

ZULFEQAR INDUSTRIES LIMITED

ANNUAL REPORT 1996-97

Contents

BOARD OF DIRECTORS
NOTICE OF MEETING
REPORT OF DIRECTORS
AUDITORS' REPORT
BALANCE SHEET
PROFIT AND LOSS ACCOUNT
STATEMENT OF CHANGES IN FINANCIAL POSITION
NOTES TO THE ACCOUNTS
FORM - 34

HI-LANDER SOAPS (PVT) LIMITED

REPORT OF DIRECTORS
AUDITORS' REPORT
BALANCE SHEET
PROFIT AND LOSS ACCOUNT
STATEMENT OF CHANGES IN FINANCIAL POSITION
NOTES TO THE ACCOUNTS

Board of Directors

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

LEGAL ADVISOR

HUSSAIN AND HALDER-KARACHI

FACTORY

LINK HALI ROAD, HYDERABAD-71900

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirty-seventh Annual General Meeting of Zulfeqar Industries Limited will be held at Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi, on Saturday 27th December 1997 at 5.00 p.m. to transact the following business.

1. To confirm the minutes of the Thirty-sixth Annual General Meeting held on 21 st December 1996.
2. To receive and consider the statement of accounts for the year ended 30th June 1997, the report of Auditors and Directors thereon.
3. To appoint Auditors' and fix their remuneration.
4. To transact any other ordinary business with the permission of the Chair.

Karachi
November 28, 1997

By Order of the Board

(Muhammad Rasheed)
Company Secretary

NOTES:

- i) The Share Transfer Books of the Company for the purpose of this Annual General Meeting will remain closed from 21st December 1997 to 27th December 1997 (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 Shareholders

The directors of your company feel pleasure in placing before you the Audited Accounts and Audit Report for the year ended 30 June 1997.

The profit & (loss) and appropriation for the year are as follows:

(Rupee in '000)	
Operational loss for the year	(7,706)
Add: Other Income	3,606

Loss before tax	(4,100)
Less: Provision for taxation	2,153

Loss after taxation	(6,253)
Accumulated loss brought forward	(4,469)

Accumulated loss carried forward	(10,722)
	=====

Depressed economic and trading environments during the year adversely affected our business. The resulting reduction in volume led us to suffer loss of Rs. 4.1 million compared to a profit of Rs. 16.061 million earned in the previous period of 18 months. Sales went down considerably in the second half of the year mainly due to dramatic increase in smuggling of

toilet soaps at unprecedented large scale and its easy availability throughout the country at much cheaper rates. The situation was further augmented with "lesser money in the market" syndrome coupled with economic and political instability prevailing in the country.

Reduction in tariffs announced by the government in April 1997, made us possible to lower selling prices of all our brands of toilet soaps. The benefit of lower tariff rates was fully passed on to the consumer. However, the combined efforts of the Government and the Industry failed to produce any positive change in the market.

The company had to spend more on advertising this year, owing to the revamped launch of our main brand, Capri, and to counter the growing competition as the multinationals continued to advertise aggressively.

The operations at Hi-Lander Soaps (Pvt.) Limited, Mirpur, Azad Kashmir were suspended on 19 November 1996 after our failure to get the withdrawal of Education Cess levied by the Government of Azad Kashmir. It is unlikely that the operations are re-started in near future. The net asset value of investment by the company is Rs. 4.109 million as against the cost of Rs. 3 million. The Company is reviewing the possibility of disposal of assets of Hi-Lander Soaps (Private) Limited including the transfer of plant and machinery to the company.

In order to expand Company's Business, some development activities have been underway and are at the final stage. The Company will therefore be launching some new products in very near future.

Trade Marks of Capri, Sandaleen and Fantasy used by your Company under licence from Treet Corporation Limited have been agreed to be transferred to your Company at a nominal price of one lac in addition to License fee aggregating Rs. 19.574 million already paid during the period 1-4-1981 to 30-6-1996.

Treet Corporation Limited also agreed to off load its 52% holding in the company by way of selling it to Syed Asad Ali and his family members at a price of Rs. 12/- per share. The Board of Directors of Treet Corporation Limited has agreed to the sale subject to approval of its members at General Meeting.

The company has discontinued its joint selling arrangements with Treet Corporation Limited effective 1st August 1997 and the selling operations are now undertaken jointly with Wazir Ali Industries Limited.

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 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, 1997 is presented on Page 25.

Karachi:	Syed Asad Ali	S. Ferial Rifaat Ali
28 November 1997	Chief Executive	Director

Auditors' Report to the Members

We have audited the annexed balance sheet of Zulfeqar Industries Limited as at 30th June 1997 and the related profit and loss account and statement of changes in financial position together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose 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 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 1997 and of the loss and the changes in financial position 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.

Karachi:

Taseer Hadi Khalid & Co.

