

Chakwal Cement Company Limited
Annual Report 2001

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COMPANY INFORMATION

BOARD OF DIRECTORS	Khawaja Mohammad Jawed Khawaja Mohammad Jahangir Khawaja Mohammad Tanveer Khawaja Mohammad Nadeem Khawaja Mohammad Naveed Khawaja Mohammad Aman Mst. Zubaida Khatoon Mr. Shamsuddin Khan	(Chief Executive) (Nominee NIT)
COMPANY SECRETARY	Mr. Muhammad Anwar Sheikh M. Com., FCMA	
AUDITORS	M. Hussain Chaudhry & Co. Chartered Accountants	
LEGAL ADVISORS	Cornelius Lane & Mufti Advocates and Solicitors	
BANKERS	Citibank N. A. Faysal Bank Limited Muslim Commercial Bank Limited National Bank of Pakistan Platinum Commercial Bank Limited Prime Commercial Bank Limited Standard Chartered Bank	

REGISTERED OFFICE

7/1 E-3, Main Boulevard,
Gulberg-III, Lahore.
Tel: (042) 5717510-4

**CORPORATE & SHARES
DEPARTMENT**

31-F, Near Main Market,
Gulberg-II, Lahore.
Tel: 5755774 Fax: 5755760

**PLANT
SITE**

Karuli Near Kallar Kahar
District Chakwal - Pakistan

NOTICE OF 8TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 8th Annual General Meeting of the shareholders of **Chakwal Cement Company Limited** will be held on Monday, December 31, 2001 at 10:00 a.m. at 7-Happy Homes, 38-A, Main Gulberg, Lahore to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the shareholders of the Company held on December 30, 2000.
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2001 and the reports of Directors and Auditors thereon.
3. To appoint Auditors for the year ending June 30, 2002 and to fix their remuneration.
4. To consider any other business which may be placed before the meeting with the permission of the Chair.

By Order of the Board

**MUHAMMAD ANWAR
SHEIKH
Corporate Secretary**

Lahore:
December 06, 2001

Notes:

1. The shares transfer books of the Company shall remain closed from December 26, 2001 to January 02, 2002 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote instead of him/her. Proxies in order to be effective must be received by the Company not later than 48 hours before the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her

NIC or Passport, Account and participant I.D. numbers to provided his/her identity and in case of proxy must enclose an attested copy of his/her NIC or Passport. Representative of corporate members should bring the usual documents required for such purpose.

4. Shareholders are requested to notify the company promptly of any change in their address.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to place before you the annual report along with the audited accounts for the year ended June 30, 2001.

Your directors' continuous struggle to revive the project has born some result. After hard persuasion and representations to the Government that the project could be revived and is still viable, the Government provided relief in the form of waiver of demurrage to the extent of 70 percent of the leviabale demurrage. According to the notification issued the consignments lying at port were to be cleared within three months. Whilst we take this as a major achievement we have again taken up the matter with the concerned Governmental agencies and emphasized that the time period for lifting of the consignment must be extended and the balance 30 percent demurrage may be deferred and recovered after the commencement of production activities. Similar request has been made for the deferment of the custom duties and taxes. It is also pertinent to note that the foreign shareholders, representing majority, and the lenders have also requested the Government to consider the waiver or deferment of demurrage and custom duties. Both the requests are under consideration by the relevant Government departments and we are hopeful of a favourable outcome.

The above said charges of demurrage, custom duties and taxes form significant part of the short fall required to complete the project. With hopes that these issues shall successfully be resolved, your directors have made an action plan to revive the project. The plan has been discussed with the foreign shareholders, and the lenders who also share our views. Your directors are committed to revive the project and have sought assistance from the shareholders, lenders and above all the Government to help in completing the land mark project.

The auditors' observation regarding the ability of the company to continue as a going concern is largely mitigated by the above explanations. In addition to the above your directors are in contact with the lenders and are in negotiations for restructuring/rescheduling of the liabilities. Your directors believe that upon successful outcome of the concessions by the Government, the negotiations shall speed up and shall be amicably resolved.

The pattern of shareholding as on June 30, 2001 is annexed.

The present Auditors M/s Hussain Chaudhury & Company Chartered Accountants, retire & being eligible offer themselves for re-appointment.

