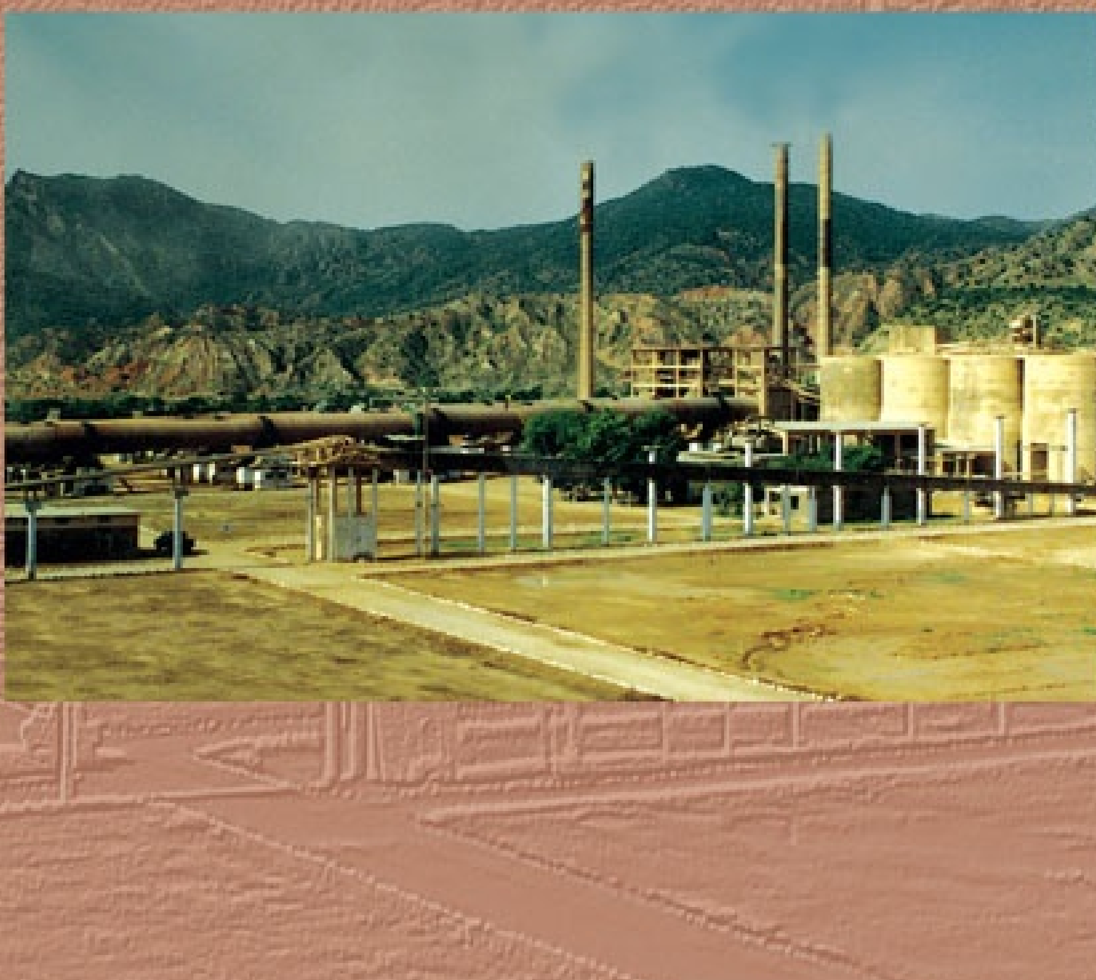
Annual Report 2006



GHARIBWAL CEMENT LIMITED

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Company Profile

BOARD OF DIRECTORS

Mr. Mohammad Tousif Peracha
Chairman & Chief Executive

Mr. A. Rafique Khan
Director

Mrs. Tabassum Tousif Peracha
Director

Mr. A. Shoeb Piracha
Director

Mr. M. Saleem Peracha
Director

Mr. M. Ishaque Khokhar
Director

Mr. Aameen Taqi Butt
Director

BANKERS

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

REGISTERED OFFICE

3-A / 3, Gulberg III, Lahore
Tel: 042-5871057-58
Fax: 042-5871056
E-mail: info@gharibwalcement.com

WORKS

Ismailwal, Distt. Chakwal

COMPANY WEBSITE

www.gharibwalcement.com

AUDIT COMMITTEE

Mrs. Tabassum Tousif Peracha
Chairperson and Member

Mr. Aameen Taqi Butt
Member

Mr. M. Saleem Peracha
Member

CHIEF FINANCIAL OFFICER

Mr. M. Ishaque Khokhar

COMPANY SECRETARY

Mr. Abbas Rashid Siddiqi

AUDITORS

M/s. Viqar A. Khan
Chartered Accountants

INTERNAL AUDITORS

M/s. Aftab Nabi & Co.
Chartered Accountants

LEGAL ADVISOR

M/s. Bandial & Associates, Lahore

SHARES REGISTRAR

M/s. Corplink (Pvt.) Ltd.
Share Registrar, Wings Arcade,
1-K, Commercial,
Model Town, Lahore.
Tel: 042-5887262, 5839182
Fax: 042-5869037

Vision Statement

GHARIBWAL has been at the forefront in building a strong and solid Pakistan over the past nearly forty five years. 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 of cement by a strong focus on customer satisfaction, a wide network of cement stockists spanning the Punjab and Azad Kashmir and we greatly value our patrons for their continued preference and loyalty for our cement.

GHARIBWAL envisions that the administrative and financial reforms instituted by the management in recent years shall be sustained in future periods to ensure the Company's prosperity and progress.

GHARIBWAL's cement plant, situated at a significant location in Punjab province, is poised to embrace the latest cement technology through the establishment of a modern, dry-process cement plant at its present location, thereby, thrusting its profitability to a higher domain along with achieving all-round plant efficiency and cost-control.

GHARIBWAL accordingly has a focused vision to rank high in performance amongst Pakistan's top 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 relationships with our customers and all other stake-holders by creating value additions and to construct a strong, durable and forward-moving Pakistan.

Notice of Annual General Meeting

NOTICE is hereby given that the 46th Annual General Meeting of the shareholders of Gharibwal Cement Limited for the financial year ended 30th June 2006 will be held on Saturday, 28th October 2006, at 11.00 A.M. at the Registered Office of the Company, 3-A/3, Gulberg-III, Lahore, to transact the following business:

Ordinary Business

1. To confirm the minutes of the Extra Ordinary General Meeting held on 16th March 2006.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2006, together with the Auditors' and Directors' Reports thereon.

3. To approve the cash dividend of 5% (Rs. 0.50 per share) to the shareholders of the Company (excluding the sponsoring directors, their spouses and their foreign/local associates) as recommended by the Board of Directors.

4. To appoint the 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.

Special Business

5. To consider and if thought fit to approve the renewal of the temporary short term advance facility of Rs. 70 million (Rupees seventy million) already sanctioned to M/s. Dandot Cement Company Limited, as 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 30, 2006

ABBAS RASHID SIDDIQI
Company Secretary

NOTES:

1. The Register of Members and the Share Transfer Books of the Company will remain closed from October 18, 2006, to October 28, 2006 (both days inclusive). Transfers received in order by our Shares Registrar at the close of business on Tuesday, October 17, 2006, will be considered in time to attend & vote at the meeting and for entitlement of dividend.

2. 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.

3. CDC shareholders are requested to bring their CNIC 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.

4. Members are requested to notify any change in their address and telephone numbers immediately to our Shares Registrar, M/s. Corplink (Pvt.) Ltd., 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 (upto a maximum aggregate sum of Rs. 70 million only), already sanctioned to Dandot Cement Company Limited, an associated company, for a further period of one year on the same terms and conditions.

Further Resolved that the 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 thereto."

STATEMENT U/S 160 OF THE COMPANIES ORDINANCE,1984

ITEM NO. 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 Ltd. (GCL). GCL owns 10,673,251 shares of DCCL and directly and indirectly controls 15.73% 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 control. 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 30, 2006, 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, 2006, the financial position of the investee company is as under:-

	Rupees in Million		Rupees in Million
Paid up capital	678.400	Loan term Loans / Leases and Liabilities	385.080
Share Premium Reserve	31.801	Sponsors' loans	664.000
Accumulated loss	(1,134.936)	Fixed capital expenditure	1,796.987
Surplus on revaluation of fixed assets	893.191	Long term loans and deposits	11.025
Net current liabilities	88.014		

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:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present, the Board includes two 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 the stock exchange.

4. Only one casual vacancy occurred during the year in the Board on August 22, 2005, on account of the resignation of Mr. M. Niaz Paracha. This directorship vacancy was duly and immediately filled-in by the directors.

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 and 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 was 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 director were arranged during the year to apprise them of their duties and responsibilities.

10. Mr. Zulfiqar A. Choudhry, resigned from the office of CFO during the year and his resignation was duly accepted by the Board w.e.f. April 30, 2006, and Mr. M. Ishaque Khokhar was appointed as CFO & Chief Accountant in his place on May 01, 2006, by the Board. Whereas, there was no new appointment of Company Secretary or Head of Internal Audit in the Company 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 out-sourced 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.

(M. TOUSIF PERACHA)
Chief Executive

Dated: September 30, 2006

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 and regulations of the country.

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 casual 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 their duties with diligence, honesty and integrity 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 nearly forty-five 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 arm's length and straight forward trading relationship with our stockists and retailers.

Public Relations – Gharibwal Cement Limited is an independent, Public Limited Company, listed on the Karachi and Lahore Stock Exchanges. 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 – Gharibwal Cement Limited deals with all its valued stake-holders, especially with government and financial institutions, on an arm's length and on the basis of honesty and merit. 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 pursued and executed 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, 2006.

M/S. VIQAR A. KHAN
CHARTERED ACCOUNTANTS

Lahore: September 30, 2006

Directors' Report to the Members

Your Directors have pleasure in submitting the Annual Report along with the audited financial statements of the Company for the year ended June 30, 2006.

