

Refrigerators Manufacturing Company Pakistan Limited Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS

M. Farooq Farooqi -- Chairman & Chief Executive
Javed Iqbal
K.M. Aminullah
L.J. Mees
Muhammad Ali Khoja
Nizam A. Shah
Amjad Waheed

COMPANY SECRETARY

Syed Nadeemuddin Ahmed

BANKERS

ANZ Grindlays Bank Limited
Bank of America NT&SA
Habib Bank Limited
Muslim Commercial Bank Limited
Standard Chartered Bank
The Hongkong & Shanghai Banking Corporation Limited

AUDITORS

A.F. Ferguson & Co.

REGISTERED OFFICE

D-98, S.I.T.E.
Karachi-75730

DIRECTORS' REPORT

The Directors would like to present their report with the audited accounts of the Company for the year ended 31 December 1999.

BOARD OF DIRECTORS

Subsequent to the election of Board of Directors in the First Annual General Meeting held on 10 June 1999, National Investment Trust (NIT) nominated Dr. Amjad Waheed as its nominee Director on the Board of the Company with effect from 11 June 1999 in place of Mr. Razi-ur-Rehman Khan.

The Board places on record its appreciation of the valuable services rendered by the outgoing Director in a particularly difficult period and extends a warm welcome to the new appointee.

BUSINESS REVIEW

The year has remained in the grip of continuing economic recession and political uncertainty, which had severely impacted on our profitability and growth rate. The business conditions have further deteriorated and resulted in erosion of the purchasing power of the general consumer. Strenuous efforts from all the employees of the Company were put in to arrest the adverse situation, as far as possible. The Company offered heavy incentives in line with the market trends to keep-up with the sales and liquidate the stocks.

Despite the unfavorable trading conditions and with the help of heavy incentives, the Company has been able to achieve the turnover marginally better than last year. Cost saving initiatives in procurement, higher local integration and vigorous expense containment strategies throughout the Company contributed to restrict the loss after tax at Rs. 58.2m.

The Board wishes to place on record its deepest appreciation for the contribution made by

staff at all levels and the co-operation and support of its customers, distributors and dealers in an unprecedented difficult period.

NEW PRODUCTS

The Company has successfully launched two new products, Deep Freezers and Air Conditioners in April and May 1999 respectively, in the middle of the season. These have been well received in the market however, full seasonal benefit of the two products will be available in year 2000.

AUDITORS

A.F. Ferguson & Co. retires and offers themselves for reappointment.

PATTERN OF SHAREHOLDING

A statement showing the Pattern of Shareholding in the Company as at 31 December 1999 appears on page 26.

The Company will continue to reduce the pressure on margins by achieving higher sales volume and containing costs through sustained efficiency measures. Sale through hire purchase channel is also being explored keeping in view the deteriorating purchasing power.

The Company also plans to launch a new model of local refrigerator with improved internal and external aesthetics to remain in line with the global trends.

Moreover, selection of models in terms of sizes and capacities will be in line with the market acceptability with strict adherence to the parameters set for the debtors and stock levels. The pursuit of operating excellence shall remain relentless for the year 2000 and beyond.

25 April 2000, Karachi

M. Farooq Farooqi
Chairman & Chief Executive

AUDITORS' REPORT

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Refrigerators Manufacturing Company Pakistan Limited as at 31 December, 1999 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 and, after due verification thereof, we report that;

a) in our opinion, proper books of accounts 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 the 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, 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 December, 1999 and of the loss, changes in equity 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.

25 April 2000, Karachi

A.F. Ferguson & Co.
Chartered Accountants

BALANCE SHEET

As at 31 December 1999

<i>Note</i>	<i>1999</i>	<i>1998</i>

Rupees in thousands

Share Capital and Reserves

Authorized capital			
10,000,000 ordinary shares of Rs. 10 each		100,000	100,000
		=====	=====
Issued, subscribed and paid-up capital	3	50,023	50,023
Reserves		76,380	76,380
Accumulated loss		(122,565)	(64,334)
		-----	-----
		(46,185)	12,046
		-----	-----
		3,838	62,069
Surplus on Revaluation of Fixed Assets	8.2	66,686	--
Deferred Liabilities			
Staff retirement benefits	4	3,413	2,446
Current Liabilities and Provisions			
Short-term finances under mark-up arrangements	5	514,230	327,186
Creditors, accrued and other liabilities	6	62,322	120,920
Taxation		--	20.15
		-----	-----
		576,552	450,121
Contingencies and Commitments	7		
		650,489	514,636
		=====	=====

