

Aventis Pharma (Pakistan) Limited
[Formerly Hoechst Marion Roussel (Pakistan) Limited]
Annual Report 2000

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NOTICE OF MEETING

Notice is hereby given that the Thirty-third Annual General Meeting of the Company will be held on Monday, April 09, 2001 at 10:00 hours in the Conference Hall of the Overseas Investors Chamber of Commerce and Industry, Talpur Road, Karachi to transact the following business:

1. To confirm the minutes of the last Annual General Meeting.
2. To receive and adopt the Balance Sheet and Profit & Loss Account for the year ended December 31, 2000 together with the Directors' and Auditors' reports thereon.
3. To approve the dividend for the year @ Rs.3.50 per share, as recommended by the Directors.
4. To appoint Auditors for the year ending December 31, 2001 and to fix their remuneration. The retiring Auditors, M/s. A.F. Ferguson & Co., being eligible offer themselves for re-appointment.

By Order of the Board

M. Z. Moin Mohajir
Director/Secretary

Karachi, March 16, 2001

Notes:

1. The Share Transfer Books of the Company shall remain closed from March 27, 2001 to April 09, 2001 (both days inclusive) for the purpose of determining the dividend.
2. A member entitled to attend and vote at the above meeting may appoint a Proxy to attend and vote on his behalf. No person shall be appointed as Proxy who is not a member of the Company qualified to vote except that a Corporation being a member may appoint as Proxy a person who is not a member. The completed Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
3. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Original National Identity Card and account number in CDC for verification.
4. For the convenience of our shareholders who wish to avail transport facility, company transport will be available at the Karachi Stock Exchange Building and will leave for Overseas Investors Chamber of Commerce and Industry at 9:30 a.m. sharp. After the Annual General Meeting, the company transport will take the shareholders back to the Karachi Stock Exchange Building.

COMPANY INFORMATION

| | | |
|---------------------------|----------------|----------------------------|
| Board of Directors | Syed Babar Ali | Chairman |
| | M. Tariq Umar | Managing Director |
| | Pir Ali Gohar | (Alternate Asif Ali Gohar) |
| | Syed Hyder Ali | |

Michel R. Lienard (Alternate Jacques Perez)
Hans D. Hausner (Alternate A. R. Tahir)
M. Z. Moin Mohajir

Company Secretary M.Z. Moin Mohajir

Auditors A.F. Ferguson & Co.

Legal Advisors Fatehali W. Vellani & Company
Azfar & Azfar
Orr, Dignam & Co.
Rizvi, Isa & Co.

Bankers ABN AMRO Bank N.V.
Citibank, N.A.
Credit Agricole Indosuez
Deutsche Bank AG
Habib Bank Limited
Hongkong & Shanghai Banking Corporation Ltd.
Muslim Commercial Bank Ltd.
Societe Generale - The French & International Bank
Standard Chartered Bank
Standard Chartered Grindlays Bank Ltd.

Registered Office Plot No. 23, Sector No. 22,
Korangi Industrial Area,
Karachi-74900.

Postal Address P.O. Box No. 4962,
Karachi - 74000.

Registrars & Share Transfer Office Ferguson Associates (Pvt.) Ltd.
State Life Building No. 1-A,
I.I. Chundrigar Road,
Karachi-74000.

TEN-YEAR SUMMARY OF STATISTICS

(Rupees in thousands)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Operating assets | 116,275 | 141,409 | 157,538 | 188,010 | 355,691 | 311,715 | 284,104 | 240,995 | 190,155 | 146,164 |
| Capital work-in-progress | 29,388 | 25,888 | 45,222 | 183,058 | 36,012 | 105,163 | 1,638 | 3,565 | 6,874 | 23,823 |
| Net current & other assets | 49,564 | 48,514 | 51,015 | 253,213 | 129,657 | (16,737) | 117,112 | 88,646 | 226,007 | 175,653 |
| Total assets employed | 195,227 | 215,811 | 253,775 | 624,281 | 521,360 | 400,141 | 402,854 | 333,206 | 423,036 | 345,640 |
| Ordinary capital | 57,873 | 69,448 | 69,448 | 69,448 | 69,448 | 69,448 | 69,448 | 69,448 | 69,448 | 69,448 |
| Reserves | 80,631 | 98,633 | 151,775 | 201,584 | 212,125 | 204,949 | 221,752 | 237,987 | 242,675 | 276,192 |
| Redeemable capital | 31,650 | 22,350 | 13,050 | 240,000 | 136,667 | 49,333 | 62,000 | 8,000 | 104,000 | -- |
| Long term & deferred liabilit | 25,073 | 25,380 | 19,502 | 113,249 | 103,120 | 76,411 | 49,654 | 17,771 | 6,913 | -- |
| Total funds employed | 195,227 | 215,811 | 253,775 | 624,281 | 521,360 | 400,141 | 402,854 | 333,206 | 423,036 | 345,640 |
| Net turnover | 1,112,096 | 1,272,943 | 1,308,682 | 1,532,542 | 1,960,288 | 1,422,957 | 1,409,552 | 1,420,712 | 1,624,284 | 1,800,607 |
| Indenting commission | 16,196 | 15,619 | 18,800 | 18,585 | 17,919 | 18,293 | 16,135 | 17,868 | -- | -- |
| Profit before taxation | 77,526 | 80,898 | 82,182 | 72,063 | 40,170 | 32,743 | 61,808 | 62,285 | 70,348 | 136,664 |
| % of net sales | 7.00 | 6.40 | 6.30 | 4.70 | 2.00 | 2.30 | 4.40 | 4.40 | 4.30 | 7.60 |
| % of average assets employ | 48.70 | 39.40 | 35.00 | 16.40 | 7.00 | 7.10 | 15.40 | 16.90 | 18.60 | 35.60 |
| Profit / (loss) after taxation | 41,882 | 43,466 | 53,142 | 63,699 | 24,431 | (7,176) | 30,692 | 30,123 | 22,050 | 57,824 |
| Cash dividend - amount | -- | 13,889 | -- | 13,890 | 13,890 | -- | 13,889 | 13,888 | 17,362 | 24,307 |
| Cash dividend - % | -- | 20 | -- | 20 | 20 | -- | 20 | 20 | 25 | 35 |
| Bonus issue - amount | 11,575 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Bonus issue - % | 20 | -- | -- | -- | -- | -- | -- | -- | -- | -- |

| | | | | | | | | | | |
|--|-------|-------|-------|-------|-------|------|------|------|-------|-------|
| Earnings per share Rs. (based on profit before tax) | 13.39 | 11.64 | 11.80 | 10.30 | 5.78 | 4.70 | 8.90 | 8.97 | 10.12 | 19.68 |
| Number of permanent employees at year end | 923 | 953 | 941 | 954 | 1,007 | 882 | 626 | 521 | 509 | 508 |

DIRECTORS' REPORT

We are pleased to present the Annual Report of your company for the year ended December 31, 2000.

Sales were 11.6% above last year, which was well above the Pakistan Pharmaceuticals Market growth of 6%. Profit before tax of Rs.136.6 million is a record for the company and it is 94% more than last year. This excellent achievement was due to the full benefits arising out of several restructuring, streamlining and cost saving actions taken in the last couple of years. This result was despite a number of negative factors which were beyond the control of your company's management. These included 1) continued stagnation of the economy with consequent impact on sales, 2) no price increase for 4 products including 2 of our largest products - Claforan® 1gm and Tarivid®, 3) price increase granted for other products from July 2000 only, 4) devaluation of Pak rupee by approximately 13% starting from July 2000 thereby neutralizing the benefits of the price increase, 5) increase in cost of electricity, petrol and travel, etc.

We launched two new products during the year - Targocid® (200mg and 400rag Injections) in June 2000 and Tavanic® (250mg and 500mg Tablets) in December 2000. These are antibiotics and the initial response to both the products was very positive and we expect them to develop quite well during the year 2001.