Operational Performance & Quantitative Analysis

The operational performance of your Company for the year under review compared with the preceding year is tabulated below:

		2006	2005
Clinker Production	**M. Tons**	**436,335**	**459,995**
Capacity Utilization	% age	80.80%	85.18%
Cement Production	**M. Tons**	**428,300**	**490,210**
Capacity Utilization	% age	75.35%	86.24%
Despatches	**M. Tons**	**421,437**	**491,233**

During the year under review, capacity utilization of clinker & cement production along with despatches has decreased on account of major repair and maintenance of the currently operating wet process cement plant.

Operating Results

During the year under review, gross profit has increased to Rs. 274.80 million as compared to Rs. 149.62 million of the previous year. This increase is mainly due to favourable movement in the retention price of cement. Similarly, operating profit has enhanced to Rs. 183.66 million as compared to Rs. 71.30 million of the previous year.

The Profit before Taxation of the Company has reduced to Rs. 170.25 million (2006) as compared to Rs. 196.38 million (2005).This decline is due to golden handshake of the Head Office staff and due to the fact that an amount of Rs. 125.08 million was recorded as income from debt extinguishment last year (2005), arising mainly due to the directors' loan being written off to the extent of Rs. 84.110 million in favour of the Company, at the time of the right shares issue. If the impact of income from debt extinguishment is excluded from the accounting calculation for the previous year, then the Company's Profit for the current year both before and after-taxation reflects a note-worthy improvement.

The comparative financial results of the Company are summarized below which show positive variances despite drop in clinker production.

	2006	2005
	Rupees in thousands	
Net Sales	1,588,439	1,469,504
Gross Profit	274,797	149,619
% age to Net Sales	17.30%	10.18%
Pre Tax Profit	170,245	196,378
After tax Profit	167,155	188,878

Net sales revenue is 8.06% more than the net-sales revenue for the preceding year. This improvement in net-sales revenue along with gross profits and operating profits are mainly attributable to the continued price stability in the cement market, in spite of larger cement quantities supplied to the market by our main competitors, and the robust demand for cement, both for local consumption and for exports.

The Company has registered earnings of Rs. 1.09 per share for the year ended June 30, 2006, as against its earnings of Rs. 5.12 per share posted for the year ended June 30, 2005. The decrease in earnings per share is attributed to the new rights share issue of 135.00 million shares, successfully executed and incorporated in our books w.e.f. August 20, 2005, after approval by the Board in its meeting held on this date for the allotment of shares.

Dividends

The Board in its meeting concluded on September 30, 2006 has recommended 5% cash dividend (Rs. 0.50 per share) to the shareholders of the Company (excluding sponsoring directors, their spouses and their local & foreign associates) for the financial year 2006.

Future Prospects

The country's economy continues to move along robustly and healthy growth is visible in key sectors particularly banking, telecoms, IT, oil & gas, and cement & construction. The government's announcement to construct new dams in the country by the year 2016 including Diamir Bhasha Dam, K. Tungi Dam, Akora Dam, Kalabagh Dam, Munda Dam, and other large scale construction projects, new airports, dry ports, commercial centers, housing schemes, roads & highways in addition to increased domestic consumption are all positive and enabling factors for the growth of the cement industry in the future.

Resultantly, the cement sector of the country continues to expand. The total production capacity of the cement industry grew from 18 million tonnes in 2004-2005 to 21.64 million tonnes in 2005-2006 and is projected to reach at 33.80 million tonnes by the end of the current fiscal year (2006-2007). The industry is expected to reach an estimated production capacity of 42 million tonnes by 2009-2010.

The prospects for the cement sector are bright and promising given that the country is expected to build several new mega-dams over the next few years, there is a severe housing shortage of 500,000 to 600,000 houses per year in Pakistan, and concrete is required for the reconstruction of the earthquake hit areas. Moreover, the record allocation of Rs. 415 billion by the government under its PSDP program would fuel further cement demand during the next financial year.

Significant Plans & Decisions

(a) Financial

During the year 2005-2006, the Second Right Shares issue of the Company, comprising 135,000,000 ordinary shares of Rs. 10/- each, was successfully concluded. This right issue of Rs. 1,350 million was mainly made by the sponsors for financing the equity portion of the cost of the 6,700 tonnes per day (TPD) new dry project, which is expected to come online at the start of Financial Year 2008.

Consequently, in their meeting held on August 20, 2005, the Board of Directors of the Company made an allotment of 135 million right shares of Rs. 10/- each at par. The CDC confirmation of these shares was intimated to the Company on August 22, 2005.

The issuance of right shares has tremendously improved the equity composition of the Company; it enabled the financing of the new cement expansion project and shall help maintain an ideal debt-equity ratio as well in future.

During the year, the Company has decided to raise capital by issuance of listed, rated and secured Term Finance Certificates (TFCs) amounting to Rs. 500 million. In this regard, the Company has mandated Orix Investment Bank Limited to arrange and advise the raising of these funds from strategic investors.

These TFCs comprise of a Private Placement (Pre-IPO) amount of Rs. 240 million, a Public Placement (IPO) amount of Rs. 160 million and a green shoe option amounting to Rs. 100 million. The issuance of these TFCs will serve the purpose of restructuring the balance sheet of the Company by replacing its expensive debts.

Subsequent to balance sheet date the process of Private Placement (Pre-IPO) was concluded.

(b) Technical

We are pleased to report that our new cement plant of Chinese origin (M/s. TCDRI), with a capacity of 6,700 metric tonnes of clinker per day, shall be ready for commercial production by July 2007.

The new gas fired power plant of the Company has already started operation during the year under review which is entirely serving the power requirements of the existing wet process cement plant.

Corporate and Financial Reporting Framework

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:-

1. **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;

2. **Books of Account –** Proper books of account have been maintained;

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

4. **Compliance with International Accounting Standards (IAS) –** International Accounting Standards (IAS), as applicable in Pakistan, have been followed in preparation of the financial statements;

5. **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;

6. **Going Concern –** There are no doubts on the Company's ability to continue as a going concern;

7. **Best Practices of Corporate Governance –** There has been no material departure from the Best Practices of Corporate Governance, as detailed in the listing regulations where-ever applicable to the Company for the year ended June 30, 2006.

8. **Financial Highlights –** Key operating and financial data of last ten years is annexed.

9. **Outstanding Statutory Dues –** There are no outstanding payments on account of taxes, duties, levies and charges, which are outstanding as at June 30, 2006, except for those disclosed in the audited financial statements.

10. **Statements of value of Staff Retirement Funds –** The value of investments / assets of Employees Retirement Funds are as follows:-

    (a) Provident Fund
    As at June 30, 2006 (Un-audited) Rs. 56.796 million

    (b) Gratuity Fund
    As at June 30, 2006 (Un-audited) Rs. 67.567 million

11. **Board Meetings –** During the year, six 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	5
Mr. A. Rafique Khan	4
Mr. M. Niaz Paracha (Resigned from the Board on August 22, 2005)	1
Mrs. Tabassum Tousif Peracha (Appointed in place of Mr. M. Niaz Paracha)	2
Mr. A. Shoeb Piracha	6
Mr. M. Ishaque Khokhar	5
Mr. M. Saleem Peracha	-
Mr. Aameen Taqi Butt	4

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

12. Trading in Company's Shares

During the year, shares purchased / sold by Directors are given as under:

		No. of Shares	
		Purchased	**Sold**
i)	Mr. M. Tousif Peracha (CEO / Chairman / Director)	101,073,986	4,024,130
ii)	Mr. A. Rafique Khan (Director)	21,958,130	-
iii)	Mr. M. Saleem Peracha (Director)	55,028	62,500
iv)	Mr. A. Shoeb Piracha (Director)	1,830	-
v)	Mr. M. Ishaque Khokher (Director)	1,830	-
vi)	Mr. Aameen Taqi Butt	1,830	-

Note : All the shares purchased by the directors are predominantly related to the right issue.

13. 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 2006-2007. 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 and spirit. The Board extends its gratitude to the financial institutions for their valued co-operation for the Company's prosperity.

For and on behalf of the Board.

(M. TOUSIF PERACHA)
Chairman

Lahore: September 30, 2006

Summary of Last Ten Year's Financial Results

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
	(Rupees in Thousands)									
Trading Results										
Turnover	1,588,439	1,469,504	1,164,889	561,735	936,352	812,227	969,046	755,305	797,528	899,671
Gross Profit / (Loss)	274,797	149,619	95,641	(136,565)	1,523	(61,149)	121,134	(57,360)	(43,164)	(190,311)
Operating Profit / (Loss)	183,656	71,299	47,999	(117,239)	(54,311)	(109,613)	70,124	(98,599)	(86,482)	(241,770)
Profit / (Loss) before Taxation	170,245	196,378	112,894	(260,431)	(162,717)	(243,930)	18,768	(152,909)	(75,823)	(226,432)
Profit / (Loss) after Taxation	167,155	188,878	115,323	(199,765)	(156,916)	(224,169)	44,465	(151,207)	(79,666)	(248,722)
Balance Sheet										
Shareholders Equity	2,035,466	1,114,743	66,875	(257,186)	(487,068)	(330,152)	66,696	22,231	173,438	253,104
Operating Fixed Assets	2,520,975	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
Net Current Assets / (Liabilities)	105,822	284,931	(231,768)	(488,610)	(343,124)	(281,081)	128,748	(72,746)	(9,964)	148,569
Long Term Liabilities	450,719	388,563	752,174	667,382	694,130	575,912	443,787	172,775	153,263	139,474
Significant Ratios										
Gross Profit Ratio %	17.30	10.18	8.21	(24.31)	0.16	(7.53)	12.50	(7.59)	(5.41)	(21.15)
Net Profit Ratio %	10.52	12.85	9.90	(35.56)	(16.76)	(27.60)	4.59	(20.02)	(9.99)	(27.65)
Fixed Assets Turnover Ratio	0.63	1.29	0.99	0.46	0.71	0.60	0.95	0.70	0.92	0.99
Debt: Equity Ratio	0.22	0.35	11.25	-	-	-	6.65	7.77	0.88	0.55
Current Ratio	1.15	1.67	0.51	0.32	0.47	0.44	1.21	0.77	0.97	1.56
Interest Cover Ratio	5.24	2.57	3.57	(1.65)	(0.35)	(0.57)	1.36	(1.77)	(0.54)	(46.86)

