

ATTOCK CEMENT PAKISTAN LIMITED

Annual Reports 2002

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Board of Directors

Dr. Ghaith R. Pharao Chairman

Babar Bashir Nawaz Chief Executive

Laith G. Pharaon

Wael G. Pharaon

Shuaib A. Malik

Fakhrul Islam Baig

Abdul Nayeem

Arif Kemal

Akhtar Hussain

Audit Committee of the Board

Shuaib A. Malik Chairman

Fakhrul Islam Baig

Arif Kemal

Company Secretary

Irfan Amanullah

Bankers

BankAl-Falah Limited

Faysal Bank Limited

Habib Bank Limited

Muslim Commercial Bank Limited

National Bank of Pakistan

Auditors

A.F. Ferguson & Co.,

Chartered Accountants

Registered Office

5th Floor, P.N.S.C Building,

M. T. Khan Road,

Karachi.

Plant

Hub Chowki, Lasbella,

Baluchistan.

Legal Advisor

Sattar & Sattar

Attorneys at Law

Share Registrar

Noble Computer Services (Pvt.) Ltd.

14, Bangalore Town Housing Society

Main Shahrah-e-Faisal, Karachi.

Tel: 4546978-4520121 Fax: 4314962

4. CDC Account holders will further have to follow the under mentioned guidelines as laid

down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

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) or original passport 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 meeting.

B. For Appointing Proxies:

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) The proxy form shall be witnessed by two persons whose names, addresses and NIC Numbers shall be mentioned on the form.

iii) Attested copies of the NIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original NIC or original Passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith **proxy form to the Company.**

5. Members who desire to stop deduction of Zakat from their dividends may submit a declaration on non-judicial stamp paper duly signed as required under the law.

6. Members are requested to notify immediately changes, if any, in their registered address.

NOTICE OF THE TWENTY THIRD ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of Attack Cement Pakistan Limited will be held on Thursday October 24, 2002 at 2:30 p.m. at Marriott Hotel, Karachi, to transact the following business:

1. To receive, consider and adopt the Audited Accounts of Attock Cement Pakistan Limited for the year ended June 30, 2002 together with the Report of Auditors and the Directors, thereon.

2. To appoint Auditors for the Financial Year 2002 -2003 and to fix their remuneration.

3. To declare final cash dividend @5% (Re. 0.50 per share) as recommended by the Board of Directors for the year ended June 30, 2002. This is in addition to 10% (Re. 1.00 per share) interim dividend already paid and will make a total of 15% (Re. 1.50 per share) for the year ended June 30, 2002.

4. To elect Seven (07) Directors of Attock Cement Pakistan Limited for a period of three years commencing from October 24, 2002 in accordance with the provisions of the Companies Ordinance, 1984. The names of retiring Directors are:

1. Dr. Ghaith R. Pharaon
2. Laith G. Pharaon
3. Wael G. Pharaon
4. Shuaib A. Malik
5. Babar Bashir Nawaz
6. Fakhrul Islam Baig
7. Abdul Nayeem
8. Arif Kemal
9. Akhtar Hussain

The retiring Directors are eligible for re-election.

The Board has decided to link the date of election of Directors with the date of Annual General Meeting in order to facilitate the shareholders and minimise related expenses thereon.

By Order of the Board

IRFAN AMANULLAH

Company Secretary

Karachi: September 27, 2002

NOTES:

1. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday October 10 to Thursday October 24, 2002 (both days inclusive).

2. Only those members whose names appear in the Register of Members of the Company as at October 24, 2002 are entitled to attend and vote at the Meeting.

3. A member entitled to attend, and vote may appoint any other person as his/her proxy to attend and vote on his/her behalf. Proxies must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the time of holding the meeting.

MARKETING

Falcon Brand continued to maintain its market leadership position in the South both in terms of price and quantity. Our share in the market of South was 21.50%, which is reasonable and the highest of the 8 plants operating in the South.

The Company's continuing success is attributable to its policy of innovation /flexibility and introduction of new products and services to satisfy market demand coupled with superior and consistent quality of its products which have been tested time and again by consultants at internationally known laboratories around the world. Due to this reason most of the prestigious and internationally funded projects of national importance, consultants/contractors have prescribed the use of Falcon Brand products. It is the only brand in the Country, which commands a high premium as compared to the other brands in its core market of Karachi.

REPAYMENT OF DEBT OBLIGATIONS

By the Grace of Allah the Company repaid all its long term and short-term debt obligations and as a result of this a substantial reduction has been achieved in terms of financial charges, which were lower by Rs. 30.3 million (57%) during the year under review.

APPROPRIATION OF PROFIT

Financial results for the year under review are as follows: -

	2002	2001
	(Rs. in thousand)	
Profit before tax	189,297	161,625
Taxation		
Current	55,518	31,000

Deferred	37,873	53,993
	93,391	84,993
Profit after tax	95,906	761,632
Unappropriated profit b/f	372,582	295,950
Profit available for appropriation	468,488	372,582
Appropriations:		
Issue of Bonus Shares (2001 : Nil)	61,846	
Interim Dividend @ 10% (2001: Nil)	61,846	—
Proposed Final Dividend @ 5 % (2001 : Nil)	36,081	-
	159,773	-
Unappropriated profit c/f	308,715	372,582
Earning Per Share	Rs. 1.33	1.06

DIRECTORS^ REPORT

**In the name of Allah, The Most Gracious, The Most Benevolent, The Most Merciful
Assalam-o-Alaikum**

The Directors take pleasure in presenting their Report with the audited accounts of the Company for the year ended June 30, 2002.

CEMENT INDUSTRY

Cement industry continues to remain under pressure due to depressed market conditions and slowdown of economic activities in the country. As in the previous year there was no growth in the demand for cement in the country, which remained stagnant at about 9.8 Million Metric Tonnes. The situation further deteriorated due to commissioning of a new Plant in the North and capacity expansion by an existing unit in the South. Currently there is a surplus of about 7 Million Metric Tonnes in the country and there seems to be no short-term solution to the problem of this over capacity. The overall capacity utilisation of industry during the year under review remained at 58%.

OPERATIONAL RESULTS

Despite the difficult market conditions, the Company was able to show good results and improved on its profitability during the year. This was mainly due to significant change in the composition of energy utilisation. The use of Coal and increased availability of Gas helped the Company to curtail and reduce its overall energy cost. As a result the Gross Margins improved from 16.77% to 19.14%.

Production and Sales figures achieved during the year are as follows: -

	2002	2001
	(In Metric Tonnes)	
Clinker Production	469,625	604,392
Cement Production	520,883	529,680
Cement Sales	510,847	531,474

Clinker production during the year remained low as compared to the previous year as the Company carried out major replacement programme due to which the Plant operations remained suspended for about three (3) months. The Company had build up a reasonable Clinker stock in the previous year to ensure uninterrupted Cement sales during the year.

As a result of use of coal, coupled with other cost saving measures, the overall gross and operating margins of the Company improved significantly. The significant decline in the transmission of gas to your plant over the years and ever increasing prices of Furnace Oil were successfully countered through the use of coal by developing an in-house indigenous coal plant. In order to be more competitive in the market the Management is taking various steps to optimize the use of coal by converting the plant into a complete Coal Fired Plant by December 2003.

