

KOHAT CEMENT COMPANY LIMITED
ANNUAL REPORT 1998

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COMPANY INFORMATION

Board of Directors

Chairman	Atta Mohammad Sheikh
Chief Executive	Aizaz Mansoor Shiekh
	Nadeem Atta Sheikh
	Nadeem Qadir
	Mian Mohammad Riaz
	Mrs. Khalida Asghar
	Mrs. Khawar Sultana

Company Secretary	Fazal Karim Khattak
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Auditors	Viqar A. Khan Chartered Accountants
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Legal Advisors	Syed Shuja-ud-din Wasti
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Bankers	Allied Bank of Pakistan Limited Askari Commercial Bank Limited Citibank N.A. Habib Bank Limited Muslim Commercial Bank Limited. National Bank of Pakistan. Prime Commercial Bank Limited
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The Bank of Khabar.
Union Bank Limited.

Registered Office & Works

Kohat Cement Company Limited
Rawalpindi Road, Kohat.
Tel: (0922) 560401-04
Fax: (0922) 560405
Telex: 52431 KCCL Pk.

Lahore Office

House No. 1,43 FCC,
Gulberg IV, Lahore.
Tel.: (042) 5754357-8, 5752699
Fax: (042) 5754084

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given filet tile 19th Annual General Meeting of the Shareholders of Kohat Cement Company Limited, will be held at its Registered Office, Rawalpindi Road, Kohat on Wednesday, 30th,December, 1998 at 11.00 A.M. to transact tile following Business.

ORDINARY BUSINESS

- 1) To confirm the minutes of the Extra Ordinary General Meeting held on June 29, 1998.
- 2) To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 1998 and Reports of Directors and Auditors thereon.
- 3) To appoint Auditors for the year 1998-99 and to fix their remuneration. The present Auditors M/s Viqar A. Khan, Chartered Accountants, being eligible, offer themselves for re-appointment.
- 4) To transact any other business with tile permission of tile Chair.

SPECIAL BUSINESS

- 5) To approve the remuneration payable to Chief Executive and working Directors of the Company.

By Order of the Board,

(FAZAL KARIM KHATTAK)

Company Secretary

KOHAT

Dated: December 08, 1998.

NOTE:

1) A member entitled to attend, speak and vote at this meeting may appoint another member as proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received at Registered Office of the Company not later than 48 hours before the meeting.

2) Members should quote their folio number in all correspondence with the Company and at tile time of attending the Annual General Meeting.

3) Statement Under Section 160 of the Company Ordinance, 1984 pertaining to Special Business.

To consider and pass, with or without amendment, following as a Special Resolution.

"RESOLVED that remuneration of Rs. 1,087,145/- (Rupees One Million Eighty Seven Thousand One Hundred Forty Five Only) payable to Chief Executive and working Directors respectively be and is hereby approved"

DIRECTORS' REPORT

Your Directors take pleasure in presenting their Annual Report together with Audited Accounts and the Auditors' Report thereon for the year ended June 30, 1998.

PRODUCTION

Comparative figures for production of Clinker and Cement are as under:

	1997-98	1996-97	Increase
	(Tonnes)	(Tonnes)	(Tonnes)
Clinker	348,608	245,676	102,932
Cement	366,500	269,603	96,997

Capacity utilization has only been 65% due to depressed market conditions and overall excess Cement production capacity in the Country.

The Company sold 366,342 metric tonnes of cement as against 269,493 metric tonnes in the preced year.

OPERATING RESULTS

During the year under review the Company sustained a pre-tax loss of Rs. 1.025 million against a loss of Rs. 38.133 million for the previous year.

	(Rupees in Thousands)	
	1998	1997
Net Loss after Taxation	(2,643)	(40,771)
Un- appropriated profit B/F	19,821	60,592

Carried forward to Balance Sheet

-----	-----
17, 179	19,821
=====	=====

MARKET REVIEW

Low G.D.P. growth coupled with reduction in Government spending on development projects has led the industry into crisis. Increase in input prices and depressed selling prices has adversely affected the operating results of the Company. Presently there seems to be no improvement in economic activity which will further weaken the cement industry. In order to save the industry from collapse, the Government must take steps to rescue the cement industry. The industry at present is not in a position to carry the burden of ever increasing input prices and high incidence of excise duty and other taxes.

COST AUDIT

The Corporate Law Authority, Government of Pakistan, enforced Cost Audit of Cement Industry through SRO. No. 846(1)98 dated 24th July, 1998 effective financial year 1997-98 which has been implemented by the Company.

YEAR 2000 COMPLIANCE OF COMPUTER SYSTEM

Tim Corporate Law Authority, in exercise of powers under section 246 of the Companies Ordinance, 1984 vide its circular He. 3/1998 dated October 05, 1998 has directed all listed Companies to disclose in their future annual and half yearly accounts the status of the "year 2000 compliance".

Your Company is taken necessary measures to ensure that necessary modifications are made to the computer system to cope with any unforeseen happening.

PATTERN OF SHAREHOLDING

The pattern of Shareholding of the Company as at June 30, 1998 is annexed with the Annual Report.

COMPANY AUDITORS

Viqar A. Khan, Chartered Accountants, the retiring Auditors, being eligible, offer themselves re- appointment for the year 1998-99.

