

Shabbir Tiles and Ceramics Limited

Annual Report 2000

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COMPANY INFORMATION

BOARD OF DIRECTORS

RAFIQ M. HABIB	Chairman
ALIREZA M. ALLADIN	Chief Executive
ALI S. HABIB	
ABDUL HAI M. BHAIMIA	
KERSI D. KAPADIA	
NAZIM F. HAJI	
FARZANA MUNAF	NIT Nominee

COMPANY SECRETARY

SHABBIR ABBAS

AUDITORS

Ford, Rhodes, Robson, Morrow
Chartered Accountants

BANKERS

Bank Al Habib Limited
Habib Bank Limited
Habib Bank A.G. Zurich
Metropolitan Bank Limited
Muslim Commercial Bank Limited
National Bank of Pakistan
Standard Chartered Bank

KARACHI SALES OFFICE

Room No. 206 & 207, Clifton Centre,
Kehkashan, Clifton, Karachi.
Phone: (021) 5866001-2 & 5835566

LAHORE SALES OFFICE

FB-2, Second Floor, Awami Complex, Usman Block,
New Garden Town, Lahore.
Phones: (042) 5839982, 5864430 & 5864211

ISLAMABAD SALES OFFICE

Plot No. H-226, Street No. 7,
Industrial Area, Sector 1-9, Islamabad.
Phones: (051) 4432019 & 4432976

PESHAWAR SALES OFFICE

Hall No. 10, Fawwad Plaza,
Jahangirabad, Jamrud Road, Peshawar.
Phone: (091) 843750

**REGISTRARS AND SHARE
TRANSFER OFFICE**

Noble Computer Services (Pvt.) Ltd.,
14, Banglore Town Housing Society,
Sharea Faisal, Karachi.
Phones: (021) 4546978, 4520121

**REGISTERED OFFICE
AND FACTORY**

15th Mile Stone,
National Highway,
Landhi, Karachi-75120
Phones: (021) 5015024 - 25
5014044 - 45
E-mail: stilehok@cyber.net.pk

**NATIONAL TAX NUMBER:
SALES TAX REGISTRATION N**

13-08-0712052-4
02-04-6907-001-37

NOTICE OF MEETING

NOTICE is hereby given that the Twenty-Second Annual General Meeting of the Company will be held at General Assembly Hall of Islamic Chamber of Commerce and Industry, ST 2/A, Block 9, KDA Scheme 5, Clifton, Karachi on Thursday, the 14th December, 2000 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 21st Annual General Meeting held on 23rd December, 1999.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 30th June, 2000 alongwith the reports of the Directors and Auditors thereon.
3. To approve the payment of dividend to the shareholders @ 27.5% as recommended by the Directors.
4. To appoint auditors for the year ended 30th June, 2001 and fix their remuneration.

SPECIAL BUSINESS

1. To approve issue of bonus shares by passing the following resolution:

RESOLVED THAT:

(a) a sum of Rs. 11,248,840 out of the Company's profits be capitalized and applied for issue of 2,249,768 ordinary shares of Rs. 5 each and allotted as fully paid-up bonus shares to the members of the Company who are registered in the books of the Company at the close of business on 30th November, 2000 in proportion of one share for every 6.667 existing shares held and that such new shares rank pari-passu with the existing ordinary shares of the Company and proposed Bonus Shares will not qualify for current dividend to be considered and approved by this meeting.

(b) all fractions of bonus shares arising on such allotment be consolidated and sold and that the proceeds thereof be distributed pro-rata to the members entitled thereto.

(c) for the purpose of giving effect to the above resolutions, the Directors be and are hereby authorised to give such directions as may be necessary and to settle any questions or difficulties that may arise in regard to the distribution of the bonus shares or in the payment of the sale proceeds of the fractions as the Directors in their discretion shall deem fit.

Karachi: 13th November, 2000.

By Order of the Board

SHABBIR ABBAS
Company Secretary

NOTES:

1. The share transfer books of the Company will be closed from 1st December, 2000 to 14th December, 2000 (both days inclusive). Transfers received in order at the office of the Company's Share Registrars, M/s. Noble Computer Services (Pvt.) Ltd., 14, Banglore Town Housing Society, Sharea Faisal, Karachi, at the close of business on 30th November, 2000 will be treated in time for the purpose of payment of cash dividend and allotment of bonus shares to transferees.

2. A member eligible to attend and vote at the meeting may appoint another member as 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 for holding of the meeting.

3. FOR CDC ACCOUNT HOLDERS

(i) Account holders and sub-account holders and/or the person whose securities are in group account and their registration details are unloaded as per the regulations who wish to attend the Annual General Meeting shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport in case of non-resident and in case of proxy must also enclose attested copy of his/her NIC or passport.

(ii) In case of corporate entity, the Board Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting and in case of proxy the said document shall be submitted (unless it has been provided earlier) alongwith proxy form.

