

# **Zeal Pak Cement Factory Limited**

**Annual Report 2000**

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

MR. SIKANDAR ALI JATOI	Chairman
	Chief
MR. M.A. JAMEEL	Executive
MR. MUMTAZ ALI MEMON	
MR. SHAHID MEHMOOD	
MR. SHAMSUDDIN KHAN	
MR. MAZHAR ALI JATOI	
MR. MUSHTAQ ALI SHAH BUKHARI	
MR. SHAHZAD ALI JATOI	

### **COMPANY SECRETARY**

S. JARRAR HUSAIN

### **AUDITORS**

FARUQ ALI & CO.,  
Chartered Accountants  
Karachi.

### **BANKERS**

Allied Bank of Pakistan Limited  
ABN-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**

4th Floor, Panorama Centre, Building No.2,  
Raja Ghazanfar Ali Khan Road,  
Saddar,  
Karachi.  
Telephone: 5670291-92

**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 Fourth Annual General Meeting of the Company will be held on 26th February, 2001 at 11.00 a.m. at Haji Haroon Abdullah Muslim Gymkhana, Aiwan-e-Sadar Road, Karachi to transact the following business:-

1. To confirm the Minutes of Extra Ordinary General Meeting of the Company, held on March 28, 2000.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ending 30th June, 2000 and the Report of Directors and Auditors thereon.
3. To appoint Auditors for the year 2000-2001 and to fix their remuneration.
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**

**S. JARRAR HUSAIN**  
**Secretary**

Karachi: February 02, 2001

**Note:-**

- 1) The Share Transfer Books of the Company will remain closed and no transfers of shares will be accepted for registration from 19th February 2001, Monday to 26th February 2001, Monday (both days inclusive).
- 2) A member entitled to attend and vote at this Meeting shall be 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 of the Meeting and must be duly stamped, signed and witnessed.
- 3) Members are requested to notify the change in address, if any, immediately.

## **DIRECTORS REPORT TO THE SHARE HOLDERS**

### **Dear Share Holders,**

The directors of your Company take pleasure in placing before you 44th Annual Report together with the audited accounts of the Company and auditors report on Company's accounts for the year ending June 30, 2000.

### **PRODUCTIO**

**N**

During the year, under review, the production activity of the Company remained very much under pressure, primarily, due to insufficient supply of gas and lack of demand of cement. Since Company manufactures cement on Wet Process, therefore, it's consumption of units of fuel remains much higher than other cement plants having Dry Process Technology. Consequently, to incur heavy cost of Furnace Oil is economically unviable, and the only alternate is to operate the plant on Gas.

Sui Southern Gas Company Ltd., (SSGC) drastically reduced the gas supply and also made interruptions in supply, repeatedly. The repeated interruption of gas supply ranged from 3 to 59 days during the year. As against requirement of gas of 36 MMCFD the plant received hardly 7 MMCFD. In the absence of gas supply, the plant had to face frequent production losses throughout the year. In view of this the Company filed a petition before the Honourable High Court of Sindh for redressing the grievance. SSGC inspite of submission of an undertaking before the said court for restoration of full load of gas supply has not enhanced the supply beyond 7 MMCFD.

As a result of these factors, during the year, the production of clinker and cement stood at 275,760 tonnes and 260,270 tonnes respectively as compared to 280,680 tonnes clinker and 300,290 tonnes cement during the previous year.

### **MARKETING**

The Cement Industry, as a whole, continued to face financial crisis arising out of over supply of cement as compared to its demand. In spite of all possible efforts to improve the marketing of its product but having production constraint due to insufficient supply of gas and lack of demand in cement market could not make better sales. During the year the sale of cement stood at 272,811 tonnes against 312,002 tonnes of last year. Since cement market remained unfavourable the Company sold 26,075 tonnes of clinker as compared to 42,448 tonnes in the last year, with a view to improve cash flow, to absorb some of the fixed cost and to reduce its inventory cost.

Till early May 2000, company also grinded the granulated slag for supply of the same to Ghazi Barotha Project, on behalf of Pakistan Slag Cement Industries Ltd. (PSCIL), in consideration of grinding charges. Thereafter, Company entered into an agreement with GBC for direct supply of their requirement of grinded Slag. This arrangement is conducive of increase in Company's cash inflow and to make a contribution towards fixed cost, which remains unabsorbed due to lesser production of cement. During the year the Company grinded and supplied the granulated slag 94,050 tonnes to them under the arrangements with PSCIL and 18,895 tonnes directly.

### **OPERATING RESULTS**

The cement sales operation and sale of clinker, both, resulted in loss due to wet process operation, lesser off take of cement and unfavourable market condition. The loss for the year, under review, stood at Rs.67.367 million as against loss of Rs.95.123 million of the year 1998-99.

