

CHAKWAL CEMENT COMPANY LIMITED

ANNUAL REPORT 2004

Company Information

BOARD OF DIRECTORS

Khawaja
Mohamm (Chief Executive)
Khawaja Mohammad Jahangir
Khawaja Mohammad Tanveer
Khawaja Mohammad Kaleem
Khawaja Mohammad Nadeem
Khawaja Mohammad Naveed
Mr. Mohammad Aman Farooq
Mr. Stephen Potter
Mr. Muhammad A (Nominee NIT)

BOARD AUDIT COMMITTEE

Khawaja Mohammad Jahangir
Khawaja Mohammad Nadeem
Mr. Mohammad Aman Farooq

COMPANY SECRETARY

Mr. Muhammad Anwar Sheikh
M. Com., FCMA

CHIEF FINANCIAL OFFICER

Mr. Khalid Mahmood Bhatti

AUDITORS

M. Hussain Chaudhury & Co.
Chartered Accountants

BANKERS

Muslim Commercial Bank Limited
KASB Bank Limited

LEGAL ADVISORS

Metropolitan Bank Limited
Cornelius Lane & Mufti
Advocates and Solicitors

REGISTERED OFFICE

7/1, E-3, Main Boulevard,
Gulberg-III, Lahore-Pakistan
Tel: (042) 5717510, 5757108

CORPORATE & SHARES DEPARTMENT

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

PLANT SITE

Karuli Near Kallar Kahar
District Chakwal - Pakistan

Name of Director

No. of Board Meetings Attended

Khawaja Mohammad Jawed	5
Khawaja Mohammad Jahangir	6
Khawaja Mohammad Tanveer	5
Khawaja Mohammad Kaleem	3
Khawaja Mohammad Nadeem	5
Khawaja Mohammad Naveed	6
Mr. Mohammad Aman Farooq	5
Mr. Stephen Potter	2
Mr. Shamsuddin Khan (Nominee NIT)	4

Directors' Report to the Shareholders

The Directors have pleasure in presenting annual report of the Company for the year ended June 30, 2004 together with the audited accounts and the Auditors' Report thereon.

The technical inspection of the plant and machinery conducted by the senior engineers of Messrs. F.L. Smidth & Co. was completed and report of the same was received in the last half of December 2003. The report gives considered view on mechanical, electrical and physical condition of the machinery and equipment and its suitability for erection. The Inspection was considered necessary by all the parties concerned to curb the speculation about the condition and suitability of the plant and machinery. The specialists have confirmed that the plant and equipment is available, well organized and in an excellent condition without any significant damage due to long term storing.

In view of the changed economic scenario and market dynamics, the cement sector is again vibrant. The demand for cement has increased as a result of Government spending on the infrastructure and development projects and exports to Afghanistan resulting in increased capacity utilization of the cement sector. Under the circumstances the directors are looking for a strategic partner for rehabilitation, completion and management of the project. A few investors have shown interest in the project and presently negotiations are underway with the potential strategic partner and the other stake holders for removal of the bottlenecks in the rehabilitation. At the same time discussions have been held with the key suppliers and contractors for the revival of the project. The foreign lenders have principally decided to write off a major portion of the loan and interest thereon, subject to repayment of the sum agreed with the company

and strategic partner.

The auditors' observation regarding the ability of the company to continue as a going concern is mitigated by the explanation given in the notes to the accounts. The directors believe that adequate resources will be available to complete the project and that the liabilities shall be restructured/rescheduled.

Corporate & Financial Reporting

In compliance with the provisions of the Code, the Board Members are pleased to place the following statement on record:

- * The financial statements for the year ended June 30, 2004 present fairly its state of affairs, cash flows and changes in equity;
- * Proper books of account have been maintained;
- * Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2004 and accounting estimates are based on reasonable and prudent judgment;
- * International Accounting Standards (IAS), as applicable in Pakistan have been followed in preparation of financial statements; and there has been no departure there from;
- * The system of internal control is sound in design. The process of monitoring will continue and control strengthened where ever considered necessary;
- * In the light of explanations discussed in the report, the directors consider that there are no significant doubts upon the company's ability to continue as a going concern;
- * There has been no material departure from the best practices of Corporate Governance, as detailed in listing regulations;
- * The key financial data of last six years is annexed;
- * There are no outstanding statutory payments on accounts of taxes, duties, levies or charges except those reflected in note no. 8 and 9 to the accounts;

