

**Dandot Cement Company  
Limited  
Annual Report 2001**

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**Company Information**

**Board of Directors:** Mr. Abdur Rafique Khan (Chairman)  
Mr. M. Tousif Peracha  
Mr. A. Shoeb Piracha (Managing Director)  
Mr. Farooq Zaman  
Mr. Jawaid A. Peracha  
Mr. Ali Rashid Khan  
Mr. Mohammad Asif (Nominee of N.I.T.)

**Bankers:** Habib Bank Limited  
Citi Bank  
ABN Amro  
Bank  
The Bank of Punjab  
Saudi Pak Commercial Bank Limited  
United Bank Limited  
National Bank of Pakistan  
Bolan Bank Limited  
Muslim Commercial Bank  
Limited

**Auditors:** Rahim Iqbal Rafiq & Co.  
Chartered Accountants

**Company Secretary:** Zulfiqar A. Choudhry

ACA.  
ACMA.

**Registered Office:** 3-A/3 Gulberg - III, Lahore.  
Telephone: 5871057-58, Fax: 5871056

**Works:** DAN DOT R.S., Distt.  
Jhelum.

**Shares Department:** 3-A/3 Gulberg - III, Lahore.

### **Notice of Annual General Meeting**

NOTICE is hereby given that 21st Annual General Meeting of the shareholders of Dandot Cement Company Limited for the financial year ended June 30, 2001 will be held on Wednesday, December 26, 2001 at Avari Hotel, Lahore at 3:30 p.m to transact the following business:

#### **ORDINARY BUSINESS**

1. To confirm the minutes of the last Annual General Meeting held on December 23, 2000.
2. To receive, consider and adopt the audited Accounts together with the Directors' report and Auditor's Report for the year ended June 30, 2001.
3. To appoint Auditors for the year 2001-2002 and fix their remuneration. Rahim Iqbal Rafiq & Co., Chartered Accountants, the retiring auditors, being eligible, offer themselves for reappointment as Auditors of the Company.

#### **SPECIAL BUSINESS**

4. That clause 83 of Article of Association of the Company be and is hereby substituted with the following new clause:-

"Subject to the provisions of the Ordinance, the Directors may from time to time, at their discretion, raise or borrow money for the purposes of the company and may secure the same on any or all of the properties or assets of the company upon such terms and conditions as they may deem fit."

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

**By Order of the Board**

**(ZULFIQAR A.  
CHOUDHRY)**

**Company Secretary**

Lahore: November 30, 2001

## STATEMENT U/S 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

Clause 83 of the Articles restricts the borrowing power of the company, thus hindering in obtaining additional finances for the BMR purposes. In order to overcome this hindrance and to streamline the process of borrowing by the Directors on behalf of the company, it is proposed to substitute the existing clause 83 of the Articles of Association on which shareholders consent is required in the General Meeting.

### NOTES:

1. A member entitled to attend and vote at this Meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. Proxies, in order to be effective, must be received at the Registered Office of the Company before 48 hours of the time appointed for the Meeting.
2. The share transfer books of the Company will remain closed from 20th December, 2001 to 26th December, 2001, (both days inclusive).
3. Shareholders are requested to notify any change in address immediately.
4. CDC shareholders are requested to bring their National Identity Card, Account and Participant's Numbers while attending the Meeting for identification.

### Pattern of Shareholdings as at June 30, 2001

<i>No. of Shareholders</i>	<i>Shareholding</i>		<i>No. of Shares Held</i>	<i>Percentage</i>
	<i>From</i>	<i>To</i>		
447	1	10	3,678,815	13.214
133	101	500	45,185	0.162
105	501	1000	90,025	0.323
120	1001	5000	3,873,334	13.913
17	5001	10000	123,661	9.444
8	10001	15000	97,681	0.351
3	15001	20000	48,537	0.174
3	20001	25000	1,943,729	6.982
37	25001	30000	11,971,735	43.002
6	30001	35000	67,900	0.244
2	35001	40000	78,106	0.231
1	40001	45000	41,506	0.149
1	45001	50000	46,750	0.168
0	50001	55000	0	0.000
2	55001	60000	116,900	0.420
0	60001	65000	0	0.000
9	65001	300000	1,474,743	5.297
1	300001	785000	457,186	1.642
1	785001	2500000	1,058,812	3.803
1	2500001	9750000	2,625,375	9.430

0	9750001	30000000	0	0.000
-----		-----		-----
897		27,839,980		100.000
=====		=====		=====

<i>Categories of Shareholders</i>	<i>No. of Shareholders</i>	<i>Shares Held</i>	<i>Percentage</i>
INDIVIDUALS	790	4,269,569	15.336
INVESTMENT COMPANIES	3	45,662	0.164
INSURANCE COMPANIES	2	222,531	0.799
FINANCIAL INSTITUTIONS	19	3,756,155	13.492
PRIVATE LIMITED COMPANIES	5	81,131	0.291
FOREIGN INVESTORS	32	1,899,193	6.822
CORPORATIONS	2	2,625,400	9.430
LEASING COMPANIES	1	1,896,792	6.813
JOINT STOCK COMPANIES	39	13,038,047	46.832
OTHERS	4	5,500	0.020
	-----	-----	-----
<b>GRAND TOTAL</b>	897	27,839,980	100.000
	=====	=====	=====

## Directors' Report to the Shareholders

Your directors are pleased to present the annual report alongwith the audited financial statements for the year ended June 30, 2001.

### GENERAL

Ever since the new management of the Company took over the control and management of the Company, the commercial production of clinker and cement and despatches of cement have posted an outstanding recovery.

