



**PAIDAR CEMENT**

**GHARIBWAL CEMENT LIMITED**

**ANNUAL REPORT 2010**



## Contents

Company Profile	2
Vision & Mission	3
Notice of Annual General Meeting	4-6
Directors' Report to the Members	8-11
Summary of Last Ten Years' Financial Results	12
Pattern of Shareholding	13-14
Statement of Compliance with CCG	15-16
Review Report to the Members on statement of compliance with CCG	17
Auditors' Report to the Members	18-19
Balance Sheet	20
Profit and Loss Account	21
Cash Flow Statement	22
Statement of Changes in Equity	23
Notes to the Accounts	24-55
Form of Proxy	57

## Company Profile

### BOARD OF DIRECTORS

Mr. Muhammad Tousif Peracha  
Chairman & Chief Executive

Mr. Abdur Rafique Khan  
Director

Mrs. Tabassum Tousif Peracha  
Director

Mr. Nazir Ahmed Peracha  
Director

Mr. M. Ishaq Khokhar  
Director

Mr. M. Niaz Piracha  
Director

Mr. Jawaid Aziz Peracha  
Director

### BANKERS

Askari Bank Limited

Faysal Bank Limited

Habib Bank Limited

KASB Bank Limited

MCB Bank Limited

My Bank Limited (Bolan Bank Limited)

National Bank of Pakistan

NIB Bank Limited

Silk Bank (Saudi Pak Commercial Bank Limited)

The Bank of khyber

The Bank of Punjab

United Bank Limited

### REGISTERED OFFICE

28-B/3, Gulberg, III P.O. Box 1285, Lahore.

UAN : 042 - 111-210-310

Fax : 042 - 35871039 & 59

E-mail: info@gharibwalcement.com

### WORKS

Ismailwal, Distt. Chakwal

### WEBSITE

www.gharibwalcement.com

### AUDIT COMMITTEE

Mrs. Tabassum Tousif Peracha  
Chairperson and Member

Mr. M. Niaz Piracha  
Member

Mr. Jawaid Aziz Peracha  
Member

### CHIEF FINANCIAL OFFICER

Mr. Salman Ahmad ACA

### COMPANY SECRETARY

Mr. Muhammad Shamail Javed ACA

### AUDITORS

M/s. Hyder Bhimji & Co.  
Chartered Accountants

### INTERNAL AUDITORS

M/s. Aftab Nabi & Co.  
Chartered Accountants

### LEGAL ADVISOR

M/s. Mandviwala & Zafar, Advocates.

### SHARES REGISTRAR

M/s. Corplink (Pvt.) Limited  
Shares 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 forty six years. Our cement has already 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. Our new brand titled “**PAIDAR CEMENT**” being produced from the new cement plant shall strive to become a household name both in quality and price in the near future.

**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 and brand loyalty historically spanning Punjab and Azad Kashmir. We greatly value our patrons for their preference and loyalty for our cement.

**GHARIBWAL** envisions that the administrative and financial reforms instituted by the management in recent years shall continue in the future in the key areas to ensure the Company’s prosperity and progress. **GHARIBWAL**’s new cement plant, situated in the Punjab province near the Motorway and G.T. Road, has embraced up-to-date cement technology, plant and machinery. This new plant has already started production by the Grace of the Almighty.

**GHARIBWAL** accordingly has a focused vision to rank high in performance amongst Pakistan’s cement producers in the near future.

## Mission Statement

**GHARIBWAL**’s mission is to constantly seek excellence in all spheres of its business activity and to develop and expand its market position in Punjab, Azad Kashmir, the South and export market for our **PAIDAR CEMENT** brand.

**GHARIBWAL**’s mission is to promote mutually satisfactory relationships with all our customers and stake-holders by creating value additions and finally aims to construct a strong, durable and forward-moving Pakistan.





## **Notice of Annual General Meeting**

Notice is hereby given that 50<sup>th</sup> Annual General Meeting of Gharibwal Cement Limited will be held on Monday, February 28, 2011 at 11:30 a.m at Registered Office of the company (28-B/III Gulberg-III, Lahore) to transact the following businesses:

### **Ordinary Business**

1. To confirm minutes of last General Meeting (AGM) held on December 01, 2009.
2. To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2010 together with Auditors' and Directors' reports thereon.
3. To appoint Auditors of the Company for the year ending June 30, 2011 and to fix their remuneration.

### **Special Business**

#### **Investments in Associates U/S 208 of Companies Ordinance, 1984**

4. To renew Loan facility of Rs. 100.00 million to Balochistan Glass Limited (**Associated Company**), already approved by the members in 49<sup>th</sup> Annual General Meeting of the company, by passing the following resolution either with or without modification as required under section 208 of Companies Ordinance, 1984:

**“Resolved that** 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 already sectioned Loan facility of Rs. 100.00 million on revised terms & conditions on short to long term as per annexed statement U/S 160 (1) (b) of Companies Ordinance, 1984. Further Resolved that “Board of Directors” of the company is authorized to review the terms and condition of this facility annually and if any change is occurred; present the same to members in AGM/EOGM for their approval; by restricting max. term of loan up to five years.”

**FURTHER RESOLVED** that CEO, Company Secretary & CFO (singly) be and are hereby authorized to complete all financial, legal and corporate formalities in connection with the above resolution.

### **Other Business**

5. To transact any other business with the permission of chair

By Order of the Board

Date: February 03, 2010  
Place: Lahore

Muhammad Shamail Javed  
Company Secretary



## **Notice of Annual General Meeting**

**Notes:**

1. Share transfer books of the Company will remain closed from February 21, 2011 to February 28, 2011 (both days inclusive). The transfers received at share registrar office i.e. Corplink (Pvt.) Limited by the close of business on February 20, 2011 will be considered in time.
2. A member of the Company entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Any individual beneficial owner of CDC, entitled to attend and Vote at AGM, must bring his/her CNIC or passport with his/her to prove his/her identity and in case of proxy, attested copy of the shareholder's CNIC must be attached with the proxy form. The representative of corporate member should bring usual documents required for such purpose.
4. Members are requested to immediately notify the change of their addresses, if any to our share registrar.
5. Members who have not yet submitted photocopy of their CNIC to the company's registrar (as required by SECP) are requested to send the same, with the folio numbers.

**THE STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984, PERTAINING TO THE SPECIAL BUSINESS IS ANNEXED WITH THIS NOTICE TO THE MEMBERS**

**Name of Investee Company:** Balochistan Glass Limited (BGL); an Associated Company of GCL  
**Extent of Loan** Rs. 100 million  
**Purpose of Loan & benefits** To support the operations of group company and to get strategic benefits for the company in long run.  
**Outstanding Loan Amount:** Rs. 85.443 million as at June 30, 2011  
 No Amount of loan has been written off by GCL

**Financial Position of The**

**Investee Company:** Based on the latest Audited financial statements for the year ended **June 30, 2010**, brief financial position of BGL is as under:

	Rs. (Million)		Rs. (Million)
• Paid up Capital	858.000	• Long term Loans & Lease Liabilities	492.643
• Share Premium Reserve	Nil	• Sponsors' Long term Loan	232.799
• Accumulated Losses	1,613.78	• Sponsors' Loan-For equity Conversion	343.200
• Revaluation Surplus	277.293	• Net Current Liabilities	544.776
• Fixed Assets	1,671.657	• Long Term Deposits	22.00
• Subordinated Loan	482.080	• Fixed Capital Expenditure	102.979
• Current Ratio	0.65	• Loss for the year 2010	602.456
• EPS - (Rs. )	(7.02)		

(Copy of Annual report of BGL will be made available at AGM for members review)

**Rate of Mark up:** 1% above the rate charged to GCL by banks & financial institutions  
 (Average borrowing rate is 3-Kibor + 0% to 0.5% approx.)

**Particulars Of Collateral** Management does not consider it necessary to obtain collateral/security from borrowing company as both the companies are under common management

**Source of Funds** Already provided plus internal cash availability of GCL

**Repayment Schedule** Within next five years (Board of Directors are authorized to negotiate the Repayment period - but not exceeding five years) (Agreement will be signed as approved by BOD & AGM of GCL as earlier Agreed between BGL & GCL).

**Personal Interest of**

**Directors of GCL**

Directors of Gharibwal Cement Limited (GCL) are interested in the business to the extent of their shareholding. Furthermore, Mr. Muhammad Tousif Paracha is also the Chairman/CEO of Balochistan Glass Limited. Mr. Nazir Peracha, Mr. Ishaq Khakokar, Mr. Jawaid Aiz Peracha, Mr. Niaz Peracha are also director on BOD's of BGL.

Previously directors had renewed the short term facility of Rs. 100 million to BGL as per authority/ approval from shareholders in last AGM. Now the above agenda is again presented to comply draft Companies (Investment in Associated Companies & Associated Undertakings) Regulations, 2010 and max. term of loan is capped to five years.









## Directors' Report to the Shareholders

The directors of your Company are pleased to present the Annual Report together with the audited financial statements and Auditors' Report thereon for the year ended June 30, 2010.

### PLANT PERFORMANCE

The Company produced 518,757 M. Ton clinker from its new Line-II during the year (2009: Line-II: 782,074 M. Ton inclusive of 145,957 M. Ton clinker produced from trial run; Line-I: 31,815 M. Ton). Cement dispatches for the year were 643,533 M. Ton (2009: Line-II 684,877 M. Ton inclusive of 153,639 M. Ton cement sold out of trial run production; Line-I: 44,543 M. Ton).

### FINANCIAL RESULTS

During the year under review, no major infrastructural and developmental activity was taken place in the country due to economic melt down, uncertain political situation coupled with war against terrorism which affected all the sphere of the country, resulting in decreased cement demand. Price war during the year in the cement industry resulted in steep decline in selling price to ever lowest in local market; further cement prices in international market also decreased due to global recession. In addition to these, the continuous gas load shedding and increase in input costs especially of coal have badly affected the operations and profitability of the Company. Furthermore, during the period Company could manage to achieve only 26% of its total installed production capacity which was not enough to achieve economy of scale in consumption of fuel and recovery of the fixed production over heads.

This phenomenon led the company into heavy gross loss situation.

The financial results for the year under review are as under:-

	2010	Restated 2009
	----- Rs. '000 -----	-----
Profit/(Loss) before finance cost, depreciation and tax	<b>(716,968)</b>	263,929
Finance Cost	<b>(1,184,656)</b>	(881,406)
Depreciation	<b>(240,607)</b>	(242,022)
Net loss before tax	<b>(2,142,231)</b>	(859,499)
Net loss after tax	<b>(1,027,490)</b>	(870,357)
<b>Loss per share (basic/diluted)</b>	<b>(4.43)</b>	(3.75)

### DEBT OBLIGATIONS

The bankers and the financial institutions have restructured / rescheduled the Company's long term and short term loans and finances w.e.f. April 01, 2010 by clubbing all these into a single consolidated term finance after fruitful efforts of your management. This rescheduling will reduce the pressure on the liquidity of the Company.

The sponsoring directors of your Company have also offered their long term loans for conversion into equity in order to improve the debt:equity ratio and reduce the burden of finance cost on these loans. The Company has already approved issuance of shares other than right shares in its Extra Ordinary General Meeting held on March 22, 2010.

Subsequent to the Balance Sheet, SECP has granted its approval for conversion of principal amount of Directors' loan into shares otherwise than right issue, and legal formalities for the increase of authorized and paid up capital have been completed.



## FUTURE OUTLOOK

Cement Demand in the local market has shown some growth in the current year and this trend is expected to continue in medium to long term period due to reconstruction activities in the country for infrastructure. Cement price has also shown improvement. This trend is anticipated to go upward in future. The management of the Company has also taken cost cutting measures by using alternate fuels. New technical/production team has been hired giving them task to ensure the smooth and improved operation of the plant.

Hence, the aforementioned anticipated increase in the sale price and demand along with the other measures, as stated above, will improve the profitability and liquidity position of the Company.

## AUDITORS' OBSERVATIONS

### CURRENT YEAR:

#### Going Concern Assumption – Auditors' Emphasis Paragraph:

The management of the Company believes that recent improvement in the cement demand and the selling price in the local market will continue in the medium and long term period due to reconstruction activities in the country. This will result in increased profitability, cash inflow and working capital situation of the Company.

In order to mitigate the above situation, the Company is taking appropriate steps which include reduction in the cost of production by using alternative fuel resources and employing experienced technical staff to ensure the smooth operation of the plant. Moreover, the management of the Company anticipates that the increase in sale prices will continue further and demand for cement is also expected to rise significantly. Hence, the aforementioned anticipated increase in the sale price and demand along with the other measures, as stated above, will improve the profitability and liquidity position of the Company.

In addition to the restructuring of credit facilities with the various financial institutions w.e.f. April 01, 2010, the sponsoring directors, being the majority shareholder of the Company, have offered their outstanding loan amounting to Rs. 1,684 million for the conversion into equity. Working is being done to resolve this issue. In order to further improve the liquidity position, the sponsoring directors have also offered their personal properties for the settlement of Company's loan for which legal formalities are under process.

Based on the continuing support of the sponsoring directors and the projections prepared by the Company's management, which have been approved by the Board of Directors, the Board is of the view that the Company would have adequate resources to continue its business on a sustainable basis in the foreseeable future. Accordingly these financial statements have been prepared on going concern basis.

### LAST YEAR:

The directors' of the company in view of last year's qualifications as given by the external auditors in their report dated November 07, 2009 have resolved the related deficiencies / reservations, whereby:

- a) Impairment tests and revaluation of Property, plant and equipment have been carried out during the year and adjustments on these aspects have been made as fully disclosed in Note – 6.2 of the financial statements of the company for the year ended June 30, 2010.
- b) The new plant has now been capitalized w.e.f. October 01, 2008 rather than April 01, 2009; and necessary adjustments /changes have been made in accordance with the provisions of IAS – 8, “Changes in accounting policies, errors and changes in accounting estimates” by restating the figures and results of the last year. The major impacts of these adjustments are disclosed in Note – 2.2 of these financial statements.



