

**Zeal Pak Cement Factory Limited**  
**Annual Report 1998**

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**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

MR. SIKANDAR ALI JATOI Chairman  
MR. M. A. JAMEEL Chief Executive  
MR. ABDUL LATIF UQAILI  
MR. NASEEM BEG  
MR. MAZHAR ALI JATOI  
MR. MALIK MOHAMMAD ASLAM  
MR. MUSHTAQ ALI SHAH BUKHARI  
MR. S. NAYYAR RAZA KAZMI

**COMPANY SECRETARY**

MR. S. JARRAR HUSAIN

**AUDITORS**

FARUQ ALI & CO.  
Chartered Accountants  
Karachi.

**BANKERS**

MUSLIM COMMERCIAL BANK LTD.  
ALLIED BANK OF PAKISTAN LTD.  
NATIONAL BANK OF PAKISTAN.  
PRIME COMMERCIAL BANK LTD.  
PLATINUM COMMERCIAL BANK LTD.  
BANKERS EQUITY LTD.

**REGISTERED OFFICE**

4th Floor, Panorama Centre,  
Building No2,  
Raja Ghazanfar Ali Khan Road,

Saddar, Karachi.

**FACTORY**

Tando Mohammad Khan Road,  
S.I.T.E. Hyderabad.

**NOTICE OF MEETING**

NOTICE is hereby given to the Members that the Forty Second Annual General Meeting of the Company will be held on Saturday the 27th February, 1999 at 11:00 A.M. at FTC Auditorium,, Karachi to transact the following business:-

- 1) To confirm the Minutes of 41st Annual General Meeting of the Company held on 28th February, 1998.
- 2) To receive, consider and adopt the Audited Accounts of the Company for the year ending 30th June, 1998 and the Report of Directors and Auditors thereon.
- 3) To appoint Auditors for the year 1998-99 and to fix their remuneration. The present Auditors, Faruq Ali & Co., Chartered Accountants stand retired and, being eligible, offer themselves for re-appointment.
- 4) To transact, with the permission of the chair, any other business which may be transacted at Annual General Meeting.

By Order of the Board

Karachi: February 06, 1999

**S. JARRAR HUSAIN**  
Secretary

**Note:-**

- 1) The Share Transfer Books of the Company will remain closed from Saturday the 20th February, 1999 to Saturday the 27th February, 1999 (both days inclusive.)
- 2) 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.
- 3) Members should quote their folio number in all correspondence with the Company and at the time of attending the Annual General Meeting.
- 4) Members are requested to notify the change in address, if any, immediately

**DIRECTOR'S REPORT TO THE SHAREHOLDERS**

**Dear Shareholders**

Your directors place before you the 42nd annual report together with audited accounts of the company and auditors report on the accounts for the year ending 30th June, 1998.

#### **MARKETING**

Presently the Cement Industry of Pakistan is passing through a period of worst ever crisis because of over supply without a corresponding demand of cement. Another major contributory factor to this state of affairs is massive taxation levied on sale of cement, which does not permit the manufacturer to reach break-even stage. The industry is and may continue facing the escalation in the cost of inputs particularly, of Electricity, Gas, spares, paper bags etc.

The Company, in addition to the above odd factors, faced the closure of its Factory, due to the strike by the workers, which ended in the second week of February, 1998. During the year factory could start despatch of cement by the end of February, 1998 and thus the sale of cement for the year remained 160,528 tonnes (inclusive of 7,898 tonnes purchased from Pakistan Slag Cement Industries Limited (PSCIL) and other cement units and supplied to DGP (Army) as compared to 406,782 tonnes (inclusive of 93,476 tonnes of cement sold through PSCIL) of the last year.

#### **PRODUCTION**

In the year, under discussion, no production was possible during strike period. However, on amicable settlement of dispute with employees union the factory started production in second week of February, 1998. During this period i.e., mid February, 1998 to 30th June, 1998 the production of clinker remained 139,120 tonnes as compared to 224,690 tonnes of the last year. Similarly the production of cement, during the year stood at 171,810 tonnes as against 370,080 tonnes (inclusive of 70,505 tonnes processed through PSCIL) of last year.

#### **LITIGATION BY MUSLIM COMMERCIAL BANK LTD.**

Immediately after restarting of Company's Factory, after remaining closed for about fifteen months due to strike by the workers, MCB the leader bank of Company instead of assisting a client like Zeal Pak, at this critical stage, filed a suit before the Honourable High Court of Sindh for recovery of balance of their Running Finance and Markup. The Company made payment of the amount, agreed upon, in full and final settlement of entire liability under Running Finance arrangements with them.

