

## **Karam Ceramics Limited**

### **Annual Report 1998**

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#### **Company Information**

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

Shaban Ali G. Kassim	Chairman
Irshad Ali S. Kassim	Chief Executive
Munawar Ali S. Kassim	Vice Chairman
Mariam Shaban All	Director
Shaheen A. Rehman	
Sakin Noorallah	
Amirali H. Ghangji	
S. Faiq Hussain	PLHC Nominee

##### **COMPANY SECRETARY**

Ismail Rajan

##### **AUDITORS**

Taseer Hadi Khalid & Co.  
Chartered Accountants

Qavi & Co.  
Chartered Accountants

##### **BANKERS**

Soneri Bank Limited  
Emirates Bank International  
Askari Commercial Bank Limited  
Bank of America  
CitiBank N.A.

##### **REGISTERED OFFICE**

BC-6, Block-5, Scheme-5, Kehkashan, Clifton, Karachi.

##### **REGISTRAR AND SHARE TRANSFER OFFICE:**

T.H.K. Associates (Private) Limited  
Ground Floor, Sheikh Sultan Trust Building No. 2,  
Beaumont Road, Karachi.

## **Business Items**

### **1. SANITARYWARE**

\* Simpact - set

W. C. Cistern

Wash Basin

Pedestal

Bidet

\* Royal - set

W.C. Cistern

Wash Basin

Pedestal

\* Mayfair - set

W.C. Cistern

Wash Basin

Pedestal

Bidet

\* Venus - set

W.C. Cistern

Wash Basin

Pedestal

\* Angelo - Set

.W.C. Cistern

Wash Basin

Pedestal

\* Orissa Asian W.C.

Sanitare Asian W.C.

Orient W.C.

\* Kitchen Sink

\* Urinal

\* Accessories

Soap/Paper/Tooth Brush Holder

Mirror Plate

Towel Rails

Hooks

\* Ceramic Traps

S. Trap

P. Trap

### **2. Ceramic Glazed Tiles**

\* Coloured & Decorative/Effects

Glazed Wall Tiles

15cm x 15cm

20cm x 30cm

30cm x 30cm

## **Notice of the Meeting**

NOTICE is hereby given that the 19th Annual General Meeting of the Company will be held at the registered office of the company on Monday 28th December 1998, at 10:30 am to transact the following business.

1. To confirm the minutes of the 18th Annual General Meeting held on December 20, 1997.
2. To consider and adopt the audited accounts of the company for the year ended June 30, 1998 alongwith the Report of the Directors thereon.
3. To declare a dividend. The Directors have recommended a cash dividend of 15% per share.
4. To appoint Auditors for the year 1999 and fix their remuneration.

### **SPECIAL BUSINESS**

5. (A) To fixed the remuneration of the Chief Executive and two full time working Directors of the company.

(B) The statement u/s 160 of the Companies Ordinance 1984, pertaining to special business is being sent to the shareholders with a copy of the notice.

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

By Order of the Board

**ISMAL RAJAN**

Company Secretary

KARACHI: DECEMBER 9, 1998

### **NOTES:**

1. The share transfer Book of the Company will remain closed from December 21, 1998 to December 28, 1998 (both days inclusive).
2. A member eligible to attend and vote at the meeting may appoint another member on his/her proxy to attend and vote on his/her behalf. Proxies to be effective must be received by the company not less than 48 hours before the time of holding of the meeting
3. Members are requested to communicate to the Company or the Registrar to the Company of any change in their address:

## **Director's Report**

The Directors of your company have pleasure in submitting the report alongwith audited accounts for the year ended 30th June, 1998.

### **OPERATING PERFORMANCE**

During the year under review the company net sales registered an increase of 17.80% in comparison to immediate preceding year on account of aggressive marketing. Your management being aware that increase in revenue by itself could not be sufficient introduced skills of economy in production, and improved the viability of operations. As a result before tax improve by 19.57% in comparison to previous year.

**FINANCIAL RESULTS**

Profit after taxes for the year under review amounted to Rs. 12.988 million as against Rs. 6.187 million for the previous year.

Details of the appropriation recommended by the Directors are as under:

	<b>Rupees</b>
Profit after taxation	12,988,324
Unappropriated profit brought forward	30,251,749
	-----
Profit available for appropriation	43,240,073

**APPROPRIATION**

Cash Dividend 15% (1997-nil) on 10,911,780 share of Rs. 10/- each	16,367,670
	-----
	26,872,403
	=====

**EARNING PER SHARE**

The earning per share after tax amounted to Rs. 1.19 (1997 Rs. 0.57)

**BOARD OF DIRECTORS**

The present monthly remuneration of the Chief Executive and two working directors are as under:

* Chief Executive	Rs. 50,000/-	Per month
* Director	Rs. 40,000/-	Per month
* Director	Rs. 40,000/-	Per month

In addition to the above they are also provided company maintained car.

