

Refrigerators Manufacturing Company Pakistan Limited

Annual Report 2000

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mumtaz H. Khan - Chairman
Aftab A. Khan -- Chief Executive
Khalifa M. Aminullah
Gerban De Jong
Dr. Amjad Waheed
Shamsuddin Khan

COMPANY SECRETARY

Aftab A. Khan

BANKERS

ANZ Grindlays Bank Limited
Union Bank Limited
Habib Bank Limited
Muslim Commercial Bank Limited
Standard Chartered Grindlays Bank Limited
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 together with the audited accounts of the Company for the year ended 31 December 2000.

BOARD OF DIRECTORS

Subsequent to the election of the Board of Directors in the Second Annual General Meeting held on 20th June 2000. Koninklijke Philips Electronics N.V. transferred its ordinary shares to Portmarnock International Limited.

Portmarnock International nominated Mr. Mumtaz Hassan Khan and Mr. Aftab Alam Khan as Directors of the Company w.e.f. 30th August 2000 in place of Mr. Javed Iqbal and Mr. Nizam A. Shah (Nominees of Philips Holland).

Mr. Farooq Farooqi resigned as Chief Executive of RMCPL w.e.f. 31st December 2000 and to fill the casual vacancy Mr. Aftab Alam Khan was appointed Managing Director of the Company.

Mr. Gerben De Jong was appointed Director of the Company nominated by Koninklijke Philips Electronics N.V. w.e.f. 1st February 2001 in place of Mr. L. G. Mees.

The Board wishes to place on record its appreciation of the valuable services rendered by the outgoing Directors at a particularly difficult time and welcoming to the new appointees.

LEGAL APPOINTMENTS

M/s. Orr, Dignum & Co. has been appointed as Legal Advisor of RMCPL to deal with corporate matters.

M/s. Faisal Mahmood Ghani & Co. has been appointed Legal Advisor to deal with the CBA matters on behalf of RMCPL.

BUSINESS REVIEW

The Company was facing a serious cash flow problem and despite lengthy negotiations has been refused an extension of credit facilities by the banks. Two of the main bankers of the Company, namely, Muslim Commercial Bank and Union Bank have filed recovery and enforcement of security proceedings in Court. Additionally, the depressed economic conditions and the decrease in consumers' purchasing power have resulted in a very low operating income and the Company has been unable to service its bank borrowings. Given the financial situation of the Company, the foreseeable future and the current economic conditions prevalent in the country, the Board of Directors consider it expedient to have the Company wound up by the Court pursuant to Section 305(a) of the Companies Ordinance, 1984 instead of accumulating further losses.

Currently the Company's operations have yielded a very low operating income, being inadequate to service its bank borrowings. This has been due to lower margins and higher ratio of Fixed Costs, both these factors were beyond the control of the Company Management. These results are a consequent to the adverse economic conditions prevailing in the Country, that in turn have led to a deterioration in the consumer purchasing power (over capacity). In addition, the prevalent costs of debt servicing are very high, a burden that the Company on account of the aforesaid factors, was not able to sustain.

In view of the circumstances stated above, it became impossible to operate the company any further except to liquidate it altogether. The Accounts were delayed because most people familiar with the completion of the Audit had resigned or were terminated. Despite this the Management was able to finalize the Accounts, within a reasonable period.

AUDITORS:

A. F. Ferguson & Co. have been the Auditors of the Company.

LEGAL STATUS:

A number of petitions have been filed in the High Court of Sindh, NIRC and Labour Court by Banks, Service Providers, CBA and Customs. These petitions are being dealt with accordingly through Legal consultants.

