

Zulfeqar Industries Limited

Annual Report 2000

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HI-LANDER SOAPS (PVT) LIMITED
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Board of Directors

SYED WAJID ALI	Chairman
S. FERIEL RIFAAT ALI	Managing Director
SYED SHAHID ALI	
KARAM ELLAHI SHAIKH	
MUHAMMAD RAFIQ	
KEMAL SHOAIB	
SHAMIM AHMED	

COMPANY SECRETARY

A. JABBAR GHORI

AUDITORS

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS
KARACHI.

REGISTERED OFFICE

KANDAWALA BUILDING
M.A. JINNAH ROAD
KARACHI-74400

BANKERS

HABIB BANK LIMITED-KARACHI.

LEGAL ADVISOR

HUSSAIN AND HAIDER-KARACHI.

FACTORY

LINK HALI ROAD, HYDERABAD-71900

SHARES REGISTRAR

THK Associates (Pvt) Limited

Ground Floor, Shaikh Sultan Trust Building No. 2,

Beaumont Road, Karachi.

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Fortieth Annual General Meeting of Zulfeqar Industries Limited will be held at Beach Luxury Hotel, Moulvi Tamizuddin Khan Road Karachi on Saturday, 18th November, 2000 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting held on Monday, 27th December, 1999.
2. To receive, consider and adopt the audited Balance Sheet and Profit and Loss Account of the Company for the year ended 30th June, 2000 together with tile report of Auditors and Directors thereon.
3. To appoint Auditors for the year ending 30-6-2001 and to fix their remuneration.
4. To transact any other ordinary business with tile permission of the Chair

SPECIAL BUSINESS:

5. To approve the remuneration of Managing Director / Chief Executive who is also a director on the Board.
6. To approve members' voluntarily winding up of M/s. Hi-Lander Soaps (Pvt) Ltd. and pass the following resolution with or without modifications as a special resolution.

RESOLVED that the Company be wound up voluntarily and Mr. Abdul Jabbar Ghori, Company Secretary be and is hereby authorized to initiate the legal proceedings as per law.

FURTHER RESOLVED that S. Ferial Rifaat Ali, Chief Executive of the company be and is hereby authorized to incur expenses properly as may be required for liquidation proceedings and exercise all necessary acts in this connection.

Statement under section 160 of the Companies Ordinance 1984, pertaining to the Special Business is being sent to the members with this notice.

By order of the Board

Karachi.
13th, Oct, 2000

(Abdul Jabbar Ghori)
Company Secretary

NOTES:

- i) The Share Transfer Books of the Company for the purpose of this Annual General Meeting will remain closed from 9-11-2000 to 18-11-2000 (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.

iv) Members are requested to notify change in their address, if any, immediately to the Registrar of the company, Messrs. THK Associates (Pvt) Limited, Ground Floor, Sheikh Sultan Trust Building No.2, Beaumont Road, Karachi.

Statement u/s. 160 of the Companies Ordinance, 1984 in respect of Special Business:-

ITEM NO. 5

The Board of Directors recommended to increase the remuneration of Miss S. Ferial Rifaat Ali, the Chief Executive/Managing Director, from Rs. 600,000/= to Rs. 900,000/- per year from 1st July, 2000 to June 30, 2001 and further provision of housing, transport, medical and leave facilities and other benefits incidental or relating to her office in accordance with the Company's rules from time to time in force.

The share holders are requested to approve her remuneration and pass the following resolution as a special resolution.

Resolved that consent be and is hereby given for the payment as remuneration to Miss. S. Ferial Rifaat Ali, the Chief Executive/Managing Director of the sum not exceeding Rs. 900,000/- per year for the period from 1st July 2000 to June 30, 2001 and further provision for housing, transport, medical and leave fare facilities and other benefits incidental or relating to her office in accordance with the Company's rules from time to time in force.

Miss. S. Ferial Rifaat Ali is interested to the extent of her remuneration.

ITEM NO. 6

Hi-Lander Soaps (Pvt) Ltd is the wholly owned subsidiary of Zulfeqar Industries Ltd. The imposition of certain heavy levies on the soap industry which previously enjoyed five years tax holiday by the Government of Azad Kashmir rendered the operations uneconomical and consequent termination of operations of Hi-Lander Soaps (Pvt) Ltd. The board of directors of Zulfeqar Industries Limited intends to move members' voluntarily winding up of the company.

In this respect the board of directors of Zulfeqar Industries Ltd recommends the general body to pass with or without modification as a special business, the following resolution as a special resolution;

RESOLVED that the Company be wound up voluntarily and Mr. Abdul Jabbar Ghori, Company Secretary be and is hereby authorized to initiate the legal proceedings as per law.

FURTHER RESOLVED that S. Ferial Rifaat Ali, Chief Executive of the company be and is hereby authorized to incur expenses properly as may be required for liquidation proceedings and exercise all necessary acts in this connection.

DIRECTORS' REPORT TO THE MEMBERS

The members of the Board of Directors feel pleasure in presenting to you the Company's Audited Accounts for the year ended on June 30, 2000, together with the Auditors' Report thereon.

Overview:

The year under review commenced with the prevailing depressed economic conditions in the country, encountering an unhealthy environment for the industry.

The performance for the year under review, incorporate in it, the impact of an enormously higher increase in the

Utilities cost, volatility of prices in the World Fat market, and last but not the least an extremely fierce competition and the availability of smuggled soaps at comparatively much cheaper prices.

The Tax Survey initiated by the new regime in March 2000, further deteriorated the situation in affecting adversely the soap industry due to Trade negative response, continuous calling of strike, reduction in investment resulting in an overall chaotic situation in the trade/industry.

Operating Results:

The Company's Operating Results are detailed thereunder:-

	<i>(Rs. in '000')</i>	
	<i>Year Ended</i>	<i>Year Ended</i>
	<i>June 30, 2000</i>	<i>June 30, 1999</i>
Operating Profit / (Loss)	3,647	(13,569)
Add: Other Income	4,397	210
Profit / (Loss) before Taxation	8,044	(13,359)
Provision for Taxation	2,632	2,385
Profit/(Loss) after Taxation	5,412	(15,744)
Accumulated Profit / (Loss) brought forward	(33,516)	(17,772)
Accumulated Profit / (Loss) carried forward	(28,104)	(33,516)

Despite the above adversities / uncertainties coupled with the most aggressive competition and the availability of smuggled soaps, your Company has succeeded in achieving a modest increase in sales volume and profitability. However, the Operating Results for the year under review, if compared with previous year shows a tremendous improvement, as a result of many corrective actions taken, such as building of the Capri Brand Quality Image, restructuring of the organization and a reduction in operating cost.