28 November 1997

Chartered Accountants

Balance Sheet

As at 30 June 1997

	Note	30 June 1997	30 June 1996
(Rupees in '000)			
FIXED CAPITAL EXPENDITURE	3	23,737	22,137
TRADE MARK -at cost		371	371
LONG TERM DEPOSITS	4	699	918
LONG TERM INVESTMENT	5	3,000	3,000
CURRENT ASSETS		-----	-----
Stores and spares	6	5,327	5,331
Stock-in-trade	7	106,202	59,208
Trade debtors-unsecured considered good	8	12,335	19,921
Advances, deposits, prepayments and other receivables	9	30,998	38,111
Cash & Bank Balances	10	3,782	5,828
		-----	-----
		158,644	128,399
CURRENT LIABILITIES		-----	-----
Current maturity of finance lease		-	966
Finance under mark-up-arrangement -secured	11	57,579	42,579
Short term morabaha finance-secured	12	3,000	8,000
Due to holding company	13	19,732	19,069
Creditors, accrued expenses and other liabilities	14	60,489	32,158
Provision for taxation	15	2,560	2,550

Dividend payable		-	3,000
		-----	-----
		143,360	108,322
		-----	-----
NET CURRENT ASSETS		15,284	20,077
		-----	-----
NET ASSETS		43,091	46,503
		=====	=====
FINANCED BY:			
SHARE CAPITAL	16	20,000	20,000
REVENUE RESERVES		6,000	6,000
ACCUMULATED LOSS		(10,722)	(4,469)
		-----	-----
SHARE HOLDERS' EQUITY		15,278	21,531
SURPLUS ON REVALUATION OF			
FIXED ASSETS	17	16,519	16,519
DEFERRED LIABILITIES	18	11,294	8,453
CONTINGENCIES AND COMMITMENTS	19		
		-----	-----
		43,091	46,503
		=====	=====

These accounts should be read in conjunction with the attached notes

Karachi:	Syed Asad Ali	S. Ferial Rifaat Ali
28 November 1997	Chief Executive	Director

Profit and Loss Account
For the year ended 30 June 1997

	Note	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
		(Rupees in '000)	
Sales - Net	20	502,324	752,346
Cost of Goods Sold	21	452,609	664,325
		-----	-----
Gross profit		49,715	88,021
		-----	-----
Administrative expenses	22	7,421	11,202
Selling and distribution expenses	23	38,755	43,990
Financial expenses	24	11,245	17,498
Workers' profit participation fund		-	845
		-----	-----
Operating profit/(loss)		57,421	73,535
Other income	25	(7,706)	14,486
Profit/(loss) before taxation		3,606	1,575
		-----	-----
Provision for taxation		(4,100)	16,061
		-----	-----
Current		2,560	3,824
Prior		(3)	-
Deferred		(404)	(1,029)
		-----	-----

	2,153	2,795
	-----	-----
Profit/(loss) after taxation	(6,253)	13,266
Proposed cash dividend 1997 NIL (1996:15%)	-	(3,000)
	-----	-----
	(6,253)	10,266
	-----	-----
Accumulated (loss) brought forward	(4,469)	(14,735)
	-----	-----
Accumulated (loss) carried forward	(10,722)	(4,469)
	=====	=====

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

Syed Asad Ali
Chief Executive

S. Feriel Rifaat Ali
Director

**Statement of Changes in Financial Position
For the year ended 30 June 1997**

	Year ended 30 June 1997	Eighteen month period ended 30 June 1996
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(4,100)	16,061
Adjustment for	-----	-----
Mark-up expense	6,721	11,965
Depreciation	2,881	4,025
Provision for gratuity	1,841	2,308
Gain on disposal of fixed assets	(310)	(424)
Dividend income	(3,000)	-
	-----	-----
	8,133	17,874
	-----	-----
Operating profits/(Loss) before working capital changes	4,033	33,935
(Increase)/decrease in operating assets	-----	-----
Stores and spares	4	(649)
Stock in trade	(46,994)	5,924
Trade debtors	7,586	(8,051)
Advances, prepayments and other receivables	7,705	(11,723)
	-----	-----
	(31,699)	(14,499)
(Increase)/decrease in operating liabilities	-----	-----
Creditors, accrued expenses and other liabilities	28,546	(19,882)
Due to holding company	2,080	12,453
	-----	-----
	30,626	(7,429)
	-----	-----
Cash generated from operations	2,960	12,007
	-----	-----
Income tax paid	(139)	(11,776)
Gratuity paid	(13)	(239)

Mark-up paid	(6,936)	(11,635)
Dividend paid	(3,000)	-
	-----	-----
	(10,088)	(23,650)
	-----	-----
Net cash flows from operating activities	(7,128)	(11,643)
CASH FLOWS FROM INVESTING ACTIVITIES		
	-----	-----
Investment	-	(3,000)
Fixed capital expenditure	(5,174)	(2,257)
Sale proceeds of fixed assets	1,003	3,645
Long term deposits	219	1,486
	-----	-----
Net cash flows from investing activities	(3,952)	(126)
	=====	=====

Year ended **Eighteen**
30 June **month period**
1997 **ended 30**
 June 1996
(Rupees in '000)

CASH FLOWS FROM FINANCING ACTIVITIES

Morahaba financing	(5,000)	500
Repayment of lease liability - net	(966)	(1,838)
	-----	-----
Net cash flows from financing activities	(5,966)	(1,338)
	-----	-----
Net increase in cash and cash equivalents	(17,046)	(13,107)
Cash and cash equivalents at the beginning of the year	(36,751)	(23,644)
	-----	-----
Cash & cash equivalents at the end of the year	(53,797)	(36,751)
NOTE:		
CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,782	5,828
Finance under mark-up arrangements	(57,579)	(42,579)
	-----	-----
	(53,797)	(36,751)
	=====	=====

Syed Asad Ali
Chief Executive

S. Ferial Rifaat Ali
Director

Notes to the Accounts
For the year ended 30 June 1997

1. STATUS AND NATURE OF BUSINESS

The company was incorporated in February 1960 as 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 Treat Corporation Limited which holds 52.03 percent of its shares. The principal activity of the company is manufacture and sale of toilet and washing soaps.

