

ZULFEQAR INDUSTRIES LIMITED

ANNUAL REPORT 1997-98

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FORM - 34

HI-LANDER SOAPS (PVT) LIMITED

REPORT OF DIRECTORS
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Board of Directors

SYED WAJID ALI	Chairman
S. FERIEL RIFAAT ALI	Managing Director
SYED ASAD ALI	
SYED SHAHID ALI	
BEHRAM HASAN	
RAZI-UR RAHMAN KHAN	
WUSOOQ KHALEELI	

COMPANY SECRETARY

MUHAMMAD RASHEED

AUDITORS

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS
KARACHI

REGISTERED OFFICE

KAN DAWALA BUILDING
M.A. JINNAH ROAD
KARACHI-74400

BANKERS

MUSLIM COMMERCIAL BANK LTD. - KARACHI

LEGAL ADVISOR

HUSSAIN AND HALDER - KARACHI

FACTORY

LINK HALL ROAD, HYDERABAD-71900

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirty eighth Annual General Meeting of Zulfeqar Industries Limited will be held at Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi, on Monday, 25th January 1999 at 10:30 a.m. to transact the following business.

1. To confirm the minutes of the Extraordinary General Meeting held on 29th June, 1998.
2. To receive, consider and adopt the audited Balance Sheet and Profit and Loss Account of the Company for the year ended 30th June 1998, 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
December 16, 1998

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 19th January 1999 to 25th January 1999 (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 are pleased to present their Report and the Audited Accounts of the Company together with the Auditor's Report thereon for the year ended 30th June 1998.

The Company's financial results are as follows:

	(Rupees in '000)	
	Year ended 30-06-98	Year ended 30-06-97
Operational losses for the year	(6,616)	(7,706)
Add: Other Income	599	3,606
	-----	-----
Loss before Tax	(6,017)	(4,100)
Provision for Taxation	1,033	2,153
	-----	-----
Loss after Taxation	(7,050)	(6,253)
Accumulated Loss brought forward	(10,722)	(4,469)
	-----	-----
Accumulated Loss carried forward	(17,772)	(10,722)
	=====	=====

During the year under review, the sales of the Company recorded a decline of 22% which led the Company to suffer an operational loss of Rs. 6.616 million. Sales achieved were at Rs. 391.362 million as compared to Rs. 502.324 million last year.

Unprecedented availability of smuggled soaps all over the country at low prices was the major factor contributing to low Sales and resultant loss to the Company. The smuggled soaps by avoiding payment of duties and taxes continued to enjoy unfair advantage over locally produced soaps, making the latter less competitive. Concurrent to the above, the beleaguered economic scenario presented a depressed market conditions causing higher levels of inflation.

Devaluation during the year under review compelled the company to increase prices of its products to keep a respectable margin.

The launching of new products by the company was delayed in view of uncertain conditions.

Despite difficult times the company is determined to provide excellent quality products and is in the process of making concerted efforts to regain its lost market share. Recent curbs on smuggling is showing improvement in checking the menace. . This will provide better conditions in realising the company's efforts. An encouraging development is that this year Sales are showing a slight sign of improvement than last year.

In addition the company plans to introduce new products in other product categories to broaden the base for business & profitability.

The operations at Hi-Lander Soaps (Pvt) Limited continued suspended during the year. The land and building at Mirpur, Azad Kashmir has been agreed to be disposed off at a price of Rs. 2.2 million.

During the period under review Messrs Razi-ur-Rahman Khan and Wusooq Khaleeli joined the Board of Directors in place of Messrs S. Qamar Ali Zaidi and Shabbir A. Ferozpurwala. The Board congratulates Messrs Razi-ur-Rahman Khan and Wusooq Khaleeli on their election and wishes to place on record its appreciation of the valuable services rendered to the Company by Messrs S. Qamar Ali Zaidi and Shabbir A. Ferozpurwala during their tenure.

The company, its holding and subsidiary company have made arrangements to cope with any threat of Millennium Bug by mitigating the potential disaster Year 2000. The conversion will be completed by the end of the current calendar year.

Syed Asad Ali resigned as Chief Executive and Managing Director with effect from 16 December 1998 and in his place Miss S. Ferial Rifaat Ali has been appointed as the Chief Executive and Managing Director of the Company.

The Board appreciates the efforts and dedication of all employees of the Company which enabled us to run the Company efficiently.

The present Auditors M/s. Taseer Hadi Khalid & Company, 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 30th June 1998 is presented on Page 25.

S. Ferial Rifaat Ali
Chief Executive

Syed Asad Ali
Director

Karachi:

16 December 1998

Auditors' Report to the Members

We have audited the annexed balance sheet of Zulfeqar Industries Limited as at 30 June 1998

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 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 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 1998 and of the loss 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.

