

MUSTEHKAM CEMENT LIMITED

ANNUAL REPORT 1997

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BOARD OF DIRECTORS

MUHAMMAD NAWAZ TIWANA
Chairman

MUHAMMAD AKRAM
Chief Executive

EHSAN ULLAH KHAN

S. M. FAKHIR HASAN

BEHRAM HASSAN

MUHAMMAD AKHTAR

MUHAMMAD ASHRAF CHAUDHRY

SECRETARY

MAHMOOD AHMED KHAN
Chartered Secretary

AUDITORS

MUNIFF ZIAUDDIN & CO.,
Chartered Accountants,
M-40/E, Bank Road,
Rawalpindi Cantt.

BANKERS

Habib Bank Limited.
National Bank of Pakistan

REGISTERED OFFICE Gul-e-Akra Plaza,
147-Murree Road,
Rawalpindi Cantt.

FACTORY HATTAR,
Distt. Haripur.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Mustehkam Cement Limited will be held at Flashman's Hotel, The Mall, Rawalpindi Cantt. on Monday the 29th December, 1997 at 11.00 a.m. for the purpose of transacting the following business:-

1. To confirm the minutes of previous Annual General Meeting.
2. To receive and adopt the audited accounts of the Company for the period ended June 30, 1997 together with the reports of directors and auditors thereon.
3. To appoint auditors and fix their remuneration.
4. To transact any other ordinary business of the Company with the permission of the Chair.

The share transfer books of the Company will remain closed from 23rd December, 1997 to 29th December, 1997 (both days inclusive).

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received at the registered office of the Company not less than 48 hours before the time appointed for the meeting.
2. Shareholders are requested to immediately notify the company of any change in their address.
3. Shareholders are further requested to 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

The Directors of your Company take pleasure in placing before you the 43rd Annual Report together with the Audited Accounts and the Auditors' Report thereon for the year ended 30th June, 1997.

PRODUCTION

420,425 tonnes of Clinker and 473,508 tonnes of cement was produced against the revised target of 473,343 / 517,957 tonnes respectively during the year 1996-97.

MARKETING

The Company sold 481,304 tonnes of cement during the year against revised target of 517,957 tonnes.

PRICING POLICY

Mustehkam Cement Limited being the only state owned company in the North has to align its sales policy with the cement industry in the neighbourhood. During the year under report, cement industry in the area went into unhealthy price war. Resultantly booking price of cement was frequently reduced. Against booking price of Rs. 3,900.00 per tonne as on 13-06-1996 our booking price as on 23-05-1997 was Rs. 3,360.00 per tonne which remained uptill 30-06-1997.

FINANCIAL

Average ex-factory price of cement was Rs. 3,621.65 per tonne and average retention price to the company after deduction of excise duty, sales tax and SCCP cement surcharge was Rs.1,925.85 per tonne against the cost to make and sell of Rs. 2,288.39 per tonne during the year. Retention price during the last year was Rs.1,889.39 per tonne against the cost to make and sell of Rs.1,828.67 per tonne. Manufacturing cost has increased mainly due to increase in the price of furnace oil raising it from Rs. 4,914.71 per tonne as on 23-05-1996 to Rs. 6,735.64 per tonne as on 05-12-1996 and Rs. 6,366.48 per tonne as on 04-02-1997. Operational loss for the fiscal period was Rs. 174.494 million and after addition of revenue/other income of Rs. 6.970 million, the company sustained a net loss for the year amounting to Rs.167.524 million.

The results are summarised as under :-

(Rupees in million)

Net profit/(loss) for the year	(167.524)
Adjustment of prior year	22.00
Net profit/(loss) before tax	(189.524)
Balance brought forward	2.62

Total profit/(loss)	(186.900)
Less: provision for taxation	(5.078)

Net profit/(loss) after tax	(181.822)
	=====

DIRECTORS

Since the last Annual General Meeting Malik Amjad All Noon, Mr. Khawar Zaman and Mr. Javed Alam Khanzada relinquished charge to act as Directors and Mr. Muhammad Nawaz Tiwana and Mr. Ehsanullah Khan have been appointed Directors in their place. The Directors place on record their appreciation for the valuable services rendered by the outgoing Directors and welcome the incoming Directors on the Board.

AUDITORS

The auditors Muniff Zia-ud-Din & Co., retire and offer their services for re-appointment.

ACKNOWLEDGMENT

The relations between the management and workers remained cordial throughout the year. The Directors place on record their appreciation of sincere efforts and good work done by workers, staff and officers and expect that they will show greater zeal in further improving the performance of the Company. The Directors also thank the dealers and customers of Company for their valuable association and support.

