

Essa Cement Industries Limited

Annual Report 2000

CONTENTS

Company Information
Notice of Meeting
Directors' Report to the Members
Financial Highlights
Pattern of Share Holding
Auditors' Report to the Members
Balance Sheet
Profit and Loss Account
Cash Flow Statement
Notes to the Accounts

COMPANY INFORMATION

BOARD OF DIRECTORS

MR. ABDUL AZIZ ESSA
MRS. HUMERA ESSA
MRS. JAMILA YOUNUS DADA
MRS. ZAITOON HAMZA DADA
MRS. SAZINA JAWED ESSA
MR. IRFAN AZIZ ESSA
MR. ZAFARUDDIN SIDDIQUI

CHAIRMAN & CHIEF EXECUTIVE

COMPANY SECRETARY

MR. ABDUL HAMEED

AUDITORS

F.R. MERCHANT & CO,
CHARTERED ACCOUNTANTS

BANKERS

HABIB BANK LIMITED
NATIONAL BANK OF PAKISTAN
MUSLIM COMMERCIAL BANK LIMITED
ANZ GRINDLAYS BANK
ALLIED BANK OF PAKISTAN LIMITED
BOLAN BANK LIMITED
SONERI BANK LIMITED
BANK AL HABIB LIMITED
FAYSAL BANK LIMITED
THE BANK OF PUNJAB

REGISTERED OFFICE

FL-2/1, BLOCK-6,
GULSHAN-E-IQBAL,
KARACHI- 75300

FACTORY
DEH KALO KOHAR
NOORIABAD INDUSTRIAL AREA,
DISTRICT DADU, (SINDH)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that Annual General Meeting of the Company will be held on Friday, March 30, 2001 at 6.30 p.m. at the Registered Office of the Company at FL-2/1, Block-6, Gulshan-e-Iqbal, Karachi, to transact the following business:

- 1) To confirm the minutes of the last Annual General Meeting.
- 2) To receive and consider the Audited Accounts of the company for the year ended June 30, 2000 with the Directors' and the Auditors' Reports thereon.
- 3) To appoint Auditors for the year 2000-2001 and to fix their remuneration.
- 4) To transact any other business with the permission of the Chairman.

By Order of the Board

ABDUL HAMEED
Secretary

KARACHI: February 28, 2001

NOTES:

- 1) The Share Transfer Books of the Company will remain closed from March 22, 2001 to March 30, 2001 (both days inclusive).
- 2) A member entitled to attend and vote at the Annual General Meeting may appoint another member as the proxy to attend and vote on his/her behalf. Proxies must be duly filled, signed and deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

Shareholders are requested to promptly notify the Company of any change in their addresses, if any.

DIRECTORS' REPORT TO THE MEMBERS

Your directors have pleasure in presenting their report alongwith audited accounts and auditors' report thereon for the year ended June 30, 2000.

PRODUCTION:

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

	<i>1999-2000</i>	<i>1998-99</i>
	<i>M. Tons</i>	<i>M. Tons</i>
Clinker	240,860	161,451
Ordinary Portland Cement.	224,120	139,422
Slag Cement	29,190	32,440
Sulphate Resistance Cement	6,540	6,670

SALES & MARKETING:

The company was able to sell 262,766 m.tons of cement during the year ended 30th June, 2000 as against 174,785 m.tons sold during the preceding year registering an increase of 50.34% from the previous year.

Gross Sales Revenue amounted to Rs.941.355 million, out of which Rs. 367.872 million were paid to the government as Excise Duty. Net sales revenue amounted to Rs. 573.483 million.

FINANCIAL RESULTS:

Inspite of lower capacity utilization, sharp increase in price of furnace oil since August 1999 and wide fluctuation in selling prices, the company managed to earn an operating profit of Rs. 63.068 million as against Rs. 68.452 million earned during the preceding year. Net profit for the year after prior years adjustments and provision for taxation amounted to Rs. 6.085 million.

PATTERN OF SHAREHOLDING:

The Shareholding Pattern of the company as on June 30, 2000 is included in the Annual Report.

