

Frontier Ceramics Limited

Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. S.U. Durrani	Chairman
Mr. Iqbal Hussain Khattak	
Mrs. A. Matloob	
Mr. M. Akram Khan (N.B.P)	
Mr. Z.I. Saifi (B.E.L)	
Mr. M. Sharif Shafique (N.D.F.C)	
Mr. Asadullah Khawaja (I.C.P)	
Mr. Ansarullah Khan	Managing Director & Chief Executive
Mr. Shamsul Hassan	
Ms. Zainab Ibrahim	
Lt. Col. (R) Saadat Hussain	Company Secretary

BANKERS

National Bank of Pakistan
United Bank Limited
The Bank of Khyber
Banker's Equity Limited
Pakistan Industrial Credit & Investment Corporation Limited
National Development Finance Corporation

AUDITORS

Messrs. Rahim Jan & Co. Chartered Accountants.

LEGAL ADVISOR

Mian Noor ul Ghani Advocate

REGISTRAR AND SHARE TRANSFER OFFICE

Ghafoor & Co., Chartered Accountants, Rehmat Lane, Saddar Road, Peshawar.

HEAD OFFICE/REGISTERED OFFICE

Jamrud Industrial Estate, Jamrud Road, Peshawar, N.W. EP.
Tel: 92-91-812360, 812747 Fax: 92-91-812757

ZONAL OFFICES

PESHAWAR	Industrial Estate, Jamrud Road, Peshawar Tel: 92-91-812360, 812746
RAWALPINDI	82-A, Satellite Town, Rawalpindi Tel: 92-51-410998 Fax: 92-51-425523
LAHORE	61, Shah Jamal, Ferozepur Road, Lahore Tel: 92-42-7574179 Fax: 92-42-7573090

NOTICE OF THE MEETING

Notice is hereby given that the Seventeenth Annual General Meeting of FRONTIER CERAMICS LIMITED will be held at Industrial Estate, Jamrud Road, Peshawar on Monday, December 27, 1999 at 9:00 a.m. to transact the following business:

1. To confirm the minutes of the Sixteenth Annual General Meeting of the Company held on December 26, 1998.
2. To receive, consider and adopt the Audited Accounts together with the Directors and Auditors Reports for the year ended June 30, 1999.
3. To appoint Auditors for the year ending June 30, 2000 and fix their remuneration. The present Auditors, M/s Rahim Jan & Co. Chartered Accountants, being eligible have offered themselves for re-appointment.

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

BY ORDER OF THE BOARD

December 5, 1999

Lt. Col. (R) Saadat Hussain
Company Secretary

NOTES:

1. The Register of Members of the Company will be closed from December 15, 1999 to December 24, 1999 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend and vote on his/her behalf. Proxy form must be deposited at the Company's Registered Office at least 48 hours before the meeting.
3. Members are requested to notify the company or the Registrar of the Company any change in their address.

DIRECTORS' REPORT

Your Directors present hereunder the Seventeenth Annual Report together with audited accounts for year ending June 30, 1999.

FINANCIAL SUMMARY

(Rs. in million)
1999 1998

Sales	157.243	151.350
	-----	-----
Gross Profit	33.347	23.464
	-----	-----
Less: Admin, Selling & Distribution Expenses	31.528	26.385
	-----	-----
Operating Profit/(Loss)	1.819	(2.921)
Add: Other Income	0.970	1.061
	-----	-----
Financial Expenses	2.789	(1.860)
Provision for Taxation	18.607	15.913
	0.786	1.147
	-----	-----
Profit/(Loss) for the year	(16.604)	(18.920)
Prior Year Adjustment	25.042	0.000
Accumulated Loss brought forward	(52.297)	(33.377)
	-----	-----
Profit/(Loss) carried to Balance Sheet	(43.859)	(52.297)
	=====	=====

REVIEW OF OPERATIONS

During the year under review, ceramics tiles production increased by 12.8% i.e. 512,652 Sqm. as compared to 454,642 Sqm. in the previous year. The production of Sanitaryware also increased by 3.2% i.e. 1,209 tons against 1,171 tons in the previous year. Although the production of both items showed an increase over the previous year, our capacity utilisation still cannot be optimised due to the long-standing problem of discontinuation of gas supplies for three months during the winter.

The recessionary conditions prevailing in the market and free availability of smuggled tiles and sanitaryware particularly in Peshawar and Quetta, resulted in severe competition. The revenue targets could not be met due to heavy discounting of sale prices, which became necessary. Cash flow was affected by the build up in inventory levels, which could not be reduced despite marketing efforts and the discounting policy. One positive development was the improvement in gross profit percentage achieved through production efficiencies and removal of excise duty.

I am pleased to report that the Company has concluded satisfactory agreements with Bankers Equity Limited and PICIC regarding restructuring of financial liabilities. The amount of remission in loan liability is shown in the financial statements. It is our endeavour to reach out of court settlements with other Banks and DFIs.

