

## **Treet Corporation Limited**

### **Annual Report 1999**

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#### **Company Information**

##### **BOARD OF DIRECTORS**

SYED WAJID ALI	Chairman
SYED SHAHID ALI	Managing Director
DR. MRS. NILOUFER MAHDI	
MISS S. FERIEL RIFAAT ALI	
BEHRAM HASAN	
DR. AMJAD WAHEED	
BASIT H. SYED	

##### **COMPANY SECRETARY**

MUHAMMAD RASHEED

##### **AUDITORS**

TASEER HADI KHALID & CO.  
CHARTERED ACCOUNTANTS  
LAHORE

##### **REGISTERED OFFICE**

72-B, KOT LAKHPAT INDUSTRIAL AREA,  
LAHORE

##### **BANKERS**

ANZ GRINDLAYS BANK p.l.c. - LAHORE  
ASKARI COMMERCIAL BANK LIMITED - LAHORE  
THE HONG KONG AND SHANGHI BANKING CORPORATION LIMITED - LAHORE  
MASHREQ BANK psc - LAHORE

##### **LEGAL ADVISOR**

SALIM & BAIG - LAHORE

##### **FACTORIES**

\* HALI ROAD, HYDERABAD-71900  
\* 72-B, KOT LAKHPAT INDUSTRIAL AREA,  
LAHORE

## **Notice of Meeting**

NOTICE IS HEREBY GIVEN that the Twenty Second Annual General Meeting of Treet Corporation Limited will be held at Ambassador Hotel, 07-Davis Road, Lahore on Monday 20th December 1999 at 11 A.M. to transact the following business:

### **Ordinary Business**

1. To confirm the minutes of the Extra Ordinary General Meeting held on 14th June 1999.
2. To receive and consider the statement of accounts for the year ended 30th June 1999, the report of Auditors and Directors thereon.
3. To approve and declare dividend @ 50% as recommended by the Board of Directors.
4. To appoint Auditors of the Company for the period ended 30 June 2000, and to fix their remuneration. The retiring Auditors M/S. Taseer Hadi Khalid & Co., Chartered Accountants offer themselves for reappointment.
5. To transact any other business with the permission of the Chair.

**By Order of the Board**

**Muhammad Rasheed  
Company Secretary**

Lahore: November 08, 1999

### **NOTES:**

(i) The Share. Transfer Books of the Company for the purpose of Annual General Meeting will be closed from 14 December 1999 to 20 December 1999 (both days inclusive) Transfers received in order at the Registered Office of the Company upto 13 December 1999 will be considered in time for the entitlement of cash dividend.

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

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

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

## **Directors Report to Shareholders**

The Directors are pleased to present the Annual Report together with the audited accounts of

the Company for the year ended 30th June 1999.

The financial results of the Company are as under

	<i>(Rupee in '000)</i>	
	<i>year ended June 30,</i>	
	<b>1999</b>	<b>1998</b>
Profit before Taxation	78,887	53,390
Less Provision for Taxation	28,319	26,900
	-----	-----
Profit after Taxation	50,568	26,490
Add: Un-appropriated Profit brought forward	484	994
	-----	-----
Profit available for appropriation	51,052	27,484
<b>APPROPRIATION:</b>		
Proposed cash Dividend	20,911	NIL
Transfer to General Reserves	30,000	27,000
	-----	-----
	50,911	27,000
	-----	-----
Un-appropriated Profit carried forward	141	484

The Directors recommend payment of Dividend @ 50% i.e. Rs. 5/- Per Share of Rs. 10 each.

The year under review stands characterized by disconcerting features-Local Sales of Razors blades declined by 9% over last year with 15% increase in exports.

The decline in sales, preponderantly accounted for Carbon Blades, is ascribable to plethoric availability of smuggled blades nationally at ridiculously low prices.

In view of lower sales and production as against preceding year, the operating profit is 23% lower, which has also been in some measures, contributed to by unusual promotional expenditure made to combat resistance in achieving sales.

The year under review also saw an increase in financial expenditure over last year as volume of borrowing went upto meet 30% L/C margin and working capital requirements of Toilet Soap and unusually high tie up in inventories of Razor Blades.

In addition to ensuring efficiency and effectiveness in the logistic system of Company's products and with a view to improve the overall business, a beauty soap was launched in the current year. In terms of sales and gross profit, Soap business has not done impressively.

It is now imperative for the Company to lay emphasis locally and in foreign markets on promoting the sale of bonded systems (all variants) and good value for money, Double Edged Stainless Blades domestically as the phenomenon of switching to better quality blades seems to be escalating which trend is likely to persist. Doing so will necessitate acquisition of requisite wherewithal and innovative marketing to extricate the company from the impending difficult

situation. The Company therefore will have to raise appropriate resources to be able to carry out the pre-requisite and quite expeditiously at that. The Company is viewing the future with caution

Necessary arrangements have been made to meet any potential threat that may arise due to millennium bug. All software and hardware that were not Y2K compliant have been modified to ensure that software and hardware are year 2000 compliant

The Board wishes to record its deep sorrow and grief on the sad demise of Syed Asad Ali, Vice Chairman and Ex-Chief Executive of the Company who made invaluable contribution to the development of the Company. May Allah rest his soul in peace. The vacancy created by him was filled in by Miss S. Ferial Rifaat Ali D/o late Syed Asad Ali. Dr. Amjad Waheed and Dr. Mrs. Niloufer Mahdi joined the Board to replace Messrs. Wusooq Khaleeli and Mushtaq-H-Khwaja. The Board congratulates them on their election and places on record its appreciation of the valuable services rendered by Messrs. Wusooq Khaleeli and Mushtaq-H-Khwaja.

