

Fecto Cement Limited
Annual Report 2001

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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mr. Mohammed Asad Fecto

CHIEF EXECUTIVE

Mr. Mohammed Yasin Fecto

DIRECTORS

Mr. Ghulam Mohammed A. Fecto

Mr. Mohammed Ilyas Khan

Mr. Muhammad Nasim Khan

Mr. Muhammad Umer Memon

Mr. Safdar Abbas Morawala

Mr. A. Rauf Chandio

Mr. Majeedullah Hussaini

Mr. Abdul Jaleel Shaikh

SECRETARY

Mr. Abdul Aleem, FCA

AUDITORS

Taseer Hadi Khalid & Co.
Chartered Accountants

Rahim Iqbal Rafiq & Company

Chartered Accountants

LEGAL ADVISOR

Nisar Law Associates
51, Mozang Road
Lahore

REGISTERED OFFICE

35-Darulaman Housing Society
Block 7/8, Shakra-e-Faisal
Karachi

FACTORY

Sangjani, Islamabad

MARKETING OFFICE

2nd Floor, Majeed Plaza
Bank Road, Saddar
Rawalpindi

SHARE REGISTRAR OFFICE

Uni Corporate & Financial Services
Westland Trade Centre
Opposite Flyover, Shaheed-e-Millat Road
Karachi

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 20th Annual General Meeting of the Members of the Company will be held at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shakra-e-Faisal, Karachi on Monday, December 31, 2001 at 5.30 p.m. to transact the following businesses:

1. To confirm the Minutes of the 19th Annual General Meeting held on December 22, 2000.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 2001 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors and fix their remuneration. The present Auditors Messrs Taseer Hadi Khalid & Co., Chartered Accountants and Messrs Rahim Iqbal Rafiq & Company, Chartered Accountants retire and being eligible, offer themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

**By Order of the
Board**

**(ABDUL
ALEEM)
Company
Secretary**

Karachi: November 24, 2001

Notes:

1. The Share Transfer Books of the Company will remain closed from Tuesday, December 25, 2001 to Monday, December 31, 2001 (both days inclusive).
2. A member entitled to attend, speak and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf.
3. An instrument appointing a proxy must be received at the Registered Office of the Company not later than forty eight hours before the time appointed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments shall be rendered invalid.

4. GUIDELINES FOR CDC ACCOUNT HOLDERS ISSUED BY SECURITIES & EXCHANGE COMMISSION OF PAKISTAN**For personal attendance:**

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

For appointing proxy

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- (ii) Attested copies of NIC of the beneficial owners and of the proxy shall be furnished with the proxy form.
- (iii) The proxy shall produce his/her original NIC at the time of the meeting.

5. Members are requested to notify any change in their address immediately.
6. Members should quote their Folio Number in all correspondence and at the time of attending the Meeting.

DIRECTORS' REPORT TO THE MEMBERS

**Dear
Members**

Your Directors are pleased to present their report alongwith the audited accounts for the year ended June 30, 2001.

The depressed market conditions, excess supply of cement, exorbitant increase in input costs and inequitable taxation has greatly affected the results of your company.

OPERATING PERFORMANCE

The production and dispatches for the year under review are as follows:

	2001	2000
	<i>Tonnes</i>	
Production:		
Clinker	473,390	445,380
Cement	502,719	458,619
Dispatches	498,634	458,120

OPERATING RESULT

We have informed last year that the enormous increase in the prices of furnace oil and inequitable imposition of sales tax on cement industry is leading the industry towards disaster. The current years results of your company have shown that our apprehension were right as result of which your company suffered heavy losses.

The company as compared to last year's gross profit of Rs. 237.285 million has suffered gross loss of Rs. 3.336 million, which was mainly due to two reasons. Firstly the decrease in net selling prices due to inequitable imposition of sales tax and secondly the massive increase in furnace oil prices. The increase of 20% in operating expenses and 21% in financial expenses resulted in loss before tax of Rs. 114.493 million as compared to last year profit of Rs. 131.232 million.

DEBT OBLIGATION

By the grace of God the company continues to meet its financial commitments and debt obligations on time.