FUTURE OUTLOOK

In view of the prevailing economic conditions we foresee pressure continuing on the profitability level. However, the Government policy to introduce low cost housing is a welcome development, which should give boost to the construction industry thus creating demand for the Company's products.

It is also encouraging to note that gas transmission pipes are currently being laid in the Jamrud Industrial Estate and the work is expected to be completed in the near future. On provision of regular gas supply the Company will be able to operate to its full capacity which should have a positive impact on profitability through better use of our resources.

The issue of Sales Tax refund is now before the Supreme Court. We are hopeful of a favourable outcome which will enable modernisation and balancing of plant and machinery.

DIVIDEND

In view of the current financial condition of your company, the Directors are not recommending a dividend for the year 1998-99.

ACKNOWLEDGMENT

The Board acknowledges the devotion and hard work of the staff and employees of the company during the year

PATTERN OF SHAREHOLDING

The pattern of shareholding is given on page No. 23.

AUDITORS

The present Auditors, M/s Rahim Jan & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment

On behalf of the Board of Directors

S.U. DURRANI

Chairman

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of FRONTIER CERAMICS LIMITED as at June 30, 1999 and the related Profit and Loss Account and the Cash Flow Statement, together with the notes forming part thereof for the year then ended and we state that we have obtained all the informations and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit and, after due verification thereof, we report that:

(a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984.

(b) In our opinion.

(i) The Balance Sheet and Profit and Loss Account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.

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

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

(c) In our opinion and 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, respectively give a true and fair view of the Company's affairs as at June 30, 1999 and the Profit & Loss and Cash Flow for the year then ended, and

(d) No Zakat was deductible at source under Zakat and Ushr Ordinance, 1980.

RAHIM JAN & COMPANY

Chartered Accountants

Karachi: 06 October 1999

BALANCE SHEET AS AT JUNE 30, 1999

	<i>NOTES</i>	<i>1999</i> <i>(Rs.)</i>	<i>1998</i> <i>(Rs.)</i>
PROPERTY AND ASSETS			
Fixed Assets - at cost less depreciation	12	366,899,704	397,231,145
Long Term Deposits	13	752,700	742,700
CURRENT ASSETS			
Stores, spares and loose tools - at cost	14	28,480,339	29,677,339
Stock in Trade - at cost	15	159,089,354	146,842,040
Trade Debtors	16	72,774,831	70,241,570
Advances, Deposits, Pre-payments & other receivables	17	28,619,178	36,373,319
Cash and Bank Balances	18	14,363,342	12,672,493
		-----	-----
		303,327,044	295,806,761
CURRENT LIABILITIES			
Finance under Markup arrangements	8	90,187,167	86,322,156
Current portion of long term Loan Liabilities	9	50,895,854	73,307,208
Creditors, Accrual and other Liabilities	10	47,488,604	46,788,130
		-----	-----
		188,571,625	206,417,494
		-----	-----
Working Capital		114,755,419	89,389,267
		-----	-----
Total Assets		482,407,823	487,363,112
Less: Long Term Loans	7	66,330,350	107,095,109
Deferred Liabilities	5	47,598,997	--
		-----	-----
Net Assets		368,478,476	380,268,003
		=====	=====
REPRESENTED BY			
Issued, subscribed and paid up Capital	3	77,412,000	77,412,000
Surplus on revaluation of Fixed Assets	4	283,925,776	283,925,776
Profit & Loss - Debit Balance		(43,859,300)	(52,296,595)
Redeemable Capital	6	51,000,000	71,226,822
		-----	-----
		3 68,478,476	380,268,003
		=====	=====
Contingencies and Commitments	11		

The Annexed Notes form an integral part of these accounts.

ANSARULLAH KHAN

Chief Executive

ZAINAB IBRAHIM

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	<i>NOTES</i>	<i>1999</i> <i>(Rs.)</i>	<i>1998</i> <i>(Rs.)</i>
Sales - Net	19	157,242,701	151,349,789
Cost of Sales	20	123,895,586	127,885,687
		-----	-----

Gross Profit		33,347,115	23,464,102
OPERATING EXPENSES			
Administrative Expenses	21	17,316,456	14,756,979
Selling and Distribution Expenses	22	14,211,663	11,628,548
		-----	-----
		31,528,119	26,385,527
		-----	-----
Operating Profit/(Loss)		1,818,996	(2,921,425)
Profit/(Loss) on Sale of Fixed Assets	23	(40,859)	475,612
Profit on PLS Saving Account		1,007,859	550,300
Other Income		3,098	35,453
		-----	-----
		970,098	1,061,365
		2,789,094	(1,860,060)
Financial Expenses	24	18,607,285	15,913,355
Taxation: Current - Turnover Tax	25	786,214	1,146,557
		-----	-----
Profit (Loss) for the year		(16,604,405)	(18,919,972)
Prior year adjustment	26	25,041,700	--
Accumulated Loss brought forward		(52,296,595)	(33,376,623)
		-----	-----
Accumulated Loss Carried to Balance Sheet		(43,859,300)	(52,296,595)
		=====	=====

The .Annexed Notes form an integral part of these accounts.

