

**Fecto Cement Limited**  
**Annual Report 1998**

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**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

**CHAIRMAN**

Mr. Mohammed Asad Fecto

**CHIEF EXECUTIVE**

Mr. Mohammed Yasin Fecto

**DIRECTORS**

Mr. Ghulam Mohammed A. Fecto  
Mr. Mohammed Ilyas Khan  
Mr. Muhammad Nasim Khan  
Mr. Muhammad Umer Memon  
Mr. Safdar Abbas Morawala  
Mr. Shahid Hassan  
Mr. Afaq Jamal Hussain  
Mr. Abdul Jaleel Shaikh

**SECRETARY**

Mr. Abdul Aleem, FCA

**AUDITORS**

Taseer Hadi Khalid & Co,  
Chartered Accountants

Rahim Iqbal Rafiq & Co.  
Chartered Accountants

**LEGAL ADVISOR**

Nisar Law Associates

51, Mozang Road  
Lahore

**REGISTERED OFFICE**

35-Darulaman Housing Society  
Block 7/8, Shakra e Faisal  
Karachi

**FACTORY**

Sangjani, Islamabad

**MARKETING OFFICE**

2nd Floor, Majeed Plaza  
Bank Road, Saddar  
Rawalpinid

**SHARE REGISTRAR OFFICE**

Uni Corporate & Financial Services  
4th Floor, Bank Square No, 2  
M. A. Jinnah Road  
Karachi

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 17th Annual General Meeting of the Members of the Company will be held at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shakra-e-Faisal, Karachi on Thursday, December 31, 1998 at 4.00 p.m. to transact the following business:

**ORDINARY BUSINESSES**

1. To confirm the Minutes of the 16th Annual General Meeting held on December 31, 1997.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 1998 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors and fix their remuneration. The present Auditors Messrs. Taseer Hadi Khalid & Co., Chartered Accountants and Messrs. Rahim Iqbal Rafiq & Co., Chartered Accountants retire and being eligible, offer themselves for re appointment.

**SPECIAL BUSINESS**

4. To consider and if thought fit to pass with or without modification the following as Special Resolution to revise fee paid to Directors for attending Board Meeting:

"Resolved that in article 61 (a) of the Articles of Association of the Company, the figure "500/" be substituted by the figure "5,000/-"

5. To transact any other business with the permission of the Chair.

By Order of the Board

**(ABDUL ALEEM)**  
Company Secretary

Karachi: November 28, 1998

**Notes:**

1. The Share Transfer Books of the Company will remain closed from Monday, December 21, 1998 to Thursday, December 31, 1998 (both days inclusive).
2. A Member entitled to attend, speak and vote at this meeting may appoint another Member as his/her proxy to attend, speak and vote on his/her behalf,
3. Account Holders and Sub-Account Holders of Central Depository Company of Pakistan Limited are requested to bring their original National Identity Card along with a photocopy of the same for identification
4. An instrument appointing a proxy must be received at the Registered Office of the Company not later than forty-eight hours before the time appointed for the Meeting. A Member shall not be entitled to appoint more than one proxy. If a Member appoints more than one proxy and more than one instrument of proxy are deposited by a Member with the Company, such instruments shall be rendered invalid.
5. Members are requested to notify any change in their address immediately.
6. Members should quote their Folio Number in all correspondence and at the time of attending the Meeting.

**STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984**

Fee payable to a Director for attending Board Meeting was fixed at Rs. 500/- in 1981 which needs a revision in view of the present value of money and lapse of almost 17 years from its fixation. Further the Institutional Directors have also desired revision of fee to some reasonable and respectable level. Therefore, members' approval is sought for revising the fee payable to non working directors for attending Board Meetings from Rs, 500/- to Rs. 5,000/- and amending the concerned article of the Articles of Association, The Directors will be interested in the business to the extent of revision.

**DIRECTORS' REPORT TO THE MEMBERS**

**Dear Members**

Your Directors are pleased to present their report along with the audited accounts for the year

ended June 30, 1998,

The depressed market condition and excessive supply of cement have adversely affected the operating efficiency and financial results of the company.

#### **OPERATING PERFORMANCE**

The production and despatches for the year under review are as follows:

	<b>1998</b>	<b>1997</b>
	<b>Tonnes</b>	
Production		
Clinker	547,302	671,882
Cement	574,507	716,748
Despatches	573,727	716,941

#### **OPERATING RESULT**

Cement industry continues to suffer due to glut of cement. The current economic conditions of the country and the excess availability of cement adversely affected the operating results of the company.

