

Zulfegar Industries Limited

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

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HI-LANDER SOAPS (PVT) LIMITED

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Board of Directors

SYED WAJID ALI	Chairman
SYED ASAD ALI	Managing Director
SYED SHAHID ALI	
BEHRAM HASAN	
SHABBIR A. FEROPURWALA	
S. QAMAR ALI ZAIDI	
S. FERIEL RIFAAT ASAD ALI	

COMPANY SECRETARY

MUHAMMAD RASHEED

AUDITORS

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS
KARACHI

REGISTERED OFFICE

KANDAWALA BUILDING
M.A. JINNAH ROAD
KARACHI-74400

BANKERS

MUSLIM COMMERCIAL BANK LTD. - KARACHI
ANZ GRINDLAYS BANK p.l.c. - KARACHI

LEGAL ADVISOR

HUSSAIN AND HALDER - KARACHI

FACTORY

HALL ROAD, HYDERABAD-71900

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirty-sixth Annual General Meeting of Zulfegar Industries Limited will be held at Hotel Holiday Inn, Crowne Plaza, Shahrah-e-Faisal, Karachi, on Saturday 21st December 1996 at 3.00 p.m. to transact the following business.

1. To confirm the minutes of the Thirty-fifth Annual General Meeting held on 28th June 1995.
2. To receive and consider the statement of accounts for the period of 18 months ended 30th June 1996, the report of Auditors and Directors thereon.
3. To declare a dividend.
4. To appoint Auditors and fix their remuneration.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi
28th November 1996

(Muhammad Rasheed)
Company Secretary

NOTES:

- i) The Share Transfer Books of the Company will remain closed from 12th December 1996 to 21st December 1996 (both days inclusive).
- ii) A member entitled to attend and vote at the Annual General Meeting is also entitled to appoint another member as proxy to attend and vote instead of him.
- iii) The instrument appointing proxy must be received at the Registered Office of the Company not less than 48 hours before the time appointed for the meeting.

Report of Directors to the Members

The Directors of your Company feel pleasure in placing before you the Audited Accounts and Audit report for the of 18 months period ended 30 June 1996.

The period under review is an improvement over previous year mainly because the company came out to a great degree from the financial crunch, it was facing prior to sale of Karachi Factory. The operations were re-suscitated with emergent consolidating and economizing measures at Hyderabad where the plant and Machinery of Karachi Factory was also transferred.

The company earned a pre-tax profit of Rs. 16.061 million in the 18 months period against Rs. 7.827 million in the previous year. The Gross Profit margin increased by 7% and turn over modestly increased by 4%. The Company had to spend more on advertising in view of the growing competition in the market with multi-nationals aggressively advertising their products. Continued decline in rupee value against main foreign currencies, inflationary trend and imposition of regulatory duty were the major factors responsible for the increase in cost of production. The company successfully launched revamped premium brand soap "Capri". Initially it was well received, however, full results will be available next year.

Excise Duty exemption available to Hi-Lander Soaps (Pvt) Limited at Mirpur, Azad Kashmir has virtually been withdrawn by levying another tax in the name of Education

Cess equivalent to Excise Duty from August 1996. The company has made strong representation to the Govt. of Azad Kashmir against this decision. We are optimistic for the withdrawal of the decision otherwise the operations are endangered to become uneconomical.

Mr. Mushtaq H. Khwaja resigned from the Board and was replaced by Miss S. Ferial Rifaat Asad Ali.

The Board wishes to place on record appreciation for the useful services rendered by Mr. Mushtaq H. Khwaja during his tenure as Director of the Company.

We would like to express our appreciation for the efforts and dedication of all employees of the company which enabled us to run the company efficiently during the period.

The profit and appropriation for the year are as follows:

	(Rupees in '000)
Operational profit for the year	14,486
Add: Other Income	1575

Profit before tax	16,061
Less: Provision for taxation	2,795

Profit after taxation	13,266
Less: Proposed Cash Dividend at 15%	(3,000)

Accumulated (Loss) Brought Forward	10,266 (14,735)

Accumulated (Loss) Carried Forward	(4,469)
	=====

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

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

Auditors' Report to the Members

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

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

(b) in our opinion:

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

(ii) the expenditure incurred during the 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 positions, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 1996 and of the profit and the changes in financial position for the year then ended; and

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

Balance Sheet

As at 30 June 1996

	Note	30-Jun 1996	31-Dec 1994
		(Rupees in '000)	
FIXED CAPITAL EXPENDITURE	3	22,137	26,381
TRADE MARK - At cost		371	371
LONG TERM DEPOSITS AND PREPAYMENTS	4	918	2,404
LONG TERM INVESTMENT	5	3,000	-
CURRENT ASSETS			
Stores and spares	6	5,331	4,682
Stock-in-trade	7	59,208	65,132
Trade debtors - unsecured considered good	8	19,921	11,870
Advances, short term prepayments and other receivables	9	38,111	18,314
Cash and bank balances	10	5,828	6,633
		-----	-----
		128,399	106,631
CURRENT LIABILITIES			
Current maturity of finance lease		966	992
Finances under mark-up arrangements - secured	11	42,579	30,277
Short term Morabaha finance - secured	12	8,000	7,500
Due to holding company	13	19,069	6,616
Creditors, accrued expenses and other liabilities 14		32,158	51,710
Provision for taxation	15	2,550	2,428
Dividend Payable		3,000	-
		-----	-----
		108,322	99,523
NET CURRENT ASSETS		-----	-----
		20,077	7,108
NET ASSETS		-----	-----
		46,503	36,264
		=====	=====
FINANCED BY:			
SHARE CAPITAL	16	20,000	20,000
REVENUE RESERVE		6,000	6,000
ACCUMULATED (LOSS)		(4,469)	(14,735)
		-----	-----
SHAREHOLDER'S EQUITY		21,531	11,266

SURPLUS ON REVALUATION OF FIXED ASSETS	17	16,519	16,519
LIABILITIES AGAINST ASSETS			
SUBJECT TO FINANCE LEASE	18	-	1,067
DEFERRED LIABILITIES	19	8,453	7,413
		-----	-----
		46,503	36,264
		=====	=====

