



ANNUAL REPORT 2005

The background of the cover is a photograph of a tunnel under construction. A large, glowing globe is positioned in the center-left, emitting a bright yellow light. The tunnel walls are lined with concrete blocks and structural beams, creating a sense of depth and perspective. The overall color palette is dark with highlights from the globe and the tunnel's lighting.

**KOHAT CEMENT
COMPANY LIMITED**

The word "VISION" is centered within a dark, rectangular box with a light-to-dark gradient from left to right.

Widen the spectrum of cement usage in Pakistan.

The word "MISSION" is centered within a dark, rectangular box with a light-to-dark gradient from left to right.

Excel and grow through continuous improvement.

Provide good returns and security to the shareholders.

Fulfill obligations towards employees and society.



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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COMPANY INFORMATION

Board of Directors

Mr. Atta Mohammad Sheikh
Chairman

Mr. Aizaz Mansoor Sheikh
Chief Executive

Mr. Nadeem Atta Sheikh

Mr. Tariq Atta Sheikh

Mr. Omer Aizaz Sheikh

Mrs. Ghazala Amjad

Mrs. Hafsa Nadeem

Audit Committee

Mr. Tariq Atta Sheikh
Chairman

Mr. Aizaz Mansoor Sheikh

Mrs. Ghazala Amjad

Company Secretary

Mr. Mohammad Hashim Khan

Legal Advisor

Qazi Waheed -ud-Din

Auditors

Taseer Hadi Khalid & Co.
Chartered Accountants

Share Deptt.

AZM Computer Services (Pvt.) Limited
24-Ferozepur Road,
Mozang Chungi, Lahore.
Tel: (042) 7552269
Fax: (042) 7576129

Registered Office and Works

Kohat Cement Company Limited
Rawalpindi Road, Kohat.

Tel: (0922) 560401-3

Fax: (0922) 560405

Telex: 52431 KCCL PK.

E-mail: finance@kohatcement.com

Head Office

64-E-1/D, Gulberg-III, Lahore.

Tel: (042) 5754358, 5758649

Fax: (042) 5754084

E-mail: mis@kohatcement.com

Bankers of the Company

Union Bank Limited

The Bank of Khyber

National Bank of Pakistan

PICIC Commercial Bank Limited

Bank Alfalah Limited

Bank of Punjab

Allied Bank Limited

Askari Commercial Bank Limited

KASB Bank Limited

Saudi Pak Commercial Bank Limited

Bank Al-Habib Limited

Soneri Bank Limited

First Women Bank Limited

Prime Commercial Bank Limited

Muslim Commercial Bank Limited

Crescent Commercial Bank Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 26th Annual General Meeting of the shareholders of **Kohat Cement Company Limited** for the financial year ended 30th June 2005 will be held on **Wednesday, October 26, 2005**, at its registered office Kohat Cement Factory, Rawalpindi Road, Kohat at 4:00 P.M., to transact the following business:

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting held on October 30, 2004.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 30 June 2005 together with Auditors' and Directors' Reports thereon.
3. To appoint Auditors for the year 2005-2006 and to fix their remuneration. The present Auditors M/s. Taseer Hadi Khalid & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To approve issue of Bonus Shares @ 50% i.e. 1 (one) Ordinary Share for every 2 (two) Ordinary Shares held as recommended by the Board.

Special Business

5. To increase the Authorized Share Capital of the Company from Rs. 1,000 million (Rupees one thousand million) divided into 100,000,000 ordinary shares of Rs. 10 (Rupees ten) each, to Rs. 1,500 million (Rupees one thousand five hundred million) divided into 150,000,000 ordinary shares of Rs. 10 (Rupees ten) each.
6. To change the Memorandum and Articles of Association of the Company to reflect the increase in the authorized share capital of the Company.
7. To consider the recommendation of the Board of Directors to place quarterly accounts of the Company on its website instead of circulating the same by post to the shareholders as allowed by the Securities and Exchange Commission of Pakistan vide its Circular No. 19 dated April 14, 2004.
8. 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(b) of the Companies Ordinance, 1984 setting forth all material facts concerning the above special business annexed to this notice of meeting are being sent to the members.

(By Order of the Board)



(MOHAMMAD HASHIM KHAN)
COMPANY SECRETARY

Kohat: 30 September 2005

Notes:

1. The register of members and the share transfer books of the Company will be closed from Tuesday, 18 October 2005 to Wednesday, 26 October 2005 (both days inclusive). Transfers received in order at the share department of the Company, AZM Computer Services (Pvt.) Limited, 24-Ferozepur Road, Mozang Chungi, Lahore, upto the close of business on Monday, October 17, 2005 will be treated in time for entitlement of bonus shares and to attend Annual General Meeting.
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. Form of proxy is enclosed herewith.
3. CDC shareholders are requested to bring their National Identity Card, Account and Participant's Number and will further have to follow the guidelines as laid down in the Securities & Exchange Commission of Pakistan's Circular No. 1 dated 26th January 2000 while attending the Meeting for identification.
4. The members should quote their folio number in all correspondence with the Company and at the time of attending the Annual General Meeting.

5. The members are requested to notify immediately changes, if any, in their registered addresses.
6. The Memorandum and Articles of Association of the Company as on date and also indicating the proposed amendments has been kept at the registered office of the Company and can be inspected during business hours on all working days upto October 26, 2005.

DRAFT RESOLUTIONS PROPOSED TO BE CONSIDERED IN THE MEETING

Item No. 5

"RESOLVED that the authorized share capital of the Company be and is hereby increased from Rs. 1,000,000,000 (Rupees one thousand million) divided into 100,000,000 ordinary shares of Rs. 10 to Rs. 1,500,000,000 (Rupees one thousand five hundred million) divided into 150,000,000 ordinary shares of Rs. 10 each by the creation of 50,000,000 new ordinary shares of Rs. 10 each."

Item No. 6

"RESOLVED that the Memorandum and Articles of Association of the Company be altered to reflect the increase in the authorized capital of the Company as follows:

- a) substituting the existing clause V of the Memorandum of Association of the Company with the following new clause V:
 - "V. The authorized share capital of the Company is Rs. 1,500,000,000 (Rupees one thousand five hundred million) divided into 150,000,000 ordinary shares of Rs. 10 (Rupees ten) each with powers to increase or reduce the capital and to divide the share capital into different classes consisting of ordinary shares only."
- b) substituting the existing Article 5 of the Articles of Association of the Company with the following new article 5:
 - "5. The authorized share capital of the Company is Rs. 1,500,000,000 (Rupees one thousand five hundred million) divided into 150,000,000 ordinary shares of Rs. 10 (Rupees ten) each but the Company may from time to time by Special Resolution increase, consolidate, sub-divide, reduce or other-wise re-organize the share capital of the Company subject to the provision of Companies Ordinance, 1984.

Item No. 7

"RESOLVED that the quarterly accounts of the Company be placed on its website instead of circulating the same by post to the shareholders, as allowed by Securities and Exchange Commission of Pakistan vide its Circular No. 19 dated April 14, 2004 subject to approval from Securities and Exchange Commission of Pakistan."

Statement U/s 160(1)(b) of the Companies Ordinance, 1984

Item No. 5 and 6 To increase the authorized share capital of the Company and to alter the Memorandum and Articles of Association of the Company.

The Board of Directors has recommended that the authorized share capital of the Company be increased from Rs. 1,000,000,000 (Rupees one thousand million) divided into 100,000,000 ordinary shares of Rs. 10 each, to Rs. 1,500,000,000 (Rupees one thousand five hundred million) divided into 150,000,000 ordinary shares of Rs. 10 each, to facilitate further issue of capital. This increase in capital will also necessitate amendments in clause V of the Memorandum of Association and article 5 of the Articles of Association of the Company.

Item No. 7 Placement of Quarterly Accounts on the Company's website.

The Board of Directors of the Company has recommended that the quarterly accounts of the Company should be transmitted to the members by placing on the website of Company instead of circulating the same by post to the Members as allowed by Circular No. 19 dated 14 April 2004 of the Securities and Exchange Commission of Pakistan, which will be considered as compliance of the provisions of Section 245 of the Companies Ordinance, 1984. Such transmittal is subject to fulfilment of certain conditions including seeking the consent of its Members in general meeting as stated in the above referred circular and approval from the Securities and Exchange Commission of Pakistan.

The Company maintains a website www.kohatcement.com and intends to place its quarterly accounts on the website for the information of the Members and general public in terms of and in accordance with the aforesaid Circular. This will result in prompt disclosure of information to the Members besides saving the costs of printing and dispatching of the quarterly accounts. The Company, however, will supply the printed copies of accounts to the Stock Exchanges on which the Company is listed in accordance with the Listing Regulations and to the Members on demand at their registered address, free of charge, within one week of receiving such a request. The Directors are not interested in this business except as ordinary members of the Company.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors take pleasure in presenting the Annual Report and audited Financial Statements of the Company for the year ended 30 June 2005.

