

FRONTIER CERAMICS LIMITED

Annual Reports 2003

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BOARD OF DIRECTORS

Mr. S.U. Durrani	Chairman
Maj. Gen. (R) Jehanzeb Khan	
Mr. Shamsul Hassan	Chief Executive
Mr. M. Fayyaz Khan	
Mr. Rab Nawaz	
Mr. Muhammad Iqbal	
Mr. Hukam Khan Badshah	

Company Secretary & Chief Financial Officer

Mr. Rab Nawaz

BANKERS

National Bank of Pakistan

United Bank Limited

The Bank of Khyber

Bank Al-Habib

AUDITORS

Messrs Muqtadir Mushtaq & Co. Chartered Accountants.

LEGAL ADVISOR

Col. (Rtd) Nazirullah Qazi Advocate

REGISTRAR AND SHARE TRANSFER OFFICE

Saeed Methani Mushtaq & Co. Chartered Accountants, Suite # 23C,Block B,
2nd Floor, Cantonment Plaza, Fakhr-e-Alam Road, Peshawar Carrrt.

HEAD OFFICE / REGISTERED OFFICE

29, Industrial Estate, Jamrud Road, Peshawar, N.W.F.P.

Tel: 92-91 -812360, 812746 Fax: 92-91 -812757

ZONAL OFFICES

PESHAWAR 29-Industrial Estate, Jamrud Road, Peshawar
Tel: 92-9 1-8 12360, 812746

RAWALPINDI 82-A, Satellite Town Rawalpindi.
Tel: 92-5 1 -44 1 0998 Fax: 92-5 1 -4425523

KARACHI 1* Floor, Kashif Centre,
Shahra-e-Faisal, Karachi.
Tel: 92-2 1-5673006

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty First Annual General Meeting of Frontier Ceramics Limited will be held at its registered office, 29-Industrial Estate, Jamrud Road, Peshawar on Thursday .October 30, 2003, at 09:00 a.m. to transact the following business:

1. To confirm minutes of the Twentieth Annual General Meeting of the Company held on Octobers 1,2002.
2. To receive, consider and approve the Audited Accounts together with the Directors' and Auditors' Reports for the year endedjune 30,2003.
3. To appoint Auditors of the Company for the year ending 2003-200-4 and fix their remuneration. The present auditors Messrs Muqtadir Mushtaq & Co. Chartered Accountants are retiring.

The Company has received notices from Shareholders under Section 253 of the Companies Ordinance 1984, proposing the name of Messre Saeed Methani Mushtaq & Co., Chartered Accountants,23-C,Block-B, 2nd Floor, Cantonment Plaza, Fakhr-e-Alam Road, Peshawar, for the appointment as auditors of Frontier Ceramics Ltd for the year 2003-2004, which has recommended by the Audit Committee in its meeting held on September 18,2003.

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

BY ORDER OF THE BOARD

September 30, 2003

(Company Secretary)

NOTES:

1. The Register of Members of the Company will remain closed from October 21,2003 to October 31,2003 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf. Proxy Forms must reach the Company's Registered Office, at-least48 hours before the meeting.
3. Shareholders who have deposited their shares into Central Depository Company of Pakistan Limited, must bring their original National Identity Card (NIC) at the time of attending the meeting.

4. In case of Corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

5. Members are requested to notify the Company or Registrar of the Company, Messrs Saeed Methani Mushtaq & Co., Chartered Accountants, Suite No. 23-C, 2nd Floor, Block-B, Cantonment Plaza, Fakh-e-Alam Road Peshawar, for any change in their mailing address.

DIRECTORS' REPORT

The Board of Directors is pleased to present the 21st Annual Report alongwith the Audited Accounts for the year ended June 30, 2003.

Gross sales of the Company for the year under review, was Rs. 144.330 million. The desired results could not be achieved due to interruption of gas supply to the project in the months of December 2002, January, February and April 2003, which seriously upset the production in these months. The capacity of the newly installed Roller Kiln could not be utilized due to Gas supply problems. Additionally, revenue from sales of Tiles was also reduce due to intense competition in the market and dumping of under-invoiced imported tiles, which are available in the market at exceptionally low rates. This has seriously affected your Company's ability to achieve the desired production/sales targets. These conditions forced the Company to sell its products on a heavy discount and incentives given to distributors for promoting the Company's sales.

FINANCIAL SUMMARY

(Rs. In Million)

Sales	114.007
Gross Profit	26.57
Less: Admin and Selling Expenses	28.265
Operating Profit/(Loss)	(1.694)
Add: Other Income	1.809
	0.115
Less: Financial Expenses	(6.440)
Provision for Taxation	(0.982)
Loss after Taxation	(7.308)
Prior year Adjustment	0.097
Accumulated Profit/(Loss) brought forward	(71.689)
Adjustment of incremental	
Depreciation out of Revaluation of Fixed Assets	79.253
Profit/(Loss) carried over to Balance Sheet	0.354

DIVIDEND

In view of the current financial position of your Company, the Directors are not recommending a Dividend for the year under review.

FUTURE OUTLOOK

Under the prevailing market conditions, we foresee a tremendous pressure on the selling prices of products viz-a-viz our profitability. To overcome this problem efforts are being made to reduce the cost of production and improve the efficiency of the plant, which has become inevitable due to continuous increases in the

energy and other input costs of production.

