

**Essa Cement Industries
Limited
Annual Report 1998**

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**COMPANY
INFORMATION**

BOARD OF DIRECTORS

MR. ABDUL AZIZ ESSA CHAIRMAN & CHIEF EXECUTIVE
MRS. HUMERA ESSA
MRS. HAMILA YOUNUS
DADA
MRS. ZAITOON HAMZA
DADA
MR. JAWED AZIZ ESSA
MR. IRFAN AZIZ ESSA
MR. ZAFARUDDIN
SIDDIQUI

COMPANY SECRETARY

MR. JAWED AZIZ ESSA

AUDITORS

F.R. MERCHANT & CO.
CHARTERED ACCOUNTANTS

BANKERS

HABIB BANK LIMITED
NATIONAL BANK OF
PAKISTAN
MUSLIM COMMERCIAL BANK LIMITED
ANZ GRINDLAYS BANK
ALLIED BANK OF PAKISTAN LIMITED
BOLAN BANK LIMITED
BANK AL HABIB LIMITED

REGISTERED OFFICE

FL-2/1, BLOCK-6,
GULSHAN-E-IQBAL,
KARACHI-
75300

FACTORY

DEH KALO KOHAR
NOORIABAD INDUSTRIAL
AREA,
DISTRICT DADU, (SINDH)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that Annual General Meeting of the Company will be held on Tuesday, December 29, 1998 at 02:00 P.M. at the Registered Office of the Company at FL-2/1, Block-6, Gulshan-e-Iqbal, Karachi, to transact the following business:

- 1) To confirm the minutes of the Extra Ordinary General Meeting held on June 04, 1998.
- 2) To receive and consider the Report of the Directors, the Audited Accounts and Statement alongwith the Balance Sheet for the year ended June 30, 1998 with the Auditors' Report thereon.
- 3) To appoint Auditors for the year 1998-99 and to fix their remuneration.
- 4) To transact any other business with the permission of the Chairman.

By Order of the Board

JAWED AZIZ ESSA

Director & Secretary

KARACHI: November 26,
1998

NOTES:

1) The Share Transfer Books of the Company will remain closed from December 18, 1998 to December 29, 1998 (both days inclusive).

2) A member entitled to attend and vote at the Annual General Meeting may appoint another member as the proxy to attend and vote on his/her behalf. Proxies must be duly filled, signed and deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

3) Shareholders are requested to promptly notify the Company of any change in their addresses, if any.

DIRECTORS' REPORT TO THE MEMBERS

Your directors have pleasure in presenting their report alongwith audited accounts and auditors' report thereon for the year ended June 30, 1998.

PRODUCTION

:

During the year under report the Company witnessed a further setback in production compared to last year. The shortfall in production was due to closure on account of synchronisation of existing plant with expansion of new unit and slump in the market. The comparative figures both for clinker and cement production are given below:

	1997-98	1996-97
	Tons	Tons
Clinker	75,855	133,98
Ordinary Portland		
Cement	50,485	90,07
Slag		
Cement	22,915	48,02
Sulphate Resistance		
Cement	5,707	12,64

SALES & MARKETING:

The cement industry as a whole is passing through the worst period of its history. On the one hand there was excess supply of cement due to new projects and expansions in some of the existing units kept pressure on selling price. The cement sales by the Company aggregated 87,069 tons as compared to 150,455 tons last year.

Gross Sales Revenue amounted to Rs. 292.922 million, out of which Rs. 120.350 million were paid to the government as Excise Duty. Net sales revenue amounted to Rs. 172.571 million.

FINANCIAL RESULTS:

The Company has maintained its operating efficiency, however, due to depressed marketing conditions the financial results have shown loss for the first time in the history of the company.

PROFIT/(LOSS) AFTER TAX	(11,043,488)
UNAPPROPRIATED PROFIT B/F	4,693,87
UNAPPROPRIATED PROFIT/(LOSS) C/F	6,349,61

In spite of lower selling prices, higher input cost and lower production, your company was able to earn operating profit of Rs. 14.290 million.

EXPANSION PROGRAMME:

The expansion of the plant has completed and the trial production of the expanded unit has started since August 1998.

