

**Mustehkam Cement
Limited
Annual Report
1998**

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BOARD OF DIRECTORS

MUHAMMAD NAWAZ TIWANA
Chairman

MUHAMMAD AKRAM
Chief Executive

MASOOD-UR-REHMAN MASOOD

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 Wednesday the 30th December, 1998 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, 1998 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 24th December, 1998 to 30th December, 1998 (both days inclusive).

RAWALPINDI

Dated: December 5, 1998

By Order of the
Board

MAHMOOD AHMAD KHAN
Secretary

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 44th Annual Report together with the Audited Accounts and the Auditors' Report thereon for the year ended 30th June, 1998.

PRODUCTION

330,370 tonnes of Clinker and 354,784 tonnes of cement was produced against the target of 288,000/302,400 tonnes respectively during the year 1997-98.

MARKETING

The Company sold 354,462 tonnes of cement during the year against target of 302,400 tonnes.

PRICING POLICY

Unhealthy price war experienced during last year persisted in the year under report as well, and we had to make downward revision in price many times upto 10-02-1998. Upward revision in price took place w.e.f. 18-02-1998 which raised our booking price to Rs. 4,110/- per tonne. This price remained operative upto 30th June, 1998.

FINANCIAL

Average ex-factory price of cement was Rs. 3,637.88 per tonne and average retention price to the company after deduction of excise duty and SCCP cement surcharge was Rs. 2,121.60 per tonne against the cost to make and sell of Rs. 2,649.26 per tonne during the year. Retention price during the last year was Rs. 1,925.85 per tonne against the cost to make and sell of Rs. 2,288.39 per tonne. Manufacturing cost has increased mainly due to increase in the price of electricity and impact of peace agreement

with CBA with effect from 01-07-1997. Operational loss for the fiscal period was Rs. 187.035 million and after addition of revenue/other income of Rs. 10.827 million, the company sustained a net loss for the year amounting to Rs.176.208 million.

The results are summarised as under:-

| | (Rupees in million) |
|-----------------------------------|------------------------|
| Net profit/(loss) for the year | (176.208) |
| Adjustment of prior year | (12.431) |
| | ----- |
| Net profit/(loss) before tax | (163.777) |
| Balance brought forward | (181.822) |
| | ----- |
| Total profit/(loss) | (345.599) |
| Less: provision for taxation | (1.793) |
| | ----- |
| Net profit/(loss) after tax | (343.806) |
| | ===== |

DIRECTORS

Since the last Annual General Meeting Mr. Ehsan Ullah Khan relinquished the charge to act as a Director and Mr. Masood-ur-Rehman Masood has been appointed Director in his place.

The Directors place on record their appreciation for the valuable services rendered by the outgoing Director and welcome the incoming Director on the Board.

AUDITORS

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

ACKNOWLEDGEMENT

The relationship 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.

For and on behalf of
the
Board of Directors

RAWALPINDI

MUHAMMAD AKRAM

November 30, 1998

CHIEF EXECUTIVE

**PATTERN OF HOLDING OF SHARES
AS ON JUNE 30, 1998**

| No. of Shareholders | Shareholding | | Total Shares Held |
|------------------------|--------------|----------|-------------------------|
| | From | To | |
| 3,759 | 1 | 100 | 81,847 |
| 703 | 101 | 500 | 141,032 |
| 97 | 501 | 1,000 | 69,136 |
| 80 | 1,001 | 5,000 | 147,110 |
| 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 | 30,001 | 35,000 | 34,905 |
| 1 | 60,001 | 65,000 | 60,200 |
| 1 | 105,001 | 110,000 | 108,060 |
| | | 1,025,00 | |
| 1 | 1,020,001 | 0 | 1,023,160 |
| | | 10,510,0 | |
| 1 | 10,505,001 | 00 | 10,507,934 |
| ----- | | | ----- |
| 4,660 | | | 12,320,000 |
| ===== | | | ===== |

**CATEGORIES OF
SHAREHOLDERS
AS ON JUNE 30, 1998**

| Particulars | No. of Shareholders | Shares held | Percentage |
|--|------------------------|-------------|------------|
| Individuals | 4,471 | 510,774 | 4.15% |
| Investment Companies | 5 | 38,598 | 0.31% |
| Insurance Companies | 5 | 120,876 | 0.98% |
| Joint Stock Companies | 5 | 79,958 | 0.65% |
| Financial Institutions | 13 | 1,055,535 | 8.57% |
| 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 | - |
| | ----- | ----- | ----- |
| | 4,660 | 12,320,000 | 100% |
| | ===== | ===== | ===== |

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of MUSTEHKAM CEMENT LIMITED as at June 30, 1998 and the related profit and loss account 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 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 cash flow statement 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, 1998 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. 05, 1998