### PRODUCTI ON

The production of clinker and cement increased during the year under review principally on account of market consolidation of the Company and its continuous operation throughout the year. It is worth mentioning here that this increase in production has occurred in the backdrop of the prevailing recessionary trend in the cement industry which operated at 62% of capacity on average throughout the year. Further, the gas supply disconnection of our cement plant during the period from December 2000 to April 2001 led to a shortfall in the production of clinker. The comparative figures for production of clinker and cement are mentioned hereunder (data for the year 1999-2000 is reflective of two month's production only):-

<i>2000-2001</i>	<i>1999-2000</i>
<i>Tonnes</i>	<i>Tonnes</i>

Clinker Production	260,589	48,409
Cement Production	258,549	42,436

## DESPATCHES

Given the recession in the cement sector, your Company alongwith other cement manufacturers had to absorb a large surplus capacity of 38% on average during the year under review. Despite this, the cement despatches of the Company registered an increase in line with prevailing surplus capacity and market demand. The comparative figures for cement despatches are given as under:-

	<i>2000-2001</i> <i>Tonnes</i>	<i>1999-2000</i> <i>Tonnes</i>
Despatches	263,174	37,527

For comparative purposes, the preceding year's data of despatches is reflective of two month's despatch activity only.

## SALES AND MARKETING

During the year under review, the Company posted gross sales of Rs. 1,016 million (1999-2000: Rs. 155 million) and net sales of Rs. 610 million (1999-2000: Rs. 103 million). The Company suffered a net loss of Rs. 213 million before tax for the year under review as compared to the net loss of Rs. 186 million before tax of the preceding year.

The loss is attributed to market price fluctuation, impact of the aforesaid disconnection of gas supply to our cement plant, increase in gas tariff by 44.72% which stood at Rs. 616.4 per HM3 of gas on June 30, 2001 as compared to Rs. 425.9 per HM3 of gas on June 29, 2000 and due to some adverse extra-ordinary items amounting to Rs. 21 million.

Our Company contributed Rs. 406 million to the National Exchequer in the form of excise duty, sales tax and income tax, which is computed to around 40% of our sales.

## FINANCIAL RESULTS

The financial results for the year ended June 30, 2001 are as follows:

	<i>(Rs. in thousand)</i>	
Loss before taxation		
Provision for taxation:		(212,733)
Current year	3,242	
Deferred - Current	(2,508)	
Prior years	50,814	51,548
	-----	-----
Loss after taxation		(264,281)
		=====

**Expansion, Development and Maintenance**

During the year under review, the cement plant remained satisfactory and its normal maintenance has been carried out throughout the year.

In accordance with the B.M.R. commitment of the management, the Company has begun the installation and commissioning of the Coal-Firing System at our cement plant. The foreign exchange portion of the project has been financed by the sponsors of the Company.

The commissioning of the Coal-Firing System by the sponsors is expected to reduce our reliance upon natural gas and furnace oil as industrial-fuel and decrease our direct costs of production. The project is expected to ensure the cost-benefit competitiveness of the Company in the long-run.

**Pattern of Shareholding**

The Pattern of Shareholding of the Company as on June 30, 2001, is annexed.

**Auditors**

M/s. Rahim Iqbal Rafiq and Company, Chartered Accountants, the retiring auditors, being eligible offer themselves for reappointment for the year ended June 30, 2002.

**FUTURE PROSPECTS**

In general, the revival of large-scale construction activities in Pakistan, lower taxes upon cement alongwith other incentives and the consistent supply of fuel energy at low cost are the factors imperative for the short-term revival as well as the long-term capacity utilization of our cement industry. Among specific factors, the gas tariff for the cement industry has been disproportionately increased to the detriment of the cement units operating upon gas.

We are pleased that your management is in constant pursuit of measures designed to deal with the rising costs of fuel-energy. The on-going installation and commissioning of the aforesaid Coal-Firing System is a significant milestone in our efforts to reduce our consumption of fuel and lower the direct costs of energy. The I.S.O 9002 Certification of Dandot Cement Company Limited is being undertaken to ensure that your Company remains at the forefront of quality and technology.

The Company plans to revalue the Company's fixed assets in accordance with the corporate rules and regulations.

**ACKNOWLEDGMENT**

The Board of Directors appreciates the efforts and devotion of the labour and the entire team of management and anticipates that they will contribute for the enhancement of the productivity and well being of the Company in future with greater zeal and spirit.

**For and on behalf of the Board**

**A. SHOEB PIRACHA  
CHIEF EXECUTIVE**

Lahore: November 30, 2001

**Auditor's Report to the Members**

We have audited the annexed balance sheet of **DANDOT CEMENT COMPANY LIMITED** as at June 30, 2001 and the related profit and loss account, cash flow statement and statement of changes in equity 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit included examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of accounts 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, investment 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by 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, 2001, and of the Loss for the year then ended; and

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

Without qualifying our opinion, we draw attention to the net after tax loss for the year of Rs. 264.281 million incurred by the Company. Its accumulated losses are of Rs. 1,355.230 million resulted in net capital deficiency of Rs. 1,045.029 million. Its current liabilities exceeded its current assets by Rs. 571.600 million. The

going concern assumption used in the preparation of these accounts is based on matters referred in note 1.

