

Notes to the Accounts

For the Year Ended June 30, 2005

1. THE COMPANY AND ITS OPERATIONS

- 1.1 The company is a public limited company incorporated in Pakistan and is listed on Karachi and Lahore Stock Exchanges. The Company started its production on March 01, 1983 and has been engaged in production and marketing of cement.
- 1.2 The company has accumulated loss of Rs 1,157.9 million and its current liabilities exceed its current assets by Rs 251.9 million as at 30 June 2005.

In spite of the adverse current ratio and large accumulated loss, the company will continue to have continued financial support from its sponsoring directors and their foreign associates to ensure continuity of operations. As part of this support, the sponsoring directors and their foreign associates have not only injected funds into the company during the year as long term loans but have also planned the following key measures to enhance the company's overall viability.

- a) The company has planned to increase the production capacity from 1600 M. Ton/day clinker production to 3500 M. Ton/day clinker production. Negotiation with the suppliers and financial institutions are under process.
- b) An aggressive and accelerated growth rate of 19.69% was displayed by the cement industry of Pakistan during the year under review. This buoyancy in cement sector is on account of robust macro economic factors. Market price of cement has improved over previous year so that Company is able to achieve reasonable price which will effect the financial results positively.

The directors of the company are confident that in view of the above facts and their full commitment and determination to promote the company's objectives in the long run, the company will continue its operations as a going concern.

Accordingly, these financial statements have been prepared on going concern basis and do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that may be necessary should the company be able to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 (a) Accounting convention

These accounts have been prepared under historical cost convention except for freehold land, buildings, plant & machinery and vehicles which are stated at revalued amounts and certain exchange differences as referred to in Note 2.12 are incorporated in the cost of relevant assets.

(b) Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such international accounting standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities & Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Employees retirement benefits

- (a) The Company operates a gratuity scheme covering all its permanent employees. Such gratuity is payable on cessation of employment subject to a minimum qualifying period of five years service with the Company. Provision for gratuity is made in the accounts to cover full obligation under the scheme.

The Company uses projected unit credit method to determine the present value of its defined benefit obligation and the related current service cost and where applicable, past service cost.

Actuarial valuation was conducted on June 30, 2005 on the projected unit credit method using the following significant assumptions:

	2005	2004
Discount rate per annum	9.0%	7.0%
Expected per annum rate of salary increase in future year	7.0%	6.5%
Average expected remaining working lifetime of employees	16 years	17 years

The Company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19.

- (b) The Company also operates a funded contributory provident fund scheme for all eligible employees and contribution is based on the salaries of the employees and the liability is recognized in accounts on monthly basis.

2.3 Taxation

Current

Provision for taxation is based on the taxable income and the rates of taxes applicable after taking into account tax credits and rebates available, if any or under Section 113 of the Income Tax Ordinance, 2001 @ 0.5% of the turnover whichever is higher.

Deferred

The Company accounts for deferred taxation using the liability method on all major temporary differences between the amounts for financial reporting purpose and the amounts used for taxation purposes.

2.4 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost or revalued amounts less accumulated depreciation except for freehold land which is stated at revalued amount.

Depreciation charge is based on reducing balance method at the rates specified in note 14. Leasehold land for quarries are amortized over a period of 15 - 20 years.

No depreciation is provided on assets in the year of sale, while full year's depreciation is charged in the year of purchase. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of assets, if any, are included in profit and loss account.

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

2.5 Surplus on revaluation of fixed assets

In accordance with the provisions of Section 235 of the Companies Ordinance, 1984 and SRO. 45(I) 2003 dated 23 January 2003, the Company has the policy to charge surplus account for incremental depreciation of related revalued assets by transferring the amounts to retained earnings and providing for related deferred taxation by debiting the surplus account directly.

2.6 Assets subject to finance lease

These are recorded at the inception of lease at the value representing the lower of present value of minimum lease payments under the lease agreements or the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period. Financial charges and depreciation on leased assets are charged to income currently.

2.7 Capital work in progress

Capital work in progress is stated at cost and represents expenditure incurred on fixed assets during their construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

2.8 Investments held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

2.9 Stores, spares and loose tools

These are valued at moving average cost except items in transit which are valued at cost accumulated upto the Balance Sheet date.

2.10 Stock in trade

These are valued at lower of cost and net realizable value applying the following method:

Raw Materials	- at weighted average cost.
Work in process and finished goods	- at average cost covering direct material, labour and manufacturing overheads.

2.11 Deferred cost

This is amortized over a maximum period of five years.

2.12 Foreign currency transactions

Assets and liabilities in foreign currencies are translated at the rates of exchange prevalent on the balance sheet date. Exchange differences arising from translation and repayment of foreign currency loans are capitalized as part of cost of Plant & Machinery acquired out of the proceeds of such loans. All other exchange differences are taken to profit and loss account.

2.13 Financial Instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Gain or the loss on derecognition of financial assets/liabilities is taken to Profit & Loss Account.

2.14 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.15 Trade debtors

Known bad debts are written off and provision is made for debts considered doubtful.

2.16 Revenue recognition

- Sales are recorded on dispatch of goods to customers.
- Interest income is accounted for on 'accrual basis'.

