

Haroon Oils Limited

Annual Report 2001

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Company Information

BOARD OF DIRECTORS

Begum Almas M. Haroon	CHAIRPERSON
Khaja Habibullah	
Mrs. Amber H. Saigol	
Mr. Nasim Beg	
Mr. Darius Jal Balsara	
Mr. Anis Wahab Zuberi	
Mr. Shabbir Ahmed Dawood Gangat	
Saiyed Hashim Ishaque	CHIEF EXECUTIVE
Ford, Rhodes, Robson, Morrow	AUDITORS
Qadir H. Sayeed	LEGAL ADVISOR
United Bank Limited	BANKERS
Standard Chartered Grindlays	
Hongkong Bank	
(The Hongkong and Shanghai Banking Corporation Limited)	
Faysal Bank Limited	

Al-Meezan Investment Bank Limited

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

REGISTERED OFFICE

Regency Plaza, 120-P
Mini Market, Gulberg II
Lahore.

BRANCH OFFICE

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Seventh Annual General Meeting of the Company will be held at Ballroom Hall "B" of Pearl Continental Hotel, Club Road, Karachi on Thursday, November 15, 2001 at 10:30a.m. in order to transact the following as ordinary business:-

1. To confirm the Minutes of Thirty-Sixth Annual General Meeting held on Saturday, December 30, 2000.
2. To receive and adopt the Thirty-Seventh Annual Report of the Directors and the Audited Accounts of the Company for the year ended June 30, 2001.
3. To consider and approve payment of 7.5% final cash dividend making a total of 15% for the year ended June 30, 2001 as recommended by the Board of Directors.
4. To appoint the auditors and fix their remuneration;
5. To transact any other business with the permission of the Chair.

On Behalf of the Board

KARAC H I
DATED: October 09, 2001

(S. Hashim Ishaque)
Chief Executive

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 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 November 09, 2001 to November 15, 2001 (both days inclusive). Transfers received in order at the registered office of the Company by close of business on November 08, 2001 will be treated in time to determine the entitlement of 7.5% final dividend recommended by the Board of Directors.

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 Company the changes, if any, in their mailing addresses.

REPORT OF DIRECTORS TO SHAREHOLDERS

The Directors would like to present their Report with the Audited Accounts of the Company, for the year ended June 30, 2001.

FINANCIAL RESULTS

Rupees

Profit for the year before taxation	4,914,615
Less: Taxation	
Current	2,446,677
Prior	(47,466)

Net Profit for the year	2,399,211

Unappropriated profit brought forward	2,515,404
	--

Profit available for appropriation	2,515,404

APPROPRIATIONS:-	
Interim dividend at the rate of Rs. 0.75 per ordinary share of Rs. 10/= each.	(600,000)

Proposed final dividend at the rate of Rs. 0.75 per Ordinary share of Rs. 10/= each.	(600,000)

Unappropriated Profit carried forward to Revenue Reserve	1,315,404
	=====

The Board is pleased to inform you that your Company has earned Rs.4.9 million profit before taxation for the year as compared to a loss before taxation of Rs. 10 million during last year: This remarkable improvement is mainly due to strict control on cost and greater emphasis on Retail Trade, which carry higher margins.

In view of the improvement in financial results the Board propose a final cash dividend of 7.5%, which is in addition to the 7.5% interim dividend already paid, makes the total dividend 15% for the year.

MARKETING DEPARTMENT

The Sale Volumes for the year is 5,854 tones as against 6,362 tones last year. The shortfall in Sale Volumes is on account of Contract Business of Pakistan Railway, which your Company could not obtain despite our best efforts.

Some other factors, which affected volumes, were:-

1. Continued economic recession and sluggish industrial activity.
2. Worst drought in living memory.
3. Taxation Survey towards documentation of the economy resisted vigorously by the trading community.
4. Unrestricted flow of finished lubricants from abroad.
5. Frequent increase in the Base oil prices by the National Refinery.

Our disassociation with Gulf since March 2001 has not affected the Company's sale volumes. We have developed Haroon Oils own branded grades for some time now, which are blended to meet internationally approved standards. Market acceptance has been overwhelming helping the Company to continue to improve its market share. Demand of our grades has stabilized to the extent that now customers demand lubricants by Haroon Oils brand name. The Management of the Company has developed a Sales Van for delivery of product at the doorstep of the retailers. The van has been successful in establishing the Company's image in the market.

Your Company has also built a Display Centre in Karachi at the corner of the West Wharf and Dockyard Road. The main purpose of Display Centre is to attract and capture business especially that located near the blending plant of your Company.

PRODUCTION DEPARTMENT

The Production Department of your Company is making efforts to modernize and improve the blending & filling process to make it more cost effective.

They are also developing Container / Packaging material to ensure its acceptability in the market.