Chief Executive

Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Refrigerators Manufacturing Company 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:

1. As more fully explained in note 1.3 to the annexed accounts, the Company is in the process of being wound-up. Accordingly the annexed accounts, prepared on a going concern basis and as described in note 2.1, should have been prepared under the liquidation basis of accounting i.e. incorporating adjustments, where appropriate, of individual assets and liabilities to estimated net realisable values. However, as the Company has not yet commenced the exercise of determining the net realisable values, the effect of resulting adjustments on the accounts can not be readily identified and easily determined.
2. (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, because of the effects of net realizable values have not been accounted for as required under the liquidation basis of accounting as referred to in paragraph 1, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof do not conform with the approved accounting standards as applicable in Pakistan, and do not give the information required by the Companies Ordinance, 1984, in the manner so required, and do not respectively give a true and fair view of the state of the Company's affairs as at December 31, 2000 and of the loss, changes in equity and its 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 (XVIII of 1980).

22 August, 2001

A.F. Ferguson & Co.
Chartered Accountants

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	50,023	50,023
Reserves		76,380	76,380
Accumulated loss		(246,030)	(122,565)
		-----	-----
		(169,650)	(46,185)
		-----	-----
		(119,627)	3,838
Surplus on Revaluation of Fixed Assets	8.2	66,686	66,686
Deferred Liabilities			
Staff retirement benefits	4	6,134	3,413
Current Liabilities and Provisions			
Short-term finances under mark-up arrangements	5	490,410	514,230
Creditors, accrued and other liabilities	6	72,023	62,322
		-----	-----
		562,433	576,552
Contingencies and Commitments	7		
		-----	-----
		515,626	650,489
		=====	=====
Tangible Fixed Assets			
Operating assets	8	116,912	119,468
Capital work-in-progress	9	22	2,312
		-----	-----
		116,934	121,780
Long-Term Loans and Advances	10	1,768	1,451
Long-Term Deposits		1,718	1,664
Deferred Taxation	11	--	11,720
Current Assets			
Stores and spares	12	4,447	5,315
Stock4n-trade	13	204,643	261,128
Trade debts	14	130,649	200,621
Deposits and short-term prepayments	15	8,398	4,458
Other receivables	16	20,729	21,259
Taxation		22,497	15,847
Cash and bank balances	17	3,843	5,246

395,206	513,874
515,626	650,489

The annexed notes form an integral part of these accounts.

Chief Executive

Director

PROFIT AND LOSS ACCOUNT For the Year Ended December 31, 2000

	Note	2000 (Rupees in thousands)	1999
Net Sales	18	444,040	576,099
Cost of goods sold	19	382,181	466,066
Gross profit		61,859	110,033
Selling and administration expenses	20	90,577	104,996
Operating (loss)/profit		(28,718)	5,037
Other income	21	1,264	1,383
		(27,454)	6,420
Financial charges	22	70,843	62,003
Other charges	23	5,954	1,337
		76,797	63,340
Loss before taxation		(104,251)	(56,920)
Taxation	24	19,214	1,311
Loss after taxation		(123,465)	(58,231)
Unappropriated loss		(122,565)	(64,334)
Accumulated loss carried forward		(246,030)	(122,565)
Loss per share - basic and diluted	25	(24.68)	(11.64)

The annexed notes form an integral part of these accounts.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY For the Year Ended December 31, 2000

	Share Capital	Revenue Reserves General	Self Insurance	Total	Unappropriated profit	Total
RUPEES IN THOUSANDS						
Balance as at December 31, 1998/ Loss for the year	50,023 --	75,630 --	750 --	76,380 --	(64,334) (58,231)	62,069 (58,231)
Balance as at December 31, 1999/ Loss for the year	50,023 --	75,630 --	750 --	76,380 --	(122,565) (123,465)	3,838 (123,465)
Balance as at December 31, 2000	50,023	75,630	750	76,380	(246,030)	(119,627)

The annexed notes form an integral part of these accounts.

