

Fauji Cement Company Limited

Annual Report 2001

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Company Information at a glance

* Board of Directors

Lt Gen (Retd) Muhammad Maqbool, HI(M), S Bt	Chairman
Maj Gen (Retd) Sayeed U1 Hasan Zaidi, HI(M)	Chief Executive/ Managing Director
Brig (Retd) Muhammad Saeed Baig, SI(M)	Director
Brig (Retd) Ghulam Hussain, SI (M)	Director
Mr. Qaiser Javed	Director
Brig (Retd) Arshad Shah, SI (M)	Director

Non Executive Directors

Mr. Riyaz H. Bokhari, IFU	Director
Mr. Erling Frandsen, FL Smidth & Co	Director
Mr. Shabbir Hashmi, CDC	Director

* Company Secretary:

Brig (Retd) Moien Ud Din Chughtai
61-Harley Street, Rawalpindi Cantt, Pakistan
Tel (051) 5515512, 5514474, 5514965
Fax: (051) 5517311

* Registered Office:

* Plant Site:

Near Village Jhang, Tehsil Fateh Jhang
District Attock
Tel: 0596-538047-48
Fax: 0596 - 538025

*** Marketing/Sales
Department**

M-40-1, 1st Floor, Hotel Pakland,
Bank Road, Saddar
Rawalpindi - Pakistan
Tel: (051) 5528960-64
Fax: (051) 5528965-66

*** Auditors:**

A.F. Ferguson & Co.
Chartered Accountants

*** Legal Advisers:**

Orr, Dignam & Co. Advocates.
M/s Rizvi & Rizvi, Advocates

*** Registration &
Shares Transfer
Office**

Mr. Taqi Ahmad Khan
Shares Manager
345-A, Harely Street, Rawalpindi Cantt
Tel: (051) 5567496

Notice of the Ninth Annual General Meeting

All Shareholders of the Company.
M/s A.F. Ferguson & Co., Auditors of the Company.

Notice is hereby given that the Ninth Annual General Meeting of the Company will be held at 10:00 A.M. on Wednesday, 12 December 2001 at Hotel Pearl Continental, The Mall, Rawalpindi, to transact the following business:-

1. To confirm the Minutes of Eighth Annual General Meeting.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30 June 2001.
3. To consider and approve the Directors' Report for the year ended 30 June 2001.
4. To appoint Auditors for the Financial Year ending 30 June 2002.
5. Any other business with the permission of the Chair.

By order of the Board

Place: Rawalpindi
Date: 21 November 2001

**Brig (Retd) Moien Ud Din Chughtai
Company Secretary**

NOTES:

1. The Share Transfer Books of the Company will remain closed from 5 December 2001 to 15 December 2001 (both days inclusive). No transfer will be accepted for registration during

this period.

2. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote in place of the Member. Proxies, in order to be effective, must be received at the Registered Office located at 61 Harely Street, Rawalpindi, duly stamped and signed, not less than 48 hours before the Meeting. A member may not appoint more than one proxy. Proxy form is attached.

3. Shareholders are requested to promptly notify any change in their address.

Report of the Directors

General

1. The Directors are pleased to present their Ninth Annual Report along with Company's audited accounts for the financial year ended 30 June 2001 and Auditors' Report thereon.

Market Situation

2. Cement Industry continues to suffer from under utilization of installed capacity and stagnant economic environments. The situation was further aggravated by imposition of Sales Tax in September 2000. Three neighbouring competitors of Fauji Cement Company were, however, exempt from Sales Tax till 30 June 2001. This disturbed the market, resulting in a Price War during this period. Nevertheless Fauji Cement Company not only maintained its market share but also managed to increase its sales to some extent. Our capacity utilization is 67.82% as against Industry's average of 58.17%. The Sales Tax exemption has since been withdrawn w.e.f. 01 July 2001 and price has stabilized. We hope to achieve much better results during the next year, but unless the national economy takes a quantum upsurge through activation of mega construction works by the Government, the Cement Industry will continue to suffer from under utilization of the installed capacity.

Production Aspects.

3. The performance of the Plant was quite satisfactory as the overall efficiency remained over 100 percent. Our efficiency in terms of fuel, power and raw material consumption ranked amongst the best while our labour cost is the lowest in the Cement Industry.

4. In furtherance of the economy drive initiated last year the fuel cost is proposed to be curtailed through partial conversion of the furnace oil Fired system to coal fired system. Total conversion to coal requires major changes in Firing System which, in view of our financial constraints, is cost prohibitive. We, therefore, have planned partial use of Coal in a graduated manner, and have successfully achieved feeding of 50 to 60 tons of Coal per day, equivalent to approximately 10% of furnace oil consumption. We are now endeavouring to enhance it to about 30 to 40% of furnace oil.

Financial Restructuring

5. As reported in the Annual Report for the Year 2000, the process of Financial Re-structuring with Local Lenders was completed last year. This year the negotiations with Foreign Lenders were pursued most earnestly and concertedly. These efforts have been fruitful. An 'Agreement in Principle' has been arrived at with Foreign Lenders; as part of which local refinancing of IFC Loans B & C (funded by Marubeni Corporation of Japan) amounting to USD 17.5 million was successfully concluded on 15

October 2001. Remaining part of the Financial Re-structuring is being actively pursued.