ANSARULLAH KHAN

Chief Executive

ZAINAB IBRAHIM

Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 1999**

	1999	1998
	(Rs.)	(Rs.)
Cash collected from customers	154,709,440	145,464,826
Cash paid to suppliers	(94,120,082)	(98,410,825)
Administrative Expenses paid	(16,516,314)	(13,880,193)
Selling & Distribution expenses paid	(14,211,663)	(11,628,548)
Bank charges paid	(346,206)	(323,111)
Other Income received	970,098	1,061,365
Decrease/(Increase) in prepayments and other receivables (net)	(23,981)	(484,607)
Increase/(Decrease) in accruals and other liabilities	(85,740)	(4,550,545)
(Decrease)/Increase in finance under mark-up management	3,865,011	6,501,761
Increase in inventory	(11,050,314)	(8,082,554)
	-----	-----
Cash generated from operation	23,190,249	15,667,569

**CASH (OUTFLOWS) INFLOWS FROM
INVESTING ACTIVITIES**

Addition in fixed assets	(315,064)	(463,836)
--------------------------	-----------	-----------

Change due to sale of fixed assets	70,859	252,188
Long term deposits	(10,000)	--
	-----	-----
	(254,205)	(211,648)

CASH (OUTFLOWS) INFLOWS FROM FINANCE ACTIVITIES

Long Term Loans - Net	(2,984,116)	--
Redeemable Capital- Net	--	--
Interest Expenses	(18,261,079)	(15,590,244)
	-----	-----
	(21,245,195)	(15,590,244)
Net - Increase/(Decrease) in cash & cash equivalent	1,690,849	(134,323)
Cash and Cash equivalent as at July 1 st	12,672,493	12,806.82
	-----	-----
Cash and Cash equivalent as at June 30th	14,363,342	12,672,493
	=====	=====

ANSARULLAH KHAN
Chief Executive

ZAINAB IBRAHIM
Di rector

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

1. THE COMPANY AND ITS OPERATIONS

Frontier Ceramics Limited was incorporated in Pakistan in July 1982 as a Public Limited Company, and was listed on the Karachi and Lahore Stock Exchanges in March 1992.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.01 Accounting Convention

The accounts of the Company have been prepared under the historical cost convention, as modified by capitalisation of certain exchange difference in the cost of relevant assets without any adjustments for the effects of inflation, except plant and machinery which has been re-valued (Note. No. 4).

2.02 Staff Retirement Benefits

The Company operates a provident fund scheme for all its employees, contributions in respect thereof are made in accordance with the terms of the scheme.

2.03 Taxation

Charge for current taxation in the accounts is based on taxable income of the Company after taking into account rebate, if any allowable to the company. The company accounts for deferred taxation using liability method arising on all major timing differences.

2.04 Fixed Assets

Fixed assets are stated at cost less accumulated depreciation, except leasehold land and capital work in progress, which are stated at cost. Depreciation is charged on reducing balance method at the rates specified in Note No. 12. Full year depreciation is charged on fixed assets, purchased during the first half of the accounting year, but no depreciation is charged on fixed assets acquired during the second half of the accounting year. No depreciation is charged if the assets are disposed off/deleted in the first half of the accounting year but charged if disposal/deletion is made in the second half of the accounting year.

Normal repairs and maintenance are charged to expenses, as and when incurred, while major renewals and replacements are capitalised. Gains and losses on disposal of fixed assets are taken to Profit and Loss Account currently.

2.05 Stock in Trade, Stores, Spares and Loose Tools

These are stated as follows:

Stores, Spares and Loose Tools	At average cost
Raw & Packing Material	At average cost, except in transit, which are stated at actual cost.
Work in process	At Cost
Finished Goods	At lower of cost or market value

2.06 Rate of Exchange

Foreign currency loans and other foreign currency transactions are recorded at the rate prevailing on the date of transaction. Repayment of foreign currency loans are made at the rate at which the same were disbursed because of exchange risk having been covered.

2.07 Revenue Recognition

Sales are recorded on dispatch of goods to customers.

