

Bengal Fibre Industries Limited

Annual Report 2000

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COMPANY INFORMATION

BOARD OF DIRECTORS

Ali Mohammad Haji Mohammad	Chairman
Abdul Sattar H. A. Rehman Bengali	Chief Executive
Noor Mohammad Abubakar	
Farooq Haji Mohammad	
Yunus Haji Hashim Bengali	
Faisal G. Bengali	
Firasat Ali (NIT)	
Kh. Mansoor Mukhtar Shah (NIT)	
Muhammad Latif (SLIC)	

PRINCIPAL OFFICERS

HEAD OFFICE

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 of Pakistan Limited
Askari Commercial Bank Limited

REGISTERED OFFICE

Bengal House, Aga Khan/G. Allana Road,
Karachi-74000 Phone No. 752633841, 7529492

Fax: (09221) 7512857, E-mail: bengal@khi.compol.com.

FACTORY

Plot No. 53 & 54, Sector 15,
Korangi Industrial Area,
Karachi, Phone No. 50635914
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-Fourth Annual General Meeting will be held at Registered Office at Bengal House, Aga Khan/G. Allana Road, Karachi on Wednesday the 20 December, 2000 at 11.00 a.m. to transact the following business:

- 1) To receive and consider the Audited Accounts of the Company for the year ended 30 June, 2000 together with the Directors' and Auditors' Reports thereon.
- 2) To appoint Auditors for the year 2000/2001 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

ABDUL SATTAR H.A. REHMAN BENGALI
Chief Executive

Karachi: 02 November 2000

NOTES:

1. The Share Transfer Books of the Company will remain closed from Saturday the 18 November, 2000 to Saturday the 25th November, 2000 (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.
4. To facilitate identification, for right to attend the Annual General Meeting, shareholder whose holdings are on the Central Depository System (CDS) or his/her Proxy should authenticate his/her identity by showing his/her original National Identity Card (NIC) or original Passport at the time of attending the meeting, along with the Participant's Identity Number and Shareholder's account number allocated by the Central Depository Company.

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.

DIRECTORS' REPORT

The Directors are pleased to present the thirty fourth Annual Report together with the audited accounts of the

company for the year ended 30 June, 2000.

	2000	1999
	Rupees	Rupees
Operating (Loss)/profit	(6,103,444)	34,854,711
Other Income	374,912	160,042
	-----	-----
	(5,728,532)	35,014,753
Financial & other charges	(25,443,105)	(29,349,493)
	-----	-----
	(31,171,637)	5,665,260
Taxation	6,010,128	(446,167)
	-----	-----
(Loss) / profit after taxation	(25,161,509)	5,219,093
Accumulated Profit brought forward	2,219,320	379,308
	-----	-----
	(22,942,189)	5,598,401
Appropriation:		
Interim dividend Nil (1999 @ 5%)	--	(3,379,081)
	-----	-----
Accumulated (Loss) / profit carried forward	(22,942,189)	2,219,320
	=====	=====
(Loss) / earning per share	Rs. (3.72)	Re. 0.77

REVIEW OF RESULTS

In the budget for the year 1999-2000 the Government has slapped additional import levies on the company's main raw material Polyester Chips which was increased from the previous 25% to 35%. This resulted in an increase in the raw material cost of the company to the extent of 21.60%. This anomalous situation was vehemently contested before the National Tariff Commission and in January 2000 the Government rectified the fiscal anomaly.

Another major factor affecting the operating results of the company for the year under review was the dumping of yarn by the Far Eastern Countries. This resulted in reduction of 2.85% in the net average selling price of products of the company. Furthermore, the Government in the budget for the year 1999-2000 enhanced the additional Sales tax levied on sales to non-registered person by 2%. In view of the fact that the Art Silk Fabric Industry is mainly in the unorganized sector the bulk of such additional Sales tax had to be absorbed within the selling price of yarn.

As will be noted from the above the main cause of the negative operating results had been the fiscal policy of the Government, and your company has closed its year with pre-tax loss of Rs. 3 I, 171,637 as compared to preceding year's pre-tax profit of Rs. 5,665,260. After accounting for taxation and deferred taxation, net loss amounts to Rs. 25,161,509 as compared to net profit of Rs. 5,219,093 in the previous year. In case of operating expenses inspite of inflationary trend prevailing in the country, your management is successful in his cost cutting policies and as a result operating expenses declined by 4.32% to Rs. 16,034,348.

PRODUCTION & SALES:

Total production of nylon and polyester yarn during the year under review increased by 2.67% to 2,638,355 kgs as compared to 2,569,716 kgs produced during the preceding year.

Sales volume during the year increased by 16.31% as compared to the preceding year i.e. during the review year 2,799,498 kgs sold as compared to 2,406,961 kgs in 1998-99. Net sales during the year under review increased by

10% to Rs. 307,968,245. This increase is attributable to the higher sales volume and change in sales mix. However, selling prices remained under pressure.

