

Colgate-Palmolive (Pakistan) Limited

Annual Report 2000

BRITE TOTAL

Brite Total, the flagship of the company was restaged in 2nd Quarter, 2000. The revitalized product has extra power to remove tough stains without damaging the colours and fibers. After due evaluation and product tests, leading fabric and garment manufacturers like Al-Karam Textile, Mohammad Farooq Textile, Bonanza Garments and United Colors of Benetton have acknowledged and endorsed the superior product quality.

PALMOLIVE NATURALS

The use of natural ingredients for health and beauty has long been recognized in Pakistan and are a vital part of an average Pakistani woman's beauty regime. Thus, in keeping with this commitment and simple natural goodness of Mother Earth, the company has introduced Palmolive Naturals Soap in two variants - Milk & Cream and Lime Extracts. It delivers the complete benefits of natural beauty to the consumers at an affordable price. The launch is being synergistically supported through a 360 degree Marketing Program.

COLGATE FRESH ENERGY GEL

Colgate Fresh Energy Gel has been launched in two variants: Ice Blue and Sparkling Red. The refreshing gel of Colgate Fresh Energy fights germs and gives long lasting fresh breath energy all day long. This launch has further strengthened the Colgate equity in Pakistan and has reaffirmed Colgate's commitment to provide quality oral care products for its consumers.

AZADI BAR

The anticipated growth in downscale dishwashing segment made it strategically necessary to enter into the low price dishbar market. Azadi dishwashing bar was launched in the 2nd Quarter, 2000 and the brand has been successful in steadily gaining consumer preference in its introduction period.

EXPRESS POWER DETERGENT

Keeping in line with the intensifying competition in the detergent industry, we re-launched Express Power detergent with a new and improved product bundle i.e. better formula, packaging and an extensive marketing support plan.

CONTENTS

COMPANY INFORMATION

NOTICE OF MEETING

DIRECTORS' REPORT

PATTERN OF HOLDING OF SHARES

AUDITORS' REPORT

BALANCE SHEET

PROFIT AND LOSS ACCOUNT

CASH FLOW STATEMENT

STATEMENT OF CHANGES IN EQUITY

NOTES TO THE ACCOUNTS

YEARWISE FINANCIAL HIGHLIGHTS

COMPANY INFORMATION

BOARD OF DIRECTORS

IQBAL ALI LAKHANI

Chairman

AMIN MOHAMMED LAKHANI

TASLEEMUDDIN AHMED BATLAY

SOREN PETER DAM

EBRAHIM SIDAT

A. AZIZ EBRAHIM

ZULFIQAR ALI LAKHANI

Chief Executive

ADVISOR

SULTAN ALI LAKHANI

COMPANY SECRETARY

RAMZAN ALI HALANI

AUDITORS

EBRAHIM & CO.

Chartered Accountants

REGISTERED OFFICE

Lakson Square, Building No. 2
Sarwar Shaheed Road
Karachi 74200
Pakistan

FACTORIES

Detergents, Soap and Paste Units
G-6, S.I.T.E. Kotri
Distt. Dadu (Sindh)
Pakistan

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of Colgate-Palmolive (Pakistan) Limited will be held on Tuesday, December 19, 2000 at 11.30 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

1. To receive, consider and adopt the audited balance sheet and profit and loss account for the year ended June 30, 2000 and the Directors' and Auditors' reports thereon.
2. To declare a dividend @ 30% i.e. Rs. 3.00 per share of Rs. 10/- each.
3. To appoint Auditors and to fix their remuneration.

By Order of the Board

RAMZAN ALI HALANI
Company Secretary

KARACHI: November 14, 2000

NOTES:

1. The share transfer books of the Company will remain closed from December 06, 2000 to December 19, 2000 both days inclusive. Transfers received in order at the Registered Office of the Company situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi upto December 05, 2000 will be considered in time for entitlement of the dividend.

2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID Number and account/sub-account Number alongwith original National Identity Card (NIC) or original Passport at the time of attending the meeting.

3. A member of the Company entitled to attend and vote may appoint another member as his/her proxy to attend, speak and vote instead of him/her.

4. If a proxy is granted by a member who has deposited his/her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID Number and account/sub-account Number alongwith attested copies of the NIC or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.

5. Forms of proxy, in order to be effective, must be received at the registered office of the Company not later than 48 hours before the time of the meeting.

6. Members are requested to notify the Company promptly of any change in their addresses.

7. Form of proxy is enclosed herewith.

DIRECTORS' REPORT

The Directors of the Company present their report together with the Audited Accounts for the year ended June 30, 2000:

Rupees in 000's

Profit after taxation	58,504
Unappropriated profit brought forward	1,602

Profit available for appropriation	60,106
Appropriations	
Proposed cash dividend @ 30%	36,691
Transfer to General Reserve	22,000

	58,691

Unappropriated profit carried forward	1,415
	=====

OPERATING RESULTS

The Company has shown a satisfactory performance during the year under review. The total sales of the company reached Rs. 1.854 billion.

Volume and value growths registered over last year were 30.4% and 29.1% respectively. The corresponding growth in value was not able to match the volume growth because of a change in the product mix and increased demand for low price products.

The main spurt of growth can be attributed to the launch of new products in our core categories. The performance in the Oral Care, Surface Care and Fabric Care has been particularly encouraging, further permitting us to invest in the advertising and promotion of our main brands. Right advertising and promotional mix helped us gain valuable shelf space and market share in the above three categories.

The gross profit for the year has increased from Rs. 316.53 million in 1999 to Rs. 412.97 million, showing an increase of 30.47%. This improved profitability has been utilized aggressively for our ongoing downscale marketing plans, which has strengthened our leadership position for key brands and helped volume recovery for other brands.

