

Polypropylene Products Limited

Annual Report 2000

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Company Information

Board of Directors	Mr. Razzak H. Mohammed Mr. Salim H. Mohammed Mr. Shabbir S. Mohammed Ms. Farzana Munaf Mr. Iqbal Parekh Mr. Fatehali R. Mohammed Mr. A.Q. Malik Mr. Mohammed	Chairman Chief Executive
Secretary	Mr. Akber Ali Nanji	
Bankers	Allied Bank of Pakistan Limited Bank Al-Habib Limited Faysal Bank Limited Habib Bank AG Zurich Metropolitan Bank Limited	
Auditors	Ford, Rhodes, Robson, Morrow Chartered Accountants	
Factory	Korangi, Karachi.	
Registered Office	7th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.	

**Twenty Seventh Annual Report of the Directors
for the year ended June 30, 2000**

The Shareholders,

Your directors are pleased to submit herewith the twenty seventh annual report on the affairs of the Company together with the audited accounts and the Auditors' Report for the year ended June 30, 2000.

Financial Results

Rupees

Net Loss for the year after providing for taxation	(2,389,961)
Unappropriated profit brought forward from last year's accounts	4,413,518

Unappropriated profit carried forward to the next year's accounts	2,023,557
	=====

The Company incurred net loss of Rs. 2.38 million during the year ended June 30, 2000 as compared to previous year's net profit of Rs. 3.2 million mainly due to prices of raw material rising and then declining sharply within a very short period and the selling price of PP Bags not keeping pace with the increase in raw material prices.

The production of Polypropylene bags increased by about 14% from 16.97 million metres in 1998-99 to 19.34 million metres in 1999-2000, but the value of gross sales increased by about 6% from Rs. 138.3 million in 1998-99 to Rs. 146.4 million in 1999-2000.

Although the prices of raw material increased by about 24% due to increase in C & F prices and devaluation of Pak Rupee against US \$, the selling price of PP Bags did not keep pace with the increase in raw material prices.

Future Prospects

The situation in Polypropylene bag business may not improve because of excess manufacturing capacity over demand and very unhealthy competition from unorganized sector of PP Bag manufacturers which forced us to keep our prices below cost.

From August 2000, the production has been curtailed and we have also cut back on our staff and overheads.

Auditors

The present Auditors of the Company, Ford, Rhodes, Robson, Morrow, Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year 2000-2001.

Your Directors would like to thank the workers and staff of the Company for working with enthusiasm, loyalty and devotion to duty.

On behalf of the Board

RAZZAK H. MOHAMMED
Chairman

Karachi: October 23, 2000.

Auditors' Report to the Members

We have audited the annexed balance sheet of POLYPROPYLENE PRODUCTS LIMITED as at June 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the 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, 2000 and of the loss, its cash flows and changes in equity for the year then ended;

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

Karachi: October 23, 2000.

Ford, Rhodes, Robson, Morrow
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Non current assets			
Operating fixed assets	3	13,112,534	14,033,119
Long term investments	4	24,590,063	27,072,861
Long term loans and deposits	5	684,300	929,950
Current assets			
Stores and spares	6	1,557,010	1,620,862
Stock-in-trade	7	29,304,180	18,983,368
Trade debtors	8	12,383,445	14,955,045
Advance income tax		2,699,925	4,238,029
Profit accrued on investments		4,166,750	2,296,000
Advances, deposits, prepayments and other recei	9	4,453,214	2,673,197
Short term investment	10	20,000,000	20,000,000
Cash and bank balances	11	322,217	231,989
		-----	-----
		74,886,741	64,998,490
		-----	-----
Total assets		113,273,638	107,034,420
		=====	=====
Share capital and reserves			
Share capital			
Authorised			
6,000,000 (1999: 6,000,000) ordinary shares of Rs. 5/- each		30,000,000	30,000,000
		=====	=====
Issued, subscribed and paid-up			
4,000,000 (1999: 4,000,000) ordinary shares of			
Rs. 5/- each fully paid-up	12	20,000,000	20,000,000
Revenue reserves	13	42,023,557	44,413,518
		-----	-----
Shareholders' equity		62,023,557	64,413,518
Deferred liabilities	14	10,012,160	10,860,903
Current liabilities			
Creditors, accrued and other liabilities	15	11,293,344	4,318,201
Short term running finance	16	24,535,359	18,204,239
Provision for taxation		4,771,000	4,671,000
Unclaimed dividend		638,218	566,559
Proposed dividend		--	4,000,000
		-----	-----
		41,237,921	31,759,999

Contingencies and commitments

17

Total shareholders' equity and liability

113,273,638

107,034,420

The annexed notes form an integral part of these accounts.