### **DIRECTORS**

In pursuance of section 178(2) of the Company Ordinance 1984, the election of company's directors was held

in March, 2000 and Mr. Sikandar Ali Jatoi, Mr. Mushtaq Ali Shah Bokhari, Mr. Abdul Latif Uqaili, Mr. Shahid Mahmood, Mr. Shamsuddin Khan and Mr. Malik Mohammed Aslam were declared elected as Company's directors at the Extra Ordinary General Meeting held on 28 March, 2000. Later on, Mr. Abdul Latif Uqaili and Mr. Malik Mohammed Aslam resigned from the directorship of the Company and Mr. Mumtaz Memon and Mr. Shahzad All Jatoi were co-opted as the director to fill in the casual vacancies.

#### **GOLDEN HANDSHAKE TO THE WORKERS**

The Company, due to having a large manpower of long service with high salaries, wages and benefits had to bear heavy cost of employment, as compared to other cement units, younger than Zeal Pak. This was a permanent load on the financial resources of the Company.

The management, after a long deliberation with the CBA/Workers succeeded in making them to agree for a Golden handshake Scheme for almost all the workers. On settlement of terms and conditions of the scheme CBA entered into an Agreement with the Management in this regard. According to the agreement, Company transferred land of workers colony (namely B colony) measuring 43.22 Acres with houses for the workers in full and final settlement of Golden Handshake/other service benefits payable to the workers. A committee consisting of Management and CBA representatives was formed to monitor processing of the settlement of Golden Handshake and transfer of land, buildings to the CBA/workers. Thus the workers stood relieved from company's services. The plant is now operating with the reduced strength of efficient workers, taken from the relieved workers.

#### **FUTURE OUTLOOK**

The Management has taken various measures to improve the performance and profitability of the Company. This includes relieving of workers, under the Golden Handshake Scheme referred to above, commencing production of White Cement also in addition to its existing three cement brands, namely ordinary port land, sulphate resistant and blast furnace. The Company has converted one of its kiln to semi dry process.

The relieving of workers will result in considerable reduction in Company's wage bill whereas conversion of above Kiln to Semi Dry Process will result in saving in fuel cost. As regards introduction of White Cement this brand has a reasonable margin of profit and potentials for export. The Company, with a view to have further saving in fuel cost, is studying the possibility of use of coal as substitute fuel. The results of the above measures will be reflected in the over all performance of the Company in near future. In view of this it is expected that the future of the company will be quite promising.

#### **AUDITOR'S QUALIFICATION**

So far as Auditor's qualification on payment of additional sales tax is concerned the management has not expensed out Rs. 50.857 million to profit and loss account as an appeal against levy of above tax is lying before the honourable Custom, Central Excise and Sales Tax Appellate Tribunal. The Company has valid grounds for appeal of waiver off the above levy and is expecting a favourable out come of the appeal.

#### **AUDITOR'S OBSERVATIONS**

As regards auditor's observation on going concern concept the same is based on Company's losses whereas the future prospects as reported above in the Director's Report have not been taken into accounts. Your directors are hopeful in this regard and assure the shareholders that considerable reduction in labour cost, conversion of one of the kiln into semi dry process, marketing of white cement and expected improvement in cement market will go a long way to improve Company's performance. This justifies the preparation of accounts on going concern concept.

**AUDITORS**

The present auditors M/s. Faruq Ali & Co., Chartered Accountants stand retired, and are eligible, for re-appointment for the year 2000-2001.

**DIVIDEND**

In view of losses no dividend has been recommend for the year 1999-2000, by your Board of Directors.

**PATTERN OF SHARE HOLDING**

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 the appreciation for our officer and staff for their devotion to their duties. I also wish to convey my appreciation to our stockists who have been extended valuable cooperation to your company throughout.

**For and behalf of the  
Board**

**M. A JAMEEL  
Chief Executive**

Karachi: February 02, 2001

**PATTERN OF SHARE HOLDINGS AS ON 30/06/2000**

<i>No. of Share Holders</i>	<i>From</i>	<i>To</i>	<i>Total Number of Shares Held</i>	<i>Percentage</i>
1256	1	100	31,630	0.36
502	101	500	129,806	1.49
104	501	1000	79,208	0.91
109	1001	5000	220,807	2.53
12	5001	10000	88,912	1.02
7	10001	15000	85,864	0.99
4	15001	30000	60,089	0.69
1	30001	35000	32,182	0.37
1	35001	40000	39,130	0.45
1	40001	45000	42,500	0.49
1	90001	95000	92,500	1.06
1	155001	300000	244,008	2.80
1	985001	990000	988,344	11.34
1	1975001	2000000	2,002,566	22.99
1	4570001	4575000	4,574,454	52.51
----- 2002 =====			----- 8,712,000 =====	----- 100.00 =====

