

# MUSTHEKUM CEMENT LIMITED

Annual Reports 2003

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## VISION & MISSION STATEMENT

"Musthehkam Cement Limited is committed to make sustained efforts towards optimum utilization of its resources through good corporate governance for serving the interests of all its stakeholders".

## STRATEGIC GOALS •

- Efficient deployment of resources
- Optimization of cost
- Minimization of losses
- Environmental protection

## STATEMENT OF BUSINESS ETHICS

- Transparency in transactions
- Sound business policies
- Judicious use of Company's resources
- Avoidance of conflicts of interest
- Justice to all
- Integrity at all levels
- Compliance of laws of the land

## BOARD OF DIRECTORS

M.P. GANGWANI

Chairman

MUHAMMAD RIAZ KHAN

Chief Executive

SAAD ASH RAF

SHAH RUKH ARBAB

MUHAMMAD ZAFAR KHAN

ABDUL BARI KHAN

SHAH ID ANWAR

## AUDIT COMMITTEE

Securities & Exchange Commission Govt. of Pakistan have under clause (xlvii) of the Code of Corporate Governance, granted relaxation to set up Audit Committee to the company as a closed unit.

SECRETARY	MUHAMMAD TABREZ BAIG
AUDITORS	FORD RHODES SIDAT HYDER & CO Chartered Accountants 3rd Floor, Eagle Plaza, 75-West Fazal-ul-Haq Road Blue Area, Islamabad.
BANKERS	Habib Bank Limited. National Bank of Pakistan
REGISTERED OFFICE	345-Bazar Road, Westridge, Rawalpindi Cantt.
FACTORY	H ATTAR, Distt. Haripur.

#### DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your company take pleasure in placing before you the 49<sup>th</sup> annual report togeth with the audited accounts and the auditors' report thereon for the year ended 30<sup>th</sup> June 2003.

#### FINANCIAL

The financial results of the company for the year are summarized as under:-

	(Rupees 2002-2003	in million) 2001-2002
Net profit/(loss) before tax	-92.451	-109.274
Reversal of dividend	-	184.8
	-92.451	75.526
Taxation	-	-
Net pro fit/( loss) after tax	-92.451	75.526
Balance brought forward	-820.627	-896.153
Net profit/(loss)	-913.078	-820.627

During the year, the company was unable to generate funds of its own because there was no production and marketing activity. Consequently the company could not arrange repayment to SCCP of Rs. 396.342 million against local currency loan, Rs. 52.335 million against loan for BMR and Rs. 416.021 million on account of interest accrued thereon. Instead SCCP had to give further loan of Rs. 1.560 million during the year for meeting with cash requirements of the company. The company also utilized long term security deposits amounting to Rs.2.297 million on the understanding by SCCP that they will lend the amount to the company as & when required for refund of these long term security deposits. The company sustained loss per share of Rs. 7.50 during the year under report. The Directors endorse the auditors' report to the members on the accounts of the company.

#### AUDITORS

The auditors Ford Rhodes Sidat Hyder and Company, Chartered Accountants retire and. beinj eligible, offer their services for reappointment.

#### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Mustehkam Cement Limited will be held at Flashman's Hotel, The Mall, Rawalpindi Cantt. on Tuesday the 30th September 2003, at 10.00 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 30,2003 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 22nd September, 2003 to 28th September, 2003 (both days inclusive).

Dated Rawalpindi:-

By Order of the Board

6th September, 2003.

Notes:-

Muhammad Tabrez Baig

Secretary

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.

There have been three (3) Board meetings during the year and the attendance of each director is stated hereunder:

Name of Director	No. of meetings attended
Mr. Zahid Hussain	3
Mr. M. P. Gangwani	*
Mr. Muhammad Riaz Khan	-
S. M. Fakhir Flasan (NIT nominee)	3
Mr. Saad Ashraf	-
Mr. Abdul Ghaffar Soomro (Govt. of N.W.F.P. nominee)	1
Mr. Shah Rukh Arbab	-
Mr. Muhammad Ilyas Dar (M.O.I. & P nominee)	-
Mr. Muhammad Zafar Khan	2
Mr. Abdul Bari Khan	-
Mr. Shahid Anwar (I.C.P. nominee)	-
	1

\* (No meeting of the Board took place during the year after nomination on the Board of Mr. M. P. Gangwani and Mr. Muhammad Zafar Khan).

Accounts for the quarter ending September 30,2002 were approved by the Board through resolution by circulation. The Directors who did not attend the above meetings were granted leave of absence by the Board of Directors.

m)- The pattern of shareholding is annexed,

n)- Trading of Company Shares

During the year, no share transactions involving the directors and the company secretary, their spouses and minor children have been undertaken.

## FUTURE OUTLOOK

Full Bench of the Supreme Court of Pakistan have after making final hearing of the appeal filed by the ex-owners of the company about its privatization announced their decision on 11-12-2002 directing the Privatization Commission to offer the shares held by SCCP to ex-owners @ Rs. 127.00 per share. Trade & Textile (Pvt) Ltd., the highest bidders in the second bidding, have filed review petition before the Honorable Supreme Court, which is yet pending. After the disposal of the review petition by the Court the company will, hopefully, be privatized and re-operated by the private management.