1999 **1998**
Rupees in thousands

Tangible Fixed Assets			
Operating assets	8	119,468	37,126
Capital work-in-progress	9	2,312	5,130
		-----	-----
		121,780	42,256
Long-term Loans and Advances	10	1,451	922
Long-term Deposits		1,664	949
Deferred Taxation	11	11,720	658
Current Assets			
Stores and spares	12	5,315	4,983
Stock-in-trade	13	261,128	235,828
Trade debts	14	200,621	151,442
Deposits and short-term prepayments	15	4,458	61,703
Other receivables	16	21,259	14,576
Taxation		15,847	--
Cash and bank balances	17	5,246	1,319
		-----	-----
		513,874	469,851
		-----	-----
		650,489	514,636
		=====	=====

The annexed notes form an integral part of these accounts.

M. Farooq Farooqi
Chairman & Chief Executive

Javed Iqbal
Director

PROFIT & LOSS ACCOUNT
For the Year Ended 31 December 1999

		<i>1 January,</i>	<i>1 July, 1997 to</i>
		<i>1999 to 31</i>	<i>31 December,</i>
		<i>December, 1999</i>	<i>1998</i>
		<i>Rupees in thousands</i>	
Note			
Net sales	18	576,099	750,504
Cost of goods sold	19	466,066	599,879
		-----	-----
Gross profit		110,033	150,625
Selling and administration expenses	20	104,996	157,575
Operating profit/(loss)		5,037	(6,950)
Other income	21	1,383	2,907
		-----	-----

		6,420	(4,043)
Financial charges	22	62,003	47,736
Other charges	23	1,337	2,206
		-----	-----
		63,340	49,942
		-----	-----
Loss before taxation		(56,920)	(53,985)
Taxation	24	1,311	12,790
		-----	-----
Loss after taxation		(58,231)	(66,775)
Unappropriated (loss)/profit brought forward/transferred from Philips Electrical Industries of Pakistan Limited		(64,334)	2,441
		-----	-----
Accumulated loss carried forward		(122,565)	(64,334)
		=====	=====

Rupees

Loss per share-basic and diluted	25	(11.64)	(13.35)
		=====	=====

The annexed notes form an integral part of these accounts.

M. Farooq Farooqi
Chairman & Chief Executive

Javed Iqbal
Director

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 1999

	<i>Share Capital</i>	<i>Capital Reserve</i>		<i>Revenue Reserve</i>		<i>Unappropriated</i>	<i>Total</i>	
		<i>Share</i>	<i>Issue of</i>	<i>General</i>	<i>Self</i>	<i>profit</i>		
		<i>Premium</i>	<i>Bonus Share</i>		<i>Insurance</i>			
<i>Rupees in thousands</i>								
Transferred from PEI as on July 1, 1997 under the scheme of arrangement referred to in note 1.2	--	9,752	--	76,200	750	76,950	2,441	89,143
Ordinary shares of Rs. 10 each issued as fully paid in cash	500	--	--	--	--	--	--	500
Ordinary shares of Rs. 10 each issued as fully paid under the scheme of arrangement referred to in note 1.2	39,201	--	--	--	--	--	--	39,201
Transfer to reserve for issue of bonus shares from:								
Share premium	--	(9,752)	9,752	--	--	--	--	--
General reserve	--	--	570	(570)	--	(570)	--	--
Bonus shares issued during the year	10,322	--	(10,322)	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----	-----
	10,322	(9,752)	--	(570)	--	(570)	--	--
Loss for the period	--	--	--	--	--	--	(66,775)	(66,775)
	-----	-----	-----	-----	-----	-----	-----	-----
Balance as at December 31, 1998 / January 1, 1999	50,023	--	--	75,630	750	76,380	(64,334)	62,069
Loss for the year	--	--	--	--	--	--	(58,231)	(58,231)
	-----	-----	-----	-----	-----	-----	-----	-----
Balance as at December 31, 1999	50,023	--	--	75,630	750	76,380	(122,565)	3,838
	=====	=====	=====	=====	=====	=====	=====	=====

The annexed notes form an integral part of these accounts.

