

Karam Ceramics Limited

Annual Report 2001

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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. Rahman	Director
Sakin Noorallah	Director
H. Hatim Dayala	Director

COMPANY SECRETARY

Abdul Sultan Hamirani

BANKERS

Soneri Bank Limited
Emirates Bank International Limited
Standard Chartered Grindlays Bank
Habib Bank Limited

AUDITORS

Qavi & Co.
Chartered Accountants

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 : 0710857-5

SALES TAX REGISTRATION NO. : 02-02-6907-001-55

REGISTERED OFFICE

B.C-6, Block-5, Scheme-5, Kehkashan, Clifton, Karachi.

RANGE OF PRODUCTS

SANTARYWARE

* 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 DECORATED & EFFECT GLAZED TILES

* 15cm X 15cm
* 20cm X 30cm
* 28cm X 40cm

* 20cm X 20cm
* 30cm X 30cm
* 40cm X 40cm

NOTICE OF THE MEETING

Notice is hereby given that the 22nd annual general meeting of the company will be held at the registered office of the company on Thursday 13th December, 2001 at 10.00 a.m. to transact the following business:

1. To confirm the minutes of the 21st Annual General Meeting held on 22nd December 2000.
2. To consider and adopt the audited account of the company for the year ended 30th June 2001 along with the Report of the Directors thereon.
3. To appoint Auditors for the year 2002 and fix their remuneration.
4. To declare a dividend. The Directors have recommended a cash dividend of 15% (Rs.1.5 per

share).

5. To elect 7 Directors for a period of three years in accordance with the Companies Ordinance, 1984.

The Directors have fixed number of elected Directors as 7(Seven). The name of Directors who are retiring are as follows:-

- | | |
|------------------------------|-----------------------------|
| 1. Mr. Shabanali G. Kassim | 2. Mr. Irshad Ali S. Kassim |
| 3. Mr. Munawar Ali S. Kassim | 4. Mrs. Mariam S. Kassim |
| 5. Mrs. Sakin Noorullah | 6. Mrs. Shaheen A. Rehman |
| 7. Mr. H. Hatim Dayala | |

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

By order of the Board

Abdul Sultan Hamirani
Company Secretary

Karachi: November 15, 2001

Notes:

1. The share transfer book of the company will remain closed from 7th December 2001 to 13th December 2001 (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.

4. Any person who seeks to contest election to the office of Directors shall file with the company, not later than fourteen days before the date of the meeting a notice of his intention to offer himself for election as a Director together with his consent to act as a Director.

DIRECTORS' REPORT

The Directors of your company have pleasure in submitting the report along with audited accounts for the year ended 30th June 2001.

ISO CERTIFICATION

Your management is pleased to inform you that company has got ISO 9002 certification during the year. This will certainly prove to be the competitive edge over its competitors.

OPERATING PERFORMANCE

By grace to Allah your company has managed to increase the net sales revenue by 35% compared with previous year. Increase in sales revenue is mainly due to increase in volumes as a result of installation of new machinery. However in view of depressed and uncertain market condition the entire increase in sales volume has not been translated in the proportion of increased volume into monetary terms.

The cost of sales during the year increased by 36% due to downward slide of Pakistani Rupees against world major currencies, increase in prices of utilities especially Gas, Electricity and general inflation in the country. Increased in petroleum prices has also been resulted into increased in transportation cost. These increases in cost could not be passed on to the customers in view of presence of competition from imported as well as locally manufactured titles.

Inspite of the above adverse impacts your management has been able to improve its profit after tax to Rs. 16.2 million compared with Rs. 15 million in the last year.

PROFIT & DISTRIBUTION

	<i>Rupees</i>
Profit after taxation	16,223,029
Un-appropriated profit brought forward	22,461,225

Profit available for appropriation	38,684,254

APPROPRIATION

Cash dividend 15% (2000: 15%) on 10,911,780 shares of Rs. 10/- each	16,367,670

Un-appropriated profit carried forward	22,316,584
	=====

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

BOARD OF DIRECTORS

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

- Chief Executive Rs. 60,000/- per month
- Vice Chairman Rs. 60,000/- per month

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

FUTURE PROSPECTS

The management of the company is of the view that due to prevailing international situation and uncertain economic conditions in the country, the activities of construction industry will remain depressed. Further more, government efforts for resumption of housing scheme have not yet yielded any tangible results. This will adversely affect the demand of Tiles and Sanitary Ware. However, company will endeavor to improve its market share with rigorous marketing efforts and aim to take appropriate measures to ensure better operating results.