Financial results - The net sales revenue for the year under review is Rs. 1,715.4 million (2004: Rs. 1,397.9 million) reflecting a growth of 22.72% over last year. The Cost of Sales has increased by 16.50% during the year, which is mainly due to the persistent price hike in Coal and Furnace Oil. The Company has earned a pre-tax profit of Rs. 560.9 million (2004: Rs. 395.3 million) after accounting for all charges inclusive of depreciation of Rs. 64.2 million (2004: Rs. 69.3 million). The profitability of the Company has increased considerably in the current year due to stability in the prices of cement and increase in capacity utilization. The financial results for the year under review are as under:



Rupees in Thousand

2005 2004

Profit before taxation	560,949	395,274
Taxation:		
Current - for the year	176,322	130,908
Deferred - for the year	(1,874)	(28,291)
	174,448	102,617
Profit after taxation	386,501	292,657
Un-appropriated profit Brought Forward	204,111	119,821
Profit available for appropriation	590,612	412,478
APPROPRIATIONS:		
- Interim cash dividend NIL (2004: 30%)	-	98,700
- Transfer to reserve for issue of bonus shares @ 50% (2004: 50%)	164,500	109,667
	164,500	208,367
Un-appropriated profit carried forward	426,112	204,111
Earnings per share Rs. (refer note 30)	7.83	5.93
Subsequent Effects:		
- Proposed issue of Bonus Shares @ 50% (2004: @ 50%)	246,750	164,500

As the Company needs funds for its expansion project therefore, the Directors do not feel prudent to declare any cash dividend, however, the Directors have proposed issue of bonus shares @ 50% in proportion of 1 (one) bonus share for every 2 (two) shares held be issued by capitalization of Rs. 246,750,010 out of free reserves of the Company.

34 - Remuneration of Chief Executive, Directors and Executives

	Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
	Rupees					
Managerial remuneration	320,000	320,000	480,000	480,000	-	2,705,911
Rent and utilities allowance	160,000	160,000	240,000	240,000	-	1,151,686
Medical reimbursement	-	117,512	-	45,000	-	175,335
Bonus	-	-	-	-	-	341,147
Retirement benefits	-	-	-	-	-	352,030
Other reimburseable expenses	1,195,202	737,948	1,810,476	1,007,210	-	3,069,979
	1,675,202	1,335,460	2,530,476	1,772,210	-	7,796,088
No. of persons	1	1	2	2	-	19

Company also provides the Chief Executive and Directors of the Company with free use of Company maintained cars.

Change in number of Executives is due to the increase in basic salary from Rs 100,000 to Rs 500,000 as per the revised Fourth Schedule to the Companies Ordinance, 1984.

35. Capacity and production	2005 Tones	2004 Tones
Clinker		
- Plant capacity	540,000	540,000
- Actual production	531,149	498,110
Cement		
- Plant capacity	567,000	567,000
- Actual production	561,753	530,641

Minor shortfall was due to heavy rains which effected the supply of raw material resulting into the stoppage of kiln and the excessive stock at cement silos.

36. Number of employees	2005	2004
Total number of employees at the end of the year	<u>416</u>	<u>417</u>

37. Dividend

The Board of Directors of the Company in its meeting held on 30 September, 2005 has recommended a stock dividend through the issue of bonus shares @ 50% (200: 50%) i.e. in the proportion of 1 (one) share for every 2 (two) shares held. The approval of the members for proposed bonus issue will be obtained at the Annual General Meeting scheduled to be held on 26 October, 2005. The financial statements for the year ended 30 June, 2005 do not include the effect of the bonus shares which will be accounted for in the financial statements for the year ending 30 June, 2006 (Refer Note 3.19).

38. Date of authorization for issue

These financial statements were authorized for issue on 30 September 2005 by the board of directors of the Company.

39. Figures

- have been rounded off to nearest rupees.
- previous year figures have been rearranged and reclassified wherever necessary for the purposes of comparison. Major changes made during the year resulted from the substituted Fourth Schedule to the Companies Ordinance, 1984.

**CHIEF EXECUTIVE****DIRECTOR****Lahore: 30 September 2005**

Board meetings - During the year four meetings of the Board of Directors were held. Attendance by each director at the Board meeting is as under:

Name of director	No. of meetings attended
Mr. Atta Mohammad Sheikh	3
Mr. Aizaz Mansoor Sheikh	4
Mr. Nadeem Atta Sheikh	3
Mr. Tariq Atta Sheikh	4
Mrs. Ghazala Amjad	3
Mr. Omer Aizaz Sheikh	4
Mrs. Hafsa Nadeem	1

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

Trading in Company's shares Shares traded by Directors, CEO and their spouses and minor children are given as under:

	No. of Shares	
	Purchased	Sold
ii) Mr. Atta Muhammad Sheikh (Director)	--	415,700
ii) Mr. Aizaz Mansoor Sheikh (CEO/Director)	--	68,500
iii) Mr. Tariq Atta Sheikh (Director)	--	800,000

Pattern of shareholding - The Pattern of Shareholding and additional information as required by the Code of Corporate Governance are annexed with the Report.

External auditors - The present auditors, M/s. Taseer Hadi Khalid and Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Audit Committee has recommended the re-appointment of present auditors.

Management and employees relations - The Board would like to record its appreciation for the valuable contribution made by all its employees. The management is quite confident that these cordial relations and cooperation will continue in the years to come.

For and on behalf of the Board



AIZAZ MANSOOR SHEIKH
Chief Executive

Lahore : 30 September 2005

KEY FINANCIAL DATA FOR LAST 8 YEARS

	2005	2004	2003	2002	2001	2000	1999	1998
Trading Results								
Quantitative data (000 M.Tonnes)								
Capacity:								
Clinker	540	540	540	540	540	540	540	540
Cement	567	567	567	567	567	567	567	567
Production								
Clinker	531	498	389	371	291	347	329	349
Cement	562	531	433	367	326	374	339	367
Dispatches - cement	560	535	437	361	332	374	339	366
Financial data (Rs. 000)								
Turnover	1,715,427	1,397,871	949,200	964,831	835,607	1,021,861	732,825	747,967
Gross profit	664,223	495,537	89,145	274,650	141,820	332,045	141,940	82,769
Operating profit	615,203	450,927	19,894	234,792	94,644	303,935	115,475	57,320
Profit before tax & interest	584,161	419,649	38,098	217,698	86,962	290,440	114,092	71,062
Profit/(Loss) before tax	560,949	395,274	23,970	210,647	74,566	249,179	58,281	(1,025)
Profit/(Loss) after tax	386,501	292,657	16,550	108,420	55,205	150,567	22,617	(2,643)
Balance Sheet (rs. 000)								
Shareholders equity	1,081,732	695,231	501,274	517,624	485,971	474,632	384,382	405,632
Fixed capital expenditure	1,119,880	905,470	839,898	592,317	608,743	661,898	714,766	789,220
Net current assets/(liabilities)	163,938	67,535	(36,036)	52,861	(8,162)	(56,450)	(170,418)	(249,183)
Long term liabilities	119,242	191,176	192,933	2,439	6,362	17,864	139,594	159,553
Deferred liabilities	104,240	105,590	133,777	144,540	111,828	116,595	44,125	11,663
Ratio Analysis								
Gross profit ratio %	38.72	35.45	9.39	28.47	16.97	32.49	19.37	11.07
Profit before tax ratio %	32.70	28.28	2.53	21.83	8.92	24.38	7.95	(0.14)
Profit after tax ratio %	22.53	20.94	1.74	11.24	6.61	14.73	3.09	(0.35)
Fixed assets turnover ratio %	153.17	154.38	113.01	162.89	137.27	154.38	102.53	94.77
Return on capital employed %	44.76	42.30	4.60	32.76	14.39	47.68	20.08	12.32
Debt : equity ratio	10 : 90	22 : 78	28 : 72	0 : 100	1 : 99	4 : 96	27 : 73	28 : 72
Current ratio	1.47	1.16	0.89	1.15	0.96	0.79	0.57	0.47
Interest coverage ratio	25.17	17.22	2.70	30.87	7.02	7.04	2.04	0.99
Break Up Value Per Share								
Of Rs. 10 Each (Rs.)	21.92	21.13	22.85	23.60	22.16	21.64	17.53	18.49
Earning Per Share (Rs.)	7.83	5.93	0.50	4.94	2.52	6.86	1.03	(0.12)
Dividends								
Cash (Rs. 000)	-	98,700	32,900	76,767	43,867	60,317	43,867	-
%age	-	30	15	35	20	27.50	20	-
Bonus Shares								
%age	50	50	50	-	-	-	-	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Kohat Cement Company Limited
Year ended 30 June 2005

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes four non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. To the best of our knowledge all the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of the directors is a member of a stock exchange.
4. No casual vacancy occurred in the Board during the current year.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been adopted by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. There was no new appointment of CEO and other executive director 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, were at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation courses for its certain directors during the year to apprise them of their duties and responsibilities.
10. The Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit were appointed prior to the implementation of the Code of Corporate Governance. Terms of appointment including remuneration in case of future appointment on these positions will be approved by the Board.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by 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 four members, of whom three 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. The terms of reference of the committee have been formulated and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function and personnel involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on a full time basis.
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.

