

Mustehkam Cement Limited
Annual Report 1999

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BOARD OF DIRECTORS

MUHAMMAD NAWAZ TIWANA
Chairman

KHAWAJA SAQIB NAIM
Chief Executive

MUHAMMAD IRIAZ KHAN

S. M. FAKHIR HASAN

BEHRAM HASAN

MUHAMMAD ILYAS DAR

MUHAMMAD ASHRAF CHAUDHRY

SECRETARY

MAHMOOD AHMED KHAN
Chartered Secretary

AUDITORS

MUNIFF ZIAUDDIN & CO.,
Chartered Accountants,
M-40/E, Bank Road,
Rawalpindi Cantt.

BANKERS

Habib Bank Limited.
National Bank of Pakistan.

REGISTERED OFFICE

Gul-e-Akra Plaza,
147-Murree Road,
Rawalpindi Cantt.

FACTORY

HATTAR,
Distt. Haripur.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Mustehkam Cement Limited will be held at Flashman's Hotel, The Mall, Rawalpindi Cantt. on Thursday the 30th December, 1999 at 10.00 a.m. for the purpose of transacting the following business:-

1. To confirm the minutes of previous Annual General Meeting.
2. To receive and adopt the audited accounts of the Company for the period ended June 30, 1999 together with the reports of directors and auditors thereon.
3. To appoint auditors and fix their remuneration.

Under Sub-Section(1) of Section 253 of Companies Ordinance 1984, the company has received notice for a resolution at the Annual General Meeting from a shareholder to appoint Riaz Ahmad & Co., Chartered Accountants, 2-A, ATS Centre, 30-West Fazal-uI-Haq Road, Blue Area, Islamabad as auditors of the company to hold office from the conclusion of above mentioned Annual General Meeting untill the conclusion of next Annual General Meeting in place of retiring auditors Muniff Zia-ud-Din & Co., Chartered Accountants, M-40-E, Bank Road, Rawalpindi Cantt.

4. To transact any other ordinary business of the Company with permission of the Chair.

The share transfer books of the Company will remain closed from 23rd December, 1999 to 29th December, 1999 (both days inclusive).

RAWALPINDI
Dated: December 4, 1999

By Order of the Board

MAHMOOD AHMAD KHAN
Secretary

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received at the registered office of the Company not less than 48 hours before the time appointed for the meeting.
2. Shareholders are requested to immediately notify the Company of any

change in their address.

3. Shareholders are further requested to quote their folio number in all correspondence with the Company and at the time of attending the Annual General Meeting.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your Company take pleasure in placing before you the 45th Annual Report together with the Audited Accounts and the Auditors' Report thereon for the year ended 30th June, 1999.

PRODUCTION

112,030 tonnes of Clinker and 124,434 tonnes of cement was produced against the target of 280,000 / 294,000 tonnes respectively during the year 1998-99 as operation of the plant was closed w.e.f. 10-01-99 on the instructions of the Privatization Commission and the Board of Directors.

MARKETING

The Company sold 136,558 tonnes of cement during the year against the target of 294,000 tonnes.

PRICING POLICY

Last year unhealthy price war was experienced which persisted in the early part of year under report as well. We had to make downward revision in price many times. Upward revision in price took place w.e.f. 16-10-1998 which raised our booking price to Rs. 4,300/- per tonne. This price remained operative upto 22-04-1999. With downward revision in excise duty, price was revised and booking price fixed at Rs. 3,820 per tonne w.e.f. 23-04-1999 which remained operative up to 30-06-1999.

FINANCIAL

The Company's plant being closed has no cash resources of its own. Its cash requirements including salary & wages, utility bills etc are financed by SCCP treating the same as loan bearing 14% interest per annum.

Average ex-factory price of cement was Rs. 3,800.17 per tonne and average retention price to the company after deduction of excise duty and SCCP cement surcharge was Rs. 2,165.09 per tonne against the cost to make and sell of Rs. 3,917.09 per tonne (including fixed cost of Rs. 2,147.38 per tonne) during the year. Retention price during the last year was Rs. 1,925.85 per tonne against the cost to make and sell of Rs. 2,649.26 per tonne (including fixed cost of Rs. 923.68 per tonne). Manufacturing cost has increased due to increase in fixed charges as a result of closure of the plant w.e.f. 10-01-99. Operational

loss for the fiscal period was Rs. 239.251 million and after addition of revenue / other income of Rs. 8.013 million, the company sustained a net loss for the year amounting to Rs. 231.238 million.

