DADABHOY CEMENT INDUSTRIES LIMITED
ANNUAL REPORT 1998

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COMPANY INFORMATION

BOARD OF DIRECTORS

MR. MOHAMMAD HUSSAIN DADABHOY	Chairman
MRS. RAZIA HUSSAIN DADABHOY	
MRS. HUMAIRA DADABHOY	
MR. MOHAMMAD AMIN DADABHOY	Chief Executive
MS. YASMEEN DADABHOY	
MR. FAZAL KARIM DADABHOY	
MR. NASEEMUDDIN	

COMPANY SECRETARY &
GENERAL MANAGER FINANCE
MR. NAYYAR KARIM

AUDITORS
FORD, RHODES, ROBSON, MORROW

CHARTERED ACCOUNTANTS

SOLICITOR:
DR. RAIS M. MUSHTAQ (ADVOCATE)

BANKERS:
ALLIED BANK OF PAKISTAN LIMITED
UNITED BANK LIMITED
NATIONAL DEVELOPMENT FINANCE CORPORATION
NATIONAL BANK OF PAKISTAN
DEUTSCHE BANK
BANK OF PUNJAB

REGISTRAR:
FORD, RHODES, ROBSON, MORROW
ROOM NO. 12, 1ST FLOOR,
WRITERS CHAMBERS,
MUMTAZ HASAN ROAD, KARACHI.

REGISTERED OFFICE:
5TH FLOOR, MAQBOOL COMMERCIAL COMPLEX
JCHS BLOCK 7 & 8
SHAHRAH-E-FAISAL, KARACHI

FACTORY:
NOORIABAD DEH KALU KOHAR,
DIST. DADU (SINDH)

NOTICE OF THE 18TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the 18th Annual General Meeting of shareholders of Dadabhoy Cement Industries Limited will be held on Tuesday the 29th day of December, 1998 at 12.05 p.m. at D.H.A. Sunset Club Khayaban-e-Jami Phase-II Ext. Defence Housing Authority, Karachi, to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 17th Annual General Meeting of the company held on 27th December 1997.

2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30th June, 1998 together with the Directors' and Auditors' Reports thereon.

3. To appoint auditors for the ensuing year and fix their remuneration.

Special Business:

4. To approve the revised remuneration of the Chairman and fixed the remuneration of working Director in place of Managing Director.

5. To transact any other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

Karachi:
Dated: 27th November 1998.

(NAYYAR KARIM)
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed for transaction from 25th December, 1998 to 29th December, 1998 (Both days inclusive).

2. Any member of the company entitled to attend and vote may appoint another member as his/her Proxy to attend and vote on his/her behalf. Proxies must be received at the registered office of the company not less than 48 hours before the meeting.

3. Members are requested to notify change in their addresses, if any, immediately to our registrar Ford, Rhodes, Robson, Morrow 1st floor, Writers Chambers, Mumtaz Hassan Road, off I.I. Chundrigar Road, Karachi.

4. A statement under section 160 of the companies ordinance 1984 pertaining to the special

business is dispatched to the shareholders alongwith the Annual Report for the year 1998.

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

This statement sets out the material facts concerning the special business to be transacted of the 18th Annual General Meeting of the Company to be held on December 29, 1998.

According to Government regulations, shareholders' approval will be sought for payment of remuneration and the provision of certain facilities to the Chairman and a Working Director in place of Chief Executive of the company as recommended by the Board of Directors of the Company. For this purpose it is proposed to pass the following resolution as an ordinary resolution:

'RESOLVED that the Company hereby authorises the holding of office of profit and payment as tax free monthly remuneration to Mr. Mohammad Hussain Dadabhoy, Chairman not exceeding Rs. 200,000/- (Rupees Two Hundred Thousand Only) and Mr. Fazal Karim Dadabhoy, Director of the company as tax free monthly remuneration of Rs. 50,000 for the year ending 30-6-1999 and for subsequent years a sum with an annual increase of up to 25% of the remuneration being paid from time to time, as determined by the Board of Directors. The Chairman and Working Director will also be provided company maintained cars, leave fare assistance, free medical cover for self and family and other perquisites, as per company rules and regulation in force from time to time."

DIRECTORS' REPORT

Your Directors take pleasure in presenting their report along with audited accounts and auditors report thereon for the year ended June 30, 1998.

Operating Results

Overall recession in the country severally affected the all industrial activities in the country with almost stand still activities in the infrastructure development in the country during the year. Coupled with inflation. higher cost of input, devaluation of Pak rupee, cement industry is passing through worst ever crises of the history. These factors grossly squeezed the aggregate demand of cement in the country, the said factors resulted in operating losses to the industry. However your company has closed the year with the marginal profit which was possible because of tight control over expenditure, production efficiency and last but not least night awakening efforts of the management and staff of the company.

The net sale revenue for the year under review amounting to Rs. 1,000.367 million (1997 Rs. 755.012 million) is showing increase of 32.5% over the last year. Pretax profit is Rs. 18.995 million as compared to net loss before tax in 1997 Rs. 132.481 million.

Production and Sales

The production of cement for the year was 547,054 tons as compared to 486,856 tons for the previous year. The Kiln was operated at 109% of the installed capacity. Despite the depressed demand, there was no decrease in production and sale of cement however, lower price affects the profitability of the company.

Market Review

The socio economic conditions and law and order situation coupled with sanctions imposed by the International Community and multilateral lending agencies after nuclear blast have led the industry into crises because all foreign aided projects were abandoned. During the year under review, Government reduced the prices of Furnace Oil but the same are still behind the price of Furnace Oil prevail in International Market. Constant increase in input prices coupled with the stagnation of demand has resulted in piling up of stock of cement and over supply. The impact of input prices could not be passed on to the end users. In order to save the industry from disaster, the Government must take remedial measures which should include review of tax structure of cement industry, as the industry at present is not in a position to carry the burden of over increasing input prices.

Future Prospects

After having been realized the gravity of the problem being faced by the industry Government had reduced price of furnace oil and increase rebate to Rs. 600/- per ton on export of cement. But due to the recession in South East Asia coupled with currency problem in ASEAN countries, the cement sector is not in a position to compete with the Manufacturers of these countries in International market, despite the fact that there is a great potential and demand of Pakistani cement in surrounding countries like Sri Lanka, Bangladesh, Burma etc. This will only be possible if government offer higher incentive and reduction in prices of input materials. This will help to minimize over supply and disposal of piled up stock of cement industries.

Last but not least the captive power plant of the Group has commenced supplying of electricity ~i
to cement plant on trial basis and commercial supply will be started from 1st December, 1998 ~i

which will improve the efficiency of the plant because of uninterrupted supply.

Year 2000 Compliance ~

You will be pleased to note that year 2000 compliance in your company is progressing well ahead with the help of our in-house experts. Assistance from outside experts is also under consideration.

In order to compliance all efforts will be made to accomplish the task with requisite tests by the end of next financial year.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the company as on 30-06-1998 is enclosed with the Annual accounts.

AUDITORS

The present Auditors M/s Ford, Rhodes, Robson, Morrow, Chartered Accountants will retire and being eligible to have offered themselves for reappointment for ensuing year.

Acknowledgement

In the end we wish to express our thanks to all the Financial institutions who have been associated with the company, for their support and cooperation. We would also like to thank to all our dealers and customers for their continued association and support. We thank a team of dedicated Managers and other Executives, Supervisors and Workers who continued to put in their best efforts for achieving optimum results.

FOR & ON BEHALF OF THE BOARD

Karachi:
Dated: 27th November, 1998.

(MOHAMMAD AMIN DADABHOY)
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of DADABHOY CEMENT INDUSTRIES LIMITED as at June 30, 1998 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, 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 the changes in financial position (cash flow statement), for the year then ended.

