

Treet Corporation Limited

Annual Report 1998

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Company Information

BOARD OF DIRECTORS

SYED WAJID ALL

Chairman

SYED ASAD ALL

Vice Chairman

SYED SHAHID ALL

Managing Director

BEHRAM HASAN

WUSOOQ KHALEELI

MUSHTAQ H. KHAWAJA

BASIT H. SYED

COMPANY SECRETARY

MUHAMMAD RASHEED

AUDITORS

TASEER HADI KHALID & CO.

CHARTERED ACCOUNTANTS

LAHORE

REGISTERED OFFICE

72-B, KOT LAKHPAT INDUSTRIAL AREA,

LAHORE

BANKERS

ANZ GRINDLAYS BANK p.l.c. - LAHORE

ASKARI COMMERCIAL BANK LIMITED - LAHORE

LEGAL ADVISOR

SALIM & BAIG - LAHORE

FACTORIES

· HALI ROAD, HYDERABAD-71900

· 72-B, KOT LAKHPAT INDUSTRIAL AREA,

LAHORE

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty first Annual General Meeting of Treet Corporation Limited will be held at Ambassador Hotel, 7-Davis Road, Lahore on Saturday, 30th January 1999 at 11 a.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on 27th March 1998.
2. To receive and consider the statement of accounts for the year ended 30th June 1998, the report of Auditors and Directors thereon.
3. To appoint Auditors of the Company for the period ended 30 June 1999, and to fix their remuneration. The retiring Auditors M/S Taseer Hadi Khalid & Co., Chartered Accountants offer themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Muhammad Rasheed

Company Secretary

Lahore: January 2, 1999

NOTES:

(i) The Share Transfer Books of the Company for the purpose of Annual General Meeting will be closed from 24 January 1999 to 30 January 1999 (both days inclusive). Transfers received in order at the registered office of the company upto 22 January 1999 will be considered in time.

(ii) A member entitled to attend and vote at the Annual General Meeting is also entitled to appoint another member as a proxy to attend and vote instead of him.

(iii) The valid instrument appointing proxy must be received at the Registered office of the Company not later than forty eight hours before the appointed time for the meeting.

(iv) Members are requested to notify the company promptly of any change in their address.

Directors Report to Shareholders

The Directors are pleased to present the Annual Report together with the audited accounts of the Company for the year ended June 30th, 1998.

The financial results of the company are as under

	(Rupee in '000)	
	year ended June 30,	1997
	1998	
Profit before Taxation	53,390	40,432
Less: Provision for Taxation - Current year	(26,900)	(10,500)

- Previous years	-	(392)
Profit after Taxation	26,490	29,540
Add: Unappropriated Profit brought forward	994	727
Profit available for appropriation	27,484	30,267
APPROPRIATION		
Cash Dividend	Nil	6,273
Transfer to General Reserves	27,000	23,000
Un-appropriated Profit carried forward	484	994

The Directors do not recommend payment of any dividend.

Despite sagging market conditions and inflationary trends adversely affecting the cost of production, your company has been able to achieve sustainable business growth. Sales in terms of value increased by over 13% and the company posted a pre-tax profit of Rs. 53 million as against Rs. 40 million last year. Major factors attributable to the better results achieved than last year were the Government decision to rationalize Import Duty Tariff on Raw Materials with effect from March 1997, Higher turnover achieved by the company in terms of volume of Stainless Double Edge Blades and Bonded Systems both in the Local and Export Market, continued efforts of the management to reduce cost of production and quality assurance and reducing the Financial Expenses of the company.

The company has endeavored to enlarge its business more from Distributors and Trade's point of view. The Red & Washing soaps markets being ferociously competitive, the going has been modest but steady. While the soaps operations present a break even picture, the unquantifiable distributional benefits have been substantive.

To give a flip to the efforts, an excellent quality Beauty Toilet Soap in most popular segment has been launched. The product launched in May, 1998 has been well received and appears to have a promising future.

The company made a provision in the accounts for a liability for Staff Retirement Scheme, not provided earlier, for Rs. 29.495 million and for diminution in market value of investments for Rs. 13.442 million

The company after having demonstrated its quality assurance capability has been able to receive ISO-9002 Certification for its Lahore Factory. The operations now meet the World standards. Under the prevailing economic conditions, the company is concentrating its efforts to remain cost effective and competitive. However, your Company is viewing the future with caution.

The company and its subsidiary company have made necessary arrangements to cope with any threat of millennium bug by mitigating the potential disaster Year 2000. Necessary modification for the conversion to new system has already been completed at the end of last year.

The Board wishes to record its deep sorrow and grief on the sad demise of Mr. N. Z. Mama, a Director of the Company. Late Mr. Mama made invaluable contributions to the development of the Company. Mr. Basit H. Syed filled the vacancy created by the passing away of Mr. N.

Z. Mama. In place of Mr. S. Qamar Ali Zaidi, who earlier resigned from the Board, Mr. Wusoog Khaleeli was co-opted as Director of the company. The Board wishes to place on record its appreciation of the services rendered by Mr. S. Qamar All Zaidi during his tenure as Director of the company.

