

Fauji Cement Company Limited
Annual Report 1998

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COMPANY INFORMATION AT A GLANCE

Board of Directors

Lt General Khalid Latif Moghal, HI(M), SBT

Chairman &
Chief Executive

Lt General Nazar Hussain, HI(M), T Bt

Additional Managing
Director

Mr. Iltifat Rasul Khan

Director

Brig Riaz Ahmed Qureshi, SI(M) (Retd)

Director

Brig Ashfaq Ahmad, SI(M) (Retd)

Director

Brig Muhammad Saeed Baig, SI(M) (Retd)

Director

Brig Muhammad Akram Ali Khan (Retd)

Director

Company Secretary:

Brig Bashir Hussain Tareen (Retd)

Registered Office:

70-Harley Street, Rawalpindi Cantt, Pakistan

Plant Site:

Near Village Jhang, Tehsil Fateh Jhang
District Attock, Pakistan

**Marketing/Sales
Department**

M-40-1, Ist Floor, Hotel Pakland,
Bank Road, Rawalpindi Cantt
Pakistan

Auditors:

A.F. Ferguson & Co.
Chartered Accountants

Legal Advisors:

Orr, Dignam & Co. Advocates.

NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the Sixth Annual General Meeting of the Company will be held at 10:30 A.M, on Monday, 21 December 1998 at Hotel Pearl Continental, The Mall, Rawalpindi to transact the following business:-

- a. To consider, approve and adopt the Audited Accounts of the Company for the period commencing from 01 July 1997 ending on 30th June 1998.
- b. To consider and approve the Directors' Report for the period ending on 30th June 1998.
- c. To appoint Auditors of the Company in place of present auditors Messrs A. F. Ferguson & Company who retire and offer themselves for re-appointment and to fix their remuneration.
- d. To transact any other business with the permission of the Chair

By order of the Board

Place: Rawalpindi
Date: 24 November 1998

Brig Bashir Hussain Tareen (Retd)
Company Secretary

Note: The Member entitled to attend and vote at the Annual General Meeting may appoint a person/representative as proxy to attend and vote in place of the Member at the Meeting. Proxies in order to be effective must be received at the Company's Register Office not later than 19 December 1998. Proxy form is attached.

REPORT OF THE DIRECTORS

1. General

The Directors take pleasure in presenting their Sixth Annual Report together with the Company's audited accounts for the year ended 30 June 1998, and the Auditors' Report thereon. During the year under review, the Company attained a significant milestone of having completed the Project and having put it into 100% production.

2. The Plant Site

a. The Directors are pleased to inform the shareholders that commissioning of the Plant went smooth and without any mishap. After successful commissioning, Performance/Guarantee tests of all the major sections were carried out until March 1998. After getting all the minor defects removed in the Plant, it was taken over on 22nd May 1998. The Plant is under warrantee/guarantee for one year from this date.

b. After the Plant was provisionally taken over by the Company, the foreign experts from F L Smidth/CPC left the Site. The Plant operation is now being entirely manned by the FCCL personnel. Its performance remains satisfactory with a well knit team of our managers, engineers, supervisors, the technicians and other members of management and administrative staff.

3. Marketing

a. Cement market in Pakistan is facing a situation of glut for two main reasons: first the installed capacity of the Country is in excess by seven million metric tons per annum. Secondly because of financial crunch the development activity in the country is at very low ebb. We faced great difficulty in selling the product when we entered the market. However due to aggressive and sound strategy, the Fauji Cement was able to establish itself in a very short time. We were able to achieve capacity utilization of 65% within first half of the Financial year which then increased to 80-90% during the second half. As against 8% share in the installed capacity, Fauji Cement was able to capture 12% of the Market share during the period under review. It is now an established brand with reputation and we have no problem in sale of cement on competitive prices.

b. In the next couple of years the demand for cement is likely to remain sluggish unless there are some rapid changes in the socio-economic conditions due to infusion of capital by some multi-nationals. The industry is likely to continue facing tremendous pressure in the form of escalation of prices of the inputs and very unfavourable excise duty structure. The Board of Directors strongly feels that the Government can save the industry by rationalizing both the duty structure (preferably it should be reduced from 40% to 20%) and reduction in the cost of inputs. More-so, the Government should encourage export of cement through incentives in the form of favourable duty draw-backs and facilitating dedicated infrastructure at the Port.

