

National Tanneries of Pakistan Limited

Annual Report 2001

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BOARD OF DIRECTORS:

SH. ANWER IQBAL - Chief Executive
SH, ARSHAD IQBAL
SH. GHALIB JAVED
MRS. RAFIA KHANAM
MRS. TAHERA ARSHAD
MRS. NOOR US SABA
MRS, SAIMA ASIM

AUDITORS:

M/S. FAZAL MAHMOOD & COMPANY
Chartered Accountants
147-Shadman Colony-I, Lahore.

BANKERS:

ALBARAKA ISLAMIC BANK LIMITED B.S.C. (E.C.)
HABIB BANK A. G. ZURICH
MUSLIM COMMERCIAL BANK LIMITED
UNITED BANK LIMITED
PICIC COMMERCIAL BANK LIMITED
BANK ALFALAH LIMITED

REGISTERED OFFICE:

17-J, Gulberg-III,
Lahore.

FACTORIES:

G. T. Road, Muridke/Khori
(District Sheikhpura)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 41st Annual General Meeting of the Shareholders of NATIONAL TANNERIES OF PAKISTAN LIMITED will be held at the Registered Office of the Company 17-J, Gulberg-III, Lahore on Monday 31st December, 2001 at 09.00 a.m. to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 30-12-2000 and Extra Ordinary General Meeting held on 23-05-2001.
2. To receive, consider and adopt the Directors' and Auditors' reports and audited accounts for the year ended 30th June, 2001.
3. To approve payment of cash dividend @ Re. 1.00 per share i.e. 10% as recommended by the Directors.

4 To appoint auditors for the financial year 2001-2002 and fix their remuneration.

5. To elect seven directors for the next term of three years. The Board of Directors has fixed number of elected directors including Chief Executive as seven in terms of Companies Ordinance, 1984. The following retiring directors being eligible have filed with the Company, their intention to offer themselves for re-election. Mr. M. Rahim Arshad has also filed his intention to offer himself for election as Director of the Company in place of Mrs. Saima Asim.

- | | |
|-------------------------|-------------------------|
| 1. Mr. Sh. Anwer Iqbal | 2. Mr. Sh. Arshad Iqbal |
| 3. Mr. Sh. Ghalib Javed | 4. Mrs. Raffia Khanam |
| 5. Mrs. Tahera Arshad | 6. Mrs. Noor us Saba |

In case number of persons contesting the election does not exceed seven the above noted persons shall be deemed as elected directors in the AGM.

6. To transact any other business with the prior permission of the Chairman.

The share transfer books of the Company will remain closed from 25th December, 2001 to 31st December, 2001 (both days inclusive).

By Order of the Board

Lahore:
24th November, 2001.

(ANWAR-UL-HAQ)
Company Secretary

NOTES:

1. A member entitled to attend and vote at this meeting may appoint another member as a proxy to attend and vote instead of him. Proxies in order to be valid must be received at Registered Office of the Company not less than 48 hours before the meeting.
2. Shareholders are requested to notify the Company of any change in their addresses immediately.
3. A member intending to contest the election shall file with the Company, not later than 14 days before the date of the meeting, his intention to offer himself for election as director.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of the Company are pleased to present the 41st Annual Report alongwith audited accounts for the year ended 30th June, 2001.

The Directors of your Company are pleased to report that your Company has made extra efforts to increase export sales. This year export sales increased to Rs. 296,283,664 as compared with last year export sales of Rs. 269,288,148 and profit after taxation for the year increased to Rs. 3,546,045 as compared with the previous year profit after taxation Rs. 2,655,495. Earning per share is Rs. 2.03 for the year under report as compared with previous year Rs. 1.52. The Directors of the Company are doubtful to maintain export sales in next year due present conditions.

Auditors M/s. Fazal Mahmood & Co., Chartered Accountants have retired and being eligible have offered themselves for re-appointment.

