DANDOT CEMENT COMPANY LIMITED
ANNUAL REPORT 2004

Board of Directors	Mr. Abdur Rafique Khan (Chairman & Chief Executive) Mr. M. Tousif Peracha Mr. A. Shoeb Piracha Mr. Jawaid A. Peracha Mr. M. Niaz Paracha Mr. Aameen Taqi Butt Mr. Abbas Rashid
Audit Committe	Mr. Aameen Taqi Butt (Chairman) Mr. A. Shoeb Piracha Mr. Jawaid A. Peracha
Chief Financial Officer	Mr. Zulfiqar A. Choudhry (FCA, ACMA)
Company Secretary	Mr. Abbas Rashid
Statutory Auditors	Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants
Legal Advisor	International Legal Services
Bankers	Habib Bank Limited Saudi Pak Commercial Bank Limited The Bank of Punjab Citibank N.A. United Bank Limited National Bank of Pakistan Bolan Bank Limited Muslim Commercial Bank Limited PICIC Commercial Bank Limited
Registered Office	3-A/3Gulberg-lll, Lahore. Telephone: 5871057-58, Fax: 5871056

Factory	DANDOT R.S., Distt. Jhelum. Telephone: (0458) 211371,211491 Fax: (0458) 211490
Shares Department	3-A/3 Gulberg - III, Lahore.

Directors' Report to the Shareholders

Your Directors are pleased to present the annual report along with the audited financial statements for the yeai ended June 30, 2004.

Operational Performance - The comparative data for production of clinker & cement and dispatches of cemen is summarized hereunder:-

	2004 (Tonnes)	2003 (Tonnes)
Clinker Production	274,683	259,900
Cement:		
Production	295,414	275,300
Despatches	296,467	273,195

During the year under review, production of clinker and cement increased by about 6% and 7% respectively whereas the Company's dispatches of cement posted an increase of 8.52% over last year. Capacity utilization (clinker) was 57.23% during the year under review as compared to 54.14% in last year. The current year's figures show improvement over the previous year and the management of your company is continuously endeavoring to improve results.

The performance of the cement plant remained satisfactory whereas its normal maintenance was carried out throughout the year.

Financial Results - Although the Company has suffered a net loss after-taxation from ordinary activities of Rs. 112.828 million for the year under review as against a profit of Rs. 47.133 million for the preceding year, the Company has, however, after recognition of waiver aggregating to Rs. 158.967 million on settlement of debt, earned a net profit for the year of Rs. 45.867 million (2004) as compared to a net profit of Rs. 47.133 million (2003).

The Company has earnings of Rs. 1.09 per share for the year ended June 30, 2004, as compared to earnings of Rs. 1.66 per share for the year ended June 30, 2003.

Net-sales revenue (Cement Sales less sales tax, excise duty & rebate/commission paid to stockists) for the year under review is Rs. 812 million which is an increase of about 37.62% over the net-sales revenue of Rs. 590 million posted for the preceding year. This improvement in net-sales value is due to the following factors:-

(a) Price stability marked by normal and healthy competition amongst the cement manufacturers.

(b) Robust demand for cement both for local consumption as well as for exports.

(c) The plant posted continuous operations throughout the year under review. However, the production schedule of the plant was curtailed for a period of about one month in May 2004 to enable BMR.

(d) Financial charges have been reduced by half from Rs. 119 million (2003) to Rs. 60 million (2004).

(e) 'Selling & distribution expenses' remained generally stable for the year under review inspite of the increased operational performance of the Company, whereas the 'Administrative & general expenses' increased during the same period on account of the administrative restructuring having taken place at the Company's head office.

No dividend has been declared by the company during the year due to accumulated losses.

Future Prospects - We are confident that the cement industry has finally emerged from the slump with an aggressive turn-around. Robust activity in the housing sector which has been complemented by access to capital due to liberal financing for home building, increased government spending in infrastructure, and the prospects of continued exports to the Afghan market augurs well for the cement sector in the immediate future.

Impact of Reduction in Duties by the Government - The Government had reduced the CED on cement by 25% in June 2003. The impact of this measure was reflected throughout the year under review on our operational and market performance. However, the cement industry felt disappointed as no further reduction of CED was announced in the June 2004 Budget.

Significant Plans & Decisions

(a) **Technological -** During the year under review, a major project of plant modernization & optimization was successfully implemented at the Factory in May 2004. As a result of this BMR, the Company's production capacity has substantially increased the fruits of which the Company enjoyed for only two months in the year under review.

The management has also decided to place an order for a gas fired power generator of 6.3 MW. Cheaper energy costs would hopefully reflect well on the profitability in future.

(b) **Financial -** During the year under review, Right Shares Issue of the Company was successfully taken up. Resultantly, the issued, subscribed and paid-up share capital of the Company has increased from Rs. 278 million to Rs. 678 million by the issuance of 40,000,000 new ordinary shares of Rs. 10 each at the discounted price of Rs. 5/- each.

The right issue during the year has improved the equity of the Company thereby improving the 'debt-equity' ratio.

Change in the Depreciation Rate as applied in the Company's Financial Statements - During the year, the management of the Company formed a Technical Committee to review the useful life of plant and machinery and expected pattern of its economic benefits. The management of the Company on the findings of the Technical Committee which are primarily based on the recommendations of an independent valuer revised the economic life and pattern of consumption of economic benefits of plant & machinery. As a result of that revision, the depreciation rate has been reduced from 10% to 5% with effect from July 01, 2003.

Auditors' Observation - The auditors have commented on the going concern assumption and the delayed payments to the provident fund trust. The directors have a reasonable expectation that the Company would be able to generate adequate resources to continue in operational existence for the foreseeable future. (Note 1.2 to the annexed audited accounts). The directors have resolved to work towards alleviating the observations of the auditors.

Compliance with Code of Corporate Governance - The management is fully aware of the compliance with the Code of Corporate Governance and steps have been taken for its effective implementation since its inception.