DEBT SERVICING:

Due to financial constraints, we approached Overseas Credit & Investment Co. Ltd for restructuring of loans. The matter is in advance stage and we expect that restructuring will be done in near future.

AUDITORS:

The present Auditors M/s. F.R. Merchant & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment as Auditors of the Company for the year 2000-2001.

BOARD OF DIRECTORS:

It is with profound sorrow, grief and regret that we inform you of the sudden demise of our beloved director/company secretary Mr. Jawed Aziz Essa (Inna Lillahe Va Inna Elaihe Rajeeon), He was the pillar of our company, a dynamic entrepreneur and indeed an asset for us. We all pray from the bottom of our hearts for his success in the hereafter endless life. It is our obligation to him to follow his policies and fulfill his aims with equal resolve, and also pledge that we shall carry forward his noble mission in such a way so as to meet his desires and expectations.

The vacancy created in the Board of Directors has been filled by Mrs. Sazina Jawed Essa.

ACKNOWLEDGEMENT:

The Board express its thanks for the valuable services, loyalty and commendable efforts

rendered by the executives, staff members and workers of the Company, during the year under review, and wish to place on record its appreciation for the same.

For and on behalf of the Board

ABDUL AZIZ ESSA
Chairman/Chief Executive

KARACHI: February 28, 2001

FINANCIAL HIGHLIGHTS

(Figures in Thousand)

	2000	1999	1998	1997
NET SALES	573,483	377,904	172,571	270,954
RESULT				
PROFIT BEFORE TAX	9,086	50,920	(10,143)	11,918
PROFIT AFTER TAX	6,086	48,920	(11,043)	16,267
NET RETURN OF TURNOVER %	1.06	12.94	(6.40)	6.00
CURRENT ASSETS	203,407	281,339	229,423	188,831
CURRENT LIABILITIES	184,021	281,336	254,363	171,174
CURRENT RATIO				
ASSETS: LIABILITIES	1.11: 1	1.00:1	0.90:1	1.10:1
DISTRIBUTABLE RESERVES	194,026	222,570	173,650	216,175
SHAREHOLDERS EQUITY	574,953	568,867	519,948	530,991
NUMBER OF SHARES	38,093	34,630	34,630	31,482
EARNING PER SHARE				
OF RS. 10 EACH	0.16	1.41	(0.32)	0.52
BREAK-UP VALUE				
PER SHARE	RS. 15.09	16.43	15.01	16.87

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2000

SHAREHOLDINGS		SHAREHOLDERS		TOTAL SHARES HELD	
FROM	1	TO	100	282	8,791
FROM	101	TO	500	447	102,855
FROM	501	TO	1000	195	132,048
FROM	1001	TO	5000	491	1,122,007
FROM	5001	TO	10000	180	1,291,051

FROM	10001	TO	15000	270	2,905,858
FROM	15001	TO	20000	53	889,176
FROM	20001	TO	25000	321	7,046,833
FROM	25001	TO	30000	153	3,999,380
FROM	30001	TO	35000	42	1,329,888
FROM	35001	TO	45000	1	43,560
FROM	45001	TO	50000	1	45,919
FROM	50001	TO	60000	1	58,685
FROM	60001	TO	75000	2	126,082
FROM	75001	TO	130000	1	77,449
FROM	130001	TO	150000	1	132,002
FROM	150001	TO	160000	2	308,568
FROM	160001	TO	170000	2	354,212
FROM	190001	TO	300000	1	213,155
FROM	300001	TO	500000	1	355,678
FROM	500001	TO	900000	1	812,410
FROM	900001	TO	1025000	4	3,750,273
FROM	1025001	TO	2000000	5	6,128,719
FROM	2000001	TO	3000000	1	2,918,213
FROM	3000001	TO	4000000	1	3,939,893
				-----	-----
				2,459	38,092,705
				=====	=====

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
INDIVIDUALS	2,418	35,717,017	93.76
INVESTMENT COMPANIES	28	978,312	2.57
INSURANCE COMPANIES	4	485,163	1.27
JOINT STOCK COMPANIES	--	--	--
FINANCIAL INSTITUTIONS	9	912,213	2.39
CORPORATE LAW AUTHORITY	--	--	--
ADMINISTRATOR ABANDONED	--	--	--
PROPERTY	--	--	--
CHARITABLE	--	--	--
OTHERS	--	--	--
	-----	-----	-----
	2,459	38,092,705	100
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ESSA CEMENT INDUSTRIES LIMITED as at June 30, 2000 and the related profit and loss account, 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 purpose of our audit.

