

## **Karam Ceramic Limited**

### **Annual Report 2000**

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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 Ali	Director
Shaheen A. Rehman.	Director
Sakin Noorallah	Director
H. Hatim Dayala	Director

##### **COMPANY SECRETARY**

Manzoor Ali Natha

##### **AUDITORS**

Taseer Hadi Khalid & Co.  
Chartered Accountants

Qavi & Co.  
Chartered Accountants

##### **BANKERS**

Soneri Bank Limited  
Emirates Bank International Limited  
ABN Amro Bank Ltd.  
Standard Chartered Grindlays Bank

##### **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.

National Tax Number: 28-11-0710857

Sales Tax Registration No. : 02-02-6907-001-55

#### **Business Items**

##### **1. SANITARYWARE**

\* Simpact - set  
W.C. Cistern  
Wash Basin  
Pedestal  
Bidet

\* Royal - set  
W.C. Cistern  
Wash Basin  
Pedestal

\* Mairaj - set  
W.C. Cistern  
Wash Basin  
Pedestal

\* 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

\* Coloured & Decorate / Effect

Glazed Wall Tiles

15cm x 15cm

20cm x 30 cm

30cm x 30cm

28cm x 40cm

## Notice of Meeting

Notice is hereby given that the 21st Annual General Meeting of the Company will be held at the registered office of the company on Friday 22nd December, 2000 at 3:30 p.m. to transact the following business:-

1. To confirm the minutes of the 20th Annual General Meeting held on 24th December, 1999.
2. To consider and adopt the audited account of the company for the year ended 30th June, 2000 along with the Report of the Directors thereon.
3. To Declare a dividend. The Directors have recommended a cash dividend of 15% i.e. Rs. 1.50 per share.
4. To appoint Auditors for the year 2001 and fix their remuneration.

### 5. SPECIAL BUSINESS:

The remuneration of full time Chief Executive and Vice Chairman of the company to be re-fixed w.e.f. 01-01-2001.

"Resolved that the remuneration of full time Chief Executive and Vice Chairman of the company be and is hereby re-fixed w.e.f 01-01-2001 from Rs. 40,000/- p.m. to Rs. 60,000/- p.m. each."

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

**By Order of the Board**

**MANZOOR ALI NATHA**  
Company Secretary

KARACHI: December 01, 2000

### NOTES:

1. The share transfer book of the company will remain closed from 15th December to 22nd December 2000 (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.

### Statement u/s 160 of the companies ordinance 1984.

This statement set out the material facts concerning the special business to be transacted at the 21st

Annual General Meeting to the Karam Ceramics Limited to be held on December 22, 2000, subject to approval of share holders, remuneration payable to full time Chief Executive and Vice Chairman in accordance with their terms and condition of service be increased to Rs. 60,000/- p.m. in each from existing Rs. 40,000/- p.m. each. For this purpose it is intended to propose that the following resolution be passed as ordinary resolution, namely:

"Resolved that remuneration payable to Chief Executive and Vice Chairman for holding their offices as full time Directors @ Rs. 60,000/- p.m. w.e.f. 01-01-2001 be and hereby approved."

## Directors' Report

**The Directors of your company have pleasure in submitting the report along with audited accounts for the year ended 30th June 2000.**

### OPERATING PERFORMANCE

Year under review was yet another year of economic turmoil and sign of improvement is yet to be seen. Presence of low priced imported tiles forced your company to reduce the prices to remain in market. As a result sale during the year remains marginally below the last year's sales by 2%.

Inspire of adverse conditions, by grace of Allah, your company manages to improve the profit after tax by 13% to Rs. 15 million compare with Rs. 13 million of last years profit after tax through economization in expenses and by reducing cost of production and distribution.

### PROFIT & DISTRIBUTION

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

	<i>Rupees</i>
<b>Profit after Taxation</b>	15,023,152
<b>Un-appropriated Profit brought forward</b>	23,805,743
	-----
<b>Profit available for appropriation</b>	38,828,895
 <b>APPROPRIATION:</b>	
<b>Cash Dividend 15% (1999: 15%) on 10,911,780 shares of Rs. 10/- each</b>	16,367,670
	-----
<b>Un-appropriated Profit carried forward</b>	22,461,225
	=====

### BOARD OF DIRECTORS

The present monthly remuneration of the Chief Executive and Vice Chairman are as under:-

-- Chief Executive	Rs. 40,000/-
-- Vice Chairman	Rs. 40,000/-

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

### FUTURE PROSPECTS

Your company is optimistic about the economic revival and hope that various measures taken by the government will yield positive results. However in presence of WTO the price of the product will remains under pressure. Your company is committed to cater the need of each segment of its customers at competitive rates. Therefore, your company has incurred capital expenditure to improve quality, reduce cost and increase volumes. The new plant was successfully installed and has commenced production in June 2000, and hope the benefit of this plant will accrue in years to come.