The results are summarised as under :-

	(Rupees in million)
Net profit/(Loss) for the year	(231.238)
Adjustment of prior year	10.336

Net profit/(Loss) before tax	(220.902)
Balance brought forward	(343.806)

Total profit/(Loss)	(564.708)
Provision for taxation	(0.557)

Net profit/(Loss) after tax	(565.265)
	=====

DIRECTORS

Since the last Annual General Meeting Syed Asif Ali Shah, Mr. Muhammad Akhtar and Mr. Muhammad Akram relinquished the charge to act as Directors and Mr. Muhammad Riaz Khan, Mr. Muhammad Ilyas Dar and Khawaja Saqib Naim were appointed Directors in their place. The Directors place on record their appreciation for the valuable services rendered by the outgoing Directors and welcome the incoming Directors on the Board.

AUDITORS

The auditors Muniff Zia-ud-Din & Co., Chartered Accountants retire and offer their services for reappointment.

GENERAL

The Company has relieved 611 workers and 26 officers under GHS/VSS scheme. The claim for payment of GHS/VSS for the remaining employees, who have opted under the scheme, has been lodged with the Privatization Commission which is under process.

For and on behalf of the
Board of Directors

RAWALPINDI
November 29, 1999

KHAWAJA SAQIB NAIM
CHIEF EXECUTIVE

PATTERN OF HOLDING OF SHARES AS ON JUNE 30, 1999

NO. of Shareholders	Shareholding		Total Shares Held
	From	To	
3,760	1	100	81,947
701	101	500	140,429
96	501	1,000	68,470
81	1,001	5,000	148,279
12	5,001	10,000	78,051
2	10,001	15,000	26,632
1	15,001	20,000	20,000
1	20,001	25,000	21,933
1	30,001	35,000	34,905
1	60,001	65,000	60,200
1	105,001	110,000	108,060
1	1,020,001	1,025,000	1,023,160
1	10,505,001	10,510,000	10,507,934
-----			-----
4,659			12,320,000
=====			=====

**CATEGORIES OF SHAREHOLDERS
AS ON JUNE 30, 1999**

Particulars	No. of Shareholders	Shares held	Percentage
Individuals	4,473	510,907	4.15%
Investment Companies	5	38,598	0.31%
Insurance Companies	4	20,876	0.17%
Joint Stock Companies	4	79,825	0.65%
Financial Institutions	12	1,155,535	9.38%
State Cement Corporation of Pakistan (Fvt) Limited	1	10,507,934	85.29%
Deputy Administrator Abandoned Properties (Bangladesh Citizens)	159	6,324	0.05%
Securities and Exchange Commission of Pakistan	1	1	--
	-----	-----	-----
	4,659	12,320,000	100%
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of MUSTEHKAM CEMENT LIMITED as at 30th June, 1999 and the related profit and loss account and Cash flow statement together with the notes forming part thereof, for the year then ended and subject to the

remarks that:-

As shown in the financial statements, the company is carrying accumulated loss of Rs. 565,265 thousands and the current liabilities exceeded its current assets by Rs. 371,990 thousands. These raise doubt that the company will be able to continue as a going concern. The financial statements do not include any adjustments relating to recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company be unable to continue as a Going Concern.

We state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 thereof 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 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 30th June, 1999 and of the loss 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.

Rawalpindi

Dated: Dec. 03, 1999

**MUNIFF ZIAUDDIN & CO.,
CHARTERED ACCOUNTANTS**

BALANCE SHEET AS AT JUNE 30, 1999

CAPITAL AND LIABILITIES	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
		<i>(RUPEES IN THOUSAND)</i>	
SHARE CAPITAL AND RESERVES			
Authorised capital			
18,000,000 ordinary shares of Rs. 10/- each		180,000	180,000
		=====	=====
Issued, subscribed and paid up capital			
12,320,000 ordinary shares of Rs. 10/- each	3	123,200	123,200
RESERVES			
Capital reserve		289	289
Revenue reserve	4	130,888	130,888
Retained earnings		(565,265)	(343,806)
		-----	-----
		(434,088)	(212,629)
		-----	-----
		(310,888)	(89,429)
LONG TERM LOANS AND DEFERRED LIABILITIES			
Long term loans	5	299,430	205,059
Deferred taxation		77,936	78,857
		-----	-----
		377,366	283,916
LONG TERM DEPOSITS	6	3,356	3,576
CURRENT LIABILITIES			
Bank overdraft-secured	7	27,974	--
Current maturity of long term loans	8	130,489	136,060
Due to Associated Companies	9	68,903	65,922
Trade creditors		9,893	12,033
Deposits/advances from customers	10	21,187	96,565
Accrued liabilities	11	163,597	146,274
Other liabilities	12	5,756	18,167
Dividend payable	13	187,588	187,589
		-----	-----
		615,387	662,610
CONTINGENCIES AND COMMITMENTS			
	14	--	--
		-----	-----
		685,221	860,673
		=====	=====
PROPERTY A			
	NOTE		
FIXED ASSETS - TANGIBLE			
Operating assets	15	401,890	451,212
Stores held for capital expenditure		36,893	32,021
		438,783	483,233

