

D.G. Khan Cement Company Limited

Annual Report 2000

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COMPANY PROFILE

Board of Directors

Mrs. Naz Mansha	Chief Executive
Mr. Khalid Qadeer Qureshi	
Mr. H. Hatim Dayala	Nominee -ICP
Mr. Muhammad Azam	
Mr. Zaka-ud-Din	
Mr. Aftab Ahmad Khan	
Mr. Inayat Ullah Niazi	

Company Secretary

Mr. Khalid Mahmood Chohan

Bankers

ABN-AMRO Bank N.V.
AI-Faysal Investment Bank Limited
Atlas Investment Bank Limited
Habib Bank Limited
Mashreq Bank Psc
Muslim Commercial Bank Limited
Union Bank Limited

Auditors

M/s A.F. Ferguson & Co.
Chartered Accountants

Registered Office

Nishat House, 53-A, Lawrence Road, Lahore-Pakistan
Phone: 92-42-6367812-20 Fax: 92-42-6367414
Email: info@dgcement.com

Factory

Khofli Sattai, Distt. Dera Ghazi Khan-Pakistan

Phone: 92-641-460025-7

Fax: 92-641-462392

Email: dgscement.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 22nd Annual General Meeting of the Shareholders Of D.G. Khan Cement Company Limited (the Company) will be held on 23rd December, 2000 (Saturday) at 10:00 a.m. at Nishat House, 53-A, Lawrence Road, Lahore to transact the following business:

1. To confirm minutes of the last meeting.
2. To receive and adopt the audited accounts of the Company for the financial year ended June 30, 2000 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year 2000 - 2001 and fix their remuneration. The present Auditors M/s. A. F. Ferguson & Company, Chartered Accountants, Lahore retire and being eligible, offer themselves for re-appointment.
4. Any other matter with the permission of the Chair.

By order of the Board

Lahore:
November 27, 2000

(KHALID MAHMOOD CHOHAN)
Company Secretary

NOTES:

1. Share transfer books of the Company will remain closed from 16-12-2000 to 23-12-2000 (both days inclusive). Physical transfers / CDS Transactions IDs received in order at Nishat House, 53-A, Lawrence Road, Lahore upto 1:00 p.m. on December 15, 2000 will be considered in time for attending of meeting.
2. A member eligible to attend and vote at this meeting may appoint another member his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's Registered office not less than 48 hours before the time for holding the meeting. Proxies of the Members through CDC shall be accompanied with attested copies of their NIC. The shareholder through CDC, are requested to bring original NIC, Account Number and Participant Account Number to produce at the time of attending the meeting.
3. Shareholders are requested to immediately notify the change in address, if any.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to present 22nd annual report, along with audited accounts for the year

ended June 30, 2000.

PRODUCTION

The production of Clinker and Cement for the period was as under:

	<i>2000</i>	<i>1999</i>	<i>% Inc.</i>
- Clinker (M. Tons)	1,124,302	1,020,605	10.16
- Cement (M. Tons)	1,149,312	1,111,504	3.40

DESPATCHES

Despatches during the year under review were 1,157,426 tons as compared to previous year's figure of 1,115,288 tons registering an increase of 3.78%. In addition, 41,438 tons of clinker was also exported to Bangladesh.

PLANT PERFORMANCE

Performance of the plant remained satisfactory but due to depressed market conditions the plant operated at 68.13% of capacity (1999: 61.85%), thus showing an increase of 6.28% from the previous year.

OPERATING RESULTS

Net sales during the year under review were Rs. 2,943.014 million, (1999:2,259.814 million) with an increase of Rs. 683.200 million (30.23%) over the previous year. It was due to an increase in the volume of sales as well as better sales price. Inspire of increase in input prices, (the price of Furnace Oil alone showed a sharp increase, since August 1999), your Company earned a gross profit of Rs. 448.761 million against the gross loss of Rs. 57.620 in the previous year.

The Company after accounting for all charges including depreciation, amortization and provision for turnover tax, has sustained a net loss of Rs. 101.199 million (1999: Rs. 580.369 million). Due to this loss, no appropriation for dividend or bonus shares etc. have been recommended.

MARKET REVIEW

Overview

The market conditions of the industry remained stagnant and there has been no improvement during the period under review. The economy is still in recession. Capacity utilization of the industry during the year was 58% showing a nominal increase of 3% over last year.

The cement industry in Pakistan is the highest taxed in the region and we are trying to draw the Government attention that in order to increase demand we must reduce the price of cement by reducing the taxes.

Export

You will be pleased to note that your Company was the first northern unit to export clinker to Bangladesh to the tune of 41,438 tons. It is also gratifying to learn that the clinker was preferred in quality to the clinker coming from Indonesia and Thailand. However, the export rebate due to the Company is still awaited from the Government. We have not made further exports due to unclear Government policies.

Future Outlook

On 5th of September 2000, the Government imposed General Sales Tax (GST) on the cement industry.

However, three cement manufacturers located in NWFP are exempted from this tax. This discrimination is likely to hurt our marketing activities as the difference between GST paid cement bag and exempted bag is substantial.

We would like to bring to your attention a new kind of discrimination, which is likely to take place. Gas connections are being allotted to a select few cement manufacturers. This could affect the profitability of your company as the difference between producing a ton of cement on furnace oil as compared to gas is approximately Rs. 600/ton.

The Government is currently making concerted and sustained efforts to initiate and implement strategies like restoration of investors confidence, improvement in law and order situation. In order to revive the economy and steer the nation towards self-reliance.

ISO-14000

After obtaining ISO-9002 certification, your Company has embarked upon a program for the certification of ISO-14000, ISO-14000 covers Environment Control with respect to solid waste, gaseous emissions and liquid effluents,

DEBT SERVICING

The Restructuring of International Finance Corporation (IFC) Loans have already been approved by their Board and agreements are expected to be signed in the near future.

PATTERN OF SHAREHOLDINGS

The pattern of shareholding of the Company is annexed with the Annual Report.

AUDITOR

S

M/s A. F. Ferguson & Company, Chartered Accountants, Lahore, the retiring Auditors, being eligible, offered themselves for re-appointment.

M/s Amin Mudassar & Company, Chartered Accountants, Lahore have been appointed as Cost Auditors for the year ended 30th June 2000.

ACKNOWLEDGEMENT

The relations between the management and workers remained cordial and peaceful. The Directors place on record their appreciation for the hard work put in by the workers, staff and officers during the year.