Mohammed Zafar Iqbal
Chief Executive

Salim H. Mohammed
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Turnover	18	127,170,237	117,112,643
Cost of sales	19	122,678,214	103,654,323
Gross profit		4,492,023	13,458,320
Other income		7,480,591	6,504,366
Administrative expenses		(6,833,140)	(7,075,925)
Selling expenses		(5,436,320)	(5,262,640)
Workers' profit participation fund		--	(222,069)
Workers' welfare fund		--	(7,628)
		(296,846)	7,394,424
Reversal/(Provision) for diminution in value of investments		2,089,706	(968,035)
		1,792,860	6,426,389
Financial charges	23	(4,258,471)	(3,182,745)
Loss on sale of shares		(167,429)	--
Net (loss)/profit before taxation		(2,633,040)	3,243,644
Less: Taxation	24	(243,079)	46,437
Net (loss)/profit after taxation		(2,389,961)	3,197,207
Unappropriated profit brought forward		4,413,518	5,216,311
Profit available for appropriation		2,023,557	8,413,518
Appropriations			
Proposed dividend @ Nil (1999: 20%)		--	4,000,000
Unappropriated profit carried forward		2,023,557	4,413,518

Basic earnings per share	25	(0.60)	0.80
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The annexed notes form an integral part of these accounts.

Mohammed Zafar Iqbal
Chief Executive

Salim H. Mohammed
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Cash flows from operating activities		
Net Profit before taxation	(2,633,040)	3,243,644
Adjustments for		
Depreciation	1,795,060	1,932,084
Profit on sale of fixed assets	(182,986)	(207,786)
Provision for retirement gratuity	460,241	956,449
Gratuity paid	(308,984)	(148,629)
Loss on sale of shares	122,449	--
Provision for diminution in value of investments	(2,089,706)	968,035
Income from investments	(5,324,957)	(4,843,206)
Financial charges	4,241,679	3,165,897
	-----	-----
Operating profit before working capital changes	(3,920,244)	5,066,488
 (Increase)/decrease in current assets		
Stores and spares	63,852	(195,240)
Stock-in-trade	(10,320,812)	(2,735,973)
Trade debtors	(2,571,600)	(3,383,597)
Profit accrued on investments	(1,870,750)	(1,365,000)
Advances, deposits, prepayments and other receivables	(1,780,017)	(7,512)
 Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	6,706,777	(2,100,985)
	-----	-----
	(4,629,350)	(9,788,307)
	-----	-----
Cash generated from operations	(8,549,594)	(4,721,819)
Refund of Taxes	1,720,541	2,751,753
Taxes paid	(839,358)	(822,024)
Financial charges paid	(3,973,313)	(2,724,983)
	-----	-----
Net cash outflow from operating activities (A)	(11,641,724)	(5,517,073)
	=====	=====
 Cash flows from investing activities		
Sale of fixed assets	196,610	765,000

Acquisition of fixed assets	(888,100)	(1,907,460)
Short term investment	--	2,500,000
Income from investments	5,324,957	4,843,206
Long term loans and deposits	245,650	(86,800)
Sale proceeds of long term investment	4,617,393	--
Long term investments	(167,337)	(4,239,490)
	-----	-----
Net cash inflow from investing activities (B)	9,329,173	1,874,456
	=====	=====
Cash flows from financing activities		
Short term finance	6,331,120	7,523,396
Dividend paid	(3,928,341)	(3,930,915)
	-----	-----
Net cash inflow from financing activities (c)	2,402,779	3,592,481
	=====	=====
Net increase in cash and cash equivalents (A+B+C)	90,228	(50,136)
Cash and cash equivalents at the beginning of the year	231,989	282,125
	-----	-----
Cash and cash equivalents at the end of the year	322,217	231,989
	=====	=====