Karachi:  
Dated: December 1,2001

**RAHIM IQBAL RAFIQ &  
COMPANY**  
Chartered Accountants

**Balance Sheet as at June 30, 2001**

<b>CAPITAL AND LIABILITIES</b>	<b>NOTE</b>	<b>2001 RUPEES</b>	<b>2000 RUPEES</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 50,000,000 ordinary shares of Rs. 10/- each		500,000,000 =====	500,000,000 =====
Issued, subscribed and paid up capital	3	278,399,800	262,500,000
Share deposit money	4	--	47,700,540
Share premium reserve		31,800,740	--
Accumulated loss		(1,355,230,285)	(1,090,948,884)
		-----	-----
		(1,045,029,745)	(780,748,344)
<b>LONG TERM LOANS AND LIABILITIES</b>	5	530,387,199	452,895,592
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>	6	206,483,917	180,767,098
<b>DEFERRED LIABILITIES</b>	7	125,302,642	72,939,315
<b>LONG TERM ADVANCES AND DEPOSITS</b>	8	5,163,227	6,656,177
<b>CURRENT LIABILITIES</b>			
Current maturity of long term liabilities	9	69,401,165	51,734,609
Short term bank borrowing	10	285,244,087	--
Creditors, accrued and other liabilities	11	424,941,359	713,879,155
Unclaimed dividend		782,699	782,699
Taxation		10,303,429	7,060,945
		-----	-----
		790,672,739	773,457,408
Contingencies and Commitments	12	-----	-----
		612,979,979	705,967,246
		=====	=====

The annexed notes form an integral part of these accounts.

**A. SHOEB PIRACHA**  
CHIEF EXECUTIVE



**PROPERTY AND ASSETS****FIXED CAPITAL  
EXPENDITURE**

Operating fixed assets	13	372,970,827	417,904,452
Capital work in progress	14	66,453	41,450

	373,037,280	417,945,902
--	-------------	-------------

<b>LONG TERM LOANS AND DEPOSITS</b>	15	12,530,293	16,841,148
<b>DEFERRED COST</b>	16	8,339,942	--

**CURRENT ASSETS**

Stores, spares and loose tools	17	88,522,448	77,493,897
Stock in trade	18	57,067,183	79,551,000
Trade debtors	19	5,007,420	4,285,120
Advances, deposits, prepayments and other receivables	20	57,679,377	105,177,360
Cash and bank balances	21	10,796,036	4,672,819

	219,072,464	271,180,196
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	612,979,979	705,967,246
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**FAROOQ ZAMAN  
DIRECTOR**

**Profit & Loss Account for the Year Ended June 30, 2001**

	<i>NOTE</i>	<i>2001 RUPEES</i>	<i>2000 RUPEES</i>
<b>SALES (Net)</b>	22	610,497,634	102,573,300
<b>COST OF SALES</b>	23	638,192,472	163,962,710
<b>GROSS LOSS</b>		(27,694,838)	(61,389,410)
<b>OPERATING EXPENSES</b>			
Administration and general	24	16,863,300	7,798,359
Selling and distribution	25	4,375,195	2,096,037
Financial		143,142,732	96,247,553
		(164,381,227)	(106,141,949)

<b>OPERATING LOSS</b>		(192,076,065)	(167,531,359)
Provision against doubtful advances Abnormal Loss		(18,248,968)	--
Other income / (loss)		672,503	(18,904,189)
		-----	-----
<b>LOSS BEFORE TAXATION</b>		(212,732,917)	(186,435,548)
<b>TAXATION</b>	28		
- Current		3,242,484	512,867
- Deferred - Current		(2,508,000)	--
Prior		50,814,000	--
		-----	-----
		(51,548,484)	(512,867)
		-----	-----
<b>NET LOSS AFTER TAXATION</b>		(264,281,401)	(186,948,415)
Accumulated loss brought forward		(1,090,948,884)	(904,000,469)
		-----	-----
Accumulated loss carried to balance sheet		(1,355,230,285)	(1,090,948,884)
		=====	=====
Loss per share - Basic	29	(9.63)	(7.12)
		=====	=====

The annexed notes form an integral part of these accounts.

**A. SHOEB  
PIRACHA  
CHIEF  
EXECUTIVE**

**FAROOQ ZAMAN  
DIRECTOR**

**Cash Flow Statement for the Year Ended June 30,  
2001**

	<i>2001</i> <b>RUPEES</b>	<i>2000</i> <b>RUPEES</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(212,732,917)	(186,435,548)
Adjustments:		
Provision against doubtful advances	18,248,968	--
Depreciation	42,862,132	48,387,939
Provision for Gratuity	4,162,452	9,469,458
Loss on sale of Investment	--	19,000,000
Gain on disposal of Fixed Assets	(550,278)	--
Amortization of deferred cost	2,779,980	--
Financial charges	143,142,732	96,247,553

	-----	-----
	210,645,986	173,104,950
Operating (Loss) Before Working Capital Changes	(2,086,931)	(13,330,598)
(Increase)/Decrease in current assets	19,895,490	(57,878,159)
Increase/(Decrease) in current liabilities	(24,392,906)	135,284,476
	-----	-----
	(4,497,416)	77,406,317
	-----	-----
	(6,584,347)	64,075,719
Long term advances and deposits	(1,492,950)	227,286
Gratuity paid	(105,125)	(1,539,700)
Financial charges paid	(65,779,268)	(58,726,509)
Income tax paid	(7,873,509)	(700,000)
	-----	-----
<b>Net Cash Flows From Operating Activities</b>	(81,835,199)	3,336,796
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed Capital expenditure	(1,003,235)	(6,680,819)
Sale proceeds of investment	--	1,000,000
Sale proceeds of Fixed assets	3,600,000	--
Long term loans and advances	4,310,855	(8,489,245)
Deferred cost	(11,119,922)	--
	-----	-----
Net Cash Flows From Investing Activities	(4,212,302)	(14,170,064)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liability	(25,381,392)	(38,375,787)
Payable to Employees	(25,652,769)	147,192,475
Long term loans	143,204,879	(93,498,712)
	-----	-----
<b>Net Cash Flows From Financing Activities</b>	92,170,718	15,317,976
Net Increase/(Decrease) in Cash and Cash Equivalents	6,123,217	4,484,708
Cash and Cash Equivalents at beginning of the year	4,672,819	188,111
	-----	-----
Cash and Cash Equivalents at end of the year	10,796,036	4,672,819
	=====	=====