We put on record our special thanks to the shareholders. We also put on record our gratitude to the foreign lenders, bankers and Government functionaries for their continued support and cooperation.

On Behalf of the Board

Lahore:
December 06, 2001

(KHAWAJA MOHAMMAD
JAWED)
Chief Executive

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2001

<i>NUMBER OF SHARE HOLDERS</i>	<i>FROM</i>	<i>SHARE HOLDING</i>	<i>TO</i>	<i>TOTAL SHARES HELD</i>
3	1	--	100	300
1377	101	--	500	687,700
260	501	--	1000	259,900
754	1001	--	5000	2,617,067
328	5001	--	10000	2,891,500
123	10001	--	15000	1,618,000
96	15001	--	20000	1,815,000
66	20001	--	25000	1,561,333
50	25001	--	30000	1,441,000
24	30001	--	35000	800,500
18	35001	--	40000	700,000
10	40001	--	45000	440,000
35	45001	--	50000	1,725,900
8	50001	--	55000	425,000
7	55001	--	60000	408,500
12	60001	--	65000	760,500
7	65001	--	70000	475,000
4	70001	--	75000	293,000
8	75001	--	80000	627,500
8	80001	--	85000	661,500
8	85001	--	90000	705,000
3	90001	--	95000	281,500
17	95001	--	100000	1,697,200
4	100001	--	105000	413,500
3	105001	--	110000	319,000
1	110001	--	115000	111,500
2	115001	--	120000	236,500
5	120001	--	125000	622,500
1	125001	--	135000	132,500
2	135001	--	140000	276,000
1	140001	--	145000	141,500
4	145001	--	150000	593,000
1	150001	--	155000	152,000
4	155001	--	160000	636,000
1	160001	--	165000	164,500
3	165001	--	175000	520,500

1	175001	--	180000	177,000
4	195001	--	200000	797,800
1	200001	--	205000	200,500
2	205001	--	230000	454,500
3	230001	--	235000	700,000
2	235001	--	240000	474500
5	240001	--	250000	1,248,000
1	250001	--	255000	250,500
1	255001	--	260000	257,000
1	260001	--	265000	261,000
1	265001	--	290000	286,000
1	290001	--	305000	301,000
1	305001	--	310000	310,000
1	310001	--	315000	315,000
2	320001	--	325000	645,400
1	325001	--	330000	329,500
1	330001	--	350000	350,000
1	350001	--	360000	358,000
1	360001	--	375000	375,000
1	375001	--	385000	384,000
1	385001	--	390000	386,500
1	395001	--	400000	398,000
1	435001	--	440000	439,000
1	455001	--	460000	459,700
1	470001	--	475000	473,000
1	480001	--	485000	481,500
1	490001	--	495000	492000
1	505001	--	510000	508,500
2	515001	--	520000	1,033,500
1	530001	--	535000	530,200
1	690001	--	695000	694,425
1	735001	--	740000	736,500
1	895001	--	900000	896,100
1	900001	--	905000	902,000
3	995001	--	1000000	2,997,000
1	1795001	--	1800000	1,798,000
12	1995001	--	2000000	23,976,200
1	2135001	--	2140000	2,138,325
1	2495001	--	2500000	2,499,700
1	2995001	--	3000000	2,997,000
1	3460001	--	3465000	3,464,700
1	8145001	--	8150000	8,146,619
1	8940001	--	8945000	8,943,711
1	11980001	--	11985000	11,988,000
1	13870001	--	13875000	13,874,142
1	14995001	--	15000000	15,000,000
1	17060001	--	17065000	17,064,095
1	19995001	--	20000000	19,999,980

2	24515001	--	24520000	49,038,190
1	24570001	--	24575000	24,572,476
1	50000001	--	50005000	50,000,300
1	259840001	--	259845000	259,840,400

--				-----
3337				562,456,363
=====				
=				=====

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER OF SHARES</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
INDIVIDUAL			
L	3,241	176,825,214	31.44
INVESTMENT COMPANY	4	2,271,825	0.40
INSURANCE COMPANY	3	20,064,980	3.57
JOINT STOCK COMPANY	57	12,872,900	2.29
FINANCIAL INSTITUTION	9	65,687,925	11.68
MODARABA COMPANY	3	559,000	0.10
FOREIGN COMPANY	5	284,011,019	50.49
OTHERS	15	163,500	0.03