For and on behalf of the  
Board of Directors

## STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- a)- The financial statements prepared by the company fairly present its state of affairs, cash flows and changes in equity.
- b)- Proper books of accounts have been maintained by the company.
- c)- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d)- Applicable International Accounting Standards have been followed in preparation of financial statements and there has been no departure therefrom.
- e)- The company, as a closed unit, has been granted relaxation for setting up internal audit function. The company has, however, implemented necessary checks and balances, to safeguard the interests of all the stakeholder.
- f)- The company's accounts have been prepared on going concern basis which is linked with successful privatization and re-operation of the company.
- g)- • There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h)- The key operating and financial data of last six (6) years is annexed.
- i)- The company's operations being temporarily closed, could not declare dividend for the year under report.
- j)- There is nothing outstanding against your company on account of taxes, duties, levies and other charges except for those which are being made in the normal course of business.
- k)- The company maintains approved Provident and Gratuity Funds for its employees which after relieving of all the employees and arranging payment of their dues comprise of Provident and Gratuity dues of the Chief Executive Officer and Chief Financial Officer whose services have been retained pending privatization of the company.

## MUSTEHKAM CEMENT LIMITED

Pattern of Holding of Shares As on 30-06-2003

Sr. No.	No of Share Holder	Share Holding		No of Shares Held
		From	To	
1	3774	1	100	82052
2	693	101	500	140104
3	101	501	1000	73398
4	83	1001	5000	152204
5	12	5001	10000	77478
6	1	10001	15000	13566
7	1	15001	20000	20000

8	1	20001	25000	21933
9	1	30001	35000	34905
10	1	60001	65000	60200
11	1	1135001	1140000	1136226
12	1	10000001	Above	10507934
TOTAL:-	4670			12320000

CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 2003

Categories of Shareholders	No. of Shareholders	Shares held	Percentage	
State Cement Corporation of Pakistan (Pvt.) Limited	1	10,507,934	85.29	
Investment Corporation of Pakistan	1	34,905	0.28	
Investment Companies	3	3,685	0.03-	
Insurance Companies	4	20,876	0.17	
Joint Stock Companies	5	79,833	0.65	
National Investment Trust	1	1,136,226	9.22	
Financial Institutions	7	19,809	0.16	
Deputy Administrator Abandoned Properties (Bangladesh Citizens)	159	6,324	0.05	
Securities & Exchange Commission of Pakistan	1	1		
Individuals	4,488	510,407	4.15	
		4,670	12,320,000	100

Key Operating & Financial Data

Particulars	2003	2002	2001	2000	1999	1998	1997
Financial position							
Paid up capital	123.2	123.2	123.2	123.2	123.2	123.2	123.2
Tangible fixed assets at cost	1,305.65	1,312.34	1,313.81	1,314.01	1,353.18	1,369.76	1,369.76
Accumulated depreciation	1,058.13	1,033.44	1,001.57	964.989	951.288	918.551	862.888
Capital stores	35.768	35.768	35.768	35.768	35.768	35.768	35.768
Current assets	212.566	216.059	218.787	240.112	395.073	372.378	345.21
Current liabilities	1,104.22	916.048	903.179	734.344	767.063	622.61	514.338
Income							
Net sales	-	-	-	-	295.66	752.027	926.918
Other income	9.442	1.905	2.277	19.796	18.349	10.827	6.97
Pre tax (loss)	-92.451	-109.274	-139.326	-280.337	-220.901	-163.777	-189.524
Taxation	-	-	-3.189	-15.725	-0.557	1.793	5.078
Statistics & Ratios							
Pre-tax loss to sales %	-	-	-	-	74.71	21.78	20.45
Pre-tax loss to capital %	75.04	88.7	113.09	227.25	179.38	132.94	153.83
Current ratio	1:5.25	1:4.24	1:4.13	1:3.06	1:2.53	1:1.78	1:1.49
Paid up capital per share (Rs)	10	10	10	10	10	10	10
Loss after tax per share (Rs)	7.5	9	11	16	18	13	15
Break up value per share (Rs)	-53.7	-46.49	-52.33	-41.28	-25.23	-7.26	-5.89

Association required for managing the affairs of the company on behalf of the shareholders.

8. The Chief Financial Officer/Company Secretary is a regular employee of the company whose remuneration & terms and conditions of employment are subject to approval by the Board after the same are approved as a policy by the Govt/Holding Corporation from time to time.

9. The Directors' Report for this year has been prepared in compliance with the requirements of Code and fully describes the salient matters required to be disclosed.

10. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

11. The Directors, CEO and executives do not hold any interest in the shares of the company.
12. The Company has complied with all the corporate and financial reporting requirements of the Code.
13. The Securities & Exchange Commission of Pakistan have relaxed clause (xxx) of the Code in case of Mustehkam Cement Ltd., as a closed unit, to set up an Audit Committee.
14. The Securities & Exchange Commission Govt. of Pakistan have relaxed clause (xxxv) of the Code in case of Mustehkam Cement Ltd., as a closed unit, to set up an Internal Audit Function. The company has, however, implemented necessary checks & balances, to safeguard the interests of the stakeholders.
15. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidance on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

#### STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE

#### GOVERNANCE TO THE MEMBERS

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 37, chapter no. xiii of the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance, subject to relaxation granted by the Securities & Exchange Commission of Pakistan regarding clauses (xxx) and (xxxv) of the Code to set up an Audit Committee & an internal audit function, so far as feasible for a closed unit.