2.17 Related party transactions

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

2.18 Change in Accounting Policies

The Company has changed its accounting policy during the year pertaining to recognition of dividends declared subsequent to year end. The change has been made consequent to the amendment made in the Fourth Schedule to the Companies Ordinance, 1984 and new policy is in accordance with the requirement of IAS 10 (Events after the Balance Sheet Date). As per the new policy dividends declared subsequent to the balance sheet date are considered as non-adjusting events and are not recognised in the financial statements. Previously, such dividend declarations were being treated as adjusting events in the financial statements of the Company. Therefore, change in accounting policy has not resulted in any change in the profit for the current year. Had there been no change in accounting policy, the "accumulated loss" and "current liabilities" of the Company would have been higher for the year ended June 30, 2005 by Rs.14 millions each.

2.19 Corresponding Figures

Due to revision of the Fourth Schedule of the Companies Ordinance, 1984, previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison and for better presentation. Consequently, following significant corresponding figures have been rearranged.

- Gratuity payable to Fund has been classified as current liability in Note 12.

2.20 General

Figures in these financial statements have been rounded off to the nearest rupee.

	Note	2005 Rupees	2004 Rupees
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
59,089,980 (2004: 59,089,980) ordinary shares of Rs. 10/- each fully paid in cash		590,899,800	590,899,800
8,750,000 (2004: 8,750,000) ordinary shares of Rs. 10/- each issued as fully paid bonus shares		87,500,000	87,500,000
		678,399,800	678,399,800
4. SURPLUS ON REVALUATION OF FIXED ASSETS			
Opening balance		997,242,746	1,055,114,994
Surplus realized on disposal of fixed assets		-	(486,233)
Incremental depreciation due to revaluation of fixed assets (Net off deferred tax of Rs.28,919,844 (2004:Rs.30,900,162)		(53,708,282)	(57,386,015)
Closing balance as at June 30,		943,534,464	997,242,746

Revaluation of freehold land, buildings, plant & machinery and vehicles in a past year, referred to in note 14 produced a surplus of Rs.1,843.8 million. This amount was credited to surplus on revaluation of fixed assets account to comply with the requirements of Section 235 of the Companies Ordinance, 1984.

5. SPONSORS AND ASSOCIATES LOANS - Unsecured

Foreign currency loan - GBP			
Principal	5.1	326,495,136	318,350,856
Accrued mark up		45,506,694	31,649,972
		372,001,830	350,000,828
Foreign currency loan US\$			
Principal	5.1	119,760,000	116,700,000
Accrued mark up		1,809,095	3,080,632
		121,569,095	119,780,632
Local currency loans	5.2	123,204,002	88,558,099
		616,774,927	558,339,559

	5.1	GBP-I	GBP-II	US\$
Principal amount		GBP:1,000,000	GBP:2,016,400	US\$:2,000,000
Proceeds received		28-Jan-02	11-Apr-02	08-Feb-02
No. of installment for repayment		08	08	08
1st installment due on		After repayment of liabilities to Financial institutions.		
Interest rate for all loans		1% Above six months LIBOR.		
Interest payment term		Biannually	Biannually	Biannually

These represent loans extended by Sponsoring Directors and their foreign associates by encashment of Stand-By Letters of Credit for repayment of Pak Rupees Loans obtained from Financial Institutions. These are repatriable in original currency.

5.2 These interest free loans have been obtained from sponsoring directors of the Company and their associates. This includes Rs.121,954,002 (2004: Rs. 61,858,099) interest free and balance of loan Rs.1,250,000 carries interest @ 8% to 11% per annum. These loans will be paid after June 2006 provided that the company has sufficient funds.

LONG TERM LOANS AND LIABILITIES**Long term loans -Secured**

Economic Affairs Division, Government of Pakistan (EAD)

Habib Bank Limited

Demand Finance IV

Demand Finance V

Demand Finance VI

PICIC Commercial Bank Ltd.

Saudi Pak Commercial Bank

Citibank N.A

Note

2005
Rupees2004
Rupees

6.1

105,952,000

132,440,000

6.2

177,116,470

187,972,470

22,718,538

27,262,538

13,853,244

15,000,000

6.3

45,833,000

55,000,000

6.4

48,142,456

-

6.5

-

49,347,293

307,663,708

334,582,301

413,615,708

467,022,301

Past dues - CBA

Salaries and benefits

Provident fund

One day deduction

Legal expenses

6.6

63,140,324

74,031,871

31,632,952

31,632,952

2,119,349

2,119,349

6,883,000

6,883,000

103,775,625

114,667,172

Provident Fund Trust

Payable to trust since the change of management

Add: Interest on unpaid balance

6.7

10,182,976

18,028,188

8,461,557

6,480,591

18,644,533

24,508,779

536,035,866

606,198,252

Less: Current maturity:

Long term loans

Past dues - CBA

Provident fund trust

10

77,765,333

52,127,301

10

6,000,000

6,000,000

10

12,000,000

12,000,000

95,765,333

70,127,301

440,270,533

536,070,951

- 6.1 (a) This represents the balance of Pak rupee loan of Rs.340.841 million originally advanced in 1984 in Japanese Yen to the State Cement Corporation of Pakistan (Private) Limited (SCCP). The loan was taken over by the Company under the clause 14 of the Sale Agreement dated May 23, 1992 as payable in local currency to the EAD. The Company provided Bank Guarantee from Habib Bank Limited (HBL) to cover the outstanding liability at the time of sale.