The filling process has been improved to increase the filling capacity of 3,4,10 and 20 litres Cans by converting the old manual filling machine to semi automatic machine. A new semi automatic filling and two pneumatic heat-sealing machines have been added during the year. By doing this, the Can filling process has become cost effective and the filling quality has also improved.

Screen printing on 20 litres Can has been introduced to enhance the outlook of the Can to make it more attractive. The screen printing of 3,4 and 10 litres Cans will also be examined.

As part of meeting the market requirement your Company has introduced Plastic drums during the year, the result of which is encouraging.

HUMAN RESOURCES

Union agreement concluded in July 2000 is operative and is being implemented smoothly.

The working relationship between the Management and Haroon Oils Employees Union continues to be cordial and harmonious. Productivity has markedly improved with better inputs and commitment by Management to integrate the Workers in the progressive development and growth of the Company.

In line with the National Industrial Policy, work environs and facilities were considered to be below the general standards. To upgrade the environment and improve the quality & output of work performance and business goals,

a comprehensive renovation and upgradation program was initiated. The primary focus was to improve the facilities for workers, then of production and finally the corporate functioning and main offices.

A Manual for implementing 'Safety, Health and Environment Management System' has been approved by the management. This will be pursued as a major program in line with the upgradation of the ISO-9002 quality System Certificate of your Company.

EARNING PER SHARE

Earning per share of Rs. 10 each is Rs. 3.14 as compared to Rs. (17.06) last year.

AUDITORS

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

PATTERN OF SHAREHOLDINGS

The pattern of Shareholdings of shares as at June 30,2001 is on page # 9.

FUTURE PROSPECTS

Your Company expects to participate in all tender business of Karachi Water & Sewerage Board (KWS&SB), Karachi Development Authority (KDA), Karachi Metropolitan Corporation (KMC), industries controlled by Army Welfare Trust (AWT), Sugar and Cement Industries etc., Pakistan Railways and Defence.

Our ratio of trade between drums of 205 litres and small packages is 70:30. In the last two years since the introduction of plastic containers, we have stabilized growth in our market share of smaller packages. 20 litres for automotive grades were introduced about six months ago and 3 litres packings has also been introduced giving the Company a broader base in terms of packages. As a result of the development of newer packages, we expect to achieve even better results next year.

The Company realises that the key to success is in improving and continuing to maintain quality and to provide good services to all our customers irrespective of business volumes. We aim to develop a strategy to achieve this and thereby trying to create a niche for Haroon Oils Limited.

ACKNOWLEDGEMENT

The Board of Directors would like to take this opportunity to the management and staff, the bankers, all the customers and suppliers, who made our task pleasant.

On Behalf of the Board

KARACHI
DATED: October 09, 2001

(Begum Almas M. Haroon)
Chairperson

PATTERN OF SHAREHOLDINGS

*No. of
Shareholders*

SHAREHOLDING

*Total
Shares Held*

208	Holding from	1	to	100	Shares	11,145
42	Holding from	101	to	500	Shares	10,100
9	Holding from	501	to	1,000	Shares	5,700
14	Holding from	1,001	to	5,000	Shares	21,500
1	Holding from	5,001	to	15,000	Shares	5,100
1	Holding from	15,001	to	20,000	Shares	17,619
1	Holding from	20,001	to	25,000	Shares	21,900
1	Holding from	145,001	to	235,000	Shares	215,536
1	Holding from	235,001	to	240,000	Shares	240,000
1	Holding from	2,500,001	to	255,000	Shares	251,400
1	Holding from					

279
=====

800,000
=====

Categories of Shareholders

	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
INDIVIDUAL	266	74,863	9.36
* INVESTMENT COMPANIES	2	240,100	30.01
** FINANCIAL INSTITUTIONS	3	205,566	25.70
*** INSURANCE COMPANIES	3	27,800	3.47
**** JOINT STOCK COMPANIES	3	251,600	31.45
***** GOVERNMENT BODIES	2	71	0.01
	-----	-----	-----
	279	800,000	100.00
	=====	=====	=====

* Includes OLYMPIA INVESTMENTS LIMITED	240,000	Shares
* Includes NAEEM INVESTMENT TRUST (PVT.) LTD.	100	Shares
** Includes INVESTMENT CORPN. OF PAKISTAN	2,200	Shares
** Includes INVESTMENT CORPN. OF PAKISTAN (SH)	800	Shares
** Includes NATIONAL BANK OF PAKISTAN (TRUSTEE DEPTT)	202,566	Shares
*** Includes PAKISTAN GUARANTEE INSURANCE LTD.	900	Shares
*** Includes PAKISTAN INSURANCE CORPORATION	5,000	Shares
*** Includes ALPHA INSURANCE CO. LIMITED	21,900	Shares
**** Includes MEC SHIPBREAKERS (PVT.) LIMITED	100	Shares
**** Includes HAROON SONS (PVT.) LIMITED	251,400	Shares
**** Includes SALEEM CHAMDIA SECURITIES (PVT.) LTD.	100	Shares
***** Includes CORPORATE LAW AUTHORITY	1	Shares
***** Includes THE ADMINISTRATOR ABANDONED PROPERTIE	70	Shares

