

## **Kashmir Edible Oils Limited**

### **Annual Report 1998**

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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 9th Annual General Meeting of the Company will be held on Saturday 27th February, 1999 at the Registered Office, 165 Shadman-II, Lahore, at 12.00 Noon 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, 1998 along with the Auditors' and Directors' Reports thereon.
3. To appoint Auditors for the year 1997-98 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

**ANJUM PERVEZ**  
Corporate Secretary

Lahore: 04.02,1999

**NOTE:**

1. The Share Transfer Books of the Company will remain closed from February 17, 1999 to February 27, 1999 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member not less than 48 hours before time for the meeting.
3. Shareholders are requested to promptly notify the Company of any change in their addresses.

**DIRECTORS' REPORT**

The Directors take great pleasure in welcoming you to our Ninth Annual General Meeting to review and approve the Company's accounts for the year ended 31st August, 1998.

This year we are particularly delighted by the fact that the Company earned an overall net profit for the first time since commercial operations commenced in January, 1994. Sales increased by 18%-whereas Gross Profit increased by some 62% showing a marked improvement in crushing margins. The turnaround in net profit is Rs. 49 million, recovering from a loss of Rs. 22.8 million in 1997 to a profit of Rs. 26.3 million this year. The Balance Sheet of the Company shows a very healthy current ratio and the accumulated loss has been brought down to Rs. 66 million, thus restoring our capital to a positive net worth position. As forecast in our 1997 review, this year has proved to be a major turning point for the company and established the base for continuing and improving profitability.

The year also witnessed the entry of Pakistan into the Nuclear Club and unfortunately, the economic sanctions and resultant financial crisis that followed. The major impact on us was firstly the freezing of our U.S. Dollar deposits by the State Bank of Pakistan and the consequent exchange loss of Rs. 733,557, necessitated by the terms of the freezing. The second significant impact has been the vastly increased costs of confirmation of letters of credit established by Pakistani banks. This has affected raw material costs in the latter half of the year and is, to a large extent, continuing into the next financial year. Nevertheless, the company's management continued to strive hard to overcome these problems and have managed to surmount them without any significant loss of production.

The Directors have reviewed the company's computer systems and are satisfied that they are adequate in terms of any possible impact of the "Millenium Bug". We do not expect any problems on this score.

Our company is one of the very few solvent extraction plant's operating profitability and is widely considered as an industry leader. We are grateful for the confidence placed in us by both our bankers and customers alike and we greatly value the high reputation for quality and integrity that the company enjoys.

Once again the Board of Directors would like to record their appreciation of the dedicated efforts of all its employees in making these results possible. Shareholders too can draw satisfaction from the significantly

improved position of the company.

On behalf of the  
Board of Directors

Lahore:  
25 January, 1999

**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, 1998 and the related Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, for the year ended and we state that, except for the contents of note 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 respectively give a true and fair view of the state of the Company's affairs as at 31 August, 1998 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:  
25 January, 1999.

**HAMEED CHAUDHRI & CO.**  
CHARTERED ACCOUNTANTS

**BALANCE SHEET AS AT 31, AUGUST, 1998**

	Note	1998 Rupees	1997 Rupees
<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>			
		(66,119,962)	(92,423,653)
		-----	-----

		13,880,038	(12,423,653)
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	3	52,233,851	52,233,851
<b>LONG TERM LOAN</b>	4	203,911,585	209,911,585
<b>DEFERRED LIABILITY FOR GRATUITY</b>		879,620	836,675
<b>CURRENT LIABILITIES</b>			
Short term finances	5	28,244,183	14,874,008
Short term loan from director	6	10,000,000	16,000,000
Creditors, accruals and other payables	7	96,703,593	110,766,768
		-----	-----
		234,947,776	141,640,776
<b>CONTINGENCIES AND COMMITMENTS</b>	8	-----	-----
		505,852,870	392,199,234
		=====	=====
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets	9	229,155,401	232,712,719
Capital work-in-progress	10	910,207	1,710,526
		-----	-----
		230,065,608	234,423,245
<b>LONG TERM DEPOSITS AND DEFERRED COSTS</b>	11	84,685	673,263
<b>CURRENT ASSETS</b>			
Stores, spares and tools	12	5,039,563	3,158,360
Stock-in-trade	13	114,642,601	17,976,698
Trade debtors	14	2,058,694	2,204,273
Advances, deposits, prepayments and other receivables	15	23,700,936	25,604,030
Cash and bank balances	16	130,260,783	8,159,365
		-----	-----
		275,702,577	157,102,726
		-----	-----
		505,852,870	392,199,234
		=====	=====

The annexed notes form an inte9ral part of these accounts.