Pattern of Shareholding

As at June 30, 2006

Sr. No	Number of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held	Percentage
1	771	1	100	30,499	0.02%
2	704	101	500	233,819	0.14%
3	643	501	1,000	575,977	0.34%
4	1124	1,001	5,000	3,237,470	1.88%
5	253	5,001	10,000	2,040,721	1.19%
6	67	10,001	15,000	1,011,982	0.59%
7	62	15,001	20,000	1,154,953	0.67%
8	55	20,001	25,000	1,306,908	0.76%
9	17	25,001	30,000	486,000	0.28%
10	15	30,001	35,000	505,423	0.29%
11	17	35,001	40,000	652,089	0.38%
12	15	40,001	45,000	638,547	0.37%
13	26	45,001	50,000	1,287,000	0.75%
14	8	50,001	55,000	428,129	0.25%
15	4	55,001	60,000	234,000	0.14%
16	5	60,001	65,000	313,801	0.18%
17	4	65,001	70,000	271,000	0.16%
18	5	70,001	75,000	371,476	0.22%
19	1	75,001	80,000	76,161	0.04%
20	1	90,001	95,000	90,500	0.05%
21	11	95,001	100,000	1,100,000	0.64%
22	2	100,001	105,000	204,000	0.12%
23	3	105,001	110,000	327,500	0.19%
24	4	110,001	115,000	452,000	0.26%
25	3	115,001	120,000	354,828	0.21%
26	1	120,001	125,000	123,000	0.07%
27	3	125,001	130,000	384,500	0.22%
28	1	130,001	135,000	135,000	0.08%
29	1	135,001	140,000	137,500	0.08%
30	2	140,001	145,000	285,702	0.17%
31	1	150,001	155,000	152,000	0.09%
32	1	155,001	160,000	160,000	0.09%
33	1	160,001	165,000	160,100	0.09%
34	3	195,001	200,000	600,000	0.35%
35	2	200,001	205,000	404,000	0.24%
36	1	225,001	230,000	227,500	0.13%
37	1	245,001	250,000	250,000	0.15%
38	1	250,001	255,000	252,000	0.15%
39	1	255,001	260,000	259,500	0.15%
40	1	295,001	300,000	300,000	0.17%
41	2	300,001	305,000	604,410	0.35%
42	1	340,001	345,000	342,700	0.20%
43	1	495,001	500,000	500,000	0.29%
44	1	620,001	625,000	625,000	0.36%
45	1	795,001	800,000	799,500	0.47%
46	1	1,500,001	1,505,000	1,501,000	0.87%
47	1	1,710,001	1,715,000	1,713,500	1.00%
48	1	2,175,001	2,180,000	2,177,000	1.27%
49	1	2,320,001	2,325,000	2,323,000	1.35%
50	1	4,080,001	4,085,000	4,082,112	2.38%
51	1	4,280,001	4,285,000	4,282,112	2.49%
52	1	28,430,001	28,435,000	28,431,174	16.54%
53	1	103,275,001	103,280,000	103,279,324	60.09%
TOTAL:	**3,865**			**171,876,417**	**100.00%**

	Categories of Shareholders	Number of Shares Held	Percentage of Shareholding
I	Directors, Chief Executive Officer and their spouse and minor children	131,854,734	76.71%
II	Associated Companies, undertakings and related parties	8,364,224	4.87%
III	NIT and ICP	1,992	0.00%
IV	Banks, Development Financial Institutions, Non Banking Financial Institutions	3,950,566	2.30%
V	Insurance Companies	56,755	0.03%
VI	Modarabas and Mutual Funds	500	0.00%
VII	Shareholders holding 10% or more	131,710,498	76.63%
VIII	General Public		
	a. Local	24,984,597	14.54%
	b. Foreign	-	-
IX	Others (to be specified)		
	- Joint Stock Companies	2,499,123	1.45%
	- Tehrik-i-Jadid Anjuman Ahmadiya Pakistan	607	0.00%
	- Sadar Anjuman Ahmadiya Pakistan	24,448	0.01%
	- The Ahmadiya Anjuman Ishaat-e-Islam	934	0.00%
	- Dacca Benevolent Association	17,437	0.01%
	- Sarhad Rural Support Programme	100,000	0.06%
	- Trustee - NWFP Pension Fund	500	0.00%
	- Pakistan Memon Educational & Welfare Society	20,000	0.01%

Pattern of Shareholding

As at June 30, 2006
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**	**8,364,224**
	i.	M/s. Astoria Investments Limited	1	4,282,112
	ii.	M/s. Topaz Holdings Limited	1	4,082,112
II	**NIT/ICP**		**1**	**1,992**
	i.	Investment Corporation of Pakistan	1	1,992
III	**Directors, Chief Executive Officer, their Spouse and Minor Children**		**9**	**131,854,734**
	Directors			
	i.	Mr. A. Rafique Khan	1	28,431,174
	ii.	Mr. M. Saleem Peracha	1	7,560
	iii.	Mrs. Tabassum Tousif Peracha	1	6,025
	iv.	Mr. M. Ishaque Khokhar	1	2,330
	v.	Mr. Aameen Taqi Butt	1	2,330
	vi.	Mr. A. Shoeb Piracha	1	2,330
	Chief Executive Officer			
	i.	Mr. M. Tousif Peracha	1	103,279,324
	Directors' Spouse			
	i.	Mrs. Erum Shoeb Peracha W/O Mr. A. Shoeb Peracha	1	47,500
	ii.	Mrs. Salma Khan W/O Mr. A. Rafique Khan	1	76,161
IV	**Executives**		**NIL**	**NIL**
V	**Public Sector Companies and Corporations**		**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**	**4,007,821**
VII	**Shareholders Holding Ten Percent or More Voting Interests**		**2**	**131,710,498**
	i.	Mr. A. Rafique Khan	1	28,431,174
	ii.	Mr. M. Tousif Peracha	1	103,279,324

(M. TOUSIF PERACHA)
Chief Executive

Auditors' Report to the Members

We have audited the annexed balance sheet of **GHARIBWAL CEMENT LIMITED** as at June 30, 2006 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 our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit 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 accounts and are further in accordance with accounting policies consistently applied except for the departure stated in note 3.4 for the reason stated in note 21.1 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, 2006** and of the profit, its cash flows and changes in equity for the year then 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 30, 2006

Balance Sheet

	Note	2006	2005
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorized share capital 250,000,000 (2005: 250,000,000) ordinary shares of Rs. 10 each		2,500,000	2,500,000
Issued, subscribed and paid up share capital	4	1,718,764	368,764
Shares subscription money		-	859,528
General reserve		332,000	332,000
Accumulated loss		(15,298)	(445,549)
		2,035,466	1,114,743
SURPLUS ON REVALUATION OF FIXED ASSETS	5	1,108,540	468,946
NON CURRENT LIABILITIES			
Long Term Loans, Finances and Other Payables	6	87,077	120,761
Long Term Foreign Currency Loans and Other Payables	7	178,578	175,847
Liabilities against assets subject to finance lease	8	183,754	90,570
DEFERRED LIABILITIES			
Deferred taxation	9	-	-
Deferred income	10	-	5,366
Accumulated compensated absences	11	16,586	17,167
Deferred mark-up	12	-	-
Frozen termination benefits	44	1,944	-
Frozen lease liabilities - net	13	-	-
		18,530	22,533
LONG TERM DEPOSITS FROM CUSTOMERS	14	1,310	1,385
CURRENT LIABILITIES			
Trade and other payables	15	341,265	280,269
Accrued interest / mark-up	16	14,886	9,133
Short term loans and finances	17	218,117	27,231
Current portion of non-current liabilities	18	75,452	86,958
Taxes and duties	19	39,119	23,176
		688,839	426,767
CONTINGENCIES AND COMMITMENTS	20	-	-
		4,302,094	2,421,552

The annexed notes 1 to 55 form an integral part of these financial statements.

(M. TOUSIF PERACHA)
Chief Executive

as at June 30, 2006

	Note	2006	2005
		(Rupees in thousand)	
NON CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	21	2,520,975	1,142,201
Capital work-in-progress	22	848,601	238,358
Stores held for capital expenditure	23	74,663	71,416
		3,444,239	1,451,975
LONG TERM INVESTMENTS	24	963	173,281
LONG TERM LOANS AND ADVANCES TO STAFF	25	6,673	9,108
LONG TERM DEPOSITS AND PREPAYMENTS	26	1,366	1,298
DEFERRED COST	27	54,192	74,192
CURRENT ASSETS			
Stores, spares and loose tools	28	209,505	131,685
Stock in trade	29	135,723	24,197
Trade debtors	30	-	-
Loan and advances	31	101,304	88,046
Trade deposits and short term prepayments	32	25,136	13,382
Accrued interest	33	4,036	3,541
Other receivables	34	471	33,686
Short term investment	35	161,524	100,000
Cash and bank balances	36	156,962	317,161
		794,661	711,698
		4,302,094	2,421,552

(A. SHOEB PIRACHA)
Director

Profit and Loss Account
for the Year ended June 30, 2006

	Note	2006	2005
		(Rupees in thousand)	
SALES - NET	37	1,588,439	1,469,504
COST OF SALES	38	1,313,642	1,319,885
GROSS PROFIT		274,797	149,619
General and administrative expenses	39	62,655	55,810
Selling and distribution expenses	40	6,459	7,186
Other operating expenses	41	11,614	9,110
		80,728	72,106
		194,069	77,513
OTHER OPERATING INCOME	42	32,880	39,173
		226,949	116,686
FINANCE COST	43	43,293	45,387
OPERATING PROFIT		183,656	71,299
Termination benefits	44	16,495	-
Loss on sale of investment in associates	24.2	2,282	-
		18,777	-
		164,879	71,299
Income from debt extinguishment	45	5,366	125,079
PROFIT BEFORE TAXATION		170,245	196,378
TAXATION			
- Current	19.1	3,090	7,500
- Deferred		-	-
		3,090	7,500
PROFIT AFTER TAXATION		167,155	188,878
EARNINGS PER SHARE (RUPEES)	46	1.09	5.12

The annexed notes 1 to 55 form an integral part of these financial statements.