4. Members are requested to communicate to the Company or the Share Registrars to the Company of any change in their address.

Statement under section 160 of the Companies Ordinance, 1984

1. The Director have recommended the issue of bonus shares in the proportion of one new share for every 6.667 existing shares held by members on 30th November, 2000. Upon issuance of the bonus shares, the paid-up capital of the Company shall stand increased to Rs. 86,241,120.

The Directors are interested in this business to the extent of their entitlement to bonus shares in the Company.

TWENTY-SECOND REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30TH JUNE, 2000

The Directors have pleasure in presenting their report alongwith the audited accounts for the year ended 30th June, 2000.

Turnover of the Company for the year under view was Rs. 453.571 million. This reflects a growth of 15.68% over the same period last year.

This significant improvement was achieved despite a continuing economic recession in the Country during the year and was only possible as result of your Company's continuous commitments to improve manufacturing efficiencies and employee productivity, vigilant monitoring of fixed costs and increasing market shares.

FINANCIAL RESULTS

	<i>2000</i>	<i>1999</i> <i>(Rs. '000s)</i>
Profit before taxation	74,826	62,344
Less: Taxation - Current	25,000	18,600
- Prior	336	1,093
- Deferred	3,528	7,415
	-----	-----
	28,864	27,108
	-----	-----
Profit after taxation	45,962	35,236
Unappropriated profit brought forward	593	105
	-----	-----
Available for appropriation	46,555	35,341

APPROPRIATIONS**PROPOSED:**

Dividend @ 27.5% (1999: 25%)	20,623	18,748
Issued of bonus shares in the ratio of 1: 6.667 (1999: nil)	11,249	--
Transferred to general reserve	14,000	16,000
	-----	-----
	45,872	34,748
	-----	-----
Unappropriated profit carried forward	683	593
	=====	=====

FUTURE PROSPECTS

The pressure on the profitability of the Company would become more severe due to the current economic conditions. Your management will closely monitor the situation and take appropriate and timely measures to ensure that Company's operations continue to remain profitable.

MILLENNIUM COMPLIANCE

All business and functional areas made a smooth and uninterrupted transition across the millennium date change and operations continued normally.

SUBSEQUENT EVENTS

No material changes or commitments effecting financial position of the Company have taken place

between the end of the financial year and the date of this report.

PATTERN OF SHAREHOLDINGS

The pattern of Shareholdings is given on page No. 25.

AUDITORS

Our present auditors M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and offer themselves for reappointment.

EMPLOYEE RELATIONS

The Directors are pleased to acknowledge that relations between management and workers remained cordial throughout the year. Development of human resources is given due recognition and accordingly a number of staff members were sent to various training programmes and seminars to acquire further knowledge in their respective fields.

STRENGTH

Number of employees 499 (1999: 461 Nos).

CORPORATE EXCELLENCE

Management Association of Pakistan awarded certificate of Corporate Excellence 1998 in the Miscellaneous Sector consecutively for the second year to the Company.

ACKNOWLEDGEMENT

In the end we wish to express our thanks to all our customers for their patronage and goodwill. We thank our team of dedicated executives, managers, supervisors and workers for their hard work in achieving optimum results.

Karachi: 26 October, 2000.

On behalf of the Board

ALIREZA M. ALLADIN
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SHABBIR TILES AND CERAMICS LIMITED as at June 30, 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 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 June 30, 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.

Karachi: 26th October, 2000.

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
			<i>(Rs. '000s)</i>
NON CURRENT ASSETS			
OPERATING FIXED ASSETS			
Fixed assets	3	188,897	140,905
Capital work-in-progress	4	5	446
		-----	-----
		188,902	141,351
LONG-TERM LOANS	5	55	95
LONG-TERM DEPOSITS	6	4,716	5,085
CURRENT ASSETS			
Stores and spares	7	25,417	26,882
Stock-in-trade	8	71,160	66,300
Trade debtors	9	88,830	72,752
Loans, advances and other receivables	10	15,768	23,914
Deposits and prepayments	11	1,921	1,745

Cash and bank balances	12	34,723	34,399
		-----	-----
		237,819	225,992
		-----	-----
TOTAL ASSETS		431,492	372,523
		=====	=====
SHARE CAPITAL AND RESERVES			
Authorised capital			
20,000,000 (1999: 20,000,000) ordinary shares of Rs. 5 each		100,000	100,000
		=====	=====
Issued, subscribed and paid-up capital	13	74,991	74,991
Reserves	14	191,932	166,593
		-----	-----
SHAREHOLDERS' EQUITY		266,923	241,584
LIABILITIES AGAINST ASSETS SUBJECT TO FI	15	42,177	10,169
DEFERRED LIABILITY			
Taxation		25,193	21,665
CURRENT LIABILITIES			
Short-term running finance	16	13,066	24,517
Current maturity of liabilities against assets subject to finance leases-note 15		13,423	12,570
Creditors, accrued and other liabilities	17	70,710	62,018
		-----	-----
		97,199	99,105
		-----	-----
COMMITMENTS AND CONTINGENCIES	18		
		-----	-----
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		431,492	372,523
		=====	=====

