Fauji Cement Company Limited
Annual Report 1999

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COMPANY INFORMATION AT A GLANCE

Board of Directors

Lt General Muhammad Maqbool, HI(M), S Bt	Chairman & Chief Executive
Maj General Sayeed U1 Hasan Zaidi, HI(M)	Additional Managing Director
Brig (Retd) Muhammad Saeed Baig, SI(M)	Director
Brig (Retd) Ghulam Hussain, SI(M)	Director
Brig (Retd) Karam Dad	Director
Mr. Qaiser Javed	Director

Non Executive Directors

Mr. David Vivian Johns, CDC	Director
Mr. Palle O. Jorgensen, FL Smidth & Co	Director
Mr. Henrik Starup, IFU	Director

Company Secretary:	Brig (Retd) Bashir Hussain Tareen
Registered Office:	70-Harley Street, Rawalpindi Cantt, Pakistan
Plant Site:	Near Village Jhang, Tehsil Fateh Jhang District Attock
Marketing/Sales	M-40-1, 1st Floor, Hotel

Department	Pakland, Bank Road, Saddar Rawalpindi - Pakistan
Auditors:	A.F. Ferguson & Co. Chartered Accountants
Legal Advisors:	Orr, Dignam & Co. Advocates. M/s Rizvi & Rizvi, Advocates

NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING

1. All Shareholders of the Company.

2. M/s A.F. Ferguson & Company Auditors of the Company.

Notice is hereby given that the Seventh Annual General Meeting of the Company will be held at 10:00 A.M. on Monday, December 13, 1999 at Hotel Pearl Continental, The Mall Rawalpindi, to transact the following business:-

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30 June 1999.
2. To consider and approve the Directors' Report for the year ended 30 June 1999.

3. To appoint Auditors of the Company in place of present Auditors Messrs A.F. Ferguson & Company who retire at the end of the seventh AGM, and offer themselves for reappointment, and to fix their remuneration.

4. Any other business with the permission of the Chair.

By Order of the Board
Brig (Retd) Bashir Hussain Tureen
Company Secretary

Place: Rawalpindi
Date: 11 November 1999

NOTES:

1. The Share Transfer Books of the Company will remain closed from 13 December 1999 to 19 December 1999 (both days inclusive). No transfer will be accepted for registration during this period.

2. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote in place of the Member. Proxies, in order to be effective,

must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the Meeting. A member may not appoint more than one proxy. Proxy form is attached.

3. Shareholders are requested to promptly notify any change in their address.

REPORT OF THE DIRECTORS

1. General
The Directors take pleasure in presenting their Seventh Annual Report together with the Company's audited accounts for the year ended 30 June 1999, alongwith the Auditors' report thereon.

2. Marketing and Financial Aspects
Present financial statements depicting a negative picture remain a source of concern.
While all the foreign equity participants and the lenders, being the major parties in the Project, remained involved with the problem through meetings held for finding a solution to overcome the crisis, the Directors deem it proper to also apprise all our shareholders that the Management is fully aware of its obligations. Cumulative effects of an over installed capacity and depressed economic environment with no mega project taking off for consumption of cement led to a reduced demand. An optimum level of production commensurate with poor marketing scenario was therefore worked out, and kept approximately at 67% of the installed capacity. Operating at this level, the Sales during the year ended 30 June 1999 were for Rs 2,281.823 million, at an average gross price of Rs 3,666.53 per ton and the net retention of Rs 2,153.83 per ton. The cost of production during this year (exclusive of the depreciation & financial charges) averaged around, Rs 1,413.36 per ton leaving a net margin of Rs 740.47 per ton for redemption of financial charges/principal. However, the financial charges averaged at Rs. 1,186.55 per ton.

3. The Company could not fully recover the cost of production due to market constraints, and the presently high rate of excise duty despite a recent nominal relief under this head. As such the Company suffered a net loss of Rs 563 million during the year ended June 30, 1999. The net loss after adjusting depreciation (Rs. 233 million) is Rs 330 million. The losses suffered as explained above, resulted in an acute liquidity crunch. Consequently, the FCCL is finding it extremely difficult to meet

its obligations to the lenders. Financial restructuring appears to be the only major solution. Negotiations were therefore held with foreign lenders and the equity holders to arrive at a financial model which is acceptable to all, and satisfies the statutory requirements of the Securities and Exchange Commission of Pakistan and also the State Bank regulations. The negotiations are still in progress. In the mean time we have been able to persuade the local lenders to defer their installments for two years.

