

Mustehkam Cement Limited

Annual Report 2000

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BOARD OF DIRECTORS

MUHAMMAD NAWAZ TIWANA
Chairman
KHAWAJA SAQIB NAIM
Chief Executive
S. M. FAKHIR HASAN
ABDUL GHAFAR SOOMRO
MUHAMMAD ILYAS DAR
MUHAMMAD ARSHAD SAEED
SHAHID ANWAR

SECRETARY MAHMOOD AHMED KHAN
Chartered Secretary

AUDITORS RIAZ AHMED & CO.,
Chartered Accountants,
2-A, ATS Centre, 30 West
Fazul-uI-Haq Road,
Blue Area, Islamabad.

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 Shareholders of Mustehkam Cement Limited will be held at Flashman's Hotel, The Mall, Rawalpindi Cantt. on Saturday the 30th December 2000, 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, 2000 together with the reports of directors and auditors thereon.
3. To appoint auditors and fix their remuneration.
4. To transact any other ordinary business of the Company with the permission of the Chair.

The share transfer books of the Company will remain closed from 20th December, 2000 to 26th December, 2000 (both days inclusive).

Rawalpindi
Dated:- 7th December, 2000.

By Order of the Board

Mahmood Ahmed 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

1. The Directors of your company take pleasure in placing before you the 46th annual report together with the audited accounts and the auditors' report thereon for the year

ended 30th June 2000.

FINANCIAL

2. The financial results of the company for the year are summarised as under:-

	(Rupees in million)
Net loss before tax	280.337
Balance brought forward	565.264
Loss before taxation and appropriation	845.601
Less: provision for taxation - current	1.931
- prior years	(6.692)
- deferred	(10.964)

	(15.725)

Net loss after tax	829.876
Appropriations - Transfer from tax holiday reserve u/s 15BB of the repealed Income Tax Act 1922	(2.888)

Accumulated loss carried forward	(826.988)
	=====

3. During the year, the company was unable to generate funds of its own because there was no production and marketing activity. The company has already temporarily suspended its operations from 10 January 1999 under the instructions from the Privatization Commission, Government of Pakistan. The company shall recommence its operations after successful privatization of 85% of equity held by State Cement Corporation of Pakistan (Private)Limited. In this respect, Rupees 477.192 million have been paid by the Privatization Commission to 1,076 employees during 1998-99 and 1999-2000 under golden handshake/voluntary separation scheme. In view of recommencement of company's operations as aforesaid, no adjustment has been made in these financial statements that might result, should the company not be able to continue as a going concern. The auditors of the company have also emphasized the matter in their report to the members.

DIRECTORS

4. Since the last Annual General Meeting, Mr. Behram Hassan, Mr. Muhammad Ashraf Chowdhry and Mr. Muhammad Riaz Khan relinquished the charge to act as Directors and Mr. Shahid Anwar, Mr. Muhammad Arshad Saeed and Mr. Abdul Ghaffar Soomro were appointed Directors in their place. The Directors place on record their appreciation for valuable services rendered by the outgoing Directors and welcome the incoming Directors on the Board.

AUDITORS

5. The Auditors Riaz Ahmed & Company, Chartered Accountants retire and, being eligible, offer their services for reappointment.

GENERAL

6. Nominal strength of essential officers and workers has been retained/hired after relieving all the employees under GHS/VSS..

For and on behalf of the
Board of Directors

Rawalpindi
Dated: 29th November, 2000

KHAWAJA SAQIB NAIM
CHIEF EXECUTIVE

**PATTERN OF HOLDING OF SHARES
AS ON JUNE 30, 2000**

<i>No. of Shareholders</i>	<i>Share Holding</i>		<i>Total Shares Held</i>
	<i>From</i>	<i>To</i>	
3,769	1	100	81,984
699	101	500	141,237
95	501	1,000	67,590
82	1,001	5,000	150,814
13	5,001	10,000	83,611
1	10,001	15,000	13,566
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	1,135,001	1,140,000	11,360,226
1	10,505,001	10,510,000	10,507,934
----- 4,665	-----	-----	----- 12,320,000
=====	=====	=====	=====

**CATEGORIES OF SHAREHOLDERS
AS ON JUNE 30, 2000**

	<i>No. of Shareholders</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	4,483	510,407	4.15%
Investment Companies	4	38,590	0.31%
Insurance Companies	4	20,876	0.17%
Joint Stock Companies	5	79,833	0.65%
Financial Institutions	8	1,156,035	9.38%
State Cement Corporation of Pakistan (Pvt) Limited	1	10,507,934	85.29%
Deputy Administrator Abandoned Properties (Bangladesh Citizens)	159	6,324	0.05%

Securities & Exchange
Commission of Pakistan

1	I	--
-----	-----	-----
4,665	12,320,000	100%
=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of MUSTEHKAM CEMENT LIMITED as on 30 June 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and statement of changes in

financial position, 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 30 June 2000 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.

