

**Cherat Cement Company Ltd**  
**Annual Report 1998**

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**COMPANY INFORMATION**

**BOARD OF DIRECTORS**

|                                      |                                   |
|--------------------------------------|-----------------------------------|
| Mr. Mohammed Faruque                 | Chairman                          |
| Mr. Zahid Faruque                    | Chief Executive/Managing Director |
| Mr. Akbarali Pesnani                 | Director                          |
| Mr. Razi-ur-Rahman Khan (NIT)        | Director                          |
| Mr. Nasim Beg (NIT)                  | Director                          |
| Mr. Khalifa Muhammad Aminullah (NIT) | Director                          |
| Mr. Abdul Latif Uqaili (ICP)         | Director                          |
| Mr. Azam Faruque                     | Director                          |

**COMPANY SECRETARY**

Rauf Jafrani

**AUDITORS**

Sidat Hyder Qamar Maqbool & Co.

**BANKERS**

Muslim Commercial Bank Ltd.  
United Bank Limited  
ABN Amro Bank  
American Express Bank Ltd.  
ANZ Grindlays Bank plc  
Credit Agricole Indosuez  
Bank of America  
National Bank of Pakistan  
Allied Bank of Pakistan Limited

**REGISTERED OFFICE**

Modern Motors House,  
Beaumont Road,  
Karachi-75530

**FACTORY**

Village Lakrai,  
R O. Box28,  
Nowshera.

**SALES OFFICE**

1st Floor, Betani Arcade,  
Jamrud Road,  
Peshawar.

**REGIONAL OFFICE**

3, Sunder Das Road,  
Lahore.

**ISLAMABAD OFFICE**

No 7, Mezzanine Level,  
Razia Sharif Plaza,  
92, Blue Area,  
Islamabad.

**NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of this Company will be held on Friday, December 18, 1998 at 04:00 p.m. at the Registered Office of the Company at Modern Motors House,

Beaumont Road, Karachi to transact the following business:

1. To receive and consider the audited accounts of the company for the year ended on June 30, 1998, with the Directors' & Auditors' Reports thereon.
2. To appoint auditors for the ensuing year and to fix their remuneration.

By Order of the Board

**R. JAFRANI**

Company Secretary

Karachi, 30th October, 1998.

**NOTE:**

(1) A member eligible to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company 48 hours before the Meeting.

(2) The register of members will be closed from Friday, December 04, to Friday, December 18, 1998, inclusive, and no transfers will be registered during that time.

(3) The Shareholders are requested to notify the Company immediately the change in their address, if any.

**DIRECTORS' REPORT TO THE MEMBERS  
for the year ended 30th June, 1998**

Dear Shareholders,

Your directors are pleased to present to you the working results of the company alongwith the Audited Accounts for the Year ended June 30th, 1998.

**PRODUCTION**

The production of Clinker and Cement during the period under review had to be adjusted according to the market demand. This was also necessary to avoid piling up stock, which would have blocked the working capital.

The Comparative figures for production of clinker and cement are as under:-

|         | <b>1997-98</b> | <b>1996-97</b> | <b>%Change</b> |
|---------|----------------|----------------|----------------|
|         | <b>Tons</b>    | <b>Tons</b>    |                |
| Clinker | 611,648        | 741,750        | (17.54)        |
| Cement  | 670,750        | 798,454        | (15.99)        |

**DESPATCHES**

The overall slow down in the economic activity in the country has also affected the demand for Cement. The corresponding figures for last two years are as follows:

|                   | <b>1997-98</b> | <b>1996-97</b> | <b>%Change</b> |
|-------------------|----------------|----------------|----------------|
|                   | <b>Tons</b>    | <b>Tons</b>    |                |
| Cement Booked     | 662,212        | 798,246        | (17.0)         |
| Cement Despatched | 663,437        | 797,880        | (16.8)         |

**SALES AND MARKETING**

During the year under review our sales and revenues were affected due to general sluggishness in the market, drastic slowing down of construction and development activities and because of increased supply of cement from new plants. The gross sales during the year amounted to Rs. 2,298 million compared to Rs. 2,830 million for the year 1996-97 reflecting a decrease of approximately 18.8 percent. Besides the decrease in volume the prices of cement also continue to remain under pressure.

It is also important to note that heavy taxation in the form of excise duty @40% is having a negative impact on the industry as a whole. Out of the current years revenue of Rs. 2,298 million we had to pay Rs. 997 million to the Government in the form of Excise duty, which works out to approximately 44% of our total revenues.

**OPERATING RESULTS**

The summarized operating results are as follows'

|                  | <b>1997-98</b>          | <b>1996-97</b> | <b>Change</b> |
|------------------|-------------------------|----------------|---------------|
|                  | <b>(Rs. in Million)</b> |                | <b>%</b>      |
| Net Sales        | 1,302.1                 | 1,496.0        | (12.9)        |
| Cost of Sales    | 1,171.3                 | 1,259.9        | (7.0)         |
| Gross Profit     | 130.8                   | 236.1          | (44.6)        |
| Expenses & Taxes | 126.1                   | 128.0          | (1.5)         |
| Net Profit       | 4.7                     | 108.1          | (95.7)        |

While the sales have gone down by about 13% the increase in input cost and low volume of production, resulting in higher fixed cost per ton seriously affected our earning capacity and profitability.

Other comparative figures are reflected in the Financial Statements.

**APPROPRIATION OF PROFIT**

Considering the current year's profit of only Rs. 4.745 million, and the likely difficult times in the foreseeable future, the directors very reluctantly had to take the unpleasant decision of not declaring any dividend for the current year. Accordingly the total unappropriated profit of Rs. 44.558 million has been carried forward to next year.

**FUTURE PROSPECTS**

Currently there is an oversupply of approximately 7 million tons of cement with the result that the plants are forced to curtail their production in line with the market demand. In order for the industry to survive and not be classified as Sick, avenues will have to be found for export. The government needs to provide the requisite incentives and necessary facilities at ports to encourage the manufacturers to go for export. This could also become a source of Foreign Exchange earning for the country in these difficult times. Additionally, it is necessary that taxes imposed on the cement industry be rationalized keeping in view the industry's capacity to carry this burden. While reduction in taxes may result in increased demand it will also ensure continuous revenue for the government and save colossal amount of foreign exchange and local resources that have gone into setting up these highly capital intensive Cement Projects.

**Y2K COMPLIANCE**

The computer system at our company is fairly well developed and the system is operating at all the following locations:

- Head Office at Karachi
- Factory at Nowshera
- Sales offices at:
  - Peshawar
  - Lahore
  - Islamabad

Currently consultants are involved in upgrading our accounting and information system to meet the year 2000 requirements.

We are also investigating and upgrading our process for Y2K compliance.

**DEBT OBLIGATION**

We continue to meet our financial commitments and debt obligations as per agreed schedule. However, due to difficult Foreign Exchange Reserve position, we are still awaiting permission from State Bank of Pakistan to make remittance against one of our loan installments which was due on September 3, 1998. The French Bankers have been informed of this delay, and the reason there against. The amount in question will be remitted as soon as the necessary permission is received from the State Bank of Pakistan.

**AUDITORS**

The present Auditors M/s. Sidat Hyder Qamar Maqbool & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment.

**ACKNOWLEDGEMENT**

In the end we wish to express our thanks to all the financial institutions including the French banks that have been associated with the project, for their support and cooperation. We would also like to thank all our dealers and customers for their continued association and support. Our special thanks are due to our team of dedicated managers and other executives, supervisors and hard working workers, who continue to put in their best efforts for achieving optimum results in these difficult times.