FUTURE OUTLOOK

Although the Government at the recommendation of the National Tariff Commission reversed the increase in import levies on Polyester Chips, and at the same time it has reduced the import duty on imported man-made yarn, with the import of yarn at substantially low values the local manufacturers of yarn are placed at a fiscal disadvantage. The company through the good offices of the Filament yarn Manufacturers Association has taken up the matter with the Government and requested for removal of Excise Duty @ Rs. 2.50 per kg levied on end products of the company. It is hoped that the Government will favourably remedy this anomaly.

The future outlook of the Company must be viewed in relation to economic conditions prevalent in the country. Your directors are cautiously optimistic, and feel that after a volatile financial year 1999-2000, we are likely to see improved performance in the current year.

ACKNOWLEDGEMENTS

The directors place on record their appreciation for the services rendered by the employees of the Company. We also view the harmonious relations between management and the employees. The Board is grateful to the company's bankers for the valuable financial assistance and timely services rendered by them. We also thank to our shareholders for the trust and support.

PATTERN OF SHAREHOLDING

Information about the pattern of holding of shares as on 30 June 2000 is annexed to this report.

AUDITORS

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

**For and on behalf of 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 **2000** and the related profit and loss account and cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2000 and of the loss, its cash flows and changes in equity for the year then ended; and

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

Karachi: 2 November 2000

SIDAT HYDER QAMAR & Co.
Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Capital and Reserves			
Authorised Capital 10,000,000 (1999: 10,000,000)			
Ordinary shares of Rs. 10/- each		100,000,000	100,000,000
		=====	=====
Issued, subscribed and paid-up capital	3	67,581,620	67,581,620
Capital reserve - share premium		27,840,933	27,840,933
Accumulated (loss) / Profit		(22,942,189)	2,219,320
		-----	-----
		72,480,364	97,641,873
Redeemable capital	4	3,056,657	8,507,476
Long-term loans and financial arrangements	5	26,840,366	34,498,786
Deferred taxation	6	18,332,120	25,845,487
Current Liabilities			
Finance under mark-up arrangements	7	84,341,132	86,880,546
Current maturity	8	33,109,239	36,470,235
Creditors, accrued and other liabilities	9	57,540,206	45,457,019
Unclaimed dividend		92,080	94,543
		-----	-----
		175,082,657	168,902,343

Contingencies and commitments	10	--	--
		-----	-----
		295,792,164	335,395,965
		=====	=====
Fixed Assets - Tangible			
Operating assets		171,606,950	189,513,558
Assets subject to finance lease		--	503,806
		-----	-----
		171,606,950	190,017,364
Long-term deposits		662,860	647,860
Current Assets			
Stores and spares	12	35,703,014	38,283,627
Stock-in-trade	13	586,153,101	73,418,143
Trade debts - unsecured, considered good		213,253,651	16,868,648
Advances, deposits, prepayments and other receivables	14	71,926,701	11,737,912
Cash and bank balances	15	6,859,951	4,422,411
		-----	-----
		123,522,354	144,730,741
		-----	-----
		295,792,164	335,395,965
		=====	=====

Auditors' Report Annexed

These accounts should be read with the annexed notes.

Abdul Sattar H.A. Rehman Bengali
Chief Executive

Ali Mohammad Haji Mohammad
Director

PROFIT AND LOSS ACCOUNT
For the Year Ended 30 June 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Sales - Net	16	307,968,245	278,950,648
Cost of sales	17	298,037,341	227,338,274
		-----	-----
Gross profit		9,930,904	51,612,374
Administrative expenses	18	10,979,012	11,668,356
Selling expenses	18	5,055,336	5,089,307
		-----	-----
		16,034,348	16,757,663
Operating (loss) / profit		(6,103,444)	34,854,711
Other income	19	374,912	160,042
		-----	-----
		(5,728,532)	35,014,753
Financial charges	20	25,193,474	24,968,782
Other charges	21	249,631	4,380,711

		25,443,105	29,349,493
(Loss) / profit before taxation		(31,171,637)	5,665,260
Taxation	22	(6,010,128)	446,167
(Loss) / profit after taxation		(25,161,509)	5,219,093
Accumulated Profit brought forward		2,219,320	379,308
		(22,942,189)	5,598,401
Appropriation:			
Interim dividend - Nil (1999: @ 5 %)		--	(3,379,081)
Accumulated (loss) / profit carried forward		(22,942,189)	2,219,320
(Loss) / earning per share	23	Rs. (3.72)	Re. 0.77

These accounts should be read with the annexed notes.