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

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

A statement showing the pattern of Shareholding in the Company as at 30th June, 1999 is presented on page 30.

LAHORE  
November 08, 1999

**Basit H. Syed**  
**Director**

**Syed Shahid Ali**  
**Managing Director**

## **Auditors' Report to the Members**

We have audited the annexed balance sheet of **Treet Corporation Limited** as at 30 June 1999 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 1999 and of the profit and the cash flow for the year then ended; and

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

LAHORE  
November 08, 1999

**TASEER HADI KHALID & CO.**  
**Chartered Accountants**

**Balance Sheet**  
**As At June 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
<b>FIXED CAPITAL EXPENDITURE</b>	3	138,741	124,038
<b>LONG TERM INVESTMENTS</b>	4	21,588	24,019
<b>LONG TERM DEPOSITS</b>	5	1,535	4,069
<b>CURRENT ASSETS</b>			
Stores and spares	6	40,297	33,858
Stock and stores-in-transit - at cost		13,531	6,305
Stock-in-trade	7	126,198	87,300
Due from Associated company	8	15,297	18,425
Trade debtors - Unsecured considered good		23,983	18,030
Advances, deposits, prepayments and other receivables	9	44,953	53,531
Cash and Bank balances	10	49,240	35,491
		-----	-----
		313,499	252,940
<b>CURRENT LIABILITIES</b>			
Current maturity of liabilities			
against assets subject to finance lease	17	13,640	11,156
Finance under mark-up arrangements - secured	11	53,419	39,392
Loan from director- unsecured	12	13,300	13,300
Creditors, accrued expenses and other liabilities	13	95,357	80,269
Provision for taxation	14	24,000	37,400
Unclaimed dividend		511	516
Dividend payable		20,911	--
		-----	-----
		221,138	182,033
		-----	-----

<b>NET CURRENT ASSETS</b>		92,361	70,907
		-----	-----
<b>NET ASSETS</b>		254,225	223,033
		=====	=====
<b>FINANCED BY:</b>			
SHARE CAPITAL	15	41,822	41,822
RESERVES	16	131,349	101,349
UNAPPROPRIATED PROFIT		141	484
		-----	-----
<b>SHARE HOLDERS' EQUITY</b>		173,312	143,655
LONG TERM DEPOSIT		60	60
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	17	13,383	16,008
DEFERRED-LIABILITY FOR STAFF RETIREMENT BENEFITS	18	67,470	63,310
CONTINGENCIES AND COMMITMENTS	19	--	--
		-----	-----
		254,225	223,033
		=====	=====

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

LAHORE  
November 08, 1999

**Syed Shahid Ali**  
**CHIEF EXECUTIVE**

**Basit H. Syed**  
**DIRECTOR**

**Profit And Loss Account**  
**For The Year Ended June 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
Sales - Net	20	538,960	595,100
Cost of Goods Sold	21	387,516	411,348
		-----	-----
Gross profit from soap operations	22	151,444	183,752
		16,770	520
		-----	-----
Gross profit		168,214	184,272
Administrative expenses	23	10,943	13,540
Selling and distribution expenses	24	56,276	53,162
Financial expenses	25	23,459	20,233
Workers' profit participation fund		4,400	3,602
Workers' welfare fund		1,988	1,622
		-----	-----
		97,066	92,159
		-----	-----
Operating profit		71,148	92,113
Other income	26	7,739	4,214
Provision for staff retirement scheme	2.2(c)	--	29,495

Provision for diminution in market value of investments	--	13,442
	-----	-----
Profit before taxation	78,887	53,390
Taxation		
Current year	24,000	26,900
Prior year's	4,319	--
	-----	-----
	28,319	26,900
	-----	-----
Profit after taxation	50,568	26,490
Unappropriated profit brought forward	484	994
	-----	-----
Profit available for appropriation	51,052	27,484
<b>APPROPRIATION</b>		
Proposed cash dividend @ 50 % (1998: Nil)	20,911	--
Transferred to General reserve	30,000	27,000
	-----	-----
	50,911	27,000
	-----	-----
Unappropriated profit carried forward	141	484
	=====	=====

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

LAHORE  
November 08, 1999

**Syed Shahid Ali**  
**CHIEF EXECUTIVE**

**Basit H. Syed**  
**DIRECTOR**

### **Cash Flow Statement** **For the year ended June 30, 1999**

	<b>1999</b>	<b>1998</b>
	<b>(Rupees in '000)</b>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	78,887	53,390
Adjustments for:		
Financial charges for the year	23,459	20,233
Depreciation	23,185	20,079
Provision for gratuity	5,041	5,920
Provision for staff retirement scheme	6,364	29,495
Gain on sale of fixed assets	(1,114)	(493)
Gain on sale of long term investment	(2,404)	--
Provision for WPPF and WWF	6,388	--
Interest on advance to associated company	(1,034)	--
Dividend Income	(600)	--
Provision for diminution in market value of investments	--	13,442
	-----	-----