Chief Executive

Director

CASH FLOW STATEMENT

For the Year Ended December 31, 2000

	Note	2000	1999
		(Rupees in thousands)	
Cash flow from operating activities			
Cash generated from/(used in) operations	26	119,336	(73,330)
Staff retirement benefit paid - net		(940)	(2,962)
Financial charges paid		(76,892)	(52,465)
Taxes paid		(14,144)	(30,235)
		-----	-----
		27,360	(158,992)
Net cash inflow/(outflow) from operating activities			
Cash flow from investing activities			
Fixed capital expenditure - net		(4,588)	(22,881)
Sale proceeds of fixed assets		16	--
Long-term deposits - net		(54)	(715)
Long-term loans and advances - net		(317)	(529)
		-----	-----
Net cash (outflow) from investing activities		(4,943)	(24,125)
Cash flow from financing activities		--	--
		-----	-----
Net increase/(decrease) in cash and cash equivalents		22,417	(183,117)
Cash and cash equivalents at the end of the year		(508,984)	(325,867)
		-----	-----
The annexed notes form an integral part of these a	27	(486,567)	(508,984)
		=====	=====

Chief Executive

Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2000

1. LEGAL STATUS AND OPERATIONS

1.1 The Company is a public 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 and obligations pertaining thereto. Accordingly, the issued and paid up share capital of PEI was proportionately reduced and transferred to the Company.

1.3 The Company had been facing serious cash flow problems in recent months and despite exhaustive negotiations had been refused an extension of credit by the banks. Further, two of the main bankers of the Company have filed recovery and enforcement of security proceedings in the Court. In addition a creditor has also filed a petition with the High Court of Sindh, Karachi for the winding-up of the Company for non-payment of its dues. Therefore, the Board of Directors, considering the dire financial condition and inability to sustain profitable operation, decided in their subsequent to year end meeting of March 26, 2001 to have the Company wound-up by the Court pursuant to section 305(a) of the Companies Ordinance, 1984. Such a decision has also been approved by the shareholders in the Extra Ordinary General Meeting held on May 30, 2001. The Company, accordingly, is in the process of submitting a petition in the High Court of Sindh for the winding-up proceedings.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Presentation

These accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

2.2 Staff retirement benefits

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

In addition to the benefits under the funded gratuity scheme, the unionised staff are also entitled to supplemental gratuity

benefits. These supplemental gratuity benefits are presently unfunded and are paid directly by the Company.

During the current year the Company has established its own funds for gratuity, pension and provident schemes, which were previously operated by PEI. The related assets and liabilities have been transferred by PEI on the basis of actuarial valuation as at December 31, 1999.

The actuarial valuation of the above pension and gratuity schemes as at December 31, 1999, determined a transitional obligation of Rs. 6.172 million, out of which Rs. 1.171 million of supplemental gratuity was met by PEI and the remaining amount has been recognised in the current year.

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

- * discount rate at 12% per annum
- * expected rate of return on plan assets at 12% per annum
- * expected rate of increase in salary at 12% per annum.

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

2.3 Taxation

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

The Company accounted for deferred taxation on all major timing differences using the liability method and as such had recognized deferred tax asset upto December 31, 1999. However, as discussed in note 1.3, the Company is being wound-up, therefore, such deferred tax asset has been reversed due to uncertainty of realisation.

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 capitalised.

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.

8 Revenue recognition

Sales are recorded on despatch of goods.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousands)</i>	
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 3.1	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 These represent shares issued to the shareholders under the Scheme of Arrangement referred to in note 1.2.

3.2 During the year, Royal Philips Electronics, Eindhoven, The Netherlands sold 2,017,747 ordinary shares to Portmarnock International Limited, Jersey, Channel Islands out of its aggregate holding of 3,026,620 ordinary shares of the Company as at December 31, 1999.