Abdul Sattar H.A. Rehman Bengali
Chief Executive

Ali Mohammad Haji Mohammad
Director

CASH FLOW STATEMENT

For the Year Ended 30 June 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit for the year before tax		(31,171,637)	5,665,260
Adjustment for:			
Depreciation	11.4	20,045,271	22,180,014
Financial charges	20	25,193,474	24,764,901
Workers' welfare fund		--	270,000
Workers' welfare fund - prior years		--	(436,534)
Loss on sale of fixed assets	11.3	219,578	124,655
		45,458,323	46,903,036
Operating profit before changes in operating assets		14,286,686	52,568,296
(Increase) / decrease in current assets:			
Stores and spares		2,580,613	(507,616)
Stock-in-trade		14,802,833	6,122,189
Trade debts		(4,456,717)	521,665
Advances, deposits, prepayments and other receivables		952,868	(4,880,510)
		13,879,597	1,255,728
Increase/(decrease) in current liabilities:			
Creditors, accrued and other liabilities		14,621,565	(50,299,683)
		42,787,848	3,524,341

Tax refunded / (paid)		2,089,135	(2,310,894)
Net cash generated from operating activities		44,876,983	1,213,447
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure	11.1	(2,084,712)	(2,717,143)
Proceed from sale of fixed assets	11.3	230,277	781,604
Long-term deposits		(15,000)	(110,656)
Net cash (used in) investing activities		(1,869,435)	(2,046,195)
Net cash flow after investing activities		43,007,548	(832,748)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loan obtained		20,000,000	50,000,000
Repayment of redeemable capital		(4,673,198)	(4,006,515)
Repayments of long term loans		(31,548,420)	(27,428,190)
Lease rentals paid		(261,718)	(1,800,726)
Finance under mark-up arrangement		(2,539,414)	14,767,199
Dividend paid		(2,463)	(7,045,357)
Interest paid		(27,718,751)	(21,078,557)
Net cash (used in) / generated from financing activities		(46,743,964)	3,407,854
Net (decrease) / increase in cash and cash equivalents		(3,736,416)	2,575,106
Cash and cash equivalents at the beginning of the year		4,422,411	1,847,305
Cash and cash equivalents at the end of the year		685,995	4,422,411

These accounts should be read with the annexed notes.

Abdul Sattar H.A. Rehman Bengali
Chief Executive

Ali Mohammad Haji Mohammad
Director

STATEMENT OF CHANGES IN EQUITY For the Year Ended 30 June 2000

	<i>Share Capital</i>	<i>Capital Reserve-Share Premium</i>	<i>Accumulated Profit / (loss)</i>	<i>Total</i>
Balance at 01 July 1998	67,581,620	27,840,933	379,308	95,801,861
Net profit for the year	--	--	5,219,093	5,219,093
Cash Dividend	--	--	(3,379,081)	(3,379,081)
	--	--	1,840,012	1,840,012
Balance at 30 June 1999	67,581,620	27,840,933	2,219,320	97,641,873
Net loss for the year	--	--	(25,161,509)	(25,161,509)
Balance at 30 June 2000	67,581,620	27,840,933	(22,942,189)	72,480,364

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These accounts should be read with the annexed notes.

Abdul Sattar H.A. Rehman Bengali
Chief Executive

Ali Mohammad Haji Mohammad
Director

NOTES TO THE ACCOUNTS

For the Year Ended 30 June 2000

1. THE COMPANY AND ITS OPERATIONS

1.1 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.

1.2 During the year the Company has incurred a loss of Rs. 25.162 million resulting in an accumulated loss of Rs. 22.942 million. Accordingly, the net equity of the Company has reduced to Rs. 72.480 million as compared to Rs. 97.642 million last year. Current ratio of the Company has declined from 0.86:1 in 1999 to 0.70:1 in 2000. The management is of the view that the situation is a result of the adverse economic conditions and is accordingly endeavouring to strengthen the financial position through continued efforts. The management is expecting that in future the operations will yield favourable results.

2. ACCOUNTING POLICIES

2.1 Basis for preparation of the accounts

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

2.2 Accounting convention

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

2.3 Retirement benefits

The Company operates approved provident fund (defined contributions) schemes, each for administrative employees and factory workers. Equal contributions are made to the Schemes by the company and the employees/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 is accounted for using the liability method, after taking into account the available tax losses.

2.5 Foreign exchange transactions

Transaction in foreign currencies are accounted for in rupees at the rate prevailing on the date of transaction. Monetary assets and 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 recognised currently.

2.6 Trade debts

Trade debts are stated net off provision for doubtful debts. Provision for doubtful debts is based on management's

assessment of customers' outstanding balances and credit worthiness. Known bad debts, if any, are written off as and when identified.

2.7 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 respective note 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 installments 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.

Gains or losses on disposal of fixed assets are recognised in the period of disposal.