The amount of the original loan was Japanese Yen 5,199,457,960 carrying interest @ 8.5% p.a. and was payable in 37 bi-annual installments on March 20 and September 20 with effect from March 10, 1984. Effective April 21, 1987 the yen loan was converted into Pak rupee loan at exchange rate of 1 Yens 0.122111 Pak Rupee carrying interest @ 11.% and exchange risk fee @ 3% per annum payable to the EAD in 30 equal half yearly installments commencing from September 10, 1987, to be settled by March 20, 2002.

- (b) After taking over the control and management, the new management arranged payment of Rs.133.908 million to the EAD, through Habib Bank Ltd for payment of outstanding balance and requested for restructuring of this loan. The competent authority has accorded its approval for restructuring of the loan amounting to Rs.132.44 million and balance have been waived. The Principal alongwith mark up @ 14% p.a. (11% mark up and 3% exchange risk fee) is to be repaid in ten equal half yearly installments effective July 2004. The rescheduled amount is to be secured by bank guarantee in favour of EAD.

- 6.2 Demand finance (DF-IV) facility is to be paid in 28 equal quarterly installments starting from January 01, 2005 alongwith mark up @ 4%p.a for first 3 years and thereafter floating rate 6 months T Bills cut off yield plus 3% will be charged.

Demand finance (DF-V) facility is to be paid in 12 equal quarterly installments starting from January 01, 2005. No mark up shall be charged on the said facility.

Demand finance (DF-VI) facility will be paid in 28 equal quarterly installments starting from January 01, 2005. No mark up shall be charged on the said facility.

DF-IV, DF-V and DF-VI are secured as under:-

First equitable mortgage charge on all the present and future fixed assets of the Company for Rs. 364.7 million. Floating charge on entire moveable and immovable property and assets of the Company, personal guarantees of two Sponsoring Directors and cross corporate guarantees issued by GCL on behalf of the Company. Hypothecation charge on the current assets of the Company for Rs. 40.0 million.

- 6.3 This Term Finance facility obtained from PICIC Commercial Bank Limited for Rs.55.00 million is repayable in six biannual installments with six months grace period from the date of disbursement. Mark up will be charged at State Bank of Pakistan discount rate plus 2.5% with floor of 10% per annum with quarterly rests. Rate shall be reviewed on quarterly basis. This facility is secured against personal properties of two Sponsoring Directors of the Company.
- 6.4 This finance facility is obtained from Saudi Pak Commercial Bank under mark-up arrangements aggregate Rs. 43 million. It will be repaid after November 2006 and carries mark-up KIBOR (Six months average ask rate) plus 5% with floor of 10% per annum. This facility is secured against hypothecation of clinkers and cement. Ranking charges on present and future current assets of the company for Rs. 150 million and personal guarantees of the directors.
- 6.5 The facility has been obtained from Citibank against limit of GBP 1.200 million. The management intends to keep the loan for long term and will have it renewed at expiry. It carries mark up @ 3.95% to 6.2% (2004: 3.5% to 6.2%) p.a. payable quarterly. This facility is secured against Stand By Letter of Credit by foreign banks at the instruction of Sponsoring Directors.
- 6.6 This represents the amounts payable for the closure period of the factory on account of accumulated salaries and benefits, provident fund, one day deduction and legal expenses payable to the employees and CBA for which a mutual agreement had been executed between the management and the CBA at the time of take over of the factory by the new management. Repayment of these amounts have been deferred till December 2008 by the said agreement.
- 6.7 Contributions and interest provided @ 11% (2004: 9%) p.a. due to Provident Fund Trust have not been paid upto June 30, 2003. As per order of Executive Director of Securities and Exchange Commission of Pakistan it is payable in monthly installments of Rs.1.0 million each commenced from July 01, 2003.

LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2005 Rupees	2004 Rupees
Opening balance		111,776,128	227,377,949
Addition during the year		998,000	21,568,500
Adjustments/Waiver during the year		(92,246,384)	(46,917,168)
		20,527,744	202,029,281
Less:			
Payments during the year		5,666,371	90,253,153
		14,861,373	111,776,128
Present value of minimum lease payments			
Less:			
Principal balance of COIs		-	59,400,000
Interest accrued on COIs till year end		-	5,595,835
	7.4	-	64,995,835
		14,861,373	46,780,293
Less:			
Transfer to Current maturity	10	6,442,111	5,527,295
		8,419,262	41,252,998

7.1 The Company has acquired assets under lease finance arrangements from various leasing companies. These lease finances are payable in various monthly installments depending upon the terms of each lease agreement. The Company intends to exercise its option to purchase the leased assets upon completion of the respective lease term. Taxes, repairs and insurance costs are to be borne by the lessee. There are no financial restrictions in the lease agreements.

7.2 The present value of minimum lease payments have been discounted at an implicit interest rate of 8% to 18% (2004: 8% to 18%) p.a. to arrive at their present value.