The Gross profit at 14.3% as compared to the gross profit at 11.3% of last year, confirms an overall excellent performance with ownership and as a team in achieving these excellent results. The net before tax profit of Rs. 8.04 million as compared to the net before Tax Loss of Rs. 13.3 million last year, further proves a turn around of Rs. 21.4 million, due to the concerted efforts of the management and staff.

In order to improve the "Capri Brand Quality Image" in the Soap market, which is flooded with the smuggled soaps, your company had carried out intensive marketing activities within its limited resources. Consequently, the marketing, selling and distribution expenses this year have recorded an increase of Rs. 9.2 million (year 2000 Rs. 44.2 million year 1999 Rs. 35.0 million) as compared to the last year. Further, the financial expenses reduced by about Rs. 3.5 million as compared to the previous year, due to the reduction in the extended Banking facilities from the local banks but at comparatively much higher markup rate.

Future Prospects:

The Company within its mandate, the required business / professional ethics and legal boundaries is making all efforts to achieving the cost leadership through various corrective measures. These include the rectification of identified structural weaknesses through restructuring of organization, combining of services of ZIL & WIL, induction of an effective and efficient management team and an adjustment in the distribution network. On successful implementation of above, the overall performance of the Company will improve further, together with a favorable improvement on the profitability of the Company. The members of the Board of Directors look forward a much better and prosperous future of the Company due to a clear articulation of management vision and mission.

In the light of corrective measures discussed above, together with a better leverage and the most aggressive business and marketing plans, that your Company had developed for the faster promotion / growth of 31 years old Nationally known Capri Brand, will improve the performance of the Company considerably in the forthcoming year,

INSHALLAH.

Right Issue:

The right issue of shares on 1:1 basis as approved in the last Board of Directors meeting held on February 23, 2000 is in progress and that these will be fully subscribed.

Development and Diversification:

The improvement in the existing products and the development of the new products remained apace.

The performance of the newly revamped "Capri" and newly developed and launched "ZIL Dish Wash Bar" had been excellent, in taking care of the health and well being of the entire family.

Further, the management of your Company has also considered it advisable to diversify in some related skin and personal care product business.

ISO-9001:

Another encouraging news is that your Company has been awarded the ISO-9001 Certificate. It represents the hard working and determination of your management in modifying and developing the Production Processes and Factories to classify Zulfeqar Industries Limited, as the only Company of Pakistan engaged in manufacturing the highest quality Toilet and Laundry Soaps under the "Most Clean and Hygienic Environment."

Change in the Board of Directors:

In the year under review, the following directors had retired, to whom the members of the Board of Directors place on record their appreciation and recognition for their services rendered in the development and growth of the Company.

Mr. Behram Hassan

Ms. Sara Jawaid

Mr. Nasim Beg

Auditors:

The present auditors, Taseer Hadi Khalid and Company, Chartered Accountants, due to retire and being eligible, offer themselves for reappointment for the year ending on June 30, 2001.

Pattern of Shareholding:

The Statement of pattern of shareholding is given on Page No. 27

Auditors' Report to the Members

We have audited the annexed balance sheet of Zulfeqar Industries Limited as at 30 June 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statement based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statement. We

believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give us a true and fair view of the state of the company's affairs as at 30 June 2000 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Karachi
13 October 2000

Taseer Hadi Khalid & Co,
Chartered Accountants

Balance Sheet as at 30 June 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in '000)</i>	
OPERATING ASSETS - at cost/revaluation less			
accumulated depreciation	3	67,093	24,981
TRADE MARKS - at cost		471	471
LONG TERM DEPOSITS	4	1,198	845
CURRENT ASSETS			
Stores and spares	5	2,684	5,326
Stock-in-trade	6	58,231	72,045
Short term investment	7	3,000	3,000
Trade debtors-unsecured, considered good	8	20,447	10,338
Advances, deposits, prepayments and other receiv	9	32,329	27,779
Cash and bank balances	10	17,770	4,190
		-----	-----
		134,461	122,678
CURRENT LIABILITIES			
Current maturity of long term demand finance and liabilities against assets subject to finance lease	11	17,220	398
Finance under mark-up arrangements - secured	12	11,055	77,139
Creditors, accrued expenses and other liabilities	13	62,312	46,075

Provision for taxation	14	4,864	2,232
		-----	-----
		95,451	125,844
		-----	-----
NET CURRENT ASSETS		39,010	(3,166)
		-----	-----
NET ASSETS		107,772	23,131
		=====	=====
FINANCED BY:			
SHARE CAPITAL	15	20,000	20,000
REVENUE RESERVES		6,000	6,000
ACCUMULATED LOSS		(28,104)	(33,516)
		-----	-----
SHARE HOLDER'S EQUITY		(2,104)	(7,516)
SURPLUS ON REVALUATION OF FIXED ASSETS	16	58,761	16,519
LONG TERM DEMAND FINANCE	17	22,000	--
ADVANCE AGAINST RIGHT ISSUE	18	7,500	--
LONG TERM DEPOSITS		450	50
DEFERRED LIABILITIES	19	19,566	13,728
LIABILITIES AGAINST ASSETS SUBJECT TO			
FINANCE LEASE	20	1,599	350
CONTINGENCIES AND COMMITMENTS	21		
		-----	-----
		107,772	23,131
		=====	=====

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

S. Ferial Rifaat Ali
Chief Executive

Kemal Shoab
Director

Profit and Loss Account
for the year ended 30 June 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in '000)</i>	
Sales - Net	22	511,277	436,588
Cost of Goods Sold	23	438,026	387,405
		-----	-----
Gross Profit		73,251	49,183
Administrative expenses	24	10,813	10,147
Selling and distribution expenses	25	44,249	35,085
Financial expenses	26	13,982	17,520
Worker's Welfare Fund		130	--
Worker's Profit Participation Fund		430	--
		-----	-----
		69,604	62,752
		-----	-----
		3,647	(13,569)