	59,285	88,676
	-----	-----
Operating profit before working capital changes	138,172	142,066
<b>Increase/(decrease) in operating assets</b>		
Stores and spares	(6,439)	(1,102)
Stock in trade	(38,898)	(12,834)
Stock and stores-in-transit	(7,226)	23,676
Due from associated company	4,167	1,306
Trade debtors	(5,953)	(8,065)
WPPF and WWF paid	(6,012)	--
Advances, deposits, prepayments and other receivables	(9,302)	(5,272)
	-----	-----
	(69,663)	(2,291)
Increase/(decrease) in operating liabilities		
Creditors, accrued expenses and other liabilities	17,785	(20,283)
	-----	-----
	17,785	(20,283)
	-----	-----
Cash generated from operations	86,294	119,492
Financial charges paid	(20,287)	(21,016)
Taxes paid.	(23,837)	(18,474)
Gratuity paid	(2,767)	(3,815)
Dividend paid	(4)	(5,832)
Retirement benefits paid	(4,479)	--
	-----	-----
	(51,374)	(49,137)
	-----	-----
<b>Net cash from operating activities</b>	34,920	70,355

**1999**                      **1998**  
**(Rupees in '000)**

**CASH FLOWS FROM INVESTING ACTIVITIES**

Advance received against sale of subsidiary shares	(6,240)	6,244
Capital expenditure incurred	(38,192)	(39,674)
Proceeds from sale of fixed assets	1,406	931
Long term deposits	2,534	(1,177)
Dividend Received	600	--
Proceeds from sale of long term investment	4,835	--
	-----	-----
<b>Net cash outflow from investing activities</b>	(35,057)	(33,676)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Obligations under finance lease	12,040	13,341
Payment of lease obligation	(12,181)	(13,585)
	-----	-----
Net cash from financing activities	(141)	(244)



Net increase in cash and cash equivalents	(278)	36,435
Cash and cash equivalents at the beginning of the year	(3,901)	(40,336)
Cash and cash equivalents at end of the year	(4,179)	(3,901)

**NOTE:****CASH AND CASH EQUIVALENTS**

Cash and bank balances	49,240	35,491
Finance under mark-up arrangements	(53,419)	(39,392)
	(4,179)	(3,901)

LAHORE  
November 08, 1999

**Syed Shahid Ali**  
**CHIEF EXECUTIVE**

**Basit H. Syed**  
**DIRECTOR**

**Notes to the Accounts****For the year ended June 30, 1999****1. STATUS AND NATURE OF BUSINESS**

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

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 Accounting convention**

These accounts have been prepared under historical cost convention

**2.2 Staff retirement schemes****a) Staff gratuity**

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

**b) Provident fund**

A recognised provident fund scheme is in operation which covers all permanent employees who have completed three months service and have been issued confirmation letters. Equal contributions are made monthly both by the company

and the employees in accordance with the rule of the scheme at 10% of basic pay.

#### **c) Staff retirement scheme**

The company has a retirement scheme for all its permanent employees who attain the age of 60 and have at least 10 years of service with the company. Upto the year ending 30 June 1998, the company was charging amounts under this scheme to the profit and loss account as and when paid, however, since last year the company is making provision annually to cover its obligations under the scheme.

### **2.3 Taxation**

#### **a) Current**

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

#### **b) Deferred**

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

### **2.4 Fixed assets and depreciation**

#### **Owned**

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

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

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

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

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

#### **Leased**

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

to the accounts. The finance charge is calculated at the rates implicit in the leases.

### **2.5 Capital work-in-progress**

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

### **2.6 Long term investments**

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

### **2.7 Stores and spares**

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

### **2.8 Stock-in-trade**

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

### **2.9 Stock and stores-in-transit**

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

### **2.10 Trade debtors**

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

### **2.11 Foreign currencies**

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

### **2.12 Revenue recognition**

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

### **2.13 Borrowing cost**

Interest expenses are charged to income as and when incurred.

*Note*

**1999**

**1998**

*(Rupees in '000)*

**3. FIXED CAPITAL EXPENDITURE**

Operating assets	3.1	124,200	108,776
Capital work in progress	3.2	14,541	15,262
		-----	-----
		138,741	124,038
		=====	=====