The Board appreciated the efforts and dedication of all employees of the company which enabled us to run the Company efficiently.

The present Auditors M/s. Taseer Hadi Khalid & Company, Chartered Accountants retire and being eligible offer themselves for re-appointment as Auditors of the company on a remuneration to be fixed by you.

A statement showing the pattern of Shareholding in the Company as at 30th June 1998 is presented on Page 29.

LAHORE
January 2, 1999

Basit H. Syed
Director

Syed Shahid Ali
Managing Director

Auditors' Report to the Members

We have audited the annexed balance sheet of Treet Corporation Limited as at 30 June 1998 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in Note-2.2(c) 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 and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 1998 and of the profit and the cash flow 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.

Lahore
January 2, 1999

TASEER HADI KHALID & CO.
Chartered Accountants

Balance Sheet
As At June 30, 1998

	Note	1998 (Rupees in '000)	1997
FIXED CAPITAL EXPENDITURE			
LONG TERM INVESTMENTS	3	124,038	104,881
LONG TERM DEPOSITS	4	24,019	37,461
	5	4,069	2,892
CURRENT ASSETS			
Stores and spares	6	33,858	32,756
Stock and stores-in-transit - at cost		6,305	29,981
Stock-in-trade	7	87,300	74,466
Due from subsidiary company	8	18,425	19,731
Trade debtors - Unsecured considered good		18,030	9,965
Advances, deposits, prepayments and other receivables	9	53,531	29,785
Cash and Bank balances	10	35,491	29,802
		-----	-----
		252,940	226,486
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease	17	11,156	11,057
Finance under mark-up arrangements - secured	11	39,392	70,138
Loan from director- unsecured	12	13,300	13,300
Creditors, accrued expenses and other liabilities	13	80,269	95,091
Provision for taxation	14	37,400	10,500
Unclaimed dividend		516	75
Dividend payable		-	6,273
		-----	-----
		182,033	206,434
NET CURRENT ASSETS			
		-----	-----
		70,907	20,052
NET ASSETS			
		-----	-----
		223,033	165,286
		=====	=====
FINANCED BY:			
SHARE CAPITAL	15	41,822	41,822
RESERVES	16	101,349	74,349
UNAPPROPRIATED PROFIT		484	994
		-----	-----
SHARE HOLDERS' EQUITY		143,655	117,165
LONG TERM DEPOSIT		60	60
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	17	16,008	16,351
DEFERRED LIABILITY FOR STAFF RETIREMENT BENEFITS	18	63,310	31,710

CONTINGENCIES AND COMMITMENTS

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-	-
-----	-----
223,033	165,286
=====	=====

These accounts should be read in conjunction with the annexed notes.

LAHORE
January 2, 1999

Syed Shahid Ali
CHIEF EXECUTIVE

Basit H. Syed
DIRECTOR

Profit And Loss Account
For The Year Ended June 30, 1998

	Note	1998 (Rupees in '000)	1997
Sales - Net	20	668,070	588,113
Cost of Goods Sold	21	484,318	474,923
		-----	-----
Gross profit from soap operations	22	183,752	113,190
		520	1,363
		-----	-----
Gross profit		184,272	114,553
Administrative expenses	23	13,540	13,771
Selling and distribution expenses	24	53,162	39,073
Financial expenses	25	20,233	26,151
Workers' profit participation fund		3,602	2,159
Workers' welfare fund		1,622	602
		-----	-----
		92,159	81,756
		-----	-----
Operating profit		92,113	32,797
Other income	26	4,214	7,635
Provision for staff retirement scheme	2.2(c)	29,495	-
Provision for diminution in market value of investments		13,442	-
		-----	-----
Profit before taxation		53,390	40,432
Taxation			
Current year		26,900	10,500
Prior year		-	392
		-----	-----
Profit after taxation		26,900	10,892
Unappropriated profit brought forward		26,490	29,540
		994	727
		-----	-----
Profit available for appropriation		27,484	30,267

APPROPRIATION

Proposed cash dividend Nil (1997 @15%)	-	6,273
--	---	-------

Transferred to General reserve	27,000	23,000
	-----	-----
	27,000	29,273
	-----	-----
Unappropriated profit carried forward	484	994
	=====	=====

These accounts should be read in conjunction with the annexed notes.

LAHORE
January 2, 1999

Syed Shahid Ali
CHIEF EXECUTIVE

Basit H. Syed
DIRECTOR

Cash Flow Statement
For the year ended June 30, 1998

	1998	1997
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	53,390	40,432
Adjustments for:		
Financial charges for the year	20,233	26,151
Depreciation	20,079	17,494
Provision for gratuity	5,920	5,738
Provision for staff retirement scheme	29,495	-
Gain on sale of fixed assets	(493)	(1,755)
Provision for diminution in market value of investments	13,442	-
	-----	-----
	88,676	47,628
	-----	-----
Operating profit before working capital changes	142,066	88,060
Increase/(decrease) in operating assets		
Stores and spares	(1,102)	2,333
Stock in trade	(12,834)	(364)
Stock and stores in transit	23,676	(16,186)
Due from subsidiary company	1,306	(662)
Trade debtors	(8,065)	(2,428)
Advances, deposits, prepayments and other receivables	(5,272)	(5,620)
	-----	-----
	(2,291)	(22,927)
Increase/(decrease) in operating liabilities		
Creditors, accrued expenses and other liabilities	(20,283)	35,608
Loan from Director	-	9,300
	-----	-----
	(20,283)	44,908
	-----	-----
Cash generated from operations	119,492	110,041
Financial charges paid	(21,016)	(25,827)
Taxes paid	(18,474)	(15,273)
Gratuity paid	(3,815)	(3,015)