Statements as required by the Code are given below:-

Presentation of Financial Statements - The financial statements prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity;

Books of Account - Proper books of account have been maintained;

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

Compliance with International Accounting Standards (IAS) - International Accounting Standards, applicable in Pakistan, have been followed in preparation of financial statements;

Internal Control System - The system of internal control is sound in design and has been effectively implemented and is being monitored continuously. The review will continue in future for the improvement in controls;

Going Concern - Although, the auditors have commented on the going concern assumption by adding an emphasis of matter paragraph in their report, however, the directors have reasonable expectation that the Company would be able to generate adequate resources to continue in operational existence for the foreseeable future. (Note 1.2 to the Notes to the Accounts).

Best Practices of Corporate Governance - There has been no material departure from the Best Practices of Corporate Governance, as detailed in the listing regulations wherever applicable to the Company for the year ended June 30, 2004.

Financial Highlights - Key operating & financial data of last ten years is annexed.

Outstanding Statutory Dues - The outstanding statutory dues on account of taxes, duties, levies and charges are disclosed in notes to annexed audited accounts.

Statements on Value of Staff Retirement Funds - As of 30th June 2004, the value of investments & assets of Gratuity Fund and Provident Fund is Rs. 80 million and Rs. 190 million respectively (based on their un-audited accounts).

Board Meetings - During the year, seven meetings of the Board of Directors were held. Attendance by each Director at the Board Meeting is as unden-

No. of Meetings	Attended
Mr. A. Rafique Khan	7
Mr. M. Tousif Peracha	3
Mr. A. Shoeb Piracha	7
Mr. Jawaid A. Peracha	1
Mr. Aameen Taqi Butt	4
Mr. Abbas Rashid	7
Mr. Muhammad Asif - Nominated by NIT (retired during June 2004)	6
Mr. M. Niaz Paracha (appointed in June 2004 against casual vacanc	1

Trading in Company's Shares - During the year, the Directors of the Company purchased Right Shares of the Company namely, Mr. A. Rafique Khan (16,394,726 shares) and Mr. M. Tousif Peracha (15,925,818 shares) on account of the Underwriting Agreement made by them with the Company. Mr. Jawaid A. Peracha purchased 718 shares (right shares) whereas no trading in the shares of the Company was carried out by the remaining Directors, CFO, Company Secretary and their spouses and minor children.

Pattern of Shareholding - The Pattern of Shareholding and additional information required in this regard is enclosed.

External Auditors - The present auditors, M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire. A member has given a Notice U/S 253 (2) of the Companies Ordinance, 1984, to the Company, proposing the name of M/s. Amin, Mudassar & Co., Chartered Accountants, for appointment as external auditors of the Company for the year 2004-2005 in the forthcoming Annual General Meeting of the Company. The Company's Board Audit Committee considered the issue and appreciated the services rendered by the retiring auditors and recommended to the Board the appointment of M/s. Amin, Mudassar & Co., Chartered Accountants, as auditors for the year 2004-2005, which has been endorsed by the Board.

Acknowledgement - The Board of Directors appreciates the efforts and devotion of the employees, the executives and the entire team of management and anticipates that they will contribute for the enhancement of the productivity and well being of the Company in future with greater zeal and spirit. The Board further extends its gratitude to the financial institutions for their valued support and co-operation for the Company's prosperity.

Pattern of Shareholding

S.No.	Number of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held
1	81	1	100	4,782
2	216	101	500	76,291
3	235	501	1,000	220,112
4	385	1,001	5,000	1,119,652
5	109	5,001	10,000	865,555
6	48	10,001	15,000	615,379
7	28	15,001	20,000	531,489
8	17	20,001	25,000	403,750
9	14	25,001	30,000	424,627
10	6	30,001	35,000	196,358
11	6	35,001	40,000	228,000
12	2	40,001	45,000	86,425
13	7	45,001	50,000	341 ,250
14	3	50,001	55,000	158,750
15	3	55,001	60,000	177,400
16	5	60,001	65,000	311,634
17	1	65,001	70,000	67,687
18	1	70,001	75,000	70,300
19	2	75,001	80,000	157,700
20	1	80,001	85,000	81,193
21	2	85,001	90,000	176,500
22	1	95,001	100,000	100,000
23	1	105,001	110,000	107,500
24	1	115,001	120,000	120,000
25	1	120,001	125,000	122,201
26	1	150,001	155,000	155,000
27	1	155,001	160,000	160,000
28	3	180,001	185,000	553,137

29	1	195,001	200,000	200,000
30	1	205,001	210,000	209,500
31	1	250,001	255,000	251,900
32	1	305,001	310,000	306,624
33	1	310,001	315,000	314,800
34	1	460,001	465,000	465,000
35	1	475,001	480,000	475,500
36	1	700,001	705,000	702,000
37	1	895,001	900,000	900,000
38	1	1,055,001	1,060,000	1,058,812
39	1	2,625,001	2,630,000	2,625,375
40	1	3,190,001	3,195,000	3,194,653
41	1	5,750,001	5,755,000	5,751,849
42	1	11,425,001	1 1 ,430,000	11,429,751
43	1	15,925,001	15,930,000	15,926,318
44	1	16,395,001	16,400,000	16,395,226
	1,197			67,839,980

Categories of shareholders	**Shares held**	**Percentage**
Directors, Chief Executive Officer, and their Spouse and Minor Children	32,351,262	47.69%
Associated Companies, Undertakings and Related Parties	14,375,355	21.19%
NITandICP	65,912	0.10%
Banks, Development Financial Institutions	7,294,159	10.75%
Insurance Companies	182,625	0.27%
Modarabas and Mutual Funds	24,000	0.04%
Share holders holding 10% and above or more voting interests	43,751,295	64.49%
General Public:		
a. Local	12,849,651	18.94%
b. Foreign	697,016	1 .03%
Others (to be specified):		
State Cement Corporation of Pakistan	2,625,375	3.87%