Both these adjustments / changes have been duly verified by the auditors during their audit of the financial statements of the company for the year ended June 30, 2010.

## **DIVIDEND**

Your management, keeping in view financial results for the year under review and cash flow position of the company, decided not to recommend any dividend for the period under report.

## **CORPORATE SOCIAL RESPONSIBILITY**

Your company is a responsible corporate citizen and fully recognizes its responsibility towards community, employees and environment.

## **CORPORATE & FINANCIAL REPORTING FRAME WORK**

In compliance with the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting Frame Work:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern. Management has already provided its comment in response to Auditors' Observation in this report.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The detail of trading in shares of the Company, if any, carried out by the directors, CEO, CFO, and Company Secretary and their spouses and minor children is provided in pattern of shareholding annexed with this report.
- No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which these financial statements relate and the date of Directors' report.
- Key operating and financial data for last six years is annexed.
- The pattern of shareholding is annexed.
- The Company has also complied with the Best Practices on Transfer Pricing as contained in the listing Regulations of the Stock Exchanges.
- The Company has fulfilled its major statutory and financial obligations, except as disclosed in the Financial statements, if any, for the year under report.
- The Statement of compliance with the best practices of Code of Corporate Governance is annexed with this report.



- Due to acute shortage of funds, the Company with the consent of and under the agreement with Trustees' of the Gharibwal Cement Employees' Provident Fund has obtained short term advance from Employees' Provident Fund for its operations at an interest rate of 16% per annum. The Board of Directors' of the company is fully committed to repay the amount due to the Trust on priority basis upon the availability of funds so as to be compliant with the provisions of section 227 of the Companies Ordinance, 1984. The Trustees and the Company are also arranging for the audit of the accounts of the Fund for the last five years from the statutory auditors of the Company at an early date.

## BOARD MEETING

During the year under review, five meetings were held. Attendance by each director is as follow:

Mr. Muhammad Tousif Peracha	5
Mr. Abdur Rafique Khan	5
Mr. M. Niaz Peracha	5
Mr. Jawaid Aziz Peracha	5
Mrs. Tabassum Tousif Peracha	2
Mr. M. Ishaq Khokhar	2
Mr. Aameen Taqi Butt	2

## AUDIT COMMITTEE

The Board of Directors in compliance with the Code of Corporate Governance has established an audit committee. The names of its members are given in the company's profile. The Company is planning to establish an in-house internal audit function which will, be managed by a senior qualified person. This will further strengthen our internal control environment, control structure and processes.

## AUDITORS

M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Lahore, resigned during their tenor and Board of Directors has appointed M/s Hyder Bhimji & Co. Chartered Accountants, Lahore to fill casual vacancy. M/s Hyder Bhimji & Co., Chartered Accountants, retires and being eligible, offers themselves for the reappointment. The Board of Directors has recommended their appointment as the external auditors of the Company for the year ended June 30, 2011.

## ACKNOWLEDGEMENT

The management acknowledges on record the efforts and commitment showed by dedicated engineers, officers, workers, financial institutions, dealers, customers, suppliers and other stakeholders for their continued support.

For and on behalf of Board of Directors

**ABDUR RAFIQUE KHAN**  
Director

February 03, 2011  
Lahore



## Summary of Last Ten Years' Financial Results

	Restated									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
	<b>(Rupees in Thousands)</b>									
<b>Trading Results</b>										
Turnover	2,113,818	2,438,570	-	521,716	1,588,439	1,469,504	1,164,889	561,735	936,352	812,227
Gross (loss) / profit	(514,881)	233,080	(75,230)	(188,432)	274,797	149,619	95,641	(136,565)	1,523	(61,149)
Operating (loss) / profit	(957,575)	21,907	(293,582)	(334,508)	183,565	71,299	47,999	(117,239)	(54,311)	(109,613)
(Loss) / profit before taxation	(2,142,231)	(859,499)	(363,082)	(202,074)	170,245	196,378	112,894	(260,431)	(162,717)	(243,930)
(Loss) / profit after taxation	(1,027,490)	(870,357)	(315,198)	(222,916)	167,155	188,878	115,323	(199,765)	(156,916)	(224,169)
<b>Balance Sheet</b>										
Shareholder's equity	4,000,421	1,965,807	1,995,779	1,678,007	1,880,680	1,114,743	66,875	(257,186)	(487,068)	(330,152)
Operating fixed assets	12,044,869	9,729,489	2,316,429	2,416,455	2,520,973	1,142,201	1,173,421	1,222,537	1,318,676	1,347,281
Net current liabilities / (assets)	(4,015,933)	(4,465,701)	(479,907)	131,917	94,570	284,931	(231,768)	(488,610)	(343,124)	(281,081)
Long term liabilities	4,086,430	3,360,334	5,873,548	4,349,215	450,719	388,563	752,174	667,382	694,130	575,912
<b>Significant Ratios</b>										
Gross (loss) / profit ratio %	(24.36)	9.56	0.00	(36.12)	17.30	10.18	8.21	(24.31)	0.16	(7.53)
Net (loss) / profit ratio %	(48.61)	(35.69)	(25.21)	(17.83)	13.37	15.11	9.22	(15.98)	(12.55)	(17.93)
Fixed assets turnover ratio (times)	0.18	0.25	0.00	0.22	0.63	1.29	0.99	0.46	0.71	0.60
Debt equity ratio (times)	0.66	0.90	2.94	2.59	0.24	0.35	11.25	-	-	-
Current ratio (times)	0.17	0.22	0.70	1.12	1.14	1.67	0.51	0.32	0.47	0.44
Interest cover (times)	(0.81)	(0.021)	(2.31)	(1.97)	5.24	2.57	3.57	(1.65)	0.35	0.57



**Pattern of Shareholding  
As at June 30, 2010**

Sr. No	Number of Shareholders	Shareholdings		Total Shares Held	Percentage	
		From	To			
1	840	1	100	33,160	0.014%	
2	633	101	500	175,396	0.076%	
3	303	501	1,000	225,760	0.097%	
4	438	1,001	5,000	1,035,961	0.447%	
5	87	5,001	10,000	594,760	0.256%	
6	20	10,001	15,000	245,180	0.106%	
7	15	15,001	20,000	268,119	0.116%	
8	5	20,001	25,000	114,420	0.049%	
9	6	25,001	30,000	167,829	0.072%	
10	5	30,001	35,000	164,463	0.071%	
11	3	35,001	40,000	116,257	0.050%	
12	1	40,001	45,000	42,454	0.018%	
13	5	45,001	50,000	240,838	0.104%	
14	1	50,001	55,000	54,000	0.023%	
15	1	55,001	60,000	57,002	0.025%	
16	1	60,001	65,000	60,945	0.026%	
17	2	65,001	70,000	137,927	0.059%	
19	1	95,001	100,000	100,000	0.043%	
20	1	100,001	105,000	102,500	0.044%	
22	1	125,001	130,000	127,500	0.055%	
23	1	140,001	145,000	140,937	0.061%	
24	1	150,001	155,000	153,747	0.066%	
25	1	415,001	420,000	420,000	0.181%	
26	1	495,001	500,000	500,000	0.216%	
28	2	505,001	510,000	1,018,160	0.439%	
29	1	545,001	550,000	545,160	0.235%	
31	1	600,001	605,000	603,945	0.260%	
33	1	675,001	680,000	675,429	0.291%	
35	1	995,001	1,000,000	1,000,000	0.431%	
36	1	1,335,001	1,340,000	1,339,000	0.577%	
37	1	2,530,001	2,535,000	2,533,691	1.093%	
38	1	2,995,001	3,000,000	3,000,000	1.294%	
40	1	4,080,001	4,085,000	4,082,112	1.760%	
41	1	4,105,001	4,110,000	4,106,500	1.771%	
42	1	4,280,001	4,285,000	4,282,112	1.847%	
43	1	5,895,001	5,900,000	5,900,000	2.544%	
44	1	5,995,001	6,000,000	6,000,000	2.588%	
45	1	6,665,001	6,670,000	6,666,666	2.875%	
46	1	16,060,001	16,065,000	16,062,541	6.927%	
47	1	17,930,001	17,935,000	17,933,497	7.734%	
48	1	21,735,001	21,740,000	21,739,000	9.375%	
49	1	38,355,001	38,360,000	38,356,155	16.542%	
50	1	90,750,001	90,755,000	90,753,294	39.139%	
				2,486	231,876,417	100.000%

Categories of Shareholders	Share held	Percentage
General Public	19,611,790	8.458%
Directors, CEO, their Spouse & minor children	201,224,701	86.781%
Insurance Companies	1,000,418	0.431%
Joint Stock & Other Companies	266,885	0.115%
Banks, & Financial Institutions,	1,349,260	0.582%
Associated Companies, & undertaking	8,364,224	3.607%
NIT and ICP	630	0.000%
Associations	43,637	0.019%
Government Authority	14,872	0.006%
	<u>231,876,417</u>	<u>100.000%</u>



**PATTERN OF SHAREHOLDING as required under  
CODE OF CORPORATE GOVERNANCE  
As at June 30, 2010**

NAME	HOLDING	% AGE
<b>I. ASSOCIATED COMPANIES, UNDERTAKING &amp; RELATED PARTIES</b>		
Astoria Investment Limited	4,282,112	1.85%
Topaz Holdings Limited	4,082,112	1.76%
	<b>8,364,224</b>	<b>3.61%</b>
<b>II. NIT &amp; ICP</b>		
The Investment Corporation of Pakistan.	630	0.00%
	<b>630</b>	<b>0.00%</b>
<b>III. DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN</b>		
Mr. A. Rafique Khan	38,356,155	16.54%
Mr. M. Tousif Peracha	128,158,960	55.27%
Ms. Amina Khan	17,933,497	7.73%
Mr. Jawaid Aziz Paracha	545,160	0.24%
Mr. Ali Rashid Khan	16,062,541	6.93%
Mrs. Tabassum Tousif Peracha	6,025	0.00%
Mr. Muhammad Niaz Paracha	2,330	0.00%
Mrs. Salma Khan w/o Mr. A. Rafique Khan	153,747	0.07%
Mr. Ishaq Khokhar	3,143	0.00%
Mr. Aameen Taqi Butt	3,143	0.00%
	<b>201,224,701</b>	<b>86.78%</b>
<b>IV. BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUND</b>		
	2,349,678	1.01%
<b>V. ASSOCIATION AND GOVERNMENT AUTHORITY</b>		
	58,509	0.03%
<b>VI. JOINT STOCK COMPANIES AND OTHERS</b>		
	266,885	0.12%
<b>VII. SHARES HELD BY THE GENERAL PUBLIC</b>		
	19,611,790	8.46%
<b>TOTAL</b>	<b>231,876,417</b>	<b>100.00%</b>
<b>VIII. SHAREHOLDERS HOLDING 10% OR MORE VOTING INTEREST</b>		
Mr. A. Rafique Khan	38,356,155	16.54%
Mr. M. Tousif Peracha	128,158,960	55.27%
	<b>166,515,115</b>	<b>71.81%</b>

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is Nil.

  
Director

  
Director

## **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 Chapter XI and No. 40 (Chapter XIII) of the Karachi and Lahore Stock Exchanges respectively 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 three independent 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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Casual Vacancy occurring in the board, if any, was filled up by the directors within thirty days.
5. The Company is in the process of reviewing its "Statement of Ethics and Business Practices", which will be forwarded to its directors and employees of the company on its finalization; however, employees are notified about the previous statement followed by 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, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meeting of board was 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 meetings were appropriately recorded and circulated.
9. During the year in house orientation course was carried out by the company for its directors.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and its 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/Chairperson 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 formed and advised to the committee for compliance.



17. The Board is in the process of setting up an in-house internal audit function which will be manned by suitably qualified and experienced personnels.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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.

For and on behalf of the Board of Directors

Abdur Rafique Khan  
Director



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**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** (the company) for the year ended June 30, 2010 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 the 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, sub-regulations (xiii) of the Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except for that the internal audit function has not been appropriately and regularly set up, 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, 2010.

February 03, 2011  
Lahore:

**HYDER BHIMJI & CO.**  
CHARTERED ACCOUNTANTS

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### **Auditors' Report to the Members**

We have audited the annexed balance sheet of **Gharibwal Cement Limited** as at June 30, 2010 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 purpose 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 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 further in accordance with accounting policies consistently applied except for the changes as described in note 2.5 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, 2010 and of the loss, 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.

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Without qualifying our report, we draw attention of the members towards:

- (i) note 1.2 of the financial statements, which indicates that the company incurred net loss for the year in the sum of Rs. 1,027.490 million, which increased accumulated loss to Rs. 2,694.482 million that had eroded the equity of the company as it was on June 30, 2010; and that the company's current liabilities exceeded its current assets by Rs. 4,015.933 million as at June 30, 2010. These conditions, alongwith other matters as set forth in Note 1.2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.
- (ii) the fact that we could not witness the yearend physical stock take exercise carried out by the company's staff as regard to stores, spares & tools and stock in trade as our appointment was made in the month of December 2010. However, alternate audit tests have been applied by us for the verification of these inventories under the circumstances.
- (iii) the matter that the financial statements of the company as of June 30, 2009 were audited by another auditors whose report dated November 07, 2009 expressed qualified opinion as regard to the non-performance of impairment test & fresh valuation of operating fixed assets and late capitalization of the new plant by six months i.e. from April 01, 2009 instead of October 01, 2008; as well as with emphasis paragraph regarding going concern issue, on those financial statements.

