

TREET CORPORATION LIMITED

Annual Report 1997

Contents

BOARD OF DIRECTORS

NOTICE OF MEETING

REPORT OF DIRECTORS

AUDITORS' REPORT

BALANCE SHEET

PROFIT AND LOSS ACCOUNT

STATEMENT OF CHANGES IN FINANCIAL POSITION

NOTES TO THE ACCOUNTS

Board of Directors

SYED WAJID ALI	Chairman
SYED ASAD ALI	Vice Chairman
SYED SHAHID ALI	Managing Director
BEHRAM HASAN	
S. QAMAR ALI ZAIDI	
MUSHTAQ H. KHWAJA	
N.Z. MAMA	

COMPANY SECRETARY

MUHAMMAD RASHEED

AUDITORS

TASEER HADI KHALID & CO.
CHARTERED-ACCOUNTANTS
KARACHI

REGISTERED OFFICE

KANDAWALA BUILDING
M.A.JINNAH ROAD
KARACHI-74400

BANKERS

ANZ GRINDLAYS BANK p.l.c. - LAHORE
NATIONAL BANK OF PAKISTAN - KARACHI

LEGAL ADVISOR

HUSSAIN AND HAIDER-KARACHI

FACTORIES

HALI ROAD, HYDERABAD-71900
72-B, KOT LAKHPAT INDUSTRIAL AREA,
LAHORE

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of Treet Corporation Limited will be held at Beach Luxury Hotel, Moulvi Tameezuddin Khan Road, Karachi on Friday, 27 March 1998 at 4:30 p.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of the last General Meeting held on 21st December 1996.
2. To receive and consider the Annual Audited Accounts of the Company for the year ended 30th June 1997, together with the Auditor's and Director's Report there on.
3. To approve and declare dividend @ 15% as recommended by the Board of Directors.
4. To appoint the Auditors of the Company for the period ended 30 June 1998, and to fix their remuneration. The retiring auditors M/s. Taseer Hadi Khalid & Co., Chartered Accountants offer themselves for re-appointment.
5. To transact the following special business.

Special Business

a) To consider the dis-investment of the company's entire shareholding in Zulfeqar Industries Limited and if approved, to pass the following resolution as Special Resolution:

"Resolved that the dis-investment of the company's entire shareholding consisting of 1,040,678 ordinary shares of Rs. 10/- each, book value Rs. 7,849,000, in Zulfeqar Industries Limited by sale thereof to the family members of Syed Asad All subject to the condition that the consideration of such shares shall not be less than Rs. 12/- per share, be and is hereby approved."

"Resolved further that Syed Shahid All, Chief Executive and Mr. Muhammad Rasheed, Company Secretary be and are hereby authorised to complete all corporate formalities in this respect".

b) To pass with or without modifications the following Special Resolution:

"Resolved further that the Registered Trade Marks of Capri, Sandaleen and Fantasy in the name of the Company be and are hereby approved to be transferred to Zulfeqar Industries Limited for a consideration of Rupees One Hundred Thousand Only (Rs. 100,000/-) in addition to Rs. 19.574 million already paid by Zulfeqar Industries Limited as Royalty from April 1981 to June 1996".

"Resolved further that Syed Shahid All, Chief Executive and Mr. Muhammad Rasheed, Company Secretary are hereby authorised to complete all the corporate and legal formalities for the said transaction".

c) To consider and pass the following Special Resolution under Section 208 of the Companies Ordinance, 1984.

"Resolved that the approval of the Company be and is hereby accorded to invest upto Rs. 5,890,500/- towards subscription of 589,050 Right Shares of Rs. 10/- each, at par, of Wazir All Industries Limited, an associated company".

"Resolved further that Syed Shahid All Chief Executive of the Company be and is hereby authorised to sign all documents and take such steps on behalf of the Company as may be necessary and expedient in this respect."

d) To consider the shifting of the Registered office of the Company from the Province of Sind to the Province of Punjab and the alteration of the Situation clause of the Memorandum of Association of Company, subject to the approval of the Corporate Law Authority, under the provisions of Section 21 of the Companies Ordinance, 1984, and to pass the following Special Resolution:

"Resolved that the Registered Office of the Company be and is hereby approved to be shifted from the Province of Sind to the Province of Punjab subject to the approval of the Corporate Law Authority and to effect the same, the situation clause of the Memorandum of Association of the company be altered so as to replace the words "Province of Sind" as appearing at the end of clause H of the Memorandum of Association of the Company by the words "Province of Punjab".

"Further Resolved that Syed Shahid All, Chief Executive of the Company be and is hereby authorised to file petition under section 21 of the Companies Ordinance, 1984 with the Corporate Law Authority, for seeking confirmation to the alteration of the situation clause of the Memorandum of Association of the Company and to do all such pertinent acts, deeds and things as may be expedient to carry out the purpose and comply with all Corporate formalities in this respect".

6. To transact any other business with the permission of the Chair.

NOTES:

(i) The Share Transfer Books of the Company for the purpose of Annual General Meeting will be closed from 21 March 1998 to 27 March 1998 (both days inclusive). Transfers received in order at the Registered Office of the Company upto 20 March 1998 will be considered in time for the entitlement of cash dividend.

(ii) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him.

(iii) The valid instrument appointing proxy must be received at the Registered office of the Company not later than 48 hours before the appointed time for the meeting.

(iv) Members are requested to notify the Company promptly of any change in their address.

(v) Statement under Section 160 of Companies Ordinance, 1984 in respect of above mentioned special business is being sent to the members alongwith the notice of this meeting.

Statement under Section 160 of Company's Ordinance 1984 regarding the Special Business.