### EMPLOYEES RELATION

The management would like to place on record its appreciation for the positive attitude of the labour union during the year under review and we look forward for its support in resolving all issues mutually with the active cooperation of the labour union.

### AUDITORS

Our present auditors M/s. Taseer Hadi Khalid & Co., Chartered Accountants and M/s. Qavi & Co., Chartered Accountants retire and offer themselves for re-appointment.

### SEGMENT REPORTING

Since the raw material and other inputs of both the sanitary ware and tiles are common, and also the production of both is carried out at the Same factory premises, hence segment reporting of financial is not possible. Moreover, other companies of the same line of business do not report under segment accounting.

### PATTERN OF SHARE HOLDING

Pattern of share holding as on June 30, 2000 are annexed.

### APPRECIATION

The Directors take this opportunity to thank the suppliers M/s. R.W. Watts Limited, Fritta S.L., Cerdec A.G., shareholders and staff/employees etc. for their cooperation and contribution towards the progress of the company. We would like to thank the Banks and financial institutions and customers, for the confidence reposed on the company.

**IRSHAD ALI S. KASSIM**  
Chief Executive

## Financial Highlights

		<i>Year ended</i> <i>June 30, 2000</i>	<i>Year ended</i> <i>June 30, 1999</i>
Net Sales	Rs. in Million	330.97	339.49
Profit / (Loss) before Tax	Rs. in Million	20.35	18.81
Income Tax	Rs. in Million	5.33	5.51
Profit / (Loss) after Tax	Rs. in Million	15.02	13.30
Earning per Share	Rs. Share	1.38	1.21
Cash dividend per Share	Rs. Share	1.50	1.50

## Auditors' Report to the Members

We have audited the annexed balance sheet of Karam Ceramics Limited as at 30 June, 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 explanations which, to the best of our knowledge and belief, were necessary for the purposes 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 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; 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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 30 June 2000 and of the profit, its cash flows and changes in equity for the year then ended, and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund, established under Section 7 of that Ordinance.

(e) without qualifying our opinion, we would like to draw attention to the fact that the financial statements do not disclose the information regarding "Segment reporting" required by International Accounting Standard 14.

**QAVI & CO.**  
CHARTERED ACCOUNTANTS

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

KARACHI: NOVEMBER 22, 2000

## Balance Sheet as at 30 June 2000

<i>NOTE</i>	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>

**SHARE CAPITAL AND RESERVES**

Share Capital	3	109,117,800	109,117,800
Un-appropriated profit		22,461,225	23,805,743

		131,579,025	132,923,543
--	--	-------------	-------------

**DEFERRED LIABILITY - Staff gratuity**

		20,559,645	16,501,669
--	--	------------	------------

<b>LONG TERM LIABILITIES</b>	4	83,341,686	76,984,994
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<b>DEFERRED INCOME</b>	5	5,495,692	6,265,413
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<b>DEFERRED TAXATION</b>	22	6,600,000	3,000,000
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**CURRENT LIABILITIES**

Current/overdue portion of long-term and deferred liabilities	6	67,561,782	62,268,041
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Short term finance	7	21,863,494	37,204,655
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Creditors, accrued expenses and other liabilities	8	113,788,646	61,962,397
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Provision for taxation	22	2,566,883	7,333,801
------------------------	----	-----------	-----------

Unclaimed dividend		108,141	96,581
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Proposed dividend		16,367,670	16,367,670
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		222,256,616	185,233,145
--	--	-------------	-------------

**COMMITMENTS AND CONTINGENCIES**

9			
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		469,832,664	420,908,764
--	--	-------------	-------------

**TANGIBLE FIXED ASSETS**

Operating Assets - At cost less accumulated depreciation	10	281,344,713	257,956,023
--	----	-------------	-------------

Capital work in progress	11	4,160,962	--
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		285,505,675	257,956,023
--	--	-------------	-------------

<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>	12	12,105,015	11,072,433
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**CURRENT ASSETS**

Stores, spares and loose tools	13	802,616	596,113
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Stock in trade	14	87,738,798	69,000,365
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Trade debts - Unsecured considered good		19,239,257	19,894,027
---	--	------------	------------