Other income - net	27	4,397	210
		-----	-----
Profit/(Loss) before taxation		8,044	(13,359)
Provision for taxation			
- Current		2,632	2,239
- Prior		--	146
		-----	-----
		2,632	2,385
		-----	-----
Profit/(Loss) after taxation		5,412	(15,744)
Accumulated loss brought forward		(33,516)	(17,772)
		-----	-----
Accumulated loss carried forward		(28,104)	(33,516)
		=====	=====
Earning/(Loss) per share	29	2.71	(7.87)
		=====	=====

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

S. Ferial Rifaat Ali
Chief Executive

Kemal Shoab
Director

Statement of Changes in Financial Position for the year ended 30 June 2000

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in '000)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	8,044	(13,359)
Adjustment for:		
Mark-up expense	11,455	13,586
Depreciation	3.22	3,153
Provision for gratuity	1,977	2,082
Provision for retirement benefits	6,012	--
Gain on disposal of fixed assets	(4,261)	(113)
	-----	-----
	18,403	18,708
	-----	-----
Operating profit before working capital changes	26,447	5,349
Decrease/(increase) in operating assets		
Stores and spares	2.64	205
Stock in trade	13,814	26,263
Trade debtors	(10,109)	(2,133)
Advances, deposits, prepayments and other receivables	485	3,601
	-----	-----
	6,832	27,936
Increase/(decrease) in operating liabilities		

Creditors, accrued expenses and other liabilities	18,344	(25,220)
Cash generated from operations	51,623	8,065
Income tax paid	(5,035)	(6,843)
Gratuity paid	(1,150)	(856)
Retirement Benefits paid	(1,001)	--
Mark-up paid	(13,563)	(10,518)
	(20,749)	(18,217)
Net cash flows/(used in) from operating activities	30,874	(10,152)
Cash Flows From Investing Activities		
Fixed capital expenditure	(3,871)	(2,467)
Sale proceeds of fixed assets	5,043	157
Long term deposits	(353)	25
	819	(2,285)
Cash Flows from Financing Activities		
Repayment of lease liability - net	1,271	(315)
Long term deposits	400	50
Advance against right issue	7,500	--
Long term demand finance	38,800	--
Net cash outflows from financing activities	47,971	(265)
Net increase/(decrease) in cash and cash equivalents	79,664	(12,702)
Cash and cash equivalents at the beginning of the year	(72,949)	(60,247)
Cash and cash equivalents at the end of the year	6,715	(72,949)
CASH AND CASH EQUIVALENTS		
Cash and bank balances	17,770	4,190
Finance under mark-up arrangements	(11,055)	(77,139)
	6,715	(72,949)

Statement of Changes in Equity For the year ended 30 June 2000

	<i>Share Capital</i>	<i>Revenue Reserves</i>	<i>Accumulated Loss</i>	<i>(Rupees in '000) Total</i>
Balance as at 30 June 1998	20,000	6,000	(17,772)	8,228
Loss for the year	--	--	(15,744)	(15,744)

Balance as at 30 June 1999	20,000	6,000	(33,516)	(7,516)
Profit for the year	--	--	5,412	5,412
Balance as at 30 June 2000	20,000	6,000	(28,104)	(2,104)

S. Ferial Rifaat Ali
Chief Executive

Kemal Shoib
Director

Notes to the Accounts

For the year ended 30 June 2000

1. STATUS AND NATURE OF BUSINESS

1.1 The company was incorporated in February 1960 as a private limited company and subsequently converted into a public limited company in November 1986 and was listed on Karachi Stock Exchange and Lahore Stock Exchange in December 1986 & 1987 respectively. The principle activity of the company is manufacture and sales of toilet and washing soaps.

These financial statements have been prepared to comply with the requirements of Companies Ordinance, 1984 and for the purpose of filing returns with tax authorities. No consolidated accounts have been prepared as the subsidiary company, Hi-Lander Soaps (Private) Limited, has discontinued its operations and the consolidated financial position would not be materially different from these accounts.

1.2 These accounts have been prepared on the assumption that the company would continue as a going concern although its accumulated losses as of 30 June 2000, exceeded paid-up capital and reserves by Rs. 2.104 million. However, the right issue in the ratio of one right share for every one share held, announced subsequent to the Balance Sheet date on 04 July 2000, will result in increase in equity by Rs. 20 million, which will offset the adverse balance of equity of Rs. 2,104 million.

2. Accounting Policies

The significant accounting policies are summarized as follows:

2.1 Statement of Compliance

These accounts have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee (IASC), interpretations issued by the Standing Interpretations Committee of the IASC as applicable in Pakistan and the requirements of the Companies Ordinance, 1984.

2.2 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 are shown at revalued amounts

2.3 Staff retirement benefits

a) Deflated benefit plan

The company operates two defined benefit plans, gratuity scheme and retirement benefit scheme, both unfunded covering all its permanent employees who have completed their minimum qualifying period of service with the company. Provision is made annually by the company with reference to employee's last drawn basic salary and number of years of service to cover its obligations under the scheme.

b) Defined contribution plan

The Company operates an approved provident fund scheme for all its eligible employees. Equal monthly contributions are made, both by the company and its employees, to the fund at the rate of 10 percent of the basic salary.

2.4 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.

2.5 Fixed assets

Owned

- a) Fixed assets including all additions are carried at cost or revaluation less accumulated depreciation.
- b) Depreciation on fixed assets other than freehold land is charged on a reducing balance method at the rates specified in note 3.
- c) A full year's depreciation is charged on all fixed assets 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) Gains or losses on disposal of fixed assets, if any, are taken to profit and loss account currently.
- f) Normal repairs and maintenance is charged to expenses, as and when incurred. Major renewals and improvements are capitalized 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.

2.6 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.

2.7 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.

2.8 Stock-in-trade

Stock-in-trade, except for those in transit, is 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.

2.9 Trade debtors

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

2.10 Basis of allocation of common expenses

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

2.11 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.

2.12 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.

