

ZealPak Cement Factory Limited

Annual Report 2001

CONTENTS

Corporate Information
Notice of Meeting
Directors' Report to the Shareholders
Pattern of Share Holdings
Auditors' Report to the Members
Balance Sheet
Profit and Loss Account
Cash Flow Statement
Statement of Changes in Equity
Notes to the Accounts

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Sikandar Ali Jatoi	Chairman Chief Executive
Mr. M.A. Jameel	
Mr. Mumtaz Ali Memon	
Mr. Shahid Mehmood	
Mr. Shamsuddin Khan	
Mr. Mazhar Ali Jatoi	
Mr. Mushtaq Ali Shah Bukhari	
Mr. Shahzad Ali Jatoi	

COMPANY SECRETARY

S. Jarrar
Husain

AUDITORS

Faruq Ali & Company,
Chartered Accountants
Karachi.

BANKERS

Allied Bank of Pakistan Limited
ABN-AMRO Bank
National Bank of Pakistan
Platinum Commercial Bank Limited
Muslim Commercial Bank
Limited

Prime Commercial Bank Limited
Union Bank Limited
Industrial Development Bank of Pakistan
Bolan Bank Limited
Mashreq Bank Limited
PICIC Commercial Bank Limited

REGISTERED OFFICE

4th Floor, Panorama Centre, Building No.2,
Raja Ghazanfar Ali Khan Road,
Saddar, Karachi.
Telephone: 5670291-92

FACTORY

Tando Mohammad Khan Road
S.I.T.E., Hyderabad.
Telephone: 0221-40488, 42714

NOTICE OF MEETING

NOTICE is hereby given to the Members that the Forty Fifth Annual General Meeting of the Company will be held on Monday the 31st December 2001 at 4:30 P.M. at Haji Abdullah Haroon Muslim Gymkhana, Karachi to transact the following business:-

- 1) To confirm the Minutes of Last Annual General Meeting of the Company, held on 26th February 2001.
- 2) To receive, consider and adopt the Audited Accounts of the Company for the year ending 30th June, 2001 and the Report of Directors and Auditors thereon.
- 3) To appoint Auditors for the year 2001-2002 and to fix their remuneration.

SPECIAL BUSINESS

1. To consider and pass the following Special Resolutions
 - a) "Resolved that Clause V of the Memorandum of Association of the Company be altered in the following manner.

The share capital of the Company is Rs. 500,000,000/- (Rupees Five Hundred Million) divided upto 50,000,000 Ordinary Share of Rs. 10/- each with power to the Company to increase or reduce the said capital, and to issue any part of its capital, original or increased, with or without any preference, priority or special privilege subject to Articles of Association of the Company and/or the legislative provisions for the time being in force in that behalf or subject to any postponement of rights or to any conditions or restrictions; and so that unless the conditions of issue shall otherwise expressly declare, every issue of share shall be subject to the power herein before contained".

- b) "Resolved that the Article 5 of the Articles of Association of the Company be altered in the following manner:

The Capital of the Company is Rs. 500,000,000 (Rupees Five Hundred Million) divided into 50,000,000

Ordinary Share of Rs. 10/- each."

2. "Resolved that the Article 98 of the Articles of Associations be altered in the following manner
Every Director, other than the regularly paid Chief Executive or a full time working Director, shall be entitled to be paid as remuneration for attending meeting of the Board at a rate to be determined by the Board. Every Director shall be entitled to be reimbursed actual and reasonable expenses incurred in consequence of his attendance at meeting of the Directors".

4) To transact, with the permission of the chair, any other business which may be transacted at Annual General Meeting.

By Order of the Board

S. JARRAR HUSAIN

Secretary

Karachi: December 13, 2001

STATEMENT U/S 160(1)(B) OF THE COMPANIES ORDINANCE 1984

1 a & 1b The Company to have long term financial benefits and to make it economically viable has certain immediate expansion plans, including Coal firing of its Kilns to reduce the fuel cost. To meet the capital and other related cost to implement the same the Company's Directors have decided to raise funds for the project by increasing the share capital of the Company from Rs. 150.00 million to Rs. 500.00 million.

2. To facilitate the determination of meeting fee payable to the directors attending meetings of the Board, the Board is being empowered to determine fee for its' directors for attending meetings of the Board.

NOTE:

1) The Share Transfer Books of the Company will remain closed and no transfers of shares will be accepted for registration from Monday, December 24, 2001 to Monday, December 31, 2001 (both days inclusive).

2) A member entitled to attend and vote at this Meeting shall be entitled to appoint another member, as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the Meeting and must be duly stamped, signed and witnessed.

3) Members are requested to notify the change in address, if any, immediately.

4) Guidelines for CDC Account Holders issued by Securities & Exchange Commission of Pakistan.

For Personal Attendance:

i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) at the time of attending the meeting

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting

DIRECTORS REPORT TO THE SHAREHOLDERS

Dear Share Holders

The Directors of your Company feel pleasure in placing 45th Annual Report together with the annual accounts for the year ended 30th June, 2001, auditors Report on the Accounts.

PRODUCTI ON

During the year, under review, the production of Cement and Clinker fell as compared to last year as the supply of gas to the plant remained much less than required. This is evident from the fact that Sui Southern Gas Company Ltd., supplies 5 MMCFD as against requirement of 36 MMCFD. Beside, the market of Cement maintained the trend of poor demand. Consequently the production of Clinker and Cement remained 253,850 and 219,960 tonnes respectively as against 275,760 and 260,270 in the preceding year.

