دیوان

DEWAN

DEWAN CEMENT LIMITED

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Farrukh Viqaruddin Junaidy	(Chief Executive)
Syed Moonis Abdullah Alvi	(Director)
Syed Muhammad Ali Khan	(Director)
Khursheed Anwer Jamal	(Director)
Ather Naqi	(Director)
Azizul Haque	(Director)
Saeed Anwer	(Nominee Director of NIT)
Wajahat A. Baqai	(Nominee Director of Creditors)
Basheer Ahmed Chowdry	(Nominee Director of Creditors)

CHIEF OPERATING OFFICER

Syed Muhammad Ali Khan

COMPANY SECRETARY

Syed Moonis Abdullah Alvi

AUDIT COMMITTEE MEMBERS

Wajahat A. Baqai	(Chairman)
Ather Naqi	(Member)
Azizul Haque	(Member)

CHIEF FINANCIAL OFFICER

Khursheed Anwer Jamal

MANAGEMENT

Tariq Muhammad Khan	(Director Treasury & Commercial)
Zafar Abdullah	(Chief Compliance Officer)
Noroze Ali Khawaja	(Director Technical)
S. N. Jaffri	(GM Marketing & Admin)

REGISTERED OFFICE

Dewan Centre
3-A Lalazar
Beach Hotel Road, Karachi

FACTORY

Deh Dhando, Dhabeji

AUDITORS

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Rafaqat Babar & Co.
Chartered Accountants

LEGAL ADVISORS

Sardar M. Ajaz Khan (Advocate)
Shareef & Co. (Advocates)

WEBSITE

www.dewangroup.com.pk/pkcl.htm

DIRECTORS' REPORT

IF YE GIVE THANKS, I WILL GIVE YOU MORE **(HOLY QURAN)**

The Directors are pleased to present you the un-audited financial results for the six months ended December 31, 2005.

During the period under review, net sales was Rs.1,143.628 million as against Rs.718.523 million for the corresponding period of last year. This represents 354,834 tons of cement sales (2004: 251,615 tons). Higher sales revenue was achieved due to combination of increase in sale price and higher sales volume.

Industry Overview and Future Outlook

Growth trend in consumption of cement in the local market has continued in the half- year ended December 31, 2005. Dispatches to the local market have registered 13.5% increase over same period of previous year and close to 8 million tones were dispatched to the local market. This sizable growth has been achieved in-spite of a relative slow down in construction activity due to an exodus of labour force to the Northern Areas, post October, 2005 earthquake. Now with the return of most of the labour force to the main consumption centers, pace of construction activity has further increased. It is expected that the industry will achieve 18.5 million tons for the full fiscal year, since traditionally cement consumption increases during the second half of the fiscal year, with the most being consumed in the last quarter.

Export sales in the half-year ended December, 2005 has remained at nearly the same level as of last year. However, the quarter under review has registered a modest increase of 4% over previous year of same quarter. Export is expected to show a sizably higher growth rate, as with the arrival of warms weather construction activity in Afghanistan picks and the new production capacities in Pakistan would ensure availability of product for both Afghanistan and local market.

The under implementation capacity expansion projects (including new capacities) in the cement industry are at different levels of completion. Most of them are expected to be on stream in year 2006-07, as a result the current installed capacity of 20 million tons per annum is projected to gradually increase to 25-30 million tons by the end of next financial year. Part of this additional capacity will cater to the growth of local market and the remaining is expected to fill in the supply gap in Afghanistan. However, to achieve capacity utilization of 80% and above the industry will have to fully exploit the potential of exports by sea to the Middle East and other adjoining markets.

Marketing

Your company has dispatched a total of 354,833 tons of cement during the half-year under review. Dispatches to the local market were 353,833 tons, an increase of nearly 41% over same period prior year. Considering that the total industry has grown by 13.5%, the company has increased its market share in the local market. Moreover, you would be pleased to note that your company has introduced its brand in Afghanistan, as well. In December 2005, 1,000 tons was exported and very encouraging response has been received. Larger quantities are planned to be exported as the season opens, March onwards. In anticipation of the expansion in cement production capacity of the industry, the management has adopted a policy of consolidating its strong markets and opening new avenues and INSHA-ALLAH, we will be well poised for the anticipated tougher competition.

