

Annual Report 1996

## Lucky Cement Limited

Concrete Progress

### COMPANY INFORMATION

#### BOARD OF DIRECTORS

Abdul Razzak Tabba (Chairman)  
Muhammad Yunus  
Razi-ur-Rehman (Nominee of NIT)  
Haji Abdul Razzak  
Martyn S. Wells  
Muhammad Sohail  
Muhammad All  
Imran Yunus

#### CHIEF EXECUTIVE

Abdul Razzak Tabba

#### COMPANY SECRETARY & SR. MANAGER FINANCE

Muhammad Abid Ganatra  
ACA, ACMA, ACIS

#### AUDITORS

M. Yousuf Adil & Co.,  
Chartered Accountants

#### LEGAL ADVISOR

Bawaney & Partners

#### BANKERS

Citibank N.A.  
Habib Bank AG Zurich  
Metropolitan Bank Limited  
Muslim Commercial Bank Limited  
Soneri Bank Limited

#### REGISTERED OFFICE

Pezu, District Lakki Marwat, N.W.F.P.

#### HEAD OFFICE

6-A Muhammad All Housing Society,  
A. Aziz Hashim Tabba Street,  
Karachi -75350

#### ISLAMABAD OFFICE

3rd Floor, Kulsum Plaza,  
42 Blue Area, Islamabad.

**FACTORY**

Pezu, District Lakki Marwar, NWFP.

**NOTICE OF 3RD ANNUAL GENERAL MEETING**

Notice is hereby given that the 3rd Annual General Meeting of the members of "Lucky Cement Limited" will be held on Tuesday, the 31st December, 1996 at 12:30 p.m. at the registered office of the Company at factory premises, Pezu, District Lakki Marwar, N.W.F.P. to transact the following business:

1. To confirm the minutes of the 2nd Annual General Meeting held on 30th October, 1995.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 1996 together with the Directors' and Auditors' report thereon.
3. To appoint Auditors and fix their remuneration for the year 1996-97. The present Auditors, Messrs M. Yousuf Adil & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To transact any other business with the permission of the Chair.

By Order of the Board.

Muhammad Abid Ganatra

Company Secretary

**Notes:**

1. The Share Transfer Books of the Company will be closed from 24th December, 1996 to 31st December, 1996 (both days inclusive) for the purpose of 3rd Annual General Meeting.
2. A member entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.
3. The members are requested to notify change in their address, if any, to the Company's shares department at 404, 4th Floor, Trade Tower, Abdullah Haroon Road, Karachi.

**DIRECTORS REPORT**

The directors are pleased to present their Third Annual Report together with the Audited Accounts and Auditors Report thereon for the financial year ending on 30th June, 1996.

By the Grace of Almighty, the Company started trial production in June, 1996. The marketing of cement was started on 26th June, 1996 on limited scale. The trial production and marketing of the product continued till the end of August, 1996. During this trial period the company sold more than 19000 metric tons of cement which was well received in the market. The quality of the Cement with regards to strength, setting time and fineness was found to be very good. The 28 days compressive strength was more than 7500 PSI against PSS requirement of 5000 PSI.

Unfortunately the production had to be stopped in the end of August, 1996 due to some technical problems in the civil foundation of certain equipments. In order to avoid possibilities of any damage to the equipments and to ensure that there is no impediment in the fulfillment of machinery supplier's

contractual obligation about Performance Guarantees, we decided to shut down the production and started remedial measures for reinforcement of the foundations. The remedial measures have been designed by National Engineering Service Pakistan (Pvt.) Ltd.(NESPAK) and are already under implementation. It is expected that the measures will be completed by the end of February, 1997 enabling the company to achieve normal production of its 4000 tons per day capacity.

In the meantime, the plant has already started partial production of clinker in the second half of November, 1996. The production of cement was started on 1 st December, 1996 and the dispatches to market have been resumed on 7th December, 1996. It is hoped that regular partial commercial production will start before the end of December, 1996.

#### **AUDITORS**

The auditors, M.Yusuf Adil & Co., Chartered Accounts retire and being eligible offer themselves for reappointment.

#### **PATTERN OF SHAREHOLDING**

The pattern of Share Holding as on 30th June, 1996 is annexed to this report

#### **SUBSIDIARY**

The audited accounts of the Lucky Powertech Limited, the company's wholly owned subsidiary, for the year ended 30th June, 1996 are annexed to this report.

#### **ACKNOWLEDGMENT**

We take this opportunity to express our sincere thanks to all suppliers, contractors and government agencies for their support and co-operation.

We also appreciate the untiring efforts made by the dedicated team of the company's managers, technicians and workers for the early completion of the project and expect them to continue to work with the same zeal in future.