FUTURE PROSPECTS

The recent developments in the region and the economic slow down in the country has also affecting the cement industry adversely. The demand for the cement in the country is almost stagnant an as such chances of increasing the operating efficiency are very remote. However, in line with the strategy adopted by the cement industry, your company is also planned to change the fuel system from furnace oil to coal. In this respect machinery has already been acquired and the erection and installation is in progress. The management is confident that with use of coal as fuel the company shall be able to produce better results.

BOARD OF DIRECTORS

During the year under review National Development Finance Corporation changed its nominee Director from the Board and as a result Mr. Majeedullah Hussaini replaced Mr. Afaq Jamal Hussain. The Board places on record its appreciation for the valuable support and contribution by the outgoing Director and welcomes the new Director.

AUDITORS

Present auditors M/s. Taseer Hadi Khalid & Co., Chartered Accountants and M/s. Rahim Iqbal Rafiq & Company, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding as at June 30, 2001 is annexed.

ACKNOWLEDGMENT

The Directors would like to place on record their appreciation for the strenuous efforts and dedicated work of the staff and workers and for the efforts made by the dealers in giving full support to our marketing policies. We would also like to express our sincere thanks to all the financial institutions and banks for their continued support and co-operation.

On behalf of the Board

**(MOHAMMED ASAD
FECTO)
Chairman**

Karachi: November 24, 2001

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2001**

<i>Number of Share Holders</i>	<i>Shareholding</i>		<i>Total Shares Held</i>
	<i>From</i>	<i>To</i>	
365	1	100	36,500
2051	101	500	948,400
349	501	1000	340,800
304	1001	5000	730,500
50	5001	10000	380,100
7	10001	15000	82,900
6	15001	20000	105,300
3	20001	25000	67,500
5	25001	30000	134,700
1	30001	35000	31,000
2	35001	40000	74,600
1	40001	45000	40,500

1	45001	50000	45,400
1	55001	60000	59,900
1	80001	85000	83,000
1	85001	90000	88,000
1	90001	95000	93,800
1	95001	100000	100,000
1	110001	115000	112,000
2	130001	135000	263,500
2	135001	140000	276,000
1	140001	145000	141,000
1	155001	160000	156,000
1	180001	185000	182,200
2	225001	230000	458,000
1	240001	245000	243,900
1	250001	255000	254,800
1	265001	280000	270,000
1	275001	270000	280,000
1	280001	285000	285,000
1	290001	295000	295,000
1	295001	300000	300,000
1	305001	310000	309,500
2	320001	325000	650,000
1	325001	330000	330,000
2	330001	335000	670,000
2	335001	340000	679,800
2	340001	345000	690,000
1	345001	350000	350,000
1	360001	365000	365,000
1	370001	375000	375,000
1	395001	400000	398,200
1	415001	420000	420,000
1	480001	490000	488,000
2	810001	815000	1,625,000
1	995001	1000000	999,300
2	1495001	1500000	2,999,600
2	1895001	1900000	3,790,834
1	1940001	1945000	1,945,000
1	3155001	3160000	3,156,600
1	3170001	3175000	3,172,200
1	4780001	4785000	4,782,700
2	5220001	5225000	10,442,966
-----		-----	
---		---	
3196		45,600,000	
=====		=====	
==		==	

Categories of Shareholders

Number of Shares Held

Percentage

	<i>Shareholders</i>		
Individuals	3,131	31,284,400	68.61
Investment Companies	35	4,221,900	9.26
Insurance Companies	2	14,900	0.03
Joint Stock Companies	14	78,500	0.17
Financial Institutions	7	8,003,100	1,755
Modaraba Companies	3	46,700	0.10
Foreign Investors	2	1,949,000	428
Others	2	1,500	0

	----	-----	-----
Total	3,196	45,600,000	100.00
	=====		
	==	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Fecto Cement Limited as at 30 June 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 30 June 2001 and of the loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited into the Central Zakat Fund established under Section 7 of that Ordinance.