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

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

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

b) in our opinion:

i) the balance sheet and profit and loss account, together with the notes thereon have been drawn up in conformity with the 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, 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 respectively give a true and fair view of the state of the company's affairs as at June 30, 2000 and of the Profit, its cash flows and changes in equity for the year then ended; and

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

KARACHI: February 28, 2001

F.R. MERCHANT & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

NOTE

2000

1999

SHARE CAPITAL AND RESERVES

Authorised

50,000,000 ordinary shares of Rs. 10/- each

500,000,000

500,000,000

Issued, subscribed and paid-up capital

3

380,927,050

346,297,320

Reserves

4

194,025,830

222,569,927

574,952,880

568,867,247

LONG TERM LOANS

5

664,668,174

670,626,419

LIABILITIES AGAINST ASSETS**SUBJECT TO FINANCE LEASE**

6

9,778,783

21,615,696

DEFERRED LIABILITIES

7

10,413,447

--

CURRENT LIABILITIES

Current maturity of long term loans

5

199,022,894

152,049,049

Current maturity of liabilities against
assets subject to finance lease

6

19,841,153

18,245,171

Creditors, accrued and other liabilities

8

166,459,303

222,596,328

Running finances under mark-up arrangements

9

11,944,152

56,122,584

Provision for taxation

5,617,333

2,617,333

402,884,835

451,630,465

CONTINGENCIES AND COMMITMENTS

10

Rupees

1,662,698,119

1,712,739,827

FIXED ASSETS - Tangible

Operating Assets

11

1,120,252,068

1,139,993,459

Capital work-in-progress

12

334,898,216

287,266,655

1,455,150,284

1,427,260,114

LONG TERM DE POSITS

4,140,346

4,140,346

CURRENT ASSETS

Stores and spares

13

110,492,299

108,194,150

Stock-in-trade

14

66,040,138

97,968,749

Trade debts

15

6,910,750

48,024,954

Advances, deposits, prepayments
and other receivables

16

14,716,843

15,287,311

Cash and bank balances

17

5,247,459

11,864,203

203,407,489

281,339,367

Rupees

1,662,698,119

1,712,739,827

The annexed notes form an integral part of these accounts,

**ABDUL AZIZ ESSA
CHIEF EXECUTIVE**

**HUMERA ESSA
DIRECTOR**

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

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
Sales		641,982,765	941,355,350
Less: Excise duty		264,078,816	367,872,400
		-----	-----
Net sales		377,903,949	573,482,950
Cost of sales	18	300,248,227	498,127,106
		-----	-----
Gross profit		77,655,722	75,355,844
Administration and selling expenses	19	12,287,196	9,203,885
		-----	-----
Operating profit		63,068,648	68,451,837
Other income	20	177,900	126,395
		-----	-----
		63,246,548	68,578,232
		-----	-----
Financial charges	21	44,576,909	14,878,713
Other charges	22	488,191	2,779,976
		-----	-----
		45,065,100	17,658,689
		-----	-----
Profit for the year		18,181,448	50,919,543
Prior years' adjustments	23	9,095,815	--
		-----	-----
Profit before taxation		9,085,633	50,919,543
Taxation	24	3,000,000	2,000,000
		-----	-----
Profit after taxation		6,085,633	48,919,543
Accumulated profit / (loss) brought forward		7,940,197	(6,349,616)
		-----	-----
Profit available for appropriation		14,025,830	42,569,927
Appropriations:			
Proposed issue of bonus shares in the ratio of NIL (1999 - 1:10)		--	34,629,730
		-----	-----
		--	34,629,730
		-----	-----

Accumulated profit carried forward		14,025,830	7,940,197
Earnings per share	25	0.16	1.41

