

## **Biafo Industries Limited**

### **Annual Report 1999**

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#### **BOARD OF DIRECTORS:**

|                                |                 |
|--------------------------------|-----------------|
| M. AFZAL KHAN                  | CHAIRMAN        |
| KHAWAJA AMANULLAH ASKARI       | CHIEF EXECUTIVE |
| ABDUL MAJID QURESHI            | DIRECTOR        |
| AMAN UR RAHMAN                 | DIRECTOR        |
| LT.GEN. (RETD.) G.S. BUTT      | DIRECTOR        |
| M. SALEEM                      | DIRECTOR        |
| S.M. SIBTAIN                   | DIRECTOR        |
| MAJ. GEN (RETD.) S.Z.M. ASKREE | DIRECTOR        |

#### **SECRETARY**

MALIK MUNAWAR ALI NOON

#### **COMPANY INFORMATION**

##### **AUDITORS:**

ANJUM ASIM SHAHID & CO. CHARTERED ACCOUNTANTS

##### **SOLICITORS:**

CHIMA, & IBRAHIM

##### **REGISTERED OFFICE:**

# 26, STREET 52,SECTOR F-6/4, ISLAMABAD.

##### **SHARES DEPARTMENT:**

# 26, STREET 52,SECTOR F-6/4, ISLAMABAD.  
TELE # (92 51) 277358-59/829532-33 FAX # 274744

##### **FACTORY:**

# 70, PHASE III, INDUSTRIAL ESTATE, HATTAR,  
DISTRICT HARIPUR, N.W.F.P.

#### **NOTICE OF 11TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the 11th Annual General Meeting of Biafo Industries Limited will be held on December 02,1999 at 11:30 a.m. at # 26, Street # 52, F-6/4, Islamabad to transact the following business:

##### **SPECIAL BUSINESS**

##### **ITEM NO 1**

To pass the following Resolution:

##### **RESOLVED THAT**

a) the Authorized Capital of the Company be and is hereby increased from Rs. 200,000,000 (Rs. Two Hundred Million) divided in to 20,000,000 ordinary shares of Rs.10 each to Rs. 250,000,000 (Rupees Two Hundred & Fifty Million) divided into 25,000,000 ordinary shares of Rs.10 each.

b) the figures and words "Rs. 200,000,000 divided into 20,000,000 ordinary shares of

Rs. 10 each" appearing in Clause V of the Memorandum of Association of the Company be and is hereby substituted by the figures and words "Rs. 250,000,000 divided into 25,000,000 shares of Rs. 10 each"; and

c) the figures and words" Rs. 200,000,000 divided into 20,000,000 ordinary shares of Rs. 10 each" appearing in Clause 3 of the Articles of Association of the Company be and is hereby substituted by the figures and words "Rs. 250,000,000 divided into 25,000,000 shares of Rs. 10 each"; and

#### ITEM NO2

To ratify the agreement entered into by the Company with Habib Bank Limited and Crescent Properties Limited of Jersey Channel Islands on, August 26, 1999.

#### ORDINARY BUSINESS

1. To confirm the minutes of the 10TH Annual General Meeting held on December 28, 1998.

2. To receive and adopt the Audited Accounts of the Company for the year ended June 30,1999 together with Auditors' report and Directors' report thereon.

3. To appoint Auditors for the year 1999-2000 and to fix their remuneration Retiring Auditors M/s Anjum Asim Shahid & Co. Chartered Accountants being eligible have offered themselves for re-appointment.

4. To transact such other business as may be placed before the meeting with the permission of the Chairman.

**By order of the Board**

**(M. Afzal Khan )  
CHAIRMAN**

Islamabad: November 04,1999.

#### NOTES:

1. Share Transfer Books of the Company will remain closed from November 25, 1999 to December 02,1999 both days inclusive.

2. A member entitled to attend and vote at the meeting is entitled to appoint another member as proxy.

3. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.

4. Shareholders are requested to promptly notify in writing the Company of any change in their address.

#### DIRECTORS REPORT

Your Directors present the 11th Annual Report of the company for the year ended June 30,1999.

#### PRODUCTION

Production for the year with comparative figures of the previous year are given below:-

|                          | <i>1998-99</i> | <i>1997-98</i> |
|--------------------------|----------------|----------------|
| TOVEX & POWDER EXPLOSIVE | 834.33 M.TON   | 878.4 M.TON    |
| DETONATORS               | 1.883 MILLION  | 1.363 MILLION  |
| DETONATING CORD          | 0.896 MILLION  | 0.716 MILLION  |

#### MARKETING

The country faced severe economic problems during the year under review especially the government sector and the major cut in the development budget, which was reduced from approximately 7.2% to 2.7%.

The serious funding problem faced by Government affected infrastructure projects which resulted in substantial and deep cut in production in cement industry and construction industry which are two main sources of business for our industry. The cement industry was working at below fifty percent of its capacity and various units like A.C. Rohri, Mustehkam Cement and Zealpak were shut down and other cement factories were shut for prolonged periods of time. The IPP situation

affected the oil and gas sector and the intra corporate debt affected the oil and gas sector seismic activities.

The Company managed to maintain its sales in the stagnant and declining market for explosives. The gross sales revenues were Rs. 79.317 m for the period under review in comparison to Rs.80.558 m in the year 1997-98. The company continued to increase its penetration in the available market and in difficult conditions added new customers like Bayinder for Islamabad - Peshawar Motorway, J&P for the new terminal at the Lahore International Airport and for supplies to the Faisalabad - Pindi Bhattian Motorway Project.

The Company received a small trial order from Central Africa for which money has been received in advance but shipment could not be made in this period due to unwillingness of shipping line to carry the explosive material to its destination.

#### **FINANCIAL**

The cost of raw materials due to devaluation and inflationary pressure continue to affect the financial position of the company. The cost increase could not be fully reflected in the increased sales price due to the market conditions. The overhead costs of the company was maintained at the same level as the previous year, but the financial costs along with the cost of Raw material added additional burden on the company.

The Company was able to complete the restructuring arrangements of its loans with Habib Bank Limited with the involvement of a new foreign investor 'Crescent Properties Limited' of Jersey Channel Islands, agreement of which was signed on 26/8/1999 which is covered in the post balance sheet events.

#### **POST BALANCE SHEET RESTRUCTURING OF THE COMPANY'S FINANCES**

Members were advised vide notice dated 16/9/1999 of the salient features of the restructured agreement signed on 26/8/1999 between Habib Bank Limited, Crescent Properties Limited and Biafo Industries Limited after due approval of your Board.

HBL had demanded conversion of 20% of its outstanding liability of Rs. 358.563 m as on 30.6.99 under Section 87 of the Companies Ordinance, 1984 into 6.0 million shares of Biafo Industries Ltd. of par value of Rs. 10/- each amounting to Rs.60.0 million. Biafo Industries Ltd has issued 6.0 million ordinary shares of par value Rs. 10/- each in favour of HBL in adjustment of HBL's outstanding liability.

HBL has sold 6 million shares of Biafo to Crescent Properties Limited of Jersey Channel Islands (new foreign investor) for Rs. 25.0 million as part of the restructured agreement with HBL in US Dollars.

Crescent Properties Limited has arranged a loan secured by its US Dollars guarantee, enabling Biafo Industries Ltd to pay HBL Rs. 25.0 million in adjustment of its outstanding liability. This payment has been made by Biafo Industries Ltd to HBL.

HBL has received full payment of Rs. 50.0 million as per terms of the restructuring agreement of 26.8.99.