Loans, advances, deposits, prepayments and other receivables	15	17,120,413	16,478,755
--	----	------------	------------

Cash and bank balances	16	47,320,890	45,911,048
------------------------	----	------------	------------

		172,221,974	151,880,308
--	--	-------------	-------------

		469,832,664	420,908,764
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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****For the year ended 30 June 2000**

	<i>NOTE</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
<b>SALES - Net</b>	17	330,970,491	339,488,753
<b>COST OF SALES</b>	18	270,798,481	276,642,683
<b>GROSS PROFIT</b>		60,172,010	62,846,070
<b>OTHER INCOME</b>	19	6,322,708	7,036,353
		66,494,718	69,882,423
<b>ADMINISTRATIVE, SELLING AND GENERAL</b>	20	27,889,957	34,753,359
<b>FINANCIAL CHARGES</b>	21	16,860,701	15,078,465
<b>WORKERS' PROFIT PARTICIPATION FUND</b>		1,079,453	990,140
<b>WORKERS' WELFARE FUND</b>		310,911	247,799
		46,141,022	51,069,763
<b>PROFIT BEFORE TAXATION</b>		20,353,696	18,812,660

<b>PROVISION FOR TAXATION</b>	22		
Current year		2,566,883	4,011,650
Prior year		(836,339)	--
Deferred		3,600,000	1,500,000
		-----	-----
		5,330,544	5,511,650
		-----	-----
<b>PROFIT AFTER TAXATION</b>		15,023,152	13,301,010
<b>UNAPPROPRIATED PROFIT BROUGHT FORWARD</b>		23,805,743	26,872,403
		-----	-----
		38,828,895	40,173,413
		=====	=====
<b>APPROPRIATION:</b>			
Proposed dividend 15% (1999: 15%)		16,367,670	16,367,670
		-----	-----
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		22,461,225	23,805,743
		=====	=====
<b>EARNING PER SHARE - BASIC AND DILUTED</b>	23	1.38	1.22

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 2000

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	20,353,696	18,812,660
<b>Adjustments for:</b>		
Depreciation	32,065,531	28,813,561
Provision for staff gratuity	5,191,383	3,975,433
Charge for Workers' profit participation fund	1,079,453	990,140
Charge for Workers' Welfare Fund	310,911	247,799
Interest and markup expense	16,622,438	14,951,269
Profit on sale of fixed assets	(283,650)	(800)
Return on deposits	(2,028,352)	(1,865,228)
Gain on sale and lease back of fixed asset	(2,430,426)	(2,005,922)
Movement in long term prepayments	540,000	540,000
	-----	-----
	71,420,984	64,458,912
<b>(Increase) / Decrease in operating assets</b>		
Stores and spares	(206,503)	271,887
Stock in trade	(18,738,433)	1,258,704
Trade debtors	654,770	2,648,293
Loans, advances, deposits, prepayments and other receivables	(1,493,678)	(2,212,582)
<b>Increase / (Decrease) in operating liabilities</b>		
Short term finance under mark-up arrangements	--	(17,500,000)
Short term running finance	15,341,161	29,540,881
Creditors, accrued expenses, other liabilities and bills payable	51,133,824	(36,344,092)
	-----	-----
Cash generated from operations	118,112,125	42,122,003
Interest and markup paid	(16,622,438)	(14,904,802)
Income tax paid	(5,645,442)	(5,726,930)
Gratuity paid	(1,133,407)	(719,934)
WPPF paid	(990,140)	(891,307)
WWF paid	(247,799)	--
	-----	-----
Net cash flows from operating activities	93,472,899	19,879,030
Net cash flows from operating activities	93,472,899	19,879,030
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(58,199,828)	(58,200,454)
Return on deposits	2,028,352	1,865,229
Sale proceeds of fixed assets disposed during the year	529,000	57,000

Net cash (used) in investing activities	(55,642,476)	(56,278,225)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term liabilities	(6,569,272)	34,539,797
Repayment of lease rental	(22,186,902)	(14,967,266)
Long term deposits and prepayments	(1,032,582)	(3,391,819)
Finance obtained from sale and lease back transaction	12,125,815	39,313,191
Dividend paid	(16,356,110)	(16,348,590)
Suppliers credit	(2,401,533)	2,141,222
Net cash flows from financing activities	(36,420,581)	41,286,535
Net Increase in cash and bank balances	1,409,842	4,887,340
Cash and bank balances at beginning of the year	45,911,048	41,023,708
Cash and bank balances at end of the year	47,320,890	45,911,048