	<i>NOTES</i>	<i>1999</i> <i>(Rs.)</i>	<i>1998</i> <i>(Rs.)</i>
3. SHARE CAPITAL			
AUTHORISED			
8,000,000 Ordinary Shares of Rs. 10/- each	3	80,000,000	80,000,000
		=====	=====
Issued, Subscribed and Paid.-up Capital 7,741,200 ordinary shares of Rs. 10/- each issued for cash		77,412,000	77,412,000
		=====	=====
4. SURPLUS ON REVALUATION OF FIXED ASSETS	4	283,925,776	283,925,776
		=====	=====
Revaluation of plant & machinery has been carried out as on June 30, 1996 by an independent valuer M/s Global Engineers (Pvt) Ltd. Faisalabad, and duly certified by R.H. & Co. Chartered Accountants, a firm approved by the State Bank of Pakistan for the purpose of revaluation of fixed assets. Revaluation has been carried out on the basis of depreciated replacement value. (Refer to note no. 12)			
5. DEFERRED LIABILITIES	5		
Remission/Waiver of PICIC markup on markup loan restructured		45,995,640	--
Add: Mark-up deferred		1,603,357	--
		-----	-----
		47,598,997	--
		=====	=====
The restructured loan liabilities entails remission/waiver which would be allowed and in proportion to the actual payment made by the company over the period.			
Markup of restructured loan shall be repaid through a monthly instalment from the month following immediately after repayment of restructured loan in seven years period.			
6. REDEEMABLE CAPITAL (SECURED)	6		
Term Finance Certificate Restructured		3,174,781	3,174,781
Accrued Markup and overdues converted into Term Finance Certificate Capitalised dues		90,145,041	90,145,041
		-----	-----
		93,319,822	93,319,822

Less: Remission on restructuring (See note no. 26)	(32,819,822)	--
Transferred to current maturity	(9,500,000)	(22,093,000)
	-----	-----
	51,000,000	71,226,822
	=====	=====

7. TERM FINANCE CERTIFICATE

During The year under review the company's principal liability towards Bankers Equity Limited and its consortium as a result of restructuring approval has been fixed at Rs. 51.000 million and an amount of Rs. 9.500 million will be paid in year I as deposit/security to BEL - syndicate who will purchase Defence Saving Certificate/COI's favouring BEL and syndicate. The amount receivable on maturity will be adjusted against the principal and no further payment is to be made on account of principal. Starting from the year 2, interest @ 14 % will be charged on principal amount of Rs. \$1.000 million. In case of default the markup on defaulted amount will be charged at the rate of 22_ percent per annum.

	<i>NOTES</i>	<i>1999</i> <i>(Rs.)</i>	<i>1998</i> <i>(Rs.)</i>
Long Term Loans (secured)	7		
Foreign Currency			
Pakistan industrial Credit & Investment Corporation	7.01	128,449,183	128,449,183
Less: Paid during the year		(2,883,930)	--
Transferred to Deferred liabilities		(47,699,183)	--
		-----	-----
		77,866,070	128,449,183
National Development Finance Corporation	7.02	29,860,134	29,860, 134
		-----	-----
		107,726,204	158,309,317
LESS: Transferred to Current Maturity			
PICIC		11,535,720	2,135,407.40
NDFC		29,860,134	29,860,134
		-----	-----
		41,395,854	51,214,208
		-----	-----
		66,330,350	107,095,109
		=====	=====

PICIC Loan

7.01

PICIC has agreed for restructuring and repayment of loan liability of the Company through a compromise decree in the Sindh High Court on the basis of the following terms and conditions.

Part-I

Principal amount of Rs. 64.907 million together with foreign exchange risk fee being partial accrued interest thereon of Rs. 15.843 million totalling Rs. 80.750 million.

Part-II (Future Interest)

Interest Accrued on Principal @ 10% per annum on the original principal loan amount of Rs. 64.907 million on reducing balance over a period of 84 months amounting to Rs. 22.988 million. The total restructured loan liability of Rs. 103.738 million entails remission/waiver of Rs. 68.435 million according to PICIC original claims of Rs. 172.173 million as on 31 -12-98. The remission/waiver will be allowed over the period and in proportion to the actual payment made by the Company.

REPAYMENTS

Part-I

Rs. 80.750 million shall be repaid in 84 equal monthly installments of Rs. 961310 each commencing from 15-04-99.

Part-II

Future interest shall be paid on the following alternatives:

If the defendant receive refund of Sales Tax of Rs. I\$0 million then the full amount of Rs. 22.988 million shall be .paid/adjusted by the defendant to the plaintiffs immediately thenceforth.

(b) In case the aforesaid Sales Tax of Rs. 150 million is not refunded to defendants within the end of this year then the defendants shall sell/dispose their office at Kashif Centre, Karachi at any price (which the defendants have assured to the plaintiff shall be in the region of Rs. 25 million) and the full amount of RS. 22.988 million shall be paid by the defendant to the plaintiff out of the aforesaid sale proceeds of the office by 30-06-2000.

(c) In case either of the above two options does not materialise then this amount of Rs. 22.988 million shall be paid by the defendants through their own sources in monthly installments of Rs. 96 I, 310/- payable from the month following immediately after payment of Rs. 80.7.50 million.