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

(e) without qualifying our opinion, we draw attention to the following matters.

(i) as disclosed in notes. 7(b) and 7(c), net increases of Rs. 140.054 million and Rs. 34.918 million, aggregating to Rs. 174.972 million, in interest based loans and trade financing respectively, resulting from the restructuring of long term loans and short term running finances during the year by a financial institution, have not been recorded by the company in the accounts of the current year, pending resolution of the matter disclosed in note 14(a)(i) relating to penal interest/additional interest and a final decision in this regard by the concerned authorities. Therefore, the ultimate outcome of the action to be taken by the company cannot presently be determined and, hence, additional liability amounting to Rs. 174.972 million that may result has not been recorded by the company in these accounts.

(ii) the ultimate outcome of the remaining contingencies shown in note 14 to the accounts amounting to Rs. 142.392 (1997- Rs. 425.988)million, excluding Rs. 174.972 million, as referred to in (i) above, cannot presently be determined and, hence, no provision that may result has been made in the accounts of the current year.

Karachi: **Ford, Rhodes, Robson, Morrow**
Dated: November 28, 1998 Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1998

	Note	June 30, 1998 (Rs '000s)	June 30, 1997
CAPITAL AND RESERVES			
Share Capital			
Authorised			
60,000,000 (1997: 60,000,000) ordinary shares of Rs. 10/- each		600,000	600,000
		==========	==========
Issued, subscribed and paid-up capital	3	398,688	398,688
Reserves/(Accumulated losses)	4	5,772	(8,221)
		----------	----------
		404,460	390,467
SURPLUS ON REVALUATION OF FIXED ASSETS	5	487,688	487,688
REDEEMABLE CAPITAL	6	26,653	58,366
LONG TERM LOANS	7	703,231	238,129
LONG TERM DEPOSITS	8	28,847	28,568

	Note	June 30, 1998	June 30, 1997
OBLIGATIONS UNDER FIN LEASES	9	28,848	17,149
CURRENT LIABILITIES			
Current maturities of redeemable capital, long term loans and obligations under finance leases	10	100,712	355,106
Short term running finances	11	13,196	146,300
Short term loan	12	35,671	31,562
Creditors, accrued and other liabilities	13	171,499	274,628
Provision for taxation - net		2,385	890
Unclaimed dividend		7,126	11,217
		----------	----------
		330,589	819,703
CONTINGENCIES AND COMMITMENT	14	----------	----------
		2,010,316	2,040,070
		==========	==========

	Note	June 30, 1998	June 30, 1997
		(Rs '000s)	
TANGIBLE FIXED ASSETS			
Operating fixed assets at cost less accumulated depreciation	15	1,541,193	1,576,291
Capital work-in-progress	16	32,688	26,884
Spares held for capital expenditure		3,995	2,677
		----------	----------
		1,577,876	1,605,852
LONG TERM INVESTMENTS	17	77,326	81,191
LONG TERM LOANS, DEPOSITS AND PREPAYMENT	18	10,266	9,822
CURRENT ASSETS			

Stores, spares and loose tools	19	136,773	135,171
Stock-in-trade	20	31,566	42,590
Trade debts	21	108,200	116,848
Loans, Advances, deposits, prepayments and other receivables	22	59,369	46,516
Cash and bank balances	23	8,940	2,080
		----------	----------
		344,848	343,205
		----------	----------
		2,010,316	2,040
		==========	==========

The annexed notes form an integral part of these accounts.

MOHAMMAD AMIN DADABHOY	**FAZAL KARIM DADABHOY**
Chief Executive	Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1998

	Note	**Year ended June 30, 1998**	**Year ended June 30, 1997**
		(Rs. '000s)	
NET SALES	24	1,000,367	755,912
COST OF SALES	25	862,910	749,281
		----------	----------
GROSS PROFIT		137,457	6,631
Administrative expenses		44,741	41,784
Selling and distribution expenses		10,491	10,628
		----------	----------
		55,232	52,412

		----------	----------
OPERATING PROFIT/(LOSS)		82 225	(45,781)
		----------	----------
Additional surcharge - WAPDA		-	83,706
Financial charges	28	76 866	11,630
Workers' Profit Participation Fund		1,000	-
		----------	----------
		77,866	95,336
		----------	----------
		4,359	(141,117)
Other income	29	14,636	8,636
		----------	----------
PROFIT/(LOSS) BEFORE TAXATION		18,995	(132,481)
TAXATION			
Current		5,002	3,780
Prior		-	1,735
		----------	----------
		5,002	5,515
		----------	----------
NET PROFIT/(LOSS) FOR THE YEAR		13,993	(137,996)
(ACCUMULATED LOSSES)/UNAPPROPRIATED PROFIT BROUGHT FORWARD		(131,445)	6,551
		----------	----------
ACCUMULATED LOSSES CARRIED FORWARD		(117,452)	131,445)
		==========	==========

The annexed notes form an integral part of these accounts.

MOHAMMAD AMIN DADABHOY	**FAZAL KARIM DADABHOY**
Chief Executive	Director

STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1998

	Year ended	Year ended

	June 30, 1998 (Rs '000s)	June 30, 1997
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	18,995	(132,481)
Adjustment for items not involving movement of funds:		
Depreciation	44,747	41,191
Financial Charges	76,866	11,630
Gain on sale of fixed assets	(491)	(697)
Provision against debts considered doubtful	3,173	-
	124,295	52,124
Profit/(loss) before working capital changes	143,290	(80,357)
Working Capital Changes		
(Increase)/decrease in current assets		
Stores spares and loose tools	(1,602)	10,557
Stock-in-trade	11,024	11,731
Trade debts	5,475	(23,948)
Loans. advances, deposits, prepayments and other receivables	(12,853)	49,559
	2,044	47,899
Increase/(decrease) in current liabilities		
Short term loan	4,109	31,562
Creditors, accrued and other liabilities	(57,172)	36,253
	(53,063)	67,815
Cash generated from operations	92,271	35,357
Taxes paid	(3,507)	(4,952)

Financial charges paid including the effects of restructuring	(122,823)	(9,719)
Net cash (outflow)/inflow from operating activities	(34,059)	20,686

CASH FLOW FROM INVESTING ACTIVITIES

Capital expenditure	(16,191)	18,332)
Spares held for capital expenditure	(1,318)	(2,677)
Sale proceeds of fixed assets	1,229	1,087
Loans, deposits and prepayment	(444)	1,115
Investments	3,865	(6,211)
Net cash used in investing activities	(12,859)	(25,018)
Total carried forward	(46,918)	(4,332)

	Note	**Year ended June 30, 1998 (Rs '000s)**	**Year ended June 30, 1997**
Total brought forward		(46,918)	(4,332)

CASH FLOW FROM FINANCING ACTIVITIES

Net effect due to repayment and capitalisation of interest and mark-up on redeemable capital long term loans, and lease finances		190,694	(10,906)
Payment of dividend		(4,091)	(29,742)
Deposits from dealers		279	20,432
Net cash flow from financing activities		186,882	(20,216)
Net increase/(decrease)in cash			

and cash equivalents		139,964	(24,548)
Cash and cash equivalents at the beginning of the year		(144,220)	(119,672)
Cash and cash equivalents at the end of the year	31	(4,256)	(144,220)

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1998

1. THE COMPANY AND ITS OPERATIONS

Dadabhoy Cement Industries Limited is one of the leading manufacturers of cement in Pakistan. The company was incorporated as a public limited company in 1979 and listed in all stock exchanges in Pakistan. It is currently engaged in the manufacturing of ordinary portland, slag and sulphate resistant cement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention except for freehold land, building on freehold land and plant and machinery are stated at revalued amounts.