GENERAL

On 29-01-1995 application CM No. 38/95 was filed by the Company regarding clarification of status quo dated 31st May, 1994 granted by the Supreme Court of Pakistan on the application of ex-owners in civil appeal No. 512/94 and the case is subjudice before the Honourable Court. The disbursement of 35% final dividend already approved by the Shareholders for the year ended 30-06-1994, 100% dividend for the year ended 30-06-1995 and 15% dividend for the year ended 30-06-1996 can only be made if the Court Orders that the status quo does not restrain the Directors from payment of dividend to the shareholders.

PATTERN OF HOLDING OF SHARES AS ON JUNE 30, 1997

No. of Shareholders	Shareholding		Total shares held
	From	To	
3,726	1	100	80,437

710	101	500	142,730
97	501	1,000	68,849
79	1,001	5,000	144,110
12	5,001	10,000	78,051
2	10,001	15,000	26,632
1	15,001	20,000	20,000
1	20,001	25,000	21,933
1	35,001	40,000	37,904
1	60,001	65,000	60,200
1	105,001	110,000	108,060
1	1,020,001	1,025,000	1,023,160
1	10,505,001	10,510,000	10,507,934
-----			-----
4,633			12,320,000
=====			=====

**CATEGORIES OF SHAREHOLDERS
AS ON JUNE 30, 1997**

Particulars	No. of Shareholders	Shares held	Percentage
Individuals	4,446	507,832	4.12%
Investment Companies	4	41,540	0.33%
Insurance Companies	4	120,876	1.00%
Joint Stock Companies	5	79,958	0.65%
Financial Institutions	13	1,055,535	8.56%
State Cement Corporation of Pakistan (Pvt) Limited	1	10,507,934	85.29%
Deputy Administrator Abandoned Properties (Bangladesh Citizens)	159	6,324	0.05%
Corporate Law Authority of Pakistan	1	1	-
-----		-----	-----
	4,633	12,320,000	100%
=====		=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of MUSTEHKAM CEMENT LIMITED as at June 30, 1997 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 purpose of our audit and after due

verification thereof, we report that:-

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

(b) in our opinion:-

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

II) the expenditure incurred during the year was for the purpose of the company's business; and

III) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and 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, 1997 and of the loss and the changes in financial position for the year then ended; and

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

Rawalpindi: Dated Dec 02, 1997

MUNIFF ZIAUDDIN & CO.
CHARTERED ACCOUNTANTS

**BALANCE SHEET AS
AT JUNE 30, 1997**

NOTE	1997	1996
	(RUPEES IN THOUSAND)	
CAPITAL AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised capital		
18,000,000 ordinary shares of Rs. 10/- each	180,000	180,000
	=====	=====

Issued, subscribed and paid up capital 12,320,000 ordinary shares of Rs. 10/- each	3	123,200	123,200
---	---	---------	---------

RESERVES

Capital reserve		289	289
Revenue reserve	4	130,888	130,888
Retained earnings		(181,822)	2,624
		-----	-----
		(50,645)	133,801
		-----	-----
		72,555	257,001

LONG TERM LOANS AND DEFERRED LIABILITIES

Long term loans	5	225,318	267,409
Deferred taxation		84,410	94,123
		-----	-----
		309,728	361,532

LONG TERM DEPOSITS

	6	3,803	3,961
--	---	-------	-------

CURRENT LIABILITIES

Current maturity of long term loans	7	74,949	54,362
Due to Associated Companies	8	37,297	13,193
Trade creditors		22,886	10,470
Deposits/advances from customers	9	42,429	70,874
Accrued liabilities	10	117,352	66,376
Other liabilities	11	29,717	46,472
Provision for taxation	12	2,106	4,149
Dividend payable	13	187,602	187,645
		-----	-----
		514,338	453,541

CONTINGENCIES AND COMMITMENTS

	14	-	-
		-----	-----
		900,424	1,076,035
		=====	=====

PROPERTY AND ASSETS

FIXED ASSETS - TANGIBLE

Operating assets	15	506,875	535,481
Capital work in progress		1,188	-
Stores held for capital expenditure		35,667	37,242
		-----	-----
		543,730	572,723

LONG TERM LOANS AND DEPOSITS

Employees	16	10,484	9,669
-----------	----	--------	-------

Prime Minister's Debt Retirement Scheme
(Qarz-e-Hasna)

1,000 -

CURRENT ASSETS

Stores, spares and loose tools - at cost	17	215,126	221,523
Stock in trade	18	50,349	90,751
Trade debtors-considered good	19	595	260
Loans and advances - employees	20	16,474	20,354
Due from Associated Companies	21	279	-
Loans and advances - others	22	41,075	65,579
Trade deposits & prepayments	23	6,795	7,372
Interest accrued		98	190
Other receivables	24	103	103
Cash and bank balances	25	14,316	87,511
		-----	-----
		345,210	493,643
		-----	-----
		900,424	1,076,035
		=====	=====

The annexed notes form an integral part of these accounts.
Auditor's report to the members annexed.