Without qualifying our opinion, we draw attention to Note No. 1.2 to the accounts. The company has incurred losses of Rupees 826.988 million including loss of Rupees 264.612 million for the year. The company's current liabilities have exceeded its current assets by Rupees 494.232 million and its total liabilities exceed its total assets by Rupees 508.527 million. These factors raise doubts that the company will be able to continue as a going concern. However, these accounts have been prepared on going concern basis, which is dependent on the successful outcome of the matters stated in the aforesaid note.

Dated: 30 November 2000
Islamabad

RIAZ AHMAD AND COMPANY
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT 30 JUNE 2000

		<i>(RUPEES IN THOUSAND)</i>	
	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
18,000,000 (1999: 18,000,000) ordinary shares of Rupees 10 each		180,000	180,000
		=====	=====
Issued, subscribed and paid up share capital	3	123,200	123,200
Reserves	4	128,289	131,177
Accumulated loss		(826,988)	(565,264)
		-----	-----
		(575,499)	(310,887)
NON-CURRENT LIABILITIES			
Long term loans	5	396,343	299,430
Long term security deposits	6	2,742	3,356
Deferred taxation		66,972	77,936
		-----	-----
		466,057	380,722
CURRENT LIABILITIES			
Short term running finance	7	27,203	27,974
Current maturity of long term loans	8	184,448	130,489

Creditors, accrued and other liabilities	9	333,176	269,335
Dividend payable	10	187,586	187,588
Provision for taxation		1,931	151,677
		-----	-----
		734,344	767,063
CONTINGENT LIABILITIES	11	--	--
		-----	-----
		624,902	836,898
		=====	=====

ASSETS

NON-CURRENT ASSETS

Tangible fixed assets

Operating fixed assets - at cost less accumulated depreciation	12	349,022	401,891
Stores held for capital expenditure		35,768	36,893
		-----	-----
		384,790	438,784

Long term loans and advances	13	--	3,041
		-----	-----
		384,790	441,825

CURRENT ASSETS

Stores, spares and loose tools	14	178,078	178,081
Stock in trade	15	6,540	6,538
Trade debtors - Considered good	16	38	51
Loans, advances, deposits, prepayments and other receivables	17	41,148	199,906
Cash and bank balances	18	14,308	10,497
		-----	-----
		240,112	395,073
		-----	-----
		624,902	836,898
		=====	=====

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2000

(RUPEES IN THOUSAND)

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
SALES	19	--	295,660
COST OF GOODS SOLD	20	--	446,172
GROSS LOSS		--	(150,512)

OPERATING EXPENSES			
Administrative and general	21	211,374	305,711
Selling and distribution	22	--	2,604
		-----	-----
		211,374	33,175
		-----	-----
OPERATING LOSS		(211,374)	(183,687)
OTHER INCOME			
	23	19,796	18,349
		-----	-----
		(191,578)	(165,338)
FINANCIAL AND OTHER CHARGES			
Financial charges	24	77,072	55,563
Other charges	25	9,739	--
		-----	-----
		86,811	55,563
		-----	-----
		(278,389)	(220,901)
PRIOR YEARS' ADJUSTMENT	26	1,948	--
		-----	-----
LOSS BEFORE TAXATION		(280,337)	(220,901)
TAXATION			
Current		1,931	(1,478)
Prior years		(6,692)	--
Deferred		(10,964)	921
		-----	-----
		(15,725)	(557)
		-----	-----
LOSS AFTER TAXATION		(264,612)	(221,458)
ACCUMULATED LOSS BROUGHT FORWARD		(565,264)	(343,806)
		-----	-----
		(829,876)	(565,264)
APPROPRIATIONS			
Transfer from Tax Holiday Reserve		(2,888)	--
		-----	-----
ACCUMULATED LOSS CARRIED TO BALANCE SHEET		(826,988)	(565,264)
		=====	=====
LOSS PER SHARE-BASIC	27	21.48	17.98
		=====	=====