We again exported pharmaceutical products worth Rs.15 million to Thailand during the year and expect this business to grow.

| Appropriations | (Rs.000) |
|---------------------------------------|-----------------|
| Profit for the year before taxation | 136,664 |
| Taxation: | |
| Current | |
| - for the year | 84,000 |
| - for prior years | 1,753 |
| Deferred | |
| - for the year | (6,913) |
| | ----- |
| | 78,840 |
| | ----- |
| Profit after taxation | 57,824 |
| Unappropriated profit brought forward | 175 |
| | ----- |
| | 57,999 |
| Appropriations: | |
| Proposed divi I | 24,307 |
| Transfer to General Reserve | 33,500 |
| | ----- |
| | 57,807 |
| | ----- |
| Unappropriated profit carried forward | 192 |
| | ===== |

Tax provision for current year is high due to timing and some permanent differences which have been accounted for in the tax computation.

In view of the excellent profit the Directors are pleased to recommend a dividend of 35% i.e. Rs.3.50 per share which, if approved, by the shareholders, will be the highest cash dividend in the history of the company.

Human Resource

The total number of permanent employees at the end of 2000 were 508, a further reduction of 1 as compared to the end of last year despite increase in sales and related operations.

Productivity based incentives introduced in the factory 2 years back resulted in further productivity improvement of over 6% this year as compared to 1999 which had already registered a productivity growth.

Information Technology

The 5 SAP modules which we use are now being upgraded and our Information Technology department

is one of the most advanced in the country. This, however, also means that we incur significant costs to maintain this modern tool and we need to spend more to extend the SAP system to all our branches.

Safety & Environment

Further training of concerned staff to maintain and even to enhance the level of quality standards of Environment, Health and Safety has been one of the company's achievements during the year.

Future Outlook

We have to once again repeat this year that the pharmaceutical industry continues to be depended on the Government in respect of pharmaceutical price increases and to be wary of the regular devaluation of Pak rupee. As mentioned above the restricted price increases granted after 3 years and 8 months towards the end of June 2000 were quickly neutralized by the devaluation of the Pak rupee immediately thereafter. Despite our best efforts to control costs and introduce innovative ideas, it is to be understood that there is a certain limit on such actions and factors like inflation and Pak rupee devaluation are realities on which we have no control.

Our policy of launching new products will continue this year also and together with the products launched last year we hope that new products will contribute significantly to our overall turnover.

The merger of Hoechst AG and Rhone-Poulenc Rorer SA Life Sciences into a new company Aventis SA has been completed in nearly all the countries of the world. In Pakistan we are still looking into the various aspects of the merger and shall revert back to you in this regard very soon.'

Directors

Mr. Michel Lienard and Mr. H.D. Hausner, have been nominated by Aventis Pharma Holding GmbH to fill the casual vacancies in the Board of Directors created due to the resignations of Mr. Pascal Soriot, who has taken over new responsibilities in the United States and Mr. F.X. Roger, who has left the Company. We would like to thank the outgoing members for their contribution to the Company during their tenure on the Board and welcome the new nominees.

Pattern of Shareholding

A statement of the pattern of shareholding.

Earning Per Share

The earning per share before tax is Rs.19.68, which is once again the best ever performance by your company.

Holding Company

The company is a subsidiary of Aventis Pharma Holding GmbH, which is incorporated in Germany.

Auditors

The present Auditors Messrs A.F. Ferguson & Company retire and, being eligible, offer themselves for reappointment.

General

We would like to thank all the employees, who have once again played a significant role in your company's good performance.

By order of the Board

SYED BABAR ALI
Chairman

M. TARIQ UMAR
Chief Executive

Karachi: 26th January, 2001

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2000

| NUMBER OF SHAREHOLDERS | SHAREHOLDING | | TOTAL SHARES HELD |
|---------------------------|--------------|-------|----------------------|
| | From | To | |
| 305 | 1 | 100 | 14,034 |
| 376 | 101 | 500 | 114,341 |
| 76 | 501 | 1000 | 57,627 |
| 72 | 1001 | 5000 | 135,803 |
| 6 | 5001 | 10000 | 46,404 |
| 1 | 10001 | 15000 | 10,651 |
| 3 | 15001 | 20000 | 54,877 |

| | | | |
|-------|---------|---------|-----------|
| 3 | 20001 | 25000 | 71,742 |
| 1 | 25001 | 30000 | 29,822 |
| 1 | 30001 | 35000 | 31,222 |
| 1 | 45001 | 50000 | 50,000 |
| 1 | 50001 | 55000 | 51,442 |
| 2 | 55001 | 60000 | 113,896 |
| 1 | 200001 | 205000 | 204,099 |
| 1 | 340001 | 345000 | 341,702 |
| 1 | 465001 | 470000 | 465,523 |
| 1 | 510001 | 515000 | 510,212 |
| 1 | 1160001 | 1165000 | 1,161,894 |
| 1 | 3475001 | 3480000 | 3,479,469 |
| ----- | ----- | ----- | ----- |
| 854 | | | 6,944,760 |
| ===== | ===== | ===== | ===== |

| CATEGORIES OF SHAREHOLDERS | NUMBER | SHARES HELD | PERCENTAGE |
|----------------------------|--------|-------------|------------|
| Financial Institutions | 5 | 143,691 | 2.07 |
| Individuals | 822 | 1,353,588 | 19.50 |
| Insurance Companies | 3 | 1,385,842 | 19.96 |
| Investment Companies | 6 | 475,951 | 6.85 |
| Joint-Stock Companies | 11 | 3,541,257 | 50.99 |
| Modaraba Companies | 2 | 16,300 | 0.23 |
| Charitable Trusts | 1 | 82 | -- |
| Others | 4 | 28,049 | 0.40 |
| ----- | ----- | ----- | ----- |
| | 854 | 6,944,760 | 100.00 |
| ===== | ===== | ===== | ===== |

AUDITORS' REPORT AND FINANCIAL STATEMENTS

We have audited the annexed balance sheet of Aventis Pharma (Pakistan) Limited [formerly Hoechst Marion Roussel (Pakistan) Limited] as at December 31, 2000 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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 statements. 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;

(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, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, 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 December 31, 2000 and of the profit, changes in equity and its cash flows 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.

A.F. Ferguson & Co.
Chartered Accountants

Karachi: February 8, 2001

BALANCE SHEET AS AT DECEMBER 31, 2000

| | <i>Note</i> | <i>2000</i> | <i>1999</i> |
|---|-------------|--------------------------------|-------------|
| | | <i>(Rupees in thousands)</i> | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised Capital | | | |
| 10,000,000 Ordinary shares of Rs. 10 each | | 100,000 | 100,000 |
| | | ===== | ===== |
| Issued, subscribed and paid - up .capital | 3 | 69,448 | 69,448 |
| Revenue reserve | | 276,000 | 242,500 |
| Unappropriated profit | | 192 | 175 |
| | | ----- | ----- |
| | | 345,640 | 312,123 |
| REDEEMABLE CAPITAL | 4 | -- | 104,000 |
| DEFERRED TAXATION | 5 | -- | 6,913 |
| CURRENT LIABILITIES | | | |
| Current maturity of redeemable capital | 4 | 104,000 | 4,000 |
| Short - term running finances utilized under mark - up arrangements | 6 | 100,450 | 158,570 |
| Creditors, accrued and other liabilities | 7 | 286,370 | 334,122 |
| Proposed dividend | | 24,307 | 17~362 |
| | | ----- | ----- |
| | | 515,127 | 514,054 |
| CONTINGENCIES AND COMMITMENTS | 8 | | |
| | | ----- | ----- |
| | | 860,767 | 937,090 |
| | | ===== | ===== |
| TANGIBLE FIXED ASSETS | | | |
| Operating assets | 9 | 146,164 | 190,155 |
| Capital work-in-progress | 10 | 23,823 | 6,874 |
| | | 169,987 | 197,029 |
| LONG - TERM DEPOSITS | | 2,103 | 550 |
| LONG -TERM LOANS AND ADVANCES | 11 | 3,524 | 2,006 |
| CURRENT ASSETS | | | |
| Stores and spares | 12 | 23,784 | 24,352 |
| Stock-in-trade | 13 | 365,061 | 413,464 |
| Trade debts | 14 | 221,702 | 75,831 |
| Loans and advances | 15 | 4,218 | 4,576 |
| Deposits and short-term prepayments | 16 | 30,094 | 139,685 |
| Taxation | | 22,193 | 69,977 |

| | | | |
|------------------------|----|---------|---------|
| Other receivables | 17 | 13,521 | 8,093 |
| Bank and cash balances | 18 | 4,580 | 1,527 |
| | | ----- | ----- |
| | | 685,153 | 737,505 |
| | | ----- | ----- |
| | | 860,767 | 937,090 |
| | | ===== | ===== |

The annexed notes form an integral part of these accounts.

