

Dadex Eternit Ltd.
Annual Report 1997-98

Board of Directors

KASSIM DADA, S.K. (Pak.), Off. L.II (Belgium)

Chairman

SIKANDER DADA

Managing Director & Chief Executive

ABU TALIB H.K. DADA

M. IRSHAD UDDIN

MAQBOOL H. RAHIMTOOLA

ZAHID ZAHEER

A. A, BHOJANI

G. A. ZAFAR

PHILIPPE COENS

JACQUES STIEVENART

Director

Corporate Affairs

TARIQ ALI JAFRI

Director

Technical & Projects

ZAIMUDDIN AHMED

Company Secretary

AMANULLAH KHANANI
FCA

Auditors

A. F. FERGUSON & CO,
Chartered Accountants

HYDER BHIMJI & CO.
Chartered Accountants

Bankers

AMERICAN EXPRESS BANK LIMITED
ANZ GRINDLAYS BANK
BANK OF AMERICA
HABIB BANK LIMITED
MUSLIM COMMERCIAL BANK LIMITED

Registered Office

KASSAM MANZIL, RANDAL ROAD,
P.O. BOX NO. 7429,
KARACHI, 74400.

NOTICE OF MEETING

Notice is hereby given that the 39th Annual General Meeting of the shareholders will be held on Wednesday, November 18, 1998 at 11:30 a.m. at the Auditorium of Institute of Chartered Accountants of Pakistan, G-31/8, Kehkashan, Clifton, Karachi to transact the following business:

1. To receive and adopt the Report of Directors and Audited Accounts for the financial year ended June 30, 1998.
2. To consider the dividend recommended by the Board of Directors.
3. To appoint Auditors for the year 1998-99 and fix their remuneration.

NOTES:

1. The Share Transfer Books will remain closed from Friday, November 6, 1998 to Wednesday, November 18, 1998 (both days inclusive).

2 A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote in his absence. The instrument appointing a proxy must be received at the Registered Office of the Company not later than forty-eight hours before the time of the meeting.

3. A transport will be available for members at 10:45 a.m. sharp outside the premises of Karachi Stock Exchange Building to take them to the venue of the meeting.

DIRECTORS' REPORT

The Shareholders
Dadex Etermit Ltd.

Gentlemen

Your directors have pleasure in placing before you the 39th Annual Report with audited accounts for the financial year ended June 30, 1998 as follows:

	(Rupees in '000)
Net profit before taxation	85,142
Less' Provision for taxation	19,262

Net profit after taxation	65,880
Add: Unappropriated profit brought forward	10,686

Profit available for appropriation	76,566
Your directors have decided to appropriate as under:	
Transfer to General Reserve	36,000
Proposed final dividend Rs. 3.75 per share (37.5%)	40,365

	76,365

Unappropriated profit carried forward	201
	=====

Estimated break up value per share is Rs. 35.82 treating deferred taxation as a part of free reserve.

M/s. Hyder Bhimji & Co., and M/s. A. F. Ferguson & Co., auditors of the company retire and offer their services for the ensuing year.

CHAIRMAN'S REVIEW

It is my pleasure to present you the report for 1997-98, the 39th year of the company.

The year ended on a heartening note. We were able to achieve higher sales turnover and better volumes over last year. Better management control and prudent use of resources helped in achieving improved results under the present scenario. One will appreciate the fact that while turnover increased by nearly 20%, the cost of goods sold was fairly well contained. This in itself is an achievement in an inflationary environment.

As we are all aware, conditions in the market were and continue to be unpredictable and extremely difficult. The country has been going through economic turmoil for a considerable period which has led to recessionary pressures on the economy. Uncertain political conditions and deteriorating law and order situation in Karachi affected the business environment. Increases in the cost of inputs like cement, power, fuel and wages, as well as general inflation and currency devaluation, added to the cost of products. Unfair competition from manufacturers of substandard and substitute products added to the numerous problems your company has to face.

Nevertheless, there can be no respite in our determination to continue on the path of improving operations. Attempts are continuously being made to explore new markets and find opportunities.

Although there was a general resources crunch in the government development schemes, we were able to secure turnkey jobs where quality was required not only in terms of the product but also in terms of workmanship. The role of the construction management division has therefore been one of the key elements in this aspect. We actively started pursuing this activity a few years ago and have gradually been able to justify venturing into this field. Even this year we are likely to benefit from this division.

The industrial activity in the country remained subdued which affected our sales negatively. This segment of the market is unlikely to improve this coming year.

Construction activities improved marginally with the result that sales in this sector were better than the previous year. Further, we were able to improve our market share which is currently dominated by substitute materials. Efforts in this direction will be maintained.

