

## TREET CORPORATION LIMITED

### Annual Reports 2003

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#### **BOARD OF DIRECTORS**

Syed Wajid AM

Chairman

Syed Shahid AM

Chief Executive Officer

Dr. Mrs. Niloufer Mahdi

Syeda Feriel Rifaat Ali

Mr. Ahmed Salahuddin

(Nominee International General Insurance Company of Pakistan Lim

Mr. Asif Jameel

(Nominee National Investment Trust Limited)

Syed Sheharyar Ali

Mr. Muhammad Shafique Anjum

#### **BOARD AUDIT COMMITTEE**

Mr. Ahmed Salahuddin

Chairman

Mr. Asif Jameel

Member

Syed Sheharyar Ali

Member

#### **COMPANY SECRETARY**

Mr. Anwar Khalil Sheikh

#### **CHIEF FINANCIAL OFFICER**

Mr. Amir Zia

#### **EXTERNAL AUDITORS**

Taseer Hadi Khalid & Co.

Chartered Accountants

Lahore.

#### **INCOME TAX CONSULTANTS**

Gardezi & Co.

Chartered Accountants

Lahore.

#### **LEGAL ADVISORS**

Salim & Baig, Advocates - Lahore.

## **BANKERS**

Standard Chartered Bank Limited  
Askari Commercial Bank Limited  
Mashreq Bank psc.  
United Bank Limited  
PICIC Commercial Bank Limited

Bank Al-Habib Limited  
Habib Bank Limited  
National Bank of Pakistan  
Habib Bank A.G. Zurich

## **REGISTERED OFFICE & SHARE DEPARTMENT**

72-B, Kot Lakhpat Industrial Area, Lahore.

Phones: 042-5830881, 5156567 & 5122296

Fax: 042-5836770 E-mail: [treet@nexlinx.net.pk](mailto:treet@nexlinx.net.pk) & [treet@tele.net.pk](mailto:treet@tele.net.pk)

## **FACTORIES**

Hali Road, P.O. Box No. 308, Hyderabad.

Phones : 0221-880846, 883058 & 883174

Fax : 0221-880172

E-mail : [treet@hyd.netasia.com.pk](mailto:treet@hyd.netasia.com.pk)

72-B, Kot Lakhpat Industrial Area, Lahore.

Phones : 042-583088 1 , 5 1 56567 & 5 1 22296 Fax

E-mail : [treet@nexlinx.net.pk](mailto:treet@nexlinx.net.pk) & [treet@tele.net.pk](mailto:treet@tele.net.pk)

E-mail : [treet@cyber.net.pk](mailto:treet@cyber.net.pk)

## **NATIONAL SALES OFFICE**

56, Shahrah-e-Quaid-e-Azam, Lahore.

Phones : 042-6303680, 6303501, 6303502

Fax : 042-6303681

E-mail : [treet@brain.net.pk](mailto:treet@brain.net.pk)

## **KARACHI OFFICE**

17-Abdullah Haroon Road, Karachi.

Phone : 021-5681576 Fax : 021-5681575

## **Company's History**

The Ali family of Pakistan commenced its business activities in South East Asia about a century ago under the dynamic leadership of Late Sir Syed Muratib Ali, a nationally respected and honored pioneer. His unremitting efforts and devotion to the highest standard of integrity and honest dealings contributed in no small measure to the success of his ventures in the highly competitive environment of pre-independence days in subcontinent. It is a legacy that has been maintained to the present.

From 1947 onward, the family diversified from the main business of agriculture & trading into the fledgling industries of soaps, vegetable oil and razor blades in 1954 & 1956. The enterprises were consolidated in to a Public Limited Company, quoted on Pakistan Stock Exchange in 1959. Later, in 1977, the razor blade and soap operations were managed under the rubric of new company, the Treet Corporation, also a Public Limited Company, Quoted on the Stock Exchanges.

In 1984, Treet set up a second factory, the machinery and technology was imported from American Safety Razor Company Staunton USA to manufacture super quality, double edge stainless steel blades & bounded shaving system. In 1997 Treet obtained ISO-9002 Certification from BSI, UK.

The Manufacturing Operations of blades are located in Hyderabad and Lahore and that of Soaps in Gujranwala and the marketing of all brands produced through these locations are managed from marketing and sales offices situated in Lahore.

Treet Corporation Limited, the leading manufacturer of top quality shaving products for the past 49 years, received ISO-9002 certification in 1997 from BSI, U.K., one of the initial recipients of certificate in Pakistan.

Treet practices and closely monitors quality through Total Quality Management. Quality products for the satisfaction of its customer is the main objective of the company. Hence ISO-9002 is an assurance that Treet meets the world quality standards and its products can compete in the world market on quality.

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Twenty Sixth Annual General Meeting of Treet Corporation Limited will be held at Avai Hotel, 87-The Mall, Lahore on Thursday October 30, 2003 at 10.00 A.M. to transact the following Ordinary and Special Business:

**A. ORDINARY BUSINESS**

- 1 To confirm the minutes of previous Annual General Meeting of the shareholders held on October 22, 2002
- 2 To receive, consider and adopt the statement of audited accounts for the year ended June 30, 2003 along with the reports of Auditors and Directors thereon.
- 3 To approve and declare a dividend @ 150% (Rs. 157- per share) as recommended by the Board of Directors
- 4 To appoint Auditors of the Company for the year ending June 30, 2004 and to fix their remuneration. The retiring Auditors M/S. Taseer Hadi Khalid & Co., Chartered Accountants being eligible offer themselves for re-appointment

**B. SPECIAL BUSINESS**

- 5 To consider and pass the following ordinary resolution with or without modification as recommended by the Board:

I RESOLVED that consent be and is hereby given for the payment of remuneration to Mr. Muhammai Shafique Anjum as a whole time working Director, the sum not exceeding Rs. 837,000/- per year and the provision to him of housing, transport, medical, leave fare facilities and other benefits relating to his office in accordance with the Company's rules enforced from time to time

RESOLVED FURTHER that the said whole time working Director shall also be entitled for increment and other benefits/facilities as per Company's Policy.

II RESOLVED that consent be and is hereby given for the payment of Rs. 2,500/- to each member of the Audit Committee for attending each meeting of the Audit Committee of the Company

- 6 To transact any other business with the permission of the Chair.

**By order of the Board  
Lahore: October 01, 2003**

**(ANWAR KHALIL SHEIKH)  
Company Secretary**

STATEMENT U/S 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984 PERTAINING TO THE SPECIAL BUSINESS:

ITEM #5.

I

II

Notes:

As required by the Article No. 98 of the Articles of Association of the Company the remuneration of Mr. Muhammad Shafique Anjum who is working as whole time working Director has to be approved by the shareholders in the General Meeting.

Mr. Muhammad Shfique Anjum is interested in this business up to extent of his remuneration.

As required by the Code of Corporate Governance the Board has established Audit Committee consisting of three Members and as required by the Article No. 98 of the Articles of Association of the Company the fee for attending meetings of the Audit Committee has to be approved by the shareholders in General Meeting.

Mr. Ahmed Salahuddin, Mr. Asif Jameel and Syed Sheharyar Ali, directors and members of the audit committee of the Company are interested in this Business up to extent of their fee.

The Share Transfer Books of the Company will remain closed from October 24, 2003 to October 30, 2003 (both days inclusive).

Any member of the Company entitled to attend and vote 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 time of holding the Meeting and must be duly signed, stamped and witnessed.

The shareholders having shares deposited with the Central Depository Company (CDC) are requested to bring their original National Identity Card or passport and CDC account number for verification.

Members are requested to promptly notify the Company for any change in their addresses, if any.

## **Treet Corporation Limited**

### **Mission Statement**

Our MISSION is, to satisfy and exceed the needs of our customers, providing our products and services with only the best quality, adjusted to their needs and preferences and to create value for our stakeholders. In order to accomplish this, we will continue our emphasis on being the industry's lowest cost producer that responds to customer needs with value-added products and services. We will strive to exceed customer expectations.

It is our belief that we can fulfill this mission through a unique combination of industry vision, supply chain expertise and innovative technology.

### **Vision Statement**

To be an innovative market leader in our businesses that benefit society. We will be differentiated from our competitors by technology, quality, engineering, sales and marketing expertise, while ensuring financial strength and sustainable growth of the company for the benefits of its stake holders

### **Principle**

We will base our human resources systems on our proven principles reflective of our core values and our commitment to attract, reward, develop and motivate sophisticated people. They will reflect the global scope of our business while demonstrating responsibility and flexibility with respect to cultural diversity and statutory and regional business realities.

### **Emphasis**

Our emphasis on continuous improvement in all aspects of our business will enable us to reward our shareholders and employees.