**3.1 Operating Assets - at cost less accumulated depreciation***(Rupees in '000)*

	<i>COST</i>				<i>DEPRECIATION</i>			<i>NET</i>	
	<i>As at July 01, 1998</i>	<i>Additions/ (deletions) during the year</i>	<i>As at June 30, 1999</i>	<i>Rate %</i>	<i>As at July 01, 1998</i>	<i>For the year</i>	<i>On Disposals/ Adjustment</i>	<i>As at June 30, 1999</i>	<i>Book Value as at June 30, 1999</i>
<b>OWNED:</b>									
Freehold land	3,239	0	3,239	0	0	0	0	0	3,239
Building on freehold land	32,455	15,517	47,972	5-10	25,591	2,707	0	20,290	19,674
Plant and machinery	219,000	29,748	248,748	10	171,420	11,142	9,796	192,358	56,390
Furniture & equipment	17,836	794	18,585	10-25	11,754	1,689	0	13,429	5,156
		(45)					(14)		
Vehicles	15,421	2,630	15,383	20	10,740	2,221	0	10,566	4,817
		(2,668)					(2,395)		
	-----	-----	-----		-----	-----	-----	-----	-----
	287,951	48,689	333,927		219,505	17,759	9,796	244,651	89,276
		(2,713)					(2,409)		
<b>LEASED:</b>									
Plant and machinery	35,558	11,418	25,151	10	12,169	2,515	(9,796)	4,888	20,263
		(21,825)							
Equipment	15,397	0	15,397	10-20	3,044	1,540	0	4,584	10,813
Vehicles	6,226	631	6,857	20	1,638	1,371	0	3,009	3,848
	-----	-----	-----		-----	-----	-----	-----	-----
	57,181	12,049	47,405		16,851	5,426	(9,796)	12,481	34,924
		(21,825)							
	-----	-----	-----		-----	-----	-----	-----	-----
1999 Rupees	345,132	60,738	381,332		236,356	23,185	0	257,132	124,200
		(24,538)					(2,409)		
	=====	=====	=====		=====	=====	=====	=====	=====
1998 Rupees	317,597	44,755	345,132		217,125	20,079	0	236,356	108,776
		(17,220)					(848)		
	=====	=====	=====		=====	=====	=====	=====	=====

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

	<i>Note</i>	<i>1999</i> <i>(Rupees in '000)</i>	<i>1998</i>
Cost of goods sold	21	20,361	18,052
Administrative expenses	23	1,576	905
Selling and distribution expenses	24	1,248	1,122
		-----	-----
		23,185	20,079
		=====	=====

### 3.1.2 Disposal of fixed assets

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Written down value as on 30 June 1999</i>	<i>Sale proceeds</i>	<i>profit</i>	<i>Mode of Sale</i>	<i>Sold to</i>	<i>(Rupees in '000)</i>
Vehicles								
Motorcycles	884	674	210	832	622	Staff Motorcycle Scheme	Various employees	
Suzuki Van	207	186	21	163	142	Negotiation	M. Arshad	
Land Crusier	913	913	0	172	172	Executive car scheme	S. Shahid Ali	
Suzuki Car	150	135	15	50	35	-do-	M. Ghaus	
Suzuki Car	364	364	0	107	107	-do-	Shahid Zia	
Suzuki Car	150	135	15	50	35	-do-	Khalid Butt	
	-----	-----	-----	-----	-----			
	2,668	2,407	261	1,374	1,113			
Equipment								
Refrigerators	22	7	15	15	0.4	Negotiation	Ghulam Sarwar	
Air Conditioners	23	7	16	17	0.30	Negotiation	M. Ghous	
	-----	-----	-----	-----	-----			
	45	14	31	31	0.70			
	-----	-----	-----	-----	-----			
1998 Rupees	2,713	2,421	292	1,406	1,114			
	=====	=====	=====	=====	=====			
1997 Rupees	1,286	848	438	931	493			
	=====	=====	=====	=====	=====			

**1999**

**1998**

(Rupees in '000)

**3.2 Capital work in progress**Plant, machinery and equipment  
under installation

14,541      15,262

=====

**4. LONG TERM INVESTMENTS**

Shares in associated companies

<i>Companies</i>	<i>No. of Ordinary Shares</i>		<i>Cost of Rs. 10/- each</i>		<i>Market Value</i>		<i>Percentage of Holding</i>	
	<i>30 June 1999</i>	<i>30 June 1998</i>	<i>30 June 1999</i>	<i>30 June 1998</i>	<i>30 June 1999</i>	<i>30 June 1998</i>	<i>30 June 1999 %</i>	<i>30 June 1998 %</i>
<b>Associated Companies</b>								
Zulfeqar Industries Limited	718,340	1,040,678	5,418	7,849	8,045	11,656	35.92	52.03
Wazir All Industries Ltd.	1,178,100	1,178,100	--	29,344	20,617	10,308	22.67	22.67
Less: Provision for diminution in market value			--	(13,442)				
			-----	-----				
International General Insurance Company of Pakistan Limited	6,063	4,950	268	268	330	272	0.07	0.07
			-----	-----	-----	-----		
			21,588	24,019	28,992	22,236		
			=====	=====	=====	=====		

The company pledged 420,000 (1998: 420,000) shares of Zulfeqar Industries Limited, an associated company (1998: subsidiary company) with Dadabhoy Leasing Company Limited for morabaha financing facility granted to Zulfeqar Industries Limited. Zulfeqar Industries Limited repaid the financing on 17 July 1996, however, the above shares have not yet been released by Dadabhoy Leasing Company Limited. The company plans to file a legal suit of recovery of these shares.

Last year, as per company's policy, provision for permanent diminution in market value of shares of Wazir Ali Industries was made in the accounts.

