

Essa Cement Industries Limited

Annual Report 2001

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COMPANY INFORMATION

BOARD OF DIRECTORS

MR. ABDUL AZIZ ESSA	CHAIRMAN & CHIEF EXECUTIVE
MRS. HUMERA ESSA	
HAJI YOUNUS DADA	
MRS. ZAITOON HAMZA DADA	
MRS. SAZINA JAWED ESSA	
MR. IRFAN AZIZ ESSA	
MR. ZAFARUDDIN SIDDIQUI	

COMPANY SECRETARY

MR. ABDUL HAMEED

AUDITORS

F.R. MERCHANT & CO.
CHARTERED ACCOUNTANTS

BANKERS

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

REGISTERED OFFICE

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

FACTORY

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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that Annual General Meeting of the Company will be held on Monday, December 31, 2001 at 12.00 noon at the Registered Office of the Company at FL - 2/1, Block-6, Gulshan-e-Iqbal, Karachi, to transact the following business:

- 1) To confirm the minutes of the last Extra-Ordinary General Meeting.
- 2) To receive and consider the Audited Accounts of the company for the year ended June 30, 2001, with the Directors' and the Auditors' Reports thereon.
- 3) To appoint auditors for the year 2001-2002 and to fix their remuneration.
- 4) To transact any other business with the permission of the Chairman.

By Order of the Board

ABDUL HAMEED
Secretary

KARACHI: December 01, 2001

NOTES:

- 1) The Share Transfer Books of the Company will remain closed from December 22, 2001 to December 31, 2001 (both days inclusive).
- 2) A member entitled to attend and vote at the Annual General Meeting may appoint another member as the proxy to attend and vote on his/her behalf. Proxies must be duly filled, signed and deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting,
- 3) Shareholders are requested to promptly notify the Company of any change in their addresses, if any.

DIRECTORS' REPORT TO THE MEMBERS

Your directors are pleased to place before you the annual report alongwith audited accounts and

auditors' report thereon for the financial year ended June 30, 2001.

PRODUCTION:

Due to slow economic growth in the country, the Cement Industry suffered the most. During the year under review, we had to adjust production capacity in line with market demand as such the plant capacity was not operated fully. In spite of general slow down, we have around 4% increase in the production comparing with last year. The production of Clinker and Cement for the period are given as under:

	<i>2000-2001</i>	<i>1999-2000</i>
	<i>M. Tons</i>	<i>M. Tons</i>
Clinker	251,153	240,860
Cement	268,780	259,850

SALES & MARKETING:

The company was able to sell 268, 121 m.tons of cement during the year ended 30th June, 2001 as against 262,766 m. tons sold during the preceding year registering an increase of 2%, The company had to make frequent adjustments in the prices due to cut throat competition in the market so as to be able to sell almost entire quantity of cement produced.

The net sales revenue in the year under review has increased to Rs. 622.170 million as compared to Rs. 573.483 million during the preceding year.

FINANCIAL RESULTS:

As shown in the annexed profit and loss accounts, the company earned an operating profit of Rs. 63.767 million as compared to Rs. 63.068 million earned last year. Net profit for the year after provision for taxation comes to Rs. 7.057 million.

FUTURE PROSPECTS:

To decrease the cost of production and to remain in Market Competition, we have started replacing Furnace Oil with Coal. The trial process was done during May-June 2001. From July 2001, we have been able to replace Furnace Oil by Coal from 40% to 50% by utilizing Local Lakra High Sulphur Coal. To increase further consumption of Coal, we will need Low Sulphur Coal, for this we are planning to blend Local Coal with Imported Low Sulphur Coal and for this conversion, all equipments are arranged/ fabricated locally. We hope the economic activities in Pakistan will pick up after Afghanistan War and demand will increase and we will be able to produce/sell of Cement to the full capacity.

PATTERN OF SHAREHOLDING:

The Shareholding Pattern of the company as on June 30, 2001 is included in the Annual Report.

DEBT SERVICING:

You were informed last year that due to financial constraints, we approached Overseas Credit & Investment Co. Ltd. for restructuring of loan. We hope this will be done during the year 2001-2002.