4. It is relevant to also add a note of progress on the case of custom duty and sales tax demand of Rs. 490 million placed on the Company by the Central Board of Revenue as reflected in note 7.1 of the audited accounts. In this regard, the final arguments have been heard by the Divisional Bench of Sindh High Court and the judgement is reserved as at the time of writing of this report. It is likely to be announced in due course.

5. In the next couple of years the sluggish marketing scenario is likely to prevail unless there are some rapid changes in the socio-economic conditions. Export of cement from Pakistan has great potential but the international prices being very low, export from Northern Zone for the time being does not appear to be a viable proposition. The cement industry also requires government support in further reducing the excise duty, reduction in the cost of inputs and by encouraging export of cement through incentives in the form of favourable duty drawbacks making our prices comparable in the international market. At management level, some drastic measures are in hand to lower the cost of production and we expect a significant break through in mitigating the crisis. Some of these include lowering the cost of quarrying, rationalising manpower structure more meticulously, finding and developing our own sources of industrial water rather than paying an exorbitant price to a private land owner, economising on power consumption with more sophisticated techniques, and lowering the cost of paper bags etc. We expect a major relief through these measures and together with Financial Restructuring on equitable terms we shall, hopefully, break even in about two years' time frame.

6. The Plant Site

The year ended June 30, 1999 was the first full year of the Plant operation. As stated above, the capacity utilization was low. The Plant produced 607,434 tons of clinker and 628,346 tons of cement. Except a few minor teething problems the Plant has operated quite smoothly. The Plant is environment friendly and no dust is visible from any stack. The Plant has been operated very efficiently as indicated by the operating norms given below, which are among the best in the Cement Industry of Pakistan:

a. Fuel Consumption	- 77.75 Kg/ton clinker
b. Power Consumption	- 100 kWh/ton cement
c. Raw Material Consumption	- 1.55 tons/ton clinker

7. The Pattern of Shareholdings

A statement showing the pattern of shareholding in the Company as at June 30, 1999 is attached.

8. Personnel

Relationship between Management and the workers remained cordial.

9. Directors

a. On resignation of Lt. General Khalid Latif Mughal, HI (M), S Bt, Lt. General Muhammad Maqbool, HI(M), S Bt was appointed as Chief Executive and Managing Director of the Company, wef 01 January 1999.

b. On resignation of Lt. General Nazar Hussain, HI(M), T Bt on 15 May 1999, Major General Sayeed U1 Hasan Zaidi, HI (M) was appointed as a Director of the Company, wef 19 July 1999.

c. On resignation of Brigadier (Retd) Muhammad Akram Ali Khan, Brigadier (Retd) Ghulam Hussain was appointed as a Director of the Company, wef 27 November 1998.

d. On resignation of Brigadier (Retd) Riaz Ahmad Qureshi, Brigadier (Retd) Muhammad Akram Ali Khan was appointed as a Director of the Company, wef 24 February 1999.

e. On resignation of Brigadier (Retd) Muhammad Akram Ali Khan, Brigadier (Retd) Karam Dad was appointed as a Director of the Company, wef 31 March 1999.

f. On resignation of Mr. Iltifat Rasul Khan, Mr. Qaiser Javed was appointed as a Director of the Company, wef 07 October 1999.

g. Following three Directors were appointed as non executive nominee Directors on the Board of Directors of the Company wef 19 July 1999, under contractual obligations of the Company with their respective institutions: -

(1) Mr. David Vivian Johns	- CDC
(2) Mr. Palle O Jorgensen	- FLS & Co

(3) Mr. Henrik Starup - IFU

h. On resignation and withdrawal of nomination of Mr. Martin M. Kristensen, the IFU appointed Mr. Henrik Starup as Director in his place.

j. Under contractual obligations of having six nominee Directors from Fauji Foundation/Company and three executive nominee directors from foreign institutions as mentioned above, name of Brig (Retd) Ashfaq Ahmad was withdrawn by Fauji Foundation consequent upon his resignation from the FCCL Board of Directors.

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

10. Auditors

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

11 Dividend

As highlighted in paras 2 and 3 above, prices of our cement do not break even, which is why the Company has undergone a loss and is thus not in a position to pay any dividend. With our present inability to make any profit, it has not been possible to carry any amount to Reserve Fund, General Reserve Fund or Reserve Account.

