

## Regal Ceramics Limited

### Annual Report 1999

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#### COMPANY INFORMATION

##### BOARD OF DIRECTORS

MR. J. ALI SHAMSI	Chairman	MR. MALIK SALEEM ISMAIL	Chief Executive
MR. MUHAMMAD AMIN HASANALI		MR. M. AMIN ISMAIL	
MR. AZIZ-UD-DIN HASANALI		MRS. S. ALI	
MR. AHMED MUHAMMAD HUSSAIN		MR. RAHIM PERVAIZ ISMAIL	
MR. MEHMOOD MUHAMMAD HUSAAIN		MR. MUHAMMAD ASIF	(NIT Nominee)

##### COMPANY SECRETARY

Lt. Col. (R) M. TUFAIL

##### AUDITORS

M/s A. Aziz Chaudhury & Co.  
Chartered Accountants  
38-The Mall Lahore - 54000

##### LEGAL ADVISOR

Khawaja Muhammad Akram (Advocate)  
1 - Begum Road, Mozang Lahore - 54000

##### BANKERS

Muslim Commercial Bank Limited  
Bank Square Branch, Gujranwala

##### REGISTERED OFFICE

4th Floor, Salam Chambers,  
22-Link McLeod Road, Lahore - 54000  
Post Box No. 1779, Cable: Regmics Lahore  
Telephone: 042 - 7227085 - 7243417 Fax No: 0092 - 42 - 7354450

##### ZONAL OFFICE

5/51, Al-Yousuf Chambers,  
Shahrah-e-Liaquat, New Chali, Karachi  
Telephone: 021 - 2627891 - 2624059 Fax No: 0092 - 21 - 2621184

##### FACTORY

G.T. Road, Gujranwala  
Post Box No. 137,  
(10 Km From Gujranwala Town, Towards Lahore Side)  
Phones: 0431 - 284762, 284765 Fax: 0092- 431 - 284766  
Telex: 45374 REGAL PK.  
Cable: Regmics Gujranwala

## **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 24th Annual General Meeting of the Company will be held on Wednesday the 8th December, 1999 at 10:30 A.M. at Avari Hotel 87-Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:-

1. To confirm the minutes of the 23rd Annual General Meeting held on the 19th December, 1998.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended 30th June, 1999 together with the Directors and Auditors Reports.
3. To Appoint Auditors and fix their remuneration. The retiring Auditors M/s A. Aziz Chaudhury & Co Chartered Accountants, Lahore, being eligible offer themselves for reappointment.
4. To transact such other business which may be placed before the meeting with the permission of the Chair.

LAHORE: 17TH November, 1999

### **NOTES:**

1. The Share transfer Book of the Company will remain closed from 1st December, 1999 to 8th December, 1999 (both days inclusive) and no transfer will be accepted for registration during this period.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
3. Shareholders are requested to notify change in their address immediately.

## **DIRECTORS REPORT TO SHARE HOLDERS**

### **General**

#### **Dear Share Holders**

1. I on my own behalf and on behalf of the Board of Directors welcome you all to the 24th Annual General Meeting of the Company. I hereby present the Annual Report of the Company for the year 1998-99. The state of the Company financial exposure is far from being satisfactory as reflected in the Balance Sheet for the year 1998-99. The sales have fallen to rock bottom level and the accumulated loss, this year, amounting to Rs. 79.02 million have resulted in our Minus Equity. The following factors contributed to this state of our sales:-

- a. Continuance of recessionary business trends the World Over.
- b. The increased cost of living has reduced the purchasing power of the common man,
- c. More particularly the ITP of finished crockery from abroad has been fixed unrealistically, at very much lower rates than actually prevailing in the country of their origin - Tea Set at 4 dollars and Dinner Set at 18 dollars. This has reduced our competitiveness with imported crockery. Reduction of Custom Duty and Free Import of Porcelain crockery has forced some of the concerns to stop production. Parray China and IDL being the latest two concerns to close down.
- d. Smuggling of crockery through Transit Trade Facility to Afghanistan still continues unchecked.