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

Profit and Loss Account

For the eighteen months period ended 30 June 1996

	Note	Six months period ended 30 Jun-95 (Rupees in '000)	Twelve months period ended 30 June 1996	Eighteen months period ended 30 June1996 (Rupees in '000)	Year ended 31 December 1994
Sales - Net	20	252,247	500,099	752,346	478,856
Cost of Goods Sold	21	223,384	440,941	664,325	455,619
Gross profit		-----	-----	-----	-----
		28,863	59,158	88,021	23,237
Administrative expenses	22	3,709	7,493	11,202	6,501
Selling and distribution expenses	23	18,292	25,698	43,990	23,715
Financial expenses	24	6,938	10,560	17,498	11,670
Workers' profit participation fund		12	833	845	412
		-----	-----	-----	-----
		28,951	44,584	73,535	42,298
Operating profit/(loss)		(88)	14,574	14,486	(19,061)
Other income/(charges) - net	25	311	1,264	1,575	(125)
		-----	-----	-----	-----
		223	15,838	16,061	(19,186)
Profit on disposal of Karachi factory land and building		-	-	-	27,013
		-----	-----	-----	-----
Profit before taxation		223	15,838	16,061	7,827
Taxation					
Current - minimum tax		1,274	2,550	3,824	2,428
Prior year's		-	-	-	10
Deferred		(454)	(575)	(1,029)	(181)
		-----	-----	-----	-----
		820	1,975	2,795	2,257
Profit/(Loss) after taxation		(597)	13,863	13,266	5,570
Accumulated (loss) brought forward		(14,735)	(15,332)	(14,735)	(23,303)
		-----	-----	-----	-----
		(15,332)	'(1,469)	(1,469)	'(17,733)
Less: Transfer from surplus on revaluation of fixed assets on assets disposed during the year.		-	-	-	2,998
Proposed Dividend @ 15%		-	-	(3,000)	-
		-----	-----	-----	-----

Accumulated (loss)	(15,332)	(1,469)	(4,469)	'(14,735)
	=====	=====	=====	=====

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

Statement of Changes in Financial Position

For the eighteen months period ended 30 June 1996

	Eighteen months period ended 30 June 1996 (Rupees in '000)	Year ended 31 December 1994
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,061	10,825
Adjustments for:		
Mark-up expense	11,965	9,136
Revaluation reversed	-	(2,998)
Depreciation	4,025	2,918
Provision for gratuity	2,308	997
Gain on sale of fixed assets	(424)	(26,726)
	-----	-----
	17,874	'(16,673)
	-----	-----
Operating profit/(Loss) before working charges	33,935	'(5,848)
(Increase)/decrease in operating assets		
Stores and spares	(649)	282
Stock in trade	5,924	13,934
Trade debtors	(8,051)	(1,727)
Advances, short term prepayments and other receivables	(11,723)	(3,627)
	-----	-----
	14,499	8,862
Increase/(decrease) in operating liabilities		
Creditors, accrued expenses and other liabilities	(19,882)	18,486
Due to holding company	12,453	(6,814)
	-----	-----
	(7,429)	11,672
	-----	-----
Cash (used)/generated from operations	12,007	14,686
Income tax paid	(11,776)	(3,936)
Gratuity paid	(239)	(580)
Mark-up paid	(11,635)	(11,183)
	-----	-----
	(23,650)	(15,699)
	-----	-----
Net cash flows from operating activities	(11,643)	(1,013)

Eighteen Year ended

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

CASH FLOWS FROM INVESTING ACTIVITIES

Investment	(3,000)	-
Fixed capital expenditure	(2,257)	(2,610)
Sale proceeds of fixed assets	3,645	30,768
Long term deposits and pre-payments	1,486	(976)
	-----	-----
Net cash flows from investing activities	(126)	27,182

CASH FLOWS FROM FINANCING ACTIVITIES

Morabaha financing	500	(2,500)
Repayment of lease liability - net	(1,838)	(1,076)
	-----	-----
Net cash flows from financing activities	(1,338)	(3,576)
	-----	-----
Net increase in cash and cash equivalents	(13,107)	22,593
	-----	-----
Cash and cash equivalents at the beginning of the period	(23,644)	(46,237)
	-----	-----
Cash and cash equivalents at end of the period	(36,751)	(23,644)
	=====	=====

NOTE:

CASH AND CASH EQUIVALENTS

Cash and bank balances	5,828	6,633
Finance under mark-up arrangements	(42,579)	(30,277)
	-----	-----
	36,751	(23,644)
	=====	=====

Notes to the Accounts

For the eighteen months period ended 30 June 1996

1. STATUS AND NATURE OF BUSINESS

The company was incorporated in February 1960 as a private limited company and subsequently converted as a public limited company in November 1986 and was listed on Karachi Stock Exchange and Lahore Stock Exchange in December 1986 & 1987 respectively. The company is a subsidiary of Treet Corporation Limited which holds 52.03 percent of its shares. The principal activity of the company is manufacture and sales of toilet and washing soaps.

2. ACCOUNTING POLICIES

The significant accounting policies are summarised as follows:

2.1 Accounting convention

These accounts have been prepared under the historical cost convention except to the extent that certain fixed assets as stated in note 3.1 are shown at revalued amounts.

2.2 Staff retirement benefits**(a) Staff gratuity**

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

(b) Provident fund

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

(c) Retirement benefits

Retirements benefits are calculated with reference to last drawn salary and prescribed qualifying period of service of the employee. Amounts are charged to profit and loss account as and when paid.

2.3 Taxation

a) Current

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

b) Deferred

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

2.4 Fixed assets

- Owned

(a) Fixed assets including all additions are carried at cost or revaluation 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.

(b) Depreciation on fixed assets other than freehold and leasehold land is charged on a reducing balance method at the rates specified in note 3.1.

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

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

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

-- Leased

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations, under the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liability. Depreciation is charged to income applying the reducing balance method at the rates indicated in note 3.1.

