

Bengal Fibre Industries Limited

Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS

Ali Mohammad Haji Mohammad
Abdul Sattar H. A. Rehman Bengali
Noor Mohammad Abubakar
Farooq Haji Mohammad
Yunus Haji Hashim Bengali
Faisal G. Bengali
Nasim Beg (NIT)
Kh. Mansoor Mukhtar Shah(NIT)
Umair Khan (SLIC)

Chairman
Chief Executive

PRINCIPAL OFFICERS

HEAD OFFICE

Attaullah Khan
Vice President

Rizwan Manai
Chief Accountant

FACTORY

Abdul Ghani H.A. Rehman Bengali
Senior Executive Vice ,President

Ahmed Hashim Memon
Chief Engineer

AUDITORS

Sidat Hyder Qamar & Co.
Chartered Accountants

BANKERS

Habib Bank Limited
Muslim Commercial Bank Limited
United Bank Limited
National Bank of Pakistan
Metropolitan Bank Limited
Allied Bank Limited
Askari Commercial Bank Limited

REGISTERED OFFICE

Bengal House, Aga Khan/G. Allana Road,
Karachi-74000 Phone No. 7526338-41, 7529492
Fax: (09221) 7512857, E-mail: bengal @ khi.compol.com.

FACTORY

Plct No. 53 & 54, Sector 15,
Korangi Industrial Area,
Karachi, Phone No. 5063591-4
Fax: 5063590

SALES OFFICE

70-Alam Market, Near Ghordhandas Market
Saleh Mohammad Street, Karachi.
Phones: 2419540-2415675, Fax: 2429520

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Third Annual General Meeting will be held at Registered Office at Bengal House, Agha Khan / G. Allana Road, Karachi on Thursday the 23 December, 1999 at 11:30 a.m. to transact the following business:

1) To receive and consider the Audited Accounts of the Company for the year ended

30 June, 1999 together with the Directors' and Auditors' Reports thereon.

2) To appoint Auditors for the year 1999/2000 and to fix their remuneration.

3) To transact any other business of the Company with the permission of the Chairman.

By Order of the Board

Karachi: 01 November 1999

ABDUL SATTAR H.A. REHMAN BENGALI
Chief Executive

NOTES:

1. The Share Transfer Books of the Company will remain closed from Saturday the 20 November, 1999 to Saturday the 27 November, 1999 (both days inclusive).

2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint another member as proxy to attend and vote on his/her behalf. Proxies, in order to be valid, must be received at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.

3. Shareholders are requested to promptly notify the Company of any change in their addresses to ensure delivery of mail.

REPORT OF THE DIRECTORS

The Directors are pleased to present the thirty third Annual Report together with the audited accounts of the company for the year ended June 30, 1999.

FINANCIAL RESULTS

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Operating Profit	34,854,711	60,506,260
Other Income	160,042	599,849
	-----	-----
Financial & other charges	35,014,753	61,106,109
	29,349,493	31,618,683
	-----	-----
Profit before taxation	5,665,260	29,487,426
Taxation	446,167	12,771,408
	-----	-----
Profit after taxation	5,219,093	16,716,018
Accumulated Profit/(Loss) brought forward	379,308	(11,268,088)
	-----	-----
	5,598,401	5,447,930
Appropriation:		
Interim dividend @ 5% (1998 @ 7.5%)	(3,379,081)	(5,068,622)
	-----	-----
Accumulated Profit carried forward	2,219,320	379,308
	=====	=====
Earning per share	Re. 0.77	Rs. 2.47

REVIEW OF RESULTS

The fiscal 1998-99 has again been quite difficult for Pakistan as the expected turnaround in economy could not materialize due to numerous reasons, mainly the adversities of severe economic turmoil in the South East Asian region. However, amidst an extremely unfavourable business and economic atmosphere, your company has closed its year with pre-tax profit of Rs. 5,665,260 which is lower over the preceding year's pre-tax profit of Rs. 29,487,426. After making provision for taxation, net profit amounts to Rs. 5,219,093 as compared to Rs. 16,716,018 in the previous year.

Net sales during the year under review declined by 21.1% to Rs. 272,570,651. This decrease is attributable to the lower volume, change in sales mix and reduction in the sales prices of nylon and polyester yarn.

In case of operating expenses, inspite of strict cost cutting policies adopted by the management, there is a nominal increase of 3.29% due to inflation.

Financial charges during the year under review declined by 9.57% to Rs. 24,968,782, which naturally had its salutary affect on the final figures.

PRODUCTION

Total production of nylon and polyester yarn during the year under review declined by 10.19% to

2,569,716 kgs. As compared to plant capacity, actual production is higher by 2.8%

FUTURE OUTLOOK

In the Budget for the year 1999-2000 the Government has enhanced the custom duty on imported Polyester Chips by 10% to 35%. Furthermore, the prices of Polyester Chips and Caprolactam have also risen due to increase in petroleum prices in the International Market. This increase coupled with the enhanced Government levy will have an adverse impact on the future operating results of the company as the prices of yarn have not correspondingly increased. The matter of additional fiscal levy has been taken up with the Government and it is hoped that the Government will consider the issue favourably.

DIRECTORS

Elections to the Board of Directors of the Company took place on March 29, 1999. The following are currently the Directors of the Company.

1. Mr. Ali Mohammad Haji Mohammad (Chairman)
2. Mr. Abdul Sattar H.A. Rehman Bengali (Chief Executive)
3. Mr. Noor Mohammad Abubaker
4. Mr. Farooq Haji Mohammad
5. Mr. Yunus Haji Hashim Bengali
6. Mr. Faisal G. Bengali
7. Mr. Nasim Beg (N.I.T)
8. Mr. Kh. Mansoor Mukhtar Shah (N.I.T.)
9. Mr. Umair Khan (S.L.I.C.)