STATISTICAL SUMMARY

		<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>
Subscribed Ordinary Share Capital	Rs'.000	8,000	8,000	8,000	8,000	8,000	8.00	8,000

Reserve and Unappropriated Profit	Rs'.000	17,465	17,632	20,751	30,000	34,404	42,437	39,973
Capital Employed	Rs'.000	25,465	25,632	28,751	38,000	42,404	50,437	47,973
Sale Proceeds	Rs'.000	396,068	324,196	389,835	502,644	481,472	464,491	376,068
Sale Volumes	MT.	12,953	10,508	9,959	11,852	9,634	8,095	7,103
Profit / (Loss) Before Tax	Rs'.000	5,836	5,357	13,010	20,226	21,137	12,942	1,587
Profit / (Loss) After Tax	Rs'.000	2,087	2,167	5,719	11,848	11,004	6,633	(864)
Profit / (Loss) After Tax Percent of	%	0.53	0.67	1.47	2.36	2.29	1.43	(0.23)
Profit / (Loss) After Tax Percent of	%	2.39	2.96	5.95	9.90	8.60	5.22	(0.76)
Profit / (Loss) After Tax Percent of	%	8.20	8.45	18.24	31.18	23.71	13.15	(1.80)
Dividend Rupee Per share	Rs.	2.00	2.50	3.25	3.25	3.25	3.25	2.00
Dividend Percent of Subscribed C	%	20.00	25.00	32.50	32.50	32.50	32.50	20.00
Break-up Value of Share	Rs.	31.83	32.04	35.94	47.50	58.00	63.04	59.97
Earning / (Loss) Per Share	Rs.	2.61	2.71	7.15	14.18	13.75	8.29	(1.08)

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **HAROON OILS LIMITED** as at June 30, 2001 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 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 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 June 30, 2001 and of the profit, its cash flows 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.

Karachi: October 09, 2001

Ford, Rhodes, Robson, Morrow
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2001</i> <i>Rupees</i>
TANGIBLE FIXED ASSETS			
Operating fixed assets at cost less accumulated depreciation	3	34,254,452	35,011,525
LONG TERM DEPOSITS	4	4,772,486	1,004,178
CURRENT ASSETS			
Stock-in-trade	5	25,162,426	47,001,478
Trade debts	6	53,827,387	4,673,795
Advances, deposits, prepayments and other receivables	7	11,876,292	16,480,999
Cash and bank balances	8	6,868,532	1,385,471
		-----	-----
		97,734,637	69,541,743
		-----	-----
		136,761,575	105,557,446
		=====	=====
CAPITAL AND RESERVES			
Share capital			
Authorised			
1,500,000 ordinary shares of Rs. 10 each		15,000,000	15,000,000
		=====	=====

Issued, subscribed and paid-up 800,000 (2000: 800,000) ordinary shares of Rs.10 each fully paid in cash		8,000,000	8,000,000
Revenue reserves	9	25,917,702	24,602,298
		-----	-----
		33,917,702	32,602,298
OBLIGATIONS UNDER FINANCE LEASES	10	2,098,131	84,356
CURRENT LIABILITIES			
Current portion of obligations under finance leases		632,292	205,295
Short term finances	11	82,972,644	64,015,393
Creditors, accrued and other liabilities	12	16,207,196	8,513,063
Unclaimed dividend		333,610	137,041
Proposed dividend		600,000	--
		-----	-----
		100,745,742	72,870,792
CONTINGENCY AND COMMITMENTS	13		
		-----	-----
		136,761,575	105,557,446
		=====	=====

The annexed notes form an integral part of these accounts.

S. Hashim Ishaque
Chief Executive

Nasim Beg
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30,2001**

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
TURNOVER	14	322,008,511	356,812,510
Cost of sales	15	261,901,968	309,511,622
		-----	-----
GROSS PROFIT		60,106,543	47,300,888
		-----	-----
Administrative expenses	16	17,024,831	21,979,490
Selling and distribution expenses	17	24,684,032	22,785,034
		-----	-----
		41,708,863	44,764,524
		-----	-----
OPERATING PROFIT		18,397,680	2,536,364