MARKETIN G

Cement Sector is still facing crises for marketing of its products due to lack of demand corresponding to the supply of cement. Consequently Company could not perform properly, this year also the sale of cement during the year under review, could reach to a figures of 217,468 tonnes only as compared to 272,810 tonnes of the last year. Sale of Clinker, however, improved as during the year it stood at 42,845 tonnes whereas it was 26,075 in last year. During the year Company dispatched 78,050 tonnes of granulated slag, being grinded at factory, to Ghazi Brotha Project while in the preceding year it stood at 18,895 tonnes.

In addition to above direct supply of granulated slag to Ghazi Brotha Project the Company grinded granulated slag for its supply to Dong Fong, a unit of Ghazi Brotha Project, on behalf of Pakistan Slag Cement Industries Ltd. Under the arrangement 33,867 tonnes as against 94,050 tonnes granulated Slag grinded in last year by the Company on payment of grinding and packing charges.

OPERATING RESULTS

The financial result of the Company, during the year, improved considerably inspite of fall in sale revenue. This happened due to decrease in cost of production. The decrease in cost of production is mainly due to decrease in cost of employees, as the Company has relieved all the employees from its service under Golden Hand Shake Scheme. Out of them the willing workers have been re-employed to run the Factory. Consequently, during the year Company reported operating Loss at Rs. 16.204 million as compared to Rs. 60.733 Million and Loss before taxation stood at Rs. 84.672 Million as against Loss of Rs. 119.947 in the last year. In the presence of accumulated loss of Rs. 609.211 million, your Directors, decided to transfer the balance of Revenue Reserve amounting to Rs. 248.082 million to the said balance of Loss, bringing the total accumulated Loss to Rs. 361.129 million.

DIRECTOR S

There has been no change in the constitution of your Board of Directors since Last Annual General Meeting.

FUTURE OUT LOOK

The Management has been making all efforts to improve the financial position of the Company inspite of the fact that cement industry, as a whole, is very much under financial strain due to lack of demand in the cement market. To over come this the Company last year introduced a Golden Hand Shake Scheme and then almost

all workers were relieved from the services of the Company on opting for Golden Hand Shake. This has started giving results and in the year under review the cost of employees has gone down drastically. This will eventually have an impact on the financial results of year to come.

Similarly efforts to convert a Kiln of Wet Process to semi Dry Process has also reduced fuel cost to some extent whereas, Company is in the process of converting a Kiln to Coal firing. This step will reduce the fuel cost further. The successful implementation of use of coal as fuel, simultaneously with natural gas and furnace oil will have a favourable impact on the trading results of the Company in near future. It is estimated that for proper direct Coal Firing in the Kiln a capital investment of US\$ 1.6 million will be required.

In view of the above the Management is hope-full that their efforts will improve the present financial scenario and Company will again become a profitable project. INSHALLAH

AUDITOR'S QUALIFICATION

So far as Auditor's qualification on payment of additional sales tax is concerned the management has not expensed Rs. 50.857 million to Profit & Loss Accounts as an appeal against levy of above tax is lying before the honourable Custom, Central Excise and Sales Tax Appellate Tribunal. The Company has valid grounds for appeal of waiver of the above levy and is expecting a favourable out come of the appeal.

AUDITOR'S OBSERVATION

As regards auditor's observation on going concern concept the same is based on Company's losses where as the future prospects as reported above in the Director's Report have not been taken into accounts. Your directors are hopeful in this regard and assure the shareholders that considerable reduction in labour cost, conversion of one of the Kiln into Dry Process, conversion of a Kiln to Coal firing and expected improvement in cement market will go a long way to improve Company's performance. This justifies the preparation of accounts on going concern concept.

AUDITORS

The present auditors M/s. Faruq Ali & Co., Chartered Accountants, stand retired and are eligible for re-appointment for the year 2001-2002.

DIVIDEND

In view of losses no dividend has been recommend for the year 2000-2001, by your Board of Directors.

PATTERN OF SHARE HOLDING

Patter of Share Holding in the Company in included in the report.

ACKNOWLEDGEMENT

I on my behalf and on behalf of my colleague Directors wish to place on record the appreciation for your officer and staff for their devotion to their duties. I also wish to convey my appreciation to our dealers who have been extending valuable cooperation to your Company throughout.

**For and on Behalf of the
Board**

**(M. A. JAMEEL)
Chief Executive**

Karachi: December 13,2001

**PATTERN OF SHARE HOLDINGS
AS ON JUNE 30, 2001**

<i>No. of Share Holders</i>	<i>From</i>	<i>To</i>	<i>Total Number of Shares Held</i>	<i>Percentage</i>
1261	1	100	31,240	0.36
498	101	500	128,533	1.48
104	501	1000	78,312	0.90
103	1001	5000	199,776	2.29
13	5001	10000	92,842	1.07
8	10001	15000	95,877	1.10
2	15001	30000	43,657	0.50
1	30001	35000	32,182	0.37
2	35001	40000	74,995	0.86
1	750001	80000	77,000	0.88
1	90001	95000	92,500	1.06
1	115001	120000	116,500	1.34
1	155001	300000	127,508	1.46
1	975001	980000	980,000	11.25
2	980001	985000	1,966,624	22.57
1	4570001	4575000	4,574,454	52.51
-----			-----	-----
-			-	-
2000			8,712,000	100.00
=====			=====	=====