## Social Responsibility

We will continually strive to be environmentally responsible and support the communities where we operate and the industries in which we participate.

## Corporate Values

- Total Customer Services
- Long-Term Business Focus
- Technology Oriented
- Quality & Reliability
- Staff Development & Teamwork
- Effective Resources & Cost Management
- Corporate Responsibility

## STATEMENTS OF ETHICS AND BUSINESS PRACTICES GUIDE LINES TO BUSINESS CONDUCT

### Employees

No one should ask any employee to break the law, or go against company policies and values.

We treat all employees equally and fairly.

We do not tolerate any form of harassment.

Information and necessary facilities are provided to perform jobs in a safe manner.

Employees must not use, bring, or transfer illegal drugs or weapons on company property.

Employees should report suspicious people and activities.

### Business Partners

Avoid conflicts of interest and identify situations where they may occur.

Do not accept or give gifts, favors, or entertainment if it will appear to obligate the person who receives it.

Use and supply only safe, reliable products and services.

Respect our competitors and do not use unfair business practices to hurt our competition.

Do not have formal or informal discussions with our competitors on prices, markets or products, or production or inventory levels.

Manufacture and produce products according to contract specifications.

Market our products and services in an honest and fair manner.

Do not compromise our values to make a profit.

### Business Resources

Do not use inside information about the company for personal profit. Do not give such information to others.

Do not use company resources for personal gain or any non-business purpose.

Protect confidential and proprietary information.

Do not use company resources to send, receive, access or save electronic information that is sexually explicit, promotes hate, violence, gambling, illegal drugs, or the illegal purchase or use of weapons.

Do not make false or misleading entries into the Company's books or records.

### Communities

- Follow all laws, regulations and company policies that apply to your work.
- Do not entice or give money or anything of value to government officials to influence their decisions.
- We measure and assess our performance, and are open and clear in our environmental communications.

- When our standards are higher than what is required by local law, we meet the higher standards.

## **SOCIAL CORPORATE RESPONSIBILITY**

Company believes that a responsible attitude toward society and the environment can make a business more competitive, more resilient to shocks, and more likely to attract and hold both consumers and the best employees.

Company feels that social attitude is a significant part of its risk management and reputation strategy. In a world where brand value and reputation are increasingly seen as the company's most valuable assets, responsible social attitude can build the loyalty and trust that ensure a bright sustainable future.

**Fundamentals to success for our company (and to our vision and corporate values) are based on following premises:**

### **Customers**

Our future existence relies on understanding and satisfying our customers' present and future needs. Our goal is to be recognized by our customers as a high quality, innovative and cost effective supplier, and the most desirable to do business with. We recognize that, as a result, the next person in the process is our customer.

### **Our People**

We value our family of employees as essential to the success of our company. We aim to develop a long term trusting relationship with each employee, encouraging their contributions and assisting in their personal development and education. In all dealings we will be fair and consistent.

### **Products and Services**

We are recognized at large by our end products and services. We will endeavor to produce technologically advanced products and services that offer superior quality and value. Continued innovation and improvement are critical to our survival and growth.

### **Suppliers**

We view suppliers of goods and services as an extension of our company, with whom we wish to develop long term trusting relationships. We expect our suppliers to embrace our quality improvement philosophy in their dealing with us.

### **Shareholders**

We aim to be a company in whom our shareholders have trust and pride. We will keep our shareholders properly informed of our company's performance and prospects. We recognize the need to provide our shareholders with an excellent return on investment, consistent with long term growth.

### **Planning**

All short term decisions will be consistent with long term objectives that balance the needs of our people, customers, suppliers and shareholders. Each year these objectives will be widely communicated within our company.

### **Quality Improvement**

We believe in step by step continual improvement of everything that we are engaged in, including our

administration, marketing, sales, design, service, distribution and manufacturing. We will encourage cross-functional communication and co-operation to aid this.

## **Environment**

Reflecting our commitment to a cleaner world, we aim to develop products and manufacturing processes which are as friendly to the environment as practicable.

### Society

We will conduct our business at all times in a fair, ethical, consistent and professional manner. We accept our responsibilities to be a responsible community neighbor, and will continue to support community affairs.

## **Health, Safety and Environment Policy**

It is Company policy to;

- Minimize its environmental impact, as is economically and practically possible
- Save raw material, water and energy and avoid wastage (and reprocess the waste to the maximum possible extent)
- Ensure that all its present and future activities are conducted safely without endangering the health of its employees, its customers and the public
- Develop plans and procedures and provide resources to successfully implement the policy and for dealing effectively with any emergency
- Provide environmental, health and safety training to all employees and other relevant persons to enable them to carry out their duties safely without causing harm to themselves, others and to the environment
- Ensure that all its activities comply with national environmental, health and safety regulations

## **Donations, charities, contributions and other payments of a similar nature;**

Company is, subject to Board's approval, encouraged to provide support to local communities through donations, charities etc. to fulfill its duty toward social cause. But Company will not, in any case, contribute any amount;

- (a) to any political party; or
- (b) for any political purpose to any individual or body.

Moreover, Company shall not distribute gifts in any form to its members in its meetings.

## **INVESTMENT / FUNDING AND DIVIDEND POLICIES**

### **Investment Policy**

The Executive Committee of the Directors is responsible for seeking/evaluating and recommending either;

- Portfolio Investments (i.e. in Shares/ Securities etc. (Fresh Issues or Market Purchase) or Financial claims); or

- Investment in New Projects (either equity based or loan based); or
- Joint Ventures; or
- Investment in Intangibles (Goodwill/ Trade Marks/ Patents etc.);

Moreover, Executive Committee ensures that Proposed Investments are set out in Company's vision and Strategic domain.

### **Funding Policy**

It is Company's policy not only to utilize funds efficiently but also to seek funds from the cheapest source(s). Company advertently evaluates, from time to time, different funding options for;

- Working Capital Requirements (including import/export financing)
- Medium Term Rollovers/Capital Requirements
- Long Term Project Based Requirements

These funding options may include:

- Internally Generated Funds
- Bank Borrowings (Short Term as well as Long Term)
- Trade & Sundry Credits
- Debt Instruments (Commercial Papers/ Bonds/ TFC etc) issued to Institutions or Public in general
- Subordinate- Debts
- Leasing (Operating as well as Capital)
- Equity Financing etc.

Moreover, the above funding options may augment other ancillary financial products (i.e. derivatives like share options etc.).

### **Dividend Policy**

The company in general meeting may declare dividends; but no dividend shall exceed the amount recommended by the directors; and

- No dividend shall be declared or paid by a company for any financial year out of the profits of the company made from the sale or disposal of any immovable property or assets of a capital nature comprised in the undertaking or any of the undertaking of the company; and

No dividend shall be paid by the company otherwise than out of profits of the company; and

The Board may approve and pay to the Members such interim dividends as appears to be justified by the profits of the Company; and

The Board may, before recommending any dividend, set aside out of the profits of the Company, such sums as they think proper as a reserve(s), which shall, at the discretion of the Board, be applicable for meeting contingencies etc.; and

Company's dividend decision will be auxiliary to Company's Financing Policy

### **QUALITY POLICY**

Treet Corporation Limited ensures that quality of its products meets the international standards. Top management of the Corporation is committed to a policy of sustained product innovations. The employees are quality conscious and work in highly ingenious environment. The management is dedicated to customer satisfaction by continuously upgrading



human resource skills and promoting a balanced trilateral customer - organization - supplier relationship.

## **DIRECTORS' REPORT TO THE SHAREHOLDERS**

The directors of your company take pleasure in presenting their Annual Report together with your Company's Annual Audited Financial Statements for the year ended June 30, 2003.

### **ECONOMIC CONDITIONS**

Economic growth remained somewhat weaker in the major growth poles of the world economy. Weaker outlook in advanced countries and higher oil prices have adversely affected the pace of economic recovery in developing countries. Going forward, uncertainties surrounding the conflict in Iraq are broadly resolved with little spillover outside the region. The end of the war in Iraq has removed some of this uncertainty and most importantly, the assumption of a massive rise in oil prices in the wake of war has not materialized.

There are expectations that global economic recovery would gradually reassert itself during the second half of the year 2003.

At domestic end, Pakistan's overall economic performance has been relatively much stronger in 2002-03 when compared with the performance of other developing countries within and outside the region. Fiscal year 2002-03 besides 2000-01 has become the best performing year for the manufacturing sector since 1987-88.

### **Financial Performance**

The financial results of your Company for the year 2003 epitomize an incessant growth. By the Grace of Almighty Allah and the excellent efforts of all our colleagues, for the third consecutive year, the company registered double digit growth in sales revenue.