**A. SHOEB  
PIRACHA  
CHIEF  
EXECUTIVE**

**FAROOQ ZAMAN  
DIRECTOR**

**Statement of Changes in Equity as at June 30,  
2001**

	<i>Share Capital</i>	<i>Share Deposit Money</i>	<i>Share premium Reserve RUPEES</i>	<i>Accumulated Loss</i>	<i>Total</i>
Balance as at June, 1999	262,500,000	47,700,540	--	(904,000,469)	(593,799,929)
Loss for the year	--	--	--	(186,948,415)	(186,948,415)
	-----	-----	-----	-----	-----
Balance as at June, 2000	262,500,000	47,700,540	--	(1,090,948,884)	(780,748,344)
Right shares issue	15,899,800	(47,700,540)	31,800,740	--	--
Loss for the year	--	--	--	(264,281,401)	(264,281,401)
	-----	-----	-----	-----	-----
	-	-	-----	-----	-
	278,399,800	--	31,800,740	(1,355,230,285)	(1,045,029,745)
	=====	=====	=====	=====	=====

**A. SHOEB  
PIRACHA  
CHIEF  
EXECUTIVE**

**FAROOQ ZAMAN  
DIRECTOR**

**Notes to the Accounts for the Year Ended June 30,  
2001**

**1. THE COMPANY AND ITS OPERATIONS**

The Company was incorporated in Pakistan as a public limited Company and is quoted on the Stock Exchanges at Karachi and Lahore. The Company is engaged in manufacturing and marketing of cement.

The factory remained closed from December, 1997 till March, 2000. Due to the closure of the factory for such a long period of time, huge losses amounting to Rs. 1,091 million were suffered by the Company upto the year ended June 30, 2000.

The new management took over the control in March, 2000 and was able to recommence the production by the end of April, 2000. In addition settlement with all major financial Institutions for restructuring / rescheduling of the financial facilities have been arrived at. No stoppages in the production line due to technical reasons have occurred. Working capital requirements were fulfilled and commitments with the financial institutions were honoured.

Excluding the impact of production loss referred to in note 34, and provisioning against assets taken over, the current year's operating results reflect a turning point for the Company.

Despite all the above mentioned efforts the new management is also planning to install the Coal Firing System to reduce its fuel cost in the production of cement.

In the light of the above mentioned facts, the new management is confident that the Company will run as a going concern.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **2.1(a) Accounting convention**

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

### **(b) Basis for preparation**

These accounts have been prepared in accordance with International Accounting Standards as applicable in Pakistan.

### **2.2 Employees retirement benefits**

(a) The Company operates an approved gratuity scheme covering all its employees. Such gratuity is payable on cessation of employment subject to a minimum qualifying period of five years service with the Company. Provision for gratuity is made annually in the accounts to cover obligations under the scheme.

(b) The Company operates an approved contributory provident fund for all its eligible employees and makes contribution on monthly basis. Amount charged as expense is as under:-

2001: Rs.4.414 million (2000: Rs. 1.923 million)

### **2.3 Taxation**

#### **Current**

Provision for taxation is based on the taxable income and the rates of taxes applicable after taking into account tax credits available, if any or under Section 80-D of the Income Tax Ordinance, 1979 at the rate of one half percent of the turnover.

#### **Deferred**

The Company accounts for deferred taxation using the liability method on all major temporary differences which are expected to reverse in future.

### **2.4 Fixed assets**

Fixed assets are stated at cost less accumulated depreciation except for freehold land which is stated at cost.

Depreciation is charged on reducing balance method at the rates specified in schedule of

operating fixed assets. Leasehold land for quarries had been amortized over a period of 15 years, and currently reflected at nil value.

No depreciation is provided on assets in the year of sale, while full year's depreciation is charged in the year of purchase. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss, if any, on disposal of assets is reflected in current income.

2.5 The Company accounts for the assets acquired under finance lease by recording the assets and related liability. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on outstanding liability. Depreciation is charged at the rates stated in schedule of operating fixed assets on reducing balance method to write-off the cost of the asset over its estimated residual life.

#### **2.6 Capital work in progress**

Capital work in progress is stated at cost and represents expenditure incurred on fixed assets during their construction and installation. Transfers are made to relevant fixed assets category as and when assets become operative.

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

These are valued at lower of net realizable value or moving average cost except items in transit which are valued at cost accumulated upto the Balance Sheet date.

#### **2.8 Stock in trade**

These are valued at lower of cost or net realizable value applying the following method:

Raw Material	- at weighted average cost.
Work in process and finished goods	- at average cost covering direct material, labour and manufacturing overhead.

#### **2.9 Deferred Cost**

Deferred costs are amortized over a maximum period of five years.

#### **2.10 Revenue recognition**

Sales are recorded on dispatch of goods to customers.

	<i>2001</i> <b>RUPEES</b>	<i>2000</i> <b>RUPEES</b>
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
19,089,980 (2000:17,500,000) ordinary shares of Rs. 10/- each fully paid in cash.	190,899,800	175,000,000
8,750,000 (2000: 8,750,000) ordinary shares of Rs. 10/- each issued as fully paid bonus shares	87,500,000	87,500,000

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278,399,800	262,500,000
=====	=====

#### 4. SHARE DEPOSIT MONEY

The Company issued 1,589,980 right shares against the share deposit money at a premium of Rs.20/- per share as per consent of the Securities and Exchange Commission of Pakistan (SECP) vide its order dated October 3, 2000.