12. Financial Position

There have been no material changes affecting business or the financial position of : the Company, during the period between the end of the Financial Period of the Company to which the financial statement relates and the date of this Report.

13. Year 2000 Compliance of Computer System

Being fully aware of the issue of 'Millennium Bug' the management took requisite measures, including upgrading the computer systems, to overcome the problem. Following are note-worthy:-

a. The Plant suppliers M/s F. L. Smidth & Co of Denmark have already made necessary checks/changes in the process control system, and issued a Y2K Compliance Certificate after having tested according to the standard PD 2000-1 by British Standards Institution. A team of IFC Consultants also checked the systems and were quite satisfied. No major complication is therefore expected at the Plant site.

b. It was noticed that with the introduction of Central Depository System, our shares management and accounting system was not Y2K compliant. M/s Fauji Soft have developed the system which is now fully Y2K compliant and is working satisfactorily with Central Depository Company whose systems are already Y2K compliant.

c. A team of experts from KPMG visited the Company under arrangements of IFC Washington. On their direction, all other gadgets like Personal Computers, facsimile machines and accounting systems etc were subjected to the tests indicated by the team. Performance was found to be satisfactory.

14. With these measures and guarantees, the Management is confident that Company will enter next Millennium free of the Bug. Despite preparation and assurances given by well-reputed institutions, there remains a state of uncertainty the world over. Following additional measures are therefore also planned: -

a. The Plant will be closed down for routine maintenance from 30 December 1999 to 02 January 2000. Thereafter the operation will be undertaken department-wise starting with crusher and gradually moving in the sequence so as to remain fully in control as a safeguard against total collapse or a bigger loss, should there be an untoward eventuality.

b. Performance of similar plants in the country will also be watched to provide a timely safeguard.

c. Arrangements have also been made to meet any eventuality by having a well tied up communication with the relevant firms, should a problem emerge even though it be a minor breakdown of an odd chip in the Plant.

15. Acknowledgments

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

For and on behalf of the Board

Rawalpindi
11 November 1999

Lt. General Muhammad Maqbool, HI (M), S Bt
Chairman and Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Fauji Cement Company Limited as at June 30, 1999 and the related profit and loss account and cash flow statement for the year then ended together with the notes forming part thereof, and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

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

(b) in our opinion

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

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

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

(c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1999 and of the loss and cash flows 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 contents of note 21 to the accounts which states that the Company is evaluating options for financial restructuring, which may include rescheduling of loans to improve liquidity of the Company.

Islamabad
11 November 1999

A.F. Ferguson & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	1999	***1998***

	Note	Rupees	Rupees
SHAREHOLDERS EQUITY			
Share capital			
Authorised capital			
250,000,000 ordinary shares of Rs 10 each		2,500,000,000	2,500,000,000
		==========	==========
Issued, subscribed and paid-up capital 171,310,499 (1998: 171,310,499) ordinary shares of Rs 10 each		1,713,104,990	1,713,104,990
Advance against shares to be issued	3	443,144,000	443,144,000
Accumulated loss		(1,074,145,953)	(511,244,937)
		------------------	------------------
		1,082,103,037	1,645,004,053
LONG TERM LOANS	4	2,477,346,579	3,041,113,629
CURRENT LIABILITIES			
Current portion of long term loans	4	1,278,204,943	655,632,321
Short term loan	5	40,000,000	--
Creditors, accrued and other liabilities	6	846,207,829	544,820,066
		------------------	------------------
		2,164,412,772	1,200,452,387
CONTINGENCIES AND COMMITMENTS	7		
		------------------	------------------
		5,723,862,388	5,886,570,069
		==========	==========
FIXED CAPITAL EXPENDITURE			
Operating assets	8	5,283,901,395	5,352,923,242
Capital work in progress		--	2,955,420
Stores held for capital expenditure		92,841,097	91,101,203
		------------------	------------------
		5,376,742,492	5,446,979,865
LONG TERM DEPOSIT	9	21,600,000	45,853,363
DEFERRED COST	10	6,150,486	12,300,972
CURRENT ASSETS			
Stores, spares and loose tools	11	87,041,077	50,262,364
Stock in trade	12	78,197,867	60,571,988
Trade debtors - unsecured considered good		10,807,206	13,740,526
Advances, deposits, prepayments and other receivables	13	70,439,405	111,493,233

Cash and bank balances	14	72,883,855	145,367,758
		319,369,410	381,435,869
		5,723,862,388	5,886,570,069

The annexed notes form an integral part of these accounts.