On behalf of the Board

Lahore:
November 27, 2000

MRS. NAZ MANSHA
Chief Executive

FIVE YEARS AT A GLANCE

	2000	1999	1998	1997	1996
PRODUCTION & SALES					(M. Tons)

Clinker	1,124,302	1,020,605	940,007	634,821	730,450
Cement	1,149,312	1,111,504	912,976	667,937	767,363
Despatches	1,157,426	1,115,288	900,010	671,417	753,608

**(Rupees in
thousand)**

OPERATING RESULTS

Net Sales	2,943,014	2,259,814	1,238,983	1,347,594	1,547,090
Gross Profit/(Loss)	448,761	(57,620)	141,112	274,692	591,430
Pre-tax profit/(Loss)	(85,454)	(577,680)	(46,566)	83,571	308,411
After tax profit/(Loss)	(101,199)	(580,369)	(58,284)	71,454	248,411

FINANCIAL POSITION

Current Assets	1,325,131	1,096,846	1,029,452	989,212	1,297,610
Current Liabilities	3,253,225	3,000,680	2,223,023	957,506	717,423
Operating Fixed Assets	6,437,914	6,879,071	7,055,845	804,047	786,929
Total Assets	8,720,784	8,800,307	9,069,278	8,102,729	7,390,244
Long Term Liabilities	1,858,093	2,581,873	3,049,132	3,288,816	2,887,875
Shareholders' Equity	3,609,466	3,217,754	3,798,123	3,856,407	3,784,946

RATIOS

Current Ratio	0.41:1	0.37:1	0.46:1	1.03:1	1.81:1
Debt to Equity	34:66	45: 55	45: 55	46: 54	43: 57
Gross Profit/(Loss) to Sales (%)	15.25	(2.55)	11.39	20.38	38.23
Net Profit/(Loss) to Sales (%)	(3.44)	(25.68)	(4.70)	5.30	16.06
Break Up Value per share (Rs.)	23.69	24.30	28.69	29.13	34.82

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of D.G. Khan Cement Company Limited as at June 30, 2000 and the related profit and loss account, statement of changes in equity 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.

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 Company 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, statement of changes in equity and cash flow statement 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 June 30, 2000 and of the loss, its changes in equity and cash flows for the year then ended; and

(d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance,

Lahore:
November 27, 2000

A. F. FERGUSON & Co
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>(Rupees in thousand)</i>	<i>1999</i>
CAPITAL AND RESERVES			
Authorised share capital			
300,000,000 ordinary shares of Rs. 10/-each		3,000,000	3,000,000
		=====	=====
Issued, subscribed and paid up share capital			
152,391,380 (1999:132,391,380) ordinary shares of Rs. 10/- each	3	1,523,914	1,323,914
Reserves	4	2,824,569	2,532,042

Accumulated loss		(739,017)	(638,202)
		-----	-----
		3,609,466	3,217,754
LONG TERM LIABILITIES			
Long term loans - secured	5	1,802,017	2,465,121
Liabilities against assets subject to finance lease	6	10,312	73,875
Deferred liabilities	7	23,022	19,226
LONG TERM DEPOSITS	8	22,742	23,651
CURRENT LIABILITIES			
Current portion of long term liabilities			
Long term loans - secured	5	1,839,841	1,531,250
Liabilities against assets subject to finance lease	6	133,879	45,091
Finances under mark up arrangements	9	698,501	605,655
Creditors, accrued and other liabilities	10	545,914	783,594
Provision for taxation		35,090	35,090
		-----	-----
		3,253,225	3,000,680
CONTINGENCIES AND COMMITMENTS	11	--	--
		-----	-----
		8,720,784	8,800,307
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	12	6,437,914	6,879,071
Assets subject to finance lease	13	320,092	163,414
Capital work in progress	14	--	2,093
		-----	-----
		6,758,006	7,044,578
LONG TERM INVESTMENTS	15	631,610	635,602
LONG TERM LOANS TO EMPLOYEES	16	2,065	2,961
LONG TERM DEPOSITS AND DEFERRED COSTS	17	3,972	20,320
CURRENT ASSETS			
Stores, spares and loose tools	18	513,552	378,852
Stock -in - trade	19	66,715	118,027
Trade debts	20	50,731	37,298
Short term investments	21	398,082	296,288
Advances, deposits, prepayments and other receivables	22	186,908	169,271
Cash and bank balances	23	109,143	97,110
		-----	-----
		1,325,131	1,096,846
		-----	-----
		8,720,784	8,800,307
		=====	=====

The annexed notes form an integral part of these accounts.

Chief Executive

Director

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

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousand)</i>	
Sales		2,943,014	2,259,814
Cost of goods sold		2,494,253	2,317,434
		-----	-----
Gross profit/(Loss)		448,761	(57,620)
Operating Expenses			
Administrative and general expenses	26	35,221	31,176
Selling and distribution expenses	27	71,631	20,561
		-----	-----
		106,852	51,737
Operating profit/(Loss)		341,909	(109,357)
Other income	28	65,207	100,727
		-----	-----
		407,116	(8,630)
Financial charges	29	562,851	578,163
Other charges	30	(70,281)	(9,113)
		-----	-----
		492,570	569,050
		-----	-----
Loss before taxation		(85,454)	(577,680)
Provision for taxation	31	15,745	2,689
		-----	-----
Loss after taxation		(101,199)	(580,369)
		=====	=====
Loss per share (Rs.)	38	(0.66)	(4.38)
		=====	=====

The annexed notes form an integral part of these accounts.

Chief Executive

Director

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

	(Rupees in thousand)				
	<i>Share capital</i>	<i>Share Premium</i>	<i>General Reserve</i>	<i>Accumulated Profit/(Loss)</i>	<i>Total</i>
Balance as at June 30, 1998	1,323,914	1,593,742	938,300	(57,833)	3,798,123

Net loss for the year	--	--	--	(580,369)	(580,369)
	-----	-----	-----	-----	-----
Balance as at June 30, 1999	1,323,914	1,593,742	938,300	(638,202)	3,217,754
Reserves acquired upon merger	--	120,000	172,527	384	292,911
Net loss for the year	--	--	--	(101,199)	(101,199)
Share capital issued during the year	200,000	--	--	--	200,000
	-----	-----	-----	-----	-----
Balance as at June 30, 2000	1,523,914	1,713,742	1,110,827	(739,017)	3,609,466
	=====	=====	=====	=====	=====
	==	=====	=====	=====	=====

Chief Executive

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousand)</i>	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	32	817,519	810,091
Financial charges paid		(571,564)	(552,038)
Gratuity and leave encashment paid		(1,074)	(2,771)
Tax refunds / (taxes paid)		29,396	(11,384)
		-----	-----
NET CASH INFLOW FROM OPERATING ACTIVITIES		274,277	243,898
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(29,079)	(131,405)
Sale proceeds of investments		64,617	15,279
Cash equivalents acquired upon merger		36,516	
Long term loans to employees		1,193	1,784
Long term security deposits		48	(1,117)
Sales proceeds of fixed assets		6,405	23,448
Dividend received		84,583	52,796
		-----	-----
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		164,283	(39,215)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans		(381,467)	(34,358)
Long term deposits		(909)	(481)
Liabilities against assets subject to finance lease		(86,997)	(64,042)
Dividend paid		(50,000)	(1)
		-----	-----
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES		(519,373)	(98,882)

NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		-----	-----
		(80,813)	105,801
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		-----	-----
		(508,545)	(614,346)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	33	-----	-----
		(589,358)	(508,545)
		=====	=====

Chief Executive

Director

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

1. THE COMPANY AND ITS OPERATIONS

D.G. Khan Cement Company Limited is a public company incorporated under the Companies Ordinance, 1984 and is listed on all the stock exchanges in Pakistan. The Company is engaged in production and sale of Ordinary Portland and Sulphate Resistant Cement.

1.1 Assets, liabilities and reserves of D.G. Khan Electric Company Limited have been merged with the same of D.G. Khan Cement Company Limited with effect from July 1, 1999 in accordance with the scheme of arrangement approved by the Honourable Lahore High Court. Figures of 1999 represent the results of D.G. Khan Cement Company Limited only prior to the merger. According to the scheme of arrangement, members of D.G. Khan Electric Company Limited have received one ordinary share of Rs. 10 each of D.G. Khan Cement Company Limited for each share held in D.G. Khan Electric Company Limited.