M. Farooq Farooqi
Chairman & Chief Executive

Javed Iqbal
Director

CASH FLOW STATEMENT
For the Year Ended 31 December 1999

Note	1 January, 1999 to 31 December, 1999	1 July, 1997 to 31 December, 1998
	Rupees in thousands	
Cash flow from operating activities		
Cash generated from operations	26	15,631
Staff gratuity paid		(1,385)
Financial charges paid		(46,482)
Taxes paid		(11,021)
Net cash outflow from operating activities	(158,992)	(43,257)
Cash flow from investing activities		
Fixed capital expenditure-net		(9,200)
Sale proceeds of fixed assets		261
Long-term deposit-net		(154)
Long-term loans and advances-net		1,377
Net cash outflow from investing activities	(24,125)	(7,716)
Cash flow from financing activities		
Repayment of redeemable capital		(65,365)
Repayment of obligation under finance lease		(2,518)
Short-term borrowings less repayments		(75,716)
Proceeds from issue of shares		500
Net cash outflow from financing activities	--	(143,099)
Net decrease in cash and cash equivalents	(183,117)	(194,072)
Cash and cash equivalents at the beginning of the year / transferred from PEI		(131,795)
Cash and cash equivalents at the end of period	27	(325,867)

The annexed notes form an integral part of these accounts.

M. Farooq Farooqi
Chairman & Chief Executive

Javed Iqbal
Director

NOTES TO THE ACCOUNTS For the Year Ended 31 December 1999

1. LEGAL STATUS AND OPERATIONS

1.1 The Company is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. Its shares are listed on the Karachi Stock Exchange and is engaged in the manufacturing and marketing of major domestic appliances.

1.2 The Company under a Scheme of Arrangement and as sanctioned by the High Court of Sindh was vested, with effect from July 1, 1997, the Major Domestic Appliances (MDA) undertaking of Philips Electrical Industries of Pakistan Limited (PEI) inclusive of MDA business and all assets, rights, liabilities & obligations pertaining thereto. Accordingly, the issued and paid up share capital of PEI was proportionately reduced and transferred to the Company. The corresponding period figures as such pertain to period commencing from July 1, 1997 to December 31, 1998, for which specific permission from the Joint Registrar of Securities and Exchange Commission of Pakistan was obtained.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

2.2 Staff retirement benefits

The Company participates in a defined benefit funded pension fund for management employees and gratuity fund for employees, operated by PEL. The pension scheme provides lifetime pension to retired employees or to their spouse. Contributions are made annually to these funds based on actuarial recommendations.

The Company also operates an unfunded scheme for supplemental gratuity for non-management employees. Provisions are made to cover obligations on the basis of actuarial recommendations.

Consequent to the adoption of IAS 19-Revised, the actuarial valuation of the above pension and gratuity schemes as at 31 December, 1998, determined a transitional obligation of Rs. 13.688 million, which under an arrangement will be met by PEI. Further, the cost recognized in the current year in respect of pension, gratuity and unfunded supplementary gratuity schemes exclusive of transitional obligation amounted to Rs. 1.837, Rs. 1.125 and Rs. 0.967 million respectively.

The projected unit credit method, using the following significant assumptions, is used for the valuation of the above mentioned funded as well as unfunded schemes:

- * Discount rate at 12% per annum.
- * Expected rate of increase in salaries 12% per annum.
- * Expected rate of interest on investment 12% per annum.

The Company also participates in a defined contribution provident fund operated by PEI. Equal monthly contributions are made to the fund at the rate of 10% of basic salary by the employees and the Company.

The Company is in the process of establishing its independent funds for gratuity, pension and provident schemes for which the requisite permission has been obtained from the Commissioner of Income Tax subsequent to year end. Once the funds are established, the assets and liabilities pertaining to the Company will be transferred to the new funds on the basis of actuarial recommendations.

2.3 Taxation

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits and tax rebates available, if any, or on the basis of presumptive tax regime.

The Company accounts for deferred taxation on all major timing differences using the liability method.

2.4 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation except for leasehold land and buildings and plant and machinery which are stated at revalued amounts less accumulated depreciation and subsequent additions thereto at cost less accumulated depreciation. Capital work-in-progress is stated at cost.

Depreciation is charged to income applying the straight-line method whereby the asset is written off over its estimated useful life without taking into account any residual value. Depreciation on additions is charged from the month in which the asset is put to use and on deletions upto the month of deletion.

Gains and losses on disposals are taken to income currently.

Maintenance and repairs are charged to income as and when incurred, major renewals and improvements are capitalized.

2.5 Stores and spares

These are valued at weighted average cost. The value of slow moving items is appropriately reduced.

2.6 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realisable value. Cost has been arrived at on first-in-first-out basis. Cost in relation to work-in-process and manufactured goods include direct material, wages and applicable manufacturing overheads. Cost of goods-in-transit reflects the purchase price only.