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance,

whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes two independent non-executive directors.
2. It is confirmed that none of the directors is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFII or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred in the Board on July 10, 2004 was filled up by the directors within 30 days thereof.
5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
6. The Board has developed a vision statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies alongwith the date on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. No remuneration was paid to the Chief Executive and any director during the year.
8. The meetings of the Board were presided over by the Chief Executive and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the Directors on the Board are fully conversant with their duties and responsibilities as Director of corporate bodies.
10. There was no fresh appointment of Chief Financial Officer (CFO), Company Secretary and Internal Auditor. Remuneration, terms & conditions in case of future appointments on these positions will be approved by the Board.
11. The directors' report for the period ended June 30, 2004 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, all the members are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of references of the committee have been formed and advised to the committee for compliance.

Key Financial Data of Last Six Years

PARTICULARS	1999	2000	2001	2002	2003	2004
Issued, Subscribed and Paid Capital	5,624,564	5,624,564	5,624,564	5,624,564	5,624,564	5,624,564
Capital reserve	214,839	214,839	214,839	214,839	214,839	214,839
Long term loan - secured	320,632	124,200	-	45,000	144,262	171,224
Deferred Liabilities	955	1,221	1,477	689,018	1,136,893	1,137,877
Current Liabilities	1,343,568	1,993,393	2,504,452	1,854,875	1,736,764	2,054,320
Operating fixed assets	31,876	31,486	31,153	30,797	30,504	30,465
Capital work in progress - net	7,325,946	7,783,068	8,173,851	8,253,786	8,683,106	9,029,160
Long term Deposits	-	-	-	803	1,126	1,136
Deferred costs	5,259	-	-	-	-	-
Current Assets	141,477	143,663	140,328	142,910	142,586	142,063

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 **Chakwal Cement Company Limited**, to comply with the Regulation No.37 (Chapter XI) of the Listing Regulations of Karachi Stock Exchange, Clause 49 (Chapter XIII) of the Listing Regulations of Lahore Stock Exchange and Section 36 (Chapter XI) of the Listing Regulations of Islamabad Stock Exchange, 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 the 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 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, 2004.

Balance Sheet

	Note	2004 Rupees	2003 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorised capital 750 million		7,500,000,000	7,500,000,000
Issued, subscribed and paid up capital	3	5,624,563,630	5,624,563,630
Capital reserve	4	214,838,692	214,838,692
		5,839,402,322	5,839,402,322
Long Term Loan - Directors	5	171,223,632	144,262,647
Deferred Liabilities	6	1,137,877,257	1,136,892,620
Current Liabilities			
Overdue foreign long term loan	7	1,074,800,000	966,600,000
Creditors, accrued and other liabilities	8	979,520,462	770,164,325
		2,054,320,462	1,736,764,325
Contingencies and Commitments	9		
		9,202,823,673	8,857,321,914

Auditors' Report to the Members

We have audited the annexed balance sheet of CHAKWAL CEMENT COMPANY LIMITED as at

June 30, 2004 and the related cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of

the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984.

(b) in our opinion;

(i) the balance sheet together with the notes thereon have been drawn up in conformity with

the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2004 and of its cash flows and changes in equity for the year then ended; and

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

Without qualifying our opinion, we draw attention to note 1.3 to the financial statements. The Company's current liabilities exceed its current assets by Rs. 1,912.258 million as at June 30, 2004. These conditions, along with other matters as set forth in note 1.3, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Cash Flow Statement for the year ended June 30, 200'

