Annual Report
2005

Gharibwal Cement Limited

Contents

Company Profile

BOARD OF DIRECTORS

Mr. Mohammad Tousif Peracha
Chairman & Chief Executive

Mr. A. Rafique Khan
Director

Mr. A. Shoeb Piracha
Director

Mr. M. Niaz Paracha
Director

Mr. M. Saleem Peracha
Director

Mr. Aameen Taqi Butt
Director

Mr. M. Ishaque Khokhar
Director

BANKERS

Saudi Pak Commercial Bank Ltd.
Bank of Punjab
National Bank Of Pakistan
United Bank Limited
Muslim Commercial Bank Ltd.
Citibank N.A
Bolan Bank Limited
Habib Bank Limited
PICIC Commercial Bank Limited
Prime Commercial Bank Limited
The Bank of Khyber

REGISTERED OFFICE

3-A/3, Gulberg III, Lahore
Tel: 042-5871057-58

WORKS

Ismailwal (Distt. Chakwal)

SHARES DEPARTMENT

3-A/3, Gulberg III, Lahore
Tel: 042-5871057-58
Web: www.gharibwalcement.com

AUDIT COMMITTEE

Mr. M. Niaz Paracha
Chairman and Member

Mr. M. Ishaque Khokhar
Member

Mr. M. Saleem Peracha
Member

CHIEF FINANCIAL OFFICER

Mr. Zulfiqar A. Choudhry (FCA)

COMPANY SECRETARY

Mr. Abbas Rashid Siddiqi

AUDITORS

Viqar A. Khan
Chartered Accountants

INTERNAL AUDITORS

Aftab Nabi & Co.
Chartered Accountants

LEGAL ADVISOR

International Legal Services

Vision Statement

GHARIBWAL has been at the forefront for the past forty years, in building a strong and solid Pakistan. Our brand of cement has endured the test of time which is reflected by its performance in the Mangla Dam, the Qadirabad Barrage, the Rasool / Sulemanki Barrage, and so forth.

GHARIBWAL strives to ensure and maintain its excellence in the field of sales, marketing and distribution by a strong focus on customer satisfaction, a wide network of cement stockists in Punjab and Azad Kashmir and resultantly, there is a strongly preferred loyalty for our cement by our valued patrons.

GHARIBWAL envisions that the sustained administrative and financial restructuring measures undertaken in the previous three years shall be continued in future periods for the Company's prosperity.

GHARIBWAL's cement plant, situated at a very significant location in Punjab province, is gearing itself for technological up-gradation and modernization, by the establishment of a modern, dry-process cement plant at its present location in District Chakwal, thereby, enhancing its profitability and plant efficiency to an optimal level and achieving all-round cost control.

GHARIBWAL, accordingly has a focused vision to rank high in performance amongst Pakistan's premier cement producers in the future.

Mission Statement

GHARIBWAL's mission is to constantly endeavour for excellence in all spheres of business activity and maintain its market position in key centers of Punjab and Azad Kashmir.

GHARIBWAL's mission is also to promote mutually satisfactory relationship with our customers and other stakeholders by creating value additions and construct a strong, durable and forward-moving Pakistan.

Notice of Annual General Meeting

NOTICE is hereby given that 45th Annual General Meeting to the shareholders of Gharibwal Cement Limited for the financial year ended 30th June 2005 will be held on Monday, 31st October 2005, at the registered office of the company, 3-A/3, Gulberg-lll, Lahore at 10.00 a.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting held on 28th October 2004.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2005 together with Auditors' and Directors' Reports thereon.
3. To appoint Auditors and to fix their remuneration. The present Auditors, M/s. Viqar A. Khan, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
4. To elect 7 (seven) Directors being the number of directors fixed by the Board, for a period of three years, commencing from 1st March 2006 in accordance with the provisions of the Companies Ordinance, 1984 and Articles of Association of the Company. The names of the retiring directors are as under; -

   1) Mr. Mohammad Tousif Peracha
   2) Mr. A. Rafique Khan
   3) Mr. A. Shoeb Piracha
   4) Mrs. Tabassum Tousif Peracha
   5) Mr. M. Saleem Peracha
   6) Mr. M. Ishaque Khokhar
   7) Mr. Aameen Taqi Butt

Special Business

5. To consider and if thought fit to approve the renewal of and enhancement in temporary short term advance facility from Rs. 30 million (Rupees thirty million) to Rs. 70 million, (Rupees seventy million) already sanctioned to M/s. Dandot Cement Company Limited, an associated company.
6. To transact any other business with the permission of the Chair.

Draft resolutions proposed to be considered in the meeting relating to special business and a statement U/S 160 of the Companies Ordinance, 1984 setting forth all material facts concerning the above special resolution annexed to this notice of meeting are being sent to the members.

(By Order of the Board)

Abbas Rashid

Lahore : September 28, 2005

(ABBAS RASHID SIDDIQI)
Company Secretary

NOTES:

1. In terms of Section 178(3) of the Companies Ordinance, 1984, any person including the retiring director who seeks to contest election of the Directors must file with the Company at its registered office, not later than 14 days before the date of the meeting, a notice/consent of his/her intention to offer himself/herself for election. The Consent should accompany the following declarations, as required by the "Code of Corporate Governance," to the effect that;
   a) He/she is aware of his/her duties and powers to act as director under the relevant law(s), the Memorandum and Articles of Association of the Company and the Listing Regulations;
   b) He/she would not be a director on the Board of more than 10 Companies including Gharibwal Cement Limited; and
   c) He/she is a registered tax payer.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from October 21, 2005 to October 31, 2005 (both days inclusive) for the purposes to attend the Annual General Meeting.
3. A member entitled to attend and vote at the Meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies, in order to be effective, must be received at the Registered Office of the Company 48 hours before the time of the holding of the Meeting.
4. CDC shareholders are requested to bring their Computerized National Identity Card, Account and Participant's Numbers and will further have to follow the guidelines as laid down in SECP's Circular No. 1 dated 26th January 2000 while attending the Meeting for identification.
5. Members are requested to notify immediately changes, if any, in their registered addresses and telephone numbers to the Company's Share Registrar, M/s. Corplink, Wings Arcade, 1-K, Commercial Area, Model Town, Lahore.

Draft Resolution
Proposed to be Considered in the Meeting

ITEM NO. 5

To consider and if thought fit to pass the following resolution with or without modification as a special resolution.

"**RESOLVED** that the consent and approval of the members of the Company be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 for renewal of the short term temporary advance facility, already sanctioned to Dandot Cement Company Limited, an associated company, for further period of one year on same terms.. and conditions except that the limit of finance be enhanced from Rs. 30 million to Rs. 70 million being the maximum sum that may be aggregated at any one time.

FURTHER RESOLVED that Company Secretary be and is hereby authorized to give effect to the above resolution, take all necessary steps as required by the Companies Ordinance, 1984 and to sign and execute any paper, document, etc. for and on behalf of the Company with respect thereto."

STATEMENT U/S 160 OF THE COMPANIES ORDINANCE, 1984

ITEM N0.2. Election of Directors

Term of office of the present Directors will expire on 28th February 2006. The Board of Directors of the Company will be re-constituted for a fresh term of three years commencing from 1st March 2006 by electing seven Directors. The Directors are interested to the extent that they are eligible for re-election as directors of the company.

ITEM N0.5. To authorize short term advance to Dandot Cement Company Ltd.

Name of the investee company - Dandot Cement Company Limited (DCCL) is an associated company of Gharibwal Cement Limited (GCL). GCL owns 11,429,751 shares of DCCL and directly and indirectly controls 18.51% voting rights in DCCL.

Amount and purpose of loan and benefits accruing to the Company and the shareholders from the loan - The loan shall be upto a maximum sum aggregating at any one time to Rs. 70 million.

GCL and DCCL are associated companies under common management at present. Therefore, it is essential for both these companies to have access over the surplus short term funds of each other to enable them to tide over immediate cash requirements whenever the need so arises in order to avoid any repayment default. Therefore, it was decided by the management of these companies to legitimize this policy by obtaining approval from the members as required by Section 208 of the Companies Ordinance, 1984.

Neither any loan is outstanding as at September 28, 2005 nor has any loan been written off to the investee company.

Financial position of the investee company - Based on the latest audited financial statements for the financial year ended June 30, 2005, the financial position of the investee company is as under ;

	Rupees in Million		Rupees in Million
Paid up capital	678.400	Long term Loans/Leases and liabilities	550.896
Share Premium Reserve	31.801	Sponsors' loans	616.774
Accumulated loss	(1,157.950)	Fixed capital expenditure	1,882.327
Surplus on revaluation of fixed assets	943.534	Long term loans and deposit	11.538
Net current liabilities	251.999		

Rate of mark-up - Mark-up will be charged at a rate, which shall not be less than the borrowing cost of the Company.

Particulars of collateral security - Management does not consider it necessary to obtain collateral security from borrowing company as both are associated companies.

Source of funds - The loan will be advanced out of the Company's available surplus funds.

Repayment schedule - The loan would be for a period of not more than one year and would be renewable on terms and conditions as approved by members in the general meeting.

Personal interest of the directors of GCL - The directors of GCL are interested in the business to the extent of their shareholding and that some of the directors of GCL are also directors of DCCL.

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 Regulation 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:

I. 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 DFI or an NBFI. None of the directors is a member of a stock exchange.

4. The casual vacancy occurred during the year in the Board on November 30, 2004 and January 24, 2005 were filled by the directors within thirty 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 along with 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 executive directors, have been taken by the Board. No new appointment of CEO made during the year.

8. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In house orientation courses for the newly appointed directors were arranged during the year to apprise them of their duties and responsibilities.

10. There was no new appointment of CFO, Company Secretary 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.

15. The Board has formed an audit committee. It comprises three members, of whom two 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 reference of the committee have been formulated and advised to the committee for compliance.

17. The Board has outsourced the internal audit function to M/s. Aftab Nabi & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they (or their representatives) are involved in the internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The management of the company is committed to good corporate governance, and appropriate steps are being taken to comply with the best practices.

Aameen Taqi Butt

(AAMEEN TAQI BUTT)
Director

(A. SHOEB PERACHA)
Director

September 28, 2005

Statement of Ethics and Business Practices

Introduction - Gharibwal Cement Limited is committed to all-round excellence in the sphere of business activity. As in the past, we strive to maintain sound ethical, business and legal standards. The company affirms to observe all prevailing and applicable laws & regulations of the company.

Code of conduct - Gharibwal Cement Limited steadfastly adheres to implementing transparent, ethical and professional lines of conduct in all business interface with our stakeholders which include government agencies & departments, cement manufacturers' association, stockists and traders, shareholders, and so forth.

Employees - Gharibwal Cement Limited has a historical track record of outstanding management-employees relations. The company is committed to provide a safe, secure, and congenial working environment to all its employees, regardless of rank, caste or creed, thereby, maximizing the employees output and the company's prosperity.

Our employees have been accorded with on-site school and college facility, a small hospital with dispensary, social club, grant of a satisfactory number of paid and causal leaves per annum to ensure work-force morale, leisure and fitness. A number of employees have been imparted with computer and IT skills to enhance the Factory's productivity in key areas. In return, the employees are expected to perform with diligence, honesty and integrity, in their duties and to safeguard the company's valid interests.

Community - Gharibwal Cement Limited observes and pursues good community relations. Usually, the Factory's social, educational, transport, and health facilities are accessible to the staff resident within the Factory premises. The Company has undertaken the leveling and paving of roads in the immediate surroundings to benefit travelers to and fro. Material assistance was accorded from time to time to the villages which sit very near to our quarry.

Quality assurance - Gharibwal Cement Limited produces durable "Ordinary Portland Cement" which conforms with the highest international standards in quality. Our cement is backed up with forty years of building experience, with projects such as Mangla Dam, Qadirabad Barrage and Rasool Barrage to our credit. In terms of marketing, we demand a fair price for our brand of cement and pursue honest and straight forward trading relationship with out stockists and retailers.

Public relations - Gharibwal Cement Limited is an independent, public limited company. The company is neither affiliated nor associated with any political, regional or other vested interests. We do, however, participate in the various forums, within and outside of our industry, to mutually benefit from one another's experience in the business, marketing and corporate realms.

Financial reporting - Our dealings with all stakeholders, especially with the government and financial institutions, are based on honesty and equality. Our Accounting and Finance Policies are guided by prevailing corporate regulations, Companies Ordinance, 1984, and the Code of Corporate Governance. Further, we aim to fully comply with International Accounting Standards (IAS) in the preparation of financial statements whereas any departure there from is adequately disclosed. An internal audit function has been set-up whereas the annual cost audit reporting requirement is also being pursued with diligence.