The sales revenue of your Company has increased by 18.95% over the last year. Segment wise analysis portrays an increase of 12.79% in local razor blade sales and 20.55% in razor blade exports. The sales revenue from soaps has been increased by 51.01% as compared to last year.

Your Company has also achieved an increase of 5.98% in the production of razor blades over last year.

### **Plant Capacity & Production**

(in millions)	<b>Rated</b>	<b>2003</b>	<b>2002</b>
Hydrabad	300	383	379
Lahore	400	361	323
	700	744	702

The company posted profit after tax at Rs. 361.808 million which is up by 161.09% against Rs. 138.577 million in previous year. Net profit as a percentage of sales has also increased to 34.90%

as compared to 15.90% of last year. The earning per share comes to Rs 86.51 as compared to Rs. 33.13 of corresponding year. The elements contributing towards the increase in the Company profits are:

substantial growth in sales revenue

reduction in costs due to effective and timely application of controls at each activity level and efficiently managed cash flow.

appreciation of market value of long term investments.

provision of additional sales tax of Rs. 53.490 million (calculated as per section 34 of the Sales Tax Act, 1990), made in financial years of 2000-01 and 2001-02 were not materialized and subsequently reversed in the financial year 2002-03.

#### The financial results of your Company are as follows:-

Notes	2003 (Rupees in thousands)	2002
Profit before taxation	435,483	197,385
Less: Provision for taxation		
- Current	95,086	58,808
- Prior	-27,149	-
- Deferred	5,738	-
	73,675	58,808
Profit after taxation	361,808	138,577
Add : Un-appropriated profit brought forward	83	86
Effect of change in accounting policy	-	6,364
	-	7,579
	83	14,029
Profit available for appropriation	361,891	152,606
Appropriation:		
Proposed cash dividend Transfer to general reserve	62,733	55,623 96,900
	299,158	83
Earning per share	86.51	33.13

The Directors of your company has recommended a cash dividend of Rs. 157- per share i.e. @ 150 %.

#### CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance, as introduced by the Securities and Exchange Commission of Pakistan (and set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Rules), have been duly complied with. A statement to this effect is annexed with the report.

#### Compliance with Code of Corporate Governance

In compliance to the Code, the Board of Directors of your Company states that:

- The financial statements, prepared by the management of your company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained by your company.
- Appropriate accounting policies are consistently applied by your Company in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of these financial statements and any departure therefrom, if any, has adequately been disclosed.
- The system of Internal Control, being implemented in your Company is sound and has been effectively persisted throughout the year.
- Keeping in view of the financial position of your Company, we do not have any significant doubt upon its continuance as a going concern.
- There also has not been any material departure from the best practices of corporate governance, as detailed in the listing regulations, during the year under review.

#### **Employee Benefit Funds**

Values of investments (in Rs. Million) of employees retirement funds are as follows:

Provident Fund	150.007
Gratuity Fund	52.76
Superannuation Fund	47.918

#### **Audit Committee**

In compliance with the Code, the Board of Directors of your Company has established an Audit committee comprising of the following directors as its members.

1. Mr. Ahmed Salahuddin (Chairman)
2. Mr. Asif Jameel (Member)
3. Syed Sheharyar AH (Member)

#### **Internal Audit**

In compliance with the Code, the Board of Directors of your Company has also established an Internal Audit Function to monitor and review the adequacy and implementation of Internal Control at each level of your Company

#### **Key Operating and Financial Data**

Following is the key operating and financial data of your Company for the last six years:-

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Financial Performance Rupees in '000s						
Sales	1,036,704	871,577	750,293	634,736	667,674	774,267
Gross profit	403,249	282,452	181,808	137,221	168,214	184,272
Profit before taxation	435,483	197,385	94,376	51,641	78,887	53,390
Profit after taxation	361,808	138,577	50,494	29,590	50,568	26,490

Shareholders' equity	616,329	317,254	220,357	190,774	173,312	143,655
Fixed assets -net	182,599	118,690	127,876	143,551	138,741	124,038
Total assets	969,323	706,308	539,545	471,086	475,363	405,066
Total liabilities	352,994	389,054	319,188	280,312	302,051	261,411
Current assets	664,393	571,422	397,760	309,516	313,499	252,940
Current liabilities	305,215	380,163	224,899	193,552	216,422	182,033
Dividend	150%	133%	50%	29%	50%-	

**Important Ratios**

<b>Profitability</b>						
Gross profit	38.9	32.41	24.23	21.62	25.19	23.8
Profit before taxation	42.01	22.65	12.58	8.14	11.82	6.9
Profit after taxation	34.9	15.9	6.73	4.66	7.57	3.42
<b>Return to Shareholders</b>						
Return on equity before taxation	70.66	62.22	42.83	27.07	45.52	37.17
Return on equity after taxation	58.7	43.68	22.91	15.51	29.18	18.44
EPS	86.51	33.13	12.07	7.08	12.09	6.33
<b>Liquidity / Leverage</b>						
Current ratio	2.18	1.5	1.77	1.6	1.45	1.39
Break up value per share	147.37	75.86	52.69	45.62	41.44	34.35
Total liabilities to equity (Times)	0.57	1.23	1.45	1.47	1.74	1.82

**Meetings of the Board of Directors**

During the year, the Board of Directors of your company has met five times and the attendance at each of these meetings is as follows:-

Name of Directors	Meetings of the Board During the Year 2003 Held on				
	<b>July 05,2002</b>	<b>September 20,2002</b>	<b>October 23,2002</b>	<b>February 06,2003</b>	<b>April 23,2003</b>
SyedWajidAli	Leave of Absence	Present	Leave of Absence	Present	Leave of Absence
Syed Shahid All	Present	Present	Present	Present	Present
Dr. Mrs. Niloufer Mahdi	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence
Syeda Feriel Rifaat Ali	Leave of Absence	Leave of Absence	Present	Leave of Absence	Leave of Absence
Mr. Basil H. Syed (Resigned on May 13, 2003)	Present	Present	Present	Present	Present
Mr. Asif Jameel	Present	Present	Present	Present	Present
Syed Sheharyar Ali	Present	Present	Present	Present	Present
Mr. Muhammad Shafique Anjum	Present	Present	Present	Present	Present
Mr. Ahmed Salahuddin (Appointed on May 16, 2003)	N.A	N.A	N.A	N.A	N.A

**Pattern of Shareholding**

The pattern of shareholding of your Company as on June 30, 2003 is annexed with this report. This statement is in accordance with the amendments made through the Code.

**TRANSFER PRICING**

It is company's policy to ensure that all transactions entered with related parties must be at arm's length. In exceptional circumstances, however, company may enter into transactions, other than arm's length transaction, but company should, subject to approval of Board of Directors and Audit Committee, justify (and duly jot down & present in the financial statements) its rationale and financial impact of the departure from the arm's length transaction.

**RISK MANAGEMENT POLICY**

The Board plays a key role in risk management principally through the Risk Management Committee. Programs would be established to consider and manage operational, strategic, technological, scientific, reputation, environmental, health and safety and other risks to the Company's businesses. These are reviewed with the committees on a regular basis.

All operational units incorporate Risk Management into their planning process.

- To minimize risk within the Company.
- To ensure Risk Management is incorporated into the corporate governance systems and management structure of the Company.
- To ensure that significant Risks within the Company are identified and appropriate strategies are in place to manage these.
- To develop effective and efficient Risk Management procedures.

### **STRATEGIC PLANNING**

It is company's mainstay policy to position itself strategically in order to achieve its vision of being recognized as a world-class manufacturer of top quality products and to deliver value to its consumer; and

1. To ensure that decisions about strategic positioning are made within the context of a comprehensive and shared understanding of the External/Internal environment.
2. To identify and consider opportunities for the Company to consolidate and strengthen its position.
3. To establish productive and mutually-beneficial partnerships to develop a sustainable competitive advantage.
4. To ensure that the Company has strong and effectively aligned planning and budget processes, incorporating review and continuous improvement mechanisms.

### **HUMAN RESOURCES**

The company is committed to equal employment opportunity. It accepts the obligation as a member of the community-at-large and as an employer to exercise an active and positive program of non-discrimination in all areas of employment. Employment decisions are made by providing equal opportunity and access on the basis of qualification and merits.

Moreover, the company shall ensure fair, consistent, effective and efficient recruitment and selection practices exist in hiring the most suitable candidates.

### **FUTURE OUTLOOK**

With the recent developments on the political and economic arenas and the Government's effort at creating a generally friendly business environment, we are hoping that after journeyed successfully through yet another thorny year, your company would strive to achieve a stupendous growth rate and looks forward to the future outlook with a greater optimism. Our overall dedication is to focus on the amplification of your Company to achieve superior returns for you through a growth in the sales by improving our sales strategy, keeping a vigil in further curbing the costs and investing in lucrative ventures.

