,092,458
Effect of change in accounting policy due to adoption of IAS 12 (Revised 2000) -note 2.3(b)	82,000	81,000
Balance as at 01 July, 2002/2001 as restated	32,418,263	31,011,458
Profit before taxation	2,257,597	4,430,155
taxation		
Current year	422,000	600,000
Prior years'	396,278	-101,863
Deferred	-2,000	1,000
Time barred balances of advance tax written-off	0	524,213

	816,278	1,023,350
Profit after taxation	1,441,319	3,406,805
	33,859,582	34,418,263
Transferred from unrealised loss on long term investments	526	0
Profit available for appropriation	33,860,108	34,418,263
Appropriation		
Proposed dividend - Nil (2002: @ Re 0.50 per share)	0	2,000,000
Unappropriated profit	33,860,108	32,418,263

## 21. REMUNERATION OF DIRECTORS AND EXECUTIVES

The Company has not paid any remuneration or meeting fee to any of its Directors during the current and preceding years except Utilities of Rs. 170,173 (2001: Rs. 163,247).

The Company, during the year, paid Rs. 712,487 (2001: Rs. 460,555) as remuneration and allowances to two (2002:one) of its Executives.

## 23. FINANCIAL INSTRUMENTS

Financial assets and liabilities	Mark-up rate % per annum	Mark-up bearing			Non Mark-up bearing			TOTAL
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
Financial assets*								
Long term investments	0	0	0	0	0	257,400	257,400	257,400
Advances and other receivables	0	0	0	0	588,617	0	588,617	588,617
Bank balances	1% to 5%	61,914,369	0	61,914,369	262,223	0	262,223	62,176,592
	2003:	61,914,369	0	61,914,369	850,840	257,400	1,108,240	63,022,609
	2002:	62,862,550	0	62,862,550	1,847,448	136,012	1,983,460	64,846,010
Financial liabilities:								
Accruals and other payables		0	0	0	321,788	0	321,788	321,788
Dividends		0	0	0	519,099	0	519,099	519,099
	2003:	0	0	0	840,887	0	840,887	840,887
	2002:	0	0	0	2,787,717	0	2,787,717	2,787,717

### 23.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. All of the Company's financial assets are subject to credit risk

### 23.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

## 24. DATE OF AUTHORISATION

These financial statements have been authorised for issue by the Board of Directors of the Company in its meeting held on 2 October, 2003.

## 25. FIGURES

- in the financial statements have been rounded-off to the nearest Rupee; and •

- of the corresponding year been re-arranged, wherever necessary, for the purpose of comparison. However, no material re-arrangement of the corresponding figures has been made in these financial statements.

Director                      Chief Financial Officer                      Chief Executive