**ON BEHALF OF THE BOARD  
MALIK SALEEM ISMAIL  
CHIEF EXECUTIVE**

e. Due to ever increasing US Dollar rate and Foreign Currency Regulations the imported Raw Material, Process Material and Spare parts prices have increased many folds.

f. Due to flooding of our markets with smuggled and clandestinely imported crockery there is no cushion for local manufacturers to increase prices of their products correspondingly. We were forced to increase the prices of Tea Sets and Dinner Sets by 10% in Oct 1998 to defray the cost increase of these items

The sponsors could not inject more funds in the concern. The production is still at 45 to 50% of Plant Capacity. Navy Contracts were received towards the end of June 1998. More than 35% of the supplies have been made as of Last month. Picic loans are being paid regularly and present balances as on 30th June 1999 are:-

PICIC Loan ADB-878/879 Principal	Rs. 63866186.00
PICIC Capitalized Amount Frozen	Rs. 33500000.00

## FINANCIAL RESULTS

2. The financial results for the year ended 30th June 1999 are:-

a. The sales are down by about 30% as of year 1997-98. The cost of sales is 28.48% less than last year.

b. Admin and General Expenses as also Financial Expenses have been less as compared to last year.

c. Details are as under:-

	<i><b>1998-99</b></i>	<i><b>1997-98</b></i>
<b>Gross Profit</b>	18,658,195	28,945,649
Less Operating Expenses	29,261,092	36,456,772
	-----	-----
Operating Loss	(10,602,897)	(7,511,123)
Other Income	608,185	1,777,784
	-----	-----
Loss before Taxation	(9,994,712)	(5,733,339)
Provision for Taxation	(465,160)	(664,724)
	-----	-----
Loss after Taxation	(10,459,872)	(6,398,063)
Unappropriated Loss brought forward	(68,563,359)	(62,165,296)
	-----	-----
Balance Carried over to Balance Sheet	(79,023,231)	(68,563,359)
	=====	=====

## MARKETING

3. In the face of continued recession and lack of cash generation the concern had to agitate the market. Requirement of Low Cost Tea Mugs increased in the local markets. This Concern readily switched over about 75% of its present production to low cost mugs of Six Designs with ever changing Decorations. By reducing the over heads through a number of measures i.e. cutting down the man hours, use of Daily wages workers, reshaping the mugs to avoid their rattling and reshaping the packing material, the cost of Tea Mugs was brought 'down. This enabled the Concern to lower the sale price of Tea Mugs and grab major share of market sales towards the last weeks of accounting year 1998-99. It will increase our Cash Generation to a satisfactory level during this year as is evident from a comparison of sales. The sales during Qtr ending Sap, 1999 are Rs. 34.56 mil as compared to sales of Rs. 17.43 mil for the corresponding period of year 1998, an increase of 100%. We hope to keep this upward trend going INSHAH ALLAH.

We have taken in hand a study for the export of our ware. As intimated last year the trend of LC opening by Foreign Buyers is out. Availability of Ready Stocks in countries of export are desired these days, which requires an initial Capital Layout to the tune of approx. Rs. 9.0 rail. We are looking for customers abroad who shall be given our ware at upto 120 days "Deferred

Payment" basis thus reducing own Capital Layout. MD plans to visit Middle East countries, England and European Union Countries in the near future. We have also taken in hand a deal with a Korean Transfer Picture manufacturer who will market our ware decorated with Korean TP with reciprocal purchase basis in USA and Canada.

#### **SELF SUFFICIENCY IN PROCESS MATERIAL**

4. In order to attain self sufficiency for Process Material we had got the Manufacturing of Packing Material started in the factory last year. In order to put Expansion Project Kilns in operation we need .almost Rs.20 mil for Kiln Furniture. This amount is not coming forth from any source. We therefore, have taken in hand the. production of Kiln Furniture here. During the year under report we had started the production of our own Sagggers. Our sagggers production now has increased due to purchase of a new Press. Almost 400 different Sagggers are being manufactured a, day. This. capacity will be increased during the current year. We have started experiments of making of Sic Slabs too. A study in the viability of production of decal is also under way.

#### **HUMAN RESOURCES MANAGEMENT**

5. Even during the year of this report the Company was not in a position to pay, 5% Worker Profit Participation, Bonus and to send Workers on Hajj due to losses. No provision of these has therefore been made in the accounts for the year ended 30th June 1999.