(M. TOUSIF PERACHA)
Chief Executive

(A. SHOEB PIRACHA)
Director

Cash Flow Statement
for the Year ended June 30, 2006

	Note	2006	2005
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	47	480,991	492,833
Financial charges paid		(51,938)	(43,240)
Taxes and duties paid		(315,104)	(384,781)
Provision for compensated absences (net)		-	1,197
Gratuity payments		(8,797)	(125)
Compensated absences paid		(2,322)	-
Net decrease in long term loans and advances to staff		2,694	487
Net decrease in long term deposits and prepayments		(68)	13
Net decrease in long term deposits from customers		(75)	(160)
Net cash inflow/(outflow) from operating activities		105,381	66,224
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,139,326)	(222,416)
Proceeds from sale of fixed assets		300	2,077
Encashment / (Purchase) of Certificate of Investments		100,000	(100,000)
Proceeds from sale of investments		-	15
Proceeds from sale of investments in associate		9,167	-
Dividend income from investments in associate		5,715	-
Interest received		19,276	1,046
Net cash outflow from investing activities		(1,004,868)	(319,278)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of right shares		490,472	859,528
Repayment of long term loans and finances		(38,921)	(328,552)
Proceeds of long term loans and finances		-	40,000
Proceeds from lease finance - net		136,350	90,000
Proceeds of director's loans		137	83,793
Repayment of director's loans		(4,900)	(77,380)
Proceeds of long term foreign currency loans		-	5,888
Repayment of lease finance liabilities		(34,736)	(19,482)
Short term finances - net		190,886	(77,270)
Transactional cost of right issue		-	(11,293)
Shares purchase consideration paid		-	(2,000)
Net cash inflow from financing activities		739,288	563,232
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(160,199)	310,178
CASH AND CASH EQUIVALENTS - at the beginning of the year		317,161	6,983
CASH AND CASH EQUIVALENTS - at the end of the year	48	156,962	317,161

The annexed notes 1 to 55 form an integral part of these financial statements.

(M. TOUSIF PERACHA)
Chief Executive

(A. SHOEB PIRACHA)
Director

Statement of Changes in Equity
for the Year ended June 30, 2006

Particulars	Share Capital	Shares Subscription Money	General Reserve	Accumulated Loss	Total
	(Rupees in thousand)				
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	-	-	-	1,777	1,777
Transactional costs on right issue	-	-	-	(11,293)	(11,293)
Balance as at June 30, 2005	368,764	859,528	332,000	(445,549)	1,114,743
Profit for the year ended June 30, 2006	-	-	-	167,155	167,155
Shares subscription money	-	490,472	-	-	490,472
Issuance of 135,000,000 right shares of Rs. 10 each	1,350,000	(1,350,000)	-	-	-
Surplus on revaluation of fixed assets transferred:					
- Incremental depreciation charged during the year [net off deferred tax of Rs. 4.14 million]	-	-	-	7,687	7,687
Deferred tax attributable to incremental surplus (note 5)	-	-	-	255,409	255,409
Balance as at June 30, 2006	1,718,764	-	332,000	(15,298)	2,035,466

The annexed notes 1 to 55 form an integral part of these financial statements.

(M. TOUSIF PERACHA)
Chief Executive

(A. SHOEB PIRACHA)
Director

Notes to the Accounts
for the Year ended June 30, 2006

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 3.9 have been incorporated in the cost of relevant assets. Further, certain investments have been included at their market value and staff retirement benefits for gratuity and compensated absences have been recognized at present value.

The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in respective notes to the financial statements.

3.2 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.

3.3 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.

3.4 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 21. During the year, the Company has changed the accounting estimate for the period of depreciation to meet the requirement of revised IAS - 16. Now depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal. Had there been no change in the accounting estimate, the profit before tax for the year would have been lower by Rs. 21 million and the written down value of operating fixed assets would be lower by Rs. 21 million.

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 except for the two gas based power generators which are stated at cost (Refer to note 21). 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 21 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.

3.5 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.

3.6 Stock-in-trade

Basis of valuation are as follows:

Particulars	*Mode of valuation*
Raw materials	- At lower of annual average cost and net realizable 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 realizable 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.

3.7 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.

3.8 Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as long term. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

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

Other investments - In accordance with the revised international accounting Standard 39 ‘Financial Instrument: Recognition and Measurement’ which is applicable for the accounting year beginning on or after January 01, 2005, the existing other long term investments portfolio of the Company qualifies as investment at fair value through profit or loss.

Investments at fair value through profit or loss: All investments classified as investments at fair value through profit or loss, are initially measured at cost being fair value of consideration given. At subsequent reporting date these investments are measured at fair value (quoted market price), unless fair value could not be measured reliably. The investments, for which quoted market price is not available, is measured at cost as it is not possible to apply any other valuation methodology. Realized and unrealized gains and losses arising from change in fair value are included in the profit or loss for the period in which they arise.

Investment available for sale: All investments classified as available for sale are initially recognized at cost being fair value of consideration given. At subsequent reporting dates these investments are measured at fair value. Unrealized gains or losses from changes in fair values are recognized in equity. Realized gains or losses are taken to profit or loss account.

Investments held to maturity – Investments with fixed maturity that the management has the intention 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.

3.9 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 transated 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 05, 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.

3.10 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.

3.11 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.

3.12 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.

3.13 Financial instruments

Financial assets are short term 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.

3.14 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.

3.15 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.

3.16 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.

3.17 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 05, 2004, no deferred cost is included in the financial statements.

4. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Ordinary shares of Rs. 10 each fully paid:

2006 Nos.	2005 Nos.			2006 (Rupees in thousand)	2005 (Rupees in thousand)
23,445,000	23,445,000	In cash		234,450	234,450
135,000,000	-	In cash	4.2	1,350,000	-
13,431,417	13,431,417	As bonus shares		134,314	134,314
171,876,417	36,876,417			1,718,764	368,764

4.1 Astoria Investments Limited and Topaz Holdings Limited (foreign Associated Undertakings incorporated in Island of Nevis) held 4,282,112 and 4,082,112 shares respectively, of the Company as at June 30, 2006 (2005: 4,282,112 and 2,782,112 shares respectively).

4.2 During the year, the process of issuance of 135,000,000 ordinary shares of Rs.10 each as right issue at an offer price of Rs.10 each has been completed and accordingly the company has made allotment to the subscribers of these shares.

	Note	2006	2005
		(Rupees in thousand)	

5 SURPLUS ON REVALUATION OF FIXED ASSETS

	Note	2006	2005
Opening balance		468,946	477,924
Surplus arose during the year	5.1	902,690	-
		1,371,636	477,924
Surplus transferred to retained earnings (accumulated loss):			
- Incremental depreciation charged during the year [net off deferred tax of Rs. 4.14 million (2005:Rs. 4.4 million]		(7,687)	(8,119)
- Deferred tax attributable to Incremental surplus		(255,409)	-
- Realized on disposal of fixed assets [net off deferred tax of Rs. 0.462 million]		-	(859)
		(263,096)	(8,978)
		1,108,540	468,946

5.1 During the year, the Company revalued its freehold land, building and plant & machinery including heavy vehicles and railway siding located at its Plant Site at Ismailwal, Tehsil Choa Saiden Shah, Distt. 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 cost. Revaluation was carried out as at June 30, 2006 by an independent valuers M/S Hamid Mukhtar & Co. (Pvt) Ltd. Lahore, which produced an incremental surplus as under:

	As at June 30, 2006		
	Revalued Amount	Book Value Revalued	Surplus
	Rs. '000	Rs. '000	Rs. '000
Freehold land	572,495	399,546	172,949
Building and foundation:			
- on freehold land	203,116	138,561	64,555
- on leasehold land	6,719	2,649	4,070
Heavy vehicles	34,494	6,172	28,322
Plant and machinery	1,192,408	560,648	631,760
Railway siding	3,750	2,716	1,034
	2,012,982	1,110,292	902,690

The revaluation produced an incremental surplus of Rs. 902.69 million which was credited to 'surplus on revaluation of fixed assets account' to comply with the requirements of Section 235 of the Companies Ordinance, 1984.

5.2 Earlier revaluation of freehold land, buildings, plant & machinery including heavy vehicles 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.

	Note	2006	2005
		(Rupees in thousand)	

6. LONG TERM LOANS, FINANCES AND OTHER PAYABLES

	Note	2006	2005
Banks and financial institutions - secured			
Saudi Pak Commercial Bank	6.1	42,250	55,250
Saudi Pak Industrial and Agricultural Investment Co.	6.2	22,500	30,000
Orix Investment Bank Pakistan Ltd	6.3	23,684	30,000
First Credit and Discount Corporation Ltd	6.3	7,895	10,000
		96,329	125,250
Director's loans - unsecured	6.4	19,669	24,432
Restructured lease liabilities - secured			
NIB Bank Limited	6.5		
(Formerly: NDLC - IFIC Bank Limited)		-	10,000
		115,998	159,682
Less: Current portion grouped under current liabilities	18	28,921	38,921
		87,077	120,761

6.1 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.

6.2 This represents the balance of 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 6.1 and 6.2 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. 529.40 million(2005:Rs. 1.96 billion) and personal guarantees of the directors.

6.3 During last year, the Company entered into agreement with foreign suppliers to import two gas-based electric power generators for a total consideration of Rs. 326 million out of which Rs. 6 million was paid by Orion Shipping and Trading Limited, an associated foreign entity (Refer to note 7.2). To finance the balance Rs. 320 million, the Company entered into a finance agreement with a consortium of financial institutions lead by Orix Investment Bank Pakistan Ltd. (Orix).

According to the terms of finance agreement, Rs. 30 million was to be contributed by the Company itself whereas the balance amount of Rs. 290 million to be financed by the consortium out of which Rs. 40 million to be provided as a term loan whereas the balance Rs. 250 million as lease finance. Term finance of Rs. 40 million and lease finance of Rs. 100 million was disbursed by the consortium during last year whereas balance lease finance of Rs. 150 million was disbursed during the current year (Refer to note 8). These generators have been installed and have started working during the current year and hence transferred from capital work in progress to fixed assets.

