

Zeal Pak Cement Factory Limited

Annual Report 1999

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Chairman
Chief Executive

COMPANY SECRETARY

S. JARRAR HUSAIN

AUDITORS

FARUQ ALI & CO.
Chartered Accountants
Karachi.

BANKERS

Allied Bank of Pakistan Limited
A. B. N. Amro Bank
National Bank of Pakistan
Platinum Commercial Bank Limited
Muslim Commercial Bank Limited
Prime Commercial Bank Limited
Union Bank Limited
Industrial Development Bank of Pakistan

REGISTERED OFFICE

5th Floor, Panorama Centre, Building No. 2,
Raja Ghazanfar All Khan Road,
Saddar, Karachi.
Telephone: 5676195-96

FACTORY

Tando Mohammad Khan Road,
S.I.T.E. Hyderabad.
Telephone: 0221 - 40488, 42714

NOTICE OF MEETING

NOTICE is hereby given to the Members that the Forty Third Annual General Meeting of the Company will be held on 31st December, 1999 at 4:30 P.M. on Friday at FTC Auditorium, Karachi to transact the following business:-

- 1) To confirm the Minutes of 42nd Annual General Meeting of the Company, held on 27th February, 1999.
- 2) To receive, consider and adopt audited accounts of the Company for the year ending 30th June, 1999 and the Report of Directors and Auditors thereon.
- 3) To appoint Auditors for the year 1999-2000 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' December 09, 1999

S. JARRAR HUSAIN
Secretary

Note:-

- 1) The Share Transfer Books of the Company will remain closed from Thursday the 23rd December 1999, to Friday the 31st December 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.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

Your directors place before you the 43rd Annual Report together with the audited accounts of the Company and auditors report on the accounts for the year ending June 30, 1999.

Sales and Marketing

During the above year, likewise previous year the trend of depressed demand of cement continued. The marketing of cement, particularly in Southern region, faced glut in the market due to lack of development works in the region. Consequently, during the year, sale of cement stood at 312,002 tones, which however, exceeded the sale of last year when it was 160,528 tones only. (Sale / production operations remained for about four months only, due to workers illegal strike, during the last year.)

In order to generate funds and to reduce its fixed cost, the Company sold 42,448 tones clinker during the year. With the same objective the Company has started grinding of Granulated Slag from June 1999 for a cement unit of Karachi, on payment of grinding and packing charges by them.

Production

In view of over capacity of cement industry, the production of clinker and cement was kept in line with the demand. During the year, under discussion, the production of clinker and cement stood at 280,680 tones and 300,290 tonnes respectively, as compared to 139,120 tonnes clinker and 171,110 cement during the previous year.

Operating Results

From operational point of view, the year under review, remained difficult for the Company. The fall in production, due to lack of demand of cement, and uncompetitive selling price in the market resulted in non-absorption of fixed cost. Thus the Company suffered loss before tax, during the year, amounted to Rs. 91.555 million. However, the loss before tax for the year, under discussion, was lesser than the loss of Rs. 128.995 million, reported in the last year.

Directors

The composition of your Board of Directors saw no change during the above year. In pursuance of the provisions of the Companies Ordinance 1984, next election of directors is due in March 2000.

Settlement of IBRD Loan

Consequent upon a stay order granted by the Honourable High Court of Sindh, in September 1996, the payments of semi annual instalments falling due after the said order were kept in abeyance. The stay order has been vacated by Honourable-Court in October 1999. Therefore, company requested the sponsoring directors to provide funds for payment of over due instalments. The sponsoring directors arranged settlement of entire amount of loan balance and a portion of over due interest in November 1999.

Company has requested to Ministry of Finance, Government of Pakistan, for rescheduling of remaining balance of interest only, (Rs. 52.00 million) as the principal amount has been paid in full. The management expects that their

request will be acceded to by concerned authorities in view of prompt settlement of balance of loan in full. On rescheduling the position of current liabilities will improve to the above extent.

Auditors' Observation

Regarding auditor's observation of any adverse effect on future operations and shareholder's equity we assure our shareholders that your management is taking all possible steps to improve and economize its operation. Kiln No. 2 which was phased out and abandoned prior to the privatization by the State Cement Corporation of Pakistan has been revived and is being modified for production of white cement. We expect to produce clinker for white cement by the end of December this year. We hope that the production of white cement will have favourable impact on the cash flow/profitability of the Company.