(b) Leased assets

Assets held under finance lease are stated at cost or present value of minimum lease payments, whichever is lower less depreciation, at the same rates applicable to the Company owned fixed assets.

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

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.

2.8 Stores and spares

Stores and spares are valued at lower of average cost and net realizable value. However, values of certain store items are written down for normal wear and tear.

2.9 Stock-in-trade

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

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

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.10 Revenue recognition

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

2.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances.

2.12 Financial Instruments

Financial assets include long term deposits, trade debts, advances, other receivables and bank balances. Trade debts, advances and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amount, if any, while other financial assets are stated at fair value.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include finance lease obligations, interest / mark-up bearing loans/finances, creditors, accrued expenses and other liabilities. Interest / mark-up bearing loans / finances are recorded at the gross proceeds received. Finance lease obligations are recorded as described above. Other liabilities are stated at their nominal value. Finance charges are accounted for on an accrual basis.

Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

Any resulting gain / loss, if any, on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

2.13 Provisions

Provisions are recognised when the Company has present legal or constructive obligations as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the obligations can be made.

<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
-------------	------------------------	------------------------

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Fully paid ordinary shares of Rs. 10/- each

Number of shares

4,293,014	4,293,014 Issued for cash	42,930,140	42,930,140
197,460	1,974,601 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
=====	=====	=====	=====

4. REDEEMABLE CAPITAL - Secured

Term finance certificates	4.1	8,507,476	13,180,674
Less: Current maturity	8	5,450,819	4,673,198
		-----	-----
		3,056,657	8,507,476
		=====	=====

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 installments 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 secured 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 guarantees 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.

5. LONG-TERM LOANS AND FINANCIAL

ARRANGEMENTS - Secured

PICIC Third Loan	5.1	5,147,344	8,008,344
MCB Demand Finance	5.2	4,351,432	8,702,860
MCB Fresh Demand Finance - 2		--	4,336,000
HBL Fresh Demand Finance	5.3	25,000,010	45,000,002
HBL Fresh Demand Finance-2	5.4	200,007,000	--
		-----	-----
		54,498,786	66,047,206
Less: Current maturity	8	27,658,420	31,548,420
		-----	-----
		26,840,366	34,498,786
		=====	=====

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 installments 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 installments by 01 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 fresh demand finance facility of Rs. 50 million from a commercial bank for a period of 33 months, repayable in 30 monthly installments, 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 notes and personal guarantees of working directors.

5.4 This represents fresh demand finance facility of Rs. 20 million, from a commercial bank for a period of three years, repayable in 24 monthly installments commencing from 01 July 2001. Mark-up rate is 300 basis points above the average cut-off rate on one year treasury bills immediately preceding the mark-up payment date, floor Re. 0.46 per Rs. 1,000/- per day and is secured against hypothecation of stock and spare parts, registered mortgage on fixed assets of the Company ranking pari passu, demand promissory notes and personal guarantees of directors.

6. DEFERRED TAXATION

On account of:

Accelerated tax depreciation		38,614,921	35,143,763
Unabsorbed assessed tax losses		(11,745,981)	(9,298,276)
Unabsorbed unassessed tax losses		(8,536,820)	--
		-----	-----
		18,332,120	25,845,487
		=====	=====

7. FINANCE UNDER MARK-UP ARRANGEMENTS - Secured

Running finance	7.1	44,364,424	47,243,889
Trust Receipt finance	7.2	39,976,708	39,636,657
		-----	-----
		84,341,132	86,880,546
		=====	=====

7.1 Represents the utilized portion of running finances available from commercial banks amounting to Rs. 70 million (1999: Rs. 60 million). These are secured against hypothecation of stock, stores, book debts and personal guarantees of directors and are subject to mark-up at Re. 0.46 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. 55 million (1999: Rs. 50 million). This is secured by way of equitable mortgage on fixed assets ranking pari passu and is subject to mark-up at Re. 0.445 per Rs. 1,000/- per day calculated on daily product basis. The mark-up is payable quarterly.

8. CURRENT MATURITY

Redeemable capital	4	5,450,819	4,673,198
Long-term loans	5	27,658,420	31,548,420
Liabilities under finance leases		--	248,617
		-----	-----
		33,109,239	36,470,235
		=====	=====

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		4,097,586	3,873,315
Bills payable		28,842,915	17,546,768
Accrued liabilities			
Expenses		5,932,700	5,096,306
Financial and other charges on secured loans		5,295,403	7,833,781
Workers' Profit Participation Fund	9.1	27,765	438,487
Deposit from customers	9.2	6,427,338	5,169,315
Custom duty		710,056	1,097,383
Sales tax		1,123,938	2,053,372
Provident fund payable		226,140	177,915
Payable to an associated company		569,140	353,710
Other liabilities		4,287,225	1,816,667
		-----	-----
		57,540,206	45,457,019
		=====	=====