2.13 Dividend income

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

3. Operating Assets - at cost/revaluation less accumulated depreciation

	<i>Cost/Revaluation</i>			<i>Rate</i>	<i>Depreciation</i>						
	<i>As at 1 July 1999</i>	<i>Additions/ (Disposals)</i>	<i>Surplus/ (deficit) on revaluation</i>		<i>As at 30 June 2000</i>	<i>%</i>	<i>As at 1 July 1999</i>	<i>For the year</i>	<i>Disposals</i>	<i>Released on revaluation</i>	<i>As at 30 June 2000</i>
Owned											
Freehold land	609	(58)	7,009	7,560	--	--	--	--	--	--	7,560
Building on freehold land	4,819	986	7,539	13,344	10	2,736	307	--	(3,043)	--	13,344
Plant, machinery and equipment	52,837	720	(13,017)	40,462	10	35,938	1,757	(27)	(37,668)	--	40,462
		(78)									
Furniture and fixture	2,690	17	--	2,707	10	877	183	--	--	1,060	1,647
Vehicles	5,848	50	--	4,815	20	3,130	480	(716)	--	2,894	1,921
		(1,083)									
	66,803	1,773	1,531	68,888		42,681	2,727	(743)	(40,711)	3,954	64,934
		(1,219)									
Leased											
Equipment	460	--	--	460	10	87	37	--	--	124	336
Vehicle	760	2,098	--	2,381	20	274	456	(172)	--	558	1,823
		(477)	--								

	1,220	2,098 (477)	--	2,841	361	493	(172)	--	682	2,159
2000	68,023	3,871 (1,696)	1,531	71,729	43,042	3,220	(915)	(40,711)	4,636	67,093
1999	64,744	3,279	--	68,023	40,002	3,153	(113)	--	43,042	24,981

3.1 During the year freehold land valuing Rs.0.058 million was sold by the company to an associated company. Title to the land so sold, has not yet been transferred in the name of purchasing company. Arrangements are being made with the lending institution to whom the said land has been mortgaged, for grant of N.O.C. for the transfer of title.

3.2 Depreciation for the year has been allocated as follows:

	2000	1999
	<i>(Rupees in '000)</i>	
Cost of goods sold	22	2,669
Administrative expenses	23	324
Selling and distribution expenses	24	227
	-----	-----
	3,220	3,153
	=====	=====

3.3 As at 30 June 2000, all of the company's fixed assets except furniture and fixtures and vehicles were revalued by M/S Iqbal A. Nanjee & Co.

The valuation was determined on the following basis

Freehold land	Present market value of similar properties.
Building on freehold land	Present cost of construction discounted for approximate depreciation
Plant, machinery and equipment	Replacement value of similar machinery at current exchange rates discounted for depreciation depending on the age, maintenance, usage and change of technology/obsolescence.

The Surplus arising on revaluation was credited to surplus on revaluation on fixed assets account.

3.4 Disposal of fixed asset.

	<i>(Rupees in '000)</i>							
	<i>Year of purchase</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Written down value</i>	<i>Sale proceeds</i>	<i>Gain/(loss) on disposal</i>	<i>Mode of disposal</i>	<i>Sold to</i>
Freehold Land								
Land		58	--	--	4,019	3,961	Negotiation	Sold to Wazir Ali Industries Ltd. (an associated undertaking)
Equipments								
Refrigerator	1995-96	29	10	19	19	--	Financing --Scheme	Muhammad Nazir (Ex-employee)

Air Conditioner	1995-96	25	9	16	16	Financing --Scheme	Muhammad Nazir (Ex-employee)
Air Conditioner	1995-96	24	8	16	--	(16)Financing Scheme	Muhammad Rasheed (Ex-employee)
Vehicles							
Toyota Corolla	1995-96	300	177	123	123	--Car Financing Scheme	Muhammad Nazir (Ex-employee)
Suzuki Car	1995-96	375	221	154	153	1Car Financing Scheme	Muhammad Rasheed (Em-employee)
Honda Motor cycle	1996-97	39	19	20	39	19Motor cycle scheme	Muhammad Taufiq (Em-employee)
Honda Motor cycle	1992	31	25	6	30	24Motor cycle scheme	Aftab Ahmed (employee)
Honda Motor cycle	1992	31	25	6	30	24Motor cycle scheme	Muhammad Akhtar (employee)
Honda Motor cycle	1992	31	25	6	30	24Motor cycle scheme	Hakeem Ali (employee)
Honda Motor cycle	1992	30	24	6	30	24Motor cycle scheme	Khursheed Alam (employee)
Honda Motor cycle	1992	31	25	6	30	24Motor cycle scheme	Lal Muhammad (employee)
Honda Motor cycle	1992	30	24	6	31	25Motor cycle scheme	Sher Shah (employee)
Honda Motor cycle	1992	30	24	6	31	25Motor cycle scheme	Ghulam Fareed (employee)
Honda Motor cycle	1992	30	24	6	31	25Motor cycle scheme	Farman Ali (employee)
Honda Motor cycle	1992	31	25	6	31	25Motor cycle scheme	W.A. Shaheen (employee)
Honda Motor cycle	1991	28	24	4	28	24Motor cycle scheme	Mukhtar Hussain (employee)
Honda Motor cycle	1990	27	24	3	27	24Motor cycle scheme	Ashraf (employee)
Honda Motor cycle	1994	40	29	12	40	28Motor cycle scheme	Abdul Rauf (employee)
30 June 2000		----- 1,219	----- 742	----- 418	----- 4,738	----- 4261	
30 June 1999		=====	=====	=====	=====	=====	
		157	113	44	157	113	

=====

	2000	1999
	(Rupees in '000)	
4. Long Term Deposits		
Letter of guarantee - Margin	736	498
Utilities	4	4
Against finance lease	105	122
Trade deposits	253	121
Central Depository Company	100	100
	-----	-----
	1,198	845
	=====	=====

5. Stores and Spares

Stores	2,814	2,814
Spares	2,528	2,512
Provision for slow moving stores and spares	(2,658)	--
	-----	-----
	2,684	5,326
	=====	=====

6. STOCK-IN-TRADE

Raw materials	19,044	17,076
Packing materials	4,578	6,192
Work-in-process	10,943	11,408
Finished goods	14,732	24,295
Stock in transit	8,934	13,074
	-----	-----
	58,231	72,045
	=====	=====

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 of investment based on net assets of the company as at 30 June 2000 amounted to Rs. 3,445 million (1999: Rs. 3,470 million) (Chief Executive S. Feriel Rifaat Ali.) The operations of Hi-Lander Soaps (Private) Limited (subsidiary) were discontinued on 10 November 1996.