2004

2003

	Rupees	Rupees
CASH FLOW FROM INVESTING ACTIVITIES		
Capital work in progress - Net	-28,262,959	-12,096,286
Fixed capital expenditure	-238,270	-
Interest income received	-	101
Net Cash used in Investing Activities	-28,501,229	-12,096,185
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan - Directors	26,960,985	99,263,108
Net Cash from Financing Activities	26,960,985	99,263,108
Decrease in current assets	562,020	197,626
Increase in current liabilities	1,039,900	4,158,578
Long term deposits	-10,000	-
Income tax paid	-183,782	-8,760
Financial charges paid	-12,553	-143,496
Gratuity paid	-	-56,000
Incidental and storage charges paid	-	-91,126,568
Net (Decrease) / Increase in Cash and Cash Equivalents	-144,659	188,303
Cash and cash equivalents at the beginning of the year	483,163	294,860
Cash and Cash Equivalents at the end of the Year	338,504	483,163

as at June 30, 2004

	Note	2004 Rupees	2003 Rupees
PROPERTY AND ASSETS			
Tangible Fixed Assets		30,464,363	30,503,588
Operating fixed assets	10	9,029,160,153	8,683,106,273
Capital work in progress - Net	11	9,059,624,516	8,713,609,861
		1,136,280	1,126,280
Long Term Deposits			
Current Assets		141,724,373	142,102,610
Advances, deposits, prepayments and other receivables	12	338,504	483,163
Cash and bank balances	13	142,062,877	142,585,773
		9,202,823,673	8,857,321,914

Notes to the Accounts for the year ended June 30, 2004

1. THE COMPANY AND ITS OPERATIONS

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

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

1.2 Profit and loss account for the year ended June 30, 2004 has not been drawn up as the Company has not commenced its operating activities.

1.3 Going concern

The Company had originally envisaged commencement of commercial production by October 1997. But the project could not be completed due to certain financial constraints and long delay in clearance of certain parts of imported plant and machinery lying at the Karachi Port. Resultantly, the Company has not been able to repay any installments in respect of the foreign currency loan that has become totally due and the lender has filed a suit for recovery as explained in note 7. These factors along with other matters as stated in note 9 raise significant uncertainty that the Company will be able to continue as going concern and, therefore, may be unable to realize its assets and discharge its liabilities.

The management is in the process of defending all the pending litigations and is confident about the revival of the project, restructuring of the foreign currency loan and favourable outcome of other litigations. Additionally the Central Board of Revenue has deferred the payments of custom duties and sales tax on import of plant and machinery as specified in note 6.2. The management believes that the Company would be able to raise additional funds from its directors, financial institutions, strategic investors and incentives from Government to complete the project as early as possible. Consequently, these financial statements have been prepared on a going concern basis and do not include any adjustments that may be necessary, should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention without giving effect to specific or general changes in the price during the period except that certain assets and liabilities have been included at fair value in accordance with the recognition / measurement criteria mentioned in the relevant International Accounting Standards applicable to such assets as mentioned in below mentioned policies.

2.3 Staff retirement benefit

The Company operates an unfunded gratuity scheme covering all of its employees. The latest actuarial valuation has been carried out as at June 30, 2004.

The future contribution rates of these plans include allowances for deficit and surplus. As per actuarial estimation carried out as at June 30, 2004, the following significant assumptions are used for calculation of these plans.

Discount Rate	8%
Expected rate of salary increase in future years	7%
Average expected remaining working life time of employees	8 years
Actuarial valuation method	Projected Unit Credit Method

2.4 Fixed assets and depreciation

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

Statement of Changes in Equity for the year ended June 30, 2004

	Note	2004 Rupees	2003 Rupees
Issued, Subscribed and Paid up Capital		5,624,563,630	5,624,563,630
Capital Reserves - Share Premium		214,838,692	214,838,692
Closing Balance		5,839,402,322	5,839,402,322
		2004 Rupees	2003 Rupees
CAPITAL RESERVE			
Share premium		214,838,692	214,838,692
LONG TERM LOAN - DIRECTORS			
Loan from directors - Unsecured		171,223,632	144,262,647

DEFERRED LIABILITIES

Gratuity	6.1	2,941,098	1,956,461
Custom duties and sales tax	6.2	1,134,936,159	1,134,936,159
		1,137,877,257	1,136,892,620

6.1 The amounts recognized in the balance sheet are as follows:

Balance as at July 01,		1,956,461	1,574,036
Cost recognized during the year		984,637	438,425
		2,941,098	2,012,461
Benefits paid during the year		-	-56,000
Balance as at June 30,		2,941,098	1,956,461
Balance sheet reconciliation as at June 30,			
Present value of defined benefit obligation		2,880,725	1,697,521
Unrecognised actuarial gains		60,373	258,940
Balance as at June 30,		2,941,098	1,956,461
Cost for the year ended June 30,			
Current service cost		281,319	257,714
Interest cost		135,802	138,507
Actuarial gain recognised		-12,741	
Increase in present value of defined benefit obligation due to change in benefit structure during the year		580,257	-
Charged to unallocated capital expenditures		984,637	396,221

progress which are stated at cost, adjusted for exchange differences as stated in note 2.8. Cost of operating fixed assets consists of historical cost and attributable expenses in bringing the assets to their working condition.