2.2 Fixed assets

(a) Owned

Fixed assets are stated at cost or revalued amounts less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost. Depreciation on plant and machinery and quarry equipments including exchange differences has been charged on the basis of production of units method. Depreciation on other depreciable assets is charged on straight line method.

Full year's depreciation is charged in the year of addition while no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of assets, if any, are included in income currently.

(b) Leased

Assets under finance leases are stated at cost less accumulated depreciation. The outstanding obligations under leases less financial charges allocated to future periods are shown as a liability. The financial charges are calculated at the interest rates implicit in leases and are charged to the profit and loss account.

Depreciation is charged at the same rates as charged on company's owned assets.

2.3 Capital work-in-progress

Capital work-in-progress is stated at cost. It consists of expenditure incurred and advances made in respect of fixed assets in the course of their construction and installation.

2.4 Deferred Costs

These consists of preliminary expenses which are being amortized over a period of five years.

2.5 Stores, spares and loose tools

These are principally valued at moving average cost. Items in transit and in bonded warehouse are valued at cost comprising invoice value plus other charges paid thereon excluding custom and other duties. Grinding media and other similar items retrieved from the production process and available for re-utilization are reinstated into stores on replacement cost basis.

2.6 Stock-in-trade

These are stated at the lower of cost using first-in-first-out method and net realisable value. Cost of Raw Material in respect of limestone and low shale includes mining over head and cost of finished goods and work-in-process include an applicable portion of production overheads.

Net realisable value is determined on the basis of estimated selling price of product in the ordinary course of business less cost that would necessarily be incurred for its sale.

2.7 Trade debts

Known bad debts are written -off and provision is made against debts considered doubtful.

2.8 Staff retirement benefits

The company operates an approved funded gratuity scheme for its employees. The scheme is administered by trustees and is funded on the basis of actuarial advice taken on a periodical basis. Additionally the company operates a contributory provident fund for all its employees.

The contribution to the gratuity scheme is made on the basis of actuarial recommendation at the rate of 8.33% per annum. The latest valuation was carried out as at December 31, 1997. The future contribution rate of the scheme includes allowance for deficit. Entry age normal actuarial cost method, using the following significant assumptions, is used for valuation of the scheme;

Expected rate of increase in salary level 14% per annum.
Expected return on investment 14% per annum.

2.9 Taxation

The charge for current taxation in the accounts is based on taxable income or based on turnover at the rate of 0.5 percent, whichever is higher.

The company accounts for deferred taxation on all material timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future (note 30).

2.10 Investments

Investments are stated at average cost.

2.11 Foreign currency translation

Transactions in foreign currencies are translated into rupees at the rates of exchange ruling on the date of the transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the balance sheet date. Exchange differences are included in income currently.

2.12 Revenue recognition

Sales are recorded on despatch of goods to customers.
Dividend income is accounted for when dividend is declared.
Return on time deposit accounts and income on investments are accounted for on accrual basis.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

		June 30, 1998 (Rs '000)	June 30, 1997
#########	(1997: 26,579,200) Ordinary shares of Rs. 10 each fully paid in cash	265,792	265,792
#########	(1997: 13,289,600) Ordinary shares of Rs. 10 each issued as right shares for cash at a premium of Rs. 2.5 per ordinary share	132,896	132,896
----------		----------	----------
#########		398,688	398,688
==========		==========	==========

Dadabhoy Trading Corporation (Private) Limited, the Parent company, held 21,426,090 (1997. 21,420,000) Ordinary shares of Rs. 10 each as at June 30, 1998.

Refer notes 6.1, 6.2 and 7(a) for restrictions in respect of declaration of dividend and issue of bonus shares.

	Note	June 30, 1998 (Rs '000)	June 30, 1997

4. RESERVES/(ACCUMULATED LOSSES)

Capital			
Premium on issue of right shares	3	33,224	33,224
Revenue			
General reserve		90,000	90,000
Accumulated losses		(117,452)	(131,445)
		(27,452)	(41,445)
		5,772	(8,221)

5. SURPLUS ON REVALUATION OF FIXED ASSETS

5. SURPLUS ON REVALUATION OF FIXED ASSETS		487,688	487,688

On August 29, 1994, D.H. Daruvala and Company, Architects and Engineers, revalued freehold land, building on freehold land and plant and machinery of the company, resulting in a surplus over their book values of Rs. 487.688 million. (note 15).

6. REDEEMABLE CAPITAL

Term Finance Certificates (TFCs) -secured			
Syndicate of commercial banks	(6.1)	44,429	21,649
Consortium of commercial banks	(6.2)	69,637	35,482
		57,131	114,066
Less: Current maturity including overdue installments of Rs. 27.392 (1997: 20.591) million shown under current liabilities	10	30,478	55,700
		26,653	58,366

As a result of negotiation carried out by the company, subsequent to the end of the year, with the syndicate and consortium of commercial banks in respect of the restructuring of outstanding balances due thereto in respect of TFCs, three out of the five members of the above referred syndicate and consortium agreed to convert the outstanding balances of the same into long term loans with new terms and conditions on an individual basis.

Accordingly, a sum of Rs. 56.935 million representing outstanding balances at the beginning of the year due to the three members of the syndicate and consortium of commercial banks in respect of the TFCs have been transferred to long term loans (note 7(a)). As for the balance due to the remaining two members of the syndicate and consortium at the end of the year, the same is shown under redeemable capital, pending the approval of a proposal submitted by he company after the end of the year to the remaining members of the above referred syndicate and consortium.

6.1 The "Sale Price" in respect of the outstanding TFCs of the syndicate at the end of the year is Rs. 44.988 (1997: Rs. 91,301) million against which the company has agreed to purchase the investment property from the syndicate for a net of rebate sum of Rs. 130,475 (1997. Rs. 258.986) million, referred to as the "Purchase Price".

The purchase price is payable by the company in thirteen half yearly installments which commenced from January 1, 1993 and is to be repaid in full by January 1, 1999.

The TFCs are secured against:

(i) a first registered mortgage over all the assets of the company;

(ii) a charge by way of hypothecation of the entire plant, machinery, equipment, uncalled capital and book debts;

(iii) further securities and guarantees as the syndicate may from time to time require. ~"

The TFCs at all times rank pari-passu with each other and shall be treated equally in all matters pertaining to them

In the event of any TFC not being redeemable on this due date, the company is liable to the holders of such TFCs additionally an amount equivalent to twenty percent of the face value of such TFCs as and by way of liquidated damages for failure to redeem on their due dates.

The company is required by the agreement not to declare any dividend or issue bonus shares without the prior written approval of the members of syndicate.

Repayments in respect of purchase price have not been made since April 30, 1996 for the reasons covered in not 14(a)(ii) to these accounts.

6.2 The "Sale Price" in respect of outstanding TFCs of the consortium at the end of the year is Rs. 37·911 (1997. Rs. 74·396) million against which the company has agreed to purchase the investment property from the consortium for a net of rebate sum of Rs. 83.061 (1997: Rs. 163.015) million, referred to as the "Purchase Price".

The "purchase price" is payable by the company in twenty half yearly installments which commenced from October 1, 1994 and is to be repaid in full by April 1, 2004.

The TFCs are securest against:

(i) a first registered mortgage over all the assets of the company;

(ii) a charge by way of hypothecation of the entire plant, machinery, equipment, uncalled capital and book debts.

(iii) further securities and guarantees as the consortium may from time to time require.

The TFCs at all times rank pari-passu with each other and shall be treated equally in all matters pertaining to them.

In the event of any TFC not being redeemable on this due date, the company is liable to the holders of such TFCs additionally an amount equivalent to twenty percent of the face value of such TFCs as and by way of liquidated damages for failure to redeem on their due dates.