NDFC Loan**7.02**

The rate of interest is i I% and foreign exchange risk is 3% per annum, payable on the 15th day of March and 15th day of September each year. Total amount of foreign currency disbursed has since been fixed in Pak Rupee.

The above loan is repayable in sixteen half yearly installments, commencing from It March, 1993. Against this loan, the Company has regularly paid Rs. 0.5 million p.m. till March 1997, which NDFC has set-off against their markup dues.

The Company made several attempts to settle the loan under the S.B.P. Loans scheme, circular no. 19 dt. 05-06-97, under which the Company claims remission in markup, etc. The Company expected an amicable settlement. However, after the failure of the negotiations, it has filed a suit in Court of Law. Markup on markup has been deferred by the Company till the final decision of the courts. (See note I I)

		<i>1999</i>	<i>1998</i>
	<i>NOTES</i>	<i>(Rs.)</i>	<i>(Rs.)</i>
From Banks	8		
Cash Finance - Hypothecation	8.01	60,000,000	60,000,000
Cash Finance - Pledge	8.02	10,156,100	6,712,632
Running Finance	8.03	20,030,461	19,609,524
		-----	-----
		90,181,161	86,322,156
		=====	=====

8. FINANCES UNDER MARKUP ARRANGEMENTS - (SECURED)

From Banks	8		
Cash Finance - Hypothecation	8.01	60,000,000	60,000,000
Cash Finance - Pledge	8.02	10,156,100	6,712,632
Running Finance	8.03	20,030,461	19,609,524

90,181,161 86,322,156
=====

8.01 National Bank of Pakistan has sanctioned credit facility of Rs. 60.000 million for cash finance, Rs. 10.000 million for import L/C limit, Rs. 5.000 million for inland L/C limit and Rs. 5.000 million for guarantee Limit.

The above finance is secured by first charge against hypothecation of stock in trade, spares, book debts, current assets and personal guarantees of the directors of the company and risk sharing guarantee of BEL and NCB's. The validity of the facility has expired on 30-06-99, however, its further renewal is under negotiation. The rate of markup is Rs. 0.54 (1998 Rs. 0.54) per Rs. 1000 per day on daily product basis payable half yearly. A rebate of paisa 2 per Rs, 1000 per day on product basis is admissible on prompt payment basis.

8.02 National Bank of Pakistan has granted cash finance facility of Rs. 10 million against pledge of stock of finished goods. The above finance is secured against 50% margin of finished goods. The rate of markup is 54 paisa per Rs. 1000 per day on daily product basis payable half yearly.

A rebate of 2 paise per Rs 1000 per day on daily product basis is admissible if markup is paid on due date. The validity of this facility expired on June 30, 1999.

8.03 The Bank of Khyber has sanctioned credit facility of Rs. 20 million for cash finance, Rs. 10 million for import L/C Limit and Rs. 5 million for guarantee limit.

The above finance is secured by hypothecation of stocks, stores and spares of the Company. The rate of markup is Rs. 0.52 (1998 Rs. 0.52) per Rs. 1000 per day on daily product basis, payable quarterly. A rebate in markup @ 2% will be allowed on timely repayment.

The validity of the facility has expired on 30-04-99, however, since then it has been renewed for a full period of one year.

	<i>NOTES</i>	<i>1999</i> <i>(Rs.)</i>	<i>1998</i> <i>(Rs.)</i>
9. CURRENT PORTION OF LONG TERM LIABILITIES	9		
Redeemable Capital (Note No. 6)		9,500,000	22,093,000
Long Term Loans (Note No. 7)		41,395,854	51,214,208
		-----	-----
		50,895,854	73,307,208
		=====	=====
10. CREDITORS, ACCRUALS AND OTHER LIABILITIES	10		
Creditors		1,145,722	461,602
Accrued Liabilities		168,240	2,397,186
Other Liabilities		8,212,869	5,550,231
interest Accrued on secured Loans		35,618,529	36,924,206
Workers Profit Participation Fund		7,112,961	680,836
Taxation		1,560,283	774,069
		-----	-----
		47,488,604	46,788,130
		=====	=====
11. CONTINGENCIES AND COMMITMENTS	11		
Bank Guarantee to Sui Northern Gas security against Bill		1,915,000	1,915,000
Letters of Credit for Import of Raw Material and Spare Parts		10,849,829	13,526,244

SALES TAX

a. Collectorate of Sales Tax

Peshawar has r against the Company, alleging that this represents Sales Tax less paid by the Company to the department comparing the sales as shown by it in audited account for the year ended June 30, 1997. The Company has gone into appeal against this demand with the relevant Court of Law.

b. Since March 1995 till November, 1995 company stopped payment of Sales Tax after finding and decision of Honorable Wafaqi Mohtasib in favour of the company against the Sales Tax appeal as explained in Note No. 27. The department imposed complete embargo on the clearance of goods from the factory till payment of Rs. I 4,772,024/- in respect of principal amount of Sales Tax and Additional Sales

Tax. The company paid Rs. 7,502,925/- the principal amount of Sales Tax and appealed under Sales Tax Act 1990 for the waiver of Additional Sales Tax amounting to Rs. 7,269,099/-. The appeal is pending before the Tribunal, Islamabad Bench.