2.5 Capital work-in-progress

Capital work-in-progress represents expenditure on fixed assets in course of construction and installation. Transfers are made to relevant fixed assets

category as and when assets are available for use.

2.6 Stores and spares

These are valued on moving average method. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.7 Stock-in-trade

Stock-in-trade, except for those in transit, are valued at lower of cost determined on moving average cost basis and net realisable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and an appropriate portion of manufacturing overheads.

Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

2.8 Trade debtors

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

2.9 Basis of allocation of common expenses

Treet Corporation Limited (holding company) has allocated its relevant expenses except directly identifiable expenses for the year to Zulfeqar Industries Limited being the costs incurred and services rendered by the holding company on behalf of Zulfeqar Industries Limited on a proportionate basis.

2.10 Foreign Currency Translation

Transactions in foreign currency are accounted for in Pak rupees at the exchange rate prevailing on the date of transactions except those, covered under forward exchange contracts where the rate contracted for is applied. Exchange gains and losses are included in income currently.

2.11 Revenue recognition

Local Sales are recorded on despatch of goods to customers. Export sales are recorded on the basis of goods shipped to customers. Rebate on exports if any are recorded on receipt basis.

3. FIXED CAPITAL EXPENDITURE

		30-Jun 1996	31-Dec 1994
		(Rupees in '000)	
Operating assets	3.1	21,954	25,051
Capital work-in-progress	3.2	183	1,330
		-----	-----
		22,137	26,381
		=====	=====

3.1 Operating Assets - at cost less accumulated depreciation

COST OR REVALUATION						DEPRECIATION			(Rupees in '000)	
As at 01 Jan-95	Additions/ (Disposals)/	Adjust.	As at 30 Jun-96	Rate %	As at 01 Jan. 1996	For the period	(Disposals)/ Adjust.	As at 30 Jun-96	30 June 1996	Written down value as at

OWNED										
Freehold land	609	-	-	609	-	-	-	-	-	609
Building on freehold land	3,099	1,504		4,603	10	1,603	367	-	1,970	2,633
Plant and machinery	46,644	493	2,474	42,356	10	29,725	2,380	(4,317)	28,549	13,807
		(7,255)						761		
Furniture and equipments	2,705	444	-	3,142	10	1,312	248	(5)	1,555	1,587
		(7)								
Vehicles	3,900	962	-	3,812	20	2,444	531	(767)	2,208	1,604
		(1,050)								
	56,957	3,403	2,474	54,522		35,084	3,526	(5,089)	34,282	20,240
		(8,312)						761		
LEASED										
Plant and machinery	4,174	-	(2,474)	1,700	10	993	290	(761)	522	1,178
Vehicles	-	745	-	745	20	-	209	-	209	536
	4,174	745	(2,474)	2,445		993	499	(761)	731	1,714
	61,131	4,148	-	56,967		36,077	4,025	(5,089)	35,013	21,954
		(8,312)						-		
31 December 1994	66,655	2,159	-	61,131		36,803	2,918	-3,642	36,879	25,051
		(7,683)								

3.1.1 Depreciation pertains to manufacturing units and as such has been fully allocated to cost of goods sold.

3.1.2 Revaluation of certain fixed assets was undertaken in 1981 and 1982 by the financial consultants in collaboration with mechanical and civil engineers in accordance with the generally accepted accounting principles. The book value, and revaluation amount were as follows:

	Book value (Rupees)	Revaluation surplus (Rupees)
Land	0.029 million	0.580 million
Building	0.075 million	0.765 million
Plant and Machinery	2.607 million	15.174 million

Rupees	16.519 million	=====

3.1.3 Had the assets not been revalued, the depreciation charged in respect of buildings and plant and machinery would have been lower by Rs. 0.227 million (1994: Rs. 0.430 million) with corresponding effect on the results for the period/year.

3.1.4 Disposal of fixed assets

(Rupees in '000)

Particulars	Cost	Accumulated Depreciation	Written down value	Sale Proceeds	Profit/ (loss)	Mode of Sale (loss)	Sold to
-------------	------	-----------------------------	-----------------------	------------------	-------------------	------------------------	---------

Plant & machinery	7,255	4,317	2,938	2,983	45 Negotiation	Hilander (Pvt) Ltd. (Subsidiary company)
Toyota Corolla	191	141	50	117	67Executive Car Scheme	Mr. Abdul Qadir- employee
Suzuki Alto	117	23	94	94	-Executive Car Scheme	Mr. Muhammad Siddique employee
Honda Accord	516	447	69	225	156Negotiation	Mr. Mujeeb Mushtaq 75, Khayaban-e-Shujat DHS. Karachi.
Honda CD-70	225	156	69	225	156Staff Motor Cycles Scheme	Various employees
Equipment	8	6	2	2	-Executive Fridge	Mr. Muhammad Siddique employee
	-----	-----	-----	-----	-----Scheme	
RUPEES	8,312	5,090	3,222	3,646	424	
	=====	=====	=====	=====	=====	
31 Dec 1994 RUPEES	7,684	3,642	4,042	30,768	26,726	
	=====	=====	=====	=====	=====	

30 June 31 December
1996 1994

(Rupees in '000)

3.1 Capital work-in-progress - at cost

Represented by:

Plant and machinery under installation	-	1,330
Electric installation	183	-
	-----	-----
	183	1,330
	=====	=====

4. LONG-TERM DEPOSITS AND PREPAYMENTS

Deposits

Letter of guarantee - Margin	623	1,801
Utilities	4	77
Against finance lease	244	417
Trade deposits	47	52
	-----	-----
	918	2,347

Prepayments

	-	57
	-----	-----
	918	2,404
	=====	=====

5. LONG-TERM INVESTMENT

This represent investment in wholly owned subsidiary, Hi-Lander Soaps (Private) Limited. The company has acquired 300,000 ordinary shares of Rs. 10/- each, break-up value of share of Rs. 10/- each is Rs. 20.37 as at 30 June 1996 (Chief Executive Syed Asad Ali).