LONG TERM LOANS AND DEPOSITS

Employees	16	3,041	4,062
Prime Minister's Debt Retirement Scheme (Qarz-e-Hasna)		--	1,000

CURRENT ASSETS

Stores, spares and loose tools - at cost	17	178,081	192,838
Stock in trade	18	65.38	48,815
Trade debtors-considered good	19	51	216
Loans and advances - employees	20	7,389	22,518
Due from Associated Companies	21	94	94
Loans and advances - others	22	20,226	28,337
Trade deposits & prepayments	23	6,750	3,883
Interest accrued		21	280
Other receivables	24	7,193	103
Advance Income Tax	25	6,557	4,426
Cash and bank balances	26	10,497	70,868
		-----	-----
		243,397	372,378
		-----	-----
		685,221	860,673

The annexed notes form an integral part of these accounts.
Auditors' report to the members annexed.

S. M. FAKHIR HASAN
DIRECTOR

KHAWAJA SAQIB NAIM
CHIEF EXECUTIVE

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

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
		<i>(RUPEES IN THOUSAND)</i>	
SALES - Net		295,660	752,027
COST OF GOODS SOLD		446,173	854,009
		-----	-----
GROSS PROFIT/(LOSS)		(150,513)	(101,982)
OTHER INCOME			
Interest	29	1,036	3,524
Miscellaneous	30	6,977	7,303
		-----	-----
		8,013	10,827
		-----	-----
		(142,500)	(91,155)

OPERATING EXPENSES

General and administrative	31	30,511	33,482
Selling and distribution	32	2,604	4,839
Auditors' remuneration	33	60	60
Financial	34	55,563	46,672
		-----	-----
		88,738	85,053
		-----	-----
NET PROFIT/(LOSS) FOR THE YEAR		(231,238)	(176,208)
PRIOR YEARS' ADJUSTMENTS	35	10,336	12,431
		-----	-----
NET PROFIT/(LOSS) BEFORE TAXATION		(220,902)	(163,777)
TAXATION	36	(557)	1,793
		-----	-----
		(221,459)	(161,984)
UNAPPROPRIATED PROFIT/(LOSS) BROUGHT FORWARD		(343,806)	(181,822)
		-----	-----
UNAPPROPRIATED PROFIT/(LOSS)		(565,265)	(343,806)
		-----	-----
RETAINED EARNING CARRIED FORWARD		(565,265)	(343,806)

The annexed notes form an integral part of these accounts.

S. M. FAKHIR HASAN
DIRECTOR

KHAWAJA SAQIB NAIM
CHIEF EXECUTIVE

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE, 1999**

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
		<i>(RUPEES IN THOUSAND)</i>	
CASH FLOW FROM OPERATING ACTIVITIES ·			
Loss before taxation		(163,777)	(220,902)
ADJUSTMENT FOR NON CASH ITEMS			
Depreciation		48,878	55,663
(Profit) on sale of fixed assets		(1,801)	--
Provision for obsolete stores & spares		1,044	1,044
		-----	-----
		48,121	56,707
(INCREASE)/DECREASE IN CURRENT ASSETS'			
Stores & stocks		55,990	22,778
Deposits, prepayments & other recoverables		13,542	9,609
Trade debtors		165	379
		-----	-----
		69,697	32,766
INCREASE/(DECREASE) IN CURRENT ,LIABILITIES ·			

Trade creditors	(2,140)	(10,854)
Other liabilities	(67,485)	100,134
	-----	-----
	(69,625)	89,280
	-----	-----
NET CASH FLOW FROM OPERATING ACTIVITIES ·	(172,709)	14,976
CASH FLOW FROM INVESTING ACTIVITIES -		
Fixed capital expenditure	(4,943)	4,834
Long term loans & deposits	2,021	6,422
Taxes paid	(3,609)	(10,292)
Sale proceed of fixed assets	2,316	--
	-----	-----
	(4,215)	964
CASH FLOW FROM FINANCING ACTIVITIES ·		
Loan received from S.C.C.P.	88,800	59,500
Bank overdraft	27,974	--
Repayment of SCCP loan	-	(18,648)
,Long term deposits	(220)	(227)
Dividend paid	(1)	(13)
	-----	-----
	116,553	40,612
	-----	-----
	(60,371)	56,552
CASH & CASH EQUIVALENTS on 1-7-98	70,868	14,316
	-----	-----
CASH & CASH EQUIVALENTS on 30-6-99	10,497	70,868
	=====	=====

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

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated on 29th July, 1954 as Public Limited Company and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The Company is engaged in production and sale of portland cement.

2. SUMMARY OF 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 approved funded gratuity scheme and contributions thereto are charged to profit and loss account.