The gross profit rate has reduced from 4,60% to 0,80% due to increase in production cost per tonne as a result of low production. Although the operating expenses and financial charges have reduced by 3.64% and 39.23% respectively as compared to corresponding period but still company has suffered loss before taxation of Rs. 79.273 million.

#### **DEBT OBLIGATION**

Inspire of liquidity squeeze the company continues to meet its financial commitments and debt obligations on time.

#### **FUTURE PROSPECTS**

The current economic turmoil, excess supply of cement and high rates of inflation present a very bleak future for the industry. The industry has almost become sick due to irrational attitude of the Government towards the industry.

#### **BOARD OF DIRECTORS**

During the year under review National Development Finance Corporation changed its nominee directors and as a result Mr. Muhammad Sharif Shafique and Mr. Afzalul Haque were replaced by Mr. Shahid Hassan and Afaq Jamal Hussain. Further Mr. Abdul Waheed Mian resigned from the Board and in his place Mr. Safdar Abbas Morawala was co-opted by the Board. The Board places on record its appreciation for the valuable support and contribution by the outgoing Directors and welcomes the new Directors.

**AUDITORS**

Present auditors M/s. Taseer Hadi Khalid & Co., Chartered Accountants and M/s. Rahim Iqbal Rafiq & Co., Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.

**YEAR 2000 COMPLIANCE**

Computer hardware and software used for financial applications and other purposes have been thoroughly examined and it has been ensured that the Millennium Bug will effect none of these. The steps taken include upgradation, modification and replacement of certain hardware and software.

Preliminary investigation and consultation have also been completed in respect of computers used in production process and corrective measures have been adopted. However, for the sake of abundant caution, Company is also undertaking detailed study in consultation with the machinery suppliers which is underway and is strongly expected to end with the same conclusion.

Associated companies are using computers only for financial applications and other purposes. They have also taken the same corrective measures and their computers would also not be effected.

The Company is not dependent on any single major supplier, buyer, debtor etc. for procurement of material or sale of its product except for purchase of Furnace Oil and Electricity for which the Company is dependent on Pakistan State Oil Company Ltd. and Water & Power Development Authority who may encounter the problem of Millennium Bug.

**PATTERN OF SHAREHOLDING**

A statement showing the pattern of shareholding as at June 30, 1998 is annexed,

**ACKNOWLEDGMENT**

The Directors would like to place on record their appreciation for the strenuous efforts and dedicated work of the staff and workers and for the efforts made by the dealers in giving full support to our marketing policies. It is hoped that they will continue to work with same spirit in the years to come to surmount the problems being faced by the company. We would also like to express our sincere thanks to all the financial institutions for their continued support and co-operation.

On behalf of the Board

**(Mohammed Asad Fecto)**

Chairman

Karachi: November 28, 1998

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of FECTO CEMENT 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 the 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 loss and the changes in financial position for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

**TASEER HADI KHALID & CO.**  
Chartered Accountants

**RAHIM IQBAL RAFIQ & CO.**  
Chartered Accountants

Karachi: November 28, 1998.

**BALANCE SHEET AS AT JUNE 30, 1998**

	Note	(Rupees in Thousands)	
		1998	1997
<b>SHARE CAPITAL</b>			

**Authorised:**

50,000,000 Ordinary Shares of Rs. 10/- each		500,000	500,000
		=====	=====

**Issued, subscribed and paid-up**

45,600,000 Ordinary Shares of Rs. 10/- each			
Issued for Cash		456,000	456,000

**RESERVES**

3	149,653	189,698
	-----	-----
	605,653	645,698

**REDEEMABLE CAPITAL**

4	-	15,756
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**LONG TERM LOANS**

5	103,643	200,108
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**DEFERRED LIABILITIES**

7	262,431	327,325
---	---------	---------

**LONG TERM DEPOSITS**

8	21,810	23,224
---	--------	--------

**CURRENT LIABILITIES:**

Current Maturity of Long Term Liabilities	9	112,222	89,779
Creditors, Accrued & Other Liabilities	10	376,756	332,327
Provision for Taxation		5,607	15,033
		-----	-----
		494,585	437,139
		-----	-----
		1,488,122	1,649,250
		=====	=====