OTHER CHARGES			
Financial charges	18	14,817,841	14,434,125
Workers' profit participation fund		266,248	--
Workers' welfare fund		144,104	154,300
		-----	-----
		15,228,193	14,588,425
		-----	-----
		3,169,487	(12,052,061)
OTHER INCOME	19	1,745,128	2,028,561
		-----	-----
PROFIT / (LOSS) BEFORE TAXATION		4,914,615	(10,023,500)
TAXATION			
Current		2,446,677	1,784,062
Prior		--	2,658,027
Deferred	20	--	(820,305)
		-----	-----
		2,399,211	3,621,784
		-----	-----
PROFIT / (LOSS) AFTER TAXATION		2,515,404	(13,645,284)
APPROPRIATIONS			
Transfer from general reserves		--	13,645,284
Interim dividend at the rate of Rs.0.75 (2000: Nil) per ordinary share of Rs.10 each		(600,000)	--
Proposed final dividend at the rate of Rs.0.75 (2000: Nil) per ordinary share of Rs.10 each		(600,000)	--
UNAPPROPRIATED PROFIT CARRIED FORWARD TO REVENUE RESERVES		-----	-----
		1,315,404	--
		=====	=====
EARNINGS / (LOSS) PER SHARE	21	3.14	(17.06)
		=====	=====

The annexed notes form an integral part of these accounts.

S. Hashim Ishaque
Chief Executive

Nasim Beg
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2001**

<i>Note</i>	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>

CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	22	33,073,624	28,371,121
Profit on morabaha finance paid		(2,433,938)	(3,434,085)
Mark-up / finance charges paid		(11,909,668)	(12,277,737)
Staff gratuity paid		(594,200)	(335,024)
Taxes refund / (paid) net of provisions		4,772,479	(2,328,909)
		-----	-----
NET CASH INFLOW FROM OPERATING ACTIVITIES		22,908,297	9,995,366
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(2,008,817)	(6,085,988)
Long term deposits		(3,768,308)	(467,950)
Sale proceed of fixed assets		118,926	1,816,277
		-----	-----
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(5,658,199)	(4,737,661)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for obligations under finance leases		(320,857)	(295,221)
Dividend paid		(403,431)	(1,191,180)
		-----	-----
Net cash outflow from financing activities		(724,288)	(1,486,401)
		-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS		16,525,810	3,771,304
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE Y		(46,629,922)	(50,401,226)
		-----	-----
CASH AND CASH EQUIVALENTS AT THE END	23	(30,104,112)	(46,629,922)
		=====	=====

The annexed notes form an integral part of these accounts.

S. Hashim Ishaque
Chief Executive

Nasim Beg
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Share capital</i>		<i>Revenue reserves</i>		<i>Total Rupees</i>
	<i>Issue subscribed and paid-up Rupees</i>		<i>General reserve Rupees</i>	<i>Unappropriated Profit Rupees</i>	
Balance as at June 30, 1999	8,000,000		38,247,582	--	46,247,582
Net loss after taxation for the year					

ended June 30, 2000	--	--	(13,645,284)	(13,645,284)
Transfer from general reserve	--	(13,645,284)	13,645,284	--
	-----	-----	-----	-----
Balance as at June 30, 2000	8,000,000	24,602,298	--	32,602,298
Net profit after taxation for the year ended June 30, 2001	--	--	2,515,404	2,515,404
Interim dividend	--	--	(600,000)	(600,000)
Proposed final dividend	--	--	(600,000)	(600,000)
	-----	-----	-----	-----
Balance as at June 30, 2001	8,000,000	24,602,298	1,315,404	33,917,702
	=====	=====	=====	=====

S. Hashim Ishaque
Chief Executive

Nasim Beg
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30,2001

1. THE COMPANY AND ITS OPERATIONS

Haroon Oils Limited is one of the leading companies in Pakistan, engaged in the business of blending and sale of lubricating oils and greases. The Company was incorporated as a public limited Company on May 30, 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 3 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 asset 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 retired. Gains and losses on disposal of assets are taken to profit and loss account.

(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 financial charges allocated to future periods are shown as liability. The financial charge to date are calculated at the mark-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

Transactions 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

Current

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

The Company accounts for deferred taxation using the liability method on all significant timing differences, excluding tax effect on those timing differences which are not likely to reverse in the foreseeable future. The net deferred tax debit balance (asset), if any, is, however, not recognized in the accounts.

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 and profit on savings bank account are accounted for on an accrual basis

