

Buxly Paints Limited Karachi

Annual Report 2000

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BOARD OF DIRECTORS

CHAIRMAN	Wassim Alam Khan
DIRECTORS	Mrs. Kaiser Sultana Khan Mrs. Amtul Rauf Khan Miss Ayla F. Khan Muhammad Saeed Sheikh Ajaz Majid Shahid Anwar Jamal Khurshid (Alternate to Sheikh Ajaz Majid)
MANAGING DIRECTOR & CHIEF EXECUTIVE	Yusuf Babar Khan
COMPANY SECRETARY	Muhammad Khan
AUDITORS	Ford, Rhodes, Robson, Morrow Chartered Accountants
LEGAL ADVISOR	Abdus Samad
BANKERS	The Muslim Commercial Bank Ltd. Habib Bank Ltd. National Bank of Pakistan Bank Al-Habib Ltd.
REGISTERED OFFICE	E/20, S.I.T.E., Polytechnic Road, Karachi-75700
FACTORIES	X-3, S. I.T.E., Manghopir Road, Karachi-75700 (Works 1) E/20, S.I.T.E., Polytechnic Road, Karachi-75700 (Works 2)

NOTICE OF MEETING

Notice is hereby given that the Forty-Sixth Annual General Meeting of the shareholders of Messrs Buxly Paints Limited, Karachi will be held at the Registered Office of the Company at E/20, S.I.T.E., Polytechnic Road, Karachi-75700 on Wednesday, the 20th December, 2000 at 9:00 a.m. to transact the following business:-

1. To confirm the Minutes of the 45th Annual General Meeting held on Wednesday, the 29th December, 1999.
2. To receive, consider and adopt the audited Balance Sheet and Profit & Loss Account together with the Directors' and Auditors' Report thereon for the year ended 30th June, 2000.
3. To appoint Auditors for the ensuing year and approve their remuneration. The retiring Auditors M/s. Ford, Rhodes, Robson, Morrow have offered themselves for re-appointment at existing remuneration.

Special Business

4. To approve (as Ordinary Resolution), the remuneration and allowances of the Chief Executive of the Company as fixed/recommended by Directors (see statement annexed).
5. To transact any other business which may legally be transacted at Annual General Meeting.

By Order of the Board

Karachi:
27th November, 2000

Muhammad Khan
Company Secretary

AGENDA ITEM 4, Statement under Section 160(B) of Companies Ordinance, 1984:

The Board of Directors of the Company at its meeting held on June 12, 2000 has appointed Mr. Yusuf Babar Khan as Chief Executive of the Company from June 12, 2000 and has approved and recommended his remuneration at its meeting held on September 6, 2000 and as advised to the members through Company's letter dated September 23, 2000 the following resolution is now passed:-

"Resolved that the remuneration and allowances of Chief Executive as fixed by the Board of Directors under clause 78 of the Company's Articles of association, in its meeting held on September 6, 2000 to take effect from September 01, 2000:-

1. Basic Salary Rs. 288,000/- per annum.
2. House Rent 45% of Basic Salary.
3. Perquisites and allowances Rs. 408,000/= per annum.

He will also be entitled to medical expenses at actual.

Company maintained 1300 CC car and 10% of Company's profit after tax for the year ending 30-06-2001.

The company will also pay income tax liability of his monthly salary.

be and are hereby approved."

Notes:

1. The Share Transfer Books of the company will remain closed from Thursday the 14th December, 2000 to Thursday the 28th December, 2000 both days inclusive. No Transfers will be admitted/registered after 1.00 p.m. on Wednesday the 13th December, 2000.
2. Any member of the company entitled to attend and vote may appoint a Proxy to attend and vote instead of him/her. Proxies must be received at the registered office of the company not later than 48 hours before the meeting.
3. Shareholders are requested to notify the company of any change in their addresses immediately.

REPORT OF THE DIRECTORS

Dear Shareholders

The company for the last two years has been suffering operational losses. The loss for the current year has surpassed all expectations. The management is making continuous efforts to reduce expenses as per Directors' report 1998-99 and working on ways and means to make good the heavy losses.

Management has decided to apply all possible legal ways and means to cut down further losses. Company has already retrenched quite sizable staff to achieve the above objective and will take all such steps to save the Company from further losses.