**OPERATING FIXED ASSETS**

11	996,158	1,107,958
----	---------	-----------

**LONG TERM DEPOSITS**

	4,253	11,772
--	-------	--------

**DEFERRED EXPENSES**

12	-	1,153
----	---	-------

**CURRENT ASSETS:**

Stores and Spares	13	298,473	289,059
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Stock-in-Trade	14	23,665	15,382
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Trade Debtors-Unsecured Considered Good		19,292	26,576
---	--	--------	--------

Advances, Deposits and Pre-payments	15	88,639	127,377
-------------------------------------	----	--------	---------

Cash and Bank Balances	16	57,642	69,973
		-----	-----
		487,711	528,367
		-----	-----
		1,488,122	1,649,250
		=====	=====

These accounts should be read in conjunction with the attached notes

**(MOHAMMED YASIN FECTO)**

Chief Executive

**(MOHAMMED ASAD FECTO)**

Chairman

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

		(Rupees in Thousands)	
	Note	1998	1997
<b>SALES-NET</b>	17	1,098,932	1,298,181
<b>COST OF SALES</b>	18	1,090,193	1,238,397
		-----	-----
<b>GROSS PROFIT</b>		8,739	59,784
 <b>OPERATING EXPENSES</b>			
General & Administrative	19	34,807	35,713
Selling & Distribution	20	23,101	24,380
		-----	-----
		57,908	60,093
		-----	-----
		(49,169)	(309)
		-----	-----
<b>FINANCIAL CHARGES</b>	21	52,343	86,161
<b>OTHER INCOME</b>	22	(22,388)	(32,265)
<b>WORKERS' WELFARE FUNDS</b>		149	3,113
		-----	-----
		30,104	57,009
		-----	-----
<b>(LOSS) BEFORE TAXATION</b>		(79,273)	(57,318)
<b>PROVISION FOR TAXATION</b>			
Current Year	23	5,607	12,723
Prior Year		(21,116)	(1,220)
Deferred		(23,719)	-
		-----	-----
		(39,228)	11,503
		-----	-----
<b>(LOSS) AFTER TAXATION</b>		(40,045)	(68,821)
<b>ACCUMULATED (LOSS)/PROFIT BROUGHT FORWARD</b>		(60,302)	8,519
		-----	-----
<b>ACCUMULATED (LOSS) CARRIED FORWARD</b>		(100,347)	(60,302)
		=====	=====

These accounts should be read in conjunction with the attached notes.

(MOHAMMED YASIN FECTO)  
Chief Executive

(MOHAMMED ASAD FECTO)  
Chairman



**STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30, 1998**

	(Rupees in Thousands)	
	1998	1997
<b>Cash Flows from Operating Activities</b>		
Net (Loss) before Taxation	(79,273)	(57,318)
Adjustments for:		
Depreciation	112,463	126,690
Amortisation of Deferred Cost	1,153	2,306
(Gain)/Loss on Disposal of Fixed Assets	(763)	83
Foreign Exchange (Gain)/Loss	(990)	2,152
Financial Charges	53,333	84,009
	-----	-----
Operating Profit before Working Capital Changes	85,923	157,922
(Increase) in Stores and Spares	(9,414)	(50,249)
(Increase)/Decrease in Stock-in-Trade	(8,283)	5,025
Decrease in Trade Debtors	7,284	160
Decrease in Advances and Pre-payments	1,308	42,583
Increase in Creditors, Accrued and Other Liabilities	18,735	60,878
	-----	-----
Cash Generated from Operations	95,553	216,319
Financial Charges Paid	(62,457)	(112,323)
Income Tax Paid/Deducted at Source	(30,832)	(60,639)
Long Term Deposits Received	(1,414)	(1,563)
Long Term Deposits Given	7,519	(6,166)
	-----	-----
Net Cash from in Operating Activities	8,369	35,628
<b>Cash Flows from Investing Activities</b>		
Fixed Capital Expenditure	(3,221)	(2,381)
Sale Proceeds of Fixed Assets	3,321	1,584
Advances to Associated Companies	74,345	34,403
	-----	-----
Net Cash from Investing Activities	74,445	33,606
<b>Cash Flows from Financing Activities</b>		
Repayment of Long Term Loans	(68,539)	(107,160)
Repayment of Redeemable Capital	(21,239)	(64,568)
Repayment of Lease Finance	-	(2,237)
Dividend Paid	(5,367)	(16,566)
	-----	-----