Chairman/Chief Executive	Director	Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999

	Note	*For the year ended June 30, 1999 Rupees*	*For the period November 16, 1997 to June 30, 1998 Rupees*
SALES		2,281,823,078	1,401,386,777
Excise duty		941,412,569	590,109,388
NET SALES		1,340,410,509	811,277,389
Cost of sales	15	1,118,071,714	848,812,102
GROSS PROFIT/(LOSS)		222,338,795	(37,534,713)
General and administration expenses	16	28,426,630	17,120,253
Selling and distribution expenses	17	15,311,415	6,770,342
		43,738,045	23,890,595
OPERATING PROFIT (LOSS)		178,600,750	(61,425,308)
Other income	18	11,263,267	6,949,664
		189,864,017	(54,475,644)
Financial charges	19	745,565,033	452,520,523
(LOSS) BEFORE TAXATION		(555,701,016)	(506,996,167)
Provision for taxation		7,200,000	4,248,770
(LOSS) AFTER TAXATION		(562,901,016)	(511,244,937)
(Loss) brought forward		(511,244,937)	--

ACCUMULATED (LOSS)	(1,074,145,953)	(511,244,937)
	=========	=========

The annexed notes form an integral part of these accounts.

Chairman/Chief Executive	**Director**	**Director**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999

	1999 *Rupees*	*1998* *Rupees*
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before taxation	(555,701,016)	(506,996,167)
Adjustment for non cash charges and other items:		
Depreciation	233,816,271	349,461,220
Amortisation of deferred cost	6,150,486	6,150,486
Financial charges	745,565,033	452,520,523
Gain on disposal of fixed assets	(280,916)	--
Income on bank deposits	(10,938,841)	(6,619,475)
(Increase) in stores and stocks	(56,144,486)	(96,508,597)
(Increase)/decrease in receivables	44,990,587	(54,505,077)
Increase/(decrease) in payables	(23,880,130)	53,621,467
Taxes paid	(9,131,675)	(13,154,787)
	------------------	------------------
Cash provided by operating activities	374,445,313	183,969,593
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(74,868,280)	(191,078,291)
Sale proceeds of fixed assets	690,436	--
Long term deposits	24,253,363	2,918,871
Income received on bank deposits	12,069,436	19,785,239
Deferred cost	--	(39,320)
	------------------	------------------
Cash used in investing activities	(37,855,045)	(168,413,501)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance received against shares to be issued	--	443,144,000
Short term loan	40,000,000	--
Repayment of long term loans	--	(207,133,519)
Financial charges paid	(449,074,171)	(541,488,674)
	------------------	------------------

Cash used in financing activities	(409,074,171)	(305,478,193)
	------------------	------------------
Net decrease in cash and bank balances	(72,483,903)	(289,922,101)
Cash and bank balances at the beginning of the year	145,367,758	435,289,859
	------------------	------------------
Cash and bank balances at the end of the year	72,883,855	145,367,758
	==========	==========

Chairman/Chief Executive **Director** **Director**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1999

1. LEGAL STATUS AND OPERATIONS

The Company is incorporated in Pakistan as a public limited company and its shares are quoted on the stock exchanges in Pakistan. The company is engaged in manufacturing and marketing of cement.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

The accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

The Company operates:

(a) approved gratuity scheme for all employees. The cost is charged to the profit and loss account over the period of service of employees.

(b) approved contributory provident fund for all employees. Contributions are charged to profit and loss account.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

2.3 Taxation

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

2.4 Fixed capital expenditure

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

Depreciation is charged to income on straight line method to write off the cost of an asset over its estimated useful life at the rates specified in note 8.

2.5 Deferred cost

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

2.6 Foreign currency transactions

Transactions in foreign currencies are converted into rupees at the rates of exchange ruling on the date of the transaction. All assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date, or at rates of exchange fixed under contractual arrangements, as applicable. Exchange differences are accounted for as follows:

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

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

2.7 Stores, spares and loose tools

These are stated at moving average cost. Items in transit are valued at cost comprising invoice value and other charges paid thereon.

2.8 Stock in trade

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

2.9 Revenue recognition

Sales are recorded on despatch of goods to customers.