Pattern of Shareholding

As at June 30, 2004

Categories of Shareholders	**Number of Shareholders**	**Number of Shares Held**
ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES	3	14,375,355
i. Gharibwal Cement Limited	1	11,429,751

ii.	Employees Welfare Trust DCCL (Note)	1	1,058,812
iii.	Saudi Pak Leasing Company Limited (Note)	1	1,886,792
II	NIT AND ICP	2	65,912
i.	National Investment Trust	1	64,706
ii.	Investment Corporation of Pakistan	1	1,206
III	DIRECTORS, CHIEF EXECUTIVE OFFICER,		
THEIR SPOUSES AND MINOR CHILDREN		8	32,351,262
Directors		6	15,929,536
i.	Mr. M. Tousif Peracha	1	15,926,318
ii.	Mr. Jawaid Aziz Peracha	1	1,218
iii.	Mr. A Shoeb Piracha	1	500
iv.	Mr. M. Niaz Paracha	1	500
v.	Mr. Aameen Taqi Butt	1	500
vi.	Mr. Abbas Rashid	1	500
Chief Executive		1	16,395,226
i.	Mr. A. Rafique Khan		16,395,226
Directors' spouses		1	26,500
i.	Mrs. Salma Khan W/O A. Rafique Khan	1	26,500
IV	EXECUTIVES	NIL	NIL
V	PUBLIC SECTOR COMPANIES AND CORPORATIONS	1	2,625,375
i.	State Cement Corporation of Pakistan	1	2,625,375
VI	BANKS, DEVELOPMENT FINANCE INSTITUTIONS,		
NON-BANKING FINANCE INSTITUTIONS, INSURANCE			
COMPANIES, MODARBAS AND MUTUAL FUNDS		12	7,500,784
VII	SHAREHOLDERS HOLDING TEN PERCENT		
OR MORE VOTING INTERESTS		3	43,751,295
i.	Gharibwal Cement Limited	1	11,429,751
ii.	Mr. A. Rafique Khan	1	16,395,226
iii.	Mr. M. Tousif Peracha	1	15,926,318

Statement of Compliance with the
Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations No 37 of the Karachi Stock Exchange and Chapter XIII of the Listing Regulations of the Lahore Stock Exchange 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 representation of independent non-executive directors on its Board of Directors. At present, the Board includes four non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. To the best of our knowledge 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring in the Board on June 08, 2004 was filled up by the Directors within ten 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/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates 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, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman 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. The Board arranged orientation courses for its certain directors during the year to apprise them of their duties and responsibilities.

10. The Board has approved the appointment of Company Secretary, including his remuneration and terms and conditions of employment, as determined by the CEO. There was no new appointment of CFO or Head of Internal Audit during the year.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by 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.

Review Report tn 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 Dandot Cement Company Limited to comply with listing regulation No. 37 of Karachi and Chapter XIII of Lahore Stock Exchanges 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 provision of the Code of Corporate Governance and report if it does not. A review is limited primarily to the 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.

Auditors' Report to the Members

We have audited the annexed balance sheet of DANDOT CEMENT COMPANY LIMITED as at 30 June 2004, the related profit & loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 and profit & 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 & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2004 and of the profit, its cash flows & 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 (XVIII of 1980)
We, without qualifying our opinion, draw attention to the following matters:-

a) The company has accumulated losses of Rs. 1,287.347 million, its current liabilities exceed the current assets by Rs. 292.711 million & it has been operating considerably below production capacity. The going concern assumption used in the preparation of these accounts is based on matters referred to in Note 1.2.

b) The company had not been able to make payments to the Provided Fund within the stipulated time in past as explained in note 6.5 & 6.6.

Balance Sheet

	Note	2004 Rupees	2003 Rupees
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
70,000,000 ordinary shares			
of Rs. 10/- each		700,000,000	700,000,000
Issued, subscribed and paid up capital	3	678,399,800	278,399,800
Share premium reserve		31,800,740	31,800,740
Accumulated loss		-1,287,347,486	-1,391,088,651
		-577,146,946	-1,080,888,111
SURPLUS ON REVALUATION OF FIXED ASSETS	4	997,242,746	1,055,114,994
NON CURRENT LIABILITIES:			
SPONSORS LOANS	5	523,608,955	445,514,686
LONG TERM LOANS AND LIABILITIES	6	536,070,951	514,671,609
LIABILITIES AGAINST ASSETS SUBJECT			
TO FINANCE LEASE	7	41,252,998	183,978,653
DEFERRED LIABILITIES	8	354,217,982	363,238,976
LONG TERM ADVANCES AND DEPOSITS	9	3,829,293	3,692,526
		1,458,980,179	1,511,096,450
CURRENT LIABILITIES			
Current maturity of long term loans and liabilities	10	75,654,596	226,153,763
Short term borrowings	11	95,100,256	61,787,419
Creditors, accrued and other liabilities	12	322,214,380	440,266,449
Unclaimed dividend		782,699	782,699
Taxation provision		8,016,853	10,359,899
		501,768,784	739,350,229
CONTINGENCIES AND COMMITMENTS	13	-	-
		2,380,844,763	2,224,673,562

As at June 3O, 2OO4

	Note	2004 Rupees	2003 Rupees
PROPERTY AND ASSETS			
NON CURRENT ASSETS			
FIXED ASSETS - Tangible			
Operating fixed assets	14	1,911,135,401	2,022,856,262

Capital work in progress	15	60,594,644	339,632
		1 ,971 ,730,045	2,023,195,894
LONG TERM LOANS AND DEPOSITS	16	1 1 ,673,923	12,130,162
DEFERRED COST	17	188,383,561	926,654
		2,171,787,529	2,036,252,710
CURRENT ASSETS			
Stores, spares and loose tools	18	101,393,843	74,762,821
Stock in trade	19	9,595,345	32,874,504
Trade debtors	20	3,095,314	2,493,808
Advances, deposits, prepayments and other receivables	21	74,885,326	64,096,133
Cash and bank balances	22	20,087,406	14,193,586
		209,057,234	188,420,852
		2,380,844,763	2,224,673,562

Profit and Loss Account

For the Year Ended June 30, 2004

	Note	2004 Rupees	2003 Rupees
SALES (Net)	23	812,211,260	590,353,065
COST OF SALES	24	819,162,174	776,872,030
GROSS LOSS		-6,950,914	-186,518,965
OPERATING EXPENSES			
Administration and general	25	32,302,690	15,159,339
Selling and distribution	26	2,565,063	2,155,872
		-34,867,753	-17,315,211
OPERATING LOSS		-41,818,667	-203,834,176
Financial Charges	27	-59,564,385	-118,805,259
Other income/(charges)	28	-21,744,891	-9,243,821
OPERATING (LOSS) BEFORE TAXATION FROM			
ORDINARY ACTIVITIES		-123,127,943	-331,883,256
TAXATION	29		
Current		4,085,099	5,894,448
Prioryears		-955,403	-
Deferred		-13,429,763	-384,911,349
		-10,300,067	-379,016,901
NET PROFIT/(LOSS) AFTER TAXATION			
FROM ORDINARY ACTIVITIES		-112,827,876	47,133,645
Extraordinary items	30	158,696,793	-