The annexed notes form an integral part of these accounts

ABDUL AZIZ ESSA
CHIEF EXECUTIVE

HUMERA ESSA
DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2000

	<i>2000</i>	<i>1999</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year	18,181,448	50,919,543
Add / (less) adjustments for non cash charges		
Depreciation	49,394,531	49,070,424
Provision for gratuity	1,317,632	--
	-----	-----
Operating profit before working capital changes	68,893,611	99,989,967
Movement in working capital		
(Increase)/decrease in current assets		
Stores and spares	(2,298,149)	(8,431,733)
Stock-in-trade	31,928,611	(15,562,683)
Trade debts	41,114,204	(20,990,730)
Advances, deposits, prepayments and other receivables	570,468	(3,117,915)
	-----	-----
	71,315,134	(48,103,061)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	(56,137,025)	78,698,641
Running finances under mark-up arrangements	(44,178,432)	(53,725,590)
	-----	-----
	(100,315,457)	24,973,051
	-----	-----
Net cash (used in)/from operating activities	39,893,288	76,859,957
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(77,284,701)	(164,199,752)
	-----	-----
Net cash (used in)/from operating activities after tax	(37,391,413)	(87,339,795)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans	41,015,600	94,447,083
Liabilities subject to finance lease	(10,240,931)	(3,338,586)
Long-term deposits	--	45,000

Net cash (used in)/flow from financing activities	30,774,669	91,153,497
Net increase in cash and bank balances	(6,616,744)	3,813,702
Cash and bank balances at the beginning of the year	11,864,203	8,050,501
Cash and bank balances at the end of the year	5,247,459	11,864,203

ABDUL AZIZ ESSA
CHIEF EXECUTIVE

HUMERA ESSA
DIRECTOR

NOTES TO THE ACCOUNTS

For the year ended June 30, 2000

1. THE COMPANY AND ITS OPERATION

Essa Cement Industries Limited is a Public Limited Company and listed on the Karachi and Lahore Stock Exchanges. The company's principal activity is Manufacturing & Marketing of Cement and its Products.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for preparation of the financial statements

These financial statements have been prepared in compliance with the requirements of International Accounting Standards as adopted by the Institute of Chartered Accountants of Pakistan which are applicable to the Company,

2.2 Overall valuation. policy

These financial statements have been prepared under historical cost convention.

2.3 Staff retirement benefits

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

2.4 Taxation

Current

Provision for current taxation is based on current rates of tax or on turnover, whichever is higher, after taking into account tax credits available, if any,

Deferred

The company accounts for deferred taxation on all material timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable certainty that these timing differences will not reverse in the foreseeable future.

2.5 Fixed assets and depreciation

2.5(i) Operating Assets

Operating fixed assets except free hold land are stated at cost less accumulated depreciation, Free hold land and capital work-in-progress are stated at cost, Depreciation is charged to income applying the reducing balance method at the rates specified in operating assets note. Full year's depreciation is charged on additions during the year while no depreciation is charged on assets deleted.

Maintenance and normal repairs are charged to income as and when incurred, Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets, if any, are included in current income.

2.5(ii) Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, The related obligations of the lease are accounted for as liabilities. Assets acquired under finance lease are depreciated over the useful life of the assets in the same manner as the owned assets,

2.6 Capital work in progress

All costs/expenditures connected with specific assets are collected under this head. These are transferred to specific assets as and when assets are available for use.

2.7 Stores and spares

These are valued at moving average cost

2.8 Stock-in-trade

These are stated at lower of cost or net realizable value. The method used for the calculation of costs are as follows:

Raw and packing materials	- at average cost
Work-in-process and finished goods	- at average cost of goods produced during the year.

2.9 Foreign currency transactions

Assets and liability in foreign currencies are translated into rupees at the rates of exchange prevailing at the date of the balance sheet.

Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets. Exchange differences capitalised include loss or gain on the repayments and year-end translation of foreign currency loans. All other exchange differences are charged to profit and loss account.

2.10 Revenue recognition

Sales are recorded on despatch of goods to customers.

