

Transpak Corporation Limited

Annual Report 2002

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Company Information

Notice is hereby given that the 28th Annual General Meeting of the Shareholders of the Company will be held on Wednesday October 30, 2002 at 5.00 p.m. at the registered office of the Company at Dawlance Centre, Civil Lines 9, Dr. Zia-ud-din Ahmed Road, Karachi to transact the following business.

A. ORDINARY BUSINESS:

1. To confirm the minutes of the 27th Annual General meeting held on December 28, 2001.
2. To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the year ended June 30, 2002 alongwith Auditors' and Directors' report thereon.
3. To consider and approve the payment of the cash dividend as recommended by the Board of Directors.
4. To appoint Auditors for the year ending June 30, 2003 and fix their remuneration.
5. To transact such other ordinary business as may be placed before the meeting with the permission of the Chair.

By order of the Board

ASIM MANZOOR
Company Secretary

Karachi:

NOTES:

1. The share transfer book of the Company will remain closed from October 20, 2002 to October 31, 2002 (both days inclusive) and no transfer will be accepted for registration during this period. The members whose names appear in the register of members as at the close of business on October 19, 2002 will qualify for the payment of dividend.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote for 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 time of holding the meeting. (Proxy Form is enclosed).
3. Members are requested to communicate to the Company any change of their address.

The Directors of your Company are pleased to present their report and Accounts of the Company for the year ended June 30, 2002.

OPERATING RESULTS AND PROFITS

2002
(Rupees)

2001
(Rupees)

APPROPRIATION

Profit after taxation	20,874,042	56,095,926
Un-appropriated profit brought forward	1,430,265	334,339
	-----	-----
Profit available for appropriation	22,304,307	56,430,265
Transfer to revenue reserves	--	(40,000,000)
	-----	-----
Proposed dividend 50% (2001 50%)	22,304,307	16,430,265
	15,000,000	15,000,000
Un-appropriated profit carried forward	7,304,307	1,430,265
	-----	-----
Earnings per Share	6.96	18.70
	=====	=====

Earning per share in the year 2001 includes the effect of gain on sale of toothpaste business amounting to Rs. 48.3 million and expense of Golden handshake scheme amounting to Rs. 5.6 million. Excluding these two factors, EPS from normal operations becomes 4.47 in 2001 as against 6.96 for the current year.

Last years results also include sale of toothpaste for six month, excluding that the sales has shown a growth over last year by almost 7% in terms of quantity and 4% in terms of value. In addition to that the main focus was on the reduction of cost in which the Company has succeeded to satisfaction and, even with a drop of sales by Rs. 25 million due to sale of toothpaste business, the Company has increased its operating profits by Rs. 3.3 million. The financial position has become even stronger as current ratio has improved to 1.87 against 1.45 in the last year due to reduction in bank borrowings by Rs. 16.3 million, trade debtors by Rs. 16.7 million and creditors by Rs. 9.6 million.

STATEMENT OF DIRECTORS RESPONSIBILITIES**Preparation of Accounts and Financial Reporting**

The Directors are required by statutory law to maintain proper books of accounts and to prepare and present financial statements each financial year which give a true and fair view of the state of affairs, the results of its operations, cash flows and changes in equity.

In preparing the financial statements, applicable accounting standards have been followed, suitable accounting policies have been consistently applied, and accounting estimates are based on reasonable and prudent judgment.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and prevent and detect fraud and other irregularities. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the accounts.

Internal Controls

The directors acknowledge their responsibility for the Company's system of internal control and confirm they' have reviewed its effectiveness. This system is designed to provide reasonable assurance of the safeguarding of assets and shareholders' investment and the reliability of financial information. The Board exercises control through an organizational structure with clearly defined levels of responsibility, authority and appropriate reporting procedures.

The Board confirms that there is a process for identifying, evaluating and managing significant risks faced by the Company and the same is regularly reviewed by the Management. The Board considers it is appropriately designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The concept of reasonable assurance recognizes that the cost of a control procedure should not exceed the expected benefits. During 2002, the directors were not aware of any control breakdowns, which resulted in any material loss.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board is the central element of Company's Corporate Governance System and assures that there is no material departure from the best practices of corporate governance. The statement of compliance with the best practices of corporate governance alongwith the review report of external auditor is annexed in this annual report.

EXTERNAL AUDITORS

The auditors M/s. Gangat & Company, Chartered Accountants, retire & offer themselves for re-appointment.

FUTURE OUTLOOK

The Management foresees that in order to keep pace with the existing trend of growth and to meet the challenges of the market, it requires new investment in modernization and balancing of production facilities. It would not only enable us in gaining greater market share with the improved products but also reduction in costs. Therefore, with the new investment, your management looks forward to future with optimism for even better results in the years to come.

KEY OPERATING AND FINANCIAL DATA

The key operating and financial data for last six years are annexed in this annual report.

