

**KSB Pumps Company Limited**  
**Annual Report 1998**

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**KSB Pumps Company Limited**

**REGISTERED OFFICE**

16/2, Sir Aga Khan Road  
Lahore-54000  
Ph: (042) 6304173-6304174-6370969-6370970  
Fax: (042) 6368878-6366192

**WORKS**

Hazara Road, Hassanabdal  
Ph: (05772) 520236-520238-520239-2396  
Fax: (05772) 520237

*Cover: Awareness of Environmental protection and its preservation is an integral part  
of KSB's projects to provide fresh water throughout the country*

***Mission Statement***

*We manufacture and market a selected range of standard and engineered pumps and castings of world class quality. Our efforts are directed to have delighted customers in the water, sewage, oil, energy, industry and building services sectors.*

*In line with the Group strategy, we are committed to develop into a center of excellence in water application pumps and be a strong regional player. We want to market valves, complete system solutions and foundry products including patterns for captive, automotive and other industries. We will develop a world class human resource with highly motivated and empowered employees.*

*The measure of our success is being a clear market leader, achieving quantum growth and providing attractive returns to stakeholders.*

**Our Values are**

- \* We believe in self-esteem of our customers, suppliers and employees
- \* We work as a team where every member owns the process with an entrepreneurial spirit
- \* We work with professional honesty and integrity
- \* We trust our employees and appreciate their contributions
- \* We strive for continuous improvement to achieve excellence in all spheres of our activities
- \* We are an equal opportunity employer and follow merit in human resources development
- \* We fulfill moral obligation towards society and environment

**Company Information**

**DIRECTORS**

Peter Wurzbacher	Chairman
Arif Ijaz	Managing Director
Manzurul Haq	
Abdul Razak Adamjee	
Razi-ur-Rahman Khan	
Iqbal Adamjee	
R. D. Ahmad	

**COMPANY SECRETARY**

S. Zamanat Abbas

**MANAGEMENT**

Arif Ijaz	Chief Executive
A. Ghaffar Khan	Sales & Marketing
S. Zamanat Abbas	Finance & Administration

Pervez Iqbal Mughal  
Bashir Saleem

Production  
Projects

**AUDITORS**

A. F. Ferguson & Co.

**BANKERS**

ANZ Grindlays Bank  
Bank of America NT & SA  
Hongkong & Shanghai Banking Corporation Limited  
Deutsche Bank AG  
Muslim Commercial Bank Limited  
Habib Bank Limited  
United Bank Limited

**LEGAL ADVISORS**

Orr Dignam & Co.  
Zafar Law Associates

**Dealers Network**

**LAHORE**

UPPAL MACHINERY STORES  
98-Railway Road, Lahore. Ph: 7662541 -7657974

ALI AGENCIES  
37-Umer Market. Mcleod/Railway Road, Lahore. Ph: 7650758- 7665758

**KARACHI**

ANWAR CORPORATION  
Nicol/Frere Road Crossing, P.O. Box No. 4755, Karachi. Ph: 2428411-14

SH. WILAYAT AHMED & SONS  
G-1 A1-Yousuf Chambers, Shahrah-e-Liaquat, Karachi. Ph: 2623081 - 2628398

ENGINEERING SALES & SERVICES  
Syedna Tahir Saifuddin Road, Off M.A. Jinnah Road, Karachi. Ph: 7731866 - 7731710

**RAWALPINDI**

HASSAN ENGINEERING  
A/754 Taj Mahal Market, Jinnah Road, Rawalpindi. Ph: 555386

KHYBER ELECTRIC GO. (PVT) LTD.  
43-R/S, Bank Road, Rawalpindi. Ph: 567783-4

**MULTAN**

SULTAN SONS (PVT) LTD.

Sultan Mansions, Railway Road, Multan. Ph: 542345- 542501

**QUETTA**

MARSHALL TRADING CO.

Shahrah-e-Adalat, Quetta. Ph: 842867

**FAISALABAD**

AL-HASEEB CORPORATION

26 Gulistan Market, Railway Road, Faisalabad. Ph: 619454

**PESHAWAR**

GEO PUMPS & ELECTRICAL SERVICES

Sikandar Plaza, Shuba Bazar, Peshawar

**Notice of Meeting**

Notice is hereby given that the 41st annual general meeting of the members of KSB Pumps Company Limited, will be held at Hotel Avari, Shahrah-e-Quaid-e-Azam, Lahore, on Tuesday, the 22nd December, 1998 at 4.00 p.m. to transact the following business:

1. To confirm the minutes of the annual general meeting held on December 06, 1997.
2. To consider and adopt the audited accounts of the Company for the year ended June 30, 1998 and report of the auditors and Directors thereon.
3. To approve the payment of dividend of 10% for the year ended June 30, 1998 as recommended by the Directors.
4. To appoint auditors and fix their

remuneration.

Messrs A. F. Ferguson & Co.,  
Chartered Accountants, the retiring  
auditors, being eligible, offer  
themselves for re-appointment as  
auditors of the Company.

**Notes:**

1. A member entitled to attend and vote at this meeting is entitled to appoint another member as proxy. Proxies in order to be effective must be received at the Registered Office of the Company not later than 48 hours before the time appointed for the meeting. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid. Every proxy shall have the right to attend, speak and vote in place of the member appointing him/her at the meeting.

2. The Share Transfer Books of the Company will remain closed from December 17, 1998 to December 22, 1998 (both days inclusive). Transfers received in order at the Registered Office of the Company by the close of business on December 16, 1998 will be in time to be passed for payment of dividend to the transferees.