	<i>NOTE</i>	<i>2001 RUPEES</i>	<i>2000 RUPEES</i>
<b>5. LONG TERM LOANS AND LIABILITIES</b>			
<b>Long Term Loans - Secured</b>			
Economic Affairs Division, Government of Pakistan	5.1	53,554,646	187,462,612
Habib Bank Limited	5.2		
Demand finance - I (DF-I)		193,900,000	60,000,000
Demand finance - II (DF-II)		47,381,444	69,424,065
Demand finance - III (DF-III)		10,808,250	--
Abn Amro Bank N.V	5.3	143,300,000	--
Prudential Commercial Bank Ltd.	5.4	45,912,782	45,999,940
		-----	-----
		441,302,476	175,424,005
		-----	-----
		494,857,122	362,886,617
Payable to employees - past dues	5.5	121,539,706	147,192,475
		-----	-----
		616,396,828	510,079,092
Less: Current maturity:			
Long term loans	9	56,009,629	24,183,500
Payable to employees	11	30,000,000	33,000,000
		-----	-----
		86,009,629	57,183,500
		-----	-----
		530,387,199	452,895,592
		=====	=====

5.1 This represents the balance of Pak rupee loan of Rs. 340.841 million originally advanced in 1984 in Japanese Yen to the State Cement Corporation of Pakistan (Private) Limited (SCCP). The loan was taken over by the Company under the clause 14 of the Sale Agreement dated May 23, 1992 as payable in local currency to the Economic Affairs Division, Government of Pakistan. The Company provided Bank Guarantee from Habib Bank Limited (HBL) to cover the outstanding liability at the time of sale.

The amount of the original loan was Japanese Yen 5, 199,457,960 carrying interest @ 8.5% p.a. and was payable in 37 bi-annual installments on March 20 and September 20 with effect from March 10, 1984. Effective April 21, 1987 the yen loan was converted into Pak rupee loan at exchange rate of 1 Yen = 0.122111 Pak Rupee carrying interest @ 11% and exchange risk fee @ 3% per annum payable to the Economic Affairs Division, Government of Pakistan in 30 equal half yearly installments commenced from September 10, 1987, to be settled by March 20, 2002.

At present this loan is under negotiation for restructuring. Thus appropriate disclosure regarding over due and current maturity has been deferred till the final outcome of negotiation with the Economic Affairs Division.

5.2 The new management reached negotiated settlement with Habib Bank Limited for restructuring of the Company's outstanding liabilities. Consequently on April 26,2000 a demand finance (DF-I) facility was created against payments made by Habib Bank Limited directly to Economic Affairs Division, Government of Pakistan from March, 1995 to September, 1996 in part settlement of its Bank Guarantee of Rs. 364.700 million issued on behalf of the Company. The principal amount of this credit facility is repayable in 8 (2000 : 10) equal bi-annual installments commencing from 31st March 2002. (2000: 31st March 2001). The mark up rate is 14.235% payable quarterly.

Demand finance (DF-II) facility was created by capitalizing all outstanding mark up charged on payments made by H.B.L. to Economic Affairs Division against its bank guarantee. The principal amount of this credit facility is repayable in 8 (2000: 10) equal bi-annual installments commencing from 31st March, 2002. (2000: 31st March, 2001). The mark up rate is 12.5% payable quarterly.

Demand Finance (DF-III) facility was created by capitalizing outstanding mark up on DF-I and DF-II for December, 2000 and March, 2001 quarters. It is repayable in 2 equal bi-annual installments starting from March 31,2002 of Rs. 5.405 million each. The mark up rate is 16% payable quarterly.

DF-I, DF-11 and DF-111 are secured as under:-

First equitable mortgage charge on all the present and future fixed and current assets of the Company for Rs. 364.7 million. Floating charge on entire moveable and immovable property and assets of the Company and personal guarantees of two directors and associated concern.

5.3 This medium term loan obtained from Abn. Amro Bank N.V is repayable by a bullet payment at maturity in February 2003. It carries mark up at the rate of 13.5% payable quarterly. This facility is secured against standby letters of credit by foreign banks.

5.4 The principal amount of this finance facility amounting to Rs. 46.0 million is payable in 27 monthly installments commencing from July, 2001. The mark up is 18% per annum payable on quarterly basis. The facility is secured against hypothecation of Company's stock in trade, stores and spares, book debts, machinery and receivables, and registered second floating charge to the extent of Rs. 62.0 million.

5.5 This represents the accumulated salaries payable to the employees for the closure period of the



factory, in equal installments of Rs. 3.000 million each commenced in September, 2000.

	<i>NOTE</i>	<i>2001 RUPEES</i>	<i>2000 RUPEES</i>
<b>6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Opening balance		208,318,207	246,693,994
Adjustment during the year		36,938,638	32,747,817
		-----	-----
		245,256,845	279,441,811
Paid during the year		25,381,392	71,123,604
		-----	-----
		219,875,453	208,318,207
Less: Current maturity	9	13,391,536	27,551,109
		-----	-----
		206,483,917	180,767,098
		=====	=====

6.1 The Company has acquired assets under lease finance arrangements from various leasing companies. These lease finances are payable in various installments depending upon the terms of each lease agreement.

6.2 Internal rate of return is 18% per annum. Lease liabilities are payable in five years inclusive of one year grace period on the basis of monthly lease rentals.

6.3 The amounts and periods of future payments are given below:

<i>Years</i>			
2000-2001		--	36,193,870
2001-2002		48,614,479	66,015,060
2002-2003		93,116,092	76,875,060
2003-2004		93,436,721	84,013,656
2004-2005		77,514,108	53,092,108
2005-2006		26,242,152	--
		-----	-----
		338,923,552	316,189,754
Less: Future finance charges		119,048,099	107,871,547
		-----	-----
		219,875,453	208,318,207
		=====	=====

## **7. DEFERRED LIABILITIES**

Gratuity			
Opening balance		72,939,315	65,009,557

Add: Contribution for the year	4,162,452	9,469,458
	-----	-----
	77,101,767	74,479,015
Less: Payments made during the year	105,125	1,539,700
	-----	-----
	76,996,642	72,939,315
Deferred taxation	48,306,000	--
	-----	-----
	125,302,642	72,939,315
	=====	=====

#### 8. LONG TERM ADVANCES AND DEPOSITS

Un-secured - Interest free			
Advances from suppliers	8.1	23,325	23,325
Securities and retention money	8.2	5,139,902	6,632,852
		-----	-----
		5,163,227	6,656,177
		=====	=====

8.1 These represent interest free security deposits received from the suppliers and contractors payable after the satisfactory execution of the agreement.