4. The Pattern of Share-holdings

A statement showing the pattern of share-holding in the Company as at June 30, 1998 is attached.

5. Personnel

Relationship between Management and the workers remained cordial.

6. Directors

a. On resignation of Brigadier Muneeb-Ur-Rehman Farooqui (Retd), Brigadier Muhammad Akram All Khan (Retd) was appointed as Director of the Company.

b. The Board places on record its appreciation for the valuable advice and services rendered by the retired Director and welcomes the new Director on the Board.

7. Auditors

M/s A.F. Ferguson & Company, Chartered Accountants, retire at the conclusion of the Sixth Annual General Meeting and, being eligible, have offered themselves for re-appointment.

8. Dividend

Much that the Management would love to present a healthy balance sheet, our esteemed shareholders are aware of the multiplicity of problems faced by the industry as highlighted in para 3 above. With these problems, prices of our cement donot break even, which is why we are not in a position to pay any dividends. With our present inability to make any profit, it has not been possible to carry any amount to Reserve Fund, General Reserve Fund or Reserve Account.

9. Financial Position

Further there are no material changes affecting business or the financial position of the Company, which have occurred between the end of the Financial Period of the Company to which the Balance Sheet relates and the date of the Report.

10. Year 2000 Compliance of Computer Systems

The Company is fully aware of the issue of "Millennium Bug" and is taking appropriate steps, including upgrading the computer systems, to overcome the problem.

11. Acknowledgements

The Directors also express their appreciation for the continued support and contributions by the employees, suppliers, the Government and various other agencies throughout the year. Notwithstanding the problems highlighted above, the Directors are confident that the outlook for the Company remains positive, and thank their shareholders and lenders for their continued faith and confidence.

For and on behalf of the Board

Sd/-

Lt General Khal Latif Moghal, HI (M), S Bt

Chairman and Chief Executive

Rawalpindi

24 November 1998

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Fauji Cement Company Limited as at June 30, 1998 and the related profit and loss account and cash flow statement for the period then ended together with the notes forming part thereof, and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

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

(b) in our opinion

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the Company's 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 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 loss and cash flows for the period then ended; and

(d) in our opinion no Zakat was deductible at source under the Zakat and

Ushr Ordinance, 1980.

Islamabad
25 November 1998

Sd/-

A.F. Ferguson & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1998

	Note	1998 Rupees	1997 Rupees
SHAREHOLDERS EQUITY			
Share Capital			
Authorised capital			
250,000,000 ordinary shares of Rs 10 each		2,500,000,000	2,500,000,000
		=====	=====
Issued, subscribed and paid-up capital			
171,310,499 ordinary shares of Rs 10 each		1,713,104,990	1,713,104,990
Advance against shares to be issued		443,144,000	-
Accumulated loss		(511,244,937)	-
		-----	-----
		1,645,004,053	1,713,104,990
LONG TERM LOANS			
		3 3,041,113,629	3,554,224,462
CURRENT LIABILITIES			
Current portion of long term loans	3	655,632,321	338,861,104
Creditors, accrued and other liabilities	4	673,939,188	337,056,397
		-----	-----
		1,329,571,509	675,917,501
CONTINGENCIES AND COMMITMENTS			
	5	-----	-----
		6,015,689,191	5,943,246,953
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating assets	6	5,352,923,242	162,735,975
Capital work in progress	7	2,955,420	5,167,323,730
Stores held for capital expenditure		91,101,203	2,145,331
		-----	-----
		5,446,979,865	5,332,205,036

**LONG TERM SECURITY DEPOSITS
AND RECEIVABLE**

8 45,853,363 48,772,234

DEFERRED COST

9 12,300,972 18,412,138

CURRENT ASSETS

Stores, spares and loose tools 10 50,262,364 5,160,755

Stock-in-trade 11 60,571,988 9,165,000

Trade debtors - unsecured considered good 13,740,526 -

Advances, deposits, prepayments and other receivables 12 240,612,355 9,424,193

Cash and bank balances 13 145,367,758 435,289,859

510,554,991 543,857,545

6,015,689,191 5,943,246,953
=====

The annexed notes form an integral part of these accounts.