The company has applied the principles contained in the Code in the following manner.

1. The Directors of the company are nominees of the Federal/Provincial Governments, National Investment Trust and Investment Corporation of Pakistan and all their other directorships are in their capacity as nominees of the respective organization.
2. All the Directors of the Company being nominees of the Govts/Financial Institutions have to pay taxes through their respective departments and cannot afford to make a default in payment of any loan to a banking company, a DPI or a NBFIL.
3. The company is already following SCCP's accounting manual and system of budgetary control. The company has, however, also prepared a 'Statement of Ethics of Business Practices', to establish a standard of conduct, which are being signed by the Directors and employees of the company.
4. The Board has developed a mission statement. Overall corporate strategy and significant of the company already exist in the shape of SCCP's accounting manual and system of budgetary control.
5. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. The Chief Executive Officer is a nominee of the Federal Govt. whose remuneration and terms and conditions of employment are subject to approval by the Board after the same are approved as a policy by the

Govt/Holding Corporation from time to time.

6. The meetings of the Board were presided over by the Chairman and the Board either met at least once in every quarter or resolved the approval of the accounts through resolution by circulation. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

7. The Board of Directors of the Company are aware of their responsibilities and fully conversant with the provisions of Companies Ordinance, 1984 and all other business and regulatory laws and the provisions of the Memorandum and Articles of

#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Mustehkam Cement Limited as at 30 June 2003 and the

related profit and loss account for the year then ended and the cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

a) The accompanying balance sheet includes long term security deposits of Rs. 2.297 million, which are not kept in a special account with a scheduled bank as required under Section 226 of the Companies Ordinance, 1984.

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

c) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been

drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business;

and

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

d) In our opinion and to the best of our information and according to the explanations given to us, the \_\_\_ balance sheet, profit and loss account, cash flow statement and statement of changes in equity

together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and except for the matter referred to in (a) above, respectively give a true and fair

view of the state of the Company's affairs as at 30 June 2003 and of the loss for the year then ended and its cash flows and changes in equity for the year then ended; and

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

Without qualifying our opinion we draw attention to note 1.3 of the financial statements, which may cast doubt about the Company's ability to continue as going concern. However, these accounts have been prepared on going concern basis, which is dependant on the successful outcome of the matters stated in the aforesaid note.

#### REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Mustehkum Cement Limited (the Company) to comply with the respective listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended 30 June 2003.

	NOTE	2003 (Rupees)	2002 (Rupees)
Assets			
Non - current assets			
Tangible fixed assets	12	247,520,946	278,897,003
- at cost less accumulated depreciation			
Capital stores		35,768,133	35,768,133
		283,289,079	314,665,136
Current assets			
Stores, spares and loose tools	13	178,483,994	178,525,037
Stock in trade	14	2,782,782	2,782,782
Advances, deposits, prepayments and other receivables	15	30,447,975	29,189,733
Cash and cash equivalents	16	851,494	5,561,471
		212,566,245	216,059,023
	i	495,855,324	530,724,159

#### BALANCE SHEET >

	NOTE	2003 (Rupees)	2002 (Rupees)
Share Capital			
Authorized			
18,000,000 ordinary shares of Rs 10/- each		180,000,000	180,000,000
Issued, subscribed and paid up	3	123,200,000	123,200,000



Reserves	4	128,288,650	128,288,650
Accumulated losses		-913,077,921	(820,627,413)
		-661,589,271	-569,138,763
Non-current liabilities			
Long term loans	5	50,929,152	181,483,152
Long term security deposits	6	2,296,756	2,331,756
		53,225,908	183,814,908
Current liabilities			
Current portion of long term loans	7	580,790,674	448,676,674
Creditors, accrued and other liabilities	8	520,644,985	464,588,312
Dividend payable	9	2,783,028	2,783,028
		1,104,218,687	916,048,014
Contingencies and commitments	11	-	-
		495,855,324	530,724,159

## AUDITORS' REPORT ANNEXED

The annexed notes from an integral part of these financial statements.

## MUSTEHKAM CEMENT LIMITED

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 (Rupees)	2002 (Rupees)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		-92,450,508	-109,274,503
Items not involving movement of cash:			
Depreciation		28,897,495	32,904,229
Gain on sale of fixed assets		-1,442,201	-919,000
Provision for bad debts		-	71,777
Loss on theft of fixed asset		72,182	-
Reversal of provision for taxation		-889,019	-570,503
Financial charges		65,600,023	65,221,066
		92,238,480	96,707,569
		-212,028	-12,566,934
(Increase) / decrease in current assets			
Stores and spares		41,043	21,030
Advances, deposits, prepayments and other receivables		-1,258,242	4,138,790
		-1,217,199	4,159,820
Increase / (decrease) in current liabilities			
Creditors, accrued and other liabilities		-8,645,771	-988,090
Net cash from working capital		-9,862,970	3,171,730
Cash used in operations		-10,074,998	-9,395,204
Income tax paid		-	-28,476
Financial charges paid		(8,5601	-3,318
Net cash used in operating activities		-10,083,558	-9,426,998
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of assets		-48,419	-
Proceeds from sale of fixed assets		3,897,003	1,354,666
Net cash from investing activities		3,848,584	1,354,666
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt of long term loans		1,560,000	9,758,843
Long term security deposits		-35,000	-210,000
Dividend paid		-	-1,316
Net cash from financing activities		1,525,000	9,547,527
Net (decrease)/increase in cash and cash equivalents		(4,709,974)	1,475,195

Cash and cash equivalents at beginning of the year		5,561,468	4,086,273
Cash and cash equivalents at end of the year	16	851,494	5,561,468

The annexed notes form an integral part of these financial statements.