The current profit has been appropriated as under:

	<i>Rupees</i>
Profit before taxation	6,036,187
Taxation	2,490,142

Profit/(Loss) after taxation	3,546,045
Unappropriated profit brought forward	7,860,360

Total profit available for appropriation	11,406,405
Appropriated to:	
Proposed dividend	1,749,600

Balance carried forward	9,656,805

=====

The management continued cordial and co-operative relations with the employees of the Company. Pattern of shareholding is annexed.

On behalf of the Board

Lahore:
24th November, 2001.

(SH. ANWER IQBAL)
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **NATIONAL TANNERIES OF PAKISTAN 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 purpose of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of 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 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 expenditure incurred during the year were in accordance with the objects of the Company.

(c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 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.

Lahore - 24th November, 2001.

FAZAL MAHMOOD & COMPANY
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2001

CAPITAL AND LIABILITIES	<i>Not</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
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SHARE CAPITAL

Authorised: 2,000,000 Ordinary shares of Rs. 10/- each		20,000,000	20,000,000
		=====	=====
Issued, Subscribed and paid Up:	2	17,496,000	17,496,000

RESERVES

Share premium account	3	8,748,000	8,748,000
Revenue reserve	4	24,000,000	24,000,000
Assets replacement reserve		5,000,000	5,000,000
Unappropriated profit		9,656,805	7,860,360
		-----	-----
		47,404,805	45,608,360

DEFERRED LIABILITIES

Deferred Taxation	5	1,045,500	1,045,500
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CURRENT LIABILITIES

Short term finances	6	185,862,028	143,325,650
Loan from directors and their relatives	7	31,820,271	25,120,703
Creditors, accruals and other liabilities	8	62,908,983	21,064,784
Provision for taxation	9	2,485,000	1,500,000
Proposed dividend	10	1,749,600	1,749,600
		-----	-----
		284,825,882	192,760,737

CONTINGENCIES AND COMMITMENTS

	11	--	--
		350,772,187	256,910,597
		=====	=====

These financial statements should be read in conjunction with the annexed notes.

Lahore:
24th November, 2001.

SH. ANWER IQBAL
Chief Executive

PROPERTY AND ASSETS**TANGIBLE FIXED ASSETS**

Operating assets	12	26,208,587	31,030,579
LONG TERM DEPOSITS		64,980	64,980

CURRENT ASSETS

Stores and spares	13	26,973,873	27,013,016
Stocks	14	218,993,387	133,657,884
Trade debtors	15	45,571,382	29,127,056
Advances, Deposits and Other receivables	16	32,057,977	20,383,247
Cash and bank balances	17	902,001	15,633,835
		-----	-----
		324,498,620	225,815,038
		-----	-----
		350,772,187	256,910,597
		=====	=====

SH. ARSHAD IQBAL
DIRECTOR

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

	<i>Not</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Sales - Net	18	301,263,478	274,440,960
Cost of Sales	19	256,080,102	233,298,485

GROSS PROFIT		45,183,376	41,142,475
Other income	20	675,256	117,558
		45,858,632	41,260,033
Operating expenses			
Administrative	21	13,433,303	10,687,468
Auditors' remuneration	22	92,000	92,000
Selling and distribution	23	11,587,495	9,847,164
Financial	24	14,264,875	13,232,966
		39,377,673	33,859,598
OPERATING PROFIT		6,480,959	7,400,435
Deductions for other charges:			
Workers' profit participation fund		324,048	370,022
Workers' welfare fund		120,724	137,851
		444,772	507,873
PROFIT FOR THE YEAR		6,036,187	6,892,562
TAXATION			
Current	9	2,485,000	1,500,000
Prior		5,142	2,737,067
		2,490,142	4,237,067
PROFIT AFTER TAXATION		3,546,045	2,655,495
Previous year balance brought forward		7,860,360	6,954,465
Profit available for appropriation		11,406,405	9,609,960
Appropriated to:			
Proposed dividend	10	1,749,600	1,749,600
Balance Carried to Balance Sheet		9,656,805	7,860,360
Basic and Diluted Earning per share	25	2.03	1.52

These financial statements should be read in conjunction with the annexed notes.