SYED BABAR ALI
Chairman

M. TARIQ UMAR
Chief Executive

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2000

| | <i>Note</i> | <i>2000</i> | <i>1999</i> |
|--|-------------|---------------|---------------|
| <i>(Rupees in thousands)</i> | | | |
| Net Sales | 19 | 1,800,607 | 1,624,284 |
| Cost of Goods Sold | 20 | 1,218,270 | 1,149,727 |
| | | ----- | ----- |
| Trading profit | | 582,337 | 474,557 |
| Administration and Selling expenses | 21 | 409,889 | 391,232 |
| | | ----- | ----- |
| Operating profit | | 172,448 | 83,325 |
| Other income | 22 | 20,715 | 32,344 |
| | | ----- | ----- |
| | | 193,163 | 115,669 |
| Financial charges | 23 | 37,784 | 33,184 |
| Other charges | 24 | 18,715 | 12,137 |
| | | ----- | ----- |
| | | 56,499 | 45,321 |
| Profit before taxation | | 136,664 | 70,348 |
| Taxation | 25 | 78,840 | 48,298 |
| | | ----- | ----- |
| Profit after taxation | | 57,824 | 22,050 |
| Profit brought forward | | 175 | 487 |
| | | ----- | ----- |
| Profit available for appropriation | | 57,999 | 22,537 |
| Appropriations: | | | |
| Transfer to revenue reserve | | 33,500 | 5,000 |
| Proposed dividend Rs. 3.50 per share (1999: Rs. 2.50 per share) | | 24,307 | 17,362 |
| | | ----- | ----- |
| | | 57,807 | 22,362 |
| Unappropriated profit carried forward | | 192 | 175 |
| | | ===== | ===== |
| | | <i>Rupees</i> | <i>Rupees</i> |
| Earnings per share - Basic and diluted | 26 | 8.33 | 3.18 |
| | | ===== | ===== |

The annexed notes form an integral part of these accounts.

SYED BABAR ALI
Chairman

M. TARIQ UMAR
Chief Executive

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2000

| <i>Issued, subscribed paid-up share capital</i> | <i>Revenue reserve</i> | <i>Unappropriated profit</i> | <i>Total</i> |
|---|----------------------------|----------------------------------|--------------|
| ------(Rupees in thousands)----- | | | |

| | | | | |
|-------------------------------------|--------|---------|----------|----------|
| Balance at December 31, 1998 | 69,448 | 237,500 | 487 | 307,435 |
| Profit for the year | -- | -- | 22,050 | 22,050 |
| Dividends | -- | -- | (17,362) | (17,362) |
| Transfer to g - | -- | 5,000 | (5,000) | -- |
| | ----- | ----- | ----- | ----- |
| Balance at December 31, 1999 | 69,448 | 242,500 | 175 | 312,123 |
| Profit for the year | -- | -- | 57,824 | 57,824 |
| Dividends | -- | -- | (24,307) | (24,307) |
| Transfer to general reserve | -- | 33,500 | (33,500) | -- |
| | ----- | ----- | ----- | ----- |
| Balance at December 31, 2000 | 69,448 | 276,000 | 192 | 345,640 |
| | ===== | ===== | ===== | ===== |

The annexed notes form an integral part of these accounts.

SYED BABAR ALI
Chairman

M. TARIQ UMAR
Chief Executive

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2000

| | <i>Note</i> | <i>2000</i> | <i>1999</i> |
|--|-------------|--------------------------------|-------------|
| | | <i>(Rupees in thousands)</i> | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 27 | 186,366 | 15,034 |
| Financial charges paid | | (37,046) | (39,551) |
| Tax paid | | (37,969) | (85,299) |
| Long-term deposits and prepayments (net) | | (1,553) | (100) |
| Long-term loans and advances (net) | | (1,518) | (878) |
| | | ----- | ----- |
| Net cash inflow/(out flow) from operating activities | | 108,280 | (110,794) |
| Cash flows from investing activities | | | |
| Fixed capital expenditure | | (31,272) | (17,076) |
| Sale proceeds of fixed assets | | 2,256 | 3,940 |
| Interest received | | 3,212 | 874 |
| | | ----- | ----- |
| Net cash (out flow) from investing activities | | (25,804) | (12,262) |
| Cash flows from financing activities | | | |
| Proceeds from redeemable capital | | -- | 100,000 |
| Repayments of redeemable capital | | (4,000) | (24,000) |
| Repayments of long-term loan | | -- | (24,878) |
| Dividends paid | | (17,303) | (13,909) |
| | | ----- | ----- |
| Net cash (outflow)/inflow from financing activities | | (21,303) | 37,213 |
| | | ----- | ----- |
| Net increase/(decrease) in cash and cash equivalents | | 61,173 | (85,843) |
| Cash and cash equivalents at beginning of the year | | (157,043) | (71,200) |
| | | ----- | ----- |
| Cash and cash equivalents at end of the year | 28 | (95,870) | (157,043) |
| | | ===== | ===== |

The annexed notes form an integral part of these accounts.

SYED BABAR ALI
Chairman

M. TARIQ UMAR
Chief Executive

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 20001

1. LEGAL STATUS AND NATURE OF BUSINESS

The Company is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in the manufacturing and selling of pharmaceutical products.

Effective November 27, 2000, the name of the Company has been changed to Aventis Pharma (Pakistan) Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for preparation

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention.

2.3 Retirement benefits

The Company operates approved and funded defined benefit pension scheme for all its permanent senior management staff, excluding expatriates. The scheme provides pension based on the employee's average basic salary during the last three year of service. Pensions are payable for life and thereafter to surviving spouses and/or dependent children. The Company also operates approved and funded defined gratuity schemes for all its permanent employees, excluding expatriates. Gratuity is based on the last drawn basic salary.

The "Projected Unit Credit" Actuarial Cost Method, in conjunction with the following significant assumptions is used for the valuation:

| | |
|--|--------|
| Discount rate | 12% pa |
| Expected rate of return on plan assets | 12% pa |
| Expected rate of salary increases | 12% pa |

The Company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 (revised 1998) Employee Benefits.

The Company also operates an approved defined contribution provident fund for all its employees, excluding expatriates. Equal monthly contributions are made, both by the Company and the employees to the Fund at the rate of 8.33% and 10% of basic salary in respect of employees having service upto ten years and above ten years' respectively.

2.4 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits available, if any.

Deferred

The Company accounts for deferred taxation using the liability method on all major timing differences. However, as a matter of prudence, the Company does not account for net deferred tax debit balance. As at December 31,2000 deferred tax debit balance not recognised in the accounts amounted to Rs. 25.583 million.

2.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation/amortization except for freehold land and capital work-in-progress which are stated at cost. Exchange differences and cost of borrowings, during construction period, in respect of loans obtained for a specific project, net of return on deposit account out of the proceeds of such loans are included in cost of respective assets. Depreciation charge is based on straight line method whereby the cost of an asset is written-off over its estimated useful life. Depreciation on additions is charged from the month in which asset is put to use and on disposals upto the month the asset is in use. Additional depreciation at the rate of fifty percent of the normal rate is charged on such machinery which is operated on double shift during the year. Cost of leasehold land is amortized equally over the period of lease.