6. With the completion of above re-structuring the Company, will turn viable and its Debt Equity and

Liquidity Ratios will improve on consistent basis, however, it will not be in a position to pay any dividend to its shareholders in the near future. ::~

Pattern of Shareholdings

7. Pattern of Shareholdings as on 30 June 2001 is attached.

Relations With Personnel and Locals

8. Relationship between the management and the workers continues to be cordial and conducive for efficient functioning of Company/Factory. FCCL continues to enjoy mutual trust and goodwill of the locals of the area.

Directors

9. On resignation of Mr. Henrik Starup, IFU, Mr. Riyaz. H Bokhari of IFU has been appointed as (non-executive) Director of the Company w.e.f 28 February 2001.

10. On resignation of Mr. Palle-O-Jorgensen, FLS, Mr. Erling Frandsen of FLS, has been appointed as (non-executive) Director of the Company w.e.f 15 August 2001.

11. On resignation of Mr. David Vivian Johns, CDC, Mr. Shabbir Hashmi of CDC, has been appointed as (non-executive) Director of the Company w.e.f 06 Jul 2001.

12. On resignation of Maj Gen (Retd) Khalid Aziz, HI(M), Brig (Retd) Arshad Shah, SI(M), has been appointed as Director of the Company w.e.f 24 September 2001.

13. The Board places on record its appreciation for the valuable advice and services rendered by the retired Directors and welcomes the new Directors on the Board.

Auditors

14. M/s A.F Ferguson & Co., Chartered Accountants, will retire at the conclusion of Ninth Annual General Meeting and being eligible have offered themselves for re-appointment on the same terms and conditions.

Acknowledgements

15. The Directors express their heartfelt appreciation for the unflinching support and encouragement of Fauji Foundation and dedicated efforts of their staff in the process of Financial Re-structuring.

16. We also appreciate the role of Local and Foreign Lenders, Finance Sub Committee of FCCL, our bankers, financial and legal advisers and Government agencies for their relentless efforts and assistance in the Financial Re-structuring of the Company.

Conclusion

17. With Financial Re-structuring on the horizon, spirit of cooperation/burden sharing prevalent amongst the key players, backed by efficient management of the Company, there is all the good reason

to be optimistic. Through these efforts the Company shall Insha Allah be able to tide over its financial problems and emerge as a healthy Corporate entity. The Directors are specially thankful to the Shareholders who continue to repose their trust in the Company.

For and on behalf of the Board

**Lt Gen Muhammad Maqbool, HI(M),
S Bt
Chairman**

Rawalpindi
13 November 2001

Auditors' Report to the Members

We have audited the annexed balance sheet of Fauji Cement Company Limited as at June 30, 2001 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 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 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, 2001 and of the loss, 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 and Ushr Ordinance, 1980.

Without qualifying our opinion we draw attention to contents of note 4.5 to the accounts related to the financial restructuring proposal involving outstanding and overdue foreign currency loans.

Islamabad
13 November 2001

A.F. Ferguson & Co.
Chartered Accountants

Balance Sheet as at June 30, 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
SHAREHOLDERS' EQUITY			
Authorised capital 250,000,000 ordinary shares of Rs. 10 each		2,500,000,000 =====	2,500,000,000 =====
Issued, subscribed and paid-up capital 171,310,499 ordinary shares of Rs. 10 each		1,713,104,990	1,713,104,990
Advance against shares to be issued	3	443,144,000	443,144,000
Accumulated (loss)		(1,927,575,18 8) ----- -	(1,357,119,720) ----- -
		228,673,802	799,129,270
LONG TERM LOANS	4	1,658,349,583	1,713,183,138
PROVISION FOR STAFF GRATUITY		2,356,541	2,033,331
CURRENT LIABILITIES			
Current portion of long term loans	4	2,929,678,828	2,339,174,810
Short term loan	5	40,000,000	40,000,000
Creditors, accrued and other liabilities	6	769,139,974 ----- -	659,538,651 ----- -
		3,738,818,802	3,038,713,461
CONTINGENCIES AND COMMITMENTS	7		

-----	-----
-	-
5,628,198,728	5,553,059,200
=====	=====

The annexed notes form an integral part of these accounts.