	-----	-----	-----
	3,337	562,456,363	100.00
	=====	=====	=====
	==	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHAKWAL CEMENT COMPANY LIMITED** as at June 30, 2001 and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the informations 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 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, cash flow statement 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 its cash flows 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 note 1.3, 5 and 7 to the financial statements. The company's current liabilities exceed its current assets by Rs. 2,364.125 million as at June 30, 2001 which alongwith other matters as set forth in note 1.3 and 5 raise substantial doubt that the company will be able to continue as a going concern.

Lahore:

Dated: December 06, 2001

**(M. HUSSAIN CHAUDHURY
& CO.)
Chartered Accountants**

BALANCE SHEET AS AT JUNE 30, 2001

	<i>NOTE</i>	<i>2001 (RUPEES)</i>	<i>2000 (RUPEES)</i>
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorised capital:			
750 million (2000:750 million) ordinary			
shares of Rs. 10 each		7,500,000,000	7,500,000,000

Issued, subscribed and paid up capital	3	=====	=====
Capital		5,624,563,630	5,624,563,630
rescue	4	214,838,692	214,838,692
		-----	-----
		5,839,402,322	5,839,402,322
Long Term Loan - Secured	5	--	124,199,750
Deferred Liability - Gratuity Payable		1,477,258	1,221,266
Current Liabilities			
Current portion of long term loan		1,033,200,000	869,398,250
Due to sponsors and directors		30,108,764	29,464,347
Creditors, accrued and other liabilities	6	1,441,143,658	1,094,530,460
		-----	-----
		2,504,452,422	1,993,393,057
Contingencies and Commitments	7	--	--
		-----	-----
		8,345,332,002	7,958,216,395
		=====	=====

Note:

1) The annexed notes from 1 to 15 form an integral part of these accounts.

2) Auditors' Report (Annexed)

Lahore:
December 06, 2001

**(KHAWAJA MOHAMMAD
JAWED)
Chief Executive**

PROPERTY AND ASSETS

Fixed Capital Expenditure

Operating fixed assets	8	31,153,002	31,485,990
Capital work in progress - net	9	8,173,851,417	7,783,067,999
		-----	-----
		8,205,004,419	7,814,553,989

**Current
Assets**

Advances, deposits, prepayments and other receivables	10	138,975,120	135,860,120
Cash and bank balances	11	1,352,463	7,802,286
		-----	-----
		140,327,583	143,662,406
		-----	-----
		8,345,332,002	7,958,216,395

=====
 (KHAWAJA MOHAMMAD
 NADEEM)
 Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2001

<i>NOTE</i>	<i>2001 (RUPEES)</i>	<i>2000 (RUPEES)</i>
CASH FLOW FROM INVESTING ACTIVITIES		
Operating fixed assets	(2,500)	(1,350)
Capital work in progress - net	(14,710,329)	(14,550,610)
Financial charges paid	(23,311)	(1,888)
	-----	-----
Net cash used in investing activities	(14,736,140)	(14,553,848)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest income received	617,381	689,386
	-----	-----
Net cash from financing activities	617,381	689,386
(Increase)/decrease in current assets	97,832	(194,391)
Increase in current liabilities	10,857,265	16,068,244
Income tax paid	(3,178,161)	(115,291)
Gratuity paid	(108,000)	--
	-----	-----
Increase/(decrease) in cash & cash equivalents	(6,449,823)	1,894,100
Cash and cash equivalents at beginning of the year	7,802,286	5,908,186
	-----	-----
Cash and cash equivalents at end of the year	1,352,463	7,802,286
	=====	=====

(KHAWAJA MOHAMMAD
 JAWED)
 Chief Executive

(KHAWAJA MOHAMMAD
 NAEEM)
 Director

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

1. The company and its operations

1.1 Chakwal Cement Company Limited was incorporated in Pakistan on May 23, 1993 as a private

limited company and subsequently converted into a public limited company on October 18, 1994 under the Companies Ordinance, 1984. The Company is listed on all Stock Exchanges of Pakistan. The principal activity of the company is to set up an industrial undertaking for the manufacture and sale of cement.