8.2 These represent interest free security deposits received from agency holders payable on cancellation or withdrawal of agency subject to adjustment of balances outstanding against them.

#### 9. CURRENT MATURITY OF LONG TERM LIABILITIES

Long term			
loans	5	56,009,629	24,183,500
Liabilities against assets subject to finance lease	6	13,391,536	27,551,109
		-----	-----
		69,401,165	51,734,609
		=====	=====

#### 10. SHORT TERM BANK BORROWING

This short term finance obtained from Citibank N.A under mark up arrangements aggregate Rs.314.000 million (2000: Nil). This facility carries mark up at the rate of 13.5% per annum and is secured against standby letters of credit from foreign banks valid till October, 2002.

#### 11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade			
creditors		54,101,244	55,980,983
Due to associated undertaking		--	337,673,696
Accrued expenses		109,540,534	98,517,302
Interest accrued on secured loans		135,889,961	109,067,112

Excise duty		120,403	--
Royalty		7,880,306	4,560,170
Sales tax		15,761,063	5,570,634
Workers' profit participation fund	11.1	31,520,485	28,396,833
Provident fund	11.2	47,628,402	39,889,070
Workers' welfare fund		1,278,373	1,156,233
Advances from customers		12,431,615	29,445,376
Others		8,788,973	3,621,746
		-----	-----
		424,941,359	713,879,155
		=====	=====

#### 11.1 Workers' profit participation Fund

Opening balance		28,396,833	25,582,732
Add: Interest for the year		3,123,652	2,814,101
		-----	-----
		31,520,485	28,396,833
		=====	=====

11.2 This includes an amount of Rs.36.802 million payable to the provident fund trust for the closure period of the factory without mark up as per settlement reached.

#### 12. CONTINGENCIES AND COMMITMENTS

a) There is a contingent liability pertaining to a counter claim of Rs. 4,037,413 for escalation in rates by a contractor in response to Company's claim Rs. 1,170,618 for liquidated damages. The case is pending in the Lahore High Court. No Provision has been made as the management expects a favourable outcome.

b) Bank guarantee issued by Habib Bank Limited in favour of Economic Affairs Division, Government of Pakistan regarding loan transferred from State Cement Corporation of Pakistan. (Note 5.1)

--	133,906,000
----	-------------

c) Islamic Investment Bank Limited has issued Bank Guarantee in favour of Director Industries and Mineral development.

3,631,676	3,631,676
-----------	-----------

d) Gulf Commercial Bank Limited has issued Bank Guarantee in favour of Sui Northern Gas Pipelines Limited.

27,022,000	27,022,000
------------	------------

e) Prudential Commercial Bank Limited has



Rupees 2000	1,475,926,987	6,639,370	--	1,482,566,357	1,016,273,966	48,387,939	--	1,064,661,905	417,904,452
	=====	=====	=====	=====	=====	=====	=====	=====	=====

	<i>Rupees</i> <i>2001</i>	<i>Rupees</i> <i>2000</i>
<b>Depreciation for the year has been allocated as under:-</b>		
- Cost of goods sold	40,868,821	46,180,265
- Administration	1,801,875	2,018,812
- Selling & Distribution	191,436	188,862
	-----	-----
	42,862,132	48,387,939
	=====	=====

### 13.1. DISPOSAL OF FIXED ASSETS

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Gain</i>	<i>Mode of Disposal</i>	<i>Particulars of Purchaser</i>
Office Building	4,580,653	1,530,931	3,049,722	3,600,000	550,278	Negotiation	Khawaja Muhammad Naveed, Lahore.
	-----	-----	-----	-----	-----		
Rupees 2001	4,580,653	1,530,931	3,049,722	3,600,000	550,278		
	=====	=====	=====	=====	=====		
Rupees 2000	--	--	--	--	--		
	=====	=====	=====	=====	=====		

<i>2001</i> <i>RUPEES</i>	<i>2000</i> <i>RUPEES</i>
------------------------------	------------------------------

### 14. CAPITAL WORK IN PROGRESS

Plant and Machinery	66,453	41,450
	=====	=====

### 15. LONG TERM LOANS AND DEPOSITS - Considered good

#### Executive

Motor car/motor cycle	7,056	6,056
House building	679,568	838,289
Special loans to officers	1,380,000	1,526,000
	-----	-----
	2,066,624	2,370,345

#### Other Employees

Motor cycle	--	495,198
House building	823,858	4,570,894

Special loans to workers	462,964	1,690,902
	-----	-----
	1,286,822	6,756,994
	-----	-----
	3,353,446	9,127,339
Less: Current portion recoverable within one year	631,608	1,995,646
	-----	-----
	2,721,838	7,131,693
<b>Security deposits</b>		
Utility companies	9,549,740	9,549,740
Others	258,715	159,715
	-----	-----
	9,808,455	9,709,455
	-----	-----
	12,530,293	16,841,148
	=====	=====

These are interest free and secured

<b>Terms of repayment</b>	<i>Equal Monthly Installments</i>	<i>Equal Monthly Installments</i>
Amount outstanding for period exceeding three years	1,458,622	3,140,401

**16. DEFERRED COST**

Cost incurred	11,119,922	--
Less: Amortized during the year	2,779,980	--
	-----	-----
	8,339,942	--
	=====	=====

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

General stores	27,713,745	21,780,458
Spare parts	58,304,812	53,401,016
Loose tools	2,503,891	2,312,423
	-----	-----
	88,522,448	77,493,897
	=====	=====

**18. STOCK IN TRADE**

Raw material	3,720,120	12,656,000
Work in process	47,085,757	35,408,000
Finished goods	6,261,306	31,487,000
	-----	-----
	57,067,183	79,551,000
	=====	=====

Material in process in the machines, since the past several years, valuing Rs. 3.080 million was dispensed with as per the approval of the excise authorities and charged to current year's consumption.