Gains or losses on disposal/retirement of assets are taken to profit and loss account. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

2.6 Stores and spares

These are valued at moving average cost, computed at monthly rests except items in transit which are valued at cost comprising invoice value plus other charges paid thereon.

2.7 Stock-in-trade

These are valued at the lower of cost and net realisable value except for goods-in-transit which are stated at invoice value plus other charges paid thereon. Cost signifies standard costs adjusted by variances. Cost in relation to work-in-process and finished goods represents direct cost of materials, direct wages and appropriate manufacturing overheads. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the

sale.

2.8 Foreign currencies

Assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in which case the rate contracted for is used.

Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets. Exchange differences capitalized include loss or gain on the repayments and year-end translation of foreign currency loans and translation of deposits with the banks out of the proceeds of these loans arising during the period of project.

All other exchange gains and losses are included in income currently.

2.9 Revenue recognition

Sales of products and services are recorded on despatch of products or performance of services.

| | <i>2000</i> | <i>1999</i> |
|--|--------------------------------|-------------|
| | <i>(Rupees in thousands)</i> | |
| 3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL | | |
| 2,757,783 ordinary shares of Rs 10 each fully paid in cash | 27,578 | 27,578 |
| 827,500 ordinary shares of Rs 10 each issued as fully paid for consideration other than cash | 8,275 | 8,275 |
| 3,359,477 ordinary shares of Rs 10 each issued as fully paid bonus shares | 33,595 | 33,595 |
| ----- | ----- | ----- |
| 6,944,760 | 69,448 | 69,448 |
| ===== | ===== | ===== |

At December 31, 2000 3,479,469 (1999: 3,479,469) ordinary shares of the Company were held by Aventis Pharma Holding GmbH, Germany.

4. REDEEMABLE CAPITAL - Secured (Non-participatory)

Long-term finances from commercial banks under mark-up arrangements:

| | <i>Sale</i> | <i>Purchase</i> | <i>Prompt</i> | | <i>2000</i> | <i>1999</i> |
|----------------|--------------|-----------------|----------------|-------------|--------------------------------|-------------|
| | <i>Price</i> | <i>Price</i> | <i>Payment</i> | <i>Note</i> | <i>(Rupees in thousands)</i> | |
| | | | <i>Rebate</i> | | | |
| Finance 1 | 20,000 | 40,925 | 8,560 | 4.10 | 4,000 | 8,000 |
| Finance 2 | 50,000 | 103,125 | 43,938 | 4.20 | 50,000 | 50,000 |
| Finance 3 | 50,000 | 76,285 | 16,978 | 4.30 | 50,000 | 50,000 |
| | | | | | ----- | ----- |
| | | | | | 104,000 | 108,000 |
| | | | | | ===== | ===== |
| Classified as: | | | | | | |
| Long term | | | | | -- | 104,000 |
| Short term | | | | | 104,000 | 4,000 |
| | | | | | ----- | ----- |
| | | | | | 104,000 | 108,000 |
| | | | | | ===== | ===== |

4.1 Mark-up is chargeable on outstanding balance at the rate of 13% per annum and is repayable by August 1, 2001 in six half yearly equal installments. The facility is secured by first mortgage of the Company's present and future immovable properties including land at Korangi, Karachi.

4.2 Mark-up is chargeable on outstanding balance at the rate of 12.25% per annum and is repayable by June 27, 2001 in lumpsum. The facility is secured by way of hypothecation over the Company's stocks and book debts.

4.3 Mark-up is chargeable on outstanding balance at the rate of 12.25% per annum and is repayable by June 28, 2001 in lumpsum. The facility is secured by way of hypothecation over the Company's

stocks and book debts.

2000 1999
(Rupees in thousands)

5. DEFERRED TAXATION

This is composed of the following:

| | | | |
|--|---------|---------|--|
| Deferred liability arising due to accelerated depreciation allowances and other timing differences | 6,913 | 10,734 | |
| Deferred debit arising in respect of provisions | (6,913) | (3,821) | |
| | ----- | ----- | |
| | -- | 6,913 | |
| | ===== | ===== | |

6. SHORT-TERM RUNNING FINANCES

UTILISED UNDER MARK-UP

| | | | |
|-------------------------------|---------|---------|--|
| ARRANGEMENTS - Secured | 100,450 | 158,570 | |
| | ===== | ===== | |

6.1 The facilities for short-term running finances available from banks under mark-up arrangements amount to Rs.700.30 million (1999: Rs. 621.30 million). The facilities expire on various dates by June 30, 2001. The rates of mark-up range from Re 0.3425 to Re 0.3836 (1999: Re 0.3562 to Re 0.4110) per Rs.1,000 per day. These arrangements are secured by way of hypothecation of the Company's stocks and book debts ranking pari-passu.

6.2 Out of the facilities of Rs.1,347.34 million (1999:Rs.1,309.29 million)for opening letters of credit, guarantees, bill discounting and export refinance, the amount unutilised at December 31, 2000 was Rs. 1,302.99 million (1999: Rs. 767.08 million).

2000 1999
(Rupees in thousands)

7. CREDITORS, ACCRUED AND OTHER /LIABILITIES

| | | | |
|--|---------|---------|--|
| Trade creditors | 112,791 | 179,479 | |
| Bills payable | 1,992 | 21,730 | |
| Accrued liabilities | 145,557 | 114,671 | |
| Retirement benefits - note 7.1 | 476 | -- | |
| Short-term compensated absences | 4,708 | 4,147 | |
| Security deposits - non-interest bearing | 282 | -- | |
| Accrued mark-up on secured | | | |
| - redeemable capital | 271 | 331 | |
| - short-term running finances | 3,354 | 2,556 | |
| Excise duty | 804 | 804 | |
| Sales tax | -- | 12 | |
| Royalty | 2,860 | 4,201 | |
| Workers' Profits Participation Fund - note 7.2 | 7,515 | 3,845 | |
| Workers' Welfare Fund | 5,325 | 1,970 | |
| Unclaimed dividends | 435 | 376 | |
| | ----- | ----- | |
| | 286,370 | 334,122 | |
| | ===== | ===== | |

Amounts due to associated undertakings at year end aggregated Rs. 97.514 million (1999: Rs. 207.97 million).

7.1 Retirement Benefits

| | <i>Pension fund</i> | | <i>Executive Gratuity fund</i> | | <i>Non-Executive Gratuity fund</i> | |
|---|---------------------|-------------|--------------------------------|-------------|------------------------------------|-------------|
| | <i>2000</i> | <i>1999</i> | <i>2000</i> | <i>1999</i> | <i>2000</i> | <i>1999</i> |
| ------(Rupees in thousands)----- | | | | | | |
| Present value of defined benefit obligation | 63,024 | 50,206 | 56,407 | 41,900 | 11.46 | 10,749 |
| Fair value of plan assets | (55,597) | (47,714) | (45,435) | (39,844) | (9,847) | (9,316) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Funded status | 7,427 | 2,492 | 10,972 | 2,056 | 1,610 | 1,433 |
| Unrecognised Actuarial gains / (losses) | (7,427) | (2,492) | (10,~72 .) | (2,056) | (1,134) | (1,433) |

| | | | | | | |
|---|---------|----|---------|----|-------|----|
| Net liability in balance sheet | -- | -- | -- | -- | 476 | -- |
| Opening net liability | -- | -- | -- | -- | -- | -- |
| Total cost for the year | 2,160 | -- | 3,902 | -- | 1,341 | -- |
| Contribution paid by Company | (2,716) | -- | (4,552) | -- | (775) | -- |
| Excess contribution accounted for in actuarial gains/(losses) | 556 | -- | 650 | -- | -- | -- |
| Closing net liability | -- | -- | -- | -- | 476 | -- |