4. STAFF RETIREMENT BENEFITS

	2000	1999
	<i>(Rupees in thousand)</i>	
4.1 Movements in net liability recognised		
Opening balance		
Transitional liability recognised in current year		
Amount received from PEI for supplemental gratuity	3,413	2,446
	1,588	--
Add: Expense recognised	1,171	--
	-----	-----
Less: Payments	6,172	2,446
Closing Balance	2,073	3,929
	-----	-----
4.2 Net liability	8,245	6,375
Present value of benefit obligation at	2,111	2,962
	-----	-----
December 31, 1999	6,134	3,413
	=====	=====
Less: Fair value of assets/book reserve		
Funded status	23,440	
Less: Liability provided in the books	17,268	

	6,172	
	6,172	

	--	
	=====	

5. SHORT-TERM FINANCES UNDER MARK-UP ARRANGEMENTS - secured

Finances utilised under mark-up arrangements from banks - note 5.1 and 7.1.2	490,410	514,230
	=====	=====

5.1 The facilities for running finance available from various banks amount to Rs. 500 million (1999: Rs. 525 million) and carry mark-up rates ranging from 13.25% to 14.75% per annum. The purchase prices are payable on various dates by August 31, 2001. These arrangements are secured by hypothecation of the Company's stock-in-trade and book debts.

The running finance facilities expiring subsequent to year end have not been renewed by the banks. Consequently, amount drawn against these facilities plus markup thereon has been demanded by the banks except for the amount of Rs. 50.106 million due to Hongkong & Shanghai Banking Corporation (HSBC), which has been settled by Royal Philips Electronics, Eindhoven, The Netherlands on behalf of the Company, under a corporate guarantee given to HSBC.

5.2 The facilities for opening letters of credit and guarantees amounted to Rs. 187.237 million (1999: Rs. 575 million) of which Rs. 169.125 million (1999: Rs. 557.257 million) remained unutilised as at December 31, 2000.

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

	2000	1999
	<i>(Rupees in thousand)</i>	
Creditors	19,634	6,278
Accrued liabilities	22,679	21,760

Accrued mark-up on short-term finances	12,122	18,171
Dealers' security deposits - non interest bearing	5,468	4,878
Retention money payable	--	201
Due to associated undertakings	78	--
Advances from customers	5,159	5,453
Others	6,883	5,581
	-----	-----
	72,023	62,322
	=====	=====

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

7.1 Guarantees and indemnity bonds aggregating Rs. 26.077 million (1999: Rs. 31.93 million) have been given to Collector of Customs, including Rs. 9.388 million (1999: R. 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.

7.1.2 Subsequent to the year end two of the main lending banks of the Company, namely, Muslim Commercial Bank Limited and Union Bank Limited (formerly Bank of America) have filed suits for recovery of Rs. 184 million including liquidated damages of Rs. 22 million and enforcement of security proceedings with the High Court of Sindh. In addition, the High Court of Sindh on an application by Habib Bank Limited has appointed an official assignee as local Commissioner for preparing inventory of hypothecated stock lying in the factory. The cases are pending for hearing.

7.2 Commitments

Commitments for rentals under operating lease agreements in respect of vehicles as at December 31, 2000 are as follows:

<i>Year ended December 31</i>	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousands)</i>	
2000	--	2,975
2001	2,581	2,816
2002	2,497	1,914
2003	1,578	491
2004	492	--

8. OPERATING ASSETS

8.1 The following is a statement of operating assets:

	<i>Cost at Jan. 1, 2000</i>	<i>Additions/ (deletions) (note 8.4)</i>	<i>Revaluation</i>	<i>Cost at Dec. 31, 2000</i>	<i>Accumulated Depreciation at Jan. 1, 2000</i>	<i>Depreciation Charge for the Year/(deletions) (note 8.4)</i>	<i>Accumulated Depreciation at Dec. 31, 2000</i>	<i>Net book value at Dec. 31, 2000</i>	<i>Annual rate of depreciation %</i>
RUPEES IN THOUSANDS									
Leasehold Land and Building (Factory)	76,801	--	--	76,801	12,960	1,789	14,749	62,052	1.5-4
Plant and Machinery	162,907	4,965	--	167,872	112,878	5,948	118,826	49,046	3-33
Office machines, furniture and equipment	7,688	1,913 (38)	--	9,563	2,090	1,690 (31)	3,749	5,814	14-33
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	247,396	6,878 (38)	--	254,236	127,928	9,427 (31)	137,324	116,912	
1999	=====	=====	=====	=====	=====	=====	=====	=====	=====
	166,068	32,117 (17,475)	66,686	247,396	128,942	10,043 (11,057)	127,928	119,468	
	=====	=====	=====	=====	=====	=====	=====	=====	=====

