

D.G. Khan Cement Company Limited
Annual Report 1999

CONTENTS

Company Profile
Notice of Meeting
Directors' Report
Five Years At a Glance
Auditors' Report
Balance Sheet
Profit and Loss Account
Cash Flow Statement
Notes to the Accounts
Pattern of Share Holding

COMPANY PROFILE

Board of Directors	Mrs, Naz Mansha Mst. Akhtar Jehan Begum Mr. Khalid Qadeer Qureshi Mr. H. Hatim Dayala Mr. Muhammad Azam Mr. Zaka-ud-Din Mr. Aftab Ahmad Khan	Chief Executive Nominee -ICP
Company Secretary	Mr. Khalid Mahmood Chohan	
Bankers	ABN-AMRO Bank N.V. AI-Faysal Investment Bank Limited Bank of America NT&SA Habib Bank Limited Mashreq Bank Psc Muslim Commercial Bank Limited Atlas Investment Bank Limited	
Auditors	M/s A.F. Ferguson & Co. Chartered Accountants	
Registered Office	Nishat House, 53-A, Lawrence Road, Lahore-Pakistan Phone: 92-42-6367812-20 Fax: 92-42-6367414 Email: info@dgcement.com. pk	
Factory	Khofli Sattai, Distt, Dera Ghazi Khan-Pakistan	

Phone: 92-6~1-60025-7
Fax' 92-641-62392
Telex: 42492 DGK CF PK,

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 21 st Annual General Meeting of the Shareholders of D.G. Khan Cement Company Limited ("the Company") will be held on Friday the 31st December, 1999 at 10:30 a.m. at Nishat House, 53-A, Lawrence Road, Lahore to transact the following business:

1. To confirm minutes of the last meeting.
2. To receive and adopt the audited accounts of the Company for the financial year ended June 30, 1999 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year 1999 - 2000 and fix their remuneration. The present Auditors M/s. A. F. Ferguson & Company, Chartered Accountants, Lahore retire and being eligible, offer themselves for re-appointment.

4 SPECIAL BUSINESS:

To pass with or without modification(s) the following resolutions under section 284 read with section 287 of the Companies Ordinance 1984, regarding merger of D.G. Khan Electric Company Limited into D.G. Khan Cement Company Limited ("the Company"). Whereas the merger of D.G. Khan Electric Company Limited into the Company has been proposed by the Board of Directors in view of benefits to the merged companies and as a consequence to the shareholders.

RESOLVED that Scheme of Arrangement put before the meeting for the merger of D.G. Khan Electric Company Limited into D.G. Khan Cement Company Limited be and is hereby approved subject to completion of formalities and approval by the Honourable High Court.

FURTHER RESOLVED that the Chief Executive of the Company and/or Mr. Aftab Ahmad Khan, Director of the Company be and is/are hereby authorised to take all such steps as may be necessary or incidental for the purpose of implementing the aforesaid scheme of the merger/amalgamation of the above named companies.

5. Any other matter with the permission of the Chair.

By order of the Board

Lahore:
December 06; 1999.

(KHALID MAHMOOD CHOHAN)
Company Secretary

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE 1984

The management of the Company has considered various options for consolidating its activities and

thereby effecting economies for the benefit of the Company and ultimately for the shareholders.

It is with this goal before it, that the management of the Company, in consultation with technical experts in the field, has reached the conclusion that D. G. Khan Electric Company Limited, a power generation company, supplying electricity only to the Company be merged with the Company.

D.G. Khan Electric Company Limited is a public Limited company quoted on all Stock Exchanges in the Country. Its Authorised Capital is Rs 300,000,000 (Rupees Three Hundred Million Only) divided into 30,000,000 ordinary shares of Rs. 10 each and its Paid-up-Capital is Rs. 200,000,000 (Rupees Two Hundred Million Only) divided into 20,000,000 ordinary shares of Rs. 10 each.

The Directors of the Company may be deemed to be interested to the extent of their shareholding or by the Companies in which they are Directors.

NOTES:

1. The scheme of arrangement for merger of D.G. Khan Electric Company Limited into the Company is appended herewith and may also be inspected during business hours in the Registered Office of the Company.
2. Share transfer books of the Company will remain closed from 30-12-1999 to 06-01-2000 (both days inclusive). Transfers received in order at Nishat House, 53-A, Lawrence Road, Lahore upto 1:00 p.m. on December 29, 1999 will be considered in time.
3. A member eligible to attend and vote at this meeting may appoint another member his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's Registered office not less than 48 hours before the time for holding the meeting.
4. Shareholders are requested to immediately notify the change in address, if any.

**SCHEME OF ARRANGEMENT
UNDER SECTIONS 284 TO 288 OF THE COMPANIES ORDINANCE, 1984
FOR MERGER BETWEEN
D.G. KHAN CEMENT COMPANY LIMITED
and
D.G. KHAN ELECTRIC COMPANY LIMITED
and
THEIR RESPECTIVE MEMBERS
PRELIMINARY**

Definitions

In this Scheme of Arrangement, unless the subject or context otherwise requires, the following expressions shall bear the meanings specified against them below:

"DGKCC" means D. G. Khan Cement Company Limited, a company, limited by shares incorporated as a public limited company having its registered office at Lahore.

"DGKEC"	means D. G. Khan Electric Company Limited, a company, limited by shares incorporated as a public limited company having its registered office at Lahore.
"the Court"	means Lahore High Court, Lahore.
"this Scheme"	means this Scheme of Arrangement in its present form with any modification thereof or addition thereto approved or condition imposed by the court.
"the Effective Date"	means the day on which the Scheme becomes operative in accordance with clause 4 of this Scheme.
"Undertaking of DGKEC"	means the Power Project of D. G. Khan Electric Company Limited.

The headings and marginal notes are inserted for convenience and shall not affect the construction of this Scheme.

Capital

The authorised share capital of D. G. Khan Cement Company Limited is Rupees 3,000,000,000 divided into 300,000,000 ordinary shares of Rupees 10 each and its paid up capital is Rupees 1,323,913,800 divided into 132,391,380 ordinary shares of rupees 10 each.

The authorised share capital of D. G. Khan Electric Company Limited is Rupees 300,000,000 divided into 30,000,000 ordinary shares of Rupees 10 each and its paid up capital is Rupees 200,000,000 divided into 20,000,000 ordinary shares of Rupees 10 each.

Object of this Scheme

The principal object of this scheme is to effect merger between D. G. Khan Electric Company Limited and D. G. Khan Cement Company Limited through the transfer and vesting in D. G. Khan Cement Company Limited of the whole undertaking of D. G. Khan Electric Company Limited.

THE SCHEME

WHEREBY IT IS PROPOSED THAT:

1.1. The entire undertakings of DGKEC as at the transfer date (as hereinafter defined) including all assets, properties, rights, privileges, powers, bank accounts, trade marks, patents, leave and licences and all or any other assets, properties, rights, privileges, powers, contracts, bank accounts, trade marks, patents and licences of DGKEC as at the transfer date (as hereinafter defined) shall, without further act or deed, stand transferred to and be vested in DGKCC, as from the commencement of business on 01 July 1999 (hereinafter referred to as the "transfer date").

1.2 Without prejudice to the generality of paragraph 1.1 above, undertakings of DGKEC shall include

all rights, powers, authorities, privileges, contracts, benefits of Government consents, sanctions and authorisations, trade marks, patents, licences, liberties and all properties, immovable and movable, real, corporeal or incorporeal, in possession or reversion, present or contingent of whatsoever nature and wheresoever situate, including in particular reserves, revenue balances, leasehold properties, investments, deposits, deferred costs, stores and spares, advances, deposits, prepayments, other receivables, cash balances, telephones and telexes and trade debts owing to DGKEC and all other authorities, rights or interests in or arising out of such property as may belong to or be in the possession or claim of DGKEC on the transfer date and all books of account and documents relating thereto, and shall be deemed to include all debts, borrowings, liabilities, duties and obligations of DGKEC of whatever kind, including liabilities for payment of gratuity, pension, benefits, provident fund or compensation in the event of retrenchment, PROVIDED ALWAYS that this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by or available to DGKEC which shall vest in DGKCC on approval of this Scheme by the Honourable Lahore High Court, Lahore and DGKCC shall not be obliged to create any further or additional security therefor after the approval of this Scheme as aforesaid or otherwise.