2000 1999
(Rupees in thousands)

7.2 Workers' Profits Participation Fund

| | | |
|--|--------|-------|
| Balance at the beginning of the year | 3,845 | 3,582 |
| Allocation for the year | 7,492 | 3,845 |
| Prior year adjustment | -- | (30) |
| | ----- | ----- |
| | 11,337 | 7,397 |
| Interest on funds utilised in Company's business | 516 | 393 |
| Less: Amounts paid to the trustees of the fund | 516 | 594 |
| Deposited with the Government | 3,822 | 3,351 |
| | ----- | ----- |
| | 4,338 | 3,945 |
| | ----- | ----- |
| Balance at the end of the year | 7,515 | 3,845 |

8. CONTINGENCIES AND COMMITMENTS**8.1 Contingent liabilities**

a) Guarantees to banks for repayment of loans given by the banks to certain employees of the Company amounted to Rs. 0.043 million (1999: Rs. 0.286 million).

b) Bank guarantees aggregating Rs. 27.37 million as at December 31, 2000 (1999: Rs. 31.014 million) have been given to the Collector of Customs in respect of exemption of levies on import of specified pharmaceutical materials subject to consumption of such raw materials within the specified period.

8.2 Commitments

a) Commitments in respect of capital expenditure contracted for as at December 31, 2000 amounted to Rs. 2.76 million (1999: Rs. 1.38 million).

b) Commitments in respect of forward exchange contracts as at December 31, 2000 amounted to Rs. 120.797 million (1999: Rs. 228.94 million).

c) Commitments for rentals under operating lease agreements in respect of vehicles as at December 31, 2000 amounted to Rs. 7.6 million (1999: Rs. 5.1 million) payable over the next four years as follows:

| | |
|------|-------|
| 2001 | 3,470 |
| 2002 | 2,135 |
| 2003 | 1,467 |
| 2004 | 590 |
| | ----- |
| | 7,662 |
| | ===== |

9. OPERATING ASSETS

9.1 The following is a statement of the operating assets:

| <i>Cost as at January 12,000</i> | <i>Additions/ (disposals)/ (W/off)s*</i> | <i>Cost as at December 31, 2000</i> | <i>Accumulated Depreciation at January</i> | <i>Depreciation charge for the year/</i> | <i>Accumulated Depreciation at December</i> | <i>Net book value at December</i> | <i>Annual rate of depreciation</i> |
|----------------------------------|--|-------------------------------------|--|--|---|-----------------------------------|------------------------------------|
|----------------------------------|--|-------------------------------------|--|--|---|-----------------------------------|------------------------------------|

| | 12,000 | (disposals)/ (w/off)s)* | 31, 2000 | 31, 2000 | 31, 2000 | 31, 2000 | 31, 2000 | % |
|--|---------|-------------------------------|----------|----------|-------------------------------|----------|----------|---------|
| ----- (Rupees in thousands) ----- | | | | | | | | |
| Leasehold land (note 9.3) | 480 | -- | 480 | 83 | 6 | 89 | 391 | 1.23 |
| Freehold land | 8,201 | -- | 8,201 | -- | -- | -- | 8,201 | -- |
| Building on leasehold land | 87,826 | -- | 87,826 | 3,962 | 33,698 | 54,128 | 33,698 | 5 |
| Building on freehold land | 1,247 | -- | 1,247 | 78 | 62 | 140 | 1,107 | 5 |
| Plant and machinery | 353,928 | 8,271 | 362,199 | 232,955 | 43,536 | 276,491 | 85,708 | 10 |
| Furniture and fixtures | 5,541 | 78 | 5,619 | 4,307 | 285 | 4,592 | 1,027 | 10 |
| Vehicles | 13,266 | 186 (3,115) | 10,337 | 8,688 | 1,658 (2,336) | 8,010 | 2,327 | 20 |
| Factory and office equipment | 57,833 | 5,788 (586) (2,154)* | 60,881 | 41,890 | 7,973 (586) (2,101)* | 47,176 | 13,705 | 7 to 33 |
| | 528,322 | 14,323 (3,701) (2,154)* | 536,790 | 338,167 | 57,482 (2,922) (2,101)* | 390,626 | 146,164 | |
| 1999 | 525,252 | 13,767 (6,002) (4,695)* | 528,322 | 284,257 | 61,290 (3,432) (3,948)* | 338,167 | 190,155 | |

9.2 The plant and machinery was operated on a double shift basis during the year and accordingly additional depreciation at the rate of fifty percent of the normal annual depreciation has been charged on such machinery. The depreciation charge for the year has been allocated as follows:

| | 2000 | 1999 |
|---|--------|--------|
| (Rupees in thousands) | | |
| Cost of goods sold - note 20 | 48,652 | 49,530 |
| Administration and selling expenses - note 21 | 8,830 | 11,760 |
| | 57,482 | 61,290 |

9.3 The Company has granted to Aventis Crop Science Pakistan (Private) Limited [formerly AgrEvo Pakistan (Private) Limited], Karachi, associated undertaking, two exclusive licences for the use of the land for the period of 20 years commencing from 12th April, 1997 and 1st October, 1997, at licence fees. The licence fees for each of the first three years of the terms are Rs.2.60 million and Rs.0.82 million. Thereafter the licence fees shall be enhanced every year on the anniversaries of the agreements on the basis of the rate of inflation in Pakistan calculated on a twelve months moving average as defined by Government of Pakistan in the official Consumer Price Index most recently published prior to the relevant anniversary of the agreement. The licence fees are effective from January 1, 1997 and October 1, 1997.

9.4 The following assets were disposed off through negotiations/company policy during the year:

| Description | Cost | Accumulated Depreciation | Book Value | Sale Proceeds | Sold to |
|--|------|-----------------------------|---------------|------------------|---------|
| ----- (Rupees in thousands) ----- | | | | | |

| | | | | |
|-----------------|----------------|----------------|--------------|--|
| Vehicles | 57 | 25 | 32 | 32 Mr. Syed Habib Akbar (Ex-employee) H. No. B-14 Block 'S' North Nazimabad Karachi |
| | 25 | 14 | 11 | 330 M/s. Sunrays Transport Co. D-104, AI Madina View Gulshan-e-Iqbal, Karachi |
| | 670 | 318 | 352 | 251 Mr. Zahir Shah (Ex-employee) Mohallah Mughal Khel Village & P.O Adezai Tehsil & District Peshawar |
| | 25 | 15 | 10 | 337 Mr. Syed Shujjaullah Farooq Road, New Sabzi Mandi, Multan |
| | 265 | 181 | 84 | 211 - do - |
| | 70 | 48 | 22 | 55 Mr. Farid Khan (Ex-employee) Muslimabad No.3, (Guldara) Kakshal, Peshawar City |
| | 202 | 202 | -- | 80 Mr. Ahmed Jalil Ansari (Ex-employee) H. No. 1-E 16/2, Nazimabad, Karachi |
| | 150 | 100 | 50 | 78 Mr. Khalid Aijaz H. No. 5/145 Shah Faisal Colony, Karachi |
| | 225 | 150 | 75 | 127 - do - |
| | 1,426 | 1,283 | 143 | 650 Mr. Ashraf Saeed H. No. 160-C, Block 3, P.E.C.H.S., Karachi |
| | ----- 3,115 | ----- 2,336 | ----- 779 | ----- 2,151 |

Factory & Office Equipment

| | | | | |
|--|----------------|----------------|--------------|----------------|
| Items having book value less than Rs. 5,000 each | 586 | 586 | -- | 105 |
| | ----- 3,701 | ----- 2,922 | ----- 779 | ----- 2,256 |

Old redundant items scraped

| | | | | |
|--|----------------|----------------|-------------|--|
| Items having book value more than Rs. 5,000 each | 80 | 44 | 36 | |
| Items having book value less than Rs. 5,000 each | 2,074 | 2,057 | 17 | |
| | ----- 2,154 | ----- 2,101 | ----- 53 | |