**FUTURE PROSPECTS**

Due to uncertain economic condition, the pressure on profitability of the Industry will be severe, however introduction of import trade price on imported tiles, and the government policy to provide housing to low income people will benefit the company. Further the Management will also take appropriate and timely measures to ensure better results. The Company & liquidity position has also been adversely affected due to levy of 30% cash margin on letter of credit for import of raw material.

**EMPLOYEES RELATION**

The Management would like to place on record the positive attitude of the Labour Union during the year under review and we look forward to resolving all issues mutually and with the active cooperation of the Labour Union.

**AUDITORS**

Our present auditors M/s. Taseer Hadi Khalid & Co. Chartered Accountants and M/s. Zavi & Co. Chartered Accountants retire and offer themselves for reappointment.

**APPRECIATION**

The Director take this opportunity to thank the suppliers M/s. R.W. Watts Limited, Fritta S.L., Cerdec AG, shareholders, staff/employees etc., for their co-operation and contribution towards the progress of the company. We would also like to thank the financial institution and Banks namely Askari Leasing Co. Ltd. and Soneri Bank Limited, for the confidence reposed on the company.

**IRSHAD ALI KASSIM**

Chief Executive

**Financial Highlights**

		12 Months June 30, 1998	12 Months June, 1997
Net Sales	Rs. in Million	312.000	265.000
Profit/(Loss) before Tax	Rs. in Million	16.052	14.009
Income Tax	Rs. in Million	3.064	7.810
Profit/(Loss) after Tax	Rs. in Million	12.988	6.187
Earnings per Share	Rs./ Share	1.19	0.57
Cash dividend per Share	Rs./ Share	1.50	Nil

**Auditors' Report to the Members**

We have audited the annexed balance sheet of Karam Ceramics Limited as at 30 June 1998 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 1998 and of the profit and the cash flows for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 by the Company.

Karachi  
December 4, 1998

**QAVI & CO.**  
CHARTERED ACCOUNTANTS

**TASEER HADI KHALID & CO.**  
CHARTERED ACCOUNTANTS

**Balance Sheet**

**As at 30 June, 1998**

	Note	1998 Rupees	1997 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised			
15,000,000 ordinary shares of Rs. 10 each		150,000,000	150,000,000
		=====	=====
Issued, subscribed and paid-up	3	109,117,800	109,117,800
Unappropriated profit		26,872,403	30,251,749
		-----	-----
		135,990,203	139,369,55
<b>LONG TERM AND DEFERRED LIABILITIES</b>			
	4	83,062,745	103,457,447
<b>DEFERRED INCOME</b>			
	5	4,876,497	6,458,064
<b>DEFERRED TAXATION</b>			
		1,500,000	-
<b>CURRENT LIABILITIES</b>			
Short term finance under mark-up arrangements - Secured	6	17,500,000	10,000,000
Short term running finance	7	7,663,774	10,935,729
Current/overdue portion of redeemable capital, long-term and deferred liabilities	8	51,767,589	45,488,622
Bills Payable		45,656,093	15,507,485
Creditors, accrued expenses and other liabilities	9	52,650,396	53,777,060
Provision for taxation		5,611,440	11,500,000
Unclaimed dividend		77,501	3,670,485
Proposed dividend		16,367,690	-
		-----	-----
		197,294,463	150,879,381
<b>COMMITMENTS &amp; CONTINGENCIES</b>			
	10	-	-
		-----	-----
		422,723,908	400,164,441
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>			
Operating assets - at cost			
less accumulated depreciation	11	265,155,700	247,817,394
Capital work in progress	12	2,709,993	-
<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>			
	13	7,680,614	7,860,614
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	14	868,000	134,862
Stock in trade	15	70,259,069	68,932,448
Trade debts - Unsecured considered good		22,542,320	27,703,478
Loans, advances, deposits, prepayments and other receivables	16	12,484,504	14,207,493
Cash and bank balances	17	41,023,708	33,508,152
		-----	-----
		147,177,601	144,486,433
		-----	-----

422,723,908 400,164,441  
 =====

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

**IRSHAD ALI S. KASSIM**  
 Chief Executive

**MUNAWAR ALI S. KASSIM**  
 Vice Chairman

**Profit and Loss Account**  
**As at 30 June, 1998**

	Note	1998 Rupees	1997 Rupees
SALES - Net	18	312,709,783	265,447,999
COST OF SALES	19	255,147,136	218,958,815
		-----	-----
GROSS PROFIT		57,562,647	46,489,184
OTHER INCOME	20	5,690,739	3,871,852
		-----	-----
		63,253,386	50,361,036
ADMINISTRATIVE, SELLING AND GENERAL	21	29,644,656	22,811,835
FINANCIAL CHARGES	22	16,712,017	12,803,302
WORKERS' PROFIT PARTICIPATION FUND		844,840	737,305
		-----	-----
		47,201,513	36,352,442
		-----	-----
PROFIT BEFORE TAXATION		16,051,873	14,008,594
PROVISION FOR TAXATION			
Current year		1,563,549	10,700,000
Prior years		-	(2,878,840)
Deferred		1,500,000	-
		-----	-----
		3,063,549	7,821,160
		-----	-----
PROFIT AFTER TAXATION		12,988,324	6,187,434
UNAPPROPRIATED PROFIT BROUGHT FORWARD		30,251,749	24,064,315
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		43,240,073	30,251,749
Proposed dividend 15% (1997 - Nil)		16,367,670	-
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		26,872,403	30,251,749
		=====	=====

