

Asia Board Industries Limited

Annual Reports 2002

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COMPANY'S INFORMATION

BOARD OF DIRECTORS

Haji Usman Ibrahim (Chairman)
Muhammad Sabir Usman (Managing Director/Chief Executive)
Ghulam Moinuddin Usman
Abdul Qadir Usman
Muhammad Imran Usman
Mrs. Khadija Usman
Mrs. Zarina Sabir

COMPANY SECRETARY

Noor Muhammad Lakhani

AUDITORS

M. Yousuf Adil Saleem & Company
Chartered Accountants

AUDIT COMMITTEE

Haji Usman Ibrahim (Chairman)
Abdul Qadir Haji Usman (Member)
Muhammad Imran Usman (Member)

BANKERS

Habib Bank Ltd.
Muslim Commercial Bank Ltd.
National Bank of Pakistan

FACTORY

A/9, S.I.T.E., Nooriabad,
District Dadu (Sindh)

NOTICE OF MEETING

NOTICE is hereby given that the Nineteenth Annual General Meeting of Asia Board Industries Limited will be held at Registered Office of the Company, Central Chambers, Ireland Road, Karachi on Monday, October 28, 2002 at 12:30 p.m. to transact the following business:

- 1) To confirm the Minutes of the Eighteenth Annual General Meeting held on December 22, 2001.
- 2) To receive, consider and adopt the audited accounts for the year ended June 30, 2002 together with the Directors' and Auditors' Reports thereon.
- 3) To appoint Auditors of the Company for the year 2002-2003 and to fix their remuneration. The retiring Auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants being eligible, have offered themselves for re-appointment.

4) To transact any other business with the permission of the Chair.

By Order of the Board

Karachi: September 19, 2002

Noor Muhammad Lakhani
Company Secretary

NOTES:

1. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote instead of him/her. A proxy must be a member of the Company.

Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting.

2. The share transfer book of the Company will be closed from October 20, 2002 to October 28,2002 (both days inclusive).

3. Members are requested to notify any change in their addresses.

DIRECTOR'S REPORT

Your Directors present this 19th Annual Report alongwith the Audited Accounts for the year ended June 30, 2002

SALES AND FINANCIAL RESULTS

The sales during the year under review amounted to Rs. 69.765 million as against Rs. 62.751 million in the last year.

The gross profit during the year under review was Rs. 7.653 million as against Rs. 7.429 million in the last year. The profit before taxation was Rs. 1.853 million as against Rs. 1.248 million in the previous year.

LIQUIDITY PROBLEM

It was mentioned in our last year's report that your Company came under heavy liquidity burden due to repayment of the instalments of bank loan.

It was further mentioned that to bring the Company out of financial crisis, directors and associated person provided interest-free loan amounting to Rs. 20 Million in the year 1997-98 which is still outstanding. To overcome the liquidity problem your Company had to borrow short term loan amounting to Rs. 3 Million from associated person in the year 1999-2000 and Rs. 4 Million from our director and an associated person in the year 2000-2001. Moreover the Company had to arrange running finance facility from Habib Bank Ltd.

The last instalments of the long term banks loan have been repaid during the year. However, the borrowings from directors and associated persons, and bank were outstanding as on June 30, 2002 as under:

Interest-free long term loan from directors and associated person Rs. 20,000,000
Interest bearing short term loan from of director and associated persons Rs. 7,000,000
Running Finance facility of Habib Bank Ltd.. Rs. 6,836,634

DIVIDEND

Due to accumulated loss brought forward and liquidity problem your Directors are not in a position to recommend any dividend.

AUDITORS

The present auditors M/s. M. YousufAdil Saleem & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

(a) The financial statements prepared by the management of our company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.

- (b) Proper books of account of our company have been maintained
- (c) Appropriate account policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- (d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- (e) The system of internal control, which was in place, is being continuously reviewed. The process of review will continue with the objective to further improve the existing system.
- (f) There are no significant doubts upon the company's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- (h) During the year under review four meetings of the Board of Directors were held which were attended by all the Directors.
- (i) Due to accumulated loss the Company is not in a position to declare any dividend.
- o) No statutory payment on account of taxes, duties, levies and charges are outstanding.
- (k) The pattern of shareholding is annexed.