MARKUP

The Company is contingently liable for an amount of Rs. 36, 184,377/- in respect of deferred markup on markup and associated penalty uptill 30-06-99 in respect of NDFC.

12. FIXED CAPITAL EXPENDITURE AS ON 30-06-99

Note No. 12

PARTICULARS	Cost or Revaluation as at 1-7-98	Addition Deletion Adjustments	Cost or Revaluation Upto 30-6-99	Accumulated Depreciation as at 30-6-99	Net book Value at 30-6-99	Depreciation for the Year	Rate of Depreciation %
Leasehold Land	3,518,245	--	3,518,245	--	3,518,245	--	--
Buildings							
Factory on Leasehold Land	62,641,108	--	62,641,108	(41,659,546)	20,981,562	2,331,285	10
Office on Freehold Land	7,071,689	--	7,071,689	(2,238,790)	4,832,899	254,363	5
Plant & Machinery	405,068,257	--	405,068,257	(79,624,577)	325,443,680	26,935,361	6.6 to 10
Electrification	12,055,064	--	12,055,064	(5,034,259)	7,020,805	369,516	5
Casting Benches	1,796,000	--	1,796,000	(1,232,396)	563,604	62,623	10
Furniture & Fixture	2,255,108	30,264	2,285,372	(1,335,026)	950,346	104,150	10
Vehicles	6,862,974	--	6,862,974	(5,919,280)	943,694	235,924	20
Air-conditioners & Coolers	992,987	--	992,987	(513,317)	479,670	53,297	10
Office Equipments	2,526,350	223,470 (120,000)	2,629,820	(1,268,194)	1,410,767 49,141	151,291	19
Generators	430,000	--	430,000	(232,556)	197,444	21,938	10
Laboratory Ware	30,130	--	30,130	(24,193)	5,937	1,484	20
Other Assets	971,498	61,330	1,032,828	(481,777)	551,051	54,414	10
	-----	-----	-----	-----	-----	-----	
Rupees	506,219,410	315,064 (120,000)	506,414,474	(139,514,770)	366,899,704	30,575.65	
	=====	=====	=====	=====	=====	=====	
Total 1998 Rupees	506,685,974	6,284,768 (6,751,332)	506,219,410	(109,666,477) 678,212	397,231,145	30,351,648	
	=====	=====	=====	=====	=====	=====	

ALLOCATION OF DEPRECIATION

	1999 Rs.	1998 Rs.
Manufacturing	29,775,504	29,474,862
Admin	800,142	876,786
	-----	-----
	30,575,646	30,351,648
	=====	=====

NOTES

	1999 (Rs.)	1998 (Rs.)
--	-----------------------	-----------------------

13. LONG TERM DEPOSITS

Security Deposits	752,700	742,700
	=====	=====

14. STORES, SPARES AND LOOSE TOOLS - AT COST	14		
Stores		9,578,221	10,375,221
Spares		19,302,118	19,302,118
		-----	-----
		28,480,339	29,677,339
		=====	=====
15. STOCK IN TRADE - AT COST	15		
Local Raw Material		5,113,952	3,189,713
Imported Raw Material		23,583,532	31,754,459
Material in Transit		3,152,220	3,417,927
Packing Material		5,107,204	5,601,513
Fitting and Accessories		6,991,946	7,617,660
Work in Process		28,085,498	32,186,035
Finished Goods		87,055,002	63,074,733
		-----	-----
		159,089,354	146,842,040
		=====	=====
16. TRADE DEBTORS	16		
Considered Good		72,774,831	70,241,570
Considered Doubtful		5,739,876	4,739,876
		-----	-----
		78,514,707	74,981,446
Less: Provision for Doubtful Debts		5,739,876	4,739,876
		-----	-----
		72,774,831	70,241,570
		=====	=====
17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	17		
Suppliers		2,055,902	1,417,580
Contractors & Consultants		328,750	328,750
Due from Employees: For expenses		441,884	395,956
Advance against salaries		270,274	204,370
Sales Tax paid in Advance		6,122,095	7,981,405
Excise Duty paid in Advance		75,114	595,452
Insurance Claim	26	--	7,718,189
Duty & Taxes Refundable		627,869	3,095,769
Deposits & Advances		5,520,439	4,131,397
L/G Margin Deposits		605,250	605,250
Prepayments		4,571,997	4,024,661
Tax Deduction u/s 50		7,999,604	5,874,540
		-----	-----
		28,619,178	36,373,319
		=====	=====
		1999	1998
		(Rs.)	(Rs.)
18. CASH AND BANK BALANCES	18		
Cash in hand		374,660	150,386
Cash in Transit		8,895,136	4,080,000
Cash at Bank in current account		5,093,546	8,442,107
		-----	-----
		14,363,342	12,672,493
		=====	=====
19. SALES	19		
Tiles		172,032,917	147,493,798