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

**IRSHAD ALI S. KASSIM**  
 Chief Executive

**MUNAWAR ALI S. KASSIM**  
 Vice Chairman

**Cash Flow Statement**  
**For the year ended 30 June, 1998**

1998 1997

	Rupees	Rupees
Profit before taxation	16,051,873	14,008,594
Adjustments for:		
Depreciation	29,335,647	29,079,436
Provision for staff gratuity	3,536,052	2,233,022
Charge for Workers' Profit Participation Fund	844,840	737,305
Interest and markup expense	16,507,483	12,443,392
Profit on sale of fixed assets	(157,511)	(61,702)
Return on deposits	(2,341,545)	(1,114,541)
Gain on sale and lease back of fixed asset	(1,581,567)	(1,449,770)
Movement in long term prepayments	540,000	360,000
	-----	-----
	46,683,399	42,227,142
	-----	-----
	62,735,272	56,235,736
 (Increase)/Decrease in operating assets		
Stores and spares	(733,138)	939,679
Stock in trade	(1,326,621)	(20,354,221)
Trade debtors	5,161,158	(9,172,958)
Loans, advances, deposits, prepayments and other receivables	(1,123,841)	(1,608,836)
 Increase/(Decrease) in operating liabilities		
Short term finance under mark-up arrangements	7,500,000	(12,500,000)
Short term running finance	(3,271,955)	10,935,729
Creditors, accrued expenses, other liabilities and bills payable	28,914,409	9,226,958
	-----	-----
Cash generated from operation	97,855,284	33,702,087
 Interest and mark paid	(16,467,284)	(12,380,239)
Income tax paid	(5,339,638)	(9,016,013)
Gratuity paid	(816,469)	(909,574)
WPPF paid	(777,504)	(1,116,190)
	-----	-----
Net cash flows from operating activities	74,454,389	10,280,071
	=====	=====

	1998 Rupees	1997 Rupees
Net cash flows from operating activities	74,454,389	10,280,071
 <b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(54,916,598)	(15,510,903)
Return on investment	3,075,904	642,337
Sale Proceeds of fixed assets disposed during the year	420,000	71,000
	-----	-----
Net cash flows from investing activities	(51,420,694)	(14,797,566)
 <b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term and deferred liabilities	-	48,320,042
Prepayment of redeemable capital, debentures,		



long term and Deferred liabilities	(14,339,133)	(15,328,056)
Long term deposits and prepayments	(360,000)	(6,645,614)
Dividend paid	(3,592,984)	(18,234,020)
Suppliers credit	2,773,978	1,447,180
	-----	-----
Net cash flows from financing activities	(15,518,139)	9,559,532
	-----	-----
Net Increase/(Decrease) in cash and bank balances	7,515,556	5,042,037
Cash and bank balances at beginning of the year	33,508,152	28,466,115
	-----	-----
Cash and bank balances at end of the year	41,023,708	33,508,152
	=====	=====

**IRSHAD ALI S. KASSIM**  
Chief Executive

**MUNAWAR ALI S. KASSIM**  
Vice Chairman

## Notes to the Accounts

### For the year ended 30 June, 1998

#### 1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on 08 April 1979 as a public limited company under the Companies Act, 1913, (now Companies Ordinance, 1984). The shares of the company are quoted on Karachi Stock Exchange. The principle activity of the company is the manufacture and sale of sanitary ware, tiles and allied accessories.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention as modified by capitalization of certain exchange differences.

##### 2.2 Staff retirement benefits

The company operates an unfunded gratuity scheme covering all non-management employees and provisions are made annually to cover obligations under the scheme.

##### 2.3 Tangible fixed assets and depreciation

###### Owned

(a) Operating assets are stated at cost (including exchange fluctuations and related borrowing cost) less accumulated depreciation, except freehold land which is stated at cost. Depreciation on operating assets is charged to income applying the reducing balance method at the rates given in note 11.

(b) A full year's depreciation is charged on assets acquired during the year, while no depreciation is charged in the year assets are disposed off or scrapped.

(c) Gains/losses on disposal of assets are included in income currently.

(d) Normal repairs and maintenance are charged to income as and when incurred.

###### Leased

(a) Assets subject to finance lease are stated at lower of present value of minimum

lease payments under the lease agreement and the fair value of the assets. The related obligations under the lease are accounted for as liabilities.