Zeal Pak, being a wet process cement plant has higher fuel consumption as compared to dry process plant. The impact of energy cost is 50% of the overall cost of production. In order to cut down fuel consumption the Company has carried out research in two small kilns which is encouraging by way of curtailing cost of energy and increase in productivity. In this connection we are in contact with the foreign as well as local consultants to convert two of our large kilns into long dry process.

Future Prospects

The management is aware of the financial state of affairs of the Company and has therefore, prepared certain modest plans to improve the financial position. This includes production of white cement and to undertake the conversion process of two large kilns to long dry process in near future. The plan, if successful, will eventually contribute in improving the existing financial position of the Company.

Compliance Y2K

The Company has replaced most of its hardware whereas the hardware not compatible to year 2000 are in the process of replacement. The software packages that were not year 2000 compliant are being modified. The Company is confident that it would not face any serious problem in this regard.

Auditors

The present Auditors, M/s. Farooq Ali & Co., Chartered Accountants stand retired, and being eligible, offer themselves for re-appointment as auditors of the Company for the financial year 1999-2000.

Dividends

In view of loss no dividend has been recommended by your board for the year 1998-99.

Pattern of Shareholding

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

Acknowledgment

I, on my behalf and on behalf of my colleague Directors wish to place on record our appreciation for our officers and workers for their devotion to their duties. I would also like to convey my appreciation to our stockiest who have

extended valuable cooperation to your Company throughout.

For and behalf of the Board

M. A. JAMEEL

Chief Executive

Karachi: December 09, 1999

**PATTERN OF HOLDING OF SHARES
AS ON 30TH JUNE 1999**

<i>Ho. of Shares Holders</i>	<i>Shares Holdings</i>	<i>Total Shares He</i>	<i>Percentage</i>
1256 From	1 To	100	33,137 0.38
496 From	101 To	500	126,134 1.45
108 From	501 To	1000	81,623 0.94
105 From	1001 To	5000	211,655 2.43
9 From	5001 To	10000	62,952 0.72
7 From	10001 To	15000	85,864 0.99
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	150001 To	155000	154,362 1.77
1 From	155001 To	300000	244,008 2.80
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
----- 1990 =====		----- 8,712,000 =====	----- 100.00 =====

Category Wise Summary of Share Holders 30th June, 1999

<i>Categories of Share Holders</i>	<i>Number</i>	<i>Share Held</i>	<i>Percentage</i>
1. Individuals	1,960	565,541	6.49
2. Investment Companies	2	3,006,410	34.51
3. Insurance Companies	5	337,154	3.87
4. Joint Stock Companies	13	181,433	2.08
5. M/s. Sardar M. Ashraf D. Balouch (Pvt) Ltd	1	4,574,454	52.51
6. Others			
i) Administrator Abandoned Property			
Government of Pakistan	1	32,864	0.38
ii) Non Residents	8	14,144	0.16
TOTAL	----- 1,990 =====	----- 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 1999 and the related profit and loss account and statement of changes in financial position (cash flow), 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 statement of changes in financial position (cash flow), together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30th June 1999 and of the loss and statement at changes in financial position (cash flow) 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 of members to the uneconomical wet process operations which can have adverse effects on both shareholder's equity and continuation of future operations.