The construction of Factory Mosque is going on and it is expected to be completed within next six months or so.

#### **PATTERN OF SHARE HOLDINGS**

6. The Pattern of Share Holdings is provided in the Balance Sheet.

#### **CONCLUSION**

7. There has been a record decrease in our sales during the period of this report.

Strict measures had to be taken to over come the lack of sufficient Cash Generation.

There has been a revival of our sales of Tea Mugs as already mentioned in this report, but we are persistently keeping the austerity measures even now to achieve an increase in Cash Generation. Some of these measures are:-

- a. Decrease of workers. 33% decrease has been effected so far.
- b. Cut in office, General & Admin Expenses.
- c. Liquidation of Financial Expenses.

In order to over come periodic Shortages of Cash Generation and to improve the Equity of the Company we will put the Expansion Project in operation. This will require about Rs. 10.0 mil. To arrange this required amount our Paid Up Capital has got to be increased to the limit of our Authorised Capital of Rs. 100 mil. For this Security Exchange Commission will be contacted to allow 2nd Right Issue of Shares. For this Issue of Right Shares the Directors are being requested to Underwrite the Issue. MD will contribute Rs. 10 mil as Share Deposit Money to cover the Underwriting of the issue. The Board has approved of this Long Term measure to over come the problems of Shortage of Cash Generation and unfavourable Equity.

#### **THANKING YOU**

**CHIEF EXECUTIVE**

#### **AUDITORS REPORT TO THE SHAREHOLDERS**

We have audited the annexed Balance Sheet of REGAL CERAMICS LIMITED as at 30th June, 1999 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 are 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 30th June, 1999 and of the Loss and the Cash Flow for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980.

38-Shahrah-e-Quaid-e-Azam

LAHORE:

Dated: 03 November 1999

(A. Aziz Chaudhry & Co.,)  
CHARTERED ACCOUNTANTS

## BALANCE SHEET AS AT 30TH JUNE, 1999

CAPITAL AND LIABILITIES.	NOTE NO.	1998-99 RUPEES	1997-98 RUPEES
<b>SHARE CAPITAL RESERVES.</b>			
<b>AUTHORISED CAPITAL.</b>			
10,000,000 Ordy., Shares of Rs. 10/- each.		100,000,000	100,000,000
<b>ISSUED, SUBSCRIBED &amp; PAID UP CAPITAL.</b>			
7,300,000 Ordy., Shares of Rs. 10/- each fully paid up.		73,000,000	73,000,000
Un-appropriated (Loss).		(79,023,231)	(68,563,359)
		-----	-----
		(6,023,231)	4,436,641
<b>LONG TERM LOANS.</b>			
Pakistan Industrial Credit and Investment Corporation Limited.	3	91,134,643	106,047,643
Loans from Directors (Un-Secured).		12,000,000	7,500,000
		-----	-----
		103,134,643	113,547,643
<b>DEFERRED LIABILITIES.</b>			
	4	20,247,425	6,721,432
<b>CURRENT LIABILITIES &amp; PROVISIONS.</b>			
Current Maturity of Long Term Loans.	5	16,984,006	6,400,000
Shod Term Finance (Secured).	6	33,345,174	31,441,814
Creditors and Accrued Expenses.	7	29,165,557	34,344,725
Provision for Taxation		465,160	664,724
		-----	-----
		79,959,897	72,851,263
		-----	-----

197,318,734

197,556,979

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**PROPERTY AND ASSETS****TANGIBLE FIXED ASSETS.**

Operating Fixed Assets.	8	154,522,013	162,618,579
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**CURRENT ASSETS.**

Stores and Spares.	9	2,965,227	1,582,912
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Stock in Trade.	10	17,862,516	21,463,629
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Trade Debtors (Un-Secured).		8,789,976	5,727,405
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Advances, Deposits, Prepayments and Other Receivables.	11	12,756,215	5,921,561
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Cash and Bank Balances.	12	422,787	242,893
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NOTE: The annexed notes form an integral part of these accounts.

Auditor's report of even date is attached herewith.