### **INVESTMENTS**

The management is pleased to inform you that your Company has purchased 1,000,000 equity shares for

an amount of Rs. 10.00 million in the equity instruments of TRG Pakistan Limited. We are confident that this investment will prove to be a good addition in the prosperity of your Company.

### **CHANGES IN THE BOARD OF DIRECTORS**

Mr. Basit H. Syed the nominee of International General Insurance Company of Pakistan resigned from the Board of Directors on May 13, 2003. The Board wishes to place on record its appreciation for the valuable services rendered by him for the betterment of your Company.

The directors of your company welcome Mr. Ahmed Salahuddin who had been appointed by the Board of Directors on May 16, 2003 to fill in the casual vacancy arising out of the resignation of Mr. Basit H. Syed. We expect your company to benefit from his induction in the Board.

### **AUDITORS**

The Audit Committee of your company has recommended that, the present auditors, M/s Taseer Hadi Khalid & Company, Chartered Accountants due to retire and being eligible, are offering themselves for reappointment, may be appointed as auditors of your Company for another term.

### **ACKNOWLEDGEMENTS**

We place on record our gratitude to our valued customers for their confidence in our products and we pledge ourselves to provide them the best quality in continuously improving our products. We would also like to thank all of our colleagues, management and factory staff who are strongly committed to their work as the success of your Company is built around their efforts. We also thank our shareholders for their confidence in our Company and assure them that we are committed to do our best to ensure best rewards for their investment in the Company.

<b>LAHORE:</b>	<b>Syed Shahid Ali</b>	<b>Ahmed Salahuddin</b>
October 01, 2003	Chief Executive Officer	Director

### **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 and 43 of listing regulation of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one independent non-executive director.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayer and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring in the Board on May 13, 2003 was filled up by the directors within three days thereof.

5. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company out of which some policies are in the process of finalization. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on the material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation course for its directors and two directors were also deputed to attend Seminars arranged by different institutions during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members and all are non-executive directors including Chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function and persons responsible to it are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of Ethics as adopted by ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with except formulation of some policies which are in the process of finalization.

For and on behalf of the Board

LAHORE: (SYED SHAHID ALI)

October 01, 2003 Chief Executive Officer

#### **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 as applicable to the Company for the year ended June 30, 2003 prepared by the Board of Directors of Treet Corporation Limited, to comply with the Listing Regulation No. 37 and 43 of the Karachi and Lahore Stock Exchanges respectively 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 a 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 system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and 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 effective as at June 30, 2002.

**Lahore: Taseer Had! Khalid & Co.**

01 October 2003 **Chartered Accountant**

#### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **Treet Corporation Limited** as at 30 June 2003 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 the 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 accounts 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 30 June 2003 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

LAHORE

**TASEER HADI KHALID & CO.**

October 01,2003

**Chartered Accountants**

**BALANCE SHEET  
AS AT 30 JUNE 2003**

	<b>Notes</b>	<b>2003 (Rupees in thousands)</b>	<b>2002</b>
FIXED CAPITAL EXPENDITURE	3	182,599	118,690
LONG TERM INVESTMENTS	4	121,058	15,552
LONG TERM LOANS AND DEPOSITS	5	1,273	802
CURRENT ASSETS			
Stores and Spares	6	35,781	33,904
Stock and stores-in-transit - at cost		16,360	16,766
Stock in trade	7	96,061	94,951
Trade debtors - Unsecured, considered good		12,162	16,448
Loans, advances, deposits, prepayments and other receivables	8	92,483	96,844
Cash and bank balances	9	411,546	311,176

		664,393	570,089
CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance lease	17	285	-
Finance under mark-up-arrangements - secured	10	-	-
Creditors, accrued expenses and other liabilities	11	145,376	205,933
Provision for taxation	12	95,086	116,225
Unclaimed dividend		1,735	1,207
Dividend payable		62,733	55,623
		305,215	378,988
NET CURRENT ASSETS		359,178	191,101
NET ASSETS		664,108	326,145
FINANCED BY:			
Share Capital	13	41,822	41,822
Reserves	14	275,349	275,349
Unappropriated profit		299,158	83
SHARE HOLDERS' EQUITY		616,329	317,254
DEFERRED CREDIT	15	38,907	7,208
LONG TERM DEPOSITS	16	60	60
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	17	1,451	-
DEFERRED LIABILITIES	18	7,361	1,623
CONTINGENCIES AND COMMITMENTS	19	-	-
		664,108	326,145

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

<b>LAHORE:</b>	<b>Syed Shahid AH</b>	<b>Ahmed Salahuddin</b>
October 01, 2003	Chief Executive Officer	Director

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2003**

	Notes	2003 (Rupees in thousands)	2002
Sales -Net	20	1,036,704	871,577
Cost Of Goods Sold	21	633,455	589,125
Gross Profit		403,249	282,452
Operating expenses :			
Administrative expenses	22	11,447	11,796
Selling & distribution expenses	23	89,166	84,088
Fair value adjustment of available for sale investments		-75,473	5,292
		25,140	101,176
Operating Profit		378,109	181,276
Other income	24	86,302	32,585
		464,411	213,861
Financial expenses	25	4,056	2,537
		460,355	211,324
Workers' profit participation fund		19,509	10,566
Workers' welfare fund		5,363	3,373
		24,872	13,939
Profit before taxation		435,483	197,385
Provision for taxation	12	73,675	58,808
Profit after taxation		361,808	138,577

Earnings per share 31 87 33

- All appropriations have been shown in statement of changes in equity.

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

LAHORE: **Syed Shahid Ali** **Ahmed Salahuddin**

October 01, 2003 Chief Executive Officer

Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2003**

Notes	2003 (Rupees in thousands)	2002
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	435,483	197,385
Adjustments for :		
Financial charges for the year	4,056	2,537
Depreciation	25,157	26,346
Provision for gratuity	3,433	4,974
Provision for superannuation fund scheme	3,344	7,320
Profit on bank deposits	-23,881	-23,941
Provision for sales tax	-	24,443
Reversal of provision for sales tax	-53,490	-
Gain on sale of fixed assets	-1,909	-988
Provision for WPPF and WWF	24,872	13,939
Fair value adjustment of available for sale investments	-75,473	5,292
Dividend income	-2,854	-574
	-96,745	59,348
Operating profit before working capital changes	338,738	256,733
(Increase) / decrease in operating assets :		
Stores and spares	-1,877	-1,613
Stock-in-trade	-1,110	-20,428
Stock and store-in-transit	406	-11,298
Trade debtors	4,286	15,152
Payment to WPPF and WWF	-26,397	-10,723
Loans, advances, deposits, prepayments and other receivables	-12,172	8,290
	-36,864	-20,620
Increase / (decrease) in operating liabilities:		
Creditors, accrued expenses and other liabilities	-7,081	35,733
Cash generated from operations	294,793	271,846
Financial charges paid	-4,140	-2,814
Taxes paid	-76,509	-45,044
Payment to Gratuity fund	-3,497	-43,680
Payment to Superannuation fund	-1,658	-3,008
Transfer to unfunded staff retirement benefit scheme		-44,124
	-85,804	-138,670
Net cash inflow from operating activities	208,989	133,176
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	-56,927	-17,480
Proceeds from sale of fixed assets	3,243	1,306
Long term investments	-30,032	
Long term deposits	-471	
Profit received on bank deposits	27,847	17,682

Dividend received	2,854	574
Net cash (outflow)/inflow from investing activities	-53,486	2,082
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligation	-38	-3,705
Deferred income		228
Dividend paid	-55,095	(20,663X)
Net cash (outflow) from financing activities	-55,133	-24,140
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>100,370</b>	<b>111,118</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>311,176</b>	<b>200,058</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>411,546</b>	<b>311,176</b>

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### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2003

	SHARE CAPITAL	CAPITAL RESERVE!	GENERAL 5 RESERVES (Rupees in	UNAPPROPRIATED PROFIT '000)	
Balance as at June 30, 200 1 (as previously stated)	41,822	8,949	169,500	86	220,357
Effect of change in accounting policy-retirement benefit schemes	-	-	-	6,364	6,364
Effect of change in accounting policy-available for sale investments	-	-	-	7,579	7,579
Balance as at 30 June 2001-restated	41,822	8,949	169,500	14,029	234,300
Profit after tax	-	-	-	138,577	138,577
Available for appropriation	41,822	8,949	169,500	152,606	372,877
Final dividend® 133%	-	-	-	-55,623	-55,623
Transferred during the year	-	-	96,900	-96,900	-
Balance as at 30 June 2002	41,822	8,949	266,400	83	317,254
Balance as at 01 July 2002	41,822	8,949	266,400	83	317,254
Profit after tax	-	-	-	361,808	361,808
Available for appropriation	41,822	8,949	266,400	361,891	679,062
Final dividend® 150%	-	-	-	-62,733	-62,733
Balance as at 30 June 2003	41,822	8,949	266,400	299,158	616,329

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

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2003

#### 1. STATUS AND NATURE OF THE BUSINESS

The Company was incorporated in Pakistan on 22 January 1977 as a Public Limited Company. Its shares are listed on Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacture and sale of razors and razor blades. The Company is also engaged in the business of soaps. These soaps are manufactured by Khatoon Soap Industries (Private) Limited for the Company under a contractual arrangement.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements

of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

## 2.2 Accounting convention

These accounts have been prepared under the historical cost convention, except for long term investments, which have been included at fair value.

