

Kohat Cement Company Limited

Annual Report 1999

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Company Profile

Board of Directors

Mr. Atta Mohammad Sheikh
Mr. Aizaz Mansoor Sheikh
Mr. Nadeem Atta Sheikh
Mr. Nadeem Qadir
Mian Mohammad Riaz
Mrs. Khalida Asghar
Mrs. Khawar Sultana

Company Secretary

Mr. Fazal Karim Khattak

Auditors

Viqar A.
Khan
Chartered Accountants

Legal Advisor

Syed Shuja-ud-Din Wasti

Bankers

Allied Bank of Pakistan
Limited
Askari Commercial Bank
Limited
Citibank N.A.
Habib Bank Limited
Muslim Commercial Bank
Limited
National Bank of Pakistan
Prime Commercial Bank

Limited
The Bank of Khyber
Union Bank Limited
ABN -Amro Bank

Head Office.

House No. 1,43 FCC,
Gulberg-IV, Lahore.
Tel: (042) 575-4357-8, 575-
2699
Fax: (042) 575-4084
E. Mail: kccl@wol.net.pk.

Registered Office and Works.

Rawalpindi Road, Kohat.
Tel: (0922) 560-401-04
Fax: (0922)560-405
Telex: 52431 KCCL PK.

Share Deptt.

AZM Computer Services (Pvt.) Limited
24-Ferozpur Road,
Mozang Chungi, Lahore.
Tel: (042) 755-2269
Fax: (042)757-6129

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 20th Annual General Meeting of the Shareholders of Kohat Cement Company Limited, will be held at its Registered Office, Rawalpindi Road, Kohat on Monday the 20th December, 1999 at 11.00 A.M. to transact the following business.

ORDINARY BUSINESS

1. To confirm the minutes of the Last Annual General Meeting held on December 30, 1998.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 1999 and Reports of Directors and Auditors thereon.
3. To approve Interim Cash Dividend for the year already paid @ 20% (Rupees 2 per share). This would be the full and final dividend for the years ended June 30, 1999.
4. To appoint Auditors for the year 1999-2000 and to fix their remuneration. The present Auditors Viqar A. Khan, Chartered Accountants, being eligible offer themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

By Order of the Board

FAZAL KARIM KHATTAK

Kohat: November 28, 1999

Company Secretary

NOTE:

1. A member entitled to attend, speak and vote at this meeting may appoint another member as proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received at Registered Office of the Company not later than 48 hours before the meeting.
2. Members should quote their folio number in all correspondence with the Company and at the time of attending the Annual General Meeting.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Annual Report and the Audited Accounts for the financial year ended June 30, 1999 are presented on behalf of the Board of Directors.

OPERATING RESULTS

The net sales revenue for the year under review amounted to Rs. 732.825 million as against Rs. 747.966 million in preceding year. In spite of lower capacity utilization and lower sales revenue, your Company has earned a pre-tax profit of Rs. 58.281 million against a loss of Rs. 1.025 million for the previous year. The Board has declared interim cash dividend @ 20% (Rupees 2 per share). Appropriation of available profit is as under:

| | <i>Rupees in Thousand</i> | |
|--|---------------------------|-------------|
| | <i>1999</i> | <i>1998</i> |
| Profit/(Loss) before taxation | 58,281 | (1,025) |
| Taxation | | |
| Current | 3,664 | 3,740 |
| Prior | -- | (2,122) |
| Deferred | 32,000 | -- |
| | ----- | ----- |
| | 35,664 | (1,618) |
| | ----- | ----- |
| Profit/(Loss) after taxation | 22,617 | (2,643) |
| | ----- | ----- |
| Unappropriated profit brought forward. | 17,179 | 19,821 |
| Transferred from General Reserve | 7,000 | -- |
| | ----- | ----- |
| | 24,179 | 19,821 |
| | ----- | ----- |
| Profit available for appropriation | 46,796 | 17,179 |
| | ----- | ----- |
| APPROPRIATION: | | |
| Interim Cash Dividend @ 20% | 43,867 | -- |
| | ----- | ----- |

Carried Forward to Balance Sheet

2,929 17,179

PRODUCTION AND SALES

Comparative figures for production of Clinker and Cement are as under:

| | <i>1998-99</i> | <i>1997-98</i> | <i>Increase/ (Decrease)</i> |
|--------------------|-----------------|-----------------|---------------------------------|
| | <i>(Tonnes)</i> | <i>(Tonnes)</i> | <i>(Tonnes)</i> |
| Clinker Production | 329,070 | 348,608 | (19,538) |
| Cement Production | 339,045 | 366,500 | (27,455) |

Capacity utilization has only been 60% due to depressed market conditions, and overall excess cement production capacity in the Country.

The Company sold 338,835 metric tonnes of cement as against 366,342 metric tonnes in the preceding year. Although the production and sales were lower than last year but profits of the Company have increased substantially. Intelligent marketing and more efficient operations are the main contributing factors for this turn around.

MARKET REVIEW

Overall weak economic conditions prevailing in the Country adversely affected all areas of the National Economy. Market for cement was therefore slack, and the installed production capacity in the Country was under utilized. Constant increase in input prices, particularly recent levy of General Sales Tax on electricity and furnace oil has increased the cost of production by Rs. 250 per tonne. An additional constant cost push factor is across the board wage increase every two years by way of peace agreement, thrust upon the Company without any relation to Labour efficiency due to exorbitant demands of C.B.A Labour Union. Any attempt by the Company to pass on these increases to the consumers will jeopardize the sales volume.

FUTURE PROSPECTS

The present fixed excise duty of Rs. 1400 per tonne on cement is highest in the world, while in India excise duty is Rs. 350 per tonne. High incidence of taxes on electricity and furnace oil makes production of cement in Pakistan one of the most expensive in the world. Each bag of cement attracts Rs. 120 in direct and indirect taxes. Unless the Government reduces this high incidence of taxation, the Cement industry will continue to slide downwards. However, reduction in financial and depreciation costs of your Company over future years will contribute towards better profitability.

DEBT OBLIGATION

In spite of very tight liquidity position, the Company continues to meet its financial obligations. There has been a net debt reduction of approximately Rs. 124 million during the year under review. The debt outstanding as of June 30, 1999 is Rs. 396 million which is one of the lowest in the cement sector.

YEAR 2000 COMPLIANCE OF COMPUTER SYSTEM

The Corporate Law Authority, (now Securities and Exchange Commission) in exercise of powers under section 246 of the Companies Ordinance, 1984 vide its circular no. 3/1998 dated October 05, 1998 has directed

all listed companies to disclose in their future annual and half yearly accounts the status of the "year 2000 compliance".

We are pleased to inform that necessary modification, upgradation and replacement of certain hardware and software have been made to the computer system and process control system to overcome the "year 2000 problems".

PATTERN OF SHAREHOLDINGS

The pattern of Shareholding of the Company as at June 30, 1999 is annexed with the Annual Report.

COMPANY AUDITORS

Viqar A. Khan, Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment for the next year.

MANAGEMENT EMPLOYEES RELATIONS

The Board would like to record its appreciation for the valuable contribution made by all its employees. The management is quite confident these cordial relations and cooperation will continue in the years to come.

