

Polypropylene Products Ltd.

Annual Report 2002

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Company Information

Board of Directors	Mr. Razzak H. Mohammed Mr. Salim H. Mohammed Mr. Shabbir S. Mohammed Mr. Ather Husain Medina Mr. Iqbal Parekh Mr. Fatehali R. Mohamed Mr. A. Q. Malik Mr. Mohammed Zafar Iqbal	Chairman Chief Executive
Audit Committee	Mr. Shabbir S. Mohammed Mr. A. Q. Malik Mr. Mohammed Zafar Iqbal	
Company Secretary	Mr. Akber Ali Nanji	
Bankers	Bank AL Habib Limited Faysal Bank Limited Habib Bank AG Zurich Metropolitan Bank Limited	
Auditors	Ford, Rhodes, Robson, Morrow Chartered Accountants	
Factory	Korangi, Karachi.	
Registered	7th Floor, Trade Centre,	

Office

I.I. Chundrigar Road,
Karachi.

Directors' Report to the Shareholders for the year ended June 30, 2002

The Board of Directors of your Company is pleased to submit herewith the twenty-ninth annual report together with the audited accounts and the Auditors' Report for the year ended June 30, 2002.

Financial Results

	<i>Rupees</i>
Profit after taxation	3,875,56
Increase due to adoption of International Accounting Standard 39	4,531,73
Unappropriated profit brought forward	1,435,94

Profit available for appropriation	9,843,23
Appropriations:	
Proposed - Cash Dividend @ 15% (Re. 0.75 per share)	3,000,00
Transfer to general reserve	3,000,00

Unappropriated profit carried forward	3,843,23
	=====

By the Grace of Allah the Company has shown an after tax net profit of Rs. 3.87 million for the year ended June 30, 2002 and the Board of Directors have recommended cash dividend of 15 %.

As mentioned in note 2.3 & 2.4 of notes to the financial statements, due to adoption of IAS 39 unappropriated profit brought forward was restated by Rs. 4,531,731 increasing total from Rs. 1,435,942 to Rs. 5,967,673.

Review of operations

The production was further reduced by 18% from 8.7 million metres last year to 7.1 million metres in the year under review, which constitutes only 35% of plant capacity. The production was further reduced due to excessive supply of PP bags, which created an unhealthy competition and forced the manufacturers to keep prices below cost. The net sales also decreased by about 30% from Rs. 80.6 million to Rs. 56.1 million due to decrease in production and low opening inventory at the beginning of the year.

The Company incurred operating loss of Rs. 4.2 million during the year ended June 30, 2002, but substantial reduction in financial charges and increase in income from investments brought the Company into net profit of Rs. 3.87 million.

Future Prospects

The situation in PP bag business has worsened because of continuing excess supply over demand and unhealthy competition with the unorganized sector. Manufacturing of PP bags is being continued only to a limited extent to remain in the business and when there is reasonable contribution towards fixed cost.

The Company is not making any significant amount of profit from the business of manufacturing PP bags. There is a reasonable income from investments but the operating losses absorb a large part of it hence there is no sizeable net profit before taxation. In order to improve bottom line results of the Company various options are being explored.

Corporate Governance

The management of the Company has initiated implementation of code of corporate governance added in the listing regulations of Stock Exchanges.

The Company maintains proper books of account as required by the Companies Ordinance, 1984 and effectively

implements and monitors sound internal control systems. There are no significant doubts upon the Company's ability to continue as a going concern. The Financial statements prepared by the management

- gives a true and fair view of the state of the Company's affairs
- are in conformity with the International Accounting Standards, as applicable in Pakistan
- have consistently applied appropriate accounting policies and estimates are based on reasonable and prudent judgement and,
- there has been no material departure from best practices of corporate governance.

Key financial and operating data

These has been summarised for the following six years

	2002	2001	2000
	-----Rupees in 000's-----		
Capital	20,000	20,000	20,000
Reserves	50,926	41,436	42,026
Deferred liabilities	3,819	5,513	10,013
Current liabilities	16,173	12,103	41,233
	-----	-----	-----
Total Equity & Liability	90,918	79,052	113,273
	-----	-----	-----
Operating fixed assets	9,831	11,425	13,111
Long term investments/deposits	32,425	24,330	25,271
Current assets	48,662	43,297	74,881
	-----	-----	-----
Total Assets	90,918	79,052	113,273
	-----	-----	-----
Net Sales	56,104	80,556	127,171
Cost of Sales	(52,244)	(77,026)	(122,671)
	-----	-----	-----
Gross Profit	3,860	3,530	4,499
Operating expenses	(8,066)	(7,810)	(12,266)
	-----	-----	-----
Operating profit/(loss)	(4,206)	(4,280)	(7,766)
Financial & other charges	(1,781)	(4,143)	(2,331)
	-----	-----	-----
Other income	(5,987)	(8,423)	(10,111)
	8,872	8,264	7,481
	-----	-----	-----
Net profit/(loss) before tax	2,885	(159)	(2,631)
Taxation	990	(429)	241
	-----	-----	-----
Net profit after tax	3,875	(588)	(2,390)
	-----	-----	-----
Basic earnings / (loss) per share-Rs.	0.97	(0.15)	(0.63)
	-----	-----	-----

Board of Directors meeting

During the year under review the Board of Directors held three meetings. Mr. Ather Hussain Medina, present NIT representative was elected as Director in place of previous NIT Director Ms. Farzana Munaf.