Net realisable value is determined by considering the prevailing selling prices in the ordinary course of business less costs necessary to be incurred to make the sale.

2.7 Foreign currencies

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

Exchange gains and losses are included in income currently.

2.8 Revenue recognition

Sales are recorded on despatch of goods.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

1999 *1998*
Rupees in thousands

50,000 Ordinary shares of Rs. 10 each fully paid in cash	500	500
3,920,134 Ordinary shares of Rs. 10 each issued as fully paid- note 3.2	39,201	39,201
1,032,234 Ordinary shares of Rs. 10 each issued as fully paid bonus shares	10,322	10,322
-----	-----	-----
5,002,368	50,023	50,023
=====	=====	=====

3.1 At December 31, 1999, 3,026,620 (1998: 3,026,620) ordinary shares of the Company were held by Royal Philips Electronics, Eindhoven, The Netherlands.

3.2 These represent shares issued to the shareholders under the Scheme of Arrangement referred to in note 1.2.

4. STAFF RETIREMENT BENEFITS

Movement in net liability recognized

4.1 Opening balance/transferred from PEI	2,446	3,614
Add: Expense recognized	3,929	217
	-----	-----
	6,375	3,831
Less: Paid to - PEI	2,962	--
- Beneficiaries	--	1,385
	-----	-----
Closing balance	3,413	2,446
	=====	=====

4.2 Net liability

Present value of benefit obligation at December 31, 1998	31,316
Less: Fair value of assets / book reserve	17,628

Funded status	13,688
Less: Transitional obligation to be borne by PEI-note 2.2	13,688

	--
	=====

5. SHORT-TERM FINANCES UNDER MARK-UP

ARRANGEMENTS- secured

Finances utilized under mark-up arrangements from banks- 5.1	514,230	327,186
	=====	=====

5.1 The facilities for running finance available from various banks amount to Rs. 525 million (1998: Rs. 375 million) and carry mark-up rates ranging from 13.75% to 15.75% per annum. The purchase prices are payable on various dates by August 31, 2000. These arrangements are secured by hypothecation of the Company's stock-in-trade and book debts.

5.2 The facilities for opening letters of credit and guarantees amounted to Rs. 575 million (1998: Rs. 235 million) of which Rs. 557.257 million (1998: Rs. 235 million) remained unutilized as at December 31, 1999.

1999 **1998**
Rupees in thousands

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	6,278	33,032
Accrued liabilities	21,760	30,844
Accrued mark-up on short-term finances	18,171	8,633
Dealers' security deposits- non interest bearing	4,878	4,278
Retention money payable	201	201
Due to associated undertaking	--	37,397
Advances from customers	5,453	3,916
Others	5,581	2,619
	-----	-----
	62,322	120,920
	=====	=====

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingency

Guarantees and indemnity bonds aggregating Rs. 31.930 million have been given to Collector of Customs, including Rs. 29.207 million by PEI on behalf of the Company, in respect of concessionary duties on import of certain raw material subject to its consumption within the specified period.

7.2 Commitments

Commitments for rentals under operating lease agreements in respect of vehicles as at December 31, 1999 are as follows:

<i>Year</i>	<i>Rupees in thousand</i>
2000	2,975
2001	2,816
2002	1,914
2003	491

8. OPERATING ASSETS

8.1 The following is a statement of operating assets:

	<i>Cost at 1 January, 1999</i>	<i>Additions/ (Deletions /transfers*) note 8.4</i>	<i>Revaluation</i>	<i>Cost at 31 December, 1999</i>	<i>Accumulated Depreciation at 1 January, 1999</i>	<i>Depreciation charge for the Year (Deletions /transfers*) note 8.4</i>	<i>Accumulated Depreciation at 31 December, 1999</i>	<i>Net book value at 31 December, 1999</i>	<i>Annual rate of Depreciation %</i>
RUPEES IN THOUSANDS									
Leasehold land and building (factory)	24,965	10,429	41,407	76,801	11,307	1,653	12,960	63,841	5 7-33
Plant and machinery	121,513	16,115	25,279	162,907	105,600	7,278	112,878	50,029	14-33
Office machines, furniture and equipment	19,590	5,573 *(17,475)	--	7,688	12,035	1,112 *(11,057)	2,090	5,598	
	-----	-----	-----	-----	-----	-----	-----	-----	
	166,068	32,117 *(17,475)	66,686	247,396	128,942	10,043 *(11,057)	127,928	119,468	
	=====	=====	=====	=====	=====	=====	=====	=====	
1998	162,438	4,070 (440)		166,068	114,523	14,644 (225)	128,942	37,126	
	=====	=====	=====	=====	=====	=====	=====	=====	