FUTURE PLANS & PROSPECTS

Your Directors are trying to make the project viable but major repairs and replacement of machinery can not be carried out in the given circumstances. A formal letter has recently been sent to the Karachi Stock Exchange that the directors intend to buy back the shares of minority shareholders and apply for DE-LISTING from the Karachi Stock Exchange.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation of the enthusiasm, loyalty and devotion of duty shown by the workers and staff at all levels.

Directors also acknowledge the cooperation of the bankers

On behalf of the Board of Directors

Karachi : September 19, 2002

MUHAMMAD SABIR USMAN
Managing Director / Chief Executive

Statement of Compliance with Best Practices of Corporate Governance

The Company is in process of implementing of all facets of the Code of Corporate Governance issued by the Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange and the Board of Directors feels pleasure in stating that provisions of the Code, relevant for the year ended June 30, 2002, have been duly complied with.

Review Report to the Members on Statement of Compliance
with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of ASIA BOARD INDUSTRIES LIMITED to comply with the relevant Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to

inquiries of the company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2002.

Karachi.

Date : September 19, 2002

M. Yousuf Adil Saleem & Co.
Chartered Accountants

We have audited the annexed balance sheet of ASIA BOARD INDUSTRIES LIMITED as at June 30, 2002 and the related profit and loss account, statement of changes in equity 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.

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 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, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2002 and of the profit, its cash flows and changes in equity for the year then ended; and

d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVI 11 of 1980).

Karachi.
Date : September 19, 2002

M. YousufAdil Saleem & Co.
Chartered Accountants

BALANCE SHEET

	Note	2002 Rupees	2001 Rupees
SHARE CAPITAL			
Authorised 4,000,000 Ordinary shares of Rs. 10/=each		<u>40,000,000</u>	<u>40,000,000</u>
Issued, subscribed and paid up 1,852,800 Ordinary Shares of Rs. 10/= each fully paid in cash		18,528,000	18,528,000
Accumulated loss		18,269,718	18,129,027
LONG TERM LOANS	3	<u>20,000,000</u>	<u>20,000,000</u>
DEFERRED LIABILITY			
Staff gratuity	4	1,054,122	1,005,475
CURRENT LIABILITIES			
Short term borrowings	5	13,836,634	11,260,042
Current portion of long term loans		-	4,406,250
Creditors, accrued and other liabilities	6	5,078,826	3,928,123
Taxation		720,584	504,408
COMMITMENTS	7	<u>41,948,448</u>	<u>41,503,271</u>

The annexed notes from 1 to 27 form an integral part of these accounts.

Haji Usman Ibrahim
Chairman

	Note	2002 Rupees	2001 Rupees
OPERATING ASSETS		28,331,424	29,960,990
LONG TERM DEPOSITS		197,870	57,670
CURRENT ASSETS			
Stores, spares and loose tools	9	5,967,756	5,034,739
Stock in trade	10	4,135,912	3,855,351
Loans and advances	11	1,168,571	1,389,755
Short term deposits		159,000	117,200
Short term prepayments		322,953	256,625
Other receivables	12	348,895	465,444
Cash and bank balances	13	1,316,067	365,497
		<u>41,948,448</u>	<u>41,503,271</u>

Muhammad Sabir Usman
Chief Executive

Muhammad Imran Usman
Director

Note	2002	2001
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		Rupees	Rupees
Sales	14	69,764,664	62,751,302
Cost of goods sold	15	62,111,826	55,322,788
Gross Profit		<u>7,652,838</u>	<u>7,428,514</u>
Operating expensis			
Administration	16	3,730,144	487,319
Selling	17	278,517	542,920
		4,008,661	4,030
Operating Profit		<u>3,644,177</u>	<u>3,398,275</u>
Other Income	18	-	
		<u>145,178</u>	
		3,789,355	3,398,275
Financial Charges	19	1,838,516	2,084,515
Worker's Profit Participation Fund		97,766	65,853
			2,150,368
		<u>1,936,282</u>	
Profit Before Taxation		1,853,073	1,247,907
Taxation			
Current		648,576	432,400
Prior Year's		345,188	514,671
		993,764	947,071
Profit After Taxation		<u>859,309</u>	<u>300,836</u>
Accumulated Loss Brought Forward		18,129,027	18,429,863
Accumulated Loss Carried Forward		<u><u>17,269,718</u></u>	<u><u>18,129,027</u></u>
Earning Per Share	20	0.46	0.16

The annexed notes from 1 to 27 form an integral part of these accounts.