We are making satisfactory progress towards getting the company certified under the ISO 9000 standard and we hope to achieve certification by the end of 1998

Your Board has decided to conserve cash resources as far as possible. This is in anticipation of a possible downturn in the company's activities in the forthcoming year as well as the capital and investment requirements.

I would like to conclude by conveying my appreciation to staff whose contribution have resulted in the improved results and whose efforts will be required in surmounting the problems we may have to face in the coming years.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Dadex Eternit Limited as at June 30, 1998 and the related Profit and Loss Account and the Cash Flow Statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1998 and of the profit and cash flows 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.

A.F. Ferguson & Co.
Chartered Accountants

Hyder Bhimji & Co.
Chartered Accountants

BALANCE SHEET
AS AT JUNE 30, 1998

	Note	1998 (Rupees '000)	1997
SHARE CAPITAL AND RESERVES			
Authorised capital	3	200,000	200,000
Issued, subscribed and paid-up capital	4	107,640	107,640
Reserves			
Capital	5	97,000	97,000
Revenue	5	178,000	142,000
Unappropriated profit		201	10,686
		-----	-----
		275,201	249,686
		-----	-----
		382,841	357,326
LIABILITIES AGAINST ASSETS			
SUBJECT TO FINANCE LEASES	6	--	10,278
DEFERRED LIABILITY - TAXATION	7	2,680	3,581
CURRENT LIABILITIES AND PROVISIONS			
Short-term running finances utilised under mark-up arrangements	8	86,582	28,817
Current portion of liabilities against assets subject to finance leases	6	10,278	12,863
Creditors, accrued and other liabilities	9	93,509	226,079
Taxation		28,925	50,032
Proposed dividend		40,365	--
		-----	-----
		259,659	317,791
COMMITMENTS			
	10	-----	-----
		645,180	688,976
		=====	=====
TANGIBLE FIXED ASSETS			
Operating fixed assets	11	61,452	77,426
Capital work-in-progress	12	15,838	1,493
		-----	-----
		77,290	78,919
LONG-TERM INVESTMENT			
	13	--	320
LONG-TERM LOANS AND ADVANCES			
	14	779	1,055
LONG-TERM DEPOSITS			
	15	3,830	8,230
CURRENT ASSETS			
Stores and spares	16	65,134	69,409
Stock-in-trade	17	316,237	356,709
Trade debts	18	48,638	33,348
Loans and advances	19	6,443	5,055
Trade deposits and short-term prepayments	20	19,435	13,538
Other receivables	21	3,461	4,101
Investments	22	47,964	72,772
Cash and bank balances	23	55,969	45,520
		-----	-----
		563,281	600,452
		-----	-----
		645,180	688,976
		=====	=====

The annexed notes form an integral part of these accounts.

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

	Note	1998 (Rupees '000)	1997
Sales		587,365	492,215
Cost of goods sold	24	404,491	335,562
		-----	-----
		182,874	156,653
Administration, selling and distribution expenses	25	81,885	62,764
		-----	-----
Operating profit		100,989	93,889
Other income	26	22,559	16,915
		-----	-----
		123,548	110,804
Financial charges	27	30,351	27,759
Other charges	28	8,055	6,190
		-----	-----
		38,406	33,949
Profit before taxation		85,142	76,855
Taxation	29	19,262	27,062
		-----	-----
Profit after taxation		65,880	49,793
Unappropriated profit brought forward		10,686	1,258
		-----	-----
Profit available for appropriation		76,566	51,051
Appropriations:			
Transfer to Revenue reserve - general		36,000	--
Dividend - Interim Rs. Nil (1997: Rs. 3.75) per share		--	40,365
- Proposed final Rs 3.75 (1997' Rs. Nil) per share		40,365	--
		-----	-----
		76,365	40,365
Unappropriated profit carried forward		201	10,686
		=====	=====

The annexed notes form an integral part of these accounts.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 1998**

	Note	1998 (Rupees '000)	1997
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	34	49,971	171,163
Interest paid		(28,767)	(26,253)
Taxes paid		(41,270)	(42,7~2)
Long-term loans and advances (net)		276	(816)
Long-term deposits (net)		4,400	(1,440)
		-----	-----
Net cash (outflow)/inflow from operating activities		(15,390)	99,922
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(20,910)	(15,722)
Investments encashed		24,808	9,950
Sale proceeds of fixed assets		2,007	14,853
Interest received		14,514	13,237

Net cash inflow from investing activities	20,419	22,318
CASH FLOW FROM FINANCING ACTIVITIES		
Finance lease borrowings less repayments	(12,863)	(12,549)
Dividends paid	(39,482)	(24,021)
Net cash outflow from financing activities	(52,345)	(36,570)
Net (decrease)/increase in cash and cash equivalents	(47,316)	85,670
Cash and cash equivalents at beginning of the year	16,703	(68,967)
Cash and cash equivalents at end of the year	35	16,703

The annexed notes form an integral part of these accounts.

