

# Habib Arkady Limited

Annual Report 2001

## BOARD OF DIRECTORS

Gaffar A. Habib  
John R. Mahlich  
Owais G. Habib  
Habibullah A. Habib  
Bashir A. Habib  
Tufail Y. Habib  
Miqdad B. Habib

## DIRECTORS REPORT TO THE SHAREHOLDERS

Dear Shareholders,

By the Grace of Allah, rains in July 2001 finally ended the long drought. However throughout the period under report, we had to operate the plant with water brought in by tankers. Also during the second half of this period slow down in the USA resulted in a reduced demand for our products.

We bow our heads in gratitude to Allah the Beneficent the Merciful the Provider for His Blessings which notwithstanding the adverse conditions are partly reflected in the profit for the year; which the directors propose to appropriate as follows:

Profit Before Taxation	Rs.	97,781,701
Provision for Taxation	Rs.	13,963,024
		-----
Profit After Taxation	Rs.	83,818,677
Unappropriated Profit brought forward	Rs.	32,596,307
		-----
Profit available for appropriation	Rs.	116,414,984
		=====
Appropriations:		
Interim Dividend @ Rs. 0.75 per share (i.e. 15%)	Rs.	27,000,000
Issued Bonus Shares @ one share for every nine shares held (i.e. 11.11%) (2000 @ 20%)	Rs.	20,000,000
Proposed Final Dividend @ 15% i.e. Rs. 0.75 per share (2000 @ 40% i.e. Rs. 2 per share)	Rs.	30,000,000
		-----
Transfer to General Reserve	Rs.	5,000,000
Unappropriated Profit Carried Forward	Rs.	34,414,984
		-----
	Rs.	116,414,984
		=====

Other points of interest:

Effect of the slow down in the exports were partly off set by the eroding rupee verses the dollar and partly by improved demand (v/s last year) in the domestic market.

The Agglomeration plant has been successfully commissioned in Quetta -- we now need to develop the market for our products.

Spray dryer is now in the testing stages -- Inshallah hope to see trial production some time in late October 2001.

Habib Power -- in light of the reduced operations during the drought -- this project has been put on hold. Our overall energy consumption would have to increase substantially to justify this investment.

Sui Gas -- while we have finally been connected with Sui Gas -- the billing is grossly excessive. All our complaints to date have not resulted in positive corrective action.

Future:

In our continuing quest for value added products -- we have undertaken trials on shrimp farming with a view to raise these on our rice protein based feed.

I pray to Allah the Beneficent the Merciful the Provider to Bless our efforts and our operations with ever increasing Bounties as Befits His Glory -- Aameen.

KARACHI DATED: 12th September, 2001

**GAFFAR A. HABIB**  
Chairman

## **AUDITORS' REPORT TO THE MEMBERS**

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of HABIB ARKADY LIMITED (the holding company) and its subsidiary companies HABIB SORBITOL (PRIVATE) LIMITED, HABIB AGGLOMERATION (PRIVATE) LIMITED, HABIB POWER (PRIVATE) LIMITED AND HABIB MICROFINE (PRIVATE) LIMITED as at June 30,2001 and the related consolidated profit and loss account, statement of changes in equity and the consolidated cash flow statement together with the notes forming part thereof for the year then ended. We have also expressed separate opinions on the financial statement of HABIB ARKADY LIMITED, HABIB SORBITOL (PRIVATE) LIMITED, HABIB AGGLOMERATION (PRIVATE) LIMITED, HABIB POWER (PRIVATE) LIMITED AND HABIB MICROFINE (PRIVATE) LIMITED. The financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with the international standards on auditing and accordingly included such tests of accounting records and such other auditing procedure as we considered necessary in the circumstances.

In our opinion the consolidated financial statements examined by us present fairly the financial position of HABIB ARKADY LIMITED and its subsidiary companies HABIB SORBITOL (PRIVATE) LIMITED, HABIB AGGLOMERATION (PRIVATE) LIMITED, HABIB POWER (PRIVATE) LIMITED AND HABIB MICROFINE (PRIVATE) LIMITED as at June 30, 2001 and the results of their

operations, changes in equity and cash flows for the year then ended.

KARACHI DATED: 12th September, 2001

**HYDER BHIMJI & CO.**  
Chartered Accountants

**CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2001**

	<i>NOTE</i>	<i>2001 RUPEES</i>
<b>AUTHORISED CAPITAL</b>		
40,000,000 Ordinary Shares of Rs. 5/= each		200,000,000
<b>ISSUED SUBSCRIBED AND PAID UP CAPITAL</b>	4	200,000,000
<b>RESERVE AND SURPLUS:</b>		
CAPITAL RESERVE	5	10,000,000
REVENUE RESERVE	6	50,000,000
UNAPPROPRIATED PROFIT		34,414,984
		-----
		94,414,984
		-----
		294,414,984
<b>CURRENT LIABILITIES:</b>		
Current Maturity of Long Term Loans		--
Short Term Running Financing (Secured)	7	88,000,000
Creditors and Accrued Liabilities	8	26,809,381
Advances and Deposits	9	1,115,065
Dividend Payable		26,600,000
Proposed Dividend		30,000,000
		-----
		172,524,446
<b>CONTINGENCIES &amp; COMMITMENTS</b>	10	
		-----
		466,939,430
		=====
<b>TANGIBLE FIXED ASSETS</b>	11	176,710,394
CAPITAL WORK IN PROGRESS		4,950,352
<b>LONG TERM:</b>		
Deposits and Advances	12	6,735,730
Deferred Cost		98,100
Investment in Securities	13	--
		-----
		6,833,830
<b>CURRENT ASSETS:</b>		
Stores, Spares and Loose Tools	14	24,606,461

Stock in Trade	15	102,755,407
Trade Debts	16	113,817,706
Advances, Deposits, Pre-Payments and Other Receivables	17	21,165,773
Cash and Bank Balances	18	16,099,507
		-----
		278,444,854
		-----
		466,939,430
		=====

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

KARACHI DATED: 12th September, 2001

**OWAIS G, HABIB**  
**Chief Executive**

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

	<i>NOTE</i>	<i>2001 RUPEES</i>
<b>SALES:</b>		
Local		347,192,791
Export		253,805,223
		-----
Cost of Goods Sold	20 21	600,998,014 377,749,981
		-----
Gross Profit		223,248,033
Less:		
Administrative Expenses	22	35,201,820
Selling Expenses	23	78,910,496
Financial Expenses	24	9,526,463
		-----
Operating Profit		123,638,779
Less:		
Operating Profit	19	99,609,254
Add: Other Income	25	4,881,516
		-----
Less: Other Charges	26	104,490,770 5,668,048
		-----
Profit before Taxation		98,822,722
Provision for Taxation	27	15,004,045
		-----
Profit after Taxation		83,818,677
Unappropriated Profit Brought Forward		32,596,307
		-----

Available for Appropriations	116,414,984
<b>APPROPRIATIONS:</b>	
Interim Dividend @ 15% i.e Rs. 0.75 per share	27,000,000
Issued Bonus Shares @ one share for every nine shares held (i.e 11.11%) (2000 @ 20%)	20,000,000
Proposed Final Dividend @ 15% i.e. Rs.0.75 per share (2000 @ 40% i.e. Rs. 2 per share)	30,000,000
Transfer to General Reserve	5,000,000
	-----
	82,000,000
	-----
Unappropriated Profit Carried Forward	34,414,984

Note · The annexed notes form an integral part of these accounts.

**OWAIS G, HABIB**  
Chief Executive

KARACHI DATED: 12th September, 2001

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)  
AS AT JUNE 30, 2001**

	<i>2001</i> <i>RUPEES</i>
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	
Cash Generated From Operations	
Profit before Taxation	98,822,722
Adjustments for non cash charges and other items:	
Depreciation	18,133,782
(Gain) / Loss on Disposal of Fixed Assets	(2,242,383)
Financial Charges	9,526,463
	-----
	25,417,862
Cash Flow from operating activities before working capital changes	----- 124,240,584
 (Increase) / Decrease in Current Assets	
Stores, Spares & Loose Tools	1,455,460
Stock in Trade	11,861,418
Trade Debts	(55,012,581)
Advances, Deposits, Prepayments & Other Receivables	(1,403,709)
	-----
	(43,099,412)
Increase / (Decrease) in Current Liabilities	
Short Term Running Financing (Secured)	28,000,000
Trade Creditors & Accrued Expenses	(7,718,746)
Advances & Deposits	(2,296,910)
	-----
	17,984,344

Effects of Cash Flow due to Working Capital changes	----- (25,115,068)
Cash Flow from operating activities	----- 99,125,516
Financial Charges paid	(9,526,463) -----
	89,599,053
Net Cash (Outflow) / Inflow from Investing Activities	
Capital Expenditure	(25,675,623)1
Sale Proceeds from disposal of fixed assets	2,753,519
Deferred Cost	(98,100)
Investment in Securities	10,000,000
Long Term Deposits	(5,655,895) -----
	(18,676,099) -----
	70,922,954
Net Cash (Outflow) / Inflow from Financing Activities	
Repayment of Long Term Loans	(5,412,000)
Dividend Paid	(60,400,000) -----
Net Increase / (Decrease) in Cash and Cash equivalent	(65,812,000) -----
	5,110,954
Cash and Cash equivalent at beginning of the year	10,988,553 -----
Cash and Cash equivalent at the end of the year	16,099,507 =====

**OWAIS G, HABIB**  
Chief Executive

KARACHI DATED: 12th September, 2001

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

	<i>SHARE CAPITAL</i>	<i>CAPITAL RESERVE</i>	<i>GENERAL RESERVE</i>	<i>RESERVE FOR ISSUE OF BONUS SHARES</i>
Balance as at June 30, 1999	150,000,000	10,000,000	37,500,000	--
Net Profit for the year ended June 30, 2000	--	--	--	--
Appropriations:				
Reserve for issue of Bonus Shares	--	--	--	30,000,000

Transfer to General Reserve	--	--	7,500,000	--
Dividend	--	--	--	--
	-----	-----	-----	-----
Balance as at June 30, 2000	150,000,000	10,000,000	45,000,000	30,000,000
Net Profit for the year ended June 30, 2001	--	--	--	--
Appropriations:				
Reserve for issue of Bonus Shares	50,000,000	--	--	(30,000,000)
Transfer to General Reserve	--	--	5,000,000	--
Dividend	--	--	--	--
	-----	-----	-----	-----
	200,000,000	10,000,000	50,000,000	--
	=====	=====	=====	=====

## **CONSOLIDATED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2001**

### **1.00 THE GROUP AND ITS OPERATIONS**

The Group consists of:

Habib Arkady Limited  
Habib Sorbitol (Pvt.) Limited  
Habib Agglomeration (Pvt.) Limited  
Habib Microfine (Pvt.) Limited  
Habib Power (Pvt.) Limited

Habib Sorbitol (Pvt.) Limited, Habib Agglomeration (Pvt.) Limited, Habib Microfine (Pvt.) Limited and Habib Power (Pvt.) Limited are wholly owned subsidiaries of Habib Arkady Limited.

Habib Arkady Limited incorporated in Pakistan and quoted on Karachi & Lahore Stock Exchanges. The principal activity of the company is the manufacture of starch based sugar.

Habib Arkady Limited has acquired the entire fixed assets of its wholly owned subsidiary companies namely Habib Sorbitol (Pvt.) Limited and Habib Agglomeration (Pvt.) Limited with effect from 1st August 1999 and 1st June 2000 respectively. Accordingly Habib Arkady Limited has started manufacture, sale and export of the products of both the companies.

The principal activity of Habib Microfine (Pvt.) Limited is the manufacture of microfine processed products.

### **2.00 BASIS OF PRESENTATION**

The consolidated financial statements include the accounts of Habib Arkady Limited, Habib Sorbitol (Pvt.) Limited, Habib Agglomeration (Pvt.) Limited, Habib Microfine (Pvt.) Limited and Habib Power (Pvt.) Limited. The financial statement of subsidiary companies have been

consolidated on a line by line basis.

All inter company balances and transactions have been eliminated.

### **3.00 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.01 Accounting convention**

These accounts have been prepared under the historical cost convention.

#### **3.02 Foreign Currency Translations**

Foreign Currency Transactions and receivables are recorded at the rate prevailing on the date of transactions and foreign currency deposits are translated into Pak Rupees at the rate of Exchange ruling at the Balance Sheet date.

#### **3.03 Staff Retirement Benefits**

The Group Companies operate Provident Fund Schemes for all its employees eligible for the benefits.

#### **3.04 Taxation**

Provision for Current Taxation is computed in accordance with the provision of income tax ordinance 1979.

The Group Companies accounts for deferred taxation on all material timing differences by using liability method.

#### **3.05 Fixed Assets**

These are stated at cost less accumulated depreciation except free-hold land and capital work-in-progress, if any, which are stated at cost.

Depreciation is charged to income applying reducing balance method, whereby the cost of assets will be written off over the estimated useful lives of respective assets. A full year's depreciation is charged on additions irrespective of the date of purchase whereas no depreciation is charged on the assets disposed off during the year.

Maintenance and normal repairs are Charged to income as and when incurred.