This 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 installments 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.

6.4 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. More over, the directors have undertaken that they would not demand the repayment of these loans before July 2007.

6.5 The Company, during the year ended June 30,2004 entered into an 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. During the year, the company paid last installment of Rs. 10 million in accordance with the terms of aforesaid agreement, accordingly the entire lease liability stands fully discharged and the remaining balance of the resulting waiver amounting to Rs. 5.366 million was recognized as income (Refer note 10).

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

	Note	2006	2005
		(Rupees in thousand)	
Associated undertakings			
Infiniti Continental Inc.	7.1	92,288	90,229
Orion Shipping & Trading Limited	7.2	86,290	85,618
		178,578	175,847

7.1 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 July 2007.

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. 110.71 (2005: Rs.108.24).

7.2 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 year 2004. 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 last year, M/s Orion Shipping & Trading Limited made advance payment of US$ 100,000, to Ms RTO Power Llc for supply of Gas based electric power generators on behalf of the company. This credit is interest free and payable during the financial year 2007-2008 (Refer Note 6.3).

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 (2005: US$: 1,429,828) have been translated into Pak Rupees at the exchange rate prevalent on the balance sheet date i.e. 1 US$ = Rs. 60.35 (2005: Rs. 59.88).

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2006 (Rupees in thousand)	2005 (Rupees in thousand)
Minimum lease payments due:			
not later than one year		137,463	46,782
later than one year and not later than five years		267,329	176,970
later than five years		-	9,953
		404,792	233,705
Financial charges:			
accrued but not paid		2,219	723
allocated to future lease payments		87,178	40,445
		89,397	41,168
		315,395	192,537
Less: Security deposits adjustable on expiry of lease terms		85,110	69,136
		230,285	123,401
Present value of future minimum lease payments due:			
not later than one year		46,531	32,831
later than one year and not later than five years		183,754	86,303
later than five years		-	4,267
		230,285	123,401
Less: Current portion grouped under current liabilities:			
Overdue installments		46	28
Installments due within following twelve months		46,485	32,803
	18	46,531	32,831
		183,754	90,570

During the year the Company has obtained further lease finance of Rs. 150 million (2005: 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 6.3). 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. 25 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. 60.11 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. 529.40 million (2005: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.

9. DEFERRED TAXATION

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

	Note	2006	2005
		(Rupees in thousand)	
Deferred tax arose due to:			
Deductible temporary differences		252,313	159,285
Carry forward unused tax losses		806,558	607,585
Incremental revaluation surplus		729,740	-
Taxable temporary difference including incremental surplus		(1,468,963)	(535,824)
		319,648	231,046

10 DEFERRED INCOME

	Note	2006	2005
Opening balance		5,366	10,733
Less: Recognized during the year	45	5,366	5,367
		-	5,366

Refer to contents of Note 6.5

11 ACCUMULATED COMPENSATED ABSENCES

	2006	2005
Net liability at the beginning of the year	17,167	17,747
Expense recognized in income statement	1,741	2,204
Benefits paid during the year	(2,322)	(1,007)
Transitional asset credited to retained earnings	-	(1,777)
	16,586	17,167
Reconciliation of the liability recognized in the balance sheet		
Present value of defined benefit obligations as at June 30	17,167	15,970
Interest cost	1,545	1,437
Current service cost	817	670
Actuarial losses / (gains)	(621)	97
Benefits paid during the year	(2,322)	(1,007)
Present value of defined benefit obligations as at June 30	16,586	17,167

Principal actuarial assumptions

The latest actuarial valuation was carried out as at June 30, 2006 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

	2006	2005
Discount rate	9% p.a.	9% p.a.
Expected rate of future salary increase	8% p.a.	8% p.a.
Average number of leaves accumulated per annum	7 days	7 days

Expense recognized in the income statement

	2006	2005
Current service cost	817	670
Interest cost	1,545	1,437
Actuarial losses / (gains)	(621)	97
	1,741	2,204

		Note	2006	2005
			(Rupees in thousand)	
12	**DEFERRED MARK UP**			
	Opening balance		-	10,186
	Add: Mark-up accrued / deferred during the year		-	5,615
			-	15,801
	Less: Paid during the year		-	595
			-	15,206
	Less: Transferred to current liabilities		-	15,206
			-	-
13	**FROZEN LEASE LIABILITIES - net**			
	Askari Leasing Limited	13.1	-	-
	Crescent Commercial Bank Limited	13.2	-	-
			-	-
	13.1 Askari Leasing Limited			
	Balance of frozen lease liabilities at year-end		-	134,122
	Less: Principal balance of COI		-	72,500
	Interest accrued on COI till year-end		-	61,622
			-	134,122
			-	-
	13.2 Crescent Commercial Bank Limited			
	Balance of frozen lease liabilities at year-end		-	163,062
	Less: Principal balance of COI		-	105,000
	Interest accrued on COI till year-end		-	22,460
			-	127,460
			-	35,602
	Waiver on settlement of entire liability		-	(35,602)
			-	-

14 LONG TERM DEPOSITS FROM CUSTOMERS

These represent interest free securities received from dealers which are refundable on termination of dealerships (Refer Note. 36.2).

	Note	2006	2005
		(Rupees in thousand)	

15 TRADE AND OTHER PAYABLES

	Note	2006	2005
Creditors		90,346	105,269
Import bills payable		127,413	-
Accrued liabilities		74,757	98,023
Advances from customers		17,422	34,325
Due to:			
Employees		488	278
Directors		53	65
Due to Workers' Profit Participation Fund	15.1	15,178	10,127
Due to gratuity fund trust	15.2	5,442	8,717
Due to provident fund trust	15.3	1,334	1,376
Sales tax payable		163	15,741
Income tax deducted at source payable		2,025	465
Interest free deposits:			
Repayable on demand		2,894	1,763
Others		3,053	3,469
		5,947	5,232
Others		697	651
		341,265	280,269

15.1 Workers (profit) participation fund

	Note	2006	2005
Opening balance		10,127	6,055
Add: Allocation for the year	41	8,702	3,769
Interest on funds utilized by the Company		462	303
		9,164	4,072
		19,291	10,127
Less: Amount paid during the year		4,113	-
		15,178	10,127

15.2 Due to gratuity fund trust

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

Movement in the liability recognized in the balance sheet	2006	2005
Net liability at the beginning of the year	8,717	4,514
Expense recognized in income statement	5,260	4,328
Liability transferred from associated company	623	-
Liability transferred to associated company	(361)	-
Contribution to the fund by the Company	(8,797)	(125)
	5,442	8,717

Reconciliation of the liability recognized in the balance sheet	2006	2005
Present value of defined benefit obligations	71,567	70,528
Fair value of plan assets	(67,568)	(62,221)
Unrecognized actuarial losses	(1,611)	(1,084)
Benefits payable to outgoing employees	3,054	1,494
	5,442	8,717

Principal actuarial assumptions

The latest actuarial valuation was carried out as at June 30, 2006 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

	Note	2006	2005
		(Rupees in thousand)	
Discount rate		9% p.a.	9% p.a.
Expected rate of future salary increase		8% p.a.	8% p.a.
Expected rate of return		9% 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		67,568	62,221
Fair value of plan assets at beginning of the year		(62,221)	(60,017)
Contribution to the fund by the Company		(8,797)	(125)
Benefits paid		8,797	1,649
		5,347	3,727
Expense recognized in the income statement			
Current service cost		4,512	3,975
Interest cost		6,348	5,155
Expected return on plan assets		(5,600)	(4,801)
		5,260	4,329

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:

Cost of sales	3,670	3,757
General and Administrative expenses	1,369	489
Selling and distribution	220	83
	5,259	4,329

15.3 The Company during the year made contributions to provident fund trust aggregating Rs.4.29 million (2005: Rs.4.043 million).

16 ACCRUED INTEREST / MARK UP

Interest / mark-up accrued on:

Long term loans and finances	2,617	3,364
Lease finances	2,219	729
Short term borrowings	7,065	5,040
Long term foreign currency loans form associated undertaking	2,985	-
	14,886	9,133

17. SHORT TERM LOANS AND FINANCES

	Note	2006	2005
		(Rupees in thousand)	
Banks - secured			
Saudi Pak Commercial Bank	17.1	50,160	9,731
Standard Chartered Bank	17.2	37,709	-
Kasb Bank			
Running finance I	17.3	70,748	-
Running finance II	17.4	42,000	-
		200,617	9,731
Others - unsecured			
Others	17.5	17,500	17,500
		218,117	27,231

17.1 This represents balance of a running finance facility of Rs.43 million carrying mark-up @ KIBOR (six month average ask rate) + 5% p.a with a floor of 12% 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. 529.40 million(2005: Rs. 1.96 billion).

Of the aggregate facility of Rs. 80 million (2005: 80 million) for opening letters of credit and Rs.101.959 million (2005: Rs. 101.959 million) for guarantees, the amount utilized at June 30, 2006 was Rs. 17.5 million (2005: NIL) and Rs.101.959 million (2005: Rs. 101.959 million) respectively. These facilities are secured against ten percent cash margin, lien on import document and personal guarantees of directors. Guarantees are further secured against securities mentioned in Note 17.1 above.

17.2 This represents the balance of a running finance facility of Rs.57 million (2005: Rs. Nil) . This facility carries mark-up at the rate of 9.50 % per annum payable on quarterly basis and is secured against Fixed deposit of Rs. 40 million under lien with the bank (Refer to note 36.3).

17.3 This represents balance of a running finance facility of Rs.100 million (2005:Rs. Nil) carrying mark-up @ KIBOR (six month average ask rate) + 3% p.a with a floor of 12% p.a. payable on quarterly basis. The facility is secured by way of ranking charge on plant & machinery to the extent of Rs. 632 million.

Of the aggregate facility of Rs. 175.31 million (2005:Nil) for issuance of bank guarantees on behalf of the Company, the amount utilized at June 30, 2006 was Rs. 175.31 million (2005: NIL). This facility is secured against ten percent cash margin, counter guarantee of the Company and ranking charge on plant & machinery amounting to Rs.150 million.