#### **FINANCIAL RESULTS**

Due to the workers strike the factory remained close for more than seven months during the year, the volume of production remained at an abnormally low ebb, resulting in non-absorption of fixed cost. Consequently Company suffered a Pre-Tax Loss of Rs. 128.995 million as compared to Rs.172.427 million before tax of last year.

The above loss has been arrived at after writing back the mark up payable on the Running Finance, availed by the Company from Muslim Commercial Bank and a portion of principal amount also, amounting in all to Rs.53.883 million.

#### **DIRECTORS**

There has been no major change in the composition of your Board of Directors, since last annual general meeting, with the exception that Mr. A.K.M. Sayeed resigned and in his place Mr. Nasim Beg was co-opted as a director of the Company. The Directors of the Company wish to place on record their appreciation for the services rendered by him, during his long association with the Company, as a director.

#### **AUDITORS**

The present Auditors, M/s. Farooq Ali & Co., Chartered Accountant stand retired, and being eligible, offer themselves

for re-appointment as auditors of the Company for the financial year ending 30.6.1999.

**YEAR 2000 COMPLIANCE**

The Company is in the process of upgradation, modification of existing Computer System to meet the year 2000 requirements.

**DIVIDENDS**

In view of loss no dividend has been recommended by our board for the year 1997-98.

**PATTERN OF SHARE HOLDING**

A statement showing pattern of share holding in the Company is included in the report.

**ACKNOWLEDGEMENT**

I, on my behalf and on behalf of my colleague Directors wish to place on record our appreciation for our officers and workers who devoted themselves for the betterment of the Company. I would also like to convey my sincere thanks to the to the stockists and the banks associated with us.

For and behalf of the Board

**M. A. JAMEEL**

Chief Executive

Karachi: February 06, 1999

**PATTERN OF HOLDING OF SHARES  
FOR THE YEAR ENDED 30TH JUNE 1998**

No. of Shares Holders	Shares Holdings		Total Shares Held	Percentage	
1192	From	1 To	100	30,788	0.35
517	From	101 To	500	132,731	1.52
111	From	501 To	1000	84,308	0.97
117	From	1001 To	5000	234,594	2.69
12	From	5001 To	10000	88,942	1.02
7	From	10001 To	15000	85,864	1.00
1	From	25001 To	30000	27,225	0.31
2	From	30001 To	35000	65,046	0.75
1	From	35001 To	40000	39,130	0.45
1	From	340001 To	345000	342,508	3.93
1	From	985001 To	990000	988,344	11.34
1	From	2015001 To	2020000	2,018,066	23.16
1	From	4570001 To	4575000	4,574,454	52.51
-----				-----	-----
1,964				8,712,000	100.00

=====  
**Category Wise Summary of Share Holders 30-06-1998**

Categories of Share Holders	Number	Share Held	Percentage
1. Individuals	1,934	615,957	7.07
2. Investment Companies	2	3,006,410	34.51
3. Insurance Companies	6	441,100	5.06
4. Joint Stock Companies	12	27,071	0.31
5. Others			
i) M/s. Sardar M. Ashraf D. Balouch (Pvt) Ltd.	1	4,574,454	52.50
ii) Administrator Abandoned Property Government of Pakistan	1	32,864	0.38
iii) Non Residents	8	14,144	0.17
	-----	-----	-----
TOTAL	1,964	8,712,000	100.00
	=====	=====	=====

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of ZEAL-PAK CEMENT FACTORY LIMITED as at 30th June 1998 and the related profit and loss account and cash flow statement, 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 and, after due verification thereof, we report that:

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

b) in our opinion:

I) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with 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 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 1998 and of the loss and cash flows for the year then ended; and

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

**FARUQ ALI & CO.**

Chartered Accountants

Karachi: February 06, 1999

**BALANCE SHEET AS AT 30TH JUNE 1998**

	Note	(Rupees in '000')	
		1998	1997
<b>SHARE CAPITAL AND RESERVES</b>			
<b>SHARE CAPITAL</b>			
Authorised 15,000,000 ordinary shares of Rs. 10/- each		150,000	150,000
		=====	=====
Issued, subscribed and paid-up	3	87,120	87,120
<b>RESERVES</b>	4	108,301	239,000
		-----	-----
<b>LONG -TERM LOANS - SECURED</b>	5	195,421	326,120
<b>DEFERRED LIABILITIES</b>	6	83,738	81,408
<b>LONG - TERM DEPOSITS</b>	7	230,925	123,927
<b>CURRENT LIABILITIES</b>		9,270	11,609
Current portion of long-term loans	5	34,164	34,164
Short - term running finances under mark-up arrangements - Secured	8	278,833	256,542
Creditors, accrued expenses and other liabilities	9	258,606	393,748
Provision for taxation	10	12,289	10,585
Dividend	11	1,787	1,824
		-----	-----
		585,679	696,863
<b>CONTINGENCIES AND COMMITMENTS</b>	12	-	-
		-----	-----
		1,105,033	1,239,927
		=====	=====