Against adjusted balance outstanding of HBL of Rs. 273.563 m HBL has agreed to the repayment in 16 installments commencing from July 1, 2000 totaling Rs. 144,485,290/- (inclusive of mark up) of which the principal amount is Rs. 95.0 m (of which Rs.25.0 m will be mark up free) and mark up of Rs. 49,485,290/-. As in all such loans the prompt payment rebate can be forfeited in the event of default.

#### **MAIN EFFECTS OF THE RESTRUCTURED AGREEMENT**

Biafo's paid up capital has increased by the issuance of 6.0 million ordinary shares in favour of Habib Bank Limited under Clause 87 of the Companies Ordinance, 1984 to Rs.200.0 million.

There will be a reversal and write back of mark up of Rs. 120.729 m resulting in reduction of the accumulated losses carried forward.

The restructuring with HBL will provide significant relief to the company over the repayment period due to the reduced amounts of mark up, which will be at 14.235% p.a. as opposed to 21.9% with Rs.25.0 million being mark up free.

The current ratio of the company alongwith debt equity ratio will be well within the Prudential Regulations of the State Bank of Pakistan.

#### **UNAUDITED BALANCE SHEET AS AT SEPTEMBER 30, 1999 WITH OPENING BALANCES AS OF 1.7.1999 INCORPORATING**

**THE EFFECT OF RESTRUCTURING AGREEMENT OF 26-8-99  
WITH HABIB BANK LTD.**

|  | <i>1999</i><br><i>Rupees</i> | <i>1998</i><br><i>Rupees</i> |
|--|------------------------------|------------------------------|
| <b>SHARE CAPITAL</b>   | 200,000,000                  | 140,000,000                  |
| <b>ACCUMULATED LOSS</b>  | (223,906,976)                | (180,837,724)                |
|  | -----                        | -----                        |
|  | (23,906,976)                 | (40,837,724)                 |
| <br><b>EXTRA ORDINARY GAIN DUE TO<br/>REVERSAL OF MARK-UP</b>      |                              |                              |
|  | 120,728,930                  | --                           |
|  | -----                        | -----                        |
|  | 96,821,954                   | (40,837,724)                 |
| <br><b>SURPLUS ON REVALUATION OF<br/>FIXED ASSETS</b>              |                              |                              |
|  | 96,471,000                   | 96,471,000                   |
|  | -----                        | -----                        |
|  | 193,292,954                  | 55,633,276                   |
| <br><b>REDEEMABLE CAPITAL</b>                                      | 2,499,918                    | 4,166,663                    |
| <b>LONG TERM LOANS</b>   | 135,064,078                  | 153,786,499                  |
| <b>DEFERRED LIABILITIES</b>  | 633,950                      | --                           |
| <br><b>CURRENT LIABILITIES</b>                                     |                              |                              |
| Short term finance on mark up basis                                | 12,986,961                   | 35,877,743                   |
| Current maturity/over due installments<br>of long term liabilities | 4,395,831                    | 60,925,059                   |
| Creditors, accrued and other<br>liabilities                        | 9,587,800                    | 63,269,685                   |
|  | -----                        | -----                        |
|  | 26,970,592                   | 160,072,487                  |
| <br><b>CONTINGENCIES AND COMMITMENTS</b>                           |                              |                              |
|  | -----                        | -----                        |
|  | 358,461,492                  | 373,658,925                  |
|  | =====                        | =====                        |
| <br><b>OPERATING ASSETS</b>  | 317,024,826                  | 333,320,192                  |
| <b>LONG TERM DEPOSITS</b>  | 886,094                      | 440,999                      |
| <br><b>DEFERRED COST</b>   | --                           | 839,207                      |
| <br><b>CURRENT ASSETS</b>  |                              |                              |
| Stores, spares and loose tools                                     | 6,314,308                    | 6,397,106                    |
| Stock in trade   | 13,496,559                   | 12,163,594                   |
| Trade debts  | 9,427,992                    | 12,849,333                   |
| Advances, deposits, prepayments<br>and other receivables           | 5,572,134                    | 4,244,894                    |
| Cash and bank balances   | 5,739,579                    | 3,403,600                    |
|  | -----                        | -----                        |
|  | 40,550,572                   | 39,058,527                   |
|  | -----                        | -----                        |
|  | 358,461,492                  | 373,658,925                  |
|  | =====                        | =====                        |

**FUTURE PROSPECTS**

Despite the difficult economic scenario of the country the Board is of the opinion that future prospects of the company look much healthier. In the four months upto 31/10/99 Net sales of the company have increased by over 45% in comparison with the same period in the previous year. The company has recently signed an agreement with Teisei Corporation of Japan for the supply of explosives and accessories for the Kohat Tunnel Access Road Project, which is to commence from December, 1999. Furthermore Islamabad-Peshawar motorway project of Bayindir is now in full operation alongwith J&P's project for the new terminal at Lahore International Airport and the Faisalabad-Pindi Bhattian Motorway project has also commenced. Oil and Gas Development Corporation has started significant purchases of seismic explosives from the company. Recovery in the cement industries is reflected in enhanced sales to the sector by the company.

The company has finally been able to arrange shipment of its trial consignment of explosives and accessories to Central Africa where prospects for significant export may be encouraging. The company continues its efforts for export to countries in the Far East, South Asia, Africa and the Middle East.

Your Board would like to take this opportunity to express its appreciation to all the employees of the company for their continuing commitment and hard work. We also acknowledge the support and cooperation of our Bankers in these difficult economic times specially Habib Bank Limited, Bank of Khyber, NDFC, Paklibya and Citibank.

**PATTERN OF SHARE HOLDING**

The pattern of share holding is enclosed.

**On behalf of the Board**

**(M. AFZAL KHAN)  
CHAIRMAN**

Dated: NOVEMBER 4, 1999

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of BIAFO INDUSTRIES LIMITED as at June 30, 1999 and the related profit and loss account and cash flow statement, 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 the 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 cash flow statement, 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 June 30, 1999 and of the loss and the changes in financial position for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat & Usher Ordinance, 1980.

Islamabad.

Dated: November 5, 1999

**ANJUM ASIM SHAHID & CO.  
CHARTERED ACCOUNTANTS**

**BALANCE SHEET AS AT JUNE 30, 1999**

|   | <i>NOTES</i> | <i>1999<br/>Rupees</i> | <i>1998<br/>Rupees</i> |
|---|--------------|------------------------|------------------------|
| <b>SHARE CAPITAL</b>  | 3            | 140,000,000            | 140,000,000            |
| <b>ACCUMULATED LOSS</b>   |              | (223,906,976)          | (180,837,724)          |
|   |              | -----                  | -----                  |
|   |              | (83,906,976)           | (40,837,724)           |
| <br><b>SURPLUS ON REVALUATION OF OPERATING ASSETS</b>           | 4            | 96,471,000             | 96,471,000             |
| <b>REDEEMABLE CAPITAL</b>                                       | 5            | 2,499,918              | 4,166,663              |
| <b>LONG TERM LOANS</b>  | 6            | 129,567,093            | 153,786,499            |
| <b>DEFERRED LIABILITIES</b>                                     |              | 633,950                | --                     |
| <br><b>CURRENT LIABILITIES</b>                                  |              |                        |                        |
| Short term finance on mark up basis                             | 7            | 32,972,947             | 35,877,743             |
| Current maturity/Over due installments of long term liabilities | 8            | 86,012,816             | 60,925,059             |
| Creditors, accrued and other liabilities                        | 9            | 94,210,744             | 63,269,685             |
|   |              | -----                  | -----                  |
|   |              | 213,196,507            | 160,072,487            |

|  |    |             |             |
|--|----|-------------|-------------|
| <b>CONTINGENCIES AND COMMITMENTS</b>                     | 10 | -----       | -----       |
|  |    | 358,461,492 | 373,658,925 |
|  |    | =====       | =====       |
| <b>OPERATING ASSETS</b>                                  | 11 | 317,024,826 | 333,320,192 |
| <b>LONG TERM DEPOSITS</b>                                | 12 | 886,094     | 440,999     |
| <b>DEFERRED COST</b>                                     | 13 | --          | 839,207     |
| <b>CURRENT ASSETS</b>                                    |    |             |             |
| Stores, spares and loose tools                           | 14 | 6,314,308   | 6,397,106   |
| Stock in trade   | 15 | 13496559    | 12,557,075  |
| Trade debts  | 16 | 9,427,992   | 12,849,333  |
| Advances, deposits, prepayments<br>and other receivables | 17 | 5,572,134   | 4,244,894   |
| Cash and bank balances                                   | 18 | 5,739,579   | 3,010,119   |
|  |    | -----       | -----       |
|  |    | 40,550,572  | 39,058,527  |
|  |    | -----       | -----       |
|  |    | 358,461,492 | 373,658,925 |
|  |    | =====       | =====       |

The annexed notes form an integral part of these accounts.