The Company has tried its utmost to persuade the government to finish off double taxation but has failed so far. Paint Industry attract Excise Duty as well as Sales Tax. All organized Public Companies are under pressure and one of the listed Company has stopped its Production altogether.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
TRADING RESULTS:		
The net loss for the year after deducting all Charges and administration & Selling expenses.	(12,325,831)	(4,752,249)
Add: Provision for taxation	1,206,546	930,942
Loss after taxation	(13,532,377)	(5,683,191)
Add: Unappropriated (Loss)/Profit brought forward	(5,614,400)	68,791
	(19,146,777)	(5,614,400)
Appropriation:		
Proposed dividend	--	--
Unappropriated Loss carried forward	(19,146,777)	(5,614,400)
	=====	=====

PATTERN OF SHARE HOLDING:

The Pattern of shareholding is annexed to the accounts and represents the total paid up capital of Rs. 14.400 Million.

BOARD OF DIRECTORS:

Mr. Wasim Alam Khan, resigned from the post of Chief Executive and Mr. Yusuf Babar Khan was appointed as new Chief Executive of the Company in June 2000. Mr. Nasim Alam Khan, Chairman and founder Director, resigned and Mr. Wassim Alam Khan, Director was appointed as Chairman, on September 06, 2000. Mr. Sheikh Ajaz Majid was appointed Director in place of Mr. Nasim Alam Khan, Mr. Abdul Qadir H. Moochhala, resigned and Mr. Muhammad Saeed was appointed as Director in his place on September 06, 2000.

AUDITORS:

The retiring Auditors Messrs Ford, Rhodes, Robson, Morrow, Chartered accountants being eligible, offer themselves for re-appointment at existing remuneration.

NO OF EMPLOYEES:

The company employed 137 (1999: 249) employees at the end of the year.

LABOUR RELATIONS:

As usual.

Yusuf Babar Khan
Managing Director/Chief Executive

Wassim Alam Khan
Chairman

Karachi

Dated: September 06, 2000

AUDITORS' REPORT TO THE MEMBERS

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

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

Karachi -
September 06, 2000

Ford, Rhodes, Robson, Morrow
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
ASSETS			
TANGIBLE FIXED ASSETS			
Operating assets at cost less accumulated depreciation	3	23,589,729	24,423,587
Capital Work-in-progress	4	--	579,049
		-----	-----
		23,589,729	25,002,636
LONG TERM DEPOSITS	5	1,070,625	1,486,894
CURRENT ASSETS			
Stock-in-trade	6	25,327,419	30,510,918
Trade debtors	7	31,098,886	46,805,529
Advances, deposits, prepayments and other receivables	8	13,240,494	11,686,444
Cash and bank balances	9	2,834,293	2,776,933
		-----	-----
		72,501,092	91,779,824
TOTAL ASSETS		-----	-----
		97,161,446	118,269,354
		=====	=====

EQUITY AND LIABILITIES**SHARE CAPITAL AND RESERVES**

Authorised			
5,000,000 ordinary shares of Rs 10 each		50,000,000	50,000,000
		=====	=====
Issued, subscribed and paid-up	10	14,400,000	14,400,000
Revenue reserve	11	(14,859,908)	(2,048,775)

		(459,908)	12,351,225
SURPLUS ON REVALUATION OF FIXED ASSET	12	24,339,024	25,060,268
LONG TERM DEPOSITS	13	525,000	528,000

DEFERRED LIABILITIES

Staff gratuity		3,913,203	5,643,485
Directors retirement benefits		300,000	300,000

		4,213,203	5,943,485
LIABILITIES AGAINST ASSETS SUBJECT TO F	14	464,912	855,608

CURRENT LIABILITIES

Current maturity shown under current liabilities	14	413,522	787,763
Short term running finances - secured	15	22,033,275	24,930,625
Short term loan - secured	16	4,452,404	3,837,055
Creditors accrued and other liabilities	17	41,077,580	43,869,635
Unclaimed dividend		102,434	105,690

		68,079,215	73,530,768
--	--	------------	------------

CONTINGENCIES AND COMMITMENTS 18

TOTAL EQUITY AND LIABILITIES		97,161,446	118,269,354
		=====	=====

The annexed notes form an integral part of these accounts
The auditors report is annexed hereto.