1.2 BASIS OF ACCOUNTING

As at June 30, 2000 the Company's current liabilities stand at Rs. 3,253 million, (1999: Rs. 3,001 million), while the current assets were Rs. 1,325 million (1999: Rs. 1,097 million) and Company has made a loss before tax of Rs. 85 million (1999: Rs. 578 million) for the year.

Continuation of the Company as a going concern is dependent on its ability to attain the satisfactory levels of profitability in the future and in the intervening period ability, if necessary, to liquidate long term investments and continued support from:

a) The principal foreign currency lenders of the Company through rescheduling/restructuring of the long term foreign currency loans. The rescheduling has been approved by the Board of Directors of these lenders, however, the revised loan agreements between the lenders and the Company have not yet been signed.

b) the sponsors through injection of further capital.

These accounts have been prepared on a going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose and will be able to liquidate its long term investments, if necessary and have the loans re-scheduled and the sponsors to meet its obligations. The accounts consequently do not include any adjustment relating

to the realisation of the assets and liquidation of its liabilities that might the necessary should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These Accounts have been prepared under the historical cost convention modified by capitalisation of exchange differences as referred to in note 2.10.

2.2 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all employees according to the terms of employment, payable on cessation of employment, subject to a minimum qualifying period of service. Provision is made annually to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period.

The Company also operates an approved funded contributory provident fund scheme. Equal monthly contributions are made by the employer and the employees to the fund.

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, if any,

Deferred

The Company accounts for deferred taxation using the liability method on all major timing differences. Provision for deferred tax for the year is not considered necessary as the timing differences are not likely to reverse in the foreseeable future,

2.4 Fixed capital expenditure and depreciation

Operating fixed assets except freehold land are stated at cost less accumulated depreciation. Capital work in progress and freehold land are stated at cost. Cost in relation to fixed assets signifies historical cost and exchange differences referred to in note 2.10.

Depreciation on all other operating fixed assets is charged to profit on the reducing balance method, so as to write off the historical cost of an asset over its estimated useful life at the rates referred to in note 12. Full year's depreciation is charged on additions, while no depreciation is charged on deletions during the year. However, depreciation on major additions is charged from the month in which the assets are put to use.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains or losses on disposal of assets are taken to profit and loss account.

2.5 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets acquired on lease. The related obligation of the lease are accounted for as liabilities. Assets acquired under a finance lease are amortised over the useful life of the assets on reducing balance method at the rates given

in note 13, Amortisation of leased assets is charged to profit and loss account,

2.6 Investments

Long term investments

Investments are carried at cost and provision is made to recognise a decline in value which is other than temporary. Such reduction being determined for each investment individually,

Short term investments

These are stated at lower of cost and market value determined on portfolio basis,

2.7 Deferred cost

These costs are amortised over a period of five years.

2.8 Stores, spares and loose tools

Stores, spares and loose tools are valued principally at moving average cost. Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

2.9 Stock - in - trade

Stock of raw materials, work in process and finished goods are valued principally at the lower of average cost and net realisable value. Stock of packing material is valued principally at moving average cost. Cost of work in process and finished goods comprises cost of direct materials and labour and appropriate manufacturing overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make a sale.

2.10 Foreign currencies

All assets and liabilities in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Exchange gains or losses on translation of foreign currency long term loans utilised for the acquisition of fixed assets are capitalised. All other exchange differences are charged to profit and loss account.

2.11 Mark-up, interest, profit and other charges

Mark-up, interest, profit and other charges on long term liabilities are capitalised upto the date of commencement of commercial production. All other mark-up, interest, profit and other charges are charged to income.

2.12 Revenue recognition

Revenue from sales is recognised on despatch of goods to customers. Profit on deposits with banks is recognised on a time proportion basis taking into account the amounts outstanding and the rates applicable thereon. Dividend income on equity investments is recognised as income when the right of receipt is established.

2.13 Consolidated accounts

Consolidated accounts have not been prepared by the Company as it does not have significant influence in any of its associated companies, which is a prerequisite for the applicability of International Accounting standard 28 "Accounting for Investment in Associates"

2.14 General

As per clause 13.12 of investment agreement with CDC and section 6.02(a) of investment agreement with IFC, there is a restriction on the Company to declare or pay any dividends if the Company is in default in payment of any principal, interest or other amount due to the mentioned lenders. Currently, as shown in current maturity, note No. 5 there are 9 overdue installments.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousand)</i>	
112,835,67		
6 ordinary shares of Rs 10 each fully paid in cash	1,128,357	1,128,357
20,000,000 ordinary shares of Rs 10 each issued for consideration other than cash (*)	200,000	--
19,555,704 ordinary shares of Rs. 10 each issued as fully paid bonus shares	195,557	195,557
-----	-----	-----
152,391,38		
0	1,523,914	1,323,914
=====	=====	=====
==		

(*) Issued upon merger.

48,352,783 shares of the Company are held by Nishat Mills Limited, an associated concern as at June 30, 2000.

4. Reserves

Movement and composition of reserves is as follows:

Premium on issue of shares

At the beginning of the year	1,593,742	1,593,742
Acquired upon merger	120,000	--
	-----	-----
	1,713,742	1,593,742

Revenue

General reserve

At the beginning of the year	938,300	938,300
Acquired upon merger	172,527	--
	-----	-----
	1,110,827	938,300
	-----	-----
	2,824,569	2,532,042
	=====	=====

5. LONG TERM LOANS - SECURED

These comprise of:

Rate of *No. of*
equal

Loan	Lender	Currency	Foreign Currency		Equivalent Pak Rupees		Interest per annum	Installments	Interest payable
			2000	1999	2000	1999			
(in thousand)									
1.	Asian Development Bank	PKR	--	--	25,218	75,654	14%	25 half yearly instalments ending on October 16, 2000	Half yearly
2.	Atlas Investment Bank	PKR	--	--	15,500	23,250	*Base rate + 7% subject to floor 17.5% and ceiling 21%	8 half yearly instalments ending on May 12, 2002	Half yearly
3.	AI-Faysal Investment Bank	PKR	--	--	--	4,967	20%	24 monthly instalments ending August 6, 1999	Monthly
4~	AI-Faysal Investment Bank	PKR	--	--	19,440	--	17%	36 monthly instalments ending on October 25, 2002	Monthly
5.	Mashreq Bank	PKR	--	--	75,000	--	16%	34 monthly instalments ending July 31, 2002	Monthly
6.	International Finance Corporation								
-	Loan A	US\$	22,928	25,000	1,199,113	1,297,500	10.56%	14 half yearly instalment commencing July 15, 1998	Half yearly
-	Loan B	US\$	34,836	40,000	1,821,944	2,076,000	2.80% + 9% LIBOR	9 half yearly instalment commencing July 15, 1998	Half yearly commencing
7.	Commonwealth Development Corporation	US\$	9,286	10,000	485,643	519,000	10.56%	14 Half yearly instalment commencing September 1, 1998	Half yearly commencing
Less:									
Current portion shown under current liabilities Including overdue amounts of Rs. 1,063.418 million (1999 Rs 721.439 million)					1,839,841	1,531,250			
					1,802,017	2,465,121			
					=====	=====			

* Base rate

Average of cut off rates of three, six months treasury bills auctions immediately preceeding the start of each mark-up period,

Security

Loan No. 1

The loan was obtained from the*Government of Pakistan through State Cement Corporation of Pakistan (Private) Limited. It was originally payable in foreign currency and subsequently converted into Pak rupees with effect from April 21, 1987 at the exchange rate of US\$ 1 = Pak Rupees 17.3468. The loan carries interest @ 14% per annum inclusive of exchange risk fee. The loan is secured against a bank guarantee in favour of the Government of Pakistan for which the company has created an equitable mortgage on the company's freehold land and a hypothecation charge on plant and machinery consisting of crusher, raw material transportation system, raw mill, kiln, cement mill and packing plant in favour of the bank.