**M. Afzal Khan**  
**CHAIRMAN**

**Khawaja Amanullah Askari**  
**CHIEF EXECUTIVE**

**Maj. Gen. (Retd.) S.Z.M. Askree**  
**DIRECTOR**

**PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 1999**

|   | <i>NOTES</i> | <i>1999</i><br><i>Rupees</i> | <i>1998</i><br><i>Rupees</i> |
|---|--------------|------------------------------|------------------------------|
| Sales - Net                                 | 19           | 68,373,732                   | 67,572,826                   |
| Cost of sales                               | 20           | 65,415,084                   | 65,636,677                   |
| Gross Profit                                |              | 2,958,648                    | 1,936,149                    |
| Administrative expenses                     | 21           | 6,509,238                    | 6,240,664                    |
| Selling & distribution expenses             | 22           | 2,347,266                    | 2,967,688                    |
| Financial charges                           | 23           | 38,097,420                   | 36,412,959                   |
|   |              | -----                        | -----                        |
|   |              | 46,953,924                   | 45,621,311                   |
|   |              | -----                        | -----                        |
| Operating loss                              |              | (43,995,276)                 | (43,685,162)                 |
| Other Income                                | 24           | 926,024                      | 277,748                      |
|   |              | -----                        | -----                        |
| Loss before taxation                        |              | (43,069,252)                 | (43,407,414)                 |
| Provision for taxation                      | 25           | --                           | --                           |
|   |              | -----                        | -----                        |
| Loss after taxation                         |              | (43,069,252)                 | (43,407,414)                 |
| Accumulated losses brought forward          |              | (180,837,724)                | (137,430,310)                |
|   |              | -----                        | -----                        |
| Accumulated losses carried to balance sheet |              | (223,906,976)                | (180,837,724)                |
|   |              | =====                        | =====                        |

The annexed notes form an integral part of these accounts.

**M. Afzal Khan**  
**CHAIRMAN**

**Khawaja Amanullah Askari**  
**CHIEF EXECUTIVE**

**Maj. Gen. (Retd.) S.Z.M. Askree**  
**DIRECTOR**

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 1999**

|  | <i>1999</i><br><i>Rupees</i> | <i>1998</i><br><i>Rupees</i> |
|--|------------------------------|------------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b> |                              |                              |
| Loss for the year before taxation          | (43,069,252)                 | (43,407,414)                 |

|  |                  |                  |
|--|------------------|------------------|
| Adjustment for non-cash items  |                  |                  |
| - Depreciation on fixed assets   | 16,428,087       | 17,349,256       |
| - Markup expense   | 37,697,316       | 36,102,166       |
| - Amortization of deferred cost  | 839,206          | 839,205          |
| - Provision for bad and doubtful debts                                   | 322,575          | --               |
| - Provision for gratuity   | 633,950          | --               |
| - Loss on theft of assets  | 70,291           | --               |
|  | -----            | -----            |
|  | 55,991,425       | 54,290,627       |
|  | -----            | -----            |
| Net cash provided by operating activities before working capital changes | 12,922,173       | 10,883,213       |
| Working capital changes  |                  |                  |
| (Increase)/Decrease in current assets                                    |                  |                  |
| - Stores and spares  | 82,798           | 60,920           |
| - Stocks   | (939,484)        | 975,118          |
| - Trade debts  | 3,098,766        | (5,285,720)      |
| - Advances, prepayments & others receivable                              | (1,772,335)      | (409,879)        |
| Increase/(Decrease) in current liabilities                               |                  |                  |
| - Creditors, accrued and other liabilities                               | 630,619          | 4,556,012        |
|  | -----            | -----            |
|  | 1,100,364        | (103,549)        |
|  | -----            | -----            |
|  | 14,022,536       | 10,779,664       |
| Markup paid  | (7,386,874)      | (5,956,562)      |
|  | -----            | -----            |
| <b>Net cash inflow/(outflow) from operating activities</b>               | <b>6,635,662</b> | <b>4,823,102</b> |
|  | =====            | =====            |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                               |                  |                  |
| Addition in fixed assets   | (233,012)        | (106,645)        |
| Amount received from security agency                                     | 30,000           | --               |
|  | -----            | -----            |
| Net cash inflow/(outflow) from investing activities                      | (203,012)        | (106,645)        |
|  | =====            | =====            |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                               |                  |                  |
| Redeemable capital   | (1,631,565)      | (1,702,711)      |
| Long term loans  | 833,171          | (1,741,212)      |
| Short term loans   | (2,904,796)      | (4,136)          |
|  | -----            | -----            |
| Net cash inflow/(outflow) from financing activities                      | (3,703,190)      | (3,448,059)      |
|  | =====            | =====            |
| <b>TOTAL CASH AND CASH EQUIVALENTS GENERATED DURING THE YEAR</b>         | <b>2,729,460</b> | <b>1,268,398</b> |
| <b>CASH AND BANK BALANCES AT BEGINNING OF THE YEAR</b>                   | <b>3,010,119</b> | <b>1,741,721</b> |
|  | -----            | -----            |
| <b>CASH AND BANK BALANCES AT THE END OF THE YEAR</b>                     | <b>5,739,579</b> | <b>3,010,119</b> |
|  | =====            | =====            |

M. Afzal Khan  
CHAIRMAN

Khawaja Amanullah Askari  
CHIEF EXECUTIVE

Maj. Gen. (Retd.) S.Z.M. Askree  
DIRECTOR

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

### 1. STATUS AND OPERATIONS

The Company was incorporated on September 7, 1988 as a Public Limited Company and its shares are quoted on the Karachi and Islamabad Stock Exchanges. The company has setup an industrial undertaking at Hattar Industrial Estate N.W.F.P, for the manufacture of explosives and accessories including detonators and other materials.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting Convention

These accounts have been prepared under the historical cost convention as modified by the revaluation of operating assets referred to in note 4 to the financial statements.

#### 2.2 Fixed Assets and Depreciation

Fixed assets are stated at cost or revalued amounts less accumulated depreciation. Surplus arising out of

revaluation of fixed assets is transferred to " Surplus on revaluation of fixed assets".

Depreciation is charged on reducing balance method at the rates shown in the Note: 11 to the accounts. Full year's depreciation is charged in the year of acquisition and no depreciation is charged in the year of deletion.

Normal repairs are charged to income as and when incurred while major renewals are capitalized. Profit or loss on sale or retirement of fixed assets is included in income currently.

### 2.3 Revenue Recognition

Revenue is recognized on dispatch of goods to the customers.

### 2.4 Deferred Cost

Deferred cost comprising of formation and preliminary expenses, share floatation charges and under writing expenses are being amortized over a period of five years.