Board of Directors	Number of Meetings attended
Mr. Razzak H. Mohammed	3
Mr. Salim H. Mohammed	3
Mr. Shabbir S. Mohammed	3
Mr. Iqbal Parekh	2
Mr. Fatahali R. Mohamed	1
Mr. A. Q. Malik	3
Mr. Mohammed Zafar Iqbal (Chief Executive)	3
Ms. Farzana Munaf (N.I.T. Director)	
Mr. Ather Husain Medina (N.I.T. Director)	

Pattern of shareholding

The pattern of shareholding as at June 30, 2002 is shown on Page 22.

Auditors:

The present Auditors of the Company, Ford, Rhodes, Robson, Morrow, Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year 2002-2003.

Your Directors would like to thank the workers and staff of the Company for working with enthusiasm, loyalty and devotion to duty.

On behalf of the Board

RAZZAK H. MOHAMMED
Chairman

Karachi: August 17, 2002

Auditors' Report to the Members

We have audited the annexed balance sheet of POLYPROPYLENE PRODUCTS LIMITED as at June 30, 2002 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, except for the changes as stated in notes 2.3 with which we concur;

(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, 2002 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Ford, Rhodes, Robson, Morrow
Chartered Accountants

Karachi: August 17, 2002

BALANCE SHEET AS AT JUNE 30, 2002

	<i>Note</i>	<i>2002 Rupees</i>
Non current assets		
Operating fixed assets	3	9,831,20
Long-term investments	4	31,701,94
Long-term loans and deposits	5	722,63
Current assets		
Stores and spares	6	1,304,98
Stock-in-trade	7	1,475,05
Trade debtors	8	12,093,71
Advance income-tax		2,377,58
Dividends/profit accrued on investments		9,207,50
Advances, deposits and prepayments	9	739,55
Short-term investment	10	20,000,00
Cash and bank balances	11	1,463,92

		48,662,31

Total assets		90,918,14
<hr/>		
Share capital and reserves		
Share capital:		
Authorised:		
6,000,000 (2000: 6,000,000) ordinary shares of Rs. 5 each		30,000,00
<hr/>		
Issued, subscribed and paid-up	12	20,000,00
Reserves	13	50,925,92
<hr/>		
Shareholders' equity		70,925,92
Deferred liability	14	3,819,36
Current liabilities		
Short-term running finance	15	7,500,00
Creditors, accrued and other liabilities	16	1,980,91
Provision for taxation		3,071,00
Unclaimed dividend		620,92
Proposed dividend		3,000,00
<hr/>		
Contingencies and commitments	17	16,172,80
<hr/>		
Total shareholders' equity and liability		90,918,14
<hr/>		

The accounting policies and explanatory notes form an integral part of these financial statements.

Mohammed Zafar Iqbal
Chief Executive

Salim H. Mohammed
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2002

	<i>Note</i>	<i>2002</i> <i>Rupees</i>
Turnover		
Cost of sales	18	56,104,02
	19	(52,243,75)
<hr/>		
Gross Profit		3,860,27
Operating expenses:		
Administrative expenses	20	(4,620,38)
Selling expenses	21	(3,445,68)
<hr/>		
Operating loss		(8,066,06)
<hr/>		
Other charges		(4,205,79)
Financial charges	22	(1,056,09)
Provision for diminution in value of investments		

Loss on restructuring of ICI shares		(573,10)
Workers' profit participation fund		(151,87)

		(1,781,07)

Other income		(5,986,86)
	23	8,872,46

Profit/(Loss) before taxation		2,885,60
Taxation		989,90
Profit/(Loss) after taxation	24	-----
		3,875,56
Unappropriated profit brought forward	25	5,967,67
Available for appropriation		-----
		9,843,23
Appropriation:		
Transfer to general reserve		3,000,00
Proposed dividend @ Re. 0.75 per share		3,000,00

		6,000,00

Unappropriated profit carried forward		3,843,23
		=====
Basic earnings per share	26	0.9

The accounting policies and explanatory notes form an integral part Of these financial statements

Mohammed Zafar Iqbal
Chief Executive

Salim H. Mohammed
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2002

	2002
	Rupees
Cash flows from operating activities	
Profit / (loss) before taxation	2,885,60
Adjustments for:	
Depreciation	1,212,78
Profit on sale of fixed assets	(623,82)
Provision for gratuity	56,81
Loss on restructuring of ICI shares	573,10
Provision for diminution in value of investments	
Income from investments	(8,228,53)
Financial charges	1,056,09