BOARD MEETINGS

During the year under review, the Board met on five occasion. The participation of directors were as follows:

NAME OF DIRECTORS	NUMBER OF MEETINGS ATTENDED
Mr. Muhammad Basheer Sulaiman	5
Mr. Mohd. Amin Ali Muhammad	3
Mr. Mohd. Younus All Muhammad	5
Mr. Taimur Dawood	4
Mr. Shakeel Ahmad	4
Mr. Shamim Ahmed Khan	3
Mr. Manzoor H. Chaudhry	0

PATTERN OF SHAREHOLDING

The pattern of shareholding in compliance with the Companies Ordinance, 1984 and revised listing regulations are annexed in this annual report.

Key Operating & Financial Data

	2002	2001	2000	1999	1998	1997
Financial Position						
Paid up Capital	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Reserves & Un-appropriated profit	72,304,307	66,430,265	25,334,339	32,965,702	34,983,859	36,239,465
Long term liabilities	8,066,640	7,736,351	13,619,454	14,029,772	13,336,070	12,166,844
Current Liabilities	46,888,850	70,779,008	147,312,587	210,138,390	206,284,590	169,156,981
	-----	-----	-----	-----	-----	-----
Total Liabilities	157,259,797	174,945,624	216,266,380	287,133,864	284,604,519	247,563,290
	-----	-----	-----	-----	-----	-----
Fixed Assets	69,686,930	72,616,730	80,635,436	84,156,670	86,130,374	77,474,090
Current Assets	87,572,867	102,328,894	135,630,944	202,976,994	198,474,145	170,089,200
	-----	-----	-----	-----	-----	-----
Total Assets	157,259,797	174,945,624	216,266,380	287,133,864	284,604,519	247,563,290
	-----	-----	-----	-----	-----	-----
Operating Position						
Net Sales	195,935,422	220,973,943	176,003,401	278,479,610	315,751,645	319,209,007
Cost of Sales	134,544,974	152,190,686	116,508,549	199,075,870	234,250,530	250,828,674
Gross Profit	61,390,448	68,783,257	59,494,852	79,403,740	81,501,115	68,380,333
Administrative & Selling Expenses	28,988,671	39,236,477	44,654,461	52,104,179	55,478,125	43,395,579

Operating Profit	32,401,777	29,546,780	14,840,391	27,299,561	26,022,990	24,984,754
Profit after taxation	20,874,042	56,095,926	1,368,637	6,981,843	7,744,394	11,268,098
Statistics & Ratios						
Gross Profit to Sales %	31.33	31.13	33.80	28.51	25.81	21.42
Current Ratio	1.87	1.45	0.92	0.97	0.96	1.01
Dividend per share	5	5	3	3	3	3
Earning per share	6.96	18.70	0.46	2.33	2.58	3.76
Break-up Value per share	34.10	32.14	18.44	20.99	21.66	22.08
Retained earning per share	24.10	22.14	8.44	10.99	11.66	12.08

**PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS
AS AT JUNE 30, 2002**

<i>No. of Shareholders</i>	<i>Share Holding</i>	<i>Total Shares Held</i>	
146	From 1 to	500	31,700
23	From 501 to	1000	17,100
25	From 1001 to	5000	59,600
12	From 5001 to	10000	83,650
1	From 10001 to	15000	11,700
4	From 15001 to	20000	64,208
4	From 20001 to	25000	93,300
2	From 25001 to	30000	52,900
2	From 55001 to	60000	119,800
1	From 60001 to	65000	61,600
1	From 85001 to	90000	89,216
2	From 130001 to	140000	270,700
1	From 160001 to	170000	165,600
1	From 290001 to	300000	296,376
1	From 380001 to	390000	387,550
1	From 1180001 to	1190000	1,195,000
-----			-----
227			3,000,000

Directors including spouse & children	8	1,263,700	42.12
Individual excluding directors	211	1,177,842	39.26
Investment companies			
National Bank of Pakistan - Trustee Dept (NIT)	1	387,550	12.93
Insurance companies	2	64,600	2.15
Joint Stock companies	5	106,308	3.54
	-----	-----	-----
	227	3,000,000	100.00
	=====	=====	=====

Name wise Detail of Shares Held by Directors, their Spouse & Children

Name of Directors	<i>Director</i>	<i>Souse</i>	<i>Child</i>	Shared held by		%
				<i>Total</i>		
Mr. Muhammad Basheer Sulaiman	1195000	6000		5100	1,206,100	40.20
Mr. Mohd. Amin All Muhammad	23400				23,400	0.78
Mr. Mohd. Yunus All Muhammad	23300				23,300	0.78
Mr. Taimur Dawood	9900				9,900	0.33
Mr. Shakeel Ahmad	500				500	0.02
Mr. Amiruddin Arrain	500				500	0.02
Mr. Shamim Ahmed Khan	Shares held	by NIT as shown above			-----	-----
					1,263,700	42.12

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STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

The Company is in process of implementing all facets of the Code of Corporate Governance issued by Security & Exchange Commission of Pakistan and included in the listing regulation of Karachi Stock Exchange. The Board feels pleasure in stating that provisions of the Code, relevant to the year ended 30, 2002 have been duly complied with.