### 2.5 Inventories

These are valued at lower of cost and net realizable value. Cost of the major components of inventories are determined as follows:-

|                     |  |
|---------------------|--|
| Finished goods      | - Production cost and related overheads        |
| Work in process     | - At material cost                             |
| Raw material        | - At moving average costs                      |
| Material in transit | - Material cost and other charges paid thereon |

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

### 2.6 Stores and Spares

These are valued at moving average costs.

### 2.7 Taxation

The Company is located in a tax free zone. As such profits of the Company for the first eight years from its commercial production shall be exempt from tax. The company started commercial production w.e.f. July 01, 1994. Provision for deferred taxation is not provided in view of the tax exemption (Note: 25)

### 2.8 Employees Retirement Benefits

The company operates an unfunded gratuity scheme for its workers under the existing labour laws. Provision has been made in the accounts to cover the obligations under the scheme based on one month's last drawn gross salary for each completed year.

### 2.9 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses are included in income currently.

### 2.10 Borrowing Cost

Borrowing costs incurred in carrying out operations are recognized as an expense in the period in which these are incurred.

### 2.11 Trade Debts

Debts considered irrecoverable are written off and provision is made against those which are considered doubtful of recovery.

|   | <i>1999</i>   | <i>1998</i>   |
|---|---------------|---------------|
|   | <i>Rupees</i> | <i>Rupees</i> |
| <b>3. SHARE CAPITAL</b>   |               |               |
| <b>Authorized</b>   |               |               |
| 20,000,000 (1998: 20,000,000) Ordinary shares of Rs. 10 each  | 200,000,000   | 200,000,000   |
|   | =====         | =====         |
| <b>Issues, subscribed and paid up</b>   |               |               |
| Issued, subscribed and fully paid 14,000,000 (1998: 14,000,000) Ordinary shares of Rs. 10 each, fully paid in cash. | 140,000,000   | 140,000,000   |
|   | =====         | =====         |

The Company has issued 6,000,000 ordinary shares of Rs. 10 each to Habib Bank Limited under section 87 of the Companies Ordinance 1984 subsequent to the balance sheet date (See Note 6.1.3).

### 4. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents the revaluation surplus for the following assets in lieu of revaluation exercise carried out on June 30, 1996.

|                          |              |              |
|--------------------------|--------------|--------------|
| Land                     | 4,744,117    | 4,744,117    |
| Building and civil works | (15,142,377) | (15,142,377) |
| Plant & machinery        | 106,869,260  | 106,869,260  |
|                          | -----        | -----        |
|                          | 96,471,000   | 96,471,000   |
|                          | =====        | =====        |



**5. REDEEMABLE CAPITAL**

This represents Term Finance Certificates (TFCs) issued to Pak Libya Holding Company (Pvt.) Limited. The movement during the year and the maturity status is as follows:

|  |             |             |
|--|-------------|-------------|
| Balance outstanding as on July 1, 1998 | 6,214,818   | 7,917,529   |
| Payment made during the year           | (1,631,565) | (1,702,711) |
|  | -----       | -----       |
|  | 4,583,253   | 6,214,818   |
| Less:                                  |             |             |
| Overdue installment                    | 416,667     | 381,487     |
| Current maturity                       | 1,666,668   | 1,666,668   |
|  | -----       | -----       |
|  | 2,083,335   | 2,048,155   |
|  | -----       | -----       |
|  | 2,499,918   | 4,166,663   |
|  | =====       | =====       |

TFCs had a sanctioned limit of Rs. 10 million with mark up price of Rs. 14.13 million.

**Repayment:**

Loan against Term Finance Certificates (TFCs) is repayable in twenty four equal quarterly installments of Rs. 416,667 commencing March 31, 1996.

**Security**

Term Finance Certificates are secured by way of fixed charge over all assets, moveable and immovable including land, building, machinery, book debts and investment property. The first fixed mortgage and first floating charge ranks pari-pasu with tile mortgage created in favor of Habib Bank Limited. In addition to above, a demand promissory note of Rs. 10 million is also issued by tile company as security to the bank.

|                           |             | <b>1999</b>   | <b>1998</b>   |
|---------------------------|-------------|---------------|---------------|
|                           |             | <b>Rupees</b> | <b>Rupees</b> |
| <b>6. LONG TERM LOANS</b> |             |               |               |
| Habib Bank Limited        | (Note: 6.1) | 114,503,015   | 139,951,429   |
| Citi Bank N.A             | (Note: 6.2) | 9,298,497     | 11,543,453    |
| Bank of Khyber            | (Note: 6.3) | 5,765,581     | 2,291,617     |
|                           |             | -----         | -----         |
|                           |             | 129,567,093   | 153,786,499   |
|                           |             | =====         | =====         |

**6.1 Habib Bank Limited**

This represents:-

|                        |               |             |             |
|------------------------|---------------|-------------|-------------|
| - Fixed Assets Finance | (Note: 6.1.1) | 112,735,800 | 137,791,500 |
| - Demand Finance       | (Note: 6.1.2) | 1,767,215   | 2,159,929   |
|                        |               | -----       | -----       |
|                        |               | 114,503,015 | 139,951,429 |
|                        |               | =====       | =====       |

**6.1.1 Fixed Assets Finance**

|                                |  |             |             |
|--------------------------------|--|-------------|-------------|
| Opening balance                |  | 131,371,000 | 131,371,000 |
| Add: Markup Capitalized        |  | 62,000,000  | 62,000,000  |
|                                |  | -----       | -----       |
|                                |  | 193,371,000 | 193,371,000 |
| Less:                          |  |             |             |
| - Transfer to current maturity |  | 25,055,700  | 25,053,000  |
| - Transfer to overdue          |  | 55,579,500  | 30,526,500  |
|                                |  | -----       | -----       |
|                                |  | 80,635,200  | 55,579,500  |
|                                |  | -----       | -----       |
|                                |  | 112,735,800 | 137,791,500 |
|                                |  | =====       | =====       |

Under the existing agreement applicable on the balance sheet date with the Habib Bank Limited, the loan is repayable in 14 equal half yearly installments commencing January 01, 1998 and carries markup @ 60 paisas per thousand per day. Subsequent to the balance sheet date the above facility has been re-negotiated with the bank (See Note: 6.1.3)

**Security**

The loan is secured by way of:

- i) First legal mortgage to the extent of Rs. 5 million.

- ii) First equitable mortgage to the extent of Rs. 298.73 million.
- iii) Hypothecation of plant and machinery to the extent of Rs. 298.73 million.
- iv) Floating charge on the current assets of tile company to tile extent of Rs. 298.73 million.
- v) Personal guarantee of the Directors.

|                                    | <b>1999</b>   | <b>1998</b>   |
|------------------------------------|---------------|---------------|
|                                    | <b>Rupees</b> | <b>Rupees</b> |
| <b>6.1.2 Demand Finance</b>        |               |               |
| Total outstanding                  | 2,749,000     | 2,749,000     |
| Less: Transfer to current maturity | 392,714       | 392,714       |
| Transfer to over due               | 589,071       | 196,357       |
|                                    | -----         | -----         |
|                                    | 981,785       | 589,071       |
|                                    | -----         | -----         |
|                                    | 1,767,215     | 2,159,929     |
|                                    | =====         | =====         |

The loan was originally repayable in 14 equal half yearly installments commencing January 01, 1998 and carried mark up @ 60 paisas per thousand per day. Subsequent to the balance sheet date the above facility has been renegotiated with the bank (See Note 6.1.3)

#### Security

It is secured by way of:

- i) First equitable mortgage to the extent of Rs. 3.497 million.
- ii) Hypothecation on its plant and machinery to the extent of Rs. 3.497million.
- iii) Floating charges on the current assets of the Company to the extent of Rs. 3.497 million.