Loan No. 2

The loan is secured by a first pari passu charge on the fixed assets of the Company and a first pari passu charge in respect of land and building and fixed plant and machinery of the Company accompanied by personal guarantees of sponsor directors and a demand promissory note in favour of Atlas Investment Bank Limited.

Loan No. 3

This loan has been repaid during the year

Loan No. 4

The loan is secured by pledge of 1.7 million shares of Muslim Commercial Bank, 0.5 million shares of Nishat Mills Limited and 1 million shares of Nishat (Chunian) Limited and a ranking floating charge on current assets of the Company upto Rs. 75.75 million accompanied by personal guarantees of sponsor directors.

Loan No. 5

This loan is secured by charge on the current assets of the Company ranking pari pasu with those in favour of lenders as referred to in note 9.

Loan No. 6 and 7

These loans are secured by an equitable mortgage on the Company's freehold land and building and other immovable assets of the Company accompanied by irrevocable power of attorneys authorising the lenders to create and register English mortgage, and a first hypothecation charge on present and future movable assets including plant and machinery, accessories, electrical and all other equipments.

All charges in respect of long term loans 1,2,6 and 7 rank pari passu with each other.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousand)</i>	
Present value of minimum lease payments	144,191	118,966

Less: Current portion shown under current liabilities	133,879	45,091
	-----	-----
	10,312	73,875
	=====	=====

The present value of minimum lease payments have been discounted at an implicit interest rate ranging from 17% to 20% to arrive at their present value. Rentals are paid in monthly instalments and in case of default of any payment, an additional charge@ 2 to 5% per month shall be paid

Taxes, repairs and insurance costs are to be borne by the lessee. In case of termination of the agreement the lessee is to pay the entire rent for the unexpired period of lease agreement. The liability is partly secured by deposits of Rs. 37.10 million included in security deposits under note 22 and pledge of 0.7 million shares of Muslim Commercial Bank. Commitments in respect of lease arrangements executed by the Company are as follows:

Year	(Rupees in thousand)
2001	151,248
2002	7,291
2003	4,846

	163,385
Less:	
Financi	19,194

	144,191
	=====

7. DEFERRED LIABILITIES

	2000	1999
	(Rupees in thousand)	
Provision for employees gratuity	18,859	15,682
Provision for Leave encashment	4,163	3,544
	-----	-----
	23,022	19,226
	=====	=====

8. LONG TERM DEPOSITS

These represents the interest free security deposits from stockists and are repayable on cancellation or withdrawal of the dealership.

9. FINANCES UNDER MARK UP ARRANGEMENTS

Short-term loans - secured			
Bank of America	- note 9.1	10,000	55,000
Trust Investment Bank	- note 9.2	--	10,417
Short term running finance	- note 9.3	688,501	540,238
		-----	-----
		698,501	605,655
		=====	=====

9.1 This loan relates to a short term facility to the extent of Rs. 60 million payable in twelve monthly instalments of Rs. 5 million each with last instalment due on July 31, 2000. The loan carries mark up @ 16.5% per annum. The facility is secured by first joint pari passu registered charge over inventory.

9.2 This short term loan has been repaid during the year.

9.3 Short term running finances available from a consortium of commercial banks under mark up arrangement amount to Rs. 797.8 million (1999: Rs. 538.5 million). The rates of mark up range from Rs. 0.311 to Rs. 0.521 per Rs. 1,000 per diem or part thereof on the balance outstanding. The aggregate short term finances of Rs. 597.8 million (1999: Rs. 538.5 million) are secured by a first registered joint pari passu charge on all present and future current assets of the Company wherever situated including stores and spares, stock in trade, book debts, investments, receivables and pledge of 10.4 million shares of Muslim Commercial Bank Limited, 9.3 million shares of Nishat Mills Limited, 6.5 million shares of Umer Fabrics Limited and 1.8 million shares of Nishat (Chunian) Limited.

Of the aggregate facility of Rs. 50 million (1999: Rs. 50 million) for opening letters of credit and Rs. 99.5 million (1999: Rs. 71.8 million) for guarantees, the amount utilized at June 30, 2000 was Rs. 12.9 million (1999: Rs. 45.17 million) and Rs. 80.9 million (1999: Rs. 71.8 million) respectively. Of the facility for guarantees, Rs. 3.9 million is secured by lien over bank deposits as referred to in note 23.

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousand)</i>	
These are composed of:		
Trade creditors	42,665	33,510
Customers' balances	35,167	28,635
Accrued liabilities	70,344	29,194
Custom duties payable	11,133	194,428
Amount due to associated undertakings	--	91,327
Nishat Mills Limited	75,250	51,267
	-----	-----
	75,250	142,594
Workers' profit participation fund	7,291	4,414
Interest accrued on loans	181,267	199,511
Retention money	6,537	6,545
Deposit-interest free repayable on demand	10,620	11,589
Advances against sale of scrap	760	281
Unclaimed dividend	445	384
Other payables	104,435	132,509
	-----	-----
	545,914	783,594
	=====	=====

10.1 Workers' profit participation fund

At the beginning of the year	4,414	4,414
Liability acquired upon merger	6,598	--
	-----	-----
	11,012	4,414
Interest for the year	693	--
	-----	-----
	4,414	--
	-----	-----
Less: Liability not payable written back		
Closing balance	7,291	4,414
	=====	=====

Maximum aggregate amount due to associated undertaking at the end of any month during the year was Rs. 182.706 million (1999: Rs. 222.588 million).

Mark-up is charged/paid on advances to/from associated undertakings at the rate of paisas 41.1 to 42.5 per Rs. 1,000 per day.

11. CONTINGENCIES AND COMMITMENTS**11.1 Contingencies**

(i) The Income Tax Officer, while framing the assessments for the accounting years 1984-85 to 1990-91 has taxed the income of the Company on account of interest on deposits and sale of scrap etc. The Appellate Tribunal on appeal filed by the Company issued an order in favour of the Company for the accounting years 1984-85 to 1990-91. The Income Tax Department filed reference before the Lahore High Court. Pending final outcome of such reference, no adjustment has been made in these accounts for the relief granted by the Appellate Tribunal aggregating Rs. 35.090 million.

(ii) During the period 1994 to 1996, the Company imported plant and machinery relating to expansion unit, for which exemption was claimed under various SROs from the levy of custom duty and other duties including sales tax. As per the provisions of SRO 484 (I)/92,978(I)/95 and 569(I)/95, the exemption from the statutory duty etc. would be available only if the said plant and machinery was not manufactured locally. However, the Custom Authorities rejected the claim of the Company by arguing that the said machinery was on the list of locally manufactured machinery, published by the Central Board of Revenue. Consequently, the Company applied before the Lahore High Court, Multan Bench, who allowed the Company to release the machinery on furnishing the indemnity bonds with the Custom Authorities. Collector of Customs and Central Excise, Multan has passed an order dated November 26, 1999, against the Company on the grounds the said machinery was being manufactured locally during the time when it was imported. The total demand as raised against the Company amounts to Rs. 715.372 million out of which Rs. 194.428 million had already been provided for in these accounts.