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 Dilon Limited, to comply with the Listing Regulation No. 37 of the Karachi 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 inquiries 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on the internal controls covers all controls and the effectiveness of such internal controls.

Based on our review except for the matter noted in the previous paragraph 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.

Karachi.
Date: September 26, 2002

Gangat & Company
Chartered Accountants

Auditors' Report TO THE MEMBERS

We have audited the annexed Balance Sheet of TRANSPAK CORPORATION 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 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 presen-

tation 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 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.

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 Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), was deducted by the company and deposited in the central zakat fund established under section 7 of that Ordinance.

Karachi.

Date: September 25, 2002

Gangat & Co.

Chartered Accountants

Balance Sheet As AT JUNE 30, 2002

	<i>NOTE</i>	<i>2002 (Rupees)</i>	<i>2001 (Rupees)</i>
CAPITAL & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorised capital			
10,000,000 ordinary shares of Rs. 10/- each		100,000,000	100,000,000
		=====	=====
Issued, subscribed & paid-up capital			
3,000,000 ordinary shares			
of Rs. 10/- each fully paid-up in cash		30,000,000	30,000,000
RESERVE AND SURPLUS			
Revenue reserve - General	3	55,000,000	55,000,000
Capital reserve - Share premium	4	10,000,000	10,000,000
Unappropriated profit		7,304,307	1,430,265
		-----	-----
		72,304,307	66,430,265
		-----	-----
Shareholders' equity		102,304,307	96,430,265
DEFERRED LIABILITIES			
	5	8,066,640	7,736,351
CURRENT LIABILITIES			
Short term bank finances	6	12,299,287	28,523,437

Creditors, accrued & other liabilities	7	9,278,202	18,893,001
Provision for taxation		10,000,000	7,300,000
Unclaimed dividend		311,361	1,062,570
Proposed dividend		15,000,000	15,000,000
		-----	-----
		46,888,850	70,779,008
CONTINGENCIES & COMMITMENTS	8	--	--
		-----	-----
Total Rupees		157,259,797	174,945,624
		=====	=====

PROPERTY AND ASSETS
TANGIBLE FIXED ASSETS

Operating assets	9	69,686,930	72,616,730
CURRENT ASSETS			
Stores & spares		5,948,200	6,187,531
Stock-in-trade	10	41,698,606	46,294,905
Trade debtor - unsecured, considered good	11	11,848,797	28,598,156
Loans, advances, deposits and other receivables	12	19,917,745	18,752,537
Cash & bank balances	13	8,159,319	2,495,765
		-----	-----
		87,572,867	102,328,894
		-----	-----
Total Rupees		157,259,797	174,945,624
		=====	=====

The annexed notes form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

KARACHI: September 25, 2002
On behalf of the Board

GANGAT & COMPANY
Chartered Accountants

TAIMUR DAWOOD
Director

MUHAMMAD BASHEER SULAIMAN
Chairman & Chief Executive

Profit & Loss Account
FOR THE YEAR ENDED JUNE 30, 2002

	<i>NOTE</i>	<i>2002</i> <i>(Rupees)</i>	<i>2001</i> <i>(Rupees)</i>
PARTICULARS			
Sales		220,973,943	195,935,422
Less: Cost of goods sold		152,190,687	134,544,974
		-----	-----
GROSS PROFIT		68,783,256	61,390,448
Less: Operating expenses			
Administrative & selling	16	28,988,671	39,236,477
Financial	17	2,783,013	3,229,022
		-----	-----
		31,771,684	42,465,499
		-----	-----
Net operating profit		29,618,764	26,317,757
OTHER INCOME AND CHARGES			
Non-operating income	18	901,932	583,388
Other charges	19	(1,079,197)	(4,832,693)

Golden handshake scheme	20	--	(5,653,414)
Gain on sale of Discontinued Operation	21	--	48,336,524
		-----	-----
		(177,265)	38,433,805
		-----	-----
Net profit for the year before taxation		29,441,499	64,751,562
Less: Taxation	22	8,567,457	8,655,636
		-----	-----
Profit after taxation		20,874,042	56,095,926
Add: Unappropriated profit brought forward		1,430,265	334,339
Transfer (to)/from Revenue reserve		--	(40,000,000)
		-----	-----
Profit available for appropriation		22,304,307	16,430,265
APPROPRIATION			
Proposed dividend @ Rs. (2000: Rs. 5) Per share		15,000,000	15,000,000
		-----	-----
Unappropriated profit carried forward		7,304,307	1,430,265
		=====	=====
EARNINGS PER SHARE	23	6.96	18.70
		=====	=====

The annexed notes form an integral part of these financial statements.

This is the profit and loss account referred to in our report of even date.