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2000**

	<i>(RUPEES IN THOUSAND)</i>	
<i>NOTE</i>	<i>2000</i>	<i>1999</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(280,337)	(220,901)
ADJUSTMENTS FOR NON CASH CHARGES AND OTHER ITEMS:		
Depreciation	42,142	48,878
Depreciation of prior years	1,948	--
Provision for gratuity	6,294	--
Provision for obsolete spare parts	--	1,044
Fixed assets written off	9,023	--
Store shortages written off	716	--
Credit balances added back	(5,588)	--
Gain on disposal of operating fixed assets	(23)	(1,801)
Financial charges	77,072	55,563
	-----	-----
	131,584	103,684
 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL	 ----- (148,753)	 ----- (117,217)
CASH FLOWS FROM WORKING CAPITAL CHANGES		
(INCREASE)/DECREASE IN CURRENT ASSETS		
Stores and spares	(713)	13,713
Stock in trade	(2)	42,277
Trade debts	13	165
Loans, advances, deposits, prepayments and other receivables	8,591	13,542
(DECREASE) IN CURRENT LIABILITIES		
Creditors, accrued and other liabilities	(529)	(123,343)
	-----	-----
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANG	7,360	(53,646)
	-----	-----
CASH OUTFLOWS FROM OPERATING ACTIVITIES	(141,393)	(170,863)
Financial charges paid	(7,114)	(1,846)
Income tax paid	(1,112)	(3,609)
	-----	-----
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	(149,619)	(176,318)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets acquired	(554)	(71)
Stores held for capital expenditure	1,125	(4,872)
Sale proceeds of operating fixed assets	333	2,316
Long term advances	3,041	2,021

NET CASH INFLOWS/(OUTFLOWS) FROM INVESTING ACTIVITI	3,945	(606)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loans	150,872	88,800
Short term running finance	(771)	27,974
Long term security deposits	(614)	(220)
Dividend paid	(2)	(1)
NET CASH INFLOWS FROM FINANCING ACTIVITIES	149,485	116,553
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,811	(60,371)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YE	10,497	70,868
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14,308	10,497

The annexed notes form an integral part of these accounts

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2000**

	(RUPEES IN THOUSAND)				
	<i>SHARE RESERVE</i>	<i>CAPITAL RESERVE</i>	<i>REVENUE General Reserve</i>	<i>RESERVES Accumulated Loss</i>	<i>TOTAL</i>
Balance as at 01 July 1998	123,200	289	130,888	(343,806)	(89,429)
Net Loss for the year	--	--	--	(221,458)	(221,458)
Balance as at 30 June 1999	123,200	289	130,888	(565,264)	(310,887)
Net Loss for the year	--	--	--	(264,612)	(264,612)
Transfer from general reserve	--	--	(2,888)	2,888	--
Balance as at 30 June 2000	123,200	289	128,000	(826,988)	(575,499)

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR

ENDED 30 JUNE 2000

1. THE COMPANY AND ITS OPERATION

1.1 Mustehkam Cement Limited is a public company limited by shares incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984). The shares of the company are listed on Karachi, Lahore and Islamabad Stock Exchanges. The company is primarily engaged in the business of production and sale of Portland cement.

1.2 The company has incurred a loss after tax of Rupees 264.612 million for the year ended 30 June 2000 and accumulated losses of Rupees 826.988 million as at that date. Further, current liabilities of the company have exceeded its current assets by Rupees 494.232 million and total liabilities are in excess of total assets by Rupees 508.527 million.

The company's operations have temporarily been suspended on 10 January 1999 under the instructions from the Privatization Commission, Government of Pakistan. However, these accounts have been prepared on going concern basis in view that the Company will recommence its operations after successful privatization of 85% of equity held by State Cement Corporation of Pakistan (Private)Limited. The Privatization Commission of Pakistan has already paid Rupees 477.192 million in this regard, to 1,076 employees of the company during 1998-99 and 1999-2000 under golden handshake/voluntary separation scheme. Therefore, these financial statements do not include any adjustment that might result, should the company not be able to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.2 Compliance with IAS

These financial statements have been prepared in compliance with International Accounting Standards (IAS) as applicable in Pakistan.

2.3 Staff Retirement Benefits

The company operates approved funded provident fund scheme. Contributions to provident fund are made at the rate of 10% of basic salary.

The Company also operates approved funded gratuity scheme. Contributions to the fund are made after deducting liabilities from the assets of the fund. No actuarial valuation has ever been made.

Contributions to these funds are charged to profit and loss account.

2.4 Taxation

Current

The charge for current taxation is based on taxable income at the current tax rates after taking into account all available tax credits and rebates, if any.

Deferred

The company accounts for deferred taxation arising on all major timing differences using the liability method.

2.5 Tangible fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation except free hold land and stores held for capital expenditure, which are stated at cost. Cost of tangible fixed assets consists of historical cost including directly attributable cost of bringing the asset to working condition. The cost of certain assets is adjusted for the exchange fluctuations on foreign currency loans obtained for purchase of these assets.