Mohammed Zafar Iqbal
Chief Executive

Salim H. Mohammed
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2000

	<i>Issued subscribed and paid-up capital Rupees</i>	<i>General reserves Rupees</i>	<i>Unappropriated Profit Rupees</i>	<i>Total Rupees</i>
Balance as at July 1, 1998	20,000,000	40,000,000	5,216,311	65,216,311
Profit after taxation	--	--	3,197,207	3,197,207
Dividend	--	--	(4,000,000)	(4,000,000)
	-----	-----	-----	-----
Balance as at June 30, 1999	20,000,000	40,000,000	4,413,518	64,413,518
Profit after taxation	--	--	(2,389,961)	(2,389,961)
	-----	-----	-----	-----
Balance as at June 30, 2000	20,000,000	40,000,000	2,023,557	62,023,557
	=====	=====	=====	=====

The annexed notes form an integral part of these accounts.

Mohammed Zafar Iqbal
Chief Executive

Salim H. Mohammed
Director

Notes to the Accounts

For the year ended June 30, 2000

1. The Company and its operations

Polypropylene Products Limited, incorporated in 1973, as a public limited company, quoted on stock exchanges in Pakistan. The Company is engaged in the manufacture and sale of polypropylene woven bags.

2. Statement of significant accounting policies

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Retirement benefits

The Company operates an unfunded gratuity scheme covering employees who have completed atleast one year of service with the Company. Provision is made annually to cover obligations under the scheme.

2.3 Taxation

Provision for current taxation is based on taxable income at current rates of taxation or 0.5% of the turnover under section 80D of the Income Tax Ordinance, 1979 whichever is higher.

The Company accounts for deferred taxation on all significant timing differences which are likely to reverse in the foreseeable future, using the liability method. As a measure of prudence, deferred tax debits are not accounted for.

2.4 Fixed assets

Fixed assets are stated at cost less accumulated depreciation except leasehold land which is stated at cost.

Depreciation on fixed assets is calculated on written down values at the rates given below:

Office premises	5% per annum
Vehicles	20% per annum
Computers	30% per annum
All other assets	10% per annum

Normal repairs and maintenance cost is charged to revenue in the year in which it is incurred, major renewals and improvements are capitalised.

Profits and losses on disposal of fixed assets are taken to profit and loss account.

2.5 Investments

Short term investments are valued at cost or market value whichever is lower, calculated on aggregate basis. In case of long term investments provision for diminution in value of investments is made on individual basis if it is considered to

be permanent.

2.6 Stock-in-trade

These are stated at the lower of cost or net realisable value. Cost is determined on "first-in, first-out" basis. Stock-in-transit is valued at cost.

2.7 Stores and spares

These are stated at the lower of cost or net realisable value. Cost is determined on "first-in, first-out" basis.

2.8 Bad and doubtful debts

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

2.9 Foreign currency transactions

Assets and liabilities in foreign currencies are stated in Pak rupees at the rates of exchange ruling on the balance sheet date or fixed under contractual arrangements.

All exchange differences are included in the profit and loss account.

2.10 Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

2.11 Revenue recognition

(a) Sales are recorded when goods are despatched and invoiced.

(b) Income on investments is accounted for as follows:

(i) dividend income is accounted for upon declaration of dividends by the investee companies.

(ii) income on Regular Income Certificates and Defence Savings Certificates is accounted for as and when due according to the terms of the schemes.

(c) Other income is accounted for on an accrual basis.