Operations

During the half-year under review, production of clinker was 342,061 tons, and 352,754 tons cement was produced. Sales of 354,834 tons cement is testimony to well coordinated operations. Operating profit has improved by a healthy 141.96% over same period prior year. Sustaining inflationary pressure on cost, maintaining expenses at low levels and an increase in other operating income has resulted in a profit/(loss) before taxation of Rs.94.902 million (Rupees (14.287) million, half-year ended December 2004).

Expansion Project

You would be pleased to know that work on the expansion project is in progress and more than 90% civil work is complete while fabrication and erection works are 50% and 40% complete, respectively. Letters of Credit for all major items are established and will be delivered as per the schedule.

Financial Obligations

By the grace of Al-mighty Allah, your company has met all the financial obligations matured during the period under review and till to-date.

The Board would like to draw your attention to the grave situation the company is faced with due to continued rise in markup rates. At the time the management of Dewan Cement Limited formerly Pakland Cement Limited was taken over by new sponsors the KIBOR was hovering around 3.6%. The banks and financial institutions reposed confidence on new sponsors and restructured the debt at a markup rate of six months KIBOR +2.5%. It may however be noted that KIBOR have since then increased drastically to 9.13% putting unsustainable pressure on the profitability of the company.

This can be evident from the fact that during the half year ended 31st December, 2005. The company is able to earn profit after financial charges at Rs.94.902 million and whereas the financial charges stood at Rs.182.216 million.

The Management would like to take up this issue with Banks and Financial Institutions who have always supported new sponsors in reviving this sick unit which is only possible if there is a cap on the interest rate.

Acknowledgement

The Board of Directors places on record its gratitude to its valued customers, Federal and Provincial Governments, banks & financial institutions, dealers and employees of the company, for their continued co-operation & support.

In conclusion, we bow, beg and pray to **Almighty Allah**, **Rahman-o-Ar-Rahim**, in the name of our beloved Prophet **Muhammad** (peace be upon him), for the continued showering of his blessings, guidance, strength, health, and prosperity to us, our Company, Country and Nation; and also pray to Almighty Allah to bestow peace, harmony, brotherhood, and unity in true Islamic spirit to whole of the Muslim Ummah, Ameen, Summa Ameen.

LO-MY LORD IS INDEED HEARER OF PRAYER **(HOLY QURAN)**

For and on behalf of the board of Directors

Farrukh V. Junaidy
Chief Executive Officer

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Progressive Plaza, Beaumount Road
P.O. Box 15541
Karachi 75530, Pakistan

REVIEW REPORT TO THE MEMBERS

We have reviewed the accompanying Balance Sheet of **DEWAN CEMENT LIMITED (formerly Pakland Cement Limited)** as at December 31, 2005, and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the half-year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to note 10.1 (iii) to the financial statements. As more fully explained therein, in the past the Company had provided security on behalf of an associated undertaking contrary to the provisions of Section 195 of the Companies Ordinance, 1984.

Ford Rhodes Sidat Hyder & Co.

KARACHI: **CHARTERED ACCOUNTANTS**

BALANCE SHEET
AS AT DECEMBER 31, 2005

	Note	Unaudited December 31, 2005	Audited June 30, 2005 (Restated)
		----- (Rupees in '000') -----	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
- Property, plant and equipment	4	**5,754,319**	5,472,366
- Intangible asset		**3,946**	3,497
		5,758,265	5,475,863
Long-term investment – in an associate	5	**924,481**	911,296
Long-term loans		**489**	824
Long-term deposits		**1,823**	2,105
		6,685,058	6,390,088
CURRENT ASSETS			
Stores and spare parts		**210,975**	225,766
Stock-in-trade		**161,597**	132,279
Trade debts		**35,635**	87,087
Due from an associated undertaking		**371,699**	239,079
Loans and advances		**105,287**	122,849
Trade deposits and short-term prepayments		**11,123**	11,303
Other receivables		**21,351**	32,631
Short-term investments		**12,390**	7,121
Cash and bank balances		**91,193**	108,067
		1,021,250	966,182
TOTAL ASSETS		**7,706,308**	7,356,270
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
200,000,000 (June 30, 2005: 200,000,000) Ordinary shares of Rs. 10/- each		**2,000,000**	2,000,000
Issued, subscribed and paid-up capital	6	**1,650,000**	825,000
Reserves – net		**379,769**	263,554
		2,029,769	1,088,554
SURPLUS ON REVALUATION OF FIXED ASSETS – Net	7	**656,102**	673,937
NON-CURRENT LIABILITIES			
Subordinated loan	8	**-**	602,000
Long-term financing		**420,223**	499,843
Redeemable capital		**2,793,414**	3,028,869
Liabilities against assets subject to finance leases		**125**	264
Long-term deposits		**161,161**	61,533
Deferred liabilities	9	**448,650**	467,345
		3,823,573	4,659,854
CURRENT LIABILITIES			
Trade and other payables		**493,269**	459,719
Mark-up payable		**183,632**	130,030
Current portion of long-term borrowings		**489,739**	308,376
Provision for taxation		**7,495**	6,103
Sales tax payable		**22,729**	29,697
		1,196,864	933,925
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		**7,706,308**	7,356,270