**MUNIFF ZIAUDDIN &
CO.,**
CHARTERED
ACCOUNTANTS

BALANCE SHEET AS AT JUNE 30, 1998

| CAPITAL AND LIABILITIES | NOTE | 1998 | 1997 |
|--|-------------|-----------------------------|-------------|
| | | (RUPEES IN THOUSAND) | |
| 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 | | (343,806) | (181,822) |
| | | ----- | ----- |
| | | (212,629) | (50,645) |
| | | ----- | ----- |
| | | (89,429) | 72,555 |
| LONG TERM LOANS AND DEFERRED LIABILITIES | | | |
| Long term loans | 5 | 205,059 | 225,318 |
| Deferred taxation | | 78,857 | 84,410 |
| | | ----- | ----- |
| | | 283,916 | 309,728 |
| LONG TERM DEPOSITS | | | |
| | 6 | 3,576 | 3,803 |
| CURRENT LIABILITIES | | | |
| Current maturity of long term loans | 7 | 136,060 | 74,949 |
| Due to Associated Companies | 8 | 65,922 | 37,297 |
| Trade creditors | | 12,033 | 22,886 |

| | | | |
|--------------------------------------|----|---------|---------|
| Deposits/advances from customers | 9 | 96,565 | 42,429 |
| Accrued liabilities | 10 | 146,274 | 117,352 |
| Other liabilities | 11 | 18,167 | 29,717 |
| Provision for taxation | | - | 2,106 |
| Dividend payable | 12 | 187,589 | 187,602 |
| | | ----- | - |
| | | 662,610 | 514,338 |
| CONTINGENCIES AND COMMITMENTS | 13 | - | - |
| | | ----- | - |
| | | 860,673 | 900,424 |
| | | ===== | ===== |
| | | ===== | = |

PROPERTY AND ASSETS

FIXED ASSETS - TANGIBLE

| | | | |
|-------------------------------------|----|---------|---------|
| Operating assets | 14 | 451,212 | 506,875 |
| Capital work in progress | | - | 1,188 |
| Stores held for capital expenditure | | 32,021 | 35,667 |
| | | ----- | - |
| | | 483,233 | 543,730 |

LONG TERM LOANS AND DEPOSITS

| | | | |
|--|----|-------|--------|
| Employees | 15 | 4,062 | 10,484 |
| Prime Minister's Debt Retirement Scheme (Qarz-e-Hasna) | | 1,000 | 1,000 |

CURRENT ASSETS

| | | | |
|--|----|---------|---------|
| Stores, spares and loose tools - at cost | 16 | 192,838 | 215,126 |
| Stock in trade | 17 | 48,815 | 50,349 |
| Trade debtors-considered good | 18 | 216 | 595 |
| Loans and advances - employees | 19 | 22,518 | 16,474 |
| Due from Associated Companies | 20 | 94 | 279 |
| Loans and advances - others | 21 | 28,337 | 41,075 |
| Trade deposits & prepayments | 22 | 3,883 | 6,795 |
| Interest accrued | | 280 | 98 |
| Other receivables | 23 | 103 | 103 |
| Advance Income Tax | 24 | 4,426 | - |
| Cash and bank | 25 | 70,868 | 14,316 |

balances

| | | |
|--|---------|---------|
| | ----- | ----- |
| | ----- | ----- |
| | 372,378 | 345,210 |
| | ----- | ----- |
| | ----- | ----- |
| | 860,673 | 900,424 |
| | ===== | ===== |
| | ===== | ===== |

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

**BEHRAM
HASSAN**
DIRECTOR

MUHAMMAD AKRAM
CHIEF EXECUTIVE

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1998**

| | NOTE | 1998 | 1997 |
|----------------------------|------|----------------------|-----------|
| | | (RUPEES IN THOUSAND) | |
| SALES - | | | |
| Net | 26 | 752,027 | 926,918 |
| COST OF GOODS SOLD | 27 | 854,009 | 1,013,783 |
| | | ----- | ----- |
| GROSS PROFIT/(LOSS) | | (101,982) | (86,865) |
| OTHER INCOME | | | |
| Interest | 28 | 3,524 | 3,590 |
| Miscellaneous | 29 | 7,303 | 3,380 |
| | | ----- | ----- |
| | | 10,827 | 6,970 |
| | | (91,155) | (79,895) |
| OPERATING EXPENSES | | | |
| General and administrative | 30 | 33,482 | 35,377 |
| Selling and distribution | 31 | 4,839 | 4,415 |
| Auditors' remuneration | 32 | 60 | 35 |
| Financial | 33 | 46,672 | 47,802 |
| | | ----- | ----- |
| | | 85,053 | 87,629 |

| | | | |
|--|----|-----------|-----------|
| NET PROFIT/(LOSS) FOR THE YEAR | | ----- | ----- |
| | | (176,208) | (167,524) |
| PRIOR YEARS' ADJUSTMENTS | 34 | 12,431 | (22,000) |
| | | ----- | ----- |
| NET PROFIT/(LOSS) BEFORE TAXATION | | (163,777) | (189,524) |
| TAXATION | 35 | 1,793 | 5,078 |
| | | ----- | ----- |
| UNAPPROPRIATED PROFIT/(LOSS) BROUGHT FORWARD | | (161,984) | (184,446) |
| | | (181,822) | 2,624 |
| | | ----- | ----- |
| UNAPPROPRIATED PROFIT/(LOSS) | | (343,806) | (181,822) |
| | | ----- | ----- |
| RETAINED EARNING CARRIED FORWARD | | (343,806) | (181,822) |
| | | ===== | ===== |
| | | ===== | ===== |