Of the aggregate facility of Rs. 402 million (2005:Nil) for opening of letter of credit, the amount utilized at June 30, 2006 was Rs. 212.99 million (2005: NIL) . This facility is secured against five percent cash margin, lien on import document and ranking charge on plant & machinery amounting to Rs.150 million.

17.4 This represents balance of a running finance facility of Rs.100 million (2005:Rs. Nil) carrying mark-up @ KIBOR (six month average ask rate) + 3% p.a with a floor of 12% p.a. payable on quarterly basis. The facility is secured by way of deposit of Rs. 42 million under lien with the bank (Refer to note 36.4).

17.5 This represents the utilized amount of the total short term finance facility of Rs. 17.5 million (2005: 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.

18 CURRENT PORTION OF NON CURRENT LIABILITIES

	Note	2006	2005
		(Rupees in thousand)	
Long term loans, finances and other payables	6	28,921	38,921
Liabilities against assets subject to finance lease		46,531	32,831
Deferred mark-up		-	15,206
		75,452	86,958

	Note	2006	2005
		(Rupees in thousand)	
19 TAXES AND DUTIES			
Provision for taxation	19.1	29,861	13,955
Excise duty	20.1	1,760	1,760
Local taxes		5,773	5,773
Excise duty on cement		753	-
Excise duty on minerals		228	860
Royalty		744	828
		39,119	23,176
19.1 Provision for taxation - net			
Opening balance		13,955	13,434
Provision made during the year			
- Current year	(b)	8,050	7,500
- Prior years'		(4,960)	-
		3,090	7,500
		17,045	20,934
Less: Payment of advance tax / tax deducted at source		8,105	6,979
Refund during the year		(20,921)	-
		(12,816)	6,979
		29,861	13,955

(a) Income tax assessments of the Company have been completed upto the income year ended June 30, 2005 (tax year 2005).

(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

	2006	2005
Profit before taxation	170,245	196,378
Tax at the applicable income tax rate of 35% (2005: 35%)	59,586	68,732
Tax effects of amounts that are:		
Deductible for tax purposes	(59,866)	(129,776)
Not deductible for tax purposes	25,603	22,716
Tax effect of unused tax losses	(282,295)	(174,327)
	(256,972)	(212,655)
Minimum tax liability provided in accounts as per Income Tax Ordinance, 2001	8,050	7,500

20 CONTINGENCIES AND COMMITMENTS

20.1 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.

20.2 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 its 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.

20.3 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.

20.4 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.

20.5 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.

20.6 Counter guarantees given by the Company to financial institutions outstanding as at June 30, 2005 aggregated Rs. 20.634 million (2005: Rs. 20.634 million).

20.7 Guarantees given by banks on behalf of the Company to Sui Northern Gas Pipelines Limited outstanding as at June 30, 2006 aggregated Rs. 277.265 million (2005: Rs. 101.959 million). The Company has given counter guarantees to the aforesaid banks of Rs. 264.814 million (2005: Rs. 75 million).

20.8 Corporate guarantees given to commercial banks on behalf of Company and Dandot Cement Company Limited (the associated company) outstanding as at June 30, 2006 aggregated Rs.400 million (2005: Nil) and Rs. 391.471 million (2005: Rs. 391.471 million) respectively.

	2006	2005
	(Rupees in thousand)	
20.9 Commitments in respect of capital expenditure were outstanding on account of:		
a) Gas-based electric power generators	-	178,670
b) Suppliers for new dry process cement project	3,199,021	2,069,000
c) Dual fuel electric power generators	460,845	-
	3,659,866	2,247,670
20.10 Commitments in respect of non-capital expenditure:		
Imported stores item	16,975	-

21. OPERATING FIXED ASSETS - TANGIBLE

Particulars	COST / REVALUATION				Rate %	DEPRECIATION				Written down Value as at 30-06-2006
	As at 01-07-2005	Additions during the year	Disposals during the year	As at 30-06-2006		Accumulated as at 01-07-2005	Charge for the year	Adjustment on disposals/ transfer	Accumulated as at 30-06-2006	
										(Rupees in thousand)
Owned assets										
Land - freehold										
Cost	63	42,809	-	42,872	-	-	-	-	-	42,872
Revaluation	356,674	172,949	-	529,623	-	-	-	-	-	529,623
	356,737	215,758	-	572,495	-	-	-	-	-	572,495
Buildings & foundations										
on freehold land	167,200	26,832	-	194,032	5-10	104,759	6,721	-	111,481	82,551
Revaluation	204,133	64,555	-	268,688	5-10	142,926	5,198	-	148,124	120,564
	371,333	91,387	-	462,720		247,685	11,919	-	259,605	203,115
On leasehold land										
Cost	3,424	-	-	3,424	5-10	3,182	24	-	3,206	218
Revaluation	10,546	4,070	-	14,616	5-10	7,848	267	-	8,115	6,501
	13,970	4,070	-	18,040	-	11,030	291	-	11,321	6,719
Heavy Vehicles										
Cost	99,591	-	-	99,591	20	93,770	1,164	-	94,934	4,657
Revaluation	34,468	28,322	-	62,790	20	32,573	380	-	32,953	29,837
	134,059	28,322	-	162,381		126,343	1,544	-	127,887	34,494
Plant and machinery										
Cost	905,187	67,488	-	972,675	5	485,811	24,476	-	510,287	462,388
Revaluation	368,375	631,760	-	1,000,135	5	264,335	5,780	-	270,115	730,020
	1,273,562	699,248	-	1,972,810	-	750,146	30,256	-	780,402	1,192,408
Railway sidings										
Cost	889	-	-	889	7	856	2	-	858	31
Revaluation	7,416	1,035	-	8,451	7	4,529	202	-	4,731	3,720
	8,305	1,035	-	9,340	-	5,385	204	-	5,589	3,751
Roads	4,847	-	-	4,847	5	2,501	117	-	2,618	2,229
Loose tools	1,403	-	-	1,403	10	1,275	13	-	1,288	115
other office equipment	37,313	457	-	37,770	10	24,132	1,350	-	25,482	12,288
Transport assets	29,848	2,076	1,623	30,301	20	25,890	868	(1,487)	25,271	5,030
	2,231,377	1,042,353	1,623	3,272,107	-	1,194,387	46,562	(1,487)	1,239,463	2,032,644
Assets subject to finance lease:										
Plant and Machinery	108,000	386,271	-	494,271	5	10,800	8,619	-	19,419	474,852
Heavy Vehicles	4,495	-	-	4,495	20	899	719	-	1,618	2,877
Vehicles	6,203	7,743	-	13,946	20	1,788	1,556	-	3,344	10,602
	118,698	394,014	-	512,712	-	13,487	10,894	-	24,381	488,331
TOTAL 2006	2,350,075	1,436,367	1,623	3,784,819	-	1,207,874	57,456	(1,487)	1,263,844	2,520,975
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

21.1 Addition in plant and machinery shown under assets subject to finance lease represents two gas based power generators transferred from capital work in progress (Refer to note 6.3 & 22.5). This asset is subject to finance lease, therefore it is shown as lease finance assets however stated at cost because it is impractical to break this asset into owned and leased.

21.2 Vehicles subject to finance lease include vehicles of Rs. 2.78 million (2005: Nil) transacted benami in the name of four employees of the Company.

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

Description	Cost	Book Value	Sale Proceeds	Mode of Disposal	Sold To
	(Rupees in thousand)				
Transport Assets - Owned					
Toyota Corolla -Z 5765	773	58	175	Negotiation	Mrs. Ghazala Qureshi - Lahore.
Honda Civic LOZ-385	850	79	125	Negotiation	Mr.Waqar Lodhi - Lahore.

21.4 During the year, the Company revalued its certain fixed assets refer to note 5.1.

21.5 Depreciation has been allocated as under:

	Note	2006 (Rupees in thousand)	2005 (Rupees in thousand)
Cost of sales	38	54,268	50,966
General and administrative expenses	39	1,998	1,926
Selling and distribution expenses	40	670	963
Capital work in progress - Dry cement plant		520	-
		57,456	53,855

21.6 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, 2006:

	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

22. CAPITAL WORK-IN-PROGRESS

	Note	2006 (Rupees in thousand)	2005 (Rupees in thousand)
Civil works and buildings	22.1	1,663	1,785
Coal mill	22.1	-	32,178
Dry cement plant			
Civil works		219,244	-
Plant & machinery	22.2	125,155	-
Borrowing cost		16,787	2,500
Advances to suppliers- considered good	22.3	420,213	29,776
Other BMR/Expansion costs	22.4	12,599	7,850
		793,998	40,126
Gas based electric power generation plant	22.5	-	164,269
Dual fuel electric power generation plant	22.6	52,940	-
		848,601	238,358

22.1 During the year civil work amounting to Rs. 22.9 million (including Rs. 22.1 million on account of civil work of gas based electric power generators) and coal mill amounting to Rs. 31.4 million were transferred to owned assets.

22.2 This includes plant and machinery in transit amounting to Rs. 101.44 million and LCs in progress amounting to Rs. 12.7 million.

During the year, 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.

22.3 This includes Rs. 294.32 million (2005: Rs.29.78 million) paid as advance to the foreign suppliers for the acquisition of the dry cement plant.

22.4 These represent management and other directly attributable capital expenditures incurred in connection with new dry cement plant.

22.5 During the year, gas based electric power generators amounting to Rs. 36.09 million were transferred to owned assets and Rs. 386.27 million was transferred to assets subject to finance lease (Refer to note 21.1). The cost of asset subject to finance lease includes an aggregate amount of Rs. 33.96 million being the borrowing cost directly attributable to the acquisition of this assets.

22.6 This included Rs. 51.9 million paid as advance (considered good) to Wartsila Finland for the acquisition of three dual fuel electric power generators. it further include an aggregate amount of Rs. 0.95 million being the borrowing cost directly attributable to the acquisition of this assets.

