

Fecto Cement Limited
Annual Report 1999

CONTENTS

Corporate Information
Notice of Meeting
Directors' Report
Pattern of Shareholding
Auditors' Report
Balance Sheet
Profit & Loss Account
Statement of Changes in Financial Position
Notes to the Accounts

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. Mohammad Umer Memon

Mr. Safdar Abbas Morawala

Mr. A. Rauf Chandio

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, Shahra-e-Faisal
Karachi

FACTORY

Sangjani, Islamabad

MARKETING OFFICE

2nd Floor, Majeed Plaza
Bank Road, Saddar

Rawalpindi

SHARE REGISTRAR OFFICE

Uni Corporate & Financial Services
Westland Trade Centre
Opposite Flyover, Shaheed-e-Millat Road
Karachi

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of the Members of the Company will be held at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi on Friday, December 31, 1999 at 10.00 a.m. to transact the following business:

1. To confirm the Minutes of the 17th Annual General Meeting held on December 31, 1998.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 1999 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.
4. To transact any other business with the permission of the Chair.

Karachi: November 29, 1999

By Order of the Board
(ABDUL ALEEM)
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from Friday, December 24, 1999 to Friday, December 31, 1999 (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

and in case of proxy must enclose an attested copy of his/her National Identity Card.

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, all 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.

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, 1999.

The cement industry continues to suffer due to depressed market conditions and excess supply. These factors have adversely affected the operating efficiency, however, due to adoption of effective marketing strategy by the management the financial results of the company have shown improvement during the year.

OPERATING PERFORMANCE

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

	1999	1998
	Tonnes	
Production		
Clinker	467,000	547,302
Cement	496,210	574,507
Despatches	497,969	573,727

FINANCIAL RESULTS

Despite the glut of cement due to excess production capacity in the country and the prevailing adverse economic conditions, the better marketing strategy adopted by the management has resulted in improvement in the financial results.

The gross profit rate has increased from 0.80% to 11.52% mainly due to increase in selling prices and reduction in fuel and power costs. Although the operating expenses and financial charges have increased by 5.09% and 4.44% respectively as compared to corresponding period but still company earned profit before tax of Rs. 4.86 million as compared to last year loss of Rs. 79.273 million.

The earning per share for the year under review was Re. 0.05.

DEBT OBLIGATIONS

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

FUTURE PROSPECTS

The cement industry is still facing the problem of excess supply, which may continue for a long period unless the Government achieves a drastic improvement in economy. Further, subsequent to year-end the Government has increased the price of furnace oil and has also imposed sales tax on furnace oil and electricity. The increase in these basic input costs has enhanced the cost of production. Due to marketing constraints it is not possible to pass on the increase to the consumers. Thus the threat of major crises in the cement industry has again become imminent.

BOARD OF DIRECTORS

During the year under review National Development Finance Corporation changed its nominee Director from the Board and as a result Mr. A. Rauf Chandio replaced Mr. Shahid Hassan. The Board places on record its appreciation for the valuable support and contribution by the outgoing Director and welcomes the new Director.

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

The management has carried out the necessary modifications, by utilizing the in-house expertise, to ensure that the Millennium bug shall not affect computer software. Computer hardware have also been made Y2K compliant by replacement/modification of the non-compliant units.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding as at June 30, 1999 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. 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 YASIN FECTO)
Chief Executive

Karachi: November 29, 1999

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1999

Number of Shareholders	Shareholding From	To	Total Shares Held
531	1	100	53,100
2545	101	500	1,171,600
4125	501	1000	400,100
361	1001	5000	894,600
49	5001	10000	372,800
14	10001	15000	175,200
6	15001	20000	107,400
3	20001	25000	70,500
3	25001	30000	88,000
6	30001	35000	202,400
1	45001	50000	46,800
1	85001	90000	88,000
1	90001	95000	93,800
2	95001	100000	198,900
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	230001	235000	230,200
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	395001	400000	398,200
1	415001	420000	420,000

	1	425001	430000	427,900
	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	3785000	3790000	7,576,666
	1	3935001	3940000	3,939,000
	1	6290001	6295000	6,293,000
	-----	-----	-----	-----
	3,981			45,600,000