6. STORES AND SPARES

Stores	3,549	2,887
Spares	1,782	1,795
	-----	-----
	5,331	4,682

7. STOCK-IN-TRADE

Raw materials	19,243	18,113
Packing materials	4,102	9,067
Work-in-process	13,423	2,749
Finished goods	18,359	8,074
Stock in transit	4,081	27,129
	-----	-----
	59,208	65,132
	=====	=====

8. TRADE DEBTORS - Unsecured considered good

Subsidiary company	4,417	-
Others	15,504	11,870
	-----	-----
	19,921	11,870
	=====	=====

Maximum aggregate amount due from subsidiary company at the end of any month during the period was Rs. 21.55 million (1994: NIL).

9. ADVANCES, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES

	Note	30 June 1996	31 December 1994
			(Rupees in '000)
Advances - considered good			
To employees - secured	9.1	759	610
To suppliers and contractors		1,547	994
For taxation		13,484	8,959
		-----	-----
		15,790	10,563
Tax refundable		6,763	3,224
Prepayments		568	3,212
		-----	-----
		23,121	16,999
		=====	=====
Other receivables			
Associated companies	9.2	-	425
Miscellaneous		3,892	890
Subsidiary company	9.3	11,098	-
		-----	-----
		14,990	1,315
		-----	-----
		38,111	18,314
		=====	=====

9.1 Maximum aggregate amount due from executives at the end of any month during the period/year was Rs. 0.156 million (1994: Rs. 0.271 million).

9.2 Maximum aggregate amount due from associated companies at the end of any month during the period/year was Rs. 2.36 million (1994: Rs. 2.2 million).

9.3 Due from Hilander Soaps (Pvt) Limited

10. CASH AND BANK BALANCES

Current accounts	912	4,184
Collection accounts	4,916	2,349
Cash in transit	-	100
	-----	-----
	5,828	6,633
	=====	=====

11. FINANCE UNDER MARK-UP**ARRANGEMENTS - Secured**

The company has running finance facility of Rs. 30 million (1994: Rs. 20 million) from a bank at mark-up of 50 paisas per Rs. 1,000 per day. The arrangement is generally for a period of one year and is renewable subject to payment of re-purchase price by specified date. The arrangement is secured against a charge by way of registered hypothecation of stock-in-trade, book debts and mortgage over plant and machinery of the company.

The balance of the bank finance in excess of the facilities represents cheques issued but remained unrepresented, which are to be matched against subsequent receipts.

The facilities for opening letters of credit and guarantees amounted to Rs. 70.00 million (1994: Rs. 52.72 million). Of these facilities, the amount utilized at 30 June 1996 aggregated to Rs. 29.921 million (1994: Rs. 25.383 million).

12. SHORT TERM MORABAHA FINANCE - SECURED

The company has entered into various morabaha agreements with First Professional Modaraba and First Paramount Modaraba for sale of plant and machinery of Rs. 8 million (1994: Rs. 7.5 million) with corresponding purchase price of Rs. 8.661 million (1994: Rs. 8.54 million). These facility are secured by way of hypothecation of plant and machinery, demand promissory note and corporate guarantee of Treet Corporation Limited (holding company).

13. DUE TO HOLDING COMPANY

Mark-up at the rate of 17% p.a is charged on the monthly balances due to holding company. The amount represents the balance or transactions on account of common expenses and licence fee charges. There is no agreed repayment date for the principal amounts due to the holding company.

14. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Note	30 June 1996	31 December 1994
	(Rupees in '000)	
Trade creditors	8,870	27,081
Accrued expenses	6,350	4,806
Advances from customers	4,489	3,593
Workers' profit participation fund	845	412
Due to associated companies	4,465	6,326
Sales tax payable	2,938	8,206
Unclaimed dividend	8	8
Other liabilities	3,618	1,278
Over drawn bank balances	575	-
	-----	-----
	32,158	51,710
	=====	=====
14.1 Opening balance	412	50
Allocated during the period/year	845	412
	-----	-----

	1,257	462
Payment made during the period/year	412	50
	-----	-----
	845	412
	=====	=====

14.2 This balance represents cheques issued at the period end which were cleared through the funds arranged by the company subsequent to 30 June 1996.

15. PROVISION FOR TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1995-96. Appeals for the assessment years 1986-87, 1987-88 and 1990-91 are pending before various Appellate authorities.

16. SHARE CAPITAL

Authorised		
5,000,000(1994: Rs. 5,000,000) ordinary shares of Rs. 10/- each	50,000	50,000
Issued, subscribed and paid-up shares of Rs. 10/- each		
1,550,000shares issued as fully paid in cash	15,500	15,500
50,000shares issued as fully paid for consideration other than cash	500	500
400,000shares issued as fully paid bonus shares	4,000	4,000
-----	-----	-----
2,000,000	20,000	20,000
=====	=====	=====

At 30 June 1996 1.04 million (1994:1.04 million) ordinary shares of the company were held by Treet Corporation Limited (holding company).

17. SURPLUS ON REVALUATION OF FIXED ASSETS

The revaluation of fixed assets was undertaken in 1981 and 1982 respectively, which resulted in a revaluation surplus of Rs. 19.517 million which was credited to surplus on revaluation of fixed assets.

The movement in the revaluation surplus during the period/year is as follows:

As at 01 January	16,519	19,517
Less: Amount realized during the period/year	-	2,998
	-----	-----
	16,519	16,519
	=====	=====

18. LIABILITIES AGAINST ASSETS

SUBJECT TO FINANCE LEASE

	30 June	31 December
	1996	1994
	(Rupees in '000)	
As at 01 January	2,059	3,135
Add: Lease acquired during the period/year	745	-

	2,804	3,135
Less: Repayments made during the period/year	1,838	1,076
	966	2,059
Less: Current maturity - shown under current liabilities	966	992
	-	1,067
	=====	=====

18.1 Salient features of the lease agreements are as follows -

- Discounting factor	21.49% to 21.50% per annum
- Number of monthly lease installments	36
- Amount per installment	Rs. 155,890
- Security deposit	10%
- Company has purchase option at the end of the lease term.	
- Security deposit adjustable from residual value.	
- The company is liable to pay late payment surcharge @ 3% per month in case of default in payment of lease rent with in due date.	
- The future commitments for minimum lease payments under the lease agreements are as follows:	