Conclusion - Gharibwal Cement Limited shall ensure that this Statement of Ethics & Business Practices is understood and implemented by all concerned individuals in letter and spirit.

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 **Gharibwal Cement Limited** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of 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, 2005.

M/S. VIQAR A. KHAN
CHARTERED ACCOUNTANTS

Lahore: September 28, 2005

Directors' Report to the Members

Your Directors are pleased to present the annual report along with the audited financial statements of the Company for the year ended June 30, 2005.

Operational Performance & Quantitative Analysis

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

	2005	2004
	(Tonnes)	
Clinker Production	459,995	409,415
Cement :		
Production	490,210	427,265
Despatches	491,233	426,136

During the year under review, production of clinker and cement increased by 12.35% and 14.73% respectively whereas the Company's dispatches of cement posted an increase of 15.28% over the previous year. Capacity utilization increased to 85.18% during the year under review as compared to 75.82% in the year 2004.

This improved operating performance of the Company is largely on account of the continued robust growth recorded in the country's construction and large-scale manufacturing sectors and the overall Gross Domestic Product (GDP) of Pakistan. The country's economy extended its impressive expansion for the third year in a row in 2004-05 with an economic growth rate of 8.4%, the highest annual rate in two decades, as against 6.4% real GDP growth evidenced during the year 2003-04. This economic expansion along with stable macro-economic factors, inflows of official remittances from abroad and the vitality in the housing & construction sector continued to bolster the overall aggregate demand for cement through the year under review.

In general, the performance of the cement plant remained satisfactory and its normal maintenance was carried out through the year.

Financial Results

The Company has posted profit before taxation of Rs. 196 million (2005) as against a profit before taxation of Rs. 113 million (2004). Likewise, profit after taxation has been posted at Rs. 189 million (2005) as against profit after taxation of Rs. 115 million (2004).

The Company has registered earnings of Rs. 5.12 per share for the year ended June 30, 2005, as against its earnings of Rs. 5.09 per share posted for the year ended June 30, 2004.

Net-sales revenue for the year under review is Rs. 1,470 million, which is 26% more than the net-sales revenue of Rs. 1,165 million posted for the preceding year. This strong improvement in net-sales revenue, gross profit and profits before taxation are mainly attributable to the continued price stability marked by normal and healthy market competition and continuing robust demand for cement, both for local consumption as well as for exports. During the financial year 2004-05, the cement sector has registered a growth of 18%.

Future Prospects

We are confident that the cement industry shall continue its impressive growth rate, which was registered at 18% during the year under review, on account of the positive enabling factors and due to the prevailing aggressive business environment in the country in general and construction & large-scale manufacturing sectors in particular.

As mentioned above, 8.4% real GDP growth rate of Pakistan has occurred on the back of 3 years of consecutive growth. It is also the highest annual rate in two decades as informed by the Economic Survey of Pakistan, 2004-05, and it surpassed the targeted growth rate of 6.6% for the year by a wide margin. The present year, 2005-06, should see a continuation & consolidation of the economic success story of the country. However, rising & very high fuel costs together with the added factor of inflation and possible increase in interest rate, may cause to decelerate the progress achieved.

The government has recently moved to abolish the customs duty on import of cement in order to encourage the import of cheaper cement. The cement industry considers this measure as illogical in a situation where the local cement manufacturers are already paying the exchequer some Rs. 70 per bag in the form of duties and taxes along with assuring high-quality supply of portland cement into the local market. This measure will lead to a floodgate of cheaper, low-quality cement imports, thereby, harming the country's construction sector development, also causing drain on the nation's foreign exchange reserves, and added losses for the cement industry as they gear themselves up for new & very significant plant installations, capital formation and development, etc.

Significant Plans & Decisions

(a) Financial

1. During the year 2004-05, the Second Right Shares Issue of the Company comprising 135,000,000 ordinary shares of Rs. 10/- each at par, was successfully commenced with and processed towards its logical conclusion. The right issue of Rs. 1,350 million was undertaken to meet the equity portion of the cost of the new expansion project.

   During their meeting held on August 20, 2005, the Board of Directors of the Company made allotment of 135 million right shares of Rs. 10/- each at par. The CDC confirmation / uploading of these shares was intimated to the Company on August 22, 2005 vide the CDC letter dated August 23, 2005.

   The issuance of right shares has tremendously improved the equity composition of the Company and will help maintain an ideal 'debt-equity' ratio as well.

2. Subsequent to the balance sheet date, the Company has also arranged and finalized a Syndicated Term Finance Agreement with several leading financial institutions of the country to meet the debt portion of the cost of new expansion project.

   In this connection, the formal agreement was signed by the Company with the Syndicate Members in Karachi on September 09, 2005 for a total syndicated long term finance of Rs. 1,548 million.

(b) Technical

1. The management has finalized a project to install a modern dry process cement plant of 6,700 tonnes per day clinker capacity at the present location of the cement factory, comprised of a mix of Chinese and European machinery, equipment and spare parts. As per the signed contract, down-payment for the above machinery has been remitted to the Chinese supplier. The new plant shall be erected, commissioned and be ready for production in the financial year 2008.

2. Letters of credit for import of gas based electric power generators have been established. These generators will reach Pakistan by December 2005.

Adjustment Of Directors' Loan Against Discount On Issue Of Shares

As reported in the Directors' Report for the 3rd Quarter ended on March 31, 2005, the sponsoring directors of the Company, in continuation of their financial support to the Company, have decided to write-off a portion of their outstanding loans to the Company aggregating to Rs. 84.11 million outstanding as at 31st December 2004, in order to nullify the impact of capitalization of discount on issue of right shares. This adjustment was duly undertaken & reflected in the financial results of the Company.

Compliance with Code of Corporate Governance

The management is fully aware of the compliance with 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 except for accounting policies changes referred to in Note 3.2 in the financial statements and accounting estimates are based on reasonable and prudent judgment;

Compliance with International Accounting Standards (IAS) - International Accounting Standards (IAS), as applicable in Pakistan, have been followed in preparation of the 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 for improvement;

Going Concern - There are no doubts on the Company's ability to continue as a going concern;

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, 2005.

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 Note No. 21 and 22 to the annexed audited accounts.

Statements on value of Staff Retirement Funds - As of 30th June 2005, the value of investments and assets of Gratuity Fund and Provident Fund were Rs. 62.22 million and Rs. 138.47 million respectively (based on audited accounts).

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

	No. of Meetings Attended
Mr. M. Tousif Peracha (include one meeting attended by his alternate director, Mr. A Shoeb Peracha)	3
Mr. A. Rafique Khan	4
Mr. M. Niaz Paracha	5
Mr. Aameen Taqi Butt	2
Mr. Abdul Jabbar Butt (resigned on November 30, 2004)	2
Mr. M. Ishaque Khokhar (appointed in place of Mr. Abdul Jabbar Butt)	3
Mr. Zafar Mahmood - Nominated by SLIC (resigned on January 24, 2005)	2
Mr. A. Shoeb Piracha (appointed in place of Mr. Zafar Mahmood)	2
Mr. M. Saleem Peracha	-

Note: The Directors who could not attend the Board Meeting were duly granted leave of absence from the Board in accordance with the law.

Trading in Company's Shares

During the year, the sponsoring directors of the Company, Mr. M. Tousif Peracha and Mr. A. Rafique Khan, purchased 4,589,575 shares each of the Company from M/s. Crescent Commercial Bank Limited (CCBL) in accordance with the Settlement Agreement between the Company, CCBL and the sponsoring directors. In addition to the above, Mr. M. Saleem Peracha, Director, sold 29,000 shares of the Company in the open market during the year. 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. Viqar A. Khan, Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year 2005-2006. The Audit Committee has recommended their re-appointment.

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 towards the enhancement of the productivity and well being of the Company in future with greater zeal & spirit. The Board extends its gratitude to the financial institutions for their valued support and co-operation for the Company's prosperity.

"Statement under Section 241(2) of the Companies Ordinance, 1984

The Directors' Report to the Members has been signed by two Directors duly nominated by the Board instead of Chief Executive and one Director as the Chief Executive is not in Pakistan for the time being."

For and on behalf of the Board

Aameen Taqi Butt

(AAMEEN TAQI BUTT)
Director

A. Shoeb Peracha

(A. SHOEB PERACHA)
Director

Lahore: September 28, 2005

Summary of Last Ten Year's Financial Results

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	(Rupees in Thousands)									
Trading Results										
Turnover	1,469,504	1,164,889	561,735	936,352	812,227	969,046	755,305	797,528	899,671	1,460,404
Gross Profit/(Loss)	149,619	95,641	(136,565)	1,523	(61,149)	121,134	(57,360)	(43,164)	(190,311)	124,359
Operating Profit/(Loss)	71,299	47,999	(117,239)	(54,311)	(109,613)	70,124	(98,599)	(86,482)	(241,770)	49,749
Profit/(Loss) before Taxation	196,378	112,894	(260,431)	(162,717)	(243,930)	18,768	(152,909)	(75,823)	(226,432)	84,626
Profit/(Loss) after Taxation	188,878	115,323	(199,765)	(156,916)	(224,169)	44,465	(151,207)	(79,666)	(248,722)	19,657
Balance Sheet										
Shareholders Equity	1,114,743	66,875	(257,186)	(487,068)	(330,152)	66,696	22,231	173,438	253,104	501,826
Operating Fixed Assets	1,142,201	1,173,421	1,222,537	1,318,676	1,347,281	1,015,398	1,083,123	867,731	912,182	946,699
Net Current Assets/(Liabilities)	284,931	(231,768)	(488,610)	(343,124)	(281,081)	128,748	(72,746)	(9,964)	148,569	306,577
Long Term Liabilities	388,563	752,174	667,382	694,130	575,912	443,787	172,775	153,263	139,474	50,438
Significant Ratios										
Gross Profit Ratio %	10.18	8.21	(24.31)	0.16	(7.53)	12.50	(7.59)	(5.41)	(21.15)	8.52
Net Profit Ratio %	12.85	9.90	(35.56)	(16.76)	(27.60)	4.59	(20.02)	(9.99)	(27.65)	1.35
Fixed Assets Turnover Ratio	1.29	0.99	0.46	0.71	0.60	0.95	0.70	0.92	0.99	1.54
Debt: Equity Ratio	0.35	11.25	-	-	-	6.65	7.77	0.88	0.55	0.10
Current Ratio	1.67	0.51	0.32	0.47	0.44	1.21	0.77	0.97	1.56	2.38
Interest Cover Ratio	2.57	3.57	(1.65)	(0.35)	(0.57)	1.36	(1.77)	(0.54)	(46.86)	55.07

Pattern of Shareholding

As at June 30, 2005

Sr. No	Number of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held
1	764	1	100	30,158
2	624	101	500	193,753
3	486	501	1,000	417,474
4	840	1,001	5,000	2,288,575
5	218	5,001	10,000	1,790,834
6	51	10,001	15,000	680,923
7	50	15,001	20,000	913,711
8	23	20,001	25,000	538,783
9	11	25,001	30,000	304,106
10	11	30,001	35,000	363,191
11	7	35,001	40,000	268,005
12	8	40,001	45,000	347,000
13	9	45,001	50,000	438,500
14	2	50,001	55,000	104,337
15	4	55,001	60,000	229,513
16	1	60,001	65,000	61,301
17	5	70,001	75,000	360,825
18	2	75,001	80,000	156,161
19	2	80,001	85,000	162,500
20	1	90,001	95,000	93,000
21	1	95,001	100,000	100,000
22	5	100,001	105,000	503,595
23	1	105,001	110,000	109,500
24	1	110,001	115,000	111,000
25	1	115,001	120,000	117,000
26	1	120,001	125,000	123,000
27	1	125,001	130,000	127,500
28	1	135,001	140,000	140,000
29	1	140,001	145,000	143,000
30	1	145,001	150,000	145,500
31	2	150,001	155,000	304,202
32	1	155,001	160,000	158,328
33	1	170,001	175,000	170,500
34	1	195,001	200,000	200,000
35	1	205,001	210,000	206,000
36	1	220,001	225,000	225,000
37	1	225,001	230,000	225,500
38	1	395,001	400,000	400,000
39	1	510,001	515,000	511,500
40	1	600,001	605,000	605,000
41	1	830,001	835,000	834,500
42	1	885,001	890,000	886,500
43	1	1,015,001	1,020,000	1,019,906
44	1	2,780,001	2,785,000	2,782,112
45	1	4,280,001	4,285,000	4,282,112
46	1	6,225,001	6,230,000	6,229,468
47	1	6,470,001	6,475,000	6,473,044
TOTAL:	3,151			36,876,417