Depreciation is charged by applying the reducing balance method at the rates specified in note 10 so as to depreciate the carrying value of assets over their useful lives.

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

Gain / loss on disposal of fixed assets is transferred to unallocated capital expenditure.

2.5 Taxation

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

2.6 Provision

A provision is recognized in the financial statements when Company has legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.7 Financial instruments

Financial instruments are recognized in the financial statements when Company becomes a party to the contract and ceases to recognise when it loses control of contractual rights, in case of financial assets, and in case of financial liability when liability is extinguished.

2.8 Foreign currency translations

Transactions denominated in foreign currencies are recorded, on initial recognition, in rupees by applying to the foreign currency amount the exchange rate between the rupee and the foreign currency at the date of transaction. Outstanding foreign currency monetary items at the balance sheet date are recorded at the closing exchange rate. Differences on foreign currency loan are capitalised.

2.9 Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of assets.

2.10 Transfer pricing policy

Transactions with related parties are carried out at arm's length using the comparable uncontrolled price method.

2.11 Revenue recognition

Return on investments from bank accounts is recognized on receipt basis.

Revenue from sales shall be recognized under the policy to be framed after the completion of the project.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow, cash and cash equivalents comprise cash in hand, with bank in current and PLS accounts.

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

		2004	2003
		Rupees	Rupees
		5,624,563,630	5,624,563,630
		2004	2003
		Rupees	Rupees
CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		72,050,373	71,719,809
Payable to contractors		19,432,185	19,432,185
Call deposit money		500,000	500,000
Retention money - interest free		7,455,480	7,370,519
Accrued expenses		3,971,602	3,437,901
Interest and penal interest payable on secured long term loan		873,613,195	665,296,958
Income tax deducted at source		2,366,465	2,275,791
Payable against incidental and storage charges on imported plant and machinery	8.1	131,162	131,162
		979,520,462	770,164,325
Payable against incidental and storage charges on imported plant and machinery			
Opening balance		131,162	91,257,730
Payment / adjustment during the year		-	-91,126,568
Closing balance		131,162	131,162
	Note	2004	2003
		Rupees	Rupees
CASH AND BANK BALANCES			
Cash in hand		22,115	126,166
Cash at banks: - Current accounts		312,857	353,217
PLS accounts	13.1	3,532	3,780
		316,389	356,997
		338,504	483,163
CHIEF EXECUTIVE'S, DIRECTORS' & EXECUTIVES' REMUNERATION			
The aggregate amounts charged in the accounts for the year as remuneration and benefits to the executives of the Company are as follows:			
Managerial remuneration		4,093,044	2,937,980
Allowances / utilities		2,100,519	1,730,574
		6,193,563	4,668,554

Number of persons

15

8

PLANT CAPACITY

The plant (upon completion) according to specifications has the capacity to produce 5,500 Tons of clinker per day for the production of high quality Ordinary Grey Portland Cement.