Lahore:
24th November, 2001.

SH. ANWER IQBAL
Chief Executive

SH. ARSHAD IQBAL
Director

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

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,036,187	6,892,562
Adjustments for:		
Depreciation	2,761,963	3,364,093
Financial Charges	13,578,589	12,632,835
(Gain)/Loss on disposal of fixed assets	(675,256)	2,809
Cash flow from operating activities before working capital changes	21,701,483	22,892,299
Adjustments for working capital changes:		
(Increase)/Decrease in Current Assets		
Stores and spares	39,143	3,681,363

Stocks	(85,335,503)	24,538,306
Trade debtors	(16,444,326)	(28,198,957)
Advances, Deposits and Other receivables	(11,707,730)	(2,723,786)
	-----	-----
	(113,448,416)	(2,703,074)
(Decrease)/Increase in Current Liabilities		
Short Term Finances	42,536,378	24,277,835
Loan from directors and their relatives	6,699,568	(7,310,953)
Creditors, Accrued and other liabilities	42,318,866	(1,930,293)
	-----	-----
	91,554,812	15,036,589
Cash utilized/generated from Operations	(192,121)	35,225,814
Financial charges paid	(14,003,246)	(12,602,087)
Income Tax Paid	(1,555,845)	(3,892,067)
	-----	-----
	(15,559,091)	(16,494,154)
Net Cash (outflow)/inflow from Operating Activities	=====	=====
	(15,751,212)	18,731,660
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale proceeds of fixed assets	3,076,586	215,000
Fixed capital expenditure	(308,301)	(2,164,414)
	-----	-----
Net Cash inflow/(outflow) from Investing Activities	=====	=====
	2,768,285	(1,949,414)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,748,907)	(1,739,627)
Net Cash (out flow) from Financing Activities	(1,748,907)	(1,739,627)
	-----	-----
NET (OUT FLOW)/INFLOW OF CASH	(14,731,834)	15,042,619
CASH AT BEGINNING OF THE YEAR	15,633,835	591,216
	-----	-----
CASH AT END OF THE YEAR	=====	=====
	902,001	15,633,835

Lahore:
24th November, 2001.

SH. ANWER IQBAL
Chief Executive

SH. ARSHAD IQBAL
Director

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

	<i>Paid up ordinary share capital Rupees</i>	<i>Share Premium Rupees</i>	<i>Revenue Reserve Rupees</i>	<i>Assets replace- ment reserve Rupees</i>	<i>Un-appro- priated profit Rupees</i>	<i>Total Rupees</i>
Balance at July 01, 1999	17,496,000	8,748,000	24,000,000	5,000,000	6,954,465	62,198,465
After tax profit for the year ended June 30, 2000	--	--	--	--	2,655,495	2,655,495
	-----	-----	-----	-----	-----	-----
	17,496,000	8,748,000	24,000,000	5,000,000	9,609,960	64,853,960
Dividends	--	--	--	--	(1,749,600)	(1,749,600)
	-----	-----	-----	-----	-----	-----
Balance at June 30, 2000	17,496,000	8,748,000	24,000,000	5,000,000	7,860,360	63,104,360
After tax profit for the year ended June 30, 2001	--	--	--	--	3,546,045	3,546,045
	-----	-----	-----	-----	-----	-----
	17,496,000	8,748,000	24,000,000	5,000,000	11,406,405	66,650,405

Dividend - Proposed	--	--	--	--	(1,749,600)	(1,749,600)
Balance at June 30, 2001	17,496,000	8,748,000	24,000,000	5,000,000	9,656,805	64,900,805

Lahore:
24th November, 2001.

SH. ANWER IQBAL
Chief Executive

SH. ARSHAD IQBAL
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2001

1. THE COMPANY AND ITS OPERATIONS

The Company is incorporated as a public limited company in Pakistan and is quoted on Lahore and Karachi Stock Exchanges in Pakistan and principally engaged in the business of manufacture of leather and leather garments.