Categories of Shareholders	Number of Sharehol	Shares Held	Percentage
Individuals	3,936	28,713,400	62.97
Investment Companies	22	3,832,700	8.41
Insurance Companies	2	14,900	0.03
Joint Stock Companies	3	10,900	0.02
Financial Institutions	7	10,561,600	23.16
Modaraba Companies	4	58,600	0.13
Foreign Investors	4	2,401,900	5.27
Others	3	6,000	0.01
	-----	-----	-----
Total	3,981	45,600,000	100.00

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of FECTO CEMENT LIMITED as at June 30, 1999 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, 1999 and of the profit and the changes in financial position for the year then ended; and

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

Karachi: November 29, 1999

TASEER HADI KHALID & CO.
Chartered Accountants

RAHIM IQBAL RAFIQ & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	Note	(Rupees in Thousands)	
		1999	1998
SHARE CAPITAL			
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	4	151,849	149,653
		-----	-----
		607,849	605,653
LONG TERM LOANS	5	99,586	103,643
DEFERRED LIABILITIES	6	264,615	262,431
LONG TERM DEPOSITS	7	19,842	21,810
CURRENT LIABILITIES:			
Short Term Running Finance	8	30,834	--
Current Maturity of Long Term Liabilities	9	28,453	112,222
Creditors, Accrued & Other Liabilities	10	270,381	376,756
Provision for Taxation		15,729	5,607
		-----	-----
		345,397	494,585
		-----	-----
		1,337,289	1,488,122
		=====	=====

OPERATING FIXED ASSETS	11	896,357	996,158
LONG TERM DEPOSITS		4,426	4,253
CURRENT ASSETS:			
Stores and Spares	12	285,627	298,473
Stock-in-Trade	13	17,467	23,665
Trade Debtors-Unsecured Considered Good		2,809	19,292
Advances and Pre-payments	14	82,164	88,639
Cash and Bank Balances	15	48,439	57,642
		-----	-----
		436,506	487,711
		-----	-----
		1,337,289	1,488,122
		=====	=====

These accounts Should be read in conjunction with the attached notes

(MOHAMMAD YASIN FECTO)
Chief Executive

(ABDUL JALEEL SHAIKH)
Director

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

	Note	(Rupees in Thousands)	
		1999	1998
SALES-NET	16	1,030,202	1,098,932
COST OF SALES	17	911,572	1,090,193
		-----	-----
GROSS PROFIT		118,630	8,739
OPERATING EXPENSES			
General & Administrative	18	36,652	34,807
Selling & Distribution	19	24,201	23,101
		-----	-----
		60,853	57,908
		-----	-----
		57,777	(49,169)
FINANCIAL CHARGES	20	54,667	52,343
OTHER INCOME	21	(2,001)	(22,388)
WORKERS' FUNDS		256	149
		-----	-----
		52,922	30,104
		-----	-----
PROFIT/(LOSS) BEFORE TAXATION		4,855	(79,273)

PROVISION FOR TAXATION			
Current Year	22	15,729	5,607
Prior Year		-	(21,116)
Deferred		(13,070)	(23,719)
		-----	-----
		2,659	(39,228)
PROFIT/(LOSS) AFTER TAXATION		2,196	(40,045)
ACCUMULATED (LOSS) BROUGHT FORWARD		(100,347)	(60,302)
		-----	-----
ACCUMULATED (LOSS) CARRIED FORWARD		(98,151)	(100,347)
		=====	=====
Earning / (Loss) per share- basic (Rupee)	23	0.05	(0.88)

These accounts should be read in conjunction with the attached notes

(MOHAMMAD YASIN FECTO)
Chief Executive

(ABDUL JALEEL SHAIKH)
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1999**