(b) Depreciation is charged on reducing balance method at the rates as given in Note 11 to the accounts.

(c) The financial charge is calculated at the rate implicit in the lease.

#### 2.4 Stores, spares and loose tools

These have been valued at cost determined on first-in-first-out basis.

#### 2.5 Stock-in-trade

These have been valued as follows:

Raw and packing material	At lower of average cost and net realisable value.
Work in process	At lower of weighted average cost of direct material, labour and appropriate manufacturing expenses and net realisable value.
Finished goods	All lower of weighted average cost and net realisable value. Cost is determined on the basis of prime cost and appropriate factory overheads.
Stock in transit	At invoice value.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs which are necessary to be increased in order to make the sale.

#### 2.6 Trade debts

Known bad debts are written off, while provisions are made for debts considered doubtful.

#### 2.7 Foreign currency transactions

Foreign currency transactions are converted into rupees at the rates of exchange prevailing on the date of transaction. The assets and liabilities in foreign currency, if any, are translated into rupees at the rates of exchange prevailing on the date of the balance sheet. The exchange gains or losses are included in income currently.

#### 2.8 Taxation

The charge for taxation, is based on taxable income at the current rates of taxation, after taking into consideration available tax credits, rebates and tax losses, etc. The company accounts for deferred taxation using the liability method on all major timing differences except where these are not expected to reverse in the foreseeable future. However, deferred tax debits are not incorporated in the accounts.

#### 2.9 Revenue recognition

Sales are recorded on despatch of goods to customers.

	1998 Rupees	1997 Rupees
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
9,630,890 Ordinary shares of Rs. 10/- each Fully paid in cash	96,308,900	96,308,900
1,280,890 Ordinary shares of Rs. 10/- each		

Issued as fully paid bonus Shares	12,808,900	12,808,900
-----	-----	-----
10,911,780	109,117,800	109,117,800
=====	=====	=====

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

**4. LONG TERM AND DEFERRED LIABILITIES**

Staff gratuity		13,246,170	10,526,587
Long term import levies	4.1	28,926,087	40,236,160
Liability against assets subject to finance lease	4.2	40,890,488	52,694,700
		-----	-----
		83,062,745	103,457,447
		=====	=====

**4.1 Long term import levies**

Opening balance		43,752,660	40,528,090
Additions during the year		-	6,863,901
Less: Adjustment/Paid during the year		{10,048,368}	(3,639,331)
		-----	-----
		33,704,292	43,752,660
Less: Current portion - Shown under current Liabilities	8	(4,778,205)	(3,516,500)
		-----	-----
		28,926,087	40,236,160
		=====	=====

4.1.1 The company had imported plant for tiles production and capitalized it at landed cost. As the company was not able to export seventy percent of the production from the said plant within two years of installation, the above amount of custom duty, sales tax, surcharge and Iqra were charged by the Government. These levies are payable in 10 equal yearly installments in case the exports from production of the said plant fall below the specified proportion in any given year.

**4.2 Liability against assets subject to finance lease**

The company has obtained lease finance from Askari Leasing Company Limited for Rs. 66,456,141 payable in 60 installments. The plant and machinery leased are industrial furnace and roller kiln complete with accessories. The lease is under a sale and lease back arrangement.

Lease amount		62,255,628	66,456,141
Less: Paid during the year		(9,560,928)	{4,200,513}
		-----	-----
		52,694,700	62,255,628
Less: Shown under current portion		(11,804,212)	(9,560,928)
		-----	-----
		40,890,488	52,694,700
		=====	=====

4.2.1 The amount of future payments and the period in which they will become due are:

Year ended 30 June 1998		-	20,489,148
Year ended 30 June 1999		20,489,148	20,489,148
Year ended 30 June 2000		20,489,148	20,489,148

Year ended 30 June 2001	20,489,148	20,489,148
Year ended 30 June 2002	8,353,043	8,353,043
	-----	-----
	69,820,487	90,309,635
Less: Finance charges allocated to future periods	(17,125,787)	(28,054,007)
	-----	-----
	52,694,700	62,255,628
	=====	=====

4.2.2 Rentals are payable in equal monthly installments. Repairs and insurance costs are to be borne by the lessee. Financing rate of 21.27 percent per annum has been used as discounting factor.

#### 5. DEFERRED INCOME

This represents excess of sale proceeds over book value of fixed asset in respect of sale and lease back transaction. This amount has been deferred over the period of lease liability.

#### 6. SHORT TERM FINANCE UNDER MARK UP ARRANGEMENT - Secured

The company has obtained short term working capital finance facility of Rs. 17.5 million (1997: Rs. 10 million) from Soneri Bank Limited for a period of one year carrying markup at the rate of 56 paisas per thousand per day. The arrangements is secured' by way of first charge ranking pari passu over hypothecation of stock in trade, pledge of shares held by the directors of the company and personal guarantee of directors of the company.