**TASEER HADI
KHALID & CO.**
Chartered Accountants

**RAHIM IQBAL RAFIQ &
COMPANY**
Chartered Accountants

Karachi: November 26, 2001

BALANCE SHEET

		<i>(Rupees in Thousands)</i>	
	<i>NOTE</i>	<i>2001</i>	<i>2000</i>
SHARE CAPITAL			
Authorised			
:			
50,000,000 Ordinary Shares of Rs. 10/- each		500,000	500,000
		=====	=====
Issued, subscribed and paid-up:			
45,600,000 Ordinary Shares of Rs. 10/- each			
Issued for			
Cash		456,000	456,000
GENERAL RESERVES		150,000	150,000
ACCUMULATED (LOSS)/PROFIT		(40,314)	39,633
		-----	-----
LONG TERM LOANS	4	565,686	645,633
		42,680	71,133

DEFERRED LIABILITIES	5	186,557	241,217
LONG TERM DEPOSITS	6	15,637	17,737
CURRENT LIABILITIES:			
Short Term Running Finance	7	159,341	--
Current Maturity of Long Term Liabilities	4	28,453	28,453
Creditors, Accrued & Other Liabilities	8	208,299	211,306
Provision for Taxation		5,901	63,130
Proposed Dividend		--	45,600
		-----	-----
		401,994	348,489
CAPITAL COMMITMENTS	9		
		-----	-----
		1,212,554	1,324,209
		=====	=====

These accounts should be read in conjunction with the attached notes.

OPERATING FIXED ASSETS	10	736,004	811,034
CAPITAL WORK IN PROGRESS	11	2,456	--
LONG TERM DEPOSITS		4,503	4,505
CURRENT ASSETS:			
Stores and Spares	12	314,037	311,862
Stock-in-Trade	13	38,502	35,158
Trade Debtors-Unsecured Considered Good		13,531	4,087
Advances and Prepayments	14	60,737	77,337
Cash and Bank Balances	15	42,784	80,226
		-----	-----
		469,591	508,670
		-----	-----
		1,212,554	1,324,209
		=====	=====

**(MOHAMMED
YASIN FECTO)**
Chief Executive

**(ABDUL JALEEL
SHAIKH)**
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2001**

		<i>(Rupees in Thousands)</i>	
	<i>NOTE</i>	<i>2001</i>	<i>2000</i>
SALES- NET	16	1,173,676	1,208,111

	2001	2000
Cash Flows from Operating Activities		
(Loss)/Profit before Taxation	(114,493)	131,232
Adjustments for:		
Depreciation	81,003	89,800
Gain on Disposal of Fixed Assets	(658)	(1,002)
Loss on Retirement/Scrapping of Fixed Assets	--	3,670
Financial Charges	40,680	33,716
	-----	-----
Operating Profit before Working Capital Changes	6,532	257,416
Increase in Stores and Spares	(2,175)	(26,235)
Increase in Stock-in-Trade	(3,344)	(17,691)
Increase in Trade Debtors	(9,444)	(1,278)
Increase in Advances and Prepayments	(6,461)	(4,105)
Increase/(Decrease) in Short Term Running Finance	159,341	(30,834)
Decrease in Creditors, Accrued and Other Liabilities	(9,812)	(2,707)
	-----	-----
Cash Generated from Operations	134,637	174,566
Financial Charges Paid	(46,431)	(95,822)
Income Tax Paid/Deducted at Source	(42,098)	(9,173)
Long Term Deposits Received	(2,100)	(2,105)
Long Term Deposits Given	2	(79)
	-----	-----
Net Cash Flow from Operating Activities	44,010	67,387
Cash Flows from Investing Activities		
Fixed Capital Expenditure	(6,925)	(9,063)
Capital Work-in-progress	(2,456)	
Sale Proceeds of Flexed Assets	1,610	1,918
	-----	-----
Net Cash used in Investing Activities	(7,771)	(7,145)
Cash Flows from Financing Activities		
Repayment of Long Term Loans	(28,453)	(28,453)
Dividend Paid	(45,228)	(2)
	-----	-----
Net Cash used in Financing Activities	(73,681)	(28,455)
	-----	-----
Net (Decrease)/Increase in Cash & Bank Balances	(37,442)	31,787
Cash and Bank Balances as at July 1	80,226	48,439
	-----	-----
Cash and Bank Balances as at June 30	42,784	80,226
	=====	=====

(MOHAMMED
YASIN FECTO)
Chief Executive

(ABDUL JALEEL
SHAIKH)
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2001**

(Rupees in Thousands)

	<i>Share Capital</i>	<i>General Reserve</i>	<i>Accumulated Profit/(Loss)</i>	<i>Total</i>
Balance as at June 30, 1999	456,000	250,000	(98,151)	607,849
Profit after taxation	--	--	83,384	83,384
Appropriation:				
Transfer from General Reserve	--	(100,000)	100,000	--
Final Dividend (10%)	--	--	(45,600)	(45,600)
	-----	-----	-----	-----
Balance as at June 30, 2000	456,000	150,000	39,633	645,633
(Loss) after taxation	--	--	(79,947)	(79,947)
	-----	-----	-----	-----
Balance as at June 30, 2001	456,000	150,000	(40,314)	565,686
	=====	=====	=====	=====

(MOHAMMED
YASIN FECTO)
Chief Executive

(ABDUL JALEEL
SHAIKH)
Director

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2001**

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on February 28, 1981 as a public limited company and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in production and sale of cement.