Borrowing cost pertaining to the construction/erection period upto the date of completion is capitalized as part of historical cost.

Depreciation is charged to profit and loss account using reducing balance method at the rates given in Note No. 12. Full year's depreciation is charged on additions, while no depreciation is charged on assets disposed of during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of operating fixed assets is recognized as current year's income or expense.

2.6 Stores, Spares and Loose Tools

These are valued on moving average basis while stores in transit are valued at cost comprising invoice value plus other charges paid thereon upto balance sheet date.

2.7 Stock-in-Trade

These are valued at lower of cost and net realizable value. Cost signifies in relation to:-

Work in progress and Finished goods	· Cost comprising direct material, labour and appropriate manufacturing overheads.
Raw materials	· Average cost comprising of excavation cost, labour and appropriate overheads.
Packing material	· Average cost comprising purchase price and other incidental charges.

2.8 Bad and doubtful debts

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

2.9 Revenue Recognition

Revenue from sale is recognized on delivery of goods to customers.

Profit on bank deposits is recognized as income on time proportionate basis taking into account the principal outstanding and applicable rates of profit thereon.

(RUPEES IN THOUSAND)

2000 1999

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

9,030,000 (1999: 9,030,000) ordinary shares of Rupees 10 each fully paid up in cash	90,300	90,300
3,290,000 (1999: 3,290,000) ordinary shares of Rupees 10 each issued as fully paid bonus	32,900	32,900
	-----	-----
	123,200	123,200
	=====	=====

State Cement Corporation of Pakistan (Private) Limited (holding company) holds 10,507,934 (1999: 10,507,934) ordinary shares of Rs.10 each as at 30 June 2000.

4. RESERVES

Capital Reserve	289	289
Revenue Reserves (Note 4.1)	128,000	130,888
	-----	-----
	128,289	131,177
	=====	=====

4.1 It includes tax holiday reserve created under section 15 (BB) of the repealed Income Tax Act, 1922.

5. LONG TERM LOANS

From State Cement Corporation of Pakistan (Private) Limited

Local currency loan (Note 5.1) - Partially Secured	528,456	377,584
Foreign Currency loan against BMR (Note 5.2) - Unsecured		
First tranche	3,610	3,610
Second tranche	48,725	48,725
	-----	-----
	52,335	52,335
	-----	-----
	580,791	429,919
Current portion of long term loans (Note 8)		
Overdue	36,092	18,648
Current maturity	148,356	111,841
	-----	-----
	184,448	130,489
	-----	-----
	396,343	299,430
	=====	=====

5.1 State Cement Corporation of Pakistan (Private)Limited had initially sanctioned working capital loan of Rupees 250 million. Additional amount of Rs.38.784 million, Rupees 88.800 million and Rupees 150.872 million has been disbursed during the year 1997-98, 1998-99 and 1999-2000, respectively. The loan is repayable according to revised repayment schedule in 8 biannual instalments commencing from 01 December 2000. This loan is secured against pari-passu charge on fixed assets of the company amounting to Rs.451.284 million and the company has issued promissory note amounting to Rs.330.301 million against the loan in favour of the holding

company. This loan carries interest at the rate of 14% per annum.

5.2 This represents the loan for capital expenditure, incurred in US Dollars, obtained through State Cement Corporation of Pakistan (Private)Limited for company's balancing, modernization and replacement (BMR) programme. It is repayable in fourteen equal bi-annual installments commencing from 01 April '1993 against tranche 1 and from 01 October 1994 against tranche 2, over a period of seven years. These loans carry interest at the rate of 14% per annum and 15% per annum respectively.

The repayment schedule drawn in US dollars was revised in Pak Rupees in 1992-93 and was further rescheduled on 07 March 1995.

6. LONG TERM DEPOSITS

These represent interest free security deposits from stockists and are repayable on withdrawal or termination of agency.

7. SHORT TERM RUNNING FINANCE

7.1 This represents the running finance facility against the sanctioned amount of rupees 30 million obtained from a financial institution which is repayable in lumpsum on 30 June 2000. It carries interest at the rate of 18% per annum. The facility is secured against hypothecation of stock of raw materials and finished goods and first charge on immovable fixed assets of the company. The unavailed facility as at 30 June 2000 amounted to Rupees 2.797 million.

