

# **Haroon Oils Limited**

## **Annual Report 1999**

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### **Board of Directors**

BEGUM ALMAS M. HAROON  
KHAJA HABIBULLAH  
MRS. AMBER H. SAIGOL  
NASIM BAIG  
DARIUS JAL BALSARA  
MAKHDOOM ALI KHAN  
MR. ANIS WAHAB ZUBAIRI  
ANVER MAJID  
G. NIZAMUDDIN

**CHAIRPERSON**

**CHIEF EXECUTIVE  
COMPANY SECRETARY**

Ford, Rhodes, Robson, Morrow

**AUDITORS**

Anz Grindlays Bank  
United Bank Limited  
Faysal Bank Limited  
Hongkong Bank

**BANKERS**

(The Hongkong and Shanghai Banking Corporation Limited)

11, Dockyard Road,  
West Wharf Industrial Area,  
Karachi-74000,  
Pakistan.

**REGISTERED OFFICE**

### **Notice of Meeting**

NOTICE IS HEREBY GIVEN that the Thirty-Fifth Annual General Meeting of the Company will be held at the Registered office of the Company, located at 11, Dockyard Road, West Wharf Industrial Area, Karachi on Tuesday the 28th December, 1999 at 11.30 a.m. in order to:

confirm the Minutes of the Extraordinary General Meeting held on Tuesday, the 17th August, 1999;

receive and adopt the Thirty Fifth Annual Report of the Directors and the Audited Accounts of the Company for the year ended 30th June, 1999;

declare a Dividend, directors have proposed 15% final dividend;

appoint the auditors and fix their remuneration;

transact any other ordinary business of the Company which may legally be transacted at the Annual General Meeting with the permission of the Chairman.

Karachi:

Dated : November 25, 1999

By Order of the Board

( **G. Nizamuddin** )

Company Secretary

**Notes:**

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy to attend and vote instead of him at the Meeting, instrument appointing a Proxy must be received at the Registered Office of the Company not less than 48 hours before the time appointed for holding the Annual General Meeting. A Proxy need not be a member of the Company. A form of Instrument of Proxy is attached herewith.

2. The Share Transfer Books of the Company will remain closed from 21st December, 1999 to 28th December, 1999 (both days inclusive).

3. CDC Shareholders desiring to attend the meeting are requested to bring their original National Identity Cards, Account and Participant's ID numbers, for identification purpose, and in case of proxy, to enclose an attested copy of his/her National Identity Card.

4. Shareholders are requested to immediately notify to the Company the changes, if any, in their addresses.

**Directors' Report**

The Directors of the Company take pleasure in submitting their report along with audited accounts of the Company, together with Auditors' report thereon, for the year ended 30th June, 1999.

**FINANCIAL RESULTS**

Profit for the year before taxation

**RUPEES**

827,584

Less: Taxation	
Current	1,319,435
Deferred	33,481
	-----
	1,352,916
	-----
Net Loss for the year	(525,332)
Unappropriated profit brought forward	572,914
	-----
Profit available for appropriation	47,582

#### APPROPRIATIONS

Transfer from General Reserve	1,152,418
Dividend recommended by the directors at the rate of 15% (equivalent to Rs. 1.50 per share of Rs. 10/= each)	1,200,000
	-----

**Unappropriated profit carried forward to revenue reserve** -----

#### EARNING PER SHARE

Earning per share of Rs.10/- each is Rs. (0.66) as compared to Rs. (1.08) last year.

#### AUDITORS

The present Auditors Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants, retire and being eligible offer themselves for reappointment.

#### PATTERN OF SHAREHOLDINGS

The pattern of Shareholdings of shares as at 30th June, 1999 is annexed with this report.

KARACHI

DATED: 16th November, 1999

On Behalf of the Board  
( ANVER MAJID )  
CHIEF EXECUTIVE

#### Pattern of Shareholdings

No. of Shareholders		Shareholding		Total Shares Held
208	Holding from	1 to	100	Shares 11,990
40	"	101 to	500	Shares 11,325
12	"	501 to	1000	Shares 9,700
13	"	1001 to	5000	Shares 28,100
1	"	5001 to	10000	Shares 5,400
1	"	15001 to	20000	Shares 17,619
1	"	20001 to	25000	Shares 21,900
1	"	145001 to	235000	Shares 202,566
1	"	235001 to	240000	Shares 240,000

1	"	250001 to	255000	Shares	251,400
-----	-----	-----	-----	-----	-----
279					800,000
=====	=====	=====	=====	=====	=====

## CATEGORIES OF SHAREHOLDERS

Categories of Shareholders	Number	Shares Held	Percentage
Individual	268	72,563	9.07
* Investment Companies	3	245,500	30.69
** Insurance Companies	3	27,800	3.48
*** Joint Stock Companies	2	251,500	31.44
**** Financial Institution	1	202,566	25.31
***** Government Bodies	2	71	0.01
	-----	-----	-----
	279	800,000	100.00
	=====	=====	=====

- \* Includes Central Depository Company of Pakistan Ltd.
- \* Includes Olympia Investments Limited
- \* Includes Naeem Investment Trust (Pvt.) Limited
- \*\* Includes Pakistan Guarantee Insurance Co. Limited
- \*\* Includes Pakistan Insurance Corporation
- \*\* Includes Alpha Insurance Co. Limited
- \*\*\* Includes MEC Shipbreakers (Pvt.) Limited
- \*\*\* Includes Haroon Sons (Pvt.) Limited
- \*\*\*\* Includes National Bank of Pakistan
- \*\*\*\*\* Includes Corporate Law Authority
- \*\*\*\*\* Includes The Administrator, Abandoned Properties

5,400 Shares  
240,000 Shares  
100 Shares  
900 Shares  
5,000 Shares  
21,900 Shares  
100 Shares  
251,400 Shares  
202,566 Shares  
1 Share  
70 Shares

## Chairperson's Review

It is a pleasure and privilege for me to present to you the 35th Annual Report and Audited Accounts of the Company for the financial year ended 30th June, 1999.