Your directors are confident that with the expanded capacity the company will be able to substantially improve its performance and operating results in the year ahead.

STAFF & LABOUR:

The relations between the management and workers remained cordial throughout the year. The Directors wish to place on record their appreciation for the efforts and good work done by the Staff and the Workers and expect that they will show greater zeal in further improving the performance of the Company.

AUDITORS:

The present Auditors M/s. F.R. Merchant & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment as Auditors of the Company for the year 1998-99.

For and on behalf of
the Board

ABDUL AZIZ ESSA
Chairman/Chief
Executive

KARACHI: November 26,
1998

FINANCIAL HIGHLIGHTS

(Figures in
Thousand)

1998	1997	1996	1995
------	------	------	------

NET SALES	172,571	270,954	300,613	310,61
RESULT				
PROFIT BEFORE TAX	(10,143)	11,918	41,614	88,84
PROFIT AFTER TAX	(11,043)	16,267	29.015	70,67
NET RETURN OF TURNOVER %	(6,40)	6.00	9.65	22.7
CURRENT ASSETS	229,423	188,831	184.302	156,41
CURRENT LIABILITIES	254,363	171,174	127,282	90,63
CURRENT RATIO ASSETS: LIABILITIES	0.90:1	1.10:1	1.45:1	1.73:
DISTRIBUTABLE RESERVES	173,650	216,175	228,528	199,51
SHAREHOLDERS EQUITY	519,948	530,991	514,724	342,61
NUMBER OF SHARES	34,630	31,482	28,620	14,31
EARNING PER SHARE OF RS. 10 EACH	(0.32)	0.52	1.01	4.9
BREAK-UP VALUE PER SHARE	RS. 15.01	16.87	17.98	23.9

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ESSA CEMENT INDUSTRIES LIMITED as at June 30, 1998 and the related profit and loss account and statement of changes in financial

position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we are of the opinion that:

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

b) in our opinion:

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

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

iii) the business conducted, investments made and the expenditure incurred

during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1998 and of the loss and the changes in the financial position for the year then ended; and

d) In our opinion, no zakat was deductible at source under the Zakat & Ushr Ordinance, 1980.

KARACHI: November 26,
1998

F.R. MERCHANT & CO.

Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1998

	NOTE	1998	1997
SHARE CAPITAL AND RESERVES			
Authorised 50,000,000 ordinary shares of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	3	346,297,320	314,815,700
Reserves	4	173,650,384	216,440,000
		-----	-----
		519,947,704	530,991,100
REDEEMABLE CAPITAL	5	-	-
LONG TERM LOANS LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	6	634,379,446	444,264,800
	7	26,853,332	24,166,760
CURRENT LIABILITIES			
Current maturity of redeemable capital	5	-	1,967,500
Current maturity of long term	6	93,848,939	45,044,030

loans			
Current maturity of liabilities against assets subject to finance lease	7	16,346,121	11,215,98
Creditors, accrued and other liabilities	8	143,733,796	74,536,35
Running finances under mark-up arrangements	9	109,848,174	94,269,11
Provision for taxation		617,333	2,204,18
Unclaimed dividend		163,891	163,89
		-----	-----
			229,401,0
		364,558,254	
CONTINGENCIES AND COMMITMENTS	10	-----	-----
	Rupees	1,545,738,736	1,228,87
		=====	=====
FIXED ASSETS-Tangible			
Operating Assets	11	301,494,015	328,275,1
Capital work-in-progress	12	1,010,636,771	708,304,5
		-----	-----
			1,036,579
		1,312,130,786	75
LONG TERM DEPOSITS		4,185,346	3,413,14
CURRENT ASSETS			
Stores and spares	13	99,762,417	57,728,81
Stock-in-trade	14	82,406,066	70,010,43
Trade debts	15	27,034,224	35,993,25
Advances, deposits, prepayments and other receivables	16	12,169,396	12,371,74
Cash and bank balances	17	8,050,501	12,726,72
		-----	-----
			188,830,9
		229,422,604	
		-----	-----
	Rupees	1,545,738,736	1,228,87
		=====	=====

The annexed notes form an integral part of these accounts.

