

Fecto Cement Limited

(Annual Report 1997)

CONTENTS

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHIEF EXECUTIVE

Mr. Mohammed Yasin Fecto

DIRECTORS

Mr. Ghulam Mohammed A. Fecto
Mr. Mohammed Asad Fecto
Mr. Mohammed Ilyas Khan
Mr. Muhammad Nasim Khan
Mr. Safdar Abbas Morawala
Mr. Muhammad Umer Memon
Mr. Muhammad Sharif Shafique
Mr. Afzalul Haque
Mr. Abdul Jaleel Shaikh

SECRETARY

AUDITORS

Mr. Abdul Aleem, FCA
Taseer Hadi Khalid & Co.
Chartered Accountants
Mr. Rahim Iqbal Rafiq & Co.
Chartered Accountants

LEGAL ADVISOR

Nisar Law Associates
51, Mozang Road
Lahore

BANKERS

Allied Bank of Pakistan

ABN AMRO Bank
American Express Bank Limited
Bank of America
Citibank NA
Habib Bank Limited
Muslim Commercial Bank Limited
National Development Finance Corporation
Union Bank Limited

REGISTERED OFFICE

35-Darulaman Housing Society
Block 7/8, Shahra-e-Faisal
Karachi

FACTORY

MARKETING OFFICE

Sangjani, Islamabad
2nd Floor, Majeed Plaza
Bank Road, Saddar
Rawalpindi

SHARE REGISTRAR OFFICE

Uni Corporate & Financial Services
4th Floor, Bank Square No. 2
M. A. Jinnah Road
Karachi

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 16th Annual General Meeting of the Members of the Company will be held at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi on Wednesday, December 31, 1997 at 8.00 a.m. to transact the following business:

ORDINARY BUSINESSSES

1. To confirm the Minutes of the 15th Annual General Meeting held on December 31, 1996.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 1997 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors and fix their remuneration. The present Auditors Messrs. Taseer Hadi Khalid & Co., Chartered Accountants and Messrs. Rahim Iqbal Rafiq & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment.

To elect seven directors in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a period of three years commencing January 01, 1998.

The number of elected directors fixed by the Board of Directors under Section 178 of the Companies Ordinance, 1984 is seven

The retiring Directors are:

Mr. Ghulam Mohammed A. Fecto	Mr. Mohammed Yasin Fecto
Mr. Mohammed Asad Fecto	Mr. Mohammed Ilyas Khan
Mr. Muhammad Nasim Khan	Mr. Muhammad Umer Memon
Mr. Safdar Abbas Morawala	

SPECIAL BUSINESSES

5. To consider and approve the remuneration payable to the Chief Executive and one Working Director and in this respect to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT the remuneration of Chief Executive and one Working Director be fixed at to Rs. 100,000.00 each plus all other benefits available to executives in accordance with the Company's Rules, commencing January 01, 1998"

6. To transact any other business with the permission of the Chair.

Karachi: November 27, 1997

By Order of the Board
COMPANY SECRETARY

Notes:

1. The Share Transfer Books of the Company will remain closed from Monday, December 22, 1997 to Wednesday, December 31, 1997 (both days inclusive).
2. A Member entitled to attend, speak and vote at this meeting may appoint another Member as his/her proxy to attend, speak and vote on his/her behalf.
3. An instrument appointing a proxy must be received at the Registered Office of the Company not later than forty eight hours before the time appointed for the Meeting. A Member shall not be entitled to appoint more than one proxy. If a Member appoints more than one proxy and more than one instrument of proxy are deposited by a Member with the Company, all such instruments shall be rendered invalid.
4. Members are requested to notify any change in their address immediately.
5. Members should quote their Folio Number in all correspondence and at the time of attending the Meeting.
6. Any person who seeks to contest election to the office of Directors shall, whether he is a retiring Director or otherwise, file with the Company, not later than Fourteen (14) days before the date of the meeting, a notice of his intention to offer himself for election as Director in terms of

Section 178 of the Companies Ordinance, 1984.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

The Chief Executive and full time Working Director will be interested in the business of fixing their remuneration to the extent the remuneration will be payable to them.

DIRECTORS' REPORT TO THE MEMBERS

Dear Members

Your Directors are pleased to present their report along with the audited accounts for the year ended June 30, 1997.

The Company with the blessings of Almighty Allah 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.