## BOARD OF DIRECTORS

In accordance with the provisions of Section 180 of the Companies Ordinance, 1984, the directors elected in August, 1996 retired after completing their three years tenure. A new Board was elected in the Extraordinary General Meeting held on 17th August, 1999 for a further period of three years.

I take this opportunity to place on record our appreciation for the valuable services rendered by them. I also welcome our new Directors who have joined the Board, Mrs. Amber H. Saigol, Mr. Nasim Beg, Mr. Makhdoom Ali Khan & Mr. Anis Wahab Zuberi.

## FINANCIAL RESULTS

The sales volume of lubricants for the year were 4,794 M.Tons as compared to 7,103 M.Tons during

the last year. Simultaneously the quantity of lubricants manufactured for the year was 4,774 M.Tons as compared to 6,893 M.Tons in the same period of the last year.

The profit before tax for the year was amounted to Rs. 827,584 as compared to previous year's profit of Rs. 1,587,398.

The reduction in the production and sales volume was unexpectedly lower than the previous years. The following facts which effected the profitability, production and sales faced by the company were:-

01. Increase in the cost of Base oil by Rs. 3.51 per litre.

02. Increase in cost of containers by Rs. 0.56 per litre.

03. The overall cost of transportation increased by Rs. 0.63 per litre.

04. Stagnation of industrial activity, overall economic condition of the country.

05. Free import of finished lubricants by commercial importers due to deregulation and liberalisation of import

06. Freely import of lube base oils by commercial importers.

07. Stiff competition by small blenders and major oil companies by price cutting, discount and credit etc.

This year, the profit before taxation is Rs. 827,584. After providing for Rs. 1,352,916 against taxes, there is a loss of Rs. 525,332 and by adding Rs. 572,914 unappropriated profit brought forward from previous year, the total amount available for appropriation is Rs. 47,582.

As you know, it has always been practice of the company to distribute profit to the shareholders. Taken in view the same the Directors have recommended to transfer a sum of Rs. 1,152,418 from general reserve and make the payment of dividend of Rs. 1.50 per share of Rs. 10/= each.

During the year under review your company's contribution to the National exchequer amounted to Rs. 71.778 million, (97-98: Rs. 111.177 million) in respect of payments towards central excise duty, sales tax and corporate income tax against the turn over of Rs. 301.275 million i.e. 23.82%.

#### **FUTURE PROSPECTS**

Besides our normal business this year also the company has been awarded large contract for supply of lubricants of Pakistan Railways and other Government Agencies. Partial deliveries have been made this year and the major part of the same is to be serviced during the year 1999-2000.

The Company's major sales is in the 205 litres drums, but from this year extensive sales programme has been made to introduce 4 litres/10 litres and 20 litres containers of Automotive Grades, which has received very encouraging response from customers. We are hopeful of increase our sales in these packings.

We are therefore, quite confident that in the forth coming year we will be able to capture sizeable share of the small containers market of the country.

I am advised and am confident that your company will make better progress financially in the next year and in years after that as well.

#### **EMPLOYEE RELATIONS**

Your company has signed the New Bilateral Agreement with the collective bargaining agent in a very cordial environment to the full satisfaction of the employees and the management for a period of two years ending June 30, 2000.

I am pleased to report that all the employees including the management staff continued to give valuable services during the year.

You will join me in extending our appreciation of devoted efforts of all the categories of employees including management staff.

I will also like to thank all our customers, distributors and suppliers for their continued support and patronage during the year.

**( Begum Almas M. Haroon )**  
Chairperson

Dated: 16th November, 1999  
West Wharf Industrial Area,  
KARACHI.

#### **Auditors' Report to the Members**

We have audited the annexed balance sheet of HAROON OILS LIMITED as at 30th 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 the 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 June 30, 1999 and of the Loss and the statement of changes in financial position (cash flow statement), for the year then ended; and

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

KARACHI:

DATED : 16th November, 1999

FORD, RHODES, ROBSON, MORROW

Chartered Accountants.