2.3 Taxation

Taxation is provided on the basis of taxable income at current rates of taxation after taking into account admissible tax credit, rebates, if any. Deferred taxation is provided on timing differences using the liability method.

2.4 Fixed Assets

a) Fixed assets are stated at cost less accumulated depreciation except free hold land, stores held for capital expenditure and capital work in progress which are stated at cost. The cost of certain assets is adjusted for the exchange fluctuations on foreign currency loans obtained for purchase of these assets.

b) Depreciation is charged to profit and loss account using reducing balance method at the rates given as per Note No. 15. It is charged for full year in the year of purchase, whereas no depreciation is charged in the year of sale.

c) Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

d) Gain or loss on disposal of assets is included in current income.

2.5 Stores, Spares and Loose Tools

These are valued at cost determined on moving average basis except stores in transit which are valued at cost accumulated to balance sheet date. Provision is made to cover obsolete stores.

2.6 Bad and doubtful debts

Known bad debts are written off and provisions are made against debts considered doubtful.

2.7 Stock-in-Trade

These are valued at lower of cost and net realizable value as under:-

Raw materials	-	At average cost
Work in process	-	At first in first out cost basis.
Packing material	-	At average cost
Finished goods	-	At first in first out

2.8 Revenue Recognition

Sales are recorded on despatch of goods to customers.

1999 **1998**
(RUPEES IN THOUSAND)

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

9,030,000 ordinary shares of Rs. 10/- each issued for cash	90,300	90,300
--	--------	--------

210,000 ordinary shares of Rs. 10/- each issued as bonus shares	2,100	2,100
3,080,000 ordinary shares of Rs. 10/- each issued as bonus shares	30,800	30,800
	-----	-----
	123,200	123,200
	=====	=====

SCCP held 10,507,934 ordinary shares of Rs. 10/-each at June 30, 1999 and 1998.

4. REVENUE RESERVE

General Reserve	Reserve u/s 15 BB of the Income Tax Act, 1992 (Repealed)		1999	1998
	(RUPEES IN THOUSAND)			
At the beginning of the year	128,000	2,888	130,888	130,888
Addition/(deletion) during the year	--	--	--	--
	-----	-----	-----	-----
Balance as at June 30	128,000	2,888	130,888	130,888
	=====	=====	=====	=====

5. LONG TERM LOANS FROM

STATE CEMENT CORPORATION OF PAKISTAN (PVT) LTD (SCCP)

1. Local Currency Loan:

Opening balance		288,784	229,284
Add: Receipts during the year		88,800	59,500
		-----	-----
		377,584	288,784
Less: Overdue	(Note8)	--	58,706
Current maturity	(Note 8)	94,396	58,706
		-----	-----
		94,396	117,412
		-----	-----
		283,188	171,372

2. Foreign Currency Loan against BMR:

Opening balance 1st tranche		3,610	6,016
2nd tranche		48,725	64,967
		-----	-----
		52,335	70,983
Less' Repayments		--	18,648
		-----	-----
		52,335	52,335

		18,648	--
Less: Current maturity	(Note 8)	17,445	18,648
		-----	-----
		36,093	18,648
		-----	-----
		16,242	33,687
		-----	-----
		299,430	205,059
		=====	=====

5.1 SCCP (Pvt) Ltd. had initially sanctioned working capital loan of Rs. 250 million. Further amount of Rs. 88.800 million has been disbursed during the year. Loan amount according to revised repayment schedule is payable in 8 bi-annual instalments commencing from 1-12-1999 and ending on 1-6-2003. This carries markup @ 14% p.a. SCCP Loan is secured against pari passu charge on fixed assets of the company for an amount of Rs. 249.284 million.

5.2 This represents the amount of capital expenditure incurred on behalf of the Company by SCCP against BMR programme in US Dollars. The loan is repayable in fourteen equal bi-annual instalments commencing from April 01, 1993 against tranche No. 1 and from October 01, 1994 against tranche No. 2, over a period of seven years. SCCP has charged the Company for the loan in two tranches carrying interest @ 14% p.a. and 15% p.a. respectively.

The repayment schedule drawn in US Dollars was revised in pak rupees in 1992-93 and was further rescheduled on 07-03-1995.

6. LONG TERM DEPOSITS

These represent interest free security deposits from stockiest and are repayable on termination of agency.