KARACHI: **GANGAT & CO.**
Chartered Accountants

TAIMUR DAWOOD
Director

MUHAMMAD BASHEER SULAIMAN
Chairman & Chief Executive

Cash Flow Statement FOR THE YEAR ENDED JUNE 30, 2002

	<i>NOTE</i>	<i>2002</i> <i>(Rupees)</i>	<i>2001</i> <i>(Rupees)</i>
CASH FLOW FROM OPERATING ACTIVITIES:			
Cash generated from operations	A	50,377,636	17,856,112
Financial charges paid		(2,747,682)	(4,292,489)
Taxes paid		(5,164,391)	(5,445,669)
		-----	-----
Net cash inflow from operating activities		42,465,563	8,117,954
CASH FLOW FROM INVESTING ACTIVITIES:			
Fixed capital expenditure		(5,610,360)	(2,554,964)
Proceeds from sale of discontinued operation		--	50,000,000
Sale proceeds of fixed assets (excluding sale of assets of discontinued operation)		783,710	1,077,277
		-----	-----
Net cash in flow/(out flow) from investing activities		(4,826,650)	48,522,313
CASH FLOW FROM FINANCING ACTIVITIES:			
Dividend paid		(15,751,209)	(8,993,259)
Net cash (outflow) from financing activities		(15,751,209)	(8,993,259)
		-----	-----
Net increase in cash and equivalents		21,887,704	47,647,008
Cash and cash equivalents at the beginning of the year	B	(26,027,672)	(73,674,680)
		-----	-----
Cash and cash equivalents at the end of the year	B	(4,139,968)	(26,027,672)

The annexed notes form an integral part of these statements.

**Notes to the Cash Flow Statement
FOR THE YEAR ENDED JUNE 30, 2002**

	<i>2002</i>	<i>2001</i>
	<i>(Rupees)</i>	<i>(Rupees)</i>
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before taxation	29,441,499	64,751,562
Add/(less) adjustment for non-cash charges and other items:		
Depreciation	8,285,844	8,070,517
Provision for gratuity	530,289	(5,383,103)
Profit on sale of fixed assets (excluding sale of assets of discontinued operation)	(529,394)	(237,600)
Gain on sale of discontinued operation	--	(48,336,524)
Financial charges	2,783,013	3,229,022
	-----	-----
	40,511,251	22,093,874
Effect on cash flow due to working capital changes		
(Increase)/decrease in store & spares	239,331	300,329
(Increase)/decrease in stock in trade	4,596,099	38,941,783
(Increase)/decrease in trade debtors	16,749,359	(4,927,695)
(Increase)/decrease in loans, advances & deposits (excluding taxation)	(2,068,274)	2,919,777
(Decrease)/Increase in creditors & accrued liabilities (excluding accrued markup)	(9,650,130)	(41,471,956)
	-----	-----
	9,866,385	(4,237,762)
	-----	-----
Cash generated from operations	50,377,636	17,856,112
	=====	=====
B. CASH AND CASH EQUIVALENTS:		
Cash and bank balances	8,159,319	2,495,765
Short term running finances	(12,299,287)	(28,523,437)
	-----	-----
	(4,139,968)	(26,027,672)
	=====	=====

**Statement of Changes in Equity
FOR THE YEAR ENDED JUNE 30, 2002**

	<i>SHARE</i>	<i>REVENUE</i>	<i>CAPITAL</i>	<i>UN</i>	<i>TOTAL</i>
	<i>CAPITAL</i>	<i>RESERVE</i>	<i>RESERVE</i>	<i>APPROPRIATED</i>	<i>RUPEES</i>
				<i>PROFIT</i>	
Balance as at June 30, 2000	30,000,000	15,000,000	10,000,000	334,339	55,334,339
Profit for the year	--	--	--	56,095,926	56,095,926
Appropriation:					
Transfer to general reserve	--	40,000,000	--	(40,000,000)	--
Dividend	--	--	--	(15,000,000)	(15,000,000)
	-----	-----	-----	-----	-----
Balance as at June 30, 2001	30,000,000	55,000,000	10,000,000	1,430,265	96,430,265

Profit for the year	--	--	--	20,874,042	20,874,042
Appropriation:					
Proposed dividend	--	--	--	(15,000,000)	(15,000,000)
	-----	-----	-----	-----	-----
Balance as at June 30, 2002	30,000,000	55,000,000	10,000,000	7,304,307	102,304,307
	=====	=====	=====	=====	=====

Chief Executive

Director

Notes to the Accounts

FOR THE YEAR ENDED JUNE 30, 2002

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on January 10, 1975 as a Public Limited Company and its shares are quoted on the Stock Exchanges of Pakistan. The Company is mainly engaged in the manufacturing, trading and sales of Dental care & Baby care products etc.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 ACCOUNTING CONVENTION AND BASIS OF PREPARATION

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

2.2 TANGIBLE FIXED ASSETS

Operating assets are stated at historical cost less accumulated depreciation, whereas capital work-in-progress is stated at cost.

Except for leasehold land which is amortised on straight line basis at the annual rate of one per cent, depreciation on all the other operating assets is provided on the diminishing balance method at the following rates:

Factory building on leasehold land	10 per cent
Plant & machinery	10 per cent
Furniture & fixture	10 per cent
Office equipment	10 per cent
Computer Equipments	30 per cent
Vehicles	20 per cent

Acquisitions during the year are depreciated for the full year irrespective of the date of purchase and no depreciation is charged on assets in the year of their disposal.