### Statistical Summary

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Subscribed Ordinary Capital	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Reserves and Unappropriated Profit	13,675,580	16,977,808	17,465,042	17,631,891	20,751,469	29,999,659	38,403,859	42,437,261	39,972,261
Deferred taxation	282,000	1,571,151	1,975,646	1,512,643	944,176	207,091	220,235	215,419	786,000
Capital Employed (Rupees)	21,957,580	26,548,959	27,440,688	27,144,534	29,695,645	38,206,750	46,624,094	50,652,680	48,759,261
Sales (Rupees)	224,749,032	389,298,814	396,068,186	324,195,948	389,834,633	502,644,079	481,471,763	464,491,415	376,067,000
Sales Volume (M. Tones)	10,716	13,538	12,953	10,508	9,959.41	11,852.86	9,634	8,095.16	7,000
Profit before taxation (Rupees)	2,389,234	8,481,027	5,835,644	5,356,740	13,010,556	20,226,263	21,013,927	12,942,325	1,587,000
Taxation (Rupees)	747,000	3,578,799	3,748,410	3,189,891	7,290,978	8,378,073	10,009,727	6,308,923	2,451,000
Profit after taxation (Rupees)	1,642,234	4,902,228	2,087,234	2,166,849	5,719,578	11,848,190	11,004,200	6,633,402	(864,000)
% of Sales	0.73%	1.26%	0.53%	0.67%	1.47%	2.36%	2.29%	1.43%	0.00%
% of Total Assets	1.78%	4.07%	2.39%	2.96%	5.95%	9.90%	8.60%	5.22%	0.00%
% of Capital Employed	7.48%	18.46%	7.61%	7.98%	8.04%	31.01%	23.60%	13.10%	1.00%
% of Shareholders Equity	7.57%	19.63%	8.20%	8.45%	18.24%	31.18%	23.71%	13.15%	1.00%
Central Excise Duty (Rupees)	8,234,635	39,116,804	19,037,404	7,635,177	81,518,918	102,023,503	80,899,094	72,299,237	59,549,000
Development Surcharge (Rupees)	27,626,873	75,343,715	78,353,251	63,186,656	2,394,267	--	--	--	--
Ordinary Dividend - Amount	1.00	2.00	2.00	2.50	3.25	3.25	3.25	3.25	3.25
- %	10%	20%	20%	25%	32.50%	32.50%	32.50%	32.50%	32.50%
Profit retained in Business (Rupees)	842,234	3,302,228	487,234	166,849	3,119,578	9,248,190	8,404,200	4,033,402	--
Break-up value per share	27.09	31.22	31.83	32.04	35.94	47.50	58.00	63.04	50.00
Earning per share	2.05	6.13	2.61	2.71	7.15	14.81	13.75	8.29	--
Fixed Assets Less Depreciation (Rupees)	13,020,225	22,749,508	30,704,427	26,101,053	22,288,786	19,972,224	23,186,835	25,819,165	33,634,000
Total Assets (Rupees)	92,191,725	120,526,150	87,368,890	73,243,707	95,819,875	119,658,525	127,946,297	126,982,305	114,099,000

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**Balance Sheet**  
**as at June 30, 1999**

	NOTE	1999 Rupees	1998 Rupees
<b>CAPITAL AND RESERVES</b>			
Share Capital			
Authorised			
1,500,000 Ordinary Shares of Rs. 10 each		15,000,000	15,000,000
		=====	=====
<b>Issued, subscribed and paid-up capital</b>			
800,000 (1998: 800,000) Ordinary shares of			
Rs. 10 each fully paid in cash			
Revenue reserves	3	8,000,000 38,247,582	8,000,000 39,972,914
		-----	-----
		46,247,582	47,972,914
<b>OBLIGATIONS UNDER FINANCE LEASES</b>			
	4	289,655	84,474
<b>DEFERRED LIABILITY</b>			
Deferred taxation			
		820,305	786,824
<b>CURRENT LIABILITIES</b>			
Current portion of obligations under finance leases			
Short term finances	5	295,217 68,886,332	1,310,900 55,828,892
Creditors, accrued and other liabilities	6	14,125,201	6,399,984
Unclaimed dividend		128,221	115,692
Proposed dividend		1,200,000	1,600,000
		-----	-----
		84,634,971	65,255,468
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	--	--
		-----	-----
		131,992,513	114,099,680
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>			
Operating fixed assets at cost less			
accumulated depreciation	8	36,259,487	33,634,648
Capital work-in-progress	9	--	2,611,503
<b>LONG TERM DEPOSITS</b>			
	10	536,228	927,989
<b>CURRENT ASSETS</b>			
Stock-in-trade			
	11	59,194,828	50,129,607
Trade debts	12	12,642,376	5,687,773

Advances, deposits, prepayments, and other receivables	13	20,874,488	19,967,582
Cash and bank balances	14	2,485,106	1,140,578
		-----	-----
		95,196,798	76,925,540
		-----	-----
		131,992,513	114,099,680
		=====	=====

The annexed notes form an integral part of these accounts.

**ANVER MAJID**  
CHIEF EXECUTIVE

**ANIS WAHAB ZUBERI**  
DIRECTOR

**Profit and Loss Account**  
**For the year ended 30th June, 1999**

	NOTE	1999 Rupees	1998 Rupees
<b>TURNOVER</b>	15	263,886,999	335,527,181
Cost of sales	16	197,706,047	272,385,850
		-----	-----
<b>GROSS PROFIT</b>		66,180,952	63,141,331
Administrative expenses	17	22,415,965	20,169,928
Selling and distribution expenses	18	30,438,523	27,827,485
		-----	-----
		52,854,488	47,997,413
		-----	-----
<b>OPERATING PROFIT</b>		13,326,464	15,143,918
<b>OTHER CHARGES</b>			
Financial charges	19	14,427,787	14,542,042
Workers' Profit Participation Fund		45,731	101,720
Workers' Welfare Fund		41,311	345,290
		-----	-----
		14,514,829	14,989,052
		-----	-----
		(1,188,365)	154,868
<b>OTHER INCOME</b>	20	2,015,949	1,432,532
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		827,584	1,587,398
<b>TAXATION</b>			
Current		1,319,435	1,880,340
Deferred		33,481	571,405
		-----	-----