23. STORES HELD FOR CAPITAL EXPENDITURE

This includes an aggregate amount of Rs. 74.4 million (2005: Rs. 71.164 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 (2005: Rs. 6 million) presently lying under the control of custom authorities at their bonded custom warehouse. Exchange loss of Rs. 0.423 million (2005: Rs. 1.38 million) has been capitalized in the cost of this machinery during the year.

24. LONG TERM INVESTMENTS

	Note	2006	2005
		(Rupees in thousand)	
In associated company - at cost			
Dandot Cement Company Limited			
Equity held 15.73% (2005:16.85%)	24.1	161,524	172,973
Less: transfer to current assets	24.2	161,524	-
		-	172,973
In other companies -			
Investments at fair value through profit or loss			
Cost of acquisition		1,161	1,161
Less: Provision for diminution in value		198	853
Fair value		963	308
		963	173,281

24.1 The Company owns 10,673,251 (2005:11,429,751) shares of DCCL and, accordingly, the company directly and indirectly controls voting rights associated with these 10,673,25 shares of DCCL constituting 15.73% 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, 2006, amounted Rs. 119.006 million (2005: Rs. 102.868 million).

24.2 During the year, the management of the Company has decided to disinvest the whole investments in its associated company M/S Dandot Cement Company Limited (DCCL) in order to meet its short term liquidity needs towards the new dry cement project. Approval of the members of the Company for the disinvestment has already been obtained in EOGM held on March 16, 2006.

During the year, 756,500 shares of DCCL having carrying value of Rs. 11.448 million were sold in the open market at an aggregate loss of Rs. 2.282 million.

The management is firmly committed to disinvest the remaining shares of DCCL in the open market by the end of June 30, 2007. Accordingly, these shares are transferred to current assets.

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

	Note	2006	2005
Directors	25.1	360	425
Executive	25.1	-	488
Employees	25.2	8,575	10,716
		8,935	11,629
Less: Current portion shown under current assets	31	2,262	2,521
		6,673	9,108

Reconciliation of the carrying amount of loans to directors and executives

	2006		2005	
	Directors	Executives	Directors	Executives
	(Rupees in thousand)			
Opening balance	425	488	455	563
Disbursement	-	-	-	-
Repayments	(65)	(488)	(30)	(75)
Closing balance	360	-	425	488

25.1 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.

25.2 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.

25.3 Maximum aggregate balances due from the directors and executives during the year were Rs. 425 thousand and Rs. 488 thousand (2005: directors Rs. 453 thousand and executives Rs. 556 thousands) respectively.

	Note	2006	2005
		(Rupees in thousand)	
26. LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposit - rented premises		513	513
Security deposits - trade		514	513
Other deposits		339	272
		1,366	1,298
27. DEFERRED COST			
Discount on issue of shares		100,000	100,000
Less: Amortized during the year	39	20,000	20,000
Amortized during previous year		25,808	5,808
		45,808	25,808
		54,192	74,192

27.1 During the year 2004, 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	2006	2005
28. STORES, SPARES AND LOOSE TOOLS			
Stores	28.1	145,873	70,790
Spares		62,980	60,293
Loose tools		652	602
		209,505	131,685

28.1 Stores include stores-in-transit valuing Rs. 97.69 million (2005: Rs. 10.461 million).

	Note	2006	2005
		(Rupees in thousand)	

29. STOCK-IN-TRADE

	Note	2006	2005
Raw materials	38.1	3,866	2,422
Work-in-process	38	102,991	13,595
Finished goods	38	26,180	5,490
Packing materials		2,686	2,690
		135,723	24,197

30. TRADE DEBTORS - unsecured

	Note	2006	2005
Considered doubtful		442	442
Less: Provision for doubtful debts		442	442
		-	-

31. LOANS AND ADVANCES - unsecured,considered good

	Note	2006	2005
Advances to staff			
Advances for expenses		4,836	3,045
Advances against salary		1,073	1,150
Advances for wheat purchase		3,792	3,865
Other advances		245	396
		9,946	8,456
Temporary advances to associated company	31.2	-	24,524
Advances to suppliers		89,096	47,395
Bid advanced to Privatization Commission - Government of Pakistan		-	5,150
Current portion of long term loans and advances to staff	25	2,262	2,521
		101,304	88,046

31.1 Advances for expenses include an amount of Rs.242 thousand (2005:Rs. 167 thousand) due from a director whereas advance against salary and advance for wheat purchase include Rs. 57 thousand (2005: Rs. 58 thousand) and Rs.10 thousand (2005: Rs. 4 thousand) respectively due from executives.

31.2 These advances has been received back during the year.

32. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2006	2005
Guarantee margin deposits		19,726	10,196
Prepaid guarantee commission		2,836	1,790
Prepaid subscriptions		-	500
Prepaid rent		2,025	386
Prepaid mark-up		-	229
Other prepayments		549	281
		25,136	13,382

33. ACCRUED INTEREST

	Note	2006	2005
On:			
- Bank deposits		1,981	578
- Available for sale investment - short term		-	701
- Employees' loan		2,055	2,141
- Temporary advances to associated company		-	121
		4,036	3,541

	Note	2006	2005
		(Rupees in thousand)	

34. OTHER RECEIVABLES

	Note	2006	2005
Excise duty		-	6
Other receivables - considered good		471	33,680
		471	33,686

35. SHORT TERM INVESTMENTS

	Note	2006	2005
Available for sale investment	35.1	-	100,000
Investments in associates	24.2	161,524	-
		161,524	100,000

35.1 During the year this investment has been sold out by the Company to meet its liquidity needs towards the dry-process cement project.

36. CASH AND BANK BALANCES

	Note	2006	2005
With banks			
- on current accounts		28,591	36,476
- on escrow account		-	884
- on special account	36.2	1,341	-
- on deposit account	36.3	40,000	-
- on saving accounts	36.4	73,163	254,090
- on right shares subscription account		-	9,528
		143,095	300,978
Cash in hand	36.5	13,867	16,183
		156,962	317,161

36.1 Cash at banks on current and saving accounts include foreign currency balances of US$ Nil (2005: US$ 473) and US$ Nil (2005: US$: 518) respectively which have been converted into Pak Rupees at the exchange rate prevailing on the balance sheet date (2005: Rs. 59.88).

36.2 This represent the amount kept under a saving account received from customers as security deposit. (Refer note 14).

36.3 This represent the Fixed Deposit made with a bank having maturity on June 17, 2007.The deposit carry mark up @ 8.50% p.a payable on monthly basis. (Refer note 17.2).

36.4 These include Rs. 42 million (2005: Nil) withheld by banks under lien (Refer to note 17.4). Saving accounts with banks carry interest ranging from 4% to 8% p.a.

36.5 Cash in hand includes cheques in hand amounting to Rs. 13.7 million (2005: 16 million) which were duly deposited and cleared in Company's bank accounts subsequent to the balance sheet date.

37 - SALES - net

	Note	2006	2005
Cement sales		2,209,038	2,135,134
Less: Sales tax		288,136	278,496
Excise duty		316,078	368,424
Discount/Rebate to dealers		16,385	18,710
		620,599	665,630
		1,588,439	1,469,504

38 - COST OF SALES

	Note	2006	2005
		(Rupees in thousand)	
Raw materials consumed	38.1	134,501	109,389
Packing materials consumed		77,404	87,637
Stores and spares consumed		56,889	38,755
Salaries, wages and benefits		74,821	69,272
Fuel and lubricants consumed		959,210	878,111
Rent, rates and taxes		5,291	3,507
Repair and maintenance		40,733	46,354
Establishment charges		14,311	16,271
Insurance		2,327	2,038
Vehicle running & travelling		2,408	3,149
Other expenses		1,565	1,468
Depreciation	21.5	54,268	50,966
		1,423,728	1,306,917
Adjustment of work-in-process inventory			
Opening		13,595	24,742
Closing	29	(102,991)	(13,595)
		(89,396)	11,147
Cost of goods manufactured		1,334,332	1,318,064
Adjustment of finished goods inventory			
Opening		5,490	7,311
Closing	29	(26,180)	(5,490)
		(20,690)	1,821
		1,313,642	1,319,885

38.1 Raw materials consumed

	Note	2006	2005
Opening stock as at July 01		2,422	3,539
Cost of raw materials:			
- Outside purchases and transportation cost		34,447	13,360
- Explosives		2,688	3,228
- Royalty		9,063	9,508
- Excise duty		2,822	2,042
		49,020	28,138
Salaries, wages and benefits		45,858	43,851
Repair and maintenance		23,407	21,057
Stores and spares		14,166	12,143
Insurance		1,045	993
Vehicle running & travelling		1,484	1,421
Other overheads		965	669
		138,367	111,811
Closing stock as at June 30	29	(3,866)	(2,422)
		134,501	109,389

	Note	2006	2005
		(Rupees in thousand)	
39. GENERAL AND ADMINISTRATIVE EXPENSES			
Directors' meeting fee		-	4
Salaries, wages and benefits		16,685	12,732
Vehicles' running and maintenance		1,502	1,235
Travelling and conveyance		2,264	2,874
Legal and professional charges		3,215	1,356
Auditors' remuneration	39.1	466	695
Postage, telegram and telephone		1,060	2,079
Printing and stationery		706	806
Insurance		287	468
Rent, rates and taxes		2,994	2,587
Fee and subscription		3,864	1,272
Entertainment		503	827
Utilities		963	811
Advertisement		312	516
Establishment charges		4,490	3,760
Repair and maintenance		1,298	1,758
Discount on issue of shares amortized	27	20,000	20,000
Miscellaneous		48	104
Depreciation	21.5	1,998	1,926
		62,655	55,810

39.1 Auditors remuneration

		2006	2005
Viqar A. Khan			
- Audit fee		125	125
- Half year review fee		63	63
- Tax advisory		-	250
- Corporate consultancy		120	120
- Certification and others		90	70
- Out-of-pocket expenses		29	27
		427	655
Rahman Sarfraz & Co.			
- Cost audit fee		35	35
- Out-of-pocket expenses		4	-
		39	35
Zafar & Co.			
- Out-of-pocket expenses		-	5
		466	695

	Note	2006	2005
40. SELLING AND DISTRIBUTION EXPENSES			
Salaries, wages and benefits		1,854	2,049
Vehicles' running and maintenance		751	618
Postage, telegram and telephone		277	1,091
Electricity		453	337
Advertisement & sale promotion		571	204
Insurance		153	220
Miscellaneous	40.1	1,730	1,704
Depreciation	21.5	670	963
		6,459	7,186

40.1 Expense for the year includes Rs. 1.2 million (2005: Rs. 0.857 million) being marking fee paid to Pakistan Standards and Quality Control Authority.