3. Members are required to notify the change of address, if any, immediately.

BY ORDER OF THE BOARD

Lahore,  
November 27, 1998

**S. ZAMANAT ABBAS**  
Company Secretary

## Directors' Report

The Directors are pleased to present the annual report together with the audited accounts of the Company for the year ended June 30, 1998.

### STATE OF COMPANY'S AFFAIRS

The Management Report on page 9 comments on the business of the Company during the year and has the approval of the directors.

### RESULTS FOR THE YEAR

	Rupees
Profit for the year before providing for taxation	29,375,911
Provision for taxation	(13,350,000)
	-----
Profit after taxation	16,025,911
Unappropriated profit brought forward	405,732
	-----
Available for appropriation	16,431,643
Appropriated as under:	
- Transfer to general reserve	4,000,000
- Proposed dividend @ Rs. 1.00 per share (10 %)	12,000,000
	-----
	16,000,000
	-----
Unappropriated profit carried forward	431,643
	=====

### MATERIAL CHANGES SINCE THE BALANCE SHEET DATE

There have been no material changes since June 30, 1998 and the Company has not entered into any commitments which would affect the financial position of the Company at that date.

### BOARD OF DIRECTORS

Mr. Peter Wurzbacher was appointed Director and Chairman in place of Dr. K. Wiegand with effect from 06-12-1997. Mr. Arif Ijaz was appointed as Director in place of Dr. A. Wittmann with effect from 06-12-1997 and as Chief Executive/Managing Director in place of Mr. Manzurul Haq with effect from 01-01-1998.

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The Board wishes to record its deep appreciation for the devotion and guidance provided to the Board by Dr. K. Wiegand during the term of his office for 22 years. The Board also records its appreciation for the splendid work done by Mr. Manzurul Haq during the tenure of office as Chief Executive/Managing Director for over 16 years for promoting the interest of the Company. Mr. Manzurul Haq who has been given assignment in USA by the KSB Group still continues to contribute as Member of the Board of Directors. The Board also wishes to thank Dr. A. Wittmann for his valuable contribution provided during his directorship.

### BUSINESS OF THE COMPANY

The Company's business is that of manufacture and sale of pumps and valves. In addition, castings are manufactured for sale to third parties.

**PATTERN OF SHAREHOLDING**

The information about the pattern of shareholding appears as an appendix to the accounts on page 29.

**HOLDING COMPANY**

The holding company is Canadian Kay Pump Limited incorporated in Toronto, Canada. Their particulars appear in note 2 to the accounts.

**Auditors**

The present auditors, M/s. A. F. Ferguson & Co., being eligible, have offered themselves for re-appointment.

Lahore,  
October 21, 1998

**Arif Ijaz**  
Chief Executive

**R.D. Ahmad**  
Director

**Management Report**

I am pleased to present the Management Report for the year ended June 1998.

The deteriorating economic scenario that started in early 1997 persisted into the year under review. In spite of strong international donor pressure the government debt did not go down. A massive Cash Flow crunch was created in public sector institutions who could neither finance development nor pay their sub-suppliers. KSB major business (approximately 50% is in the water and sewage sectors and this scenario took its toll on reduced order intake and turnover. On the other side various political issues kept on cropping up in the year under review that took on the proportions of a crisis. This resulted in lower investor confidence and large scale industrial growth almost came to a standstill. Our ability to tap this sector of the market that is on the high value-added side was also hampered.

On a positive side the management of this Company could forecast the impact

of the slowdown on our business accurately and a series of measures were taken to improve the operational efficiency of the Company and key success factors were identified. It is heartening to note that inspite of the slowdown some of the indicators show a positive trend in June '98 as compared with corresponding figures last year. Inventory and receivables, bank borrowings and resulting financial cost all show downward trends. All these positive trends add up to show a 3% improvement in gross margins. As a result of rightsizing, per employee productivity of the Company also showed a positive trend which augurs well for the future.

One of the main strategic offensives of this year was a decision to implement a state-of-the art online Information Technology system. In engineering companies with a large range of products like KSB, the material variants can run into thousands and manual or stand alone systems cannot cater for fast thruput times, which are a necessity if we plan to extensify our export operations. The key decision to install and implement a "COMET" on line MRP system has been taken, especially with a view to use past experience of other KSB Companies who are already



using this system. It is planned that this system will be operational in July '99 and that is where the real benefits are supposed to accrue. KSB Pakistan alongwith support from KSB AG is alive to the problems of the 2000 millennium bug and extensive plans are in place how to overcome this problem. Luckily this coincides and dovetails very well with our IT offensive and synergies are bound to result.

The refocusing and restructuring of the sales network was also carried out in this period. As a result two sales offices, Sargodha and Mirpur (AK) were closed down and it is planned to set up a regional office in Multan where a huge market for Energy pumps is now emerging in the shape of private sector powerplants. It is also planned that a dedicated 'Customer Service Department' will become an effective part of sales in the future. The Lahore sales office was also renovated with a new Corporate Image and Corporate Colours that will identify all KSB offices in the future. Major orders were received from the Karachi Water & Sewerage Board for the supply of very high capacity RDLv pumps for the Dhabeji Pumping Stations Phase II (Rs.81 million) and for 352 KRT dewatering pumps for the Ghazi Barotha Power Project. A revived focus on Exports also saw an increased order intake.

It is a well known Management doctrine that companies of the 21st century have to clearly spell out their goals and missions. In May this year, a three day intensive workshop of senior managers produced the first Mission & Values statement. These statements are also part of this Annual Report. It is

encouraging to note that this is an alive document at KSB Pakistan and its essence is slowly being assimilated into the culture of this Company.

Finally in these trying times, I would like to thank all the shareholders of this Company for the dedication, commitment and trust that allowed us to take challenging and difficult decisions.