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 auditor M/s. Qavi & Co., Chartered Accountants retire and offer themselves for reappointment.

PATTERN OF SHARE HOLDING

Pattern of Share holding as on June 30, 2001 is given on page 30.

APPRECIATION

The Directors take this opportunity to thanks the suppliers M/s. R.A. Watts Limited, Fritta S. L., Cerdec A.G. Welko Industrial s.p.a, 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.

KARACHI: November 8, 2001

IRSHADALI S. KASSIM
CHIEF EXECUTIVE

FINANCIAL HIGHLIGHTS

		<i>2001</i>	<i>2000</i>
		<i>Rupees</i>	<i>Rupees</i>
Net Sales	Rupees in million	445,484	330,970
Profit before Tax	Rupees in million	26,440	20,354
Income Tax	Rupees in million	3,216	1,731
Deferred Tax	Rupees in million	7,000	3,600
Profit after Tax	Rupees in million	16,223	15,023
Earning per Share	Rupees / share	1.49	1.38
Cash dividend per Share	Rupees / share	1.50	1.50

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KARAM CERAMICS LIMITED** as at 30th June, 2001 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 30th June, 2001 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.

Karachi: November 08, 2001

QAVI & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
SHARE CAPITAL AND RESERVES			
Share Capital	3	109,117,800	109,117,800
Unappropriated Profit		22,316,584	22,461,225
		-----	-----
		131,434,384	131,579,025
LONG TERM LIABILITIES			
DEFERRED LIABILITY-Staff Gratuity		88,497,708	83,341,686
DEFERRED TAXATION		27,060,420	20,559,645
DEFERRED INCOME		13,600,000	6,600,000
		9,004,258	5,495,692
CURRENT LIABILITIES			
Current/overdue portion of long-term and deferred liabilities	6	66,236,792	67,561,782
Short Term Finance	7	28,257,239	21,863,494
Creditors, Accrued Expenses and Other Liabilities	8	51,203,351	113,788,646
Unclaimed Dividend		139,817	108,141
Provision for Taxation	22	3,279,492	2,566,883
Proposed Dividend		16,367,670	16,367,670
		-----	-----

CONTINGENCIES AND COMMITMENTS	9	165,484,361	222,256,616
		-----	-----
		435,081,131	469,832,664
		=====	=====
TANGIBLE FIXED ASSETS			
Operating Assets - At cost			
less accumulated depreciation	10	280,311,781	281,344,713
Capital Work in Progress	11	--	4,160,962
		-----	-----
		280,311,781	285,505,675
LONG TERM DEPOSITS AND PREPAYMENTS	12	6,178,539	13,004,153
CURRENT ASSETS			
Stores, Spares and Loose Tools	13	88,100	802,616
Stock in Trade	14	49,916,739	87,738,798
Trade Debts - Unsecured considered good		19,145,071	19,239,257
Loans, Advances, Deposits, Prepayments and Other Receivables	15	27,474,329	16,221,275
Cash and Bank Balances	16	51,966,572	47,320,890
		-----	-----
		148,590,811	171,322,836
		-----	-----
		435,081,131	469,832,664
		=====	=====

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

IRSHAD ALI S. KASSIM
CHIEF EXECUTIVE

MUNAWAR ALI S. KASSIM
VICE CHAIRMAN

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Sales - Net	17	445,484,344	330,970,491
Cost of Sales	18	(368,741,531)	(270,798,481)
		-----	-----
Gross Profit		76,742,813	60,172,010
Other Income	19	7,510,701	6,322,708
		-----	-----
		84,253,514	66,494,718
Administrative, Selling and General Expenses	20	33,578,933	27,889,957