For and on behalf of the Board

ABDUL RAZZKA TABBA

Chairman & Chief Executive

#### **PATTERN OF SHAREHOLDING AS AT JUNE 30, 1996**

NUMBER OF SHARE HOLDERS	SHARE HOLDING			TOTAL SHARES HELD
	FROM		TO	
146	1	--	100	14,600
42090	101	--	500	20,979,300
239	501	--	1000	239,000
341	1001	--	5000	1,107,700
186	5001	--	10000	1,692,100
45	10001	--	15000	596,100
39	15001	--	20000	744,300
29	20001	--	25000	717,100
25	25001	--	30000	734,000
4	30001	--	35000	128,000

4	35001	--	40000	157,500
6	45001	--	50000	300,000
1	55001	--	60000	59,000
1	60001	--	65000	64,000
1	65001	--	70000	70,000
8	70001	--	75000	596,500
3	75001	--	80000	235,700
1	85001	--	90000	89,200
1	90001	--	95000	91,600
10	95001	--	100000	991,700
1	100031	--	105000	102,500
1	115001	--	120000	119,000
1	120001	--	125000	125,000
1	125001	--	130000	127,900
1	145001	--	150000	150,000
3	195001	--	200000	600,000
2	210001	--	215000	428,700
2	245001	--	250000	500,000
2	265001	--	270000	537,000
1	365001	--	370000	369,000
3	395001	--	400000	1,200,000
3	495001	--	500000	1,500,000
1	535001	--	540000	536,700
1	645001	--	650000	647,300
1	815001	--	820000	815,500
1	935001	--	940000	937,500
1	970001	--	975000	971,300
2	995001	--	1000000	1,999,500
1	1070001	--	1075000	1,073,000
1	1200001	--	1205000	1,201,200
1	1300001	--	1305000	1,302,500
3	1345001	--	1350000	4,045,200
1	1425001	--	1545000	1,543,300
1	1540001	--	1545000	1,543,300
1	1995001	--	2000000	2,000,000
1	2065001	--	2070000	2,070,000
1	2270001	--	2275000	2,272,720
2	2495001	--	2500000	5,000,000
2	2545001	--	2550000	5,100,000
2	3045001	--	3050000	6,100,000
1	3995001	--	4000000	4,000,000
1	4495001	--	4500000	4,500,000
1	4545001	--	4550000	4,545,450
2	4995001	--	5000000	10,000,000
1	6205001	--	6210000	6,206,900
1	6695001	--	6700000	6,700,000
1	7145001	--	7150000	7,150,000
1	8330001	--	8335000	8,333,350
1	14385001	--	14390000	14,387,600
1	19915001	--	19920000	19,916,000

2	21210001	--	21215000	42,424,240
1	42420001	--	42425000	42,424,240
-----				-----
43299				245,000,000
=====				=====

S. NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES	PERCENTAGE HELD
1.	Individuals	43239	86,035,170	35.12
2.	Investment Companies	21	104,638,230	42.71
3.	Insurance Companies	4	78,400	0.03
4.	Joint Stock Companies	18	27,773,300	11.34
5.	Financial Institutions	8	25,362,900	10.35
6.	Modaraba Companies	7	1,009,500	0.41
7.	Others	2	102,500	0.04
-----				
	<b>Total</b>	43,299	245,000,000	100.00
=====				

#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Lucky Cement Limited as at June 30, 1996 and the statement of changes in financial position (cash flow statement) together with the notes forming part thereof, for the year ended on that date 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 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 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 the statement of changes in financial position (cash flow statement) together with the notes thereon 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, 1996 and the changes in financial position For the year then

ended; and

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

M.YOUSUF ADIL & CO.,  
Chartered Accountants

**BALANCE SHEET AS AT JUNE 30, 1996**

	Note	Amount in Rs. "000"	
		1996	1995
<b>CAPITAL AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVE</b>			
<b>Authorised</b>			
300,000,000 ordinary shares of Rs. 10/= each		3,000,000	3,000,000
		=====	=====
Issued, subscribed and paid-up capital	3	2,450,000	2,450,000
Capital reserve	4	990,000	990,000
		-----	-----
		3,440,000	3,440,000
<b>LONG TERM LOAN</b>	5	521,323	-
<b>DEFERRED LIABILITY</b>	6	2,194	875
<b>LONG TERM DEPOSITS</b>	7	31,525	-
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	8	161,479	439,163
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
		-----	-----
		4,156,521	3,880,038
		=====	=====

The Annexed notes from 1 to 24 form an integral part of these accounts.