2. ACCOUNTING POLICIES

The significant accounting policies are summarized 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 amount.

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 recognized provident fund scheme is in operation which covers all permanent employees who have completed 3 months service and have been issued confirmation letters. Equal contributions 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

Retirement 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 capitalized 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 capitalized 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 realizable value. Cost of work-in-process and finished goods comprises cost of direct material, labour and an appropriate portion of manufacturing overheads.

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

Net realizable 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

Transaction in foreign currency are accounted for in Pak rupees at the exchange rates 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.

2.12 Dividend income

Dividend is accounted for when the right to receive dividend has been established.

3. FIXED CAPITAL EXPENDITURE

Note

30 June

30 June

1997 1996

(Rupees in '000)

Operating assets	3.1	23,622	21,954
Capital work-in-progress	3.2	115	183
		-----	-----
		23,737	22,137
		=====	=====

3.1 Operating Assets - at cost less accumulated depreciation

(Rupees in '000)

(Rupees in '000)

	COST OR REVALUATION			As at 30 June 1996	Rate %	DEPRECIATION			As at 30 June 1997	Written down Value as at June 1997
	As at 01 July 1996	Additions/ (Disposals)	Adjust- ment			As at 01 July 1996	For the year	(Disposals)/ Adjustment		
OWNED										
Freehold land	609	-	-	609	-	-	-	-	-	609
Building on freehold land	4,603	183	-	4,786	10	1,970	282	-	2,252	2,534
Plant and machinery	42,356	1,731	1,700	45,787	10	28,549	1,671	522	30,742	15,045
Furniture & equipment	3,142	1,859	-	5,001	10	1,555	345	-	1,900	3,101
Vehicles	3,812	1,469 (578)	-	4,703	20	2,208	583	(421)	2,370	2,333
	-----	-----	-----	-----		-----	-----	-----	-----	-----
	54,522	5,242 (578)	1,700	60,886		34,282	2,881	522 (421)	37,264	23,622
LEASED										
Plant and machinery	1,700		(1,700)	-	10	522		(522)	-	-
Vehicles	745	(745)	-	-	20	209		(209)	-	-
	-----	-----	-----	-----		-----	-----	-----	-----	-----
	2,445	(745)	(1,700)	-		731		(731)	-	-
	-----	-----	-----	-----		-----	-----	-----	-----	-----
	56,967	3,919	-	60,886		35,013	2,881	(630)	37,264	23,622
	=====	=====	=====	=====		=====	=====	=====	=====	=====
30 June 1996	61,131	4,148 (8,312)	-	56,967		36,077	4,025	(5,089)	35,013	21,954
	=====	=====	=====	=====		=====	=====	=====	=====	=====

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, revaluation amount and date of revaluation was as follows:

	Book Value	Revaluation
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. 0.362 million (1996: Rs. 0.227 million) with corresponding effect on the results for the year.

3.1.4 Disposal of fixed assets

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain (loss) on disposal	Mode of disposal	(Rupees in '000)
							Sold to
Toyota Corolla	200	153	47	66	19	Executive Car Scheme	Mr. D. M. Hashmi Employee
Suzuki Bolan	153	108	45	47	2	Executive Car Scheme	Mr. Irfan Ali Employee
Suzuki Margalla	745	209	536	665	129	Insurance claim	International General Insurance
Honda CD-70	225	160	65	225	160	Staff Motor Cycle Scheme	Various employees
	-----	-----	-----	-----	-----		
	1,323	630	693	1,003	310		
	=====	=====	=====	=====	=====		
30 June 1996	8,312	5,090	3,222	3,646	424		
	=====	=====	=====	=====	=====		

3.2 Capital work-in-progress - at cost

	30 June 1997	30 June 1996
Electric installation	115	183
	=====	=====

4. LONG-TERM DEPOSITS

Letter of guarantee-Margin	623	623
Utilities	4	4
Against finance lease	-	244
Trade deposits	72	47
	-----	-----
	699	918
	=====	=====

5. LONG-TERM INVESTMENT

This represents investments in Hi-Lander Soaps (Pvt) Ltd. of 300,000 ordinary shares of Rs. 10/- each which is a wholly owned subsidiary of the company. Value based on net assets as at 30 June 1997 Rs. 4.109 million (1996: Rs. 7.098 million) (Chief Executive - Syed Asad Ali). The operations of Hi-Lander Soaps (Pvt) Ltd. (subsidiary) were discontinued on 19 November 1996. The management of the subsidiary is in the process of considering various options for the disposal of the assets including the possibility of purchase by the holding company of plant and machinery of the subsidiary.