Thank you,

On behalf of the Board  
**Cherat Cement Company Limited**

**(MOHAMMED FARUQUE)**  
 Chairman

Nowshera: October 30th, 1998

**YEARWISE STATISTICAL SUMMARY**

|   | 1998         | 1997         | 1996 | 1995         | 1994         | 1993         | 1992         | 1991         |
|---|--------------|--------------|------|--------------|--------------|--------------|--------------|--------------|
| <b>ASSETS EMPLOYED</b>                              |              |              |      |              |              |              |              |              |
| Fixed Assets  | 1,186        | 1,260        |      | 1,378        | 1,471        | 1,453        | 1,236        | 861          |
| Investments and<br>Long-term Advances<br>& Deposits | 12           | 13           |      | 14           | 14           | 12           | 11           | 73           |
| Current Assets                                      | 645          | 589          |      | 638          | 427          | 376          | 242          | 154          |
| <b>Total Assets Employed</b>                        | <b>1,843</b> | <b>1,862</b> |      | <b>2,030</b> | <b>1,912</b> | <b>1,841</b> | <b>1,604</b> | <b>1,088</b> |
| <b>FINANCED BY</b>                                  |              |              |      |              |              |              |              |              |
| Shereholders equity                                 | 926          | 921          |      | 885          | 864          | 704          | 621          | 385          |
| Long-Term Liabilities                               | 271          | 336          |      | 434          | 544          | 633          | 572          | 438          |
| Deferred Liabilities                                | 191          | 191          |      | 206          | 165          | 42           | 31           | 2            |
| Current Liabilities                                 | 455          | 414          |      | 505          | 339          | 462          | 302          | 263          |
| <b>Total Funds Invested</b>                         | <b>1,843</b> | <b>1,862</b> |      | <b>2,030</b> | <b>1,912</b> | <b>1,841</b> | <b>1,604</b> | <b>1,088</b> |

**TURNOVER & PROFIT**

|                        |       |       |       |     |     |     |     |     |
|------------------------|-------|-------|-------|-----|-----|-----|-----|-----|
| Turnover (Net)         | 1,302 | 1,496 | 1,368 | 953 | 530 | 763 | 630 | 550 |
| Operating Profit       | 74    | 174   | 334   | 337 | 143 | 309 | 197 | 130 |
| Profit before Taxation | 12    | 118   | 274   | 289 | 122 | 277 | 157 | 85  |
| Profit after Taxation  | 5     | 108   | 166   | 159 | 83  | 164 | 73  | 70  |
| Cash Dividend          | --    | 72    | 144   | --  | --  | --  | --  | --  |
| Stock Dividend         | --    | --    | --    | 96  | 64  | 64  | 33  | 25  |
| Transfer to Reserves   | --    | 25    | 25    | 55  | 15  | 100 | 40  | 40  |
| Profit c/f             | 45    | 40    | 29    | 32  | 24  | 20  | 20  | 20  |

**RATIO ANALYSIS ON ACCOUNTS**

for the year ended 30th June, 1998

|   | 1998   | 1997   |
|---|--------|--------|
| <b>PROFITABILITY</b>  |        |        |
| Gross Profit (percentage)                                       | 10.04  | 15.79  |
| Operating Profit (percentage)                                   | 5.69   | 11.65  |
| Profit Before Tax (percentage)                                  | 0.89   | 7.92   |
| Net Profit After Tax (percentage)                               | 0.36   | 7.23   |
| Growth in Net Profit After Tax (percentage)                     | -95.61 | -34.85 |
| Net Profit to Share Holder's Equity (Average after tax) (percen | 0.51   | 11.97  |
| E.P.S. (Before Tax)   | 0.24   | 2.46   |
| E.P.S. (After Tax)  | 0.10   | 2.25   |
| Net Profit to Total Assets (Average after tax) (percentage)     | 0.26   | 5.56   |
| Increase in Sales (Gross percentage)                            | -18.78 | 27.92  |
| Increase in Sales (Net percentage)                              | -12.96 | 9.33   |
| Materials as % of Net Sales                                     | 14.34  | 14.48  |
| Labour as % of Net Sales  | 6.19   | 4.77   |
| Other Cost of Sales Expenses as % of Net Sales                  | 69.44  | 64.97  |
| Raw & Packing Material as % of Cost of Sales                    | 15.94  | 17.19  |
| Administrative Expenses as % of Net Sales                       | 2.68   | 2.31   |
| Selling Expenses as % of Net Sales                              | 1.68   | 1.82   |
| Financial, other charges & (other income) as % on Net Sales     | 4.75   | 3.21   |

**SHORT TERM SOLVENCY**

|  |        |        |
|--|--------|--------|
| Working Capital Ratio                      | 1.75:1 | 1.85:1 |
| Acid Test Ratio                            | 1.58:1 | 1.65:1 |
| Working Capital Turnover (Net Sales) times | 4.70   | 5.54   |
| Inventory Turnover/Times                   | 4.40   | 4.90   |

**OVERALL VALUATION AND ASSESSMENT**

|  |       |       |
|--|-------|-------|
| Number of Times Interest Earned                    | 1.13  | 2.59  |
| Return on Equity after tax (Average in percentage) | 0.51  | 11.97 |
| P. E. Ratio (Before Tax)                           | 41.67 | 8.35  |
| Book Value Per Share                               | 19.24 | 19.13 |
| Long-Term Debts to Equity Ratio                    | 0.36  | 0.43  |

**AUDITORS' REPORT TO THE MEMBERS**

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

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

b) in our opinion:

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

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

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

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

**SIDAT HYDER QAMAR MAQBOOL & CO.**

Chartered Accountants

KARACHI - 30th October, 1998



**BALANCE SHEET AS AT 30TH JUNE, 1998**

|   | NOTE | 1998          | 1997      |
|---|------|---------------|-----------|
|   |      | (Rupees '000) |           |
| <b>SHARE CAPITAL</b>  |      |               |           |
| Authorised  |      |               |           |
| 50,000,000 (1997: 50,000,000) Ordinary shares of Rs. 10/-each |      | 500,000       | 500,000   |
|   |      | =====         | =====     |
| Issued, subscribed and paid-up                                | 3    | 481,324       | 481,324   |
| <b>RESERVES</b>   | 4    | 444,558       | 439,813   |
|   |      | -----         |           |
|   |      | 925,882       | 921,137   |
| <b>REDEEMABLE CAPITAL</b>                                     | 5    | 91,687        | 119,617   |
| <b>LONG-TERM LOANS</b>  | 6    | 119,370       | 165,336   |
| <b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>    |      |               |           |
| <b>DEFERRED LIABILITY</b>                                     | 7    | 35,356        | 20,458    |
| <b>LONG-TERM DEPOSITS - unsecured</b>                         | 8    | 191,301       | 191,279   |
|   | 9    | 24,826        | 30,448    |
| <b>CURRENT LIABILITIES</b>                                    |      |               |           |
| Short-term finance  | 10   | 241,622       | 91,138    |
| Current maturity  | 11   | 87,365        | 94,513    |
| Creditors, accrued and other liabilities                      | 12   | 111,798       | 127,627   |
| Taxation  |      | 11,216        | 24,386    |
| Proposed dividend   |      | --            | 72,199    |
| Unclaimed dividend  |      | 2,795         | 3,750     |
|   |      | -----         |           |
|   |      | 454,796       | 413,613   |
| Contingencies and commitments                                 | 13   | 1,843,218     | 1,861,888 |
|   |      | =====         | =====     |
| <b>AUDITORS' REPORT ANNEXED</b>                               |      |               |           |
| <b>FIXED ASSETS - TANGIBLE</b>                                |      |               |           |
| Operating assets - at book value                              | 14   | 1,112,752     | 1,198,081 |
| Assets subject to finance lease                               | 15   | 73,576        | 61,531    |
| Capital work-in-progress                                      |      | 205           | --        |
|   |      | -----         |           |
|   |      | 1,186,533     | 1,259,612 |

|   |    |           |           |
|---|----|-----------|-----------|
| <b>INVESTMENTS - at Cost</b>                          | 16 | 5,800     | 7,300     |
| <b>LONG-TERM DEPOSITS</b>                             |    | 6,382     | 6,117     |
| <b>CURRENT ASSETS</b>                                 |    |           |           |
| Stores, spares and loose tools                        | 17 | 224,442   | 241,540   |
| Stock-in-trade  | 18 | 64,673    | 61,534    |
| Advances, deposits, prepayments and other receivables | 19 | 161,406   | 124,845   |
| Short-term investments                                | 20 | 117,053   | 117,053   |
| Cash & Bank balances                                  | 21 | 76,929    | 43,887    |
|   |    | -----     | -----     |
|   |    | 644,503   | 588,859   |
|   |    | -----     | -----     |
|   |    | 1,843,218 | 1,861,888 |
|   |    | =====     | =====     |

These accounts should be read with the annexed notes.