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 1997

	NOTE	1997	1996
		(RUPEES IN THOUSAND)	
SALES - Net	26	926,918	1,144,564
COST OF GOODS SOLD	27	1,013,783	1,004,136
		-----	-----
GROSS PROFIT/(LOSS)		(86,865)	140,428
OTHER INCOME			
Interest	28	3,590	9,204
Miscellaneous	29	3,380	8,298
		-----	-----
		6,970	17,502
		-----	-----
		(79,895)	157,930
OPERATING EXPENSES			
General and administrative	30	35,377	40,723
Selling and distribution	31	4,415	5,642

Auditors' remuneration	32	35	35
Financial	33	47,802	54,560
Workers' "Profit" Participation Fund		-	2,686
		-----	-----
		87,629	103,646
		-----	-----
NET PROFIT/(LOSS) FOR THE YEAR		(167,524)	54,284
PRIOR YEARS' ADJUSTMENTS	34	22,000	-
		-----	-----
NET PROFIT/(LOSS) BEFORE TAXATION		(189,524)	54,284
TAXATION	35	(5,078)	31,481
		-----	-----
		(184,446)	22,803
UNAPPROPRIATED PROFIT BROUGHT FORWARD		2,624	3,301
		-----	-----
UNAPPROPRIATED PROFIT/(LOSS)		(181,822)	26,104
APPROPRIATION			
Proposed dividend		-	18,480
General reserve		-	5,000
		-----	-----
		-	23,480
		-----	-----
RETAINED EARNING CARRIED FORWARD		(181,822)	2,624
		=====	=====

The annexed notes form an integral part of these accounts.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
	(RUPEES IN THOUSAND)	
SOURCE OF FUNDS		
Operations:		
Profit before taxation	(189,524)	54,284
Adjustments for items not involving movement of funds:		
Depreciation	63,450	66,529
(Gain) on sale of fixed assets	-	(436)
	-----	-----
	(126,074)	120,377
Other sources:		
Loans from State Cement Corporation		

of Pakistan (Private) Limited	15,000	40,000
Long term loans and advances (employees)	-	233
Sale proceeds of fixed assets	350	550
	-----	-----
	15,350	40,783
	-----	-----
	(110,724)	161,160
	-----	-----
APPLICATION OF FUNDS		
Repayment of SCCP loan	36,504	66,507
Fixed capital expenditure	34,807	61,769
Payment of dividend	43	64
Long term advances/deposits	1,973	80
Tax paid	6,678	30,059
	-----	-----
	80,005	158,479
	-----	-----
NET INCREASE/(DECREASE) IN WORKING CAPITAL	(190,729)	2,681
	=====	=====

1997 1996
(RUPEES IN THOUSAND)

ANALYSIS OF CHANGES IN WORKING CAPITAL

INCREASE/(DECREASE) IN CURRENT ASSETS

Stores and stocks	(46,799)	58,031
Deposits, prepayments and other receivables	(28,774)	(35,745)
Trade debtors	335	(687)
Cash and bank balances	(73,195)	41,644
	-----	-----
	(148,433)	63,243

(INCREASE)/DECREASE IN CURRENT LIABILITIES

Trade creditors	(12,416)	785
Other liabilities	(29,880)	(61,347)
	-----	-----
	(42,296)	(60,562)
	-----	-----

**NET INCREASE/ (DECREASE) IN WORKING
CAPITAL**

(190,729 2,681
===== =====

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE, 1997**

**1997
(Rupees in thousand)**

CASH FLOW FROM OPERATION ACTIVITIES:

Fund Provided from Operations

Loss before taxation (167,524)

**Adjustment for Items not involving
movement of Funds**

Depreciation 63,450

Gain on sale of fixed assets -

Prior period items (22,000)

41,450

(INCREASE)/DECREASE IN CURRENT ASSETS

Stores & stocks 46,799

Deposits, prepayments & other recoverables 28,774

Trade debtors (335)