Lahore  
October 21, 1998

**Arif Ijaz**  
Managing Director

### **Auditors' Report to the Members**

We have audited the annexed balance sheet of KSB Pumps Company Limited as at June 30, 1998 and the related profit and loss account and cash flow statement, together with the notes forming part thereof for the year ended June 30, 1998 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 purpose 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 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 June 30,  
1998 and of the profit and cash  
flows for the year then ended;

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

without qualifying our opinion we  
draw attention to note 11.2 of the  
accounts which explains the reasons  
for amortising the cost of Voluntary  
Golden Handshake Scheme.

Lahore,

**A.E Ferguson & Co.**

November 25, 1998

Chartered Accountants

**Balance Sheet as at June 30**

	Note	1998 Rupees	1997 Rupees
<b>CAPITAL AND RESERVES</b>			
SHARE CAPITAL			
Authorised			
15,000,000 ordinary shares of Rs 10 each		150,000,000	150,000,000
		=====	=====
Issued, subscribed and paid up	2	120,000,000	100,000,000
RESERVES	3	108,500,000	124,500,000
UNAPPROPRIATED PROFIT		431,643	405,732
		-----	-----
		228,931,643	224,905,732
LONG TERM RUNNING FINANCE- SECURED	4	20,833,334	-
<b>LONG TERM AND DEFERRED LIABILITIES</b>			
Deferred taxation	5	4,650,000	-
Provision for employees' retirement benefits		8,793,703	8,750,768
Rent received in advance		1,182,116	3,079,710
		-----	-----
		14,625,819	11,830,478
<b>CURRENT LIABILITIES</b>			
Current portion of long-term running finance-secured	4	16,666,666	-
Short term running finances-secured	6	52,197,908	112,048,196
Creditors, accrued and other liabilities	7	189,309,472	140,099,332
Proposed dividend		12,000,000	10,000,000
		-----	-----
		270,174,046	262,147,528
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8	-----	-----
		534,564,842	498,883,738
		=====	=====
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets- tangible	9	71,308,039	70,908,314
Capital work in progress	10	1,652,894	8,059,987
		-----	-----
		72,960,933	78,968,301
LONG TERM LOANS, DEPOSITS AND DEFERRED COST	11	13,488,459	775,703

**CURRENT ASSETS**

Stores, spares and loose tools	12	28,531,270	33,645,485
Stock in trade	13	116,700,446	144,305,251
Trade debts	14	157,223,734	184,408,524
Loans, advances, deposits, prepayments and other rec	15	59,050,975	37,444,589
Cash and bank balances	16	86,609,025	19,335,885
		-----	-----
		448,115,450	419,139,734
		-----	-----
		534,564,842	498,883,738
		=====	=====

The annexed notes form an integral part of these accounts.

**Arif Ijaz**  
Chief Executive

**R.D. Ahmad**  
Director

**Profit and Loss Account for the year ended June 30**

	Note	1998 Rupees	1997 Rupees
Sales	17	410,110,014	474,466,491
Cost of sales	18	285,264,041	344,168,505
		-----	-----
Gross profit		124,845,973	130,297,986
Administration, selling and general expenses	19	96,926,758	78,366,173
		-----	-----
Operating profit		27,919,215	51,931,813
Other income	20	21,071,175	9,512,556
		-----	-----
		48,990,390	61,444,369
Financial charges	21	17,289,979	186,193,241
Other charges	22	2,324,500	3,266,696
		-----	-----
		19,614,479	21,886,020
		-----	-----
Profit before taxation		29,375,911	39,558,349
Provision for taxation	23	13,350,000	(18,236,866)
		-----	-----

Profit after taxation	16,025,911	57,795,215
Unappropriated profit brought forward	405,732	81,177
	-----	-----
Available for appropriation	16,431,643	57,876,392
Appropriations		
Transfer to general reserve	4,000,000	47,470,660
Proposed dividend Rs 1.00 per share(1997: Rs 1.00 per share)	12,000,000	10,000,000
	-----	-----
	16,000,000	57,470,660
	-----	-----
Unappropriated profit carried forward	431,643	405,732
	=====	=====

The annexed notes form an integral part of these accounts.

**Arif Ijaz**  
Chief Executive

**R.D. Ahmad**  
Director

#### Cash Flow Statement for the Year ended June 30

	Note	1998 Rupees	1997 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	24	159,358,967	17,314,584
Employees' retirement benefits paid		(2,685,322)	(576,687)
Financial charges paid		(18,331,260)	(15,339,146)
Taxes paid		(18,602,019)	(20,694,153)
Long-term loans and advances (net)		(12,712,756)	(383,557)
		-----	-----
Net cash inflow/(outflow) from operating activities		107,027,610	(19,678,959)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(9,154,083)	(18,700,734)
Sale proceeds of fixed assets		1,715,167	811,686
		-----	-----
Net cash (outflow) from investing activities		(7,438,916)	(17,889,048)
Long term running finances- net		37,500,000	-
Dividends paid		(9,965,266)	(19,998,776)
		-----	-----

Net cash inflow/(outflow) from financing activities	27,534,734	(19,998,776)
	-----	-----
Net increase/(decrease) in cash and cash equivalents	127,123,428	(57,566,783)
Cash and cash equivalents at the beginning of the year	(92,712,311)	(35,145,528)
	-----	-----
Cash and cash equivalents at the end of the year	25 34,411,117	(92,712,311)
	=====	=====

The annexed notes form an integral part of these accounts.

**Arif Ijaz**  
Chief Executive

**R.D. Ahmad**  
Director

## Notes to the Accounts for the Year ended June 30

### STATUS AND NATURE OF BUSINESS

The company is incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The company is engaged in the manufacture and sale of industrial pumps.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention, modified by capitalisation of certain exchange differences referred to in note 1.7.