Material facts concerning the Special Business to be transacted at the Annual General Meeting are given below:-

1. DIS-INVESTMENT OF COMPANY'S ENTIRE SHAREHOLDING IN ZULFEQAR

INDUSTRIES LIMITED. ITEM 5(a) OF AGENDA.

Your Company holds 1,040,678 Shares of Rs. 10/- each at a cost of Rs. 7,849,000/= in Zulfeqar Industries Limited. The percentage of holding is 52.03%. The Company is desirous of dis-investing the entire Shareholding of t,040,678 Shares at par value of Rs. 10/- each by selling them to the family members of Syed Asad All at a price of Rs. 12/- per share for which approval of shareholders is solicited. The present market value of Zulfeqar Industries Limited shares is Rs. 11/20 per share of Rs. 10/- each. Syed Asad All is Vice Chairman of the Company and also Managing Director of Zulfeqar Industries Limited and is therefore interested in the business.

2. SALE OF REGISTERED TRADE MARKS- ITEM 5(b) OF AGENDA.

The Registered Trade Marks of Capri, Sandaleen and Fantasy which were transferred by Wazir All Industries Limited to your Company at a nominal cost in March 1980 were integral part of Soap Operations. The Soap Unit of Wazir All Industries was separated in February 1981 and returned to your Company on behalf of previous shareholders. Your Company transferred the Soap Unit to Zulfeqar Industries Limited on acquisition cost. However, the Trade Marks of Capri, Sandaleen and Fantasy were not transferred to Zulfeqar Industries Limited and were retained at Book Value. Your Company charged Royalty on these Trade Marks from April 1981 to June 1996 in aggregate of Rs. 19.574 million which has already been paid for over 16 years, the overall consideration for brand. Syed Wajid All, Syed Asad All, Syed Shahid All, Mr. Behram Hasan and Mr. S. Qamar All Zaidi, Directors of your Company are also Directors in Zulfeqar Industries Limited and are therefore interested in the business.

3. INVESTMENT IN ASSOCIATED COMPANY ITEM 5(c) OF AGENDA.

Pursuant to Section 208 of the Company Ordinance 1984 any investment in Associated Companies should be made under the Authority of a Special Resolution passed by 3/4th majority of the members entitled to vote as are present in person or by proxy in the General Meeting of the Company.

Your Company already holds 589,050 shares at a value of Rs. 23,454,000/- in Wazir Ali Industries Limited and the Company is desirous of subscribing 589,050 Shares at par value of Rs. 10/- per share at a total cost of Rs. 5,890,500/- as Right Shares for which the approval of Shareholders is solicited. Syed Wajid Ali, Syed Asad Ali, Mr. Mushtaq H. Khwaja, Mr. Bahram Hasan, Directors of your Company are also Directors in Wazir All Industries Limited and they are interested in this business.

Information in respect of Equity Investment in Associated Companies U/S 208 of the Companies Ordinance 1984 as per the SRO 634(1)/96 dated 30 July 1996.

i. Name of Investee Company or Associated undertaking.	Wazir Ali Industries Limited. The Principal activity is the manufacture and sale of Vanaspati Ghee and Cooking Oils.
ii. Nature, amount and extent of Investment.	Subscription towards 100% Right Issue amounting to Rs. 5,890,500/- being 15% of Equity.
iii. Price at which shares to be purchased.	At par value of Rs. 10/- each.
iv. Source of Funds from where shares will be purchased.	From own Funds.

- v. Period for which Investment will be made. Long Term Investment.
- vi. Purpose of Investment: Subscription to the Right Issue to gain on market capitalization of its shares.
- vii. Benefits likely to accrue to the Company and to the Shareholders from the Proposed Investment. To maintain its shareholding in the Company and to prevent dilution of interest.

4. CHANGE OF REGISTERED OFFICE FROM PROVINCE OF SIND TO PROVINCE OF PUNJAB ITEM 5(d) OF AGENDA.

The major production and marketing facilities are situated in the province of Punjab. It has been found that for the purpose of efficient, better control and economy in administration, the Registered Office be transferred from Province of Sind to Province of Punjab.

None of the directors have any interest in this special business except in the capacity of Directors of the company.

Report of Directors to the Shareholders

The Directors are pleased to present their Annual Report and the Audited Accounts of the Company for the year ended 30th, June, 1997.

The Profit & (Loss) and appropriation(s) for the year are as follows:

	(Rupee in '000)	
Operational Profit for the year		32,797
Add: Other Income		7,635
Profit before Taxation		40,432
Provision for Taxation		10,892
Profit after Taxation		29,540
Unappropriated Profit		
Brought Forward		727
Available for appropriation		30,267
Less:		
Proposed cash dividend at 15%	6,273	
Transfer to General Reserves	23,000	29,273

Un-appropriated Profit		-----
Carried Forward		994
		=====

The belated presentation of Annual Accounts, prompted by unforeseen and unavoidable circumstances is regretted while 3 months extension in holding the Annual General Body meeting has been obtained.

In a depressed economic scenario-characterized by inflation, mean growth in various sectors of the economy and dearth of funds with the trading community - your company has given commendable account of itself by being able to maintain the level of turnover of past years and bring about improvement in the margin of profit of past years.

Cost-cutting measures and enhanced organizational efficiency in good measure contributed to results achieved.

The Company with a view to diversifying its activities, developed and launched a Bath Soap being manufactured on contractual basis which venture has shown heartening results. The future outlook of the Company must be viewed with a cautious approach in the present economic situation.