6. STORES AND SPARES

Stores	648	3,549
Spares	4,679	1,782
	-----	-----
	5,327	5,331
	=====	=====

7. STOCK-IN-TRADE

Raw materials	41,313	19,243
Packing materials	9,849	4,102
Work-in-process	18,844	13,423
Finished goods	33,891	18,359
Stock in transit	2,305	4,081
	-----	-----
	106,202	59,208
	=====	=====

8. TRADE DEBTORS - Unsecured considered good

Subsidiary company	-	4,417
Others	12,335	15,504
	-----	-----
	12,335	19,921
	=====	=====

**9. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

	Note	30 June 1997	30 June 1996
(Rupees in '000)			
Advances - considered good			
To employees - secured	9.1	663	759
To suppliers and contractors		3,190	1,547
For taxation		11,076	13,484
		-----	-----
		14,929	15,790
Tax refundable		6,763	6,763
Prepayments		522	568
		-----	-----
		22,214	23,121
Other receivables		-----	-----
Miscellaneous		5,784	3,892
Subsidiary company		-	11,098
Dividend receivable		3,000	-
		-----	-----
		8,784	14,990
		-----	-----
		30,998	38,111
		=====	=====

9.1 Maximum aggregate a during the year was Rs. 0.101 million (1996: Rs. 0.156 million)

10. CASH AND BANK BALANCES

Current accounts	265	912
Collection accounts	3,517	4,916
	-----	-----
	3,782	5,828

=====

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

The company has running finance facility of Rs. 50 million (1996: Rs. 30 million) from MCB at mark-up of 54 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 facility represents cheques issued but remained unrepresented, which are to be matched against subsequent receipts.

12. SHORT TERM MORABAHA FINANCE- SECURED

The company has entered into a morabaha agreement with First Professional Modaraba for sale of Plant and Machinery of Rs. 3 million (1996: Rs. 8 million) with corresponding purchase price of Rs. 3.346 million (1996: Rs. 8.661 million). These facilities are secured by way of hypothecation of plant and machinery and demand promissory note.

13. DUE TO HOLDING COMPANY

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

14. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	30 June 1997	30 June 1996
(Rupees in '000)			
Trade creditors		19,048	3,895
Accrued expenses		10,791	11,325
Advances from customers		3,626	4,489
Workers' profit participation fund	14.1	-	845
Due to associated companies		7,314	4,465
Sales tax payable		5,078	2,938
Unclaimed dividend		25	8
Other liabilities		8,938	3,618
Overdrawn bank balances	14.2	5,669	575
		-----	-----
		60,489	32,158
		=====	=====
14.1 Opening balance		845	412
Allocated during the year		-	845
		-----	-----
		845	1,257
Payment made during the year		845	412
		-----	-----
		-	845
		=====	=====

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 1997.

15. PROVISION FOR TAXATION

The income tax assessments of the company have been finalized upto and including assessment year 1996-97. Appeals for the assessment years 1990-91 to 1996-97 are pending before the various appellate authorities against certain disallowance. In view of tax loss for the year and brought forward assessed loss, provision for minimum tax @ 0.5% under section 80 (d) of the Income Tax Ordinance, 1979 has been made in the current year.

16. SHARE CAPITAL

Authorized

	Note	30 June 1997	30 June 1996
(Rupees in '000)			
5,000,000(1996: 5,000,000) ordinary shares of Rs. 10/- each		50,000	50,000
		=====	=====
Issued subscribed and paid-up shares of Rs. 10/- each			
1,550,000Ordinary shares issued as fully paid in cash		15,500	15,500
50,000Ordinary shares issued as fully paid for consideration other than cash		500	500
400,000Ordinary shares issued as fully paid bonus shares		4,000	4,000
-----		-----	-----
2,000,000		20,000	20,000
=====		=====	=====

At 30 June 1997 1.04 million (1996:1,04 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 which was credited to surplus on revaluation of fixed assets.

18. DEFERRED LIABILITIES

Deferred taxation	-	404
Staff gratuity	11,294	8,049
	-----	-----
	11,294	8,453
	=====	=====

19. CONTINGENCIES AND COMMITMENTS

Letters of credit		14,179	29,291
		=====	=====
Bank guarantee		2,491	2,491
		=====	=====
Collector of custom	19.1	7,933	-
		=====	=====

19.1 The custom authorities in 1997 has raised demand for taxes amounting to Rs. 7,932,569 under section 32(2) of the Custom Act, 1969. This amount has not been provided in these accounts. However, the company has filed an appeal against this demand with the collector of custom and hopeful of a favourable decision.

20. SALES - Net

	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
	(Rupees in '000)	
Gross sales	511,586	764,199
	-----	-----
Less: Trade promotion discount	6,004	11,510
Rebate	3,258	343
	-----	-----
	9,262	11,853
	-----	-----
	502,324	752,346
	=====	=====

21. COST OF GOODS SOLD

Raw and packing material consumed	21.1	297,227	414,671
Stores and spares consumed		3,531	6,617
Salaries, wages and other benefits		32,056	48,699
Repairs and maintenance		1,880	3,732
Fuel and power		15,800	21,143
Rent, rates and taxes		1,780	2,689
Insurance		722	1,115
Product research and development		653	682
Excise duty and sales tax		114,301	175,611
Travelling and conveyance		920	1,258
Printing and stationery		159	214
Postage, telegram and telephones		606	740
Legal and professional		104	156
Entertainment		237	382
Subscriptions		79	84
Trade mark license fee		-	2,946
Depreciation	3.1	2,881	4,025
Other expenses		626	520
		-----	-----
		473,562	685,284
Opening stock of work-in-process		13,423	2,749
Closing stock of work-in-process		(18,844)	(13,423)
		-----	-----
		468,141	674,610
Opening stock of finished goods		18,359	8,074
Closing stock of finished goods		(33,891)	(18,359)
		-----	-----
		452,609	664,325
		=====	=====