Key operating and financial data for last 10 years has been given on Page 13.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;

e) The system of internal control is sound in design and has been effectively monitored and implemented;

f) There are no significant doubts upon the Company's ability to continue as a going concern;

g) There has been no material departure from the best practices of corporate governance as

detailed in the listing regulations.

h) The following is the value of investments of terminal benefit schemes based on their respective

latest audited accounts:-

Provident Fund	Rs. 50.92 million
Gratuity Fund	Rs. 14.96 million
Pension Fund	Rs. 32.28 million

i) During the year three (3) meetings of the Board of Directors were held. Attendance by each Director is as follows : -

Name of Director	No. of Meetings Attended
Dr. Ghaith R. Pharaon - (PCIGL Saudi Arabia)	
Mr. Laith G. Pharaon (PCIGL Saudi Arabia)	—
Mr. Wael G. Pharaon (PCIGL Saudi Arabia)	—
Mr. ShuaibA. Malik	3
Mr. Babar Bashir Nawaz	3
Mr. Arif Kemal	1
Mr.Abdul Nayeem (PCIGL Saudi Arabia)	—
Mr. Fakhrul Islam Baig	3
Mr. Akhtar Hussain	3

(PCIGL-Pharaon Commercial Investment Group Limited)

j The details of shares transacted by the Directors, Chief Executive, Chief Financial Officer and Company Secretary and their spouse and minor children during the year 2001-2002 have been given on page 51.

FUTURE OUTLOOK

The current stability in the economy, expected launch of a number of infrastructure projects, expected growth in the GDP and chances of increased export of cement to Afghanistan give positive signals for the cement industry in the long run.

Company's objective is to progressively increase the production and sales of Cement as well as improve the efficiency of operations to assure its continued growth and financial viability in the future. The Company has therefore chalked out well-defined plans for the period of crisis, which the industry is presently passing through. These include conversion of Plant to Coal Firing which will substantially reduce the energy cost. The Company, capitalising on its strength, is expected to maintain its profit position in future too.

ISO CERTIFICATION

Excellence in quality has been the hallmark of the Management philosophy. To further strengthen the quality management system the Company has recently been awarded the ISO 9001:2000 certificate from Lloyd's Register of UK.

LISTING ON THE KARACHI STOCK EXCHANGE

We are pleased to inform you that the Company was successfully listed on the Karachi Stock Exchange w.e.f. June 28, 2002. As a result of this besides other advantages the Corporate Tax Rate applicable to the Company has reduced from 45% to 35%.

AUDITORS

The present auditors, A. F. Ferguson & Co., Chartered Accountants retire and, being eligible, offer themselves for re-appointment.

PATTERN OF SHAREHOLDING

The Statement showing the pattern of Shareholding in the Company as at June 30, 2002 appears on Page 51.

Pharaon Commercial Investment Group Limited of Saudi Arabia holds 95.70% shares, and Pakistani General Public holds the balance of 4.30%.

CHANGES IN THE BOARD

The Composition of the Board remained unchanged during the year. However Mr. Babar Bashir Nawaz was appointed as Chief Executive of the Company with effect from April 21, 2002, in place of Mr. ShuaibA. Malikforthe remaining term. Mr. ShuaibA. Malikwill continue to serve as a non executive Director on the Board as nominee of Pharaon Commercial Investment Group Limited of Saudi Arabia.

The Board places on record its appreciation of the valuable services and efforts rendered by the outgoing Chief Executive in turning the Company into a successful venture through sheer hard work and dedication during his tenure and look forward for his continuous guidance in future.

STATEMENT UNDER CLAUSE XIX OF CODE OF CORPORATE GOVERNANCE

The Directors hereby confirm that: -

- a) The annexed financial statements present fairly the state of the affairs of the Company, the result of its operations, cash flows and changes in equity;
- b) Proper books of account have been maintained by the Company;

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

DECADE AT A GLANCE

	Jun-02	1-Jun	Jun-00	Jun-99	Jun-98	Jun-97	Jun-96	Jun-95*
	RUPEES IN MILLIONS							
PROFIT & LOSS ACCOUNT								
Sales	1,370	1,379	1,279	1,119	1,230	1,579	1,500	742
Gross Profit	262	231	211	134	216	313	123	153
Gross Margin %	19	17	17	12	18	20	8	21
Operating Profit	190	190	152	69	152	185	76	136
Operating Margin %	14	14	12	6	12	12	5	18
Profit Before Tax	189	162	62	(19)	86	104	(20)	73
Profit After Tax	96	77	77	(24)	165	79	(62)	31
BALANCE SHEET								
Current Assets	533	677	586	636	672	441	476	442
Current Liability	268	501	612	637	674	732	627	467
Net Working Capital	265	176	(26)	(1)	(2)	(291)	(151)	(25)
Fixed and Long Term Assets	895	938	1,004	1,090	1,185	1,270	1,291	1,230
Represented by	1,160	1,114	978	1,089	1,183	979	1,140	1,205
Long Term Liabilities	130	81	23	195	264	225	465	452
Equity & Reserves	1,030	1,033	955	894	919	754	675	753
	1,160	1,114	978	1,089	1,183	979	1,140	1,205
KEY RATIOS								
Current	1.98	1.35	0.96	1.00	1.00	0.60	0.76	0.95
Debt to Equity		0.08	0.02	0.22	0.29	0.30	0.69	0.60
EPS	1.33	1.06	1.24	(0.43)	2.93	1.96	(1.55)	1.04

* for six months ended June 30,1995

ACKNOWLEDGMENT

The Board acknowledges and expresses its gratitude for the efforts and dedication of the Human Resource of the Company, which includes its staff and workers that has enabled the management to run the Company smoothly and efficiently develop successful Management strategy and plan

through their dedicated teamwork.

We are confident that the employees would continue to put their best efforts in achieving the targets set for progress and prosperity of the Company in coming years and the management of the Company will ensure that the professional and caring environment continues to be fostered in the future also so that the creative energies of staff are released and fully utilised.

Finally, we take this opportunity to express our thanks to the Government, Suppliers and Customers for their continuing support, cooperation and patronage. All banks and financial institutions that have reposed their confidence in the Company and have extended various financial facilities deserve our acknowledgement. We sincerely hope that the Company will continue to enjoy full confidence and cooperation from all concerned for the development and progress in achievement of even better results and to meet the future challenges in the years ahead.

Before concluding, we also wish to express our thanks to our Shareholders for their confidence and support in getting the Company listed at the Karachi Stock Exchange.

By Order of the Board

DR. GHAITH R. PHARAON
Chairman

Karachi: September 11, 2002

AUDITORS^ REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Attock Cement Pakistan Limited as at June 30, 2002 and the related profit and loss account, statement of changes in equity 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 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 accounts have been kept by the company as required by the Companies Ordinance, 19.84;

(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, statement of changes in equity and 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, 2002 and of the profit, its changes in equity and cash flows 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 in the Central Zakat Fund established under section 7 of that Ordinance.

A.F. Ferguson & Co.
Chartered Accountants

Karachi
September 20, 2002

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

The Company is in the process of implementing all facets of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan and the Board feels pleasure in stating that the provisions of the code, relevant for the year ended June 30, 2002, have been duly complied with.

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Attock Cement Pakistan Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2002.