**ABDUL AZIZ
ESSA
CHIEF
EXECUTIVE**

**JAWED AZIZ ESSA
DIRECTOR**

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

	NOTE	1998	1997
Sales		292,921,858	495,938,4
		-----	-----
Less: Excise duty		120,350,425	156,419,8
Sales tax			- 68,565,03
		-----	-----
		120,350,425	224,984,8
		-----	-----
Net sales		172,571,433	270,953,6
Cost of sales	18	158,281,301	229,846,7
		-----	-----
Administration and selling expenses	19	14,290,132	41,106,84
		-----	-----
Operating profit		6,301,255	32,474,46
Other income	20	31,590	423,43
		-----	-----
		6,332,845	32,897,89
		-----	-----
Financial charges	21	15,716,333	19,464,59
Other charges	22	760,000	1,515,64
		-----	-----
		16,476,333	20,980,24
		-----	-----
Profit/(Loss) before taxation		(10,143,488)	11,917,65
Taxation	23	900,000	(4,349,34
		-----	-----
Profit/(Loss) after taxation		(11,043,488)	16,267,00
Accumulated profit brought forward		4,693,872	4,908,43
		-----	-----
Profit/(Loss) available for appropriation		(6,349,616)	21,175,43
Appropriations:			
Transfer from general reserve			(15,000,0
			- 0

Proposed issued of bonus shares in the ratio of Nil (1997-1:10)	- 31,481,56	-----
	- 16,481,56	-----
Accumulated profit/(loss) carried forward	(6,349,616)	4,693,87
	=====	=====

The annexed notes form an integral part of these accounts

**ABDUL AZIZ
ESSA**
CHIEF
EXECUTIVE

JAWED AZIZ ESSA
DIRECTOR

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

	1998	1997
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	(10,143,488)	11,917,65
Adjustment s:		
Depreciati on	31,262,323	34,234,77
	-----	-----
Operating profit before changes (Increase)/ decrease in current assets	21,118,835	46,152,43
Stores and spares	(42,033,601)	(15,316,6
Stock-in-trade	(12,395,633)	7
Trade debts	8,959,035	18,774,67
Advances, deposits, prepayments and other receivables	202,352	(28,901,6
	-----	3
	(45,267,847)	17,910,07
	-----	-----
Increase/(decrease) in current liabilities	69,197,442	(7,533,57
Creditors, accrued and other liabilities	15,579,055	20,889,51
Running finances under mark-up arrangements	36,471,89	

	-----	-----
	84,776,497	57,361,40
Net cash from operating activities	60,627,485	95,980,26 (9,120,03)
Tax paid	(2,486,8560)	-----
Net cash from operation activities after tax	58,140,629	86,860,23
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(306,813,359)	(538,356, 61
Net cash from after investing activities	(248,672,730)	(451,496, 27
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of redeemable capital	(1,967,500)	(8,150,57 438,045,5
Repayment of long term loans Liabilities subject to finance lease	238,919,505	7,816,703 20,601,91 (2,005,79
Long-term deposits	(772,200)	-----
Net cash flow from financing activities	243,996,508	448,491,0
Net cash flow after financing activities	(4,676,222)	(3,004,95
Cash and bank at the beginning of the year	12,726,723	15,731,67
Cash and bank at the end of the year	8,050,501	12,726,72
	=====	=====

**ABDUL AZIZ
ESSA
CHIEF
EXECUTIVE**

**JAWED AZIZ ESSA
DIRECTOR**

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

1. THE COMPANY AND ITS OPERATION

Essa Cement Industries Limited is a Public Limited Company and listed on the Karachi and Lahore Stock Exchange. The company's principal activity is Manufacturing & Marketing of Cement and its Products.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention as modified by adjustments of Exchange Fluctuation on Foreign Currency Loans.

2.2 Taxation

Provision for current year taxation is based on current rates of taxation. The company has decided to provide for deferred taxation arising from timing differences. It will be provided in future year out of profit after taxation.