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST, 1998**

	Note	1998 Rupees	1997 Rupees
<b>SALES - Net</b>	17	470,480,973	397,992,358
<b>COST OF SALES</b>	18	430,106,262	373,076,334
		-----	-----
<b>GROSS PROFIT</b>		40,374,711	24,916,024
<b>ADMINISTRATIVE EXPENSES</b>	19	8,225,575	6,750,150
		-----	-----
		32,149,136	18,165,874
<b>OTHER INCOME</b>	20	95,745	627,394
		-----	-----
		32,244,881	18,793,268
<b>OTHER CHARGES</b>			
Financial - Net	21	4,177,517	23,907,241

Miscellaneous	22	1,763,673	833,244
		-----	-----
		5,941,190	24,740,485
<b>PROFIT/(LOSS) BEFORE EXTRAORDINARY ITEM</b>		26,303,691	(5,947,217)
<b>EXTRAORDINARY ITEM</b>	9.2	-	(19,436,958)
		-----	-----
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		26,303,691	(25,384,175)
<b>PROVISION FOR TAXATION-Written-back</b>	23.3	-	2,564,981
		-----	-----
<b>PROFIT/(LOSS) AFTER TAXATION</b>		26,303,691	(22,819,194)
<b>ACCUMULATED LOSS- Brought forward</b>		(92,423,653)	(69,604,459)
<b>ACCUMULATED LOSS</b>		-----	-----
- Carried to Balance Sheet		(66,119,962)	(92,423,653)
		=====	=====

The annexed notes form an integral part of these accounts.

#### CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST, 1998

	1998	1997
	Rupees	Rupees
<b>CASH INFLOW FROM OPERATING ACTIVITIES (Note 'A')</b>	29,553,816	99,547,013
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(3,139,524)	(2,927,693)
Sale proceed of fixed assets	32,100	160,000
	-----	-----
<b>NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES</b>	(3,107,424)	(2,767,693)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loan repaid	(6,000,000)	-
Shod term finances - net	13,370,175	(2,566,195)
Shod term loan from Director(repaid)/obtained	(6,000,000)	16,000,000
Financial charges paid	(5,715,149)	(5,939,794)
	-----	-----
<b>NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES</b>	(4,344,974)	7,494,011
	-----	-----
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	22,101,418	104,273,331
<b>CASH AND CASH EQUIVALENTS</b>		
-At the beginning of the year	108,159,365	3,886,034
<b>CASH AND CASH EQUIVALENTS</b>	-----	-----
-At the end of the year	130,260,783	108,159,365
	=====	=====

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

#### NOTE 'A'

##### CASH FLOW FROM OPERATING ACTIVITIES

Profit/(Loss) for the year		
- Before extraordinary item	26,303,691	(5,947,217)
Adjustments for:		
Depreciation	7,478,548	7,817,647
Deferred costs amortised	588,578	588,577
Provision for gratuity - net	42,945	261,486
(Gain) on sale of fixed assets	(13,487)	(20,000)

Financial charges	3,771,327	23,474,357
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>		
- Before working capital changes	38,171,602	26,174,850
(Increase)/Decrease in current assets		
Stores, spares and tools	(1,881,203)1	731,664
Stock-in-trade	(96,665,903)	(4,777,948)
Trade Debtors	145,579	(1,897,765)
Advances, deposits, prepayments and other receivables (excluding taxes paid)	2,306,093	(19,564,354)
Increase in creditors, accruals and other payables	87,880,647	#####
	-----	-----
	(8,214,787)	76,760,719
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>		
- Before taxation	29,956,815	102,935,569
Taxes paid	(402,999)	(3,388,556)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	-----	-----
- After taxation	29,553,816	99,547,013
	=====	=====

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 AUGUST, 1998**

**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 obligations 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 amounts 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. Hameed 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.

	1998 Rupees	1997 Rupees
<b>4. LOAN TERM LOAN - Secured</b>		
Re-constituted loan	203,911,585	-
Principal portion		- 125,603,302
Add: Interest accrued		- 84,308,283
	-----	-----
	203,911,585	209,911,585
	=====	=====

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 graced 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 Scheme was to commence. The Company, however, did not pay any of these installments.