6.2 The Company's leasehold land and building thereon (factory) as well as plant and machinery were professionally revalued on December 31, 1999 on existing use basis by Iqbal A. Nanjee and Co. This revaluation showed an increment of Rs. 41.407 million and Rs. 25.279 million respectively over the net book value of these assets as at December 31, 1999. The amount of revaluation increment included in the net book value of the respective assets as at December 31, 1999 is Rs. 66.686 million.

8.3 Title deeds in respect of leaseholds land and building continue to be in the name of PEI pending completion of formalities for their transfer in the name of the Company.

8.4 During the year, the Company transferred office machinery, furniture and equipment amounting to Rs. 17.475 million to PEI at net book value.

8.5 Moulds and dies for the manufacture of the components of certain products costing Rs. 60.041 million included in plant and machinery above, are held by M/s Ali Brothers Engineering, M/s Luminor Engineering, M/s Dicom Industries Ltd., M/s Blowplast (Pvt) Ltd., M/s Siddique Sons, M/s Neutech Industries, M/s Ideal Industries and M/s Bombal Plastic who, under an arrangement with the Company, use these moulds for manufacturing components for the Company.

9. CAPITAL WORK-IN-PROGRESS

	<i>1999</i>	<i>1998</i>
	<i>Rupees in thousand</i>	
Civil works and buildings	--	4,574
Advances to suppliers	2,312	556
	-----	-----
	2,312	5,130
	=====	=====

1999 *1998*
Rupees in thousand

10. LONG-TERM LOANS AND ADVANCES

-considered good

Due from:

Executives	1,104	710
Other employees	1,490	1,127
	2,594	1,837
Less: Receivable within one year - note 16		
Executives	597	434
Other employees	546	481
	1,143	915
	1,451	922
	1,451	922
Outstanding for periods:		
Less than three years	1,176	606
Three years or more	275	316
	1,451	922
	1,451	922

The amount outstanding for periods exceeding three years includes balances transferred from PEI under the Scheme of Arrangement referred to in note 1.2.

Loans and advances to executives and employees are given for house building, transport and purchase of Company products. These are repayable in equal monthly installments varying from 10 to 120.

The maximum amount due from executives at the end of any month during the period was Rs. 0.949 million (1998: Rs. 0.747 million).

11. DEFERRED TAXATION

Provision for deferred taxation Deferred liability arising due to accelerated depreciation allowance	(424)	(1,948)
Deferred assets arising in respect of stock obsolescence, staff retirement benefits, doubtful debts and tax losses carried forward - note 11.1	12,144	2,606
	11,720	658
	11,720	658

11.1 The aggregate tax losses available for setoff against future taxable profits as at 31 December, 1999 amounted to Rs. 57.733 million i.e. deferred tax asset of Rs. 19.051 million. The Company based on financial projections expects to have sufficient taxable profit in the next three year to utilize all of the aforementioned losses. However, the Company as a matter of prudence has recognized deferred tax asset of Rs. 9.525 million which is only half of the total deferred tax asset of Rs. 19.051 million on the aforementioned aggregate tax loss.

12. STORES AND SPARES

Stores	5,052	4,457
Spares, including items in transit Nil (1998: Rs. 0.29 million)	263	526
	5,315	4,983
	5,315	4,983

1999 1998 Rupees in thousand

13. STOCK-IN-TRADE

Raw materials, including in transit Rs. 26.768 million (1998: Rs.52.735 million)	74,682	93,655
Less: Provision for obsolescence	996	996
	73,686	92,659
Work-in-process	4,089	3,604
	77,775	96,263
Finished goods including in transit Rs. 7.473 million (1998: Rs. 16.524 million) - note 13.1	172,615	130,525
Service stock including in transit Rs. 0.753 million (1998: Rs. 9.040 million)	10,738	9,040
	183,353	139,565
	261,128	235,828
	261,128	235,828

13.1 Finished goods written off during the year amounted Nil
(1998: Rs. 1.409 million)

14. TRADE DEBTS- unsecured

Considered good	200,621	151,442
Considered doubtful	9,256	4,508
	-----	-----
	209,877	155,950
Less: Provision for doubtful debts	9,256	4,508
	-----	-----
	200,621	151,442
	=====	=====