Net Cash used in Financing Activities	(95,145)	(190,531)
	-----	-----
Net (Decrease) in Cash & Bank Balances	(12,331)	(121,297)
Cash and Bank Balances as at July 1	69,973	191,270
	-----	-----
Cash and Bank Balances as at June 30	57,642	69,973
	=====	=====

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

**1. STATUS AND NATURE OF BUSINESS**

The Company was incorporated in Pakistan on February 28, 1981 as a public limited company and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in production and sale of cement.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Accounting Convention**

The accounts are prepared under the historical cost convention as modified by capitalization of certain exchange differences.

**2.2 Tangible Fixed Assets**

Operating fixed assets are stated at cost (including where relevant related borrowing cost and exchange difference) less accumulated depreciation, except free hold land which is stated at cost.

ii) Capital work in progress is stated at cost including where relevant, related financing costs. These costs are transferred to fixed assets as and when assets are available for use.

iii) Depreciation is charged to income applying the reducing balance method at the rates specified in Note 11. Full year's depreciation is charged on additions, while no depreciation is charged on assets disposed off.

iv) Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized, Gains and losses on disposal of assets, if any, are included in income currently.

**2.3 Assets Subject to Finance Lease**

i) These are stated at lower of present value of minimum lease payments under the lease agreements and fair value of assets acquired on lease, The related obligations of the lease are accounted for as liabilities, Assets acquired under the finance lease are depreciated over the useful life of the assets in the same

manner as the owned assets.

ii) Finance charge under the lease agreements is allocated to the periods during lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability of each period.

#### **2.4 Staff Retirement Benefits**

The Company operates a Contributory Provident Fund Scheme for all its eligible employees. Contributions in respect thereof are made in accordance with the terms of Scheme.

#### **2.5 Deferred Costs**

Deferred costs are amortized over a period of five years from the year of expenditure. However, deferred costs prior to the commencement of commercial operations were accumulated and are being amortized over a period of five years from the commencement of commercial operations.

#### **2.6 Stores, Spares and Loose Tools**

These are valued at moving average cost other than stores and spares in transit which are valued at cost comprising invoice value plus other charges paid thereon,

#### **2.7 Stock-in-trade**

Stock-in-trade is valued at lower of cost and net realizable value. Cost signifies in relation to:

<b>Raw Material produced by the Company</b>	At average cost comprising of excavation cost, labour and appropriate overheads
<b>Other Raw Material and Packing Material</b>	At cost determined on first-in-first-out basis
<b>Work-in-process and Finished Goods</b>	At average cost comprising direct material, labour and appropriate manufacturing overheads

Net realizable value signifies the selling price less costs necessary to be incurred in order to make the sale,

#### **2.8 Foreign Currency Translation**

Assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are converted into Rupees at the rate of exchange ruling on the date of transaction. All exchange differences are included in income currently.

#### **2.9 Taxation**

**Current:**

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

**Deferred:**

The Company accounts for deferred taxation on all significant timing differences using the liability method. However, net deferred tax debits, if any, are not recognized.

**2.10 Revenue Recognition**

Sales are recorded on despatch of goods to customers.

	(Rupees in Thousands)	
	1998	1997
<b>3. RESERVES</b>		
General Reserve:		
At the beginning of the year	250,000	250,000
Accumulated (Loss)	(100,347)	(60,302)
	-----	-----
	149,653	189,698
	=====	=====
<b>4. REDEEMABLE CAPITAL- NON PARTICIPATORY-SECURED</b>		
Long Term Finance Certificates:		
Bankers Equity Limited-Led Syndicate	(Note 6) 15,756	31,512
Finance against Locally Fabricated Machinery:		
Bankers Equity Limited	(Note 6) -	5,483
	-----	-----
	15,756	36,995
Less: Current Maturity	15,756	21,239
	-----	-----
	-	15,756
	=====	=====
<b>5. LONG TERM LOANS-FROM FINANCIAL INSTITUTIONS-SECURED</b>		
Foreign Currency Loan (Rupee Converted):		
National Development Finance Corporation	(Note 6) 10,695	32,086
Local Currency Loans:		
National Development Finance Corporation:		
- Term Loan No. 1	(Note 5.1 & 6) 132,000	158,400
- Term Loan No. 2	(Note 5.2 & 6) 1,726	3,452

- Term Loan No. 3	(Note 5.2 & 6)	6,801	13,601
- Term Loan No. 4	(Note 5.2 & 6)	48,887	61,109
		-----	-----
		189,414	236,562
		-----	-----
		200,109	268,648
Less: Current Maturity		96,466	68,540
		-----	-----
		103,643	200,108
		=====	=====

5.1 This represents the outstanding balance as on June 30, 1989 of foreign currency loan converted into local currency term loan at the exchange rate prevailing on June 30, 1989.