21.1 Raw and packing materials consumed

Year ended 30 June	Eighteen months period
-----------------------	---------------------------

	1997	ended 30 June 1996
	(Rupees in '000)	
Opening stock	23,345	27,180
Purchases	375,345	472,957
	-----	-----
Closing stock	398,690	500,137
	(51,162)	(23,345)
	-----	-----
	347,528	476,792
Less: Sales tax refund adjustment	(50,301)	(62,121)
	-----	-----
	297,227	414,671
	=====	=====

21.2 Remuneration of chief executive, director and executives

	Chief Executive		Other Working Directors		Executives	
	Year ended 30 June 1997	Eighteen months period ended 30 June 1996	Year ended 30 June 1997	Eighteen months period ended 1996	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
No. of persons	1	1	1	1	6	6
	=====	=====	=====	=====	=====	=====
Remuneration	-	-	196	444	823	1,060
Provident fund	-	-	11	12	82	89
Bonus	-	-	-	-	230	-
Entertainment	-	-	16	60	-	-
Housing and utilities	-	-	150	342	762	751
Medical	-	-	89	376	194	1,251
Leave passage	-	-	-	-	138	129
	-----	-----	-----	-----	-----	-----
	-	-	462	1,234	2,229	3,280
	=====	=====	=====	=====	=====	=====

21.2.1 Aggregate amount charged in these accounts for fee to five non-executive directors was Rs. 0.0015 million (1996: Rs. 0.0035 million to five non-executive directors).

22. ADMINISTRATIVE EXPENSES

	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
	(Rupees in '000)	
Employees cost	3,864	5,939
Fuel and power	115	114
Repairs and maintenance	101	103
Rent, rates and taxes	805	810
Legal and professional	191	244
Charity and donation	22.1	205
Auditors' remuneration	22.2	60
		95

Postage and telephone	978	1,380
Printing and stationery	305	663
Travelling and conveyance	400	342
Computer expenses	262	345
Insurance	35	75
General advertisement	89	248
Other expenses	126	639
	-----	-----
	7,421	11,202
	=====	=====

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

22.2 Auditors' remuneration

Audit fee	40	70
Out of pocket expenses	20	25
	-----	-----
	60	95
	=====	=====

23. SELLING AND DISTRIBUTION EXPENSES

Employees cost	690	-
Fuel and Power	5	-
Repair and Maintenance	34	-
Rent, Rates and Taxes	1	-
Legal and Professional	2	-
Postage and Telegram	18	-
Printing and Stationery	35	-
Travelling and Conveyance	453	-
Other Expenses	61	-
Advertising	17,749	16,342
Freight and Octroi	6,376	10,703
Product Development	576	835
Common expenses charged by Treet Corporation Limited	----- 14,242	----- 20,398
Common expenses charged to Hi-Lander (Pvt) Ltd.	(1,487)	(4,288)
	-----	-----
	12,755	16,110
	-----	-----
	38,755	43,990
	=====	=====

24. FINANCIAL EXPENSES

Year ended	Eighteen
30 June	months period
1997	ended 30
	June 1996

(Rupees in '000)

Mark-up on:		
- Running finance	5,732	6,266
- Morabaha finance	989	5,698
	-----	-----
	6,721	11,964

Mark-up on amount due to:

- Associated companies	-	38
- Others	1,658	222,358
	-----	-----
	1,658	2,263

Financial charges and front end

fee on lease arrangements	55	972
Bank charges and commission	415	558
Mark-up on advances from Treet Corporation Limited	2,396	1,741
	-----	-----
	11,245	17,498
	=====	=====

25. OTHER INCOME

Insurance commission	98	177
Rebate on export	-	70
Gain on sale of fixed assets	310	424
Trade mark fee received from Hi-Lander Soaps (Pvt.) Limited	198	654
Dividend income from subsidiary company	3,000	-
Miscellaneous	-	250
	-----	-----
	3,606	1,575
	=====	=====

26. PLANT CAPACITY AND PRODUCTION

	Assessed/rated	Actual Production	
		Year ended 30 June 1997	Eighteen months period ended 30 June 1996
Soap (in tons)	9,500	5,347	10,570
	=====	=====	=====

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

27. TRANSACTIONS WITH RELATED PARTIES

Interest paid/payable to holding company	2,396	1,741
	=====	=====
Purchases and services received	43,057	68,934
	=====	=====
Sales and services rendered	18,380	15,249
	=====	=====
Common expenses charged by holding company	14,242	20,398
	=====	=====

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.

Syed Asad Ali
Chief Executive

S. Ferial Rifaat Ali
Director

STATEMENT PURSUANT TO SECTION 237 OF THE COMPANIES ORDINANCE, 1984

The audited accounts along with the Auditors' report and Directors report of the subsidiary company. Hi-Lander Soaps (Pvt) Limited, for the year ended 30 June 1997 are annexed to these accounts.