7.2 The financial institution has also provided the following facilities:

	<i>(RUPEES IN THOUSAND)</i>		
	<i>Sanctioned</i>	<i>Availed</i>	<i>Unavailed</i>
Letter of credit	35,000	--	35,000
Letter of guarantee (Note 11.3)	35,000	30,738	4,262

2000 **1999**

8. CURRENT PORTION OF LONG TERM LOANS

Local currency	132,114	94,396
Foreign currency		
Second tranche	48,724	33,603
	-----	-----
	52,334	36,093
	-----	-----
	184,448	130,489
	=====	=====

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	4,270	9,975
Due to associated companies (Note 9.1)	70,783	68,903
Advances from customers	20,066	20,085

Retention money from contractors	473	615
Interest accrued on long term loans:		
Local currency loan	198,597	136,541
Foreign currency loan	16,621	7,421
	-----	-----
	215,218	143,962
Interest accrued on short term running finance	1,230	2,528
Due to employees	5,374	2,069
Withholding income tax payable	74	211
Sales tax payable	39	347
Excise duty payable	14	--
Payable to Workers' Profit Participation Fund	11	11
Accrued liabilities	8,172	10,796
Others (Note 9.2)	7,452	9,833
	-----	-----
	333,176	269,335
	=====	=====

(RUPEES IN THOUSAND)

2000 1999

9.1 DUE TO ASSOCIATED COMPANIES

State Cement Corporation of Pakistan (Private) Limited	70,506	68,879
Thatta Cement Limited	--	24
Javadan Cement Limited	277	--
	-----	-----
	70,783	68,903
	=====	=====

9.2 This balance includes provincial export tax on limestone payable to District Council, Rawalpindi, amounting to Rs.6.502 million (1999: Rupees 6.502 million). The company filed a case in District Court Rawalpindi pleading that the raw material exported does not fall under the ambit of provincial export tax law. The District Court Rawalpindi has decided the case in company's favour. The District Council Rawalpindi has filed appeal against the decision of District Court which is pending for hearing before the Honourable Lahore High Court, Rawalpindi Bench.

10. DIVIDEND PAYABLE .

Unclaimed	2,786	2,788
Unpaid		
1993-94	43,120	43,120
1994-95	123,200	123,200
1995-96	18,480	18,480
	-----	-----
	184,800	184,800
	-----	-----
	187,586	187,588
	=====	=====

10.1 Dividend has not been paid as the Honourable Supreme Court of Pakistan has granted

status quo against payment of dividend till hearing of and decision on the petition filed in this regard against the Company.

11. CONTINGENT LIABILITIES

11.1 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.

The company filed appeals against the decision of the assessing officer. Appellate authorities have decided the case in favour of the company for assessment years 1987-88 to 1990-91 and 1994-95 and against the company for assessment years 1995-96 and 1996-97 involving Rupees 4.352 million. Further, income tax department has also filed appeal before the Honourable Lahore High Court against the decision of the appellate authorities for assessment years 1987-88 to 1990-91 and 1994-95.

The appeal against decision of income tax department for payment of Rupees 5.695 million to workers welfare fund for assessment years 1991-92 to 1993-94 has been decided by Commissioner of Income Tax (Appeals) in favour of the company. The income tax department has filed appeal against decision of the Commissioner of Income Tax (Appeals).

11.2 The Income tax assessing officer has raised a demand of Rupees 12.295 million under Section 87 for non-payment of tax under section 53 of the Income Tax Ordinance 1979.

The company filed a writ petition in this respect and subsequently withdrew it on the directions of the Federal Government. The matter has been taken up at inter-ministerial level and it was decided to refer the case to Ministry of Law Justice and Parliamentary Affairs, Government of Pakistan, for consideration.

11.3 A financial institution has provided the guarantee amounting to Rs.30.738 million on behalf of the company to Sui Northern Gas Pipelines Limited for a period of two years commencing from 03 September 1999. The company has deposited with the bank an amount equal to 5% of the value of guarantee as guarantee margin.

12. OPERATING FIXED ASSETS

DESCRIPTION	(RUPEES IN THOUSAND)									
	COST				ACCUMULATED DEPRECIATION			BOOK VAL	DEPRECIATION	
	<i>As at</i> <i>01 July</i> <i>1999</i>	<i>Additions/</i> <i>(deletions)</i>	<i>Transfers</i> <i>and</i> <i>Adjustments</i>	<i>Cost As on</i> <i>30 June</i> <i>2000</i>	<i>As at</i> <i>01 July</i> <i>1999</i>	<i>Transfers</i> <i>and</i> <i>Adjustments</i>	<i>As at</i> <i>30 June</i> <i>2000</i>	<i>AS AT</i> <i>30 JUNE</i> <i>2000</i>	<i>Charge for</i> <i>the year</i>	<i>Rate</i> <i>%</i>
Freehold land	5,811	--	--	5,811	--	--	--	5,811	--	--
Buildings on free hold land	162,659	--	10,621	173,280	133,148	9,326	145,530	27,750	3,056	10
Godown	10,841	--	(10,237)	604	6,593	(6,354)	257	347	18	5
Plant and machinery	971,421	--	(30,359)	941,062	654,700	(23,542)	662,148	278,914	30,990	10
Tools and equipment	5,102	--	(1,291)	3,899	4,133	(1,047)	3,167	731	81	10
Electric Installation	31,042	--	(2)	31,040	26,007	(2)	26,509	4,531	504	10
Furniture and fixture	6,283	(47)	(1,882)	4,354	4,161	(1,319)	2,993	1,361	151	10
Vehicles	157,349	466	(5,666)	151,290	120,304	(5,503)	122,100	29,191	7,299	20
		(859)								
Library books	66	--	--	66	38	--	41	26	3	10
Railway siding	1,063	--	--	1,063	880	--	898	164	18	10