The Directors wish to place on record their appreciation for the valuable services rendered to the Company by outgoing directors and extend warm welcome to the incoming directors.

ACKNOWLEDGMENTS

The directors place on record their appreciation for the dedicated services rendered by the employees of the Company. We also view the harmonious relations between management and the employees with satisfaction. The Board's commendation is also extended to the company's bankers for the valuable financial assistance and timely services rendered by them.

THE MILLENNIUM BUG

The Company has taken measures to ensure that its computer applications, systems and hardware are year 2000 compliant.

PATTERN OF SHAREHOLDING

The information about the pattern of holding of shares as on June 30, 1999 is annexed to this report.

AUDITORS

The present auditors M/s. Sidat Hyder Qamar and Company-Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

For and on behalf the
Board of Directors

Abdul Sattar H. A. Rehman Bengali
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **BENGAL FIBRE INDUSTRIES LIMITED** as at 30 June 1999 and the related profit and loss account and statement of changes in financial position (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 account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with

accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and statement of changes in financial position (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 30 June 1999 and of the profit and the changes in financial position (cash flow) for the year then ended; and

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

KARACHI: 01 NOVEMBER 1999

CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT 30 JUNE 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Capital and Reserves			
Authorised Capital			
10,000,000 (1998:10,000,000)			
Ordinary shares of Rs. 10/- each		100,000,000	100,000,000
		=====	=====
Issued, subscribed and paid-up capital		67,581,620	67,581,620
Capital reserve - share premium		27,840,933	27,840,933
Accumulated Profit		2,219,320	379,308
		-----	-----
	26	97,641,873	95,801,861
Redeemable capital	4	8,507,476	13,180,674
Long-term loans and financial arrangements	5	34,498,786	23,887,204
Liabilities against assets subject to finance lease	6	--	920,051
Deferred taxation		25,845,487	26,765,000
Current Liabilities			
Finance under mark-up arrangements	7	86,880,546	72,113,347
Current maturity	8	36,470,235	24,594,695
Creditors, accrued and other liabilities	9	45,457,019	92,199,662
Dividend payable		--	3,719,810
Unclaimed dividend		94,543	41,009
		-----	-----
		168,902,343	192,668,523
Contingencies and commitments	10	--	--
		-----	-----
		335,395,965	353,223,313
		=====	=====
Fixed Assets - Tangible			
Operating assets	11	189,513,558	205,996,303
Assets subject to finance lease	11	503,806	3,293,135
Capital work-in-progress		--	1,097,056
		-----	-----
		190,017,364	210,386,494
Long-term deposits		647,860	537,204
Current Assets			
Stores and spares	12	38,283,627	37,776,011
Stock-in-trade	13	73,418,143	79,540,332
Trade debts - unsecured, considered good		16,868,648	17,390,313
Advances, deposits, prepayments and other receivables	14	11,737,912	5,745,654
Cash and bank balances	15	4,422,411	1,847,305
		-----	-----
		144,730,741	142,299,615
		-----	-----
		335,395,965	353,223,313
		=====	=====

Auditors' Report Annexed

The annexed notes form an integral part of these accounts.

Abdul Sattar H.A. Rehman Bengali
Chief Executive

Ali Mohammad Haji Mohammad
Director

PROFIT AND LOSS ACCOUNT
For the Year Ended 30 June 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Sales - Net	16	272,570,651	345,465,903
Cost of sales	17	220,958,277	268,736,188
		-----	-----
Gross profit		51,612,374	76,729,715
Administrative expenses	18	11,668,356	11,407,460
Selling expenses	18	5,089,307	4,815,995
		-----	-----
		16,757,663	16,223,455
		-----	-----
Operating profit		34,854,711	60,506,260
Other income	19	160,042	599,849
		-----	-----
		35,014,753	61,106,109
Financial charges	20	24,968,782	27,611,959
Other charges	21	4,380,711	4,006,724
		-----	-----
		29,349,493	31,618,683
		-----	-----
Profit before taxation		5,665,260	29,487,426
Taxation	22	446,167	12,771,408
		-----	-----
Profit after taxation		5,219,093	16,716,018
Accumulated Profit / (loss) brought forward		379,308	(11,268,088)
		-----	-----
		5,598,401	5,447,930
Appropriation:			
Interim dividend @ 5.0% (1998 @7.50%)		(3,379,081)	(5,068,622)
		-----	-----
Accumulated profit carried forward		2,219,320	379,308
		=====	=====
Earning per share	23	Re.0.77	Rs.2.47
		=====	=====

The annexed notes form an integral part of these accounts.

Abdul Sattar H.A. Rehman Bengali
Chief Executive

Ali Mohammad Haji Mohammad
Director

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)

For the Year Ended 30 June 1999

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before tax	5,665,260	29,487,426
Adjustment for:		
Depreciation	22,180,014	23,355,828
Financial charges	24,764,901	38,991,195
workers' welfare fund	270,000	715,000
Workers' welfare fund - Prior year	(436,534)	686,981
Loss on sale of fixed assets	124,655	467,225
	-----	-----
	46,903,036	64,216,229
	-----	-----
Operating profit before changes in operating assets	52,568,296	93,703,655
(Increase) / decrease in current assets:		
Stores and spares	(507,616)	715,659
Stock-in-trade	6,122,189	(5,898,385)
Trade debts	521,665	4,932,891
Advances, deposits, prepayments and		

