

Mustehkam Cement Limited

Annual Report 2001

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BOARD OF DIRECTORS

ZAHID HUSSAIN
Chairman

MUHAMMAD RIAZ KHAN
Chief
Executive

S.M.FAKHIR HASAN

ABDUL GHAFAR SOOMRO

MUHAMMAD ILYAS DAR

ABDULBARIKHAN

SHAHID ANWAR

SECRETARY

MUHAMMAD TABREZ BAIG

AUDITORS

Sidat Hyder Qamar & co..
Chartered Accountants,
3rd Floor Eagle Plaza, 75-West,
Fazal-e-Haq Road,
Blue Area, Islamabad.

BANKERS

Habib Bank Limited.
National Bank of Pakistan.

REGISTERED OFFICE

345-Bazar
Road,
Westridge,
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 29th December 2001, 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, 2001 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 21st December, 2001 to 27th December, 2001 (both days inclusive).

By Order of the Board

Rawalpindi
Dated:- 6th December, 2001.

Muhammad Tabrez Baig
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 47th annual report together with the audited accounts and the auditors' report thereon for the year ended 30th June 2001.

FINANCIAL

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

	<i>(Rupees in million)</i>
Net loss before tax	139.326
Balance brought forward	760.016

Loss before taxation and appropriation	899.342

Less: provision for taxation - current	0.571
- prior years	(3.760)
- deferred	--

	(3.189)

Net loss after tax	896.153
	=====

3. During the year, the company was unable to generate funds of its own because there was no production and marketing activity. Consequently the company could not arrange repayment to SCCP of Rs. 132.114 million against local currency loan, Rs. 52.335 million against loan for BMR and Rs. 285.203 million on account of interest accrued thereon. Instead SCCP had to give further loan of Rs.41.508 million during the year for repayment of running finance facility of Rs. 27.203 million and meeting with other cash requirements of the company. The company sustained loss per share of Rs. 11 during the year under report. The Directors endorse the auditors' report to the members on the accounts of the company.

DIRECTORS

4. Since the Fast Annual General Meeting, Mr. Muhammad Nawaz Tiwana, Khawaja Saqib Naim and Mr. Muhammad Arshad Saeed relinquished the charge to act as Directors and Mr. Zahid Hussain, Mr. Muhammad Riaz Khan and Mr. Abdul Bari Khan were appointed Directors in their place.

AUDITORS

5. The auditors Sidat Hyder Qamar and Co, Chartered Accountants retire and, being eligible, offer their services for reappointment.

**For and on behalf of the
Board of Directors**

Rawalpindi
Dated: 30th November, 2001

**MUHAMMAD RIAZ KHAN
CHIEF EXECUTIVE**

PATTERN OF HOLDING OF SHARES

AS ON JUNE 30, 2001

<i>No. of Shareholders</i>	<i>Share Holding</i>		<i>Total shares held</i>
	<i>From</i>	<i>To</i>	
3771	1	100	81933
698	101	500	141022
97	501	1000	69322
81	1001	5000	149348
13	5001	10000	83611
1	10001	15000	13566
1	15001	20000	20000
1	20001	25000	21933
1	30001	35000	34905
1	60001	65000	60200
1	1135001	1E+06	1136226
1	10505001	1E+07	1.1E+07
-----			-----
4667			1.20E+07
=====			=====

CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 2001

<i>No. of Shareholders</i>			<i>Shares held Percentage</i>
Individuals	4,485	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

Stale 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	1	--
	-----	-----	-----
	4,667	12,320,000	100%
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MUSTECHKAM CEMENT LIMITED** as at 30 JUNE, 2001 and the related profit and loss account for the year then ended and cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of 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, investment made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by 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 2001 and of the loss for the year then ended and its cash flows and changes in equity 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 report, we draw attention to the note no. 1.3 to the accounts. The Company has incurred accumulated losses of Rupees 896.153 million including loss of Rupees 136.137 million for the year. The Company's current liabilities have exceeded its current assets by Rupees 684.392 million and its total liabilities exceed its total assets by Rupees 644.664 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: 30November2001