Operating loss before working capital changes	(3,067,90)
(Increase)/decrease' in current assets:	
Stores and spares	203,90

Stock-in-trade	2,788,50
Trade debtors	(4,802,41
Advances, deposits and prepayments	504,72

	(1,305,27
(Decrease)/increase in current liabilities:	
Short-term running finance	3,658,76
Creditors, accrued and other liabilities excluding mark-up accrued on short-term running finance	(1,091,93

	2,566,82

	1,261,55

	(1,806,40
Movement in long-term loans and deposits	(53,60

	(1,860,00
Cash (used) / generated from operations:	
Gratuity paid	(1,750,96
Income tax paid	(412,66
Financial charges. paid	(1,151,58

Net cash outflow from operating activities	(5,175,22
Cash flows from investing activities	
Proceeds from sale of fixed assets	1,005,00
Income from investments	5,569,03

Net cash inflow from investing activities	6,574,03
Cash flows from financing activities	
Dividend paid	(1,34

Net cash outflow from financing activities	(1,34

Net increase / (decrease) in cash and cash equivalents	1,397,47
Cash and cash equivalents at the beginning of the year	66,45

Cash and cash equivalents at the end of the year	1,463,92
	=====

Mohammed Zafar Iqbal
Chief Executive

Salim H. Mohammed
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2002

Issued,

Net unrealised

	<i>subscribed and paid-up capital Rupees</i>	<i>General reserves Rupees</i>	<i>gain on investment securities Rupees</i>
Balance as at June 30, 2000	20,000,000	40,000,000	
Loss for the year after taxation	--	--	
	-----	-----	-----
Balance as at June 30, 2001 as previously reported	20,000,000	40,000,000	
Change in accounting policy re: International Accounting Standard 39	--	--	
	-----	-----	-----
Balance as at June 30, 2001 as restated	20,000,000	40,000,000	
Profit for the year	--	--	
Net unrealised gain on investment securities available for sale	--	--	4,082,680
Transfer from profit & loss account	--	3,000,000	
Proposed dividend - Re. 0.75 per share	--	--	
	-----	-----	-----
Balance as at June 30, 2002	20,000,000	43,000,000	4,082,680
	=====	=====	=====

Mohammed Zafar Iqbal
Chief Executive

Salim H. Mohammed
Director

Notes to the financial statements for the year ended June 30,2002

1. The Company and its operations

Polypropylene Products Limited was incorporated in 1973, in Pakistan as a public limited company, and is quoted on stock exchanges of Karachi and Lahore. The Company is engaged in the manufacture and sale of Polypropylene woven bags.

2. Statement of significant accounting policies

2.1 Basis of presentation

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention. The accounting policies have been consistently applied by the Company except for a change in accounting policy due to implementation of IAS 39 "Financial Instruments: Recognition and Measurement" from July 1,2001.

2.3 Investments

Previously the Company classified investments as long-term and short-term. In case of long-term investments, provisions for diminution in value of investments was made on individual basis if it considered to be permanent. Short-term investments were valued at cost or market value whichever was lower, calculated on aggregate basis. The Company has adopted IAS 39 for the year ended June 30, 2002. This has resulted in significant

changes in accounting policy of Company's investment. In accordance with the transitional provisions of this standard, the Company remeasured the investments available for sale at fair value where applicable at the beginning of the year of which resultant unrealised gain on investment securities available for sale has been taken to unappropriated profit on July 1,2001 and has not restated comparatives due to the above reason. The Company has reclassified all investments or, the basis of the intended purpose of holding such investments which are as follows:

- available for sale
- held to maturity

investment securities which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. Investment securities with fixed maturity where management has both the intent and ability to hold to maturity are classified as held to maturity. Investment in quoted securities are marked to market and the difference between the carrying value and the revalued amount is recognised as net unrealised gain on investment securities available for sale until realised on their disposal. Investment in unquoted defence savings certificates and regular income certificates are accounted for at cost. Impairment loss is recognised if evidence exists that the same has occurred.

2.4 Effect of change in accounting policy

The Company has adopted IAS 39 for the year ended June 30, 2002. This has resulted in significant changes in accounting policy of Company's investments. In accordance with the transitional provisions of this standard, the Company remeasured the investments available for sale at fair value at the beginning of the year and the resultant unrealised gain of Rs. 4,531,731 has been taken to unappropriated profit on July 1,2001. Had this change not been made, the unappropriated profit shown in the profit and loss account would have been lower by Rs. 4,531,731.

2.5 Retirement benefits

The Company operates an unfunded gratuity scheme covering employees who have completed atleast one year of service with the Company. Provision is made annually to cover obligations under this scheme.