1995-96	-	1,227
1996-97	817	563
1997-98	-	188
	817	1,978
	=====	=====
Less: Financial charges allocable to future periods	(95)	(336)
Security deposit	244	417
	149	81
	966	2,059
	=====	=====

19. DEFERRED LIABILITIES

Deferred taxation	404	1,433
Staff gratuity	8,049	5,980
	8,453	7,413
	=====	=====

20. SALES - Net

	Six months period ended 30 Jun-95 (Rupees in '000)	Twelve months period ended 30 Jun-96	Eighteen months period ended 30 June 1996 (Rupees in '000)	Year ended 31 December 1994
Gross sales	254,724	509,475	764,199	485,554
Less: Trade promotion	2,428	9,082	11,510	6,698

discount Rebate on
damaged stock

49	294	343	-
-----	-----	-----	-----
2,477	9,376	11,853	6,698
-----	-----	-----	-----
252,247	500,099	752,346	478,856
=====	=====	=====	=====

21. COST OF GOODS SOLD

	Six months period ended 30 Jun-95 (Rupees in '000)	Twelve months period ended 30 Jun-96	Eighteen months period ended 30 June 1996 (Rupees in '000)	Year ended 31 December 1994
Raw and packing material consumed 21.1	146,239	268,432	414,671	272,444
Stores and spares consumed	2,139	4,478	6,617	4,088
Salaries, wages and other benefits	15,632	33,067	48,699	27,769
Employees retrenchment cost	-	-	-	1,247
Repairs and maintenance	946	2,786	3,732	3,272
Fuel and power	6,783	14,360	21,143	10,491
Rent, rates and taxes	650	2,039	2,689	1,579
insurance	471	644	1,115	828
Product research and development	112	570	682	173
Excise duty and sales tax	63,979	111,632	175,611	110,208
Travelling and conveyance	337	921	1,258	1,448
Printing and stationery	65	149	214	63
Postage, telegram and telephones	203	537	740	530
Legal and professional	114	42	156	164
Entertainment	127	255	382	267
Subscriptions	31	53	84	77
Trade mark licence fee	893	2,053	2,946	1,562
Depreciation 3.1	1,356	2,669	4,025	2,918
Other expenses	158	362	520	502
	-----	-----	-----	-----
Opening stock of work-in-process	240,235	445,049	685,284	439,630
Closing stock of work-in-process	(8,057)	(13,423)	(13,423)	(2,749)
Common expenses charged by Treet Corporation Limited	-	-	-	776
	-----	-----	-----	-----
Opening stock of finished goods	234,927	439,683	674,610	443,757
Closing stock of finished goods	8,074	19,617	8,074	19,936
	-----	-----	-----	-----
	(19,617)	(18,359)	(18,359)	(8,074)
	-----	-----	-----	-----
	223,384	440,941	664,325	455,619
	-----	-----	-----	-----
21.1 Raw and packing materials consumed				
	27,180	18,265	27,180	23,908
Opening stock	157,110	315,847	472,957	302,696
Purchases	-----	-----	-----	-----
	184,290	334,112	500,137	326,604
Closing stock	(18,265)	(23,345)	(23,345)	(27,180)
	-----	-----	-----	-----
	166,025	310,767	476,792	299,424
Less: Sales tax refund adjustment	19,786	42,335	62,121	26,980
	-----	-----	-----	-----
	146,239	268,432	414,671	272,444

21.2 Remuneration of chief executive, director and executives.

	Chief Executive		Other working Directors		Executives	
	Eighteen months period ended 30 June 1996	Year ended 31 December 1994	Eighteen months period ended 30 June 1996	Year ended 31 December 1994	Eighteen months period ended 30 June 1996	Year ended 31 December 1994
No. of persons	1	1	1	1	6	1
Remuneration	-	-	444	300	1,060	154
Provident fund	-	-	12	24	89	12
Bonus	-	-	-	-	-	-
Entertainment	-	-	60	24	-	18
Housing and Utilities	-	-	342	196	751	84
Medical	-	-	376	94	1,251	7
Leave passage	-	-	-	-	129	17
	-	-	1,234	638	3,280	292

21.1.1 The Company also provides its working director with free use of residential telephone and transport facilities.

21.1.2 Aggregate amount charged in these accounts for fee to five non-executive directors was Rs. 0.0035 million (1994: Rs. 0.0075 million to five non-executive directors).

22. ADMINISTRATIVE EXPENSES

	Six months period ended 30 Jun-95 (Rupees in '000)	Twelve months period ended 30 Jun-96	Eighteen months period ended 30 June 1996 (Rupees in '000)	Year ended 31 December 1994
Employees cost	1,640	4,299	5,939	1,629
Fuel and power	32	82	114	33
Repairs and maintenance	13	90	103	65
Rent, rates and taxes	261	549	810	80
Legal and professional	104	140	244	51
Charity and donation	22.1	62	143	80
Auditors' remuneration	22.2	45	95	172
Postage and telephone	466	914	1,380	312
Printing and stationary	317	346	663	99
Travelling and conveyance	158	184	342	104
Computer expenses	104	241	345	16
Insurance	37	38	75	14
General advertisement	177	71	248	22
Other expenses	293	346	639	193
	3,709	7,493	11,202	2,870
Common expenses charged by Treet Corporation Limited	-	-	-	3,631
	3,709	7,493	11,202	6,501

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

22.2 Auditors' Remuneration

Audit fee	35	35	70	35
Other advisory services	-	-	-	126
Out of pocket expenses	10	15	25	11
	-----	-----	-----	-----
	45	50	95	172
	=====	=====	=====	=====

23. SELLING AND DISTRIBUTION EXPENSES

Advertising	7,706	8,636	16,342	6,067
Freight and octroi	4,109	6,594	10,703	6,514
Product development	256	579	835	521
	-----	-----	-----	-----
	12,071	15,809	27,880	13,102
Common expenses charged by Treet Corporation Limited	6,221	14,777	20,398	10,613
Common expenses charged to Hi-Lander (Pvt) Ltd.	-	(4,288)	(4,288)	-
	-----	-----	-----	-----
	6,221	9,889	16,110	10,613
	-----	-----	-----	-----
	18,292	25,698	43,990	23,715
	=====	=====	=====	=====