Chief Executive

Director

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

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Sales	19	141,309,229	186,188,376
Cost of sales	20	122,098,219	153,294,307
		-----	-----
Gross profit		19,211,010	32,894,069
Administrative expenses	21	20,053,925	21,871,214
Selling expenses	22	8,777,257	13,107,352
		-----	-----
		28,831,182	34,978,566
Operating Loss		(9,620,172)	(2,084,497)
Other income	23	2,685,953	544,394
Claim for refund of excise duty	24	--	3,428,095
		-----	-----
		(6,934,219)	1,887,992
Financial charges	25	5,391,612	6,640,241
		-----	-----
Loss before Taxation		(12,325,831)	(4,752,249)
Taxation			
Current		706,546	930,942
Prior years		500,000	--
		-----	-----
		1,206,546	930,942
Loss after taxation		(13,532,377)	(5,683,191)
Unappropriated (Loss)/Profit brought forward		(5,614,400)	68,791
		-----	-----
Unappropriated Loss carried forward		(19,146,777)	(5,614,400)
		=====	=====
BASIC EARNINGS PER SHARE	30	(9.40)	(3.95)
		=====	=====

Chief Executive

Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 2000**

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(12,325,831)	(4,752,249)
Adjustments for		
Depreciation	1,714,223	1,873,460
Profit on sale of fixed assets	(1,693,959)	--
Provision for retirement gratuity-net of payments	(1,730,282)	295,979
Financial charges on borrowings	4,935,985	6,185,063
	-----	-----
	3,225,967	8,354,502
Operating profit before working capital changes	(9,099,864)	3,602,253
Changes in working capital		
(Increase)/decrease in current assets		
Stock-in-trade	5,183,499	4,602,112
Trade debtors	15,706,643	(7,852,932)
Advances, deposits, prepayments and other receivables	(197,007)	696,100
Increase in current liabilities		
Creditors, accrued and other liabilities	(3,196,626)	10,331,278
	-----	-----
	17,496,509	7,776,558
Cash generated from operations	8,396,645	11,378,811
Taxes paid	(2,563,589)	(399,083)
Financial charges paid	(4,531,414)	(6,274,278)
	-----	-----
Net cash from operating activities (A)	1,301,642	4,705,450
	=====	=====
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of fixed assets	2,587,225	--
Acquisition of fixed assets	(1,194,582)	(1,171,814)
Long term deposits	416,269	(251,827)
	-----	-----
Net cash from/(used) in investing activities (B)	1,808,912	(1,423,641)
	=====	=====
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term deposits	(3,000)	--
Short term finances	(2,282,001)	(1,492,722)
Finance lease - net	(764,937)	(632,140)
Dividend paid	(3,256)	(16,894)
	-----	-----
Net cash used in financing activities (c)	(3,053,194)	(2,141,756)
	=====	=====
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	57,360	1,140,053
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	2,776,933	1,636,880
	-----	-----
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,834,293	2,776,933
	=====	=====

Chief Executive

Director

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2000**

1. THE COMPANY AND ITS OPERATIONS

Buxly Paints Limited was incorporated on April 08, 1954 in Pakistan and is quoted on the Stock Exchanges in Pakistan. The company is a manufacturer of paints, pigments, protective surface coatings, varnishes and other related products.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

These accounts have been prepared under the historical cost convention modified by the revaluation of certain fixed assets.

(b) Fixed assets**Owned**

These are stated at cost or applicable valuation less accumulated depreciation. Depreciation is charged to income applying the reducing balance method and the rates used are stated in note 3 to the accounts.

Leasehold land is amortized over the remaining period of the lease. In respect of additions during the year, depreciation is charged for full year, however, no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised. Profit or loss on disposal of assets is included in income currently.

Leased

Assets subject to finance leases are included as tangible fixed assets at cost less accumulated depreciation.

The outstanding obligations under the leases less financial charges allocated to future periods are shown as liability.

Depreciation is charged at the same rates as company owned assets.

(c) Stock-in-trade

These are valued at the lower of cost, determined on first-in-first-out method or net realizable value, except for those in transit which are valued at cost.

(d) Bad and doubtful debts

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

(e) Retirement benefits**i) Staff gratuity**

The company operates an approved gratuity fund scheme and provision in respect thereto are made in accordance with the recommendations of the actuary.

ii) Provident fund

The company also operates an approved provident fund scheme and contributions thereto are made in accordance with the terms of the scheme.

(f) Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits available or 0.5% of turnover u/s 80(d) of Income tax Ordinance 1979, whichever is higher.

The company accounts for deferred taxation on all significant timing differences using the liability method. As a measure of prudence deferred tax debits are not accounted for.

(g) Foreign currency

Assets and liabilities in foreign currency are stated in rupees at the rates of exchange ruling on the balance sheet date or rates of exchange fixed under contractual arrangements. All exchange differences are included in the profit and loss account.

(h) Revenue recognition

Sales are recorded on despatch of goods to customers.