#### **3.06 Stores, Spares and Loose Tools**

Stores and Spares	Valued at average cost
Loose Tools	Stated at actuals

#### **3.07 Stock in Trade**

Raw & Packing Material	Valued at average cost
Work-in-Process	Valued at average cost of raw material plus a portion of the manufacturing expenses.
Finished Goods	Valued at lower of average cost and net realisable value.
Raw Material in Transit	Stated at actuals

#### **3.08 Trade Debts**



Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

### 3.09 Revenue Recognition

Sales are recorded on despatch of goods to customers. Income on Investment is recorded when the right to receive is established.

### 3.10. Accounting for Lease

Lease expenses represent lease rental for assets being used under operating lease agreements with various leasing companies. It also includes lease rental for solvent extraction plant leased from associated undertakings.

**2001  
RUPEES**

#### 4.00 ISSUED SUBSCRIBED AND PAID UP CAPITAL

15,000,000 Ordinary Shares of Rs.5/- each fully paid issued for Cash.	75,000,000
25,000,000 Ordinary Shares of Rs.5/- each issued as Fully Paid Bonus Shares.	125,000,000
	-----
	200,000,000
	=====

#### 5.00 CAPITAL RESERVE

Premium on 5,000,000 Right Shares @ Rs.2/- per share	10,000,000
	=====

#### 6.00 REVENUE RESERVE

	<i>GENERAL</i>	<i>RESERVE FOR ISSUE OF BONUS SHARE</i>	<i>TOTAL 2001 RUPEES</i>	<i>TOTAL 2000 RUPEES</i>
Balance as per last Balance Sheet	45,000,000	30,000,000	75,000,000	37,500,000
Add: Transfer from P&L Account	5,000,000	--	5,000,000	37,500,000
Less: Issued Bonus Shares	--	30,000,000	30,000,000	--
	-----	-----	-----	-----
	50,000,000	--	50,000,000	75,000,000
	=====	=====	=====	=====

#### 7.00 SHORT TERM RUNNING MARK UP SANCTIONED

<b>FINANCE (Secured)</b>	<i>MARK UP RATE</i>	<i>SANCTIONED LIMIT RUPEES</i>	<i>2001 RUPEES</i>

1. National Bank of Pakistan (Export Refinance)	8% to 10.50%	48,000,000	48,000,000
2. Bank AI Habib Limited (Against Export Documents)	14.00%	70,000,000	40,000,000
3. Bank AI Habib Limited	14.00%	30,000,000	--
4. Faysal Bank Limited	17.50%	--	--
		-----	-----
		148,000,000	88,000,000
		=====	=====

The above Finance facilities are secured against hypothecation of Raw Materials, Finished Goods, Work-in-Process, Stores, Spares, Inventory-in-Transit and Receivables ranking pari passu. Further limit of Rs. 70.00 million of Bank AI Habib is secured against Export document.

### 8.00 CREDITORS AND ACCRUED LIABILITIES

Creditors	4,200,576
Accrued Expenses	9,074,708
Accrued Interest on Refinance Secured Loans	--
Other Liabilities (Note 8.01)	13,534,097
	-----
	22,608,805
	-----
	26,809,381
	=====

### 8.01 OTHER LIABILITIES

Unclaimed Cheques For Right and Bonus Share Fraction	3,399
Unclaimed Dividend	1,124,878
Workers' Profits Participation Fund (Note 8.02)	5,143,280
Workers' Welfare Fund	705,193
Sales Tax Payable	2,158,843
Income Tax Payable (Note 8.03)	4,398,504
	-----
	13,534,097
	=====

### 8.02 WORKERS' PROFITS PARTICIPATION FUND

Opening Balance	5,501,292
Add: Interest on funds utilized for Company's business.	462,603
	-----
	5,963,895
Add: Allocation for the year	5,143,280
	-----
	11,107,175
Less: Amount paid to trustees	5,963,895
	-----
	5,143,280

**8.03 INCOME TAX PAYABLE**

	<b>2001</b>
	<b>RUPEES</b>
Opening Balance	(784,646)
Reversal of excess / (short) provision	(471,429)
	-----
	(1,256,075)
Less: Refund received	--
	-----
	(1,256,075)
Add: Tax deducted at source during the year	11,390,187
	-----
	10,134,112
Less: Provision for current year	14,532,616
	-----
	(4,398,504)
	=====

**9.00 ADVANCES AND DEPOSITS**

Advances from Customers	105,531
Security deposits from customers (Refundable on cessation of business dealings Free of Interest)	1,009,534
	-----
	1,115,065
	=====

**10.00 CONTINGENCIES & COMMITMENTS**

i) Commitments for rentals under operating lease as at 30th June, 2001 amount to Rs.10.06 million payable as under :-

**YEAR**

2001	--
2002	6,268,383
2003	3,789,934
	-----
	10,058,317
	=====

ii) The Company, Pakistani Directors and Associated undertaking namely M/s. Haydari Construction Co. Limited have instituted a case against Emirates Bank Limited for Bank's wrongful acts which included wrongful declaration as defaulter of Haydari Construction Co. Ltd. a sister concern - resulting in interruption of business of Habib Arkady Limited.

The amount of claim for damages / compensation is Rs.510,000,000/- alongwith Mark-up there on @15% till date of actual payment plus cost of suit.

**11.00 TANGIBLE FIXED ASSETS**

	<i>As at 01-07-2000</i>	<i>Addition during the year</i>	<b>COST</b> <i>Disposals/ adjustment during the year</i>	<i>Total As at 30-06-2001</i>
Land (Lease hold)	14,771,420	593,875	--	15,365,295
Factory Building (On Lease Hold Land)	51,741,112	7,149,956	--	58,891,068
Non Factory Building (On Lease Hold Land)	497,807	--	--	497,807
Larkana Office Building	759,358	--	--	759,358
Plant & Machinery	337,614,667	10,942,082	--	348,556,749
Gas Installation	--	407,332	--	407,332
Tube-well	175,000	--	--	175,000
Office Equipments	2,614,962	449,020	--	3,063,982
Laboratory Equipments	3,045,525	55,900	--	3,101,425
Furniture & Fixture	2,003,179	103,105	--	2,106,284
Vehicles	4,219,902	1,024,001	1,107,033	4,136,870
Total 30th June, 2001	417,442,932	20,725,271	1,107,033	437,061,170
	-----	-----	-----	-----
Total 30th June 2000.	420,568,356	8,068,203	11,193,627	417,442,932
	=====	=====	=====	=====

**2001  
RUPEES**

Depreciation has been allocated as under:

Profit and Loss Account

Manufacturing Cost

Administrative Cost

17,728,812

404,970

-----  
18,133,782

=====

**11-A. The following is a statement of Fixed Assets sold during the year.**

<b>Particulars of Assets</b>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>
Honda Civic EXI Reg # AAR-127 Model 1996	77,900	15,580	62,320	560,001
Honda Civic EXI Reg # ASS-413 Model 1996	80,900	16,180	64,720	571,000
Honda Civic Reg # AB-5421	278,963	55,793	223,170	357,110

Model 1995

Honda Civic Reg # ASS-416 Model 1997	80,900	16,180	64,720	576,787
Honda CITI Reg # ABW-804 Model 1998	61,000	--	61,000	501,110
Suzuki Pick-Up Reg # KG-9260 Model 1998	23,500	--	23,500	176,111
Mitsubishi Lancer Reg # G-0455 Model 1987	425,575	425,575	--	--
Honda Motor Cycle Reg # KCL-7119 Model 1997	--	--	--	11,400
Honda Motor Cycle Reg # HDJ-2488 Model 1991	31,295	28,460	2,835	--
Honda Motor Cycle Reg # KCX-7025 Model 1994	47,000	38,129	8,871	--
Total as on 30th June, 2000	1,107,033	595,897	511,136	2,753,519
Total as on 30th June, 2001	11,193,627	6,786,064	4,407,563	7,425,025

**2001  
RUPEES**

**12.00 LONG TERM DEPOSITS**

Deposit - Security 6,735,730

**13.00 INVESTMENT IN SECURITIES**

Special Saving Certificate --

**14.00 STORES, SPARE & LOOSE TOOLS**

Stores	11,168,713
Spares	11,793,279
Loose Tools	376,246
Stores in Transit	1,268,223
	-----
	24,606,461
	=====

**15.00 STOCK IN TRADE**

Raw & Packing Material	52,481,106
Work-in-Process	898,390
Finished Goods	49,023,806
Raw Material-in-Transit	352,105
	-----
	102,755,407
	=====

**16.00 TRADE DEBTS (Unsecured)**

Considered Good	113,817,706
	=====

**17.00 ADVANCES, DEPOSITS, PRE-PAYMENTS  
AND OTHER RECEIVABLES**

Advances (Unsecured-Considered Good)	
Staff	339,328
Others for supplies & expenses	2,159,962
Advance Income Tax- Refundable	1,821,189
	-----
	4,320,479
Deposits:	
Security	3,127,482
Prepayments	3,669,930
Other Receivables:	
Interest Receivable	--
Insurance Claims	66,800
KMC Octroi Duty	192,894
Sales Tax & Excise Duty	24,786
Export Rebate	9,763,402
	-----
	10,047,882
	-----
	21,165,773
	=====

i) No amount was due from Directors and Nil).

ii) The maximum amount due from Associated Undertaking at the end of any month during the year was Rs. 3,760,155/- (2000: Rs. 2,185,688).

**2001**  
**RUPEES**

**18.00 CASH & BANK BALANCES**

Cash in Hand	745,727
Balances with Banks:	
Local Currency Account:	
In Current Account	15,353,780
Foreign Currency Account:	
In Current Account	--
	-----
	16,099,507
	=====

**19.00 OPERATING RESULTS**

Net Sales (Note 20)	600,998,014
Cost of Goods sold (Note 21)	377,749,981
	-----
Gross Profit	223,248,033
Administrative Expenses	35,201,820
Selling Expenses	78,910,496
Financial Expenses	9,526,463
	-----
	123,638,779
	-----
Operating Profit	99,609,254
	=====

**20.00 SALES**

Local	347,192,791
Export	253,805,223
	-----
Net Sales (after sales tax)	600,998,014
	=====

**21.00 COST OF GOODS SOLD**

Raw & Packing Material consumed (Note 21.01)	215,693,770
Repair Maintenance & Stores Consumed	11,969,117
Utilities (Fuel, Power & Water)	71,625,505
Salaries, Wages and Other Benefits	39,790,414
Vehicle Expenses	2,166,738
Insurance	4,592,631
Protein Processing / Defatting Charges	765,119
Other Manufacturing Expenses (Note 21.02)	13,800,671
Depreciation	17,728,812
	-----
	378,132,777
Add: Opening Stock of Work-in-Process	468,064
	-----
	378,600,841

Less: Closing Stock of Work-in-Process	898,390
	-----
Cost of Goods Produced	377,702,451
Add: Opening Stock of Finished Goods	57,610,909
	-----
	435,313,360
Less: Closing Stock of Finished Goods	49,023,806
	-----
	386,289,554
Less: Rebate	8,539,573
	-----
Cost of Goods Sold	377,749,981
	=====

**2001**  
**RUPEES**

**21.01 RAW & PACKING MATERIAL CONSUMED**

Opening Stock	56,537,852
Add: Purchases	211,637,024
	-----
Available for Manufacturing	268,174,876
Less: Closing Stock	52,481,106
	-----
	215,693,770
	=====

**21.02 OTHER MANUFACTURING EXPENSES**

Travelling	3,552,771
Cartage & Octroi inward	534,674
Printing & Stationery	220,042
Postage, Telephone & Telegraph	973,525
Rent, Rates & Taxes	1,349,326
Conveyance	50,705
Charity & Donation	79,965
Entertainment	426,648
Legal & Professional	717,600
Advertisement	8,823
Laboratory Testing	7,650
Lease Exps	5,535,977
Others	342,965
	-----
	13,800,671
	=====

**22.00 ADMINISTRATIVE EXPENSES**

Salaries, Wages & Other benefits	16,580,778
Rent, Rates and Taxes	1,842,363
Repair & Maintenance - Vehicle	1,219,752
Repair & Maintenance Others	263,411



Travelling	5,090,667
Utilities (Electricity, Gas & Water)	980,260
Postage, Telephone & Telex	2,281,092
Printing & Stationery	664,183
Advertisement	211,736
Legal & Professional	336,850
Insurance	652,261
Conveyance	145,637
Entertainment	731,478
Directors Fee	500
Audit Fee	78,750
Lease Exps	2,904,625
Depreciation	404,970
Paper & Periodicals	48,984
Others	763,523
	-----
	35,201,820
	=====

**23.00 SELLING AND DISTRIBUTION EXPENSES**

Salaries, Wages & Other benefits	9,294,201
Rent, Rates and Taxes	86,400
Repair & Maintenance - Vehicle	997,847
Repair & Maintenance Others	28,010
Travelling	1,631,987
Utilities (Electricity, Gas & Water)	7,480
Postage, Telephone and Telex	872,347
Printing & Stationery	127,851
Advertisement	1,509,817
Insurance	401,010
Samples	8,113
Laboratory Testing	17,779
Conveyance	64,846
Provision for Bad Debts	880,266
Entertainment	366,246
Lease Exps	1,472,808
Others	680,949
Kosher Certification Exps	645,000
Freight & Octroi	59,817,539
	-----
	78,910,496
	=====