Farrukh V. Junaidy
Chief Executive Officer

Khursheed Anwer Jamal
CFO/Director

PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED DECEMBER 31, 2005 (UNAUDITED)

	Note	Half Year Ended		Quarter Ended	
		December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
		(Rupees in '000')			
			(Restated)		(Restated)
Turnover – net		**1,143,628**	718,523	**530,349**	370,863
Cost of sales		**(877,542)**	(591,180)	**(397,902)**	(267,747)
Gross profit		**266,086**	127,343	**132,447**	103,116
Distribution cost		**(2,326)**	(2,063)	**(1,093)**	(1,305)
Administrative expenses		**(29,423)**	(21,658)	**(17,749)**	(12,280)
Other operating expenses	11	**(6,705)**	(1,667)	**(4,137)**	(2,151)
Other operating income	12	**28,964**	4,092	**26,644**	3,893
Operating profit		**256,596**	106,047	**136,112**	91,273
Finance cost		**(182,216)**	(105,629)	**(99,747)**	(51,516)
		74,380	418	**36,365**	39,757
Share of profit / (loss) from an associated company	3.2	**20,522**	(14,705)	**12,286**	(1,896)
Profit / (loss) before taxation		**94,902**	(14,287)	**48,651**	37,861
Taxation - Current		**(5,719)**	(3,593)	**(2,652)**	(1,854)
- Deferred		**7,196**	(5,581)	**(10,332)**	(5,581)
		1,477	(9,174)	**(12,984)**	(7,435)
Profit / (loss) after taxation		**96,379**	(23,461)	**35,667**	30,426
Earnings / (loss) per share – Basic and diluted (restated)	13	**Rs. 0.68**	Re. (0.24)	**Re. 0.22**	Re. 0.32

The annexed notes from 1 to 18 form an integral part of these financial statements.

Farrukh V. Junaidy
Chief Executive Officer

Khursheed Anwer Jamal
CFO/Director

CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2005 (UNAUDITED)

	December 31, 2005	December 31, 2004 (Restated)
	----- (Rupees in '000') -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	94,902	(14,287)
Adjustments for:		
Depreciation	138,251	126,631
Unrealised gain on remeasurement of investment held as available for sale	(5,269)	-
Gain on sale of fixed assets	(755)	(156)
Finance cost	182,216	105,629
Liabilities written back	(10,928)	-
Dividend income	(287)	-
Gratuity	2,706	-
Cost of issue of equity – gross	(13,588)	-
Share of profit from investment in an associated company	(11,802)	(14,705)
Interest on current account balance with DHCL	(20,164)	-
Provision for doubtful debts	-	-
	260,380	217,399
Operating profit before working capital changes	355,282	203,112
Movement in working capital:		
Decrease / (increase) in stores and spare parts	14,791	(207,800)
(Increase) in stock-in-trade	(29,318)	(143,053)
Decrease / (increase) in trade debts	51,452	(16,855)
Decrease / (increase) in loans and advances	17,562	(85,128)
(Increase) in short-term investments	-	(13)
Decrease / (increase) in short term deposits and prepayments	180	(3,252)
Decrease / (increase) in other receivables	11,280	(13,021)
Increase in trade and other payable	44,478	396,642
Increase / (decrease) in sales tax payable	(6,968)	-
	103,457	(72,480)
Cash generated from operations	458,739	130,632
Income tax paid	(4,327)	(4,900)
Long-term loans – net	335	-
Long-term deposits (assets) - net	282	666
Long-term deposits (liability) - net	99,628	(93,077)
Net cash flows from operating activities	554,657	33,321
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(421,791)	(46,237)
Increase in due from associated undertaking	(112,456)	(95,078)
Sale proceeds of fixed assets	1,893	903
Dividend income received	287	-
Net cash used in investing activities	(532,067)	(140,412)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subordinated loan	(602,000)	-
Right shares	825,000	-
Redeemable capital – TFCs	(60,163)	(226,061)
Long-term financing	(79,620)	455,000
Short-term loans	-	(92,400)
Finance cost paid	(121,568)	(2,107)
Liabilities against assets subject to finance lease	(1,113)	(4,501)
Net cash generated from / (used in) financing activities	(39,464)	129,931
Net (decrease) / increase in cash and cash equivalents	(16,874)	22,840
Cash and cash equivalents at the beginning of the period	108,067	22,070
Cash and cash equivalents at the end of the period	91,193	44,910

The annexed notes from 1 to 18 form an integral part of these financial statements.