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

(a) All outstanding principal and interest on local and foreign currency loans outstanding as on 30 June, 1997 may 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 shall 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 is 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. This lump sum payment will be adjusted against the outstanding re-constituted loan. The Company has made this lump sum down payment to ADBP during the 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 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 year has been adjusted against the outstanding balance of re-constituted loan.

4.5 The loan is secured by deposit of title 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 ADBP's year-end balance confirmation certificate No. LHR/MB/PLD-MISC/98/6999 dated 31 October, 1998, received by the Company, the total quantum of Company's liabilities on account of loan from ADBP and accrued interest thereon aggregated Rs. 265,863,982. As per the Company's books of account, these liabilities aggregated Rs. 203,911,585 as a 31 August, 1998. The Company's management is negotiating with ADBP for rectification/reconciliation of this matter.

4.7 The Auditors, due to non-receipt of direct year-end balance confirmation certificate from ADBP, have relied upon year-end balance confirmation certificate received by the Company. Further, the Auditors could not verify the creation of re-constituted loan in the absence of relevant sanction letter from ADBP.



	Note	Rupees	Rupees
<b>5. SHORT TERM FINANCES</b>			
Cash finances - Secured	5.1	28,244,183	14,789,440
Temporary bank overdraft- Unsecured	5.2	-	84,568
		-----	-----
		28,244,183	14,874,008
		=====	=====

5.1 Short term cash finance facility available from a commercial bank under mark-up arrangements amounts to Rs. 35.0 million (1997: Rs. 40.0 million).The facility carries mark up @ Re. 0.52 per Rs. 1,000 per day and is secured against pledge of stock-in-trade, registered charge on current assets of the Company and personal guarantees of principal sponsoring directors of the Company. The expiry date of this facility was 30 June, 1998 and its renewal is in process.

5.2 This represented temporary overdraft arisen due to issuance of cheques for amounts in excess of balance at a bank account.

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

This short term loan has been obtained from a Company Director and carries mark-up at the rate of 22% per annum. Repayment terms of this loan have not been settled as yet.

	1998 Rupees	1997 Rupees
<b>7. CREDITORS, ACCRUALS AND OTHER PAYABLES</b>		
Creditors	1,179,560	559,110
Accrued expenses	965,180	1,264,821
Mark-up on secured short term finances	1,125,862	1,072,663
Mark-up on short term loan from Director	36,195	2,004,164
Excise duty on borrowings	-	29,052
Due to employees	-	72,014
Advance payments	9,774,469	1,185,100
Retention money	7,000	10,000
Bills payable	181,776,860	102,969,712
Tax deducted at source	84,955	41,025
Amount payable to customer	1,466,402	1,466,402
Others	287,110	92,705
	-----	-----
	196,703,593	110,766,768
	=====	=====

#### 8. CONTINGENCIES AND COMMITMENTS

8.1 Refer contents of notes 4.6 and 23.2.

8.2 No commitments were outstanding as at 31 August, 1998 (Commitment for letters of credit outstanding as at 31 August, 1997 aggregated Rs. 170,142 million).

#### 9. OPERATING FIXED ASSETS-Tangible

	COST/REVALUATION			DEPRECIATION						Net Book Value as at 31 August, 1998	
	As at 31 August, 1997	Additions during the year	Disposals during the year	As at 31 August, 1998	Rate %	To 31 August, 1997	For the year	On Disposals	On adjustments (note 9.2)		To 31 August, 1998
Land-Freehold											
Cost	4,413,710	0	0	4,413,710	0.00	0	0	0	0	0	4,413,710