8. TRADE DEBTORS

Considered good-Unsecured	20,447	10,338
Considered doubtful	1,047	--
	-----	-----
	21,494	10,338
Provision for doubtful debts	(1,047)	--
	-----	-----
	20,447	10,338
	=====	=====

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good			
To employees - secured	9.1	651	715
To suppliers and contractors-net	9.2	689	432
For taxation		19,503	12,191

	20,843	13,338
Deposits	74	--
Tax refundable	8,880	11,157
Prepayments	434	724
	9,314	25,217
Other receivables		
Subsidiary company	1,278	1,251
Miscellaneous	820	1,309
	2,098	2,560
	32,329	27,779
	=====	=====

9.1 Maximum aggregate amount due from executives and subsidiary company at the end of any month during the year was Rs. 0. 193 million and Rs. 1.278 million, respectively (1999: Rs. 0. 109 million and Rs. 1.251 million, respectively).

9.2 An amount of Rs. 24,447 has been provided as doubtful advances against these advances.

10. CASH AND BANK BALANCES

Current accounts	9,139	1,679
Collection accounts	8,631	2,511
	17,770	4,190
	=====	=====

11. CURRENT MATURITIES OF LONG TERM DEMAND FINANCE AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Long term demand finance	17	16,800	--
Liabilities against assets subject to finance lease	20	420	398
		17,220	398
		=====	=====

12. FINANCE UNDER MARK-UP ARRANGEMENTS - Secured

The company has running finance facility of Rs. 10 million (1999: Rs. 70 million from Habib Bank Limited at mark-up of 46 (1999: 50) paisas per Rs. 1,000 per day on daily product basis. The arrangement is generally for a period of one year and is renewable subject to payment of re-purchase price by specified date. The company also has demand finance facility of Rs. 44.4 million from Habib Bank Limited at mark-up of 46 paisas per Rs. 1,000 per day on daily product basis. These arrangement are secured against a charged 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 running finance facility represents cheques issued but remained unrepresented, which are to be matched against subsequent receipts.

13. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Trade creditors	7,57	5,503
Accrued mark up on short financing	960	3,068
Accrued expenses	18,775	11,006

Advances from customers		4,126	2,167
Advances from contractors		25	--
Due to associated companies		22,594	18,615
Sales tax payable	13.1	6,542	2,606
Unclaimed dividend		25	25
Worker's Welfare Fund		130	--
Worker's Profit Participation Fund		430	--
Other liabilities		1,139	3,085
		-----	-----
		62,312	46.08
		=====	=====

13.1 this includes transactions on account of common expenses with Wazir Ali Industries amounting to Rs. 11,215 million (1999: Rs. 13,513 million). There is no agreed repayment date for the principle amount due to the associated company.

The associated company has not charged any interest on the outstanding balance. However, the associated company has charged an amount equal to tax charge on interest on outstanding balances.

14. PROVISION FOR TAXATION

The Income Tax assessments of the company have been finalized upto and including assessment year 1998-99. Assessment for the assessment year 1999-2000 is not yet finalized. Appeals for the assessment years 1990-91, 1991-92, 1995-96, 1996-97, 1997-98 and 1998-99 are pending before the various Appellate Authorities against certain disallowances. In view of the brought forward assessed tax losses the normal tax liability for current year is less than the minimum tax liability u/s 80D, therefore, provision for minimum tax @ 0.5% under section 80(D) of the Income Tax ordinance, 1979 has been made in the current year.

15. SHARE CAPITAL

Authorized	2000	1999
	(Rupees in '000)	
5,000,000(1999: 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	2,000,000	2,000,000
=====	=====	=====

16. SURPLUS ON REVALUATION OF FIXED ASSETS

Balance at the beginning of year	16,519	16,519
Addition during the period	42,242	--
	-----	-----
Balance at the end of year	58,761	16,519
	=====	=====

17. LONG TERM DEMAND FINANCE

Balance as on 30 June	38,800	--
Current maturity	(16,800)	--

-----	-----
22,000	--
=====	=====

This represents a demand finance facility from Habib Bank Limited at mark-up of 46 paisas per Rs. 1,000 per day on daily product basis and is secured against an equitable mortgage on immovable property of the company. This facility is repayable by 30 September 2002 in equal monthly installments.

18. ADVANCE AGAINST RIGHT ISSUE

This represents advance against own entitlement of rights and advance for taking up of shares under the underwriting commitment.

19. DEFERRED LIABILITIES

Staff Gratuity		14,554	13,728
Staff Retirement Benefits	19.1	5,012	--
		-----	-----
		19,566	13,728
		=====	=====

19.1 The unprovided liability for Staff Retirement Benefit as at 30 June 1999 amounted to Rs. 15,476 million, which is being provided in equal installments over the five years period commencing from 01 July 1999 along with full provision for the year.

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	<i>2000</i>			<i>1999</i>		
	<i>Minimum lease Payments</i>	<i>Financial charges for future periods</i>	<i>Principle outstanding</i>	<i>Minimum lease payments</i>	<i>Financial charges for future periods</i>	<i>Principle outstanding</i>
	<i>(Rupees in '000)</i>					
Not later than one year	786	366	420	505	107	398
Later than one year and not later than five years	2,145	546	1,599	366	16	350
	-----	-----	-----	-----	-----	-----
	2,931	912	2,019	871	123	748
	=====	=====	=====	=====	=====	=====

Lease rentals include financial charges ranging between 22.5 percent to 24.5 percent per annum, which have been used as discounting factor and are payable on monthly basis. The company has an option to purchase the assets upon completion of lease period by adjusting the security deposit and has intention to exercise the option.

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in '000)</i>	
Letter of credit	15,747	17,801
	=====	=====
Bank guarantee	2,728	2,491
	=====	=====
Collector of Customs	21.1	7,933
	=====	=====

21.1 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 order of custom authorities in Sindh High Court and is confident of favourable outcome of decision.