24. FINANCIAL EXPENSES

Mark-up on:				
-Running finance	1,913	4,353	6,266	6,017
-Morabaha finance	2,536	3,162	5,698	2,499
	-----	-----	-----	-----
	4,449	7,515	11,964	8,516
Mark-up on amount due to:				
-Associated companies	35	3	38	312
-Others	983	1,245	2,225	1,850
	-----	-----	-----	-----
	1,018	1,245	2,263	2,162
Financial charges and front end fee on lease arrangements	660	312	972	620
Bank charges and commission	173	385	558	372
Mark-up on advances from Treet Corporation Limited	638	1,103	1,741	-
	-----	-----	-----	-----
	6,938	10,560	17,498	11,670
	=====	=====	=====	=====

25. OTHER Income(CHARGES) - Net

Insurance commission	-	177	177	63
Rebate on export	-	70	70	73
Gain/(loss) on sale of fixed assets	311	113	424	(287)
Trade mark fee received from Hilander Soaps (Pvt) Limited	-	654	654	-
Miscellaneous	-	250	250	26
	-----	-----	-----	-----
	311	1,264	1,575	(125)

=====

26. PLANT CAPACITY AND PRODUCTION

	Assessed/rated	Actual Production					
		Six months period ended 30 Jun-95	Twelve months period ended 30 Jun-96	Eighteen months period ended 30 June 1996	Year ended 31 December 1994		
		Soaps (in tons)	9,500	3,694	6,876	10,570	6,514
			=====	=====	=====	=====	=====

Due to growing competition and easy availability of foreign brands of soaps, plant capacity could not be fully utilised.

27. TRANSACTIONS WITH RELATED PARTIES

Interest paid/payable to holding company	638	1,103	1,741	-
Purchases and services received	18,751	50,183	68,934	37,111
Sales and services rendered	8,283	6,966	15,249	22,993
Common expenses charged by holding company	6,221	14,175	20,396	15,020

28. GENERAL

28.1 Previous year's figures have been re-arranged, wherever necessary, to facilitate comparison.

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

STATEMENT PURSUANT TO SECTION 237 OF THE COMPANIES ORDINANCE, 1984

The audited accounts along with the Auditor's report and Director's report of the subsidiary company, Hi-Lander Soaps (Pvt) Limited, for the year ended 30 June 1996 are annexed to these accounts.

Holding	1996	100%
Net aggregate amount of the subsidiary's profit not dealt with in the company's accounts		
- For the year ended 30 June 1996	3,112	
- For previous years from the date the company is a subsidiary	-	
Net aggregate amount of the subsidiary's profit dealt with in the company's accounts		
- For the year ended 30 June 1996	-	
- For previous years from the date the company is a subsidiary.	-	

PATTERN OF SHAREHOLDING AS AT 30 JUNE, 1996

No. of Share Holders	Share Holding			Total Shares Held	
1033	From	1	to	100	19 466
185	From	101	to	500	38 587
24	From	501	to	1000	17 176
29	From	1001	to	5000	71 148
4	From	5001	to	10000	30 232
3	From	15001	to	20000	51 930
2	From	20001	to	25000	45 722
1	From	35001	to	50000	35 048
1	From	130001	to	135000	130 122
1	From	515001	to	520000	519 891
1	From	1040001	to	1045000	1,040,678
-----					-----
1284					2,000,000
=====					=====

Categories of Share Holders	Number	Shares Held	Percentage
Individuals	1264	222,566	11.13
Investment Companies	2	17,200	0.86
Insurance Companies	2	131,766	6.59
Joint Stock Companies	11	1,067,026	53.35
Financial Institution	4	561,277	28.06
The Administrator Abandoned Properties Organisation Government of Pakistan	1	165	0.01
	-----	-----	-----
	1284	2,000,000	100
	=====	=====	=====

HI-LANDER SOAPS (PVT) LIMITED

Report of Directors to the Members

The Directors are pleased to present the Audited Accounts and Audit Report of the company for the period ended 30th June 1996. The company has made a profit of 3 million rupees on a turnover of 128 million rupees. Soap industry in Azad Kashmir enjoyed initial Excise Duty and Sales Tax exemption for a period of five years. Suddenly Education Cess equivalent to Excise Duty was levied through a notification on 20-8-96. The imposition of education cess in such a manner made our operations highly un-economical. The company is making efforts with the Government of Azad Kashmir for the withdrawal of Education Cess from our industry.

The financial results of the company are as under:-

	(Rupees in '000)
Operating Profit	3,689
Other income	77

Profit before taxation	3,766
Taxation-current (minimum tax)	654

Un-appropriated profit to be carried forward	3,112

The Auditors M/s Hasan Tabani & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

Karachi
24th November 1996

Syed Asad Ali
Chief Executive

Mushtaq H. Khwaja
Director

Auditors' Report to the Members

We have audited the annexed balance sheet of Hi-Lander Soaps (Pvt) Limited as at 30 June 1996 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the eighteen months period 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, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 1996 and of the profit and the changes in financial position for the period then ended; and

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

Karachi: 24th November 1996

HASAN TABANI & CO.
CHARTERED ACCOUNTANTS

Balance Sheet

As at 30 June 1996

	Note	30 June 1996
FIXED CAPITAL EXPENDITURE		
LONG TERM DEPOSITS	3	7,465,998
		180,000

CURRENT ASSETS		
Stores and spares	4	25,348
Stock-in-trade	5	3,346,320
Trade debts - unsecured considered good		6,401,524
Advances, deposits prepayments and other receivables	6	405,223
Cash and bank balances	7	2,607,479

CURRENT LIABILITIES		
Current maturity of finance lease		22,785,894
Short term finances - secured		498,555
Finance under mark-up arrangements - secured		700,000
Due to holding company	8	1,745,445
Creditors, accrued expenses and other liabilities	9	14,761,832
Provision for taxation	10	4,973,594
		654,331