		1,352,916	2,451,745
		-----	-----
<b>LOSS FOR THE YEAR</b>		(525,332)	(864,347)
<b>UNAPPROPRIATED PROFIT BROUGHT FORWARD</b>		572,914	3,037,261
		-----	-----
		47,582	2,172,914
<b>APPROPRIATIONS</b>			
Transfer from general reserves		1,152,418	--
Proposed dividend at the rate of Rs. 1.50 (1998: Rs.2) per Ordinary share of Rs.10 each		1,200,000	1,600,000
		-----	-----
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD TO REVENUE RESERVES</b>	3	--	572,914
		=====	=====
<b>BASIC EARNING PER SHARE</b>	21	(0.66)	(1.08)
		=====	=====

The annexed notes form an integral part of these accounts.

**ANVER MAJID**  
**CHIEF EXECUTIVE**

**ANIS WAHAB ZUBERI**  
**DIRECTOR**

**Statement of Changes in Financial  
Position (Cash Flow Statement)  
For the year ended 30th June, 1999**

		<b>1999</b>	<b>1998</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	22	12,535,902	30,024,878
Staff gratuity paid		(214,225)	(38,440)
Profit on morabaha finance paid		(3,084,439)	(2,900,192)
Mark-up / Finance charges paid		(8,847,862)	(9,378,290)
Taxes paid		(4,988,350)	(5,038,143)
Long term deposits		391,761	80,296
		-----	-----
Net cash (outflow) / inflow from operating activities		(4,207,213)	12,405,109
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(4,446,442)	(12,424,742)
Sale proceed of fixed assets		638,875	266,000
Capital work-in-progress		(692,305)	(1,161,503)
		-----	-----
Net cash outflow from investing activities		(4,499,872)	(13,320,245)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments for obligations under finance leases		(1,418,356)	(1,134,276)
Dividend paid		(1,587,471)	(2,583,223)
		-----	-----
Net cash outflow from financing activities		(3,005,827)	(3,717,499)
		-----	-----
Net decrease in cash and cash equivalents		(11,712,912)	(4,632,635)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		(54,688,314)	(50,055,679)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	23	----- (66,401,226) =====	----- (54,688,314) =====

**ANVER MAJID**  
CHIEF EXECUTIVE

**ANIS WAHAB ZUBERI**  
DIRECTOR

**Notes to the Accounts****For the year ended 30th June, 1999****1. THE COMPANY AND ITS OPERATIONS**

Haroon Oils Limited is one of the leading companies in Pakistan, engaged in the business of blending and sales of lubricating oils and greases. The company was incorporated as a public limited company on 30th May, 1964 and is currently listed on the Karachi and Lahore Stock Exchanges.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Accounting Convention**

These accounts have been prepared under the historical cost convention without any adjustments for the effect of inflation.

**2.2 Tangible fixed assets****(a) Owned**

These are stated at cost less accumulated depreciation except for capital work-in-progress and leasehold land which are stated at cost. Depreciation is charged to income applying the straight line method at the rates indicated in note 8 to the accounts. Depreciation is charged on additions during the year from the month in which the asset is acquired and in respect of disposals during the year upto the month in which the assets is disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retried. Gains and losses on disposal of assets are taken to profit and loss accounts.

**(b) Leased**

Assets held under finance leases are stated at cost less accumulated depreciation. Depreciation is charged at the same rates as company owned assets or over the lease period, as appropriate.

The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. The financial charge to date are calculated at the make-up rate implicit in the lease and is charged to profit and loss account.

### ***2.3 Stock-in-trade***

Raw and packing materials are valued at the lower of moving average cost and net realisable value, except for stock in transit which is valued at cost comprising of invoice values and other charges paid thereon.

Finished goods are stated at the lower of average cost and net realisable value. Cost in relation thereto includes direct cost of materials, direct wages and appropriate manufacturing overheads.

### ***2.4 Trade debts***

Debts considered irrecoverable are written off whereas provision is made against debts which are considered doubtful.

### ***2.5 Foreign currency translation***

Transaction in foreign currencies are translated at the exchange rates prevailing on the date of transaction.

Assets and liabilities in foreign currencies are translated into rupees at the 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 case the rates contracted for are used. Exchange gains and losses on translation are taken to profit and loss account.

### ***2.6 Taxation***

Provision for current taxation is based on taxable income on current rates of taxation after taking into account tax rebates and tax credits available, if any, or one half percent of turnover, whichever is higher.

Deferred taxation is provided on all timing differences using liability method excluding the tax effect of those timing differences which are not likely to reverse in the foreseeable future.

### ***2.7 Staff retirement benefits***

The company operates (a) an approved funded gratuity scheme and (b) a contributory provident fund for all its employees. Contributions thereto are made in accordance with the rules of the schemes and are charged to the profit and loss account.

### ***2.8 Revenue recognition***

Sales are recorded on despatch of goods to customers.

Rental income from properties are accounted for on an accrual basis.