other receivables	(4,880,510)	645,215
	-----	-----
	1,255,728	395,380
Increase/(decrease) in current liabilities:		
Creditors, accrued and other liabilities	(50,299,683)	1,198,440
	3,524,341	95,297,475
Taxes paid	(2,310,894)	(1,184,599)
	-----	-----
Net cash generated from operating activities	1,213,447	94,112,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(2,717,143)	(8,421,954)
Proceed from sale of fixed assets	781,604	1,712,408
Long-term deposits	(110,656)	885,102
	-----	-----
Net cash (used in) investing activities	(2,046,195)	(5,824,444)
	-----	-----
Net cash after investing activities	(832,748)	88,288,432
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term loan obtained	50,000,000	5,684,000
Repayment of redeemable capital	(4,006,515)	(3,434,942)
Repayments of long term loans	(27,428,190)	(51,660,210)
Lease rentals paid	(1,800,726)	(3,807,530)
Finance under mark-up arrangement	14,767,199	6,170,633
Dividend paid	(7,045,357)	(1,348,812)
Interest paid	(21,078,557)	(41,430,648)
	-----	-----
Net cash generated from / (used in) financing activities	3,407,854	(89,827,509)
Net increase/(decrease) in cash and cash equivalents	2,575,106	(1,539,077)
Cash and bank balances at beginning of the year	1,847,305	3,386,382
	-----	-----
Cash and balances at the end of the year	4,422,411	1,847,305
	=====	=====

Abdul Sattar H.A. Rehman Bengali
Chief Executive

Ali Mohammad Haji Mohammad
Director

NOTES TO THE ACCOUNTS

For the Year Ended 30 June 1999

1. THE COMPANY AND ITS OPERATIONS

Bengal Fibre Industries Limited is a public limited company incorporated in Pakistan and is listed on Karachi Stock Exchange. The principal activity of the Company is the manufacture and sale of nylon and polyester yarn.

2. ACCOUNTING POLICIES

2.1 Basis for preparation of the accounts

These financial statements have been prepared in compliance with the requirements of International Accounting Standards as adopted by the Institute of Chartered Accountants of Pakistan which are applicable to the Company.

2.2 Accounting convention

These financial statements have been prepared under the historical cost 'convention'.

2.3 Retirement benefits

The Company operates approved funded provident fund schemes, each for administrative employees and factory workers.

2.4 Taxation

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 Taxation on all material timing differences are accounted for using the liability method.

2.5 Foreign exchange transactions

Liabilities in foreign currencies are translated into Pak rupees at exchange rates approximating those prevailing at the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in which the rates contracted are applied.

Exchange differences in respect of foreign currency loans obtained for

acquisition of fixed assets are incorporated in the cost of relevant fixed assets.

All other exchange gains and losses are taken to the income currently.

2.6 Fixed assets

(a) Tangible fixed assets

Company owned fixed assets are stated at cost less accumulated depreciation except leasehold land and capital work-in-progress which are stated at cost.

Borrowing costs relevant to acquisition of assets are capitalized until assets commence commercial production.

Depreciation is charged on reducing balance method at rates stated in Note 11 to the accounts, except refitting of generators, being depreciated on straight line basis over a period of five years, commencing from the date of refitting.

Depreciation on assets is calculated after adjustment of exchange gains and losses arising from repayments of instalments and conversion of outstanding foreign currency loan into Pak Rupees at balance sheet date.

Full year's depreciation is charged on additions during the year except in case of significant additions where the charge for depreciation is made with reference to the date of use of such assets. No depreciation is charged on assets deleted or retired during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Profit or loss on disposal of fixed assets is included in income currently.

(b) Leased assets

Assets held under finance lease are stated at cost less depreciation, at the same rates applicable to company owned fixed assets.

The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability.

The finance charge is calculated at interest rate implicit in the lease and is charged to profit and loss account.

Lease rentals payable on assets held under operating lease are charged to profit and loss account.

2.7 Stores and spares

Stores and spares are valued at average cost. However, certain store items are adjusted for normal wear and tear.

2.8 Stock-in-trade

(a) Raw materials, work-in-process and finished goods are valued at lower of weighted average cost and net realizable value.

(b) Items-in-transit are valued at cost, comprising invoice value plus other charges paid and accrued thereon.

2.9 Revenue recognition

Revenue from sale is recognized upon passage of title to the customers which generally coincides with physical delivery.

<i>1999</i>	<i>1998</i>
<i>Rupees</i>	<i>Rupees</i>

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Fully paid ordinary shares of Rs. 10/- each

Number of shares

<i>1999</i>	<i>1998</i>		<i>1999</i>	<i>1998</i>
			<i>Rupees</i>	<i>Rupees</i>
4,293,014	4,293,014	Issued for cash	42,930,140	42,930,140
197,460	197,460	Issued for consideration other than cash	1,974,600	1,974,600
-----	-----		-----	-----
4,490,474	4,490,474		44,904,740	44,904,740
2,267,688	2,267,688	Issued as bonus shares	22,676,880	22,676,880
-----	-----		-----	-----
6,758,162	6,758,162		67,581,620	67,581,620
=====	=====		=====	=====

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
4. REDEEMABLE CAPITAL - Secured			
Term finance certificates	4.1	13,180,674	17,187,189
Less: Current maturity	8	4,673,198	4,006,515
		-----	-----
		8,507,476	13,180,674
		=====	=====

4.1 The Company entered into an "Investment Agreement" with a commercial bank. The sanctioned amount of Rs. 29.220 million has been designated as "sale price" against which Rs. 52.819 million net of prompt payment rebate is eventually payable by the Company and is designated as "purchase price" payable in 16 semi annual instalments commenced from 1 January 1994.

4.1.1 The Company has issued long-term Term Finance Certificates (TFCs) for the amount equal to purchase price by registered mortgage on all present and future fixed assets of the Company ranking pari passu with the other lenders, hypothecation of present and future book debts and personal guarantee of the directors.

4.1.2 In the event of the Company failing to redeem TFCs on its due date it shall pay to the holder of such TFCs additionally an amount equivalent to 20 percent of the face value of such TFCs as and by way of liquidated damages.