	Categories of Shareholders	Number of Shares Held	Percentage of Shareholding
I	Directors, Chief Executive Officer and their spouse and minor children	12,801,730	34.72%
II	Associated Companies, undertakings and related parties	7,064,224	19.16%
III	NIT and ICP	2,664	0.01%
IV	Banks, Development Financial Institutions, Non Banking Financial Institutions	1,350,984	3.66%
V	Insurance Companies	55,885	0.15%
VI	Modarabas and Mutual Funds	37,500	0.10%
VII	Shareholders holding 10%	16,984,624	46.06%
VIII	General Public		
	a. Local	13,184,213	35.75%
	b. Foreign	-	-
IX	Others (to be specified)		
	- Joint Stock Companies	2,335,791	6.33%
	- Tehirik-I-Jadid Anjuman Ahmadiya Pakistan	607	0.00%
	- Sadar Anjuman Ahmadiya Pakistan	24,448	0.07%
	- The Ahmadiya Anjuman Ishaat-e-Islam	934	0.00%
	- Dacca Benevolent Association	17,437	0.05%

Pattern of Shareholding

As at June 30, 2005
Additonal Information as Required by the
Code of Corporate Governance

	Categories of Shareholders	Number of Shareholders	Number of Shares held
I	**Associated Companies, Undertakings & Related Parties**	**2**	**7,064,224**
	i. M/s. Astoria Investments Limited	1	4,282,112
	ii. M/s. Topaz Holdings Limited	1	2,782,112
II	**NIT/ICP**	**1**	**2,664**
	i. Investment Corporation of Pakistan	1	2,664
III	**Directors, Chief Executive Officer, Their Spouse And Minor Children**	**9**	**12,801,730**
	Directors		
	i. Mr. A. Rafique Khan	1	6,473,044
	ii. Mr. M. Saleem Peracha	1	15,032
	iii. Mr. M. Niaz Peracha	1	500
	iv. Mr. M. Ishaque Khokhar	1	500
	v. Mr. Aameen Taqi Butt	1	500
	vi. Mr. A.Shoeb Piracha	1	500
	Chief Executive Officer		
	i. Mr. M. Tousif Peracha	1	6,229,468
	Directors' Spouse		
	i. Mrs. Tabassum Tousif Peracha W/O Mr. M. Tousif Peracha	1	6,025
	ii. Mrs. Salma Khan W/O Mr. A. Rafique Khan	1	76,161
IV	**Executives**	**NIL**	**NIL**
V	**Public Sector Companies and Corporation**	**1**	**61,301**
	i. Pakistan Industrial Development Corporation	1	61,301
VI	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds**	**20**	**1,444,369**
VII	**Shareholders Holding Ten Percent or More Voting Interests**	**3**	**16,984,624**
	i. Mr. A. Rafique Khan	1	6,473,044
	ii. Mr. M. Tousif Peracha	1	6,229,468
	iii. M/s. Astoria Investments Limited	1	4,282,112

Aameen Taqi Butt

(AAMEEN TAQI BUTT)
Director

(A. SHOEB PERACHA)
Director

Auditors' Report to the Members

We have audited the annexed balance sheet of **GHARIBWAL CEMENT LIMITED** as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of out audit.

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

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

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

(b) In our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.2 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **June 30, 2005** and of the profit, its cash flows and changes in equity for the year than ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

(M/S. VIQAR A. KHAN)
CHARTERED ACCOUNTANTS

Lahore : September 28, 2005

Balance Sheet

	Note	2005	2004
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorized share capital			
250,000,000 (2004: 50,000,000) ordinary shares of Rs. 10 each	4	2,500,000	500,000
Issued, subscribed and paid up share capital	5	368,764	368,764
Share subscription money	6	859,528	-
General reserve		332,000	332,000
Accumulated loss		(445,549)	(633,889)
		1,114,743	66,875
SURPLUS ON REVALUATION OF FIXED ASSETS	7	468,946	477,924
NON CURRENT LIABILITIES			
Long term loans, finances and other payables	8	120,761	498,216
Long term foreign currency loans and other payables	9	175,847	165,574
Liabilities against assets subject to finance lease	10	90,570	29,327
DEFERRED LIABILITIES			
Deferred taxation	11	-	-
Deferred income	12	5,366	10,733
Accumulated compensated absences	13	17,167	17,747
Deferred mark-up	14	-	10,186
Frozen lease liabilities - net	15	-	47,326
		22,533	85,992
LONG TERM DEPOSITS FROM CUSTOMERS	16	1,385	1,545
CURRENT LIABILITIES			
Trade and other payables	17	280,269	271,460
Accrued interest / mark-up	18	9,133	11,490
Short term loans and finances	19	27,231	106,743
Current portion of non-current liabilities	20	86,958	62,151
Taxes and duties	21	23,176	21,808
		426,767	473,652
CONTINGENCIES AND COMMITMENTS	22	-	-
		2,421,552	1,799,105

The annexed notes 1 to 57 form an integral part of these financial statements.

Statement under Section 241(2) of the Companies Ordinance, 1984
These Financial Statements have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not in Pakistan for the time being.

Aameen Taqi Butt

(AAMEEN TAQI BUTT)
Director

as at June 30, 2005

	Note	2005	2004
		(Rupees in thousand)	
NON CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	23	1,142,201	1,173,421
Capital work-in-progress	24	238,358	32,233
Stores held for capital expenditure	25	71,416	71,692
Operating fixed asset subject to finance lease - in transit		-	1,548
		1,451,975	1,278,894
LONG TERM INVESTMENTS	26	173,281	173,332
LONG TERM LOANS AND ADVANCES TO STAFF	27	9,108	9,492
LONG TERM DEPOSITS AND PREPAYMENTS	28	1,298	1,311
DEFERRED COST	29	74,192	94,192
CURRENT ASSETS			
Stores, spares and loose tools	30	131,685	139,767
Stock in trade	31	24,197	36,529
Trade debtors	32	-	-
Loan and advances	33	88,046	40,894
Trade deposits and short term prepayments	34	13,382	8,525
Accrued interest	35	3,541	1,927
Other receivables	36	33,686	5,017
Available-for-sale investment	37	100,000	-
Cash and bank balances	38	317,161	9,225
		711,698	241,884
		2,421,552	1,799,105

(A. SHOEB PERACHA)
Director

Profit and Loss Account
for the Year ended June 30, 2005

	Note	2005	2004
		(Rupees in thousand)	
SALES - NET	39	1,469,504	1,164,889
COST OF SALES	40	1,319,885	1,069,248
GROSS PROFIT		149,619	95,641
General and administrative expenses	41	55,810	37,776
Selling and distribution expenses	42	7,186	5,671
Other operating expenses	43	9,110	12,286
		72,106	55,733
		77,513	39,908
OTHER OPERATING INCOME	44	39,173	52,045
		116,686	91,953
FINANCE COST	45	45,387	43,954
OPERATING PROFIT		71,299	47,999
Income from debt extinguishment	46	125,079	64,895
PROFIT BEFORE TAXATION		196,378	112,894
TAXATION			
- Current	21.1	7,500	9,962
- Deferred		-	(12,391)
		7,500	(2,429)
PROFIT AFTER TAXATION		188,878	115,323
EARNINGS PER SHARE (RUPEES)	47	5.12	5.09

The annexed notes 1 to 57 form an integral part of these financial statements.

Statement under Section 241(2) of the Companies Ordinance, 1984
These Financial Statements have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not in Pakistan for the time being.

Aameen Taqi Butt

(AAMEEN TAQI BUTT)
Director

(A. SHOEB PERACHA)
Director

Cash Flow Statement
for the Year ended June 30, 2005

	Note	2005	2004
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	48	492,833	298,506
Financial charges paid		(43,240)	(31,750)
Taxes and duties paid		(384,781)	(334,414)
Provision for compensated absences (net)		1,197	2,432
Gratuity payments		(125)	(952)
Net decrease in long term loans and advances to staff		487	2,407
Net decrease in long term deposits and prepayments		13	85
Net decrease in long term deposits from customers		(160)	(150)
Net cash inflow/(outflow) from operating activities		66,224	(63,836)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(222,416)	(23,703)
Proceeds from sale of fixed assets		2,077	170
Payments against purchase of Certificate of Investments		(100,000)	(95,000)
Proceeds from sale of investments		15	-
Interest received		1,046	26
Net cash outflow from investing activities		(319,278)	(118,507)
CASH FLOW FROM FINANCING ACTIVITIES			
Share subscription money received		859,528	31,563
Repayment of long term loans and finance		(328,552)	(132,000)
Proceeds of long term loans and finances		40,000	208,259
Proceeds from lease finance		90,000	50,000
Proceeds of director's loans		83,793	114,434
Repayment of director's loans		(77,380)	(89,733)
Proceeds of long term foreign currency loans		5,888	-
Repayment of foreign currency loans		-	(7,556)
Repayment of lease finance liabilities		(19,482)	(9,713)
Short term finances - net		(77,270)	12,770
Transactions cost of right issue		(11,293)	-
Shares purchase consideration paid		(2,000)	(9,000)
Net cash inflow from financing activities		563,232	169,024
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		310,178	(13,319)
CASH AND CASH EQUIVALENTS - at the beginning of the year		6,983	20,302
CASH AND CASH EQUIVALENTS - at the end of the year	49	317,161	6,983

The annexed notes 1 to 57 form an integral part of these financial statements.

Statement under Section 241(2) of the Companies Ordinance, 1984
These Financial Statements have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not in Pakistan for the time being.

Aameen Taqi Butt

(AAMEEN TAQI BUTT)
Director

(A. SHOEB PERACHA)
Director

Statement of Changes in Equity
for the Year ended June 30, 2005

Particulars	Share Capital	Shares Subscription Money	General Reserve	Accumulated Loss	Total
	(Rupees in thousand)				
Balance as at June 30, 2003	168,764	-	332,000	(757,950)	(257,186)
Profit for the year ended June 30, 2004	-	-	-	115,323	115,323
Issue of ordinary shares	200,000	-	-	-	200,000
Surplus on revaluation of fixed assets transferred to retained earnings depreciated in current year (net off deferred tax of Rs. 4.7 million)	-	-	-	8,738	8,738
Balance as at June 30, 2004	368,764	-	332,000	(633,889)	66,875
Profit for the year ended June 30, 2005	-	-	-	188,878	188,878
Shares subscription money	-	859,528	-	-	859,528
Surplus on revaluation of fixed assets transferred					
- Incremental depreciation charged during the year (net off deferred tax of Rs. 4.4 million)	-	-	-	8,119	8,119
- Realized on disposal of fixed assets (net off deferred tax of Rs. 0.462 million)	-	-	-	859	859
Effect of change in accounting policy (note 3.2)	-	-	-	1,777	1,777
Transactional costs on right issue (note 50)	-	-	-	(11,293)	(11,293)
Balance as at June 30, 2005	368,764	859,528	332,000	(445,549)	1,114,743

The annexed notes 1 to 57 form an integral part of these financial statements.

Statement under Section 241(2) of the Companies Ordinance, 1984
These Financial Statements have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not in Pakistan for the time being.

(AAMEEN TAQI BUTT)
Director

(A. SHOEB PERACHA)
Director

Notes to the Accounts
for the Year ended June 30, 2005

1. LEGAL STATUS AND OPERATIONS

The company was incorporated in Pakistan on December 29, 1960 as a Public Limited Company; its shares are quoted on Karachi and Lahore Stock Exchanges. It is principally engaged in production and sale of cement.

2. 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 and 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.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These accounts have been prepared under the historical cost convention except that certain fixed assets have been included at revalued amounts and certain exchange elements referred to in note 3.10 have been incorporated in the cost of relevant assets. Further, certain available-for-sale investments have been included at their market value and staff retirement benefits for gratuity and compensated absences have been recognized at present value.

3.2 Change in accounting policies

During the year, the Securities and Exchange Commission of Pakistan (SECP) has substituted the Fourth Schedule to the Companies Ordinance, 1984 which is applicable on the financial statements for the years ending on or after July 5, 2004. This has resulted in change in accounting policies relating to capitalization of exchange differences on foreign currency transactions/translations and deferment and amortization of deferred costs.

Upto the previous year exchange differences arising from translation and repayment of foreign currency loans were capitalized as part of cost of plant and machinery acquired out of the proceeds of such loans and discount on issue of share capital were deferred and amortized over a period of five years. After the change in fourth schedule all exchange differences are to be charged to current income and no expense is to be deferred. However, SECP vide its Circular No. 1 of 2005 dated January 19, 2005 has allowed the listed companies to continue to capitalize the exchange differences relating to foreign currencies loans outstanding on or before July 5, 2004 for further period of three years upto September 30, 2007. The circular further states that those companies which were carrying deferred costs in their financial statements as on July 5, 2004 are allowed to continue to treat such costs according to the requirements of the substituted fourth schedule.