#### 7. SHORT TERM RUNNING FINANCE - Secured

The company had obtained short term running finance facility of Rs. 30 million from Soneri Bank Limited carrying markup at the rate of 56 paisas, per thousand per day. The arrangement is secured by way of first charge ranking pari passu over hypothecation of stock in trade, pledge of share held by the directors of the company and personal guarantee of directors of the company.

#### 8. CURRENT/OVERDUE PORTION OF LONG TERM AND DEFERRED LIABILITIES

		1998	1997
Current Portion of:		Rupees	Rupees
Long term liabilities			
- Import levies	4.1	4,778,205	3,516,500
Liability against assets subject to finance lease	4.2	11,804,212	9,560,928
Suppliers credit	8.1	34,781,513	32,007,535
		-----	-----
		51,363,930	45,084,963
Overdue portion			
- Debentures		403,659	403,659
		-----	-----
		51,767,589	45,488,622
		=====	=====

8.1 Suppliers credit represents amount payable to supplier of plant and machinery against an irrevocable letter of credit issued by Soneri Bank Limited payable at sight after the date of certification of erection and good working condition. The letter of credit facility is secured by registered hypothecation of related plant and machinery.

8.2 Redeemable capital relating to participation term certificates (PTC) and Term Finance Certificates have been paid fully during the year ending 30 June 1997 but the charges registered against the PTC have not yet been released.

**9. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES**

Trade creditors		2,706,172	4,080,605
Advances from customers		33,516,233	36,224,106
Accrued expenses		12,473,963	11,046,259
Accrued interest on custom debentures		27,114	27,114
Sales tax		2,944,265	1,256,742
Workers' profit participation fund	9.1	844,840	737,305
Workers' welfare fund		-	373,092
Security deposit - interest free		-	10,000
Tax deducted at source		16,349	20,946
Others		121,460	891
		-----	-----
		52,650,396	53,777,060
		=====	=====

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

**9.1 Workers' Profit Participation Fund**

Opening balance		737,305	1,053,037
- Allocation for the year		844,840	737,305
- Interest on fund utilized in company's business		40,199	63,153
		-----	-----
		885,039	800,458
		-----	-----
		1,622,344	1,853,495
Less: Amount paid to the trustee of the fund or deposited with the government		(777,504)	(1,116,190)
		-----	-----
		844,840	737,305
		=====	=====

**10. CONTINGENCIES AND COMMITMENTS**

Contingencies - Letter of guarantee		3,900,000	3,900,000
		=====	=====
Commitments - Letter of credit			
Non capital items		5,696,640	10,512,075
		=====	=====

**11. OPERATING ASSETS - At cost less accumulated depreciation**

As at 01 July 1997	Additions/ Transfer	(Disposals)/ (Transfer)	As at 30 June 1998	Rate %	As at 01 July 1997	On (Disposals)/ (Transfer)	For the year	As at 30 June 1998	Written down value as at 30
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June, 198

OWNED										
Freehold land	3,964,588	-	-	3,964,588	-	-	-	-	-	3,964,588
Factory building on freehold land	102,592,865	-	-	102,592,865	10	69,913,462	-	3,267,940	73,181,402	29,411,463
Lahore ware house on freehold land	2,664,102	-	-	2,664,102	10	1,619,020	-	104,508	1,723,528	940,574
Plant and Machinery	331,707,293	48,912,505	(5,270,163)	375,349,635	10	188,077,396	-	18,470,984	206,548,380	168,801,255
Vehicles	8,426,799	2,761,425	(842,000)	10,346,224	20	5,542,395	(579,511)	1,076,668	6,039,552	4,306,672
Furniture, fixtures and equipment	7,109,227	532,675	-	7,641,902	10	3,693,065	-	394,884	4,087,949	3,553,953
Moulds	642,747	-	-	642,747	30	638,359	-	1,316	639,675	3,072
Laboratory equipment	1,512,579	-	-	1,512,579	10	1,129,636	-	38,294	1,167,930	344,649
-----										
Rupees	458,620,200	52,206,605	6,112,163	504,714,642		270,613,333	579,511	23,354,594	293,388,416	211,326,226
-----										
LEASED										
Plant and Machinery	66,456,141	-	-	66,456,141		6,645,614	-	5,981,053	12,626,667	53,829,474
-----										
Rupees	66,456,141	-	-	66,456,141		6,645,614	-	5,981,053	12,626,667	53,829,474
-----										
1998 Rupees	525,076,311	52,206,605	6,112,163	571,170,783		277,298,947	579,511	29,335,647	306,015,083	265,155,700
=====										
1997 Rupees	507,444,156	81,967,044	(64,334,859)	525,076,341		253,956,765	(5,777,254)	29,079,436	27,7298,947	247,817,394
=====										

1998  
Rupees

1997  
Rupees

#### 11.1 Depreciation charge for the year has been allocated as follows:

Cost of goods manufactured	19.1	28,665,809	28,498,360
Administrative, selling and general expenses	21	669,838	581,076
		-----	-----
		29,335,647	29,079,436
		=====	=====