The steps announced by the Government of Pakistan to encourage investments in the Housing Sector and new demands from Afghanistan should auger well for your Company's sales efforts.

The Company will explore new avenues for enhancing the sales volume and to make it a profitable venture in spite of immense pressure for reduction in Custom Tariff on imported tiles under the WTO Regime, which will encourage dumping of imported tiles in the local market.

To meet the challenges of our times, the Company is planning to restart the production of Sanitary-ware alongwith other activities in collaboration with Foreign manufacturers. Further high value tiles will be produced on the Roller Kiln, which is an energy saving equipment. Serious efforts are also being made to induct energy saving machinery/equipment under BMR to enable the Company to produce at competitive rates, by increasing efficiency levels and reducing our energy costs.

CORPORATE GOVERNANCE

In compliance of the Code of Corporate Governance we give below a statement in accordance with the Financial and Corporate Reporting framework:

- a) The financial statement, prepared by the management of the Company present fairly its state of affairs, the results of operation, cash flow statement and statement of changes in equity.
- b) Proper books of accounts have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure Therefrom has been adequately disclosed.
- e) The existing system of internal control and other procedures is being continuously reviewed by the internal auditor. The process of review will continue and any weakness in controls will have immediate attention of the management.
- f) There is no significant doubt about the company's ability to continue as a going concern.
- g) There has been no material departure from the best practice of corporate governance, as detailed in the listing regulations.
- h) Key operating and financial data for the last six years in summarized form is annexed.

AUDITORS

The present Auditors Messrs Muqtadir Mushtaq & Co. Chartered Accountants retired and are not eligible for reappointment as per Circular No. 19 dated 27-12-2002 issued by the Securities & Exchange Commission of Pakistan.

In compliance of the Code of Corporate Governance, the Audit Committee has on the request of the members, recommended the appointment of Messrs Saeed Methani Mushtaq & Co., Chartered Accountants, 23-C, Block-B, 2nd Floor, Cantonment Plaza, Fakhre Alam Road Peshawar, as Auditors of the Company for the year 2003-04.

MEETING OF THE BOARD OF DIRECTORS

During the year five (5) meetings of the Board of Directors were held, which were attended by the Directors as mentioned below:

Name of Directors	No. Of Meetings attended
Mr. Shakirullah Durrani	4
Maj. Gen (R) Jehanzeb Khan	4
Mr. Muhammad Ayub	4
Mr. Shahid Mehboob	4
Mr. Shamsul Hassan	5
Mr. M. Fayyaz Khan	4
Mr. Azhar Amin	2
Mr. Rab Nawaz	2

PATTERN OF SHAREHOLDING

The Statement of Pattern of Shareholding as at June 30, 2003 is annexed with the report.

ACKNOWLEDGMENT

We would like to appreciate the positive attitude and cooperation extended by the employees of the Company during the year of difficulties. We also acknowledge the dedication and hard work of the employees during this period. We also express our thanks to our Bankers, Shareholders, Customers and other stakeholders for their continued support.

On behalf of the Board of Directors.

(Shamsul Hassan)

Chief Executive.

KEY OPERATING AND FINANCIAL DATA FROM 1997-98 TO 2002-2003

	1998	1999	2000	2001	2002	2003
PRODUCTION & SALES						
TILES (SQ.M)	TILES (SQ.M)	512,652	470,909	533,308	478,129	504,774
S/WARE (TONS)	S/WARE (TONS)	1,209	949	503	236	—
SALES (RUPEES)	SALES (RUPEES)	229,645,457	1 85,3 1 0,26 1	222,823,397	148,348,157	144,330,728
OPERATING RESULTS						

NET SALES	151,349,789	157,242,701	163,600,945	150,137,255	116,514,208	114,006,559
GROSS PROFIT	23,464,102	33,347,115	30,330,190	44,499,611	21,948,594	26,570,037
PRE-TAX PROFIT (LOSS)	-17,773,415	-15,818,191	-19,908,408	4,996,187	-10,914,811	-6,325,606
AFTER TAX PROFIT (LOSS)	-18,919,972	8,437,295	-22,680,264	10,218,384	-11,497,382	-7,307,614
FINANCIAL RESULTS						
CURRENT ASSETS	295,806,761	303,327,044	284,275,645	296,705,788	293,404,269	282,401,564
CURRENT LIABILITIES	206,417,494	188,571,625	180,736,441	172,550,016	186,565,461	207,423,160
OPERATING FIXED ASSETS	397,231,145	366,899,704	335,459,859	321,533,246	307,969,492	311,252,533
LONG TERM LIABILITIES	178,321,931	164,929,347	144,306,601	144,841,272	127,033,628	113,181,694
SHARE HOLDERS EQUITY	25,115,405	33,552,700	10,872,436	17,220,220	84,976,276	77,766,050
RATIOS						
CURRENT RATIO	1.43	1.61	1.57	1.72	1.58	1.36
GROSS PROFIT (LOSS) TO SALES %	15.5	21.21	18.54	29.64	26.1623.31	
NET PROFIT (LOSS) TO SALES %	-12.5	5.37	-13.86	6.81	-2.05	-5.5

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **M/S FRONTIER CERAMICS LIMITED** to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchanges (Guarantee) Limited and Section 36 (Chapter XI) of the listing Regulation of the Islamabad Stock Exchange (Guarantee) Limited where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

PESHAWAR

MUQTADIR MUSHTAQ & CO.,

September 26, 2003.