OPERATING PERFORMANCE

The company continue to achieve the optimum level of efficiency which has been possible due to exceptional care and maintenance of the plant. The production and despatches for the year under review were as follows:

	1997	1996
Tonnes		
Production		
Clinker	671,882	654, 560
Cement	716,748	694,843
	-----	-----
Despatches	716,941	696,008

OPERATING RESULT

We have informed in our last report that the cement industry is passing through a difficult period. On the one hand the excess supply of cement due to commissioning of new units and expansion in some of the existing units and the economic slum in the country kept pressure on selling prices. While on the other hand input cost has increased substantially mainly due to massive enhancement in fuel and power prices by the Government, heavy taxation and high rate of inflation prevailing in the country. All these factors have eroded the profitability of the cement sector.

Whatever increase in prices achieved by the company were wiped out by the high rate of taxation and as such the net revenue of Rs. 1,298.181 million has shown nominal increase of 1.36% as compare to corresponding period. The increase in cost of sales mainly due to increase of approximately 36% in the fuel and power cost resulted in decrease in gross profit rate to 4.61% compared to 18.13% in the corresponding period. Although the operating expenses of Rs. 60.093

million, financial charges of Rs. 86.161 million and workers funds of Rs. 3.113 million have reduced by 9.86%, 20.42% and 44.45% respectively compared to corresponding period but still company has suffered loss before taxation of Rs. 57.318 million

DEBT OBLIGATION

Inspite of liquidity squeeze the company continue to meet its financial commitments and debt obligations on time without resorting to any short term borrowings.

FUTURE PROSPECTS

The current economic scenario, excess supply of cement and high rate of inflation presents a very bleak future for the industry. The industry is passing through the phase where its survival becoming difficult day by day and we fear that if the remedial measures are not taken immediately than the industry shall become sick. Although in the budget 1997-98 the government has exempted the cement industry from levy of sales tax but the impact of relief is very nominal as the excise duty has been increased by 5% and adjustment of sales tax paid on inputs particularly on papersacks and spares have been discontinued.

BOARD OF DIRECTORS

Since our last Report Mr. Muhammad Aslam, nominee director of National Development Finance Corporation (NDFC) and Mr. Rashid Zahir nominee director of Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Ltd (SAPICO), has resigned from the Board and in their place Mr. Afzalul Haque and Mr. Abdul Jaleel Shaikh has been nominated by NDFC and SAPICO respectively. The Company place on record their appreciation for the valuable support and contribution by the outgoing Directors and 'welcome the new Directors and hope that the Company will benefit from their valuable experience.

AUDITORS

Present auditors M/s. Taseer Hadi Khalid & Co., Chartered Accountants and M/s. Rahim Iqbal Rafiq & Co., Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding as at 30th June, 1997 is annexed.

ACKNOWLEDGMENT

The Directors would like to place on record their appreciation for the strenuous efforts and dedicated work of the staff and workers for achieving optimum level of production and for the efforts made by the dealers in giving full support to our marketing policies. It is hoped that they will continue to work with same spirit in the years to come.

Above all, we would like to express our sincere thanks to all the financial institutions who have been associated with us for their continued support and co-operation.

On behalf of the Board

(MOHAMMED YASIN FECTO)

Chief Executive

Karachi: November 26, 1997.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of FECTO CEMENT LIMITED as at June 30, 1997 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) In our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1997 and of the loss and the changes in financial position for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: November 26, 1997.

TASEER HADI KHALID & CO.
Chartered Accountants

RAHIM IQBAL RAFIQ & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1997

(Rupees in Thousands)

Note	1997	1996
------	------	------

SHARE CAPITAL

Authorised:

50,000,000 Ordinary Shares of Rs. 10/- each 500,000 500,000

Issued, subscribed and paid-up

45,600,000 Ordinary Shares of Rs. 10/- each

Issued for Cash 456,000 456,000

RESERVES 3 189,698 258,519

645,698 714,519

REDEEMABLE CAPITAL 4 15,756 58,233

LONG TERM LOANS 5 200,108 307,268

DEFERRED LIABILITIES 7 327,325 376,499

LONG TERM DEPOSITS 8 23,224 24,787

CURRENT LIABILITIES:

Current Maturity of Long Term Liabilities 9 89,779 114,107

Creditors, Accrued & Other Liabilities 10 290,301 265,002

Provision for Taxation 15,033 59,555

395,113 438,664

1,607,224 1,919,970

=====

These accounts should be read in conjunction with the attached notes

OPERATING FIXED ASSETS 11 1,107,958 1,233,933

LONG TERM DEPOSITS 11,772 5,606

DEFERRED EXPENSES 12 1,153 3,459

CURRENT ASSETS:

Stores and Spares 13 289,145 238,810

Stock-in-Trade 14 15,382 20,407

Trade Debtors-Unsecured Considered Good 26,576 26,736

Advances, Deposits and Pre-payments 15 85,265 199,749

Cash and Bank Balances 16 69,973 191,270

486,341 676,972

1,607,224 1,919,970

=====

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1997**

		(Rupees in Thousands)	
	Note	1997	1996
SALES-NET	17	1,298,181	1,280,743
COST OF SALES	18	1,238,397	1,048,548
		-----	-----
GROSS PROFIT		59,784	232,195
OPERATING EXPENSES			
General & Administrative	19	35,713	42,281
Selling & Distribution	20	24,380	24,387
		60,093	66,668
		(309)	165,527
		-----	-----
FINANCIAL CHARGES	21	86,161	108,275
OTHER INCOME	22	(32,265)	(54,841)
WORKERS' FUNDS	23	3,113	5,604
		-----	-----
		57,009	59,038
		-----	-----
(LOSS)/PROFIT BEFORE TAXATION		(57,318)	106,489
PROVISION FOR TAXATION			
Current Year	24	12,723	57,246
Prior Year		(1,220)	(52)
		-----	-----
		11,503	57,194
		-----	-----
(LOSS)/PROFIT AFTER TAXATION		(68,821)	49,295
UN-APPROPRIATED PROFIT BROUGHT FORWARD		8,519	9,224
		-----	-----
		(60,302)	58,519
APPROPRIATION:			
Transfer to General Reserve		-	50,000
		-----	-----
UN-APPROPRIATED (LOSS)/PROFIT CARRIED FORWARD		(60,302)	8,519
		=====	=====

These accounts should be read in conjunction with the attached notes.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997**

(Rupees in Thousands)

	1997	1996
Cash Flows from Operating Activities		
Net Profit before Taxation	(57,318)	106,489
Adjustments for:		
Depreciation	126,690	143,071
Amortisation of Deferred Cost	2,306	2,306
Loss/(Gain) on Disposal of Fixed Assets	83	2
Foreign Exchange (Gain)/Loss	2,152	(2,392)
Financial Charges	84,009	110,667
	-----	-----
Operating Profit before Working Capital Changes	157,922	360,143
(Increase)/Decrease in Sotres and Spares	(50,335)	(39,778)
Decrease/(Increase) in Stock-in-Trade	5,025	(7,477)
(Increase)/Decrease in Trade Debtors	160	16,893
Decrease in Advances and Pre-payments	84,695	61,673
Increase/(Decrease) in Creditors, Accrued and Other Liabilities	18,852	(78,832)
	-----	-----
Cash Generated from Operations	216,319	312,622
Financial Charges Paid	(112,323)	(122,364)
Income Tax Paid/Deducted at Source	(60,639)	(12,208)
Long Term Deposits Received	(1,563)	(1,590)
Long Term Deposits Given	(6,166)	1,882
	-----	-----
Net Cash from/(used in) Operating Activities	35,628	178,342
Cash Flows from Investing Activities		
Fixed Capital Expenditure	(2,381)	(14,563)
Sale Proceeds of Fixed Assets	1,584	1,549
Advances to Associated Companies	34,403	2,159
	-----	-----
Net Cash Used in Investing Activities	33,606	(10,855)
Cash Flows from Financing Activities		
Repayment of Long Term Loans	(107,160)	(107,162)
Repayment of Redeemable Capital	(64,568)	(78,707)
Repayment of Lease Finance	(2,237)	(4,470)
Dividend Paid	(16,566)	(121,091)
	-----	-----
Net Cash used in Financing Activities	(190,531)	(311,430)
	-----	-----

Net (Decrease) in Cash & Bank Balances	(121,297)	(143,943)
Cash and Bank Balances as at July1	191,270	335,213
	-----	-----
Cash and Bank Balances as at June 30	69,973	191,270
	=====	=====

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 1997

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on February 28, 1981 as a public limited company and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in production and sale of cement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

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

2.2 Tangible Fixed Assets

Operating fixed assets are stated at cost (including where relevant related borrowing cost and exchange difference) less accumulated depreciation, except free hold land which is stated at cost.

Capital work in progress is stated at cost including where relevant, related financing costs. These costs are transferred to fixed assets as and when assets are available for use.