## Category Wise Summary of Share Holders 30th June, 2000

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
1. Individuals	1966	650,459	7.47
2. Investment Companies	3	2,991,910	34.34
3. Insurance Companies	7	342,598	3.93
4. Joint Stock Companies	12	121,282	1.39
5. Financial Institutions	2	1,815	0.02
6. Banks	2	720	0.01
7. S.M. Ashraf D. Baluch	1	4,574,454	52.51
8. Charitable Trust	1	7,260	--
9. Others			
i) Admn. Abandoned Property			
Govt. of Pakistan	1	16,432	0.19
ii) Non-Residents	7	5,070	0.06
	-----	-----	-----
	2002	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 30 June 2000 and the related profit and loss account, cash flow statement, 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 purpose 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 the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

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

(b) In our opinion:

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

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

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

(c) The additional sales tax of Rs. 50.875 million has been reflected as recoverable in note 16.1 of the notes to the accounts. In our opinion this should have been expensed out after the adverse decision by Central Board of Revenue on the case remanded by High Court of Sindh, thus increasing losses for the year and accumulated losses by the same amount.

(d) 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 2000, and of the loss, its cash flow and changes in equity for the year then ended.

(e) Without qualifying our report, we draw attention of members to the fact that the accounts have been prepared under going concern concept whereas the company incurred a loss of Rs. 67.367 million during the year ended 30 June 2000 and as of that date, the company's accumulated losses amounted to Rs. 530.975 million and its current liabilities exceeded its current assets by Rs. 132.198 million; and

(f) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi: January 24th, 2001

**Faruq Ali & Co.**  
**Chartered Accountants**

## **BALANCE SHEET AS AT 30 JUNE 2000**

	<i>Note</i>	<i>(Rupees in '000')</i>	
		<i>2000</i>	<i>1999</i>
<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 capital	3	87,120	87,120

<b>RESERVES</b>		476,786	476,786
Accumulated (Losses)		(530,975)	(463,608)
		-----	-----
		32,931	100,298
<b>LONG-TERM DEFERRED LIABILITIES</b>	5	254,654	285,799
<b>LONG-TERM DEPOSITS</b>	6	6,006	6,311
<b>CURRENT LIABILITIES</b>			
Short-term running finances under mark-up arrangements-secured	7	437,394	345,921
Creditors, accrued expenses and other liabilities	8	253,258	267,440
Provision for taxation	9	6,780	3,621
Dividend	10	1,775	1,779
		-----	-----
		699,206	618,761
<b>CONTINGENCIES AND COMMITMENTS</b>	11	--	--
		-----	-----
		992,798	1,011,169
		=====	=====

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

<b>TANGIBLE FIXED ASSETS</b>			
Operating assets	12	416,038	459,967
Capital Work In Progress		2,313	--
Stores and spares held for capital expenditure		7,258	7,675
		-----	-----
		425,609	467,642
<b>LONG-TERM DEPOSITS</b>		181	181
<b>CURRENT ASSETS</b>			
Stores, spares & loose tools	13	181,437	197,541
Stock in trade	14	52,751	53,580
Trade debts	15	181,474	131,993
Loans, Advances, Deposits, Short-term			
Pre-payments and other receivables	16	141,086	149,918
Cash and bank balances	17	10,260	10,314
		-----	-----
		567,008	543,346
		-----	-----
		992,798	1,011,169
		=====	=====

**CHIEF**

**DIRECTOR**



**EXECUTIVE**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2000**

		<i>(Rupees in '000')</i>	
	<i>Note</i>	<i>2000</i>	<i>1999</i>
Sales - net	18	719,690	712,965
Cost of Sales	19	761,067	758,842
		-----	-----
Gross (Loss)		(41,377)	(45,877)
		-----	-----
Administrative and general expenses	20	14,061	12,426
Selling and distribution expenses	21	5,295	5,513
		-----	-----
		19,356	17,939
		-----	-----
		(60,733)	(63,816)
		-----	-----
Financial charges	22	(63,959)	(62,303)
Other income	23	4,745	9,534
		-----	-----
		(59,214)	(52,769)
		-----	-----
(Loss) before taxation		(119,947)	(116,585)
		-----	-----
Taxation			
- Current year		(3,598)	(3,568)
- Deferred	24	32,000	--
		-----	-----
		28,402	(3,568)
		-----	-----
(Loss) after taxation		(91,545)	(120,153)
Un-Usual and Prior Period Adjustment	25	24,178	25,030
		-----	-----
		(67,367)	(95,123)
Accumulated (Loss) brought forward		(463,608)	(368,485)
		-----	-----
Balance carried over to Balance Sheet		(530,975)	(463,608)
		=====	=====