Farrukh V. Junaidy
Chief Executive Officer

Khursheed Anwer Jamal
CFO/Director

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2005 (UNAUDITED)

	Issued, subscribed and paid up capital	RESERVES					Total
		CAPITAL RESERVE	REVENUE RESERVES				
		Share of Associate's revaluation surplus	Revenue reserve	(Accumulated loss) / Unappropriated profit	Total	Total Reserves	
	---------------- (Rupees in '000') ----------------						
Balance as at July 01, 2004							
- as previously reported	825,000	-	395,000	(371,460)	23,540	23,540	848,540
- effect of change in accounting policy **(Note 3.1)**	-	224,662	-	(51,167)	(51,167)	173,495	173,495
- as restated	825,000	224,662	395,000	(422,627)	(27,627)	197,035	1,022,035
Transfer from surplus on revaluation of fixed assets	-	-	-	29,941	29,941	29,941	29,941
Share of surplus released from an associated company	-	(3,566)	-	3,566	3,566	-	-
Tax impact of surplus released from an associated company	-	1,248	-	-	-	1,248	1,248
Net loss for the period after taxation							
- as previously reported	-	-	-	(8,756)	(8,756)	(8,756)	(8,756)
- effect of change in accounting policy **(Note 3.1)**	-	-	-	(14,705)	(14,705)	(14,705)	(14,705)
	-	-	-	(23,461)	(23,461)	(23,461)	(23,461)
Balance as at December 31, 2004	825,000	222,344	395,000	(412,581)	(17,581)	204,763	1,029,763
Balance as at July 01, 2005							
- as previously reported	825,000	-	395,000	(242,742)	152,258	152,258	977,258
- effect of change in accounting policy **(Note 3.1)**	-	197,471	-	(86,175)	(86,175)	111,296	111,296
- as restated	825,000	197,471	395,000	(328,917)	66,083	263,554	1,088,554
Issue of right shares	825,000	-	-	-	-	-	825,000
Cost of equity transaction **(Note 13)**	-	-	-	(8,832)	(8,832)	(8,832)	(8,832)
Transfer from surplus on revaluation of fixed assets	-	-	-	27,285	27,285	27,285	27,285
Share of surplus released from an associated company	-	(3,955)	-	3,955	3,955	-	-
Tax impact of surplus released from an associated company	-	1,383	-	-	-	1,383	1,383
Transfer from revenue reserve to accumulated loss / unappropriated profit **(Note 14)**	-	-	(395,000)	395,000	-	-	-
Profit after taxation for the period ended December 31,2005	-	-	-	96,379	96,379	96,379	96,379
Balance as at December 31, 2005	**1,650,000**	194,899	-	**184,870**	**184,870**	**379,769**	**2,029,769**

The annexed notes from 1 to 18 form an integral part of these financial statements.

Farrukh V. Junaidy
Chief Executive Officer

Khursheed Anwer Jamal
CFO/Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2005 (UNAUDITED

1. THE COMPANY AND ITS OPERATIONS

Dewan Cement Limited (formerly Pakland Cement Limited) was incorporated in Pakistan as a public limited company in March, 1980. Its shares are quoted on the Karachi and Lahore Stock Exchanges since June, 1989. The registered office of the company is situated at Dewan Centre, 3-A Lalazar, Beach Hotel Road, Karachi. The principal activity of the company is manufacturing and sale of cement.

2. BASIS OF PREPARATION

These unaudited financial statements are subjected to limited scope review by auditors and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34, "Interim Financial Reporting", as applicable in Pakistan. These financial statements should be read in conjunction with the published financial statements of the company for the year ended June 30, 2005.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies followed for the preparation of these financial statements are same as those applied in preparing the financial statements for the year ended June 30, 2005 except for the changes described in note 3.2 below.