7.3 The amount of future payments and period in which these payments will become due are:

	Upto one year	From one year to five years	2005	2004
	(Rupees)			
Minimum lease payments	7,661,655	9,033,449	16,695,104	115,148,295
Less:				
Future finance charges	(1,219,544)	(614,187)	(1,833,731)	(3,372,167)
Present value of minimum lease payments	6,442,111	8,419,262	14,861,373	111,776,128

7.4 The Company had entered into settlement agreement with Trust Investment Bank Ltd according to which Bank has agreed to freeze its liability as on 30 May 2003. In consideration the Company has invested Rs.59.4 million into the Certificates of Investment of the Bank for 5 years period carrying mark-up rate of 10% p.a. and maturity value of Rs. 92,246,384. This amount is to be adjusted after 5 years against the Company's liability. The Company had issued 5,751,849 ordinary shares for Rs. 28,759,245 after allowing discount of Rs. 5 per share with an undertaking that Sponsoring Directors will arrange buyback of 90% of these shares at the rate of Rs.6.50 per share after 5 years and the remaining 10% shares shall also be bought back at the rate of Rs.5 per share or price quoted at Karachi Stock Exchange whichever is higher. During the year on March 21, 2005, the Company has entered into a fresh Settlement Agreement with Crescent Commercial Bank Limited (Crescent), formerly Trust Investment Bank Limited, for the settlement of its entire outstanding aggregate liabilities as at the date of settlement agreement. According to this agreement the sponsoring directors of the Company has bought back the shares of the Company from Crescent as covenanted in earlier Settlement Agreement of June 09, 2003 and the Crescent has adjusted the encashable value of Certificates of Investments, already invested by the Company in the Crescent, as at the effective settlement date, whereas the balance liability of Rs.18,862,853 has been waived. The waiver has been duly reflected as income of the Company at Note 30. Accordingly, now the Company has discharged all its liabilities towards Crescent.

	Note	2005 Rupees	2004 Rupees
8. DEFERRED LIABILITIES			
Gratuity	12.1	70,000,000	70,000,000
Deferred Taxation			
Deferred Liability		556,341,533	574,470,644
Less: Deferred debits		(404,292,350)	(298,355,814)
		152,049,183	276,114,830
		222,049,183	346,114,830
9. LONG TERM ADVANCES AND DEPOSITS			
Un-secured - Interest free			
Advances from suppliers		23,325	23,325
Securities and retention money		6,928,771	3,805,968
		6,952,096	3,829,293
9.1	These represent interest free security deposits received from the suppliers and contractors payable after the satisfactory execution of the agreement.		
9.2	These represent interest free security deposits received from agency holders payable on cancellation or withdrawal of agency subject to adjustment of balances outstanding against sales to them.		
10. CURRENT PORTION OF LONG TERM LOANS AND LIABILITIES			
Long term loans	6	77,765,333	52,127,301
Past dues - CBA	6	6,000,000	6,000,000
Provident fund trust	6	12,000,000	12,000,000
Liabilities against assets subject to finance lease	7	6,442,111	5,527,295
		102,207,444	75,654,596
11. SHORT TERM BORROWINGS			
Running finances - secured		-	92,196,443
Bank Overdraft-unsecured		27,212,239	2,903,813
Others		50,007,680	-
		77,219,919	95,100,256
11.1	This represents temporary bank overdraft due to issuance of cheques near to the balance sheet date, however banks show favourable balances.		
12. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Trade creditors		94,840,129	119,023,550
Due to associated undertaking		24,524,104	-
Accrued expenses		54,274,974	69,640,403
Due to gratuity fund trust		17,021,617	8,103,152
Due to provident fund trust		912,830	-
Interest accrued on secured loans		22,147,124	11,778,125
Excise duty		153,894	114,470
Royalty		3,689,781	4,009,761
Sales tax		1,571,741	15,903,464
Workers profit participation fund	12.2	31,880,304	30,975,994
Advances from customers		39,948,648	26,322,984
Others		12,590,140	9,715,025
		303,555,286	295,586,928

12.1	Gratuity	2005 Rupees	2004 Rupees
Expense Recognised in the Income Statement			
Interest cost		6,641,383	4,772,932
Current Services cost		3,538,831	3,717,607
		10,180,214	8,490,539
Liability Recognised in the Balance Sheet			
Present value of defined benefit obligation as at June 30, 2004		81,139,401	75,510,432
Fair value of plan assets		(140,590)	(290,285)
Actuarial gains not recognized during the year		6,022,806	2,883,005
Net liability as on June 30, 2005		87,021,617	78,103,152
Less:			
Deferred liabilities as per agreement with CBA		70,000,000	70,000,000
		17,021,617	8,103,152
Reconciliation of Liability recognised in the balance sheet			
Present Value of Defined Benefit Obligation as on July 01, 2004		78,103,152	73,694,383
Interest Cost		6,641,383	4,772,932
Current Service Cost		3,538,831	3,717,607
Contributions paid		(1,261,749)	(4,081,770)
Present Value of Defined Benefit Obligation as on June 30, 2005		87,021,617	78,103,152
12.2	Workers' Profit Participation Fund		
Contribution payable		15,071,839	15,071,839
Interest on unpaid contribution		16,808,465	15,904,155
		31,880,304	30,975,994
13.	CONTINGENCIES AND COMMITMENTS		
a)	Saudi Pak Commercial Bank Limited has issued Bank Guarantee in favour of Sui Northern Gas Pipelines Limited.	71,022,767	41,965,964
b)	Saudi Pak Commercial Bank limited has issued Bank Guarantee in favour of Director Industries and Mineral development.	3,631,676	3,631,676
c)	Company is in litigation with some suppliers, pending for decision in Court. Company's exposure in the case could be of Rs. 17,504,456 (2004: 17,504,456).		