Financial Charges	21	22,244,455	16,860,701
		-----	-----
		55,823,388	44,750,658
		-----	-----
Profit before Statutory Provisions		28,430,126	21,744,060
Workers' Profit Participation Fund		1,421,506	1,079,453
Workers' Welfare Fund - Current year		193,156	310,911
- Prior year		376,519	--
		-----	-----
		1,991,181	1,390,364
		-----	-----
Profit Before Taxation		26,438,945	20,353,696
Provision for Taxation	22		
Current year		3,279,492	2,566,883
Prior year		(63,576)	(836,339)
Deferred		7,000,000	3,600,000
		-----	-----
		10,215,916	5,330,544
		-----	-----
Profit after Taxation		16,223,029	15,023,152
Unappropriated Profit Brought Forward		22,461,225	23,805,743
		-----	-----
		38,684,254	38,828,895
Appropriation:			
Proposed dividend 15%(2000: @ 15%)		16,367,670	16,367,670
		-----	-----
Unappropriated Profit Carried Forward		22,316,584	22,461,225
		=====	=====
Earning Per Share	23	1.49	1.38
		=====	=====

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

IRSHAD ALI S. KASSIM
CHIEF EXECUTIVE

MUNAWAR ALI S. KASSIM
VICE CHAIRMAN

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>Rupees</i>	<i>Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		26,438,945	20,353,696
Adjustments for:			
Depreciation		28,229,204	32,065,531

Provision for staff gratuity	7,201,966	5,191,383
Charge for Workers' Profit Participation Fund	1,421,506	1,079,453
Charge for Workers' Welfare Fund	569,675	310,911
Interest and markup expense	22,010,052	16,622,438
Profit on sale of Fixed Assets	(174,097)	(283,650)
Return on deposits	(4,010,468)	(2,028,352)
Gain on Sale and lease back of Fixed Assets	(3,325,708)	(2,430,426)
Movement in long term prepayments	180,000	540,000
	-----	-----
	78,541,075	71,420,984
(Increase) / Decrease in Operating Assets		
Stores and Spares	714,516	(206,503)
Stock in Trade	37,822,059	(18,738,433)
Trade Debtors	94,186	654,770
Loans, Advances, Deposits, Prepayments and Other Receivables	(5,162,763)	(594,540)
Increase / (Decrease) in Operating Liabilities		
Short Term Running Finance	6,393,745	15,341,161
Creditors, Accrued Expenses, Other Liabilities and Bills Payable	(66,649,480)	51,133,824
	-----	-----
Cash generated from operations	51,753,338	119,011,263
Interest and Markup paid	(18,170,163)	(16,622,438)
Income Tax paid	(6,691,970)	(5,645,442)
Gratuity paid	(701,191)	(1,133,407)
WPPF paid	(1,079,453)	(990,140)
WWF paid	(687,430)	(247,799)
	-----	-----
Net cash flows from operating activities	24,423,131	94,372,037
Net cash flows from operating activities	24,423,131	94,372,037
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(23,885,482)	(58,199,828)
Return on deposits	2,108,840	2,028,352
Sale proceeds of fixed assets disposed during the year	206,500	529,000
	-----	-----
Net cash (used) in investing activities	(21,570,142)	(55,642,476)
CASH FLOW FROM FINANCING ACTIVITIES		
Long Term liabilities	(7,400,704)	(6,569,272)
Repayment of lease rental	(29,334,730)	(22,186,902)
Long Term Deposits and Prepayments	6,645,614	(1,931,720)
Finance obtained from sale and lease back transaction	45,000,000	12,125,818
Dividend paid	(16,335,995)	(16,356,110)
Suppliers credit	3,218,508	(2,401,533)
	-----	-----
Net cash flows from financing activities	1,792,693	(37,319,719)
	-----	-----
Net Increase in cash and bank balances	4,645,682	1,409,842

Cash and Bank Balances at beginning of the year	47,320,890	45,911,048
	-----	-----
Cash and Bank Balances at end of the year	51,966,572	47,320,890
	=====	=====

IRSHAD ALI S. KASSIM
CHIEF EXECUTIVE

MUNAWAR ALI S. KASSIM
VICE CHAIRMAN

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2001

	<i>Share Capital Rupees</i>	<i>Accumulated Profit Rupees</i>	<i>Total Rupees</i>
Balance as at 01 July 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 June 30, 2000	109,117,800	22,461,225	131,579,025
Profit for the year	--	16,223,029	16,223,029
Proposed Dividend	--	(16,367,670)	(16,367,670)
	-----	-----	-----
Balance as at June 30, 2001	109,117,800	22,316,584	131,434,384
	=====	=====	=====

IRSHAD ALI S. KASSIM
CHIEF EXECUTIVE

MUNAWAR ALI S. KASSIM
VICE CHAIRMAN

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2001

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 principal 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.