7. BANK OVERDRAFT- SECURED

	1999	1998
	(RUPEES IN THOUSAND)	
Running Finance	27,974	--
	-----	-----
	27,974	--
	=====	=====

7.1 Allied Bank of Pakistan Ltd. has sanctioned the following credit facilities against hypothecation of stock of raw material and finished goods and first charge on fixed assets of the company. These are repayable in lumpsum on or before 30-06-2000

	(Rupees in Thousand)
Running Finance	30,000
Letter of Credit	35,000

Letter of Guarantee	35,000	
---------------------	--------	--

8. CURRENT MATURITY OF LONG TERM LOANS

Opening balance	136,060	74,949
Add/(Less) Rescheduled	(117,412)	2,405
	-----	-----
	18,648	77,354
Less payment	--	18,648
	-----	-----
Overdue	18,648	58,706
Local Currency	94,396	58,706
Foreign Currency	17,445	18,648
	-----	-----
	130,489	136,060

9. DUE TO ASSOCIATED COMPANIES

Current account with SCCP	68,871	65,890
Thatta Cement	24	24
Javedan Cement	8	8
	-----	-----
	68,903	65,922

10. DEPOSITS/ADVANCES FROM CUSTOMERS

Advances from customers	20,572	95,948
Security deposits/retention money from contractors (interest free)	615	617
	-----	-----
	21,187	96,565

1999 1998
(RUPEES IN THOUSAND)

11. ACCRUED LIABILITIES

Royalty and excise duty on limestone	66	1,541
Salaries and wages	4,570	21,582
Electricity and gas bills	4,301	19,460
Interest accrued on long term loan (SCCP)	143,962	92,773
Interest accrued on bank overdraft	2,528	--
Other charges	8,170	10,918
	-----	-----
	163,597	146,274

12. OTHER LIABILITIES

Due to employees	2,068	1,288
------------------	-------	-------

Tax deducted at source	211	72
Workers' "Profit" Participation Fund	11	11
Employees Gratuity Fund Trust	--	11,489
Miscellaneous	3,466	5,307
	-----	-----
	5,756	18,167
	=====	=====

13. DIVIDEND PAYABLE

Unclaimed	2,788	2,789
Unpaid (Note 13.1)	184,800	184,800
	-----	-----
	187,588	187,589
	=====	=====

13.1 Dividend has not been paid as ex-owners have obtained status quo from Supreme Court of Pakistan against payment of dividend.

14. CONTINGENCIES AND COMMITMENTS

14.1 The Central Excise & Sales Tax Department has raised demand of Rs. 9.758 million against the company for disallowance of input sales tax adjustment. The amount has been deposited & appeal filed against the demand, which is pending before the Customs, Central Excise & Sales Tax Department.

14.2 A demand of Rs. 14.068 million for Workers Welfare Fund was raised by Income Tax Assessing Officer for assessment years 1987-88 to 1990-91 and 1994-95 to 1996-97, an appeal was filed against the same before the learned Commissioner of Income Tax (Appeals), which was rejected. We have filed appeals against the same before the learned Income Tax Appellate Tribunal.

Further demand of Workers Welfare Fund has been raised for the assessment years 1991-92 to 1993-94 at Rs. 5.695 million. We have filled appeals against the same before the CIT (Appeals).

14.3 The Income Tax Assessing Officer has raised a demand of Rs. 1.906 million under section 87 for non-payment of tax under section 53. A writ was filed against the change in law made in section 53 by Finance Act, 1997, which was later on withdrawn on directions of Federal Government. The matter has been taken up at inter-ministerial level and it was decided to refer the case to ministry of Law, Govt. of Pakistan for their consideration.

14.4 . Commitments

Letter of Credit	--	7,780
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15. OPERATING ASSETS- TANGIBLE

(RUPEES IN THOUSAND)

PARTICULARS	COST					DEPRECIATION				
	As on 01-07-98	Additions	Deletions	As on 30-06-99	Rate %	As on 01-07-98	Adjustments	For the year	Accumulated As on 30-06-99	Written down Value as on 30-6-99
Free Hold Land	5,811	--	--	5,811	--	--	--	--	--	5,811
Factory Building	122,891	--	--	122,891	10	100,897	--	2,199	103,096	19,795
Office Building	1,266	--	--	1,266	5	746	--	26	772	494
Colony Building	38,503	--	--	38,503	10	28,255	--	1,025	29,280	9,223
Godown	10,841	--	--	10,841	5	6,369	--	224	6,593	4,248
Plant & Machinery	975,612	9	4,201	971,420	10	623,447	3,938	35,191	654,700	316,720
Tools & Equipments	5,040	62	--	5,102	10	4,025	--	108	4,133	969
Electrical Installation	31,042	--	--	31,042	10	25,448	--	560	26,008	5,034
Furniture & Fixture	6,283	--	--	6,283	10	3,925	--	236	4,161	2,122
Vehicles	169,803	--	12,454	157,349	20	123,245	12,202	9,261	120,304	37,045
Library Books	66	--	--	66	10	34	--	4	38	28
Railway Siding	1,063	--	--	1,063	10	860	--	20	880	183
Gas Installation	1,542	--	--	1,542	10	1,300	--	24	1,324	218
	-----	-----	-----	-----		-----	-----	-----	-----	-----
1999	1,369,763	71	16,655	1,353,179		918,551	16,140	48,878	951,289	401,890
	-----	-----	-----	-----		-----	-----	-----	-----	-----
1998	1,369,763	--	--	1,369,763		862,888	--	55,663	918,551	451,212
	=====	=====	=====	=====		=====	=====	=====	=====	=====