2. STATEMENT OF COMPLIANCE

These accounts have been prepared in accordance with accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by Standing Interpretations Committee of IASC, as adopted in Pakistan and the requirements of the Companies Ordinance, 1984.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

These accounts are prepared under the historical cost convention as modified by capitalisation of certain borrowing cost and exchange differences.

3.2 Tangible Fixed Assets

i) Operating fixed assets are stated at cost (including where relevant related borrowing cost and exchange difference) less accumulated depreciation, except free hold land which is stated at cost.

ii) Capital work in progress is stated at cost including where relevant, related financing costs. These costs are transferred to fixed assets as and when assets are available for use.

iii) Depreciation is charged to income applying the reducing balance method at the rates specified in Note 10. Full year's depreciation is charged on additions, while no depreciation is charged on assets disposed off.

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

3.3 Assets Subject to Finance Lease

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

ii) Finance charge under the lease agreements is allocated over the periods during lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability of each period.

3.4 Staff Retirement Benefits

The Company operates a defined contribution scheme, Provident Fund, for all its regular permanent employees. Contributions are made equally by the Company and the employees as per the rules of the Fund.

3.5 Stores, Spares and Loose Tools

These are valued at moving average cost other than stores and spares in transit which are valued at cost comprising invoice value plus other charges paid thereon.

3.6 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realisable value. Cost signifies in relation to:

Raw Material produced by the Company	At average cost comprising of excavation cost, labour and appropriate overheads.
Other Raw Material and Packing Material	At cost determined on first-in-first-out basis.
Work-in process and Finished Goods	At average cost comprising direct material, labour and appropriate manufacturing overheads.

Net realizable value signifies the selling price less cost necessary to be incurred in order to make the sale.

3.7 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are converted into Rupees at the rate of exchange ruling on the date of transaction. All exchange differences are included in income currently.

3.8 Taxation

Current:

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account admissible tax credits and rebates, if any.

Deferred:

The Company accounts for deferred taxation on all significant temporary differences using the liability method. However, net deferred tax debits, if any, are not recognized.

3.9 Revenue Recognition

Sales are recorded on despatch of goods to customers.

(Rupees in Thousands)

	<i>2001</i>	<i>2000</i>
--	-------------	-------------

4. LONG TERM LOANS-SECURED

Local Currency Loans:

National Development Finance Corporation:

-Term Loan No. 1	(Note 4.1)	52,800	73,920
-Term Loan No. 4	(Note 4.2)	18,333	25,666
		-----	-----
		71,133	99,586
Less: Current Maturity		28,453	28,453
		-----	-----
		42,680	71,133
		=====	=====

4.1 This represents the outstanding balance as on June 30, 1989 of foreign currency loan of US Dollar 28.550 million obtained from National Development Finance Corporation, converted into local currency term loan of Rupees 446.078 million at the exchange rate prevailing on June 30, 1989. The balance due as on May 01, 1999 has been staggered by National Development Finance Corporation and is payable in 10 semi annual installments commencing from June 30, 1999. Markup @ 18% per annum will be charged and in case of delay in payment additional markup @ 4% per annum will be charged on the amount remaining unpaid after the due date. The loan is secured by way of a first charge on all movable and immovable properties of the Company and personal guarantees of sponsoring directors.

4.2 This represents the unpaid interest amounting to Rs. 195.550 million on the above foreign currency loan capitalized by National Development Finance Corporation as local currency term loan. The balance due as on May 01, 1999 has been staggered by National Development Finance Corporation and is payable in 10 semi annual installments commencing from June 30, 1999. Markup @ 18% per annum will be charged and in case of delay in payment additional markup @ 4% per annum will be charged on the amount remaining unpaid after the due date. The loan is secured by way of a first charge on all movable and immovable properties of the Company and personal guarantees of sponsoring directors.