2.10 Borrowing cost

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

3. ADVANCE AGAINST SHARES TO BE ISSUED

This represents equity contribution received from an associated undertaking. Legal formalities for issue of shares are in progress.

4. LONG TERM LOANS - SECURED

	Balance outstanding		*Repayment terms*			
	1999	***1998***	***Interest/net mark up rate per annum %***	***Exchange risk cover fee % (Note 3.1)***	***Half yearly Installments outstanding***	***Final repayment date***
	Rupees	***Rupees***				
Foreign						
1. Commonwealth Development Corporation- (CDC) (Pound Sterling 13,250,000; 1998: 13,250,000.)	699,161,620	685,719,300	11	5.9	12	June 23, 2004
2. Nederlandse Financierings - Maatschappijvoor Ontwikkelingslanden N.V. (FMO) (Netherland Guilders 14,000,000; 1998: 14,000,000)	271,714,200	270,589,900	11.30	5	14	April 15, 2005
3. International Finance Corporation (Loan A) (US Dollars 22,400,000; 1998: 22,400,000)	902,331,520	884,347,520	8.9375	8.26	14	April 15, 2005
4. International Finance Corporation (Loan B) (US Dollars 8,750,000, 1998: 8,750,000)	359,498,250	345,448,250	LIBOR + 2.50	8.26	7	October 15, 2001
5. International Finance Corporation (Loan C) (US Dollars 8,750,000;1998: 8,750,000)	302,420,250	288,370,250	LIBOR + 3.00	9.38	7	October 15, 2001
6. Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG) (DM 15,000,000; 1998: 15,000,000)	360,425,682	360,408,000	11.75	8.24	12	May 30, 2004
<u>Local</u>						
7. AI Faysal Investment Bank Limited.	130,000,000	130,000,000	19	10		December 20, 2003
8. ANZ Grindlays Bank plc	135,000,000	135,000,000	Note 3.2	--	9	May 31, 2003
9. The Bank of Punjab	300,000,000	300,000,000	19	--	3	March 20, 2001
10. Askari Commercial Bank Limited	100,000,000	100,000,000	19	--	10	December 31, 2003
11. Faysal Bank Limited	70,000,000	70,000,000	19	--	10	April 27, 2004

12. Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	45,000,000	46,862,730	20	--	9	March 31, 2004
13.. Pakistan Kuwait Investment Company (Private) Limited	80,000,000	80,000,000	Note 3.3		14	January 1, 2006
	------------------	------------------				
	3,755,551,522	3,696,745,950				
Less: Amount payable within twelve months shown as current liability	(1,278,204,943)	(655,632,321)				
	------------------	------------------				
	2,477,346,579	3,041,113,629				
	==========	==========				

3.1 Exchange risk cover has been obtained in respect of foreign currency loans 1 to 6 above.

3.2 The mark up on ANZ Grindlays Bank loan is payable at State Bank of Pakistan Treasury Bills rate plus 4% per annum (minimum 17.5% per annum), subject to a prompt payment bonus of Rs 23,077,397 on repayment of the loan on due dates.

3.3 The loan from Pakistan Kuwait Investment Company (Private) Limited is under sale and repurchase arrangement carrying a repurchase price of Rs 271,598,903 subject to a prompt payment bonus of Rs 70,532,977 on repayment of the loan on due dates.

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

5. SHORT TERM LOAN

This represents loan from an associated undertaking carrying mark up @ 17% per annum.

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

	1999	***1998***
	Rupees	***Rupees***
Retention money	5,699,270	13,504,229
Accrued fees and charges on long term loans	288,875	2,955,018
Accrued interest/mark up on loans	320,113,171	137,170,238
Accrued exchange risk cover fee on foreign currency loans (Net of amount receivable from State Bank of Pakistan on principal and interest repaid Rs. 147,668,938; 1998: Rs. 129,119,122)	410,201,364	267,876,404
Amount due to an associated undertaking	3,723,006	3,717,449
Security deposits	16,718,020	19,379,020

Advance payment from customers	25,818,760	44,709,985
Other payables and accrued liabilities	62,310,404	55,507,723
Provision for staff gratuity	1,334,959	--
	846,207,829	544,820,066

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

* The customs authorities allowed release of plant and machinery imported by the Company at concessionary rates of duty in terms of SRO 484(1)/92 dated May 14, 1992 against an undertaking provided by the Company. Subsequent to the release of plant and machinery the customs authorities have raised a custom duty and sales tax demand of Rs 490 million (1998: Rs 380 million) in respect of items which are considered by the Central Board of Revenue as not qualifying for the concessionary rate of duty. Claims on similar basis have also been raised on two other cement manufacturing companies. The Company has filed a writ petition against the demand which is currently pending with Sind High Court for final decision.