2.3 Fixed assets and depreciation

2.3(I) Operating assets

Operating fixed assets except free hold land are stated at cost less accumulated depreciation. Free hold land and capital work-in-progress are stated at cost. Depreciation is charged to income applying the reducing balance method.

Full year's depreciation is charged on additions while no depreciation is charged on assets deleted. Profit/Loss on disposal of fixed assets is accounting for in the profit and loss account.

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

2.3 (ii) Assets subject to Finance Lease

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

2.4 Stores and spares

These are valued at moving average cost.

2.5 Stock-in-trade

These are stated at lower of cost or net realizable value. The method used for the calculation of costs are as follows:

Raw and packing materials	- at average cost
Work-in-process and finished goods	- at average cost of goods produced during the year

2.6 Foreign currency translation

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the date of the balance sheet.

Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets. Exchange differences capitalized include loss or gain on the repayments and year-end translation of foreign currency loans.

2.7 Revenue recognition

Sales are recorded on despatched of goods to customers.

	1998	1997
3. ISSUED, SUBSCRIBED & PAID-UP CAPITAL		
25,913,117 ordinary shares of Rs. 10 each		259,131,117
issued for cash	259,131,170	
840,000 ordinary shares of Rs. 10 each		
issued for consideration other than cash	8,400,000	8,400,000
7,876,615 (1997: 4,728,458) ordinary shares of Rs. 10 each issued as fully paid bonus shares	78,766,150	47,284,580
	-----	-----
	346,297,320	314,815,717
	=====	=====

4. RESERVES

General reserve

At beginning of the year		195,000,000
Transfer (to)/from profit and loss account	180,000,000	(15,000,000)

		180,000,000
Reserve for issue of bonus shares		- 31,481,570
Unappropriated profit/(loss)	(6,349,616)	4,693,870

		216,175,400
	173,650,384	=====

5. REDEEMABLE CAPITAL-secured

Term Finance Certificates		- 1,967,500
Less: Current Portion		- 1,967,500

		-
		=====

6. LONG TERM LOANS

		1998	1997
Suppliers Credit-secured	(Note 6.1)	404,773,626	356,420,400
Demand Finance-secured	(Note 6.2)	163,454,759	82,888,420
Loan from sponsors-unsecured	(Note 6.3)	160,000,000	50,000,000
		-----	-----
		728,228,385	489,308,800
Less: Current Portion (including overdue)		93,848,939	45,044,030
		-----	-----
		634,379,446	444,264,800
		=====	=====

6.1 Break-up of Loans

(1) appearing above is given below:

a) Overseas Credit & Investment Co.-I		49,431,126	45,044,030
b) Overseas Credit & Investment Co.-II		355,342,500	311,376,400

	356,420,4
404,773,626	-----
	=====

(i) The Loans originally represented 90% of the suppliers credits after down payments at 10% C & F Value of the Machinery Imported.

(ii) These Loans carry interest at the rate of 7% and 9% per annum respectively.

(iii) These Loans are repayable in sixteen semi-annual installments commencing from thirty six months and twenty four months respectively after the bill of lading date of shipment.

(iv) Foreign currency loans have been converted in Pak Rupees as under:

Loan (a) One D.M. equivalent to
Rupees=25.7370

Loan (b) One US\$ equivalent to
Rupees=46.4500

6.2 The demand finance facility is subject to mark-up of 0.438 paisas per thousand per diem. It is secured against hypothecation of stores, spares, machinery and equipment, 2nd charge over fixed and movable assets, personal guarantee of directors and demand promisory note.

6.3 This represents interest free loans received from sponsors.

**7. LIABILITIES AGAINST ASSETS
SUBJECT TO FINANCE
LEASE**

Balance as on 1st July	35,382,750	14,780,83
Assets acquired during the year	22,470,508	30,557,90
	-----	-----
	57,853,258	45,338,73
	-----	-----
Less: Payment made	14,653,805	9,956,98
Current portion of the liability	16,346,121	11,215,98
	-----	-----
	30,999,926	21,171,97
	-----	-----
	26,853,332	24,166,76
	=====	=====

71. The total lease rentals due under the lease agreement aggregate Rs. 43, 199,453 (1997: Rs. 35,382,750)

7.2 Overdue rental payments are subject to an additional charge of 2 per cent per month. Taxes, repairs, replacement and insurance cost are to be borne by the lessee. In case of termination of agreement, the lessee is to pay entire rent for unexpired period.