14. OPERATING FIXED ASSETS

Particulars	COST / REVALUATION				Rate %	DEPRECIATION				Book Value as at June 30, 2005
	As at July 01, 2004	Additions	Deletions	As at June 30, 2005		As at July 01, 2004	For the year	On disposals	As at June 30, 2005	
OWNED										
Free hold land										
Cost	9,675,048	1,490,937	-	11,165,985	-	-	-	-	-	11,165,985
Revaluation	20,389,552	-	-	20,389,552	-	-	-	-	-	20,389,552
	30,064,600	1,490,937	-	31,555,537	-	-	-	-	-	31,555,537
Quarry on lease hold land	9,753,172	-	-	9,753,172	20 Yrs.	8,851,711	45,073	-	8,896,784	856,388
Building on free hold land										
Factory :										
Cost	185,933,193	-	-	185,933,193	10	137,318,723	4,861,447	-	142,180,170	43,753,023
Revaluation	86,898,282	-	-	86,898,282	10	18,270,364	6,862,792	-	25,133,156	61,765,126
	272,831,475	-	-	272,831,475		155,589,087	11,724,239	-	167,313,326	105,518,149
Office :										
Cost	17,527,908	-	-	17,527,908	5	11,491,754	301,808	-	11,793,562	5,734,346
Revaluation	13,645,216	-	-	13,645,216	5	1,484,344	608,044	-	2,092,388	11,552,828
	31,173,124	-	-	31,173,124		12,976,098	909,852	-	13,885,950	17,287,174
Residential:										
Cost	37,882,056	-	-	37,882,056	10	32,389,515	549,254	-	32,938,769	4,943,287
Revaluation	27,545,216	-	-	27,545,216	10	5,791,382	2,175,383	-	7,966,765	19,578,451
	65,427,272	-	-	65,427,272		38,180,897	2,724,637	-	40,905,534	24,521,738
Machinery:										
Cost	1,088,170,057	5,558,997	-	1,093,729,054	5	818,242,904	13,774,307	-	832,017,211	261,711,843
Revaluation	1,656,058,629	-	-	1,656,058,629	5	275,526,754	69,026,594	-	344,553,348	1,311,505,281
	2,744,228,686	5,558,997	-	2,749,787,683		1,093,769,658	82,800,901	-	1,176,570,559	1,573,217,124
Office Equipment	5,170,989	460,170	-	5,631,159	10	3,350,147	228,101	-	3,578,248	2,052,911
Furniture & Fixture	6,795,949	-	-	6,795,949	10	5,280,377	151,557	-	5,431,934	1,364,015
Heavy Vehicles										
Cost	110,874,816	-	-	110,874,816	20	102,868,846	1,601,194	-	104,470,040	6,404,776
Revaluation	27,955,277	-	-	27,955,277	20	10,958,468	3,399,362	-	14,357,830	13,597,447
	138,830,093	-	-	138,830,093		113,827,314	5,000,556	-	118,827,870	20,002,223
Light Vehicles										
Cost	16,531,734	607,150	-	17,138,884	20	12,967,957	834,186	-	13,802,143	3,336,741
Revaluation	4,571,974	-	-	4,571,974	20	1,792,214	555,952	-	2,348,166	2,223,808
	21,103,708	607,150	-	21,710,858		14,760,171	1,390,138	-	16,150,309	5,560,549
Railway Sidings	1,726,574	-	-	1,726,574	5	1,139,883	29,335	-	1,169,218	557,356
Electric Installation	38,956,612	-	-	38,956,612	10	32,165,923	679,069	-	32,844,992	6,111,620
Woighing Scales	80,958	-	-	80,958	10	67,197	1,376	-	68,573	12,385
Library Books	72,403	-	-	72,403	10	59,616	1,279	-	60,895	11,508
	3,366,215,615	8,117,254	-	3,374,332,869		1,480,018,079	105,686,113	-	1,585,704,192	1,788,628,676
LEASED										
Plant & Machinery	60,441,960	-	-	60,441,960	5	38,196,335	1,112,281	-	39,308,616	21,133,344
Light Vehicles	3,813,500	998,000	-	4,811,500	20	1,121,260	738,048	-	1,859,308	2,952,192
	64,255,460	998,000	-	65,253,460		39,317,595	1,850,329	-	41,167,924	24,085,536
Rupees 2005	3,430,471,075	9,115,254	-	3,439,586,329		1,519,335,674	107,536,442	-	1,626,872,116	1,812,714,212
Rupees 2004	3,433,953,205	176,400,213	179,882,343	3,430,471,075		1,532,439,819	114,765,278	127,869,423	1,519,335,674	1,911,135,401

14.1 Depreciation for the year has been allocated as under:-

- Cost of goods sold
- Administration
- Selling & Distribution

2005
Rupees

2004
Rupees

103,732,701
3,698,474
105,267

110,584,498
4,075,760
105,020

107,536,442

114,765,278

14.2 Disposal of fixed assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (Loss)
	-	-	-	-	-
Rupees 2005	-	-	-	-	-
Rupees 2004	7,362,547	6,526,547	836,000	1,235,200	399,200

14.3. Revaluation of Land, Building, Plant and Machinery of the Company was carried out on April 01, 2002, Valuation were carried out on the basis of depreciated replacement value except freehold land on reassessed replacement value, which created a surplus of Rs. 1,843.8 million.