a) Depreciation of fixed assets for the period from July 1966 (commencement of commercial production) to June 30, 1999 calculates to Rs. 955,584 thousand against which depreciation totalling Rs. 951,289 thousand has been provided in 29 years and 6 months from 1970 onward. The depreciation for the period from July, 1966 to December, 1969 has not been charged in view of tax holiday by the Company.

b) Depreciation for the year has been charged as follows:-

1999 1998
(RUPEES IN THOUSAND)

Cost of goods sold (Note 28)	48,627	55,365
General and administrative expenses (Note 31)	251	298
	-----	-----
	48,878	55,663
	=====	=====

16. LONG TERM LOANS AND ADVANCES (EMPLOYEES)

	1999		Total	1998		Total
	Chief Executive	Other Employees		Chief Executive	Other Employees	

(RUPEES IN THOUSAND)

House building loans	128	3,300	3,428	203	9,032	9,235
Scooter/Car loans	--	565	565	--	1,293	1,293
	-----	-----	-----	-----	-----	-----
	128	3,865	3,993	203	10,325	10,528
Less: Due for recovery within next twelve months:						
House building loans	(Note 20)		750			57,631
Scooter/Car loans	(Note 20)		202			703
			-----			-----
			952			6,466
			-----			-----
			3,041			4,062
			=====			=====

a) Interest bearing House Building Loans granted to the maximum of 50 basic salary including cost of living allowance are recoverable in maximum 144 monthly instalments. These carry interest @ 5% per annum on loans exceeding Rs. 30,000. However employees not receiving interest on their provident fund balances are exempt to the extent of their provident fund balances plus Rs. 30,000. These are secured to the extent of 75% against total amount of provident fund and gratuity of the borrower and surety at the time of application.

b) Scooter loans are recoverable in maximum 36 monthly instalments and carry interest @ 5% per annum. Interest free car loans are recoverable in maximum 100 monthly instalments.

(c) These include loan aggregating Rs. 3,200 thousand paid during the last three years.

(d) The maximum aggregate amount due from Chief Executive against loans at the end of any month during the year was Rs. 331 thousand (1998 Rs. 240 thousand).

1999 **1998**
(RUPEES IN THOUSAND)

17. STORES, SPARES AND LOOSE TOOLS

Stores	20,964	29,017
Spares	163,938	169,571
Loose tools	206	233
	-----	-----
	185,108	198,821
Less: Provision for obsolescence	7,027	5,983
	-----	-----
	178,081	192,838

Spares relating to obsolete machinery and vehicles have been taken as obsolete.

18. STOCK IN TRADE

Raw material	2,509	5,561
Packing material	2,481	4,098
Work-in-process	1,536	14,583
Finished goods	12	24,573
	-----	-----
	6,538	48,815

19. TRADE DEBTORS - CONSIDERED GOOD

These are secured and are considered good.

20. LOANS AND ADVANCES TO EMPLOYEES

Advances against expenses	2,728	5,781
Advances against salary	3,709	10,284
Current portion of long term loans and advances- Employees	(Note 16) 952	6,466
	-----	-----
	7,389	22,531
Less: Provision for doubtful debts	--	13
	-----	-----
	7,389	22,518

21. DUE FROM ASSOCIATED COMPANIES

	<i>Month end</i>	<i>Maximum balance</i>		
Associated Cement Rohri	Jul-98	94	94	94

No regular sales or purchases were effected with the associated companies during the year.

22. LOANS AND ADVANCES - OTHERS

Advances for goods and services	7,336	5,085
Other advance (Note 22.1)	3,033	2,892
Excise duty advance	10	10,441
Sales tax advance	9,897	9,969
	-----	-----
	20,276	28,387
Less: Provision for doubtful debts	50	50
	-----	-----
	20,226	28,337

22.1 Other advances include advances to fair price shop amounting to Rs. 557

thousand (1998 Rs. 614 thousand) which represent stocks, credit purchases allowed to employees and mill canteen etc.