		<i>1999 Rupees</i>	<i>1998 Rupees</i>
5. LONG-TERM LOANS AND FINANCIAL ARRANGEMENTS - Secured			
PICIC Third Loan	5.10	8,008,344	10,484,344
MCB Demand Finance	5.20	8,702,860	13,054,288
MCB Fresh Demand Finance- 1		--	2,192,764
MCB Fresh Demand Finance - 2	5.30	4,336,000	13,008,000
Fixed Assets Finance Loan		--	4,736,000
HBL Fresh Demand Finance	5.40	45,000,002	--
		-----	-----
		66,047,206	43,475,396
Less: Current maturity	8	31,548,420	19,588,192
		-----	-----
		34,498,786	23,887,204
		=====	=====

5.1 Represents loan obtained in foreign currency but fixed in Pak Rupees subject to interest at the rate of 15 percent per annum for purchase of plant and machinery. The loan is repayable in 12 semi-annual instalments commenced from 1 January 1996.

5.1.1 The third PICIC loan is secured by way of a pari passu charge with other lenders:

(a) on all immovable properties both present and future, including building, plant, machinery and fixtures;

(b) by way of hypothecation in respect of all machinery both present and future;

(c) by floating charge on all other assets of the Company, both present and future; and

(d) by the demand promissory note for the amount of the loan executed by the Company, renewable after every three years.

5.2 Represents finance obtained from a commercial bank for Rs. 30.460 million subject to mark-up at the rate of Re. 0.48 per Rs. 1,000 per day for purchase of plant and machinery. The loan is repayable in 14 equal semi annual instalments by 1 April 2001. The financing is secured through equitable mortgage of all present and future fixed assets of the company ranking pari passu with charges of other lenders and hypothecation of present and future book debts of the Company.

5.3 This represents second fresh demand finance facility of Rs. 26.015 million (1998 : Rs. 26.015 million) allowed by a commercial bank for repayment of instalments of loans.

The loan is repayable in six half yearly installments commenced from 15 January 1997 and is subject to mark-up at a rate of Re. 0.54 per Rs. 1,000 per day.

The loan is secured by way of equitable mortgage on all present and future fixed assets of the Company ranking pari passu with charges existing on all assets of the Company and hypothecation of present and future book debts of the Company.

5.4 This represents fresh demand finance facility of Rs. 50 million from a commercial bank for a period of 33 months, repayable in 30 monthly installment, commenced from 01 April 1999.

It carries mark-up at the rate of Re.0.50 per Rs. 1,000 per day and is secured against hypothecation of stock and spare parts, legal equitable mortgage of fixed assets, demand promissory note and personal guarantee of working directors.

6. LIABILITIES AGAINST ASSETS

SUBJECT TO FINANCE LEASE

	<i>Note</i>	1999 Rupees	1998 Rupees
Balance as on 1 July		1,920,039	5,228,946
Less: Payments made during the year		1,671,422	3,308,907
		-----	-----
		248,617	1,920,039
Less: Current maturity	8	248,617	999,988
		-----	-----
		--	920,051
		=====	=====

6.1 The total lease rentals due under the lease agreements aggregate to Rs. 0.262 million (1998: Rs. 2.062 million) and are repayable in form of equal monthly lease rentals under various lease agreements latest by 2000. Taxes, repairs, replacements and insurance costs are to be borne by the lessee. Financing rate approximately 24.5 percent per annum has been used as discounting factor.

The future minimum lease payments to which the Company is committed under the lease agreements are due as follows:

Year			
1998-1999		--	1,800,726
1999-2000		261,704	261,704
		-----	-----
		261,704	2,062,430
Financial charges allocated to future periods		(13,087)	(142,391)
		-----	-----
		248,617	1,920,039
		=====	=====

7. FINANCE UNDER MARK-UP

ARRANGEMENTS - Secured

Running finance	7.1	47,243,889	72,113,347
Trust Receipt finance	7.2	39,636,657	--
		-----	-----
		86,880,546	72,113,347
		=====	=====

7.1 Represents the utilized portion of running finances available from commercial banks amounting to Rs. 60 million (1998 : Rs. 110 million). These are secured against hypothecation of stock, stores, book debts and personal guarantee of directors and are subject to mark-up at Re. 0.48 to Re. 0.50 per Rs. 1,000 per day calculated on daily product basis. The mark-up is payable quarterly.

7.2 Represents the utilised portion of trust receipt finance available from a commercial bank amounting to Rs. 50 million (1998: Nil). These are secured against hypothecation of stock, stores, book debts and personal guarantee of directors and are subject to mark-up at Re.0.48 per Rs. 1,000 per day calculated on daily product basis. The mark-up is payable quarterly.

8. CURRENT MATURITY

Redeemable capital		4,673,198	4,006,515
Long-term loans		31,548,420	19,588,192
Liabilities under finance leases		248,617	999,988
		-----	-----
		36,470,235	24,594,695
		=====	=====

1999

1998

	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
9. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		3,873,315	2,655,776
Bills payable		17,546,768	67,003,199
Accrued liabilities			
Expenses		5,096,306	4,749,929
Financial and other charges on secured loans		7,833,781	4,276,741
Workers' Profit Participation Fund	9.1	438,487	1,654,366
Deposit from customers	9.2	5,169,315	5,909,115
Custom duty		1,097,383	2,647,593
Sales tax		2,053,372	1,367,102
Provident fund payable		177,915	145,393
Other liabilities		2,170,377	1,790,448
		-----	-----
		45,457,019	92,199,662
		=====	=====

9.1 Workers' Profit Participation Fund

Movement in this account was as follows:

Balance as at 1 July 1998		1,654,366	1,111,525
Payment during the year		1,654,366	1,111,525
		-----	-----
Interest for the period		140,315	102,397
Contribution @ 5% of the profit for the year		298,172	1,551,969
		-----	-----
		438,487	1,654,366
		=====	=====

9.2 Represents interest-free security deposit received from customers against cops and is repayable on return of these cops.