## MUSTEHKAM CEMENT LIMITED

### PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2003

	NOTE	2003 (Rupees)	2002 (Rupees)
Revenue	1.3	-	-
Expenditure			
General and administration expenses	17	-37,173,041	-46,529,670
Financial charges	0.18	-65,608,583	-65,221,066
		-102,781,624	-111,750,736
Other income	19	9,442,097	1,905,730
Reversal of provision for taxation	20	889,019	570,503
Loss before taxation		-92,450,508	-109,274,503
Taxation	20	-	-
Loss after taxation		-92,450,508	-109,274,503
Accumulated losses brought forward		-820,627,413	-711,352,910
Accumulated losses carried forward		-913,077,921	-820,627,413
Loss per share	21	Rs. (7.50)	Rs. (8.87)

The annexed notes form an integral part of these financial statements.

## MUSTEHKAM CEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

#### 1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Mustehkam Cement Limited (the Company) is a public company limited by shares incorporated in Pakistan under the Companies Act, 1913 since repealed and replaced by the Companies Ordinance, 1984. The shares of the Company are listed on Karachi, Lahore and Islamabad Stock Exchanges.

1.2 The Company is primarily engaged in the business of production and sale of Portland cement. The registered office of the Company is located at 345 Bazar Road, Westridge, Rawalpindi, Pakistan.

1.3 The Company has incurred a loss after tax of Rs. 92.451 million for the year ended 30 June 2003 and has accumulated losses of Rs. 913.078 million as at that date. Further, current liabilities of the Company have exceeded its current assets by Rs. 891.652 million and total liabilities are in excess of total assets by Rs. 661.589 million.

The Company's operations were suspended on 10 January 1999 under the instructions from the Privatization Commission, Government of Pakistan. However, these accounts have been prepared on going concern basis in view that the Company will recommence its operation after successful privatization of 85% of equity held by State Cement Corporation of Pakistan (Private) Limited (SCCP). The Privatization Commission of Pakistan has already paid Rs. 477.192 million in this regard to 1,076 employees of the Company during 1998-99 and 1999-2000 under golden handshake/voluntary separation scheme. Therefore, these financial statements do not include any adjustment that might result, should the Company not be able to continue as a going concern.

#### 2. - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements are as follows:

##### 2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

## 2.2 Accounting convention

The accompanying financial statements have been prepared under the historical cost convention.

## 2.3 Staff retirement benefits

### 2.3.1 Defined benefit plan

The Company operates approved funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision is made annually to cover obligations under the scheme. Management believes that the total gratuity fund balance would not differ materially had the amount been worked out by Actuarial valuation.

#### MUSTEHKAM CEMENT LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2003

	NOTE	Share Capital	Capital Reserve	General Reserve	Accumulated losses	Total (Rs)
Balance as at 01 July 2001		123,200,000	288,650	128,000,000	-896,152,910	-644,664,260
Reversal of dividend	9.1	-	-	-	184,800,000	184,800,000
Restated balance		123,200,000	288,650	128,000,000	-711,352,910	-459,864,260
Loss after taxation		-	-	-	-109,274,503	-109,274,503
Balance as at 30 June 2002	Rupees	123,200,000	288,650	128,000,000	-820,627,413	-569,138,763
Balance as at 01 July 2002		123,200,000	288,650	128,000,000	-820,627,413	-569,138,763
Loss after taxation		-	-	-	-92,450,508	-92,450,508
Balance as at 30 June 2003		123,200,000	288,650	128,000,000	-913,077,921	-661,589,271

The annexed notes form an integral part of these financial statements.

## 2.7 Stores, spares and loose tools

These are valued on cost, based on weighted average or net realisable, value whichever is lower. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined primarily on the basis of average cost. Unrealisable inventory has been fully written off.

## 2.8 Stock in trade

Stock is valued at the lower of cost and net realisable value. Net realisable value is the selling price in the ordinary course of business, less the cost necessary to make the sale.

## 2.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

## 2.10 Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalent, trade and other accounts receivable and payable, advances, deposits and other receivables, dividend payable and loans. The accounting policies of recognition and measurement

of these items are disclosed in the respective accounting policies found in this note.

## 2.11 Provisions

A provision is recognised when, and only when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

## 2.12 Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Interest on bank deposits is recognised on accrual basis.

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## 2.13 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

## 2.3.2 Defined contribution plan

The Company also operates an approved provident fund scheme for eligible employees. Contributions to the fund are made in accordance with the terms of the scheme. The Company's contributions relating to defined contribution plans are charged to income in the year to which they relate.

