

## **Kashmir Edible Oils Limited**

### **Annual Report 1999**

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#### **COMPANY INFORMATION**

##### **BOARD OF DIRECTORS**

Mian Haroun Rashid                      Chief Executive

Mian Samiuddin

Mian Muzaffar Rashid

Asif Hyat

M. Azam Saigol

Saadia S. Rashid

Safina Samiuddin

##### **COMPANY SECRETARY**

Mr. Anjum Pervez

##### **AUDITORS**

Hameed Chaudhri & Company

Chartered Accountants

##### **BANKERS**

The Bank of Punjab

Agricultural Development Bank of Pakistan

Union Bank Limited

Muslim Commercial Bank Limited

Habib Bank Limited

##### **LEGAL ADVISORS**

Cornelius, Lane & Mufti

Advocates & Solicitors

##### **REGISTERED OFFICE**

165- Shadman- II.

Lahore

#### **NOTICE OF MEETING**

Notice is hereby given that the 10th Annual General Meeting of KASHMIR EDIBLE OILS LIMITED will be held on Tuesday 29th February, 2000 at the Registered Office, 165-Shadman-II, Lahore, at 11.00 A.M. to transact the following business:

1. To confirm the minutes of the last meeting.

2. To receive and adopt the audited accounts of the company for the year ended August 31, 1999 along with the Auditors' and Directors' Reports thereon.
3. To appoint Auditors for the year 1999-2000 and fix their remuneration. Messrs Hameed Chaudhri & Co., Chartered Accountants, being eligible offer themselves for re-appointment
4. To transact any other ordinary business with the permission of the Chairman.

**BY ORDER OF THE BOARD**

Lahore:  
07.02.2000

**ANJUM PERVEZ**  
**Corporate Secretary**

**NOTE:**

1. The Share Transfer Books of the Company will remain closed from February 22, 2000 to February 29, 2000 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as his/her proxy. Proxies in order to be effective must be received at the registered office of the Company, 165, Shadman-II, Lahore atleast 48 hours before time for the meeting.
3. Shareholders are requested to promptly notify the Company of any change in their postal addresses.

**DIRECTORS' REPORT**

The Board of Directors is delighted to welcome you to the 10th Annual General Meeting of the company to review and approve the Company's accounts for the year ended 31st August, 1999.

The company's growth record over the last five years has been impressive as illustrated by the following figures:-

	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>Rs. Million</i>				
Sales	201.9	267.8	398.0	470.5	497.6
Gross-Profit	(7.4)	7.7	24.9	37.2	24.3
Admin & Selling Expenses	4.9	5.4	6.8	5.1	6.8
Profit/(Loss) before taxation and extraordinary item.	(35.2)	(22.1)	(5.9)	26.3	3.8

Although sales in the year under review, once again increased by some Rs. 27 Million, the profit figures were a significant reduction compared to the previous year. As you may be aware, 1998/99 has been a global disaster for the edible oil industry. Over-production of oilseeds coupled with reduced demand from most of the major consumer countries resulted in a price collapse in edible oil and oilseeds. The low point was reached in about July, 1999 when prices hit a 30-year low. The company is heavily dependent on imported raw material and there is normally a three month lead time between raw material ordering and crushing/sales. Therefore, in a falling market scenario such as that prevailing during most of last year, our crushing margins are exposed and this is evident in the results. Unfortunately, in the absence of any long term market or commodity futures exchanges in Pakistan, it is impossible to exercise any hedging mechanisms to guard against such adverse market movements. However, we are satisfied to note that the company's prudent and conservative policies have enabled it to withstand the turbulent markets and still turn in a profit, in sharp contrast to most of the edible oil industry.

Qualitative improvements were made in technical operations enabling us to increase sales despite lower crushing figures. The difficulties alluded to in our last Annual Report concerning raw material procurement

and price problems in the post-nuclear blast period in Pakistan, spilled over into the first few months of this year and have also adversely affected the performance figures. The high long-term debt of the company is a continuing burden on our performance. We are however glad to report that ADBP is considering various relief measures for the solvent extraction industry and, if implemented, would make a significant improvement to your company's finances.

Our company continues to enjoy the highest reputation for quality, reliability and integrity and these attributes form the core of our corporate culture. The first four months of operations in 1999/2000 would suggest that edible oil prices have finally bottomed out which should augur well for next year's results.

The Board of Directors are grateful to the company's bankers and customers for their continued support and confidence. Equally, they are cognizant of the interests of shareholders and are hopeful that, in the absence of any material adverse developments, shareholders too will be rewarded in the next financial year.

**On behalf of the  
Board of Directors**

Lahore:  
24 January, 2000.