	Note	2005 Rupees	2004 Rupees
15. CAPITAL WORK IN PROGRESS			
Building		1,297,615	527,507
Plant and Machinery	15.1	68,315,303	60,067,137
		69,612,918	60,594,644
15.1 It includes lease hold machinery of Rs.19.0 millions.			
16. LONG TERM LOANS AND DEPOSITS - Considered good			
Officers			
Motor car/motor cycle		124,306	211,806
House building		520,418	410,873
Special loans to officers		701,500	779,500
		1,346,224	1,402,179
Other Employees			
House building		265,721	345,908
Special loans to workers		270,358	319,534
		536,079	665,442
		1,882,303	2,067,621
Less: Current portion recoverable within one year		282,153	282,153
		1,600,150	1,785,468
Security deposits		9,938,455	9,888,455
		11,538,605	11,673,923
Terms of repayment for Staff Loans		Equal Monthly Installments	Equal Monthly Installments
These are interest free and secured			
17. DEFERRED COST			
Unamortized cost brought forward		188,383,561	926,654
Less: Amortized during the year	25	40,000,000	926,654
		148,383,561	-
Addition during the year		-	200,000,000
Less: Amortized during the year		-	(11,616,439)
		148,383,561	188,383,561

17.1 This represents discount on issuance of right shares issued last year at a discount of Rs. 5 per share. It will be amortized over a period not exceeding five years.

	Note	2005 Rupees	2004 Rupees
18. STORES, SPARES AND LOOSE TOOLS			
General stores		53,932,756	38,990,290
Spare parts		67,488,682	58,313,960
Loose tools		4,543,534	4,089,593
		125,964,972	101,393,843
19. STOCK IN TRADE			
Raw material		2,527,519	2,353,360
Work in process		32,148,784	4,214,937
Finished goods		4,526,066	3,027,048
		39,202,369	9,595,345
20. TRADE DEBTORS			
(Unsecured Considered good by the management)		2,168,120	3,095,314
21. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Considered good			
Loan to employees		9,129,914	6,002,087
Advance for purchases		4,268,967	4,519,382
Advance to contractors/suppliers		35,923,294	49,697,110
Margin on bank guarantees		7,477,734	4,572,054
Income tax deducted at source		10,177,259	6,948,917
Excise duty		217,751	1,241,876
Prepayments		2,330,367	1,548,749
Other Receivables		375,851	355,151
Letters of credit - Considered doubtful	21.1	18,248,968	18,248,968
Provision against doubtful advances		(18,248,968)	(18,248,968)
		69,901,137	74,885,326
21.1 This represents cost of materials imported during 1996. The matter is pending in the court resulting from a dispute of the Company with Karachi Port Trust regarding release of these goods. As a matter of prudence the Company provided full provision there against.			
22. CASH AND BANK BALANCES			
Cash in hand		105,586	52,969
Cash at banks in:			
Current accounts		3,579,313	14,833,338
Deposit accounts		4,342,796	5,201,099
		8,027,695	20,087,406
23. SALES			
Sales		1,577,095,972	1,212,046,928
Less:			
Excise duty		275,224,125	222,349,875
Sales tax		205,708,526	172,677,313
Discounts		8,999,020	4,808,480
		1,087,164,301	812,211,260

	Note	2005 Rupees	2004 Rupees
24. COST OF SALES			
Raw materials consumed	24.1	94,556,220	72,069,968
Salaries, wages and benefits		138,321,509	110,267,332
Fuel, gas and electricity		558,920,291	365,012,266
Stores and spares		56,012,632	55,441,149
Rent, rates and taxes		528,756	105,869
Vehicle running and maintenance		10,198,235	10,036,861
Packing material		63,145,454	58,930,229
Depreciation	14.1	103,732,701	110,584,498
Others		24,499,661	15,949,019
		1,049,915,459	798,397,191
Work in process			
Opening		4,214,937	15,342,698
Closing		(32,148,784)	(4,214,937)
		(27,933,847)	11,127,761
Cost of goods manufactured		1,021,981,612	809,524,952
Finished goods			
Opening		3,027,048	12,664,270
Closing		(4,526,066)	(3,027,048)
		(1,499,018)	9,637,222
		1,020,482,594	819,162,174
24.1 RAW MATERIALS CONSUMED			
Opening balance		2,353,360	4,867,536
Salaries, wages and benefits		37,831,790	31,274,919
Gypsum		2,575,909	934,312
Namel shale		-	779,921
Iron ore		26,187	-
Explosive		4,570,042	3,623,277
Carriage		1,990,000	-
Diesel		10,273,374	7,937,528
Deferred cost amortized		-	926,654
Electricity		4,788,552	3,975,112
Royalty and excise duty		8,716,028	6,501,689
Stores and spares		23,219,574	13,342,975
Rent, rates and taxes		489,444	73,477
Breaking of Gypsum		249,478	185,928
		97,083,738	74,423,328
Closing balance		(2,527,519)	(2,353,360)
		94,556,219	72,069,968