February 3, 2011  
Lahore

HYDER BHIMJI & CO.  
CHARTERED ACCOUNTS  
Engagement Partner - Syed Aftab Hameed

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**BALANCE SHEET AS AT JUNE 30, 2010**

	Note	2010	Restated 2009
(Rupees in 000s)			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	12,044,869	9,729,489
Long term loans	7	1,270	519
Long term deposits	8	56,645	61,834
		<u>12,102,784</u>	<u>9,791,842</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	9	351,604	278,335
Stock in trade	10	109,483	401,668
Trade debts	11	33,762	52,694
Advances, deposits and other receivables	12	227,219	376,301
Tax refunds due from the government	13	76,119	60,065
Cash and bank balances	14	21,140	67,981
		<u>819,327</u>	<u>1,237,044</u>
		<u>12,922,111</u>	<u>11,028,886</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital		2,500,000	2,500,000
250,000,000 ordinary shares of Rs. 10 each		<u>2,500,000</u>	<u>2,500,000</u>
Issued, subscribed and paid up capital	15	2,318,764	2,318,764
Revenue reserves			
General reserve		332,000	332,000
Accumulated loss		(2,694,482)	(1,695,856)
		<u>(2,362,482)</u>	<u>(1,363,856)</u>
		<u>(43,718)</u>	954,908
<b>SHARE DEPOSIT MONEY</b>	16	1,683,975	-
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>	17	2,360,164	1,010,899
<b>NON CURRENT LIABILITIES</b>			
Redeemable capital	18	-	399,680
Long term borrowings	19	3,359,647	2,761,320
Liabilities against assets subject to finance lease	20	11,916	52,297
Deferred liabilities	21	714,867	147,037
		<u>4,086,430</u>	<u>3,360,334</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	1,601,621	1,314,070
Accrued interest / mark-up	23	393,945	503,052
Short term borrowings	24	485,017	744,577
Current portion of non-current liabilities	25	1,319,599	2,588,898
Taxes and duties payable	26	1,035,078	552,148
		<u>4,835,260</u>	<u>5,702,745</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	27		
		<u>12,922,111</u>	<u>11,028,886</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			

The annexed notes 1 to 42 form an integral part of these financial statements.

**Statement under section 241(2) of the Companies Ordinance, 1984**

The Chief Executive of the company is presently out of the country, therefore, these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

  
Director

  
Chief Financial Officer

  
Director



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Note</u>	<u>2010</u>	<u>Restated 2009</u>
		(Rupees in 000s)	
Sales - net	28	2,113,818	2,438,570
Cost of sales	29	2,628,699	2,205,490
<b>Gross (loss) / profit</b>		<b>(514,881)</b>	233,080
<b>Operating expenses</b>			
Selling and distribution expenses	30	292,689	94,414
General and administrative expenses	31	82,870	79,314
Other operating expenses	32	105,049	48,147
		<b>(480,608)</b>	(221,875)
		<b>(995,489)</b>	11,205
Other operating Income	33	37,914	10,702
<b>(Loss) / profit from operations</b>		<b>(957,575)</b>	21,907
Finance cost	34	(1,184,656)	(881,406)
<b>Loss before taxation</b>		<b>(2,142,231)</b>	(859,499)
Taxation	35	1,114,741	(10,858)
<b>Loss after taxation</b>		<b>(1,027,490)</b>	(870,357)
Other comprehensive income for the year		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,027,490)</b>	(870,357)
		<b>Rupees</b>	
<b>Earnings per share (basic &amp; diluted)</b>	36	<b>(4.43)</b>	(3.75)

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Director

  
Chief Financial Officer

  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 (Rupees in 000s)	Restated 2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net loss before taxation		(2,142,231)	(859,499)
Adjustment for non-cash and other transactions:			
Depreciation		240,607	242,022
Provision for retirement benefits		12,851	13,329
Finance cost		1,184,656	881,406
Taxes and duties		29,157	17,054
Provision for slow moving stores and spares		16,534	2,376
Amortization of discount on issue of shares		-	14,192
Profit / interest income for the year		(37,914)	(8,721)
		<b>1,445,891</b>	1,161,658
		<b>(696,340)</b>	302,159
Increase / (decrease) in working capital:			
Stores, spares and loose tools		(89,803)	(18,323)
Stock in trade		292,185	(323,915)
Trade debts		18,932	(52,694)
Loans and advances		167,086	167,166
Deposits, prepayments and other receivable		(3,551)	97,067
Trade and other payables		228,526	620,723
		<b>613,375</b>	490,024
<b>Cash (outflow) / inflow from operation</b>		<b>(82,965)</b>	792,183
Finance cost paid		(367,519)	(605,582)
Retirement benefits paid		(4,778)	1,138
Net increase/(decrease) in long term advances & deposits		4,438	14,966
Net increase/(decrease) in taxes & deposits		313,077	445,094
<b>Net Cash (outflow) / inflow from operating activities</b>		<b>(137,747)</b>	647,799
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(192,940)	(832,645)
Profit / interest received		23,461	(106)
<b>Net cash outflow from investing activities</b>		<b>(169,479)</b>	(832,751)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Change in long term borrowings		(528,000)	25,920
Change in short term borrowings		803,163	552,040
Change in directors' loan		(7,359)	(370,886)
Payment of lease finance liability		(7,419)	(110,648)
<b>Net cash inflow from financing activities</b>		<b>260,385</b>	96,426
<b>Net decrease in cash and cash equivalents</b>		<b>(46,841)</b>	(88,526)
Cash and cash equivalents at beginning of the year		67,981	156,507
<b>Cash and cash equivalents at end of the year</b>	14	<b>21,140</b>	67,981

The annexed notes 1 to 42 form an integral part of these financial statements.

**Statement under section 241(2) of the Companies Ordinance, 1984**

The Chief Executive of the company is presently out of the country, therefore, these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

  
Director

  
Chief Financial Officer

  
Director



**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2010**

	Share Capital	General Reserves	Accumulated Loss	Total
	(Rupees in 000s)			
Balance as at June 30, 2008	2,318,764	332,000	(856,049)	1,794,715
Total Comprehensive loss for the year ended June 30, 2009 - restated	-	-	(870,357)	(870,357)
Surplus on revaluation of fixed assets transferred: - Incremental depreciation charged during the year [net off deferred tax of Rs. 16.526 million]	-	-	30,550	30,550
<b>Balance as at June 30, 2009 - as restated</b>	<b>2,318,764</b>	<b>332,000</b>	<b>(1,695,856)</b>	<b>954,908</b>
Total Comprehensive loss for the year ended June 30, 2010	-	-	(1,027,490)	(1,027,490)
Surplus on revaluation of fixed assets transferred: - Incremental depreciation charged during the year [net off deferred tax of Rs. 15.542 million]	-	-	28,864	28,864
<b>Balance as at June 30, 2010</b>	<b>2,318,764</b>	<b>332,000</b>	<b>(2,694,482)</b>	<b>(43,718)</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

**Statement under section 241(2) of the Companies Ordinance, 1984**

The Chief Executive of the company is presently out of the country, therefore, these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

Director

Chief Financial Officer

Director

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010**

### **1 LEGAL STATUS AND OPERATIONS**

- 1.1** The Company was incorporated in Pakistan on 29 December 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. The registered office of the Company was situated at 34 Main Gulberg, Lahore, which subsequent to the balance sheet date was changed to 28-B/3, Gulberg III, Lahore.
- 1.2** During the year, the Company incurred net loss amounting to Rs 1,027.490 million which increased accumulated loss to Rs. 2,694.482 million. Further, as of the balance sheet date, the current liabilities exceeded current assets by Rs. 4,015.933 million (2009: 4,465.701 million) which is mainly due to increase in the "trade & other payables", "taxes and duties" aggregating to Rs. 770.481 million.

In order to mitigate the above situation, the Company is taking appropriate steps which include reduction in the cost of production by using alternative fuel resources and employing experienced technical staff to ensure the smooth operation of the new plant. Moreover, the management of the Company anticipates that the present increase in sale prices will continue further and demand for cement is also expected to rise significantly. Hence, the aforementioned anticipated increase in the sale price and demand along with the other measures, as stated above, will improve the profitability and liquidity position of the Company.

In addition to the restructuring of credit facilities with the various financial institutions w.e.f. June 30, 2010, the sponsoring directors, being the majority shareholder of the Company, have offered their outstanding loan amounting to Rs. 1,684 million for the conversion into equity, which in fact has been converted into share capital of the company in the subsequent period after complying with all the legal formalities (note - 16). In order to further improve the liquidity position, the sponsoring directors have also offered their personal properties for the settlement of Company's loan for which legal formalities are under process.

Based on the support of the sponsoring directors and the projections prepared by the Company's management, which have been approved by the Board of Directors, the management is of the view that the Company would have adequate resources to continue its business on a sustainable basis in the foreseeable future; and therefore will continue to be a going concern.

### **2 STATEMENT OF COMPLIANCE**

- 2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

#### **2.2 Compliance with International Accounting Standards - 16-Property, Plant and Equipment**

During the year, the company decided to transfer its new plant from capital work in progress to operating fixed assets from 01 October 2008 instead of 01 April 2009 to comply with International Accounting Standard - 16, "Property, Plant and Equipment"; and have accounted for the necessary adjustments in the prior year's financial statements, which have been restated accordingly. The effect of the restatement on those financial statements is summarized below:

	<b>Restated 2009 Rs. '000s</b>	<b>Increase / (decrease) due to re-statement</b>	<b>2009 Rs. '000s</b>
Sales	<b>2,438,570</b>	1,188,316	1,250,254
Cost of sales	<b>2,205,490</b>	1,079,031	1,126,459
Operating expenses	<b>221,875</b>	99,154	122,721
Total comprehensive income for the year	<b>(870,357)</b>	(500,509)	(369,848)
Book value of the property, plant & equipment	<b>9,633,200</b>	(530,125)	10,163,325
Equity	<b>954,908</b>	(500,301)	1,455,209
Earnings / (loss) per share	<b>(3.75)</b>	(2.15)	(1.60)

### 2.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

{AS 32 - Financial Instruments: Presentation - Classification of Right Issues	01-02-2010
IAS 24 - Related Party Disclosures (Revised)	01-01-2010
IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	01-01-2010
IFRIC 14 - IAS 19 – The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01-01-2010
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	01-07-2010

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

### 2.4 STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED DURING THE YEAR

During the year, the following new / revised standards, amendments and interpretations of accounting standards become effective.

IFRS-2	Share Based Payment - Vesting Conditions and Cancellations (Amendment)
IFRS-3	Business Combinations (Revised)
IFRS-7	Financial Instruments : Disclosures (Amendments)
IFRS-8	Operating Segments
IAS-1	Presentation of Financial Statements (Revised)
IAS-23	Borrowing Costs (Revised)
IAS-27	Consolidated and Separate Financial Statements (Amendment)
IAS-32	Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation.
IAS-39	Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments)
IFRIC-15	Agreement for the Construction of Real Estate
IFRIC-16	Hedges of a Net Investment in a Foreign Operation
IFRIC-17	Distributions of Non-Cash Assets to Owners
IFRIC-18	Transfers of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for IAS - 1 (revised) which is explained in note 2.5 below.

### 2.5 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted in preparation of these financial statements are consistent with those of the previous financial year except for the adoption of IAS 1 (Revised) as of 1st July 2009.

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non owner changes in equity presented as a single line item in the statement of changes in equity. In addition, the standard introduces the statement of comprehensive income which presents all items of recognized income and expense, either in one single statement (the statement of comprehensive income), or in two linked statements (the profit and loss Account, income Statement, and the statement of comprehensive income).

The Company has chosen to present all non-owner changes in equity in one performance statement - statement of comprehensive income (profit and loss account). Accordingly, the adoption of the above standard does not have any significant impact on the presentation of the Company's financial Statements and does not require the restatement or reclassification of comparative information.

### **3 BASIS OF PREPARATION**

These financial statements have been prepared under the historical cost convention except for freehold land, factory building and plant & machinery which have been carried at revalued amount as referred to in the relevant notes and staff retirement benefits for gratuity and compensated absences have been recognized at present value. The financial statements are presented in Company's functional currency of Pakistan Rupee.

### **4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, 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. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revision 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 the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

#### **4.1 Taxation**

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### **4.2 Provision for doubtful receivables**

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

#### **4.3 Useful life and residual values of property, plant and equipment**

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment, if any.

#### **4.4 Impairment of non-financial assets**

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are also tested for impairment when there are indicators that the carrying amounts may not be recoverable.

#### **4.5 Provision for defined employees' benefits**

Defined benefit plans are provided for permanent employees of the Company subject to completion of a prescribed qualifying period of service. The plans are structured as separate legal entities managed by trustees except compensated absences for which liability is recognized in the Company's financial statements. These plans are evaluated with reference to uncertain events and based upon actuarial assumptions including inter alia, discount rates, expected rates, expected rates of return on plan assets, expected rates of salary increases, medical cost rates and mortality rates.

The actuarial valuations are conducted by independent actuaries on annual basis. Gratuity costs primarily represent the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

#### **4.6 Contingencies**

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

#### **4.7 Stock in trade and stores and spare parts**

The company reviews the net realizable value of stock-in-trade and stores & spare parts to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **5.1 Property, plant & equipment and depreciation**

##### **Owned**

Operating fixed assets, except freehold land which is stated at revalued amount, are stated at cost or revalued amounts less accumulated depreciation and impairment, if any.

Depreciation is charged at the rates stated in note 6.1 applying reducing balance except plant and machinery on which depreciation is charged on the basis of units of production method. The useful life and residual value 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. Depreciation is charged from the month when an asset becomes available for use, whereas no depreciation is charged in the month of its disposal.

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

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

##### **Leased**

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to produce 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 6.1 by applying reducing balance method. Financial charges and depreciation on leased assets are charged to profit and loss account.

## 5.2 Capital Work in Progress

Capital work in progress and stores held for capital expenditure are stated at cost less any identified impairment loss and represents expenditure on property, plant and equipment during the construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for its intended use.