3. TANGIBLE FIXED ASSETS

	COST/REVALUATION					DEPRECIATION				
	As at July 01, 1999 Rupees	Additions during the year Rupees	Disposals/ Adjustments during the year Rupees	As at June 30, 2000 Rupees	Rate %	As at July 01, 1999 Rupees	For the year Rupees	On disposals Rupees	As at June 30, 2000 Rupees	Written down value as at June 30, 2000 Rupees
(a) OWNED										
Leasehold land	13,549,375	--	--	13,549,375	--	1,987,105	180,613	--	21,167,718	11,381,657
Factory and office buildings on Leasehold land	11,411,341	722,792	5,810	12,134,133	5 & 10	7,565,559	356,483	--	7,912,042	4,222,091
Plant and machinery	12,805,956	157,000	(1,533,645)	11,429,311	10	8,687,377	386,004	(1,118,102)	7,955,279	3,474,032
Gas, electrical and telephone installations	1,081,962	14,000	--	1,065,982	10	723,399	37,258	--	760,657	335,325
Furnace	45,837	--	--	45,837	10	42,206	363	--	42,569	3,268
Laboratory equipment	1,231,991	80,539	--	1,312,530	10	668,663	64,386	--	733,049	579,481
Furniture and fixtures	1,027,736	15,850	--	1,043,586	10	661,616	58,197	--	699,813	343,773
Loose tools	20,597	--	--	20,597	10	18,755	184	--	18,939	1,658
Office equipment	631,847	33,450	--	665,297	10	415,978	24,932	--	440,910	224,587
Factory equipment	658,24	--	--	658,240	10	471,904	18,634	--	490,538	167,702
Computer	647925	145,000	--	792,925	10	276,326	51,660	--	327,966	454,939
Motor vehicles	3,276,188	605,000	(1,969,272)	2,232,916	33	2,452,533	218,899	(1,491,549)	1,357,318	875,598
			321,000					177,435		
	46,389,015	1,773,631	(3,502,917)	44,980,729		23,961,421	1,377,613	(2,609,651)	22,906,818	22,073,911
			321,000					177,435		

(b) LEASED

Plant & Machinery	158,220	--	--	158,220	10	30,052	12,816	--	42,878	115,342
Laboratory equipment	260,000	--	--	260,000	10	49,400	21,060	--	70,460	189,540
Motor vehicles	3,255,851	--	(321,000)	2,934,851	33	1,598,616	302,734	(177,435)	1,723,915	1,210,936
	3,674,071	--	(321,000)	3,353,071		1,678,078	336,610	(177,435)	1,837,263	1,515,818
	59,063,065	1,773,631	(3,502,917)	48,333,800		25,639,499	1,714,223	(2,669,651)	24,744,071	23,589,729
1999	48,913,661	1,149,425	--	50,063,086		23,766,039	1,873,460	--	25,639,499	24,423,587

*Additional depreciation arising due to revaluation of assets amounts to Rs. 531,774 (1999: Rs. 569,362). Also see note 12.

3.1. Depreciation expense has been allocated as under:

Administrative expenses	746,786	795,673
Cost of sales	967,437	1,077,787
	1,714,223	1,873,460

3.2 Details of disposal of fixed assets:

Description	Cost Rupees	Accumulated Depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Mode of sale	Particulars
Suzuki Mehran	197,025	145,375	51,650	51,650	Under Co's Car Scheme	Mr. Afzal S/o M. Ali, Karachi
Suzuki Margalla	392,618	310,280	82,338	236,522	"	Sohail Akhtar, Karachi.
Suzuki Margalla	398,490	294,028	104,462	105,000	"	Liaquat Hayat, Karachi.
Suzuki Margalla	392,618	310,280	82,338	--	"	Mrs Khurshid Mushir Karachi.
Daihatsu Charade	193,000	113,947	79,053	79,053	"	Mrs. Atiya Azhar, Karachi
Suzuki Pick-up	120,750	100,492	20,258	115,000	Tender	Rashid Baig, Karachi.
Suzuki Khyber	274,771	217,147	57,624	200,000		M. Ayub, Karachi.
Roler Refining Mill	181,504	142,539	38,965	245,000	Negotiation	M/s. Anjum Marketing, Karachi.
Horizontal mixer with drive starter	55,000	28,695	26,305	135,000	"	"
Tripple roller with drive starter	818,040	592,838	225,202	450,000	"	"
Planatory mixer with motor and starter	65,000	26,619	38,381	225,000	"	"
Pearl Mill with media motor and starter	414,101	327,411	86,690	745,000	"	"
	3,502,917	2,609,651	893,266	2,587,225		
		<i>Note</i>	2000 Rupees	1999 Rupees		