Karachi: December 09, 1999

FARUQ ALI & CO.
Chartered Accountants

BALANCE SHEET AS AT 30TH JUNE 1999

<i>Note</i>	<i>(Rupees in '000')</i>	
	<i>1999</i>	<i>1998</i>

SHARE CAPITAL AND RESERVES

SHARE CAPITAL

Authorised

15,000,000 ordinary shares of Rs. 10/- each		150,000	150,000
		=====	=====
Issued, subscribed and paid-up capital		87,120	87,120
RESERVES		13,178	108,301
		100,298	195,421
LONG - TERM LOANS - SECURED		117,902	83,738
DEFERRED LIABILITIES		167,897	230,925
LONG - TERM DEPOSITS		6,311	9,270
CURRENT LIABILITIES			
Current portion of long-term loans	8	--	34,164
Shod- term running finances under mark-up arrangements- Secured	9	345,921	278,833
Creditors, accrued expenses and other liabilities	10	267,440	258,606
Provision for taxation	11	3,621	12,289
Dividend	12	1,779	1,787
		-----	-----
		618,761	585,679
CONTINGENCIES AND COMMITMENTS	13		
		-----	-----
		1,011,169	1,105,033
		=====	=====
TANGIBLE FIXED ASSETS			
Operating assets	14	459,967	507,752
Stores and spares held for capital expenditure		7,675	8,702
		-----	-----
		467,642	516,454
LONG - TERM DEPOSITS		181	181
CURRENT ASSETS			
Stores, spares and loose tools	15	197,541	214,017
Stock-in-trade	16	53,580	103,836
Trade debts	17	131,993	136,860
Loans, advances, deposits, shod - term pre - payments and other receivables	18	149,918	130,218
Cash and bank balances	19	10,314	3,467
		-----	-----
		543,346	588,398
		-----	-----
		1,011,169	1,105,033

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

Director

Chief Executive

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

		<i>(Rupees in '000')</i>	
	<i>Note</i>	<i>1999</i>	<i>1998</i>
Sales - net	20	712,965	340,831
Cost of Sales	21	758,842	366,550
		-----	-----
Gross (Loss)		(45,877)	(25,719)
Administrative and general expenses	22	12,426	11,808
Selling and distribution expenses	23	5,513	3,747
		-----	-----
		17,939	15,555
		(63,816)	(41,274)
Financial charges	24	(62,303)	(43,654)
Other income	25	9,534	55,008
Other charges	26	--	(109,169)
Prior year adjustment	27	25,030	10,094
		-----	-----
		(27,739)	(87,721)
		-----	-----
(Loss) before taxation		(91,555)	(128,995)
Taxation			
Current year		(3,568)	(1,704)
		-----	-----
		(3,568)	(1,704)
		-----	-----
(Loss) after taxation		(95,123)	(130,699)
Accumulated (Loss) brought forward		(368,485)	(237,786)
		-----	-----
Balance Carried over to General Reserve		(463,608)	(368,485)
		=====	=====

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

Chief Executive

Director

STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW)

FOR THE YEAR ENDED 30TH JUNE 1999

	<i>Note</i>	<i>(Rupees in '000')</i>	
		<i>1999</i>	<i>1998</i>
Cash flow from operating activities:			
Cash generated from operations	28	38,282	33,915
Financial charges paid		(50,757)	(45,008)
Employees retiring benefits paid		(1,789)	(18,922)
Income tax paid		(12,236)	--
Net cash inflow/(outflow) from operating activities		(26,500)	(30,015)
Cash flow from investing activities:			
Fixed capital expenditure		(2,543)	(3,402)
Sale proceeds at fixed assets		--	5
Net cash inflow/(outflow) from investing activities		(2,543)	(3,397)
Cash flow from financing activities:			
Refund of long-term deposits		(2,959)	(2,339)
Dividend paid		(8)	(37)
Received from Gratuity Fund		3,000	11,400
Refund of Holding Company Loan		(31,231)	--
Net cash inflow/(outflow) from financing activities		(31,198)	9,024
Net increase/(decrease)in cash and cash equivalents		(60,241)	(24,388)
Cash and cash equivalents at the beginning of the year		(275,366)	(250,978)
Cash and cash equivalents at the end of the Year	28.2	(335,607)	(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 1999**

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 14.1.

- 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 income 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 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 include 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.

	<i>(Rupees in '000')</i>	
	<i>1999</i>	<i>1998</i>
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
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 30th June 1999, M/s. Sardar Iqbal Ashraf D. Baluch (Pvt.) Limited and its nominees held 4,574,454 ordinary shares of Rs. 10/- each (1998' 4,574,454).

4. RESERVES

Movement in and composition of reserves is as follows:

Capital reserve

Tax holiday			
Third kiln		1,007	1,007
Fourth kiln		9,897	9,897
		-----	-----
Share premium	(4.1)	10,904	10,904
	(4.2)	217,800	217,800
		-----	-----
		228,704	228,704
Revenue reserve			
At 01 July		248,082	248,082
Accumulated (Loss)		(463,608)	(368,485)
		-----	-----
		13,178	108,301
		=====	=====

(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

	<i>Note</i>	<i>Name of Agency</i>	<i>Financing Rate</i>	<i>Repayable by</i>	<i>Sanctioned Amount</i>	<i>Balance 1999</i>	<i>Outstanding 1998</i>
					US\$	(Rupees in '000')	
Foreign currency loan (rupee converted)							