The annexed notes form an integral part of these accounts.

**BEHRAM
HASSAN**
DIRECTOR

MUHAMMAD AKRAM
CHIEF EXECUTIVE

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE,
1998**

1998 1997
(RUPEES IN THOUSAND)

CASH FLOW FROM OPERATION ACTIVITIES:

Fund Provided from Operations

Loss before taxation (176,208) (167,524)

Adjustment for Items not involving

movement of Funds

Depreciation 55,663 63,450

Other adjustments 4,834 -

Prior period items 12,431 (22,000)

| | | |
|---|----------|----------|
| | ----- | ----- |
| | 72,928 | 41,450 |
| (INCREASE)/DECREASE IN CURRENT ASSETS | | |
| Stores & stocks | 23,822 | 46,799 |
| Deposits, prepayments & other recoverables | 9,609 | 28,774 |
| Trade debtors | 379 | (335) |
| | ----- | ----- |
| | 33,810 | 75,238 |
| INCREASE/(DECREASE) IN CURRENT LIABILITIES | | |
| Trade creditors | (10,854) | 12,416 |
| Other liabilities | 100,134 | 29,880 |
| | ----- | ----- |
| | 89,280 | 42,296 |
| | ----- | ----- |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 19,810 | (8,540) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | - | (34,807) |
| | ----- | ----- |
| | 19,810 | (43,347) |
| CASH FLOW FROM FINANCING/OTHER ACTIVITIES | | |
| Long term loans & deposits | 6,422 | (1,815) |
| Dividend Paid | (13) | (43) |
| Taxes paid | (10,292) | (6,678) |
| Sale proceed of fixed assets | - | 350 |
| | ----- | ----- |
| | 15,927 | (51,533) |
| CASH FLOW FROM CAPITAL ACTIVITIES | | |
| Long term loans & deferred liabilities | 40,852 | (21,504) |
| Long term deposits | (227) | (158) |
| | ----- | ----- |
| | 56,552 | (73,195) |
| CASH & CASH EQUIVALENTS on 1-7-97 | 14,316 | 87,511 |

CASH & CASH EQUIVALENTS on
30-6-98

| | |
|--------|--------|
| ----- | ----- |
| 70,868 | 14,316 |
| ===== | ===== |
| | = |

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1998**

**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.

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. 14. 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

| | 1998 | 1997 |
|--|----------------------|---------|
| | (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, 1998 and 1997.

4. REVENUE RESERVE

| | Reserve u/s 15 BB of the Income Tax General Act, 1922 | | TOTAL | |
|--|--|------------|---------|---------|
| | Reserve | (Repealed) | 1998 | 1997 |
| At the beginning of the year | 128,000 | 2,888 | 130,888 | 130,888 |
| Addition/(deletion) during the year | - | - | - | - |
| | ----- | ----- | ----- | ----- |
| 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) -- UNSECURED

1. Local Currency
Loan

| | | | |
|-------------------------------|----------|---------|---------|
| Opening balance | | 229,284 | 232,141 |
| Add: Receipts during the year | | 59,500 | 15,000 |
| | | ----- | ----- |
| | | 288,784 | 247,141 |
| Less: Repayments | | - | 17,857 |
| | | ----- | ----- |
| | | 288,784 | 229,284 |
| | | ----- | ----- |
| Less: Overdue | (Note 7) | 58,706 | 17,857 |
| Current maturity | (Note 7) | 58,706 | 38,444 |
| | | ----- | ----- |
| | | 117,412 | 56,301 |
| | | ----- | ----- |
| | | 171,372 | 172,983 |

2. Foreign Currency Loan against BMR

| | | | |
|-----------------------------|--|--------|--------|
| Opening balance 1st tranche | | 6,016 | 8,423 |
| 2nd tranche | | 64,967 | 81,207 |
| | | ----- | ----- |
| | | 70,983 | 89,630 |

| | | | |
|------------------------|----------|---------|---------|
| Less: Repayments | | 18,648 | 18,647 |
| | | ----- | - |
| | | 52,335 | 70,983 |
| Less: Current maturity | (Note 7) | 18,648 | 18,648 |
| | | ----- | - |
| | | 33,687 | 52,335 |
| | | ----- | - |
| | | 205,059 | 225,318 |
| | | ===== | ===== |
| | | | = |