Karachi:
18 December 1998

Taseer Hadi Khalid & Co.
Chartered Accounts

Balance Sheet
As at 30 June 1998

		30 June 1998 (Rupees in '000)	30 June 1997
FIXED CAPITAL EXPENDITURE	3	25,711	23,737
TRADE MARK- at cost		471	371
LONG TERM DEPOSITS	4	870	699
CURRENT ASSETS			
Stores and spares	5	5,531	5,327
Stock-in-trade	6	98,308	106,202
Short term investment	7	3,000	3,000
Trade debtors-unsecured considered good		8,205	12,335
Advances, deposits, prepayments and other receivables	8	26,695	30,998
Cash and bank balances	9	3,779	3,782
		-----	-----
		145,518	161,644
CURRENT LIABILITIES			
Current maturity of finance lease		315	-

Finance under mark-up arrangements - secured	10	64,026	57,579
Short term morabaha finance - secured		-	3,000
Due to holding company	11	18,425	19,732
Creditors, accrued expenses and other liabilities	12	49,802	60,489
Provision for taxation	13	2,005	2,560
		-----	-----
		134,573	143,360
		-----	-----
NET CURRENT ASSETS		10,945	18,284
		-----	-----
NET ASSETS		37,997	43,091
		=====	=====
FINANCED BY:			
SHARE CAPITAL	14	20,000	20,000
REVENUE RESERVES		6,000	6,000
ACCUMULATED (LOSS)		(17,772)	(10,722)
		-----	-----
SHARE HOLDERS' EQUITY		8,228	15,278
SURPLUS ON REVALUATION OF FIXED ASSETS	15	16,519	16,519
DEFERRED GRATUITY		12,502	11,294
LIABILITIES AGAINST ASSETS SUBJECT TO			
FINANCE LEASE	16	748	-
CONTINGENCIES AND COMMITMENTS	17	-	-
		-----	-----
		37,997	43,091
		=====	=====

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

S. Ferial Rifaat Ali
Chief Executive

Syed Asad Ali
Director

Karachi:
18 December 1998

Profit and Loss Account
For the year ended 30 June 1998

	Note	1998	1997
		(Rupees in '000)	
Sales - Net	18	391,362	502,324
Cost of goods sold	19	348,532	452,327
		-----	-----
Gross profit		42,830	49,997
Administrative expenses	20	8,678	7,703
Selling and distribution expenses	21	28,895	38,755
Financial expenses	22	11,873	11,245
		-----	-----
		49,446	57,703
		-----	-----
Operating profit/(loss)		(6,616)	(7,706)
Other income/(charges)- net	23	599	3,606
		-----	-----
Profit/(loss) before taxation		(6,017)	(4,100)

Provision for taxation		
Current	2,005	2,560
Prior	(972)	(3)
Deferred	-	(404)
	-----	-----
	1,033	2,153
	-----	-----
Profit/(loss) after taxation	(7,050)	(6,253)
Accumulated (loss) brought forward	(10,722)	(4,469)
	-----	-----
Accumulated (loss) carried forward	(17,772)	(10,722)
	=====	=====

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

S. Ferial Rifaat Ali
Chief Executive

Syed Asad Ali
Director

Statement of Changes in Financial Position
For the year ended 30 June 1998

	Note	1998 (Rupees in '000)	1997
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) before taxation		(6,017)	(4,100)
Adjustments for:			
Mark- up expense		9,718	6,721
Depreciation		3,037	2,881
Provision for gratuity		2,226	1,841
Gain on disposal of fixed assets		(223)	(310)
Dividend income		-	(3,000)
		-----	-----
		14,758	8,133
		-----	-----
Operating profit/(loss) before working capital changes		8,741	4,033
 (Increase)/decrease in operating assets			
Stores and spares		(204)	4
Stock in trade		7,894	(46,994)
Trade debtors		4,130	7,586
Advances, prepayments and other receivables		5,151	7,705
		-----	-----
		16,971	(31,699)
 Increase/(decrease) in operating liabilities			
Creditors, accrued expenses and other liabilities		(10,687)	28,546
Due to holding company		(1,307)	2,080
		-----	-----
		(11,994)	30,626
		-----	-----
Cash generated from operations		13,718	2,960
 Income tax paid			
Gratuity paid		(2,436)	(139)
Mark-up paid		(1,018)	(13)
Dividend paid		(9,718)	(6,936)
		-	(3,000)

	-----	-----
	(13,172)	(10,088)
	-----	-----
Net cash flows from operating activities	546	(7,128)
CASH FLOWS FROM INVESTING ACTIVITIES		
	1998	1997
Fixed capital expenditure	(4,072)	(5,174)
Sale proceeds of fixed assets	504	1,003
Trade Marks	(100)	-
Long term deposits	(171)	219
	-----	-----
Net cash flows from investing activities	(3,839)	(3,952)
CASH FLOWS FROM FINANCING ACTIVITIES		
Morabaha financing	(3,000)	(5,000)
Repayment of lease liability - net	(157)	(966)
	-----	-----
Net cash flows from financing activities	(3,157)	(5,966)
	-----	-----
Net decrease in cash and cash equivalents	(6,450)	(17,046)
Cash and cash equivalents at the beginning of the year	(53,797)	(36,751)
	-----	-----
Cash and cash equivalents at the end of the year	(60,247)	(53,797)
	=====	=====
CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,779	3,782
Finance under mark-up arrangements	(64,026)	(57,579)
	-----	-----
	(60,247)	(53,797)
	=====	=====

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

Feriel Rifaat Ali
Chief Executive

Syed Asad Ali
Director

Notes to the Accounts

For the year ended 30 June 1998

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 percent of its shares. The principal activity of the company is to manufacture and sale 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 recognized provident fund scheme is in operation which covers all permanent employees who have completed three months service and have been issued confirmation letters. Equal contributions are made monthly both by the company and the employees in accordance with the 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 higher of taxable income at the current rates of taxation after taking into account applicable tax credits and tax rebates available, if any and minimum tax liability @ 0.5% of turnover.