75,238

INCREASE/ (DECREASE) IN CURRENT LIABILITIES

Trade credit 12,416

Other liabilities 29,880

42,296

NET CASH FLOW FROM OPERATING ACTIVITIES

(8,540)

CASH FLOW FROM INVESTING ACTIVITIES

Fixed capital expenditure (34,807)

(43,347)

CASH FLOW FROM FINANCING/OTHER ACTIVITIES

Long term loans & deposits (1,815)

Dividend Paid (43)

Taxes paid (6,678)

Sale proceed of fixed assets 350

	(51,533)
CASH FLOW FROM CAPITAL ACTIVITIES	
Long term loans & deferred liabilities	(21,504)
Long term deposits	(158)

	(73,195)
CASH & CASH EQUIVALENTS on 1-7-96	87,511

CASH & CASH EQUIVALENTS on 30-6-97	14,316
	=====

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 1997

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated on 29th July, 1954 as public limited company and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The Company is engaged in production and sale of portland cement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.2 Staff Retirement Benefits

The Company operates approved funded gratuity scheme and contributions thereto are charged to profit and loss account in accordance with the rules of the Company.

2.3 Taxation

Taxation is provided on the basis of taxable income at current rates of taxation after taking into account admissible tax credit, rebates, if any. Deferred taxation is provided on timing differences using the liability method.

2.4 Fixed Assets

a) Fixed assets are stated at cost less accumulated depreciation except free hold land, stores held for capital expenditure and capital work in progress which are stated at cost. The cost of certain assets is adjusted for the exchange fluctuations on foreign currency loans obtained for purchase of these assets.

b) Depreciation is charged to profit and loss account using reducing balance method at the rates given as per Note No. 15. It is charged for full year in the year of purchase, whereas no depreciation is charged in the year of

sale.

c) Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

d) Gain or loss on disposal of assets is included in current income.

2.5 Stores, Spares and Loose Tools

These are valued at cost determined on moving average basis except stores in transit which are valued at cost accumulated to balance sheet date. Provision is made to cover obsolete stores.

2.6 Bad and doubtful debts

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

2.7 Stock-in-Trade

These are valued as under:-

Raw materials	-	At average cost
Work in process	-	At first in first out cost basis.
Packing material	-	At average cost
Finished goods	-	At first in first out or net realizable value which ever is lower.

2.8 Revenue Recognition

Sales are recorded on despatch of goods to customers.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	1997	1996
	(RUPEES IN THOUSAND)	
9,030,000 ordinary shares of Rs. 10/- each issued for cash	90,300	90,300
210,000 ordinary shares of Rs. 10/- each issued as bonus shares	2,100	2,100
3,080,000 ordinary shares of Rs. 10/- each issued as bonus shares	30,800	30,800
	-----	-----
	123,200	123,200
	=====	=====

SCCP held 10,507,934 ordinary shares of Rs. 10/-each at June 30, 1997 and 1996.

4. REVENUE RESERVE

	Reserve u/s 15 BB of the Income Tax Act, 1922	
General	1997	1996

	Reserve	(Repealed)	(RUPEES IN THOUSAND)	
At the beginning of the year	128,000	2,888	130,888	125,888
Addition/(deletion) during the year	-	-	-	5,000
	-----	-----	-----	-----
Balance as at June 30	128,000	2,888	130,888	130,888
	=====	=====	=====	=====

5. LONG TERM LOANS FROM

STATE CEMENT CORPORATION OF PAKISTAN (PVT) LTD (SCCP) m UNSECURED

1. Local Currency Loan

1.1 Opening balance	-	30,000
Less: Repayments during the year	-	30,000

-

1.2 Opening balance	232,141	210,000
Add: Receipts during the year	15,000	40,000

Less: Repayments	247,141	250,000
	17,857	17,859

229,284 232,141

Less Overdue	(Note 7) 17,857	-
Current maturity	(Note 7) 38,444	35,714

56,301 35,714

172,983 196,427

2. Foreign currency loan against BMR

Opening balance 1st tranche	8,423	10,830
2nd tranche	81,207	97,448

89,630 108,278

Less: Repayments	18,647	18,648
------------------	--------	--------

70,983 89,630

Less: Current maturity (Note 7)	18,648	18,648
---------------------------------	--------	--------

52,335 70,982

225,318 267,409

=====

5.1 SCCP (Pvt) Ltd. had sanctioned working capital loan of Rs. 250 million. Further amount of Rs. 15 million has been disbursed during the year. Loan amount according to revised repayment schedule is payable in 12 bi-annual installments commencing from 1-1-1997 and ending on 1-7-2002. This carries markup @ 16% p.a. Under the terms of loan agreement SCCP may require the Company to furnish all or any of the following securities:-

- Equitable mortgage / a pari passu charge or a second charge on the borrower's immovable properties including land, building, factory, plant, machinery and equipment and replacements thereof and additions thereto.
- A floating charge in favour of SCCP on the business undertaking and all other properties and assets of borrower. In case first charge is not available, a second charge will be created.
- One or more promissory notes of the borrower in such amounts as SCCP may determine.