NOTE

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Company's accounts are consistent with those of the previous year, except where otherwise stated, and are as follows

1.1 Provision for staff gratuity:

Provision for staff gratuity is not made as provident fund trust has been established since January, 1966. The provident fund scheme covers all the employees of the Company.

1.2 Staff retirement benefits:

The Company has a recognized provident fund scheme which covers all the employees of the Company.

1.3 Taxation:

Provision for current taxation for the year is based on taxable income at the current rates of taxation after taking into account tax credits available on account of exports. The Company accounts for the deferred taxation on all material timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

1.4 Foreign Currency Translation:

Assets and liabilities in foreign currencies are translated in Pak rupees at rates of exchange ruling on balance sheet date. Gains/Losses due to exchange fluctuations on principal loans/credits were previously transferred to the cost of plant and machinery acquired out of proceeds of such loans/credits. Exchange differences are charged/credited to income currently.

1.5 Fixed Assets:

- i) Freehold land is stated at cost.
- ii) All other assets are stated at historical cost less accumulated depreciation, except plant and machinery which also include the exchange difference in respect of foreign currency loan previously utilised for the acquisition of plant and machinery.
- iii) Depreciation is charged applying the reducing balance method.
- iv) Full year depreciation is charged in the year of purchase and no depreciation is charged in the year of disposal.
- v) Maintenance and normal repairs are charged to income as and when incurred.
- vi) Gains/losses on disposal of assets are included in the current income.

1.6 Stocks and Stores:

The basis of valuation are as under:

- i) Stocks
 - Raw material at cost (FIFO)
 - Work in process at estimated cost

Finished goods at lower of cost (FIFO)
And net realisable value.

ii) Stores
Tanning material at cost (FIFO)
Spares at cost (FIFO)

1.7 Revenue recognition:

Local sales are recognised as and when delivered. Export sales are recognised on issue of bill of lading and rebates are recorded on establishment of right to receive rebate.

1.8 Cost:

These accounts have been prepared on the historical cost convention without any adjustment for effects of inflation or current value except the exchange loss due to variation in the conversion rate of foreign currency as referred in Note no. 1.4 and is included in the cost of assets acquired from the proceeds of the foreign currency loan in past.

1.9 Net Realisable Value:

It is determined on the basis of selling prices prevailing in the market less selling expenses incidental to sales.

STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with International Accounting Standards as applicable in Pakistan.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
2. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
958,450 ordinary shares of Rs. 10/-each fully paid in cash	9,584,500	9,584,500
791,150 ordinary shares of Rs. 10/- each issued as fully paid bonus shares	7,911,500	7,911,500
	-----	-----
	17,496,000	17,496,000
	=====	=====
3. SHARE PREMIUM ACCOUNT		
Premium @ Rs. 15 per share on 583,200 Ordinary (right) shares fully paid in cash	8,748,000	8,748,000
	=====	=====
4. REVENUE RESERVE		
General Reserve	23,875,000	23,875,000
Dividend equalisation reserve	125,000	125,000
	-----	-----
	24,000,000	24,000,000
	=====	=====
5. DEFERRED TAXATION		
Deferred Liability on accelerated Tax Depreciation Allowance	1,045,500	1,045,500
	=====	=====
As the Company is being assessed under presumptive tax regime of the Income Tax Ordinance, 1979 thus no further provision for deferred taxation is required.		
6. SHORT TERM FINANCES		
From banking companies - Secured	185,862,028	143,325,650
	=====	=====

These represent the amounts utilised out of the total credit facilities available to the Company which were Rs. 193.06 million (2000 Rs. 178.90 million). Facilities not availed of at balance sheet date were Rs. 7.20 million (2000 Rs. 35.75 million).

Mark up rate on short term finances ranges between 19 to 50 paise per thousand rupees per day.