3. ISSUED, SUBSCRIBED & PAID-UP CAPITAL

	<i>2000</i>	<i>1999</i>
25,913, 117 ordinary shares of Rs. 10 each issued for cash	259,131,170	259,131,170
840,000 ordinary shares of Rs. 10 each issued for consideration other than cash	8,400,000	8,400,000
11,339,588 (1999: 7,876,615) ordinary shares of Rs. 10 each issued as fully paid bonus shares	113,395,880	78,766,150
	-----	-----
	380,927,050	346,297,320
	=====	=====

4. RESERVES

General reserve		
At beginning of the year	180,000,000	180,000,000
Reserve for issue of bonus shares	--	34,629,730
Unappropriated profits	14,025,830	7,940,197
	-----	-----
	194,025,830	222,569,927
	=====	=====

5. LONG TERM LOANS

Suppliers Credit - secured (Note 5.1)	537,978,357	449,825,299
Demand Finance - secured (Note 5..2)	6,712,711	31,850,169
Loan from sponsors -unsecured (Note 5.3)	319,000,000	341,000,000
	-----	-----
	863,691,068	822,675,468
Less: Current portion (including overdue)	199,022,894	152,049,049
	-----	-----
	664,668,174	670,626,419
	=====	=====

5.1 Break-up of Loans

(1) appearing above is given below:

a) Overseas Credit & Investment Co. -I	48,987,269	52,790,299
b) Overseas Credit & Investment Co. -II	488,991,088	397,035,000
	-----	-----
	537,978,357	449,825,299
	=====	=====

(i) The Loans originally represented 90% of the suppliers credits after down payments at 10% C & F Value of the Machinery Imported.

(ii) These Loans carry interest at the rate of 7% and 9% per annum respectively.

(iii) These Loans are repayable in sixteen semi-annual installments commencing from thirty-six months and twenty four months respectively after the bill of lading date of shipment.

(iv) Foreign currency loans have been converted in Pak Rupees as under:

Loan (a) One D.M. equivalent to Rupees = 25.5059

Loan (b) One US\$ equivalent to Rupees = 52.30

5.2 The demand finance facility is subject to mark-up of 0.438 paisas per thousand per diem. It is secured against hypothecation of stores, spares, machinery and equipment, 2rid charge over fixed and movable assets, personal guarantee of directors and demand promissory note.

5.3 This represents interest free loans received from sponsors.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as on 1st July	39,860,867	43,199,453
Less: Payment made	10,240,931	3,338,586
	-----	-----
	29,619,936	39,860,867
Less: Current portion (including overdue)	19,841,153	18,245,171
	-----	-----
	9,778,783	21,615,696
	=====	=====

6.1 The total lease rentals due under the lease agreement aggregate Rs. 29,619,936 (1999: Rs. 39,860,867)

6.2 Overdue rental payments are subject to an additional charge of 2 percent per month. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee is to pay entire rent for unexpired period.

6.3 Installments are payable in the following periods:

<i>Year</i>	<i>2000</i>	<i>1999</i>
1999-2000	--	26,301,169
2000-2001	25,169,661	19,538,358
2001-2002	21,873,153	16,244,490
2002-2003	5,824,595	5,824,595
	-----	-----
	52,867,409	67,908,612
Less: Financial charges allocated to future periods	23,247,473	28,047,745
	-----	-----

	29,619,936	39,860,867
	=====	=====

6.4 Financing rate of approximately 22 to 25 percent per annum has been used as discounting factor.

9. DEFERRED LIABILITIES

Provision for employees gratuity	10,413,447	--
----------------------------------	------------	----

10. CREDITORS, ACCRUED & OTHER LIABILITIES

Interest accrued on long term loans	37,240,426	95,606,824
Loan from sponsors	3,192,795	1,977,381
Creditors for expenses and others	75,248,300	81,498,040
Workers' profit participation fund (Note 8.1)	48,387,995	41,124,296
Workers' welfare fund	2,225,896	2,225,896
Unclaimed dividend	163,891	163,891
	-----	-----
	166,459,303	222,596,328
	=====	=====