#### 1.2 STAFF RETIREMENT BENEFITS

The main features of the schemes operated by the company for its employees are as follows:

(a) The managerial staff participates in an approved funded gratuity scheme. In addition, an approved funded pension scheme was introduced from June 1, 1996 for supervisory and managerial staff. Monthly contributions are charged to income on the basis of actuarial recommendation at the rate 15.32 percent per annum of basic salaries plus certain allowances for gratuity and 8.20 percent per annum of basic salaries plus COLA for pension. The actuarial valuation of the schemes is carried out once in every three years. The latest valuation for the gratuity fund was carried out as at January 1, 1998 while valuation for the funded pension scheme was conducted on June 30, 1997. As at the latest valuation date the fair value of the plan's asset and the liabilities for past services were Rs 1.4 million and Rs 23.8 million respectively for pension scheme and Rs 1.532 million and Rs 17.96 million respectively for the gratuity scheme. The deficit in the pension plan in respect of past services is charged to income on basis of expected future working lives of those employees and is paid to the fund over a period of five years. The future contribution rates of these schemes include allowances for deficit and surplus. Entry age normal actuarial cost method for gratuity and accrual benefit cost method with projected salaries for pension scheme, using the following significant assumptions, are used for valuation of these schemes:

**Pension**

**Gratuity**

· Expected rate of increase in salary level	Merit scale plus 12 percent per annum escalation.	Merit scale plus 10 percent per annum escalation.
· Expected rate of return	14 percent per annum for active members and 9 percent per annum for pensioners.	14 percent per annum

(b) The company operates an un-funded retirement scheme for its unionised staff. Under the scheme members, who have completed 7 years of service with the company are entitled to receive 20 days basic pay for each completed year of service. The provision is made annually to cover the obligation under this scheme and is charged to current income.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

### 1.3 TAXATION

The charge for current taxation for the year is based on taxable income at the current rates of taxation after taking tax rebates available for set off, if any. The company accounts for deferred taxation, using the liability method, on all major timing differences which are expected to reverse in future.

### 1.4 FIXED CAPITAL EXPENDITURE AND DEPRECIATION

Operating assets except freehold land are stated at cost less accumulated depreciation. Freehold land and capital work in progress are stated at cost. Cost in relation to own manufactured assets includes direct cost of materials, labour and applicable manufacturing overheads. Cost of certain plant and machinery signifies the historical cost and exchange differences referred to in note 1.7. Depreciation on all fixed assets has been charged to profit on the straight line method at the following annual rates:

Buildings - Factory	5 %
- Office	2.5 %
Plant and machinery	6.66 and 10 %
Tools, jigs, attachments and furniture and fixtures	10 %
Patterns	10 %
Other equipment and tubewells	12.5 %
Office machines and appliances	33.33 %
Vehicles	25 %

The full annual rate of depreciation is applied on the cost of additions, including exchange differences, while no depreciation is charged on assets deleted during the year.

Exchange differences are amortized over the remaining estimated useful lives of the related plant and machinery.

Minor renewals or replacements, maintenance, repairs and profit and loss on disposal of fixed assets are reflected in current profit. Major renewals and improvements are capitalised.

### 1.5 STORES, SPARES AND LOOSE TOOLS

These are valued at cost determined by using the annual average method except for items considered obsolete which are carried at nil value. Items in transit are valued at cost comprising invoice value and other charges paid thereon.



### 1.6 STOCK IN TRADE

Stock of raw materials, except for items in transit, work in process and finished goods, are stated at the lower of cost principally determined using the annual average method and net realisable value. Cost of work in process and finished goods comprise cost of direct materials, labour and applicable manufacturing overheads. Materials in transit are stated at cost comprising invoice values and other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs of completion and less costs necessary to be incurred in order to make the sale.

### 1.7 FOREIGN CURRENCIES

All assets and liabilities in foreign currencies are translated at the year end exchange rates.

Exchange differences arising from translation and repayment of foreign currency loans are capitalised as part of cost of plant and machinery acquired out of the proceeds of such loans.

All other exchange differences are reflected in current income.

### 1.8 REVENUE RECOGNITION

Revenue from sale of products is recognised on shipment or acceptance of the products depending on the terms of supply. Revenue from services is recognised on performance of the services.

## 2. ISSUED, SUBSCRIBED AND PMD UP CAPITAL

	1998 Rupees	1997 Rupees
973,100 ordinary shares of Rs 10 each fully paid in cash	9,731,000	9,731,000
8,000 ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	80,000	80,000
11,018,900 (1997: 9,018,900) ordinary shares of Rs 10 each issued as fully paid bonus shares	110,189,000	90,189,000
	-----	-----
	120,000,000	100,000,000
	=====	=====

As at June 30, 1998, the holding company, Canadian Kay Pump Limited, holds 7,066,341 (1997: 5,888,618) ordinary shares.

## 3. RESERVES

Reserve for issue of bonus shares		
At the beginning of the year	20,000,000	-
Transfer from General reserve	-	20,000,000
Issue of Bonus shares	(20,000,000)	-
	-----	-----
	-	20,000,000

General reserve		
At the beginning of the year	104,500,000	77,029,340
Transferred from appropriation account	4,000,000	47,470,660
Transferred to reserve for issue of bonus shares	-	(20,000,000)
	-----	-----
	108,500,000	104,500,000
	-----	-----
	108,500,000	124,500,000
	=====	=====

#### 4. LONG TERM RUNNING FINANCE-SECURED

	Finance A Rupees	Finance B Rupees	Total Rupees
Balance outstanding	16,666,666	20,833,334	37,500,000
Less: Shown under current portion	8,333,333	8,333,333	16,666,666
	-----	-----	-----
	8,333,333	12,500,001	20,833,334
	=====	=====	=====

Finance A and B have been obtained from a bank under mark up arrangements. The balances of finances A and B are repayable in 4 and 5 equal half yearly installments respectively. Mark-up is charged at 1% over and above the past three month average cut off rate of Short Term Federal bond per annum. The facility is secured through a first charge on the fixed assets of the company.