Disinvestment of your Company's Shareholding in Zulfeqar Industries Ltd. by way of selling it to Syed Asad Ali and his family members is being proposed. You have also to consider the transfer of Registered Trade Marks of Capri, Sandaleen and Fantasy to Zulfeqar Industries Ltd. at a nominal price of Rupees one lac in addition to Rs. 19.574 million already received from them as royalty from 1-4-81 to 30-6-96. Joint Selling arrangements with Zulfeqar industries Ltd. were discontinued on their request with effect from 1st August, 1997. Your company proposes an investment of Rs. 5.89 million by way of subscription in the Right Issue of Wazir Ali Industries Ltd.

The shifting of Registered Office of your company from the Province of Sind to the Province of Punjab has been suggested. Consequently the situation clause of Memorandum of Association will be altered with your permission and with the approval of Corporate Law Authority.

The Directors are pleased to record their appreciation for the sincere efforts and dedication of all employees of the Company which enabled us to run efficiently and grow.

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

A statement showing the pattern of Shareholding in the Company as at June 30, 1997 is presented on Page 33.

Auditors' Report to the Members

We have audited the annexed balance sheet of Treet Corporation Limited as at 30 June 1997 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

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

(b) in our opinion:

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

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 1997 and of the profit and the changes in financial position for the year then ended; and

(d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Lahore:
February 20th, 1998

Taseer Hadi Khalid & Co.
Chartered Accountants

Balance Sheet **As at June 30, 1997**

	Note	1997	1996
		(Rupees in '000)	
FIXED CAPITAL EXPENDITURE	3	104,881	94,408
LONG TERM INVESTMENTS- at cost	4	37,461	31,571
LONG TERM DEPOSITS	5	2,892	1,781
CURRENT ASSETS			
Stores and spares	6	32,756	35,089
Stock and stores-in-transit - At cost		29,981	13,795
Stock-in-trade	7	74,466	74,102
Due from subsidiary company	8	19,731	19,069
Trade debtors - Unsecured considered good		9,965	7,537
Advances, deposits, prepayments and other receivables	9	29,785	22,584
Cash & Bank balances	10	29,802	10,950
--	,	-----	-----
		226,486	183,126
CURRENT LIABILITIES			
Current maturity	18	11,057	12,844
Finance under mark-up-arrangements - secured	11	70,138	73,477
Morababa finance - secured	12	--	9,484
Loan from director - unsecured	13	13,300	4,000
Creditors, accrued expenses and other liabilities	14	95,091	59,289
Provision for taxation	15	10,500	13,300
Unclaimed dividend		75	372
Dividend payable		6,273	6,273
		-----	-----
		206,434	179,039
		-----	-----

NET CURRENT ASSETS		20,052	4,087
		-----	-----
NET ASSETS		165,286	131,847
		=====	=====
FINANCED BY:			
SHARE CAPITAL	16	41,822	41,822
RESERVES	17	74,349	51,349
UNAPPROPRIATED PROFIT		994	727
		-----	-----
SHARE HOLDERS' EQUITY		117,165	93,898
LONG TERM DEPOSITS		60	--
LIABILITIES AGAINST ASSETS			
SUBJECT TO FINANCE LEASE	18	16,351	9,092
DEFERRED LIABILITIES FOR STAFF GRATUITY		31,710	28,857
CONTINGENCIES AND COMMITMENTS	19	--	--
		-----	-----
		165,286	131,847
		=====	=====

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

Profit and Loss Account **For the year ended June 30, 1997**

	Note	18 months period ended 30 June 1997	19 months period ended 30 June 1996	20 months period ended 30 June 1996
		(Rupees in '000)		
Cost of Goods Sold	20 21	586,091 474,923	600,907 485,255	890,809 723,443
		-----	-----	-----
Gross profit/(Loss) from soap operations	22	3,385	(356)	--
		-----	-----	-----
Gross profit		114,553	115,296	167,366
Administrative expenses	23	13,771	12,234	17,686
Selling and distribution expenses	24	39,073	42,453	60,757
Financial expenses	25	26,151	26,276	41,847
Workers' profit participation fund		2,159	2,053	2,844
Workers' Welfare Fund		602	713	1,066
		-----	-----	-----
		81,756	83,729	124.2
Operating profit		32,797	31,567	43,166
Other income	26	7,635	6,642	9,722
		-----	-----	-----
Profit before taxation		40,432	38,209	52,888
Taxation				
Current		10,500	13,300	20,160
Prior year's		392	(82)	(82)

	10,892	13,218	20,078
	-----	-----	-----
Profit after taxation	29,540	24,991	32,810
		=====	
Unappropriated profit/Accumulated (loss) brought forward	727		(810)
	-----		-----
Profit available for appropriation	30,267		32,000
Proposed cash dividend @ 15%	6,273		6,273
Transferred to General reserve	23,000		25,000
	-----		-----
	29,273		31,273
Unappropriated profit carried forward	994		727
	=====		=====

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

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

	1997	1996
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	40,432	52,888
Adjustments for:		
Depreciation	17,494	33,216
Provision for gratuity	5,738	9,425
Gain on sale of fixed assets	(1,755)	(1,068)
Gain on sale of long term investments	--	--
	21,477	41,573
Operating profit before working capital changes	61,909	94,461
Increase/(decrease) in operating assets		
Stores and spares	2,333	5,281
Stock in trade	(364)	(30,544)
Stock and stores in transit	(16,186)	(632)
Due from subsidiary company	(662)	(12,453)
Trade debtors	(2,428)	(1,818)
Advances, deposits, prepayments and other receivables	(7,201)	(1,300)
	-----	-----
	(24,508)	41,466
Increase/(decrease) in operating liabilities		
Morabaha finance	(9,484)	5,984
Creditors, accrued expenses and other liabilities	35,932	18,743
Loan from Director	9,300	(2,000)
	35,748	22,727
	-----	-----