4. CAPITAL WORK-IN-PROGRESS - AT COST

Civil works	--	579,049
-------------	----	---------

5. LONG TERM DEPOSITS - CONSIDERED GOOD

Security deposits - K.E.S.C.	63,969	63,969
- Telephone and telegraph	4,300	4,300
- Leasing company	160,775	337,930
- Others	841,581	1,080,695
	1,070,625	1,486,894

6. STOCK-IN-TRADE

Raw material		
In-hand	10,531,096	13,278,062
In-bond	7,175,683	9,321,846
In-transit	383,288	235,901
	18,090,067	22,835,809
Containers	686,699	1,196,156
Packing material	85,242	117,193
Finished goods		
In-hand	5,981,640	5,910,651
In-transit	483,771	451,109

	25,327,419	30,510,918
	=====	=====

7. TRADE DEBTORS - unsecured

Considered good	7.1	31,098,886	46,805,529
Considered doubtful		787,034	1,581,941
		-----	-----
		31,885,920	48,387,470
Less: Provision for doubtful debts		787,034	1,581,941
		-----	-----
		31,098,886	46,805,529
		=====	=====

7.1 The above includes Rs.2,203,762 (1999: Rs.2,038,185) which is outstanding for more than three years. The company has filed suits against the debtors against which Rs.1,753,570 has been decided in favour of the company. The company is confident about the recovery of the amount, hence pending outcome of the legal cases, no provision has been made in these accounts for the same.

8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES -considered good**Advances- unsecured-considered good**

Employees		29,206	65,200
Suppliers	8.1	244,435	255,828
Income tax		5,859,669	4,502,626
L/c charges		--	25,000
Others		130,400	53,000
		-----	-----
		6,263,710	4,901,654

Deposits

Margin against letters of guarantee		980,380	777,160
Excise duty		54,001	223
Earnest money		438,554	413,928
Custom duty		373,150	225,000
Central Depository Company		100,000	100,000
		-----	-----
		1,946,085	1,516,311

Prepayments

Insurance		92,899	216,314
Others		179,871	490,668
		-----	-----
		272,770	706,982

Other receivables

Sales tax refundable		762,591	1,030,682
Excise duty refundable	24	3,428,095	3,428,095
Sales tax		--	26,502
Royalty		240,000	--
Others		327,243	76,218
		-----	-----
		4,757,929	4,561,497
		-----	-----
		13,240,494	11,686,444
		=====	=====

8.1 This includes an amount of Rs.231,480 which is outstanding for more than three years. The company has filed a suit against the party and is confident about the recovery of the amount. Pending outcome of the legal case, no provision has been made in these accounts for the same.

9. CASH AND BANK BALANCES

Cash in hand		67,285	872,553
With banks in current account		2,767,008	1,904,380
		-----	-----
		2,834,293	2,776,933
		=====	=====

10. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 10 each

1,257,288 shares fully paid in cash		12,572,880	12,572,880
82,712 shares issued as fully paid for consideration other than cash		827,120	827,120
100,000 shares issued as fully paid bonus shares		1,000,000	1,000,000
		-----	-----
		1,440,000	14,400,000
		=====	=====

11. REVENUE RESERVE

General Reserve - opening balance	3,565,625	3,565,625
Add: Surplus on revaluation of fixed assets realised	721,244	--
	4,286,869	3,565,625
Unappropriated (loss) as per profit and loss account	(19,146,777)	(5,614,400)
	(14,859,908)	(2,048,775)

12. SURPLUS ON REVALUATION OF FIXED ASSETS

Leasehold land, factory and office buildings and plant and machinery were revalued by Salim Hyder & Co. on 3rd May, 1976 resulting in an increase over book values of Rs.683,000, Rs.421,076 and Rs.564,093 respectively, totalling Rs.1,668,169 which has been credited to the surplus on revaluation of fixed assets account.

A second revaluation of leasehold land, factory and office buildings and plant and machinery was carried out by Iqbal A. Nanjee & Company on 14th June, 1989 resulting in an increase over book values of Rs.16,432,000, Rs.1,865,630 and Rs.8,749,326 respectively, totalling Rs.27,046,956 which has been credited to the surplus on the revaluation of fixed assets account.