2.6 Taxation

2.6.1 Current

Provision for current taxation is based on taxable income at current rates of taxation or 0.5% of the turnover under section 80D of the Income-tax Ordinance, 1979 whichever is higher.

2.6.2 Deferred

Deferred tax is provided using liability method on all temporary differences which are not likely to reverse in the foreseeable future at the balance sheet date between the tax base of assets, liabilities and other carrying amounts for financial reporting purpose. Net deferred tax debit are only accounted for if there is reasonable expectation of realisation in the foreseeable future.

2.7 Operating fixed assets

Fixed assets are stated at cost less accumulated depreciation except leasehold land which is stated at cost. Depreciation on fixed assets is calculated on written down values at the rates given below:

Office premises	5%	per annum
Vehicles	20%	per annum
Computers	30%	per annum
All other assets	10%	per annum

Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

Normal repairs and maintenance cost is charged to revenue in the year in which it is incurred, major renewals and improvements are capitalised.

Impairment loss is recognised if evidence exists there is difference between the recoverable amount and carrying amount of the assets.

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

2.8 Stock-in-trade

These are stated at the lower of cost and net realisable value. Cost is determined on "first-in, first-out" basis. Stock-in-transit is valued at cost.

2.9 Stores and spares

These are stated at the lower of cost and net realisable value. Cost is determined on "first-in, first-out" basis.

2.10 Bad and doubtful debts

Known bad debts are written off and provision is made for debts considered doubtful.

2.11 Foreign currency transactions.

Assets and liabilities in foreign currencies are stated in Pak Rupees at the rates of exchange prevailing on the balance sheet date or fixed under contractual arrangements.

All exchange differences are included in the income currently.

2.12 Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

2.13 Compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

2.14 Cash and Cash equivalents

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

2.15 Financial instruments

2.15.1 Cash and bank balances

Cash in hand and in banks and short-term deposits which are held to maturity are carried at cost.

Cash and bank balances are defined as cash in hand, in current accounts and national savings centre account readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

2.15.2 Trade debtors, deposits and other receivables

Trade receivables are recognised and carried at original invoice amount. Any uncollectible amount is directly written off.

Other receivables and receivable from related parties are recognised and carried at cost.

2.15.3 Long term loans and deposits

All loans and deposits are recognised at cost.

2.15.4 Long term investments

Investment in quoted securities are marked to market and the difference between the carrying value and the revalued amount is recognised as net unrealised gain on investment securities available for sale until realised on their disposal. Investment in unquoted defence savings certificates and regular income certificates are accounted for at cost. Impairment loss is recognised if evidence exists that the same has occurred.

2.15.5 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

Payables to related parties are carried at cost.

2.16 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.17 Revenue recognition

2.17.1 Sales are recorded when goods are despatched to customers and invoices raised.

2.17.2 Income on investments is accounted for as follows:

(i) dividend income is accounted for upon declaration of dividends by the investee companies.

(ii) income on regular income certificates is accounted for as and when due according to the terms of the scheme.

(iii) income on defence savings certificates is accounted for on anniversary basis.

2.17.3 Other income is accounted for on accrual basis.

3. Operating fixed assets

	Cost			Accumulated
	<i>At July 1, 2001 Rupees</i>	<i>Additions/ (disposals) Rupees</i>	<i>At June 30, 2002 Rupees</i>	<i>At July 1, 2001 Rupees</i>
Leasehold land	147,271	--	147,271	
Building on leasehold land	4,495,739	--	4,495,739	3,946,160
Office premises	1,807,653	--	1,807,653	752,400
Plant and machinery	40,500,223	--	40,500,223	33,700,180
Office equipment and computers	1,526,202	--	1,526,202	1,013,700
Furniture and fixtures	1,999,170	--	1,999,170	1,375,000
Vehicles	6,204,778	(2,275,039)	3,929,739	4,468,200
	-----	-----	-----	-----

	56,681,036	--	54,405,997	45,255,81
		(2,275,039)		
2001	58,519,536	(1,838,500)	56,681,036	45,407,00

3.1 Depreciation for the year has been allocated as under:

	2001
	Rupees
Cost of sales (note 19)	827,73
Administrative expenses (note 20)	380,52
Selling expenses (note 21)	4,53

	1,212,78
	=====

3.2 Details of disposal of fixed assets:

Particulars of assets	Cost Rupees	Depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Profit on sale Rupees
Vehicle	550,000	(405,821)	144,179	200,000	55,82
Vehicle	350,000	(322,942)	27,058	205,000	177,94
Vehicle	444,539	(433,278)	11,261	100,000	88,73
Vehicle	583,000	(526,661)	56,339	275,000	218,66
Vehicle	347,500	(205,164)	142,336	225,000	82,66
	-----	-----	-----	-----	-----
	2,275,039	(1,893,866)	381,173	1,005,000	623,82
2001	=====	=====	=====	=====	=====
	1,838,500	(1,647,794)	190,706	662,612	471,90
	=====	=====	=====	=====	=====