Sd/-
Chairman/Chief Executive

Sd/-
Director

Sd/-
Director

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD NOVEMBER 16, 1997 TO JUNE 30, 1998**

	Note	Rupees
SALES		1,401,386,777
Less: Excise duty		590,109,388

NET SALES		811,277,389
Less: Cost of sales	14	848,812,102

GROSS LOSS		(37,534,713)

General and administration expenses	15	17,120,253
Selling and distribution expenses	16	6,770,342

		23,890,595

OPERATING LOSS		----- (61,425,308)
OTHER INCOME	17	6,949,664
		----- (54,475,644)
Financial charges	18	452,520,523

LOSS BEFORE TAXATION		(506,996,167)
Provision for taxation		4,248,770

LOSS AFTER TAXATION		(511,244,937) =====

The annexed notes form an integral part of these accounts.

Sd/-
Chairman/Chief Executive

Sd/-
Director

Sd/-
Director

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

	1998 Rupees	1997 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation		-
Adjustment for non cash charges and other items:		
Depreciation	349,461,220	-
Amortisation of deferred cost	6,150,486	-
Income on bank deposits	(6,619,475)	-
Financial charges	452,520,523	-
Increase in stores and stocks	(96,508,597)	-
Increase in receivables	(54,505,077)	-
Increase in payables	53,621,467	-
Taxes paid	(13,154,787)	-
	-----	-----
Net cash provided by operating activities	183,969,593	-
CASH FLOWS FROM INVESTING ACTIVITIES		

Fixed capital expenditure	(191,078,291)	(594,115,555)
Long term deposits	2,918,871	(54,300)
Deferred cost	(39,320)	(9,470,717)
Income received on bank deposits	19,785,239	76,986,093
	-----	-----
Net cash used in investing activities	(168,413,501)	(526,654,479)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of shares	-	204,530,000
Advance received against shares to be issued	443,144,000	-
Long term loans received	-	184,841,405
Repayment of long term loans	(207,133,519)	-
Financial charges paid	(541,488,674)	(508,916,918)
	-----	-----
Net cash used in financing activities	(305,478,193)	(119,545,513)
	-----	-----
Net decrease in cash and bank balances	(289,922,101)	(646,199,992)
Cash and bank balances at the beginning of the year	435,289,859	1,081,489,851
	-----	-----
Cash and bank balances at the end of the year	145,367,758	435,289,859
	=====	=====

Sd/-
Chairman/Chief Executive

Sd/-
Director

Sd/-
Director

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

The Company was incorporated in Pakistan on November 23, 1992 as a public limited company for the establishment and operation of a cement plant at Fateh Jang, District Attock, Punjab. Its shares are quoted on the stock exchanges in Pakistan. The Company commenced its commercial production from November 16, 1997.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

The accounts have been prepared under the historical cost convention.

2.2 Retirement benefits

The Company has approved contributory provident fund for all employees for which contributions are charged to income.

2.3 Taxation

Provision for current taxation is based on taxable income at current rates of taxation or based on half per cent of turnover less excise duty and sales tax, whichever is higher.

2.4 Fixed capital expenditure

Operating fixed assets except freehold land are stated at cost less accumulated depreciation. Freehold land, capital work in progress and stores held for capital expenditure are stated at cost. Cost of fixed assets includes capitalised borrowing cost during construction phase of the project and exchange differences related to foreign currency loans obtained for financing of the project.

Depreciation is charged to income on straight line method to write off the cost of an asset over its estimated useful life at the rates specified in note 6.

2.5 Deferred cost

Deferred cost related to Company's incorporation and issue of shares is amortised in equal installments over three years after commencement of commercial production.