(Rupees in Thousands)
1999 **1998**

Cash Flows from Operating Activities

Net Profit/(Loss) before Taxation		4,855	(79,273)
Adjustments for:			
Depreciation		99,904	11 2,463
Amortisation of Deferred Cost		-	1.15
Loss/(Gain) on Disposal of Fixed Assets		427	(763)
Foreign Exchange Loss/(Gain)		8,222	(990)
Financial Charges		46,445	53,333
		-----	-----
Operating Profit before Working Capital Changes		159,853	85,923
Decrease/(Increase) in Stores and Spares		12,846	(9,414)
Decrease/(Increase) in Stock-in-Trade		6,198	(8,283)
Decrease in Trade Debtors		16,483	7,284
(Increase)/Decrease in Advances and Pre-payments		(327)	1,308
Increase in Short Term Running Finance		30,834	-
(Decrease)/Increase in Creditors, Accrued and Other Liabilities		(31,723)	18,735
		-----	-----
Cash Generated from Operations		194,164	95,553
Financial Charges Paid		(112,627)	(62,457)
Income Tax Paid/Deducted at Source		(8,480)	(30,832)

Long Term Deposits Received	(1,968)	(1,414)
Long Term Deposits Given	(173)	7,519
	-----	-----
Net Cash from Operating Activities	70,916	8,369
Cash Flows from Investing Activities		
Fixed Capital Expenditure	(1,913)	(3,221)
Sale Proceeds of Fixed Assets	1,383	3,321
Advances to Associated Companies	9,675	74,345
	-----	-----
Net Cash from Investing Activities	9,145	74,445
Cash Flows from Financing Activities		
Repayment of Long Term Loans	(72,070)	(68,539)
Repayment of Redeemable Capital	(15,756)	(21,239)
Dividend Paid	(1,438)	(5,367)
	-----	-----
Net Cash used in Financing Activities	(89,264)	(95,145)
	-----	-----
Net (Decrease)in Cash & Bank Balances	(9,203)	(12,331)
Cash and Bank Balances as at July 1	57,642	69,973
	-----	-----
Cash and Bank Balances as at June 30	48,439	57,642
	=====	=====

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

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 i) Basis for Preparation

These accounts have been prepared in accordance with International Accounting Standards, as applicable in Pakistan.

ii) Accounting Convention

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

2.2 Tangible Fixed Assets

i) 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:

Raw Material produced by the Company

At average cost comprising of excavation cost, labour and appropriate overheads

Other Raw Material and Packing Material

At cost determined on first-in-first-out basis

Work-in-process and Finished Goods

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.

3. STATEMENT OF CHANGES IN EQUITY

	Share Capital	General Reserve	(Rupees in Thousands)	
			Accumulated Loss	Total
Balance as at June 30, 1997	456,000	250,000	(60,302)	645,698
Loss for the year	-	-	(40,045)	(40,045)
	-----	-----	-----	-----
Balance as at June 30, 1998	456,000	250,000	(100,347)	605,653
Profit for the year	-	-	2,196	2,196
	-----	-----	-----	-----
Balance as at June 30, 1999	456,000	250,000	(98,151)	607,849
	=====	=====	=====	=====

	(Rupees in Thousands)	
	1999	1998
4. RESERVES		
General Reserve:		
At the beginning of the year	250,000	250,000
Accumulated (Loss)	(98,151)	(100,347)
	-----	-----
	151,849	149,653

5. LONG TERM LOANS-FROM FINANCIAL INSTITUTIONS-SECURED

Foreign Currency Loan (Rupee Converted):
National Development Finance Corporation

- 10,695

Local Currency Loans:

National Development Finance Corporation:

- Term Loan No. 1	(Note 5.1)	95,040	132,000
-Term Loan No. 2		-	1,726
-Term Loan No. 3		-	6,801
-Term Loan No. 4	(Note 5.2)	32,999	48,887
		-----	-----
		128,039	189,414
		-----	-----
		128,039	200,109
Less: Current Maturity		28,453	96,466
		-----	-----
		99,586	103,643
		=====	=====

5.1 This represents the outstanding balance as on June 30, 1989 of foreign currency loan of U.S. Dollar 28.550 million obtained from National Development Finance Corporation, converted into local currency term loan of Rs. 446.078 million at the exchange rate prevailing on June 30, 1989. The balance due as on May 01, 1999 has been staggered by National Development Finance Corporation and is payable in 10 semi annual installments commencing from June 30, 1999. Mark-up @ 18% per annum will be charged and in case of delay in payment additional mark-up @ 4% per annum will be charged on the amount remaining un-paid after the due date. The loan is secured by way of a first charge on all movable and immovable properties of the Company and personal guarantees of sponsoring directors.