**ZAHID FARUQUE**  
CHIEF EXECUTIVE

**AKBARALI PESNANI**  
DIRECTOR

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 30th June, 1998**

|                                    | NOTE | 1998          | 1997      |
|------------------------------------|------|---------------|-----------|
|                                    |      | (Rupees '000) |           |
| Sales - net                        | 22   | 1,302,114     | 1,496,011 |
| Cost of sales                      | 23   | 1,171,344     | 1,259,864 |
|                                    |      | -----         | -----     |
| Gross profit                       |      | 130,770       | 236,147   |
|                                    |      | -----         | -----     |
| Administration expenses            | 24   | 34,850        | 34,549    |
| Selling and Distribution expenses  | 25   | 21,878        | 27,299    |
|                                    |      | -----         | -----     |
|                                    |      | 56,728        | 61,848    |
|                                    |      | -----         | -----     |
| Operating profit                   |      | 74,042        | 174,299   |
|                                    |      | -----         | -----     |
| Financial charges                  | 26   | 88,992        | 74,509    |
| Other charges                      | 27   | 3,868         | 3,211     |
| Other income                       | 28   | (30,983)      | (29,689)  |
| Workers' Profit Participation Fund |      | 608           | 6,313     |

|  |    |        |         |
|--|----|--------|---------|
| Workers' Welfare Fund                    |    | --     | 1,430   |
|  |    | -----  |         |
|  |    | 62,485 | 55,774  |
|  |    | -----  |         |
| Net profit for the year before tax       |    | 11,557 | 118,525 |
| Taxation                                 | 29 | 6,812  | 10,386  |
|  |    | -----  |         |
| Net profit for the year after tax        |    | 4,745  | 108,139 |
| Accumulated profit brought forward       |    | 39,813 | 28,873  |
|  |    | -----  |         |
| Profit available for appropriation       |    | 44,558 | 137,012 |
|  |    |        |         |
| <b>Appropriations:</b>                   |    |        |         |
|  |    | --     | 25,000  |
| Transfer to general reserve              |    | --     | 72,199  |
| Proposed cash dividend Nil (1997: @ 15%) |    |        | -----   |
|  |    | --     | 97,199  |
|  |    | -----  |         |
| Accumulated profit carried forward       |    | 44,558 | 39,813  |
|  |    | =====  | =====   |

These accounts should be read with the annexed notes.

**ZAHID FARUQUE**  
CHIEF EXECUTIVE

**AKBARALI PESNANI**  
DIRECTOR

**CASH FLOW STATEMENT**  
**for the year ended 30th June, 1998**

|  | 1998          | 1997    |
|--|---------------|---------|
|  | (Rupees '000) |         |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>     |               |         |
| Profit before taxation                         | 11,557        | 118,525 |
| Adjustments:                                   |               |         |
| Depreciation                                   | 136,832       | 145,182 |
| Diminution in investment                       | 1,500         | --      |
| Gain on sale of fixed assets                   | (971)         | (548)   |
|  | -----         | -----   |
|  | 137,361       | 144,634 |
|  | -----         | -----   |
| <b>Operating profit before changes</b>         | 148,918       | 263,159 |
| <b>(Increase)/decrease in operating assets</b> |               |         |
| Stores and spares                              | 17,098        | (6,682) |
| Stock-in-trade                                 | (3,139)       | 10,996  |

|  |           |           |
|--|-----------|-----------|
| Loans and advances                                       | 5,235     | (17,921)  |
|  | -----     | -----     |
|  | 19,194    | (13,607)  |
|  | -----     | -----     |
|  | 168,112   | 249,552   |
| <b>Increase/(decrease) in current liabilities</b>        |           |           |
| Short-term finance                                       | 150,484   | 26,117    |
| Creditors, accrued and other liabilities                 | (16,108)  | 1,430     |
| Dividend   | (73,154)  | (141,119) |
|  | -----     | -----     |
|  | 61,222    | (113,572) |
|  | -----     | -----     |
| <b>Net cash from operating activities</b>                | 229,334   | 135,980   |
| Income tax paid  | (57,770)  | (28,846)  |
|  | -----     | -----     |
| <b>Net cash flow from operating activities after tax</b> | 171,564   | 107,134   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>               |           |           |
| Purchase of fixed assets                                 | (35,374)  | (28,840)  |
| Incurred capital expenditure                             | (205)     | --        |
| Sale proceeds of fixed assets                            | 1,428     | 2,440     |
| Purchase of investment                                   | --        | (800)     |
| Proceeds from short-term investment                      | --        | 10,000    |
| Payment of long-term deposit                             | (265)     | 1,842     |
|  | -----     | -----     |
| Net cash from investing activities                       | (34,416)  | (15,358)  |
|  | -----     | -----     |
| Net cash after investing activities                      | 137,148   | 91,776    |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>               |           |           |
| Redeemable capital                                       | (24,806)  | (16,126)  |
| Long-term loans  | (50,304)  | (56,963)  |
| Liabilities subject to finance lease                     | (23,374)  | (25,094)  |
| Long-term deposits                                       | (5,622)   | (11,178)  |
| Payment of gratuity                                      | --        | (279)     |
|  | -----     | -----     |
| <b>Net cash flow from financing activities</b>           | (104,106) | (109,640) |
|  | -----     | -----     |
| <b>Net cash flow after financing activities</b>          | 33,042    | (17,864)  |
| <b>Cash and bank at the beginning of the year</b>        | 43,887    | 61,751    |
|  | -----     | -----     |
| <b>Cash and bank at the end of the year</b>              | 76,929    | 43,887    |
|  | =====     | =====     |

ZAHID FARUQUE

AKBARALI PESNANI

**NOTES TO THE ACCOUNTS****for the year ended 30th June, 1998****1. NATURE OF BUSINESS**

The Company was incorporated in Pakistan as a public limited company quoted on the Karachi and Lahore Stock Exchanges. Its main business activity is manufacturing and marketing of cement.

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 Overall valuation policy**

These accounts have been prepared on the basis of historical cost convention.

**2.2 Staff retirement benefits**

The Company operates approved provident fund scheme for all eligible employees. The scheme is administered by Trustees nominated under relevant Trust Deed and is funded on the basis of entitlement of employees.

The Company operates an approved funded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service as on the balance sheet date. The scheme is administered by trustees nominated under relevant Trust Deed. The contributions to the scheme is made in accordance with independent actuarial advice using Entry Age Normal (EAN) actuarial cost method. The actuarial valuation was carried out as of 30th June, 1997.

**2.3 Taxation**

The charge for current taxation is based on taxable income. Deferred liability for taxation, if any, is accounted for by using the liability method on all major timing differences.

**2.4 Fixed assets and depreciation****2.4.1 Operating assets**

Operating fixed assets except freehold and leasehold land are stated at cost less accumulated depreciation. Freehold and leasehold 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.

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

Gains and losses on disposal of assets, if any, are included in income currently.

#### **2.4.2 Assets subject to finance lease**

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement 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 by applying reducing balance method.

#### **2.5 Investments**

Investments are stated at cost. However, provisions, if any, are made for permanent diminution in value of investments.

#### **2.6 Stores, spares and loose tools**

These are valued at moving average cost. However, provision is made for slow-moving and obsolete items, if any. Items in transit are valued at cost, comprising invoice values plus other charges paid thereon, to the balance sheet date.

#### **2.7 Stock-in-trade**

Stock-in-trade is valued at the lower of cost and net realizable value. Cost in relation to raw material signifies at weighted average, packing material at first-in-first-out, work-in-process and finished goods at average cost comprising direct material, labour and appropriate manufacturing overheads.

#### **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 except in the case of certain foreign currency loans which are covered under exchange risk cover scheme. Transactions in foreign currencies are converted into rupees at the rates of exchange ruling on the date of transaction except those covered under forward contracts which are translated at the contractual rates. Exchange gains and losses are included in income currently.

#### **2.9 Revenue recognition**

##### **2.9.1 Sales**

Sales are recorded on despatch of goods to customers.

##### **2.9.2 Investments**

Return on investments in government securities and bonds is recognized at the rates specified in the respective investment schemes and accrued for the period. The income is recognised on time proportion basis by taking into consideration the respective rate of return.