	1997	1996
Holding	100%	100%
Net aggregate amount of the subsidiary's profit not dealt with in the company's accounts		
- For the year ended 30 June 1997	-	3,112
- For previous periods from the date the company is a subsidiary	796	-
Net aggregate amount of the subsidiary's profit dealt with in the company's accounts		
- For the year ended 30 June 1997	684	-
- For previous periods from the date the company is subsidiary	2,316	-

Form- 34

PATTERN OF SHARE HOLDING AS AT 30 JUNE, 1997

No. of Share Holders	Share Holding			Total Shares Held	
1065	From	1	to	100	19,979
180	From	101	to	500	38,183
24	From	501	to	1000	16,940
27	From	1001	to	5000	69,548
4	From	5001	to	10000	31,460
3	From	10001	to	15000	35,240
3	From	15001	to	20000	52,237
2	From	20001	to	25000	45,722
1	From	130001	to	135000	130,122
1	From	515001	to	520000	519,891
1	From	1040001	to	1045000	1,040,678
-----					-----
1311					2,000,000
=====					=====

Categories of Share Holders	Number	Shares Held	percentage
Individual	1291	222,229	11.11
Investment Companies	3	17,300	0.86
Insurance Companies	2	131,766	6.59

Joint Stock Companies	10	1,066,956	53.35
Financial Institution	4	561,584	28.08
The Administrator Abandoned Properties Organisation			
Government of Pakistan	1	165	0.01
	-----	-----	-----
	1311	2,000,000	100
	=====	=====	=====

Report of Directors to the Shareholders

The Directors have pleasure in presenting the Directors Report, Audited Accounts and Audit Report for the year ended 30th June 1997. The Company made a before Tax Profit of Rs. 0.882 million on a turnover of Rs. 38.617 million.

The efforts made by the Company with the Government of Azad Kashmir for the withdrawal of Education Cess did not materialize. Education Cess was levied on Toilet Soap production within one and half year of our going into operation at a rate of 80% of Excise Duty.. The imposition of Education Cess at such a rate was virtually the withdrawal of exemption available to Soap Industry for a period of five years. Thus the operations became un-economical and the factory was closed down in November 1996 with a heavy head. It is unlikely that the operations are re-started again in near future.

The plant and machinery installations are being looked after with proper maintenance. The entire production work force resigned and was paid off. The Company is reviewing the possibility of disposal of its assets.

	(Rupees in '000)
Operating profit	840
Other Income	42
Profit before Taxation	882
Taxation	198
Profit after Taxation	684
Un-appropriated profit brought forward	3,112
	3,796
Proposed dividend	3,000
Un-appropriated profit carried forward	796

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

Karachi:	Syed Asad Ali	Mushtaq H. Khwaja
17 November 1997	Chief Executive	Director

Auditors' Report to the Members

We have audited the annexed balance sheet of Hi-Lander Soaps (Private) Limited as at 30 June 1997 and the related profit and loss account and statement of changes in financial position, 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, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required.

The financial statements have been prepared on a going concern basis, although the operations of the company were discontinued on 19 November 1996. The financial statements would give a true and fair view of the state of affairs as at 30 June 1997 and of the profit and changes in financial position for the year then ended, had the company been a going concern. However, as the company has not prepared financial statements on realisation basis and no adjustments have been incorporated in the enclosed financial statements in this regard, we are not in a position to report on such financial statements: and

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

Karachi
17 November 1997

HASAN TABANI & CO.
Chartered Accountants

Balance Sheet

As at 30 June 1997

	Note	1997	1996
FIXED CAPITAL EXPENDITURE	3	6,864,998	7,465,998
LONG TERM DEPOSITS		180,000	180,000
CURRENT ASSETS		-----	-----
Stores and spares	4	-	25,348
Stock-in-trade	5	-	13,346,320
Trade debtors - unsecured considered good		-	6,401,524
Advances, deposits and other receiv	6	6,007,161	405,223
Cash and bank balances	7	2,287	2,607,479
		-----	-----
		6,009,448	22,785,894
CURRENT LIABILITIES		-----	-----
Current maturity of finance lease liability		673,124	498,555
Short term finance - secured		700,000	700,000
Finance under mark-up arrangements	8	2,991,417	1,745,445
Due to holding company	9	3,653	14,761,832
Creditors, accrued expenses and oth	10	724,421	4,973,594
Provision for taxation		852,696	654,331
Proposed dividend		3,000,000	-

		8,945,311	23,333,757
NET CURRENT LIABILITIES		2,935,863	(547,863)
NET ASSETS	RUPEES	4,109,135	7,098,135
FINANCED BY:			
SHARE CAPITAL	11	3,000,000	3,000,000
UNAPPROPRIATED PROFIT		795,964	3,111,840
SHAREHOLDERS' EQUITY		3,795,964	6,111,840
LIABILITY AGAINST ASSETS			
SUBJECT TO FINANCE LEASE	12	313,171	986,295
	RUPEES	4,109,135	7,098,135

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

Karachi: **Syed Asad Ali** **Mushtaq H. Khwaja**
17 November 1997 Chief Executive Director

Profit and Loss Account

For the year ended 30 June 1997

	Note	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
Sales - net	13	38,617,417	128,115,459
Cost of goods sold	14	32,704,693	110,277,103
Gross profit		5,912,724	17,838,356
Administrative expenses	15	74,223	119,400
Selling and distribution expenses	16	3,991,147	12,627,935
Financial expenses	17	960,318	1,203,699
Workers' profit -participation fund		46,447	198,220
Operating profit		5,072,135	14,149,254
Other income	18	840,589	3,689,102
Profit before taxation		41,900	77,069
Taxation - current (minimum tax)	19	882,489	3,766,171
Profit after taxation		198,365	654,331
Unappropriated profit brought forward		684,124	3,111,840
Less: Proposed dividend @ 100% (1996: NIL)		3,111,840	-
Unappropriated profit	RUPEES	3,795,964	3,111,840
		795,964	3,111,840