Chairman

FIXED CAPITAL EXPENDITURE

Operating assets	8	5,125,765,990	5,050,126,970
Capital work in progress		--	1,953,045
Stores held for capital expenditure		84,240,919	87,659,692

		-----	-----
		-	-
		5,210,006,909	5,139,739,707
LONG TERM DEPOSIT	9	21,600,000	21,600,000

CURRENT ASSETS

Stores, spares and loose tools	10	113,228,381	99,259,291
Stock in trade	11	55,336,127	74,257,232
Trade debtors	12	65,221,848	25,070,811
Advances, deposits, prepayments and other receivables	13	60,248,361	76,146,380
Cash and bank balances	14	102,557,102	116,985,779

-----	-----
-	-
396,591,819	391,719,493
-----	-----
-	-
5,628,198,728	5,553,059,200
=====	=====

**Chief
Executive**

Director

**Profit and Loss Account
for the year ended June 30, 2001**

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
SALES		2,566,318,180	2,574,546,962
Government Levies		990,714,222	877,966,264
		-----	-----
		-	-
NET SALES		1,575,603,958	1,696,580,698

Cost of sales	15	1,268,401,475	1,173,693,427
		-----	-----
		-	-
GROSS PROFIT		307,202,483	522,887,271
		-----	-----
		-	-
General and administration expenses	16	22,231,696	27,781,087
Selling and distribution expenses	17	47,293,553	13,025,529
		-----	-----
		-	-
		69,525,249	40,806,616
		-----	-----
		-	-
OPERATING PROFIT		237,677,234	482,080,655
		-----	-----
Other income	18	7,722,963	7,851,156
		-----	-----
		-	-
		245,400,197	489,931,811
		-----	-----
Financial charges	19	807,855,665	763,905,578
		-----	-----
		-	-
(LOSS) BEFORE TAXATION		(562,455,468)	(273,973,767)
Provision for taxation		8,000,000	9,000,000
		-----	-----
		-	-
(LOSS) AFTER TAXATION		(570,455,468)	(282,973,767)
		(1,357,119,72	
Accumulated (Loss) brought forward		0)	(1,074,145,953)
		-----	-----
		-	-
		(1,927,575,18	
ACCUMULATED (LOSS) CARRIED FORWARD		8)	(1,357,119,720)
		=====	=====
(Loss) per share	20	(3.33)	(1.65)

The annexed notes form an integral part of these accounts.

Chairman

Chief Executive

Director

**Cash Flow Statement
for the year ended June 30, 2001**

**2001
Rupees**

**2000
Rupees**

CASH FLOWS FROM OPERATING ACTIVITIES

(Loss) before taxation	(562,455,468)	(273,973,767)
Adjustment for non cash charges and other items:		
Depreciation	235,014,723	240,243,542
Amortisation of deferred cost	--	6,150,486
Financial charges	807,855,665	763,905,578
Income on bank deposits	(6,899,080)	(7,035,607)
Profit on disposal of Fixed assets	(133,462)	(99,999)
(Increase) /decrease in stores and stocks	8,370,788	(3,096,175)
(Increase) / decrease in receivables	(17,917,524)	(23,640,068)
Increase / (decrease) in payables	34,505,574	(893,721)
Taxes paid	(14,233,273)	(6,609,375)
	-----	-----
	-	-
	484,107,943	694,950,894
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(11,405,258)	(21,018,056)
Sales proceeds of fixed assets	447,663	100,000
Income received on bank deposits	6,796,859	8,314,469
	-----	-----
	-	-
	(4,160,736)	(12,603,587)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loan repaid	(82,263,913)	(19,500,000)
Financial charges paid	(412,111,971)	(618,745,383)
	-----	-----
	-	-
	(494,375,884)	(638,245,383)
	-----	-----
	-	-
Increase/(decrease) in cash and bank balances	(14,428,677)	44,101,924
Cash and bank balances at the beginning of the year	116,985,779	72,883,855
	-----	-----
	-	-
Cash and bank balances at the end of the year	102,557,102	116,985,779
	=====	=====

Chairman

Chief Executive

Director

**Statement of Changes in Equity
for the year ended June 30, 2001**

<i>Share capital</i>	<i>Advance against shares to be issued</i>	<i>Accumulated (loss)</i>	<i>Total</i>
--------------------------	--	-------------------------------	--------------

	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Balance at June 30, 1999	1,713,104,990	443,144,000	(1,074,145,953)	1,082,103,037
(Loss) for the year	--	--	(282,973,767)	(282,973,767)
	-----	-----	-----	-----
	-	-	-	-
Balance at June 30, 2000	1,713,104,990	443,144,000	(1,357,119,720)	799,129,270
(Loss) for the year	--	--	(570,455,468)	(570,455,468)
	-----	-----	-----	-----
	-	-	-	-
Balance at June 30, 2001	1,713,104,990	443,144,000	(1,927,575,188)	228,673,802
	=====	=====	=====	=====

The annexed notes form an integral part of these accounts.

Chairman

Chief Executive

Director

Notes to the Accounts for the year ended June 30, 2001

1. LEGAL STATUS AND OPERATIONS

The Company is incorporated in Pakistan as a public limited company and its shares are quoted on the stock exchanges in Pakistan. The Company is engaged in manufacturing and marketing of cement.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

The accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

The company operates:

a) approved gratuity scheme for all employees. Liability for gratuity in respect of all eligible employees is provided in the accounts by a charge to income for the year.

b) approved contributory provident fund for all employees. Contributions are charged to the profit and loss account.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

2.3 Taxation

Provision for current taxation is based on taxable income at current rates of taxation or based on half percent of turnover less excise duty and sales tax, whichever is higher.

The Company accounts for deferred taxation on all major timing differences, using the liability method.