Income in respect of dividend is recognised on receipt basis.

|  |            | 1998          | 1997    |
|--|------------|---------------|---------|
|  |            | (Rupees '000) |         |
| <b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b> |            |               |         |
| Fully paid ordinary shares of Rs. 10/- each      |            |               |         |
| <b>Number of shares</b>                          |            |               |         |
| 1998   | 1997       |               |         |
| 19,842,000                                       | 19,842,000 | 198,420       | 198,420 |
| 28,290,352                                       | 28,290,352 | 282,904       | 282,904 |
| -----  |            | -----         |         |
| 48,132,352                                       | 48,132,352 | 481,324       | 481,324 |
| =====  | =====      | =====         | =====   |

|  |     | 1998          | 1997     |
|--|-----|---------------|----------|
|  |     | (Rupees '000) |          |
| <b>4. RESERVES</b>                       |     |               |          |
| Revenue reserve                          |     |               |          |
| At beginning of the year                 |     | 400,000       | 375,000  |
| Transferred from profit and loss account |     | --            | 25,000   |
|  |     | -----         |          |
| Accumulated profit                       |     | 400,000       | 400,000  |
|  |     | 44,558        | 39,813   |
|  |     | -----         |          |
|  |     | 444,558       | 439,813  |
|  |     | =====         | =====    |
| <b>5. REDEEMABLE CAPITAL-secured</b>     |     |               |          |
| Long Term - Term Finance Certificates    | 5.1 | 58,122        | 67,817   |
| Locally Manufactured Machinery (LMM)     | 5.2 | 58,354        | 73,465   |
|  |     | -----         |          |
| Current Portion                          |     | 116,476       | 141,282  |
|  |     | (24,789)      | (21,665) |
|  |     | -----         |          |
|  |     | 91,687        | 119,617  |
|  |     | =====         | =====    |

5.1 The Company entered into an "Investment Agreement" dated 19th June, 1990 with Bankers Equity Limited and the Commercial banks referred to as the "syndicate" to meet a portion of the local currency cost of extension of plant.

5.1.1 The sanctioned amount of Rs. 81.403 million has been designated as "Sale Price" against which Rs. 132.178 million net of prompt payment rebate is eventually payable by the Company and is designated as "Purchase Price" payable in

fourteen half-yearly installments commencing from 01 October 1995 i.e., after six months from the commercial production of the extended project.

5.1.2 The Company has issued Long Term - Term Finance Certificates (LT-TFCs) for the amount equal to purchase price and has executed trust deed by creating registered mortgage on immovable assets of the Company ranking pari-passu with the other lenders and a floating charge on all movable assets, book debts and the investment property to secure payment of purchase price, redemption of the LT-TFCs and all other dues payable under the agreement.

5.1.3 In the event of the Company failing to redeem LT-TFCs on its due date it shall pay to the holder of such LT-TFCs additionally an amount equivalent to 20 per cent of the face value of such LT-TFCs as and by way of liquidated damages.

5.2 The Company entered into an agreement dated 19th June, 1990 with Bankers Equity Limited for financing locally manufactured machinery for the extension of plant.

5.2.1 The sanctioned amount of Rs. 92.122 million has been designated as "Sale Price" against which Rs. 116.293 million net of prompt payment rebate is eventually payable by the Company and is designated as "Purchase Price", payable in twenty-eight quarterly installments commencing from 01 October 1995 i.e., after six months from the commercial production of the extended project.

5.2.2 The repayment of the purchase price by the Company to the Bankers Equity Limited has been guaranteed by the Nationalised Commercial Banks (NCBs) to the extent of 40 percent against the security of charge created by the Company in favour of NCBs for the respective amounts.

5.2.3 All amounts due from the Company have been secured by a mortgage and deposit of title deeds of all the movable and immovable properties which shall rank pari-passu with the mortgage in favour of other creditors. Further the Company has executed a demand promissory note of the value of the purchase price and delivered to Bankers Equity Limited.

|   | Note | 1998             | 1997<br>(Rupees '000) |
|---|------|------------------|-----------------------|
| <b>6. LONG-TERM LOANS - secured</b>                             |      |                  |                       |
| Foreign currency loan from consortium of foreign banks - Credit | 6.1  | 169,674          | 215,640               |
| Current portion   | 6.2  | (50,304)         | (50,304)              |
|   |      | -----<br>119,370 | -----<br>165,336      |
|   |      | =====            | =====                 |



6.1 The Company has entered into an agreement with a consortium of French banks for foreign currency loan of US Dollars 16.160 million including credit insurance premium.

6.1.1 The above represents outstanding amount which is secured by guarantee given by National Bank of Pakistan and counter guarantee by Bankers Equity Limited and other nationalised commercial banks. Such guarantee is secured by mortgage of Company's immovable properties, first charge by way of hypothecation of machinery and movable properties ranking pari-passu with charges existing on all such properties of the Company.

6.1.2 The balance of loan is payable in 6 equal half-yearly installments, the last being payable on 5th March, 2001.

6.1.3 Interest on the above loan is payable at the rate of 8.30 percent per annum plus 3.88 percent per annum exchange risk fee payable to Government of Pakistan through National Bank of Pakistan on the outstanding principal amount except on US\$ 753,399 payable to Coface on which no exchange coverage has been made. In addition to the above, the Company shall also pay to the guarantors a guarantee commission at the rate of 1.6 percent per annum on the total amount of guarantee less amount of principal repaid.

6.2 Subsequent to the year end, the Company has applied to State Bank of Pakistan (SBP) seeking permission for the remittance of installment due on 3rd September, 1998, which is still pending with SBP.

|   | <b>1998</b>          | <b>1997</b> |
|---|----------------------|-------------|
|   | <b>(Rupees '000)</b> |             |
| <b>7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b> |                      |             |
| Balance as on 1 July  | 43,002               | 68,096      |
| Assets acquired during the year                               | 28,000               | --          |
|   | -----                | -----       |
|   | 71,002               | 68,096      |
| Less: Payment made  | 23,374               | 25,094      |
| Current portion of the liability                              | 12,272               | 22,544      |
|   | -----                | -----       |
|   | 35,646               | 47,638      |
|   | -----                | -----       |
|   | 35,356               | 20,458      |
|   | =====                | =====       |

7.1 The total lease rentals due under the lease agreement aggregate Rs. 47.628 million

(1997: Rs. 43.002 million).

7.2 Overdue rental payments are subject to an additional charge of 2 percent per month. Taxes, repairs, replacement and insurance costs 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<br>(Rupees '000) |
|---|--------|-----------------------|
| 1997 - 1998   | --     | 26,925                |
| 1998 - 1999   | 19,320 | 11,667                |
| 1999 - 2000   | 17,563 | 9,070                 |
| 2000 - 2001   | 11,493 | 3,000                 |
| 2001 - 2002   | 8,492  | --                    |
| 2002 - 2003   | 7,771  | --                    |
|   | -----  | -----                 |
|   | 64,639 | 50,662                |
| Less: Financial charges allocated to future periods | 17,011 | 7,660                 |
|   | -----  | -----                 |
|   | 47,628 | 43,002                |
|   | =====  | =====                 |

7.4 Financing rate of approximately 20 to 23 percent per annum has been used as discounting factor.

| Note  | 1998    | 1997<br>(Rupees '000) |
|---|---------|-----------------------|
| <b>8. DEFERRED LIABILITIES</b>                                |         |                       |
| Staff retirement gratuity                                     | --      | 279                   |
| Deferred taxation   |         |                       |
| Represents the tax effect of timing differences relating to:  |         |                       |
| Accelerated tax depreciation allowance                        | 152,901 | 155,320               |
| Deferred liability arising due to allowances of lease rentals | 38,400  | 35,680                |
|   | -----   | -----                 |
|   | 191,301 | 191,000               |
|   | -----   | -----                 |
|   | 191,301 | 191,279               |
|   | =====   | =====                 |

**9. LONG-TERM DEPOSITS- unsecured**

|                           |     |        |        |
|---------------------------|-----|--------|--------|
| Dealers                   | 9.1 | 24,060 | 29,692 |
| Suppliers and Contractors | 9.2 | 766    | 756    |
|                           |     | -----  | -----  |
|                           |     | 24,826 | 30,448 |
|                           |     | =====  | =====  |

9.1 This represents interest-free security deposit, received from agency holders and is repayable on cancellation or withdrawal of agency and adjustable with unpaid amount of sales.