The company is required by the agreement not to declare any dividend or issue bonus shares without the prior written approval of the members of consortium

Repayments in respect of purchase price have not been made since April 30, 1996 for the reasons covered in note 14(a)(ii) to these accounts.

7. LONG TERM LOANS - Secured

These consists of the following loans:

	Note	June 30, 1998	June 30, 1997
		(Rupees in '000s)	
(a) Loans resulting from the conversion of outstanding Term Finance Certificates (TFCs)	(a)	42,786	-
(b) Interest based loans	(b)	515,363	122,275
(c) Finances under mark-up arrangements	(b)	-	115,854
(d) Trade financing	(c)	145,082	-
		----------	----------
		703,231	238,129
		==========	==========

(a) Loans resulting from the conversion of outstanding Term Finance Certificates (TFCs)

As mentioned in note 6, amount due to the three members of the syndicate and consortium in respect of the TFCs outstanding at the beginnin the year has been transferred from redeemable capital to long term loans, resulting from the conversion of the outstanding TFCs. The effec conversion, although agreed to with the three members of the consortium and syndicate after the end of the year, has been shown by the com in the accounts of the current year as follows:

(R

	Note	June 30, 1998 Balance Restructured	Effects of Restructuring on Income	June 30, 1997 Syndicate	Consortium	Tota
Allied Bank of Pakistan	(i)	4,404	(7,510)	5,315	7,074	
Habib Bank Limited	(ii)	30,675	2,111	10,823	17,741	
Muslim Commercial Bank Limited	(iii)	18,345	2,363	6,642	9,340	
		----------	----------	----------	----------	
		53,424	(3,036)	22,780	34,155	
			==========			

Less: Current maturity including overdue

installments of Rs. Nil (1997: Rs. 20,432) million shown under current liabilities	10,638	22,780	5,529	
	42,786	-	28,626	

(i) the balance of Rs. 12.389 million due at the beginning of the year has been restructured at Rs. 4.879 million, resulting in the reduction of principal balance of Rs. 7.510 million. The same has been taken into income for the year as shown above under the effects of restructuring. The restructured amount less a payment of Rs. 0.475 million was paid in full subsequent to the end of the year.

(ii) The balance of Rs. 28.564 million due at the beginning of the year has been restructured at Rs. 30.675 million, consisting of Rs. 21.506 million less a single payment of Rs. 2.500 million, amounting to Rs. 19.006 million, is repayable by the company in fifteen equal quarterly installments beginning from February 28, 1999 whereas the remaining amount of Rs. 9.169 million is to be repaid in eleven equal quarterly installments commencing from August 31, 1999. The effect of restructuring of Rs. 2.111 million resulted ~n an increase in the principal balance which has been charged against income of the current year as shown above under the effects of restructuring.

Mark-up @ 15% per annum will be charged on Rs 19.006 million as opposed to no such charge on Rs. 9.169 million. In case of default in any payment, penalties @ 20% shall be charged on the amount in arrears for actual number of days the amount remains unpaid after the due date.

(iii) the balance of Rs. 15.982 million due at the beginning of the year has been structured at Rs. 18.345 million consisting of Rs. 12.730 million as principal and Rs. 5.615 million as capitalised mark-up. This resulted in an increase of Rs. 2.363 million in principal which has been charged against current year's income as shown above under the effects of restructuring. A 10~Y(~ down payment amounting to Rs. 1.2 million was made against the restructured principal of Rs. 12.730 million subsequent to the end of the year with the balance of Rs. 11.530 million payable in 16 quarterly installments commencing from July 1, 1999 at a mark-up rate of 15~/~ per annum whereas Rs. 5.615 million representing capitalised mark-up is payable in 16 quarterly installments, with a grace period of one year, commencing from September 1, 1999. No further mark-up will be charged on this amount.

The above referred agreements reached on an individual basis with the commercial banks have retained all other terms and conditions of the previous agreements executed between the company and the NDFC - led consortium members. Accordingly, these loans are secured against a first registered mortgage over all the assets of the company, a charge by way of hypothecation of the entire plant, machinery, equipment, uncalled capital and book debts and further securities and guarantees as banks may from time to time require. In addition, the company is also required to submit personal guarantees of all the director / sponsors with details of their properties/asset.

The previous restriction in respect of declaration of dividend and issue of bonus shares, that is, the same cannot be declared without the prior consent of the banks has also been retained.

	June 30, 1998	**June 30, 1997**
	(Rs '000)	
(b) Interest based loans		
Interest based loans	563,030	253,695
Finance under mark-up arrangements	-	262,254
	563,030	515,949
Less: Current maturity including over due installments of Rs. Nil (1997: Rs. 168.417 million) shown under current liabilities	47,667	277,820
	515,363	238,129

As a result of a Memorandum of Understanding (MOU) signed by the company on December 4, 1997 with the National Development Finance Corporation (NDFC), the outstanding balances in respect of interest based loans, consisting of Suppliers credit, Bridge loan, Asian Development Bank Loan, French Frances credit and Capitalised interest on long term loan, aggregating to Rs. 253.695 million (including current maturity of Rs. 131.420 million), at the beginning of the year have been restructured into a single loan of Rs. 717.00 million, resulting in an increase of Rs. 463.305 million in the principal balance at the date of restructuring. The said agreement, effective from September 1, 1997, also provided that finances under mark-up arrangement, aggregating to Rs. 262.254 million (including current maturity of Rs. 146.400 million), at the beginning of the year, as shown above, shall be deemed to be settled as a part of a package deal. As a result, the net increase in the principal balances of long term loans amounted to Rs. 201.051 million, out of which Rs. 60.997 million has been recorded by the company by transferring the same from interest previously accrued on interest based loans and from mark-up on finances under mark-up arrangements. The balance of the net increase in the principal balance of the long term loan, resulting from the above referred restructuring, amounting to Rs. 140.054 million has not been recorded by the company in view of the reasons explained in detail in note 14 (a)(.i) under contingencies. Accordingly, the balance shown as outstanding at the end of the year in respect of long term loan is stated at the restructured amount, less repayments of Rs. 11.916 million in respect thereof, a payment of Rs. 2.00 million made by the company upon the signing of the above referred MOU, as required therein, and Rs. 140.054 million stated above and discussed under contingencies. The restructured loan bear interest at the rate of 15%, per annum on daily balances and on the basis of a 360 days year with quarterly rests until full payment of principal and interest is made.

The outstanding balance at the end of the year is to be repaid in fifteen years in sixty equal quarterly installments payable on or before January 1st, April 1st, July 1st and October 1st in each calendar year, commencing from April 1, 1998.

The loan is secured by legal mortgage on the moveable and immovable properties of the company, pledge and hypothecation of machinery and all the moveable properties including book debts and other receivables of the company, floating charge on all the present and future fixed assets of the company, ranking pari-passu with other creditors and with charges already existing, personal guarantees of sponsoring directors and pledge of sponsors shares.

In the event the company fails to pay on or before the due date the whole or any part of amounts due, the entire principal and interest accrued thereon will become immediately due and the company will be liable to pay additional interest at the rate of 4% per annum with semi annual rests on the entire amount of overdue principal, interest and additional interest for the time being payable and remaining unpaid. However, as a result of a petition jointly filed by the company and the lender in the High Court of Sindh, Karachi, seeking disposal of a law suit previously filed by the

company against the lender, the High Court of Sindh disallowed the imposition of 4% i
additional interest claiming that the same amounts to penal interest and that the same cannot be allowed. Hence, the High Court decreed the suit accordingly, with no order as to costs.