1.2 Profit and loss account for the year ended June 30, 2001 has not been drawn up as the company has not commenced its operating activities.

1.3 Going concern:

The company had originally envisaged commencement of commercial production by October 1997. But the project could not be completed due to certain financial constraints and non clearance of certain parts of imported plant and machinery lying at the Karachi Port. Due to the financial constraints the company has not been able to pay any installment in respect of the foreign currency loan that has become totally due and the lender has filed a suit for recovery as explained in note 5. These factors alongwith other matters as stated in note 7 raise significant uncertainty that the company will be able to continue as going concern and, therefore, may be unable to realize its assets and discharge its liabilities.

The management is in the process of defending all the pending litigation and is confident about the revival of the project, restructuring of the foreign currency loan and favourable outcome of other litigation. The management believes that it will be able to raise additional funds with the support from its sponsors, financial institutions, foreign investors and incentives from Government to complete the project as early as possible. Consequently, these financial statements have been prepared on a going concern basis and do not include any adjustments that may be necessary, should the company be unable to continue as a going concern.

2. Significant accounting policies

2.1 Basis of preparation:

These financial statements have been prepared in accordance with the requirements of Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

2.2 Accounting convention:

These accounts without any adjustment for the effect of inflation or reference to current values.

2.3 Staff retirement benefit:

The company operates an un-funded gratuity scheme for all its employees.

2.4 Fixed assets and depreciation:

Fixed assets are stated at cost less accumulated depreciation except freehold land and capital work in progress which are stated at cost.

Cost of operating fixed assets consists of historical cost and attributable expenses in bringing the assets to their working condition.

Depreciation is charged by applying the reducing balance method at the rates specified in Note 8 so

as to write off the cost of assets over their useful lives.

No depreciation is charged on the assets deleted during the year, whereas, full year's depreciation is charged on additions during the year.

Profit / loss on disposal of fixed assets is charged to income currently. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

2.5

Taxation:

The company has not yet commenced its operating activities and as such the provision for taxation is not required in these accounts.

2.6 Deferred costs:

Deferred costs are amortized during the period not exceeding five years from the date on which the costs are incurred.

2.7 Foreign currency translations:

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange ruling on the balance sheet date. Exchange differences on foreign currency loan are capitalized.

2.8 Revenue recognition:

Return on investments from bank accounts is recognized on accrual basis. Revenue from sales shall be recognized under the policy to be framed after the completion of the project.

3. Issued, subscribed and paid up capital

<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
<i>Number of</i>	<i>Number of</i>	<i>(Rupees)</i>	<i>(Rupees)</i>
<i>shares</i>	<i>shares</i>		
562,456,363	562,456,363	5,624,563,630	5,624,563,630
	Ordinary shares of Rs. 10/- each fully paid in cash		
----- -- 562,456,363 =====	----- 562,456,363 =====	----- 5,624,563,630 =====	----- 5,624,563,630 =====
=	=====	=====	=====
4. Capital reserve			
Share premium		214,838,692	214,838,692
		=====	=====

This represents share premium of Rs. 0.50 on issue of 429,677,383 ordinary shares.

5. Long term loan - Secured

Foreign currency loan	1,033,200,000	993,598,000
Less: Current portion		
- current maturity	129,150,000	248,399,500
- overdues	904,050,000	620,998,750
	-----	-----
	1,033,200,000	869,398,250
	-----	-----
	--	124,199,750
	=====	=====

This represents Japanese Yen 2 billion foreign currency loan obtained from M/s Nichimen Corporation, U.K. in 1996 to meet the local cost components for the construction and installation of cement plant.

The prime covenants of the loan agreement are as follows:

a) The loan carries interest @ 7.5% per annum from the disbursement date to the actual repayment date of loan, payable on March 15, and September 15, each year.

b) The loan is repayable in eight equal hi-annual installments commencing from March 15, 1998.

c) In case of non payment on the due date, the company shall pay penal interest @ 10% per annum, on demand, to the lenders calculated on the amount overdue to the date of actual repayment.

d) The loan is secured:

- by way of a mortgage, (first charge ranking pari passu with other lenders), on the entire current and future assets of the company, including land, building and plant & machinery; and

- by a personal guarantee of one of the directors.