**Mian Haroun Rashid  
Chief Executive**

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of KASHMIR EDIBLE OILS LIMITED as at 31 August, 1999 and the related Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, for the year then ended and we state that, except for the contents of notes 4.6 and 4.7, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and 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 except for the reservations stated in the first paragraph of this report, respectively give a true and fair view of the state of the Company's affairs as at 31 August, 1999 and of the profit and cash flows for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

LAHORE  
20 January, 2000

**HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS**

## **BALANCE SHEET AS AT 31 AUGUST, 1999**

*Note*

*1999*

*1998*

		<i>Rupees</i>	<i>Rupees</i>
<b>SHARE CAPITAL</b>			
Authorised			
8,000,000 ordinary shares of Rs. 10 each		80,000,000	80,000,000
		=====	=====
Issued, subscribed and paid up			
8,000,000 ordinary shares of Rs. 10 each issued for cash		80,000,000	80,000,000
<b>ACCUMULATED LOSS</b>			
		(64,266,037)	(66,119,962)
		-----	-----
		15,733,963	13,880,038
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
	3	52,233,851	52,233,851
<b>LONG TERM LOAN</b>			
	4	169,926,321	203,911,585
<b>DEFERRED LIABILITY FOR GRATUITY</b>			
		1,150,100	879,620
<b>CURRENT LIABILITIES</b>			
Current portion of long term loan	4	33,985,264	--
Short term finances	5	--	28,244,183
Short term loan from director	6	5,000,000	10,000,000
Creditors, accruals and other payables	7	158,165,922	196,703,593
Provision for taxation	22.3	1,967,905	--
		-----	-----
		199,119,091	234,947,776
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8		
		-----	-----
		438,163,326	505,852,870
		=====	=====
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets	9	225,124,653	229,155,401
Capital work-in-progress	10	22,060	910,207
		-----	-----
		225,146,713	230,065,608
<b>LONG TERM SECURITY DEPOSITS</b>			
		84,685	84,685
<b>CURRENT ASSETS</b>			
Stores, spares and tools	11	4,742,200	5,039,563
Stock-in-trade	12	176,318,296	114,642,601
Trade debtors	13	2,343,744	2,058,694
Advances, deposits, prepayments and other receivables	14	25,210,952	23,700,936
Cash and bank balances	15	4,316,736	130,260,783
		-----	-----
		212,931,928	275,702,577
		-----	-----
		438,163,326	505,852,870
		=====	=====

The annexed notes form an integral part of these accounts.

**DIRECTOR**

**CHIEF EXECUTIVE**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST, 1999**

**1999**

**1998**

	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b>SALES - Net</b>	16	497,632,113	470,480,973
<b>COST OF SALES</b>	17	473,284,962	433,257,170
		-----	-----
<b>GROSS PROFIT</b>		24,347,151	37,223,803
<b>ADMINISTRATIVE AND SELLING EXPENSES</b>	18	6,799,987	5,074,667
		-----	-----
<b>OPERATING PROFIT</b>		17,547,164	32,149,136
<b>OTHER INCOME</b>	19	918,527	95,745
		-----	-----
<b>OTHER CHARGES</b>		18,465,691	32,244,881
Financial - Net	20	14,202,778	4,177,517
Miscellaneous	21	441,083	1,763,673
		-----	-----
		14,643,861	5,941,190
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		3,821,830	26,303,691
<b>PROVISION FOR TAXATION</b>	22.3	1,967,905	--
		-----	-----
<b>PROFIT AFTER TAXATION</b>		1,853,925	26,303,691
<b>ACCUMULATED LOSS - Brought forward</b>		(66,119,962)	(92,423,653)
<b>ACCUMULATED LOSS</b>		-----	-----
- Carried to Balance Sheet		(64,266,037)	(66,119,962)
		=====	=====
<b>EARNINGS PER SHARE</b>	23	0.23	3.29
		=====	=====

The annexed notes form an integral part of these accounts.

**DIRECTOR**

**CHIEF EXECUTIVE**

**CASH FLOW STATEMENT  
FOR, THE YEAR ENDED 31 AUGUST, 1999**

	<i>1999 Rupees</i>	<i>1998 Rupees</i>
<b>CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES - (Note 'A')</b>	(81,775,280)	29,553,816
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(3,392,107)	(3,139,524)
Sale proceed of fixed assets	883,000	32,100
	-----	-----
<b>NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES</b>	(2,509,107)	(3,107,424)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loan repaid	--	(6,000,000)
Short term finances - net	(28,244,183)	13,370,175
Short term loan from director repaid	(5,000,000)	(6,000,000)
Financial charges paid	(8,415,477)	(5,715,149)
	-----	-----
<b>NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES</b>	(41,659,660)	(4,344,974)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(125,944,047)	22,101,418
<b>CASH AND CASH EQUIVALENTS</b>		
-- At the beginning of the year	130,260,783	108,159,365
	-----	-----

**CASH AND CASH EQUIVALENTS**

-- At the end of the year	4,316,736	130,260,783
	=====	=====

The annexed note 'A' forms an integral part of this Statement.