15. DEPOSITS AND SHORT-TERM PREPAYMENTS

Security deposit	--	98
Margin against letters of credit	831	39,019
Short-term prepayments	2,806	7,845
Deposits with statutory authorities	792	8,311
Sales tax prepayments	--	6,418
Others	29	12
	-----	-----
	4,458	61,703
	=====	=====

16. OTHER RECEIVABLES

Current portion of long-term loans and advances - note 10	1,143	915
Advances to suppliers	11,396	9,016
Advances for reimbursable expenses:		
Executives	63	159
Other employees	85	83
Due from an associated undertaking	4,380	--
Due from government:		
Customs duty refundable	2,257	2,257
Value regulatory duty and other claims	6,007	9,302
	-----	-----
	8,264	11,559
Provision there against	8,264	7,156
	-----	-----
	--	4,403
Others	4,192	--
	-----	-----
	21,259	14,576
	=====	=====

1999 **1998**
Rupees in thousand

17. CASH AND BANK BALANCES

With banks in current account	555	500
In hand:		
cash	313	169
cheques	328	--
Remittances in transit	4,050	650
	-----	-----
	5,246	1,319
	=====	=====

18. NET SALES

Sales	672,023	834,615
Less: Sales tax	95,924	84,111
	-----	-----
	576,099	750,504
	=====	=====

19. COST OF GOODS SOLD

Raw and packing materials consumed:		
Opening stock	92,659	86,389
Purchases	250,915	233,924
	-----	-----
	343,574	320,313
Closing stock	(73,686)	(92,659)
	-----	-----
	269,888	227,654
Salaries, wages and benefits - note 19.1	25,881	50,135
Repairs and maintenance	5,199	5,449
Stores and spares consumed	1,085	5,495

Excise duty	--	34,313
Fuel and power	4,163	7,514
Rent, rates and taxes	715	427
Insurance	558	1,135
Depreciation	9,396	14,106
Other expenses	5,132	8,024
Opening stock of work-in-process	3,604	5,755
Closing stock of work-in-process	(4,089)	(3,604)
	-----	-----
Cost of goods manufactured	321,532	356,403
Add: Opening stock of finished goods	139,565	157,886
Goods purchased	188,322	225,155
	-----	-----
	649,419	739,444
Less: Closing stock of finished goods	(183,353)	(139,565)
	-----	-----
	466,066	599,879
	=====	=====

1 January, 1999 *1 July, 1997*
to 31 December, 1999 *to 31 December, 1998*
1999 *1998*
Rupees in thousands

19.1 Salaries, wages and benefits include

Current service cost	1,053	
Interest cost	759	
Defined benefit plans	1,812	1,470
Defined contribution plan	871	650
	-----	-----
	2,683	2,120
	=====	=====

20. SELLING AND ADMINISTRATION EXPENSES

Salaries, wages and benefits - note 20.1	17,511	20,837
Dealers incentive	7,127	23,885
Replacement and guarantees	6,479	6,195
Repairs and maintenance	510	600
Fuel and power	1,041	1,180
Rent, rates and taxes	2,881	2,092
Insurance	239	502
Publicity	19,002	12,826
Depreciation	647	538
Outward freight	13,504	18,690
Provision for doubtful debts- trade	4,748	2,352
Debts written off- others	--	157
Services charged by an associated undertaking	18,178	58,068
Other expenses	13,129	9,653
	-----	-----
	104,996	157,575
	=====	=====

20.1 Salaries, wages and benefits include

Current service cost	1,247	
Interest cost	870	
Defined benefit plans	2,117	1,192
Defined contribution plan	580	394
	-----	-----
	2,697	1,586
	=====	=====

21. OTHER INCOME

Interest on loans and advances	7	8
Profit on sale of fixed assets	--	46
Scrap sales	1,376	2,853
	-----	-----
	1,383	2,907
	=====	=====

1 January, 1999 *1 July, 1997*
to 31 December, 1999 *to 31 December, 1998*
1999 *1998*
Rupees in thousands

22. FINANCIAL CHARGES

Interest on short-term loans	--	4,714
------------------------------	----	-------

Mark-up on short-term finances	60,560	32,473
long-term finance		5,985
remittances	525	--
Finance charges on obligation under finance lease	--	335
Forward contract charges net of exchange (gain) /loss	--	2,913
Bank charges, excise duty and others	918	1,316
	-----	-----
	62,003	47,736
	=====	=====