3. Operating fixed assets

	<i>COST</i>					
	<i>As at July 1, 1999</i>	<i>Additions</i>	<i>Disposals</i>	<i>As at June 30, 2000</i>	<i>As at July 1, 1999</i>	<i>For ye</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rup</i>
Leasehold land	147,271	--	--	147,271	--	
Office premises	1,807,653	--	--	1,807,653	638,400	
Building on leas	4,495,739	--	--	4,495,739	3,817,250	

Plant and machi	40,239,896	323,700	(63,373)	40,500,223	32,163,152	
Office equipmen	1,492,302	33,900	--	1,526,202	730,966	
Furniture and fix	1,999,170	--	--	1,999,170	1,228,599	
Vehicles	7,830,198	530,500	(317,420)	8,043,278	5,400,743	
	-----	-----	-----	-----	-----	-----
	58,012,229	888,100	(380,793)	58,519,536	43,979,110	1,
	=====	=====	=====	=====	=====	=====
1999	57,310,521	2,962,252	(2,260,544)	58,012,229	43,750,356	1,
	=====	=====	=====	=====	=====	=====

3.1 Depreciation charge has been allocated as under:

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Cost of sales	1,118,760	1,237,726
Administrative expenses	607,254	608,051
Selling expenses	69,047	86,307
	-----	-----
	1,795,061	1,932,084
	=====	=====

3.2 Details of disposal of fixed assets

<i>Particulars of assets</i>	<i>Cost</i> <i>Rupees</i>	<i>Depre-</i> <i>ciation</i> <i>Rupees</i>	<i>W.D.V.</i> <i>Rupees</i>	<i>Net sale</i> <i>proceeds</i> <i>Rupees</i>	<i>Pro</i> <i>on s</i> <i>Rup</i>
Plant and machinery	63,373	(58,037)	5,336	50,847	
Motor vehicle	253,920	(248,774)	5,146	103,390	
Motor vehicle	63,500	(60,358)	3,142	42,373	
	-----	-----	-----	-----	-----
	380,793	(367,169)	13,624	196,610	
	=====	=====	=====	=====	=====
1999	2,260,544	(1,703,330)	557,214	765,000	
	=====	=====	=====	=====	=====

4. Long term investments

All the shares/certificates have a face value of Rs. 5 each except those marked with an asterisk (*) which have a face value of Rs. 10 each.

Companies and number of shares

Associated company

Habib Insurance Company Limited 101,167 (1999: 86,713)	910,494	910,494
Others		
Habib Arkady Limited 100,000 (1999: 100,000)	672,900	672,900
Habib Sugar Mills Limited 337,227 (1999: 337,227)	1,520,200	1,520,200
Balochistan Glass Limited (1999: 157,141)	--	714,280
Pakistan Synthetics Limited* 55,000 (1999: 55,000)	1,600,800	1,600,800
ICI Pakistan Limited* 136,000 (1999: 136,000)	3,541,100	3,541,100
Bank Al-Habib Limited* 237,650 (1999: 198,042)	3,592,025	3,592,025
Indus Motor Company Limited* 40,500 (1999: 40,500)	917,550	917,550
PTC Vouchers * 16,000 (1999:16,000)	578,675	578,675
Modaraba and number of certificates		
First Habib Modaraba 412,404 (1999: 412,404)	1,813,808	1,813,808
	-----	-----
	15,147,552	15,861,832
N.I.T. units		
270,000 (1999: 550,905)	3,554,513	7,412,737
	-----	-----
	18,702,065	23,274,569
Provision for diminution in value of investments	(4,112,002)	(6,201,708)
	-----	-----
	14,590,063	17,072,861
Defence Savings Certificates	10,000,000	10,000,000
	-----	-----
	24,590,063	27,072,861
	=====	=====

[Aggregate market value of shares, modaraba certificates and N.I.T. units - Rs. 17,347,276 (1999: Rs. 16,046,089)].

5. Long term loans and deposits - unsecured, considered good

Loan to employees (see note 5.1)

Outstanding for periods not exceeding three years	779,356	1,209,550
Less: Receivable within one year (see note 9)	506,956	685,500
	-----	-----
	272,400	524,050
Security deposits	411,900	405,900
	-----	-----
	684,300	929,950
	=====	=====

5.1 This includes mark-up free loans given to executives for the purpose of purchase of household furniture and appliances and for medical treatment etc. These are repayable in equal monthly installments in three years.

Maximum aggregate amount due from the executives of the Company at the end of any month during the year was Rs. 696,900 (1999: Rs. 966,100).

Aggregate amount due to from executives was Rs. 527,400 (1999: Rs. 675,900).