**NOTE 'A'****CASH FLOW FROM OPERATING ACTIVITIES**

Profit for the year - Before taxation	3,821,830	26,303,691
Adjustments for:		
Depreciation	7,483,567	7,478,548
Deferred costs amortised	--	588,578
Provision for gratuity - net	270,480	42,945
Gain on sale of fixed assets - net	(55,565)	(13,487)
Financial charges	13,418,602	3,771,327
	-----	-----

**CASH INFLOW FROM OPERATING ACTIVITIES**

-Before working capital changes	24,938,914	38,171,602
(Increase)/Decrease in current assets		
Stores, spares and tools	297,363	(1,881,203)
Stock-in-trade	(61,675,695)	(96,665,903)
Trade debtors	(285,050)	145,579
Advances, deposits, prepayments and other receivables (excluding taxes paid)	(641,564)	2,306,093
(Decrease)/Increase in creditors, accruals and other payable	(43,540,796)	87,880,647
	-----	-----
	(105,845,742)	(8,214,787)

**CASH (OUTFLOW)/INFLOW FROM OPERATING**

<b>ACTIVITIES - Before taxation</b>	(80,906,828)	29,956,815
Taxes paid	(868,452)	(402,999)
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING</b>	-----	-----
<b>ACTIVITIES - After taxation</b>	(81,775,280)	29,553,816
	=====	=====

**DIRECTOR**

**CHIEF EXECUTIVE**

**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 AUGUST, 1999****1. THE COMPANY AND ITS OPERATIONS**

The Company was incorporated on 10 April, 1990 as a Public Company and its shares are quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in sale of edible oil after extraction through the solvent extraction process.

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 Accounting convention**

These accounts have been prepared under the historical cost convention except that certain fixed assets have been included at revaluation.

**2.2 Staff retirement benefits**

The Company operates an un-funded Gratuity Scheme for its employees. Provision is made annually to cover obligation under the Scheme.

**2.3 Fixed assets and depreciation**

Freehold land is stated at revalued amount. Buildings on freehold land, plant & machinery, generators and electric installations are stated at revalued amount less

accumulated depreciation. Other operating fixed assets are stated at cost less accumulated depreciation. Capital work-in-Progress is stated at cost.

Depreciation on operating fixed assets is charged to income applying reducing balance method to write-off the cost and revaluation adjustments over estimated remaining useful life of assets. Rates of depreciation are stated in note 9. No depreciation is provided on assets in the year of disposal whereas full year's depreciation is provided on assets in the year of purchase.

Gains/losses on disposal of fixed assets are taken to Profit and Loss Account. Normal maintenance and repairs are also taken to Profit and Loss Account as and when incurred. Major renewals and replacements are capitalised and assets replaced, if any, other than those kept as stand by, are retired.

#### 2.4 Deferred costs

Expenses, the benefit of which is expected to spread over several years, are deferred and amortised over a period of not more than five years.

#### 2.5 Stores and spares

These are valued at moving average cost except Gunny Bags which are written-off over a period of four years on straight line method.

#### 2.6 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw materials	- At annual average cost.
Work-in-process	- At estimated cost.
Finished goods	- At lower of cost and net realisable value.
Waste/By-products	- At net realisable value.

Cost in relation to finished goods represents annual average cost which includes prime cost and appropriate manufacturing overheads.

Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

#### 2.7 Revenue recognition

Sales are recorded on despatch of goods to customers.

### 3. SURPLUS ON REVALUATION OF FIXED ASSETS

The Company revalued freehold land, buildings on freehold land, plant & machinery, generators and electric installations as at 31 August, 1996. The revaluation exercise was carried-out by Independent Valuers - M/s. Hamid Mukhtar & Co., Valuation Consultants and Surveyors, Lahore to replace the carrying values of assets with the market values / depreciated market values. The said revaluation exercise resulted in a surplus of Rs. 52,233~851 which was credited to this account.

### 4. LONG TERM LOAN - Secured

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Balance as at 31 August	203,911,585	203,911,585
Less: Current portion grouped under current liabilities	33,985,264	--
	-----	-----
	169,926,321	203,911,585
	=====	=====

4.1 This loan has been obtained from Agricultural Development Bank of Pakistan (ADBP) against credit line of Rs. 117.230 million including Rs. 79.880 million for imported machinery (equivalent to U.S.\$3.634 million). However, due to fluctuations in foreign

currency rates, relative to different dates of disbursements, the liability against the imported machinery loan has risen by Rs. 8.630 million. The loan carries interest @ 14% per annum.