Gain and losses on deleted assets are reflected in income currently.

2.3 ASSETS SUBJECT TO FINANCE LEASE

These are recorded at the fair value of lease assets or if lower, at the present value of minimum lease payments. The aggregate amount of obligations relating to the assets subject to finance lease is accounted for at net present value of liability. The assets so require are amortized over the useful life of the assets. The amortization of the leased assets is charged to current year's income as part of depreciation.

2.4 STOCK-IN-TRADE

Stock-in-trade is valued at lower of cost and net realisable value. Cost, in the case of raw materials and trading goods, is arrived on first-in-first out basis and in the case of work-in-process and finished manufactured goods it denotes average cost consisting prime cost and appropriate manufacturing overheads. Net realisable value signifies the selling prices prevailing in the market less cost necessary to be incurred to make the sale.

2.5 STORE & SPARES

These are valued at cost on first-in-first out basis. Provision is made for items considered obsolete and slow moving. Items in transit are valued at cost comprising invoice price and other charges paid thereon.

2.6 STAFF RETIREMENT BENEFITS

Liability in respect of gratuity payable to employees has been fully provided for in these accounts. The Company also operates provident fund scheme for its employees. These retirement benefits are payable to employees on completion of prescribed qualifying period of service under the scheme.

2.7 TAXATION

Current taxation charges in the accounts is based on taxable income. The Company accounts for deferred tax on all material timing differences using the liability method.

2.8 FOREIGN CURRENCIES TRANSLATIONS

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date except for those covered by forward contracts, which are stated at contracted rates. Foreign currency transactions are translated into Pak Rupees at the rate of exchange prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. Exchange differences are included in income currently.

2.9 TRADE DEBTS

Known bad debts are written off when identified and provision is made for debts considered doubtful based on review of outstanding amount at the end of the year.

2.10 REVENUE RECOGNITION

Sales are recorded on dispatch of goods to customers.
Return on bank accounts/deposits are recognised on accrual basis.

2.11 PROVISIONS

Provisions are recognised when the company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalent include cash in hand and with bank and short term finances. The fair value of cash and cash equivalents approximates their carrying amount.

2.13 OTHER FINANCIAL ASSETS AND LIABILITIES

Other financial assets and other financial liabilities are carried at amortized cost. The fair value of these approximate their carrying amount.

2.14 OFFSETTING

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. REVENUE RESERVES

General reserve:
At the beginning of the year
Transferred from unappropriated profit

	<i>2002</i>	<i>2001</i>
	<i>Rupees</i>	<i>Rupees</i>
	55,000,000	15,000,000
	--	40,000,000
	-----	-----
	55,000,000	55,000,000
	=====	=====

4. CAPITAL RESERVE

Share premium:	10,000,000	10,000,000
	-----	-----
	10,000,000	10,000,000
	=====	=====

5. DEFERRED LIABILITIES

Gratuity payable to employees	5,916,640	5,386,351
Deferred taxation	2,150,000	2,350,000
	-----	-----
	8,066,640	7,736,351
	=====	=====

6. SHORT TERM BANK FINANCES-SECURED

These represent finance utilised under mark-up arrangement with banks and are secured against hypothecation of stock-in-trade and trade debtors.

The Company enjoys a total overdraft facility of Rs. 35 million (2001: Rs. 35 million) at a markup ranging from 26 to 34 paisas (2001:30 to 33 paisas) per 1,000 rupees per day.

7. CREDITORS, ACCRUED & OTHER LIABILITIES

	<i>2002</i>	<i>2001</i>
	<i>Rupees</i>	<i>Rupees</i>
Deposits - interest free and repayable on demand	784,575	896,275
Creditors (note 7.1)	3,602,404	5,151,435
Accrued liabilities	860,318	1,837,615
Accrued markup on bank finances-secured	81,027	45,696
Staff provident fund	--	1,669,440
Workers' welfare fund	600,000	1,325,000
Workers' profit participation fund (note 7.2)	1,526,035	3,479,212
Sales tax payable	951,127	2,622,227
Advances from customers	872,716	647,761
Other liabilities (note 7.3)	--	1,218,340
	-----	-----
	9,278,202	18,893,001
	=====	=====
7.1 Creditors		
Goods	1,500,804	2,625,701
Services	1,805,744	2,134,384
Others	295,856	391,350
	-----	-----
	3,602,404	5,151,435
	=====	=====
7.2 Workers' profit participation fund		
Opening balance	3,479,212	101,488
Allocation for the year	1,526,035	3,479,212
	-----	-----
	5,005,247	3,580,700
Less: Payment	3,479,212	101,488
	-----	-----
	1,526,035	3,479,212
	=====	=====

7.3 Other liabilities includes Zakat payable, which was paid subsequent to year end.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingent liability in respect of guarantee and counter guarantee as at June 30, 2002 was

Rs. 5,150,000 (2001: 5,000,500). Out of this Rs. 5,000,000 represents surety provided in relation to defending a trade mark case in high court for Rs. 42 million. The management is hopeful that the case will be decided in their favour.