## 2.4 Income taxes

The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences, are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflect the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each balance sheet date, the Company re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all, of that deferred tax asset to be utilised.

## 2.5 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation except land which is stated at cost. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

The initial cost of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of fixed assets.

Depreciation is charged on the reducing balance method over the estimated useful life of the assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets.

## 2.6 Impairment of assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit and loss account for items of fixed assets. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

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## 6. LONG TERM DEPOSITS

These represent interest free security deposits from stockists and are repayable on withdrawal or termination of agency arrangements.

	NOTE	2003 (Rupees)	2002 (Rupees)
7. CURRENT PORTION OF LONG TERM LOANS			
Local currency			
Current		132,114,000	132,114,000
• Overdue		396,342,326	264,228,326
		528,456,326	396,342,326
Loan against BMR - Overdue			
First tranche		3,609,732	3,609,732
Second tranche		48,724,616	48,724,616
		52,334,348	52,334,348
		580,790,674	448,676,674
8. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		2,886,643	3,291,663
Accrued liabilities		11,047,714	11,327,104
Due to holding and associated undertakings	8.1	71,551,069	72,295,223
Advances from customers		12,407,615	12,407,615
Retention money from contractors		93,851	93,851
Financial charges payable on long term loans:			
Local currency loan - Secured		375,957,281	318,171,314
Loan against BMR - Unsecured		40,063,560	32,249,504
		416,020,841	350,420,818
Workers' welfare fund payable		4,351,852	4,351,852
Payable to employees		820,474	823,468
Sales tax payable		-	179,319
Excise duty payable		11,591	11,591
Others		1,453,335	9,385,808
		520,644,985	464,588,312
8.1 Due to holding and associated undertakings			
SCCP		71,522,548	72,199,932

	Pakistan Industrial Development Corporation	-	64,985
	Thatta Cement Company Limited	28,521	30,306
		71,551,069	72,295,223
9.	DIVIDEND PAYABLE		
	Unclaimed and unpaid	2,783,028	2,783,028

9.1 Dividend had not been paid as the Honourable Supreme Court of Pakistan had granted status quo against payment of dividend till hearing of and decision on the petition filed in this regard against the Company. However, during the year 2001-2002 shareholders decided to reverse the liability for unpaid dividend of Rs 184.800 million in view of the adverse financial position of the Company.

10. Deferred tax arising out of timing difference between accounting and income tax revenues/charges is not provided for in these financial statements since these timing differences are not expected to reverse in the foreseeable future due to heavy accumulated losses.

	NOTE	2003 (Rupees)	2002 (Rupees)
3.	ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
	9,030,000 ordinary shares of Rs 10/- each fully paid up in cash	90,300,000	90,300,000
	3,290,000 ordinary shares of Rs.10/- each issued as fully paid bonus shares	32,900,000	32,900,000
		123,200,000	123,200,000
3.1	Holding Company (SCCP) holds 8529% of issued, subscribed and paid up capital, i.e., 10,507,934 (2002:10,507,934) ordinary shares of Rs.10/- each.		
I.	RESERVES		
	Capital Reserve	288,650	288,650
	Revenue Reserve	128,000,000	128,000,000
		128,288,650	128,288,650
5.	LONG TERM LOANS		
	From Holding Company		
	Local- currency loan - partially secured	5.1 579,385,478	577,825,478
	Loan against BMR - unsecured	5.2	
	First tranche	3,609,732	3,609,732
	Second tranche	48,724,616	48,724,616
		52,334,348	52,334,348
		631,719,826	630,159,826
	Current portion of long term loans	7	
	Overdue	448,676,674	316,562,674
	Current maturity	132,114,000	132,114,000
		580,790,674	448,676,674
		50,929,152	181,483,152

5.1 SCCP had initially sanctioned a loan of Rs. 250 million which was later increased to Rs. 528 million. The Company can obtain further loan under the same facility for meeting its running costs against which additional amounts aggregating Rs. 50.929 million have been disbursed to the Company upto the balance sheet date. This loan is repayable, according to the repayment schedule of the enhanced facility, in eight biannual instalments commencing from 1 December 2000. This loan is secured against first charge on fixed assets of the Company to the extent of Rs.451.284 million and the Company has issued a promissory note of Rs. 330.301 million in favour of the Holding Company. This loan carries interest at the rate of 14% per annum upto 2 November 2000 and at the rate of 10% per annum from 3 November 2000.