		23,333,757

NET CURRENT LIABILITIES		(547,863)

NET ASSETS	RUPEES	7,098,135
		=====
FINANCED BY:		
SHARE CAPITAL	11	3,000,000
UNAPPROPRIATED PROFIT		3,111,840

SHAREHOLDERS' EQUITY		6,111,840
LIABILITY AGAINST ASSETS		
SUBJECT TO FINANCE LEASE	12	986,295
CONTINGENCIES		

	RUPEES	7,098,135
		=====

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

Karachi: 24th November 1996

Syed Asad Ali
Chief Executive

Mushtaq H. Khwaja
Director

Profit and Loss Account

For the period ended 30 June 1996

	Note	18 months' period ended 30 June 1996
Sales - Net	13	128,115,459
Cost of Goods Sold	14	110,277,103

Gross Profit		17,838,356
Administrative expenses	15	119,400
Selling and Distribution Expenses	16	12,627,935
Financial expenses	17	1,203,699
Workers' Profit participation fund		198,220

		14,149,254

Operating Profit		3,689,102
Other Income	18	77,069

Profit before taxation		3,766,171
Taxation - Current (minimum tax)		654,331

UNAPPROPRIATED PROFIT	RUPEES	3,111,840
		=====

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

Statement of Changes in Financial Position

For the period ended 30 June 1996

	Note	18 months' period ended 30 June 1996
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation		3,766,171
Adjustment for:		
Mark-up expense		672,616
Depreciation		867,042

		1,539,658

Operating profit before working capital changes		5,305,829
(Increase) in operating assets		
Stores and spares		25,348
Stock in trade		13,346,320
Trade debtors		6,401,524
Advances, deposits, prepayments and other receivables		304,223

		(20,077,415)
Increase in operating liabilities		
Short term finance		700,000
Creditors, Accrued expenses & other liabilities		4,973,594
Due to holding company		14,761,832

		20,435,426

Cash generated from operations		5,663,840
Taxes paid		101,000
Mark-up paid		672,616

		773,616

Net cash from operating activities		4,890,224
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure		8,333,040
Long term deposits and pre-payments		180,000

Net cash used for investing activities		(8,513,040)

CASH FLOW FROM FINANCING ACTIVITIES

Issue of shares	3,000,000
Lease financing	1,800,000
Repayment of lease liability	(315,150)

Net cash from financing activities	4,484,850

Cash & cash equivalents at the end of the period	862,034
	=====

Note:

Cash & Cash equivalents

Cash and bank balances	2,607,479
Finance under mark-up arrangements	(1,745,445)

	862,034
	=====

Notes to the Accounts

For the period ended 30 June 1996

1. STATUS AND NATURE OF BUSINESS

The company was incorporated as a private limited company under the Companies Ordinance, 1984. The company is a subsidiary of Zulfeqar Industries Limited. The principal activity of the company is manufacture and sales of toilet soaps.

2. ACCOUNTING POLICIES

The significant accounting policies are summarised as follows:

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 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 available, if any.

b) Deferred

The company accounts for deferred taxation using the liability method for all significant timing difference. However, deferred tax is not provided if it can be established with reasonable probability that these timing difference will not reverse in the foreseeable future.

2.3 Fixed assets

- Owned

(a) Fixed assets including all additions are carried at cost less accumulated depreciation. On disposal or scrapping, the cost of the assets and the corresponding depreciation is adjusted from both the accounts and the resultant gain or loss is dealt with through the profit and loss account.

(b) Depreciation on fixed assets other than freehold and leasehold land is charged on a reducing balance method at the rates specified in note 3.

(c) A full year's depreciation is charged on all fixed assets capitalised during the year while no depreciation is charged in the year fixed

assets are disposed or scrapped.

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

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

- Leased

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations, under the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liability. Depreciation is charged to income applying the reducing balance method at the rates indicated in note 3.

2.4 Stores and Spares

These are valued on moving average method. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.5 Stock-in-trade

Stock-in-trade, except for those in transit, are valued at lower of cost determined on moving average cost basis and net realisable value. Cost of work-in-progress and finished goods comprises cost of direct materials, labour and an appropriate portion of manufacturing overheads.

Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

2.6 Trade debtors

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

2.7 Basis of allocation of common expenses

Zulfeqar Industries Limited (holding company) has allocated its relevant expenses except directly identifiable expenses for the year to Hi-Lander Soaps (Pvt.) Limited being the costs incurred and services rendered by the holding company on behalf of Hi-Lander Soaps (Pvt.) Limited on a proportionate basis.

2.8 Foreign Currency translation

Transactions in foreign currency are accounted for in Pak rupees at the exchange rate prevailing on the date of transactions except those, covered under forward exchange contracts where the rate contracted for is applied. Exchange gains and losses are included in income currently.

2.9 Revenue recognition

Sales are recorded on despatch of goods to customers.

3. FIXED CAPITAL EXPENDITURE

Operating Assets - at cost less accumulated depreciation

	As at 01 January 1995	COST Additions	As at 30 June 1996	Rate Percent	DEPRECIATION For the period	As at 30 June 1996	Written down value as at 30 June 1996
OWNED							
Land							
Freehold	-	1,500,000	1,500,000	-	-	-	1,500,000
Building							
On freehold land	-	527,793	527,793	10	74,694	74,694	453,099
Plant and machinery	-	4,269,271	4,269,271	10	578,981	578,981	3,690,290
Furniture and equipments	-	180,976	180,976	10	22,367	22,367	158,609
Vehicles	-	55,000	55,000	20	11,000	11,000	44,000
LEASED							
Plant and machinery	-	1,800,000	1,800,000	10	180,000	180,000	1,620,000
RUPEES	-	8,333,040	8,333,040		867,042	867,042	7,465,998
	=====	=====	=====		=====	=====	=====

3.1 Depreciation pertains to manufacturing units and as such has been fully allocated to cost of goods sold.

30 June 1996

4. STORES AND SPARES

Stores	20,750
Spares	4,598

	RUPEES 25,348
	=====

5. STOCK-IN-TRADE

Raw materials	2,110,887
Packing materials	2,407,764
Work-in-process	1,915,856
Finished goods	6,911,813