AUDITORS:

The present Auditors M/s. F.R. Merchant & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment as Auditors of the Company for the year 2001-2002.

ACKNOWLEDGEMENT:

The Board express its thanks for the valuable services, loyalty and commendable efforts rendered by the executives, staff members and workers of the Company, during the year under review, and wish to place on record its appreciation for the same.

For and on behalf of the Board

ABDUL AZIZ ESSA
Chairman/Chief Executive

KARACHI: December 01, 2001

FINANCIAL HIGHLIGHTS

	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>
NET SALES	622,170	573,483	377,904	172,571
RESULT				
PROFIT BEFORE TAX	10,257	9,086	50,920	(10,143)
PROFIT AFTER TAX	7,057	6,086	48,920	(11,043)
NET RETURN OF TURNOVER %	1.13	1.06	12.94	(6.40)
CURRENT ASSETS	182,444	203,407	281,339	229,423
CURRENT LIABILITIES	174,730	184,021	281,336	254,363
CURRENTING RATIO				
ASSETS: LIABILITIES	1.04: 1	1.11.:1	1.00: 1	0.90: 1
DISTRIBUTABLE RESERVES	201,083	194,026	222,570	173,650
SHAREHOLDERS EQUITY	582,010	574,953	568,867	519,948
NUMBER OF SHARES	38,093	38,093	34,630	34,630
EARNING PER SHARE OF RS. 10 EACH	0.19	0.16	1.41	(0.32)
BREAK-UP VALUE				
PER SHARE RS.	15.28	15.09	16.43	15.01

PATTERN OF SHAREHOLDINGS
AS AT 30th JUNE 2001

<i>SHARE HOLDINGS</i>	<i>SHAREHOLDERS</i>			<i>TOTAL SHARES HELD</i>
FROM 1 TO	100	291	9,148	
FROM 101 TO	500	446	103,481	
FROM 501 TO	1000	194	131,134	
FROM 1001 TO	5000	492	1,122,976	
FROM 5001 TO	10000	181	1,299,778	

FROM	10001	TO	15000	270	2,905,858
FROM	15001	TO	20000	53	889,176
FROM	20001	TO	25000	320	7,024,056
FROM	25001	TO	30000	153	3,999,375
FROM	30001	TO	35000	42	1,329,888
FROM	35001	TO	45000	1	43,560
FROM	45001	TO	50000	1	45,919
FROM	50001	TO	60000	1	58,685
FROM	60001	TO	75000	2	126,082
FROM	75001	TO	130000	1	77,449
FROM	130001	TO	150000	1	132,002
FROM	150001	TO	160000	2	306,621
FROM	160001	TO	190000	2	354,212
FROM	190001	TO	300000	1	213,155
FROM	300001	TO	500000	1	370,642
FROM	500001	TO	900000	1	812,410
FROM	900001	TO	1025000	4	3,750,273
FROM	1025001	TO	2000000	5	6,128,719
FROM	2000001	TO	3000000	1	2,918,213
FROM	3000001	TO	4000000	1	3,939,893
				-----	-----
				2,467	38,092,705
				=====	=====

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
FINANCIAL INSTITUTIONS	10	926,735	2.43
INDIVIDUALS	2,425	35,702,500	93.73
INSURANCE COMPANY	4	485,163	1.27
INVESTMENT COMPANY	28	978,307	2.57
JOINT STOCK COMPANIES	--	--	--
CORPORATE LAW AUTHORITY	--	--	--
ADMINISTRATOR ABANDONED	--	--	--
PROPERTY	--	--	--
CHARITABLE	--	--	--
OTHERS	--	--	--
	-----	-----	-----
	2,467	38,092,705	100
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ESSA CEMENT INDUSTRIES LIMITED** as at June 30,2001 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 purpose of our audit.