5.2 This represents the amount of capital expenditure incurred on behalf of the Company by SCCP against BMR programme in US Dollars. The loan is repayable in fourteen equal hi-annual installments commencing from April 01, 1993 against tranche No. 1 and from October 01, 1994 against tranche No. 2, over a period of seven years. SCCP has charged the Company for the loan in two tranches carrying interest @ 14% p.a. and 15% p.a. respectively. The repayment schedule drawn in US Dollars was revised in pak rupees in 1992-93 and was further rescheduled on 07-03-1995.

6. LONG TERM DEPOSITS

These represent interest free security deposits from stockiests and are repayable on termination of agency,

7. CURRENT MATURITY OF LONG TERM LOANS

	1997	1996
	(RUPEES IN THOUSAND)	
Over due	17,857	-
Local currency	38,444	35,714
Foreign currency	18,648	18,648
	-----	-----
	74,949	54,362
	=====	=====

8. DUE TO ASSOCIATED COMPANIES

Current account with SCCP	34,868	10,658
---------------------------	--------	--------

SCCP local currency expenses - BMR	2,343	2,343
Thatta Cement	86	192
	-----	-----
	37,297	13,193
	=====	=====

9. DEPOSITS/ADVANCES FROM CUSTOMERS

Advances from customers	41,640	70,073
Security deposits/retention money from contractors (interest free)	789	801
	-----	-----
	42,429	70,874
	=====	=====

10. ACCRUED LIABILITIES

Royalty and excise duty on limestone	814	1,570
Salaries, wages and bonus	27,932	32,858
Electricity and gas bills	1,068	1,010
Interest accrued on long term loan	56,994	22,690
Other charges	30,544	8,248
	-----	-----
	117,352	66,376
	=====	=====

1997 1996
(RUPEES IN THOUSAND)

11. OTHER LIABILITIES

Due to employees	1,053	797
Tax deducted at source	96	55
Workers' "Profit" Participation Fund (Note 11.1)	11	2,694
Sales tax payable	-	13,770
Employees Gratuity Fund Trust	24,625	25,900
Others	3,932	3,256
	-----	-----
	29,717	46,472
	=====	=====

11.1 Workers' "Profit" Participation Fund

At the beginning of the year	2,694	11,724
	-----	-----
Less: Payments	1,342	1,990
Deposited in State Bank of Pakistan	1,341	9,726
	-----	-----

	2,683	11,716
	-----	-----
	11	8
Add: Contribution for the year	-	2,686
	-----	-----
	11	2,694
	=====	=====

12. PROVISION FOR TAXATION

Opening balance	4,149	4,063
Add: Provision for taxation	4,635	30,145
	-----	-----
	8,784	34,208
Less: Payments/deductions/adjustments	6,678	30,059
	-----	-----
	2,106	4,149
	=====	=====

13. DIVIDEND PAYABLE

Unclaimed	2,802	2,845
Proposed	-	18,480
Unpaid (Note 13.1)	184,800	166,320
	-----	-----
	187,602	187,645
	=====	=====

13.1 Dividend has not been paid as ex-owners have obtained status quo from Supreme Court of Pakistan against payment of dividend.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

The Central Excise & Sales Tax Department has raised demand of Rs 9.758 million against the company for disallowance of input sales tax adjustment. The amount has been deposited & appeal filed against the demand, which is pending before the Customs, Central Excise & Sales Tax Department.