10. CONTINGENCIES AND COMMITMENTS

(a) Bank guarantees issued		6,452,000	6,452,000
		=====	=====
(b) Letters of credit outstanding		19,061,034	12,540,711
		=====	=====
© Claim pending litigation		165,356	121,850
		=====	=====

(d) During the year, the Company has received several notices of demand from the Sales Tax authorities in respect of various cases relating to prior years aggregating to Rs. 5,067,043/- (1998: Nil). The Company has paid the amounts so demanded, under protest, and has preferred appeals before the respective Appellate authorities. The management is hopeful for a favourable decision, hence, no provision has been made in these accounts in this respect.

(e) Project monitoring fee on term finance certificates not accepted by the Company amounting to Rs. 349,919/- (1998: Nil).

(f) Central excise duty on term finance certificates not accepted by the Company amounting to Rs. 1,288,944/- (1998: Nil).

11. FIXED ASSETS - Tangible**11.1 Operating assets:**

	<i>Cost at</i>			<i>Cost at</i>	<i>Accumulated</i>	<i>Adjust-</i>	<i>Depreciation</i>	<i>Accumulated</i>	<i>Book value</i>	<i>Annual</i>
	<i>01 July</i>	<i>Additions/</i>	<i>Transfer/</i>	<i>30 June</i>	<i>depreciation</i>	<i>ments</i>	<i>for the</i>	<i>depreciation</i>	<i>at 30 June</i>	<i>rate of</i>
	<i>1998</i>	<i>(deletions)</i>	<i>(Adjustment)</i>	<i>1999</i>	<i>at 01 July</i>	<i>for</i>	<i>year</i>	<i>at 30 June</i>	<i>at 30 June</i>	<i>Dep.</i>
					<i>1998</i>	<i>disposal</i>		<i>1999</i>	<i>1999</i>	<i>%</i>
Leasehold land	539,347	--	--	539,347	--	--	--	--	539,347	--
Factory building on leasehold land	19,251,905	76,416	--	1,953,091,117	11,770,034	--	755,829	12,525,863	6,802,458	10
Plant and machinery	384,442,172	1,854,253 (1,641,811)	--	384,654,614	195,309,117	'(1,526,902)	19,087,239	212,869,454	171,785,160	10
Refitting of generators	2,890,488	--	--	2,890,488	91,862	--	578,098	669,960	2,220,528	20
Computer	1,821,767	135,800	--	1,957,567	1,268,782	--	206,634	1,475,416	482,151	30
Gas, Electric and Telephone installation	1,960,716	23,930	--	1,984,646	1,418,567	--	56,608	1,475,175	509,471	10

Motor vehicles and Trolleys	3,108,402	1,591,000 (794,222)	2,663,377	6,568,557	1,460,197	(44,080)	1,030,488	2,446,605	4,121,952	20
Office equipment	2,269,230	84,775 (94,784)	--	2,259,221	897,568	(59,064)	142,072	980,576	1,278,645	10
Furniture and fixtures	2,194,128	13,900	--	2,208,028	1,242,549	--	96,548	1,339,097	868,931	10
Tools and equipment	1,634,101	34,125 (12,131)	--	1,656,095	657,277	(6,643)	100,546	751,180	904,915	10
Rupees	420,112,256	3,814,199 (2,542,948)	2,663,377	424,046,884	214,115,953	(1,636,689)	22,054,062	234,533,326	189,513,558	
1998-Rupees	405,311,930	12,960,898 (3,900,576)	5,758,704 '(18,700)	420,112,256	193,304,352	'(1,720,944)	22,532,545	214,115,953	205,996,303	

11.2 Assets subject to finance lease:

	<i>Cost at 01 July 1998</i>	<i>Additions/ (deletions)</i>	<i>Transfer/ (Adjustment)</i>	<i>Cost at '30 June 1999</i>	<i>Accumulated depreciation at 01 July 1998</i>	<i>Adjust- ments for disposal</i>	<i>Depreciation for the year</i>	<i>Accumulated depreciation at 30 June 1999</i>	<i>Book value at 30 June 1999</i>	<i>Annual rate of Dep. %</i>
Vehicles	6,058,463	--	(5,074,463)	984,000	2,765,328	(2,411,086)	125,952	480,194	503,806	20
Rupees	6,058,463	--	(5,074,463)	984,000	2,765,328	(2,411,086)	125,952	480,194	503,806	
1998 Rupees	14,013,449	--	(7,954,986)	6,058,463	4,138,327	(2,196,282)	823,283	2,765,328	3,293,135	

11.3 Disposal of fixed assets

The following assets were disposed off during the year:

Particulars	<i>Original/Transfer cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceed</i>	<i>Profit/ (loss)</i>	<i>Mode of disposal</i>	<i>Name and address of purchaser</i>
4 Airconditioners	62,000	31,468	30,532	12,000	(18,532)	Negotiation	Mr. Abdul Qayyum House No. 252/1 Korangi No.1, Karachi.
3 Airconditioners	30,110	25,632	4,478	9,000	4,522	Negotiation	Mr. Abdul Qayyum House No. 252/1 Korangi No. 1, Karachi.
2 Klinger Mono Roller Crimping Machine	1,641,811	1,526,902	114,909	74,000	(40,909)	Negotiation	Mr. Yaseen Kabaria Shershah Karachi.
Mitsuibishi Lancer Z-2548	334,615	--	334,615	465,000	130,385	Negotiation	Mrs. Khadija Ali Muhammad 49/1, Khyaban-e-Sahar, Phase-VI, D.H.A. Karachi.
Honda Civic AV-8121	377,856	--	377,856	100	(377,756)	Company Policy	Mr. A. Razak H. Muhammad C/o Baluchistan Wheels Ltd. State Life Building No.3 Dr. Ziauddin Ahmed Road, Karachi.
Toyota Sprinter W-0769	81,751	44,080	37,671	220,000	182,329	Negotiation	Mr. Mudassar CI-213 Father Jamness Road Catholic Colony, Karachi.
13 Fire Extinguishers	12,131	6,643	5,488	504	(4,984)	Negotiation	Mr. Zakir Hussain Shershah, Faqira Godown Shade No. 20, Karachi.
7 Calculators	2,674	1,964	710	1,000	290	Negotiation	M/s. AI-Arsh Office Equipment 44, Aurangzeb Market M.A. Jinnah Road, Karachi.