2.4 Fixed capital expenditure

Operating assets except freehold land are stated at cost less accumulated depreciation. Freehold land, capital work in progress and stores held for capital expenditure are stated at cost. Cost of operating assets includes capitalised borrowing cost during construction phase of the project and exchange differences related to foreign currency loans obtained for financing of the project.

Depreciation is charged to income on straight line method to write off the cost of an asset over its estimated useful life at the rates specified in note 8. Capitalised exchange differences are depreciated in annual installments so as to write them off over the remaining estimated useful life of the asset.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any are retired. Gains and losses on disposal of assets, if any, are included in income currently.

2.5 Deferred cost

Deferred cost related to Company's incorporation and issue of shares is amortised in equal installments over three years after commencement of commercial production.

2.6 Foreign currency transactions

Transactions in foreign currencies are converted into rupees at the rates of exchange ruling on the date of the transaction. All assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date, or at rates of exchange fixed under contractual arrangements, as applicable. Exchange differences are accounted for as follows:

(a) Exchange differences on translation and repayment of foreign currency loans utilised for acquisition of fixed assets are capitalised and incorporated in the cost of asset.

(b) All other exchange differences are dealt with through the profit and loss account.

2.7 Stores, spares and loose tools

These are stated at moving average cost. Items in transit are valued at cost comprising invoice value and other charges paid thereon.

2.8 Stock in trade

Stocks are valued at lower of cost and net realisable value. Cost in relation to raw materials and packing materials is determined on first-in-first-out basis and in relation to work in process and finished goods it represents average cost comprising direct material, labour and appropriate manufacturing overheads. Net realisable value represents the selling price less costs necessarily to be incurred for sale.

2.9 Revenue recognition

Sales are recorded on despatch of goods to customers.

2.10 Borrowing cost

Borrowing cost incurred upto the date of commencement of commercial production is capitalised. All other borrowing cost is expensed as incurred.

3. ADVANCE AGAINST SHARES TO BE ISSUED

This represents equity contribution received from an associated undertaking. Legal formalities for issue of shares are yet to be completed.

4. LONG TERM LOANS-SECURED

	<i>Balance outstanding</i>		<i>Interest/net mark up rate per annum %</i> <i>(Note 4.2)</i>	<i>Exchange risk cover fee %</i> <i>(Note 4.3)</i>	<i>Repayment terms</i>	
	<i>2001 Rupees</i>	<i>2000 Rupees</i>			<i>Half yearly installments outstanding</i>	<i>Repayment Period</i>
Foreign						
1. Commonwealth Development Corporation- (CDC) (Pound Sterling 13,250,000; 2000:	908,903,159	800,800,807	11	5.9		12 December 23, 1998 - June 23, 2004
2. Nederlandse Financierings- Maatschappijvoor Ontwikkelingslanden N.V. (FMO) (Netherland Guilders 14,000,000:	303,466,300	283,826,300	11.30	14		April 15,1998 - April 15, 14 2005
3. International Finance Corporation (Loan A) (US Dollars 22,400,000; 2000: 22,4	1,122,621,440	966,396,800	8.9375	14		April 15, 1998- April 15, 14 2005
4. International Finance Corporation (Loan B) (US Dollars 8,750,000; 2000: 8,750	531,599,750	409,549,250	LIBOR+2.50	8.26		April 15,1998 - October 15, 7 2001
5. International Finance Corporation (Loan C) (US Dollars 8,750,000; 2000: 8,750	523,445,750	385,087,250	LIBOR+3.00	9.38		April 15, 1998- October 15, 7 2001
6. Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG) (DEM 15,000,000; 2000: 15,000,00	384,846,337 ----- -	366,197,541 ----- -	11.75	8.24		12 November 30, 1998- May 30, 2004

	3,774,882,736				
	*	3,211,857,948*			
Local					
7. Al Faysal Investment Bank Li	118,715,187	130,000,000	17	--	13 December 21, 2000- December 21, 2007
8. Standard Chartered Grindlays	112,860,000	135,000,000	16	--	11 November 30, 2000- November 30, 2006
9. The Bank of Punjab	245,534,400	280,500,000	16	--	10 June 20, 2000-June 20, 2005
10. Askari Commercial Bank Limit	96,000,000	100,000,000	16	--	13 June 30, 2001 - December 31, 2007 April 27, 2001 -April 27, 14 2008
11. Faysal Bank Limited	67,200,000	70,000,000	16	--	
12. Saudi Pak industrial and Agriculture Investment Company (Private) Li	42,300,000	45,000,000	16	--	March 31, 2001 - March 31, 12 2007
13. Pak Kuwait Investment Comp	75,626,500	80,000,000	16	--	January 1, 2001 - July 1, 13 2007
	-----	-----			
	758,236,087	840,500,000			
Deferred mark up (note 4.4)	54,909,588	--			June 30, 2005- October 27, 2009
	-----	-----			
	813,145,675	840,500,000			
	-----	-----			
	4,588,028,411	4,052,357,948			
Less: Amount payable within twelve months shown as current liability					
Overdue installments of foreign currency					
loans (note 4.5)	2,421,764,816	1,518,072,964			
Installments due within next we	507,914,012	821,101,846			
	-----	-----			
	2,929,678,828	2,339,174,810			
	-----	-----			
	1,658,349,583	1,713,183,138			
	=====	=====			

* This includes exchange differential on overdue loan installments amounting to Rs 594,317,468 (2000: Rs 328,902,321) recoverable under exchange risk cover.