(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.

(b) Gain or loss on disposal of fixed assets if any, are taken to profit and loss account currently.

(c) 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.

(d) 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.

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

(f) 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

(a) 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.

(b) Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liability.

(c) Depreciation is charged to income applying the reducing balance method at the rates specified 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 at cost determined 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

Wazir Ali Industries Limited (an associated company) has under an agreement allocated its common selling and distribution expenses to Zulfeqar Industries Limited being the costs incurred and services rendered on behalf of Zulfeqar Industries Limited on a proportionate basis.

2.10 Foreign currency translation

Foreign currency transactions during the year are translated into Pak rupees at the exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies at the balance sheet date are translated into Pak rupees at the rates of exchange prevailing on the balance sheet date except for balances covered under forward exchange contracts which are converted at the contracted rates. Exchange differences 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

		1998 (Rupees in '000)	1997
Operating assets	3.1	24,742	23,622
Capital work-in-progress	3.2	969	115
		-----	-----
		25,711	23,737
		=====	=====

3.1 Operating assets - at cost/valuation less accumulated depreciation

	COST/VALUATION				DEPRECIATION					(Rupees in '000)
	As at 01 July 1997	Additions (Disposals)	As at 30 June 1998	Rate %	As at 01 July 1997	For the year	(Disposals) Adjustment	As at 30 June 1998	Written down value as at 30 June 1998	
OWNED										
Freehold land	609	-	609	-	-	-	-	-	609	
Building on freehold land	4,786	-	4,786	10	2,252	253	-	2,505	2,281	
Plant and machinery	45,787	479	46,266	10	30,742	1,553	-	32,295	13,971	
Equipments	4,321	335	4,656	10	1,444	321	-	1,765	2,891	
Furniture and fixture	680	2,029 (19)	2,690	10	456	224	(4)	676	2,014	
Vehicles	4,703	375 (561)	4,517	20	2,370	488	(295)	2,563	1,954	
	-----	-----	-----		-----	-----	-----	-----	-----	
	60,886	3,218 (580)	63,524		37,264	2,839	(299)	39,804	23,720	
LEASED										
Equipments	-	460	460	10	-	46	-	46	414	
Vehicles	-	760	760	20	-	152	-	152	608	
	-----	-----	-----		-----	-----	-----	-----	-----	
	-	1,220	1,220		-	198	-	198	1,022	
	-----	-----	-----		-----	-----	-----	-----	-----	
30 June 1998	60,886	3,858	64,744		37,264	3,037	(299)	40,002	24,742	
	=====	=====	=====		=====	=====	=====	=====	=====	
30 June 1997	56,967	3,919	60,886		35,013	2,881	(630)	37,264	23,622	
	=====	=====	=====		=====	=====	=====	=====	=====	

3.1.1 Depreciation for the year has been allocated as follows:

	1998 (Rupees in '000)	1997
Cost of goods sold	2,434	2,599
Administrative expenses	495	282
Selling and distribution expenses	108	-
	-----	-----
	3,037	2,881
	=====	=====

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, surplus on revaluation and date of revaluation was as follows:

	Book value	Surplus on 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. 0.326 million (1997: Rs. 0.362 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	Sold to
Toyota Corolla	200	72	128	128	-	Executive Car Scheme	Mr. A. Qadeer Employee
Refrigerator	19	4	15	15	-	Negotiation	Mr. A. Qadeer Employee
Honda CD-70	361	223	138	361	223	Staff Motor Cycle Scheme	Various employees
30 June 1998	580	299	281	504	223		
30 JUNE 1997	1,323	630	693	1,003	310		

1998
(Rupees in '000)

3.2 Capital work-in-progress - at cost

Electric installation	303	115
Plant & machinery	666	-
	-----	-----
	969	115
	=====	=====

4. LONG-TERM DEPOSITS

Letter of guarantee - Margin	623	623
Utilities	4	4
Against finance lease	122	-
Trade deposits	121	72
	-----	-----
	870	699
	=====	=====

5. STORES AND SPARES

Stores	3,706	4,679
Spares	1,825	648
	-----	-----
	5,531	5,327
	=====	=====

6. STOCK-IN-TRADE

Raw materials	48,126	41,313
Packing materials	6,818	9,849
Work-in-process	15,342	18,844
Finished goods	27,757	33,891
Stock in transit	265	2,305
	-----	-----
	98,308	106,202
	=====	=====

7. SHORT TERM INVESTMENT

This represents investments in Hi-Lander Soaps (Private) Limited of 300,000 ordinary shares of Rs. 10/- each which is a wholly owned subsidiary of the company. The value based on net assets as at 30 June 1998 amounted to Rs. 3.374 million (1997: Rs. 4.109 million) (Chief Executive Syed Asad Ali). The operations of Hi-Lander Soaps (Private) Limited (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.