#### 6.1.3 Event Subsequent to the Balance Sheet Date

Subsequent to the balance sheet date restructuring negotiation has been finalized and an agreement with Habib Bank Limited has been signed on August 26,1999. Under the new arrangements the company has paid Rs. 25 million to the bank as down payment and has also issued shares of Rs. 60 million (at par) under section 87 of the Companies Ordinance 1984. As a result of this restructuring the total outstanding balance of the three facilities availed from Habib bank Limited viz. Fixed Assets Finance (Note 6.1.1), Demand Finance (Note 6.1.2) and Working Capital Finance (Note 7.3) has been reduced by Rs. 120.73 million. The new obligation under the restructured arrangement has principal value of Rs. 95 million (marked up price of Rs. 144.485 million) repayable in 16 half yearly installments commencing July 1, 2000.

|                          | <b>1999</b>   | <b>1998</b>   |
|--------------------------|---------------|---------------|
|                          | <b>Rupees</b> | <b>Rupees</b> |
| <b>6.2 Citi Bank N.A</b> |               |               |
| Finance on Mark up Basis | 9,298,497     | 11,543,453    |
|                          | =====         | =====         |

The facility has a sanctioned limit of Rs. 10.6 million (1998: Rs. 13.8 million) and carries mark up @ 16% per annum payable in 20 quarterly installments.

#### Security

The facility is secured by way of pledge of personal assets of the Directors/Sponsors.

#### 6.3 Bank of Khyber - Demand Finance

|  |             |             |             |
|--|-------------|-------------|-------------|
| Sanctioned Limit                       |             | 15,500,000  | 10,000,000  |
|  |             | =====       | =====       |
| Amount Utilized                        |             | 10,499,950  | 7,500,000   |
|  |             | -----       | -----       |
| Balance outstanding as on July 1, 1998 |             | 4,999,950   | 7,500,000   |
| Transferred from running finance       | (Note: 7.1) | 5,500,000   | --          |
| Payments made during the year          |             | (2,421,873) | (2,500,050) |
|  |             | -----       | -----       |
|  |             | 8,078,077   | 4,999,950   |
| Less: Transfer to                      |             |             |             |
| - Overdue installments                 |             | --          | 208,333     |
| - Current maturity                     |             | 2,312,496   | 2,500,000   |
|  |             | -----       | -----       |
|  |             | 2,312,496   | 2,708,333   |
|  |             | -----       | -----       |
|  |             | 5,765,581   | 2,291,617   |
|  |             | =====       | =====       |

The loan was rescheduled in December 1998 resulting a transfer of Rs. 5.5 million from running finance facility to demand finance facility (See Note: 7.1).

The rate of mark-up is Rs. 0.52 per Rs. 1,000 per day.

#### Repayment

The loan is repayable in 48 equal monthly installments commencing January 20, 1999.

#### Security

- i) Demand promissory note issued by the company for Rs. 21.04 million.
- ii) Pledge/Hypothecation of stock with 20% margin.
- iii) Second charge on all the existing and future assets of the company for Rs. 21.04 million.

|   |             | <i>1999</i>   | <i>1998</i>   |
|---|-------------|---------------|---------------|
|   |             | <i>Rupees</i> | <i>Rupees</i> |
| <b>7. Short term finance on mark-up basis</b> |             |               |               |
| Bank of Khyber                                | (Note: 7.1) | 493,437       | 5,995,656     |
| National Development Finance Corporation      | (Note: 7.2) | 12,493,524    | 9,896,101     |
| Habib Bank Limited                            | (Note: 7.3) | 19,985,986    | 19,985,986    |
|   |             | -----         | -----         |
|   |             | 32,972,947    | 35,877,743    |
|   |             | =====         | =====         |
| <br>  |             |               |               |
| <b>7.1 Bank of Khyber - Running finance</b>   |             |               |               |
| Sanctioned Limit                              |             | 500,000       | 6,000,000     |
|   |             | =====         | =====         |
| Marked up price                               |             | 643,750       | 7,725,000     |
|   |             | =====         | =====         |
| Amount utilized                               |             | 5,993,437     | 5,995,656     |
| Transferred to Demand Finance                 | (Note: 6.3) | (5,500,000)   | --            |
|   |             | -----         | -----         |
| Amount outstanding as on June 30, 1999        |             | 493,437       | 5,995,656     |
|   |             | =====         | =====         |

The loan was rescheduled in December 1998 and carries mark up @ Rs. 0.50 per thousand rupees per diem.

#### Repayment

Full amount is re-payable on or before May 3, 2000.

#### Security

Running Finance is secured by way of:

- i) Demand promissory note given by Company for Rs. 643,750.
- ii) Pledge/hypothecation of stocks with 20% margin.
- iii) Second charge on fixed assets to the extent of Rs. 643,750.

#### 7.2 National Development Finance Corporation

|                  |  |            |            |
|------------------|--|------------|------------|
| Sanctioned limit |  | 15,000,000 | 10,000,000 |
|                  |  | =====      | =====      |
| Marked up price  |  | 17,923,000 | 12,190,000 |
|                  |  | =====      | =====      |
| Amount utilized  |  | 12,493,524 | 9,896,101  |
|                  |  | =====      | =====      |

Trade Finance Facility to the extent of Rs. 5 million was raised by the company during the year and carries mark up @ 57 paisas per thousand rupees per diem.

#### Repayment

Full amount is re-payable on or before May 17, 2000.

#### Security

Facility is secured by way of:

- i) Demand promissory note given by the company for Rs. 17.923 million.
- ii) Pledge of stock with 25 % margins.
- iii) Lien on receivable to the extent of Rs.. 17.923 million.

|   |  | <i>1999</i>   | <i>1998</i>   |
|---|--|---------------|---------------|
|   |  | <i>Rupees</i> | <i>Rupees</i> |
| <b>7.3 Habib Bank Limited - Working capital finance</b> |  |               |               |
| Sanctioned limit  |  | 20,000,000    | 20,000,000    |
|   |  | =====         | =====         |
| Marked up price   |  | 25,520,000    | 25,520,000    |
|   |  | =====         | =====         |
| Limit utilized  |  | 19,985,985    | 19,985,986    |

**Repayment**

Under the existing agreement with the bank full amount was payable before December 31, 1996. This facility carries mark up @ 60 paisas per thousand rupees per diem. Subsequent to the balance sheet date, the facility has been renegotiated with the bank (See Note: 6.1.3).

**Security**

Pledge/Hypothecation of stocks.

**8. CURRENT MATURITY / OVERDUE INSTALLMENTS OF LONG TERM LIABILITIES**

Overdue installments of long term loan:

|                                    |            |            |
|------------------------------------|------------|------------|
| - Habib Bank limited.              | 56,168,571 | 30,722,857 |
| - Pak Libya Holding Co (Pvt.) Ltd. | 416,667    | 381,487    |
| - Bank of Khyber                   | --         | 208,333    |
|                                    | -----      | -----      |
|                                    | 56,585,238 | 31,312,677 |

Current Maturity of long term loan:

|                                    |            |            |
|------------------------------------|------------|------------|
| - Habib Bank Ltd.                  | 25,448,414 | 25,445,714 |
| - Pak Libya Holding Co. (Pvt.)Ltd. | 1,666,668  | 1,666,668  |
| - Bank of Khyber                   | 2,312,496  | 2,500,000  |
|                                    | -----      | -----      |
|                                    | 29,427,578 | 29,612,382 |
|                                    | -----      | -----      |
|                                    | 86,012,816 | 60,925,059 |
|                                    | =====      | =====      |

**9. CREDITORS, ACCRUALS & OTHER LIABILITIES**

|                        |            |            |
|------------------------|------------|------------|
| Creditors              | 1,537,537  | 1,072,764  |
| Advances from customer | 354,760    | 359,852    |
| Accrued liabilities    | 770,192    | 473,861    |
| Accrued mark-up        | 84,478,598 | 54,168,158 |
| L/Cs payable           | 3,617,055  | 4,425,716  |
| Sales tax payable      | 852,257    | --         |
| Other payables         | 2,600,345  | 2,769,334  |
|                        | -----      | -----      |
|                        | 94,210,744 | 63,269,685 |
|                        | =====      | =====      |

**10. CONTINGENCIES & COMMITMENTS**

10.1 Bank of Khyber has issued certain letters of credit on behalf of the company for the import of raw material amounting to Rs.3,689,322 (1998: Rs. 2,927,666).