Chartered Accountants

AUDITORS* REPORT OF THE MEMBERS

We have audited the annexed balance sheet of M/S FRONTIER CERAMICS LIMITED as at June 30, 2003 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 statement in conformity with the approved

accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. 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 our opinion and after due verification, we report that:

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

b) in our opinion :

I. The balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

II. The expenditure incurred during the year was for the purpose of the Company's business;

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

C) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with the approved accounting standards as applicable in Pakistan, and give the information required by the companies Ordinance, 1984 in the manner so required and, respectively give a true and fair view of the state of the company's affairs as at June 30,2003 and of the loss, its cash flows and changes in equity for the year then ended, and

D) in our opinion no Zakat was deductible at source under the Zakat & Ushr

ordinance, 1960.

PESHAWAR

MUQTADIR MUSHTAQ & CO,

September 26, 2003.

Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2003

	Notes	2003 Rupees	2002 Rupees
PROPERTY AND ASSETS			
Fixed Assets - at cost less depreciation	12	311,252,533	307,969,492
Capital Work in Progress	13	—	1,675,692
Long Term Deposits	14	1,202,250	198,250
		312,454,783	309,843,434
CURRENT ASSETS			

Stores, spares and loose tools - at cost	15	33,461,823	32,296,134
Stock in Trade - at cost	16	169,624,034	168,130,759
Trade Debtors	17	64,377,631	70,297,375
Advances, Deposits, Pre-payments & Other Receivables	18	8,051,643	13,293,738
Cash and Bank Balances	19	6,886,433	9,386,263
		282,401,564	293,404,269
CURRENT LIABILITIES			
Finance under Markup Arrangements	8	96,825,808	94,825,808
Current Portion of Long Term Loan Liabilities	9	33,492,571	21,745,806
Creditors, Accrual and other Liabilities	10	77,104,781	69,993,847
		207,423,160	186,565,461
Working Capital		74,978,404	106,838,808
Total Assets		387,433,187	416,682,242
Less: Long Term Loans	7	51,451,246	57,667,327
Long Term Loan BEL Consortium	6	25,256,095	33,094,870
Deferred Liabilities	5	36,474,353	36,271,431
Net Assets		274,251,493	289,648,614
REPRESENTED BY			
Issued, Subscribed and Paid up Capital	3	77,412,000	77,412,000
Profit & Loss		354,050	75,64,726
Surplus on Revaluation of fixed assets	4	1,96,485,443	204,672,338
		274,251,493	289,648,614
Contingencies and Commitments	11		

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2003

	Notes	2003 Rupees	2002 Rupees
Sales - Net	20	114,006,559	1,16,514,208
Cost of Sales	21	87,436,522	86,037,600
Gross Profit/(Loss)		26,570,037	30,476,608
OPERATING EXPENSES			
Administrative Expenses	22	16,100,862	15,280,563
Selling & Distribution Expenses	23	12,163,913	28,264,775
Operating Profit / (Loss)		-1,694,738	3,383.27
Profit/(Loss) on Sale of fixed Assets	26	1,753,662	238,564
Profit on PLS Saving Account		55,861	8,965
Other Income		—	1,00,000
		1,809,523	347,529
		114,785	3,730,798
Financial Expenses	24	6,440,391	6,117,595
Profit/(Loss) before taxation		-6,325,606	-2,386,797
Taxation	25	982,008	582,571
Profit/(Loss) after taxation		-7,307,614	-2,969,368
Prior Year Adjustment		-97,388	
Accumulated Profit / (Loss) Brought Forward		7,564,276	-60,191,780
Amortization of incremental depreciation on revaluation of fixed assets		—	70,725,424
Accumulated Profit/(Loss) Carried to Balance Sheet		354,050	7,564,276
Earning per share	28		

STATEMENT OF CHANGES IN FINANCIAL POSITION

(CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVISTS		
Profit/(Loss) before taxation	-6,325,606	-2,386,797
Adjustments to reconcile profit to net cash provided by operating activities		
Depreciation	4,972,621	5,230,554
Less: (gain)/Loss on sale of fixed assets	-1,753,662	-238,564
Financial expenses	6,440,391	6,117,595
Prior Year Adjustment	97,388	-
Cash flows from operating activities before working capital changes.	3,431,132	8,722,755
CASH FLOWS FROM WORKING CAPITAL CHANGES (INCREASE)/ DECREASE IN CURRENT ASSETS		
Stores, Spares & loose tools	-1,165,689	-2,437,819
Stock in trade	-1,493,275	2,817,669
Advance, deposits, prepayments & other receivables	5,919,744	1,328,489
	2,637,425	1,858,028
INCREASE/(DECREASE)IN CURRENT LIABILITIES		
Creditors, accruals & other liabilities	3,738,676	9,049,792
CASH FLOWS FROM WORKING CAPITAL CHANGES	9,636,881	12,616,159
CASH FLOWS FROM OPERATING ACTIVITIES	13,068,013	21,338,947
Interest paid	-2,852,673	-5,638,408
Income tax paid Dividend paid	-390,076	-750,686
	-	-673,060
NET CASH FLOWS FROM OPERATING ACTIVITIES	9,825,264	14,276,793
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures	-13,351,003	-222,250
Sale proceeds of operating fixed assets Capital work in progress	2,338,000	266,000
Long term security deposits	-1,004,000	(1,675,692) 100,000
NET CASH FLOWS FROM INVESTING ACTIVITIES	-12,017,003	-1,531,942
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred liabilities	-	202,951
Finances under mark up arrangements	2,000,000	5,391,402
long term loan	-47,844	-11,353,720
Long term loan (BEL Consortium)	-2,260,247	-6,538,636
NET CASH FLOWS FROM FINANCING ACTIVITIES	-308,091	-12,480,003
NET INCREASE/ (DECREASE)IN CASH AND CASH EQUIVALENTS	-2,499,830	264,848
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	9,386,263	9,121,415
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	6,886,433	9,386,263