8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	1998 (Rupees in '000)	1997
Advances - considered good		
To employees - secured	8.1 603	663
To suppliers and contractors	1,793	3,190
For taxation	7,506	11,076
	-----	-----
	9,902	14,929
Tax refundable	11,157	6,763
Prepayments	668	522
	-----	-----
	21,727	22,214
Other receivables		
Subsidiary company	3,269	-
Dividend receivable	-	3,000
Miscellaneous	1,699	5,784
	-----	-----
	4,968	8,784
	-----	-----
	26,695	30,998
	=====	=====

8.1 Maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.334 million (1997: Rs. 0.101 million).

9. CASH AND BANK BALANCES

Current accounts	1,701	265
Collection accounts	2,078	3,517
	-----	-----
	3,779	3,782
	=====	=====

10. FINANCE UNDER MARK-UP ARRANGEMENTS - Secured

The company has running finance facility of Rs. 50 million (1997: Rs. 50 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.

11. 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 amounts due to the holding company. The holding company has not charged any interest on the outstanding balance.

12. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	1998	1997
	(Rupees in '000)	
Trade creditors	19,048	27,991
Accrued expenses	10,791	7,534
Advances from customers	3,626	3,565
Due to associated companies	7,314	5,849
Sales tax payable	5,078	2,781
Unclaimed dividend	25	25
Other liabilities	8,938	2,057
Overdrawn bank balances	5,669	-
	-----	-----
	49,802	60,489
	=====	=====

13. PROVISION FOR TAXATION

The Income tax assessments of the company have been finalized upto and including assessment year 1997-98. Appeals for the assessment years 1990-91, 1991-92, 1995-96, 1996-97 and 1997-98 are pending before the various Appellate Authorities against certain disallowances. In view of tax loss for the year and brought forward assessed losses, provision for minimum tax @ 0.5% under section 80(d) of the Income Tax Ordinance, 1979 has been made in the current year.

14. SHARE CAPITAL

	1998	1997
	(Rupees in '000)	
Authorized		
5,000,000(1997: 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
50,000 Ordinary shares issued as fully paid for consideration other than cash	500	500
400,000 Ordinary shares issued as fully paid bonus shares	4,000	4,000
-----	-----	-----
2,000,000	20,000	20,000
=====	=====	=====

At 30 June 1998 1,040,000 (1997: 1,040,000) ordinary shares of the company were held by Treet Corporation Limited (holding company).

15. SURPLUS ON REVALUATION OF FIXED ASSETS

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

16. LIABILITIES AGAINST ASSETS

SUBJECT TO FINANCE LEASE

	1998	1997
	(Rupees in '000)	
Present value of minimum lease payment	1,220	-
Less: Payments/adjustment made	157	-
	-----	-----
	1,063	-
Less: Transfer to current maturity	315	-
	-----	-----
	748	-
	=====	=====
Future lease payments		
1998 - 1999	505	-
1999 - 2000	505	-
2000 - 2001	366	-
	-----	-----
	1,376	-
Less: Financial charges allocated to future periods	313	-
	-----	-----
	1,063	-
	=====	=====

The present value of minimum lease payments has been discounted by using financing rates ranging from 23.4% to 24.5% per annum. Deposit of Rs. 120,000 has been made against these liabilities.

17. CONTINGENCIES AND COMMITMENTS

Letters of credit	-	14,179
	=====	=====
Bank guarantee	2,491	2,491
	=====	=====
Collector of customs	17.1	7,933
	=====	=====

17.1 The custom authorities in 1997 had raised demand for taxes amounting to Rs. 7,932,569 under section 32(2) of the Customs 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 customs and is confident of favourable outcome of decision.

18. SALES - Net

Gross sales	400,298	511,586
Less: Trade promotion discount	8,869	6,004
Rebate	67	3,258
	-----	-----
	8,936	9,262
	-----	-----
	391,362	502,324
	=====	=====

19. COST OF GOODS SOLD

		1998	1997
		(Rupees in '000)	
Raw and packing material consumed	19.1	199,061	297,227
Stores and spares consumed		3,517	3,531
Salaries, wages and other benefits		32,923	32,056
Repairs and maintenance		1,774	1,880
Fuel and power		13,258	15,800
Rent, rates and taxes		2,245	1,780
Insurance		712	722
Product research and development		482	653
Excise duty and sales tax		80,338	114,301
Travelling and conveyance		796	920
Printing and stationery		243	159
Postage, telegram and telephones		530	606
Legal and professional		84	104
Entertainment		95	237
Subscriptions		47	79
Depreciation		2,434	2,599
Other expenses		357	626
		-----	-----
		338,896	473,280
Opening stock of work-in-process		18,844	13,423
Closing stock of work-in-process		(15,342)	(18,844)
		-----	-----
		342,398	467,859
Opening stock of finished goods		33,891	18,359
Closing stock of finished goods		(27,757)	(33,891)
		-----	-----
		348,532	452,327
		=====	=====