6. Stores and spares

Stores	327,120	379,984
Spares	1,226,782	1,237,348
Loose tools	3,108	3,530
	-----	-----
	1,557,010	1,620,862
	=====	=====

7. Stock-in-trade

Raw material - in hand	11,542,813	12,390,747
Raw material - in transit	3,258,864	2,972,200
Lining material	809,768	--
Work-in-process	13,238,073	2,354,879
Finished goods	454,662	1,265,542
	-----	-----
	29,304,180	18,983,368
	=====	=====

8. Trade debtors

Unsecured-		
Considered good	12,383,445	14,955,045
	=====	=====

9. Advances, deposits, prepayments and other receivables

Advances- considered good		
Staff- for expenses	79,115	95,000
Suppliers	30,700	--
Employees - current portion	506,956	685,500

Excise duty and sales tax	1,533,908	532,307
Others for expenses	36,775	35,000
	-----	-----
	2,187,454	1,347,807
Trade deposits	2,080,080	1,066,830
Prepayments	185,680	258,560
	-----	-----
	4,453,214	2,673,197
	=====	=====

10. Short term investment

Regular Income Certificates (see note 10.1)	20,000,000	20,000,000
	=====	=====

10.1 These carry profit @ 18% per annum receivable on a monthly basis.

11. Cash and bank balances

In hand	27,521	56,137
At banks - current accounts	293,245	174,523
At National Savings Centre - savings account	1,451	1,329
	-----	-----
	322,217	231,989
	=====	=====

12. Issued, subscribed and paid-up capital

2,400,000(1999: 2,400,000) ordinary shares of Rs.5/- each fully paid in cash	12,000,000	12,000,000
1,600,000(1999: 1,600,000) ordinary shares of Rs. 5/- each issued as bonus shares	8,000,000	8,000,000
-----	-----	-----
4,000,000	20,000,000	20,000,000
=====	=====	=====

13. Reserves

Revenue reserve		
General reserve		
Balance at beginning of the year	40,000,000	40,000,000
Transfer from profit and loss account	--	--
	-----	-----
	40,000,000	40,000,000
Unappropriated profit	2,023,557	4,413,518
	-----	-----
	42,023,557	44,413,518
	=====	=====

14. Deferred liabilities

Deferred taxation	--	1,000,000
Provision for retirement gratuity	10,012,160	9,860,903
	-----	-----

	10,012,160	10,860,903
	=====	=====
15. Creditors, accrued and other liabilities		
Creditors	6,076,007	96,101
Accrued liabilities	4,268,173	3,385,322
Mark-up accrued on secured short term finance	709,280	440,914
Customs duty and sales-tax	89,903	67,846
Excise duty	--	2,094
Workers' profit participation fund (see note 15.1)	--	222,069
Workers' welfare fund	19,738	34,299
Tax deducted at source	50,445	68,676
Other liabilities	5,598	880
Advances from customer	74,200	--
	-----	-----
	11,293,344	4,318,201
	=====	=====
15.1 Workers' profit participation fund		
Balance at the beginning of the year	222,069	222,827
Mark-up on fund utilised in Company's business	16,792	16,849
	-----	-----
	238,861	239,676
Less: Amount paid to the trustees of the fund	238,861	239,676
	-----	-----
	--	--
Allocation for the year	--	222,069
	-----	-----
	--	222,069
	=====	=====
16. Short term running finance - secured		
From bank		
Under mark-up arrangements (see note 16.1)	24,535,359	18,204,239
	=====	=====
16.1 This finance has been obtained from a bank under mark-up arrangement and is secured by hypothecation of stocks and book debts. The facility for short term running finance including export refinance amounting to Rs. 45 million (1999: Rs 40 million) and unavailed credit facility at the year end was Rs.20.464 million (1999: Rs.21.796 million) respectively. The rate of mark up on running finance during the year ranging between 43-38.35 paisas (1999: 43 paisas) per thousand rupees per day.		
17. Contingencies and commitments		
17.1 Letters of guarantee outstanding	1,943,207	2,797,740
	=====	=====
17.2 Letters of credit outstanding	5,555,100	3,915,400
	=====	=====

18. Turnover

Local	146,435,452	138,278,528
Sales-tax	19,186,465	17,493,138
Commission	71,150	347,760
Discount	7,600	103,425
Excise duty on sales	--	3,221,562
	-----	-----
	19,265,215	21,165,885
	-----	-----
	127,170,237	117,112,643
	=====	=====