23. TRADE DEPOSITS AND PREPAYMENTS

Security deposits	4,282	2,402
Refundable octroi/deposits	524	372
Prepayments	1,964	1,129
	-----	-----
	6,770	3,903
Less · Provision for doubtful debts	20	20
	-----	-----
	6,750	3,883
	=====	=====

1999 **1998**
(RUPEES IN THOUSAND)

24. OTHER RECEIVABLES

Claim receivables	70	132
Less: Provision for doubtful debts	70	131
	=====	=====
	--	1
Sales tax refund on explosives	102	102
Employees Gratuity Fund Trust	7,091	--
	-----	-----
	7,193	103

25. ADVANCE INCOME TAX

Opening balance	4,426	(2,106)
Add/(Less) Provision for taxation	(1,478)	(3,760)
	-----	-----
	2,948	(5,866)
Add: Payments/deductions/adjustments	3,609	10,292
	-----	-----
	6,557	4,426
	=====	=====

26. CASH AND BANK BALANCES

Cash in hand	113	12
Bank balances:		
Current accounts:		
National Bank of Pakistan	6,771	92
Bank of Punjab	5	5
	-----	-----
	6,776	97
Current account deposits (Interest bearing)		

Allied Bank of Pakistan Limited	192	28,887
Habib Bank Limited	(1,451)	37,162
	-----	-----
	(1,259)	66,049
Time deposit accounts:		
National Development Finance Corporation	1,367	710
Fixed deposits:		
National Development Finance Corporation (Against stockiest' securities)	3,500	4,000
	-----	-----
	10,497	70,868

27. SALES - NET

Gross sales	518,943	1,289,490
Less		
Excise duty	216,690	535,691
Discount / Rebate	5,910	--
Cement surcharge	683	1,772
	-----	-----
	223,283	537,463
	-----	-----
Net sales	295,660	752,027

1999 1998
(RUPEES IN THOUSAND)

28. COST OF GOODS SOLD

Raw material consumed	(Note 28.1)	32,328	58,889
Packing material consumed		32,377	82,726
Stores and spares consumed		30,445	43,549
Electricity and gas		86,493	192,018
Fuel		58,412	247,659
Salaries, wages and benefits	(Note 28.2)	90,099	153,454
Rent, rates and taxes		262	101
Insurance		3,233	3,580
Depreciation	(Note 15)	48,627	55,365
Other expenses		26,289	19,068
		-----	-----
		408,565	856,409

Work-in-process'

Opening stock		145,831	19,200
Closing stock		(1,536)	(14,583)
		-----	-----
		13,047	4,617
		-----	-----

Cost of goods manufactured	421,612	861,026
Finished goods:		
Opening stock	24,573	17,556
Closing stock	(12)	(24,573)
	-----	-----
	24,561	(7,017)
	-----	-----
COST OF GOODS SOLD	446,173	854,009

28.1 Raw material consumed

Opening stock of raw material	5,561	6,736
Add: Purchases		
Explosives	1,426	3,345
Excise duty on lime stone	145	428
Royalties on lime stone	1,868	4,474
Export tax	422	636
Salaries, wages and benefits	15,727	25,486
Stores and spares	4,935	10,388
Electricity	2,117	3,571
Transportation charges	1,591	4,205
Gypsum	1,045	5,181
	-----	-----
	34,837	64,450
Less: Closing stock of raw material	(2,509)	(5,561)
	-----	-----
Raw material consumed	32,328	58,889

28.2 Salaries & Wages

Salaries and wages (including allowances)	43,431	92,619
Bonus	--	8,612
Contribution to Provident Fund	2,363	4,179
Provision for gratuity	2,288	11,108
Medical expenses/social security	5,647	11,180
Leave encashment	26,529	11,246
Old age benefits/education cess	700	1,939
Fair price shop/canteen subsidy	739	952
Group insurance	258	481
Other benefits	8,144	11,138
	-----	-----
	90,099	153,454

29. INTEREST INCOME

On bank deposits	1,036	3,347
On loan to employees	--	177
	-----	-----

1,036 3,524

30. MISCELLANEOUS INCOME

Profit on sale of fixed assets	(Note 38)	1,801	--
Sale of scrap		3,419	2,425
Others		1,757	4,878
		-----	-----
		6,977	7,303

31. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, wages	(Note 31.1)	22,079	25,136
Travelling and conveyance		358	495
Vehicle running expenses		490	574
Postage, telegrams and telephones		772	853
Printing & stationery		565	535
Rent, rates & taxes		992	1,061
Electricity & gas		429	516
Repair & maintenance		232	155
Legal & professional charges		538	353
Service charges - Expert Advisory Cell		1,250	954
Computer charges		393	393
Subscription & donations		384	148
Advertisement		94	103
Insurance		74	39
Entertainment		377	688
Depreciation	(Note 15)	251	298
Provision for obsolete stores & spares		1,044	1,044
Miscellaneous		189	137
		-----	-----
		30,511	33,482