The above facilities are secured as under:

- i) Hypothecation of stocks of finished/unfinished leather and chemicals.
- ii) Lien on export orders/LCs.
- iii) Lien on export bills.
- iv) Joint pari pasu mortgage charge on present and future fixed assets of the Company.
- v) Joint pari pasu hypothecation charge over current assets.
- vi) Directors' personal guarantees.

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
7. LOAN FROM DIRECTORS AND THEIR RELATIVES - Unsecured	31,820,271	25,120,703
	=====	=====

This represents unsecured loan obtained from directors and their relatives, no mark up has been charged during the year.

8. CREDITORS, ACCRUALS AND OTHER LIABILITIES

Trade Creditors - unsecured	59,354,383	16,759,283
Accrued Expenses	775,193	1,033,447
Accrued Mark-up on secured loans	2,062,505	2,487,162
Workers' welfare fund	120,724	143,705
Workers' profit participation fund	324,320	370,022
Unclaimed dividend	271,858	271,165
	-----	-----
	62,908,983	21,064,784
	=====	=====

8.1 Workers' Profit Participation Fund

Opening balance	370,022	213,034
Add:		
Provision for the year including interest of Rs. Nil (2000 Rs. Nil)	324,048	370,022
	-----	-----
	694,070	583,056
Less:		
Paid during the year	(369,750)	(213,034)
	-----	-----
	324,320	370,022
	=====	=====

9. PROVISION FOR TAXATION

Opening balance	1,500,000	1,155,000
Less:		
Adjusted during the year	(1,500,000)	(1,155,000)
	-----	-----
	--	--
Current provision	2,485,000	1,500,000
	-----	-----
	2,485,000	1,500,000
	=====	=====

10. PROPOSED DIVIDEND

10% on 1,749,600 ordinary shares of Rs. 10/- each (2000: 10% on 1,749,600 ordinary shares of Rs. 10/- each)	1,749,600	1,749,600
	=====	=====

11. CONTINGENCIES AND COMMITMENTS

The Company is contingently liable for excise duty amounting to Rs. 92,669/- payable to Al-Towfeeq Investment Bank Limited for which decision is pending before Honourable Lahore High Court.

12. OPERATING ASSETS

COST

DEPRECIATION

*Written
down*

PARTICULARS	As on 01.07.2000	Additions/ (Deletions)	As on 30.06.2001	Rate	Accumulated upto 01.07.2000	Charged for the year	Accumulated upto 30.06.2001	value as at 30.06.2001
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees
Land - freehold	3,468,041	--	3,468,041	--	--	--	--	3,468,041
Factory building - on freehold land	22,530,823	-- (2,828,364)	19,702,459	10	14,150,654 (537,389)	608,919	14,222,184	5,480,275
Godown Building - on freehold land	761,436	--	761,436	5	394,635	18,340	412,975	348,461
Labour quarters	287,106	--	287,106	10	248,245	3,886	252,131	34,975
Plant and Machinery	51,220,485	68,300	51,288,785	10	35,456,342	1,583,244	37,039,586	14,249,199
Vehicles	6,386,199	52,000 (235,000)	6,203,199	20	4,060,313 (157,645)	460,106	4,362,774	1,840,425
Furniture and Fittings	766,287	90,045	856,332	10	531,244	32,509	563,753	292,579
Office Equipments	1,377,755	97,956	1,475,711	10	939,190	53,652	992,842	482,869
Weighing Machines	110,256	--	110,256	10	97,186	1,307	98,493	11,763
Total Rs. 2001	86,908,388	308,301 (3,063,364)	84,153,325		55,877,809 (695,034)	2,761,963	57,944,738	26,208,587
Total Rs. 2000	85,408,674	2,164,414 (664,700)	86,908,388		52,960,607 (446,891)	3,364,093	55,877,809	31,030,579