	Note	Amount in Rs. "000"	
		1996	1995
<b>ASSETS</b>			
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating assets	10	3,600,464	28,091

Capital work in progress	11	117,454	2,629,038
		-----	-----
		3,717,948	2,657,129
<b>LONG TERM INVESTMENT</b>	12	172,500	100,000
<b>DEFERRED COSTS</b>	13	54,352	43,553
<b>CURRENT ASSETS</b>			
Stores and spares		43,696	--
Stock in trade	14	5,303	--
Trade debtors	15	1,902	--
Loans and advances	16	52,150	15,561
Deposits and prepayments	17	3,994	3,120
Other receivables	18	46,105	45,612
Cash and bank balances	19	58,601	1,015,063
		-----	-----
		211,751	1,079,356
		-----	-----
		4,156,521	3,880,038
		=====	=====

**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**(CASH FLOW STATEMENT)**  
**FOR THE YEAR ENDED JUNE 30, 1996**

	Amount in Rs. "000"	
	1996	1995
<b>A. CASH FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(1,059,972)	(2,266,960)
Sale proceed of fixed assets	480	1,212
Loss/(Gain) on sale of fixed assets	22	(215)
Long term investment	(72,500)	(100,000)
Deferred costs	(10,799)	(34,447)
Movement in working capital	(366,541)	418,680
Net cash used in investing activities	(1,509,310)	(1,976,730)
	=====	=====
<b>B. CASH FROM FINANCING ACTIVITIES</b>		
Proceed from issue of share capital/share premium	--	1,297,482
Long term loan	521,323	--
Long term deposits	31,525	--
Net cash from financing activities	552,848	1,297,482

Net increase/(decrease) in cash and cash equivalents (A+B)	(956,462)	(679,248)
Cash & cash equivalents at the beginning of the year	1,015,063	1,694,311
	-----	-----
Cash and cash equivalents at the end of the year	58,601	1,015,063
	=====	=====

#### **Movement in Working Capital**

(Increase)/Decrease in current assets		
Stores and spares	(43,696)	--
Stock in trade	(5,303)	--
Trade debtors	(1,902)	--
Loans and advances	(36,589)	(12,522)
Deposits and prepayments	(874)	(2,677)
Short term investment	--	39,000
Other receivables	(493)	(38,358)
Increase/(Decrease) in current liabilities creditors, accrued and other liabilities	(277,684)	433,267
	-----	-----
	(366,541)	418,680
	=====	=====

#### **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30,1996**

##### **1. STATUS AND ACTIVITIES**

1.1 The Lucky Cement Limited was incorporated in Pakistan on September 18, 1993 under the Companies Ordinance, 1984. The shares of the Company are quoted on the Stock Exchanges of Pakistan. The project is located at District Lakki Marwat in North West Frontier Province. The principal activity of the Company is the manufacture and sale of Cement.

##### **2. SIGNIFICANT ACCOUNTING POLICIES**

###### **2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

###### **2.2 Staff retirement benefits**

The Company operates an unfunded gratuity scheme for all its employees. Annual provisions are made in the accounts to cover this obligation.

###### **2.3 Taxation**

###### **Current**

Provision for current taxation is based on current rates of tax after taking into account tax rebates and credits available, if any.



**Deferred**

The Company accounts for deferred tax on all material timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable certainty that these timing differences will not reverse in the foreseeable future.

**2.4 Operating assets**

These are stated at cost less accumulated depreciation except freehold land which is stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates mentioned in the relevant note. Depreciation on additions during the year is charged on the basis of whole year while no depreciation is charged on deletion during the year.

Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalised.

Gains and losses on disposal of fixed assets are allocated to reproduction expenses till commercial production commences and thereafter to profit and loss account.

**2.5 Capital work in progress**

All cost/expenditure directly related to specific assets incurred during project implementation period are carried under this head. These are transferred to specific assets as and when assets are available for use.

**2.6 Deferred Cost**

Deferred cost is to be amortized over a period of five years beginning from the date of Commercial production.

**2.7 Investments**

Long term investments are stated at cost. Provision is made for permanent diminution in value.

**2.8 Stores and spares**

These are valued at moving average cost. Items in transit are stated at cost accumulated upto the balance sheet date.

**2.9 Stock in trade**

These are valued at lower of average cost or net realizable value. Cost signifies in relation to raw and packing material at average cost, work in process and finished goods at average cost comprising prime cost and appropriate manufacturing overheads.

**2.10 Revenue Recognition**

Sales are recorded on dispatch of goods.