Surplus on revaluation of Rs.4,286,869 has been transferred to general reserve being Rs.3,565,625 in respect of disposal of leasehold land in the year ended June 30, 1996 and Rs.721,244 in respect of disposal of plant and machinery during the current year.

Depreciation is also being provided with reference to the value assigned to these assets on revaluation.

12.1 Figures relating to the original cost and revaluations in respect of revalued assets are given below:-

	<i>Note</i>	<i>Surplus on revaluation Rupees</i>	<i>Original cost Rupees</i>
Leasehold land		13,549,375	--
Factory and office building on leasehold land		2,286,706	6,999,835
Plant and machinery		8,502,943	1,527,575
		24,339,024	8,527,410

13. LONG TERM DEPOSITS

From suppliers		200,000	200,000
From employees	13.1	325,000	328,000
		525,000	528,000

13.1 The above are interest free deposits obtained from the officers against cars provided to them under the Company's Car Scheme. The employees have authorised the company to utilize the deposits for business purposes.

14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

<i>Period</i>	<i>Minimum lease payments June 30, 2000</i>	<i>Present value</i>	<i>Minimum lease payments June 30, 2000</i>	<i>Present value</i>
	<i>(Rupees)</i>			
Upto one year	552,695	413,522	1,047,112	787,763
One year to three years	513,300	464,912	1,039,139	855,608
Finance charges allocated to futur	1,065,995 (187,561)	878,434 --	2,086,251 (442,880)	1,643,371 --
Current maturity shown under cur	878,434 (413,522)	878,434 (413,522)	1,643,371 (787,763)	1,643,371 (787,763)
	464,912	464,912	855,608	855,608

Rentals are payable in equal quarterly installments by the year 2003. Financing rates ranging from 21.292% to 27.632% per annum have been used as discounting factor. At the end of the lease the ownership of the assets shall be transferred to the company on payment of residual value.

15. SHORT TERM RUNNING FINANCES - secured

From a bank	22,033,275	24,930,625
-------------	------------	------------

These are obtained under a mark-up arrangement and are secured against hypothecation/pledge of stock-in-trade, book debts, documentary bills under collection, first charge on current and fixed assets of the company collaterally secured by equitable mortgage of factory and personal guarantees of sponsor directors.

The facility for short term running finances amounts to Rs. 32.5 million (1999: Rs.34.5 million). The above carries mark-up at the rate of Rs. 0.46 (1999: Rs. 0.50) per thousand rupees per day, which is payable currently.

16. SHORT TERM LOAN -secured

From a financial institution	4,452,404	3,837,055
	=====	=====

The company has entered into a morabaha transaction whereby goods have been sold with an agreement to repurchase them on a deferred payment basis by June 03, 2001. The rate of mark-up is 47.95 (1999: 54.80) paisas per Rs. 1,000 per day payable quarterly.

The above loan is secured against pledge of stock and personal guarantee of some of the directors.

17. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	28,697,242	30,505,868
Advances from customers	1,642,927	103,687
Accrued expenses	3,660,541	2,541,948
Bills payable	4,623,511	6,694,841
Mark-up accrued on secured short term running finances and short term loan	963,392	558,821
Staff provident fund	145,801	316,256
Sales tax	1,045,551	2,761,835
Rahim Bux Khan Trust	249,737	264,382
Others	48,878	121,997
	-----	-----
	41,077,580	43,869,635
	=====	=====

18. CONTINGENCIES AND COMMITMENTS

(a) Letters of guarantee outstanding	2,822,100	2,393,100
	=====	=====
(b) Letters of credit outstanding	1,125,800	362,300
	=====	=====

19. SALES

Local sales	156,275,613	203,575,308
Less: Commission and discount	14,966,384	17,386,932
	-----	-----
	141,309,229	186,188,376
	=====	=====

20. COST OF SALES

Opening stock		
Raw material	22,599,908	26,018,659
Containers	1,196,156	1,428,834
Packing material	117,193	113,135
	-----	-----
	23,913,257	27,560,628
	-----	-----
Add: Purchases		
Raw material	71,823,787	94,116,960
Containers	10,525,265	14,112,239
Packing material	1,554,082	2,036,078
	-----	-----
	83,903,134	110,265,277
	-----	-----
	107,816,391	137,825,905
	-----	-----
Less: Closing stock		
Raw material	17,706,779	22,599,908
Containers	686,699	1,196,156
Packing material	85,242	117,193
	-----	-----
	18,478,720	23,913,257
	-----	-----
Raw material, containers and packing material consumed	89,337,671	113,912,648
Excise duty	16,042,711	20,679,835
	-----	-----
Manufacturing expenses		
Salaries, wages and other benefits	10,826,119	11,003,940
Medical expenses	536,755	615,761
Rent, rates and taxes	415,072	359,679
Fuel and power	2,363,652	2,436,080
Laboratory expenses	74,860	127,880
Repairs and maintenance	620,412	1,156,664
Insurance	382,578	393,807
Depreciation	967,437	1,077,787
Lunch subsidy and catering expenses	507,205	568,437
	-----	-----
Sundry expenses	127,398	112,054