An appeal against the order is to be filed with the Lahore High Court. Hence, no provision for the balance amount of Rs. 520.94 million has been made in the accounts as according to the management of the Company there are meritorious grounds that the ultimate decision would be in its favour.

(iii) D.G. Khan Electric Company Limited filed a writ petition in the Honourable Lahore High Court against the orders of the Collector of Customs for levy of custom duty and other taxes amounting to Rs. 57.366 million (1999: Rs. 57.366 million) on clearance of consignments of plant and machinery. However, no provision has been made in the accounts as according to the management of the company there are meritorious grounds that the ultimate decision would be in its favour.

(iv) The Company has issued guarantees in favour of Collector of Customs and Excise against levy of sales tax, custom duty and excise duty amounting to Rs. 23.059 million (1999: Rs. 21.339 million)

(v) Claims against the Company not acknowledged as debts Rs. 3 million (1999: Rs. Nil).

11.2 Commitments in respect of:

(i) Contract for capital expenditure Rs. Nil (1999: Rs. 59,977 million).

(ii) Letters of credit other than capital expenditure Rs. 12.883 million (1999: Rs. 2.797 million).

12. OPERATING FIXED ASSETS - TANGIBLE

12.1 The following is a statement of the operating fixed assets

Description	(Rupees in thousand)									
	Cost to June 30 1999	Acquisitions upon merger	Additions/ (deletions)	Cost to June 30, 2000	Accumulated depreciation as at June 30, 1999	Acquisition upon merger	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2000	Book value as at June 30, 2000	Annual rate of depreciation %
Freehold land	20,478	--	531	21,009	--	--	--	--	21,009	--
Building on freehold land										
Factory building	893,528	38,267	5,421	937,216	204,622	11,063	72,153	287,838	649,378	10
Office building and housing colony	215,387	19,369	159	234,915	64,578	5,093	8,262	77,933	156,982	5
Roads	108,541	1,513	192	110,246	16,326	151	9,377	25,854	84,392	10
Plant and machinery	7,167,538	242,170	36,997 (127)	7,446,578	1,409,137	70,344	596,720 (104)	2,076,097	5,370,481	10
Quarry equipment	152,088	--	134	151,463	97,600	--	0,889	107,908	43,555	20
Furniture, fixture and office equipment	61,500	3,600	4,155 (1,439)	67,816	24,178	850	4,344 (648)	28,724	39,092	10
Vehicles	98,316	1,224	10,263 (9,658)	100,145	54,934	613	10,053 (5,667)	59,933	40,212	20
Aircraft	8,687	--	--	8,687	6,217	--	741	6,958	1,729	30
Power and water supply line	53,609	3,905	935	58,449	23,009	902	3,454	27,365	31,084	10

2000	8,779,672	310,048	58,787	9,136,524	1,900,601	89,016	715,993 (7,000)	2,698,610	6,437,914
1999	8,193,855	--	604,868 (19,051)	8,779,672	1,138,010	--	767,624 (5,033)	1,900,601	6,879,071

12.2 Additions to plant and machinery include exchange differences Rs. 26.954 million
(1999: Rs. 411 million)

2000 1999
(Rupees in thousand)

12.3 Depreciation charge for the year has been allocated as follows:

Cost of goods sold	- note 25	710,555	761,704
Administration and general expenses	- note 26	4,748	5,109
Selling and distribution expenses	- note 27	690	811
		715,993	767,624

12.4 Disposal of operating fixed assets

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

Particulars of assets	Cost	Accumulated Depreciation	Book value (Rupees in thousand)	Sale Proceeds	Sold to	Mode of disposal
Vehicles						
Toyota land Cruiser-LOW 4300	3,282	2,207	1,075	1,325	Mr. Amadullah, Lahore	Negotiation
Toyota land Cruiser Jeep Prado-BC8179	2,241	807	1,434	1,325	Mr. Shamsir Ali Hyderabad	- do -
Suzuki Potohar Jeep-LOR 2295	335	265	70	245	Mr. Shahid Pervaiz, Lahore	- do -
Mitsubishi Pajero - LOJ 985	1,462	1,155	307	975	Mr. Fazal Hussain, Lahore	- do -
Suzuki Mergalla - DGE 7485	390	288	102	260	Lt. Col. (Retd) Muhammad Masood employee	- do -
Suzuki Bolan-DGF 3484	255	171	84	104	Mr. Muhammad Farooq Abdullah	- do -
Toyota Corolla-LXE 5366	665	240	425	426	Mr. A.G. Makhdoom (Ex-employee)	- do -
Suzuki Mehran-LXM 3685	336	--	336	315	Claim from Security General Insurance	- do -
Suzuki Mergalla - LOW 1451	351	236	115	115	Kh, Shem-ud-din (Employee)	- do -
Bellarus Tractor	110	107	3	74	M/s Irshad Ahmad of Hyderabad	Tender
Bellarus Tractor	231	192	39	74	M/s Ishad Ahmad of Hyderabad	- do -
Office equipment						
XEROX multifunction plain paper fax	115	31	84	30	Jaffer Brothers	Negotiation
ACER 486	106	43	63	6	Dan MTS System Limited	- do -
Compaq Deskpro 286	101	65	36	6	- do -	- do -
Compaq 386	191	109	82	7	- do -	- do -
PC - At 286 Beltron	43	28	15	6	- do -	- do -
PC - At 286 Beltron	43	28	15	6	- do -	- do -
PC - 80386 Minta	56	29	27	7	- do -	- do -

PC - 80386 Minta	56	24	32	6	- do -	- do -
Compaq Prolinca 4/66	77	31	46	6	- do -	- do -
ACER Mate 486	62	22	40	7	- do -	- do -
ACER Mate 486	62	22	40	6	- do -	- do -
ACER Mate 486	62	22	40	6	- do -	- do -
ACER 386	66	34	32	7	- do -	- do -
Compaq 486	83	34	49	6	- do -	- do -
Compaq Deskpro 386/2	40	16	24	6	- do -	- do -
Compaq Deskpro 386/2	40	16	24	6	- do -	- do -
Compaq Deskpro 386/2	40	16	24	7	- do -	- do -
ACER 48	28	10	18	6	- do -	- do -
PC - 80 386	57	29	28	6	- do -	- do -
Tatung TC 595	60	25	35	3	SIMLIM Computer	- do -
PC - 80 486	38	10	28	2	- do -	- do -
Quarry equipment						
Excavator (*Hydraulic) PC 650	374	353	21	556	Abdul Naseer & Co. Abbottabad	Tander
Dumper	385	227	158	390	Ashiq Ali, Dera Ghazi Khan	- do -
Plant and machinery						
Generator 25KVA	126	104	22	63	M/s Abdul Majeed, Karachi	Tender
Furniture and Fixtures						
Blankets	8	2	6	6	FLS Pakistan (Private) Limited	Negotiation
Negotiation						
Item below book value of Rs. 5,000	6	2	4	4		
	-----	-----	-----	-----		
	11,983	7,000	4,983	6,405		
	=====	=====	=====	=====		