-- Secured	(5.1)	IBRD	14% (including	April			
		through	exchange	2001	8,015,000	105,088	105,088
		SCCP	risk fee,)				
- do -	(5,2)	IBRD	14% (including	September			
			exchange	1999	156,186	12,814	12,814
			risk fee)			-----	-----
						117,902	117,902
Less: Current portion of long -term loans						--	34,164
						-----	-----
						117,902	83,738
						=====	=====

(5.1) The International Bank for Reconstruction and Development (IBRD) sanctioned a foreign currency loan equivalent to US\$ 152.4 million (1998 :US\$ 152.4 million) to the Government of Pakistan. A portion equivalent to US\$ 8.02 million (1998 :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 14TM September, 1992, the loan now stands transferred in favour of Economic Affairs Division, Government of Pakistan. The loan is repayable in seventeen semi-annual instalments commencing from 1 st 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, 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 instalments commencing from April, 1996.

		<i>(Rupees in '000')</i>	
		<i>1999</i>	<i>1998</i>
6. DEFERRED LIABILITIES			
Deferred taxation		63,548	63,548
Employees' retirement benefits	(6.1)	95,158	90,827
Due to M/s. S. M. Ashraf D. Balouch (Pvt.) Ltd.		9,191	76,550
		-----	-----
		167,897	230,925
		=====	=====

(6.1) Employees' retirement benefits:

Employees' gratuity			
At beginning of the year		34,457	15,399
		3,120	37,970
Provision made during the year		55,345	52,345
Payable to gratuity fund			

Payment to the outgoing employees on behalf of gratuity fund	(1,781)	(18,912)
	-----	-----
	56,684	71,403
	-----	-----
Leave Salary	91,141	86,802
	4,017	4,025
	-----	-----
	95,158	90,827
	=====	=====

7. LONG - TERM DEPOSITS

These represent interest free security deposits from cement stockiest 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. 0.027 million (1998: Rs.1.002 million), as referred to in note 19.1. Further, for remaining deposits, the Company is in the process of complying with Section 226, whereby the agreements with stockiest are being suitably amended.

8. CURRENT PORTION OF LONG-TERM LOANS

Current portion of long-term loans	--	34,164
	=====	=====

8.1 In view of the fact that the entire principal amount of IBRD loan together with accrued mark up of Rs.9,191,015/- has been paid by the holding Company M/s. Sardar Mohammad Ashraf D. Baluch (Private) Limited on November 22nd 1999, pending finalization of arrangement with The said Company, the total loan amount has been transferred to long term loan.

9. SHORT- TERM RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS - SECURED

The Company has short-term finance facilities from various banks amounting to Rs.350 million (1998' Rs.279.42 million). The rate of mark- up ranges between 16 percent to 20 percent per annum (1998' 18.25% to 21.9%). The above financing are secured by registered hypothecation of stock-in-trade, stores and spares and book debts of the Company.

10. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Trade creditors	36,850	40,907
Accrued expenses	82,577	112,688
Accrued interest on long-term loan- secured	47,794	47,237
Accrued mark-up on short-term running finances-secured	16,604	5,615
Royalty and excise duty on lime stone	5,204	5,855
Commitment charges on foreign currency loan	2,551	2,551
Deposits - interest free	3,499	4,871
Advance from customers	22,503	27,375
Sales tax	--	390
Due to M/s. S. M. Ashraf D. Balouch (Pvt.) Ltd.	36,128	--

Claims from customers		--	3,976
Local Council taxes		926	588
Income tax deducted at source		1,654	1,334
Others	(10.1)	11,150	5,219
		-----	-----
		267,440	258,606
		=====	=====

10.1 This includes Rs.9.475 million payable to C. B. A. / employees after adjustment of provident fund loans and cement purchased by them.

11. TAXATION

The income tax assessments of the Company have been finalised upto and including assessment year 1998-99.

12. DIVIDEND

Unclaimed		1,779	1,787
		=====	=====

13. CONTINGENCIES AND COMMITMENTS

Contingent liabilities in respect of claims against the Company, not acknowledged as debt, pending outcome of litigation Rs. 14.00 million (1998: Rs. 14.00 million).

Guarantees issued on behalf of Company by commercial banks Rs. 39.291 million (1998 : 39.629 million).