19.1 Raw and packing materials consumed

Opening stock		51,162	23,345
Purchases		225,435	375,345
		-----	-----
		276,597	398,690
Closing stock		(54,943)	(51,162)
		-----	-----
		221,654	347,528
Less: Sales tax refund adjustment		(22,593)	(50,301)
		-----	-----
		199,061	297,227
		=====	=====

19.2 Remuneration of chief executive, director and executives.

	Chief Executive		Other working Directors		Executive	
	1998	1997	1998	1997	1998	1997
No. of persons	1	1	1	1	8	6
Remuneration	-	-	180	196	1,168	823
Provident fund	-	-	18	11	113	82
Bonus	-	-	22	-	207	230
Entertainment	-	-	-	16	-	-
Housing and utilities	-	-	121	150	1,056	762
Medical	-	-	5	89	241	194
Leave passage	-	-	-	-	176	138
	-	-	346	462	2,961	2,229

19.2.1 Aggregate amount charged in these accounts for fee to five non-executive directors was Rs. 0.0035 million (1997: Rs. 0015 million to five non-executive directors).

20. ADMINISTRATIVE EXPENSES

	1998 (Rupees in '000)	1997
Employees cost	4,757	3,864
Fuel and power	130	115
Repairs and maintenance	93	101
Rent, rates and taxes	747	805
Depreciation	495	282
Legal and professional	290	191
Charity and donation	20.1	90
Auditors' remuneration	20.2	60
Postage and telephone	611	978
Printing and stationary	387	305
Travelling and conveyance	268	400
Computer expenses	342	262
Insurance	71	35
General advertisement	125	89
Other expenses	217	126
	8,678	7,703

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

20.2 Auditors' remuneration

Audit fee	45	40
Out of pocket expenses	20	20
	65	60

21. SELLING AND DISTRIBUTION EXPENSES

	1998	1997
	(Rupees in '000)	
Employees cost	1,060	690
Fuel and Power	-	5
Repair and Maintenance	65	34
Rent, Rates and Taxes	40	1
Depreciation	108	-
Legal and Professional	132	2
Postage and Telegram	110	18
Printing and Stationery	57	35
Travelling and Conveyance	132	453
Other Expenses	213	61
Advertising	11,021	17,749
Freight and Octroi	5,333	6,376
Product Development	385	576
Common Expenses charged by Wazir Ali Industries Limited	10,239	14,242
Common expenses charged to Hi-Lander (Pvt) Limited	-	(1,487)
	-----	-----
	10,239	12,755
	-----	-----
	28,895	38,755
	=====	=====
22. FINANCIAL EXPENSES		
Mark-up on:		
- Running finance	8,738	5,732
- Morabaha finance	622	989
- Holding company	-	2,396
- Others	2,155	1,658
	-----	-----
	11,515	10,775
Financial charges and front end fee on lease arrangements	116	55
Bank charges and commission	242	415
	-----	-----
	11,873	11,245
	=====	=====
23. OTHER INCOME/(CHARGES) - Net		
Insurance commission	73	98
Rebate on export	123	-
Gain on disposal of fixed assets	223	310
Trade mark fee received from Hi-lander Soaps (Pvt.) Limited	-	198
Dividend from subsidiary company	-	3,000
Miscellaneous	180	-
	-----	-----
	599	3,606
	=====	=====

24. PLANT CAPACITY AND PRODUCTION

	Assessed/ rated	Actual Production	
		1998	1997
Soap (in tons)	9,500	3,765	5,347

=====

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

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of all the financial assets and financial liabilities are estimated to approximate their respective carrying values.

26. INTEREST RATE RISK EXPOSURE

Information about the company's exposures to interest rate risk based on contractual refinancing and maturity dates, whichever is earlier, is as follows:

	1998			(Rupees in '000)	
	Less than one month	One month to one year	Over one year	Non-Interest bearing	Total
Financial Assets					
Trade debts - net	-	-	-	8,205	8,205
Loans and advances	-	-	-	2,396	2,396
Deposits, margins and other receivables	-	-	-	1,675	1,675
Long term deposits	-	-	-	870	870
Due from an associated companies	-	-	-	3,269	3,269
Bank balances	-	-	-	3,779	3,779
	-----	-----	-----		
	-	-	-	20,194	20,194
	=====	=====	=====		
Financial Liabilities					
Liabilities against assets subject to finance lease	24	291	748	-	1,063
Shod term financing	-	64,026	-	-	64,026
Creditors, accrued expenses and other liabilities	-	-	-	43,928	43,928
Due to associated companies	-	-	-	5,849	5,849
Due to holding company	-	-	-	18,425	18,425
Unclaimed dividend	-	-	-	25	25
	-----	-----	-----		
	24	64,317	748	68,227	133,316
	-----	-----	-----		
On-balance sheet gap (a)	(24)	(64,317)	(748)	(48,033)	113,122
	-----	-----	-----		
	(24)	(64,317)	(65,089)	(113,122)	-
	=====	=====	=====		

(a) The on balance sheet gap represents the net amounts of non-balance sheet items.