**IRSHAD ALI S. KASSIM**  
Chief Executive

**MUNAWAR ALI S. KASSIM**  
Vice Chairman

### Statement of Changes in Equity for the year ended 30 June 2000

	<i>Share Capital Rupees</i>	<i>Unappropriated Profit Rupees</i>	<i>Total Rupees</i>
Balance as at 01 July 1998	109,117,800	26,872,403	135,990,203
Profit for the year	--	13,301,010	13,301,010
Proposed Dividend	--	(16,367,670)	(16,367,670)
Balance as at 30 June 1999	109,117,800	23,805,743	132,923,543
Profit for the year	--	15,023,152	15,023,152
Proposed Dividend	--	(16,367,670)	(16,367,670)
Balance as at 30 June 2000	109,117,800	22,461,225	131,579,025

**IRSHAD ALI S. KASSIM**  
Chief Executive

**MUNAWAR ALI S. KASSIM**  
Vice Chairman

### Notes to the Accounts for the year ended 30 June 2000

#### 1. STATUS AND NATURE OF BUSINESS

The company was incorporated in Pakistan on 8 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 sanitaryware, 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 Statement of compliance

These accounts have been prepared in accordance with International Accounting Standards issued by the International Accounting Standard Committee (IASC) and interpretations issued by Standing Interpretations Committee of the IASC, as adopted in Pakistan and the requirements of the Companies Ordinance, 1984.

##### 2.3 Staff retirement benefits - Defined benefit plan

The company operates an unfunded staff retirement scheme for all of its employees. Provisions is made annually to cover obligations under the gratuity scheme on the assumption that all employees will complete the minimum qualifying period of one year.

##### 2.4 Tangible fixed assets and depreciation

###### Owned

(a) Operating assets are stated at cost (including exchange differences 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 10.

(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 charge on reducing balance method at the rates as given in Note 10 to the accounts.

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

#### 2.5 Capital work-in-progress

Capital work-in-progress is stated at cost. Assets are capitalised as and when they are available for intended use.

#### 2.6 Stores, spares and loose tools

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

#### 2.7 Stock-in-trade

These have been valued as follows:

Raw material	At lower of weighted 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	At lower of weighted average cost and net realisable value. Cost is determined on the basis of prime cost and appropriate factory overheads.
Fittings and accessories	At lower of cost on FIFO basis and net realisable value.
Packing material	At lower of cost on FIFO basis and net realisable value.
Stock in transit	At invoice value.

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

#### 2.8 Trade debts

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

#### 2.9 Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to rupees at the rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

#### 2.10 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.

#### 2.11 Revenue recognition

Sales are recorded on despatch of goods to customers.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>3. SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
15,000,000 Ordinary shares of Rs. 10/- each	150,000,000	150,000,000
=====	=====	=====
<b>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
=====	=====	=====

**4. LONG TERM LIABILITIES**

Long term import levies	4.1	14,591,482	21,758,782
Liability against assets subject to finance lease	4.2	37,469,854	55,226,212
Directors' loan	4.3	31,280,350	--
		-----	-----
		83,341,686	76,984,994
		=====	=====

**4.1 Long term import levies**

Opening balance		26,536,987	33,704,292
Adjustment/Paid during the year		(7,167,300)	(7,167,305)
		-----	-----
		19,369,687	26,536,987
Current portion - Shown under current liabilities	7.1	(4,778,205)	(4,778,205)
		-----	-----
		14,591,482	21,758,782
		=====	=====

4.1.1 The company had imported plant for tiles production and at the time of import, import duties were not paid in accordance with relevant regulations. 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**

Finance lease liabilities are payable as follows:

	<i>2000</i>			<i>1999</i>		
	<i>Minimum lease Payments</i>	<i>Financial charges for future period</i>	<i>Principal outstanding</i>	<i>Minimum lease Payments</i>	<i>Financial charges for future period</i>	<i>Principal outstanding</i>
	<i>Rupees</i>					
Less than one year	35,346,969	7,488,253	27,858,716	30,887,109	10,723,667	20,163,442
Between one and five years	45,033,850	7,563,996	37,469,854	65,788,661	10,562,449	55,226,212
	-----	-----	-----	-----	-----	-----
	80,380,819	15,052,249	65,328,570	96,675,770	21,286,116	75,389,654
	=====	=====	=====	=====	=====	=====

4.2.1 Rentals are payable in equal monthly installments. Repairs and insurance costs are to be borne by the lessee. Financing rates of 21.27 and 18.09 percent per annum have been used as discounting factor.