AIZAZ MANSOOR SHEIKH
Chief Executive

Lahore: November 20, 1999

YEAR WISE STATISTICAL SUMMARY

| | <i>(Rs. in Million)</i> | | | | | |
|--|-------------------------|-------------|-------------|-------------|-------------|-------------|
| | <i>1999</i> | <i>1998</i> | <i>1997</i> | <i>1996</i> | <i>1995</i> | <i>1994</i> |
| ASSETS EMPLOYED | | | | | | |
| Fixed Assets | 715 | 789 | 862 | | 805 | 346 |
| Investment and Long Term Advances and Deposits | 24 | 37 | 39 | | 40 | 27 |
| Current Assets | 223 | 219 | 209 | | 273 | 604 |
| | ----- | | | | ----- | ----- |
| Total Assets Employed | 961 | 1045 | 1111 | | 1119 | 977 |
| | ----- | | | | ----- | ----- |
| FINANCED BY | | | | | | |
| Shareholders Equity | 384 | 406 | 408 | | 449 | 453 |
| Long Term Liabilities | 140 | 160 | 326 | | 303 | 306 |
| Deferred Liabilities | 44 | 12 | 11 | | 11 | 11 |
| Current Liabilities | 393 | 469 | 365 | | 356 | 207 |
| | ----- | | | | ----- | ----- |
| Total Funds Invested | 961 | 1045 | 1111 | | 1119 | 977 |
| | ----- | | | | ----- | ----- |

TURNOVER AND PROFIT

| | | | | | | |
|-------------------------------|-----|-----|------|-----|-----|-----|
| Turnover (Net) | 733 | 748 | 501 | 953 | 342 | 838 |
| Operating Profit | 115 | 57 | 45 | 116 | 71 | 255 |
| Profit/(Loss) Before Taxation | 58 | (1) | (38) | 47 | 67 | 238 |
| Profit/(Loss) After Taxation | 23 | (3) | (41) | 46 | 39 | 150 |
| Cash Dividend | 44 | -- | -- | 50 | -- | 141 |
| Transfer to Reserves | -- | -- | -- | -- | -- | 77 |
| Profit c/f | 3 | 17 | 20 | 61 | 65 | 25 |

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KOHAT CEMENT COMPANY LIMITED** as at June 30, 1999 and the related profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied; the expenditure incurred during the year was for the purposes 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 and profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1999 and of the profit and the changes in financial position for the year then ended; and

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

Lahore: November 19, 1999

**CHARTERED
ACCOUNTANTS**

BALANCE SHEET AS AT JUNE 30, 1999

| | <i>Note</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|--|-------------|------------------------|------------------------|
| Share Capital and Reserves | | | |
| Authorised share capital 50,000,000 (1998: 50,000,000) ordinary shares of Rs. 10 each | | 500,000,000 | 500,000,000 |
| | | ===== | ===== |
| Issued, subscribed and paid up share capital 21,933,334 (1998: 21,933,334) ordinary shares of Rs. 10each | 3 | 219,333,340 | 219,333,340 |
| Reserves | 4 | 162,120,028 | 169,120,028 |
| Accumulated profit | | 2,928,902 | 17,178,756 |
| | | ----- | ----- |
| | | 384,382,270 | 405,632,124 |
| Redeemable Capital | 5 | 16,954,098 | -- |
| Liabilities Against Assets Subject to Finance Lease | 6 | 118,220,157 | 154,842,859 |
| Deferred Liabilities | 7 | 44,124,993 | 11,663,462 |
| Long Term Security Deposits | 8 | 4,420,000 | 4,710,000 |
| Current Liabilities | | | |
| Short term finances | 9 | 9,875,029,371 | 121,550,768 |
| Current portion of long term liabilities | 10 | 154,188,070 | 210,261,864 |
| Creditors, accruals and other payables | 11 | 81,340,902 | 105,114,377 |
| Provision for taxation | | 14,546,815 | 31,382,689 |
| Dividend payable | | 44,097,041 | 239,473 |
| | | ----- | ----- |
| | | 392,923,121 | 468,549,171 |
| Contingencies and Commitments | 12 | -- | -- |
| | | ----- | ----- |
| | | 961,024,639 | 1,045,397,616 |
| | | ===== | ===== |
| Fixed Capital Expenditure | | | |
| Operating fixed assets- tangible | 13 | 714,765,683 | 789,047,171 |
| Capital work-in-progress | 14 | -- | 173,082 |
| | | ----- | ----- |
| | | 714,765,683 | 789,220,253 |
| Long Term Loans to Employees | 15 | 1,428,611 | 2,465,682 |
| Long Term Deposits | 16 | 22,325,311 | 34,345,523 |

Current Assets

| | | | |
|--|----|-------------|---------------|
| Stores, spares and loose tools | 17 | 56,342,730 | 57,445,439 |
| Stock in trade | 18 | 50,964,743 | 41,135,325 |
| Trade debtors | 19 | 43,461,019 | 71,515,023 |
| Advances, deposits, prepayments, investments and other receivables | 20 | 38,324,163 | 23,276,560 |
| Cash and bank balances | 21 | 33,412,379 | 25,993,811 |
| | | ----- | ----- |
| | | 222,505,034 | 219,366,158 |
| | | ----- | ----- |
| | | 961,024,639 | 1,045,397,616 |
| | | ===== | ===== |

The annexed notes form an integral part of these accounts.

**CHIEF
EXECUTIVE**

DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

| | <i>Note</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|--|-------------|------------------------|------------------------|
| Sales | 22 | 732,825,249 | 747,966,749 |
| Cost of goods sold | 23 | 590,884,795 | 665,197,448 |
| | | ----- | ----- |
| Gross profit | | 141,940,454 | 82,769,301 |
| Selling, administrative and general expenses | 24 | 26,465,728 | 25,449,759 |
| | | ----- | ----- |
| Operating profit | | 115,474,726 | 57,319,542 |
| Other income | 25 | 3,305,734 | 13,741,794 |
| | | ----- | ----- |
| | | 118,780,460 | 71,061,336 |
| Financial charges | 26 | 55,810,692 | 72,086,740 |
| Other charges | 27 | 4,688,828 | -- |
| | | ----- | ----- |
| | | 60,499,520 | 72,086,740 |
| Profit/(Loss) before taxation | | 58,280,940 | (1,025,404) |
| Taxation | 28 | (35,664,126) | (1,617,634) |
| | | ----- | ----- |
| Profit/(Loss) after taxation | | 22,616,814 | (2,643,038) |

| | | |
|---------------------------------------|------------|------------|
| Unappropriated profit brought forward | 17,178,756 | 19,821,794 |
| Transferred from general reserve | 7,000,000 | -- |
| | ----- | ----- |
| Profit available for appropriation | 46,795,570 | 17,178,756 |
| Appropriation | | |
| Interim dividend @ 20% (1998: NIL) | 43,866,668 | -- |
| | ----- | ----- |
| Unappropriated profit carried forward | 2,928,902 | 17,178,756 |
| | ===== | ===== |
| Earning per share | 1.03 | (0.12) |
| | ===== | ===== |

The annexed notes form an integral part of these accounts.

