

TREET CORPORATION LIMITED

(Annual Report for the period 18 months ended June 30, 1996

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Board of Directors

SYED WAJID ALL	Chairman
SYED ASAD ALL	Vice Chairman
SYED SHAHID ALL	Managing Director
BEHRAM HASAN	
S. QAMAR ALL ZAIDI	
MUSHTAQ H. KHWAJA	
N.Z. MAMA	

COMPANY SECRETARY

MUHAMMAD RASHEED

AUDITORS

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS
KARACHI

REGISTERED OFFICE

KANDAWALA BUILDING
M.A. JINNAH ROAD
KARACHI-74400

BANKERS

ANZ GRINDLAYS BANK p.l.c. - KARACHI
NATIONAL BANK OF PAKISTAN - KARACHI

LEGAL ADVISOR

HUSSAIN AND HALDER - KARACHI

FACTORIES

HALL ROAD, HYDERABAD-71900
72-B, KOT LAKHPAT INDUSTRIAL AREA,
LAHORE

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of Treet Corporation Limited will be held at Hotel Holiday Inn, Crowne Plaza, Shahrah-e-Faisal, Karachi, on Saturday 21st December 1996'at 2.00 p.m. to transact the following business.

ORDINARY BUSINESS:

1. To confirm the minutes of the Extraordinary General Meeting held on 30th June 1996.
2. To receive and consider the statement of accounts for the period of 18 months ended 30,th June 1996, the repeal of Auditors and Directors thereon.
2. (a) declare a dividend.
3. To appoint Auditors and fix their remuneration.
4. To transact any other business with the permission of the Chair.

NOTES:

i) The Share Transfer Books of the Company will remain closed from 12th December 1996 to 21st December 1996 (both days inclusive).

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

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

Report of Directors to the Members

The Board of Directors of your Company feel pleasure in presenting the Accounts for Eighteen Months period ended 30 June 1996.

The Directors are greatly satisfied to have achieved record earnings. Sales reached 595 Million Rupees for an averaged out year of 12 months, more than 189 million rupees higher than the record set last year. Gross earnings increased to 18.8% from 14.9%. This is especially commendable keeping in view the continued sliding in foreign currency exchange rates and increase in cost of utilities coupled with inflationary pressures. These factors together adversely contributed to the increase in cost of almost all inputs of Company's products. Rupee declined by 14% against US Dollar during 18 month period. Regulatory duty on imports at the rate of 10% was imposed in the year 1995.

To combat the situation, the Company besides consolidating its acquisitions resorted to relentlessly cutting costs and achieving higher standards of production efficiency.

Fighting and instability in Afghanistan casually and temporarily obstructed smuggled goods trade into Pakistan and provided an opportunity to the Company to fill in the gap and modestly stabilise its selling prices in the market.

Inevitably, the advertising expenditure and Travelling cost of sales staff remained high and was incurred to achieve higher sales.

Looking ahead, the Company has excellent growth potentials in the categories of disposable shaving systems and Double Edge Stainless Blades. This is precisely the area where we are also trying to grow overseas with particular reference to emerging markets.

The Employee-Management relations remained cordial as usual which made it possible to present these results to you inspite of odds as mentioned above. The Board of Directors record its appreciation for valuable contribution made by Mr. Shabbir A. Ferozpurwalla and Mr. Attaul Haque Ansari during their tenure as Directors of the Company and extend warm welcome to Mr. N. Z. Mama on the Board.

The profit and appropriation for the year are as follows:

	(Rupees in '000)
Operational Profit for the year	43,166
Add: Other Income	9,722

Profit before Tax	52,888
Less: Provision for Taxation	20,078

Profit After Taxation	32,810
Less: Loss brought forward	(810)

Available for Appropriation	32,000
Less: Proposed Cash Dividend 15%	6,273
Transfer to General Reserve	25,000

Un-appropriated profit	727
Carried forward	=====

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

A statement showing the pattern of Shareholding in the Company as at June 30, 1996 is attached.

Auditor's Report to the Members

We have audited the annexed balance sheet of Treet Corporation Limited as at 30 June 1996 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof for the eighteen months period ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 1996 and of the profit and the changes in financial position for the period then ended; and

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

Balance Sheet As at 30 June 1996

	Note	30 June 1996	31 December 1994
(Rupees in '000)			
FIXED CAPITAL EXPENDITURE	3	94,408	93,634
LONG TERM INVESTMENTS - at cost	4	31,571	31,571
TRADE MARK - at cost Rs. 240 (1994: Rs. 240)			
LONG TERM ADVANCES, DEPOSITS AND PREPAYMENTS	5	1,781	3,400
CURRENT ASSETS			
Stores and spares	6	35,089	40,370
Stock and stores-in-transit - At cost		13,795	13,163
Stock-in-trade	7	74,102	43,558
Due from subsidiary company	8	19,069	6,616
Trade debtors - Unsecured considered good		7,537	5,719
Advances, deposits, prepayments and other receivables 9		22,584	10,900
Cash and Bank Balances	10	10,950	6,644
		-----	-----
		183,126	126,970
CURRENT LIABILITIES			
Current maturity	11	12,844	34,368
Finance under mark-up arrangements - secured	12	73,477	80,196
Morabaha finance - secured	13	9,484	3,500
Loan from director - unsecured	14	4,000	6,000
Creditors, accrued expenses and other liabilities	15	59,289	40,546
Provision for taxation	16	13,300	3,756
Unclaimed dividend		372	372
Dividend payable		6,273	-