The company has not paid any installment of the loan. Adequate provision for applicable penal interest has been made in the accounts.

The lenders, M/s Nichimen Corporation, UK have instituted a suit for the recovery of amounts outstanding in respect of principal and accumulated interest thereon, which amount in total to Japanese Yen 2,620.892 million. The suit is pending for adjudication in the court of Senior Civil Judge, Lahore.

	2001	2000
	(RUPEES)	(RUPEES)
6. Creditors, accrued and other liabilities		
Creditors	67,674,612	56,888,233
Payable to contractors	19,450,354	19,450,354
Call deposit money	500,000	500,000
Retention money-interest free	7,320,002	7,320,002
Accrued expenses	1,992,878	1,381,824
Accrued interest on secured long term loan	459,925,718	325,919,303

Income tax deducted at source	1,255,359	2,439,944
Payable against incidental and storage charges on imported plant and machinery	883,024,735	680,630,800
	-----	-----
	1,441,143,658	1,094,530,460
	=====	=====

7. Contingencies and commitments

Contingencies

a) The company has issued a bank guarantee for Rs. 1.230 million (2000: Rs. 1.230 million) and insurance guarantee for Rs. 2.400 million (2000: Rs. 2.400 million) in favour of department of industries and mineral development, Punjab to acquire the mining lease for lime stone / clay / gypsum.

b) The Revenue Officer, District Chakwal, has raised a demand of Rs.269.4 million being short fall in stamp duty and penalty in respect of land mortgaged against suppliers' credit. During the course of appellate procedures, the chief revenue authority, Board of Revenue, Punjab has reiterated the demand and the company has finally filed a revision petition with the Lahore High Court, Rawalpindi Bench. No provision, however, has been made in the accounts as the company expects a favourable outcome.

Commitments

Commitments in respect of capital expenditure contracted as at the balance sheet date are Rs.1.694 billion (2000: Rs 1.506 billion).

8. Operating fixed assets

Particulars	COST		As at 30-06-2001	Rate %	DEPRECIATION		Book Value	
	As at 01-07-2000	Additions / (Deletions)			As at 01-07-2000	For the year	Total as at 30-06-2001	as at 30-06-2001
Freehold land	28,820,980	--	28,820,980	--	--	--	--	28,820,980
Factory equipment	370,048	--	370,048	10	122,237	24,781	147,018	223,030
Office equipment	460,550	--	460,550	10	186,827	27,372	214,199	246,351
Furniture and fixtures	1,649,600	2,500	1,652,100	10	700,100	95,200	795,300	856,800
Computers	866,740	--	866,740	10	360,135	50,661	410,796	455,944
Vehicles	2,554,240	--	2,554,240	20	1,866,869	137,474	2,004,343	549,897
	-----	-----	-----		-----	-----	-----	-----
Total Rupees 2001	34,722,158	2,500	34,724,658		3,236,168	335,488	3,571,656	31,153,002
	=====	=====	=====		=====	=====	=====	=====
	=====	=====	=====		=====	=====	=====	=====

Total Rupees 2000	34,720,808	1,350	34,722,158	2,844,587	391,581	3,236,168	31,485,990
	=====	=====	=====	=====	=====	=====	=====
	=====	=====	=====	=====	=====	=====	=====

8.1 The depreciation charge has been transferred to unallocated expenditure (Note 9.2).

	<i>NOTE</i>	<i>2001 (RUPEES)</i>	<i>2000 (RUPEES)</i>
9. Capital work in progress - Net			
Civil and development work (including design and consultancy)		730,169,183	729,099,583
Construction material		29,593,367	29,593,367
Plant machinery and equipment (including Offshore & Onshore contracts)	9.1	6,749,620,291	6,508,276,415
Unallocated capital expenditure - Net	9.2	664,468,576	516,098,634
		-----	-----
		8,173,851,417	7,783,067,999
		=====	=====

9.1 This amount includes cumulative exchange loss of Rs.394.279 million (2000:Rs.354278 million) on foreign currency loan and amount payable against incidental and storage charges on imported plant and machinery of Rs.883.024 million (2000: Rs.680.631 million).