**CHIEF
EXECUTIVE**

DIRECTOR

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1999**

| | <i>Note</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|---|-------------|------------------------|------------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | A | 218,435,329 | 104,682,717 |
| Financial charges paid | | (78,644,077) | (61,887,182) |
| Income tax paid/deducted at source | | (24,503,320) | (11,256,243) |
| | | ----- | ----- |
| Net cash inflow/(outflow) from operating activities | | 115,287,932 | 31,539,292 |
| Cash flows from investing activities | | | |
| Fixed capital expenditure | | (8,874,820) | (18,497,244) |
| Net (increase)/decrease in long term loans and deposits | | (1,359,202) | 2,572,082 |
| Sale proceeds of fixed assets | | 516,760 | 1,988,876 |
| Profit/mark-up on bank deposits and investments | | 689,871 | 1,464,399 |
| Long term security deposits | | (290,000) | (2,255,000) |
| | | ----- | ----- |
| Net cash inflow/(outflow) from investing activities | | (9,317,391) | (14,726,887) |
| Cash flows from financing activities | | | |
| Repayment of shod term borrowings | | (46,269,005) | -- |
| Increase in redeemable capital | | 31,000,000 | -- |
| Repayment of redeemable capital | | (48,049,792) | (11,725,000) |
| Repayment of finance lease liabilities | | (58,692,606) | (16,018,116) |

| | | | |
|---|---|---------------|--------------|
| Dividend paid | | (9,100) | (14,560) |
| | | ----- | ----- |
| | | (122,020,503) | (27,757,676) |
| | | ----- | ----- |
| Net increase/(decrease) in cash and cash equivalents | | (16,049,962) | (10,945,271) |
| Cash and cash equivalents at the beginning of the year | | (30,844,054) | (19,898,783) |
| | | ----- | ----- |
| Cash and cash equivalents at the end of the year | B | (46,894,016) | (30,844,054) |
| | | ===== | ===== |

The annexed notes form an integral part of these accounts.

**CHIEF
EXECUTIVE**

DIRECTOR

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1999**

| | <i>Note</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|---|-------------|------------------------|------------------------|
| NOTE - A | | | |
| Cash flows from operating activities | | | |
| Net profit/(loss) before taxation | | 58,280,940 | (1,025,404) |
| Add / (Less) adjustments for non cash charges and other items | | | |
| Depreciation on operating fixed assets | | 81,125,698 | 89,603,829 |
| (Gain) / loss on sale of fixed assets | | (462,127) | (755,571) |
| Provision for earned leave (net) | | 461,531 | 317,761 |
| Profit/mark-up on bank deposits and investments | | (678,605) | (1,464,399) |
| Financial charges | | 55,810,692 | 72,086,740 |
| | | ----- | ----- |
| | | 136,257,189 | 159,788,360 |
| | | ----- | ----- |
| Operating profit before working capital changes | | 194,538,129 | 158,762,956 |
| Effect on cash flow due to working capital changes: | | | |
| (Increase)/decrease in stores and spares | | 3,251,768 | 8,082,031 |
| (Increase)/decrease in stock-in-trade | | (9,829,418) | (4,982,876) |
| (Increase)/decrease in trade debtors | | 28,054,004 | (28,082,649) |
| (Increase)/decrease in advances, deposits, prepayments, investments and other receivables | | 3,360,936 | 9,674,920 |

| | | |
|--|-------------|--------------|
| Increase/(decrease) in creditors, accruals and other liabilities | (940,090) | (38,771,665) |
| | ----- | ----- |
| | 23,897,200 | (54,080,239) |
| | ----- | ----- |
| Cash generated from operations | 218,435,329 | 104,682,717 |
| | ===== | ===== |

NOTE- B

Cash and cash equivalents

| | | |
|-----------------------------|--------------|--------------|
| Cash and bank balances | 33,412,379 | 25,993,811 |
| Short term running finances | (80,306,395) | (56,837,865) |
| | ----- | ----- |
| | (46,894,016) | (30,844,054) |
| | ===== | ===== |

**CHIEF
EXECUTIVE**

DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

1 - The Company and its Operations

The Company is a Public Limited Company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on Stock Exchanges of Pakistan. The Company is engaged in the production and sale of Grey cement.

2 - Significant Accounting Policies

2.1 - Accounting convention

These accounts have been prepared under the historical cost convention as modified by capitalisation of exchange differences referred to in Note 2.8.

2.2- Operating fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation except freehold land and capital work in progress which are stated at cost. Cost of certain fixed assets consists of historical cost, exchange differences and directly attributable cost of bringing the assets to working condition. Depreciation on operating fixed assets is charged to income by applying the reducing balance method at the rates mentioned in Note 13. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year.

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized and assets so replaced, if any, other than those kept as stand by, are retired.

Profit or loss on disposal of operating fixed assets is included in the current income.

2.3 - Assets subject to finance lease

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the leases are accounted for as liabilities.

Assets acquired under finance lease are amortized over the useful life of the assets on a reducing balance method at the rates given in Note 13. Amortization of leased assets is charged to profit.

2.4- Stores and spares

These are valued at moving average cost except items in transit which are valued at cost which comprises of invoice value plus other charges paid thereon.

2.5 - Stock-in-trade

Stock-in-trade is valued at the lower of average cost and net realizable value. The average cost in relation to work-in-process and finished goods represents direct costs of materials, labour and appropriate portion of production overheads. Net realizable value signifies the ex-factory sales price less expenses and taxes necessary to be incurred to make the sale.

2.6 - Staff retirement benefits

The company operates an approved gratuity fund scheme for its permanent employees. Provision for gratuity is made every year for all such employees, who are entitled to gratuity benefits subject to minimum qualifying period of service.

The company also operates a recognized contributory provident fund scheme. Equal monthly contributions are made by the company and the employees to the fund.

2.7 - Taxation

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any. The company accounts for deferred taxation arising on major timing differences in installments using the liability method as discussed in Note 28.2 to the accounts.

2.8 - Foreign currency translation

Assets and liabilities in foreign currencies are translated into rupees at exchange rates approximating those prevailing at the balance sheet date. Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of relevant assets. All other exchange differences are taken to profit and loss account.

2.9 - Borrowing costs

All mark-up, interest and other charges are charged to income.

2.10 - Revenue recognition

- Sales are recognized at the time of despatch of goods to the customers.
- Interest income on bank deposits is accounted for on accrual basis.

| | <i>1999</i> | <i>1998</i> |
|-------------|---------------|---------------|
| <i>Note</i> | <i>Rupees</i> | <i>Rupees</i> |

3 - Issued, subscribed and paid-up share capital

| | | |
|--|-------------|-------------|
| 2,243,334 (1998: 2,243,334) Ordinary shares of Rs. 10 each fully paid in cash | 22,433,340 | 22,433,340 |
| 11,230,000 (1998:11,230,000) Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash | 112,300,000 | 112,300,000 |
| 8,460,000 (1998: 8,460,000) Ordinary shares of Rs. 10 each issued as fully paid bonus shares | 84,600,000 | 84,600,000 |
| | ----- | ----- |
| | 219,333,340 | 219,333,340 |
| | ===== | ===== |

The holding company M/s. Omer Cement Limited holds 13,107,800 (1998: 13,107,800) ordinary shares.