		179,039	168,738
NET CURRENT ASSETS/(LIABILITIES)		4,087	(41,768)
NET ASSETS		131,847	86,837
FINANCED BY:			
SHARE CAPITAL	17	41,822	27,882
RESERVES	18	51,349	19,379
UNAPPROPRIATED PROFIT/(LOSS)		727	(810)
SHARE HOLDERS' EQUITY		93,898	46,451
LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE	19	9,092	19,232
DEFERRED LIABILITY FOR STAFF GRATUITY COMMITMENTS	20	28,857	21,154
		131,847	86,837

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

Profit and Loss Account

For the eighteen months period ended 30 June 1996

	Note	(Rupees in '000)		(Rupees in '000)	
		Six months period ended 30 Jun-95	Twelve months period ended 30 Jun-96	Eighteen months period 30 Jun-96	Year ended 31 December 1994
Sales - Net	21	274,141	616,668	890,809	404,958
Cost of Goods Sold	22	222,071	501,372	723,443	344,762
Gross profit		52,070	115,296	167,366	60,196
Administrative expenses	23	5,452	12,234	17,686	8,027
Selling and distribution expenses	24	18,304	42,453	60,757	25,080
Financial expenses	25	15,571	26,276	41,847	31,515
Workers' profit participation fund		791	2,053	2,844	432
Workers' Welfare Fund		353	713	1,066	135
		40,471	83,729	124,200	65,189
Operating profit/(loss)		11,599	31,567	43,166	(4,993)
Other income	26	3,080	6,642	9,722	13,068
Profit before taxation		14,679	38,209	52,888	8,075
Taxation					
Current		6,860	13,300	20,160	2,800
Prior year's		-	(82)	(82)	1,244
		-6,860	-13,218	(20,078)	(4,044)
Profit after taxation		7,819	24,991	32,810	4,031
Accumulated (loss)/unappropriated profit brought forward				(810)	(4,841)
Profit available for appropriation				32,000	(810)
Appropriation					
Proposed Cash dividend @ 15% (1994 nil)				6,273	-
Transferred to general reserve				25,000	-
Unappropriated profit/				31,273	-

accumulated (loss)

727 -810

=====

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

Statement of Changes in Financial Position
For the eighteen months period ended 30 June 1996

	Eighteen Months period ended 30 June 1996	Year ended 31-Dec 1994
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	52,888	8,075
Adjustments for:		
Depreciation	33,216	23,584
Provision for gratuity	9,425	4,397
Gain on sale of fixed assets	(1,068)	(531)
Gain on sale of long term investments	-	(9,549)
	-----	-----
Operating profit before working capital changes	41,573	17,901
	-----	-----
(Increase)/decrease in operating assets		
Stores and spares	5,281	(1,603)
Stock in trade	(30,544)	2,643
Stock and stores in transit	(632)	1,657
Due from subsidiary company	(12,453)	6,814
Trade debtors	(1,818)	1,895
Advances, deposits, prepayments and other receivables	(1,300)	1,004
	-----	-----
Increase/(decrease) in operating liabilities	(41,466)	12,410
Export refinance loan	-	-3,500
Morabaha finance	5,984	(15,500)
Creditors, accrued expenses and other liabilities	18,743	(711)
Loan from Director	-2,000	6,000
	-----	-----
Cash generated from operations	22,727	(13,711)
	-----	-----
Taxes paid	(19,300)	(4,829)
Gratuity paid	(1,722)	(727)
Dividend paid	-	(422)
	-----	-----
Net cash from operating activities	(21,022)	(5,978)
	-----	-----
Cash Flows From Investing Activities	54,700	18,697
Capital expenditure incurred	(19,490)	(24,812)
Proceeds from sale of fixed assets	1,607	695
Proceeds from sale of long term investments	-	19,134
Investments acquired	-	(2,945)
	-----	-----
Net cash from investing activities	(17,883)	(7,928)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of redeemable capital	(12,195)	(7,007)
Repayment of long term loan	(5,554)	(4,992)
Payment of lease obligation	(27,108)	(12,542)
Repayment of liability for investment in associated undertaking	(1,847)	(2,542)