ALIREZA M. ALLADIN
Chief Executive

NAZIM F. HAJI
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
			<i>(Rs. '000s)</i>
Turnover	19	453,571	392,075
Less: cost of sales	20	309,163	268,299
		-----	-----
Gross profit		144,408	123,776
Other operating income	21	1,593	1,307
		-----	-----
		146,001	125,083

Selling and distribution expenses	22	43,180	36,109
Administrative expenses	23	15,118	14,630
Other operating charges	24	5,496	4,525
		-----	-----
		63,794	55,264
		-----	-----
Operating profit		82,207	69,819
Financial charges		7,381	7,475
		-----	-----
Profit before taxation		74,826	62,344
		-----	-----
Taxation	26		
Current		25,000	18,600
Prior		336	1,093
Deferred		3,528	7,415
		-----	-----
		28,864	27,108
		-----	-----
Profit after taxation		45,962	35,236
Unappropriated profit brought forward		593	105
		-----	-----
		46,555	35,341
		-----	-----
Appropriations			
Proposed:			
Dividend @ 27.5% (1999: 25%)		20,623	18,748
Issue of bonus shares in the ratio of 1: 6.667 (1999: nil)		11,249	--
Transferred to general reserve		14,000	16,000
		-----	-----
		45,872	34,748
		-----	-----
Unappropriated profit carried forward to reserve		683	593
		=====	=====
Basic earnings per share	27	3.06	2.35

The annexed notes form an integral part of these accounts.

ALIREZA M. ALLADIN
Chief Executive

NAZIM F. HAJI
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	<i>2000</i>	<i>1999</i>
		<i>(Rs. '000s)</i>
Cash flow from operating activities		
Profit before taxation	74,826	62,344
Adjustments		
Depreciation	20,795	15,540
Return on bank deposit	(1,151)	(1,179)
Financial charges	7,381	7,475

Profit on sale of fixed assets-net	(440)	(116)
	-----	-----
	26,585	21,720
	-----	-----
Operating profit before working capital changes	101,411	84,064
Movement in working capital		
(Increase)/decrease in current assets		
Stores and spares	1,465	(2,942)
Stock-in-trade	(4,860)	(4,763)
Trade debtors	(16,078)	(6,979)
Loans, advances and other receivables excluding taxation and return on deposit	2,128	(1,553)
Deposits and prepayments	(176)	360
	-----	-----
	(17,521)	(15,877)
(Decrease)/increase in current liabilities		
Creditors, accrued and other liabilities excluding mark-up and dividend	7,763	8,155
Short-term running finance	(11,451)	(165)
	-----	-----
	(3,688)	7,990
	-----	-----
	(21,209)	(7,887)
	-----	-----
	80,202	76,177
Movement in long-term loans and deposits	409	(1,659)
	-----	-----
Cash generated from operations	80,611	74,518
Financial charges paid	(8,394)	(7,481)
Income taxes paid	(19,281)	(25,739)
	-----	-----
Net cash inflow from operating activities	52,936	41,298
Cash flow from investing activities		
Purchase of fixed assets including capital work-in-progress	(20,953)	(8,267)
Proceeds from sale of fixed assets	693	431
Return on bank deposit	1,114	1,211
	-----	-----
Net cash outflow in investing activities	(19,146)	(6,625)
Cash flow from financing activities		
Payment of liabilities against assets subject to finance leases	(14,785)	(12,136)
Dividend paid	(18,681)	(12,837)
	-----	-----
Net cash outflow in financing activities	(33,466)	(24,973)
	-----	-----
Net increase in cash and cash equivalents	324	9,700
Cash and cash equivalents at the beginning of the year	34,399	24,699
	-----	-----
Cash and cash equivalents at the end of the year	34,723	34,399
	=====	=====

ALIREZA M. ALLADIN
Chief Executive

NAZIM F. HAJI
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2000

	<i>Share Capital</i> (Rs. '000s)	<i>Capital Reserve</i> (Rs. '000s)	<i>General Reserve</i> (Rs. '000s)	<i>Unappropriated Profit</i> (Rs. '000s)	<i>Total</i> (Rs. '000s)
Balance at July 1, 1998	68,174	6,817	150,000	105	225,096
Net profit for the year	--	--	--	35,236	35,236
Transfers	--	--	16,000	(16,000)	--
Dividend	--	--	--	(18,748)	(18,748)
Issue of bonus shares	6,817	(6,817)	--	--	--
	-----	-----	-----	-----	-----
Balance at June 30, 1999	74,991	--	166,000	593	241,584
Net profit for the year	--	--	--	45,962	45,962
Transfers	--	--	14,000	(14,000)	--
Dividend	--	--	--	(20,623)	(20,623)
Issue of bonus shares	--	11,249	--	(11,249)	--
	-----	-----	-----	-----	-----
Balance at June 30, 2000	74,991	11,249	180,000	683	266,923
	=====	=====	=====	=====	=====

ALIREZA M. ALLADIN
Chief Executive

NAZIM F. HAJI
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated on November 07, 1978 as a public limited company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The main activity of the Company is manufacture and sale of tiles.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Taxation

Provision for current taxation is based on taxable income on current rates of taxation after taking into account tax rebate and tax credits available under the Income-tax Ordinance, 1979, if any.