2.6 Foreign currency transactions

Transactions in foreign currencies are converted into rupees at the rates of exchange ruling on the date of the transaction. All assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date, except for foreign currency loans in respect of which exchange risk coverage has been obtained; such loans are translated at the rate of exchange ruling on the date of disbursement or conversion of foreign currency into rupees, as applicable. Exchange differences are accounted for as follows:

(a) Exchange differences on translation and repayment of foreign currency loans utilised for acquisition of fixed assets are capitalised and incorporated in the cost of asset.

(b) All other exchange differences are dealt with through the profit and loss account.

2.7 Stores, spares and loose tools

These are stated at moving average cost.

2.8 Stock in trade

Stocks are valued at lower of cost and net realisable value. Cost in relation

to raw materials and packing materials is determined on first-in-first-out basis and in relation to work in process and finished goods it represents average cost comprising direct material, labour and appropriate manufacturing overheads. Net realisable value represents the selling price less costs necessarily to be incurred for sale.

2.9 Revenue recognition

Sales are recorded on despatch of goods to customers.

2.10 Borrowing cost

Borrowing cost incurred upto the date of commencement of commercial production is capitalised. All other borrowing cost is expensed as incurred.

3. LONG TERM LOANS - SECURED

	Balance outstanding		Interest/net mark up rate per annum %	Exchange risk coverage fee % (Note 3.1)	H
	1998 Rupees	1997 Rupees			
Foreign					
1. Commonwealth Development Corporation (CDC) (Pound Sterling 13,250,000; 1997: 13,250,000)	685,719,300	684,613,227	11		5.90
2. Nederlandse Financierings - Maatschappijvoor Ontwikkelingslanden N.V. (FMO) (Netherland Guilders 14,000,000; 1997: 15,000,000)	270,589,900	288,116,250	11.30		5
3. International Finance Corporation (Loan A) (US Dollars 22,400,000; 1997: 24,000,000)	884,347,520	941,556,480	8.94		8.26
4. International Finance Corporation (Loan B) (US Dollars 8,750,000; 1997: 10,000,000)	345,448,250	392,315,200	LIBOR + 2.50		8.26
5. International Finance Corporation (Loan c) (US Dollars 8,750,000; 1997: 10,000,000)	288,370,250	329,566,000	LIBOR + 3.00		9.38
6. Deutsche Investitions - und Entwicklungsgesellschaft mbH (DEG) (DM 15,000,000; 1997: 15,000,000)	360,408,000	360,633,000	11.75		8.24
Local					
7. Al Faysal Investment Bank Limited	130,000,000	130,000,000	19		-

8. ANZ Grindlays Bank plc	135,000,000	150,000,000	Note 3.2	-
9. The Bank of Punjab	300,000,000	316,285,409	19	-
10. Askari Commercial Bank Limited	100,000,000	100,000,000	19	-
11. Faysal Bank Limited	70,000,000	70,000,000	19	-
12. Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	46,862,730	50,000,000	20	-
13. Pakistan Kuwait Investment Company (Private) Limited	80,000,000	80,000,000	Note 3.3	-
	-----	-----		
	3,696,745,950	3,893,085,566		
Less: Current portion of long term loans	(655,632,321)	(338,861,104)		
	-----	-----		
	3,041,113,629	3,554,224,462		
	=====	=====		

3.1 Exchange risk coverage has been obtained in respect of foreign currency loans I to 6 above. The loans are repayable in equivalent Pakistan rupees converted at the exchange rate ruling on the date of disbursement or conversion of foreign currency into rupees, as applicable.

3.2 The mark up on ANZ Grindlays Bank loan is payable at State Bank of Pakistan Treasury Bills rate plus 4% per annum (minimum 17.5% per annum), subject to a prompt payment bonus of Rs 13,089,041 on repayment of the loan on due dates.

3.3 The loan from Pakistan Kuwait Investment Company (Private) Limited is under sale and repurchase arrangement carrying a repurchase price of Rs 218,654,248 subject to a prompt payment bonus of Rs 50,419,726 on repayment of the loan on due dates.

The above loans are secured by first ranking equitable mortgage and floating charge on all present and future assets of the Company.