**19. TRADE DEBTORS - Considered good**

Un-secured	5,007,420	4,285,120
	=====	=====

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

**Considered  
good**

Loan to employees	2,618,174	4,269,140
Advance for purchases	2,741,311	4,175,059
Advance to contractors/suppliers	33,850,932	37,748,053
Letters of credit	20.1 18,248,968	21,603,035
Margin on bank guarantees	6,220,010	32,413,338
Income tax deducted at source	9,391,386	1,517,877
Excise duty	1,304,015	1,057,134
Prepayments	1,461,263	2,128,003
Other receivables	92,286	265,721
Provision against doubtful advances	(18,248,968)	--
	-----	-----
	57,679,377	105,177,360
	=====	=====

20.1 This includes an amount of Rs. 18.249 million brought forward from 1996 and represents cost of materials imported during that year. The matter is pending in the court resulting from a dispute between the Company and Karachi Port Trust regarding demurrage on such goods. As matter of prudence the Company has decided to make full provision thereagainst.

**21. CASH AND BANK BALANCES**

Cash in hand	49,344	363,189
Cash with banks in:		
Current accounts	5,720,764	3,067,715
Deposit accounts	5,025,928	1,241,915
	-----	-----
	10,796,036	4,672,819
	=====	=====

**22. SALES**

Sales	1,016,069,665	155,111,100
Less:		
Excise duty	285,423,600	52,537,800
Sales tax	113,030,111	--
Discount	7,118,320	--

		----- 610,497,634 =====	----- 102,573,300 =====
<b>23. COST OF SALES</b>			
Raw materials consumed	23.1	73,990,420	23,342,626
Salaries, wages and benefits		90,368,004	47,138,105
Fuel, gas and electricity		306,800,891	59,212,725
Stores and spares		20,909,084	29,060,360
Rent, rates and taxes		327,323	217,244
Vehicle running and maintenance		6,815,624	2,045,104
Packing material		56,246,891	8,602,680
Depreciation		40,868,821	46,180,265
Others		31,397,864	3,921,414
		----- 627,724,922	----- 219,720,523
<b>Work in process</b>			
Opening		35,408,000	5,821,283
Closing		(47,085,757)	(35,408,000)
		----- (11,677,757)	----- (29,586,717)
Abnormal Loss		(3,080,387)	--
		----- 612,966,778 =====	----- 190,133,806 =====
<b>Cost of goods manufactured</b>			
<b>Finished goods</b>			
Opening		31,487,000	5,315,904
Closing		(6,261,306)	(31,487,000)
		----- 25,225,694	----- (26,171,096)
		----- 638,192,472 =====	----- 163,962,710 =====
<b>23.1 RAW MATERIALS CONSUMED</b>			
Opening balance		12,656,000	4,764,843
Salaries, wages and benefits		27,557,273	14,643,841
Gypsum		1,314,295	424,876
Explosive		2,617,105	246,600
Carriage		6,346,849	3,130,603
Diesel		5,819,191	946,528
Deferred cost amortized		2,779,980	--
Electricity		3,573,010	812,521
Royalty and excise duty		6,141,835	2,467,735



Stores and spares	7,804,871	8,022,045
Rent, rates and taxes	678,453	54,000
Sales tax on raw material	281,443	462,510
Breaking of Gypsum	140,235	22,524
	-----	-----
	77,710,540	35,998,626
Closing balance	(3,720,120)	(12,656,000)
	-----	-----
	73,990,420	23,342,626
	=====	=====

#### 24. ADMINISTRATION AND GENERAL EXPENSES

Director's remuneration	1,723,242	434,967
Salaries, wages and benefits	1,276,145	3,780,490
Travelling and daily allowances	363,115	54,474
Repairs and maintenance	37,590	3,775
Vehicle running and maintenance	873,553	166,457
Legal and professional	3,991,050	745,396
Auditor's remuneration	150,000	80,000
Postage, telephone and telegram	34,314	4,577
Printing and stationery	320,907	27,582
Advertisement	912,108	77,580
Entertainment	79,082	2,591
Rent, rates and taxes	101,600	350,668
Functions and seminars	4,707,064	--
Depreciation	1,801,875	2,018,812
Others	491,655	50,990
	-----	-----
	16,863,300	7,798,359
	=====	=====

#### 24.1 Auditor's remuneration

Audit fee	60,000	60,000
Other advisory services	70,000	--
Out of pocket expenses	20,000	20,000
	-----	-----
	150,000	80,000
	=====	=====

#### 25. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and benefits	3,632,622	1,701,940
Travelling and daily allowances	6,821	4,574
Vehicles running and maintenance	202,587	51,109
Postage, telephone and telegrams	19,076	420
Printing and stationery	1,888	953
Advertisement	5,000	16,200

Entertainment	20,483	1,679
Repairs and maintenance	39,405	2,221
Rent, rates and taxes	4,287	10,409
Depreciation	191,436	188,862
Others	251,590	117,670
	-----	-----
	4,375,195	2,096,037
	=====	=====

## 26. FINANCIAL EXPENSES

Mark up on:

Long term loans	95,256,413	84,954,973
Short term loans	23,472,886	566,658
Borrowing from associated undertaking	19,898,369	7,551,228
Bank charges	1,391,412	360,593
Interest on W.P.P. Fund	3,123,652	2,814,101
	-----	-----
	143,142,732	96,247,553
	=====	=====

## 27. OTHER INCOME / (LOSS)

Sale of scrap	24,836	500
Miscellaneous	97,389	95,311
Profit / (loss) on sale of investment	--	(19,000,000)
Gain on disposal of fixed assets	550,278	--
	-----	-----
	672,503	(18,904,189)
	=====	=====

## 28. TAXATION

### CURRENT

The income tax assessments of the Company have been finalized upto and including assessment year 1998-99 (Accounting year June 30, 1998).

