

## Frontier Ceramics Limited

Annual Report 2000

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### COMPANY INFORMATION

#### BOARD OF DIRECTORS

Mr. S.U. Durrani	Chairman
Mr. Shahid Mehmood (B.E.L.)	
Dr. Nadeem Inayat (N.D.EC.)	
Mr. Asadullah Khawaja (I.C.P.)	
Mr. Shamsul Hassan	Chief Executive
Mr. Ansarullah Khan	
Ms. Zainab Ibrahim	
Mr. Mohammad Fayyaz Khan	

#### 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, 812746 Fax: 92-91-812757

#### ZONAL OFFICES

PESHAWAR Industrial Estate, Jamrud Road, Peshawar  
Tel: 92-91-812360, 812746, 815202

RAWALPINDI 82-A, Satellite Town, Rawalpindi.  
Tel: 92-51-4410998 Fax: 92-51-4425523

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 Eighteenth Annual General Meeting of FRONTIER CERAMICS LIMITED will be held at Registered Office, on Saturday, December 23, 2000 at 9:00 a.m. to transact the following business:

1. To confirm the minutes of the Seventeenth Annual General Meeting held on December 27, 1999.
2. To receive, consider and approve the Audited Accounts together with the Directors & Auditors Reports for the year ended June 30, 2000.
3. To appoint Auditors for the year ending June 30, 200 I, and fix their remuneration.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

November 30, 2000

Company Secretary

### NOTES:

1. The Share Transfer Books of the Company will be closed from December 16 to December 23, 2000 (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. Forms of Proxy must be deposited at the Company's Registered Office not later than 48 hours before the meeting.
3. Members are requested to notify the company or the Share Registrar of the Company for any change in their address immediately.

## DIRECTOR'S REPORT

During the year under review, there has been wide and deep recession in the market, particularly in the construction industry, coupled with shutter down strikes, unchecked dumping of low value tiles and sanitary-ware by foreign manufacturers. This seriously damaged your company's competitive edge to achieve desired sales targets. The large reduction of cash flows forced the company to sell us products on high discount. Moreover payments amounting to Rs. 61,304 million to Banks and DFI's from July 1999 left very little for any improvement in the company use and sustenance. The entire cash generated was paid forwards DFI's & Banks which also resulted in closure of the factory due to shortage of funds for import of raw materials.

The company recorded a sales revenue of Rs. 163.601 million during the year as compared to Rs. 157.243 million in 1999. This was mainly due to the reduction in sales price. Finished goods inventory has been reduced by 10% from Rs. 87.055 million to Rs. 78.2 million. Financial expenses increased substantially from Rs. 18.607 million to Rs. 27.328 million in 2000. The net loss for the year was Rs. 20.934 million as summarised below:

#### APPROPRIATIONS

	<i>(Rs. in Million)</i>	
	<i>2000</i>	<i>1999</i>
Sales	163.601	157.243
Gross Profit	30.330	33.347
Less: Admin, Selling & Distribution Expenses	29.725	31.528
Operating Profit/(Loss)	0.605	1.819
Add: Other Income	6.814	0.970
	-----	-----
	7.419	2.789
Financial Expenses	27.328	18.607
Provision for Taxation	1.025	0.786
Profit/(Loss) for the Year	(20.934)	(16.604)
Prior Year Adjustment	(1.747)	25.04
Accumulated Loss Brought Forward	(43.859)	(52.297)
	-----	-----
Profit/(Loss) carried to Balance Sheet	(66.540)	(43.859)
	=====	=====

#### FUTURE OUTLOOK

In view of prevailing economic conditions and continued recession, we foresee that serious pressure will continue on the profitability of the company. However, efforts are being made to reduce expenses and improve the efficiency of the plant which has become essential due to continuous increase in energy costs and higher input costs.

#### DIVIDEND

In view of the current financial position of your company, the Directors are not recommending a dividend for the year 1999-2000.

#### ACKNOWLEDGEMENT

The Board acknowledges the devotion and hard work of the Company's staff during the year.

#### AUDITORS

The present Auditors, M/s. Rahim Jan & Co. Chartered Accountants have been providing auditing services to the Company since incorporation. The question of an acceptable change is proposed to be discussed.

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, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

(a) In our opinion proper books of accounts 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 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 object of the company.