4. Investments

Name of investees:	Number of shares/certificates		2002 Rupees	2001 Rupees
	2002	2001		
4.1 Available for sale				

Associated company:				
Habib Insurance Company Limite	108,391	108,391	2,167,820	910,49
Other companies:				
Habib Arkady Limited	133,333	133,333	1,439,996	672,90
Habib Sugar Mills Limited	337,227	337,227	3,540,884	1,520,20
Pakistan Synthetic Limited*	55,000	55,000	731,500	1,600,80
ICI Pakistan Limited*	14,960	136,000	601,392	3,541,10
Pakistan PTA Limited*	40,800	--	218,280	
Bank AL Habib Limited*	342,214	285,179	5,886,081	3,592,02
Indus Motor Company Limited*	40,500	40,500	729,000	917,55
Pakistan Telecommunication Co.	16,000	16,000	274,400	578,67
Modaraba:				
First Habib Modaraba	412,404	412,404	2,845,588	1,813,80
Trust				
National Investment Trust Unit*	270,000	270,000	3,267,000	3,554,51
			-----	-----
			21,701,941	18,702,00
Provision for diminution in value of investments				
			--	(5,041,43
			-----	-----
			21,701,941	13,660,62
4.2 Held to maturity				
Defence Savings Certificates				
95 (2001:95) scripts of Rs. 100,000 each (note 4.2.1)			9,500,000	95,000,00
10 (2001:10) scripts of Rs. 50,000 each			500,000	500,00
			-----	-----
			10,000,000	10,000,00
			-----	-----
Total 4.1 and 4.2			31,701,941	23,660,62
			=====	=====

4.2.1 The Defence Savings Certificates for Rs. 4.5 million were pledged with a commercial bank for availing term finance facilities (see note 15.1)

4.3 All the shares/certificates have a face value of Rs. 5 each except those marked with an asterisk (*) which have a face value of Rs. 10 each.

2002
Rupees

5. Long-term loans and deposits-unsecured, considered good

Loans to employees (note 5.1 and 5.2)				
Outstanding for period exceeding three years				
Others				367,15
Less: Receivable within one year (note 9)				215,25

				151,90

Security deposits

570,73

722,63

5.1 This represents mark-up free loans given to executives and other employees for the purpose of purchase of household furniture, appliances and for medical treatment etc. which includes Rs. 131,000(2001: Rs. 252,900) due from executives. These are repayable in equal monthly instalments in three years.

5.2 Maximum aggregate amount due from the executives of the Company at the end of any month during the year was Rs. 233,900 (2001: Rs. 496,900).

6. Stores and spares

Stores

296,43

Spares

1,006,25

Loose tools

2,25

1,304,98

7. Stock-in-trade

Raw material

475,55

Work-in-process

694,61

Finished goods

304,85

1,475,05

8. Trade debtors

Unsecured, considered good

12,093,71

8.1 Included in the above is a sum of Rs. 0.679 million (2001: Rs. 1.28 million) for which the Company has filed two law suits (2001: three law suits), one law suit (2001: two law suits) in the Honourable Sindh High Court amounting to Rs. 0.546 million (2001: Rs. 1.147 million) and the other in Court of Civil Judge South, Karachi amounting to Rs. 0.133 million (2001: Rs. 0.133 million). As the same depends upon the outcome of the law suits, no provision has been made thereagainst. The management considers that prima facie these are good cases.

2002

Rupees

9. Advances, deposits and prepayments

Advances - considered good

Staff - for expenses

15,00

Employees - current portion of long-term loans

215,25

Sales-tax

Others

Trade deposits	230,25
Prepayments (note 9.1 and 9.2)	437,30
	72,00

	739,55
	=====

9.1 This includes Rs. 60,000 (2001: Rs. 100,000) due from an associated undertaking.

9.2 Maximum amount due from an associated undertaking at the end of any month during the year was Rs. 100,000 (2001: Rs. 131,000).

10. Short-term investment

Held to maturity	
Regular Income Certificates	20,000,00
	=====

The above earns profit at the rate of 18% per annum receivable on a monthly basis.

11. Cash and bank balances

Cash -in hand	29,10
- at banks in current accounts	1,433,18
- at National Savings Centre in savings account	1,64

	1,463,92
	=====

12. Issued, subscribed and paid-up capital

2002	2001	
2,400,000	2,400,000	ordinary shares of Rs. 5 each fully paid in c
		ordinary shares of Rs. 5 each issued as
1,600,000	1,600,000	bonus shares
-----	-----	
4,000,000	4,000,000	
=====	=====	
		12,000,00
		8,000,00

		20,000,00
		=====

13. Reserves

Revenue Reserve:	
General reserve	43,000,00
Net unrealised gain on investment securities available for sale	4,082,68
Unappropriated profit	3,843,23

	50,925,92
	=====

14. Deferred liability

Provision for gratuity	3,819,36
	=====

15. Short-term finance

Term finance (note 15.1)

7,500,00

Running finance

7,500,00
=====

15.1 This finance has been obtained from a commercial bank under mark-up arrangement for period of three months and is secured by pledge of Defence Savings Certificates having face value of Rs. 4.5 million. The rate of markup is 8.75% per annum.