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2003

	Share Capital	Capital Reserve	Accumulated	Total
	Rupees	Rupees	Profit / (Loss)	Rupees
Balance as at 1 st July 2001	77,412,000	283,925,776	(60,191,780)	301,145,996
Issue of Shares Capital	-	-	-	-

Proposed Dividend		-	0
Amortization of incremental depreciation on revaluation of Fixed Assets	-70,725,424	-	-70,725,424
Revaluation Adjustment for the year	-8,528,014	-	-8,528,014
Profit/(Loss)after taxation	-	-2,969,368	-2,969,368
Retained Earning	-	70,725,424	70,725,424
Balance at 30th June 2002	77,412,000	204,672,338	289,648,614
Revaluation Adjustment for the year	-8,186,895	-	(8,186,895)
Profit/(Loss)after taxation	-	-7,210,226	-7,210,226
Balance at 30th June 2003	77,412,000	196,485,443	354,050
			274,251,493

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30,2003

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 April 1992.

The company is engaged in the manufacturing and sale of sanitary ware and ceramics tiles.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

These financial statements have been prepared in accordance with International Accounting standards as applicable in Pakistan, and under the historical cost convention as modified by capitalization 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).

2.2 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.

2.3 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.

2.4 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 acquired 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 capitalized. Gains

and losses on disposal of fixed assets are taken to Profit and Loss Account currently.

The company's management decided to reduce the rate of depreciation of Plant & Machinery and Building on lease hold land in 2001. The depreciation was charged on the said assets previously @ 6.6% and 10% respectively.

The depreciation is charged on imported Plant & Machinery @ 4% and on Building @ 5% since 2001. The basic motive of reduction in depreciation rates is to minimize the cost of production and improve the profitability of the company.

2.5 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,
Work in process	At cost
Finished Goods	At lower of cost or market value.

which are stated at actual cost.

2.6 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.

2.7 Revenue Recognition

Sales are recorded on dispatch of goods to customers.

	Notes	2003 Rupees	2002 Rupees
SHARE CAPITAL AUTHORISED			
8,000,000 Ordinary Shares of Rs. 10/- each Issued, Subscribed and Paidup Capital 7,741,200	3	80,000,000	80,000,000
Ordinary shares of Rs. 10/- each issued for cash		77,412,000	77,412,000
SURPLUS ON REVALUATION OF FIXED ASSETS	4	204,672,338	283,925,776
Less: Amortization of Incremental depreciation arising out of revaluation of fixed assets		-8,186,895	-79,253,438
		196,485,443	204,672,338

i) Revaluation of plant & machinery has been carried out as on June 30, 1996 by an independent valuer, M/s Global Engineer (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).

ii) Incremental depreciation arising out of revaluation of fixed assets is being charged as per Clause 35 of Ordinance No. C of 2002. (F.No. 2(I)/2002-Pub) dated 26th October 2002.

iii) DEFERRED LIABILITIES

5

a. Remission/Waiver of PICIC Markup

loan restructured	20,678,992	24,814,791
Less: Remission / Waiver adjusted	4,135,799	4,135,799
	16,543,193	20,678,992
b. Add: Deferred Markup PICIC	11,322,467	8,406,100
Deferred Markup BEL Consortium	8,608,693	7,186,339
	19,931,160	15,592,439
	36,474,353	36,271,431

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

i. If the company receive refund of Sales Tax for Rs. 150 million then the full amount shall be paid by the company.

ii. In case the Sales Tax is not refunded to the company within the year ending 30-06-2001 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 30-06-2001.

iii. 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.

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

BEL CONSORTIUM LOANS	NOTE 6								(in rupees)
	BEL	NBP	HBL	UBL	MCB	ABL	2003	2002	
Redeemable Capital Restructured/ Rescheduled into loan (Secured)	20,589,498	7,340,059	5,138,512	3,874,191	2,869,739	2,214,000	42,025,999		48,564,635
Paid during the year	1,123,065	-	380,632	286,976	305,574	1,64,000	2,260,247		8,018,020
Add: Prior year adjustment	-	-	-	-	-	-	0		1,479,384
	19,466,433	7,340,059	4,757,880	3,587,215	2,564,165	2,050,000	39,765,752		42,025,999
Current Portion of Long term Loan Current Maturity and Over dues installment	7,861,455	1,048,572	1,903,160	1,434,880	1,441,590	820,000	14,509,657		8,931,129
	11,604,978	6,291,487	2,854,720	2,152,335	1,122,575	1,230,000	25,256,095		33,094,870

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:

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

ii) In case the Sales Tax is not refunded to the company within the year ending 30-06-2001 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 30-06-2001.

iii) 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.

3. The restructured / rescheduled loans are secured by way of 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 pasu with NDFC, PICIC.