22. SALES - Net

Gross sales	526,349	446,376
Trade promotion discount	(15,004)	(9,403)
Rebate	(68)	(385)
	-----	-----
	(15,072)	(9,788)
	-----	-----
	511,277	436,588
	=====	=====

23. COST OF GOODS SOLD

Raw and packing material consumed	23.1	236,102	225,903
Stores and spares consumed		4,171	2,840
Salaries, wages and other benefits		39,062	35,639
Repairs and maintenance		1,741	973
Fuel and power		9,403	16,713
Rent, rates and taxes		748	1,913
Insurance		737	675
Product research and development		110	221
Excise duty and sales tax		7.59	90,267
Travelling and conveyance		1,043	903
Printing and stationery		323	177
Postage, telegram and telephones		638	558
Legal and professional		75	19
Entertainment		230	40
Subscription		48	47
Depreciation	3.2	2,669	2,627
Other expenses		651	493
		-----	-----
		425,340	380,009
Opening stock of work-in-process		11,408	15,342
Closing stock of work-in-process		(10,943)	(11,408)
		-----	-----
		425,805	383,943
Opening stock of finished goods		24,295	27,757
Closing stock of finished goods		(14,732)	(24,295)
		-----	-----
		435,368	387,405
Provision for slow moving stores and spares		2,658	--
		-----	-----
		438,026	387,405
		=====	=====

23.1 Raw and packing material consumed

Opening stock	23,268	54,943
Purchases	272,222	218,420
	-----	-----
	295,490	273,363
Closing stock	(23,622)	(23,268)
	-----	-----
	271,868	250,095
Sales tax refund adjustment	(35,766)	(24,192)
	-----	-----
	236,102	225,903
	=====	=====

24. ADMINISTRATIVE EXPENSES

Employees cost	6,430	6,123
Fuel and power	275	541
Repairs and maintenance	100	180
Rent, rates and taxes	822	763
Depreciation	3.2	324
Legal and professional	409	398
Charity and donation	24.1	60
Auditors' remuneration	24.2	71
Postage and telegram	442	448
Printing and Stationery	183	210
Travelling and conveyance	205	332
Computer expenses	446	400
Insurance	35	62
General advertisement	275	39
Other expenses	229	196
Bad debts expense	490	--
	-----	-----
	10,813	10,147
	=====	=====

24.1 The directors and their spouses did not have any interests in the donee fund.

24.2 Auditors' remuneration

Audit fee	75	50
Out of pocket expenses	25	21
	-----	-----
	100	71
	=====	=====

25. SELLING AND DISTRIBUTION EXPENSES

Employees cost	2,648	1,480
Fuel and power	386	82
Repairs and maintenance	250	102
Rent, rates and taxes	236	12
Depreciation	3.2	200
Legal and professional	177	83
Postage and telegram	183	121
Printing and stationery	56	38
Travelling and conveyance	375	289
Other expenses	745	309
Provision for doubtful debts	1,072	--
Advertising	20,161	12,278

Freight and octroi	5,931	5,982
Product development	578	589
Common expenses charged by associated companies	11,215	13,513
Charity and donation	9	7
	-----	-----
	44,249	35,085
	=====	=====

26. FINANCIAL EXPENSES

Mark-up on:

- Running finance	10,555	12,297
- Others	2,527	3,934
	-----	-----
	13,082	16,231

Financial charges and front-end

fee on least arrangements

Bank charges and commission

494	190
406	1,099
-----	-----
13,982	17,520
=====	=====

27. OTHER INCOME - NET

Insurance commission

Gain oil disposal of fixed assets

27.1

136	97
4,261	113
-----	-----
4,397	210
=====	=====

27.1 Gain on sales of fixed assets includes gain on sale of freehold land amounting to Rs.3.961 million.

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	<i>Chief Executive</i>		<i>Executives</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
No. of persons	1	1	14	8
Remuneration	535	180	2,345	1,406
Provident fund	45	18	203	141
Bonus	--	30	--	227
Housing and utilities	710	186	1,568	1,266
Medical	66	33	333	258
Leave passage	--	--	250	176
	-----	-----	-----	-----
	1,356	447	4,699	3,474
	=====	=====	=====	=====

28.1 Aggregate amount charged in these accounts for fee to non-executive director was Rs. 500 (1999: Rs. 1,500 to three non-executive directors).

2000**1999**

29. EARNING PER SHARE

Net profit/(Loss) for the year	(Rupees in '000)	5,412	(15,744)
		=====	=====
Number of ordinary shares		2,000	2,000
		=====	=====
Earning/(Loss) per share	Rupees	2.71	(7.87)
		=====	=====

30. PLANT CAPACITY AND PRODUCTION

	<i>Assessed/rated</i>	<i>Actual Production</i>	
		<i>2000</i>	<i>1999</i>
Soap in tons	9500	5,022	4,339
		=====	=====

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

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

32. 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:

	<i>2000</i>			<i>(Rupees in '000)</i>	
	<i>Less than one month</i>	<i>One month to one year</i>	<i>Over one year</i>	<i>Non-Interest bearing</i>	<i>Total</i>
Financial Assets					
Trade debts - net	--	--	--	20,447	20,447
Loans and advances	--	--	--	1,340	1,340
Deposits, margins and other receivables	--	--	--	820	820
Due from associated companies	--	--	--	1,278	1,278
Bank balances	--	--	--	17,770	17,770
	-----	-----	-----	-----	-----
	--	--	--	41,655	41,655
	=====	=====	=====	=====	=====
Financial Liabilities					
Liabilities against assets subject to finance lease	46	374	1,420	--	1,840
Short term financing	--	11,055	--	--	11,055
Creditors, accrued expenses and other liabilities	--	--	--	39,693	39,693
Due to associated companies	--	--	--	22,594	22,594
Unclaimed dividend	--	--	--	25	25
	-----	-----	-----	-----	-----
	46	11,429	1,420	62,312	75,207

On-balance sheet gap (a)	(46)	(11,429)	(1,420)	(20,657)	(33,552)
	(46)	(11,475)	(12,895)	(33,552)	--

	1999			(Rupees in '000)	
	<i>Less than one month</i>	<i>One month to one year</i>	<i>Over one year</i>	<i>Non-Interest bearing</i>	<i>Total</i>
Financial Assets					
Trade debts - net	--	--	--	10,338	10,338
Loans and advances	--	--	--	1,147	1,147
Deposits, margins and other receivables	--	--	--	1,309	1,309
Due from associated companies	--	--	--	1,251	1,251
Bank Balances	--	--	--	4,190	4,190
	--	--	--	18,235	18,235