Islamabad

**SIDAT HYDER QAMER &
CO
CHARTERED
ACCOUNTANTS**

BALANCE SHEET AS AT 30 JUNE 2001

	<i>NOTE</i>	<i>2001</i> <i>(Rupees in '000)</i>	<i>2000</i>
Share Capital			
Authorized			
18,000,000 ordinary shares of Rs 10/- each		180,000	180,000
		=====	=====
Issued, subscribed and paid up	3	123,200	123,200
Reserves	4	128,289	128,289
Accumulated losses		(896,153)	(760,016)
		-----	-----

		(644,664)	(508,527)
Non-Current liabilities			
Long term loans	5	305,735	396,342
Long term security deposits	6	2,542	2,742
		-----	-----
		308,277	399,084
Running finance facility - secured		--	27,203
Current maturity of long term loans	7	316,563	184,449
Creditors, accrued and other liabilities	8	398,461	333,178
Dividend payable	9	187,584	187,585
Taxation		571	1,931
		-----	-----
		903,179	734,346
Contingencies	10		
		-----	-----
		566,792	624,903
		=====	=====

AUDITORS' REPORT ANNEXED

The accompanying notes to the balance sheet from an integral part of the financial statements.

			CHIEF EXECUTIVE
Fixed assets at cost - net	11	312,237	349,022
Capital stores		35,768	35,768
		-----	-----
		348,005	384,790
Current assets			
Stores, spares and loose tools	12	178,546	178,078
Stock in trade	13	2,783	6,540
Trade debts - unsecured	14	--	38
Advances, prepayments and other receivables	15	33,372	41,149
Cash and cash equivalents	16	4,086	14,308
		-----	-----
		218,787	240,113
		-----	-----
		566,792	624,903
		=====	=====

DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2001**

		<i>2001</i>	<i>2000</i>
		<i>(Rupees in '000)</i>	
Expenditure			
General and administration expenses	17	(65,195)	(221,114)
Financial charges	18	(72,056)	(77,071)
		-----	-----
		(137,251)	(298,185)
Other income/credits	19	2,277	19,795
Workers welfare fund - prior year		(4,352)	--
Prior years adjustment		--	(1,948)
		-----	-----
Loss before taxation		(139,326)	280,338
Taxation			
Current		(571)	(1,931)
Prior years		3,760	6,692
Deferred	20	--	77,936
		-----	-----
		3,189	82,697
		-----	-----
Loss after taxation		(136,137)	(197,641)
Loss per share	21	Rs. 11	Rs. 16
		=====	=====

The accompanying notes to the profit and loss account from an integral part of the financial statements.

**CHIEF
EXECUTIVE**

DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2001**

		<i>2001</i>	<i>2000</i>
		<i>(Rupees in '000)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(139,326)	(280,338)

Items not involving movement of cash:		
Depreciation	37,135	42,142
Gain on sale of fixed assets	(260)	(23)
Depreciation of prior years	--	1,948
Provision for gratuity	--	6,294
Provision for bad debts	1,324	
Fixed assets written off	--	9,023
Store shortages written off	--	716
Credit balances added back	--	(5,588)
Stocks written off	1,564	--
Financial charges	72,056	77,072
	-----	-----
Operating profit before working capital changes	(27,507)	(148,754)
 (Increase) / decrease in current assets		
Stores and spares	(468)	(713)
Stock in trade	2,193	(1)
Trade debts - net	38	13
Advances, prepayments and other receivables	8,818	8,591
	-----	-----
	10,581	7,890
 Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(3,473)	(529)
	-----	-----
Net cash from working capital	7,108	7,361
	-----	-----
Cash generated from operations	(20,399)	(141,393)
Income tax paid	(536)	(1,112)
Financial charges paid	(3,301)	(7,114)
	-----	-----
Net cash used in operating activities	(24,236)	(149,619)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(601)	(554)
Sale proceeds of fixed assets	511	333
Capital stores	--	1,125
Long-term advances	--	3,041
	-----	-----
Net cash (used in) / from investing activities	(90)	3,945
 CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loans	41,508	150,872
Short term running finance	(27,203)	(771)