1999

1998

(Rupees in '000)

**5. LONG TERM DEPOSITS**

For utilities	265	165
Against lease facility	1,270	3,904
	-----	-----
	1,535	4,069
	=====	=====

**6. STORES AND SPARES**

Stores	6,904	7,514
Spares	33,393	26,344
	-----	-----
	40,297	33,858
	=====	=====

**7. STOCK-IN-TRADE****Blades:**

Raw materials and chemicals	45,474	23,564
Packing materials	11,004	7,542
Work-in-process	12,391	12,064
Finished goods	23,005	18,779
	-----	-----
	91,874	61,949

**Soap:**

Raw materials and chemicals	11,142	10,377
Packing materials	4,475	1,818
Work-in-process	3,844	3,366
Finished goods	14,863	9,790
	-----	-----
	34,324	25,351
	-----	-----
	126,198	87,300
	=====	=====

**8. DUE FROM SUBSIDIARY COMPANY**

The amount represents the balance of transactions on current account. There is no agreed repayment date for the principal amounts due from associated company. The company used to charge mark up @ 17% per annum on monthly balances due from the associated company upto 30 June 1997. No such charge has been made subsequently however, the company has charged, its associated company, the amount equal to the tax charged by the income tax authorities on interest which the company should have charged.

*Note**1999**1998**(Rupees in '000)***9. ADVANCES, DEPOSITS, PREPAYMENTS  
AND OTHER RECEIVABLES**

Unsecured considered good:

**Advances:**

· To employees		1,155	2,291
· To suppliers	9.1	22,016	13,014
· For custom duty		74	84
· For taxation		15,179	33,061
		-----	-----
		38,424	48,450
<b>Deposits:</b>			
· Lease deposits		2,634	--
· Letter of credit - margin deposit		303	1,600
		-----	-----
		2,937	1,600
<b>Prepayments</b>		594	816
Other receivables:			
· Associated company	9.2	498	498
· Miscellaneous		2,500	2,167
		-----	-----
		2,998	2,665
		-----	-----
		44,953	53,531
		=====	=====

9.1 The balance includes Rs. 10.928 million (1998: Rs. 6.103 million) paid to Khaton Soap Industries (Pvt.) Limited as an advance for purchase of raw material for soap operations

9.2 Maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 0.498 million (1998: Rs. 0.498 million).

		<i>1998</i>	<i>1999</i>
		<i>(Rupees in '000)</i>	
<b>10. CASH AND BANK BALANCES</b>			
Cheques in hand	10.1	20,190	--
Cash at bank:			
· Current accounts		11,509	20,704
· Collection accounts		17,541	14,787
		-----	-----
		49,240	35,491
		=====	=====

10.1 This represents cheques received from various debtors and were banked subsequent to the balance sheet date.

#### 11. FINANCE UNDER MARK-UP ARRANGEMENTS - SECURED

	<i>Limit</i>	<i>Note</i>	<i>1999</i>	<i>1998</i>
	<i>(Million)</i>		<i>(Rupees in '000)</i>	
Mashreq Bank	20	11.1	18,702	--



Hong Kong Shanghai Banking Corporation	40	11.2	32,724	--
ANZ Grindlays Bank	32	11.3	1,993	9,191
Askari Commercial Bank Limited	45	11.4	--	30,201
			-----	-----
			53,419	39,392
			=====	=====

11.1 The facility carries mark up @ 16.75% per annum and is secured against joint pari-passu hypothecation charge over current assets of the company.

11.2 The facility carries mark up @ 17.50% per annum and is secured against joint pari-passu hypothecation charge over current assets of the company.

11.3 The facility carries mark up @ 17.50% per annum and is secured against joint pari-passu hypothecation charge over current assets of the company.

11.4 The facility carries mark up @ 17.00% per annum and is secured against a registered charge over fixed and current assets of the company.

The facilities for opening letters of credit amounted to Rs. 130 million (1998: Rs. 60 million). Of these facilities the amount utilized at June 30, 1999 aggregated to Rs. 19.716 million (1998: Rs. 19.918 million).

## 12. LOAN FROM DIRECTOR - UNSECURED

The company has obtained a short term loan of Rs. 13.30 million (1998: Rs. 13.30 million) from one of its directors. The loan carries mark-up @ 17% per annum and is repayable on demand.

*Note*

**1999**

**1998**

*(Rupees in '000)*

## 13. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

### Creditors:

- Associated company	905	2,509
- Others	13,855	10,606
	-----	-----
	14,760	13,115

### Accrued expenses:

Mark-up on:

- Finance under mark-up arrangements	3,250	2,339
- Loan from director	5,998	3,737
Sales tax payable	7,624	6,077
Excise duty on soap	2,211	426
Other accrued expenses	32,052	29,854
	-----	-----

		51,135	42,433
<b>Advance against sale of shares</b>	13.1	--	6,244
<b>Other liabilities:</b>			
Advances from customers		2,338	2,666
Due to associated companies	13.2	4,791	4,944
Workers' welfare fund		1,800	2,224
Workers' profit participation fund	13.3	4,400	3,602
Employees provident fund		4	--
Employees deposits		2,781	2,464
Others	13.4	13,348	2,577
		-----	-----
		29,462	18,477
		-----	-----
		95,357	80,269
		=====	=====

13.1 This represents money received against sale of shares of Zulfeqar Industries Limited, an associated company (1998: subsidiary company).

13.2 Maximum aggregate amount due to associated companies at the end of any month during the year was Rs. 6.0 million (1998: Rs. 7.19 million).

### 13.3 Workers' Profit Participation Fund

Balance as at July 01, 1998		3,602	2,159
Allocation for the year		4,400	3,602
		-----	-----
		8,002	5,761
Less: Paid during the year		3,602	2,159
		-----	-----
		4,400	3,602
		=====	=====

13.4 Includes Rs. 0.598 million (1998: 0.526) payable to Khatoon Soap Industries (Pvt.) Limited against manufacturing charges of soap operations.