Sanitary ware		57,735,660	57,151,659
		229,768,577	204,645,457
Less: Discount		47,658,916	27,198,539
Sales Tax		24,866,960	17,600,354
Excise Duty		--	8,496,775
		-----	-----
		157,242,701	151,349,789
		=====	=====

20. COST OF SALES

20

Raw Material Consumed	20.01	58,924,464	51,212,761
Mould Dyes & Consumable store		317,223	304,529
Gas & Electricity		22,730,049	20,806,107
Oil & Lubricants Consumed		4,041,174	3,093,945
Wages, Salaries & other benefits		12,802,398	11,512,948
Insurance		1,832,166	1,971,604
Repairs and Maintenance		5,686,395	4,702,642
Research & Development		24,899	89,601
Other Production expenses		654,152	484,528
Packing charges	20.02	3,970,442	3,631,626
Depreciation		29,775,504	29,474,862
		-----	-----
		140,758,866	127,285,153
Beginning Stock W.I.P. July Ist		32,186,035	31,109,703
		-----	-----
		172,944,901	158,394,856
Less: Closing Stock W.I.P June 30th		28,085,498	32,186,035
		-----	-----
		144,859,403	126,208,821
Add: Stock of Finished Goods July Ist		63,074,733	62,607,473
Consumption of fittings and accessories		3,016,452	2,144,126
		-----	-----
		210,950,588	190,960,420
Less: Stock of Finished Goods June 30th		87,055,002	63,074,733
		-----	-----
		123,895,586	127,885,687
		=====	=====

RAW MATERIAL CONSUMED

20.01

Opening			
Local		3,189,713	2,253,903
imported		31,754,459	26,493,954
		-----	-----
		34,944,172	28,747,857
Purchases			
Local		7,838,021	7,698,114
imported		44,839,755	49,710,962
		-----	-----
		52,677,776	57,409,076
		-----	-----
		87,621,948	86,156,933
Closing Stock			
Local		5,113,952	3,189,713
Imported		23,583,532	31,754,459
		-----	-----
		28,697,484	34,944,172
		-----	-----
		58,924,464	51,212,761

Packing Material	20.02		
Opening		5,601,513	5,545,764
Purchases		3,476,133	3,687,375
		-----	-----
		9,077,646	9,233,139
Closing Stock		5,107,204	5,601,513
		-----	-----
		3,970,442	3,631,626

21. ADMINISTRATION EXPENSES

21

Salaries, Allowances & Benefits		4,869,502	4,355,548
Rent, Rates and Taxes		561,420	576,672
Printing and Stationery		403,228	392,434
Postage, Telegrams, Telephones & Telex		2,400,890	2,390,915
Fee and Subscriptions		185,607	192,084
Travelling and Conveyance		475,366	397,044
Legal and Professional Charges		2,962,400	1,352,183
Electricity, Gas and Water Charges		689,806	675,662
Lease Rentals		243,837	228,785
Repairs & Maintenance		315,559	309,940
Motor Vehicle Expenses		1,598,388	1,455,189
General Expenses		755,861	475,642
Audit Fee		45,000	45,000
Provision for doubtful Debts		1,000,000	1,000,000
Charity & Donation (21. I)		9,450	33,095
Depreciation		800,142	876,786
		-----	-----
		17,316,456	14,756,979

NOTES**1999****(Rs.)****1998****(Rs.)****22. SELLING & DISTRIBUTION EXPENSES**

22

Salaries, Allowances & Benefits		3,771,917	3,502,837
Advertisements and Promotion		446,609	487,768
Travelling and Conveyance		462,183	441,281
Postage, Telephones, Telegrams & Telex		729,083	603,251
Motor Vehicle Expenses		1,519,635	948,124
Entertainment		175,019	203,574
Printing & Stationery		132,255	117,210
Rent, Rates & Taxes		1,138,675	747,414
Freight Cartage, etc.		5,303,645	4,182,264
Other Expenses		532,642	394,825
		-----	-----
		14,211,663	11,628,548

23. DISPOSAL OF FIXED ASSETS

23

DESCRIPTION	Original Cost	Accumulated Depreciation	W.D.V	Sale Proceed	(Loss) Profit	Modes of Disposal	Particular of Buyer
1998-99 Photo Copier	120,000	49,141	70,859	30,000	(40,859)	By Negotiation	International Business Product (Pvt) Ltd.