## 5.3 Stores and spares

These are valued at lower of moving (monthly weighted) average cost and net realizable value except items-in-transit which are valued at cost accumulated to the balance sheet date. Stores, spares and loose tools are regularly reviewed by the management to assess their net realizable value (NRV). Provision is made for slow moving and obsolete store items when so identified.

## 5.4 Stock-in-trade

These are stated at the lower of cost and net realizable value. The methods used for the calculation of cost are as follows:

Raw materials	Lower of annual average cost and net realizable value
Work in process and finished goods	Lower of NRV or annual average cost comprising quarrying cost, transportation, government levies, direct cost of raw material, labour and other manufacturing overheads
Packing materials	Lower of simple moving average cost and net realizable value

Stock-in-trade is regularly reviewed by the management and any obsolete items are brought down to their net realizable value. Net realizable value signifies the selling price in the ordinary course of business less cost necessary to be incurred to affect such sale.

## 5.5 Trade debts

Trade debts are carried at invoice amount on transaction date less any estimate of provision for doubtful receivables. Known bad debts are written off as and when identified.

## 5.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash-in-hand, current, escrow, saving and deposit accounts with commercial banks net of temporary bank overdrafts.

## 5.7 Surplus on revaluation of fixed assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on revaluation of Fixed Assets account" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance 1984. The Company has adopted the following accounting treatment of depreciation on revalued assets in accordance with the provisions of the above said section:

- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- An amount equal to incremental depreciation for the year net of deferred taxation is transferred from " Surplus on Revaluation of Fixed Assets account" to accumulated profits/losses through Statement of Changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

## **5.8 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.

The cost of defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions disclosed in note 22.5. Due to long term nature of these plans, such estimates are subject to significant uncertainty.

Actuarial gains or losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses for each individual plan exceeds 10% of the higher of the present value of the defined benefit obligation and fair value of plan assets. These gains or losses are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan.

### **(b) Defined contribution plan**

The Company also operates a funded contributory provident fund scheme for its employees. Equal monthly contributions @ 10% of the basic salaries are made by the Company and the employees to the fund. Contribution of the Company is charged to the profit and loss account for the year.

### **(c) Compensated absences**

Provisions are made to cover the obligation for accumulated compensated absences on the basis of actuarial valuation and are charged to profit and loss account. Actuarial gains and losses are recognized immediately.

## **5.9 Trade and other payables**

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid for goods and services.

## **5.10 Ijarah**

Ijarah payments under an Ijara are recognized as an expense in the profit and loss account on a straight-line basis over the Ijarah term.

## **5.11 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.

## **5.12 Taxation**

### **Current**

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any or minimum taxation at the rate of one half (1/2) percent of the turnover in case there is gross profit, whichever is higher. For income covered under Final Taxation Regime (FTR), taxation is based on the applicable tax rates under such Regime.

### **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. In this regard, the effect on deferred taxation of the portion of income subjected to Final Tax Regime is adjusted in accordance with the requirements of Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

Deferred tax liability is recognised for all taxable temporary differences and deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses and unused tax credits, if any, to the extent that it is probable that future taxable profit will be available against which these can be utilized. The Company recognizes deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related surplus.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### **5.13 Foreign currency translation**

Transactions in foreign currencies are translated into Pak Rupees (functional and presentation currency) at the rates of exchange approximating those appearing on the dates of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevalent on the balance sheet date. All exchange differences arising from foreign currency transactions / translations are charged to profit and loss account.

### **5.14 Financial instruments**

Financial assets are long term deposits, long term advances, trade debtors, advances & other receivables and cash and bank balances. These are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Financial assets are Derecognized when the Company loses control of the contractual rights that comprise the financial asset.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are liabilities against assets subject to finance lease, long term loans & finances, short term loans & borrowing and trade payables. Mark-up bearing finances are recorded at the gross proceeds received; other liabilities are stated at their nominal value. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

### **5.15 Offsetting 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.

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.

### **5.16 Revenue recognition**

Sale of goods: Revenue from sales is recognized when the significant risks and rewards of ownership of the goods have passed to customers, which coincide with the dispatch of goods to customers.

Interest Income: Interest income is accounted for on accrual basis.

Scrap sales: These are recognized on physical delivery to customer.

Dividend Income: It is recognized when the company's right to receive payment is established.

### **5.17 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 profit and loss account in the period of incurrence.

**5.18 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 cash generating unit is reduced to its recoverable amount by charging the impairment loss against profit and loss account for the year.

**5.19 Related party transactions**

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

	<b>Note</b>	<b>2010</b>	Restated 2009
<b>(Rupees in '000s)</b>			
<b>6</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets - tangible	6.1	<b>11,908,348</b>	9,633,200
Capital work in progress	6.2	<b>136,521</b>	96,289
		<b><u>12,044,869</u></b>	<u>9,729,489</u>

**(LEFT BLANK INTENTIONALLY)**

**6.1 Operating Fixed Assets**

	COST / REVALUED AMOUNT				ACCUMULATED DEPRECIATION				Book Value as at 30-06-2010	Rate of Depreciation
	Balance as at 01-07-2009	Addition/(Deletion)	Adjustment	Revaluation Surplus/(Deficit)	Balance as at 01-07-2009	For the Year	Adjustment (Deletion)	Balance as at 30-06-2010		
<b>Owned assets</b>										
Land - freehold	585,145	-	-	(451,008)	-	-	-	134,137	134,137	5%-10%
Buildings and foundations	1,982,117	111,015	-	804,504	368,419	93,800	-	462,219	2,435,417	10%
Building on Leasehold land	18,040	-	-	1,756	13,137	490	-	13,627	6,169	10%
Heavy vehicles	162,381	-	-	162,381	142,512	3,974	-	146,486	15,895	20%
Plant and machinery - Line I	2,183,594	-	(102,785)	(700,344)	998,814	54,100	(19,949)	1,032,965	287,500	5%
Plant and machinery - Line II	6,030,036	38,821	102,785	2,768,140	84,816	70,347	19,949	175,112	8,764,670	unit of prod.
Railway sidings	9,339	-	-	9,339	6,347	209	-	6,556	2,783	7%
Roads	4,847	-	-	4,847	2,938	95	-	3,033	1,814	5%
Tools and equipments	1,403	-	-	1,403	1,318	8	-	1,326	77	10%
Furniture, fixtures and office equipment	42,672	4,764	-	47,436	29,678	1,602	-	31,280	16,156	10%
Transport assets	33,668	1,358	-	35,026	28,008	1,311	-	29,319	5,707	20%
	11,063,242	155,958	-	2,363,048	1,675,987	225,936	-	1,901,923	11,670,325	
<b>Assets subject to finance lease</b>										
Plant and machinery	283,486	-	-	-	42,407	12,054	-	54,461	229,025	5%
Vehicles	26,198	(3,800)	-	-	11,332	2,617	(549)	13,400	8,998	20%
	309,684	(3,800)	-	-	53,739	14,671	(549)	67,861	238,023	
	<b>11,362,926</b>	<b>152,158</b>	<b>-</b>	<b>2,363,048</b>	<b>1,729,726</b>	<b>240,607</b>	<b>(549)</b>	<b>1,969,784</b>	<b>11,908,348</b>	
<b>Rupees in 000s - 2010</b>										
<b>Owned Assets</b>										
Land - freehold	585,145	-	-	-	-	-	-	-	585,145	5%-10%
Buildings and foundations	462,721	1,519,396	-	-	295,684	72,735	-	388,419	1,613,698	10%
Building on Leasehold land	18,040	-	-	-	12,592	545	-	13,137	4,903	10%
Heavy vehicles	162,381	-	-	-	137,545	4,967	-	142,512	19,869	20%
Plant and machinery - Line I	2,183,594	-	-	-	938,014	60,800	-	998,814	1,184,780	5%
Plant and machinery - Line II	-	6,030,036	-	-	-	84,816	-	84,816	5,945,220	unit of prod.
Railway Sidings	9,339	-	-	-	6,122	225	-	6,347	2,992	7%
Roads	4,847	-	-	-	2,837	101	-	2,938	1,909	5%
Tools and equipments	1,403	-	-	-	1,309	9	-	1,318	85	10%
Furniture, fixtures and office equipment	41,211	1,461	-	-	28,337	1,341	-	29,678	12,994	10%
Transport assets	31,427	2,241	-	-	26,944	1,064	-	28,008	5,660	20%
	3,501,108	7,553,134	-	-	1,449,384	226,603	-	1,675,987	9,377,255	
<b>Assets subject to finance lease</b>										
Plant and machinery	283,486	-	-	-	29,719	12,688	-	42,407	241,079	5%
Vehicles	20,539	5,659	-	-	8,601	2,731	-	11,332	14,866	20%
	304,025	5,659	-	-	38,320	15,419	-	53,739	255,945	
	<b>3,804,133</b>	<b>7,558,793</b>	<b>-</b>	<b>-</b>	<b>1,487,704</b>	<b>242,022</b>	<b>-</b>	<b>1,729,726</b>	<b>9,633,200</b>	
<b>Rupees in 000s - 2009</b>										

6.1.1 Vehicles subject to finance lease include vehicles amounting to Rs. 4.041 million (2009: Rs.4.986 million), which are in the name of six employees of the company.

6.1.2 The revaluation of the Company's freehold land, building and plant & machinery situated at its plant site (previously conducted on June 30, 2006 by an independent valuer - Messrs Hamid Mukhtar & Co. (Pvt) Limited, Lahore), was again carried out on January 30, 2011 by an independent valuer M/s Diemen Associates (Pvt) Ltd, Lahore. The revaluation exercise was carried out on the basis of depreciated replacement cost method except freehold land which was revalued on the basis of reassessed replacement cost as at June 30, 2010. This revaluation has produced incremental revaluation surplus of Rs. 2,363.048 million. Reconciliation of book value and reassessed values prevalent as at June 30, 2010 is given below:

Cost	Book Value (cost model)	Book Value (revalued model)	Reassessed Value	Surplus/ Deficit
(Rupees in '000s)				
Factory land	55,522	55,522	134,138	(451,007)
Buildings & foundations	1,824,445	1,549,532	2,435,418	804,504
Buildings on leasehold land	3,424	145	6,168	1,755
Plant & machinery - Line I	1,080,673	454,227	287,500	(760,344)
Plant & machinery - Line II	6,171,642	5,996,530	8,764,670	2,768,140
<b>9,135,706</b>	<b>8,055,956</b>	<b>9,264,846</b>	<b>11,627,894</b>	<b>2,363,048</b>

6.1.3 Depreciation charge for the year has been allocated as under :

	Note	2010	Restated 2009
(Rupees in 000s)			
Cost of sales	29	237,703	229,489
Selling and distribution expenses	30	401	219
General and administrative expenses	31	2,503	2,433
Capital work in progress	6.2	-	9,881
		<b>240,607</b>	<b>242,022</b>

6.1.4 The following fixed asset was disposed of during the year:

Particular	Cost	Book Value	Sale Price	Profit	Mode	Buyer
Landcruiser Prado	<b>3,800</b>	<b>3,251</b>	<b>3,251</b>	-	Final Settlement	Shafiq ur Rehman Ex-employee

**6.2 CAPITAL WORK-IN-PROGRESS**

	Opening Balance	Additions	Transfer to Operating fixed assets / Adjustments	Closing Balance
(Rupees in '000s)				
Civil work and building	19,925	187,492	110,573	<b>96,844</b>
Dry Cement Plant				
Civil work	-	3,216	1,140	<b>2,076</b>
Plant and machinery	-	59,086	38,821	<b>20,265</b>
		62,302	39,961	<b>22,341</b>
Dual fuel electric power generation plant				
Civil work	-	384	-	<b>384</b>
Plant and machinery	-	-	-	-
	-	384	-	<b>384</b>
	19,925	<b>250,178</b>	<b>150,534</b>	<b>119,569</b>
Stores and spares held for capital expenditure	76,364	322	-	<b>76,686</b>
Less: provision for obsolescence / impairment	-	-	59,734	<b>(59,734)</b>
	76,364	322	59,734	<b>16,952</b>
	<b>96,289</b>	<b>250,500</b>	<b>210,268</b>	<b>136,521</b>

6.2.1 Borrowing cost capitalized during the year and the results of trial run operations are as follows:

	Note	2010	Restated 2009
(Rupees in '000s)			
Borrowing cost capitalized		-	225,239
Profit from trial run operations		-	137,464

**7 LONG TERM LOANS - secured and considered good**

House building loans to:

- Executives - related party	7.1 & 7.3	485	-
- Employees		377	401

Vehicle loans, emergency loans and house repair loans

	7.2	862	401
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Less: Current portion shown under current assets

	1,480	1,259
	(210)	(740)
	<u>1,270</u>	<u>519</u>

7.1 House building loans are secured against retirement benefits and personal / third party guarantees and are repayable in 96 to 240 equal monthly installments. House building loans carry no interest. Maximum aggregate balance outstanding at the end of any month was Rs. 0.500 million (2009: Rs. Nil)

7.2 Vehicle loans are secured against charge on these assets, lien on retirement benefits and personal / third party guarantees and are repayable in 15 - 125 equal monthly installments. Interest on vehicle loans is charged @ 3% to 5% (2009: 3% to 5%) per annum.