19. Cost of sales

Raw material consumed (see note 19.1)	86,128,319	62,695,568
Lining material consumed (see note 19.2)	5,124,229	228,870
	-----	-----
	91,252,548	62,924,438
	=====	=====
Manufacturing expenses		
Salaries, wages and allowances	16,356,042	15,744,490
Stores and spares consumed	2,724,047	2,849,796
Repairs and maintenance	418,075	554,733
Fuel, power and water charges	10,944,264	11,754,179
Insurance	129,686	133,669
Finishing expenses	7,431,193	6,731,710
Rent, rates and taxes	113,141	112,737
Material handling expenses	1,042,387	2,099,047
Legal and professional charges	145,194	310,200
Telephone and telex	74,653	73,909
Travelling, conveyance and entertainment	13,779	329,760
Printing and stationery	58,453	53,442
Motor vehicle expenses	753,037	649,436
Subscriptions	58,869	36,070
Security expenses	116,400	116,400
Depreciation	1,118,760	1,237,726
	-----	-----
	41,497,980	42,787,304
	-----	-----
	132,750,528	105,711,742
Add: Opening stock of work-in-process	2,354,879	1,546,151
	-----	-----
	135,105,407	107,257,893
Less: Closing stock of work-in-process	13,238,073	2,354,879
	-----	-----
Cost of goods manufactured	121,867,334	104,903,014
Add: Opening stock of finished goods	1,265,542	16,851
	-----	-----
	123,132,876	104,919,865

Less: Closing stock of finished goods	454,662	1,265,542
	-----	-----
	122,678,214	103,654,323
	=====	=====
19.1 Raw material consumed		
Opening stock of raw material	12,390,747	14,535,201
Raw material purchased	85,280,385	60,551,114
	-----	-----
	97,671,132	75,086,315
Less: Closing stock of raw material	11,542,813	12,390,747
	-----	-----
	86,128,319	62,695,568
	=====	=====
19.2 Lining material consumed		
Opening stock	--	149,192
Purchases	5,933,997	79,678
	-----	-----
	5,933,997	228,870
Less: Closing stock	809,768	--
	-----	-----
	5,124,229	228,870
	=====	=====
20. Other income		
Income from investments (see note 20.1)	7,195,707	6,208,205
Gain on sale of N.I.T. units	44,980	--
Profit on sale of fixed assets	182,986	207,786
Others	56,918	88,375
	-----	-----
	7,480,591	6,504,366
	=====	=====
20.1 Income from investments		
Dividends		
Associated undertakings	173,426	173,426
Other companies	978,881	881,460
N.I.T. units	572,650	150,819
	-----	-----
	1,724,957	1,205,705
Profit on Regular Income Certificates	3,600,000	3,637,500
Profit on Defence Savings Certificates	1,870,750	1,365,000
	-----	-----
	7,195,707	6,208,205
	=====	=====
21. Administrative expenses		
Salaries, wages and allowances	2,623,638	2,869,216

Directors' fees	12,400	2,400
Rent, rates and taxes	121,868	174,149
Telephone and telex	293,768	392,669
Sales tax on sale of fixed assets	188,941	--
Postage and telegram	37,468	31,574
Electricity, gas and water charges	461,167	508,147
Travelling, conveyance and entertainment	188,825	334,392
Printing and stationery	178,574	210,465
Motor vehicle expenses	647,302	652,907
Auditors' remuneration (see note 21.1)	158,318	196,748
Legal and professional charges	30,800	62,400
Repairs and maintenance	348,898	327,629
Advertisement	31,434	53,196
Fees and subscriptions	108,236	121,002
Donations (see note 21.2)	324,900	272,900
Insurance	44,622	44,622
Computer expenses and service charges	182,643	204,158
Depreciation	607,254	608,051
Zakat at source	234,190	--
Other expenses	7,894	9,300
	-----	-----
	6,833,140	7,075,925
	=====	=====