8.1 WORKERS' PROFIT PARTICIPATION FUND

Balance at the beginning of the year	41,124,296	32,999,416
Interest thereon	6,785,508	5,444,904
	-----	-----
	47,909,804	38,444,320
Allocation for the year	478,191	2,679,976
	-----	-----
	48,387,995	41,124,296
	=====	=====

9. RUNNING FINANCES UNDER

MARK-UP ARRANGEMENTS - secured	11,944,152	56,122,584
	=====	=====

The Company has an aggregate running finance facilities of Rs. 15 million (1999-Rs. 102 million) available from commercial banks. The facilities are secured against hypothecation of stores, spares, machinery & equipment, 2rid charge over fixed and movable assets, personal guarantee of directors and demand promissory note. It carries mark-up at the rate of 0.46 paisas per Rs. 1,000 calculated on daily product basis.

10. CONTINGENCIES AND COMMITMENTS

Contingencies

Central Excise and Land Custom has passed an order for the recovery of excise duty, sales tax and penalty of Rs. 91.046 million (1999-91.046 million). The Company has however disputed the same both on grounds of lack of jurisdiction as well as on the merits, the matter is subjudice. The stay order was granted by the honourable High Court of Sindh against the said order.

11 FIXED ASSETS - Tangible

11.1 The following is a statement of operating assets:

	<i>Cost As At 01-07-1999</i>	<i>Additions/ (Deletions)</i>	<i>Cost As At 30-06-2000</i>	<i>Accumulated Depreciation</i>	<i>Bo 30-</i>
Lease hold Land	3,024,768	--	3,024,768	--	
Building On Leasehold Land	193,242,318	--	193,242,318	36,605,901	
Plant and Machinery	1,221,199,159	34,026,890	1,255,226,049	347,128,219	
Vehicles	4,436,085	--	--	1,438,200	
Office Equipment	3,071,526	126,250	4,436,085	3,271,969	
Furniture and Fixture	1,083,985	--	3,197,776	1,814,928	
Factory Equipment and Laboratory Equipment	430,463	--	1,083,985	691,811	
LEASED ASSETS					
Plant and Machinery	60,204,594	(4,500,000)	430,463	270,912	
Quarry Equipment	9,447,374	--	55,704,594	10,502,082 (1,438,200)	
	-----	-----	-----	-----	
	1,496,140,272	34,153,140	9,447,374	5,255,523	
	--	(4,500,000)	1,525,793,412	406,979,544 (1,438,200)	
	-----	-----	-----	-----	
1999	608,570,405	887,569,867	1,496,140,272	356,146,813	
	=====	=====	=====	=====	

11.2 Addition to plant and machinery include exchange loss/(gain) amounting to (Rs. 923,110) (1999 Rs. 3,359,173).

11.3 Additions in plant and machinery include assets transferred from lease assets amounting to Rs. 4,500,000 (1999-Nil)

11.4 Based on management review of estimated useful life of the assets, annual rate of depreciation on plant and machinery has been reduced from 10% to 4% effective July 01, 1999. Had depreciation rates remained unchanged, the depreciation for the year would have been higher by Rs. 59,581,270.

11.5 The Depreciation charge for the period has been allocated as follows:

	<i>2000</i>	<i>1999</i>
Cost of Sales	48,888,551	48,481,830
Administration and Selling Expenses	505,980	588,594
	-----	-----
	49,394,531	49,070,424
	=====	=====

12. CAPITAL WORK-IN-PROGRESS

Civil work	51,679,377	36,399,688
Plant and machinery	283,218,839	250,866,967
	-----	-----
	334,898,216	287,266,655
	=====	=====

13. STORES AND SPARES

Stores	30,530,965	31,485,187
Spares	79,961,334	76,708,963
	-----	-----
	110,492,299	108,194,150
	=====	=====

14. STOCK - IN - TRADE

Raw materials	42,018,970	63,459,029
Work-in-process	18,898,680	25,079,565
Finished goods	5,122,488	9,430,155
	-----	-----
	66,040,138	97,968,749
	=====	=====

15. TRADE DEBTS

(Unsecured, considered good)	6,910,750	48,024,954
	=====	=====

**16. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Advance to suppliers	5,722,162	6,415,781
Other receivables	7,855,378	5,951,847
Prepayments	1,139,303	2,919,683
	-----	-----
	14,716,843	15,287,311
	=====	=====