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 the 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. Provision 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 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:

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 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 capitalized 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 realizable value.
Work in Process	At lower of weighted average cost of direct material, labor and appropriate manufacturing expenses and net realizable value.
Finished goods	At lower of weighted average cost and net realizable 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 realizable value.
Packing Material	At lower of cost on FIFO basis and net realizable value.
Stock in Transit	At invoice value.

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 recognized 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

Revenue from Sales are recognized on dispatch of goods to customers.

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
3. SHARE CAPITAL		
Authorized		
15,000,000 Ordinary shares of Rs.10/- each =====	150,000,000 =====	150,000,000 =====
Issued, Subscribed And Paid-Up Capital		
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 =====

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
4. LONG TERM LIABILITIES			
Long Term import levies	4.1	--	14,591,482
Liability against assets subject to finance lease	4.2	52,900,417	37,469,854
Directors' loan	4.3	35,597,291	31,280,350
		-----	-----
		88,497,708	83,341,686
		=====	=====

4.1 Long Term Import Levies

Opening Balance	19,369,687	26,536,987
Adjustment/Paid during the year	(19,369,687)	(7,167,300)

		--	19,369,687
Current portion - Shown under current liabilities	6	--	(4,778,205)
		--	14,591,482
		=====	=====

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. The company has paid the entire liability during the year.

4.2 Liability Against Assets Subject To Finance Lease

Finance lease liabilities are payable as follows:

	<i>2001 Rupees</i>			<i>2000 Rupees</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>
Less than one year	38,114,789	10,021,366	28,093,423	35,346,969	7,488,253	27,858,716
Between one and five year	67,378,544	14,478,127	52,900,417	45,033,850	7,563,996	37,469,854
	-----	-----	-----	-----	-----	-----
	105,493,333	24,499,493	80,993,840	60,380,819	15,052,249	65,328,570
	=====	=====	=====	=====	=====	=====

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, 18.09 and 16 percent per annum have been used as discounting factor.

4.2.2 The plant and machinery leased include Tiles manufacturing plant and Grinding machine purchased under sale and lease back arrangement.

4.3 Directors' Loan

This represents net amount advanced by three of the directors during the year and it has been agreed that the above balance will be repaid on or after December 31, 2002 and carry interest @ 9% per annum.

5. DEFERRED INCOME

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

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
6. CURRENT/OVERDUE PORTION OF LONG TERM AND DEFERRED LIABILITIES			
Current Portion			
Import levies	4.1	--	4,778,205
Liability against assets subject to finance lease	4.2	28,093,423	27,858,716
Suppliers credit	6.1	37,739,710	34,521,202
		-----	-----
		65,833,133	67,158,123
Overdue portion			
Custom debentures		403,659	403,659
		-----	-----
		66,236,792	67,561,782
		=====	=====

6.1 Supplier credit represents amount payable to supplier of plant and machinery against an irrevocable letter of credit issued by Soneri Bank Ltd. 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 TDR of Rs.42.7 million.

7. SHORT TERM FINANCE

Short term running finance	7.1	28,257,239	21,863,494
		-----	-----
		28,257,239	21,863,494
		=====	=====

7.1 The company has obtained short term running finance facility from Soneri Bank Ltd. of Rs.30 million carrying markup at the rate of 37 paisas, per thousand per day and Rs.24 million carrying markup at the rate of 36 paisas per thousand per day on quarterly basis. 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.

The company has also arranged working capital finance facility of Rs.20 million from Standard Chartered Grindlays Bank carrying markup at the rate of 38.36 paisas, per thousand per day. The arrangement is secured against the sole equitable mortgage charge over the commercial office situated at Plot Nos. BC-6, Block-5, KDA Scheme No. 5, Kehkashan, Clifton, Karachi owned by M/s. Kulsoom and Sohaila Associates (Related Party).

8. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Trade Creditors		3,588,179	2,768,768
Customer balances		--	8,204,037
Accrued Expenses		29,873,660	18,567,041
Bills Payable		11,398,000	44,897,039
Accrued interest on custom debentures		27,114	27,114
Sales Tax		4,581,548	7,663,183
Workers' Profit Participation Fund	8.1	1,421,506	1,079,453
Workers' Welfare Fund		193,156	310,911
Tax deducted at source		120,188	57,502
Others		--	213,598

51,203,351	113,788,646
=====	=====

8.1 Workers' Profit Participation Fund

Opening Balance	1,079,453	990,140
Allocation for the year	1,421,506	1,079,453
Interest on fund utilized in company's business	92,197	62,392
	-----	-----
	1,513,703	1,141,845
	-----	-----
	2,593,156	2,131,985
Amount paid to the trustees of the fund or deposited with the Government	(1,171,650)	(1,352,532)
	-----	-----
	1,421,506	1,079,453
	=====	=====

9. CONTINGENCIES AND COMMITMENTS

Contingencies - Letter of guarantee	9,700,000	2,523,566
	=====	=====
Commitments - Letter of Credit	11,645,607	9,157,628
	=====	=====
Capital Expenditure	--	1,601,435
	=====	=====

10. FIXED ASSETS

	<i>COST</i>			<i>Rate</i>		<i>DEPRECIATION</i>			<i>Net book Value</i>		
	<i>As at</i>	<i>Additions</i>	<i>Disposals/ Transfer/ Adjustment</i>			<i>As at</i>	<i>As at</i>	<i>On disposal/ Transfer/ Adjustment</i>		<i>For the year</i>	<i>As at</i>
	<i>01-07-00</i>					<i>30-06-01</i>	<i>%</i>	<i>01-07-00</i>		<i>Adjustment</i>	<i>year</i>
OWNED											
Freehold Land	3,964,588	--	--	3,964,588	--	--	--	--	--	3,964,588	
Factory Building on Freehold Land	105,914,875	6,613,655	--	112,528,530	10	79,400,762	--	3,312,777	82,713,539	29,814,991	
Lahore Ware House on Freehold Land	2,664,102	--	--	2,664,102	10	1,902,237	--	76,187	1,978,424	685,678	
Plant and Machinery	389,955,637	18,927,544	(41,822,213)* (7,652,042)**	359,408,926	10	235,513,458	(3,656,487) (3,283,426)	13,083,538	241,657,083	117,751,843	
Furniture, Fixtures and Equipment	9,040,004	173,675	--	9,213,679	10	4,985,834	--	422,785	5,408,619	3,805,060	
Vehicles	12,882,349	2,331,570	(273,896)	14,940,023	20	7,918,067	(241,493)	1,452,690	9,129,264	5,810,759	
Moulds	642,747	--	--	642,747	30	641,242	--	452	641,694	1,053	
Laboratory Equipment	1,512,579	--	--	1,512,579	10	1,233,413	--	27,917	1,261,330	251,249	
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	
TOTAL	526,576,881	28,046,444	(49,748,151)	504,875,174		331,595,013	(7,181,406)	18,376,346 (3,283,426)*	342,789,953	162,085,221 (3,283,426)	
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	

LEASED

Plant and Machinery	117,900,150	45,000,000*	--	162,900,150	10	31,537,306	--	13,136,284	44,673,590	118,226,560
TOTAL	117,900,150	45,000,000	--	162,900,150		31,537,306	--	13,136,284	44,673,590	118,226,560
2001 Rupees	644,477,031	73,046,444	(49,748,151)	667,775,324		363,132,319	(7,181,406)	28,229,204	387,463,543	280,311,781
2000 Rupees	589,376,460	66,164,684	11,064,113	644,477,031		331,420,437	353,650	32,065,531	363,132,318	281,344,713

* Sale and lease back transaction.