**1999**  
**Rupees**

**1998**  
**Rupees**

### 3. REVENUE RESERVES

General reserve	39,400,000	39,400,000
Less: Transfer to appropriation account	1,152,418	--
	-----	-----
	38,247,582	39,400,000
Unappropriated profit	--	572,914
	-----	-----
	38,247,582	39,972,914
	=====	=====

### 4. OBLIGATIONS UNDER FINANCE LEASES

The company has entered into various finance lease agreements in respect of computers, air conditioners, office equipment and a generator. The rate of interest used as the discounting factor ranges between 22.46% to 26.13% per annum.

The amount of future payments and the periods during which they fall due are:

Year ending June 30, 1999	--	1,430,860
2000	354,980	89,120
2001	232,550	--
2002	88,880	--
	-----	-----
	676,410	1,519,980
Less: Finance charges allocated to future periods	91,538	124,606
	-----	-----
	584,872	1,395,374
Less: Shown under current liabilities	295,217	1,310,900
	-----	-----
	289,655	84,474
	=====	=====

There are no financial restrictions in the lease agreements.

	Note	1999 Rupees	1998 Rupees
<b>5. SHORT TERM FINANCES</b>			
<b>secured</b>			
Running finances - under markup arrangements	5.1	52,886,332	39,828,892
Morabaha finance- under Islamic banking	5.2	16,000,000	16,000,000
		-----	-----
		68,886,332	55,828,892
		=====	=====

#### 5.1 Running finances

The facilities for short term running finances available from commercial banks amount to Rs.100 (1998: Rs.100) million.

These are secured against mortgage of fixed assets, hypothecation and pari-passu charge over stock-in-trade and trade debts of the company.

These finances carry mark-up at the rate of 16% to 18% (1998: 16% to 22%) per annum.

### 5.2 Morabaha finance

The facility for morabaha finance available from a commercial bank amounts to Rs.16 (1998: Rs.16) million.

It is secured against registered hypothecation charge on a pari-passu basis over stock-in-trade and trade debts of the company.

The tenure of this arrangements is 180 days.

Profit @ 20% is payable on Morabaha which is accounted for on a pro-rata basis over the term of the agreement.

	Note	1999 Rupees	1998 Rupees
<b>6. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
<b>Creditors</b>		629,234	567,131
<b>Accrued liabilities</b>			
Accrued expenses		1,937,371	1,319,870
Mark-up-on secured short term running finances		3,233,620	2,055,894
Profit on secured morabaha finance		1,059,313	997,476
		-----	-----
		6,230,304	4,373,240
Other liabilities			
Security deposits		172,000	172,000
Advances from customers		4,053,107	1,004,711
Advance rent from tenants		70,180	127,600
Sales tax payable		2,833,176	--
Tax deducted of source		11,360	14,784
Workers' Profit Participation Fund	6.1	45,875	101,864
Workers' Welfare Fund		79,965	38,654
		-----	-----
		7,265,663	1,459,613
		-----	-----
		14,125,201	6,399,984
		=====	=====

### 6.1 Workers' Profit Participation Fund

Balance at the beginning of the year		101,864	705,944
Interest on funds utilised in the company's business		8,848	102,710
		-----	-----
		110,712	808,654

**Less: Amount paid to and on behalf of**

the Trustees of the Fund	109,659	306,710
Amount deposited under Workers' Welfare Fund	909	501,800
	-----	-----
	110,568	808,510
	-----	-----
Allocation for the year	144	144
	45,731	101,720
	-----	-----
	45,875	101,864
	=====	=====

**7. CONTINGENCIES AND COMMITMENTS**

*Contingencies*

**-- Letters of guarantee**

13,009,303	7,956,809
=====	=====

-- Although assessment order in respect of assessment year 1997-98, corresponding to income year ended June 30, 1997, has already been finalised by the income tax department, resulting in an additional charge of Rs.2.76 million on account of certain add backs and / or certain disallowances, the company has not made provision for the same in these accounts as it is in the process of filing an appeal there against with the Commissioner of Income Tax (Appeals). The company is confident that as a result thereof, the ultimate outcome of the appeal will be in its favour and, hence, does not consider the need for the above referred provision.

*Commitments*

-- Outstanding commitments under letters of credit

12,626,757	1,821,220
=====	=====

-- Rentals under operating lease agreements in respect of motor vehicles payable during the year ending June 30,

1999	--	3,219,336
2000	1,495,545	1,349,403
2001	559,293	413,192
2002	24,350	--
	-----	-----
	2,079,188	4,981,931
	=====	=====

-- Capital Commitments

--	367,000
=====	=====

**8. OPERATING FIXED ASSETS**

C O S T			RATE	ACCUMULATED DEPRECIATION		Written Down value
As at	Additions/	As at		As at	As at	