MANAGEMENT EMPLOYEES RELATIONS

The Board would like to record its appreciation for the valuable contribution made by all its employees.

Sd/-

(AIZAZ MANSOOR SHEIKH

Chief Executive

YEARWISE STATISTICAL SUMMARY

(Rs. in Million)

	1998	1997	1996	1995	1994	1993	1992	1991	1990
ASSETS EMPLOYED									
Fixed Assets	789	862	805	346	357	373	399	413	
Investment and Long Term Advances and Deposits	37	39	40	27	4	3	6	4	
Current Assets	219	209	273	604	316	241	191	156	
Total Assets Employed	1,045	1,111	1,119	977	677	617	596	573	
FINANCED BY									
Shareholders Equity	406	408	449	453	414	267	115	185	
Long Term Liabilities	160	326	303	306	58	4	85	97	
Deferred Liabilities	12	11	11	11	11	17	100	2	
Current Liabilities	469	365	356	207	194	329	295	290	
Total Funds Invested	1,045	1,111	1,119	977	677	617	596	573	
TURNOVER AND PROFIT									
Turnover (Net)	748	501	953	342	838	394	362	311	
Operating Profit	57	45	116	71	255	117	34	23	
Profit (Loss) Before Taxation	(1)	(38)	47	67	238	97	27	14	
Profit/(Loss) After Taxation	(3)	(41)	46	39	150	185	24	10	
Dividend	-	-	50	-	141	-	-	11	
Transfer to Reserves	-	-	-	-	77	85	-	-	
Profit C/F	17	20	61	65	25	70	2	72	

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of KOHAT CEMENT COMPANY LIMITED as at June 30, 1998 and the related profit and loss account and the 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 accounts 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 purposes 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 and 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.

(Viqar A. Khan)

LAHORE: December 04, 1998

CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT JUNE 30, 1998

	Note	1998 Rupees	1997 Rupees
Share Capital and Reserves			
Authorised share capital 50,000,000 (1997: 50,000,000) ordinary shares of Rs. 10 each		500,000,000 =====	500,000,000 =====
Issued, subscribed and paid up share capital 21,933,334 (1997:21,933,334) ordinary shares of Rs. 10 each	3	219,333,340	219,333,340
Reserves	4	169,120,028	169,120,028
Accumulated profit		17,178,756 -----	19,821,794 -----
		405,632,124	408,275,162
Redeemable Capital	5	-	14,750,000
Liabilities Against Assets Subject to Finance leas	6	154,842,859	248,513,400

Deferred Liabilities	7	11,663,462	11,345,701
Long Term Security Deposits	8	4,710,000	6,965,000
Current Liabilities			
Short term finances	9	121,550,768	113,770,842
Current portion of long term liabilities	10	210,261,864	129,584,439
Creditors, accruals and other payables	11	105,114,377	142,465,913
Provision for taxation		31,382,689	34,765,055
Dividend payable		239,473	254,033
		-----	-----
		468,549,171	420,840,282
Contingencies and Commitments	12	-	-
		-----	-----
		1,045,397,616	#####
		=====	=====

The annexed notes form an integral part of these accounts.

Sd/-
CHIEF EXECUTIVE

	Note	1998 Rupees	1997 Rupees
Fixed Capital Expenditure			
Operating fixed assets - tangible	13	789,047,171	861,693,594
Capital work-in-progress	14	173,082	187,591
		-----	-----
		789,220,253	861,881,185
		=====	=====
Long Term Loans to Employees	15	2,465,682	2,037,764
Long Term Deposits	16	34,345,523	37,345,523
Current Assets			
Stores, spares and loose tools	17	57,445,439	65,527,470
Stock in trade	18	41,135,325	36,152,449
Trade debtors	19	71,515,023	43,432,374
Advances, deposits, prepayments,			

investments and other receivables	20	23,276,560	26,695,237
Cash and bank balances	21	25,993,811	37,617,543
		-----	-----
		219,366,158	209,425,073
		-----	-----
		1,045,397,616	#####
		=====	=====

Sd/-
DIRECTOR

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

	Note	1998 Rupees	1997 Rupees
Sales	22	747,966,749	501,170,370
Cost of goods sold	23	665,197,448	438,623,359
Gross profit		-----	-----
		82,769,301	62,547,011
Selling, administrative and general expenses	24	25,449,759	17,300,929
Operating profit		-----	-----
		57,319,542	45,246,082
Other income	25	13,741,794	3,637,456
		-----	-----
		71,061,336	48,883,538
Financial charges	26	72,086,740	87,016,521
Loss before taxation		-----	-----
		(1,025,404)	(38,132,983)
Provision for taxation			
- Current		(3,739,834)	(2,637,649)
- Prior year's		2,122,200	-
		-----	-----
		(1,617,634)	(2,637,649)
Loss after taxation		-----	-----
		(2,643,038)	(40,770,632)
Unappropriated profit brought forward		-----	-----
		19,821,794	60,592,426

Unappropriated profit carried forward	17,178,756	19,821,794
	=====	=====

The annexed notes form an integral part of these accounts.