	1998 Rupees	1997 Rupees
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#### 5. DEFERRED TAXATION

This is composed of

Liability for deferred taxation comprising timing difference related to accelerated tax depreciation	3,394,000	-
Others	1,256,000	-
	-----	-----
	4,650,000	-
	=====	=====

#### 6. SHORT-TERM RUNNING FINANCES - SECURED

Short-term running finances available from a Consortium of Commercial banks under mark-up arrangements amount to Rs. 274.3 million (1997: Rs 122 million). The rates of mark-up range from Rs 0.3836 to Rs 0.4384 per Rs. 1,000 per diem or part thereof on the balance outstanding. In the event the company fails to pay the balance on the expiry of the quarter, year or earlier demand, mark-up is to be computed at the rate ranging from Rs 0.3836 to Rs 1.6997 per Rs 1,000 per diem or part thereof on the balance unpaid.

The finances obtained under these arrangements are secured by hypothecation of stores, spares, stock in trade and trade debts. Out of aggregate facility of letters of credit of Rs 63.4 million (1997: Rs 45 million) and guarantees of RS 142.3 million (1997: RS 55 million) the amounts utilised as at June 30, 1998 amounted to RS 32.3 million (1997: RS. 1.6 million) and Rs 129.4 million (1997: Rs 44.96 million) respectively.

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>7. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
These are composed of		
Creditors	43,795,382	53,902,283
Accrued liabilities	57,062,274	47,822,312
Sales tax payable	14,692,947	10,907,755
Advances from customers	61,811,353	14,250,070
Interest free deposits, repayable on demand	31,560	58,040
Mark -up accrued on long term running finances- secured	1,679,812	-
Mark up accrued on short term running finances secured	1,659,924	4,381,017
Workers' profit participation fund	-note 7.1 2,052,234	2,797,634
Workers' welfare fund	3,110,120	2,510,120
Unclaimed Dividends	462,946	428,212
Other liabilities	2,950,920	3,041,889
	-----	-----
	189,309,472	140,099,332
	=====	=====

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>7.1 WORKERS' PROFIT PARTICIPATION FUND</b>		
Balance at beginning of the period	2,797,634	4,233,030
Allocation for the period	1,580,000	2,125,000
	-----	-----
The amount available with the company for its business operations	4,377,634	6,358,030
Interest paid on funds utilised by the company	394,193	594,924
	-----	-----
Amount paid during the period	4,771,827	6,952,954
	-----	-----
Balance at the end of the period	2,052,234	2,797,634
	=====	=====

#### **8. CONTINGENCIES AND COMMITMENTS**

(i) Post-dated cheques, not provided for in the accounts, furnished by the company to the Collector of Customs to cover

import levies in excess of 20 % ad valorem on certain raw materials and components amounted to Rs 9.63 million (1997: Rs 23.50 million). Liabilities under the postdated cheques can arise in respect of such raw materials which are not consumed within one year from the receipt thereof or till the expiry of extended period and such liability, if any, will be treated as part of the cost of such raw materials and components.

Liabilities, if any, which may arise from the outstanding warranties and guarantees to the customers as to performance, free of charge replacement of faulty materials or bad workmanship, etc. are not ascertainable. Based on past experience, however, the amount of contingent loss, if any, arising from these warranties and guarantees is not likely to be material and no provision has, therefore, been made in these accounts.

(ii) The company entered into a contract with WAPDA in February 1996, for supply and installation of turbine pumps in Sanghat Tubewell Drainage project on the basis of international tender under ADB financing. At the time of entering into the contract, the supply of pumps and related equipment was exempt from the levy of sales tax. However, subsequently, this exemption from sales tax was withdrawn by the Government resulting in sales tax being charged on the goods supplied. After delivering pumps to WAPDA, the company deposited sales tax amounting to Rs. 21.2 million on these pumps and forwarded the bills to the Consulting Engineer for verification and approval in accordance with the procedure laid down in the contract. The Consulting Engineer after due verification and approval has forwarded the bills to WAPDA for re-imburement of Rs 21.2 million to the company. WAPDA had however, taken the issue of bearing the sales tax into arbitration, which has been decided in favour of the company. Consequently, no provision has been made in these accounts against the sales tax of Rs. 21.2 million included in trade debts.

#### COMMITMENTS IN RESPECT OF

- (i) Letters of credit other than for capital expenditure approximately Rs 32.3 million (1997: Rs 1.60 million)  
(ii) The company, under lease agreements executed by it, is committed to pay lease rentals in the following years as under:

Year	Rupees
1998-1999	845,515
1999-2000	815,440
2000-2001	559,110
2001-2002	520,500
2002-2003	134,500

#### 9. OPERATING FIXED ASSETS - TANGIBLE

##### 9.1 THE FOLLOWING IS A STATEMENT OF OPERATING FIXED ASSETS:

	Cost to June 30, 1997	Additions during the year	Disposals during the year	Cost to June 30, 1998	Accumulated Depreciation as at June 30, 1997	Depreciation charge for the year	Depreciation on disposals	Accumulated depreciation As at June 30, 1998	Bo
Freehold land	1,372,520	-	-	1,372,520	-	-	-	-	1
Buildings on Freehold land	34,132,595	1,808,504	-	35,941,099	13,849,867	1,302,397	-	15,152,264	20
Plant and machinery	77,064,781	4,971,513	316,955	81,719,339	55,029,997	4,987,030	198,858	59,818,169	23