3. OPERATING FIXED ASSETS

	COST			At June 30, 2001 Rupees	Rate %	ACCUMULATED DEPRECIATION		
	At July 1, 2000 Rupees	Additions Rupees	(Disposals) Rupees			At July 1, 2000 Rupees	For the year Rupees	Adjustments (disposals) Rupees
Owned								
Leasehold land	950,000	--	--	950,000	--	--	--	--
Building on leasehold land								
Factory	9,878,772	1,337,068	--	11,215,840	5	2,983,609	493,069	--
Office- Karachi	12,168,843	432,260	--	12,601,103	5	6,289,031	588,743	--
Lahore	3,303,808	--	--	3,303,808	5	261,551	165,190	--
Plant, machinery and boiler	8,955,463	24,700	--	8,980,163	10	4,971,268	639,373	--
Storage tank and pipe lines	25,141,217	--	--	25,141,217	10	16,004,734	2,249,101	--
Electrical installations	2,878,645	--	--	2,878,645	10	1,653,088	173,190	--
Laboratory equipments	1,195,097	--	--	1,195,097	10	913,819	99,213	--
Office equipments	1,974,178	169,050	(63,775)	2,079,453	10-20	1,429,309	178,704	71,500
								(48,681)
Airconditioner	4,891,573	207,030	(621,890)	4,476,713	20	4,162,683	260,370	27,262
								(567,931)
Computers	1,524,441	28,900	(38,000)	1,515,341	20	1,078,474	181,256	(12,033)
Furniture and fixtures	1,738,461	31,200	--	1,769,661	10	774,453	156,320	--
Vehicles	2,185,596	17,655	--	2,203,251	20	1,682,453	141,473	--
	-----	-----	-----	-----		-----	-----	-----
	76,786,094	2,247,863	(723,665)	78,310,292		42,204,472	5,326,002	98,762
								(628,645)
	-----	-----	-----	-----		-----	-----	-----
Leased								
Plant, machinery and boiler	--	821,505	--	821,505	10	--	--	--
Laboratory equipments	--	1,090,000	--	1,090,000	10	--	7,084	--
Office equipments	395,850	182,324	(130,000)	448,174	20	128,484	77,003	(71,500)
Airconditioner	109,046	348,300	(109,046)	348,300	20	25,444	1,818	(27,262)
Computers	102,959	319,500	--	422,459	20	24,024	20,592	--
	-----	-----	-----	-----		-----	-----	-----
	607,855	2,761,629	(239,046)	3,130,438		177,952	106,497	(98,762)
	-----	-----	-----	-----		-----	-----	-----
June 30, 2001	77,393,949	5,009,492	(962,711)	81,440,730		42,382,424	5,432,499	98,762
								(727,407)
	=====	=====	=====	=====		=====	=====	=====
June 30, 2000	75,202,185	9,594,488	(7,402,724)	77,393,949		38,942,698	6,164,377	(2,724,651)
	=====	=====	=====	=====		=====	=====	=====

3.1 Depreciation for the year has been allocated as follows:

Note *2001* *2000*

		<i>Rupees</i>	<i>Rupees</i>
Cost of sales	15	3,653,946	4,551,400
Administrative	16	1,635,262	1,354,493
Selling and distribution	17	143,291	258,484
		-----	-----
		5,432,499	6,164,377
		=====	=====

3.2 Details of operating fixed assets sold are as follows:

<i>Particular of ass</i>	<i>Cost Rupees</i>	<i>Accumulated depreciation Rupees</i>	<i>Written down value Rupees</i>	<i>Sale proceeds Rupees</i>	<i>Mode of Sale</i>	<i>Particular of Buyers</i>
Airconditioner	24,500	11,433	13,067	13,067	By negotiation	Mr. G. Nizamuddin - Ex Employee D/16, Block No.4, Gulshan-e-Iqbal, Karachi.
Airconditioner	60,015	19,123	40,892	40,892	By negotiation	Mr. G. Nizamuddin - Ex Employee D/16, Block No.4, Gulshan-e-Iqbal, Karachi.
Airconditioner	20,575	20,575	--	3,500	By negotiation	Mr. Ahsan Abidi - Employee C/o. Haroon Oils Limited
Airconditioner	516,800	516,800	--	26,000	By negotiation	Star Cooling Centre, Shop No.527, Khayaban-e-Jamil, Defence Housing Authority, Karachi.
Laser printer	38,000	12,033	25,967	25,967	By negotiation	Mr. G. Nizamuddin - Ex Employee D/16, Block No.4, Gulshan-e-Iqbal, Karachi.
Mobile phone	25,875	10,781	15,094	2,000	By negotiation	Mr. Naushad Waqar Khan, E-9, Mohammad Ali Housing, Society Ghazi Salahuddin Road, Karachi.
Typewriter	37,900	37,900	--	7,500	By negotiation	Lion Traders, 81, Frere Market, Shahrah-e-Liaquat, Karachi.
	-----	-----	-----	-----		
	723,665	628,645	95,020	118,926		
	=====	=====	=====	=====		

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
4. LONG TERM DEPOSITS			
Security deposits		4,844,893	1,221,914
Less: Current portion shown under current assets		72,407	217,736
		-----	-----
		4,772,486	1,004,178
		=====	=====
5. STOCK-IN-TRADE			
Raw materials		9,533,861	34,956,296
Packing materials	5.1	2,655,016	1,584,453
Finished goods		12,973,549	10,460,729
		-----	-----
		25,162,426	47,001,478
		=====	=====
5.1 Included in the above, stocks amounting to Rs.111,054 (2000: Nil) are lying with the suppliers which are for the utilization of the company as per terms of business."			
6. TRADE DEBTS			
Unsecured			
Considered good		53,827,387	4,673,795
Considered doubtful		150,000	150,000
		-----	-----
		53,977,387	4,823,795
Less: Provision for debts considered doubtful		150,000	150,000
		-----	-----
		53,827,387	4,673,795
		=====	=====
7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
Employees		27,356	33,203
Suppliers		2,147,298	205,974
Income-tax - net		7,842,305	5,949,969
		-----	-----
		10,016,959	6,189,146
Deposit			
Current portion of long term deposits		72,407	217,736
Earnest money		453,144	100,000
		-----	-----
		525,551	317,736
Prepayments			