Sd/-
CHIEF EXECUTIVE

Sd/-
DIRECTOR

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

	Note	1998 Rupees	1997 Rupees
Cash flows from operating activities			
Cash generated from operations	A	104,710,767	213,642,664
Financial charges paid		(61,887,182)	(50,375,850)
Income tax paid/deducted at source		(11,256,243)	(20,302,971)
		-----	-----
Net cash inflow/(outflow) from operating activities		31,567,342	142,963,843
Cash flows from investing activities			
Fixed capital expenditure		(18,525,294)	(157,662,609)
Net (increase)/decrease in long term loans and deposits		2,572,082	627,102
Sale proceeds of fixed assets		1,988,876	6,265,975
Profit/mark-up on bank deposits and investments		1,464,399	2,597,986
Long term security deposits		(2,255,000)	(1,670,000)
		-----	-----
Net cash inflow/(outflow) from investing activities		(14,754,937)	(149,841,546)
Cash flows from financing activities			
Repayment of short term borrowings		-	(30,000,000)
Increase in redeemable capital		-	71,254,516
Repayment of redeemable capital		(11,725,000)	-
Repayment of finance lease liabilities		(16,018,116)	(18,496,438)
Dividend paid		(14,560)	(13,795,365)
		-----	-----
		(27,757,676)	8,962,713
Net increase/(decrease) in cash and cash equivalents		(10,945,271)	2,085,010
Cash and cash equivalents at the beginning of the year		(19,898,783)	(21,983,793)
		-----	-----
Cash and cash equivalents at the end of the year	B	(30,844,054)	(19,898,783)

The annexed notes form an integral part of these accounts.

Sd/-
CHIEF EXECUTIVE

Sd/-
DIRECTOR

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

	1998 Rupees	1997 Rupees
NOTE - A		
Cash flows from operating activities		
Net profit before taxation	(1,025,404)	(38,132,983)
Add/(Less) adjustments for non cash charges and other items		
Depreciation on operating fixed assets	89,603,829	77,014,969
(Gain)/loss on sale of fixed assets	(755,571)	28,175
Provision for earned leave (net)	317,761	353,985
Profit/mark-up on bank deposits and investments	(1,464,399)	(2,597,986)
Financial charges	72,086,740	87,016,521
Capital Expenditure written off & charged to expenses	28,050	-
	-----	-----
	159,816,410	161,815,664
Operating profit before working capital changes	158,791,006	123,682,681
Effect on cash flow due to working capital changes:		
(Increase)/decrease in stores and spares	8,082,031	10,836,611
(Increase)/decrease in stock-in-trade	(4,982,876)	14,017,479
(Increase)/decrease in trade debtors	(28,082,649)	7,980,089
(Increase)/decrease in advances, deposits, prepayments, investments and other receivables	9,674,920	36,897,975
Increase/(decrease) in creditors, accruals and other liabilities	(38,771,665)	20,227,829
	-----	-----
	(54,080,239)	89,959,983
	-----	-----
Cash generated from operations	104,710,767	213,642,664
	=====	=====

NOTE- B

Cash and cash equivalents

Cash and bank balances	25,993,811	37,617,543
Short term running finances	(56,837,865)	(57,516,326)
	-----	-----
	(30,844,054)	(19,898,783)
	=====	=====

Sd/-
CHIEF EXECUTIVE

Sd/-
DIRECTOR

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

1 - The Company and its Operations

The Company is a Public Limited Company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on Stock Exchanges of Pakistan. The Company is engaged in the production and sale of Grey cement.

2 - Significant Accounting Policies

2.1 - Accounting convention

These accounts have been prepared under the historical cost convention as modified by capitalisation of exchange differences referred to in note 2.8.

2.2 - Operating fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation except freehold land and capital work in progress which are stated at cost. Cost of certain fixed assets consists of historical cost, exchange differences and directly attributable cost of bringing the assets to working condition. Depreciation on operating fixed assets is charged to income by applying the reducing balance method at the rates mentioned in Note 13. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year.

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized and assets so replaced, if any, other than those kept as stand by, are retired.

Profit or loss on disposal of operating fixed assets is included in the current income.

2.3 - Assets subject to finance lease

Assets subject to finance lease are stated at the lower of present value of minimum lease payments

under the lease agreements and the fair value of the assets. The related obligations of the leases are accounted for as liabilities.

Assets acquired under finance lease are amortized over the useful life of the assets on a reducing balance method at the rates given in note 13. Amortization of leased assets is charged to profit.

2.4 - Stores and spares

These are valued at moving average cost except items in transit which are valued at cost which comprises of invoice value plus other charges paid thereon.

2.5- Stock-in-trade

Stock-in-trade is valued at the lower of average cost and net realizable value. The average cost in relation to work-in-process and finished goods represents direct costs of materials, labour and appropriate portion of production overheads. Net realizable value signifies the ex-factory sales price less expenses and taxes necessary to be incurred to make the sale.

2.6 - Staff retirement benefits

The company operates an approved gratuity fund scheme for its permanent employees. Provision for gratuity is made every year for all such employees, who are entitled to gratuity benefits subject to minimum qualifying period of service.

The Company also operates a recognized contributory provident fund scheme. Equal monthly contributions are made by the company and the employees to the fund.

2.7 - Taxation

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any. The company accounts for deferred taxation on partial basis using the liability method on timing differences which will reverse in considerable foreseeable period. However, deferred tax debits are not incorporated in the financial statements (Note 27).