Deferred taxation is provided on timing differences using the liability method, excluding the tax effects of those timing differences which are not likely to reverse in the foreseeable future.

2.2 Retirement benefits

The Company operates a recognised provident fund scheme for all its employees. Equal monthly contributions are made, both by the Company and employees, to the fund at the rate of 9.33% of basic salary plus cost of living allowance.

2.3 Operating fixed assets

2.3.1 Owned

These are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost. Depreciation is charged to income applying the reducing balance method at the rates shown in note 3 to the accounts.

Depreciation on additions to fixed assets during the year is charged for the whole year. No depreciation is charged on assets sold during the year.

Repairs and maintenance cost is charged to income as and when incurred.

Profits or losses on disposal of fixed assets are included in income currently.

2.3.2 Leased

Assets held under finance leases are stated at cost less depreciation, either at the same rates applicable to company owned fixed assets or over the lease period as appropriate. The outstanding liabilities against assets subject to finance leases less financial charges allocated to future periods are shown as a liability. The financial charges are calculated at the mark-up rate implicit in the leases and is charged to the profit and loss account.

2.4 Stocks, stores and spares

These are stated at the lower of net realisable value or cost determined on the average cost method except goods-in-transit and items in bonded warehouse which are stated at invoice value plus other charges paid thereon excluding customs duty.

2.5 Rate of exchange

Assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the date of the balance sheet or rates of exchange under contractual arrangements.

2.6 Revenue recognition

Sales are recognised when goods are delivered to customers and invoices raised, Return on bank deposit is recognised on accrual basis.

2.7 Accounting convention

Accounts are prepared under the historical cost convention without any adjustments for the effect of inflation.

3. FIXED ASSETS

	<i>COST</i>		<i>ACCUMULATED DEPRECIATION</i>					
	<i>At July</i> <i>1, 1999</i> <i>(Rs. '000s)</i>	<i>Additions/</i> <i>(deletions)</i> <i>during the</i> <i>year</i> <i>(Rs. '000s)</i>	<i>At June</i> <i>30, 2000</i> <i>(Rs. '000s)</i>	<i>At July</i> <i>1, 1999</i> <i>(Rs. '000s)</i>	<i>Charged for</i> <i>the year/</i> <i>Adjustment</i> <i>(Rs. '000s)</i>	<i>At June</i> <i>30, 2000</i> <i>(Rs. '000s)</i>	<i>Book value</i> <i>at June</i> <i>30, 2000</i> <i>(Rs. '000s)</i>	<i>Depreciation</i> <i>Rate</i> <i>%</i>
3.1 Owned								
Freehold land	556	--	556	--	--	--	556	--
Building on freeh	35,212	7,083	42,295	13,907	1,419	15,326	26,969	5
Office premises	1,492	--	1,492	613	44	657	835	5

Plant and machin	192,468	9,067 27,003*	228,538	118,177	10,304 7,318*	135,799	92,739	10
Furniture and fixt	2,178	2,049	4,227	1,308	292	1,600	2,627	10
Office equipment	3,409	821 (35)	4,195	1,658	765 (13)	2,410	1,785	30
Airconditioning	1,745	525	2,270	761	302	1,063	1,207	20
Vehicles	9,134	1,849 (459)	10,524	5,172	1,116 (228)	6,060	4,464	20
	246,194	21,394 27,003* (494)	294,097	141,596	14,242 7,318* (241)	162,915	131,182	

3.2 Leased

Plant and machin	45,624	47,016 (27,003)*	65,637	9,317	6,364 (7,318)*	8,363	57,274	10
Computers	--	630	630	--	189	189	441	30
	45,624	47,646 (27,003)	66,267	9,317	6,553 (7,318)	8,552	57,715	
	291,818	96,043 (27,497)	360,364	150,913	20,795 (241)	171,467	188,897	
1999:	267,510	27,415 (3,107)	291,818	135,373	15,540	150,913	140,905	