Gas Installation	1,542	--	--	1,542	1,324	--	1,346	196	22
2000	1,353,179	554 (906)	(38,816)	1,314,011	951,288	(28,441)	964,989	349,022	42,142
1999	1,369,763	71 (16,655)	--	1,353,179	918,551	(16,141)	951,288	401,891	48,878

12.1 Depreciation charge for the year has been allocated as:

	<i>(RUPEES IN THOUSAND)</i>	
	<i>2000</i>	<i>1999</i>
Cost of goods sold	--	48,627
General and administrative	42,142	251
	42,142	48,878

12.2 Detail of fixed assets disposed off during the year is as follows:

Description	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Profit on disposal</i>	<i>(RUPEES IN THOUSAND)</i>	
						<i>Mode of Disposal</i>	<i>Particulars of Purchase</i>
Vehicles							
Suzuki car RIT 5470	205	178	27	27	--	Transfer	State Cement Corp. of Pakistan (Pvt) Ltd.
Toyota Corolla RIV 2376	654	386	268	268	--	-do-	-do-
	859	564	295	295	--		
Furniture and fixture	47	32	15	38	23	Negotiation	Ex-employees
	906	596	310	333	23		

	<i>(RUPEES IN THOUSAND)</i>	
	<i>2000</i>	<i>1999</i>

13. LONG TERM LOANS AND ADVANCES - Considered good

House building loans to: (Note 13.1)

Chief Executive	--	128
Employees	--	3,300
	--	3,428
Car/Scooter advance (Note 13.2)	--	565
	--	3,993
Less: Current maturity of long term loans and advances	--	952

-----	-----
--	3,041
=====	=====

13.1 These are secured against employees provident fund/gratuity fund balances and carries markup at the rate of 5% per annum. There were no loans to employees outstanding for a period exceeding three years. The maximum aggregate amount due from Chief Executive against loans at the end of any month during the year was Rupees Nil (1999: Rupees 331 thousand).

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

14. STORES, SPARES AND LOOSE TOOLS

Stores	20,925	20,964
Spares	163,989	163,938
Loose tools	191	206
	-----	-----
	185,105	185,108
Less: Provision for obsolete items (Note 14.1)	(7,027)	(7,027)
	-----	-----
	178,078	178,081
	=====	=====

14.1 Provision for obsolete items relates to obsolete machinery and vehicles spares.

15. STOCK IN TRADE

Raw material	2,523	2,509
Packing material	2,481	2,481
Work-in-process	1,536	1,536
Finished goods	--	12
	-----	-----
	6,540	6,538
	=====	=====

16. TRADE DEBTORS - Considered good

These are secured to the extent of security deposits received from the stockists of the company and are considered good.

17. LOANS, ADVANCES DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Loans and advances

Considered good:

To employees:		
Against expenses	39	2,728
Against salary	13	3,709
Current portion of long term loans and advances	--	952
	-----	-----

	52	7,389
Suppliers-against goods and services	3,778	7,326
Advance income tax/income tax refundables	14,361	158,234
	-----	-----
	18,191	172,949
Considered doubtful:		
Advance to s I	--	10
Less: Provision for doubtful advances	--	10
	-----	-----
	--	--
	-----	-----
	18,191	172,949
Considered good:		
Excise duty	9	9
Sales tax (Note 17.1)	9,897	9,897
Cash margin deposited with financial institution	2,886	2,665
Security deposits	1,442	1,327
Others	70	524
	-----	-----
	14,304	14,422
Considered doubtful:		
Security deposits	20	20
Less: Provision for doubtful deposits	20	20
	-----	-----
	--	--
	-----	-----
	14,304	14,422
Prepayments and other receivables		
Considered good:		
Short term prepayments	1,719	1,964
Due from associated undertakings (Note 17.2)	148	94
Employees gratuity fund trust	5,562	7,091
Sales tax refundable on explosives	102	102
Other receivables	1,122	3,284
	-----	-----
	8,653	12,535
Considered doubtful:		
Other receivables	40	111
Less: Provision for doubtful receivables	40	111
	-----	-----
	--	--
	-----	-----
	41,148	199,906
	=====	=====

17.1 The Central Excise and Sales Tax Department has raised demand of Rupees 9.758 million against the company for disallowance of input sales tax claim. The amount has been deposited under protest and appeal has been filed against the demand, which is pending before the Collector Customs, Excise and Sale Tax. The Management of the

company is hopeful that the case will be decided in favour of the company.