4.2.2 The plant and machinery leased include furnace and roller kiln with accessories purchased under sale and lease back arrangement.

**4.3 Directors' Loan**

This represents net amount advanced by two of the directors during the year and it has been agreed that the above balance will be repaid after 30 June 2001 and carry interest @ 9% per annum.

**5. DEFERRED INCOME**

This represents excess of sale proceeds over book value of fixed asset in respect of sale and lease back transactions. This amount has been deferred over the period of lease term of respective assets.

**6. CURRENT / OVERDUE PORTION OF LONG TERM AND DEFERRED LIABILITIES**

		<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>Current Portion</b>			
Import levels	4.1	4,778,205	4,778,205
Liability against assets subject to finance lease	4.2	27,858,716	20,163,442
Suppliers credit	6.1	34,521,202	36,922,735
		-----	-----
		67,158,123	61,864,382
Overdue portion			
Custom debentures		403,659	403,659
		-----	-----
		67,561,782	62,268,041

6.1 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 and pledge of FDR of USD 700,000.

#### 7. SHORT TERM FINANCE

Short term running finance	7.1	21,863,494	23,387,739
Directors' loan		--	13,816,916
		-----	-----
		21,863,494	37,204,655
		=====	=====

7.1 The company has obtained short term running finance facility of Rs. 20 million from Soneri Bank Limited carrying markup at the rate of 36 paisas, per thousand per day and Rs. 20 million carrying markup at the rate of 43 paisas per thousand per day on quarterly rests. The arrangement is secured by way of hypothecation of stock in trade, pledge of shares held by the directors of the company and personal guarantee of directors of the company.

#### 8. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Trade creditors		2,768,768	2,615,148
Customer balances		8,204,037	30,506,079
Accrued expenses		18,204,443	11,366,970
Bills payable		44,897,039	11,957,825
Accrued interest on custom debentures		27,114	27,114
Sales tax		7,663,183	3,842,496
Workers' profit participation fund	8.1	1,079,453	990,140
Worker's welfare fund		310,911	247,799
Tax deducted at source		57,502	54,162
Others		576,196	354,664
		-----	-----
		113,788,646	61,962,397
		=====	=====

#### 8.1 Workers' Profit Participation Fund

Opening balance		990,140	844,840
Allocation for the year		1,079,453	990,140
Interest on fund utilized in company's business		62,392	46,467
		-----	-----
		1,141,845	1,036,607
		-----	-----
		2,131,985	1,881,447
Amount paid to the trustees of the fund or deposited with the Government		(1,052,532)	(891,307)
		-----	-----
		1,079,453	990,140
		=====	=====

#### 9. CONTINGENCIES AND COMMITMENTS

Contingencies -- Letter of guarantee		2,523,566	4,023,566
		=====	=====
Commitments -- Letter of credit		9,157,628	10,620,384
		=====	=====
Capital expenditure		1,601,435	--
		=====	=====

#### 10. OPERATING ASSETS -- At cost less accumulated depreciation

	COST				RATE %	DEPRECIATION			WRITTEN DOWN VALUE AS AT 30 JUNE 2000	
	AS AT 01 JULY 1999	ADDITIONS	(DISPOSALS)/ TRANSFER	AS AT 30 Jun-00		AS AT 01 JULY 1999	ON DISPOSALS FOR THE YEAR	AS AT 30 JUNE 2000		
<b>OWNED</b>										
Freehold land	3,964,588	--	--	3,964,588	--	--	--	--	3,964,588	
Factory building on freehold land	105,914,875	--	--	105,914,875	10	76,454,749	--	2,946,013	79,400,762	26,514,113
Lahore ware house on free hold land	2,664,102	--	--	2,664,102	10	1,817,585	--	84,652	1,902,237	761,865
Plant and machinery	349,050,839	51,369,911	10,465,113	389,955,637	10	217,797,660	--	17,715,798	235,513,458	154,442,179
Vehicles	11,290,224	2,191,125	599,000	12,882,349	20	7,030,646	353,650	1,241,071	7,918,067	4,964,282
Furniture, fixtures and equipment	8,562,174	477,830	--	9,040,004	10	4,535,371	--	450,463	4,985,834	4,054,170

Moulds	642,747	--	--	642,747	30	640,597	--	645	641,242	1,505
Laboratory equipment	1,512,579	--	--	1,512,579	10	1,202,395	--	31,018	1,233,418	279,166
	483,602,128	54,308,866	11,064,113	526,576,881		309,479,003	353,650	22,469,660	331,595,013	194,981,868
<b>LEASED</b>										
Plant and Machinery	105,774,332	12,125,818	--	117,900,150	10	21,941,434	--	9,595,872	31,537,306	86,362,844
	105,774,332	12,125,818	--	117,900,150	10	21,941,434	--	9,595,872	31,537,306	86,362,844
<b>2000 RUPEES</b>	589,376,460	66,164,684	11,064,113	64,4477,031		331,420,437	353,650	32,065,531	363,132,318	281,344,711
<b>1999 RUPEES</b>	571,170,783	57,588,437	39,382,760	589,376,460		306,015,083	3,408,207	28,813,561	331,420,437	257,956,023

\* Sale and lease transaction.