14. OPERATING ASSETS

14.1 AT COST LESS ACCUMULATED DEPRECIATION / DEPLETION

The following is a statement of operating assets -

	<i>COST</i>				<i>Rate</i>	<i>DEPRECIATION</i>			<i>Written Down</i>	
	<i>As at 01 July 1998</i>	<i>Additions</i>	<i>(Disposal)</i>	<i>As at 30 June 1999</i>		<i>As at 01 July 1998</i>	<i>For the year</i>	<i>On (Disposal)</i>	<i>As At 30 June 1999</i>	<i>Value as at 30 June 1999</i>
Free hold land	3,661	--	--	3,661		--	--	--	--	3,661
Free hold quarry land	7,561	--	--	7,561		4,338	--	--	4,338	3,223
Building on free hold land	63,587	--	--	63,587	5 to 10	49,203	977	--	50,180	13,407
Office premises	4,498	--	--	4,498	5	2,509	100	--	2,609	1,889
Road and Railway sidings	3,414	--	--	3,414	5 to 10	2,858	37	--	2,895	519
Plant and machinery	1,030,045	1,444	--	1,031,489	10	562,313	46,918	--	609,231	422,258
Locomotives, dumpers, shovels & trucks	82,461	--	--	82,461	20	75,673	1,356	--	77,029	5,432

(Rupees in '000')

Cars and jeeps	14,497	2,040	--	16,537	20	10,181	1,271	--	11,452	5,085
Library books	4	--	--	4	10	3	--	--	3	1
Furniture, fixtures and equipments	21,898	86	--	21,984	10 to 15	16,796	696	--	17,492	4,492
1999	1,231,626	3,570	--	1,235,196		723,874	51,355	--	775,229	459,967
1998	1,229,270	2,373	(17)	1,231,626		667,150	56,740	(16)	723,874	507,752

(Rupees in '000')

	1999	1998
14.2 Depreciation charge for the year has been allocated as follows'		
Cost of sales	50,144	23,233
Administrative and general expenses	807	655
Selling and distribution expenses	404	326
Other charges	--	32,526
	51,355	56,740

14.3 DISPOSAL OF OPERATING ASSETS

details of certain assets sold during the year are as under'

	(Rupees in '000')						
	Depreciation	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Sold To
1999	--	--	--	--			
1998	17	16	1	5			

(Rupees in '000')

	1999	1998
15. STORES, SPARES AND LOOSE TOOLS		
Stores	61,505	76,311
Spares	128,012	129,820
Stores and spares in transit	10,869	10,688
Loose tools	1,155	1,198
	201,541	218,017
Less: Provision for obsolescences	4,000	4,000
	197,541	214,017

16. STOCK-IN-TRADE

Raw and packing material	12,816	9,282
Work-in-process	12,386	43,669
Finished goods	28,378	50,885
	-----	-----
	53,580	103,836

17. TRADE DEBTS

Considered go Secured	8,001	8,001
Unsecured	123,992	128,859
Considered doubtful	677	677
Less: Provision for doubtful debts	677	677
	-----	-----
	--	--
	-----	-----
	131,993	136,860
	=====	=====

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

Loans	1,598	1,093
Advances - considered good		
Employees	1,595	1,575
Suppliers & contractors	24,399	23,065
Excise duty	232	893
Taxation	9,694	18,437
	10,597	10,598
Advances' Considered doubtful	4,036	4,036
Less	4,036	4,036
	-----	-----
	--	--
	-----	-----
	48,115	55,661
Deposits		
Margin against bank guarantees	11,441	23,630
Others	3,564	8,559
	-----	-----
	15,005	32,189
Short-term pre-payments	45	45
Other receivables		
Due from SCCP & other Cement units	11,837	14,490
Accrued interest on bank deposits	--	26
Income tax refundable	16,140	16,140
Additional Sales Tax	50,857	
Insurance claims recoverable	2,199	2,267
Octroi recoverable	2,510	2,510
Others		

(18.1)

Considered good	3,210	6,890
Considered doubtful	6591	6591
Less : Provision for doubtful receivables	659	659
	--	--
	-----	-----
	86,753	42,323
	-----	-----
	149,918	130,218
	=====	=====

18.1 The amount has been paid against demand of additional sales tax by the collectorate of sales tax against the year 1996-97 under protest. A petition was tiled with High Court of Sindh, which has recommended the case to Central Board of Revenue, Government of Pakistan, with some observation. The management is confident that the final decision will be in its favour.