4.2 As per the original agreement terms, the loan was repayable in monthly installments. First installment was due after a grace period of three years or after six months of commencement of commercial operations whichever was earlier.

However, ADBP vide its letter No. PCD-2(941)/96/1178 DATED 15 July, 1996 approved deferment of loan installments upto 31 December, 1997 without extending the total recovery period subject to the following conditions:

The Company was required to pay 10% of the each deferred monthly installments upto May, 1997. The Company paid these installments as required by ADBP UPTO February, 1997.

From June, 1997, the Company was required to pay 25% of the deferred monthly installments upto December, 1997. Thereafter, the regular Repayment Schedule was to commence. The Company, however, did not pay any of these installments.

4.3 ADBP vide its letter No. LHR/MB/PLD-MISC/98/2308 dated 08 May, 1998 conveyed the following decision. as approved by the ADBP's Board of Directors, regarding restructuring of the Company's existing loan:

(a) All outstanding principal and interest on local and foreign currency loans outstanding as on 30 June, 1997 to be merged together and converted into fresh new loan carrying interest at the same rates as at present.

(b) A moratorium of 2 years on repayment of the aforementioned re-constituted loan and freezing of interest accrual thereon during the said period of moratorium would be allowed by ADBP.

(c) Repayment of the re-constituted loan as at (a) above alongwith interest accruing thereon from the expiry date of the said moratorium period shall be completed within 6 years in 12 half-yearly installments. The first such installment shall become due on 31 December, 1999.

(d) The Company was required to make a lump sum down payment to ADBP in the sum of Rs. 6.0 million immediately upon sanction of the above terms by ADBP. The lump sum payment would be adjusted against the outstanding re-constituted loan. The Company made this lump sum down payment to ADBP during the previous year.

(e) The facility of restructuring arrangement will be withdrawn by ADBP if the Company defaults in two consecutive installments and the position of re-constituted loan account will revert to its original position.

4.4 The Company, during the previous year, on the basis of ADBP's letter stated in note 4.3, created a re-constituted loan by merging the outstanding principal balance of loan and accrued interest thereon. Further, the lump sum down payment of Rs. 6.0 million made to ADBP during the previous year was adjusted against the outstanding balance of re-constituted loan.

4.5 The loan is secured by deposit of title of deeds of freehold land, charge on present and future assets of the Company, joint registration of vehicles and additional security of Rs. 11.723 million arranged by the Directors from their own sources.

4.6 As per year-end balance confirmation certificate / statements of account directly received by the Auditors from ADBP, the total quantum of the Company's liabilities in respect of long term loan and accrued interest thereon aggregated Rs. 304,387,585. The quantum



of these liabilities in the Company's books of account aggregated Rs. 206,898,535 as at 31 August, 1999. The difference of Rs. 97,489,050 could not be reconciled in the absence of relevant underlying documentation. The Company's management, however, is negotiating with ADBP for rectification / reconciliation of this matter.

4.7 The Auditors could not verify the creation of re-constituted loan in the absence of relevant sanction letter from ADBP.

#### 5. SHORT TERM FINANCES - Secured

Short term cash finance, finance against imported merchandise (FIM) and letters of credit facilities available from commercial banks under mark-up arrangements aggregate Rs. 200.0 million (1998 - cash finance facility Rs. 35.0 million). These facilities carry mark-up at the rates ranging from Re. 0.50 to Re 0.52. per Rs. 1,000 per day and are secured against pledge of stock-in-trade, first registered charge on current assets of the Company, lien on import documents and personal guarantees of the Company's directors.

These facilities are expiring on 31 December, 1999 and 30 June, 2000.

#### 6. SHORT TERM LOAN FROM DIRECTOR- Unsecured

This represents balance of a short loan obtained from a Company's director. It carries mark-up at the rate of 22% per annum. Repayment term of this loan have not been settled as yet. The company during the year, however, repaid Rs. 5.0 million out of the opening payable balance.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>7. CREDITORS, ACCRUALS AND OTHER PAYABLES</b>		
Creditors	2,337,937	1,179,560
Accrued expenses	1,656,383	965,180
Interest on secured long term loan	2,986,950	--
Mark-up on secured short term finances	988,679	1,125,862
Mark-up on short term loan from Director	2,189,553	36,195
Advance payments	5,810,040	9,774,469
Retention money	5,200	7,000
Bills payable	141,693,550	181,776,860
Tax deducted at source	57,077	84,955
Amount payable to customer	--	1,466,402
Others	440,553	287,110
	-----	-----
	158,165,922	196,703,593
	=====	=====

7.1 Allocations to workers' (profit) participation fund for the current and preceding year aggregating Rs. 1,506,276 have not been accrued in these accounts in view of the matters stated in note 4.6.