Haji Usman Ibrahim
Chairman

Muhammad Sabir Usman
Chief Executive

Muhammad Imran Usman
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2002**

	ISSUED, SUBSCRIBED AND PAIDUP CAPITAL	ACCUMULATED LOSS	TOTAL
Balance at July 01, 2000	18,528,000	18,429,863	98,137
Profit for the year	-	300,836	300,836
Balance at June 30, 2001	18,528,000	18,129,027	398,973
Profit for the year	-	859,309	859,309
Balance at June 30, 2002	<u><u>18,528,000</u></u>	<u><u>17,269,718</u></u>	<u><u>1,258,282</u></u>

Haji Usman Ibrahim
Chairman

Muhammad Sabir Usman
Chief Executive

Muhammad Imran Usman
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2002**

A. CASH FROM OPERATING ACTIVITIES

Profit before taxation	1,853,073	1,247,907
Adjustment for :-		
Depreciation	3,129,641	3,339,314
Provision for gratuity	108,647	237,566
Financial charges	1,838,516	2,084,515
Gain on disposal of fixed assets	87,095	-
Operating profit before working capital changes	<u>6,842,782</u>	<u>6,909,302</u>
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	933,017	(738,438)
Stock in trade	280,561	(733,162)
Loans and advances	55,693	(37,670)
Short term deposits	41,800	-
Short term prepayments	66,328	16,548
Other receivables	463,764	-
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	666,653	859,417
	<u>246,982</u>	<u>(633,305)</u>
Cash generated from operations	<u>6,595,800</u>	<u>6,275,997</u>
Taxes paid	847,926	(1,432,811)
Financial charges paid	1,354,402	(1,413,867)
Gratuity paid	60,000	(141,716)
Net cash from operating activities	<u>4,333,472</u>	<u>3,287,603</u>

	2002	2001
	Rupees	Rupees
CASH USED IN INVESTING ACTIVITIES Fixed capital expenditure	1,536,580	2,492,539
Sale proceed of assets	123,600	-
Long term deposits	140,200	-
Net cash used in investing activities	1,553,180	2,492,539
CASH USED IN FINANCING ACTIVITIES		
Short term borrowings	-	4,000,000
Long term loans paid	4,406,250	5,875,000
Dividend paid	64	2,542
Net cash used in financing activities	4,406,314	1,877,542
Net decrease in cash and cash equivalents (A+B+C)	1,626,022	1,082,478
Cash and cash equivalents at the beginning of the year	3,894,545	2,812,067
Cash and cash equivalents at the end of the year	5,520,567	3,894,545
Cash and cash equivalents		
Short term running finances	6,836,634	4,260,042
Cash and bank balances	1,316,067	365,497
	<u>5,520,567</u>	<u>3,894,545</u>

NOTES TO THE ACCOUNTS - JUNE 30, 2002

1. STATUS AND ACTIVITIES

The Company is limited by shares incorporated in Pakistan on December 22, 1983 and quoted on the Stock Exchanges in Pakistan. The principal business of the Company is manufacture and sale of hard board sheets.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under 'historical cost convention'.

2.2 Basis of preparation

These accounts have been prepared in accordance with International Accounting Standards as applicable in Pakistan in all material respects, and the requirements of the Companies Ordinance, 1984

2.3 Staff retirement benefits

Company operates an unfunded gratuity scheme covering all its permanent employees.

Consequent to adoption of International Accounting Standard-19 "Employee Benefits", provisions are now made annually to cover the obligation on the basis of actuarial valuation and are charged to income currently. The most recent valuations were carried out as of June 30, 2002 using the projected unit credit method.

2.4 Taxation

Current

Provision for current taxation is based on taxable income at current rate of taxation after taking into account tax credits, rebates and exemptions available, if any.

Deferred

The Company accounts for deferred taxation on all material timing differences using the liability method. As a matter of prudence deferred tax debits are not accounted for.