12.a DISPOSAL OF OPERATING FIXED ASSETS

Particulars of Assets	Mode of Disposal	Sold to	Cost Rupees	Accumulated Depreciation Rupees	Book Value Rupees	Sale Proceeds Rupees
Factory Building 237-S, Industrial Area Kot Lakhpat, Lahore	Negotiation	Mr. & Mrs. Abbas Ali, Mr. & Mrs. Nasir Mahmood 158-P, Model Town, Lahore.	2,828,364	537,389	2,290,975	3,000,000
Vehicle Motor Cycle LXB-5598	Negotiation	Mr. Kamran Hameed H.No. 405-B, St. No. 26, Gulistan Colony, Mustafabad, Lahore.	61,000	36,014	24,986	24,986
Truck LEM-725	Negotiation	Mr. Anjum Izhar 54-Zenit Block, Iqbal Town, Lahore.	174,000	121,631	52,369	51,600

2001
Rupees

2000
Rupees

13. STORES AND SPARES

Tanning material	23,230,497	21,615,436
Spares	3,743,376	5,397,580
	-----	-----
	26,973,873	27,013,016
	=====	=====

14. STOCKS

Raw Material	1,957,780	462,513
Work in process	179,727,476	118,571,642
Finished goods	37,308,131	14,623,729
	-----	-----
	218,993,387	133,657,884
	=====	=====

15. TRADE DEBTORS- Unsecured

Considered good	45,571,382	29,127,056
	-----	-----
	45,571,382	29,127,056
	=====	=====

16. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advances to suppliers - unsecured		
considered good	3,453,802	9,035,668
Letter of credit	24,366	770,888
Advances to staff- considered good	198,653	500,869
Security deposits	88,110	121,110
Advance income tax	2,487,819	1,553,761
Sales tax adjustable/refundable	12,121,232	3,230,662
Duty drawback receivable	10,436,674	--
Other receivables - considered good	22,446	5,162,139
Provident fund trust A/c	3,219,405	--
Prepayments	5,470	8,150
	-----	-----
	32,057,977	20,383,247
	=====	=====

17. CASH AND BANK BALANCES

Cash in hand	741,899	1,966,373
Cash at banks		
in current accounts	160,102	13,667,462
	-----	-----
	902,001	15,633,835
	=====	=====

18. SALES- Net

Export	296,283,664	269,288,148
Less:		
Commission	(5,290,646)	(4,253,641)
	-----	-----
	290,993,018	265,034,507
Local sales	10,270,460	9,406,453
	-----	-----
	301,263,478	274,440,960
	=====	=====

19. COST OF SALES

Opening stock	462,513	--
Purchases	242,588,680	115,727,797
	-----	-----
Raw Material Available for Consumption	243,051,193	115,727,797
Closing stock	(1,957,780)	(462,513)
	-----	-----
RAW MATERIAL CONSUMED	241,093,413	115,265,284
	-----	-----
Opening stock in process	118,571,642	136,260,295
Tanning materials consumed	67,478,468	70,201,016
Wages and benefits	3,325,359	4,073,968
Fuel and power	8,193,688	6,565,471
Other manufacturing expenses	19.1	12,191,927
	-----	-----
	217,398,567	229,292,677
	-----	-----
	458,491,980	344,557,961
Closing stock in process	(179,727,476)	(118,571,642)
	-----	-----
	278,764,504	225,986,319
Opening stock of finished goods	14,623,729	21,935,895
	-----	-----
	293,388,233	247,922,214
Closing stock of finished goods	(37,308,131)	(14,623,729)
	-----	-----
	256,080,102	233,298,485

19.1 Other manufacturing expenses (spares) mainly consist of shaving and fleshing knives and grinding wheels, zips, buttons and other materials consumed for leather garments.