8.2 The company is defending a law suit in respect of input sales tax claim disallowed by the tax authorities. The case is pending at the tribunal stage. The management is hopeful that the same will be allowed, as such no provision has been made there against.

8.3 Commitments against irrevocable letters of credit outstanding as at June 30, 2002 amounted to Rs. 19,133,500 (2001: Rs. 8,675,000) against an aggregate limit of Rs. 50 million.

9. OPERATING ASSETS

Particulars	COST			DEPRECIATION		Written Down value as on June 30, 2002	
	As on July 1, 2001	Addition/ (deletion) during the year	As on June 30, 2002	As on Depreciation July 1, charged/(on 2001 deletion) during the year	Accumulated depreciation		
Leasehold land	3,515,000	--	3,515,000	307,763	35,150	342,913	3,172,087
Factory building on lease hold land	38,717,610	--	38,717,610	8,850,415	2,986,719	11,837,134	26,880,476
Plant & machinery	82,570,282	4,767,385	87,337,667	48,019,502	3,931,817	51,951,319	35,386,348
Furniture & fixture	145,323	--	145,323	127,968	1,736	129,704	15,619
Office equipment	697,259	--	697,259	388,501	30,876	419,377	277,882
Computer Equipment	4,045,700	148,975	4,194,675	1,707,349	746,198	2,453,547	1,741,128
Vehicles	5,113,064	694,000	5,029,756	2,786,010	553,348	2,816,366	2,213,390
		(777,308)			(522,992)		
June 30, 2002	134,804,238	5,610,360	139,637,290	62,187,508	8,285,844	69,950,360	69,686,930
		(777,308)			(522,992)		
June 30, 2001	110,361,678	34,004,632	134,804,238	61,175,910	8,070,517	62,187,508	72,616,730
		(9,562,072)			(7,058,919)		
				2002	2001		
				Rupees	Rupees		

9.1 Depreciation for the year has been allocated as under:

Cost of goods sold	6,953,686	7,192,703
Administrative & selling expenses	1,332,158	877,814
	8,285,844	8,070,517

9.2 The company has rented out property at hyderabad to its associate company. The rate per Sq. yds is approximately equal to the rent charges in the vicinity.

9.3 During the year the management reassessed the estimated useful life of computer equipments and accordingly changed the depreciation rate from 10% to 30% per annum. Had there been no change the depreciation charge for the year would have been less by Rs. 497,465.

9.2. DETAILS OF FIXED ASSETS DELETED:

Particulars	Original cost	Accumulated depreciation	Written down value	Sales proceeds	Profit (loss)	Sold to	Mode of sales
Motor Vehicles							

AAP-104	257,000	172,786	84,214	160,000	75,786	Ch. Rafiq Ahmed 19A, 11 South Park Avenue, Defence Housing Society, Karachi.	Negotiation
AAR-865	356,308	224,958	131,350	539,000	407,650	Mr. Babar H. Siddiqui A-6, KDA Overseas Banglow Block 16A, Gulistan-e-Jauhar, Karachi.	-do-
Motor Cycle							
LOF-9784	29,000	26,198	2,802	6,750	3,948	Employees	As per terms of employments
LXE-1647	59,500	35,129	24,371	44,150	19,779	Employees	
LHG-5043	29,000	26,198	2,802	18,000	15,198	Employees	
KCK-1182	46,500	37,723	8,777	15,810	7,033	Employees	
June 30, 2002	777,308	522,992	254,316	783,710	529,394		
June 30, 2001	9,562,072	7,058,919	2,503,153	6,077,277	3,574,124		

2002
Rupees

2001
Rupees

10. STOCK-IN-TRADE

Raw materials				13,032,215	17,305,614
Raw material in transit				--	8,157,732
Work-in-process				1,450,594	1,177,443
Finished goods manufactured				27,215,997	19,178,374
Trading goods				--	475,742
				-----	-----
				41,698,806	46,294,905
				=====	=====

11. TRADE DEBTORS

Trade debtors include amount due from the associated undertakings Rs. 198,782 (2001: Rs. 198,782).
The maximum amount due from associated undertakings at the end of any month during the year was Rs. 252,314 (2001: Rs. 198,782).

12. LOANS, ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Loans & advances, due from employees, considered good				589,457	410,675
Advances to suppliers, considered good				32,000	547,434
Deposits				70,790	15,790
LC margins, deposits and opening charges				4,846,072	2,496,146
Advance income tax				11,492,611	12,395,677
Other receivable (8.2)				2,886,815	2,886,815
				-----	-----
				19,917,745	18,752,537
				=====	=====

13. CASH & BANK BALANCES

In hand				22,990	93,266
At bank - in current accounts				8,123,293	1,364,579
- In deposit account				13,036	1,037,920
				-----	-----
				8,159,319	2,495,765
				=====	=====

14. SALES AND COMMISSION

Sales - Local				225,599,077	254,285,414
- Manufacturing service charges				3,983,792	4,489,056
				-----	-----
				229,582,869	258,774,470
Less: Sales tax				33,647,447	37,800,527