(c) In our opinion and to the best of our information and according to the explanation given to us, balance sheet, profit and loss account, cash flow statements and statements of changes in equity together with notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by 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 30th June 2000 and the profit/loss, its cash flows and changes in equity for the year then ended; and

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

Dated: October 2000

**RAHIM JAN & COMPANY**  
Chartered Accountants

## **BALANCE SHEET AS AT JUNE 30, 2000**

<i>NOTES</i>	<i>2000</i>	<i>1999</i>
	<i>(Rs.)</i>	<i>(Rs.)</i>

**PROPERTY AND ASSETS**

Fixed Assets - at cost less depreciation	12	335,459,859	366,899,704
Long Term Deposits	13	105,750	752,700

**CURRENT ASSETS**

Stores, spares and loose tools - act cost	14	27,208,863	28,480,339
Stock in Trade - at cost	15	155,881,632	159,089,354
Trade Debtors	16	67,561,765	72,774,831
Advances, Deposits, Pre-payments & Other receivables	17	21,770,740	28,619,178
Cash and Bank Balances	18	11,852,645	14,363,342
		-----	-----
		284,275,645	303,327,044

**CURRENT LIABILITIES**

Finance under Mark-up Arrangements:	8	90,402,942	90,187,167
Current Portion of L/Term Loan Liabilities	9	46,402,134	50,895,854
Creditors, Accrual and other Liabilities	10	43,931,365	47,488,604
		-----	-----
		180,736,441	188,571,625
		-----	-----
Working Capital		103,539,204	114,755,419
		-----	-----
Total Assets		439,104,813	482,407,823
Less: Long Term Loans (PICIC / NDFC)	7	54,794,630	66,330,350
Long Term Loan BEL Consortium	6	47,470,713	51,000,000
Deferred Liabilities	5	42,041,258	47,598,997
		-----	-----
Net Assets		294,798,212	317,478,476
		=====	=====

**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		(66,539,564)	(43,859,300)
		-----	-----
		294,798,212	354,197,076
		=====	=====

Contingencies and Commitments 11

The annexed notes form an integral part of these accounts.

**ANSARULLAH KHAN**  
Chief Executive

**ZAINAB IBRAHIM**  
Director

**PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>NOTES</i>	<i>2000</i> <i>(Rs.)</i>	<i>1999</i> <i>(Rs.)</i>
Sales - Met	19	163,600,945	157,242,701
Cost of Sales	20	133,270,755	123,895,586

Gross Profit		30,330,190	33,347,115
<b>OPERATING EXPENSES</b>			
Administrative expenses	21	17,450,344	17,316,456
Selling and Distribution Expenses	22	12,275,055	14,211,663
		29,725,399	31,528,119
Operating Profit / (Loss)		604,791	1,818,996
Profit / (Loss) on Sale on fixed Assets	23	6,395,887	(40,859)
Profit on PLS Saving Account		400,489	,007,859
Other Income		18,138	3,098
		6,814,514	970,098
Financial Expenses	24	7,419,305	2,789,094
Taxation Current	25	27,327,713	18,607,285
		1,025,264	786,214
(Loss) for the year		(20,933,672)	(16,604,405)
Prior year adjustment	26	(1,746,592)	(25,041,700)
Accumulated Loss Brought Forward		(43,859,300)	(52,296,595)
Accumulated Loss Carried to Balance Sheet		(66,539,564)	(43,859,300)

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, 2000**

	<b>2000</b>	<b>1999</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
Cash collected from customers	168,814,011	154,709,440
Cash paid to suppliers	(103,816,370)	(94,120,082)
Administrative Expenses paid	(16,808,785)	(16,516,314)
Selling & Distribution expenses paid	(12,275,055)	(14,211,663)
Bank Charges paid	(640,523)	(346,206)
Other Income received	6,814,514	970,098
Decrease / (Increase) in pre-payments and other receivables	6,848,438	(23,981)
Increase/Decrease in accruals and other liabilities	(2,526,523)	(85,740)
(Decrease) / Increase in loan (net)	5,689,608	--
(Decrease) / Increase in finance under mark-up arrangements	215,775	3,865,011
Decrease / (Increase) in inventory	4,479,198	(11,050,314)
Cash generated from operation	56,794,288	23,190,249

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

Addition in fixed assets	(117,400)	(315,064)
Change due to sale of fixed assets	1,465,134	70,859
Long Term Deposits	646,950	(10,000)
	-----	-----
	1,994,684	(254,205)