Lahore: 30 September 2005



AIZAZ MANSOOR SHEIKH
(Chief Executive)

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 **Kohat Cement Company Limited ("the Company")** to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the 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 system 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 30 June 2005.

Lahore: 30 September 2005



Taseer Hadi Khalid & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Kohat Cement Company Limited ("the Company")** as at 30 June 2005 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of 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 auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes referred to in notes 3.8 and 3.19 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 30 June 2005 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore: 30 September 2005

Taseer Hadi Khalid & Co.
Taseer Hadi Khalid & Co.
Chartered Accountants

BALANCE SHEET

	Note	2005 (Rupees)	2004 (Rupees)
LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 100,000,000 (2004: 50,000,000) ordinary shares of Rs 10 each		<u>1,000,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid up capital	4	493,500,020	329,000,010
Reserves	5	162,120,028	162,120,028
Unappropriated profit		<u>426,112,297</u>	<u>204,110,962</u>
		<u>1,081,732,345</u>	<u>695,231,000</u>
Long Term Finances - Secured	6	<u>81,648,330</u>	<u>133,048,330</u>
Liabilities against Assets Subject			
to Finance Lease	7	35,461,448	56,282,172
Long Term Security Deposits	8	2,132,500	1,846,056
Deferred Liabilities	9	<u>104,240,120</u>	<u>105,589,559</u>
		<u>223,482,398</u>	<u>296,766,117</u>
Current Liabilities			
Trade and other payables	10	<u>147,709,665</u>	<u>139,925,047</u>
Mark up payable on secured loans		<u>1,655,264</u>	<u>1,414,512</u>
Short term finances	11	<u>52,582,288</u>	<u>58,477,626</u>
Current portion of long term liabilities			
- Long term finances	6	<u>53,800,000</u>	<u>41,300,000</u>
- Liabilities against assets subject to finance lease	7	<u>30,297,282</u>	<u>26,949,946</u>
Provision for taxation		<u>58,943,432</u>	<u>12,144,144</u>
Unclaimed dividend		<u>1,684,753</u>	<u>1,801,602</u>
		<u>346,672,684</u>	<u>282,012,877</u>
Contingencies and Commitments	12		
		<u>1,651,887,427</u>	<u>1,274,009,994</u>

The attached notes 1 to 39 form an integral part of these accounts.



CHIEF EXECUTIVE

Lahore: 30 September 2005

AS AT 30 JUNE 2005

	Note	2005 (Rupees)	2004 (Rupees)
ASSETS			
FIXED ASSETS			
Property, plant and equipment	13	581,007,037	603,032,810
Capital work-in-progress	14	488,802,983	178,169,534
Stores and spares held for capital expenditure		50,070,412	124,267,150
		1,119,880,432	905,469,494
Long Term Loans and Advances	15	4,639,073	2,943,180
Long Term Deposits	16	16,756,490	14,952,130
Staff Retirement Benefits	9.2	-	1,097,189
		21,395,563	18,992,499
Current Assets			
Stores, spares and loose tools	17	86,217,074	87,617,242
Stock in trade	18	22,336,658	15,100,336
Trade debtors	19	23,799,056	25,986,269
Advances, deposits, prepayments and other receivables	20	89,192,508	52,744,640
Cash and bank balances	21	289,066,136	168,099,514
		510,611,432	349,548,001
		1,651,887,427	1,274,009,994



DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 (Rupees)	2004 (Rupees)
Sales - Net	22	1,715,426,515	1,397,871,078
Cost of goods sold	23	1,051,203,519	902,333,594
Gross profit		<u>664,222,996</u>	<u>495,537,484</u>
Distribution expenses	24	<u>12,509,368</u>	<u>11,839,810</u>
Administrative and general expenses	25	<u>36,511,022</u>	<u>32,771,011</u>
		<u>49,020,390</u>	<u>44,610,821</u>
Operating profit		<u>615,202,606</u>	<u>450,926,663</u>
Other operating expenses	26	<u>40,170,445</u>	<u>35,722,154</u>
		<u>575,032,161</u>	<u>415,204,509</u>
Other operating income	27	<u>9,129,239</u>	<u>4,444,478</u>
Profit from operations		<u>584,161,400</u>	<u>419,648,987</u>
Finance cost	28	<u>23,212,275</u>	<u>24,374,892</u>
Profit before taxation		<u>560,949,125</u>	<u>395,274,095</u>
Taxation	29	<u>(174,447,785)</u>	<u>(102,616,840)</u>
Profit after taxation		<u><u>386,501,340</u></u>	<u><u>292,657,255</u></u>
Earnings per share	30	<u><u>7.83</u></u>	<u><u>5.93</u></u>

Appropriations have been reflected in the statement of changes in equity.

The attached notes 1 to 39 form an integral part of these accounts.



CHIEF EXECUTIVE



DIRECTOR

Lahore: 30 September 2005

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 (Rupees)	2004 (Rupees)
Cash flow from operating activities			
Profit before taxation		560,949,125	395,274,095
Adjustments for:			
Depreciation on property, plant and equipment		64,233,260	69,271,317
Excess depreciation written back		(1,296,000)	-
Profit on sale of property, plant and equipment		(604,435)	(167,302)
Book value of property, plant and equipment written off		33,486	3,786
Provision for gratuity		2,513,851	1,716,862
Provision for earned leave		839,249	588,805
Profit/mark-up on bank deposit		(2,642,107)	(2,949,193)
Finance cost		23,212,275	24,374,892
		<u>86,289,579</u>	<u>92,839,167</u>
Operating profit before working capital changes		647,238,704	488,113,262
(Increase)/decrease in current assets			
Stores, spares and loose tools		1,400,168	(18,679,531)
Stock in trade		(7,236,322)	10,906,198
Trade debtors		2,187,213	(9,191,700)
Advances, deposits, prepayments and other receivables		(35,871,419)	(30,490,988)
Increase in current liabilities			
Trade and other payables		7,784,618	43,386,637
		<u>(31,735,742)</u>	<u>(4,069,384)</u>
Cash generated from operations		615,502,962	484,043,878
Finance cost paid		(22,971,523)	(24,241,289)
Contribution to staff retirement benefit		(1,382,754)	(1,682,701)
Earned leaves paid		(348,596)	(485,401)
Income tax paid		(129,522,497)	(122,000,282)
Increase in long term loans and advances		(1,695,893)	5,746,799
Net decrease in long term security deposits		286,444	117,406
		<u>(155,634,819)</u>	<u>(142,545,468)</u>
Net cash inflow from operating activities		459,868,143	341,498,410
Cash flow from investing activities			
Fixed capital expenditure		(278,707,911)	(123,298,101)
Sale proceeds of property, plant and equipment		1,930,667	1,245,000
Profit on bank deposits		2,065,658	1,990,073
Net increase in long term deposits		(1,804,360)	(653,100)
		<u>(276,515,946)</u>	<u>(120,716,128)</u>
Net cash outflow from investing activities		(276,515,946)	(120,716,128)
Cash flow from financing activities			
Repayments/proceeds from long term finance		(38,900,000)	26,000,000
Payment of finance lease liabilities		(17,473,388)	(22,529,575)
Dividend paid		(116,849)	(102,894,807)
Net cash outflow from financing activities		<u>(56,490,237)</u>	<u>(99,424,382)</u>
Net increase in cash and cash equivalents		126,861,960	121,357,900
Cash and cash equivalents at the beginning of the year		109,621,888	(11,736,012)
Cash and cash equivalents at the end of the year	31	236,483,848	109,621,888

The attached notes 1 to 39 form an integral part of these accounts.