Rupees	2,542,948	1,636,689	906,259	781,604	(124,655)
	=====	=====	=====	=====	=====
1998-Rupees	3,900,576	1,720,944	2,179,632	1,712,407	(467,225)
	=====	=====	=====	=====	=====

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
11.4 Depreciation			
Depreciation for the year has been allocated as under:			
Production	18	21,308,380	22,355,086
Administration	18	708,327	702,381
Selling	18	163,307	298,361
		-----	-----
		22,180,014	23,355,828
		=====	=====
12. STORES AND SPARES			
Spare parts		30,331,820	29,415,739
General Stores		7,951,807	8,360,272
		-----	-----
		38,283,627	37,776,011
		=====	=====
13. STOCK-IN-TRADE			
Raw materials:			
In hand		7,564,441	17,338,329
In bond		1,458,776	16,737,674
In transit		2,560,699	--
		-----	-----
		11,583,916	34,076,003
Work-in-process		12,467,599	12,195,492
Finished goods		49,366,628	33,268,837
		-----	-----
		73,418,143	79,540,332
		=====	=====
14. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - unsecured, considered good			
Against expenses		1,500	53,570
Against import		5,660	34,360
To employees		3,000	26,200
To suppliers		90,321	12,290
Income tax		4,220,579	3,108,831
Sales tax		194,334	--
Others		91,315	109,854
		-----	-----
		4,606,709	3,345,105
Deposits		109,344	671,438
Prepayments		1,864,569	1,570,815
Other receivables		90,247	158,296
Advance sales tax	10(d)	5,067,043	--
		-----	-----
		11,737,912	5,745,654
		=====	=====
15. CASH AND BANK BALANCES			
With banks			
Fixed deposit		2,500,000	--
Current accounts		1,860,910	1,811,677
		-----	-----
		4,360,910	1,811,677
Cash in hand		61,501	35,628
		=====	=====
		4,422,411	1,847,305
		=====	=====
16. SALES-Net			
Gross sales		318,742,335	398,466,897
Brokerage		--	1,406,921
Sales tax		39,791,687	44,301,483
Central Excise Duty		6,379,997	7,292,590
		-----	-----
		46,171,684	53,000,994
		-----	-----
		272,570,651	345,465,903
		=====	=====
17. COST OF SALES			

Raw materials			
Opening balance		17,338,329	19,862,822
Purchases		116,745,296	163,814,223
		-----	-----
		183,677,045	134,083,625
Closing balance		(17,338,329)	(7,564,441)
		-----	-----
Raw materials consumed		126,519,184	166,338,716
Packing material consumed		12,612,488	15,440,995
Production expenses	18	98,196,503	99,268,370
Work-in-process-Opening		12,195,492	13,867,566
- Closing		(12,467,599)	(12,195,492)
		-----	-----
		(272,107)	1,672,074
		-----	-----
Cost of production		237,056,068	282,720,155
Finished goods - Opening		33,268,837	19,284,870
- Closing		(49,366,628)	(33,268,837)
		-----	-----
		(16,097,791)	(13,983,967)
		-----	-----
		220,958,277	268,736,188
		=====	=====

18. EXPENSES

	PRODUCTION		ADMINISTRATION		SELLING	
	1999	1998	1999	1998	1999	1998
Salaries, wages and benefits	29,586,500	27,431,875	6,625,109	6,453,931	1,937,880	1,733,884
Rent, rates and taxes	563,434	452,262	605,820	605,820	1,101,600	1,101,600
Insurance	2,148,527	1,692,174				
Repairs and maintenance	987,500	949,196	119,343	184,659	14,875	29,213
Directors' fee	--	--	4,000	6,500	--	--
Auditors' remuneration(Note 18.1)	--	--	92,100	89,200	--	--
Travelling expenses	143,913	--	101,776	197,085	159,913	42,306
Legal and professional charges	41,500	36,000	334,030	116,130	--	--
Stores and spares consumed	13,518,732	12,837,535	--	--	--	--
Fuel and power	25,745,082	29,771,157	395,613	161,398	44,509	37,762
Depreciation	21,308,380	22,355,086	708,327	702,381	163,307	298,361
Advertisement and publicity	--	--	58,768	37,740	123,625	96,864
Freight charges	137,728	142,241	--	--	677,426	711,816
Sales tax and excise duty on packing material	272,383	271,704	--	--	--	--
Water charges	858,297	548,376	--	--	--	--
Printing and stationery	454,838	470,479	204,287	212,617	13,421	18,093
Communication	376,262	341,220	511,616	613,035	230,788	197,360
Entertainment	195,836	256,785	419,758	409,308	140,984	129,465
Vehicle upkeep	1,028,969	982,695	649,538	627,825	270,081	183,152
Wear and tear of stores	540,463	449,688	--	--	--	--
Other expenses (Note 18.2)	288,159	279,897	838,271	989,831	210,898	236,119
	-----	-----	-----	-----	-----	-----
Rupees	98,196,503	99,268,370	11,668,356	11,407,460	5,089,307	4,815,995
	=====	=====	=====	=====	=====	=====

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
18.1 Auditors' Remuneration			
Audit fee		80,000	80,000
Out of pocket expenses		12,100	9,200
		-----	-----
		92,100	89,200
		=====	=====

18.2 Other production and administration expenses include donations of Rs. 12,506/- (1998: Rs. 11,681/-) in which none of the directors or their spouses have any interest.