PARTICULARS	July 1, 1998	(Deletions)	June 30, 1999	%	July 1, 1998	(On Disposals)	For the Year	June 30, 1999	as at June 30,1999
	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees
<b>Owned</b>									
Leasehold Land	950,000	--	950,000		--	--	--	--	950,000
Building on leasehold land									
Factory	8,218,413	276,467	8,494,880	5	2,111,984	--	406,221	2,518,205	5,976,675
Office - Karachi	9,405,763	593,480	9,999,243	5	5,230,328	--	472,203	5,702,531	4,296,712
- Lahore (note 8.2)	--	3,303,808	3,303,808	5	--	--	96,231	96,231	3,207,447
Plant, Machinery and Boiler	8,731,213	--	8,731,213	10	3,699,468	--	628,636	4,328,104	4,403,109
Storage, Tank and Pipe Lines	21,435,441	2,890,276	24,325,717	10	11,640,744	--	2,118,285	13,759,029	10,566,688
Electrical Installations	2,743,589	135,056	2,878,645	10	1,304,399	--	175,365	1,479,764	1,398,881
Laboratory Equipment	1,195,097	--	1,195,097	10	715,393	--	99,213	814,808	380,491
Vehicles	2,886,955	(813,050)	2,073,905	20	2,198,413	(779,295)	220,938	1,640,056	433,849
Furniture and fixture	1,655,086	58,400	1,713,486	10	462,523	--	156,190	618,713	1,094,773
Office equipment	1,494,765	256,813	1,751,578	10-20	953,057	--	176,508	1,129,585	622,013
Air Conditioner	4,445,493	86,000	4,531,493	20	3,718,892	--	282,112	4,001,004	530,489
Computer	986,815	149,950	1,136,785	20	701,356	--	109,399	810,755	326,010
	64,148,630	7,750,250 (813,050)	71,085,830		32,736,557	(779,295)	4,941,431	36,898,693	34,187,137
<b>Leased</b>									
Computer	231,000	102,959	333,959	20	57,750	--	49,632	107,382	226,577
Air Conditioner	2,268,000	109,046	2,377,046	20	869,400	--	457,234	1,326,634	1,050,412
Office Equipment	211,500	395,850	607,350	20	52,875	--	91,614	144,489	462,861
Generator	798,000	--	798,000	20	305,900	--	159,600	465,500	332,500
	3,508,500	607,855	4,116,355		1,285,925	--	758,080	2,044,005	2,072,350
30-Jun-99	67,657,130	8,358,105 (813,050.)	75,202,185		34,022,482	(779,295)	5,699,511	38,942,698	38,259,487
30-Jun-98	55,919,523	12,424,742 (687,135)	67,657,130		30,100,358	(687,135)	4,609,259	34,022,482	33,634,648

**8.1 Depreciation for the year has been allocated as follows:**

	Note	1999 Rupees	1998 Rupees
Cost of sales	16	3,996,284	2,995,164
Administrative expenses	17	1,025,055	974,400
Selling and distribution expense	18	678,172	639,695
		5,699,511	4,609,259

8.2 During the year, the following amount has

been transferred from capital work-in-progress  
Office - Lahore

3,303,808 --  
=====

The company is currently in the process of obtaining title of the property in the name of the company.

**8.3 Details of operating fixed assets sold are as follows:**

Particulars of Assets	Cost Rs.	Accumulated Depreciation Rs.	Written down Value	Sale proceeds Rs,	Gain Rs.	Mode of sale	Particulars of Buyers
Vehicle	180,000	180,000	--	180,000	180,000	By negotiation	Mr. Amir Motiwala D-32, PH4, Clifton, Karachi.
Vehicle	221,000	221,000	--	150,000	150,000	By negotiation	Mr. Masood Aslam R-145, Block 11-B, North Karachi.
Vehicle	253,175	219,420	33,755	150,000	116,245	By negotiation	Mr. Mohammad Hamza Haji Ahmed Manzil, Siraj Colony, Moosa Lane, Karachi.
Vehicle	158,875	158,875	--	158,875	158,875	By Negotiation	Mr. Faisal Ahmed 53/1, Phase-IV, D.H.A., Karachi.
	813,050	779,295	33,755	638,875	605,120		
	=====	=====	=====	=====	=====	=====	

	1999 Rupees	Additions (transfers)	1998 Rupees
<b>9. CAPITAL WORK-IN-PROGRESS</b>			
Office- Lahore	-	692,305	2,350,000
		(3,042,305)	
Others	-	(261,503)	261,503
		(2,611,503)	2,611,503
		=====	=====

	1999 Rupees	1998 Rupees
<b>10. LONG TERM DEPOSITS</b>		
Security deposits		1,153,770
Less: Current portion shown under current assets	13	225,781
		-----

	536,228	927,989
	=====	=====
<b>11. STOCK-IN-TRADE</b>		
Raw materials	43,747,254	32,519,211
Packing materials	1,950,022	1,632,657
Finished goods	13,497,552	15,977,739
	-----	-----
	59,194,828	50,129,607
<b>12. TRADE DEBTS</b>		
<b>Unsecured</b>		
Considered good	12,642,376	5,687,773
Considered doubtful	150,000	150,000
	-----	-----
	12,792,376	5,837,773
Less: Provision for debts considered doubtful	150,000	150,000
	-----	-----
	12,642,376	5,687,773
	=====	=====

	NOTE	1999 Rupees	1998 Rupees
<b>13. ADVANCE, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
<i>Advance - Considered good</i>			
Employees		8,094	15,000
Suppliers		1,061,600	913,299
Income-tax net	7	7,413,950	13,458,260
		-----	-----
		8,483,644	14,386,559
<b>Deposits</b>			
Current portion of long term deposits	10	653,911	225,781
Earnest money		342,716	300,000
		-----	-----
		996,627	525,781
<b>Prepayments</b>			
Insurance		173,070	431,327
Lease		216,820	216,820
Maintenance		172,076	163,576
Property tax		--	1,292,435
Miscellaneous		301,932	303,906
		-----	-----
		863,898	2,408,064
<b>Other Receivables</b>			
Sales tax		--	760,605
Excise duty		389,672	1,003,654