2.5 Operating assets

Operating assets except leasehold land are stated at cost less accumulated depreciation. Leasehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the operating assets note.

Depreciation on additions during the year is charged for the whole year while no depreciation is charged on deletion during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of assets are included in current income.

2.6 Stores, spares and loose tools

These are valued at moving average cost. Items in transit are valued at cost accumulated upto the date of the balance sheet.

2.7 Stock in trade

These are valued at lower of average cost and net realisable value using the following basis:

Raw material	At weighted average cost
Work in process	At average manufacturing cost
Finished goods	At average manufacturing cost
Waste	At net realisable value

Average cost signifies in relation to work in process and finished goods average manufacturing cost including related direct cost overheads. Net realizable value signifies the selling prices

prevailing in the market less selling expenses incidental to sale.

2.8 Trade debts

Known bad debts are written off and provisions is made for debts considered doubtful.

2.9 Foreign currency translations

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

2.10 Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is an evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that assets is determined and impairment loss recognized for the difference between the recoverable amount and the carrying amount.

2.11 Trade and other payable

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

2.12 Financial liabilities

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made to the amount of obligation.

2.13 Revenue recognition

Sales are recorded on despatch of goods.

	HBL Demand Finance Rupees	HBL/MCB Restructured PTC's Rupees	Loan from Directors & Associated Person Rupees	2002 Rupees	2001 Rupees
Opening balance	2,155,150	2,251,100	20,000,000	24,406,250	30,281,250
Paid during the year	-2,155,150	-2,251,100	-	-4,406,250	5,875,000
	-	-	20,000,000	20,000,000	24,406,250
Payable within one year shown under current liabilities	-	-	-	-	4,406,250
	-	-	20,000,000	20,000,000	20,000,000
Mark up per annum	15%	15%	Interest free unsecured		

There is no time frame fixed for repayment of loan from directors.

STAFF GRATUITY

Present Value Of Defined Benefit Obligation	1056002	-
Past service cost to be recognised in later periods	-	-
Acturials (Losses) / Gains to be recognised in later periods	1880	-
	1054122	-
Liability at the beginning for the year	1005475	-
Charge for the year	108647	-
Benefits paid during the year	60000	-
Liability at the end of the year	1054122	-

5. SHORT TERM BORROWINGS

Secured			
From banking companies (5.1)	10	6,836,634	4,260,042
Unsecured			
From director (5.2)		2,000,000	2,000,000
From associated persons (5.2)		5,000,000	5,000,000
		13,836,634	11,260,042

This represents running finance facility obtained from commercial bank and secured against mortgage of company's properties, hypothecation of stock and pledge of sponsors shares and other security provided by directors. It is subject to markup @ 0.46 per thousand per day payable quarterly.

5.2 These are subject to markup @ 15% per annum and payable on demand.

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		950,647	509,788
Markup on :			
Short term borrowings - secured		145,760	13,838
- unsecured		1,050,000	697,808
Accrued expenses		2,253,180	1,861,493
Withholding tax		-	693
Sales tax		542,726	739,839
Workers' profit participation fund (6.1)		97,766	65,853
Unclaimed dividend		38,747	38,811
		5,078,826	3,928,123

6.1 Workers' Profit Participation Fund

Opening balance		65,853	44,892
Allocation for the year		97,766	65,853
		163,619	110,745
Interest on funds utilized in the Company's business		4,488	3,305
		168,107	114,050
Amount paid to workers		70,341	48,197
		97,766	65,853

COMMITMENTS Letters of Credit opened for import of spare parts		1,581,000	-
Agreement for import of spare parts		99,392	-