38-Shahrah-e-Quaid-e-Azam

LAHORE:

Dated: 3rd November, 1999

**CHIEF EXECUTIVE****DIRECTOR****(A. Aziz Chaudhry & Co.,)****CHARTERED ACCOUNTANTS****PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1999**

<b>PARTICULARS</b>	<b>NOTE NO.</b>	<b>1998-99 RUPEES</b>	<b>1997-98 RUPEES</b>
Net Sales	13	93,032,078	132,944,760
Cost of Sales	14	74,373,883	103,999,111
		-----	-----
<b>GROSS PROFIT</b>		18,658,195	28,945,649
<b>OPERATING EXPENSES</b>			
Administrative and General Expenses.	15	12,052,478	13,122,190
Selling and Distribution Expenses.	16	1,156,971	1,537,409
Financial Expenses	17	16,051,643	21,797,173
		-----	-----
		29,261,092	36,456,772
<b>OPERATING LOSS</b>		(10,602,897)	(7,511,123)
Other Income.	18	608,185	1,777,784
		-----	-----
<b>Loss Before Taxation.</b>		(9,994,712)	(5,733,339)
Provision for Taxation.		(465,160)	(664,724)
		-----	-----
<b>Loss after Taxation</b>		(10,459,872)	(6,398,063)
Un-appropriated Loss brought forward.		(68,563,359)	(62,165,296)
		-----	-----
<b>Balance Carried over to Balance Sheet.</b>		(79,023,231)	(68,563,359)
		=====	=====

**CHIEF EXECUTIVE****DIRECTOR**

38-Shahrah-e-Quaid-e-Azam

LAHORE:

**(A. Aziz Chaudhry & Co.,)**

Dated: 03 November 1999

## CHARTERED ACCOUNTANTS

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 1999

PARTICULARS	<i>1998-99</i> <i>RUPEES</i>	<i>1997-98</i> <i>RUPEES</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net (Loss) before taxation	(9,994,712)	(5,733,339)
<b>ADJUSTMENT OF ITEMS NOT INVOLVING MOVEMENT OF CASH</b>		
Depreciation	8,178,053	8,642,321
Gratuity	751,493	1,021,975
Income from sale of fixed assets.	(61,977)	(412,254)
	-----	-----
Operating Profit/(Loss) before working capital changes	(1,127,143)	3,518,703
(Increase) / Decrease in Inventories	2,218,798	6,834,444
(Increase) / Decrease in Trade Receivables	(3,062,571)	3,477,850
(Increase) / Decrease in Advances, Deposits and prepayments	(6,834,654)	1,278,060
Increase / Decrease in Short Term Finance	1,903,360	(21,265,966)
Increase / Decrease in Creditors, Accrued expenses and current maturity	18,179,338	(69,315)
<b>CASH GENERATED FROM OPERATION</b>	11,277,128	(6,226,224)
Income Tax paid	(664,724)	(660,335)
	-----	-----
Net Cash from Operating Activities	10,612,404	(6,886,559)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed assets	(89,510)	(436,168)
Sale of fixed assets	70,000	4,666,500
	-----	-----
Net Cash used in investing Activities	(19,510)	4,230,332
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceed from long term borrowing	(10,413,000)	1,966,217
	-----	-----
<b>NET CASH FROM FINANCING ACTIVITIES</b>	(10,413,000)	1,966,217
Net increase / (Decrease) in cash and cash equivalent.	179,894	(690,010)
Cash & cash equivalent at the beginning of the year	242,893	932,903
	-----	-----
Cash and Cash equivalent at the end of the year	422,787	242,893
	=====	=====

CHIEF EXECUTIVE

DIRECTOR

## SCHEDULE OF FIXED ASSETS AS AT 30.6.1999

S. NO.	PARTICULARS	COST		RATE	DEPRECIATION			W.D.V. AS AT	
		AS AT 01-07-1998	ADDITION/ DELETION		AS AT 30-06-1999	%	AS AT 01-07-1998		ADJUSTMENT FOR THE YEAR
1.	LAND FREE HOLD	3,246,712	--	3,246,712	--	--	--	--	3,246,712
2.	BUILDING	33,039,866	60,510	33,100,376	5%	13,018,564	--	14,022,655	19,077,721
3.	BUILDING RESIDENTIAL	5,985,920	--	5,985,920	5%	3,256,252	--	136,483	3,392,735
									2,593,185