	Note	2002 (Rupees in thousand)	2001
TANGIBLE FIXED ASSETS			
Operating assets	13	853,403	912,978
Capital work-in-progress	14	14,745	6,498

Stores held for capital expenditure		12,990	2,606
		881,138	922,082
LONG-TERM INVESTMENTS	15	9,650	7,400
LONG-TERM LOANS AND ADVANCES	16	1,687	2,828
LONG-TERM DEPOSITS			6,046
CURRENT ASSETS			
Stores, spares and loose tools	17	191,976	176,116
Stocks	18	196,383	231,070
Trade debts	19	15,730	48,779
Short-term loans and advances	20	17,675	18,305
Deposits and short-term prepayments	21	11,050	7,495
Other receivables	22	15,492	11,686
Taxation		49,505	85,550
Cash and bank balances	23	35,174	97,761
		532,985	676,762
		1,428,506	1,615,118

BALANCE SHEET AS AT JUNE 30, 2002

	Note	2002 (Rs. in thousand)	2001
SHARE CAPITAL			
Authorised share capital			
75,000,000 ordinary shares of Rs 10 each		750,000	750,000
Issued, subscribed and paid-up share capital	3	721,629	618,456
Equity contribution account	4	-	41,327
Unappropriated profit		308,715	372,582
		1,030,344	10,321,365
DEFERRED INCOME	5	165	297
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES			
DEFERRED LIABILITIES			
Staff retirement gratuity		13,710	10,821
Deferred taxation	8	91,866	53,993
		105,576	64,814
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance leases	6	7,908	9,523

Short-term finances	9	8,403	221,472
Running finance under mark-up arrangement	10	23,801	37,661
Creditors, accrued expenses and other liabilities	11	192,064	232,708
Proposed Dividend		36,081	-
		268,257	501,364
CONTINGENCIES AND COMMITMENTS	12		
		1,428,506	1,615,118

The annexed notes form an integral part of these accounts.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2002

	Issued, subscribed and paid-up share capital	Equity contribution account	Unappropriated profit	Total
	Rupees in thousand			
Balance as at June 30, 2000	618,456	41,327	295,950	955,733
Profit after taxation for the year ended June 30, 2001	-	-	76,632	76,632
Balance as at June 30, 2001	618,456	41,327	372,582	1,032,365
Profit after taxation for the year ended June 30, 2002	-	-	95,906	95,906
Bonus shares issued	61,846	-	(61,846)	-
Interim dividend	-	-	(61,846)	(61,846)
Proposed dividend	-	-	(36,081)	(36,081)
Issue of shares to PCIGL	41,327	(41,327)	-	-
Balance as at June 30, 2002	721,629	-	308,715	1,030,344

The annexed notes form an integral part of these accounts.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2002

	Note	2002 (Rs. in thousand)	2001
Net sales	24	1,369,773	1,378,771
Cost of goods sold	25	1,107,565	1,147,482
		262,208	231,289

Operating expenses			
General and administration expenses	26	59,775	25,368
Selling and distribution expenses	27	12,922	15,922
		72,697	41,290
Operating profit		189,511	189,999
Other income	28	36,823	351,437
		226,334	225,436
Financial charges	29	23,257	53,620
Other charges	30	13,780	10,191
		37,037	63,811
Profit before taxation		189,297	161,625
Taxation	31	93,391	84,993
Profit after taxation		95,906	76,632
Unappropriated profit brought forward		372,582	2,951,950
Profit available for appropriation		468,488	372,582
Appropriations:			
Issue of bonus shares		61,846	—
Interim dividend- Re. 1 per share (June 30, 2001: Nil)		61,846	—
Proposed final dividend - Re. 0.50 per share (June 30, 2001: Nil)		36,081	—
		159,773	-
Unappropriated profit carried forward		308,715	372,582
Basic earnings per share	32	Rs.1.33	Rs.1.06

The annexed notes form an integral part of these accounts.

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED JUNE 30,

1. LEGAL STATUS AND OPERATIONS

1.1 The company was incorporated in Pakistan on October 14, 1981 as a public limited company and has been listed on Karachi Stock Exchange in June 2002. Its main business activity is manufacturing and sale of cement.

1.2 The company's cement manufacturing plant is located in Tehsil Hub, District Lasbela, Baluchistan. The plant commenced commercial production with effect from June 1, 1988.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention and basis of preparation

These accounts have been prepared under the 'historical cost convention' and in accordance with the requirements of the Companies Ordinance, 1984 and the International Accounting Standards as applicable in Pakistan.

2.2 Staff retirement benefits

Defined benefit plans

The company operates pension and gratuity fund schemes for its executives and management staff. Contributions are payable to the pension and gratuity funds on a monthly basis according to the actuarial recommendations. Following the adoption of the International Accounting Standard 19 'Employee Benefits' (revised 1998) (IAS 19), the actuarial valuation was carried out as at June 30, 2002. The actuarial valuation method is the projected unit credit method. According to the actuarial valuation the transitional gain and liability of Rs 2.628 million and Rs 0.414 million on pension fund and gratuity fund respectively have been recognised in full in these accounts.

The projected unit credit method is based on the following significant assumptions and is used for both the aforementioned schemes:

- | | |
|--|------------------------|
| - discount rate | 11 percent per annum |
| - expected rate of increase in salaries | 8.89 percent per annum |
| - expected rate of interest on investments | 11 percent per annum |

Actuarial gains or losses are amortised over the expected remaining service of current members.

In addition the company operates an unfunded gratuity scheme for the workers. Provision is made annually to cover obligations under the scheme for workers who have completed service of one year or more on the assumption that they will complete the minimum qualifying period of five years. As at June 30, 2002 an amount of Rs. 13.710 million is payable to the employees which represent the liability of the company on the basis of maximum entitlement of the employees as at June 30, 2002.

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30,

	2002	2001	
Note	(Rs. in thousand)		
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	311,134	282,496
Staff retirement gratuity paid		(273)	(109)
Financial charges paid		(26,596)	(49,800)
Taxes paid		(19,473)	(14,497)
Long-term loans and advances (net)		1,141	(1,690)
Long-term deposits (net)		3,000	-
Net cash inflow from operating activities		268,933	216,400
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(37,058)	(29,069)
Sale proceeds on disposals of fixed assets		4,710	2,934
Interest received		5,435	5/494
Long term investments		(2,250)	-
Net cash outflow from investing activities		(29,163)	(20,641)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long-term loans			(61,436)
Liabilities under finance leases (net)		(13,582)	(40,117)
Short-term finances (net)		(213,069)	(112,952)
Dividends paid		(61,846)	(15,461)
Net cash outflow from financing activities		(288,497)	(229,966)
Net decrease in cash and cash equivalents		(48,727)	(34,207)
Cash and cash equivalents at the beginning of the year		60,100	94,307
Cash and cash equivalents at the end of the year	34	11,373	60,100

The annexed notes form an integral part of these accounts.

Babar Bashir Nawaz

Chief Executive

Fakhrul Islam Baig

Director

2.6 Stores, spares and loose tools

These are valued at monthly weighted average cost. Stores in transit are valued at cost accumulated to the balance sheet date.

2.7 Stocks

Stocks are valued at the lower of cost and net realisable value. Raw and packing materials, work-in-process and finished stocks are valued at the monthly weighted average basis. Value of raw and packing materials, work-in-process and finished stocks comprise direct costs and appropriate production overheads.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs necessarily to be incurred on its sales.

2.8 Translation of foreign currencies

Transactions in foreign currencies are recorded into rupees at the rates prevailing on the date of each transaction.

Assets and liabilities in foreign currencies are reported in rupees at the exchange rates prevailing on the balance sheet date. Exchange differences arising on foreign currency borrowings or liabilities relating to fixed assets are capitalised. Other exchange differences are included in income currently.