**TANGIBLE FIXED ASSETS**

Operating assets	13	507,752	562,120
Stores and spares held for capital expenditure		8,702	7,673
		516,454	569,793
		-----	-----

**LONG - TERM DEPOSITS****CURRENT ASSETS**

Stores, spares and loose tools	14	214,017	227,459
Stock-in-trade	15	103,836	126,516
Trade debts	16	136,860	146,811
Loans, advances, deposits, short-term pre - payments and other receivables	17	130,218	163,603
Cash and bank balances	18	3,467	5,564
		588,398	669,953
		-----	-----
		1,105,033	1,239,927
		=====	=====

These accounts should be read in conjunction with the attached notes.

Chief Executive

Director

**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 30TH JUNE 1998**

	Note	(Rupees in '000')	
		1998	1997
Sales - net	19	340,831	771,063
Cost of Sales	20	366,550	818,982
		-----	-----
Gross (Loss)		(25,719)	(47,919)
Administrative and general expenses	21	11,808	16,622
Selling and distribution expenses	22	3,747	6,918
		15,555	23,540
		-----	-----
		(41,274)	(71,459)

Financial charges	23	(43,654)	(71,823)
Other income	24	55,008	2,712
Other charges	25	(109,169)	(53,654)
Prior year adjustment	26	10,094	21,797
		-----	-----
		(87,721)	(100,968)
		-----	-----
(Loss) before taxation		(128,995)	(172,427)
Taxation			
- Current year		(1,704)	(3,855)
		-----	-----
		(1,704)	(3,855)
		-----	-----
(Loss) after taxation		(130,699)	(176,282)
Accumulated (Loss) brought forward		(237,786)	(61,504)
		-----	-----
Balance Carried over to general reserves		(368,485)	(237,786)
		=====	=====

These accounts should be read in conjunction with the attached notes.

**Chief Executive**

**Director**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 1998**

	Note	(Rupees in '000')	
		1998	1997
<b>Cash flow from operating activities</b>			
- Cash generated from operations	27	33,915	37,337
- Financial charges paid		(45,008)	(35,081)
- Employees' retiring benefits paid		(18,922)	(46,949)
		-----	-----
Net cash inflow/(Outflow) from operating activities		(30,015)	(44,693)
<b>Cash flow from investing activities</b>			
- Fixed capital expenditure		(3,402)	(10,677)
- Sale proceeds of fixed assets	5	5	2,053
- Long-term loans (net)		-	24,462

	-----	-----
	(3,397)	15,838
<b>Cash flow from financing activities</b>		
- Refund of long - term deposits	(2,339)	(7,605)
- Dividend paid	(37)	(5)
- Received from Gratuity Fund	11,400	48,577
	-----	-----
	9,024	40,967
Net increase/(decrease) in cash and cash equivalents	(24,388)	12,112
Cash and cash equivalents at the beginning of the year	(250,978)	(263,090)
Cash and cash equivalents at the end of the year	-----	-----
	27.2	(275,366)
	=====	=====

These accounts should be read in conjunction with the attached notes.

**Chief Executive**

**Director**

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30TH JUNE 1998**

**1. STATUS AND NATURE OF BUSINESS**

1.1. The company was incorporated in Pakistan as a public limited company on 9th May 1957 under the Companies Act, 1913 (now Companies Ordinance, 1984) and its shares are quoted on Karachi and Lahore Stock Exchanges. The company is principally engaged in the manufacture and sale of cement.

**1.2 PRIVATISATION OF STATE OWNED ENTERPRISES**

Under the sale agreement executed on 14th September 1992 between State Cement Corporation of Pakistan (Private) Limited, Investment Corporation of Pakistan and National Investment Trust, through the Privatisation Commission, Ministry of Finance, Government of Pakistan, collectively called "the seller" and M/s. Sardar Mohammad Ashraf D. Baluch (Private) Limited as "the buyer", 2,221,560 ordinary shares of the face value of Rs. 10/- each, being 51% of the company's capital, were sold and transferred to the buyer alongwith the right of management of the company.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention, as modified by capitalisation of certain exchange differences.