## 2.3 Employee Retirement Benefits

### a) Defined Contribution Scheme

A recognized contributory provident fund scheme is in operation covering all permanent employees. Equal contributions are made monthly both by the Company and employees in accordance with the rules of the scheme at 10% of basic pay.

### b) Defined Benefit Scheme

The company operates an approved funded gratuity scheme and a funded superannuation fund scheme (SFS) for all employees with qualifying service period of six months and ten years respectively. The staff retirement benefit scheme (SRBS) has been registered as superannuation scheme vide letter no. J-G-F/443 dated 15 April 2003 w.e.f. 17 December 2002. According to policy, provisions are made annually to cover the obligation on the basis of actuarial valuation and are charged to income currently, related details of which are given in note 11.4 to the accounts.

Actuarial gain/losses are amortized over the expected average remaining working lifetime of employees.

## 2.4 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

The Company accounts for deferred taxation, using the liability method, on all material timing differences. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

## 2.5 Fixed assets and depreciation

### Owned

- These are carried at cost less accumulated depreciation. On disposal or scrapping, the cost of the assets and the corresponding depreciation is adjusted from both the accounts and the resultant gain or loss is dealt with through the profit and loss account.
- Full year's depreciation is charged on all fixed assets capitalised during the year while no depreciation is charged in the year fixed assets are disposed or scrapped.
- Depreciation on fixed assets other than freehold land is charged on straight-line basis, whereby the cost of assets is written off over their useful life without taking into account

any residual value. The rates of depreciation are specified in note 3.1.

- Assets, which have been fully depreciated, are retained in the books at a nominal value of Rupee 1.
- Normal repairs and maintenance are charged to expense as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

### **Leased**

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

### **2.6 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. Capital work in progress is stated at cost.

### **2.7 Long term investments**

In compliance with Securities and Exchange Commission of Pakistan circular No. 1 dated 10 January 2002, the company adopted International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" with effect from 01 July 2001. The adoption of this IAS has resulted in the company classifying its investments as available for sale. These are initially recognized on trade date at cost and derecognized by the company on the date it commits to sell them off. At each balance sheet date, these are stated at fair value. Fair value is determined on the basis of year end bid prices obtained from stock exchange quotations. Any resultant increase/decrease is recognized in the Profit and Loss account for the year.

### **2.8 Stores and spares**

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

### **2.9 Stock-in-trade**

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

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

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

### **2.11 Trade debts**

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

## **2.12 Foreign currencies**

Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange which approximate those prevailing at the Balance Sheet date. Foreign currency transactions are translated at the rates prevailing at the date of transaction. Exchange differences, if any, are taken to Profit and Loss Account currently.

## **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.
- Dividend income is recognized when the right to receive payment is established.
- Interest income is recognized on a time proportionate basis.

## **2.14 Borrowing cost**

Interest expense is charged to income as and when incurred.

## **2.15 Liabilities against assets subject to finance lease**

Finance charge under the lease agreement is allocated to periods so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

## **2.16 Government grants**

Grants related to assets are set up as deferred credit/income till the assets are ready for their intended use. The amount so received will then be charged to income over the useful lives of such assets commencing from the year in which commercial usage of this asset will start.

## **2.17 Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognized when the company loses control of the contractual rights that comprise the financial asset.

Financial liabilities are de-recognized when they are extinguished - that is, when the obligation specified in the contract is discharged, cancelled, or expired.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

## **2.18 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement cash and cash equivalents comprise cash on hand and bank balances.

## **2.19 Creditors, accrued and other liabilities**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

## **2.20 Provisions**

Provisions are recorded when the Company has a present obligation as a result of past event

which, if probable, will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

	Note	2003 Rupees in	2002 '000
3. FIXED CAPITAL EXPENDITURE			
Operating assets	3.1	100,293	106,135
Capital work in progress	3.2	82,306	12,555
		182,599	118,690

### 3.1 Operating Assets - at cost less accumulated depreciation

	COST		As at June 302,003	Rate %	DEPRECIATION			As at June 302,003	Net Book Value as at June 30, 2003
	As at July 12,002	Additions/ (deletions)			As at July 12,002	For the year	(Disposal)/ adjustment		
OWNED :									
Freehold land	6,969	-	6,969		-	-	-	-	6,969
Building on freehold land	51,254	2,670	53,924	5 to 10	36,495	3,099	-	39,594	14,330
Plant and machinery	319,195	13,560	330,415	10	250,972	15,973	-1,170	265,775	64,640
		-2,340							
Furniture and equipment	28,531	1,001	29,532	10 to 25	19,430	2,699	-	22,129	7,403
Vehicles	25,041	1,644	25,520	20	17,958	3,031	-1,001	19,988	5,532
		-1,165							
	430,990	18,875	446,360		324,855	24,802	-2,171	347,486	98,874
		-3,505							
LEASED :									
Vehicles	-	1,774	1,774	20	-	355	-	355	1,419
	-	1,774	1,774		-	355	-	355	1,419
2003 Rupees	430,990	20,649	448,134		324,855	25,157	-2,171	347,841	100,293
		-3,505							
2002 Rupees	419,055	26,639	430,990		300,846	26,346	-2,337	324,855	106,135
		-14,704							

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

#### 3.1.2 Disposal of fixed assets

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Profit	Mode of Disposal	Sold To
Vehicles							
Motorcycles	1,165	1,001	164	1,069		905Staff Motorcycle S	Various Employees
Plant and machinery							
Generator	2,340	1,170	1,170	2,174		1,004Negotiation	Ch. Muhammad Hanif
Rupees 2003	3,505	2,171	1,334	3,243			
Rupees 2002	2,655	2,337	318	1,306		988	

#### 3.2 Capital work in progress

	Notes	2003 (Rupees in thousands)	2002
Building		30,087	2,013
Plant & Machinery	3.2.1	51,266	10,524
Equipment & Others		953	18
		82,306	12,555



**3.2.1.** This includes capitalization of grant related to asset amounting to Rs. 37,169 thousand.

#### 4. LONG TERM INVESTMENTS - Available for sale

Companies	No. of ordinary shares ofRs. 10/-each		Cost		Market Value		Percentage of Holding	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002 Rupees	June 30, 2003 in '000	June 30, 2002	June 30, 2003	June 30, 2002
Associated Companies								
Zulfeqar Industries Limited	718,340	718,340	5,418	5,418	12,530	4,326	17.95	17.95
Provision for loss on investment	-420,000	-420,000	-4,200	-4,200				
	298,340	298,340	1,218	1,218	12,530	4,326		
Wazir Ali Industries Limited	1,178,100	1,178,100	15,902	15,902	21,206	10,721	15.48	15.48
International General Insurance Company of Pakistan Limited	6,972	6,972	268	268	1,046	505		
Bonus Shares	1,847	-	-	-	277	-		
	8,819	6,972	268	268	1,323	505	0.07	0.07
Packages Limited	298,500	-	20,032	-	39,999	-	0.63	-
Other Companies								
TRG Pakistan Limited	1,000,000		10,000		46,000		1.39	
			47,420	17,388	121,058	15,552		

4.1 The Company pledged 420,000 shares of Zulfeqar Industries Limited, an associated Company with Dadabhoy Leasing

Company Limited for Modaraba finance facility granted to Zulfeqar Industries Limited. Zulfeqar Industries Limited repaid the financing facility on 17 July 1996, however, the above shares have not yet been released by Dadabhoy Leasing Company Limited. The Company has filed a legal suit for recovery of these shares. Management is of the view that the outcome of the case will be in favour of the Company. However, being prudent, a provision of Rs.4.20 million has been made for any possible **loss on this investment. The fair value of these shares is taken as nil.**

	Notes	2003 (Rupees in thousands)	2002 (Rupees in thousands)
5. LONG TERM LOANS AND DEPOSITS	5.1	1,443	1,097
Loans to employees-considered good	8	815	939
Less: Amount due within one year shown under current assets		628	158
		645	644
Utility Deposits		1,273	802

5.1 These are interest free loans to Company's employees for house rent and cycles which are repayable in monthly installments over a period of 12 to 24 months and are secured against employee retirement benefits. These include an amount of Rs. 1,265 thousand (2002 : 894 thousand) receivable from the Executives of the company and does not include any amount receivable from Directors or Chief Executive.