4.	PLANT AND MACHINERY	239,082,757	--	239,082,757	5%	105,251,471	--	6,691,564	111,943,035	127,139,722
5.	ELECTRIC EQUIPMENT	2,730,892	29,000	2,759,892	10%	1,463,626	--	129,627	1,593,253	1,166,639
6.	ELECTRIC FITTINGS AND INSTALLATIONS	1,461,198	--	1,461,198	10%	1,041,773	--	41,943	1,083,716	377,482
7.	FURNITURE AND FIXTURES	788,113	--	788,113	10%	487,436	--	30,068	517,504	270,609
8.	OFFICE EQUIPMENT	512,580	--	512,580	10%	422,997	--	8,958	431,955	80,625
9.	MOTOR VEHICLES	3,277,386	(285,000)	2,992,386	20%	2,620,806	(276,977)	129,712	2,473,540	518,846
10.	TUBE-WELL	40,926	--	40,926	10%	23,909	--	1,702	25,611	15,315
11.	LABORATORY EQUIPMENTS	16,753	--	16,753	10%	14,414	--	234	14,648	2,105
12.	TOOLS EQUIPMENTS	245,989	--	245,989	10%	209,265	--	3,672	212,937	33,052
	TOTAL 30.6.1999	290,429,092	89,510 (285,000)	290,233,602		127,810,513	(276,977)	8,178,054	135,711,589	154,522,013
	TOTAL 30.6.1998	295,506,195	436,167 (5,513,270)	290,429,092		120,427,216	(1,259,024)	8,642,321	127,810,513	162,618,579

Depreciation has been allocated as under:--

Manufacturing expenses.

Rs. 7,872,833

Administrative and General expenses.

305,221

Total:

Rs. 8,178,054

NOTE:- The depreciation on plant and machinery has been charged at fifty percent of the rate charged in last year as half of the machinery has not been operated due to recession in the country.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1999

**NOTE  
NO.**

**PARTICULARS**

### 1. THE COMPANY & ITS OPERATIONS

The Company was incorporated on 13th December, 1974 as a Public Limited Company and its shares are quoted on Stock Exchange since 27th September, 1988. The COMPANY is principally engaged in the manufacture and sale of Table Ware and Ceramic Products.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 ACCOUNTING CONVENTION

The Accounts of the Company have been prepared under the Historical Cost Convention.

#### 2.2 REVENUE RECOGNITION

Sales are recorded at the time of despatch of goods to customers and invoices raised.

#### 2.3 PROVISION FOR GRATUITY

Provisions for gratuity of workers and staff amounting to Rs. 74,72,925/- upto 30th June, 1999 has been made in these accounts.

#### 2.4 TAXATION

Provision for current taxation is based on 0.5% of Turnover on account of Loss as per Section 80-D of the Income Tax Ordinance, 1979.

#### 2.5 TANGIBLE FIXED ASSETS

Fixed assets have been shown at cost less accumulated depreciation except that the value of land is stated at cost. Depreciation has been provided on reducing balance method. Gains and Losses on disposal of assets are taken to profit and loss account. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.



**2.6 STORES & SPARES**

These are valued at cost by using the Moving Average Method.

**2.7 STOCK IN TRADE**

These are valued as under:-

Raw Material at cost by using Moving Average Method work in process at Cost.

Finished goods at Cost or net realizable value whichever is lower on qualitative basis.

	<i>1999</i> <i>RUPEES</i>	<i>1998</i> <i>RUPEES</i>
<b>3. PICIC LOANS</b>		
Pakistan Industrial Credit and Investment Corporation.		
Loan No. OP/MRF/RUPEES/4	5,036,457	5,036,457
Loan No. ADB-878/879	86,098,186	101,011,186
	-----	-----
	91,134,643	106,047,643
Less Over due installments	--	--
	-----	-----
	91,134,643	106,047,643
	=====	=====

**3-1 LOAN NO. OP/MRF/RUPEE/4**

The loan bears interest @ 14% per annum and is secured as under:-

i) A first legal mortgage on all the movable and immovable properties both present and future assets including building fixed plant and machinery and fixture and;

ii) A first floating charge on all other assets of the Company both present and future subject to hypothecation charge in favour of company's bankers.