9.1 Workers' Profit Participation Fund

Balance as at 1 July		438,487	1,654,366
Payment during the year		438,487	1,654,366
		-----	-----
Interest for the period		27,765	140,315
Contribution @ 5 % of the profit for the year		--	298,172

----- 27,765 =====	----- 438,487 =====
--------------------------	---------------------------

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	13,632,000	19,061,034
	=====	=====
(c) Claim pending litigation	215,823	165,356
	=====	=====

(d) During the year 1999, the Company had 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/- out of which Rs. 69,270/- were allowed to be refunded subsequent to the balance sheet date, hence net undecided amount comes to Rs. 4,997,773/-. The Company had paid the amounts so demanded, under protest, and had 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. 364,912/- (1999: Rs. 349,919/-).

(b) Central excise duty on term finance certificates not accepted by the Company amounting to Rs. 1,288,944/-(1999: 1,288,944).

11. FIXED ASSETS - Tangible

11.1 Operating assets:

<i>Description</i>	<i>Cost at 01 July 1999</i>	<i>Additions/ (deletions)</i>	<i>Transfer/ (Adjustment)</i>	<i>Cost at June 2000</i>	<i>Accumulated depreciation at 01 July 1999</i>	<i>Transfer/ Adjustments for disposals</i>	<i>Depreciation for the year</i>	<i>Accumulated depreciation at 30 June 2000</i>	<i>Book value at 30 June 2000</i>	<i>Annual rate of Dep. %</i>
Leasehold land	539,347	--	--	539,347	--	--	--	--	539,347	--
Factory building on leasehold land	19,328,321	--	--	19,328,321	12,525,863	--	680,246	13,206,109	6,122,212	10
Plant and machinery	384,654,614	1,321,112	--	385,975,726	212,869,454	--	17,310,627	230,180,061	155,795,645	10
Refitting of generators	2,890,488	--	--	2,890,488	669,960	--	578,098	1,248,058	1,642,430	30
Computers	1,957,567	77,000	--	2,034,567	1,475,416	--	167,745	1,643,161	391,406	30
Gas, Electric and Telephone installations	1,984,646	9,600	--	1,994,246	1,475,175	--	51,907	1,527,082	467,164	10
Motor vehicles and Trolleys	6,568,557	444,000 (510,837)	964,000	7,485,720	2,446,605	480,194 (102,167)	932,217	3,756,849	3,728,871	20
Office equipments	2,259,221	138,000 (101,900)	--	2,295,321	980,576	-- (60,715)	137,546	1,057,407	1,237,914	10

Furniture and fixture	2,208,028	--	--	2,208,028	1,339,097	--	86,893	1,425,990	782,038	10
Tools and equipments	1,656,095	95,000	--	1,751,095	751,180	--	99,992	851,172	899,923	10
Rupees	424,046,884	2,084,712 (612,737)	984,000	426,502,859	234,533,326	480,194 (162,882)	20,045,271	254,895,909	171,606,950	
1999-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	

11.2 Assets subject to finance lease

<i>Description</i>	<i>Cost at 01 July 1999</i>	<i>Additions/ (deletions)</i>	<i>Transfer/ (Adjustment)</i>	<i>Cost at June 2000</i>	<i>Accumulated depreciation at 01 July 1999</i>	<i>Transfer/ Adjustments for disposals</i>	<i>Depreciation for the year</i>	<i>Accumulated depreciation at 30 June 2000</i>	<i>Book value at 30 June 2000</i>	<i>Annual rate of Dep. %</i>
Vehicles	984,000	--	(984,000)	--	480,194	(480,194)	--	--	--	33
Rupees	984,000	--	(984,000)	--	480,194	(480,194)	--	--	--	
1999 Rupees	6,058,463	--	(5,074,463)	984,000	2,765,328	(2,411,086)	125,952	480,194	503,806	

11.3 Disposal of fixed assets

The following assets were disposed off during the year:

<i>Particulars</i>	<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 addresses of purchasers</i>
Honda Genertor	11,900	7,520	4,380	5,000	620	Negotiation	Mr. Abdul Qayyum House No. 252/1, Korangi No. 1 Karachi.
Ricoh Photo Copier	90,000	53,195	36,805	20,000	(16,805)	Negotiation	M/s. Shirazi Trading Co. 3rd Floor, Ebrahim Estates, Shahrah-e-Faisal Karachi.
Suzuki Khyber AAF-792	256,471	51,294	205,177	205,177	--	Negotiation	Mr. M. T. Hashmi 11/7-2/D Mushir Villa, 1st Floor, Nazimabad, No. 2 Karachi.
Suzuki Khyber AAF-914	254,366	50,873	203,493	100	(203,393)	Company policy	Mr. Anis Wahab Zuberi (Ex- employee) 3/1, 23rd Street, Off: Khayaban-e- Tanzeem Phase-V, D.H.A. Karachi.
Rupees	612,737	162,882	449,855	230,277	(219,578)		
1999 Rupees	2,542,948	1,636,689	906,259	781,604	(124,655)		