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

1. THE COMPANY AND ITS OPERATIONS

Dadex Eternit Limited is incorporated in Pakistan and is listed on the Karachi Stock Exchange. It is engaged in manufacture and sale of construction materials namely fibre cement sheets, nalidar beams, fibre cement and PVC pressure pipes, building pipes, polyethylene pipes and other allied products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefit

The company operates an approved contributory provident fund for all permanent employees.

2.3 Taxation

Provision for current taxation is based on taxable income after taking into account tax credits available, if any.

The company accounts for deferred taxation on all material timing differences using the liability method.

2.4 Tangible fixed assets

a) Owned

Operating fixed assets except freehold land are stated at cost less accumulated depreciation. Freehold land and capital work-in-progress are stated at cost. Cost in relation to certain fixed assets signifies historical cost and exchange differences capitalised as referred to in note 2.7.

Depreciation on operating fixed assets except plant and machinery is calculated at varying rates used for income tax purposes and is charged to income applying the reducing balance method. Depreciation on plant and machinery is calculated using the straight-line method based on estimated useful lives less residual value.

Cost of leasehold land is amortised equally over the period of lease.

Depreciation on additions to fixed assets during a year is charged for the whole year while no depreciation is charged on fixed assets disposed of during the year.

Gains and losses on disposal of fixed assets are taken to profit and loss account.

Maintenance and normal repairs and replacements are charged to income as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired.

b) Leased

Assets subject to finance lease are stated at the lower of present value of minimum payments under the lease agreements and the fair value of assets. Depreciation is charged at rates used for similar assets whereby the cost of the asset is written off over its estimated useful life less residual value.

2.5 Stores and spares

Stores and spares except consumable accessories are valued at moving average cost. Consumable accessories are valued at cost calculated on last-in first-out basis.

Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

2.6 Stock-in-trade

(a) Raw materials

Asbestos fibre is valued at cost calculated on last-in first-out basis. Other raw materials are valued at moving average cost.

Materials in transit are valued at cost comprising invoice values plus other charges paid thereon.

(b) Work-in-process

Work-in-process is valued at prime cost and an appropriate portion of manufacturing overheads.

(c) Finished Goods

Finished goods are valued at lower of moving average cost and net realisable value. Cost includes prime cost and an appropriate portion of manufacturing overheads.

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

2.7 Foreign currency translation

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in which case the rates contracted for are used.

Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets. All other exchange differences are taken to profit and loss account.

2.8 Investments

Long-term investments are stated at cost less amount written off in respect of any diminution due to permanent impairment in value of the investment. Short-term investments are stated at the lower of cost and market value.

2.9 Revenue recognition

Sales are recorded on despatch of goods to customers. Dividend income on long-term investment is recognised when declared. Income on short-term investments is recognised on accrual basis.

2.10 Liabilities and finance charge against assets subject to finance leases

Liabilities against assets subject to finance leases are accounted for at net present value of minimum payments under the lease agreements. Finance charges under the lease agreements are allocated to periods during the lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

3. AUTHORISED CAPITAL

	1998	1997
	(Rupees '000)	
12,000,000 ordinary shares of Rs. 10 each	120,000	120,000
8,000,000 'B' class ordinary shares of Rs. 10 each	80,000	80,000
-----	-----	-----
20,000,000	200,000	200,000
=====	=====	=====

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	1998 (Rupees '000)	1997
914,264 ordinary shares of Rs. 10 each fully paid in cash	9,148	9,143
476,386 ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	4,764	4,764
5,282,773 ordinary shares of Rs. 10 each issued as fully paid bonus shares	52,828	52,828
800,000 'B' class ordinary shares of Rs. 10 each fully paid in cash	8,000	8,000
3,290,536 'B' class ordinary shares of Rs. 10 each issued as fully paid bonus shares	32,905	32,905
<u>10,763,959</u>	<u>107,640</u>	<u>107,640</u>

5. RESERVES

Movement in and composition of reserves are as follows:

	CAPITAL			REVENUE		TOTAL		
	Fixed Asset Replacement	Share Premium	Total	Dividend Equalisation	General	Total	1998	1997
(Rupees '000)								
At July 1	91,345	5,655	97,000	20,000	122,000	142,000	239,000	239,000
Transfer from Profit and loss account	--	--	--	--	36,000	36,000	36,000	--
At June 30	91,345	5,655	97,000	20,000	158,000	178,000	275,000	239,000

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

The amount of future payments for the finance leases and the period in which these payments will become due are as follows:

	First Grindlays Modaraba	Askari Leasing Limited	Crescent Leasing Corporation Limited	Pak Kuwait Investment Company (Pvt) Limited	Total 1998	1997
	(Rupees '000)					
Year to June 30, 1998	--	--	--	--	--	15,185
Year to June 30, 1999	5,751	2,016	668	2,076	10,511	10,609
	5,751	2,016	668	2,076	10,511	25,794
Less: Finance charges not due	146	38	14	35	233	2,653

	5,605	1,978	654	2,041	10,278	23,141
Less: Current portion shown under current liabilities	5,605	1,978	654	2,041	10,278	12,863
	--	--	--	--	--	10,278
1997	5,605	1,978	654	2,041	10,278	23,141

6.1 First Grindlays Modaraba

The company entered into a sale and lease back agreement for existing plant and machinery in 1993 for a period of five years at a value of Rs. 24.17 million.

The company has the option to renew the lease for a further period of three years so that the aggregate renewal period does not exceed the period of nine years from the expiry of the lease term at an annual rental of Rs. 0.24 million.

6.2 Askari Leasing Limited

The company entered into a sale and lease back agreement for certain existing plant and machinery in 1993 for a period of five years at a value of Rs. 11.96 million. Overdue rentals are subject to an additional charge at a rate of 2 percent per month.

6.3 Crescent Leasing Corporation Limited

The company entered into a sale and lease back agreement for certain existing plant and machinery in 1994 for a period of four years at a value of Rs. 5.066 million. Overdue rentals are subject to additional lease rentals at a rate of 0.1 percent per day for the period of delay.

6.4 Pak Kuwait Investment Company (Private) Limited

The company entered into a sale and lease back agreement for certain existing plant and machinery in 1994 for a period of four years at a value of Rs. 11.643 million.

The company has the option to renew the lease for a further period of one year at a quarterly rental of Rs. 0.92 million. In the event of any delay in the payment of any amount the company shall pay additional lease rentals at a rate of 0.1 percent per day for the period of delay.

6.5 Payments under the leases include finance charge ranging from 18.9763 percent to 19.975 percent per annum, which are used as discounting factors. The company has the option to purchase the leased assets for Rs. 5.031 million upon completion of the lease period. This amount has been included in the total payments outstanding.

7. DEFERRED LIABILITY -- TAXATION

	1998	1997
	(Rupees '000)	
Deferred liability arising due to:		
- accelerated tax depreciation allowances	2,570	2,616
- payments under finance leases	3,982	2,798
Deferred debit arising in respect of certain short-term provisions	(3,872)	(1,833)
	2,680	3,581
8. SHORT-TERM RUNNING FINANCES UTILISED UNDER MARK-UP ARRANGEMENTS - Secured	86,582	28,817

8.1 The facilities for short-term running finances available from banks under mark-up arrangements amount to Rs. 368 million (1997: Rs. 253 million). The facilities expire on various dates by April

4, 1999. The rates of mark-up range from Rs. 0.39 to Rs. 0.60 (1997: Rs. 0.39 to Rs. 0.60) per Rs. 1,000 per day. These arrangements are secured by pari-passu charges against hypothecation of the company's stock-in-trade, trade debts and lien on foreign currency deposit accounts.

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

	1998	1997
	(Rupees '000)	
Creditors	1,183	913
Bills payable	4,047	89,044
Sales tax payable	14,595	13,119
Accrued liabilities	24,799	29,329
Accrued finance charge on liabilities against assets subject to finance leases	98	299
Accrued mark-up on secured short-term finances	3,649	2,645
Excise duty payable	--	129
Contractors' earnest money	32	70
Advances from customers	22,622	31,569
Workers' Profit Participation Fund - note 9.1	4,748	4,351
Workers' Welfare Fund	9,075	7,359
Unclaimed dividends	5,736	45,218
Other liabilities	2,925	2,034
	-----	-----
	93,509	226,079
	=====	=====

Amount due to an associated undertaking at the year end aggregated to Rs. Nil (1997: Rs. 20 thousand).