**3-2 LOAN NO. ADB-878/879**

i) The Company shall pay interest @ 14% per annum, semi annually on 1st January and 1st July every year.

ii) First legal mortgage ranking pari-passu with the charges already created by the Company in favour of PICIC and other long term creditors on present and future immovable properties wherever situated including all buildings fixed plant and machinery and fixtures.

iii) The loan was repayable in 18 half yearly installments commencing from January 01, 1994. After rescheduling in January, 1998 this loan is repayable in 126 monthly installments commencing 1.1.98 and ending 01.12.2008.

**4. DEFERRED LIABILITIES**

Provision for gratuity.	7,472,925	6,721,432
Securities from dealers (4: 1)	12,774,500	--
	-----	-----
	20,247,425	6,721,432
	=====	=====

4.1 These represent the interest free security deposits from dealers. These are being utilized by the company in accordance with the terms of the Dealership Agreements.

<b>5.</b>	<b>CURRENT MATURITY &amp; OVER DUE INSTALLMENTS OF LONG TERM LOAN</b>		
	Interest on PICIC Loan 878/879	16,984,006	6,400,000
		=====	=====
<b>6.</b>	<b>SHORT TERM FINANCE</b>		
	Cash Finance (FIM/PAD/DF MCB (6-1)	30,314,034	29,334,148
	Running Finance MCB No 3447-1 (6-1)	3,031,140	2,107,666
		-----	-----
		33,345,174	31,441,814
		=====	=====
	6-1 The above short term finance has been obtained from Muslim Commercial Bank Ltd., and is secured against hypothecation of stock and raw material locally purchased, spare parts and finished good. It is also secured against the pledge of imported raw material and personal guarantees of Directors. Mark up is charged at 57 paisa per thousand on daily products basis.		
<b>7.</b>	<b>CREDITORS &amp; ACCRUED EXPENSES</b>		
	Creditors	2,561,170	4,486,356
	Accrued Liabilities	6,027,805	7,072,868
	Advance from customers	16,369,758	20,500,492
	Sales tax payable	2,084,369	145,970
	Unpaid dividend	224,958	224,958
	PICIC charges payable	1,869,017	1,894,017
	Income - tax u/s 50 (1)	8,980	20,064
	Income - tax u/s 50 (4)	19,500	--
		-----	-----
		29,165,557	34,344,725
		=====	=====
<b>8.</b>	<b>OPERATING FIXED ASSETS</b>		
	As per schedule	154,522,013	162,618,579
		=====	=====
<b>9.</b>	<b>STORES AND SPARES</b>		
	Stores	2,047,279	345,678
	Spares	642,148	526,410
	Packing Material	275,800	710,824
		-----	-----
		2,965,227	1,582,912
		=====	=====
<b>10.</b>	<b>STOCK IN TRADE</b>		
	Raw material	4,219,416	9,207,524
	Work in process	5,132,670	4,020,735
	Finished goods	8,510,430	8,235,370
		-----	-----
		17,862,516	21,463,629
		=====	=====
<b>11.</b>	<b>ADVANCES, DEPOSITS, PRE-PAYMENTS AND OTHER RECEIVABLES:</b>		
	Advance to suppliers	831,554	829,357
	Advance to employees	813,224	594,315
	Advance to others	45,869	71,985
	Security deposits	287,590	287,590
	L/C's and Guarantees	7,580,392	762,153
	Income tax u/s 50 (5,7E, 7F)	2,805,813	3,317,600
	Prepaid expenses	391,773	58,561
		-----	-----
		12,756,215	5,921,561
		=====	=====
<b>12.</b>	<b>CASH AND BANK BALANCE</b>		
	With banks	179,228	141,451