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 30 JUNE 2000**

		<i>(Rupees in '000')</i>	
	<i>Note</i>	<i>2000</i>	<i>1999</i>
<b>Cash flow from operating activities:</b>			
Cash generated from operations	26	14,698	38,282
Financial charges paid		(86,688)	(50,757)
Employees retiring benefits paid		(11,341)	(1,789)
Income Tax Paid		(439)	(12,236)
		-----	-----
Net cash inflow/(outflow) from operating activities		(83,770)	(26,500)
<b>Cash flow from investing activities:</b>			
Fixed capital expenditure		(13,149)	(2,543)
Sale proceeds of fixed assets		1,775	--
		-----	-----
Net cash inflow / (outflow) from investing activities		(11,374)	(2,543)
<b>Cash flow from financing activities:</b>			
Adjustment of Long Term Loan		(117,902)	--
Refund of long-term deposits		(305)	(2,959)
Dividend paid		(4)	(8)
Received from Gratuity Fund		--	3,000
Adjustment/Refund of Holding Co. Loan		121,828	(31,231)
		-----	-----
<b>Net cash inflow/(outflow) from financing activities</b>		3,617	(31,198)
Net increase/(decrease) in cash and cash equivalents		(91,527)	(60,241)
Cash and cash equivalents at the beginning of the year		(335,607)	(275,366)
Cash and cash equivalents at the end of the year	26.2	----- =====	----- =====

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

**CHIEF  
EXECUTIVE**

**DIRECTOR**

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

	<i>Share Capital</i>	<i>Share Premium</i>	<i>Capital Reserves</i>	<i>Revenue Reserve</i>	<i>Accumulated Losses</i>	<i>Total</i>
	<i>Rs. '000'</i>	<i>Rs. '000'</i>	<i>Rs. '000'</i>	<i>Rs. '000'</i>	<i>Rs. '000'</i>	<i>Rs. '000'</i>
Balance as on June 30, 1998	87,120	217,800	10,904	248,082	(368,485)	195,421
Net loss for the year	--	--	--	--	(95,123)	(95,123)
Balance as on June 30, 1999	87,120	217,800	10,904	248,082	(463,608)	100,298
Net loss for the year	--	--	--	--	(67,367)	(67,367)
Balance as on June 30, 2000	87,120	217,800	10,904	248,082	(530,975)	32,931

**CHIEF  
EXECUTIVE**

**DIRECTOR**

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2000**

**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 manufacturing 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 taxes 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 12.

(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 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 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 and the 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')*  
**2000**                      **1999**

**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 30 June 2000, M/S Sardar Muhammad Ashraf D. Baluch (Pvt.) Limited (Holding Company) and its nominees held 4,574,454 ordinary shares of Rs.10/- each (1999: 4,574,454).

*(Rupees in '000')*  
2000                      1999

#### 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
	-----	-----
	10,904	10,904
Share premium	217,800	217,800
	-----	-----
	228,704	228,704
<b>Revenue reserve</b>		
At 1st July	248,082	248,082
	-----	-----
	476,786	476,786
	=====	=====

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

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

#### 5. LONG TERM AND DEFERRED LIABILITIES

Deferred taxation	(24)	31,548	63,548
Employees retirement benefits	(5.1)	55,959	95,158
Due to M/S: S.M. Ashraf D. Baluch (Pvt) ltd.	(5.2)	167,147	9,191
Long term loan		--	117,902
		-----	-----
		254,654	285,799
		=====	=====

##### 5.1 Employees retirement benefits

Employees gratuity:			
At beginning of the year		35,796	34,457
Provision made during the year		3,441	3,120
Payable to Gratuity Fund		55,345	55,345
Payment to the outgoing employees on account of gratuity fund.		(1,323)	(1,781)
Adjustment of gratuity against barter			

of land and building	(25)	(37,300)	--
		-----	-----
		20,163	56,684
		-----	-----
		55,959	91,141
Leave Salary		--	4,017
		-----	-----
		55,959	95,158
		=====	=====

5.2 The above Company, being the parent company, has agreed to defer recovery of the above amount, which is interest free, upto the year 2002, hence the same is being reflected as non-current liability. The amount includes Rs.117.902 million paid by them to Economic Affairs Division, Government of Pakistan, on behalf of the Company, to pay in full the out-standing liability of IBRD loan, due on 30-06-1999. The position of IBRD loan stands as under;

Balance of IBRD loan as on 1st July	117,902	117,902
Less: Paid by the parent Company	117,902	--
	-----	-----
Balance of IBRD loan as on 30th June	--	117,902
	=====	=====

#### 6. LONG-TERM DEPOSITS

These represent interest free security deposits from cement stockists and are repayable 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.0.004 Million (1999:Rs.0.027 million), as referred to in note 17.1 Further, for remaining deposits, the company is in the process of complying with Section 226, whereby the agreements with stockists are being suitably amended.