This also includes a grant of US Dollars 0.09 million received from United Nations Industrial Development Organization (UNIDO) for replacement of certain machinery to make it more environmentally friendly. Work on this project started subsequent to the year-end.

## 14. TAXATION

The income tax assessments of the company have been finalized upto and including assessment year 1998-99. However, appeal is pending with Commissioner of Income Tax (Appeals) for assessment year 1998-99.

**1999**

**1998**

*(Rupees in '000)*

**15. SHARE CAPITAL**

Authorized:

5,000,000(1998: 5,000,000) ordinary shares of Rs. 10/- each		50,000	50,000
		=====	=====
Issued subscribed and paid-up shares of Rs. 10/- each			
600,000ordinary shares issued for consideration other than cash		6,000	6,000
495,000ordinary shares issued to Pakistan Industrial Credit and Investment Corporation Limited under conversion option		4,950	4,950
2,594,075ordinary shares issued as fully paid-up in cash		25,940	25,940
493,150ordinary shares issued as fully paid bonus shares		4,932	4,932
		-----	-----
		41,822	41,822
		=====	=====

**16. RESERVES**

Capital reserve	16.1	8,949	8,949
General reserve	16.2	122,400	92,400
		-----	-----
		131,349	101,349
		=====	=====

*Note***1999****1998****(Rupees in '000)****16.1 Capital reserve**

Excess of net worth over purchase  
consideration of unrelated assets  
of Wazir Ali Industries Limited  
Share premium

	629	629
	8,320	8,320
	-----	-----
	8,949	8,949
	=====	=====

**16.2 General reserve**

Opening balance  
Transferred from profit & loss account

	92,400	65,400
	30,000	27,000
	-----	-----
	122,400	92,400
	=====	=====

**17. LIABILITIES AGAINST ASSETS  
SUBJECT TO FINANCE LEASE**

Balance as at July 01,1998	27,164	27,408
Add: Assets acquired during the year	12,040	13,341
	-----	-----
	39,204	40,749
Less: Repayments made during the year	12,181	13,585
	-----	-----
	27,023	27,164
Less: Transferred to current maturity	13,640	11,156
	-----	-----
	13,383	16,008
	=====	=====

The salient features of the leases are as follows:

- Discounting factor 19.37% to 23.00%
- Number of monthly lease installments 36 per month
- Security deposit 10%
- Company has purchase option at the end of the lease term.
- Security deposit adjustable from residual value.
- The company is liable to pay additional rental ranging from 0.1% to 3% in case of default in payment of lease rent on due date.
- The future commitments for minimum lease payments under various lease agreements are as follows:

1998-99	--	15,217
1999-2000	17,601	12,492
2000-2001	6,139	1,030
2001-2002	3,340	--
	-----	-----
	27,080	28,739
	-----	-----
Less: Financial charges allocable to future periods	(3,961)	(5,479)
Security deposits	3,904	3,904
	-----	-----
	(57)	(1,575)
	-----	-----
	27,023	27,164
	=====	=====

<i>Note</i>	<b>1999</b>	<b>1998</b>
	<i>(Rupees in '000)</i>	

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

Gratuity	18.1	36,089	33,815
Staff retirement scheme - Net		31,381	29,495

	67,470	63,310
	=====	=====
<b>18.1 Gratuity</b>		
Balance as on July 01, 1998	33,815	31,710
Add: Gratuity provision for the year	5,041	5,920
	-----	-----
	38,856	37,630
Less: Gratuity paid during the year	2,767	3,815
	-----	-----
	36,089	33,815
	=====	=====

## 19. CONTINGENCIES AND COMMITMENTS

Company had future capital commitments of Rs. Nil (1998: 27.337 million) on the balance sheet date.

In assessment year 1998-99 (financial year 1997-98), the assessing officer made an addition of Rs. 37.838 million in sales of the company besides other additions in profit and loss account. The company is in first appeal against this order, which is still pending adjudication. The management is expecting an outcome in the favour of the company and has consequently only provided for Rs. 32.184 million against Rs. 42.038 million assessed by the tax authorities.

## 20. SALES - Net

<b>(Blades operation)</b>	<i>Note</i>	<b>1999</b>	<b>1998</b>
		<i>(Rupees in '000)</i>	
Gross sales:			
Local		591,597	650,028
Export		45,421	39,358
		-----	-----
		637,018	689,386
Less: Sales tax		74,914	72,970
		-----	-----
		562,104	616,416
Add: Export rebate		2,183	2,504
		-----	-----
		564,287	618,920
Less: Trade promotion discount		25,327	23,820
		-----	-----
		538,960	595,100
		=====	=====