16. Creditors, accrued and other liabilities

Creditors

25,10

Accrued liabilities

1,246,05

Mark-up accrued on short term finance - secured

124,05

Customs duty and sales-tax

433,83

Workers' profit participation fund (note 16.1)

151,87

Tax deducted at source

Others

1,980,91
=====**16.1 Workers' profit participation fund**

Balance as at July 1

Allocation for the year

151,87

151,87
=====**17. Contingencies and commitments**

17.1 Contingencies

Letters of guarantee outstanding

496,29
=====**18. Turnover**

Local

64,690,64

Less: Sales-tax

8,479,61

Discount

107,00

8,586,61-----
56,104,02
=====**19. Cost of sales**

Raw material consumed (note 19.1)

30,345,69

Lining material consumed (note 19.2)

2,967,93

Manufacturing expenses:	33,313,63
Salaries, wages and allowances	5,629,14
Stores and spares consumed	805,99
Repairs and maintenance	169,81
Fuel, power and water charges	5,427,35
Insurance	99,35
Finishing expenses	3,416,17
Rent, rates and taxes	185,64
Material handling expenses	811,98
Legal and professional charges	33,10
Telephone and fax	61,57
Travelling, conveyance and entertainment	12,52
Printing and stationery	13,70
Motor vehicle	437,57
Subscriptions	28,60
Security expenses	116,40
Depreciation	827,73

	18,076,82

Add: Opening stock of work-in-process	51,390,45
	1,511,08

Less: Closing stock of work-in-process	52,901,54
	694,61

Cost of goods manufactured	52,206,93
Add: Opening stock of finished goods	341,71

	52,548,64
Less: Closing stock of finished goods	304,89

	52,243,75
	=====
19.1 Raw material consumed:	
Opening stock of raw material	2,410,70
Raw material purchased	28,410,48

	30,821,24
Less: Closing stock of raw material	475,55

	30,345,69
	=====
19.2 Lining material consumed:	
Opening stock of lining material	
Lining material purchased	2,967,93

	2,967,93
Less: Closing stock of lining material	-----

	2,967,93
	=====

20. Administrative expenses

Salaries, wages and allowances	2,161,72
Directors' fees	8,50
Rent, rates and taxes	138,28
Telephone and fax	217,71
Postage	37,21
Electricity charges	159,93
Travelling, conveyance and entertainment	225,76
Printing and stationery	151,55
Motor vehicle	242,07
Auditors' remuneration (note 20.1)	258,06
Legal and professional charges	89,40
Repairs and maintenance	196,63
Advertisement	36,10
Fees and subscriptions	105,63
Donations (note 20.2)	3,80
Insurance	33,28
Computer and service charges	101,23
Zakat deducted at source	62,77
Depreciation	380,52
Others	10,15

	4,620,38
	=====

20.1 Auditors' remuneration

Audit fee	105,00
Tax services	108,56
Out-of-pocket expenses	23,56
Others	21,00

	258,06
	=====

20.2 No donations were made to any person or institution in which a director or his spouse has any interest.

21. Selling expenses

Salaries, wages and allowances	1,493,41
Travelling, conveyance and entertainment	189,63
Freight and insurance	554,93
Telephone and fax	54,55
Postage	

Printing and stationery	4,85
Motor vehicle	399,15
Depreciation	4,53
Bad debts written off	600,83
Others	143,68

	3,445,68
	=====

22. Financial charges

Mark-up on secured short-term finance	1,035,20
Bank charges	20,88

	1,056,09
	=====

23. Other income

Income from investments (note 23.1)	8,228,53
Profit on sale of fixed assets	623,82
Liability no more payable written back	
Recovery of bad debts previously written off	
Others	20,10

	8,872,46
	=====

23.1 Income from investments:

Dividends:	
Associated undertakings	216,78
Other companies	1,486,75
National Investment Trust Unit	175,50

	1,879,03
Profit on:	
Regular Income Certificates	3,600,00
Defence Savings Certificates	2,749,50

	6,349,50

	8,228,53
	=====

24. Taxation

24.1 Current	
For the year (Turnover tax @ 0.5 %)	(300,00)
Prior years	1,289,90

	989,90
	=====

24.2 Deferred

Deferred tax assets arising due to temporary differences computed under liability method is estimated at Rs. 6.435 million out of which Rs. 6.365 million in respect of current year (2001: Rs. 0.070 million debit- current year Rs. 1.33 million credit). The Company estimates that the temporary differences will not reverse for some considerable time, hence the same has not been recognised as an asset.