4- Reserves

| | <i>Capital (Share Premium) Rupees</i> | <i>Revenue (General) Rupees</i> | <i>Total 1999 Rupees</i> | <i>1998 Rupees</i> |
|--------------------------------------|---|---|----------------------------------|------------------------|
| At the beginning of the year | 92,120,028 | 77,000,000 | 169,120,028 | 169,120,028 |
| Transferred to profit & loss account | -- | 7,000,000 | 7,000,000 | -- |
| | ----- | ----- | ----- | ----- |
| | 92,120,028 | 70,000,000 | 162,120,028 | 169,120,028 |
| | ===== | ===== | ===== | ===== |

| | <i>Note</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|---|-------------|------------------------|------------------------|
| 5 - Redeemable capital- secured | | | |
| Union Bank Limited | 5.1 | -- | 38,674,792 |
| Askari Commercial Bank Limited | 5.2 | -- | 9,375,000 |
| Union Leasing Limited | | 31,000,000 | -- |
| | | ----- | ----- |
| | | 31,000,000 | 48,049,792 |
| Less: Current portion shown under current liabilities | 10 | | |
| Overdue | | -- | 33,299,792 |
| Current | | 14,045,902 | 14,750,000 |
| | | ----- | ----- |
| | | 14,045,902 | 48,049,792 |

| | |
|------------|-------|
| ----- | ----- |
| 16,954,098 | -- |
| ===== | ===== |

5.1 - This represented long term running finance under mark-up arrangement obtained for balancing, modernisation and replacement (BMR) programme of the project. It was repayable in ten quarterly installments which commenced from September 30, 1996 and carried mark-up at the rate of 19.00% per annum. The finance was secured against a charge on the fixed assets of the company ranking parri passu alongwith other long/medium term debts of the company and personal guarantees of certain directors. The finance has been totally adjusted during the year.

5.2 - This represented a term finance facility amounting to Rs. 15.00 million. The finance was payable in 21 equal monthly installments of Rs. 0.625 million commenced from September 30, 1997 and the balance of Rs. 1.875 million payable on June 30, 1999 at a mark-up rate of 19% per annum was repayable quarterly. The finance was secured against 1st charge on all present and future fixed/current assets ranking parri passu alongwith other debts of the company and personal guarantees of certain directors. This finance has been repaid during the year.

5.3- This represents a term finance facility amounting to Rs. 31.00 million. The finance is repayable in 21 monthly unequal installments commencing from July 15, 1999 and carries mark-up at the rate of 16.75% per annum. In the event of failure to pay any installment on due date, the lender shall be entitled to recall the entire amount immediately. The finance is secured against second charge on all present and future assets and hypothecation of moveable assets of the company and personal guarantees of certain directors.

| <i>Note</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|-------------|------------------------|------------------------|
|-------------|------------------------|------------------------|

6 - Liabilities against assets subject to finance lease

The amounts of unpaid lease rentals to date, future payments and the periods in which these payments will become due are:-.

Year ending

| | | |
|---|-------------|-------------|
| 1998 | -- | 67,984,694 |
| 1999 | 38,348,084 | 158,935,127 |
| 2000 | 134,649,024 | 99,755,266 |
| 2001 | 85,221,598 | 50,185,554 |
| 2002 | 29,568,396 | 31,494,629 |
| 2003 | 19,231,931 | 4,218,198 |
| | ----- | ----- |
| Present value of minimum lease rentals | 307,019,033 | 412,573,468 |
| Less: Financial charges allocated to unpaid lease rentals and future payments | 48,656,708 | 95,518,537 |
| | ----- | ----- |
| | 258,362,325 | 317,054,931 |

| | | | |
|---|----|-------------|-------------|
| Less: Current portion shown under current liabilities | 10 | | |
| Current | | 116,541,551 | 121,043,507 |
| Over due | | 23,600,617 | 41,168,565 |
| | | ----- | ----- |
| | | 140,142,168 | 162,212,072 |
| | | ----- | ----- |
| | | 118,220,157 | 154,842,859 |
| | | ===== | ===== |

The implicit rate used as the discounting factor ranges from 13.34% to 22.5% per annum. Rentals are payable in equal monthly and quarterly installments. Overdues are subject to additional payment at rates ranging from 2% to 3% per month. The lessee shall have no right to terminate the lease agreements and if the lease agreements are terminated before the due dates, the lessee will have to pay the entire amount of lease rentals for un-expired period of the lease agreements. However, lease agreements carry renewal option at the end of lease periods. These liabilities are secured by demand promissory notes, charge on company's assets ranking parri passu with other creditors, personal guarantees of directors and deposits of Rs. 35,873,371 (1998: Rs. 33,719,493) shown in note 16 and 20.

7- Deferred liabilities

| | | | |
|-------------------|----|------------|------------|
| Deferred taxation | 28 | 39,318,943 | 7,318,943 |
| Earned leave | | 4,806,050 | 4,344,519 |
| | | ----- | ----- |
| | | 44,124,993 | 11,663,462 |
| | | ===== | ===== |

8 - Long term security deposits

| | | | |
|--------------------------|-----|-----------|-----------|
| From cement dealers | 8.1 | 2,320,000 | 2,810,000 |
| From cement transporters | 8.2 | 2,100,000 | 1,900,000 |
| | | ----- | ----- |
| | | 4,420,000 | 4,710,000 |
| | | ===== | ===== |

8.1 - These represent interest free security deposits received from cement dealers and repayable on the termination of the agency.

8.2 - These represent interest free security deposits received from transporters for providing guarantee of safe delivery of cement to customers.

9 - Short term finances

| <i>Secured</i> | <i>Note</i> | <i>Sanction limit</i> | <i>Rate of Mark-up</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|------------------|-------------|-----------------------|----------------------------------|--------------------|--------------------|
| Commercial Banks | | | | | |
| Running finances | 9.1 | 101,500,000 | 52 paisas per Rs. 1,000 per day. | 96,789,002 | 121,059,748 |

Un-secured

| | | | | | |
|------------------|-----|-------------|----|------------|-------------|
| Commercial Banks | 9.2 | -- | -- | 1,961,291 | 491,020 |
| | | ----- | | ----- | ----- |
| | | 101,500,000 | | 98,750,293 | 121,550,768 |
| | | ===== | | ===== | ===== |

9.1 - These represent short term running finances utilized under mark-up arrangements secured against 1st charge ranking parri passu with other banks over the existing and future total assets of the company and personal guarantees of directors. These include Rs. NIL amount (1998: Rs. 12.4 million) of Union Bank Limited which is secured against third party foreign currency accounts.

9.2 - These represents cheques issued but not presented at the balance sheet date.

| | <i>Note</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|---|-------------|------------------------|------------------------|
| 10-Current portion of long term liabilities | | | |
| Redeemable capital | 5 | 14,045,902 | 48,049,792 |
| Liabilities against assets subject to finance lease | 6 | 140,142,168 | 162,212,072 |
| | | ----- | ----- |
| | | 154,188,070 | 210,261,864 |
| | | ===== | ===== |
| 11 - Creditors, accruals and other payables | | | |
| Trade creditors | 11.1 | 11,272,012 | 12,899,790 |
| Advances from cement customers | | 4,651,025 | 3,927,439 |
| Accrued liabilities | | 34,225,868 | 32,282,569 |
| Bills payable | | 885,888 | 1,537,756 |
| Bonus payable | | 6,856,418 | 6,860,724 |
| Financial charges accrued on: | | | |
| Redeemable capital | | 216,354 | 1,863,749 |
| Obligation under finance lease | | 7,253,348 | 28,571,359 |
| Short term finances | | 655,737 | 2,857,284 |
| Excise duty on obligation under finance lease | | 2,333,568 | -- |
| Workers' participation fund | 11.2 | 3,148,488 | 1,546,566 |
| Income tax deducted at source | | 315 | 400,640 |
| Royalty and excise duty | 11.3 | 66,341 | 685,498 |
| Workers' welfare fund | | 8,029,447 | 6,489,107 |
| Security deposits and retention moneys | 11.4 | 646,046 | 3,038,662 |
| Other payables | | 1,100,047 | 2,153,234 |
| | | ----- | ----- |
| | | 81,340,902 | 105,114,377 |
| | | ===== | ===== |

11.1-These include Rs. NIL (1998: Rs. 4,145,078)secured against foreign bill of exchange accepted by the company in favour of supplier.