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

Deferred Mark-up	(7,187,364)	--
Long Term Loan PICIC	(11,535,720)	--
NDFC	(4,272,000)	--
BEL & Consortium	(10,547,340)	(2,984,116)
Interest Expenses	(27,761,412)	(18,261,079)
	-----	-----
	(61,303,836)	(21,245,195)
Net- Increase/(Decrease) in Cash & Cash equivalent	(2,510,697)	1,690,849
Cash and Cash equivalent as at July 1 st	14,363,342	12,672,493
	-----	-----
Cash and Cash equivalent as June 30th	11,852,645	14,363,342
	=====	=====

**ANSARULLAH KHAN**  
Chief Executive

**ZAINAB IBRAHIM**  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2000**

	<i>Issued Subscribed and Paid-up Capital</i>	<i>Revaluation Reserve</i>	<i>Accumulated Profit / (Loss)</i>	<i>Total</i>
Balance at 30th June 1998	77,412,000.00	283,925,776.00	(52,296,595.00)	309,041,181.00
Issue of Shares Capital	--	--	--	--
Surplus on revaluation of Properties	--	--	--	--
Net profit/(loss) for the year	--	--	843,729,500	843,729,500
	-----	-----	-----	-----
Balance at 30th June 1999	77,412,000.00	283,925,776.00	(43,859,300.00)	317,478,476.00
Issue of Shares Capital	--	--	--	--
Surplus on revaluation of Properties	--	--	--	--
Net profit/(Loss) for the year	--	--	(22,680,264.00)	(22,680,264.00)
	-----	-----	-----	-----
Balance at 30th June 2000	77,412,000.00	283,925,776.00	(66,539,564.00)	294,798,212.00
	=====	=====	=====	=====

**ANSARULLAH KHAN**  
Chief Executive

**ZAINAB IBRAHIM**  
Director

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

### 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 Exchange in March 1992.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.01 Basis of Preparation of Financial Statements

These financial statement have been prepared in accordance with International Accounting standard as applicable in Pakistan, and under the historical cost convention a 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 ad Loose Tools	At average cost
Raw & Packing Materials	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>2000</i> <i>(Rs.)</i>	<i>1999</i> <i>(Rs.)</i>
<b>SHARE CAPITAL</b>			
AUTHORISED			
8,000,000 Ordinary Shares 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
		=====	=====
<b>SURPLUS ON REVALUATION</b>			
<b>OF FIXED ASSETS</b>			
	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 approve 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).			
<b>DEFERRED LIABILITIES</b>			
	5		
a. Remission/Waiver of PICIC Mark-up loan restructured		45,995,640	45,995,640
Less: Remission / Waiver adjusted		6,814,172	--
		-----	-----
		39,181,468	45,995,640
b. Add: Deferred Mark-up		7,437,260	1,603,357
Add: Profit on sales proceed of Kashif Centre paid from 03-03-2000 to 30-06-2000		116,615	--
		-----	-----
		7,553,875	1,603,357
Less: Payment		6,970,803	--
		-----	-----
Deferred Mark-up o/s PICIC		583,072	--
		-----	-----
c. Deferred Mark-up o/s BEL		2,493,279	--
Less: Payment to MCB		216,561	--
		-----	-----
Deferred Mark-up o/s BEL Consortium		2,276,718	1,603,357
		-----	-----
Total (b + c)		2,859,790	1,603,357
		-----	-----
		42,041,258	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.

Future mark-up of the restructured loan @ 10% p.a. on the principal amount on reducing balance over a period 84 months shall be payable on any of the first available options as noted below:

1. If the Company receive refund of Sales Tax of Rs. 150 million then the full amount shall be paid by the

company.

2. In case the Sales Tax is not refunded to the company within the end of this year then the company shall sell/dispose their office at Kashif Centre, Karachi and full amount shall be paid by the company out of the sales proceed of the office by 30-06-2000.

3. In case either of the above two options not materialise then the amount shall be paid by the company from the month following immediately after payment of restructured loan.

4. BEL, HBL, UBL, MCB has approved loan restructuring while NBP & ABL has not yet issued approval letter. However, markup has been provided on the basis of other consortium members.