7.3 A reconciliation of the house building loans to executives (related party) is as follows:

Opening balance	-	-
Additions	500	-
Repayments	(15)	-
Closing balance	<u>485</u>	<u>-</u>

**8 LONG TERM DEPOSITS - against**

Ijara facility		48,000	48,000
Lease key money		25,201	26,868
Rented premises		1,278	1,278
Utilities and supplies		1,980	2,259
		76,459	78,405
Less: Current portion shown under current assets	12	(19,814)	(16,571)
		<u>56,645</u>	<u>61,834</u>

**9 STORES, SPARES AND LOOSE TOOLS**

General stores	9.1	287,004	211,146
Spares		80,431	66,768
Loose tools		703	421
		368,138	278,335
Less: Provision for slow moving and obsolete items		(16,534)	-
		<u>351,604</u>	<u>278,335</u>

9.1 This includes store-in-transit amounting to Rs. 65.596 million (2009: Rs. 18.901 million).

	Note	2010	Restated 2009
		(Rupees in 000s)	
<b>10 STOCK IN TRADE</b>			
Raw material		68,736	19,528
Work in progress		29,546	260,683
Finished goods		8,295	101,633
Packing material		2,906	19,824
		<u>109,483</u>	<u>401,668</u>

10.1 Amounts totalling Rs. 19.691 million have been set off against the value of stock in trade (othe than packing material) on account of impairment loss (2009: Nil).

**11 TRADE DEBTS - unsecured**

Considered good	33,762	52,694
Considered doubtful	442	442
	<u>34,204</u>	<u>53,136</u>
Less: provision for doubtful debts	(442)	(442)
	<u>33,762</u>	<u>52,694</u>

As at June 30, 2010, the ageing analysis of unimpaired trade debts is as follows:

	Total	Niether past due nor impaired	past due but not impaired		
			1 - 90 days	90 - 180 days	More than 180 days
2010	<u>33,762</u>	-	<u>24,353</u>	<u>1,518</u>	<u>7,891</u>
2009	<u>52,694</u>	-	<u>48,228</u>	<u>4,466</u>	-

**12 ADVANCES, DEPOSITS AND OTHER RECEIVABLES -**

**Considered good**

Advances to staff	12.1	13,387	14,585
Loans to staff - current maturity		210	740
Advances to suppliers		81,137	256,845
Balochistan Glass Limited - related party	12.2	<u>85,443</u>	<u>75,093</u>
		<u>180,177</u>	<u>347,263</u>
Short terms deposits - current maturity of long term deposits	8	19,814	16,571
Prepayments and other receivables		3,616	3,308
Accrued interest from related party - Balochistan Glass Limited		23,612	9,159
		<u>227,219</u>	<u>376,301</u>

12.1 This includes advances amounting to Rs. 4.675 million (2009: Rs. 5.137 million) given for the company's business. No advances were given to Chief Executive Officer and Directors of the company during the year (2009: Nil).

12.2 This represent amount advance to the related party for its working capital out of limit of Rs. 100 million duly approved and sanctioned by the members of the Company; which carries markup at the rate of 18% (2009:18%) per annum. The highest aggregated balance due from related party at the end of any month was Rs. 88.707 million (2009: Rs. 88.604 million).



	Note	2010	2009
(Rupees in '000s)			
<b>13 TAX REFUNDS DUE FROM THE GOVERNMENT</b>			
Income tax refundable		10,111	8,198
Sales tax adjustable		66,008	51,867
		<u>76,119</u>	<u>60,065</u>

**14 CASH AND BANK BALANCES**

Cash in hand		979	2,306
Cash at bank - in			
Current accounts	14.1	4,789	35,775
Deposit accounts	14.2	10,006	10,006
Saving accounts	14.3	5,366	19,894
		<u>20,161</u>	<u>65,675</u>
		<u>21,140</u>	<u>67,981</u>

**14.1** This includes Rs. 1.352 million (2009:Rs,1.352 million) deposited in a separate account against security deposits received from customers (Note 22).

**14.2** This includes fixed deposit of Rs 10.000 million (2009: Rs 10.000 million) under lien against Privately Placed Term Finance Certificate (PPTFC) (Note 18).

**14.3** This includes Rs.Nil (2009:Rs,15.000 million) under lien in connection with a letter of guarantee given by commercial bank on behalf of the company which carried profit at the rates ranging from 4% to 8% (2009:4.5% to 6% p.a). However, this amount had been released during the year.

**15 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**

2010	2009			
Numbers	Numbers	Ordinary shares of Rs. 10/- each:		
218,445,000	218,445,000	Fully paid in cash	2,184,450	2,184,450
<u>13,431,417</u>	<u>13,431,417</u>	Fully paid as bonus shares	<u>134,314</u>	<u>134,314</u>
<u>231,876,417</u>	<u>231,876,417</u>		<u>2,318,764</u>	<u>2,318,764</u>

**15.1** The members of the Company approved the increase in authorized share capital from 2,500 million ordinary shares to 4,700 million ordinary shares of Rs. 10 each in the Extraordinary General Meeting held on March 22, 2010. Legal formalities for this increase have already been complied with in the subsequent period.

**15.2** Shares of the Company are held by the following foreign associated undertakings incorporated in Island of Navis:

	2010	2009
	Number	Number
Astoria Investment Limited	4,282,112	4,282,112
Topaz Holding Limited	4,082,112	4,082,112
	<u>8,364,224</u>	<u>8,364,224</u>

	Note	2010	2009
		(Rupees in '000s)	
<b>16 SHARE DEPOSIT MONEY</b>		<b>1,683,975</b>	-
<p>This represents the portion of the sponsoring directors loan offered for conversion into equity in response to the approval made by the members of the Company for the issue of shares other than right shares in the Extraordinary General Meeting held on March 22, 2010. Subsequent to the balance sheet date, Securities &amp; Exchange Commission of Pakistan (SECP) has also granted approval for the said conversion. Legal formalities for the increase of paid up capital and issue of these shares are completed on December 30, 2010.</p>			
<b>17 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS</b>			
Opening balance		1,555,229	1,602,229
Surplus arose during the year		2,363,048	-
Less: Incremental depreciation for the year		(44,406)	(47,000)
		<b>3,873,871</b>	1,555,229
<b>LESS: DEFERRED TAX LIABILITY</b>			
- on opening balance		544,330	560,780
- attributable to revaluation surplus arose during the year		984,919	-
- on incremental depreciation for the year		(15,542)	(16,450)
		<b>1,513,707</b>	544,330
		<b>2,360,164</b>	1,010,899
<b>18 REDEEMABLE CAPITAL</b>			
Privately placed term finance certificates (PPTFC)		399,680	399,840
Less: current maturity shown under current liabilities		(399,680)	(160)
		-	399,680
<b>18.1</b>	<p>This represents redeemable capital in the form of PPTFC issued on January 18, 2008 to the financial institutions aggregating to Rs. 400.000 million [i.e. 80,000 certificates of Rs 5,000 each], registered with Central Depository Company. Proceeds from these PPTFC were used to swap higher interest debts. These were redeemable in 24 unequal quarterly installments commencing from July 01, 2008, alongwith 6 months KIBOR ask side plus 300 bps per annum.</p>		
<b>18.2</b>	<p>This redeemable capital is secured by way of lien on fixed deposit of Rs. 10.000 million (referred to Note 14.2), hypothecation ranking charge on all present and future fixed assets (excluding land &amp; building) and current assets and ranking mortgage charge on all fixed assets aggregating to Rs. 666.667 million.</p>		
<b>18.3</b>	<p>Due to financial constraints, the company could not make redemption payments to PPTFC holders to the extent of Rs. 112.159 million until June 30, 2010. Therefore, the whole amount is shown as current liability. However, on December 28, 2010 the company entered into the agreement with all the PPTFC holders through its Trustee; and the company is committed to payback to these certificate holders in 24 unequal quarterly installments along with profit at the rate of 3 months KIBOR ask rate plus zero percent (2009: 6 months KIBOR ask side plus 300 bps p.a.), where last instalment will be paid on or before September 30, 2016.</p>		
<b>18.4</b>	<p>Under rescheduling terms, the PPTFC are secured against first joint pari passu equitable mortgage and hypothecation charge over all present and future fixed assets (with 30% margin) along with other lenders. However, BOP shall have exclusive charge on 03 dual fuel Wartsila Generators to the extent of Rs. 600 million. Further these are secured against personal guarantees of the sponsoring directors.</p>		
<b>19 LONG TERM BORROWINGS</b>			
Loans from related parties	19.1	137,889	1,886,723
Loans from banking companies and financial institutions	19.2	3,221,758	874,597
		<b>3,359,647</b>	2,761,320

	Note	2010	2009
(Rupees in '000s)			
<b>19.1 Loans from related parties - Unsecured</b>			
Mr. Muhammad Tousif Peracha - Sponsoring Director	19.1.1	131,160	1,185,915
Mr. Abdur Rafique Khan - Sponsoring Director	19.1.1	6,729	643,308
Pak Hy-Oils Limited		-	46,000
Loan from Gharibwal Employees Provident Fund Trust	19.1.2	-	11,500
		<b>137,889</b>	<b>1,886,723</b>

**19.1.1** These are repayable after June 30, 2011 and carry markup at the rate 18 percent per annum. A substantial part of these outstanding loans is shown as share deposit money to be converted into share capital of the company (Note - 16).

**19.1.2 Loans from Gharibwal Cement -Employees' Provident Fund**

Gharibwal Cement Limited - Employees Provident Fund Trust	19.1.3	17,500	17,500
Less: current and over due portion shown under current liabilities		(17,500)	(6,000)
		-	11,500

**19.1.3** This represents old loan of Rs. 17.500 million obtained from Gharibwal Cement- Employee's Provident Fund Trust payable upto 30 June 2009. Interest at the rate of 16% was chargeable on the outstanding balance on quarterly basis with effect from July 01, 2009. The loan was repayable in monthly installments of Rs. 1 million each with effect from January 01, 2010. However, the company has defaulted in making the monthly payments, while the markup has been duly charged.

SECP vide order dated 15-09-2008 directed the Company to arrange audit of the books of account of the Fund Trust for last five years from the Statutory Auditors of the Company and to repay this loan along with markup thereon as certified by them within 15 days from the Auditors' Certificate. The Company has filed an appeal before the Appellate Bench of SECP against this Order; pending adjudication at the terminal date.

**19.2 Loans from banking companies and financial institutions - Secured**

Consolidated Term Finance	19.2.1	3,237,981	-
National Bank of Pakistan	19.2.2	209,000	250,000
Bank Islamic Pakistan Limited	19.2.3	245,000	-
Pak Brunei Investment Company Limited	19.2.4	250,000	250,000
Saudi Pak Industrial & Agricultural Investment Co. Ltd	19.2.5	7,623	9,375
Orix Investment Bank (Pakistan) Limited	19.2.6	10,553	10,553
First Credit & Investment Bank Limited	19.2.6	1,053	1,579
Syndicate Term Finance		-	1,545,258
The Bank of Punjab	19.2.7	-	350,000
KASB Bank Limited		-	132,000
Faysal Bank Limited		-	118,934
Silk Bank Limited	19.2.8	-	6,500
		<b>3,961,210</b>	<b>2,674,199</b>
Note payable - Foreign currency	19.2.8	-	687,198
		<b>3,961,210</b>	<b>3,361,397</b>
Less: current and overdue portion shown under current liabilities	25	<b>739,452</b>	<b>2,486,800</b>
		<b>3,221,758</b>	<b>874,597</b>

**19.2.1** This represents the following principal amounts of long term and short term borrowings outstanding as at March 31, 2010, which were converted to a "Consolidated Term Finance" facility as a result of restructuring agreement executed with the consortium of banks and financial institutions on June 30, 2010:

	<b>Syndicate Finance</b>	<b>Long Term Borrowing</b>	<b>Short Term Borrowing</b>	<b>Total Principal</b>
The Bank of Punjab (BOP)	300,000	350,000	478,411	<b>1,128,411</b>
National Bank of Pakistan	400,000	41,000	269,433	<b>710,433</b>
NIB Bank Limited	400,000	-	71,879	<b>471,879</b>
KASB Bank Limited	-	132,000	243,000	<b>375,000</b>
The Bank of Khyber Limited	150,000	-	-	<b>150,000</b>
Saudi Pak Industrial & Agricultural Co.	147,258	-	-	<b>147,258</b>
Faysal Bank Limited	-	107,000	-	<b>107,000</b>
Silk Bank Limited	100,000	-	-	<b>100,000</b>
Saudi Pak Leasing Company Limited	48,000	-	-	<b>48,000</b>
<b>Rupees in '000</b>	<b>1,545,258</b>	<b>630,000</b>	<b>1,062,723</b>	<b>3,237,981</b>

The Restructuring/Rescheduling Agreement namely "Consolidated Term Finance" has been executed and signed between the Company and all the members of the Syndicate Banks as at June 30, 2010, while the registration of the Joint Pari Passu (JPP) Charge with SECP is still in process. However, the implementation of the above said Agreement has already been started in letter and spirit w.e.f. March 31, 2010.

The "Consolidated Term Finance" facility is repayable upto September 30, 2016 in 24 unequal quarterly installments carrying markup @ 3 months KIBOR plus zero. Further markup payable on this facility from April 01, 2010 to March 31, 2011 is converted into another facility as "Accrued Markup" which will be payable in 17 unequal quarterly installments starting from June 30, 2011.

These facilities are secured against first joint pari passu equitable mortgage and hypothecation charge over all present and future fixed assets (with 30% margin). However, BOP shall have exclusive charge on 03 dual fuel Wartsila Generators to the extent of Rs. 600 million. Further these are secured against personal guarantees of sponsoring directors.

Sponsors will pledge 50% of the shares being raised by converting sponsors loan into equity wherein the pledged shares would be released upon injection of Rs. 500 million which would be utilized to pay down restructured loan by Rs. 330 million and partially additional working capital provided by the consortium/syndicate lenders.

**19.2.2** The demand finance facility carries mark-up @ of 3 months KIBOR plus 350 bps and was payable on February 03, 2011 as per the revised terms signed on June 22, 2009. The facility is secured against ranking charge on fixed assets of Rs. 357 million. Out of this facility, Rs. 41 million were converted into "Consolidated Term Finance" during the year (Refer to Note 19.2).