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

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

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

(b) in our opinion:

i) the balance sheet and profit and loss account, together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the Profit, its cash flows and changes in equity for the year then ended; and

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

KARACHI: December 01, 2001

F.R. MERCHANT & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2001

SHARE CAPITAL AND RESERVES	NOTE	2001	2000
Authorised			
50,000,000 ordinary shares of Rs, 10/- each		500,000,000	500,000,000

		=====	=====
Issued, subscribed and paid-up capital	3	380,927,050	380,927,050
Reserves	4	201,082,818	194,025,830
		-----	-----
		582,009,868	574,952,880
LONG TERM LOANS	5	702,795,870	664,668,174
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	6	2,477,714	9,778,783
DEFERRED LIABILITIES	7	13,660,051	10,413,447
CURRENT LIABILITIES			
Current maturity of long term loans	5	299,285,977	199,022,894
Current maturity of liabilities against assets subject to finance lease	6	21,632,039	19,841,153
Creditors, accrued and other liabilities	8	153,997,190	166,459,303
Running finances under mark-up arrangements	9	11,915,632	11,944,152
Provision for taxation		8,817,333	5,617,333
		-----	-----
		495,648,171	402,884,835
CONTINGENCIES AND COMMITMENTS	10		
		-----	-----
	Rupees	1,796,591,674	1,662,698,119
		=====	=====
FIXED ASSETS - Tangible			
Operating Assets	11	1,158,128,629	1,120,252,068
Capital work-in-progress	12	451,878,361	334,898,216
		-----	-----
		1,610,006,990	1,455,150,284
LONG TERM DEPOSITS		4,140,346	4,140,346
CURRENT ASSETS			
Stores and spares	13	116,019,200	110,492,299
Stock-in-trade	14	45,375,121	66,040,138
Trade debts	15	3,411,058	6,910,750
Advances, deposits, prepayments and other receivables	16	10,875,374	14,716,843
Cash and bank balances	17	6,763,586	5,247,459
		-----	-----
		182,444,339	203,407,489
		-----	-----
	Rupees	1,796,591,674	1,662,698,119
		=====	=====

The annexed notes form an integral part of these accounts.

ABDULAZIZ ESSA
CHIEF EXECUTIVE

HUMERA ESSA
DIRECTOR

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

	<i>NOTE</i>	<i>2001</i>	<i>2000</i>
Sales - net	18	622,170,027	573,482,950
Cost of sales	19	546,487,016	498,127,106
		-----	-----
Gross profit		75,683,011	75,355,844
Administration and selling expenses	20	11,915,738	12,287,196
		-----	-----
Operating profit		63,767,273	63,068,648
Other income	21	113,569	177,900
		-----	-----
		63,880,842	63,246,548
Financial charges	22	53,084,013	44,576,909
Other charges	23	539,841	488,191
		-----	-----
		53,623,854	45,065,100
		-----	-----
Profit for the year		10,256,988	18,181,448
Prior years' adjustments	24	--	9,095,815
		-----	-----
Profit before taxation		10,256,988	9,085,633
Taxation	25	3,200,000	3,000,000
		-----	-----
Profit after taxation		7,056,988	6,085,633
Accumulated profit brought forward		14,025,830	7,940,197
		-----	-----
Accumulated profit carried forward		21,082,818	14,025,830
		=====	=====
Earnings per share	26	0.19	0.16
		=====	=====

The annexed notes form and integral part of these accounts

ABDULAZIZ ESSA
CHIEF EXECUTIVE

HUMERA ESSA
DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>2001</i>	<i>2000</i>
Cash flow from operating activities		
Profit for the year	10,256,988	18,181,448
Add / (less) adjustments for non cash charges		
Depreciation	50,722,435	49,394,531
Provision for gratuity	3,246,604	1,317,632
	-----	-----
Operating profit before working capital changes	64,226,027	68,893,611
Movement in working capital		
(Increase)/decrease in current assets		
Stores and spares	(5,526,901)	(2,298,149)
Stock-in-trade	20,665,017	31,928,611
Trade debts	3,499,692	41,114,204
Advances, deposits, prepayments and other receivables	3,841,469	570,468
	-----	-----
	22,479,277	71,315,134
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	(12,462,113)	(56,137,025)
Running finances under mark-up arrangements	1,285,201	(44,178,432)
	-----	-----
	(12,490,633)	(100,315,457)
	-----	-----
Net cash (used in) / from operating activities	74,214,671	39,893,288
Cash flow from investing activities		
Capital expenditure	(205,579,141)	(77,284,701)
	-----	-----
Net cash (used in) / from investing activities	(131,364,470)	(37,391,413)
Cash flow from financing activities		
Long term loans	138,390,779	41,015,600
Liabilities subject to finance lease	(5,510,183)	(10,240,931)
	-----	-----
Net cash (used in) / flow from financing activities	132,880,596	30,774,669
Net increase in cash and bank balances	1,516,127	(6,616,744)
Cash and bank balances at the beginning of the year	5,247,459	11,864,203
	-----	-----
Cash and bank balances at the end of the year	6,763,586	5,247,459
	=====	=====