Depreciation is charged to income applying the reducing balance method at the rates specified in Note 11. Full year's depreciation is charged on additions, while no depreciation is charged on assets disposed off.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of assets, if any, are included in income currently.

2.3 Assets Subject to Finance Lease

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

Finance charge under the lease agreements is allocated to the periods during lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability of each period.

2.4 Staff Retirement Benefits

The Company operates a Contributory Provident Fund Scheme for all its eligible employees. Contributions in respect thereof are made in accordance with the terms of Scheme.

2.5 Deferred Costs

Deferred costs are amortized over a period of five years from the year of expenditure. However, deferred costs prior to the commencement of commercial operations were accumulated and are being amortized over a period of five years from the commencement of commercial operations.

2.6 Stores, Spares and Loose Tools

These are valued at moving average cost other than stores and spares in transit which are valued at cost comprising invoice value plus other charges paid thereon.

2.7 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realizable value. Cost signifies in relation to:

Raw Material produced by the Company	At average cost comprising of excavation cost, labour and appropriate overheads
Other Raw Material and Packing Material	At cost determined on first-in-first-out basis
Work-in-process and Finished Goods	At average cost comprising direct material, labour and appropriate manufacturing overheads

Net realizable value signifies the selling price less costs necessary to be incurred in order to make the sale.

2.8 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are converted into Rupees at the rate of exchange ruling on the date of transaction. All exchange differences are included in income currently.

2.9 Taxation

Current:

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account admissible tax credits and rebates, if any.

Deferred:

The Company accounts for deferred taxation on all significant timing differences using the

liability method. However, net deferred tax debits, if any, are not recognized.

2.10 Revenue Recognition

Sales are recorded on despatch of goods to customers.

(Rupees in Thousands)

1997 1996

3. RESERVES

General Reserve:

At the beginning of the year/period	250,000	200,000
Transfer from Profit and Loss Account	-	50,000
	-----	-----
	250,000	250,000
Un-appropriated (Loss)/Profit	(60,302)	8,519
	-----	-----
	189,698	258,519
	=====	=====

4. REDEEMABLE CAPITAL-

NON PARTICIPATORY-SECURED

Long Term Finance Certificates:

Bankers Equity Limited-Led Syndicate (Note 6) 31,512 63,024

Finance against Locally Fabricated Machinery:

Bankers Equity Limited (Note 6) 5,483 27,414
 Industrial Development Bank of Pakistan (Note 6) - 9,875
 Investment Corporation of Pakistan (Note 6) - 1,250

 5,483 38,539

36,995 101,563

Less: Current Maturity 21,239 43,330

 15,756 58,233
 =====

5. LONG TERM LOANS-FROM FINANCIAL

INSTITUTIONS-SECURED

Foreign Currency Loan (Rupee Converted):

National Development Finance Corporation (Note 6) 32,086 53,476

Local Currency Loans:

National Development Finance Corporation:

- Term Loan No. 1 (Note 5.1 & 6) 158,400 211,199

- Term Loan No. 2	(Note 5.2 & 6)	3,452	5,178
- Term Loan No. 3	(Note 5.2 & 6)	13,601	20,402
- Term Loan No. 4	(Note 5.2 & 6)	61,109	85,553
		-----	-----
		236,562	322,332
		-----	-----
		268,648	375,808
Less: Current Maturity		68,540	68,540
		-----	-----
		200,108	307,268
		=====	=====

5.1 This represents the outstanding balance as on June 30, 1989 of foreign currency loan converted into local currency term loan at the exchange rate prevailing on June 30, 1989.

5.2 These term loans represent un-paid interest capitalised by National Development Finance Corporation as local currency loans.

6. TERMS AND CONDITIONS OF FINANCING

(Rupees in Thousands)

Institution/Type of Loan	-----		Re-Sale Price	Rebate	Rate of Mark-up/ Interest	Repayment Commencement Date	Installments
	Amount Sanctioned	Amount Disbursed/ Capitalized					

REDEEMABLE CAPITAL- NON PARTICIPATORY

Long Term Finance Certificates:

Bankers Equity Limited-Led-Syndicate	252,096	256,095	533,588	33,184	-	01-Jan-91	16 Half Yearly
--------------------------------------	---------	---------	---------	--------	---	-----------	----------------

Finance against Locally Fabricated Machinery:

Bankers Equity Limited	160,000	153,520	300,933	118,734	-	01-Jan-91	28 Quarterly
Industrial Development Bank of Pakistan	79,000	79,000	93,460	-	3%	30-Sep-89	16 Half Yearly
Investment Corporation of Pakistan	20,000	20,000	23,501	-	3%	30-Mar-89	32 Quarterly

LONG TERM LOANS:

Long Term Foreign Currency Loan

(Rupee Converted):

National Development Finance Corporation

(U.S. \$ 9.486 Million)

-	171,124	-	-	14%	01-Sep-91	16 Half Yearly
---	---------	---	---	-----	-----------	----------------

Long Term Local Currency Loans:

National Development Finance Corporation:

Term Loan No. 1 (U.S.\$ 28.550 Million)	446,078	446,078	-	14%	-	01-Jan-93	16 Half Yearly
Term Loan No. 2	13,809	13,809	-	15%	-	01-Sep-91	16 Half Yearly
Term Loan No. 3	54,405	54,405	-	15%	-	01-Sep-91	16 Half Yearly
Term Loan No. 4	195,550	195,550	-	15%	-	01-Jul-92	16 Half Yearly

PENAL PROVISIONS

The Company has agreed to pay an additional amount equivalent to 20 percent of the face value of long term finance certificates and locally fabricated machinery loan as and by way of liquidated damages for failure to perform its obligations to Bankers Equity Limited.

The Company would in case of making default in making payment of the sale price or part thereof, will be liable to a price to be calculated at the rates specified by State Bank of Pakistan applicable at the time of such default to Investment Corporation of Pakistan.

The Company would be liable to pay paisas 60 per day per Rs. 1,000 as additional mark-up if the locally manufactured machinery loan of Industrial Development of Pakistan is not paid on due dates.

The Company would be liable to pay 2 percent additional interest, if dues are not paid on due dates on National Development Finance Corporation's loans.

SECURITY

The finances are secured by way of first charge on all movable and immovable properties of the Company ranking pari passu with other financial institutions.

(Rupees in Thousands)

7. DEFERRED LIABILITIES

	1997	1996
Deferred Taxation	250,429	250,429
Deferred Mark-Up	126,192	155,115
Less: Transferred to Current Liabilities	49,296	29,045
	-----	-----
	76,896	126,070
	-----	-----
	327,325	376,499
	=====	=====

LONG TERM DEPOSITS-UNSECURED

Dealers	(Note 8.1)	20,700	23,000
Suppliers and Contractors	(Note 8.2)	2,524	1,787
		-----	-----
		23,224	24,787
		=====	=====

8.1 This represents interest free security deposits, received from cement agency holders and is repayable on cancellation or withdrawal of agency. The Company in terms of written contract with the agency holders is entitled to utilise the deposits, as provided in

Section 226 of the Companies Ordinance, 1984.

8.2 This represents interest free security deposits received from suppliers and contractors and is repayable after the satisfactory execution or the cancellation of agreements. The Company is entitled in terms of written contract with the contractors and suppliers to utilise the deposits, as provided in Section 226 of the Companies Ordinance, 1984.

9. CURRENT MATURITY OF LONG TERM LIABILITIES

Redeemable Capital - Non Participatory	21,239	43,330
Long Term Loans	68,540	68,540
Liabilities against Assets subject to Finance Lease	-	2,237
	-----	-----
	89,779	114,107
	=====	=====

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for Goods	8,165	11,282
Accrued Expenses	22,453	20,121
Workers' Profit Participation Fund (Note 10.1)	-	5,604
Mark-up on Long Term Finance Utilised		
Under Mark-up Arrangements - Secured	49,296	29,045
Advances from Customers	121,649	103,934
Commitment Charges	36,691	34,539
Retention Money	6	7
Royalty Payable	396	352
Excise Duty Payable	8,871	8,439
Sales Tax Payable	4,443	1,649
Taxes Withheld	191	129
Unclaimed Dividend	11,132	17,464
Dividend Payable	5,510	15,743
Other Liabilities	21,498	16,694
	-----	-----
	290,301	265,002
	=====	=====

10.1 WORKERS' PROFIT PARTICIPATION FUND

Opening Balance	5,604	25,616
Add: Contribution for the year	-	5,604
Interest accrued	462	2,330
	-----	-----
	6,066	33,550
Less: Payment during the year/period	6,066	27,946
	-----	-----
	-	5,604
	=====	=====