Revaluation	2,086,290	0	0	2,086,290	0.00	0	0	0	0	0	2,086,290
	6,500,000	0	0	6,500,000		0	0	0	0	0	6,500,000
<b>Building on freehold land</b>											
Cost	33,846,527	1,582,676	0	35,429,203	5.00	6,130,986	1,464,911	0	0	7,595,897	27,833,306
Revaluation	16,110,365	0	0	16,110,365	5.00	805,518	765,242	0	0	1,570,760	14,539,605
	49,956,892	1,582,676	0	51,539,568		6,936,504	2,230,153	0	0	9,166,657	42,372,911
<b>Plant and machinery</b>											
Cost	168,850,211	146,146	0	168,996,357	2.50	33,073,179	3,398,079	0	0	36,471,258	132,525,099
Revaluation	25,629,695	0	0	25,629,695	2.50	640,742	624,724	0	0	1,265,466	24,364,229
	194,479,906	146,146	0	194,626,052		33,713,921	4,022,803	0	0	37,736,724	156,889,328
<b>Generators</b>											
Cost	11,285,213	0	0	11,285,213	2.50	1,320,498	249,118	0	0	1,569,616	9,715,597
Revaluation	6,199,298	0	0	2,208,203	2.50	55,205	53,825	0	0	109,030	2,099,173
	13,493,416	0	0	13,493,416		1,375,703	302,943	0	0	1,678,646	11,814,770
<b>Electric Installations</b>											
Cost	2,572,695	0	0	2,572,695	2.50	529,479	51,080	0	0	580,559	1,992,136
Revaluation	6,199,298	0	0	6,199,298	2.50	154,982	151,108	0	0	306,090	5,893,208
	8,771,298	0	0	8,771,993		684,461	202,188	0	0	886,649	7,885,344
<b>Furniture and fixtures</b>											
Telephone installations	593,616	130,366	16,500	707,482	10.00	239,684	47,405	0	0	280,842	426,640
Office equipment	320,000	0	0	320,000	10.00	86,720	23,328	6,247	0	110,048	209,952
Tools and equipment	480,960	253,240	0	733,663	10.00	174,695	55,897	0	0	230,592	503,071
Fire extinguishing equip.	376,960	0	0	376,960	10.00	119,369	25,759	0	0	145,128	231,832
Arms and ammunition	123,893	0	0	123,893	10.00	47,610	7,628	0	0	55,238	68,655
Vehicles	32,700	0	0	32,700	10.00	10,451	2,225	0	0	12,676	20,024
	2,357,408	1,827,415	31,890	4,152,933	20.00	1,385,370	558,219	23,530	0	1,920,059	2,232,874
<b>Rupees</b>	277,487,207	3,939,843	48,390	281,378,660		44,774,488	7,478,548	29,777	0	52,223,259	229,155,401
<b>1997 Rupees</b>	275,851,842	1,810,365	175,000	277,487,207		17,554,883	7,817,647	35,000	19,436,958	44,774,488	232,712,719

**9.1 Depreciation for the year has been apportioned as under:**

	Note	1998 Rupees	1997 Rupees
Cost of sales	18	6,793,699	7,475,421
Administrative expenses	19	684,849	342,226
		7,478,548	7,817,647
		=====	=====

9.2 (a) Depreciation has been charged at the following rates as revised during the accounting year 1995-96:

	Rate
Buildings on freehold land	5%
Plant & machinery	2.5%
Generators	2.5%
Electric installations	2.5%

(b) Extra-ordinary item represented reversal of depreciation written-back during the

accounting year 1995-96.

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 fixed assets

Particulars	Cost	Accumulated depreciation	Book Value	Sale Proceed	Gain/ (Loss)	Sold through Negotiation to:
Furniture & fixtures						
Room Cooler	5,600	560	5,040	5,600		560Paradise Room Cooler, Sahiwal
Refrigerator	10,900	5,657	5,213	4,500	(713)	Mr. Muhammad Irshad (The Company's employee)
	-----	-----	-----	-----	-----	
	16,500	6,247	10,253	10,100	(153)	
Motor Cycle	31,890	23,530	8,360	22,000	13,640	Mr. Aftab Anwar (The Company's employee).
	-----	-----	-----	-----	-----	
	48,390	29,777	18,613	32,100	13,487	
	=====	=====	=====	=====	=====	

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

	1998 Rupees	1997 Rupees
Buildings on freehold land		
- Cost of material and labour		- 737,905
Plant and machinery		
- Cost of materials and labour	711,805	241,923
- Advance payments	198,402	730,698
	-----	-----
	910,207	972,621
	-----	-----
	910,207	1,710,526
	=====	=====

#### 11. LONG TERM DEPOSITS AND DEFERRED COSTS

Security deposits		84,685	84,685
Deferred costs	11.1		
Opening balance			
- Preliminary expenses		21,267	42,534
-Initial listing fee		47,858	95,715
- Shares issue expenses		419,453	838,908
- Underwriters' commission		100,000	200,000
		-----	-----
		588,578	1,177,155
Less: Amortised during the year		588,578	588,577
		-----	-----
		-	588,578
		-----	-----

84,685	673,263
=====	=====

11.1 These have been amortised over a period of five years.

## 12. STORES, SPARES AND TOOLS

	1998	1997
	Rupees	Rupees
Stores	3,383,573	1,802,959
Spares	1,646,125	1,345,536
Loose tools	9865	9,865
	-----	-----
	5,039,563	3,158,360
	=====	=====

The Company does not hold any stores for specific capitalisation.