2000 1999
(Rupees in thousands)

10. CAPITAL WORK-IN-PROGRESS

| | | |
|--|-----------------|----------------|
| | 23,772 | 6,874 |
| | 51 | -- |
| | ----- 23,823 | ----- 6,874 |

11. LONG-TERM LOANS AND ADVANCES**- Considered Good**

| | | |
|--|-------|-------|
| Due from Executives | 2,732 | 1,124 |
| Less: Receivable within one year - note 15 | 759 | 300 |
| | ----- | ----- |
| | 1,973 | 824 |
| Due from Employees | 2,754 | 2,217 |
| Less: Receivable within one year - note 15 | 1,203 | 1,035 |
| | ----- | ----- |
| | 1,551 | 1,182 |
| | ----- | ----- |
| | 3,524 | 2,006 |
| | ===== | ===== |
| Outstanding for periods | | |
| - less than three years | 3,510 | 2,006 |
| - three years and more | 14 | -- |
| | ----- | ----- |
| | 3,524 | 2,006 |
| | ===== | ===== |

11.1 Loans to Executives are for the purpose of purchase of motor cars and are repayable within five years in equal monthly installments.

2000 1999
(Rupees in thousands)

11.2 The maximum aggregate amount due at the end of any month during the year from:

| | | |
|------------|-------|-------|
| Executives | 2,629 | 1,392 |
| | ===== | ===== |

12. STORES AND SPARES

| | | |
|----------------------------------|--------|--------|
| Stores | 6,593 | 8,083 |
| Spares | 17,675 | 16,777 |
| | ----- | ----- |
| | 24,268 | 24,860 |
| Less: Provision for obsolescence | 484 | 508 |
| | ----- | ----- |
| | 23,784 | 24,352 |
| | ===== | ===== |

13. STOCK-IN-TRADE

| | | |
|--|---------|---------|
| Raw and packing material and auxiliaries | 198,799 | 197,803 |
| Work-in-process | 19,893 | 29,841 |
| Finished goods | 152,549 | 191,970 |
| | ----- | ----- |
| | 371,241 | 419,614 |
| Less: Provision for deterioration in stock | 6,180 | 6,150 |
| | ----- | ----- |
| | 365,061 | 413,464 |
| | ===== | ===== |

14. TRADE DEBTS

| | | |
|-------------------------------------|---------|--------|
| Considered good | | |
| Unsecured | | |
| Associated undertakings - note 14.1 | 13,448 | 15,885 |
| Others | 208,254 | 59,946 |
| | ----- | ----- |
| | 221,702 | 75,831 |
| Considered doubtful | 17,971 | 11,579 |
| Less: Provision thereagainst | 17,971 | 11,579 |
| | ----- | ----- |
| | -- | -- |
| | ----- | ----- |

| | | |
|--|---------|--------|
| | 221,702 | 75,831 |
| | ===== | ===== |

14.1 Due from associated undertakings:

| | | |
|---|--------|--------|
| Ali Gohar & Company (Private) Limited | 10,577 | 13,942 |
| All Gohar Pharmaceuticals (Private) Limited | 499 | 942 |
| Aventis Pharma Limited, Thailand | 2,468 | 1,001 |
| | ----- | ----- |
| | 13,544 | 15,885 |
| | ===== | ===== |

Less: Considered doubtful

| | | |
|--|--------|--------|
| | 96 | -- |
| | ----- | ----- |
| | 13,448 | 15,885 |
| | ===== | ===== |

The maximum aggregate amount due at the end of any month during the year

| | | |
|--|--------|--------|
| | 15,939 | 18,826 |
| | ===== | ===== |

15. LOANS AND ADVANCES - Considered good

| | | |
|--|-------|-------|
| Loans due from - Executives - note 11 | 759 | 300 |
| - Employees - note 11 | 1,203 | 1,035 |
| Advances against reimbursable expenses | | |
| to | | |
| - Executives | 689 | 268 |
| - Employees | 811 | 636 |
| Advances to contractors and suppliers | 756 | 2,337 |
| | ----- | ----- |
| | 4,218 | 4,576 |
| | ===== | ===== |

15.1 The maximum aggregate amount due at the end of any month during the year from:

| | | |
|-----------------|-------|-------|
| Chief Executive | 441 | 235 |
| | ===== | ===== |
| Directors | 32 | 186 |
| | ===== | ===== |
| Executives | 1,597 | 1,288 |
| | ===== | ===== |

16. DEPOSITS AND SHORT-TERM PREPAYMENTS

| | | |
|-------------------------------------|--------|---------|
| Deposits - trade | 5,714 | 3,654 |
| - cash margins on letters of credit | 18,710 | 132,335 |
| Short-term prepayments | 5,670 | 3,696 |
| | ----- | ----- |
| | 30,094 | 139,685 |
| | ===== | ===== |

17. OTHER RECEIVABLES - Considered good

| | | |
|--|--------|-------|
| Due from associated undertakings - note 17.1 | 2,617 | 1,271 |
| Commission | 144 | 101 |
| Due from outside party on account of services rendered | 4,639 | 2,180 |
| Insurance claims | 2,874 | 27 |
| Others | 3,247 | 4,514 |
| | ----- | ----- |
| | 13,521 | 8,093 |
| | ===== | ===== |

17.1 Due from associated undertakings:

| | | |
|---|-------|-------|
| Aventis Crop Science Pakistan (Private) Limited | 184 | 553 |
| HMR Interphar, France | 650 | -- |
| Rhone Poulenc Rorer Pakistan (Private) Limited | 1,035 | -- |
| Aventis Pharama, Deutschland, GmbH | 551 | 659 |
| Aventis Pharma International, France | 197 | -- |
| Hoechst Marion Roussel, Inc. | -- | 59 |
| | ----- | ----- |

| | | |
|--|-------|-------|
| | 2,617 | 1,271 |
|--|-------|-------|

The maximum aggregate amount due at the end of any month during the year

| | | |
|--|-------|--------|
| | 3,927 | 23,791 |
|--|-------|--------|

18. BANK AND CASH BALANCES

Balance with banks - current accounts - note 18.1
Cash in hand

| | | |
|--|-------|-------|
| | 510 | 225 |
| | 4,070 | 1,302 |
| | 4,580 | 1,527 |

18.1 Included therein is an amount of Rs. 0.282 million (1999: Nil) relating to suppliers' deposits.

19. NET SALES

Sales
Commission and discount to customers

| | | |
|--|-----------|-----------|
| | 1,872,349 | 1,677,798 |
| | (71,742) | (53,514) |

Net sales

| | | |
|--|-----------|-----------|
| | 1,800,607 | 1,624,284 |
|--|-----------|-----------|

20. COST OF GOODS SOLD

Raw, auxiliary and packing material consumed:

Opening stock
Purchases
Closing stock

| | | |
|--|-----------|-----------|
| | 197,803 | 143,751 |
| | 825,670 | 929,060 |
| | (198,799) | (197,803) |

Stores, spares and supplies
Salaries, wages and benefits - note 21.1

| | | |
|--|--------|--------|
| | 3,167 | 3,766 |
| | 74,835 | 53,801 |

Fuel and power

| | | |
|--|--------|--------|
| | 25,010 | 24,258 |
|--|--------|--------|

Rent, rates and taxes

| | | |
|--|-------|-------|
| | 2,344 | 2,397 |
|--|-------|-------|

Insurance

| | | |
|--|-------|-------|
| | 2,156 | 2,273 |
|--|-------|-------|

Repairs and maintenance

| | | |
|--|--------|--------|
| | 14,545 | 18,000 |
|--|--------|--------|

Depreciation

| | | |
|--|--------|--------|
| | 48,652 | 49,530 |
|--|--------|--------|

Other expenses

| | | |
|--|--------|--------|
| | 17,445 | 13,197 |
|--|--------|--------|

Services rendered to outside party

| | | |
|--|----------|----------|
| | (17,098) | (12,822) |
|--|----------|----------|