Long term security deposits	(200)	(614)
Dividend paid	(1)	(2)
	-----	-----
Net cash from financing activities	14,104	149,485
	-----	-----
Net (decrease) increase in cash balances	(10,222)	3,811
	-----	-----
Cash at beginning of the year	14,308	10,497
	-----	-----
Cash at end of the year	4,086	14,308
	=====	=====

**CHIEF
EXECUTIVE**

DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2001**

(Rupees in '000)

	<i>Share Capital</i>	<i>Capital Reserve</i>	<i>General Reserve</i>	<i>Accumulated Losses</i>	<i>Total</i>
Balance as at 01 July 1999	123,200	289	130,889	(565,264)	(310,886)
Loss after taxation as previously stated	--	--	--	(264,613)	(264,613)
Correction of error (Note. 20)	--	--	--	66,972	66,972
Loss after taxation as restated	--	--	--	(197,641)	(197,641)
Transfer from general reserve	--	--	(2,889)	2,889	--
	-----	-----	-----	-----	-----
Balance as at 30 June 2000	123,200	289	128,000	(760,016)	(508,527)
	=====	=====	=====	=====	=====
Balance as at 01 July 2000 as previously stated	123,200	289	128,000	(826,988)	(575,499)
Correction of error (Note. 20)	--	--	--	66,972	66,972
	-----	-----	-----	-----	-----
Balance as at 01 July 2000 as restated	123,200	289	128,000	(760,016)	(508,527)
Loss after taxation	--	--	--	(136,137)	(136,137)
	-----	-----	-----	-----	-----
Balance as at 30 June 2001	123,200	289	128,000	(896,153)	(644,664)
	=====	=====	=====	=====	=====

The annexed notes form an integral part of these accounts.

**CHIEF
EXECUTIVE**

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Mustehkam Cement Limited (the Company) is a public company limited by shares incorporated in Pakistan under the Companies Act, 1913 since repealed and replaced by the Companies Ordinance, 1984. The shares of the Company are listed on Karachi, Lahore and Islamabad Stock Exchanges.

1.2 The Company is primarily engaged in the business of production and sale of Portland cement. The registered office of the Company is located at 345 Bazar Road, Westridge, Rawalpindi Cantt.

1.3 The Company has incurred a loss after tax of Rupees 136.137 million for the year ended 30 June 2001 and has accumulated losses of Rupees 896.153 million as at that date. Further, current liabilities of the Company have exceeded its current assets by Rupees 684.392 million and total liabilities are in excess of total assets by Rupees 644.664 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 operation 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. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements are as follows:

2.1 General

The accompanying financial statements are prepared in accordance with the standards formulated by the International Accounting Standards Committee (IASC) as applicable in Pakistan.

2.2 Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention.

2.3 Staff retirement benefits

2.3.1 Defined benefit plan

The Company operates approved funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision is made annually to cover obligations under the scheme.

2.3.2 Defined contribution plan

The Company also operates an approved provident fund scheme for eligible employees. Contributions to the fund are made in accordance with the terms of the scheme. The Company's contributions relating to defined contribution plans are charged to income in the year to which they relate

2.4 Income taxes

The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflect the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each balance sheet date, the Company re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

2.5 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation except land which is stated at cost. When assets are sold or retired, their Cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

The initial cost of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes' and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures

incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of fixed assets.

Depreciation is charged on the reducing balance method over the estimated useful life of the assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets.

2.6 Stock in trade & Stores spares and loose tools

Stock, including work-in-process are valued at the lower of cost and net realisable value, after provision for obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined primarily on the basis of average cost. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs. Unrealisable inventory has been fully written off. Stores spares and loose tools are valued on weighted average cost.