Proceeds from sale and lease back of fixed assets	-	22,720
Proceed from issue of right share	20,912	-
	-----	-----
Net cash from financing activities	(25,792)	(4,363)
	-----	-----
Net increase in cash and cash equivalents	11,025	6,406
Cash and cash equivalents at the beginning of the period/year	(73,552)	(79,958)

Cash and cash equivalents at end of the period/year	(62,527)	(73,552)
	=====	=====
Note:		
Cash and cash equivalents		
Cash and bank balances	10,950	6,644
Finance under mark-up arrangements	(73,477)	(80,196)
	-----	-----
	(62,527)	(73,552)
	=====	=====

Notes to the Accounts

For the eighteen months period ended 30 June 1996

1. STATUS AND NATURE OF BUSINESS

The company was incorporated on 22 January 1977 as a public limited company and its shares are listed on Karachi and Lahore Stock Exchanges. The principal activity of the company is the manufacturing and sale of razors and razor blades.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under historical cost convention

2.2 Staff retirement benefits

(a) Staff gratuity

The company operates an unfunded gratuity scheme and provision is made annually to cover the obligations under the scheme

(b) Provident fund

A recognised provident fund scheme is in operation which covers all permanent employees who have completed three months service and have been issued confirmation letters. Equal contributions are made monthly both by the company and the employees in accordance with the rule of the scheme at 10% of basic pay.

(c) Retirement benefits

Retirement benefits are calculated with reference to last drawn-salary and prescribed qualifying periods of services of the employees. Amounts are charged to profit and loss account as and when paid.

2.3 Taxation

(a) Current

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

(b) Deferred

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

2.4 Fixed assets and depreciation

Owned

Fixed assets including all additions are carried at cost less accumulated depreciation.

On disposal or scrapping, the cost of the assets and the corresponding depreciation is adjusted from both the accounts and the resultant gain or loss is dealt with through the profit and loss account.

A full year's depreciation is charged on all fixed assets capitalised during the year while no depreciation is charged in the year fixed assets are disposed or scrapped.

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

Assets which have been fully depreciated are retained in the books at a nominal value of Re. 1.

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

Leased

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

2.5 Capital work-in-progress

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

2.6 Long term investments

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

2.7 Stores and spares

These are valued at lower of moving average cost and net realizable value.

2.8 Stock-in-trade

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

2.9 Stock and stores-in-transit

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

2.10 Trade debtors

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

2.11 Foreign currencies

Assets and liabilities in foreign currencies are translated into rupees at rates of exchange which approximate those prevailing at the balance sheet date except for liabilities covered under forward exchange contracts which are translated at the contracted rates. Exchange differences are taken to profit and loss account currently.

2.12 Basis of allocation of common expenses

The company has allocated its relevant expenses (except directly identifiable expenses) for the period to Zulfeqar Industries Limited (subsidiary company) being the costs incurred and services rendered by the company on its behalf on a proportionate basis.

2.13 Revenue recognition

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

2.14 Dividend income

Dividend income is recognised on receipt basis.

3. FIXED CAPITAL EXPENDITURE

		30 June 1996	31 December 1994
		(Rupees in '000)	
Operating assets	3.1	77,677	85,453
Capital work-in-progress	3.2	16,731	8,181
		-----	-----
		94,408	93,634
		=====	=====

3.1 Operating Assets - At cost less accumulated depreciation

	COST	Additions/ (Disposals)	Adjust.	As at 30 June 1996	Rate	As at 01 Jan-95	For the Period	(Rupees '000)		Written down value as at 30 Jun-96
								As at 01 Jan-95	DEPRECIATION (Disposals)/ Adjust.	
OWNED										
Freehold land	3,239	-	-	3,239	-	-	-	-	-	3,239
Building on freehold land	28,754	942	-	29,696	5 to 10	19,918	3,305	-	23,223	6,473
Plant and machinery	148,651	25,897	-	174,548	10	125,769	18,348	6,977	151,094	23,454
Furniture and equipments	11,584	3,279 (883)	-	13,980	10 to 20	8,958	946	71 (825)	9,150	4,830
Vehicles	10,554	7,599 (2,627)	-	15,526	20	6,822	3,279	1,507 (2,146)	9,462	6,064
	-----	-----		-----		-----	-----	-----	-----	-----
	202,782	37,717 (3,510)	-	236,989		161,467	25,878	8,555 (2,971)	192,929	44,060
LEASED										
Plant and machinery	50,983	14,000 (23,908)	-	41,075	10	8,989	6,657	(6,977)	8,669	32,406
Equipment	931	-286	-	645	10 to 20	121	111	- (71)	161	484
Vehicles	2,583	1,039 (2,583)	-	1,039	20	1,249	570	- (1,507)	312	727
	-----	-----		-----		-----	-----	-----	-----	-----
	54,497	(11,738)	-	42,759		10,359	7,338	(8,555)	9,142	33,617
Rupees	257,279	25,979 (3,510)	-	279,748		171,826	33,216	-2,971	202,071	77,677
	=====	=====		=====		=====	=====	=====	=====	=====
31 Dec, 1994 Rupees	228,465	29,716 (902)		257,279		148,982	23,584	-740	171,826	85,453
	=====	=====		=====		=====	=====	=====	=====	=====