11.2 - Workers' participation fund

| | | |
|---------------------------|-----------|-----------|
| Opening balance | 1,546,566 | 1,374,725 |
| Interest for the year | -- | 171,841 |
| | ----- | ----- |
| | 1,546,566 | 1,546,566 |
| Paid during the year | 1,546,566 | -- |
| | ----- | ----- |
| | -- | 1,546,566 |
| Allocated during the year | 3,148,488 | -- |
| | ----- | ----- |
| | 3,148,488 | 1,546,566 |
| | ===== | ===== |

11.3 - Royalty and excise duty

| | | |
|-------------|--------|---------|
| Royalty | 3,810 | 623,180 |
| Excise duty | 62,531 | 62,318 |
| | ----- | ----- |
| | 66,341 | 685,498 |
| | ===== | ===== |

11.4 - Security deposits and retention money

These represent the interest free security deposits and retention money received from contractors and are repayable after satisfactory completion of contracts,

12- Contingencies and commitments

12.1 - Contingencies

12.1.1 - The Engineering Services International (Pakistan) Limited has raised a claim of Rs. 5,449,000 against the company on account of mechanical installation/erection. A counter claim of

Rs. 1,307,962 has been lodged by the company. The case is pending with Senior Civil Judge, Lahore.

12.1.2 - The State Cement Corporation of Pakistan (Private) Limited, the previous sole owner of the company, has raised a claim of Rs. 5,640,000 against the company on account of the interim dividend declared by previous Board of Directors. The present Board of Directors has rescinded that declaration of interim dividend on various grounds. The matter is pending for adjudication with Corporate Law Authority (now Securities and Exchange Commission of Pakistan).

12.1.3- The company has initiated recovery proceedings for the recovery of Rs. 14,100,000 interim dividend pertaining to the year ended June 30, 1992 paid by the previous management to the State Cement Corporation of Pakistan (Private) Limited. The said dividend has been rescinded by the Board and rescission confirmed at the Annual General Meeting. As a consequence, the

company has withheld Rs. 14,100,000 interim dividend pertaining the period ended December 31, 1994 payable to the State, Cement Corporation of Pakistan (Private) Limited. Intimations have been given to the State Cement Corporation of Pakistan (Private) Limited and the Securities and Exchange Commission of Pakistan (the application is pending with the Securities and Exchange Commission of Pakistan). This amount has been withheld on legal advice obtained from the corporate lawyers.

12.2- Commitments in respect of:

- Letters of Credit other than for capital expenditure Rs. NIL (1998: Rs. 755,533).

13 - Operating fixed assets

| <i>Particulars</i> | <i>COST</i> | | <i>Rate %</i> | <i>DEPRECIATION</i> | | | <i>Rupees</i> | | |
|--|-------------------------|-------------------------------|---------------|-------------------------|-------------------------------------|----------------------------|-------------------------------|-------------------------------------|--|
| | <i>As at 01-07-1998</i> | <i>Additions/ (deletions)</i> | | <i>As at 30-06-1999</i> | <i>Accumulated as at 01-07-1998</i> | <i>Charge for the year</i> | <i>Adjustment on disposal</i> | <i>Accumulated as at 30-06-1999</i> | <i>Written down value as at 30-06-1999</i> |
| Freehold land | 6,815,970 | -- | 6,815,970 | -- | -- | -- | -- | 6,815,970 | |
| Factory buildings | 179,325,367 | 833,275 | 180,158,642 | 10 | 123,899,326 | 5,625,932 | -- | 129,525,258 | 50,633,384 |
| Office and other buildings | 13,337,926 | -- | 13,337,926 | 5 | 6,856,377 | 324,077 | -- | 7,180,454 | 6,157,472 |
| Housing Colony | 33,451,768 | -- | 33,451,768 | 5 | 15,314,589 | 906,869 | -- | 16,221,448 | 17,230,320 |
| Plant, machinery and equipment | 759,111,801 | 66,798,580 (3,185,896) | 822,724,485 | 10 | 429,456,924 | 39,432,874 | (1,061,184) | 467,828,614 | 354,895,871 |
| Storage tanks and pipe lines | 17,187,050 | -- | 17,187,050 | 10 | 13,438,250 | 374,880 | -- | 13,813,130 | 3,373,920 |
| Power installations | 82,975,450 | -- | 82,975,450 | 10 | 64,503,980 | 1,847,147 | -- | 66,351,127 | 16,624,323 |
| Furniture, fixtures and other office equipment | 14,656,522 | 743,881 (85,974) | 15,314,429 | 10 | 5,571,500 | 777,318 | (30,252) | 8,318,566 | 6,995,863 |
| Weighing scales | 1,099,615 | -- | 1,099,615 | 10 | 641,537 | 45,808 | -- | 687,345 | 412,270 |
| Vehicles | 13,895,125 | 611,379 (366,408) | 14,140,096 | 20 | 8,743,435 | 1,151,820 | (362,441) | 9,532,814 | 4,607,282 |
| Heavy vehicles | 83,867,319 | 4,536,350 (498,257) | 87,905,412 | 20 | 57,360,413 | 6,204,793 | (478,965) | 63,086,241 | 24,819,171 |
| Railway sidings | 9,853,476 | -- | 9,853,476 | 5 | 5,269,227 | 229,212 | -- | 5,498,439 | 4,355,037 |
| Laboratory equipment | 16,449,278 | -- | 16,449,278 | 10 | 11,982,276 | 446,700 | -- | 12,428,976 | 4,020,302 |
| Library books | 74,577 | 865 | 75,442 | 10 | 44,445 | 3,100 | -- | 47,545 | 27,897 |
| | 1,232,101,244 | 73,524,330 (4,136,535) | 1,301,489,039 | | 745,082,279 | 57,370,520 | (1,932,842) | 800,519,957 | 500,969,082 |

Assets subject to finance lease:

| | | | | | | | | | |
|---------------------|---------------|----------------------------|---------------|----|-------------|------------|--------------|-------------|-------------|
| Plant and Machinery | 364,967,325 | (64,476,428) | 300,490,897 | 10 | 80,412,231 | 23,755,178 | (17,473,113) | 86,694,296 | 213,796,601 |
| | ----- | ----- | ----- | | ----- | ----- | ----- | ----- | ----- |
| | - | - | - | | - | - | - | - | - |
| TOTAL 1999 | 1,597,068,569 | 73,524,330 (68,612,963) | 1,601,979,936 | | 825,494,510 | 81,125,698 | (19,405,955) | 887,214,253 | 714,765,683 |
| | ===== | ===== | ===== | | ===== | ===== | ===== | ===== | ===== |
| TOTAL 1998 | 1,591,121,231 | 19,002,413 (13,055,075) | 1,597,068,569 | | 729,427,637 | 89,603,829 | (11,010,068) | 808,021,398 | 789,047,171 |
| | ===== | ===== | ===== | | ===== | ===== | ===== | ===== | ===== |

| | <i>Note</i> | <i>1999</i> <i>Rupees</i> | <i>1998</i> <i>Rupees</i> |
|--|-------------|------------------------------|------------------------------|
|--|-------------|------------------------------|------------------------------|

13.1 - Additions in plant and machinery include assets transferred from leased assets amounting to Rs. 64,476,428.