20. OTHER INCOME/(LOSSES)

Profit on Foreign Currency Account	--	367
Rent from Elegant (Pvt) Limited	--	120,000
Profit/(loss) on disposal of fixed assets	675,256	(2,809)
	-----	-----
	675,256	117,558
	=====	=====

21. ADMINISTRATIVE EXPENSES

Directors' remuneration and allowances	21.1	696,000	522,000
Salaries and allowances		3,186,451	2,650,264
Postage, telegram and telephone		951,132	746,173
Printing and stationery		178,883	147,788
Travelling and conveyance		1,072,597	511,159
Rent, rates and taxes		59,367	173,035
Repair and maintenance		2,980,410	1,053,459
Electricity, gas and water		209,487	55,826
Vehicle running		500,674	229,406
Legal and professional charges		13,200	36,900
Insurance		23,665	499,570
Entertainment		146,392	99,819
Fee, subscription and donation	21.2	138,791	17,150
Employees welfare		409,773	497,685
I.S.O. Certification expenses		30,000	60,000
Miscellaneous		74,518	23,141
Depreciation		2,761,963	3,364,093
		-----	-----
		13,433,303	10,687,468
		=====	=====

21.1 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Chief Executive			
No.		1	1
Particulars:			
Remuneration		240,000	192,000
House Rent Allowance		108,000	86,400
		-----	-----
		348,000	278,400
Provident Fund		21,754	17,400
Utilities		24,000	19,200
		-----	-----
		393,754	315,000
		=====	=====

Director			
No.		1	1
Particulars:			
Remuneration		240,000	168,000
House Rent Allowance		108,000	75,600
		-----	-----
		348,000	243,600
Provident Fund		21,754	15,228
Utilities		24,000	16,800
		-----	-----
		393,754	275,628
		=====	=====

Executives			
No.		2	3
Particulars:			
Remuneration		338,034	372,861
House Rent Allowance		152,112	165,918

	490,146	538,779
Provident Fund	20,852	29,656
Utilities	30,270	34,791
	541,268	603,226

i) In addition to the above benefits the Chief Executive and one Director were given one Company maintained car for each for official and private use. The Company had also paid telephone charges of Rs. 6,692/- and Rs. 5,518/- for Chief Executive and one Director, respectively.

No fee was paid to the directors of the Company during the year (2000: Rs. Nil).

21.2 Donations include Rs. 57,000/- paid to Al-Haj Mian Dost Muhammad Trust. Mr. Sheikh Anwar Iqbal Chief Executive and Director and Mr. Sheikh Arshad Iqbal director are amongst the trustees of the trust.

22. AUDITORS' REMUNERATION

Audit fee	78,000	70,000
Provident fund trust	6,000	6,000
Out of pocket expenses	5,000	13,000
Workers' profit participation fund audit fee	3,000	3,000
	92,000	92,000

23. SELLING AND DISTRIBUTION EXPENSES

Shipping expenses	10,287,745	8,998,411
Packing and forwarding	978,366	483,629
Advertisement	321,384	360,499
Truck. expenses	--	4,625
	11,587,495	9,847,164

24. FINANCIAL EXPENSES

Mark up on short term borrowings	13,578,589	12,632,835
Bank charges	686,286	600,131
	14,264,875	13,232,966

25. BASIC AND DILUTED EARNING PER SHARE

Profit devisable to shareholders	3,546,045	2,655,495
Weighted average number of issued shares	1,749,600	1,749,600
Basic and Diluted earning per share	2.03	1.52

26. FINANCIAL ASSETS AND LIABILITIES

	<i>Interest / Mark-up bearing</i>			<i>Non interest / Mark-up bearing</i>			<i>Total</i>	
	<i>Maturity up to one year</i>	<i>Maturity after one year but within five years</i>	<i>Sub total</i>	<i>Maturity up to one year</i>	<i>Maturity after one year but within five years</i>	<i>Maturity after five years</i>	<i>Sub total</i>	<i>2001 Total</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
FINANCIAL ASSETS								
Cash and bank balances	--	--	--	902,001	--	--	902,001	902,001
Trade debts	--	--	--	45,571,382	--	--	45,571,382	45,571,382
Advances, deposits and other receivables	--	--	--	13,965,288	--	--	13,965,288	13,965,288
Long term deposits	--	--	---	--	--	64,980	64,980	64,980