The maximum amount due from the Executives at the end of any month during the year was Rs. 1,443 thousand (2002 : 1,233 thousand)

Long term loans to employees outstanding for more than three years amount to Rs. Nil. (2002 : Nil)

	Notes	2003 (Rupees in thousands)	2002 (Rupees in thousands)
6. STORES AND SPARES			
Stores		4,678	6,321
Spares		31,103	27,583

	35,781	33,904
<b>7. STOCK IN TRADE</b>		
Blades:		
Raw materials and chemicals	38,351	46,169
Packing materials	9,155	7,113
Work in process	16,319	15,090
Finished goods	10,838	7,609
	74,663	75,981
Soaps:		
Raw materials and chemicals	12,471	9,139
Packing materials	1,571	2,746
Work-in-process	6,444	2,823
Finished goods	912	4,262
	21,398	18,970
	96,061	94,951

	<b>Notes</b>	<b>2003</b> <b>(Rupees in thousands)</b>	<b>2002</b>
<b>8 LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Current portion of loans to employees - considered good	5	815	939
Advances: Unsecured - considered good			
To employees	8.1	576	233
To suppliers		9,174	6,173
Custom duty		466	214
Income tax		64,912	77,479
Sales tax		4,000	-
		79,128	84,099
Deposits:			
Letters of credit-margin deposits		158	222
Prepayments		763	298
Other Receivables:			
Abbassi Textile Limited		458	458
Loads (Pvt.) Limited	8.2	345	-
Zulfeqar Industries Limited	8.2	-	104
		803	562
Interest Accrued		3,335	7,301
Sales Tax Refund		3,575	4,302
Miscellaneous		5,664	879
		94,241	98,602
Less : Provision for doubtful receivables		-1,758	-1,758
		92,483	96,844

**8.1** These are interest free advances to Company's employees in respect of salary, medical and travelling expenses and are secured against employee retirement benefits. These include an amount of Rs. 456 thousand (2002 : 190 thousand) receivable from the Executives of the company and does not include any amount receivable from Directors or Chief Executive.

8.2 These amounts represent the balance of interest free current accounts with the associated undertakings.

8.3 Maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 1,138 thousand (2002:Rs. 1,379 thousand).

<b>Notes</b>	<b>2003</b> <b>(Rupees in thousands)</b>	<b>2002</b>
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## 9. CASH AND BANK BALANCES

Cash at bank :

Current accounts

Pak Rupee		55,906	44,385
		55,906	44,385
Saving accounts			
Pak Rupee	9.1	355,515	265,023
Foreign Currency		125	1,768
		355,640	266,791
		411,546	311,176 .

9.1 Major portion of this balance is invested in three different banks on which mark up is being received together with current account facilities.

This also includes an amount of Rs. 1,738 thousand relating to grant received from UNIDO.

**2003**                      **2002**  
**(Rupees in thousands)**

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

At the terminal date, the Company has following available unutilized limits:

	<b>Limit (Rs. in Millions)</b>	<b>Rate of interest</b>		
Cash Finance				
Askari Commercial Bank Limited	35	SBP discount rate + 2.5%	-	-
Standard Chartered Grindlays Bank Limited	37	41.09Paisas per PKR 1,000 per diem(15%) payable	-	-
Export Refinance Loan				
Askari Commercial Bank Limited	15	As per SBP Refinance scheme	-	-
Standard Chartered Grindlays Bank Limited	37	SBP rate + 1.50%	-	-

Facility approved by SCB is revolving. All facilities are secured by way of joint pari-passu hypothecation charge over the current assets of the company.

**Notes**                      **2003**                      **2002**  
**(Rupees in thousands)**

## 11. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Creditors :				
Associated companies	11.1	848	2,391	
- Others		34,741	31,551	
		35,589	33,942	
Accrued expenses :				
Mark up on finance under markup arrangement				
Sales tax payable		-	84	
Excise duty on soap		12,008	49,630	
Other expenses		1,230	1,216	
		58,764	75,253	
		72,002	126,183	
Other Liabilities :				
Advances from customers		17,218	21,617	

Workers' welfare fund	11.2	8,736	3,373
Workers' profit participation fund	11.3	3,678	10,566
Employees deposits		4,743	4,560
Payable to gratuity fund	11.4	1,852	1,916
Payable to superannuation fund (SFS)	11.4	510	-1,175
- Others		1,048	4,951
		37,785	45,808
		145,376	205,933

**11.1** Maximum aggregate amount due to associated companies at the end of any month during the year was Rs.5,864 thousand (2002: Rs.3,390 thousand).

	Notes	2003 (Rupees in thousands)	2002
11.2 Workers' welfare fund			
Balance as at 01 July		3,373	5,620
Allocation for the year		5,363	3,373
		8,736	8,993
Less : Paid during the year		-	5,620
Balance as at 30 June		8,736	3,373
11.3 Workers' profit participation fund			
Balance as at 01 July		10,566	5,103
Allocation for the year		19,509	10,566
Interest on funds utilized by the company		2,769	1,351
		32,844	17,020
Less : Paid during the year		29,166	6,454
Balance as at 30 June		3,678	10,566

#### 11.4 Employee benefits

##### a) Movement in the asset/(liability) recognised in the balance sheet

	Funded Gratuity	2003 Funded SFS	Total	2002 Total
		(Rupees in '000)		
Opening liability/(asset)	1,916	-1,175	741	85,627
Expense for the year	3,433	3,344	6,777	5,929
Contributions made by the company during the year	-3,497	-1,658	-5,155	-90,815
Closing liability	1,852	510	2,363	741
b) Reconciliation of the liability recognised in the balance sheet				
Present value of defined benefit obligation	53,997	53,779	107,776	91,964
Less:				
Fair value of plan assets	-50,908	-47,252	-98,160	-87,877
Non- vested past service cost to be recognized in later periods	-	-1,003	-1,003	-1,338
Un-recognized actuarial losses	-1,237	-5,013	-6,250	-2,008
Closing liability	1,852	510	2,363	741

##### c) The following amounts have been charged to the profit and loss account during the current year in respect of these schemes

Funded	2003 Funded	Total	2002 Total
--------	----------------	-------	---------------

	Gratuity	SFS (Rupees in '000)		
Current service cost	3,159	2,835	5,994	5,338
Interest cost	5,086	5,029	10,115	8,903
Expected return on assets	-4,812	-4,854	-9,666	-2,282
Non-vested past service cost	-	334	334	335
Asset charged due to application of LAS- 19	-	-	-	-6,364
Net amount chargeable to Profit & Loss Account	3,433	3,344	6,777	5,930
Gross amount chargeable to profit and loss account (by grossing up the transitional liability)	-	-	-	12,294

**d) Actuarial valuation of these plans was carried out as of 30 June 2003 using the projected unit credit method, principal actuarial assumptions used were as follows:**

	Funded Gratuity	Funded SFS As per rules
Contribution rates		
Expected rate of salary increase in future years	7%	7%
Discount rate	8%	8%
Expected rate of return on fund assets during the year	11%	11%
Actual return on plan assets during the year (Rupees in '000)	5,243	3,124

## 12. PROVISION FOR TAXATION

The income tax assessments of the Company have been finalized up to and including assesment year 2002-2003. However, appeals have been filed against the assesment years 1999-2000,2000-2001,2001-2002 and 2002-2003 in respect of add backs aggregating to Rs. 82,208 thousand (2002: Rs. 54,701 thousand).