4. CREDITORS, ACCRUED AND OTHER LIABILITIES

	1998	1997
	Rupees	Rupees
Retention money	12,524,692	26,217,059
Accrued fees and charges on long term loans	2,955,018	746,904
Accrued interest/mark up on loans	137,170,238	71,040,505
Accrued exchange risk coverage fee on foreign currency loans	396,995,526	193,566,627
Amount due to an associated undertaking	3,717,449	3,452,500
Security deposits	19,379,020	-
Advance payment from customers	44,709,985	-
Other accrued liabilities	56,487,260	42,032,802
	-----	-----
	673,939,188	337,056,397

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5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

(i) The customs authorities allowed release of plant and machinery imported by the Company at concessionary rates of duty in terms of SRO 484(1)/92 dated May 14, 1992 against an undertaking provided by the Company. Subsequent to the release of plant and machinery the custom authorities have raised a custom duty and sales tax demand of Rs 380 million in respect of items which are considered by the Central Board of Revenue as not qualifying for the concessionary rate of duty. Claims on similar basis have also been raised on two other cement manufacturing companies. The Company has filed a writ petition against the demand which is currently pending.

(ii) Contractors' claims not acknowledged as debt as at June 30, 1998 were Rs 54 million. The Company also has counter claims against the contractors.

5.2 Commitments outstanding

Capital expenditure commitments outstanding at June 30, 1998 amounted to Rs 1 million (1997: Rs 187 million).

6. OPERATING ASSETS

	COST			DEPRECIATION	
	At July 1, 1997	Additions during the year	At June 30, 1998	At July 31, 1997	Charge for the year
Freehold land	141,462,563	25,900	141,488,463	-	-
Factory building on freehold land	-	1,393,612,705	1,393,612,705	-	86,671,256
Plant and machinery	-	4,078,371,764	4,078,371,764	-	253,641,203
Office equipment	1,361,861	2,880,345	4,242,206	335,151	516,482
Electrical installation	-	29,784,188	29,784,188	-	2,778,497
Electrical equipment	7,388,615	7,590,435	14,979,050	670,664	2,170,918
Furniture and fixtures	3,438,767	1,767,292	5,206,059	489,378	738,482
Motor vehicles	16,302,033	380,818	16,682,851	5,722,671	3,908,436
Quarry road and development	-	27,854,507	27,854,507	-	1,732,321
Fire fighting instrument	-	90,480	90,480	-	13,572

Total Rupees	169,953,839	5,542,358,434	5,712,312,273	7,217,864	352,171,167
1997 Rupees	147,520,964	22,432,875	169,953,839	2,664,305	4,553,559

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

	1998 Rupees	1997 Rupees
Capital work in progress	2,709,947	4,553,559
Cost of sales	347,654,378	-
General and administration expenses	1,391,479	-
Selling and distribution expenses	415,363	-
	-----	-----
	352,171,167	4,553,559
	=====	=====

7. CAPITAL WORK IN PROGRESS

	1998 Rupees	1997 Rupees
Plant and machinery	2,826,197,956	2,812,848,637
Civil Works	972,920,455	964,877,156
Preproduction expenditure:		
Salaries and allowances	28,497,606	17,717,529
Insurance	12,210,084	9,462,431
Travelling expenses	3,203,342	2,420,650
Technical consultancy services	55,088,048	54,530,048
Fees and charges related to long term loans	124,125,087	122,907,964
Interest/mark up on loans - net of interest income Rs 145,755,090; (1997: Rs 130,139,466)	1,029,360,987	795,598,523
Exchange risk coverage fee on foreign currency loans	288,238,072	260,853,804
Development cost and expenses charged by an associated undertaking	30,331,031	30,331,031
Mark-up charged by an associated undertaking	31,280,361	31,280,361
Bank charges and commission	12,436,460	12,247,180
Legal and professional charges	8,769,423	8,558,993
Guarantee commission	678,201	678,201
Depreciation	9,927,811	7,217,864
Exchange loss	12,984,588	15,856,300
Other expenses	28,690,377	19,937,058
	-----	-----
	1,675,821,478	1,389,597,937
	-----	-----

