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Pakistan Paper Products Limited

Annual Report 2000

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COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman /

Chief Executive Mr. HASHIM B. SAYEED

Directors Mr. MOHAMMAD ALI SAYEED
Mr. MAHBOOB G. RAWJEE
Mr. KH. MANSOOR MUKHTAR SHAH
Mr. ABBAS SAYEED
Mr. BASHIR AHMED
Mrs. MULEIKA SAYEED
Mr. ABID SAYEED

Auditors M/s. Z. LAKHANI & CO.
Chartered Accountants

Bankers HABIB BANK LIMITED
ANZ GRINDLAYS BANK
ALLIED BANK OF PAKISTAN LTD
MUSLIM COMMERCIAL BANK LTD

Registered Office MEHDI TOWER NO: 304,
3RD FLOOR, 115-A. S.M.C.H. SOCIETY,
SHAHRAH-E-FAISAL,
KARACHI-74400

Factory D-58, ESTATE AVENUE,
S.I.T.E., KARACHI.

NOTICE OF MEETING

Notice is hereby given that the 38th Annual General Meeting of the Shareholders of Pakistan Paper Products Limited, will be held at the registered office of the Company at Mehdi Towers No. 304, 3rd Floor, 115-A, S.M.C.H. Society, Shahrah-e-Faisal, Karachi-74400 on Saturday the 25th November 2000 at 12:15 p.m. to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on 18th December 1999.
2. To receive and adopt the Audited Accounts of the Company for the year ended 30th June 2000 together with the Directors report and Auditors report thereon.
3. To approve the Payment of Dividend at rate of Rs. 2.50 per share (25 percent) as recommended by the Directors.
4. To appoint Auditors for the year 2000-2001 and to fix their remuneration. The retiring

Auditors have offered for re-election.

5. To transact any other business with the permission of the Chair.

By Order of the Board

Date: 18th November, 2000
Karachi

M.Z.B. CHUGHTAI
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from 18th November 2000 to 25th November, 2000 (both days inclusive).
2. A member entitled to attend and vote at this meeting, may appoint any other member as his/her proxy to attend the meeting and vote instead of him/her. The Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. The Share-holders are requested to promptly notify any change in their address.
4. The share-holders are further requested to quote their folio number in all correspondence with the company and at the time of attending the Annual General Meeting.

DIRECTORS REPORT TO THE SHAREHOLDERS

Your Directors are pleased to present this report alongwith the audited accounts of the Company for the year ended on 30th June, 2000.

		<i>2000</i>	<i>1999</i>
Net Profit After Taxation		4,374,932	3,131,515
Unappropriated Profit Brought Forward	Rs.	17,045	4,871
Profit Available for Appropriation	Rs.	4,391,977	3,136,386
Appropriations/Adjustments			
Prior Year Adjustments	Rs.	--	(109,341)
Transfer from Revenue Reserve	Rs.	--	3,990,000
Proposed Dividend @ 25% (1999: 20%)	Rs.	3,750,000	(2,000,000)
Bonus Shares given in (1999: 50%)	Rs.	--	(5,000,000)
		-----	-----
Unappropriated Profit Carried Forward	Rs.	(3,750,000)	(3,119,341)
	Rs.	641,977	17,045

Your Directors are pleased to report that in spite of the problems faced during the year, the Company managed to keep up production and sale and came out with a net profit of Rs.4,374,932/- compared to Rs. 3,131,515/- last year. With unappropriated profit brought forward of Rs. 17045/- the total profit available for appropriation is Rs. 4,391,977/-. Your Directors propose a dividend of 25% which works out to Rs. 2.50 per share amounting to Rs.3,750,000/- on the current paid up capital of Rs. 15,000,000/-. The balance amount of Rs. 641,977/- is carried forward as unappropriated profit. This achievement is due to untiring efforts made by the management and the workers of the Company in controlling the cost and achieving maximum selling prices.