*Transferred to Company owned fixed assets

3.3 DETAILS OF FIXED ASSETS SOLD

<i>Particulars</i>	<i>Cost (Rs. '000s)</i>	<i>Accumulated depreciation (Rs. '000s)</i>	<i>Book value (Rs. '000s)</i>	<i>Sale proceeds (Rs. '000s)</i>	<i>Mode of sale</i>	<i>Purchaser</i>
Office equipment	35	13	22	20	Negotiation	International Communication System, Karachi.
Vehicles:						
Suzuki Khyber	41	27	14	128	Tender	Syed Imtiaz H. Zaidi Employee
Suzuki Khyber	39	23	16	145	Tender	Mr. Mansoor Ali, Karachi
Suzuki Khyber	40	23	17	124	Tender	Mr. Ava Mussarat Ishaq, Executive
Suzuki Mehran	31	20	11	62	Tender	Mr. Zahid Hussain, Karachi.
Suzuki Mehran	177	135	42	83	Tender	Mr. Asif Elahi, Employee
Motor Cycle	66	--	66	66	Insurance claim	Habib Insurance Co. Limited.
Motor Cycle	65	--	65	65	Insurance claim	Habib Insurance Co. Limited
	494	241	253	693		

2000

1999
(Rs. '000s)

4. CAPITAL WORK-IN-PROGRESS

Plant and machinery	5	446
	=====	=====

5. LONG-TERM LOANS

Unsecured, considered good

Due from employees:

Outstanding for periods exceeding three years

Others	829	836
--------	-----	-----

Less: Current maturity - note 10	774	741
----------------------------------	-----	-----

	-----	-----
	55	95
	=====	=====

The above includes mark-up free loans to the executives amounting to Rs. 0.053 million (1999: 0.050 million) for purchase of property which is repayable within two years. Maximum amount due from executives at the end of any month during the year was Rs. 0.117 million (1999: Rs. 0.276 million).

6. LONG-TERM DEPOSITS

Security deposits in respect of:

Finance leases	4,276	4,562
----------------	-------	-------

Operating leases	240	323
------------------	-----	-----

	-----	-----
	4,516	4,885

Central Depository Company of Pakistan Limited	200	200
--	-----	-----

	-----	-----
	4,716	5,085
	=====	=====

7. STORES AND SPARES

Stores	12,012	13,165
--------	--------	--------

Spares	10,407	10,174
--------	--------	--------

In bonded warehouses:

Stores	--	764
--------	----	-----

Spares	2,076	2,767
--------	-------	-------

	-----	-----
	2,076	3,531

In-transit	922	12
------------	-----	----

	-----	-----
	25,417	26,882
	=====	=====

8. STOCK-IN-TRADE

Raw and packing materials:

In hand	18,177	17,448
---------	--------	--------

In bonded warehouse	9,348	7,426
---------------------	-------	-------

Goods-in-transit	1,740	4,456
------------------	-------	-------

Work-in-process	16,674	12,754
-----------------	--------	--------

Finished goods	25,221	24,216
----------------	--------	--------

	-----	-----
	71,160	66,300
	=====	=====

9. TRADE DEBTORS

Unsecured, considered good	88,830	72,752
Considered doubtful	75	1,106
	-----	-----
	88,905	73,858
Less: Provision for doubtful debts - note 9.1	75	1,106
	-----	-----
	88,830	72,752
	=====	=====

9.1 Provision for doubtful debts:

Balance at the beginning of the year	1,106	1,106
Less: debts written off against provision during the year	1,031	--
	-----	-----
Balance carried forward	75	1,106
	=====	=====

10. LOANS, ADVANCES AND OTHER RECEIVABLES

Considered good		
Loans:		
Due from employees	611	510
Current maturity of long-term loans-note 5	774	741
	-----	-----
	1,385	1,251

Advances:

Employees for expenses	--	12
Suppliers and contractors	207	320
Sales-tax	157	2,757
Income-tax - net	11,050	17,105
Excise duty		
on glaze - note 18.2.2	1,696	1,696
on tiles	374	374
	-----	-----
	2,070	2,070
	-----	-----
	13,484	22,264

Receivables:

Associated undertaking - note 10.1	255	107
Profit accrued on bank deposit	258	221
Others	386	71
	-----	-----
	899	399
	-----	-----
	15,768	23,914
	=====	=====

10.1 Maximum balance due from associated undertaking at the end of any month during the years was Rs. 0.255 million (1999: Rs. 0.534 million).

11. DEPOSITS AND PREPAYMENTS

Deposits:		
Tenancy	215	125
Utilities and others	460	434
Guarantee margin	426	426
	-----	-----
	1,101	985
Prepayments	820	760
	-----	-----
	1,921	1,745
	=====	=====

12. CASH AND BANK BALANCES

On hand:		
cash	2,336	383
cheques	17,743	16,069
Cash-in-transit	10,811	14,624
At banks:		
on current accounts	3,820	3,175
on deposit account	13	148
	-----	-----
	34,723	34,399
	=====	=====