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
11.4 Depreciation			
Depreciation for the year has been allocated as under:			
Production	18	19,316,093	21,308,380
Administration	18	585,603	708,327
Selling	18	143,575	163,307
		-----	-----
		20,045,271	22,180,014
		=====	=====
12. STORES AND SPARES			
Spare parts		30,267,529	30,331,820
General Stores		3,925,558	6,470,757
Cops held by other parties		1,509,927	1,481,050
		-----	-----
		35,703,014	38,283,627
		=====	=====
13. STOCK-IN-TRADE			
Raw materials:			
- In hand		8,009,703	7,564,441
- In bond		1,221,137	1,458,776
- In transit		5,515,352	2,560,699
		-----	-----
		14,746,192	11,583,916
Work-in-process		11,218,410	12,467,599
Finished goods		32,650,708	49,366,628
		-----	-----
		58,615,310	73,418,143
		=====	=====
14. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - unsecured, considered good			
- Against expenses		21,534	1,500
- Against imports		94,068	5,660
- To employees		20,400	3,000
- To suppliers		33,248	90,321
- Income tax		628,205	4,220,579
- Sales Tax		614,697	194,334
- Others		156,977	91,315
		-----	-----
		1,569,129	4,606,709
Deposits		--	109,344
Prepayments		439,691	1,864,569
Other receivables		116,807	90,247
Prior year sales tax	10 (d)	5,067,043	5,067,043
		-----	-----
		7,192,670	11,737,912
		=====	=====
15. CASH AND BANK BALANCES			
With banks			
Fixed deposit		--	2,500,000
Current accounts		667,739	1,860,910

	667,739	4,360,910
Cash in hand	18,256	61,501
	685,995	4,422,411
16. SALES - Net		
Gross sales	256,800,577	318,742,335
Less: Sales tax	48,832,332	39,791,687
	307,968,245	278,950,648
17. COST OF SALES		
Raw materials		
Opening balance	7,564,441	17,338,329
Purchases	156,789,552	116,745,296
	164,353,993	134,083,625
Closing Balance	(8,009,703)	(7,564,441)
Raw materials consumed	156,344,290	126,519,184
Packing materials consumed	12,906,000	12,612,488
Production expenses	18 110,821,942	104,576,500
Work-in-process - Opening	12,467,599	12,195,492
- Closing	(11,218,410)	(12,467,599)
	1,249,189	(272,107)
	281,321,421	243,436,065
Cost of production		
Finished goods - Opening	49,366,628	33,268,837
- Closing	(32,650,708)	(49,366,628)
	16,715,920	(16,097,791)
	298,037,341	227,338,274

18. EXPENSES

	Note	PRODUCTION		ADMINISTRATION		SELLING	
		2000	1999	2000	1999	2000	1999
Salaries, wages and benefits		30,257,122	28,779,863	5,869,588	6,399,207	1,973,640	1,889,410
Provident fund contribution		842,612	806,637	307,035	225,902	48,000	48,470
Rent, rates and taxes		685,127	563,434	605,820	605,820	1,101,600	1,101,600
Insurance		2,029,309	2,148,527	5,710	--	--	--
Repairs and maintenance		992,600	987,500	300,701	119,343	17,138	14,875
Directors' fee		--	--	3,500	4,000	--	--
Auditors' remuneration	18.1	--	--	165,100	92,100	--	--
Travelling expenses		7,630	143,913	77,115	101,776	106,510	159,913
Legal and professional charges		42,000	41,500	299,215	334,030	--	--
Stores and spares consumed		14,679,964	13,518,732	13,518,732	--	--	--

Fuel, power and electricity		29,564,631	25,745,082	366,913	395,613	34,436	44,509
Depreciation		19,316,093	21,308,380	585,603	708,327	143,575	163,307
Central Excise duty	11.4	8,108,152	6,379,997	--	--	--	--
Advertisement & publicity		--	--	21,212	58,768	7,500	123,625
Freight charges		54,874	137,728	--	--	792,173	677,426
Sales tax and excise duty on							
Packing material		260,830	272,383	--	--	--	--
Water charges		974,325	858,297	--	--	--	--
Printing & stationery		402,811	454,838	145,613	204,287	26,419	13,421
Communications		390,555	376,262	456,712	511,616	186,183	230,788
Entertainment		211,774	195,836	371,776	419,758	148,872	140,984
Vehicle upkeep		1,263,320	1,028,969	528,060	649,538	257,884	270,081
Wear & tear of stores		468,982	540,463	--	--	--	--
Other expenses	18.2	269,231	288,159	869,339	838,271	211,406	210,898
		-----	-----	-----	-----	-----	-----
Rupees		110,821,942	104,576,500	10,979,012	11,668,356	5,055,336	5,089,307
		=====	=====	=====	=====	=====	=====

<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
-------------	------------------------	------------------------

18.1 Auditors' Remuneration

Audit fee	90,000	80,000
Other professional services	60,000	--
Out of pocket expenses	15,100	12,100
	-----	-----
	165,100	92,100
	=====	=====

18.2 Other production and administration expenses include donations of Rs. 20,600/- (1999: Rs. 12,506/-) in which none of the directors or their spouses have any interest.