#### 11.2 Disposal of fixed assets

Particulars	Cost of Acquisition Rupees	Accumulated Depreciation Rupees	Written Down Value Rupees	Sale Proceeds Rupees	Profit/(Loss) Rupees	Mode of Sale	Particulars of Purchaser
Suzuki Carry CA-4550	35,000	33,461	1.54	50,000	48,461	Negotiation	Fredrick Wilson 36. Baba-e-Urdu Road KARACHI.
Honda Civic E-8983	397,500	354,818	42,682	140.00	97.32	Negotiation	Ms Nigar Sultana 465/486 Azizabad B/14 F. B. Area, KARACHI.
Suzuki Pici-up CL-0244	55,000	51,220	3,780	35,000	31,220	Negotiation	Mr. Umer Khan Bardar Top Floor Hotel Metropole Club Road, KARACHI.
Yamaha M/Cycle ICAQ-2209	24,500	21,212	3,288	5,000	1,712	Negotiation	Sikandar Autos Akber Road, Saddar,

KARACHI.

Toyota Corolla 330,000 118,800 211,200 190,000 (21,200) Negotiation Mr. Mohd. Hussain Ismail  
W-5424 12/83 Jodia Bazar,

Rupees 842,000 579,511 262,489 420,000 157,511  
=====

1998 1997  
Rupees Rupees

**12. CAPITAL WORK IN PROGRESS**

Factory Building - At Cost 2,709,993 -

The above represent cost of new factory building under construction at present factory site.

**13. LONG TERM DEPOSITS AND PREPAYMENTS**

Balance of prepayment as at 01 July	13.1	1,575,000	2,115,000
Add: Paid during the year		360,000	-
		-----	-----
		1,935,000	2,115,000
Less: Adjusted during the year		360,000	540,000
		-----	-----
		1,575,000	1,575,000
Less: Current portion - Shown under current assets		(540,000)	(360,000)
		-----	-----
		1,035,000	1,215,000
Lease deposit		6,645,614	6,645,614
		-----	-----
		7,680,614	7,860,614
		=====	=====

13.1 The above prepayments include an advance paid to M/s. Kulsoom and Sohaila Associates, a partnership firm to finance construction of office building on the plot of land owned by the firm. This advance is adjusted against fifty percent of the rent for the premises occupied by the company.

**14. STORES, SPARES AND LOOSE TOOLS**

It is not considered practicable to segregate stores, spares and loose tools in view of the nature of the Company's operation.

1998 1997  
Rupees Rupees

**15. STOCK-IN-TRADE**

Raw material			
in hand		18,789,517	14,627,358
in transit		4,128,604	4,131,871
Fittings		538,920	-
Packing materials		518,318	595,099
Work in process		1,473,966	2,187,921
Finished goods		44,809,744	47,390,199
		-----	-----
		70,259,069	68,932,448

=====

**16. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Loans to employees - Considered good		800,720	389,350
Advances - Considered good			
- Employees		748,220	550,273
- Suppliers		276,000	325,351
- Taxation		5,343,778	7,456,249
- Advance against purchase of land		400,000	400,000
- others		414,479	311,567
Deposits	16.1	1,238,474	1,284,179
Prepayments	16.2	2,523,627	2,271,400
Other receivables			
- Octroi refundable		739,206	484,765
- Accrued mark-up		-	734,359
		-----	-----
		12,484,504	14,207,493
		=====	=====

**16.1 Deposits**

Guarantee margin		113,250	113,250
Excise duty		339,335	345,040
Others		785,889	825,889
		-----	-----
		1,238,474	1,284,179
		=====	=====

**16.2 Prepayments**

Letter of credit charges		96,093	150,024
Current portion of long term prepayments	13	540,000	360,000
Lease rental		1,707,429	1,707,429
Others		180,105	53,947
		-----	-----
		2,523,627	2,271,400
		=====	=====

**1998**                      **1997**  
**Rupees**                      **Rupees**

**17. CASH AND BANK BALANCES**

Cash in hand		797,650	1,290,793
Cheques and drafts in hand		1,418,000	1,357,600
Cash with banks and financial institutions on:			
- Current accounts		705,042	786,722
- Deposit accounts		38,103,016	30,073,037
		-----	-----
		38,808,058	30,859,759
		-----	-----



41,023,708 33,508,152  
 =====

**18. SALES- Net**

Local sales 312,709,783 265,447,999  
 =====

**19. COST OF SALES**

Stock of finished goods as on 01 July 47,390,199 34,428,078  
 Cost of goods manufactured 19.1 249,939,883 229,371,861  
 Consumption of fittings and accessories 19.2 2,626,798 2,549,075

-----  
 252,566,681 231,920,936  
 -----

299,956,880 266,349,014

less: Stock of finished goods as on 30 June (44,809,744) (47,390,199)