19. CASH AND BANK BALANCES

Cash in hand		434	391
With Banks'			
Current accounts		9,853	2,074
Deposit accounts	19.1	27	1,002
		-----	-----
		10,314	3,467
		=====	=====

19.1 This includes amounts earmarked against security deposits of Rs.0.027 million (1998 ' Rs.1.002 million).

20. SALES- NET

Gross Sales		1,239,585	589,608
Less:			
m Excise duty		473,053	247,385
-- Rebate, commission, freight subsidy and service charges		54,397	23,366
		-----	-----
		527,450	270,751
		-----	-----
		712,135	318,857
Purchased cement		--	21,974
Income from grinding of B. F. Slag		830	--
		-----	-----
		712,965	340,831
		=====	=====

21. COST OF SALES

Raw and packing material consumed			
Opening stock		9,282	11,430
Purchases		136,699	55,238
		-----	-----
		145,981	66,668
Closing stock		(12,816)	(9,282)

		-----	-----
		133,165	57,386
Stores and spare parts consumed		47,315	23,092
Power		139,077	70,676
Fuel		224,508	111,636
Salaries, wages and benefits		98,537	47,639
Repairs and maintenance		4,252	2,619
Insurance		1,333	1,200
Rent, rates and taxes		461	369
Depreciation	(14.2)	50,144	23,233
Miscellaneous manufacturing expenses		6,260	9,094
		-----	-----
		571,887	289,558
		-----	-----
		705,052	346,944
Work-in-process			
Opening		43,669	83,690
Closing		(12,386)	(43,669)
Damage Clinker		--	(15,520)
		-----	-----
Cost at goods manufactured		736,335	371,445
Finished goods			
Opening		50,885	31,397
Closing		(28,378)	(50,885)
Damage Cement		--	(17,330)
		-----	-----
		758,842	334,627
Purchased cement		--	31,923
		-----	-----
		758,842	366,550

22. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, wages and benefits		3,150	3,420
Vehicles running expenses		2,116	1,565
Rent, rates and taxes		581	44
Insurance		601	300
Legal and professional charges		1,887	2,290
Auditors' remuneration	(22.1)	110	85
Depreciation	(14.2)	807	655
Communications		753	1,101
Stationery and general expenses		589	688
Utilities		622	349
Donations	(22.2)	27	29
Fees & subscription		336	284
Others		847	998

	-----	-----
	12,426	11,808
	=====	=====

22.1 AUDITORS' REMUNERATION

Audit fee	45	45
Out of pocket expenses	65	40
	-----	-----
	110	85
	=====	=====

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

23. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and benefits		1,337	1,187
Marking fee		1,105	522
Rent, rates and taxes		40	21
Insurance		62	49
Repairs and maintenance		152	185
Depreciation	(14.2)	404	326
Advertisement		498	173
Communications		427	432
Stationery and general expenses		349	135
Others		1,139	717
		-----	-----
		5,513	3,747
		=====	=====

24. FINANCIAL CHARGES

Mark-up on short- term running finances		52,044	26,055
Interest on long-term loans		9,747	16,634
Bank charges		267	228
Guarantees commission		245	737
		-----	-----
		62,303	43,654
		=====	=====

(Rupees in '000')

1999 1998

25. OTHER INCOME

Return on bank deposits		10	89
Sale of scrap		3,674	9
Profit on sale at fixed assets		--	4
Income on final settlement in respect of short term running finance		--	53,882
Provisions written-back, of claims from customers		3,976	--
Income due to refund of sales tax		954	--
Others		920	1,024

	-----	-----
	9,534	55,008
	=====	=====
26. OTHER CHARGES		
Power	--	9,676
Depreciation	--	32,526
Golden Hand Shake	--	23,449
Additional sales tax	--	10,668
Damaged stock of cement and clinker	--	32,850
	-----	-----
	--	109,169
	=====	=====
27. PRIOR YEAR ADJUSTMENT		
Provision written - back	25,030	10,094
	=====	=====

27.1 The amount has arisen because of a favourable decision by the Civil Court, Hyderabad, against octroi deposit under protest by the Company during previous years.