Category Wise Summary of Share Holders 30th June, 2001

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	1961	666,368	7.65
Investment Companies	2	7,656	0.09
Insurance Companies	6	333,524	3.83
Joint Stock Companies	13	19,570	0.22
Financial Institutions	7	3,077,804	35.33
Banks	2	720	0.01
S.M. Ashraf D. Baluch	1	4,574,454	52.51
Others			
i) Admn. Abandoned Property			
Govt. of Pakistan	1	16,432	0.19
ii) Non-Residents	5	3,220	0.04
iii) Others	2	12,252	0.14
	-----	-----	-----

	-	
2000	8,712,000	100.00
=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ZEAL PAK CEMENT FACTORY LIMITED**, as at 30 June 2001 and the related profit and loss account, cash flow statement, 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 materials 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:

The additional sales tax of Rs. 50.875 million has been reflected as recoverable in note 16.2 of the notes to the accounts. In our opinion this should have been expensed out after the adverse decision by Central Board of Revenue on the case remanded by High Court of Sindh, thus increasing losses for the year and accumulated losses by the same amount.

(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, investment made and the expenditure incurred during the year were in accordance with the objects of the company;

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 confirm with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2001, and of the loss, its cash flow and changes in equity for the year then ended.

(d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

(e) Without qualifying our report, we draw attention of members to the fact that the accounts have been prepared under going concern assumption whereas the company incurred a loss of Rs. 78.236 million during the year ended 30 June 2001 and as of that date, the company's accumulated loss exceeded its capital by Rs. 45.305 million and its current liabilities exceeded its current assets by Rs. 222.014 million.

Karachi: December 13, 2001

FARUQ ALI & CO.
Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in '000')</i>	
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised			
15,000,000 Ordinary shares of Rs. 10/- each		150,000	150,000
		=====	=====
Issued, subscribed and paid-up capital	4	87,120	87,120
Reserves	5	228,704	476,786
Accumulated Loss		(361,129)	(530,975)
		-----	-----
		(45,305)	32,931
LONG-TERM DEPOSITS	6	5,791	6,006
DEFERRED LIABILITIES	7	205,300	254,654
CURRENT LIABILITIES			
Short-term running finances under mark-up arrangements-secured	8	649,757	437,394
Creditors, accrued expenses and other liabilities	9	316,891	255,033
Provision for taxation	10	6,926	6,780
		-----	-----
		973,574	699,207
CONTINGENCIES AND COMMITMENTS	11	--	--
		-----	-----
		-	-

TOTAL EQUITY AND LIABILITIES		1,139,360	992,798
		=====	=====
TANGIBLE FIXED ASSETS			
Operating assets	12	380,361	416,038
Capital Work in Progress		--	2,313
Stores and spares held for capital expenditures		7,258	7,258
		-----	-----
		-	-
		387,619	425,609
LONG-TERM DEPOSITS		181	181
CURRENT ASSETS			
Stores, spares & loose tools	13	168,248	181,437
Stock in trade	14	130,833	52,751
Trade debts	15	236,270	181,474
Loans, Advances, Deposits, Short-term			
Pre-payments and other receivables	16	208,022	141,086
Cash and bank balance	17	8,187	10,260
		-----	-----
		-	-
		751,560	567,008
		-----	-----
		-	-
TOTAL ASSETS		1,139,360	992,798
		=====	=====

The annexed notes form an integral part of these accounts.

**CHIEF
EXECUTIVE**

DIRECTOR

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

	<i>Note</i>	<i>2000</i>	<i>2001</i>
		<i>(Rupees in '000')</i>	
Sales - net	18	719,690	711,399
Cost of Sales	19	761,067	709,505
		-----	-----
Gross Profit / (Loss)		(41,377)	1,894
OPERATING EXPENSES			
Administrative and general expenses	20	11,849	14,061
Selling and distribution expenses	21	6,249	5,295

			-----	-----
			-	-
			18,098	19,356
			-----	-----
			-	-
Operating Loss			(16,204)	(60,733)
Other income	22		9,990	4,745
			-----	-----
			-	-
Financial charges	23		(6,214)	(55,988)
			(78,458)	(63,959)
			-----	-----
			-	-
Loss before taxation			(84,672)	(119,947)
Taxation				
- Current year			(3,557)	(3,598)
- Prior year			(426)	--
- Deferred	24		7,868	32,000
			-----	-----
			-	-
			3,885	28,402
			-----	-----
			-	-
Loss after taxation			(80,787)	(91,545)
Un-Usual and Prior Period Adjustment	25		2,551	24,178
			-----	-----
			-	-
			(78,236)	(67,367)
Accumulated Loss brought forward			(530,975)	(463,608)
			-----	-----
			-	-
			(609,211)	(530,975)
Transfer from revenue reserve			248,082	--
			-----	-----
			-	-
Balance carried over to Balance Sheet			(361,129)	(530,975)
			=====	=====
Loss per share	26		(9.27)	(10.51)
			=====	=====

The annexed notes form an integral part of these accounts.