** This represents adjustment in asset capitalized in the year of import as a result of payment of import levies in current year. (refer Note 4)

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
10.1 Depreciation charge for the year has been allocated as follows:-			
Cost of Sales	18.10	27,472,755	31,332,764
Administrative, Selling and General Expenses	20	756,449	732,767
		28,229,204	32,065,531

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>
			<i>Rupees</i>				
Suzuki Van CA-551	60,000	58,310	1,690	62,000	60,310	Negotiation	Mr. Syed Shamshad Ali House # B-273, Sector 11-E, New Fatima Jinnah Colony, Karachi
Suzuki Van CD-422	125,000	114,261	10,739	80,000	69,261	Negotiation	Mr. Bakht Haroon C-23-24, Jahanzeb Shopkeeper Ghousia Mahla, Frontier Colony, Karachi
Suzuki Pick-up KAF-9364	75,000	55,339	19,661	50,000	30,339	Negotiation	Mr. Azhar Ahmed Siddiqui House # L-559, Sector 5-B, Maymarabad, Surjani Town, Karachi
Motor Cycle Kawasaki KAN7417	13,896	13,583	313	14,500	14,187	Negotiation	Mr. Mohammad Adnan House # 5/30, Street No. 5 Karachi.
Total 2001	273,896	241,493	32,403	206,500	174,097		
Total 2000	599,000	353,650	245,350	529,000	283,650		

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
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
		=====	=====
12. LONG TERM DEPOSITS AND PREPAYMENTS			
Deposits	12.1	6,043,539	12,689,153
Balance of prepayment as at 1st July	12.2	855,000	1,035,000
Paid during the year		--	360,000
		-----	-----
		855,000	1,395,000
Adjusted during the year		(180,000)	(540,000)
		-----	-----
		675,000	855,000
Current portion - Shown under current assets		(540,000)	(540,000)
		-----	-----
		135,000	315,000
		-----	-----
		6,178,539	13,004,153
		=====	=====
12.1 Deposits			
Leased Assets		5,144,401	11,790,015
Guarantee Margin		113,250	113,250
Others		785,888	785,888
		-----	-----
		6,043,539	12,689,153
		=====	=====

12.2 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	19,045,258	25,603,890
Fittings	2,745,520	1,879,360
Packing Materials	331,760	469,192
Work-i n-process	1,548,261	2,332,791

Finished Goods		26,245,940	57,453,565
		-----	-----
		49,916,739	87,738,798
		=====	=====

15. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS, AND OTHER RECEIVABLES

Loans to employees - Considered Good	15.1	1,186,210	1,096,814
Advances - Considered Good			
- Employees		815,573	944,412
- Taxation		8,326,961	5,866,624
- Advance against purchase of land	15.2	400,000	400,000
- Others		364,017	1,500,322
Deposit		6,645,614	--
Pre payments		3,880,082	3,071,980
Other Receivables			
- Accrued		1,901,628	996,961
- Octroi Refundable		163,143	281,387
- Income Tax Refund		3,791,101	2,062,775
		-----	-----
		27,474,329	16,221,275
		=====	=====

15.1 Maximum aggregate balance of loans due at the end of any month during the year 2001 was Rs.1,186,210 (2000: Rs.1,096,814). These are secured against 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 Prepayments

Letters of credit charges		66,857	1,195,295
Current portion of long term prepayments	12	540,000	540,000
Lease rentals		3,201,874	1,156,115
Others		71,351	180,570
		-----	-----
		3,880,082	3,071,980
		=====	=====

16. CASH AND BANK BALANCES

Cash in Hand		2,015,604	2,282,035
Cheques and drafts in hand		4,985,610	2,287,385
		-----	-----
		7,001,214	4,569,420
Balance with Banks in:			
- Current accounts		868,439	815,778
- Deposit accounts		44,096,919	41,935,692
		-----	-----
		44,965,358	42,751,470
		-----	-----
		51,966,572	47,320,890