## 13. STOCK-IN-TRADE

Raw materials	72,494,452	-
Work-in-process	2,605,628	-
Finished goods		
- Refined goods	371,476,131	7,593,255
- Waste/By-products	2,394,908	10,383,443
	-----	-----
	39,542,521	17,976,698
	-----	-----
	114,642,601	17,976,698
	=====	=====

## 14. TRADE DEBTORS

These are unsecured and considered good.

## 15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Due from an Associated Undertaking	15.1	12,483,567	10,113,338
Advances to staff - Considered good		182,111	382,190
Advance payments - Considered good		627,758	2,076,851
Deposits		50,000	-
Prepayments		309,404	99,016
Tax paid/deducted at source		5,202,945	4,799,946
Sales tax refundable		4,373,223	5,658,523
Letters of credit		-	1,383,647
Mark-up accrued on bank deposits		458,578	1,077,169
Others		13,350	13,350
		-----	-----
		23,700,936	25,604,030
		=====	=====

15.1 The Company, during the previous year, advanced Rs. 10.0 million to an Associated Undertaking against supply of fine quality of Sunflower seeds to the Company. The advance carries mark-up @ 22% per annum.

## 16. CASH AND BANK BALANCES

1998	1997
Rupees	Rupees

Cash-in-h and	142,368	379,631
Cash at banks on:		
- Current accounts	1,636,524	2,718,422
- PLS accounts	121,872,915	3,129,345
- Saving accounts	6,608,976	101,931,967
	-----	-----
	130,260,783	108,159,365
	=====	=====

**17. SALES - Net**

Gross sales	471,483,400	404,104,742
Less: Sales tax	301,105	5,010,807
Commission	701,322	1,101,577
	-----	-----
	1,002,427	6,112,384
	-----	-----
	470,480,973	397,992,358
	=====	=====

**18. COST OF SALES**

Raw materials consumed	18.1	412,919,750	337,866,147
Salaries, wages and benefits		3,841,391	4,669,754
Stores consumed		10,484,028	11,840,340
Packing materials consumed		2,631,357	2,575,968
Power and fuel		11,462,268	13,017,077
Repair and maintenance		3,777,401	1,371,276
Insurance		1,298,067	955,510
Travelling and conveyance		266,310	117,879
Vehicles' running		191,048	-
Depreciation		6,793,699	7,475,421
Others		612,394	525,768
		-----	-----
		454,277,713	380,415,140
Adjustment of closing work-in-process		(2,605,628)	-
		-----	-----
Cost of goods manufactured		451,672,085	380,415,140
Adjustment of finished goods			
Opening stock		17,976,698	10,637,892
Closing stock		(39,542,521)	(17,976,698)
		-----	-----
		(21,565,823)	(7,338,806)
		-----	-----
		430,106,262	373,076,334
		=====	=====

**18.1 Raw materials consumed**

	1998	1997
	Rupees	Rupees
Opening stock	-	2,560,858
Purchases	463,434,140	314,188,848
Expenses	21,980,062	21,136,441
	-----	-----
	485,414,202	337,886,147
Less: Closing stock	72,494,452	-

-----  
 412,919,750 337,866,147  
 =====

**19. ADMINISTRATIVE EXPENSES**

Directors' remuneration	600,000	500.00
Salaries and benefits	3,331,826	2,532,643
Travelling and conveyance-including Directors' Travelling Rs. 478,024 (1997: Rs. 286,277)	868,796	362,377
Vehicles' running and maintenance	270,222	589,485
Repair and maintenance	144,554	79,104
Communication	983,008	383,994
Electricity and gas charges	269,882	231,444
Rent, rates and taxes	197,017	255,400
Fees and subscription	113,334	95,309
Printing and stationery	259,659	222,417
Insurance	135,416	103,824
Advertisement	38,900	118,258
Entertainment	261,513	360,553
Depreciation	684,849	342,226
Others	66,599	73,116
	-----	-----
	8,225,575	6,750,150
	=====	=====

**20. OTHER INCOME**

Profit on bank deposits	27,386	6,225
Oil tank lease rentals	-	198,000
Gain on sale of fixed assets	13,487	20,000
Sale of scrap	-	301,290
Others	54,872	101,879
	-----	-----
	95,745	627,394
	=====	=====