	Note	2006	2005
		(Rupees in thousand)	
41. OTHER OPERATING EXPENSES			
Donations (without directors' interest)		1,111	942
Exchange fluctuation loss on translation of foreign currency long term loans - net		1,787	3,216
Provision for diminution in value of investments		-	41
Obsolete fixed assets written off		-	1,142
Zakat		14	-
Contribution towards worker's profit participation fund		8,702	3,769
		11,614	9,110
42. OTHER OPERATING INCOME			
Profit / mark-up on:			
Bank deposits		16,762	1,570
Certificates of investment		-	25,767
Available for sale investment - short term		2,170	701
Employee's loans		256	268
Temporary advances to associated company		583	121
		19,771	28,427
Provision for diminution in value of investments - written-back		655	-
Dividend		5,715	-
Unclaimed balances written-back		531	342
Profit on sale of fixed assets		163	1,121
Scrap sales		5,808	8,897
Profit on sale of investment		-	5
Others		237	381
		32,880	39,173
43. FINANCE COSTS			
Interest / mark-up on:			
Long term loans and finances		11,602	20,961
Long term foreign currency loans form associated undertaking		5,000	5,327
Short term finances		2,133	8,980
Employees' provident fund		1,750	2,330
Workers' (profit) participation fund		462	303
Lease finance charges		9,215	4,515
Advisory fee and other charges	43.1	8,015	-
Commission on bank guarantees		3,334	1,436
Bank charges and others		1,782	1,535
		43,293	45,387

43.1 This includes Rs. 5.015 million paid to advisor and arrangers for issuance of below mentioned TFCs.

During the year, the Company has decided to raise capital by issuance of listed, rated and secured Term Finance Certificates (TFCs) amounting to Rs. 500 million. In this regard the Company has mandated Orix Investment Bank Limited to arrange and advise the raising of these funds from strategic investors.

These TFCs comprise of a Private Placement (Pre - IPO) amount of Rs. 240 million, a Public Placement (IPO) amount of Rs.160 million and a green shoe option amounting to Rs.100 million. The issuance of these TFCs will serve the purpose of restructuring the balance sheet of the Company by replacing its expensive debts.

Subsequent to balance sheet date the process of Private Placement (Pre-IPO) was concluded.

44. During the year the Company offered golden handshake to its staff. Twenty employees accepted the offer out of which three have been reappointed as officers and accordingly their termination benefits are frozen till they leave the Company.

45 - INCOME FROM DEBT EXTINGUISHMENT

	Note	2006 (Rupees in thousand)	2005 (Rupees in thousand)
Directors' loan written off		-	84,110
Waiver on settlement of Crescent lease liability		-	35,602
Waiver on settlement of restructured lease liability	10	5,366	5,367
		5,366	125,079

46. EARNINGS PER SHARE

Basic earnings per share

		2006	2005
Profit for the year attributable to ordinary shareholders	**Rupees in thousand**	167,155	188,878
Weighted average number of ordinary shares outstanding during the year	**Numbers**	153,013,403	36,876,417
Earnings per share	**Rupees**	1.09	5.12

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.

47. CASH GENERATED FROM OPERATIONS

	Note	2006	2005
Net profit before taxation		170,245	196,378
Adjustments for non cash charges and others:			
Depreciation on operating fixed assets		57,456	53,855
Profit on sale of fixed assets		(163)	(1,121)
Obsolete fixed assets written off		-	1,142
Interest on bank deposits		(16,762)	(1,570)
Interest on employee's loan		(256)	(268)
Interest on temporary advances to associated company		(583)	(121)
Provision for compensated absences		1,741	-
Interest on Certificates of Investment		(2,170)	(26,468)
(Reversal) / provision for diminution in value of investments		(655)	41
Provision for gratuity		5,260	4,329
Financial charges		43,293	45,387
Loss due to exchange fluctuation		1,787	3,216
Income from debt extinguishment		(5,366)	(125,079)
Dividend income		(5,715)	-
Profit on sale of investments		-	(5)
Taxes and duties		327,963	379,974
Amortization of discount on issue of shares		20,000	20,000
Loss on sale of investments in associated		2,282	-
		428,112	353,312
		598,357	549,690
Working capital changes	47.1	(117,366)	(56,857)
		480,991	492,833

	Note	2006	2005
		(Rupees in thousand)	
47.1. Working capital changes			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(77,820)	8,082
Stock in trade		(111,526)	12,332
Loans and advances		(13,517)	(47,255)
Trade deposits and short term prepayments		(11,983)	(4,628)
Other receivables		33,209	(29,994)
		(181,637)	(61,463)
Increase / (decrease) in current liabilities			
Trade and other payables		64,271	4,606
		(117,366)	(56,857)
48. CASH AND CASH EQUIVALENTS			
Cash and bank balances	36	156,962	317,161
		156,962	317,161

49. FINANCIAL INSTRUMENTS

49.1 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 2006	Total 2005
	Maturity upto one year	Maturity after one year and upto five years	Sub Total	Maturity upto one year	Maturity after one year and upto five years	Sub Total		
	(Rupees in thousand)							
Financial Assets								
Investments	-	-	-	161,524	963	162,487	162,487	273,281
Loans and advances to staff	2,176	6,313	8,489	10,032	360	10,392	18,881	20,085
Long term deposits and prepayments	-	-	-	-	1,366	1,366	1,366	1,298
Loans and advances	-	-	-	-	-	-	-	29,674
Trade deposits and short term prepayments	-	-	-	19,726	-	19,726	19,726	10,196
Accrued interest	-	-	-	4,036	-	4,036	4,036	3,541
Other receivables	-	-	-	471	-	471	471	33,680
Cash and bank balances	114,504	-	114,504	42,458	-	42,458	156,962	317,161
	116,680	6,313	122,993	238,247	2,689	240,936	363,929	688,916

	Interest /mark-up bearing			Non-interest /mark-up bearing			Total 2006	Total 2005
	Maturity upto one year	Maturity after one year and upto five years	Sub Total	Maturity upto one year	Maturity after one year and upto five years	Sub Total		
				(Rupees in thousand)				
Financial liabilities								
On balance sheet								
Long term loans, finances and other payables	28,921	67,407	96,328	-	19,669	19,669	115,997	159,682
Long term foreign currency loans and other payables	-	92,288	92,288	-	86,290	86,290	178,578	175,847
Liabilities against assets subject to finance lease	46,531	183,754	230,285	-	-	-	230,285	123,401
Long term deposits from customers	-	-	-	-	1,310	1,310	1,310	1,385
Short term loans & finances	218,117	-	218,117	-	-	-	218,117	27,231
Trade and other payables	-	-	-	299,701	-	299,701	299,701	209,518
Accrued interest	-	-	-	14,886	-	14,886	14,886	24,339
	293,569	343,449	637,018	314,587	107,269	421,856	1,058,874	721,403
Off balance sheet								
Guarantees	-	-	-	400,000	676,919	1,076,919	1,076,919	487,105
Commitments (Refer note 20.9)	-	-	-	2,736,954	939,887	3,676,841	3,676,841	2,247,670
	-	-	-	3,136,954	1,616,806	4,753,760	4,753,760	2,734,775
	293,569	343,449	637,018	3,451,541	1,724,075	5,175,616	5,812,634	3,456,178

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

49.2 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.

49.3 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.

49.4 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.

50. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Dirctors		Executives	
	2006	2005	2006	2005	2006	2005
	(Rupees in thousand)					
Managerial Remuneration	780	643	2,125	792	5,125	2,206
Perquisites and benefits						
House rent	351	290	1,324	356	1,371	713
Personal staff salary	96	79	212	44	281	225
Entertainment	195	161	450	96	805	394
Utilities and others	78	64	590	360	187	1,188
	720	594	2,576	856	2,644	2,520
Contribution to:						
Gratuity Fund Trust	-	-	109	38	777	166
Provident Fund Trust	-	-	52	48	245	128
	1,500	1,237	4,862	1,734	8,791	5,020
Number of persons	1	1	4	3	11	4

50.1 In addition to above, meeting fee of Rs. Nil (2005: Rs. 4 thousand) was paid to (2005: One) non-working director.

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

51. TRANSACTIONS WITH RELATED PARTIES

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

	2006	2005
Dandot Cement Company Limited - associated company	(Rupees in thousand)	
Sale of stores (including sales tax) (including Rs. 19,876 in transit)	59,756	43,393
Purchase of stores (including sales tax)	346	6,755
Interest charged	583	-
Dividend received	5,715	-
Expenses incurred	8,043	686
Expenses paid by DCCL	1,314	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 50.

52. NUMBER OF EMPLOYEES

	2006	2005
Number of permanent employees as at June 30	642	669

53. CAPACITY AND PRODUCTION - TONNES

	Clinker		Cement	
	2006	2005	2006	2005
Plant capacity	540,000	540,000	568,420	568,420
Actual production	436,335	459,995	428,300	490,210

Decline in production is due to major maintenance carried out during the year.

54. GENERAL

54.1 These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting concluded on September 30, 2006.

54.2 The Board of Directors in its meeting concluded on September 30, 2006, has proposed 5% cash dividend (Rs. 0.50 per share) to the shareholders of the Company (excluding sponsoring directors, their spouses and their local and foreign associates) for the financial year 2006.

55. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However no material rearrangement and reclassification are made in these financial statements.

(M. TOUSIF PERACHA)
Chief Executive

(A. SHOEB PIRACHA)
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. / Mrs. / Ms. ____

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 46th Annual General Meeting of the Company to be held on Saturday, October 28, 2006 at 11.00 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, 2006.

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.