Cash generated from operations	73,149	75,722
Taxes paid	(13,692)	(19,300)
Gratuity paid	(3,015)	(1,722)
Dividend paid	(6,570)	--
	(23,277)	(21,022)
	-----	-----
Net cash from operating activities	49,872	54,700

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure incurred	(29,175)	(19,490)
Proceeds from sale of fixed assets	2,963	1,607
Long term deposits	(1,111)	--
Investments acquired	(5,890)	--
	-----	-----
Net cash from investing activities	(33,213)	(17,883)

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Redeemable Capital	--	(12,195)
Repayment of long term, loan	19,451	(5,554)
Payment of lease obligation	(13,979)	(27,1080)
Repayment of liability for investment in associated undertaking	--	(1,8470)
Long term deposits	60	--
Proceed from issue of right share	--	20,912
Net-cash from financing activities ...	5,532	(25,792)
	-----	-----
Net increase in cash and cash equivalents	22,191	11,025
Cash and cash equivalents at the beginning of the period/year	(62,527)	(73,552)
	-----	-----
Cash and cash equivalents at end of the period/year	(40,336)	(62,527)
	=====	=====

NOTE**CASH AND CASH EQUIVALENTS**

Cash and bank balances	29,802	10,950
Finance under mark-up arrangements	(70,138)	(73,477)
	-----	-----
	(40,336)	62,527)
	=====	=====

Notes to the Accounts**For the year ended June 30, 1997****1. STATUS AND NATURE OF BUSINESS**

The company was incorporated on 22 January 1977 as a public limited company and its shares are listed on Karachi and Lahore Stock Exchanges. The principal activity of the company is manufacture and sale of razors and razor blades.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

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 rule of the scheme at 10% of basic pay.

(c) Retirement benefits

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

2.3 Taxation

a) Current

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

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 and depreciation

Owned

- 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.

- 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.

- Depreciation on fixed assets other than freehold is charged on a straight line method at the rates specified in note 3.1.

Assets which have been fully depreciated are retained in the books at

a nominal value of Re.1.

- Normal repairs and maintenance are charged to expenses, as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

- Leased

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations, under the lease are accounted for as liabilities. Depreciation is charged on straight line method at the rates given in Note 3.1 to the accounts. The finance charge is calculated at the rates implicit in the leases.

2.5 Capital work-in-progress

Capital work-in-progress represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

2.6 Long term investments

These are stated at cost net of provisions made for decline other than temporary in value of investments, if any.

2.7 Stores and spares

These are valued at lower of moving average cost and net realisable value.

2.8 Stock-in-trade

Stocks of raw materials, packing materials, work-in-process and finished goods are valued at the lower of moving average cost and net realisable value. Cost in relation to work-in-process and finished goods includes prime cost and appropriate proportion of production overheads. Net realisable value signifies the estimated selling price less costs necessarily to be incurred in order to make the sale.

2.9 Stock and stores-in-transit

These are valued at invoice value plus other charges incurred thereon.

2.10 Trade debtors

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

2.11 Foreign Currencies

Assets and liabilities in foreign currencies are translated into rupees at rates of exchange which approximate those prevailing at the balance sheet date except for liabilities covered under forward exchange contracts which are translated at the contracted rates. Exchange differences are taken to profit and loss account currently.

2.12 Basis of allocation of common expenses

The company allocates its relevant expenses (except directly identifiable expenses) for the period to Zulfeqar Industries Limited (subsidiary company) on a

proportionate basis. These expenses represent the costs incurred and services rendered by the company on its behalf.

2.13 Revenue recognition

Local sales are recorded on despatch of goods to customers. Export sales are recorded on the basis of goods shipped to customers. Rebates on exports, if any, are accounted for on receipt basis.

2.14 Dividend income

Dividend income is recognised on receipt basis.

3. FIXED CAPITAL EXPENDITURE

Note		1997	1996
		(Rupees in '000)	
Operating assets	3.1	100,472	77,677
Capital work-in-progress	3.2	4,409	16,731
		-----	-----
		104,881	94,408
		=====	=====

3.1 Operating Assets - at cost less accumulated depreciation

(Rupees in '000)

	C O S T				D E P R E C I A T I O N			N E T	
	As at July 01, 1996	Additions/ (deletions) during the year	As at June 30, 1997	Rate %	As at July 01, 1996	For the year	On Disposals/ Adjustment	As at June 30, 1997	Book Value As at June 30, 1997
OWNED									
Freehold land	3,239	--	3,239	--	--	--	--	--	3,239
Building on freehold land	29,696	2,257	31,953	5-10	23,223	1,182	--	24,405	7,548
Plant and machinery	174,548	20,129	194,677	10	151,094	7,367	--	158,461	36,216
Furniture & equipment	-13,980	1,268 (100)	15,448	10-20	9,150	788	(33)	9,905	5,243
Vehicles	15,526	829 (3,548)	12,807	20	9,462	1,880	(2,407)	8,935	3,872
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	236,989	24,483 (3,648)	257,824		192,929	11,217	(2,440)	201,706	56,118
LEASED									
Plant and machinery	41,075	--	41,075	10	8,669	4,107	--	12,776	28,299
Equipment	645	15,047	15,692	10-20	161	1,569	--	1,730	13,962
Vehicles	1,039	1,967	3,006	20	312	601	--	913	2,093
	-----	-----	-----	-----	-----	-----	-----	-----	-----

	42,759	17,014	59,773	9,142	6,277	--	15,419	44,354
1997 Rupees	279,748	41,497 (3,648)	317,597	202,071	17,494	(2,440)	217,125	100,472
1996 Rupees	257,279	25,979 (3,510)	279,748	171,826	33,216	(2,971)	202,071	77,677