You are well aware that the Government have not as yet succeeded in imposing GST across the board. The traders and the unregistered industrial sector is still resenting the GST and the tax system being proposed by the Government. It is very sad that almost 4 years have passed and the CBR have not been able to resolve this issue just because they have not made out a system which is workable and acceptable to all classes of trade and industry. The result is that we being perhaps the only registered manufacturing unit making Exercise Books and Paper Products continue to pay Sales Tax and compete in the market where large quantities of Exercise Books and Paper Products are coming without Sales Tax payment. This situation is very damaging as the market is getting flooded with non-tax paid products due to which there is resentment in accepting Sales Tax paid products being supplied by us. For the information of the shareholders and the general public we give below the total Sales Tax that we have paid in the last 3 years.

In 1998 Rs. 8~206,443/-, In 1999 Rs. 10,375,580/-, In 2000 Rs. 11,993,990/.

This should be an eye opener to the present Government as there are perhaps no other Exercise Books and Paper Products makers who have registered themselves under Sales Tax Act and have paid Sales Tax. It is also an eye opener for the Federal Government to see the amount of revenue that they are losing because of having not succeeded in forcefully enforcing Sales Tax on all makers of Exercise Books and Paper Products. We may humbly submit that in respect to Sales Tax it must be applicable to everyone irrespective of being small or big as the tax is on the product and not on the individual. The imposition of taxes and duties must go along with accountability on the part of the Government and this can only be carried through if there is rule of law, discipline and accountability at all levels.

The Company need large amount of funds as working capital because of the high cost of raw materials that have to be imported and procured locally. Then we have to absorb higher wages and higher tariff for power, gas and fuel. In this way the operating expenses are increasing whereas flow of funds from the buyers is not coming in regularly thereby causing problems. Recovery of bills from the government and our stockists have also slowed down along with economy. We hope the present Government would succeed to bring in law and order, discipline and accountability at all levels so that the overall situation will improve and your Company would be able to do better.

The Auditors M/s. Z. Lakhani & Co. Karachi have retired and offered themselves for reappointment and the Board recommend their reappointment.

The Directors would like to thank the officers, staff and workers for their hard work and co-operation during the year. We assure the shareholders that the management would do its best to make progress and keep them well informed with the developments.

For and on behalf of the Board

HASHIM B. SAYEED
Chairman & Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of M/s. PAKISTAN PAPER PRODUCTS LIMITED, Karachi as at 30th June, 2000 and the related Profit and Loss Account, Cash Flow Statement and statement of changes in equity together with the notes forming part thereof, for the year 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 approval 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 accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in note(s) 2.9 with which we concur;

ii) the expenditure incurred during the year was for the purpose of company's business:
and

iii) the business conducted, investment 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 confirm 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 30th June, 2000 and of the profit/(loss), its cash flow and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: 20th October, 2000
Karachi

Z. LAKHANI & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT 30TH JUNE, 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES'			
Share Capital			
Authorised			
2,000,000 Ordinary Shares of Rs. 10 each		20,000,000	20,000,000
		=====	=====
Issued, Subscribed and Paid-up	3	15,000,000	10,000,000
Revenue Reserve	4	24,000,000	24,000,000
Un-Appropriated Profit		641,977	17,045
		-----	-----
		39,641,977	34,017,045
Surplus on Revaluation of Fixed Assets	5	316,590	316,590
LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE			
	6	--	862,864
DEFERRED LIABILITIES			
Deferred Taxation		1,317,752	907,752
Provision for Gratuity		601,738	555,396
		-----	-----
		1,919,490	1,463,148
CURRENT LIABILITIES			
Current Maturity of Finance Lease		862,864	1,836,460
Running Finance under mark-up arrangement		--	1,420,262
Creditors, Accrued and Other Liabilities	7	9,051,162	7,969,215
Proposed Dividend @ 25%		3,750,000	2,000,000
Proposed Bonus Shares (1999 @ 50%)		--	5,000,000
		-----	-----
		13,664,026	18,225,937
CONTINGENCIES AND COMMITMENTS			
	8	--	--
		-----	-----
		55,542,083	54,885,584
		=====	=====
PROPERTY AND ASSETS			
TANGIBLE FIXED ASSETS			
	9	14,332,345	13,891,058
CAPITAL WORK-IN-PROGRESS	10	364,119	--
INVESTMENTS	11	10,000	10,000
CURRENT ASSETS			
Stores and Spares	12	1,273,038	1,522,701

Stock-in-Trade	13	21,153,013	22,710,960
Trade Debtors	14	7,926,248	13,371,581
Advances and Other Receivables	15	2,121,558	2,582,052
Deposits and Prepayments	16	455,715	461,467
Cash and Bank Balances	17	7,906,047	335,765
		-----	-----
		40,835,619	40,984,526
		-----	-----
		55,542,083	54,885,584
		=====	=====

AUDITORS' REPORT ANNEXED HEREWITH

The annexed notes form an integral part of these accounts.