	In hand	243,559	101,442
		-----	-----
		422,787	242,893
		=====	=====
<b>13.</b>	<b>NET SALES</b>		
	Sales	94,158,970	133,721,281
	Less Discount, Breakage and Sales returned	1,126,892	776,521
		-----	-----
		93,032,078	132,944,760
		=====	=====
<b>14.</b>	<b>COST OF SALE</b>		
	Opening Stock	10,790,436	16,387,620
	Purchase of Raw Material & Stores	26,278,551	43,374,632
		-----	-----
		37,068,987	59,762,252
	Less Closing Stock-Raw Material and Stores	12,969,086	10,790,436
		-----	-----
		24,099,901	48,971,816
	Add: work in process Opening Stock	4,020,735	4,850,640
		-----	-----
		28,120,636	53,822,456
		=====	=====
	<b>FACTORY OVERHEADS</b>		
	Wages and Benefits	15,665,523	17,098,349
	Employees Oldage Benefits	810,444	729,923
	Social Security Contribution	1,102,737	982,531
	Children Education Cess	34,150	60,500
	Electricity & Sui Gas Charges	24,112,552	24,591,889
	Insurance Expenses	343,373	466,482
	Repair and Maintenance	1,719,365	1,569,215
	Depreciation	7,872,833	8,291,146
		-----	-----
		51,660,977	53,790,035
		-----	-----
		79,781,613	107,612,491
	Less Work in process closing stock	5,132,670	4,020,735
		-----	-----
		74,648,943	103,591,756
	Add: Finished goods opening stock	8,235,370	8,642,725
		-----	-----
		82,884,313	112,234,481
	Less: Finished goods closing stock	8,510,430	8,235,370
		-----	-----
		74,373,883	103,999,111
		=====	=====
<b>15.</b>	<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>		
	Directors Remuneration	586,000	1,140,000
	Staff Salaries and Benefits	4,801,791	4,322,682
	Provision for Gratuity	984,150	1,515,290
	Directors Meeting fee	3,000	4,000
	Travelling and Conveyance Directors	8,745	172,849
	Printing & Stationery	258,550	249,013
	Postage and Telegram	102,107	74,837
	Telephone, Fax and Telex	1,259,222	1,295,748
	Rent, Rates and Taxes	159,458	199,533
	Lighting and Heating	60,528	367,650
	Car Running and. Maintenance	1,733,277	1,772,158
	Entertainment	191,369	198,774

Travelling & Conveyance Staff	90,760	135,135
Audit fee	85,000	85,000
Charity & Donations	52,233	8,977
Subscriptions	35,290	10,720
News paper, books and Periodicals	36,239	34,923
Office Expenses	42,545	52,360
Professional Tax	5,000	5,000
Guest House Expenses	105,028	74,195
Employees Welfare	41,354	56,357
Legal and Professional Charges	581,600	92,350
Medical Expenses	107,839	260,290
Group Insurance	124,576	142,486
Garden & Conservancy	35,116	2,383
Haj Expenses	--	294,823
Listing Expenses	120,000	147,500
Repair & Maintenance Expenses.	29,764	40,686
Insurance (Accident)	106,716	15,296
Depreciation	305,221	351,175
	-----	-----
	12,052,478	13,122,190
	=====	=====

15.1 None of the Directors or their spouses had any interest in the donees.

**16. SELLING & DISTRIBUTION EXPENSES:**

Freight outward	842,029	1,221,033
Advertising Expenses	238,746	88,195
Exhibition Expenses	76,196	228,181
	-----	-----
	1,156,971	1,537,409
	=====	=====

**17. FINANCIAL EXPENSES**

Interest on FIM/C.F. & D.F. Loan	6,101,938	5,994,126
Interest on PICIC Loans 878/879	9,661,005	15,507,373
Bank Charges and Commission	288,700	295,674
	-----	-----
	16,051,643	21,797,173
	=====	=====

**18. OTHER INCOME**

Monogram fixing Charges	32,446	91,175
Sale of scrap	513,762	1,274,355
Profit on sale of Fixed Assets	61,977	412,254
	-----	-----
	608,185	1,777,784
	=====	=====

**19. REMUNERATION OF CHIEF EXECUTIVE & DIRECTORS**

	<i>Chief Executive</i>	<i>Directors</i>	<i>1999 Total</i>	<i>Chief Executive</i>	<i>Directors</i>	<i>1998 Total</i>
Meeting Fee	--	3,000	3,000	--	4,000	4,000
Remuneration	366,000	100,000	466,000	366,000	498,000	864,000
House rent	--	--	--	--	156,000	156,000
Entertainment Allowance	120,000	--	120,000	120,000	--	120,000
	-----	-----	-----	-----	-----	-----
Total Rs.	486,000	103,000	589,000	486,000	658,000	1,144,000
	=====	=====	=====	=====	=====	=====
No. of persons	1	2	3	1	2	3
	=====	=====	=====	=====	=====	=====

The Chief Executive and Directors of the Company have been provided free maintained vehicles.