	Note	2005 Rupees	2004 Rupees
25. ADMINISTRATION AND GENERAL EXPENSES			
Directors' remuneration		3,842,706	3,134,410
Salaries, wages and benefits		2,391,180	1,583,110
Travelling and daily allowances		3,086,533	1,913,124
Repairs and maintenance		57,657	14,500
Vehicle running and maintenance		900,730	641,664
Legal and professional		2,939,300	2,331,544
Deferred cost amortized		40,000,000	11,616,439
Auditors' remuneration	25.1	346,000	360,000
Postage, telephone and telegrams		206,447	141,444
Printing and stationery		337,170	265,917
Advertisement		63,023	318,890
Entertainment		23,789	37,830
Rent, rates and taxes		-	1,066,800
Fees and subscriptions		1,187,510	2,776,692
Penalties	25.2	33,288	50,000
Functions and seminars		-	4,072
Depreciation	14.1	3,698,474	4,075,760
Others	25.3	1,071,485	1,970,494
		60,185,292	32,302,690
25.1 Auditors' remuneration			
Amin Mudassar & Co.			
Audit fee		125,000	-
Tax advisory services		70,000	70,000
Out of pocket expenses		6,000	-
Half yearly review report fee		50,000	-
Code of Corporate Governance review report fee		75,000	-
Khalid Majid Rehman Sarfraz Rahim Iqbal Rafiq			
Audit fee		-	125,000
Out of pocket expenses		20,000	20,000
Half yearly review report fee		-	50,000
Issuance of certificate fee		-	20,000
Code of Corporate Governance review report fee		-	75,000
		346,000	360,000
25.2	It represents penalty imposed by Directorate General of Mines and Minerals.		
25.3	These include donations of Rs. 39,015 (2004:Rs.234,126). None of the directors or their spouses were interested in the donees.		
26. SELLING AND DISTRIBUTION EXPENSES			
Salaries, wages and benefits		1,934,139	1,712,410
Travelling and daily allowances		102,839	133,899
Vehicles running and maintenance		282,057	295,785
Postage, telephone and telegrams		20,440	39,026
Printing and stationery		29,291	121,104
Entertainment		23,638	15,277
Repairs and maintenance		1,851	34,823
Rent, rates and taxes	14.1	3,399	383
Depreciation		105,267	105,020
Others		209,041	107,336
		2,711,962	2,565,063

	Note	2005 Rupees	2004 Rupees
27. FINANCIAL CHARGES			
Mark up on :			
Long term loans		34,618,065	18,601,525
Short term loans		4,387,945	17,296,932
Sponsors' loans		24,043,366	18,257,308
Borrowing from GCL		120,941	-
Bank charges		2,290,691	2,189,989
Interest on provident fund		1,980,966	2,314,321
Interest on W.P.P. Fund		904,310	904,310
		68,346,284	59,564,385
28. OTHER INCOME/(CHARGES)			
Sale of scrap		1,742,924	4,415,588
Miscellaneous		43,008	61,542
Exchange Fluctuation		(12,207,755)	(32,217,056)
Gain on disposal of fixed assets		-	399,200
Unclaimed balances written back		4,837,046	-
Income on COIs		8,387,696	5,595,835
		2,802,919	(21,744,891)
29. TAXATION			
Current			
The income tax assessments of the Company have been finalized upto tax year 2004. The assessed tax losses available for carry forward is Rs.1,140,159,626 (2004: Rs.740,669,055) upto the tax year 2004.			
The Company has preferred appeals for assessment year 1997-98, 1998-99 and 2002-2003 before the Income Tax Appellate Tribunal on the issue of disallowance of expenses of profit and loss account.			
Deferred			
Deferred tax liability on temporary differences as at June 30, 2005 has been duly provided and disclosed at Note 8.			
30. EXTRAORDINARY ITEM			
Economic Affair Division		-	48,475,575*
Habib Bank Limited		-	44,914,373
Lease liabilities	7.4	18,862,853	65,306,845
		18,862,853	158,696,793
31. EARNING/(LOSS) PER SHARE - BASIC			
Profit before extra ordinary items		56,825,918	(112,827,876)
Number of ordinary shares during the year		67,839,980	42,089,717
Earning / (Loss) per share after taxation (Rupees)		0.84	(2.68)
Profit after extra ordinary items		75,688,771	45,868,917
Number of ordinary shares during the year		67,839,980	42,089,717
Earning per share after taxation (Rupees)		1.12	1.09

	2005 Rupees	2004 Rupees
32. TRANSACTIONS WITH ASSOCIATED COMPANY		
Expenses paid by GCL	686,482	10,612,792
Expenses paid on behalf of GCL	1,763,160	11,119,108
Mark up	120,141	-
Inventories transferred	6,754,610	9,342,324
Inventories received	43,393,607	83,292,544