Dividend paid	(5,832)	(6,570)
	-----	-----
	(49,137)	(50,685)
	-----	-----
Net cash from operating activities	70,355	59,356
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance received against sale of subsidiary shares	6,244	-
Capital expenditure incurred	(39,674)	(29,175)
Proceeds from sale of fixed assets	931	2,963
Long term deposits	(1,177)	(1,111)
Investments acquired	-	(5,890)
	-----	-----
Net cash outflow from investing activities	(33,676)	(33,213)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of morabaha financing	-	(9,484)
Obligations under finance lease	13,341	19,451
Payment of lease obligation	(13,585)	(13,979)
Long term deposits	-	60
	-----	-----
Net cash from financing activities	(244)	(3,952)
	-----	-----
Net increase in cash and cash equivalents	36,435	22,191
	-----	-----
Cash and cash equivalents at the beginning of the year	(40,336)	(62,527)
	-----	-----
Cash and cash equivalents at end of the year	(3,901)	(40,336)
	=====	=====
NOTE:		
CASH AND CASH EQUIVALENTS		
Cash and bank balances	35,491	29,802
Finance under mark-up arrangements	(39,392)	(70,138)
	-----	-----
	(3,901)	(40,336)
	=====	=====

LAHORE
January 2, 1999

Syed Shahid Ali
CHIEF EXECUTIVE

Basit H. Syed
DIRECTOR

Notes to the Accounts

For the year ended June 30, 1998

1. STATUS AND NATURE OF BUSINESS

The company was incorporated in Pakistan on 22 January 1977 as a public limited company its shares are listed on Karachi and Lahore Stock Exchanges. The principal activity of the company is manufacturing and sale of razors and razor blades. The company is also engaged in the business of bath soap. These soaps are manufactured by Khatoon Soap Industries (Private) Limited for the company. The company has entered

into a joint venture with Khatoon Soap Industries (Private) Limited for manufacture and sale of laundry and perfumed soap.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under historical cost convention

2.2 Staff retirement schemes

a) Staff gratuity

The company operates an unfunded gratuity scheme and provision is made annually to cover the obligations under the scheme. These benefits are calculated with reference to last drawn salary and prescribed qualifying periods of services of the employees.

b) Provident fund

A recognised provident fund scheme is in operation which covers all permanent employees who have completed three months service and have been issued confirmation letters. Equal contributions are made monthly both by the company and the employees in accordance with the rule of the scheme at 10% of basic pay.

c) Staff retirement scheme

The company has a retirement scheme for all its permanent employees who attain the age of 60 and have at least 10 years of service with the company. The company has changed its policy with respect to accounting for the staff retirement scheme from the current year. Upto the previous year, the company was charging amounts under this scheme to the profit and loss account as and when paid, however, from the current year, the company will make provision annually to cover its obligations under the scheme. In the current year, the company has made provision for the cumulative liability to date under this scheme, i.e. Rs. 29.495 million.

2.3 Taxation

a) Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits and tax rebates.

b) Deferred

Deferred taxation is provided using the liability method on all major timing differences. However, deferred tax debits are not accounted for.

2.4 Fixed assets and depreciation

Owned

* Fixed assets including all additions are carried at cost less accumulated depreciation. On disposal or scrapping, the cost of the assets and the corresponding depreciation is adjusted from both the accounts and the resultant gain or loss is dealt with through the profit and loss account.

* Full year's depreciation is charged on all fixed assets capitalised during the year while no depreciation is charged in the year fixed assets are disposed or scrapped.

* Depreciation on fixed assets other than freehold land is charged on a straight line method at the rates specified in note 3.1.

* Assets, which have been fully depreciated, are retained in the books at a nominal value of Rs. 1.

* Normal repairs and maintenance are charged to expenses as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Leased

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations, under the lease are accounted for as liabilities. Depreciation is charged on straight line method at the rates given in Note 3.1 to the accounts. The finance charge is calculated at the rates implicit in the leases.

2.5 Capital work-in-progress

Capital work-in-progress represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

2.6 Long term investments

These are stated at cost net of provisions made for decline other than temporary in value of investments, if any.

2.7 Stores and spares

These are valued at lower of moving average cost and net realisable value. Write down in stores and spares is made for slow moving and obsolete items wherever management feels it necessary.

2.8 Stock-in-trade

Stocks of raw materials, packing materials, work-in-process and finished goods are valued at the lower of moving average cost and net realisable value. Cost in relation to work-in-process and finished goods includes prime cost and appropriate proportion of production overheads. Net realisable value signifies the estimated selling price less costs necessarily to be incurred in order to make the sale.