**19.2.3** This represents the finance facility under which Company irrevocably agreed to purchase musharika units from the bank in trenches at its applicable unit purchase price but on or before September 30, 2016. During the year, the company defaulted in making payments of the rentals to the bank. However, it is rescheduled on June 30, 2010. This represents the principal outstanding as on March 31, 2010 which was converted to a new facility and was repayable till September 30, 2016 in unequal 24 quarterly installments carrying markup @ 3 months KIBOR. Further markup payable on this facility from April 01, 2010 into March 31, 2011 will be converted to another facility as "Accrued Markup" on April 01, 2011 which will be payable in 17 unequal quarterly installments starting from June 30, 2011.

Under rescheduling terms, the bank is secured against first joint pari passu equitable mortgage and hypothecation charge over all present and future fixed assets (with 30% margin) along with other lenders. However, BOP shall have exclusive charge on 03 dual fuel Wartsila Generators to the extent of Rs. 600 million. Further these are secured against personal guarantees of sponsor directors.

**19.2.4** As per terms of the agreement, this bridge finance facility was due in July 2009. The facility carries mark up @ 3 months KIBOR plus 350bps. The facility is secured by ranking charge over fixed assets of the company with 25% margin.

**19.2.5** During the year, the company defaulted in making payments to the bank. The delay arose because of lack of funds. Therefore, the whole amount was shown under the current maturity. However, on July 26, 2010, the company entered into restructuring agreement and the company is committed to payback in 4 equal quarterly installments along with profit starting from September 30, 2010 at the rate of 6 Months KIBOR rate plus 3 percent (2009: 6 months KIBOR rate plus 5 percent).

This facility is secured against Joint pari passu charge/ mortgage charge over all present and future fixed assets with 30% margin except 3 generators over which PPTFC holders, BOP and syndicate shall have first and joint pari passu charge respectively as explained in note 17.2.5

- 19.2.6** These represent the balance of term facilities aggregating to Rs. 40.000 million obtained during the year ended June 30, 2005 as part of the consortium to finance import of two Gas Generators of Rs. 320.000 million. The remaining amount was financed through leasing companies (Rs. 250.000 million while Rs. 30.000 million was contributed by the Company). These term facilities were repayable in nineteen quarterly installments over a period of five years commencing from December 29, 2004 and carry mark-up at the rate of 6 months KIBOR plus 600 bps. These facilities of Rs. 290.000 million are secured by first pari passu mortgage charge of Rs. 426.667 million over assets of the Company.

During the year, the company defaulted in making payments to the banks. The delay arose because of lack of funds. Therefore, the whole amount is shown under the current maturity.

- 19.2.7** All these facilities were converted into "Consolidated Term Finance" facility as a result of restructuring agreement executed with the consortium of banks and financial institutions on June 30, 2010.
- 19.2.8** This demand finance facility carried markup @ 6 months KIBOR + 3% p.a. and was secured against first pari passu charge of Rs. 334.000 million over all present and future fixed assets of the Company, which was partially repaid and partially converted into "Consolidated Term Finance" during the year.

## 20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into with leasing companies against purchase of plant & machinery and vehicles. The rentals are payable in quarterly installments in arrears. The leases amounting to Rs. 240.000 million are secured against first pari passu charge of Rs. 426.667 million over assets of the Company. While remaining leases are secured against security deposit of Rs. 25.200 million. Financing rates approximately ranges from 14% to 22% per annum (2009: 14% to 28% per annum) along with KIBOR linked facilities which is six months KIBOR plus 5.5% to 6% per annum (2009: six months KIBOR plus 6.5% per annum) have been used as discounting factor. The company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms.

The amount of future rental payments of the leases and period in which these will become due are as follows:

	2010		2009	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
Upto one year	152,174	127,934	120,454	95,938
One year to five years	12,442	11,916	57,923	52,297
	<b>164,616</b>	<b>139,850</b>	178,377	148,235
Less: Finance charges allocated to future periods	24,766	-	30,142	-
	<b>139,850</b>	<b>139,850</b>	148,235	148,235
Less: Current and overdue portion shown under current liabilities	127,934	127,934	95,938	95,938
	<b>11,916</b>	<b>11,916</b>	52,297	52,297

**Rupees in 000s**

During the year, company defaulted in making the payments of lease rentals amounting to Rs. 79.781 million, which are also shown along with the current maturity. However, the company is in the process of rescheduling of the repayment schedules.

	Note	2010	2009
		(Rupees in '000s)	
<b>21 DEFERRED LIABILITIES</b>			
Deferred markup	21.1	700,056	-
Deferred taxation	21.2	-	136,319
Employees' benefits	21.3	14,811	10,718
		<b>714,867</b>	<b>147,037</b>
<b>21.1 Deferred Markup</b>			
Frozen markup finance	21.1.1	527,015	-
Bank Islamic Pak Ltd - frozen rental	21.1.2	9,454	-
Consolidated accrued markup	21.1.3	119,452	-
Redeemable capital - frozen markup	21.1.4	79,168	-
		<b>735,089</b>	-
Less: Current portion shown under current liabilities	25	(35,033)	-
		<b>700,056</b>	-

- 21.1.1** This represents the facility converted from the outstanding markups on finances upto to the date of March 31, 2010 as stated in Note 19.2.7 which will be payable till September 30, 2016 in 24 unequal quarterly installments, with the grace period upto September 30, 2010 and carries no markup:

	Syndicate Loan	Long Term Loan	Short Term Loan	Total Markup
The Bank of Punjab	84,699	67,163	80,580	<b>232,442</b>
National Bank of Pakistan	52,498	-	33,196	<b>85,694</b>
NIB Bank Limited	66,840	-	4,715	<b>71,555</b>
The Bank of Khyber	46,499	-	-	<b>46,499</b>
Saudi Pak Industrial & Agricultural Co.	45,956	-	-	<b>45,956</b>
Saudi Pak Leasing Company Limited	14,449	-	-	<b>14,449</b>
KASB Bank Limited	-	5,013	5,862	<b>10,875</b>
Faysal Bank Limited	-	10,431	-	<b>10,431</b>
Silk Bank Limited	9,114	-	-	<b>9,114</b>
<b>Rupees in '000</b>	<b>320,055</b>	<b>82,607</b>	<b>124,353</b>	<b>527,015</b>

- 21.1.2** This represents the facility converted from the outstanding rent on musharika units upto March 31, 2010, which will be payable till September 30, 2016, in twenty four (24) unequal quarterly Installments, with the grace period till September 30, 2010.

- 21.1.3** This represents markups payable on consolidated term finance and redeemable capital as well as rental payable on Musharika units from April 1, 2010 to March 31, 2011, which will be payable in 17 unequal quarterly installments starting from June 30, 2011.

- 21.1.4** This represents the markup frozen on redeemable capital which will be payable upto September 30, 2016 in 24 unequal quarterly installments and carries no markup.

	Note	2010	2009
(Rupees in '000s)			
<b>21.2</b>	<b>Deferred taxation</b>		
	Deferred tax on taxable temporary differences:		
	- Accelerated depreciation for tax purposes	<b>1,435,793</b>	1,853,683
	- Leased assets	<b>31,384</b>	55,017
		<b>1,467,177</b>	1,908,700
	Deferred tax on deductible temporary differences:		
	- Lease finance liabilities	<b>(20,064)</b>	(45,138)
	- Provisions for retirement benefits	<b>(7,346)</b>	(10,323)
		<b>(27,410)</b>	(55,461)
		<b>1,439,767</b>	1,853,239
	Deferred tax on unused tax losses	<b>(2,525,680)</b>	(1,716,920)
	<b>Net deferred tax (asset) / liability</b>	<b>(1,085,913)</b>	136,319
	Net deferred tax liability - opening balance	<b>(136,319)</b>	(113,952)
	Deferred tax attributed to revaluation surplus	<b>(984,919)</b>	-
		<b>(1,121,238)</b>	(113,952)
	Deferred tax (gain)/loss to be recognized for the year	<b>(2,207,151)</b>	22,367
	Deferred tax (gain)/loss recognized	<b>(1,121,238)</b>	22,367
	<b>Unrecognized deferred tax gain</b>	<b>(1,085,913)</b>	-
<b>21.2.1</b>	Due to tax losses, the deferred tax gain to the extent of Rs. 1,121.238 million (i.e reversal of opening deferred tax liability amounting to Rs. 136.319 million and deferred tax attributed to revaluation surplus amounting to Rs. 984.919 million) has been recognized in these financial statements (Notes 35).		
<b>21.3</b>	<b>Employee benefits</b>		
	Accumulated Compensation Absences	21.3.1 <b>12,866</b>	8,773
	Frozen Termination Benefits	21.3.2 <b>1,945</b>	1,945
		<b>14,811</b>	10,718
<b>21.3.1</b>	<b>Accumulated compensation absences</b>		
	Net liability - opening balance	<b>8,773</b>	8,773
	Expense for the period	<b>5,224</b>	5,224
	Payments made during the year	<b>(1,131)</b>	(5,224)
	Net liability - closing balance	<b>12,866</b>	8,773

Note	2010	2009
	(Rupees in '000s)	
<b>Reconciliation of the present value of defined benefit obligation</b>		
Present value of defined benefit obligations-opening	8,773	3,426
Current service cost	2,461	715
Past service cost for new membership of officers at works	-	5,132
Interest cost	1,053	411
Benefits paid	(1,131)	(1,449)
Actuarial (gain) / loss	1,710	538
Present value of defined benefit obligations-closing	<u>12,866</u>	<u>8,773</u>
<b>Expense recognized in Profit and Loss account</b>		
Current service cost	2,461	715
Interest cost	1,053	411
Actuarial (gain) / loss	1,710	537
Past service cost of new membership of officers at Works	-	5,132
	<u>5,224</u>	<u>6,795</u>
<b>Principal actuarial assumptions</b>		
The latest actuarial valuation was carried out as at June 30, under the 'Projected Unit Credit Method'.		
The main assumptions used for actuarial valuation are as follows:		
Discount rate	12% p.a.	12% p.a.
Expected rate of future salary increase	11% p.a.	11% p.a.
Average number of leaves accumulated per annum by the employees	15 days	15 days

**21.3.2 Ferozen termination benefits** 1,945 1,945

These are termination benefits which are frozen on the reappointment of three employees who had accepted golden handshake offered by the Company and shall be paid when they leave the Company.

## 22 TRADE AND OTHER PAYABLES

Trade creditors	22.1	617,170	541,137
Retention money		145,384	146,133
Accrued liabilities	22.2	630,499	408,394
Ijara payable	22.3	46,551	26,860
Advances from customers		99,226	75,625
Workers' Profit Participation Fund	22.4	16,603	16,499
Employees' Provident Fund Trust		567	-
Gratuity Fund	22.5	29,110	25,130
Provision for freight		-	45,085
Unclaimed dividend		-	146
		<u>1,585,110</u>	<u>1,285,009</u>
Interest free deposits			
Payable on demand		2,897	1,921
Others		2,115	19,530
		5,012	21,451
Other payables		11,499	7,610
		<u>1,601,621</u>	<u>1,314,070</u>

**22.1** These include a balance payable to M/s Pak Hy-Oils Limited (an associated company) for Rs. 2.658 million on account of trading business (2009: Rs. 5.321 million).

**22.2** These include termination benefits payable to employees for Rs. 62.593 million (2009: Rs. 92.282 million) who had opted for golden handshake scheme.

**22.3** This represents the Ijarah finance facility taken from Askari Bank Limited amounting to Rs. 120.000 million for import of cement packing (stationery machine), wagon loading machines, belt conveyors and associated equipments. This facility carries markup @ 6 months KIBOR plus 250 bps with a floor rate of 12.5% and cap of 22% per annum. This facility is secured against the exclusive ownership of the bank on such machinery to the extent of Rs. 120.000 million, 40% deposit and Corporate Guarantee of the Company.

The total of future ljarah payments are as under:

	2010	2009
	(Rupees	in 000s)
(i) Not later than one year	<u>26,860</u>	<u>26,860</u>
(ii) Later than one year and not later than five years	<u>26,860</u>	<u>53,720</u>
<b>22.4 Due to workers' profit participation fund</b>		
Opening balance	16,499	16,010
Add: Interest on funds utilized by the company	<u>1,440</u>	<u>2,209</u>
	17,939	18,219
Less: amount paid during the year	<u>1,336</u>	<u>1,720</u>
	<u>16,603</u>	<u>16,499</u>
<b>22.5 Gratuity Fund</b>		
The amounts recognized in the balance sheet is as follows:		
<b>Movement in the liability recognized in the balance sheet</b>		
Net liability - opening balance	25,129	22,238
Expense for the period	7,627	6,534
Contribution made by the company	<u>(3,646)</u>	<u>(3,642)</u>
Net liability - closing balance	<u>29,110</u>	<u>25,130</u>
<b>Reconciliation of the liability as at June 30,</b>		
Present value of defined benefit obligations as at June 30,	30,244	27,172
Fair value of plan assets	(467)	(488)
Un-recognized actuarial gain/(loss)	<u>(667)</u>	<u>(1,554)</u>
	<u>29,110</u>	<u>25,130</u>
<b>Reconciliation of the present value of defined benefit obligation</b>		
Present value of defined benefit obligations-opening	27,172	21,635
Current service cost	4,425	3,997
Interest cost	3,261	2,596
Benefits paid	<u>(3,646)</u>	<u>(3,642)</u>
Actuarial loss / (gain)	<u>(968)</u>	<u>2,586</u>
Present value of defined benefit obligations-closing	<u>30,244</u>	<u>27,172</u>
<b>Expense recognized in profit and loss account</b>		
Current service cost	4,425	3,997
Interest cost	3,261	2,596
Expected return on plan assets	<u>(59)</u>	<u>(59)</u>
	<u>7,627</u>	<u>6,534</u>



Note	2010	2009
	(Rupees in '000s)	
<b>Reconciliation of fair value of plan assets</b>		
Fair value of plan assets - as at June 30,	489	493
Contribution to the fund by the company	3,646	3,642
Benefits paid	(3,646)	(3,642)
Expected return on plan assets	59	59
Actuarial (gain)/loss	(81)	(63)
Fair value of plan assets - as at June 30,	<u>467</u>	<u>489</u>
<b>Plan assets comprise of :</b>		
Debt instrument	467	465
Cash and bank	-	24
	<u>467</u>	<u>489</u>
<b>Actual return on plan assets</b>		
Expected return on plan assets	59	59
Actuarial (gain)/loss	(81)	(63)
	<u>(22)</u>	<u>(4)</u>

**Principal actuarial assumptions**

The latest actuarial valuation was carried out as at June 30, 2010 under the 'Projected Unit Credit Method'.