Accordingly the Company has changed the accounting policies relating to the treatment of exchange differences on foreign currency loans and deferred cost to bring them in line with the requirements of the revised Fourth Schedule and International Accounting Standards. Had there been no change the profit for the year would have been increased by 0.1 million and loss on exchange fluctuation would have been lower by Rs. 0.1 million. The subject change in accounting policies has not resulted in any adjustment to the pervious year's figures.

Further the Company has changed its accounting policy relating to the measurement of stores and spares. Previously the stores and spares were measured at moving average cost whereas after the change these are measured at the lower of moving average cost and net realizable value. The change has been made to bring the policy in accordance with the requirements of the International Accounting Standards. As previously the net realizable value of stores and spares remains greater than their carrying value therefore the change in policy has not resulted in any financial impact on financial statements.

In the current year the Company adopted IAS-19 'Employee Benefits' for recognizing liability for accumulated compensated absences. The actuarial valuation has resulted into a transitional asset of Rs. 1.777 million which has been accounted for by adjusting the opening retained earnings. Due to the non-availability of the information, comparative figures could not be re-stated. Had there been no charge, the profit for the year would have been decreased by Rs. 0.253 million and provision for accumulated compensated absences for the year would have been higher by Rs. 0.253 million.

3.3 Employees benefits

a) Defined benefit plan

The Company operates a funded gratuity scheme for all its permanent employees subject to completion of a prescribed qualifying period of service. Contribution to the fund is made annually on the basis of actuarial recommendation to cover obligation under the scheme.

In calculating the company's obligation in respect of its defined benefit plan, to the extent that any cumulative unrecognized actuarial gains or losses at the end of the previous financial year, exceed the greater of ten percent of the present value of the defined benefit obligation and ten percent of the fair value of plan assets at that date, it is recognized in the income statement as an income or expense as the case may be, over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

b) Defined contribution plan

The company also operates a funded contributory provident fund scheme for its employees. Equal monthly contributions are made by the company and the employees to the fund.

c) Compensated absences

Provisions are made to cover the obligation for accumulated compensated absences on the basis of actuarial valuation and are charged to income. Actuarial gains and losses are recognized immediately. (Refer note 3.2).

3.4 Taxation

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.5 Property, plant & equipment and depreciation

Owned

Operating fixed assets, except freehold land, are stated at cost or revalued amounts less accumulated depreciation. Freehold land is stated at revalued amount. Capital work-in-progress is stated at cost.

Borrowing cost during erection period is capitalized as part of the related assets.

Depreciation charge is based on reducing balance method on all operating fixed assets except for plant and machinery on which it is based on straight line method whereby the cost/revalued amount and capitalized exchange fluctuation of an asset are written-off over its estimated useful life. The useful life of major components of fixed assets is reviewed annually to determine that expectations are not significantly different from the previous estimates. Adjustment in depreciation rate for current and future periods is made if expectations are significantly different from the previous estimates.

Rates of depreciation are stated in note 23. No depreciation is provided on assets in the year of disposal whereas full year's depreciation is charged in the year of purchase/commercial operations/ revaluation.

Gain/loss on disposal of fixed assets is taken to profit and loss account.

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized and assets replaced, if any, other than those kept as stand-by, are retired.

Leased

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations 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.

Depreciation is charged at the rates stated in note 23 applying reducing balance method except for plant and machinery on which depreciation is charged on straight line method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of the lease period.

Financial charges and depreciation on leased assets are charged to income currently.

3.6 Impairment of assets

The management assesses at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year.

3.7 Stock-in-trade

Basis of valuation are as follows:

Particulars	**Mode of valuation**
Raw materials	- At lower of annual average cost and net realized value.
Work-in-process	- At cost.
Finished goods	- At lower of cost and net realizable value.
Packing materials	- At lower of moving average cost and net realized value.

Cost in relation to work-in-process and finished goods represents the annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads.

Net realizable value signifies the selling price in the ordinary course of business less cost necessary to be incurred to effect such sale.

3.8 Stores and spares

These are valued at lower of moving average cost and net realizable value except item-in-transit which are valued at cost accumulated to the balance sheet date. Obsolete stores are written off. (Refer note 3.2)

3.9 Investments

Investments in associated company - investments in associated company are carried at cost.

Investments available for sale – investments classified as available for sale, are initially measured at cost being the fair value of the consideration given and at subsequent reporting dates are measured at their fair value (quoted market price), unless fair value cannot be reliably measured. The investments, for which a quoted market price is not available, are measured at cost. Gains or losses from changes in fair values are included in the net profit or loss for the period in which they arise.

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 dates measured at amortized cost using the effective interest rate method.

3.10 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevalent on the balance sheet date except those covered under forward exchange contracts which are translated at the contracted rates.

All exchange differences arising from foreign currency transactions/translations are charged to profit and loss account except exchange differences arising from translation and repayment of foreign currency loans contracted before July 5, 2004, are capitalized as part of cost of plant and machinery acquired out of the proceeds of such loans subject to the condition that such differences would be capitalized only upto September 30, 2007 and thereafter all exchange differences would be charged to income. (Refer note 3.2).

3.11 Cash and cash equivalents

Cash and cash equivalent consist of cash-in-hand and balances with banks.

Cash and cash equivalent included in cash flow statement comprise of cash-in-hand, balances with banks and temporary bank overdrafts.

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to income in the period of incurrence.

3.13 Provisions

Provisions are recognized in the balance sheet when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

3.14 Financial instruments

Financial assets are available-for-sale investment, certificate of investments, long term deposits, long term loans and advances to staff, trade debtors, loans and advances and other receivables and cash and bank balances. These are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are frozen lease liabilities, liabilities against assets subject to finance lease, long term loans and finances, long term foreign currency loans and other payables, short term loans and finances and trade payables. Mark-up bearing finances are recorded at the gross proceeds received; other liabilities are stated at their nominal value. Financial charges are accounted for on accrual basis.

Equity instruments are recorded at their face value. All incremental external costs directly attributable to the equity transaction are charged directly to equity net of any related income tax benefit.

3.15 Related party transaction

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.

3.16 Revenue recognition

- Sales are recorded on dispatch of goods to customers.
- Interest income is accounted for on 'accrual basis'.
- Dividend income is recognized when the company's right to receive payment is established.

3.17 Off setting of financial assets and liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

3.18 Deferred cost

All deferred costs including discount on issue of shares incurred and deferred before July 05, 2004 are amortized over a period of five years in accordance with the provisions of substituted fourth schedule. However, w.e.f. July 5, 2004 no deferred cost is included in the financial statements. (Refer note 3.2).

4 AUTHORIZED SHARE CAPITAL

The company has increased its authorized share capital from Rs. 500 million divided into 50 million ordinary shares of Rs. 10 each to Rs. 2,500 million divided into 250 million ordinary shares of Rs. 10 each by the creation of 200 million ordinary shares of Rs. 10 each.

5. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

	2005	2004
	(Rupees in thousand)	
23,445,000 (2004: 23,445,000) ordinary shares of Rs. 10 each fully paid in cash	234,450	234,450
13,431,417 (2004: 13,431,417) ordinary shares of Rs. 10 each issued as fully paid bonus shares	134,314	134,314
	368,764	368,764

5.1 Astoria Investments Limited and Topaz Holdings Limited (foreign Associated Undertakings incorporated in Island of Nevis) held 4,282,112 and 2,782,112 shares respectively, of the Company as at June 30, 2005 (2004: 4,282,112 shares each).

6. SHARES SUBSCRIPTION MONEY

This represents the subscription money received by the Company, upto the balance sheet date, against the 135 million ordinary shares of Rs. 10 each offered to the existing shareholders of the Company on April 11, 2005 as Right Shares in the ratio of 366:100 at an offer price of Rs. 10 per share. Subsequent to the balance sheet date the process of issuance of these shares has been completed and accordingly the Company has made allotment of 135 million ordinary shares of Rs. 10 each to the subscribers of these shares.

	Note	2005	2004
		(Rupees in thousand)	

7. SURPLUS ON REVALUATION OF FIXED ASSETS

		2005	2004
Opening balance		477,924	486,662
Surplus transferred to retained earnings (accumulated loss):			
- Incremental depreciation charged during the year [(net off deferred tax of Rs. 4.4 million) (2004: 4.7 million)]		(8,119)	(8,738)
- Realized on disposal of fixed assets (net of deferred tax of Rs. 0.462 million)		(859)	-
		(8,978)	(8,738)
		468,946	477,924

7.1 Revaluation of freehold land, buildings, plant & machinery and railway sidings carried out during March 1993 produced surplus of Rs. 993.804 million, which was credited to 'surplus on revaluation of fixed assets' to comply with the requirements of Section 235 of the Companies Ordinance, 1984.

8. LONG TERM LOANS, FINANCES AND OTHER PAYABLES

	Note	2005	2004
Banks and financial institutions - secured			
Saudi Pak Commercial Bank	8.1	55,250	65,000
Saudi Pak Industrial and Agricultural Investment Co.	8.2	30,000	30,000
Citibank N.A.	8.3	-	257,178
Orix Investment Bank Pakistan Ltd	8.4	30,000	-
First Credit and Discount Corporation Ltd.	8.4	10,000	-
		125,250	352,178
Other loans - unsecured			
Mountfield Shipping Corporation	8.5	-	45,784
Directors' loan	8.6	24,432	102,129
Others	8.7	-	5,840
		24,432	153,753
Restructured lease liabilities - secured			
NDLC - IFIC Bank Limited (NIB)	8.8	10,000	20,000
		159,682	525,931
Less: Current portion grouped under current liabilities	20	38,921	27,715
		120,761	498,216

8.1 This represents the balance of demand finance limit of Rs. 65 million and is repayable over a period of six years (including one year's grace period) in twenty quarterly installments commencing from December 2004.

8.2 This represents demand finance limit of Rs. 30 million and is repayable over a period of five years (including one year's grace period) in sixteen quarterly installments to be commenced from September 2005.

The finances at 8.1 and 8.2 above carries mark-up @ KIBOR (six months average ask rate) + 5% p.a. with a floor of 10% p.a. and with no cap. These finances are secured by way of first pari passu mortgage charge on company's fixed and current assets to the extent of Rs. 1.96 billion and personal guarantees of the directors.

8.3 This finance has been repaid during the year.

8.4 During the year the Company has purchased two gas-based electric power generators from RTO Power Llc, USA (RTO) for a total consideration of Rs. 116 million out of which Rs. 6 million has been paid by Orion Shipping and Trading Limited, an associated foreign entity whereas for the balance amount of Rs. 110 million, the Company opened a LC in favour of RTO. These generators require up-gradation/configuration for which the Company has entered into an agreement with Wartsila Finland OY (Wartsila). The amount agreed with Wartsila for these services is Rs. 210 million. According to the terms of agreement these generators have been delivered by RTO to Wartsila and presently these generators are lying with Wartsila, Finland for the requisite up-gradation/configuration.

To finance the aggregate import value of Rs. 320 million the Company has entered into a finance agreement with a consortium of financial institutions lead by Orix Investment Bank Pakistan Ltd. (Orix). According to the terms of agreement out of the total import value, Rs. 280 million would be financed by the consortium whereas the balance amount of Rs. 40 million would be contributed by the Company itself. As at balance sheet date the consortium has advanced Rs. 140 million towards the total financing amount. Out of this amount Rs. 40 million has been provided as a term loan whereas the balance Rs. 100 million is provided as lease finance.

The current year's balances represents the above referred term loan of Rs. 40 million. This finance carries mark up @ KIBOR (six month average ask rate) + 6% with no floor and no cap and is repayable in twenty equal installment over a period of five years. The finance is secured by way of first pari passu mortgage charge on company's assets to the extent of Rs. 426.67 million.

8.5 This loan has been repaid during the year.

8.6 This represents interest free loan obtained from sponsoring directors of the company. The payment of these loans is subordinated to the payment of finances obtained from other financial institutions. Moreover, the directors have undertaken that they would not demand the repayment of these loans before January 2007.

In continuation to their financial support to the Company, the sponsoring directors of the Company has written off an aggregate sum of Rs. 84.11 million out of their loans outstanding as at March 31, 2005 to off set the effect of amortization of discount on issue of share capital on the equity of the Company. Accordingly the said amount has been reflected as income in these financial statements. (Note 46).

8.7 The Company has paid its entire liability of Rs. 17.84 million towards 'Gharibwal Cement Limited Employees Provident Fund Trust' in accordance with the directions of Securities and Exchange Commission of Pakistan given vide its order dated May 14, 2003.