-----	-----
195,935,422	220,973,943
=====	=====

15. COST OF GOODS SOLD

Raw material consumed (note 15.1)	109,241,332	100,064,772
OTHER COST		
Stores & spares consumed	449,586	1,125,192
Fuel & power	6,582,208	7,278,173
Salaries, wages & benefits (15.2)	14,940,044	18,218,905
Rent, rates & taxes	116,985	144,524
Insurance	440,574	132,973
Repairs & maintenance	2,427,470	2,568,610
Freight & octroi	33,019	206,149
Printing & stationery	98,276	257,006
Postage, telegram & telephone	196,700	221,268
Legal and Professional	320,290	148,492
Depreciation	6,953,686	7,192,703
Other manufacturing expenses	579,836	980,072
	-----	-----
	33,138,674	38,474,067
Opening inventory of work-in-process	1,177,443	1,887,952
Closing inventory of work-in-process	(1,450,594)	(1,177,443)
	-----	-----
	142,106,855	139,249,348
Opening inventory of finished goods (including trading goods)	19,654,116	32,595,455
Closing inventory of finished goods	(27,215,997)	(19,654,116)
	-----	-----
	134,544,974	152,190,687
	=====	=====
15.1 Raw material consumed		
Opening stock	17,305,614	50,753,281
Purchases and purchase expenses	104,967,933	66,617,105
	-----	-----
	122,273,547	117,370,386
Closing stock	(13,032,215)	(17,305,614)
	-----	-----
	109,241,332	100,064,772
	=====	=====

15.2 This include staff retirement benefits of Rs. 1,628,196/- (2001 - Rs. 1,373,229). During the year packing charges (which includes contract salary) has been included under this head. Comparative figures have also been rearranged.

15.3 Legal and professional charges have been separately shown for better presentation of financial statements. These were included in other manufacturing expense till last year.

16. ADMINISTRATIVE & SELLING EXPENSES

Directors' remuneration	1,200,000	4,930,478
Salaries, bonus & other benefits (16.1)	9,816,922	12,221,398
Directors' fees	--	1,500
Postage, telegram & telephone	920,226	1,373,182
Vehicle repair & maintenance	353,308	833,063

Office repair & maintenance	27,362	73,868
Rent, rates & taxes	500,969	1,146,193
Insurance	271,950	781,913
Electricity	582,506	1,181,910
Printing & stationery	295,707	409,206
Travelling expenses	1,318,572	490,356
Freight and Octroi (note 16.2)	1,267,437	1,531,233
Legal and Professional	457,290	569,500
Fees & subscription	114,788	190,512
Auditors' remuneration	75,000	55,000
Charity and donation	--	30,681
Advertisement & sales promotion	10,355,069	12,339,334
Depreciation	1,332,158	877,814
Sundry expenses	99,407	199,336
	-----	-----
	28,988,671	39,236,477
	=====	=====

16.1 This include staff retirement benefits of Rs. 2,618,559/- (2001 - Rs. 1,406,623/-)

16.2 This represents freight and octroi charges incurred on selling the product and have been reclassified for better presentation of the accounts. Uptill last year these were classified as purchase expenses.

17. FINANCIAL EXPENSES

Mark-up on short term bank finances	1,568,721	2,765,341
Return on WPPF (note 17.1)	718,245	--
Return on provident fund	274,204	189,585
Bank charges	221,843	274,096
	-----	-----
	2,783,013	3,229,022
	=====	=====

17.1 This represents return on WPPF balance paid alongwith the principal amount.

18. NON-OPERATING INCOME

Gain on deletion of fixed assets	529,394	237,600
Return on bank account	35,012	345,788
Miscellaneous receipts	337,526	--
	-----	-----
	901,932	583,388
	=====	=====

19. OTHER CHARGES

Workers' profit participation fund	1,526,035	3,479,212
Workers' welfare fund - Current	600,000	1,325,000
- Prior (note 19.1)	(1,046,838)	28,481
	-----	-----
	(446,838)	1,353,481
	-----	-----
	1,079,197	4,832,693
	=====	=====

19.1 This represents excess provisions for the year 2001.

20. GOLDEN HANDSHAKE SCHEME

This represents golden handshake scheme offered and paid to employees in relation to closure of factory in Hyderabad and warehouse.

21. GAIN ON SALE OF DISCONTINUING OPERATION

On January 4, 2001 the company had sold their Toothpaste Trade mark / Brand name "SPARKLE" and assets related thereto to Colgate Palmolive (Pakistan) Limited. The gain on disposal is as follows:

Gain on sales of fixed assets (note 22.1)	--	3,336,524
Gain on sales of current assets (note 22.2)	--	--
Sales of trade mark	--	1,500,000
Goodwill	--	43,500,000
	-----	-----
	--	48,336,524
	=====	=====

22.1 Stores and spares and stock in trade of the value of Rs. 7,626,816 were sold at book value.

22. TAXATION

Current (22.1)	10,000,000	7,300,000
Prior year	(1,232,543)	1,855,636
Deferred	(200,000)	(500,000)
	-----	-----
	8,567,457	8,655,636
	=====	=====

22.1 The last year tax charge include Rs. 1.1 million in respect of gain on disposal of discontinued operation. No tax charge was calculated on goodwill and trade mark gain of Rs. 45 million as the same is exempt from levy of tax as per the legal opinion.