CHIEF EXECUTIVE



DIRECTOR

Lahore: 30 September 2005

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2005

	Share Capital	Share Premium	Reserve for issue of bonus shares	General Reserve	Un appropriated Profit	Total
	Rupees					
Balance as at 30 June 2003 as previously reported	219,333,340	-	109,666,670	70,000,000	10,153,710	409,153,720
Effect of change in accounting policy-Note 3.19						
Reversal of bonus shares for the year ended 30 June 2003 declared subsequent to the year end	-	-	(109,666,670)	-	109,666,670	-
Balance as at 30 June 2003 (restated)	219,333,340	-	-	70,000,000	119,820,380	409,153,720
Net profit for the year	-	-	-	-	292,657,255	292,657,255
Issuance of bonus shares for the year ended 30 June 2003	109,666,670	-	-	-	(109,666,670)	-
Interim dividend @ Rs 3 per share	-	-	-	-	(98,700,003)	(98,700,003)
Balance as at 30 June 2004 (restated)	329,000,010	-	-	70,000,000	204,110,962	603,110,972
Net profit for the year	-	-	-	-	386,501,340	386,501,340
Issuance of bonus shares for the year ended 30 June 2004	164,500,005	-	-	-	(164,500,005)	-
Balance as at 30 June 2005	493,500,015	-	-	70,000,000	426,112,297	989,612,312

The attached notes 1 to 39 form an integral part of these accounts.



CHIEF EXECUTIVE



DIRECTOR

Lahore: 30 September 2005

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005**1. Status and Nature of the Business**

The Company is a Public Limited Company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The Company is engaged in the production and sale of cement. The registered office is situated at Rawalpindi Road, Kohat, Pakistan.

2. Statement of Compliance

2.1 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.

2.2 Last year, the SECP substituted Fourth Schedule to the Companies Ordinance 1984, which is effective from financial year ending on or after 5 July 2004. This has resulted in the change in accounting policy pertaining to recognition of dividends proposed subsequent to the year end and capitalization of exchange differences (note 3.8).

3. Significant Accounting Policies**3.1 Basis of preparation**

These financial statements have been prepared under the historical cost convention, except for recognition of employee retirement benefits at present value.

3.2 Fixed capital expenditure and depreciation

Operating fixed assets except land are stated at cost less accumulated depreciation. Land and capital work in progress are stated at cost. Cost of certain fixed assets consists of historical cost and directly attributable cost of bringing the assets to working condition. Stores and spares held for capital expenditure are stated at moving average cost.

Depreciation on operating fixed assets is charged to income by applying the reducing balance method, so as to write off the historical cost of an asset over its estimated useful life at the rates mentioned in note 13. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year. No depreciation is charged on assets disposed off during the year.

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized and the assets so replaced, if any, are retired.

Profit or loss on disposal of operating fixed assets represented by the difference between the sale proceeds and the carrying amount of the asset is included in income currently.

3.3 Assets subject to finance lease

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 at the inception of the lease. The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 7. The liabilities are classified as current and long term depending upon the timing of the payment.

Assets acquired under finance lease are amortized over the useful life of the assets on a reducing balance method at the rates given in note 13. Amortization of leased assets is charged to current income.

3.4 Stores, spares and loose tools

These are valued at moving average cost. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

3.5 Stock in trade

Stock in trade is valued at the lower of average cost and net realizable value. The average cost in relation to work in process and finished goods represents direct costs of materials, labour and appropriate portion of production overheads. Net realizable value signifies the ex-factory sales price in the ordinary course of business less expenses necessary to be incurred in order to make the sale.

3.6 Employee 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. Actuarial valuation of the scheme is undertaken at appropriate regular intervals and the latest valuation was carried out at 30 June 2005, using the projected unit credit method.

Actuarial gains/losses exceeding 10 percent of the higher of projected benefit obligation and fair value of plan assets are amortised over average future service of the employees.

b) Defined contribution plan

The Company also operates a defined contributory provident fund scheme for all employees. Equal monthly contributions are made by the Company and the employees to the fund at the rate of 10% of basic salary.

c) Compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to income.

3.7 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. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous year, arising from assessments framed during the year, for such years.

Deferred

The Company accounts for deferred taxation, using the liability method, on all temporary differences. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

3.8 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak rupees at exchange rates prevailing at the balance sheet date. During the year, the company in pursuance of substituted Fourth Schedule of the Companies Ordinance, 1984 has changed its accounting policy with respect to capitalization of exchange differences. Previously exchange differences on loans utilized for the acquisition of fixed assets were capitalized and all other exchange differences were charged to income, the Company now charges all exchange differences to profit and loss account. This change in accounting policy does not have a financial impact on these financial statements.

3.9 Borrowing costs

All mark-up, interest and other charges are charged to income currently.

3.10 Revenue recognition

- a) Sales are recognized at the time of dispatch of goods to the customers.
- b) Profit on bank deposits is recognized on accrual basis.

3.11 Financial instruments

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost, as the case may be. Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are de-recognized when the Company loses control of contractual rights that comprise the financial asset. Whereas financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled, or expires.

3.12 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.

3.13 Impairment of fixed assets

The Company assesses at each balance sheet date whether there is any indication that fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amount.

3.14 Trade and accrued liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed or not to the Company.

3.15 Provisions

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

3.16 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

3.17 Related party transactions

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

3.18 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent consists of cash in hand, balances with banks and short term borrowings.

3.19 Dividend

The Company, effective from current year, has not recognized the final stock dividend, proposed subsequent to the year end, as a liability to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984, as referred to in note 2.2. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the recommended benchmark treatment of IAS 8. Had there been no change, the unappropriated profit and reserve for issue of bonus shares for the year ended 30 June 2005 would have been lower and higher respectively by Rs. 246,750,010 (2004: Rs 164,500,005).

	2005 Rupees	2004 Rupees
4- Issued subscribed and paid up capital		
2,243,334 (2004: 2,243,334) ordinary shares of Rs. 10 each fully paid in cash	22,433,340	22,433,340
11,230,000 (2004: 11,230,000) ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	112,300,000	112,300,000
35,876,668 (2004: 19,426,667) ordinary shares of Rs. 10 each issued as fully paid bonus shares	358,766,680	194,266,670
<u>49,350,002</u>	<u>493,500,020</u>	<u>329,000,010</u>

13,200 (2004: 8,800) ordinary shares of the Company are held by associated undertakings as at 30 June 2005.

	2005 Rupees	2004 Rupees
5- Reserves		
Capital		
- Share premium	92,120,028	92,120,028
Revenue		
- General reserve	70,000,000	70,000,000
	<u>162,120,028</u>	<u>162,120,028</u>

Share premium represents premium of Rs. 42 per share received on issue of 2,193,334 ordinary shares to general public in 1994.

	Note	Limit Rupees	2005 Rupees	2004 Rupees
6- Long term finances - secured				
Union Bank Limited	6.1	144 million	47,948,330	74,348,330
Bank of Khyber	6.2	100 million	87,500,000	100,000,000
			<u>135,448,330</u>	<u>174,348,330</u>
Less: Current maturity shown under current liabilities			<u>53,800,000</u>	<u>41,300,000</u>
			<u>81,648,330</u>	<u>133,048,330</u>

6.1 This facility has been obtained to retire import letters of credit for plant, machinery and equipment for the White Cement Plant. The rate of markup from January 2004 was SBP discount rate plus 0.5% with a floor of 7.0%. The rate of mark up from January 2005 is 3 % above six months KIBOR with a floor of 7.5 %. Any revision in floor shall be linked to variation in KIBOR on quarterly basis. The interest is payable quarterly. This loan is repayable uptill August 2008 in 60 monthly installments of Rs. 2.4 million each. This facility is secured by way of a first registered charge on company's fixed assets ranking pari passu with other bank to an extent of Rs. 500 million and personal guarantees of the directors.

- 6.2 This facility has been obtained for financing the White Cement Plant. The finance carried mark up at the rate of 7% per annum uptill March 2005. The rate of mark up from April 2005 is at the rate of 10% per annum, which is to be paid half yearly. Loan is repayable in eight half yearly equal installments of Rs 12.5 million each commencing from March 2005. This facility is secured by way of first pari passu registered charge over Company's fixed assets to the extent of Rs 153.8 million, insurance policy of stock and other assets covering various risks and personal guarantees of all sponsoring directors.

7- Liabilities against assets subject to finance lease

	2005			2004		
	Minimum lease payments	Financial charges for future period	Present Value of MLP	Minimum lease payments	Financial charges for future period	Present Value of MLP
	Rupees					
Not later than one year	34,124,874	3,827,592	30,297,282	32,788,512	5,838,566	26,949,946
Later than one year and not later than five years	36,575,860	1,114,412	35,461,448	60,222,000	3,939,828	56,282,172
	70,700,734	4,942,004	65,758,730	93,010,512	9,778,394	83,232,118

Interest rate implicit in the lease ranges from 9.5% to 10%. All lease agreements carry renewal option at the end of lease period. Residual value of the lease has already been paid at the inception of the lease in the form of security deposits. There are no financial restrictions imposed by lessors. Taxes, repairs, replacements and insurance costs are borne by lessee.

These are secured by way of demand promissory note for full lease rentals plus residual value and personal guarantees of sponsor directors, also the assets are registered in the name of lessors.