11. OPERATING FIXED ASSET (Rupees in Thousands)

Item	Cost			Depreciation			As At June 30 1997	Down Value As At June 30 1997
	Written As At July 01 1996	Additions	Sale/ Disposals	Rate %	As At Jul-01 1996	During the Year		
Owned:								
Freehold Land	18,084	--	--	--	--	--	--	18,084
Factory Building on Freehold Land	248,673	--	--	10%	91,490	15,718	--	141,465
Non-Factory Building on Freehold Land	110,687	215		5%	25,844	4,253	--	80,805
Office Premises	2,415	--	--	5%	572	92	--	1,751
Plant, Machinery and Equipments	1,438,035	--	--	10%	580,382	85,765	--	771,888
Quarry Transport Equipments	216,815	23,347	--	20%	150,737	15,367	-12,588	61,470
Furniture, Fixtures and Equipments	30,433	949	504	10%	10,046	2,103	197	18,926
Motor Vehicles	28,359	1,217	1,901	20%	11,290	3,385	542	13,542
Library Books	113	--	--	20%	79	7	--	27
Leased:								
Quarry Transport Equipments	23,347	' (23,347)	--	20%	12,588	--	12,588	--
1997	2,116,961	2,381	2,405		883,028	126,690	739	1,107,958
1996	2,105,236	14,638	2,913		741,319	143,071	1,362	1,233,933

1997 1996

ALLOCATION:

Excavation Cost	33,066	38,888
Manufacturing Cost	89,255	99,056
Administrative and General	3,377	3,934
Selling and Distribution	992	1,193
	126,690	143,071

11.1 Detail of Operating Fixed Assets disposed off during the year is as follows:

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
-------------	------	-----------------------------	---------------	------------------	---------------------	-----------------------------

Vehicles:

Nissan Pickup	246	160	86	200	Insurance Claim	Adamjee Insurance Co. Ltd.
Honda Civic	700	140	560	640	Negotiation	Kamran, Hyderabad
Motor Cycle CD 70	55	11	44	56	Insurance Claim	Adamjee Insurance Co. Ltd.
Lancer	297	0	297	150	Negotiation	Mohammed Ashraf Siddiqui, Hyderabad
Subaro Car	245	159	85	125	Insurance Claim	Adamjee Insurance Co. Ltd.
Suzuki Khyber	358	72	287	340	Insurance Claim	Adamjee Insurance Co. Ltd.

Furniture Fixtures

& Office Equipments:

Telephone Installations	79	19	60	54	Insurance Claim	Adamjee Insurance Co, Ltd.
Telephone Installations	28	9	19	8	Negotiation	Nasim Ahmed, Rawalpindi
Telephone installations	30	3	27	7	Negotiation	Amir Bawany, Karachi
Telephone Installations	11	1	9	4	Negotiation	Blue Bells 2, Islamabad
Telephone Installations	43	10	33	0	Scrapped	-
Photocopiers	313	155	159	0	Scrapped	-

	-----	-----	-----	-----
1997	2,405	739	1,666	1,584
	=====	=====	=====	=====
1996	2,913	1,362	1,551	1,549
	=====	=====	=====	=====

(Rupees in Thousands)

1997 1996

12. DEFERRED EXPENSES

Quarterly Development	3,163	3,163
Preliminary Expenses	167	167
Share Issue Expenses	11,531	11,531
	-----	-----
	14,861	14,861
Less: Amortised	13,708	11,402
	-----	-----
	1,153	3,459
	=====	=====
13. STORES AND SPARES		
Stores	33,943	38,165
Spares	254,914	196,218
Store in transit	288	4,427
	-----	-----
	289,145	238,810
	=====	=====
14. STOCK IN TRADE		
Finished Goods	5,613	4,858
Work-in-Process	165	203
Raw Material	3,948	3,369
Packing Material	5,656	11,977
	-----	-----
	15,382	20,407
	=====	=====
15. ADVANCES, DEPOSITS AND PRE-PAYMENTS		
Advances-unsecured considered good		
Employees	1,095	1,398
Executives (Note 15.1)	1,030	1,070
Suppliers and Contractors	5,687	24,656
Associated C (Note 15.2)	42,015	138,346
Advance Income Tax	11,050	6,436
Advance Excise Duty & Sales Tax	5,846	10,717
Security Deposit	-	2,000
Pre-payments	18,542	15,126
	-----	-----
	85,265	199,749
	=====	=====

15.1 The maximum aggregate amount due from executives of the Company at the end of any month during the year was Rs. 1.057 million (1996-Rs. 1.136 million).