Date: 20th October, 2000
Karachi

ABID SAYEED
Director

HASHIM BIN SAYEED
Chief Executive

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
SALES	18	72,104,300	69,469,123
COST OF SALES	19	57,989,106	57,506,335
GROSS PROFIT		14,115,194	11,962,788
OPERATING EXPENSES			
Administrative	20	5,864,899	5,110,503
Selling and Distribution	21	676,103	661,056
Financial	22	481,848	1,215,119
Workers' Profit Participation Fund		354,617	248,806
Workers' Welfare Fund		110,000	80,000
		-----	-----
		7,487,467	7,315,484
		-----	-----
OPERATING PROFIT		6,627,727	4,647,304
OTHER INCOME	23	(88,031)	43,284
		-----	-----
NET PROFIT BEFORE TAXATION		6,539,696	4,690,588
TAXATION	24	(2,164,764)	(1,559,073)
		-----	-----
NET PROFIT AFTER TAXATION		4,374,932	3,131,515
UNAPPROPRIATED PROFIT BROUGHT FORWARD		17,045	4,871
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		4,391,977	3,136,386
APPROPRIATIONS/ADJUSTMENTS			
Prior Year Adjustments		--	(109,341)
Transfer from / (to) Revenue Reserve		--	3,990,000
Proposed Dividend @ 25% (1999: 20%)		(3,750,000)	(2,000,000)
Proposed Bonus Shares (1999: 50%)		--	(5,000,000)
		-----	-----
		(3,750,000)	(3,119,341)
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		641,977	17,045
		=====	=====

The annexed notes form an integral part of these accounts.

HASHIM BIN SAYEED
Chief Executive

ABID SAYEED
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Generated From Operations	25	17,211,664	(436,569)
Income Taxes Paid		(1,994,837)	(2,186,682)
Gratuity Paid		(51,195)	(237,593)
		-----	-----
Net Cash from Operating Activities		15,165,632	(2,860,844)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of Fixed Assets		(2,296,227)	(277,695)
Disposal of Fixed Assets		297,500	--
Capital Work-in-Progress		(364,119)	--
Income from Investment & Deposit Account		2,542	(1,315)
		-----	-----
Net Cash used in Investing Activities		(2,360,304)	(279,010)
CASH FLOW FROM FINANCING ACTIVITIES			
Finance Lease		(1,836,460)	(1,547,772)
Dividend Paid		(1,978,324)	(1,965,581)
		-----	-----
Net Cash used in Financing Activities		(3,814,784)	(3,513,353)
Net Increase/(Decrease)in Cash		8,990,544	(6,653,207)
Cash and cash equivalent at beginning of year		(1,084,497)	5,568,710
		-----	-----
Cash and cash equivalent at end of year		7,906,047	(1,084,497)
		=====	=====
Cash and cash equivalent comprise of:			
Cash and Bank		7,906,047	335,765
Short-term running finance		--	(1,420,262)
		-----	-----
		7,906,047	(1,084,497)
		=====	=====
HASHIM BIN SAYEED		ABID SAYEED	
Chief Executive		Director	

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 2000

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in July, 1962 as a private limited company and was converted into public limited company and listed on the Karachi Stock Exchange in July, 1964. The Company is principally engaged in the production and sale of sensitised papers, exercise books & printing of self adhesive labels

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting

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

2.2 Taxation

Provision for current taxation is based on taxable income on current rates of taxation.

Deferred liability for taxation is provided by using the liability method on all major timing differences, expected to reverse in future periods.

2.3 Staff Retirement Benefits

The company operates a provident fund scheme applicable to all employees and an unfunded gratuity scheme covering all eligible employees. Contributions and provisions are made in accordance with the terms of these schemes.