2.9 Long-term investments

The investments in associates are stated at cost. Impairment losses are recognised whenever the carrying amount of investment exceeds its recoverable amount. An impairment loss is recognised in income currently.

Profit and losses on sales of investment during the year are included in income currently.

2.10 Revenue recognition

Sales are recorded on the despatch of goods.

Consistent with prior years income in respect of dividend is accrued at the time when the right to receive the dividend is established.

Defined contribution plan

The company also operates a provident fund scheme for its permanent employees.

Equal monthly contributions are made, both by the company and the employees, at the rate of 10 percent of basic salary and cost of living allowance.

2.3 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax at the rate of one half percent of turnover, whichever is higher.

Deferred

The company accounts for deferred taxation on all major temporary differences using the liability method. However, deferred tax is not provided for, if it can be established with reasonable probability that these differences are not likely to reverse in the foreseeable future.

2.4 Tangible fixed assets and depreciation

2.4.1 Operating assets other than freehold land are stated at cost less accumulated depreciation. Freehold land and capital work-in-progress are stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates stated in note 13. A full year's depreciation is charged on additions while no depreciation is charged on assets disposed off during the year.

2.4.2 Exchange losses capitalised during a year are amortised over the useful life of the asset.

2.4.3 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.

2.4.4 Gains and losses on disposal of fixed assets, if any, are included in income currently.

2.5 Fixed assets acquired under finance leases

The company accounts for fixed assets acquired under a finance lease by recording the assets and related liability. These amounts are determined on the basis of discounted value of minimum lease payments. Finance charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to income applying the reducing balance method at the rates stated in note 13.

4.2 Also included in the equity contribution account as at June 30, 2001 was an amount of Rs 41.325 million which represented the value of plant and machinery imported by the company which was paid for directly by Attock Cement Limited, Cayman Islands (ACL). 4,132,510 ordinary shares of Rs 10 each have been issued to PCI GL, after obtaining approval from SBP on June 11, 2002, as PCI GL have purchased the ordinary shares from ACL as stated in note 4 to the 1993 accounts.

5. DEFERRED INCOME

Deferred income as at June 30, 2002 is the balance of the excess of the sale proceeds over the net book value of an item of plant and machinery under a 'sale and leaseback' arrangement which amounted to Rs. 0.659 million. The deferred income is being credited to the profit and loss account over a period of five years (i.e. the lease term). The amount credited to the profit and loss account during the year is Rs 0.132 million (2001: Rs 0.132 million).

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Liabilities against assets subject to finance leases represent liabilities for plant and machinery and motor vehicles acquired under separate finance lease agreements entered into during 1998 to 2002. Financing rates ranging from 14.97 percent to 22 percent per annum (2001: 16.25 percent to 22 percent) have been used as discounting factors. Security deposits, aggregating Rs 1.546 million (2001: Rs 4.546 million), in respect of such arrangements have been included under 'long-term deposits'. The company has options in all lease agreements to obtain ownership of the assets at the end of the lease periods at the residual values of the assets.

Overdue rental payments are subject to an additional charge of 0.1 percent per day. Taxes, repairs, replacement and insurance cost are to be borne by the lessee.

The amounts of the future lease payments and the periods in which these payments will become due are:

	2002	2001	2002	2001	2002	2001
	Minimum		Financial		Present value	
	payment		Charges		minimum lease payments	
			(Rupees in thousand)			
Year to June 30, 2002	—	12,844	-	3,321	-	9,523

Year to June 30, 2003	12,651	7,717	4,743	2,284	7,908	5,433
Year to June 30, 2004	11,596	6,662		1,269	8,305	5,393
Year to June 30, 2005	9,276	4,342	2,089	580	7,187	3,762
Year to June 30, 2006	7,140	1,827	1,038	137	6,102	1,690
Year to June 30, 2007	2,756	-	186	-	2,570	-
Total	43,419	33,392	11,347	7,591	32,072	25,801
Less: Current maturity shown under current liabilities					7,908	9,523
					24,164	16,278

2.11 Adoption of International Accounting Standard No. 39, "Financial Instruments:

Recognition and Measurement"

The company has adopted the recognition and measurement principles specified in International Accounting Standard No. 39 " Financial Instruments: Recognition and Measurement" (IAS 39). The adjustments arising on adoption of IAS 39 are not material **and hence do not affect the financial results of the company for the year.**

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2002	2001		2002	2001
(Number of shares)			(Rs. in thousand)	
29,747,965	29,747,760	Ordinary shares of Rs 10 each fully paid in cash	297,480	297,478
4,132,510	—	Ordinary shares of Rs 10 each issued for consideration other than cash	41,325	—
38,282,391	32,097,832	Ordinary shares of Rs 10 each issued as fully paid bonus shares	382,824	320,978
72,162,866	61,845,592		721,629	618,456

Pharaon Commercial Investment Group Limited, Saudi Arabia and its nominee directors held 69,068,866 (2001: 61,845,592) ordinary shares of Rs 10 each at June 30, 2002.

4. EQUITY CONTRIBUTION ACCOUNT

4.1 Included in the equity contribution account as at December 31, 1993 was Rs 1.152

million received from Attock Cement Limited, Cayman Islands (ACL) for participation in the equity. 11,520 ordinary shares of Rs 100 each were to be issued to ACL after necessary permission and approvals have been obtained and the required formalities completed, and were subsequently to be transferred to Pharaon Commercial Investment Group Limited, Saudi Arabia (PCIGL), who had purchased the ordinary shares from ACL as stated in note 4 to the accounts of the company for the year ended December 31, 1993 (the 1993 accounts). During the year ended December 31, 1994, 11,500 ordinary shares of Rs 100 each (converted into 115,000 shares of Rs 10 each on June 26, 1994) were issued to ACL, after approval by the State Bank of Pakistan on January 17, 1994 out of the aforementioned total amount of Rs 1.152 million and subsequently transferred to PCIGL. The balance amount of Rs 0.002 million was included in the equity contribution account as at June 30, 2001 for which 205 ordinary shares of Rs 10 each have been issued during the year ended June 30, 2002 after obtaining approval from the State Bank of Pakistan (SBP) on June 11, 2002.

8. DEFERRED TAXATION

The net deferred tax liability as at June 30, 2002 arising due to net temporary differences under the liability method is estimated at Rs 129.739 million (2001: Rs 161.980 million) which is due to credit/(debit) balances arising from:

	2002	2001
	(Rs. in thousand)	
Accelerated tax depreciation allowances	143,196	132,706
Finance lease arrangements	635	49,407
Provision for unfunded staff retirement gratuity	(4,799)	(4,886)
Provision for doubtful debts	(71,715)	(9,952)
Provision for slow moving and obsolete stores, spares and loose tools	(1,144)	(2,258)
Provision for receivables from associated undertakings	(434)	(3,037)
	129,739	161,980

The Institute of Chartered Accountants of Pakistan (ICAP) has adopted International Accounting Standard No. 12 'Income Taxes' (Revised), (IAS-12) which inter alia requires that a deferred tax liability should be recognised for all taxable temporary differences. According to the directives issued by ICAP, IAS-12 would now be applicable to the company with effect from the year ending June 30, 2003.