8. OPERATING ASSETS

Particulars	Cost at July 01, 2001	Additions/ (deletions)	Cost at June 30, 2002	Accumulated Depreciation at July 01, 2001	Depreciation/ (Deletion) for the year	Accumulated Depreciation at June 30, 2002	Written Down Value at June 30, 2002	Rate %
Land-leasehold	1,454,061	-	1,454,061	-	-	-	1,454,061	-
Building on leasehold lane	19,809,122	622,391	20,428,513	15,500,920	492,759	15,993,679	4,434,834	10
Office premises on sub-lease	600,000	-	600,000	469,603	13,040	482,643	117,357	10
Plant and machinery	59,990,627	567,639	60,558,266	38,327,214	2,223	40,550,319	20,007,947	10
Electrical Installation	2,515,732	-	2,515,732	1,988,200	52,753	2,040,953	474,779	10
Factory equipment	640,806	160,120	800,926	358,192	44,273	402,465	398,461	10
Furniture & fixture	355,149	20,745	375,874	256,389	11,949	268,338	107,536	10
Office equipment	503,529	89,120	572,649	242,034	33,881	268	304,924	10
		(20,000)			(8,190)			
Vehicles	3,320,552	76,585	3,180,598	2,083,036	257,881	2,149,073	1,031,525	20
		(216,539)			(191,844)			
Rupees	89,186,578	1,536,580	90,486,619	59,225,588	3,129,641	62,155,195	28,331,424	
		(236,539)			(200,034)			
2001 Rupees	86,694,039	2,492,539	89,186,578	55,886,273	3,339,315	59,225,588	29,960,990	

8.1. Depreciation has been allocated as under :

	2002 Rupees	2001 Rupees
Cost of goods manufactured	2,837,403	2,983,842
Administration expenses	292,238	255,473
	<u>3,129,641</u>	<u>3,339,315</u>

8.2. Details of assets disposed of during the year :

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal Particulars of Purchasers
Vehicle	201,214	176,908	24,306	110,000	Negotiation M/s. Liberty Mills Limited A/51-A, SITE, Karachi,
Computer	20,000	8,190	11,810	3,500	Negotiation Mr. Muhammad Para Ahmed 2C, B/13, Shah Faisal Colony, Karachi.
Motor Cycle	14,400	14,035	365	10,000	Negotiation Mr. Muhammad Iqbal Float No. 9, Adeel Decent Aracade-5 Block-F, North Nazimabad, Karachi.
Bicycle	925	901	24	100	Negotiation Mr. Abdul Hameed Gali No. 1, Siddiq Wahab Road, Karachi.
Rupees	<u>236,539</u>	<u>200,034</u>	<u>36,505</u>	<u>123,600</u>	
2001 Rupees	-	-	-	-	

9. STORES, SPARES AND LOOSE TOOLS

	2002 Rupees	2001 Rupees
Stores	1,011,691	650,393
Spares	4,790,383	4,179,259
Spares in transit	-	58,430
Loose tools	165,682	1,46,657
	<u>5,967,756</u>	<u>5,034,739</u>

10. STOCK IN TRADE

Raw materials	312,623	789,564
Finished goods	3,823,289	3,065,787
	<u>4,135,912</u>	<u>3,855,351</u>

11. LOANS AND ADVANCES

Considered good		
Due from employees	218,500	136,800
Advance for purchases / expenses	102,145	128,152
Advance income tax	847,926	1,124,803
	<u>1,168,571</u>	<u>1,389,755</u>

12. OTHER RECEIVABLES

Sales tax receivable	-	465,444
Income tax refundable	347,215	-
Other	1,680	-
	<u>348,895</u>	<u>465,444</u>

13. CASH AND BANK BALANCES

Cash in hand	39,101	46,350
Cash at banks In current accounts	1,276,966	319,147

1,316,067	365,497
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14.SALES

	2002	2001
	Rupees	Rupees
Local	82,298,592	71,477,630
Export	-	1,408,898
	82,298,592	72,886,528
Sales tax	-12,533,928	-10,135,226
	69,764,664	62,751,302

15. COST OF GOODS SOLD

Finished goods - opening stock	3065787	2682027
Cost of goods manufactured (15.1)	62869328	55706548
	65935115	58388575
finished goods - closing stock	3823289	3065787
	62111286	55322787

15.1 Cost of goods manufactured

Raw material consumed (15.1.1)	21,387,410	15,935,416
Salaries, wages and benefits (15.1.2)	8,302,547	7,474,306
Stores and spares	6,615,438	3,983,751
Fuel, power and water	22,584,521	24,176,447
Repairs and maintenance	301,907	342,290
Insurance	276,694	296,134
Rent, rates and taxes	36,250	34,875
Depreciation	2,837,403	2,983,842
Other manufacturing overheads	527,158	479,487
	62,869,328	55,706,548