13.2 - Depreciation has been charged as under:

| | | | |
|-------------------------------------|------|------------|------------|
| Cost of goods sold | 23 | 66,275,413 | 73,404,559 |
| Raw and Packing materials consumed | 23.1 | 14,516,269 | 15,845,428 |
| Administrative and general expenses | 24 | 233,812 | 247,689 |
| Selling expenses | 24 | 100,204 | 106,153 |
| | | ----- | ----- |
| | | 81,125,698 | 89,603,829 |
| | | ===== | ===== |

13.3 - Disposal of operating fixed assets:

A) The following assets were disposed of during the year.

| <i>Particulars of assets</i> | <i>Cost</i> | <i>Accumulated depreciation</i> | <i>Book value</i> | <i>Sale proceeds</i> | <i>Profit/(loss)</i> | <i>Mode of sale</i> | <i>Sold to</i> |
|------------------------------|-------------|---------------------------------|-------------------|----------------------|----------------------|--------------------------|--------------------------------|
| Compressor and Crawler Dril | 498,257 | 478,965 | 19,292 | 250,000 | 230,708 | By Negotiation | Swab International Rawalpindi. |
| Road Rollar | 366,408 | 362,442 | 3,966 | 231,750 | 227,784 | By Negotiation | Rana Munir Lahore. |
| Computer | 42,050 | 10,675 | 31,375 | 35,010 | 3,635 | Insurance claim realized | EFU General Insurance Ltd. |
| | ----- | ----- | ----- | ----- | ----- | | |
| | - | - | - | - | - | | |

| | | | | | |
|--------|---------|---------|--------|---------|---------|
| TOTAL: | 906,715 | 852,082 | 54,633 | 516,760 | 462,127 |
| | ===== | ===== | ===== | ===== | ===== |

B) No operating fixed assets were sold to Chief Executive, Directors, associated undertakings or any Share holders with 10% or more voting rights.

| | <i>Note</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|--|-------------|------------------------|------------------------|
| 14 - Capital work-in-progress | | | |
| Existing plant- Civil works | | -- | 173,082 |
| 15 - Long term loans to employees | | | |
| Executives | | | |
| - House Building | | 140,567 | 138,837 |
| Other Employees | | | |
| - House Building | | 1,723,427 | 2,797,677 |
| - Motor Car/Motor Cycle | | 264,828 | 466,684 |
| - Marriage Loan | | 322,200 | 170,000 |
| - Other Long Term Loans | | 163,600 | 136,100 |
| | | ----- | ----- |
| | | 2,474,055 | 3,570,461 |
| | | ----- | ----- |
| | | 2,614,622 | 3,709,298 |
| Less: current maturity | 20.1 | 1,186,011 | 1,243,616 |
| | | ----- | ----- |
| | | 1,428,611 | 2,465,682 |
| | | ===== | ===== |

15.1 - The above loans to employees may be re-classified as under:

| | | | |
|--|--|-----------|-----------|
| Outstanding for period exceeding three years | | 857,493 | 1,223,782 |
| Others | | 571,118 | 1,241,900 |
| | | ----- | ----- |
| | | 1,428,611 | 2,465,682 |
| | | ===== | ===== |

15.2 - Interest rate and terms of re-payment

| <i>Nature of loans</i> | <i>Rate of interest</i> | <i>Monthly installments</i> |
|------------------------|-------------------------|-----------------------------|
| - House Building | 6% | 60 |
| - Vehicle - Officers | 6% | 60 |

| | | |
|---------------------|----|----|
| - Vehicle - Workers | -- | 36 |
| - Marriage Loan | -- | 30 |
| - Long Term Loan | -- | 12 |

15.2.1 - House building and vehicle loans are secured against lien on retirement benefits.

15.2.2 - These include loans to workers amounting to Rs. 1,577,038 which are interest free.

15.3 - The maximum aggregate amount of loans due from executives of the company at the end of any month during the year was Rs. 166,497 (1998: Rs. 275,537).

15.4 - These loans to employees are considered good.

| | <i>Note</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|--|-------------|------------------------|------------------------|
| 16 - Long term deposits | | | |
| Leasing companies | 16.1 | 21,399,281 | 33,719,493 |
| Others | | 926,030 | 626,030 |
| | | ----- | ----- |
| | | 22,325,311 | 34,345,523 |
| | | ===== | ===== |
| 16.1 - Leasing Companies | | | |
| Balance as at June 30, 1999 | | 35,873,371 | 33,719,493 |
| Less: Current portion of long-term security deposits | 20 | 14,474,090 | -- |
| | | ----- | ----- |
| | | 21,399,281 | 33,719,493 |
| | | ===== | ===== |
| 17 - Stores, spares and loose tools | | | |
| Stores | | 18,624,587 | 22,101,909 |
| Spares | | 36,632,751 | 32,943,546 |
| Loose tools | | 1,085,392 | 1,078,719 |
| Stores and spares-in-transit | | -- | 1,321,265 |
| | | ----- | ----- |
| | | 56,342,730 | 57,445,439 |
| | | ===== | ===== |
| 18 - Stock-in-trade | | | |
| Raw materials | | 1,126,941 | 1,482,524 |
| Work-in-process | | 34,993,124 | 24,719,590 |
| Finished goods | | 13,366,822 | 13,850,974 |
| Packing materials | | 1,477,856 | 1,082,237 |
| | | ----- | ----- |

| | |
|------------|------------|
| 50,964,743 | 41,135,325 |
| ===== | ===== |

19 - Trade debtors

19.1 - All the debtors are considered good and include secured debtors of Rs. 18,955,282 (1998: Rs. 25,841,746). Trade debtors include amounts due from associated companies for Rs. 2,384,165 (1998: Rs. 22,384,165).

19.2 - The aggregate maximum amount due from associated companies at the end of any month during the year was Rs. 2,774,765 (1998: Rs. 22,655,186).