2.9 Stock and stores-in-transit

These are valued at invoice value plus other charges incurred thereon.

2.10 Trade debtors

Known bad debts, if any, are written off and provisions are made against debts considered doubtful.

2.11 Foreign currencies

Assets and liabilities in foreign currencies are translated into Pak Rupees at

rates of exchange which approximate those prevailing at the balance sheet date except for liabilities covered under forward cover exchange contracts, which are translated at the contracted rates. Exchange differences are taken to Profit and Loss Account currently.

2.12 Basis of allocation of common expenses

The company used to allocate its relevant expenses (except directly identifiable expenses) for the period to Zulfeqar Industries Limited (subsidiary company) on a proportionate basis. These expenses represented the costs incurred and services rendered by the company on its behalf. There is no such charge this year after separation of the premises of the two company's sales offices.

2.13 Revenue recognition

Local sales are recorded on despatch of goods to customers. Export sales are recorded on the basis of goods shipped to customers. Rebates on exports, if any, are accounted for on receipt basis.

2.14 Borrowing cost

Interest expenses are charged to income as and when incurred.

	Note	1998 (Rupees in '000)	1997
3. FIXED CAPITAL EXPENDITURE			
Operating assets	3.1	108,776	100,472
Capital work in progress	3.2	15,262	4,409
		-----	-----
		124,038	104,881
		=====	=====

3.1 Operating Assets - at cost less accumulated depreciation

(Rupees in '000)									
	COST			Rate %	As at July 01, 1997	DEPRECIATION			NET Book Value as at June 30, 1998
	As at July 01, 1997	Additions/ (deletions) during the year	As at June 30, 1998			For the year	On Disposals/ Adjustment	As at June 30, 1998	
OWNED:									
Freehold land	3,239	-	3,239	-	-	-	-	-	3,239
Building on freehold land	31,953	502	32,455	5-10	24,405	1,186	-	25,591	6,864
Plant and machinery	194,677	24,323	219,000	10	158,461	8,796	4,163	171,420	47,580
Furniture & equipment	15,148	2,802 (114)	17,836	10-25	9,905	1,657	226 (34)	11,754	6,082
Vehicles	12,807	3,786 (1,172)	15,421	20	8,935	2,099	520 (814)	10,740	4,681

	257,824	31,413 (1,286)	287,951		201,706	13,738	4,909 (848)	219,505	68,446
LEASED:									
Plant and machinery	41,075	8,733 (14,250)	35,558	10	12,776	3,556	(4,163)	12,169	23,389
Equipment	15,692	350 (645)	15,397	10-20	1,730	1,540	(226)	3,044	12,353
Vehicles	3,006	4,259 (1,039)	6,226	20	913	1,245	(520)	1,638	4,588
	59,773	13,342 (15,934)	57,181		15,419	6,341	(4,909)	16,851	40,330
1998 Rupees	317,597	44,755 (17,220)	345,132		217,125	20,079	- (848)	236,356	108,776
1997 Rupees	279,748	41,497 (3,648)	317,597		202,071	17,494	(2,440)	217,125	100,472

3.1.1 Depreciation charged for the year has been allocated as follows:

	Note	1998 (Rupees in '000)	1997
Cost of goods sold	21	18,052	16,022
Administrative expenses	23	905	248
Selling and distribution expenses	24	1,122	1,224
		-----	-----
		20,079	17,494
		=====	=====

Computer depreciation rate has been increased to 25% from 10%. The new rate has been applied with prospective effect from this year and has resulted in an additional extra depreciation charge of Rs. 0.526 million this year.

3.1.2 Disposal of fixed assets

(Rupees in '000)							
Particulars	Cost	Accumulated depreciation	Written down value as on 30 June 1997	Sale proceeds	profit	Mode of Sale	Sold to
Vehicles							
Motorcycles	602	410	192	602	410	Staff Motorcycle Scheme	Various employees

Suzuki Car	150	150	0	49	49	Executive M. Nadir Khan
Suzuki Car	200	100	100	128	28	Car Scheme Ovals Aziz Bhatti
Suzuki Car	220	154	66	72	6	Rashid All Rizvi

Equipment	1,172	814	358	851	493	
Refrigerators	55	23	32	38	6	Negotiation Various employees
Air Conditioners	59	11	48	42	(6)	Negotiation Various employees

	114	34	80	80	0	

1998 Rupees	1,286	848	438	931	493	
=====						
1997 Rupees	3,648	2,440	1,208	2,963	1,755	
=====						

1998
(Rupees in '000) 1997

3.2 Capital work in progress

Advances to contractors	-	450
Plant, machinery and equipment under installation	15,262	3,959
	-----	-----
	15,262	4,409
	=====	=====

Note 1998
(Rupees in '000) 1997

4. LONG TERM INVESTMENTS - At cost

Shares in subsidiary and associated companies	4.1	24,019	31,571
Advance towards subscription of rights issue	4.2	-	5,890
		-----	-----
		24,019	37,461
		=====	=====