2.7 Trade debts

Trade debts are stated at face value, after provision for doubtful accounts. All debts determined to be bad are written off.

2.8 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2.9 Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalent, trade and other accounts receivable and payable, advances deposit and other receivables, dividend payable and loans. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this note.

2.10 Provisions

A provision is recognised when, and only when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and

adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

2.11 Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Interest on bank deposits

Interest on bank deposits is recognised on accrual basis.

2.12 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

	<i>NOTE</i>	<i>2001</i> <i>(Rupees in '000)</i>	<i>2000</i>
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
9,030,000 ordinary shares of Rs. 10/- each fully paid up in cash		90,300	90,300
3,290,000 ordinary shares of Rs.10/- each issued as fully paid bonus shares		32,900	32,900
		-----	-----
		123,200	123,200
		=====	=====
State Cement Corporation of Pakistan (Pvt) Limited (Holding Company) holds 10,507,934 (2000: 10,507,934) ordinary shares of Rs. 10/- each.			
4. RESERVES			
Capital Reserve		289	289
Revenue Reserve		128,000	128,000
		-----	-----
		128,289	128,289
		=====	=====
5. LONG TERM LOANS			
From Holding Company			
Local currency Loan - partially secured	5.1	569,963	528,456
Loan against BPM -unsecured	5.2		

First tranche		3,610	3,610
Second tranche		48,725	48,725
		-----	-----
		52,335	52,335
		-----	-----
		622,298	580,791
Current portion of long term loans	7		
Overdue		184,449	36,094
Current maturity		132,114	148,355
		-----	-----
		316,563	184,449
		-----	-----
		305,735	396,342
		=====	=====

5.1 State Cement Corporation of Pakistan (Pvt) Limited had initially sanctioned a loan of Rupees 250 million. Additional amounts of Rupees 38.784 million, Rupees 88.800 million, Rupees 150.872 million and Rupees 41.508 million have been disbursed during the year 1997-98, 1998-99, 1999-2000 and 2000-2001, respectively. This loan is repayable according to revised repayment schedule in 8 biannual installments commencing from 01 December 2000. This loan is secured against first charge on fixed assets of the Company to the extent of Rs:451.284 million and Company has issued promissory note of Rs. 330.301 million in favour of the holding company. This loan carries interest at the rate of 14% per annum upto 2 November 2000 and @ 10% per annum from 3 November 2000.

5.2 This represents the loan for capital expenditure incurred in US dollars obtained through State Cement Corporation of Pakistan (Pvt) Limited for Company's balancing, modernization and replacement (BMR) programme. The loan 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. The repayment schedule drawn in US dollars was revised in Pak Rupees in 1992-93 and was further rescheduled on 07 March 1995. The first and second tranche of loan carry mark up @ 14 % and 15 % per annum respectively.

6. LONG TERM DEPOSITS

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

7. CURRENT PORTION OF LONG TERM LOANS

Local currency			
Current		132,114	132,114
Over due		132,114	--
		-----	-----
		264,228	132,114
Loan against BMR - Overdue			
First tranche		3,610	3,610
Second tranche		48,725	48,725

		-----	-----
		52,335	52,335
		-----	-----
		316,563	184,449
		=====	=====
8. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		4,246	4,270
Accrued liabilities		10,993	8,173
Due to associated companies	8.1	71,131	70,784
Advances from customers		12,407	20,066
Retention money from contractors		89	473
Financial charges payable on long term loans:			
Local currency loan		260,768	198,596
Loan against BMR		24,435	16,621
		-----	-----
		285,203	215,217
Financial charges payable on running finance		--	1,230
Workers, welfare fund payable		4,352	--
Payable to employees	8.1	807	5,374
Others		9,233	7,591
		-----	-----
		398,461	333,176
		=====	=====
8.1 DUE TO ASSOCIATED COMPANIES			
State Cement Corporation of Pakistan (Pvt) Limited		71,101	70,507
Thatta Cement Company Limited		30	--
Javedan Cement Limited		--	277
		-----	-----
		71,131	70,784
		=====	=====
9. DIVIDEND PAYABLE			
Unclaimed		2,784	2,785
Unpaid	9.1		
1993-94		43,120	43,120
1994-95		123,200	123,200
1995-96		18,480	18,480
		-----	-----
		184,800	184,800
		-----	-----
		187,584	187,585
		=====	=====

9.1 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.