Income tax refundable	9,713,225	--
Miscellaneous	427,422	882,919
	-----	-----
	10,530,319	2,647,178
	-----	-----
	20,874,488	19,967,582
	=====	=====

#### 14. CASH AND BANK BALANCES

In hand		
Cash	15,371	20,495
At bank in		
current accounts	2,469,735	1,120,083
	-----	-----
	2,485,106	1,140,578
	=====	=====

#### 15. TURNOVER

Sales	301,275,090	376,067,931
Less: Sales tax	37,388,091	40,540,750
	-----	-----
	263,886,999	335,527,181
	=====	=====

#### 16. COST OF SALES

##### Opening stock

Raw materials	32,519,211	35,179,154
Packing materials	1,632,657	1,521,110
	-----	-----
	34,151,868	36,700,264

##### Add: Purchases

Raw materials	137,673,098	156,852,822
Packing materials	25,281,170	32,064,676
	-----	-----
	162,954,268	188,917,498
	-----	-----
	197,106,136	225,617,762

##### Less: Closing stock

Raw materials	43,747,254	32,519,211
Packing materials	1,950,022	1,632,657
	-----	-----
	45,697,276	34,151,868
	-----	-----

Raw and packing materials consumed	151,408,860	191,465,894
Salaries, wages, benefits and other staff welfare expenses, including Rs. 172,322 (1998: Rs.151,524) in respect of staff retirement benefits	4,264,351	4,130,280
Excise duty	26,703,983	59,549,933
Rent, rates and taxes	2,076,632	487,699

Insurance		1,114,010	1,097,044
Light, heat and power		1,963,128	1,596,466
Printing and stationery		282,969	320,311
Postage, telephone and telegrams		19,295	17,868
Laboratory expenses		93,023	77,394
Repairs and maintenance		1,352,453	1,277,893
Travelling and conveyance		97,241	95,346
Vehicle running and maintenance		403,258	338,439
Depreciation	8.1	3,996,284	2,995,164
Operating lease rentals		217,760	379,564
General supplies and utilities		1,232,613	1,603,698
<b>Cost of goods manufactured</b>		<b>195,225,860</b>	<b>265,432,993</b>
Finished goods			
Opening stock		15,977,739	22,930,596
Closing stock		(13,497,552)	(15,977,739)
		<b>2,480,187</b>	<b>6,952,857</b>
		<b>197,706,047</b>	<b>272,385,850</b>

**NOTE**

**1999  
Rupees**

**1998  
Rupees**

**17. ADMINISTRATIVE EXPENSES**

Salaries, wages, benefits and other staff welfare expenses, including Rs.372,046 (1998: Rs.308,316) in respect of staff

retirement benefits		7,957,913	5,640 847
Rent, rates and taxes		25,010	103 685
Insurance		559,992	379 849
Light, heat and power		343,425	312,193
Printing and stationery		764,870	749.67
Postage, telephones and telegrams		856,803	860 980
Repairs and maintenance		544,852	518 286
Depreciation	8.1	1,025,055	974 400
Travelling and conveyance		2,615,273	1,645 782
Vehicle running and maintenance		1,121,842	1,312 668
Subscriptions		281,839	246,378
Legal and professional charges		568,500	312,650
Entertainment		1,733,226	1,729,303
Auditors' remuneration	17.1	437,682	250,764
Donations	17.2	176,600	234,701
Operating lease rentals		2,184,058	2,024,192
General supplies and utilities		1,219,025	2,873,585
		<b>22,415,965</b>	<b>20,169,928</b>

**17.1 Auditors' remuneration**

Audit fee	150,000	115,000
Taxation	174,858	119,120
Audit of workers' profit participation fund, gratuity, provident fund, consultation, etc. and out-of-pocket expenses	112,824	16,644
	-----	-----
	437,682	250,764
	=====	=====

17.2 The directors or their spouses have no interest in the donee funds.

**18. SELLING AND DISTRIBUTION EXPENSES**

Salaries, wages, benefits and other staff welfare expenses, including Rs.204,177 (1998: Rs.195,743)in respect of staff retirement benefits

Transportation		6,122,960	5,665,166
Advertising		9,010,406	8,447,781
Rent, rates and taxes		1,649,403	958,559
Insurance		121,805	293,070
Light, heat and power		479,204	396,534
Printing and stationery		369,730	244,371
Postage, telephones and telegrams		689,645	697,168
Repairs and maintenance		1,309,577	1,268,735
Depreciation	8.1	599,542	369,188
Travelling and conveyance		678,172	639,695
Vehicle running and maintenance		2,076,402	1,743,175
Fee and subscriptions		268,957	152,427
Entertainment		130,163	385,426
Operating lease rentals		280,493	895,606
General supplies and utilities		1,010,844	1,952,543
		5,641,220	3,718,041
		-----	-----
		30,438,523	27,827,485
		=====	=====

**NOTE****1999  
Rupees****1998  
Rupees****19. FINANCIAL CHARGES**

Mark-up on secured short term running finances	9,577,265	9,584,754
Profit on secured morabaha finance	3,146,276	2,925,531
Finance charges in respect of finance leases	164,989	296,584
Interest on Previous year's allocation of Workers' Profit Participation Fund	8,848	102,710
Provident fund	25,141	--

Bank charges, guarantee commission and finance arrangement fee		1,505,268	1,632,463
		-----	-----
		14,427,787	14,542,042
		=====	=====

## 20. OTHER INCOME

Property rentals		1,367,247	1,063,150
Gain on sale of fixed assets	8.3	605,120	266,000
Miscellaneous		43,582	103,382
		-----	-----
		2,015,949	1,432,532
		=====	=====

## 21. LOSS PER SHARE

Loss per share has been computed by dividing net loss for the year after taxation with the number of Ordinary shares issued by the company.