13. ASSETS SUBJECT TO FINANCE LEASE

Description	(Rupees in thousand)									
	<i>Cost to</i>	<i>Additions/</i>	<i>Acquisition</i>	<i>Cost to</i>	<i>Accumulated</i>	<i>Amortization</i>	<i>Accumulated</i>	<i>Book value</i>	<i>Rate</i>	
	<i>June 30</i>	<i>(deletions)</i>	<i>upon</i>	<i>June 30</i>	<i>amortisation</i>	<i>Acquisition</i>	<i>charge/</i>	<i>amortisation</i>	<i>as at June</i>	<i>as at June</i>
<i>1999</i>		<i>merger</i>	<i>2000</i>	<i>as at</i>	<i>upon</i>	<i>(deletions)</i>	<i>as at June</i>	<i>30, 2000</i>	<i>30, 2000</i>	<i>%</i>
				<i>June 30, 1999</i>	<i>merger</i>	<i>for the year</i>				
Quarry equipment	36,042	--	--	36,042	10,036	5,201	15,237	20.81	20	
Plant and machinery	153,958	--	246,031	399,989	16,550	50,898	33,254	100,702	299,287	10
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
2000	190,000	--	246,031	436,031	26,586	50,898	38,455	115,939	320,092	
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
1999	283,500	(93,500)		190,000	9,142	--	21,769	26,586	163,414	
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Amortisation charge for the year has been allocated to cost of goods sold - note 25.

14. CAPITAL WORK IN PROGRESS

This consist of:

Civil works

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousand)</i>	
	--	2,093
	=====	=====

15. LONG TERM INVESTMENTS

At cost - note 15.1

Less: Provision for diminution in value of investments

	670,428	674,420
	38,818	38,818
	-----	-----
	631,610	635,602
	=====	=====

15.1 Quoted Companies**In associated undertakings****Umer Fabrics Limited**

4,680,000 (1999: 4,680,000) fully paid

ordinary shares of Rs. 10 each

Equity held 19.5% (1999:19.5%)

Market value Rs. 74.88 million (1999: Rs. 33.462 million)

85,296 85,296

Nishat (Chunian) Limited

3,906,840 (1999: 2,790,600) fully paid

ordinary shares of Rs. 10 each

Equity held 19.38% (1999:19.38%)

Market value Rs. 111.345 million (1999: Rs. 22.325 million)

40,347 40,347

Nishat Mills Limited

11,071,307 (1999: 9,312,307) fully paid

ordinary shares of Rs. 10 each

Market value Rs. 256.301 million (1999: Rs. 88.467 million)

446,202 400,204

D.G. Khan Electric Company Limited

Nil (1999: 3,805,625) fully paid

ordinary shares of Rs. 10 each

Equity held Nil (1999: 19.03%)

Market value Rs. Nil (1999: Rs 17.125 million)

-- 49,990

Others**Muslim Commercial Bank Limited**

3,719,644 (1999: 3,719,644) fully paid

ordinary shares of Rs. 10 each

Market value Rs. 114.565 million (1999: Rs 74.579 million)

97,416 97,416

Maple Leaf Cement Factory Limited

6,666 (1999: 6,666) fully paid ordinary shares of Rs. 10 each Market value Rs. 0.032 million (1999: Rs 0.018 million)	187	187
First Capital Mutual Fund		
98,000 (1999: 98,000) certificates of Rs. 10 each Market value Rs. 0.294 million (1999: Rs 0.245 million)	980	980
	-----	-----
	670,428	674,420
	=====	=====

15.2 Aggregate market value of quoted investments is Rs. 557.417 million (1999: Rs. 236.221 million) as at June 30, 2000.

15.3 Investments having face value of Rs. 342.844 million (1999: Rs. 388.415 million) are pledged as security against lease facility, working capital loan and bank guarantees.

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousand)</i>	
16. LONG TERM LOANS TO EMPLOYEES		
Considered good		
House building	2,727	3,702
Vehicles/air-conditioners	276	494
	-----	-----
	3,003	4,196
Less: Current portion of long term loans to employees	- note 22	1,235
	-----	-----
	2,065	2,961
	=====	=====

16.1 These represent the secured loans given to employees as per company's service rules and are recoverable in equal monthly instalments. The loans given to officers carry interest from 6 to 7 percent per annum while loans to staff and workers are interest free. Loans of Rs. 1.684 million (1999: Rs. 1.836 million) are outstanding for periods exceeding three years. Loans to employees are secured against retirement benefits. Moreover personal guarantees of two employees are obtained in respect of house building loans and one employee in case of other loans. Amount due from employees include Rs. 0.842 million (1999: Rs. 1.049 million) in respect of executives. The maximum amount outstanding in respect of executives at the end of any month during the year was Rs. 0.930 million (1999: Rs. 1.057 million).

17. LONG TERM DEPOSITS AND DEFERRED COST		
Security deposits	3,972	20,320
	=====	=====

18. STORES, SPARES AND LOOSE TOOLS

Stores (including in transit Rs. 1.109 million (1999: Rs. Nil))	280,371	149,631
Spares	229,100	223,825
Loose tools	4,081	5,396
	-----	-----
	513,552	378,852
	=====	=====

Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

19. STOCK-IN-TRADE

Raw materials	12,092	17,548
Packing material	15,648	19,519
Work-in-process	12,243	40,630
Finished goods	26,732	40,330
	-----	-----
	66,715	118,027
	=====	=====

20. Trade debts

These are unsecured and considered good,

21. SHORT TERM INVESTMENTS

At cost	- note 21.1	402,969	402,969
Less: Provision for diminution in value of investments		4,887	106,681
		-----	-----
		398,082	296,288
		=====	=====

21.1 Quoted Company**In associated undertaking****Umer Fabrics Limited**

1,796,780 (1999: 1,796,780) fully paid
ordinary shares of Rs. 10 each

Market value Rs. 28.748 million (1999: Rs. 12.847 million) 32,737 32,737

Others**Muslim Commercial Bank Limited**

14,136,685 (1999: 14,136,685) fully paid
ordinary shares of Rs. 10 each

Market value Rs. 435,410 million(1999: Rs. 283,441 million) 370,232 370,232

	-----	-----
	402,969	402,969
	=====	=====

22. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Current portion of long term loans to employees - note 16	938	1,235
Advances - considered good		
To employees	2,619	3,058

To suppliers	15,884	14,889
To contractors	--	120
Interest receivable	412	752
Prepayments	18,226	26,736
Letters of credit - margin deposits	--	1,850
Claim Recoverable from Government		
Income tax	32,680	71,537
Sales tax	26,240	8,981
Excise duty	6,240	1,712
Export rebate receivable	33,150	--
Octroi	43	43
	-----	-----
	98,353	82,273
Dividend receivable	--	31,249
Security deposits	37,100	
Other receivables	13,376	7,109
	-----	-----
	186,908	169,271
	=====	=====

23. CASH AND BANK BALANCES

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousand)</i>	
Balances with banks		
On deposit accounts	3,900	6,297
On saving accounts		
Pak rupee	28,728	13,582
Foreign currency US \$ 21.84 (1999: US \$ 22.66)	1	1
On current accounts	76,412	77,110
	-----	-----
	109,041	96,990
Cash in hand	102	120
	-----	-----
	109,143	97,110
	=====	=====

Included in balances at banks on deposit account are Rs. 3.9 million which are under lien against bank guarantees referred to in note 9.