10. CONTINGENCIES

A demand of Rs.14.068 million for Workers' Welfare Fund was raised by income tax assessing officer for assessment year 1987-88 to 1990-91 and 1994-95 to 1996-97. The Company filed appeals against the decision of 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. Subsequently, income tax department 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.

11. FIXED ASSETS AT COST- NET

The following is a statement of fixed assets.

	<i>(Rupees in '000)</i>								
	<i>Cost at 01 July 2001</i>	<i>Additions/ (Deletions)/ (Adjustments)*</i>	<i>Cost at 30 June 2001</i>	<i>Accumulated Depreciation at 01 July 2000</i>	<i>Depreciation for the year</i>	<i>Depreciation on (disposal)/ adjustment</i>	<i>Accumulated Depreciation at 30 June 2001</i>	<i>Book Value at 30 June 2001</i>	<i>Rate % Per Annum</i>
Free hold land	5,811	--	5,811	--	--	--	--	5,811	--
Factory building	133,993	--	133,993	114,912	1,908	--	116,820	17,173	10 %
Office building	1,266	--	1,266	797	47	--	844	422	10 %
Godown Colony building	604	--	604	257	17	--	274	330	5 %
Plant & Machinery	38,021	--	38,021	29,821	820	--	30,641	7,380	10 %
Electric installation	941,062	--	941,062	662,148	27,891	--	690,039	251,023	10 %
Gas installation	31,040	--	31,040	26,509	453	--	26,962	4,078	10 %
Vehicles	1,542	601	2,143	1,346	80	(475)	951	1,192	10 %
Furniture & Fixture	151,290	(672)	150,618	122,099	5,704	(76)	127,727	22,891	20 %
Office Equipment	4,354	(130)	4,224	2,994	123	--	3,117	1,107	10 %
Railway siding	3,899	--	3,899	3,167	73	--	3,240	659	10 %
Library books	1,063	--	1,063	899	16	--	915	148	10 %
	66	--	66	40	3	--	43	23	10 %
	-----	-----	-----	-----	-----	-----	-----	-----	
2001	1,314,001	601 (802)	1,313,810	964,989	37,135	(551)	1,001,573	312,237	
	=====	=====	=====	=====	=====	=====	=====	=====	
2000	1,353,179	554 (906)	1,314,011	951,288	42,142	(28,441)	964,989	349,022	

(38,816) *

11.1 Fixed assets of the company are encumbered with the holding company under a registered charge against long term loan to the extent of Rs. 451.284 million.

11.2 The following assets were disposed off during the year:

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale Proceed</i>	<i>Profit on disposal</i>	<i>Mode of disposal</i>	<i>Particulars of purchaser</i>
Vehicles							
Suzuki Car	325	270	55	275		Insurance claim against 220 accident	National Insurance Company Ltd.
Suzuki Car	347	205	142	142		-- Sale to Ex-employee	Mehmood Ahmed Khan (Ex-GM.)
	-----	-----	-----	-----	-----		
	672	475	197	417	220		
Furniture & Fixtures	130	76	54	94	40	Negotiation	Ex-employees
	-----	-----	-----	-----	-----		
	802	551	251	511	260		
	=====	=====	=====	=====	=====		

	<i>NOTE</i>	<i>2001 (Rupees in '000)</i>	<i>2000</i>
12. STORES, SPARES AND LOOSE TOOLS			
Stores		20,341	20,925
Spares		165,041	163,989
Loose tools		191	191
		-----	-----
		185,573	185,105
Less: Provision for obsolete items	12.1	7,027	7,027
		-----	-----
		178,546	178,078
		=====	=====

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

13. STOCK IN TRADE		
Raw material		2,495
Packing material		288
Work-in -process		--

		2,783
		=====
		6,540

=====

14. TRADE DEBTORS- Considered good

These are fully secured by the security deposits received from the stockists of the Company and are considered good.