3.1.1. Depreciation charged for the period/year has been allocated as follows:

	Note	30-Jun 1996	31-Dec 1994
		(Rupees in '000)	
Cost of goods sold	22	30,706	22,354
Administrative expenses	23	981	497
Selling and distribution expenses	24	1,529	733
		-----	-----
		33,216	23,584
		=====	=====

3.1.2 Disposal of fixed assets

Particulars	Cost	Accumulated	Written	Sale	Profit	Mode of sale	Sold to
-------------	------	-------------	---------	------	--------	--------------	---------

	depreciation	down value proceeds					
VEHICLES							
Toyota Corolla	370	296	74	161	87	Negotiation	Mrs. Safia Sarwat H-B, Marine Drive Aptt. FL-III Block-VII, Clifton, Karachi.
Toyota Corolla	190	190	-	118	118	Executive Car Scheme	Mr. Shafiq Anjum, Employee
Suzuki Mehran	150	120	30	50	20	Executive Car Scheme	Mr. M. Nazir, Employee
Suzuki Alto	137	187	-	68	63	Executive Car Scheme	Mr. Rashid Nasir, Employee
Suzuki Swift	203	203	-	55	55	Negotiation	Hi-Lander Soaps (Pvt) Ltd. Mirpur, Azad Kashmir
Suzuki Swift	188	188	-	50	50	Executive Car Scheme	Mr. Azhar Ahsan. Employee
Suzuki Swift	189	189	-	55	55	Negotiation	Mr. Tahreem-ul-Haq B-14 Block 13-D, Gulshan-e-Iqbal Karachi.
Honda Motorcycles	146	113	33	138	105	Staff Motorcycle Scheme	Various Employees
Suzuki Mehran	135	135	-	61	61	Executive Car Scheme	Mr. M. Din, Employees
Suzuki Bollan	200	100	100	200	100		Insurance Claim
Toyota Corolla	220	66	154	154	-	Executive Car Scheme	Mr. Asadullah Khan Employee
Motor Cycles	498	409	90	392	302	Staff Motorcycle Scheme	Various Employees
	----- 2,626	----- 2,146	----- 481	----- 1,497	----- 1,016		
FURNITURE AND EQUIPMENT							
Computer DRS-20	842	800	42	89	47	Negotiation	ICL Grindlays Bank Build I.I. Chundrigar Road, Karachi.
Refrigerators	42	25	16	21	5	Negotiation	Various Employees
Rupees	----- 3,510	----- 2,971	----- -539	----- 1,607	----- 1,068		
31 Dec 1994 Rupees	=====	=====	=====	=====	=====		
	----- 903	----- 740	----- 163	----- 694	----- 531		

3.2 Capital work-in-progress is represented by:

	30 June 1996	31 December 1994
Advance to contractors	2,898	2,835
Plant, machinery and equipment under installation	13,833	5,346
	-----	-----
	16,731	8,181
	=====	=====

4. LONG TERM INVESTMENTS - at cost

Companies	(Rupees in '000)							
	No. of Ordinary Shares of Rs. 10/- each		Cost		Market Value		Percentage of Holding	
	30 June 1996	31 Dec. 1994	30-Jun 1996	31 Dec. 1994	30-Jun 1996	31 Dec. 1994	30-Jun 1996	31 Dec. 1994
Subsidiary company								

Zulfegar Industries Limited	1,040,678	1,040,678	7,849	7,849	11,513	10,407	5,203	5,203
Associated Companies								
Wazir All Industries Limited	589,050	589,050	23,454	23,454	12,370	10,014	22,67	2,267
International General Insurance Company of Pakistan Limited	3,300	3,000	268	268	210	240	0.79	79
			-----	-----	-----	-----		
			31,571	31,571	24,093	20,661		
			-----	-----	-----	-----		

4.1 The company pledged 420,000 (1994: 520,000) shares of Zulfegar Industries Limited with Dadabhoy Leasing Company Limited for morabaha financing facility granted to Zulfegar Industries Limited. Zulfegar Industries Limited has repaid the financing, however, the above shares have not yet been released by Dadabhoy Leasing Company Ltd.