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

	Notes	2003 Rupees	2002 Rupees
LONG TERM LOANS (SECURED)	7		
Foreign Currency			
Pakistan Industrial Credit & Investment Coporation	7.1	43,258,910	54,794,630
Less: Paid during the year		7,690,490	11,535,720
		35,568,420	43,258,910
National Development Finance Corporation	7.2	25,944, 1 37	25,944,137
ORIX Investment Bank Pakistan Limited	7.3	9,500,000	-
Less:Paid during the year		578,397	-
		8,921,603	0
		70,434,160	69,203,047
Less: Transfer to current maturity & Over Dues			
PICIC		15,380,960	11,535,720
NDFC		-	-
ORIX		3,601,954	-
		18,982,914	11,535,720
		51,451,246	57,667,327

PICIC Loan 7.1

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-I I (Future Interest)

Interest Accrued on Principal @ 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 receives 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 year ending 30-06-2001 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 PICIC out of the aforesaid

sale proceeds of the office by 30-06-2001.

(c) In case either of the above two options does not materialize 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.

(d) 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 pasu with NDFC & BEL Syndicate.

NDFC Loan

7.2

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 markup dues and Rs. 3.916 million paid during the year commencing July 1, 1999 to June 30, 2000 on the basis of liabilities settled with PICIC. In spite 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 dated 05-06-1997 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. The loan is secured by first pari pasu charge with PICIC & 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 other current assets, present and future. This case is subjudice with Honourable Peshawar High Court.

ORIX Investment Bank Pakistan Limited?3

The company has arranged a long term finance from Orix Investment Bank Pakistan Ltd. for Rs. 9.5 million Under markup arrangement. Markup is computed at the rate of 43.84 paisas/1000/day.

The facility is valid & repayable in a period of 3 years. Repayment of principal would be effected in 34 Monthly installments, commencing three months from the date of agreement and markup would be

Effected, monthly from the date of agreement i.e. July 27, 2002.

Securities:-

The above facility is secured by way of:

1. Hypothecation charge over fixed assets of the company amounting to Rs. 12.667.000/- inclusive of 25% margin, which is to be maintained at all times.
2. Pledge of certificate of investment amounting to Rs. 1,000,000

	Notes	2003 Rupees	2002 Rupees
FINANCE UNDER MARKUP ARRANGEMENTS - (SECURED)	8		
Cash Finance - Hypothecation	8.1	60,000,000	60,000,000
cash finance - pledge	8.2	9,761,000	9,761,000
Running Finance	8.3	25,064,808	25,064,808
Working Capital	8.4	2,000,000—	
		96,825,808	96,825,808

8.1 National Bank of Pakistan has sanctioned a credit facility of Rs. 60.00 million for cash finance The above finance is secured by first charge against hypothecation of stock in trade, spares, book debts, current assets and risk sharing guarantee of BEL and NCB's. The validity of the facility has expired on 30-06-98.

The rate of markup is Rs. 0.43836 (2000 Rs. 0.54) per 1000 per day on daily product basis payable half yearly.

8.2 National Bank of Pakistan has granted cash finance facility of Rs. 10 million against pledge of stock of finished goods. Rs. 20 m 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 against pledge of stocks of finished goods at 100% margin.

The rate of markup is 0.43836 paisa per Rs. 1000 per day on daily product basis payable half yearly. The validity of this facility has been renewed upto June 30, 2001.

8.3 The Bank of Khyber has sanctioned credit facility of Rs. 25 million for cash finance, and Rs. One 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. 0.43 (2001 Rs. 0.46) per 1000 per day on daily product basis, payable quarterly.

The validity of the facility has been renewed for a full period of one year ending 30-04-2002.

8.4 First Crescent Modarba has sanctioned credit facility under Musharaka Agreement of Rs. 0.3 million for working capital at a markup rate of 18% per annum for a short term period.

The above finance is secured by hypothecation of debts and Assets of the company.

	Notes	2003 Rupees	2002 Rupees
CURRENT PORTION OF LONG TERM LIABILITIES	9		
Redeemable Capital/Restructured Loan		7,838,775	8,931,129
Long Term Loans		14,883,919	11,535,720
Over due installments		10,769,877	1,278,957
		33,492,571	21,745,806
CREDITORS, ACCRUALS AND OTHER LIABILITIES	10		

Creditors		6,949,960	2,436,547
Accrued Liabilities		6,520,340	1,830,082
Other Liabilities		20,954,727	26,419,722
Interest Accrued on Secured Loans		41,402,219	38,017,423
Workers Profit Participation Funds		707,502	707,502
Taxation		570,033	582,571
		77,104,781	69,993,847
CONTINGENCIES AND COMMITMENTS			
Bank Guarantee to Sui Northern Gas security against bill	II	2,815,000	4,097,000
SALES TAX		7,269,099	7,269,099

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 our Sales Tax appeal. 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 Peshawar High Court.