NET PROFIT FOR THE YEAR		45,868,917	47,133,645
Accumulated loss brought forward		-1,391,088,651	-1,593,627,515
Incremental depreciation due to revaluation of fixed assets			
Current year		57,386,015	116,782,173
Prior year		-	30,065,267
Surplus realized on disposal of assets		486,233	3,616,529
		57,872,248	150,463,969
Recognition of income due to adoption of IAS 19		-	4,941,250
Accumulated loss carried to balance sheet		(1 ,287,347,486)	-1,391,088,651
Earning/(loss) per share - Basic	31	1.09	1.66

Cash Flow Statement

For the Year Ended June 30, 2004

	Note	2004 Rupees	2003 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		-123,127,943	-331,883,256
Adjustments of items not involving movement of cash:			
Depreciation		114,765,278	225,745,554
Provision for Gratuity		8,490,539	-12,771,398
Exchange fluctuations		32,217,056	4,749,927
Gain on disposal of Fixed Assets		-399,200	4,692,288
Amortization of deferred cost		12,543,093	3,706,644
Income on certificate of investment		-5,595,835	-
Financial charges		59,564,385	118,805,259
		221,585,316	344,928,274
Operating cash flows before working capital changes		98,457,373	13,045,018
(Increase)/Decrease in operating asset:			
Stores, spares and loose tools		(26,631 ,022)	22,727,760
Stock in trade		23,279,159	-9,482,486
Trade debtors		-601,506	-325,688
Advances, deposits, prepayments and other receivables		-8,805,529	-5,059,681
Increase/(Decrease) in creditors, accrued and			
other liabilities		-39,805,999	-66,383,162
		-52,564,897	-58,523,257
		45,892,476	-45,478,239
Long term advances and deposits		136,767	-616,533
Gratuity paid		-4,081,770	-1,622,411

Financial charges paid	-90,294,368	-19,241,396
Income tax paid	-7,456,406	-728,626
Net Cash Flows From Operating Activities	-55,803,301	-67,687,205
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets - Tangible	-42,566,929	-5,042,276
Sale proceeds of Fixed assets	1,235,200	1 ,500,000
Certificates of investments	-59,400,000	-
Long term loans and deposits	456,239	385,431
Net Cash Flows From Investing Activities	-100,275,490	-3,156,845
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liability (Net)	-119,012,398	-9,116,165
Share capital	200,000,000	-
Past dues - CBA	-8,318,356	-14,643,504
Sponsors loans	47,824,369	13,388,000
Short term borrowings	33,312,837	-6,261,494
Long term loans and liabilities	8,166,159	99,031,512
Net Cash Flows From Financing Activities	161,972,611	82,398,349
Net Increase /(Decrease) in Cash and Cash Equivalents	5,893,820	11,554,299
Cash and cash equivalents at beginning of the year	14,193,586	2,639,287
Cash and cash equivalents at end of the year	20,087,406	14,193,586

Statement of Changes in Equity

For the Year Ended June 30, 2004

	Share capital	premium	Accu loss	Total share	Surplus	Total
	Rupees					
Balance as at June 30, 2002	278,399,800	31 ,800,740	-1,593,627,515	-1,283,426,975	1 ,843,757,876	560,330,901
Profit for the year	-	-	47,133,645	47,133,645	-	47,133,645
Attributable deferred tax charged to surplus		-		-	-638,178,913	-638,178,913
Incremental depreciation due to revaluation charged to surplus:						
Prior year	-	-	30,065,267	30,065,267	-30,065,267	-
Current year	-	-	116,782,173	116,782,173	-116,782,173	-
Surplus realized on disposal of assets			3,616,529	3,616,529	-3,616,529	
Recognition of income due to adoption of IAS 1 9	-	-	4,941 ,250	4,941,250	-	4,941,250
Balance as at June 30, 2003	278,399,800	31,800,740	-1,391,088,651	-1,080,888,111	1,055,114,994	-25,773,117
Profit for the year		-	45,868,917	45,868,917	-	45,868,917

Right Share issue	400,000,000	-	-	400,000,000	-	400,000,000
Incremental depreciation due to revaluation charged to surplus:	-	-	57,386,015	57,386,015	-57,386,015	-
Surplus realized on disposal of assets	-		486,233	486,233	-486,233	-
Balance as at June 30, 2004	678,399,800	31,800,740	-1,287,347,486	-577,146,946	997,242,746	420,095,800

Notes tn the Accounts
For the Year Ended June 30, 2004

1. THE COMPANY AND ITS OPERATIONS

1.1 The company is a public limited company incorporated in Pakistan and is listed on Karachi and Lahore Stock Exchanges. The Company started its production on March 01, 1983 and has been engaged in manufacturing and marketing of cement.

1.2 The company has accumulated loss of Rs 1,287.3 million and its current liabilities exceed its current assets by Rs 292.7 million as at 30 June 2004.

Inspite of the adverse current ratio and large accumulated loss, the company will continue to have continued financial support from its sponsoring directors and foreign associates to ensure continuity of operations. As part of this support, the sponsoring directors and their foreign associates have not only injected funds into the company during the year as long term loans but have also implemented the following key measures to enhance the company's overall viability.

a) A right shares issue was undertaken by the company during the year under review which increased the company's paid up equity capital from Rs 278 million to Rs 678 million by the issuance of 40,000,000 new shares of Rs 10 each. Hence, the debt equity ratio of the company has improved.

b) Modernization and optimization of plant, machinery and equipment has taken place during the year at a cost of about Rs 80 million. As a result of this modernization and optimization project, the company's utilization of production capacity will reflect a substantial increase in future.

c) The company has planned to purchase one power generator which would produce electricity at a cheaper cost and this would have a positive effect on the operational profits of the company. This generator will have a power generation capacity of 6.3 MW.

d) An aggressive and accelerated growth rate was displayed by the cement industry of Pakistan during the year under review. This buoyancy in cement sector is on account of robust macro economic factors prevailing alongwith a low interest rate scenario, growth in housing market, development of mega projects such as dams, Gwadar Port, airports and the lining of canals.