**ABDUL AZIZ ESSA
CHIEF EXECUTIVE**

**HUMERA ESSA
DIRECTOR**

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

	<i>Share Capital</i>	<i>General Reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
Balance at June 30, 1999	346,297,320	214,629,730	7,940,197	568,867,247
Profit tot the year after taxation	--	--	6,085,633	6,085,633
	-----	-----	-----	-----
	346,297,320	214,629,730	14,025,830	574,952,880
Appropriation:				
Bonus shares issued	34,629,730	(34,629,730)	--	--
	-----	-----	-----	-----
Balance at June 30,2000	380,927,050	180,000,000	14,025,830	574,952,880
Profit for the year after taxation	--	--	7,056,988	7,056,988
	-----	-----	-----	-----
Balance at June 30, 2001	380,927,050	180,000,000	21,082,818	582,009,868
	=====	=====	=====	=====

**ABDUL AZIZ ESSA
CHIEF EXECUTIVE**

**HUMERA ESSA
DIRECTOR**

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

1. THE COMPANY AND ITS OPERATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for preparation of the financial statements

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

2.2 Overall valuation policy

These financial statements have been prepared under historical cost convention.

2.3 Staff retirement benefits

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

2.4 Taxation

Current

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

Deferred

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

2.5 Fixed assets and depreciation

2.5(i) Operating assets

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

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

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

2.5 [ii] Assets subject to finance lease

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

2.6 Capital work in progress

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

2.7 Stores and spares

These are valued at moving average cost.

2.8 Stock-in-trade

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

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

2.9 Foreign currency translations

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

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

2.10 Borrowing cost

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

2.11 Revenue recognition

Sales are recorded on despatch of goods to customers. Return on deposits is recognized on accrual basis.

	<i>2001</i>	<i>2000</i>
3. ISSUED, SUBSCRIBED & PAID-UP CAPITAL		
25,913,117 ordinary shares of Rs. 10 each issued for cash	259,131,170	259,131,170
840,000 ordinary shares of Rs. 10 each issued for consideration other than cash	8,400,000	8,400,000
11,339,588 (2000: 11,339,588) ordinary shares of Rs. 10 each issued as fully paid bonus shares	113,395,880	113,395,880
	-----	-----
	380,927,050	380,927,050
	=====	=====
4. RESERVES		
General reserve		
At beginning of the year	180,000,000	180,000,000
Unappropriated profits	21,082,818	14,025,830
	-----	-----
	201,082,818	1,940,250,830
	=====	=====
5. LONG TERM LOANS		
Suppliers Credit - secured (Note 5.1)	719,570,779	537,978,357
Demand Finance - secured (Note 5.2)	13,511,068	6,712,711
Loan from sponsors - unsecured (Note 5.3)	269,000,000	319,000,000
	-----	-----
	1,002,081,847	863,691,068
Less: Current portion (including overdue)	299,285,977	199,022,894
	-----	-----
	702,795,870	664,668,174
	=====	=====

5.1 Break-up of Loans

(1) appearing above is given below:

a) Overseas Credit & Investment Co. - I	49,210,100	48,987,269
b) Overseas Credit & Investment Co. - II	670,360,679	488,991,088
	-----	-----
	719,570,779	537,978,357
	=====	=====

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

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

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

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

Loan (a) One D.M. equivalent to Rupees = 27.9512

Loan (b) One US\$ equivalent to Rupees = 64.30

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

5.3 This represents interest free loans received from sponsors.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as on 1st July	29,619,936	39,860,867
Less: Payment made	5,510,183	10,240,931
	-----	-----
	24,109,753	29,619,936
Less: Current portion (including overdue)	21,632,039	19,841,153
	-----	-----
	2,477,714	9,778,783
	=====	=====