**2.11 Foreign currency transactions**

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, except those covered under the



From others	110	--
	-----	-----
	31,525	--
	=====	=====

7.1 This represents interest free security deposits received from Stockists and is repayable on cancellation or withdrawal of stockistship and adjustable with unpaid amount of sales,

7.2 This represents interest free security deposits received from transporters and is repayable on cancellation or withdrawal of contracts.

	Amount in Rs. "000"	
	1996	1995
<b>8. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Creditors	42,326	333,432
Accrued expenses	524	1,464
Mark up on secured long term loan	16,714	--
Advances from customers	1,486	--
Retention money	99,052	101,928
Withholding taxes payable	576	1,718
Other liabilities	801	621
	-----	-----
	161,479	439,163
	=====	=====

#### 9. CONTINGENCIES AND COMMITMENTS

##### Contingencies

9.1 Under SRO 484(i)/92 dated May 14, 1992 the plant and machinery not being manufactured locally was exempt from custom duty and sales tax, if imported before June 30, 1995. The company obtained certificates from the Ministry of Industries and Central Board of Revenue (CBR) that the machinery being imported by it was not manufactured locally. In April 1995 the Central Board of Revenue advised the custom authorities that the local industry was capable of manufacturing some of the equipments being imported by the company and that exemption from custom duty and sales tax on such equipments be denied. The company has filed a writ petition against CBR's instructions before the Peshawar High Court. The High Court was pleased to grant an ad interim injunction which was later on confirmed. The amount of levy is not ascertained at this stage. The case is pending with Peshawar High Court for final decision.

9.2 In January, 1995, the Chinese Supplier of the plant sent a shipment of certain equipments by air which were found to be short supplied at the time of erection. Since the equipments were part and parcel of the main plant, the supply was made free of charge. The custom authorities however, assessed the equipment to duties and taxes of Rs. 20,830,226/- which was paid in full. The company has disputed this levy and

has filed an appeal before the Customs, Excise and Sales Tax Appellate Tribunal.  
The appeal is pending.

9.3 A dispute has arisen with a contractor at the initial stages on cancellation of a contract for residential quarter5. The Company has paid an amount of Rs.4.05 million as mobilization advance. The contractor has filed an arbitration suit in the Sindh High Court. The dispute is likely to be referred to an Arbitrator. However, both the parties are still holding negotiations for a mutual settlement.

9.4 Letter of guarantees nil (1995 Rs. 7.863 million)

	Amount in Rs. "000"	
	1996	1995
<b>Commitments in respect of</b>		
Letters of credits	91,593	74,844
Civil work contracts	162,950	671,146

**10. OPERATING ASSETS**

Particulars	Cost at July 01, 1995	Additional (Disposals) during the year	Cost at June 30, 1996	Accumulated Depreciation at June 30, 1996
Land-free hold	4,490	575	5,065	--
Building	--	658,162	658,162	--
Plant & Machinery	--	2,519,001	2,519,001	--
Electric installations	--	165,006	165,006	--
Water supply systems	--	30,530	30,530	--
Quarry Equipments	--	185,657	185,657	--
Vehicles	15,358	5,483	20,217	6,785
	--	(624)	--	--
Furniture and fixtures	3,313	986	4,299	726
Office equipments	10,015	5,778	15,793	2,629
Other assets	--	7,678	7,687	804
-----	-----	-----	-----	-----
1996	33,176	3,578,232	3,611,408	10,944
		(624)		
=====	=====	=====	=====	=====
1995	10,790	23,631	33,176	5,085
=====	=====	=====	=====	=====

Contd.

Particulars	Written down value at June 30, 1996	For the Year	Rate % per annum
-------------	---	--------------------	------------------------



Local	--	194,344
Building and civil works	58,844	348,839
Quarry development	711	4,611
Quarry equipment	--	181,776
Electrification	11,387	10,143
Water supply development	11,368	27,083
Workshop equipments	--	8,162
Other assets	14,790	2,283
	-----	-----
	97,100	2,597,900
Construction material at site		
Cement	10,356	27,893
Steel	1,042	68,949
	-----	-----
	11,398	96,842
Unallocated capital expenditure	11.1	--
	-----	-----
	117,454	2,868,333
Realised from deposits and temporary investments	(290,707)	(239,295)
Transferred to: Plant and machinery Building	218,030	--
	72,677	--
	-----	-----
	--	(239,295)
	-----	-----
	117,454	2,629,038
	=====	=====

Amount in Rs. "000"

	Note	1996	1995
<b>11.1 Unallocated capital expenditure</b>			
Staff salaries and benefits		62,332	22,503
Rent, rates and taxes		1,318	495
Stationery and office supplies		5,702	1,888
Travelling and conveyance		17,073	8,642
Entertainment		1,210	522
Repairs and maintenance		3,582	1,989
Vehicles running expenses		3,719	1,414
Fees and subscriptions		566	328
<b>Auditors' remuneration</b>	11.1.1	182	82
Legal and professional charges		3,659	1,459
Depreciation		11,314	5,333
Insurance		3,681	1,638
Security services		3,127	863
Communication		13,671	5,546