4.1 Shares in subsidiary and associated companies

(Rupees in '000)

Companies	No. of Ordinary Shares of Rs. 10/- each		Cost		Market Value		Percentage of Holding	
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June

	1998	1997	1998	1997	1998	1997	1998	1997
Subsidiary company								
Zulfeqar Industries Limited	1,040,678	1,040,678	7,849	7,849	11,656	11,656	52.03	52.03
Associated Companies								
Wazir All Industries Ltd.	1,178,100	589,050	29,344	23,454	10,308	7,923	22.67	22.67
Less: Provision for diminution in market value			(13,442)					

			15,902					
International General Insurance Company of Pakistan Limited	4,950	3,960	268	268	272	270	0.007	0.007
			-----	-----	-----	-----		
			24,019	31,571	22,236	19,849		
			=====	=====	=====	=====		

The company pledged 420,000 (1997: 420,000) shares of Zulfeqar Industries Limited with Dadabhoy Leasing Company Limited for morabaha financing facility granted to Zulfeqar Industries Limited. Zulfeqar Industries Limited has repaid the financing, however, the above shares have not yet been released by Dadabhoy Leasing Company Ltd.

As per company's policy, provision for permanent diminution in market value of shares of Wazir Ali Industries has been made in the accounts.

:

1998
(Rupees in '000)

1997

5. LONG TERM DEPOSITS

Letter of guarantee - Margin	-	93
Utilities	165	165
Lease facility	3,904	2,634
	-----	-----
	4,069	2,892
	=====	=====

6. STORES AND SPARES

Stores	7,514	7,311
Spares	26,344	25,445
	-----	-----
	33,858	32,756
	=====	=====

7. STOCK-IN-TRADE

Blades:		
Raw materials and chemicals	23,564	23,148

Packing materials	7,542	8,894
Work-in-process	12,064	11,585
Finished goods	18,779	19,424
	-----	-----
	61,949	63,051
Soap:		
Raw materials and chemicals	10,377	3,094
Packing materials	1,818	3,863
Work-in-process	3,366	4,458
Finished goods	9,790	-
	-----	-----
	25,351	11,415
	-----	-----
	87,300	74,466
	=====	=====

8. DUE FROM SUBSIDIARY COMPANY

The amount represents the balance of transactions on current account. There is no agreed repayment date for the principal amounts due from subsidiary company. The company used to charge mark up @ 17% per annum on monthly balances due from the subsidiary company. No such charge has been made this year in these financial statements.

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	1998 (Rupees in '000)	1997
Unsecured considered good:			
Advances:			
· To employees		2,291	1,407
· To suppliers	9.1	13,014	5,016
· For custom duty		84	1,048
· For taxation		33,061	14,587
		-----	-----
		48,450	22,058
Deposits:			
· Lease deposits		-	817
· Letter of credit- margin deposit		1,600	1,155
		-----	-----
		1,600	1,972
Prepayments			
		816	1,304
Other receivables:			
· Associated company	9.2	498	498
· Miscellaneous		2,167	3,953
		-----	-----
		2,665	4,451
		-----	-----
		53,531	29,785
		=====	=====

9.1 The balance includes Rs. 6.103 million (1997: Rs. 1.177 million) paid to Khatoon Soap Industries (Pvt.) Limited as an advance for purchase of raw material for soap operations

9.2 Maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 0.498 million (1997: Rs. 0.498 million).

	1998 (Rupees in '000)	1997
10. CASH AND BANK BALANCES		
Cash in hand	-	-
Cash at bank:		
· Current accounts	20,704	17,492
· Collection accounts	14,787	12,310
	-----	-----
	35,491	29,802
	=====	=====

	1998 (Rupees in '000)	1997
11. FINANCE UNDER MARK-UP ARRANGEMENTS - SECURED		
ANZ Grindlays Bank	9,191	27,543
National Bank of Pakistan	-	42,595
Askari Commercial Bank Limited	30,201	-
	-----	-----
	39,392	70,138
	=====	=====

The company has bank finance facilities of Rs. 77 million (1997: Rs. 72 million) under mark-up arrangements from ANZ Grindlays Bank and Askari Commercial Bank Limited. The facilities carry mark-up @ 48 paisas per Rs. 1,000 per day and are secured against pari passu charges by way of registered hypothecation of stock in trade, stores, spares and book debts.

The facilities for opening letter of credit amounted to Rs. 60 million (1997: Rs. 40.50 million). Of these facilities the amount utilized at June 30, 1998 aggregated to Rs. 19.918 million (1997: Rs. 37.073 million).

12. LOAN FROM DIRECTOR- UNSECURED

The company has obtained short term loan of Rs. 13.3 million (1997: Rs. 13.3 million) from one of its directors. The loan carries mark-up @ 17% per annum and is repayable on demand.