	Note	2005 Rupees	2004 Rupees
8 - Long term security deposits			
From Cement Stockists	8.1	1,732,500	957,500
From Cement Transporters	8.2	400,000	888,556
		2,132,500	1,846,056

- 8.1 These are interest free and repayable on the termination of the agency. These are being utilized by the Company in accordance with the terms of the contract.
- 8.2 These are interest free security deposits for providing guarantee of safe delivery of cement to customers and are repayable on demand. These are being utilized by the Company in accordance with the terms of the contract.

	Note	2005 Rupees	2004 Rupees
9- Deferred taxation			
Deferred taxation	9.1	98,684,395	100,558,395
Staff retirement benefits	9.2	33,908	-
Earned leave		5,521,817	5,031,164
		<u>104,240,120</u>	<u>105,589,559</u>

9.1 Deferred taxation

The liability for deferred taxation comprises of temporary differences relating to:

Accelerated tax depreciation	136,920,531	146,520,727
Liabilities under finance lease that are deducted for tax purpose only when paid	(23,015,556)	(29,131,241)
Export sales	(15,220,580)	(16,831,091)
	<u>98,684,395</u>	<u>100,558,395</u>

9.2 Staff retirement benefits

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

Movement in the amounts recognized in the balance sheet

Net asset as at July 01	1,097,189	1,131,350
Expense recognized in profit and loss account	(2,513,851)	(1,716,862)
Contributions during the year	1,382,754	1,682,701
Net assets/(liability) as at June 30	<u>(33,908)</u>	<u>1,097,189</u>

Reconciliation of the amounts recognized in the balance sheet

Fair value of plan assets	31,723,598	30,936,255
Present value of defined benefit obligations	(33,627,423)	(28,435,768)
Unrecognized actuarial loss/(gains)	1,869,917	(1,403,298)
	<u>(33,908)</u>	<u>1,097,189</u>

Principal actuarial assumptions

The Company has carried out actuarial valuation as at 30 June 2005 under the "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2005	2004
Discount rate	9 % per annum	8 % per annum
Expected rate of future salary increase	8 % per annum	7 % per annum
Expected rate of return	8 % per annum	8 % per annum
Average expected remaining working life time of employees	9 Years	10 Years

	Note	2005 Rupees	2004 Rupees
Actual return on plan assets			
Expected return on plan assets		2,474,900	2,392,648
Actual gain/(loss) on plan assets		(1,687,557)	(1,364,496)
		<u>787,343</u>	<u>1,028,152</u>
Expense recognized in the income statement			
Current service cost		2,713,890	1,835,802
Interest cost		2,274,861	2,273,708
Expected return on plan assets		(2,474,900)	(2,392,648)
		<u>2,513,851</u>	<u>1,716,862</u>
10 - Trade and other payables			
Creditors		16,072,513	22,562,216
Accrued liabilities		34,710,381	34,034,375
Advances from cement customers		17,038,524	16,042,808
Bills payable		5,742,738	5,489,795
Workers' profit participation fund	10.1	30,064,214	21,292,235
Workers' welfare fund		10,114,074	12,799,429
Payable to Government on account of:			
- Income tax deducted at source		532,940	190,962
- Sales tax		5,091,753	-
- Royalty and excise duty		5,715,372	2,776,034
Security and retention money	10.2	5,147,319	2,319,964
Other payables		17,479,837	22,417,229
		<u>147,709,665</u>	<u>139,925,047</u>
Trade creditors include amount due to related parties Rs Nil (2004: Rs Nil).			
10.1 Workers' profit participation fund			
Opening balance		21,292,235	1,353,770
Allocation for the period	26	30,056,371	21,202,664
Interest accrued		7,843	89,571
		<u>51,356,449</u>	<u>22,646,005</u>
Paid during the year		(21,292,235)	(1,353,770)
		<u>30,064,214</u>	<u>21,292,235</u>
10.2 Security and retention money			

This represents the interest free security deposits and retention moneys received from contractors and are repayable after satisfactory completion of contracts.

	Note	Limited Rupees	2005 Rupees	2004 Rupees
11 - Short term finances - secured				
The Bank of Khyber	11.1	50 million	52,582,288	20,393,226
Union Bank Limited	11.2	38 million	-	38,084,400
			<u>52,582,288</u>	<u>58,477,626</u>

11.1 The rate of markup till March 2005 was at the rate of 7% per annum and with effect from April 2005 the rate has been increased to 10% per annum payable quarterly. The facility is secured by way of first pari passu charge of Rs 50 million on Company's current assets and personal guarantees of all directors. This facility will expire on 31 August 2005 or repayable on demand.

11.2 It carries markup at the rate of 2.5% over six months KIBOR with a floor of 7.50 % payable quarterly and is secured by way of first pari passu charge of Rs. 80 million on present and future current assets of the Company, hypothecation of stocks with 35% margin, insurance policy of stocks and other assets covering various risks and personal guarantees of all sponsoring directors. This facility will expire on 31 May 2006.

12. Contingencies and commitments

12.1 Contingencies

- The Engineering Services International (Pakistan) Limited has raised a claim of Rs 5,449,000 against the Company on account of Mechanical Installation/Erection. A counter claim of Rs 1,307,962 has been lodged by the Company. The case is pending with the Senior Civil Judge Lahore.
- The State Cement Corporation of Pakistan (Private) Limited, the previous sole owner of the Company, has raised a claim of Rs 5,640,000 against the Company on account of the interim dividend pertaining to the year ended 30 June 1993 declared by previous Board of Directors. The present Board of Directors has rescinded that declaration of interim dividend on various grounds. The matter is pending for adjudication with the Security and Exchange Commission of Pakistan.
- The Company has initiated recovery proceedings for the recovery of Rupees 14,100,000 interim dividend pertaining to the year ended 30 June 1992 paid by the previous management to the State Cement Corporation of Pakistan (Private) Limited. The said dividend has been rescinded by the Board and rescission confirmed at the Annual General Meeting. As a consequence the Company has withheld Rupees 14,100,000 interim dividend pertaining to the period ended 31 December 1994 payable to the State Cement Corporation of Pakistan (Private) Limited. Intimations have been made to the State Cement Corporation of Pakistan (Private) Limited and the Securities and Exchange Commission of Pakistan. (The application is pending with the Securities and Exchange Commission of Pakistan). This amount has been withheld on legal advice obtained from the corporate lawyers.
- Guarantees issued by Union Bank of Pakistan of the Company of Rs 20 million (2004: Rs 17 million) in favour of Collector Customs, Excise, Sales Tax and other government institutions for supply of cement.

	2005 Rupees	2004 Rupees
12.2 Commitments		
Capital expenditure	305,590,349	32,231,691
Purchase of coal	42,400,500	36,788,375
Refractory materials	11,300,976	-

13 - Operating assets - at cost less accumulated depreciation

	Cost		Rate %	Depreciation			Net Book value as at 30-06-2005		
	As at 01-07-2004	Additions/ (deletions)/ Adjustments *		As at 30-06-2005	As at 01-07-2004	For the year		(Disposal)/ Adjustments *	As at 30-06-2005
	Rupees			Rupees					
Owned:									
Freehold land	14,686,501	22,226,631	36,913,132	-	-	-	-	36,913,132	
<i>Buildings on freehold land:</i>									
Factory buildings	191,186,852	636,200	191,823,052	10	152,403,424	3,941,963	-	156,345,387	35,477,665
Office and other buildings	14,286,876	-	14,286,876	5	8,662,211	281,232	-	8,943,443	5,343,433
Housing colony	39,715,526	1,322,673	41,038,199	5	20,523,865	1,025,717	-	21,549,582	19,488,617
Plant, machinery and equipment	1,168,729,575	5,134,801	1,173,855,876	10	796,408,923	37,744,780	(850)	834,152,853	339,703,023
		(8,500)							
Storage tanks and pipelines	17,187,050	-	17,187,050	10	15,194,785	199,227	-	15,394,012	1,793,038
Power installations	82,975,450	-	82,975,450	10	73,158,953	981,650	-	74,140,603	8,834,847
Furniture, fixtures and other office equipment	17,772,564	2,279,453	19,990,494	10	10,647,525	937,849	(35,526)	11,549,848	8,440,646
		(61,523)							
Computer and printers	4,007,083	654,038	4,661,121	30	2,075,258	775,759	-	2,851,017	1,810,104
Weighing scales	1,092,015	-	1,092,015	10	851,091	24,092	-	875,183	216,832
Vehicles	21,262,001	54,000	16,748,582	20	14,092,113	1,179,564	(3,241,352)	12,030,325	4,718,257
		(4,567,419)							
Heavy vehicles	102,277,953	705,000	99,382,953	20	85,863,131	2,963,164	(1,296,000) *	87,530,295	11,852,658
		(3,600,000) *							
Railway sidings	9,853,476	-	9,853,476	5	6,483,631	168,492	-	6,652,123	3,201,353
Laboratory equipments	17,372,820	1,927,905	19,300,725	10	14,232,179	506,855	-	14,739,034	4,561,691
Library books	94,217	-	94,217	10	64,060	3,016	-	67,076	27,141
	1,702,499,959	34,940,701	1,729,203,218		1,200,661,149	50,733,360	(3,277,728)	1,246,820,781	482,382,437
		(4,637,442)					(1,296,000) *		
		(3,600,000) *							
Leased:									
Plant and machinery	100,000,000	-	100,000,000	10	10,750,000	8,925,000	-	19,675,000	80,325,000
Heavy vehicles	3,600,000	7,250,000	10,850,000	20	1,756,800	1,818,640	-	3,575,440	7,274,560
Light vehicles	12,626,000	3,680,500	16,306,500	20	2,525,200	2,756,260	-	5,281,460	11,025,040
	116,226,000	10,930,500	127,156,500		15,032,000	13,499,900	-	28,531,900	98,624,600
2005	1,818,725,959	45,871,201	1,856,359,718		1,215,693,149	64,233,260	(3,277,728)	1,275,352,681	581,007,037
		(4,637,442)					(1,296,000)		
		(3,600,000) *							
2004	1,801,708,144	17,017,815	1,818,725,959		1,149,679,259	69,271,317	(3,257,427)	1,215,693,149	603,032,810