19. OTHER INCOME

Interest income	25,483	18,902
Miscellaneous income	134,559	580,947
	-----	-----
	160,042	599,849
	=====	=====

20. FINANCIAL CHARGES

Mark-up on redeemable capital	2,275,332	2,906,192
-------------------------------	-----------	-----------

Mark-up on finance under mark-up arrangements	12,810,987	13,479,033
Mark-up on Workers' Profit Participation Fund	140,315	102,397
Interest on long-term loans	9,408,963	9,902,517
Financial charges on finance lease	129,304	498,623
Exchange loss	--	37,402
Bank charges	203,881	685,795
	-----	-----
	24,68,782	27,611,959
	=====	=====

21. OTHER CHARGES

Workers' Profit Participation Fund	298,172	1,551,969
Workers' Welfare Fund	270,000	715,000
Workers' Welfare Fund - prior years	(436,534)	686,981
Loss on disposal of fixed assets	124,655	467,225
Loss on sale of Cops	15,090	16,394
Loss on sale of spare parts	115,755	--
Obsolete spare parts written-off	--	569,155
Sales tax - prior years	3,993,573	--
	-----	-----
	4,380,711	4,006,724
	=====	=====

22. TAXATION

Current	22.1	1,365,680	1,771,408
Deferred		(919,513)	11,000,000
		-----	-----
		446,167	12,771,408
		=====	=====

22.1 In view of the available tax losses for set off, no provision for taxation has been made in these accounts. However, provision has been made for taxation in accordance with section 80D of the Income Tax Ordinance, 1979 for a minimum tax based on the turnover of the Company.

23. EARNING PER SHARE

In 1999, the number of shares remained constant at 6,758,162 (1998: 6,758,162); earning per share was Re. 0.77 (1998: Rs. 2.47). There were no subscription rights outstanding and therefore, there are no dilutive potential shares.

24. MANAGERIAL REMUNERATION

	1999			1998		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	415,650	831,300	5,873,888	370,200	740,400	5,207,126
Provident fund contribution	9,996	19,992	292,944	--	--	266,519
Entertainment and medical expenses	240,269	317,646	90,383	190,789	342,764	223,305
Utilities and telephone expenses	72,565	328,662	480,165	112,980	248,839	511,165
	-----	-----	-----	-----	-----	-----
Rupees	738,480	1,497,600	6,737,380	673,969	1,332,003	6,208,115
	-----	-----	-----	-----	-----	-----
Number of persons	1	2	16	1	2	14
	-----	-----	-----	-----	-----	-----

In addition, the Chief Executive, two Directors and Fourteen Executives were provided with free use of Company maintained cars,

Remuneration of other Directors:

Fee totaling Rs. 4,000/- (1998: Rs. 6,500/-) was paid to four directors (1998: five directors) for attending Board Meetings during the year.

25. FINANCIAL INSTRUMENTS**Interest rate risk**

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June 1999 are summarized as follows:

	INTEREST BEARING			NON-INTEREST BEARING			
	Upto One year	One to five years	Total	Upto one year	One to five years	Total	Total
Financial assets:							
Trade debts	--	--	--	16,868,648	--	16,868,648	16,868,648
Long-term deposits					647,860	647,860	647,860
Advances, deposits,							

and other receivables	--	--	--	391,388	--	391,388	391,388
Cash and bank balances	2,500,000	--	2,500,000	1,922,411	--	1,922,411	4,422,411
	-----	-----	-----	-----	-----	-----	-----
Rupees	2,500,000	--	2,500,000	19,182,447	647,860	19,830,307	22,330,307
	=====	=====	=====	=====	=====	=====	=====
1998 - Rupees	--	--	--	20,303,626	537,204	20,840,830	20,840,830
	=====	=====	=====	=====	=====	=====	=====

	INTEREST BEARING			NON-INTEREST BEARING			Total
	Upto One year	One to five year	Total	Upto one year	five years	One to Total	
Financial liabilities:							
Redeemable capital	4,673,198	8,507,476	13,180,674	--	--	--	13,180,674
Long-term loans	31,548,420	34,498,786	66,047,206	--	--	--	66,047,206
Liabilities against assets subject to finance lease	248,617	--	248,617	--	--	--	248,617
Finance under mark-up arrangements	86,880,546	--	86,880,546	--	--	--	86,880,546
Creditors, accrued and other liabilities	--	--	--	42,306,264	--	42,306,264	42,306,264
Unclaimed dividend	--	--	--	94,543	--	94,543	94,543
	-----	-----	-----	-----	-----	-----	-----
Rupees	123,350,781	43,006,262	166,357,043	42,400,807	--	42,400,807	208,757,850
	=====	=====	=====	=====	=====	=====	=====
1998 - Rupees	96,708,042	37,987,929	134,695,971	91,945,786	--	91,945,786	226,641,757
	=====	=====	=====	=====	=====	=====	=====

Effective interest rates for the monetary financial liabilities are mentioned in the respective notes to the accounts.

Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted.