However, on grounds of prudence the company started making partial provisions for

deferred taxation with effect from June 30, 2001 in a manner that the total liability is recognised in its accounts by June 30, 2003. An aggregate amount of Rs 53.993 million had been recognised upto June 30, 2001. Accordingly, an amount of Rs. 37.873 million being 50% of the balance liability of Rs 75.746 million has been recognised in these accounts and the balance amount of Rs. 37.873 million shall be recognised in the accounts of the company for the year ending June 30, 2003.

9. SHORT-TERM FINANCES

	2002	2001
	(Rs. in thousand)	
Secured		
AI-Faysal Investment Bank Limited	-	212,150
Unsecured		
Saudi Research and Development Corporation Limited - note 9.1	8,403	9,322
	8,403	221,472

7. STAFF RETIREMENT BENEFITS

Defined benefit plans

	2002	2001
	Pension	Gratuity (funded)
	(Rupees in thousand)	
7.1 Movement in assets		
Opening balance	395	(194)
Expense recognised	936	2,522
Company's contribution to the funds	(6,786)	(1,056)
	(5,455)	1,272
7.2 Balance sheet reconciliation		
Plan assets	(57,681)	(23,443)
Obligation	52,226	24,715
Company's (asset) / liability	(5,455)	1,272

7.3 The actual returns on assets of pension and gratuity schemes were Rs. 11.608 million and Rs 4.777 million respectively.

7.4 As actuarial valuations were not carried out at the beginning of the comparative period, therefore, it is impracticable to state the corresponding figures in notes 7.1 and 7.2.

11. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	2002	2001
	(Rs. in thousand)	
Creditors	71,889	58,007
Accrued liabilities	64,301	73,441
Accrued mark-up on:		
- finance leases	527	440
- running finance and short-term finances	16	3,442
Retention money	461	421
Advances from customers	33,002	79,791
Security deposits and earnest money - note 23.1	2,270	2,237
Workers' profits participation fund - note 11.2	10,186	8,591
Workers' welfare fund	7,621	4,121
Payable to the Pension Fund	—	389
Payable to the Provident Fund	112	-
Payable to the Gratuity Fund - note 7.2	1,272	-
Excise duty on loans	-	446
Other liabilities - note 11.1	407	1,382
	192,064	232,708

11.1 Included in other liabilities are Rs 0.090 million (2001: Rs 0.334 million) due to an associated company.

11.2 Workers' profits participation fund

	2002	2001
	(Rs. in thousand)	
Balance at July 1	8,591	—
Allocation for the year	10,186	8,591
	18,777	8,591
Interest on funds utilised in the company's business	736	-
	19,513	8,591
Less: Amount paid to the fund	9,327	-
	10,186	8,591

9.1 This represents the balance amount payable to Saudi Research and Development

Corporation (REDEC), Saudi Arabia amounting to US\$ 0.140 million (2001: US\$ 0.140 million) on account of suppliers' credit (foreign currency loan) under an agreement dated January 10, 1998. This has been shown as a short-term liability payable on demand and has been converted into rupees at the open market selling exchange rate prevailing as at June 30, 2002.

10. RUNNING FINANCE UNDER MARK-UP ARRANGEMENT

Secured
Bank Alfalah Limited - note 10.1

2002	2001
(Rs. in thousand)	
23,801	37,661

10.1 Under the mark-up arrangement Bank Alfalah Limited has agreed to buy from the company goods upto a total of Rs 170 million (2001: Rs 170 million), which the company shall be deemed to have immediately bought back from the bank at a price of Rs 212.873 million (2001: Rs 214.573 million).

The buy-back price is payable by the company to the bank on or before October 31, 2002

In the event the company pays the buy-back price or any part thereof before its due date, the bank may allow a proportionate rebate in the buy-back price at such rate as may be prescribed by it from time to time. The effective rate of mark-up after considering rebates allowable by the bank comes to approximately 14 percent (2001: 15 percent) per annum.

This facility is secured by registered hypothecation of stores, spares and loose tools, stocks and trade debts of the company ranking pari passu with other financial institutions to the extent of Rs 375 million (2001: Rs 375 million) and by a first charge on fixed assets of the company to the extent of Rs 300 million (2001: Rs 150 million).

10.2 The facility for opening of letters of credits and guarantees as at June 30, 2002 amounts to Rs 43.519 million (2001: Rs 22.5 million) and Rs 225 million (2001: Rs 206.664 million) of which the amounts remaining unutilised as at June 30, 2002 were Rs. 33.470 million (2001: Rs 11.306 million) and Rs. 93.245 million (2001: Rs 52.857 million) respectively.

-13. OPERATING ASSETS

The following is a statement of operating assets.

	Cost as at July 1,2001	Additions/ (disposals)/ (write offs)* (transfers)**	Cost as at June 30, 2002	Accumulated depreciation as at July 1, 2001	Depreciation for the year/ (on disposals)/ (on write offs)* (on transfers)*¹	Accumulated depreciation as at June 30, 2002	Net book value as at June 30, 2002	Rate of depreciation %
(Rupees in thousand)								
Freehold land	4,554	-	4,554	-	-	-	4,554	
Buildings & roads on freehold land	107,171	1,227	108,398	35,037	3,668	38,705	69,693	5
Plant and machinery - long lasting & heav -note 13.1	1,937,554	14,078 173,795 (856)	2,124,571	1,277,976	78,159 59,768"	1,415,903	708,668	10
Quarry transport and equipment -note 13.1	134,633	432 (63)	135,002	118,814	1,569	120,383	14,619	10
Cement transport and equipment	8,202	-	8,202	7,376	165	7,541	661	20
Furniture and fixtures and equipment	39,820	2,690 (177)	42,333	23,599	3,259 (83)*	26,775	15,558	10-25
Vehicles	23,562	(3,079)	20,483	14,948	1,441 (1,671)	14,718	5,765	20
Assets subject to finance leases								
Plant and machinery - long lasting & heav	183,038	12,035 (173,795)	21,278	62,273	1,877 (59,768)	4,382	16,896	10
Quarry equipment	6,218	-	6,218	1,182	504	1,686	4,532	10
Vehicles	12,141	7,818 (2,098)	17,861	2,710	3,114 (420)	5,404	12,457	20
2002	2,456,893	38,280 (6,096) (177)	2,488,900	1,543,915	93,756 (2,091) (83)	1,635,497	853,403	

2001	2,410,869	49,957 (3,933)	2,456,893	1,438,788	107,884 (2,757)	1,543,915	912,978
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13.1 Deletions in plant and machinery and quarry transport and equipment represent exchange gain amounting to Rs 0.919 million on the balance amount of supplier's credit (note 9.1) (2001: exchange loss Rs 9.188 million recognised as additions).

12. CONTINGENCIES AND COMMITMENTS

12.1 The company is defendant or codefendant in a number of law suits. The management of the company, based on the advices of its lawyers, is confident that the company will not incur any material financial liability in the eventual outcome of these suits.

12.2 The excise and sales tax authorities have raised demands aggregating Rs 1.817 million (2001: Rs 1.817 million) against the company in respect of previous years. The company is in appeal against these demands at various appellate stages. The management of the company as advised by its central excise and sales tax consultants, is of the opinion that on the merits of the cases these appeals will be decided in the company's favour and therefore no provision has been made in these accounts in respect of these appeals.

12.3 .Commitments in respect of letters of credit issued by banks aggregate Rs 10.049 million (2001: Rs 11.194 million) and in respect of letters of guarantee aggregate Rs 131.755 million (2001: Rs 153.807 million).