## **2.2. Staff retirement benefits**

The company operates approved funded gratuity scheme covering all its employees who have completed their minimum qualifying period of service with the company.

Provision is made annually in the accounts to cover obligations under the scheme.

The company also operates approved funded contributory provident fund scheme for all its employees.

## **2,3. Taxation**

### **- Current**

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

### **- Deferred**

The company accounts for deferred taxation on all major timing differences, that are likely to reverse in the foreseeable future, under the liability method.

## **2.4 Tangible fixed assets and depreciation**

### **- Owned assets**

(a) Operating assets are stated at cost (including related borrowing costs and exchange differences) less accumulated depreciation/depletion, except free hold land which is stated at cost.

(b) Capital work-in-progress is stated at cost (including related borrowing costs). These costs are transferred to operating assets as and when assets are available for use.

(c) Depreciation on operating assets is charged to income applying the reducing balance method at the rates specified in note 13.1.

(d) A full year's depreciation is charged on assets capitalised during the year, whereas no depreciation is charged on assets disposed off/retired during the year.

(e) Normal repairs and maintenance are charged to expenses as and when incurred. Major renewals and replacements are capitalised and the assets so replaced, if any, are retired.

(f) Profit or loss on sale or retirement of assets is included in income currently.

### **- Leased assets**

Assets subject to finance lease are accounted for by recording the assets and the related liability. The amounts are determined on the basis of discounted value of minimum lease payments. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is provided in the same way as on owned assets.

## **2.5. Stores, spares and loose tools**

These are valued at moving average cost less provision for obsolescence. Goods in transit at the balance sheet date are valued at invoice value plus other charges paid thereon.

#### 2.6 Stock-in-trade

These are valued at lower of average cost and net realisable value. Physical quantities of cement and clinker stocks are based on volumetric measurement carried out by the technical experts of the company. Costs in relation to finished goods and work-in-process includes prime cost and appropriate proportion of production overheads.

Net realisable value signifies the selling price less costs necessarily to be incurred in order to make the sale.

#### 2.7 Trade debts

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

#### 2.8 Short-term investments

These are valued at the lower of cost or market value.

#### 2.9. Revenue recognition

Cement sales are recorded on despatch of goods to the customers, whereas clinker sales are recorded on receipt of goods by the customers.

#### 2.10. Foreign currencies

Transactions in foreign currencies are translated into rupees at the rate of exchange prevailing on the date of transaction. Assets and liabilities in foreign currencies, if any, are translated into rupees at the rate of exchange prevailing on the balance sheet date.

Exchange gains and losses are included in income currently.

	(Rupees in '000')	
	1998	1997
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
2,400,000 Ordinary shares of Rs. 10/- each fully paid in cash	24,000	24,000
1,956,000 Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	19,560	19,560
4,356,000 Ordinary right shares of Rs. 10/- each fully paid in cash	43,560	43,560
-----	-----	-----
8,712,000	87,120	87,120
=====	=====	=====

(3.1) At 30 June 1998, M/s. Sardar Mohammed Ashraf D. Baluch (Pvt.) Limited (Holding Company) and its nominees held 4,574,454 ordinary shares of Rs. 10/- each (1997: 4,574,454).

#### 4. RESERVES

Movement in and composition of reserves is as follows:

Capital reserve			
Tax holiday			
- Third kiln	(4.1)	1,007	1,007
- Fourth kiln		9,897	9,897
		-----	-----
		10,904	10,904
Share premium	(4.2)	217,800	217,800
		-----	-----
		228,704	228,704
<b>Revenue reserve</b>			
General			
- At 01 July		248,082	248,082
- Accumulated (Loss)		(368,485)	(237,786)
		-----	-----
		108,301	239,000
		=====	=====

(4.1) Capital reserve represents reserve created under Section 15(BB) of the Income Tax Act, 1922.

(4.2) Premium on issue of right share @ Rs. 50/- per share.