20- Advances, deposits, prepayments, investments and other receivables

Advances- considered good

| | | | |
|--|------|------------|------------|
| Company's employees | 20.1 | 2,754,159 | 3,150,279 |
| Suppliers | | 1,281,830 | 5,068,002 |
| Contractors | | 145,490 | 146,113 |
| Current portion of long-term securities with leasing companies | 16.1 | 14,474,090 | -- |
| Letters of credit | | 651,304 | 303,586 |
| Excise duty | | 3,185,062 | 2,402,791 |
| Income tax | | 15,062,534 | 11,059,214 |
| | | ----- | ----- |
| | | 37,554,469 | 22,129,985 |
| Short term prepayments | | 214,736 | 560,326 |
| Other receivables | | | |
| Profit/mark-up accrued on bank deposits and investment | | -- | 11,266 |
| Others | | 554,958 | 574,983 |
| | | ----- | ----- |
| | | 554,958 | 586,249 |
| | | ----- | ----- |
| | | 38,324,163 | 23,276,560 |
| | | ===== | ===== |

20.1 - Advances to company's employees

| | | | |
|-------------------------------------|----|-----------|-----------|
| Current maturity of long term loans | 15 | 1,186,011 | 1,243,616 |
| For purchases | | 1,327,976 | 1,348,129 |
| Miscellaneous | | 240,172 | 558,534 |
| | | ----- | ----- |
| | | 2,754,159 | 3,150,279 |
| | | ===== | ===== |

21 - Cash and bank balances

Balances with banks

| | | | |
|---------------------------------------|------|---------------|---------------|
| On current accounts | | 11,748,311 | 7,873,912 |
| On deposit accounts | | 21,144,550 | 16,998,584 |
| | | ----- | ----- |
| | | 32,892,861 | 24,872,496 |
| Cash in hand | | 519,518 | 1,121,315 |
| | | ----- | ----- |
| | | 33,412,379 | 25,993,811 |
| | | ===== | ===== |
| 22 - Sales | | | |
| Sales - gross | | 1,266,983,064 | 1,302,763,731 |
| Less: Rebate on cement | | 16,753,086 | 8,691,359 |
| Excise duty | | 517,404,729 | 546,105,623 |
| | | ----- | ----- |
| | | 534,157,815 | 554,796,982 |
| | | ----- | ----- |
| | | 732,825,249 | 747,966,749 |
| | | ===== | ===== |
| 23 - Cost of goods sold | | | |
| Opening work-in-process | | 24,719,590 | 19,357,103 |
| Raw and packing materials consumed | 23.1 | 146,539,802 | 141,674,292 |
| Electricity | | 138,162,925 | 161,354,874 |
| Furnace oil | | 169,813,083 | 225,861,598 |
| Stores and spares consumed | | 18,666,462 | 16,032,757 |
| Salaries, wages and other benefits | | 51,189,044 | 44,654,966 |
| Rent, rates and taxes | | 78,259 | 67,452 |
| Repairs and maintenance | | 5,306,947 | 3,665,058 |
| Insurance | | 2,238,597 | 2,301,885 |
| Other expenses | | 2,403,645 | 2,437,885 |
| Depreciation | 13.2 | 66,275,413 | 73,404,559 |
| | | ----- | ----- |
| | | 625,393,767 | 690,812,429 |
| Less: Closing work-in-process | | 34,993,124 | 24,719,590 |
| | | ----- | ----- |
| Cost of goods manufactured | | 590,400,643 | 666,092,839 |
| Opening stock of finished goods | | 13,850,974 | 12,955,583 |
| | | ----- | ----- |
| | | 604,251,617 | 679,048,422 |
| Less: Closing stock of finished goods | | 13,366,822 | 13,850,974 |
| | | ----- | ----- |
| | | 590,884,795 | 665,197,448 |
| | | ===== | ===== |

23.1- Raw and packing materials consumed

| | | | |
|--|------|-------------|-------------|
| Opening stock as at July 01 | | | |
| - Raw materials | | 1,482,524 | 1,833,748 |
| - Packing materials | | 1,082,237 | 2,006,015 |
| | | ----- | ----- |
| | | 2,564,761 | 3,839,763 |
| Add: Purchases during the year | | | |
| - Raw materials | | 3,769,802 | 5,020,902 |
| - Packing materials | | 81,909,953 | 81,097,544 |
| | | ----- | ----- |
| | | 85,679,755 | 86,118,446 |
| Royalty, excise duty and sales tax | | 15,574,342 | 6,320,666 |
| Salaries, wages and other benefits | | 13,684,516 | 12,687,075 |
| Fuel | | 2,970,761 | 3,840,914 |
| Electricity | | 3,047,322 | 3,554,167 |
| Stores and spares consumed | | 7,826,355 | 8,352,473 |
| Other expenses | | 3,280,518 | 3,680,121 |
| Depreciation | 13.2 | 14,516,269 | 15,845,428 |
| | | ----- | ----- |
| | | 60,900,083 | 54,280,844 |
| | | ----- | ----- |
| | | 149,144,599 | 144,239,053 |
| Less: Closing stock as at June 30 | | | |
| - Raw materials | | 1,126,941 | 1,482,524 |
| - Packing materials | | 1,477,856 | 1,082,237 |
| | | ----- | ----- |
| | | 2,604,797 | 2,564,761 |
| | | ----- | ----- |
| | | 146,539,802 | 141,674,292 |
| | | ===== | ===== |
| 24 - Selling, administrative and general expenses | | | |
| Selling | | | |
| Salaries, wages and other benefits | | 4,781,435 | 4,586,854 |
| Vehicle running | | 512,253 | 514,037 |
| Travelling and conveyance | | 151,469 | 191,997 |
| Printing and stationery | | 456,617 | 100,203 |
| Postage, telephone and telegrams | | 558,881 | 561,485 |
| Entertainment | | 930,569 | 964,205 |
| Rent, rates and taxes | | 272,995 | 270,982 |
| Electricity, water and gas | | 43,341 | 65,054 |
| Advertisement | | 97,415 | 259,214 |
| Miscellaneous | | 972,738 | 657,876 |
| Cement loading and transportation charges | | 1,377,536 | 2,650,549 |
| Depreciation | 13.2 | 100,204 | 106,153 |
| | | ----- | ----- |
| | | 10,255,453 | 10,928,609 |

Administrative and general

| | | | |
|------------------------------------|------|------------|------------|
| Salaries, wages and other benefits | | 9,752,550 | 9,081,658 |
| Vehicle running | | 177,849 | 180,048 |
| Travelling and conveyance | | 902,258 | 859,261 |
| Printing and stationery | | 256,213 | 244,349 |
| Legal and professional | | 1,035,352 | 1,036,780 |
| Postage, telephone and telegrams | | 843,195 | 787,464 |
| Rent, rates and taxes | | 676,239 | 134,430 |
| Entertainment | | 145,471 | 105,488 |
| Auditor's remuneration | 24.1 | 522,000 | 349,000 |
| Miscellaneous | | 1,665,162 | 1,493,599 |
| Zakat | | 174 | 1,384 |
| Depreciation | 13.2 | 233,812 | 247,689 |
| | | ----- | ----- |
| | | 16,210,275 | 14,521,150 |
| | | ----- | ----- |
| | | 26,465,728 | 25,449,759 |
| | | ===== | ===== |

24.1 - Auditor's remuneration

| | | | |
|------------------------|--|---------|---------|
| Audit fee | | 75,000 | 75,000 |
| Consultancy charges | | 430,000 | 236,000 |
| Out of pocket expenses | | 17,000 | 38,000 |
| | | ----- | ----- |
| | | 522,000 | 349,000 |
| | | ===== | ===== |