#### 8. CONTINGENCIES AND COMMITMENTS

8.1 Refer contents of notes 4.6 and 22.2.

8.2 No commitments were outstanding as at 31 August, 1999 (1998: Nil).

#### 9. OPERATING FIXED ASSETS - Tangible

<i>PARTICULARS</i>	<i>COST/REVALUATION</i>			<i>As at 31</i> <i>August,</i> <i>1999</i>	<i>Rate</i> <i>%</i>	<i>DEPRECIATION</i>			<i>NET BOOK</i> <i>VALUE AS AT</i> <i>31 AUGUST</i> <i>1999</i>
	<i>As at</i> <i>August,</i> <i>1998</i>	<i>Additions</i> <i>During</i> <i>The year</i>	<i>Disposals</i> <i>During the</i> <i>year</i>			<i>To 31</i> <i>August,</i> <i>1998</i>	<i>For</i> <i>The</i> <i>Year</i>	<i>On</i> <i>disposals</i>	
Land - Freehold									

Cost	4,413,710	0	0	4,413,710	0	0	0	0	4,413,710	
Revaluation	2,086,290	0	0	2,086,290	0	0	0	0	2,086,290	
	6,500,000	0	0	6,500,000	0	0	0	0	6,500,000	
<b>Building on freehold land</b>										
Cost	35,429,203	122,323	0	35,551,526	5.00	7,595,897	1,397,781	0	8,993,678	26,557,848
Revaluation	16,110,365	0	0	16,110,365	5.00	1,570,760	726,980	0	2,297,740	13,812,625
	51,539,568	122,323	0	51,661,891		9,166,657	2,124,761	0	11,291,418	40,370,473
<b>Plant and machinery</b>										
Cost	168,996,357	1,233,354	0	170,229,711	2.50	36,471,258	3,343,961	0	39,815,219	130,414,492
Revaluation	25,629,695	0	0	25,629,695	2.50	1,265,466	609,106	0	1,874,572	23,755,123
	194,626,052	1,233,354	0	195,859,406		37,736,724	3,953,067	0	41,689,791	154,169,615
<b>Generators</b>										
Cost	11,285,213	401,300	0	11,686,513	2.50	1,569,616	252,922	0	1,822,538	9,863,975
Revaluation	2,208,203	0	0	2,208,203	2.50	109,030	52,479	0	161,509	2,046,694
	13,493,416	401,300	0	13,894,716		1,678,646	305,401	0	1,984,047	11,910,669
<b>Electric installations</b>										
Cost	2,572,695	0	0	2,572,695	2.50	580,559	49,803	0	630,362	1,942,333
Revaluation	6,199,298	0	0	6,199,298	2.50	306,090	147,330	0	453,420	5,745,878
	8,771,993	0	0	8,771,993		886,649	197,133	0	1,083,782	7,688,211
<b>Furniture and fixtures</b>										
Telephone installations	320,000	0	0	320,000	10.00	110,048	20,995	0	131,043	188,957
Office equipment	733,663	210,501	0	944,164	10.00	230,592	71,357	0	301,949	642,215
Tools and equipment	376,960	3,862	0	380,822	10.00	145,128	23,569	0	168,697	212,125
Fire extinguishing equipment	123,893	16,950	0	140,843	10.00	55,238	8,561	0	63,799	77,044
Arms and ammunition	32,700	0	0	32,700	10.00	12,676	2,002	0	14,678	18,022
Vehicles	4,152,933	2,237,719	1,048,050	5,342,602	20.00	1,920,059	728,632	220,615	2,428,076	2,914,526
<b>Rupees</b>	<b>281,378,660</b>	<b>4,280,254</b>	<b>1,048,050</b>	<b>284,610,864</b>		<b>52,223,259</b>	<b>7,483,567</b>	<b>220,615</b>	<b>59,486,211</b>	<b>225,124,653</b>
<b>1998 Rupees</b>	<b>277,487,207</b>	<b>3,939,843</b>	<b>48,390</b>	<b>281,378,660</b>		<b>44,774,488</b>	<b>7,478,548</b>	<b>29,777</b>	<b>52,223,259</b>	<b>229,155,401</b>

9.1 Depreciation for the year has been apportioned as under:

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Cost of sales	17	6,614,494	6,793,699
Administrative expenses	18	869,073	684,849
		7,483,567	7,478,548

9.2 Depreciation has been charged at the following rates as revised during the accounting year 1995-96.

	<i>Rate</i>
Building on freehold land	5%
Plant & machinery	2.5%
Generators	2.5%
Electric installations	2.5%

9.3 Some of the fixed assets, as detailed in note 9, were revalued on 31 August, 1996 in order to replace their carrying values with the market values / depreciated market values. The surplus arisen as a result of the said revaluation was credited to 'Surplus on Revaluation of Fixed Assets Account' (note 3).