1997-98 Cars	930,400	678,212	252,181	727,800	475,612	Tender
	=====	=====	=====	=====	=====	

	<i>1999</i>	<i>1998</i>
<i>NOTES</i>	<i>(Rs.)</i>	<i>(Rs.)</i>

24. FINANCIAL CHARGES

24

Interest on long term loans	1,603,357	--
Markup on short Term Running Finance	16,657,722	15,590,244
Bank Charges	346,206	323,111
	-----	-----
	18,607,285	15,913,355
	=====	=====

25. TAXATION

25

Income Tax is fully paid upto assessment year 1997-98. Provision for future tax liability is not considered necessary as management expects that no liability will arise due to the current year loss incurred by the company.

26. PRIOR YEAR ADJUSTMENTS

26

Amount of remission of long term liability by BEL 26.01	32,819,822	--
Less: Insurance Claim Written off	(7,778,122)	--
	-----	-----
	25,041,700	--
	=====	=====

26.01 This represents the remission of accumulated loan liability during the period I st July 1988 to 30th June 1996 on Term Finance Certificate issued to BEL which has been restructured during the year as more fully explained in note no. 6

27. SALES TAX

27

Sales Tax has been paid under protest to the Sales tax and Excise department since 1988. The contention is that this should be exempted to the Company, vide SRO No. 529(I)/88 dt. 26th June, 1988, wherein the units which were setup between I st July, 1988 to 30th June, 1991 were exempted from payment of Sales Tax for a period of eight years. The company commenced its production from I July, 1988, and therefore qualifies for exemption under the above SRO. The amount of Sales Tax paid by the Company from I st July, 1988 to 30th June 1996 is Rs. 157.995 million. The Wafaqi Mohtasib has since decided the case in our favour. However, the related government department has filed an appeal before the President of Pakistan against the said order. The suit is subjudice in the Supreme Court of Pakistan.

28. CAPACITY

28

The installed production capacity of the plant is 3,000 tons for Sanitaryware and 500,000 Sqm. for Tiles. Actual capacities attained during the year in respect of Sanitaryware & Tiles were 1,209 tons & 512,652 Sqm. respectively ('1998 Sanitaryware I, 171 tons and Tiles 454,642 Sqm.)

29. Y2K

29

The company is taking effective measures to counter the problem of Y2K and is seeking assurances From third parties who are critical for its operations that they are taking necessary action to make their systems year 2000 compliant.

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

Managerial	Chief		Other		1999	1998
	Executive	Directors	Executives			
Remuneration	240,000	650,000	1,332,020	2,222,020	1,546,431	
House Rent	96,000	260,000	532,808	888,808	640,843	
Utilities	24,000	65,000	133,202	221,202	142,274	
Total 1999	360,000	975,000	1,998,030	3,332,030	2,329,548	
Total 1998	288,000	390,000	1,651,548	2,329,548	--	
No. of Persons						
1999	1	3	11	15	0	
1998	1	2	11		14	

In addition to the above, all the directors and executives are provided free use of Company cars as per their entitlement.

Aggregate amount charged in the accounts for fee to directors was Nil, (1998: Rs. Nil)

Previous year figures have been rearranged wherever necessary for the purpose of comparison.

Figures are rounded off to the nearest rupees.

ANSARULLAH KHAN

Chief Executive

ZAINAB IBRAHIM

Director

PATTERN OF SHAREHOLDING AS AT 30 JUNE, 1999

<i>Number of Share Holders</i>	<i>Share Holding</i>	<i>Total Shares Held</i>	
58	1	100	5,800
4,646	101	500	2,019,900
88	501	1,000	90,100
76	1,001	5,000	186,200
10	5,001	10,000	74,200
2	10,001	15,000	27,100
1	15,001	20,000	20,000
3	40,001	45,000	135,000
1	45,001	50,000	47,500
1	75,001	80,000	77,000
3	95,001	100,000	300,000
1	13,500	140,000	135,900
1	14,500	150,000	147,500
1	46,000	465,000	464,000
1	47,000	475,000	471,805
1	96,000	965,000	960,400
1	120,500	1,210,000	1,208,195
1	137,000	1,375,000	1,370,600
-----			-----
4,896			7,741,200
=====			=====

Categories of Share Holders	Number of		
	Share Held	Share Held	Percentage
Individuals	4,889	4,897,300	63.26
Investment Companies	1	135,900	1.75
Insurance Companies	2	200,000	2.59

Joint Stock Companies	1	1,370,600	17.70
Financial Institutions	3	1,137,400	14.70
Modaraba			
Foreign Investors			
Co-operative Societies			
Charitable Trusts			
Others			
	-----	-----	-----
	4,896	7,741,200	100.00
	=====	=====	=====