The Company has preferred appeals for assessment years 1992-93, 1994-95, 1996-97, 1997-98 and 1998-99 before Commissioner of Income Tax (Appeals) against the assessments completed by the Deputy Commissioner Income Tax (DCIT). The concerned DCIT while completing assessments made certain add-backs and have not accepted claims for adjustment of tax deducted at source and income tax paid in advance. Income tax liability for all the five years have been provided in these accounts.

### DEFERRED

Deferred tax liability on temporary differences as at June 30, 2001 has been worked out at Rs. 48.306 million (2000: Rs. 50.814 million) approximately.

**29. LOSS PER SHARE BASIC**

Net loss for the year	(264,281,401)	(186,948,415)
Weighted average number of ordinary shares	27,442,485	26,250,000
Loss per share (Rupees)	(9.63)	(7.12)

**30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Expenses incurred	75,678,728	209,461,374
Mark up	19,898,369	7,551,228
Funds transferred	667,888,314	122,337,612
Funds received-back	243,377,637	113,108,609
Payments to financial institutions on behalf of the Company	--	135,350,830
Inventories transferred	1,160,866	818,233
Inventories received	4,839,820	1,921,092
Purchase of fixed assets	--	6,424,870
The mark up is charged by associated undertaking at the rate of 13.5%		

**31. CREDIT RISK**

Long term loans and deposits	12,530,293	16,841,148
Trade debtors	5,007,420	4,285,120
Advances, deposits, prepayments and other receivables	57,679,377	105,177,360

**32. INTEREST RATE RISK EXPOSURE**

	<i>One Month to One Year Rupees</i>	<i>One Year &amp; Onward Rupees</i>	<i>Non Interest Bearing Rupees</i>	<i>Total Rupees</i>
<b>Financial Assets</b>				
Long term deposit	--	--	12,530,293	12,530,293
Trade debtors	--	--	5,007,420	5,007,420
Advances, deposits and other recei	--	--	57,679,377	57,679,377
Cash and bank	5,025,928	--	5,770,108	10,796,036
	-----	-----	-----	-----
	5,025,928	--	80,987,198	86,013,126
<b>Financial liabilities</b>				
Long term loans	56,009,629	438,847,493	--	494,857,122
Lease finances	13,391,536	206,483,917	--	219,875,453
Long term advances and deposits	--	--	5,163,227	5,163,227
Creditors, accrued and other liabilities	31,520,485	--	393,420,874	424,941,359
Gratuity payable to trustees	--	--	76,996,642	76,996,642
Unclaimed dividend	--	--	782,699	782,699
Taxation	--	--	10,303,429	10,303,429

-	-	-	-
100,921,650	645,331,410	486,666,871	1,232,919,931
-	-	-	-
(95,895,722)	(645,331,410)	(405,679,673)	

On balance sheet gap (a)

(a) The on balance sheet gap represents the net amounts of on balance sheet items.

(b) Effective rates of mark-up for financial assets and liabilities are as follows:-

	<i>Rate of Interest</i>
Long term loans	12.5% to 18%
Lease finances	12% to 18%

**c) Fair value of Financial Assets and Liabilities:**

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

**33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	<i>2001</i>		<i>2000</i>	
	<i>Chief Executive</i>	<i>Directors/ Executives</i>	<i>Chief Executive</i>	<i>Directors/ Executives</i>
	<i>RUPEES</i>		<i>RUPEES</i>	
Managerial remuneration	684,000	4,219,480	171,000	1,517,962
House rent	307,800	1,516,695	60,000	604,224
Utilities	68,400	571,452	17,100	255,362
Provident fund contribution		356,566	--	130,564
Leave fare assistance	57,000	144,200	57,000	104,000
Others	606,042	2,202,223	109,800	903,127
	-	-	-	-
	1,723,242	9,010,616	414,900	3,515,239
Number of persons	1	29	1	28

The Chief Executive is entitled to free use of Company's vehicle. Directors are working without any

remuneration.

### 34. PLANT CAPACITY AND ACTUAL PRODUCTION

	<i>2001</i>	<i>2000</i>
Ordinary portland cement	<i>M. Tonnes</i>	<i>M. Tonnes</i>
Plant capacity - Cement	504,000	504,000
Actual production	258,549	42,436

Fall in production is attributed to the lower demand in the market due to excess supply of cement and slow economic activity in the country. Moreover the early stoppage of Sui gas supply to the factory and main line power break down which caused stoppage of the factory for more than four months adversely disrupting production.

### 35. OTHER INFORMATION

The management has decided to have the fixed assets of the Company revalued by an independent valuer so that these are reflected at depreciated replacement cost which is expected to increase the value of its total assets substantially as compared with its total liabilities.

### 36. GENERAL

- Figures in these accounts have been rounded off to the nearest rupee.
- Figures of the previous year have been re-arranged wherever necessary for the purpose of comparison.
- Total number of employees including contractor's employees as at June 30, 2001 were 848 (2000: 836).

**A. SHOEB  
PIRACHA  
CHIEF  
EXECUTIVE**

**FAROOQ ZAMAN  
DIRECTOR**