The directors of the company are confident that in view of the above factors and their full commitment and determination to promote the company's objectives in the long run, the company will continue its operations as a going concern.

Accordingly, these financial statements have been prepared on going concern basis and do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that may be necessary should the company be enable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 (a) Accounting convention

These accounts have been prepared under historical cost convention except for freehold land, buildings, plant & machinery and vehicles which are stated at revalued amounts and certain exchange differences as referred to in Note 2.12 are incorporated in the cost of relevant assets.

(b) Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of 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 & Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Employees retirement benefits

(a) The Company operates a gratuity scheme covering all its permanent employees. Such gratuity is payable on cessation of employment subject to a minimum qualifying period of five years service with the Company. Provision for gratuity is made in the accounts to cover full obligation under the scheme.

The Company uses projected unit credit method to determine the present value of its defined benefit obligation and the related current service cost and where applicable, past service cost.

Actuarial valuation was conducted on June 30, 2004 on the projected unit credit method using the following significant assumptions:

	2004	2003
Discount rate	7.00%	8.00%
Expected rate of salary increase in future year	6.50%	7.50%
Average expected remaining working lifetime of employees	17 years	17 years

The Company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19.

(b) The Company also operates a funded contributory provident fund scheme for all eligible employees and contribution is based on the salaries of the employees and the liability is recognized in accounts on monthly basis.

Taxation

Current

Provision for taxation is based on the taxable income and the rates of taxes applicable after taking into account tax credits and rebates available, if any or under Section 113 of the Income Tax Ordinance, 2001 @ 0.5% of the turnover whichever is higher.

Deferred

The Company accounts for deferred taxation using the liability method on all major temporary differences between the amounts for financial reporting purpose and the amounts used for taxation purposes.

Tangible fixed assets and depreciation

Operating fixed assets are stated at cost or revalued amounts less accumulated depreciation except for freehold land which is stated at revalued amount.

Depreciation charge is based on reducing balance method at the rates specified in note 14. Leasehold land for quarries are amortized over a period of 15 - 20 years.

No depreciation is provided on assets in the year of sale, while full year's depreciation is charged in the year of purchase. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of assets, if any, are included in profit and loss account.

Surplus on revaluation of fixed assets

In accordance with the provisions of Section 235 of the Companies Ordinance, 1984 and SRO. 45(I) 2003 dated 23 January 2003, the company has the policy to charge surplus account for incremental depreciation of related revalued assets by transferring the amounts to retained earnings and providing for related deferred taxation by debiting the surplus account directly.

Assets subject to finance lease

These are recorded at the inception of lease at the value representing the lower of present value of minimum lease payments under the lease agreements or the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period. Financial charges and depreciation on leased assets are charged to income currently.

Capital work in progress

Capital work in progress is stated at cost and represents expenditure incurred on fixed assets during their construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

Investments held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortised cost using the effective yield method.

Stores, spares and loose tools

These are valued at moving average cost except items in transit which are valued at cost accumulated upto the Balance Sheet date.

Stock in trade

These are valued at lower of cost and net realizable value applying the following method:

Raw Materials - at weighted average cost.

Work in process and finished goods - at average cost covering direct material,

labour and manufacturing overheads.

Deferred cost

This is amortized over a maximum period of five years.

Foreign currency transactions

Assets and liabilities in foreign currencies are translated at the rates of exchange prevalent on the balance sheet date. Exchange differences arising from translation and repayment of foreign currency loans are capitalized as part of cost of Plant & Machinery acquired out of the proceeds of such loans. All other exchange differences are taken to profit and loss account.

Financial Instruments

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Gain or the loss on derecognition of financial assets/liabilities is taken to Profit & Loss Account.

Off set ing of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Trade debtors

Known bad debts are written off and provision is made for debts considered doubtful.

Revenue recognition

Sales are recorded on dispatch of goods to customers.

Related party transactions

All transactions with related parties are at arm's length prices determined in accordance with the pricing method as approved by the Board of Directors.

Figures

Figures in these account have been rounded off to the nearest rupee. Figures of the previous year have been rearranged wherever necessary to facilitate the comparison.

	Note	2004 Rupees	2003 Rupees
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
59,089,980 (2003: 19,089,980) ordinary shares of		590,899,800	190,899,800
Rs. 10/- each fully paid in cash			
8,750,000 (2003: 8,750,000) ordinary shares of		87,500,000	87,500,000
Rs. 107- each issued as fully paid bonus shares		678,399,800	278,399,800

SURPLUS ON REVALUATION OF FIXED ASSETS		997,242,746	1,055,114,994
SPONSORS LOANS- Unsecured	5.1	318,350,856	288,940,956
Foreign currency loan-GBP	5.1	116,700,000	115,840,000
Foreign currency loan-US$	5.2	88,558,099	40,733,730
Local currency loans		523,608,955	445,514,686

	Note	**2004 Rupees**	**2003 Rupees**
LONG TERM LOANS AND LIABILITIES			
Long term loans -Secured			
Economic Affairs Division, Government of Pakistan (EAD)			
Principal		132,440,000	53,554,646
Mark up payable from Jan.2000 to Jun.2002		-	32,356,759
	6.1	132,440,000	85,911,405
Mark up payable upto Dec.99		-	87,506,520
		132,440,000	173,417,925
Habib Bank Limited	6.2		
Demand finance - 1		-	187,972,470
Demand finance - II		-	46,858,914
Demand finance - III		-	5,403,624
Demand Finance IV		187,972,470	-
Demand Finance V		27,262,538	-
Demand Finance VI		15,000,000	-
PICIC Commercial Bank Ltd.	6.3	55,000,000	.
Citibank N.A	6.4	49,347,293	127,060,307
		334,582,301	367,295,315
		467,022,301	540,713,240
Past dues - CBA	6.5		
Salaries and benefits		74,031,871	82,350,227
Provident fund		31 ,632,952	31 ,632,952
One day deduction		2,119,349	2,119,349
Legal expenses		6,883,000	6,883,000
		114,667,172	122,985,528
Provident Fund Trust	6.6		
Payable to trust since the change of management		18,028,188	29,561 ,038