**24.00 FINANCIAL EXPENSES**

Interest on Long Term Loans	1,015,149
Interest on Short Term Loans	7,512,740
Interest on Workers' Profit Participation Fund	462,603
Bank Charges	535,971
	-----
	9,526,463

**25.00 OTHER INCOME**

Interest on Deposits	2,625,933
Rent received from Associated Companies	13,200
Profit on Disposal of Fixed Assets	2,242,383
	-----
	4,881,516

**26.00 OTHER CHARGES**

Workers' Profit Participation Fund	5,143,280
Workers' Welfare Fund	524,768
	-----
	5,668,048

**27.00 PROVISION FOR TAXATION**

Current Year	14,532,616
Prior Year	471,429
	-----
	15,004,045

28.00 None of the Directors or their spouses had any interest in the donee's fund.

**29.00 Financial Instruments and related disclosure.**

**29.01 Financial Assets and Liabilities - 2000/2001**

	INTEREST / MARKUP BEARING			NON-INTEREST / M
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-Total</i>	<i>Maturity upto one year</i>
<b>Financial Assets:</b>				
Investments	--	--	--	--
Loan & Advances	--	--	--	--
Deposits	--	6,735,730	--	--
Trade debts	--	--	--	113,817,706
Other receivables	--	--	--	3,568,583
Cash & bank balances	--	--	--	16,099,507
	-----	-----	-----	-----
Total Financial Assets (2000/2001)	--	--	--	133,485,796
	-----	-----	-----	-----
<b>Financial Liabilities:</b>				
Long term loans				
Short term borrowing	88,000,000	--	88,000,000	--
Creditors, Accrued & other liabilities	--	--	--	21,285,999

Deposits	--	1,009,534	--	--
Unclaimed Dividend	--	--	--	1,124,878
Dividend Payable	--	--	--	26,600,000
Proposed Dividend	--	--	--	30,000,000
Total Financial Liabilities (2000-2001)	-----	-----	-----	-----
	88,000,000	--	88,000,000	79,010,877
	=====	=====	=====	=====

#### Financial Assets and Liabilities 1999/2000

	INTEREST / MARKUP BEARING			NON-INTEREST / M
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-Total</i>	<i>Maturity upto one year</i>
<b>Financial Assets:</b>				
Investments	--	10,000,000	10,000,000	--
Loan & Advances	--	--	--	329,035
Deposits	--	--	--	1,684,069
Trade debts	--	--	--	58,805,125
Other receivables	--	--	--	7,928,335
Cash & bank balances	--	--	--	10,988,553
	-----	-----	-----	-----
Total Financial Assets (1999/2000)	--	10,000,000	10,000,000	79,735,117
	-----	-----	-----	-----
<b>Financial Liabilities:</b>				
Long term loans	5,412,000	--	5,412,000	--
Short term borrowing	60,000,000	--	60,000,000	--
Creditors, Accrued & other liabilities	--	--	--	18,590,667
Deposits	--	--	--	--
Unclaimed Dividend	--	--	--	933,416
Proposed Dividend	--	--	--	60,000,000
	-----	-----	-----	-----
Total Financial Liabilities (1999-2000)	65,412,000	--	65,412,000	79,524,083
	=====	=====	=====	=====

#### 29.02 Risk Management

##### Effective interest rate

Effective interest rate for monetary financial liabilities have been provided in respective notes of the liabilities where ever it was necessary.

##### Concentration of Credit Risk

The company does not believe that it is exposed to concentration of credit risk because credit worthiness of the customer is considered good while sales are made on credit.

### Fair Value of Financial Instruments

The management is of the view that carrying values of financial assets and liabilities approximate their fair value.

**2001**

### 30.00 PRODUCTION CAPACITY

#### Capacity

	<b>Capacity Utilised</b>
Habib Arkady Limited	45.04%
Habib Sorbitol (Pvt) Limited	0.00%
Habib Agglomeration (Pvt) Limited	0.00%
Habib Microfine (Pvt) Limited	19.16%

Market constraint and shortage of water has been the main factor for low capacity of utilization.

**2001  
RUPEES**

### 31.00 TRANSACTIONS WITH ASSOCIATED UNDERTAKING

a. Civil Work	5,629,693
b. Rent Received	25,200
c. Lease .Rent	1,165,000
d. Stores & Spares	--
e. Sale to Subsidiary Company	26,459,340
	-----
	33,279,233
	=====

### 32.00 GENERAL

i) Previous year's figures have been regrouped and rearranged wherever necessary for the purpose of comparison.

ii) Figures have been rounded off to the nearest rupee.

## Habib Arkady Limited

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of HABIB ARKADY LIMITED as at June 30, 2001 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved

accounting standards and the requirements of 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 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 explanation given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

KARACHI DATED: 12th September, 2001

**HYDER BHIMJI & CO.**  
Chartered Accountants

## **BALANCE SHEET AS AT JUNE 30, 2001**

	<i>NOTE</i>	<i>2001 RUPEES</i>
<b>AUTHORISED, CAPITAL</b>		
40,000,000 Ordinary Shares of Rs.5/= each		200,000,000

ISSUED SUBSCRIBED AND PAID UP CAPITAL	3	200,000,000
RESERVE AND SURPLUS:		
CAPITAL RESERVE	4	10,000,000
REVENUE RESERVE	5	50,000,000
UNAPPROPRIATED PROFIT		34,414,984
		-----
		294,414,984
<b>CURRENT LIABILITIES:</b>		
Current Maturity of Long Term Loans		--
Short Term Running Financing (Secured)	6	88,000,000
Creditors and Accrued Liabilities	7	23,551,244
Advances and Deposits	8	1,115,065
Dividend Payable		26,600,000
Proposed Dividend		30,000,000
		-----
		169,266,309
<b>CONTINGENCIES &amp; COMMITMENTS</b>	9	
		-----
		463,681,293
		=====
TANGIBLE FIXED ASSETS	10	175,562,493
CAPITAL WORK IN PROGRESS		4,950,352
<b>LONG TERM:</b>		
Deposits	11	6,735,730
Investment in Share Capital of Subsidiary Companies	12	3,150,000
Loan to wholly owned Subsidiary Companies	13	223,291
Investment in Securities	14	--
		-----
		10,109,021
<b>CURRENT ASSETS:</b>		
Stores, Spares and Loose Tools	15	24,606,461
Stock in Trade	16	102,755,407
Trade Debts	17	118,160,488
Advances, Deposits, Pre-Payments and Other Receivables	18	14,556,546
Cash and Bank Balances	19	12,980,525
		-----
		273,059,427
		-----
		463,681,293
		=====

Note · The annexed notes form an integral part of these accounts.

KARACHI DATED: 12th September, 2001

OWAIS G. HABIB  
Chief Executive

GA

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

	<i>NOTE</i>	<i>2001 RUPEES</i>
<b>Sales:</b>		
Local	20	373,057,753
Export		148,096,664
		-----
		521,154,417
Cost of Goods Sold	21	379,397,565
		-----
Gross Profit		141,756,852
<b>Less:</b>		
Administrative Expenses	22	34,981,182
Selling Expenses	23	57,604,797
Financial Expenses	24	9,411,958
		-----
		101,997,937
		-----
Operating Profit		39,758,915
<b>Add: Net Income from Subsidiary Cos.</b>	25	58,797,318
Other Income	26	4,893,516
		-----
		63,690,834
		-----
		103,449,749
Less: Other Charges	27	5,668,048
		-----
Combined Profit before Taxation		97,781,701
Provision For Taxation	28	13,963,024
		-----
Profit after Taxation		83,818,677
Unappropriated Profit Brought Forward		32,596,307
		-----
Available for Appropriation:		116,414,984
Appropriations		
interim Dividend @ 15% i.e. Rs. 0.75 per share		27,000,000
Issued Bonus Shares @ one share for every nine shares held (i.e. 11.11%) (2000 @ 20%)		20,000,000
Proposed Final Dividend @ 15% i.e. Rs. 0.75 per share (2000 @ 40% i.e. Rs. 2 per share)		30,000,000
Transfer to General Reserve		5,000,000

	----- 82,000,000 -----
Unappropriated Profit Carried Forward	34,414,984 =====
Earning per share of Rs. 5/-	2.10

Note · The annexed notes form an integral part of these accounts.

**KARACHI DATED: 12th September, 2001**

**OWAIS G. HABIB**  
Chief Executive

**STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)  
FOR THE YEAR ENDED JUNE 30, 2001**

	<i><b>2001</b></i> <i><b>RUPEES</b></i>
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	
Cash Generated From Operations	
Profit Before Taxation	97,781,701
Adjustments items	
Depreciation	18,004,682
(Gain) / Loss on Disposal of Fixed Assets	(2,242,383)
Financial Charges	9,411,958
	-----
Cash Flow from operating activities before working capital changes	25,174,257 ----- 122,955,958
(Increase) / Decrease in Current Assets	
Stores, Spares & Loose Tools	1,455,460
Stock in Trade	11,757,418
Trade Debts	(52,728,371)
Advances, Deposits, Prepayments & Other Receivables	(8,285,240)
	-----
	(47,800,733)(13
Increase / (Decrease) in Current Liabilities	
Short Term Running Financing (Secured)	28,000,000
Trade Creditors & Accrued Expenses	(234,632)
Advances & Deposits	(2,296,910)
	-----
	25,468,458 -----
Effects of Cash Flow due to Working Capital changes	(22,332,275)
Cash Flow from operating activities	100,623,683



Financial Charges paid	(9,411,958)
	-----
	91,211,725
Net Cash (Outflow) / Inflow from Investing Activities	
Capital Expenditure	(25,675,623)
Sale Proceeds from disposal of fixed assets	2,753,519
Loan to Subsidiary Companies	129,100
Long Term Deposits	(5,655,895)
Investment in Share Capital of Subsidiary Company	(150,000)
Investment in Special Saving Certificate	10,000,000
	-----
	(18,598,899)
	-----
	72,612,826
Net Cash (Outflow) / Inflow from Financing Activities	
Repayment of Long Term Loans	(5,412,000)
Dividend Paid	(60,400,000)
	-----
Net Increase / (Decrease) in Cash and Cash equivalent	(65,812,000)
	-----
	6,800,826
Cash and Cash equivalent at beginning of the year	6,179,699
	-----
Cash and Cash equivalent at the end of the year	12,980,525
	=====

**OWAIS G. HABIB**  
Chief Executive

**KARACHI DATED: 12th September, 2001**

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

	<i>SHARE CAPITAL</i>	<i>CAPITAL RESERVE</i>	<i>GENERAL RESERVE</i>	<i>RESERVE FOR ISSUE OF BONUS SHARES</i>	
Balance as at June 30, 1999	150,000,000	10,000,000	37,500,000		--
Net Profit for the year ended June 30, 2000	--	--	--		--
Appropriations:					
Reserve for issue of Bonus Shares	--	--	--	30,000,000	
Transfer to General Reserve	--	--	7,500,000		--

Dividend ....	--	--	--	--
	-----	-----	-----	-----
Balance as at June 30, 2000	150,000,000	10,000,000	45,000,000	30,000,000
Net Profit for the year ended June 30, 2001	--	--	--	--
Appropriations:				
Reserve for issue of Bonus Shares	50,000,000	--	--	(30,000,000)
Transfer to General Reserve	--	--	5,000,000	--
Dividend	--	--	--	--
	-----	-----	-----	-----
	200,000,000	10,000,000	50,000,000	--
	=====	=====	=====	=====

## **NOTES TO THE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001**

### **1.00 HISTORY OF THE COMPANY**

The Company was incorporated in Pakistan on 10th July, 1980 as a public limited company and is quoted on Stock Exchanges in Karachi and Lahore. The principal activity of the Company is the manufacture of Starch Based Sugar and Rice Gluten.

### **2.00 SIGNIFICANT ACCOUNTING POLICIES**

#### **2.01 Accounting Convention**

Accounts of the Company have been prepared on historical cost convention.

#### **2.02 Foreign Currency Translations**

Foreign Currency Transactions and receivables are recorded at the rate prevailing on the date of transactions and Foreign Currency deposits are translated into Pak Rupees at the rate of Exchange ruling at the Balance Sheet date.

#### **2.03 Staff Retirement Benefits**

The Company operates Provident Fund Scheme for all its employees eligible for the benefits.

#### **2.04 Taxation**

Provision for Current Taxation is based on taxable income at current rates of taxation after taking into account tax credit available, rebate and exemption, if any.

The Company accounts for deferred taxation on all material timing differences by using liability method.

#### **2.05 Fixed Assets**

These are stated at cost less accumulated depreciation except free-hold land and capital work-in-progress, if any, which are stated at cost.

Depreciation is charged to income applying reducing balance method. A full year's depreciation is charged on additions irrespective of the date of purchase whereas no depreciation is charged on the assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when incurred.

**2.06 Stores Spares and Loose Tools.**

Stores and Spares	Valued at average cost
Loose Tools	Stated at actuals

**2.07 Stock in Trade**

Raw & Packing Material	Valued at average cost
Work-in-Process	Valued at average cost of raw material plus a portion of the manufacturing expenses.
Finished Goods	Valued at lower of average cost and net realisable value.
Raw Material in Transit	Stated at actuals

**2.08 Trade Debts**

Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

**2.09 Revenue Recognition**

Sales are recorded on despatch of goods to customers. Income on Investment is recorded when the right to receive is established.