#### 5. LONG - TERM LOANS - SECURED

	Note	Name of Agency	Financing Rate	Repayable by	Sanctioned Amount	Balance 1998	Outstanding 1997
					US\$	(Rupees in '000')	
Foreign currency loan (rupee converted)							
- Secured	(5.1)	IBRD through SCCP	14% (including exchange risk fee.)		April 2001	8,015,000	105,088 102,758
- do -	(5.2)	IBRD	14% (including exchange risk fee)		September 1999	156,186	12,814 12,814
						-----	-----
							117,902 115,572
Less: Overdue current portion - shown under current liabilities							34,164 34,164
						-----	-----
							83,738 81,408
						=====	=====

(5.1) The International Bank for Reconstruction and Development (IBRD) sanctioned a foreign currency loan equivalent to US\$ 152.4 million (1997: US\$ 152.4 million) to the Government of Pakistan. A portion equivalent to US\$ 8.02 million (1997: US\$ 8.02 million) has been allocated to the company through State Cement Corporation of Pakistan (Private) Limited (SCCP) for modernisation of cement plant and machinery. The loan was converted into rupee at the respective rates of disbursement. The loan was originally payable to SCCP, but as per clause 6.1 of the 'sale agreement' dated 14 September, 1992, the loan now stands transferred in favour of Economic Affairs Division, Government of Pakistan. The loan is repayable in seventeen semi-annual installments commencing from 1st April 1993 and is subject to interest at the rates of 14 percent, per annum, inclusive of exchange risk coverage fee. The above loan is secured by bank guarantees equivalent to Rs. 236.36 million issued on the request of Directors of M/s. Sardar Mohammad Ashraf D. Baluch (Private) Limited (the Holding Company), in favour of Economic Affairs Division, Government of Pakistan.

(5.2) This represents amount disbursed as loan from IBRD to cover supervisory services of BMR provided by foreign consultants, other conditions being same, the loan is repayable in ten semi - annual installments commencing from April, 1996.

(5.3) The Company has not paid Semi-annual installments of IBRD loan, payable during the year to Economic Affairs Division, Government of Pakistan, as it has obtained an order from the Hon'ble High Court of Sindh to maintain status quo.

**(Rupees in '000')**

**1998**

**1997**

**6. DEFERRED LIABILITIES**

Deferred taxation		63,548	63,548
Employees' retirement benefits	(6.1)	90,827	60,379
Due to M/s. S. M. Ashraf D. Balouch (Pvt.) Ltd. (Holding Company)	(6.2)	76,550	-
		-----	-----
		230,925	123,927
		=====	=====

**(6.1) Employees' retirement benefits:**

- Employees' gratuity			
At beginning of the year		15,399	58,494
Provision made during the year		37,970	1,325
Payable to gratuity fund		52,345	40,945
Payment to the outgoing employees on behalf of gratuity fund		(18,912)	(44,420)
		-----	-----
		71,403	(2,150)
		-----	-----
		86,802	56,344

- Leave Salary	4,025	4,035
	-----	-----
	90,827	60,379
	=====	=====

(6.2) The holding Company M/s. S. M. Ashraf D. Baluch (Pvt) Ltd., has agreed vide its letter dated 24/12/98 not to claim its current balance of Rs. 76.550 million until availability of funds. Hence the above amount due to the holding Company has been transferred to deferred liabilities.

#### 7. LONG - TERM DEPOSITS

These represent interest free security deposits from cement stockists and are re-payable on cancellation or withdrawal of the dealership. The company in terms of Section 226 of the Companies Ordinance, 1984 has kept an amount of Rs. 1.002 million (1997: Rs. 1.021 million), as referred to in note 18.1. Further, for remaining deposits, the company is in the process of complying with Section 226, whereby the agreements with stockists are being suitably amended.

#### 8. SHORT- TERM RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS - SECURED

The company has short-term finance facilities from various banks amounting to Rs. 279.42 million (1997 ' 200.00 million). The rate of mark - up ranges between 18.25 percent to 21.9 percent per annum (1997 ' 18.6% to 21.9%). The above financings are secured by registered hypothecation of stock-in-trade, stores and spares and book debts of the company.

(Rupees in '000')

	1998	1997
<b>9. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Trade creditors	40,907	36,438
Accrued expenses	112,688	103,980
Payable on account of CEM and other loan	-	7,816
Accrued interest on long-term loan - secured	47,237	32,933
Accrued mark - up on short-term running finances - secured	5,615	23,603
Royalty and excise duty on lime stone	5,855	10,511
Commitment charges on foreign currency loan	2,551	2,551
Deposits - interest free	4,871	4,193
Advance from customers	27,375	39,967
Sales tax	390	77,123
Claims from customers	3,976	3,976
Due to M/s. S. M. Ashraf D. Balouch (Pvt.) Ltd. (Holding Company)	-	16,528
Board of Revenue, Sindh for purchase of land	-	2,278
Local Council taxes	588	558

Service charges payable	-	28,254
Income tax deducted at source	1,334	680
Others	5,219	2,359
	-----	-----
	258,606	393,748
	=====	=====

#### 10. TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1995-96. However, appeal for the assessment year 1991-92 is pending with the Income Tax Appellate Tribunal. In case of adverse decision of appeal, no further tax liability will arise.