* Adjustment represents an amount of Rs 3.6 million wrongly capitalized in a previous year.

	Note	2005 Rupees	2004 Rupees
13.1 Depreciation charged for the year has been allocated as follows:-			
Cost of goods sold	23	63,520,114	68,534,593
Distribution expenses	24	213,943	221,017
Administrative and general expenses	25	499,203	515,707
		<u>64,233,260</u>	<u>69,271,317</u>

13.2 Disposal of operating fixed assets:

Particulars of vehicles sold	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit	Mode of sale	Particulars of purchaser
Rupees							
Vehicles							
Range Rover Jeep	1,500,000	1,318,806	181,194	200,000	18,806	Auction	Mr. Zahid Ali Islamabad
Suzuki Van	175,379	129,404	45,975	50,000	4,025	Auction	Mr. Mubashir Saleem, Lahore
Toyota Corolla	729,000	490,121	238,879	729,000	490,121	Insurance claim	M/s. E.F.U. Insurance Co.
Car Honda Atlas	1,080,500	726,442	354,058	415,000	60,942	Auction	Mr. Rana Farhan Haq
Car Honda City	820,500	400,404	420,096	450,000	29,904	Auction	Mr. Naveed Anwar Khan
Motor Cycle	65,200	43,835	21,365	21,365	-	As per Company's policy	Mr. Hajat Badshah - Company's employee
Motor Cycle	65,200	43,835	21,365	21,365	-	-do-	Mr. Muhammad Shafique - Company's employee
Motor Cycle	66,300	44,575	21,725	21,725	-	-do-	Mr. Riazullah - Company's employee
Motor Cycle	65,340	43,930	21,410	21,410	-	-do-	Mr. Muhammad Ramzan - Company's employee

	Note	2005 Rupees	2004 Rupees
14 - Capital work-in-progress			
Civil works		105,877,673	47,400,289
Plant and machinery		382,925,310	130,769,245
		<u>488,802,983</u>	<u>178,169,534</u>
15 - Long term loans and advances			
Loans to employees - considered good	15.1	7,717,785	5,032,128
Less: Receivable within one year		(3,078,712)	(2,088,948)
		<u>4,639,073</u>	<u>2,943,180</u>
15.1 Reconciliation of the carrying amount of loans and advances to employees:			
Balalance at the beginning of the year		5,032,128	4,489,695
Disbursements		6,035,438	3,162,500
Recovered during the year		(3,349,781)	(2,620,067)
Balance at the end of the year		<u>7,717,785</u>	<u>5,032,128</u>

Loans to officers carries mark-up at the rate of 5% per annum and loan to workers carries nil mark-up. These loans are secured against lien on retirement benefits. House building loan to officers is repayable in 60 equal installments. However, house building loan, car/motor cycle loan and marriage loan to workers are repayable in 48,36 and 30 installments respectively. At 30 June 2005 there is no amount that is receivable from Directors or Chief Executive (2004: Rs Nil).

15.2 The maximum amount due from the Executives at the end of any month during the year was Rs Nil (2004: Rs 368,287).

	Note	2005 Rupees	2004 Rupees
16. Long term deposits			
Leasing companies		13,080,650	11,262,600
Others		3,675,840	3,689,530
		<u>16,756,490</u>	<u>14,952,130</u>
17. Stores, spares and loose tools			
Stores	17.1	53,307,885	59,612,580
Spares		31,090,193	26,356,205
Loose tools		1,818,996	1,648,457
		<u>86,217,074</u>	<u>87,617,242</u>

17.1 These include stores in transit valuing Rs 3,160,625 (2004: Rs 4,835,910).

	2005 Rupees	2004 Rupees
18. Stock in trade		
Raw materials	1,915,827	2,151,461
Work in process	8,328,611	5,782,324
Finished goods	4,736,861	1,950,952
Packing material	7,355,359	5,215,599
	<u>22,336,658</u>	<u>15,100,336</u>
19. Trade debtors		
Considered good		
- Secured	3,806,208	3,252,204
- Un-secured	19,992,848	22,734,065
	<u>23,799,056</u>	<u>25,986,269</u>

	Note	2005 Rupees	2004 Rupees
20. Advances, deposits, prepayments and other receivables			
Advances - unsecured - considered good			
- Company employees	20.1	5,001,785	7,271,451
- Suppliers		68,386,239	21,260,209
- Contractors		1,357,315	384,055
Receivable from Government account of:			
- Excise duty		873,750	1,643,625
- Sales tax		-	5,540,992
Letters of credit in process		1,495,879	1,257,798
Letter of credit/guarantee margin		5,058,376	5,477,165
Prepayments		758,698	875,782
Profit/mark-up on bank deposits receivable		2,072,491	1,496,042
Other advances and receivables		2,654,963	1,277,936
Rebate on export sales		1,533,012	3,044,585
Container security		-	3,215,000
		<u>89,192,508</u>	<u>52,744,640</u>
20.1 Advances to company's employees			
Current maturity of long term loans	15	3,078,712	2,088,948
Others		1,923,073	5,182,503
		<u>5,001,785</u>	<u>7,271,451</u>
20.2 These include loans to executives of Rs Nil (2004: Rs 138,648).			
		2005 Rupees	2004 Rupees
21. Cash and bank balances			
Cash in hand		7,884,408	1,791,880
Cash at bank			
- Current account		6,684,638	17,164,843
- Saving account		274,497,090	149,142,791
		<u>289,066,136</u>	<u>168,099,514</u>

22. Sales	Note	2005 Rupees	2004 Rupees
Local sales - gross		2,120,666,745	1,773,175,748
Rebate on cement		6,512,474	2,352,784
Sales tax		276,626,411	261,659,914
Excise duty		355,144,875	317,723,250
		<u>638,283,760</u>	<u>581,735,948</u>
		1,482,382,985	1,191,439,800
Export sales	22.1	233,043,530	206,431,278
		<u>1,715,426,515</u>	<u>1,397,871,078</u>

22.1 This amount include Rs. 3.8 million (2004: Rs. 6 million) of export rebate.

23. Cost of goods sold	Note	2005 Rupees	2004 Rupees
Opening work-in-process		5,782,324	9,695,085
Raw and packing materials consumed	23.1	109,875,006	115,577,441
Power and fuel		219,455,026	216,891,177
Furnace oil and coal		465,537,075	320,698,525
Coal unloading and feeding charges		2,624,727	2,590,437
Stores and spares consumed		52,372,217	37,886,315
Salaries, wages and other benefits	24.2	84,325,433	80,999,658
Royalty, excise duty and sales tax		14,671,722	13,236,185
Rent, rates and taxes		824,862	653,539
Repairs and maintenance		10,392,824	8,285,567
Transportation charges		18,877,347	13,616,850
Insurance		4,162,633	4,036,282
Depreciation	13.1	63,520,114	68,534,593
Other expenses		9,896,729	7,804,431
		<u>1,062,318,039</u>	<u>900,506,085</u>
Less: Closing work-in-process		8,328,611	5,782,324
Cost of goods manufactured		<u>1,053,989,428</u>	<u>894,723,761</u>
Opening stock of finished goods		1,950,952	9,560,785
		<u>1,055,940,380</u>	<u>904,284,546</u>
Less: Closing stock of finished goods		4,736,861	1,950,952
		<u>1,051,203,519</u>	<u>902,333,594</u>

	Note	2005 Rupees	2004 Rupees
23.1 Raw and packing materials consumed			
Opening stock as at 01 July			
- Raw materials		2,151,461	1,720,938
- Packing materials		5,215,599	5,029,726
		7,367,060	6,750,664
Purchases			
- Raw materials		10,017,947	10,330,946
- Packing materials		101,761,185	105,862,891
		111,779,132	116,193,837
		119,146,192	122,944,501
Closing stock as at 30 June			
- Raw materials		1,915,827	2,151,461
- Packing materials		7,355,359	5,215,599
		9,271,186	7,367,060
		109,875,006	115,577,441

23.2 Salaries, wages and other benefits include Rs 1,935,181 (2004:Rs 1,877,631) in respect of provident fund contribution.