**CHIEF
EXECUTIVE**

DIRECTOR

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in '000')</i>	
CASH FLOW FROM OPERATING ACTIVITIES:			
Cash generated from operations	27	(73,317)	14,698
Financial charges paid		(97,797)	(86,688)
Employees retiring benefits paid		--	(11,341)
Income Tax Paid		(3,838)	(439)
		-----	-----
Net cash inflow / (outflow) from operating activities		(174,952)	(83,770)
CASH FLOW FROM INVESTING ACTIVITIES:			
Fixed capital expenditure		(4,596)	(13,149)
Proceeds from short-term deposit		2,514	--
Sale proceeds of fixed assets		4,534	1,775
		-----	-----
Net cash inflow / (outflow) from investing activities		2,452	(11,374)
CASH FLOW FROM FINANCING ACTIVITIES:			
Adjustment of long term loan		--	(117,902)
Refund of long-term deposits		(215)	(305)
Dividend paid		(2)	(4)
Adjustment / Refund of Holding Co. Loan		(41,719)	121,828
		-----	-----
Net cash inflow / (outflow) fro financing activities		(41,936)	3,617
		-----	-----
Net increase / (decrease) in cash and cash equivalents		(214,436)	(91,527)
Cash and cash equivalents at the beginning of the year		(427,134)	(335,607)
		-----	-----
Cash and cash equivalents at the end of the year	28	(641,570)	(427,134)
		=====	=====

The annexed notes form an integral part of these accounts.

**CHIEF
EXECUTIVE**

DIRECTOR

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

	<i>Share Capital Rs. '000'</i>	<i>Share Premium Rs. '000'</i>	<i>Capital Reserves Rs. '000'</i>	<i>Revenue Reserves Rs. '000'</i>	<i>Accumulated Losses Rs. '000'</i>	<i>Total Rs. '000'</i>
Balance as on June 30, 1999	87,120	217,800	10,904	248,082	(463,608)	100,298
Net loss for the year	--	--	--	--	(67,367)	(67,367)
	-----	-----	-----	-----	-----	-----
Balance as on June 30, 2000	87,120	217,800	10,904	248,082	(530,975)	32,931
Transfer from revenue reserve	--	--	--	(248,082)	248,082	--
Net Loss for the year	--	--	--	--	(78,236)	(78,236)
	-----	-----	-----	-----	-----	-----
Balance as on June 30, 2001	87,120	217,800	10,904	--	(361,129)	(45,305)
	=====	=====	=====	=====	=====	=====
	=	=====	=====	=====	=====	=====

The annexed notes form an integral part of these accounts.

**CHIEF
EXECUTIVE**

DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2001

1. STATUS AND NATURE OF BUSINESS

1.1 The company was incorporated in Pakistan as a public limited company on 9th May 1957 under the companies Act 1913 (now Companies Ordinance 1984) and its shares are quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in the manufacturing and sale of Cement.

1.2 Privatisation of state owned enterprises:

Under the sale agreement executed on 14th September, 1992 between State Cement Corporation of Pakistan (Private) Limited, Investment Corporation of Pakistan and National Investment Trust through the Privatisation Commission, Ministry of Finance, Government of Pakistan, collectively called "the seller" and M/S. Sardar Mohammad Ashraf D. Baluch (Private) Limited as "the buyer", 2,221,560 ordinary shares of the face value of Rs. 10/- each, being 51% of the Company's capital, were sold and transferred to the buyer alongwith the right of management of the Company.

2. GOING CONCERN ASSUMPTION

During the year, Company has sustain a loss of Rs. 78.236 million and as of that date its accumulated losses exceeded its capital by Rs. 45.305 million and its current liabilities exceeded its current assets by Rs. 222.014 million. However the financial statements have been prepared under going concern assumption as the Company has been able to increase its sales during the period subsequent to

year end.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention:

These accounts have been prepared under the historical cost convention, as modified by capitalization of certain exchange differences.

3.2 Basis of preparation

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

3.3 Staff retirement benefits:

The Company operates approved funded gratuity scheme covering all its employees who have completed their minimum qualifying period of service with the company.

Provision is made annually in the accounts to cover obligations under the scheme.

3.4 Taxation:

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and taxes rebates available, if any, or minimum tax at 0.5 percent of turnover, whichever is higher.

Deferred

The company accounts for deferred taxation on all major timing differences that are likely to reverse in the foreseeable future, under the liability method.

3.5 Tangible fixed assets and depreciation:

Owned assets

(a) Operating assets are stated at cost (including related borrowing costs and exchange differences) less accumulated depreciation / depletion, except free hold land which is stated at cost.

(b) Capital work-in-progress is stated at cost (including related borrowing costs). These costs are transferred to operating as and when assets are available for use.

(c) Depreciation on operating assets is charged to income applying the reducing balance method at the rates specified in note 12.1.

(d) A full year's depreciation is charged on assets capitalized during the year, whereas no depreciation is charged on assets disposed off/retired during the year.

(e) Normal repairs and maintenance are charged to income as and when incurred. Major

renewals and replacements are capitalized and the assets so replaced, if any, are retired.

(f) Profit or loss on sale or retirement of assets is included in income currently.

3.6 Stores, spares and loose tools:

These are valued at moving average cost less provision for obsolescence. Goods in transit at the balance sheet date are valued at invoice value plus other charges paid thereon.

3.7 Stock-in-trade:

These are valued at lower of average cost and net realizable value. Physical quantities of cement and clinker stocks are based on volumetric measurement carried out by the technical experts of the company. Costs in relation to finished goods and work-in-process include prime cost and appropriate proportion of production overheads.