9.1 Workers' Profit Participation Fund

	1998	1997
	(Rupees '000)	
Balance at July 1	4,351	9,280
Allocation for the year	4,589	4,190
	-----	-----
	8,940	13,470
Interest on funds utilised in the company's business	331	1,032
Less: Amounts paid to the trustees and beneficiaries of the Fund	1,844	2,495
Deposited with the Government	2,679	7,656
	-----	-----
	4,523	10,151
	-----	-----
Balance at June 30	4,748	4,351
	=====	=====

10. COMMITMENTS

a) Commitments in respect of capital expenditure contracted but not incurred amounted to Rs. 28,589 thousand at June 30, 1998 (1997: Rs. 232 thousand).

b) Commitments in respect of forward exchange contracts entered into at June 30, 1998 amounted to Rs. 88,094 thousand (1997: Rs. 93,800 thousand).

c) Commitments in respect of rent of assets under operating leases amounted to Rs. 25,121 thousand at June 30, 1998 (1997: Rs. 20,529 thousand) payable as follows:

Year	(Rupees '000)
1998-1999	13,457
1999-2000	10,302
2000-2001	1,362

	25,121
	=====

11. OPERATING FIXED ASSETS

11.1 The following is a statement of operating fixed assets:

	At July 1, 1997	Cost Additions/ (disposals)	At June 30, 1998	At July 1, 1997	Accumulated depreciation Charge for the year/ (accumulated depreciation on disposals)	At June 30, 1998	Book value at June 30, 1998	Depreciation rate % per annum
	(Rupees '000)							
Freehold land	4,638	--	4,638	--	--	--	4,638	--
Leasehold land	5,292	--	5,292	1,102	66	1,168	4,124	1 to 2.50
Building on freehold land	1,823	--	1,823	449	69	518	1,305	5
Factory buildings on leasehold land	26,502	2,013	28,515	19,925	859	20,784	7,731	10
Buildings on leasehold land other than factory	8,330	1,130	9,460	4,246	261	4,507	4,953	5
Plant and Machinery	201,191	2,863	204,054	169,383	7,983	177,366	26,688	20 & 25
Furniture and fixtures	2,137	419	2,556	976	158	1,134	1,422	10
Vehicles and transportation equipment	20,680	140 (3,689)	17,131	12,444	1,390 (2,262)	11,572	5,559	20
Assets held under finance leases:								
Plant and machinery	52,842	--	52,842	37,484	10,326	47,810	5,032	20 & 25
1998	323,435	6,565 (3,689)	326,311	246,009	21,112 (2,262)	264,859	61,452	
1997	324,680	15,030 (16,275)	323,435	226,498	21,150 (1,639)	246,009	77,426	

11.2 The depreciation charge for the year has been allocated as follows:

1998	1997
(Rupees '000)	

Cost of goods sold - note 24	20,030	19,647
Administration, selling and distribution expenses - note 25	1,082	1,503
	-----	-----
	21,112	21,150
	=====	=====

11.3 The following fixed assets were disposed of during the year:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Particulars of buyers
	(Rupees '000)				
Vehicles and transportation equipment					
Sold by negotiation					
	161	119	42	82	Mr. Pervez Nawab, Karachi.
	152	120	32	65	Mr. S. Abid All, Karachi.
	274	99	175	180	Mr. Rafiq Haider, Karachi.
	215	158	57	120	Mrs. Shabina Shakoor, Karachi.
	110	40	70	85	Mr. Abdul Waheed, Karachi.
	692	338	354	380	Mr. Fahimul Bari, Karachi.
	462	341	121	160	Mr. Nasir Khan, Karachi.
Insurance claim					
	39	23	16	50	Adamjee Insurance Company
	39	23	16	50	Adamjee Insurance Company
	39	23	16	50	Adamjee Insurance Company
Sold to employees as per company's policy					
	188	111	77	165	Mr. Najmul Hassan (ex-employee)
	243	143	100	130	Mr. Razak (ex-employee)
	1,071	720	351	440	Mr. Haroon Chamdia (ex-employee)
Item having net book value of below Rs. 5,000					
	4	4	--	50	
1998	3,689	2,262	1,427	2,007	
1997	16,275	1,639	14,636	14,853	
	=====	=====	=====	=====	

12. CAPITAL WORK-IN-PROGRESS

	1998	1997
	(Rupees '000)	
This consists of:		
Civil works	11,957	535
Advances to contractors and suppliers	3,881	958
	-----	-----
	15,838	1,493
	=====	=====

13. LONG-TERM INVESTMENT

3,200,000 (1997: 3,200,000) fully paid Ordinary shares of Rs. 5 each held in Punjab Building Products Limited - an associated quoted company

	--	320
	=====	=====

As a result of an order passed by the Sindh High Court in the current year, Punjab Building Products Limited was wound up and an official assignee has been appointed to take over the assets of the company and complete the liquidation proceedings. The above investment that represented 40% of the equity of the investee company has been written off completely.