6.1 The total lease rentals due under the lease agreement aggregate Rs. 24,109,753 (2000: Rs. 29,619,936).

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

6.3 Installments are payable in the following periods:

<i>Year</i>	<i>2001</i>	<i>2000</i>
2000-2001	--	25,169,661

2001-2002	35,746,634	21,873,153
2002-2003	8,251,105	5,824,595
	-----	-----
	43,997,739	52,867,409
Less: Financial charges allocated to unpaid lease payments and futur	19,887,986	23,247,473
	-----	-----
	24,109,753	29,619,936
	=====	=====

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

7. DEFERRED LIABILITIES

Provision for employees gratuity	13,660,051	10,413,447
	=====	=====

8. CREDITORS, ACCURED & OTHER LIABILITIES

interest accrued on long term loans	6,889,328	37,240,426
Loan from sponsors	2,604,964	3,192,795
Creditors for expenses and others	85,201,256	75,248,300
Workers' profit participation fund (Note 8.1)	56,911,855	48,387,995
Workers' welfare fund	2,225,896	2,225,896
Unclaimed dividend	163,891	163,891
	-----	-----
	153,997,190	166,459,303
	=====	=====

8.1 WORKERS' PROFIT PARTICIPATION FUND

Balance at the beginning of the year	48,387,995	41,124,296
Interest thereon	7,984,019	6,785,508
	-----	-----
	56,372,014	47,909,804
Allocation for the year	539,841	478,191
	-----	-----
	56,911,855	48,387,995
	=====	=====

9. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS - secured

11,915,632	11,944,152
=====	=====

The Company has an aggregate running finance facilities of Rs. 15 million (2000 - Rs. 15 million) available from commercial banks. The facilities are secured against hypothecation of stores, spares, machinery & equipment, 2nd charge over fixed and movable assets, personal guarantee of directors and demand promissory note. It carries mark-up at the rate of 0.46 paisas per Rs. 1,000 calculated on daily product basis.

10. CONTINGENCIES AND COMMITMENTS CONTINGENCIES

Central Excise and Land Custom has passed an order for the recovery of excise duty, sales tax and penalty of Rs. 91.046 million (2000 - 91.046 million]. The Company has however disputed the same both on grounds of lack of jurisdiction as well as on the merits, the matter is subjudice. The stay order was granted by the honourable High Court of Sindh against the said order.

11. FIXED ASSETS - Tangible

11.1 The following is a statement of operating assets:

	<i>Cost as at 01-07-2000</i>	<i>Additions/ (Deletions)</i>	<i>Cost as at 30-06-2001</i>	<i>Accumulated Depreciation</i>
Lease hold Land	3,024,768	--	3,024,768	--
Building on Leasehold Land	193,242,318	--	193,242,318	44,594,994
Plant and Machinery	1,255,226,049	88,560,496	1,343,786,545	388,375,224
Vehicles	4,436,085	--	4,436,085	3,504,792
Office Equipment	3,197,776	12,500	3,210,276	1,954,463
Furniture and Fixture	1,083,985	26,000	1,109,985	633,628
Factory Equipment and Laboratory Equipment	430,463	--	430,463	286,867
LEASED ASSETS				
Plant and Machinery	55,704,594	--	55,704,594	10,929,510
Quarry Equipment	9,447,374	--	9,447,374	5,884,301
	-----	-----	-----	-----
	1,525,793,412	88,598,996	1,614,392,408	456,263,779
	=====	=====	=====	=====
2000	1,496,140,272	34,153,140 (4,500,000)	1,525,793,412	406,979,544 (1,438,200)
	=====	=====	=====	=====

11.1 Addition to plant and machinery include exchange loss/(gain) amounting to Rs. 88,560,496 [2000 (Rs. 923,110)].

11.3 Additions in plant and machinery include assets transferred from lease assets amounting to Nil (2000 - Rs. 4,500,000).