5.2 This represents the un-paid interest amounting to Rs. 195.550 million on the above foreign currency loan capitalized by National Development Finance Corporation as local currency term loan. The balance due as on May 01, 1999 has been staggered by National Development Finance Corporation and is payable in 10 semi annual installments commencing from June 30, 1999. Mark-up @ 18% per annum will be charged and in case of delay in payment additional mark-up @ 4% per annum will be charged on the amount remaining un-paid after the due date. The loan is secured by way of a first charge on all movable and immovable properties of the Company and personal guarantees of sponsoring directors.

(Rupees in Thousands)

1999 1998

6. DEFERRED LIABILITIES

Deferred Taxation		213,640	226,710
Deferred Mark-up		51,447	117,216
Less: Transferred to Current Liabilities		472	81,495
		-----	-----
		50,975	35,721
		-----	-----
		264,615	262,431

7. LONG TERM DEPOSITS-UNSECURED

Dealers	(Note 7.1)	16,687	18,650
Suppliers and Contractors	(Note 7.2)	3,155	3,160
		-----	-----
		19,842	21,810
		=====	=====

7.1 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.

7.2 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.

8. SHORT TERM RUNNING FINANCES-SECURED

The Company has an aggregate running finance facility of Rs. 90.0 million (1998 Rs. 50.0 million) available from financial institution and commercial bank. These arrangements are secured by way of first charge over all the company's movable and immovable properties and hypothecation of company's stock in trade, stores & spares, book debts, machinery and personal guarantees of sponsoring directors of the company. The rates of mark-up range from 55-60 paisas per Rs, 1,000 per day.

9. CURRENT MATURITY OF LONG TERM LIABILITIES

Redeemable Capital- Non Participatory		-	15,756
Long Term Loans		28,453	96,466
		-----	-----
		28,453	112,222
		=====	=====

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for Goods		46,112	44,038
Accrued Expenses		20,253	18,393
Workers' Profit Participation Fund	(Note 10.1)	256	-
Mark-up on Long Term Finance Utilised			
Under Mark-up Arrangements - Secured		472	81,495

1998

2,116,937

3,221

4,045

2,116,113

1,008,979

112,463

1,4

1999

1 998

ALLOCATION:

Excavation Cost

24,161

28,21 8

Manufacturing Cost

72,513

80,453

Administrative and General

2,530

2,948

Selling and Distribution

700

844

99,904

112,463

11.1 Details of Operating Fixed Assets disposed off during the year are as follows:

(Rupees in Thousands)

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
Vehicles:						
Toyota Corolla	531	335	196	345	Negotiation	Chaudhry Nisar Ahmed 301, Adam Arcade, Shaheede Millat Road, Karachi
Suzuki Khyber	264	167	97	175	Negotiation	Mr. Wahid Hashim B-212, Block 18, Gulshane Iqbal, Karachi
Honda Accord	502	405	97	340	Insurance Claim	Adamjee Insurance Co. Ltd. and Reliance Insurance Co. Ltd.
Furniture Fixtures & Office Equipments:						
Telephone Installations	45	9	36	26	Insurance Claim	Adamjee Insurance Co. Ltd. and Reliance Insurance Co. Ltd.
Telephone Installations	92	15	77		Scrapped	-
Electrical Equipments	504	209	295	165	Insurance Claim	Adamjee Insurance Co. Ltd. and Reliance Insurance Co. Ltd.
Office Equipments	110	54	56	55	Negotiation	United Business Systems (Private) Limited 13-J, Nashua Centre, Jinnah Super, Islamabad
Office Equipments	669	236	433	235	Insurance Claim	Adamjee Insurance Co. Ltd. and Reliance Insurance Co. Ltd.