3.1.1 Depreciation charged for the year has been allocated as follows:

	Note	1997 (Rupees in '000)	1996
Cost of goods sold	21	16,022	30,706
Administrative expenses	23	248	981
Selling and distribution expenses	24	1,224	1,529
		17,494	33,216

3.1.2 Disposal of fixed assets

(Rupees in '000)

Particulars	Cost	Accumulated depreciation	Written down value as on 30 June 1997	Sale proceeds	profit	Mode of Sale	Sold to
Vehicles							
Toyota Corolla	183	183	0	42	42	Negotiation	Sq. Ld. M.A. Wahid
Land Cruiser	1,077	969	108	1,200	1,092	Negotiation	M/s. New Car Deals. Karachi.
Toyota Corolla	220	154	66	72	6	Executive car scheme	Muhammad Hussain
Toyota Corolla	684	342	342	394	52	- do -	Atta ul Haq Ansari
Suzuki Swift	200	40	160	160	0	-do-	Illyas A. Alvi
Toyota Corolla	300	60	240	240	0	- do -	Hamid Mehmood
Suzuki Alto	150	150	0	49	49	- do -	Javed Aslam
M. Cycles	734	509	225	734	509	Staff motor cycle scheme	Various employees
	3,548	2,407	1,141	2,891	1,750		
Equipment							
Air Conditioners	47	15	32	34	2	Negotiation	Various employees
Refrigerators	53	18	35	38	3	Negotiation	Various employees
	100	33	67	72	5		
1997 Rupees	3,648	2,440	1,208	2,963	1,755		

1996 Rupees	3,510	2,971	539	1,607	1,068
-------------	-------	-------	-----	-------	-------

1997 1996
(Rupees in '000)

3.2 Capital work in progress

Advances to contractors	450	2,898
Plant, machinery and equipment under installation	3,959	1 3,833
	4,409	1 6,731

4. LONG TERM INVESTMENTS - At cost

Shares in subsidiary and associated companies	4.1	31,571	31,571
Advance towards subscription of rights issue	4.2	5,890	--
		37,461	31,571

4.1 Shares in subsidiary and associated companies

(Rupees in '000)

Companies	No. of Ordinary Shares of Rs. 10/- each "		Cost		Market Value		Percentage of Holding	
	30 June 1997	30 June 1996	30 June 1997	30 June 1996	30 June 1997	30 June 1996	30 June 1997	30 June 1996
Subsidiary company								
Zulfeqar Industries Limited	1,040,678	1,040,678	7,849	7,849	11,656	11,513	52.03	52.03
Associated Companies								
Wazir Ali Industries Ltd International General Insurance Company of Pakistan Limited	589,050	589,050	23,454	23,454	7,923	12,370	22.67	22.67
	3,960	3,300	268	268	270	210	0.79	0.79
			31,571	31,571	19,849	24,093		

The company pledged 420,000 (1996: 420,000) shares of Zulfeqar Industries Limited with Dadabhoy Leasing Company Limited for morabaha financing facility granted to Zulfeqar Industries Limited. Zulfeqar Industries Limited has repaid the financing, however, the above shares have not yet been released by Dadabhoy Leasing Company Ltd.

4.2 Advance towards subscription of rights issue

This represents advance given to Messrs Wazir All Industries Limited, an associated company, as subscription towards rights issue of 589,050 ordinary shares for which approval under section 208 of the Companies Ordinance, 1 984 will be sought in the forthcoming general meeting.

5. LONG TERM DEPOSITS

Letter of gurarantee - Margin	93	172
Utilities	165	167
Lease facility	2,634	1,442
	-----	-----
	2,892	1,781
	=====	=====

6. STORES AND SPARES

Stores	7,311	6,527
Spares	25,445	28,562
	-----	-----
	32,756	35,089
	=====	=====

7. STOCK-IN-TRADE

Raw materials and chemicals	15,583	31,710
Packing materials	23,416	8,642
Work-in-process	16,043	14,996
Finished goods	19,424	18,754
	-----	-----
	74,466	74,102
	=====	=====

8. DUE FROM SUBSIDIARY COMPANY

Return at the rate of 17% per annum is charged on the monthly balances due from the subsidiary company, Zulfear Industries Limited. The amount represents the balance of transactions on current account including common expenses and licence fee charges. There is no agreed repayment date for the principal amounts due from subsidiary company.

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Note	1997	1996
	(Rupees in '000)	
Unsecured considered good:		
Advances:		
· To employees	1,407	2,157
· To suppliers	1,005	1,313
· For custom duty	1,048	56
· For taxation	14,587	13,006
	-----	-----
	18,047	16,532

Deposits:

· Lease deposits		817	1,322
· Letter of credit - margin deposit		1,155	-
· Prepayments		1,304	736

Other receivables:

· Associated company	9.10	498	472
· Miscellaneous		7,964	3,522
		-----	-----
		8,462	3,994
		-----	-----
		29,785	22,584

9.1 Maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 0.498 million (1996: Rs. 1.489 million).

	1997	1996
	(Rupees in '000)	

10. CASH AND BANK BALANCES

Current accounts	15,700	3,657
Collection accounts	14,102	7,293
	-----	-----
	29,802	10,950
	=====	=====

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

ANZ Grindlays Bank	27,543	31,496
National Bank of Pakistan	42,595	41,981
	-----	-----
	70,138	73,477
	=====	=====

The company has bank finance facilities of Rs. 72 million (1996: Rs. 63.6 million under mark-up arrangements from ANZ Grindlays Bank and National bank of Pakistan. The facilities carry mark-up @ 48 to 60 paisas per Rs. 1,000 per day net of prompt payment rebates and are secured against preferential charges by way of registered hypothecation of stock in trade, stores, spares and book debts.