11.4 Based on management review of estimated useful life of the assets, annual rate of depreciation on plant and machinery has been reduced from 10% to 4% effective July 01, 1999. Had depreciation rates remained unchanged, the depreciation for the year would have been higher by Rs. 62,511,650 (2000 - Rs. 59,581,270).

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

	<i>2001</i>	<i>2000</i>
Cost of Sales	50,292,305	48,888,551
Administration and Selling Expenses	430,130	505,980
	-----	-----
	50,722,435	49,394,531
	=====	=====

	<i>2001</i>	<i>2000</i>
12. CAPITAL WORK-IN-PROGRESS		
Civil work	85,335,009	51,679,377
Plant and machinery	366,543,352	283,218,839
	-----	-----
	451,878,361	334,898,216
	=====	=====
13. STORES AND SPARES		
Stores	32,440,824	30,530,965
Spares	83,578,376	79,961,334
	-----	-----
	116,019,200	110,492,299
	=====	=====
14. STOCK - IN- TRADE		
Raw materials	26,642,009	42,018,970
Work-in-process	11,768,049	18,898,680
Finished goods	6,965,063	5,122,488
	-----	-----
	45,375,121	66,040,138
	=====	=====
15. TRADE DEBTS		
(Unsecured, considered good]	3,411,058	6,910,750
	=====	=====
16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advance to suppliers	2,770,277	5,722,162
Other receivables	7,721,394	7,855,378
Prepayments	383,703	1,139,303
	-----	-----
	10,875,374	14,716,843
	=====	=====
17. CASH AND BANK BALANCES		
Cash in hand	4,802,552	4,028,241
Cash with banks	1,961,034	1,219,218
	-----	-----
	6,763,586	5,247,459
	=====	=====
18. SALES - Net		
Sales	1,028,339,292	941,355,350
	-----	-----
Less: Excise duly	12,923,232,001	367,872,400
Sales tax	113,846,065	--

	-----	-----
	406,169,265	367,872,400
	-----	-----
	622,170,027	573,482,950
	=====	=====
19. COST OF SALES		
Raw and packing material consumed		
Opening stock	42,018,970	63,459,029
Purchases	102,137,685	87,412,910
	-----	-----
	144,156,655	150,871,939
Closing stock	(26,642,0091)	(42,018,970)
	-----	-----
	117,514,646	108,852,969
Stores and spares consumed	6,971,779	6,074,443
Fuel and power	329,535,208	293,066,489
Salaries, wages and benefits	27,085,015	21,411,526
Rent, rates and taxes	454,549	481,167
Insurance	400,395	713,314
Repairs and maintenance	2,614,422	2,071,686
Depreciation	50,292,305	48,888,551
Other charges	6,330,641	6,078,409
	-----	-----
	541,198,960	487,638,554
	-----	-----
Work-in-process		
Opening	18,898,680	25,079,565
Closing	(11,768,049)	(18,898,680)
	-----	-----
Cost of goods manufactured	548,329,591	493,819,439
	-----	-----
Finished goods		
Opening	5,122,488	9,430,155
Closing	(6,965,063)	(5,122,488)
	-----	-----
	546,487,016	498,127,106
	=====	=====
20. ADMINISTRATION AND SELLING EXPENSES		
Salaries and benefits	3,099,661	2,851,639
Travelling and conveyance	508,207	828,632
Vehicle running expenses	3,811,248	4,068,894
Communications	432,050	468,775
Printing and stationery	245,161	227,542
Gas expenses	462,300	436,458
Repairs and maintenance	199,424	90,328
Legal and professional charges	327,000	460,000
Auditors' remuneration	76,000	80,000
	(Note 20.1)	