Other Equipments	179	97	82	42 Insurance Claim	Adamjee Insurance Co. Ltd. and Reliance Insurance Co. Ltd.
Furniture & Fixtures	919	500	419	- Scrapped	-
Library Books	113	91	22	- Scrapped	-
	-----	-----	-----	-----	-----
1999	3,928	2,118	1,810		1,383
	=====	=====	=====	=====	=====
1998	4,045	1,487	2,558		3,321
	=====	=====	=====	=====	=====

(Rupees in Thousands)
1999 **1998**

12. STORES AND SPARES

Stores		22,375	26,037
Spares		261,678	270,426
Store in transit		1,574	2,010
		-----	-----
		285,627	298,473
		=====	=====

13. STOCK IN TRADE

Finished Goods		4,389	7,467
Work-in- Process		3,294	8,270
Raw Material		5,607	4,077
Packing Material		4,177	3,851
		-----	-----
		17,467	23,665
		=====	=====

14. ADVANCES AND PRE-PAYMENTS

Advances-unsecured considered good:

Employees		2,007	1,406
Executives	(Note 14.1)	2,617	1,683
Suppliers and Contractors		11,164	11,394
Associated Company - (Pakistan Agro Forestry Corporation (Private) Limited)	(Note 14.2)	-	9,675
Advance Income Tax		50,838	47,965
Advance Excise Duty		11,585	9,878
Other Receivables		36	196
Pre-payments		3,917	6,442
		-----	-----
		82,164	88,639
		=====	=====

14.1 The maximum aggregate amount due from executives of the Company at the end of any month during

the year was Rs. 2.716 million (1998-Rs. 1.866 million).

14.2 The aggregate maximum amount due from associated company at the end of any month during the year was Rs. Nil (1998-Rs. 30.644 million)

15. CASH AND BANK BALANCES

In Hand	496	253
With Banks	47,943	57,389
	-----	-----
	48,439	57,642
	=====	=====

16. SALES-NET

Sales	1,779,849	1,973,669
Less: Excise Duty	749,647	874,737
	-----	-----
	1,030,202	1,098,932
	=====	=====

17. COST OF SALES

Raw and Packing Material Consumed:

Opening Stock	7,928	9,604
Purchases	117,638	140,261
Excavation Cost	84,059	79,318
	-----	-----
	209,625	229,183
Closing Stock	(9,784)	(7,928)
	-----	-----
	199,841	221,255

Fuel and Power	473,993	612,171
Stores and Spares Consumed	51,727	85,709
Salaries, Wages and Benefits	65,137	62,645
Insurance	20,151	19,760
Repairs and Maintenance	3,938	2,409
Rent, Rates and Taxes	60	60
Depreciation	72,513	80,453
Other Manufacturing Overheads	16,158	15,690
	-----	-----
	903,518	1,100,152

Add: Opening Work-in-Process	8,270	165
Less: Closing Work-in-Process	(3,294)	(8,270)
	-----	-----

Cost of Goods Manufactured	908,494	1,092,047
----------------------------	---------	-----------

Add: Opening Finished Goods	7,467	5,613
Less: Closing Finished Goods	(4,389)	(7,467)
	-----	-----

Cost of Sales	911,572	1,090,193
	=====	=====

18. GENERAL & ADMINISTRATIVE EXPENSES

Salaries, Wages and Benefits		17,469	15,330
Travelling and Conveyance		742	1,590
Vehicles Running Expenses		2,238	2,033
Communications		2,423	2,645
Printing and Stationery		545	469
Rent, Rates and Taxes		2,562	2,520
Utilities		1,897	1,274
Repairs and Maintenance		688	824
Legal and Professional Charges		1,959	1,256
Auditors' Remuneration	(Note 18.1)	264	236
Donations	(Note 18.2)	916	478
Depreciation		2,530	2,948
Amortisation of Deferred Cost		-	1,153
Miscellaneous		2,419	2,051
		-----	-----
		36,652	34,807
		=====	=====

18.1 AUDITORS' REMUNERATION

	1999		1998	
	Rahim Iqbal Rafiq & Co.	Taseer Hadi Khalid & Co.	Rahim Iqbal Rafiq & Co.	Taseer Hadi Khalid & Co.
Audit Fee	100	100	100	100
Other Services	25	--	--	--
Out of Pocket Expenses	15	24	11	25
	-----	-----	-----	-----
	140	124	111	125
	=====	=====	=====	=====
		264		236
		=====		=====