Utilities	16,270	1,466
Training	2,012	--
Charity Expense	1,070	--
Transportation & Freight	543	--
Advertisement	3,246	1,169
Financial charges	28,933	3,125
Sundries	4,692	1,182
	-----	-----
	187,902	59,644
11.1.2	726	--
	-----	-----
	187,176	59,644

Transferred to:		
Plant and machinery	140,382	--
Buildings	46,794	--
	-----	-----
	--	59,644
	=====	=====

**11.1.1 Details of Auditors'**

**Remuneration**

Audit Fee	165	75
Out - of- pocket expenses	17	7
	-----	-----
	182	82
	=====	=====

11.1.2 The Company conducted trial run operation in June 1996. The profit arising from trial on operation, as detailed below, has been set off against unallocated preproduction.

	Note	Amount in Rs. "000"	
		1996	1995
Gross sales		2,046	--
Less: Excise duty		686	--
		-----	-----
		1,360	--
Cost of Sales:			
Raw material consumed		906	--
Fuel and power		2,663	--
Packing material		169	--
		-----	-----
		3,738	--
Less : Work in process closing		1,955	--
Finished goods closing		1,150	--

	-----	-----
	(3,105)	--
	-----	-----
Cost of sales	634	--
	-----	-----
Trial production profit	726	--
	=====	=====

#### 12. LONG TERM INVESTMENT

Shares in subsidiary company-unquoted Lucky Powertech Limited 10,000,000 fully paid ordinary shares of Rs. 10/- each.	100,000	100,000
Advance for 7,250,000 ordinary shares of Rs. 10/- each	72,500	--
Chief Executive - Mr. Abdul Razzak Tabba Equity held - 100%		
	-----	-----
Breakup value Rs. 10/-	172,500	100,000
	=====	=====

Latest financial statement of subsidiary and Statement under Section 237 of the Companies Ordinance, 1984 are enclosed.

#### 13. DEFERRED COST

Preliminary expenses	2,506	2,506
Expenses on the issue of shares	41,047	41,047
Quarry development costs	10,576	--
Other deferred costs	223	--
	-----	-----
	54,352	43,553
	=====	=====

Note Amount in Rs. "000"  
1996 1995

#### 14. STOCK - IN - TRADE

Raw and packing material	2,198	--
Work in process	1,955	--
Finished goods	1,150	--
	-----	-----
	5,303	--
	=====	=====

#### 15. TRADE DEBTORS



Unsecured considered good	1,902	--
	=====	=====

**16. LOANS AND ADVANCES**

Unsecured Considered good		
Employees	2,319	979
Advance income tax	19,156	11,024
Excise duty	1,314	--
Advance to suppliers and others	29,361	3,558
	-----	-----
	52,150	15,561
	=====	=====

**17. DEPOSITS AND PREPAYMENTS**

Deposits	2,468	1,235
Prepayments	1,526	1,885
	-----	-----
	3,120	3,994
	=====	=====

**18. OTHER RECEIVABLES**

Accrued interest	348	15,180
Octroi refundable	10,577	24,246
Insurance claim	10	6,133
Freight	102	--
Custom duty	20,830	--
Others	14,238	53
	-----	-----
	46,105	45,612
	=====	=====

**19. CASH AND BANK BALANCES**

Bank balances		
Current accounts	5,092	1,605
PLS and deposit accounts	53,460	1,013,394
	-----	-----
	58,552	1,014,999
Cash in hand	49	64
	-----	-----
	58,601	1,015,063
	=====	=====

**20. REMUNERATION OF DIRECTORS  
AND EXECUTIVES**

Amount in "000"  
Executive  
1996                      1995

Remuneration	7,049	4,907
House Rent Allowance	3,172	2,058
Utilities Allowance	837	457
Conveyance Allowance	562	414
	-----	-----
	11,620	7,836
	-----	-----
Number of Persons	43	27
	=====	=====

No remuneration were paid to Chief Executive and/or Directors of the Company. The Chief Executive has voluntarily decided to not to accept any remuneration till the start of commercial production.

**21. AGGREGATE TRANSACTION WITH ASSOCIATED UNDERTAKINGS**

Purchases of Power	11,239	--
Rent	278	278

**22. SUBSEQUENT EVENTS**

The production stopped in the month of August, 96 due to calibration of machinery and rectification of some technical problems. The production of clinker was partly resumed on November 18th, 1996.