2.4 Tangible Fixed Assets and Depreciation

These are stated at cost or revalued amount (as appropriate) less accumulated depreciation except for leasehold land which is stated at cost. Depreciation is charged to income applying the reducing balance method, using the rates specified in Note 9.

Depreciation is charged for full year on only those assets remaining with the Company at the end of the year.

Maintenance and normal repairs are charged to income as and when incurred. Profits or losses on disposal of assets are included in current income.

2.5 Assets Subject to Finance Lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is charged at the rate stated in note 10 applying the Reducing Balance Method.

2.6 Investment

These are stated at cost.

2.7 Stores and Spares

These are valued at lower of cost and net realisable value.

2.8 Stock-in-Trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw Materials	At lower of average cost and market value
Work in process	At lower of average cost and market value
Finished Goods	Selling price less estimated profit margin

2.9 Revenue Recognition

Sales are recorded on dispatch of goods to the customers.

Income on investment is accounted for on receipt basis.

2.10 Allocation of Expenses

The Company has maintained the policy of allocation of certain expenses to manufacturing, administrative and selling expenses at the end of the year using calculated percentages.

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
3. ISSUED, SUBSCRIBED & PAID-UP CAPITAL		
578,000 Ordinary Shares of Rs. 10/- each issued for cash	5,780,000	5,780,000
172,000 Ordinary Shares of Rs. 10/- each issued for consideration other than cash	1,720,000	1,720,000
750,000 Ordinary Shares of Rs. 10/- each issued as bonus shares (1999: 250,000)	7,500,000	2,500,000
----- 1,500,000 =====	----- 15,000,000 =====	----- 10,000,000 =====
4. REVENUE RESERVE		
Opening balance	24,000,000	27,990,000
Transfer from / (to) Profit & Loss Account	--	(3,990,000)
	----- 24,000,000 =====	----- 24,000,000 =====

5. SURPLUS ON REVALUATION OF FIXED ASSETS

Building on leasehold land and plant and machinery were revalued by J.B. Stevenson, ACII in June, 1964 resulting in an increase over book value of Rs. 99,690 and Rs. 216,900 respectively. No further revaluation have taken place since the above date.

6. LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE

Balance amount of future lease payments and the period in which they will fall due:

Year ending -- 30th June, 2000	--	2,206,560
30th June, 2001	1,184,364	1,184,364
	-----	-----
	1,184,364	3,390,924
Security deposit adjustable on expiry of lease terms	(265,000)	(265,000)
	-----	-----
	919,364	3,125,924
Financial Charges allocated to future periods	(56,500)	(426,600)
	-----	-----
	862,864	2,699,324
Principal liability shown under Current Maturity	(862,864)	(1,836,460)
	-----	-----
	--	862,864
	=====	=====

6.1 The company has acquired on finance lease, plant and machinery from. Askari Leasing Limited, payable in 36 monthly installments. The average rate of interest implicit in the lease comes to 17.23%

2000	1999
Rupees	Rupees

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade Creditors	1,922,889	3,262,095
Customers' Credit Balances	4,542,036	2,496,697
Accrued Expenses	1,595,104	1,048,891
Workers' Profit Participation Fund (note 7.1)	372,221	276,228
Workers' Welfare Fund	111,586	194,426
Unclaimed Dividend and Bonus Shares	348,745	323,171
Others	158,581	367,707
	-----	-----
	9,051,162	7,969,215
	=====	=====

7.1 Workers' Profit Participation Fund

Balance at the beginning of the Year	276,228	337,279
Interest on Fund utilised in Company's Business	17,604	24,422
	-----	-----
	293,832	361,701
Amount paid to the Fund Trustees	227,856	221,740
Amount deposited with Government	48,372	112,539
	-----	-----
	(276,228)	(334,279)
	-----	-----
	17,604	27,422
Allocation for the Year	354,617	248,806
	-----	-----
	372,221	276,228
	=====	=====

8. CONTINGENCIES AND COMMITMENTS**Contingencies**

In respect of guarantees issued by bank on behalf of the company aggregating to Rs.109,129 (1999: Rs. 137,345).

Commitments

In respect of rentals under lease agreements as under.