**2.10 Accounting For Lease.**

Lease expenses represent lease rental for assets being used under operating lease agreements with various leasing companies. It also includes lease rental for solvent extraction plant leased from associated undertakings.

**2001  
RUPEES**

**3.00 ISSUED SUBSCRIBED AND PAID UP CAPITAL**

15,000,000 Ordinary Shares of Rs.5/- each fully paid issued for Cash.	75,000,000
25,000,000 Ordinary Shares of Rs.5/- each issued as Fully Paid Bonus Shares.	125,000,000
	-----
	200,000,000
	=====

**4.00 CAPITAL RESERVE**

Premium on 5,000,000 Right Shares @ Rs.2/- per share	10,000,000
	=====

**5.00 REVENUE RESERVE**

	<i>GENERAL</i>	<i>RESERVE FOR ISSUE OF BONUS SHARE</i>	<i>TOTAL 2001 RUPEES</i>	<i>TOTAL 2000 RUPEES</i>
Balance as per last Balance Sheet	45,000,000	30,000,000	75,000,000	37,500,000
Add: Transfer from P&L Account	5,000,000	--	5,000,000	37,500,000
Less: Bonus Shares issued.	--	30,000,000	30,000,000	--
	-----	-----	-----	-----
	50,000,000	--	50,000,000	75,000,000
	=====	=====	=====	=====

**6.00 SHORT TERM RUNNING  
FINANCE (Secured)**

	<i>MARK UP RATE</i>	<i>SANCTIONED LIMIT RUPEES</i>	<i>2001 RUPEES</i>
1. National Bank of Pakistan (Export Refinance)	8% to 10.50%	48,000,000	48,000,000
2. Bank AI Habib Limited (Against Export Documents)	14.00%	70,000,000	40,000,000
3. Bank AI Habib Limited	14.00%	30,000,000	--
4. Faysal Bank Limited	17.50%	--	--
		-----	-----
		148,000,000	88,000,000
		=====	=====

The above Finance facilities are secured against hypothecation of Raw Materials, Finished Goods, Work-in-Process, Stores, Spares, Inventory-in-Transit and Receivables ranking pari passu. Further limit of Rs. 70.00 million of Bank AI Habib is secured against Export documents.

**7.00 CREDITORS AND ACCRUED LIABILITIES**

	<i>2001 RUPEES</i>
Creditors	1,008,481
Accrued Expenses	9,067,208
Accrued Interest on Refinance Secured Loans	--
Other Liabilities (Note 7.01)	13,475,555
	-----
	22,542,763
	-----
	23,551,244

=====

**7.01 OTHER LIABILITIES**

Unclaimed Cheques For Right and Bonus Share Fraction	3,399
Unclaimed Dividend	1,124,878
Workers' Profits Participation Fund (Note 7.02)	5,143,280
Workers' Welfare Fund	705,193
Sales Tax Payable	2,158,843
Income Tax Payable (Note 7.03)	4,339,962
	-----
	13,475,555
	=====

**7.02 WORKERS' PROFITS PARTICIPATION FUND**

Opening Balance	5,501,292
Add: Interest on funds utilized for Company's business.	462,603
	-----
	5,963,895
Add: Allocation for the year	5,143,280
	-----
	11,107,175
Less: Amount paid to trustees	5,963,895
	-----
	5,143,280
	=====

**7.03 INCOME TAX PAYABLE**

Opening Balance	(784,646)
Reversal of (short)/excess provision	(471,429)
	-----
	(1,256,075)
Less: Refund received	--
	-----
	(1,256,075)
Add: Tax deducted at source during the year	10,407,708
	-----
	9,151,633
Less: Provision for current year	13,491,595
	-----
	(4,339,962)
	=====

**8.00 ADVANCES AND DEPOSITS**

Advances from Customers.	105,531
Security deposits from customers (Refundable on cessation of business dealings Free of Interest)	1,009,534

-----  
1,115,065  
=====

## 9.00 CONTINGENCIES & COMMITMENTS

i) Commitments for rentals under operating lease as at 30th June, 2001 amount to Rs.9.02 million payable as under :-

### YEAR

2001	--
2002	5,646,783
2003	3,375,534
	----- 9,022,317 =====

ii) The Company, Pakistani Directors and Associated undertaking namely M/s. Haydari Construction Co. Limited have instituted a case against Emirates Bank Limited for Bank's wrongful acts which included wrongful declaration as defaulter of Haydari Construction Co. Ltd. a sister concern - resulting in interruption of business of Habib Arkady Limited.

The amount of claim for damages / compensation is Rs.510,000,000/- alongwith Mark-up there on @15% till date of actual payment plus cost of suit.

## 10.00 TANGIBLE FIXED ASSETS

	<i>As at 01-07-2000</i>	<i>Addition during the year</i>	<i>COST Disposals/ adjustment during the year</i>	<i>Total As at 30-06-2001</i>
Land (Lease hold)	14,771,420	593,875	--	15,365,295
Factory Building (On Lease Hold Land)	51,741,112	7,149,956	--	57,634,874
Non Factory Building (On Lease Hold Land)	497,807	--	--	497,807
Larkana Office Building	759,358	--	--	759,358
Plant & Machinery	318,169,673	10,942,082	--	329,111,755
Gas Installation	--	407,332	--	407,332
Tube-well	175,000	--	--	175,000
Office Equipments	2,593,287	449,020	--	3,042,307
Laboratory Equipments	3,045,525	55,900	--	3,101,425
Furniture & Fixture	2,003,179	103,105	--	2,106,284
Vehicles	3,895,227	1,024,001	1,107,033	3,812,195
Total 30th June, 2001	396,395,394	20,725,271	1,107,033	416,013,632
	-----	-----	-----	-----
Total 30th June 2000.	374,734,047	32,356,955	10,695,607	396,395,394
	=====	=====	=====	=====

2001

**RUPEES**

Depreciation has been allocated as under:

Profit and Loss Account

Manufacturing Cost

17,599,712

Administrative Cost

404,970

-----

18,004,682

=====

**10-A. The following is a statement of Fixed Assets sold during the year.**

<b>Particulars of Assets</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>	<b>Sale Proceeds</b>
Honda Civic EXI Reg # AAR-127 Model 1996	77,900	15,580	62,320	560,001
Honda Civic EXI Reg # ASS-413 Model 1996	80,900	16,180	64,720	571,000
Honda Civic Reg # AB-5421 Model 1995	278,963	55,793	223,170	357,110
Honda Civic Reg # ASS-416 Model 1997	80,900	16,180	64,720	576,787
Honda CITI Reg # ABW-804 Model 1998	61,000	--	61,000	501,110
Suzuki Pick-Up Reg # KG-9260 Model 1998	23,500	--	23,500	176,111
Mitsubishi Lancer Reg # G-0455 Model 1987	425,575	425,575	--	--
Honda Motor Cycle Reg # KCL-7119 Model 1997	--	--	--	11,400
Honda Motor Cycle	31,295	28,460	2,835	--

Reg # HDJ-2488  
Model 1991

Honda Motor Cycle	47,000	38,129	8,871	--
Reg # KCX-7025				
Model 1994				
Total as on 30th June, 2000	1,107,033	595,897	511,136	2,753,519
Total as on 30th June, 2001	10,695,607	6,676,703	4,018,904	6,703,470

**2001**  
**RUPEES**

**11.00 LONG TERM DEPOSITS**

Deposit - Security 6,735,730

**12.00 LONG TERM INVESTMENT IN  
SUBSIDIARY COMPANIES**

(i) Habib Sorbitol (Pvt.) Limited  
100,000 ordinary shares of Rupees 10/= each 1,000,000

(ii) Habib Agglomeration (Pvt.) Limited  
100,000 ordinary shares of Rupees 10/= each. 1,000,000

(iii) Habib Microfine (Pvt.) Limited  
100,000 ordinary shares of Rupees 10/= each. 1,000,000

(iv) Habib Power (Pvt.) Limited  
15,000 ordinary shares of Rupees 10/= each. 150,000

**3,150,000**

100% Equity held by the company in the above unquoted joint stock companies.

Mr. Owais G. Habib is the Chief Executive of all the above mentioned four subsidiary companies.

**13.00 LONG TERM LOAN TO SUBSIDIARY COMPANY  
(unsecured - considered good)**

Habib Microfine (Pvt.) Limited 223,291

The above loans carry interest at the same rate as is paid by the holding company to the Banks.

**14.00 INVESTMENT IN SECURITIES**

--



**15.00 STORES, SPARES & LOOSE TOOLS**

Stores	11,168,713
Spares	11,793,279
Loose Tools	376,246
Stores in Transit	1,268,223
	-----
	24,606,461
	=====

**16.00 STOCK IN TRADE**

Raw & Packing Material	52,481,106
Work-in-Process	898,390
Finished Goods	49,023,806
Raw Material-in-Transit	352,105
	-----
	102,755,407
	=====

**17.00 TRADE DEBTS (Unsecured)**

Considered good	
Subsidiary companies	48,173,387
Others	69,987,101
	-----
	118,160,488

Considered doubtful :

Others	880,266
Less: Provision for doubtful	880,266
	-----
	--
	-----
	118,160,488
	=====

1) The maximum amount due from Subsidiary Companies at the end of any month during the year was Rs. 48,173,387

2) Provision for bad debts credited against M/s. Marcom. The Company filed a suit for recovery and court announced the judgement in company's favour.

The issue of attachment is pending as Mr. Wasim Ghani owner of M/s. Marcom is absconding and no details of assets available.

**18.00 ADVANCES, DEPOSITS, PRE-PAYMENTS  
AND OTHER RECEIVABLES**

Advances (Unsecured-Considered Good):

Staff	314,828
Others for supplies & expenses	2,159,962
Deposits:	2,474,790

Security	2,953,982
Prepayments	3,568,583
Other Receivables:	
Interest Receivable	--
Insurance Claims	66,800
KMC Octroi Duty	134,874
Sales Tax & Excise Duty	24,786
Export Rebate	5,332,731
	-----
	5,559,191
	-----
	14,556,546
	=====

i) No amount was due from Directors and Chief Executive (2000: Nil).

ii) The maximum amount due from Associated Undertaking at the end of any month during the year was Rs. 3,760,155 (2000: Rs. 2,185,688)

**2001**  
**RUPEES**

**19.00 CASH & BANK BALANCES**

Cash in Hand	745,727
Balances with Banks:	
Local Currency Account:	
In Current Account	12,234,798
Foreign Currency Account:	
In Current Account	--
	-----
	12,980,525
	=====

**20.00 SALES**

Local	373,057,753
Export	148,096,664
	-----
Net Sales (Net after sales tax)	521,154,417
	=====

**21.00 COST OF GOODS SOLD**

Raw & Packing Material consumed (Note 21.01)	215,099,392
Repair Maintenance & Stores Consumed	11,969,117
Utilities (Fuel, Power & Water)	71,463,331
Salaries, Wages and Other Benefits	38,580,866
Vehicle Expenses	2,021,062
Insurance	4,477,463
Protein Processing / Defatting Charges	765,119
Other Manufacturing Expenses (Note 21.02)	13,046,902

Depreciation	17,599,712
	-----
	375,022,964
Add: Opening Stock of Work-in-Process	468,064
	-----
	375,491,028
Less: Closing Stock of Work-in-Process	898,390
	-----
Cost of Goods Produced	374,592,638
Add: Opening Stock of Finished Goods	57,506,909
	-----
	432,099,547
Less: Closing Stock of Finished Goods	49,023,806
	-----
	383,075,741
Less: Rebate	3,678,176
	-----
Cost of Goods Sold	379,397,565
	=====

**2001**  
**RUPEES**

**21.01 RAW & PACKING MATERIAL CONSUMED**

Opening Stock	56,537,852
Add: Purchases	211,042,646
	-----
Available for Manufacturing	267,580,498,278
Less: Closing Stock	52,481,106
	-----
	215,099,392
	=====

**21.02 OTHER MANUFACTURING EXPENSES**

Travelling	3,552,771
Cartage & Octroi inward	534,674
Printing & Stationery	211,938
Postage, Telephone & Telegraph	886,664
Rent, Rates & Taxes	1,349,326
Conveyance	50,705
Charity & Donation	79,965
Entertainment	389,444
Legal & Professional	96,000
Advertisement	8,823
Laboratory Testing	7,650
Lease Exps	5,535,977
Others	342,965
	-----
	13,046,902

=====

**22.00 ADMINISTRATIVE EXPENSES**

Salaries, Wages & Other benefits	16,389,240
Rent, Rates and Taxes	1,842,363
Repair & Maintenance - Vehicle	1,219,752
Repair & Maintenance Others	263,411
Travelling	5,090,667
Utilities (Electricity, Gas & Water)	980,260
Postage, Telephone & Telex	2,281,092
Printing & Stationery	664,183
Advertisement	211,736
Legal & Professional	312,500
Insurance	652,261
Conveyance	145,637
Entertainment	731,478
Directors Fee	500
Audit Fee	75,000
Lease Exps	2,904,625
Depreciation	404,970
Paper & Periodicals	48,984
Others	762,523
	-----
	34,981,182
	=====