**23. PRODUCTION CAPACITY**

The production capacity of the plant on achieving 100% capacity utilization will be 4000 tons of clinker per day.

**24. GENERAL**

24.1 No profit and loss account has been prepared since the Company has not gone into commercial production.

24.2 Figures have been rounded off to the nearest thousand of rupees.

24.3 Previous year's figures have been rearranged, whenever necessary for the purpose of comparison.

**ANNUAL REPORT 1996**

**LUCKY POWERTECH LIMITED**

WHOLLY OWNED SUBSIDIARY.

STATEMENT AND REPORT UNDER  
SECTION 237-OF THE  
COMPANIES ORDINANCE, 1984

SUBSIDIARY  
LUCKY POWERTECH

**LIMITED**

Statement under section (1) (e)

a) Extent of the interest of Lucky Cement Limited (the holding company) in the equity of its subsidiary as at the end of the last date of the financial year of the subsidiary	100%
b) The net aggregate amount of revenue/profits less losses of the subsidiary companies, so far as these concern members of the holding Company and has not been dealt with in the accounts of the holding Company [or the year ended June 30, 1996 are:	
i) For the last of the financial year of the subsidiary	Nil
ii) For the previous years upto June 30, 1996 but subsequent to the acquisition of the controlling interest by the holding company	Nil
c) The net aggregate amount of profits, less losses of the subsidiary companies so far as these have been dealt with or provision made for losses in the account of the holding company for the year ended June 30, 1996	
i) for the last of the financial year of the subsidiary	Nil
ii) for the previous years upto June 30, 1996 but subsequent to the acquisition of the controlling interest by the holding company	Nil

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Lucky Powertech Limited as at June 30, 1996 and the statement of changes in financial position (cash flow statement) together with the notes forming part thereof, for the period ended on that date 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 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 ;

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

(iii) the investments made and the expenditure incurred during the period 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 the statement of changes in financial position (cash flow statement) together with the notes thereon 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, 1996 and the changes in financial position for the period then ended; and

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

M.YOUSUF ADIL & CO.,  
Chartered Accountants

Karachi : 7th December, 1996

**BALANCE SHEET AS AT JUNE 30 , 1996**

	Note	Amount in Rs. "000"	
		1996	1995
<b>CAPITAL AND LIABILITIES</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
20,000,000 ordinary shares of Rs. 10/- each		200,000 =====	200,000 =====
<b>Issued, subscribed and paid-up</b>			
10,000,000 ordinary shares of Rs. 10/- each fully paid in cash		100,000	100,000
<b>ADVANCE AGAINST SHARES</b>		72,500	--
<b>LONG TERM LOANS</b>	3	325,195	150,000
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEAS</b>	4	183,752	64,540
<b>DEFERRED LIABILITY</b>	5	89	--
<b>CURRENT LIABILITIES</b>			
Current portion of loans and lease liabilities	6	66,930	5,275
Short term borrowings		--	127,000
Creditors, accrued and other liabilities	7	13,881	115,684
		----- 80,811	----- 247,959

**CONTINGENCIES AND COMMITMENTS**

8	--	--
	-----	-----
	762,347	562,499
	=====	=====

The Annexed notes from 1 to 14 form an integral part of these accounts.

	Note	Amount in Rs. "000"	
		1996	1995
<b>ASSETS</b>			
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating assets	9	719,894	--
Capital work in progress	10	--	532,670
		-----	-----
		719,894	532,670
<b>LONG TERM LEASE DEPOSITS</b>		22,064	7,321
<b>DEFERRED COST</b>		313	313
<b>CURRENT ASSETS</b>			
Stores and spares		17,073	--
Advances, Deposits, prepayments and other receivables	11	2,216	8,001
Cash and bank balances	12	787	14,194
		-----	-----
		20,076	22,195
		-----	-----
		762,347	562,499
		=====	=====

**STATEMENT OF CHANGES IN FINANCIAL POSITION****(CASH FLOW STATEMENT)**

FOR THE YEAR ENDED JUNE 30, 1996

	Amount in Rs. "000"	
	1996	1995
<b>A. CASH FROM INVESTING ACTIVITIES:</b>		
Fixed capital expenditure	(186,822)	(532,670)
Deferred cost	(313)	(313)
Movement in working capital	(113,091 )	107,683
	-----	-----
Net cash used in investing activities	(300,226)	(425,300)
	=====	=====
<b>B. CASH FROM FINANCING ACTIVITIES:</b>		
Share capital / premium	--	100,000