1.3 The transfer and vesting of the undertakings of DGKEC under Clauses 1.1 and 1.2 hereof and the continuance of proceedings by DGKCC under Clause 1.6 hereof shall not affect any transactions or proceedings already concluded by DGKEC in the ordinary course of business and after the transfer date to the end and intent that DGKCC accepts on behalf of itself all acts, deeds and things done and executed by DGKEC.

1.4 As from the transfer date, DGKEC shall be deemed to have carried on and to carry on its business on behalf of and on account of DGKCC until such time as this Scheme becomes fully effective

1.5 DGKCC shall undertake, pay, satisfy, discharge, perform and fulfill all debts, liabilities, contracts, engagements and obligations whatsoever of DGKEC as at the transfer date, and all contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and all other instruments of whatever kind subsisting or having effect immediately before the transfer date to which DGKEC may be a party or which shall be in favour of DGKEC as they were before the transfer date and may be enforced or acted upon as fully and effectively as if instead of DGKEC, DGKCC had been a party thereto or as if the same had been issued by or in favour of DGKCC.

1.6 All causes, suits, appeals, petitions/revisions or other judicial, quasi judicial and/or administrative proceedings of whatever nature by or against DGKEC which shall be pending on the transfer date in or before any court, tribunal, forum or other authority will be continued, prosecuted and enforced in the same manner and to the same extent as they would or might have been continued, prosecuted and enforced by or against DGKEC as if this Scheme had not been

made, by or against DGKCC and the same shall not abate, be discontinued or be in any way prejudiced or affected by the provisions of this Scheme.

1.7 Every officer, workman or other employee of DGKEC shall, on the transfer date, become an officer, workman or employee, as the case may be, of DGKCC on the basis that his services have not been interrupted by the vesting of the undertakings of DGKEC, in DGKCC under this Scheme and on the same remunerations and other conditions of service, rights and privileges as to pension, provident fund and gratuity, if any, and other matters as were applicable to him before the transfer date.

2.1 As consideration for the said, transfers, DGKCC shall issue at par and allot to the individual members of DGKEC "X" fully paid-up ordinary share of the par value of Rupees 10 each in the capital of DGKCC for every One fully paid-up share of the par value of Rupees 10 each held by them in the capital of DGKEC, as on a day to be fixed by the board of Directors of DGKCC following the transfer date. The value of "X" will be determined on the basis of ratio resulting from the average of the undermentioned two figures for both companies'

a) Break-up of value of the share as per audited accounts for the year ended 30 June 1999.

b) Average of weekly quotation of the share on the Karachi Stock Exchange from 01 July 1998 to 30 June 1999.

All costs, charges and expenses of carrying this scheme into effect shall be borne and paid by DGKCC.

2.2 The said fully paid-up ordinary shares in DGKCC to be issued and allotted to the members of DGKEC shall rank pari passu in all respects with the existing fully paid-up ordinary shares in DGKCC,

2.3 All members whose names shall appear in the Register of Members of DGKEC on such date (after the transfer date) as the Board of Directors of DGKCC may determine, shall surrender their share certificates for cancellation thereof to DGKCC. In default, upon the new shares in DGKCC being issued and allotted by it to the members of DGKEC whose name shall appear on the Register of Members of DGKEC on such date, as aforesaid, the share certificates in relation to the shares held by them in DGKEC shall be deemed to have been cancelled

2.4 The excess value of the net assets of DGKEC as at **30 June 1999** over the paid up value of shares issued and allotted pursuant to the terms of Clause 2.1 hereof shall be accounted for in the books of DGKCC as at the transfer date, as follows:

The Capital Reserves, Revenue Reserves and the unappropriated profit of DGKEC, as at **30 June 1999** shall constitute Reserves of a corresponding nature of DGKCC and the balance, if any, transferred to the General Reserves in DGKCC,

3.0 The Chief Executives of DGKCC and DGKEC acting jointly or any person or persons duly authorised by the respective boards of DGKCC and DGKEC shall be authorised to take all such further supplemental, incidental and consequential actions and steps as may be requisite for giving full effect to this Scheme and may consent on behalf of all concerned to any modification of or addition to this Scheme or to any condition which the Honourable Lahore High Court may deem fit to impose.

4.0 Subject to an order being made by the Honourable Lahore High Court under Section 287 of the Companies Ordinance 1984, DGKEC shall, without winding up, stand dissolved from such date on which all shares to be allotted by DGKCC under Clause 2 above to the member(s) of DGKEC shall have been so allotted.

5.0 The approvals and/or confirmations and/or directions to the proposed transfer of undertakings

as set out in Clauses 1.1 and 1.2 of this Scheme have been received from the share holders of DGKEC and DGKCC.

6.0 This Scheme shall be subject to such modifications or conditions as the Honourable Lahore High Court may approve or impose.

7.0 In case this Scheme is not finally sanctioned by the Honourable Lahore High Court for any reason whatsoever OR if for any other reason this Scheme cannot be implemented before 30 June 2000 or within such further period or periods as may be agreed upon by DGKEC and DGKCC (by the authorized person(s) as approved under clause 3.0 above) this Scheme shall become null and void and in that event no rights and liabilities shall accrue to or be incurred inter se by the parties in terms of this Scheme.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors take pleasure in presenting 21 st annual report, along with audited accounts for the year ended June 30, 1999.

PRODUCTION

The production of Clinker and Cement for the period was as under:

	1999	1998	%o Inc.
- Clinker (M, Tons)	1,020,605	940,007	8.57%
- Cement (M, Tons)	1,111,504	912,976	21.75%

DESPATCHES

Despatches during the year under review were 1,115,288 tons as compared to last year's total figure of 900,010 tons registering an increase of 23.92%.

PLANT PERFORMANCE

Plant performance during the year was satisfactory. However, due to an oversupply in the market, the plant could operate at 62% capacity.

OPERATING RESULTS

The net sale of Rs. 2,259,814 million during the year registered an increase at Rs. 510.733 million (29.20%) over the previous year. But recession in the country adversely affected the industrial activities including the cement industry, During the first half of the financial year, cement prices touched a rock bottom level due to tough competition, which resulted in heavy losses.

The Company after accounting for all charges including depreciation and amortization (Rs, 789,393 million) and provision for turnover tax has sustained a net loss of Rs. 580,369 million

(1998: Rs, 58.284 million). Due to loss for the year no appropriations such as dividends and bonus shares etc. have been recommended,

MARKET REVIEW

Overview

During the year under review, the Cement Industry continued being in crises and conditions got to a boiling point in July 1998 when due to widening of the gap between supply and demand, prices fell to an all time low resulting in very huge losses to all the manufacturers, Your Company was no exception, The above state of affairs severally affected our cash flow position, which in turn led to debt servicing problems

The economy of the country is still in recession and there are hardly any worth mentioning development projects to speak of, The crises in the cement industry continued due to:

Economic instability, which slowed down the development process.

Induction of new capacities which resulted in an over supply position.

Negative growth in demand,

Impediments to exports,

Heavy taxation.

High cost of production.

FUTURE OUTLOOK

In order to restore macro-economic stability and business confidence, Government has taken a number of steps such as the mass house-building project, which will definitely reduce the oversupply situation. In addition to the above we are working closely with the Government Agencies to find ways and means to increase consumption of cement in the Country, Pakistan's per capita cement consumption is amongst the lowest in the world.

We have been encouraging the Government to build concrete roads, which have so many advantages over the roads built with asphalt. They are environment friendly and with less maintenance cost during their long life cycle.

After having obtained ISO-9002 Certification, we are now very well placed to get in the export market. Another encouraging factor is that the Far Eastern Economies have picked up, resulting in better prices for cement in the international market. We have had a very good response from prospective customers in Bangladesh and Sri Lanka.

The results of our endeavors in marketing bulk cement and Sulphate Resisting Cement (SRC) has paid some dividends and we are now the leaders of Sulphate Resistant Cement

DEBT SERVICING

Due to financial constraints, we approached International Finance Corporation (IFC) for restructuring

of Loans. The matter is in advance stage and we expect that restructuring will be done in near future.

MERGER ARRANGEMENT FOR D.G.KHAN ELECTRIC COMPANY LTD.