-----  
 255,147,136 218,958,815  
 =====

**1998 1997**  
**Rupees Rupees**

**19.1 Cost of goods manufactured**

Raw materials consumed  
 - Opening stock 14,627,358 9,748,567  
 Purchases  
 - Local 9,743,189 8,913,872  
 - Imported 69,123,123 68,668,617

-----  
 78,866,312 77,582,489  
 -----

Available for use 93,493,670 87,331,056  
 Less: Closing stock (18,789,517) (14,627,358)

-----  
 74,704,153 72,703,698  
 =====

**Other manufacturing expenses**

Moulds, dyes and consumable stores  
 and spares 9,004,116 12,898,412  
 Fuel, power and water 60,524,805 47,316,315  
 Salaries, wages and other benefits 56,170,123 48,446,899  
 Directors' remuneration 480,000 480,000  
 Rent, rates and taxes - 373,788  
 Insurance 895,950 487,406  
 Repairs and maintenance  
 - Vehicles 971,048 985,762  
 - General 1,947,172 2,179,174  
 Other production expenses 7,671,547 9,535,942  
 Packing materials consumed 8,191,205 5,823,749  
 Depreciation 11.1 28,665,809 28,498,360

-----  
 249,225,928 229,729,505

Add: Opening work-in-process 2,187,921 1,830,277

-----

	251,413,849	231,559,782
Less: Closing work-in-process	(1,473,966)	(2,187,921)
	-----	-----
	249,939,883	229,371,861
	=====	=====

**19.2 Consumption of fittings & accessories**

Opening stock	-	-
Purchases	3,165,718	2,549,075
	-----	-----
Available for use	3,165,718	2,549,075
Less: Closing stock	538,920	-
	-----	-----
	2,626,798	2,549,075
	=====	=====

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

**20. OTHER INCOME**

Gain on sale and lease back of fixed assets	1,581,567	1,449,770
Return on deposit accounts	2,341,545	1,114,541
Gain on sale of fixed assets	157,511	61,702
Miscellaneous/Claims	1,610,116	1,245,839
	-----	-----
	5,690,739	3,871,852
	=====	=====

**21. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES**

Salaries, allowances and other benefits		8,701,116	7,994,099
Directors' remuneration and allowances		1,080,000	1,080,000
Rent, rates and taxes		1,236,636	823,991
Electricity and gas charges		305,562	274,867
Postage, telegraph and telephone ;charges		1,238,763	1,274,991
Printing and stationary		405,259	280,584
Repairs and maintenance			
- Vehicles		625,512	629,040
- General		610,152	474,351
Travelling and conveyance		827,638	640,169
Legal and professional charges		70,100	226,835
Auditors' remuneration	21.1	70,000	70,000
Fees and subscription		492,739	373,900
Advertisement and sales promotion		1,228,636	1,093,474
Forwarding and transportation		7,882,206	3,361,287
Commission		326,325	280,882
Donations	21.2	3,232,500	2,635,000
Insurance		208,397	309,265
Depreciation	11.1	669,838	581,076
Sundry expenses		433,277	408,024
		-----	-----
		29,644,656	22,811,835
		=====	=====

**21.1 Auditor's Remuneration**

	THK & CO.	QAVI & CO.		
Audit fee	35,000	35000	70,000	70,000
			-----	-----
			70,000	70,000
			=====	=====

21.1 Recipients of donations do not include any donee in whom a director or his spouse had any interest.

	1998 Rupees	1997 Rupees
<b>22. FINANCIAL CHARGES</b>		
Interest on		
- Long term loans	-	366,462
- Workers' profit participation fund	40,199	63,153
Mark-up on		
- Short term finances	4,366,083	2,440,800
- Term finance certificates	-	454,499
- Lease Finance	10,928,220	5,668,245
Bank charges	204,534	359,910
Central excise duty	-	543,558
Surcharge on Deferred Import Levies	716,730	1,394,934
Exchange loss	456,251	1,447,180
Others	-	64,561
	-----	-----
	16,712,017	12,803,302
	=====	=====

**23. TAXATION**

23.1 The Income tax assessments of the company have been finalized upto and including assessment year 1997-98. Appeals for assessment years 1992-93 and 1993-94 are pending with the Income Tax Appellate Tribunal. However, no additional tax liability is likely to arise in case of an adverse decision.

23.2 The deferred tax liability as at 30 June 1998 amounted to Rs. 29 million (1997: Rs. 25 million). The management considers that in view of the future capital expenditure plans of the company, the timing differences are not likely to reverse in the foreseeable future.

However, in view of the revised International Accounting Standard relating to Income taxes which is applicable for accounting periods beginning on and after 01 January 2001, the management has decided to provide partly the liability so as to provide full liability by the time the standard becomes applicable.