	Notes	2003 (Rupees in thousands)	2002
Charged to the profit and loss account:			
Current		95,086	58,808
Deferred		5,738	-
Prior years		-27,149	58,808
12.1 Reconciliation of tax charge for the year		73,675	
Accounting profit		435,483	
Enacted tax rate		35%	
Tax on accounting profit at enacted rate		152,419	
Tax on accounting profit at enacted rate		152,419	
Tax effect of expenses that are not allowable in determining taxable income		10,571	
Tax effect of expenses that are admissible in determining taxable income		-52,626	
Tax effect of income assessed under Presumptive tax regime (PTR)		1,082	
Tax effect of export sales		-16,503	
Tax effect of income assessed as a separate block.			
Dividend income		143	
		95,086	

	Notes	2003 (Rupees in thousands)	2002
13. SHARE CAPITAL			
Authorised			
5,000,000 ordinary shares of Rs. 10 each		50,000	50,000
Issued, subscribed and paid-up capital			

Shares issued as fully paid-up in cash 2,594,075 ordinary shares of Rs. 10 each		25,940	25,940
Shares issued for consideration other than cash 1,095,000 ordinary shares of Rs. 10 each		10,950	10,950
Shares issued as fully paid bonus shares 493,150 ordinary shares of Rs. 10 each		4,932	4,932
		41,822	41,822
<b>14. RESERVES</b>			
Capital reserves	14.1	8,949	8,949
General reserves		266,400	266,400
		275,349	275,349
<b>14.1 Capital Reserves</b>			
Excess of net worth over purchase consideration of unrelated assets of Wazir Ali Industries Limited		629	629
Share premium		8,320	8,320
		8,949	8,949
<b>15. DEFERRED CREDIT</b>			
This amount represents grant received from United Nations Industrial Development Organization (UNIDO) for financing the project to eliminate the emission of CFC-1 13 at Hyderabad and Lahore Factories, by replacing the existing spraying unit.			
Balance as at July 01		7,208	6,980
Capitalised during the year-representing cost of asset under construction-CWIP (grant in kind )		31,699	-
Receipt during the (grant in cash)		-	228
Balance as at June 30		38,907	7,208
<b>16. LONG TERM DEPOSITS</b>			
This represents interest free deposits received from freight forwarding agencies repayable after cessation of contracts.			
<b>17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Balance as at 01 July		-	-
Assets acquired during the year		1,774	-
		1,774	-
Repayments made during the year		38	-
		1,736	-
Transferred to current maturity		285	-
		1,451	-

This lease has been obtained from Askari Leasing Limited. The rate used as discounting factor is approx. 10.50%. Lease rentals are payable in equal monthly instalments in advance. The company can exercise its option to purchase the assets on expiry of lease term. In case of default in payment of rentals, penal interest @0.1% per day is chargeable. The amounts of future payments and the periods in which they will become due are:

Year	2003			2002		
	Total Payments	Finance Charge	Principal	Total Payments	Finance Charge	Principal
2003	-	-	-	-	-	-
2004	454	169	285	-	-	-
2005	453	137	316	-	-	-
2006	454	103	351	-	-	-
2007	454	64	390	-	-	-
2008	415	21	394	-	-	-
	2,230	494	1,736	-	-	-

	Notes	2003 (Rupees in thousands)	2002
18. DEFERRED LIABILITIES			
Deferred taxation		7,361	1,623
		7,361	1,623
18.1 DebhY(Credit) balances arising from			
Accelerated tax depreciation		7,250	17,316
Liabilities against assets subject to finance lease		111	-
Provision for Superannuation fund scheme		-	-15,693
		7,361	1,623

## 19. CONTINGENCIES AND COMMITMENTS

**19.1** Messers Unilever Pic and Lever Brothers Pakistan Limited were intervening in the company's lawful right of manufacture and sale of Bodyguard soap. In order to protect the Company's right of manufacture and sale of Bodyguard soap, legal proceedings were initiated against Messers Unilever Pic and Lever Brothers Pakistan Limited to restrain them from interfering in the company's business. Messers Unilever Pic and Lever Brothers Pakistan Limited filed a counter suit against the company for using similar wrappers to those of the above mentioned companies and claimed Rs. 52.5 million from Treet Corporation Limited for infringement of their rights. The proceedings of the above mentioned suits are in progress. However, the management is of the view that the outcome of the above mentioned case will be favourable.

19.2 There were no significant commitments for capital expenditure.(2002:Nil)

19.3 Commitments in respect of Letter of credit other than for capital expenditure amounting to Rs.50,651. (2002: Nil)

	Notes	2003 (Rupees in thousands)	2002
20. SALES - Net			
Blades	20.1	863,588	756,942
Soaps	20.2	173,116	114,635
		1,036,704	871,577
20.1 BLADES			
Local Sales		900,017	794,561
Export Sales		140,790	121,168
		1,040,807	915,729
Less : Sales tax		128,436	112,772
		912,371	802,957
Add : Export rebate		11,982	5,556
		924,353	808,513
Less : Trade discount		60,765	51,571
		863,588	756,942
20.2 SOAPS			
Local Sales		222,351	158,673
Export Sales		1,342	303
		223,693	158,976
Less : Sales tax		31,692	22,418
		192,001	136,558
Less : Trade discount		18,885	21,923
		173,116	114,635
21. COST OF GOODS SOLD			
Blades	21.1	479,226	483,058

	21.2	154,229 633,455	106,067 589,125
		<b>2003</b>	<b>2002</b>
	<b>Notes</b>	<b>(Rupees in thousands)</b>	
21.1 Cost of goods sold - Blade Operations			
Raw and packing material consumed	21.1.1	263,741	247,364
Stores and spares consumed		27,194	34,638
Salaries, wages and other benefits	21.3	116,939	105,508
Fuel and power		29,398	27,488
Repairs and maintenance - Vehicles		386	253
Repairs and maintenance - Others		4,435	4,406
Rent, rates and taxes		1,096	1,337
Insurance		2,021	1,911
Product research and development		628	463
Travelling and conveyance		4,182	4,591
Printing and stationery		873	914
Postage and telephone		1,592	1,443
Legal and professional charges		430	118
Entertainment		555	501
Staff training		113	-
Subscriptions		1,323	180
Depreciation	3.1.1	21,647	23,166
Provision for sales tax		-	24,443
Expenses for computerization		175	158
Pakistan Standard Institution fees		1,137	5,796
Other expenses		5,819	607
		483,684	485,285
Opening stock of work in process		15,090	11,325
Closing stock of work in process		-16,319	-15,090
Cost of goods manufactured		482,455	481,520
Opening stock of finished goods		7,609	9,147
Closing stock of finished goods		-10,838	-7,609
		479,226	483,058
21.1.1 Raw material, Chemicals and Packing material consumed			
Opening stock		53,282	27,056
Purchases		257,965	273,590
		311,247	300,646
Closing stock		-47,506	-53,282
		263,741	247,364

		<b>2003</b>	<b>2002</b>
	<b>Notes</b>	<b>(Rupees in thousands)</b>	
21.2 Cost of goods sold - Soap Operations			
Raw material consumed	21.2.1	107,255	67,764
Stores and spares consumed		-	55
Salaries, wages and other benefits	21.3	971	552
Fuel and power		11,201	7,964
Excise duty		20,457	13,815
Printing and stationery		11	3
Product development		4	4
Insurance		78	55
Manufacturing charges		13,987	6,136
Repair and maintenance-Others		20	-



Postage and telephone	12	-
Entertainment	2	-
Other expenses	502	564
	154,500	96,912
Opening stock of work in process	2,823	3,337
Closing stock of work in process	-6,444	-2,823
Cost of goods manufactured	150,879	97,426
Opening stock of finished goods	4,262	12,903
Closing stock of finished goods	-912	^4,262)
	154,229	106,067
21.2.1 Raw material consumed		
Opening stock	11,885	10,755
Purchases	109,412	68,894
	121,297	79,649
Closing stock	-14,042	-11,885
	107,255	67,764

21.3 Salaries, wages and other benefits include Rs.6,212 thousand (2002: Rs.9,103 thousand) in respect of defined benefit schemes.

## 22. ADMINISTRATIVE EXPENSES

Salaries and other benefits	22.1	6,328	6,352
Electricity and gas		250	246
Repairs and maintenance - Vehicles		30	49
Repairs and maintenance - Others		240	81
Rent, rates and taxes		45	36
Insurance		87	48
Advertising		301	164
Travelling and conveyance		646	554
Entertainment		89	85
Postage and telephone		346	461
Printing and stationery		856	620
Legal and professional charges	22.2	473	1,097
Donations	22.3	2	13
Computer expenses		200	414
Directors' fee		50	20
Subscription		141	288
Depreciation	3.1.1	1,338	1,268
Others		25-	
		11,447	11,796

22.1 Salaries and other benefits include Rs. 111 thousand (2002: Rs.637 thousand) in respect of defined benefit schemes.

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

	Notes	2003 (Rupees in thousands)	2002
Audit fee		165	80
Out of pocket expenses		30	30
		195	110

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

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

### 23. SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits	23.1	21,453	21,344
Advertising		38,728	34,566
Electricity and gas		579	506
Repairs and maintenance - Vehicles		391	260
Repairs and maintenance - Others		214	134
Freight octroi and handling		13,233	11,659
Rent, rates and taxes		906	702
Insurance		710	790
Travelling and conveyance		5,725	7,329
Entertainment		137	124
Postage and telephone		2,258	2,052
Product development		37	33
Printing and stationery		474	443
Legal and professional charges		143	220
Meetings and conferences		569	506
Subscription		38	175
Depreciation	3.1.1	2,172	1,912
Computer expenses		362	345
Staff training		4-	
Others expenses		1,033	988
		89,166	84,088

23.1 Salaries and other benefits include Rs.454 thousand (2002: Rs. 2,554 thousand) in respect of defined benefit schemes.