Profit before tax also improved from Rs.69.75 million to Rs. 91.04 million posting a growth of 30.52%.

The administrative and selling expenses have increased from Rs. 231.4 million to Rs 305.2 million during the past review period, registering a growth of 31.9%. This increase is a result of inflation as well as the investments in advertising for major brands. Heavy media support helped convince users to switch to our premium products from competitive products, or upscale to our low price brands from unbranded goods. Focus continues to be on providing low price quality products that help build consumer consumption and induce re-purchase.

FUTURE PROSPECTS

In a highly competitive market scenario in the consumer market and the economic down trend, the consumer goods industry in particular will resort to heavy media spending and additional expenditure on promotions to maintain the growth momentum.

The recent devaluation of the rupee will raise the cost of inputs and in the current economic situation, make it difficult to adjust selling prices thus shrinking margins, making it more challenging than ever to balance the investments in advertising and promotions for existing as well as new products.

Our existing products continue to grow, fuelled by timely re-launches. New products that have been launched, such as Colgate Gel & Palmolive Natural Soap, will be instrumental in helping us gain an edge over competition in terms of having a diverse portfolio and having more to offer to the consumer.

In addition, the company has drawn up plans for the launch of new products to achieve accelerated growth of business volumes and profits.

Import duties for a number of raw materials used for the local manufacture of detergents are still at 35% whereas duties on finished detergents is also 35% and duties on detergents imported in bulk is 25%. Additionally, Central Excise Duty on imported finished goods such as detergents is levied on landed cost, whereas Central Excise Duty on locally manufactured detergents is levied on retail prices. These anomalies are unfortunately promoting the import of finished products at the expense of local manufacture.

We are approaching the Tariff Commission once again to rectify these anomalies and sincerely hope that the correction will come about soon.

STAFF RELATIONS

The management diligently maintains the relations of its personnel and management staff, whose efforts are rewarded adequately. Satisfaction of its employees remains a key priority for the company.

For senior management, ongoing training in the fields of production, marketing and technology are continuously imparted to sufficiently improve development and progress.

AUDITORS

M/s. Ebrahim & Co., Chartered Accountants, the existing Auditors of the Company being eligible have offered themselves for re-appointment.

PATTERN OF SHARE-HOLDING

The Share-Holding pattern in the prescribed form is given in this report.

On behalf of Board of Directors

IQBAL ALI LAKHANI
Chairman

Karachi: October 26, 2000

PATTERN OF HOLDING OF SHARES

HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2000

<i>No. of Shareholders</i>	<i>From</i>	<i>Shareholding To</i>	<i>Total Shares Held</i>
--------------------------------	-------------	----------------------------	------------------------------

158	1	100	Shares	6,584
196	101	500	Shares	47,124
48	501	1,000	Shares	28,951
62	1,001	5,000	Shares	154,191
13	5,001	10,000	Shares	85,001
11	10,001	15,000	Shares	129,086
2	15,001	20,000	Shares	32,033
4	20,001	25,000	Shares	83,152
2	30,001	35,000	Shares	67,889
1	35,001	40,000	Shares	39,502
5	40,001	45,000	Shares	207,698
2	50,001	55,000	Shares	106,288
1	75,001	80,000	Shares	76,819
1	80,001	85,000	Shares	82,378
1	100,001	105,000	Shares	103,955
1	125,001	130,000	Shares	129,760
1	190,001	195,000	Shares	193,279
1	290,001	295,000	Shares	294,402
1	295,001	300,000	Shares	299,802
1	310,001	315,000	Shares	312,219
1	325,001	330,000	Shares	327,046
1	345,001	350,000	Shares	349,227
1	425,001	430,000	Shares	426,543
1	460,001	465,000	Shares	464,578
1	790,001	795,000	Shares	791,783
1	845,001	850,000	Shares	845,412
1	1,150,001	1,155,000	Shares	1,151,484
1	1,720,001	1,725,000	Shares	1,725,000
1	3,665,001	3,670,000	Shares	3,669,077
-----				-----
521				12,230,263
=====				=====

Categories of Shareholders

	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	504	3,673,671	30.04
Joint Stock Companies	10	3,146,773	25.73
Financial Institutions	4	11,760	0.09
Others:			
Foreign Companies	3	5,398,059	44.14

	521	12,230,263	100.00
=====			

ZULFIQAR ALI LAKHANI
Chief Executive

TASLEEMUDDIN A. BATLAY
Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of COLGATE-PALMOLIVE (PAKISTAN) LIMITED as at June 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year 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 purpose of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of 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 accounts 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 explained in notes 2.10 and 15.2 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, 2000 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 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

EBRAHIM & CO.
Chartered Accountants

Karachi : October 26, 2000

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rs. in 000's)</i>	
TANGIBLE FIXED ASSETS	3	147,719	119,164
LONG TERM LOANS	4	1,745	2,037
LONG TERM DEPOSITS	5	5,057	4,728
CURRENT ASSETS			
Stores and spares	6	10,650	7,337
Stock in trade	7	246,279	203,060
Trade debts	8	94,839	84,846
Loans and advances	9	6,356	14,127
Trade deposits and short term prepayments	10	8,252	4,468
Other receivables	11	16,763	9,809
Cash and bank balances	12	2,232	1,471
		-----	-----
		385,371	325,118
CURRENT LIABILITIES			
Current portion of long term liabilities	13	7,932	6,520
Short term loan and running finances	14	51,700	46,306
Creditors, accrued and other liabilities	15	141,771	89,774
Dividends	16	36,794	24,535
Provision for taxation		1,835	--
		-----	-----
		240,032	167,135
NET CURRENT ASSETS		-----	-----
		145,339	157,983
		-----	-----
		299,860	283,912
		=====	=====
FINANCED BY:			
CAPITAL AND RESERVES			
Share capital	17	122,303	122,303
Capital reserve	18	13,456	13,456
Revenue reserves	19	146,415	124,602
		-----	-----
Shareholders' equity		282,174	260,361
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES	20	9,650	17,582
DEFERRED LIABILITY	21	5,843	3,871
LONG TERM DEPOSITS	22	2,193	2,098
CONTINGENCIES AND COMMITMENTS	23	--	--
		-----	-----
		299,860	283,912
		=====	=====

NOTE: The annexed notes form an integral part of these accounts.