15.2 ADVANCES TO ASSOCIATED COMPANIES-Net

Pakistan Agro Forestry Corporation (Private) Limited	(Note 15.2.1)	84,020	118,423
Frontier Paper Products (Private) Limited	(Note 15.2.2)	(42,005)	19,923
		-----	-----
		42,015	138,346
		=====	=====

15.2.1 Mark-up @ 50 paisas per thousand rupees on daily product basis is charged on amounts received from/paid to associated Company.

15.2.2 These represent advances on account of purchases relating to spares and papersack, services provided and expenses incurred on behalf of each other.

15.2.3 The aggregate maximum amount due from associated companies at the end of any month during the year was Rs. 146.886 million (1996- Rs. 183.652 million)

16. CASH AND BANK BALANCES

In Hand		246	182
With Banks		69,727	191,088
		-----	-----
		69,973	191,270
		=====	=====

(Rupees in Thousands)

17. SALES-NET

		1997	1996
Sales		2,512,366	2,081,121
Less: Excise Duty		838,151	502,805
Sales Tax		376,034	297,573
		-----	-----
		1,214,185	800,378
		-----	-----
		1,298,181	1,280,743
		=====	=====

18. COST OF SALES

Raw and Packing Material Consumed:

Opening Stock		15,346	7,131
Purchases		194,202	187,957
Excavation Cost		95,383	93,825
		-----	-----
		304,931	288,913

Closing Stock	(9,604)	(15,346)
	-----	-----
	295,327	273,567
Fuel and Power	668,344	491,023
Stores and Spares Consumed	91,420	90,817
Salaries, Wages and Benefits	59,199	56,967
Insurance	20,086	16,733
Repairs and Maintenance	3,271	7,030
Rent, Rates and Taxes	76	732
Depreciation	89,255	99,056
Other Manufacturing Overheads	12,136	11,885
	-----	-----
	1,239,114	1,047,810
Add: Opening Work-in-Process	203	200
Less: Closing Work-in-Process	(165)	(203)
	-----	-----
Cost of Goods Manufactured	1,239,152	1,047,807
Add: Opening Finished Goods	4,858	5,599
Less: Closing Finished Goods	(5,613)	(4,858)
	-----	-----
Cost of Sales	1,238,397	1,048,548
	=====	=====

19. GENERAL & ADMINISTRATIVE EXPENSES

Salaries, Wages and Benefits	14,745	14,472
Travelling and Conveyance	975	917
Vehicles Running Expenses	1,654	2,086
Communications	3,010	3,242
Printing and Stationery	601	851
Rent, Rates and Taxes	1,883	1,159
Utilities	1,281	635
Repairs and Maintenance	780	564
Legal and Professional Charges	2,386	7,326
(Note 19.1)	392	201
(Note 19.2)	600	3,151
Depreciation	3,377	3,934
Amortisation of Deferred Cost	2,306	2,306
Miscellaneous	1,723	1,437
	-----	-----
	35,713	42,281
	=====	=====

19.1 AUDITORS' REMUNERATION

	1997		1996	
Rahim Iqbal Rafiq & Co.	Rahim Iqbal Rafiq & Co.	Taseer Hadi Khalid & Co.	Rahim Iqbal Rafiq & Co.	Taseer Hadi Khalid & Co.
Audit Fee	90	90	75	75
Other Services	165	--	11	--
Excise Duty	8	8	8	8
Out of Pocket Expenses	11	20	5	19
	-----	-----	-----	-----
	274	118	99	102
	=====	=====	=====	=====
		392		201
		=====		=====

19.2 None of the Directors or their spouse have any interest in the above donee Fund.

20. SELLING & DISTRIBUTION EXPENSES

Salaries, Wages and Benefits	9,101	7,996
Travelling and Conveyance	491	1,107
Vehicles Running Expenses	1,153	911
Communications	1,415	1,356
Rent, Rates and Taxes	1,404	513
Repairs and Maintenance	522	290
Advertisement	5,191	7,046
Marking Fee	2,088	2,006
Depreciation	993	1,193
Miscellaneous	2,022	1,969
	-----	-----
	24,380	24,387
	=====	=====

21. FINANCIAL CHARGES

Mark-up on:		
Long Term Redeemable Capital	(Note 21.1)	13,237
Long Term Loans		21,056
Mark-up on Lease Financing		63,914
Excise Duty on Finances		12
Interest on Workers' Profit Participation Fund		322
Exchange (Gain)/Loss		5,528
Supervision Fee		462
Bank Commission and Charges		2,331
		2,152
		(2,392)
		316
		675
		540
		235

		86,161
		108,275
		=====
		=====

21.1 Payments amounting to Rs. 32.301 million has been made during the year to the holders of Redeemable Capital (1996: Rs. 34.627 million).