14. LONG-TERM LOANS AND ADVANCES - considered good

	1998	1997
	(Rupees '000)	
Due from executives	960	1,131
Less: receivable within one year -- note 19	443	417
	-----	-----
	517	714
	-----	-----
Due from employees	859	786
Less' receivable within one year -- note 19	597	445
	-----	-----
	262	341
	-----	-----
	779	1,055
	=====	=====
Outstanding for a period'		
-- exceeding three years	--	--
-- others	779	1,055
	-----	-----
	779	1,055
	=====	=====

Loans given to executives and employees for purchase of motor cars, motorcycles and computers are repayable over a period between two to four years. All loans are granted in accordance with the terms of employment.

15. LONG-TERM DEPOSITS

	1998	1997
	(Rupees '000)	
Deposits		
-- Leasing companies	8,514	7,064
-- Others	1,103	1,166
	-----	-----
	9,617	8,230
	-----	-----
Less: Current portion of deposits with leasing companies-- note 20	5,787	--
	-----	-----
	3,830	8,230
	=====	=====

16. STORES AND SPARES

Stores	3,887	3,620
Spares	49,692	49,750
Consumable accessories	10,601	15,414
Loose tools	572	625
Items in transit	3,356	--
	-----	-----
	68,108	69,409
Provision for slow moving and obsolete spares	(2,974)	--
	-----	-----
	65,134	69,409
	=====	=====

Consumable accessories, i.e. Felt and Sievemesh have been valued on last-in first-out (LIFO)

basis which is consistent with that of the previous year. Had the value of these items been determined on the moving average basis, total value of the items would have increased by Rs. 2.269 million (1997: Rs. 2.195 million).

17. STOCK-IN-TRADE

	1998	1997
	(Rupees '000)	
Raw materials		
At moving average cost	19,005	29,145
At last-in first-out cost	186,006	141,648
Items in transit	4,890	86,061
	-----	-----
	209,901	256,854
Work-in-process	27,829	27,139
Finished goods	78,507	72,716
	-----	-----
	316,237	356,709
	=====	=====

Stock in trade includes finished goods amounting to Rs. 2.38 million valued at Net Realisable value.

Asbestos fibre, included in raw materials, has been valued on the last-in first-out (LIFO) basis which is consistent with that of the previous year. Had the value of fibre been determined on the moving average basis, total value of fibre would have increased by Rs. 11.39 million (1997: Rs. 7.429 million).

18. TRADE DEBTS

	1998	1997
	(Rupees '000)	
Considered good -- unsecured	48,638	33,348
Considered doubtful	8,758	6,110
	-----	-----
	57,396	39,458
Less: Provision for doubtful debts	8,758	6,110
	-----	-----
	48,638	33,348
	=====	=====

19. LOANS AND ADVANCES -- considered good

Loans to:		
-- executives -- note 14	443	417
-- employees -- note 14	597	445
Advances to:		
-- executives	143	468
-- employees	113	189
-- suppliers	5,022	3,426
-- others	125	110
	-----	-----
	6,443	5,055
	=====	=====

The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.10 million (1997: Rs. 1.66 million).

20. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

1998	1997
------	------

(Rupees '000)

Trade deposits	8,998	8,425
Current portion of deposits with leasing companies -- note 15	5,787	--
Short-term prepayments	4,650	5,113
	-----	-----
	19,435	13,538
	=====	=====

21. OTHER RECEIVABLES--considered good

	1998	1997
	(Rupees '000)	
Accrued income on investments	3,331	3,882
Others	130	219
	-----	-----
	3,461	4,101
	=====	=====

22. INVESTMENTS

WAPDA Bearer Bonds	12,410	12,410
Special Savings Certificates	35,100	60,100
Defence Savings Certificates	454	262
	-----	-----
	47,964	72,772
	=====	=====

Profit on WAPDA bearer bonds is receivable half yearly at an annual rate of 12.5 per cent.

Profit on Special Savings Certificates is receivable half yearly at an annual rate of 14 per cent for the first two years and 15.5 per cent for the third year.