17. CASH AND BANK BALANCES

Cash in hand	4,028,241	9,595,144
Cash with bank	1,219,218	2,269,059
	-----	-----
	5,247,459	11,864,203
	=====	=====

18. COST OF SALES

Raw and packing material consumed		
Opening stock	63,459,029	46,700,553
Purchases	87,412,910	74,987,168
	-----	-----
	150,871,939	121,687,721

Closing stock	(42,018,970)	(63,459,029)
	-----	-----
	108,852,969	58,228,692
Stores and spares consumed	6,074,443	5,046,926
Fuel and power	293,066,489	157,855,022
Salaries, wages and benefits	21,411,526	19,894,170
Rent, rates and taxes	481,167	355,943
Insurance	713,314	1,881,272
Repairs and maintenance	2,071,686	1,835,908
Depreciation	48,888,551	48,481,830
Other charges	6,078,409	5,472,671
	-----	-----
	487,638,554	299,052,434
Work-in-process		
Opening	25,079,565	32,887,691
Closing	(18,898,680)	(25,079,565)
	-----	-----
Cost of goods manufactured	493,819,439	306,860,560
Finished goods		
Opening	9,430,155	2,817,822
Closing	(5,122,488)	(9,430,155)
	-----	-----
	498,127,106	300,248,227
	=====	=====
19. ADMINISTRATION AND SELLING EXPENSES		
Salaries and benefits	2,851,639	2,491,727
Travelling and conveyance	828,632	408,433
Vehicle running expenses	4,068,894	2,110,253
Communications	468,775	395,781
Printing and stationery	227,542	344,129
Gas expenses	436,458	379,869
Repairs and maintenance	90,328	120,744
Legal and professional charges	460,000	171,000
Auditors' remuneration	(Note 19.1) 80,000	80,000
Subscription	5,000	1,000
Cartage	118,795	99,747
Newspaper and periodicals	33,063	28,190
Advertisement	115,787	483,220
Testing expenses	24,940	30,250
Entertainment	370,874	185,849
Depreciation	505,980	588,594
Miscellaneous	712,529	647,874
Fees and registration	761,344	386,079
Photostat expenses	30,516	92,346
Computer expenses	96,100	158,800
	-----	-----
	12,287,196	9,203,885

19.1 Auditors' remuneration

Audit fee	36,000	36,000
Out of pocket expenses	4,000	4,000
Tax, corporate and other services	40,000	40,000
	-----	-----
	80,000	80,000
	=====	=====

20. OTHER INCOME

Sale of waste	28,545	11,495
Commission income	--	108,706
Income from pls a/c	149,355	6,194
	-----	-----
	177,900	126,395
	=====	=====

21. FINANCIAL CHARGES

Interest on long-term loans	29,849,797	470,283
Mark-up on running finances	4,556,623	11,018,857
Bank charges	340,506	115,675
Excise duty on running finances and loans	16,379	--
interest on workers' profit participation fund	5,089,132	1,361,226
Financial charges on lease arrangements	4,724,472	1,360,612
Additional late payment charges on lease arrangements	--	552,060
	-----	-----
	44,576,909	14,878,713
	=====	=====

22. OTHER CHARGES

Workers' profit participation fund	478,191	2,679,976
Donation (Note 22.1)	10,000	100,000
	-----	-----
	488,191	2,779,976
	=====	=====

22.1 Recipients of donations do not include any donee in whom a director or his spouse had any interest.

23. PRIOR YEARS' ADJUSTMENTS

Provision for gratuity	9,095,815	--
	=====	=====

24. TAXATION

Current	3,000,000	2,000,000
	=====	=====

Current

For the current year, the taxable income of the company as per Income Tax Law is worked

out to be a taxable loss. However, the company has made provision of minimum tax U/S 80-D of Income Tax Ordinance, 1979 for the current year.

Deferred

In view of tax losses available to be carried forward there is no deferred tax liability.