	Note	1998 (Rupees in '000)	1997
13. CREDITORS, ACCRUED EXPENSES			

AND OTHER LIABILITIES

Creditors			
- Associated company		2,509	5,804
- Others		10,606	11,634
		-----	-----
		13,115	17,438
Accrued expenses:			
Mark-up on:			
· Finance under mark-up arrangements		2,339	5,384
· Loan from director		3,737	1,475
Sales tax payable		6,077	5,343
Excise duty on soap		426	-
Accrued expenses		29,854	31,189
		-----	-----
		42,433	43,391
Advance against sale of shares	13.1	6,244	-
Other liabilities:			
Advances from customers		2,666	7,051
Due to associated companies		4,944	1,129
Workers' welfare fund		2,224	602
Workers' profit participation fund	13.2	3,602	2,159
Employees provident fund		-	19,183
Employees deposits		2,464	2,481
Others	13.3	2,577	1,657
		-----	-----
		18,477	34,262
		-----	-----
		80,269	95,091
		=====	=====

13.1 This represents money received against sale of shares of subsidiary company, Zulfeqar Industries Limited.

13.2 Workers' Profit Participation Fund

Balance at July 01, 1997		2,159	2,053
Allocation for the year		3,602	2,159
		-----	-----
		5,761	4,212
Less: Paid during the year		2,159	2,053
		-----	-----
		3,602	2,159
		=====	=====

13.3 Includes Rs. 0.526 million (1997: Nil) payable to Khatoon Soap Industries (Private) Limited against manufacturing charges of soap operations.

14. TAXATION

The income tax assessments of the company have been finalized upto and including assessment year 1996-97. However, appeals are pending with various appellate authorities for assessment years 1991-92 and 1994-95.

	Note	1998 (Rupees in '000)	1997
15. SHARE CAPITAL			
Authorized:			
5,000,000(1997: 5,000,000) ordinary shares of Rs. 10/- each		50,000	50,000
		=====	=====
Issued subscribed and paid-up shares of Rs. 10/- each			
600,000shares issued for consideration other than cash		6,000	6,000
495,000shares issued to Pakistan Industrial Credit and Investment Corporation Limited under conversion option		4,950	4,950
2,594,075Shares issued as fully paid-up in cash		25,940	25,940
493,150Shares issued as fully paid bonus shares		4,932	4,932
		-----	-----
		41,822	41,822
		=====	=====
16. RESERVES			
Capital reserve	16.1	8,949	8,949
General reserve	16.2	92,400	65,400
		-----	-----
		101,349	74,349
		=====	=====
16.1 Capital reserve			
Excess of net worth over purchase consideration of unrelated assets of Wazir Ali Industries Limited		629	629
Share premium		8,320	8,320
		-----	-----
		8,949	8,949
		=====	=====
16.2 General reserve			
Opening balance		65,400	42,400
Transferred from profit & loss account		27,000	23,000
		-----	-----
		92,400	65,400
		=====	=====

Note	1998 (Rupees in '000)	1997
17. LIABILITIES AGAINST ASSETS		
SUBJECT TO FINANCE LEASE		
Balance as at July 01,1997	27,408	21,936
Add: Assets acquired during the year	13,341	19,451
	-----	-----
	40,749	41,387
Less: Repayments made during the year	13,585	13,979
	-----	-----
	27,164	27,408
Less: Transferred to current maturity	11,156	11,057
	-----	-----
	16,008	16,351
	=====	=====

The salient features of the leases are as follows:

- Discounting factor 19.370 % to 23.007 %
- Number of monthly lease installments 36 per month
- Security deposit 5% to 10%
- Company has purchase option at the end of the lease term.
- Security deposit adjustable from residual value.
- The company is liable to pay additional rental ranging from 0.1% to 3% in case of default in payment of lease rent on due date.
- The future commitments for minimum lease payments under various lease agreements are as follows:

1997-98	-	14,499
1997-98	15,217	9,752
1999-2000	12,492	7,026
2000-2001	1,030	-
	-----	-----
	28,739	31,277
	-----	-----
Less: Financial charges allocable to future periods	(5,479)	(7,256)
Security deposits	3,904	3,387
	-----	-----
	(1,575)	(3,869)
	-----	-----
	27,164	27,408
	=====	=====

**18. DEFERRED LIABILITY FOR STAFF
RETIREMENT BENEFITS**

Gratuity	18.10	33,815	31,710
Staff retirement scheme - Net	2.2(c)	29,495	-
		-----	-----
		63,310	31,710
		=====	=====

18.1 Gratuity

Balance as on July 01, 1997	31,710	28,987
Add: Gratuity provision for the year	5,920	5,738
	-----	-----
	37,630	34,725
Less: Gratuity paid during the year	3,815	3,015
	-----	-----
	33,815	31,710
	=====	=====

Note	1998	1997
	(Rupees in '000)	

19. CONTINGENCIES AND COMMITMENTS

Company has future capital commitments of Rs. 27.337 million.