	Note	2004 Rupees	2003 Rupees
Unallocated capital expenditure - Net			
Salaries and benefits		57,208,670	49,437,209
Travelling expenses		10,423,774	9,944,819
Utilities		2,399,241	1,902,595
Telephone, telegrams and postage		9,263,342	8,945,047
Vehicle running expenses		4,206,814	3,479,289
Insurance		12,746,930	12,202,094
Printing and stationery		1,746,896	1,573,852
Entertainment		1,100,801	932,196
Office renovation and maintenance		3,082,831	2,865,043
Newspapers and periodicals		191,239	177,501
Fees and subscriptions		2,558,118	2,171,818
Rent, rates and taxes		4,440,826	4,242,334
Advertisement expenses		760,809	668,959
Security charges		17,294,474	14,636,567
Lease rent		10,763,663	9,686,064
Corporate service charges		1,349,790	1,349,790
Legal and professional charges		4,904,584	4,583,184
Auditors' remuneration	11.2.1	1,380,000	1,195,000
Freight and octroi		128,596	110,106
Interest charges, penal interest and commission on long term loan		953,011,930	744,695,694
Bank charges		881,921	869,368
Zakat		140,850	140,850
Charity and donations	11.2.2	18,120	18,120
Miscellaneous expenses		1,924,421	1,418,740
Deferred costs amortized		26,294,224	26,294,224
Depreciation		4,635,115	4,357,620
		1,132,857,979	907,898,083
Less:			
Gain on disposal of fixed assets		-107,800	-107,800

Other income		-237,750	-237,750
		1,132,512,429	907,552,533
11.2.1 Auditors' remuneration			
Statutory Audit		1,115,000	985,000
Consultancy fee		175,000	175,000
Half yearly and code of corporate governance reviews		90,000	35,000
		1,380,000	1,195,000

ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - Unsecured considered good to Executives	12.1	12,409	57,809
Margin against bank guarantee		-	600,000
Mobilization advance		110,292,064	110,292,064
Income tax deducted at source		30,962,595	30,778,813
Prepayments		427,475	344,094
Other receivables		29,830	29,830
		141,724,373	142,102,610

Pattern of Shareholding as at June 30, 2004

Number of Shareholders	From	Shareholdings To	Total Shares Held
5	1	100	311
1202	101	500	596,200
522	501	1000	521,700
1291	1001	5000	4,291,833
462	5001	10000	4,015,000
132	10001	15000	1,775,900
128	15001	20000	2,445,500
81	20001	25000	1,965,500
44	25001	30000	1,254,300
23	30001	35000	773,500
28	35001	40000	1,084,800
20	40001	45000	874,500
51	45001	50000	2,537,000
13	50001	55000	696,500
12	55001	60000	715,000
6	60001	65000	381,500

17	65001	70000	1,169,000
5	70001	75000	372,000
12	75001	80000	955,000
6	80001	85000	499,000
5	85001	90000	439,000
4	90001	95000	368,000
27	95001	100000	2,696,200
3	100001	105000	310,000
4	105001	110000	432,500
2	110001	115000	228,000
6	115001	120000	714,000
3	120001	125000	374,500
3	125001	130000	390,000
5	130001	135000	672,500
4	135001	140000	552,675
2	140001	145000	283,000
6	145001	150000	897,000
1	150001	155000	152,000
4	155001	160000	633,500
2	160001	165000	328,500
3	165001	170000	499,000
2	170001	175000	346,000
2	175001	180000	360,000
1	185001	190000	190,000
12	195001	200000	2,395,300
2	200001	205000	404,500
1	205001	210000	208,000
1	210001	215000	213,500
2	215001	220000	434,500
2	225001	230000	458,000
1	240001	245000	243,000
2	245001	250000	500,000
2	250001	255000	507,000
1	260001	265000	263,500
1	270001	275000	275,000
1	280001	285000	280,500
2	285001	290000	579,500
2	295001	300000	600,000
1	300001	305000	300,500
2	305001	310000	615,000

2	310001	315000	628,000
1	320001	325000	325,000
1	330001	335000	335,000

NUMBER OF EMPLOYEES

Number of employees at the year end

2004	2003
Numbers	Numbers
16	15

Concentration of credit risk and credit exposures of the financial statements

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 1,504,614 (2003: Rs. 2,239,273) the financial assets which are subject to credit risk amount to Rs. 1,482,499 (2003: Rs. 2,113,107). The company believes that it is not exposed to any concentration of credit risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency loan (Japanese Yen) and interest thereon as specified in note 7 and note 8 respectively is exposed to foreign currency risk as future payments in foreign currency are not secured against any hedge instrument.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. The financial liabilities of the company aggregated Rs. 2,196,090,482 (2003: Rs. 1,880,456,521). The financial liabilities which are based on interest /markup amounting to Rs. 1,316,495,650 (2003: Rs. 1,183,964,175). The effective interest/markup rates of financial liabilities range from 7.5% to 10% per annum.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and availability of funding through an adequate amount of committed credit facilities. The Company aims at maintaining flexibility in funding by keeping committed lines available from directors.