14.2 Commitments

Construction contracts	247	-
Letter of Credit	-	1,961

15. OPERATING ASSETS- TANGIBLE

PARTICULARS

COST

	As on 01-07-96	Additions	Deletions	As on 30-6-97
Free Hold Land	5,811	-	-	5,811
Factory Building	122,327	564	-	122,891
Office Building	1,266	-	-	1,266
Godown	10,841	-	-	10,841
Colony Building	38,503	-	-	38,503
Plant & Machinery	956,580	19,032	-	975,612
Tools & Equipments	4,988	52	-	5,040
Electrical Installation	31,042	-	-	31,042
Furniture & Fixture	6,264	113	94	6,283
Vehicles	154,935	15,433	565	169,803
Library Books	66	-	-	66
Railway Siding	1,063	-	-	1,063
Gas Installation	1,542	-	-	1,542
	-----	-----	-----	-----
1997	1,335,228	35,194	659	1,369,763
	-----	-----	-----	-----
1996	1,272,778	65,328	2,878	1,335,228
	=====	=====	=====	=====

a) Depreciation of fixed assets for the period from July 1966 (commencement of commercial production) to June 30, 1997 calculates to Rs. 865,004 thousand against which depreciation totaling Rs. 862,888 thousand has been provided in 27 years and 6 months from 1970 onward. The depreciation for the period from July, 1966 to December, 1969 has not been charged in view of tax holiday by the Company.

b) Depreciation for the year has been charged as follows:-

	1997	1996
	(RUPEES IN THOUSAND)	
Cost of goods sold (Note 27)	63,092	66,077
General and administrative expenses (Note 30)	358	452
	-----	-----
	63,450	66,529
	=====	=====

DEPRECIATION

Rate %	As on 1/7/1996	Adjustments	For the year	As on 30-06-97	Written down Value as on 30-6-97
-----------	-------------------	-------------	-----------------	-------------------	--

-	-	-	-	-	5,811
10	95,737	-	2,715	98,452	24,439
5	690	-	29	719	547
5	5,886	-	248	6,134	4,707
10	25,853	-	1,265	27,118	11,385
10	540,839	-	43,478	584,317	391,295
10	3,786	-	126	3,912	1,128
10	24,135	-	691	24,826	6,216
10	3,406	33	290	3,663	2,620
20	97,331	276	14,550	111,605	58,198
10	27	-	4	31	35
10	812	-	25	837	226
10	1,245	-	29	1,274	268
-----	-----	-----	-----	-----	-----
	799,747	309	63,450	862,888	506,875
-----	-----	-----	-----	-----	-----
	733,978	760	66,529	799,747	535,481
=====	=====	=====	=====	=====	=====

16. LONG TERM LOANS AND ADVANCES (EMPLOYEES)

	1997			1996		
	Chief Executive	Other Employees	Total	Chief Executive	Other Employees	Total
(RUPEES IN THOUSAND)						
House building loans	240	10,994	11,234	278	10,380	10,658
Scooter/Car loans	-	1,702	1,702	-	1,349	1,349
	-----	-----	-----	-----	-----	-----
Due for rec Less: next twelve months:	240	12,696	12,936	278	11,729	12,007
House building loans (Note 20)		1,899		1,832		
Scooter/Car (Note 20)		553		506		
		-----		-----		
		2,452		2,338		
		-----		-----		
		10,484		9,669		
		=====		=====		

a) Interest bearing House Building Loans granted to the maximum of 50 basic

salary including cost of living allowance are recoverable in maximum 144 monthly installments. These carry interest @ 5% per annum on loans exceeding Rs. 30,000. However employees not receiving interest on their provident fund balances are exempt to the extent of their provident fund balances plus Rs. 30,000. These are secured to the extent of 75% against total amount of provident fund and gratuity of the borrower and surety at the time of application.

b) Scooter loans are recoverable in maximum 36 monthly installments and carry interest @ 5% per annum. Interest free car loans are recoverable in maximum 100 monthly installments.

c) These include loan aggregating Rs. 7,964 thousand paid during the last three years.

d) The maximum aggregating amount due from Chief Executive against loans at the end of any month during the year was Rs. 296 thousand (1996 Rs. 302 thousand).

1997 1996
(RUPEES IN THOUSAND)

17. STORES, SPARES AND LOOSE TOOLS

Stores	44,149	52,884
Spares	175,627	168,153
Loose tools	289	164
Goods in transit	-	3,173
	-----	-----
	220,065	224,374
Less: Provision for obsolescence	4,939	2,851
	-----	-----
	215,126	221,523
	=====	=====

Spares relating to obsolete machinery and vehicles have been taken as obsolete.

18. STOCK IN TRADE

Raw material	6,736	2,200
Packing material	6,857	12,630
Work-in-process	19,200	50,057
Finished goods	17,556	25,864
	-----	-----
	50,349	90,751
	=====	=====

19. TRADE DEBTORS - CONSIDERED GOOD

These are secured and are considered good.