Insurance	--	145,745
Maintenance	--	57,001
Letter of credit	--	18,270
Advertisement	647,490	--
Miscellaneous	55,340	54,163
	-----	-----
	702,830	223,878

Other receivables

Excise duty	328,737	531,297
Income-tax refundable	--	9,064,026
Miscellaneous	302,215	154,916
	-----	-----
	630,952	9,750,239
	-----	-----
	11,876,292	16,480,999
	=====	=====

8. CASH AND BANK BALANCES

In hand	87,386	12,362
At banks:		
- in current accounts	3,239,769	1,373,109
- in savings account	3,541,377	--
	-----	-----
	6,868,532	1,385,471
	=====	=====

9/ REVENUE RESERVES

General reserve

At the beginning of the year	24,602,298	38,247,582
Transfer from / to appropriation account	--	(13,645,284)
	-----	-----
	24,602,298	24,602,298
Unappropriated profit	1,315,404	--
	-----	-----
	25,917,702	24,602,298
	=====	=====

10. OBLIGATIONS UNDER FINANCE LEASES

The company has entered into various finance lease agreements in respect of computers, air conditioners, office equipments and laboratory equipments. The rate of interest used as the discounting factor ranges between 19.00% to 22.00% (2000: 22.46% to 26.13%) per annum.

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

June 30, 2001

June 30, 2000

	<i>Minimum lease payments Rupees</i>	<i>Present value of payments Rupees</i>	<i>Minimum lease payments Rupees</i>	<i>Present value of payments Rupees</i>
Upto one year	1,026,609	623,292	232,550	205,295
One year to three years	2,078,643	1,647,983	88,871	84,356
Three years to five years	534,305	459,148	--	--
	-----	-----	-----	-----
	3,639,557	2,730,423	321,421	289,651
Financial charges allocated to future periods	(909,134)	--	(31,770)	--
	-----	-----	-----	-----
	2,730,423	2,730,423	289,651	289,651
Current maturity shown under current liabilities	(632,292)	(632,292)	(205,295)	(205,295)
	-----	-----	-----	-----
Long term portion	2,098,131	2,098,131	84,356	84,356
	=====	=====	=====	=====

The company has an option to acquire leased assets after the expiry of lease term at the agreed residual values and there are no financial restrictions in the lease agreements.

11. SHORT TERM FINANCES

		<i>2001 Rupees</i>	<i>2000 Rupees</i>
Secured			
Term loan	11.1	5,000,000	--
Running finances - under mark-up arrangements	11.2	36,972,644	48,015,393
Morabaha finance - under Islamic banking	11.3	41,000,000	16,000,000
		-----	-----
		82,972,644	64,015,393
		=====	=====

11.1 Term loan

During the year the Company has converted its running finance facility available from one of the commercial bank into short-term loan. The tenure of this arrangement is 180 days. The facility is available upto Rs.7.5 million.

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

The loan carries mark-up at the rate of 17% per annum.

11.2 Running finances

The facilities for short term running finances available from commercial banks amount to Rs.37.5 million (2000:

Rs.50 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 17% (2000: 14.5% to 17%) per annum.

11.3 Morabaha finance

The facilities for morabaha finance available from the commercial and investment banks amount to Rs.41 million (2000:Rs.16 million).

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

The tenure of these arrangements is 180 days.

Profit @ 16% to 18% (2000: 16%) is payable on Morabaha which is accounted for on a pro-rata basis over the term of the agreement.

11.4 Unavailed facility

The facility available under mark-up arrangements amounts to Rs.86 million (2000:Rs.66 million) out of which the amount unavailed at the year end was Rs.3.027 million (2000:Rs.1.985 million)

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
12. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		5,481,753	768,602
Accrued liabilities			
Accrued expenses		3,442,410	2,539,349
Mark-up on secured short term running finances		1,799,369	2,292,329
Profit on secured morabaha finance		770,190	280,548
Other liabilities			
Security deposits		100,000	100,000
Advances from customers		1,055,378	653,541
Advance rent from tenant		480,955	--
Sales-tax payable		2,499,394	1,779,694
Tax deducted at source		167,395	10,570
Workers' profit participation fund	12.1	266,248	--
Workers' welfare fund		144,104	79,965
Others		--	8,465
		-----	-----
		4,713,474	2,632,235
		-----	-----
		16,207,196	8,513,063
		=====	=====