5,474,939,889 5,167,323,730

Less: Transferred to operating fixed assets:

Factory building	1,393,612,705	-
Plant and machinery	4,078,371,764	-
	-----	-----
	5,471,984,469	-
	-----	-----
	2,955,420	5,167,323,730
	=====	=====

8. LONG TERM SECURITY DEPOSITS AND RECEIVABLE

These include:

a) security deposit of Rs 21,600,000 to WAPDA related to supply of 30MW power for the cement plant.

b) cost of equipment and spares Rs 23,990,153 reimbursable by a contractor in 60 monthly installments effective from the date of commencement of operations.

9. DEFERRED COST

	1998	1997
	Rupees	Rupees
Preliminary expenses	2,515,450	2,515,450
Expenses on issue of shares	15,877,823	15,838,503
Brokerage commission	58,185	58,185
	-----	-----
	18,451,458	18,412,138
Less: Amortisation	6,150,486	-
	-----	-----
	12,300,972	18,412,138
	=====	=====

10. STORES, SPARES AND LOOSE TOOLS

Stores	46,856,017	1,033,171
Spares	-	1,999,118
Loose tools	3,406,347	2,128,466
	-----	-----
	50,262,364	5,160,755
	=====	=====

11. STOCK IN TRADE

Raw and packing materials	11,482,818	9,165,000
Work in process	14,880,860	-
Finished goods	34,208,310	-
	-----	-----
	60,571,988	9,165,000
	=====	=====

12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers and contractors, considered good	38,694,354	21,461,907
Advance for expenditure	965,444	2,406,930
Advance income tax	20,646,855	246,260
Deposits	515,952	-
Prepayments	30,175,347	12,953,221
Income on bank deposits receivable	2,617,242	8,167,383
Exchange difference on repayment of principal and interest of foreign currency loans reimbursable by State Bank of Pakistan	129,119,122	35,400,737
Other receivables	17,878,039	13,605,493
	-----	-----
	240,612,355	94,241,931
	=====	=====

No amount is due from directors, executives or associated undertakings (1997: Rs Nil).

13. CASH AND BANK BALANCES

	1998	1997
	Rupees	Rupees
With banks:		
Current accounts	26,011,385	11,200,272
Deposit accounts	119,087,589	117,090,148
Special foreign currency accounts \$ 500 (1997: US \$ 7,595,083)	23,025	306,989,439
Cash in hand	245,759	10,000
	-----	-----
	145,367,758	435,289,859
	=====	=====

Balances on deposits with banks include Rs 19,379,020 (1997: Nil) in respect of security

deposits received.

14. COST OF SALES

	1998
	Rupees
Raw and packing material consumed	
Opening stock	9,165,000
Purchases	155,403,850
Closing stock	(11,482,818)

	153,086,032
Stores and spares consumed	3,534,615
Salaries, wages and benefits	20,130,246
Rent, rates and taxes	1,141,727
Insurance	11,404,254
Fuel and power	344,518,210
Depreciation	347,654,378
Repairs and maintenance	1,007,654
Printing and stationery	488,629
Travelling and entertainment	955,757
Royalty and technical assistance	7,557,130
Communication, establishment and other expenses	6,422,640

	897,901,272
Less: Closing work in process	(14,880,860)

Cost of goods manufactured	883,020,412
Less: Closing finished goods	(34,208,310)

	848,812,102
	=====

15. GENERAL AND ADMINISTRATION EXPENSES

	1998
	Rupees
Salaries, wages and benefits	4,251,305
Travelling and entertainment	886,476
Insurance	136,508
Rent, rates and taxes	223,587
Repairs and maintenance	793,830
Printing and stationery	352,644
Communication, establishment and other expenses	758,557

Legal and professional charges	1,960,041
Depreciation	1,391,479
Amortisation of deferred cost	6,150,486
Donations *	215,340

	17,120,253
	=====

* No director or his spouse had any interest in the donee institutions.