23. OTHER CHARGES

Auditors' remuneration- note 23.1	314	938
Legal and professional charges - note 23.2	1,005	1,264
Others	18	4
	-----	-----
	1,337	2,206
	=====	=====

23.1 Auditors' remuneration

Audit fee	250	250
Tax and other advisory services, special reports / certifications	29	649
Out of pocket expenses	35	39
	-----	-----
	314	938
	=====	=====

23.2 Includes preliminary expenses Nil (1998: Rs. 0.487 million) written off during the year.

24. TAXATION

Current	12,373	13,036
Deferred	(11,062)	(246)
	-----	-----
	1,311	12,790
	=====	=====

The provision for current taxation represents tax under the presumptive tax regime on commercial activities and minimum tax on turnover in respect of industrial activities.

*1 January, 1999 1 July, 1997
to 31 December, to 31 December,
1999 1998
Rupees in thousands*

25. LOSS PER SHARE

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

Loss after taxation	(58,231)	(66,775)
	=====	=====
Weighted average number of ordinary shares	5,002	5,002
	=====	=====

26. CASH GENERATED FROM OPERATIONS

Loss before taxation	(56,920)	(53,985)
Adjustment for non cash charges and other items:		
Depreciation	10,043	14,644
Profit on sale of fixed assets	--	(46)
Provision for staff gratuity	967	536
Financial charges	62,003	47,736
Working capital changes- note 26.1	(92,385)	6,746
	-----	-----
	(76,292)	15,631
	=====	=====

26.1 Working capital changes

(Increase) / decrease in current assets		
Stores and spares	(332)	215
Stock-in-trade	(25,300)	14,202
Trade debts	(49,179)	(3,766)
Deposits and short-term prepayments	57,245	(37,974)
Other receivables	(6,683)	(9,382)
	-----	-----
	(24,249)	(36,705)
	=====	=====
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities		

(excluding accrued mark-up and interest)

(68,136)	43,451
-----	-----
(92,385)	6,746
=====	=====

27. CASH AND CASH EQUIVALENTS

1999 **1998**
Rupees in thousand

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

Cash and bank balances	5,246	1,319
Short-term finances under mark-up arrangements	(514,230)	(327,186)
	-----	-----
	(508,984)	(325,867)
	=====	=====

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including benefits, to Chief Executive and Executives of the Company was as follows:

1 January, 1999 to 31 December, 1999 **1 July, 1997 to 31 December, 1998**

	<i>Chief Executive</i>	<i>Executives</i>	<i>Total</i>	<i>Chief Executive</i>	<i>Executives</i>	<i>Total</i>
RUPEES IN THOUSANDS						
Managerial remuneration	1,848	7,446	9,294	963	8,729	9,692
Retirement benefits	736	2,970	3,706	222	2,003	2,225
Perquisite:						
Medical expenses	18	613	631	10	812	822
Housing	1,124	3,648	4,772	592	4,416	5,008
Conveyance	131	1,379	1,510	69	1,315	1,384
Company's contribution to provident fund	185	745	930	96	873	969
	-----	-----	-----	-----	-----	-----
	4,042	16,801	20,843	1,952	18,148	20,100
	=====	=====	=====	=====	=====	=====

Number of Persons (including those who worked part of the period)	1	32	33	1	22	23
	=====	=====	=====	=====	=====	=====

In addition, the Chief Executive and certain Executives are provided with free use of cars and certain household items in accordance with their entitlements. The aggregate amount charged in the accounts for fees to four directors was Rs. 3,500 (1998: Rs. 4,500).

29. DONATIONS

Recipients of donations do not include any donee in which a director or his spouse had any interest.

1 January, 1999 **1 July, 1997**
to 31 December, to 31 December,
1999 **1998**
Rupees in thousands

30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases of fixed assets	839	352
Sales	443	440

31. CAPACITY AND PRODUCTION

	1 January, 1999 to 31 December, 1999		1 July, 1997 to 31 December, 1998	
	<i>Capacity</i>	<i>Production</i>	<i>Capacity</i>	<i>Production</i>
Refrigerators	25,000	13,682	37,500	26,057
Deep freezers	15,000	6,482	--	--
Air conditioners	5,000	2,500	--	--

The shortfall in production is mainly due to low demand, except for deep freezers and air conditioners the production of which commenced in April and May, 1999 respectively.