The Directors of your Company have recommended the merger of D.G.Khan Electric Company Limited (DGKECL) with D.G. Khan Cement Company Limited, subject to the approval of shareholders and Honourable High Court. DGKECL is an associated company established in 1994 with a sole object of power generation,

The merger will economize the financial burden of the Company and reduce the administrative and corporate costs. It is hoped that the merger will be helpful to reduce the losses of the Company.

YEAR 2000 COMPLIANCE

The issue of Year 2000 compliance has been properly attended. According to the plan, soft wares have been made Y2K compliant, and non-compliant hardware had replaced.

PATTERN OF SHAREHOLDINGS

The pattern of shareholding of the Company as on June 30, 1999 is annexed with the Annual Report.

AUDITORS

M/s A.F. Ferguson & Company, Chartered Accountants, Lahore, the retiring Auditors, being eligible, offer themselves for re-appointment.

M/s Amin Mudassar & Company, Chartered Accountants, Lahore have been appointed as Cost Auditors for the year ended 30th June 1999 with the prior approval of Securities & Exchange Commission of Pakistan.

ACKNOWLEDGMENT

The relations between the management and workers remained cordial and peaceful. The Directors placed on record appreciation for hard work done by the workers, staff and officers during the year.

On behalf of the Board

Lahore:
December 06,1999

MRS. NAZ MANSHA
Chief Executive

FIVE YEARS AT A GLANCE

	1999	1998	1997	1996	1995
PRODUCTION & SALES					(M. Tons)
Clinker	1,020,605	940,007	634,821	730,450	669,086
Cement	1,111,504	912,979	667,937	767,363	685,348

Despatches	1,115,288	900,010	671,417	753,608	698,063
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OPERATING RESULTS

(Rupees in thousand)

Net Sales	2,259,814	1,238,983	1,347,594	1,547,090	1,498,945
Gross Profit/(Loss)	(57,620)	141,112	274,692	591,430	757,254
Pre-tax profit/(Loss)	(577,680)	(46,566)	83,571	308,411	569,557
After tax profit/(Loss)	(580,369)	(58,284)	71,454	248,411	386,788

FINANCIAL POSITION

Current Assets	1,096,846	1,029,452	989,212	1,297,610	1,240,604
Current Liabilities	3,000,680	2,223,023	957,506	717,423	550,837
Operating Fixed Assets	6,879,071	7,055,845	804,047	786,929	692,991
Total Assets	8,800,307	9,069,278	8,102,729	7,390,244	4,010,890
Long Term Liabilities	2,581,873	3,049,132	3,288,816	2,887,875	349,724
Shareholders' Equity	3,217,754	3,798,123	3,856,407	3,784,946	3,110,329

RATIOS

Current Ratio	0.37:1	0.46: t	1.03: 1	1.81 : 1	2.25:1
Debt to Equity	45:55	45:55	46:54	43:57	10:90
Gross Profit/(Loss) to Sales (%)	(2.55)	11.39	20.38	38.23	50.52
Net Profit/(Loss) to Sales (%)	(25.68)	(4.70)	5.30	16.06	25.80
Break Up Value per share (Rs.)	24.30	28.69	29.13	34.82	31.47

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of D.G. Khan Cement Company Limited as at June 30, 1999, the profit and loss account and the cash flow statement, together with the notes forming part thereof 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 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, ~984 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 Company's affairs as at June 30, 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 Ushr Ordinance, 1980.

Without qualifying our report we draw attention to note 1.2 to the accounts which states that these accounts have been prepared on a going concern basis for the reasons explained in the note. These accounts consequently, do not include any adjustments relating to the realisation of its assets and liquidation of its liabilities that might be necessary should the Company be unable to continue as a going concern.

Lahore:
December 06 , 1999

A. F. FERGUSON & Co
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
CAPITAL AND RESERVES			
Authorised share capital			
300,000,000 ordinary shares of Rs. 10/-each		3,000,000	3,000,000
Issued,' subscribed and paid up share capital			
132,391,380 (1997:132,391,380) ordinary shares of Rs. 10/- each	3	1,323,914	1,323,914
Reserves	4	2,532,042	2,532,042
Accumulated less		(638,202)	(57,833)
		-----	-----
		3,217,754	3,798,123
LONG TERM LIABILITIES			
Long term loans - secured	5	2,465,121	2,889,671
Liabilities against assets subject to finance lease	6	73,875	118,966
Deferred liabilities	7	19,226	16,362
LONG TERM DEPOSITS	8	23,651	24,133
CURRENT LIABILITIES			
Current portion of long term liabilities			
Long term loans - secured	5	1,531,250	730,059
Liabilities against assets subject to finance lease		45,091	64,042

Finances under mark up arrangements	9	605,655	634,073
Creditors, accrued and other liabilities	10	783,594	738,532
Provision for taxation		35,090	35,090
		3,000,680	2,201,796
CONTINGENCIES AND COMMITMENTS	11	--	--
		-----	-----
		8,800,307	9,049,051
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	12	6,879,071	7,055,845
Assets subject to finance lease	13	163,414	274,358
Capital work in progress	14	2,093	10,729
		-----	-----
		7,044,578	7,340,932
LONG TERM INVESTMENTS	15	635,602	675,114
LONG TERM LOANS TO EMPLOYEES	16	2,961	4,576
LONG TERM DEPOSITS AND DEFERRED COSTS	17	20,320	19,204
CURRENT ASSETS			
Stores, spares and loose tools	18	378,852	390,633
Stock - in - trade	19	118,027	148,932
Trade debts	20	37,298	45,253
Short term investments	21	296,288	262,942
Advances, deposits, prepayments and other receivables	22	169,271	141,738
Cash and bank balances	23	97,110	19,727
		-----	-----
		1,096, 846	1,009,225
		-----	-----
		8,800,307	9,049,051
		=====	=====

The annexed notes form an integral part of these accounts,

Chief Executive

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Sales	24	2,259,814	1,238,983
Cost of goods sold	25	2,317,434	1,097,871

Gross (Loss)/profit		-----	-----
		(57,620)	141,112
Operating Expenses			
Administration and general expenses	26	31,176	35,432
Selling and distribution expenses	27	20,561	44,505
		-----	-----
		51,737	79,937
Operating (Loss)/profit		(109,357)	61,175
Other income	28	99,549	37,213
		-----	-----
		(9,808)	98,388
Financial charges	29	578,163	69,890
Other charges	30	(10,291)	75,064
		-----	-----
		567,872	144,954
Loss before taxation		(577,680)	(46,566)
Provision for taxation	31	2,689	11,718
		-----	-----
Loss after taxation		(580,369)	(58,284)
Accumulated (Loss)/Profit brought forward		(57,833)	451
		-----	-----
Accumulated loss carried forward		(638,202)	(57,833)
		=====	=====

The annexed notes form an integral part of these accounts,

Chief Executive

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
<i>(Rupees in thousand)</i>			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	32	810,091	223,818
Financial charges paid		(552,038)	(32,841)
Gratuity and leave encashment paid		(2,771)	(9,083)
Taxes paid		(11,384)	(25,072)
		-----	-----
NET CASH INFLOW FROM OPERATING ACTIVITIES		243,898	156,822
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(131,405)	(641,589)

Increase in long term investments	15,279	--
Long term loans to employees (net)	1,784	3,360
Long term security deposits (net)	(1,117)	2,580
Sales proceeds of fixed assets	23,448	19,778
Dividend received	52,796	27,869
	-----	-----
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(39,215)	(588,002)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans (net)	(34,358)	12, 140
Long term deposits (net)	(481)	(7,425)
Liabilities against assets subject to finance lease (net)	(64,346)	29,367
Dividend paid	(1)	(6)
	-----	-----
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(98,882)	34,076
	-----	-----
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	105,801	(397, 104)
	(614,346)	(217,242)
	-----	-----
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	(508,545)	(614,346)
	=====	=====

33

Chief Executive Director

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

1. THE COMPANY AND ITS OPERATIONS

D.G. Khan Cement Company Limited is a public company incorporated under the Companies Ordinance, 1984 and is listed on all the stock exchanges in Pakistan. The Company is engaged in production and sale of Ordinary Portland and Sulphate Resistant Cement.