**2000**  
**Rupees**

**1999**  
**Rupees**

**10.1 Depreciation charge for the year has been allocated as follows:-**

Cost of goods manufactured	17.1	31,332,764	28,129,263
Administrative, selling and general expenses	20	732,767	684,298
		32,065,531	28,813,561

**10.2 Disposal of fixed assets**

<i>Particulars</i>	<i>Cost of Acquisition</i>	<i>Accumulated Depreciation</i>	<i>Written-Down value</i>	<i>Sale Proceeds</i>	<i>Profit/(Loss)</i>	<i>Mode of Sale</i>	<i>Particulars of Purchaser</i>
<b>Rupees</b>							
Toyota Corolla AAC 723	599,000	353,650	245,350	529,000	283,650	Negotiation	Mr. Masood Sabitullah 842 Hussain D'Silva Town, Block-P, N. Nazimabad, Karachi.

**2000**  
**Rupees**

**1999**  
**Rupees**

**11. CAPITAL WORK IN PROGRESS**

Mobilization advance	500,000	--
Other advances to contractor	957,646	--
Retention money	62,307	--
Consultation fees	96,900	--
Civil works	2,544,109	--
	4,160,962	--

11.1 These represents extension of Spray Dryer Building and floor Tile building at factory premises.

**12. LONG TERM DEPOSITS AND PREPAYMENTS**

Balance of prepayment as at 01 July	12.1	1,035,000	1,575,000
Paid during the year		360,000	--
		1,395,000	1,575,000
Adjusted during the year		(540,000)	(540,000)
		855,000	1,035,000
Current portion -- Shown under current assets		(540,000)	(540,000)
		315,000	495,000
Lease deposits		11,790,015	10,577,433
		12,105,015	11,072,433

12.1 The above prepayments include an advance paid to M/s. Kulsoom and Sohaila Associates, a partnership firm a related party, 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.

**13. 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.

**14. STOCK-IN-TRADE**

Raw materials			
-- in hand		25,603,890	20,001,220
-- in transit		--	1,187,229
Fittings		1,879,360	1,206,980
Packing materials		469,192	773,244
Work-in-process		2,332,791	1,137,305
Finished goods		57,453,565	44,694,387
		-----	-----
	22	87,738,798	69,000,365
		=====	=====

**15. LOANS, ADVANCES, DEPOSITS, REPAYMENTS AND OTHER RECEIVABLES**

Loans to employees - Considered good	15.1	1,096,814	1,106,656
Advances -- Considered good			
-- Employees		944,412	978,347
-- Taxation		7,929,399	8,781,419
-- Advance against purchase of land	15.2	400,000	400,000
-- Others		1,500,322	771,226
Deposits	15.3	899,138	899,138
Prepayments	15.4	3,071,980	3,239,882
Other receivables			
-- Accrued		996,961	--
-- Octroi refundable		281,387	302,087
		-----	-----
		16,478,755	17,120,413
		=====	=====

15.1 Maximum aggregate balance of advances due at the end of any month during the year was 2000 was Rs. 1,096,814 (1999: Rs. 1,106,656). These are secured against of gratuity payable to them.

15.2 This represents amount paid against purchase of land. However, possession of such land has not yet been taken.

**15.3 Deposits**

Guarantee margin		113,250	113,250
Others		785,888	785,888
		-----	-----
		899,138	899,138
		=====	=====

**15.3 Prepayments**

Letters of credit charges		1,195,295	298,421
Current portion of long term prepayments	12	540,000	540,000
Lease rental		1,156,115	1,151,949
L/C margin		--	1,095,000
Others		180,570	154,512
		-----	-----
		3,071,980	3,239,882
		=====	=====

**16. CASH AND BANK BALANCES**

Cash in hand		2,282,035	588,731
Cheques and drafts in hand		2,287,385	75,000
		-----	-----
		4,569,420	663,731
Cash with banks and financial institutions on:			
-- Current accounts		815,778	230,490
-- Deposit accounts		41,935,692	45,016,827
		-----	-----
		42,751,470	45,247,317
		-----	-----
		47,320,890	45,911,048
		=====	=====