23.2 No segregation of selling and distribution expenses has been made for blade and soap operations.

### 24. OTHER INCOME

Reversal of provision for sales tax		53,490-	
Profit on bank deposits		23,881	23,941
Profit on sale of fixed assets		1,909	988
Sale of scrap & empties		2,988	2,044
Recovery against provision for doubtful debts		-	4,545
Dividend income from International General Insurance Company of Pakistan Limited		46	35
Dividend income from Zulfeqar Industries Limited		718	539
Dividend income from Packages Limited		2,090-	
Commission from NIT		190-	
Exchange gain		561-	
Rent income		150	150
Insurance claim		279	343
		86,302	32,585

	Notes	2003 (Rupees in thousands)	2002
25. FINANCIAL EXPENSES			
Mark-up on:			
• Finance under mark-up arrangements		24	91
• Export re-finance		-	186
• Finance lease		2	205
• Workers' Profit Participation Fund		2,769	1,351

	2,795	1,833
Bank Charges	1,261	704
	4,056	2,537

## 26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORES AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2003	2002	2003	2002	2003	2002
Remuneration	3,276	1,260	673	-	21,514	19,876
Provident Fund	328	90	37	-	1,104	915
Bonus	1,274	313	139	-	3,559	2,840
Entertainment	247	33	-	-	-	-
Utilities	324	120	104	-	2,462	2,229
Medical	57	52	42	-	1,562	1,346
Leave passage	50	50	43	-	1,296	1,397
	5,556	1,918	1,038	-	31,497	28,603
No. of persons	1	1	1	-	71	70

The Company provides free residential telephones and transport facilities to the Chief Executive, Directors and certain Executives.

Aggregate amount charged in these accounts for fee to 6 Non-Executive Directors was Rs. 50 thousand (2002: Rs. 20 thousand).

	Rated	(Units in millions)	
		ACTUAL PRODUCTION 2003	2002
27. PLANT CAPACITY AND PRODUCTION			
Hyderabad	300	383	379
Lahore	400	361	323
		744	702

28. TRANSACTIONS WITH RELAT	(Rupees in '000)		
Purchases and services received		36,621	26,285

28.1 Nature of relationship - Equity holding and common directorship

28.2 The company has purchased goods and services from its related parties on commercial terms and conditions

## 29. FINANCIAL ASSETS AND LIABILITIES

### 29.1 Interest rate risk exposure

	2003 (Rupees in '000s)			Total	2002 (Rupees in '000s)			Total
	Interest bearing Maturity within one year	• Maturity more than one year and less than five years	Non interest bearing		Interest bearing Maturity within one year	Maturity more than one year and less than five years	Non interest bearing	
Financial assets :								
Long term investments	-	-	121,058	151,058	-	-	15,552	15,55
Long term loans and deposits	-	-	1,273	1,273	-	-	802	80

Trade debtors	-	-	12,162	12,162	-	-	16,448	16,44
Loans, advances, deposits, prepayments and other re	ceivables	-	6,616	6,616	-	-	15,726	15,72
Cash and bank balances	355,640	-	55,906	411,546	266,791	-	44,385	311,17
	355,640		197,015	552,655	266,791		92,913	359,70
Financial Liabilities:								
Creditors, accrued expenses and other liabilities	3,678	.	100,144	103,822	14,023	.	115,880	129,90
Unclaimed dividend	-	-	1,735	1,735	-	-	1,207	1,20
Proposed dividend	-	-	62,733	62,733	-	-	55,623	55,62
Long term deposits	-	-	60	60	-	-	60	6
Liability against assets subject to finance lease	285	1,451	-	1,763	-	-	-	-
	3,963	1,451	164,672	170,086	14,023	-	172,770	186,79

	Fixed or Variable	2003	2002
29.1.1 Effective interest rates and related risk			
Financial Assets			
Cash and bank balances	Fixed	3.00%-6.00%	7.00%- 11. 00%
Financial Liabilities			
Finance under mark-up arrangements	Fixed	-	-
Creditors, accrued expenses and other liabilities	Fixed	8.50%	12.50%
Liability against assets subject to finance lease	Fixed	10.50%	-

## 29.2 Concentration of credit risk

The credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company does not have significant exposure to any individual customer. Out of total financial assets of Rs. 552,655 thousand (2002: Rs.359,704 thousand ) the financial assets, which are subject to credit risk amount to Rs.13,984 thousand (2002: Rs.24,513 thousand).The Company believes that it is not exposed to any major credit risk, however, any such possibility is mitigated by the application of credit limits to its customers and also obtaining collaterals.

## 29.3 Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The company believes that it is not exposed to any major foreign exchange risk at the terminal date.The only foreign currency exposure outstanding at the balance sheet date are foreign debtors amounting to equivalent Pak Rs. 9,925 thousand. (2002: Rs.1 1,754 thousand)

## 29.4 Fair value of financial instruments

All financial instruments are reflected at their fair value.

	2003	2002
30. NUMBER OF EMPLOYEES		
Total number of employees at the end of the year	717	708
31. EARNINGS PER SHARE		
Profit for the year after taxation (Rupees in '000s)	361,808	138,577
Weighted average number of ordinary shares in issue during the year (Number in '000s)	4,182	4,182
Earnings per share (Rupees)	87	33

## 32. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 01 October 2003 by the board of directors of the company.

### 33. FIGURES

- have been rounded off to nearest thousand rupees.

- of previous year have been re-arranged and re-classified wherever necessary for the purposes of comparison.

#### FORM 34

#### Pattern of Shareholding as at June 30, 2003

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
1,984	1	100	36,852
342	101	500	81,366
83	501	1,000	59,213
64	1,001	5,000	134,129
13	5,001	10,000	103,708
4	10,001	15,000	46,148
3	15,001	20,000	56,649
1	20,001	25,000	23,050
1	25,001	30,000	25,053
2	30,001	35,000	66,970
2	35,001	40,000	76,569
1	40,001	45,000	42,300
1	45,001	50,000	45,683
1	60,001	65,000	63,514
1	70,001	75,000	74,500
1	90,001	95,000	92,000
1	95,001	100,000	95,962
1	110,001	115,000	114,156
1	120,001	125,000	122,500
1	220,001	225,000	222,590
1	345,001	350,000	347,400
1	435,001	440,000	436,896
1	540,001	545,000	544,206
1	545,001	550,000	550,000
1	720,001	725,000	720,811
<b>2,513</b>			<b>4,182,225</b>

Categories of Shareholders	No. of Shareholders	Share Held	Percentage %
Associated Companies and Undertakings			
International General Insurance Company of Pakistan Limited	1	544,206	13.01
NIT & ICP			
Investment Corporation of Pakistan	1	2,859	0.07
National Bank of Pakistan Trustee Dept (NIT)	1	720,811	17.24
CEO, Directors, Spous & Minor Children			
SyedWajid Ali		222,590	5.32
Syed Shahid Ali		436,896	10.45
Dr. Mrs. Niloufer Mahdi		11,625	0.28
Syeda Ferial Rifaat Ali		25,053	0.6
Syed Sheharyar Ali		347,400	8.31

Mr. Muhamamd Shafique Anjum		2,505	0.06
Mrs. Khadija Wajid Ali (w/o Syed Wajid Ali)		32,848	0.79
Executives	-	-	-
INVESTMENT COMPANIES	1	45,683	1.09
JOINT STOCK COMPANIES	21	741,465	17.72
BANKS, DEVELOPMENT FIN AN ACE INSTITUTION, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABA & MUTUAL FUNDS	4	140,119	3.35
FOREIGN COMPANIES	1	550,000	13.15
PUBLIC SECTOR & CORPORATIONS	-	-	-
OTHERS	1	1	0
INDIVIDUALS	2,482	358,164	8.56
	2,513	4,182,225	100

**SHAREHOLDERS HOLDING 10% SHARES**

Sr. No.	Name of Shareholder	Shares
1	International General Insurance Company of Pakistan Limited	544,206
2	Syed Shahid Ali	436,896
3	M/s Escanaba Ltd. (Hong Kong)	550,000
4	National Bank of Pakistan Limited Trustee Dept.	720,811