4.1 The above loans are secured by mortgage and floating charge ranking pari passu on all present and future assets of the Company.

4.2 Loans 2 to 6 carry penal interest @ 2% per annum on late payment of each repayment installment for the period of delay.

4.3 Exchange risk cover has been obtained in respect of foreign currency loans 1 to 6 above. Exchange risk cover is applicable from the date of disbursement of loan upto the due date of each repayment installment in accordance with repayment schedule registered with the banks. Penalty @ 16.6% per annum is payable on late payment of exchange risk cover fee for the period of delay.

4.4 All local currency loans were rescheduled during the year. Under the revised terms of agreement with local lenders, 50% mark up will be deferred and paid after full repayment of principal amount of loan.

4.5 Subsequent to the year end, the foreign lenders, Fauji Foundation and the Company have agreed in principle for financial restructuring of the Company subject to approval of their respective Managements and Boards. The restructuring proposal includes refinancing of the outstanding and overdue foreign currency loans by local currency loans guaranteed by the foreign lenders, fresh equity injection and waiver of outstanding penal interest on foreign currency loans.

5. SHORT TERM LOAN

This represents loan from an associated undertaking carrying mark up @ 17% per annum.

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Trade Creditors	23,406,834	17,320,761
Retention money	6,696,193	6,184,113
Accrued fees and charges on long term loans	2,780,162	1,128,178
Accrued interest/mark up on loans	354,439,196	241,905,396
Accrued exchange risk cover fee on foreign currency loans (Net of exchange rate differential recoverable under exchange risk cover Rs. 844,799,166; 2000: Rs. 574,595,834	265,060,885	303,827,710
Amount due to an associated undertaking	3,011,858	3,011,858
Security deposits	16,672,020	15,507,020
Advance payment from customers	33,960,752	21,078,311
Insurance premium payable	20,733,386	18,097,733
Sales tax payable	20,597,265	--
Other payables and accrued liabilities	21,781,423	31,477,571
	----- -	----- -
	769,139,974	659,538,651
	=====	=====

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

* The customs authorities allowed release of plant and machinery imported by the Company at concessionary rates of duty in terms of SRO 484(1)/92 dated May 14, 1992 against an undertaking provided by the Company. Subsequent to the release of plant and machinery the customs authorities have raised a custom duty and sales tax demand of Rs. 808 million (2000: Rs. 808 million) in respect of items which are considered by the Central Board of Revenue (CBR) as not qualifying for the concessionary rate of duty. The Company had filed a writ petition in Sindh High Court which was decided in favour of the Company. The Custom authorities have since filed an appeal with the Supreme Court which is currently pending for hearing.

* Claim for sales tax on consumption of raw materials not accepted by the Company and currently under appeal Rs. 18.5 million (2000: Rs. 18.5 million).

* Income tax demands not accepted by the Company and currently under appeal Rs. 48.2 million (2000: Rs. 45.6 million).

7.2 Commitments outstanding

* Rentals due under operating lease agreements in respect of vehicles are:

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Year ending:		
June 30, 2001	--	1,763,623
June 30, 2002	305,288	305,288

8. OPERATING ASSETS

8.1 The following is a statement of operating assets:

	<i>COST</i>			<i>DEPRECIATION</i>			<i>Annual rate of depreciation</i> <i>%</i>	
	<i>At July 1, 2000</i>	<i>Additions (deletions)</i>	<i>At June 30, 2001</i>	<i>At July 1, 2000</i>	<i>Charge for the year on deletions)</i>	<i>At June 30, 2001</i>		<i>Written down value at June 30, 2001</i>
Freehold land	141,286,104	--	141,246,104	--	--	--	141,246,104	--
		(40,000)						
Factory building on freehold land	1,401,179,835	--	1,401,179,835	196,632,465	51,801,551	248,434,016	1,152,745,819	4
Plant and machinery	4,230,535,436	301,606,192	4,532,141,628	587,113,482	168,174,256	755,287,738	3,776,853,890	4
Office equipment	5,210,838	583,959	5,738,512	2,314,061	804,820	3,103,084	2,635,428	15
		(56,285)			(15,797)			
Electrical installation	30,652,778	--	30,652,778	11,907,552	4,597,917	16,505,469	14,147,309	15
Electrical equipment	17,642,170	1,408,299	18,933,039	7,819,317	2,772,696	10,545,209	8,387,830	15
		(117,430)			(46,804)			
Furniture and fixtures	5,330,715	79,498	5,273,372	2,817,565	783,586	3,540,721	1,732,651	15
		(136,841)			(60,430)			
Motor vehicles	18,514,232	4,259,142	20,854,894	15,112,478	2,616,447	15,897,121	4,957,773	25