#### 9.4 Disposal of vehicles

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book Value</i>	<i>Sale Proceed</i>	<i>Gain/ (Loss)</i>	<i>Sold through negotiations to:</i>
			<i>(Rupees)</i>			
KIA Pick-up	375,000	75,000	300,000	230,000	(70,000)	Rana M. Haseeb Khan Railway Road, Booraywala
Toyota Corolla	649,750	129,950	519,800	635,000	115,200	Mr. Amir Latif, House No. 30, Afghani Road, Samanabad, Lahore.
Motor Cycle	23,300	15,665	7,635	18,000	10,365	Mr. Shabbir Masih, (Company's employee)
	----- 1,048,050	----- 220,615	----- 827,435	----- 883,000	----- 55,565	
	=====	=====	=====	=====	=====	

#### 10. CAPITAL WORK-IN-PROGRESS

	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Generators		
- Cost of materials and labour	22,060	--
Plant and machinery		
- Cost of materials and labour	--	711,805
- Advance payments	--	198,402
	-----	-----
	--	910,207
	-----	-----
	22,060	910,207
	=====	=====

#### 11. STORES, SPARES AND TOOLS

	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Stores	3,143,369	3,383,573
Spares	1,588,896	1,646,125
Loose tools	9,935	9,865
	-----	-----
	4,742,200	5,039,563
	=====	=====

The Company does not hold any stores for specific capitalisation.

#### 12. STOCK-IN-TRADE

Raw materials		
-- At mills	16,129,209	72,494,452
-- In transit	150,097,783	--
	-----	-----
	166,226,992	72,494,452
Work-in-process	967,919	2,605,628

Finished goods			
-- Refined goods		7,758,008	37,147,613
-- Waste/By-products		1,365,377	2,394,908
		-----	-----
		9,123,385	39,542,521
		-----	-----
		176,318,296	114,642,601
		=====	=====

**13. TRADE DEBTORS**

These are unsecured and considered good.

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

Due from an Associated Undertaking	14.1	10,034,061	12,483,567
Advances to staff- Considered good		180,736	182,111
Advance payments - Considered good		1,518,790	627,758
Advances to Growers - Considered good		4,762,560	--
Deposits		50,000	50,000
Prepayments		532,206	309,404
Tax paid/deducted at source		6,071,397	5,202,945
Sales tax refundable		2,040,052	4,373,223
Mark-up accrued on bank deposits		--	458,578
Others		21,150	13,350
		-----	-----
		25,210,952	23,700,936
		=====	=====

14.1 The Company, during the year 1996-97, advanced Rs. 100 million to an Associated Undertaking against supply of fine quality of Sunflower seeds to the Company. The advance carries mark-up @ 22% per annum.

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
<b>15. CASH AND BANK BALANCES</b>			
Cash-in-hand		79,498	142,368
Cash at banks on:			
- Current accounts		2,911,670	1,636,524
- PLS accounts		3,902	121,872,915
- Saving accounts		1,321,666	6,608,976
		-----	-----
		4,237,238	130,118,415
		-----	-----
		4,316,736	130,260,783
		=====	=====

**16. SALES - Net**

Gross sales		499,312,223	471,483,400
Less:			
Sales tax		785,375	301,105
Commission		894,735	701,322
		-----	-----
		1,680,110	1,002,427
		-----	-----
		497,632,113	470,480,973
		=====	=====

**17. COST OF SALES**

Raw materials consumed	17.1	403,462,359	415,551,107
------------------------	------	-------------	-------------

Salaries, wages and benefits	17.2	6,596,510	6,432,461
Stores consumed		6,079,821	10,484,028
Power and fuel		9,988,715	11,462,268
Repair and maintenance		5,883,938	3,802,348
Communication		255,324	315,968
Insurance		1,136,035	1,311,692
Travelling and conveyance		98,329	266,310
Vehicles' running		99,295	191,048
Depreciation		6,614,494	6,793,699
Others		1,013,297	817,692
		-----	-----
		441,228,117	457,428,621
Adjustment of work-in-process			
Opening		26,056,281	--
Closing		(967,919)	(2,605,628)
		-----	-----
		1,637,709	(2,605,628)
		-----	-----
Cost of goods manufactured		442,865,826	454,822,993
Adjustment of finished goods			
Opening stock		39,542,521	17,976,698
Closing stock		(9,123,385)	(39,542,521)
		-----	-----
		30,419,136	(21,565,823)
		-----	-----
		473,284,962	433,257,170
		=====	=====
<b>17.1 Raw materials consumed</b>			
Opening stock		72,494,452	--
Purchases - net		318,079,499	466,065,497
Expenses (including prior years' expenses Rs. 1.079 million)		29,017,617	21,980,062
		-----	-----
		419,591,568	488,045,559
Less: Closing stock		16,129,209	72,494,452
		-----	-----
		403,462,359	415,551,107
		=====	=====