ZULFIQAR ALI LAKHANI
Chief Executive

TASLEEMUDDIN A. BATLAY
Director

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

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rs. in 000's)</i>	
Sales	24	1,519,711	1,198,375
Cost of goods sold	25	1,106,737	881,840
Gross profit		412,974	316,535
Administrative and selling expenses	26	305,185	231,438
Operating profit		107,789	85,097
Other income	27	4,691	6,904
		112,480	92,001
Financial charges	28	14,701	17,155
Workers' profit participation fund		4,889	3,743
Workers' welfare fund		1,853	1,351
		21,443	22,249
Net profit for the year		91,037	69,752
Taxation	29	32,533	23,847
Profit after taxation		58,504	45,905
Unappropriated profit brought forward		1,602	1,158
Profit available for appropriation		60,106	47,063
Appropriations			
Proposed dividend @ 30% (1999: 20%)		36,691	24,461
Transfer to general reserve		22,000	21,000
		58,691	45,461
Unappropriated profit carried forward		1,415	1,602
EARNINGS PER SHARE	30	Rs. 4.78	Rs. 3.75

NOTE: The annexed notes form an integral part of these accounts.

ZULFIQAR ALI LAKHANI
Chief Executive

TASLEEMUDDIN A. BATLAY
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	<i>2000</i>	<i>1999</i>
	<i>(Rs. in 000's)</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year	91,037	69,752
Adjustments for items not involving movement of funds:		
Depreciation	18,384	14,267
Gain on sale of fixed assets	(136)	(652)
Insurance claim against stolen vehicles (Net)	(406)	(400)
Financial charges	14,701	17,155
	123,580	100,122
(Increase) / Decrease in Current Assets		
Stores and spares	(3,313)	(1,489)
Stock in trade	(43,219)	(30,669)
Trade debts	(9,993)	(1,945)
Loans and advances	648	(2,362)
Trade deposits and short term prepayments	(3,784)	3,814
Other receivables	(6,954)	(7,170)
	(66,615)	(39,821)
Increase in Current Liabilities		
Creditors, accrued and other liabilities	52,521	15,918
Net cash inflow from operating activities before financial charges and tax	109,486	76,219
Financial charges paid	(15,225)	(24,739)
Taxes paid	(21,603)	(19,459)

Net cash inflow from operating activities	72,658	32,021
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to fixed assets and capital work in progress	(47,326)	(26,656)
Proceeds from sale of fixed assets	510	747
Insurance claim on stolen vehicles	419	732
Long term loans	292	(827)
Long term deposits	(329)	(553)
Net cash outflow from investing activities	(46,434)	(26,557)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of liabilities against finance lease	(6,520)	(2,842)
Short term loan and running finances	5,394	(68,346)
Dividend paid	(24,432)	(15,252)
Long term deposits	95	464
Net cash outflow from financing activities	(25,463)	(85,976)
Net increase / (decrease) in cash and cash equivalents	761	(80,512)
Cash and cash equivalents at the beginning of the year	1,471	81,983
Cash and cash equivalents at the end of the year	2,232	1,471

ZULFIQAR ALI LAKHANI
Chief Executive

TASLEEMUDDIN A. BATLAY
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2000

	<i>Issued, subscribed and paid up capital</i>	<i>Capital reserve</i>	<i>Revenue reserves</i>	<i>Unappropriated profit</i>	<i>Total</i>
<i>(Rupees in thousands)</i>					
Balance as at July 1, 1998	122,303	13,456	102,000	1,158	238,917
Profit after taxation	--	--	--	45,905	45,905
Dividends	--	--	--	(24,461)	(24,461)
Transfer to reserves	--	--	21,000	(21,000)	--
Balance as at June 30, 1999	122,303	13,456	123,000	1,602	260,361
Profit after taxation	--	--	--	58,504	58,504
Dividends	--	--	--	(36,691)	(36,691)
Transfer to revenue reserves	--	--	22,000	(22,000)	--
Balance as at June 30, 2000	122,303	13,456	145,000	1,415	282,174

ZULFIQAR ALI LAKHANI
Chief Executive

TASLEEMUDDIN A. BATLAY
Director

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

1. NATURE AND STATUS OF BUSINESS

The Company was incorporated in Pakistan on December 5, 1977 as a public limited Company and its shares are quoted on the stock exchanges in Pakistan. The Company is mainly engaged in manufacture and sales of detergents, personal and other products.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Cost convention

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

2.3 Tangible fixed assets

These are stated at cost less accumulated depreciation except leasehold land and capital work in progress which are stated at cost.

Depreciation is charged using the reducing balance method by applying rates specified

in relevant note on written down value.

Maintenance and normal repairs are charged to income as and when incurred while cost of major replacements and improvements, if any, are capitalised.

Gains and losses on disposal of fixed assets are included in the profit and loss account.