5. LONG TERM ADVANCES, DEPOSITS AND PREPAYMENTS

	30 June 1996	31 December 1994
	(Rupees in '000)	
Advances to employees - secured	-	54
Deposits		
Letter of guarantee - Margin	172	-
Utilities	167	107
Lease facility	1,442	3,172
Prepayments	-	67
	-----	-----
	1,781	3,400
	=====	=====

6. STORES AND SPARES

Stores	6,527	9,184
Spares	28,562	31,186
	-----	-----
	35,089	40,370
	=====	=====

7. STOCK-IN-TRADE

Raw materials and chemicals	31,710	8,889
Packing materials	8,642	7,434
Work-in-process	14,996	10,030
Finished goods	18,754	17,205
	-----	-----
	74,102	43,558
	=====	=====

8. DUE FROM SUBSIDIARY COMPANY

Return at the rate of 17% per annum is charged on the monthly balances due from the subsidiary company, Zulfegar Industries Limited. The amount represents the balance of transactions on current account including common expenses and licence fee charges. There is no agreed repayment date for the principal amounts due from subsidiary company.

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 1996	31 December 1994
	(Rupees in '000)	
Un secured considered good		
Advances		
To employees	2,157	1,456
To suppliers	1,313	799
For custom duty	56	184
For taxation	13,006	4,241

		-----	-----
		16,532	6,680
		=====	=====
Letter of credit - margin deposit		-	47
Prepayments		736	1,022
Lease deposits		1,322	1,054
Other receivables			
Associated company	9.1	14	490
Miscellaneous		3,980	1,607
		-----	-----
		3,994	2,097
		-----	-----
		22,584	10,900
		=====	=====

9.1 Maximum aggregate amount due from associated companies at the end of any month during the period/year was Rs. 1,489 million (1994 : Rs. 1,028 million).

10. Cash and bank balances

Current accounts		3,657	1,585
Collection accounts		7,293	5,059
		-----	-----
		10,950	6,644
		=====	=====

11. CURRENT MATURITY

		30 June	31 December
		1996	1994
		(Rupees in 000)	
Redeemable capital-non participatory			
Mark-up based term finance certificates		-	12,195
Long-term loan, lease facility and liability for investment in an associated company			
Long-term loan-secured		-	5,554
Lease facility		12,844	14,772
Liability for investment in an associated Company-secured		-	1,847
		-----	-----
		12,844	22,173
		-----	-----
		12,844	34,368
		=====	=====

12. FINANCE UNDER MARK-UP ARRANGEMENTS-Secured

ANZ Grindlays Bank		31,496	32,030
National Bank of Pakistan		41,981	48,166
		-----	-----
		73,477	80,196
		=====	=====

The company has bank finance facilities of Rs. 63.6 million (1994:Rs.63.6 million) under mark-up arrangements from ANZ Grindlays Bank and National Bank of Pakistan. The facilities carry mark-up at 44 to 51 paisas per Rs. 1,000 per day net of prompt payment rebates and are secured against preferential charges by way of registered hypothecation of stock in trade, stores, spares and book debts.

The balances of bank finance in excess of the above facilities represents unrepresented cheques which are to be matched against subsequent receipts.

The facilities for opening letter of credit and guarantees amounted to Rs. 45.677 million (1994:Rs.45.677 million). Of these facilities the amount utilized at 30 June 1996 aggregated to Rs. 21.484 million (1994:Rs.20.631 million).

13. MORABAHA FINANCE - secured

The company has entered into morabaha facilities for sale of plant and machinery of Rs. 9.484 million (1994:Rs.3.5 million) with corresponding purchase price of Rs. 10.625 million (1994: Rs. 3.99 million). The facility is secured by way of hypothecation of plant and machinery, demand promissory note, and company's guarantee.

14. LOAN FROM DIRECTOR - unsecured

The company has obtained short term loan of Rs. 4.00 million (1994:6.00 million) from one of its director. The loan carries mark up @ 17% per annum.

15. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 1996	31 December 1994
	(Rupees in 000)	
Creditors		
Associated company	3,453	1,910
Others	6,577	2,737
	-----	-----
	10,030	4,647
Accrued expenses		
Mark-up on:		
Term finance certificate	-	3,298
Mark-up on long term loan	-	141
Finance under mark-up arrangements	5,427	4,003
Morabaha finance	571	245
Loan from Director	537	794
Overdrawn bank balance	-	785
Sales tax payable	2,417	5,364
Others	26,437	13,660
	-----	-----
	35,389	28,290
Other liabilities		
Advance from customer	2,828	1,458
Due to associated companies	1,978	2,298
Workers' welfare fund	713	135
Workers' profit participation fund	2,053	432
Employees deposit	2,478	2,051
Others	3,820	1,235
	-----	-----
	13,870	7,609
	-----	-----
	59,289	40,546
	=====	=====

15.1 Workers' profit participation fund

Balance at 01 January	432	-
Allocation for the period/year	2,844	432
	-----	-----
	3,276	432
Less: Paid during the period/year	1,223	-
	-----	-----
	2,053	432
	=====	=====

16. TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1995-96. However, appeals are pending with various appellate authorities for assessments years 1987-88, 1989-90, 1991-92 to 1994-95.