Subscription	2,400	5,000
Cartage	121,815	118,795
Newspaper and periodicals	21,586	33,063
Advertisement	96,495	115,787
Testing expenses	15,000	24,940
Entertainment	266,936	370,874
Depreciation	430,130	505,980
Miscellaneous	922,994	712,529
Fees and registration	808,019	761,344
Photostat expenses	30,467	30,516
Computer expenses	38,845	96,100
	-----	-----
	11,915,738	12,287,196
	=====	=====
20.1 Auditors' remuneration		
Audit fee	36,000	36,000
Out of pocket expenses	--	4,000
Tax, corporate and other services	40,000	40,000
	-----	-----
	76,000	80,000
	=====	=====
21. OTHER INCOME		
Sale of waste	62,400	28,545
Income from pls a/c	51,169	149,355
	-----	-----
	113,569	177,900
	=====	=====
22. FINANCIAL CHARGES		
Interest on long-term loans	39,408,361	29,849,797
Mark-up on running finances	2,043,907	4,556,623
Bank charges	288,039	340,506
Excise duty on running finances and loans	--	16,379
Interest on workers' profit participation fund	7,984,019	5,089,132
Financial charges on lease arrangements	3,359,687	4,724,472
	-----	-----
	53,084,013	44,576,909
	=====	=====
23. OTHER CHARGES		
Workers' profit participation fund	539,841	478,191
Donation (Note 23.1)	--	10,000
	-----	-----
	539,841	488,191
	=====	=====

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

interest.

24. PRIOR YEARS' ADJUSTMENTS

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

25. TAXATION

Current	3,200,000	3,000,000
	=====	=====

Current

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

Deferred

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

26. EARNINGS PER SHARES

Net profit after taxation	7,056,988	6,085,633
	-----	-----
Number of ordinary shares in issue during the year	38,092,705	38,092,705
	-----	-----
Earning per share (Rs./share)	0.19	0.16
	=====	=====

27. FINANCIAL INSTRUMENTS

27.1 FINANCIAL ASSETS AND LIABILITIES

	<i>Interest bearing</i>			<i>No</i>
	<i>Less than one year</i>	<i>One to five years</i>	<i>Sub Total</i>	
FINANCIAL ASSETS:				
Long term deposit	--	--	--	--
Trade debts	--	--	--	3,411,058
Advances, deposits, prepayments and other receivables	--	--	--	--
Cash and bank balances	--	20,871	20,871	--
	-----	-----	-----	-----
	--	20,871	20,871	3,411,058
	=====	=====	=====	=====
FINANCIAL LIABILITIES:				
Long term loans	299,285,977	420,284,802	719,570,779	--

Liabilities against assets subject to finance lease	21,632,039	2,477,714	24,109,753	--
Running finance under mark-up arrangements	11,915,632	--	11,915,632	--
Creditors, occurred and other liabilities	--	--	--	153,997,190
	-----	-----	-----	-----
	332,833,648	422,762,516	755,596,164	153,997,190
	=====	=====	=====	=====

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

27.2 CONCENTRATION OF CREDIT RISK

The company's trade receivables which are part of the financial assets are subject to credit risk. These trade receivables relate to sale of cement to various customers. The company believes that it is not exposed to major concentration of credit risks. However to manage any possible exposure to credit risk, the company approved credit limits to its customers and also obtain collaterals.

27.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

28. REMUNERATION OF DIRECTORS AND EXECUTIVES

	<i>Director</i>		<i>Executives</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
Managerial remuneration	137,360	--	3,694,776	2,473,876
Housing allowance	54,944	--	1,477,911	989,549
Utilities	13,736	--	369,473	247,383
Bonus	--	--	337,736	228,647
	-----	-----	-----	-----
	206,040	--	5,879,896	3,939,455
	=====	=====	=====	=====
No. of persons	1	--	19	15
	=====	=====	=====	=====

No remuneration is paid or other facility is provided to the Chief Executive or other Directors by the company. Directors have waived their meeting fee. (2000 - Nil)

	<i>2001</i>	<i>2000</i>
29. CAPACITY		
Installed capacity	450,000	450,000 - metric tons
Actual production	268,780	259,850 - metric tons

The under utilization of available capacity was mainly due to depressed market condition and slow down in economic activity of the country.

30. NUMBER OF EMPLOYEES

Number of employees at the year end

230

233

=====

=====

31. FIGURES

31.1 Figures have been rounded off to the nearest rupee.

31.2 Previous years figures have been rearranged wherever necessary for the purpose of comparison.

**ABDUL AZIZ ESSA
CHIEF EXECUTIVE**

**HUMERA ESSA
DIRECTOR**