5. Restructuring of loan with NDFC is under negotiation.

6. Payment made to PICIC from the sale proceed of Kashif Centre.

#### BEL CONSORTIUM LOANS

#### NOTE

	6	BEL	NBP	HBL	UBL	MCB	ABL	2000	1999
Redeemable Capital Restructured/ Rescheduled into loan (Secured)		33,788,201	8,635,363	9,243,145	7,298,769	5,214,108	3,116,747	67,296,333	60,500,000
Paid during the year		4,214,225	1,295,304	1,820,841	1,702,722	1,068,936	445,312	10,547,340	--
		-----	-----	-----	-----	-----	-----	-----	-----
		29,573,976	7,340,059	7,422,304	5,596,047	4,145,172	2,671,435	56,748,993	60,500,000
<b>Current Portion of Loan Liabilities</b>									
Overdues		--	524,286	--	--	--	190,818	715,104	--
Current Maturity		4,492,428	1,048,572	1,141,896	860,928	637,716	381,636	8,563,176	--
		-----	-----	-----	-----	-----	-----	-----	-----
		4,492,428	1,572,858	1,141,896	860,928	637,716	572,454	9,278,280	9,500,000
		-----	-----	-----	-----	-----	-----	-----	-----
		25,081,548	5,767,201	6,280,408	4,735,119	3,507,456	2,098,981	47,470,713	51,000,000
		=====	=====	=====	=====	=====	=====	=====	=====

All the BEL led consortium members approved restructuring proposal from 1st Jan - 2000 on the basis mentioned here under:

1. Outstanding principal amount and 20% of the outstanding mark-up be restructured and merged into single loan and will be payable in 84 equal monthly installments commencing from January 2000.

2. Future mark-up to be accrued @ 10% p.a. on the outstanding principal loan amount on a reducing balances over a period of 84 months shall be payable on any of the first available options as noted below:

From the refund of sales tax of Rs. 150 million or from the sales of Kashif Centre premises or on completion of the 84 monthly installments, the same installments to be continued to pay off the said interest.

3. The restructured / rescheduled loans are secured by first charge already created on the fixed assets of the company both moveable and immovable floating charge and hypothecation of all other assets i.e. book debt and other current assets present and future ranking pari passu with NDFC, PICIC.

4. In lieu of personal guarantee of the directors, 84 post dated cheques would be issued to all the consortium members.

5. BEL, HBL, UBL and MCB approved restructuring / rescheduling whereas NBP & ABL rescheduling has not yet been finalised. The amount of NBP and ABL as stated above determined on the basis of other consortium members.

	<i>NOTES</i>	<i>2000</i> <i>(Rs.)</i>	<i>1999</i> <i>(Rs.)</i>
<b>LONG TERM LOANS (SECURED)</b>	<b>7</b>		
<b>Foreign Currency</b>			
Pakistan Industrial Credit & Investment Corporation	7.01	77,866,070	128,449,183
Transferred to Deferred Liabilities (See Note No. 5)		--	(47,699,183)
		-----	-----
		77,866,070	80,750,000
Less: Paid during the year		11,535,720	2,883,930
		-----	-----
National Development Finance Corporation	7.02	29,860,134	29,860,134
Less: Paid during the year		4,272,000	--
		-----	-----
		25,588,134	29,860,134
		-----	-----
		91,918,484	107,726,204
Less: Transfer to current maturity			
PICIC		11,535,720	11,535,720
NDFC		25,588,134	29,860,134
		-----	-----
		37,123,854	41,395,854
		-----	-----
		54,794,630	66,330,350
		=====	=====

**PICIC Loan** 7.01  
PICIC has extended a restructuring/rescheduling facility to the company through consent decree in the Sindh High Court on June 8, 1999 on the basis of following terms and conditions.

**Part-I**

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

**Part-II (Future Interest)**

Interest Accrued on Principal c~ 10% p.a. 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 - 12-1998. The remission/waiver will be allowed over the period and in proportion of the actual payment made by the company.

**REPAYMENTS**

**Part-I**

Rs. 80,750 million shall be repaid in 84 equal monthly installments of Rs. 961,310/- each commencing from 15-04-1999.

**Part-II**

Future interest shall be paid on the following alternatives:

(a) If the company receive refund of Sales Tax of Rs. 150 million then the full amount of Rs. 22.988 million shall be paid/adjusted by the company to PICIC immediately henceforth.

(b) In case the aforesaid sales tax of Rs. 150 million is not refunded to the company within the end of this year 30-06-2000 then the company shall sell/dispose their office at Kashif Centre Karachi at any price (which the company have assured to PICIC shall be in the region of Rs. 25 million) and the full amount of Rs. 22.988 million shall be paid by the company to the PICIC out of the aforesaid sale proceeds to 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 company through their own sources in monthly installments of Rs. 961,310/- from the month following immediately after payment of Rs. 80.750 million.

The restructured/rescheduled loans are secured by a first charge already created on the fixed assets of the company both moveable and immoveable floating charge and hypothecation of all other assets i.e. book debts and other current assets, present and future ranking pari passu with NDFC & BEL Syndicate.