Opening stock of work-in-process

| | | |
|--|--------|--------|
| | 29,841 | 19,843 |
|--|--------|--------|

Closing stock of work-in-process

| | | |
|--|----------|----------|
| | (19,893) | (29,841) |
|--|----------|----------|

Cost of goods manufactured

| | | |
|--|-----------|-----------|
| | 1,005,678 | 1,019,410 |
|--|-----------|-----------|

Opening stock of finished goods

| | | |
|--|---------|---------|
| | 191,970 | 148,106 |
|--|---------|---------|

Finished goods purchased

| | | |
|--|---------|---------|
| | 201,321 | 200,916 |
|--|---------|---------|

Shown under administration and selling expenses:

Cost of samples issued

| | | |
|--|----------|----------|
| | (28,180) | (26,885) |
|--|----------|----------|

Provision for deterioration in stock

| | | |
|--|----|-----|
| | 30 | 150 |
|--|----|-----|

Closing stock of finished goods

| | | |
|--|-----------|-----------|
| | (152,549) | (191,970) |
|--|-----------|-----------|

| | | |
|--|-----------|-----------|
| | 1,218,270 | 1,149,727 |
|--|-----------|-----------|

21. ADMINISTRATION AND SELLING EXPENSES

Salaries, wages and benefits - note 21.1

| | | |
|--|---------|---------|
| | 150,736 | 124,572 |
|--|---------|---------|

Fuel and power

| | | |
|--|-------|-------|
| | 5,295 | 6,687 |
|--|-------|-------|

Rent, rates and taxes

| | | |
|--|-------|-------|
| | 4,962 | 5,397 |
|--|-------|-------|

Insurance

| | | |
|--|-------|-------|
| | 3,179 | 2,141 |
|--|-------|-------|

Repairs, maintenance and supplies

| | | |
|--|-------|--------|
| | 9,003 | 33,706 |
|--|-------|--------|

Depreciation

| | | |
|--|-------|--------|
| | 8,830 | 11,760 |
|--|-------|--------|

Travelling and conveyance

| | | |
|--|--------|--------|
| | 59,292 | 49,462 |
|--|--------|--------|

Communication

| | | |
|--|--------|--------|
| | 10,440 | 10,892 |
|--|--------|--------|

Advertising, samples and sales promotion

| | | |
|--|---------|---------|
| | 112,037 | 114,126 |
|--|---------|---------|

Software licence/maintenance fee

| | | |
|--|--------|-------|
| | 10,417 | 1,045 |
|--|--------|-------|

Royalty to associated undertaking

| | | |
|--|-------|-------|
| | 2,893 | 4,402 |
|--|-------|-------|

Other receivables written off

| | | |
|--|----|-------|
| | -- | 1,500 |
|--|----|-------|

| | | |
|--|---------|---------|
| Provision for bad debts | 6,393 | 7,315 |
| Bad debts written off directly | -- | 215 |
| Other expenses | 27,573 | 19,962 |
| | ----- | ----- |
| | 411,050 | 393,182 |
| Recovery of service charges from outside party | (1,161) | (1,950) |
| | ----- | ----- |
| | 409,889 | 391,232 |
| | ===== | ===== |

21.1 Salaries, wages and benefits include the followings in respect of retirement benefits:

| | Pension fund | | Executive Gratuity fund | | Non-Executive Gratuity fund | | Total | |
|--|-----------------------------------|---------|-------------------------|---------|-----------------------------|--------|---------|---------|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| | ----- (Rupees in thousands) ----- | | | | | | | |
| Current service cost | 2,158 | 1,456 | 3,446 | 2,644 | 680 | 522 | 6,284 | 4,622 |
| Interest cost | 3,273 | 2,393 | 4,828 | 3,986 | 1,262 | 1,026 | 9,363 | 7,405 |
| Expected return on plan assets | (2,491) | (1,421) | (4,372) | (3,303) | (627) | (44) | (7,490) | (4,768) |
| Amortization of actuarial (gain)/loss | -- | -- | -- | -- | 26 | -- | 26 | -- |
| Recognition of transitional obligation | -- | 9,280 | -- | 7,391 | -- | 8,542 | -- | 25,213 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Total cost | 2,940 | 11,708 | 3,902 | 10,718 | 1,341 | 10,046 | 8,183 | 32,472 |
| Expected employees' contribution | (780) | (588) | -- | -- | -- | -- | (780) | (588) |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Net cost to Company | 2,160 | 11,120 | 3,902 | 10,718 | 1,341 | 10,046 | 7,403 | 31,884 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

In addition to above, Rs 5.930 million (1999: 4.782 million) have been charged in respect of Company's contribution towards provident fund.

| | 2000 | 1999 |
|---|-------------------------|--------|
| | (Rupees in thousands) | |
| 22. OTHER INCOME | | |
| Interest from - associated undertakings | 2,529 | 620 |
| - others | 464 | 480 |
| Gain on sale of fixed assets | 1,477 | 1,370 |
| Sale of scrap | 643 | 723 |
| Exchange gains - net | 2,471 | -- |
| Licence fees from associated undertaking - note 9.3 | 4,227 | 4,104 |
| Liabilities written back | 1,158 | 23,239 |
| Insurance claims | 5,456 | 83 |
| Others | 2,290 | 1,725 |
| | ----- | ----- |
| | 20,715 | 32,344 |
| | ===== | ===== |

23. FINANCIAL CHARGES

| | | |
|---------------------------------------|--------|--------|
| Interest on - long-term loan | -- | 421 |
| - workers' profits participation fund | 516 | 393 |
| Mark-up on - redeemable capital | 13,055 | 2,052 |
| - short-term running finances | 14,444 | 15,108 |
| - short-term loans | 6,327 | 8,992 |
| Exchange losses | -- | 1,319 |
| Exchange risk cover fee | -- | 724 |
| Bank charges | 3,442 | 4,175 |
| | ----- | ----- |
| | 37,784 | 33,184 |
| | ===== | ===== |

24. OTHER CHARGES

| | | |
|--|-------|-------|
| Auditors' remuneration - note 24.2 | 2,289 | 1,061 |
| Workers' Profits Participation Fund - current year | 7,492 | 3,845 |
| - prior year | -- | (30) |
| Workers' Welfare Fund - current year | 3,316 | 1,970 |
| - prior year | 445 | (85) |
| Fixed assets written-off - note 9.4 | 53 | 747 |

| | | |
|--|--------|--------|
| Contribution for research and development fund | 1,400 | 765 |
| Legal & consultancy charges | 2,299 | 1,692 |
| Donations - note 24.1 | 133 | 161 |
| Others | 1,288 | 2,011 |
| | ----- | ----- |
| | 18,715 | 12,137 |
| | ===== | ===== |

24.1 Donation of Rs.30 thousand was given to World Wide Fund for Nature - Pakistan (Ferozepur Road, Lahore). Syed Babar All, the Chairman of the Board, Mr. Tariq Umar, the Chief Executive of the Company and Mr. M.Z. Moin Mohajir, Director and Company Secretary are the members of the Fund.

| | | |
|--|--------------------------------|-------------|
| | 2000 | 1999 |
| | (Rupees in thousands) | |
| 24.2 AUDITORS' REMUNERATION | | |
| Audit fee | 300 | 275 |
| Tax advisory services | 984 | 500 |
| Audit of provident, pension and gratuity funds | 48 | 72 |
| Special certifications | 910 | 179 |
| Out-of-pocket expenses | 47 | 35 |
| | ----- | ----- |
| | 2,289 | 1,061 |
| | ===== | ===== |

25. TAXATION

| | | |
|------------------------|---------|----------|
| Current - for the year | 84,000 | 42,010 |
| - for prior years | 1,753 | 17,146 |
| Deferred | (6,913) | (10,858) |
| | ----- | ----- |
| | 78,840 | 48,298 |
| | ===== | ===== |

25.1 The Income Tax Officer had enhanced the income of the Company while finalizing the Company's assessments for the accounting years 1993, 1994-95, 1995-96, 1996-97, six months ended December 31, 1997 and December 31, 1998 (assessment years 1994-95 to 1999-2000), mainly on the contention that the Company has paid excessive amounts for importing certain raw materials. The appeals filed by the Company have been disallowed by the Commissioner of Income Tax Appeals (CITA). The appeals filed by the Company against the order of CITA for the assessment years 1994-95 to 1999-2000 before the Income Tax Appellate Tribunal (ITAT) are still pending. No provision has been made in this respect in the accounts.

26. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

| | | |
|--|--------------------------------|-------------|
| | 2000 | 1999 |
| | (Rupees in thousands) | |
| Profit after taxation | 57,824 | 22,050 |
| | ===== | ===== |
| | (Number of shares) | |
| Weighted average number of Ordinary shares | 6,944,760 | 6,944,760 |
| | ===== | ===== |
| | (Rupees) | |
| Earnings per share - Basic and diluted | 8.33 | 3.18 |
| | ===== | ===== |

27. CASH GENERATED FROM OPERATIONS

| | | |
|--|----------|-----------|
| Profit before taxation | 136,664 | 70,348 |
| Adjustment for non cash charges and other items: | | |
| Depreciation | 57,482 | 61,290 |
| Fixed assets written off - note 9.4 | 53 | 747 |
| Gain on sale of fixed assets | (1,477) | (1,370) |
| Interest income | (2,993) | (1,100) |
| Financial charges | 37,784 | 33,184 |
| Working capital changes - note 27.1 | (41,147) | (148,065) |

| | |
|---------|--------|
| 186,366 | 15,034 |
|---------|--------|

27.1 Working capital changes

(Increase)/decrease in current assets:

| | | |
|---|-----------|-----------|
| Stores and spares | 568 | 847 |
| Stock-in-trade | 48,403 | (107,764) |
| Trade debts | (145,871) | (10,023) |
| Loans and advances | 358 | (1,227) |
| Deposits and short-term prepayments | 109,591 | (74,486) |
| Other receivables (net) (excluding accrued interest) | (5,647) | 5,573 |
| | 7,402 | (187,080) |

(Decrease)/increase in current liabilities:

Creditors, accrued and other liabilities (net)

(excluding accruals for financial charges and unclaimed dividend)

| | |
|----------|-----------|
| (48,549) | 39,015 |
| (41,147) | (148,065) |

2000 1999
(Rupees in thousands)

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet:

| | | |
|--|-----------|-----------|
| Bank and cash balances | 4,580 | 1,527 |
| Short-term running finances utilised under mark-up arrangements | (100,450) | (158,570) |
| | (95,870) | (157,043) |

29. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

| | | |
|---|---------|---------|
| Net sales | 182,349 | 87,712 |
| Purchases | 768,407 | 837,145 |
| Trade discount and commission expenses | 9,755 | 4,176 |
| Other items: | | |
| Recovery of service charges and other expenses | 23,639 | 19,436 |
| Interest income | 2,529 | 620 |
| Royalty and technical fee | 12,838 | 4,402 |

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for the year for remuneration, including all benefits to the Chief Executive, Working Directors and Executives of the Company were as follows:

| | Chief Executive | | Directors | | Executive | | Total | |
|-----------------------------------|--|-------|-----------|-------|-----------|--------|--------|--------|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| | ----- (Rupees in thousands) ----- | | | | | | | |
| Managerial remuneration | 5,984 | 4,800 | 4,635 | 4,202 | 46,189 | 38,282 | 56,808 | 47,284 |
| Retirement benefits | 1,454 | 1,194 | 1,123 | 779 | 7,836 | 6,204 | 10,413 | 8,177 |
| Perquisites and benefits: | | | | | | | | |
| Rent and utilities | 616 | 1,724 | 683 | 1,598 | 20,888 | 14,548 | 22,187 | 17,870 |
| Medical expenses | 82 | 16 | 41 | 47 | 3,281 | 1,358 | 3,404 | 1,421 |
| Club subscription | 726 | 105 | 86 | 81 | 22 | 14 | 834 | 200 |
| Leave passage | 378 | -- | 295 | 169 | 3,022 | 2,035 | 3,695 | 2,204 |
| Income tax paid by the Company | 1,490 | 114 | 1,084 | -- | -- | -- | 2,574 | 114 |

| | | | | | | | | |
|--------|--------|-------|-------|-------|--------|--------|--------|--------|
| | 10,730 | 7,953 | 7,947 | 6,876 | 81,238 | 62,441 | 99,915 | 77,270 |
| Number | 1 | 1 | 2 | 2 | 172 | 139 | 175 | 142 |

In addition the Chief Executive, Directors and certain Executives are also provided with free use of the Company's cars.

The above remuneration of Directors does not include amounts paid or provided by the associated undertakings.

Aggregate amount charged in the accounts for fee to two Directors was Rs. One thousand five hundred (1999: Rs. 5 thousand to four Directors).

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

i) Financial assets and liabilities

| | Interest/Mark-up bearing | | | Non interest/Mark-up bearing | | | Total | Effective Rate of interest % |
|----------------------------------|--------------------------|-------------------------|----------|------------------------------|-------------------------|----------|---------|------------------------------|
| | Maturity upto one year | Maturity after one year | Subtotal | Maturity upto one year | Maturity after one year | Subtotal | | |
| ------(Rupees in thousands)----- | | | | | | | | |
| Financial assets | | | | | | | | |
| Trade debts | -- | -- | -- | 221,702 | -- | 221,702 | 221,702 | -- |
| Loans to employees | 1,962 | 3,524 | 5,486 | -- | -- | -- | 5,486 | 9-14 |
| Deposits | -- | -- | -- | 24,424 | 2,103 | 26,527 | 26,527 | -- |
| Other receivables | -- | -- | -- | 10,913 | -- | 10,913 | 10,913 | -- |
| Bank and cash balances | -- | -- | -- | 4,580 | -- | 4,580 | 4,580 | -- |
| | 1,962 | 3,524 | 5,486 | 261,619 | 2,103 | 263,722 | 269,208 | |
| Financial liabilities | | | | | | | | |
| Redeemable capital | 104,000 | -- | 104,000 | -- | -- | -- | 104,000 | 12.25-13 |
| Short term running finances | -- | -- | -- | -- | -- | -- | -- | |
| Creditors | 100,450 | -- | 100,450 | -- | -- | -- | 100,450 | 12.5-14 |
| | -- | -- | -- | 269,255 | -- | 269,255 | 269,255 | -- |
| | 204,450 | -- | 204,450 | 269,255 | -- | 269,255 | 473,705 | |

Off-Balance Sheet

Financial Instruments

| | | | | | | | |
|--|----|----|----|---------|----|---------|---------|
| Forward Exchange contracts | -- | -- | -- | 120,797 | -- | 120,797 | 120,797 |
| Guarantees to Banks on behalf of employees | -- | -- | -- | 43 | -- | 43 | 43 |

ii) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. Out of the total financial assets of Rs 269.208 million, the financial assets which are subject to credit risk amounted to Rs 264.627 million. To manage exposure to credit risk, the Company applies credit limits to its customers.

iii) Currency risk

Currency risk arises where the value of Financial Instrument changes due to change in foreign currency exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings, especially group companies. Payables exposed to foreign currency risks are covered through forward foreign exchange contracts.

iv) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash flow management and planning policy with a one year advance focus to ensure availability of funds and to take appropriate measures for new requirements.

v) 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.

32. CAPACITY AND PRODUCTION

The capacity and production of the Company's manufacturing facility is undeterminable as it is a multiproduct plant involving varying processes of manufacture.

33. CORRESPONDING FIGURES

Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

SYED BABAR ALI
Chairman

M. TARIQ UMAR
Chief Executive