8.8 During last year, the Company entered into a settlement agreement with NIB whereby NIB agreed to receive Rs. 140 million as full and final discharge against its outstanding finance lease liabilities of Rs. 215.128 million due to NIB by the company as at the settlement date. According to the terms of agreement, out of the total agreed liability of Rs. 140 million, the company made a down payment of Rs. 105 million at the time of settlement agreement whereas the balance amount of Rs. 35 million is repayable uptill May 2006 in three annual installments commencing from May 2004 out of which the Company has paid Rs. 25 million upto the balance sheet date. NIB would not charge interest on the settled liabilities.

The aforesaid settlement agreement resulted into a waiver of Rs. 75.128 million. However, according to the terms of agreement NIB would waive these outstanding liabilities when the company would make the payments in accordance with the settlement agreement. Accordingly the management has decided to defer this income and to recognize the same only in proportion to the payments made to NIB according to settlement agreement. During the year, the company made payment of Rs. 10 million in accordance with the terms of settlement agreement and accordingly recognized an income of Rs. 5.367 million.

The outstanding liability is secured against the mortgage of certain personal properties of certain directors of the company.

		2005	2004
		(Rupees in thousand)	

9. LONG TERM FOREIGN CURRENCY LOANS AND OTHER PAYABLES - UNSECURED

		2005	2004
Associated undertakings			
Infiniti Continental Inc.	9.1	90,229	87,978
Orion Shipping & Trading Limited	9.2	85,618	77,596
		175,847	165,574

9.1 The company, during the year ended June 30, 2002 through one of its directors, entered into three agreements with Infiniti Continental Inc. (a foreign company). These loans were obtained by the Company for the purpose of repaying its Pak Rupees loans obtained from financial institutions in Pakistan. As per terms of these agreements, Infiniti advanced to the Company three loans aggregating GBP 833,600. The company had got these agreements registered with the authorized dealers in Pakistan under the State Bank of Pakistan Foreign Exchange Circular No. 69 dated October 24, 1994.

Interest is payable on the outstanding principal amount at the rate of six months LIBOR + 1% relevant to the period. According to terms of agreement interest is payable on biannually basis whereas repayment of principal amount was to be commenced from August 2004 and October 2004. The payment of these foreign currency loans is subordinated to the payment of finances obtained from other financial institutions. Moreover, the foreign company on the request of the company has agreed to defer the repayment of principal amount till January 2007, however, it has been agreed that the interest accrued on these loans upto June 30, 2005 would be repaid during the following year.

The year-end foreign currency balances of these loans have been translated into Pak Rupees at the exchange rate prevalent at the balance sheet date i.e. 1 GBP = Rs. 108.24 (2004: Rs.105.54).

9.2 The company, during the year ended June 30, 2002, entered into two supply contracts with Orion Shipping & Trading Limited (a foreign company). As per terms of the first contract, Orion has agreed to deliver three Coal Firing Systems (new and used) for a total contract price of US$ 850,000. Orion, till June 30, 2004, has supplied two of these Coal Firing Systems having invoice value of US$ 561,328. One of these Coal Firing Systems was transferred to Dandot Cement Company Limited (the associated company).

As per terms of the second contract, Orion has agreed to deliver complete Filter Press Plant & Machinery (new and used) for a total contract price of US$ 900,000, which has been completely supplied during the last year. These credits are interest free. Repayment of these liabilities will commence eighteen months from the last shipment date; however, last shipments are still awaited. Moreover, the payment of these foreign currency loans is subordinated to the payment of finances obtained from other financial institutions.

During the year M/s Orion Shipping & Trading company has paid US$ 100,000, to M/s RTO Power LIc being the advance payment for supply of Gas based electric power generators on behalf of the company. This credit is interest free and payable during the financial year 2006-2007 (Refer Note 8.4).

The payment of above foreign currency advances is subordinated to the payment of finances obtained from other financial institutions.

The year-end foreign currency balances of these credits aggregating US$ 1,429,828 (2004: US$: 1,329,828) have been translated into Pak Rupees at the exchange rate prevalent on the balance sheet date i.e. 1 US$ = Rs.59.88 (2004: Rs. 58.35).

10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2005	2004
		(Rupees in thousand)	
Minimum lease payments due:			
not later than one year		46,782	23,033
later than one year and not later than five years		176,970	90,476
later than five years		9,953	-
		233,705	113,509
Financial charges:			
accrued but not paid		723	-
allocated to future lease payments		40,445	6,983
		41,168	6,983
		192,537	106,526
Less: Security deposits adjustable on expiry of lease terms		69,136	58,806
Present value of future minimum lease payments due:			
not later than one year		44,214	21,461
later than one year and not later than five years		76,953	26,259
later than five years		2,234	-
		123,401	47,720
Less: Current portion grouped under current liabilities:			
Overdue installments		28	-
Installments due within following twelve months		32,803	18,393
	20	32,831	18,393
		90,570	29,327

During the year the Company obtained lease finance facility of Rs. 100 million from a consortium of financial institutions lead by Orix Investment Bank Pakistan Limited to finance the import value of gas-based electric power generators. (Refer note 8.4). The said lease finance is secured by way of first pari passu mortgage charge on company's assets to the extent of Rs. 426.67 million and further secured against security deposits of Rs. 10 million. The present value of minimum lease payments for this particular lease have been discounted at interest rate calculated at balance sheet date @ KIBOR (six month average ask rate) + 6% per annum being the effective interest rate of lease. Rentals are payable in quarterly installments in arrears.

For the remaining leases the implicit rate used as discounting factor ranges from 8% to 14% per annum and these leases are secured against security deposits of Rs. 59.14 million and personal guarantees of some of the directors of the Company. Certain leases are also secured by way of first pari passu registered charge on the fixed assets of the Company to the extent of Rs. 1.77 billion and hypothecation of leased asset for a value of Rs. 1.286 million.

The company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms.

11. DEFERRED TAXATION

Net deferred asset arrived at as under has not been recognized in these financial statements:

	Note	2005 (Rupees in thousand)	2004 (Rupees in thousand)
Deferred tax arose due to:			
Deductible temporary differences		159,285	364,904
Carry forward unused tax losses		607,585	332,925
Taxable temporary difference		(535,824)	(623,278)
		231,046	74,551

12. DEFERRED INCOME

	Note	2005	2004
Opening balance		10,733	75,128
Less: Recognized during the year	46	5,367	64,395
		5,366	10,733

Refer to contents of Note 8.8

13. ACCUMULATED COMPENSATED ABSENCES

	2005	2004
Net Liability at the beginning of the year	17,747	15,315
Expense recognized in income statement	2,204	3,906
Benefits paid during the year	(!,007)	(1,474)
Transitional asset credited to retained earnings	(1,777)	-
	17,167	17,747

Reconciliation of the liability recognized in the balance sheet

	2005
Present value of defined benefit obligations as at June 30, 2004	15,970
Interest cost	1,437
Current service cost	670
Actuarial losses	97
Benefits paid	(1,007)
Present value of defined benefit obligations as at June 30, 2005	17,167

Principal actuarial assumptions

The latest actuarial valuation was carried out as at June 30, 2005 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

Discount rate	9% p.a.
Expected rate of future salary increase	8% p.a.
Average number of leaves accumulated per annum	7 days

Expense recognize in the income statement

Current service cost	670
Interest cost	1,437
Actuarial losses	97
	2,204

	Note	2005	2004
		(Rupees in thousand)	
14 DEFERRED MARK UP			
Opening balance		10,186	-
Add: Mark-up accrued/deferred during the year		5,615	10,186
		15,801	10,186
Less: Paid during the year		595	-
		15,206	10,186
Less: Transferred to current liabilities		15,206	-
		-	10,186

Refer to contents of Note 9.1.

	Note	2005	2004
15. FROZEN LEASE LIABILITIES - net			
Askari Leasing Limited	15.1	-	-
Crescent Commercial Bank Limited (formerly Trust Investment Bank Limited)	15.2	-	47,326
		-	47,326
15.1 Askari Leasing Limited			
Balance of frozen lease liabilities at year-end		134,122	134,122
Less: Principal balance of COI		72,500	72,500
Interest accrued on COI till year-end		61,622	47,579
		134,122	120,079
		-	14,043
Less: Current portion shown under current liabilities	20	-	14,043
		-	-

In accordance with the Settlement Agreement dated June 29, 2001 executed between Askari Leasing Limited (Askari) and the Company, Askari has adjusted the maturity value of Certificates of Investments aggregating to Rs. 134.122 million against the frozen lease liability of the Company of the equivalent amount. Accordingly the entire outstanding frozen lease liability stands fully adjusted.

	Note	2005	2004
		(Rupees in thousand)	

15.2 Crescent Commercial Bank Limited
(formerly: Trust Investment Bank Limited)

	Note	2005	2004
Balance of frozen lease liabilities at year-end		163,062	163,062
Less: Principal balance of COI		105,000	105,000
Interest accrued on COI till year-end		22,460	10,736
		127,460	115,736
		35,602	47,326
Waiver on settlement of entire liability	46	(35,602)	-
		-	47,326

During the year on March 21, 2005, the Company has entered into a fresh Settlement Agreement with Crescent Commercial Bank Limited (Crescent) for the settlement of its entire outstanding aggregate liabilities as at the date of settlement agreement. According to this agreement the sponsoring directors of the Company has bought back the shares of the Company from Crescent as covenanted in earlier Settlement Agreement of June 09, 2003 and the Crescent has adjusted the encashable value of Certificate of Investments, already invested by the Company in the Crescent, as at the effective settlement date, whereas the balance liability of Rs. 35.602 million has been waived. The waiver has been duly reflected as income of the Company at Note 46. Accordingly now the Company has discharged all its liabilities towards Crescent.

16. LONG TERM DEPOSITS FROM CUSTOMERS

These represent interest free securities received from dealers which are refundable on termination of dealerships.

17. TRADE AND OTHER PAYABLES

	Note	2005	2004
Creditors		105,269	108,520
Accrued liabilities		98,023	77,541
Advances from customers		34,325	55,975
Due to:			
Employees		278	133
Directors		65	-
Due to Workers' Profit Participation Fund	17.1	10,127	6,055
Due to gratuity fund trust	17.2	8,717	4,514
Due to provident fund trust	17.3	1,376	646
Sales tax payable		15,741	11,774
Income tax deducted at source payable		465	365
Interest free deposits:			
Repayable on demand		1,763	1,751
Others		3,469	2,759
		5,232	4,510
Others		651	1,427
		280,269	271,460

17.1 Workers' (profit) participation fund

	Note	2005	2004
Opening balance		6,055	3,451
Add: Allocation for the year	43	3,769	2,555
		9,824	6,006
Add: Interest on funds utilized by the company		303	49
		10,127	6,055

	Note	2005	2004
		(Rupees in thousand)	

17.2 Due to gratuity fund trust

The amounts recognized in the balance sheet on account of defined benefit plan i.e. gratuity are as follows:

	2005	2004
Movement in the liability recognized in the balance sheet		
Net liability at the beginning of the year	4,514	2,653
Expense recognized in income statement	4,328	2,813
Contribution to the fund by the company	(125)	(952)
	8,717	4,514
Reconciliation of the liability recognized in the balance sheet		
Present value of defined benefit obligations	70,528	64,439
Fair value of plan assets	(62,221)	(60,017)
Unrecognized actuarial losses	(1,084)	(647)
Benefits payable to outgoing employees	1,494	739
	8,717	4,514

Principal actuarial assumptions

The latest actuarial valuation was carried out as at June 30, 2005 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

	2005	2004
Discount rate	9% p.a.	8% p.a.
Expected rate of future salary increase	8% p.a.	7% p.a.
Expected rate of return	8% p.a.	8% p.a.
Average expected remaining working life time of employees	11 years	11 years
Actual return on plan assets		
Fair value of plan assets as at June 30	62,221	60,017
Fair value of plan assets at beginning of the year	(60,017)	(60,172)
Contribution to the fund by the company	(!25)	(952)
Benefits paid	1,649	1,736
	3,728	629
Expense recognized in the income statement		
Current service cost	3,975	3,333
Interest cost	5,155	4,294
Expected return on plan assets	(4,801)	(4,814)
	4,329	2,813

Salaries, wages and benefits appearing under heads of cost of sales, general and administrative & selling and distribution expenses include the following amounts on account of gratuity:

	2005	2004
Cost of sales	3,757	2,525
General and Administrative expenses	489	239
Selling and distribution	83	49
	4,329	2,813

17.3 The company during the year made contributions to provident fund trust aggregating Rs. 4.043 million (2004: Rs. 3.926 million).