20. SALES - Net

Gross sales:		
Local	650,028	578,012
Export	39,358	19,019
	-----	-----
	689,386	597,031
Add: Export rebate	2,504	5,792
	-----	-----
	691,890	602,823
Less: Trade promotion discount	23,820	14,710
	-----	-----
	668,070	588,113
	=====	=====

21. COST OF GOODS SOLD - BLADES

Raw and packing material consumed	21.1	233,372	234,708
Stores and spares consumed		40,608	25,829
Salaries, wages and other benefits		79,969	75,020
Fuel and power		23,039	20,458
Repairs and maintenance - Vehicles		1,039	149
Repairs and maintenance - Others		5,139	4,247
Rent, rates and taxes		1,434	1,684
Insurance		1,227	1,100
Product research and development		682	831
Sales tax		72,970	90,208
Travelling and conveyance		2,423	2,349
Printing and stationery		560	568
Postage and telephone		1,529	1,391
Legal and professional charges		163	420
Entertainment		592	387
Subscriptions		138	124
Depreciation	3.1.1	18,052	16,022
Expenses for computerization		122	232

Pakistan Standard Institution	522	-
Other expenses	572	252
	-----	-----
Opening stock of work in process	484,152	475,979
Closing stock of work in process	11,585	11,200
	(12,064)	(11,585)
	-----	-----
Cost of goods manufactured	483,673	475,594
Opening stock of finished goods	19,424	18,753
Closing stock of finished goods	(18,779)	(19,424)
	-----	-----
	484,318	474,923
	=====	=====

	Note	1998	1997
		(Rupees in '000)	
21.1 Raw, chemicals and packing material consumed			
Opening stock		36,399	38,070
Purchases		258,564	268,286
		-----	-----
Closing stock		294,963	306,356
		(34,749)	(36,399)
		-----	-----
Less: Sales tax refund adjustment		260,214	269,957
		26,842	35,249
		-----	-----
		233,372	234,708
		=====	=====
22. GROSS PROFIT FROM SOAP OPERATIONS			
Sales		106,197	101,389
Cost of sales	22.1	105,677	101,026
		-----	-----
		520	1,363
		=====	=====
22.1 Cost of sales - soaps			
Raw material consumed	22.1.1	76,853	67,087
Stores and spares consumed		-	85
Fuel and power		5,836	5,111
Excise duty and sales tax		22,967	25,109
Printing and stationery		12	1
Other expenses		347	40
Manufacturing charges		5,535	3,255
		-----	-----
Add: Opening work in process		111,550	100,688
Less: Closing work in process		4,458	3,796
		(3,366)	(4,458)
		-----	-----

		112,642	100,026
Add: Opening stock of finished good		-	-
Less: closing stock of finished goods		(9,367)	-
		-----	-----
Cost of processed stock sold		103,275	100,026
Cost of trading stock sold	22.1.2	2,402	-
		-----	-----
		105,677	100,026
		=====	=====

22.1.1. Raw material consumed

Opening stock		6,957	2,283
Add: Purchases		82,091	71,761
		-----	-----
		89,048	74,044
Less: Closing stock		12,195	6,957
		-----	-----
		76,853	67,087
		=====	=====

	Note	1998	1997
		(Rupees in '000)	
22.1.2 Cost of trading stock sold			
Purchases		2,825	-
Less: Closing stock		423	-
		-----	-----
		2,402	-
		=====	=====

23. ADMINISTRATIVE EXPENSES

Salaries and other benefits		7,440	8,855
Electricity and gas		168	400
Repairs and maintenance - Vehicles		96	33
Repairs and maintenance - Others		118	235
Rent, rates and taxes		900	645
Insurance		407	482
Advertising		125	138
Travelling and conveyance		498	512
Entertainment		106	126
Postage and telephone		816	961
Printing and stationery		388	268
Legal and professional charges	23.1	705	377
Donations	23.2	167	91
Computer expenses		513	242
Meetings and conferences		74	86
Director's fee		4	2
Subscription		110	70
Depreciation	3.1.1	905	248
		-----	-----

13,540	13,771
=====	=====

· No segregation of administrative expenses has been made for blade and soap operations.

23.1 Legal and professional charges include the following in respect of auditors' remuneration and expenses.

	1998 (Rupees in '000)	1997
Audit fee	50	45
Out of pocket expenses	15	10
	-----	-----
	65	55
	=====	=====

23.2 The directors and their spouses did not have any interest in the donee fund.

	Note	1998 (Rupees in '000)	1997
24. SELLING AND DISTRIBUTION EXPENSES			
Salaries and other benefits		12,402	17,955
Advertising (blade operations)		9,570	11,339
Electricity and gas		955	935
Repairs and maintenance - Vehicles		271	351
Repairs and maintenance - Others		574	376
Freight, octroi and handling		9,533	6,281
Rent, rates and taxes		344	395
Insurance		396	290
Travelling and conveyance		4,006	5,485
Entertainment		199	161
Postage and telephone		1,935	2,140
Product development		67	54
Printing and stationery		413	475
Legal and professional charges		350	66
Meetings and conferences		197	274
Subscription		55	96
Depreciation	3.1.1	1,122	1,224
Computer expenses		106	113
Advertisement (soap operations)		10,627	5,306
Other expenses		40	-
		-----	-----
		53,162	53,316
Common expense charged to Zulfeqar Industries Limited	24.1	-	(14,243)
		-----	-----
		53,162	39,073
		=====	=====

24.1 The company used to charge Zulfeqar Industries Limited a share of common selling and distribution expenses. As the sales office of the two companies were separated during the year, there is no such charge made this year.