5. DEFERRED LIABILITIES

Deferred Taxation	(Note 5.1)	153,507	195,982
Deferred Markup		45,236	50,987
Less: Transferred to Current Liabilities		12,186	5,752
		-----	-----
		33,050	45,235
		-----	-----
		186,557	241,217
		=====	=====

5.1 Deferred credits arising in respect of:

Accelerated Tax Depreciation		176,001	195,982
Deferred debits arising in respect of:			
Assessed Tax Losses		(22,494)	--
		-----	-----
		153,507	195,982
		=====	=====

6. LONG TERM DEPOSITS-UNSECURED

Dealers	(Note 6.1)	12,462	14,562
Suppliers and Contractors	(Note 6.2)	3,175	3,175
		-----	-----
		15,637	17,737
		=====	=====

6.1 This represents interest free security deposits, received from cement agency holders

and is repayable on cancellation or withdrawal of agency. The Company in terms of written contract with the agency holders is entitled to utilise the deposits, as provided in Section 226 of the Companies Ordinance, 1984.

6.2 This represents interest free security deposits received from suppliers and contractors and is repayable after the satisfactory execution or the cancellation of agreements. The Company is entitled in terms of written contract with the contractors and suppliers to utilise the deposits, as provided in Section 226 of the Companies Ordinance, 1984.

7. SHORT TERM RUNNING FINANCE-SECURED

The Company has aggregate running finance facilities of Rs. 170.0 million (2000: Rs. 120.0 million) available from a financial institution and a commercial bank. These arrangements are secured by way of first charge over all the company's movable and immovable properties and hypothecation of company's stock in trade, stores & spares, book debts, machinery and personal guarantees of sponsoring directors of the company. The Rate of markup ranges from 45-55 paisas (2000:50-57 paisas) per Rs. 1,000 per day.

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for Goods	8,080	7,147
Accrued Expenses	25,040	20,400
Workers' Profit Participation Fund (Note 8.1)	--	7,153
Markup on Long Term Finance Utilised Under Markup Arrangements - Secured	12,186	5,752
Advances from Customers	83,915	82,853
Due to Associated Companies	53,161	71,099
Royalty Payable	270	239
Excise Duty Payable	1,381	1,392
Sales Tax Payable	12,309	150
Taxes Withheld	388	233
Unclaimed Dividend	9,944	9,587
Unpaid Dividend	262	248
Other Liabilities	1,363	5,053
	-----	-----
	208,299	211,306
	=====	=====

8.1 WORKERS' PROFIT PARTICIPATION FUND

Opening Balance	7,153	256
Add: Contribution for the year	--	7,153
Interest accrued	671	18
	-----	-----
	7,824	7,427
Less: Payment during the year	7,824	274

-----	-----
--	7,153
=====	=====

9. CAPITAL COMMITMENTS

Capital commitments for acquisition of machinery and consultancy.

22,500	--
=====	=====

10. OPERATING FIXED ASSETS

<i>Items</i>	<i>Cost</i>			<i>As At June 30 2001</i>	<i>Rate Percent</i>	<i>Depreciation</i>			<i>As At June 30 2001</i>	<i>(Rupees in Thousands) Written Down Value As At June 30, 2001</i>
	<i>As At July 01 2000</i>	<i>Additions</i>	<i>Sale/ Disposals</i>			<i>As At July 01 2000</i>	<i>During the Year</i>	<i>Adjust- ment</i>		
Freehold Land	18,084	--	--	18,084	--	--	--	--	--	18,084
Factory Building on Freehold Land	248,673	--	--	248,673	10%	145,546	10,313	--	155,859	92,814
Non-Factory Building on Freehold Land	111,180	--	--	111,180	5%	41,649	3,477	--	45,126	66,054
Office Premises	2,415	--	--	2,415	5%	914	75	--	989	1,426
Plant, Machinery and Equipments	1,438,035	--	--	1,438,005	10%	875,329	56,271	--	931,600	506,435
Quarry Transport Equipments	240,162	--	--	240,162	20%	208,689	6,295	--	214,984	25,178
Furniture, Fixtures and Equipments	26,502	1,461	--	27,963	10%	12,519	1,544	--	14,063	13,900
Motor Vehicles	27,770	5,464	2,899	30,335	20%	17,141	3,028	1,947	18,222	12,113
	-----	----	-----	-----		-----	----	-----	-----	-----
2001	2,112,821	6,925	2,899	2,116,847		1,301,787	81,003	1,947	1,380,843	736,004
	=====	====	=====	=====		=====	=====	=====	=====	=====
2000	2,114,098	9,063	10,340	2,112,821		1,217,741	89,800	5,754	1,301,787	811,034
	=====	====	=====	=====		=====	=====	=====	=====	=====
			2001	2000						
ALLOCATION:										
Excavation Cost			17,975	20,803						
Manufacturing Cost			59,396	65,596						