19. OTHER INCOME

Interest income	5,705	25,483
Miscellaneous income	369,207	134,559
	-----	-----
	374,912	160,042
	=====	=====

20. FINANCIAL CHARGES

Mark-up on redeemable capital	1,555,314	2,275,332
Mark-up on finance under mark-up arrangements	14,927,969	12,810,987
Mark-up on Workers' Profit Participation Fund	27,765	140,315
Interest on long-term loans	8,484,207	9,408,963
Financial charges on finance lease	13,101	129,304
Bank charges	185,118	203,881
	-----	-----
	25,193,474	24,968,782
	=====	=====

21. OTHER CHARGES

Workers' Profit Participation Fund	--	298,172
Workers' Welfare Fund	--	270,000
Workers' Welfare Fund - prior years	--	(436,534)
Loss on disposal of fixed assets	11.3	219,578
Loss on sale of Cops	--	15,090

Loss on sale of spare parts	--	115,755
Brokerage / sales tax - prior years	30,053	3,993,573
	-----	-----
	249,631	4,380,711
	=====	=====

22. TAXATION

Current	22.1	1,503,239	1,365,680
Deferred		(7,513,367)	(919,513)
		-----	-----
		(6,010,128)	446,167
		=====	=====

22.1 Provisions 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. (LOSS) / EARNING PER SHARE

In the year 2000, the number of shares remained constant at 6,758,162 (1999: 6,758,162); (loss) / earning per share was Rs. (3.72) (1999: Re. 0.77). There were no subscription rights outstanding and therefore, there are no dilutive potential shares.

24. MANAGERIAL REMUNERATION

	2000			1999		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
Managerial remuneration	552,000	1,104,000	5,593,771	415,650	831,300	5,873,888
Provident fund contribution	39,984	79,968	281,905	9,996	19,992	292,944
Entertainment and Medical expenses	269,106	268,867	145,770	240,269	317,646	90,383
Utilities and telephone expenses	75,894	302,050	415,462	72,565	328,662	480,165
	-----	-----	-----	-----	-----	-----
Rupees	936,984	1,754,885	6,436,908	738,480	1,497,600	6,737,380
	=====	=====	=====	=====	=====	=====
Number of persons	1	2	15	1	2	16
	=====	=====	=====	=====	=====	=====

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

Remuneration of other Directors:

Fee totaling Rs. 3,500/- (1999: Rs. 4,000/-) was paid to four directors (1999: 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 2000 are summarised as follows:

<i>INTEREST BEARING</i>			<i>NON-INTEREST BEARING</i>			
<i>Upto one year</i>	<i>One to five years</i>	<i>Total</i>	<i>Upto one year</i>	<i>One to five years</i>	<i>Total</i>	<i>Total</i>

Financial assets:

Trade debts	--	--	--	21,325,365	--	21,325,365	21,325,365
Long-term deposits	--	--	--	--	662,860	662,860	662,860
Advances, deposits, and other receivables	--	--	--	443,034	--	443,034	443,034
Cash and bank balances	--	--	--	685,995	--	685,995	685,995
	-----	-----	-----	-----	-----	-----	-----
Rupees	--	--	--	22,454,394	662,860	23,117,254	23,117,254
	=====	=====	=====	=====	=====	=====	=====
1999 - Rupees	2,500,000	--	2,500,000	19,182,447	647,860	19,830,307	22,330,307
	=====	=====	=====	=====	=====	=====	=====

Financial liabilities:

Redeemable capital	5,450,819	3,056,657	8,507,476	--	--	--	8,507,476
Long-term loans	27,658,420	26,840,366	54,498,786	--	--	--	54,498,786
Finance under mark-up Arrangement	84,341,132	--	84,341,132	--	--	--	84,341,132
Creditors, accrued and other liabilities	--	--	--	55,706,212	--	55,706,212	55,706,212
Unclaimed dividend	--	--	--	92,080	--	92,080	92,080
	-----	-----	-----	-----	-----	-----	-----
Rupees	117,450,371	29,897,023	147,347,394	55,798,292	--	55,798,292	203,145,686
	=====	=====	=====	=====	=====	=====	=====
1999 - Rupees	123,350,781	43,006,262	166,357,043	42,400,807	--	42,400,807	208,757,850
	=====	=====	=====	=====	=====	=====	=====

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 fail completely to perform as contracted. The Company has no major exposure to the credit risk, as the maximum of the sales are made on cash basis. However, the debtors and other receivables are unsecured.