The facilities for opening letter of credit and guarantees amounted to Rs. 40.5 million (1996: Rs. 45.677 million). Of these facilities the amount utilized at June 30, 1997 aggregated to Rs. 37.073 million (1996: Rs. 21.484 million).

12. MORABAHA FINANCE - secured

The loan was repaid on January 13, 1997. It was secured by way of hypothecation of plant and machinery, demand promissory note, and company's guarantee.

13. LOAN FROM DIRECTOR - unsecured

The company has obtained short term loan of Rs. 13.3 million (1996: Rs. 4 million) from one of its directors. The loan carries mark-up @ 17% per annum.

Note 1997 1996
(Rupees in '000)

14. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Creditors		
- Associated company		5,804 3,453
- Others		11,634 6,577

		17,438 10,030
Accrued expenses:		
Mark-up on:		
Finance under mark-up arrangements		5,384 5,427
Morabaha finance		0 571
Loan from director		1,475 537
Sales tax payable		5,343 2,417
Accrued expenses		31,189 26,437

		43,391 35,389
Other liabilities:		
Advance from customers		7,051 2,828
Due to associated companies		1,129 1,978
Workers' Welfare Fund		602 713
Workers Profit Participation Fund	14.1	2,159 2,053
Employees Provident Fund		19,183 0
Employees deposits		2,481 2,478
Others		1,657 3,820

		34,262 13,870

		95,091 59,289
		=====
14.1 Workers' Profit Participation Fund		
Balance at July 01, 1996		2,053 432
Allocation for the year		2,159 2,844

		4,212 3,276
Less: Paid during the year		2,053 1,223

		2,159 2,053
		=====

15. TAXATION

The income tax assessments of the company have been finalized upto and including assessment year 1996-97. However, appeals are pending with various appellate authorities for assessment years 1991-92 and 1994-95.

16. SHARE CAPITAL

Authorized:

5,000,000(1996: 5,000,000) ordinary shares of

	Rs. 10/- each	50,000	50,000
		=====	=====
	Issued subscribed and paid-up shares of Rs. 10/- each		
600,000	shares issued for consideration other than cash	6,000	6,000
495,000	shares issued to Pakistan Industrial Credit and Investment Corporation Limited under conversion option	4,950	4,950
2,594,075	Shares issued as fully paid-up in cash	25,940	25,940
493,150	Shares issued as fully paid bonus shares	4,932	4,932
		-----	-----
		41,822	41,822
		=====	=====
17. RESERVES			
Capital reserve	17.1	8,949	8,949
General reserve	17.2	65,400	42,400
		-----	-----
		74,349	51,349
		=====	=====
17.1 Capital reserve			
Excess of net worth over purchase consideration of unrelated assets of Wazir All Industries Limited			
		629	629
Share premium	17.1.1	8,320	8,320
		-----	-----
		8,949	8,949
		=====	=====
17.1.1 Share premium			
Opening balance		8,320	1,350
Premium on 1,394,075 share issued		--	6,970
		-----	-----
		8,320	8,320
		=====	=====
17.2 General reserve			
Opening balance		42,400	17,400
Transferred from profit & loss account		23,000	25,000
		-----	-----
		65,400	42,400
		=====	=====
	Note	1997	1996
		(Rupees in '000)	

**18. LIABILITIES AGAINST ASSETS
SUBJECT TO FINANCE LEASE**

Balance as at July 01, 1996	21,936	34,004
Add: Assets acquired during the year	19,451	15,039
	-----	-----
	41,387	49,043
Less: Repayments made during the year	13,979	27,107
	-----	-----
	27,408	21,936
Less: Transferred to current maturity	11,057	12,844
	-----	-----
	16,351	9,092
	=====	=====

The salient features of the leases are as follows:

- Discounting factor 19.37% to 23/007%
- Number of monthly lease instalments 36 per month
- Amount per instalments Rs. 2,822,781
- Security deposit 5% to 10%
- Company has purchase option at the end of the lease term.
- Security deposit adjustable from residual value.
- The company is liable to pay additional rental ranging from 0.1% to 3% in case of default in payment of lease rent on due date.
- The future commitments for minimum lease payments under various lease agreements are as follows:

1996-97	-	14,124
1997-98	14,499	6,373
1998-99	9,752	1,626
1999-2000	7,026	1,084
	-----	-----
	31,277	23,207
Financial charges allocable to future periods	(7,256)	(4,035)
Security deposits	3,387	2,763
	-----	-----
	(3,869)	(1,272)
	-----	-----
	27,408	21,935
	=====	=====

19. CONTINGENCIES AND COMMITMENTS

Capital commitments	-	3,432
	=====	=====

A letter of guarantee has been issued by ANZ Grindlays Bank in favour of Sui Northern Gas Pipelines Limited amounting to Rs. 0.177 million.