	16,821,488	17,852,089
Cost of goods manufactured	122,201,870	152,444,572
Opening stock of finished goods	6,361,760	7,211,495
Closing stock of finished goods	(6,465,411)	(6,361,760)
	122,098,219	153,294,307

21. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	11,376,453	11,895,642
Staff gratuity	1,082,034	1,029,659
Insurance	156,367	223,100
Printing and stationery	522,255	635,066
Postage, telegram and telex	159,715	169,075
Telephone	605,277	855,105
Travelling and conveyance	929,775	831,264
Fees and subscription	314,052	389,215
Donations	21.1	72,468
		96,169
Professional fees	389,952	577,540
Vehicle expenses	2,073,059	1,885,964
Repairs and maintenance	187,896	289,520
Depreciation	746,786	795,673
Auditors' remuneration	21.2	160,000
Bad debts	859,865	1,581,941
Sundry expenses	417,971	456,281
	20,053,925	21,871,214

21.1 This includes donations to Rahim Bux Khan Trust amounting to Rs.11,000 (1999: Rs.12,000). Mr. Wassim Alam Khan and Mr. Nasim Alam Khan, Directors are also the trustees of Rahim Bux Khan Trust.

21.2 Auditors' remuneration

Statutory audit	100,000	100,000
Taxation services	45,000	45,000
Workers' profit participation fund audit	1,000	1,000
Out-of-pocket expenses	14,000	14,000
	160,000	160,000

22. SELLING EXPENSES

Salaries, wages and other benefits	3,240,687	3,737,973
Sample expenses	46,623	63,709
Rent	335,268	394,594
Carriage outward	1,896,218	2,370,232
Packing charges	135,351	301,683
Advertising expenses	1,548,978	1,812,891
Sales promotion expenses	1,574,132	4,426,270
	8,777,257	13,107,352

23. OTHER INCOME

Profit on disposal of fixed assets	1,693,959	--
Income from sale of scrap and obsolete stocks	685,432	103,110
Royalty	302,500	427,276
Others	4,062	14,008
	2,685,953	544,394

24. The company lodged refund claims in 1992 pertaining to excise duty paid for the period April 1987 to February 1991 on the purchase of thinners from Pakistan State Oil Company Limited. These claims were settled in favour of the company as per order of the Collector, Central Excise, Karachi.

Based on the order of the Collector, Central Excise, the company lodged another claim pertaining to the period January 1983 to January 1987 which amounted to Rs.3,428,095. The case was filed in the High Court of Sind and has been decided in the company's favour. However, the department has filed an appeal with the Supreme Court of Pakistan against the order of High Court of Sind. The company is confident that this claim too will be settled in the company's favour.

25. FINANCIAL CHARGES

Finance cost on leases	255,320	392,581
Mark-up on - short term running finances	4,058,160	4,943,153
Mark-up on - short term loan	622,505	849,329
interest on workers' profit participation fund	--	11,148
Bank charges	455,627	444,030

5,391,612	6,640,241
=====	=====

26. DEFERRED TAXATION

Deferred taxation arising due to timing differences computed under the liability method is estimated at Rs.572,899 debit (1999: Rs. 1,235,827 debit) of which Rs.662,928 credit (1999:Rs.1,202,569 debit) relates to the current year. The debit balance has not been set-up in accordance with the company's policy.

27. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

<i>Particulars</i>	<i>Chief Executive</i>		<i>Directors</i>		<i>Executives</i>	
	<i>2000 Rupees</i>	<i>1999 Rupees</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Managerial remuneration	462,887	540,000	514,706	592,800	1,594,657	2,006,524
House rent allowance	205,793	243,000	228,883	266,760	705,161	838,772
Utilities	143,640	151,200	115,080	119,760	103,200	103,200
Medical expenses	24,000	18,000	10,100	23,797	67,776	79,148
Leave passage	--	--	--	31,200	30,250	96,250
	-----	-----	-----	-----	-----	-----
	836,320	952,200	868,769	1,034,317	2,501,044	3,123,894
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	2	2	11	14

27.1 The Chief Executive, Directors and some Executives are also provided with the use of company maintained cars.

27.2 Directors were paid fee amounting to Rs.8,000 (1999: Rs.7,500) for attending meetings of the company.

28. ACTUAL PRODUCTION

	<i>2000</i>	<i>1999</i>
Production in litres	1,449,747	1,909,043
	=====	=====

The capacity of the company's plant is indeterminable as it is a multi product plant involving varying processes of manufacturing.