5.2 These term loans represent un-paid interest capitalised by National Development Finance Corporation as local currency loans.

#### 6. TERMS AND CONDITIONS OF FINANCING

Institution/Type of Loan	(Rupees in Thousands)					
	Amount Sanctioned	Amount Disbursed/ Capitalized	Re-Sale Price	Rebate	Rate of Mark-up/ Interest	Repayment Commencement In Date
<b>REDEEMABLE CAPITAL-</b>						
<b>NON PARTICIPATORY</b>						
Long Term Finance Certificates:						
Bankers Equity Limited-Led-Syndicate	252,096	256,095	533,588	33,184		- 16 Half Yearly 01
Finance against Locally Fabricated Machinery:						
Bankers Equity Limited	160,000	153,520	300,933	118,734		- 28 Quarterly 01
<b>LONG TERM LOANS:</b>						
Long Term Foreign Currency Loan (Rupee Converted):						
National Development Finance Corporation (U.S. \$ 9.486 Million)	-	171,124	-	-	14%	01-Mar-91 16
Long Term Local Currency Loans:						
National Development Finance Corporation:						
Term Loan No. 1 (U.S.\$ 28.550 Million)	446,078	446,078	-	-	14%	01-Jan-93 16

Term Loan No. 2	13,809	13,809	-	-	15%	01-Sep-91	16
Term Loan No. 3	54,405	54,405	-	-	15%	01-Sep 91	16
Term Loan No. 4	195,550	195,550	-	-	15%	01-Jul-92	16

**PENAL PROVISIONS**

The Company has agreed to pay an additional amount equivalent to 20 percent of the face value of long term finance certificates and locally fabricated machinery loan as and by way of liquidated damages for failure to perform its obligations to Bankers Equity Limited,

The Company would be liable to pay 2 percent additional interest, if dues are not paid on due dates on National Development Finance Corporation's loans.

**SECURITY**

The finances are secured by way of first charge on all movable and immovable properties of the Company ranking pari passu with other financial institutions,

**(Rupees in Thousands)**  
**1998**                      **1997**

**7. DEFERRED LIABILITIES**

Deferred Taxation		226,710	250,429
Deferred Mark-up		117,216	126,192
Less: Transferred to Current Liabilities		81,495	49,296
		-----	-----
		35,721	76,896
		-----	-----
		262,431	327,325
		=====	=====

**8. LONG TERM DEPOSITS-UNSECURED**

Dealers	(Note 8.1)	18,650	20,700
Suppliers and Contractors	(Note 8.2)	3,160	2,524
		-----	-----
		21,810	23,224
		=====	=====

8.1 This represents interest free security deposits, received from cement agency holders and is repayable on cancellation or withdrawal of agency. The Company in terms of written contract with the agency holders is entitled to utilise the deposits, as provided in Section 226 of the Companies Ordinance, 1984.

8.2 This represents interest free security deposits received from suppliers and contractors

and is repayable after the satisfactory execution or the cancellation of agreements.  
The Company is entitled in terms of written contract with the contractors and suppliers  
to utilise the deposits, as provided in Section 226 of the Companies Ordinance, 1984.

**9. CURRENT MATURITY OF LONG TERM LIABILITIES**

Redeemable Capital - Non Participatory	15,756	21,239
Long Term Loans	96,466	68,540
	-----	-----
	112,222	89,779
	=====	=====

**10. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Creditors for Goods	44,039	49,781
Accrued Expenses	18,393	22,453
Workers' Profit Participation Fund	(Note 10.1) -	-
Mark-up on Long Term Finance Utilised		
Under Mark-up Arrangements - Secured	81,495	49,296
Advances from Customers	135,149	121,649
Commitment Charges	35,700	36,691
Royalty Payable	252	396
Excise Duty Payable	9,937	8,871
Sales Tax Payable	15,000	4,443
Taxes Withheld	235	191
Unclaimed Dividend	11,027	11,132
Unpaid Dividend	248	5,510
Other Liabilities	25,281	21,914
	-----	-----
	376,756	332,327
	=====	=====