Fair value of financial instruments

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

26. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 1999

	SHARE CAPITAL	CAPITAL RESERVE-SHARE PREMIUM	ACCUMU- LATED PROFIT/(LOSS)	TOTAL
Balance as at 01 July 1997	67,581,620	27,840,933	(11,268,088)	84,154,465
Net profit for the year	--	--	16,716,018	16,716,018
Dividend- Cash 7.5%	--	--	(5,068,622)	(5,068,622)
	-----	-----	-----	-----
	--	--	11,647,396	11,647,396
	-----	-----	-----	-----
Balance as at 30 June 1998	67,581,620	27,840,933	379,308	95,801,861
Net profit for the year	--	--	5,219,093	5,219,093
Dividend - Cash 5%	--	--	(3,379,081)	(3,379,081)
	-----	-----	-----	-----
	--	--	1,840,012	1,840,012
	-----	-----	-----	-----
Balance as at 30 June 1999 - Rupees	67,581,620	27,840,933	2,219,320	97,641,873
	=====	=====	=====	=====
			1999	1998
			Rupees	Rupees

27. ASSOCIATED UNDERTAKING

The transactions with an associated undertaking are as under:

Office and godown rent charges paid / payable	1,707,420	1,707,420
	=====	=====

28. CAPACITY AND PRODUCTION

	M. Tons	M. Tons
Normal capacity	2,500	2,500
Actual production	2,570	2,861

29. NUMBER OF EMPLOYEES

The number of employees at the balance sheet date is five hundred and thirty seven (1998: five hundred and thirty nine).

Factory workers	368	368
Factory establishment	84	84
Head office	65	67
Sales office	13	13
Costing	7	7
	-----	-----
	537	539
	=====	=====

29. CORRESPONDING FIGURES

Certain prior year's figures have been re-arranged.

Abdul Sattar H. A. Rehman Bengali
Chief Executive

Ali Mohammad Haji Mohammad
Director

PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS AS AT 30 JUNE 1999

No. Of Shareholders	Shareholding		Total shares Held
903 From	1 To	100 Shares	18,555
328 From	101 To	500 Shares	72,560
61 From	501 To	1000 Shares	42,451
72 From	1001 To	5000 Shares	158,900
12 From	5001 To	10000 Shares	78,927
4 From	10001 To	15000 Shares	50,975
5 From	15001 To	20000 Shares	87,074
6 From	20001 To	25000 Shares	132,383
2 From	25001 To	30000 Shares	59,743
3 From	30001 To	35000 Shares	69,598
1 From	35001 To	40000 Shares	115,554
3 From	40001 To	45000 Shares	42,300
1 From	45001 To	50000 Shares	143,700
2 From	50001 To	55000 Shares	51,072
1 From	55001 To	60000 Shares	114,940
1 From	60001 To	65000 Shares	60,470
2 From	65001 To	70000 Shares	140,000
1 From	70001 To	75000 Shares	71,500
1 From	75001 To	80000 Shares	79,300
2 From	85001 To	90000 Shares	173,480
1 From	90001 To	95000 Shares	92,581
2 From	95001 To	100000 Shares	195,277
4 From	100001 To	105000 Shares	406,513
1 From	105001 To	110000 Shares	109,310
2 From	110001 To	115000 Shares	224,554
1 From	115001 To	120000 Shares	115,270
1 From	130001 To	135000 Shares	131,192
1 From	135001 To	140000 Shares	136,795
1 From	155001 To	160000 Shares	157,410
2 From	160001 To	165000 Shares	322,657
1 From	175001 To	180000 Shares	176,941
1 From	185001 To	190000 Shares	185,900
1 From	240001 To	245000 Shares	242,095
1 From	245001 To	250000 Shares	245,457
1 From	2250001 To	2255000 Shares	2,252,728

			1433
			=====
			6,758,162
			=====

Categories of Shareholders

Code- Description	Numbers	Share Held	Percentage
INDIVIDUALS	1416	3852478	57.00
INVESTMENT COMPANIES	3	313248	4.64
INSURANCE COMPANIES	3	268467	3.97
JOINT STOCK COMPANIES	5	12459	0.18
FINANCIAL INSTITUTIONS	3	2285156	33.82
CO-OPERATIVE SOCIETIES	1	23511	0.35
OTHERS	2	2843	0.04

-----	-----	-----
1433	6758162	100.00
=====	=====	=====

SUMMARY OF FINANCIAL DATA 1994-1999

	Rupees in '000					
	1994	1995*	1996	1997	1998	1999
Gross Sales	273,227	163,936	451,560	381,983	398,467	318,742
Net Sales	248,041	148,233	405,624	324,474	345,466	272,571
Gross Profit	17,035	21,602	47,382	76,336	76,730	51,612
Profit/(Loss) before Taxation	(26,059)	(6,188)	(10,852)	21,119	29,487	5,665
Taxation	1,039	1,710	1,204	9,617	12,771	446
Profit/(Loss) after Taxation	(27,098)	(4,478)	(9,648)	11,502	16,716	5,219
Dividend	--	--	--	--	5,069	3,379
Fixed Assets- at cost	403,273	406,456	414,741	419,325	426,171	425,031
Working Capital	(18,561)	(50,686)	(64,655)	(50,969)	(50,369)	(24,172)
Current Ratio	0.88:1	0.77:1	0.70:1	0.75:1	0.74:1	0.86:1
Long-term Debts	151,726	118,230	99,607	78,034	37,988	43,006
Paid-up Capital	67,582	67,582	67,582	67,582	67,582	67,582
Reserves	19,197	14,719	5,071	16,573	28,220	30,060
Shareholders' Equity	86,778	82,301	72,653	84,154	95,802	97,642
Debt Equity Ratio	64:36	59:41	58:42	48:52	28:72	31:69
Per Share (Rupees)						
Earning before Taxation	(3.86)	(0.91)	(1.60)	3.13	4.36	0.84
Earning after Taxation	(4.01)	(0.66)	(1.42)	1.71	2.47	0.77
Dividend	--	--	--	--	0.75	0.50
Break-up value	12.84	12.17	10.75	12.46	14.18	14.45

*6 months