	RUPEES 13,346,320
	=====

6. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances-considered good	
To employees-secured	69,783
To suppliers and contractors	38,860
For taxation	101,000

	209,643
Deposits and prepayments	96,500

	306,143

Other receivables		
Associated companies	(6.1)	29,080
Miscellaneous		70,000

		99,080

	RUPEES	405,223
		=====

6.1 Maximum aggregate amount due from associated companies at the end of any month during the period was Rs. 233,087

30 June 1996

7. CASH AND BANK BALANCES

Cash in hand		-
Cash at bank:		
- Current accounts		18,464,531
- Collection accounts		7,610,261
		2,607,479

	RUPEES	2,607,479
		=====

8. SHORT TERM FINANCE UNDER MARK-UP ARRANGEMENTS - Secured

Running finance	(8.1)	1,745,445
		=====

8.1 The company has running finance facilities of Rs. 3,000,000 from a bank at mark-up of 55 paisas per Rs. 1,000 per day. The arrangement is generally for a period of one year and is renewable subject to payment of re-purchase price by specified date. The arrangement is secured against a charge by way of registered hypothecation of stock-in-trade, and mortgage over fixed assets of the company.

9. DUE TO HOLDING COMPANY

The amount represents the balance of transactions on account of supplies/common expenses. There is no agreed repayment date for the principal amount due to the holding company. No mark up is charged by the holding company on balance due to it.

10. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Trade creditors		2,894,747
Accrued expenses		593,498
Advances from customers		1,193,385
Workers' profit participation fund		198,220
Other liabilities		93,744

	RUPEES	4,973,594
		=====

11. SHARE CAPITAL

Authorised		
500,000 Ordinary shares of Rs. 10/- each	RUPEES	5,000,000
		=====
Issued, subscribed and paid up shares of Rs. 10/- each		

300,000 Shares issued as fully paid in cash	RUPEES	3,000,000
		=====

12. LIABILITY AGAINST ASSETS**SUBJECT TO FINANCE LEASE**

Lease acquired during the period		1,800,000
Less: Repayments made during the period		315,150

		1,484,850
Less: Current maturity - shown under current liability		498,555

	RUPEES	986,295
		=====

12.1 The company has acquired plant and machinery under lease arrangements from Universal Leasing Corporation Limited.

12.2 Salient features of the lease agreements are as follows.

- Discounting factor	30.40% per annum
- Number of monthly lease installments	36
- Amount per installment	Rs. 69,127
- Security deposit	10%
- Company has purchase option at the end of the lease term.	
- Security deposit adjustable from residual value.	
- The future commitments for minimum lease payments under the lease agreements are as follows.	

1996-97	829,524	
1997-98	829,524	
1998-99	138,254	

	1,797,302	
Less:		
allocable to future periods	Financial charges	(492,452)
Security deposit		180,000

		(312,452)

	RUPEES	1,484,850
		=====

18 months'
period ended
30 June 1996

13. SALES - Net

Gross sales		130,866,083
Less: Trade promotion discount		2,742,225
Rebate on damaged stock		8,399

		2,750,624

	RUPEES	128,115,459
		=====

14. COST OF GOODS SOLD

Raw and packing materials consumed

Raw Materials	Packing Materials	18 months period ended June 30 1996
Purchases	94,777,884	17,912,112
Closing stock	2,110,887	2,407,763
	-----	-----
	92,666,997	15,504,349
	=====	=====
Stores and spares consumed		786,404
Salaries, wages and other benefits		3,839,710
Repairs and maintenance		1,127,464
Fuel and power		1,932,026
Rent, rates and taxes		203,356
Insurance		83,009
Product research and development		17,643
Travelling and conveyance		429,424
Printing and stationery		196,423
Postage, telegram and telephones		249,650
Legal and professional		72,938
Entertainment		338,904
Trade mark licence fee		654,330
Depreciation	(3.1)	867,042
Other expenses		135,103

		10,933,426

		119,104,772
Closing stock of work-in-process		1,915,856

		117,188,916
Closing stock of finished goods		6,911,813

	RUPEES	110,277,103
		=====

18 months'
period ended
30 June 1996

15. ADMINISTRATIVE EXPENSES

Legal and professional		58,600
Charity and donation	(15.1)	7,800
Auditors' remuneration	(15.2)	50,000
Other expenses		3,000

	RUPEES	119,400
		=====

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

15.2 Auditors' remuneration

Audit fee		40,000
Out of pocket expenses		10,000

	RUPEES	50,000

=====

16. SELLING AND DISTRIBUTION EXPENSES

Advertising	6,187,155
Freight and octroi	2,135,087
Product development	17,863

	8,340,105
Common expenses charged by Zulfeqar Industries Limited	4,287,830

	RUPEES 12,627,935
	=====

17. FINANCIAL EXPENSES

Mark-up on running finance	672,616
Lease finance charges	376,120
Bank charges and commission	154,963

	RUPEES 1,203,699
	=====

18. OTHER INCOME

Scrap sales	63,609
Miscellaneous	13,460

	RUPEES 77,069
	=====

19. TAXATION

The company is exempted from tax under clause 118 (c) of the second schedule to the Income Tax Ordinance, 1979 for a period of eight years from the date of commercial production. The company, however, makes provision for minimum tax at 0.5% of turnover, as required under section 80 D of the Income Tax Ordinance, 1979.

20. PLANT CAPACITY AND PRODUCTION

	Assessed/rated	Actual Production
Soap (in tons)	1,800	1,759
	=====	=====

The actual production upto 30 June, 1996 has been for 18 months period and it is not comparable with the capacity which is determined on an annual basis.

21. TRANSACTIONS WITH RELATED PARTIES

Purchases and services received	81,730,162

Common expenses charged by holding company	4,287,830
	=====

22. GENERAL

22.1 Figures have been rounded off to the nearest of rupees.

22.2 As these are the first accounts of the company, corresponding figures for previous

period have not been shown.