8.2 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 aggregating Rs. 66.686 million as at December 31, 1999. Of the revaluation surplus, Rs. 65.229 million remains undepreciated and included in the net book value of fixed assets.

8.3 Moulds and dies for the manufacture of components of certain products costing Rs. 64.467 million included in

plant and machinery above, are held by M/s Ali Brothers Engineering, M/s Luminor Engineering, M/s Dicom Industries Limited, M/s Blowplast (Private) Limited, M/s Siddiqui Sons, M/s Neutech Industries, M/s Ideal Industries, M/s Kwaliti Enterprises and M/s Bombal Plastic who, under an arrangement with the Company, use these moulds for manufacturing components for the Company.

8.4 Details of fixed assets disposed of during the year:

<i>Description</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Particulars of buyers</i>
	RUPEES IN THOUSANDS				
Written down value not exceeding Rs. 5,000 each	38	31	7	16	Various
	=====	=====	=====	=====	
			2000	1999	
			(Rupees in thousands)		

9. CAPITAL WORK-IN-PROGRESS

Advances to Suppliers	22	2,312
	=====	=====

10. LONG-TERM LOANS AND ADVANCES

considered good

	2000	1999
	(Rupees in thousand)	
Due from:		
- Director		
- Executives		
- Other employees		
	600	--
	1,553	1,104
	1,695	1,490
	-----	-----
	3,848	2,594
Less: Receivable within one year - note 16	600	--
- Director	887	597
- Executives	593	546
- Other employees	2,080	1,143
	-----	-----
	1,768	1,451
	=====	=====
Outstanding for periods:		
- less than three years	1,597	1,176
- three years or more	171	275
	-----	-----
	1,768	1,451
	=====	=====

The above amount 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 aggregate amount due at the end of any month during the year was:

	2000	1999
	(Rupees in thousand)	
- Director	600	--
- Executives	1,553	1,104

11. DEFERRED TAXATION

Provision for deferred taxation		
Deferred liability arising due to accelerated depreciation allowance	--	(424)

Deferred assets arising in respect of stock obsolescence, staff retirement benefits, doubtful debts and tax losses carried forward	--	12,144
	-----	-----
	--	11,720
	=====	=====

11.1 The deferred tax asset recognized upto December 31, 1999 has been reversed as explained in note 2.3.

12. STORES AND SPARES

Stores	4,447	5,052
Spares	--	263
	-----	-----
	4,447	5,315
	=====	=====

13. STOCK-IN-TRADE

Raw materials, including in transit Rs. 23.503 million (1999: Rs. 26.768 million)	96,347	74,682
Less: Provision for obsolescence	4,872	996
	-----	-----
	91,475	73,686
Work-in-process	2,276	4,089
Finished goods including in transit Rs. 9 million (1999: Rs. 7.473 million)	107,112	172,615
Service stock including in transit Rs. 0.068 million (1999: Rs. 0.753 million)	11,599	10,738
Less: Provision for diminution in net realisable value in the ordinary course of business (note 2.6)	7,819	--
	-----	-----
	110,892	183,353
	-----	-----
	204,643	261,128
	=====	=====