**2001**  
**RUPEES**

**23.00 SELLING AND DISTRIBUTION EXPENSES**

Salaries, Wages & Other benefits	9,178,944
Rent, Rates and Taxes	86,400
Repair & Maintenance - Vehicle	997,847
Repair & Maintenance Others	28,010
Travelling	1,631,987
Utilities (Electricity, Gas & Water)	7,480
Postage, Telephone & Telex	872,347
Printing & Stationery	127,851
Advertisement	1,509,817
Insurance	401,010
Samples	8,113
Laboratory Testing	17,779
Conveyance	64,846
Provision for doubtful debts	880,266
Entertain merit	366,246
Lease Exps	1,472,808
Others	680,949
Kosher Certification Exps	645,000
Freight & Octroi	38,627,097
	-----

57,604,797

=====

**24.00 FINANCIAL EXPENSES**

Interest on Long Term Loans	971,778
Interest on Short Term Loans	7,512,740
Interest on Workers' Profit Participation Fund	462,603
Bank Charges	464,837
	-----
	9,411,958
	=====

**25.00 DIVIDEND FROM SUBSIDIARY COMPANIES:**

Habib Sorbitol (Pvt) Ltd	--
Habib Agglomeration (Pvt) Ltd	--
Habib Microfine (Pvt) Ltd	58,797,318
	-----
	58,797,318
	=====

**26.00 OTHER INCOME**

Interest on Deposits	2,625,933
Rent from Subsidiary Companies	25,200
Profit on Disposal of Fixed Assets (10-A)	2,242,383
	-----
	4,893,516
	=====

**27.00 OTHER CHARGES**

Workers' Profit Participation Fund	5,143,280
Workers' Welfare Fund	524,768
	-----
	5,668,048
	=====

**28.00 PROVISION FOR TAXATION**

Current Year	13,491,595
Prior Year	471,429
	-----
	13,963,024
	=====

**29.00 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES:**

	<i>Directors</i>	<i>Chief Executive</i>	<i>Executive</i>	<i>TOTAL</i>
				<i>30-06-2001</i>
Meeting Fee - 2 Directors (2000- 2 Directors)	500	--	--	500
Manageral Remuneration	6,963,514	1,740,520	16,104,664	24,808,698

Contribution to P.F.	476,268	101,667	896,244	1,474,179
Medical	173,095	107,604	--	280,699
Utilities	542,000	122,000	312,200	976,200
	-----	-----	-----	-----
Rupees 2000-2001	8,155,377	2,071,791	17,313,108	27,540,276
	-----	-----	-----	-----
Rupees 1999-2000	5,447,214	1,431,714	10,346,758	17,225,686
Number of persons	-----	-----	-----	-----
2000-2001	6	1	31	38
Number of persons	-----	-----	-----	-----
1999-2000	6	1	17	4
	-----	-----	-----	-----

In addition, Chief Executive, five of the Directors and the seventeen Executives are provided free use of cars.

	<b>2001</b>	<b>2000</b>
<b>30.00 PRODUCTION CAPACITY</b>		
<b>Capacity Utilized</b>	45.04%	43.37%
The designed capacity of the plant is 45,000 M.Tons of High Fructose Syrup. However consequent upon modification the plant is also now capable of producing Liquid Glucose. Market constraint has been the main factor for low capacity utilization.		

### 31.00 Financial Instruments and related disclosure.

#### 31.01 Financial Assets and Liabilities - 2000/2001

	INTEREST / MARKUP BEARING			NON-INTEREST / M
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-Total</i>	<i>Maturity upto one year</i>
<b>Financial Assets:</b>				
Investments	--	--	--	--
Loan & Advances	115,970	107,321	223,291	--
Deposits	--	--	--	--
Trade debts	--	--	--	118,160,488
Other receivables	--	--	--	5,559,191
Cash & bank balances	--	--	--	12,980,525
	-----	-----	-----	-----
Total Financial Assets (2000/2001)	115,970	107,321	223,291	136,700,204
	-----	-----	-----	-----
<b>Financial Liabilities:</b>				
Short term borrowing Creditors, Accrued & other liabilities	88,000,000	--	88,000,000	--
Deposits	--	--	--	19,211,282
Unclaimed Dividend	--	--	--	1,124,878
Dividend Payable	--	--	--	26,600,000
Proposed Dividend	--	--	--	30,000,000

Total Financial Liabilities (2000-2001)	----- 88,000,000 =====	----- -- =====	----- 88,000,000 =====	----- 76,936,160 =====
--	------------------------------	----------------------	------------------------------	------------------------------

### Financial Assets and Liabilities 1999/2000

	INTEREST / MARKUP BEARING			NON-INTEREST / M
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-Total</i>	<i>Maturity upto one year</i>
<b>Financial Assets:</b>				
Investments	--	10,000,000	10,000,000	--
Loan & Advances	--	--	--	329,035
Deposits	--	--	--	1,597,212
Trade debts	--	--	--	65,432,117
Other receivables	--	--	--	6,335,489
Cash & bank balances	--	--	--	6,179,699
	-----	-----	-----	-----
Total Financial Assets (1999/2000)	--	10,000,000	10,000,000	79,873,552
	-----	-----	-----	-----
<b>Financial Liabilities:</b>				
Long term loans	5,412,000	--	5,412,000	--
Short term borrowing	60,000,000	--	60,000,000	--
Creditors, Accrued & other liabilities	--	--	--	18,512,502
Deposits	--	--	--	--
Unclaimed Dividend	--	--	--	933,415
Proposed Dividend	--	--	--	60,000,000
	-----	-----	-----	-----
Total Financial Liabilities (1999-2000)	65,412,000	--	65,412,000	79,445,917
	=====	=====	=====	=====

### 31.02 Risk Management

#### Effective interest rate

Effective interest rate for monetary financial liabilities have been provided in respective notes of the liabilities where ever it was necessary.

#### Concentration of Credit Risk

The company does not believe that it is exposed to concentration of credit risk because credit worthiness of the customer is considered good while sales are made on credit.

#### Fair Value of Financial Instruments

The management is of the view that carrying values of financial assets and liabilities approximate their fair value.

32.00 None of the Directors or their spouses had any interest in the donee's fund.

**2001**  
**RUPEES**

**33.00 TRANSACTIONS WITH ASSOCIATED UNDERTAKING**

a. Civil Work	5,629,693
b. Rent Received	25,200
c. Lease Rent	1,165,000
d. Store & Spares	--
e. Sale to Subsidiary Company	26,459,340
	-----
	33,279,233
	=====

**34.00 STATEMENT PURSUANT TO SECTION 237(i) OF THE COMPANIES ORDINANCE, 1984**

(1) A copy of the latest audited accounts of the following subsidiary companies for the year ended 30th June 2001, together with Directors and Auditors report enclosed.

- (a) Habib Sorbitol (Pvt) Limited.
- (b) Habib Agglomeration (Pvt) Limited
- (c) Habib Microfine (Pvt) Limited
- (d) Habib Power (Pvt) Limited

(2) The informations required in terms of sub section 6 of section 237 of the Companies ordinance, 1984 are as follows:

	<b>2001</b>
Extent of interest of the parent company in the subsidiary companies.	100%
Net aggregate profit/(loss) of the subsidiary companies not dealt within the company's accounts: For the year :	NIL
Net aggregated profit/(Loss) of the subsidiary companies dealt within the company's accounts.  For the year ·	
Habib Sorbitol (Pvt) Limited.	--
Habib Agglomeration (Pvt) Limited	--
Habib Microfine (Pvt) Limited	58,797,318
Habib Power (Pvt) Limited	--

**35.00 GENERAL**

- i) Previous year's figures have been regrouped and rearranged wherever necessary for the purpose of comparison.
- ii) Figures have been rounded off to the nearest rupee.
- iii) The accounts of subsidiary companies are enclosed herewith,



## **Habib Sorbitol (Pvt.) Ltd.**

### **DIRECTORS REPORT TO THE SHAREHOLDERS**

Dear Shareholders,

As the production facilities are now part of Habib Arkady Limited assets, the production and sale of Sorbitol form part of Habib Arkady Limited operation.

We are now awaiting final refund from the Income Tax Department after which this company will be liquidated.

KARACHI DATED: 12th September, 2001

**GAFFAR A. HABIB**  
**Chairman**

### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of HABIL SORBITOL (PRIVATE) LIMITED as at June 30, 2001 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of 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 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 explanation given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the profit, its cash flows and changes in equity for the year then ended; and

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

**KARACHI DATED: 12th September, 2001**

**HYDER BHIMJI & CO.**  
Chartered Accountants

**BALANCE SHEET AS AT JUNE 30, 2001**

	<i>NOTE</i>	<i>2001 RUPEES</i>
<b>AUTHORISED CAPITAL</b>		
500,000 Ordinary Shares of Rs. 10/= each		5,000,000
		=====
ISSUED SUBSCRIBED AND PAID UP CAPITAL	3	1,000,000
<b>CURRENT LIABILITIES</b>		
Creditor	4	820,084
		-----
		1,820,084
		=====
<b>FIXED ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Other Receivables	5	1,519,226
Cash and Bank Balances	6	300,858
		-----
		1,820,084
		=====

Note · The annexed notes form an integral part of these accounts.

**KARACHI DATED: 12th September, 2001**

**OWAIS G. HABIB**  
Chief Executive

**GA**

**PROFIT & LOSS ACCOUNT**

**FOR THE YEAR ENDED JUNE 30, 2001**

	<i>NOTE</i>	<i>2001 RUPEES</i>
SALES (Local)		--
Cost of Goods Sold	7	--
		-----
Gross Profit		--
Less:		
Administrative Expenses	8	--
Selling Expenses	9	--
Financial Expenses	10	--
		-----
Operating Profit		--
Less:		
Workers' Profit Participation Fund		--
		-----
Profit for the year		--
Dividend Paid to Habib Arkady Limited (Holding Co.)		-----
		--
		=====

Note · The annexed notes form an integral part of these accounts.

**KARACHI DATED: 12th September, 2001**

**OWAIS G. HABIB**  
Chief Executive

GA

**STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)  
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>2001 RUPEES</i>
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	
Cash Generated from Operations	
Profit before Taxation	--
Adjustments items:	
Financial Charges	--
	-----
Cash flow from operating activities before working capital changes	--
(Increase)/Decrease in Current Assets	
Stock in Trade	--

Trade Debts	--
Advances, Deposits, Prepayments & Other Receivables	24,840
	-----
	24,840
Increase / (Decrease) in Current Liabilities:	
Trade Creditors & Accrued Expenses	(2,883,229)
	-----
Effects of Cash Flow due to Working Capital changes	(2,858,389)
	-----
Cash Flow from operating activities	(2,858,389)
Financial Charges paid	--
	-----
	(2,858,389)
NET CASH (OUTFLOW) / INFLOW FROM INVESTING ACTIVITIES	
Sale Proceeds from disposal of fixed assets	--
	-----
	--
	-----
	(2,858,389)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES	
Repayment of Long Term Loans	--
Dividend Paid	--
	-----
Net Increase / (Decrease) in Cash and Cash equivalent	--
	-----
	(2,858,389)
Cash and Cash equivalent at beginning of the year	3,159,247
	-----
Cash and Cash equivalent at the end of the year	300,858
	=====

**KARACHI DATED: 12th September, 2001**

**OWAIS G. HABIB**  
Chief Executive

**GA**

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

	<i>Share Capital</i>	<i>Un Appropriated Profit</i>	<i>Total</i>
Balance as at June 30, 1999	1,000,000	--	1,000,000
Net Profit for the year ended June 30, 2000	--	2,976,274	2,976,274

Dividend	--	(2,976,274)	(2,976,274)
	-----	-----	-----
Balance as at June 30, 2000	1,000,000	--	1,000,000
Net Profit for the year ended June 30, 2001	--	--	--
	-----	-----	-----
	1,000,000	--	1,000,000
	=====	=====	=====

## **NOTES TO THE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001**

### **1.00 HISTORY OF THE COMPANY**

The Company was incorporated in Pakistan on 20th September, 1993 as a private limited company and is wholly-owned subsidiary of Habib Arkady Limited. The principal activity of the company is the manufacture, sale and export of hydrogenated sugars and related by-products. However, due to adverse effect of sales tax and prevailing business conditions the company has sold its entire fixed assets to its holding company subsequently on July 31, 1999 and ceased to carry out its business activity with effect from that date.

### **2.00 SIGNIFICANT ACCOUNTING POLICIES**

#### **2.01 Accounting Convention**

Accounts of the Company have been prepared on historical cost convention.

#### **2.02 Foreign Currency Translation**

Foreign Currency Transactions are recorded at the rate prevailing on the date of transactions and foreign currency receivables/deposits are translated into Pak Rupees at the rate of Exchange ruling at the Balance Sheet date.

#### **2.03 Staff Retirement Benefit**

The Company operates Provident Fund Scheme for all its employees eligible for the benefit.

#### **2.04 Taxation**

Provision for Current Taxation is based on taxable income at current rates of taxation after taking into account tax credit available, rebate and exemption, if any.

#### **2.05 Fixed Assets**

These are stated at cost less accumulated depreciation except free-hold land and capital work-in-progress, if any, which are stated at cost.

Depreciation is charged to income applying reducing balance method.

A full year's depreciation is charged on additions irrespective of the date of purchase whereas no depreciation is charged on the assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when incurred.