17.2 These include Rs. 439,940 (1998: Rs. 150,535) in respect of provision for staff gratuity.

## 18. ADMINISTRATIVE AND SELLING EXPENSES

Administrative:			
Directors' remuneration		610,000	600,000
Salaries and benefits	18.1	934,500	740,756
Travelling and conveyance - including Directors' travelling Rs. 354,154 (1998: Rs. 478,024)		479,638	868,796
Vehicles' running and maintenance		424,002	270,222
Repair and maintenance		143,955	119,607
Communication		598,807	667,040
Electricity and gas charges		284,671	269,882
Rent, rates and taxes		240,035	197,017
Fees and subscription		92,825	90,100
Printing and stationery		131,105	171,69
Insurance		197,743	121,791
Advertisement		132,137	38,900
Entertainment		197,055	184,984
Depreciation		869,073	684,849
Others		32,245	49,033

	5,367,791	5,074,667
Selling:		
Carriage and freight	1,432,196	--
	6,799,987	5,074,667
	=====	=====

18.1 These include Rs. 96,500 (1998: Rs. 166,020) in respect of provision for staff gratuity.

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>19. OTHER INCOME - Net</b>			
Profit on bank deposits		382,357	27,386
Mark-up on loan advanced to an Associated Undertaking		2,550,494	--
Less: Mark-up on short term loan from director		2,153,358	--
		397,136	--
Gain on sale of fixed assets - net	9.4	55,565	13,487
Others		83,469	54,872
		918,527	95,745
		=====	=====
<b>20. FINANCIAL CHARGES - Net</b>			
Interest on long term loan		2,986,950	--
Mark-up on short term loan from Director		--	3,131,684
Less: Mark-up on loan advanced to an Associated Undertaking		--	2,370,229
		--	761,455
Mark-up on short term finances		10,431,652	3,009,872
Bank charges		784,176	406,190
		14,202,778	4,177,517
		=====	=====
<b>21. MISCELLANEOUS CHARGES</b>			
Auditors' remuneration			
Audit fee		50,000	50,000
Legal and professional charges (other than Auditors)		211,521	205,595
Shares' Registrar charges		152,869	121,843
Donations (without directors' interest)		25,000	64,100
Deferred costs amortised		--	588,578
Exchange fluctuation loss		1,693	733,557
		441,083	1,763,673
		=====	=====
<b>22. TAXATION</b>			
22.1 The Company's income was exempt from tax for a period of five years under clause 118-D of Second Schedule to the Income Tax Ordinance, 1979 (the Ordinance). Tax exemption was available till 31 December, 1998.			
22.2 Income tax assessments of the Company have been completed upto the Income Year ended 31 August, 1997 ((Assessment Year 1998-99). The Tax Department for the			

Assessment Years 1995-96 to 1998-99 raised tax demands aggregating Rs. 837,289 under section 30 of the Ordinance. Provision against the said demands has. not been made in these accounts as the Company has filed appeals before the Appellate Forums against these demands.

22.3 In view of declared tax losses, the provision for current taxation represents the Minimum Tax due under section 80-D of the Ordinance on the Company's turnover for the period of eight months i.e. 01 January, 1999 to 31 August, 1999.

22.4 In view of the fact that the Company's appeals / rectification for the Assessment Years 1995-96 to 1998-99 are pending adjudication on the point that the Company's declared losses be allowed to be carried forward and the management is hopeful for a favourable outcome of these appeals / rectification applications, no provision has been made for deferred taxation.

### 23. EARNINGS PER SHARE (EPS)

	<i>1999</i>	<i>1998</i>
	Rupees	
Profit for the year attributable to ordinary shareholders	1,853,925	26,303,691
	=====	=====
	No. of shares	
Number of ordinary shares issued and subscribed at the end of the year	8,000,000	8,000,000
	=====	=====
	Rupees	
	0.23	3.29
	=====	=====

### 24. FINANCIAL ASSETS AND LIABILITIES

24.1 Financial assets of the Company aggregated Rs. 17.031 million out of which Rs. 16.615 million are subject to credit risk. The financial assets are not entitled to mark-up other than Rs. 10.034 million, which represents advance made to an Associated Undertaking carrying mark-up @ 22% per annum.