#### **NDFC Loan** 7.02

The rate of interest is 11% 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 1st 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 mark-up dues and Rs. 4.272 paid during the year commencing July I, 1999 to June 30, 2000 on the basis of liabilities settled with PICIC. Inspire of this no positive response from NDFC has yet been received. The Company also 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 mark-up, etc. The company expected an amicable settlement. However, after the failure of the negotiations, it has filed a suit in Court of law. Mark-up on mark-up has been deferred by the Company till the final decision of the courts. The loan are secured by first pari passu charge with NDFC & BEL Syndicate on the fixed assets of the company both moveable & immoveable, floating charge and hypothecation of all other assets i.e. book debts and another current assets, present and future.

	<i>NOTES</i>	<i>2000</i> <i>(Rs.)</i>	<i>1999</i> <i>(Rs.)</i>
<b>FINANCES UNDER MARK-UP ARRANGEMENTS - (SECURED)</b>			
From Banks	8	60,000,000	60,000,000
Cash Finance - Hypothecation	8.01	10,410,496	10,156,700
Cash Finance - Pledge	8.02	19,992,446	20,030,467
		-----	-----
Running Finance	8.03	90,402,942	90,187,167
		=====	=====

8.01 National Bank of Pakistan has sanctioned credit facility of Rs. 60.00 million for cash finance, Rs. 10.00 for import of L/C limit, Rs. 5.00 million for inland L/C limit and Rs. 5.00 million for guarantee limit. The above finance is secured by first charge against hypothecation of stock in trade, spares book debts, current asset 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 process. The rate of mark-up is Rs. 0.54 (I 999 Rs. 0.54) per 1000 per day on daily product basis payable half yearly. A rebate of paisa 2 per 1000 per day on product basis is available 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

mark-up is 54 paise per Rs. 1000 per day on daily product basis payable half yearly.

A rebate of 2 paise per Rs. 1000 per day on daily products basis is admissible if mark-up is paid on due date. The validity of this facility has been renewed upto June 30, 2000.

8.03 The Bank of Khyber has sanctioned credit facility of Rs. 20 million for cash finance, Rs. 10 million for import of 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 mark-up is Rs. 0.52 (1999 Rs. 0.52) per 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 been renewed for a full period of one year ending 30-04-2000.

	<i>NOTES</i>	<i>2000</i> <i>(Rs.)</i>	<i>1999</i> <i>(Rs.)</i>
<b>CURRENT PORTION OF LONG TERM LIABILITIES</b>	9		
Redeemable Capital (Note No. 6)		9,278,280	9,500,000
Long Term Loans (Note No. 7)		37,123,854	41,395,854
		-----	-----
		46,402,134	50,895,854
 <b>CREDITORS, ACCRUALS AND OTHER LIABILITIES</b>	10		
Creditors		2,790,353	1,145,722
Accrued Liabilities		370,375	168,240
Other Liabilities		3,770,182	8,212,869
Interest Accrue on Secured Loans		34,544,307	35,618,529
Workers Profit Participation Fund		852,659	782,961
Taxation		1,603,789	1,560,283
		-----	-----
		43,931,665	47,488,604
 <b>CONTINGENCIES AND COMMITMENTS</b>	11		
Bank Guarantee to Sui Northern Gas security against bill		4,097,000	,915,000
Letters of Credit for Import of Raw Material and Spare Parts		4,989,000	10,849,829

#### **SALES TAX**

Since March 1995 till November 1995 company stopped payment of Sales Tax after finding and decision of Honourable Wafaqi Mohtasib in favour of the company against our Sales Tax appeal as explained in Notes No. 27. The department imposed complete embargo on the clearance of goods from the factory till payment of Rs. 14,772,024/- 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 lying pending before the Tribunal Islamabad Bench.

#### **MARK UP**

The Company is contingently liable for an amount of RS. 94.23 million in respect of deferred mark-up on

mark-up and associated penalty. CD, CD mark-up on mark, Admin charges for equity participation and opportunity cost uptill 30-06-2000 in respect of NDFC.