5.1 SCCP (Pvt) Ltd. had initially sanctioned working capital loan of Rs. 250 million. Further amount of Rs. 59.5 million has been disbursed during the year. Loan amount according to revised repayment schedule is payable in 8 bi-annual installments commencing from 1-12-1997 and ending on 1-6-2001. This carries markup @ 14% 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.
- SCCP as a lender of the company has demanded the registration of a first pari passu/floating charge on the assets of the company in their favour. Since the company has already got first charge registered in favour of Allied Bank of Pakistan Ltd. for obtaining credit facilities, the company has sought no objection certificate from ABL for creation of the above mentioned charge in favour of SCCP and the NOC is still awaited.

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 bi-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 stockists and are repayable on termination of agency.

7. CURRENT MATURITY OF LONG TERM LOANS

| | 1998 | 1997 |
|------------------|----------------------|--------|
| | (RUPEES IN THOUSAND) | |
| Over due | 58,706 | 17,857 |
| Local currency | 58,706 | 38,444 |
| Foreign currency | 18,648 | 18,648 |
| | ----- | ----- |
| | 136,060 | 74,949 |
| | ===== | ===== |
| | | = |

8. DUE TO ASSOCIATED COMPANIES

| | | |
|------------------------------|--------|--------|
| Current account with SCCP | 63,536 | 34,868 |
| SCCP local currency expenses | | |
| - BMR | 2,354 | 2,343 |
| Thatta Cement | 24 | 86 |
| Javedan Cement | 8 | - |
| | ----- | ----- |
| | 65,922 | 37,297 |
| | ===== | ===== |
| | | = |

9. DEPOSITS/ADVANCES FROM CUSTOMERS

| | | |
|--|--------|--------|
| Advances from customers | 95,948 | 41,640 |
| Security deposits/retention money from contractors (interest free) | 617 | 789 |
| | ----- | ----- |
| | 96,565 | 42,429 |
| | ===== | ===== |
| | | = |

10. ACCRUED LIABILITIES

| | | |
|--------------------------------------|---------|---------|
| Royalty and excise duty on limestone | 1,541 | 814 |
| Salaries, wages and bonus | 21,582 | 27,932 |
| Electricity and gas bills | 19,460 | 1,068 |
| Interest accrued on long term loan | 92,773 | 56,994 |
| Other charges | 10,918 | 30,544 |
| | ----- | - |
| | 146,274 | 117,352 |
| | ===== | ===== |
| | | = |

11. OTHER LIABILITIES

| | | |
|--------------------------------------|--------|--------|
| Due to employees | 1,288 | 1,053 |
| Tax deducted at source | 72 | 96 |
| Workers' "Profit" Participation Fund | 11 | 11 |
| Employees Gratuity Fund Trust | 11,489 | 24,625 |
| Miscellaneous | 5,307 | 3,932 |
| | ----- | - |
| | 18,167 | 29,717 |
| | ===== | ===== |
| | | = |

12. DIVIDEND PAYABLE

| | | | |
|-----------|-------------|---------|---------|
| Unclaimed | | 2,789 | 2,802 |
| Unpaid | (Note 12.1) | 184,800 | 184,800 |
| | | ----- | - |
| | | 187,589 | 187,602 |
| | | ===== | ===== |
| | | | = |

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

13. CONTINGENCIES AND COMMITMENTS

13.1 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.

13.2 A demand of Rs. 14.068 million for Workers Welfare Fund was raised by Income Tax Assessing Officer for assessment years 1987-88 to 1990-91 and 1994-95 to 1996-97, an appeal was filed against the same before the learned Commissioner of income Tax (Appeals), which was rejected. We are in the process of filing an appeal against the same before the learned Income Tax Appellate Tribunal.

Further demand of Workers Welfare Fund has been raised for the assessment years 1991-92 to 1993-94 at Rs. 5.695 million. We are in the process of filing an appeal against the same before the CIT (Appeals).

13.3 The Income Tax Assessing Officer has raised a demand of Rs. 1.906 million under section 87 for non-payment of tax under section 53. A writ was filed against the change in law made in section 53 by Finance Act, 1997, which was later on withdrawn on directions of Federal Government. The company has referred the matter to SCCP for taking it up with the concerned authorities for withdrawal of new amendment in law.