15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - unsecured

Considered good	929	3,830
Considered doubtful	1,324	--
	-----	-----
	2,253	3,830
Less: Provision for doubtful advances	1,324	--
	-----	-----
	929	3,830
Advance tax - Refundable		
Income tax	16,662	14,361
Excise Duty	9	9
Sales tax	10,064	10,000
	-----	-----
	26,735	24,370
Security deposits	1,017	4,397
Prepayments	1,479	1,719
Receivable from associated undertakings	2,344	148
Receivable from employee gratuity fund	--	5,563
Other receivables	868	1,122
	-----	-----
	33,372	41,149
	=====	=====

15.1 Includes demand of Rs. 9.758 million raised incorrectly by the Central Excise and Sales Tax Department against the Company by disallowing the 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 Sales Tax. The Management is hopeful that the case will be decided in favour of the Company.

15.2 Receivable from associated undertakings

Javedan Cement Limited	2,250	--
Associated Cement Limited - Rohri	94	94
Thatta Cement Company Limited	--	54
	-----	-----
	2,344	148
	=====	=====

16. CASH AND CASH EQUIVALENTS

Cash in hand	50	8
Bank balances:		
Deposit accounts	3,265	14,200

Current accounts	771	100
	-----	-----
	4,086	14,308
	=====	=====

17. GENERAL AND ADMINISTRATION EXPENSES

Salaries, wages and other benefits	4,965	96,858
Travelling and conveyance	243	836
Printing and stationery	393	424
Store, spares and loose tools consumed	--	2,336
Electricity and gas	10,531	55,256
Telephone, postage and telegram	359	832
Vehicles' running	530	1,444
Legal and professional charges	129	648
Auditors' remuneration		
Audit fee	50	30
Out of pocket expenses	5	5
	-----	-----
	55	35
Repair and maintenance	957	1,694
Entertainment	115	608
Subscription and donations	70	92
Contract payments	2,771	2,499
Rent, rates and taxes	536	1,162
Advertisement	96	216
Service charges-Expert Advisory Cell	--	907
Computer Charges	200	392
Insurance	2,903	2,810
Depreciation	37,136	42,141
Provision for doubtful advances	1,324	--
Fixed assets shortages written off	--	9,024
Store shortages written off	--	716
Raw materials written off	28	--
Work in process written off	1,536	--
Miscellaneous	318	184
	-----	-----
	65,195	221,114
	=====	=====

18. FINANCIAL CHARGES

Interest on		
Long term		
loans	69,985	71,255
short term running finance	2,062	4,974
Bank charges	9	842
	-----	-----
	72,056	77,071
	=====	=====

19. OTHER INCOME

Interest on		
Bank deposits	191	638
Gratuity fund deposits	359	12,893
Loans to employees	--	163
	-----	-----
	550	13,694
Profit on sale of fixed assets	260	23
Sale of scrap	544	219
Credit balances added back	--	5,588
Others	923	271
	-----	-----
	2,277	19,795
	=====	=====

20. RETAINED EARNINGS

Correction of error - Deferred tax

The balance of retained earnings at 01 July 2000 has been restated from amounts previously reported to reverse deferred tax liability amounting to Rs. 66.972million wrongly recorded in prior years, whereas the Company has deferred tax asset.

However, deferred tax asset has not been recognised in the current financial statements in view of uncertainty regarding the recoupment of tax losses as the operation of the Company are currently suspended since January 1999. This amount relates to the period up to 30 June 2000 and has been reflected as credit for the year resulting in decrease in the reported loss for 30 June 2000 by Rs. 66.972million.