(Rupees in '000')

1998

1997

#### 11. DIVIDEND

Unclaimed	1,787	1,824
	=====	=====

#### 12. CONTINGENCIES AND COMMITMENTS

- Contingent liabilities in respect of claims against the company, not acknowledged as debt, pending outcome of litigation Rs. 14.00 million (1997: Rs. 14.00 million).

- Guarantees issued on behalf of company by commercial banks Rs. 39.629 million (1997: 68.893 million).

#### 13. OPERATING ASSETS

##### AT COST LESS ACCUMULATED DEPRECIATION / DEPLETION

13.1 The following is a statement of operating assets:

	COST				Rate %	DEPRECIATION			
	As at 01 July 1997	Additions	(Disposals)	As at 30 June 1998		As at 01 July 1997	For the year	On (Disposals)/	As at 30 June 1998
<b>OWNED:</b>									
Free hold land	3,661	-	-	3,661	-	-	-	-	-
Free hold quarry land	7,561	-	-	7,561	-	4,338	-	-	4,338
Building on free hold land	63,587	-	-	63,587	5 to 10	48,144	1,059	-	49,203

Office premises	4,498	-	-	4,498	5	2,404	105	-	2,509
Road and Railway sidings	3,414	-	-	3,414	5 to 10	2,819	39	-	2,858
Plant and machinery	1,030,003	42	-	1,030,045	10	510,340	51,973	-	562,313
Locomotives, dumpers, shovels and trucks	82,461	-	-	82,461	20	73,979	1,694	-	75,673
Cars and jeeps	12,235	2,279	(17)	14,497	20	9,120	1,077 (16)	-	10,181
Library books	4	-	-	4	10	3	-	-	3
Furniture, fixtures and equipment	21,846	52	-	21,898	10 to 15	16,003	793	-	16,796
1998	1,229,270	2,373	(17)	1,231,626		667,150	56,740	(16)	723,874
1997	1,222,864	10,827	(4,421)	1,229,270		606,818	62,856	(2,524)	667,150

(Rupees in '000')

1998

1997

**(13.2) Depreciation charge for the year has been allocated as follows:**

Cost of sales		23,233	31,109
Administrative and general expenses		655	425
Selling and distribution expenses		326	213
Other charges	(25.1)	32,526	31,109
		56,740	62,856

**(13.3) DISPOSAL OF OPERATING ASSETS**

Details of certain assets sold during the year are as under:

(Rupees in '000')

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Sold To
Honda Motor Cycle	17	16	1		5 By Tender	Mr. Ahmed Khan (Employee)
1998	17	16	1		5	
1997	4,421	2,524	1,897	2,053		

=====

(Rupees in '000')

1998

1997

**14. STORES, SPARES AND LOOSE TOOLS**

Stores	76,311	88,434
Spares	129,820	131,198
Stores and spares in transit	10,688	10,615
Loose tools	1,198	1,212
	-----	-----
	218,017	231,459
Less: Provision for obsolescences	4,000	4,000
	-----	-----
	214,017	227,459
	=====	=====

**15. STOCK-IN-TRADE**

Raw and packing material	9,282	11,430
Work-in-process	43,669	83,690
Finished goods	50,885	31,396
	-----	-----
	103,836	126,516
	=====	=====

**16. TRADE DEBTS**

Considered good - Secured	8,001	8,425
- Unsecured	128,859	138,386
	-----	-----
Considered doubtful	677	677
Less: Provision for doubtful debts	677	677
	-----	-----
	-	-
	-----	-----
	136,860	146,811
	=====	=====

**17. LOANS, ADVANCES, DEPOSITS, SHORT - TERM  
PRE-PAYMENTS, AND OTHER RECEIVABLES**

Loans	1,093	2,357
Advances - considered good		
- Employees	1,575	5,546
- Suppliers & contractors	23,065	72,595
- Excise duty	893	3,754
- Taxation	18,437	15,843