	Note		
Add: Interest on unpaid balance		6,480,591	4,166,270
		24,508,779	33,727,308
		606,198,252	697,426,076
Less: Current maturity:			
Long term loans	10	52,127,301	164,754,467
Past dues - CBA	10	6,000,000	6,000,000
Provident fund trust	10	12,000,000	12,000,000
		70,127,301	182,754,467
		536,070,951	514,671,609

	Note	**2004 Rupees**	**2003 Rupees**
LIABILITIES AGAINST ASSETS SUBJECT			
TO FINANCE LEASE			
Opening balance		227,377,949	240,833,430
Addition during the year		21,568,500	-
Adjustments/Waiver during the year		-46,917,168	-4,339,316
		202,029,281	236,494,114
Less:			
Payments during the year		90,253,153	9,116,165
Present value of minimum lease payments		111,776,128	227,377,949
Less:			
Principal balance of COI		59,400,000	-
Interest accrued on COI till year end		5,595,835	-
	7.4	64,995,835	-
		46,780,293	227,377,949
Less:			
Transfer to Current maturity	10	5,527,295	43,399,296
		41,252,998	183,978,653

	Upto1 year (Rupees)	**From 1 year to 5 years**	**2004**	**2003**
Minimum lease payments	7,192,926	107,955,369	115,148,295	314,794,004
Less:				
Future finance charges	-1,665,631	-1,706,536	-3,372,167	-87,416,055
Present value of minimum lease payments	5,527,295	106,248,833	111,776,128	227,377,949

	Note	**2004**	**2003**
		Rupees	**Rupees**

DEFERRED LIABILITIES

Gratuity	8.1	78,103,152	73,694,383
Deferred Taxation			
Deferred Liability		574,470,644	616,185,789
Less: Deferred debits		-298,355,814	-326,641,196
		276,114,830	289,544,593
		354,217,982	363,238,976
8.1 Gratuity			
Expense Recognised in the Income Statement			
Interest cost		4,772,932	-
Current Services cost		3,717,607	3,632,616
		8,490,539	3,632,616
Liability Recognised in the Balance Sheet			
Present value of defined benefit obligation as at June 30, 2004		75,510,432	73,916,168
Fair value of plan assets		-290,285	(221 ,785)
Acturial gains / (losses) not recognized during the year		2,883,005	-
Net liability as on June 30, 2004		78,103,152	73,694,383
Reconciliation of Liability recognised in the balance sheet			
Present Value of Defined Benefit Obligation as on July 01, 2003		73,694,383	93,029,442
Interest Cost		4,772,932	-
Current Service Cost		3,717,607	-
Contributions paid		(4,081 ,770)	-1,622,411
Reversal of excess provision already charged		-	-12,771,398
Reversal due to adoption of transitional liability method		-	(4,941 ,250)
Present Value of Defined Benefit Obligation as on June 30, 2004		78,103,152	73,694,383

LONG TERM ADVANCES AND DEPOSITS

Un-secured - Interest free		23,325	23,325
Advances from suppliers		3,805,968	3,669,201
Securities and retention money		3,829,293	3,692,526
	Note	**2004 Rupees**	**2003 Rupees**

CURRENT MATURITY OF LONG

TERM LOANS AND LIABILITIES

Long term loans	6	52,127,301	164,754,467
Past dues - CBA	6	6,000,000	6,000,000
Provident fund trust	6	12,000,000	12,000,000
Liabilities against assets subject to finance lease	7	5,527,295	43,399,296
		75,654,596	226,153,763

SHORT TERM BORROWINGS

Running finances - secured		92,196,443	61,787,419
Bank Overdraft-unsecured		2,903,813	-
		95,100,256	61,787,419

CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors		119,023,550	77,953,751
Accrued expenses		69,640,403	113,309,460
Interest accrued on secured loans		11,778,125	102,450,142
Interest accrued on Un-secured loans		34,730,604	23,208,967
Excise duty		114,470	110,536
Royalty		4,009,761	3,964,218
Sales tax		15,903,464	46,627,825
Workers profit participation fund	12.1	30,975,994	30,071 ,684
Workers' welfare fund		1,619,013	1,505,265
Advances from customers		24,703,971	31,860,778
Others		9,715,025	9,203,823
		322,214,380	440,266,449

12.1 Workers' Profit Participation Fund

Contribution payable		15,071,839	15,071,839
Interest on unpaid contribution		15,904,155	14,999,845
		30,975,994	30,071 ,684

CONTINGENCIES AND COMMITMENTS

a) Saudi Pak Commercial Bank Limited has issued Bank Guarantee in favour of Sui Northern Gas Pipelines Limited.		41,965,964	245,800
b) Saudi Pak Commercial Bank limited has issued Bank Guarantee in favour of Director Industries and Mineral development.		3,631 ,676	-
c) Islamic Investment Bank limited has issued Bank Guarantee in favour of Director Industries and Mineral development.		-	3,631 ,676

	2004 Rupees	2003 Rupees
PICIC Commercial Bank limited has issued Bank Guarantee in favour of Sui Northern Gas Pipelines Limited.	-	27,022,000
Islamic Investment Bank limited has issued Bank Guarantee in favour of Sui Northern Gas Pipelines Limited.	-	14,098,164

	2004 Rupees	2003 Rupees
14.1 Depreciation for the year has been allocated as under-		
Cost of goods sold	110,584,498	221,127,778
Administration	4,075,760	4,507,022
Selling & Distritution	105,020	1 1 0,754
	114,765,278	225,745,554

	Note	2004 Rupees	2003 Rupees
CAPITAL WORK IN PROGRESS			
Building		527,507	339,632
Plant and Machinery	15.1	60,067,137	-
		60,594,644	339,632