17. SALES- NET		
Local Sales - Net of Sales Tax & Discount		
	445,484,344	330,970,491
18. COST OF SALES		
Opening Stock of Finished Goods	57,453,565	44,694,387
Consumption of Fittings and Accessories	18.2	2,517,545
	337,533,906	283,557,659
	394,987,471	328,252,046
Closing Stock of Finished Goods	(26,245,940)	(57,453,565)
	368,741,531	270,798,481
18.1 Cost of Goods Manufactured		
Raw Materials Consumed		
- Opening Stock	25,603,890	20,001,220
Purchases		
- Local	17,917,121	12,913,925
- Imported	87,990,637	88,835,575
Total Purchases	105,907,758	101,749,500
Available for use	131,511,648	121,750,720
Closing Stock	(19,045,258)	(25,603,890)
	112,466,390	96,146,830
Other Manufacturing Expenses		
Moulds, Dyes and Consumable Stores and Spares	19,901,067	13,319,119
Fuel, Power and Water	90,931,341	70,942,968
Salaries, Wages and Other Benefits	60,260,639	55,144,237
Director's Remuneration	600,000	480,000
Insurance	1,247,772	705,623
Repairs and Maintenance		
- Vehicles	1,194,789	696,187
- General	7,548,769	3,254,206
Other Production Expenses	4,606,819	3,329,516
Packing Materials Consumed	8,001,490	6,996,105
Depreciation	10.1	27,472,755
Total Manufacturing Expenses	334,231,831	282,347,555
Opening Work-in-Process	2,332,791	1,137,305
	336,564,622	283,484,860
Closing Work-in-Process	(1,548,261)	(2,332,791)
	335,016,361	281,152,069

18.2 Consumption Of Fittings and Accessories

Opening Stock	1,879,360	1,206,980
Purchases	3,383,705	3,077,970
	-----	-----
Available for use	5,263,065	4,284,950
Closing Stock	(2,745,520)	(1,879,360)
	-----	-----
	2,517,545	2,405,590
	=====	=====

19. OTHER INCOME

Gain on Sale and Lease Back of Fixed Assets	3,325,708	2,430,426
Return on deposit accounts	4,010,468	2,028,352
Exchange Gain	--	1,505,401
Gain on Sale of Fixed Assets	174,097	283,650
Miscellaneous / Claims	428	74,879
	-----	-----
	7,510,701	6,322,708
	=====	=====

20. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES

Salaries, Allowances and Other Benefits	13,066,612	10,771,965
Director's Remuneration and Allowances	600,000	480,000
Rent, Rates and Taxes	1,129,231	833,223
Electricity and Gas Charges	1,070,121	1,125,567
Postage, Telegraph and Telephone Charges	1,534,348	1,485,690
Printing and Stationery	595,887	578,871
Repairs and Maintenance		
- Vehicles	590,784	762,415
- General	223,267	493,097
Travelling and Conveyance	750,362	471,012
Legal and Professional Charges	112,500	78,200
Auditors' Remuneration	20.1 70,000	130,000
Fees and Subscription	656,370	630,415
Advertisement and Sales Promotion	3,331,368	1,459,356
Forwarding and Transportation	7,276,210	5,478,605
Commission	562,594	543,093
Donations	20.2 821,000	1,534,000
Insurance	181,370	68,259
Depreciation	10.1 756,449	732,767
Sundry Expenses	250,460	233,423
	-----	-----
	33,578,933	27,889,957
	=====	=====

20.1 Auditors' Remuneration

Audit Fee		
Qavi & Co.	70,000	35,000
Taseer Hadi Khalid & Co.	--	35,000
Accounting and Advisory Services		
Taseer Hadi Khalid & Co.	--	60,000

70,000	130,000
=====	=====

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	92,197	62,392
Mark up on:		
- Short Term Finances	4,311,119	2,925,854
- Lease Finance	9,867,798	11,875,624
Bank Charges	234,403	238,263
Exchange Loss	4,953,118	--
Surcharge on Deferred Import Levies	--	1,075,095
Interest on Directors' Loan	2,785,820	683,473
	-----	-----
	22,244,455	16,860,701
	=====	=====

22. PROVISION FOR TAXATION

22.1 The Income Tax assessments of the company have been finalized upto and including assessment year 2000-2001.

22.2 The deferred tax liability as at June 30, 2001 amounted to Rs.32 million (2000:Rs.41 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, as on 30 June 2001, the management has provided 13.6 million in the accounts.