	--	--	--	60,438,671	--	64,980	60,503,651	60,503,651
FINANCIAL LIABILITIES								
Due to directors, sponsors and shareholders	--	--	--	--	31,820,271	--	31,820,271	31,820,271
Shod term loans	185,862,028	--	185,862,028	--	--	--	185,862,028	185,862,028
Contingencies and commitments	--	--	--	--	92,669	--	92,669	92,669
Creditors, accruals and other liabilities	--	--	--	62,410,643	--	--	62,410,643	62,410,643
Proposed dividend	--	--	--	1,749,600	--	--	1,749,600	1,749,600
	185,862,028	--	185,862,028	64,160,243	31,912,940	--	96,073,183	281,935,211

26.1 INTEREST RATE RISK

Mark-up/interest bearing financial instruments of the Company carries fixed interest rate and the Company is not exposed to interest rate risk. Effective interest rate ranges from 19 to 50 paise per thousand rupees per day.

26.2. CREDIT RISK

Financial assets worth Rs. 59,601,650/- (2000: Rs. 38,212,907/-), out of total financial assets of Rs. 60,503,651/- (2000: Rs. 53,846,742/-), are subject to credit risk. The Company's financial assets are not subject to significant concentration of credit risk. The Company manages its credit risk exposure by sanction of credit limits and repayment time periods.

26.3. CARRYING VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are carried at approximate fair values.

27. NUMBER OF EMPLOYEES AT YEAR END

	<i>Number of Employees</i>
June 30, 2001	130
June 30, 2000	187

28. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

i) Sales of Rs. 77,669/- and purchases of Rs. Nil were made during the year to/from associated undertaking (2000 sales of Rs. Nil and purchases of Rs. Nil).

ii) Maximum amount due from associated undertaking on trading account at the end of any month during the year was Rs. Nil (2000 Rs. Nil).

29. PLANT CAPACITY

The production capacity is not determinable due to proportion of products depending on stages and qualities of finished goods produced.

30. FIGURES

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

ii) Previous years' figures have been re-arranged, where necessary for the purpose of comparison.

Lahore:
24th November, 2001.

SH. ANWER IQBAL
Chief Executive

SH. ARSHAD IQBAL
Director

FORM 'A'

**PATTERN OF HOLDING OF THE SHARES
HELD BY THE SHAREHOLDERS
AS AT 30TH JUNE, 2001**

<i>NO. OF SHARE</i>	<i>SHAREHOLDING</i>	<i>TOTAL SHARES HELD</i>
-------------------------	---------------------	------------------------------

<i>HOLDERS</i>	<i>FROM</i>	<i>TO</i>	
24	1	100	929
144	101	500	30,871
29	501	1,000	21,392
42	1,001	5,000	67,181
10	5,001	10,000	71,776
4	10,001	15,000	47,773
5	15,001	20,000	87,100
10	20,001	25,000	220,528
1	25,001	30,000	26,244
1	30,001	35,000	34,813
1	35,001	40,000	38,799
1	40,001	45,000	41,041
1	45,001	50,000	45,896
1	50,001	55,000	53,748
2	55,001	60,000	112,353
10	60,001	180,000	849,156
0	180,001	ABOVE	0
-----			-----
286		Total	1,749,600
=====			=====

Note: The slabs not applicable, have not been shown.

<i>Shareholders Categories</i>	<i>Number of Shareholders</i>	<i>Number of shares</i>	<i>Percentage of issued capital</i>
Individuals	278	1,589,885	90.87
Investment Companies	2	30,249	1.73
Insurance Companies	0	0	0.00
Joint Stock Companies	6	129,466	7.40
Financial Institutions	0	0	0.00
Modaraba/Leasing	0	0	0.00
Others	0	0	0.00
	-----	-----	-----
Total	286	1,749,600	100.00
	=====	=====	=====