Raw material consumed

Opening-stock	789,564	440,162
Purchases	20,910,469	16,284,818
	21,700,033	16,724,980
Closing stock	-312,623	-789,564
	21,387,410	15,935,416

2002	2001
Rupees	Rupees

15.1.2 Included in salaries, wages and benefits,
the following retirement benefits:

Current service cost	155470	-
Interest cost	95002	-
Liability / (Asset) charged	141825	-
Total charged during the year	108647	-

The total charged during the year has been allocated as under:

Cost of goods manufactured	74875	131925
Administration expenses	32530	94391
Selling expenses	1242	11250
	108647	237566

16. ADMINISTRATION EXPENSES

Staff salaries and benefits (15.1.2)	1,741,764	1,744,440
Rent and taxes	11,491	14,550
Printing and stationery	137,484	96,050
Vehicles running and maintenance (16.1)	471,777	495,162
Travelling and conveyance	524,332	257,587
Postage and telephone	69,299	58,171
Electricity, gas and water	89,096	40,795
Fees and subscription	59,800	102,350
Legal and professional	24,400	24,400
Auditors' remuneration (16.2)	116,000	89,400
Repairs and maintenance	67,248	80,085
Advertisement	22,400	28,255
Newspapers and periodicals	17,946	16,060
Entertainment	27,819	31,611
Insurance	31,651	32,197
Depreciation	292,238	355,473
Other	25,399	20,733
	3,730,144	3,487,319

	2002	2001
	Rupees	Rupees
16.1 Vehicle running and maintenance		
Petrol, oil and lubricants	263,890	252,147
Insurance and taxes	130,722	160,112
Motor cars repairs and maintenance	58,956	76,454
Motor cycles repairs and maintenance	18,209	6,449
	471,777	495,162

16.3 Auditors' remuneration		
Audit fee		
Tax advisory service	75,000	40,000
Out of pocket expenses	40,000	48,400
	1,000	1,000
	116,000	89,400

17. SELLING EXPENSES

Salaries and benefits (15.1.2)	99,717	105,546
Postage and telephone	178,800	171,217
Export expenses	-	266,157
	278,517	542,920

18. OTHER INCOME Profit on sale of fixed assets

Provision written back	87,095	-
	58,083	-
	145,178	-

19. FINANCIAL CHARGES

Interest / markup on short term borrowings	1,479,222	834,965
Markup on long term loans	322,924	1,202,361
Interest on workers' profit participation fund	4,488	3,305
Bank charges	31,882	43,884
	1,838,516	2,084,515

20. Earning per share

Basics earnings per share is worked out as under:

		2002	2001
Profit after taxation	Rs.	859,309	300,836
Weighted average number of Ordinary shares		1,852,800	1,852,800
Earning per share	Rs.	0.46	0.16

There is no dilutive effect on the basic earning per share of the Company.

21. AGGREGATE TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales at market price 1,981,265 1,805,918

Maximum aggregate balance due from associated undertakings at the end of any month during the year was Rs. 1,003,640/- (2001 - Rs. 1,178,588/-).

REMUNERATION TO DIRECTORS AND EXECUTIVES

	2002			2001		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Remuneration	320,000	560,000	296,000	320,000	560,000	283,500
House rent	124,400	216,800	115,623	124,400	216,800	110,400
Conveyance	3,600	7,200	72,000	3,600	7,200	7,200
Utilities	32,000	56,000	25,177	32,000	56,000	24,150
Leave encashment	-	-	11,700	-	-	6,345
	480,000	840,000		480,000	840,000	431,595
No. of persons	1	2	2	1	2	2

	2002	2001
	No. Of Hard Board Sheets Size 8" x 4"	
Production capacity - 3 shifts/300 days	900,000	900,000
Actual production 1,161,985	1,161,985	997,255

23. PLANT CAPACITY AND ACTUAL PRODUCTION

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arms length transaction. As at June 30, 2002 the net fair value of all financial instruments has been based on the valuation methodology outlined below:

Long term deposit

Long term deposit does not carry any rate of return. The fair value of it has been taken at book value as it is not considered materiality different as it is not considered readily exchangeable.

Non-current liabilities

For all non-current liabilities the fair values have been taken at book values as these are not considered materially different based on the current market rates of return and repricing profiles of similar non-current liabilities.