FIXED CAPITAL EXPENDITURE AS ON 30-06-2003

Note No. 12

PARTICULARS	Cost or Revaluation as at 30-06-02	Addition Deletion Adjustments	Cost or Revaluation as at 30-06-03	Rate of Depreciation %	Accumulated Depreciation as at 30-06-02	Depreciation for the Year	Accumulated Depreciation as at 30-06-03	Written Down Value as at 30-06-03
Leasehold Land Buildings	3,518,245	-	3,518,245	-	-	-	-	3,518,245
Factory on Leasehold Land	62,653,320	-	62,653,320	5	45,599,444	852,694	46,452,138	16,201,182
Office on Freehold Land	-	2,648,885	2,648,885	5	1,056,796	79,604	1,136,400	1,512,485
Plant & Machinery Imported	399,160,725	15,963,020	415,123,745	4	128,410,965	10,829,990	139,240,955	275,882,795
Plant & Machinery Local	6,036,532	159,000	6,195,532	10	2,031,600	407,393	2,438,993	3,756,539
Electrification	12,055,064	-	12,055,064	5	6,035,601	300,973	6,336,574	5,718,490
Casting Benches	1,796,000	-	1,796,000	10	1,385,132	41,089	1,426,221	369,779
Furniture & Fixture	2,382,907	-20,740	2,362,167	10	1,602,324	75,984	1,678,308	683,859
Vehicles	5,410,875	131,690	3,371,541	20	4,010,286	214,405	4,224,691	849,624
		-2,171,024					-1,702,774	
Air-Conditioners & Coolers	1,142,037	-55,648	1,086,389	10	663,245	42,314	705,559	380,830
Office Equipments	2,974,020	89,985	3,064,005	10	1,641,844	136,722	1,778,566	1,285,439
Generators	-	460,000	460,000	10	289,063	17,094	306,157	1,53,843
Laboratory Ware	30,130	-	30,130	20	27,090	609	27,699	2,431
Other Assets	1,097,304	87,200	1,144,804	10	643,162	41,444	684,606	460,198
		-39,700						
Assets subject to finance lease (Vehicles)	-	596,000	596,000	20	0	119.2	119.2	476,801
		17,026,895						
Rupees	501,366,014	-2,287,112	516,105,827		193,396,552	13,159,516	204,853,294	311,252,533
	501,442,144	222,250	501,366,044		179,908,898	13,758,568	193,396,552	307,969,492
Total 2002 Rupees		-298,350						

12.1 Depreciation has been allocated as under:

	2003	2002
Charged to Cost of Sales A/C.	3,978,097	4,566,002
Charged to Admin Expenses	497,262	422,348
Charged to Selling Expenses	497,262	242,204
Charged to Surplus on Revaluation		

of Fixed Assets		8,186,895	8,528,014
Total		13,159,516	13,758,568

	Notes	2003 Rupees	2002 Rupees
CAPITAL WORK IN PROGRESS	13		
Capital work in Progress		-	1,675,692
LONG TERM DEPOSITS	14		
Security Deposits		1,202,250	198,250
STORES, SPARES AND LOOSE	15		
TOOLS- AT COST		14,930,300	13,906,936
Office Equipment		18,531,523	18,389,198
Tools Spares		33,461,823	32,296,134
STOCK IN TRADE - AT COST	16		
Raw Material		35,415,313	31,881,285
Packing Material		3,884,725	4,439,731
Fitting & Accessories		6,102,778	6,088,474
Work in Process		43,719,656	43,864,154
Finished Goods		80,501,562	81,857,115
		169,624,034	168,130,759
TRADE DEBTORS	17		
Considered Good		72,068,007	77,037,251
Considered Doubtful		-	-
		72,068,007	77,037,251
Less: Provision for Doubtful Debts		7,690,376	6,739,876
		64,377,631	70,297,375
ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	18		
Supplies		2,391,434	2,367,400
Contractors & Consultants		379,250	375,750
Due from Employees for Expenses		416,745	602,644
Advance against Salaries		398,915	775,952
Sales Tax paid in Advance		383,990	4,083,990
Excise Duty paid in Advance		75,114	75,114
Duty & Taxes Refundable		627,869	627,869
Deposits & Advances		1,570,000	2,472,223
L/G Margin Deposits		1,518,250	1,018,250
Tax Deduction u/s 153		290,076	894,546
		8,051,643	13,293,738

	Notes	2003 Rupees	2002 Rupees
CASH AND BANK BALANCES	19		
Cash in Hand		3,493,510	46,968
Cash in Transit	19.1	2,999,461	8,452,242
Cash at Bank in Current Account		393,462	887,053
		6,886,433	9,386,263

19.1 Most of this amount is in the shape of cheques received, of which about half have still to be encashed.

	Notes	2003 Rupees	2002 Rupees
SALES	20		
Tiles		135,441,781	134,307,328
Sanitary		8,372,869	14,040,830
Export Sales		516,078	-
		144,330,728	148,348,158

Less: Sales Tax		17,552,835	19,563,862
Discount		12,771,334	12,270,088
		1 14,006,559	116,514.21

Note: Net Sales include sales to the tune of Rs. 24,629,625/- on which sales tax have been paid in advanced

COST OF SALES	21		
Raw Material Consumed	21.1	29,607,733	29,366,064
Mould Dyes & Consumable store		-	213,000
Gas & Electricity		24,906,072	26,125,893
Oil & Lubricants Consumed		713,765	429,246
Wages,Salaries & other benefits		1 8,307,305	14,072,937
Insurance		352,106	834,387
Repair & Maintenance		4,653,142	4,598,957
Research & Development		72,769	16,025
Other Production expenses		460,909	454,275
Packing Material Consumed	21.2	2,695,157	3,548,172
Depreciation	12.1	3,978,097	4,566,002
		85,747,055	84,224,958
Beginning Stock W.I. P. July 1st		43,864,154	38,303,205
		129,611,209	122,528,163
Less: Closing Stock W.I. P. June 30th		43,719,656	43,864,154
		85,891,553	78,664,009
Add: Stock of Finished Goods July 1st		81,857,115	88,634,968
Consumption of fittings and accessories		189,416	595,738
		167,938,084	167,894,715
Less: Stock of Finished Goods June 30th		80,501,562	81,857,115
		87,436,522	86,037,600