=====

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

Syed Asad Ali
Chief Executive

Mushtaq H. Khwaja
Director

Statement of Changes in Financial Position
For the year ended 30 June 1997

	Year ended 30 June 1997	Eighteen month period ended 30 June 1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	882,489	3,766,171
Adjustment for depreciation	601,000	867,042
	-----	-----
Operating profit before working capital changes	1,483,489	4,633,213
Working capital changes (note 20)	(4,337,146)	358,011
	-----	-----
Cash (deficit)/generated from operations	(2,853,657)	4,991,224
Taxes paid	(498,952)	(101,000)
	-----	-----
Net cash (outflow)/inflow from operating activities	(3,352,609)	4,890,224
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-	6,533,040
Long term deposits	-	180,000
	-----	-----
Net cash (outflow) from investing activities	-	(6,713,040)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	-	3,000,000
Repayment of lease liability	(498,555)	(315,150)
	-----	-----
Net cash (outflow)/inflow from financing activities	(498,555)	2,684,850
	-----	-----
(Decrease)/Increase in cash and cash equivalents during the year/period	(3,851,164)	862,034
Cash and cash equivalents at the beginning of the year/period	862,034	-
	-----	-----
Cash and cash equivalents at the end of the year/period (note	(2,989,130)	862,034
	=====	=====

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

Syed Asad Ali
Chief Executive

Mushtaq H. Khwaja
Director

Notes to the Accounts
For the year ended 30 June 1997

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. The company's manufacturing facilities are located in Mirpur, Azad Kashmir.

2. ACCOUNTING POLICIES

The significant accounting policies are summarised below:

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 the 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 differences. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences 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 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 or 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 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 cost. 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-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.

2.6 Trade debtors

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

2.7 Basis of allocation of common expenses

7ulfegar Industries Limited (holding company) has allocated its relevant expenses except directly identifiable expenses to Hi-Lander Soaps (Private) Limited being the costs incurred and services rendered by the holding company on behalf of Hi-Lander Soaps/Private) Limited on a proportionate basis.

2.8 Foreign Currency translation

Transactions in foreign currency are accounted for in Pak rupees at the exchange rates 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

	COST			Rate Percent	DEPRECIATION			Written down value as at 30 June 1997
	As at 01 July 1996	Additions during the year	As at 30 June 1997		for the year	As at 30 June 1997		
OWNED								
Freehold land	1,500,000	-	1,500,000	-	-	-	-	1,500,000
Building on freehold land	527,793	-	527,793	10	74,694	45,310	120,004	407,789
Plant and machinery	4,269,271	-	4,269,271	10	578,981	369,029	948010	3,321,261
Furniture and equipment	180,976	-	180,976	10	22,367	15,861	38,228	142,748
Vehicles	55,000	-	55,000	20	11,000	8,800	19,800	35,200
	-----	-----	-----		-----	-----	-----	-----
	6,533,040	-	6,533,040		687,042	439,000	1,126,042	5,406,998
LEASED								
Plant and machinery	1,800,000	-	1,800,000	10	180,000	162,000	342,000	1,458,000
	-----	-----	-----		-----	-----	-----	-----
Rupees	8,333,040	-	8,333,040		867,042	601,000	1,468,042	6,864,998

1996 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 (note 14).

4. STORES AND SPARES

		1997	1996
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, AND OTHER RECEIVABLES

		1997	1996
Advances - considered good			
To employees - secured		-	69,783
To suppliers and contractors		-	38,860
For taxation		599,952	101,000
		-----	-----
		599,952	209,643
Deposits		96,500	96,500
		-----	-----
		696,452	306,143
Other receivables		-----	-----
Associated companies	(6.1)	5,310,709	29,080
Miscellaneous		-	70,000
		-----	-----
		5,310,709	99,080
		-----	-----
	RUPEES	6,007,161	405,223
		=====	=====

6.1 Maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 6,978,806 (1996: Rs. 233,087)

7. CASH AND BANK BALANCES

Cash at banks:			
- Current accounts		2,135	1,846,453
- Collection accounts		152	761,026
		-----	-----
	RUPEES	2,287	2,607,479
		=====	=====

8. FINANCE UNDER MARK-UP**ARRANGEMENT - Secured**

Running finance	RUPEES	2,991,417	1,745,445
		=====	=====

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**

	1997	1996
Trade creditors	-	2,894,747
Accrued expenses	470,892	593,498
Advances from customers	-	1,193,385
Workers' profit participation fund	46,447	198,220
Other liabilities	207,082	93,744
	-----	-----
	724,421	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**

Opening balance		1,484,850	1,800,000
Less: Repayments made during the year/period		498,555	315,150
		-----	-----
		986,295	1,484,850
Less: Current maturity - shown			
under current liabilities		673,124	498,555
		-----	-----
	RUPEES	313,171	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:

	1997	1996
1996-97	-	829,524
1997-98	829,524	829,524
1998-99	138,254	138,254
	-----	-----
	967,778	1,797,302
	-----	-----
Financial charges allocable to future periods	(161,483)	(492,452)
Security deposit	180,000	180,000
	-----	-----
	18,517	(312,452)
	-----	-----
	RUPEES 986,295	1,484,850
	=====	=====