2.4 Accounting for leases

The Company accounts for assets acquired under sale and lease back arrangement by recognising the assets at cost of acquisition and by treating the sale proceeds as finance provided by the lessor for the acquisition of the assets. Consequently, excess of sale proceeds over cost of acquisition of assets, if any, is not recognised as income. Assets held under finance leases are stated at cost less accumulated depreciation. Financial charges are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged at rates specified in the related note to write off the asset over its estimated useful life in view of certainty of the ownership of the asset at the end of the lease period.

Lease rentals payable on assets held under operating leases are charged in arriving at operating profits.

2.5 Stores and spares

Stores and spares in hand are valued at moving average cost. Items in transit are valued at invoice value plus other expenses incurred thereon.

2.6 Stock in trade

These are valued at lower of cost and net realisable value. Cost is determined as follows:

Raw and packing material	-- Moving average cost
Raw and packing material in bonded warehouse and in transit	-- Invoice value plus other expenses incurred thereon
Work in process	-- Cost of material as above plus proportionate production overheads
Finished goods	-- Average cost of manufacture which includes proportionate production overheads including duties and taxes paid thereon, if any.
Trading goods	-- Cost determined on first in first out basis.

Net realisable value represents estimated selling prices in the ordinary course of business less expenses incidental to making the sale.

2.7 Trade debts

Debts considered irrecoverable are written off and provision is made against those having no activity during the current financial year and are considered doubtful by the management.

2.8 Foreign currency translation

Assets and liabilities in foreign currencies are translated into rupees at the exchange rate prevailing on the balance sheet date except those covered by forward exchange contracts. Exchange differences on translations during the year are taken to profit and loss account.

2.9 Staff retirement benefits

A recognised provident fund scheme is in operation which covers all permanent employees. Equal contributions are made by the Company and the employees.

2.10 Compensated absences

The International Accounting Standard 19 - Employee Benefits became applicable for all financial statements covering periods beginning on or after January 01, 1999. This standard requires that liability in respect of accumulated compensated absences of employees should be accounted for in the period in which these absences are earned. According to the previous accounting policy of the Company these absences were accounted for on payment basis. Accordingly, the management has decided to change the accounting policy of the Company and has made a total provision of Rs. 2,543 million in respect of accumulated compensated absences as at June 30, 2000. Had the policy not been changed, the profit before taxation for the year would have higher by Rs. 2,543 million. The comparative information has not been restated as it was considered impracticable to do so.

2.11 Taxation

Current

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rate after taking into account tax credits/rebates, if any, and the minimum tax computed at the prescribed rate on sales.

Deferred

The Company accounts for deferred taxation using the liability method on account of

accelerated depreciation allowed under the Income Tax Rules and after taking the effect of provision for doubtful debts and other major timing differences.

2.12 Revenue recognition

Sales are recorded on despatch of goods to customers and interest income is accounted on accrual basis.

3. TANGIBLE FIXED ASSETS

3.1 The following is a statement of tangible fixed assets in rupees (000's)

	COST				RATE %	DEPRECIATION			WRITTEN DOWN VALUE AS AT 30-06-2000	
	AS AT 01-07-99	ADDITIONS	DISPOSAL/ ADJUSTMENTS	AS AT 30-06-2000		AS AT 01-07-99	FOR THE YEAR	DISPOSAL/ ADJUSTMENTS		AS AT 30-06-2000
OWNED										
Leasehold land	2,451	--	--	2,451	--	--	--	--	--	2,451
Factory building on leasehold lan	29,443	7,091	--	36,534	10	20,239	1,629	--	21,868	14,666
Plant and machinery	142,439	13,634	--	156,073	10	85,789	7,028	--	92,817	63,256
Electric fitting and installation	6,618	232	--	6,850	10	209	209	--	4,971	1,879
Gas installation	120	--	--	120	10	3	3	--	97	23
Furniture and fixtures	7,650	916	--	8,566	15	741	741	--	4,365	4,201
Tools and equipments	13,549	5,742	--	19,291	15	2,220	2,220	--	6,711	12,580
Vehicles	8,870	8,500	(781)	16,589	20-25	2,872	2,872	(394)	7,795	8,794
Office equipments	14,524	5,116	--	19,640	15	1,946	1,946	--	8,616	11,024
Capital work in progress (Note: 3.3)	7,128	17,715	(11,620)	13,223	--	--	--	--	--	13,223
Sub Total	232,792	58,946	(12,401)	279,337		130,986	16,648	(394)	147,240	132,097
LEASED										
Plant and machinery	23,811	--	--	23,811	10	6,453	1,736	--	8,189	15,622
Total 2000	256,603	58,946	(12,401)	303,148		137,439	18,384	(394)	155,429	147,719
Total 1999	230,846	28,697	(2,940)	256,603		123,644	14,267	(472)	137,439	119,164

3.2 Depreciation for the year has been allocated as follows:

Cost of goods sold	13,809	11,931
Administrative and selling expenses	4,575	2,336
	18,384	14,267

3.3 Capital work in progress comprises of:

Building		3,911	4,614
Plant and machinery and other assets	3.3.1	9,312	2,514
		13,223	7,128

3.3.1 This includes plant and machinery in transit amounting to Rs. 9.312 million (1999: Nil)

3.4 Fixed assets held by third parties

Included in fixed assets are few items having cost of Rs. 4.634 million (1999: Rs. 4.634 million) held by an associated company and of Rs. 35.283 million (1999: Rs. 29.361 million) held by third parties for manufacturing certain products of the company. The fixed assets are free of lien and the company has full rights of repossession of these assets..