· No segregation of selling expenses have been made for blade and soap operations.

25. FINANCIAL EXPENSES

Mark-up on:		
Finance under mark-up arrangements	7,195	13,911
Morabaha finance	-	2,054
Loan from director	2,261	1,028
Others	1,493	3,125
Advances from associated company	-	6
Financial charges on leases	6,244	3,835
Bank charges	2,756	1,946
Workers' Profit Participation Fund	284	246
	-----	-----
	20,233	26,151
	=====	=====

	Note	1998 (Rupees in '000)	1997
26. OTHER INCOME			
Trade mark licence fee	26.1	100	-
Business commission		-	65
Profit on sale of fixed assets		493	1,755
Sale of scrap and empties		3,621	1,842
Dividend income		-	1,577
Return on advance to Zulfeqar Industries Limited		-	2,396
		-----	-----
		4,214	7,635
		=====	=====

26.1 The company entered into an agreement dated July 24, 1986 with its subsidiary Zulfeqar Industries Limited for allowing the use of its trade marks "Fantasy", "Capri" and "Sandaleen" soaps against a consideration of an annual licence fee @ 0.5% of turnover of related products. The trade marks has been transferred to Zulfeqar Industries Limited for a total consideration of Rs. 19.674 million including Rs. 19.574 million already paid by Zulfeqar Industries Limited as royalty from April 1981 to June 1996 as envisaged in the agreements dated March 22, 1980, February 28, 1981 and July 24, 1986.

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Chief Executive		Other working Director		Executives	
1998	1997	1998	1997	1998	1997

Remuneration	264	264	336	336	2,423	1,548
Provident Fund	26	26	-	-	226	142
Bonus	77	77	98	49	659	464
Entertainment	48	48	-	-	-	-
Utilities	192	192	180	180	1,720	1,484
Medical	39	72	214	99	375	244
Leave passage	39	30	-	167	366	263
	-----	-----	-----	-----	-----	-----
	685	709	828	831	5,769	4,145
	=====	=====	=====	=====	=====	=====
No. of persons	1	1	1	1	19	12
	=====	=====	=====	=====	=====	=====

The company provides free residential telephones and free transport facilities to the chief executive, director and executives.

Aggregate amount charged in these accounts for fee to 12 non-executive directors was Rs. 0.004 million (1997: Rs. 0.002 million to 12 non-executive directors).

28. PLANT CAPACITY AND PRODUCTION

	Rated	Actual production 1998 (Rupees in '000)	1997
Hyderabad	300	276.40	281
		=====	=====
Lahore	300	333.97	288
		=====	=====

The short fall in production at Hyderabad plant is mainly due to fall in demand of carbon blades.

	1998 (Rupees in '000)	1997
Purchases and services received	55,651	46,862
	=====	=====
Common expenses charged to subsidiary company	-	14,243
	=====	=====
Interest paid on balance due to an associated company	-	3,959
	=====	=====
Interest on balances due from subsidiary company	-	2,396
	=====	=====

The company has discontinued accruing mark up on balance due to associated company and balance due from subsidiary company from this year.

30. FIGURES

- have been rounded off to the nearest rupee.
- of previous year have been rearranged, wherever necessary to facilitate comparison.

Syed Shahid Ali
CHIEF EXECUTIVE

Basit H. Syed
DIRECTOR

LAHORE
January 2, 1999

Form- 34**PATTERN OF SHARE HOLDING AS AT 30 JUNE, 1998**

No. of Share Holders		Having Shares		Total Shares Held	
2334	From	1	To	100	42691
357	From	101	To	500	86406
89	From	501	To	1000	62552
73	From	1001	To	5000	165372
16	From	5001	To	10000	115622
4	From	10001	To	15000	46284
3	From	15001	To	20000	56882
3	From	30001	To	35000	101020
1	From	35001	To	40000	37161
1	From	45001	To	50000	49406
2	From	50001	To	55000	101408
1	From	60001	To	65000	63514
1	From	65001	To	70000	69350
2	From	95001	To	100000	194712
1	From	145001	To	150000	150000
1	From	165001	To	170000	169773
1	From	195001	To	200000	197400
1	From	215001	To	220000	218359
1	From	435001	To	440000	439396
1	From	540001	To	545000	544206
1	From	545001	To	550000	550000
1	From	720001	To	725000	720711
-----				-----	
2,895				4182225	
=====				=====	

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Individual	2871	1797438	42.97
Investment Companies	3	240142	5.74
Insurance Companies	3	641842	15.35
Joint Stock Companies	7	97737	2.34
Financial Institution	7	755391	18.06
Modaraba Companies	1	98750	2.36
The Corporate Law Authority	-	-	-

Government of Pakistan	1	1	-
The Administrator	-	-	-
Abandoned Properties	-	-	-
Organisation Government of Pakistan	1	924	0.03
Foreign Investor	1	550000	13.15
	-----	-----	-----
	2895	4182225	100
	=====	=====	=====