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

The company has short-term finance facilities from various banks amounting to Rs.437.394 million (1999: Rs. 345.92 million). The rate of mark-up ranges between 16 percent to 18 percent per annum (1999: 16% to 20%) The above financing are secured by registered hypothecation of stock-in-trade, stores and spares and book debts of the company.

#### 8. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Trade creditors	88,372	36,850
Accrued expenses	84,404	82,577
Accrued interest on long-term loan-secured	26,977	47,794
Accrued mark up on short-term running finances-secured	14,692	16,604
Royalty and excise duty on lime stone	3,178	5,204
Commitment charges on foreign currency loan	2,551	2,551
Deposits-interest free	2,849	3,499
Advance from customers	18,764	22,503
Sales tax	3,143	--
Due to M/S: S.M. Ashraf D. Baluch (Pvt) Ltd.	--	36,128
Local council taxes	931	926

Income tax deducted at source		879	1,654
Others	(8.1)	6,518	11,150
		-----	-----
		253,258	267,440
		=====	=====

8.1 This includes Rs. 5.144 million payable to C.B.A./employees after adjustment of provident fund loans and cement purchased by them.

## 9. TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1999-2000.

## 10. DIVIDEND

Unclaimed		1,775	1,779
		=====	=====

## 11. CONTINGENCIES AND COMMITMENTS

Contingent liabilities in respect of claims against the company not acknowledged as debt, pending outcome of litigation Rs.14.000 million (1999: Rs.14.000 million).

Guarantees issued on behalf of company by commercial banks Rs.70.810 million (1999: Rs.39.291 million).

## 12. OPERATING ASSETS

### 12.1 AT COST LESS ACCUMULATED DEPRECIATION/DEPLETION

The following is a statement of operating assets:

	<i>COST</i>				<i>Rate %</i>	<i>DEPRECIATION</i>				<i>(Rupees in '000')</i>
	<i>As at 01 July 1999</i>	<i>Additions</i>	<i>(Disposal)</i>	<i>As at 30 June 2000</i>		<i>As at 01 July 1999</i>	<i>For the year</i>	<i>On (Disposal)</i>	<i>As at 30 June 2000</i>	
Free hold land	3,661	--	(304)	3,357	--	--	--	--	--	3,357
Free hold quarry land	7,561	--	--	7,561	--	4,338	--	--	4,338	3,223
Building on free hold land	63,587	--	(18,626)	44,961	5 To 10	50,180	554	(12,172)	38,562	6,399
Office premises	4,498	--	--	4,498	5	2,609	94	--	2,703	1,795
Road and Railway sidings	3,414	--	(1,006)	2,408	5 To 10	2,895	16	(644)	2,267	141
Plant and machinery	1,031,489	9,881	--	1,041,370	10	609,231	43,214	--	652,445	388,925
Locomotives, dumpers, shovels and trucks	82,461	--	--	82,461	20	77,029	1,085	--	78,114	4,347
Cars and jeeps	16,537	1,096	(2,558)	15,075	20	11,452	930	(1,026)	11,356	3,719



Library books	4	--	--	4	10	3	--	--	3	1
Furniture, fixtures and equipment's	21,984	276	--	22,260	10 To 15	17,492	637	--	18,129	4,131
2000	1,235,196	11,253	(22,494)	1,223,955		775,229	46,530	(13,842)	807,917	416,038
1999	1,231,626	3,570	--	1,235,196		723,874	51,355	--	775,229	459,967

(Rupees in '000')

2000 1999

**12.2 Depreciation charge for the year has been allocated as follows:**

Cost of sales	45,632	50,144
Administrative and general expenses	597	807
Selling and distribution expenses	301	404
	-----	-----
	46,530	51,355
	=====	=====

**12.3 Disposal of operating assets:**

(Rupees in '000')

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceed	Mode of Disposal
Suzuki Khyber	278	205	73	125	Negotiation
Mitsubishi Pajer	2,280	821	1,459	1,650	-do-
Land (Freehold)	304	--	304	304	-do-
					Mustafa H. Siddiqi
					Farooq Motors, Karachi
					Adjusted Against Workers
					Gratuity & Golden
					Handshake
Labor Colony, Road & Other Building	19,632	12,816	6,816	6,816	-do-
					Adjusted Against Workers
					Gratuity & Golden
					Handshake
2000	22,494	13,842	8,652	8,895	
1999	--	--	--	--	