3.5 Details of fixed assets disposed off during the year:

Assets Description	Original Cost	Accumulated Depreciation	Written Down Value	Disposal Proceeds	Mode of Disposal	Particulars of purchaser	Address
Vehicles	358	252	106	200	Negotiation	Mr. Mohammad Usman	Karachi
	63	28	35	40	Negotiation	Mr. Syed M. Akram Shah	Bhai Pheru
	311	78	233	270	Negotiation	Mrs. Farah Onaid	Karachi
	732	358	374	510			

3.6 Details of fixed assets stolen during the year:

Assets Description	Original Cost	Accumulated Depreciation	Written Down Value	Insurance Claim received	Particulars of insurance compan	Address
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Vehicles	18	9	9	375 M/s. Century Insurance Co. Ltd.	Karachi
	31	27	4	44 M/s. Century Insurance Co. Ltd.	Karachi
	-----	-----	-----	-----	-----
	49	36	13	419	
	=====	=====	=====	=====	=====

4. LONG TERM LOANS

To staff					
Secured		4.1			
Executives		4.2	2,209	2,443	
Others			393	497	
			-----	-----	
			2,602	2,940	
Unsecured - Considered good			82	67	
			-----	-----	
			2,684	3,007	
Less: Recoverable within a year shown under current assets			939	970	
			-----	-----	
			1,745	2,037	
			=====	=====	

4.1 These loans are interest free and are sanctioned for purchase of vehicles. These loans are secured against demand promissory note and are repayable in sixty equal monthly installments.

4.2 The maximum amount due from executives at the end of any month during the year was Rs. 3-071 million (1999: Rs. 2.486 million).

4.3 Analysis of above loans is as under:

Installments due for repayment over period exceeding three years		75	125
Others		1,670	1,912
		-----	-----
		1,745	2,037
		=====	=====

5. LONG TERM DEPOSITS

Security deposits		5,057	4,728
		=====	=====

6. STORES AND SPARES

Stores	6.1	5,947	2,169
Spares		4,703	5,168
		-----	-----
		10,650	7,337
		=====	=====

6.1 This includes stores in transit amounting to Rs. 3.411 million (1999: Nil)

7. STOCK IN TRADE

Raw material			
In hand	7.1	53,177	60,721
In bonded warehouse		63,440	43,352
In transit		24,835	20,777
		-----	-----
		141,452	124,850
Packing material	7.2	29,133	24,860
Work in process		2,590	2,584
Finished goods	7.3	55,472	42,630
Trading goods	7.4	17,632	8,136
		-----	-----
		246,279	203,060
		=====	=====

7.1 This includes stock held by a third party amounting to Nil (1999: Rs. 0.066 million).

7.2 These include stocks held by third parties in the normal course of business as follows:

Associated company		--	485
Others		218	329
		-----	-----
		218	814
		=====	=====

7.3 This includes stock held by third party and stock in transit amounting to Rs. 2.727 million (1999: Nil) and Rs. 1.937 million (1999: Rs. 5.674 million) respectively.

7.4 This includes stock held by a third party amounting to Rs. 10.473 million (1999: Nil).

8. TRADE DEBTS

Unsecured			
Considered good	8.1	94,839	84,846
Considered doubtful		3,603	3,380
		-----	-----
		98,442	88,226
Less: Provision for doubtful debts		3,603	3,380
		-----	-----
		94,839	84,846
		=====	=====

8.1 These include balances due from associated companies amounting to Rs. 0.010 million (1999: Rs. 0.046 million). Maximum amount due from associated companies at the end of any month during the year was Rs. 0.064 million (1999: Rs. 0.046 million).

9. LOANS AND ADVANCES

Current portion of loans to employees		939	970
Advances (unsecured -considered good)			
Against expenses		1,874	655
Against supplies and services	9.1	3,331	5,144
Against letters of credit		212	235
Income Tax		--	7,123
		-----	-----
		5,417	13,157
		-----	-----
		6,356	14,127
		=====	=====

9.1 These include balances due from associated companies amounting to Rs. 0.497 million (1999: Rs. 0.293 million). Maximum amount due from associated companies at the end of any month during the year was Rs. 0.497 million (1999: Rs. 0.173 million).

10. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits		1,145	602
Margin against letter of credit		1,181	--
Current account balances with statutory authorities - Excise duty		2,465	983
Prepayments		3,461	2,883
		-----	-----
		8,252	4,468
		=====	=====

11. OTHER RECEIVABLES

Considered good			
Income tax refundable		15,319	8,648
Claims receivable	11.1	1,286	821
Custom duty refundable		--	320
Profit accrued on saving accounts		86	17
Profit accrued on Foreign currency account		6	3
Receivable from Ex-employee		66	--
		-----	-----
		16,763	9,809
		=====	=====

11.1 This includes Rs. 0.082 million (1999: Rs. 0.058 million) due from an associated company. Maximum amount due from associated company at the end of any month during the year was Rs. 0.199 million (1999: Rs. 0.058 million).

12. CASH AND BANK BALANCES

Cash in hand		213	136
Cash at banks			
In current accounts	12.1	850	1,002
In saving accounts	12.2	1,169	333
		-----	-----
		2,019	1,335
		-----	-----
		2,232	1,471
		=====	=====

12.1 This includes foreign currency account amounting to Rs. 0.488 million (1999: Rs. 0.338 million) and carries profit at the rate of 3% per annum.

12.2 These accounts carry profit at the rate ranging from 7% to 8.25% per annum.

13. CURRENT PORTION OF LONG TERM LIABILITIES

Secured			
Liabilities against assets subject to finance leases		7,932	6,520
		=====	=====

14. SHORT TERM LOANS AND RUNNING FINANCES

Secured			
Short term loans			
Banking company	14.1 & 14.3	30,000	--
Short term running finances			
Banking companies	14.2 & 14.3	21,700	46,306
		-----	-----
		51,700	46,306
		=====	=====

14.1 This is secured against hypothecation of stocks and carries mark-up at rate of 11% per annum. This arrangement is valid up to September 12, 2000.