Note	12 month period ended 31 June 1997	12 months period ended 30 June 1996	18 months period ended 30 June 1996
------	---	--	--

(Rupees in '000)

20. SALES- Net

Gross sales:			
Local	578,012	574,432	844,773
Export	19,019	29,177	48,703
	-----	-----	-----
	597,031	603,609	893,476
Add: Export rebate	5,792	5,301	6,837
	-----	-----	-----
	602,823	608,910	900,313
Less: Trade promotion discount	16,732	8,003	9,504
	-----	-----	-----
	586,091	600,907	890,809
	=====	=====	=====

21. COST OF SALES

Raw and packing materials consumed	21.10	234,708	216,583	364,135
Stores and spares consumed		25,829	34,554	49,281
Manufacturing charges		--	--	1,457
Salaries, wages and other benefits		75,020	73,306	110,092
Fuel and power		20,458	17,578	25,483
Repairs and maintenance - Vehicles		149	158	194
Repairs and maintenance - Others		4,247	2,484	3,474
Rent, rates and taxes		1,684	1,334	1,872
Insurance		1,100	973	1,458
Product research and development		831	326	1,117
Sales tax		90,208	118,141	134,038
Travelling and conveyance		2,349	1,796	2,651
Printing and stationery		568	490	664
Postage and telephone		1,391	1,056	1,650
Legal and professional charges		420	242	465
Entertainment		387	282	388
Subscriptions		124	158	198
Depreciation	3.1.1	16,022	19,803	30,706
Expenses for computerization		232	--	--
Other expenses		252	478	634
		-----	-----	-----
		475,979	489,742	729,957
Opening stock of work in process		11,200	8,660	10,030
Closing stock of work in process		(11,585)	(11,200)	(14,996)
		-----	-----	-----
Cost of goods manufactured		475,594	487,202	724,991
Opening stock of finished goods		18,753	16,806	17,205
Closing stock of finished goods		(19,424)	(18,753)	(18,753)
		-----	-----	-----
		474,923	485,255	723,443
		=====	=====	=====

21.1 Raw, chemical and packing materials consumed

Opening stock	38,070	16,323	16,323
Purchases	268,286	267,426	428,817

		-----	-----	-----
		306,356	283,749	445,140
Closing stock		(36,399)	(38,070)	(40,353)
		-----	-----	-----
		269,957	245,679	404,787
Less: Sales tax refund adjustment		35,249	29,096	40,652
		-----	-----	-----
		234,708	216,583	364,135
		=====	=====	=====

22. GROSS PROFIT/(LOSS) FROM SOAP OPERATIONS

Sales		109,117	15,761
Cost of sales	22.10	105,732	16,117
		-----	-----
		3,385	(356)
		=====	=====

22.1 Cost of sales

Raw material consumed	22.1.1	67,087	13,988
Stores and spares consumed		85	13
Fuel and power		5,111	735
Excise duty and sales tax		25,109	3,720
Printing and stationery		1	--
Other expenses		40	--
Manufacturing charges		8,961	1,457
		-----	-----
		106,394	19,913
Add: Opening work in process		3,796	--
Less: Closing work in process		(4,458)	(3,796)
		-----	-----
		105,732	16,117
		=====	=====

22.1.1. Raw material consumed

Opening stock		2,283	--
Add: Purchases		71,761	16,271
		-----	-----
		74,044	16,271
Less: Closing stock		6,957	2,283
		-----	-----
		67,087	13,988
		=====	=====

Note	12 month	12 months	18 months
	period ended	period ended	period ended
	30 June	30 June	30 June
	1997	1996	1996

(Rupees in '000)

23. ADMINISTRATIVE EXPENSES

Salaries and other benefits		8,855	6,115	8,792
Electricity and gas		400	205	302
Repairs and maintenance - Vehicles		33	43	57
Repairs and maintenance - Others		235	233	368
Rent, rates and taxes		645	671	1,053
Insurance		482	540	827
Advertising		138	359	379
Travelling and conveyance		512	535	765
Entertainment		126	190	288
Postage and telephone		961	1,204	1,584
Printing and stationery		268	457	693
Legal and professional charges	23.1	377	322	473
Donation	23.2	91	183	300
Computer expenses		242	319	520
Meetings and conferences		86	101	161
Director's fee		2	0	0
Subscription		70	94	143
Depreciation	3.1.1	248	663	981
		-----	-----	-----
		13,771	12,234	17,686
		=====	=====	=====

23.1 Legal and professional charges include the following in respect of auditors remuneration and expenses.

Audit fee		45	40	80
Other advisory services (including secretarial and corporate advisory services)		-	85	109
Out of pocket expenses		10	10	20
		-----	-----	-----
		55	135	209
		=====	=====	=====

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

24. SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits		17,955	16,111	23,877
Advertising		16,645	20,300	28,896
Electricity and gas		935	800	1,062
Repairs and maintenance - Vehicles		351	202	322
Repairs and maintenance - Others		376	494	729
Freight, octroi and handling		6,281	6,804	9,637
Rent, rates and taxes		395	563	828
Insurance		290	417	700
Travelling and conveyance		5,485	6,184	8,214
Entertainment		161	135	208
Postage and telephone		2,140	2,139	2,910
Product development		54	213	545
Printing and stationery		475	516	740
Legal and professional charges		66	17	23
Meetings and conferences		274	396	591
Subscription		96	108	158
Depreciation	3.1.1	1,224	1,086	1,529

Computer expenses	113	143	184
	-----	-----	-----
	53,316	56,628	81,153
Common expense charged to Zulfeqar Industries Limited	(14,243)	(14,175)	(20,396)
	-----	-----	-----
	39,073	42,453	60,757
	=====	=====	=====

25. FINANCIAL EXPENSES

Mark-up on:

Term finance certificates	--	--	759
Long term loan	--	--	586
Finance under mark-up arrangements	13,911	11,542	17,446
Morabaha finance	2,054	2,190	3,543
Loan from director	1,028	964	1,474
Others	3,125	3,602	5,318
Advances from associated company	6	14	157
Financial charges on leases	3,835	5,733	9,375
Bank charges	1,946	1,682	2,567
Workers Profit Participation Fund	246	131	131
Commission on right issue	--	418	418
Exchange risk fee	--	--	73
	-----	-----	-----
	26,151	26,276	41,847
	=====	=====	=====