9.2 This represents interest-free security deposits, received from suppliers and contractors and is repayable after the satisfactory execution of the agreements.

**10. SHORT-TERM FINANCE - secured**

|                 |      |         |        |
|-----------------|------|---------|--------|
| Running finance | 10.1 | 241,622 | 91,138 |
|                 |      | =====   | =====  |

10.1 The Company has an aggregate running finance facility of Rs. 260.00 million (1997: Rs. 215.00 million) available from commercial banks. The facility is secured by pledge of Foreign Exchange Bearer Certificates and hypothecation of stock. It carries mark-up at the rate of 47-48 paisas per Rs. 1,000 per day calculated on daily product basis. The mark-up is payable quarterly.

**11. CURRENT MATURITY**

|  |   |        |        |
|--|---|--------|--------|
| Redeemable capital                                 | 5 | 24,789 | 21,665 |
| Long-term loans                                    | 6 | 50,304 | 50,304 |
| Liabilities against assets subject to finance leas | 7 | 12,272 | 22,544 |
|  |   | -----  | -----  |
|  |   | 87,365 | 94,513 |
|  |   | =====  | =====  |

**Note****1998****1997****(Rupees '000)****12. CREDITORS, ACCRUED AND OTHER LIABILITIES**

|                         |  |        |        |
|-------------------------|--|--------|--------|
| Creditors               |  |        |        |
| Associated companies    |  | 9,338  | 10,228 |
| Others                  |  | 5,335  | 20,547 |
| Accrued liabilities     |  | 11,389 | 10,537 |
| Advances from customers |  | 20,053 | 24,989 |

|  |      |         |         |
|--|------|---------|---------|
| Accrued interest on long-term foreign<br>currency loan - secured |      | 4,175   | 5,567   |
| Mark-up on LMM   |      | --      | 1,250   |
| Return on LT-TFCs  |      | 1,934   | 2,418   |
| Mark-up on short-term finance                                    |      | 9,206   | 4,348   |
| Foreign exchange risk fee  |      | 1,704   | 2,340   |
| Staff Provident Fund   |      | 497     | 452     |
| Sales tax  |      | --      | 13,630  |
| Retention money  |      | 448     | 477     |
| Staff Gratuity Fund payable                                      | 12.1 | 15,372  | 8.11    |
| Interest on Gratuity Fund payable                                |      | 5,683   | 2,304   |
| Worker's Profit Participation Fund                               | 12.2 | 608     | 6,313   |
| Worker's Welfare Fund  |      | 715     | 1,010   |
| Others   |      | 25,341  | 13,105  |
|  |      | -----   | -----   |
|  |      | 111,798 | 127,627 |
|  |      | =====   | =====   |

12.1 Represents portion of the liability amounting to Rs. 10.24 million provided out of the total deficiency of Rs. 15.362 million based on an actuarial valuation carried by an Actuary. The remaining amount will be charged and transferred to Fund systematically as advised by the Actuary.

The principal long-term assumption used for the purpose of the actuarial valuation were as follows:

|   |     |
|---|-----|
| Rate of salary increase - management        | 14% |
| Rate of salary increase - non-manage        | 14% |
| Rate of investment income                   | 14% |
| Withdrawal rates are assumed by the actuary |     |

The present value according to the actuarial valuation are as follows:

|                                      |                    |
|--------------------------------------|--------------------|
| Benefits                             | Rs. 62.450 million |
| Assets of the fund including accrued | Rs. 13.542 million |

**1998**                      **1997**  
(Rupees '000)

#### 12.2 Workers' Profit Participation Fund

|                       |       |        |
|-----------------------|-------|--------|
| Balance as at 1 July  | 6,313 | 14,405 |
| Add: Interest thereon | 79    | 144    |
|                       | ----- | -----  |

|                                |       |        |
|--------------------------------|-------|--------|
|                                | 6,392 | 14,549 |
| Less: Payment during the year  | 6,392 | 14,549 |
|                                | ----- | -----  |
|                                | --    | --     |
| Add: Contribution for the year | 608   | 6,313  |
|                                | ----- | -----  |
|                                | 608   | 6,313  |
|                                | ===== | =====  |

Full provision has been made for contribution to the fund. The contribution and interest thereon is paid annually to the fund from the Company's working capital within the time limit specified in the Companies Profit (Workers' Participation) Act, 1968.

### 13. CONTINGENCIES AND COMMITMENTS

|   |        |        |
|---|--------|--------|
| 13.1 Guarantees issued by commercial banks on behalf of the Company   | 4,591  | 12,819 |
|   | =====  | =====  |
| 13.2 Letters of credit issued by commercial banks   | 11,560 | 34,009 |
|   | =====  | =====  |
| 13.3 Claim pending adjudication by Additional Collector Sales Tax against adjustment of sales tax on stock of raw material                              | 2,088  | --     |
|   | =====  | =====  |
| 13.4 Claim pending adjudication by Honourable High Court Peshawar against marking fee for the period from 1 July 1985 to 30 June 1997                   | 8,019  | --     |
|   | =====  | =====  |
| 13.5 Aggregate rentals in respect of assets acquired under operating lease amounted to Rs. 9.438 million (1997: Rs. 12.250 million) payable as follows: |        |        |

| Year  |       |        |
|---|-------|--------|
| 1997-1998   | --    | 5,502  |
| 1998-1999   | 5,465 | 4,450  |
| 1999-2000   | 3,029 | 1,817  |
| 2000-2001   | 767   | 304    |
| 2001-2002   | 177   | 177    |
|   | ----- | -----  |
|   | 9,438 | 12,250 |
|   | ===== | =====  |
| 13.6 Claims not acknowledged as debt by the Company | --    | 852    |
|   | ===== | =====  |

14. OPERATING ASSETS - at book value

14.1 The following is a statement of operating assets .

| Description                                  | Cost at<br>1 July<br>1997 | Additions/<br>(deletions)/<br>*Transfer | Cost at<br>30 June<br>1998 | Accumulated<br>depreciation<br>at 1July 1997 | Depreciation<br>for the<br>year | Depreciation<br>on<br>disposal | Accumulated<br>depreciation<br>at 30 June<br>1998 | Book value<br>at 30 June<br>1998 |
|--|---------------------------|---|----------------------------|--|---------------------------------|--------------------------------|---|----------------------------------|
| Freehold land                                | 1,605                     | --                                      | 1,605                      | --   | --                              | --                             | --  | 1,605                            |
| Leasehold land                               | 3,476                     | --                                      | 3,476                      | --   | --                              | --                             | --  | 3,476                            |
| Building on freehold land                    | 265,784                   | --                                      | 265,784                    | 134,579                                      | 12,736                          | --                             | 147,315   | 118,469                          |
| Plant and machinery                          | 1,620,189                 | 25,075                                  | 1,645,264                  | 634,078                                      | 101,119                         | --                             | 735,197   | 910,067                          |
| Power and other installat                    | 37,070                    | 142                                     | 37,212                     | 24,477                                       | 1,275                           | --                             | 25,752  | 11,460                           |
| Motor vehicles                               | 7,828                     | 1,772<br>(2,002)                        | 7,598                      | 4,961  | 807                             | --                             | 4,370   | 3,228                            |
| Quarry, factory and<br>laboratory equipments | 99,969                    | 2,365<br>14,266*                        | 116,600                    | 57,212<br>7,936*                             | 7,718                           | --                             | 72,866  | 43,734                           |
| Furniture, fixtures and<br>office equipment  | 33,317                    | 6,884<br>(236)                          | 39,965                     | 15,850                                       | 3,553                           | --                             | 19,252  | 20,713                           |
| Total: Rupees                                | 2,069,238                 | 36,238<br>(2,238)<br>14,266*            | 2,117,504                  | 879,093                                      | 127,208                         | (1,549)                        | 1,004,752   | 1,112,752                        |
| 1997: Rupees                                 | 2,022,568                 | 29,758<br>(4,399)<br>21,311*            | 2,069,238                  | 737,438                                      | 136,226                         | (2,507)                        | 871,157   | 1,198,081                        |