(c) Trade financing

Short term running finances amounting to Rs. 137.5 million at the beginning of the year have been restructured pursuant to the Memorandum of Understanding, as referred to in (b) above, at Rs. 180 million as a new loan to be repaid in twenty equal quarterly installments with the first installment due on December 1, 2000. Mark-up on the new loan is to be calculated @0.44 paisas per thousand per day, payable quarterly in arrears with the first such payment to be made on April 1, 1998.

The increase in the principal balance of Rs. 42.5 million, resulting from the restructuring of short term running finances from Rs. 137.5 million to a new long term loan of Rs. 180 million, has been recorded by the company to the extent of Rs. 7.582 million only by transferring the same amount from mark-up previously accrued on short term running finances and, hence, the balance of the increase in the principal amounting to Rs. 34.918 million has not been recorded by the company for the reason discussed in note 14 (a)(i) under contingencies.

The loan is secured by hypothecation of stock of all material, i.e. clinker, work-in-process, stores and spares and finished goods with 25% safety margin, charge on book debts, personal repayment guarantees of all the sponsoring directors and a demand promissory note from the company.

In the event the company fails to pay on or before the due date the whole .or any part of amounts due, the entire principal and mark-up accrued thereon will become immediately due and the company will be liable to pay markup @0.65 paisas per thousand per day.

	Note	**June 30, 1998**	**June 30, 1997**
		(Rs '000s)	
8. LONG TERM DEPOSITS			

From cement dealers		27,811	27,408
From contractors		1,036	1,160
		----------	----------
		28,847	28,568
		==========	==========

These represent interest free security deposits payable on cancellation or withdrawal of dealerships and contracts.

9. OBLIGATIONS UNDER FINANCE LEASES

During the year, the company entered into two new rescheduling agreements with a leasing company in respect of equipment it had previously leased from them. As a result, the rates of interest used as the discount factor now ranges between 16.16% and 20.19% per annum as against 14.11% and 17.64% in the past. Further, the amount of future payments and the periods during, which they fall due have also been revised as follows:

Year ending June 30th	1998		-	28,561
Year ending June 30th	1999		18,000	18,557
Year ending June 30th	2000		18,000	-
Year ending June 30th	2001		17,062	-
			----------	----------
			53,062	47,118
Less: Financial charges allocated to future periods			12,285	8,383
			----------	----------
			40,777	38,735
Less: Current maturity including over due installments of Rs. Nil (1997: Rs. 5.474 million)		10	11,929	21,586
			----------	----------
			28,848	17,149
			==========	==========

The leases outstanding at the end of the year are secured against certificate of investments amounting to Rs. 6 million (note 17) and personal guarantees of all the Directors of the company.

There are options to obtain ownership of the assets at the end of the terms of leases at amounts specified in various lease agreements. There are no financial restrictions in the lease agreements.

	Note	June 30, 1998	June 30, 1997
		(Rs '000s)	
10. CURRENT MATURITIES OF REDEEMABLE CAPITAL, LONG TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES			
Redeemable capital	6	30,478	55,700
Long term loans			
Interest based loans	7 (a) & (b)	58,305	131,420
Finance under mark-up arrangements		-	146,400
Obligations under finance leases	9	11,929	21,586
		----------	----------
		100,712	355,106
		==========	==========
11. SHORT TERM RUNNING FINANCES - secured			
Utilized under mark-up arrangements			
From a financial institution	11.1	6,005	137,500
From a bank	11.2	7,191	8,800
		----------	----------
		13,196	146,300
		==========	==========

11.1 During the year, the company) arranged a trade finance facility (non-fund based) of Rs. 30 million at a mark-up rate of Rs. 0.65 per thousand per day, payable currently.

The arrangement is secured against pledge and hypothecation of imported goods with 25% safety margin, 10% cash margin on letter of credit, charge on book debts of the company and personal guarantees of four sponsoring directors of the company.

11.2 The company has arranged an additional facility in respect of short term running finance against imported machinery (FIM) amounting to Rs. 5.00 (1997. Rs. 5.00) million. The rate of mark-up, net of prompt payment rebate, is Rs. 0.61 per thousand per day, payable quarterly.

The facility is secured against pledge of imported goods amounting to Rs. 15.944 million other than perishable items, lien on plant and machinery in custom bonded warehouse, 25% cash margin on or before disbursement of FIM facility and personal guarantees of all directors.

12. SHORT TERM LOAN - unsecured	35,671	31,562
	==========	==========

This represents a temporary loan from a Director of the company. It is interest free and is repayable on demand.

	Note	June 30, 1998	June 30, 1997
		(Rs '000s)	
13. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		40,023	35,575
Accrued liabilities			
Accrued expenses		22,868	29,078
Interest and mark-up on secured long term loans and redeemable capital	13.1	38,400	74,152
Mark-up on secured short term running finances		595	8,016
Finance charges on leases including late payment charges of Rs. Nil			

(1997-Rs. 0.383) million		-	2,784
Central excise duty	13.2	7,314	7,314
		----------	----------
		46,309	92,266
Other liabilities			
Deposits against company car scheme		1,118	1,083
Advances from customers		20,851	37,854
Royalty		6,073	2,043
Excise duty		446	176
Sales tax		11	29,609
Gratuity Fund	13.3	12,122	9,535
Provident Frond	13.4	7,351	5,785
Workers' Profit Participation Fund		1,000	-
Tax deducted at source		13,192	9,916
Additional surcharge - WAPDA		-	21,106
Miscellaneous		135	602
		----------	----------
		62,299	117,709
		----------	----------
		171,499	274,628
		==========	==========

13.1 During the year, a sum of Rs. 60.997 million included in the opening balance and representing interest and mark-up on secured long term loans has been transferred to interest based long term loans upon the restructuring thereof, as disclosed in note 7 (b). In addition, a sum of Rs. 6.295 million representing interest previously accrued in respect of TFCs converted, during the year has been taken into income (note 29) upon the restructuring of the same.

13.2 Payments in respect of central excise duty are not being made pending resolution of the matter stated in note 14 (iii) in this regard.

13.3 Included herein is a sum of Rs. 2.531 (1997: Rs. 1.347) million accrued by the company on account of interest on unpaid balance due to the fund.

13.4 Included herein is a sum of Rs. 1.398 (1997: Rs. 0.641) million accrued by the company on account of interest on unpaid balance due to the fund.

	June 30, 1998	June 30, 1997
	(Rs '000s)	

14. CONTINGENCIES AND COMMITMENT

(a) Contingencies

(i) As explained in notes 7(b) and 7(c), a net increase of Rs. 140.054 million in interest based loans and a net increase of Rs. 34.918 million in trade financing have not been realised by the company in the accounts of the current year. This decision was made by the company after an independent consultant and a firm of Chartered Accountants, appointed by the company, identified that approximately Rs. 650 million of outstanding balances due to a financial institution consisted of the penal interest and mark-up on mark-up. Since the High Court of Sindh in its ruling in respect of additional interest on delayed payments with regard to interest based loans has disallowed the imposition of penal interest, as discussed in note 7(b), the company has taken the view that the net increase of Rs. 140.054 million interest based loans and Rs. 34.918 million in trade financing represents penal interest/additional interest, which in the light of the above referred ruling by the High Court of Sindh is not payable Accordingly, although the company has yet to take up this matter with the financial institution, it is in the process of approaching them for necessary rectification in this regard. Therefore, pending resolution of the matter relating to penal interest/additional interest, net increases, as referred to above, aggregating to Rs. 174.972 million has not been recorded by the company in the accounts of the current year.	174,972	305,043

	June 30, 1998	June 30, 1997
(ii) Provision in respect of interest, penal interest and late payment surcharge due to the two members of syndicate and consortium has not been made in the accounts pending a final decision of the High Court of Sindh in respect of a law suit filed by the company in this regard.	80,454	48,954
	----------	----------
Total carried forward	255,426	353,997