31.1 Salaries, Wages and Benefits

Salaries & allowances		9,636	16,135
Bonus		--	1,233
Contribution to provident fund		769	1,218
Provision for gratuity		399	1,433
Medical expenses/social security		1,623	1,815
Leave encashment		8,514	1,741
Award to employees		24	59
Old age benefits		100	224
Canteen/fair price shop expenses		122	178
Other benefits		892	1,100
		-----	-----
		22,079	25,136

32. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and benefits		2,346	3,709
------------------------------	--	-------	-------

Bonus	--	228
Provision for gratuity	13	304
Travelling & conveyance	4	32
Postage, telegrams & telephones	51	208
Printing & stationery	2	26
Rent, rates and taxes	51	41
. Electricity & gas	1	7
Entertainment	7	37
Advertisement	8	--
Miscellaneous	2	16
Service charges	119	231
	-----	-----
	2,604	4,839
	=====	=====

1999 1998
(RUPEES IN THOUSAND)

33. AUDITORS' REMUNERATION

Audit fee	30	30
Cost audit fee	25	25
Other expenses	5	5
	-----	-----
	60	60
	=====	=====

34. FINANCIAL EXPENSES

Interest on loans	54,909	46,420
Bank charges	654	252
	-----	-----
	55,563	46,672
	=====	=====

35. PRIOR YEAR'S ADJUSTMENT

Ex gratia payment to workers	--	2,100
Bonus	(10,336)	(14,531)
	-----	-----
	(10,336)	(12,431)
	=====	=====

36. TAXATION

Current	1,478	3,760
Deferred	(921)	(5,553)
	-----	-----
	557	(1,793)
	=====	=====

37. REMUNERATION OF DIRECTORS AND EXECUTIVES

	1999			1998		
	<i>Chief</i>			<i>Chief</i>		
	<i>Executive</i>	<i>Directors</i>	<i>Executives</i>	<i>Executive</i>	<i>Directors</i>	<i>Executives</i>

(RUPEES IN THOUSAND)

Meeting fee	--	4	--	--	6	--
Remuneration	203	--	5,103	203	--	6,145
Contribution to Provident Fund	17	--	409	17	--	501
Gratuity provision	61	--	341	103	--	418
Housing, servants, medical, transportation and utilities (approx. money value)	307	--	2,206	268	--	3,844
	-----	-----	-----	-----	-----	-----
	588	4	8,059	591	6	10,908
	=====	=====	=====	=====	=====	=====
No. of persons	1	3	27	1	3	34

38. PROFIT ON SALE OF FIXED ASSETS

(RUPEES IN THOUSANDS)

<i>Particulars</i>	<i>Cost as on 30.6.98</i>	<i>Acc/Dep. 30.6.98</i>	<i>W.D.V. 30.6.98</i>	<i>Sale Proceed</i>	<i>Profit/ Mode of (loss)</i>	<i>Sold to Disposal</i>
1. Waserhute Dragline Excavator W-18(1965)	135	127	8	656	648	By Auction M/s. G.M. Enterprise Sargodha
2. HinoTruck RIF-4653	185	183	2	155	153	do do
3. HinoTruck RIL 844	208	201	7	205	198	do do
4. Dumper Truck Aveling Badford	494	492	2	100	98	do M/s. Haji Sher Ali Khan RWP
5. Hitachi Shovel UH 202	4,059	3,805	254	295	41	do do
6. Broom-Wade Compressor CV-400	6	5	1	28	27	do M/s. Mohammad Amin Peshawar
7. Front End Teres Loader	4,485	4,391	94	230	136	do M/s. Shad Ali Khan Nowshera
8. Ding Fong Tractor	26	26	--	6	6	do do
9. Tractor Massy Furguson MF210	48	46	2	61	59	do M/s. Javed Hussain Sargodha
10. Mench Shovel M.966	7,009	6,864	145	580	435	do M/s. Haji Sher Ali Khan RWP
	-----	-----	-----	-----	-----	
Total	16,655	16,140	515	2,316	1,801	

39. CAPACITY AND ACTUAL PRODUCTION

Against capacity of 0.630 million tonnes of clinker per annum on three shift working, the actual production during the year was 0.112 million tonnes of clinker (1998 0.330 million tonnes). The shortfall in production was due to closure of kiln 1 and kiln 2 on account of higher fuel consumption and closure of kiln 3 w.e.f. 10.01.99

as per policy of the Govt.

40. UNAVAILED CREDIT FACILITIES

(RUPEES IN THOUSAND)

	Sanctioned	Unavailed
Running finance	30,000	2,026
Letter of guarantee	35,000	1,469
Letter of credit	35,000	35,000

41. GENERAL

Figures:

in the accounts are rounded off to the nearest thousand rupees.

of the previous year are re-arranged wherever necessary for the purpose of comparison

S. M. FAKHIR HASAN
DIRECTOR

KHAWAJA SAQIB NAIM
CHIEF EXECUTIVE