**12.4 Details of land building of colony B bartered for workers benefits is as under:**

Area of land	43.22 Acres
Covered area	Not ascertainable

**Properties Bartered**

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Written Down Value</i>
Land	304	--	304
Workers Houses	13,928	8,822	5,106
Other Buildings	4,698	3,350	1,348
Roads	1,006	644	362
	-----	-----	-----
	19,936	12,816	7,120
	=====	=====	=====

*(Rupees in '000')*

	<i>2000</i>	<i>1999</i>
<b>13. STORES, SPARES &amp; LOOSE TOOLS</b>		
Stores	56,164	61,505
Spares	119,624	128,012
Stores and Spares in transit	8,594	10,869
Loose tools	1,055	1,155
	-----	-----
	185,437	201,541
Less: Provision for obsolescences	4,000	4,000
	-----	-----
	181,437	197,541
	=====	=====
<b>14. STOCK IN TRADE</b>		
Raw and packing material	21,800	12,816
Work in process	10,366	12,386
Finished goods	20,585	28,378
	-----	-----
	52,751	53,580
	=====	=====
<b>15. TRADE DEBTS</b>		
Considered good		
Secured	8,001	8,001
Unsecured	173,473	123,992
	-----	-----
Considered doubtful	677	677
Less: Provision for doubtful debts	677	677
	-----	-----
	--	--
	-----	-----
	181,474	131,993
	=====	=====

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

Loans	1,466	1,598
Advances - Considered good Employees	2,110	1,595
- Suppliers & contractors	14,810	24,399
- Excise Duty	3,923	232
- Taxation	15,018	9,694
- Octroi deposits	2,461	10,597
	-----	-----
Advances - Considered doubtful	4,036	4,036
Less: Provision for doubtful advances	4,036	4,036
	-----	-----
	--	--
	-----	-----
	39,788	48,115
Deposits		
Margin against bank guarantees	11,799	11,441
Others	3,582	3,564
	-----	-----
	15,381	15,005
Short term pre-payments	45	45
Other receivables		
- Due from SCCP & Other Cement units	9,229	11,837
- Income tax refundable	16,140	16,140
- Additional Sales Tax (16.1)	50,857	50,857
- Insurance claim recoverable	2,199	2,199
- Octroi recoverable	2,510	2,510
Others		
- Considered good	4,937	3,210
- Considered doubtful	659	659
Less: Provision for doubtful receivable	659	659
	-----	-----
	--	--
	-----	-----
	85,872	86,753
	-----	-----
	141,086	149,918
	=====	=====

16.1 The amount had been paid against demand of additional sales tax raised by the Collectorate of Sales Tax against year 1996-1997. Company filed a petition before the High Court, Sindh and an appeal before Central Excise and Custom Appellate Tribunal also. The High Court, Sindh remanded the case to CBR, who did not allow relief to the Company. The Management is confident of a favourable outcome of the decision of the Tribunal.

**17. CASH AND BANK BALANCES**

Cash in hand		380	434
Balance with Banks:			
- current accounts		9,876	9,853
- deposit accounts	(17.1)	4	27
		-----	-----
		10,260	10,314
		=====	=====

17.1 This includes amounts earmarked against security deposits of Rs.0.004 million (1999: Rs. 0.027 million).

### 18 SALES - NET

Gross Sales		1,058,331	1,190,410
Less:			
Excise duty		381,935	473,053
Sales Tax		5,631	--
Trade Discount		22,807	54,397
		-----	-----
		410,373	527,450
		-----	-----
		647,958	662,960
Sale of Clinker		31,290	49,175
Income from grinding of B.F. Slag	(18.1)	40,442	830
		-----	-----
		719,690	712,965
		=====	=====

18.1 During the year under an agreement with Pakistan Slag Cement Industries Ltd., (PSCIL) Company grinded 94,050 tonnes Granulated Slag for their customer, Ghazi Brotha Project @ Rs.430/= per tonne. Out of the above PSCIL procured and supplied 25,454.23 tonnes Granulated Slag to the Company for grinding.