22. OTHER INCOME

Mark-up on Bank Deposits	16,809	35,846
Mark-up on amounts due from Associated Undertakings	15,538	18,878
(Loss)/Gain on Sale of Fixed Assets	(83)	(2)
Scrap Sales	-	12
Miscellaneous	1	107
	-----	-----
	32,265	54,841
	=====	=====

23. WORKERS' FUNDS

Workers' Profit Participation Fund	-	5,604
Workers' Welfare Fund	3,113	-
	-----	-----
	3,113	5,604
	=====	=====

24. TAXATION

24.1 The Income Tax Assessments of the Company have been finalised upto and including Assessment year 1996-97.

24.2 The Company has filed constitutional writ petition in the High Court of Sindh for assessment year 1991-1992 and 1992-1993 in connection with the application of Section 80D of the Income Tax Ordinance, 1979. However, full tax liability has been provided in the accounts.

25. REMUNERATION OF DIRECTORS AND EXECUTIVES

(Rupees in thousands)

	1997			1996		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Managerial Remuneration	1,669	1,669	20,120	1,700	954	17,048
Retirement Benefits	73	73	1,007	73	38	823
Reimbursable Perquisites	139	139	1,104	139	53	933
	-----	-----	-----	-----	-----	-----
	1,881	1,881	22,231	1,912	1,045	18,804
	=====	=====	=====	=====	=====	=====
Number	1	1	49	1	1	42

Meeting Fee	-	5	-	-	7	-
Number	-	5	-	-	4	-

Certain Executives are provided with the free use of Company cars and the operating expenses are reimbursed at actual to the extent of their entitlement.

26. TRANSACTIONS WITH ASSOCIATED COMPANIES

(Rupees in Thousands)

	1997	1996
Purchases	192,591	67,651
Mark-up Charged	15,538	18,878

27. CAPACITY AND PRODUCTION

	Tonnes	Tonnes
Rated Capacity	600,000	600,000
Actual Production	671,882	654,560

28. GENERAL

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

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 1997

Number of Shareholders	From	Shareholding To	Total Shares Held
551	1	100	55,100
2641	101	500	1,212,500
418	501	1000	406,200
874	1001	5000	1,924,800
44	5001	10000	337,500
13	10001	15000	165,200
7	15001	20000	125,800
3	20001	25000	70,500
1	25001	30000	30,000
6	30001	35000	201,900
1	35001	40000	38,400
1	45001	50000	45,300
1	50001	55000	51,200

1	85001	90000	88,000
1	95001	100000	98,900
1	160001	165000	162,300
1	180001	185000	182,200
1	240001	245000	243,900
1	245001	250000	249,000
1	270001	275000	270,700
1	275001	280000	280,000
1	280001	285000	285,000
1	290001	295000	295,000
1	295001	300000	300,000
1	305001	310000	309,500
2	320001	325000	650,000
1	325001	330000	330,000
2	330001	335000	670,000
1	335001	340000	340,000
2	340001	345000	690,000
1	345001	350000	350,000
1	360001	365000	365,000
1	370001	375000	375,000
1	385001	390000	387,000
1	395001	400000	398,200
1	415001	420000	420,000
1	425001	430000	428,000
1	455001	460000	459,800
2	810001	815000	1,625,000
1	995001	1000000	999,300
2	1495001	1500000	2,999,600
2	1895001	1900000	3,790,834
1	1940001	1945000	1,945,000
1	3135001	3140000	3,137,200
2	3785001	3790000	7,576,666
1	3930001	3935000	3,934,500
1	6295001	6300000	6,300,000
-----	-----	-----	-----
4,602			45,600,000
=====	=====	=====	=====

**Categories of
Shareholders**

**Number of
Shareholders** **Shares Held** **Percentage**

Individuals	4,569	28,685,600	62.91
Investment Companies	16	3,853,100	8.45
Insurance Companies	2	14,900	0.03
Financial institutions	7	10,567,600	23.17

Modaraba Companies	4	61,600	0.14
Foreign Investors	4	2,417,200	5.30
	-----	-----	-----
Total	4,602	45,600,000	100.00