		(1,918,480)			(1,831,804)			
Elevators	3,613,420	--	3,613,420	722,684	361,342	1,084,026	2,529,394	10
Quarry road and development	27,854,507	--	27,854,507	7,303,223	2,785,451	10,088,674	17,765,833	10
Fire fighting instrument	90,480	--	90,480	40,718	13,572	54,290	36,190	15
Tubewells	--	3,030,854	3,030,854	--	303,085	303,085	2,727,769	10
	-----	-----	-----	-----	-----	-----	-----	
	-	-	-	-	-	-	-	
Total Rupees	5,881,910,515	310,967,944*	6,190,609,423	831,783,545	235,014,723	1,064,843,433	5,125,765,990	
		(2,269,036)			(1,954,835)			
	=====	=====	=====	=====	=====	=====	=====	
2000 Rupees	5,876,141,097	19,065,011	5,881,910,515	592,239,702	240,243,542	831,783,545	5,050,126,970	
		(13,295,593)*			(699,699)			
	=====	=====	=====	=====	=====	=====	=====	

* Includes exchange loss capitalised Rs. 297.610 million (2000: Exchange gain Rs. 12.596 million).

10.2 The depreciation charge for the year has been allocated as follows:

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Cost of sales	233,316,872	237,573,216
General and administration expenses	1,213,465	2,025,270
Selling and distribution expenses	484,386	645,056
	-----	-----
	-	-
	235,014,723	240,243,542
	=====	=====

8.3 Details of operating assets disposed off during the year are as follows:

	<i>Original cost</i> <i>Rupees</i>	<i>Book value</i> <i>Rupees</i>	<i>Sale proceeds</i> <i>Rupees</i>	<i>Mode of disposal</i>	<i>Purchaser</i>
Freehold land	40,000	40,000	40,000	Tender	Mr. Mazhar Ali Khan, Rawalpindi
Office equipment	56,285	40,488	200	Tender	Star Distributors, Lahore
Electrical equipment	117,430	70,626	12,750	Tender	Star Distributors, Lahore
Furniture and fixtures	136,841	76,411	27,050	Tender	Star Distributors, Lahore
Motor vehicles	752,757	1	50,000	Company	Brig (R) Bashir Hussain
				policy	Tareen (ex-employee)
-do-	394,987	49,373	82,514	Company	Lt Col (R) M. Irshad
				policy	Malik (ex-employee)
-do-	366,718	1	50,000	Company	Mr. Arifullah Khan
				policy	(employee)
-do-	366,718	1	50,000	Company	Mr. Muhammad Saddiq
				policy	Khan (employee)
-do-	37,300	37,300	135,149	Company	Lt Col (R) Fazal Hussain

-----	-----	-----
-	-	-
2,269,036	314,201	447,663
=====	=====	=====

policy

Bhatti (ex-employee)

9. LONG TERM DEPOSIT

This represents security deposit of Rs 21,600,000 with WAPDA against supply of power for the cement plant.

10. STORES, SPARES AND LOOSE TOOLS

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Stores and spares (including items in transit Rs. 0.75 million; 2000: Rs 0.63 million)	108,704,968	94,539,386
Loose tools	4,523,413	4,719,905
	-----	-----
	113,228,381	99,259,291
	=====	=====

11. STOCK IN TRADE

Raw and packing material	11,840,989	9,293,741
Work in process	28,749,625	30,522,857
Finished goods	14,745,513	34,440,634
	-----	-----
	55,336,127	74,257,232
	=====	=====

12. TRADE DEBTORS

These are unsecured and considered good and are net of provision for doubtful debts of Rs 34,247,128.

13. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers and contractors- unsecured and considered good	18,114,135	36,543,413
Deposits	1,486,142	1,982,294
Prepayments	4,996,551	9,838,203
Income tax refundable	29,585,383	23,352,110
Octroi refundable	106,657	78,661
Income on bank deposits receivable	310,006	207,785
Other receivable	5,649,487	4,143,914
	-----	-----
	60,248,361	76,146,380

14. CASH AND BANK BALANCES

Cash in hand	717,838	234,072
Balance with banks:		
Deposit accounts	95,292,964	114,372,487
Collection accounts	6,546,300	2,379,220
	-----	-----
	-	-
	102,557,102	116,985,779
	=====	=====

(i) Balance with banks include Rs 16.672 million (2000: Rs 15.507 million) in respect of security deposits received.

(ii) Deposits of Rs 7.522 million (2000: Rs 7.868 million) with banks are under lien to secure guarantees and letter of credit facilities.