Year ending -- 30th June, 2000	--	199,680
30th June, 2001	258,420	49,920

30th June, 2002 208,500 --

9. TANGIBLE FIXED ASSETS

Descriptions	<i>Cost and revaluation as on 1/7/1999</i>	<i>Additions/ (Deletions)</i>	<i>Cost and revaluation as at 30/6/2000</i>	<i>Rate %</i>	<i>Accumulated as at 1/7/1999</i>	DEPRECIATION		<i>Accumulated as at 30/6/2000</i>	<i>W.D.V. as at 30/6/2000</i>
						<i>Charge for the year</i>	<i>Adjustment on Disposal</i>		
Leasehold Land (Karachi)	191,203	--	191,203	--	--	--	--	--	191,203
Leasehold Land	800,000	--	800,000	--	--	--	--	--	800,000
Building on Leasehold Land (Karachi)									
Factory	865,824	--	865,824	10%	507,103	35.87	--	542,975	322,849
Office	539,591	--	539,591	5%	440,049	4,977	--	445,026	94,565
Building on Leasehold Land (Hub Chowki)	1,100,000	--	1,100,000	5%	370,238	36,488	--	406,726	693,274
Plant and Machinery (Karachi)	10,487,477	1,619,122 (235,000)	11,871,599	10%	5,318,267	664.96	96,234	5,886,990	5,984,609
Plant and Machinery(Hub Chowki)	960,000	--	960,000	10%	546,752	41,325	--	588,077	371,923
Furniture & Fixtures	374,416	1,875	376,291	10%	203,074	17,322	--	220,396	155,895
Factory and Other Equipments	1,651,127	76,250	1,727,380	10%	821,700	90,568	--	912,268	815,109
Electric Equipment and Fittings	693,068	47,380	740,448	15%	445,007	44,316	--	489,323	251,125
Vehicles	1,779,748	551,600 (597,500)	1,733,848	20%	1,194,030	196.64	443,361	947,305	786,543
Laboratory Apparatus	21,740	--	21,740	15%	19,916	274	--	20,190	1,550
ASSETS SUBJECT TO FINANCE LEASE									
Plant and Machinery	5,300,000	--	5,300,000	10%	1,007,000	429,300	--	1,436,300	3,863,700
TOTAL	24,764,194	2,296,227 (832,500)	26,227,921		10,873,136	1,562,035	539,595	11,895,576	14,332,345
1999	24,486,499	277,695	24,764,194		9,390,632	1,482,504	--	10,873,136	13,891,058

9.1. PARTICULARS OF DISPOSAL OF FIXED ASSETS

Particulars	<i>Original Cost</i>	<i>Accumulated Depreciation</i>	<i>W.D.V.</i>	<i>Sales Proceeds</i>	<i>Gain / (Loss)</i>	<i>Mode of Disposal</i>	<i>Particular of Purchasers</i>
Kia Ceres	373,500	251,111	122,389	150,000	27,611	Negotiation	M. Ikram Baldia Town Karachi
Suzuki Bolan	108,000	100,577	7,423	22,500	15,077	Negotiation	S. Ghousuddin North Nazimabad Karachi
Suzuki Ravi	116,000	91,673	24,327	50,000	25,673	Negotiation	M. Maroof Malik Gulshan-e-Iqbal Karachi
Printing Machine	235,000	96,234	138,766	75,000	(63,766)	Agreement	M/s. Sohail Process Nazimabad Karachi
	832,500	539,595	292,905	297,500	4,595		

2000
Rupees

1999
Rupees

9.2. Depreciation has been allocated as under:

Manufacturing	1,327,730	1,260,128
Administration	156,204	148,250
Selling and distribution	78,102	74,126
	-----	-----
	1,562,035	1,482,504
	=====	=====

10. CAPITAL WORK-IN-PROGRESS

This represents construction work in progress at Factory, for setting up office premises.

11. INVESTMENT (AT COST)

WAPDA Investment Bond (Bearer)	10,000	10,000
	=====	=====

11.1. This bond is pledged with WAPDA against performance guarantees. Profit accrued on this investment is not accounted for.