3.2 Investments

Long-term In Associate

Investment in associate was previously accounted for by using the cost method of accounting and was subject to a review for impairment at each balance sheet date. Effective current period, as a consequence of revision of International Accounting Standard (IAS) - 28, the company has changed its accounting policy for investment in associate. From now onwards, investment in associated company is accounted for using the equity method. Under this method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the company's share of the profit or loss of the investee after the date of acquisition which is recognised in the profit and loss account. Dividend received, if any, reduces the carrying amount of investment. Changes in associate's equity including those arising from the revaluation of property, plant and equipment are recognised directly in the company's equity in proportion of the equity held. Profit / loss from transactions with associate is eliminated to the extent of company's equity held.

Short-term

Short-term investments were previously classified as available-for-sale. Consequent to revision of IAS -39, in line with the transitional provisions, the company has redesignated such investments as "financial assets at fair value through profit or loss". Such re-designation has no effect on the accounting policy applied for such investment or profit and loss for the current period. Consistent with previous practice, these investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, these are remeasured at fair value (generally the quoted market price). All realized and unrealized gains and losses arising from changes in fair value of investments are taken to profit and loss account in the period in which such gains and losses arise.

	Note	December 31, 2005	June 30, 2005
		----- (Rupees in '000') -----	

4. PROPERTY, PLANT AND EQUIPMENT

	Note	December 31, 2005	June 30, 2005
Operating fixed assets	4.1	**4,660,422**	4,799,146
Capital work-in-progress	4.2	**1,093,897**	673,220
		5,754,319	5,472,366

4.1 Operating fixed assets

	Note	December 31, 2005	June 30, 2005
Opening book value		**4,799,146**	5,057,069
Additions during the period / year	4.1.1	**665**	11,429
Disposal during the period / year	4.1.2	**(1,138)**	(742)
Depreciation charged during the period / year		**(138,251)**	(268,610)
		4,660,422	4,799,146

4.1.1 Additions during the period / year

	December 31, 2005	June 30, 2005
Furniture and fixture	**34**	2,891
Computer	**479**	1,418
Vehicles	**152**	7,120
	665	11,429

4.1.2 Disposals during the period / year (book value)

	December 31, 2005	June 30, 2005
Vehicles	**1,138**	742

4.2 Capital work-in-progress

	Note	December 31, 2005	June 30, 2005
Balance at the beginning of the period / year		**673,220**	347,193
Additions during the period / year:			
Building and roads		**43,031**	(1,704)
Plant, machinery and equipment	4.2.1	**363,446**	331,671
Advances to suppliers and contractors		**14,200**	(3,940)
		420,677	326,027
Transfer to operating fixed assets during the year		**-**	-
		1,093,897	673,220

4.2.1 Includes in transit plant, machinery and equipment amounting to Rs. 254.069 million.

5 LONG-TERM INVESTMENT – IN AN ASSOCIATE

5.1 Includes shares amounting to Rs. 897 million (June 30, 2005: Rs. 907 million) that have been pledged with banks / financial institutions against financing facilities provided to Dewan Hattar Cement Limited (formerly Saadi Cement Limited) (an associated company).

5.2 The market value of these shares as at balance sheet date was Rs. 1,292 million (June 30, 2005: Rs. 732 million).

	Note	December 31, 2005	June 30, 2005
		----- (Rupees in '000') -----	

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	Note	December 31, 2005	June 30, 2005
Fully paid in cash			
At the beginning of the period		**825,000**	825,000
Right shares issued during the period	6.1	**825,000**	-
At the end of the period		**1,650,000**	825,000

6.1 During the period, the company has issued 100 percent right shares to its existing shareholders.

7. SURPLUS ON REVALUATION OF FIXED ASSETS – Net

	December 31, 2005	June 30, 2005
Gross surplus		
Opening balance	**1,005,867**	1,251,397
Effect of reversal of waiver of borrowing cost	-	(192,839)
Transfer to accumulated loss in respect of incremental depreciation charged during the current period / year	**(27,285)**	(52,691)
	978,582	1,005,867
Less: Related deferred tax		
Opening balance	**331,930**	437,989
Reversal of deferred tax liability on account of incremental depreciation charged during the period and adjustment made during the period /year	**(9,450)**	(106,059)
	322,480	331,930
	656,102	673,937

8 Represents subordinated loans from the new sponsors of the company. During the period, a portion of such loan amounting to Rs. 446.502 million has been utilized against exercise of rights against right issue, whereas the remaining balance has been repaid.