1.2 As at June 30, 1999 the Company's current liabilities stand at Rs. 3,001 million, while the current assets were Rs. 1,097 million and the Company has made a loss before tax of Rs. 578 million for the year.

Continuation of the Company as a going concern is dependent on its ability to attain the satisfactory levels of profitability in the future and in the intervening period ability, if necessary, to liquidate long term investments and continued support from:

a) The principal foreign currency lenders of the Company through rescheduling/restructuring of the long term foreign currency loans. The rescheduling has been principally agreed by the management of the lenders, however, it is subject to the final approval by the Board of Directors of these lenders; and

b) the sponsors through injection of further capital.

These accounts have been prepared on a going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose and will be able to liquidate its long term investments, if necessary and will get the required approval of Board of Directors of the lenders of the long term foreign currency loans and sponsors to meet its obligations. Moreover, running finance of Rs. 300 million has been rescheduled to long term with a repayable period ranging from November 01, 1999 to July 31, 2002. These accounts consequently do not include any adjustment relating to the realisation of the assets and liquidation of its liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These Accounts have been prepared under the historical cost convention modified by capitalisation of exchange differences as referred to in note 2.10.

2.2 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all employees, payable on cessation of employment, subject to a minimum qualifying period of service. Provision is made annually to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period.

The Company also operates an approved funded contributory provident fund scheme. Equal monthly contributions are made by the employer and the employees to the fund.

2.3 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates, if any.

Deferred

The Company accounts for deferred taxation using the liability method on all major timing differences, Provision for deferred tax for the year is not considered necessary as the timing differences are not likely to reverse in the foreseeable future,

2.4 Fixed capital expenditure and depreciation

Operating fixed assets except freehold land are stated at cost less accumulated depreciation, Capital work in progress and freehold land are stated at cost, Cost in relation to fixed assets signifies historical cost and exchange differences referred to in note 2,10.

Depreciation on all other operating fixed assets is charged to profit on the reducing balance method, so as to write off the historical cost of an asset over its estimated useful life at the rates referred to in note 13. Full year's depreciation is charged on additions, while no depreciation is charged on deletions during the year. However, depreciation on major

additions is charged from the month in which the assets are put to use.

Maintenance and normal repairs are charged to income as and when incurred, Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains or losses on disposal of assets are taken to profit and loss account.

2.5 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets acquired on lease. The related obligation of the lease are accounted for as liabilities. Assets acquired under a finance lease are amortised over the useful life of the assets on reducing balance method at the rates given in note 14. Amortisation of leased assets is charged to profit and loss account.

2.6 Investments

Long term investments

Investments are carried at cost and provision is made to recognise a decline in value which is other than temporary. Such reduction being determined for each investment individually.

Short term investments

These are stated at lower of cost and market value determined on portfolio basis,

2.7 Deferred cost

These costs are to be amortised over a period of five years.

2.8 Stores, spares and loose tools

Stores, spares and loose tools are valued principally at moving average cost, Items in transit are valued at cost comprising invoice values plus other charges paid thereon,.

2.9 Stock- in- trade

Stock of raw materials, work in process and finished goods are valued principally at the lower of average cost and net realisable value. Cost of work in process and finished goods comprises cost of direct materials and labour and appropriate manufacturing overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make a sale.

2.10 Foreign currencies

All assets and liabilities in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Exchange gains or losses on translation of foreign currency long term loans utilised for the acquisition of fixed assets are capitalised. All other exchange differences are charged to profit and loss account.

2.11 Mark-up, interest, profit and other charges

Mark-up, interest, profit and other charges on long term liabilities are capitalised upto the

date of commencement of commercial production. All other mark-up, interest, profit and other charges are charged to income.

2.12 Revenue recognition

Revenue from sales is recognised on despatch of goods to customers. Profit on deposits with banks is recognised on a time proportion basis taking into account the amounts outstanding and the rates applicable thereon Dividend income on equity investments is recognised as income when the right of receipt is established.

2.13 Consolidated accounts

Consolidated accounts have not been prepared by the Company as it does not have significant influence in any of its associated companies, which is a pre-requisite for the applicability of International Accounting standard 28 "Accounting for Investment in Associates".

2.14 General

As per clause 13 12 of investment agreement with CDC and section 6.©2(a) of investment agreement with IFC, there is a restriction on the Company to declare or pay any dividends if the company shall be in default in payment of any principal, interest or other amount due to the mentioned lenders. Currently, as shown in current maturity, note No. 5 there are 2 overdue installments.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

Opening balance of issued, subscribed and paid up share capital 112,835,676 (1998:112,835,676)
ordinary shares of Rs. 10 each fully paid in cash

1999 **1998**
(Rupees in thousand)

1,128,357 1,128,357

Balance of ordinary shares
19, 555, 704 (1998:19, 555,704)
of Rs. 10 each issued as fully paid bonus shares

195,557 195,557

1,323,914 1,323,914

===== =====

46,066,283 shares of the Company are held by associated concerns as at June 30, 1999. The break up of shares is as follows:

Nishat Mills Limited
D.G. Khan Electric Company Limited

No. of shares
43,492,783
2,573,500

46,066,283
=====

4. Reserves

Movement and composition of reserves is as follows:

Premium on issue of right shares	1,593,742	1,593,742
Revenue		
General	938,300	938,300
	-----	-----
	2,532,042	2,532,042
	=====	=====

5. LONG TERM LOANS - SECURED

These comprise of:

Loan Lender	Currency	Foreign Currency 1999	Equivalent Pak Rupees 1998	Equivalent Pak Rupees 1999	Rate of Interest 1998 per annum	No. of equal half yearly installments	Interest payable	
(in thousand)								
1. Asian Development Bank	PKR	--	--	75,654	75,654	14%	25 ending on October 1, 99	Half yearly
2. Atlas Investment Bank	PKR	--	--	23,250	31,000	21%	8 commencing November 2, 98	Half yearly
3. Al-Faysal Investment Bank	PKR	--	--	4,967	31,576	20%	24 ending on August 6, 99	Monthly
4. International Finance Corporation - Loan A	US \$	25,000	25,000	1,297,500	1,160,500	10.56%	14 commencing July 15, 98	Half yearly
Loan B	US \$	40,000	40,000	2,076,000	1,856,800	2.80% + LIBOR	9 commencing July 15, 98	Half yearly
5. Commonwealth Development Corporation	US \$	10,000	10,000	519,000	464,200	10.56%	14 commencing September 1, 98	Half yearly
				-----	-----			
				3,996,371	3,619,730			
Less: Current portion shown under current liabilities				1,531,250	730,059			
				-----	-----			
				2,465,121	2,889,671			
				=====	=====			

Security

Loan No. 1

The loan was obtained from the Government of Pakistan through State Cement Corporation of Pakistan (Private) Limited. It was originally payable in foreign currency subsequently converted into Pak Rupees with effect from April 21 1987 at the exchange rate of US \$ I Pak Rupees 17.3468. The loan carries interest @ 14% per annum inclusive of exchange risk fee. The loan is secured against a bank guarantee in favour of the Government of Pakistan for which the Company has created an equitable mortgage on the Company's freehold land and hypothecation charge on plant and machinery consisting of

crusher, raw material transportation system, raw mill, kiln, cement mill and packing plant in favour of the bank.

Loan No. 2

The loan is secured by a first pari passu charge on the fixed assets of the Company and a first part passu charge in respect of land and building and fixed plant and machinery of the Company accompanied by personal guarantees of sponsor directors and a demand promissory note in favour of Atlas Investment Bank Limited.

Loan No. 3

The loan is secured by pledge of 1.0 million shares of Muslim Commercial Bank Limited, 0.5 million shares of Nishat Mills Limited and 1 million shares of Nishat (Chuntan) Limited and a ranking floating charge on current assets of the Company upto Rs. 75,753,425 accompanied by personal guarantees of sponsor directors.

Loan No. 4 and 5

These loans are secured by an equitable mortgage on the Company's freehold land and building and other immovable assets of the Company accompanied by irrevocable power of attorneys authorising the lenders to create and register English mortgage, and a first hypothecation charge on present and future movable assets including plant and machinery, accessories, electrical, motor vehicles and all other equipments.