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

3.8 Trade debts:

Known bad debts are written off, while provisions are made against debts considered doubtful.

3.9 Revenue recognition:

Cement sales are recorded on dispatch of goods to the customers, whereas clinker sales are recorded on receipt of goods to the customers.

	<i>2001</i>	<i>2000</i>	2001	2000
	<i>(Rupees in '000')</i>			
4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL				
2,400,000 Ordinary shares of Rs. 10/- each fully paid in cash	24,000	24,000		
1,956,000 Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	19,560	19,560		
4,356,000 Ordinary Right shares of Rs. 10/- each fully paid in cash	43,560	43,560		
-----	-----	-----		
8,712,000	87,120	87,120		
=====	=====	=====		

4.1 At 30 June 2001, M/s Sardar Muhammad Ashraf D. Baluch (Pvt.) Limited (Holding Company) and its nominees held 4,574,454 ordinary shares of Rs. 10/- each (2000: 4,574,454).

5. RESERVES

Capital reserve

Tax holiday		
- Third kiln	1,007	1,007
- Fourth kiln	9,897	9,897

	-----	-----
	-	-
	10,904	10,904
Share premium	217,800	217,800
	-----	-----
	-	-
	228,704	228,704
Revenue reserve		
At 1st July	248,082	248,082
Less: Transfer to profit & loss account	248,082	--
	-----	-----
	-	-
	--	248,082
	-----	-----
	-	-
	228,704	476,786
	=====	=====

5.1 Capital reserve represents reserve created under Section 15(BB) of the Income Tax Act, 1922

5.2 Premium on issue of right shares ~ Rs. 50/- per share.

6. LONG- TERM DEPOSITS

These represent interest free security deposits from cement stockiest and are repayable on cancellation or withdrawal of the dealership. The Company in terms of Section 226 of the Companies Ordinance 1984 has kept an amount of Rs. 0.004 Million (2000: Rs. 0.004 million), as referred to in note 17.1. Further, for remaining deposits, the companies is in the process of complying with Section 226, whereby the agreements with stockists are being suitably amended.

7. DEFERRED LIABILITIES

Deferred taxation		23,680	31,548
Employees retirement benefits	(7.1)	56,192	55,959
Due to M/s: S. M. Ashraf D. Baluch (Pvt.) Ltd.	(7.2)	125,428	167,147
		-----	-----
		205,300	254,654
		=====	=====

7.1 Employees retirement benefits

Employees gratuity:			
At beginning of the year		614	35,796
Provision made during the year		233	3,441
Payable to Gratuity Fund		55,345	55,345
Payment to the outgoing employees on account of gratuity fund.		--	(1,323)
Adjustment of gratuity against barter of land and building		--	(37,300)
		-----	-----

-	
55,578	20,163

-	-----
56,192	55,959
=====	=====

7.2 The above Company being the parent company has agreed to defer recovery of the above amount, which is interest free, upto the year 2004, hence the same is being reflected as non-current liability.

8. SHORT TERM RUNNING FINANCES UNDER

MARK-UP ARRANGEMENTS - SECURED

The company has short-term finance facilities from various banks amounting to Rs. 649.757 million (2000: Rs. 437.394 million). The rate of mark-up ranges between 10.5 percent to 18 percent per annum (2000: 16% to 18%) The above financing are secured by equitable mortgage on Company's land, building and machinery. Floating charge on its current assets, registered hypothecation of stock-in-trade, stores and spares and book debts of the company.

9. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Trade creditors		
-- Associated companies	39,966	15,641
-- Others	114,456	72,731
Accrued expenses	112,378	84,404
Accrued interest on long-term loan-secured	220	26,977
Accrued mark up on short-term running finance-secured	22,110	14,692
Royalty and excise duty on lime stone	3,776	3,178
Commitment charges on foreign currency loan	--	2,551
Deposits - interest free	1,815	2,849
Advance from customers	16,648	18,764
Sales tax	908	3,143
Local council taxes	931	931
Unclaimed dividend	1,773	1,775
Income tax deducted at source	159	879
Others	1,751	6,518
-----		-----
316,891		255,033
=====		=====

10. TAXATION

The income tax assessments of the company have been finalized upto and including assessment year

1999-2000.

Provision for current taxation represents minimum tax at the rate of 0.5 percent of turnover.

11. CONTINGENCIES AND COMMITMENTS

Contingent liabilities in respect of claims against the company not acknowledged as debt, pending outcome of litigation Rs. 14.000 million (2000: Rs. 14.000 million).

Guarantees issued on behalf of company by commercial banks Rs. 21.665 million (2000: Rs. 70.810 million). Guarantees issued on behalf of the Company, on the request of Parent Company by Commercial bank of Rs. 50.000 million (2000 :Nil).