15. COST OF SALES

Raw and packing material consumed:

Opening stock	9,293,741	16,057,486
Purchases (including royalty of Rs 12.13 million; 2000: Rs 11.68 million)	201,197,357	215,191,263
Closing stock	(11,840,989)	(9,293,741)
	-----	-----
	-	-
	198,650,109	221,955,008
Stores and spares consumed	3,146,697	2,502,721
Salaries, wages and benefits (including retirement benefits of Rs 2,261,684; 2000: Rs 2,277,541)	46,838,954	41,190,790
Rent, rates and taxes	263,359	300,757
Machinery hiring charges	2,844,266	1,054,320
Insurance	10,447,264	18,497,007
Fuel and power	726,919,563	625,257,315
Repairs and maintenance	20,445,430	23,792,846
Printing and stationery	432,986	459,136
Travelling and entertainment	2,277,029	2,008,267
Communication	534,680	730,147
Lease rentals	287,032	656,447
Depreciation	233,316,872	237,573,216
Miscellaneous expenses	528,881	538,560
	-----	-----
	-	-
	1,246,933,122	1,176,516,537
Work in process:		
Opening stock	30,522,857	26,966,260

Closing stock	(28,749,625)	(30,522,857)
	-----	-----
	-	-
	1,773,232	(3,556,597)
	-----	-----
	-	-
COST OF GOODS MANUFACTURED	1,248,706,354	1,172,959,940
Finished goods:		
Opening stock	34,440,634	35,174,121
Closing stock	(14,745,513)	(34,440,634)
	-----	-----
	-	-
	19,695,121	733,487
	-----	-----
	-	-
COST OF SALES	1,268,401,475	1,173,693,427
	=====	=====
16. GENERAL AND ADMINISTRATION EXPENSES		
Salaries, wages and benefits (including retirement benefits of Rs 613,414; 2000: Rs 113,993)	10,939,101	8,608,992
Rent, rates and taxes	658,387	580,162
Insurance	361,827	508,225
Repairs and maintenance	1,036,766	833,374
Printing and stationery	616,516	780,998
Travelling and entertainment	2,282,405	2,045,614
Lease rentals	481,626	824,184
Communication	403,991	486,106
Auditor's remuneration:		
Statutory audit	325,000	325,000
Tax representation and advisory services	1,451,441	1,101,140
Out of pocket expenses	50,000	105,925
	-----	-----
	-	-
	1,826,441	1,532,065
Legal and professional charges	1,377,853	2,462,651
Amortisation of deferred cost	--	6,150,486
Depreciation	1,213,465	2,025,270
Miscellaneous expenses	1,003,318	932,960
Donations*	30,000	10,000
	-----	-----
	-	-
	22,231,696	27,781,087
	=====	=====
17. SELLING AND DISTRIBUTION EXPENSES		
Salaries, wages and benefits	6,544,550	6,601,958

(including retirement benefits of Rs 404,515; 2000: Rs 489,139)

Rent, rates and taxes	517,295	548,036
Repairs and maintenance	389,420	358,089
Insurance	226,619	257,669
Printing and stationery	415,675	347,444
Travelling and entertainment	723,900	825,451
Lease rentals	1,035,097	1,088,950
Communication	571,170	589,296
Advertisement and sales promotion expenses	868,138	1,319,821
Depreciation	484,386	645,056
Provision for doubtful debts	34,247,128	--
Miscellaneous expenses	590,312	423,759
Donations*	679,863	20,000
	-----	-----
	47,293,553	13,025,529
	=====	=====

* No director or his spouse had any interest in the donee institution.

18. OTHER INCOME

Income on bank deposits	6,899,080	7,035,607
Profit on disposal of fixed assets	133,462	99,999
Other	690,421	715,550
	-----	-----
	7,722,963	7,851,156
	=====	=====

19. FINANCIAL CHARGES

Fees and charges related to long term loans	3,054,013	2,641,034
Interest/mark up related to long term loans	618,765,145	596,429,509
Mark up on short term loan from an associated undertaking	6,800,000	6,818,630
Exchange risk cover fee on foreign currency loans	178,389,921	157,279,762
Bank charges and commission	846,586	736,643
	-----	-----
	807,855,665	763,905,578
	=====	=====

20. (Loss) PER SHARE

(Loss) after taxation	(570,455,468)	(282,973,767)
Number of ordinary shares	171,310,499	171,310,499
(Loss) per share (Rs.)	(3.33)	(1.65)

21. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts of the year for remuneration, including benefits and perquisites, were as follows:

	<i>Managing Director</i>		<i>Executives</i>	
	<i>2001 Rupees</i>	<i>2000 Rupees</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
Managerial remuneration	1,378,032	955,138	8,162,709	6,391,137
Gratuity/contribution to provide	65,825	49,033	828,330	408,332
Utilities and upkeep	283,241	203,662	994,027	845,807
	-----	-----	-----	-----
	1,727,098	1,207,833	9,985,066	7,645,276
	=====	=====	=====	=====
No of persons	1	1	19	16
	=====	=====	=====	=====

In addition, the above were provided with free medical facilities. The managing director and certain executives were also provided with use of the Company's car and household equipment in accordance with the Company policy.

No remuneration was paid to other directors of the Company (2000: Nil).