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

6,863,200 (1999: 6,863,200) ordinary shares of Rs. 5 each fully paid in cash	34,316	34,316
1,150,000 (1999: 1,150,000) ordinary shares of Rs. 5 each fully paid for consideration other than cash	5,750	5,750
6,985,256 (1999: 6,985,256) ordinary shares of Rs. 5 each allotted as bonus shares	34,925	34,925
	-----	-----
	74,991	74,991
	=====	=====

14. RESERVES

Capital reserve:		
Balance at the beginning of the year	--	6,817
Transferred from profit and loss account for issue of bonus shares	11,249	--
Utilised towards the issue of bonus shares	--	(6,817)
	-----	-----
	11,249	--
Revenue reserve:		
General reserve		
Balance at the beginning of the year	166,000	150,000
Transferred from profit and loss account	14,000	16,000
	-----	-----
	180,000	166,000
Unappropriated profit	683	593
	-----	-----
	191,932	166,593

15. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEAS

	=====	=====
	42,177	10,169
	=====	=====

The rate of mark-up used as the discounting factor ranges between 11.55 to 16.34 (1999: 13.22 to 16.34) percent per annum.

The amount of future payments and the years during which they will fall due are:

Years ending June 30,	<i>June 30, 2000</i>		<i>June 30, 1999</i>	
	<i>Minimum lease payments</i>	<i>Present value of payments</i>	<i>Minimum lease payments</i>	<i>Present value of payments</i>
2000	--	--	14,758	12,570
2001	20,959	13,423	7,324	6,309
2002	17,413	11,835	3,778	3,549
2003	13,762	9,748	333	311
2004	13,388	10,957	--	--
2005	10,288	9,637	--	--
Total lease payments	75,810	55,600	26,193	22,739
Less: Financial charges	20,210	--	3,454	--
Present value of minimum lease payments	55,600	55,600	22,739	22,739
Less: Current maturity shown under current liabilities	13,423	13,423	12,570	12,570
	42,177	42,177	10,169	10,169
	=====	=====	=====	=====

There is an option to obtain ownership of the assets at the end of the lease period. There are no financial restrictions in the lease agreements. The liability is partly secured by deposits of Rs. 4.276 million (1999: Rs. 4.562 million).

	<i>2000</i>	<i>1999</i>
		<i>(Rs. '000s)</i>
16. SHORT-TERM RUNNING FINANCE	13,066	24,517
	=====	=====

The above finance is secured by hypothecation of stocks and registered mortgage of fixed assets ranking pari-passu with other creditors. The rate of mark-up ranges between 44 paisas to 38.36 paisas (1999: 50 paisas to 44 paisas) per Rs. 1,000 per day payable currently.

The facility available under mark-up arrangement amounts to Rs. 25 million (1999: Rs. 25 million) out of which the amount unavailed at the year end was Rs. 11.934 million (1999: Rs.0.483 million).

17. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	2,763	6,579
Accrued liabilities	12,495	11,573
Advances from customers	23,606	14,206
Mark-up accrued on secured short-term running finance	23	1,036
Associated undertaking	344	483

Provident fund	--	249
Workers' profit participation fund - note 17.1	4,015	3,343
Workers' welfare fund	1,488	1,155
Income-tax payable to statutory authority	100	--
Sales-tax	3,535	2,995
Unclaimed dividend	1,718	1,651
Proposed dividend	20,623	18,748
	-----	-----
	70,710	62,018
	=====	=====

17.1 WORKERS' PROFIT PARTICIPATION FUND

Balance at the beginning of the year	3,343	3,753
Interest on fund utilised in company's business	466	413
	-----	-----
	3,809	4,166
Less: Amount paid to the trustees of the fund	3,809	4,166
	-----	-----
	--	--
Allocation for the year	4,015	3,434
	-----	-----
Balance at the end of the year	4,015	3,434
	=====	=====

18. COMMITMENTS AND CONTINGENCIES**18.1 COMMITMENTS**

18.1.1 Rents payable under lease agreements for motor vehicles are:

Payable in years ending June 30,		
2000	--	967
2001	726	445
2002	411	130
2003	281	--
2004	281	--
2005	258	--

18.1.2 Customs duty on raw materials and spare parts in bonded warehouse payable on their clearance amounted to Rs. 2,864 million as at June 30, 2000 (1999: Rs. 2,282 million).

18.2 CONTINGENCIES

18.2.1 Letters of credit outstanding amounted to Rs. 15,890 million (1999: Rs. 6,761 million) and letters of guarantee outstanding amounted to Rs. 0.510 million (1999: Rs. 0.510 million).

18.2.2 Claims made by Excise and Taxation Department but not acknowledged as debt by the Company amounted to Rs. 1,696 million approximately (1999: Rs. 1,696 million). The same has been paid and shown as advance in note 10. The recovery of the amount depends on the outcome of proceedings initiated by the Company.