Advance against shares	72,500	--
Long term loans	209,801	150,000
Liabilities against assets subject to finance lease	131,518	624,494
Short term borrowings	(127,000)	127,000
	-----	-----
	286,819	439,494
	=====	=====
Net Increase / (decrease) in cash and cash equivalents (A+B)	(13,407)	(14,194)
Cash & cash equivalents at the beginning of the year	14,194	--
	-----	-----
Cash and cash equivalents at the end of the year	787	14,194
	=====	=====
<b>Movement in Working Capital</b>		
(Increase)/Decrease in current assets		
Stores and spares	(17,073)	--
Advances, deposits, prepayments and other receivables	5,785	(8,001)
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	(101,803)	115,684
	-----	-----
	(113,091)	107,683
	=====	=====

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED  
JUNE 30, 1996**

**1. STATUS AND ACTIVITIES**

The Lucky Powertech Limited, a wholly owned subsidiary of Lucky Cement Limited, was incorporated on June 26th, 1994 under the Companies Ordinance 1984 and obtained the certificate to commence business on July 24th, 1994. The project is a captive power plant which is located at District Lakki Marwat in NWFP. The principal business of the company is to generate and supply electricity.

**2. SIGNIFICANT ACCOUNTING POLICIES**

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its employees. Annual provisions are made in the accounts to cover this obligation.

2.3 Taxation

The profits and gains derived by the company are exempt from income tax.

#### 2.4 Operating assets

These are stated at cost less accumulated depreciation except freehold land which is stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates mentioned in the relevant note. Depreciation on additions during the year is charged on the basis of whole year while no depreciation is charged on deletion during the year.

Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalized.

Gains and losses on disposal of fixed assets are allocated to preproduction expenses till commercial production commences and thereafter to profit and loss account.

#### 2.5 Accounting for leases

The Company accounts for the assets acquired under finance lease by recording the assets and related liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

#### 2.6 Capital work in progress

All costs/expenditure directly related to specific asset incurred during the project implementation period are carried under this head. These are transferred to specific assets as and when assets are available for use.

#### 2.7 Deferred cost

Deferred cost is amortized over a maximum over a period of five years beginning from the date of commencement of commercial production.

#### 2.8 Stores & Spares

These are valued at moving average cost. Items in transit are stated at cost accumulated upto the balance sheet date.

#### 2.9 Foreign Currency transactions

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange ruling at the balance sheet date, except where forward exchange contracts have been entered into for payment of liabilities in which case the rate contracted for is used. Exchange gains and losses on translation are allocated to Preproduction expenses till commercial production commences and thereafter to profit and loss account.

#### 2.10 Revenue recognition

Revenue from supply of electricity is recognized on issue of bills.

		Amount in Rs. "000"	
	Note	1996	1995
<b>LONG TERM LOANS - Secured</b>			
<b>Banking company</b>			
Demand Finance - I	3.10	150,000	150,000
Demand Finance - II	3.10	69,500	--

**Investment bank**

Morahaba Finance

3.2 57,676 --

**Suppliers Credit**

3.3 82,625 --

-----  
359,801 150,000

Current Portion shown under current liabilities

-----  
34,606 -------  
325,195 150,000  
=====

3.1 The demand finance facility I and II are subject to mark up @ 15.5% p.a. and 54 paisas per Rs.1000/day respectively. These are secured against hypothecation of plant and machinery and on book debts. Demand finance are repayable in lum sum after two years.

3.2 The morahaba finance is subject to mark up @ 19.5% p.a. and is secured against a diesel generating set. This facility is repayable in 5 equal quarterly installment with the first installment due in December, 1996.

3.3 This represents retention money payable to supplier of power plant machinery and is secured against an irrecoverable letters of credit issued by a scheduled bank against hypothecation of plant and machinery and book debts of the company.

Amount in Rs. "000"

1996 1995

**4. LIABILITIES AGAINST ASSETS SUBJECT****TO FINANCE LEASE**

Opening balance

69,815 --

Obtained during the year

153,239 73,205

Paid during the year

(6,978) (3,390)

-----  
216,076 69,815

Payable within one year shown under current liabilities

-----  
32,324 (5,275)-----  
183,752 64,540  
=====

4.1 Liabilities against assets subject to finance lease represents liability finance obtained under sale and lease back arrangement for diesel generating sets consisting of diesel engine, boiler and cooling tower from a commercial bank and leasing companies. The mark up rate applicable is 21% p.a. approximately.