24. SALES

Local sales	4,513,379	3,907,468
Less: Excise duty	1,616,571	1,617,778
Rebate to stockists	42,629	29,876
	-----	-----
	1,659,200	1,647,654

		-----	-----
		2,854,179	2,259,814
Export sales		55,685	--
Add: Rebate on export		33,150	--
		-----	-----
		88,835	--
		-----	-----
		2,943,014	2,259,814
		=====	=====

25. COST OF GOODS SOLD

Raw and packing materials consumed	- note 25.1	290,929	275,705
Salaries, wages and other benefits		106,134	96,166
Electricity		64,919	438,096
Furnace oil		933,109	486,740
Stores and spares consumed		174,184	105,663
Repair and maintenance		7,353	4,108
Insurance		26,648	20,991
Depreciation	- note 12.3	710,555	761,704
Amortisation	- note 13	38,455	21,769
Other expenses		99,982	64,200
		-----	-----
		2,452,268	2,275,142
Opening work-in-process		40,630	85,314
Closing work-in-process		(12,243)	(40,630)
		-----	-----
		28,387	44,684
Cost of goods manufactured		2,480,655	2,319,826
Opening stock of finished goods		40,330	37,938
Closing stock of finished goods		(26,732)	(40,330)
		-----	-----
		13,598	(2,392)
		-----	-----
		2,317,434	2,494,253
		=====	=====

Stores and spares consumed during the year include Rs. 5.626 million (1999: Rs. 3.331 million) being stores and spares written off.

25.1 Raw and packing materials consumed

Opening stock		37,067	25,679
Purchases		281,602	287,093
		-----	-----
		318,669	312,772

Less: Closing stock	27,740	37,067
	-----	-----
	290,929	275,705
	=====	=====

26. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, wages and other benefits	15,751	12,173
Travelling and daily allowances	1,879	1,955
Rent rate and taxes	80	355
Insurance	849	1,487
Legal and professional charges	1,309	1,165
Vehicle running	805	702
Repair and maintenance	398	314
Auditor's remuneration	469	375
Printing and stationery	1,129	707
Entertainment	666	221
School expenses	3,701	2,982
Depreciation	4,748	5,109
Donations	--	7
Subscription and fee	374	279
Other expenses	3,063	3,345
	-----	-----
	35,221	31,176
	=====	=====

26.1 Auditor's remuneration

Statutory audit	350	300
Cost audit and C.D System audit	70	40
Out of pocket expenses	49	35
	-----	-----
	469	375
	=====	=====

27. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and other benefits	9,676	9,767
Transportation charges	53,252	--
Travelling and daily allowances	994	1,938
Rent, rate and taxes	178	390
Insurance	185	67
Vehicle running and maintenance	523	347
Repair and maintenance	20	74
Postage, telephone and telegrams	1,572	1,947
Printing and stationery	854	336
Entertainment	476	304
Electricity	275	204
Advertisement and sales promotion	2,191	3,704
Depreciation	690	811

n

Other expenses	745	672
	-----	-----
	71,631	20,561
	=====	=====

28. OTHER INCOME

Profit/mark-up on bank deposits	1,237	4,091	
Interest on loans to employees	47	58	
Dividend income from:			
- Associated companies	-note 28.1	53,283	26,012
- Others		49	58,033
Profit on sale of fixed assets	1,422	9,431	
Sale of scrap	2,736	2,580	
Exchange gain	--	351	
Liabilities no longer payable written back	4,414	--	
Others	2,019	171	
	-----	-----	
	65,207	100,727	
	=====	=====	

28.1 DIVIDEND INCOME FROM ASSOCIATED COMPANIES

Nishat (Chunian) Limited	11,441	--
Nishat Mills Limited	19,375	16,297
Umer Fabrics Limited	12,953	9,715
D.G. Khan Electric Company Limited	9,514	--
	-----	-----
	53,283	26,012
	=====	=====

29. FINANCIAL CHARGES

Interest and mark-up on:		
Long term loans		
- Foreign currency	348,366	389,556
- Local	15,776	20,384
Short term loans and running finances	121,708	103,140
Finance lease	32,526	26,136
Workers' profit participation fund	693	--
Mark-up on current account with associated undertaking	14,311	28,045
Exchange loss	1,269	--
Bank charges and commission	28,202	10,902
	-----	-----
	562,851	578,163
	=====	=====

30. OTHER CHARGES

Amortisation of deferred cost	1,863	--
Loss on disposal of shares	29,650	1,178

Reversal of provision for diminution in the value of investments	(101,794)	(10,291)
	-----	-----
	(70,281)	(9,113)
	=====	=====

31. PROVISION FOR TAXATION

Current year	14,808	11,600
Prior year	937	(8,911)
	-----	-----
	15,745	2,689
	=====	=====

In view of available tax losses the provision for current taxation represents the minimum tax due under section 80D of the Income Tax Ordinance, 1979. For purposes of current taxation the tax losses available for carry forward as at June 30, 2000 are estimated approximately at Rs. 3,276 million (1999: Rs. 3,234 million), including assessed tax losses of Rs. 2,479 million (1999: Rs. 2,479 million).

In view of company's expansion project which has now been capitalised, the management feels that timing differences will not reverse for some considerable foreseeable period. Consequently, deferred tax to the extent of Rs. 50.5 million (1999: Rs. 5 million) has not been recognised in these accounts.

32. CASH FLOW FROM OPERATING ACTIVITIES

(Loss) before taxation	(85,454)	(577,680)
Add/(less) adjustment for non cash charges and other items		
Depreciation	715,993	767,624
Amortisation of leased assets	38,455	21,769
Amortisation of deferred costs	1,863	
Gain on disposal of fixed assets	(1,422)	(9,431)
Dividend income	(53,334)	(84,045)
Provision for leave encashment and gratuity	4,870	5,635
Reversal of provision for diminution in value of investments	(101,794)	(10,291)
Loss on disposal of investment	29,650	1,178
Financial charges	562,851	578,163
	-----	-----
Profit before working capital changes	1,111,678	692,922
Effect on cash flow due to working capital changes:		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(78,327)	11,779
Stock in trade	51,312	30,905
Trade debts	(13,433)	7,954
Advances, deposits, prepayments and other receivables	(56,250)	38,756
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	(197,461)	27,775

		-----	-----
		(294,159)	117,169
		-----	-----
Cash generated from operations		817,519	810,091
		=====	=====

33. CASH AND CASH EQUIVALENTS

Finances under mark up arrangement	- note 9	(698,501)	(605,655)
Cash and bank balances	- note 23	109,143	97,110
		-----	-----
		(589,358)	(508,545)
		=====	=====

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Executives		Directors	
	2000	1999	2000	1999
	(Rupees in thousand)		(Rupees in thousand)	
Number of persons	48	38	4	4
Managerial remuneration	20,205	15,458	5,905	3,166
Gratuity/contribution to provident fund	1,849	933	524	283
Utilities	655	601	487	392
	-----	-----	-----	-----
	22,709	16,992	6,916	3,841
	=====	=====	=====	=====
	==	=====	=====	=====

Four directors and two executives of the Company are also provided company maintained vehicles.

35. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS DURING THE YEAR

The Company purchased from and sold to associated undertakings goods aggregating Rs. Nil (1999: Rs. 388.798 million) and Rs. 21.083 million (1999: Rs. 36.797 million) respectively.