<i>Note</i>	<b>1999</b>	<b>1998</b>
	<i>(Rupees in '000)</i>	

**21. COST OF GOODS SOLD- BLADES OPERATION**

Raw and packing material consumed	21.1	216,072	233,372
Stores and spares consumed		26,488	40,608
Salaries, wages and other benefits		91,410	79,969
Fuel and power		23,813	23,039
Repairs and maintenance - Vehicles		236	1,039
Repairs and maintenance - Others		3,591	5,139
Rent, rates and taxes		1,121	1,434
Insurance		808	1,227
Product research and development		383	682
Travelling and conveyance		3,248	2,423
Printing and stationery		532	560
Postage and telephone		1,559	1,529
Legal and professional charges		268	163
Entertainment		692	592
Subscriptions		365	138
Depreciation	3.1.1	20,361	18,052
Expenses for computerization		84	122
Pakistan Standard Institution		600	522
Other expenses	21.2	438	572
		-----	-----
		392,069	411,182
Opening stock of work in process		12,064	11,585
Closing stock of work in process		(12,391)	(12,064)
		-----	-----
Cost of goods manufactured		391,742	410,703
Opening stock of finished goods		18,779	19,424
Closing stock of finished goods		(23,005)	(18,779)
		-----	-----
		387,516	411,348
		=====	=====

**21.1 Raw material, chemicals and packing material consumed**

Opening stock		34,749	36,399
Purchases		237,801	231,772
		-----	-----
		272,550	268,121
Closing stock		(56,478)	(34,749)
		-----	-----
		216,072	233,372
		=====	=====

21.2 Includes donations of Rs. 105,075 out of which Rs. 10,000 was donated to Lyton Rehmatullah Benevolent Trust. (Syed Yawar Ali, director is among the Board of Governors of the trust).

*Note***1999****1998***(Rupees in '000)*

**22. GROSS PROFIT - SOAP OPERATION**

Sales		146,044	106,197
Less: Sales tax		17,330	13,459
		-----	-----
		128,714	92,738
Cost of sales	22.1	111,944	92,218
		-----	-----
		16,770	520
		=====	=====
<b>22.1 Cost of sales</b>			
Raw material consumed	22.1.1	95,954	76,853
Stores and spares consumed		12	--
Fuel and power		7,062	5,836
Excise duty		6,825	22,967
Printing and stationery		45	12
Product development		22	--
Legal and professional		10	--
Entertainment		3	--
Travelling and conveyance		38	--
Other expenses		1,548	347
Manufacturing charges		5,976	5,535
		-----	-----
		117,495	98,091
Add: Opening work in process		3,366	4,458
Less: Closing work in process		(3,844)	(3,366)
		-----	-----
		117,017	99,183
Add: Opening stock of finished good		9,790	--
Less: closing stock of finished goods		(14,863)	(9,367)
		-----	-----
Cost of processed stock sold		111,944	89,816
Cost of trading stock sold	22.1.2	--	2,402
		-----	-----
		111,944	92,218
		=====	=====
<b>22.1.1. Raw material consumed</b>			
Opening stock		12,195	6,957
Add: Purchases		99,376	82,091
		-----	-----
		111,571	89,048
Less: Closing stock		15,617	12,195
		-----	-----
		95,954	76,853
		=====	=====

*Note***1999****1998***(Rupees in '000)*

**22.1.2 Cost of trading stock sold**

Opening stock		423	--
Purchases		--	2,825
Less: Transferred to finished goods		(423)	--
Less: Closing stock		--	(423)
		-----	-----
		--	2,402
		=====	=====

**23. ADMINISTRATIVE EXPENSES**

Salaries and other benefits		4,987	7,440
Electricity and gas		378	168
Repairs and maintenance - Vehicles		36	96
Repairs and maintenance - Others		116	118
Rent, rates and taxes		396	900
Insurance		164	407
Advertising		187	125
Travelling and conveyance		522	498
Entertainment		92	106
Postage and telephone		829	816
Printing and stationery		605	388
Legal and professional charges	23.1	372	705
Donations	23.2	6	167
Computer expenses		526	513
Meetings and conferences		75	74
Director's fee		5	4
Subscription		69	110
Depreciation	3.1.1	1,576	905
Others		2	--
		-----	-----
		10,943	13,540
		=====	=====

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

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

	<b>1999</b>	<b>1998</b>
	<i>(Rupees in '000)</i>	
Audit fee	50	50
Out of pocket expenses	5	15
	-----	-----
	55	65
	=====	=====

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



<i>Note</i>	<i>1999</i>	<i>1998</i>
	<i>(Rupees in '000)</i>	
<b>24. SELLING AND DISTRIBUTION EXPENSES</b>		
Salaries and other benefits	14,439	12,402
Advertising	19,375	20,197
Electricity and gas	814	955
Repairs and maintenance - Vehicles	305	271
Repairs and maintenance - Others	522	574
Freight, octroi and handling	10,886	9,533
Rent, rates and taxes	418	344
Insurance	628	396
Travelling and conveyance	4,658	4,006
Entertainment	140	199
Postage and telephone	1,914	1,935
Product development	26	67
Printing and stationery	421	413
Legal and professional charges	36	350
Meetings and conferences	390	197
Subscription	41	55
Depreciation	3.1.1 1,248	1,122
Computer expenses	76	106
Other expenses	24.1 1,122	40
	-----	-----
	57,459	53,162
Common expense charged to Zulfeqar Industries Limited	24.2 (1,183)	--
	-----	-----
	56,276	53,162
	=====	=====

24.1 Includes donations of Rs. 20,515 out of which Rs. 17,875 was donated to Pakistan Red Crescent Society (Syed Shahid Ali, Managing Director is the chairman of the society).

24.2 This represents expenses charged to Zulfeqar Industries Limited in respect of common selling and distribution expenses incurred last year on its behalf.