(b) Effective interest rates for financial assets and liabilities are as follows:

	1998 Effective interest rate
Liabilities	
Liabilities against assets subject to finance lease	24.50%
	=====
Short term financing	19.70%
	=====

27. TRANSACTIONS WITH RELATED PARTIES

	1998 (Rupees in '000)	1997
Interest paid-payable to holding company	-	2,396
	=====	=====
Purchases and services received	23,939	43,057
	=====	=====
Sales and services rendered	15,953	18,380
	=====	=====
Common expenses charged by Associated/ holding company	10,239	14,243
	=====	=====

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.

S; Ferieel Rifaat Ali
Chief Executive

Syed Asad Ali
Director

STATEMENT PURSUANT TO SECTION 237 OF THE COMPANIES ORDINANCE, 1984

The audited accounts alongwith the Auditors' report and Directors' report of the subsidiary company, Hi-Lander Soaps (Pvt) Limited, for the year ended 30 June 1998 are annexed to these accounts.

	1998	1997
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	(421)	-
- For previous periods from the date the company is a subsidiary	796	796
Net aggregate amount of the subsidiary's profit dealt with in the company's accounts		
- For the year ended 30 June	-	684
- For previous periods from the date the company is a subsidiary	-	2,316

Form-34**PATTERN OF SHAREHOLDING AS AT 30 JUNE, 1998**

No. of Share Holders	Share Holding	Total Shares Held
1065	From 1 to	100 20,078
181	From 101 to	500 38,284
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	52,037
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
-----					-----
1342					2,000,000
=====					=====

Categories of Share Holders	Number	Shares Held	Percentage
Individual	1322	222,386	11.11
Investment Companies	3	17,300	0.86
Insurance Companies	2	131,766	6.59
Joint Stock Companies	10	1,066,999	53.35
Financial Institution	4	561,384	28.08
The Administrator			
Abandoned Properties			
Organisation			
Govt. of Pakistan	1	165	0.01
-----			-----
1342			100
=====			=====

Report of Directors to the Shareholders

The Directors have pleasure in presenting their Report for the year ended 30th June 1998. The Audited Accounts of the Company are annexed together with Auditors Report thereon.

The Company during the year suffered an operating loss of Rs. 5,26,479/- because of Administrative and financial expenses.

Rupees

Operating Loss	(526,479)
Other Income	105,000

Loss before Taxation	(421,479)
Un-appropriated Profit brought forward	795,964

Un-appropriated Profit carried over	374,485
=====	

The operations which were closed down in November 1996, remained closed through out the period under consideration.

Factory's Land and Building at Mirpur, Azad Kashmir has been agreed to be disposed off at a price of Rs. 2.2 million

The Plant and machinery are being looked after with proper maintenance. The Company is actively looking into the possibility of its disposal.

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

Syed Asad Ali
Chief Executive

Mushtaq H. Khwaja
Director

Karachi:
15 November 1998

Auditors' Report to the Members

We have audited the annexed balance sheet of Hi-Lander Soaps (Private) Limited as at 30 June 1998 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 1998 and of the loss 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:
15 November 1998

HASAN TABANI & CO,
Chartered Accountants

Balance Sheet
As at 30 June 1998

	Note	1998	1997
FIXED CAPITAL EXPENDITURE	3	6,829,798	6,864,998

LONG TERM DEPOSITS		-	180,000
CURRENT ASSETS			
Advances, deposits and other receivables	4	1,026,852	6,007,161
Cash and bank balances	5	42,204	2,287
		-----	-----
		1,069,056	6,009,448
CURRENT LIABILITIES			
Current maturity of finance lease liability		377,300	673,124
Short term finance - secured		-	700,000
Finance under mark-up arrangements - secured	6	-	2,991,417
Due to holding company	7	3,269,373	3,653
Creditors, accrued expenses and other liabilities	8	25,000	724,421
Provision for taxation		852,696	852,696
Proposed dividend		-	3,000,000
		-----	-----
		4,524,369	8,945,311
		-----	-----
NET CURRENT LIABILITIES		(3,455,313)	(2,935,863)
		-----	-----
NET ASSETS	Rupees	3,374,485	4,109,135
		=====	=====
FINANCED BY:			
SHARE CAPITAL	9	3,000,000	3,000,000
UNAPPROPRIATED PROFIT		374,485	795,964
		-----	-----
SHAREHOLDERS' EQUITY		3,374,485	3,795,964
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	10	-	313,171
		-----	-----
	Rupees	3,374,485	4,109,135
		=====	=====

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

Syed Asad Ali
Chief Executive

Mushtaq H. Khwaja
Director

Karachi:
15 November 1998

Profit and Loss Account
For the year ended 30 June 1998

	Note	1998	1997
Sales - net	11	-	38,617,417
Cost of goods sold	12	-	32,704,693
		-----	-----
Gross profit		-	5,912,724