**17. SALES -- NET**

Local sales -- net of sales tax & discount		330,970,491	339,488,753
		=====	=====

**18. COST OF SALES**

Opening Stock of finished goods		44,694,387	44,809,744
Cost of goods manufactured	18.1	281,152,069	273,968,876
Consumption of fittings and accessories	18.2	2,405,590	2,558,450
		-----	-----
		283,557,659	276,527,326
		=====	=====

	328,252,046	321,337,070
Closing Stock of finished goods	(57,453,565)	(44,694,387)
	270,798,481	276,642,683

**18.1 Cost of goods manufactured**

Raw materials consumed		
-- Opening stock	20,001,220	18,789,517
Purchases		
-- Local	12,913,925	13,014,696
-- Imported	88,835,575	86,521,823
Total purchases	101,749,500	99,536,519
Available for use	121,750,720	118,326,036
Closing stock	(25,603,890)	(20,001,220)
	96,146,830	98,324,816

**Other manufacturing expenses**

Moulds, dyes and consumable stores and spares	13,319,119	14,805,140
Fuel, power and water	70,942,968	65,569,440
Salaries, wages and other benefits	55,144,237	51,316,545
Director's remuneration	480,000	480,000
Insurance	705,623	1,314,296
Repairs and maintenance		
-- Vehicles	696,187	1,087,161
-- General	3,254,206	3,054,965
Other production expenses	3,329,516	3,014,169
Packing materials consumed	6,996,105	6,536,421
Depreciation 10.1	31,332,764	28,129,263
Total manufacturing expenses	282,347,555	273,632,216
Opening work-in-process	1,137,305	1,473,965
	283,484,860	275,106,181
Closing work-in-process	(2,332,791)	(1,137,305)
	281,152,069	273,968,876

**18.2 Consumption of fittings and accessories**

Opening stock	1,206,980	538,920
Purchases	3,077,970	3,226,510
Available for use	3,765,430	4,284,950
Closing stock	(1,206,980)	(1,879,360)
	2,558,450	2,405,590

**19. OTHER INCOME**

Gain on sale and lease back of fixed assets	2,430,426	2,005,922
Return on deposit accounts	2,028,352	1,865,228
Exchange gain	1,505,401	3,091,047
Gain on sale of fixed assets	283,650	800
Miscellaneous / Claims	74,879	73,356
	6,322,708	7,036,353

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

Salaries allowances and other benefits	10,771,965	9,346,696
Directors' remuneration and allowances	480,000	730,000
Rent, rates and taxes	833,223	1,252,708
Electricity and gas charges	1,125,567	852,899
Postage, telegraph and telephone charges	1,485,690	1,494,361
Printing and stationery	578,871	472,710
Repairs and maintenance		
-- Vehicles	762,415	589,191
-- General	493,097	634,563
Travelling and conveyance	471,012	1,143,670
Legal and professional charges	78,200	10,000
Auditors' remuneration 19.1	130,000	120,000
Fees and subscription	630,415	613,898

Advertisement and sales promotion		1,459,356	1,217,564
Forwarding and transportation		5,478,605	9,486,395
Commission		543,093	410,006
Donations	19.2	1,534,000	4,547,000
Insurance		68,259	647,548
Depreciation	10.1	732.77	684,298
Sundry expenses		233,423	499,852
		<u>27,889,957</u>	<u>34,753,359</u>

**20.1 Auditors' Remuneration****Audit fee**

Taseer Hadi Khalid & Co.		35,000	35,000
Qavi & Co.		35,000	35,000

**Accounting and advisory services**

Taseer Hadi Khalid & Co.		60,000	50,000
		<u>130,000</u>	<u>120,000</u>

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

**21. FINANCIAL CHARGES****Interest on:**

--Workers' profit participation fund		62,392	46,467
--------------------------------------	--	--------	--------

**Mark up on:**

-- Short term finances		2,925,854	1,309,696
-- Lease Finance		11,875,624	12,520,010
Bank charges		238,263	127,196
Surcharge on Deferred Import Levies		1,075,096	1,075,096
Interest on Directors' loan		683,473	--
		<u>16,860,701</u>	<u>15,078,465</u>

**22. TAXATION**

22.1 The Income tax assessments of the company have been finalised upto and including assessment year 1999-2000. Appeal for assessment year 1998-99 is pending with the Income Tax Authorities. However, no additional tax liability is likely to arise in case of an adverse decision.