2.8 - Foreign currency translation

Assets and liabilities in foreign currencies are translated into rupees at exchange rates approximating those prevailing at the balance sheet date. Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of relevant assets. All other exchange differences are taken to profit and loss account.

2.9 - Borrowing costs

All mark-up, interest and other charges are charged to income.

2.10 - Revenue recognition

- Sales are recognized at the time of despatch of goods to the customers.
- Interest income on bank deposits is accounted for on accrual basis.

	Note	Rupees	Rupees
3 - Issued, subscribed and paid-up share capital			
2,243,334 (1997: 2,243,334) Ordinary shares of Rs. 10 each fully paid in cash		22,433,340	22,433,340
11,230,000 (1997: 11,230,000) Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash		112,300,000	112,300,000
8,460,000 (1997: 8,460,000) Ordinary shares of Rs. 10 each issued as fully paid bonus shares		84,600,000	84,600,000
		-----	-----
		219,333,340	219,333,340
		=====	=====

The holding company M/s. Omer Cement Limited holds 13,107,800 (1997: 13,118,300) ordinary shares.

	Note	1998 Rupees	1997 Rupees
4 - Reserves			
Capital			
Share premium @ Rs. 42 per share on 2,193,334 ordinary shares (1997: 2,193,334)		92,120,028	92,120,028
Revenue			
General reserve			
At the beginning of the year		77,000,000	77,000,000
		-----	-----
		169,120,028	169,120,028
		=====	=====

5 - Redeemable capital - secured

Union Bank Limited	5.1	38,674,792	44,774,792
Askari Commercial Bank Limited	5.2	9,375,000	15,000,000
		-----	-----
		48,049,792	59,774,792
Less: Current portion shown trader current liabili	10		
Over due		33,299,792	18,000,000
Current		14,750,000	27,024,792
		-----	-----
		48,049,792	45,024,792
		-----	-----

- 14,750,000
=====

5.1 - This represents long term running finance under mark-up arrangement obtained for balancing, modernisation and replacement (BMR) programme of the project. The repayment of finance has been rescheduled/restructured by the bank. Now it is repayable in ten quarterly installments which commenced from September 30, 1996 and carries mark-up at the rate of 19.00% (1997:19.00%) per annum. The finance has been secured against a charge on the fixed assets of the company ranking parri passu alongwith other long/medium term debts of the company and personal guarantees of certain directors.

5.2 - This represents a term finance facility amounting to Rs. 15.00 million. The finance is payable in 21 equal monthly installments of Rs. 0.625 million commenced from September 30, 1997 and the balance of Rs. 1.875 million payable on June 30, 1999 at a mark-up rate of 19% per annum being payable quarterly. The finance is secured against 1st charge on the all present and future fixed/current assets ranking parri passu alongwith other debts of the company and personal guarantees of the certain directors.

	Note	1998 Rupees	1997 Rupees
6 - Liabilities against assets subject to finance lease			
The amounts of unpaid 1 future payments and the periods in which these payments will become due are:-			
Year ending			
1997		-	44,721,362
1998		67,984,694	110,629,182
1999		158,935,127	142,039,851
2000		99,755,266	95,637,459
2001		50,185,554	39,227,294
2002		31,494,629	31,494,629
2003		4,218,198	4,218,198
		-----	-----
Present value of minimum lease rentals		412,573,468	467,967,975
Less: Financial charges allocated to unpaid lease rentals and future payments		95,518,537	134,894,928
		-----	-----
		317,054,931	333,073,047
Less: Current portion shown under current liability	10		
Current		121,043,507	59,905,648

Over due	41,168,565	24,653,999
	-----	-----
	162,212,072	84,559,647
	-----	-----
	154,842,859	248,513,400
	=====	=====

The implicit rate used as the discounting factor ranges from 14% to 22.5% per annum. Rentals are payable in equal monthly and quarterly installments. Overdues are subject to additional payment at rates ranging from 2% to 3% per month. The lessee shall have no right to terminate the lease agreements and if the lease agreements are terminated before the due dates, the lessee will have to pay the entire amount of lease rentals for un-expired period of the lease agreements. (Note 12.1.5). However, lease agreements carry renewal option at the end of lease periods. These liabilities are secured by demand promissory notes, charge on company's assets ranking parri passu with other creditors, personal guarantees of directors and deposits of Rs. 33,719,493 (1997: Rs. 36,719,493) shown in note 16.

7- Deferred liabilities

Deferred taxation	27	7,318,943	7,318,943
Earned leave		4,344,519	4,026,758
		-----	-----
		11,663,462	11,345,701
		=====	=====

8 - Long term security deposits

From cement stockists	8.1	2,810.00	4,265,000
From cement transporters	8.2	1,900,000	2,700,000
		-----	-----
		4,710,000	6,965,000
		=====	=====

8.1 - These represent interest free security deposits received from cement stockists and repayable on the termination of the agency.

8.2 - These represent interest free security deposits received from transporters for providing guarantee of safe delivery of cement to stockists.

9- Short term finances

	Note	Sanction limit	Rate of Mark-up	1998 Rupees	1997 Rupees
Commercial Banks					
Running finances	9.1	107,400,000	42 paisas to 55 paisas	121,059,748	109,793,906

per Rs. 1000 per day.