**21. FINANCIAL CHARGES - Net**

Interest on long term loan	-	17,584,462
Mark-up on short term loan from Director	3,131,684	2,793,205
Less: Mark-up on. loan advanced to an Associated Undertaking	2,370,229	1,944,535
	-----	-----
	761,455	848,670
Mark-up on short term finances	3,009,872	4,833,626
Excise duty on bank borrowings	-	157,199
Guarantee commission	-	50,400
Bank charges	406,190	432,884
	-----	-----
	4,177,517	23,907,241
	=====	=====

**22. MISCELLANEOUS CHARGES**

Auditors' remuneration		
Audit fee	50,000	50,000
Legal and professional charges (other than Auditors)	205,595	56,250
Shares' Registrar charges	121,843	127,917
Donations (without directors' interest)	64,100	10,500
Deferred costs amortised	588,578	588,577
Exchange fluctuation loss	733,557	-

-----	-----
1,763,673	833,244
=====	=====

**23. TAXATION**

23.1 The Company's income is exempt from tax for a period of five years, commencing from the date of commercial operations i.e. 01 January, 1994, under clause 118-D of the Second Schedule to the Income Tax Ordinance, 1979

23.2 Income tax assessments of the Company have been completed upto the Income Year ended 31 August, 1996 (Assessment Year 1997-98). The Tax Department for the Assessment Years 1995-96 to 1997-98 raised tax demands aggregating Rs. 587,510 under section 30 of the Income Tax Ordinance, 1979. Provision against the said demands has not made in these accounts.

23.3 Provision for Minimum Tax leviable under section 80-D of the Income Tax Ordinance, 1979 is not required in view of the Supreme Court of Pakistan's decision dated 04 June, 1997. Provision for Minimum Tax made uptill 31 August, 1996, therefore, was written-back during the preceding year.

23.4 There were no tax effects of timing differences as at 31 August, 1998 (1997: Nil).

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

Particulars	Chief Executive		Director		Executives	
	1998	1997	1998	1997	1998	1997
Basic salary	200,000	166,667	200,000	166,667	245,372	85,053
House rent	90,000	75,000	90,000	75,000	110,419	38,274
Utilities	10,000	72,450	10,000	37,281	12,272	4,254
Medical expenses reimbursed	11,245	16,231	17,405	36,973	28,084	-
Travelling and Conveyance	349,871	267,822	111,888	18,455	-	-
Rupees	661,116	598,170	429,293	334,376	396,147	127,581
Number of persons	1	1	1	1	2	1

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

**25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

	1998	1997
	Rupees	Rupees
Short term loan advanced	-	10,000,000
Mark-up earned on loan advanced	2,370,229	1,944,535

**26. CAPACITY AND ACTUAL PRODUCTION**

	1998	1997
	Tons	Tons
Plant crushing capacity of Cotton Seed (Based on 300 days)	60,000	60,000

Actual crushing converted into Cotton Seed

[No. of days worked 277 (1997: 250 days)]

35,711 34,217

Capacity utilisation of Plant was low due to shortage and poor quality of Seed.

**27. 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, 1998**

Number of Share Holders	From Shares	To Shares	Total Shares Held
15	1	100	1,500
3,872	101	500	1,931,500
12	501	1,000	12,000
21	1,001	5,000	50,750
0	5,001	10,000	0
1	10,001	15,000	10,500
0	15,001	20,000	0
1	20,001	25,000	22,500
1	25,001	30,000	25,500
0	30,001	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	440,000	0
1	440,001	445,000	440,400
0	445,001	475,000	0
1	475,001	480,000	478,200
0	480,001	490,000	0
1	490,001	495,000	493,845
0	495,001	525,000	0
2	525,001	530,000	1,055,405
0	530,001	740,000	0
2	740,001	745,000	1,488,500
0	745,001	1,140,000	0
1	1,140,001	1,145,000	1,144,500
-----			-----
3,935			8,000,000
=====			=====

Code	Description	Number of Shareholders	Shares Held	Percentage Of T. Capital
1	Individuals	3,930	5,567,400	69.5925
2	Investment Companies	1	478,200	5.9775
6	Modaraba Companies	1	25,500	0.3188
7	Foreign Investors	3	1,928,900	24.1113
		-----	-----	-----
	Total:	3,935	8,000,000	100.0001



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