Year ended	Eighteen
30 June	months period
1997	ended 30
	June 1996

13. SALES- net

Gross sales	39,672,904	130,866,083
	-----	-----
Less: Trade promotion discount	956,396	2,742,225
Rebate on damaged stock	99,091	8,399
	-----	-----
	1,055,487	2,750,624
	-----	-----
	RUPEES 38,617,417	128,115,459
	=====	=====

14. COST OF GOODS SOLD

			Year ended	Eighteen
			30 June	months period
			1997	ended 30
	Raw	Packing		June 1996
	Materials	Materials		
Opening Stock	2,110,887	2,407,763	4,518,650	-
Purchases	13,075,618	1,422,143	14,497,761	112,689,996
Closing stock	-	-	-	(4,518,650)
	-----	-----	-----	-----
	15,186,505	3,829,906	19,016,411	108,171,346
	=====	=====	=====	=====
Stores and spares consumed			68,085	786,404

Salaries, wages and other benefits		1,297,392	3,839,710
Repairs and maintenance		291,694	1,127,464
Fuel and power		321,566	1,932,026
Education-cess		1,445,242	-
Rent, rates and taxes		12,654	203,356
Insurance		52,668	83,009
Product research and development		17,128	17,643
Travelling and conveyance		51,407	429,424
Printing and stationery		152,442	196,423
Postage, telegram and telephones		131,653	249,650
Legal and professional		34,560	72,938
Entertainment		183,489	338,904
Trade mark license fee		198,365	654,330
Depreciation	(3.1)	601,000	867,042
Other expenses		1,268	135,103
		-----	-----
		4,860,613	933,426
		-----	-----
		23,877,024	119,104,772
Opening stock of work-in-process		1,915,856	-
Closing stock of work-in-process		-	(1,915,856)
		-----	-----
		25,792,880	117,188,916
Opening stock of finished goods		6,911,813	-
Closing stock of finished goods		-	(6,911,813)
		-----	-----
		32,704,693	110,277,103
		=====	=====

15. ADMINISTRATIVE EXPENSES

Legal and professional		-	58,600
Charity and donation	(15.1)	-	7,800
Auditors' remuneration	(15.2)	35,000	50,000
Other expenses		39,223	3,000
		-----	-----
		74,223	119,400
		=====	=====

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

15.2 Auditors' remuneration

Audit fee		25,000	40,000
Out of pocket expenses		10,000	10,000
		-----	-----
		35,000	50,000
		=====	=====

Year ended	Eighteen
30 June	month period
1997	ended 30
	June 1996

16. SELLING AND DISTRIBUTION EXPENSES

Advertising		1,778,594	6,187,155
Freight, octroi and handling		709,993	2,135,087
Product development		14,777	17,863
		-----	-----
		2,503,364	8,340,105

Common expenses charged by Zulfeqar Industries Limited	1,487,783	4,287,830
	-----	-----
RUPEES	3,991,147	12,627,935
	=====	=====

17. FINANCIAL EXPENSES

Mark-up/interest	550,797	672,616
Lease finance charges	330,969	376,120
Bank charges and commission	78,552	154,963
	-----	-----
RUPEES	960,318	1,203,699
	=====	=====

18. OTHER INCOME

Scrap sales	41,900	63,609
Miscellaneous	-	13,460
	-----	-----
RUPEES	41,900	77,069
	=====	=====

19. TAXATION

The company is exempted from tax under Clause 118 (c) of Part I 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 80D of the Income Tax Ordinance, 1979.

	Year ended 30 June 1997	Eighteen month period ended 30 June 1996
20. WORKING CAPITAL CHANGES		
(Increase)/decrease in operating assets		
Stores and spares	(25,348)	(25,348)
Stock in trade	13,346,320	(13,346,320)
Trade debtors	(6,401,524)	(6,401,524)
Advances, deposits and other receivable	(5,102,986)	(304,223)
	-----	-----
	14,670,206	(20,077,415)
Increase/(decrease) in operating liabilities		
Short term finance	-	700,000
Due to homing company	(14,758,179)	14,761,832
Creditors, accrued expenses and other liabilities	(4,249,173)	4,973,594
	-----	-----
	(19,007,352)	20,435,426
	-----	-----
RUPEES	(4,337,146)	358,011
	=====	=====

21. CASH AND CASH EQUIVALENTS

Cash and bank balances	2,287	2,607,479
Finance under mark-up arrangements	(2,991,417)	(1,745,445)
	-----	-----
RUPEES	(2,989,130)	862,034

=====

22. PLANT CAPACITY AND PRODUCTION

	Assessed/rated	Actual Production	
		Year ended 30 June 1997	Eighteen month period ended 30 June 1996
Soap (in tons)	1,800 =====	361 =====	1,759 =====

The actual production h it is not comparable with the capacity which is determined on an annual basis.

		Year ended	Eighteen
		30 June 1997	month period ended 30 June 1996
23. TRANSACTIONS WITH RELATED PARTIES			
Purchases and services received	RUPEES	11,289,625 =====	81,730,162 =====
Common expenses charged by holding company	RUPEES	1,487,783 =====	4,287,830 =====

24. GENERAL

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

24.2 Previous period's figures have been rearranged wherever necessary to facilitate comparison.

Syed Asad All
Chief Executive

Mushtaq H. Khwaja
Director