Un-secured					
Commercial Banks	9.2	-	-	491,020	3,976,936
		-----		-----	-----
		107,400,000		121,550,768	113,770,842
		=====		=====	=====

9.1 - These represent short term running finances utilized under mark-up arrangements secured against 1st charge ranking parri passu with other banks over the existing and future total assets of the company and personal guarantees of directors. These include Rs. 12.4 million (1997: Rs. 8.5 million) of Union Bank Limited which is secured against third party foreign currency accounts. (Note 12.1.5)

9.2 - These include cheques amounting to Rs. 491,020 (1997: Rs. 1,021,009) issued but not presented at the balance sheet date.

Note	1998 Rupees	1997 Rupees
------	----------------	----------------

10. Current portion of long term liabilities

Redeemable capital	5	48,049,792	45,024,792
Liabilities against assets subject to finance lease	6	162,212,072	84,559,647
		-----	-----
		210,261,864	129,584,439
		=====	=====

Note	1998 Rupees	1997 Rupees
------	----------------	----------------

11 - Creditors, accruals and other payables

Trade creditors	11.1	12,899,790	33,267,877
Advances from cement customers		3,927,439	4,924,087
Accrued liabilities		21,821,858	38,353,374
Bills payable		1,537,756	2,862,798
Bonus payable		6,860,724	7,903,004
Financial charges accrued on:			
Redeemable capital		1,863,749	2,158,288
Obligation under finance lease		28,571,359	26,061,784
Short term finances		2,857,284	3,502,990
Workers' participation fund	11.2	1,546,566	1,374,725
Gratuity fund trust		10,460,711	4,450,705
Income tax deducted at source		400,640	93,843
Royalty, excise duty and sales tax	11.3	685,498	5,675,184

Workers' welfare fund		6,489,107	6,937,776
Security deposits and retention moneys	11.4	3,038,662	3,327,497
Other payables		2,153,234	1,571,981
		-----	-----
		105,114,377	142,465,913
		=====	=====

11.1 - These include Rs. 4,145,078 (1997: Rs. 3,194,503) secured against foreign bill of exchange accepted by the Company in favour of supplier.

11.2 - Workers' participation fund

Opening balance		1,374,725	2,517,725
Interest for the year		17,184,100	253,445
		-----	-----
		1,546,566	2,771,170
Paid during the year		-	1,396,445
		-----	-----
		1,546,566	1,374,725
		=====	=====

11.3 - Royalty, excise duty and sales tax

Royalty		623,180	296,080
Excise duty		62,318	65,792
Sales tax		-	5,313,312
		-----	-----
		685,498	5,675,184
		=====	=====

11.4 - Security deposits and retention moneys

These represent the interest free security deposits and retention moneys received from contractors and are repayable after satisfactory completion of contracts.

12 - Contingencies and commitments

12.1 - Contingencies

12.1.1 - The Engineering Services International (Pakistan) Limited has raised a claim of Rs. 5,449,000 against the Company on account of mechanical installation/erection. A counter claim of Rs. 1,307,962 has been lodged by the Company. The case is pending with Senior Civil Judge, Lahore.

12.1.2 - The State Cement Corporation of Pakistan (Private) Limited, the previous sole owner of the Company, has raised a claim of Rs. 5,640,000 against the company on account of the interim dividend declared by previous Board of Directors. The present Board of Directors has rescinded that

declaration of interim dividend on various grounds. The matter is pending for adjudication with Corporate Law Authority.

12.1.3 - The Company has initiated recovery proceedings for the recovery of Rs. 14,100,000 interim dividend pertaining to the year ended June 30, 1992 paid by the previous management to the State Cement Corporation of Pakistan (Private) Limited. The said dividend has been rescinded by the Board and recession confirmed at the Annual General Meeting. As a consequence, the company has withheld Rs, 14,100,000 interim dividend pertaining the period ended December 31, 1994 payable to the State Cement Corporation of Pakistan (Private) Limited. Intimations have been given to the State Cement Corporation of Pakistan (Private) Limited and the Corporate Law Authority. (The application is pending with the Corporate Law Authority). This amount has been withheld on legal advice obtained from the corporate lawyers.

12.1.4 - The Company is contingently liable to pay Rs. 2.13 million as central excise duty in respect of finances obtained from various leasing Companies. The Company has challenged the levy in the Honourable Lahore High Court and a stay has been granted in this respect.

12.1.5 - Citibank N.A. and some leasing Companies have filed suites against the Company in different benches of Honourable Lahore High Court for the recovery of a total sum of Rs. 252 million against various facilities extended to the Company which are being contested.

12.2 - Commitments in respect of:

Letters of Credit other than for capital expenditure Rs. 755,533 (1997: Rs. 2.912 million).