13.3 Depreciation charge for the year has been allocated as follows.

	2002	2001
	(Rs. in thousand)	
Cost of goods sold - note 25	90,662	103,807
General and administration expenses- note 26	2,929	3,870
Selling and distribution expenses - note 27	165	207
	93,756	107,884
14. CAPITAL WORK-IN-PROGRESS		
Buildings and roads on freehold land	72	556
Plant and machinery	9,167	3,437
Coal firing system	5,506	2,505
	14,745	6,498

15. LONG-TERM INVESTMENTS

In associates

Unquoted

74,000 (2001: 74,000) fully paid ordinary shares and
74,000 (2001: 74,000) bonus shares of Rs 100 each in
Attock Petroleum Limited - note 15.1

7,400 **7,400**

Subscription money for issue of shares in Attock

Information Technology Services (Private) Limited (AITSL)
-note 15.2

2,250 -

9,650 **7,400**

15.1 Break-up value of the shares on the basis of audited accounts for the year ended June 30, 2002 is Rs 311 per share. The company holds 14.8% of the investee's total equity. The name of the company's chief executive is Mr. Shuaib A. Malik.

15.2 The company has paid subscription money for issue of 225,000 shares of Rs 10 each in AITSL. However, the company has not received the shares as yet.

13.2 The following fixed assets were disposed off during the year ended June 30, 2002.

Assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
RUPEES IN THOUSANDS						
Owned assets						
Vehicles						
Mitsubishi Gallant	84	41	43	512	Tender	M.Mansoor Ahmad J-132,P.I.B. Colony Karachi
Suzuki Mehran	279	199	80	156	Tender	Irfan Razzak R 80/16 Block 16, F.B.Area, Karachi
Nissan Sunny	365	331	34	187	Tender	Shahid Perwaiz R-135,Tariq Bin Ziad Society, Malir Halt, Karachi
Suzuki Margalla	381	297	84	273	Tender	A.Saleem Khan A-231, Block], North Nazi mabad, Karachi

Suzuki Mehran	250	184	66	132	Tender	Irfan Razzak R-80/16Block16, F.B.Area, Karachi
Mercedese Benz	1,720	619	1,101	1,411	Tender	Shahid Mehmood 3-A, Khayaban-e-Ghazi, Phase V, DHA Karachi
Leased assets	3,079	1,671	1,408	2,671		
Vehicles						
Toyota Hi lux	834	167	667	775	Insurance claim	Adamjee Insurance Company Limited
Honda City	765	153	612	765	-do-	-do-
Suzuki Cultus	499	100	399	499	-do-	-do-
	2,098	420	1,678	2,039		
	5,177	2,091	1,086	4,710		

17. STORES, SPARES AND LOOSE TOOLS

	2002	2001
	(Rs. in thousand)	
Bricks	12,284	15,632
Stores and spares	174,765	162,122
Loose tools	2,611	2,345
Stores-in-transit	5,586	1,017
	195,246	181,116
Less: Provision for slow moving and obsolete items	3,270	5,000
	191,976	176,116

18. STOCKS

Raw and packing materials	22,656	30,405
Work-in-process	137,152	183,346
Finished goods	36,575	17,319
	196,383	231,070

19. TRADE DEBTS

Considered good		
Secured	3,329	25,389
Unsecured	12,401	23,390

	15,730	48,779
Considered doubtful	22,043	22,043
	37,773	70,822
Less : Provision for doubtful debts	(22,043)	(22,043)
	15,730	48,779

16. LONG-TERM LOANS AND ADVANCES

	2002	2001
	(Rs. in thousand)	
Considered good		
Due from		
- chief executive - note 16.1	846	—
- directors - note 16.1	398	2,478
- executives - note 16.1	2,770	2,804
- other employees - note 16.1	3,451	3,669
	7,465	8,951
Less: Recoverable within one year - note 20		
Due from		
- chief executive	677	—
- directors	398	484
- executives	2,617	2,586
- other employees	2,086	2,053
	5,778	6,123
	1,687	2,828
Outstanding for more than three years		
Due from		
- executives	7	29
- other employees	140	18
	147	47

16.1 Amounts receivable from chief executive, directors and executives represents advances given for house rent according to the company's service rules. Executives and other employees are also provided with car, motor cycle, marriage and welfare loans. These advances and loans are recoverable in twelve to sixty equal monthly installments.

16.2 The maximum amounts due from the chief executive, directors and executives at the end of any month during the year ended June 30, 2002 were Rs. 1.466 million (2001:

Rs. Nil), Rs 2.346 million (2001: Rs 3.148 million) and Rs 3.193 million (2001: Rs

7 Rf14 millinn^ rpenpr'tiv/piv

22.1 The maximum aggregate amount due from associated undertakings at the end of any month during the year ended June 30, 2002 amounted to Rs 8.298 million (2001: Rs 13.330 million).

23. CASH AND BANK BALANCES

	2002	2001
	(Rs. in thousand)	
Cash at bank		
- deposit accounts	6,248	83,820
- current accounts	25,641	10,387
- special account - note 23.1	2,270	1,976
Cash in hand	1,015	1,560
Cash in transit	-	18
	35,174	97,761
	35,174	97,761

23.1 The special account is maintained in respect of security deposits in accordance with the requirements of section 226 of the Companies Ordinance, 1984.

24. NET SALES

	2002	2001
	(Rs. in thousand)	
Sales [net of commission of Rs 9.175 million (2001: Rs 11.896 million)]	2,193,688	2,211,541
Less : Excise duty and sales tax	823,915	832,770
	1,369,773	1,378,771
	1,369,773	1,378,771

20. SHORT-TERM LOANS AND ADVANCES

	2002	2001
	(Rs. in thousand)	
Considered good		
Current portion of long-term loans and advances - note 16	5,778	6,123
Due from other employees	325	591
Due from an associated undertaking		
- Angoori Heights Development (Private) Limited		
-note 20.1 and 20.2	6,341	-

Advances to suppliers	5,231	11,591
	17,675	18,305

20.1 The maximum aggregate amount due from an associated undertaking at the end of any month during the year ended June 30, 2002 amounted to Rs. 6.341 million (2001: Rs Nil).

20.2 The principal amount of the loan to Angoori Heights Development (Private) Limited carrying interest at the rate of 14 percent per annum has been received in full on August 10, 2002. The Company shall recognize the interest on the loan upon receipt.

21. DEPOSITS AND SHORT-TERM PREPAYMENTS

	2002	2001
	(Rs. in thousand)	
Deposits - considered good	6,545	6,181
Prepayments	4,505	1,314
	11,050	7,495

22. OTHER RECEIVABLES

Considered good		
Accrued profit on bank deposits	1,824	1,515
Accrued interest on long-term deposits	-	1,202
Receivable from pension fund - note 7.2	5,455	—
Others	1,155	4,235
Due from associated undertakings - note 22.1	8,298	11,460
Less: Provision for doubtful receivables	(1,240)	(6,726)
	7,058	4,734
	15,492	11,686

25.2 Retirement benefits

	2002	
	Pension	Gratuity (funded)
	(Rupees in thousand)	
Current service cost	2,930	1,548
Interest cost	4,045	1,876
Expected return on plan assets	(4,374)	(1,885)
Transitional cost	(1,918)	302
Expense for the year	683	1,841

25.2.1 As actuarial valuations using the 'projected unit credit method' were not carried out at the beginning of the comparative period, therefore, it is impracticable to state the corresponding figures in note 25.2.