Tools, jigs and attachments	19,310,701	369,277	64,537	19,615,441	11,300,442	1,672,366	54,418	12,918,390	0
Patterns	20,621,061	3,935,470	-	24,556,531	11,620,137	1,776,696	-	13,396,833	11
Other equipment and tubewells	3,878,768	585,300	-	4,464,068	2,574,151	278,823	-	2,852,974	1
Furniture and fixtures	4,898,399	112,250	23,900	4,986,749	3,219,396	346,094	17,922	3,547,568	1
Office machines and appliances	16,294,466	1,776,012	743,550	17,326,928	14,005,328	1,955,987	743,549	15,217,766	1
Vehicles	13,383,168	2,002,850	470,969	14,915,049	8,448,827	2,639,954	403,060	10,685,721	4
Rupees 1998	190,956,459	15,561,176	1,619,911	204,897,724	120,048,145	14,959,347	1,417,807	133,589,685	7
Rupees 1997	178,050,549	13,306,150	400,240	190,956,459	105,193,463	15,236,336	381,654	120,048,145	7

		1998	1997
		Rupees	Rupees
The depreciation charge for the year has been allocated as follows:			
Cost of goods sold	note 18	12,660,832	12,787,149
Administration, selling and general expenses	note 19	2,298,515	2,449,187
		-----	-----
		14,959,347	15,236,336
		=====	=====

## 9.2 DISPOSAL OF FIXED ASSETS

### Detail of certain fixed assets sold during the year

Particulars Sold to	Mode of Disposal	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	
(Rupees)						
<b>OUTSIDER</b>						
Vehicle	Mr. Abdul Karim Ishaq, Wah Cantt.	Tender	289,000	183,033	105,967	174,796
<b>EXECUTIVE</b>						
Vehicle	Mr. Syed Zamanat Abbas, Director Finance, Lahore.	Tender	42,500	21,250	21,250	330,000
Vehicle	Mr. Manzur-ul-Haq Former Managing Director, Lahore	Negotiation	85,128	42,564	42,564	53,205
			<b>1998</b>	<b>1997</b>		
			Rupees	Rupees		

## 10 CAPITAL WORK IN PROGRESS

This consists of

Civil works	229,800	2,729,170
Plant and machinery including advances to suppliers of Rs. Nil (1997: Rs. 777,000)	1,423,094	5,330,817
	-----	-----
	1,652,894	8,059,987
	=====	=====

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

#### 11. LONG-TERM LOANS, DEPOSITS AND DEFERRED COST

These are composed of

Loans to employees including executive Rs 55,028 (1997: Rs 122,000)		1,405,463	1,450,373
Current portion including executive Rs 55,028 (1997: Rs78,000) shown under current assets-	note 15	(768,709)	(909,639)
		-----	-----
		636,754	540,734
Deferred cost	note 11.2	12,616,736	-
Security deposits		234,969	234,969
		-----	-----
		13,488,459	775,703
		=====	=====

11.1 The loans to employees except for Rs 654,025 (1997: Rs 545,931) are for house building and purchase of vehicles. The loans for house building is secured by equitable mortgage of title deeds.

The loans to employees including executives are interest free. The loans to executives are for house building and are adjustable against house rent allowance and bonus. The maximum amount outstanding at the end of any month in respect of loans to executive was Rs 174,435 (1997: Rs 180,500).

11.2 During the year 59 employees opted to retire under the Voluntary Golden Handshake Scheme introduced by the company and benefits amounting to Rs. 13.764 million were paid to these employees. As permitted by Technical Release (TR-28) issued by the Institute of Chartered Accountants of Pakistan, the total cost is being amortized over a period of thirty six months beginning April 1, 1998, as the management is of the view that future economic benefits of the scheme will continue to accrue during that period.

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
Voluntary Golden Handshake Scheme cost	13,763,711	-
Less: Amortized during the year	1,146,975	-
	-----	-----
	12,616,736	-

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

Stores including in transit Rs 536,750 (1997: Rs 1,619,002)	10,454,291	15,182,582
Spares including in transit Rs Nil (1997: Rs 301,321)	10,711,629	9,796,033
Loose tools including in transit Rs 34,244 (1997: Rs 366,736 )	7,365,350	8,666,870
	-----	-----
	28,531,270	33,645,485
	=====	=====

**13. STOCK IN TRADE**

Raw material including in transit Rs 8,237,848 (1997: Rs 10,544,	53,854,256	81,140,107
Work in process	29,938,182	47,074,173
Finished goods	32,908,008	16,090,971
	-----	-----
	116,700,446	144,305,251
	=====	=====

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

**14 TRADE DEBTS**

Considered good- unsecured		
Due from associated undertaking	23,694,759	14,212,237
Others	133,528,975	170,196,287
	-----	-----
	157,223,734	184,408,524
	-----	-----
Considered doubtful	4,706,011	4,706,011
Less: Provision for doubtful debts	(4,706,011)	(4,706,011)
	-----	-----
	157,223,734	184,408,524
	=====	=====

The maximum amount due at the end of any month during the year from associated undertakings was Rs 33,662,971 (1997. Rs 16,257,224) .

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

Current portion of Long- term loans to employees - note 11	768,709	909,639
Short- term loans and advances to employees including advance to executives Rs 205,826 (1997: Rs 73,145)- considered good	2,827,646	2,519,676

Advances to suppliers and contractors-considered good	10,586,220	3,061,021
Trade deposits and prepayments - considered good	5,252,499	1,531,202
Letter of credit margins, deposits and opening charges	493,105	554,813
Income tax recoverable	32,256,419	22,354,400
Other receivables-considered good	5,661,502	5,714,541
Due from associated undertakings	1,204,875	799,297
	-----	-----
	59,050,975	37,444,589
	=====	=====

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs 1,204,875 (1997: Rs 799,297). The maximum amount outstanding at the end of any month in respect of loans to the executives was Rs. 205,826 (1997' Rs. 73,145 ).