### FIXED CAPITAL EXPENDITURE AS ON 30-06-2000

#### Note No. 12

<b>PARTICULARS</b>	<b>Cost or Revaluation as at 1-7-99</b>	<b>Addition Deletion Adjustments</b>	<b>Cost or Revaluation upto 30-6-00</b>	<b>Accumulated Depreciation as at 30-6-00</b>	<b>Net Book Value at 30-6-00</b>	<b>Depreciation for the Year</b>	<b>Rate of Depreciation %</b>
Leasehold Land	3,518,245	--	3,518,245	--	3,518,245	--	
Buildings							
Factory on Leasehold Land	62,641,108	--	62,641,108	(43,757,702)	18,883,406	(2,098,156)	10
office on Freehold Land	7,071,689	(2,422,804)	4,648,885	(2,411,834)	3,287,840	(173,044)	5
				1,050,789			
Plant & Machinery	399,160,725	--	399,160,725	(105,378,432)	293,782,293	(26,344,608)	6.6
Plant & Machinery	5,907,532	--	5,907,532	(1,122,431)	4,785,101	(531,678)	10
Electrification	12,055,064	--	12,055,064	(5,385,29)	6,669,765	(351,040)	5
Casting Benches	1,796,000	--	1,796,000	(1,288,756)	507,244	(56,360)	10
Furniture & Fixture	2,285,372	--	2,285,372	(1,430,061)	855,311	(95,035)	10
Vehicles	6,862,974	(1,059,749)	5,803,225	(6,089,395)	680,460	(170,115)	20
				966,630			
Airconditioners & Coolers	992,987	36,450	1,029,437	(564,929)	464,508	(51,612)	10
Office Equipments	2,629,820	75,000	2,687,570	(1,366,713)	1,328,940	(147,660)	10
		(17,250)					
Generators	430,000	--	430,000	(252,300)	177,700	(19,744)	10
Laboratory Ware	30,130	--	30,130	(25,380)	4,750	(1,187)	20
Other Assets	1,032,828	18,950	1,051,778	(537,482)	514,296	(55,705)	10
	-----	-----	-----	-----	-----	-----	
Rupees	506,414,474	130,400	503,045,071	( 169,610,714)	335,459,859	(30,095,944)	
		(3,499,803)		2,025,502			
	=====	=====	=====	=====	=====	=====	
Total 1999 Rupees	506,219,410	315,064	506,414,474	( 139,514,770)	366,899,704	305,575,646	
	=====	=====	=====	=====	=====	=====	
		(120,000)					

#### Allocation of Depreciation

	<b>2000 Rs.</b>	<b>1999 Rs.</b>
Manufacturing	29,454,385	29,775,504
Admin	641,559	800,142
	-----	-----
	30,095,944	30,575,845
	=====	=====

#### NOTES

#### LONG TERM DEPOSITS

	<b>2000 (Rs.)</b>	<b>1999 (Rs.)</b>
Security Deposits	13	
	105,750	752,700
	=====	=====

**STORES, SPARES AND LOOSE****TOOLS - AT COST**

	14		
Stores		9,467,768	9,578,221
Spares		17,741,095	18,902,118
		-----	-----
		27,208,863	28,480,339
		=====	=====

**STOCK IN TRADE - .AT COST**

	15		
Local Raw Material		6,334,898	5,113,952
Imported Raw Material		22,431,388	23,583,532
Material in Transit		--	3,152,220
Packing Material		4,876,074	5,107,204
Fitting and Accessories		6,129,158	6,991,946
Work in Process		37,440,248	28,085,498
Finished Goods		78,669,866	87,055,002
		-----	-----
		155,881,632	159,089,354
		=====	=====

**TRADE DEBTORS**

	16		
Considered Goods		67,561,765	72,774,831
Considered Doubtful		6,739,875	5,739,876
		-----	-----
		74,301,640	78,514,707
Less: Provision for Doubtful Debts		6,739,875	5,739,876
		-----	-----
		76,561,765	72,774,831
		=====	=====

**ADVANCES, DEPOSITS, PREPAYMENTS  
AND OTHER RECEIVABLES**

	17		
Supplies		2,448,961	2,055,905
Contractors & Consultants		328,750	328,750
Due from Employees: for Expenses		393,977	441,884
Advance against Salaries		488,791	270,274
Sales Tax paid in Advance		6,122,095	6,122,095
Excise Duty paid in Advance		75,114	75,114
Duty & Taxes Refundable		627,869	627,869
Deposits & Advances		312,833	5,520,439
L/G Margin Deposits		1,018,250	605,250
Prepayments		2,581,571	4,571,997
Tax Deduction u/s 50		7,372,529	7,999,604
		-----	-----
		21,770,740	28,619,178
		=====	=====

**CASH AND BANK BALANCES**

	18		
Cash in Hand		388,000	374,660
Cash in Transit		8,240,948	8,895,136
Cash at Bank in Current Account		3,223,697	5,093,516
		-----	-----
		11,852,645	14,363,342
		=====	=====