25. Unappropriated profit brought forward

Opening balance

1,435,94

Adoption of IAS 39 (note 25.1)

4,531,73

5,967,67
=====

25.1 The Securities and Exchange Commission of Pakistan (SECP) has approved adoption of IAS 39. As per SECP Circular No. 01 of 2002 dated January 10, 2002. This IAS is applicable for financial periods beginning on or after July 1,2001. Hence requirements of this IAS have been taken into account from July 1,2001 for the preparation of these financial statements and prior year figures have not been restated due to the Transitional Provisions.

26. Basic earnings per share

Profit/(Loss) after taxation

3,875,56

Weighted average number of ordinary shares

4,000,00

Basic earnings / (loss) per share

0.9
=====

27. Transactions with associated companies

Insurance premium expense

369,58

Advance insurance premium

60,00

Dividend received

216,78

28. Financial instruments and related disclosures

28.1 Financial assets and liabilities

	<i>Maturity upto one year Rupees</i>	<i>Interest/mark-up bearing Maturity after one year Rupees</i>	<i>Sub-total Rupees</i>
Financial Assets			
Long-term investments	--	10,000,000	10,000,00
Long-term loans and deposits	--	--	
Trade debtors	--	--	
Profit accrued on investments	--	--	
Advance to employees- current portion	--	--	
Trade deposits	--	--	

Shod-term investment	15,000,000	5,000,000	20,000,000
Cash and bank balances	1,643	--	1,643
	-----	-----	-----
June 30,2002	15,001,643	15,000,000	30,001,643
	=====	=====	=====
June 30, 2001	20,001,540	10,000,000	30,001,540
	=====	=====	=====
Financial Liabilities			
Short-term finance	7,500,000	--	7,500,000
Creditors	--	--	--
Accrued liabilities	--	--	--
Mark-up accrued on shod-term finance secured	--	--	--
Tax deducted at source	--	--	--
Unclaimed dividend	--	--	--
	-----	-----	-----
June30, 2002	7,500,000	--	7,500,000
	=====	=====	=====
June 30, 2001	3,841,232	--	3,841,232
	=====	=====	=====

28.2(a) Financial assets

The financial assets of the Company amounts to Rs. 75.842 million (2001: Rs. 59.246 million) out of which Rs. 30.002 million (2001' Rs. 30.001 million) are subject to interest/mark-up rate risk

Credit risk

Out of total financial assets of Rs. 75.842 million (2001' Rs. 59.246 million) Rs. 36.604 (2001: Rs. 22.774) million are subject to credit risk. The Company's credit is concentrated in the fertilizer, sugar and rice sectors. The Company manages its credit risk by applying credit limits to its customers.

The Company's concentration of credit risk can be analysed with the following details of outstanding debtors:

Sectors	2002		2001	
	Rupees	%	Rupees	%
Fertilizer	4,031,303	33.33	945,520	12.97
Sugar	5,430,514	44.90	3,627,215	49.74
Rice	1,419,630	11.74	1,560,185	21.40
Chemical	889,738	7.36	557,660	7.65
Others	322,530	2.67	600,723	8.24
	-----	-----	-----	-----
	12,093,715	100.00	7,291,303	100.00
	=====	=====	=====	=====

(b) Financial liabilities

The financial liabilities of the Company amount to Rs. 9.516 million (2001: Rs. 6.169 million) out of which Rs. 7.500 million (2001: Rs. 3.841 million) are interest / mark-up bearing which

represent short-term finance

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.

29. Staff retirement benefits

Salaries, wages and other benefits includes Rs. 83,173 (2001: Rs. 291,507) in respect of staff retirement benefits.

30. Number of employees

The Company employed 15 (2001:23) permanent employees at the end of the year.

31. Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in the accounts for remuneration including all benefits to Chief Executive, Directors and Executives of the Company were as follows:

	Chief Executive		Directors	
	2002 Rupees	2001 Rupees	2002 Rupees	2001 Rupees
Fees	1,500	2,000	7,000	11,000
Managerial remuneration	487,076	401,458	419,578	380,678
Retirement benefits	--	--	--	--
Housing	170,688	170,688	113,894	161,714
Medical expenses	27,048	25,890	18,070	24,550
Entertainment expenses	--	--	146,000	162,330
	-----	-----	-----	-----
	686,312	600,036	704,542	740,272
	=====	=====	=====	=====
Number of persons	1	1	7	

The Chief Executive, certain Directors and Executives are also provided with Company's owned and maintained cars.

32. Capacity and production

	Manufacturing capacity	Actual production	
	per annum	2002	2001
Weaving production (in '000 metres)	20,000	7,123	8,713

There is a shortfall in actual production due to low demand of PP Bags and unfair competition from the unorganised sector.

33. Date of authorisation for' issue

These financial statements were authorised for issue on 17th August, 2002 by the Board of Directors.

34. General

Figures have been rounded off to the nearest rupee.