* Income tax demands not accepted by the Company and currently under appeal Rs 45.6 million (1998: Rs Nil).

* Claims not acknowledged as debt Rs 16.4 million (1998: Rs 54 million).

7.2 Commitments Outstanding

(i) Capital expenditure commitments outstanding at June 30, 1999 amounted to Rs Nil (1998: Rs 1 million).

(ii) Rentals due under operating lease agreements in respect of vehicles are:

	1999 ***Rupees***	***1998*** ***Rupees***
Year ending:		
June 30, 1999	--	1,959,828
June 30, 2000	2,875,692	1,959,828
June 30, 2001	1,804,321	888,457
June 30, 2002	305,288	--

8. OPERATING ASSETS

8.1 The following is a statement of operating assets:

	COST			DEPRECIATION				
	At July 1, 1998	*Additions (deletions) during the year*	*At June 30, 1999*	*At July 1, 1998*	*For the year (on deletions)*	*At June 30, 1999 year*	*Written down value at June 30, 1999*	*Annual rate of depreciation %*
Freehold land	141,488,463	(202,359)	141,286,104	--	--	--	141,286,104	--
Factory, building on freehold land	1,393,612,705	7,567,130	1,401,179,835	86,671,256	53,914,017	140,585,273	1,260,594,562	4
Plant and machinery	4,078,371,764	150,098,268	4,228,470,032	253,641,203	164,506,167	418,147,370	3,810,322,662	4
Office equipment	4,242,206	727,996	4,970,202	851,633	696,602	1,548,235	3,421,967	15
Electrical installation	29,784,188	463,399	30,247,587	2,778,497	4,531,138	7,309,635	22,937,952	15
Electrical equipment	14,979,050	1,313,953	16,293,003	2,841,582	2,397,511	5,239,093	11,053,910	15
Furniture and fixtures	5,206,059	103,506	5,309,565	1,227,860	791,305	2,019,165	3,290,400	15
Motor vehicles	16,682,851	1,518,631	16,826,362	9,631,107	3,819,166	12,484,673	4,341,689	25
		(1,375,120)			(965,600)			
Elevator	--	3,613,420	3,613,420	--	361,342	361,342	3,252,078	10
Quarry road and development	27,854,507	--	27,854,507	1,732,321	2,785,451	4,517,772	23,336,735	10
Fire fighting instrument	90,480	--	90,480	13,572	13,572	27,144	63,336	15
	------------------	------------------	------------------	------------------	------------------	------------------	------------------	
Total Rupees	5,712,312,273	165,406,303	5,876,141,097	359,389,031	233,816,271	592,239,702	5,283,901,395	
		(1,577,479)			(965,600)			
	==========	==========	==========	==========	==========	==========	==========	
1998 Rupees	169,953,839	5,542,358,434	5,712,312,273	7,217,864	352,171,167	359,389,031	5,352,923,242	
	==========	==========	==========	==========	==========	==========	==========	

(i) Based on management review of estimated useful life of the assets, annual rate of depreciation on factory building and plant and machinery has been reduced from 10% to 4% effective July 1, 1998. Had depreciation rates remained unchanged, the depreciation charge for the year would have been higher by Rs 340.046 million.

(ii) Additions during the year include exchange loss capitalised amounting to Rs 87.582 million (1998: Nil).

8.2 Fixed assets deletions include the following:

	Cost Rs	Book Value Rs	Sale proceeds Rs	Mode of disposal	Purchaser
Motor vehicles	525,920	197,220	500,820	Insurance claim	--
	849,200	212,300	189,616	Company policy	Lt Gen (R) Nazar Hussain (ex-employee)

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

	1999 Rupees	1998 Rupees
Capital work in progress	--	2,709,947
Cost of sales	230,956,759	347,654,378
General and administration expenses	2,160,703	1,391,479
Selling and distribution expenses	698,809	415,363
	------------------	------------------
	233,816,271	352,171,167
	==========	==========