12. Workers' profit participation fund

Balance at the beginning of the year	--	45,875
Interest on funds utilised in company's business	--	4,034
	-----	-----
	--	49,909
Less: Amount paid to and on behalf of the Trustees of the Fund	--	49,909
	-----	-----
	--	--
Allocation for the year	266,248	--
	-----	-----
	266,248	--
	=====	=====

13. CONTINGENCY AND COMMITMENTS**Contingency**

- Letters of guarantee	4,308,324	14,053,741
	=====	=====

Commitments

- Outstanding commitments under letters of credit	--	2,786,501
	=====	=====

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

2001	--	2,827,257
2002	3,386,630	2,267,964
2003	2,619,407	941,904
2004	2,248,404	447,696
2005	2,194,377	393,668
2006	1,125,548	--
	-----	-----
	11,574,366	6,878,489
	=====	=====

14. TURNOVER

Sales	371,238,572	410,886,536
Less: Sales-tax	49,230,061	54,074,026
	-----	-----
	322,008,511	356,812,510
	=====	=====

15. COST OF SALES**Opening stock**

Raw materials	34,956,296	43,747,254
Packing materials	1,584,453	1,950,022
	-----	-----

	36,540,749	45,697,276
Add: Purchases		
Raw materials	144,405,732	203,023,371
Packing materials	32,576,486	27,156,955
	-----	-----
	176,982,218	230,180,326
	-----	-----
	213,522,967	275,877,602
Less: Closing stock		
Raw materials	9,533,861	34,956,296
Packing materials	2,655,016	1,584,453
	-----	-----
	12,188,877	36,540,749
	-----	-----
Raw and packing materials consumed	201,334,090	239,336,853
Salaries, wages, benefits and other staff welfare expenses, including Rs.331,549 (2000: Rs.172,322)in respect of staff retirement benefits	5,934,651	5,513,063
Excise duty	45,402,560	48,708,375
Rent, rates and taxes	3,358,549	1,137,801
Insurance	465,162	1,159,539
Light, heat and power	1,326,735	1,682,289
Printing and stationery	125,536	240,149
	-----	-----
Total carried forward	257,947,283	297,778,069
	=====	=====
Total brought forward	257,947,283	297,778,069
Postage, telephone and telegrams	45,415	25,311
Laboratory expenses	175,732	138,798
Repairs and maintenance	1,131,069	2,077,785
Travelling and conveyance	194,361	172,434
Entertainment	398,872	184,000
Vehicle running and maintenance	162,498	431,462
Depreciation	3,653,946	4,551,400
Operating lease rentals	289,062	528,248
General supplies and utilities	416,550	587,292
	-----	-----
Cost of goods manufactured	264,414,788	306,474,799
Finished goods		
Opening stock	10,460,729	13,497,552
Closing stock	(12,973,549)	(10,460,729)
	-----	-----
	(2,512,820)	3,036,823
	-----	-----

	261,901,968	309,511,622
	=====	=====

16. ADMINISTRATIVE EXPENSES

Salaries, wages, benefits and other staff welfare expenses, including Rs.373,863 (2000: Rs.389,853) in respect of staff

retirement benefits		9,528,319	9,842,451
Rent, rates and taxes		69,542	333,990
Insurance		303,643	361,216
Light, heat and power		392,223	561,900
Printing and stationery		473,128	443,982
Postage, telephones and telegrams		315,973	586,707
Repairs and maintenance		405,437	588,015
Depreciation	3.1	1,635,262	1,354,493
Travelling and conveyance		241,823	1,291,594
Vehicle running and maintenance		521,040	756,120
Subscriptions		327,847	146,981
Legal and professional charges		360,867	806,102
Entertainment		181,368	1,232,683
Auditors' remuneration	16.1	745,342	485,930
Donations	16.2	146,600	201,500
Operating lease rentals		1,223,627	1,846,466
General supplies and utilities		152,790	1,139,360
		-----	-----
		17,024,831	21,979,490
		=====	=====

16.1 Auditors' remuneration

Audit fee		200,000	150,000
Taxation		454,953	210,547
Out-of-pocket expenses		90,389	125,383
		-----	-----
		745,342	485,930
		=====	=====

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

17. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages, benefits and other staff welfare expenses, including Rs.530,522 (2000: Rs.440,570) in respect of staff

retirement benefits		8,623,546	6,051,735
Transportation		6,922,929	5,326,566
Advertising and sales promotion		3,301,774	4,028,151
Rent, rates and taxes		241,075	44,681
Insurance		740,992	536,426
Light, heat and power		372,171	383,443
Printing and stationery		218,339	437,490
Postage, telephones and telegrams		591,112	825,044

Repairs and maintenance		229,342	995,096
Depreciation	3.1	143,291	258,484
Travelling and conveyance		901,331	590,140
Vehicle running and maintenance		480,060	311,879
Fee and subscriptions		524,782	62,083
Entertainment		139,724	276,567
Operating lease rentals		1,060,329	751,586
General supplies and utilities		193,236	1,905,663
		-----	-----
		24,684,032	22,785,034
		=====	=====