14. TRADE DEBTS - Unsecured

Considered good		
Considered doubtful	130,649	200,621
Less: Provision for doubtful debts	13,989	9,256
	-----	-----
	144,638	209,877
	-----	-----
	13,989	9,256
	-----	-----
	130,649	200,621
	=====	=====

15. DEPOSITS AND SHORT-TERM PREPAYMENTS

Margin against Letters of Credit		
Short-term prepayments		
Deposits with statutory authorities	956	831
Sales tax prepayments	3,098	2,806
Provision thereagainst	792	792
	-----	-----
	7,501	--
Others	4,116	--
	-----	-----
	3,385	--
	-----	-----
	167	29
	-----	-----

16. OTHER RECEIVABLES

	8,398	4,458
	=====	=====
Current portion of long-term loans and advances - note 10	2,080	1,143
Advances to suppliers	14,047	11,396
	-----	-----
	405	--
Provision thereagainst	13,642	11,396
	-----	-----
	35	63
	158	85
	70	4,380
Advances for reimbursable expenses - executives -employees		

Due from an associated undertaking	2,870	2,257
Due from government	6,007	6,007
	-----	-----
Customs duty refundable	8,877	8,264
Value regulatory duty and other claims	8,264	8,264
	-----	-----
	613	--
	4,131	4,192
	-----	-----
	20,729	21,259
	=====	=====

Provision thereagainst

Others

17. CASH AND BANK BALANCES

With banks in current accounts	654	555
In hand - cash	135	313
- cheques	--	328
Remittances in transit	3,054	4,050
	-----	-----
	3,843	5,246
	=====	=====

18. NET SALES

Sales	519,370	672,023
Less: Sales tax	75,330	95,924
	-----	-----
	444,040	576,099
	=====	=====

19. COST OF GOODS SOLD

Raw and packing materials consumed:

Opening stock	73,686	2,659
Purchases	1772500	250,915
	-----	-----
Closing stock	251,186	343,574
	(91,475)	(73,686)
	-----	-----
	159,711	269,888
Salaries, wages and benefits - note 20.1	20,857	25,881
Repairs and maintenance	4,041	5,199
Stores and spares consumed	1,661	1,085
Fuel and power	3,827	4,163
Rent, rates and taxes	980	715
Insurance	350	558
Depreciation	8,821	9,396
Other expenses	7,292	5,132
Opening stock of work-in-process	4,089	3,604
Closing stock of work-in-process	(2,276)	(4,089)
	-----	-----
Cost of goods manufactured	209,353	321,532
Add: Opening stock of finished goods	183,353	139,565
Goods purchased	100,367	188,322
	-----	-----
	493,073	649,419
Less: Closing stock of finished goods	(110,892)	(183,353)
	-----	-----
	382,181	466,066
	=====	=====

20. SELLING AND ADMINISTRATION EXPENSES

Salaries, wages and benefits - note 20.1	25,772	17,511
Dealers incentive	17,183	7,127
Replacement and guarantees	4,928	6,479
Repairs and maintenance	304	510
Fuel and power	957	1,041
Rent, rates and taxes	3,208	2,881
Insurance	150	239
Publicity	7,518	19,002
Depreciation	606	647

Outward freight	10,515	13,504
Provision for doubtful debts - trade	4,733	4,748
Services charged by an associated undertaking	3,145	104,996
Other expenses	11,558	13,129
	-----	-----
	90,577	104,996
	=====	=====

25.1 Salaries, wages and benefits include the following in respect of retirement benefits:

Current service cost	1,799	2,300
Interest cost	2,870	1,629
Expected return on plan assets	(2,596)	--
	-----	-----
Recognition of transitional liability	2,073	3,929
	1,588	--
	-----	-----
Total cost to Company	3,661	3,929
	=====	=====

In addition to above, Rs 1.447 million (1999: Rs 1.451 million) have been charged in respect of Company's contribution towards provident fund.