13.4 Commitments

| | | |
|------------------------|-------|-----|
| Construction contracts | - | 247 |
| Letter of Credit | 7,780 | - |

14. OPERATING ASSETS - TANGIBLE

| PARTICULARS | COST | | DEPRECIATION | | | | Accumulated | Written down |
|-------------------------|----------|-----------|--------------|------|----------|---------|----------------|---------------------|
| | As on | | As on | Rate | As on | For the | | |
| | 01-07-97 | Additions | 30-6-98 | % | 01-07-97 | year | As on 30-06-98 | Value as on 30-6-98 |
| Free Hold Land | 5,811 | - | 5,811 | - | - | - | - | 5,811 |
| Factory Building | 122,891 | - | 122,891 | 10 | 98,452 | 2,445 | 100,897 | 21,994 |
| Office Building | 1,266 | - | 1,266 | 5 | 719 | 27 | 746 | 520 |
| Godown | 10,841 | - | 10,841 | 5 | 6,134 | 235 | 6,369 | 4,472 |
| Colony Building | 38,503 | - | 38,503 | 10 | 27,118 | 1,137 | 28,255 | 10,248 |
| Plant & Machinery | 975,612 | - | 975,612 | 10 | 584,317 | 39,130 | 623,447 | 352,165 |
| Tools & Equipment | 5,040 | - | 5,040 | 10 | 3,912 | 113 | 4,025 | 1,015 |
| Electrical Installation | 31,042 | - | 31,042 | 10 | 24,826 | 622 | 25,448 | 5,594 |
| Furniture & Fixture | 6,283 | - | 6,283 | 10 | 3,663 | 262 | 3,925 | 2,358 |

(RUPEES IN THOUSAND)

| | | | | | | | | | | |
|------------------|-----------|--------|-----|-----------|----|---------|-----|--------|---------|---------|
| Vehicles | 169,803 | - | - | 169,803 | 20 | 111,605 | - | 11,640 | 123,245 | 46,558 |
| Library Books | 66 | - | - | 66 | 10 | 31 | - | 3 | 34 | 32 |
| Railway Siding | 1,063 | - | - | 1,063 | 10 | 837 | - | 23 | 860 | 203 |
| Gas Installation | 1,542 | - | - | 1,542 | 10 | 1,274 | - | 26 | 1,300 | 242 |
| ----- | | | | | | | | | | |
| 1998 | 1,369,763 | - | - | 1,369,763 | | 862,888 | - | 55,663 | 918,551 | 451,212 |
| ----- | | | | | | | | | | |
| 1997 | 1,335,228 | 35,194 | 659 | 1,369,763 | | 799,747 | 309 | 63,450 | 862,888 | 506,875 |
| ===== | | | | | | | | | | |

a) Depreciation of fixed assets for the period from July 1966 (commencement of commercial production) to June 30, 1998 calculates to Rs. 920,949 thousand against which depreciation totalling Rs. 918,551 thousand has been provided in 28 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:-

| | 1998 | 1997 |
|---|----------------------|--------|
| | (RUPEES IN THOUSAND) | |
| Cost of goods sold (Note 27) | 55,365 | 63,092 |
| General and administrative expenses (Note 30) | 298 | 358 |
| | ----- | ----- |
| | 55,663 | 63,450 |
| | ===== | ===== |
| | ===== | ===== |

**15. LONG TERM LOANS AND ADVANCES
(EMPLOYEES)**

| | Chief Executive | Other Employees | Total | Chief Executive | Other Employees | Total |
|----------------------|----------------------|-----------------|-------|-----------------|-----------------|--------|
| | (Rupees in thousand) | | | | | |
| House building loans | 203 | 9,032 | 9,235 | 240 | 10,994 | 11,234 |
| Scooter/Car loans | -- | 1,293 | 1,293 | -- | 1,702 | 1,702 |

| | | | | | |
|-----|--------|--------|-----|--------|--------|
| 203 | 10,325 | 10,528 | 240 | 12,696 | 12,936 |
|-----|--------|--------|-----|--------|--------|

Less: Due for recovery within next twelve months:

| | | | | |
|--------------------------------|-------|--|--|--------|
| House building loans (Note 19) | 5,763 | | | 1,899 |
| Scooter/Car loans (Note 19) | 703 | | | 553 |
| | ----- | | | ----- |
| | 6,466 | | | 2,452 |
| | ----- | | | ----- |
| | 4,062 | | | 10,484 |
| | ===== | | | ===== |
| | | | | = |

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. 5,764 thousand paid during the last three years.

d) The maximum aggregate amount due from Chief Executive against loans at the end of any month during the year was Rs. 240 thousand (1997 Rs. 296 thousand).

1998 1997
(RUPEES IN THOUSAND)

16. STORES, SPARES AND LOOSE TOOLS

| | | |
|--------|---------|---------|
| Stores | 29,017 | 44,149 |
| Spares | 169,571 | 175,627 |

| | | |
|----------------------------------|---------|---------|
| Loose tools | 233 | 289 |
| | ----- | ----- |
| | 198,821 | 220,065 |
| Less: Provision for obsolescence | 5,983 | 4,939 |
| | ----- | ----- |
| | 192,838 | 215,126 |
| | ===== | ===== |
| | | = |

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

17. STOCK IN TRADE

| | | |
|------------------|--------|--------|
| Raw material | 5,561 | 6,736 |
| Packing material | 4,098 | 6,857 |
| Work-in-process | 14,583 | 19,200 |
| Finished goods | 24,573 | 17,556 |
| | ----- | ----- |
| | 48,815 | 50,349 |
| | ===== | ===== |
| | | = |

18. TRADE DEBTORS - CONSIDERED GOOD

These are secured and are considered good.