	June 30, 1998	**June 30, 1997**
	(Rs '000s)	
Total brought forward	255,426	353,997
(iii) A law suit has been filed by the company in the High Court of Sindh against the levy of central excise duty, challenging the applicability thereof. As a result, out of Rs. 31.106 million claimed by the banks and financial institution on this account, the company has recorded only Rs. 7.314 million, pending a final decision of the High Court in this regard.	23,792	34,809
(iv) Claims not acknowledged as debts by the company, pending the outcome of litigations.	255	255

(v) In finalising the company's assessment for the assessment years 1987-88 to 1990-91, the Income-tax Officer subjected interest income to tax and had raised tax demand on it. The company has filed an appeal before the Income-tax Appellate Tribunal. No provision has been made for the liability in these accounts as the management anticipates a favourable outcome. However, a sum of Rs. 2.953 million was paid under protest during 1997 against the

contingency (note 22.1). The recovery of the advance tax of Rs. 2.953 million is therefore, dependent on the outcome of the appeals.	3,917	3,917
(vi) As a result of the introduction of capacity tax effective August 3, 1991, the Superintendent of Excise, Nooriabad Circle, had demanded central excise duty amounting to Rs. 20.303 million from the company on the stock of clinker in hand as at August 3, 1991. The company contesting the above demand filed an appeal with the Collector of Customs and Central Excise Tax and was successful in obtaining an order whereby the matter had been remanded to the concerned authority in Hyderabad for fresh order, which during the year was decided against the company. As a result, the company filed a constitutional petition against the order in the High Court of Sindh, Karachi, where the matter is still pending in the court. However, a sum of Rs. 4.243 million (1997: Rs. 4.243 million) has been paid by the company under protest and hence no provision has been made in this respect as the management is hopeful for a favourable outcome (note 22).	20,303	20,303
(vii) As a result of an adjustment for input tax on account of sales tax amounting to Rs. 3.162 million claimed by the company in 1990, the office of the Collector of Central Excise and Sales tax served a notice of demand for Rs. 7·222 million while disallowing input tax adjustment claimed by the company. The company contesting the above demand filed an appeal with the Collector of Customs of Central Excise Tax which in 1993 was decided against the company for Rs. 8·006 million including additional tax of Rs. 0.784 million The company filed a		

constitutional petition in the High Court of Sindh against the above referred judgement in 1993 which was rejected by the High Court as well. The company has since filed an appeal in the Supreme Court of Pakistan In the meantime, a sum of Rs. 5.201 million has been paid by the company under protest (note 22) and pending decision of the Supreme Court of Pakistan, no provision has been made for the amount.	8,006	8,006
(viii) A demand of Rs. 1.904 million was raised by the Superintendent Customs, Central Excise and Sales-tax, Nooriabad Circle in 1993 against the company for not including the transportation and loading charges in the sale price while offering the cement cleared from the factory during 1988-89. The company has contested the above demand and filed an appeal before Appellate Tribunal Custom Excise & sales-tax (CBR), Karachi. In the meantime the company has paid Rs. 1.904 million under protest (note 22). Currently, the matter is being heard by the High Court of Sindh as a result of a constitutional petition filed by the company. Accordingly, No provision has been made for the amount.	1,904	4,701
	----------	----------
Total carried forward	313,603	425,988
Total brought forward	313,603	425,988
(ix) Liquidated damages, additional interest, late payment surcharge and central excise duty not acknowledged as due by the company as claimed by a financial institution and leasing companies after the restructuring of various liabil	410	-

(x) As a result of rescheduling/restructuring as referred to in

note 7(a) (ii), certain penalties amounting to Rs. 3.351 million have been frozen for the time being and will be considered for waiver in case of satisfactory repayment of debts.	3,351	-
	317,364	425,988

(b) Commitment

Commitment in respect of Plant expansion	265,958	250,000

15. OPERATING FIXED ASSETS

	COST OR REVALUATION					
	As at July 1, 1997 Cost	Revaluation	Additions	Disposals	As at June 30, 1998	Rat
Owned						
Freehold land	3,198	2,802	-	-	6,000	-
Building on freehold land	141,056	315,193	-	-	456,249	2..
Plant and machinery	1,115,086	169,693	7,374	-	1,292,153	Unit produc meth
Quarry equipments	50,204	-	438	-	50,642	Unit produc meth
Motor vehicles	18,493	-	1,224	1,867	17,850	20
Furniture and fixtures	5,654	-	591	-	6,245	10
Office equipment	15,245	-	517	-	15,762	10
	1,348,936	487,688	10,144	1,867	1,844,901	
Leased						
Quarry equipment	29,576	-	243	-	29,819	Unit produc

						meth
Motor vehicles	1,378	-	-	-	1,378	20
	1,379,890	487,688	10,387	1,867	1,876,098	
1997	1,307,055	487,688	74,458	1,623	1,867,578	

15.1 As stated in note 5, D.H. Daruvala and Company. Architects and Engineers, carried out revaluation of freehold land, building on free hold land and plant and machinery resulting in a surplus over their book values of Rs. 487.688 million. Consequently, the revaluation has resulted in an additional depreciation charge of Rs. 11.840 million for the year (1997: Rs. 11.499 million).

15.2 During the year the following amounts have been transferred from Capital Work-in-progress to:

	Note	**June 30, 1998 (Rs. '000)**	**June 30, 1,997**
Fixed assets		-	13,850
Building	16	7,374	33,008
Plant and machinery	16	438	242
Quarry equipment - owned		-	8,293
- leased		-	55,393
Spares held for Capital Expenditure		7,812	2,677
Insurance claim written off	26	-	675
		7,812	58,745

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

	Note	**June 30, 1998 (Rs. '000)**	**June 30, 1,997**
Cost of sales	25	38,557	36,297

Mining and other related costs	25	2,738	2,514
Administrative expenses	26	3,452	2,380
		44,747	41,191

15.4 The followin9 assets were disposed off during the year:

(Rupees i

Particulars	**Cost**	**Accumulated Depreciation**	**Written down Value**	**Sale Proceeds**	**Profit**	**Mode of disposal**	**Particula of buyers**
MOTOR VEHICLES							
Honda CD 70 KCW - 9140	25	25	-	10	10	Negotiation	Mr. Farha (Employee
Yamaha 100 KAQ - 6970	30	30	-	9	9	Negotiation	Mr. Shahi (Employee
Suzuki Sedan T - 2241	305	305	-	270	270	Negotiation	Pak Germa Prefabs L an associ undertaki
Charade F - 2108	169	154	15	70	55	Negotiation	Mr. Sulem (Employee
Honda CD 70 KCK - 4452	35	32	3	9	6	Negotiation	Mr. Shall

							(Employee
Suzuki Car P - 1664	65	32	33	35	2	Negotiation	Mr. S.H. . (Employee
Suzuki Sedan U - 8260	379	379	-	116	116	Negotiation	Mr. H.B. . (Employee
Honda Civic AAG- 007	859	172	687	710	23	Negotiation	Hassan Au mobiles.
	1,867	1,129	738	1,229	491		

	Note	June 30, 1998 (Rs. '000)	Additions/ (Transfers) (Rs. '000)	June 30, 1997 (Rs. '000)
16. CAPITAL WORK-IN-PROGRESS				
Owned				
Plant and machinery		7,907	6,319 (7,374)	8,962
Quarry equipment		-	438 (438)	-
Advances to an associated undertaking against civil works	16.1	16,815	6,859	9,956
		24,722	5,804	18,918
Leased				
Quarry equipment		7,966	-	7,966
		32,688	5,804	26,884