All charges in respect of long term loans 1,2,4 and 5 rank pari passu with each other.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Present value of minimum lease payments	118,966	183,008
Less: Current portion shown under current liabilities	45,091	64,042
	-----	-----
	73,875	118,966
	=====	=====

The present value of minimum lease payment have been discounted at an implicit interest rate ranging from 17.63% to 20% to arrive at their present value. Rentals are paid in monthly installments and in case of default of any payment, an additional charge @ 2 to 5% per month shall be paid. The balance rentals due under the lease agreements aggregate Rs. 157.058 million and are payable in equal monthly installments plus a lumpsum payment of Rs. 25.95 million (1998: Rs. 25.95 million) for residual value.

Taxes, repairs and insurance costs are to be borne by the lessee. In case of termination of the agreement the lessee is to pay the entire rent for the unexpired period of lease agreement. The liability is partly secured by a deposit of Rs. 25.95 million included in security deposits under note 18 and 23 and pledge of 3.9 million shares of Muslim Commercial Bank Limited. Commitments in respect of lease arrangements executed by the Company are as follows:

Year **(Rupees in thousand)**

2000	62,940
2001	72,535
2002	7,291
2003	4,846

	147,612
Less: Financial charge not due	28,646

	118,966
	=====

7. DEFERRED LIABILITIES

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Provision for employees gratuity	15,682	13,120
Provision for Leave encashment	3,544	3,242
	-----	-----
	19,226	16,362
	=====	=====

8. LONG TERM DEPOSITS

These represents the interest free security deposits from stockiest and are repayable on cancellation or withdrawal of the dealership.

9. FINANCES UNDER MARK UP ARRANGEMENTS

Short-term loans - secured			
Short-term loans - secured	- note 9.1	55,000	--
- Bank of America	- note 9.2	10,417	--
- Trust Investment Bank	- note 9.3	540,238	634,073
Short-term running finance		-----	-----
		605,655	634,073
		=====	=====

9.1 This loan relates to a short term finance facility to the extent of Rs. 60 million payable in twelve monthly installments of Rs. 5 million each with last installment due on May 31 2000. The loan carries mark up @ 16.5% per annum The facility is secured by first joint pari passu registered charge over hypothecated inventory.

9.2 This short term loan is a promissory note discount facility of Rs. 25 million. The loan carries mark up @ 17.5% per annum. The facility is secured by second hypothecation charge on the current assets of the Company.

9.3 Short term running finance available from various banks under mark up arrangement are amounting to Rs. 538.5 million (1998: Rs. 650 million). The rates of mark up range from Rs 0.342 to Rs. 0.493 per Rs 1,000 per diem or part thereof on the balance outstanding. The finances obtained under these arrangements are secured by a first registered joint pari passu charge on all present and future current and fixed assets of the Company wherever situated including but not limited to stores/spares, stock in trade, book debts, investments, receivables and pledge of

10.4 million shares of Muslim Commercial Bank Limited, 4.5 million shares of Nishat Mills Limited, 6.5 million shares of Umer Fabrics Limited, 1,8 million shares of Nishat (Chunian) Limited and 3.8 million shares of D. G. Khan Electric Limited.

Out of the total running finance facility of Rs. 538.5 million, Rs. 300 million have been rescheduled and transferred to long term loans repayable during the period from November 01, 1999 to 2002

9.4 The deposits amounting to Rs. 6.297 million as referred to in note 23 are under lien with banks against guarantees as mentioned above.

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
These are composed of:		
Trade creditors	33,510	60,000
Deposit from customers	28,635	24,886
Accrued liabilities	29,194	36,909
Custom duties payable	194,428	200,645
Amount due to associated undertakings		
D.G. Khan Electric Company Limited	91,327	94,495
Nishat Mills Limited	51,267	24,873
	-----	-----
	142,594	119,368
Workers' profit participation fund	4,414	4,414
Interest accrued on loans - secured	199,511	182,222
Retention money	6,545	19,179
Security deposits	11,589	11,209
Advances against sale of scrap	281	1,314
Unclaimed dividend	384	386
Other payables	132,509	78,000
	-----	-----
	783,594	738,532
	=====	=====
10.1 Workers' profit participation fund		
At the beginning of the year	4,414	8,875
Interest for the year	--	697
	-----	-----
	4,414	9,572
Less: Payments made during the year	--	5,158
	-----	-----
	4,414	4,414
	=====	=====

Maximum aggregate amount due to associated undertaking at the end of any month during the year was Rs. 222.598 million (1998: Rs. 97.971 million).

Mark-up is charged/paid on advances to/from associated undertakings at the rate of paisas 50 per Rs. 1,000 per day.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

(i) The Income Tax Officer, while framing the assessments for the accounting years 1984-85 to 1990-91 has taxed the income of the Company on account of interest on deposits and sale of Scrap etc. The Appellate Tribunal on appeal filed by the Company issued an order in favour of the Company for the accounting years 1984-85 to 1990-91. The Income Tax Department filed reference before the Lahore High Court. Pending final outcome of such reference, no adjustment has been made in these accounts for the relief granted by the Appellate Tribunal aggregating Rs. 35.090 million.

(ii) During the period 1994 to 1996, the Company imported plant and machinery relating to expansion unit, for which exemption was claimed under various SROs from the levy of custom duty and other duties including sales tax. As per the provisions of SRO 484 (I)/92,978(I)/95 and 569(I)/95, the exemption from the statutory duty etc. would be available only if the said plant and machinery was not manufactured locally. However, the Custom Authorities rejected the claim of the Company by arguing that the said machinery was on the list of locally manufactured machinery, published by the Central Board of Revenue. Consequently, the Company applied before the Lahore High Court, Multan Bench, who allowed the Company to release the machinery on furnishing the indemnity bonds with the Custom Authorities. Collector of Customs and Central Excise, Multan has passed an order dated November 26, 1999, against the Company on the grounds the said machinery was being manufactured locally during the time when it was imported. The total demand as raised against the Company amounts to Rs. 715.372 million out of which Rs. 194.428 million had already been provided for in these accounts.

An appeal against the order is to be filed with the Lahore High Court. Hence, no provision for the balance amount of Rs. 520.94 million has been made in the accounts as according to the management of the Company there are meritorious grounds that the ultimate decision would be in its favour.

(iii) The Company has issued guarantees in favour of Collector of Customs and Excise against levy of sales tax, custom duty and excise duty amounting to Rs. 21.339 million
(1998: Rs. 23.204 million)

11.2 Commitments in respect of:

- i) Contract for capital expenditure Rs. 59.977 million (1998: Rs. 82.121 million).
- ii) Letters of credit other than capital expenditure Rs. 2.797 million (1998: Rs. 10.424 million).

12. OPERATING FIXED ASSETS - TANGIBLE

12.1 The following is a statement of the operating fixed assets

(Rupees in thousand)

	<i>Cost to June 30, 1998</i>	<i>Adjustments in opening balance</i>	<i>Additions/ (deletions)</i>	<i>Cost to June 30, 1998</i>	<i>Accumulated depreciation as at 'June 30, 1998</i>	<i>Adjustments in opening balance</i>	<i>Accumulated depreciation on deletions</i>	<i>Depreciation Change for the year</i>	<i>Accumulated depreciation as at June 30, 1999</i>	<i>Book value as at June 30, 1999</i>	<i>Annual rate of depreciation</i>
Freehold land	31,478	--	-- (11,000)	20,478	--	--	--	--	--	20,478	--
Building on freehold land											
Factory building	889,917	(34,439)	38,050	893,528	128,364	(287)	--	76,545	204,622	688,906	10
Office building and housing colony	208,516	--	6,871	215,387	56,641	--	--	7,937	64,578	150,809	5
Roads	81,343	15,826	11,372	108,541	5,948	132	--	10.25	16,326	92,215	10
Plant and machinery	6,632,384	--	535,154	7,167,538	769,315	--	--	639,822	1,409,137	5,758,401	10
Quarry equipment	152,858	--	-- (770)	152,088	84,354	--	(376)	13,622	97,600	54,488	20
Furniture, fixture and office equipment	58,160	--	4,368 (1,028)	61,500	20,778	--	(747)	4,147	24,178	37,322	10
Vehicles	99,093	--	5,476 (6,223)	98,316	47,998	--	(3,910)	10.85	54,934	43,382	20
Aircraft	8,687	--	--	8,687	5,158	--	--	1,059	6,217	2,470	30
Power and water supply line	31,419	18,613	3,577	53,609	19,454	155	--	3,400	23,009	30,600	10
1999	8,193,855	--	604,868 (19,051)	8,779,672	1,138,010	--	(5,033)	767,624	1,900,601	6,879,071	
1998	1,800,945	--	6,416,283 (23,373)	8,193,855	996,898	--	(4,064)	145,176	1,138,010	7,055,845	