12. OPERATING ASSETS

12.1 At Cost Less Accumulated Depreciation / Deletion

The following is a statement of operating assets:

	<i>COST</i>			<i>As At 30 June 2001</i>	<i>Rate %</i>	<i>DEPRECIATION</i>			<i>(Rupees in '000')</i>	
	<i>As at 1st July 2000</i>	<i>Addition</i>	<i>(Disposals)</i>			<i>As at 1st July 2000</i>	<i>For the year</i>	<i>On (Disposals)</i>	<i>As at 30 June 2001</i>	<i>Book value as at 30 June 2001</i>
Free hold land	3,357	--	--	3,357	--	--	--	--	--	3,357
Free hold quarry land	7,561	--	--	7,561	--	4,338	--	--	4,338	3,223
Building on free hold land Office premises	44,961	4,550	--	49,511	5 to 10	38,562	960	--	39,522	9,989
Road and Railway sidings	4,498	--	--	4,498	5	2,703	90	--	2,793	1,705
Plant and machinery Locomotives, dumperhs, shovels and trucks	2,408	--	--	2,408	5 to 10	2,267	14	--	2,281	127
Cars and jeeps	1,041,370	1,828	--	1,043,198	10	652,445	39,076	--	691,521	351,677
Library books	82,461	--	(10,346)	72,115	20	78,114	823	(10,123)	68,814	3,301
Furniture, fixtures and equipments	15,075	516	(24)	15,567	20	11,356	847	(22)	12,181	3,386
	4	--	--	4	10	3	--	--	3	1
	22,260	15	--	22,275	10 to 15	18,129	551	--	18,680	3,595
	--	--	--	--	--	--	--	--	--	--
2001	1,223,955	6,909	(10,370)	1,220,494		807,917	42,361	(10,145)	840,133	380,361
2000	1,235,196	11,253	(22,494)	1,223,955		775,229	46,530	46,530	807,917	416,038

2001

2000

(Rupees in '000')

12.2 Depreciation Charge for the year has been allocated as follows:

Cost of sales	41,525	45,632
Administrative and general expenses	557	597
Selling and distribution expenses	279	301
	-----	-----
	-	-
	42,361	46,530
	=====	=====

12.3 Disposal of operating assets:

(Rupees in '000')

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceed	Mode of Disposal	Sold to
Honda Motor Cycle	24	22	2	34	Negotiation	Ashir Autos
Cat Shoval - 2 Nos.	10,346	10,123	223	4,500	- do -	Kohat Cement Ltd.
	-----	-----	-----	-----		
2001	10,370	10,145	225	4,534		
	=====	=====	=====	=====		
2000	22,494	13,842	8,652	8,895		
	=====	=====	=====	=====		

2001
2000
(Rupees in '000')

13. STORES, SPARES & LOOSE TOOLS

Stores	48,536	56,164
Spares	113,932	119,624
Stores and Spares in transit	8,775	8,594
Loose tools	1,005	1,055
	-----	-----
	172,248	185,437
Less: Provision for obsolescences	4,000	4,000
	-----	-----
	168,248	181,437
	=====	=====

14. STOCK IN TRADE

Raw and packing materials	104,998	21,800
Work in process	12,840	10,366

Finished goods	12,995	20,585
	-----	-----
	-	-
	130,833	52,751
	=====	=====

15. TRADE DEBTS

Considered good		
Secured	8,001	8,001
Unsecured	228,269	173,473
Considered doubtful	677	677
Less: Provision for doubtful debts	677	677
	-----	-----
	-	-
	--	--
	-----	-----
	-	-
	236,270	181,474
	=====	=====

16. LOANS, ADVANCES, DESPOSITS, SHORT TERM PRE PAYMENTS AND OTHER RECEIVABLES

Loans	1,465	1,466
Advances - Considered good		
- Employees	3,714	2,110
- Suppliers & contractors	37,028	14,810
- Excise Duty	2,092	3,923
- Taxation	19,841	15,018
- Octroi deposits	2,461	2,461
	-----	-----
	-	-
Advances - Considered doubtful	4,036	4,036
Less: Provision for doubtful advances	4,036	4,036
	-----	-----
	-	-
	--	--
	-----	-----
	-	-
	66,601	39,788
	=====	=====

Deposits

Margin against bank guarantees	4,979	11,799
Others	3,054	3,582
	-----	-----
	-	-
	8,033	15,381

Short term pre-payments		172	45
Other receivables			
- Due from SCCP & Other Cement units		6,967	3,649
- Due from Associated companies			
Pakistan Slag Cement Industries Ltd.	(16.1)	33,722	5,580
- Income tax refundable		16,140	16,140
- Add: Sales Tax	(16.2)	50,857	50,857
- Insurance claim recoverable		2,199	2,199
- Octroi recoverable		2,510	2,510
Others			
- Considered good		20,821	4,937
- Considered doubtful		659	659
- Less: Provision for doubtful receivable		659	659
		-----	-----
		133,216	85,872
		-----	-----
		208,022	141,086
		=====	=====

16.1 The maximum aggregate amount due from associated undertaking at the end of any month during the year was Rs. 39.794 Million.

16.2 The above amount has been paid under protest against demand of additional sales tax for the year 1996-97. On a petition filed by the Company the Honorable High Court of Sindh remanded the case to CBR who did not allow relief to the Company. The Company has filed an appeal before Central Excise and Custom Appellate Tribunal which is pending for hearing. The Management is confident of a favorable outcome of this appeal.

17. CASH AND BANK BALANCES

In hand		373	380
At Banks:			
- Current Accounts		7,810	9,876
- Deposit Accounts		4	4
		-----	-----
		8,187	10,260
		=====	=====

17.1 This includes amounts earmarked against security deposits of Rs. 0.004 million (2000: Rs. 0.004 million)

18. SALES - NET

Gross Sales		1,012,157	1,058,331
Sale of Clinker		61,401	31,290
Less:			
Excise duty		229,259	381,935
Sales Tax		133,266	5,631
Trade Discount		14,197	22,807
		-----	-----
		-	-
		376,722	410,373
		-----	-----
		-	-
		696,836	679,248
Income from grinding of Slag	(18.1)	14,563	40,442
		-----	-----
		-	-
		711,399	719,690
		=====	=====

18.1 During the year under an agreement with Pakistan Slag Cement Industries Ltd. Company grinded 33,867 tons (2000 · 94,050 tons) Granulated Slag for their customer, Ghazi Bortha Project @ Rs. 430/- per ton.