	Note	2005 Rupees	2004 Rupees
24. Distribution expenses			
Salaries, wages and other benefits	24.1	5,494,740	4,983,469
Vehicle running		1,059,675	967,247
Travelling and conveyance		233,340	259,309
Printing and stationery		229,817	284,822
Postage, telephone and telegrams		637,455	653,814
Entertainment		945,058	826,062
Rent, rates and taxes		280,325	268,600
Electricity, water and gas		79,590	92,419
Advertisement		371,032	399,840
Depreciation	13.1	213,943	221,017
Cement loading charges		2,521,147	2,441,172
Miscellaneous		443,246	442,039
		12,509,368	11,839,810

- 24.1 Salaries, wages and other benefits include Rs 153,631 (2004: Rs 129,986) in respect of provident fund contribution.

	Note	2005 Rupees	2004 Rupees
25. Administrative and general expenses			
Salaries, wages and other benefits	25.1	17,242,343	17,306,132
Vehicle running		2,285,707	2,408,831
Traveling and conveyance		2,676,206	1,087,719
Printing and stationery		906,041	876,038
Legal and professional	25.2	2,260,618	2,386,603
Postage, telephone and telegrams		2,161,776	2,228,235
Rent, rates and taxes		2,525,352	1,309,096
Entertainment		744,364	437,702
Donations	25.3	3,184,403	2,295,267
Auditor's remuneration	25.4	287,500	278,000
Depreciation	13.1	499,203	515,707
Advertisement		117,047	197,796
Miscellaneous		1,620,462	1,443,885
		<u>36,511,022</u>	<u>32,771,011</u>

- 25.1 Salaries, wages and other benefits include Rs. 349,700 (2004: Rs. 377,901) in respect of provident fund contribution.

- 25.2 Legal and professional charges include remuneration to cost auditor Rs 30,000 (2004: Rs 30,000) and to tax consultant Rs 885,000 (2004: Rs 791,000).

- 25.3 None of the directors of the Company or any of their spouse have any interest in or otherwise associated with any of the recipients of donations made by the Company during the year.

	2005 Rupees	2004 Rupees
25.4 Auditor's remuneration		
Statutory audit	175,000	175,000
Half year review	82,500	75,000
Out of pocket expenses	30,000	28,000
	<u>287,500</u>	<u>278,000</u>

	Note	2005 Rupees	2004 Rupees
26. Other operating expenses			
Workers' profit participation fund		30,056,371	21,202,664
Workers' welfare fund		10,114,074	7,486,942
Sales tax paid under protest		-	7,032,548
		<u>40,170,445</u>	<u>35,722,154</u>
27. Other operating income			
Income from financial assets			
- Profit/mark-up on bank deposits		2,642,107	2,949,193
- Interest income on staff loans		810,577	-
Income from non-financial assets			
- Insurance claim realized		982,000	-
- Income from sale of scrap		340,638	88,117
- Sale of dead/obsolete store		1,648,482	-
- Profit on sale of assets		604,435	167,302
- Excess depreciation written back		1,296,000	-
- Miscellaneous		805,000	1,239,866
		<u>9,129,239</u>	<u>4,444,478</u>
28. Finance cost			
Interest/mark-up on:			
- Liabilities against assets subject to finance lease		6,213,288	8,233,022
- Short term running finances under mark up arrangements		8,011,962	4,853,272
- Long term loans		6,239,149	8,126,465
- Workers' profit participation fund		7,843	89,571
- Bank charges, commission and others		2,740,033	3,072,562
		<u>23,212,275</u>	<u>24,374,892</u>
29. Taxation			
Current	29.1	176,321,785	130,907,840
Deferred		(1,874,000)	(28,291,000)
		<u>174,447,785</u>	<u>102,616,840</u>

29.1 Current

While finalising the assessments for the assessment years 2001-02 and 2002-03, the Taxation Officer has disallowed certain expenses. These disallowances resulted in an aggregate incremental tax liability of Rs 14.5 million.

In all the above cases, the management of the Company disputed the department's contention and has filed appeals against the said decisions before the Commissioner of the Income Tax (Appeals)/Income Tax Appellate Tribunal which are pending adjudication.

The Company's management is confident of a favorable outcome of the appeals and accordingly no provision has been made in these financial statements for the above stated demands.

29.2 Tax charge reconciliation

	2005 %	2004 %
Numerical reconciliation between the applicable tax rate and the average effective tax rate		
Applicable tax rate as per Income Tax Ordinance, 2001	35	35
Tax effect of amounts that are:		
- not deductible for tax purposes	4.55	6.86
- allowable deductions for tax purposes	(3.76)	(3.83)
Tax effect of profit attributable to presumptive income	(4.87)	(5.55)
Effect of presumptive tax	0.51	0.63
Deferred tax due to change in temporary difference	(0.33)	(7.16)
Average effective tax rate charged to profit and loss account	<u>31.10</u>	<u>25.95</u>

5. The members are requested to notify immediately changes, if any, in their registered addresses.
6. The Memorandum and Articles of Association of the Company as on date and also indicating the proposed amendments has been kept at the registered office of the Company and can be inspected during business hours on all working days upto October 26, 2005.

DRAFT RESOLUTIONS PROPOSED TO BE CONSIDERED IN THE MEETING

Item No. 5

"RESOLVED that the authorized share capital of the Company be and is hereby increased from Rs. 1,000,000,000 (Rupees one thousand million) divided into 100,000,000 ordinary shares of Rs. 10 to Rs. 1,500,000,000 (Rupees one thousand five hundred million) divided into 150,000,000 ordinary shares of Rs. 10 each by the creation of 50,000,000 new ordinary shares of Rs. 10 each."

Item No. 6

"RESOLVED that the Memorandum and Articles of Association of the Company be altered to reflect the increase in the authorized capital of the Company as follows:

- a) substituting the existing clause V of the Memorandum of Association of the Company with the following new clause V:
 - "V. The authorized share capital of the Company is Rs. 1,500,000,000 (Rupees one thousand five hundred million) divided into 150,000,000 ordinary shares of Rs. 10 (Rupees ten) each with powers to increase or reduce the capital and to divide the share capital into different classes consisting of ordinary shares only."
- b) substituting the existing Article 5 of the Articles of Association of the Company with the following new article 5:
 - "5. The authorized share capital of the Company is Rs. 1,500,000,000 (Rupees one thousand five hundred million) divided into 150,000,000 ordinary shares of Rs. 10 (Rupees ten) each but the Company may from time to time by Special Resolution increase, consolidate, sub-divide, reduce or other-wise re-organize the share capital of the Company subject to the provision of Companies Ordinance, 1984.

Item No. 7

"RESOLVED that the quarterly accounts of the Company be placed on its website instead of circulating the same by post to the shareholders, as allowed by Securities and Exchange Commission of Pakistan vide its Circular No. 19 dated April 14, 2004 subject to approval from Securities and Exchange Commission of Pakistan."

Statement U/s 160(1)(b) of the Companies Ordinance, 1984

Item No. 5 and 6 To increase the authorized share capital of the Company and to alter the Memorandum and Articles of Association of the Company.

The Board of Directors has recommended that the authorized share capital of the Company be increased from Rs. 1,000,000,000 (Rupees one thousand million) divided into 100,000,000 ordinary shares of Rs. 10 each, to Rs. 1,500,000,000 (Rupees one thousand five hundred million) divided into 150,000,000 ordinary shares of Rs. 10 each, to facilitate further issue of capital. This increase in capital will also necessitate amendments in clause V of the Memorandum of Association and article 5 of the Articles of Association of the Company.

Item No. 7 Placement of Quarterly Accounts on the Company's website.

The Board of Directors of the Company has recommended that the quarterly accounts of the Company should be transmitted to the members by placing on the website of Company instead of circulating the same by post to the Members as allowed by Circular No. 19 dated 14 April 2004 of the Securities and Exchange Commission of Pakistan, which will be considered as compliance of the provisions of Section 245 of the Companies Ordinance, 1984. Such transmittal is subject to fulfillment of certain conditions including seeking the consent of its Members in general meeting as stated in the above referred circular and approval from the Securities and Exchange Commission of Pakistan.