The main assumptions used for actuarial valuation are as follows:

Discount rate	12% p.a.	12% p.a.
Expected rate of future salary increase	11% p.a.	11% p.a.
Expected rate of return	12% p.a.	12% p.a.
Average working life time of employees	13 years	13 years

	2010	2009	2008	2007	2006
Present value of defined benefit obligations as at June 30	30,244	27,172	21,635	19,694	71,567
Fair value of plan assets as at June 30	(467)	(489)	(492)	(578)	(67,568)
Deficit	<u>29,777</u>	<u>26,683</u>	<u>21,143</u>	<u>19,116</u>	<u>3,999</u>

**23 ACCRUED INTEREST / MARKUP PAYABLE**

Redeemable capital		-	51,801
Loans / finances from:			
Related parties	23.1	287,484	171,253
Banking companies and other financial institutions		58,013	245,540
		<u>345,497</u>	416,793
Lease finances		21,032	11,247
Short term borrowings	23.2	27,416	23,211
		<u>393,945</u>	<u>503,052</u>
<b>23.1 Loan from related parties</b>			
Pak Hy-Oils Limited - Related Party		8,454	4,796
Sponsoring Directors - Related Parties		267,825	158,052
Employees' Provident Fund Trust		11,205	8,405
		<u>287,484</u>	<u>171,253</u>
<b>23.2 Short term borrowings</b>			
Banks & Financial Institutions		23,138	17,432
Pak Hy-Oils Limited - Related Party		-	2,304
Employees' Provident Fund Trust		803	-
Others		3,475	3,475
		<u>27,416</u>	<u>23,211</u>

	Note	2010 (Rupees in '000s)	2009
<b>24 SHORT TERM BORROWINGS</b>			
Cash and running finances - secured	24.1 & 24.4	57,984	212,467
Import finances - secured	24.2 & 24.4	112,160	274,699
Export refinance - secured	24.3 & 24.4	40,500	-
Loans from past associated undertaking -			
Dandot cement company limited	24.5	250,000	250,000
Temporary bank overdraft	24.6	10,248	7,411
Advance from Employees' Provident Fund Trust	24.7	14,125	-
		<b>485,017</b>	<b>744,577</b>

**24.1** Short term finance facilities available from various banks under mark up arrangements aggregate Rs. 58.000 million (2009: Rs. 1,332.000 million). These facilities carry mark up at the rates ranging from 15.76% to 16.77% (2009: 16.14% to 19.02%) per annum, payable on quarterly basis.

**24.2** The company has obtained import finance facilities aggregating to Rs. 112.160 million (2009: Rs. 274.699 million) from commercial banks. The rate of mark up ranges from 15.09% to 17.94%. (2009: 16% to 18.33%) per annum.

**24.3** The company has obtained export finance facilities aggregating to Rs. 40.500 million (2009: nil) from commercial banks which carried mark up @ 7.50%.

**24.4** These facilities are secured by creation of charge on all present and future current and fixed assets of the Company to the extent of Rs. 1,278.000 million, personal guarantees of the sponsoring directors up to Rs. 340.000 million and personal properties of directors, lien over import documents / letters of Credit. Further, it is secured against hypothecation and pledge of stock and coal respectively. The facilities are expiring on various dates by March 31, 2011.

**24.5** This represents loan obtained from a past associated company, Dandot Cement Company Limited (DCCL) in 2007. The facility initially carried mark-up at the rate of 10% p.a. However, at the request of the Company, DCCL agreed not to charge mark-up on the said loan.

**24.6** This represents cheques issued in excess of the current account balance at the balance sheet date, but were not presented for payments in the bank at the close of the year.

**24.7** During the year, the Employees' Provident Fund Trust of the Company (related party) has given this advance for meeting its working capital requirement, which carries interest @ 16% p.a.

**24.8** Facilities available for opening letters of credit / guarantees aggregated to Rs. 187.503 million (2009: Rs. 701.000 million) of which the amount Aggregating to Rs. 45.635 million (2009: Rs. 110.800 million) remained unutilized at the year end.

	Note	2010 (Rupees in '000s)	2009
<b>25 CURRENT AND OVER DUE PORTION OF NON CURRENT LIABILITIES</b>			
Redeemable Capital [PPTFCs]	18	399,680	160
Long term borrowings:			
Gharibwal Cement Limited - Employees Provident Fund Trust	19.1.2	17,500	6,000
Banks and financial institutions	19.2	739,452	2,486,800
Finance Leases	20	127,934	95,938
Deferred / frozen markup	21.1	35,033	-
		<b>1,319,599</b>	<b>2,588,898</b>

	2010	2009
	(Rupees in '000s)	
<b>26 TAXES AND DUTIES PAYABLE</b>		
Excise duty payable	548,995	324,346
Sales tax payable	260,605	166,409
Withholding tax payable	42,561	21,965
Default Surcharges - sales tax and FED	118,146	-
Royalty on raw material	46,279	20,936
Custom duty payable	12,719	12,719
Local taxes	5,773	5,773
	<b>1,035,078</b>	<b>552,148</b>
<b>27 CONTINGENCIES AND COMMITMENTS</b>		

**27.1** 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.

**27.2** District Council - Chakwal served notices dated 25-07-1998 & 05-08-1998, whereby the Company had been directed to deposit an amount of Rs. 5.400 million being 'exit tax' pertaining to the year 1996-97 plus 0.108 million as Talkana / Revenue Commission (2% of total revenue) and also for the deposit of such tax on the prescribed rate in future. The Supreme Court of Pakistan had issued a stay order in respect of the payment of Rs. 5.400 million as demanded by the District Council.

The Company also 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 18-02-1997 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 17-03-1997 on a revision application by the District Council, suspended the operation of the judgment dated 18-02-1997. The matter is still pending for adjudication with the Lahore High Court - Rawalpindi Bench.

**27.3** The Company, through a writ petition in the Lahore High Court - Rawalpindi Bench, challenged the refusal of Islamabad Electric Supply Company (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, accepted the Company's petition and directed the IESCO not to issue any bills to the Company which was challenged by the IESCO in the Supreme Court of Pakistan (SCP). SCP dismissed the appeal filed by the IESCO and directed to pursue the writ petition already pending before Lahore High Court - Rawalpindi bench. The petition is yet to be fixed for hearing before the Lahore High Court - Rawalpindi bench.

Based on the legal opinion, the management is confident that the Company has good case and there are reasonable chances of success in the pending Petition in the Lahore High Court.

**27.4** 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.

**27.5** Collector (Appeals) Customs, Sales Tax & Federal Excise demanded excise duty and sales tax calculated on the basis of hypothetically tailored figures of paper bags/sacks consumed in the order-in-original amounting to Rs. 313.618 million and Rs. 359.371 million respectively alongwith penalties of Rs. 627.236 million and 17.980 million respectively and additional duty to be calculated at the time of payment of principal amount during the period from July, 1995 to June, 2001.

Before passing Order-in-Appeal, the Collector (Appeals) Customs, Sales Tax & Federal Excise Islamabad constituted a Departmental Reconciliation Committee lead by the Additional Collector. This committee checked in detail the Company's books of accounts, store receipts & issuance statements, paper bags/suppliers direct confirmation, sales tax invoices etc. and has issued its report dated 20-02-2009 wherein it has unanimously agreed upon the declared version of the Company in respect of paper bags/sacks consumed. However, the Collector (Appeals) Customs, Sales Tax & Federal Excise Islamabad did not consider the full effect of this report.

The Company has filed a writ petition before the Islamabad High Court against the impugned Order-in-Appeals dated June 30, 2009 and the Court granted stay order against Order-in-Appeals are so filed before Sales Tax Appellate Tribunal, Islamabad. These matters are still pending for adjudication.

Based on the legal opinion, the management is confident that the Company has good case and there are reasonable chances of success in the pending Petition in the Lahore Session Court.

- 27.6** The Competition Commission of Pakistan (the CCP) took suo moto action under competition ordinance, 2007 and issued Show Cause Notice on October 28, 2008 for increase in the prices of cement across the country. The similar notices were also issued to All Pakistan Cement Manufacturers Association (APCMA) and its member cement manufacturers. The Company has filed a writ Petition in the Lahore High Court. The Lahore High Court, vide its order dated August 24, 2009 allowed the CCP to issue the final order. The CCP accordingly passed an order on August 28, 2009 and imposed a penalty amounting to Rs 39.126 million which has been challenged in the Court of law.

The Company's legal counsel is confident that the Company has a good case and there are reasonable chances of success to avoid the penalty, hence, no provision for the above has been made in these financial statements.

- 27.7** The company has filed an appeal under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 against the order of the SECP under section 227 read with section 229 and section 476 of the Companies Ordinance, 1984 (Note: 19.1.3). The management is confident of a favorable outcome of the appeal and has not recorded any provision for liquidation damages under the terms of the original agreement.

- 27.8** The Pakistan Standards and Quality Control Authority (PSQCA) charged a marking fee @ 0.15% of the total production of cement to manufacturer for the renewal of license and imposed liability amounting to Rs about 24.000 million but management disagrees with this amount of liability.

Based on the legal opinion, the management is confident that the Company has good case and there are reasonable chances of success in the pending Petition in the Lahore Session Court.

- 27.9** Lahore high court has granted stay order against the impugned order of the Member (Colonies), Board of Revenue, Government of Punjab for cancelling registered sales deed in respect of 400 kanals land purchased by the Company from the Government of Punjab to set up its new plant and converting this into long term lease. Adjudication in this appeal is pending.

Based on the legal opinion, the management is confident that the Company has good case and there are reasonable chances of success in the pending Petition in the Lahore Session Court.

- 27.10** Corporate guarantees given by commercial banks on behalf of Company in connection with issuance of PPTFC had expired on December 30, 2009, renewal of which is in process.
- 27.11** Guarantees given by banks on behalf of the Company to Sui Northern Gas Pipelines Limited outstanding as at June 30, 2009 aggregated to Rs. 500.000 million that includes guarantee given by First Dawood Investment Bank Ltd amounting to Rs. 270.000 million and guarantee issued by Bank Islami Pakistan Limited of Rs. 230.000 million (2009: Rs. 547.265 million). These guarantees expired during the year 2009-2010 and renewal of these guarantees is in process.
- 27.12** The Company has issued post dated Cheques amounting to Rs. 25.928 million and Rs. 49.462 million from a scheduled bank in favour of collector of customs for differential amount of duties in respect of clearance of imported plant items. These cheques are issued as collateral in the course of an interim relief allowed by the Sindh High Court to release the plant and machinery.

	Note	2010 (Rupees in 000s)	Restated 2009
<b>27.13 Commitments in respect of capital expenditure were outstanding on account of:</b>			
a) Wet process cement plant		-	25,000
b) New dry process cement project		-	250,000
		<u>-</u>	<u>275,000</u>
<b>28 SALES - net</b>			
Local sales		2,123,190	2,760,928
Export sales		680,873	505,512
		<u>2,804,063</u>	<u>3,266,440</u>
Less:			
Sales tax		(290,814)	(378,107)
Federal excise duty		(338,510)	(397,951)
Special excise duty		(14,791)	(19,653)
Discount / rebate to dealers		(46,130)	(32,159)
		<u>(690,245)</u>	<u>(827,870)</u>
		<u>2,113,818</u>	<u>2,438,570</u>
<b>29 COST OF SALES</b>			
Raw materials consumed	29.1	137,519	188,271
Packing materials consumed		205,744	199,099
Stores and spares consumed		125,222	57,249
Salaries, wages and benefits	29.2	220,637	182,175
Fuel and power consumed		1,300,738	1,607,870
Rent, rates and taxes		6,131	7,188
Repair and maintenance		49,215	23,936
Insurance		16,120	-
Vehicle running and travelling		3,416	1,264
Other expenses		1,779	2,540
Depreciation	6.1.3	237,703	229,489
		<u>2,304,224</u>	<u>2,499,081</u>
Adjustment of work-in-process inventory			
Opening balance		260,683	30,967
Transfer from trial run		-	3,106
Closing balance		(29,546)	(260,683)
		<u>231,137</u>	<u>(226,610)</u>
<b>Cost of goods manufactured</b>		<u>2,535,361</u>	<u>2,272,471</u>
Adjustment of finished goods inventory			
Opening balance		101,633	34,652
Closing balance		(8,295)	(101,633)
		<u>93,338</u>	<u>(66,981)</u>
<b>Cost of sales</b>		<u>2,628,699</u>	<u>2,205,490</u>
<b>29.1 Raw material consumed</b>			
Opening stock		19,528	11,701
Transferred from trial run		-	9,422
Cost including transportation		157,570	169,622
Royalty		26,686	14,630
Excise duty		2,471	2,424
		<u>186,727</u>	<u>186,676</u>
Closing stock		(68,736)	(19,528)
		<u>137,519</u>	<u>188,271</u>
<b>29.2</b>			
Salaries, wages and benefits includes contribution to provident fund aggregating Rs. 1.900 million (2009: Rs. 1.217 million) and gratuity amounting Rs. 3.814 million (2009: Rs. 3.267 million).			