9. LONG TERM DEPOSIT

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

	1999 Rupees	1998 Rupees
10. DEFERRED COST		
Balance at beginning of the year	12,300,972	18,451,458
Less: Amortisation for the year	6,150,486	6,150,486
	------------------	------------------
	6,150,486	12,300,972
	==========	==========
11. STORES, SPARES AND LOOSE TOOLS		
Stores and spares (including items in transit Rs 18.501 million; 1998: Nil)	82,564,570	46,856,017
Loose tools	4,476,507	3,406,347
	------------------	------------------
	87,041,077	50,262,364
	==========	==========

12. STOCK IN TRADE

Raw and packing material	16,057,486	11,482,818
Work in process	26,966,260	14,880,860
Finished goods	35,174,121	34,208,310
	------------------	------------------
	78,197,867	60,571,988
	==========	==========

13. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers and contractors, considered good	19,111,983	47,343,176
Advance for expenditure	2,237,094	965,444
Income tax refundable	25,742,735	23,811,060
Octroi charges refundable	5,822,210	5,997,215
Deposits	1,973,462	515,952
Prepayments	13,890,979	30,175,347
Income on bank deposits receivable	1,486,647	2,617,242
Other receivables	174,295	67,797
	------------------	------------------
	70,439,405	111,493,233
	==========	==========

No amount was due from directors, executives or associated undertakings (1998: Rs Nil).

	1999 Rupees	***1998 Rupees***
14. CASH AND BANK BALANCES		
With banks:		
On current accounts	12,540,002	26,011,385
On deposit accounts	60,153,263	19,110,614
	------------------	------------------
	72,693,265	145,121,999
Cash in hand	190,590	245,759
	------------------	------------------
	72,883,855	145,367,758
	==========	==========

(i) Balance with banks include Rs 16,718,020 (1998' Rs 19,379,020) in respect of security deposits received.

(ii) Deposits of Rs. 9.228 million (1998' Rs nil) with banks are under lien to secure letter of credit facilities.

15. COST OF SALES

Raw and packing material consumed:

	1999 Rupees	1998 Rupees
Opening stock	11,482,818	9,165,000
Purchases	276,950,464	155,403,850
Closing stock	(16,057,486)	(11,482,818)
	------------------	------------------
	272,375,796	153,086,032
Stores and spares consumed	2,822,256	3,534,615
Salaries, wages and benefits	39,562,976	20,130,246
Rent, rates and taxes	989,568	1,141,727
Insurance	19,363,403	11,404,254
Fuel and power	536,091,806	344,518,210
Depreciation	230,956,759	347,654,378
Repairs and maintenance	14,793,028	1,007,654
Printing and stationery	496,325	488,629
Travelling and entertainment	1,895,919	955,757
Royalty and technical assistance	6,284,835	7,557,130
Communication, establishment and other expenses	5,490,254	6,422,640
	------------------	------------------
	1,131,122,925	897,901,272
Work in process:		
Opening stock	14,880,860	--
Closing stock	(26,966,260)	(14,880,860)
	------------------	------------------
	(12,085,400)	(14,880,860)

	1999 Rupees	1998 Rupees
COST OF GOODS MANUFACTURED	1,119,037,525	883,020,412
Finished goods:		
Opening stock	34,208,310	--
Closing stock	(965,811)	(34,208,310)
	------------------	------------------
	(965,811)	(34,208,310)
	------------------	------------------
COST OF SALES	1,118,071,714	848,812,102
	==========	==========

16. GENERAL AND ADMINISTRATION EXPENSES

Salaries, wages and benefits	9,882,913	4,251,305
Travelling and entertainment	2,188,858	886,476
Insurance	557,188	136,508
Rent, rates and taxes	597,850	223,587
Repairs and maintenance	1,665,140	793,830
Printing and stationery	695,006	352,644
Communication, establishment and other expenses	2,270,090	758,557
Auditor's remuneration:		
Statutory audit	325,000	250,000
Tax advisory services and special reports	755,535	370,695
Out of pocket expenses	50,000	31,235
	------------------	------------------
	1,130,535	651,930
Legal and professional charges	918,261	1,308,111
Depreciation	2,160,703	1,391,479
Amortisation of deferred cost	6,150,486	6,150,486
Donations*	209,600	215,340
	------------------	------------------
	28,426,630	17,120,253
	==========	==========