25 - Other income

| | | | |
|---|--|-----------|------------|
| Profit/mark-up on bank deposits and investments | | 678,605 | 1,464,399 |
| Income from sale of scrap | | 1,397,865 | 10,556,424 |
| Profit on sale of fixed assets | | 462,127 | 755,571 |
| Miscellaneous | | 767,137 | 965,400 |
| | | ----- | ----- |
| | | 3,305,734 | 13,741,794 |
| | | ===== | ===== |

26 - Financial charges

| | | | |
|---|--|------------|------------|
| Interest/mark-up on: | | | |
| Redeemable capital | | 4,897,728 | 8,074,623 |
| Liabilities against assets subject to finance lease | | 32,345,079 | 38,430,990 |
| Short term finances | | 14,753,762 | 24,634,030 |
| Workers' participation fund | | -- | 171,841 |
| Excise duty on finance lease | | 2,717,493 | -- |
| Bank charges and commission | | 1,096,630 | 775,256 |
| | | ----- | ----- |
| | | 55,810,692 | 72,086,740 |
| | | ===== | ===== |

27 - Other charges

| | | | |
|------------------------------------|--|-----------|-------|
| Workers' profit participation fund | | 3,148,488 | -- |
| Workers' welfare fund | | 1,540,340 | -- |
| | | ----- | ----- |
| | | 4,688,828 | -- |
| | | ===== | ===== |

28 - Taxation

Current:

| | | | |
|-------------------|------|-----------|-------------|
| - for the year | 28.1 | 3,664,126 | 3,739,834 |
| - for prior years | | -- | (2,122,200) |

| | | |
|--|-----------|-----------|
| | ----- | ----- |
| | 3,664,126 | 1,617,634 |

| | | | |
|----------|------|------------|----|
| Deferred | 28.2 | 32,000,000 | -- |
|----------|------|------------|----|

| | | |
|--|------------|-----------|
| | ----- | ----- |
| | 35,664,126 | 1,617,634 |
| | ===== | ===== |

28.1- In view of the brought forward tax losses available for set-off, provision for taxation for the year is based on minimum tax at 0.5 percent on turnover for the year U/S 80D of the Income Tax Ordinance, 1979.

28.2- The liability for deferred taxation as on the balance sheet date is estimated to Rs. 102.57 million (1998:Rs. 95.4 million). The timing differences arising due to accelerated depreciation allowances are not likely to reverse in the foreseeable future.

However, in order to comply with the requirements of revised International Accounting Standard 12, which is applicable from accounting periods beginning on or after January 01, 2002, the management has decided to provide for deferred taxation over a period of three years.

29-Transactions with associated undertakings

The company sold to associated undertakings Grey cement in aggregate sum of Rs. 499,100 during the year (1998: NIL million) at normal selling rates.

30 - Remuneration of Chief Executive, Directors and Executives

| | <i>Chief Executive</i> | | <i>1999</i> | <i>Directors</i> | | <i>Executives</i> | |
|-------------------------------|------------------------|---------------|---------------|------------------|---------------|-------------------|--|
| | <i>1999</i> | <i>1998</i> | | <i>1998</i> | <i>1999</i> | <i>1998</i> | |
| | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | |
| Managerial Remuneration | 360,000 | 360,000 | 360,000 | 462,000 | 2,021,518 | 2,058,081 | |
| Rent and utilities allowances | 120,000 | 120,000 | 120,000 | 145,000 | 1,059,370 | 961,641 | |
| Medical re-imburement | -- | -- | 198,350 | 292,225 | 109,792 | 119,751 | |

| | | | | | | |
|---------------------------------|-----------|-----------|---------|-----------|-----------|-----------|
| Bonus | -- | -- | -- | -- | 463,149 | 166,536 |
| Retirement benefits | -- | -- | -- | -- | 524,563 | 419,265 |
| Other re-imburement of expenses | 652,611 | 585,211 | 296,259 | 265,859 | 1,378,615 | 1,531,431 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | 1,132,611 | 1,065,211 | 974,609 | 1,165,084 | 5,557,007 | 5,256,705 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Number of persons | 1 | 1 | 1 | 2 | 12 | 14 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

30.1 - The company also provides the Chief Executive and certain Directors and Executives of the company with free use of company maintained cars and telephone facilities.

31- Plant capacity and actual production

| | 1999 | 1998 |
|-------------------|-----------------|-----------------|
| | <i>(Tonnes)</i> | <i>(Tonnes)</i> |
| Clinker | | |
| Plant capacity | 540,000 | 540,000 |
| Actual production | 329,070 | 348,608 |

31.1 - The under utilization of available capacity was mainly due to over all slow down in economic activity of the country and increase in supply of cement.

32 - Financial assets and liabilities

The carrying value of all the financial instruments reflected in the financial statements approximates their fair value.

32.1 - Concentration of credit risk:

The company believes that it is not exposed to major concentration of credit risk.

32.2 - Foreign exchange risk management:

Foreign currency risk arises mainly where payables exist due to purchase transactions. Payables exposed to foreign currency risks are identified as either creditors or bills payable. The company does not view hedging as being financially feasible owing to the excessive costs involved.

33 - General

Corresponding figures have been rearranged, wherever necessary for comparison purposes.

**CHIEF
EXECUTIVE**

DIRECTOR

Pattern of Shareholding as at June 30, 1999

| <i>Sr. No.</i> | <i>No. of</i> | <i>Shareholding</i> | <i>No. of</i> |
|----------------|---------------|---------------------|---------------|
|----------------|---------------|---------------------|---------------|

| | <i>Shareholders</i> | <i>From</i> | <i>To</i> | <i>Shares held</i> |
|------|---------------------|-------------|-----------|---------------------|
| | | 1 | | |
| 119 | 119 | 101 | 100 | 11,306 |
| 3529 | 3529 | 501 | 500 | 713,434 |
| 30 | 30 | 1001 | 1000 | 24,200 |
| 45 | 45 | 5001 | 5000 | 119,500 |
| 13 | 13 | 10001 | 10000 | 115,200 |
| 1 | 1 | 45001 | 15000 | 10,400 |
| 1 | 1 | 65001 | 50000 | 50,000 |
| 1 | 1 | 80001 | 70000 | 68,500 |
| 1 | 1 | 145001 | 85000 | 84,900 |
| 1 | 1 | 895001 | 150000 | 149,400 |
| 1 | 1 | 1970001 | 900000 | 898,700 |
| 12 | 1 | 1995001 | 1975000 | 1,973,994 |
| 13 | 1 | 2605001 | 2000000 | 2,000,000 |
| 14 | 1 | 5685001 | 2610000 | 2,606,000 |
| 15 | 1 | 5685001 | 5690000 | 5,689,800 |
| 16 | 1 | 7415001 | 7420000 | 7,418,000 |
| | ----- 3747 | | | ----- 21,933,334 |
| | ===== | | | ===== |

| <i>Categories of Shareholders</i> | <i>No. of Shareholders</i> | <i>Shares Held</i> | <i>Percentage of capital</i> |
|-----------------------------------|----------------------------|---------------------|------------------------------|
| Individuals | 3732 | 973,040 | 4.436 |
| Investment Companies | 1 | 7,300 | 0.033 |
| Joint Stock Companies | 11 | 16,262,094 | 74.143 |
| Financial Institutions | 1 | 84,900 | 0.387 |
| Foreign Companies | 2 | 4,606,000 | 21.000 |
| | ----- 3747 | ----- 21,933,334 | ----- 100.00 |