14.2 These finances are secured against hypothecation of raw and packing materials, finished goods and stores. The bankers also have lien on trade debts of the company and second charge on company's assets and carry mark-up at rates ranging from 12% to 16.79% per annum. These arrangements are valid upto dates between July 01, 2000 and March 31, 2001 and are renewable.

14.3 The total credit facilities available to the Company in respect of short term loan and running finances are Rs. 241.50 million (1999: Rs. 241.50 million).

15. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	15.1	74,867	44,861
Bills payable	15.2	26,806	17,677
Accrued expenses	15.3	9,699	6,471
Trade advances		1,173	995
Sales tax payable		15,206	7,094
Mark-up/interest accrued on secured short term loan and running finances		778	1,087
Interest accrued on lease finances		580	795
Royalty payable to an associated company		4,569	4,802
Workers' profit participation fund	15.4	4,889	3,743
Workers' welfare fund		1,853	1,351
Payable to provident fund trust		283	--
Payable to Ex-distributors		338	264
Other liabilities	15.5	730	634
		-----	-----
		141,771	89,774
		=====	=====

15.1 This includes Rs. 0.407 million (1999: Rs. 0.594 million) due to associated companies.

15.2 Commencing from the current year import bills payable are recognised on shipment of goods instead of receipt of goods as, in the opinion of the management the liability accrues on shipment. This change in accounting policy has no effect on retained earnings and comparatives have been restated in accordance with the new policy.

15.3 This includes Rs. 0.050 million (1999: Rs. 0.314 million) due to an associated company.

15.4 This balance comprises as follows:

Balance brought forward		3,743	2,561
Add: Interest credited at prescribed rate		260	202
		-----	-----
		4,003	2,763
Less: Amount paid to fund		4,003	2,763
		-----	-----
		--	--
Add: Current year's allocation @ 5%		4,889	3,743
		-----	-----
		4,889	3,743
		=====	=====

The Company retains the allocation to this fund for its business operations till the amounts are paid to the fund together with interest at prescribed rate under the Act.

15.5 This includes Rs. 0.337 million (1999: Rs. 0.336 million) due to associated companies.

16. DIVIDENDS

Proposed		36,691	24,461
Unclaimed		103	74
		-----	-----
		36,794	24,535
		=====	=====

17. SHARE CAPITAL

Authorised			
20,000,000 ordinary shares of Rs. 10 each		200,000	200,000

Issued, subscribed and paid up
Ordinary shares of Rs. 10 each

**Number of
Shares**

5,882,353 Issued for cash	58,824	58,824
6,347,910 Issued as bonus shares	63,479	63,479
-----	-----	-----
12,230,263	122,303	122,303
=====	=====	=====

18. CAPITAL RESERVE

Share premium	13,456	13,456
	=====	=====

19. REVENUE RESERVES

General reserve		
Balance brought forward	123,000	102,000
Transfer from profit and loss appropriation account	22,000	21,000
	-----	-----
	145,000	123,000
Unappropriated profit	1,415	1,602
	-----	-----
	146,415	124,602
	=====	=====

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Secured		
Balance as on July 01	24,102	26,944
Less: Payments during the year	6,520	2,842
	-----	-----
	17,582	24,102
Less: Payable within one year shown under current liabilities	7,932	6,520
	-----	-----
	9,650	17,582
	=====	=====

The principal plus financial charges are payable in quarterly installments as under:

Year	(Rs. in 000's)
2000 - 2001	10,892
2001 - 2002	10,752

	21,644
Less: Financial charges allocated to future periods	4,062

	17,582
Less: Current portion shown under current liabilities	7,932

	9,650
	=====

The above liabilities are obligations under finance leases with a Modaraba for plant and machinery. Rates of financial charges ranging from 18.9% to 20.17% per annum are used as discounting factor.

At the end of the lease period the ownership of assets shall transfer to the company on payment of residual values.

The cost of operating and maintaining the leased assets is borne by the company.

The above liability are secured against demand promissory notes.

21. DEFERRED LIABILITY

Deferred taxation	5,843	3,871
	=====	=====

22. LONG TERM DEPOSITS

Distributors	1,688	1,593
Transporters	500	500
Others	5	5
	-----	-----
	2,193	2,098
	=====	=====

22.1 These are interest free security deposits, repayable on termination of contracts with the parties

concerned.

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

a) Legal suits

i) There is a contingent liability in respect of custom duties and other taxes amounting to Rs. 1.897 million. Demand was raised by the custom authorities for release of Palm Kernel Oil and the decision to levy the duties and taxes was upheld by the Appellate Tribunal (Customs, Excise and Sales Tax). The company has filed an appeal against the decision of Appellate Tribunal before the High Court of Sindh. In the event of adverse decision in the appeal the Company would be faced with a liability and a charge against profit amounting to Rs. 1.897 million (1999: Rs. 1.897 million). The management expects favourable results in the appeal and, therefore, no provision has been made in these accounts.

ii) There is a contingent liability in respect of central excise duty amounting to Rs. 3.036 million. Demand has been raised by Central Excise Authorities for declaring less production of soap as compared with raw material consumed for the period of 1994-95 and 1996-97. The Company is disputing the demand before Additional Collector of Customs and Central Excise. In the event of adverse decision the Company would be faced with a liability and a charge against profit amounting to Rs. 3.036 million (1999: Rs. 3.036 million). The management expects favourable results and, therefore, no provision has been made in these accounts.

b) Post dated cheques

There is a contingent liability in respect of custom duties amounting to Rs. 8.272 million (1999: Rs. 16.493 million) on account of concessional rates of duties on imported raw material availed on the basis of consumption plans. In the event the certificates of consumption are not provided on due dates, the post dated cheques lodged as security are encashable.

c) Guarantees

There is a contingent liability in respect of indemnities given to the insurance companies for guarantees issued by them in the normal course of business aggregating to Rs. 3.000 million (1999: Rs. 28.859 million).