17. SHARE CAPITAL

Authorised	30 June 1996	31 December 1994
	(Rupees in 000)	
5,000,000(1994: 5,000,000) ordinary shares of Rs. 10/- each	50,000	50,000
=====	=====	=====
Issued, subscribed and paid-up shares of Rs. 10/- each		

600,000 Shares issued for consideration other than cash		6,000	6,000
495,000 Shares issued to Pakistan Industrial Credit and Investment Corporation Limited under conversion option		4,950	4,950
2,594,075 Shares issued as fully paid-up in cash		25,940	12,000
493,150 Shares issued as fully paid bonus shares		4,932	4,932
-----		-----	-----
4,182,225		41,822	27,882
=====		=====	=====

18. RESERVES

Capital reserve	18.1	8,949	1,979
General reserve	18.2	42,400	17,400
		-----	-----
		51,349	19,379
		=====	=====

18.1 Capital reserve

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

		629	629
	18.1.1	8,320	1,350
		-----	-----
		8,949	1,979
		=====	=====

18.1.1 Share premium

Opening balance		1,350	1,350
Premium on 1,394,075 shares issued		6,970	-
		-----	-----
		8,320	1,350
		=====	=====

18.2 General reserve

Opening balance		17,400	17,400
Transferred from profit and loss account		25,000	-
		-----	-----
		42,400	17,400
		=====	=====

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	30 June 1996	31 December 1994
	(Rupees in 000)	
Balance as at 01 January	34,004	23,829
Add: Assets acquired during the period/year	15,039	22,720
	-----	-----
	49,043	46,549
Less: Repayments made during the period/year	27,107	12,545
	-----	-----
	21,936	34,004
Less: Transferred to current maturity	12,844	14,772
	-----	-----
	9,092	19,232
	=====	=====

The salient features of the leases are as follows:

* Discounting factor	19.37% to 22.91%
* Number of monthly lease instalments	36 per annum
* Amount per instalment	Rs. 2,271,671
* Security deposit	5% to 10%
* Company has purchase option at the end of the lease term.	
* Security deposit adjustable from residual value.	

* The company is liable to pay additional rental ranging from 2% to 3% in case of default in payment of lease rent on due date.

* The future commitments for minimum lease payments under various lease agreements are as follows:

1995-96	-	19,945
1996-97	14,124	13,086
1997-98	6,373	4,420
1998-99	1,626	-
1999-2000	1,084	-
	-----	-----
	23,207	37,451
Less: Financial charges allocable to future periods	(4,035)	(7,673)
Security deposit	2,763	4,226
	-----	-----
	(1,272)	(3,447)
	-----	-----
	21,935	34,004
	=====	=====

20. COMMITMENTS

	30 June 1996	31 December 1994
	(Rupees in '000)	

Capital commitments	3,432	10,809
	=====	=====

21. SALES - Net

	Six months period ended 30 June 1995	Twelve months period ended 30 June 1996	Eighteen months period ended 30 June 1996	Year ended 31 December 1994
Gross sales				
- Local	21.1	254,580	590,193	844,773
- Export		19,527	29,176	48,703
		-----	-----	-----
		274,107	619,369	893,476
Add: Export rebate		1,536	5,301	6,837
		-----	-----	-----
		275,643	624,670	900,313
		-----	-----	-----
Less: Trade promotion discount		1,343	6,789	8,132
Commission and discount		591	1,213	1,372
		-----	-----	-----
		1,502	8,002	9,504
		-----	-----	-----
		274,141	616,668	890,809
		=====	=====	=====

21.1 Includes sales of soap amounting to Rs. 16.9 million (1994: Nil)

22. COST OF GOODS SOLD

Raw and Packing material consumed	22.1	104,468	259,667	364,135	170,596
Manufacturing charges		-	1,457	1,457	-
Stores and spares consumed		14,714	34,567	49,281	18,333
Salaries, wages and other benefits		36,786	73,306	110,092	57,674
Fuel and power		7,170	18,313	25,483	11,183
Repairs and maintenance - vehicles		36	158	194	93
- others		990	2,484	3,474	1,524
Rent, rates and taxes		538	1,334	1,872	845
Insurance		485	973	1,458	954
Product research and development		791	326	1,117	148
Sales tax		41,273	92,765	134,038	58,484
Travelling and conveyance		855	1,796	2,651	2,276
Printing and stationery		174	490	664	379
Postage and telephone		594	1,056	1,650	935
Legal and professional		223	242	465	464
Entertainment		106	282	388	244
Subscriptions		40	158	198	71
Depreciation	3.1.1	10,903	19,803	30,706	22,354