20. LOANS AND ADVANCES TO EMPLOYEES

Advances against expenses	5,517	7,070
Advances against salary	8,518	10,959
Current portion of long term loans and advance (Note 16)	2,452	2,338
	-----	-----
	16,487	20,367
Less: Provision for doubtful advances	13	13
	-----	-----
	16,474	20,354
	=====	=====

21. DUE FROM ASSOCIATED COMPANIES

	Month end	Maximum balance		
Javedan Cement Ltd.	April, 97	190	190	-
Associated Cement Rohri	March, 97	89	89	-
			-----	-----
			279	-
			=====	=====

No regular sales or purchases were effected with the associated companies during the year (1996 purchases of stores Rs. 3,541 thousand).

1997 1996
(RUPEES IN THOUSAND)

22. LOANS AND ADVANCES - OTHERS

Advances for goods and services	10,889	21,355
Other advances (Note No. 22.1)	25,612	34,038
Excise duty advance	1,732	10,236
Sales tax advance	2,892	-
	-----	-----
	41,125	65,629
Less: Provision for doubtful advances	50	50
	-----	-----
	41,075	65,579
	=====	=====

22.1 Other advances include advances to fair price shop amounting to Rs. 946 thousand (1996 Rs. 2,717 thousand) which represent stocks, credit purchases allowed to employees and mill canteen etc.

23. TRADE DEPOSITS AND PREPAYMENTS

Security deposits	4,444	3,975
Refundable octroi/deposits	482	1,255
Prepayments	1,889	2,162
	-----	-----
	6,815	7,392
Less: Provision for doubtful deposits	20	20
	-----	-----
	6,795	7,372
	=====	=====

24. OTHER RECEIVABLES

Claim receivables	132	132
Less: Provision for doubtful receivables	131	131
	-----	-----
	1	1
Sales tax refund on explosives	102	102
	-----	-----
	103	103
	=====	=====

1997 1996
(RUPEES IN THOUSAND)

25. CASH AND BANK BALANCES

Cash in hand	32	1,540
Bank balances:		
Current accounts:		
National Bank of Pakistan	107	121
Bank of Punjab	5	5
	-----	-----
	112	126
Current account deposits (Interest bearing)		
Allied Bank of Pakistan Limited	9,016	4,004
Habib Bank Limited	438	76,936
	-----	-----
	9,454	80,940
Time deposit account:		
National Development Finance Corporation	718	905
Fixed deposits:		
National Development Finance Corporation (Against stockiests' securities)	4,000	4,000

	-----	-----
	14,316	87,511
	=====	=====
26. SALES - NET		
Gross sales	1,743,116	1,842,801
Less:	-----	-----
Excise duty	553,529	438,303
Sales tax	260,263	256,905
Cement surcharge	2,406	3,029
	-----	-----
	816,198	698,237
	-----	-----
Net sales	926,918	1,144,564
	=====	=====

27. COST OF GOODS SOLD

Raw material consumed	(Note 27.1)	59,324	67,626
Packing material consumed		123,991	141,912
Stores and spares consumed		70,228	77,703
Electricity and gas		204,077	216,095
Fuel		291,926	288,190
Salaries, wages and benefits	(Note 27.2)	142,037	173,253
Rent, rates and taxes		163	115
Insurance		3,917	2,702
Depreciation	(Note 15)	63,092	66,077
Other expenses		15,863	15,868
		-----	-----
		974,618	1,049,541

1997 1996
(RUPEES IN THOUSAND)

Work-in-process		
Opening stock	50,057	15,574
Closing stock	(19,200)	(50,057)
	-----	-----
	30,857	(34,483)
	-----	-----
Cost of goods manufactured	1,005,475	1,015,058
Finished goods	-----	-----
Opening stock	25,864	14,942
Closing stock	(17,556)	(25,864)
	-----	-----
	8,308	(10,922)
	-----	-----
COST OF GOODS SOLD	1,013,783	1,004,136

	=====	=====
27.1 Raw material consumed		
Opening stock of raw material	2,200	4,340
Add: Purchases		
Explosives	3,989	4,762
Excise duty on lime stone	559	816
Royalties on lime stone	2,797	4,079
Export tax	512	701
Salaries, wages and benefits	24,368	28,565
Stores and spares	16,608	13,546
Electricity	5,038	5,529
Transportation charges	3,934	4,642
Gypsum	6,055	2,846
	-----	-----
	66,060	69,826
Less: Closing stock of raw material	(6,736)	(2,200)
	-----	-----
Raw material consumed	59,324	67,626