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

Profit for the year	16,223,029	15,023,152
	=====	=====
	<i>Number</i>	<i>Number</i>
Weighted average number of ordinary shares	10,911,780	10,911,780
	=====	=====
Earnings per share	1.49	1.38
	=====	=====

24. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

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

<i>CHIEF EXECUTIVE</i>		<i>DIRECTOR</i>		<i>EXECUTIVES</i>		<i>TOTAL</i>	
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>

Managerial remuneration and allowances	387,097	324,000	387,097	324,000	3,213,131	1,992,426	3,987,325	2,640,426
House Rent	174,193	144,000	174,193	144,000	1,126,296	800,472	1,474,682	1,088,472
Utilities	38,710	12,000	38,710	12,000	250,288	189,067	327,708	213,067
RUPEES	600,000	480,000	600,000	480,000	4,589,715	2,981,965	5,789,715	3,941,965
No. of Persons	1	1	1	1	16	17	18	19

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

25. CAPACITY AND PRODUCTION

	<i>SANITARY WARE</i>		<i>TILES</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>(Tons)</i>		<i>(Sq. Meters)</i>	
Capacity	3,000	3,000	1,400,000	1,400,000
Actual Production	1,353	759	1,740,273	1,482,400

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:

<i>Interest rate sensitivity position</i>	<i>Interest/Markup Bearing</i>		<i>Non-interest/Markup bearing</i>	
	<i>One month to one year</i>	<i>Over one year</i>	<i>Total</i>	
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
FINANCIAL ASSETS				
Trade debts	--	--	19,145,071	19,145,071
Short term loans, advances deposits and other receivables	--	--	27,474,329	27,474,329
Long term deposits	--	--	6,043,539	6,043,539
Cash and bank balances	44,096,919	--	7,869,653	51,966,572
	44,096,919	--	60,532,592	104,629,511

FINANCIAL LIABILITIES

Liabilities against assets subject to finance lease	28,093,423	52,900,417	--	80,993,840
Staff gratuity	--	--	27,060,420	27,060,420

Short term finance	28,257,239	--	--	28,257,239
Creditors, accrued expenses and other liabilities	11,398,000	--	39,805,351	51,203,351
Unclaimed dividend	--	--	139,817	139,817
Suppliers credit	--	--	37,739,710	37,739,710
Proposed Dividend	--	--	16,367,670	16,367,670
	-----	-----	-----	-----
	67,748,662	52,900,417	121,112,968	241,762,047
	-----	-----	-----	-----
on balance sheet gap(a)	(23,651,743)	(52,900,417)	(60,580,376)	(137,132,536)
	-----	-----	-----	-----
	(23,651,743)	(76,552,160)	(137,132,566)	--
	=====	=====	=====	=====

(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:

	<i>2001</i>	<i>2000</i>
	<i>%</i>	<i>%</i>
Assets		
Bank Balances	9.00	9.00
Liabilities		
Liabilities against assets subject to finance lease	21.27/18.09/16.00	21.27/18.09
Short term financing/bills payable	13.50/13.14	13.14/15.7
Directors' loan	9.00	9.00
Import Levies		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 to whom company applies credit limits.

29. GENERAL

29.1 Total number of employees as at June 30, 2001 was 574 (2000: 524)

29.2 Figures have been rounded off to the nearest rupee.

29.3 Corresponding 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 JUNE 30, 2001

<i>No. of</i>	<i>Having Shares</i>	<i>Shares Held</i>	<i>Percentage</i>
---------------	----------------------	--------------------	-------------------

<i>Shareholders</i>	<i>From</i>	<i>To</i>		
7	1	100	700	0.0064
134	101	500	66000	0.6048
12	501	1000	11600	0.1063
18	1001	5000	66200	0.6066
8	5001	10000	71035	0.6509
3	10001	15000	36200	0.3317
2	15001	20000	34200	0.3134
2	20001	25000	46912	0.4299
2	25001	30000	52200	0.4783
1	30001	35000	32600	0.2987
2	35001	40000	72800	0.6671
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	415001	420000	419920	3.8483
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
-----			-----	-----
205			10911780	100.00
=====			=====	=====

CATEGORIES OF SHAREHOLDERS AS AT 30 JUNE 2001

<i>Particulars</i>	<i>shareholders</i>	<i>Shareholding</i>	<i>Percentage</i>
Individuals	200	9620615	88.1672
Financial Institution	3	1285365	11.7796
Insurance Companies	1	5300	0.0485
Modarabas	1	500	0.0045
	-----	-----	-----
	205	10911780	100.0000
	=====	=====	=====