The Chief Executive of the Company has been provided rent free furnished accommodation within the factory premises.

## 20. CONTINGENCIES AND COMMITMENTS

### 20.1 CONTINGENT LIABILITIES

To the extent of Rs. 2650/- Million in respect of guarantees given by the M.C.B. Ltd in favour of:

	<i>1999</i>		<i>1998</i>	
Sui Northern Gas Pipe Lines Ltd	2650	Million	2650	Million
L/C No. 436 & 495 (Erection charge)	16726	"	16726	"

### 20.2 COMMITMENTS

Letter of credit in respect of Import of Raw Material.	2.39	Million	1.6	Million
--	------	---------	-----	---------

## 21. ANNUAL CAPACITY

Plant capacity	5110	M. Ton	5,110	M. Ton
Actual production achieved	1320	"	1,870	"

## 22. GENERAL

i) Previous years figures have been rearranged wherever necessary for the purpose of comparison.

ii) All the figures have been rounded off the nearest rupee.

### CHIEF EXECUTIVE

### DIRECTOR

## APPOINTMENT OF AUDITORS

The existing Auditors stand retired as of 03rd November, 1999 M/s. A. Aziz Chaudhury & Co Chartered Accountants Lahore having retired and being eligible offer themselves for to-appointment

## PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHARE-HOLDERS AS AT 30TH JUNE 1999

<i>NO. OF SHARE HOLDERS</i>	<i>SHAREHOLDING</i>				<i>TOTAL SHARE HELD</i>	
258	From	1	to	100	Shares	25800
59	From	101	to	500	Shares	22800
76	From	501	to	1000	Shares	74529
889	From	1001	to	5000	Shares	1236300
119	From	5001	to	10000	Shares	768980
3	From	10001	to	40000	Shares	118300
4	From	40001	to	60000	Shares	240000
6	From	60001	to	100000	Shares	454091
3	From	100001	to	200000	Shares	460100
4	From	200001	to	300000	Shares	1030000
5	From	300001	to	400000	Shares	1675600
2	From	400001	to	600000	Shares	1193500
----- 1428 =====				Total No. of Shares		----- 7300000 =====

## CATEGORIES OF

## NUMBER

## SHARE HELD

## PERCENTAGE

**SHARE-HOLDERS**

			%
Individuals	1422	6998109	95.8645
Investment Companies (ICP &-NIT)	2	258191	3.5368
Insurance Companies	1	38300	00.5247
Joint Stock Companies	1	100	00.0014
Financial Institutions	2	5300	00.0726
	-----	-----	-----
TOTAL	1428	7300000	100.0000
	=====	=====	=====

**TEN YEARS AT A GLANCE/HIGHLIGHTS***(Rupees in Million)*

<b>YEAR</b>	<b>1989</b>	<b>1990-91</b>	<b>1991-92</b>	<b>1992-93</b>	<b>1993-94</b>	<b>1994-95</b>	<b>1995-96</b>	<b>1996-97</b>	<b>1997-98</b>	<b>1998-99</b>
Gross Sales	96.054	112.717	110.38	125.127	138.123	131.430	156.801	132.540	133.721	94.158
Discount/Breakage	9.739	0.162	0.302	0.110	0.265	0.594	0.565	0.357	0.776	1.126
Net Sales	86.315	112.555	109.736	125.017	137.858	130.836	156.236	132.183	132.945	93.032
Net Profit/(Loss)	3.085	3.938	3.753	4.660	(18.444)	(21.096)	(17.689)	(11.487)	(5.733)	(9.994)
Dividend	2.250	2.250	2.700	--	--	--	--	--	--	--