**SALES**

	19		
Tiles		150,169,493	135,223,674

Sanitary ware		35,140,768	46,885,987
		-----	-----
Less: Sales Tax		185,310,261	182,109,661
Excise duty		21,709,316	24,866,960
		--	--
		-----	-----
		163,600,945	157,242,701
		=====	=====
<b>COST OF SALES</b>	20		
Raw Material Consumed	20.01	53,018,141	58,924,464
Mould dyes & Consumable store		361,579	317,223
Gas & Electricity		24,220,034	22,730,049
Oil & Lubricants Consumed		967,046	4,041,174
Wages, salaries & Other Benefits		12,437,789	12,802,398
Insurance		1,929,924	1,832,166
Repairs and Maintenance		5,528,920	5,686,395
Research & Development		31,650	24,899
Other Production Expenses		657,372	654,152
Packing Charges	20.02	3,71 1,547	3,970,442
Depreciation		29,454,385	29,775,504
		-----	-----
		132,318,387	140,758,866
Beginning Stock W.I.P. July 1st		28,085,498	32,186,035
		-----	-----
		160,403,885	172,944,901
Less: Closing Stock W.I.P. July 30th		37,440,248	28,085,498
		-----	-----
		122,963,637	144,859,403
Add: Stock of Finished Goods July 1st		87,055,002	63,074,733
Consumption of fittings and accessories		1,921,982	3,016,452
		-----	-----
		211,940,621	210,950,588
Less: Stock of Finished Goods June 30th		78,669,866	87,055,002
		-----	-----
		133,270,755	123,895,586
		=====	=====
<b>RAW MATERIAL CONSUMED</b>	20.01		
<b>Opening</b>			
Local		5,113,952	3,189,713
Imported		23,583,532	31,754,459
		-----	-----
		28,697,484	34,944,172
		-----	-----
<b>Purchases</b>			
Local		6,525,343	7,838,021
Imported		46,561,600	44,839,755
		-----	-----
		53,086,943	52,677,776
		-----	-----
		81,784,427	87,621,948
<b>Closing Stock</b>			



Local	6,334,898	5,113,952
Imported	22,431,388	23,583,532
	-----	-----
	28,766,286	28,697,484
	-----	-----

**Raw Material Consumed**

Local	5,304,397	5,913,782
Imported	47,713,744	53,010,682
	-----	-----
	53,018,141	58,924,464
	-----	-----

**Packing Material**

20.02

Opening	5,107,204	5,601,513
Purchases	3,480,417	3,476,133
	-----	-----
	8,587,621	9,077,646
Closing Stock	4,876,074	5,107,204
	-----	-----
	3,711,547	3,970,442
	=====	=====

**ADMINISTRATION EXPENSES**

21

Salaries, Allowance & Benefits	5,656,524	4,869,502
Rent, Rates and Taxes	511,266	561,420
Printing and Stationery	311,863	403,228
Postage, Telegrams, Telephones & Telex	2,001,563	2,400,890
Fee and Subscriptions	115,878	185,607
Travelling and Conveyance	581,018	475,366
Legal and Professional Charges	3,209,546	2,962,400
Electricity, Gas and Water Charges	710,413	689,806
Lease Rentals	41,925	243,837
Repairs & Maintenance	291,170	315,559
Motor Vehicle Expenses	1,728,135	1,598,388
General Expenses	581,511	755,861
Audit Fee	45,000	45,000
Provision for Doubtful Debts	1,000,000	1,000,000
Charity & Donation (2 I. I)	22.97	9,450
Depreciation	641,559	800,142
	-----	-----
	17,450,344	17,316,456
	=====	=====

(21.1) Directors and their spouses have no interest in organisations who received donations.

**SELLING & DISTRIBUTION EXPENSES**

22

Salaries, Allowances & Benefits	4,038,541	3,771,917
Advertisements and Promotion	282,391	446,609
Travelling and Conveyance	452,999	462,183
Postage, Telephones, Telegrams & Telex	651,731	729,083
Motor Vehicle Expenses	2,055,089	1,519,635
Entertainment	220,536	175,019
Printing & Stationary	70,053	132,255

Rent, Rates & Taxes	1,221,188	1,138,675
Freight Cartage, etc.	2,912,491	5,303,645
Other Expenses	370,036	532,642
	-----	-----
	12,275,055	14,211,663
	=====	=====