	Note	2010 (Rupees in '000s)	Restated 2009
<b>30 SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries, wages and benefits	30.1	8,960	2,420
Travelling and vehicle running		967	134
Postage, telegram and telephone		521	64
Rent, rates and taxes		2,747	6
Legal and professional charges		4,056	3,575
Advertisement and sale promotion		1,841	2,201
Forwarding on export sales		272,426	83,683
Insurance		56	28
Miscellaneous		714	2,084
Depreciation	6.1.3	401	219
		<b>292,689</b>	<b>94,414</b>

30.1 Salaries, wages and benefits includes contribution to gratuity fund amounting to Rs. 1.525 million (2009: Rs.1.307 million).

**31 GENERAL AND ADMINISTRATION EXPENSES**

Salaries, wages and benefits	31.1	24,134	23,841
Travelling and vehicle running		6,663	7,707
Legal and professional charges		21,166	9,049
Auditors' remuneration	31.2	2,412	1,100
Postage, telegram and telephone		3,522	2,100
Printing and stationery		1,517	880
Insurance		873	78
Rent, rates and taxes		9,338	6,762
Fee and subscription		2,354	220
Entertainment		2,036	1,306
Utilities		1,523	1,082
Advertisement		372	583
Repair and maintenance		3,891	6,441
Miscellaneous		566	1,540
Discount on issue of shares amortized		-	14,192
Depreciation	6.1.3	2,503	2,433
		<b>82,870</b>	<b>79,314</b>

31.1 Salaries, wages and benefits includes contribution to gratuity fund amounting to Rs. 2.288 million (2009: Rs. 1.960 Million).

**31.2 Auditors' remuneration**

Hyder Bhimji & Co.

Audit fee

Out-of-pocket expenses

1,000	-
125	-
<b>1,125</b>	<b>-</b>

Ernst & Young Ford Rhodes Sidat Hyder

Audit fee

Half year review fee

Certification and others

Out-of-pocket expenses

-	500
500	250
275	250
512	100
<b>1,287</b>	<b>1,100</b>
<b>2,412</b>	<b>1,100</b>

	Note	2010 (Rupees)	Restated 2009 in '000s)
<b>32 OTHER OPERATING EXPENSES</b>			
Provision for slow moving stores items		16,534	2,376
Impairment of capital work in progress		59,734	-
Demurrage paid on fire bricks		28,763	-
Loss on Import of equipment		-	45,085
Miscellaneous		-	653
Zakat		18	33
		<u>105,049</u>	<u>48,147</u>
<b>33 OTHER OPERATING INCOME</b>			
Profit on bank deposits		1,513	1,188
Interest on amounts advanced to related party		15,052	8,721
Income from sale of scrap		4,119	466
Old credit balances written back - net		16,928	-
Rental income	33.1	302	327
		<u>37,914</u>	<u>10,702</u>
<b>33.1</b>	This represents rent on colony quarters given to ex-employees of the company who had been terminated during the last year and rent of shops.		
<b>34 FINANCE COST</b>			
Interest/mark-up on:			
Redeemable capital		40,581	53,847
Long term finances / loans from:			
Banking companies and other financial institutions		562,774	385,780
From related parties	34.1	254,912	283,797
		<u>817,686</u>	<u>669,577</u>
Short term finances		83,457	44,367
Employees provident fund trust		3,603	438
Workers' (profit) participation fund		1,440	2,209
Lease finance charges		13,624	23,137
Ijara rentals		26,860	20,259
Foreign exchange loss		18,930	60,820
Late payment surcharge - sui gas		55,045	398
Default surcharge - sales tax and FED		118,146	-
Bank charges and others		5,284	6,354
		<u>1,184,656</u>	<u>881,406</u>
<b>34.1 Interest on long term loans from related parties</b>			
Directors' Loan		251,254	279,001
Pak Hy-Oils Limited - Related Party		3,658	4,796
		<u>254,912</u>	<u>283,797</u>
<b>35 TAXATION</b>			
Current tax			
Current period		6,497	5,638
Prior period		-	(17,147)
Deferred tax	21.2	(1,121,238)	22,367
		<u>(1,114,741)</u>	<u>10,858</u>

In the view of gross loss before depreciation, no provision for current taxation has been made other than the income covered under Final Tax Regime. Accordingly, tax expense reconciliation with the accounting profit (loss) is not reported.

	2010	Restated 2009
<b>36 EARNINGS PER SHARE - Basic and diluted</b>		
Weighted average number of ordinary shares (in thousands)	<b>231,876,417</b>	231,876,417
Loss after tax (Rupees in thousands)	<b>(1,027,490)</b>	(870,357)
Loss per share - after tax (Rupees)	<b>(4.43)</b>	(3.75)

There is no dilutive effect on the basic earning per share of the company.

### 37 FINANCIAL RISK MANAGEMENT

#### 37.1 Capital risk Management:

The primary objective of the Company's capital management is to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. No changes were made in the objectives, policies or processes during the year ended June 30, 2010.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions.

The Company monitors capital by using a debt equity ratio, which is net debt divided by total capital plus net debt. Equity comprises of share capital, revenue reserves and surplus on revaluation of fixed assets. The gearing ratios as at June 30, 2009 and 2010 were as follows:

	Note	2010 (Rupees in '000s)	Restated 2009
Long term financing		<b>3,359,647</b>	2,761,320
Redeemable capital		-	399,680
Liabilities subject to finance lease		<b>11,916</b>	52,297
Deferred liabilities		<b>714,867</b>	147,037
Trade and other payables		<b>1,601,621</b>	1,314,070
Accrued interest/markup		<b>393,945</b>	503,052
Short term borrowings		<b>485,017</b>	744,577
Current portion of non-current liabilities		<b>1,319,599</b>	2,588,898
Total debt		<b>7,886,612</b>	8,510,931
Less: cash and bank balance		<b>21,140</b>	67,981
Net debt		<b>7,865,472</b>	8,442,950
Total equity		<b>4,000,421</b>	1,965,807
Total capital		<b>11,865,893</b>	10,408,757
Gearing ratio		<b>66%</b>	81%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The sponsoring directors, being the majority shareholder of the Company, has extended their commitment to support and assist the company in ensuring that it remains viable in achieving its objectives in the long run, accordingly, they have offered their loan for conversion into equity. In order to improve liquidity and profitability of the Company, the management is planning to take certain appropriate steps such as increase sales through export of cement to African countries.



	2010	2009
	(Rupees in '000s)	
<b>FINANCIAL ASSETS</b>		
Long term loans	1,270	519
Long term deposits	56,645	3,535
Trade debts	33,762	52,694
Advances, deposits and other receivables	122,652	99,577
Cash and bank balances	21,140	67,981
	<b>235,469</b>	<b>224,306</b>
<b>FINANCIAL LIABILITIES</b>		
Long term financing	3,359,647	2,761,320
Redeemable capital	-	399,680
Liabilities subject to finance lease	11,916	52,297
Deferred liabilities	714,867	147,037
Trade and other payables	1,601,621	1,314,070
Accrued interest/markup	393,945	503,052
Short term borrowings	485,017	744,577
Current portion of non-current liabilities	1,319,599	2,588,898
	<b>7,886,612</b>	<b>8,510,931</b>

### 37.2 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, and other price risk, such as equity risk. Financial instruments affected by market risk include loans, borrowings and deposit. The Company is exposed to interest rate risk, liquidity risk and credit risk. The sensitivity analysis in the following sections relate to the position as at June 30, 2010 and 2009.

### 37.3 Liquidity risk

The Company's production from its new line (Line-II) remained inconsistent and much below its installed normal capacity. Due to this situation, the working capital of the Company is negative as at the balance sheet date. The Company's management closely monitors the Company's liquidity and cash flow position and foresees that the said negative working capital position will become favourable during the next year due to increased revenues from the continuous operation of plant and increase in demand and price of the cement. Also, company has entered into major restructuring of its long term and short term debts to mitigate its liquidity crisis. The table below summaries the maturity profiles of company's financial liabilities as on June 30, 2010 based on contractual undisconnected payments date and present market interest rates.

	Within 6 months	More than 6 months and upto 12 months	More than 1 year and upto 5 years	More than 5 year and upto 10 years	Total 2010	Total 2009
	----- Rupees in '000s -----					
Redeemable capital	-	399,680	-	-	399,680	399,840
Long term financing	352,491	386,960	2,445,364	914,284	4,099,099	5,248,120
Finance leases	115,694	12,119	12,037	-	139,850	178,377
Deferred liabilities	7,695	31,186	503,820	192,387	735,088	-
Trade and other payables	1,572,497	-	29,110	-	1,601,607	1,314,070
Accrued interest/markup	381,213	-	-	-	381,213	494,781
Short term borrowings	57,984	402,660	-	-	460,644	737,166

**37.4 Yield/Mark-up rate risk:**

Yield/mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/mark-up rates. Sensitivity to yield/mark-up rate risk arises from mismatch of financial assets and liabilities that mature or Reprice in a given period. Significant interest rate risk exposure are primarily managed by a mix of borrowings at fixed and variable interest rates.

The effective yield/mark-up rate on the financial assets and liabilities are disclosed in their respective notes to the financial statements.

**37.5 Foreign Exchange risk management:**

Foreign exchange risk arises mainly on sales that are denominated in a currency other than the functional currency primarily U.S. Dollars (USD). Payables exposed to foreign currency are not covered through any forward foreign exchange contracts or through hedging. Sensitivity analysis of liabilities exposed to foreign exchange risk are as follows:

	2010 - Euro 000s	2009 - Euro 000s
Foreign exchange denominated monetary liability	-	5,985

**37.6 Credit risk and concentration of credit risk:**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of Counterparties are engaged in similar business activities or have similar economic features that would cause their liability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company is mainly exposed to credit risk on trade debts and advances to suppliers amounting to Rs. 134.148 million (2009: Rs. 301.762 million). Company seeks to minimize the credit risk exposure through having exposure only to customers and creditors considered credit worthy.

The credit quality of cash at bank (in current, saving and deposit accounts) as per credit rating agencies are as follows:

	2010	2009
	(Rupees in '000s)	
<b>Credit Ratings</b>		
A 1 +	8,248	54,362
A 1	1,475	875
A 2	10,010	10,010
A 3	428	428
	<b>20,161</b>	<b>65,675</b>

Due to Company's long standing relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company.

**37.7 Equity Price risk:**

Equity price risk is the risk arising from uncertainties about future values of Investment securities. As at balance sheet date, the Company is not exposed to equity price risk as the Company do not have any investments in equity market.

**37.8 Fair value of financial instruments:**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values except for the assets where impairment has been charged as disclosed in the respective notes.

**38 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS & EXECUTIVES**

The aggregated amount charged in the financial statements on these accounts are as under:

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	----- Rupees in '000 -----					
Managerial Remuneration	-	-	1,440	-	23,399	21,017
Perquisites and benefits						
House rent	-	-	648	-	3,570	3,513
Entertainment	-	-	-	-	-	909
Utilities and others	-	-	369	-	14,140	12,034
Contribution to:						
Retirement benefits	-	-	-	-	1,646	619
	<u>-</u>	<u>-</u>	<u>2,457</u>	<u>-</u>	<u>42,755</u>	<u>38,092</u>
Number of persons	-	-	2	-	42	41

The Company's maintained vehicles and telephone facilities are also provided to executives and paid directors.

**39 TRANSACTIONS WITH RELATED PARTIES**

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

	2010	Restated 2009
	(Rupees in 000s)	
<b>Balochistan Glass Limited (BGL)</b>		
Advance given to BGL	15,199	99,221
Advance received back from BGL	(2,575)	(49,701)
Lease liability undertaken by BGL	(46,000)	-
Expenses incurred on behalf of BGL	43,366	40,102
Expenses incurred by BGL	-	(14,611)
Supply of goods to BGL	359	83

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 38.

**40 CAPACITY AND PRODUCTION - TONNS**

	Capacity		Actual	
	2010	2009	2010	2009
<b>Clinker (M. Ton)</b>				
Line - I	540,000	540,000	-	31,815
Line - II	2,010,000	2,010,000	518,757	782,074
<b>Cement (M.Ton)</b>				
Line - I	568,420	568,420	-	40,015
Line - II	2,110,500	2,110,500	628,303	692,091

During the year 2009, 145,957 M.Tons of clinker was produced during the trial run.

During the financial year under consideration, the wet process plant Line - I remained closed due to high operating cost as compared to low price of cement in the market. So it was not feasible to operate expensive wet process cement plant due to which all three kilns remained non operative during the whole year. However, the company intends to use it in future in case of higher market demand and export opportunity. The carrying value of the plant & machinery Line-I at the terminal date is Rs. 287.500 million (2009: Rs. 1,184.780 million). (Note 6.1).

The under utilization of the plant is mainly due to cut throat competition in the industry due to excessive supply and comparatively less demand in the market viz-a-viz higher cost of production with low selling price.

#### 41 CORRESPONDING FIGURES

Correspondence figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Major reclassification made in the corresponding figures for better presentation are as under:

	Rs. In '000s	Reclassifications	
		From	To
Freight and forwarding on export	83,683	Net Sales	Selling Expenses
Income tax refundable	8,198	Advances, deposits and prepayments	Tax refunds due from the government
Sales tax adjustable	51,867	Advances, deposits and prepayments	Tax refunds due from the government

#### 42 GENERAL

##### 42.1 Date of authorization

These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on February 03, 2011.

42.2 Figures have been rounded off to the nearest of thousands rupees, unless otherwise stated.

#### Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the company is presently out of the country, therefore, these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

  
Director

  
Chief Financial Officer

  
Director



## Form of Proxy

The Secretary  
Gharibwal Cement Limited  
28-B/III, - 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 50th Annual General Meeting of the  
Company to be held on Monday, February 28, 2011 at 11.30 am at the registered office of the  
Company (28-B/III, - Gulberg III, Lahore) and at any adjournment thereof.

As witnessed given under my / our hand (s) \_\_\_\_\_ day of \_\_\_\_\_, 2011.

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.



[www.gharibwalcement.com](http://www.gharibwalcement.com)

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