15.1 Accounts for the year include auditors' remuneration as follows:

Audit fee Rs 250,000 (1997: Rs 175,000); fee for tax and special reporting Rs 370,695 (1997: Rs 57,861); out of pocket expenses Rs 31,235 (1997: Rs 8,740).

16. SELLING AND DISTRIBUTION EXPENSES

	1998
	Rupees
Salaries, wages and benefits	2,930,349
Travelling and entertainment	468,041
Rent, rates and taxes	478,587
Repairs and maintenance	96,499
Printing and stationery	492,479
Depreciation	415,363
Communication, establishment and other expenses	875,878
Advertisement and sales promotion expenses	1,013,146

	6,770,342
	=====

17. OTHER INCOME

Income on bank deposits	6,619,475
Exchange gain	15,489
Other	314,700

	6,949,664
	=====

18. FINANCIAL CHARGES

Fee and charges related to long term loans	5,213,513
Interest/mark-up on loans	289,561,721

Exchange risk coverage fee on foreign currency loans	157,254,006
Bank charges and commission	491,283

	452,520,523
	=====

19. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts of the year for remuneration, including benefits and perquisites were as follows:

	Working Director		Executives	
	1998 Rupees	1997 Rupees	1998 Rupees	1997 Rupees
Managerial remuneration	1,167,880	904,107	3,784,694	1,724,448
Company's contribution to provident fund	61,630	48,910	184,789	89,620
Utilities and upkeep	268,298	217,691	466,671	442,453
	-----	-----	-----	-----
	1,497,808	1,170,708	4,436,154	2,256,521
	=====	=====	=====	=====
Number of persons	1	1	9	4

In addition, the above were provided with free medical facilities. The working director and certain executives were also provided with free use of Company's car and household equipment in accordance with the Company's policy.

No remuneration was paid to the chief executive and other directors of the Company (1997: Nil).

20. GENERAL

20.1 Capacity and production

The annual designed capacity of the plant is 945,000 tons of cement. The Company commenced its commercial production from November 16, 1997. Against the designed capacity for the period November 16, 1997 to June 30, 1998 of 590,625 tons, actual production during the period (which period included the initial start up phase of the plant operations) was 374,776 tons.

20.2 COMPARATIVE FIGURES

Previous year's figures, wherever necessary, have been rearranged for purposes of comparison.

Chairman/Chief Executive

Director

Director

**THE PATTERN OF SHAREHOLDINGS
AS ON 30 JUNE 1998**

Number of Shareholders	Shareholding From	To	Total Shares held Ordinary Shares of Rs. 10/Each
832	1	500	412507
82	501	1000	81700
23	1001	2000	42000
7	2001	3000	19500
4	3001	4500	15500
9	4501	5500	45000
2	5501	8500	16000
4	8501	9500	36000
5	9501	10500	50000
6	10501	15500	76000
3	15501	22500	60000
3	22501	32500	90000
1	32501	42500	34000
3	42501	120000	205000
2	120001	300000	498500
1	300001	550000	458600
2	550001	900000	1588900
2	900001	1500000	1807700
3	1500001	2000000	5738100
1	2000001	2300000	2100000
1	2300001	3300000	2670000
2	3300001	5000000	9282000
2	5000001	7000000	11924000
1	7000001	10100000	9350000
3	10100001	25000000	45881499
1	25000001	80000000	78827993
-----			-----
1005			171,310,499
=====			=====

CATEGORIES OF SHAREHOLDERS

INDIVIDUALS

NUMBER OF SHAREHOLDERS

982

SHARES HELD

1,100,207

PERCENTAGE

0.64

INVESTMENT COMPANIES	5	12,549,200	7.33
INSURANCE COMPANIES	3	547,500	0.32
JOINT STOCK COMPANIES	3	1,187,900	0.69
FINANCIAL INSTITUTIONS	3	10,175,600	5.94
MODARABA COMPANY	1	906,600	0.53
FOREIGN INVESTORS	6	63,915,499	37.31
OTHERS			
FAUJI FOUNDATION	1	78,827,993	46.01
FCCL EMPLOYEES TRUST	1	2,100,000	1.23
	-----	-----	-----
	1005	171,310,499	100.00