	Note	2005	2004
		(Rupees in thousand)	
18. ACCRUED INTEREST / MARK UP			
Interest / mark-up accrued on:			
Long term loans and finances		3,364	7,461
Lease finances		729	-
Short term borrowings		5,040	4,029
		9,133	11,490
19. SHORT TERM LOANS AND FINANCES			
Secured:			
Short term running finances	19.1	9,731	40,399
FIM/PAD/PDA	19.2	-	48,480
		9,731	88,879
Unsecured:			
Temporary bank overdrafts		-	2,242
Others	19.5	17,500	15,622
		17,500	17,864
		27,231	106,743

19.1 This represents balance of a running finance facility of Rs. 43 million carrying mark-up @ KIBOR (six month average ask rate) + 5% p.a. payable on quarterly basis. The facility is secured by way of first pari passu mortgage charge on company's fixed and current assets to the extent of Rs. 1.96 billion.

19.2 Total credit limit of Rs. 30 million is available under FIM facility. The facility carries mark-up at the rate of 9% per annum and is secured against pledge of imported coal with 25% margin thereon and personal guarantees of directors.

19.3 Of the aggregate facility of Rs. 80 million (2004: 80 million) for opening letters of credit and Rs. 101.959 million (2004: Rs. 77.247 million) for guarantees, the amount utilized at June 30, 2005 was Rs. NIL (2004: NIL) and Rs. 101.959 million (2004: Rs. 77.247 million) respectively. These facilities are secured against ten percent cash margin and personal guarantees of directors. Guarantees are further secured against securities mentioned in Note 19.1 above.

19.4 The above facilities excluding Letter of Guarantees limit have been expired on March 31, 2005 and the renewal of these facilities is currently in process.

19.5 This represents the utilized amount of the total short term finance facility of Rs. 17.5 million availed from the Gharibwal Cement Employees Provident Fund Trust. The finance carries mark up at the rate of 10% per annum.

20. CURRENT PORTION OF NON CURRENT LIABILITIES

	Note	2005	2004
Long term loans, finances and other payables	8	38,921	27,715
Liabilities against assets subject to finance lease	10	32,831	18,393
Deferred mark-up	14	15,206	-
Frozen lease liabilities	15.1	-	14,043
Shares purchase consideration payable	20.1	-	2,000
		86,958	62,151

20.1 This amount has been repaid during the year.

	Note	2005	2004
		(Rupees in thousand)	

21. TAXES AND DUTIES

	Note	2005	2004
Provision for taxation	21.1	13,955	13,434
Excise duty	22.1	1,760	1,760
Local taxes		5,773	5,773
Excise duty on minerals		860	50
Royalty		828	791
		23,176	21,808

21.1 Provision for taxation - net

	Note	2005	2004
Opening balance		13,434	10,227
Provision made during the year			
- Current year	(b)	7,500	6,000
- Prior years'		-	3,962
		7,500	9,962
		20,934	20,189
Less: Payments/adjustments made during the year		-	1,996
		20,934	18,193
Less: Payment of advance tax/tax deducted at source		6,979	4,759
		13,955	13,434

(a) Income tax assessments of the company have been completed upto the income year ended June 30, 2004 (tax year 2004).

(b) In view of available tax losses, provision for current year taxation represents minimum tax payable under Section 113 of the Income Tax Ordinance, 2001 at the rate of one-half of one percent of the turnover of the company.

(c) Tax charge reconciliation

	2005	2004
Profit before taxation	196,378	112,894
Tax at the applicable income tax rate of 35% (2004: 35%)	68,732	39,513
Tax effects of amounts that are:		
Deductible for tax purposes	(129,776)	(72,589)
Not deductible for tax purposes	22,716	21,542
Tax effect of unused tax losses	(174,327)	(162,793)
	(212,655)	(!74,327)
Minimum tax liability provided in accounts as per Income Tax Ordinance, 2001	7,500	6,000

22. CONTINGENCIES AND COMMITMENTS

22.1 Excise duty arrears demand of Rs. 16.276 million in respect of capacity production period 1966-67 to 1973-74 made by the Central Excise and Land Customs Department had not been accepted by the Company. The Company had calculated its liability at Rs. 1.760 million on the basis of actual production which has been accounted for in prior years. On appeals filed by the company, the Central Board of Revenue remanded the case to the Collector of Central Excise and Land Customs, Rawalpindi which is pending adjudication.

22.2 The company filed a writ petition in the Lahore High Court (the Court) against imposition of export tax on raw materials by District Council, Chakwal (the Council) and refund of amounts already paid on this account. The Court vide its judgment dated February 18, 1997 directed the Council to refrain from collecting export tax on raw materials brought by the company from this quarries to its factory.

The Court further directed the Council to refund to the Company the sum of Rs. 45.948 million recovered from it during the period from 1985-86 to 1996-97.

The Lahore High Court Rawalpindi Bench vide its order dated March 17, 1997 on a revision application by the Council, suspended the operation of the judgment dated February 18, 1997. The matter is still pending for adjudication with the Lahore High Court - Rawalpindi Bench.

22.3 District Council - Chakwal served notices dated July 25, 1998 and August 05, 1998, whereby the company has been directed to deposit an amount of Rs. 5.4 million being 'exit tax' pertaining to the year 1996-97 and also for the deposit of such tax on the prescribed rate in future. The Supreme Court of Pakistan has issued a stay order in respect of the payment of Rs. 5.4 million as demanded by the District Council.

22.4 The company, through a writ petition, challenged the refusal of IESCO in accepting the decision by the Electric Inspector and Advisory Board in favour of the company wherein it was held that with effect from May 1999, the company be treated as permanently disconnected from IESCO and no bill be issued to the company by IESCO after May 1999. The Lahore High Court, vide its order dated October 24, 2000, allowed the company's petition and declared the action of IESCO, that is, issuing bills after May 1999 to be without lawful authority and of no legal effect.

IESCO, however, has filed civil petition for leave to appeal along with application for suspension of operation of the aforementioned order of the Lahore High Court, but Supreme Court of Pakistan so far has not passed any stay order. The company has filed a petition with the Lahore High Court for initiating contempt proceedings against IESCO. The Lahore High Court has directed IESCO to submit its report and para-wise comments to the company's petition.

22.5 The company has also filed an appeal before the Secretary Industries and Mineral Development against imposition of 5% penalty on outstanding royalty in respect of mining a limestone lease.

22.6 Counter guarantees given by the company to financial institutions outstanding as at June 30, 2005 aggregated Rs. 20.634 million (2004: Rs. 263.372 million).

22.7 Guarantees given by a bank on behalf of the company to Sui Northern Gas Pipelines Limited outstanding as at June 30, 2005 aggregated Rs. 101.959 million (2004: Rs. 77.247 million). The company has given counter guarantees to the aforesaid bank of Rs. 75 million (2004: Rs. 75 million).

22.8 Corporate guarantees given to a commercial bank on behalf of Dandot Cement Company Limited (the associated company) outstanding as at June 30, 2005 aggregated Rs. 391.471 million (2004: Rs. 391.471 million).

	Note	2005	2004
		(Rupees in thousand)	
22.9 Commitments in respect of capital expenditure were outstanding on account of:			
a) Gas-based electric power generators		178,670	174,000
b) Expansion project - new dry process cement line		2,069,000	-
		2,247,670	174,000

22.10 Subsequent to the year end, the Company has entered into a syndicated term finance agreement with a consortium of financial institutions lead by Saudi Pak Leasing Company Limited whereby it has been agreed that the consortium will provide a long term finance of Rs. 1.548 billion to the Company to finance the debt part of the new dry process cement line.

23. OPERATING FIXED ASSETS - TANGIBLE

Particulars	COST / REVALUATION				Rate %	DEPRECIATION				Written down Value as at 30-06-2005
	As at 01-07-2004	Additions during the year	Disposals during the year	As at 30-06-2005		Accumulated as at 01-07-2004	Charge for the year	Adjustment on disposals/ transfer	Accumulated as at 30-06-2005	
										(Rupees in thousand)
Owned assets										
Land - freehold										
Cost	63	-	-	63	-	-	-	-	-	63
Revaluation	356,674	-	-	356,674	-	-	-	-	-	356,674
	356,737	-	-	356,737	-	-	-	-	-	356,737
Building & foundations on free hold land										
Cost	165,686	1,514	-	167,200	5-10	98,130	6,629	-	104,759	62,441
Revaluation	204,133	-	-	204,133	5-10	137,205	5,721	-	142,926	61,207
	369,819	1,514	-	371,333		235,335	12,350	-	247,685	123,648
On leasehold land										
Cost	3,424	-	-	3,424	5-10	3,156	26	-	3,182	242
Revaluation	10,546	-	-	10,546	5-10	7,550	298	-	7,848	2,698
	13,970	-	-	13,970		10,706	324	-	11,030	2,940
Heavy Vehicles										
Cost	108,951	-	9,360	99,591	20	101,598	1,455	(9,283)	93,770	5,821
Revaluation	44,553	-	10,085	34,468	20	41,491	474	(9,392)	32,573	1,895
	153,504	-	19,445	134,059		143,089	1,929	(18,675)	126,343	7,716
Plant and marchinery										
Cost	489,226	417,731	1,770	905,187	5	287,154	23,258	(1,654)	485,811	419,376
								177,053		
Revaluation	370,482	-	2,107	368,375	5	260,034	5,780	(1,479)	264,335	104,040
	859,708	417,731	3,877	1,273,562		547,188	29,038	173,920	750,146	523,416
Railway sidings										
Cost	889	-	-	889	7	854	2	-	856	33
Revaluation	7,416	-	-	7,416	7	4,311	218	-	4,529	2,887
	8,305	-	-	8,305		5,165	220	-	5,385	2,920
Road	4,847	-	-	4,847	5	2,378	123	-	2,501	2,346
Loose tools	1,403	-	-	1,403	10	1,261	14	-	1,275	128
Furniture, fixtures and other office equipment	35,769	1,544	-	37,313	10	22,668	1,464	-	24,132	13,181
Transport assets	35,603	2,679	8,434	29,848	20	31,361	990	(7,750)	25,890	3,958
								1,289		
	1,839,665	423,468	31,756	2,231,377		999,151	46,452	148,784	1,194,387	1,036,990
Assets held under finance lease:										
Plant and machinery	511,274	-	403,274	108,000	5	182,453	5,400	(177,053)	10,800	97,200
Heavy vehicles	-	4,495	-	4,495	20	-	899	-	899	3,596
Vehicles	6,059	2,785	2,641	6,203	20	1,973	1,104	(1,289)	1,788	4,415
	517,333	7,280	405,915	118,698		184,426	7,403	(178,342)	13,487	105,211
Total 2005	**2,356,998**	**430,748**	**437,671**	**2,350,075**		**1,183,577**	**53,855**	**(29,558)**	**1,207,874**	**1,142,201**
Total 2004	2,427,513	319,761	390,276	2,356,998		1,204,976	54,119	(75,518)	1,183,577	1,173,421

23.1 The following assets have been disposed off during the year.

Description	Cost	Book Value	Sale Proceeds	Mode of Disposal	Sold To
	(Rupees in thousand)				
Plant and Machinery - Owned					
Locomotive Engine	1,822	372	1,071	Tender	Ashique Bhatti, Lahore
Transport Assets - Owned					
Pajero BC-0254	820	56	100	Negotiation	Muhammad Rahman - Karachi
Land Cruiser BC-2490	2,040	140	160	Negotiation	Sh. Khurshid Ahmad - Lahore
Land Cruiser BC-2654	2,042	140	160	Negotiation	Amjad Aziz - Lahore
Gallant 4460	1,371	118	130	Negotiation	Muhammad Ashraf - Lahore Cantt
Honda Civic LOX-509	694	74	100	Negotiation	Hakeem Khan - North Karachi
Honda AccordD-7616	450	75	100	Negotiation	Prince Mehrab Khan - Employee
Bus Bedford JMA6540	339	6	106	Tender	Ehsan Autos - Mandi Baha-ud-Din
Honda Civic LOW-675	678	73	250	Negotiation	Jamshed Iqbal - Samanabad - Lahore

23.2 The company, during 1992-93, revalued freehold land, buildings on freehold and leasehold land, plant & machinery and railway sidings located at its Plant Site at District Chakwal. The revaluation exercise was carried-out on the basis of depreciated replacement cost except freehold land which was revalued on the basis of reassessed replacement value. The revaluation produced an appraisal surplus of Rs. 993.804 million which was credited to 'Surplus on revaluation of fixed assets account' (note 7). Subsequent to the year end, the management has decided to carry out a fresh revaluation of these assets.