#### **2.06 Stores Spares and Loose Tools.**

Stores and Spares

Valued at average cost

Loose Tools

Stated at actuals

2.07 Stock in Trade	
Raw and Packing Material	Valued at average cost
Work-in-process	Valued at average cost of raw material plus a portion of the manufacturing expenses.
Finished Goods	Valued at lower of average cost and net realisable value.
Raw Material in Transit	Stated at actuals

### 2.08 Trade Debts

Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

### 2.09 Revenue Recognition

Sales to be recorded on despatch of goods to customers. Income on Investment is recorded when received.

### 3.00 ISSUED SUBSCRIBED AND PAID UP CAPITAL

100,000 Ordinary Shares of Rs.10/- each fully paid issued for Cash.  
All the shares of the company are held by Habib Arkady Limited.

**2001  
RUPEES**

1,000,000  
=====

### 4.00 CREDITOR

Creditor (Holding Co.)

820,084  
=====

### 5.00 OTHER RECEIVABLES

Income Tax Refundable  
KMC Octroi Refundable

1,461,206

58,020  
-----

1,519,226  
=====

### 6.00 CASH AND BANK BALANCES

Balance with Banks:

Local currency accounts in current account

300,858  
=====

### 7.00 COST OF GOODS SOLD

Raw & Packing Material consumed (Note 11.01)

--

Utilities

--

Repair Maintenance & Stores Consumed

--

Salaries, Wages and Other Benefits

--

Vehicle Expenses

--

Factory Rent

--

Printing & Stationery

--

Entertainment

--

Insurance	--
	-----
Cost of Goods Produced	--
Add: Opening Stock of Finished Goods	--
	-----
Less: Closing Stock of Finished Goods	--
	-----
Cost of Goods Sold	--
	=====

**2001  
RUPEES**

**7.01 RAW & PACKING MATERIAL CONSUMED**

Opening Stock	--
Add: Purchases	--
Less: Sold to Habib Arkady Ltd.	--
	-----
Available for Manufacturing	--
Less: Closing Stock	--
	-----
	--
	=====

**8.00 ADMINISTRATIVE EXPENSES**

Salaries and other Benefits	--
	-----
	--
	=====

**9.00 SELLING EXPENSES**

Salaries & Wages	--
Freight & Octroi	--
	-----
	--
	=====

**10.00 FINANCIAL CHARGES**

Interest on Long Term Loan	--
Bank Charges	--
Interest on Worker's Participation Fund	--
	-----
	--
	=====

**11.00 Financial Instruments and related disclosure.**

**11.01 Financial Assets and Liabilities 2000/2001**

**INTEREST / MARKUP BEARING**

**NON-INTEREST / M**

	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-Total</i>	<i>Maturity upto one year</i>
<b>Financial Assets :</b>				
Other receivables	--	--	--	58,020
Cash & bank balances	--	--	--	300,858
	-----	-----	-----	-----
Total Financial Assets (2000 / 2001)	--	--	--	358,878
	-----	-----	-----	-----
<b>Financial Liabilities:</b>				
Creditors, accrued & other liabilities	--	--	--	820,084
	-----	-----	-----	-----
Total Financial Liabilities (2000 / 2001)	--	--	--	820,084
	=====	=====	=====	=====

#### Financial Assets and Liabilities 1999/2000

	<b>INTEREST / MARKUP BEARING</b>			<b>NON-INTEREST / M</b>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-Total</i>	<i>Maturity upto one year</i>
<b>Financial Assets :</b>				
Other receivables	--	--	--	82,860
Cash & bank balances	--	--	--	3,159,247
	-----	-----	-----	-----
Total Financial Assets (1999/2000)	--	--	--	3,242,107
	-----	-----	-----	-----
<b>Financial Liabilities :</b>				
Creditors, accrued & other liabilities	--	--	--	3,703,313
Proposed Dividend	--	--	--	2,976,274
	-----	-----	-----	-----
Total Financial Liabilities (1999/2000)	--	--	--	6,679,587
	=====	=====	=====	=====

#### 11.02 Risk Management

##### Effective interest rate

Effective interest rate for monetary financial liabilities have been provided in respective notes of the liabilities where ever it was necessary.

##### Concentration of Credit Risk

The company does not believe that it is exposed to concentration of credit risk because credit worthiness of the customer is considered good while sales are made on credit. However, no provision for doubtful debts is made as it is not considered necessary.



## Fair Value of Financial Instruments

The management is of the view that carrying values of financial assets and liabilities approximate their fair value.

### **12.00 GENERAL**

- 1) Previous year's figures have been regrouped and rearranged wherever necessary for the purpose of comparison.
- 2) Figures have been rounded off to the nearest rupee.

## **Habib Agglomeration (Pvt.) Limited.**

### **DIRECTORS REPORT TO THE SHAREHOLDERS**

Dear Shareholders,

As the production facilities are now part of Habib Arkady Limited assets, the production and sale of Agglomerated products form part of Habib Arkady Limited operation.

We are now in the process of liquidating this company.

**KARACHI DATED: 12th September, 2001**

**GAFFAR A. HABIB**  
**Chairman**

### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of HABIL AGGLOMERATION (PRIVATE) LIMITED as at June 30, 2001 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of 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 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 explanation given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the profit, its cash flows and changes in equity for the year then ended; and

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

**KARACHI DATED: 12th September, 2001**

**HYDER BHIMJI & CO.**  
**Chartered Accountants**

## **BALANCE SHEET AS AT JUNE 30, 2001**

	<i>NOTE</i>	<i>2001 RUPEES</i>
<b>AUTHORISED CAPITAL</b>		
100,000 Ordinary Shares of Rs.10/= each		1,000,000
		=====
ISSUED SUBSCRIBED AND PAID UP CAPITAL	3	1,000,000
<b>CURRENT LIABILITIES</b>		
Creditors and Accrued Liabilities	4	--
		-----
		1,000,000
		=====
<b>FIXED ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Trade Debts	5	--
Other Receivables	6	867,631
Cash and Bank Balances	7	132,369

-----  
1,000,000

-----  
1,000,000  
=====

Note · The annexed notes form an integral part of these accounts.

**KARACHI DATED: 12th September, 2001**

**OWAIS G. HABIB**  
Chief Executive

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

	<i>NOTE</i>	<i>2001 RUPEES</i>
SALES (Local)		--
Cost of goods sold	8	--
Gross Profit		--
Less:		
Administrative Expenses	9	--
Selling Expenses	10	--
Financial Expenses	11	--
Profit for the period		--
Add: Other Income		--
Accumulated (Loss) brought forward		--
Dividend paid to Habib Arkady Ltd. (Holding Co.)		--
Accumulated (Loss) carried forward		--

Note · The annexed notes form an integral part of these accounts.

**KARACHI DATED: 12th September, 2001**

**OWAIS G. HABIB**  
Chief Executive

**STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)  
FOR THE YEAR ENDED JUNE 30, 2001**

**2001**  
**RUPEES**

NET CASH (OUTFLOW)/INFLOW FROM  
OPERATING ACTIVITIES

Cash Generated from Operations

Profit before Taxation

--

Adjustments items:

(Gain) / Loss on Disposal of Fixed assets

--

Financial Charges

--

-----

--

-----

Cash flow from operating activities before  
working capital changes

--

(Increase)/Decrease in Current Assets

Stock in Trade

--

Trade Debts

443,794

Advances, Deposits, Prepayments & Other Receivables

(523,373)

-----

(79,579)

Increase / (Decrease) in Current Liabilities:

Trade Creditors & Accrued Expenses

(343,108)

-----

(422,687)

-----

Cash Flow from operating activities

(422,687)

Financial Charges paid

--

-----

(422,687)

NET CASH (OUTFLOW) / INFLOW FROM  
INVESTING ACTIVITIES

Capital Expenditure

--

Sale Proceeds from disposal of fixed assets

--

-----

--

-----

(422,687)

NET CASH (OUTFLOW) / INFLOW FROM  
FINANCING ACTIVITIES

Repayment of Long Term Loans

--

Dividend Paid

--

-----

Net Increase / (Decrease) in Cash and Cash equivalent

--

Cash and Cash equivalent at beginning of the year

-----  
(422,687)

555,056

Cash and Cash equivalent at the end of the year

-----  
132,369  
=====

**KARACHI DATED: 12th September, 2001**

**OWAIS G. HABIB**  
**Chief Executive**

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

	<i>Share Capital</i>	<i>Un Appropriated Profit/(Loss)</i>	<i>Total</i>
Balance as at June 30, 1999	1,000,000	(440,536)	559,464
Net Profit for the year ended June 30, 2000	--	1,830,937	1,830,937
Dividend	--	(1,390,401)	(1,390,401)
	-----	-----	-----
Balance as at June 30, 2000	1,000,000	--	1,000,000
Net Profit for the year ended June 30, 2001	--	--	--
	-----	-----	-----
	1,000,000	--	1,000,000
	=====	=====	=====

**NOTES TO THE ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2001**

**1.00 HISTORY OF THE COMPANY**

The Company was incorporated in Pakistan on 20th September, 1993 as a private limited company and is wholly-owned subsidiary of Habib Arkady Limited. The principal activity of the company is the manufacture, sale and export of Agglomerated products. However due to the expiry of the tax holiday period, the company has sold its entire fixed assets to its holding company subsequently on May 31st 2000 and ceased to carry out its business activity with effect from that date.

**2.00 SIGNIFICANT ACCOUNTING POLICIES**

**2.01 Accounting Convention**

Accounts of the Company have been prepared on historical cost convention.

## 2.02 Foreign Currency Translation

Foreign Currency Transactions and receivables are recorded at the rate prevailing on the date of transactions and Foreign Currency receivables / deposits are translated into Pak Rupees at the rate of Exchange ruling at the Balance Sheet date.

## 2.03 Staff Retirement Benefits

The Company operates Provident Fund Scheme for all its employees eligible for the benefits.

## 2.04 Taxation

Provision for Current Taxation is based on taxable income at current rates of taxation after taking into account tax credit available, rebate and exemption, if any.

The Company accounts for deferred taxation on all material timing differences using liability method.

## 2.05 Fixed Assets

These are stated at cost less accumulated depreciation except free-hold land and capital work-in-progress, if any, which are stated at cost.

Depreciation is charged to income applying reducing balance method. A full year's depreciation is charged on additions irrespective of the date of purchase whereas no depreciation is charged on the assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when incurred.

## 3.00 ISSUED SUBSCRIBED AND PAID UP CAPITAL

100,000 Ordinary Shares of Rs.10/- each  
fully paid issued for Cash.

All the shares of the company are held by  
Habib Arkady Limited.

**2001  
RUPEES**

1,000,000

=====

## 4.00 CREDITORS AND ACCRUED LIABILITIES

Creditors Payable to Holding Co.

Audit Fee payable

--

--

-----

--

=====

## 5.00 TRADE DEBTS(Unsecured)

Considered good

--

=====

## 6.00 OTHER RECEIVABLES

Income Tax Refundable

Other Receivables

359,983

507,648

-----

867,631

**7.00 CASH AND BANK BALANCES**

Balance with Banks:	
Local currency accounts in current account	132,369

**8.00 COST OF GOODS SOLD**

Raw & Packing Material consumed (Note 8.01)	--
Utilities	--
Repair Maintenance & Stores Consumed	--
Salaries, Wages and Other Benefits	--
Printing & Stationery	--
Factory Rent	--
Conveyance	--
Fees & Subscription	--
Insurance	--
Cost of Goods Produced	--
Add: Opening Stock of Finished Goods	--
Less: Closing Stock of Finished Goods	--
Cost of Goods Sold	--

**2001  
RUPEES**

**8.01 RAW & PACKING MATERIAL CONSUMED**

Opening Stock	--
Add: Purchases	--
Available for Manufacturing	--
Less: Closing Stock	--

**9.00 ADMINISTRATIVE EXPENSES**

Audit Fee	--
Legal Charges	--

**10.00 SELLING EXPENSES**

Freight & Octroi	--
Advertisement	--

**11.00 FINANCIAL CHARGES**

Interest on Long Term Loan  
Bank Charges

-----  
--  
=====

-----  
--  
=====

**12.00 Financial Instruments and related disclosure.**

**12.01 Financial Assets and Liabilities 2000/2001.**

	INTEREST / MARKUP BEARING			NON-INTEREST / M
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-Total</i>	<i>Maturity upto one year</i>
<b>Financial Assets:</b>				
Other Receivables	--	--	--	507,648
Cash & bank balances	--	--	--	132,369
	-----	-----	-----	-----
Total Financial Assets (2000/2001)	--	--	--	640,017
	-----	-----	-----	-----
<b>Financial Liabilities:</b>				
Creditors, Accrued & other liabilities	--	--	--	--
Proposed Dividend	--	--	--	--
	-----	-----	-----	-----
Total Financial Liabilities (2000/2001)	--	--	--	--
	=====	=====	=====	=====

**Financial Assets and Liabilities 1999/2000**

	INTEREST / MARKUP BEARING			NON-INTEREST / M
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-Total</i>	<i>Maturity upto one year</i>
<b>Financial Assets:</b>				
Trade debts	--	--	--	443,794
Cash & banks balances	--	--	--	555,056
	-----	-----	-----	-----
Total Financial Assets (1999/2000)	--	--	--	998,850
	-----	-----	-----	-----
<b>Financial Liabilities:</b>				
Creditors, Accrued & other liabilities	--	--	--	343,108



Proposed Dividend	--	--	--	1,390,401
	-----	-----	-----	-----
Total Financial Liabilities (1999/2000)				1,733,509
	=====	=====	=====	=====

## 12.02 Risk Management

### Effective interest rate

Effective interest rate for monetary financial liabilities have been provided in respective notes of the liabilities where ever it was necessary.