25. COST OF GOODS SOLD

	2002	2001
	(Rs. in thousand)	
Raw materials consumed	69,280	82,227
Packing materials consumed	107,947	122,118
Cement packing and loading charges	2,478	2,595
Salaries, wages and benefits - note 25.1	115,217	101,810
Electricity and water	224,656	264,429
Fuel	366,258	486,503
Stores and spares consumed	62,637	50,197
Repairs and maintenance	3,872	10,419
Insurance	12,225	11,230
Transportation	14,417	14,366
Travelling and entertainment	2,346	2,919
Depreciation - note 13.3	90,662	103,807
Other expenses	8,632	7,931
Allocation of general and administrative expenses	-	25,368
	1,080,627	1,285,919
Add: Opening work-in-process	183,346	43,635
	1,263,973	1,329,554
Less: Closing work-in-process	137,152	183,346
Cost of goods manufactured	11,126,821	1,146,208
Add: Opening stock of finished goods	17,319	18,593
	1,144,140	1,164,801
Less: Closing stock of finished goods	36,575	17,319
	1,107,565	1,147,482
25.1 Details of salaries, wages and benefits		
Salaries, wages and benefits	106,381	93,167
Provident fund contributions	3,364	2,900
Pension fund contributions - note 25.2	683	2,954
Gratuity fund contributions - note 25.2	1,841	1,379
Provision for staff retirement gratuity	21,948	1,410
	115,217	101,810

26.2 Retirement benefits

	2002	
	Pension	Gratuity
	(Rupees in	(funded)
	thousand)	thousand)
Current service cost	954	504
Interest cost	1,317	611
Expected return on plan assets	(1,424)	(614)
Transitional cost	(631)	99
	216	600

26.2.1 As actuarial valuations using the 'projected unit credit method' were not carried out at the beginning of the comparative period, therefore, it is impracticable to state the corresponding figures in note 26.2.

26.3 Auditors' remuneration

	2002	2001
	(Rs. in thousand)	
Audit fee	319	290
Accounting and other services	462	263
Out of pocket expenses	31	32
	812	585

26.4 Donations were not made to any donee in whom a director or his spouse had any interest at any time during the year.

SELLING AND DISTRIBUTION EXPENSES

	2002	2001
	(Rs. in thousand)	
Salaries, wages and benefits - note 27.1	4,548	4,075
Travelling and entertainment	583	719
Product publicity expenses	2,583	2,412
Depreciation - note 1 3.3	165	207
PSI marking fee	1,314	709
Sales related services	3,729	4,800
Allocation of general and administration expenses	-	3,000
	12,922	15,922

26. GENERAL AND ADMINISTRATION EXPENSES

	2002	2001
	(Rs. in thousand)	
Salaries, wages and benefits - note 26.1	32,492	29,461
Electricity, gas and water	1,268	973
Repairs and maintenance	1,145	1,658
Insurance	347	1,218
Rent, rates and taxes	4,643	4,351
Transportation	2,990	2,765
Travelling and entertainment	2,591	1,774
Communications	1,333	1,200
Printing and stationery	1,232	801
Auditors' remuneration - note 26.3	812	585
Legal and professional charges	3,153	2,734
Advertising	324	443
Donations - note 26.4	29	31
Depreciation - note 13.3	2,929	3,870
Provision for doubtful receivables	1,240	—
Listing expenses	1,470	-
Other expenses	1,777	1,872
	59,775	53,736
Allocated to:		
- cost of goods sold		25,368
- selling and distribution expenses		3,000
		28,368
	59,775	25,368
26.1 Details of salaries, wages and benefits		
Salaries, wages and benefits	30,426	26,378
Provident fund contributions	1,039	907
Pension fund contributions - note 26.2	216	1,414
Gratuity fund contributions - note 26.2	600	660
Provision for staff retirement gratuity	211	102
	32,492	29,461

28. OTHER INCOME

	2002	2001
	(Rs. in thousand)	
Income from		

- bank deposits	4,467	6,069
- security deposit with KESC	75	75
Profit on disposal of fixed assets	1,624	1,758
Exchange gain	-	1,135
Bad debts written back	-	2,179
Dividend income	23,680	15,725
Income from scrap sale	4,788	1,540
Amortisation of deferred income	132	132
Others	2,057	6,824
	36,823	35,437

29. FINANCIAL CHARGES

Mark-up on running finance and short-term finances	14,803	40,088
Bank charges and commission	3,080	6,084
Interest on workers' profits participation fund	736	316
Financial charges on finance leases	4,638	7,132
	23,257	53,620

30. OTHER CHARGES

Workers' profits participation fund	10,186	8,591
Workers' welfare fund	3,500	1,600
Fixed assets written off	94	-
	13,780	10,191

27.1 Details of salaries/ wages and benefits

	2002	2001
	(Rs. in thousand)	
Salaries, wages and benefits	4,281	3,611
Provident fund contributions	146	152
Pension fund contributions - note 27.2	37	213
Gratuity fund contributions - note 27.2	81	99
Provision for staff retirement gratuity	3	-
	4,548	4,075

27.2 Retirement benefits

2	2
Pension	Gratuity

	(funded)	
	(Rupees in thousand)	
Current service cost	130	69
Interest cost	180	83
Expected return on plan assets	(194)	(84)
Transitional cost	(79)	13
	37	81

27.2.1 As actuarial valuations using the 'projected unit credit method' were not carried out at the beginning of the comparative period, therefore, it is impracticable to state the corresponding figures in note 27.2.

33. CASH GENERATED FROM OPERATIONS

	2002	2001
	(Rs. in thousand)	
Profit before taxation	189,297	161,625
Adjustment for non cash charges and other items :		
Depreciation	93,756	107,884
Amortisation of deferred income	(132)	(132)
Profit on disposal of fixed assets	(1,624)	(1,758)
Provision for staff retirement gratuity Bi	3,162	1,512
Interest income	(4,542)	(6,144)
Fixed assets written off	94	—
Financial charges	23,257	49,896
Exchange gain capitalised - note 13.1	919	—
Working capital changes - note 33.1 ^	6,947	(30,387)
	311,134	282,496
33.1 Working capital changes		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(15,860)	(8,188)
Stocks	34,687	(135,737)
Trade debts	33,049	(560)
Short-term loans and advances	630	6,579
Deposits and short-term prepayments	(3,555)	1,655
Other receivables (net)	(4,699)	19,034
	44,252	(117,217)
Increase/(decrease) in current liabilities:		

Creditors, accrued expenses and other liabilities (net)	(37,305)	86,830
	6,947	(30,387)

34. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet.

	2,002	2,001
	(Rs. in thousand)	
Cash and bank balances	35,174	97,761
Running finance under mark-up arrangement	(23,801)	(37,661)
	11,373	60,100

31. TAXATION

	2,002	2,001
	(Rs. in thousand)	
Current - for the year	60,000	31,000
- for prior years	(4,482)	-
	55,518	31,000
Deferred	37,873	53,993
	93,391	84,993

31.1 Relationship between tax expense and accounting profit

Profit before taxation	189,297
Tax at the applicable rate of 35%	66,254
Net effect of dividend income taxed at different rate	(7,104)
Net effect of export sales taxed at different rates	1,155
Net effect of deferred tax relating to prior years recognised in the current year and deferred tax carried forward to the next year	41,079
Tax effect of expenses that are not allowable in determining taxable income	489
Tax credit under section 107 (AA)	(1,690)
Effect of income tax provision relating to prior years	(4,482)
Tax charge	93,391

32. BASIC EARNINGS PER SHARE

Profit after taxation	95,906	76,632
Number of shares 72,162,866 (2001: 72,162,866)		
Basic earnings per share	Rs 1.33	Rs 1.06

36. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these accounts for remuneration including all benefits to the chief executive, directors and executives of the company were as follows:

	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	2,528	3,386	31,290	-	4,623	22,083
House rent and utilities allowances	1,210	1,361	13,977	-	1,930	9,531
Staff retirement benefits Contribution to:						
- Provident fund	187	247	2,446	-	351	1,726
- Gratuity fund	101	133	1,368	-	246	1,209
- Pension fund	37	49	508	-	526	2,588
	4,063	5,176	49,589	-	7,676	37,137
Number of persons	1	2	120	1	3	78

The chief executive, full time working directors and few executives are provided with free use of cars maintained by the company. The chief executive, working directors and executives are also provided with medical facilities in accordance with their entitlements.