21. OTHER INCOME

Interest on loans and advances	4	7
Profit on sale of fixed assets	9	--
Scrap sales	1,251	1,376
	-----	-----
	1,264	1,383
	=====	=====

22. FINANCIAL CHARGES

Mark-up on		
- short-term finance	69,695	60,560
- remittances	311	525
Bank charges, excise duty and others	837	918
	-----	-----
	70,843	62,003
	=====	=====

23. OTHER CHARGES

Auditors' remuneration - note 23.1	663	314
Legal and professional charges	1,136	1,005
Donation - note 29	10	--
Provision against sales tax refundable	4,116	--
Others	29	18
	-----	-----
	5,954	1,337
	=====	=====

23.1 Auditors' remuneration

Audit fee	250	250
Tax and other advisory services, special reports/certifications	370	29
	43	35
	-----	-----
Out of pocket expenses	663	314
	=====	=====

24. TAXATION

Current	7,494	12,373
Deferred (note - 11.1)	11,720	(11,062)
	-----	-----
	19,214	1,311
	=====	=====

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.

25. LOSS PER SHARE

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

2000

1999

(Rupees in thousand)

Loss after taxation	(123,465)	(58,231)
Weighted average number of Ordinary shares	5,002	5,002
Loss per share	Rs. (24.68)	Rs. (11.64)

26. CASH GENERATED FROM/(USED IN) OPERATIONS

Loss before taxation	(104,251)	(56,920)
Adjustment for non cash charges and other items:		
Depreciation	9,427	10,043
Profit on sale of fixed assets	(9)	--
Provision for staff retirement benefits	3,661	3,929
Financial charges	70,843	62,003
Working capital changes - note 26.1	139,665	(92,385)
	119,336	(73,330)

26.1 Working capital changes

(Increase)/decrease in current assets		
Stores and spares	868	(332)
Stock-in-trade	56,485	(25,300)
Trade debts	69,972	(49,179)
Deposits and short-term prepayments - net	(3,940)	57,245
Other receivables - net	530	(6,683)
	123,915	(24,249)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities-net	15,750	(68,136)
	139,665	(92,385)

27. CASH AND CASH EQUIVALENTS

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

	2000	1999
	(Rupees in thousand)	
Cash and bank balances	3,843	5,246
Short-term finances under mark-up arrangements	(490,410)	(514,230)
	(486,567)	(508,984)

28. REMUNERATION OF THE CHIEF EXECUTIVE, A DIRECTOR AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including benefits, to the chief executive, and a director and executives of the Company was as follows:

	2000				1999		
	<i>Chief Executive</i>	<i>Director</i>	<i>Executives</i>	<i>Total</i>	<i>Chief Executive</i>	<i>Executives</i>	<i>Total</i>
	RUPEES IN THOUSANDS						
Managerial remuneration	1,896	600	8,828	11,324	1,848	7,446	9,294
Retirement benefits	238	103	1,521	1,862	736	2,970	3,706
Perquisites:							
Medical expenses	75	15	620	710	18	613	631
Housing	1,151	360	4,347	5,858	1,124	3,648	4,772
Conveyance	142	48	1,772	1,962	131	1,379	1,510
Company's contribution to provident fund	138	60	869	1,067	185	745	930
	3,640	1,186	17,957	22,783	4,042	16,801	20,843
Number of persons (including those who worked part of the year)	1	1	39	41	1	32	33

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. 5,000 (1999: Rs. 3,500).

29. DONATIONS

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

2000 1999
(Rupees in thousand)

30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases (Including fixed assets items Rs. 201 thousands;

1999: Rs. 839 thousands)	1,320	839
Services charged by associated undertakings	3,273	18,178
Sales (Including fixed assets items Nil; 1999: Rs. 443 thousands)	183	443

31. CAPACITY AND PRODUCTION

	Capacity	2000 Production	1999
Refrigerators	25,000	10,299	13,682
Deepfreezers	15,000	4,561	6,482
Air Conditioners	5,000	50	2,500

The shortfall in production is mainly due to low demand and depressed economic conditions in the country.