9 Deferred taxation includes net effect of certain adjustments that were not included in the tax return for the tax year 2005 having an impact of Rs. 157.758 million. The management intends to revise the said tax return to claim such adjustments.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

(i) The company is a party to legal proceedings pending in various courts and agencies in which it appears as defendant and plaintiff aggregating to Rs. 340.66 million, the outcome of which cannot be established at this stage. The management, based on the strength of its cases and the advices of its lawyers, believes that no additional liability will arise out of these proceedings.

(ii) Guarantees amounting to Rs. 1.2 million (June 30, 2005: 1.2 million) have been furnished in favor of the Ministry of Commerce, in respect of import license fee on import of machinery and equipment. The guarantees have expired and the matter is presently pending under dispute with the said ministry. The recovery of margin against bank guarantees to the extent of Rs. 1.086 million (June 30, 2005: 1.086 million) is also dependent on the outcome of the above matter. The management anticipates a favorable outcome of the dispute.

(iii) The associated company Dewan Hattar Cement Limited's (DHCL's) shares owned by the company amounting to Rs. 693.36 million (60 million shares) have been pledged as security against TFC liability of the said associated company. Such security was provided by the company in the past because of its being principal sponsor of DHCL holding 43.24 percent of its equity, pursuant to covenants of the previous Scheme of Arrangement which have been continued in the present scheme of arrangements.

	December 31, 2005	June 30, 2005
	-----(Rupees in '000') -----	
10.2 Commitments		
Capital expenditure contracted for but not incurred	**212,376**	774
Acceptances and letters of credit	**270,692**	42,233
Guarantees issued in favour of the company	**122,574**	122,574

11. This includes donations for earthquake victims amounting to Rs. 0.833 million.

12. Includes interest income from the associated company (DHCL) amounting to Rs. 8.719 million (net of effect of elimination to the extent of equity held).

	Half-year ended		Quarter ended	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
	(Rupees in '000)			
13. EARNINGS PER SHARE – Basic and diluted				
Net profit for the period after tax	**96,379**	(23,461)	**35,667**	30,426
Weighted average number of ordinary shares in issue during the period (Restated for the effect of right issue)	**142,566,545**	96,106,472	**165,000,000**	96,106,472
Earnings per share - basic and diluted (Restated for the effect of right issue)	**Rs. 0.68**	Re. (0.24)	**Re. 0.22**	Re. 0.32

14. TRANSACTIONS WITH RELATED PARTIES

Related parties of the company comprise associated undertakings, staff retirement funds, directors and key management personnel. The company in the course of business carries out transaction with various related parties. Material transactions with related parties, are given below:

		Half-year ended		Quarter ended	
		December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
Relationship	**Nature of transactions**	(Rupees in '000)			
Associated company	Funds transferred	**119,939**	125,855	**159,733**	134,898
	Shared expenses	**3,493**	18,190	**1,032**	6,643
	Interest income gross	**20,164**	3,161	**16,164**	2,564
Employee benefit fund	Contribution to staff retirement funds	**4,137**	1,173	**2,388**	668
Other related parties	Funds received	**-**	-	**-**	-
	Loan repayment	**327,138**	-	**40,377**	-
	Loan received	**-**	455,000	**-**	592,000
	Interest accrued	**16,438**	14,691	**12,842**	6,311
	Purchases	**15,307**	-	**152**	-
	Sales	**7,969**	16,542	**5,345**	7,276
Chief Executive	Remuneration	**505**	197	**249**	112
Directors	Remuneration	**2,254**	1,115	**1,148**	557
Executives	Remuneration	**9,399**	5,033	**4,718**	2,521

14.1 The above transactions are at arm's length using admissible valuation methods.

15. Represents various costs incurred in connection with the issuance of equity instruments (right issue) of the company. These costs include incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The transaction cost of the equity transaction has been accounted for as a deduction from equity net of related income tax benefit in accordance with the requirements of International Accounting Standard 32 " Financial Instruments: Disclosure and presentation".

16. The Board of Directors in its meeting held on October 07, 2005 has resolved that revenue reserve and accumulated loss being shown in the statement of equity shall be netted off.

17. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 27-02-2006 by the Board of Directors of the company.

18. GENERAL

18.1 Figures for the quarters ended December 31, 2004 and December 31, 2005 were not subject to audit or limited scope review by the auditors.

18.2 Figures have been rounded off to the nearest thousand Rupees.

Farrukh V. Junaidy
Chief Executive Officer

Khursheed Anwer Jamal
CFO/Director