	Note	2005	2004
		(Rupees in thousand)	
23.3 Depreciation has been allocated as under:			
Cost of sales	40	50,966	51,350
General and administration expenses	41	1,926	1,846
Selling and distribution expenses	42	963	923
		53,855	54,119

23.4 The following assets have been transferred to owned assets on expiry of the lease term during the period mentioned there against. However, transfer of ownership of the assets in the company's name could not be effected till June 30, 2005:

	Year of expiry of lease	Cost	Acc. Dep.	Carrying Value
			(Rupees in thousand)	
- Plant & machinery	June 30, 2001	20,633	12,182	8,451
- Vehicle	June 30, 2004	1,206	588	618
- Plant & machinery	June 30, 2004	20,900	10,248	10,652
- Vehicle	June 30, 2005	2,641	1,289	1,352
- Plant & machinery	June 30, 2005	183,988	80,777	103,211

23.5 The following assets being obsolete, have been written off during the year ended June 30, 2005.

	Cost	Acc. Dep.	Carrying Value
		(Rupees in thousand)	
- Plant & machinery	2,055	1,683	372
- Heavy Vehicle	19,445	18,675	770

24. CAPITAL WORK-IN-PROGRESS

	Note	2005	2004
		(Rupees in thousand)	
Civil works and buildings		1,785	1,707
Coal mill		32,178	30,526
Dry cement plant	24.1	32,276	-
Gas based electric power generation plant	24.2	163,320	-
Other BMR/Expansion costs	24.3	8,799	-
		238,358	32,233

24.1 This includes Rs. 29.8 million paid as advance to the foreign suppliers (considered good) in accordance with the terms of contract entered into for the acquisition of the dry cement plant. It further includes an amount of Rs. 2.5 million being the borrowing cost directly attributable to the acquisition of this asset.

24.2 This includes Rs. 100 million being the cost of assets subject to finance lease (Refer Note 8.4 and 10). It further includes an aggregate amount of Rs. 10.7 million being the borrowing cost directly attributable to the acquisition of this asset.

24.3 These represent management and other directly attributable capital expenditures incurred in connection with new dry cement plant and gas based electric power generation plant.

25. STORES HELD FOR CAPITAL EXPENDITURE

This includes an aggregate amount of Rs. 71.164 million (2004: Rs. 69.787 million) being the cost of filter press machinery acquired to convert the present manufacturing process from wet to semi dry and includes stores valuing Rs. 6 million (2004: Rs. 5.9 million) presently lying under the control of custom authorities at their bonded custom warehouse. Exchange loss of Rs. 1.38 million (2004: Rs. 0.35 million) has been capitalized in the cost of this machinery during the year.

26. LONG TERM INVESTMENTS

	Note	2005 (Rupees in thousand)	2004 (Rupees in thousand)
In associated company - at cost			
Dandot Cement Company Limited			
Equity held 16.85% (2004:16.85%)	26.1	172,973	172,973
In other companies - available for sale			
Cost of acquisition		1,161	1,172
Less: Provision for diminution in value		853	813
Fair value		308	359
		173,281	173,332

26.1 The company owns 11,429,751 shares of DCCL and it enjoys voting rights for 1,125,092 shares of DCCL owned by Saudi Pak Leasing Company Ltd. (SPLC). Accordingly, the company directly and indirectly controls voting rights associated with 12,554,843 shares of DCCL constituting 18.51% of the total paid-up share capital of DCCL.

The value of the company's investment in DCCL, based on published quotations of July 01, 2005, amounted Rs. 102.868 million (2004: Rs. 113.442 million).

27. LONG TERM LOANS AND ADVANCES TO STAFF - considered good

	Note	2005	2004
Directors	27.1	425	455
Executive	27.1	488	563
Employees	27.2	10,716	11,098
		11,629	12,116
Less: Current portion shown under current assets	33	2,521	2,624
		9,108	9,492

Reconciliation of the carrying amount of loans to directors and executives

	2005		2004	
	Directors	Executives	Directors	Executives
	(Rupees in thousand)			
Opening balance	455	563	485	638
Disbursement	-	-	-	-
Repayments	(30)	(75)	(30)	(75)
Closing balance	425	488	455	563

27.1 These represent loans given for the purposes of house building and emergency loans. House building loans are secured against charge and lien on provident fund balances, lien on gratuity and personal/third party guarantees and is repayable in 120 equal monthly installments. Interest on house building loans is charged @ 5% p.a. Emergency loans are unsecured and interest free and are repayable in 20 equal monthly installments.

27.2 These represent loans given for the purposes of house building, purchase of motor cars / motor cycles, house repair loans and emergency loans. House building and vehicle loans are secured against charge and lien on provident fund balances, lien on gratuity and personal/third party guarantees and are repayable in 96 to 240 equal monthly installments. Interest on house building loans is charged @ 3% - 5% p.a. Emergency and house repair loans are unsecured and interest free and are repayable in 15 - 125 equal monthly installments.

27.3 Maximum aggregate balances due from the directors and executives during the year were Rs. 453 thousand and Rs. 556 thousand (2004: directors Rs. 483 thousand and executives Rs. 631 thousands) respectively.

	Note	2005	2004
		(Rupees in thousand)	
28. LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposit - rented premises		513	425
Security deposits - trade		513	513
Bank guarantees' margin deposits		-	53
Other deposits		272	320
		1,298	1,311
29. DEFERRED COST			
Discount on issue of shares		100,000	100,000
Less: Amortized during the year	41	20,000	5,808
Amortized during previous year		5,808	-
		25,808	5,808
		74,192	94,192

29.1 During last year , the company issued 20 million ordinary shares of Rs. 10 each at a discounted price of Rs. 5 each which resulted into a discount of Rs. 100 million.

	Note	2005	2004
30. STORES, SPARES AND LOOSE TOOLS			
Stores	30.1	70,790	79,931
Spares		60,293	59,133
Loose tools		602	703
		131,685	139,767

30.1 Stores include stores-in-transit valuing Rs. 10.461 million (2004: 24.92 million).

	Note	2005	2004
31. STOCK-IN-TRADE			
Raw materials	40.1	2,422	3,539
Work-in-process		13,595	24,742
Finished goods		5,490	7,311
Packing materials		2,690	932
Others		-	5
		24,197	36,529
32. TRADE DEBTORS - unsecured			
Considered doubtful		442	442
Less: Provision for doubtful debts		442	442
		-	-

	Note	2005	2004
		(Rupees in thousand)	
33. LOANS AND ADVANCES - unsecured, considered good			
Advances to staff			
Advances for expenses	33.1	3,045	2,818
Advances against salary		1,150	2,029
Advances for wheat purchase		3,865	2,126
Other advances		396	357
		8,456	7,330
Temporary advances to associated company	33.2	24,524	-
Advances to suppliers		47,395	25,940
Bid advanced to Privatization Commission - Government of Pakistan		5,150	5,000
Current portion of long term loans and advances to staff	27	2,521	2,624
		88,046	40,894

33.1 Advances for expenses include an amount of Rs. 167 thousand due from a director whereas advance against salary and advance for wheat purchase include Rs. 58 thousand and Rs. 4 thousand respectively due from executives.

33.2 This represents advances made to M/s. Dandot Cement Company Limited on temporary basis. Interest on these advances is charged @ 12% p.a. being the weighted average borrowing cost of the Company.

		2005	2004
34 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Guarantee margin deposits		10,196	5,824
Prepaid guarantee commission		1,790	2,001
Prepaid subscriptions		500	542
Prepaid rent		386	-
Prepaid mark-up		229	-
Other prepayments		281	158
		13,382	8,525
35. ACCRUED INTEREST			
On:			
- Bank deposits		578	-
- Available for sale investment - short term		701	-
- Employees' loan		2,141	1,927
- Temporary advances to associated company		121	-
		3,541	1,927
36. OTHER RECEIVABLES			
Excise duty		6	1,331
Claims receivable		-	790
Other receivables	36.1	33,680	2,896
		33,686	5,017

36.1 This includes an amount of Rs. 8.25 million receivable on account of excess underwriting commission paid to the underwriter for underwriting the right issue of the Company. It further includes an amount of Rs. 24 million receivable from M/s. Dandot Cement Company Limited, an associated Company, on account of supply of stores and spares.

	Note	2005	2004
		(Rupees in thousand)	

37. AVAILABLE-FOR-SALE INVESTMENT

This represents investment made by the Company out of the share subscription received in Certificate of Investment scheme of a leasing company yielding interest at an effective interest rate of 8% per annum. The management has no intention to hold this investment till maturity due to the short term liquidity needs of the Company towards the project. Accordingly this investment has been classified as available for sale.

38. CASH AND BANK BALANCES

	Note	2005	2004
With banks			
- on current accounts		36,476	7,600
- on escrow account		884	-
- on saving accounts		254,090	1,475
- on right shares subscription account		9,528	-
		300,978	9,075
Cash in hand	38.3	16,183	150
		317,161	9,225

38.1 Cash at banks on current and saving accounts include foreign currency balances of US$ 473 (2004: US$ 473) and US$ 518 (2004: US$: 538) respectively which have been converted into Pak Rupees at the exchange rate prevailing on the balance sheet date i.e. US$ 1 = Rs. 59.88 (2004: Rs. 58.35).

38.2 Saving accounts with banks carry interest ranging from 4% to 8% p.a.

38.3 Cash in hand includes cheques in hand amounting to Rs. 16 million (2004: NIL) which were duly deposited and cleared in Company's bank accounts subsequent to the balance sheet date.

38.4 Increase in cash and bank balances over the previous year, mainly represents the shares subscription money received against the Rights Share Issue. (Refer note 6).

39. SALES - net

	2005	2004
Cement sales	2,135,134	1,742,769
Less: Sales tax	278,496	241,583
Excise duty	368,424	319,602
Discount/Rebate to dealers	18,710	16,695
	665,630	577,880
	1,469,504	1,164,889

	Note	2005	2004
		(Rupees in thousand)	
40. COST OF SALES			
Raw materials consumed	40.1	109,389	101,277
Packing materials consumed		87,637	88,319
Stores and spares consumed		38,755	35,415
Salaries, wages and benefits		69,272	66,040
Fuel and lubricants consumed		878,111	663,177
Rent, rates and taxes		3,507	5,042
Repair and maintenance		46,354	46,724
Establishment charges		16,271	13,135
Insurance		2,038	2,547
Vehicle running & travelling		3,149	3,600
Other expenses		1,468	1,219
Depreciation	23.3	50,966	51,350
		1,306,917	1,077,845
Adjustment of work-in-process			
Opening		24,742	18,236
Closing		(13,595)	(24,742)
		11,147	(6,506)
Cost of goods manufactured		1,318,064	1,071,339
Adjustment of finished goods			
Opening		7,311	5,220
Closing		(5,490)	(7,311)
		1,821	(2,091)
		1,319,885	1,069,248
40.1 Raw materials consumed			
Opening stock as at July 01		3,539	6,815
Cost of raw materials:			
- Outside purchases and transportation cost		13,360	2,110
- Explosives		3,228	3,166
- Royalty		9,508	8,452
- Excise duty		2,042	533
		28,138	14,261
Salaries, wages and benefits		43,851	41,087
Repair and maintenance		21,057	26,604
Stores and spares		12,143	12,034
Insurance		993	1,198
Vehicle running & travelling		1,421	2,104
Other overheads		669	713
		111,811	104,816
Closing stock as at June 30	31	(2,422)	(3,539)
		109,389	101,277

	Note	2005	2004
		(Rupees in thousand)	
41. GENERAL AND ADMINISTRATIVE EXPENSES			
Directors' meeting fee		4	18
Salaries, wages and benefits		12,732	11,114
Vehicles' running and maintenance		1,235	1,286
Travelling and conveyance		2,874	3,004
Legal and professional charges		1,356	3,085
Auditors' remuneration	41.1	695	560
Postage, telegram and telephone		2,079	1,588
Printing and stationery		806	586
Insurance		468	600
Rent, rates and taxes		2,587	1,962
Fee and subscription		1,272	1,306
Entertainment		827	447
Utilities		811	700
Advertisement		516	265
Establishment charges		3,760	3,090
Repair and maintenance		1,758	474
Discount on issue of shares amortized	29	20,000	5,808
Miscellaneous		104	37
Depreciation	23.3	1,926	1,846
		55,810	37,776
41.1 Auditor's remuneration			
Viqar A. Khan			
- Audit fee		125	200
- Half year review fee		63	63
- Tax advisory		250	-
- Corporate consultancy		120	150
- Certification and others		70	70
- Out-of-pocket expenses		27	27
		655	510
Zafar & Co.			
- Cost audit fee		-	40
- Out-of-pocket expenses		5	10
		5	50
Rahman Sarfraz & Co.			
- Cost audit fee		35	-
		695	560
42. SELLING AND DISTRIBUTION EXPENSES			
Salaries, wages and benefits		2,049	1,230
Vehicles' running and maintenance		618	639
Postage, telegram and telephone		1,091	847
Electricity		337	324
Advertisement & sale promotion		204	339
Insurance		220	300
Miscellaneous	42.1	1,704	1,069
Depreciation	23.3	963	923
		7,186	5,671

42.1 Expense for the year includes Rs. 0.857 million (2004: 0.585 million) being marking fee paid to Pakistan Standards and Quality Control Authority.