22.2 The deferred tax liability as at 30 June 2000 amounted to Rs. 41 million (1999: Rs.27 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 financial year ending 30 June 2003, the management has decided to provide partly the liability so as to provide full liability by the time the standard becomes applicable.

**23. EARNING PER SHARE -- BASIC AND DILUTED**

Profit for the year		15,023,152	13,301,010
		<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares		10,911,780	10,911,780
Earnings per share		1.38	1.22

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

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

	<i>CHIEF EXECUTIVE</i>		<i>DIRECTORS</i>		<i>EXECUTIVE</i>		<i>TOTAL</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Managerial remuneration and allowances	324,000	324,000	324,000	486,500	1,992,426	1,744,020	2,640,426	2,554,520
House rent	144,000	144,000	144,000	217,125	800,472	742,907	1,088,472	1,104,032
Utilities	12,000	12,000	12,000	26,375	189,067	165,091	213,067	203,466

Rupees	480,000	480,000	480,000	730,000	2,981,965	2,652,018	3,941,965	3,862,018
No. of persons	1	1	1	2	17	17	19	20

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

## 25. CAPACITY AND PRODUCTION

	SANITARWARE		TILES	
	2000	1999	2000	1999
	(Tons)		(Sq. Meters)	
Capacity	3,000	3,000	1,400,000	900,000
Actual production	759	1,148	1,482,400	1,437,149

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 to one year Rupees	Over one year Rupees	Non-interest bearing Rupees	Total Rupees
<b>Financial Assets</b>				
Trade debts	--	--	19,239,258	19,239,258
Short term loans, advance deposits and other receivables	--	--	17,120,413	17,120,413
Long term deposits	--	--	12,105,015	12,105,015
Cash and bank balances	41,935,692	--	5,385,198	47,320,890
	41,935,692	--	53,849,884	95,785,576
<b>Financial Liabilities</b>				
Directors' loan	--	31,280,350	--	31,280,350
Liabilities against assets subject to finance lease	27,858,716	37,469,854	--	65,328,570
Staff gratuity	--	--	20,559,645	20,559,645
Import levies	4,778,205	14,591,482	--	19,369,687
Short term finance	21,803,494	--	--	21,803,494
Creditors, accrued expenses and other liabilities	44,897,039	--	68,891,607	113,788,646
Unclaimed dividend	--	--	108,141	108,141
Suppliers credit	--	--	34,521,202	34,521,202
	99,337,454	83,341,686	124,080,595	306,759,735
on-balance sheet gap (a)	(57,401,762)	(83,341,686)	(70,230,711)	(210,974,159)
	14,076,976	(37,984,360)	(108,215,071)	--

(a) The on-balance sheet gap represents the net amounts of on balance sheet items.

(b) Effective rate of markup for financial assets and liabilities are as follows:

	2000 %	1999 %
<b>Assets</b>		
Bank balances	9.00	6.00
<b>Liabilities</b>		
Liabilities against assets subject to finance lease	21.00/18.09	19.00/20.00
Long term financing	15.7	20.00
Short term financing/bills payable	13.14/15.7	--
Directors' loan	9.00	--
Import levies	15.00	15.00

## 28. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

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 Total number of employees as at 30 June 2000 was 524 (1999: 509).

29.2 Figures have been rounded off to the nearest rupee.

29.3 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 as At 30 June 2000

No. of Share Holders	Having Shares		Shares Held	Percentage
	From	To		
7	1	100	700	.0064
138	101	500	68000	.6231
12	501	1000	11600	.1063
19	1001	5000	66200	.6066
7	5001	10000	65035	.5960
3	10001	15000	36200	.3317
2	15001	20000	34200	.3134
2	20001	25000	46912	.4299
3	25001	30000	82200	.7533
1	30001	35000	32600	.2987
1	35001	40000	36800	.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	425001	430000	429920	3.9399
1	540001	545000	542191	4.9683
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 AS AT 30 JUNE 2000

Particulars	Shareholders	Shareholding	Percentage
Individuals	204	9609615	88.0664
Investment Companies			
Insurance Companies	1	5300	.0485
Joint Stock Companies			
Financial Institutions	3	1295365	11.8712
Modaraba Companies	1	1500	.0137
Foreign Companies			
Leasing Companies			
Central Depository Co. of Pakistan			
Others			
Non-Resident (US \$)			
Non-Resident (Pak Rs.)			
-----			
<b>COMPANY TOTAL</b>	209	10911780	100.00
=====			