Financial Liabilities					
Liabilities against assets subject to finance lease	30	368	228	--	626
Short term financing	--	77,139	--	--	77,139
Creditors, accrued expenses and other liabilities	--	--	--	27,435	27,435
Due to associated companies	--	--	--	18,615	18,615
Unclaimed dividend	--	--	--	25	25
	30	77,507	228	46,075	123,840
On-balance sheet gap (a)	(30)	(77,507)	(228)	(46,075)	(105,605)
	(30)	(77,537)	(77,765)	(105,605)	--

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

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

Liabilities	2000	1999
	(Effective interest rate)	
Liabilities against assets subject to finance lease	23.5%	24.5%
Short term financing	16.7%	18.25%

33. TRANSACTIONS WITH RELATED PARTIES

(Rupees in '000)

Interest paid/payable to associated company	1,727	1,999
	=====	=====
Purchase and services received	59,463	38,059
	=====	=====
Sales and services rendered	17,889	19,745
	=====	=====
Common expenses charged by associated companies	11,215	13,513
	=====	=====
Proceeds from disposal of freehold land	4,019	--
	=====	=====

34. GENERAL

34.1 Total number of employees as at 30 June 2000 were 216 (1999: 219).

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

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

Form - 34

PATTERN OF SHARE HOLDING

As of 30 June 2000

<i>No. of share holders</i>	<i>Having shares</i>		<i>Shares held</i>	<i>Percentage</i>
	<i>From</i>	<i>To</i>		
1,113	1	100	19852	.9926
185	101	500	39526	1.9763
22	501	1000	15808	.7904
25	1001	5000	67084	3.3542
6	5001	10000	50051	2.5025
1	10001	15000	11736	.5868
2	15001	20000	33044	1.6522
2	20001	25000	45722	2.2861
1	40001	45000	42444	2.1222
1	85001	90000	89889	4.4944
1	105001	110000	108970	5.4485
1	130001	135000	130122	6.5061
1	195001	200000	197410	9.8705
1	430001	435000	430002	21.5001
1	715001	720000	718340	35.9170
-----			-----	-----
1363			2000000	100.0000
=====			=====	=====

Categories of Share Holders

	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	1341	561015	28.0507
Insurance Companies	3	154544	7.7272

Joint Stock Companies	13	745692	37.2846
Financial Institutions	5	538584	26.9292
Others	1	165	0.0082
	-----	-----	-----
Company Total	1363	2000000	100.0000
	=====	=====	=====

Auditors' Report to the Members

We have audited the annexed balance sheet of Hi-Lander Soaps (Private) Limited as at 30 June 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. All audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of 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 purposes of the company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards its applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give us a true and fair view of the state of the company's affairs as at 30 June 2000 and of the loss, its cash flows and changes in equity for the year then ended;

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 2000 and of the loss, cash flow statement and statement of changes in equity for the year then ended, had the company been a going concern. However, as the company has not prepared financial statement 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
13-Oct-00

HASAN TABANI & CO.
Chartered Accountants

Balance Sheet as at 30 June 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
FIXED CAPITAL EXPENDITURE	3	4,779,261	4,779,261
CURRENT ASSETS			
Advances and deposits	4	816,852	816,852
Bank balances	5	4,079	28,411
		-----	-----
		820,931	819,693
CURRENT LIABILITIES			
Due to holding company	6	1,277,763	1,250,813
Accrued expenses		25,000	25,000
Taxation	7	852,696	852,696
		-----	-----
		2,155,459	2,128,509
NET CURRENT LIABILITIES		(1,334,528)	(1,308,816)
NET ASSETS		3,444,733	3,470,445
		=====	=====
FINANCED BY:			
SHARE CAPITAL	8	3,000,000	3,000,000
UNAPPROPRIATED PROFIT		444,733	470,445
		-----	-----
		3,444,733	3,470,445
		=====	=====

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

Auditors' report to the members is annexed.

Chief Executive

Director

Profit and Loss Account for the year ended 30 June 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Sales - net		--	--
Cost of goods sold		--	--

		-----	-----
		--	--
Administrative expenses	9	26,950	269,570
Financial expenses	10	--	10,544
		-----	-----
		26,950	280,114
		-----	-----
Operating loss		(26,950)	(280,114)
Other income	11	1,238	376,074
		-----	-----
(Loss)/profit for the year		(25,712)	95,960
Unappropriated profit brought forward		470,445	374,485
		-----	-----
Unappropriated profit carried forward		444,733	470,445
		=====	=====

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

Auditors' report to the members is annexed.

Chief Executive

Director

Cash Flow Statement for the year ended 30 June 2000

CASH FLOWS FROM OPERATING ACTIVITIES	<i>Note</i>	2000 Rupees	1999 Rupees
(Loss)/profit before taxation		(25,712)	95,960
Gain on disposal of fixed assets		--	(374,463)
		-----	-----
Operating loss before working capital changes		(25,712)	(278,503)
Working capital changes	12	26,950	(1,808,560)
		-----	-----
Cash generated/(deficit) from operations		1,238	(2,087,063)
Taxes paid		--	--
Dividend paid		--	--
		-----	-----
Net cash inflow/(out flow) from operating activities		1,238	(2,087,063)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale proceeds of fixed assets		--	2,425,000
		-----	-----
Net cash inflow from investing activities		--	2,425,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability		--	(377,300)

Net cash (outflow) from financing activities		--	(377,300)
(Decrease)/increase in cash and cash equivalents during the year			
Cash and cash equivalents at the beginning of the year		1,238	(39,363)
Cash and cash equivalents at the end of the year	13	2,841	42,204
		-----	-----
		4,079	2.84
		=====	=====

These accounts should be read in conjunction with the attached notes

Auditors' report to the members is annexed

Chief Executive

Director

Statement of Changes in Equity for the year ended 30 June 2000

	<i>Ordinary shares paid in cash Rupees</i>	<i>Unappropriate Profit (loss) Rupees</i>	<i>TOTAL Rupees</i>
Balance as on 01 July 1998	3,000,000	374,485	3,374,485
Profit for the year	--	95,960	95,960
	-----	-----	-----
Balance as on 30 June 1999	3,000,000	470,445	3,470,445
Loss for the year	--	(25,712)	(25,712)
	-----	-----	-----
Balance as on 30 June 2000	3,000,000	444,733	3,444,733
	=====	=====	=====

Chief Executive

Director

Notes to the Accounts For the year ended 30 June 2000

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 Zulfiqar Industries Limited. The principle activity of the company is to manufacture and sales of toilet soaps. The company's manufacturing facilities were located in Mirpur, Azad Kashmir.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These accounts have been prepared in accordance with International Accounting Standards, as applicable in Pakistan.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention.