Other expenses	156	478	634	403
	-----	-----	-----	-----
Opening stock of work-in-process	220,302	509,655	729,957	346,960
	10,030	8,660	10,030	8,397
Closing stock of work-in-process	(8,660)	(14,996)	(14,996)	(10,030)
Common expenses charged to ZIL	-	-	-	(776)
	-----	-----	-----	-----
Cost of goods manufactured	221,672	503,319	724,991	344,551
Opening stock of finished goods	17,205	16,806	17,205	17,416
Closing stock of finished goods	(16,806)	(18,753)	(18,753)	(17,205)
	-----	-----	-----	-----
Total	222,071	501,372	723,443	344,762
	=====	=====	=====	=====

22.1 Raw, chemical and packing materials consumed

Opening stock	16,323	18,382	16,323	20,388
Purchases	118,083	310,734	428,817	189,370
	-----	-----	-----	-----
Closing stock	134,406	329,116	445,140	209,758
	(18,382)	(40,353)	(40,353)	(16,323)
	-----	-----	-----	-----
	116,024	288,763	404,787	193,435
Less: Sales tax refund adjustment	11,556	29,096	40,652	22,839
	-----	-----	-----	-----
	104,468	259,667	364,135	170,596
	=====	=====	=====	=====

23. Administrative Expenses

Salaries and other benefits		2,677	6,115	8,792	5,993
Electricity and gas		97	205	302	247
Repairs and maintenance - vehicles		14	43	57	69
others		135	233	368	279
Rent, rates and taxes		382	671	1,053	846
Insurance		287	540	827	644
Advertising		20	359	379	28
Travelling and conveyance		230	535	765	530
Entertainment		98	190	288	222
Postage and telephone		380	1,204	1,584	1,063
Printing and stationery		236	457	693	343
Legal and professional	23.1	151	322	473	294
Donation	23.2	117	183	300	202
Computer expenses		201	319	520	255
Meeting and conference		60	101	161	75
subscription		49	94	143	71
Depreciation	3.1.1	318	663	981	497
		-----	-----	-----	-----
		5,452	12,234	17,686	11,658
Common expenses charged to Zulfegar Industries Limited		-	-	-	(3,631)
		-----	-----	-----	-----
		5,452	12,234	17,686	8,027
		=====	=====	=====	=====

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

Audit fee		40	40	80	35
Other advisory services (including secretarial and corporate advisory services)		24	85	109	72
Out of pocket expenses		10	10	20	10
		-----	-----	-----	-----
		74	135	209	117
		=====	=====	=====	=====

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

24. SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits		7,766	16,111	23,877	11,955
Advertising		8,596	20,300	28,896	8,155
Electricity and gas		262	800	1,062	519
Repairs and maintenance- vehicles		120	202	322	244
-others		235	494	729	476
Freight, octroi and handling		2,833	6,804	9,637	5,468
Rent, rates and taxes		265	563	828	518
Insurance		283	417	700	344
Travelling and conveyance		2,030	6,184	8,214	3,781
Entertainment		73	135	208	167
Postage and telephone		771	2,139	2,910	1,677
Product development		332	213	545	778
Printing and stationery		224	516	740	507
Legal and professional		6	17	23	14
Meeting and conferences		195	396	591	210
Subscription		50	108	158	82
Depreciation	3.1.1	443	1,086	1,529	733
Computer expenses		41	143	184	65
		-----	-----	-----	-----
		24,525	56,628	81,153	35,693
Common expenses charged to Zulfeqar Industries Limited		-6,221	-14,175	-20,396	-10,613
		-----	-----	-----	-----
		18,304	42,453	60,757	25,080
		=====	=====	=====	=====

25. FINANCIAL EXPENSES

Mark-up interest on:					
- Term finance certificates		759	-	759	2,444
- Long - term loan		586	-	586	1,094
Mark-up on:					
Finance under mark-up arrangements		5,904	11,542	17,446	11,336
Morabaha finance		1,353	2,190	3,543	3,328
Loan from Director		510	964	1,474	794
Others		1,716	3,602	5,318	3,115
Advances from associate company		143	14	157	506
Financial charges on leases		3,642	5,733	9,375	7,377
Exchange risk fee		73	-	73	251
Bank charges		885	1,682	2,567	1,270
Workers profit participation fund		-	131	131	-
Commission on right issue		-	418	418	-
		-----	-----	-----	-----
		15,571	26,276	41,847	31,515
		=====	=====	=====	=====

26. OTHER INCOME

Trade mark licence fee	28.1	893	2,053	2,946	1,562
Insurance commission		114	316	430	265
Profit on sale of fixed assets		553	516	1,069	531
Sales of scrap and empties		867	2,636	3,503	1,132
Rental		15	-	15	30
Gain on disposal of investment		-	-	-	9,548
Dividend income		-	18	18	-
Less: Return on advance to Zulfeqar Industries Limited		638	1,103	1,741	-
		-----	-----	-----	-----
		3,080	6,642	9,722	13,068
		=====	=====	=====	=====

26.1 The company has entered into an agreement dated 24 July 1986 with its subsidiary Zuffeqar Industries Limited for allowing the use of its trade marks "Fantasy", "Capri" and "Sandaleen" soaps against a consideration of an annual licence fee @ 0.5 percent of turnover of related products.