15.1 It includes lease hold machinery of Rs.19.0 millions

LONG TERM LOANS AND DEPOSITS - Considered good

	2004 Rupees	2003 Rupees
Executives/ Officers		
Motor car/motor cycle	211,806	275,881
House building	410,873	469,101
Special loans to officers	779,500	951 ,500
	1,402,179	1 ,696,482
Other Employees		
House building	345,908	486,521
Special loans to workers	319,534	368,710
	665,442	855,231
	2,067,621	2,551,713
Less: Current portion recoverable within one year	282,153	310,006
	1 ,785,468	2,241,707
Security deposits	9,888,455	9,888,455
	1 1 ,673,923	12,130,162

	Note	2004	2003
DEFERRED COST			
Unamortized cost brought forward		926,654	4,633,298
Less: Amortized during the year	24.1	926,654	3,706,644
		-	926,654
Addition during the year	17.1	200,000,000	.
Less: Amortized during the year	25	-11,616,439	-
		188,383,561	926,654

	Note	**2004**	**2003**
		Rupees	**Rupees**
STORES, SPARES AND LOOSE TOOLS			
General stores		38,990,290	18,115,467
Spare parts		58,313,960	53,735,231
Loose tools		4,089,593	2,912,123
		101,393,843	74,762,821
STOCK IN TRADE			
Raw material		2,353,360	4,867,536
Work in process		4,214,937	15,342,698
Finished goods		3,027,048	12,664,270
		9,595,345	32,874,504
TRADE DEBTORS			
(Unsecured Considered good by the management)		3,095,314	2,493,808
ADVANCES, DEPOSITS, PREPAYMENTS			
AND OTHER RECEIVABLES			
Considered good			
Loan to employees		6,002,087	4,404,054
Advance for purchases		4,519,382	3,765,360
Advance to contractors/suppliers		49,697,110	42,443,678
Margin on bank guarantees		4,572,054	6,220,010
Income tax deducted at source		6,948,917	4,965,253
Excise duty		1 ,241 ,876	1,213,001
Prepayments		1 ,548,749	759,086
Other Receivables		355,151	325,691
Letters of credit - Considered doubtful	21.1	18,248,968	18,248,968
Provision against doubtful advances		-18,248,968	-18,248,968
		74,885,326	64,096,133
CASH AND BANK BALANCES			
Cash in hand		52,969	178,550
Cash at banks in:			

Current accounts		14,833,338	6,551,046
Deposit accounts		5,201,099	7,463,990
		20,087,406	14,193,586

SALES

Sales		1,212,046,928	1,010,044,913
Less:			
Excise duty		222,349,875	265,998,000
Sales tax		172,677,313	152,490,928
Discounts		4,808,480	1,202,920
		812,211,260	590,353,065

	Note	2004 Rupees	2003 Rupees
COST OF SALES			
Raw materials consumed	24.1	72,069,968	59,866,892
Salaries, wages and benefits		110,267,332	100,333,590
Fuel, gas and electricity		365,012,266	296,950,921
Stores and spares		55,441,149	22,105,983
Rent, rates and taxes		105,869	434,054
Vehicle running and maintenance		10,036,861	8,498,159
Packing material		58,930,229	61,152,321
Depreciation	24.2	110,584,498	221,127,778
Others		15,949,019	14,421,482
		798,397,191	784,891,180
Work in process			
Opening		15,342,698	13,776,602
Closing		-4,214,937	-15,342,698
		11,127,761	(1 ,566,096)
Cost of goods manufactured		809,524,952	783,325,084
Finished goods			
Opening		12,664,270	6,211,216
Closing		-3,027,048	-12,664,270
		9,637,222	-6,453,054
		819,162,174	776,872,030

24.1 RAW MATERIALS CONSUMED

Opening balance		4,867,536	3,404,200
Salaries, wages and benefits		31,274,919	28,068,473
Gypsum		934,312	988,361
Namel shale		779,921	426,378
Iron ore		-	16,605

Explosive		3,623,277	2,293,795
Diesel		7,937,528	7,238,120
Deferred cost amortized		926,654	3,706,644
Electricity		3,975,112	3,851,418
Royalty and excise duty		6,501,689	6,461,616
Stores and spares		13,342,975	8,079,395
Rent, rates and taxes		73,477	49,645
Breaking of Gypsum		185,928	149,778
		74,423,328	64,734,428
Closing balance		-2,353,360	-4,867,536
		72,069,968	59,866,892

	Note	2004 Rupees	2003 Rupees
ADMINISTRATION AND GENERAL EXPENSES			
Directors' remuneration		3,134,410	2,446,793
Salaries, wages and benefits		1,583,110	1 ,462,737
Travelling and daily allowances		1,913,124	1,000,805
Repairs and maintenance		14,500	25,834
Vehicle running and maintenance		641 ,664	955,151
Legal and professional		2,331 ,544	1,135,369
Auditors' remuneration	25.1	360,000	225,000
Postage, telephone and telegrams		141,444	64,402
Printing and stationery		265,917	185,318
Advertisement		318,890	247,980
Entertainment		37,830	46,376
Rent, rates and taxes		1 ,066,800	626,000
Fees and subscriptions		2,776,692	1 ,329,620
Penalties	25.2	50,000	5,000
Functions and seminars		4,072	-
Deferred cost amortized		11,616,439	-
Depreciation		4,075,760	4,507,022
Others	25.3	1 ,970,494	895,932
		32,302,690	15,159,339

25.1 Auditors' remuneration

Audit fee	125,000	75,000
Other advisory services	70,000	70,000
Out of pocket expenses	20,000	20,000
Half yearly review report fee	50,000	30,000
Issuance of certificate fee	20,000	-

Code of Corporate Governance review report fee	75,000	30,000
	360,000	225,000

SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and benefits	1,712,410	1,562,983
Travelling and daily allowances	133,899	80,836
Vehicles running and maintenance	295,785	234,566
Postage, telephone and telegrams	39,026	27,457
Printing and stationery	121,104	339
Advertisement	-	2,392
Entertainment	15,277	20,267
Repairs and maintenance	34,823	403
Rent, rates and taxes	383	4,514
Depreciation	105,020	110,754
Others	107,336	111,361
	2,565,063	2,155,872