14.2 A portion of the land has been leased to Cherat Electric Limited.

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

|                         | 1998    | 1997<br>(Rupees '000) |
|-------------------------|---------|-----------------------|
| Cost of sales           | 124,305 | 134,478               |
| Administration expenses | 2,037   | 1,104                 |

Selling and distribution expenses

|  |         |         |
|--|---------|---------|
|  | 865     | 644     |
|  | -----   | -----   |
|  | 127,207 | 136,226 |
|  | =====   | =====   |

**15. ASSETS SUBJECT TO FINANCE LEASE**

15.1 The following is a statement of assets subject to finance lease:

| Description         | Cost at<br>1 July<br>1997 | Additions/<br>(deletions)/<br>*Transfer | Cost at<br>30 June<br>1998 | Accumulated<br>depreciation<br>at 1 July 1997 | Depreciation<br>for the<br>year | Depreciation<br>on<br>disposal | Accumulated<br>depreciation<br>at 30 June<br>1998 | Book value<br>at 30 June<br>1998 |  |
|---------------------|---------------------------|---|----------------------------|---|---------------------------------|--------------------------------|---|----------------------------------|--|
| Plant and machinery | 36,923                    | 28,000                                  | 64,923                     | 7,823   | 5,710                           | --                             | 13,533  | 51,390                           |  |
| Quarry equipment    | 64,267                    | (14,266)*                               | 50,001                     | 31,836  | 3,915                           | (7,936)*                       | 27,815  | 22,186                           |  |
| Total: Rupees       | 101,190                   | 28,000<br>(14,266)*                     | 114,924                    | 39,659  | 9,625                           | (7,936)*                       | 41,348  | 73,576                           |  |
| 1997: Rupees        | 122,501                   | --                                      | 101,190                    | 30,703  | 8,956                           | --                             | 39,659  | 61,531                           |  |

15.2 The depreciation for the year has been allocated to cost of sales.

**1998**                      **1997**  
**(Rupees '000)**

**16. INVESTMENTS - at cost**

In associated undertakings

**Quoted**

Greaves Airconditioners Limited

150,000 (1997: 150,000) fully paid ordinary

shares of Rs. 10/- each;

market value Rs. Nil

equity held 12.5% (1997: 12.5%)

Less: Provision for diminution in value of investment

|       |       |
|-------|-------|
| 1,500 | 1,500 |
| 1,500 | --    |
| ----- | ----- |
| --    | 1,500 |

Cherat Papersack Limited

240,000 (1997: 240,000) fully paid ordinary

shares of Rs. 10/- each;

market value Rs. 6.00 million

|       |       |
|-------|-------|
| 2,800 | 2,800 |
|-------|-------|

**Unquoted**

Cherat Electric Limited  
 330,000 (1997: 300,000) fully paid ordinary  
 shares of Rs. 10/- each  
 (Chief Executive :Mr. Iqbal Faruque)

|  |       |       |
|--|-------|-------|
|  | 3,000 | 3,000 |
|  | ----- | ----- |
|  | 5,800 | 7,300 |
|  | ===== | ===== |

|             |                      |             |
|-------------|----------------------|-------------|
| <b>Note</b> | <b>1998</b>          | <b>1997</b> |
|             | <b>(Rupees '000)</b> |             |

**17. STORES, SPARES AND LOOSE TOOLS**

|                   |         |         |
|-------------------|---------|---------|
| Stores            | 71,578  | 73,266  |
| Spares            | 151,416 | 165,133 |
| Loose tools       | 617     | 750     |
| Spares in transit | 831     | 2,391   |
|                   | -----   | -----   |
|                   | 224,442 | 241,540 |
|                   | =====   | =====   |

**18. STOCK-IN-TRADE**

|                          |        |        |
|--------------------------|--------|--------|
| Raw and packing material | 17,959 | 7,773  |
| Work-in-process          | 22,231 | 41,631 |
| Finished goods           | 24,483 | 12,130 |
|                          | -----  | -----  |
|                          | 64,673 | 61,534 |
|                          | =====  | =====  |

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

|                                       |      |        |
|---------------------------------------|------|--------|
| Advances - unsecured, considered good |      |        |
| Employees                             |      | 5,282  |
| Executives                            | 19.1 | 4,474  |
| Suppliers                             |      | 553    |
| Associated companies                  | 19.2 | 479    |
| Others                                |      | 18,838 |
| Advance income tax                    |      | 5,075  |
|                                       |      | 6,560  |
|                                       |      | 57,770 |
|                                       |      | -----  |
|                                       |      | 87,518 |
| Deposits                              |      | 40,799 |
| Security deposit                      |      | 771    |
|                                       |      | 2,890  |



|                              |         |         |
|------------------------------|---------|---------|
| Margin held by bank          | 159     | 579     |
| Prepayments                  |         |         |
| Excise duty                  | 12,253  | 13,984  |
| Others                       | 2,660   | 3,494   |
|                              | -----   | -----   |
|                              | 14,913  | 17,478  |
| Other receivables            |         |         |
| Accrued return on investment | 54,329  | 60,197  |
| Octroi refundable            | 557     | 186     |
| Others                       | 3,159   | 2,716   |
|                              | -----   | -----   |
|                              | 58,045  | 63,099  |
|                              | -----   | -----   |
|                              | 161,406 | 124,845 |
|                              | =====   | =====   |

19.1 The maximum aggregate amount due from executives of the Company at the end of any month during the year was Rs. 0.682 million (1997: Rs. 0.592 million).

19.2 The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 33.570 million (1997: Rs. 38.770 million).

| Note | 1998          | 1997 |
|------|---------------|------|
|      | (Rupees '000) |      |

## 20. SHORT-TERM INVESTMENTS

|                                      |      |         |         |
|--------------------------------------|------|---------|---------|
| Foreign Exchange Bearer Certificates | 20.1 | 117,053 | 117,053 |
|                                      |      | =====   | =====   |

20.1 Represents Foreign Exchange Bearer Certificates of the face value of Rs. 110.143 million, market value Rs. 128.799 million (1997: Rs. 113.006 million). The above investment has a maturity of six years and carries mark-up at a rate of 15 percent per annum.

## 21. CASH AND BANK BALANCES

|                     |        |        |
|---------------------|--------|--------|
| With banks          |        |        |
| On current accounts |        |        |
|                     | 76,916 | 43,814 |
| In hand             |        |        |
| Cash                | 13     | 73     |
|                     | -----  | -----  |
|                     | 76,929 | 43,887 |
|                     | =====  | =====  |

**22. SALES - net**

|                   |           |           |
|-------------------|-----------|-----------|
| Sales             | 2,298,845 | 2,830,422 |
| Less: Excise duty | 996,731   | 918,978   |
| Sales tax         | --        | 415,433   |
|                   | -----     | -----     |
|                   | 996,731   | 1,334,411 |
|                   | -----     | -----     |
|                   | 1,302,114 | 1,496,011 |
|                   | =====     | =====     |

**23. COST OF SALES**

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Raw and packing material consumed     |           |           |
| Opening                               | 7,773     | 8,560     |
| Purchases                             | 196,863   | 215,838   |
|                                       | -----     | -----     |
|                                       | 204,636   | 224,398   |
| Closing stock                         | (17,959)  | (7,773)   |
|                                       | -----     | -----     |
|                                       | 186,677   | 216,625   |
| Stores and spares consumed            | 92,703    | 122,172   |
| Fuel and power                        | 595,718   | 628,358   |
| Salaries, wages and benefits          | 80,543    | 71,349    |
| Rent, rates and taxes                 | 20,049    | 17,847    |
| Insurance                             | 23,339    | 22,324    |
| Repairs and maintenance               | 3,232     | 3,490     |
| Depreciation                          | 133,930   | 143,434   |
| Miscellaneous manufacturing overheads | 23,366    | 23,236    |
| Write-off obsolete stock              | 4,740     | 820       |
|                                       | -----     | -----     |
|                                       | 1,164,297 | 1,249,655 |
| Work-in-process                       |           |           |
| Opening                               | 41,631    | 54,267    |
| Closing                               | (22,231)  | (41,631)  |
|                                       | -----     | -----     |
|                                       | 1,183,697 | 1,262,291 |
| Cost of goods manufactured            |           |           |
| Finished goods                        |           |           |
| Opening                               | 12,130    | 9,703     |
| Closing                               | (24,483)  | (12,130)  |
|                                       | -----     | -----     |
|                                       | 1,171,344 | 1,259,864 |
|                                       | =====     | =====     |