No fee was paid to the directors of the company during the year (2001: Rs Nil).

37. SUMMARY OF TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	2002	2001
	(Rs. in thousand)	
Purchases of goods	5,941	2,269
Dividend income	23,680	15,725
Investment	2,250	—
Short-term loan	6,341	-

35. FINANCIAL ASSETS AND LIABILITIES

(i) Financial assets and liabilities

	Interest/mark- up bearing			Non-interest/mark-up bearing			Total 2002
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year (Rupees in thousand)	Maturity after one year	Sub-total	
FINANCIAL ASSETS							
Long-term investments					9,650	9,650	9,650
Loans and advances to employees	156	57	213	5,947	1,630	7,577	7,790
Loan to an associated undertaking	6,341	-	6,341	-	—	—	6,341
Long-term deposits	1,500	-	1,500	1,546	-	1,546	3,046
Trade debts	-	-	-	15,730	-	15,730	15,730
Short-term deposits	-	-	-	6,545	-	6,545	6,545
Other receivables	-	-	-	15,492	-	15,492	15,492
Cash and bank balances	6,248	-	6,248	28,926	-	28,926	35,174
2002	14,245	57	14,302	74,186	11,280	85,466	99,768
2001	84,361	2,242	86,603	83,580	17,212	100,792	187,395
FINANCIAL LIABILITIES							
Short-term finances				8,403		8,403	8,403
Liabilities against assets subject to finance leases	7,908	24,164	32,072	-	-	-	32,072
Creditors, accrued expenses and other liabilities	-	-	-	139,871	-	139,871	139,871
Running finance under mark-up arrangement	23,801	-	23,801	-	-	-	23,801
Proposed Dividend	36,081	-	36,081	-	-	-	36,081
2002	67,790	24,164	91,954	148,274	-	148,274	240,228

2001	267,925	16,278	284,203	140,101	-	140,101	424,304
Off-balance sheet items							
Letters of credit	-	-	-	-	-	-	10,049
Letters of guarantee	-	-	-	-	-	-	131,755

(ii) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. All the financial assets of the company, except cash in hand, are exposed to credit risk. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to certain of its customers.

(iii) Foreign exchange risk management and hedges of anticipated future transactions

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The company hedges certain of its anticipated future transactions through forward foreign exchange contracts.

(iv) Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values other than long term investments which are stated at their cost.

38. PLANT CAPACITY AND ACTUAL PRODUCTION

	2002	2001
	(Metric tonnes)	
Production capacity		
- Clinker	720,000	720,000
- Cement	756,000	756,000
Actual production		
- Clinker	469,625	604,392
- Cement	520,883	529,680

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

39. AVERAGE NUMBER OF EMPLOYEES

	2002	2001
	(Number of employees)	
Average number of employees	480	472

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 11, 2002 by the board of directors of the company.

41. CORRESPONDING FIGURES

Previous year's figures have been reclassified, wherever necessary, to facilitate comparison.

Shareholders Holding Ten Percent or More Voting Interest in the Listed Company

Total Paid-up Capital of the Company	72,162,866 Shares
10% of the Paid-up Capital of the Company	7,216,286 Shares

Name(s) of Shareholders)	Description	No. of Shares held	Percentage %
Pharaon Commercial Investment Group Limited	Falls in Category # 7	69,058,570	95.7
	Total	69,058,570	95.7

NUMBER OF SHAREHOLDERS	SHARE HOLDINGS		TOTAL SHARES HELD
	From	To	
.	1	100	-
863	101	500	431,500
8	501	1000	8,000
295	1001	5000	967,296
23	5001	10000	218,500
8	10001	15000	113,000
7	15001	20000	140,000
2	20001	25000	46,500
3	25001	30000	84,500
1	30001	35000	33,000
1	35001	40000	40,000
2	40001	45000	87,500
3	45001	50000	150,000
2	50001	55000	107,500
1	55001	60000	57,500

1	75001	80000	80,000
1	80001	85000	85,000
1	105001	110000	109,500
1	115001	120000	120,000
1	220001	225000	225,000
1	69055001	69060000	69,058,570
1,225			72,162,866

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2002

S. Categories of Shareholders	Number of Shares Held	Categorywise No. of Shareholders	Categorywise Shares Held	Percentage %
1 Individuals		1,192	2,596,500	3.6
2 Investment Companies				
3 Joint Stock Companies		13	366,000	0.51
4 Directors, Chief Executive Officer and their Spouse and Minor Children		12	61,296	0.08
Dr. Ghaith R. Pharaon	1,144			
Mr. Laith G. Pharaon	1,144			
Mr. Wael G. Pharaon	1,144			
Mr. Abdul Nayeem	1,144			
Mr. ShuaibA. Malik	21,144			
Mr. Babar Bashir Nawaz	6,144			
Mr. Arif Kemal	1,144			
Mr. Fakhru Islam Baig	1,644			
Mr. Akhtar Hussain	1,144			
Mrs. Bilqees Shah Bano w/o				
Mr. Shuaib Anwar Malik	20,000			
Mrs. Nighat Baig w/o				
Mr. Fakhru Islam Baig	500			
Mrs. Mahnaz Babar w/o				
Mr. Babar Bashir Nawaz	5,000			

5 Executives		4	20,000	0.03
6 Banks, DFIs, NBFIs, Insurance Companies, Modarabas & Mutual Funds		1	50,000	0.07
7 Foreign Investors	69,058,570	1	69,058,570	95.7
8 Charitable Trusts		1	10,000	0.01
9 Others		1	500	0
TOTAL				
		1,225	72,162,866	100

Shares Transacted by the Chief Executive, Directors, Executives & their Spouses and Minor Children
from July 01, 2001 to June 30, 2002 in the Shares of the Company

Name	Date of Purchase	Designation	No. of shares
Chief Executive/Directors			
Mr. Babar Bashir Nawaz	June 28, 2002	Chief Executive	5,000
Mr. ShuaibA. Malik	June 28,2002	Director	20,000
Mr. Fakhrul Islam Baig	June 28, 2002	Director	500
Chief Executive/Directors Spouses			
Mrs. Mahnaz Babar	June 28, 2002	—	5,000
Mrs. Bilqees Shah Bano	June 28, 2002	—	20,000
Mrs. Nighat Baig	June 28,2002	-	500
Executives			
Mr. Murtaza Ali Suterwala	June 28,2002	Executive	5,000
Mr. Mohammad Ali Khan	June 28,2002	Executive	10,000
Mr. IrfanAmanullah	June 28, 2002	Company Secretary	2,500