21.1 Auditors' remuneration

Audit fee	95,000	92,000
Tax services	45,000	93,998
Out-of-pocket expenses	8,994	9,750
Others	9,324	1,000
	-----	-----
	158,318	196,748
	=====	=====

21.2 No donation was made to any person or institution in which a director or his spouse has any interest.

22. Selling expenses

Salaries, wages and allowances	2,072,233	2,220,104
Travelling, conveyance and entertainment	361,869	238,030
Freight and insurance	1,374,643	1,421,053
Telephone and telex	100,720	74,443
Postage and telegram	19,844	11,358
Printing and stationery	25,449	23,963
Motor vehicle expenses	877,562	689,766
Depreciation	69,047	86,307
Bad debts expense - net of provision	--	42,637
Other expenses	534,953	454,979
	-----	-----
	5,436,320	5,262,640

	=====	=====
23. Financial charges		
Mark-up on short term finances	4,169,537	3,007,232
Mark-up on workers' profit participation fund	16,792	16,849
Bank charges	72,142	158,664
	-----	-----
	4,258,471	3,182,745
	=====	=====

24. Taxation

Current	800,000	1,100,000
Prior years	(43,079)	46,437
Deferred (see note 24.1)	(1,000,000)	(1,100,000)
	-----	-----
	(243,079)	46,437
	=====	=====

24.1 Cumulative deferred taxation upto June 30, 2000 on major timing differences amounts to Rs.1.4 million debit.

25. Basic earnings per share

(Loss)/Profit after taxation attributable to ordinary shares	(2,389,961)	3,197,207
	=====	=====
Weighted average number of ordinary shares issued and subscribed at the end of the year	4,000,000	4,000,000
	=====	=====
Earnings per share	(0.60)	0.80
	=====	=====

26. Transactions with associated companies

Insurance premium	643,263	697,410
Prepaid insurance premium	131,000	140,000
	-----	-----
	774,263	837,410
	=====	=====

27. Financial instruments and related disclosures

These comprise investments, loans and deposits, receivables, advances, cash, loans, creditors and certain other assets and liabilities.

(a) Financial assets

The financial assets of the Company amount to Rs. 17,843,176 (1999: Rs. 18,790,181) which are non-interest bearing.

Credit risk exposure

Company's exposure to credit risk is indicated by the carrying amount of its receivables. The Company controls credit risk by monitoring the amount of credit extended, limiting transactions with specific customers and continually assessing the credit worthiness of

customers. The Company minimizes concentration of credit risk by diversifying business with different types of customers.

The Company's concentration of credit risk can be analysed with the following details of outstanding debtors.

	<i>Amount Rupees</i>	<i>%</i>
Fertilizer - import	4,724	0.04
Fertilizer - Industry	388,960	3.14
Sugar	1,647,000	13.30
Rice & Wheat	5,996,123	48.42
Waste	294,698	2.38
Tea	97,550	0.79
Chemicals	3,352,768	27.07
Others	601,622	4.86
	-----	-----
	12,383,445	100.00
	=====	=====

(b) Financial liabilities

The financial liabilities of the Company amount to Rs. 35,828,702 (1999: Rs. 22,522,440) out of which Rs. 24,535,358 (1999: Rs. 18,204,239) are interest bearing which represent loan in local currency.

Interest/mark-up rate risk exposure

The Company is exposed to interest/mark-up rate risk on the financial obligation which is payable within one year.

(c) Fair value of financial assets and liabilities

The carrying value of all the financial assets and liabilities reported in the financial statements approximate their fair values.

28. Staff retirement benefits

Salaries, wages and other benefits includes Rs. 460,241 (1999: Rs. 956,449) in respect of staff retirement benefits.

29. Number of employees

The Company employed 84 (1999: 92) permanent employees at the end of the year.

30. Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in the accounts for remuneration including all benefits to Chief Executive, Directors and Executives of the Company were as follows:

	<i>Chief Executive Rupees</i>	<i>Directors Rupees</i>	<i>Executives Rupees</i>	<i>Total Rupees</i>
Fees	2,100	10,300	--	12,400

Managerial remuneration	445,279	422,183	1,891,873	2,759,335
Retirement benefits	--	--	40,826	40,826
Housing	170,688	161,712	473,777	806,177
Medical expenses	24,732	23,448	95,625	143,805
Entertainment expenses	--	171,140	--	171,140
	-----	-----	-----	-----
	642,799	788,783	2,502,101	3,933,683
	=====	=====	=====	=====
1999	687,375	861,154	2,648,122	4,196,651
	=====	=====	=====	=====
Number of persons				
2000	1	7	9	17
1999	1	7	9	17

The Chief Executive, certain Directors and Executives are also provided with Company's owned and maintained cars.