13 - Operating fixed assets

	COST				DEPRECIATION				Rupee
	As at 01-07-1997	Additions/ (deletions)	As at 30-06-1998	Rate %	Accumulated as at 01-07-1997	Charged for the year	Adjustment on disposal	Accumulated as at 30-06-1998	Writt down va as a
Freehold land	6,815,970	-	6,815,970	-	-	-	-	-	6,815
Factory buildings	178,859,043	466,324	179,325,367	10	117,740,877	6,158,449	-	123,899,326	55,426
Office and other buildings	13,337,926	-	13,337,926	5	6,515,243	341,134	-	6,856,377	6,481
Housing Colony	33,231,950	219,818	33,451,768	5	14,360,001	954,588	-	15,314,589	18,137
Plant machinery and equipment	754,336,381	5,699,922 (924,502)	759,111,801	10	373,553,757	38,569,776	(139,721)	411,983,812	347,127
Storage tanks and pipe lines	17,187,050	-	17,187,050	10	13,021,717	416,533	-	13,438,250	3,748
Power installations	82,975,450	-	82,975,450	10	62,451,595	2,052,385	-	64,503,980	18,471
Furniture, fixtures and other office equipment	13,662,876	1,063,155 (69,509)	14,656,522	10	6,810,835	787,225	(26,560)	7,571,500	7,085
Weighing scales	1,099,615	-	1099615.00	10	590,639	50,898	-	641,537	458
Vehicles	13,800,798	1,437,327 (1,343,000)	13,895,125	20	8,071,242	1,287,923	(615,730)	8,743,435	5,151

Heavy vehicles	84,614,516	9,970,867 (10,718,064)	83,867,319	20	60,961,743	6,626,727 (10,228,057)	57,360,413	26,500
Railway sidings	9,853,476	-	9,853,476	5	5,027,951	241,276	-	5,269,227
Laboratory equipment	16,304,278	145,000	16449278.00	10	11,485,942	496,334	-	11,982,276
Library books	74,577	-	74577.00	10	41097.00	3348.00	-	44,445
	1,226,153,906	19,002,413 (13,055,075)	1,232,101,244		680,632,639	57,986,596 (11,010,068)	727,609,167	504,492
Assets subject to finance lease:								
Plant and Machinery	364,967,325	-	364,967,325	10	48,794,998	31,617,233	-	80,412,231
TOTAL 1998	1,591,121,231	19,002,413 (13,055,075)	1,597,068,569		729,427,637	89,603,829 (11,010,068)	808,021,398	789,041
TOTAL 1997	1,326,057,843	278,907,293 (13,843,905)	1,591,121,231		659,236,806	77,014,969 (6,842,138)	729,427,637	861,693

Note	1998 Rupees	1997 Rupees
------	----------------	----------------

13.1 - Depreciation has been charged as under:

Cost of goods sold	23	73,404,559	61,894,659
Raw and Packing materials consumed	23.1	15,845,428	14,749,549
Administrative and general expenses	24	247,689	259,533
Selling expenses	24	106,153	111,228
		-----	-----
		89,603,829	77,014,969
		=====	=====

Note	1998 Rupees	1997 Rupees
------	----------------	----------------

13.2 - The trial production loss for the period has been capitalized.

Trial period operation

Cost of sales	23	-	38,768,521
Administrative and selling expenses	24	-	1,633,110
		-----	-----

			-	40,401,631
Less: Sales	22		-	26,355,521
			-----	-----
Trial period operation loss			-	(14,046,110)
			=====	=====

13.3 - Disposal of operating fixed assets:

A) The following assets were disposed off during the year.

Particulars of assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit/(loss)	Mode of sale	Sold to
Tape back up	17,500	1,750	15,750	15,750		- Negotiation	Perfect Computers Lahore.
Honda Civic	738,000	397,930	340,070	355,000	14,930	Negotiation	Faisal Malik Lahore.
Toyota Corolla	605,000	217,800	387,200	490,000	102,800	Negotiation	Naeem Akhtar Ex-executive Islamabad
Hydraulic Crawler Excavator	5,359,037	5,104,071	254,966				
Hydraulic Crawler Excavator	5,359,027	5,123,986	235,041	1,125,626	635,619	Negotiation	Rana Munir Lahore.
Items with Written Down Value below Rs. 5,000 each	1,210	932	278	2,500	2,222		
TOTAL:	12,079,774	10,846,469	1,233,305	1,988,876	755,571		
	-----	-----	-----	-----	-----		
	=====	=====	=====	=====	=====		

B) No operating fixed assets were sold to Chief Executive, Directors, associated undertakings or any Share holders with 10% or more voting rights.

	Note	1998 Rupees	1997 Rupees
14 - Capital work-in-progress			
Existing plant - Civil works		173,082	187,591
		=====	=====

15 - Long term loans to employees

Executives		
- House Building		138,837 282,637
Other Employees		
- House Building		2,797,677 2,419,358
- Motor Car/Motor Cycle		466,684 373,535
- Marriage Loan		170,000 67,200
- Other Long Term Loans		136,100 141,000

		3,570,461 3,001,093

		3,709,298 3,283,730
Less: current maturity	20.1	1,243,616 1,245,966

		2,465,682 2,037,764
		=====

15.1 - The above loans to employees may be re-classified as under:

Outstanding for period exceeding three years		1,223,782 1,244,215
Others		1,241,900 793,549

		2,465,682 2,037,764
		=====

15.2 - Interest rate and terms of re-payment

Nature of loans	Rate of interest	Monthly installments
- House Building	7%	72
- Vehicle	6%	36
- Marriage Loan	-	30
- Long Term Loan	-	13

15.2.1 - House building and vehicle loans are secured against lien on retirement benefits.

15.3 - The maximum aggregate amount of loans due from executives of the Company at the end of any month during the year was Rs. 275,537 (1997: Rs. 307,036).

15.4 - These loans to employees are considered good.