Administrative expenses	13	86,299	74,223
Selling and 'distribution expenses	14	-	3,991,147
Financial expenses	15	440,180	960,318
Workers' profit participation fund		-	46,447
		-----	-----
		526,479	5,072,135
		-----	-----
Operating (loss)/profit		(526,479)	840,589
Other income	16	105,000	41,900
		-----	-----
(Loss)/profit before taxation		(421,479)	882,489
Taxation - current (minimum tax)	17	-	(198,365)
		-----	-----
(Loss)/profit after taxation		(421,479)	684,124
Unappropriated profit brought forward		795,964	3,111,840
		-----	-----
		374,485	3,795,964
Less: Proposed dividend - (1997:100%)		-	3,000,000
		-----	-----
Unappropriated profit		374,485	795,964
		=====	=====

Rupees

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 1998

	Note	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(421,479)	882,489
Adjustment for depreciation		-	601,000
Gain on disposal of fixed assets		(104,800)	-
		-----	-----
Operating (loss)/profit before working capital changes		(526,279)	1,483,489
Working capital changes	18	7,177,008	(4,337,146)
		-----	-----
Cash generated/(deficit) from operations		6,650,729	(2,853,657)
Taxes paid		(150,400)	(498,952)
Dividend paid		(3,000,000)	-
		-----	-----
Net cash inflow/(outflow) from operating activities		3,500,329	(3,352,609)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale proceed of fixed assets		140,000	-
		-----	-----
Net cash inflow from investing activities		140,000	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability		(608,995)	(498,555)
		-----	-----
Net cash (outflow) from financing activities		(608,995)	(498,555)
		-----	-----
Increase/(decrease) in cash and cash equivalents during the year		3,031,334	(3,851,164)

Cash and cash equivalents at the beginning of the year		(2,989,130)	862,034
		-----	-----
Cash and cash equivalents at the end of the year	19 Rupees	42,204	(2,989,130)
		=====	=====

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 1998

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 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 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

Zulfearqar 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 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

COST		DEPRECIATION					
As at	(Disposal)	As at	Rate	As at	for the	As at	Written down value

	01 July 1997	during the year	30 June 1998	percent	01 July 1997	year on (disposal)	30 June 1998	as at 30 June 1998
OWNED								
Freehold land	1,500,000	-	1,500,000	-	-	-	-	1,500,000
Building on free- hold land	527,793	-	527,793	10	120,004	-	120,004	407,789
Plant and machinery	4,269,271	-	4,269,271	10	948,010	-	948,010	3,321,261
Furniture and equipment	180,976	-	180,976	10	38,228	-	38,228	142,748
Vehicles	55,000	(55,000)	-	20	19,800	(19,800)	-	-
	6,533,040	(55,000)	6,478,040		1,126,042	(19,800)	1,106,242	5,371,798
Leased								
Plant and machinery	1,800,000	-	1,800,000	10	342,000	-	342,000	1,458,000
Rupees	8,333,040	(55,000)	8,278,040		1,468,042	(19,800)	1,448,242	6,829,798
1997 Rupees	8,333,040	-	8,333,040		867,042	601,000	1,468,042	6,864,998

3.1 No depreciation is charged during the year as the operation of the company were discontinued on 19 November 1996. The management of the company is in the process of considering various options for the disposal of assets. There is possibility of purchase of plant and machinery by holding company (Zulfeqar Industries Limited).

3.2 Disposal of fixed assets (Suzuki Khyber)

	1998	1997
Cost	55,000	-
Accumulated depreciation	19,800	-
Written down value	35,200	-
Sales proceeds	140,000	-
Gain on disposal	104,800	-
Mode of disposal	Negotiation	
Sold to	Mr. Piyar Ali C/o Capri Motors M.A. Jinnah Road Karachi.	

4. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

	1998	1997
Advances-considered good For taxation	750,352	599,952
Deposits	276,500	96,500
Other receivables	(4.1)	-
	-	5,310,709

Rupees	1,026,852	6,007,161
	=====	=====

4.1 Maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 390,819 (1997: Rs. 6,978,806)

5. CASH AND BANK BALANCES

Cash at banks:

- Current accounts	42,052	2,135
- Collection accounts	152	152
	-----	-----
Rupees	42,204	2,287
	=====	=====

6. FINANCE UNDER MARK-UP

ARRANGEMENTS - secured

Running fin Rupees	-	2,991,417
	=====	=====

The company has running finance facilities of Rs. 3,000,000 from a bank at mark-up of 55 paise 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.

7. DUE TO HOLDING COMPANY

Maximum amount due to holding company at the end of any month during the year amounted to Rs. 4,025,014 (1997: Rs. 3,653)

8. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	1998	1997
Accrued expenses	25,000	470,892
Workers' profit participation fund (8.1)	-	46,447
Other liabilities	-	207,082
	-----	-----
Rupees	25,000	724,421
	=====	=====
8.1 Opening balance	46,447	198,220
Allocated during the year	-	46,447
	-----	-----
	46,447	244,667
Payment during the year	46,447	198,220
	-----	-----
Rupees	-	46,447
	=====	=====

9. SHARE CAPITAL

Authorised		
500,000 ordinary shares of Rs. 10/- each	Rupees	5,000,000
		=====
Issued, subscribed and paid up		
300,000 ordinary shares of Rs. 10/- each issued as fully paid up	Rupees	3,000,000
		=====

At 30 June 1998:298,500 ordinary shares of the company were held by Zulfeqar Industries Limited (holding company) and 1,500 ordinary shares were held by individuals as nominee of Zulfeqar Industries Limited.