10.2 Bank of Khyber has issued a guarantee, on behalf of the company, in favour of Bayinder construction Inc. amounting to Rs. 1.760 million (1998: Rs. nil).

**11. OPERATING FIXED ASSETS**

| <i>Particulars</i>         | <i>COST or REVALUED AMOUNT</i> |                               |                               |                            |             | <i>DEPRECIATION</i>       |                     |                               | <i>W.D.V.</i>              |                            |
|----------------------------|--------------------------------|-------------------------------|-------------------------------|----------------------------|-------------|---------------------------|---------------------|-------------------------------|----------------------------|----------------------------|
|                            | <i>As at July 1, 1998</i>      | <i>Additions/ (Deletions)</i> | <i>Adjustments/ Transfers</i> | <i>As on June 30, 1999</i> | <i>Rate</i> | <i>As on July 1, 1998</i> | <i>For the year</i> | <i>Adjustments/ Transfers</i> | <i>As on June 30, 1999</i> | <i>As on June 30, 1999</i> |
|                            | <i>(Rs)</i>                    | <i>(Rs)</i>                   | <i>(Rs)</i>                   | <i>(Rs)</i>                |             | <i>(Rs)</i>               | <i>(Rs)</i>         | <i>(Rs)</i>                   | <i>(Rs)</i>                | <i>(Rs)</i>                |
| Leasehold land             | 11,760,000                     | --                            | --                            | 11,760,000                 | --          | --                        | --                  | --                            | --                         | 11,760,000                 |
| Building on leasehold land | 46,327,845                     | --                            | --                            | 46,327,845                 | 5%          | 9,904,968                 | 1,821,144           | --                            | 11,726,112                 | 34,601,733                 |
| Plant and machinery        | 333,737,457                    | --                            | --                            | 333,737,457                | 5%          | 52,498,814                | 14,061,932          | --                            | 66,560,746                 | 267,176,711                |
| Fork lifter                | 550,000                        | --                            | --                            | 550,000                    | 20%         | 324,720                   | 45,056              | --                            | 369,776                    | 180,224                    |
| Tools and equipment        | 857,476                        | --                            | --                            | 857,476                    | 10%         | 294,806                   | 56,267              | --                            | 351,073                    | 506,403                    |
| Tube well                  | 306,600                        | --                            | --                            | 306,600                    | 10%         | 105,440                   | 20,116              | --                            | 125,556                    | 181,044                    |
| Office equipment           | 1,045,859                      | 203,400                       | (139,550)                     | 1,109,709                  | 10%         | 330,139                   | 81,883              | (39,259)                      | 372,763                    | 736,946                    |
| Furniture and fixture      | 1,211,037                      | 20,987                        | --                            | 1,232,024                  | 10%         | 405,350                   | 82,667              | --                            | 488,017                    | 744,007                    |
| Electric appliances        | 284,957                        | 8,625                         | --                            | 293,582                    | 10%         | 90,235                    | 20,335              | --                            | 110,570                    | 183,012                    |
| Vehicles                   | 2,801,975                      | --                            | --                            | 2,801,975                  | 20%         | 1,608,542                 | 238,687             | --                            | 1,847,229                  | 954,746                    |
|                            | -----                          | -----                         | -----                         | -----                      | -----       | -----                     | -----               | -----                         | -----                      | -----                      |
| 1999 (Rupees)              | 398,883,206                    | 233,012                       | (139,550)                     | 398,976,668                |             | 65,563,014                | 16,428,087          | (39,259)                      | 81,951,842                 | 317,024,826                |
|                            | =====                          | =====                         | =====                         | =====                      | =====       | =====                     | =====               | =====                         | =====                      | =====                      |
| 1998 (Rupees)              | 398,776,561                    | 106,645                       | --                            | 398,883,206                |             | 48,213,757                | 17,349,256          | --                            | 65,563,013                 | 333,320,193                |
|                            | =====                          | =====                         | =====                         | =====                      | =====       | =====                     | =====               | =====                         | =====                      | =====                      |

|  | <b>1999</b>   | <b>1998</b>   |
|--|---------------|---------------|
|  | <b>Rupees</b> | <b>Rupees</b> |
| <b>11.1 Depreciation has been allocated as under:-</b> |               |               |
| Cost of sales  | 16,163,242    | 17,058,523    |
| Administrative expenses                                | 184,885       | 190,681       |
| Selling expenses                                       | 79,960        | 100,052       |
|  | -----         | -----         |
|  | 16,428,087    | 17,349,256    |
|  | =====         | =====         |

**11.2 Deletion of fixed assets**

During the year, certain office equipment were stolen from the office premises. Details are given below:

Written down value as on July 01, 1998

Amount recovered from security agency

Loss on theft of assets

|  |         |       |
|--|---------|-------|
|  | 100,291 | --    |
|  | 30,000  | --    |
|  | -----   | ----- |
|  | 70,291  | --    |
|  | =====   | ===== |

|   | <b>1999</b>   | <b>1998</b>   |
|---|---------------|---------------|
|   | <b>Rupees</b> | <b>Rupees</b> |
| <b>12. LONG TERM DEPOSITS</b>   |               |               |
| Security deposits with PTC  | 9,099         | 9,099         |
| Security deposits with WAPDA  | 414,400       | 414,400       |
| Security deposits with SNGPL  | 12,400        | 7,500         |
| Security deposit with Awan Associates                                     | 10,000        | 10,000        |
| Security deposit with Bank of Khyber against guarantee issued to Bayinder | 440,195       | --            |
|   | -----         | -----         |
|   | 886,094       | 440,999       |
|   | =====         | =====         |

**13. DEFERRED COST**

Preliminary expenses

Share floatation expenses

Underwriting expenses

|  |           |           |
|--|-----------|-----------|
|  | 18,148    | 36,296    |
|  | 591,058   | 1,182,116 |
|  | 230,000   | 460,000   |
|  | -----     | -----     |
|  | 839,206   | 1,678,412 |
|  | (839,206) | (839,205) |
|  | -----     | -----     |
|  | --        | 839,207   |
|  | =====     | =====     |

Less: Amortization for the year

**14. STORES SPARES AND LOOSE TOOLS**

Stores

Spares

Loose Tools

|  |           |           |
|--|-----------|-----------|
|  | 1,351,158 | 1,430,177 |
|  | 4,923,656 | 4,924,588 |
|  | 39,494    | 42,341    |
|  | -----     | -----     |
|  | 6,314,308 | 6,397,106 |
|  | =====     | =====     |

**15. STOCK IN TRADE**

Raw materials

Work in process

Finished goods

Packing materials

Material in transit

|  |            |            |
|--|------------|------------|
|  | 10,100,427 | 9,935,769  |
|  | 358,001    | 311,525    |
|  | 1,361,536  | 1,124,545  |
|  | 572,277    | 400,167    |
|  | 1,104,318  | 785,069    |
|  | -----      | -----      |
|  | 13,496,559 | 12,557,075 |
|  | =====      | =====      |

**16. TRADE DEBTS - Unsecured considered good**

Trade debts

Less: Provision for doubtful debts

|  |           |            |
|--|-----------|------------|
|  | 9,750,567 | 12,849,333 |
|  | (322,575) | --         |
|  | -----     | -----      |
|  | 9,427,992 | 12,849,333 |
|  | =====     | =====      |

16.1 Trade debts include an amount due from an associated undertaking of Rs. 1,972,471 (1998 Rs.973,323) The maximum amount due at the end of any month during the year from associated undertaking was Rs.2,029,552 (1998 Rs, 1,323,031).