	Note	June 30, 1998 (Rs '000s	June 30, 1997
16.1 The maximum amount advanced to an associated undertaking at the end of any month during the year		16,815	9,956
		==========	==========

17. LONG TERM INVESTMENTS

Fully paid ordinary shares in an associated undertaking - unquoted			
5,000,000 shares of Rs. 10 each in Dadabhoy Energy Supply Company Limited. Break-up value of ordinary shares as at June 30, 1997: Rs. 10 per share based on the latest audited accounts available for the year ended June 30, 1997, equity held 38.12% (1997: 43.55%)	17.1 & 17.2	50,000	50,000
Fully paid ordinary shares in an associated undertaking - quoted			
1,876,000 (1997: 2,216,000) Ordinary shares of Rs. 10 each in Dadabhoy Sack Limited. market value as at the balance sheet date Rs. 56.280 (1997: Rs. 57.616) million. Equity held 46.90% (1997: 55.40%). The value of the company's investment, computed with reference to the net assets of the associated undertaking as disclosed in the audited accounts for the year ended June 30, 1997, amounts to Rs. 20.354 million (1996:22.522 million).		21,326	25,191
Investment in Certificate of Investments (COl's)			

with a leasing company at an annual return of 16%.	9	6,000	6,000
		----------	----------
		77,326	81,191
		==========	==========

17.1 During 1997, the company pledged 4,500,000 Ordinary shares of Rs. 10 each of Dadabhoy Energy Supply Limited, an associated undertaking, with a financial institution for the purposes of providing thereto necessary security in respect of the financial assistance extended by the financial institution to the above referred associated undertaking.

17.2 Included herein are 500,000 Ordinary shares of Rs. 10/- each are currently not in the name of the company. Necessary efforts are, however, been made to get the same transferred in the name of the company.

18. LONG TERM LOANS, DEPOSITS AND PREPAYMENT - considered good

Loans - secured

Employees		548	504
Executives		1,152	1,188
		----------	----------
		1,700	1,692
Less: Receivable within one year			
- Employees		187	295
- Executives		372	248
		----------	----------
		559	543
		----------	----------
	18.1	1,141	1,149

Deposits

Lease deposits	5,062	5,062
Other security deposits	4,063	3,591

		----------	----------
		9,125	8,653
Prepayment		-	20
		----------	----------
		10,266	9,822
		==========	==========

	Note	**June 30, 1998**	**June 30, 1997**
		(Rs '000s)	
Outstanding for period - less than three years		820	697
- three years and more		321	452
		----------	----------
		1,149	1,141
		==========	==========

18.1 Loans to executives and employees are given for personal reasons and for house building. These are granted in accordance with the service rules and are recoverable in monthly installments over a period ranging between 15 to 57 months and are secured against their gratuity entitlement.

The maximum aggregate amount of loans due from the Employees and Executives at the end of any month during the year was Rs. 0.535 and Rs. 1.295 (1997: Rs.0.907 and Rs. 1.385) million respectively.

19. STORES, SPARES AND LOOSE TOOLS

Stores	8,170	5,662
Spares -in hand	104,533	110,280
-in bond	21,653	17,078
-in transit	4,964	4,706
	----------	----------
	131,150	132,064
Loose tools	358	350
	----------	----------

		131,508	132,414
Less: Provision against slow moving spares in hand		2,905	2,905
		136,773	135,171

20. STOCK-IN-TRADE

Raw materials	20.1	10,294	21,047
Packing materials		627	2,203
Work-in-process		15,965	6,511
Finished goods		4,680	12,829
		31,566	42,590

20.1 Included herein is a sum of Rs. 5.105 million (1997: Rs. 5.597 million) representing cost of "lime stone" and "low shale" which has been estimated by the management of the company as its determination is subject to technical yard stick.

	Note	June 30, 1998 (Rs '000s)	June 30, 1997
21. TRADE DEBTS			
Considered good			
Secured		12,991	888
Unsecured	21.1	95,209	115,960
		108,200	116,848
Considered doubtful - unsecured		11,174	8,001
		119,374	124,849
Less: provision against debt considered doubtful		11,174	8,001
		108,200	116,848

========== ==========

21.1 Included herein is an amount of Rs. 3.572 million due from the associated undertakings.

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

	Note	June 30, 1998	June 30, 1997
		(Rs '000s)	
Loans			
Current portion of long term loans			
Employees		187	295
Executives		372	248
		----------	----------
	18	559	543
Advances - unsecured			
Considered good			
Employees		323	403
Executives		637	197
Suppliers		18,030	19,211
Dadabhoy Sack Limited - an associated undertaking		18,577	7,461
		----------	----------
		38,126	27,815
Deposits			
Margin against letter of credit		1,984	-
Lease deposits		135	135
		----------	----------
		2,119	135
		----------	----------
Total carried forward		40,245	27,950

Total brought forward		40,245	27,950
Prepayments			
Rent		70	-
Insurance		-	167
Miscellaneous		30	41
		----------	----------
		100	208
		----------	----------
		40,345	28,158
Other receivables			
Considered good			
Interest accrued on investment in Certificate of Investments (COIs)		1,200	240
Insurance claims		80	-
Income-tax refundable		892	892
Income4ax paid under protest	22.10	2,953	2,953
Excise duty	14(a) (vi)	5,950	4,258
Sales tax	14(a) (vii)	5,201	5,201
Transportation charges paid under protest	14(a) (viii)	2,348	4,701
Octroi refund		242	-
Miscellaneous		158	113
		----------	----------
		19,024	18,358
		----------	----------
		59,369	46,516
		==========	==========
The maximum amount due from associated undertakings and a subsidiary at the end of any month during the year		35,392	64,635
		==========	==========

22.1 This represents payment made under protest in respect of tax assessments for the years 1987-

88 to 1990-91 [note 14(a)(v)].

	June 30, 1998	June 30, 1997
	(Rs '000s)	
23. CASH AND BANK BALANCES		
In hand	2,737	261
At banks		
current accounts	5,878	1,352
saving accounts	96	91
deposit account	1	1
	----------	----------
	5,975	1,444
With a financial institution		
deposit accounts	228	375
	----------	----------
	8,940	2,080
	==========	==========

	Year ended June 30, 1998	Year ended June 30, 1997
	(Rs '000s)	
24. NET SALES		
Gross sales	2,019,668	1,716,127
Less: Sales tax	14,491	259,889
Excise duty	817,462	548,291
Incentives and discounts	187,348	152,035
	----------	----------
	1,019,301	960,215
	----------	----------
	1,000,367	755,912

25. COST OF SALES

Opening stock		
Raw materials	21,047	35,124
Packing materials	2,203	3,076
	23,250	38,200
Add: Purchases	230,411	186,528
Mining and other related costs including depreciation of Rs. 2.738 million (1997: Rs. 2.514 million)	24,545	30,902
	254,956	217,430
Total carried forward	278,206	255,630

	Year ended June 30, 1997	Year ended June 30, 1998
	(Rs '000s)	
Total brought forward	278,206	255,630
Less: Closing stock		
Raw materials	10,294	21,047
Packing materials	627	2,203
	10,921	23,250
	267,285	232,380
Stores and spares consumed	32,171	27,892
Fuel and power	469,037	395,263
Salaries, wages and other benefits	40,381	39,863

Contract labour	6,982	6,866
Rent, rates and taxes	96	165
Fees and subscription	457	248
Insurance	6	4,798
Repairs and maintenance	1,845	2,058
Depreciation	38,557	36,297
Advertisement and publicity	94	147
Transportation	2,402	1,772
Canteen subsidy	646	681
Telephone and telex	637	705
Postage and telegram	85	133
Vehicle up-keep	1,921	1,620
Printing and stationery	579	697
Entertainment	175	159
Miscellaneous	859	756
	----------	----------
	864,215	752,500
Work-in-process		
Opening stock	6,511	7,261
Closing stock	(15,965)	(6,511)
	----------	----------
	(9,454)	750
	----------	----------
Cost of goods manufactured	854,761	753,250
Finished goods		
Opening stock	12,829	8,860
Closing stock	(4,680)	(12,829)
	----------	----------
	8,149	(3,969)
	----------	----------
	862,910	749,281
	==========	==========