**10.1 WORKERS' PROFIT PARTICIPATION FUND**

Opening Balance	-	5,604
Add: Contribution for the year	-	-
Interest accrued	-	461
	-----	-----
	-	6,065
Less: Payment during the year/period	-	6,065
	-----	-----
	-	-
	=====	=====

**11. OPERATING FIXED ASSETS**

	Cost				Rate	Depreciation		
	As At July 01 1997	Additions	Sale/ Disposals	As At June 30 1998		As At July 01 1997	During the year	Adjustment
Owned:								
Freehold Land	18,084	-	-	18,084	-	-	-	-
Factory Building on Freehold Land	248,673	-	-	248,673	10%	107,208	14,147	-
Non Factory Building on Freehold Land	110,902	-	-	110,902	5%	30,097	4,040	-
Office Premises	2,415	-	-	2,415	5%	664	88	-
Plant, Machinery and Equipment	1,438,035	-	-	1,438,035	10%	666,147	77,189	-
Quarry Transport Equipment	240,162	-	-	240,162	20%	178,692	12,294	-
Furniture, Fixtures and Equipment	30,878	550	322	31,106	10%	11,952	1,925	100
Motor Vehicles	27,675	2,671	3,723	26,623	20%	14,133	2,775	1,387
Library Books	113	-	-	113	20%	86	5	-
1998	2,116,937	3,221	4,045	2,116,113		1,008,979	112,463	1,487
1997	2,116,961	2,381	2,405	2,116,937		883,028	126,690	739

	1998	1997
<b>ALLOCATION:</b>		
Excavation Cost	28,218	33,065
Manufacturing Cost	80,453	89,255
Administrative and General	2,948	3,377
Selling and Distribution	844	993
	-----	-----
	112,463	126,690
	=====	=====



(Rupees in Thousands)

11.1 Detail of Operating Fixed Assets disposed off during the year is as follows:

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
<b>Vehicles:</b>						
Honda Civic	723	307	416	610	Insurance Claim	Adamjee Insurance Co, Ltd, and EFU General Insurance Co. Ltd.
Toyota Land Cruiser	3,000	1,080	1,920	2,694	Negotiation	Cynamid (Pakistan) Limited S-33, Hawks Bay Road, S.I.T.E., Karachi
<b>Furniture Fixtures &amp; Office Equipment:</b>						
Telephone Installations	36	7	29	17	Insurance Claim	Adamjee Insurance Co, Ltd, and EFU General Insurance Co, Ltd,
Telephone Installations	122	28	94	-	Scrapped	-
Fax Machines	164	65	99	-	Scrapped	-
1998	4,045	1,487	2,558	3,321		
1997	2,405	739	1,666	1,584		

(Rupees in Thousands)

1998                      1997

12. DEFERRED EXPENSES

Quarry Development	3,163	3,163
Preliminary Expenses	167	167
Share Issue Expenses	11,531	11,531

	-----	-----
	14,861	14,861
Less: Amortised	14,861	13,708
	-----	-----
	-	1,153
	=====	=====
<b>13. STORES AND SPARES</b>		
Stores	26,037	33,943
Spares	270,426	254,914
Store in transit	2,010	202
	-----	-----
	298,473	289,059
	=====	=====
<b>14. STOCK IN TRADE</b>		
Finished Goods	7,467	5,613
Work-in-Process	8,270	165
Raw Material	4,077	3,948
Packing Material	3,851	5,656
	-----	-----
	23,665	15,382
	=====	=====
<b>15. ADVANCES, DEPOSITS AND PRE-PAYMENTS</b>		
Advances-unsecured considered good		
Employees	1,406	1,023
Executives	(Note 15.1) 1,683	1,030
Suppliers and Contractors	11,394	5,759
Associated Company - (Pakistan Agro Forestry Corp. (Pvt.) Limited)	(Note 15.2 & 15.3) 9,675	84,020
Advance Income Tax	47,965	11,050
Advance Excise Duty & Sales Tax	9,878	5,846
Other Receivables	196	107
Pre-payments	6,442	18,542
	-----	-----
	88,639	127,377
	=====	=====