	Note	2004 Rupees	2003 Rupees
FINANCIAL CHARGES			
Mark up on :			
Long term loans		18,601,525	90,543,944
Short term loans		17,296,932	5,064,390
Sponsors' loans		18,257,308	17,435,481
Borrowing from GCL		-	13,058
Bank charges		2,189,989	1,811,494
Interest on provident fund		2,314,321	2,278,990
Interest on W.P. P. Fund		904,310	1,657,902
		59,564,385	118,805,259
OTHER INCOME/(CHARGES)			
Sale of scrap		4,415,588	167,419
Miscellaneous		61 ,542	30,975
Exchange Fluctuation		-32,217,056	-4,749,927
Gain on disposal of fixed assets.		399,200	-4,692,288
Income on COI		5,595,835	-
		-21,744,891	-9,243,821

TAXATION

Current

The income tax assessments of the Company have been finalized upto and including assessment year 2002-

2003 (Accounting year June 30, 2002). The assessed tax loss available for carry forward is Rs. 740.669 (2003: 705.882) million upto the assessment year 2002-2003.

The Company has preferred appeals for assessment year 1992-93,1997-98,and 2001-2002 before Tax Appellate Tribunal and for assessment year 1998-99 and 2002-03 before Commissioner of Income Tax (Appeals) against the completed assessments. The concerned authorities while completing assessments made certain add-backs and have not accepted claims for adjustment of tax deducted at source and income tax paid in advance. Income tax liability for all the years have been provided for these accounts.

Deferred

Deferred tax liability on temporary differences as at June 30, 2004 has been duly provided and disclosed at Note 8.

EXTRAORDINARY ITEM

Economic Affair Division	6.1 (b)	48,475,575	-
Habib Bank Limited	6.2	44,914,373	-
Lease liabilities	7.5	65,306,845	-
		158,696,793	-

EARNING/(LOSS) PER SHARE - BASIC

Net profit after taxation (Rupees)	45,868,917	47,133,645
Weighted average number of ordinary shares during the year	42,089,717	27,839,980
		Restated
Earning per share after taxation (Rupees)	1.09	1.66
Earning per share after taxation (Rupees)-Original	-	1.69

	2004	**2003**
	Rupees	**Rupees**
TRANSACTIONS WITH ASSOCIATED COMPANY		
Expenses paid by GCL	10,612,792	24,818,517
Expenses paid on behalf of GCL	11,119,108	3,246,736
Mark up	-	13,058
Inventories transferred	9,342,324	12,562,966
Inventories received	83,292,544	47,305,937

	Rate of interest	
	2004	**2003**
Sponsors loans	1 % + six months Libor to 6%	1 % + six months Libor to 6%
Long term loans and liabilities	3.5%to14%p.a.	5.4%to16%p.a.
Lease finances	8%to18%p.a.	16%to18%p.a.

Short term borrowings	14%	14% to 16%
Creditors, accrued and other liabilities	6% to 8.5%	9% to 1 1 %

Concentration of credit risk

Concentration of credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.46.068 million (2003:Rs. 40.077 million), the financial assets which are subject to credit risk aggregated to Rs.25.981 million (2003: Rs.25.88 million).

Fair value of financial assets and liabilities

The carrying value of all financial instruments reflected in the financial statements approximate their fair values.

REMUNERATION OF DIRECTORS AND EXECUTIVES

	2004			2003		
	Chief Executives	**Directors**	**Executives**	**Chief Executive**	**Directors**	**Executives**
	(Rupees)					
Managerial remuneration	71 1 ,750	984,945	6,194,619	644,200	760,500	5,074,178
House Rent	318,039	444,684	2,068,796	288,638	342,227	1,660,188
Utilities	54,000	-	767,110	61,920	18,525	655,545
Provident fund contribution	-	-	368,530	-	-	314,667
Leave fare assistance	-	-	448,751	-	-	395,113
Others	-	589,557	4,211,923	251,141	79,642	2,887,484
	1,083,789	2,019,186	14,059,729	1 ,245,899	1 ,200,894	10,987,175
Number of persons	2	3	39	1	2	34

	2004	**2003**
PLANT CAPACITY AND ACTUAL	**M. Tones**	**M. Tones**
Production		
Ordinary portland cement		
Plant capacity (Cement)	504,000	504,000
Actual production	295,414	275,300

GENERAL

Total number of employees including contractor's employees as at June 30, 2004 were 866 (2003: 860).

DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 30 September 2004 by the Board of Directors of the company.

Summary of Last Ten Years' Financial Result

Description	2004	2003	2002	2001	2000	1999	1998
Trading Results:							
Turnover	812,211	590,353	747,191	610,498	102,573	-	171,283
Gross Profit/fLoss)	-6,951	-186,519	-64,479	-27,695	-61,389	-119,708	-95,100
Operating Profit /(Loss)	-41,819	-203,834	-79,633	-48,933	-71,284	-144,495	-125,754
Profit/fLoss) Before Taxation	-123,128	-331,883	-246,549	-212,733	-186,436	-268,576	-159,653
Profit/fLoss) After Taxation	-112,828	47,134	-238,397	-264,281	-186,948	-311,253	-160,509
Balance Sheet:							
Shareholders Equity	-577,147	-1,080,888	-1,283,427	-1,045,029	-780,748	-593,799	-1,814
Operating Fixed Assets	1,911,135	2,022,856	2,135,904	372,971	417,905	459,653	460,783
Net current assets/fliabilities)	-292,712	-550,929	-494,367	-423,228	-502,277	-649,533	-310,476
Long term liabilities	1,104,762	1,147,859	1,083,236	742,034	640,319	367,262	144,916
Significant Ratios							
Gross Profit Ratio %	-0.86	-31.59	-8.63	-4.54	-59.85	-	-55.52
Net Profit Ratio %	-13.89	7.98	-31.91	-43.29	-182.26	-	-93.71
Fixed Assets Turnover Ratio	0.42	0.29	0.35	1.64	0.25	-	0.37
Debt : Equity Ratio			-		-	-	-
Current Ratio	0.42	0.25	0.29	0.35	0.35	0.24	0.56
Interest Cover Ratio	-1.07	-1.79	-0.64	-0.49	-0.94	-1.16	-2.92