19. COST OF SALES

Raw and packing material consumed			
Opening stock		21,800	12,816
Purchases		242,563	133,746
		-----	-----
		-	-
		264,363	146,562
Closing stock		(104,998)	(21,800)
		-----	-----
		-	-
		159,365	124,762
Stores and spare parts consumed		47,117	62,026
Power		142,800	166,486
Fuel		267,551	266,881
Salaries, wages and benefits		31,640	71,799
Repairs and maintenance		4,950	4,610
Insurance		600	1,349
Rent, rates and taxes		445	781
Depreciation	(12.2)	41,525	45,632
Other expenses		8,396	6,928
		-----	-----
		-	-
		545,024	626,492

	-----	-----
	-	-
	704,389	751,254
Work-in-process		
Opening	10,366	12,386
Closing	(12,840)	(10,366)
	-----	-----
	-	-
Cost of goods manufactured	701,915	753,274
Finished Goods		
Opening	20,585	28,378
Closing	(12,995)	(20,585)
	-----	-----
	-	-
	709,505	761,067
	=====	=====

20. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, wages and benefits		2,411	3,027
Vehicles running expenses		1,476	1,466
Rent, rates and taxes		1,090	995
Insurance		45	491
Legal & professional charges		1,316	2,808
Auditors' remuneration	(20.1)	165	215
Depreciation	(12.2)	558	597
Communications		1,430	1,337
Stationery and general expenses		488	527
Utilities		1,046	1,193
Donation	(20.2)	20	53
Fees & Subscription		375	265
Others		1,429	1,087
		-----	-----
		-	-
		11,849	14,061
		=====	=====

20.1 Auditors' remuneration:

Audit fee		45	45
Out of pocket expenses		90	100
Cost Audit Expenses		30	70
		-----	-----
		-	-
		165	215
		=====	=====

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

21. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and benefits	1,287	1,124
Marking Fee	775	869
Vehicles running expenses	802	794
Rent, rates and taxes	554	178
Insurance	77	144
Repairs and maintenance	30	260
Depreciation	(12.2) 279	301
Advertisement	1,320	519
Communications	412	331
Stationery and general expenses	209	250
Others	504	525
	-----	-----
	-	-
	6,249	5,295
	=====	=====

22. OTHER INCOME

Sale of scrap	2,151	2,561
Profit on L/C margin account with bank	2,514	--
Profit on sale of fixed assets	4,308	243
Rental Income	480	1,217
Others	537	724
	-----	-----
	-	-
	9,990	4,745
	=====	=====

23. FINANCIAL CHARGES

Mark-up on short term running finances	76,841	58,001
Interest on long-term loan	--	4,183
Bank charges	453	388
Guarantees commission	1,164	1,387
	-----	-----
	-	-
	78,458	63,959
	=====	=====

24. Deferred Taxation Written Back

Opening Balance	31,548	63,548
Balance as on 30 June	23,680	31,548
	-----	-----
	-	-
Excess Provision written back	7,868	32,000
	=====	=====

This reflects the amount over and above the provision required for liability of deferred taxation.

25. Un-Usual and Prior Period Adjustment:

Gratuity, Earned Leave and benefits	--	41,308
Golden hand shake	--	139,513
	-----	-----
	-	-
	--	180,821
Less: Cash		
Paid	--	10,010
	-----	-----
	-	-
Cost of Bartered Land & Building- workers colony	--	19,936
Accumulated Depreciation	--	(12,816)
	-----	-----
	-	-
Written Down Value	--	7,120
	-----	-----
	-	-
	--	17,130
	-----	-----
	-	-
Gain on sale of Property	--	163,691
Golden hand shake	--	(139,513)
Commitment charges on foreign currency loan written back	2,551	--
	-----	-----
	-	-
	2,551	24,178
	=====	=====

26. LOSS PER SHARE

Loss after taxation (Rupees in '000')	(80,787)	(91,545)
	=====	=====
Weighted average number of ordinary shares	8,712,000	8,712,000
	=====	=====
Loss per share (Rupees)	(9.27)	(10.51)
	=====	=====

27. CASH GENERATED FROM OPERATIONS

(Loss) before taxation	(84,672)	(119,947)
Adjustment for non cash charges and other items:		
Depreciation	42,361	46,530
Return on deposits	(2,514)	--
(Profit) on sale of fixed assets	(4,308)	(243)
Provision for retiring benefits of employees	233	3,441
Financial charges	78,458	63,959
Working capital changes	(102,875)	20,958

	-----	-----
	-	-
	11,355	134,645
	-----	-----
	-	-
	(73,317)	14,698
	=====	=====
27.1 Working Capital Changes:		
(Increase)/decrease in current assets		
- Store, spares and loose tools	13,189	16,104
- Stock in trade	(78,082)	829
- Trade debts	(54,796)	(49,481)
- Loans, advances, deposits, short term pre payments and other receivable	(66,936)	8,832
	-----	-----
	-	-
	(186,625)	(23,716)
Increase/(Decrease) in current liabilities		
- Creditors, accrued and other liabilities (net)	83,750	44,674
	-----	-----
	-	-
	(102,875)	20,958
	=====	=====