27.2 Salaries & Wages

Salaries and wages (including allowances)	81,657	87,020
Bonus	17,770	25,103
Contribution to Provident Fund	3,849	3,653
Provision for gratuity	4,930	23,004
Medical expenses/social security	10,840	13,063
Leave encashment	10,283	8,911
Old age benefits/education cess	1,514	1,526
Fair price shop/canteen subsidy	1,068	972
Group insurance	94	367
Other benefits	10,032	9,634
	-----	-----
	142,037	173,253
	=====	=====

1997 1996
(RUPEES IN THOUSAND)

28. INTEREST INCOME

On bank deposits	3,383	8,782
On loan to employees	207	422
	-----	-----
	3,590	9,204
	=====	=====

29. MISCELLANEOUS INCOME

Profit on sale of fixed assets	-	436
Sale of scrap	2,986	5,706
Others	394	2,156
	-----	-----
	3,380	8,298
	=====	=====

30. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	(Note 30.1)	23,191	28,041
Traveling and conveyance		524	550
Vehicle running expenses		419	289
Postage, telegrams and telephones		938	890
Printing & stationary		893	1,195
Rent, rates & taxes		759	718
Electricity & gas		383	322
Repair & maintenance		229	173
Legal & professional charges		538	396
Service charges - SCCP		751	935
Service charges - Expert Advisory Cell		1,000	1,401
Computer charges		398	393
Subscription & donations		143	2,396
Advertisement		317	275
Insurance		27	8
Entertainment		563	665
Depreciation (Note 15)		358	452
Provision for obsolete stores & spares		2,088	-
Miscellaneous		1,858	1,624
		-----	-----
		35,377	40,723
		=====	=====

1997 1996
(RUPEES IN THOUSAND)

30.1 Salaries, Wages and Benefits

Salaries & allowances	14,232	14,928
Bonus	2,019	3,371
Contribution to provident fund	853	954
Provision for gratuity	769	3,338
Medical expenses/social security	2,019	1,992
Leave encashment	1,715	1,915
Award to employees	59	338
Old age benefits	180	210
Canteen/fair price shop expenses	185	122

Other benefits	1,160	873
	-----	-----
	23,191	28,041
	=====	=====
31. SELLING AND DISTRIBUTION EXPENSES		
Salaries, wages and benefits	3,411	3,742
Bonus	468	813
Provision for gratuity	118	601
Traveling & conveyance	40	60
Postage, telegrams & telephone	249	220
Printing & stationery	30	39
Rent, rates and taxes	45	56
Electricity & gas	6	13
Entertainment	43	39
Advertisement	4	11
Miscellaneous	1	-
Service charges	-	48
	-----	-----
	4,415	5,642
	=====	=====
32. AUDITORS' REMUNERATION		
Audit fee	30	30
Other expenses	5	5
	-----	-----
	35	35
	=====	=====
33. FINANCIAL EXPENSES		
Interest on long term loans	47,547	54,164
Bank charges	255	396
	-----	-----
	47,802	54,560
	=====	=====
34. PRIOR YEAR'S ADJUSTMENT		
Ex gratia payment to workers	22,000	-
	-----	-----
	22,000	-
	=====	=====
35. TAXATION		
Current	4,635	30,145
Deferred	(9,713)	1,336
	-----	-----
	(5,078)	31,481
	=====	=====

36. REMUNERATION OF DIRECTORS AND EXECUTIVES

	1997			1996		
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
	(RUPEES IN THOUSAND)					
Meeting fee	-	2	-	-	2	-
Remuneration	199	-	6,419	226	-	5,720
Contribution to Provident Fund	17	-	522	19	-	469
Gratuity provision	35	-	435	38	-	391
Housing, servants, medical, transportation and utilities (approx. money value)	149	-	3,302	179	-	2,979
	-----	-----	-----	-----	-----	-----
	400	2	10,678	462	2	9,559
	=====	=====	=====	=====	=====	=====
No. of persons	1	3	36	1	2	34

37. CAPACITY AND ACTUAL PRODUCTION

Against capacity of 0.630 million tonnes of clinker per annum on three shift working, the actual production during the year was 0.421 million tonnes of clinker (1996 0.607 million tonnes). The shortfall in production was due to closure of kiln No. 1 and kiln No. 2, on account of higher fuel consumption and slump in the market.

38. GENERAL

Figures:

- in the accounts are rounded off to the nearest thousand rupees.

- of the previous year are re-arranged wherever necessary for the purpose of comparison.