	Year ended June 30,	**Year ended June 30,**

	Note	1998	1997
		(Rs '000s)	

26. ADMINISTRATIVE EXPENSES

	Note	1998	1997
Salaries, wages and other benefits		19,340	19,658
Travelling and conveyance		3,645	2,108
Rent, rates and taxes		1,421	1,692
Printing and stationery		1,346	922
Entertainment		196	129
Utilities		818	868
Telephone and telex		1,158	2,001
Postage and telegram		182	160
Repairs and maintenance		777	629
Newspaper and subscription		215	668
Security and protection		624	469
Vehicle up-keep		1,714	1,439
Auditors' remuneration	26.1	569	804
Donations	26.2	572	603
Insurance		230	1,066
Legal and professional		4,299	2,806
Advertisement		155	204
Depreciation		3,452	2,380
Advance to employees written off		10	98
Deposits written-off		94	53
Bad debts provided for		3,173	1,864
Insurance claim (CWIP) written-off		-	675
Miscellaneous		751	488
		44,741	41,784

26.1 Auditors' remuneration

	1998	1997
Audit fee	60	60
Taxation, accounting and share registrar services	434	652

Out-of-pocket expenses	75	92
	569	804

26.2 No directors or their spouses have any interest in any donees fund to which donations were made.

	Note	Year ended June 30, 1998 (Rs '000s)	Year ended June 30, 1997
27. SELLING AND DISTRIBUTION EXPENSES			
Salaries, wages and other benefits		4,064	3,743
Travelling and conveyance		305	318
Entertainment		57	60
Rent		308	310
Printing and stationery		317	269
Advertisement and publicity		3,516	3,643
Insurance		-	178
Vehicle up-keep		818	727
Repairs and maintenance		52	29
Utilities		152	324
Telephone and telex		736	788
Miscellaneous		166	239
		10,491	10,628
28. FINANCIAL CHARGES			
Interest on:			
long term secured loans		38,878	-
gratuity fund		1,184	871
provident fund		757	517

Mark-up on:			
secured loans under mark-up arrangements, including late payment surcharge of Rs. 0.509 million		24,805	-
secured short term running finances		2,061	1,337
Financial charges on obligations under finance leases, including late payment charges of Rs. Nil (1997: Rs. 0.383) million		8,219	7,629
Bank charges		953	1,196
Central excise duty on short term running finance		9	80
		----------	----------
		76,866	11,630
		==========	==========

29. OTHER INCOME

Dividend income from a subsidiary		-	2,216
Income from investment in Certificate of Investments (COls)		960	960
Return on bank deposits		94	365
Scrap sales		1,129	1,431
Gain on sale of fixed assets	15.4	491	697

	Note	**Year ended June 30, 1998**	**Year ended June 30, 1997**
		(Rs '000s)	
Accrued interest on redeemable capital written back	13.1	6,295	1,101
Net reduction in the principal balances of outstanding TFCs on their conversion	7(a)	3,036	764
Liabilities written-back		376	1,032
Gain on sale of investment - net		2,255	-
Miscellaneous		-	70
		----------	----------

	14,636	8,636
	==========	==========

30. DEFERRED TAXATION

Deferred taxation in respect of the current year arising due to timing differences computed under the liability method is estimated at Rs. 210.328 million credit of which Rs. 18.045 million credit relates to the current year (1997: Rs. 192.283 million credit, for the year Rs. 40.474 million credit)in view of the ongoing capital expenditure projects, it is expected that this trend of accelerated tax liability will continue in the near future. As such no deferred tax liability has been provided in these accounts (note 2.9).

		June 30, 1998	**June 30, 1997**
		(Rs '000s)	
31. CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	8,940	2,080
Short term running finances	11	(13,196)	(146,300)
		----------	----------
		(4,256)	(144,220)
		==========	==========

32. REMUNERATION OF CHIEF EXECUTIVE,
DIRECTOR AND EXECUTIVES

The aggregate amounts incurred during the year for remuneration, including all benefits to the Chief Executive, a Director and the Executives of the Company are as follows:

	Chief Executive		**Director**		**Executives**	
	Year ended June 30, 1998	**Year ended June 30, 1997**	**Year ended June 30, 1998**	**Year ended June 30, 1997**	**Year ended June 30, 1998**	**Year e June 199**
Managerial remuneration	840	840	1,920	1,920	9,123	
Conveyance and utilities	-	-	-	-	668	

Retirement and other benefit	95	-	200	-	759
Medical expenses	-	-	-	-	422
	935	840	2,120	1,920	10,972
Number of persons	1	1	1	1	29

The company provides the Chief Executive, Director and certain Executives with the use of company cars.

	Year ended June 30, 1998 (Rs '000s)	**Year ended June 30, 1997**
33. TRANSACTIONS WITH ASSOCIATED COMPANIES		
Purchase of goods	115,088	105,127
Sale of goods	1,459	-
Advances	17,976	74,592
Shares pledged on behalf an associated undertaking	-	45,000
Disposal of a motor vehicle	270	-
34. CAPACITY - Cement	**M. Tons**	**M. Tons**
Installed capacity	409,500	409,500
Production	547,054	485,111

35. UNAVAILED CREDIT FACILITY

Rs. 23.995 million (1997: Nil)

36. GENERAL

36.1 Figures have been rounded off to the nearest thousand rupee.

36.2 Figures have been rearranged and regrouped, wherever considered necessary, for the purposes of comparison.

MOHAMMAD AMIN DADABHOY	**FAZAL KARIM DADABHOY**
Chief Executive	Director

PATTERN OF SHAREHOLDING
AS ON 30TH JUNE, 1998

Number of Shares From	**To**	**Number of Shareholders**	**Number of Shares Held**	**Percentage of issued capital**
1	100	226	21,060	0.05
101	500	2042	956,950	2.40
501	1000	1758	1,394,600	3.50
1001	5000	689	1,625,500	4.08
5001	10000	104	760,750	1.91
10001	15000	19	243,950	0.61
15001	20000	10	181,200	0.45
20001	25000	11	247,850	0.62
25001	30000	5	146,550	0.37
30001	35000	4	133,600	0.34
35001	40000	1	37,200	0.09
40001	45000	1	40,900	0.10
50001	55000	1	51,900	0.13
55001	60000	1	59,500	0.15
60001	65000	2	124,750	0.31
70001	75000	3	219,450	0.55
100001	105000	1	101,900	0.26
135001	140000	1	140,000	0.35
245001	250000	2	500,000	1.25
305001	310000	1	307,500	0.77
360001	365000	1	362,900	0.91
505001	510000	2	1,020,000	2.56

585001	590000	1	589,875	1.48
1580002	1585000	1	1,582,575	3.97
2035001	2040000	1	2,039,500	5.12
2515001	2520000	1	2,517,400	6.31
3035001	3040000	1	3,035,350	7.61
21425001	21430000	1	21,426,090	53.74
TOTAL:-		4891	39,868,800	100.00

CATEGORIES OF SHAREHOLDERS

	Number	Shares	Percentage(%)
INDIVIDUALS	4862	10,212,010	25.61
JOINT STOC COMPANIES	4	21,492,890	53.91
FINANCIAL INSTITUTIONS & INVESTMENT COMPANIES	25	8,163,900	20.48
	4891	39,868,800	100%