<b>DISPOSAL OF FIXED ASSETS</b>		<b>NOTE</b>						
		23						
<b>DESCRIPTION</b>	<b>Mode of Disposal</b>	<b>Particular of Buyer</b>	<b>Original Cost</b>	<b>Accumulated Depreciation</b>	<b>W.D.V.</b>	<b>Sale Proceed</b>	<b>2000 Profit (Loss)</b>	<b>1999</b>
Mercedes Benz	Through agreement	Bilal Ahmed Rawalpindi	534,749	498,001	36,748	425,000	388,252	--
Toyota Crown Saloon	Through agreement	R. Naveed Nawaz Rawalpindi	525,000	468,629	56,371	370,000	313,629	--
Building Kashif Centre	Through agreement	Khozema s/o Hussain Karachi	2,422,804	1,050,789	1,372,015	7,070,188	5,698,173	--
Fax Machine	By Negotiation	Shirazi Trd. Company	17,250	8,083	9,167	5,000	(4,167)	--
			-----	-----	-----	-----	-----	-----
			3,499,803	2,025,502	1,474,301	7,870,188	6,395,887	--
			=====	=====	=====	=====	=====	=====
Photocopier	By Negotiation	I. Business Prod. (Pvt) Ltd.	120,000	49,141	70,859	30,000		(40,859)
			=====	=====	=====	=====	=====	=====

<b>FINANCIAL CHARGES</b>	<b>NOTES</b>	<b>2000 (Rs.)</b>	<b>1999 (Rs.)</b>
	24		
Interest on Long Term Loans		9,239,180	1,603,357
Mark-up on Short Term Running Finance		17,378,312	16,657,722
Bank Charges		640,523	346,206
Mark-up W. RR		69,698	--
		-----	-----
		27,327,713	18,607,285
		=====	=====

**TAXATION** 25  
Income Tax is fully paid upto assessment year 1998-99. 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.

<b>PRIOR YEAR ADJUSTMENTS</b>	26		
Water charges relating to Kashif Centre Karachi for the period 01-07-1994 to 30-06-1999		(1,746,592)	--

Amount of remission of long term liability by BEL	--	32,819,822
Less: Insurance Claim Written off	--	(7,778,122)
	-----	-----
	(1,746,592)	25,041,700
	=====	=====

**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 1st July, 1988 to 30th Jun, 1991 were exempted from payment of Sales Tax for a period of eight years. The company commenced its production from 1st July, 1988, and therefore qualifies for exemption under the above SRO. The amount of Sales Tax paid by the Company from 1st 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 Pakistan against the said order. The suit is subjudice in the Supreme Court of Pakistan.

**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 949 tons and 470,909 Sqm. respectively ( 1999 Sanitaryware 1,209 tons and Tiles 512,652 Sqm.)

**REMUNERATION OF DIRECTORS AND EXECUTIVES**

<b>Managerial</b>	<i>Chief</i>		<i>Other</i>		<b>2000</b>	<b>1999</b>
	<i>Executive</i>	<i>Directors</i>	<i>Executive</i>			
Remuneration	400,000	1,012,000	1,400,000		2,812,000	2,222,020
House Rent	160,000	404,800	560,000		1,124,800	888,808
Utilities	40,000	101,200	140,000		281,200	221,202
	-----	-----	-----		-----	-----
<b>Total 2000</b>	600,000	1,518,000	2,100,000		4,218,000	--
	=====	=====	=====		=====	=====
Total 1999	360,000	975,000	1,998,030		--	3,332,030
	=====	=====	=====		=====	=====
<b>No. of Persons</b>						
2000	1	4	11		16	0
1999	1	3	11		--	15

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, (1999: 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 AT 30 JUNE, 2000***Number of**Share Holders Shareholding**Total Shares Held*

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	135,001	140,000	135,900
1	145,001	150,000	147,500
1	460,001	465,000	464,000
1	470,001	475,000	471,805
1	960,001	965,000	960,400
1	1,205,001	1,210,000	1,208,195
1	1,370,001	1,375,000	1,370,600
-----	-----	-----	-----
4,896			7,741,200
=====	=====	=====	=====

**Categories of**

	<i>Number of Share Holders</i>	<i>Share Held</i>	<i>Percentage</i>
Individuals	4,889	4,897,300	6.326
Investment Companies	1	135,900	1.75
Insurance Companies	2	200,000	2.59
Joint Stock Companies	1	1,370,600	1.770
Financial Institutions	3	1,137,400	14.70
Modaraba			
Foreign Investors			
Co-operative Societies			
Charitable Trusts			
Others			
	-----	-----	-----
	4,896	7,741,200	10,000
	=====	=====	=====