23. CASH AND BANK BALANCES

	1998	1997
	(Rupees '000)	
Foreign currency deposit accounts	51,754	42,730
Current accounts		
-- Foreign currency	187	161
-- Local currency	4,004	2,560
Cash in hand	24	69
	-----	-----
	55,969	45,520
	=====	=====

24. COST OF GOODS SOLD

	1998	1997
	(Rupees '000)	
Raw materials consumed		
Opening stock	256,854	312,045
Purchases	219,870	196,176
Closing stock	(209,901)	(256,854)
	-----	-----
	266,823	251,367

Stores and spares consumed	30,564	28,391
Salaries, wages and benefits	43,360	36,953
Bonus to staff and workers	2,633	2,377
Fuel, water and power	22,947	21,481
Insurance	4,789	5,004
Travelling	517	654
Communication	509	507
Depreciation -- note 11 2	20,030	19,647
Rent, rates and taxes	3,833	94
Repairs and maintenance	4,257	2,987
Technical assistance fee	985	1,550
Printing and stationery	511	375
Sundry expenses	1,163	859
Opening stock of work-in-process	27,139	17,779
Closing stock of work-in-process	(27,829)	(27,139)
	-----	-----
Cost of goods manufactured	402,231	362,886
Opening stock of finished goods	72,716	43,047
Finished goods purchased	8,051	2,345
	-----	-----
	482,998	408,278
Closing stock of finished goods	(78,507)	(72,716)
	-----	-----
	404,491	335,562
	=====	=====

25. ADMINISTRATION, SELLING AND DISTRIBUTION EXPENSES

	1998	1997
	(Rupees '000)	
Salaries and benefits	27,984	26,225
Rent, rates and taxes	7,960	5,258
Insurance	1,107	1,118
Transportation:		
Hire and other charges	35,682	24,849
Recoveries	(35,537)	(24,715)
	-----	-----
	145	134
Depreciation -- note 11.2	1,082	1,503
Repairs and maintenance	5,481	4,985
Advertising and sales promotion	10,145	8,312
Printing, stationery and subscription	2,169	1,691
Communication	2,656	2,769
Travelling	4,446	4,148
Fuel, water and power	1,024	973
Legal and professional	3,190	1,263
Sales tax on stores and spares consumed in prior years	6,324	--
Provision for doubtful debts	3,234	3,338
Bad debts written off	146	--
Provision for slow moving and obsolete spares	2,974	--
Permanent impairment in value of investment written off	320	--
Sundries	1,498	1,047
	-----	-----
	81,885	62,764
	=====	=====

26. OTHER INCOME

1998 1997

(Rupees '000)

Income from -- investments	10,675	10,846
-- bank deposits	3,257	2,718
-- employee loans	31	--
	-----	-----
	13,963	13,564
Profit on disposal of fixed assets	580	217
Exchange gain	6,042	2,630
Sale of scrap and waste	327	389
Recoveries of receivables		
-- written off in prior years	166	38
-- against provisions	542	--
Provisions no longer required written back	16	55
Sundries	923	22
	-----	-----
	22,559	16,915
	=====	=====

27. FINANCIAL CHARGES

Mark-up on short-term running finances	26,819	19,958
Interest on Workers' Profit Participation Fund	331	1,032
Finance charge on liabilities against assets subject to finance leases	2,420	4,562
Excise duty on financing facilities availed	--	1,587
Bank charges	665	491
Others	116	129
	-----	-----
	30,351	27,759
	=====	=====

28. OTHER CHARGES

1998 1997
(Rupees '000)

Auditors' remuneration -- note 30	285	223
Directors' fee	11	7
Workers' Profit Participation Fund	4,589	4,190
Workers' Welfare Fund	1,715	1,718
Donations	--	52
Zakat on Special Savings Certificates	1,455	--
	-----	-----
	8,055	6,190
	=====	=====

29. TAXATION

Current -- for the year	27,000	27,789
-- for prior years	(6,837)	--
Deferred	(901)	(727)
	-----	-----
	19,262	27,062
	=====	=====

30. AUDITORS' REMUNERATION

Audit fee:		
-- A. F. Ferguson & Co.	145	125
-- Hyder Bhimji & Co.	45	45

Special certifications and
sundry advisory services:

-- A. F. Ferguson & Co.	45	25
-- Hyder Bhimji & Co.	15	--
Audit of Workers' Profit Participation Fund (Hyder Bhimji & Co.)	1	1
Central and Provincial Excise Duty	--	3
Out of pocket expenses	34	24
	-----	-----
	285	223
	=====	=====

31. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for the year for remuneration and benefits to the chief executive, director and executives of the company were as follows:

	Chief Executive		Director		Executives		1997
	1998	1997	1998	1997	1998	1997	
(Rupees '000)							
Managerial remuneration	1,006	771	--	--	10,820	10,614	10,614
Housing							
-- Rent	437	347	--	--	4,377	4,776	4,776
-- Utilities	101	77	222	144	1,079	1,061	1,061
-- Other items	--	--	139	152	1,093	560	560
Medical	101	77	3	14	985	980	980
Retirement benefits	108	77	--	--	1,052	973	973
	-----	-----	-----	-----	-----	-----	-----
	1,753	1,349	364	310	19,406	18,964	18,964
	=====	=====	=====	=====	=====	=====	=====
	1	1	1	1	52	51	
	=====	=====	=====	=====	=====	=====	=====

In addition, the chief executive, director and certain executives are provided with company cars. The director is also provided with free residential telephone.