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

	Chief Executive	Year ended 31 December 1994	Other working Directors		Executives		
	Eighteen months period ended 30 June 1996		Eighteen months period ended 30 June 1996	Year ended 31 December 1994	Eighteen months period ended 30 June 1996	Year ended 31 December 1994	
No. of persons	1		1	1	1	12	7
Remuneration	264		375	336	300	1,648	1,089
Provident fund	26		-	-	24	154	83
Bonus	60		-	75	-	357	-
Entertainment	48		-	-	24	-	-
Utilities	192		384	180	168	1,531	762
Medical	77		473	116	6	322	131
Leave passage	30		114	177	30	270	126
	697		1,346	884	552	4,282	2,191

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

Aggregate amount charged in these accounts for fee to 12 non-executive directors was Rs. 0.003 million (1994: Rs. 0.007 million to 5 non-executive directors).

28. PLANT CAPACITY AND PRODUCTION

	Assessed/rated	Actual Production			
		Six months period ended 30 Jun-95 (Rupees in '000)	Twelve months period ended 30 Jun-96	Eighteen months period ended 30 Jun-96	Year ended 31 December 1994
Hyderabad	171.2/300	167	332	499	280
Lahore	-/300	149	292	441	223

The actual production upto 30 June 1996 has been for eighteen month period and is not comparable with the capacity which is determined on an annual basis.

29. TRANSACTIONS WITH RELATED PARTIES

	Six months period ended 30 June1995 (Rupees in '000)	Twelve months period ended 30 June1996	Eighteen months period ended 30 June1996	Year ended 31 December 1994
Purchases and services received	25,263	44,159	69,422	49,176
Common expenses charged to subsidiary Company	6,221	14,175	20,396	15,020
Interest paid on balances due to an associated company	143	14	157	364
Interest on balances due from subsidiary Company	638	1,103	1,741	-

30. GENERAL

30.1 Previous year's figures have been re-arranged, wherever necessary, to facilitate

comparison.

30.2 Figures have been rounded off to the nearest thousand of rupees.

**STATEMENT PURSUANT TO SECTION 237 (1)
OF THE COMPANIES ORDINANCE, 1984**

A copy of the latest audited accounts of the subsidiary Zulfeqar Industries Limited and Hi-Lander Soaps (Private) Limited for the period ended 30 June 1996 together with the director's and auditors' report is enclosed.

The information required in terms of sub-section 6 of section 237 of the Companies Ordinance, 1984 is as follows:

Zulfeqar Industries Ltd	Hi-Lander Soaps (Private) Limited			
30-Jun 1996	31 December 1994	30 June 1996	31 December 1994	
(Rupees in 000)	(Rupees in 000)			
Extent of interest of the parent company in the subsidiary company	52.03%	52.03%	52.03%	-
Net aggregate profit of the subsidiary after taxation relating to the interest of the holding company not dealt with in the company's account				
- For the period/year	2,292	4,458	3,112	-
For the period from 15 September 1980, the date of acquisition of the subsidiary, upto 30 June	(913)	(3,205)	-	-

Form - 34

PATTERN OF SHAREHOLDING AS AT 30 JUNE, 1996

No. of Share Holders	Share Holding	Total Shares Held
2264	From 1	100 41,600
367	From 101	to 500 87,320
97	From 501	to 1000 67,618
77	From 1001	to 5000 171,446
16	From 5001	to 10000 113,765
6	From 10001	to 15000 74,400
2	From 15001	to 20000 31,389
1	From 25001	to 30000 26,757
3	From 30001	to 35000 101,020
1	From 35001	to 40000 37,161
1	From 40001	to 45000 43,950
1	From 55001	to 60000 57,900
1	From 60001	to 65000 63,514
1	From 65001	to 70000 69,150
1	From 95001	to 100000 95,96
2	From 145001	to 150000 296 583
1	From 170001	to 175000 172 273
1	From 195001	to 200000 197 400
1	From 215001	to 220000 218 659
1	From 395001	to 400000 399 441
1	From 540001	to 545000 544 206
1	From 545001	to 550000 550 000
1	From 720001	to 725000 720 711
-----		-----
2848		4,182,225
=====		=====

Categories of

Share Holders

	Number	Shares Held	Percentage
Individuals	2823	1,800,369	43.04
Investment Companies	3	291,742	6.98
Insurance Companies	3	641,842	15.35
Joint Stock Companies	7	97,922	2.34
Financial Institution	8	755,475	18.06
Modaraba Companies	1	43,950	1.05
The Corporate Law Authority, Government of Pakistan	1	1	0.00
The Administrator Abandoned Properties Organisation Government of Pakistan	1	924	0.03
Foreign Investor	1	550,000	13.15
	-----	-----	-----
	2848	4,182,225	100
	=====	=====	=====