17.2 DUE FROM ASSOCIATED COMPANIES

Associated Cement Limited	94	94
Thatta Cement Limited	54	--
	-----	-----
	148	94
	=====	=====

18. CASH AND BANK BALANCES

Cash in hand	8	113
Cash with banks on:		
Deposit account	14,200	3,608
Current account	100	6,776
	-----	-----
	14,300	10,384
	-----	-----
	14,308	10,497
	=====	=====

19. SALES

Gross Sales	--	518,943
Less:		
Excise Duty	--	216,690
Discount / Rebate	--	5,910
Cement surcharge	--	683
	-----	-----
	--	223,283
	-----	-----
	--	295,660
	=====	=====

20. COST OF GOODS SOLD

Raw material consumed (Note 20.1)	--	32,328
Salaries, wages and other benefits	--	90,099
Stores, spares and loose tools	--	30,445
Packing material	--	32,377
Electricity and gas	--	86,493
Fuel	--	58,412
Insurance	--	3,233
Rent, rates and taxes	--	262
Depreciation	--	48,627
Other expenses	--	26,288
	-----	-----
	--	408,564
Work in process inventory:		
As at 01 July	1,536	14,583
As at 30 June	(1,536)	(1,536)

	-----	-----
	--	13,047
	-----	-----
Cost of goods produced	--	421,611
Finished goods inventory:		
As at 01 July	12	24,573
Written off	(12)	--
As at 30 June	--	(12)
	-----	-----
	--	24,561
	-----	-----
	--	446,172
	=====	=====

20.1 RAW MATERIAL CONSUMED

Opening stock of raw material	2,509	5,561
Add: Purchases/adjustments during the year	14	29,276
	-----	-----
	2,523	34,837
Less: Closing stock of raw material	(2,523)	(2,509)
	-----	-----
Raw Material Consumed	--	32,328
	=====	=====

21. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, wages and other benefits	99,357	22,079
Travelling and conveyance	836	358
Printing and stationery	424	565
Stores, spares and loose tools consumed	2,336	--
Electricity and gas	55,256	429
Telephone, postage and telegram	832	772
Vehicles' running	1,444	490
Legal and professional	648	538
Auditors' remuneration		
Statutory audit fee	30	30
cost audit fee	--	25
out of pocket expenses	5	5
	-----	-----
	35	60
Repair and maintenance	1,694	232
Entertainment	609	377
Subscription and donations	92	384
Rent, rates and taxes	1,162	992
Advertisement	216	94
Service charges-Expert Advisory Cell	907	1,250
Computer charges	392	392

Insurance	2,810	74
Miscellaneous	182	190
Depreciation	42,142	251
Provision for obsolete stores and spares	--	1,044
	-----	-----
	211,374	30,571
	=====	=====

22. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and other benefits	--	2,359
Travelling and conveyance	--	4
Printing and stationery	--	2
Telephone, postage and telegram	--	51
Electricity and gas	--	1
Entertainment	--	7
Rent, rates and taxes	--	51
Publicity	--	8
Service charges	--	119
Miscellaneous	--	2
	-----	-----
	--	2,604
	=====	=====

23. OTHER INCOME

Profit / return / interest on:		
Bank deposits	638	862
Gratuity fund deposits	12,893	10,336
Loans to employees	163	174
	-----	-----
	13,694	11,372
Profit on sale of fixed assets	23	1,801
Sale of scrap	219	3,419
Credit balances added back	5,588	--
Others	272	1,757
	-----	-----
	19,796	18,349
	=====	=====

24. FINANCIAL CHARGES

Interest on long term loans	71,256	51,189
Interest on short term running finance	4,974	3,720
Bank charges	842	654
	-----	-----
	77,072	55,563
	=====	=====

25. OTHER CHARGES

Fixed assets shortages written off	9,023	--
Stores shortages written off	716	--
	-----	-----
	9,739	--
	=====	=====

26. PRIOR YEARS' ADJUSTMENT

This represents adjustment regarding less depreciation charged during prior years.