Administrative and General	2,795	2,637
Selling and Distribution	837	764
	-----	-----
	81,003	89,800
	=====	=====

10.1 Details of Operating Fixed Assets disposed off during the year is as follows:

							<i>(Rupees in Thousands)</i>
<i>Description</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Mode of Disposal</i>	<i>Particulars of Purchaser</i>	
VEHICLES:							
Lancer	357	313	44	80	Negotiation	Sheikh Mohsin Sadiq House #129, Market Road Rawalpindi	
Subaro Car	226	194	32	65	Negotiation	Mr. Amjad Ali House # 1, Street # 1, Phase 1, Birtish Homes, Peshawar Road, Rawalpindi	
Toyota Sprinter	261	212	49	160	Negotiation	Mr. Shahid Mahmood Butt House # 4, Street 3, Muslim Colony, Samanabad, Lahore	
Suzuki Khyber	270	219	51	120	Negotiation	Mr. Nizamullah Khan House # 183, PIB Colony, Karachi	
Toyota Corona	700	494	206	325	Negotiation	Mr. Mohammed Usman Saeed House # 19, Officers Colony, Hayat Town, Wah	
Toyota Corolla	631	424	207	430	Negotiation	Mr. Wahid Hashim B-212, Black- 18, Gulshan-e-Iqbal, Karachi	

Suzuki Khyber	454	91	363	430	Insurance Claim	Adamjee Insurance Co. Ltd, & EFU General Insurance Co. Ltd. Karachi
2001	2,899	1,947	952	1,610		
2000	10,340	5,754	4,586	1,918		

11. CAPITAL WORK IN PROGRESS

This represents the advances given for the procurement of machinery for the modification of existing firing system of the plant to make provision of coal firing and project examination and processing fee paid for availing facility from a financial institution. The total cost is estimated at Rs, 130 million which shall be financed partly by the company from its own resources and partly by loans from financial institutions, banks and leasing Companies. Messrs Saudi Pak Industrial and Agricultural Investment Company (Private) Limited has already committed a loan of Rs. 50 million in this respect. The financial assistance from other sources is at advance stage. The management is of the opinion that with the modification of firing system the benefit of lower fuel cost shall accrue to the Company,

	<i>(Rupees in Thousands)</i>	
	<i>2001</i>	<i>2000</i>
12. STORES AND SPARES		
Stores	34,598	26,563
Spares	279,439	279,301
Store in transit	--	5,998
	-----	-----
	314,037	311,862
	=====	=====

13. STOCK IN TRADE

Finished Goods	15,315	5,833
Work-in-Process	15,904	19,573
Raw Material	2,966	4,231
Packing Material	4,317	5,521
	-----	-----
	38,502	35,158
	=====	=====

14. ADVANCES AND PREPAYMENTS

Advances-unsecured considered good:

Employees		1,987	1,991
Executives	(Note 14.1)	4,732	2,868

Suppliers and Contractors	19,851	15,424
Advance Income Tax	18,845	41,906
Advance Excise Duty	1,491	9,877
Prepayments	13,831	5,271
	-----	-----
	60,737	77,337
	=====	=====

14.1 The maximum aggregate amount due from executives of the Company at the end of any month during the year was Rs. 5.162 million (2000-Rs. 3.115 million).