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**32.1 Financial assets and liabilities**

	<i>Interest/mark-up bearing</i>		<i>Non Interest/ mark-up bearing</i>	<i>Total</i>
	<i>Maturity upto 1 year</i>	<i>Maturity after 1 year</i>		
Financial assets				
Loans and advances	--	--	1,451	1,451
Long term deposits	--	--	1,664	1,664
Trade debts	--	--	200,621	200,621
Deposits & short-term prepayment	--	--	4,458	4,458
Other receivables	--	--	21,259	21,259
Cash and bank balances	--	--	5,246	5,246
	-----	-----	-----	-----
	--	--	234,699	234,699
	=====	=====	=====	=====
Financial liabilities				
Secured short-term running finance	514,230	--	514,230	514,230
Creditors, accrued and other liabilities	--	--	62,332	62,332
	-----	-----	-----	-----
	514,230	--	514,230	576,562
	=====	=====	=====	=====

Financial liabilities exposed to fixed interest rate risk included in above amount to Rs. 514 million.

Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparts failed completely to perform as contracted. The Company does not have significant exposure to any individual customer. To reduce exposure to credit risk the Company applies credit limits to its customers.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is exposed to interest rate risk in respect of short-term finances under mark-up arrangements.

Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payable exist due to transactions with foreign undertakings. Payable amounting to Rs. 2.609 million (1998: Rs. 24.987 million) exposed to foreign currency risk.

Fair values of financial assets and liabilities

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

33. CORRESPONDING FIGURES

Corresponding figures have been reclassified, wherever necessary for the purpose of comparison.

M. Farooq Farooqi
Chairman & Chief Executive

Javed Iqbal
Director

PATERN OF SHAREHOLDING

As at 31 December 1999

<i>Number of Shareholders</i>	<i>Shareholding Categories</i>		<i>Number of Shares</i>
	<i>from</i>	<i>to</i>	
577	1	--	100
264	101	--	500
67	501	--	1,000
40	1,001	--	5,000
9	5,001	--	10,000
5	10,001	--	15,000
2	15,001	--	20,000
1	20,001	--	25,000
1	25,001	--	30,000
2	30,001	--	35,000
1	35,001	--	50,000
1	50,001	--	55,000
1	55,001	--	80,000
			18,567
			57,487
			42,573
			73,352
			66,139
			60,752
			36,467
			20,792
			26,838
			69,105
			40,068
			53,040
			72,002

1	80,001	--	90,000	88,472
1	90,001	--	120,000	114,895
1	120,001	--	200,000	192,546
1	200,001	--	1,000,000	942,653
1	1,000,001	--	3,030,000	3,026,620

	976			5,002,368
=====				=====

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	946	260,642	5.21
Investment Companies	3	166,370	3.33
Insurance Companies	5	354,798	7.09
Financial Institutions	13	1,156,443	23.12
Joint Stock Companies	3	34,330	0.69
Others	5	3,165	0.06
Associated Company*	1	3,026,620	60.50
	-----	-----	-----
	976	5,002,368	100.00
	=====	=====	=====

*Represents 60.50% Shareholding of Royal Philips Electronics N.V. (formerly Philips Electronics N.V.) Eindhoven, The Netherlands and includes their nominee shareholders.

NOTICE

Second Annual General Meeting

Notice is hereby given that the Second Annual General Meeting of Refrigerators Manufacturing Company Pakistan Limited will be held on Tuesday, 20 June 2000 at 10:00 a.m. at Karachi Marriott Hotel, 9 Abdullah Haroon Road, Karachi, to transact the following business:

Ordinary business:

- To confirm the minutes of the 1st Annual General Meeting of the Company held on June 10, 1999.
- To receive and consider the Audited Accounts of the Company together with the Directors' and Auditors' Reports for the year ended 31 December 1999.
- To appoint Auditors and fix their remuneration.

By Order of the Board

04 May 2000
Karachi

Syed Nadeemuddin Ahmed
Company Secretary

Notes:

- Share Transfer Books of the Company will remain closed from 13 June 2000 to 20 June 2000 (both days inclusive) for the purposes of the Annual General Meeting.
- A member of the Company entitled to attend and vote at the meeting may appoint another person as his/her proxy to attend and vote instead of him/her. Proxy must be received at the Registered office of the Company not less than 48 hours before the time of holding the Meeting.
- CDC Accounts Holders/Proxies/Corporate Entities:
 - The CDC Accounts Holders / Proxy shall authenticate his identity by showing his original N.I.C or original passport at the time of attending the Meeting.
 - In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.
- The Shareholders are requested to immediately notify change, if any, in their mailing address.