19. TURNOVER

Local sales	629,711	522,176
-------------	---------	---------

Less: Sales-tax	98,914	71,801
Discount to customers	77,226	58,300
	-----	-----
	176,140	130,101
	-----	-----
	453,571	392,075
	=====	=====

20. COST OF SALES

Opening work-in-process	12,754	16,490
Raw and packing materials consumed	125,739	102,875
	-----	-----
	138,493	119,365

Manufacturing expenses:

Salaries, wages and other benefits	44,464	40,994
Fuel, power and water	58,007	49,191
Stores, spares, oil and lubricants	33,332	26,176
Repairs and maintenance	20,499	18,122
Insurance	1,657	1,147
Vehicles running	1,850	1,940
Legal and professional charges	300	404
Travelling and conveyance	1,740	1,212
Tile packing charges	3,035	2,581
Tile loading charges	544	512
Printing and stationery	1,008	727
Tile printing charges	53	64
Rent, rates and taxes	246	324
Postage, telegraphs and telephones	438	302
Research and development cost	350	167
Cartage and handling	346	188
Depreciation	19,140	14,204
Lease rentals	370	347
Entertainment	116	88
Sundries	854	747
	-----	-----
	188,349	159,437
	-----	-----
	326,842	278,802

Closing work-in-process	(16,674)	(12,754)
	-----	-----

Cost of goods manufactured	310,168	266,048
----------------------------	---------	---------

Finished goods:

Opening stock	24,216	26,467
Closing stock	(25,221)	(24,216)
	-----	-----
	(1,005)	2,251
	-----	-----
	309,163	268,299
	=====	=====

21. OTHER OPERATING INCOME

Profit on sale of fixed assets	442	123
Return on bank deposit	1,151	1,179
Miscellaneous	--	5
	-----	-----
	1,593	1,307
	=====	=====

22. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and other benefits	5,879	5,232
Rent, rates and taxes	1,778	1,206
Postage, telegraphs and telephones	1,953	1,919
Travelling and conveyance	2,859	1,625
Printing and stationery	702	877
Electricity, water and gas	660	601
Vehicles running	1,128	1,005
Lease rentals	156	26
Insurance	539	463
Legal and professional charges	130	--
Repairs and maintenance	552	560
Depreciation	989	815
Entertainment	217	205
Advertisement and publicity	2,183	746
Sales promotion	7,084	5,057
Freight and octroi outwards	16,194	15,537
Sundries	177	235
	-----	-----
	43,180	36,109
	=====	=====

23. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	7,414	7,152
Rent, rates and taxes	126	126
Postage, telegraphs and telephones	808	747
Travelling and conveyance	769	765
Printing and stationery	364	408
Electricity, water and gas	600	554
Computer service charges	692	775
Vehicles running	1,017	624
Lease rentals	464	814
Insurance	520	474
Auditors' remuneration:		
Audit fee	85	60
Audit of provident fund	5	7
Other advisory services	38	43
Out-of-pocket expenses	17	12
	-----	-----
	145	122
Legal and professional charges	381	202
Repairs and maintenance	101	142
	-----	-----
Total carried forward	13,401	12,905

Total brought forward	13,401	12,905
Subscriptions, donations and newspapers - note 23.1	235	407
Annual listing fee	105	169
Depreciation	666	521
Entertainment	39	66
Advertisement	117	129
Security services	140	146
Sundries	415	287
	-----	-----
	15,118	14,630
	=====	=====

23.1 This includes donations for Rs. 0.189 million (1999: Rs. 0.369 million) wherein none of the Directors or their spouses had any interest in any of the donees.

24. OTHER OPERATING CHARGES

Loss on sale of fixed assets	2	7
Workers' profit participation fund	4,015	3,343
Workers' welfare fund:		
current	1,449	1,146
prior	30	29
	-----	-----
	1,479	1,175
	-----	-----
	5,496	4,525
	=====	=====

25. FINANCIAL CHARGES

Mark-up/interest on:		
Secured short-term running finance	2,350	3,501
Workers' profit participation fund	466	413
Finance leases	3,278	2,733
	-----	-----
	6,094	6,647
Bank charges, guarantee commission and commitment charges	1,287	828
	-----	-----
	7,381	7,475
	=====	=====

26. TAXATION

The Company's assessments have been completed upto the assessment year 1999-2000 (corresponding to the accounting year ended June 30, 1999).

27. BASIC EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

Profit after taxation	45,962	35,236
	=====	=====
Number of ordinary shares	14,998	14,998
	=====	=====
Basic earnings per share	3.06	2.35

28. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Registrar's services fee	387	385
Insurance premium	3,072	2,585
Insurance claims received	117	1,015

29. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	<i>Chief Executive</i>		<i>Executives</i>		<i>Total</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Managerial remuneration	702	702	3,591	3,444	4,293	4,146
Housing and utilities	384	384	1,827	1,763	2,211	2,147
Leave fare assistance, leave encashment and bonus	58	45	1,116	1,003	1,174	1,048
Medical expenses	56	28	265	236	321	264
Retirement benefits	62	58	307	306	369	364
	-----	-----	-----	-----	-----	-----
	1,262	1,217	7,106	6,752	8,368	7,969
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	19	18	20	19

Fees amounting to Rs. 6,000 (1999: Rs. 9,000) were paid to seven Directors (1999: seven Directors) for attending Board Meetings during the year.