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 the applicable tax credits and tax rebates available, if any.

b) Deferred

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

2.4 Fixed assets

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 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 renewal and improvements are capitalised and the assets so replaced, if any, are retired.

2.5 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.

2.6 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.

2.7 Trade debtors

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

2.8 Basis of allocation of common expenses

Zulfeqar 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.

2.9 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.

2.10 Revenue recognition

Sales are recorded on despatch of goods to customers.

3. FIXED CAPITAL EXPENDITURE - at cost less accumulated depreciation

	<i>COST</i>				<i>DEPRECIATION</i>			<i>Written down values as at 30 June 2000</i>
	<i>As at 01 July 1999</i>	<i>(Disposals) during the year</i>	<i>As at 30 June 2000</i>	<i>Rate Percent</i>	<i>As at 01 July 1999</i>	<i>(Disposals) during the year</i>	<i>As at 30 June 2000</i>	
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	
Plant and machinery	6,069,271	--	6,069,271	10	1,290,010	--	1,290,010	4,779,261
	-----	-----	-----		-----	-----	-----	-----
	6,069,271	--	6,069,271		1,290,010	--	1,290,010	4,779,261
	=====	=====	=====		=====	=====	=====	=====
1999	8,278,040	(2,208,769)	6,069,271		1,448,242	(158,232)	1,290,010	4,779,261
	=====	=====	=====		=====	=====	=====	=====

3.1 No depreciation is charge 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).

4. ADVANCES AND DEPOSITS

Advances-considered good

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
for taxation	750,352	750,352
Deposits	66,500	66,500
	-----	-----
	816,852	816,852
	=====	=====

5. BANK BALANCES

Current accounts	4,079	2,689
Collection account	--	152
	-----	-----
	4,079	2,841
	=====	=====

6. DUE TO HOLDING COMPANY

Maximum amount due to holding company at the end of any month during the year amount to Rs. 1,277,763 (1999: Rs. 3,354,774).

7. TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1996-97. The company is exempted from tax under Clause 118 (c) of Part I of the Second Schedule of the Income Tax Ordinance, 1979 for a period of eight years from the date of commercial production.

8. SHARE CAPITAL

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

298,500 (1999: 298,500) ordinary shares of the company were held by Zulfeqar Industries Limited (holding company) and 1,500 (1999: 1,500) ordinary shares were held by individuals as nominee of Zulfeqar Industries Limited.

9. ADMINISTRATIVE EXPENSES

Auditors' remuneration	(Note 9.1)	26,950	26,375
Other expenses		--	243,195
		-----	-----
		26,950	269,570
		=====	=====

9.1 Auditors' remuneration

Audit fee		25,000	25,000
Out of pocket expenses		1,950	1,375
		-----	-----
		26,950	26,375
		=====	=====

10. FINANCIAL EXPENSES

Lease finance charges		--	10,080
Bank charges and commission		--	464
		-----	-----
		--	10,544
		=====	=====

11. OTHER INCOME

Scrap sales		--	1,611
Gain on disposal of fixed assets		--	374,463
Others		1,238	--
		-----	-----
		1,238	376,074
		=====	=====

12. WORKING CAPITAL CHANGES

Decrease in current assets		--	210,000
Advance and deposits			
Increase/(decrease) in current liabilities		26,950	(2,018,560)
Due to holding company		-----	-----
		26,950	(1,808,560)
		=====	=====

13. CASH AND CASH EQUIVALENTS

Bank balances		4,079	2,841
		=====	=====

14. PLANT CAPACITY AND PRODUCTION	<i>Assessed rated</i>	<i>Actual Production</i>	
Soap (in tons)	1,800	--	--
	=====	=====	=====

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

15. TRANSACTION WITH RELATED PARTIES

Purchases and services received	Rupees	--	--
		=====	=====
Common expenses charged by holding company	Rupees	--	--
		=====	=====

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Interest rate risk exposure

16.1 The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities are summarized as follows:

	<i>2000</i>			<i>Non Interest bearing</i>	<i>Total</i>
	<i>One year</i>	<i>Over one year to three year</i>	<i>Over three year</i>		
Financial assets					
Advance and deposits	--	--	--	816,852	816,852
Bank balances	--	--	--	4,079	4,079
	-----	-----	-----	-----	-----
Rupees	--	--	--	820,931	820,931
	=====	=====	=====	=====	=====
Financial liabilities					
Due to holding company	--	--	--	1,277,763	1,277,763
Accrued expenses	--	--	--	25,000	25,000
	-----	-----	-----	-----	-----
Rupees	--	--	--	1,302,763	1,302,763
	=====	=====	=====	=====	=====

	<i>1999</i>			<i>Non Interest bearing</i>	<i>Total</i>
	<i>One year</i>	<i>Over one year to three year</i>	<i>Over three year</i>		
Financial assets					
Advance and deposits	--	--	--	816,852	816,852
Bank balances	--	--	--	2,841	2,841
	-----	-----	-----	-----	-----
Rupees	--	--	--	819,693	819,693
	=====	=====	=====	=====	=====
Financial liabilities					
Due to holding company	--	--	--	1,250,813	1,250,813

Accrued expenses	--	--	--	25,000	25,000
	-----	-----	-----	-----	-----
Rupees	--	--	--	1,275,813	1,275,813
	=====	=====	=====	=====	=====

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

18. CONCENTRATIONS OF CREDIT RISK

The company is endeavoring to cover the credit risk on trade debts by generally restricting current supplies on cash basis. Further the company attempts to control credit risk monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of customers.

19. NUMBER OF EMPLOYEE

Since company is not in operation, it does not have any employee (1999: Nil).

20. GENERAL

20.1 All figures have been rounded off to the nearest rupee.

20.2 Previous year's figures have been re-arranged, wherever necessary, for the purpose of comparison