31. Capacity and production

	<i>Manufacturing Capacity per annum</i>	<i>2000</i>	<i>Actual production 1999</i>
Weaving production (in '000 metres)	20,000	19,338	16,974
	=====	=====	=====

There is a shortfall in actual production because of load shedding by KESC during the year.

32. General

32.1 Previous year's figures have been rearranged wherever necessary for the purpose of comparison.

32.2 Figures have been rounded off to the nearest rupee.

Mohammed Zafar Iqbal
Chief Executive

Salim H. Mohammed
Director

Pattern of holdings of the shares held by the shareholders as at June 30, 2000

<i>Number of Shareholders</i>	<i>Shareholding</i>	<i>To Shares</i>
719	From 1 to 100	Shares
508	From 101 to 500	Shares
163	From 501 to 1,000	Shares
176	From 1,001 to 5,000	Shares

24	From	5,001	to	10,000	Shares
14	From	10,001	to	15,000	Shares
9	From	15,001	to	20,000	Shares
3	From	20,001	to	25,000	Shares
3	From	25,001	to	30,000	Shares
2	From	30,001	to	35,000	Shares
6	From	35,001	to	40,000	Shares
2	From	40,001	to	45,000	Shares
1	From	50,001	to	55,000	Shares
2	From	55,001	to	60,000	Shares
3	From	60,001	to	65,000	Shares
1	From	65,001	to	70,000	Shares
1	From	70,001	to	75,000	Shares
1	From	75,001	to	80,000	Shares
3	From	85,001	to	90,000	Shares
1	From	95,001	to	100,000	Shares
2	From	185,001	to	190,000	Shares
1	From	280,001	to	285,000	Shares
1	From	340,001	to	345,000	Shares
1	From	385,001	to	390,000	Shares

1,647
=====

4,
=====

Categories of Shareholders

Number of Shareholders

Shares held

Percentage (%)

Individuals	1,610	2,156,737	53.92
Investment Companies	3	23,853	0.59
Insurance Companies	5	102,529	2.56
Joint Stock Companies	19	782,606	19.57
Financial Institutions	3	447,249	11.18
Charitable and Religious Trusts	6	486,026	12.15
Others	1	1,000	0.03
	-----	-----	-----
	1,647	4,000,000	100.00
	=====	=====	=====

Notice of Annual General Meeting

Notice is hereby given that the 27th Annual General Meeting of the shareholders of the Company will be held at Raffia Choudri Memorial Centre, Ground Floor, Sidco Avenue Centre, 264 R. A. Lines, Karachi, on Tuesday, 12th December, 2000, at 11.30 a.m. to transact the following business:

1. To confirm the minutes of the 26th Annual General Meeting of the Shareholders of the Company held on 16th December, 1999.
2. To receive and adopt the report of the Directors and Audited Accounts of the

Company for the year ended June 30, 2000.

3. To appoint Auditors for the year 2000-2001 and fix their remuneration. The retiring Auditors M/s. Ford, Rhodes, Robson, Morrow have offered their services for the ensuing year.

4. To transact such other business as may be placed before the meeting with the permission of the Chairman.

By Order of the Board

AKBER ALI NANJI
Secretary

Karachi: 23rd October, 2000.

Notes:

(1) The Share Transfer Books of the Company will remain closed from Saturday the 2nd December, 2000 to Tuesday the 12th December, 2000 (both days inclusive).

(2) A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend and vote instead of him / her. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the meeting.

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

(4) Account holders and sub-account holders holding book entry securities of the Company in Central Depository Company of Pakistan Limited, who wish to attend the Annual General Meeting, are requested to bring original National Identity Card with copy thereof duly attested by their Bankers, Account and participant's ID numbers, for identification purpose.