**17. ADVANCES, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES**

|   |           |           |
|---|-----------|-----------|
| Advances to suppliers and contractors (considered good) | 1,701,298 | 994,437   |
| Advances to employees (considered good)                 | 206,306   | 82,882    |
| Pre-payments  | 595,743   | 283,681   |
| Other receivables                                       | 344,976   | 339,132   |
| Advance income tax                                      | 2,655,961 | 2,509,549 |
| Deposits  | 67,850    | 35,213    |
|   | -----     | -----     |
|   | 5,572,134 | 4,244,894 |
|   | =====     | =====     |

**18. CASH AND BANK BALANCES**

|                                  |           |           |
|----------------------------------|-----------|-----------|
| Bank balance in current accounts | 5,680,815 | 3,001,008 |
| Cash in hand                     | 58,764    | 9,111     |
|                                  | -----     | -----     |
|                                  | 5,739,579 | 3,010,119 |
|                                  | =====     | =====     |

**19. SALES (Net)**

|                       |            |            |
|-----------------------|------------|------------|
| Gross sales           | 79,384,654 | 82,230,416 |
| Less:                 |            |            |
| Sales return          | 69,450     | 15,049,181 |
| Commission & discount | 10,941,472 | 13,152,672 |
|                       | -----      | -----      |
|                       | 11,010,922 | 14,657,590 |
|                       | -----      | -----      |
|                       | 68,373,732 | 67,572,826 |
|                       | =====      | =====      |

**20. COST OF SALES**

|                                    |                         |            |
|------------------------------------|-------------------------|------------|
| Materials consumed                 | (Note: 20.1) 35,020,979 | 33,950,646 |
| Stores and spares consumed         | 1,077,620               | 1,158,538  |
| Packing materials consumed         | 1,191,189               | 1,492,797  |
| Fuel and power                     | 3,079,449               | 2,743,075  |
| Salaries, wages and other benefits | 6,211,904               | 5,289,995  |
| Insurance                          | 977,823                 | 1,120,637  |
| Repair & maintenance               | 224,714                 | 283,894    |
| Other production expenses          | 1,751,631               | 1,376,662  |
| Depreciation for the year          | (Note: 11.1) 16,163,242 | 17,058,523 |
|                                    | -----                   | -----      |
|                                    | 65,698,551              | 64,474,767 |

## Adjustment of work in process inventory

|                           |           |           |
|---------------------------|-----------|-----------|
| - Opening work in process | 311,525   | 348,167   |
| - Closing work in process | (358,001) | (311,525) |
|                           | -----     | -----     |
|                           | (46,476)  | 36,642    |

## Adjustment of finished goods inventory

|                          |             |             |
|--------------------------|-------------|-------------|
| - Opening finished goods | 1,124,545   | 2,249,813   |
| - Closing finished goods | (1,361,536) | (1,124,545) |
|                          | -----       | -----       |
|                          | (236,991)   | 1,125,268   |
|                          | -----       | -----       |
|                          | 65,415,084  | 65,636,677  |
|                          | =====       | =====       |

**20.1 Materials Consumed:**

|                           |              |             |
|---------------------------|--------------|-------------|
| Opening balance           | 9,935,769    | 9,246,824   |
| Purchases during the year | 35,571,879   | 35,051,501  |
|                           | -----        | -----       |
|                           | 45,507,648   | 44,298,325  |
| Closing Balance           | (10,100,427) | (9,935,769) |
| Duty drawback             | --           | (67,185)    |
| Sale of scrap             | (386,242)    | (344,725)   |
|                           | -----        | -----       |
|                           | 35,020,979   | 33,950,646  |
|                           | =====        | =====       |

**21. ADMINISTRATIVE EXPENSES**

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Director's remuneration              | 591,600   | 628,524   |
| Salaries, wages and other benefits   | 1,915,978 | 1,987,949 |
| Director's travelling and conveyance | 182,543   | 179,363   |
| Staff travelling and conveyance      | 130,609   | 96,917    |
| Electricity, gas and water           | 203,681   | 194,645   |

|                                |              |           |           |
|--------------------------------|--------------|-----------|-----------|
| Telephone, telex and postage   |              | 597,671   | 746,569   |
| Rent, rates and taxes          |              | 421,632   | 416,535   |
| Legal and professional charges |              | 158,370   | 246,455   |
| Auditors' remuneration         | (Note: 21.1) | 45,000    | 42,053    |
| Printing and stationery        |              | 291,256   | 292,754   |
| Entertainment                  |              | 60,238    | 73,109    |
| Other expenses                 |              | 563,994   | 305,905   |
| Amortization                   |              | 839,206   | 839,205   |
| Depreciation for the year      | (Note: 11.1) | 184,885   | 190,681   |
| Provision for doubtful debts   | (Note: 16)   | 322,575   | --        |
|                                |              | -----     | -----     |
|                                |              | 6,509,238 | 6,240,664 |
|                                |              | =====     | =====     |

**21.1 Auditors' Remuneration**

|                        |  |        |        |
|------------------------|--|--------|--------|
| Audit fee              |  | 45,000 | 40,000 |
| Out of pocket expenses |  | --     | 2,053  |
|                        |  | -----  | -----  |
|                        |  | 45,000 | 42,053 |
|                        |  | =====  | =====  |

**22. SELLING & DISTRIBUTION EXPENSES**

|                                    |              |           |           |
|------------------------------------|--------------|-----------|-----------|
| Directors' remuneration            |              | --        | 180,442   |
| Salaries, wages and other benefits |              | 1,383,058 | 1,444,002 |
| Directors' travelling              |              | 1,305     | 41,993    |
| Staff travelling and conveyance    |              | 281,858   | 419,752   |
| Telephone telex and postage        |              | 71,477    | 59,080    |
| Rent, rates and taxes              |              | --        | 4,620     |
| Entertainment expenses             |              | 747       | 15,773    |
| Printing and stationary            |              | 97,212    | 54,074    |
| Vehicles running and maintenance   |              | 181,166   | 396,127   |
| Advertisement expenses             |              | 68,940    | 11,562    |
| Insurance charges                  |              | 138,628   | 33,990    |
| Other charges                      |              | 42,915    | 206,221   |
| Depreciation for the year          | (Note: 11.1) | 79,960    | 100,052   |
|                                    |              | -----     | -----     |
|                                    |              | 2,347,266 | 2,967,688 |
|                                    |              | =====     | =====     |

**23. FINANCIAL CHARGES**

|                                 |  |            |            |
|---------------------------------|--|------------|------------|
| Mark up on Long Term Loans      |  | 29,645,218 | 27,985,441 |
| Markup on Redeemable capital    |  | 452,455    | 693,485    |
| Markup on Short Term Borrowings |  | 7,599,343  | 7,423,240  |
| Bank charges                    |  | 400,404    | 310,793    |
|                                 |  | -----      | -----      |
|                                 |  | 38,097,420 | 36,412,959 |
|                                 |  | =====      | =====      |

**24. OTHER INCOME**

|                            |  |          |         |
|----------------------------|--|----------|---------|
| Interest oil bank deposits |  | 605,515  | 80,387  |
| Miscellaneous Income       |  | 322,196  | 138,426 |
| Loss on theft of assets    |  | (70,291) | --      |
| Transportation recovered   |  | 68,511   | 54,033  |
| Insurance recovered        |  | 93       | 4,902   |
|                            |  | -----    | -----   |
|                            |  | 926,024  | 277,748 |
|                            |  | =====    | =====   |

**25. TAXATION**

The company is exempt from Income Tax under clause 118C of the part I of the 2nd schedule of the Income Tax Ordinance, 1979. The exemption is valid upto June 30, 2002. As such no provision for the turnover tax under section 80D of the Income Tax Ordinance, 1979 has been made in these financial statements.