4.2 The amount of future lease payments to which the Company is committed as at June 30, 1996 are as under:



**Year ending June 30,**

1997	67,828
1998	73,238
1999	73,238
2000	74,933
2001	24,109

-----  
313,346

Less: Finance charge

97,270

-----  
216,076  
=====

**5. DEFERRED LIABILITIES**

Staff gratuity

89

=====

Amount in Rs. "000"

1996                      1995

**6. CURRENT PORTION OF LOAN**

**AND LEASE LIABILITY**

Current portion of long term loan

34,606

--

Current portion of lease

32,324

5,275

-----  
66,930

-----  
5,275  
=====

**7. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Creditors

4,264

4,034

Retention

1,585

102,711

Accrued Interest on long term loan

7,545

8,355

Withholding tax

133

142

Others

354

442

-----  
13,881

-----  
115,684  
=====

**8. CONTINGENCIES AND COMMITMENTS**

Capital commitments under letters of credit

82

19.264

Capital expenditure contracts

--

30.174

**9. OPERATING ASSETS**

Particulars	Cost at July 01, 1995	Additi- onal	Cost at June 30th 1996	Accumulated Depreciation at 1996 June 30,
-------------	-----------------------------	-----------------	------------------------------	---

**Owned**

Building	--	26,298	26,298	--
Plant and machinery	--	416,426	416,426	--
Electrical installations	--	47,798	47,798	--
Storage tanks	--	6,605	6,605	--
Furniture and fixture	--	479	479	48
Office equipment	--	1,372	1,372	137
Other assets	--	513	513	51
		-----	-----	-----
		499,491	499,491	236
<b>Under lease</b>				
Plant and machinery	--	220,639	220,639	--
		-----	-----	-----
1996	--	720,130	720,130	236
		=====	=====	=====
1995	--	--	--	--
		=====	=====	=====

**Contd.**

	Written down Value at June 1996 30, 1996	For the Year Year	Rate per annum	
<b>Owned</b>				
Building	26,298	--	--	
Plant and machinery	416,426	--	--	
Electrical installations	47,798	--	--	
Storage tanks	6,605	--	--	
Furniture and fixture	431		48	10
Office equipment	1,235		137	10
Other assets	462		51	10
	-----	-----	-----	-----
	499,255		236	
<b>Under lease</b>				
Plant and machinery	220,639	--		
	-----	-----	-----	-----
1996	719,894		236	
	=====	=====	=====	=====
1995	--	--		
	=====	=====	=====	=====

9.1 The land on which the project is setup, has been obtained from Lucky Cement Limited, the holding company.

	Note	Amount in Rs. "000"	1996	1995
<b>10. CAPITAL WORK IN PROGRESS</b>				
Advances				
Erection and installation		--		1,280
Building and civil works		--		741
Electrical materials		--		11,500

Furniture and fixture	--	61
Office equipment	--	238
	-----	-----
	--	13,820
Work in progress		
Plant- own	--	422,788
Plant - under lease	--	73,205
Building and civil works	--	9,498
Fuel storage tanks	--	1,505
	-----	-----
	--	506,997
Unallocated Capital Expenditure	10.1	--
		11,853
	-----	-----
	--	532,670
	=====	=====

**10.1 Unallocated Capital Expenditure**

Staff Salaries and benefits		2,390	1,125
Printing & Stationery		36	21
Communication		1,036	115
Traveling & conveyance		330	275
Ground Rent		557	278
Auditors' remuneration		55	28
Legal & professional charges		131	16
Security Services		48	48
Financial Charges		84,359	9,943
Sundries		335	4
		-----	-----
		89,277	11,853
Less: Trial production profit	10.1.1	(2,519)	--
		-----	-----
		86,758	11,853
Transferred to:			
Plant and machinery		84,155	--
Buildings		2,603	--
		-----	-----
		(86,758)	--
		-----	-----
		--	11,853
		=====	=====

Amount in Rs. "000"

Note                      1996                      1995

**10.1.1 Trial production profit**

Sales	11,239	--
Cost of sales:		
Fuel oil and Lubricants	6,942	--
Chemical	234	--
Salary and benefits	1,544	--
	-----	-----
Cost of sales	8,720	--
	-----	-----
Trial production profit	2,519	--
	=====	=====

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

Considered good		
Advance for Suppliers	592	--
Security deposits	1,036	982
Octroi refundable	560	5,189
Advance Tax	26	--
Other receivables	2	1,830
	-----	-----
	2,216	8,001
	=====	=====

**12. CASH AND BANK BALANCES**

Cash with bank		
Current	74	14,189
PLS	713	5
	-----	-----
	787	14,194
	=====	=====

**13. PLANT CAPACITY**

The power generation capacity of the plant on achieving 100% capacity utilization at site working condition will be 42.84 Mega Watts.

**14. GENERAL**

14.1 No profit and loss account has been prepared as the Company has not gone into commercial operation.

14.2 Figures have been rounded off to nearest thousand rupees.