25. EARNINGS PER SHARES

Net profit after Taxation	6,085,633	48,919,543
	=====	=====
Number of ordinary shares in issue during the year	38,092,705	34,629,732
	=====	=====
Earning per share (Rs./share)	0.16	1.41
	=====	=====

26. FINANCIAL INSTRUMENTS

26.1 FINANCIAL ASSETS AND LIABILITIES

	<i>Less than one year</i>	<i>Interest bearing One to Five year</i>	<i>Total</i>	<i>Less than one year</i>	<i>Non-Im C Fi</i>
FINANCIAL ASSETS:					
Long term deposit	--	--	--	--	--
Trade debts	--	--	--	6,910,750	--
Advances, deposits, prepayments and other receivables	--	--	--	200,000	--
Cash and bank balances	--	20,100	20,100	--	--
	-----	-----	-----	-----	-----
	--	20,100	20,100	7,110,750	--
	=====	=====	=====	=====	=====
FINANCIAL LIABILITIES					
Long term loans	199,022,894	338,955,463	537,978,357	--	--
Liabilities against assets subject to finance lease	19,841,153	9,778,783	29,619,936	--	--
Running finance under mark-up arrangements	11,944,152	--	11,944,152	--	--
Creditors, accrued and other liabilities	--	--	--	166,459,303	--
	-----	-----	-----	-----	-----
	230,808,199	348,734,246	579,542,445	166,459,303	--
	=====	=====	=====	=====	=====

Effective rates of interest/mark-up for financial liabilities are mentioned in the respective notes to the accounts.

26.2 CONCENTRATION OF CREDIT RISK

The company's trade receivables which are part of the financial assets are subject to credit risk. These trade receivables relate to

sale of cement to various customers. The company believes that it is not exposed to major concentration of credit risks. However, to manage any possible exposure to credit risk, the company approved credit limits to its customers and also obtain collaterals.

26.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments are not significantly different from their book values as shown in these financial statements.

27. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital</i>	<i>General Reserve</i>	<i>Unappropriated Profit / (Loss)</i>	<i>Total</i>
Balance at June 30, 1998	346,297,320	180,000,000	(6,349,616)	519,947,704
Profit for the year after taxation	--	--	48,919,543	48,919,543
	-----	-----	-----	-----
	346,297,320	180,000,000	42,569,927	568,867,247
Appropriation:				
Reserve for issue of bonus shares	--	34,629,730	(34,629,730)	--
	-----	-----	-----	-----
Balance at June 30, 1999	346,297,320	214,629,730	7,940,197	568,867,247
Profit for the year after taxation	--	--	6,085,633	6,085,633
	-----	-----	-----	-----
	346,297,320	214,629,730	14,025,830	574,952,880
Appropriation:				
Bonus shares issued	34,629,730	(34,629,730)	--	--
	-----	-----	-----	-----
Balance at June 30, 2000	380,927,050	180,000,000	14,025,830	574,952,880
	=====	=====	=====	=====

	<i>2000</i>	<i>1999</i>
28. REMUNERATION OF EXECUTIVES		
Managerial remuneration	2,473,876	2,457,452
Housing allowance	989,549	983,001
Utilities	247,383	245,734
Bonus	228,647	258,710
	-----	-----
	3,939,455	3,944,897
	=====	=====
No. of persons	15	15

No remuneration is paid or other facility is provided to the Chief Executive or Directors by the company. Directors have waived their meeting fee.

29. CAPACITY

Installed capacity			
--- upto March 31, 1999	--	150,000	--
--- since April 01, 1999	450,000	450,000	--
--- average available capacity	--	225,000	--
			metric tons
			metric tons
			metric tons

Actual production	259,850	178,532	--	metric tons
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The under utilization of available capacity was mainly due to depressed market condition and slow down in economic activity of the country.

30. NUMBER OF EMPLOYEES

Number of employees at the year end			233	246
-------------------------------------	--	--	-----	-----

31. FIGURES

31.1 Figures have been rounded off to the nearest rupee.

31.2 Previous year's figures have been rearranged wherever necessary for the purpose of comparison.

ABDUL AZIZ ESSA
CHIEF EXECUTIVE

HUMERA ESSA
DIRECTOR