28 CASH AND CASH EQUIVALENT

Cash and cash equivalents comprises of the following items as included in the balance sheet:

- Cash and bank balances	8,187	10,260
- Short term finance under mark-up arrangements	(649,757)	(437,394)
	-----	-----
	-	-
	(641,570)	(427,134)
	=====	=====

29. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive and Executives of the Company are as follows -

	<i>Chief Executive</i>		<i>Executives</i>		<i>Total</i>		<i>(Rupees in '000')</i>
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	
Fee	3	3	3	3	6	6	
Managerial remuneration	204	190	1,230	1,718	1,434	1,908	
Housing	122	98	528	703	650	801	

Conveyance	12	--	60	85	72	85
Medical expenses	12	--	126	148	138	148
Utilities	108	25	--	--	108	25
Allowances	22	29	72	30	94	59
Retirement benefits	20	--	92	--	112	--
	-----	-----	-----	-----	-----	-----
	--	--	-	--	--	--
	503	345	2,111	2,687	2,614	3,032
	=====	=====	=====	=====	=====	=====
	=	=	=	=	=	=
No. of persons	1	1	10	14	11	15
	=====	=====	=====	=====	=====	=====
	=	=	=	=	=	=

In addition to the above, the Chief Executive and Executives are provided with company maintained cars (monthly petrol ceiling). The residential telephone, gas and electric bills are paid by the Company.

30. FINANCIAL INSTRUMENTS AND RELATED NOTES

Interest Rate Risk

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as on 30th June 2001 are summarised as follows:

	<i>INTEREST BEARING</i>			<i>NON-INTEREST BEARING</i>			<i>(Rupees in '000')</i>
	<i>Less than One Year</i>	<i>One to Five Years</i>	<i>Total</i>	<i>Less than One Year</i>	<i>One to Five Years</i>	<i>Total</i>	
Financial Assets:							
Long Term Deposits	--	--	--	--	181	181	181
Trade Debts	--	--	--	236,270	--	236,270	236,270
Deposits, Short-Term							
Pre-Payments	--	--	--	208,022	--	208,022	208,022
Cash and Bank Balances	4	--	4	8,183	--	8,183	8,187
	-----	-----	-----	-----	-----	-----	-----
	--	--	-	--	--	--	--
	4	--	4	452,475	181	452,656	452,660
	=====	=====	=====	=====	=====	=====	=====
	=	=	=	=	=	=	=
Financial Liabilities:							
Long Term Loans	--	--	--	--	--	--	--
Deferred Liabilities	--	--	--	--	205,300	205,300	205,300
Long Term Deposits	--	--	--	--	5,791	5,791	5,791
Short Term Running Finances	649,757	--	649,757	--	--	--	649,757
Creditors, Accrued and Other Lia	--	--	--	316,891	--	316,891	316,891
	-----	-----	-----	-----	-----	-----	-----
	--	--	-	--	--	--	--

	649,757	--	649,757	316,891	211,091	527,982	1,177,739
	-----		-----				
	--	-----	-	-----	-----	-----	-----
Net Financial Assets/(Liabilities)	(649,753)	0.00	(649,753)	135,584	(210,910)	(75,326)	(725,079)
	=====		=====	=====	=====	=====	=====
	=	=====	=====	=====	=====	=====	=====

30.1 Fair Value of Financial Assets and Liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value except where it is separately disclosed in the notes to the accounts.

30.2 Credit Risk and Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if the counter parts fails completely to perform as contracted. Out of the total financial assets of Rs. 453.672 million (2000: 333.001 million) such financial assets of Rs. 65.841 million (2000: Rs. 65.757 million) are subject to credit risk. The management believes that it is not exposed to credit risk as parties are credit worthy.

30.3 Effective Interest Rates

Effective interest rates applicable to the financial assets and financial liabilities have been disclosed in their respective notes to the financial statements.

		<i>(Metric Tons)</i>	
		<i>2001</i>	<i>2000</i>
31. TRANSACTION WITH ASSOCIATED COMPANIES			
Sale of clinker	(31.1)	61,156	31,290
Purchase of packing material		87,002	100,821
Purchase of Slag		8,463	1,342
Income from grinding of Slag		14,563	40,442
Rent		480	1,217
Others		653	687

31.1 The company sold 42,683.53 tons of clinker (2000:26,075.38 tons) to M/s: Pakistan Slag Cement Industries Limited at a loss of Rs. 525.22 per ton (2000:Rs. 635.08 Loss per ton). Cement operations have also resulted in loss of Rs. 311.55 per ton (2000: Rs. 383.32 Loss per ton) due to wet process operations, insufficient supply of gas and prevailing unfavorable market conditions.

32. PRODUCTION

Rated Capacity	1.0 million	1.0 million
	=====	=====
Actual cement production	219,960	260,270
	=====	=====

Lack of demand and uneconomical wet process operations have been reasons for producing below installed capacity level.

33. Total numbers of employees including contractors' employees as at June 30, 2001 was 433 (2000: 421).

**34.
GENERAL**

-- Figures have been rounded off to nearest thousand.

-- Previous year's figures have been re-arranged and re-grouped wherever necessary to facilitate comparison.

Chief Executive

Director