5.2 This represents loan for capital expenditure incurred in US dollars obtained through SCCP for the Company's Balancing, Modernization and Replacement (BMR) programme. The loan is repayable in fourteen equal bi-annual installments commencing from 1 April 1993 against the First tranche and from 1 October 1994 against the Second tranche, over a period of seven years. The repayment schedule drawn in US dollars was revised in Pak Rupees in 1992-93 and was further rescheduled on 7 March 1995. The first and second tranche of the loan carry mark up at the rate of 14% and 15% per annum, respectively

## 12. Tangible fixed assets

- at cost less accumulated depreciation

## 12.1 The following is the statement of fixed assets:

PARTICULARS	As at 01 July 2002	COST		As at 01 July 2002	DEPRECIATION		W.D.V		Annual rate of depreciation %
		Additions / (Deletions)	As at 30 June 2003		For the Year	Deletions	As at 30 June 2003	As at 30 June 2003	
Land - freehold	5,811,299	-	5,811,299		-	-		5,811,299	
Factory buildings	133,992,917		133,992,917	118,537,309	1,545,561		120,082,870	13,910,048	10%
Office building	1,266,370	-	1,266,370	886,419	37,995	-	924,414	341,956	10%
Godown	603,887		603,887	291,151	15,637		306,788	297,098	5%
Housing colony	38,021.09	-	38,021,085	31,379,368	664,172	-	32,043,540	5,977,546	10%
Plant and machinery	940,700,374	-502,803	940,197,571	715,105,709	22,509,186		737,614,895	202,582,676	10%
Electical installation	31,039,420	-1,864,000	29,175,420	27,369,289	180,613		27,549,902	1,625,517	10%
Gas installation	2,143,102	-	2,143,102	1,497,747	64,536	-	1,562,283	580,819	10%
Vehicles	149,510,083	-4,229,962	145,280,121	130,936,516	3,704,833	-4,180,560	130,460,79	14,819,332	20%
Furniture and fixtures	4,223,975	-	4,223,975	3,158,694	106,528	-	3,265,222	958,753	10%
Office equipment	3,898.59	48,419	3,803.197	3,305,795	53,044	-33,033	3,325.81	477.392	10%
		-143,813							
Railway sidings	1,063,075		1,063,075	929,863	13,321		943,184	119,891	10%
Library books	66,035	-	66,035	45,346	2,069	-	47,415	18,619	10%
2003 - Rupees	1,312,340,213	48,419	1,305,648,054	1,033,443.21	28,897,495	-4,213,593	1,058,127,108	247,520.946	
		-6,740,578							
2002 - Rupees	1,313,810,254	-1,470,042	1,312,340,212	1,001,573,356	32,904,229	-1,034,376	1,033,443,209	278,897,003	

12.2 Fixed assets of the Company are encumbered with the holding company under a registered charge against long term loan to the extent of Rs.451.284 million, as disclosed in Note 5

12.3 The following assets were disposed off during the year:

	Cost	Accumulated Depreciation	Book Value	Sales Proceeds	Profit on Disposals	Mode of Disposals	Particulars of Purchaser
Plant and machinery	502,803	-	502,803	502,803	-	Tender	Supra Steel Gujrat
Electrical installation	1,864,000	-	1,864,000	1,864,000	-	Tender	Fatima Enterprises Wah Cantt
Office equipment	38,598		38,598	38,598		Tender	Shafqat Ullah Islamabad
Suzuki Car RIP 5575	217,105	207,556	9,549	131,000	121,452	Tender	Fatima Enterprises Wah Cantt
Locomotive Engine	433,678	433,180	498	151,786	151,289	Tender	S.S Brothers Wah Cantt
Avelling Bedford Truck	493,720	492,956	764	36,786	36,022	Tender	S.S Brothers Wah Cantt
Locomotive Engine Bromvelli	2,251,197	2,229,691	21,506	113,030	91,524	Tender	M.Siddque & Co Lahore
Toyota Dayana Ambulance RIP 7844	157,000	154,737	2,263	260,000	257,737	Tender	Mr. Iltaf Hussain Rawalpindi
Vespa Scooter RIS 386	19,500	18,951	549	19,000	18,451	Tender	Haji M.Riaz Rawalpindi.
Toyota Jeep RIL 5324	203,338	200,407	2,931	240,000	237,070	Tender	Haji M.Riaz Rawalpindi.
Suzuki Car RIP 5860	159,231	153,979	5,252	130,000	124,748	Insurance claim	National Insurance Co. Ltd
Suzuki Jeep RIP 6257	98,833	97,053	1,78	119,834	118,054	Tender	Taimoor ud din Sukhar
Toyota Hilux RIM 561 7	120,000	117,838	2,162	145,499	143,337	Tender	Taimoor ud din Sukhar
Suzuki Pick Up RIN 2580	76,361	74,212	2,149	144,667	142,518	Tender	Taimoor ud din Sukhar
	4,229,963	4,180,56	49,403	1,491,602	1,442,202		
	6,635.36	4,180.560	2,454.80	3,897,003	1,442,202		
Assets written off							
Office equipment (Computers)	10,521,500	33,033	Loss written off 72,182	Theft			

## 11. CONTINGENCIES AND COMMITMENTS

## Contingencies

11.1 A demand of Rs. 19 720 million for Workers' Welfare Fund was raised by the income tax assessing officer for assessment year 1987-88 to 1996-97. The Company filed appeals against the decisions of the assessing officer Appellate authorities have decided the case in favour of the Company for assessment years 1987-88 to 1994-95 involving Rs. 15.368 million and against the Company for assessment years 1995-96 and 1996-97 involving Rs. 4.352 million. Subsequently, Income Tax Department filed appeals before the Honourable Lahore High Court against the decisions of the Appellate Authorities for assessment years 1987-88 to 1994-95, which is pending

adjudication.