	Note	1998 Rupees	1997 Rupees
16 - Long term deposits			
Leasing companies		33,719,493	36,719,493
Others		626,030	626,030
		-----	-----
		34,345,523	37,345,523
		=====	=====

17 - Stores, spares and loose tools

Stores		22,101,909	31,641,417
Spares		32,943,546	32,819,362
Loose tools		1,078,719	1,066,691
Stores and spares-in-transit		1,321,265	-
		-----	-----
		57,445,439	65,527,470
		=====	=====

18- Stock-in-trade

Raw materials		1,482,524	1,833,748
Work-in-process		24,719,590	19,357,103
Finished goods		13,850,974	12,955,583
Packing materials		1,082,237	2,006,015
		-----	-----
		41,135,325	36,152,449
		=====	=====

19- Trade debtors

19.1 - All the debtors are considered good. They include amounts due from associated Companies for Rs. 22,384,165 (1997: Rs. 22,655,186).

19.2 - The aggregate maximum amount due from associated companies at the end of any month during the year was Rs. 22,655,186 (1997: Rs. 44,824,426).

	Note	1998 Rupees	1997 Rupees
20 - Advances, deposits, prepayments, investments and other receivables			

Advances - considered good

Company's employees	20.1	3,150,279	6,360,675
Suppliers		5,068,002	2,986,593
Contractors		146,113	145,490
Letters of credit		303,586	414,268
Excise duty		2,402,791	1,875,569
Income tax		11,059,214	4,802,971
Sales tax		-	530,893
		-----	-----
		22,129,985	17,116,459
Short term prepayments		560,326	1,714,709
Other receivables			
Profit/mark-up accrued on bank deposits and investment		11,266	4,228,961
Others		574,983	3,635,108
		-----	-----
		586,249	7,864,069
		-----	-----
		23,276,560	26,695,237
		=====	=====

20.1 - Advances to company's employees

Current maturity of long term loans	15	1,243,616	1,245,966
For purchases		1,348,129	2,978,233
Miscellaneous		558,534	2,136,476
		-----	-----
		3,150,279	6,360,675
		=====	=====

21 - Cash and bank balances

Balances with banks			
- On current accounts		7,873,912	37,366,961
- On deposit accounts		16,998,584	7,952,930
		-----	-----
		24,872,496	11,689,626
In hand			
- Cheques		-	25,621,000
- Cash		1,121,315	306,917
		-----	-----
		1,121,315	25,927,917
		-----	-----
		25,993,811	37,617,543
		=====	=====

22 - Sales

Sales - gross		1,302,763,731	965,392,870
Less: Rebate on cement		8,691,359	7,134,092
Sales tax		-	134,022,726
Excise duty		546,105,623	296,710,161
		-----	-----
		554,796,982	437,866,979
Transferred to trial run period operation	13.2	-	(26,355,521)
		-----	-----
		747,966,749	501,170,370
		=====	=====

	Note	1998 Rupees	1997 Rupees
23 - Cost of goods sold			
Opening work-in-process		19,357,103	28,514,307
Raw and packing materials consumed	23.1	141,674,292	107,112,193
Electricity		161,354,874	105,142,159
Furnace oil		225,861,598	139,470,627
Stores anti spares consumed		16,032,757	12,861,400
Salaries, wages anti other benefits		44,654,966	32,899,000
Rent, rates and taxes		67,452	94,910
Repairs and maintenance		3,665,058	907,058
Insurance		2,301,885	1,416,722
Other expenses		2,437,885	1,835,656
Depreciation	13.1	73,404,559	61,894,659
		-----	-----
		690,812,429	492,148,691
Less: Closing stock of finished goods		24,719,590	19,357,103
		-----	-----
Cost of goods manufactured		666,092,839	472,791,588
Opening stock of finished goods		12,955,583	17,555,875
		-----	-----
		679,048,422	490,347,463
Less: Closing stock of finished goods		13,850,974	12,955,583
Transferred to trial run period operation	13.2	-	(38,768,521)
		-----	-----
		665,197,448	438,623,359

	=====	=====
23.1 - Raw and packing materials consumed		
Opening stock as at July 01		
- Raw materials	1,833,748	1,519,346
- Packing materials	2,006,015	2,580,400
	-----	-----
	3,839,763	4,099,746
Add: Purchases during the year		
Raw materials	5,020,902	37,282,321
Packing materials	81,097,544	66,005,048
	-----	-----
	86,118,446	69,733,280
Royalty and Excise duty	6,320,666	2,115,955
Salaries, wages and other benefits	12,687,075	7,775,463
Fuel	3,840,914	2,736,606
Electricity	3,554,167	2,641,721
Stores and spares consumed	8,352,473	5,121,936
Other expenses	3,680,121	1,977,700
Depreciation	13.1 15,845,428	14,749,549
	-----	-----
	54,280,844	37,118,930
	-----	-----
	144,239,053	110,951,956
Less: Closing stock as at June 30		
- Raw materials	1,482,524	1,833,748
- Packing materials	1,082,237	2,006,015
	-----	-----
	2,564,761	3,839,763
	-----	-----
	141,674,292	107,112,193
	=====	=====

Note	1998 Rupees	1997 Rupees
------	----------------	----------------

24 - Selling, administrative and general expenses

Selling

Salaries, wages and other benefits	4,586,854	2,858,139
Vehicle running	514,037	289,366
Travelling and conveyance	191,997	78,149
Printing and stationery	100,203	80,399
Postage, telephone and telegrams	561,485	437,116