26. OTHER INCOME

Trade mark licence fee	26.10	--	2,053	2,946
Business commission		65	316	430
Profit on sale of fixed assets		1,755	516	1,068
Sale of scrap and empties		1,842	2,636	3,504
Dividend income		1,577	18	18
Rental		--	--	15
Return on advance to Zulfeqar Industries Limited		2,396	1,103	1,741
		-----	-----	-----
		7,635	6,642	9,722
		=====	=====	=====

26.1 The company entered into an agreement dated July 24, 1986 with its subsidiary Zulfeqar Industries Limited for allowing the use of its trade marks "Fantasy", "Capri" and "Sandaleen" soaps against a consideration of an annual licence fee @ 0.5% of turnover of related products. On June 25, 1997, the company agreed for transferring these trade marks to Zulfeqar Industries Limited for a consideration of Rs. 0.1 million in addition to Rs. 19.574 million already paid by Zulfeqar Industries Limited as royalty from April 1981 to June 1996.

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Other working Director		Executives	
	1997	1996	1997	1996	1997	1996
Remuneration	264	264	336	336	1,548	1,648
Provident Fund	26	26	--	--	142	154
Bonus	77	60	49	75	464	357
Entertainment	48	48	--	--	--	--
Utilities	192	192	180	180	1,484	1,531
Medical	72	77	99	116	244	322
Leave passage	30	30	167	177	263	270
	-----	-----	-----	-----	-----	-----
	709	697	831	884	4,145	4,282
	=====	=====	=====	=====	=====	=====
No. of persons	1	1	1	1	12	12
	=====	=====	=====	=====	=====	=====

The company provides free residential telephones and free transport facilities to the chief executive, director and executives.

Aggregate amount charged in these accounts for fee to 12 non-executive directors was Rs. 0.002 million (1996: Rs. 0.003 million to 12 non-executive directors).

28. PLANT CAPACITY AND PRODUCTION

Actual production

	Assessed/ rated	12 month	12 months	18 months
		period ended 30 June 1997	period ended 30 June 1996	period ended 30 June 1996
		(No. in millions)		
Hyderabad	171.2 / 300	281	332	449
Lahore	300	288	292	441

Under utilization of capacity was mainly due to low demand as the market was flooded with smuggled brands and its availability throughout the country at much cheaper rates.

Note	12 month	12 months	18 months
	period ended 30 June 1997	period ended 30 June 1996	period ended 30 June 1996
	(Rupees in '000)		

29. TRANSACTIONS WITH RELATED PARTIES

Purchases and services received	46,862	44,159	69,422
	=====	=====	=====
Common expenses charged to subsidiary company	14,243	14,175	20,396
	=====	=====	=====

Interest paid on balance due to an

associated company	3,959	14	157
	=====	=====	=====
Interest on balances due from subsidiary company	2,396	1,103	1,741
	=====	=====	=====

30. FIGURES

- have been rounded off to the nearest thousand rupees.
- of previous year have been rearranged, wherever necessary to facilitate comparison.

31. STATEMENT PURSUANT TO SECTION 237(1) OF THE COMPANIES ORDINANCE, 1984.

A copy of the latest audited accounts of the subsidiary Zulfeqar Industries Limited and Hi-Lander Soaps (Private) Limited for the period ended 30 June 1997 together with the Director's and auditor's report is enclosed,

The information required in terms of sub-section 6 of section 237 of the Companies Ordinance, 1984 is as follows:

	Zulfeqar Industries Limited		Hi-Lander Soaps (Pvt) Ltd.	
	30 June 1997	30 June 1996	30 June 1997	30 June 1996
	(Rupees in 000)		(Rupees in 000)	
Extent of interest of the parent Company in the subsidiary Company.	52.03%	52.03%	52.03%	52.03%
Net aggregate profit/(loss) of the subsidiary after taxation relating to the interest of the holding Company not dealt with in the Company's Account:				
· For the year/period	(3,253)	5,341	356	58
· For previous periods from the date the Company is a Subsidiary.	(5,578)	(2,325)	414	58

Form- 34

PATTERN OF SHARE HOLDING AS AT 30 JUNE, 1997

No. of Share Holders	Share Holding	Total Shares Held
2276	From 1 to	100 41,592

361	From	101	to	500	85,567
94	From	501	to	1000	66,225
76	From	1001	to	5000	170,314
16	From	5001	to	10000	115,622
4	From	10001	to	15000	46,284
3	From	15001	to	20000	53,382
3	From	30001	to	35000	101,020
1	From	35001	to	40000	37,161
1	From	40001	to	45000	40,478
1	From	45001	to	50000	45,406
2	From	50001	to	55000	101,408
1	From	60001	to	65000	63,514
1	From	65001	to	70000	69,350
2	From	95001	to	100000	194.71
1	From	145001	to	150000	150,000
1	From	165001	to	170000	169.77
1	From	195001	to	200000	197.40
1	From	215001	to	220000	218.66
1	From	395001	to	400000	399.44
1	From	540001	to	545000	544.21
1	From	545001	to	550000	550.00
1	From	720001	to	725000	720,711

2850

4,182,225

Categories of Share Holders	No. Of Shares	Shares Held	percentage
Individual	2826	1,800,453	43.05
Investment Companies	3	236,942	5.66
Insurance Companies	3	641,842	15.35
Joint Stock Companies	7	97,922	2.34
Financial Institution	7	755,391	18.06
Modaraba Companies	1	98,750	2.36
The Corporate Law Authority, Government of Pakistan	1	1	0.00
The Administrator			
Abandoned Properties			
Organisation Government of Pakistan	1	924	0.03
Foreign Investor	1	550,000	13.15
	-----	-----	-----
	2850	4,182,225	100