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

	1999 Rupees	***1998 Rupees***
17. SELLING AND DISTRIBUTION EXPENSES		
Salaries, wages and benefits	6,633,387	2,930,349
Travelling and entertainment	1,140,750	468,041
Rent, rates and taxes	707,746	478,587
Repairs and maintenance	343,359	96,499
Printing and stationery	578,915	492,479
Depreciation	698,809	415,363
Communication, establishment and other expenses	2,855,920	875,878
Advertisement and sales promotion expenses	2,123,394	1,013,146
Insurance	229,135	--
	------------------	------------------
	15,311,415	6,770,342
	==========	==========

18. OTHER INCOME

Income on bank deposits	10,938,841	6,619,475
Profit on disposal of fixed assets	280,916	--
Other	43,510	330,189
	------------------	------------------
	11,263,267	6,949,664
	==========	==========

19. FINANCIAL CHARGES

Fee and charges related to long term loans	(103,963)	5,213,513
Interest/mark up related to long term loans	555,667,824	289,561,721
Mark up on short term loan from an associated undertaking	1,620,822	--
Exchange risk cover fee on foreign currency loans	187,940,635	157,254,006
Bank charges and commission	439,715	491,283
	------------------	------------------
	745,565,033	452,520,523
	==========	==========

20. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	Working Director		***Executives***	
	1999	***1998***	***1999***	***1998***
	Rupees	***Rupees***	***Rupees***	***Rupees***
Managerial remuneration	1,327,140	1,167,880	5,661,893	3,784,694
Gratuity/contribution to provident fund	474,453	61,630	1,333,854	184,789
Utilities and upkeep	226,000	268,298	573,313	466,671
	------------------	------------------	------------------	------------------
	2,027,593	1,497,808	7,569,060	4,436,154
	==========	==========	==========	==========
No of persons	1	1	13	9

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

No remuneration was paid to the chief executive and other directors of the Company (1998: Nil).

21. FINANCIAL RESTRUCTURING
The Company is evaluating options for financial restructuring, which may include rescheduling of loans to improve the liquidity of the Company.

22. GENERAL

22.1 Capacity and production

	For the year ended June 30, 1999 *Metric tons*	*For the period November 16, 1997 to June 30, 1998* *Metric tons*
Installed capacity	945,000	945,000
Designed capacity for the year/period	945,000	590,625
Actual production	628,346	374,776

22.2 Number of employees
Total number of employees at the end of the year were 473 (1998: 426).

22.3 Comparative figures
Previous years figures, wherever necessary, have been rearranged for purposes of comparison.

Chairman/Chief Executive **Director** **Director**

PATTERN OF SHAREHOLDING
AS ON 30 JUNE 1999

Number of Shareholders	*Shareholding From*	*To*	*Total Shares held Ordinary Shares of Rs. 10/Each*
743	101	500	371500
90	501	1000	89700
61	1001	5000	185000
10	5001	10000	87500
7	10001	15000	91000
3	15001	20000	57500
4	25001	30000	117500
2	35001	40000	75000

1	45001	50000	50000
1	105001	110000	106000
1	135001	140000	138000
1	245001	250000	250000
1	350001	355000	355000
1	450001	455000	455000
1	625001	630000	627100
1	670001	675000	672600
1	675001	680000	677600
1	1375001	1380000	1378700
1	1440001	1445000	1440600
1	1775001	1780000	1777200
1	2095001	2100000	2100000
1	2665001	2670000	2670000
1	3070001	3075000	3070500
1	4435001	4440000	4435500
1	4715001	4720000	4715500
1	5240001	5245000	5243000
1	9345001	9350000	9350000
2	15285001	15290000	30579400
1	15300001	15305000	15302099
1	84840001	84845000	84841993
------------------			------------------
950			171310499
=========			=========

CATEGORIES OF SHAREHOLDERS	***NUMBER OF SHARE HOLDERS***	***SHARES HELD***	***PERCENTAGE***
INDIVIDUALS	927	1,162,707	0.68
INVESTMENT COMPANIES	5	10,512,100	6.14
INSURANCE COMPANIES	3	424,500	0.25
JOINT STOCK COMPANIES	4	5,277,000	3.08
FINANCIAL INSTITUTIONS	3	8,413,100	4.91
MODARABA COMPANY	1	677,600	0.39
FOREIGN INVESTORS	5	57,901,499	33.79
OTHERS			
FAUJI FOUNDATION	1	84,841,993	49.53
FCCL EMPLOYEES TRUST	1	2,100,000	1.23
	------------------	------------------	------------------
	950	171,310,499	100.00