11.2 A demand of Rs. 2.528 million was raised by the Sales Tax Authorities in September 1997 disallowing input sales tax adjustment of Rs. 2.528 million paid on import of dump truck having C&F value of Rs. 8.511 million in November 1996. The Company went into appeal before the Collector Customs, Central Excise & Sales Tax (Appeals) which had been decided in favour of the Company. On appeal by the Department, Customs, Central Excise & Sales Tax Appellate Tribunal, Peshawar, decided the matter in favour of the Department. The Company has since filed appeal against the decision of the Tribunal before the Honourable Peshawar High Court where the matter is still subjudice

11.3 The Assistant Collector (Audit-I) Collectorate of Sales Tax & Central Excise, Peshawar, has raised a demand for payment of sales tax on clay and limestone amounting to Rs.1 525 million on the basis of decision against Cherat Cement Company Limited by Sales Tax Appellate Tribunal. However, in the case of Attock Cement Limited, the Honourable High Court of Baluchistan decided that sales tax can not be levied on limestone and clay. The Company is, therefore, confident that based on the decision of the Honourable High Court of Baluchistan the above demand is not leviable.

11.4 Export tax on limestone excavated ex-Punjab mines @ Rs. 3 per tonne was levied by the Government of Punjab w.e.f. 1 July 1990 amounting to Rs. 8.028 million on 2.676 million tons of limestone excavated from 1 July 1990 to 10 January 1999 ex-Punjab mining lease. The Company has won the case upto the High Court level, decision given by the the Rawalpindi Bench of the Honourable Lahore High Court being in favour of the Company. The Government of Punjab filed a civil petition for leave to appeal before the Honourable Supreme Court of Pakistan during the year.

#### Commitment

11.5 As disclosed in Note 5.1, the Company has issued a promissory note of Rs. 330.301 million (2002: Rs. 330.301 million) in favour of the Holding Company against the local currency loan.

	NOTE	2003 (Rupees)	2002 (Rupees)
<b>17. GENERAL AND ADMINISTRATION EXPENSES</b>			
Salaries, wages and other benefits		2,051,399	2,583,584
Travelling and conveyance		50,337	222,460
Printing and stationery		193,569	312,482
Electricity and gas	17.1	936,336	1,339,768
Telephone, postage and telegram		165,789	226,068
Vehicles' running and maintenance		305,501	326,360
Legal and professional expenses		104,758	273,140
Auditors' remuneration			
Audit fee		75,000	75,000
Out of pocket expenses		5,000	•
Half year accounts review fee		20,000	•-
		100,000	75,000
Repair and maintenance		24,387	158,334
Entertainment		75,057	79,076
Subscriptions		96,675	101,770
Contract payments		2,869,905	3,042,890
Rent, rates and taxes		159,824	419,200
Advertisement		94,179	275,499
Computer charges		240,000	240,000
Insurance		713,281	1,881,169
Depreciation		28,897,494	32,904,230
Provision for doubtful advances		-	71,777
Loss on theft of computers		72,182	-
Loss on sale of circuit breaker		7,437	-
Charge by Holding Company	17.2	-	1,897,261
Miscellaneous		14,931	99,602
		37,173,041	46,529,670

17.1 Includes consumption of stores (diesel) of Rs. 752,272 (2002: Rs. 1,155,812)



172 Represents one-fourth of Rs.7.589 million incurred by SCCP on account of development of Management Information and Human Resources in its subsidiary units, being the Company's share of such cost

#### 18. FINANCIAL CHARGES

Interest on long term loans	18.1	65,600,023	65,217,748
Bank charges		8,560	3,318
		65,608,583	65,221,066

18.1 Represents interest on loans from SCCP, as fully disclosed in Note 5.

#### 19. OTHER INCOME

Interest on ,			
Bank deposits		112,964	191,853
Gratuity fund deposits		99,737	154,570
		212,701	346,423
Gain on sale of fixed assets		1,442,201	919,000
Income from sale of scrap		203,262	398,809
Provision - written back	19.1	6,502,052	-
Others		1,081,881	241,498
		9,442,097	1,905,730

19.1 As fully disclosed in Note 11.4, the provision made in prior years has been written back after favourable decision made by the Rawalpindi Bench of the Honourable Lahore High Court.

	NOTE	2003 (Rupees)	2002 (Rupees)
13. STORES, SPARES AND LOOSE TOOLS			
Stores		20,337,849	20,339,182
Spares		164,982,479	165,022,189
Loose tools		190,927	190,927
		185,511,255	185,552,298
Less: Provision for obsolete items	13.1	-7,027,261	-7,027,261
		178,483,994	178,525,037
131 Provision relates to obsolete store items and- vehicles' spares			
14. STOCK IN TRADE			/
Raw material		2,495,287	2,495,287
Packing material		287,495	287,495
		2,782,782	2,782,782
15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - unsecured			
Suppliers			
- Considered good		926,495	947,718
- Considered doubtful		1,324,312	1,324,312
		2,250,807	2,272,030
Less: Provision for doubtful advances		-1,324,312	-1,324,312
		926,495	947,718
Advance tax			
Income tax		17,589,949	16,690,721
Excise duty		9,389	9,389
Sales tax	15.1	9,859,961	9,860,19
		27,459,299	26,560,298
Security deposits		796,290	796,290
Prepayments		491,955	-
Receivable from associated undertakings	15.2	-	92,242
Other receivables		773,936	793,185
		30,447,975	29,189,733

15.1 Includes demand of Rs. 9.758 million raised incorrectly by the Central Excise and Sales Tax Department against the Company by disallowing the input sales tax claim. The amount has been deposited under protest and an appeal has been filed against the demand, which is pending before the Customs, Excise and Sales Tax Appellate Tribunal. The management is hopeful that the case will be decided in favour of the Company.