**24. ADMINISTRATION EXPENSES**

|                                |      |        |        |
|--------------------------------|------|--------|--------|
| Salaries, wages and benefits   |      | 16,518 | 14,074 |
| Travelling and conveyance      |      | 2,368  | 2,647  |
| Vehicle running expenses       |      | 982    | 901    |
| Communications                 |      | 1,647  | 1,339  |
| Printing and stationery        |      | 693    | 646    |
| Rent, rates and taxes          | 24.1 | 3,117  | 4,249  |
| Utilities                      |      | 1,385  | 1,148  |
| Repairs and maintenance        |      | 1,085  | 2,746  |
| Legal and professional charges |      | 220    | 205    |
| Insurance                      |      | 804    | 944    |
| Auditors' remuneration         | 24.2 | 572    | 466    |
| Subscription                   |      | 649    | 588    |
| Advertisements                 |      | 641    | 168    |
| Staff training expenses        |      | 91     | 379    |
| Entertainment                  |      | 131    | 96     |
| Depreciation                   | 14.3 | 2,037  | 1,104  |
| Miscellaneous                  |      | 1,910  | 2,849  |
|                                |      | -----  | -----  |
|                                |      | 34,850 | 34,549 |
|                                |      | =====  | =====  |

24.1 Rent, rates and taxes includes lease rentals of Rs. 2.062 million (1997: Rs. 2.651 million) incurred on motor vehicles and computers under operating leases.

#### 24.2 Auditors' Remuneration

|                                   |  |       |       |
|-----------------------------------|--|-------|-------|
| Audit fee                         |  | 100   | 100   |
| Tax, corporate and other services |  | 269   | 319   |
| Out of pocket expenses            |  | 12    | 7     |
| Others                            |  | 191   | 40    |
|                                   |  | ----- | ----- |
|                                   |  | 572   | 466   |
|                                   |  | ===== | ===== |

#### 25. SELLING AND DISTRIBUTION EXPENSES

|                              |  |        |        |
|------------------------------|--|--------|--------|
| Salaries, wages and benefits |  | 11,983 | 11,457 |
| Travelling and conveyance    |  | 1,051  | 2,405  |
| Staff training expenses      |  | 100    | 110    |
| Vehicle running expenses     |  | 766    | 1,000  |
| Communications               |  | 1,459  | 1,969  |
| Printing and stationery      |  | 478    | 552    |
| Rent, rates and taxes        |  | 856    | 530    |
| Utilities                    |  | 1,210  | 1,464  |
| Repairs and maintenance      |  | 354    | 527    |
| Insurance                    |  | 403    | 285    |

|               |      |       |       |
|---------------|------|-------|-------|
| Freight       |      | 109   | 3,833 |
| Advertisement |      | 1,403 | 1,085 |
| Entertainment |      | 42    | 23    |
| Depreciation  | 14.3 | 865   | 644   |
| Miscellaneous |      | 799   | 1,415 |

|        |        |
|--------|--------|
| -----  | -----  |
| 21,878 | 27,299 |
| =====  | =====  |

**26. FINANCIAL CHARGES**

|   |  |        |        |
|---|--|--------|--------|
| Mark-up on redeemable capital           |  | 13,108 | 15,995 |
| Interest on long-term loans             |  | 18,829 | 23,835 |
| Financial charges on lease arrangements |  | 9,402  | 8,017  |
| Mark-up and bank charges                |  | 41,596 | 18,553 |
| Foreign exchange risk fee               |  | 6,057  | 8,109  |

|        |        |
|--------|--------|
| -----  | -----  |
| 88,992 | 74,509 |
| =====  | =====  |

**27. OTHER CHARGES**

|   |      |       |       |
|---|------|-------|-------|
| Donations                                       | 27.1 | 753   | 763   |
| Interest on Workers' Profit Participation Fund  |      | 79    | 144   |
| Interest on gratuity fund                       |      | 1,536 | 2,304 |
| Provision for diminution in value of investment |      | 1,500 | --    |

|       |       |
|-------|-------|
| ----- | ----- |
| 3,868 | 3,211 |
| ===== | ===== |

27.1 Recipients of donation do not include any donee in whom any director or his spouse had any interest.

**28. OTHER INCOME**

|                                      |  |        |        |
|--------------------------------------|--|--------|--------|
| Return on:                           |  |        |        |
| Foreign Exchange Bearer Certificates |  | 23,423 | 18,320 |
| Short Notice Term Deposits           |  | --     | 5,026  |

|        |        |
|--------|--------|
| -----  | -----  |
| 23,423 | 23,346 |

|   |      |       |       |
|---|------|-------|-------|
| Profit on Profit and Loss Sharing Account |      | 2,016 | 2,756 |
| Gain on disposal of fixed assets          | 28.1 | 971   | 548   |
| Dividend income                           |      | 3,120 | 2,760 |
| Scrap sales                               |      | 98    | 106   |
| Miscellaneous                             |      | 1,355 | 173   |

|        |        |
|--------|--------|
| -----  | -----  |
| 30,983 | 29,689 |
| =====  | =====  |

**28.1 Disposal of Fixed Assets**

(Rupees '000)

| Description                            | Cost | Book Value | Sale Proceeds | Gain / (Loss) | Mode of Disposal | Sold to   |
|--|------|------------|---------------|---------------|------------------|---|
| 1. Suzuki Jeep<br>Regn. No. PRG-6701   | 96   | 7          | 122           | 115           | Tender Notice    | Mr. Irshad Khan<br>Village Post Office Aza Khel<br>Tehsil Nowshera          |
| 2. Suzuki Khyber                       | 203  | 43         | 55            | 12            | By Negotiation   | Mrs. Najmus Sehr<br>PDOHA, Karachi.   |
| 2. Suzuki Khyber<br>Regn. No. S-1235   | 208  | 44         | 55            | 11            | By Negotiation   | Mr. M. Yousuf<br>B-32, Block-C<br>North Nazimabad<br>Karachi.               |
| 4. Suzuki Khyber<br>Regn. No. V-5782   | 295  | 98         | 150           | 52            | By Negotiation   | Mrs. Zareena w/o Allauddin<br>A-356, Block-C<br>North Nazimabad<br>Karachi. |
| 5. Suzuki FX<br>Regn. No. PRL-4449     | 128  | 17         | 120           | 103           | Tender Notice    | Mr. Qasim Khan<br>Taus Khel Village<br>Darra Akram Khel.                    |
| 6. Suzuki Mehran<br>Regn. No. T-8402   | 135  | 35         | 170           | 135           | Tender Notice    | Mr. Niaz Muhammad<br>Village Bazi Khel<br>Tehsil Kohat.                     |
| 7. Honda Civic<br>Regn. No. R-9469     | 25   | 10         | 100           | 90            | By Negotiation   | Syed Sardar Mehdi<br>House No. 274/2<br>Liaquatabad<br>Karachi.             |
| 8. Honda Civic<br>Regn. No. TRL-7006   | 546  | 91         | 200           | 109           | By Negotiation   | Syed Nizamuddin<br>Foreman Flats Power House<br>3/108, SITE, Karachi.       |
| 9. Nissan Patrol<br>Regn. No. PRN-7007 | 51   | 21         | 400           | 379           | Tender Notice    | Mr. Shamshuddin<br>R/o Dabgari, Peshawar                                    |

|   |       |       |       |   |
|---|-------|-------|-------|---|
| 10. Suzuki Mehran<br>Regn. No. LXD-3337 | 290   | 232   | 232   | -- Insurance claim<br>Claim filed with Adamjee<br>Insurance Co. Limited.                  |
| 11. Honda CD-70<br>Regn. No. KAL-5741   | 24    | 3     | 3     | -- By Negotiation Mr. Mustafa Khan<br>Street No. 9, Hijrat Colony<br>Sector D-2, Karachi. |
| 12. Goldstar PC                         | 37    | 10    | 3     | (7) By Negotiation  |
| 13. 2 Printers (Panasonic<br>and Epson) | 17    | 3     | 4     | 1 By Negotiation Mr. Kamran Mahmood<br>R-823, SEctor-7D/3<br>North Karachi, Karachi.      |
| 14. One dining table with<br>six chairs | 8     | 2     | 3     | 1 By Negotiation M/s. Cherat Electric Limited   |
| 15. One centre table                    | 3     | 1     | 1     | -- By Negotiation M/s. Cherat Electric Limited  |
| 16. IBM Thinkpad                        | 162   | 66    | 35    | (31) Insurance claim<br>M/s. Adamjee Insurance Co.<br>Limited.                            |
| 17. Dining table with<br>six chairs     | 8     | 2     | 3     | 1 By Negotiation M/s. Cherat Electric Limited   |
| 18. Synthetic carpet                    | 2     | 1     | 1     | -- By Negotiation M/s. Cherat Electric Limited  |
|   | ----- | ----- | ----- | -----   |
|   | 2,238 | 686   | 1,657 | 971   |
|   | ===== | ===== | ===== | =====   |