22. FINANCIAL INSTRUMENTS

22.1 FINANCIAL ASSETS AND LIABILITIES

	<i>Interest/mark-up bearing</i>			<i>Non-interest/mark-up bearing</i>			<i>Total</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total one year</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
FINANCIAL ASSETS							
Long term deposit	--	--	--	--	21,600,000	21,600,000	21,600,000
Trade debts	--	--	--	65,221,848	--	65,221,848	65,221,848
Advances, deposits and other receivables	--	--	--	7,552,292	--	7,552,292	7,552,292
Cash and bank balances	95,292,964	--	95,292,964	7,264,138	--	7,264,138	102,557,102
	-----	-----	-----	-----	-----	-----	-----
	95,292,964	--	95,292,964	80,038,278	21,600,000	101,638,278	196,931,242
	=====	=====	=====	=====	=====	=====	=====
FINANCIAL LIABILITIES							
Long term loans (note 4)	2,929,678,828	1,603,439,995	4,533,118,823	--	54,909,588	54,909,588	4,588,028,411
Short term loan (note 5)	40,000,000	--	40,000,000	--	--	--	40,000,000
Creditors, accrued and							

other liabilities	--	--	--	735,179,222	--	735,179,222	735,179,222
	-----	-----	-----	-----	-----	-----	-----
	-	-	-	-	-	-	-
	2,969,678,828	1,603,439,995	4,573,118,823	735,179,222	54,909,588	790,088,810	5,363,207,633
	=====	=====	=====	=====	=====	=====	=====

22.2 Credit risk

Since major part of the company's sales is against advance payment, the credit risk is minimal.

22.3 Interest rate risk

Financial liabilities include Rs 3,478 million which were subject to fixed interest rate and Rs 1,055 million which were subject to floating interest rate.

22.4 Foreign exchange risk

Foreign currency liabilities amounted to Rs 3,775 million, of which Rs 3,429 million were hedged by exchange risk coverage.

22.5 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximate their fair value.

23. GENERAL

23.1 Transactions with associated undertakings

Aggregate transactions with associated undertakings during the year were as follows:

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Sale of goods	2,229,800	3,137,750
Interest on short term loan	6,800,000	6,818,630

23.2 Plant capacity and actual production

	<i>Metric tons</i>	<i>Metric tons</i>
Installed capacity	945,000	945,000
Actual production of cement	628,509	624,910

The shortfall in actual production against the installed capacity was due to the current gap between demand and supply in the market.

23.3 Number of employees

Total number of employees at the end of the year were 460 (2000: 434).

23.4 Corresponding figures

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

Chairman

Chief Executive

Director

**Pattern of Share-
holdings
as on 30 June, 2001**

<i>No of Shareholders</i>	<i>Shareholding</i>		<i>Total Shares held Ordinary Shares of Rs. 10/Each</i>
	<i>From</i>	<i>To</i>	
10	1	100	406
592	101	500	280,200
335	501	1,000	314,700
674	1,001	5,000	2,028,000
166	5,001	10,000	1,319,800
67	10,001	15,000	898,500
31	15,001	20,000	594,500
27	20,001	25,000	614,000
26	25,001	30,000	751,500
7	30,001	35,000	239,500
6	35,001	40,000	235,000
10	40,001	45,000	436,000
19	45,001	50,000	936,000
4	50,001	55,000	210,000
2	55,001	60,000	112,500
4	60,001	65,000	261,000
4	65,001	70,000	273,000
1	70,001	75,000	70,500
1	75,001	80,000	80,000
3	80,001	85,000	248,500
1	90,001	95,000	91,000
5	95,001	100,000	498,500
1	100,001	105,000	103,500
3	105,001	110,000	324,500
3	120,001	125,000	370,500
3	125,001	130,000	379,500
1	130,001	135,000	133,500
2	135,001	140,000	277,500
2	145,001	150,000	300,000
2	150,001	155,000	309,500
2	155,001	160,000	315,500
3	165,001	170,000	501,500
1	195,001	200,000	199,000

1	205,001	210,000	210,000
1	210,001	215,000	214,100
1	235,001	240,000	237,500
1	280,001	285,000	284,500
1	330,001	335,000	334,100
1	385,001	390,000	390,000
1	405,001	410,000	408,500
1	525,001	530,000	529,500
1	610,001	615,000	614,500
1	925,001	930,000	929,000
1	1,155,001	1,160,000	1,159,000
1	1,245,001	1,250,000	1,247,000
1	1,485,001	1,490,000	1,486,200
1	2,095,001	2,100,000	2,100,000
1	2,665,001	2,670,000	2,670,000
1	4,715,001	4,720,000	4,715,500
1	9,345,001	9,350,000	9,350,000
2	15,285,001	15,290,000	30,579,400
1	15,300,001	15,305,000	15,302,099
1	84,840,001	84,845,000	84,841,994

2,041
=====

171,310,499
=====

**CATEGORIES OF
SHAREHOLDERS**

**NUMBER OF
SHARE
HOLDERS**

**SHARES
HELD**

PERCENTAGE

INDMDUAL	1,948	11,166,606	6.52
INTESTMENT COMPANIES	8	2,136,700	1.25
INSURANCE COMPANIES	3	127,000	0.07
JOINT STOCK COMPANIES	60	5,505,900	3.22
FINANCIAL INSTITUTIONS	9	7,119,700	4.15
MODARBA COMPANIES	6	411,100	0.23
FAUJI FOUNDATION	1	84,841,994	49.53
FCCL EMPLOYEES TRUST	1	2,100,000	1.23
FOREIGN INVESTORS	5	57,901,499	33.80
	-----	-	-----
	2,041	171,310,499	100%