27. LOSS PER SHARE-BASIC

Loss for the year	264,612	221,458
Number of ordinary shares (in thousands)	12,320	12,320
Loss per share - Rupees	21.48	17.98

28. CHIEF EXECUTIVE AND EXECUTIVES REMUNERATION

28.1 The aggregate amount charged in the accounts for the year for remuneration and allowance including all benefits to the Chief Executive and executives of the company are as follows:

	2000		1999	
	Chief Executive	Executive	Chief Executive	Executive
Managerial remuneration	17	4,941	203	5,103
Provident fund	1	399	17	409
Gratuity fund	4	332	61	341
Estimated value of other benefits including housing, medical and transport facilities, etc.	30	2,015	307	2,206
	-----	-----	-----	-----
	52	7,687	588	8,059
	=====	=====	=====	=====
Number of persons	1	25	1	27
	=====	=====	=====	=====

28.2 Aggregate amount charged in accounts as meeting fee paid to 3 directors is Rupees 3,000 (1999: Rupees 4,000 paid to 4 directors).

29. TRANSACTIONS WITH HOLDING COMPANY AND ASSOCIATED UNDERTAKINGS

Maximum aggregate current account balance being amount due to holding company and associated undertakings at the end of any month during the year was Rupees 72.228 million (1999: Rupees 93.627 million).

No sale and purchase were effected with the holding/associated companies during the year.

The company had transferred fixed assets to the holding company with book value of Rupees 0.295 million (1999: Rupees Nil).

Interest on long term loans from holding company amounting to Rupees 71.256 million (1999: Rupees 51.189 million) is due at the rate of 14 and 15 percent per annum (Note 24).

The company has obtained Rupees 580.791 million (1999: Rupees 429.919 million including Rupees 150.872 million (1999: Rupees 88.800 million) received during the year as long term loan from the holding company.

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(RUPEES IN THOUSAND)

	2000					1999
	<i>FINANCIAL INSTRUMENTS</i> <i>TOTAL</i>	INTEREST/MARKUP BEARING		NON-INTEREST/MARK UP BEARING		
		<i>Within one year</i>	<i>Over one year</i>	<i>Within one year</i>	<i>Over one year</i>	
Financial Assets						
Long term loan/advances	--	--	--	--	--	3,041
Trade debtors	38	--	--	38	--	51
Loans, advances, deposits and other receivables	33,867	--	--	33,867	--	190,851
Cash and bank balances	14,308	14,200		108	--	10,497
	-----	-----	-----	-----	-----	-----
	48,213	14,200		34,013		204,440
	=====	=====	=====	=====	=====	=====
Financial Liabilities						
Long term Loans	580,791	241,127	339,664	--	--	429,919
Short term running finance	27,203	27,203	--	--	--	27,974
Long term security deposits	2,742	--	--	--	2,742	3,356
Creditors, accrued and other liabilities	333,176	--	--	333,176	--	269,335
	-----	-----	-----	-----	-----	-----
	943,912	268,330	339,664	333,176	2,742	730,584
	=====	=====	=====	=====	=====	=====

30.1 EFFECTIVE INTEREST RATES

Financial assets

On deposit account 9% to 12.5% per annum

Financial liabilities

Long term loans 14% and 15% per annum

Short term running finance 18% per annum

30.2 INTEREST RATE RISK

Since the company borrows funds usually at fixed interest rates, therefore, interest rate risk is minimal.

30.3 CREDIT RISK

The company mostly deals with permanent customers who pay their obligations on due dates. Further, almost all receivables are secured against deposits. Therefore, Company considers the credit risk as minimal.

30.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reflected in the financial statements approximates their fair values.

31. NUMBER OF EMPLOYEES

31.1 The number of employees as at the year end totaled 17 (1999:448 employees).

31.2 The privatization Commission of Pakistan has paid Rupees 346.208 million and Rupees 130.984 million to 637 and 439 employees in 1998-99 and 1999-2000, respectively, under golden handshake/voluntary separation scheme in view of proposed privatization of the company under the Government instructions.

32. CAPACITY AND PRODUCTION

	(QUANTITY IN TONS)			
	2000		1999	
	PRODUCTION		PRODUCTION	
	<i>Capacity</i>	<i>Actual</i>	<i>Capacity</i>	<i>Actual</i>
Clinker	630,000	--	630,000	112,030
Cement	660,000	--	660,000	124,434

The company has temporarily suspended its operations since 10 January 1999.

33. CORRESPONDING FIGURES

Previous year's figures have been re-arranged, wherever necessary for the purpose of comparison.

CHIEF EXECUTIVE

DIRECTOR