- Octroi deposits		10,598	10,598
		-----	-----
Advances - Considered doubtful		4,036	4,036
Less: Provision for doubtful advances		4,036	4,036
		-----	-----
		-	-
		-----	-----
		55,661	110,693
Deposits			
- Margin against bank guarantees		23,630	22,739
- Others		8,559	2,013
		-----	-----
		32,189	24,752
Short-term pre-payments		45	363
Other receivables			
- Due from SCCP & other Cement units		14,490	2,711
- Accrued interest on bank deposits		26	26
- Income tax refundable		16,140	16,140
- Insurance claims recoverable		2,267	2,297
- Octroi recoverable		2,510	2,588
Others			
- Considered good		6,890	4,033
- Considered doubtful		659	659
Less: Provision for doubtful receivables		659	659
		-----	-----
		-	-
		-----	-----
		42,323	27,795
		-----	-----
		130,218	163,603
		=====	=====
<b>18. CASH AND BANK BALANCES</b>			
Cash in hand		391	362
With Banks:			
- Current accounts		2,074	4,181
- Deposit accounts	(18.1)	1,002	1,021
		-----	-----
		3,467	5,564
		=====	=====

(18.1) This includes amounts earmarked against security deposits of Rs. 1.002 million (1997 · Rs. 1.021 million).

(Rupees in '000')

	1998	1997
<b>19. SALES - NET</b>		
Gross Sales	589,608	1,350,658
Less:		
- Excise duty	247,385	411,481
- Sales tax	-	211,618
- Rebate, commission, freight subsidy and service charges (19.1)	23,366	17,880
	-----	-----
	270,751	640,979
	-----	-----
	318,857	709,679
Purchased cement	21,974	61,384
	-----	-----
	340,831	771,063
	=====	=====

19. Service charges represent amount payable to M/s. Sardar Mohammad Ashraf D. Baluch (Pvt.) Ltd. (the holding Company) @ Rs. 20/= per ton.

#### 20. COST OF SALES

Raw and packing material consumed		
Opening stock	11,430	5,883
Purchases	55,238	147,038
	-----	-----
	66,668	152,921
Closing stock	(9,282)	(11,430)
	-----	-----
	57,386	141,491
Stores and spare parts consumed	23,092	56,923
Power	70,676	90,048
Fuel	111,636	150,494
Salaries, wages and benefits	47,639	70,669
Repairs and maintenance	2,619	8,206
Insurance	1,200	764
Rent, rates and taxes	369	453
Depreciation (13.2)	23,233	31,109
Other expenses	9,094	49,767
	-----	-----
	289,558	458,433
	-----	-----
	346,944	599,924
Work-in-process		

- Opening	83,690	211,915
- Closing	(43,669)	(83,690)
- Damage Clinker	(15,520)	-
	-----	-----
Cost of goods manufactured	371,445	728,149
 Finished goods		
- Opening	31,397	45,899
- Closing	(50,885)	(31,397)
- Damage Cement	(17,330)	-
	-----	-----
	334,627	742,651
Purchased cement	31,923	76,331
	-----	-----
	366,550	818,982
	=====	=====

**21. ADMINISTRATIVE AND GENERAL EXPENSES**

Salaries, wages and benefits		3,420	6,078
Rent, rates and taxes		44	92
Insurance		300	664
Repairs and maintenance		220	318
Legal and professional charges		2,290	2,225
Auditors' remuneration	(21.1)	85	148
Depreciation	(13.2)	655	425
Communications		1,101	2,081
Stationery and general expenses		688	850
Donations	(21.2)	29	68
Others		2,976	3,673
		-----	-----
		11,808	16,622
		=====	=====

**(21.1) AUDITORS' REMUNERATION**

Audit fee		45	45
Out of pocket expenses		40	83
Other services		-	20
		-----	-----
		85	148
		=====	=====

(21.2) Recipients of donations do not include any donee in whom a director or his spouse had any interest.

**22. SELLING AND DISTRIBUTION EXPENSES**

Salaries, wages and benefits		1,187	2,413
Rent, rates and taxes		21	188
Insurance		49	67
Repairs and maintenance		185	165
Depreciation	(13.2)	326	213
Advertisement		173	328
Communications		432	726
Stationery and general expenses		135	150
Others		1,239	2,668
		-----	-----
		3,747	6,918
		=====	=====

### 23. FINANCIAL CHARGES

Mark-up on short - term running finances		26,055	52,480
Interest on:			
- Long-term loans		16,634	16,634
Bank charges		228	951
Guarantees' commission		737	1,758
		-----	-----
		43,654	71,823
		=====	=====

### 24. OTHER INCOME

Return on bank deposits		89	1,075
Sale of scrap		9	6
Profit on sale of fixed assets		4	156
Royalty		-	50
Income on final settlement in respect of short term running finance	(24.1)	53,882	-
Others		1,024	1,425
		-----	-----
		55,008	2,712
		=====	=====

(24.1) Muslim Commercial Bank Ltd., vide memorandum of settlement letter dated 23/07/98 has reached an agreement with the Company on outstanding liabilities. The agreement provides for a waiver of mark-up principal amounting to Rs. 53.882 million.