Fair Value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates to

their fair values.

Effective interest rates

Effective interest rates applicable to the financial assets and financial liabilities is 0.08% (2003:1.5% to 3.5%) and range from 7.5% to 10% (2003:7.5% to 10%), per annum, respectively.

Pattern of Shareholding as at June 30, 2004

Categories of Shares Holders	Number of Shares Held	%
Directors, Chief Executive, their Spouses and Minor Children	121,485,714	21.6
Associated Companies Undertakings & Related Parties NU/ICP	42,603,500	7.57
Banks, Development Financial Institutions and Non Banking	18,456,700	3.28
State Life Insurance Corporation of Pakistan	19,999,980	3.56
Modarabas & Mutual Funds	-	-
Shareholders holding 10% and above	231,370,850	41.14
General Public a. Local b. Foreign	84,632,770	15.05
Others a. Joint Stock Companies b. Foreign Companies	15,200,500	5.10 2.70
Total	562,456,363	100

Detail of Pattern of Shareholding as per Requirements of Code of Corporate Governance

Directors, Chief Executive, their Spouses and Minor Children

01. Khawaja Mohammed Jawed	8,943,711
02. Khawaja Mohammed Jahangir	24,519,095
03. Khawaja Mohammed Tanveer	24,519,095
04. Khawaja Mohammed Kaleem	17,064,095
05. Khawaja Mohammed Nadeem	13,874,142
06. Khawaja Mohammed Naveed	24,572,476
07. Mr. Mohammad Aman Farooq	500
08. Mr. Stephen Potter	500
09. Mrs. Kausar Tasneem W/o Kh. M. Jawed	1,998,000
10. Mrs. Rubina Khanum W/o Kh. M. Jahangir	1,998,000
11. Mrs. Nusrat Arfeen W/o Kh. M. Tanveer	999,000
12. Mrs. Munaza Kaleem W/o Kh. M. Kaleem	1,998,100
13. Mrs. Andleeb W/o Kh. M. Nadeem	999,000

Number of

Shareholdings

Total

Shareholder	From	To	Shares Held
1	340001	345000	340,500
1	345001	350000	347,500
1	370001	375000	375,000
1	380001	385000	380,500
3	395001	400000	1,194,000
1	400001	405000	404,500
1	440001	445000	444,100
1	450001	455000	451,000
1	465001	470000	468,900
1	475001	480000	476,000
1	480001	485000	481,500
3	495001	500000	1,496,000
1	500001	505000	504,700
1	505001	510000	509,500
1	520001	525000	521,000
1	545001	550000	549,000
1	565001	570000	566,500
1	575001	580000	579,500
1	605001	610000	606,000
1	615001	620000	620,000
1	630001	635000	633,000
1	700001	705000	705,000
1	710001	715000	711,500
1	715001	720000	720,000
1	755001	760000	759,500
2	795001	800000	1,600,000
2	895001	900000	1,796,100
3	995001	1000000	2,997,000
1	1120001	1125000	1,124,000
1	1170001	1175000	1,175,000
1	1185001	1190000	1,187,000
1	1195001	1200000	1,200,000
1	1280001	1285000	1,281,000
1	1325001	1330000	1,330,000
1	1695001	1700000	1,698,000
1	1795001	1800000	1,798,000
1	1900001	1905000	1,900,500
1	1980001	1985000	1,981,000

11	1995001	2000000	21,978,000
1	2025001	2030000	2,026,500
1	2045001	2050000	2,050,000
1	2995001	3000000	2,997,000
1	3460001	3465000	3,464,700
1	4045001	4050000	4,050,000
1	8940001	8945000	8,943,711
1	8995001	9000000	9,000,000
1	11555001	11560000	11,559,200
1	13870001	13875000	13,874,142
1	14995001	15000000	15,000,000
1	17060001	17065000	17,064,095
1	19995001	20000000	19,999,980
2	24515001	24520000	49,038,190
1	24570001	24575000	24,572,476
1	42600001	42605000	42,603,500
1	230965001	230970000	230,966,350
4262			562,456,363