	Notes	2003 Rupees	2002 Rupees
RAW MATERIAL CONSUMED	21.1		
Opening		31,881,285	32,358,010
Purchases		33,141,761	28,889,339
		65,023,046	61,247,349
Closing Stock		35,415,313	31,881,285
Raw Material Consumed		29,607,733	29,366.06
Packing Material	21.2		
Opening		4,439,731	4,918,812
Purchases		2,140,151	3,069,091
		6,579,882	7,987,903
Closing Stock		3,884,725	4,439,73 1
Packing Material Consumed		2,695,157	3,548,172
ADMINISTRATION EXPENSES	22		
Salaries, Allowances & Benefits		7,427,845	7,493,607
Rent, Rates and Taxes		182,520	113,735
Printing and Stationery		337,304	240,783
Postage, Telegram, Telephone & Telex		1,441,555	1 ,690,444
Fee and Subscription		217,969	216,249
Travelling and Conveyance		843,269	671,550
Legal and Professional Charges		779,503	870,574
Electricity, Gas and Water Charges		674,174	638,132
Lease Rentals		-	15,000
Repair & Maintenance		112,809	80,337
Motor Vehicle Expenses		1,621,677	1 ,646,504

General Expenses		877,275	1,054,140
Bad Debts		950,500	-
Auditors' Remuneration	22.1	125,000	75,000
Charity & Donation	22.2	12,200	52,160
Depreciation	12.1	497,262	422,348
22.1 Auditors' Remuneration		16,100,862	15,280,563
Statutory Audit		120,000	70,000
Out of pocket expenses		5,000	5,000
		125,000	75,000
SELLING & DISTRIBUTION EXPENSES	23		
Salaries, Allowances & Benefits		3,998,259	3,729,990
Advertisements and Promotion		786,540	408,025
Travelling and Conveyance		340,732	298,196
Postage Telephones, Telegrams & Telex		825,194	728,653
Motor Vehicle Expenses		1,871,828	1,737,671
Entertainment		164,408	255,664
Printing & Stationery		50,633	237,605
Rent, Rates & Taxes		606,112	979,478
Freight Cartage etc.		2,339,682	2,216,004
Other Expenses		683,263	979,286
Depreciation	12.1	497,262	242,204
		12,163,913	11,812,776
FINANCIAL CHARGES	24		
Interest on Long Term Loans		371,152	982,300
Markup on Short Term Running Finance		5,796,302	4,864,743
Bank Charges		272,937	270,552
		6,440,391	6,117,595
TAXATION	25		
Current year provision.		570,033	582,571
Prior Year		411,975	-
		982,008	582,571

The income tax assessment, of the company has been finalized upto and including assessment year 2002-2003 provision for taxation for the year has been made on the basis of the Turn Over Tax U/S 113 of the Income Tax Ordinance 2001.

DISPOSAL OF FIXED ASSETSNOTE

DESCRIPTION	Mode of Disposal	Particular of buyer	Original Cost	Accumulated Depreciation	W.D.V.	Sales Proceed	2003 ProfIV(Loss)	2002 ProfitALoss)
HINO Truck (1989)	By Negotiation	Forte Mktg. Services 186- A/1, Township Lahore.	323,870	306,053	17,817	431,750	413,933	
HINO Truck (1989) JT 1090	By Negotiation	Mr.Hassan Faraz S/o Syed Umer Khan Akora Khattak.	308,000	294,452	13,548	610,000	596,452	
Mazda Truck JT1089	By Negotiation	Forte Mktg. Services Karachi	500,000	180,000	320,000	350,000	30,000	
Suzuki Swift (1989)	By Negotiation	Forte Mktg. Services 186- A/1, Township Lahore.	160,000	151,203	8,797	105,875	97,078	
Suzuki Pickup (1989)	By Negotiation	Forte Mktg. Services 186 -A/1, Township Lahore.	90,000	85,059	4,941	105,875	100,934	

Toyota Corolla (1981)	By Negotiation	Mehmood Ali Bangash(Employee) H.No. 3, St. No. 3, Warsak Road, Peshawar.	178,750	176,688	2,062	200,000	197,938
Suzuki Jeep	By Negotiation	Mehmood Ali Bangash(Employee) H.No. 3, St. No. 3, Warsak Road, Peshawar.	97,000	95,875	1,125	110,000	108,875
Suzuki Pickup (1995)	By Negotiation	ZahirUllah Gul Abad, Bazit Khail, Bada Bair Peshawar.	222,000	163,803	58,197	180,000	121,803
Suzuki Pickup	By Negotiation	Forte Mktg. Services Karachi	195,000	70,200	124,800	110,000	(14,800)
Motor Cycle (1986)	By Negotiation	Forte Mktg. Services 186- A/1, Township Lahore.	14,700	14,287	413	19,000	18,587
Motor Cycle (1990)	By Negotiation	Forte Mktg. Services 186- A/1, Township Lahore.	26,084	24,291	1,793	24,000	22,207
Motor Cycle (1991)	By Negotiation	Forte Mktg. Services 186 -A/1, Township Lahore.	27,350	25,001	2,349	25,000	22,651
Motor Cycle	By Negotiation	Forte Mktg. Services Karachi	28,270	26,328	1,942	20,000	18,058
Furniture & Fixture	By Negotiation	Forte Mktg. Services 186- A/1, Township Lahore.	20,740	1 5,997	4,743	10,000	5,257
Air Conditioners	By Negotiation	Forte Mktg. Services 186- A/1, Township Lahore.	55,648	42,919	12,729	25,000	12,271
Other Assets	By Negotiation	Forte Mktg. Services 186- A/1, Township Lahore.	39,700	30,618	9,082	11,500	2,418
		2002-2003	2,287,112	1,702,774	584,338	2,338,000	1,753,662
		2001-2002	298,350	270,914	27,436	266,000	- 238,564