**24. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

The aggregate amount charged in the accounts for remuneration, including all benefits, to Chief Executive, Directors and Executive of the Company is as follows:

Chief Executive		Director		Executive		Total	
-----							
1998	1997	1998	1997	1998	1997	1998	1997

Managerial remuneration and allowances	390,000	390,000	648,000	960,000	1,600,714	1,625,077	2,638,714	2,975,077
House rent	175,500	175,500	288,000	157,500	720,261	731,193	1,189,761	1,064,293
Utilities	34,500	34,500	24,000	160,069	160,069	162,507	218,569	197,007
	-----							
Rupees	600,000	600,000	960,000	1,117,500	2,481,044	2,518,877	4,041,044	4,236,377
	=====							
No. of persons	1	1	2	2	17	18	20	21
	=====							

In addition, the Chief Executive, Directors and Executive are provided with free use of Company maintained cars.

## 25. CAPACITY AND PRODUCTION

	June 30, 1998		June 30, 1997	
	Sanitary Ware (Tons)	Tiles (sq1. Meters)	Sanitary Ware (Tons)	Tiles (sq. Meters)
Capacity	3,000	3,000	900,000	900,000
Actual production	928	671	1,235,907	1,033,978

The overall short fall in sanitary ware production is mainly due to depression in construction business.

## 26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of company's financial assets and liabilities is estimated to approximate their carrying values.

## 27. INTEREST RATE RISK MANAGEMENT

The information about company's exposure to interest rate risk based on contractual repayments or maturity dates whichever is earlier is as follows:

Interest rate sensitivity position	One month	Over one	Non-interest	Total
	to one year	year	bearing	
	Rupees	Rupees	Rupees	Rupees
<b>Financial Assets</b>				
Trade debts	-	-	22,542,320	22,542,320
Short term loans, advances, deposits and other receivables	-	-	9,960,877	9,960,877
Long term deposits	-	-	6,645,000	6,645,000
Cash and bank balances	38,103,016	-	2,920,692	41,023,708
	-----			
	38,103,016	-42,068,89		80,171,905
	-----			
Effective Markup Rate	6%			

## Financial Liabilities

Liabilities against assets subject to finance lease	11,804,212	40,890,488	-	52,694,700
Long term deferred liability	-	-	46,950,462	46,950,462
Short term finance	17,500,000	-	-	17,500,000
Short term running finance	7,663,774	-	-	7,663,774
Current maturity of long term liabilities	-	-	35,185,172	35,185,172

Bills payable	-	-	45,656,093	45,656,093
Creditors, accrued expenses and other liabilities	-	-	52,650,396	52,650,396
			-----	-----
	36,967,986	40,890,488	180,442,123	258,300,597
			-----	-----
Effective mark-up rate	20%	20%		

**28. CREDIT RISK AND CONCENTRATION OF CREDIT RISK**

The maximum amount of financial assets subject to credit risk is limited to book value. The company believes that it is not exposed to any concentration of credit risk as its sales are to various dealers and projects and are partly covered with advances received.

**29. GENERAL**

29.1 Figures have been rounded off to the nearest rupee.

29.2 Previous year's figures have been re-arranged, wherever necessary, for the purpose of comparison.

**IRSHAD ALI S. KASSIM**  
Chief Executive

**MUNAWAR ALI S. KASSIM**  
Vice Chairman

**Pattern of Shareholding**

No. of Share Holders	Having Shares		Shares Held	Percentage
	From	To		
4	1	100	400	0.0036
140	101	500	69100	0.6332
10	501	1000	9400	0.0861
22	1001	5000	73600	0.6745
9	5001	10000	82235	0.7536
3	10001	15000	36200	0.3317
1	15001	20000	15700	0.1438
2	20001	25000	46912	0.4299
2	25001	30000	56200	0.5150
1	30001	35000	32600	0.2987
1	35001	40000	36800	0.3372
1	115001	120000	116900	1.0713
1	130001	135000	131100	1.2014
1	195001	200000	196020	1.7964
2	290001	295000	581349	5.3277
1	315001	320000	320000	2.9326
1	450001	455000	451220	4.1351
1	540001	545000	542191	4.9688
1	545001	550000	545445	4.9986
1	835001	840000	837072	7.6712
1	1245001	1250000	1249613	11.4519
1	1265001	1270000	1269208	11.6315
1	1475001	1480000	1475927	13.5259
1	2735001	2740000	2736588	25.0792
-----			-----	-----
209			10911780	100.0000
=====			=====	=====

**CATEGORIES OF SHAREHOLDERS**

Particulars	Shareholders	Shareholding	Percentage
Individuals	204	9588315	87.8712
Investment Companies			
Insurance Companies	1	5300	0.0485
Joint Stock Companies			
Financial Institutions	3	1316665	12.0664
Modaraba Companies	1	1500	0.0137
Foreign Companies			
Leasing Companies			
NON-RESIDENT (US \$)			
NON-RESIDENT (PAK RS.)			
	-----	-----	-----
COMPANY TOTAL	209	10911780	100.0000
	=====	=====	=====