21. LOSS PER SHARE

In 2001, the number of shares remained constant at 12,320,000 (2000: 12,320,000).

Loss. per share was Rs. 11 (2000: Rs. 16). There were no subscription rights outstanding and, therefore, there are no dilutive potential shares.

22. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for the year ended 30 June 2001 for the remuneration and allowances, including all benefits, to Chief Executive, directors and executives of the Company was as follows:

	<i>Chief Executive</i>		<i>Directors</i>		<i>Executives</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>(Rupees in '000)</i>		<i>(Rupees in '000)</i>		<i>(Rupees in '000)</i>	
Remuneration	--	17	--	--	485	4,941
Meeting fee	--	--	4	3	--	--
Provident fund	--	1	--	--	45	399
Gratuity	--	4	--	--	--	332
Others	--	30	--	--	451	2,015
	-----	-	-----	-----	-----	-----

RUPEES	--	52	--	--	981	7,687
	-----	-----	-----	-----	-----	-----
Number of perso	1	1	3	3	6	25
	=====	=====	=====	=====	=====	=====

23. 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 71.131 million (2000; Rupees 72.228 million)

The Company has sold firebrick amounting to Rs. 0.777 million and paper bags amounting to Rs.2.194 million to Javedan Cement Limited (2000: Nil).

The Company had transferred fixed assets to the holding company with book value of Rs. nil (2000: Rs. 0.295 million).

During the year the Company received loan amounting to Rs. 41.508 million (2000: Rs. 150.872 million) from the holding company.

24. CAPACITY AND PRODUCTION

	<i>2001</i>		<i>2000</i>	
	<i>Capacity</i>	<i>Actual</i>	<i>Capacity</i>	<i>Actual</i>
Clinker	630,000	--	630,000	--
Cement	660,000	--	660,000	--

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

25. FINANCIAL INSTRUMENTS

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June 2001 are summarised as follows:

	<i>INTEREST BEARING</i>			<i>NON INTEREST BEARING</i>			<i>TOTAL</i>
	<i>Upto one year</i>	<i>One to five years</i>	<i>Total</i>	<i>Upto one year</i>	<i>One to five years</i>	<i>Total</i>	
Financial assets:							
Advances, prepayments and other receivables	--	--	--	6,637	--	6,637	6,637

(Rupees in '000)

Cash and bank balances	3,265	--	3,265	821	--	821	4,086
	-----	-----	-----	-----	-----	-----	-----
2001	3,265	--	3,265	7,458	--	7,458	10,723
	=====	=====	=====	=====	=====	=====	=====
2000	14,200	--	14,200	16,925	--	16,925	31,125
	=====	=====	=====	=====	=====	=====	=====
Financial liabilities:							
Long term loan	316,563	305,735	622,298	--	--	--	622,298
Long term security deposits	--	--	--	--	2,542	2,542	2,542
Creditors, accrued and other liabilities	--	--	--	398,461	--	398,461	398,461
Dividend payable	--	--	--	187,584	--	187,584	187,584
	-----	-----	-----	-----	-----	-----	-----
2001	316,563	305,735	622,298	586,045	2,542	588,587	1,210,885
	=====	=====	=====	=====	=====	=====	=====
2000	184,449	396,342	580,791	520,763	2,742	523,505	1,104,296
	=====	=====	=====	=====	=====	=====	=====

Effective interest rate for monetary financial liabilities are mentioned in respective notes to the accounts.

Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted.

For value of financial instruments

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

26. NUMBERS OF EMPLOYEES

26.1 The Company had only 2 (2000: 17) employees at the year end.

26.2 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 hand shake/voluntary separation scheme in view of proposed privatization of the company under the Government instructions.

CORRESPONDING FIGURES

27. Certain prior year's figures have been rearranged for the purpose of comparison.

CHIEF

DIRECTOR

EXECUTIVE