12.2 Included in addition in plant and machinery is an amount of Rs, 411 million representing the capitalisation of exchange loss on revaluation of principal value of foreign currency loans as at

1999 **1998**
(Rupees in thousand)

12.3 Depreciation charge for the year has been allocated as follows:

Cost of goods sold	- note 25	761,704	138,378
Administration and general expenses	'- note 26	5,109	5,976
Selling and distribution expenses	'- note 27	811	822
		767,624	145,176

12.4 The Company has given on lease land measuring 14 acres to D.G. Khan Electric Company Limited (an associated undertaking) at an annual rent of Rs. 170,360

12.5 Disposal of operating fixed assets

Detail of operating fixed assets disposed off during the year is as follows:

Particulars of assets	Cost	Accumulated Depreciation	Book value	Sale Proceeds	Said to	Mode of disposal
			(Rupees in thousand)			
Vehicles						
Suzuki Khyber-LOX 8822	393	192	201	201	Mr. Sadiq Hussain Ex-employee	Negotiation
Toyota Corolla - DGE 8704	268	180	88	88	Basharat Azhar Ex-employee	- do -
Suzuki Khyber-LXB 5957	425	153	272	272	Abdul Qayyum Ex-employee	- do -
Suzuki Khyber-LOW 1450	351	207	144	144	M. Shabbir Ex-employee	- do -
Toyota Corolla-DGE 8705	328	220	108	107	M. Bashir Ex-employee	- do -
Suzuki Khyber-LOX 8969	393	192	201	201	P.H. Tiwana Ex-employee	- do -
Suzuki Khyber-LOW 1452	351	207	144	144	Babar Mirza Ex-employee	- do -
Toyota Corolla-LOR 7161	333	224	109	109	M. Aslam DGM (MIS)	- do -
Suzuki Van DGB 515	117	106	11	83	M, Rafiq, Lahore	- do -
Toyota Corolla-LOS 2404	318	214	104	104	I.U. Niazi DGM (Finance)	- do -
Suzuki Mehran-DGE 6336	201	148	53	114	M. Afzal Lahore	- do -
Suzuki Jeep Potohar-DDF 229	528	258	270	311	M. Bashir, Lahore	- do -
Toyota Corolla-DDG 1661	285	192	93	93	A.Q.Farid-uz-Zaman Ex-employee	- do -
Suzuki Carry-DGD 7887	120	100	20	89	M. Zakria, Lahore	- do -
Suzuki Carry-DGD 1244	155	142	13	165	Mughas Ahmad, Multan	- do -
Toyota Corolla-DGE 8702	268	180	88	88	Akhund Saeed, Manager Electrical	- do -
Honda Civic-LOQ 1498	1,068	788	280	320	Mir Fayyaz All, Gujrat	- do -
Suzuki Khyber-LOW 1454	351	207	144	144	Dr Khursheed Ex-employee	- do -
Office equipment						
Photocopier (Reducer)	942	702	240	36	Mr Muhammad Iqbal, D.G. Khan	- do -
Photocopier	86	45	41	5	Mukhtar Masih, D.G. Khan	- do -
Freehold land						
4 Kanal, 8 Maria 25K Gulberg, Lahore	11,000	0	11,000	20,000	Nishat Mills Limited	- do -
Quarry equipment						
Dumper	385	188	197	315	Proficient Engineering, Khenewal	- do -
Dumper	385	188	197	315	Proficient Engineering, Khenewal	- do -

13. ASSETS SUBJECT TO FINANCE LEASE

Description	Cost to	Additions/	Cost to	Accumulated	Accumulated	Amortisation	(Rupees in thousand)	
							Accumulated	Book value

	<i>June 30,1998</i>	<i>(deletions)</i>	<i>June 30,1998</i>	<i>amortisation as at June 30, 1998</i>	<i>amortisation on deletions</i>	<i>charge for the year</i>	<i>amortisation as at June 30, 1999</i>	<i>as at June 30, 1999</i>	<i>Rate %</i>
Quarry equipment	36,042	--	36,042	3,534	--	6,502	10,036	26,006	20
Plant and machinery	247,458	(93,500)	153,958	5,608	(4,325)	15,267	16,550	137,408	10
	-----	-----	-----	-----	-----	-----	-----	-----	-----
1999	283,500	(93,500)	190,000	9,142	(4,325)	21,769	26,586	163,414	
	-----	-----	-----	-----	-----	-----	-----	-----	-----
1998	13,500	270,000	283,500	2,565	--	6,577	9,142	274,358	
	=====	=====	=====	=====	=====	=====	=====	=====	=====

Amortisation charge on goods said - note 25,

14. CAPITAL WORK IN PROGRESS

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
This consist of:		
Civil works	2,093	10,729
	=====	=====
14.1 Unallocated expenditure		
Technical and other staff salaries	--	34,886
Financial charges	--	977,805
Net exchange loss	--	866,429
Others	--	21,361
	-----	-----
Trial production expenses	--	1,900,481
		(108,435)
	-----	-----
	--	1,792,046
Less: Capitalised	--	1,792,046
	-----	-----
	--	--
	=====	=====
14.2 Trial production expenses		
Raw and packing material consumed	--	85,550
Salaries and wages	--	20,558
Fuel oil	--	149,933
Electricity	--	131,232
Other store consumption	--	12,808
Insurance	--	3,113
Transportation charges	--	11,377
Other overheads	--	4,095
	-----	-----
	--	418,666
Closing stock of work-in-process and finished		

goods-transferred to cost of goods sold - note 25	--	(17,003)
	-----	-----
	--	401,663
Less: Net sales	--	510,098
	-----	-----
	--	(108,435)
	=====	=====

15. LONG TERM INVESTMENTS

At cost	- note 15.1	674,420	728,614
Less: Provision for diminution in value of investments		38,818	53,500
		-----	-----
		635,602	675,114
		=====	=====

15.1 Quoted Companies

In associated undertakings

Umer Fabrics Limited

4,680,000 (1998: 6,476,780) fully paid ordinary shares of Rs. 10 each			
Equity held 19.5% (1998: 26.98%)		85,296	118,033

Nishat (Chunian) Limited

2,790,600 (1998: 2,790,600) fully paid ordinary shares of Rs. 10 each			
Equity held 19.38% (1998: 19.38%)		40,347	40,347

Nishat Mills Limited

9,312,307 (1998: 9,312,307) fully paid ordinary shares of Rs. 10 each		400,204	400,204
---	--	---------	---------

D.G. Khan Electric Company Limited

3,805,625 (1998: 3,805,625) fully paid ordinary shares of Rs. 10 each			
Equity held 19.03% (1998: 19.03%)		49,990	49,990

Others

Muslim Commercial Bank Limited

3,719,644 (1998: 3,719,644) fully paid ordinary shares of Rs. 10 each		97,416	97,416
---	--	--------	--------

Fidelity Investment Bank Limited

Nil (1998: 1,909,867) fully paid ordinary shares of Rs. 10 each			21,457
---	--	--	--------

Maple Leaf Cement Factory Limited

6,666 (1998: 6,666) fully paid
ordinary shares of Rs. 10 each

187 187

First Capital Mutual Fund

98,000 (1998: 98,000) certificates of
. Rs. 10 each

980 980

674,420 728,614

=====

15.2 Market value of quoted investments is Rs 236,221 million (1998: Rs 236,491 million) as at June

15.3 Investments having face value of Rs 388.415 million (1998: Rs 300.705 million) are pledged as security against lease facility, working capital loan and bank guarantees,

16. LONG TERM LOANS TO EMPLOYEES

Considered good

House building

3,702 5,124

Vehicles/air-conditioners

494 856

4,196 5,980

Less: Current portion of long term

loans to employees

- note 22

1,235 1,404

2,961 4,576

=====

16.1 These represent the secured loans given to employees as per Company's service rules and are recoverable in equal monthly installments. The loans given to officers carry interest from 6 to 7 percent per annum while loans to staff and workers are interest free. Loans of Rs. 1.836 million (1998: Rs 2,318 million) are outstanding for periods exceeding three years. The maximum amount outstanding at the end of any month during the year was Rs 5.849 million (1998: Rs 9.131 million).