### 19. COST OF SALES

Raw and packing material consumed			
Opening stock		12,816	9,282
Purchases		133,746	136,699
		-----	-----
		146,562	145,981
Closing stock		(21,800)	(12,816)
		-----	-----
		124,762	133,165
Stores and spare parts consumed		62,026	47,315
Power		166,486	139,077
Fuel		266,881	224,508
Salaries, wages and benefits		71,799	98,537
Repairs and maintenance		4,610	4,252
Insurance		1,349	1,333

Rent, rates and taxes		781	461
Depreciation	(12.2)	45,632	50,144
Other expenses		6,928	6,260
		-----	-----
		626,492	571,887
		-----	-----
		751,254	705,052
Work-In-Process			
- Opening		12,386	43,669
- Closing		(10,366)	(12,386)
		-----	-----
		753,274	736,335
Cost of goods manufactured			
Finished Goods			
- Opening		28,378	50,885
- Closing		(20,585)	(28,378)
		-----	-----
		761,067	758,842
		=====	=====

**20. ADMINISTRATIVE AND GENERAL EXPENSES**

Salaries, wages and benefits		3,027	3,150
Vehicles running expenses		1,466	2,116
Rent, rates and taxes		995	581
Insurance		491	601
Legal & professional charges		2,808	1,887
Auditors' remuneration	(20.1)	215	110
Depreciation	(12.2)	597	807
Communications		1,337	753
Stationery and general expenses		527	589
Utilities		1,193	622
Donation	(20.2)	53	27
Fees & Subscription		265	336
Others		1,087	847
		-----	-----
		14,061	12,426
		=====	=====

**20.1 Auditors' remuneration:**

Audit fee		45	45
Out of pocket expenses		100	65
Cost Audit Expenses		70	--
		-----	-----
		215	110
		=====	=====

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

**21. SELLING AND DISTRIBUTION EXPENSES**

Salaries, wages and benefits	1,124	1,337
Marking Fee	869	1,105
Rent, rates and taxes	178	40
Insurance	144	62
Repairs and maintenance	260	152
Depreciation (12.2)	301	404
Advertisement	519	498
Communications	331	427
Stationery and general expenses	250	349
Others	1,319	1,139
	-----	-----
	5,295	5,513
	=====	=====

**22. FINANCIAL CHARGES**

Mark-up on short term running finances	58,001	52,044
Interest on long term loan	4,183	9,747
Bank charges	388	267
Guarantees commission	1,387	245
	-----	-----
	63,959	62,303
	=====	=====

**23. OTHER INCOME**

Return on bank deposit	--	10
Sale of scrap	2,561	3,674
Profit on sale of fixed assets	243	--
Provision written-back of claims from customers	--	3,976
Income due to refund of sales tax	--	954
Rental Income	1,217	--
Others	724	920
	-----	-----
	4,745	9,534
	=====	=====

**24. DEFERRED TAXATION WRITTEN BACK**

This reflects the amount over and above the provision required for deferred taxation liability as under:

Opening Balance	63,548	63,548
Balance as on 30 June, 2000	31,548	--
	-----	-----
Excess Provision written back	32,000	63,548
	=====	=====

**25. UN-USUAL AND PRIOR PERIOD ADJUSTMENT**

The Company, in pursuance of an agreement dated 10/12/1999 with CBA / Workers has settled dues of golden handshake and end of service benefits and gratuity, as detailed below, by barter of land and buildings of workers colony namely "B" colony with total area of 43.22 Acres of land, covered area being unascertainable.

- Gratuity, Earned Leave and benefits	(25.1)	41,308	--
- Golden handshake	(25.2)	139,513	--
		-----	-----
		180,821	--
- Less Cash Paid		10,010	--
		-----	-----
Cost of Bartered Land & Building - workers colony		19,936	--
Accumulated Depreciation		(12,816)	--
		-----	-----
Written Down Value	(12.4)	7,120	--
		-----	-----
		17,130	--
		-----	-----
Gain on sale of Property		163,691	--
Golden handshake		(139,513)	--
Prior Period Adjustment		--	25,030
		-----	-----
		24,178	25,030
		=====	=====
<b>Compensation in lien of loss of office/employment</b>			
25.1 Provision as on 1st July, 1999		39,190	--
Provided during the year		3,441	--
		-----	-----
		42,631	--
Less: Paid during the year		(1,323)	--
		-----	-----
		41,308	--
25.2 Add: Golden handshake for loss of employment		139,513	--
		-----	-----
		180,821	--
		=====	=====
<b>26. CASH GENERATED FROM OPERATIONS</b>			
(Loss) before taxation		(119,947)	(116,585)
Adjustment for non cash charges and other items:			
Depreciation		46,530	51,355
(Profit) on sale of fixed assets		(243)	--
Provision for retiring benefits of employees		3,441	3,120
Financial charges		63,959	62,303
Working capital changes	(26.1)	20,958	38,089
		-----	-----
		134,645	154,867