### Concentration of Credit Risk

The company does not believe that it is exposed to concentration of credit risk because credit worthiness of the customer is considered good while sales are made on credit. However, no provision for doubtful debts is made as it is not considered necessary.

### Fair Value of Financial Instruments

The management is of the view that carrying values of financial assets and liabilities approximate their fair value.

## 13.00 GENERAL

1) Previous year's figures have been regrouped and rearranged wherever necessary for the purpose of comparison.

2) Figures have been rounded off to the nearest rupee.

## Habib Microfine (Pvt.) Limited.

### DIRECTORS REPORT TO THE SHAREHOLDERS

Dear Shareholders,

We Bow our heads in gratitude to Allah the Beneficent the Merciful the Provider for Blessing our operations with Success which are partly reflected in the profit & loss account for the year which were paid out as dividends to Habib Arkady Ltd. - the parent company.

Please join me in my prayers to Allah to Bless our efforts with even greater success and Bounties as Befits His Glory - Aameen.

**KARACHI DATED: 12th September, 2001**

**GAFFAR A. HABIB**  
Chairman

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of HABIB MICROFINE (PRIVATE) LIMITED as at June 30, 2001 and the related profit and loss account, cash flow statement and statement of changes

in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of 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 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 explanation given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the profit, its cash flows and changes in equity for the year then ended; and

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

**KARACHI DATED: 12th September, 2001**

**HYDER BHIMJI & CO.**  
**Chartered Accountants**

**BALANCE SHEET AS AT JUNE 30, 2001**

	<i>NOTE</i>	<i>2001 RUPEES</i>
<b>AUTHORISED CAPITAL</b>		
100,000 Ordinary Shares of Rs. 10/= each		1,000,000
		=====
ISSUED SUBSCRIBED AND PAID UP CAPITAL	3	1,000,000
LONG TERM LOAN FROM HOLDING COMPANY HABIB ARKADY LIMITED	4	223,291
<b>CURRENT LIABILITIES</b>		
Creditors and Accrued Liabilities	5	51,119,088
<b>CONTINGENCIES &amp; COMMITMENTS</b>		
	6	--
		-----
		52,342,379
		=====
<b>FIXED ASSETS</b>		
Tangible Fixed Assets	7	1,147,901
<b>CURRENT ASSETS:</b>		
Stock in Trade	8	--
Trade Debts		43,830,605
Advances, Deposits, Prepayments and other Receivables	9	4,730,018
Cash and Bank Balances	10	2,633,855
		-----
		51,194,478
		-----
		52,342,379
		=====

Note · The annexed notes form an integral part of these accounts.

**KARACHI DATED: 12th September, 2001**

**OWAIS G. HABIB**  
Chief Executive

**GA**

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

		<i>2001 RUPEES</i>
<b>SALES</b>		
Export		105,708,559
Cost of Goods Sold	11	24,229,378

Gross Profit		81,479,181
Less:		
Administrative Expenses	12	220,638
Selling Expenses	13	21,305,699
Financial Expenses	14	114,505
		-----
		21,640,842
		59,838,339
Add:		
Other Income		--
Profit before Taxation		59,838,339
Less:		
Provision for Taxation		1,041,021
		-----
Profit after Taxation		58,797,318
Dividend Paid to Habib Arkady Limited (Holding Co.)		58,797,318
		-----
		--
		=====

Note - The annexed notes form an integral part of these accounts.

**KARACHI DATED: 12th September, 2001**

**OWAIS G. HABIB**  
Chief Executive

**GA**

**STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>2001</b>
	<b>RUPEES</b>
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	
Cash Generated from Operations	
Profit before Taxation	59,838,339
Adjustments for non cash charges and other items:	
Depreciation	129,100
(Gain) / Loss on Disposal of Fixed assets	--
Financial Charges	114,505
	-----
	243,605
	-----
Cash flow from operating activities before working capital changes	60,081,944
(Increase)/Decrease in Current Assets	104,000

Stock in Trade	
Trade Debts	(38,826,781)
Advances, Deposits, Prepayments & Other Receivables	(2,750,648)
	-----
	(41,473,429)
Increase (Decrease) in Current Liabilities:	
Trade Creditors & Accrued Expenses	41,971,712
	-----
Effects of Cash Flow due to Working Capital changes	498,283
	-----
Cash Flow from operating activities	60,580,227
Financial Charges paid	(114,505)
	-----
	60,465,722
NET CASH (OUTFLOW) / INFLOW FROM INVESTING ACTIVITIES	
Capital Expenditure	--
Sale Proceeds from disposal of fixed assets	--
	-----
	--
	-----
	60,465,722
NET CASH ( FROM FINANCING ACTIVITIES	
Repayment of Long Term Loans	(129,100)
Dividend Paid	(58,797,318)
	-----
Net Increase / (Decrease) in Cash and Cash equivalent	(58,926,418)
	-----
	1,539,304
Cash and Cash equivalent at beginning of the year	1,094,551
	-----
Cash and Cash equivalent at the end of the year	2,633,855
	=====

KARACHI DATED: 12th September, 2001

OWAIS G. HABIB  
Chief Executive

GA

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

	<i>Share Capital</i>	<i>Un Appropriated Profit</i>	<i>Total</i>
Balance as at June 30, 1999	1,000,000	--	1,000,000

Net Profit for the year ended June 30, 2000	--	21,778,944	21,778,944
Dividend	--	(21,778,944)	(21,778,944)
		-----	-----
Balance as at June 30, 2000.	1,000,000	--	1,000,000
Net Profit for the year ended June 30, 2001	--	58,797,318	58,797,318
Dividend	--	(58,797,318)	(58,797,318)
		-----	-----
	1,000,000	--	1,000,000
	=====	=====	=====

## **NOTES TO THE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001**

### **1.00 HISTORY OF THE COMPANY**

The Company was incorporated in Pakistan on 20th September, 1993 as a private limited company and is wholly-owned subsidiary of Habib Arkady Limited. The principal activity of the company is to manufacture of microfine processed products. However, the company has extended line of consumers to deal in various commodities including exports .

### **2.00 SIGNIFICANT ACCOUNTING POLICIES**

#### **2.01 Accounting Convention**

Accounts of the Company have been prepared on historical cost convention.

#### **2.02 Foreign Currency Translation**

Foreign Currency Transactions are recorded at the rate prevailing on the date of transactions and foreign currency receivables/deposits are translated into Pak Rupees at the rate of Exchange ruling at the Balance Sheet date.

#### **2.03 Staff Retirement Benefits**

The Company operates Provident Fund Scheme for all its employees eligible for the benefits.

#### **2.04 Taxation**

Provision for Current Taxation is based on taxable income at current rates of taxation after taking into account tax credit available, rebate and exemption, if any.

The Company accounts for deferred taxation on all material timing differences using liability method.

#### **2.05 Fixed Assets**

These are stated at cost less accumulated depreciation except free-hold land and capital work-in-progress, if any, which are stated at cost.

Maintenance and normal repairs are charged to income as and when incurred.

Depreciation is charged to income on reducing balance method to write-off the cost of operating fixed assets.

**2.06 Stores Spares and Loose Tools**

Stores and Spares	Valued at average cost
Loose Tools	Stated at actuals

**2.07 Stock in Trade**

Raw and Packing Material	Valued at average cost
Work-in-process	Valued at average cost of raw material plus a portion of the manufacturing expenses.
Finished Goods	Valued at lower of average cost and net realisable value.

Raw Material in Transit	Stated at actuals
-------------------------	-------------------

**2.08 Trade Debts**

Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

**2.09 Revenue Recognition**

Sales are recorded on despatch of goods to customers. Income on Investment is recorded when received.

**2001  
RUPEES**

**3.00 ISSUED SUBSCRIBED AND PAID UP CAPITAL**

100,000 Ordinary Shares of Rs.10/- each fully paid issued for Cash.	1,000,000
	=====
All the shares of the company are held by Habib Arkady Limited.	

**4.00 LONG TERM LOAN (Unsecured)**

From holding company Habib Arkady Limited	223,291
	=====

The above loan carries proportionate interest at the same rate as is paid by the holding company Habib Arkady Ltd.

**5.00 CREDITORS AND ACCRUED LIABILITIES**

Creditors (Holding Co.)	47,860,951
Creditors (Others)	3,192,095
Audit Fee	7,500
Sales Tax	--
Income Tax Payable (Note No. 5.01)	58,542
	-----
	51,119,088
	=====

**5.01 INCOME TAX PAYABLE / REFUNDABLE**

Opening Balance	215,830
Less: Refund Received	--
	-----
	215,830
Add: Advance Tax Deducted at Source	766,649
	-----
	982,479
Less: Provision for Taxation	1,041,021
	-----
(Payable) / Refundable	(58,542)
	=====

**2001  
RUPEES**

**6.00 CONTINGENCIES & COMMITMENTS**

Commitment for rentals under operating lease as at 30th June, 2001 amount Rs. 1.03 million payable as under:

Year	
2001	--
2002	621,600
2003	414,400
	-----
	1,036,000
	=====

**7.00 TANGIBLE FIXED ASSETS**

Particulars of Assets	As at 01-07-2000	Addition During the Year	C O S T		Total As at 30-06-2001
			Disposals/ adjustment during the year		
Plant & Machinery	2,523,656	--	--		2,523,656
Office Equipments	21,675	--	--		21,675
Vehicles	17,500	--	--		17,500
	-----	-----	-----		-----
Total 30th June, 2001	2,562,831	--	--		2,562,831
	-----	-----	-----		-----
Total 30th June, 2000	2,769,431	17,500	224,100		2,562,831
	=====	=====	=====		=====

**2001  
RUPEES**

**8.00 STOCK IN TRADE**

Finished Goods	--
	-----



**9.00 ADVANCES, DEPOSITS, PREPAYMENTS  
AND OTHER RECEIVABLES**

Advance to staff	24,500
Advance Income Tax (Note No. 5.01)	--
Advance for expenses	--
Prepaid insurance	101,347
Export Rebate Receivable	4,430,671
Security Deposit	173,500
	-----
	4,730,018
	=====

**10.00 CASH AND BANK BALANCES**

Balance with Banks:	
Local currency accounts in current account	2,633,855
	=====

**11.00 COST OF GOODS SOLD**

Raw & Packing Material consumed (Note 11.01)	26,459,340
Utilities (Power)	143,694
Stores Consumed	--
Salaries, Wages and Other Benefits	1,209,548
Vehicle Expenses	145,676
Factory Rent Refit	12,000
Printing & Stationery	8,104
Entertainment	37,204
Postage, Telephone & Telex	86,861
Electricity & Gas	18,480
Lease Exps	621,600
Insurance	115,168
Depreciation	129,100
	-----
	28,986,775
Add: Opening Stock of Work-in-Process	--
	-----
	28,986,775
Less: Closing Stock of Work-in-Process	--
	-----
Cost of Goods Produced	28,986,775
Add: Opening Stock of Finished Goods	104,000
	-----
	29,090,775
Less: Closing Stock Finished Goods	--
	-----
	29,090,775
Less: Export Rebate	4,861,397

Cost of Goods Sold	----- 24,229,378 =====
--------------------	------------------------------

**11.01 RAW & PACKING MATERIAL CONSUMED**

Opening Stock	--
Add: Purchases	26,459,340
	-----
Available for Manufacturing	26,459,340
Less: Closing Stock	--
	----- 26,459,340 =====

**12.00 ADMINISTRATIVE EXPENSES**

Salaries and other benefits	191,538
Fees and subscription	1,000
Legal expenses	20,600
Audit Fee	7,500
	-----
	220,638 =====

**13.00 SELLING EXPENSES**

Salaries and Other Benefits	115,257
Freight & Octroi	21,190,442
	-----
	21,305,699 =====

**14.00 FINANCIAL CHARGES**

Interest on Long Term Loan	43,371
Bank Charges	71,134
	-----
	114,505 =====

**15.00 PRODUCTION CAPACITY**

Capacity Utilized	19.16%
-------------------	--------

**16.00 Financial Instruments and related disclosure.**

16.01 Financial Assets and Liabilities 2000 / 2001

	INTEREST / MARKUP BEARING			NON-INTEREST / M
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-Total</i>	<i>Maturity upto one year</i>
<b>Financial Assets:</b>				

Advances and other receivable	--	--	--	4,430,671
Deposits	--	173,500	--	
Trade debts	--	--	--	43,830,605
Cash & bank balances	--	--	--	2,633,855
	-----	-----	-----	-----
Total Financial Assets (2000/2001)	--	--	--	50,895,131
	-----	-----	-----	-----
<b>Financial Liabilities:</b>				
Long term loans	115,970	107,321	223,291	--
Creditors, Accrued & other liabilities	--	--	--	51,119,088
Dividend Payable	--	--	--	58,797,318
	-----	-----	-----	-----
Total Financial Liabilities (2000/2001)	115,970	107,321	223,291	109,916,406
	=====	=====	=====	=====

#### Financial Assets and Liabilities 1999/2000

	INTEREST / MARKUP BEARING			NON-INTEREST / M
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-Total</i>	<i>Maturity upto one year</i>
<b>Financial Assets:</b>				
Loan & Advances	--	--	--	1,509,986
Deposits	--	--	--	
Trade debts	--	--	--	5,003,824
Cash & bank balances	--	--	--	1,094,551
	-----	-----	-----	-----
Total Financial Assets (1999/2000)	--	--	--	7,608,361
	-----	-----	-----	-----
<b>Financial Liabilities:</b>				
Long term loans	352,391	--	352,391	--
Creditors, Accrued & other liabilities	--	--	--	8,106,355
Dividend Payable	--	--	--	21,778,944
	-----	-----	-----	-----
Total Financial Liabilities (1999/2000)	352,391	--	352,391	29,885,299
	=====	=====	=====	=====

#### 16.02 Risk Management

##### Effective interest rate

Effective interest rate for monetary financial liabilities have been provided in respective notes of the liabilities where ever it was necessary.