Loans to employees are secured against retirement benefits, Moreover personnel guarantees of two employees are obtained in respect of house building loans and one employee in case of other loans, Amount due from officers include Rs 1.049 million (1998: Rs 1 293 million) in respect of executives,

17. LONG TERM DEPOSITS AND DEFERRED COST

Security deposits

20,320 19,204

=====

18. STORES, SPARES AND LOOSE TOOLS

Stores

149,631 97,821

Spares

223,825 286,059

Loose tools

5,396 6,753

		378,852	290,633
		=====	=====
19. STOCK-IN-TRADE			
Raw materials		17,548	7,869
Packing material		19,519	17,810
Work-in-process		40,630	85,315
Finished goods		40,330	37,938
		-----	-----
		118,027	148,932
		=====	=====
20. Trade debts			
Considered good-unsecured		37,298	45,253
		=====	=====
21. SHORT TERM INVESTMENTS			
At cost	- note 21 1	402,969	370,232
Less: Provision for diminution in value of investments		106,681	107,290
		-----	-----
		296,288	262,942
		=====	=====
21.1 Quoted Company			
In associated undertaking			
Umer Fabrics Limited			
1,796,780 (1998: Nil) fully paid ordinary shares of Rs. 10 each			
Market value Rs. 12,846,977		32,737	
Others			
Muslim Commercial Bank Limited			
14, 136,685 (1998: 14,136,685) fully paid ordinary shares of Rs, 10 each			
Market value Rs. 283,441,000 (1998: Rs. 262,942,000)		370,232	370,232
		-----	-----
		402,969	370,232
		=====	=====
22. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Current portion of long term loans to employees - note 16		1,235	1,404
Advances - considered good			
To employees		3,058	2,686
To suppliers		14,889	12,165
To contractors		120	16,908
Interest receivable		752	816
Prepayments		26,736	12,200
Letters of credit		1,850	2,904

Claim Recoverable from Government		
Income tax	71,537	62,842
Sales tax	1,158	1,158
Excise duty	9,535	11,619
Octroi	43	135
	-----	-----
	82,273	75,754
Dividend receivable	31,249	--
Deposits	--	9,350
Other receivables	7,109	7,551
	-----	-----
	169,271	141,738
	=====	=====

23. CASH AND BANK BALANCES

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Balances with banks		
On foreign currency accounts		
US \$ 22.66 (1998: US \$ 52,715)	1	2,428
DKK Nil (1998: DKK 128,350)	--	857
On deposit accounts	6,297	6,497
On current accounts	77,110	5,376
On saving accounts	13,582	4,361
	-----	-----
	96,990	19,519
Cash in hand	120	208
	-----	-----
	97,110	19,727
	=====	=====

24. SALES

Gross sales	3,907,468	2,213,213
Less: Excise duty	1,617,778	952,040
Rebate to stockiest	29,876	22,190
	-----	-----
	1,647,654	974,230
	-----	-----
	2,259,814	1,238,983
	=====	=====

25. COST OF GOODS SOLD

Raw and packing materials consumed	- note 25.1	275,705	160,269
Salaries, wages and other benefits		96,166	74,398
Electricity		438,096	289,998
Furnace oil		486,740	383,770
Stores and spares consumed		105,663	77,668
Repair and maintenance		4,108	7,296
Insurance		20,991	20,484
Depreciation	- note 12.3	761,704	138,378

Amortisation	- note 13	21,769	6,577
Other expenses		64,200	25,420
		-----	-----
		2,275,142	1,184,258
Opening work-in-process		85,314	2,059
Transferred fro - note 14.2		--	12,131
Closing work-in-process		(40,630)	(85,314)
		-----	-----
		44,684	'(71,124)
Cost of goods manufactured	C/F	2,319,826	1,113,134
		=====	=====
	B/F	2,319,826	1,113,134
Opening stock of finished goods		37,938	17,803
Transferred from expansion	- note 14.2	-	4,872
Closing stock of finished goods		(40,330)	(37,938)
		-----	-----
		'(2,392)	'(15,263)
		-----	-----
		2,317,434	1,097,871
		=====	=====

25.1 Raw and packing materials consumed

Opening stock		25,679	21,464
Purchases		287,093	164,484
		-----	-----
		312,772	185,948
Less: Closing stock		37,067	25,679
		-----	-----
		275,705	160,269
		=====	=====

26. ADMINISTRATION AND GENERAL EXPENSES

Salaries, wages and other benefits		12,173	14,219
Travelling and daily allowances		1,955	958
Rent rate and taxes		355	436
Insurance		1,487	1,289
Legal and professional charges		1,165	382
Vehicle running		702	531
Repair and maintenance		314	500
Auditor's remuneration	- note 26.1	375	310
Printing and stationery		707	1,327
Entertainment		221	339
School expenses		2,982	3,188
Depreciation	- note 12.3	5,109	5,976
Donations		7	165
Subscription and fee		279	180

Miscellaneous	3,345	5,632
	-----	-----
	31,176	35,432
	=====	=====

1999 **1998**
(Rupees in thousand)

26.1 Auditor's remuneration

A. F. Ferguson & Co.		
Statutory audit	300	275
Out of packet expenses	30	35
Amin, Mudassar & company		
Cost audit	40	--
Out of pocket expenses	5	--
	-----	-----
	375	310
	=====	=====

27. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and other benefits	9,767	6,922
Transportation charges	--	27,649
Travelling and daily allowances	1,938	566
Rent, rate and taxes	390	211
Insurance	67	243
Vehicle running and maintenance	347	169
Repair and maintenance	74	8
Postage, telephone and telegrams	1,947	1,016
Printing and stationery	336	454
Entertainment	304	291
Electricity	204	62
Advertisement and sales promotion	3,704	5,941
Depreciation	811	822
Miscellaneous	672	151
	-----	-----
	20,561	44,505
	=====	=====

28. OTHER INCOME

Profit/mark-up on bank deposits and advances	4,091	2,854
Mark-up on advances to associated undertakings	--	1,659
Interest on loans to employees	58	166
Dividend from associated undertakings		
Nishat (Chunian) Limited	--	4,186
Nishat Mills Limited	16,297	13,968
Umer Fabrics Limited	9,715	9,715
Muslim Commercial Bank Limited	58,033	--
	-----	-----

	84,045	27,869
Gain on disposal of operating/leased assets	9,431	471
Sale' of scrap	2,580	4,172
Gain on foreign exchange currency	351	--
(Loss) on sale of shares	(1,178)	--
Miscellaneous income	171	22
	-----	-----
	99,549	37,213
	=====	=====

29. FINANCIAL CHARGES

Interest on loans - secured	513,080	52,845
Financial charges under lease obligations	26,136	6,379
Bank charges and commission	10,902	4,924
Interest on workers' profit participation fund	--	697
	-----	-----
Mark up on current account with associated undertaking	28,045	5,045
	=====	=====

30. OTHER CHARGES

Amortisation of deferred cost	--	274
Net provision for diminution in the value of investments	(10,291)	74,790
	-----	-----
	(10,291)	75,064
	=====	=====

31. PROVISION FOR TAXATION

Current year	11,600	9,500
Prior year	(8,911)	2,218
	-----	-----
	2,689	11,718
	=====	=====

Provision for minimum tax on turnover under section 80D of the Income Tax Ordinance, 1979 has been provided, in view of tax losses which are estimated at Rs. 3,503 million.