15.1 The maximum aggregate amount due from executives of the Company at the end of any month during the year was Rs. 1.866 million (1997Rs. 1,057 million),

15.2 Mark-up @ 50 paisas per thousand rupees on daily product basis is charged on amounts received from/paid to associated Company,

15.3 The aggregate maximum amount due from associated company at the end of any

month during the year was Rs. 30,644 (1997 - Rs. 126,555 million)

**16. CASH AND BANK BALANCES**

In Hand	253	246
With Banks	57,389	69,727
	-----	-----
	57,642	69,973
	=====	=====

**17. SALES-NIT**

Sales	1,973,669	2,512,366
Less: Excise Duty	874,737	838,151
Sales Tax	-	376,034
	-----	-----
	874,737	1,214,185
	-----	-----
	1,098,932	1,298,181
	=====	=====

**18. COST OF SALES**

Raw and Packing Material Consumed:

Opening Stock	9,604	15,346
Purchases	140,261	194,202
Excavation Cost	79,318	95,619
	-----	-----
	229,183	305,167
Closing Stock	(7,928)	(9,604)
	-----	-----
	221,255	295,563
Fuel and Power	612,171	665,414
Stores and Spares Consumed	85,709	91,172
Salaries, Wages and Benefits	62,645	59,199
Insurance	19,760	20,086
Repairs and Maintenance	2,409	3,271
Rent, Rates and Taxes	60	76
Depreciation	80,453	89,255
Other Manufacturing Overheads	15,690	15,078
	-----	-----
	1,100,152	1,239,114
Add: Opening Work-in-Process	165	203
Less: Closing Work-in-Process	(8,270)	(165)
	-----	-----
Cost of Goods Manufactured	1,092,047	1,239,152

Add: Opening Finished Goods	5,613	4,858
Less: Closing Finished Goods	(7,467)	(5,613)
	-----	-----
Cost of Sales	1,090,193	1,238,397
	=====	=====

**19. GENERAL & ADMINISTRATIVE EXPENSES**

Salaries, Wages and Benefits	15,330	14,745
Travelling and Conveyance	1,590	975
Vehicles Running Expenses	2,033	1,654
Communications	2,645	3,010
Printing and Stationery	469	601
Rent, Rates and Taxes	2,520	1,883
Utilities	1,274	1,281
Repairs and Maintenance	824	780
Legal and Professional Charges	1,256	2,386
Auditors' Remuneration	236	392
Donations	478	600
Depreciation	2,948	3,377
Amortisation of Deferred Cost	1,153	2,306
Miscellaneous	2,051	1,723
	-----	-----
	34,807	35,713
	=====	=====

**19.1 AUDITORS' REMUNERATION**

	1998		1997	
	Rahim Iqbal Rafiq & Co.	Taseer Hadi Khalid & Co.	Rahim Iqbal Rafiq & Co.	Taseer Hadi Khalid & Co.
Audit Fee	100	100	90	90
Other Services	-	-	165	-
Excise Duty	-	-	8	8
Out of Pocket Expenses	11	25	11	20
	-----	-----	-----	-----
	111	125	274	118
	=====	=====	=====	=====
		236		392
		=====		=====

19.2 None of the Directors or their spouse have any interest in the above donee Funds.

**20. SELLING & DISTRIBUTION EXPENSES**

Salaries, Wages and Benefits	9,761	9,101
Travelling and Conveyance	537	491
Vehicles Running Expenses	1,207	1,153
Communications	1,118	1,415
Rent, Rates and Taxes	865	1,404
Repairs and Maintenance	159	522
Advertisement	4,610	5,191
Marking Fee	1,786	2,088
Depreciation	844	993
Miscellaneous	2,214	2,022
	-----	-----
	23,101	24,380
	=====	=====

**(Rupees in Thousands)****1998****1997****21. FINANCIAL CHARGES**

Mark-up on:

Long Term Redeemable Capital	(Note 21.1)	5,710	13,237
Long Term Loans		46,444	63,914
Mark-up on Lease Financing		-	12
Mark-up on Running Finance		547	-
Excise Duty on Finances		-	5,528
Interest on Workers' Profit Participation Fund		-	462
Exchange (Gain)/Loss		(990)	2,152
Supervision Fee		193	316
Bank Commission and Charges		439	540
		-----	-----
		52,343	86,161
		=====	=====

21.1 Payments amounting to Rs, 15.465 million has been made during the year to the holders of Redeemable Capital (1997: Rs. 32.301 million).