15:2 Receivable from associated undertakings

Associated Cement Limited - Rohri	-	92,242
16. CASH AND CASH EQUIVALENTS		
Cash in hand	23,594	38,753
Bank balances		
Deposit accounts	16.1	736,470
Current accounts		5,123,322
		91,430
		399,396
		851,494
		5,561,471

161 Deposit accounts earned markup at the rates ranging from 1.5 % to 4 75% during the year

## 22. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for the year ended 30 June 2003 are as follows:

	Chief Executive		Directors		Executives	
	2003	2002	2003	2002	2003	2002
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Remuneration	202,908	202,908	-	-	149,088	149,088
Meeting fee	-	-	2,500	2,500	-	-
Provident fund	16,908	16,908	-	-	15,948	15,948
Others	201,000	132,932	-	-	210,000	191,694
Rupees	420,816	352,748	2,500	2,500	375,036	356,730
Number of persons	1	1	3	3	1	1

221 The Chief Executive is provided with a Company maintained car.

## 23. TRANSACTIONS WITH HOLDING COMPANY AND ASSOCIATED UNDERTAKINGS

Maximum aggregate current account balance, being amount due to Holding Company and Associated Undertakings, at the end of any month during the year was Rs. 70.312 million ( 2002: Rs. 70.495).

During the year the Company received loan amounting to Rs: 1,560 million ( 2002: Rs. 7.861 million) from the Holding Company.

The Company enters into transactions with related parties during the normal course of business on an arms-length basis. Significant transactions with related parties during the year were as follows:

## 24. CAPACITY AND PRODUCTION

(QUANTITY IN TONS)

	2003		2002	
	Capacity	Actual	Capacity	Actual
Clinker	630,000	-	630,000	-
Cement	660,000'	-	660,000	-

There has been no production during the year as the Company has temporarily suspended its operations since 10 January 199S

## 20. TAXATION

20.1 As the Company has incurred loss during the year, no provision has been made in the financial statements.

20.2 The balance of provision for taxation was reversed in the year 2002-2003 as the same was no longer considered to be required, in view of significant accumulated losses.

## 21. LOSS PER SHARE

The number of shares remained constant at 12,320,000(2002: 12,320,000). Loss per share is Rs. 7.50 (2002: Rs. 8.87). There were no subscription rights outstanding and, therefore, there are no dilutive potential shares.

2003

2002

	(Rupees)	(Rupees)
Loss after taxation	-92,450,508	-109,274,503
Weighted average number of ordinary shares	12,320,000	12,320,000
Loss per share (Rupees)	-7.5	-8.87

## 25. FINANCIAL INSTRUMENTS

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June 2003 are summarised as follows:

	INTEREST BEARING			NON INTEREST BEARING			Total
	Upto one year	One to <b>five years</b>	Total	Upto one year	One to <b>five years</b>	Total	
Financial assets:							
Advances and other receivables	-	-	-	2,496,721	-	2,496,721	2,496,721
Cash and bank balances	736,470	-	736,470	115,024	-	115,024	851,494
2003 - Rupees	736,470	-	736,470	2,611,745	-	2,611,745	3,348,215
2002 - Rupees	5,123,322	-	5,123,322	3,067,589	-	3,067,589	8,190,911
Financial liabilities:							
Long term loan	580,790,674	50,929,152	631,719,826	-	-	-	631,719,826
Long term security deposits	-	-	-	-	2,296,756	2,296,756	2,296,756
Creditors, accrued and other liabilities	-	-	-	520,644,985	-	520,644.99	520,644.985
Dividend payable	-	-	-	2,783,028	-	2,783,028	2,783,028
2003 - Rupees	580,790,674	50,929,152	631,719,826	523,428,013	2,296,756	525,724,769	1,157,444,595
2002 - Rupees	448,676,674	181,483,152	630,159,826	467,371,34	2,331,756	469,703,095	1,099,862,921

Effective interest rates for financial liabilities are mentioned in respective notes to the accounts

Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted

### Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value

## 26. DATE OF AUTHORIZATION

The financial statements were authorized for issue on 1 st September, 2003 by the Board of Directors of the Company

## 27. NUMBER OF EMPLOYEES

27.1 The Company has 2 (2002: 2) employees at the year end.

27.2 The Privatization Commission of Pakistan paid Rs 346.208 million and Rs. 130984 million to 637 employees in 1998-99 and 439 employees in 1999-2000, respectively, under golden handshake/voluntary separation scheme in view of proposed privatization of the Company under the Government instructions

## 28. CORRESPONDING FIGURES

Previous year's figures have been rearranged and reclassified wherever necessary for the purpose of comparison. No reclassification is considered material requiring explanation to be given.