In view of Company's expansion project which has now been capitalised, the management feels that timing differences will not reverse for some considerable foreseeable period. Consequently, the provision for deferred tax to the extent of Rs, 5,0 million (1998: Rs. 129 million) has not been made in these accounts,

32. CASH FLOW FROM OPERATING ACTIVITIES

Loss before taxation	(577,680)	(46,566)
Add/(Less) adjustment for non cash charges and other items		
Depreciation	767,624	145,176
Amortisation n	21,769	6,851
Gain on disposal of fixed and leased assets (net)	(9,431)	(471)

Dividend income	(84,045)	(27,869)
Provision for leave encashment	5,635	3,187
(Reversal of provision)/Diminution in value of investments	(10,291)	74,790
Profit/(Loss) on disposal of investment	1,178	--
Financial charges	578,163	69,193
	-----	-----
Profit before working capital changes	692,922	224,291
	=====	=====
Effect on cash flow due to working capital changes:		
(Increase)/decrease in current assets		
Trade debts	7,954	(45,253)
Stores, spares and loose tools	11,779	5,005
Stock in trade	30,905	(107,605)
Advances, deposits, prepayments and other receivables	38,756	1,406
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	27,775	145,974
	-----	-----
	117,169	(473)
	-----	-----
	810,091	223,818
	=====	=====

33. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet

Finances under mark up arrangement	- note 9	(605,655)	(634,073)
Cash and bank balances	- note 23	97,110	19,727
		-----	-----
		(508,545)	(614,346)
		=====	=====

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

	<i>Executives</i>		<i>Directors</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>		<i>(Rupees in thousand)</i>	
Number of persons	38	37	4	3
Managerial remuneration	15,458	12,403	3,166	1,727
Gratuity/contribution to providend fund	933	905	283	130
Utilities	601	555	392	146
	-----	-----	-----	-----
	16,992	13,863	3,841	2,003
	=====	=====	=====	=====

Four directors and four executives of the Company are also provided free maintained vehicles.

2,324,590	2,538,996	4,863,586	448,831	23,651	472,482	5,336,068
=====	=====	=====	=====	=====	=====	=====

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 1,122.815 million, the financial assets which are subject to credit risk amounted to Rs. 135.160 million. The Company believes that it is not expected to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limits to its customers and also obtain collaterals.

37.2 FOREIGN EXCHANGE MANAGEMENT

Foreign currency risks arises mainly where receivables and payable exist due to transactions with foreign undertakings. Payable exposed to foreign currency risks are not covered through any forward foreign exchange contracts or through hedging.

1999 **1998**
(Rupees in thousand)

37.3 FAIR VALUE OF ASSETS

The carrying value of financial assets and liabilities reflected in the financial statements approximates their fair value except for long term investments, which are stated at cost.

38. EARNING PER SHARE

Net loss for the year (Rupees in thousand)	(580,369)	(58,284)
Average ordinary shares in issue during June 30, 1999 132,391,380 (1998:132,391,380)		
Earning per share	(4.38)	(0.44)

39. NUMBER OF EMPLOYEES

Number of employees at year end	585	595
---------------------------------	-----	-----

40. Statement of changes in equity for the year ended June 30, 1999

	<i>Share capital</i>	<i>General Reserve</i>	<i>Share Premium</i>	<i>Accumulated Profit/(Loss)</i>	<i>Total</i>
Balance as at June 30, 1997	1,323,914	938,300	1,593,742	451	3,856,407
Changes in accounting policy	--	--	--	--	--
Restated balance	1,323,914	938,300	1,593,742	451	3,856,407
Net gains and loss not recognised in income statement	--	--	--	--	--
Net profit for the period	--	--	--	(58,284)	(58,284)
Dividends	--	--	--	--	--
Balance as at June 30, 1998	1,323,914	938,300	1,593,742	(57,833)	3,798,123

Canges in accounting policy	--	--	--	--	--
	-----	-----	-----	-----	-----
Restated balance	1,323,914	938,300	1,593,742	(57,833)	3,798,123
Net gains and loss not recog- nised in income statement	--	--	--	--	--
Net profit for the period	--	--	--	(580,369)	(580,369)
Dividends	--	--	--	--	--
	-----	-----	-----	-----	-----
Balance as at June 30, 1999	1,323,914	938,300	1,593,742	(638,202)	3,217,754
	=====	=====	=====	=====	=====

41. CORRESPONDING FIGURES

Previous year's figures have been re-arranged, wherever necessary, for the purposes of comparison,

Chief Executive

Director

PATTERN OF SHARE HOLDING AS AT JUNE 30, 1999

NO. OF SHAREHOLDE	SHARE HOLDING FROM	TO	TOTAL SHARES HELD
253	1	100 Shares	13881
616	101	500 Shares	197171
780	501	1000 Shares	628102
1356	1001	5000 Shares	3200345
255	5001	10000 Shares	1968170
101	10001	15000 Shares	1267731
54	15001	20000 Shares	989206
35	20001	25000 Shares	795961
33	25001	30000 Shares	916701
12	30001	35000 Shares	383709
8	35001	40000 Shares	301611
10	40001	45000 Shares	421174
15	45001	50000 Shares	737700
12	50001	55000 Shares	637770
6	55001	60000 Shares	345940
8	60001	65000 Shares	492264
9	65001	70000 Shares	606844
7	70001	75000 Shares	498601
6	75001	80000 Shares	465572
6	80001	85000 Shares	494021
4	85001	90000 Shares	345873
2	90001	95000 Shares	184000
10	95001	100000 Shares	996525
5	100001	105000 Shares	511915

4	105001 110000 Shares	431500
2	110001 115000 Shares	223000
4	115001 120000 Shares	475110
2	120001 125000 Shares	245600
4	125001 130000 Shares	507775
2	130001 135000 Shares	265505
2	135001 140000 Shares	274500
1	140001 145000 Shares	145000
2	145001 150000 Shares	300000
1	155001 160000 Shares	159500
1	160001 165000 Shares	163000
2	165001 170000 Shares	337375
2	170001 175000 Shares	343457
1	175001 180000 Shares	177896
1	180001 185000 Shares	183164
3	185001 190000 Shares	561362
1	190001 195000 Shares	193500
2	195001 200000 Shares	400000
4	200001 205000 Shares	810800
1	210001 215000 Shares	214181
2	215001 220000 Shares	437799
1	220001 225000 Shares	221500
1	230001 235000 Shares	233807
1	235001 240000 Shares	236800
1	240001 245000 Shares	244100
1	250001 255000 Shares	250121
2	265001 270000 Shares	536500
2	295001 300000 Shares	599392
2	300001 305000 Shares	605077
2	305001 310000 Shares	619012
1	320001 325000 Shares	321520
1	325001 330000 Shares	327481
1	340001 345000 Shares	341825
1	350001 355000 Shares	350700
1	355001 360000 Shares	355298
1	375001 380000 Shares	378000
2	410001 415000 Shares	822100
1	420001 425000 Shares	421698
1	430001 435000 Shares	431005
1	435001 440000 Shares	436570
1	445001 450000 Shares	446401
2	460001 465000 Shares	925445
2	475001 480000 Shares	952435
1	480001 485000 Shares	482900
1	535001 540000 Shares	537200
1	605001 610000 Shares	609707
1	610001 615000 Shares	610771
1	670001 675000 Shares	673414

1	780001 785000 Shares	780208
1	810001 815000 Shares	810645
1	835001 840000 Shares	835285
1	925001 930000 Shares	925850
1	955001 960000 Shares	957500
1	995001 1000000 Shares	1000000
1	1250001 1255000 Shares	1254500
1	1310001 1315000 Shares	1312200
1	2010001 2015000 Shares	2012050
1	2050001 2055000 Shares	2051737
1	2095001 2100000 Shares	2095300
1	2205001 2210000 Shares	2206718
1	2475001 2480000 Shares	2478000
1	2510001 2515000 Shares	2511855
1	2570001 2575000 Shares	2573500
1	2870001 2875000 Shares	2874000
1	4250001 4255000 Shares	4250611
1	5020001 5025000 Shares	5022050
1	7800001 7805000 Shares	7802835
1	7920001 7925000 Shares	7922163
1	43490001 43495000 Shares	43492783
-----	-----	-----
3702	TOTAL	132391380
=====	=====	=====

CLASSIFICATION OF SHARES BY CATEGORIES AS AT JUNE 30, 1999

CATEGORIES OF MEMBERS	NUMBERS	SHARES HELD	PERCENTAGE
Individuals	3422	27422231	20.71
Investment Companies	50	7720052	5.83
Insurance Companies	7	1875815	142
Joint Stock Companies	39	56437762	4,263
Financial Institutions	34	12474499	9.42
Modaraba Companies	20	528503	0.40
Foreign Investors	87	25853012	19.53
Others	43	79506	0.06
	-----	-----	-----
TOTAL	3702	132391380	100.00