## 29. TAXATION

Current - for the year  
- prior  
Deferred - for the year

|  | 1998          | 1997     |
|--|---------------|----------|
|  | (Rupees '000) |          |
|  | 6,511         | 23,475   |
|  | --            | 911      |
|  | 301           | (14,000) |
|  | -----         | -----    |
|  | 6,812         | 10,386   |
|  | =====         | =====    |

Provision for current taxation is based on Section 80D of the Income Tax Ordinance, 1979 at 0.5 percent of turnover.

## 30. REMUNERATION OF DIRECTORS AND EXECUTIVES

|                         | 1998            |            | 1997            |            |
|-------------------------|-----------------|------------|-----------------|------------|
|                         | Chief Executive | Executives | Chief Executive | Executives |
|                         | (Rupees '000)   |            |                 |            |
| Managerial remuneration | 900             | 11,173     | 840             | 12,584     |
| Housing allowance       | 270             | 5,028      | 270             | 4,620      |
| Retirement benefits     | 150             | 1,885      | 100             | 1,714      |
| Utilities               | 187             | 1,107      | 192             | 1,026      |
| Leave fare              | --              | 766        | --              | 638        |
|                         | 1,507           | 19,959     | 1,402           | 20,582     |
| Number                  | 1               | 29         | 1               | 29         |

The Chief Executive and Executives are provided with the use of Company maintained car. The Chief Executive and Executives are also provided with the residential telephone facility, which is reimbursed at actual to the extent of their entitlement.

Note: The aggregate amount charged in the accounts for the year for fee to 5 directors amounted to Rs. 9,000/= (1997:5 directors Rs. 3,000/=).

|                              | 1998          | 1997    |
|------------------------------|---------------|---------|
|                              | (Metric Tons) |         |
| <b>31. CAPACITY- Clinker</b> |               |         |
| Installed capacity           | 690,000       | 690,000 |
| Actual production            | 611,648       | 741,750 |

|   | 1998          | 1997    |
|---|---------------|---------|
|   | (Rupees '000) |         |
| <b>32. TRANSACTIONS WITH ASSOCIATED COMPANIES</b> |               |         |
| Purchase of equipment                             | 1,225         | 191     |
| Raw material and supplies                         | 102,324       | 110,046 |
| Packing material                                  | 187,768       | 208,249 |
| Sale of cement                                    | --            | 11      |
| Advance against purchases                         | 20,882        | 153,281 |
| Purchase of electricity                           | 232,121       | 234,368 |
| Other services                                    | 9,024         | 4,936   |
| Rent  | 289           | 283     |

### 33. CORRESPONDING FIGURES

Certain corresponding figures have been re-arranged/regrouped, wherever necessary for the purpose of comparison.

**ZAHID FARUQUE**  
CHIEF EXECUTIVE

**AKBARALI PESNANI**  
DIRECTOR

#### Pattern of Shareholdings as at June 30, 1998

| Number of<br>Shareholders | Shareholders |        | Shares<br>Held | Percentage |
|---------------------------|--------------|--------|----------------|------------|
|                           | From         | To     |                |            |
| 523                       | 1            | 100    | 25611          | 0.0532     |
| 1596                      | 101          | 500    | 470937         | 0.9784     |
| 574                       | 501          | 1000   | 467989         | 0.9722     |
| 1474                      | 1001         | 5000   | 3732211        | 7.7540     |
| 335                       | 5001         | 10000  | 2475664        | 5.1434     |
| 182                       | 10001        | 15000  | 2239105        | 4.6519     |
| 33                        | 15001        | 20000  | 585844         | 1.2171     |
| 69                        | 20001        | 25000  | 1641718        | 3.4108     |
| 17                        | 25001        | 30000  | 474557         | 0.9859     |
| 12                        | 30001        | 35000  | 376236         | 0.7816     |
| 14                        | 35001        | 40000  | 534455         | 1.1103     |
| 5                         | 40001        | 45000  | 218361         | 0.4536     |
| 13                        | 45001        | 50000  | 623893         | 1.2962     |
| 4                         | 50001        | 55000  | 206010         | 0.4280     |
| 4                         | 55001        | 60000  | 237222         | 0.4928     |
| 2                         | 60001        | 65000  | 123391         | 0.2563     |
| 3                         | 65001        | 70000  | 207756         | 0.4316     |
| 1                         | 70001        | 75000  | 72772          | 0.1511     |
| 3                         | 75001        | 80000  | 236780         | 0.4919     |
| 1                         | 80001        | 85000  | 82626          | 0.1716     |
| 2                         | 85001        | 90000  | 176150         | 0.3659     |
| 3                         | 100001       | 105000 | 307070         | 0.6379     |
| 1                         | 105001       | 110000 | 108000         | 0.2243     |
| 3                         | 110001       | 115000 | 337325         | 0.7008     |
| 4                         | 120001       | 125000 | 494411         | 1.0271     |
| 1                         | 145001       | 150000 | 145546         | 0.3023     |
| 1                         | 150001       | 155000 | 151500         | 0.3147     |
| 1                         | 190001       | 195000 | 190831         | 0.3964     |
| 1                         | 295001       | 300000 | 295500         | 0.6139     |
| 1                         | 330001       | 335000 | 332877         | 0.6915     |
| 1                         | 360001       | 365000 | 363865         | 0.7559     |



|       |          |          |          |          |
|-------|----------|----------|----------|----------|
| 1     | 365001   | 370000   | 367196   | 0.7628   |
| 1     | 470001   | 475000   | 473026   | 0.9827   |
| 1     | 485001   | 490000   | 486851   | 1.0114   |
| 1     | 525001   | 530000   | 526125   | 1.0930   |
| 1     | 805001   | 810000   | 805376   | 1.6732   |
| 2     | 845001   | 850000   | 1698044  | 3.5278   |
| 1     | 1060001  | 1065000  | 1063108  | 2.2087   |
| 1     | 1065001  | 1070000  | 1069801  | 2.2226   |
| 1     | 1135001  | 1140000  | 1136900  | 2.3620   |
| 1     | 1395001  | 1400000  | 1396875  | 2.9021   |
| 1     | 1425001  | 1430000  | 1428936  | 2.9687   |
| 1     | 1835001  | 1840000  | 1839602  | 3.8219   |
| 1     | 1950001  | 1955000  | 1951873  | 4.0552   |
| 1     | 2425001  | 2430000  | 2425780  | 5.0398   |
| 1     | 13525001 | 13530000 | 13526646 | 28.1030  |
| ----- |          |          |          | -----    |
| 4900  |          |          | 48132352 | 100.0000 |
| ===== |          |          | =====    | =====    |

NOTE: Incremental grouping of 5000 after initial break up upto 90,000 has only been reported for those slabs where there is shareholding

| Categories                | Shareholders | Shareholding | Percentage |
|---------------------------|--------------|--------------|------------|
| Individuals               | 4801         | 16660853     | 34.6146    |
| Joint Stock Companies     | 26           | 3514164      | 7.3010     |
| Financial Institutions    | 7            | 17499830     | 36.3580    |
| Insurance Companies       | 11           | 2198121      | 4.5668     |
| Association of Persons    | 2            | 485151       | 1.0080     |
| Private Limited Companies | 28           | 5114585      | 10.6260    |
| Foreign Companies         | 25           | 2659648      | 5.5256     |
| -----                     |              |              |            |
|                           | 4900         | 48132352     | 100.0000   |
|                           | =====        | =====        | =====      |