7.3 Installments are payable in the following periods:

Year	1998	1997
1997-1998		- 15,156,82
1998-1999	22,460,088	14,692,72
1999-2000	20,604,613	12,837,25
2000-2001	12,613,342	4,845,98
2001-2002	4,159,950	795,06
2002-2003	162,100	
	-----	-----
	60,000,093	48,327,85
Less: Financial charges allocated to future periods	16,800,640	12,945,10
	-----	-----
	43,199,453	35,382,75
	=====	=====

7.4 Financing rate of approximately 20 to 22 percent per annum has been used as discounting factor.

8. CREDITORS, ACCRUED & OTHER LIABILITIES

Interest accrued on long term loans		54,891,583	6,080,93
Loan from sponsors		663,373	7,052,73
Creditors for expenses and others		52,953,528	30,851,10
Workers' profit participation fund	(Note 8.1)	32,999,416	28,325,67
Workers' welfare fund		2,225,896	2,225,89
		-----	-----
		143,733,796	74,536,35
		=====	=====

8.1 WORKERS' PROFIT PARTICIPATION FUND

Balance at the beginning of the year		28,325,679	23,775,48
Interest thereon		4,673,737	3,922,95

Allocation for the
year

32,999,416 27,698,43

- 627,24

32,999,416 28,325,67

=====

**9. RUNNING FINANCES
UNDER**

MARK-UP ARRANGEMENTS-secured

109,848,174 94,269,11

=====

The Company has an aggregate running finance facilities of Rs. 102 million (1997-Rs. 95 million) available from commercial banks. The facilities are secured against hypothecation of stores, spares, machinery & equipment, 2nd charge over fixed and movable assets, personal guarantee of directors and demand promissory note. It carries mark-up at the rate of 0.438 to 0.54 paisas per Rs. 1,000 calculated on daily product basis.

**10. CONTINGENCIES AND
COMMITMENTS**

**CONTINGENC
IES**

Central Excise and Land Custom has passed an order for the recovery of excise duty, sales tax and penalty of Rs. 91.046 million (1997-Rs. 91.046 million). The Company has however disputed the same both on grounds of lack of jurisdiction as well as on the merits, the matter is subjudice. The stay order was granted by the honourable High Court of Sindh against the said order.

**11. FIXED ASSETS-
Tangible**

11.1 The following is a statement of operating assets:

	Cost As at 01-07-97	Addition s/ (Deletio ns)	Cost As at 30-06-98	Accumulated Depreciation	Book Value As at 30-06-98
Lease hold Land	3,024,768	-	3,024,768	-	3,024,768
Building On Leasehold Land	71,293,254	-	71,293,254	24,099,732	47,193,522
Plant and Machinery	484,851,992	4,387,092	489,239,084	268,750,984	220,488,100
Vehicles	4,436,085	-	4,436,085	2,617,155	1,818,930

Office Equipment	3,014,712	54,094	3,068,806	1,504,584	1,564,222
Furniture and Fixture	1,083,985	-	1,083,985	599,820	484,165
Factory Equipment and Laboratory Equipment	390,463	40,000	430,463	233,486	196,977
LEASED ASSETS					
Plant and Machinery	26,546,586	-	26,546,586	5,625,123	20,921,463
Quarry Equipment	9,447,374	-	9,447,374	3,645,505	5,801,869
	-----	-----	-----	-----	-----
	604,089,219	4,481,186	608,570,405	307,076,390	301,494,015
	-----	-----	-----	-----	-----
1997	582,411,322	21,677,897	604,089,219	275,814,067	328,275,152
	=====	=====	=====	=====	=====
	==	==	=====	=====	=====

11.2 Addition to plant and machinery include exchange loss/(gain) amounting to Rs. 4,387,092 (1997 Rs. 463,446).

11.3 The Depreciation charge for the period has been allocated as follows:

	1998	1997
Cost of Sales	30,558,106	33,399,611
Administration and Selling Expenses	704,217	835,166
	-----	-----
	31,262,323	34,234,777
	=====	=====