Aggregate amount charged in the accounts for the year for fee to seven directors was Rs. 1 1,000 (1997: Rs. 7,500 to five directors).

32. CAPACITY AND PRODUCTION

	Fibre cement products				Rubber products		Plastic division	
	Karachi Factory		Hyderabad Factory		Karachi Factory		Karachi Factory	
	1998	1997	1998	1997	1998	1997	1998	1997
Capacity of production (tons)	46,850	46,850	14,100	14,100	120	120	2,800	2,800
Actual production (tons)	23,070	21,434	9,885	11,516	57	60	371	634
Percentage of capacity utilised	49	46	70	82	48	50	13	23

The company's production was according to the market demand.

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1998	1997
	(Rupees '000)	
Purchase of goods and services	259	228
Sale of goods and services	24	22

34. CASH GENERATED FROM OPERATIONS

	1998	1997
	(Rupees '000)	
Profit before taxation	85,142	76,855
Adjustment for non cash charges and other items:		
Depreciation	21,112	21,150
Profit on disposal of fixed assets	(580)	(217)
Permanent impairment in value of investment written off	320	--
Interest income	(13,963)	(13,564)
Interest expense	29,570	26,107
Working capital changes -- note 34.1	(71,630)	60,832
	-----	-----
	49,971	171,163
	=====	=====

34.1 Working capital changes

(Increase)/decrease in current assets		
Stores and spares	4,275	(7,114)
Stock-in-trade	40,472	16,162
Trade debts	(15,290)	40,506
Loans and advances	(1,388)	(218)
Trade deposits and short-term prepayments	(5,897)	8,339
Other receivables (net)	89	19,185
	-----	-----
	22,261	76,860
(Decrease)/increase in current liabilities		
Creditors, accrued and other liabilities (net)	(93,891)	(16,028)
	-----	-----
	(71,630)	60,832
	=====	=====

35. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include

	1998	1997
	(Rupees '000)	
Cash and bank balances	55,969	45,520
Short-term running finance utilised under mark-up arrangements	(86,582)	(28,817)
	-----	-----
	(30,613)	16,703
	=====	=====

36. CORRESPONDING FIGURES

Corresponding figures have been reclassified and rearranged wherever necessary to facilitate comparison.

**PATTERN OF SHARE HOLDING
AS AT JUNE 30, 1998**

Number of	Share holding	Total
-----------	---------------	-------

Share Holders	From	To	Shares Held
3,107	1	100	61,721
724	101	500	165,841
233	501	1,000	153,386
192	1,001	5,000	381,491
15	5,001	10,000	88,979
7	10,001	15,000	83,604
2	20,001	25,000	45,776
1	25,001	30,000	29,751
2	30,001	35,000	63,733
1	60,001	65,000	63,080
3	90,001	95,000	274,906
1	110,001	115,000	113,337
1	130,001	135,000	133,925
1	180,001	185,000	184,409
1	290,001	295,000	290,841
1	310,001	315,000	310,469
1	330,001	335,000	333,856
1	385,001	390,000	386,328
1	410,001	415,000	411,706
1	415,001	420,000	416,824
1	455,001	460,000	459,474
1	750,001	755,000	754,989
1	1,460,001	1,465,000	1,465,000
1	4,090,001	4,095,000	4,090,533
-----			-----
4,300			10,763,959
=====			=====

Categories of Share Holders	Number of Share Holders	Number of Shares Held	Percentage of Issued Capital
Individuals	4,259	4,278,350	39.75
Joint Stock Companies	16	653,740	6.07
Investment Companies	6	170,635	1.59
Insurance Companies	5	91,138	0.85
Financial Institutions	5	2,799	0.03
Foreign Shareholding	5	5,555,536	51.61
Co-Operative & Welfare Organisations	2	550	--
Corporate Law Authority	1	1	--
The Administrator Abandoned Properties, Govt. of Pak.	1	11,210	0.10
-----		-----	-----
	4,300	10,763,959	100.00
=====		=====	=====