12. STORES AND SPARES

Stores	1,147,271	809,736
Spares	125,767	712,965
	-----	-----
	1,273,038	1,522,701
	=====	=====

13. STOCK-IN-TRADE

Raw Materials	11,019,844	12,867,342
Work in Process	4,983,400	6,553,906
Finished Goods	5,149,769	3,289,712
	-----	-----
	21,153,013	22,710,960
	=====	=====

14. TRADE DEBTORS

(considered good - unsecured)

Due from Customers	7,381,939	12,718,090
Due from Associated Concerns (note 14.1)	544,309	653,491
	-----	-----
	7,926,248	13,371,581
	=====	=====

14.1. The maximum aggregate amount due from Associated Concerns with reference to month-end balances, during the year was Rs. 2,142,612 (1999: Rs. 1,161,557).

15. ADVANCES AND OTHER RECEIVABLES

Advances to Suppliers	36,023	16,000
Advance against Letter of Credit	47,165	1,547,493
Advance against Expenses	65,281	--
Excise Duty	35,248	35,248
Income Tax Refundable (net of liability and Current provision)	1,140,544	983,311
Sales Tax Refundable	797,297	--
	-----	-----
	2,121,558	2,582,052
	=====	=====

16. DEPOSITS AND PREPAYMENTS

Deposit against operating lease	234,700	179,700
Utility Deposits	51,352	41,352
Other Deposits	136,025	221,871
Prepayments	33,638	18,544
	-----	-----
	455,715	461,467
	=====	=====

17. CASH AND BANK BALANCES

Cash at Banks (in current accounts)	7,874,126	260,773
Factory Imperest	30,000	30,000
Cash in Hand	1,921	44,992
	-----	-----

7,906,047 335,765

17.1. SHORT TERM RUNNING FINANCE (UNDER MARK-UP ARRANGEMENT)

The company enjoys a short-term running finance facility from Habib Bank Ltd. up to limit of Rs. 8 million. The Finance is secured against hypothecation of stocks and account receivables. The finance is further secured by personal securities and guarantees of the directors. The facility carries markup of 46 paisas daily for every thousand rupees. However balance at the close of year under this account was Debit Rs. 308,914 which is shown under Cash and Bank Balances.

18. SALES

Exercise Books	46,524,985	42,681,347
Ammonia Paper	14,838,531	13,151,677
Pro-label	8,529,753	10,802,477
Plain Paper	1,776,751	2,035,576
Printing Charges	25,863	390,395
Waste Paper	499,605	458,138
	-----	-----
	72,195,488	69,519,610
Commission and Rebate	(91,188)	(50,487)
	-----	-----
	72,104,300	69,469,123
	=====	=====

(The Sales are net of Sales Tax Rs. 11,993,983 last year Rs. 10,376,052)

19. COST OF SALES

Raw Material Consumed		
Opening Stock	12,867,342	10,620,028
Purchases	43,661,716	50,230,037
Closing Stock	(11,019,844)	(12,867,342)

45,509,214 47,982,723

Salaries, Wages and other Benefits	4,101,580	3,867,058
Printing, Binding & Rulling Charges	2,902,551	3,240,312
Fuel and Power	996,025	998,306
Spares and Stores Consumed (note 19.1)	1,385,916	853,386
Insurance	204,128	214,022
Repairs and Maintenance	1,579,292	1,651,636
Rent, Rates and Taxes	113,515	70,566
Telephone and Trunk Calls	75,645	76,386
Other Manufacturing Expenses	83,061	74,587
Depreciation	1,327,730	1,260,128

Cost of Production

58,278,657 60,289,110

Work in Process- Opening	6,553,906	3,979,360
Work in Process- Closing	(4,983,400)	(6,553,906)

1,570,506 (2,574,546)

Cost of Goods Manufactured

59,849,163 57,714,564

Finished Goods -- Opening	3,289,712	3,081,483
Finished Goods -- Closing	(5,149,769)	(3,289,712)

(1,860,057) (208,229)

57,989,106 57,506,335

19.1 Spares and Stores Consumed

Opening Balance	1,522,701	1,604,982
Purchases	1,136,253	771,105
Closing Balance	(1,273,038)	(1,522,701)