12. CAPITAL WORK-IN-PROGRESS

	1998	1997
Civil work	127,781,958	76,122,921
Plant and machinery	882,854,813	632,181,600
	-----	-----
	1,010,636,771	708,304,521
	=====	=====

12.1 Plant and machinery

Plant and machinery	849,196,805	620,994,1
Assets subject to finance lease	33,658,008	11,187,50
	-----	-----
	882,854,813	632,181,6
	=====	=====

13. STORES AND SPARES

Stores	29,891,652	18,985,65
Spares	69,870,765	38,743,16
	-----	-----
	99,762,417	57,728,81
	=====	=====

14. STOCK-IN-TRADE

Raw materials	46,700,553	36,892,96
Work-in-process	32,887,691	16,347,92
Finished goods	2,817,822	16,769,54
	-----	-----
	82,406,066	70,010,43
	=====	=====

15. TRADE DEBTS

(Unsecured, considered good)	27,034,224	35,993,25
	=====	=====

**16. ADVANCES, DEPOSITS,
PREPAYMENTS
AND OTHER RECEIVABLES**

Advance to suppliers	6,997,001	9,555,65
Other receivables	4,883,856	2,803,74
Prepayments	288,539	12,34
	-----	-----
	12,169,396	12,371,74
	=====	=====

**17. CASH AND BANK
BALANCES**

Cash in hand	6,871,135	9,107,46
With bank-on current accounts	1,179,366	3,619,26
	-----	-----
	8,050,501	12,726,72
	=====	=====

18. COST OF SALESRaw and packing material
consumedOpening
stock

Purchases

36,892,965 51,963,12
38,098,905 38,404,20-----
74,991,870 90,367,32
(36,892,9Closing
stock

(46,700,5530 5

28,291,317 53,474,36Stores and spares
consumed8,794,606 10,185,22
103,898,9

Fuel and power

67,929,110

Salaries, wages and benefits

16,928,004 14,859,37

Rent, rates and taxes

475,113 551,50

Insurance

1,321,747 4,250,54

Repairs and
maintenance

2,453,215 1,973,37

Depreciati
on

30,558,106 33,399,61

Other

charges

4,118,128 3,549,34

160,869,346 226,142,2

Work-in-process

Opening

16,347,928 20,888,06
(16,347,9

Closing

(32,887,691) 8

Cost of goods
manufactured-----
144,329,583 230,682,3

Finished goods

Opening

16,769,540 15,933,92
(16,769,5

Closing

(2,817,822) 0

158,281,301 229,846,7

=====

19. ADMINISTRATION AND SELLING EXPENSES

Salaries and benefits

2,202,106 2,246,21

Travelling and
conveyance

278,315 227,03

Vehicle running
expenses

2,030,269 1,990,13

Communications		339,999	283,59
Printing and stationery		261,142	308,71
Gas expenses		438,076	241,00
Repairs and maintenance		56,767	168,52
Legal and professional charges		99,000	129,00
Auditors' remuneration	(Note 19.1)	76,000	131,80
Subscription		1,000	5,00
Cartage		32,767	36,87
Newspaper and periodicals		18,975	15,95
Advertisement		454,117	570,83
Testing expenses		18,100	2,54
Entertainment		45,047	18,24
Depreciation		704,217	835,16
Miscellaneous		360,745	295,39
Fees and registration		404,670	850,81
Photostat expenses		85,345	91,84
Computer expenses		82,220	183,70

7,988,877 8,632,38
=====

19.1 Auditors' remuneration

Audit fee		36,000	36,00
Tax, corporate and other services		40,000	95,80

76,000 131,80
=====

20. OTHER INCOME

Insurance claim		-	11,15
Sale of waste		7,590	412,28
Commission income		24,000	

31,590 423,43
=====

21. FINANCIAL CHARGES

Interest on long-term loans		2,329,494	4,187,61
Mark-up on running finances		7,715,708	6,611,74