Credit has been taken in this accounts for benefits due to this waiver.

### 25. OTHER CHARGES

Zakat		-	1
Power		9,676	22,544
Depreciation		32,526	31,109

Golden Hand Shake		23,449	-
Additioned sales tax	(25.2)	10,668	-
Damaged stock of cement and clinker	(25.3)	32,850	-
		-----	-----
		109,169	53,654
		=====	=====

(25.1) Depreciation and Power charges subsequent to labour strike at factory, hence stoppage of operations, being extra ordinary and unusual in nature have not been charged to manufacturing cost.

(25.2) Amount represent Additional Sales Tax levied by collector of Sales Tax on account of delayed payment of Sales Tax.

(25.3) Due to workers' strike, factory operation remained closed from 04/12/96 to 08/02198. A quantity of 11,089 M. Ton of cement in silos and 10,300 M. Ton of clinker was demaged and hence not realizable. The amount being extra ordinary loss has been reflected as above.

#### 26. PRIOR YEAR ADJUSTMENT

Excess provision return back

Bonus

		-	10,209
Royalty		-	10,401
Provision written-back	(26.1)	10,094	-
Income due to refund of Sales Tax & Excise Duty		-	1,187
		-----	-----
		10,094	21,797
		=====	=====

(26.1) This represent the amount of CEM and other loan and the provision for purchase of land made in earlier years.

(Rupees in '000')

1998

1997

#### 27. CASH GENERATED FROM OPERATIONS

(Loss) before taxation		(128,995)	(172,427)
Adjustment for non cash charges and other items			
Depreciation		56,740	62,856
(Profit) on sale of fixed assets		(4)	(156)
Provision for retirement benefits of employees		37,970	1,325
Financial charges		43,654	71,823
Working capital changes	(27.1)	24,550	73,916
		-----	-----
		162,910	209,764

-----	-----
33,915	37,337
=====	=====

### 27.1 WORKING CAPITAL CHANGES

(Increase)/decrease in current assets

- Stores, spares and loose tools	13,442	(27,887)
- Stock-in-trade	22,680	137,181
- Trade debts	9,951	(30,738)
- Loans, advances, deposits, short-term pre-payments and other receivables	33,385	14,244
	-----	-----
	79,458	92,800

Increase/(Decrease) in current liabilities

- Creditors, accrued and other liabilities (net)	(54,908)	(18,884)
	-----	-----
	24,550	73,916
	=====	=====

### 27.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises of the following items as included in the balance sheet:

- Cash and bank balances	3,467	5,564
- Short-term finance under mark-up arrangements	(278,833)	(256,542)
	-----	-----
	(275,366)	(250,978)
	=====	=====

### 28. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive and Executives of the company was as follows:

(Rupees in '000')

	CHIEF EXECUTIVE		EXECUTIVES		TOTAL	
	1998	1997	1998	1997	1998	1997
Fee	1	1	-	-	1	1
Managerial remuneration	190	180	1,327	1,427	1,517	1,607
Housing	98	81	536	384	634	465

Conveyance	-	-	121	101	121	101
Leave passage	-	-	-	-	-	-
Medical expenses	-	-	60	40	60	40
Utilities	25	-	40	32	65	32
Entertainment	-	-	-	-	-	18
Allowances	29	21	175	169	204	190
Retirement benefits	-	-	-	2,922	-	2,922
	-----	-----	-----	-----	-----	-----
	343	301	2,259	5,075	2,602	5,376
	=====	=====	=====	=====	=====	=====
No. of persons	1	1	15	25	16	26
	=====	=====	=====	=====	=====	=====

In addition to the above, the Chief Executive and Executives are provided with company maintained cars (monthly petrol ceiling). The residential telephone, gas and electric bills are paid by the company.

(Metric tons)

1998

1997

**29. PRODUCTION**

Cement production

171,810      370,080

=====      =====

The fall in production has been due to labour strike at factory causing stoppage of production from December 04, 1996 till mid February 1998.

**30. TRANSACTION WITH HOLDING COMPANIES**

(Rupees in '000')

Service charges

3,052      7,694

=====      =====

**31. GENERAL**

- Figures have been rounded off to nearest thousand of rupees.

- Previous year's figures have been re-arranged and re-grouped, wherever necessary to facilitate comparison.

Chief Executive

Director

Karachi: February 06, 1999