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 Financial assets and liabilities

	maturity upto one year	Interest/mark-up bearing maturity after one year	sub total	Non Interest/ mark-up bearing	Total
RUPEES IN THOUSANDS					
Financial Assets					
Loans and advances	--	--	--	1,768	1,768
Long term deposits	--	--	--	1,718	1,718
Trade debts	--	--	--	130,649	130,649
Deposits and short term prepayments	--	--	--	8,398	8,398
Other receivables	--	--	--	20,729	20,729
Cash and bank balances	--	--	--	3,843	3,843
	-----	-----	-----	-----	-----
	--	--	--	167,105	167,105
	=====	=====	=====	=====	=====
Financial Liabilities					
Secured short term running finance	490,410	--	490,410	--	490,410
Creditors, accrued and other liabilities	--	--	--	72,023	72,023
	-----	-----	-----	-----	-----
	490,410	--	490,410	72,023	562,433
	=====	=====	=====	=====	=====

Financial liabilities exposed to fixed interest rate risk included in above amount to Rs. 490 million.

Concentration of credit risk

Credit risk represents the accounting loss that would be recognised 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 affect 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 payables exist due to transactions with foreign undertakings. Payables amounting to Rs. 12.085 million (1999: Rs. 2.609 million) are exposed to foreign currency risks.

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 purposes of comparison.

NOTICE

Third Annual General Meeting

Notice is hereby given the Third Annual General Meeting of Refrigerators Manufacturing Company Pakistan Limited will be held on Friday 28 September 2001 at 10.00 a.m. at Avari Towers at Karachi, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 2nd Annual General Meeting of the Company held on 20 June, 2000
2. To receive and consider the Annual Accounts of the Company together with the Director's and Auditor's Reports for the year ended December 31, 2000.

To appoint Auditors and fix their remuneration.

By Order of the Board

Aftab A. Khan
Company Secretary

August 22 2001

Notes:

1. Share Transfer Books of the Company will remain closed from 18 September 2001 to 28 September 2001 (both days inclusive) for the purpose of Annual General Meeting.
2. 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 Registered office of the Company not less than 48 hours before the time of holding the meeting.
3. CDC Accounts Holders / Proxies / Corporate Entities.
 - a) 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.
 - b) In case of corporate entity, the Board of Director's resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.
4. The Shareholders are requested to immediately notify change, if any, in their mailing address.

PATTERN OF SHARE HOLDING

As at 31 December 2000

<i>NUMBER OF SHARE HOLDERS</i>	<i>SHARE HOLDING CATEGORIES</i>			<i>NUMBER OF SHARES</i>
578	1	--	100	18,509
270	101	--	500	59,925
71	501	--	5000	47,377
43	1001	--	10000	78,795
7	5001	--	20000	50,217
2	10001	--	15000	21,726
1	15001	--	20000	18,07
3	20001	--	25000	70,417
1	25001	--	30000	26,838
1	30001	--	35000	34,511
1	50001	--	55000	53,040

1	70001	--	5000	72,002
1	80001	--	85000	84,629
1	85001	--	90000	89,500
1	110001	--	115000	114,895
1	190001	--	195000	192,546
1	940001	--	945,000	942,753
1	1005001	--	1010000	1,008,873
1	2015001	--	2020000	2,017,747
-----				-----
986			5,002,368	
=====				=====

Categories of Shareholders

	Number	Shares Held	Percentage
Individuals	959	366,660	7.34
Investment Companies	3	162,527	3.25
Foreign Investors	2	79,878	1.60
Insurance Companies	5	332,798	6.65
Financial Institutions	3	988,490	19.76
Joint-Stock Companies	11	43,233	0.86
Associated Companies	2	3,026,620	60.50
Others	1	2,162	0.04

	986	5,002,368	100.00
=====			