1,385,916 853,386

20. ADMINISTRATIVE EXPENSES

Directors' Fees	6,000	6,500
Directors' Remuneration	857,913	756,244
Staff Salaries and Benefits	3,109,830	2,895,797
Rent, Rates and Taxes	322,149	217,000
Insurance	33,621	35,251
Travelling and Conveyance	103,842	107,486
Postage and Telegrams	72,000	44,368
Telephone	53,295	61,116
Electric Charges	380,636	114,037
Stationery and Periodicals	102,948	89,393
Repairs and Renewals	237,796	248,920
Trade Subscriptions	42,819	32,450
Legal & Professional Fees (note 20.1)	45,340	115,030
Lease Rentals and other charges (20.2)	286,555	199,680
Audit Fees	30,000	28,000
General Expenses	23,951	10,981
Depreciation	156,204	148,250
	-----	-----
	5,864,899	5,110,503
	=====	=====

20.1. Includes Rs. 33,600 (1999: 66,519) paid/payable to auditors for Income tax representation and audit of Fund Accounts.

20.2. Lease rentals are in respect of two motor vehicles.

21. SELLING AND DISTRIBUTION EXPENSES

Staff Salaries and Benefits	75,957	70,230
Advertisement and Publicity	19,467	74,210
Cartage and Forwarding (net)	318,758	284,543
Telephone	22,840	26,192
Vehicle Expenses	52,084	46,760
Tender Fees	5,100	2,798
Sales Promotion Expenses	101,393	79,679
Insurance	2,402	2,518
Depreciation	78,102	74,126
	-----	-----
	676,103	661,056
	=====	=====

2000 **1999**
Rupees **Rupees**

22. FINANCIAL EXPENSES

Interest on Workers' Profit Participation Fund	17,604	24,422
Mark-up on Short-Term Running Finance	36,388	457,353
Bank and other charges	57,756	74,556
Mark-up on finance lease	370,100	658,788
	-----	-----
	481,848	1,215,119
	=====	=====

23. OTHER INCOME

Interest on Deposit Account	2,542	(1,315)
Gain on Disposal of Fixed Assets	4,595	--
	-----	-----
	7,137	(1,315)
Other Income/(Loss)	(95,168)	44,599
	-----	-----
	(88,031)	43,284
	=====	=====

24. TAXATION

Current Year	1,750,000	1,260,000
Prior Year	4,764	(30,927)
Deferred	410,000	330,000
	-----	-----

	2,164,764	1,559,073
	=====	=====

25. CASH GENERATED FROM OPERATIONS

Profit before Taxation	6,539,696	4,690,588
Adjustment for non cash items and other adjustments:		
Depreciation	1,562,035	1,482,504
Gratuity Provision	97,537	128,320
Income from Investment	(2,542)	1,315
(Gain)/Loss on Disposal of Fixed Assets	(4,595)	--
	-----	-----
	8,192,131	6,302,727
(Increase)/Decrease in Operating Assets		
Stores, Spares and Stock in Trade	1,807,610	(4,947,808)
Trade Debtors	5,445,333	(329,250)
Advances and Other Receivables	617,727	(1,440,579)
Deposits and Prepayments	5,752	(61,818)
	-----	-----
	7,876,422	(6,779,455)
Increase/(Decrease) in Operating Liabilities		
Creditors, Accrued and Other Liabilities	1,143,111	40,159
	-----	-----
	17,211,664	(436,569)
	=====	=====

26. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

	2000		1999	
	<i>Chief Executive</i>	<i>Directors</i>	<i>Chief Executive</i>	<i>Director</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Fees	--	6,000	--	6,000
Managerial remuneration	300,000	240,000	300,000	180,000
Provident Fund	24,996	20,004	24,996	15,000
Medical expenses	2,756	--	12,512	--
Housing	135,000	108,000	135,000	81,000
Reimbursable expenses	72,157	--	47,732	--
	-----	-----	-----	-----
	533,909	374,004	520,240	282,500
	=====	=====	=====	=====
Number of persons	1	5	1	5
	=====	=====	=====	=====

Chief Executive of the company is provided with company maintained car.

The company has borne the telephone and utility charges of the Chief Executive's residence.

Remuneration of Chief Executive does not include amounts paid or provided for, if any, by