Other financial instruments

The fair values of all other financial instruments are considered to approximate their book values as they are short term in nature.

The analysis of yield / markup rate risk is as under:

	Effective interest rate	Interest Bearing		Sub Total	Non-Interest Bearing	Total Rupees
		Maturity upto one year	Maturity after one year			
Financial Assets						
Long term deposits	-	-	-	-	197,870	197,870

Other receivables	-	-	-	-	348,895	348,895
Advances, deposits and prepayments •	-	-	-	-	1,650,524	1,650,524
Cash and bank balances	-	-	-	-	1,316,067	1,316,067
					3,513,356	3,513,356
Financial Liabilities						
Long term loans	-	-	-	-	20,000,000	20,000,000
Short term borrowing	15% and Re.O.46 per Rs. 1000/- per day	13,836,634	-	13,836,634	-	13,836,634
Creditors, accrued and other liabilities	-	-	-	-	5,078,826	5,078,826
		13,836,634	-	13,836,634	25,078,826	38,915,460

Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits company exposure of credit risk through monitoring of clients credit exposure review and conservative estimates of provision for doubtful receivable. The management is of the view that it is not exposed to significant concentration of credit risk.

Interest rate risk

Interest rate risk arise from the possibility that changes in interest rates will affect the value of financial instruments. The Company is not exposed to interest rate risk. The rate of financing and their maturity period has been disclosed in the relevant notes.

Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company's management closely monitors the company's liquidity and cash flow position. ;

25. NO. OF EMPLOYEES

Total number of permanent employees at the year end are 30 (2001 - 27).

26. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 19, 2002 by the Board of Directors of the Company.

27.GENERAL

Figures have been rounded off nearest to Rupee.

Corresponding figures have been rearranged and regrouped wherever necessary for the purpose of comparison.

Haji Usman Ibrahim
Chairman

Muhammad Sabir Usman
Chief Executive

Muhammad Imran Usman
Director

**PATTERN OF THE SHAREHOLDINGS
AS ON JUNE 30, 2002**

Number of Share Holders	Shareholdings		Total Shares Held
	From	To	
1,798	1	100	179,800
29	101	500	8,900
112	501	1,000	109,700
40	1,001	5,000	110,200
12	5,001	10,000	91,600
5	10,001	15,000	60,300
2	15,001	20,000	33,900
3	20,001	25,000	64,600
1	30,001	35,000	31,000

	4	105,001	110,000	424,800
	3	110,001	115,000	333,900
	2	115,001	120,000	231,400
	1	170,001	175,000	172,700
	2,012			1,852,800

Categories of Shareholders	Number of Share Holders	Category wise No. of Share Holders	Category wise Shares held	Percentage %
1. Individuals		2,000	658,900	35.562
2. Investment Companies		-	-	
3. Joint Stock Companies		1	100	0.005
4. Directors, Chief Executive, Officer and their spouse and minor children		10	1,162,800	62.759
- Haji Usman	110,800			
- Mr. Mohammad Sabir	115,700			
- Mr. Ghulam Moinuddin	115,700			
• - Mr. Abdul Qadir	110,700			
- Mr. Muhammad Imran	172,700			
- Mrs. Khadija w/o. Haji Usman	105,700			
- Mrs. Zarina w/o. Mr. Muhammad Sabir	105,700			
- Mrs. Shais;^ w/o. Mr. Ghulam Moinuddin	105,700			
- Mrs. Nasima w/o. Mr. Abdul Qadir	107,700			
- Mrs. Samina w/o. Mr. Muhammad Imran	112,400			
5. Executives		-	-	-
6. NIT/ICP		1	31,000	1.673
Investment Corporation of Pakistan	31,000			
7. Associated Companies, undertakings and related Parties		-	-	-
8. Public Sector Companies and Corporations		-	-	-
9. Banks, DFIs, NBFIs, Insurance Companies, Modarabas & Mutual Funds		-	-	-
10. Foreign Investors		-	-	-
11. Co-Operative Societies		-	-	-
12. Charitable Trusts		-	-	-
13. Shareholders holding ten percent or more voting interest		-	-	-
TOTAL		2,012	1,852,800	100