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

	1998	1997
Opening balance	986,295	1,484,850
Less: Repayments made during the year	608,995	498,555
	-----	-----
	377,300	986,295
Less: Current maturity - shown under current liabilities	377,300	673,124
	-----	-----
Rupees	-	313,171
	=====	=====

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

10.2 Salient features of the lease agreements are as follows:

- Discounting factor 30.40% per annum
- Number of monthly lease installments 36
- Amount per installments 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:

1997-98	-	829,524
1998-99	207,380	138,254
	-----	-----
	207,380	967,778
Financial charges allocable to future periods	(10,080)	(161,483)
security deposit	180,000	180,000
	-----	-----
	169,920	18,517
	-----	-----
Rupees	377,300	986,295
	=====	=====

11. SALES - net

	1998	1997
Gross sales	-	39,672,904
Less: Trade promotion discount	-	956,396
Rebate on damaged stock	-	99,091
	-----	-----
	-	1,055,487
	-----	-----
Rupees	-	38,617,417
	=====	=====

12. COST OF GOODS SOLD

Raw and packing materials consumed

Opening Stock	-	4,518,650
Purchases	-	14,497,761
Closing stock	-	-
	-	19,016,411
Stores and spares consumed	-	68,085
Salaries, wages and other benefits	-	1,297,392
Repairs and maintenance	-	291,694
Fuel and power	-	321,566
Excise duty and sales tax	-	1,445,242
Rent, rates and taxes	-	12,654
Insurance	-	52,668
Product research and development	-	17,128
Travelling and conveyance	-	51,407
Printing and stationery	-	152,442
Postage, telegram and telephones	-	131,653
Legal and professional	-	34,560
Entertainment	-	183,489
Trade mark licence fee	-	198,365
Depreciation	{note 3}	601,000
Other expenses	-	1,268
	-----	-----
	-	4,860,613
	-----	-----
	-	23,877,024
Opening stock work in process	-	1,915,856
Closing stock of work-in-process	-	-
	-----	-----
	-	25,792,880
Opening stock of finished goods	-	6,911,813
	-----	-----
	Rupees	32,704,693
	=====	=====

13. ADMINISTRATIVE EXPENSES

		1998	1997
Auditors' remuneration	(13.1)	25,000	35,000
Other expenses		61,299	39,223
		-----	-----
	Rupees	86,299	74,223
		=====	=====

13.1 Auditors' remuneration

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

14. SELLING AND DISTRIBUTION EXPENSES

Advertising	-	1,778,594
Freight, octroi and handling	-	709,993
Product development	-	14,777
	-----	-----
	-	2,503,364

Common expenses charged by Zulfeqar Industries Limited	-	1,487,783
	-----	-----
	Rupees	-
	-----	3,991,147
	=====	=====

15. FINANCIAL EXPENSES

Mark-up/interest	283,474	550,797
Lease finance charges	151,402	330,969
Bank charges and commission	5,304	78,552
	-----	-----
	Rupees	440,180
	-----	960,318
	=====	=====

16. OTHER INCOME

Scrap sales	200	41,900
Gain on disposal of vehicle	104,800	-
	-----	-----
	Rupees	105,000
	-----	41,900
	=====	=====

17. TAXATION

The Income tax assessment of the company have been finalised upto and including assessment year 1995-96. 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.

18. WORKING CAPITAL CHANGES

	1998	1997
(Increase)/decrease in operating assets		
Stores and spares	-	25,348
Stock in trade	-	13,346,320
Trade debtors	-	6,401,524
Advances, deposits and other receivable	5,310,709	(5,102,986)
	-----	-----
	5,310,709	14,670,206
Increase/(decrease) in operating liabilities		
Short term finance	(700,000)	-
Due to holding company	3,265,720	14,758,179
Creditors, accrued expenses and other liabilities	(699,421)	(4,249,173)
	-----	-----
	1,866,299	(19,007,352)
	-----	-----
	Rupees	7,177,008
	-----	(4,337,146)
	=====	=====

19. CASH AND CASH EQUIVALENTS

Cash and bank balances	42,204	2,287
Finance under mark-up arrangements	-	(2,991,417)
	-----	-----
	42,204	(2,989,130)
	=====	=====

20. PLANT CAPACITY AND PRODUCTION

	Assessed rated	Actual Production	
Soap (in tons)	1,800	-	361
		=====	=====

The Plant was shut down on 19 November 1996. Therefore no production during the year.

21. TRANSACTIONS WITH RELATED PARTIES

Purchases and services received	Rupees	-	11,280,625
		=====	=====
Common expenses charged by holding company	Rupees	-	1,487,783
		=====	=====

22. GENERAL

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

22.2 Previous year's figures have been rearranged wherever necessary to facilitate comparison.

Syed Asad Ali
Chief Executive

Mushtaq H. Khwaja
Director