24.2 The financial liabilities of the Company aggregated Rs. 361.210 million. The financial liabilities are based on mark-up/Interest except for liabilities aggregating Rs. 152.298 million. The effective interest/mark-up rate of financial liabilities range from 14% to 22% per annum.

24.3 The carrying amounts of the financial assets and financial liabilities approximate their fair values.

### 25. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST, 1999

	<i>Share capital</i>	<i>Accumulated Loss</i>	<i>Surplus on Revaluation of fixed Assets (Rupees)</i>	<i>Total</i>
Balance as at 31 August, 1997	80,000,000	(92,423,653)	52,233,851	39,810,198
Profit for the year	--	26,303,691	--	26,303,691
	-----	-----	-----	-----
Balance as at 31 August, 1998	80,000,000	(66,119,962)	52,233,851	66,113,889
Profit for the year	--	1,853,925	--	1,853,925
	-----	-----	-----	-----
Balance as at 31 August, 1999	80,000,000	(64,266,037)	52,233,851	67,967,814

**26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES**

<i>Particulars</i>	<i>Chief Executive</i>			<i>Director</i>	<i>Executives</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Basic salary	200,000	200,000	200,000		200,000	245,372
House rent	90,000	90,000	80,000		90,000	110,419
Utilities	20,000	10,000	20,000		10,000	12,272
Medical expenses reimbursed	29,245	11,245	102,067	17,405	31,865	28,084
Travelling and Conveyance	100,369	349,871	253,785	111,888	13,200	--
<b>Rupees</b>	<b>439,614</b>	<b>661,116</b>	<b>655,852</b>	<b>429,293</b>	<b>875,865</b>	<b>396,147</b>
Number of persons	1	1	1	1	4	2

26.1 The Chief Executive and the Director are also provided with free use of the Company's maintained cars and residential telephones.

**27. CAPACITY AND ACTUAL PRODUCTION**

Plant's crushing capacity of Cotton Seed  
(Based on 300 days)

<i>1999</i>	<i>1998</i>
<i>Tonnes</i>	<i>Tonnes</i>

60,000	60,000
--------	--------

Actual crushing converted into Cotton Seed  
(No. of days worked 197 (1998: 277 days))

31,132	35,711
--------	--------

Actual utilization of plant was low due to shortage of local seed availability and difficulties faced in raw material importation in the wake of Pakistan's nuclear testing.

**28. NUMBER OF EMPLOYEES:**

Total number of employees at the year-end was 79 (1998: 72).

**29. FIGURES**

- In the accounts are rounded-off to the nearest Rupee.

- of the previous year are re-arranged wherever necessary for the purpose of comparison.

**DIRECTOR****CHIEF EXECUTIVE****PATTERN OF SHAREHOLDINGS**

**AS ON 31 AUGUST, 1999**

<i>Number of Share Holders</i>	<i>From Shares</i>	<i>To Shares</i>	<i>Total Shares Held</i>
17	1	100	1,700
3,837	101	500	1,913,300
16	501	1,000	16,000
20	1,001	5,000	48,750
1	5,001	10,000	6,000



1	10,001	15,000	10,500
0	15,001	20,000	0
2	20,001	25,000	45,900
1	25,001	30,000	25,500
1	30,001	35,000	34,300
0	35,001	40,000	0
1	40,001	45,000	44,900
0	45,001	195,000	0
1	195,001	200,000	200,000
0	200,001	295,000	0
2	295,001	300,000	600,000
0	300,001	420,000	0
1	420,001	425,000	420,400
0	425,001	470,000	0
1	470,001	475,000	471,600
0	475,001	490,000	0
1	490,001	495,000	493,845
0	495,001	525,000	0
2	525,001	530,000	1,054,605
0	530,001	720,000	0
1	720,001	725,000	724,200
0	725,001	740,000	0
1	740,001	745,000	744,000
0	745,001	1,140,000	0
1	1,140,001	1,145,000	1,144,500

-----  
3,908  
=====

-----  
8,000,000  
=====

<i>Ctg. Code</i>	<i>Description</i>	<i>Number of Shareholders</i>	<i>Shares Held</i>	<i>Percentage of T. Capital</i>
1	Individuals	3,902	5,580,000	69.7499
2	Investment Companies	2	505,900	6.3238
6	Modaraba Companies	1	25,500	0.3188
7	Foreign Investors	3	1,888,600	23.6075
		----- 3,908 =====	----- 8,000,000 =====	----- 100.0000 =====