Entertainment		964,205	552,702
Rent, rates and taxes		270,982	226,904
Electricity, water and gas		65,054	54,037
Advertisement		259,214	395,714
Miscellaneous		657,876	154,412
Cement loading and transportation charges		2,650,549	1,001,078
Depreciation	13.1	10,153	111,228
		-----	-----
		10,928,609	6,239,244

Administrative and general

Salaries, wages and other benefits		9,081,658	7,394,486
Vehicle running		180,048	149,507
Travelling and conveyance		859,261	765,368
Printing and stationery		244,349	369,854
Legal and professional		1,036,780	1,131,662
Postage, telephone and telegrams		787,464	750,935
Rent, rates and taxes		134,430	125,969
Entertainment		105,488	131,982
Auditor's remuneration	24.1	349,000	297,800
Miscellaneous		1,493,599	1,277,923
Zakat		1,384	11,601
Loss on sale of fixed assets		-	28,175
Depreciation	13.1	247,689	259,533
		-----	-----
		14,521,150	12,694,795
Transferred to trial run period operation	13.2	-	(1,633,110)
		-----	-----
		25,449,759	17,300,929
		=====	=====

24.1 - Auditor's remuneration

Audit fee		75,000	70,000
Consultancy charges		236,000	198,000
Excise duty		-	3,800
Out of pocket expenses		38,000	26,000
		-----	-----
		349,000	297,800
		=====	=====

25 - Other income

Profit/mark-up on bank deposits and investments		1,464,399	2,597,986
Income from sale of scrap		10,556,424	114,446
Profit on sale of fixed assets		755,571	-
Miscellaneous		965,400	925,024
		-----	-----

13,741,794 3,637,456
 =====

1998 **1997**
Rupees **Rupees**

26 - Financial charges

Interest/mark-up on:

Redeemable capital	8,074,623	8,394,354
Liabilities against assets subject to finance lease	38,430,990	50,323,315
Short term loans	24,634,030	25,871,954
Workers' participation fund	171,841	253,443
Bank charges and commission	775,256	2,173,433
	-----	-----
	72,086,740	87,016,521
	=====	=====

27 - Deferred taxation

In view of available estimated tax losses, the management feels that certain timing differences will not reverse for some considerable foreseeable period. Hence, provision for deferred tax to the extent of Rs. 95.4 million has not been made in these accounts.

28 - Transactions with associated undertakings

The Company sold to associated undertakings Grey cement in aggregate sum of Rs. NIL million during the year (1997: Rs. 19.355 million) at the discount rate of Rs. NIL (1997: Rs. 100 per ton).

29 - Remuneration of Chief Executive, Directors and Executives

	Chief Executive		Directors		Executives	
	1998 Rupees	1997 Rupees	1998 Rupees	1997 Rupees	1998 Rupees	1997 Rupees
Managerial Remuneration	360,000	240,000	462,000	560,000	2,058,081	1,535,575
Rent and utilities allowances	120,000	120,000	145,000	280,000	961,641	711,577
Medical re-imburement	-	70,585	292,225	-	119751.00	195,671
Bonus	-	-	-	-	166,536	114,390
Retirement benefits	-	-	-	-	419,265	268,450
	-----	-----	-----	-----	-----	-----
	480,000	430,585	899,225	840,000	3,725,274	2,825,663
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	2	2	14	13
	=====	=====	=====	=====	=====	=====

29.1 - The Company also provides the Chief Executive and certain Directors and Executives of the Company with free use of Company maintained cars and telephone facilities.

30 - Plant capacity and actual production

	1998 (Tonnes)	1997 (Tonnes)
Clinker		
Plant capacity	540,000	540,000
Actual production	348,608	245,676

30.1 - The under utilization of available capacity was mainly due to over all slow down in economic activity of the country and increase in supply of cement.

31 - General

Corresponding figures have been rearranged, wherever necessary for comparison purposes.

Sd/-
Chief Executive

Sd/-
DIRECTOR

Pattern of Shareholding as at June 30,1998

Form - 34

Sr. No.	No. of Shareholders	Shareholding		No. of Shares held
		Form	To	
1	128	1	100	12,206
2	3,775	101	500	763,334
3	34	501	1,000	27,800
4	45	1,001	5,000	127,000
5	12	5,001	10,000	107,900
6	2	10,001	15,000	24,300
7	1	45,001	50,000	50,000
8	1	80,001	85,000	84,900
9	1	145,001	150,000	149,400
10	1	895,001	900,000	898,700
11	1	1,970,001	1,975,000	1,973,994
12	1	1,995,001	2,000,000	2,000,000
13	1	2,605,001	2,610,000	2,606,000
14	1	5,685,001	5,690,000	5,689,800
15	1	7,415,001	7,429,000	7,418,000

4,005
=====

TOTAL

21,933,334
=====

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage of capital
Individuals	3,991	1,034,940	4.719
Investment Companies	1	13,900	0.063
Joint Stock Companies	10	16,193,594	73.831
Financial Institutions	1	84,900	0.387
Foreign Companies	2	4,606,000	21.000
	-----	-----	-----
TOTAL	4,005	21,933,334	100.000
	=====	=====	=====