REMUNERATION OF DIRECTORS AND EXECUTIVES

Managerial	Chief Executive	Directors	Other Executives	2003	2002
Remuneration	400,000	1,222,832	1,858,036	3,480,868	3,105,747
House Rent	1 60,000	489,133	743,214	1,392,347	1,242,299
Utilities	40,000	122,283	185,804	348,087	310,575
Total 2003	600,000	1,834,248	2,787,054	5,221,302	•
Total 2002	600,000	2,067,000	2,284,947	-	4,951,947
No. of Persons					
2003	1	3	11	15	-
2002	1	3	12	-	16

In addition to the above, all the directors and executives are provided free use of company cars as per their entitlement for office use. aggregate amount charged in the accounts for fee to directors was Nil, (2002 Rs. Nil).

BASIC EARNING PER SHARE	28		
Prof it/(Loss) for the year after taxation		-7,307,614	-2,969,368
Average issued ordinary shares		7,741,200	7,741,200

Earning per share

-0.94

-0.38

29. CAPACITY

The Installed production capacity of the plant is 3,000 tons for Sanitaryware and 620,000 sqm. for Tiles. Actual capacity attained during the year in respect of Tiles were 504,774 Sqm. Respectively (2002 Sanitary 236 tons and Tiles 478,129 Sqm.)

FINANCIAL ASSETS AND LIABILITIES

	Interest/Markup bearing			Non - Interest Markup bearing			2003	Total 2002
	Maturity upto one year	Maturity After one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
Financial Assets								
Advances, Deposits, Prepayments and other								
Receivables	-	-	0	8,051,643	-	8,051,643	8,051,643	13,293,738
Trade Debtors	-	-	0	64,377,631	-	64,377,631	64,377,631	70,297,375
Long Term Deposits	-	-	0	-	1,202,250	1,202,250	1,202,250	198,250
Cash and Bank Balance	-	-	0	6,886,433	-	6,886,433	6,886,433	9,386,263
June 30, 2003	-	-	0	79,315,707	1,202,250	80,517,957	80,517,957	93,175,626
June 30, 2002	-	-	0	92,977,376	198,250	93,175,626	93,175,626	-
Financial Liabilities								
Redeemable capital	0	0	0	-	-	0	0	42,025,999
Long-term loans	18,982,914	51,451,246	70,434,160	-	-	0	70,434,160	69,203,047
Short-term finances	-	96,825,808	96,825,808	-	-	0	96,825,808	94,825,808
Creditors, accrual and other liabilities	-	-	0	77,104,781	-	77,104,781	77,104,781	70,581,560
June 30, 2003	115,808,722	51,451,246	167,259,968	77,104,781	-	77,104,781	244,364,749 ;	276,636,414
June 30, 2002	115,292,657	90,762,197	206,054,854	73,779,100	-	73,779,100	279,833,954	-

30.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 80,517,957/- (2002 Rs. 93,175,626) the financial assets which are subject to credit risk amounted to Rs. 74,631,624/- (2002 Rs. 83,789,636). The Company believes that it is not exposed to major concentration of credit risk.

30.2 Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exists due to transaction with foreign undertakings.

30.3 Fair Value of Financial Assets and Liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

31. NUMBER OF EMPLOYEES

Total number of employees as at June 30, 2003 were 365 (2002:360)

32. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

PATTERN OF SHAREHOLDING AT 30 JUNE, 2003

Number of Share Holders	Shareholding	Total Share Held	
116	1	100	11,600
2,476	101	500	1,175,600
85	501	1,000	83,300
92	1,001	5,000	231,700
11	5,001	10,000	88,000
2	10,001	15,000	26,600
2	15,001	20,000	35,500
1	20,001	25,000	20,800
2	25,001	45,000	90,000
1	45,001	50,000	47,500
1	50,001	70,000	67,000
2	70,001	100,000	200,000
1	100,001	125,000	122,900
1	125,001	150,000	147,500
1	150,001	500,000	464,000
1	500,001	600,000	516,805
1	600,001	1,000,000	716,600
1	1,000,001	1,100,000	1,040,000
1	1,100,001	1,300,000	1,208,195
1	1,300,001	1,500,000	1,447,600
<u>2,799</u>			7,741,200

Categories of Share Holders	Number of Share Holders	Share Held	Percentage
1. Individuals	2,792	5,172,600	66.82
2. Investment Companies	1	122,900	1.59
3. Insurance Companies	2	200,000	2.58
4. Financial Institutions	3	2,231,200	28.82
5. Modaraba	1	14,500	0.19
6. Joint Stock Companies			
7. Foreign Investors			
8. Co-operative Societies			
9. Charitable Trusts			
10. Others			
	2,799	7,741,200	100