19. LOANS AND ADVANCES TO EMPLOYEES

| | | |
|---------------------------------------|--------|--------|
| Advances against expenses | 5,781 | 5,517 |
| Advances against salary | 10,284 | 8,518 |
| Current portion of long term loans | | |
| and advances - Employees (Note 15) | 6,466 | 2,452 |
| | ----- | ----- |
| | 22,531 | 16,487 |
| Less: Provision for doubtful advances | 13 | 13 |
| | ----- | ----- |
| | 22,518 | 16,474 |
| | ===== | ===== |
| | | = |

20. DUE FROM ASSOCIATED COMPANIES

| | Month end | Maximum balance | | |
|-------------------------|--------------|--------------------|-------|-----|
| Javedan Cement Ltd. | July, 97 | 190 | - | 190 |
| Associated Cement Rohri | Feb, 98 | 94 | 94 | 89 |
| | | | ----- | - |
| | | | 94 | 279 |
| | | | ===== | = |
| | | | ===== | = |

No regular sales or purchases were effected with the associated companies during the year.

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(RUPEES IN THOUSAND)

**21. LOANS AND ADVANCES -
OTHERS**

| | | |
|---------------------------------------|--------|--------|
| Advances for goods and services | 5,085 | 10,889 |
| Other advances (Note No. 21.1) | 2,892 | 25,612 |
| Excise duty advance | 10,441 | 1,732 |
| Sales tax advance | 9,969 | 2,892 |
| | ----- | - |
| | 28,387 | 41,125 |
| Less: Provision for doubtful advances | 50 | 50 |
| | ----- | - |
| | 28,337 | 41,075 |
| | ===== | ===== |
| | ===== | = |

21.1 Other advances include advances to fair price shop amounting to Rs. 614 thousand (1997 Rs. 946 thousand) which represent stocks, credit purchases allowed to employees and mill canteen etc.

**22. TRADE DEPOSITS AND
PREPAYMENTS**

| | | |
|----------------------------|-------|-------|
| Security deposits | 2,402 | 4,444 |
| Refundable octroi/deposits | 372 | 482 |
| Prepayments | 1,129 | 1,889 |

| | | |
|---------------------------------------|-------|-------|
| | ----- | ----- |
| | 3,903 | 6,815 |
| Less: Provision for doubtful deposits | 20 | 20 |
| | ----- | ----- |
| | 3,883 | 6,795 |
| | ===== | ===== |
| | ===== | ===== |

23. OTHER RECEIVABLES

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

24. ADVANCE INCOME TAX

| | | |
|---------------------------------------|---------|-------|
| Opening balance | (2,106) | - |
| Add: Provision for taxation | (3,760) | - |
| | ----- | ----- |
| | (5,866) | - |
| Less: Payments/deductions/adjustments | 10,292 | - |
| | ----- | ----- |
| | 4,426 | - |
| | ===== | ===== |
| | ===== | ===== |

1998 1997
(RUPEES IN THOUSAND)

25. CASH AND BANK BALANCES

| | | |
|---------------------------|----|-----|
| Cash in hand | 12 | 32 |
| Bank balances: | | |
| Current accounts: | | |
| National Bank of Pakistan | 92 | 107 |

| | | |
|--|--------|--------|
| Bank of Punjab | 5 | 5 |
| | ----- | ----- |
| | 97 | 112 |
| Current account deposits (Interest bearing) | | |
| | 28,887 | 9,016 |
| | 37,162 | 438 |
| | ----- | ----- |
| | 66,049 | 9,454 |
| Time deposit account: | | |
| National Development Finance Corporation | 710 | 718 |
| Fixed deposits: | | |
| National Development Finance Corporation (Against stockists' securities) | 4,000 | 4,000 |
| | ----- | ----- |
| | 70,868 | 14,316 |
| | ===== | ===== |
| | ===== | ===== |

26. SALES - NET

| | | |
|------------------|-----------|-----------|
| Gross sales | 1,289,490 | 1,743,116 |
| Less: | | |
| Excise duty | 535,691 | 553,529 |
| Sales tax | - | 260,263 |
| Cement surcharge | 1,772 | 2,406 |
| | ----- | ----- |
| | 537,463 | 816,198 |
| | ----- | ----- |
| Net sales | 752,027 | 926,918 |
| | ===== | ===== |
| | ===== | ===== |