29. UNUTILISED CREDIT FACILITY

This amounted to Rs. 10.467 million (1999: Rs.9.570 million)

30. BASIC EARNING PER SHARE

	<i>2000 Rupees</i>	<i>1999 Rupees</i>
(Loss) after taxation attributable to ordinary shares	(13,532,377)	(5,683,191)
Issued and subscribed number of ordinary shares	1,440,000	1,440,000
Basic earning per share	(9.40)	(3.95)
	=====	=====

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**31.1 Credit risk exposure**

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

The company's concentration of credit risk can be seen from the following details of outstanding debtors.

	<i>Amount Rupees</i>	<i>Percentage %</i>
Government department	7,471,497	24
Industries	5,443,855	17
Dealers	14,476,041	45
Others	4,494,527	14
	-----	-----
	31,885,920	100
	=====	=====

31.2 Interest/mark-up rate risk exposure

The company is exposed to interest/mark-up rate risk on some of the financial obligations. The rates of Interest/mark-up and their maturities are given in the respective notes.

31.3 Foreign exchange risk management

Import bills payable exposed to foreign currency risk amounting to Rs.4,623,511.

31.4 Fair value of Financial Instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

32. STAFF RETIREMENT BENEFITS**Gratuity Scheme**

Actuarial valuation of the scheme is carried out once in every three years and the latest valuation was carried out in 1998.

The fair value of the Gratuity Scheme's assets and liabilities for past services of the employees as at June 30, 2000 worked out using the projected unit credit method are as follows:

	<i>Amount Rupees</i>
Present value of defined benefit obligation	6,950,982
Less: Fair value of plan assets	418,906

Transitional liability	6,532,076
Less: Recognised in the Balance Sheet	3,913,203

Unrecognised transitional liability	2,618,873
	=====

The following amounts have been charged in the profit and loss account during the current year in respect of these schemes:

Current service cost	255,816
Interest cost	677,218
Recognition of transitional liability	149,000

	1,082,034
	=====

Significant assumptions used for valuation of the scheme are:

- Discount rate 12 percent per annum

- Expected long term rate of increase in salary level 10 percent per annum

The contribution rate of 9.59% per annum of basic salaries includes allowance for deficits. In accordance with the actuarial recommendation and as allowed by the transitional provisions of the revised International Accounting Standard 19-Employee Benefits, the management had decided to provide for this deficit and the related interest cost over a maximum period of five years.

33. GENERAL

(a) Previous year's figures have been rearranged, wherever necessary, for the purposes of comparison.

(b) Figures have been rounded off to the nearest rupee.

Chief Executive

Director

PATTERN OF SHARE HOLDINGS AS AT 30-06-2000

<i>NUMBER OF SHARE HOLDERS</i>	<i>SHARE HOLDINGS</i>			<i>NUMBER OF SHARES HELD</i>	
452	1	--		100	32,470
162	101	--		500	30,712
33	501	--		1000	27,028
27	1001	--		5000	74,320
15	5001	--		10000	113,240
4	10001	--		15000	46,700
4	15001	--		20000	71,536
1	20001	--		25000	24,780
6	25001	--		30000	162,379
3	30001	--		35000	93,288
2	40001	--		45000	81,494
1	75001	--		80000	76,610
1	80001	--		85000	84,040
1	165001	--		170000	165,694
1	355001	--		360000	355,709
				-----	-----
				713	1,440,000
				=====	=====

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER OF SHARE HOLDERS</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
1. Individuals	702	946,830	65.752
2. Investment Companies	2	4,180	0.290

3. Insurance Companies	1	10,000	0.695
4. Joint Stock Companies	3	85,160	5.914
5. Financial Institutions	1	355,709	24.702
6. Modaraba	2	1,200	0.083
7. Foreign Investors	--	--	--
8. Co-Operative Societies	1	11,400	0.792
9. Charitable Trusts	1	25,521	1.772
10. Others	--	--	--
Totals	713	1,440,000	100.000