#### 16 CASH AND BANK BALANCES

At banks		
- On deposit account	47,133,000	55,000
- On current account	27,326,164	14,098,885
	-----	-----
	74,459,164	14,153,885
Cheques and cash in hand	12,149,861	5,182,000
	-----	-----
	86,609,025	19,335,885
	=====	=====

Included in cash and bank balances on deposit account is US \$1,015,010 held under lien by a bank for short term running finance facility referred to in note 6.

#### 17. SALES

	1998 Rupees	1997 Rupees
Local sales	349,351,049	311,919,840
Export sales	58,395,127	30,688,903
International tender sales	2,363,838	131,857,748
	-----	-----
	410,110,014	474,466,491
	=====	=====

Sales are exclusive of sales tax of Rs. 37,560,254 (1997: Rs. 65,188,684)

#### 18. Cost OF GOODS SOLD



Raw material consumed	122,347,168	181,865,295
Salaries, wages, amenities and staff welfare	63,868,463	56,342,740
Amortization of deferred cost	1,146,975	-
Electricity	15,087,947	14,951,671
Stores and spares consumed	- note 18.1 19,910,633	25,268,431
Obsolete stock written off	9,167,976	-
Insurance	818,699	1,497,814
Travelling, conveyance and representations	6,785,828	7,147,628
Rent, rates and taxes	243,896	259,023
Repairs and maintenance	1,971,286	1,591,998
Packing and forwarding	11,428,692	9,668,912
Outside services	22,036,002	29,272,920
Depreciation	12,660,832	12,787,149
Lease rentals	-	659,595
Other expenses	4,056,870	4,116,109
	-----	-----
	291,531,267	345,429,285
	-----	-----
Less: Cost of capital assets produced	1,783,833	1,701,222
Customs duty refunds	-	177,951
	-----	-----
	1,783,833	1,879,173
	-----	-----
	289,747,434	343,550,112
Decrease/(increase) in work in process	12,333,644	(3,381,305)
	-----	-----
Cost of goods manufactured	302,081,078	340,168,807
(Increase)/decrease in finished goods	(16,817,037)	3,999,698
	-----	-----
	285,264,041	344,168,505
	=====	=====

18.1 Included in stores and spares consumed is Rs. Nil (1997: Rs.896,511) representing obsolete stores & spares written off.

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>19. ADMINISTRATION, SELLING AND GENERAL EXPENSES</b>		
Salaries, wages, amenities and staff welfare	39,582,615	34,371,281
Travelling, conveyance and representations	8,207,995	7,720,599
Rent, rates and taxes	2,409,587	1,882,876
Publicity charges	1,574,715	1,077,986
Electricity, gas and water	1,376,602	1,423,488

Postage, telephone, telegrams and telex	4,328,769	6,097,603
Printing and stationery	1,744,745	1,391,142
Repairs and maintenance	2,650,382	606,402
Professional services	- note 26 3,121,032	2,708,828
Commission expenses	15,614,568	14,265,021
Bad debts written off	11,556,975	2,274,903
Depreciation	2,298,515	2,449,187
Lease rentals	1,145,745	1,220,794
Other expenses	1,314,513	876,063
	-----	-----
	96,926,758	78,366,173
	=====	=====

#### 20. OTHER INCOME

Recovery of trade debts previously written off	4,257,610	300,000
Commission	5,829,166	1,538,037
Rental income	3,358,895	2,304,930
Sale of scrap	2,138,077	1,457,295
Interest income	698,000	-
Sundry	990,878	1,163,794
Profit on sale of fixed assets less book value of assets written off		
Rs 22,250 (1997:Rs.18,586)	note 9.2 1,513,063	793,100
Exchange gain	1,085,486	-
Provisions no longer considered necessary-written back	1,200,000	1,955,400
	-----	-----
	21,071,175	9,512,556
	=====	=====

#### 21. FINANCIAL CHARGES

Interest on workers' profit participation fund	394,193	594,924
Mark-up on long-term running finances - secured	6,427,757	-
Mark up on Short-term running finances- secured	8,059,388	15,309,926
Excise duty on short term running finances- secured	-	970,490
Bank and other charges	2,408,641	1,743,984
	-----	-----
	17,289,979	18,619,324
	=====	=====

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

#### 22. OTHER CHARGES

Workers' profit participation fund	1,580,000	2,125,000
------------------------------------	-----------	-----------

Workers' welfare fund		600,000	810,000
Donations	- note 22.1	144,500	331,696
		-----	-----
		2,324,500	3,266,696
		=====	=====

## 22. DONATIONS

None of the directors or their spouses had any interest in the donations charged in the accounts (1997: Rs Nil ).