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

(Rupees in Thousands)
1999 1998

19. SELLING & DISTRIBUTION EXPENSES

Salaries, Wages and Benefits	9,951	9,761
Travelling and Conveyance	650	537
Vehicles Running Expenses	1,400	1,207
Communications	1,482	1,118
Rent, Rates and Taxes	732	865
Repairs and Maintenance	276	159

Advertisement	4,437	4,610
Marking Fee	1,701	1,786
Depreciation	700	844
Miscellaneous	2,872	2,214
	-----	-----
	24,201	23,101
	=====	=====

20. FINANCIAL CHARGES

Mark-up on:

Long Term Redeemable Capital	--	5,710
Long Term Loans	66,826	46,444
Mark-up on Running Finance	8,222	547
Exchange Loss/(Gain)	8,222	(990)
Supervision Fee	207	193
Guarantee Commission	451	-
Bank Commission and Charges	739	439
	-----	-----
	54,667	52,343
	=====	=====

21. OTHER INCOME

Mark-up on Bank Deposits	2,266	18,843
Mark-up on amounts due from Associated Undertakings	-	2,541
(Loss)/Gain on Sale of Fixed Assets	(427)	763
Scrap Sales	116	181
Miscellaneous	46	60
	-----	-----
	2,001	22,388
	=====	=====

22. TAXATION

The Income Tax Assessments of the Company have been finalised upto and including Assessment year 1998-99.

23. EARNING PER SHARE - Basic

Net Profit/(Loss) for the year	Rupees	2,196,587	(40,044,489)
		=====	=====
Number of ordinary shares		45,600,000	45,600,000
		=====	=====
Earning/(Loss) per share	Rupee	0.05	(0.88)
		=====	=====

24. REMUNERATION OF DIRECTORS AND EXECUTIVES

(Rupees in Thousands)

1999

1998

	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Managerial Remuneration	1,597	1,597	27,650	1,609	1,609	24,479
Retirement Benefits	73	73	1,431	73	73	1,224
Reimbursable Perquisites	145	145	1,518	139	139	1,327
	-----	-----	-----	-----	-----	-----
	1,815	1,815	30,599	1,821	1,821	27,030
	=====	=====	=====	=====	=====	=====
Number	1	1	61	1	1	55
	=====	=====	=====	=====	=====	=====
Meeting Fee	-	13	-	-	6	-
	=====	=====	=====	=====	=====	=====
Number	-	4	-	-	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.

(Rupees in Thousands)
1999 1998

25. TRANSACTIONS WITH ASSOCIATED COMPANIES

Purchases	108,708	129,798
Mark-up Charged	-	2,541

26. CAPACITY AND PRODUCTION

	Tonnes	
Rated Capacity	600,000	600,000
Actual Production	467,000	547,302

The shortfall in production is due to depressed market conditions which resulted in low capacity utilisation.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

28. INTEREST RATE RISK EXPOSURE

	Less than one month	One month to one year	1999 (Rupees in thousands) One year and onward	Non-Interest bearing	Total
Financial Assets					
Long Term Deposits	-	-	-	4,426	4,426
Trade Debtors	-	-	-	2,809	2,809
Advances	-	-	-	20,162	20,162
Cash and Bank Balances	-	-	-	48,439	48,439

	-	-	-	75,836	75,836
Financial Liabilities					
Long Term Loans	-	28,453	99,586	-	128,039
Long Term Deposits	-	-	-	19,842	19,842
Short Term Running Finance	-	30,834	-	-	30,834
Creditors, Accrued & Other Liabilities	-	-	-	162,270	162,270
	-	59,287	99,586	182,112	340,985
Gap	-	(59,287)	(99,586)	(106,276)	(265,149)

Effective rates of markup for financial liabilities are as follows:

Long Term Loan	18%
Short Term Running Finance	22%

(Rupees in Thousands)
1999 **1998**

29. CREDIT RISK

The following financial assets of the Company are exposed to credit risk:

Long Term Deposits	4,426	4,253
Trade Debtors	2,809	19,292

The company controls credit risks by monitoring credit exposures and continuing assessment of credit worthiness of customers.

30. GENERAL

30.1 Total number of employees including contractors' employees as at June 30, 1999 was 613 (1998:615)

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