## 22. CASH GENERATED FROM OPERATIONS

Profit before taxation		827,584	1,587,398
Adjustment for non-cash charges and other items			
Depreciation		5,699,511	4,609,259
Provision for staff gratuity		347,201	306,731
Profit on morabaha finance		3,146,276	2,925,531
Mark-up / finance charges		9,742,254	9,881,338
Gain on sale of fixed assets		(605,120)	(266,000)
Working capital changes	22.1	(6,621,804)	10,980,621
		-----	-----
		12,535,902	30,024,878
		=====	=====

### NOTE

**1999**  
**Rupees**

**1998**  
**Rupees**

### 22.1 Working Capital Changes

#### *(Increase) / decrease in current assets*

Stock-in-trade		(9,065,221)	25,046,525
Trade debts		(6,954,603)	(974,798)
Advances		(141,395)	2,126,471
Deposits and prepayments		1,073,320	(1,792,740)
Other receivables		1,830,084	574,225
		-----	-----
		(13,257,815)	24,979,683

#### *Increase / (decrease) in current liabilities*

Creditors		62,103	(11,880,800)
Accrued liabilities		767,858	140,807
Other liabilities		5,806,050	(2,259,069)
		-----	-----
		(6,621,804)	10,980,621

**23. CASH AND CASH EQUIVALENT**

Cash and bank balances	2,485,106	1,140,578
Short term finances	(68,886,332)	(55,828,892)
	-----	-----
	(66,401,226)	(54,688,314)
	=====	=====

**24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES'**

	CHIEF EXECUTIVE		EXECUTIVES	
	1999 Rupees	1998 Rupees	1999 Rupees	1998 Rupees
Managerial remuneration	643,200	536 000	1,611,715	1,174,572
Bonus	172,800	144 000	361,840	254,316
Provident fund	64,320	53 600	135,009	92,047
Gratuity	57,600	48 000	126,022	84,772
Housing	289,440	241,200	645,164	452,802
Telephone	72,140	42 051	22,997	29,538
Reimbursable expenses	25,800	18,061	180,069	466,709
	-----	-----	-----	-----
	1,325,300	1,082,912	3,082,816	2,554,756
	=====	=====	=====	=====
Number of persons	1	1	11	8
	=====	=====	=====	=====

In addition to the above, the Chief Executive and Executives are also entitled to medical, free use of the company's cars and other benefits incidental or relating to their offices in accordance with the rules of the company.

Fee paid to non-executive directors were Rs. 1,000 (1998: Rs. 1,000).

The total number of employees at the end of the year were 101 (1998: 102).

**25. CAPACITY AND PRODUCTION**

The normal capacity of the company's blending plant is 12,000 (1998: 12,000) tones per annum. The actual production for the year ended June 30, 1999 was 4,774 tones. The under utilization of capacity is due to decline in demand.

**26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

These comprise deposits, advances, receivables, cash and bank balances, obligations under finance leases, short term running finances and certain other assets and liabilities.

**(a) Financial assets**

The financial assets of the company amounts to Rs.17.050 (1998: Rs.9.180) million of which none are entitled to interest or are exposed to currency risk.

**Credit risk**

Out of total financial assets of Rs. 17.050 million, Rs.13.024 (1998: Rs.6,571) million are subject to credit risk. The company's credit is concentrated in the government, cement and textile sector. The company manages its credit risk by applying credit limit to its customers.

**(b) Financial liabilities**

The financial liabilities of the company amounts to Rs.77.320 (1998: Rs.64.052) million out of which Rs.69.558 (1998: Rs.57.224) million are interest / markup bearing, which mostly represent short term running finances and lease obligations.

**Interest / mark-up rate risk**

All interest / markup bearing financial liabilities of the company are subject to fixed interest / markup rate.

**(c) Fair value of financial assets and liabilities**

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

**27. STATEMENT OF CHANGES IN EQUITY**

	Share Capital		Revenue Reserves	
	Issued Subscribed and Paid-up Rupees	General Reserve Rupees	Unappropriated Profit Rupees	Total Rupees
Balance as at June 30, 1997	8,000,000	39,400,000	3,037,261	50,437,261
Net loss for the year ended June 30, 1998	--	--	(864,347)	(864,347)
Dividend	--	--	(1,600,000)	(1,600,000)
Balance as at June 30, 1998	8,000,000	39,400,000	572,914	47,972,914
Net loss for the year ended June 30, 1999	--	--	(525,332)	(525,332)
Transfer from general reserve	--	(1,152,418)	1,152,418	--
Dividend	--	--	(1,200,000)	(1,200,000)
Balance as at June 30, 1999	8,000,000	38,247,582	--	46,247,582

**28. COMPARATIVE FIGURES**

Previous year's figures have been re-arranged, wherever considered necessary, for the purposes of comparison.

28.2 Figures have been rounded off to the nearest rupee.

**ANVER MAJID**  
CHIEF EXECUTIVE

**ANIS WAHAB ZUBERI**  
DIRECTOR