The Company maintains a website www.kohatcement.com and intends to place its quarterly accounts on the website for the information of the Members and general public in terms of and in accordance with the aforesaid Circular. This will result in prompt disclosure of information to the Members besides saving the costs of printing and dispatching of the quarterly accounts. The Company, however, will supply the printed copies of accounts to the Stock Exchanges on which the Company is listed in accordance with the Listing Regulations and to the Members on demand at their registered address, free of charge, within one week of receiving such a request. The Directors are not interested in this business except as ordinary members of the Company.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors take pleasure in presenting the Annual Report and audited Financial Statements of the Company for the year ended 30 June 2005.

Financial results - The net sales revenue for the year under review is Rs. 1,715.4 million (2004: Rs. 1,397.9 million) reflecting a growth of 22.72% over last year. The Cost of Sales has increased by 16.50% during the year, which is mainly due to the persistent price hike in Coal and Furnace Oil. The Company has earned a pre-tax profit of Rs. 560.9 million (2004: Rs. 395.3 million) after accounting for all charges inclusive of depreciation of Rs. 64.2 million (2004: Rs. 69.3 million). The profitability of the Company has increased considerably in the current year due to stability in the prices of cement and increase in capacity utilization. The financial results for the year under review are as under:



	Rupees in Thousand	
	2005	2004
Profit before taxation	560,949	395,274
Taxation:		
Current - for the year	176,322	130,908
Deferred - for the year	(1,874)	(28,291)
	174,448	102,617
Profit after taxation	386,501	292,657
Un-appropriated profit Brought Forward	204,111	119,821
Profit available for appropriation	590,612	412,478
APPROPRIATIONS:		
- Interim cash dividend NIL (2004: 30%)	-	98,700
- Transfer to reserve for issue of bonus shares @ 50% (2004: 50%)	164,500	109,667
	164,500	208,367
Un-appropriated profit carried forward	426,112	204,111
Earnings per share Rs. (refer note 30)	7.83	5.93
Subsequent Effects:		
- Proposed issue of Bonus Shares @ 50% (2004: @ 50%)	246,750	164,500

As the Company needs funds for its expansion project therefore, the Directors do not feel prudent to declare any cash dividend, however, the Directors have proposed issue of bonus shares @ 50% in proportion of 1 (one) bonus share for every 2 (two) shares held be issued by capitalization of Rs. 246,750,010 out of free reserves of the Company.

34 - Remuneration of Chief Executive, Directors and Executives

	Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
	Rupees					
Managerial remuneration	320,000	320,000	480,000	480,000	-	2,705,911
Rent and utilities allowance	160,000	160,000	240,000	240,000	-	1,151,686
Medical reimbursement	-	117,512	-	45,000	-	175,335
Bonus	-	-	-	-	-	341,147
Retirement benefits	-	-	-	-	-	352,030
Other reimburseable expenses	1,195,202	737,948	1,810,476	1,007,210	-	3,069,979
	1,675,202	1,335,460	2,530,476	1,772,210	-	7,796,088
No. of persons	1	1	2	2	-	19

Company also provides the Chief Executive and Directors of the Company with free use of Company maintained cars.

Change in number of Executives is due to the increase in basic salary from Rs 100,000 to Rs 500,000 as per the revised Fourth Schedule to the Companies Ordinance, 1984.

35. Capacity and production	2005	2004
	Tones	Tones
Clinker		
- Plant capacity	540,000	540,000
- Actual production	531,149	498,110
Cement		
- Plant capacity	567,000	567,000
- Actual production	561,753	530,641

Minor shortfall was due to heavy rains which effected the supply of raw material resulting into the stoppage of kiln and the excessive stock at cement silos.

36. Number of employees	2005	2004
Total number of employees at the end of the year	416	417

37. Dividend

The Board of Directors of the Company in its meeting held on 30 September, 2005 has recommended a stock dividend through the issue of bonus shares @ 50% (200: 50%) i.e. in the proportion of 1 (one) share for every 2 (two) shares held. The approval of the members for proposed bonus issue will be obtained at the Annual General Meeting scheduled to be held on 26 October, 2005. The financial statements for the year ended 30 June, 2005 do not include the effect of the bonus shares which will be accounted for in the financial statements for the year ending 30 June, 2006 (Refer Note 3.19).

38. Date of authorization for issue

These financial statements were authorized for issue on 30 September 2005 by the board of directors of the Company.

39. Figures

- have been rounded off to nearest rupees.
- previous year figures have been rearranged and reclassified wherever necessary for the purposes of comparison. Major changes made during the year resulted from the substituted Fourth Schedule to the Companies Ordinance, 1984.

**CHIEF EXECUTIVE****DIRECTOR**

Lahore: 30 September 2005

Pattern of Shareholding as at 30 June 2005

No. of Shareholders	Shareholdings		No. of Shares Held
	From	To	
98	1	100	6,538
1,076	101	500	400,407
174	501	1,000	151,037
204	1,001	5,000	510,094
37	5,001	10,000	291,876
17	10,001	15,000	227,225
7	15,001	20,000	122,625
10	20,001	25,000	216,350
3	25,001	30,000	84,900
1	35,001	35,000	33,750
2	40,001	45,000	82,000
1	45,001	50,000	48,450
3	50,001	55,000	162,400
1	55,001	60,000	59,100
1	60,001	65,000	60,100
2	65,001	70,000	135,000
1	90,001	95,000	91,650
1	125,001	130,000	127,250
1	190,001	195,000	191,025
1	295,001	300,000	300,000
1	410,001	415,000	414,800
1	445,001	450,000	450,000
1	495,001	500,000	500,000
1	560,001	565,000	562,500
1	585,001	590,000	588,300
1	780,001	785,000	780,075
1	890,001	895,000	891,600
1	900,001	905,000	902,250
1	920,001	925,000	923,050
1	1,595,001	1,600,000	1,598,125
1	1,845,001	1,850,000	1,846,100
1	2,930,001	2,935,000	2,931,300
1	3,000,001	3,005,000	3,004,425
1	3,310,001	3,315,000	3,313,500
1	5,630,001	5,635,000	5,635,000
1	10,510,001	10,515,000	10,511,425
1	11,195,001	11,200,000	11,195,775
1,658			49,350,002

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	37,146,675	75.27%
Associated Companies, undertakings and related parties	13,200	0.03%
NIT and ICP	197,325	0.40%
Banks, Development Financial Institutions, Non banking Financial Institutions	1,409,800	2.86%
Insurance Companies	-	-
Modarabas and Mutual Funds	46,800	0.09%
Share holders holding 10%	27,342,200	55.40%
General Public:		
a) Local	6,802,402	13.78%
b) Foreign	-	-
Others (to be specified):		
i) Packages Limited Mgt. Staff Pension Fund	5,500	0.01%
ii) KCCL Employees Trust	414,800	0.84%
iii) Pakistan Industrial Development Corporation (Pvt.) Ltd.	3,313,500	6.71%



AIZAZ MANSOOR SHEIKH
CHIEF EXECUTIVE

Lahore: 30 September 2005

Pattern of Shareholding as at 30 June 2005
Additional Information as Required by the Code of Corporate Governance

CATEGORIES OF SHARE HOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD
I Associated Companies, Undertakings & Related Parties	1	13,200
i. Tariq Motors (Private) Limited	1	13,200
II NIT and ICP	2	197,325
i. National Bank of Pakistan - Trustee department	1	191,025
ii. Investment Corporation of Pakistan	1	6,300
III Directors, Chief Executive Officer, their Spouses and Minor Children	9	37,146,675
Directors	7	33,553,950
i. Mr. Atta Mohammad Sheikh Chairman / Director	1	1,598,125
ii. Mr. Aizaz Mansoor Sheikh Chief Executive Officer / Director	1	10,511,425
iii. Mr. Nadeem Atta Sheikh Director	1	11,195,775
iv. Mr. Tariq Atta Sheikh Director	1	5,635,000
v. Mrs. Ghazala Amjad Director	1	2,931,300
vi. Mr. Omer Aizaz Sheikh Director	1	902,250
vii. Mrs. Hafsa Nadeem Director	1	780,075
Directors' spouses	2	3,592,725
i. Mrs. Hijab Tariq W/o Mr. Tariq Atta Sheikh	1	588,300
ii. Capt. Amjad Latif Sheik H/o Mrs. Ghazala Amjad	1	3,004,425
IV Executives	Nil	Nil
V Public Sector Companies and Corporations	1	3,313,500
i. Pakistan Industrial Development Corporation (Private) Limited	1	3,313,500
VI Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	7	1,456,600
VII Shareholders holding ten percent or more voting interests	3	27,342,200
i. Mr. Aizaz Mansoor Sheikh	1	10,511,425
ii. Mr. Nadeem Atta Sheikh	1	11,195,775
iii. Mr. Tariq Atta Sheikh	1	5,635,000



CHIEF EXECUTIVE