18. FINANCIAL CHARGES

Mark-up on secured short term running finances		11,393,969	11,272,499
Profit on secured morabaha finance		2,923,580	2,655,320
Finance charges in respect of finance leases		22,739	59,913
Interest on previous year's allocation of workers' profit participation fund		--	4,034
Bank charges, guarantee commission and finance arrangement fee		477,553	442,359
		-----	-----
		14,817,841	14,434,125
		=====	=====

19. OTHER INCOME

Property rentals		1,179,334	1,293,565
Gain on sale of fixed assets		23,906	646,704
Profit on savings bank account		44,926	--
Liability no more payable written back		79,965	--
Miscellaneous		416,997	88,292
		-----	-----
		1,745,128	2,028,561
		=====	=====

20. DEFERRED TAXATION

Cumulative deferred taxation upto June 30, 2001 on major timing differences relating to accelerated tax depreciation allowances and carry forward loss for the prior year amounts to Rs. 2,268,741 debit (2000: Rs. 94,735 debit), of which Rs. 2,174,006 debit relates to the current year(2000: Rs. 915,040 debit).

21. EARNINGS / (LOSS) PER SHARE

Profit / (loss) after taxation		2,515,404	(13,645,284)
		=====	=====
Number of ordinary shares		800,000	800,000
		=====	=====
Basic earning / (loss) per share		3.14	(17.06)
		=====	=====

There is no dilutive effect on the earnings per share of the Company.

22. CASH GENERATED FROM OPERATIONS

Profit / (loss) before taxation		4,914,615	(10,023,500)
Adjustment for non-cash charges and other items			
Depreciation		5,432,499	6,164,377
Provision for staff gratuity		512,501	313,296
Profit on morabaha finance		2,923,580	2,655,320
Mark-up / finance charges		11,416,708	11,332,412
Profit on worker's profit participation fund		--	4,034
Gain on sale of fixed assets		(23,906)	(646,704)
Working capital changes	22.1	7,897,627	18,571,886
		-----	-----
		33,073,624	28,371,121
		=====	=====

22.1 Working Capital Changes**(Increase) / decrease in current assets**

Stock-in-trade		21,839,052	12,193,350
Trade debts		(49,153,592)	7,968,581
Advances		(1,935,477)	830,517
Deposits and prepayments		(686,767)	1,318,911
Other receivables		55,261	130,881
		-----	-----
		(29,881,523)	22,442,240

Increase (decrease) in current liabilities

Short term finances		30,000,000	--
Creditors		4,713,151	139,368
Accrued liabilities		984,760	623,706
Other liabilities		2,018,239	(4,633,428)
		-----	-----
		7,897,627	18,571,886
		=====	=====

23. CASH AND CASH EQUIVALENT

Cash and bank balances		6,868,532	1,385,471
Short term finances		(36,972,644)	(48,015,393)
		-----	-----
		(30,104,112)	(46,629,922)
		=====	=====

24. REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVES'

<i>Chief Executive</i>		<i>Executives</i>	
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>

June 30, 2001	--	--	--	61,355,247	4,772,486	66,127,733	66,127,733	7,679,506
June 30, 2000	--	--	--	6,675,328	1,004,178	7,679,506	7,679,506	
FINANCIAL LIABILITIES								
Obligation under finance lease	632,292	2,098,131	2,730,423	--	--	--	2,730,423	289,651
Short term finances	82,972,644	--	82,972,644	--	--	--	82,972,644	64,015,393
Creditors, accrued and other liabilities	--	--	--	12,652,424	--	12,652,424	12,652,424	7,749,640
June 30, 2001	83,604,936	2,098,131	85,703,067	12,652,424	--	12,652,424	98,355,491	72,054,684
June 30, 2000	64,220,688	84,356	64,305,044	7,749,640	--	7,749,640	72,054,684	

26.2 (a) Financial assets

The financial assets of the company amounts to Rs.66.128 (2000: Rs.7.679) million of which none are entitled to interest or are exposed to currency risk.

Credit risk

Out of total financial assets of Rs.66.128 million, Rs.54.487 (2000: Rs.5.039) 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 limits to its customers.

(b) Financial liabilities

The financial liabilities of the company amount to Rs.98.743 (2000: Rs.72.055) million out of which Rs.85.703 (2000: Rs.64.305) million are interest / mark-up bearing, which mostly represent short term finances and lease obligations.

Interest / mark-up rate risk

All interest / mark-up bearing financial liabilities of the company are subject to fixed interest / mark-up 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. COMPARATIVE FIGURES

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

27.2 Figures have been rounded off to the nearest rupee.

S. Hashim Ishaque
Chief Executive

Nasim Beg
Director