Fair value of financial instruments

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

	2000	1999
	Rupees	Rupees

26. ASSOCIATED UNDERTAKING

The transactions with an associated undertaking are as under:

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

27. CAPACITY AND PRODUCTION

	M. Tons	M. Tons
Normal capacity	2,500	2,500
Actual production	2,638	2,570

28. NUMBER OF EMPLOYEES

The number of employees at the balance sheet date was as follows:

Production workers	449	459
Administration staff	63	65
Sales staff	12	13

524
=====-----
537
=====**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 SHARE HOLDING**

<i>NUMBER OF SHARE HOLDERS</i>			<i>AS AT 30-6-2000</i>			<i>TOTAL SHARES HELD</i>	
927	From	1	To	100	Shares	18,165	
328	From	101	To	500	Shares	73,592	
63	From	501	To	1000	Shares	44,720	
69	From	1001	To	5000	Shares	151,040	
14	From	5001	To	10000	Shares	91,576	
4	From	10001	To	15000	Shares	50,475	
5	From	15001	To	20000	Shares	87,074	
6	From	20001	To	25000	Shares	132,383	
1	From	25001	To	30000	Shares	30,000	
2	From	30001	To	35000	Shares	69,598	
3	From	35001	To	40000	Shares	115,554	
1	From	40001	To	45000	Shares	42,300	
3	From	45001	To	50000	Shares	143,700	
1	From	50001	To	55000	Shares	51,072	
2	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	0.70	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	
1	From	95001	To	100000	Shares	96,742	
5	From	100031	To	105000	Shares	511,216	
1	From	105001	To	110000	Shares	109,310	
1	From	110001	To	115000	Shares	112,875	
2	From	115001	To	120000	Shares	232,907	
2	From	135001	To	140000	Shares	272,987	
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	
2	From	245001	To	250000	Shares	492,969	
1	From	825001	To	830000	Shares	826,407	
1	From	1425001	To	1430000	Shares	1,426,321	
-----						-----	
1,458						6,758,162	
=====						=====	

Categories of Shareholders

<i>S.No.</i>	<i>Code - Description</i>	<i>Numbers</i>	<i>Share Held</i>	<i>Percentage</i>
1.	INDIVIDUALS	1,438	3,874,921	57.34
2.	INVESTMENT COMPANIES	3	312,248	4.62
3.	INSURANCE COMPANIES	4	269,967	3.99
4.	JOINT STOCK COMPANIES	8	21,901	0.32
5.	FINANCIAL INSTITUTIONS	3	2,255,613	33.38
6.	CO-OPERATIVE SOCIETIES	1	23,511	0.35
7.	OTHERS	1	1	--
		-----	-----	-----
		1,458	6,758,162	100.00
		=====	=====	=====

SUMMARY OF FINANCIAL DATA 1995-2000

Rupees in '000

	<i>1995*</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Gross Sales	163,936	451,560	381,983	398,467	318,742	356,801
Net Sales	148,233	405,624	324,474	345,466	278,951	307,968
Gross Profit	21,602	47,382	76,336	76,730	51,612	9,931
Profit / (Loss) be	(6,188)	(10,852)	21,119	29,487	5,665	(31,172)
Taxation	1,710	1,204	9,617	12,771	446	(6,010)
Profit / (Loss) aft	(4,478)	(9,648)	11,502	16,716	5,219	(25,161)
Dividend	--	--	--	5,069	3,379	--
Fixed Assets-at c	406,456	419,741	419,325	426,171	425,031	426,503
Working Capital	(50,686)	(64,655)	(50,969)	(50,369)	(24,171)	(51,560)
Current Ratio	0.77:1	0.70:1	0.75:1	0.74:1	0.86:1	0.70:1
Long term Debts	118,230	99,607	78,034	37,988	43,006	29,897
Paid-up Capital	67,582	67,582	67,582	67,582	67,582	67,582
Reserves	14,719	5,071	16,573	28,220	30,060	4,899
Shareholders' Eq	82,301	72,653	84,154	95,802	97,642	72,48
Debt Equity Rati	59:41	58:42	48:52	28:72	31:69	29:71
Per Share (Rupees)						
(Loss) / earning	(0.91)	(1.6)	3.13	4.36	0.84	(4.61)
(Loss) / earning	(0.66)	(1.42)	1.71	2.47	0.77	(3.72)
Dividend	--	--	--	0.75	0.50	--
Break-up value	12.17	10.75	12.46	14.18	14.45	10.72