27. COST OF GOODS SOLD

| | | | |
|----------------------------|-------------|---------|---------|
| Raw material consumed | (Note 27.1) | 58,889 | 59,324 |
| Packing material consumed | | 82,726 | 123,991 |
| Stores and spares consumed | | 43,549 | 70,228 |
| Electricity and gas | | 192,018 | 204,077 |

| | | | |
|------------------------------|-------------|---------|---------|
| Fuel | | 247,659 | 291,926 |
| Salaries, wages and benefits | (Note 27.2) | 153,454 | 142,037 |
| Rent, rates and taxes | | 101 | 163 |
| Insurance | | 3,580 | 3,917 |
| Depreciation | (Note 14) | 55,365 | 63,092 |
| Other expenses | | 19,068 | 15,863 |
| | | ----- | ----- |
| | | 856,409 | 974,618 |
| | | ===== | ===== |

| | | | |
|----------------------------|--|----------|-----------|
| Work-in-process: | | | |
| Opening stock | | 19,200 | 50,057 |
| Closing stock | | (14,583) | (19,200) |
| | | ----- | ----- |
| | | 4,617 | 30,857 |
| | | ----- | ----- |
| Cost of goods manufactured | | 861,026 | 1,005,475 |

| | | | |
|--------------------|--|----------|-----------|
| Finished goods | | | |
| Opening stock | | 17,556 | 25,864 |
| Closing stock | | (24,573) | (17,556) |
| | | ----- | ----- |
| | | (7,017) | 8,308 |
| | | ----- | ----- |
| COST OF GOODS SOLD | | 854,009 | 1,013,783 |
| | | ===== | ===== |

27.1 Raw material consumed

| | | | |
|-------------------------------|--|--------|--------|
| Opening stock of raw material | | 6,736 | 2,200 |
| Add: Purchases | | | |
| Explosives | | 3,345 | 3,989 |
| Excise duty on lime stone | | 428 | 559 |
| Royalties on lime stone | | 4,474 | 2,797 |
| Export tax | | 636 | 512 |
| Salaries, wages and benefits | | 25,486 | 24,368 |
| Stores and spares | | 10,388 | 16,608 |
| Electricity | | 3,571 | 5,038 |
| Transportation charges | | 4,205 | 3,934 |
| Gypsum | | 5,181 | 6,055 |

| | | |
|-------------------------------------|---------|---------|
| | ----- | ----- |
| | 64,450 | 66,060 |
| Less: Closing stock of raw material | (5,561) | (6,736) |
| | ----- | ----- |
| Raw material consumed | 58,889 | 59,324 |
| | ===== | ===== |
| | | = |

27.2 Salaries & Wages

| | | |
|---|---------|---------|
| Salaries and wages (including allowances) | 92,619 | 81,657 |
| Bonus | 8,612 | 17,770 |
| Contribution to Provident Fund | 4,179 | 3,849 |
| Provision for gratuity | 11,108 | 4,930 |
| Medical expenses/social security | 11,180 | 10,840 |
| Leave encashment | 11,246 | 10,283 |
| Old age benefits/education cess | 1,939 | 1,514 |
| Fair price shop/canteen subsidy | 952 | 1,068 |
| Group insurance | 481 | 94 |
| Other benefits | 11,138 | 10,032 |
| | ----- | ----- |
| | 153,454 | 142,037 |
| | ===== | ===== |
| | | = |

28. INTEREST INCOME

| | | |
|----------------------|-------|-------|
| On bank deposits | 3,347 | 3,383 |
| On loan to employees | 177 | 207 |
| | ----- | ----- |
| | 3,524 | 3,590 |
| | ===== | ===== |
| | | = |

29. MISCELLANEOUS INCOME

| | | |
|---------------|-------|-------|
| Sale of scrap | 2,425 | 2,986 |
| Others | 4,878 | 394 |
| | ----- | ----- |
| | 7,303 | 3,380 |

30. GENERAL AND ADMINISTRATIVE EXPENSES

| | | | |
|--|-------------|--------|--------|
| | | ===== | = |
| | | ===== | = |
| Salaries, wages and benefits | (Note 30.1) | 25,136 | 23,191 |
| Traveling and conveyance | | 495 | 524 |
| Vehicle running expenses | | 574 | 419 |
| Postage, telegrams and telephones | | 853 | 938 |
| Printing & stationary | | 535 | 893 |
| Rent, rates & taxes | | 1,061 | 759 |
| Electricity & gas | | 516 | 383 |
| Repair & maintenance | | 155 | 229 |
| Legal & professional charges | | 353 | 538 |
| Service charges - SCCP | | 454 | 751 |
| Service charges - Expert Advisory Cell | | 500 | 1,000 |
| Computer charges | | 393 | 398 |
| Subscription & donations | | 148 | 143 |
| Advertisement | | 103 | 317 |
| Insurance | | 39 | 27 |
| Entertainment | | 688 | 563 |
| Depreciation | (Note 14) | 298 | 358 |
| Provision for obsolete stores & spares | | 1,044 | 2,088 |
| Miscellaneous | | 137 | 1,858 |
| | | ----- | - |
| | | 33,482 | 35,377 |
| | | ===== | = |
| | | ===== | = |