Mohammed Zafar Iqbal
Chief Executive

Salim H. Mohammed
Director

Pattern of holdings of the shares held by the shareholders as at June 30, 2002

<i>Number of Shareholders</i>		<i>Shareholding</i>			
740	From	1	to	100	Shares
474	From	101	to	500	Shares
145	From	501	to	1,000	Shares
161	From	1,001	to	5,000	Shares
24	From	5,001	to	10,000	Shares
13	From	10,001	to	15,000	Shares
9	From	15,001	to	20,000	Shares
2	From	20,001	to	25,000	Shares
3	From	25,001	to	30,000	Shares
2	From	30,001	to	35,000	Shares
6	From	35,001	to	40,000	Shares
2	From	40,001	to	45,000	Shares
1	From	50,001	to	55,000	Shares
2	From	55,001	to	60,000	Shares
3	From	60,001	to	65,000	Shares
1	From	65,001	to	70,000	Shares
1	From	70,001	to	75,000	Shares
1	From	75,001	to	80,000	Shares
3	From	85,001	to	90,000	Shares
1	From	95,001	to	100,000	Shares
2	From	185,001	to	190,000	Shares
1	From	350,001	to	355,000	Shares
1	From	370,001	to	375,000	Shares
1	From	385,001	to	390,000	Shares

1,599					
=====					

Categories of Shareholders	<i>Number of Shareholders</i>	<i>Shares Held</i>	<i>Percentage %</i>
Directors (including spouse & minor children)	14	520,589	13.0
Individuals (excluding Directors)	1,545	1,572,130	39.3
Investment Company	1	264	0.0
Joint Stock Companies	23	877,622	21.9
Insurance Companies -			
Others	4	84,255	2.1
Associated Company - Habib Insurance Co. Ltd.	1	11,428	0.2
Financial Institutions-			

National Bank of Pakistan - Trustee Deptt. (NIT)	1	386,384	9.6
Investment Corporation of Pakistan - (ICP)	1	56,765	1.4
Charitable & Religious Trusts	6	486,026	12.1
Others	3	4,537	0.1
Chief Executive Officer and Executives	NIL	NIL	NIL
Shareholders holding more than 10% of issued ca	NIL	NIL	NIL
	-----	-----	-----
	1,599	4,000,000	100.0
	=====	=====	=====

Name wise detail of shams held by Directors, their spouse & minor children:

Name of Directors	Director		Spouse	Jointly	
	Self	Jointly			
Mr. Razzak H. Mohammed	17,002	--	12,240		* 7,500
Mr. Saleem H. Mohammed	36,136	--	--		
Mr. Shabbir S. Mohammed	1,996	40,570	--		** 99,870
Mr. Fatehali R. Mohamed	2,000	87,806	--		*** 124,200
Mr. Iqbal Parekh	1,000	--	--		
Mr. A.Q. Malik	1,000	--	--		

Mr. Ather Husain Medina (NIT D) Shares held by N.I.T. Shown above

- * Shares held jointly with Mr. Fatehali R. Mohammed is shown under shares held by Mr. Fatehali R. Mohamed as jointly.
- ** Shams held jointly with Mr. Shabbir S. Mohammed is shown under shares held by Mr. Shabbir S. Mohammed as jointly.
- *** Shares held jointly with Mr. Fatehali R. Mohammed is shown under shares held by Mr. Fatehali R. Mohamed as jointly.

Notice of Annual General Meeting

Notice is hereby given that the 29th Annual General Meeting of the Shareholders of the Company will be held at the Auditorium of The Institute of Chartered Accountants of Pakistan, G-31/8, Kehkashan, Clifton, Karachi, on Monday, 30th September, 2002, at 12.30 p.m. to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended June 30, 2002 together with the Report of the Directors and Auditors thereon.
2. To approve Cash Dividend @ 15% (i.e. Re. 0.75 per share) as recommended by the Board of Directors.
3. To appoint Auditors for the year 2002- 2003 and fix their remuneration. The retiring Auditors M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants have offered themselves for re-appointment.

By Order of the Board

Akber All Nanji
Company Secretary

Karachi: 3rd September, 2002

Notes:

1) The Share Transfer Books of the Company will remain closed from Monday the 23rd September, 2002 to Monday the 30th September, 2002 (both days inclusive).

2) A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote instead of him / her. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the meeting. A proxy should also be a member of the Company.

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

4) The Shareholders are requested to communicate to the Company any change in their addresses.

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of POLYPROPYLENE PRODUCTS LIMITED (Company) to comply with the Listing Regulation No. 31-A, 31-B, 31-C and 37 of the Karachi Stock Exchange (Guarantee) Limited and chapters XII and XIII of Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquires of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the statement of Board of Directors of the Company on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable for the period from May 2, 2002 to June 30, 2002.

Karachi: August 17, 2002

Ford, Rhodes, Robson, Morrow
Chartered Accountants