23.2 Commitments

a) The commitments of the Company as at the balance sheet date comprise of the following:

	2000	1999
	<i>(Rs. in 000's)</i>	
Acceptances and, letters of credit	34,684	43,879
Capital expenditure	1,344	2,276

b) The rentals under the lease agreements in respect of vehicles are as under:

<i>Year</i>	<i>Amount</i>	
	<i>(Rs. in million)</i>	
2000 / 2001	9.660	
2001 / 2002	8.575	
2002 / 2003	7.465	
2003 / 2004	5.295	
2004 / 2005	1.875	

	32.870	
	=====	

24. SALES

Sales	1,854,138	1,436,774
Less: Sales tax	249,695	179,874
Discount and allowances	84,732	58,525
	-----	-----
	334,427	238,399
	-----	-----
	1,519,711	1,198,375
	=====	=====

25. COST OF GOODS SOLD

Raw material consumed		479,937	402,134
Packing material consumed		177,104	133,041
Stores and spares consumed		4,537	3,737
Power and fuel		22,251	19,751
Salaries, wages and other benefits	25.1	51,600	42,705
Repairs and maintenance		1,809	1,456
Rent, rates and taxes		1,466	1,118

Insurance	2,981	3,122
Laboratory expenses	357	465
Cartage	2,603	5,519
Excise duty	115,718	91,062
Depreciation	13,809	11,931
Other manufacturing expenses	11,574	10,653
	-----	-----
	885,746	726,694
Work in process		
Opening stock	2,584	3,957
Closing stock	(2,590)	(2,584)
	-----	-----
	(6)	1,373
Cost of goods manufactured	885,740	728,067
Finished goods (including trading goods and by-product)		
Opening stock	50,766	46,313
Purchases of trading goods	243,335	158,226
	-----	-----
	294,101	204,539
Closing stock	(73,104)	(50,766)
	-----	-----
	220,997	153,773
	-----	-----
	1,106,737	881,840
	=====	=====

25.1 This amount includes Rs. 1.745 million (1999: Rs. 1.549 million) in respect of employees retirement benefits.

26. ADMINISTRATIVE AND SELLING EXPENSES

Salaries, allowances and other benefits	26.1	39,425	30,359
Travelling and conveyance		10,572	7,670
Repairs and maintenance		383	340
Vehicle running expenses		16,997	10,851
Advertisement and sales promotion		177,189	129,524
Royalty on sale of licensed products		4,569	4,802
Auditors' remuneration			
Audit fee		90	90
Other certification		15	26
Travelling and out of pocket expenses		26	25
		-----	-----
		131	141
Postage, telephone and telegram		2,906	3,384
Rent, rates and taxes		4,484	4,686
Printing and stationery		2,009	2,169
Subscription and membership		286	251
Legal and professional charges		147	39
Freight		35,778	29,903
Electricity		1,147	1,030
Insurance		2,988	2,512
Entertainment		16	26
Security services charges		937	734
Depreciation		4,575	2,336
Bad debts written off		413	183
Provision for doubtful debts		224	66
Other expenses		9	432
		-----	-----
		305,185	231,438
		=====	=====

26.1 This amount includes Rs.1.381million (1999:Rs. 1.200million) in respect of employees retirement benefits.

27. OTHER INCOME

Insurance commission	2,288	1,146
Provision for royalty written back	--	3,678
Profit on saving deposit account	447	414
Gain on sale of fixed assets	136	652
Insurance claim against stolen vehicles (Net)	406	400
Income from sale of scrap	23	--
Profit on foreign currency deposit accounts	11	272
Liabilities no longer payable written back	1,220	216
Miscellaneous	160	126
	-----	-----
	4,691	6,904
	=====	=====

28. FINANCIAL CHARGES

Mark-up/interest on:

Short term loan and running finances	9,421	10,646
Lease finances	4,163	5,361
Workers' profit participation fund	260	202
Guarantee commission	37	144
Bank commission and other charges	820	802
	-----	-----
	14,701	17,155
	=====	=====

29. TAXATION

Current		
For the year	31,460	22,000
For prior year	(899)	(740)
	-----	-----
	30,561	21,260
Deferred	1,972	2,587
	-----	-----
	32,533	23,847
	=====	=====

30. EARNINGS PER SHARE

Net profit for the year	58,504	45,905
	=====	=====
	Number of shares	
Average issued ordinary shares	12,230,263	12,230,263
	=====	=====
Earnings per share	Rs. 4.78	Rs.3.75
	=====	=====

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	<i>CHIEF EXECUTIVE</i>		<i>DIRECTOR</i>		<i>EXECUTIVES</i>		<i>TOTAL</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousands)</i>							
Remuneration	1,831	920	597	485	18,601	12,494	21,029	13,899
House rent	496	400	210	214	7,039	5,229	7,745	5,843
Bonus	--	--	100	81	2,661	1,885	2,761	1,966
Provident fund	--	--	53	43	1,441	1,024	1,494	1,067
Utilities	198	65	59	48	535	318	792	431
	-----	-----	-----	-----	-----	-----	-----	-----
Total	2,525	1,385	1,019	871	30,277	20,950	33,821	23,206
	=====	=====	=====	=====	=====	=====	=====	=====
Number of perso	1	1	1	1	95	65	97	67
	=====	=====	=====	=====	=====	=====	=====	=====

Note: a) The directors have waived their meeting fees for the year.

b) The Chief Executive, a working Director and Executives have been provided with Company maintained cars.

32. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The Company completed following transactions with associated undertakings in the normal course of business at contracted rates and terms:

	<i>2000</i>	<i>1999</i>
	<i>(Rs. in 000's)</i>	
Sales of goods and services	144	315
Purchase of goods and services	49,717	37,348
Rent, allied and other charges	5,534	4,819
Royalty on sale of licensed products	4,569	4,802
Insurance commission income	2,288	1,146
Purchase of fixed assets	1,891	--

33. CAPACITY AND PRODUCTION

	<i>2000</i>	<i>1999</i>
	<i>(Quantity in Tons)</i>	
Installed capacity based on triple/double shifts	27,100	17,532
Actual production on own capacity	20,351	15,936

The under utilisation of the capacity wherever occurring was due to market constraints.

34. INTEREST RATE RISK

Interest rate risk of the Company's financial assets and financial liabilities as at June 30, 2000 can be evaluated from the following:

	<i>Interest/markup bearing</i>			<i>Non-interest bearing</i>			<i>Total</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub Total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub Total</i>	
<i>(Rupees in thousands)</i>							
Financial assets							
Long term loans	--	--	--	939	1,745	2,684	2,684
Long term deposits	--	--	--	1,005	200	1,205	1,205
Trade Debts (Net)	--	--	--	94,839	--	94,839	94,839
Trade Deposits	--	--	--	1,181	--	1,181	1,181
Other receivables	--	--	--	252	--	252	252
Cash and bank balances	1,657	--	1,657	575	--	575	2,232
	-----	-----	-----	-----	-----	-----	-----
	1,657	--	1,657	98,791	1,945	100,736	102,393
	-----	-----	-----	-----	-----	-----	-----
Financial liabilities							
Liabilities against assets subject to finance lease	7,932	9,650	17,582	--	--	--	17,582
Long term deposits	--	--	--	--	2,193	2,193	2,193
Short term loans	30,000	--	30,000	--	--	--	30,000
Short term running finances	21,700	--	21,700	--	--	--	21,700
Creditors accrued and other liabilities	--	--	--	118,637	--	118,637	118,637
Dividends	--	--	--	36,794	--	36,794	36,794
	-----	-----	-----	-----	-----	-----	-----
	59,632	9,650	69,282	155,431	2,193	157,624	226,906
	-----	-----	-----	-----	-----	-----	-----
Net financial (liabilities)	(57,975)	(9,650)	(67,625)	(56,640)	(248)	(56,888)	(124,513)
	=====	=====	=====	=====	=====	=====	=====

34.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 102.393 million the financial assets which are subject to credit risk are Rs. 100.161 million. The company believes that it is not exposed to major concentration of credit risk.

34.2 Currency risk

Financial liabilities include Rs. 24.747 million which are subject to currency risk.

34.3 Fair value of financial instruments

The carrying value of all the financial assets and financial liabilities are estimated To approximate their fair values.

35. NUMBER OF EMPLOYEES

Total number of employees at the year end was 476 (1999: 479)

36. GENERAL

i) Amounts have been rounded off to the nearest thousand rupees unless otherwise stated.

ii) Corresponding figures have been rearranged wherever necessary for the purpose of comparison.

ZULFIQAR ALI LAKHANI
Chief Executive

TASLEEMUDDIN A. BATLAY
Director

YEARWISE FINANCIAL HIGHLIGHTS

<i>BALANCE SHEET</i>	<i>(Rupees in thousands)</i>				
	<i>1999-2000</i>	<i>1998-99</i>	<i>1997-98</i>	<i>1996-97</i>	<i>Eighteen months ended June 30, 1996</i>
Tangible Fixed Assets	147,719	119,164	107,202	101,820	74,103
Long Term Loans, Advances, Deposits and Prepayments	6,802	6,765	5,385	5,633	3,070
Current Assets	385,371	325,118	367,610	287,432	331,214
Current Liabilities	240,032	167,135	214,260	141,594	220,832
	-----	-----	-----	-----	-----
	145,339	157,983	153,350	145,838	110,382
	-----	-----	-----	-----	-----
TOTAL ASSETS EMPLOYED	299,860	283,912	265,937	253,291	187,555
	=====	=====	=====	=====	=====
REPRESENTED BY					
Equity	282,174	260,361	238,917	224,263	186,188

Liabilities against assets subject to finance leases	9,650	17,582	24,102	26,944	--
Redeemable Capital, Long Term Loans, Deposits and Deferred liability	8,036	5,969	2,918	2,084	1,367
	299,860	283,912	265,937	253,291	187,555

PROFIT & LOSS ACCOUNT

Gross Sales	1,854,138	1,436,774	1,128,834	1,056,246	1,388,631
Less: Sales Tax	249,695	179,874	95,162	127,935	174,003
: Discount and allowances	84,732	58,525	50,217	39,325	40,666
	334,427	238,399	145,379	167,260	214,669
Net Sales Revenue	1,519,711	1,198,375	983,455	888,986	1,173,962
Cost of Goods Sold	1,106,737	881,840	750,425	676,332	913,475
Gross profit	412,974	316,535	233,030	212,654	260,487
Administrative Expenses	18,535	14,783	13,532	12,876	15,709
Selling Expenses	286,650	216,655	154,141	123,619	145,087
	305,185	231,438	167,673	136,495	160,796
Operating Profit	107,789	85,097	65,357	76,159	99,691
Other Income	4,691	6,904	5,125	4,656	9,903
	112,480	92,001	70,482	80,815	109,594
Financial charges, WPPF & WWF	21,443	22,249	22,836	22,211	37,618
Net Profit Before Tax	91,037	69,752	47,646	58,604	71,976