28. CASH GENERATED FROM OPERATIONS

(Loss) before taxation	(91,555)	(128,995)
Adjustment for non cash charges and other items:		
Depreciation	51,355	56,740
(Profit) on sale of fixed assets	--	(4)
Provision for retirement benefits of employees	3,120	37,970
Financial charges	62,303	43,654
Working capital changes	13,059	24,550
	-----	-----
	129,837	162,910
	-----	-----
	38,282	33,915
	=====	=====

28.1 WORKING CAPITAL CHANGES

(Increase)/decrease in current assets		
Stores, spares and loose tools	16,476	13,442
Stock-in-trade	50,256	22,680
Trade debts	4,867	9,951
Loans, advances, deposits, short-term pre-payments and other receivables	(19,700)	33,385
	-----	-----
	51,899	79,458
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities (net)	(38,840)	(54,908)
	-----	-----
	13,059	24,550
	=====	=====

28.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises of the following

items as included in the balance sheet'

Cash and bank balances	10,314	3,467
Shod-term finance under mark-up arrangements	(345,921)	(278,833)
	-----	-----
	(335,607)	(275,366)
	=====	=====

29. 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 :

	<i>(Rupees in '000')</i>					
	<i>Chief Executive</i>		<i>Executive</i>		<i>Total</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Fee	1	1	--	--	1	1
Managerial remuneration	190	190	1,518	1,327	1,708	1,517
Housing	98	98	662	536	760	634
Conveyance	--	--	143	121	143	121
Medical expenses	--	--	156	60	156	60
Utilities	71	25	66	40	137	65
Allowances	29	29	225	175	254	204
Retirement benefits	110	--	177	--	287	--
	-----	-----	-----	-----	-----	-----
	499	343	2,947	2,259	3,446	2,602
	=====	=====	=====	=====	=====	=====
No. of persons	1	1	13	15	14	16
	=====	=====	=====	=====	=====	=====

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.

30. FINANCIAL INSTRUMENTS

Interest Rate Risk

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30th June 1999 are summarised as follows:

	<i>(Rupees in '000')</i>						
	INTEREST BEARING			NON- INTEREST BEARING			
	Less than One Year	One to Five Years	Total	Less than One Year	One to Five Years	Total	Total
Financial Assets:							
Long Term Deposits	--	--	--	--	181	181	181
Trade Debts	--	--	--	131,993	--	131,993	131,993
Loans, Advances, Deposits, Short- Term Pre-Payments	--	--	--	149,918	--	149,918	149,918
Cash and Bank Balances	--	--	--	10,314	--	10,314	10,314
	-----	-----	-----	-----	-----	-----	-----
	--	--	--	292,225	181	292,406	292,406

Financial Liabilities:

Long Term Loans	--	117,902	117,902	--	--	--	117,902
Deferred Liabilities	--	--	--	--	167,897	167,897	167,897
Long Term Deposits	--	--	--	--	6,311	6,311	6,311
Short Term Running Finances	345,921	--	345,921	--	--	--	345,921
Creditors, Accrued and' Other Liabilities	--	--	--	267,440	--	267,440	267,440
Dividend	--	--	--	1,779	--	1,779	1,779
	-----	-----	-----	-----	-----	-----	-----
	345,921	117,902	463,823	269,219	174,208	443,427	907,250
Net Financial Assets/ (Liabilities)	-----	-----	-----	-----	-----	-----	-----
	(345,921)	(117,902)	(463,823)	23,006	(174,027)	(151,021)	(614,844)
	=====	=====	=====	=====	=====	=====	=====

30.1 Effective interest rates for the financial liabilities range between 14 percent to 20 percent per annum.

30.2 Financial assets include Rs.75.401 million which are subject to credit risk. The said amount includes Rs. 50.857 million which represents payment of additional sales tax as already disclosed in note 18.1.

(Rupees in '000')

1999 **1998**

31. TRANSACTION WITH RELATED PARTIES

Service charges	--	3,052
Sale of clinker	49,175	--
Purchase of packing material	81,239	--
Income from grinding of B. F. Slag	830	--

(Metric tons)

1999 **1998**

32. PRODUCTION

Cement production	300,290	171,810
--------------------------	----------------	----------------

In view of over capacity of cement industry, the production was kept in line with the demand.

33. GENERAL

Figures have been rounded off to nearest thousand rupees.

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

Chief Executive

Karachi: December 09, 1999

Director