**26. REMUNERATION TO EXECUTIVES**

No meeting fee was paid to directors during the year. The aggregate amount including all benefits charged in these accounts for remuneration to the director and chief executive is as follows:

| Description             | 1999 (Rupees) |                 | 1998 (Rupees) |                 |
|-------------------------|---------------|-----------------|---------------|-----------------|
|                         | Directors     | Chief Executive | Directors     | Chief Executive |
| Managerial remuneration | 113,808       | 207,300         | 253,011       | 240,000         |
| Allowances              |               |                 |               |                 |
| - House rent            | 51,216        | 180,000         | 113,843       | 144,000         |
| - Conveyance            | 3,600         | 3,600           | 5,189         | 3,600           |

|                |         |         |         |         |
|----------------|---------|---------|---------|---------|
| - Medical      | --      | --      | --      | --      |
| - Utilities    | 11,376  | 20,700  | 25,323  | 24,000  |
| Total          | 180,000 | 411,600 | 397,366 | 411,600 |
| No. of persons | 1       | 1       | 2       | 1       |

**1999**  
**Rupees**

**1998**  
**Rupees**

**27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

|                |           |           |
|----------------|-----------|-----------|
| Sales          | 9,683,557 | 6,365,520 |
| Trade discount | (899,470) | (460,747) |
|                | 8,784,087 | 5,904,773 |

**28. CAPACITY AND ACTUAL PERFORMANCE**

The project has been set up for the manufacture of commercial explosive and related accessories in the Hattar Industrial Estate of NWFP.

|                        |                                | <b>1999</b>  | <b>1998</b> |
|------------------------|--------------------------------|--------------|-------------|
|                        | <b>Production<br/>Capacity</b> |              |             |
| 1. Tovex Water-Gell    | MT.                            | 2,000        | 834.33      |
| 2. Detonators Plain    | No.                            | 4.50 Million | 1.860       |
| 3. Detonators Electric | No.                            | 0.45 Million | 0.023       |
| 4. Safety Fuse         | Meter                          | 1.50 Million | --          |
| 5. Detonating Cord     | Meter                          | 0.90 Million | 0.896       |

**REASONS FOR SHORTFALL**

The continuing severe recession in the economy during the year and the cuts in development expenditures by the Government has made operating conditions difficult for the infrastructure industries due to which overall demand of the products has declined.

**29. GENERAL**

Figures have been rounded off to the nearest rupee.

Previous year's figures have been rearranged wherever necessary.

**M. Afzal Khan**  
**CHAIRMAN**

**Khawaja Amanullah Askari**  
**CHIEF EXECUTIVE**

**Maj. Gen. (Retd.) S.Z.M. Askree**  
**DIRECTOR**

**PATTERN OF SHARE HOLDING****AS AT JUNE 30, 1999**

| <b>No. of<br/>Shareholders</b> |      | <b>Shareholding</b> |    |         | <b>Total<br/>shares held</b> |
|--------------------------------|------|---------------------|----|---------|------------------------------|
| 52                             | From | 1                   | to | 100     | Shares 5,200                 |
| 8,226                          | From | 101                 | to | 500     | Shares 4,094,200             |
| 101                            | From | 501                 | to | 1,000   | Shares 98,600                |
| 86                             | From | 1,001               | to | 5,000   | Shares 215,100               |
| 11                             | From | 5,001               | to | 10,000  | Shares 88,300                |
| 4                              | From | 10,001              | to | 15,000  | Shares 52,500                |
| 7                              | From | 15,001              | to | 20,000  | Shares 132,600               |
| 2                              | From | 20,001              | to | 25,000  | Shares 50,000                |
| 1                              | From | 25,001              | to | 30,000  | Shares 25,900                |
| 8                              | From | 30,001              | to | 35,000  | Shares 248,260               |
| 4                              | From | 40,001              | to | 45,000  | Shares 170,100               |
| 4                              | From | 45,001              | to | 50,000  | Shares 197,500               |
| 9                              | From | 55,001              | to | 60,000  | Shares 536,500               |
| 1                              | From | 60,001              | to | 65,000  | Shares 62,200                |
| 2                              | From | 65,001              | to | 70,000  | Shares 133,900               |
| 1                              | From | 70,001              | to | 75,000  | Shares 72,500                |
| 2                              | From | 75,001              | to | 80,000  | Shares 151,360               |
| 2                              | From | 85,001              | to | 90,000  | Shares 175,500               |
| 1                              | From | 95,001              | to | 100,000 | Shares 100,000               |
| 1                              | From | 100,001             | to | 105,000 | Shares 105,000               |
| 1                              | From | 105,001             | to | 110,000 | Shares 110,000               |
| 1                              | From | 110,001             | to | 115,000 | Shares 112,500               |



|   |      |           |    |           |        |           |
|---|------|-----------|----|-----------|--------|-----------|
| 1 | From | 125,001   | to | 130,000   | Shares | 125,300   |
| 1 | From | 135,001   | to | 140,000   | Shares | 140,000   |
| 1 | From | 145,001   | to | 150,000   | Shares | 145,500   |
| 1 | From | 150,001   | to | 155,000   | Shares | 154,800   |
| 1 | From | 165,001   | to | 170,000   | Shares | 169,800   |
| 1 | From | 185,001   | to | 190,000   | Shares | 186,650   |
| 3 | From | 195,001   | to | 200,000   | Shares | 600,000   |
| 1 | From | 210,001   | to | 215,000   | Shares | 214,860   |
| 1 | From | 220,001   | to | 225,000   | Shares | 224,510   |
| 2 | From | 225,001   | to | 230,000   | Shares | 456,180   |
| 1 | From | 230,001   | to | 235,000   | Shares | 232,000   |
| 1 | From | 245,001   | to | 250,000   | Shares | 250,000   |
| 1 | From | 320,001   | to | 325,000   | Shares | 322,660   |
| 1 | From | 335,001   | to | 340,000   | Shares | 339,720   |
| 1 | From | 365,001   | to | 370,000   | Shares | 368,000   |
| 1 | From | 495,001   | to | 500,000   | Shares | 500,000   |
| 1 | From | 690,000   | to | 695,000   | Shares | 690,900   |
| 1 | From | 1,940,001 | to | 1,945,000 | Shares | 1,941,400 |

8,548

14,000,000

**Categories of shareholders**

|                       | <i>Number</i> | <i>Shares held</i> | <i>Percentage</i> |
|-----------------------|---------------|--------------------|-------------------|
| Individuals           | 8,541         | 11,164,200         | 79.74%            |
| Investment Companies  | 3             | 706,400            | 5.05%             |
| Joint Stock Companies | 1             | 110,000            | 0.79%             |
| Modaraba Company      | 2             | 78,000             | 0.56%             |
| Foreign Investors     | 1             | 1,941,400          | 13.87%            |
|                       | 8,548         | 14,000,000         | 100.00%           |