23. EARNING PER SHARE

Profit after taxation	20,874,042	56,095,926
Number of ordinary share	3,000,000	3,000,000
Earning per share	6.96	18.70
	=====	=====

24. DIRECTORS' AND EXECUTIVES' EMOLUMENTS

The aggregate amount charged in the accounts for the year for emoluments including all benefits to the directors of the company were as under:

	<i>Directors</i>	<i>Chief Executive</i>	<i>Executive</i>	<i>Total</i>
Emoluments	--	774,194	3,661,677	4,435,871
Meeting fees *	--	--	--	--
Allowances	--	425,806	2,508,267	2,934,073
	-----	-----	-----	-----
2002 - Rupees	--	1,200,000	6,169,944	7,369,944
	=====	=====	=====	=====
2001 - Rupees	3,731,978	1,200,000	8,372,205	13,304,183
	=====	=====	=====	=====
2002	0	1	39	40
2001	1	1	45	47

*For Nil (2001 ' 4) Directors.

During the year meeting fee was waived by the Directors.

2002
Rupees

2001
Rupees

25. TRANSACTIONS WITH ASSOCIATE UNDERTAKINGS

Purchase of goods & services	46,386	132,901
Sales of goods and services	195,088	--
Rent charges	300,000	--

25.1 The transactions with associated undertakings are in the normal course of business at contracted rates and terms determined in accordance with market rates.

26. CAPACITY & PRODUCTION

	2002		2001	
	Capacity	Actual	Capacity	Actual
Dental care (in Kgs)	138,600	96,917	331,200	303,044
Baby care (in Kgs)	238,002	151,391	238,002	143,821

26.1 The company's main products are tooth brushes, baby feeders & baby nipples.

26.2 Reason for short fall; due to competition and other economic factors.

27. SUMMARISED WORKING RESULT BY LINE OF BUSINESS

	2002			Total	2001			
	Dental care	Baby care	Others		Dental care	Baby care	Others	Total
Sales	59,423,477	136,269,055	242,890	195,935,422	88,332,565	132,154,794	486,584	220,973,943
Cost of sales	42,687,035	91,320,957	536,982	134,544,974	66,034,915	85,809,307	346,464	152,190,686
Gross profit	16,736,442	44,948,098	(294,092)	61,390,448	22,297,650	46,345,487	140,120	68,783,257
Administrative & selling expenses	8,791,711	20,161,024	35,936	28,988,671	15,684,467	23,465,611	86,399	39,236,477
Operating profit (Rs.)	7,944,731	24,787,074	(330,028)	32,401,777	6,613,183	22,879,876	53,721	29,546,780

27.1 These has been no intersale between reported business segments.

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 FINANCIAL ASSETS & LIABILITIES

PARTICULARS	INTEREST BEARING			NON INTEREST BEARING			Total Rupees 2002	Total Rupees 2001
	Within one Year	Above one Year	Sub Total	Within one Year	Above one Year	Sub Total		
Financial Assets								
Trade debtors	--	--	--	11,848,797	--	11,848,797	11,848,797	28,598,166
Loans, Advances, Prepayments								
other receivables	--	--	--	15,071,673	--	15,071,673	15,071,673	16,256,391
Cash and Bank Balances*	13,036	--	13,036	8,146,283	--	8,146,283	8,159,319	2,495,765
	13,036	--	13,036	35,066,753	--	35,066,753	35,079,789	47,350,312
Financial Liabilities								
Short Term borrowings	12,299,297	--	12,299,297	--	--	--	12,299,297	28,523,437
Creditors, accrued and other liabilities	--	--	--	9,278,202	--	9,278,202	9,278,202	18,893,001
Dividend	--	--	--	15,311,361	--	15,311,361	15,311,361	16,062,570
	12,299,297	--	12,299,297	24,589,563	--	24,589,563	36,888,860	63,479,008

* Rate of return ranges from 8% to 12.5% per annum.

CREDIT RISK

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Other than cash and bank balance, all other financial assets are subject to credit risk. The Company applied credit limits to its

customers and does not have significant exposure to any individual customer.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any interest rate risk.

Fair Values of financial instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value. This assessment is based on settlement/realisable value.

29. GENERAL

29.1 Certain disclosure as required by IAS regarding segment information is not possible due to the multipurpose nature of assets and liabilities, common customers and suppliers, and indistinguishable nature of certain assets and liabilities such as bank finance dividend etc.

29.2 There has been no change in the accounting policies due to the adoption of International Accounting Standards-39. However some policies have been reworded and added, which were errorly omitted.

	<i>2002</i>	<i>2001</i>	
29.3 Number of employees	146	175	

29.4 Figures have been rounded off to the nearest rupee.

Chief Executive

Director