#### Concentration of Credit Risk

The company does not believe that it is exposed to concentration of credit risk because credit worthiness of the customer is considered good while sales are made on credit. However, no provision for doubtful debts is made as it is not considered necessary.

#### Fair Value of Financial Instruments

The management is of the view that carrying values of financial assets and liabilities approximate their fair value.

**2001**  
**RUPEES**

#### **17.00 TRANSACTION WITH ASSOCIATED UNDERTAKING**

Habib Arkady Limited Parent Company -  
Purchase of Goods

26,459,340

#### **18.00 GENERAL**

1) Previous year's figures have been regrouped and rearranged wherever necessary for the purpose of comparison.

2) Figures have been rounded off to the nearest rupee.

### **Habib Power (Pvt.) Limited**

#### **DIRECTORS REPORT TO THE SHAREHOLDERS**

Dear Shareholders,

In light of the reduced operations during the drought - this project has been put on hold. Our overall energy consumption would have to increase substantially to justify this investment.

**GAFFAR A. HABIB**  
Chairman

**KARACHI DATED: 12th September, 2001**

#### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of HABIL POWER (PRIVATE) LIMITED as at June 30, 2001, 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 presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

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

(b) in our opinion:-

(i) the balance sheet 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

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 explanation given to us, the balance sheet, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001; and

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

**KARACHI DATED: 12th September, 2001**

**HYDER BHIMJI & CO.**  
**Chartered Accountants**

**BALANCE SHEET AS AT JUNE 30, 2001**

	<i>NOTE</i>	<i>2001 RUPEES</i>
<b>AUTHORISED CAPITAL</b>		
100,000 Ordinary Shares of Rs. 10/= each		1,000,000 =====
ISSUED SUBSCRIBED AND PAID UP CAPITAL	3	150,000 ----- 150,000 =====
<b>FIXED ASSETS</b>		

Deferred Cost	4	98,100
CURRENT ASSETS:		
Cash and Bank Balances	5	51,900
		-----
		150,000
		=====

Note · The annexed notes form an integral part of these accounts.  
No Profit & Loss Account has been prepared as Company has not yet started operation.

**KARACHI DATED: 12th September, 2001**

**OWAIS G. HABIB**  
**Chief Executive**

**GA**

## **NOTES TO THE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001**

### **1.00 HISTORY OF THE COMPANY**

The Company was incorporated in Pakistan on 14th February, 2001 as a private limited company and is wholly-owned subsidiary of Habib Arkady Limited. The principal activity of the company is to set up and operate electric power generating project for generating and supplying of electric power.

### **2.00 SIGNIFICANT ACCOUNTING POLICIES**

#### **2.01 Accounting Convention**

Accounts of the Company have been prepared on historical cost convention.

#### 2.02 Foreign Currency Translation

Foreign Currency Transactions are recorded at the rate prevailing on the date of transactions and foreign currency receivables/deposits are translated into Pak Rupees at the rate of Exchange ruling at the Balance Sheet date.

#### 2.03 Staff Retirement Benefits

The Company operates Provident Fund Scheme for all its employees eligible for the benefits.

#### 2.04 Taxation

No provision for taxation is required as the project is exempted from tax for indefinite period.

#### 2.05 Fixed Assets

These are stated at cost less accumulated depreciation except free-hold land and capital work-in-progress, if any, which are stated at cost.

Depreciation is charged to income applying reducing balance method. A full year's depreciation is charged on additions irrespective of the date of purchase, whereas no depreciation is charged on the assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when incurred.

**2001**  
**RUPEES**

**3.00 ISSUED SUBSCRIBED AND PAID UP CAPITAL**

15,000 Ordinary Shares of Rs.10/- each	150,000
fully paid issued for Cash.	=====
All the shares of the company are held by Habib Arkady Limited.	

**4.00 DEFERRED COST**

Registration Expenses	61,845
Legal Expenses	22,000
Printing & Stationery	14,255
	-----
	98,100
	=====

**5.00 CASH & BANK BALANCES**

Cash in Hand	--
Balances with Banks ·	
Local Currency Account:	
In Current Account	51,900
	-----
	51,900
	=====

**SCHEDULE OF SHAREHOLDING AS ON JUNE 30, 2001**  
**FORM - 34**

<i>Number of Share Holders</i>	<i>Size of Shareholding Rs. 5/- Each</i>		<i>Total Share Held</i>		<i>Percentage of Issued Capital</i>
458	1	TO	100	25,368	0.06
707	101	TO	500	197,249	0.49
409	501	TO	1000	303,641	0.76
721	1001	TO	5000	1,740,193	4.35
159	5001	TO	10000	1,184,410	2.96
63	10001	TO	15000	783,935	1.96
20	15001	TO	20000	369,414	0.92
22	20001	TO	25000	518,183	1.30
14	25001	TO	30000	394,128	0.99
11	30001	TO	35000	362,156	0.91
4	35001	TO	40000	155,843	0.39
5	40001	TO	45000	210,215	0.53
4	45001	TO	50000	191,722	0.48
2	50001	TO	55000	107,221	0.27
4	55001	TO	60000	227,555	0.57

3	60001	TO	65000	183,404	0.46
4	65001	TO	70000	264,719	0.66
9	70001	TO	75000	651,806	1.63
3	80001	TO	85000	253,262	0.63
1	110001	TO	115000	112,400	0.28
1	115001	TO	120000	118,264	0.30
1	130001	TO	135000	133,333	0.33
1	140001	TO	145000	141,400	0.35
1	150001	TO	155000	152,800	0.38
2	155001	TO	160000	315,241	0.79
1	160001	TO	165000	163,466	0.41
1	170001	TO	175000	172,000	0.43
1	240001	TO	245000	243,548	0.61
2	250001	TO	255000	501,780	1.25
3	265001	TO	270000	799,998	2.00
2	270001	TO	275000	545,760	1.36
1	305001	TO	310000	305,182	0.76
2	360001	TO	365000	726,132	1.82
1	400001	TO	405000	400,800	1.00
1	410001	TO	415000	411,466	1.03
2	430001	TO	435000	866,166	2.17
1	480001	TO	485000	484,733	1.21
1	500001	TO	505000	502,666	1.26
1	595001	TO	600000	599,336	1.50
2	620001	TO	625000	1,249,400	3.12
1	640001	TO	645000	643,000	1.61
1	650001	TO	655000	651,911	1.63
1	660001	TO	665000	661,000	1.65
1	725001	TO	730000	726,000	1.82
2	795001	TO	800000	1,597,532	3.99
1	825001	TO	830000	829,670	2.07
1	870001	TO	875000	872,940	2.18
1	880001	TO	885000	884,733	2.21
1	885001	TO	890000	890,000	2.23
1	905001	TO	910000	908,670	2.27
1	1335001	TO	1340000	1,337,780	3.34
1	1405001	TO	1410000	1,407,333	3.52
1	1925001	TO	1930000	1,925,390	4.81
1	2390001	TO	2395000	2,393,746	5.98
1	7195001	TO	7200000	7,200,000	18.00
-----			-----	-----	-----
2667				40,000,000	100.00
=====			=====	=====	=====

**CATEGORIES OF SHAREHOLDERS**

	<i>Number of Shareholders</i>	<i>Number of Shareheld</i>	<i>Percentage of Issued Capital</i>
1. INDIVIDUALS	2627	31,897,834	79.74
2. INSURANCE COMPANIES	3	279,193	0.70
3. JOINT STOCK COMPANIES	25	7,389,081	18.47



4. FINANCIAL INSTITUTIONS	7	292,230	0.73
5. MODARABA COMPANIES	2	6,666	0.02
6. CHARITABLE INSTITUTION	3	134,996	0.34
	-----	-----	-----
TOTAL	2667	40,000,000	100.00
	=====	=====	=====

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 21st Annual General Meeting of the members of the Company will be held on Saturday the 20th October, 2001 at 12:00 noon in ICN Auditorium at 1 st Floor, AI-Rehman Building, I.I. Chundrigar Road, Karachi to transact the following business:

### ORDINARY BUSINESS:

1. To confirm the minutes of Extra Ordinary General Meeting held on Wednesday the 7th February, 2001.
2. To receive and adopt the report of Directors and Audited Accounts of the Company for the year ended 30th June, 2001.
3. To approve the Final Cash Dividend @ 15% i.e. Rs. 0.75 per share of Rs. 5.00 each to members as recommended by the Board of Directors for the year ended 30th June, 2001.
4. To appoint Auditors for the year ending June 30, 2002 and to fix their remuneration. The retiring Auditors M/S HYDER BHIMJI & CO., Chartered Accountant being eligible have offered themselves for re-appointment.
5. To transact such other business as may be placed before the meeting with the permission of the Chairman.

### SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass, with or without modifications, the following Special Resolution.

'RESOLVED AS A SPECIAL RESOLUTION THAT the authorized share capital of the Company be enhanced from Rs. 200 million to Rs. 300 million and the following resolution for amendments in the relevant clauses of capital in the Memorandum and Articles of Association be and are hereby approved:

Resolved as a Special Resolution that the words and figures 'Rupees Two Hundred Million divided into 40,000,000 shares' as appearing in Clause V of the Memorandum of Association and the words and figures 'Rs. 200,000,000 (Rupees Two Hundred Million Only) divided into 40,000,000 (Forty Million) shares' as appearing in Article 5 of the Articles of Association be substituted by the words and figures 'Rupees 300,000,000 (Rupees Three Hundred Million Only) divided into 60,000,000 shares'.

Further resolved that Mr. Gaffar A. Habib Chairman and/or Mr. Owais G. Habib Managing Director be/are hereby authorized to take all necessary steps for compliance of all the legal requirements in above behalf.

7. To consider and, if thought fit, to pass, with or without modifications the insertion of two new clauses in Objects Clause i.e. Clause III of the 'Memorandum of Association of the Company as stated hereunder which is also subject to the approval of the Securities and Exchange Commission of Pakistan:

**RESOLVED AS A SPECIAL RESOLUTION THAT** two new clauses namely clause 7A and 7B be inserted after the existing Clause 7 to read as under:-

7A To carry on the business of food, agriculture, fisheries, fish farming and/or fish catching and processing and production of all kinds of related goods and prepared foods and in particular fish, prawn, cheese, fish eggs, fish oil, fish-meats, vegetable, fruits, poultry eggs, poultry farming, potted meat, table delicacies, loaves, bread, etc and to purchase, acquire, keep, maintain, breed, improve, experiment, make research in breeding, grow, sell or otherwise dispose of all kinds of live and dead stock of all description and in order to carry this business, to acquire, purchase, buy, dispose of and operate such plant, machinery, equipment, transportation means including trawlers, and vehicles, machinery as may be considered necessary.

7B To carry on the business as farmers, house-keepers millers and milk gardeners, agriculturist, horticulturist, goat-keepers and as manufacturer of all kinds of foods whether preserved or not and of such other articles as may conveniently be produced or manufactured including feeds in connection with the carrying of the other business of the company'.

Further resolved that Mr. Gaffar A. Habib Chairman and Mr. Owais G. Habib Managing Director be/are hereby authorized to take all necessary steps for compliance of all the legal requirements in above behalf.

**BY THE ORDER OF THE BOARD**

**S. M. VAKIL  
COMPANY SECRETARY**

**KARACHI DATED: 12th September, 2001**

**1. Notes:**

i) The share transfer books of the Company will remain closed from 1st October, 2001 to 20th October, 2001 (both days inclusive).

ii) A Member of the Company entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.

iii) CDC shareholders are requested to bring their original National Identity Card, Account and Participant's ID Numbers, while attending the meeting for identification.

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

**STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE 1984.**

1. The Company intends to increase its authorized capital as its paid up capital is equal to the authorized capital in order to keep a cushion between the two.

2. The Company has intention to expand its business activities by establishing a separate division, which will carry on the business of fish farming etc. as outlined in the Special resolution. The feasibility study has been carried out and all the financing of the proposed new division will be generated from the company's existing business operations as well as financing from banks. The cost of the project and profitability will be evaluated after the results of the pilot scale experiments are at hand.

Since the object clause do not cover the above stated objects, hence the amendments in the object clause has been proposed which is subject to the approval of the Securities & Exchange Commission of Pakistan for which the approval of the meeting is sought at this stage.