9.2 Unallocated capital expenditure - Net

Salaries and benefits		37,126,556	31,341,480
Travelling expenses		9,286,860	8,960,720
Electricity and other utilities		1,186,176	885,236
Telephone, telegrams and postage		8,293,918	7,961,360
Vehicle running expenses		2,297,400	1,774,618
Insurance		9,192,922	7,226,664
Printing and stationery		1,126,518	993,255
Entertainment		486,098	305,173
Office renovation and maintenance		2,634,912	2,524,175
Newspapers and periodicals		150,933	135,013
Fees and subscriptions		1,606,067	1,326,600
Rent, rates and taxes		3,781,637	3,520,802
Advertisement expenses		575,059	458,959
Security charges		9,776,947	7,431,546
Corporate service charges		1,349,790	1,349,790
Legal and professional charges		3,757,309	2,823,829
Auditors' remuneration	9.2.1	935,000	860,000
Freight and octroi		136,256	97,281
Interest charges, penal interest and commission on long term loan		539,324,454	405,318,039
Bank charges		709,989	686,678

Zakat		140,607	115,109
Charity and donations	9.2.2	18,120	18,120
Miscellaneous expenses		918,168	662,795
Deferred costs amortized		26,294,224	26,294,224
Depreciation		3,708,206	3,372,718
		-----	-----
		664,814,126	516,444,184

Less:			
Gain on disposal of fixed assets		(107,800)	(107,800)
Other income		(237,750)	(237,750)
		-----	-----
		664,468,576	516,098,634
		=====	=====

9.2.1 Auditors' remuneration

- Audit fee		785,000	710,000
- Consultancy fee		150,000	150,000
		-----	-----
		935,000	860,000

9.2.2 None of the directors or their spouse have any interest in the donees.

10. Advances, deposits, prepayments and other receivables

Advances to suppliers		891,609	891,609
Security deposits		1,434,200	1,434,200
Mobilization advance		110,292,064	110,292,064
Income tax deducted at source		25,318,079	22,139,918
Prepayments		974,667	1,072,499
Interest income receivable		34,671	--
Other receivables		29,830	29,830
		-----	-----
		138,975,120	135,860,120
		=====	=====

11. Cash and bank balances

Cash in hand		62,321	68,215
Cash at banks:			
- in current / PLS accounts		1,290,142	6,914,283
- in deposit accounts		--	819,788
		-----	-----
		1,290,142	7,734,071
		-----	-----
		1,352,463	7,802,286
		=====	=====

	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Financial Liabilities								
Long term loans	1,033,200,000	--	1,033,200,000	993,598,000	--	--	--	--
Due to sponsors and directors	--	--	--	--	30,108,764	--	30,108,764	29,464,347
Creditors, accrued and other liabilities	459,925,718	--	459,925,718	325,919,303	981,217,940	--	981,217,940	768,611,157
Bank overdraft	--	--	--	--	93,661	--	93,661	--
	-----	-----	-----	-----	-----	-----	-----	-----
					1,011,420,36		1,011,420,36	
Total	1,493,125,718	--	1,493,125,718	1,319,517,303	5	--	5	798,075,504
	=====	=====	=====	=====	=====	=====	=====	=====

14.1 Concentration of credit risk

Out of the aggregate financial assets of Rs. 114.129 million (2000· Rs. 120.450 million), the financial assets which may be subject to credit risk amount to Rs.114.066 million (2000 ' Rs. 120.382 million) in the event the counter parties are unable to meet the terms of the agreements.

14.2 Fair values of financial assets and liabilities

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

14.3 Effective interest rates

Effective interest rates applicable to the financial assets and financial liabilities range from 6 to 9 % and 7.5 to 10 %, per annum, respectively.

14.4 Foreign currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign currency loan (Japanese Yen) is exposed to foreign currency risk as future payments in foreign currency are not secured against any hedge instrument.

15. Figures

- have been rounded off to the nearest rupee; and
- of previous year have been rearranged, wherever necessary, to facilitate comparison.

Lahore
December 06, 2001

(KHAWAJA MOHAMMAD
JAWED)
Chief Executive

(KHAWAJA MOHAMMAD
NADEEM)
Director