15. CASH AND BANK BALANCES

In Hand	574	481
With Banks	42,210	79,745
	-----	-----
	42,784	80,226
	=====	=====

16. SALES-NET

Sales	1,971,100	1,849,478
Less: Excise Duty	527,367	641,367
Sales		
Tax	227,391	--
Commission	42,666	--
	-----	-----
	797,424	641,367
	-----	-----
	1,173,676	1,208,111
	=====	=====

17. COST OF SALES

Raw and Packing Material Consumed:

Opening		
Stock	9,752	9,784
Purchases	112,517	118,122
Excavation		
Cost	72,988	73,129
	-----	-----
	195,257	201,035
Closing		
Stock	(7,283)	(9,752)
	-----	-----
	187,974	191,283
Fuel and		
Power	751,245	562,111
Stores and Spares Consumed	76,315	64,811

Salaries, Wages and Benefits	69,982	68,407
Insurance	16,542	16,521
Repairs and Maintenance	3,269	3,387
Rent, Rates and Taxes	60	61
Depreciation	59,395	65,596
Other Manufacturing Overheads	18,043	16,372
	-----	-----
	1,182,825	988,549
Add: Opening Work-in-Process	19,573	3,294
Less: Closing Work-in-Process	(15,904)	(19,573)
	-----	-----
Cost of Goods Manufactured	1,186,494	972,270
Add: Opening Finished Goods	5,833	4,389
Less: Closing Finished Goods	(15,315)	(5,833)
	-----	-----
Cost of Sales	1,177,012	970,826
	=====	=====

18. GENERAL & ADMINISTRATIVE EXPENSES

Salaries, Wages and Benefits		22,603	19,549
Traveling and Conveyance		6,097	856
Vehicles Running Expenses		2,870	2,694
Communications		1,926	2,040
Printing and Stationery		818	584
Rent, Rates and Taxes		2,634	2,764
Utilities		2,655	2,099
Repairs and Maintenance		1,372	755
Legal and Professional Charges		2,969	3,198
Auditors' Remuneration	(Note 18.1)	283	275
Donations	(Note 18.2)	752	316
Depreciation		2,795	2,637
Miscellaneous		3,194	2,255
		-----	-----
		50,968	40,022
		=====	=====

18.1 AUDITORS' REMUNERATION

	<i>2001</i>		<i>2000</i>
	<i>Rahim Iqbal</i>	<i>Taseer Hadi</i>	<i>Rahim Iqbal</i>
	<i>Rafiq & Co.</i>	<i>Khalid & Co.</i>	<i>Taseer Hadi</i>
			<i>Khalid & Co.</i>

Audit Fee	112	112	112	112
Out of Pocket Expenses	27	32	26	25
	-----	-----	-----	-----
	139	144	138	137
	=====	=====	=====	=====
		283		275
	=====	=====	=====	=====
		==		==

18.2 None of the Directors or their spouses have any interest in the above donee Funds.

19. SELLING & DISTRIBUTION EXPENSES

Salaries, Wages and Benefits		10,141	10,120
Traveling and Conveyance		795	564
Vehicles Running Expenses		1,497	1,450
Communications		1,600	1,461
Rent, Rates and Taxes		950	916
Repairs and Maintenance		381	358
Advertisement		4,339	3,970
Marketing Fee		1,866	1,947
Depreciation		837	764
Miscellaneous		3,587	2,563
		-----	-----
		25,993	24,113
		=====	=====

20. FINANCIAL CHARGES

Markup on:			
Long Term Loans		25,630	31,046
Running Finance		11,077	1,894
Interest on Workers' Profit Participation Fund		671	18
Legal Documentation Fee		2,057	--
Bank Commission and Charges		1,245	758
		-----	-----
		40,680	33,716
		=====	=====

21. OTHER INCOME

Markup on Bank Deposits		5,178	5,198
Gain on Sale of Fixed Assets		658	1,002
(Loss) on Retirement/Scrapping of Fixed Assets		--	(3,670)
Scrap Sales		676	1,069
Miscellaneous		17	35

us

-----	-----
6,529	3,634
=====	=====

22. WORKERS' FUNDS

Workers' Profit Participation Fund	--	7,153
Workers' Welfare Fund	45	4,683
	-----	-----
	45	11,836
	=====	=====

**23.
TAXATION**

The Income Tax Assessments of the Company have been finalised upto and including Assessment year 2000-2001.