**22. OTHER INCOME**

Mark-up on Bank Deposits		18,843	16,809
Mark-up on amounts due from Associated Undertakings		2,541	15,538
Gain/(Loss) on Sale of Fixed Assets		763	(83)
Scrap Sales		181	-
Miscellaneous		60	1
		-----	-----

22,388	32,265
=====	=====

### 23. TAXATION

The Income Tax Assessments of the Company have been finalised upto and including Assessment year 1997-98.

### 24. REMUNERATION OF DIRECTORS AND EXECUTIVES

	1998			1997			(Rupees in thousands)
	Chief Executive	Director	Executives	Chief Executive	Director	Executives	
Managerial Remuneration	1,609	1,609	24,479	1,669	1,669	20,120	
Retirement Benefits	73	73	1,224	73	73	1,007	
Reimbursable Perquisites	139	139	1,327	139	139	1,104	
	-----	-----	-----	-----	-----	-----	
	1,821	1,821	27,030	1,881	1,881	22,231	
	=====	=====	=====	=====	=====	=====	
Number	1	1	55	1	1	49	
	=====	=====	=====	=====	=====	=====	
Meeting Fee	-	6	-	-	5	-	
	=====	=====	=====	=====	=====	=====	
Number	-	5	-	-	5	-	
	=====	=====	=====	=====	=====	=====	

Certain Executives are provided with the free use of Company cars and the operating expenses are reimbursed at actual to the extent of their entitlement.

### 25. TRANSACTIONS WITH ASSOCIATED COMPANIES

	(Rupees in Thousands)	
	1998	1997
Purchases	192,591	192,591
Mark-up Charged	2,541	15,538

### 26. CAPACITY AND PRODUCTION

	Tonnes	Tonnes
Rated Capacity	600,000	600,000
Actual Production	573,727	671,882

**27. GENERAL**

Prior period's figures have been re-arranged, wherever necessary, to conform to current year's presentation.

**PATTERN OF SHAREHOLDING****AS AT JUNE 30, 1998**

<b>Number of Shareholders</b>	<b>Shareholding</b>		<b>Total Shares Held</b>
	<b>From</b>	<b>To</b>	
547	1	100	54,700
2627	101	500	1,206,200
405	501	1000	393,400
361	1001	5000	692,900
43	5001	10000	329,700
10	10001	15000	122,400
5	15001	20000	92,800
3	20001	25000	70,500
1	25001	30000	30,000
6	30001	35000	200,900
1	35001	40000	35,900
1	45001	50000	45,300
1	50001	55000	51,200
1	85001	90000	88,000
1	90001	95000	93,800
1	95001	100000	98,900
1	110001	115000	112,000
1	130001	135000	132,000
2	135001	140000	276,000
1	140001	145000	141,000
1	155001	160000	156,000
1	160001	165000	162,300
1	180001	185000	182,200
1	225001	230000	228,000
1	240001	245000	243,900
1	245001	250000	249,000
1	270001	275000	270,700
1	275001	280000	280,000
1	280001	285000	285,000
1	290001	295000	295,000
1	295001	300000	300,000
1	305001	310000	309,500
2	320001	325000	650,000
1	325001	330000	330,000

2	330001	335000	670,000
1	335001	340000	340,000
2	340001	345000	690,000
1	345001	350000	350,000
1	360001	365000	365,000
1	370001	375000	375,000
1	380001	385000	384,200
1	395001	400000	398,200
1	415001	420000	420,000
1	425001	430000	428,000
1	455001	460000	459,800
2	810001	815000	1,625,000
1	995001	1000000	999,300
2	1495001	1500000	2,999,600
2	1895001	1900000	3,790,834
1	1940001	1945000	1,945,000
1	3135001	3140000	3,139,700
2	3785001	3790000	7,576,666
1	3930001	3935000	3,934,500
1	6295001	6300000	6,300,000

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4,060	45,600,000
=====	=====

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
Individuals	4,027	28,697,000	62.93
Investment Companies	16	3,851,700	8.45
Insurance Companies	2	14,900	0.03
Financial Institutions	7	10,565,100	23.17
Modaraba Companies	4	61,600	0.14
Foreign Investors	4	2,409,700	5.28
	-----	-----	-----
Total	4,060	45,600,000	100.00