36. PLANT CAPACITY AND ACTUAL PRODUCTION

	Capacity		Actual production	
	2000	1999	2000	1999
Clinker (M.Tons)	1,650,000	1,650,000	1,124,302	1,020,605

The depressed market condition led by economic conditions of the country is the main cause of low production

37. FINANCIAL ASSETS AND LIABILITIES

37.1

interest/mark-up
bearing

Non interest
bearing

(Rupees in
thousand)

	<i>Maturity up to one year</i>	<i>Maturity after one year</i>	<i>Sub total</i>	<i>Maturity up to one year</i>	<i>Maturity after one year</i>	<i>Sub total</i>	<i>Total 2000</i>	<i>Total 1999</i>
FINANCIAL ASSETS								
Long-term investments	--	--	--	--	631,610	631,610	631,610	635,602
Loans to employees	420	1,076	1,496	518	989	1,507	3,003	4,196
Long-term security deposits	--	--	--	--	3,972	3,972	3,972	20,320
Trade debts	--	--	--	50,731	--	50,731	50,731	37,298
Short-term investments	--	--	--	398,082	--	398,082	398,082	296,288
Advances, deposits and prepayments:								
- Security deposits	--	--	--	37,100	--	37,100	37,100	--
- Interest receivable	--	--	--	412	--	412	412	752
- Dividend receivable	--	--	--	--	--	--	--	31,249
Cash and bank	32,629	--	32,629	76,514	--	76,514	109,143	97,110
	-----	-----	-----	-----	-----	-----	-----	-----
	33,049	1,076	34,125	563,357	636,571	1,199,928	1,234,053	1,122,815
	=====	=====	=====	=====	=====	=====	=====	=====
FINANCIAL LIABILITIES								
Liability against assets subject to finance lease	133,879	10,312	144,191	--	--	--	144,191	118,966
Long-term loans	1,839,841	1,802,017	3,641,858	--	--	--	3,641,858	3,996,371
Long-term deposits	--	--	--	--	22,742	22,742	22,742	23,651
Finances under mark up arrangements	698,501	--	698,501	--	--	--	698,501	605,655
Creditors, accrued and other liabilities	75,250	--	75,250	384,064	--	384,064	459,314	457,873
Commitments	--	--	--	--	--	--	--	62,774
Guarantees	--	--	--	80,968	--	80,968	80,968	21,339
Letter of credit	--	--	--	12,883	--	12,883	12,883	49,439
	-----	-----	-----	-----	-----	-----	-----	-----
	2,747,471	1,812,329	4,559,800	477,915	22,742	500,657	5,060,457	5,336,068
	=====	=====	=====	=====	=====	=====	=====	=====

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs 1,196.953 million, the financial assets which are subject to credit risk amounted to Rs 1,160.831 million. The company believes that it is not expected to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to its customers and also obtain collaterals

37.2 FOREIGN EXCHANGE MANAGEMENT

Foreign currency risks arises mainly where receivables and payable exist due to transactions with foreign undertakings. Payable exposed to foreign currency risks are not covered through any forward foreign exchange contracts or through hedging.

37.3 FAIR VALUE OF ASSETS

The carrying value of financial assets and liabilities reflected in the financial statements approximates their fair value except for long term investments, which are stated at cost.

38. EARNING PER SHARE

		2000	1999
Net loss for the year	Rupees in thousand	(101,199)	(580,369)
Average ordinary shares in issue during the year	Number	152,391,380	132,391,380
Earning per share	Rupees	(0.66)	(4.38)

39. NUMBER OF EMPLOYEES

Number of employees at year end	652	585
	=====	=====

40. CORRESPONDING FIGURES

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

Chief Executive

Director

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2000

NO. OF SHAREHOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
368	1	100 Shares	19370
812	101	500 Shares	274364
729	501	1000 Shares	604615
1148	1001	5000 Shares	2802457
178	5001	10000 Shares	1360658
63	10001	15000 Shares	796595
45	15001	20000 Shares	810499
34	20001	25000 Shares	782250
16	25001	30000 Shares	430605
7	30001	35000 Shares	224115
12	35001	40000 Shares	456235
7	40001	45000 Shares	303061
8	45001	50000 Shares	398700
9	50001	55000 Shares	464954
4	55001	60000 Shares	234065
2	60001	65000 Shares	125400
8	65001	70000 Shares	541236
3	70001	75000 Shares	218509
1	75001	80000 Shares	78181
2	80001	85000 Shares	165030
4	85001	90000 Shares	350422
9	95001	100000 Shares	893112
2	100001	105000 Shares	205238
4	105001	110000 Shares	431422

3	110001 115000 Shares	343500
2	115001 120000 Shares	233597
2	125001 130000 Shares	258040
1	130001 135000 Shares	133315
2	145001 150000 Shares	299059
1	150001 155000 Shares	150500
2	155001 160000 Shares	318012
1	160001 165000 Shares	164092
3	170001 175000 Shares	518317
2	180001 185000 Shares	364800
1	185001 190000 Shares	187000
1	190001 195000 Shares	194500
1	195001 200000 Shares	200000
2	200001 205000 Shares	406500
1	220001 225000 Shares	220500
1	290001 295000 Shares	293000
1	295001 300000 Shares	296000
2	305001 310000 Shares	614800
1	340001 345000 Shares	341640
1	370001 375000 Shares	373500
2	380001 385000 Shares	765823
1	395001 400000 Shares	399250
1	410001 415000 Shares	414000
1	460001 465000 Shares	460942
1	545001 550000 Shares	550000
1	575001 580000 Shares	580000
1	595001 600000 Shares	600000
1	605001 610000 Shares	609207
1	610001 615000 Shares	612500
1	615001 620000 Shares	617500
1	675001 680000 Shares	677912
1	725001 730000 Shares	729000
1	805001 810000 Shares	808000
1	835001 840000 Shares	835285
1	855001 860000 Shares	855208
1	870001 875000 Shares	871000
1	885001 890000 Shares	887050
2	925001 930000 Shares	1853350
1	975001 980000 Shares	979334
1	1195001 1200000 Shares	1198400
1	1200001 1205000 Shares	1201000
1	1275001 1280000 Shares	1279014
1	1280001 1285000 Shares	1284011
1	1285001 1290000 Shares	1285600
1	1645001 1650000 Shares	1650000
1	1680001 1685000 Shares	1682125
1	1895001 1900000 Shares	1900000
1	2815001 2820000 Shares	2820000

1	42500014255000 Shares	4250611
1	43950014400000 Shares	4400000
1	45450014550000 Shares	4547914
1	50200015025000 Shares	5022050
1	62300016235000 Shares	6231625
1	64100016415000 Shares	6410313
1	1235500112360000 Shares	12355208
1	1353000113535000 Shares	13533600
1	4835000148355000 Shares	48352783
-----	-----	-----
3545	TOTAL	152391380
=====	=====	=====
==	==	=====

CLASSIFICATION OF SHARES BY CATEGORIES AS AT JUNE 30, 2000

CATEGORIES OF MEMBERS	NUMBER	SHARES	PERCENTAGE
	S	HELD	
Individuals	3274	34023902	22.33
Investment Companies	46	15319669	10.05
Insurance Companies	5	1933815	1.27
Joint Stock Companies	58	64666724	42.43
Financial Institutions	33	11895686	7.81
Modaraba Companies	18	1019461	0.67
Foreign Investors	76	23490453	15.41
Others	35	41670	0.03
	-----	-----	-----
TOTAL	3545	152391380	10,000
	=====	=====	=====
	==	=====	=====