24. (LOSS)/EARNING PER SHARE - Basic

(Loss)/Profit after taxation	Rupees	(79,946,118)	83,383,719
		=====	=====
Number of ordinary shares		45,600,000	45,600,000
		=====	=====
(Loss)/Earning per share	Rupees	(1.75)	1.83
		=====	=====

25. REMUNERATION OF DIRECTORS AND EXECUTIVES

	<i>2001</i>			<i>2000</i>		
	<i>Chief Executive</i>	<i>Director</i>	<i>Executives</i>	<i>Chief Executive</i>	<i>Director</i>	<i>Executives</i>
Managerial Remuneration	1,681	1,681	35,189	1,537	1,537	29,973
Retirement Benefits	91	91	1,954	73	73	1,590
Reimbursable Perquisites	180	180	2,001	145	145	1,664
	-----	-----	-----	-----	-----	-----
	1,952	1,952	39,144	1,755	1,755	33,227
	=====	=====	=====	=====	=====	=====
Number	1	1	73	1	1	64
	=====	=====	=====	=====	=====	=====
Meeting Fee	--	33	--	--	28	--
	=====	=====	=====	=====	=====	=====

*(Rupees in
Thousands)*

Number	--	5	--	--	5	--
	=====	=====	=====	=====	=====	=====

Certain Executives are provided with the free use of Company cars and the operating expenses are reimbursed at actual to the extent of their entitlement.

(Rupees in Thousands)
2001 2000

26. TRANSACTIONS WITH ASSOCIATED COMPANIES

Purchases & other transactions	117,330	108,977
--------------------------------	---------	---------

27. CAPACITY AND PRODUCTION

Tonnes

Rated Capacity	600,000	600,000
Actual Production	473,390	445,380

The shortfall in production is due to depressed market conditions which resulted in low capacity utilisation.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying amounts of all financial assets and financial liabilities approximate their respective fair values.

29. INTEREST/MARKUP RATE RISK EXPOSURE

(Rupees in thousands)

	<i>Less than one month</i>	<i>2001 One month one year</i>	<i>One year and onward</i>	<i>Non-Interest/ markup bearing</i>	<i>Total</i>
Financial Assets					
Long Term Deposits	--	--	--	4,503	4,503
Trade Debtors	--	--	--	13,531	13,531
Advances	--	--	--	26,570	26,570
Cash and Bank Balances	--	--	--	42,784	42,784
	-----	-----	-----	-----	-----
	--	--	--	87,388	87,388
	=====	=====	=====	=====	=====
Financial Liabilities					
Long Term Loans	--	28,453	42,680	--	71,133

Deferred Markup	--	--	33,050	--	33,050
Long Term Deposits	--	--	--	15,637	15,637
Short Term Running Finance	--	159,341	--	--	159,341
Creditors, Accrued & Other Liabili	--	12,186	--	112,198	124,384
	-----	-----	-----	-----	-----
	--	199,980	75,730	127,835	403,545
	=====	=====	=====	=====	=====

	2001			Non-Interest/ markup bearing	Total
	Less than one month	One month one year	One year and onward		
Financial Assets					
Long Term Deposits	--	--	--	4,505	4,505
Trade Debtors	--	--	--	4,087	4,087
Advances	--	--	--	20,283	20,283
Cash and Bank Balances	--	--	--	80,226	80,226
	-----	-----	-----	-----	-----
	--	--	--	87,388	87,388
	=====	=====	=====	=====	=====
Financial Liabilities					
Long Term Loans	--	28,453	71,133	--	99,586
Deferred Markup	--	--	45,235	--	45,235
Long Term Deposits	--	--	--	17,737	17,737
Creditors, Accrued & Other Liabili	--	5,752	--	122,701	128,453
	-----	-----	-----	-----	-----
	--	34,205	116,368	140,438	291,011
	=====	=====	=====	=====	=====

Effective rates of interest/markup for financial liabilities are as follows:	2001	2000
Long Term Loan	18%	18%
Short Term Running Finance	16% - 20%	18% - 21%

(Rupees in Thousands)

30. CREDIT RISK

The following financial assets of the Company are exposed to credit risk:

Long Term Deposits	4,503	4,505
	=====	=====
Trade Debtors	13,531	4,087
	=====	=====

The Company controls credit risks by monitoring credit exposures and continuing assessment of credit worthiness of customers,

**31.
GENERA
L**

31.1 Total number of employees including contractors' employees as at June 30, 2001 was 594 (2000: 612)

31.2 Prior year's figures have been re-arranged, wherever necessary, to conform to current year's presentation.