## 23. PROVISION OF TAXATION

For the Period			
- current		8,700,000	16,000,000
- deferred		4,650,000	-
		-----	-----
		13,350,000	16,000,000
Prior years			
- current		-	(34,236,866)
		-----	-----
		13,350,000	(18,236,866)
		=====	=====

## 24. CASH GENERATED FROM OPERATIONS

Profit before taxation		29,375,911	39,558,349
Adjustment for non cash charges and other items:			
Depreciation	- note 9.1	14,959,347	15,236,336
Profit on sale of fixed assets	- note 20	(1,513,063)	(793,100)
Employees' retirement benefits		2,728,257	1,422,055
Provision for doubtful debts and debts written off	- note 19	11,556,975	2,274,903
Financial charges	- note 21	17,289,979	18,619,324
Working capital changes	- note 24.1	84,961,561	(59,003,283)
		-----	-----
		159,358,967	17,314,584
		=====	=====

### 24.1 WORKING CAPITAL CHANGES

Decrease/(increase) in current assets			
Stores and spares		5,114,215	(4,341,914)
Stock-in- trade		27,604,805	175,564
Trade debts		15,627,815	(58,122,879)
Other receivables (net)		(11,704,367)	1,791,785
		-----	-----
		36,642,468	(60,497,444)

Increase in current liabilities

Creditors, accrued and other liabilities (net)	48,319,093	1,494,161
	-----	-----
	84,961,561	(59,003,283)
	=====	=====

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

**25. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of the following items

Cash and bank balances	- note 16	86,609,025	19,335,885
Short-term running finances	-note 6	(52,197,908)	(112,048,196)
		-----	-----
		34,411,117	(92,712,311)
		=====	=====

**26. PROFESSIONAL SERVICES**

The charges for professional services include the following in respect of auditors' services:

Statutory audit	110,000	110,000
Provident fund, workers' profit participation fund audits, audit of consolidation forms and sundry advisory services	196,000	238,042
Taxation services	826,438	1,015,732
Excise duty	-	49,952
Out of pocket expenses	89,564	51,288
	-----	-----
	1,222,002	1,465,014
	=====	=====

**27. REMUNERATION OF DIRECTORS AND EXECUTIVES**

**27.1 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES**

The aggregate amounts charged in the accounts for remuneration including certain benefits to the chief executive and executives of the company were as follows:

	Chief Executive		Executives		
	January 1, to June 30, 1998	July 1,1997 to December 311,997	1997	1998	1997

	Rupees	Rupees	Rupees	Rupees	Rupees
Number of persons	1	1	1	75	67
Remuneration	1,171,500	1,431,120	2,697,600	18,440,460	15,534,369
Retirement benefits	121,000	262,372	508,280	2,468,292	2,155,143
House rent allowance	297,000	644,004	1,213,920	7,491,131	6,222,663
Utilities	66,000	143,112	269,760	1,625,811	1,382,806
Leave fare assistance	400,000	-	440,000	1,273,800	1,245,600
Medical and other expenses	14,074	48,147	44,055	652,200	611,400
	-----	-----	-----	-----	-----
	2,069,574	2,528,755	5,173,615	31,951,694	27,151,981
	=====	=====	=====	=====	=====

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

#### 27.2 REMUNERATION TO OTHER DIRECTORS

Aggregate amount charged in the accounts for the year for fees to 4 (1997: 4) directors was Rs 4,500 (1997: Rs 3,500).

	1998 Rupees	1997 Rupees
<b>28. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS</b>		
Sales	54,780,074	32,846,061
Purchases	19,687,510	15,648,544
Services received	1,035,030	1,034,865
Commission income	4,452,541	1,483,261
Commission expenses	5,332,405	2,373,893

Commission expenses represent agency commission for export sales made through associated undertakings.

#### 29. PLANT CAPACITY AND PRODUCTION

	Capacity Nos	Actual production	
		1998 Nos	1997 Nos
Power driven pumps	5,000	2,166	2,601

Actual production reflects change in product mix and market demand.

#### 30. CORRESPONDING FIGURES

Prior period figures have been reclassified, wherever necessary, for the purpose of comparison.

Arif Ijaz

R.D. Ahmad

Chief Executive

Director

**PATTERN OF SHAREHOLDING AS AT JUNE 30**

Number of Shareholders		Shareholding		Total Shares held	
79	From	1	To	100	3,464
463	From	101	To	500	174,208
61	From	501	To	1,000	48,201
102	From	1,001	To	5,000	223,195
9	From	5,001	To	10,000	55,310
2	From	10,001	To	15,000	25,354
3	From	25,001	To	30,000	86,000
1	From	45,001	To	50,000	47,436
1	From	95,001	To	100,000	96,926
1	From	115,001	To	120,000	116,220
1	From	130,001	To	135,000	133,281
1	From	160,001	To	165,000	161,472
1	From	165,001	To	170,000	167,790
1	From	245,001	To	250,000	247,612
1	From	605,001	To	610,000	606,178
1	From	2,740,001	To	2,745,000	2,741,012
1	From	7,065,001	To	7,070,000	7,066,341
-----				-----	
729				12,000,000	
=====				=====	

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Individuals	715	1,499,698	12.49
Investment Companies	5	2,841,818	23.68
Insurance Companies	3	393,119	3.28
Joint Stock Companies	3	7,074,898	58.96
Financial Institutions	2	161,646	1.35
Others			
-Habib Bank Limited			
A/c Mohammed Amin			
Wakf Estate	1	28,821	0.24
	-----	-----	-----
	729	12,000,000	100
	=====	=====	=====

**KSB Sales Offices in Pakistan**

LAHORE	Ph:	(042)	7311661 - 7355238
	Fax	(042)	7236922
KARACHI	Ph:	(021)	2311475 - 2311477 - 2311478
	Fax	(021)	2310328 - 2310531
HASSANABDAL	Ph:	(05772)	520239
	Ph:	(05772)	520236 - 520238
	Ph:	(05772)	2396
	Fax	(05772)	520237
MULTAN	Ph:	(061)	523000
	Fax	(061)	522703
QUETTA	Ph:	(081)	830445
	Fax	(081)	830445
PESHAWAR	Ph:	(0521)	278919
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RAWALPINDI	Ph:	(051)	478195 - 478196 - 478197
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**HEAD OFFICE**

**KSB Pumps Company Limited**

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