30.1 Salaries, Wages and Benefits

| | | | |
|----------------------------------|--|--------|--------|
| Salaries & allowances | | 16,135 | 14,232 |
| Bonus | | 1,233 | 2,019 |
| Contribution to provident fund | | 1,218 | 853 |
| Provision for gratuity | | 1,433 | 769 |
| Medical expenses/social security | | 1,815 | 2,019 |
| Leave encashment | | 1,741 | 1,715 |
| Award to employees | | 59 | 59 |
| Old age benefits | | 224 | 180 |
| Canteen/fair price shop expenses | | 178 | 185 |
| Other benefits | | 1,100 | 1,160 |
| | | ----- | ----- |

| | | |
|--|--------|--------|
| | | - |
| | 25,136 | 23,191 |
| | ===== | ===== |
| | ===== | = |

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(RUPEES IN THOUSAND)

31. SELLING AND DISTRIBUTION EXPENSES

| | | |
|--------------------------------|-------|-------|
| Salaries, wages and benefits | 3,709 | 3,411 |
| Bonus | 228 | 468 |
| Provision for gratuity | 304 | 118 |
| Traveling & conveyance | 32 | 40 |
| Postage, telegrams & telephone | 208 | 249 |
| Printing & stationery | 26 | 30 |
| Rent, rates and taxes | 41 | 45 |
| Electricity & gas | 7 | 6 |
| Entertainment | 37 | 43 |
| Advertisement | - | 4 |
| Miscellaneous | 16 | 1 |
| Service charges | 231 | - |
| | ----- | ----- |
| | ----- | - |
| | 4,839 | 4,415 |
| | ===== | ===== |
| | ===== | = |

32. AUDITORS' REMUNERATION

| | | |
|----------------|-------|-------|
| Audit fee | 30 | 30 |
| Cost audit fee | 25 | - |
| Other expenses | 5 | 5 |
| | ----- | ----- |
| | ----- | - |
| | 60 | 35 |
| | ===== | ===== |
| | ===== | = |

33. FINANCIAL EXPENSES

| | | |
|-----------------------------|--------|--------|
| Interest on long term loans | 46,420 | 47,547 |
| Bank charges | 252 | 255 |
| | ----- | ----- |
| | ----- | - |
| | 46,672 | 47,802 |
| | ===== | ===== |

=

34. PRIOR YEAR'S ADJUSTMENT

| | | |
|------------------------------|----------|--------|
| Ex gratia payment to workers | 2,100 | 22,000 |
| Bonus payable | (14,531) | - |
| | ----- | ----- |
| | (12,431) | 22,000 |
| | ===== | ===== |
| | | = |

35. TAXATION

| | | |
|----------|---------|---------|
| Current | 3,760 | 4,635 |
| Deferred | (5,553) | (9,713) |
| | ----- | ----- |
| | (1,793) | (5,078) |
| | ===== | ===== |
| | | = |

36. REMUNERATION OF DIRECTORS AND EXECUTIVES

| | 1998 | | | 1997 | | |
|--|----------------------|----------|-----------|--------------------|----------|-----------|
| | Chief Executive | Director | Executive | Chief Executive | Director | Executive |
| | (RUPEES IN THOUSAND) | | | | | |
| Meeting fee | - | 6 | - | - | 2 | - |
| Remuneration | 203 | - | 6,145 | 199 | - | 6,419 |
| Contribution to Provident Fund | 17 | - | 501 | 17 | - | 522 |
| Gratuity provision | 103 | - | 418 | 35 | - | 435 |
| Housing, servants, medical, transportation and utilities (approx. money value) | 268 | - | 3,844 | 149 | - | 3,302 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | 591 | 6 | 10,908 | 400 | 2 | 10,678 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| No. of persons | 1 | 3 | 34 | 1 | 3 | 36 |

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 0.330 million tonnes of clinker (1997 0.421million tonnes). The shortfall in production was due to closure of kiln 1 and kiln 2 on account of higher fuel consumption and slump in the market.

38. UNAVAILED CREDIT FACILITIES

| | Sanctioned | Unavailed |
|---------------------|-------------------|------------------|
| Running finance | 30,000 | 30,000 |
| Letter of guarantee | 35,000 | 30,507 |
| Letter of credit | 35,000 | 27,220 |

39. The company has hired the services of a computer company for computerization of our accounts who have confirmed that they are working on the computer software in order to fulfill the requirement of "Year 2000".

40. 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

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**BEHRAM
HASSAN**
DIRECTOR

MUHAMMAD AKRAM
CHIEF