	Note	2005	2004
		(Rupees in thousand)	
43. OTHER OPERATING EXPENSES			
Donations (without directors' interest)		942	238
Exchange fluctuation loss on translation of foreign currency long term loans - net		3,216	8,850
Provision for diminution in value of investments		41	-
Obsolete fixed assets written off		1,142	-
Loss on sale and lease back transaction		-	643
Contribution towards worker's profit participation fund		3,769	2,555
		9,110	12,286
44. OTHER OPERATING INCOME			
Profit/mark-up on:			
Bank deposits		1,570	26
Certificates of investment		25,767	29,210
Available for sale investment - short term		701	-
Employee's loans		268	302
Temporary advances to associated company		121	-
		28,427	29,538
Provision for diminution in value of investments - written-back		-	210
Unclaimed balances written-back		342	15,634
Profit on sale of fixed assets		1,121	149
Scrap sales		8,897	6,443
Profit on sale of investment		5	-
Others		381	71
		39,173	52,045
45. FINANCE COST			
Interest/mark-up on:			
Long term loans and finances		20,961	18,155
Long term foreign currency loans from associated undertakings		5,327	4,296
Short term finances		8,980	10,242
Employees' provident fund		2,330	3,633
Workers' (profit) participation fund		303	49
Lease finance charges		4,515	4,616
Commission on bank guarantees		1,436	909
Bank charges and other		1,535	2,054
		45,387	43,954
46. INCOME FROM DEBT EXTINGUISHMENT			
Directors' loan written off	8.6	84,110	-
Waiver on settlement of lease liability		-	500
Waiver on settlement of Crescent lease liability	15.2	35,602	-
Waiver on settlement of restructured lease liability	12	5,367	64,395
		125,079	64,895

47. EARNINGS PER SHARE

		2005	2004
Basic earnings per share			
Profit for the year attributable to ordinary shareholders	**Rupees in thousand**	188,878	115,323
Weighted average number of ordinary shares outstanding during the year	**Numbers**	36,876,417	22,668,767
Earnings/(Loss) per share	**Rupees**	5.12	5.09

Diluted earnings per share
There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.

48. CASH GENERATED FROM OPERATIONS

	Note	2005 (Rupees in thousand)	2004 (Rupees in thousand)
Net profit before taxation		196,378	112,894
Adjustments for non cash charges and others:			
Depreciation on operating fixed assets		53,855	54,119
Profit on sale of fixed assets		(1,121)	(149)
Obsolete fixed assets written off		1,142	-
Interest on bank deposits		(1,570)	(26)
Interest on employee's loan		(268)	-
Interest on temporary advances to associated company		(121)	-
Interest on Certificates of Investment		(26,468)	(29,210)
(Reversal)/provision fordiminution in value of investments		41	(210)
Provision for gratuity		4,329	2,813
Financial charges		45,387	43,954
Loss due to exchange fluctuation		3,216	118
Income from debt extinguishment		(125,079)	(64,895)
Profit on sale of investments		(5)	-
Taxes and duties		379,974	328,587
Amortization of discount on issue of shares		20,000	5,808
Loss on sale and lease back transaction		-	643
		353,312	341,552
		549,690	454,446
Effect on cash flows due to working capital changes	48.1	(56,857)	(155,940)
		492,833	298,506

48.1 Working capital changes

	2005	2004
(Increase)/decrease in current assets		
Stores, spares and loose tools	8,082	(9,605)
Stock in trade	12,332	(5,100)
Trade debtors	-	-
Loans and advances	(47,255)	(!4,679)
Trade desposits and short term prepayments	(4,628)	(2,664)
Other receivables	(29,994)	(1,693)
	(61,463)	(33,741)
Increase/(decrease) in current liabilities		
Trade and other payables	4,606	(122,199)
	(56,857)	(155,940)

	Note	2005	2004
		(Rupees in thousand)	

49. CASH AND CASH EQUIVALENTS

	Note	2005	2004
Cash and bank balances	38	317,161	9,225
Temporary bank overdrafts	19	-	(2,242)
		317,161	6,983

50. TRANSITIONAL COSTS OF RIGHT ISSUE

This represents costs incurred on right issue offered during the year (Refer Note 6). These costs mainly include underwriter's commission, registration fee for increase in authorized capital, additional listing fee of Stock Exchanges and other expenses directly related to this issue.

51. FINANCIAL INSTRUMENTS

51.1 Interest rate risk

The Company's exposure to interest rate risk on its financial assets and liabilities as at the balance sheet date, are summarized as under:

	Interest /mark-up bearing				Non-interest /mark-up bearing				Total 2005	Total 2004
	Maturity upto one year	Maturity after one year and upto five years	Maturity after five years	Sub Total	Maturity upto one year	Maturity after one year and upto five years	Maturity after five years	Sub Total		
	(Rupees in thousand)									
Financial Assets										
Investment	100,000	-	-	100,000	-	173,281	-	173,281	273,281	173,332
Loans and advance to staff	2,281	8,814	-	11,095	8,694	296	-	8,990	20,085	19,446
Long term deposits and prepayments	-	-	-	-	-	1,298	-	1,298	1,298	1,311
Loans and advances	24,524	-	-	24,524	5,150	-	-	5,150	29,674	5,000
Trade deposits and short term prepayments	-	-	-	-	10,196	-	-	10,196	10,196	5,824
Accrued interest	-	-	-	-	3,541	-	-	3,541	3,541	1,927
Other receivables	-	-	-	-	33,680	-	-	33,680	33,680	3,686
Cash and bank balances	254,090	-	-	254,090	63,071	-	-	63,071	317,161	9,225
	380,895	8,814	-	389,709	124,332	174,875	-	299,207	688,916	219,751
Financisl Liabilities										
On balance sheet										
Long term loans, finances and other payables	28,921	96,329	-	125,250	10,000	24,432	-	34,432	159,682	525,931
Long term foreign currency loans and other payables	-	90,229	-	90,229	-	85,618	-	85,618	175,847	165,574
Liabilities against assets subject to finance lease	32,831	88,336	2,234	123,401	-	-	-	-	123,401	47,720
Frozen lease liabilites - net	-	-	-	-	-	-	-	-	-	61,369
Long term deposits from customers	-	-	-	-	-	1,385	-	1,385	1,385	1,545
Share purchase consideration payabale	-	-	-	-	-	-	-	-	-	2,000
Short term loans & finances	27,231	-	-	27,231	-	-	-	-	27,231	106,743
Trade and other payables	-	-	-	-	209,518	-	-	209,518	209,518	192,131
Accrued interest	-	-	-	-	24,339	-	-	24,339	24,339	21,676
	88,983	274,894	2,234	366,111	243,857	111,435	-	355,292	721,403	1,124,689
Off balance sheet										
Guarantees	-	-	-	-	-	487,105	-	487,105	487,105	729,000
Commitments	-	-	-	-	178,670	2,069,000	-	2,247,670	2,247,670	174,000
	-	-	-	-	178,670	2,556,105	-	2,734,775	2,734,775	903,000
	88,983	274,894	2,234	366,111	422,527	2,667,540	-	3,090,067	3,456,178	2,027,689

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

51.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risk are not covered through any forward foreign exchange contracts or through hedging.

51.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties completely failed to perform as contracted. The company believes that it is not exposed to major concentration of credit risks. However, to manage any possible exposure to credit risk, the company applies approved credit limits to its customers and also obtains collaterals.

51.4 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

52. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Dirctors		Executives	
	2005	2004	2005	2004	2005	2004
	(Rupees in thousand)					
Managerial Remuneration	643	504	792	802	2,206	1,422
Perquisites and benefits						
House rent	290	227	356	405	713	324
Personal staff salary	79	43	44	114	225	152
Entertainment	161	107	96	179	394	238
Utilities and others	64	153	360	107	1,188	846
	594	530	856	805	2,520	1,560
Contribution to:						
Gratuity Fund Trust	-	32	38	11	166	122
Provident Fund Trust	-	38	48	42	128	96
	1,237	1,104	1,734	1,660	5,020	3,200
Number of persons	1	1	3	2	4	3

52.1 In addition to above, meeting fee of Rs. 4 thousand (2004: Rs. 18 thousand) was paid to one (2004: two) non-working director.

52.2 Chief Executive, directors and executives are entitled to free use of the company's transport and residential telephones.

-

53. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated company/undertakings, directors of the Company, key management staff and staff retirement funds, Details of transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are stated below

	2005	2004
	(Rupees in thousand)	
Dandot Cement Company Limited - associated company		
Sale of stores (including sales tax)	43,393	83,293
Purchase of stores (including sales tax)	6,755	9,342
Interest recovered	-	7,243
Purchase of plant and machinery	-	1,476
Loan received - net	-	32,145
Expenses incurred	686	-
Expenses paid by DCCL	1,763	-

All transactions were carried out on commercial terms and conditions and were valued at arm's length price using Comparable Uncontrollable Price method. Remuneration and benefits to key management personnel under the terms of their employment are given in note 52.

54. NUMBER OF EMPLOYEES

	2005	2004
Number of permanent employees as at June 30	669	643

55. CAPACITY AND PRODUCTION - TONNES

	Clinker		Cement	
	2005	**2004**	**2005**	**2004**
Plant capacity	540,000	540,000	568,420	568,420
Actual production	459,995	409,415	490,210	427,265

Excess available supply of cement in local market over demand is the main reason for shortfall in production.

56. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on September 28, 2005.

57. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for he purpose of comparison. The following significant reclassifications have been made to comply with the new disclosure requirements arising on account of amendments in the Fourth Schedule to the Companies Ordinance, 1984.

- Mark-up accrued on long term loans & finances and short-term borrowings have been reclassified from creditors, accrued and other liabilities and disclosed separately on the face of the balance sheet.

- Loans and advances to executives and remuneration of executives have been restated due to the amendment in the definition of 'executive'.

- Disclosure for loans and advances outstanding for period exceeding three years has been removed.

- Short term advances to staff and accrued interest have been reclassified according to their function.

- Trade deposits and short term prepayments, accrued interest and other receivables have been reclassified from loans, advances, deposits, prepayments and other receivables and disclosed separately on the balance sheet.

- The disclosure of maximum aggregate amounts due to associated undertaking at the year end has been removed.

In addition to above the following restatements/reclassifications have also been made for more appropriate presentation.

- Capital store in transit of Rs. 5.9 million previously shown separately on balance sheet, have been added to the relevant stores held for capital expenditure and disclosure of stores in transit made in the relevant note 25.

- Heavy vehicles previously grouped in plant and machinery, have been disclosed separately in the operating fixed assets schedule.

- Waiver on settlement lease liability of Rs. 0.5 million previously grouped under other income has been reclassified and included in income from debt extinguishment.

- An amount of Rs. 10.85 million has been transferred from stores to spares and comparative figures have been restated accordingly.

- An aggregate amount of Rs. 64.9 million previously shown as extra ordinary item on the face of profit and loss account, has been reclassified as income from debt extinguishment.

Statement under Section 241(2) of the Companies Ordinance, 1984
These Financial Statements have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not in Pakistan for the time being.

Aameen Taqi Butt

(AAMEEN TAQI BUTT)
Director

(A. SHOEB PERACHA)
Director

Form of Proxy

The Secretary
Gharibwal Cement Limited
3-A/3, Gulberg-III
LAHORE.

I/We________________________ of____________________________________ being a member of

Gharibwal Cement Limited, and holder of __________________ Ordinary Shares as per Shares Register

Folio No. _________ hereby appoint Mr. __________________________ of _____________________

Folio No. ________________ who is also a member of Gharibwal Cement Limited as my/our proxy to attend and vote for and on my / our behalf at the 45th Annual General Meeting of the Company to be held on Monday, October 31, 2005 at 10.00 a.m.at the registered office of the company (3-A/3, Gulberg-III, Lahore) and at any adjournment threof.

As witnessed given under my / our hand (s) _______________day of October, 2005.

Signature

WITNESS:

Signature__________________

Name____________________

Address___________________

On five
Rupees
Revenue
Stamp

Note:

1. The Proxy in order to be valid must be signed across a Five Rupees Revenue Stamp and should be deposited in the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he is a member of the Company.
3. Signature should agree with the specimen signature registered with the Company.