33. FINANCIAL INSTRUMENTS

33.1 Financial assets and Liabilities

Interest Bearing				Non Interest Bearing			Total
One month to one year	One year & onward	Sub Total	One month to one year	One year & onward	Sub Total		
(R u p e e s)							
Financial Assets							
Long term loans and deposit	-	-	-	282,153	11,538,605	11,820,758	11,820,758
Trade debtors	-	-	-	2,168,120	-	2,168,120	2,168,120
Advances, deposits, prepayments and other receivables	-	-	-	16,672,378	-	16,672,378	16,672,378
Cash and bank	4,342,796	-	4,342,796	3,684,899	-	3,684,899	8,027,695
2005	4,342,796	-	4,342,796	22,807,550	11,538,605	34,346,155	38,688,951
2004	5,201,099	-	5,201,099	29,193,066	11,673,923	40,866,989	46,068,088
Financial liabilities							
Sponsors and associates loans	-	493,570,925	493,570,925	-	123,204,002	123,204,002	616,774,927
Long term loans and liabilities	89,765,333	305,923,126	395,688,459	6,000,000	134,347,407	140,347,407	536,035,866
Liabilities against assets subject to finance lease	6,442,111	8,419,262	14,861,373	-	-	-	14,861,373
Long term advances and deposits	-	-	-	-	6,928,771	6,928,771	6,928,771
Short term borrowings	50,007,680	-	50,007,680	27,212,239	-	27,212,239	77,219,919
Creditors, accrued and other liabilities	39,595,943	-	39,595,943	274,205,654	-	274,205,654	313,801,597
Gratuity payable to trustees	-	-	-	17,021,617	70,000,000	87,021,617	87,021,617
Unclaimed dividend	-	-	-	782,699	-	782,699	782,699
2005	185,811,067	807,913,313	993,724,380	325,222,209	334,480,180	659,702,387	1,653,426,769
2004	176,922,878	861,445,095	1,038,367,973	348,209,476	243,293,777	591,503,253	1,629,871,226
2005	(177,185,048)	(800,648,226)	(977,833,274)	(433,294,211)	(253,016,331)	(686,310,542)	(1,664,143,816)
2004	(171,721,779)	(861,445,095)	(1,033,166,874)	(319,016,410)	(231,619,854)	(550,636,264)	(1,583,803,138)

Effective rates of mark-up for financial assets and liabilities are as follows:-

	Rate of interest	
	2005	2004
Sponsors and associates loans	1% + six months Libor to 6%	1% + six months Libor to 6%
Long term loans and liabilities	4% to 14% p.a. KIBOR to 10%	3.5% to 14% p.a. -
Lease finances	8% to 18% p.a.	8% to 18% p.a.
Short term borrowings	10% p.a.	14% p.a.
Creditors, accrued and other liabilities	6% to 12% p.a.	6% to 8.5% p.a.

33.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivable and payable exist due to transactions with foreign undertakings. Financial liabilities includes Rs.493.570 million (2004:Rs.435.051 million) exposed foreign currency risk and are not covered through any forward foreign exchange contracts or hedging.

33.3 Concentration of Credit Risk

Concentration of credit risk represents the accounting loss that would be recognised as the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 38.689 million (2004:Rs.46.068 million), the financial assets which are subject to credit risk aggregated to Rs.30.661 million (2004:Rs.25.981 million).

33.4 Fair Value of Financial Assets and Liabilities

The carrying value of all financial instruments reflected in the financial statements approximate their fair values.

33.5 Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Company usually borrows funds at fixed and market based rates and as such the risk is minimised.

33.6 Liquidity Risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2005			2004		
	Chief Executives	Directors	Executives	Chief Executive	Directors	Executives
(Rupees)						
Managerial remuneration	680,422	1,165,510	-	711,750	984,945	-
House Rent	306,191	544,951	-	318,039	444,684	-
Utilities	39,427	205,047	-	54,000	-	-
Provident fund contribution	-	53,325	-	-	-	-
Leave fare assistance	-	-	-	-	-	-
Others	-	847,833	-	-	589,557	-
	1,026,040	2,816,666	-	1,083,789	2,019,186	-
Number of persons	2	2	-	2	3	-

There is no Executive for the year due to the revision in the definition of Executive as contained in Fourth Schedule to the Companies Ordinance 1984, which was substituted by the Securities and Exchange Commission of Pakistan vide S.R.O 589 (1) 2004 dated 05 July 2004.

At any one time only one Chief Executive and two paid directors functioned for the company.

The Chief Executive and a director are entitled to free use of Company's vehicle.

35. NON ADJUSTING EVENTS AFTER BALANCE SHEET

The Board of Directors in their meeting held on October 04, 2005 have proposed a cash dividend of 5%, for the year ended June 30, 2005. However, the Sponsoring Directors have waived their right to receive dividend. These financial statements do not reflect this dividend payable, as explain in note 2.18.

	2005 M. Tones	2004 M. Tones
36. PLANT CAPACITY AND ACTUAL PRODUCTION		
Ordinary portland cement		
Plant capacity (Cement)	504,000	504,000
Actual production	367,489	295,414

Shortfall in production is mainly due to market constraints and plant stoppages for repair.

37. NUMBER OF EMPLOYEES

Total number of employees including contractor's employees as at June 30, 2005 were 860 (2004: 866).

38. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 4, 2005 by the Board of Directors of the Company.

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

These Financial Statements have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not in Pakistan for the time being.



A. SHOEB PIRACHA

Director



ABDUR RAFIQUE KHAN

Director