	-----	-----
	14,698	38,282
	=====	=====
<b>26.1 Working Capital Changes:</b>		
(Increase)/decrease in current assets		
- Stores, spares and loose tools	16,104	16,476
- Stock in trade	829	50,256
- Trade debts	(49,481)	4,867
- Loans, advances, deposits, short term		
pre-payments and other receivable	8,832	(19,700)
	-----	-----
	(23,716)	51,899
Increase / (Decrease) in current liabilities		
- Creditors, accrued and other liabilities (net)	44,674	(13,810)
	-----	-----
	20,958	38,089
	=====	=====

#### 26.2 Cash and Cash Equivalent:

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

- Cash and bank balances	10,260	10,314
- Short term finance under mark-up arrangements	(437,394)	(345,921)
	-----	-----
	(427,134)	(335,607)
	=====	=====

#### 27 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>CHIEF EXECUTIVE</i>		<i>EXECUTIVES</i>		<i>TOTAL</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Fee	1	1	--	--	1	1
Managerial remuneration	190	190	1,718	1,518	1,908	1,708
Housing	98	98	703	662	801	760
Conveyance	--	--	85	143	85	143
Medical expenses	--	--	148	156	148	156
Utilities	25	71	--	66	25	137
Allowances	29	29	30	225	59	254
Retirement benefits	--	110	--	177	--	287
	-----	-----	-----	-----	-----	-----
	343	499	2,684	2,947	3,027	3,446

*(Rupees in '000')*



No. of persons	1	1	14	13	15	14
----------------	---	---	----	----	----	----

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.

## 28 FINANCIAL INSTRUMENTS

### Interest Rate Risk

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as on 30th June 2000 are summarised as follows:

	<i>(RUPEES IN '000')</i>						
	<i>INTEREST BEARING</i>			<i>NON-INTEREST BEARING</i>			
	<i>Less than One Year</i>	<i>One to Five Years</i>	<i>Total</i>	<i>Less than One Year</i>	<i>One to Five Years</i>	<i>Total</i>	<i>Total</i>
<b>Financial assets:</b>							
Long Term Deposits	--	--	--	--	181	181	181
Trade Debts	--	--	--	181,474	--	181,474	181,474
Deposits, Short Term Prepayments	--	--	--	141,086	--	141,086	141,086
Cash and Bank Balances	--	--	--	10,260	--	10,260	10,260
	-----	-----	-----	-----	-----	-----	-----
	--	--	--	332,820	181	333,001	333,001
	-----	-----	-----	-----	-----	-----	-----
<b>Financial Liabilities:</b>							
Long-Term Deferred Liabilities	--	--	--	--	254,654	254,654	254,654
Long Term Deposits	--	--	--	--	6,006	6,006	6,006
Short Term Running Finances	437,394	--	437,394	--	--	--	437,394
Creditors, Accrued and other Liabilities	--	--	--	253,257	--	253,257	253,257
Dividend	--	--	--	1,775	--	1,775	1,775
	-----	-----	-----	-----	-----	-----	-----
	437,394	--	437,394	255,032	260,660	515,692	953,086
Net Financial Assets/ (Liabilities)	(437,394)	--	(437,394)	77,788	(260,479)	(182,691)	(620,085)
	-----	-----	-----	-----	-----	-----	-----

28.1 Effective interest rates for the financial liabilities range between 16 percent to 18 percent per annum.

28.2 Financial assets include Rs. 65.757 million which are subject to credit risk. The said amount includes Rs. 50.857 million which represent payment of additional sales tax as already disclosed in note 16.1

	<i>(Rupees in '000')</i>	
	<b>2000</b>	<b>1999</b>
<b>29. TRANSACTION WITH RELATED AND PRIVILEGED PARTIES</b>		
Sale of clinker	(29.1)      31,290	49,175
Purchase of packing material	(100,821)	(81,239)
Income from grinding of B.F. Slag	40,442	830
	-----	-----
	(29,089)	(31,234)
	=====	=====

29.1 The Company sold 26,075.38 tonnes of clinker (1998-99: 42,448 tonnes) to M/s. Pakistan Slag Cement Industries Limited at a loss of Rs.635.08 per tonne (1998-99: Loss Rs.511.21 per tonne). Cement operations have also resulted in loss of Rs. 383.32 per tonne (1998-99:Rs.335.47 loss per tonne) due to wet process operations, insufficient supply of gas and prevailing unfavourable market conditions.

### **30. PRODUCTION**

	<i>(Metric Tons)</i>	
	<b>2000</b>	<b>1999</b>
<b>Rated Capacity</b>	1.00 million	1.00 million
Actual cement production	260,270	300,290
	=====	=====

Lack of demand and uneconomical wet process operations have been reasons for producing below installed capacity level.

### **31. GENERAL**

Figures have been rounded off to nearest thousand.

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

**CHIEF  
EXECUTIVE**

**DIRECTOR**

Karachi: February 02, 2001