Bank charges		83,728	324,27
Excise duty on running finances and loans		8,305	1,065,66
Interest on workers' profit participation fund		-	3,922,95
Financial charges on lease arrangements		5,579,098	3,098,10
Excise duty on lease arrangements		-	254,24
		-----	-----
		15,716,333	19,464,59
		=====	=====

22. OTHER CHARGES

Workers' profit participation fund		-	627,24
Donation	(Note 22.1)	760,000	888,40
		-----	-----
		760,000	1,515,64
		=====	=====

22.1 Recipients of donations do not include any donee in whom a director or his spouse had any interest.

23. TAXATION

Current		900,000	1,400,00
Prior years'		-	(5,749,34)
		-----	-----
		900,000	(4,349,34)
		=====	=====

The deferred tax liability at current rates of taxation works out to Rs. 2,961,086 (1997-Rs. 4,294,002) against which no provision has been made, as such timing differences are not likely to reverse in the foreseeable future in view of Capitalization Programme.

24. REMUNERATION OF DIRECTORS AND EXECUTIVES

	1998		1997
	Chief Executives	Directors	Chief Executives
	es	s	Directors

Managerial remuneration	-	-	2,154,632	-
Housing allowance	-	-	861,857	-
Utilities	-	-	215,459	-
Bonus	-	-	-	-
	-	-	3,231,948	-
No. of persons	-	-	12	-

No remuneration is paid or other facility is provided to the Chief Executive or Directors the company. Directors have waived their meeting fee.

25.

CAPACITY

	1998	1997
Installed capacity	150,000	150,000- tons per annum
Production	79,107	150,742-tons during the year
Capacity utilised	52.74%	100%

The shortfall in production was due to closure on account of synchronising of existing plant with expansion of new unit and slump in the market.

26.

FIGURES

26.1 Figures have been rounded off to the nearest rupee.

26.2 Previous year's figures have been rearranged wherever necessary for the purpose of comparison.

**ABDUL AZIZ
ESSA
CHIEF
EXECUTIVE**

**JAWED AZIZ ESSA
DIRECTOR**

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1998

Shareholdings	Shareholders	Total Shares Held
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FROM	1	TO	100	216	8,311
FROM	101	TO	500	424	93,237
FROM	501	TO	1000	183	122,614
FROM	1001	TO	5000	514	1,168,188
FROM	5001	TO	10000	358	2,940,920
FROM	10001	TO	15000	85	1,021,545
FROM	15001	TO	20000	233	4,298,280
FROM	20001	TO	25000	272	6,128,211
FROM	25001	TO	30000	35	948,507
FROM	30001	TO	35000	17	524,062
FROM	35001	TO	40000	2	78,815
FROM	40001	TO	45000	1	41,745
FROM	45001	TO	50000	2	95,648
FROM	50001	TO	55000	1	53,000
FROM	55001	TO	60000	2	114,620
FROM	70001	TO	75000	1	70,409
FROM	120001	TO	130000	1	120,002
FROM	140001	TO	150000	1	140,861
FROM	150001	TO	160000	2	310,411
FROM	160001	TO	170000	1	164,666
FROM	190001	TO	200000	1	193,778
FROM	275001	TO	300000	1	295,898
FROM	450001	TO	500000	1	480,455
FROM	800001	TO	900000	4	3,409,341
FROM	1000001	TO	1025000	4	4,040,916
FROM	1500001	TO	2000000	1	1,530,650
FROM	2500001	TO	3000000	1	2,652,921
FROM	3500001	TO	4000000	1	3,581,721
				-----	-----
				2365	34,629,732
				=====	=====

Categories of Shareholders

	Number	Shares Held	Percentage
INDIVIDUALS	2317	32,680,001	94.37
INVESTMENT COMPANIES	27	655,168	1.89
INSURANCE COMPANIES	4	441,059	1.27
JOINT STOCK COMPANIES	8	5,599	0.02
FINANCIAL INSTITUTIONS	9	847,905	2.45
CORPORATE LAW AUTHORITY	-	-	-
ADMINISTRATOR	-	-	-
ABANDONED	-	-	-
PROPERTY	-	-	-
CHARITABLE	-	-	-
OTHERS	-	-	-

--
2365

34,629,732

100