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

## 25. FINANCIAL EXPENSES

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in '000)</i>	
Mark-up on:		
Finance under mark-up arrangements-secured	12,696	7,195
Mark up on FAPC (Export Refinance)	77	--
Loan from director	2,261	2,261
Financial charges on leases	4,686	6,244
Bank charges	3,435	2,756

Workers' Profit Participation Fund	--	284
Others	304	1,493
	-----	-----
	23,459	20,233
	=====	=====

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
<b>26. OTHER INCOME</b>			
Trade mark license fee	26.1	--	100
Profit on dis-investment of shares of subsidiary company	26.2	2,404	--
Profit on sale of fixed assets		1,114	493
Sale of scrap and empties		1,982	3,621
Dividend income		600	--
Return on advance to Zulfeqar Industries Limited	8	1,034	--
Insurance claim		605	--
		-----	-----
		7,739	4,214
		=====	=====

26.1 The company entered into an agreement dated July 24, 1986 with its subsidiary Zulfeqar Industries Limited for allowing the use of its trade marks "Fantasy", "Capri" and "Sandaleen" soaps against a consideration of an annual license fee @ 0.5% of turnover of related products. The trademark has been transferred to Zulfeqar Industries Limited for a total consideration of Rs. 19.716 million including Rs. 19.574 million already paid by Zulfeqar Industries Limited as royalty from April 1981 to June 1996 as envisaged in the agreements dated March 22, 1980, February 28, 1981 and July 24, 1986.

26.2 During the year, company dis-invested 322,338 shares of Zulfiqar Ali Industries Limited at a price of Rs. 15 per share to the family members of Syed Asad Ali. Approval of dis-investment was made at the AGM dated 27 March 1998. The price per share was determined by an independent valuation done by the auditors of the company.

## 27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	<i>Chief Executive</i>		<i>Other working Director</i>		<i>Executives</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Remuneration	264	264	224		336	2,423
Provident Fund	26	26	--		--	217
Bonus	86	77	110		98	659
Entertainment	48	48	--		--	--

Utilities	216	192	120	180	2,579	1,720
Medical	50	39	2915	214	442	375
Leave passage	40	39	--	--	340	366
	-----	-----	-----	-----	-----	-----
	730	685	3369	828	7,105	5,769
	=====	=====	=====	=====	=====	=====
<b>No. of persons</b>	1	1	1	1	19	19
	=====	=====	=====	=====	=====	=====

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

Aggregate amount charged in these accounts for fee to 12 non-executive directors was Rs. 0.005 million (1998: Rs. 0.004 million to 12 non-executive directors).

## 28. PLANT CAPACITY AND PRODUCTION

	<i>Rated</i>	<i>Actual Production</i>	
		<i>1999</i>	<i>1998</i>
		<i>(Units in million)</i>	
Hyderabad	300	260	276.40
		=====	=====
Lahore	350	287	333.97
		=====	=====

The short fall in production at both plants is mainly due to fall in demand of carbon blades. The main reason of this fall is the smuggling of Indian blades.

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
Purchases and services received		69,640	55,651
		=====	=====
Common expenses charged to Zulfeqar Industries Ltd.	24.2	1,183	--
		=====	=====
Interest on balances due from Zulfeqar Industries Ltd.	8	1,034	--
		=====	=====

## 30. FIGURES

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

LAHORE

Syed Shahid Ali

Basit H. Syed

November 08, 1999

CHIEF EXECUTIVE

DIRECTOR

**Form-34****PATTERN OF SHARE HOLDING AS AT 30 JUNE, 1999**

<i>No. of Share Holders</i>		<i>Having Shares</i>		<i>Total Shares Held</i>	
2321	From	1	To	100	42646
356	From	101	To	500	85945
90	From	501	To	1000	64333
73	From	1001	To	5000	166193
16	From	5001	To	10000	115622
4	From	10001	To	15000	44163
4	From	15001	To	20000	57897
3	From	30001	To	35000	100970
1	From	35001	To	40000	37161
1	From	45001	To	50000	49406
1	From	50001	To	55000	51151
1	From	60001	To	65000	63514
1	From	65001	To	70000	68350
2	From	95001	To	100000	194712
1	From	145001	To	150000	150000
1	From	195001	To	200000	197400
1	From	215001	To	220000	218359
1	From	220001	To	225000	220090
1	From	435001	To	440000	439396
1	From	540001	To	545000	544206
1	From	545001	To	550000	550000
1	From	720001	To	725000	720711
-----					-----
2,882					4182225
=====					=====

<i>Categories of Shareholders</i>	<i>No. of Shareholders</i>	<i>Shares Held</i>	<i>Percentage</i>
Individual	2858	1816471	43.4331
Investment Companies	3	221159	5.2880
Insurance Companies	3	641842	15.3469
Joint Stock Companies	7	97737	2.3302
Financial Institution	7	755341	18.0607
Modaraba Companies	1	98750	2.3611
The Corporate Law Authority	--	--	--
Government of Pakistan	1	1	--
The Administrator	--	--	--
Abandoned Properties	--	--	--
Organisation Government of Pakistan	1	924	0.03
Foreign Investor	1	550000	13.15

-----	-----	-----
2882	4182225	100.0000
=====	=====	=====