In addition, the chief executive, and executives are provided with free use of company's cars.

30. STAFF RETIREMENT BENEFITS

Salaries, wages and other benefits include Rs. 1.650 million (1999: Rs. 1.454 million) in respect of staff retirement benefits.

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**31.1 INTEREST/MARK-UP RATE RISK**

The Company is exposed to interest/mark-up rate risk on some of the financial liabilities. Material financial liabilities which are exposed to various rates of mark-up are mentioned in notes 15 and 16.

FINANCIAL ASSETS

The financial assets of the Company amount to Rs. 144.600 million (1999: Rs. 136.827 million) out of which Rs. 144.587 million (1999: Rs. 136.679 million) are non-interest bearing.

FINANCIAL LIABILITIES

The financial liabilities of the Company amount to Rs. 115.770 million (1999: Rs. 95.068 million) out of which Rs. 72.681 million (1999: Rs. 50.599 million) are interest bearing.

31.2 CREDIT RISK

Company's exposure to credit risk is indicated by the carrying amount of its receivables. The Company deals with reputed concerns and believes that it is not exposed to major concentrations of credit risk in debtors. To reduce

exposure to credit risk the Company obtain advances from customers and continually assess their credit worthiness.

Company places available cash with bank in deposit account.

31.3 FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where payable exist due to the importation of both capital and consumable items. The Company does not view hedging as being financially feasible owing to the excessive cost involved.

31.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reflected in the financial statements approximate their fair value.

32. CAPACITY

During the year the capacity attained was 1.601 million sq. metres of tiles (1999: 1.371 million sq. metres) against the rated capacity increased to 1.800 million sq. metres (1999: 1.200 million sq. metres) on account of balancing, modernisation and replacement in old plant and installation of the second fast firing line in the month of June, 2000.

33. FIGURES

These have been rounded off to the nearest thousand of rupees and corresponding year's figures have been rearranged wherever necessary for the purpose of comparison.

ALIREZA M. ALLADIN
Chief Executive

NAZIM F. HAJI
Director

PATTERN OF SHAREHOLDINGS AS ON 30TH JUNE, 2000

<i>NUMBER OF SHARE HOLDERS</i>	<i>SHAREHOLDINGS</i>		<i>TOTAL SHARES HELD</i>	
907	1	--	100	31,551
908	101	--	500	234,193
326	501	--	1,000	233,620
418	1,001	--	5,000	878,891
89	5,001	--	10,000	648,205
23	10,001	--	15,000	274,492
10	15,001	--	20,000	166,008
2	20,001	--	25,000	45,682
3	25,001	--	30,000	82,943
4	30,001	--	35,000	127,640
1	35,001	--	40,000	37,434
2	40,001	--	45,000	82,430
1	45,001	--	50,000	45,375
2	55,001	--	60,000	114,949
4	60,001	--	65,000	246,736
3	65,001	--	70,000	195,627
7	70,001	--	75,000	498,592
2	75,001	--	80,000	160,000

1	80,001	--	85,000	80,615
1	85,001	--	90,000	86,347
2	90,001	--	95,000	186,880
4	95,001	--	100,000	385,758
2	100,001	--	105,000	206,827
1	105,001	--	110,000	110,000
4	115,001	--	120,000	472,261
1	120,001	--	125,000	123,425
2	130,001	--	135,000	263,132
1	135,001	--	140,000	135,329
1	140,001	--	145,000	144,845
1	145,001	--	150,000	147,842
1	150,001	--	155,000	152,929
1	155,001	--	160,000	157,280
4	185,001	--	190,000	749,135
1	235,001	--	240,000	235,919
1	245,001	--	250,000	246,235
1	315,001	--	320,000	315,072
1	355,001	--	360,000	358,050
2	390,001	--	395,000	782,524
1	455,001	--	460,000	456,473
1	635,001	--	655,000	654,820
1	835,001	--	840,000	837,409
1	3,600,001	--	3,605,000	3,604,981

2,749
=====

TOTAL

14,998,456
=====

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE (%)
1. Individuals	2,696	6,064,004	40.431
2. Investment Companies	3	139,343	0.929
3. Insurance Companies	6	577,076	3.847
4. Joint Stock Companies	20	1,208,835	8.060
5. Financial institution	2	1,492,229	9.949
6. Modaraba Companies	3	3,523	0.023
7. Foreign Investors	11	5,142,296	34.286
8. Co-operative Societies	3	40,604	0.271
9. Charitable Trusts	4	326,046	2.174
10. Others	1	4,500	0.030
TOTAL	2,749	14,998,456	100.000